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Ms Robyn Hugo  
Director: Climate Change Engagement  
Just Share

**BY ELECTRONIC MAIL:** [rhugo@justshare.org.za](mailto:rhugo@justshare.org.za)

30 October 2020

Dear Ms Hugo

## **SHAREHOLDERS' RESOLUTIONS FOR TABLING AT SASOL'S 2020 ANNUAL GENERAL MEETING**

We refer to your letter dated 19 October 2020, as well as your e-mail of 21 October 2020, relating to the tabling of shareholders' resolutions proposed by Just Share NPC and The Raith Foundation in terms of section 65(3) of the Companies Act 71 of 2008 (the Act) at the annual general meeting (AGM) of Sasol Limited (Sasol) to be held on 20 November 2020. The three shareholder resolutions relate to the alignment of Sasol's global strategy and greenhouse gas (GHG) emission reduction targets with the Paris Agreement and goals and incentivising the achievement thereof at executive level (the GHG resolutions). We deal with your request in three parts, namely the authority of shareholders to adopt the proposed GHG resolutions, alignment between Sasol's climate change strategy and the Paris Agreement and goals, and timeliness thereof.

### **Shareholders' authority in respect of the GHG resolutions**

The legal position in South Africa regarding the capacity of shareholders to propose binding resolutions has not changed since we last engaged with you on this topic in 2018.

Under the common law, shareholders cannot usurp the authority of the directors or interfere in the management of a company. This principle has been confirmed in many cases in South Africa and has been strengthened by the provisions of section 66(1) of the Act which unequivocally place the business and affairs of a company under direction of the directors, except to the extent that the Act or the company's memorandum of incorporation (MOI) provides otherwise.

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Directors: SA Nkosi (Chairman) FR Grobler (President and Chief Executive Officer) C Beggs MJ Cuambe (Mozambican) MBN Dube M Flöel (German)  
KC Harper (American) VD Kahla (Executive) GMB Kennealy NNA Matyumza ZM Mkhize MEK Nkeli PJ Robertson (British and American) P Victor  
(Chief Financial Officer) S Westwell (British)

Company Secretary: MML Mokoka

In a statement that appears to both appreciate the import of the common law and the Act and, at the same time, contradict the very resolutions you are requiring the Company to place before its shareholders for a vote, you indicate that: **“Nothing in these resolutions shall limit the Company’s powers to set and vary its strategy, or associated targets or metrics, or to take any action which it, in good faith, believes would best promote the long-term success of the Company.”** This is simply irreconcilable with what the resolutions demand of the Company and yet, rightly, appreciates that the issues you seek be placed before shareholders require the proper exercise of business judgment by management and directors as bearers of fiduciary obligations to the Company.

GHG resolutions 1 and 2 take away the discretion of the Sasol board of directors (Board) to act in the best interests of the Company in relation to the commitment to the Paris Agreement and goals and the reduction of emissions now or in the future, hence cannot be proposed to shareholders in their current form. These resolutions seek to micromanage the Company by seeking to impose specific methods for implementing complex policies in place of the ongoing judgements of management as overseen by the directors.

This resolution removes the Board’s power to determine how the appropriate remuneration for executives should be determined, subject to the non-binding advisory votes on the remuneration policy and the implementation thereof.

The two non-binding advisory votes required by the King IV Code provide shareholders with the opportunity to engage with a company on the remuneration policy and implementation thereof, should either resolution achieve less than 75% support. You may have seen that Sasol invited shareholders to engage with management and the chairman of its Remuneration Committee on its remuneration policy, and the outcome of those engagements have been included in the Company’s 2020 Remuneration Report.

Section 65(3) of the Act clearly states that shareholders may propose a resolution concerning any matter **in respect of which they are entitled to exercise voting rights**. Neither the Act, nor Sasol’s MOI, nor the JSE Listings Requirements, nor the King IV Code entitle shareholders to vote on the specific subject matter of the GHG resolutions.

### **Sasol’s climate change strategy and associated GHG emission targets**

Recognising that climate change is a critical issue, we have updated our strategy with climate action at its heart. We remain resolute in our commitment to advance our climate change plans towards a lower carbon transition, which are central to the Future Sasol.

We note your view that Sasol’s 2030 reduction target is not aligned with the Paris Agreement and goals and submit that this cannot be the case since the intent of the Paris Agreement is not to impose direct obligations on emitters in this regard. The Paris Agreement and goals are to be achieved at a global level through individual country actions (and by default company actions within those countries based on policy and legislation to effect this), to determine each country’s fair contribution to achieve this collective and global goal. It is our view that our target and the associated roadmap are aligned with the principles of the Paris Agreement that provide for such to be appropriate for the specific conditions of each of the countries as parties to the agreement. Our 2030

GHG emission-reduction target of at least a 10% reduction off our 2017 baseline is based on climate science, national targets, probability of success of potential reduction opportunities, associated risks, economic viability and balance sheet capability to finance these activities.

The target is aligned with South Africa's target based on the Peak, Plateau and Decline trajectory, whilst also considering available energy alternatives and prevailing-socio-economic factors. Furthermore, the Paris Agreement and goals are factored into our scenario analysis where we undertook robustness testing against various temperature goals.

