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Investor briefing:

Investec's climate action shareholder resolution receives 99.9% support

August 2021

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With support from Just Share, and ahead of its 5 August AGM, Investec tabled the most significant climate change shareholder resolution for a JSE-listed company to date.

Rather than asking shareholders to vote on the bank's climate risk-related disclosure, Investec's resolution explicitly requires the company to take action to address its "financed emissions", or the greenhouse gas (GHG) emissions associated with its lending and investment portfolio.

Investec's resolution asked shareholders to "authorise and direct the Investec group and its directors to commit to disclose:

- A baseline of the Investec Group's scope 3 financed emissions;
- Its strategy to reduce scope 3 emissions; and
- Its short, medium and long term targets to reach net-zero emissions and align with the Paris goals, based on a geographic approach that is guided by (but not limited to) the net-zero trajectories of our two core jurisdictions, being South Africa and the UK".

The resolution is the first in South Africa explicitly to require alignment with the goals of the Paris Agreement. While the resolution took the form of a non-binding advisory vote, the fact that it received 99.97% of shareholder support demonstrates how important this information is for shareholders.

The emissions, strategy and targets will be reported for the financial year ending 31 March 2022.

South Africa's big banks have significantly improved their climate risk disclosure in the past two years, but the pace and scale of action is still far from what is needed to support rapid decarbonisation, and a just transition to a low-carbon, inclusive economy, in line with the goals of the Paris Agreement.

Nedbank is the only major South African bank so far to have set short-, medium-, and long-term targets for reducing its exposure to fossil fuels.

Nedbank's energy policy commits to the bank having "zero exposure to all activities related to fossil fuels [except when required to back up renewable power] by 2045".

Standard Bank has committed to publishing, in 2022, a climate strategy, and short-, medium-, and long-term targets to reduce its exposure to fossil fuel assets on a timeline aligned with the goals of the Paris Agreement.

By contrast, Investec's resolution requires the setting of targets not only for its fossil fuel exposure, but for the GHG emissions associated with its entire lending and investment portfolio.

On Monday, the United Nations' Intergovernmental Panel on Climate Change (IPCC) published the first part of its sixth assessment report, summarising the "physical science basis" for climate change. Relying on more than 14,000 peer-reviewed studies, the report confirms that human influence has warmed the climate at a rate that is unprecedented in at least the last 2000 years.

The report provides new estimates of the chances of crossing the global warming level of 1.5°C ("more likely than not" by 2040, even in low emission scenarios), and finds that unless there are immediate, rapid and large-scale reductions in GHGs, even limiting warming to 2°C will be beyond reach.

Failure to take sufficiently-meaningful climate action in the past, means that we no longer have the luxury of spending decades taking small steps to address the climate crisis. All major companies should be setting climate science-based strategies and GHG emission reduction targets, linking a large proportion of executive remuneration to their achievement, and reporting annually on their progress.

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