

AGM round-up Exxaro Resources Limited



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1. Introduction

Date of AGM: 23 May 2024

Chair of the Board: Mvuleni Geoffrey Qhena

Type of AGM: **Hybrid** (in-person and online attendance permitted), conducted by The Meeting Specialist (TMS).

Useful links:

- [Notice of AGM](#)
- [Results of AGM](#)

2. Key takeaways

- *Exxaro's position on shareholders' right to file resolutions remains unclear in principle. Although the company did not table the resolution co-filed by Just Share, Fossil Free South Africa and Aeon Investment Management in 2023, indicating that it was "within the purview of the directors of the Company", the chairman does not view this "non-tabling" of the resolution as a refusal by Exxaro to table shareholder-proposed resolutions.*
- *Exxaro is still no closer to setting scope 3 emission reduction targets, which constitute almost 99% of its total emissions. It has committed to publishing its decarbonisation roadmap "before the third quarter" of this year, which, according to the chairperson of the risk and business resilience committee, "will include scope 3 - what we intend to do for the future." This is not, however, a commitment to include scope 3 targets.*

3. AGM governance

Exxaro's hybrid AGM was hosted by The Meeting Specialist,¹ and those attending in-person did so at Exxaro's head office in Centurion. Chair Mr Qhena welcomed shareholders, but provided little detail as to a formal agenda for the AGM, nor did he indicate which Exxaro directors were in attendance.

Chair Qhena did explain how the Q&A session would be conducted, when shareholders would vote on the resolutions, and when questions would be taken.

Providing a clear agenda at the start of the AGM is useful and considerate, as it gives clarity on proceedings and removes attendee anxiety about the order of proceedings, such as when voting will be done and when the shareholders can ask questions. It is also helpful for shareholders to know which Exxaro directors are at the AGM and available to answer questions, particularly for those attending electronically.

¹ www.tmsmeetings.co.za



4. Q&A sessions

Exxaro made provision for two Q&A sessions. The first Q&A session was in relation to questions shareholders had directly related to the resolutions on the ballot. No questions were asked during this Q&A session. The second Q&A session was after voting had taken place and was an opportunity for any general questions. Shareholders attending electronically were allowed to either submit written questions or to ask their questions verbally. No substantive written questions were asked.

5. Just Share's questions

5.1. Exxaro's approach to non-tabling of shareholder-proposed resolutions

In 2023, Just Share, together with Aeon Investment Management and Fossil Free South Africa, filed an advisory resolution at Exxaro asking it to report to shareholders, in accordance with the Global Standard on Responsible Climate Lobbying, on the alignment of its own lobbying and policy engagement activities and those of the industry associations to which it belongs, with the goals of the Paris Agreement. The company declined to table the resolution at its AGM last year, stating that it “firmly believe[s] that the Proposed Resolution is within the purview of the directors of the Company and hence should be addressed accordingly”.²

In its latest reporting suite, Exxaro reports that “the non-tabling of resolutions proposed by Just Share was raised as a concern of several investors”, but that “most investors were satisfied that the board was proactively engaging with Just Share on the issues raised”.³

Exxaro did not identify the investors which had raised such concerns, nor did the reporting suite explain what it was about Exxaro's approach that had allayed investor concerns.

At the 23 May 2024 AGM, Just Share asked the board how Exxaro had responded to these investors' concerns about the issue of its refusal to table shareholder-proposed resolutions.

Regardless of the content of the resolution, this is a question of shareholder rights.⁴

The chairman responded that he did not understand Exxaro to have *refused* to table any resolutions. He stated that it was not “the appropriate description” to say that the resolution was refused, and that Exxaro had, instead, invited Just Share to engage with management. He also said that, to be fair to other shareholders, they would have to have had sight of the resolution before the AGM, in order to apply their minds to it.