As you are aware, we have already publicly committed to deliver our 2050 roadmap and associated reduction target (scope 1 and 2) for our South African operations next year. We need this time to complete the analytical work already underway towards this end. We also committed to accelerate the process to identify further mitigation opportunities for our international Chemicals business once work on the 2050 South African operations long-term ambition and roadmap has been released. With regards to scope 3 targets, we are doing the necessary work on this and intend to provide further details next year as well.

With regards to our climate change-related targets in both our short-term incentive (STI) and long-term incentive (LTI) plans, we have committed to an increased weighting in 2021. In addition, the intention is, as we formalise our capital allocation and roadmap for 2050, to include more granular climate change targets in our 2022 STI and LTI plans. We received input from our investors requesting longer term climate change targets, such as a financial hybrid intensity metric, including scope 3 emissions, to be incentivised, which we are exploring for potential future application against our 2050 ambition and roadmap.

Our disclosures in our 2020 Climate Change Report (CCR) are aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures which require organisations to disclose "Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks".

We distinguish clearly between scope 1, 2 and 3 emissions and do not under-report our total carbon footprint as you would seem to suggest. It is not appropriate or scientifically defensible in our view to add these emissions together.

As you are well aware, reporting on scope 1 and 2 emissions is mandatory and these emissions (with the exception of indirect scope 2 emissions) are calculated according to the Technical Guidelines for Calculating GHG emissions. Reporting on scope 3 emissions as part of a corporate value chain, on the other hand, is voluntary and the ability to ensure accuracy is greatly impacted by the fact that these emissions are not in a company's direct control, with significant assumptions made regarding how these emissions are generated. Even though global best practice in reporting scope 3 emissions is followed i.e. GHG Accounting Protocol for Scope 3, the methodologies, global warming factors and emission factors do not align with the way our scope 1 and 2 emissions are calculated.

### **Timeliness of request**

The Board is duty bound to properly consider a resolution before it presents it to the Company's shareholders. To this end, the directors must be provided with all relevant

information in advance of a Board meeting to apply their minds, and thereafter consider whether the resolution should be tabled at the general meeting.

While many shareholders receive their communication from Sasol by electronic means, Sasol's printers had to print 143 000 copies of the 32-page 2020 notice of AGM and insert these in envelopes for shareholders who still receive their documents by post. This process takes 5-7 business days.

Section 62(1)(a) of the Act, which provides that the notice of AGM must be delivered at least 15 business days before the meeting is to begin, must, as we have previously indicated, be read with Regulation 7 and Table CR3 under the Act which deals with the delivery of documents. In terms of Table CR3, a document is deemed to be delivered on the 7<sup>th</sup> day following the day on which the document was posted, unless there is conclusive evidence that it was delivered on a different day. This equates to approximately 4 weeks' notice.

In summary, a shareholder resolution needs to be presented to Sasol at least 6 weeks before the date of the meeting to ensure that it can be included in the notice of AGM. Your request was received 23 business days before the meeting, which did not take account of the time required for the Board to consider the resolution, or of the time required for typesetting, printing and deemed delivery.

As indicated in our letter of 21 October 2020, following discussions that were held in 2017 with your representatives, in 2018 you took account of these administrative processes set out in the applicable regulatory regime, and allowed for a process involving the Board's consideration. It is unfortunate that, for reasons that are not easy to discern, you have elected to do exactly what you know presented difficulties in 2017.

### **Conclusion:**

Apart from the resolutions not being able to be considered at the AGM for the timing issues referred to above, we hold the view that there is no legal basis for these and, further, that they are not necessary. This is so, having regard to the fact that Sasol's existing commitments and approach are well known to, or easy to ascertain by, the proposers of these resolutions, as we have consistently availed ourselves for engagements with yourselves.

Our 2020 CCR report represents a considerable step forward for the Company in terms of expanding our disclosure on climate change and expressly addresses what Sasol considers to be our accountabilities. As you are aware, we have arrived at this point through an appreciation of our obligation to address our climate change challenge and our commitment to embracing properly considered inputs from our stakeholders over the past year.

Since the publication of our first CCR in 2019, Sasol has increased its stakeholder engagement and communication. We undertook extensive engagement across the spectrum of our numerous and diverse stakeholders and received constructive feedback. Stakeholders expressed their interest in more comprehensive disclosure of information regarding our 2030 roadmap, some are pushing for greater reductions by 2030, and others have also recognised the importance of the steps we have already taken. These

engagements informed our holistic climate change management approach and specifically assisted in our roadmap development process.

We intend continuing our engagement with various stakeholders over the coming year to inform our 2050 ambition and roadmap process. We are committed to maintaining this level of engagement and transparency, since we believe it is an effective mechanism in helping us understand shareholder concerns and expectations so that we can make informed decisions regarding our climate change governance, reporting and disclosures.

Kind regards

A handwritten signature in black ink, appearing to read 'M M L MOKOKA', with a long, sweeping underline stroke extending to the right.

**M M L MOKOKA**  
**COMPANY SECRETARY: SASOL LIMITED**