

Exxaro Resources Limited & Thungela Resources Limited 2022 climate-related disclosures



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1. Introduction

Coal mining companies Exxaro Resources Limited¹ and Thungela Resources Limited² released their climate-related disclosures on 18 April and 28 April 2023 respectively.

On 19 April, Just Share, Aeon investment Management, and Fossil Free South Africa filed advisory shareholder resolutions at both companies, asking them to report to shareholders, in accordance with the Global Standard on Responsible Climate Lobbying, on the alignment of their own lobbying and policy engagement activities, and those of the industry associations to which they belong, with the goals of the Paris Agreement. Exxaro and Thungela both refused to table the resolutions at their annual general meetings (AGMs).

Just Share attended the AGMs of both companies in May 2023, to ask questions, *inter alia*, about the coal companies' decarbonisation strategies. Although there has been some progress in relation to each company's target-setting since Just Share's 2022 briefings assessing the climate-related disclosures of Exxaro and Thungela, a year later it is still the case that neither company has a credible decarbonisation strategy nor science-based emission reduction targets.

This briefing sets out five key takeaways from Just Share's analysis of both companies' most recent climate-related disclosures, incorporating the responses to our questions at the AGMs where relevant.

Key messages

- Neither company has a climate science-aligned, credible strategy to achieve its 2050 target (net zero for Thungela and carbon neutrality for Exxaro).
- Both companies exclude scope 3 emissions³ from their shorter-term decarbonisation targets, and Exxaro excludes scope 3 emissions also from its 2050 target - even though scope 3 emissions constitute over 97% of each company's overall emissions.
- Neither Exxaro nor Thungela rules out future investment in coal - other than new greenfield coal operations - and both rely heavily on technologies which are currently prohibitively expensive and not viable at scale as part of their potential future decarbonisation strategies.
- Neither company provides sufficiently detailed or transparent disclosures on its climate-related lobbying activities or those of its industry associations.
- Exxaro and Thungela's commitment to transparency is undermined by the companies' refusals to table non-binding advisory shareholder resolutions.

¹ Exxaro 2022 [Integrated report](#); Exxaro 2022 [ESG report](#); Exxaro CDP 2022 [Climate change disclosure](#).

² Thungela 2022 [Integrated report](#); Thungela 2022 [Climate change report](#); Thungela 2022 [ESG report](#).

³ Scope 3 emissions: all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. "As Scope 3 emissions usually account for more than 70 percent of a business' carbon footprint, it is crucial that companies tackle Scope 3 emissions to meet the aims of the Paris Agreement and limit global warming to 1.5°C." [Scope 3 Emissions - \(unglobalcompact.org.uk\)](#)



In the absence of credible, accountable decarbonisation commitments, and climate action aligned with the Paris Agreement goal of limiting global warming to 1.5°C, Thungela and Exxaro can expect increased scrutiny and pressure relating to their transition plans.

2. Net zero pledges and decarbonisation strategies: what is credible and accountable?

The United Nations High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG) was established to “develop stronger and clearer standards for net-zero emissions pledges by non-State entities – including businesses, investors, cities, and regions – and speed up their implementation”.⁴

In its 2022 report *Integrity Matters: Net Zero commitments by Businesses, Financial Institutions, Cities and Regions*,⁵ HLEG sets out “a roadmap to prevent net zero being undermined by false claims, ambiguity and greenwash”. Using climate science and “best-in-class voluntary efforts”, the HLEG report “creates a universal definition of net zero, based on five principles and ten recommendations”.

The HLEG report states that a net zero pledge should:

- represent a company’s “**fair share**” of the required global climate mitigation effort;
- contain **interim targets** (including targets for 2025, 2030 and 2035); and
- include **plans to reach net zero in line with climate science**, i.e., with Intergovernmental Panel on Climate Change (IPCC) or International Energy Agency net zero greenhouse gas (GHG) emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, and with global emissions declining by at least 50% by 2030, reaching net zero by 2050 or sooner. Net zero must be sustained thereafter.⁶

A company should be considered “net zero-aligned” when:

- its pledge, targets and pathway to net zero are generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot;
- these are verified by a third party;⁷
- its pledge and progress reporting covers all scope emissions and all operations along its value chain in all jurisdictions (with any omission properly reported); and
- it is demonstrating progress by achieving or exceeding its interim targets with reports that are verified by a credible, independent third party based on publicly available data.⁸

In summary, a company should set **short-, medium- and long- term absolute emission reduction targets** and, where appropriate, relative emission reduction targets across its value chain that are **at least consistent with the latest IPCC net zero GHG emissions modelled pathways that limit**

⁴ <https://www.un.org/en/climatechange/high-level-expert-group>

⁵ https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

⁶ P 15 HLEG report.

