

Institutional investors call for strengthening of Sasol's climate plan

5 November 2019, Cape Town: In a first for South Africa, six of the country's institutional investors, acting on behalf of their clients, co-filed a shareholder resolution for the upcoming Sasol AGM seeking greater transparency from the company on how its long-term greenhouse gas emission reduction strategy and executive rewards align with the Paris Climate Agreement.

Submitted to the Sasol board on 21 October 2019 for voting at the Sasol AGM on 27 November, the tabling of the resolution was, however, rejected by the company on the basis that the matters raised in the resolution "have been addressed and there is no longer any necessity to consider the legality of those resolutions for the upcoming AGM".

The resolution itself comprises three separate elements, which, if tabled and passed at the AGM, would have required Sasol to:

- (1) Publish in its annual reports – as appropriate – for the year ending 2020 and on an annual basis thereafter, short-, medium- and long-term company-wide quantitative greenhouse gas targets (Scopes 1 and 2) aligned with the goals of Articles 2.1(a) and 4.1 of the Paris Agreement. These targets are to be linked to executive remuneration on both a short- and long-term basis.
- (2) Publish in its annual reports – as appropriate – for the year ending 2020 and on an annual basis thereafter, its Scope 3 greenhouse gas emissions, including the emissions associated with the end use of Sasol's energy products.
- (3) Include, for the year ending 2022 and on an annual basis thereafter, the Scope 3 emissions in Sasol's greenhouse gas emissions targets.

Speaking on behalf of the institutional investors that co-filed the climate risk resolutions, Jon Duncan, Head of Responsible Investment at Old Mutual Investment Group, highlighted that Sasol is both a major greenhouse gas emitter, tax payer, employer and provider of liquid fuels, and hence its strategic response to climate risk is material to investors, citizens, employees and affected communities. He also welcomed the fact that Sasol recognises the materiality of climate risk, is making progress on reducing its emissions and is progressively enhancing its disclosures. "In its latest climate change report, we note that Sasol has

committed to reduce the absolute GHG emissions from its South African operations by at least 10% by 2030, off a 2017 baseline. We commend Sasol for reporting its Scope 3 emissions from its end product users, reported at 32 Million Tons of CO², and for agreeing to release an 'emission reduction roadmap' by November 2020," he says.

However, while Duncan acknowledges that Sasol and the institutional investors are directionally aligned in respect of the tabled resolutions, he and the investor group believe that the current disclosures should go further. "Specifically, our concern is that Sasol has not made clear whether the types of disclosures that will be made in the November 2020 roadmap will be aligned to the Paris Climate Agreement, nor how they will be linked to short- and long-term executive remuneration. Our view is that a vote on these issues would have allowed Sasol to test shareholder appetite for such disclosures, and if passed, would have provided clarity on parameters for future climate disclosures.

"Currently, Sasol's response on the matter presents some critical questions around the extent to which a company has the discretion to reject a shareholder resolution, both in terms of the Companies Act and the JSE Listing Requirements. This has a bearing on the extent to which shareholder resolutions can be used to enable better governance on material environmental and social issues," he adds.

Duncan indicated that the investor group is planning further engagements with the Sasol Board on the company's environmental disclosures in the coming months.

The institutional investors that support the co-filing of the 2019 AGM resolution include:

1. Old Mutual Investment Group
2. Sanlam Investment Managers
3. ABAX
4. Coronation
5. AEON Investment Management
6. Mergence Investment Managers

ENDS

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