Investor briefing:

Climate Action 100+ benchmark exposes holes in Sasol's climate ambition claims

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- Climate Action 100+, the world's largest investor engagement initiative on climate change, yesterday issued its first "net zero company benchmark" of the world's biggest corporate emitters, including Sasol and Eskom.
- The benchmark shows unequivocally that, despite years of promises and commitments, the world's largest carbon emitters are failing to take the action required to avoid catastrophic climate change, and that the "soft engagement" approach of their investors is not delivering the results we need.
- The net zero company benchmark defines 9 key indicators of success for business alignment with a net zero emissions future, and with the goal of the Paris Agreement to keep global temperature increases to 1.5 degrees Celsius.
- **The benchmark finds that Sasol's current greenhouse gas (GHG) emission reduction target is not aligned with the goals of the Paris Agreement, contrary to Sasol's claims that it is.**
- Sasol does not fully comply with a single one of the 9 benchmark indicators. It does not meet **any** of the requirements for four indicators[1] and only meets **some** of the criteria in five of the benchmark's indicators[2].
- **Eskom does not meet any of the criteria in any of the benchmark's 9 key indicators and metrics.**

Net zero company benchmark

Climate Action 100+ (CA100+), launched in 2017, is a voluntary initiative of investors with $54 trillion of assets under management. Members commit to engaging with at least one of the initiative's 167 focus companies: these are companies of strategic importance to the world's transition to a low-carbon economy.

CA100+ has three main high-level goals: reducing GHG emissions, improving corporate governance on climate change, and strengthening climate-related financial disclosures. Engagement with each focus company is led by a "lead investor" or investors, and supported by collaborating investors.

The benchmark assessments show that, across the board, and despite three years of engagement, "no focus company assessed performed at a high-level across all of the nine key indicators and metrics that were used to evaluate each company" and "no company has fully disclosed how it will achieve its goals to become a net zero enterprise by 2050 or sooner".

The overall scores of the benchmark are very low. For example, only 25% of companies assessed have a "net zero by 2050 (or sooner)" ambition; only 9% have a decarbonisation strategy to meet their long and medium-term GHG reduction targets; not one has aligned its capital allocation with

[1] (1) Net-zero GHG emissions by 2050 (or sooner) ambition; (2) Long-term (2036-2050) GHG emission reduction target(s); (3) Decarbonisation strategy; (4) Capital allocation alignment.

[2] (1) Medium-term (2026-2035) GHG emission reduction target(s); (2) Short-term (up to 2025) GHG emission reduction target(s); (3) Climate policy engagement; (4) Climate Governance; (5) TCFD Disclosure.

GHG emission reduction targets; and only 1% meet all criteria in relation to "climate policy engagement" (i.e. corporate climate lobbying).

Sasol's targets are not aligned with the goals of the Paris Agreement

Sasol's current GHG emission reduction target, set in 2019, is to reduce its absolute GHG emissions (from SA operations only) by at least 10% by 2030, off a 2017 baseline of 63,9Mt carbon dioxide equivalent (CO_2e). (To illustrate the scale of Sasol's emissions: in 2019, Sweden emitted 42,77Mt CO_2e; Austria emitted 68,5Mt CO_2e; Israel emitted 64,17Mt CO_2e; and Kenya emitted 17,32Mt CO_2e.)

In a 30 October 2020 letter to Just Share, Sasol stated that "*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*."

South Africa's GHG emission reduction targets have been rated as "highly insufficient" in terms of meeting the goals of the Paris Agreement, and Just Share disputes Sasol's position that its targets only have to be aligned with national targets in order for them to be "Paris-aligned".

The findings of the CA100+ benchmark irrefutably support Just Share's position: Sasol does not have any long-term GHG reduction targets, and the benchmark findings are that Sasol's short- and medium-term targets (to 2030) are **not** "aligned with a trajectory to achieve the Paris Agreement goal of limiting global temperature increase to 1.5 degrees Celsius".

Failure of investor engagement

Even though **Coronation Fund Managers** and **Ninety One** are members of CA100+, neither has stepped up to be the "lead engager" with Sasol. Instead, this role has been left to two foreign asset managers (Fidelity International and Alliance Bernstein) with limited exposure to the company or to Sasol's local context.

When Just Share asked Coronation, in a letter sent earlier this year, why it was not the lead Sasol engager, given its stated commitment to climate action and its long history of dealing with the company, the fund manager told us that:

"*Whilst we agree that we have established a productive relationship with Sasol from an engagement perspective, it is, in our view, not conclusive that it is more appropriate for a South African manager to be the lead engager with Sasol, which is a global oil and chemicals business…We are comfortable that both Alliance Bernstein and Fidelity International are well placed to fulfil their role as lead engagers*".

Coronation's apparent rationale - that it is appropriate for foreign asset managers to be lead engagers because Sasol is a "global oil and chemicals business" - is weak, considering that Sasol's head office is in South Africa, and that almost all of its GHG emissions are from its South African operations.

As at 25 November 2020, when Just Share engaged with Alliance Bernstein and Fidelity International, these investors had only recently been able to secure their **first** meeting with Sasol, set to take place in the week of 30 November, almost three years after the launch of CA100+.

The fact that the lead investors for Sasol are not based in South Africa - or even in Africa - is clearly a limiting factor when it comes to effective engagement which results in meaningful climate action.

Crucial elements of a 2050 climate plan

Sasol says that it is “in the process of defining a 2050 reduction ambition and roadmap” which it will “communicate at Capital Markets Day in 2021”. It will also “allow shareholders a non-binding vote on its climate plans at its November 2021 AGM”.

The CA100+ benchmark findings make clear that it is not enough just to set a 2050 GHG emission reduction target. According to CA100+, the following are also crucial:

- Any 2050 plan must include a net-zero GHG emissions ambition statement that explicitly includes at least 95% of scope 1 and 2 emissions, and the most relevant scope 3 emissions.
- Long-term targets must be accompanied by robust short- and medium-term targets to achieve the 2050 ambition.
- Future capital expenditures must be aligned with long-term emission reduction targets.
- Boards and executives must improve climate change governance, and executive remuneration must be directly tied to emission reduction targets.
- Disclosures which claim to be aligned with the recommendations of the TCFD must use climate scenario planning that includes the 1.5-degree Celsius scenario, and encompasses the entire company.

If Sasol’s 2050 “ambition and roadmap” do not meet these criteria, shareholders should not support the company’s non-binding resolution in November.

The CA100+ benchmark shows that investors all over the globe must take a much stronger stance in their engagement with high-emitting companies. It is not sufficient to rely on weak disclosures and companies’ behind-closed-doors commitments to improve their climate ambition and action.

The benchmark findings show, in very stark terms, that it is time for all investors who claim to be committed to climate action - whether members of CA100+ or not - to raise the bar.

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