⁷ For example by the Science Based Targets Initiative (SBTi), the Partnership for Carbon Accounting Financials (PCAF), The Paris Agreement Capital Transition Assessment (PACTA), The Transition Pathway Initiative (TPI), the International Organization for Standardization (ISO).

⁸ P 16 HLEG report.



warming to 1.5°C with no or limited overshoot, and where global emissions decline at least 50% below 2020 levels by 2030, reaching net zero by 2050 or sooner.⁹

The HLEG report states that **companies should set short-term targets of five years or less, with the first target set for 2025.**¹⁰

Targets must include emission reductions from a **company’s full value chain and activities**, including, scope 1, 2 and 3 emissions for businesses. Where data are missing for scope 3 emissions, businesses should explain how they are working to get the data or what estimates they are using.¹¹

3. Five things to know about Thungela & Exxaro’s climate-related disclosures

3.1. Neither company has a credible net-zero pledge or science-aligned decarbonisation strategy

In accordance with the criteria set out above, neither Thungela nor Exxaro has a credible net zero pledge, with short- and medium-term absolute emission reduction targets across its value chain. Nor does either company have a decarbonisation pathway generated using a robust methodology and verified by a third party, consistent with limiting warming to 1.5°C with no or limited overshoot and where global emissions decline at least 50% below 2020 levels by 2030, reaching net zero by 2050 or sooner.

Thungela

In Thungela’s risk assessment, climate change does not feature in the top 10 risks facing the company.¹² Just Share asked the company about this at Thungela’s AGM. In response, the company stated that it considers environmental, social and governance (ESG) issues to be “paramount”, that this “is not a secondary issue” and that climate change does feature significantly in the company’s climate change report. It is nevertheless extraordinary that in 2023 a pure-play coal mining company does not explicitly recognise the significant transition risks posed by imminent local and global regulatory changes and stakeholder sentiment as a “top 10 risk”.

In 2022 Thungela reported that it was “committed to developing a pathway to achieve net-zero emissions by 2050”.¹³ In its 2023 reporting, this ambition retains the same worrying caveat as in 2022: that it is “subject to the requirements of the countries in which we operate and the markets we serve”.¹⁴ Although this does not appear explicitly in its reporting, Thungela has confirmed to Just Share that its “net zero by 2050” target does include scope 3 emissions.

In its latest reporting suite, the company has set a 2030 target of a 30% reduction in its scope 1 and 2 emissions, off a 2021 baseline. This target appears only to apply to existing operations.¹⁵ If this

⁹ P 17 HLEG report.

¹⁰ P 17 HLEG report.

¹¹ P 17 HLEG report.

¹² P 54-56 Thungela 2022 Integrated report.

¹³ P 42 Thungela 2021 ESG report.

¹⁴ P 6 Thungela 2022 climate change report.

¹⁵ P 4 Thungela 2022 climate change report.



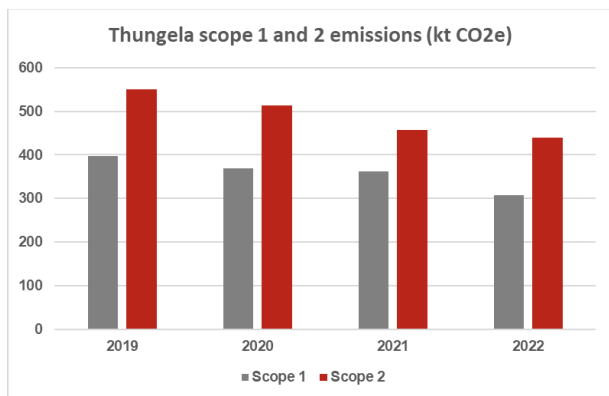
means that emissions from future projects and acquisitions are excluded from this target, it carries very little weight. In this regard, Thungela reports that it plans to apply in mid-2023 for production rights for its Lephalale coal-bed methane project, which it describes as a “significant gas resource”.¹⁶

In addition, **no short-term targets are provided**. Thungela primarily plans to meet its 2030 target by (1) incorporating renewable energy into its operations, (2) closing of four coal mines (Isibonelo, Goedehoop, Greenside and Khwezela collieries)¹⁷ at the end of their operational lives, and (3) various “energy efficiency opportunities” (with a “focus to reduce and optimise diesel and electricity consumption”).¹⁸

Thungela’s renewable energy plan includes the procurement of 19MW of renewable energy by 2030.¹⁹ However its renewable strategy currently covers only 4MW, at its Elders project.²⁰ This is an unambitious plan given that even Exxaro’s downgraded renewable energy procurement target is to procure 1.6GW by 2030 - 84 times more than Thungela.

