Investor briefing:

Shareholders call on Sasol to set Paris-aligned targets

JUST SHARE

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Earlier this week, Just Share NPC and the RAITH Foundation co-filed a shareholder resolution for consideration at Sasol's 20 November AGM. In terms of this resolution, the shareholders ask Sasol to include, in its annual reports from 2021 onwards:

- Its strategy to align its global operations with the goals set out in the Paris Agreement ("the Paris Goals"); in particular, transition plans which are consistent with the Paris Goal of "*holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels*";

- Short, medium and long-term Scope 1, 2 and 3 greenhouse gas (GHG) emission reduction targets for Sasol's global operations, and how these targets are aligned with the Paris Goals; and

- How executive remuneration will incentivise achievement of the company's Paris-aligned transition strategy and GHG emission reduction targets.

Sasol has published two climate change reports, in June 2019 and June 2020, which have expanded the company's disclosure on climate risk. These reports set out Sasol's target of achieving a 10% reduction in GHG emissions (off a 2017 baseline) by 2030.

However, despite stating that it supports the Paris Agreement, the company's emission reduction target:

- is not aligned with the Paris Goals;
- is only applicable to South African operations;
- does not address Scope 3 emissions; and
- is not linked strongly enough to executive remuneration to incentivise its achievement.

Sasol has also indicated that it will, in 2021, communicate its "2050 reduction ambition and roadmap". However, the company has made no commitment that this will be aligned with the Paris Goals.

The purpose of shareholder resolutions such as these, which call for alignment with the Paris Agreement and which are annually tabled at fossil fuel companies around the world, is to ensure that these companies understand the urgency with which they must act if we are to achieve the Paris Goals and prevent the most severe impacts of climate change.

The United Nations Environment Programme's *Emissions Gap Report 2019* warns that we must reduce global GHG emissions by 7.6% each year between 2020 and 2030, or the 1.5°C goal will be out of reach. Sasol's current targets do not reflect this urgency, and for as long as it refuses to allow shareholders to vote on this issue, it will be able to dictate the pace and scale of its transition without regard to the science-based targets which are essential to avoid catastrophic climate change.

To date, Sasol has refused to table shareholder resolutions relating to climate change, but Just Share and the RAITH Foundation are hopeful that the company will adopt a different approach under the leadership of Fleetwood Grobler, who took over as Sasol's CEO in November 2019.

It is in the long-term interests of fossil fuel companies like Sasol – and of its shareholders and society at large – that Sasol aligns its business strategy with the Paris Goals, and allocates capital towards the low-carbon transition.

Usurping the power of the board?

Sasol's main reason for refusing to table previous climate change shareholder resolutions was apparently supported by a legal opinion, which it has declined to disclose, that shareholders do not have the right to file such resolutions. The company says that "full management control" in relation to climate change vests in Sasol's board and that tabling the shareholder resolutions at the AGM "would constitute a usurping of the powers of the Board by the shareholders".

Just Share and the RAITH Foundation dispute Sasol's interpretation of the Companies Act 71 of 2008. It is clear that the six institutional investors who co-filed a climate risk shareholder resolution at Sasol in 2019 (Old Mutual Investment Group, Sanlam Investment Managers, ABAX, Coronation, AEON Investment Management, and Mergence Investment Managers) also disagree with Sasol's interpretation.

Sasol's interpretation of the Companies Act is also not supported by five of South Africa's biggest banks, Standard Bank, Absa, FirstRand, Nedbank and Investec, all of which have tabled shareholder resolutions on climate risk in the past 18 months (although after tabling South Africa's first climate risk-related shareholder resolution in 2019, Standard Bank refused to table a follow-up resolution in 2020).

"Sasol's claim that shareholders have no right to table resolutions relating to climate change is contradicted by the fact that multiple such resolutions have been tabled in South Africa", says Just Share's director for climate change engagement, Robyn Hugo. "Those tabled at Absa, Nedbank and Investec received 99% of shareholder votes, demonstrating investors' overwhelming agreement that climate risk is a material financial risk which must be urgently addressed".

"Just Share and the RAITH Foundation call upon Sasol, under its new CEO, Fleetwood Grobler, to respond to investor concern about the impact of the climate crisis on the value of investments, and to allow shareholders to vote on this resolution at the 20 November AGM," Hugo concludes.

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