Briefing

December 2024

AGM round-up FirstRand Limited

Just Share

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1. Introduction

Date of AGM:	29 November 2024
Chair of the Board:	Johan Burger
Type of AGM:	Hybrid AGM conducted by ComputerShare[1]
AGM duration:	1 hour

Useful links:

- Notice of AGM
- Proxy form 2024 (page 17)
- Results of 2024 AGM
- December 2023 AGM minutes not publicly available

2. Key takeaways

- *FirstRand fails to commit to transparency on its horizontal pay gaps.*
- *FirstRand maintains its commitment to ambitious employment equity targets.*
- *FirstRand conducted a well-run and paced AGM.*

3. AGM governance and best practice

FirstRand Limited (FirstRand) opted to again conduct a hybrid AGM, which aligns with best practice, making provision for both in-person and online shareholder attendance.[2] Non-shareholders were also able to attend the meeting, albeit not permitted to ask questions. Johan Burger (Burger), board chairman, facilitated a well-run and appropriately paced AGM, besides some technical difficulties with the platform dropping connection.

4. Q&A sessions

Shareholders attending online were able to submit written questions via the ComputerShare platform or use the telephonic dial-in option and ask their question(s) verbally. Written questions were read out in full. The Q&A was split into two parts, questions relating to the resolutions were dealt with first and in specific order: in-the-room questions, followed by dial-in questions and lastly, written questions submitted via the platform were read out. After the chair read out all resolutions, he opened the Q&A to general questions, again taking questions in sequence.

[1] www.computershare.com
[2] https://justshare.org.za/media/news/climate-change/just-share-publishes-agm-best-practice-guide/; https://justshare.org.za/media/news/sa-companies-virtual-agm-arrangements-risk-non-compliance-with-companies-act/; https://www.cipc.co.za/wp-content/uploads/2023/04/NON-BINDING-LEGAL-OPINION-AGMs.pdf

5. Just Share's questions

5.1. Chairman's independence

Just Share asked the lead non-executive director to explain to shareholders on what basis Burger had been reclassified as an independent non-executive director, from non-executive director. Sibusiso Sibisi (Sibisi), lead independent non-executive director gave a prepared response noting the company's compliance with the South African Reserve Bank Prudential Authority's Directive 4 of 2018,[3] which addresses the promotion of sound corporate governance, particularly concerning the appointment of directors and executive officers within financial institutions.

Sibisi stated that "on the 1st of July 2023, Burger met the requirement for independent non-executive director", based on him "no longer falling foul to any of the criteria which would exclude independence".

Sibisi said "in terms of paragraph 8.1.2.8 of Directive 4, Burger's tenure as an independent non-executive director, commenced on 1 July 2023, which FirstRand believes is in keeping with legislation". He noted that "Burger is not a substantial shareholder as per Directive 4 and is in compliance with the requirement of King IV, the group's mechanisms for evaluating directors' independence - including the declaration of interest and personal and financial interest and board evaluation process - confirm that there are no relationships or circumstances which are likely to affect or could appear to affect Burger's independence".

Just Share does not question Mr Burger's individual qualifications or integrity, but rather the process by which a person is deemed independent who has been an executive director of the company since 1986 until his retirement in 2018 (as chief executive officer), and his immediate appointment to the board as a non-executive director without a "cooling off period".

5.2. Timing of the publication of company reports

Just Share raised a concern regarding the late timing of some of FirstRand's key reports. Its climate strategies report was released two weeks before the AGM, while its report to society will only be released in mid-December.

FirstRand prepares its own reports which are succinct and useful, but the timing of their release leaves little time for shareholders to engage with them before the AGM. Just Share asked whether future reports could be released earlier. However, this feedback and request was not responded to.

5.3. FirstRand fails to commit to transparency on horizontal pay gaps

FirstRand's remuneration report states that *"regular reports on the management of horizontal pay gaps are provided to both Remco and the social, ethics and transformation committee."* However, when asked to clarify the current horizontal pay gap figures and whether these would be disclosed in the next annual report, Louis von Zeuner chair of the remuneration committee failed to provide the

[3] https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-deposit-takers/banks-directives/2018/8825/Directive-4-of-2018.pdf

requested figures or commit to future disclosure. Instead, he redirected the discussion to compliance with existing legislation.

Von Zeuner indicated that the matter would be referred to the remuneration committee for deliberation, stating that the committee would evaluate whether disclosing horizontal pay gaps would enhance the quality of the remuneration report.

When challenged by another shareholder on the lack of a firm commitment from FirstRand on this issue, von Zeuner emphasised that the group complies with all current reporting requirements and would continue to do so once new regulations, such as the Companies Amendment Act, are promulgated.

5.4. Outsourcing of lowest paid workers

Just Share commended FirstRand for the disclosure of its annual minimum pay for banking and non-banking roles, including drivers and catering staff, following an earlier discussion in the 2023 AGM. We sought further clarity on whether all workers at FirstRand are insourced and if not, what proportion of roles are outsourced, along with measures to ensure that outsourced workers receive fair pay and benefits.