Even if Thungela achieves its 2030 target, it is not a viable, science-aligned decarbonisation plan, and has not been verified by a third party as being consistent with limiting warming to 1.5°C. Crucially, the 2030 target also does not apply to scope 3 emissions, which account for by far the majority of the company’s total emissions. This also makes it very difficult to understand how Thungela intends to reach its 2050 target, which does include scope 3 emissions. We address this in 3.2 below.

As depicted in the graph below, Thungela’s scope 1 and 2 emissions have shown a slight downward trend since 2019. However, these reductions, according to the company, have mainly been driven by “energy efficiency improvement projects and a reduction in production volumes due to [Transnet Freight Rail (TFR)] underperformance”.²¹



Source: Compiled from Thungela 2022 Climate change report p14

¹⁶ P 14 Thungela 2022 climate report.

¹⁷ P 44 Thungela 2022 ESG report.

¹⁸ P 18 Thungela 2022 climate report.

¹⁹ P 44 ESG 2022 Report.

²⁰ See for example p 43 Thungela 2022 ESG report.

²¹ P 45 Thungela 2022 ESG report.



Exxaro

Exxaro has committed to carbon neutrality by 2050, but this commitment applies only to its scope 1 and 2 emissions. It has also strengthened its interim target to reduce scope 1 and 2 emissions by 40% by 2026 (in 2022 this target was set for 2030), which it plans to achieve through “operations optimisation”, “value chain partners”, and “stakeholder engagement and inclusion”.²²

No medium-term targets have been set. Nor have Exxaro’s 2026 and 2050 targets been verified by a third party as being consistent with limiting warming to 1.5°C. Exxaro’s targets do not cover its most significant source of GHG emissions: scope 3. We address this in 3.2 below.

Exxaro’s long-term decarbonisation strategy is described as being a 3-part strategy,²³ beginning with its “Early Value Coal Strategy”, which it describes as coal extraction to “maximise value in the short to medium term in view of the climate change risk” and “to maximise resource to market opportunities by leveraging the low cost and flexibility of our coal assets and reserves”.²⁴

The strategy appears to be regarded by Exxaro as a way to protect its business against climate risk (including from stranded assets, by maximising those assets before they become stranded), but has nothing to do with decreasing emissions in line with climate science. Exxaro reports confusingly that “decarbonising will further strengthen our existing competitive advantage and extend the horizon of our coal business”.²⁵

The other two parts of Exxaro’s strategy are: 1. to expand Exxaro’s minerals business; and 2. to “build a leading global renewable energy solutions business by 2030” and “own one of South Africa’s leading managers of renewable assets”.²⁶

The company’s renewable energy strategy is underpinned by three pillars: utility generation, distributed generation and services. This is the most progressive part of Exxaro’s overall strategy and appears to be a viable long-term vision for the company.

However, Exxaro has announced a “repacing” of its energy business strategy.²⁷ Just Share asked about this at Exxaro’s 2023 AGM, and Exxaro clarified that the repacing is specifically about recalibrating its renewable energy target.

The previous target, announced in 2021, was to procure 3GW of renewable energy by 2030 which the company has now, according to comments at the AGM by its financial director Mr Pieter Koppeschaar, determined to be “unrealistic”. Exxaro has therefore almost halved its target to 1.6GW by 2030. The board declined or was unable at the AGM to provide more detail as to why this might be the case, and why, given the increasingly permissive regulatory environment and the many

²² P 11 Exxaro 2022 ESG report.

²³ P 10 Exxaro 2022 ESG report.

²⁴ P 27 Exxaro 2022 ESG report.

²⁵ P 10 Exxaro 2022 Integrated report.

²⁶ P 10 Exxaro 2022 Integrated report.

²⁷ P 4 Exxaro 2022 ESG report.



opportunities in South Africa, “especially on distributed generation”,²⁸ the **company did not make any renewable investments in 2022.**

Key to a successful transition of Exxaro’s business will be a significant investment in renewable energy assets and ambitious targets. However, Exxaro’s renewable energy strategy does not constitute a credible decarbonisation strategy because, in addition to failing to meet the criteria described above, it is not accompanied by a viable plan to decarbonise its current, highly carbon-intensive business, including by reducing scope 3 emissions which emanate from the use of its products.

