

EXXARO RESOURCES LIMITED
("EXXARO" or "the Company")

NON-BINDING ADVISORY RESOLUTION FILED BY EXXARO SHAREHOLDERS AEON INVESTMENT MANAGEMENT, FOSSIL FREE SOUTH AFRICA AND JUST SHARE NPC

Resolution wording

Shareholders of the Company request that, in accordance with the Global Standard on Responsible Climate Lobbying, the Board annually conduct an evaluation of and report to shareholders on the Company's lobbying and policy engagement activities including:

- *if, and how, its lobbying and policy engagement activities (both direct and indirect through industry associations, coalitions, alliances, and other organisations) align with the goals of the Paris Agreement to limit the rise of global temperatures to 1.5°C above pre-industrial levels;*
- *its framework for identifying and mitigating the risks presented by any misalignment; and*
- *the circumstances under which escalation strategies have been and will be used, including, but not limited to, making public statements challenging industry associations and other alliances, withdrawing funding, and suspending or ending membership of the industry association or alliance.*

In evaluating the degree of alignment, the Company should consider not only its policy positions and those of organisations of which it is a member, but also the lobbying and engagement activities aimed at influencing policy for the year in review.

Explanatory note to the resolution

Keeping the global average temperature rise to 1.5°C is essential to limit the worst impacts of global heating. This is only possible with immediate, rapid, and large-scale reductions in greenhouse gas (GHG) emissions.¹ In South Africa, like all of sub-Saharan Africa, the impacts of climate change will be disproportionately felt by poor and marginalised communities, exacerbating the country's already extreme poverty, inequality and unemployment.

Corporate lobbying² that is inconsistent with global climate goals presents regulatory, reputational and legal risks to companies and investors. It also presents systemic risks to the South African economy, as delays in implementation of the Paris Agreement increase the physical risks of climate change, exacerbate energy instability, and hinder South Africa's standing in the global economic community, impairing the country's access to transition financing and introducing uncertainty and volatility into investment portfolios.

¹ The Intergovernmental Panel on Climate Change (IPCC's) Sixth Assessment Report (Working Group I – the Physical Science Basis and the Synthesis Report).

² "The term 'corporate climate lobbying' refers to those activities carried out by corporations or their agents to directly or indirectly influence climate-significant policy decision-making by political or bureaucratic actors. Climate-significant policy refers to any environmental or non-environmental public policy with non-trivial implications – positive or negative – for realising the temperature goals of the Paris Agreement. Such lobbying – also commonly known as advocacy – can have a significant impact on the stringency and effectiveness of public climate policy. It is not only a matter of societal concern, but also an issue of material, financial, significance for corporations and their investors" - The Global Standard on Responsible Climate Lobbying, p 5.

Institutional investors across the globe have, therefore, clarified their expectations in relation to investee companies' engagement on climate policy, emphasising the importance of transparency and reporting on direct and indirect climate-related lobbying. The [2022 Global Standard on Responsible Climate Lobbying](#) sets out the need for companies to publish a detailed analysis of their policy positions and advocacy on climate change, and that of their industry associations, to ensure alignment with the 1.5°C goal of the Paris Agreement.

Additionally, the JSE has provided guidance for corporate disclosure on [climate change](#) and [sustainability](#). On lobbying activities, the guidance requires listed companies, among other things, to assess and report on the alignment of industry associations of which the company is a member with the objectives of the Paris Agreement and, more broadly, to identify the significant issues that are the focus of the company's participation in public policy development and lobbying, including within any of its industry associations.

InfluenceMap, an independent think tank producing analysis on how business and finance are impacting the climate crisis, describes Exxaro's climate policy engagement as "mixed",³ stating that, while the Company has expressed positive top-line positions on climate change and the energy transition, and also appears to support some forms of government intervention to address the issue, it has limited transparency on its engagement on specific climate-related policies.⁴

Of particular concern is Exxaro's membership of key industry associations which have lobbied, and continue to lobby government, in order to weaken and delay the implementation of key climate-related regulation and policies. These industry associations include the Minerals Council South Africa, the Industry Task Team on Climate Change (ITTCC), Business Unity South Africa (BUSA), the Energy Intensive Users Group (EIUG), Business Leadership South Africa (BLSA), and the Energy Council of South Africa, of which Exxaro is a founding member.

Although Exxaro has disclosed some of its industry association memberships, it has not produced a comprehensive report on or completed an audit of its industry associations' positions and engagement on climate change policy.

In South Africa, obstructive corporate climate policy engagement is delaying ambitious climate policy and putting the country's climate goals in jeopardy,⁵ presenting significant escalating risks to companies and investors. "Policy capture" (steering policymaking away from the public interest in favour of a specific interest group or individual)⁶ is particularly acute when there is limited transparency in the policy-making process.

Investors need clear information, through transparent disclosure, on how companies' direct and indirect policy advocacy efforts align with their own climate targets and with global climate goals.

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³ <https://influencemap.org/report/Climate-Policy-Engagement-in-South-Africa-20575>

⁴ <https://lobbymap.org/company/Exxaro-Resources-Ltd-3640e5c52a001a9cae3df82227144860/projectlink/Exxaro-Resources-Ltd-in-Climate-Change-824c27f9f119dd3f2b5929633b8b876f>

⁵ InfluenceMap, February 2023. Climate Policy Engagement in South Africa. Analysis of South African industry's advocacy on climate-related policy and the energy transition. <https://influencemap.org/report/Climate-Policy-Engagement-in-South-Africa-20575>

⁶ <https://www.oecd.org/gov/preventing-policy-capture-9789264065239-en.htm>