In response, von Zeuner emphasised FirstRand's commitment to ensuring fair remuneration for both banking and non-banking roles, highlighting the importance of providing certainty for employees in positions that are often outsourced by other companies.

He acknowledged the use of IT contractors as part of its outsourcing practices but did not provide a straightforward answer regarding the proportion of outsourced roles, and said he was unable to offer specific percentages of outsourced roles at the time. He undertook to provide detailed information to us after the AGM.

5.5. FirstRand maintains its commitment to ambitious employment equity targets

In its 2024 Transformation and Employment Equity Report, FirstRand states that *"until the promulgation of the amended Employment Equity Act, FirstRand continues to track its annual targets."*

Responding to Just Share's query whether the group would lower its targets to align with the sectoral guidelines once the Act is promulgated, FirstRand affirmed its commitment to its current employment equity (EE) targets, which exceed the proposed financial sector baselines.

Shireen Naidoo, chair of the social, ethics and transformation committee highlighted that FirstRand is closely tracking its existing targets, meeting all but one as outlined in its latest transformation report.

She emphasised that the board takes these targets "extremely seriously" and expressed doubt that the group would backtrack on its ambitious commitments.

5.6. Climate-related questions prepared by Just Share

The questions Just Share did not get a chance to ask regarding FirstRand's climate disclosures are below. We will engage with FirstRand separately on these and other concerns.

Overarching climate strategy

FirstRand's climate report clearly recognises the potential growth and opportunities in the just energy transition. However, the group does not appear at all focussed on the decarbonisation aspect of the transition.

It has published new "decarbonisation" targets, for example, which are expressed as intensity rather than absolute reduction targets even for 2030, and they do not cover the underlying scope 3 emissions of the investee companies/projects. Even with these limitations, the targets still lack ambition. For instance, the decarbonisation targets aim to reduce upstream oil and gas from 2.5% of total loans and advances in 2024 to 2% in 2030.

FirstRand's approach to climate risk appears to have stalled: focussing on increasing renewables, which is important, but ignoring the need to also reduce fossil fuels. This raises questions as to whether anything has changed within the bank's strategy, or if serious, science-aligned decarbonisation targets and strategies, separate from increasing renewables, are in its plans.

Disparity between sustainable and transition finance and other financing

When measuring and disclosing its sustainable and transition finance, FirstRand includes "transaction underwriting, arranging, lending and advisory", meaning the full range of the bank's involvement in the projects.

By contrast, when measuring and disclosing its exposure to fossil fuels (and other high-risk categories), it only includes lending and advances.

This creates a misleading impression of the extent of your sustainable and transition finance, and fossil fuel exposure. The bank should be including transaction underwriting, arranging and advisory exposure in its exposure to fossil fuels.

6. Questions asked by other shareholders

The board and management faced a number of questions from shareholders attending in-person and online. The questions asked related to:

- Implications of the Financial Conduct Authority's (FCA) investigation[4] and how the board plans to strengthen internal controls and governance oversight to prevent similar future issues.
- Ensuring the board and subcommittee members, particularly those overseeing climate risks, have the necessary expertise to address complex environmental, social and governance (ESG) challenges, such as those posed by climate change and decarbonisation strategies.
- Remuneration policy and the increase in both short-term and long-term incentives despite the company's performance and considering the impact of the FCA matter.
- Future board appointments and training to ensure new and specialised knowledge is brought to the board to help navigate emerging risks.
- The disclosure of pay ratios and gender pay gaps.
- Financed emissions pricing and Net-Zero commitment.
- Possible amendments to the company's memorandum of incorporation.

7. AGM results

All resolutions tabled at the 2024 AGM passed with the required support from shareholders.

8. Resources

8.1. Just Share

- **Report:** How cool is your bank?, October 2024.
- **AGM Guide:** Best practices for South African annual general meetings, November 2024.
- **Op-ed:** Why wage inequality matters, and what can be done about it, November 2024.
- **Briefing:** Women in leadership: Assessing gender equality in the JSE Top 40, October 2024.
- **Op-ed**: Why sectoral equity targets are needed to transform labour market, July 2024.
- **Briefing:** Vertical pay gaps at JSE-listed companies, June 2023.
- **Op-ed:** AGMs should also be free and fair, June 2024.

8.2. Other

- **CIPC Guideline 1 of 2024:** Guideline for annual general meetings conducted electronically, October 2024.
- **CIPC legal opinion on virtual AGMs:** Non-binding legal opinion in terms of section 188 (2)(b)(i) of the Companies Act 71 of 2008 (as amended), April 2023.

End

[4] https://www.businesslive.co.za/bd/companies/financial-services/2024-06-28-firstrand-raises-provision-over-uk-vehicle-finance-probe/ and https://www.businesslive.co.za/bd/companies/financial-services/2024-10-27-blow-for-firstrand-in-uk-motor-finance-probe/