3.2. Decarbonisation plans exclude scope 3 emissions completely (Exxaro) or partially (Thungela)

Thungela’s 2050 target is the only target of either company to include emission reductions from the companies’ full value chain and activities (scope 3 emissions). Neither company explains why scope 3 emissions are excluded from their other targets, or indicates any timeframe for future inclusion of scope 3 emissions.

Thungela

The company’s scope 3 emissions consist of downstream transportation and distribution (category 9 of the GHG Protocol)²⁹, and the use of sold products (category 11).³⁰ Together, Thungela’s scope 3 emissions accounted for 98% of its overall reported emissions in 2022.³¹ Yet Thungela does not provide any strategy for the reduction of its scope 3 emissions.

At the company’s 2023 AGM, CEO Mr Ndlovu would only say that as Thungela “continues to evolve and improve our response strategy, we will look at scope 3 and what we can do, in time.” Given the company’s failure to provide any interim targets for the reduction of these emissions, its explicit intention to continue to find markets for its coal in the long term, and its recent acquisition of a coal mining operation in Australia, it is not at all clear how it will be possible for Thungela to achieve its 2050 target.

Between the 2021 and 2022 financial period, Thungela’s scope 3 emissions decreased by 34% (from 54 744 kt CO₂e in 2021 to 35 947 kt CO₂e in 2022).³² However, the company reports that this reduction is “due to a reduction in sales volumes (use of product sold) and updating of the emission factor for use of product sold to the IPCC 2006 emission factor rather than the United Kingdom Department for Environment, Food and Rural Affairs (DEFRA) emission factor”.³³

²⁸ According to Mr Koppeschaar at the AGM.

²⁹ <https://ghgprotocol.org/>

³⁰ P 25 Thungela 2022 climate change report.

³¹ P 25 Thungela 2022 climate change report.

³² P 45 Thungela 2022 ESG report.

³³ P 45 Thungela 2022 ESG report.



Exxaro

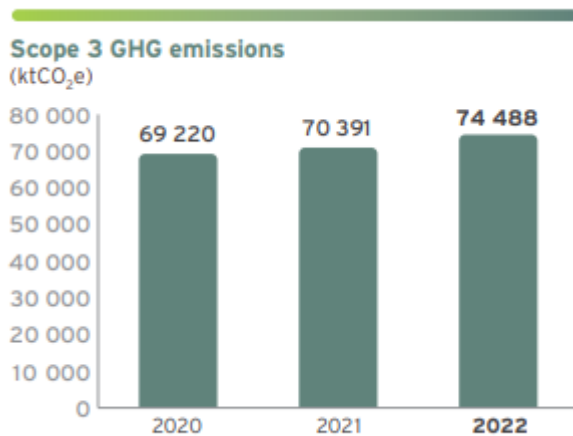
Exxaro reports that “[t]he largest contributor to our indirect emissions profile is our scope 3 emissions”.³⁴ Exxaro’s scope 3 emissions accounted for 97.4% of its emissions in 2022 (see the table below). And, unlike Thungela, Exxaro’s scope 3 emissions have risen 5% since 2021, and are up 7.6% since its 2020 baseline (see the graph below).

GHG emissions (ktCO ₂ e)		Year-on-year change (%)	2022	Year-on-year change (%)	2021	Year-on-year change (%)	2020 (baseline)
Target: Actual for previous year less 5%	Scope 1	▼ -3.5	333	▼ 11.6	345	▼ 10	385
	Scope 2 ¹	▼ -2	637	▼ -0.8	650	↔ 0	650
	Total scope 1 and 2	▼ -2.5	971	▼ -4	995	▼ 4	1 035
	Scope 3 ²	▲ +5.0	74 488 ^{RA}	▲ +2.5	70 931	▲ 2	69 220

¹ Scope 2: Electricity-based emissions are derived from the grid emission factor for South Africa, which is 1.08tCO₂e per MWh.

² Scope 3: Reported emissions based on the use of product sold by Exxaro (representing over 98% of Exxaro's scope 3 emissions).

Source: p 41 Exxaro 2022 ESG report



Source: p 41 Exxaro 2022 ESG report

Despite this, and despite Exxaro’s apparent firm grasp of climate risk more generally, the company has no viable targets or plans to reduce these emissions, besides having a goal to “actively investigate opportunities to reduce scope 3 emissions, as we intend to take our entire value chain along in our journey to decarbonise the portfolio.”³⁵ It also reports that its approach of “aligning our portfolio towards low-carbon transition minerals will be key in dealing with scope 3 emissions,”³⁶ although it does not explain how this might be the case, nor provide any timelines in this regard.

3.3. Continued emphasis on coal investments and reliance on unproven technologies

The IPCC emphasised, in its 6th Assessment Report (AR6),³⁷ that “all global modelled pathways that limit warming to 1.5°C (>50%) with no or limited overshoot [...] involve rapid and deep and in most

³⁴ P 39 Exxaro 2022 ESG report.

³⁵ P 12 Exxaro 2022 ESG report.

³⁶ P 39 Exxaro 2022 ESG report.

³⁷ <https://www.ipcc.ch/assessment-report/ar6/>



cases immediate GHG emission reductions in all Sectors”.³⁸ Wind and solar energy are by far the lowest-cost options with the largest potential to reduce emissions by 2030.³⁹ Even continuing to operate existing fossil fuel infrastructure would exceed a 1.5°C carbon budget.⁴⁰

In relation to coal in particular, AR6 states that coal use will need to fall to 75% below 2019 levels by 2030 and 95% by 2050. Even limiting warming to 2°C or below will “require cancellation of new coal power projects and accelerated retirement of existing coal plants”. In the median 1.5°C pathway, coal power drops globally by 87% by 2030 and by 96% by 2035, which would entail replacement of virtually the whole power fleet within a decade in coal-dependent developing countries.⁴¹

According to the IEA's Net Zero Emissions by 2050 Scenario, advanced economies would need to phase out unabated coal by 2030 and the rest of the world by 2040 to limit average global temperature rise to 1.5°C.⁴² In 1.5°C pathways assessed by the IPCC, coal power would have to be phased out in India, China and South Africa more than twice as fast as any historical power transition.⁴³

One of the narratives used to try to motivate extending the lifespan of coal is to argue that it can be sufficiently “cleaned” and/or its negative impacts (which extend beyond its climate impacts, for example to air, water and soil pollution) adequately minimised or even reversed.

“Clean coal” is a misleading phrase which aims to create the false impression that the most unacceptable risks of coal can be appropriately mitigated so that coal can continue to be relied on as an energy source for the foreseeable future. “Clean coal” is used to refer to the installation of basic pollution abatement equipment legally required to limit the toxic emissions (not carbon dioxide (CO₂)) from coal-fired power, to different types of coal boiler combustion technology, and to carbon capture and storage (CCS). However, there are no solutions that are currently affordable and viable at scale that can neutralise the severe negative impacts of coal.⁴⁴

Carbon capture (utilisation) and storage (CC(U)S) loosely refers to a group of technologies aimed at reducing emissions from the burning or use of fossil fuels. The aim is to separate CO₂ from the gases produced in an industrial facility (such as a power plant), store it underground, or utilise it. Despite decades of experimentation and huge financial expenditure, none of the many “pilot projects” anywhere in the world have been successful in the development of commercially viable CCS, at scale.

Global GHG emissions in 2021 were 54.6 billion tonnes,⁴⁵ and, in 2022, some 37.5 billion tonnes of CO₂ was released from fossil fuel use.⁴⁶ **The commercial CCS projects running today capture**

³⁸ IPCC AR6 WGIII, SPM, C.3.

³⁹ IPCC AR6 SYR, SPM, C.3.

⁴⁰ IPCC AR6 SYR, SPM, A.6.

⁴¹ <https://www.carbonbrief.org/guest-post-how-quickly-does-the-world-need-to-phase-down-all-fossil-fuels/>

⁴² <https://www.iea.org/reports/net-zero-by-2050>

⁴³ <https://www.nature.com/articles/s41558-022-01576-2>

⁴⁴ <https://cer.org.za/news/new-report-exposes-myth-of-clean-coal>

⁴⁵ <https://ourworldindata.org/greenhouse-gas-emissions>

⁴⁶ <https://www.globalcarbonproject.org/carbonbudget/index.htm>



approximately 0.1% of fossil fuel emissions globally (about 42.5 millions tons of CO₂ annually).⁴⁷

In addition to limited success in reducing GHG emissions, these technologies have vastly higher capital costs,⁴⁸ and significant energy and water penalties (i.e., they need huge amounts of energy and water).⁴⁹ Building CCS plants is also a slow process.⁵⁰

In summary, in addition to being expensive, energy- and water- intensive, and unproven at scale, CCS falls far short of aligning with the timescale or ambition necessary for limiting global warming to 1.5°C.

Instead of focusing on extending the life of coal, Thungela and Exxaro should disclose what the HLEG report refers to as “comprehensive and actionable net zero transition plans which indicate actions that will be undertaken to meet all targets”.⁵¹

Net zero transition plans should be updated every five years and progress on these plans should be reported annually.⁵² They should, *inter alia*:

- disclose 1.5°C-aligned targets to end: (i) expansion of coal reserves, (ii) development and exploration of new coal mines, (iii) extension of existing coal mines, and (iv) coal plants by 2030 in OECD countries and 2040 in the rest of the world; and
- include renewable energy procurement targets that will ensure that the transition away from fossil fuels is matched by a fully-funded transition toward renewable energy.⁵³

Although both companies state that they will not acquire or develop new coal mines, neither has disclosed 1.5°C-aligned targets aimed at ending the use of and/or support for coal.

Thungela

While Thungela has stated that it will not acquire or develop any new greenfield coal mines, it does not exclude the acquisition of existing operations, and has reported its recent acquisition of Ensham Coal Mine in Australia, which it expects to finalise in “mid 2023”.⁵⁴ Thungela reports that “owning and operating a mining asset already in production provides us with the ability to extend the life of our business without adding new carbon units globally.”⁵⁵

⁴⁷ https://status22.globalccsinstitute.com/wp-content/uploads/2023/03/GCCSI_Global-Report-2022_PDF_FINAL-01-03-23.pdf

⁴⁸ See, for example: <https://www.iisd.org/system/files/2023-02/bottom-line-carbon-capture-not-net-zero-solution.pdf>.

⁴⁹ See, for example:

<https://www.sciencedirect.com/science/article/abs/pii/S1364032120307978#:~:text=Depending%20on%20technology%20C%20the%20water,water%20requirements%20associated%20with%20transpiration.>

⁵⁰ <https://www.sciencedirect.com/science/article/pii/S2590332221005418>

⁵¹ P 21-22 HLEG report. The companies should also “align governance and incentive structures, capital expenditures, research and development, skills and human resource development, and public advocacy, while also supporting a just transition”.

⁵² P 21 HLEG report.

⁵³ P 23-24 HLEG report.

⁵⁴ P 14 Thungela 2022 Climate change report.

⁵⁵ P 5 Thungela 2022 Integrated report.



Thungela also reports its intention to update its 2021 baseline to include Ensham operations when that transaction closes.⁵⁶ The point of establishing a baseline is to show how emissions have reduced over time (ideally according to set targets). Changing the baseline after the fact to include new high-emission operations renders the exercise of setting targets and measuring progress against those targets futile.

This also misrepresents the action taken by the company: instead of reflecting that it will have increased its emissions substantially (by acquiring Ensham) after setting its first emissions reduction target (a 30% reduction in its scope 1 and 2 emissions by 2030), Thungela is representing to shareholders and other stakeholders that Ensham already formed part of its 2021 baseline from which it has committed to reduce emissions by 30%.

It is also not clear how Thungela intends to treat this acquisition (and potential others) for purposes of its long-term incentive plan, a portion of which is linked to the reduction of operational GHG emissions.

The only targets or strategies the company has at present for mitigating its scope 3 emissions are related to what it calls “abated coal”.⁵⁷ Examples it provides are CCUS, and high-efficiency, low-emission coal-fired power plants,⁵⁸ neither of which are affordable, or feasible as low-carbon, science-aligned, decarbonisation strategies.⁵⁹

Exxaro

At its 2023 AGM, Exxaro’s board chair, Mr Mvuleni Geoffrey Qhena, indicated that Exxaro would not invest in new greenfields coal projects. The company is focussed on maximising the value of its existing coal operations and appears to have no intention at this stage of winding down its coal assets.

Just Share asked Exxaro at its AGM to clarify the company’s “Market to Resource Strategy” (which inexplicably falls within its Sustainable Growth and Impact Strategy). We were told that, together with its Early Value Strategy, the Market to Resource Strategy is about “looking at opportunities for its coal, including markets for cleaner coal”.

Although it provides a roadmap to 2050, Exxaro does not include much in the way of actual targets either in the short- or medium- term. Its decarbonisation plan includes a range of projects to reduce emissions, including self-generation solar PV projects and ongoing operational efficiency programmes, primarily focused on reducing diesel and electricity consumption. From 2040, it simply depends on “emission absorption and removal strategies”,⁶⁰ none of which are currently economically viable. As set out below, Exxaro’s CDP 2022 climate change disclosure refers to “clean coal technology” as a “critical sustainability [project] which could benefit the industry.”

⁵⁶ P 14 Thungela 2022 climate change report.

⁵⁷ P 6 2022 Thungela climate change report.

⁵⁸ P 6, P 20, P28 2022 Thungela climate change report.

⁵⁹ In addition to what has been set out above in relation to CCS, see <https://cer.org.za/news/new-report-exposes-myth-of-clean-coal>

⁶⁰ P 13 Exxaro 2022 ESG report.



The company reports that it is “supporting industry and government efforts of developing low carbon technologies such as carbon capture and storage, which are critical for the removal of carbon emissions.”⁶¹ It envisages opportunities in battery electric vehicles, methane capture and use, CCS, and emissions offsetting to bring its scope 1 and 2 emissions to zero by 2050⁶² (as set out above, Exxaro’s 2050 target does not apply to its scope 3 emissions).

However, Exxaro provides no detail as to how or by when these technologies (some of which are currently highly nascent and/or prohibitively expensive) will be employed, nor its plan should these opportunities not materialise in time to provide meaningful and feasible net zero options. Like Thungela, it does not have a net zero transition plan.

3.4. Neither company reports adequately on climate-related lobbying

In South Africa, as around the world, obstructive corporate climate policy engagement delays ambitious climate policy,⁶³ 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)⁶⁴ is particularly acute when there is limited transparency in the policy-making process, as in South Africa.

Both Thungela and Exxaro have provided limited disclosure of their climate-related lobbying activities and those of their industry associations. The Global Standard on Responsible Climate Lobbying⁶⁵ (“the Global Standard”) requires companies to report on the alignment of their own lobbying and policy engagement activities, and those of the industry associations to which they belong, with the Paris Agreement goal of limiting global warming to 1.5°C⁶⁶.

Fossil fuel companies have significant influence over government climate policy - directly and through industry associations like Business Unity South Africa (BUSA), the Minerals Council of South Africa, and the Energy Council of South Africa. Climate lobbying disclosure is particularly important for coal mining companies with a clear vested interest in delaying government climate action.

As set out below, both companies are members of industry associations that are at least potentially misaligned with the Paris Agreement. Industry associations are key protagonists when it comes to climate lobbying. Corporations rely on these associations to carry out their lobbying activities while themselves maintaining high-level commitments ostensibly recognising climate change and supporting climate action.⁶⁷

⁶¹ P 39 Exxaro ESG report.

⁶² P 40 Exxaro ESG report.

⁶³ <https://influencemap.org/report/Climate-Policy-Engagement-in-South-Africa-20575>

⁶⁴ <https://www.oecd.org/gov/preventing-policy-capture-9789264065239-en.htm>

⁶⁵ <https://climate-lobbying.com/>; https://climate-lobbying.com/wp-content/uploads/2022/03/2022_global-standard-responsible-climate-lobbying_APPENDIX.pdf

⁶⁶ See also p25 HLEG report.

⁶⁷ <https://justshare.org.za/media/news/climate-change/new-just-share-report-introduction-to-corporate-climate-lobbying-in-south-africa/>



The Global Standard recommends that a clear framework be established for addressing misalignments between the climate change lobbying positions adopted by the associations, alliances and coalitions of which the company is a member, and the goal of restricting global temperature rise to 1.5°C above pre-industrial levels. This should include escalation strategies, such as: making public statements challenging industry associations and other alliances, withdrawing funding, and suspending or ending membership of the industry association or alliance where its positions on climate change are misaligned.

Investors in Thungela and Exxaro should be requiring both companies to align their 2024 climate-related lobbying disclosures with the Global Standard, which has been developed with extensive consultation globally, including with the corporate sector.

Thungela

Thungela reports that it is a member of the World Coal Association, the Coal Industry Advisory Board, the Industry Task Team on Climate Change, the Energy Intensive Users Group, and the Minerals Council of South Africa.⁶⁸ However, it does not provide an audit on the nature of its involvement in these associations or of the alignment of these associations' climate lobbying activities with the goals of the Paris Agreement.

InfluenceMap, an independent think tank that produces data-driven analysis on how business and finance are impacting the climate crisis, finds that:

“Thungela has advocated for the sustained role of coal in the energy mix. These views appear to contradict the IPCC’s 2022 Climate Change report, which stated that in pathways that limit warming to 1.5°C with no or limited overshoot, the global use of coal in 2050 is projected to decline by 95%.”

InfluenceMap scores Thungela a D (grades from D to F indicating increasingly obstructive climate policy engagement).

InfluenceMap also indicates that the climate policy engagement of the World Coal Association is misaligned with the Paris Agreement – scoring it an E+ (misalignment is ranked as a D or below in InfluenceMap's system). The Minerals Council South Africa is potentially misaligned – scoring a C- (potential misalignment is ranked from D+ to B- in InfluenceMap's system). The CEO of Thungela, Mr Ndlovu, is the chair of the World Coal Association and a board member of the Minerals Council.

Exxaro

Exxaro's climate-related lobbying disclosures have regressed since 2021. In its previous reports,⁶⁹ the company disclosed a list of industry associations of which it was a member, although, similarly to Thungela, no further audit was provided. This year, however, Exxaro no longer provides such a

⁶⁸ P 28 Thungela 2022 Climate change report.

⁶⁹ P 51 Exxaro 2021 Integrated report.



list, only giving examples of engagements with industry associations such as “participation in Business Unity South Africa and Minerals Council discussions on waste-related issues”,⁷⁰ and “discussions...between the environmental policy committee of the Minerals Council, on behalf of Exxaro and our mining peers, and the [Department of Mineral Resources and Energy]”.⁷¹

However, a list of industry association memberships is reported in the company’s CDP 2022 climate disclosure, in which it states that “Exxaro is also expressing its views and concerns on climate change and other related policies, through its membership in the Industry Task Team on Climate Change (ITTCC), Minerals Council South Africa, National Business Initiative and Business Unity South Africa (BUSA).”⁷²

InfluenceMap reports that:

“Despite Exxaro’s top-line support for the Paris Agreement, Exxaro’s positions on climate-related regulations and the energy mix appear misaligned with science-based pathways for achieving the goals of the Paris Agreement to limit warming to 1.5°C. While the company has expressed increased support for the transition of the energy mix from 2021-2023, Exxaro still appears to support a sustained role for thermal coal in the energy mix.”

InfluenceMap also finds that Exxaro’s industry associations, including Business Leadership South Africa (BLSA) (of which Exxaro reported being a member last year), the ITTCC, BUSA, and the Minerals Council all display somewhat “mixed” climate lobbying. It finds that ITTCC, the Minerals Council and BLSA are potentially misaligned with the Paris Agreement and all have displayed “negative engagement with climate legislation and regulation.” Exxaro CEO Dr Nombasa Tsengwa holds a board position at Minerals Council South Africa.

Further, in its 2022 ESG report, Exxaro reports on its investment and support into research development at the Wits Global Change Institute; “Unisa Business and Climate Change”; and “University of Pretoria Energy, Water and Food”. However, it does not mention in that report (although this is contained in its CDP 2022 climate change disclosure) its sponsorship and active membership of Coaltech – which it describes as a lobby group that “was established with the purpose of ensuring that the South African coal industry is sustainable and safe.”⁷³ It goes on to say that “we influence Coaltech through funding of critical research projects, participation and providing technical expertise and test sites on coal mining, and collaboration on critical sustainability projects which could benefit the industry, such as clean coal technology and water management”.⁷⁴

Thungela also appears, from the website, to be a member of Coaltech.

⁷⁰ P 49 2022 Exxaro ESG report.

⁷¹ P 55 2022 Exxaro ESG report.

⁷² C11.1d Exxaro CDP 2022 climate change disclosure.

⁷³ C12.1d Exxaro CDP 2022 climate change disclosure.

⁷⁴ C12.12.3c Exxaro CDP 2022 climate change disclosure.



3.5. Refusal to table non-binding advisory resolutions undermines commitments to transparency

Shareholders at both Thungela and Exxaro were denied the opportunity to vote on shareholder proposed non-binding advisory resolutions relating to the companies' climate lobbying disclosure.

Just Share, supported by a legal opinion, disputes that directors of JSE-listed companies have discretion to refuse to table shareholder-proposed resolutions that comply with the procedural requirements of the Companies Act, 2008. They cannot refuse to table them simply because they do not like the substance of the resolution. This is particularly the case in relation to advisory resolutions which are not binding on the company even if shareholders vote in favour of them.

Thungela reports that it is “committed to compliance, transparency and accountability”,⁷⁵ while Exxaro is “committed to improving disclosure” and recognises that “transparency and accuracy are critical to this”.⁷⁶ It is difficult to understand, therefore, why the boards of both companies declined to table a non-binding resolution that simply requested greater transparency on the company's lobbying activities.

End

⁷⁵ P 28 Thungela 2022 Climate change report.

⁷⁶ P 10 Exxaro 2022 ESG report.