The chairman's comment that Exxaro's actions did not constitute a refusal to table the resolution is surprising: the company's own reports refer to the “non-tabling of resolutions proposed by Just Share”. The resolution had been co-filed a month before the AGM, and in compliance with statutory

² <https://justshare.org.za/media/news/coal-companies-thungela-and-exxaro-refuse-to-table-shareholder-proposed-climate-lobbying-resolutions/>

³ https://exxaro-prod.azureedge.net/sitestorage/media/yildqzdg/exx_2023-esg-report_hi-res.pdf, p. 30.

⁴ <https://justshare.org.za/wp-content/uploads/2022/11/210326-Summary-of-legal-opinion-on-shareholders-right-to-file-climate-change-related-shareholder-resolutions.pdf>



requirements. The chairman's second point would be easily addressed by sending an amended notice of AGM to shareholders with the resolution, so that shareholders could "apply their minds" to the resolution. In fact, notifying other shareholders of resolutions is specifically required by the Companies Act, 2008.

5.2. Setting science-aligned scope 3 emission reduction targets.

In Exxaro's 2020 Climate Change Response Strategy, the company indicated that it would align its "targets to meet the science requirements in support of the Paris Agreement"⁵ and that it would have these targets verified by the Science-Based Targets initiative (SBTi). Several years later, this has still not been done. At the AGM, Just Share asked the board whether, when Exxaro publishes its decarbonisation roadmap in the third quarter of this year, as it intends to do,⁶ this roadmap will include scope 3 targets, and if its targets will be independently verified.

The chairman responded by emphasising the challenges in addressing scope 3 emissions for a company like Exxaro (a major fossil fuel company), noting that this preoccupies the minds of board members, but that it was unwilling to communicate about issues it would not be able to defend. It did not wish to "mislead" shareholders.

The chairperson of the risk and business resilience committee, Mr Peet Snyders, added that although Exxaro does not "qualify" for the "scientific-based standard" (presumably he meant the SBTi), the company nevertheless applies SBTi principles in the determination of its plan and roadmap.

However, the SBTi requires companies to set at least one scope 3 target when scope 3 emissions make up 40% or more of its total emissions.⁷ In applying its principles, therefore, Exxaro must set a scope 3 target.

Exxaro indicated that some actions it is taking include funding research organisations and forming partnerships with technology companies "to make sure that we find the right technologies going into the future". This is simply not enough. As Mr Snyders noted, scope 3 emissions constitute the majority of Exxaro's emissions - he said they make up "probably 70% of our emissions". In fact, it is closer to 99%.⁸ Although a challenge, it is imperative that any fossil fuel company that is committed to the Paris Agreement - as Exxaro says it is - urgently start to ensure real-world reduction of its scope 3 emissions.

Mr Snyders ended by saying that "hopefully by towards the end of the year, we will be able to supply you with a proper scrutinised roadmap, which will include scope 3 - what we intend to do for the future."

⁵ https://exxaro-prod.azureedge.net/sitestorage/media/rvwn5xim/exxaro-ccrs-2020_final.pdf, p.21.

⁶ https://exxaro-prod.azureedge.net/sitestorage/media/yildqzdg/exx_2023-esg-report_hi-res.pdf, p. 38.

⁷ <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

⁸ https://exxaro-prod.azureedge.net/sitestorage/media/yildqzdg/exx_2023-esg-report_hi-res.pdf, p. 42. Exxaro reports that its 2023 scope 3 emissions from domestic sales were 68 156 ktCO₂e; its scope 1 emissions were 310 ktCO₂e; and its scope 2 emissions 643 ktCO₂e. This means that Exxaro's domestic sales emissions make up 98,6% of its reported scope 1, 2, and 3 emissions in 2023.



5.3. Capital expenditure on CCUS

In response to the company's reporting on its investment in technology solutions, Just Share asked about Exxaro's investment in carbon capture, utilisation and storage (CCUS). Despite decades of experimentation and huge financial expenditure, none of the many CCS "pilot projects" anywhere in the world have been successful in the development of commercially viable CCS, at scale. Commercial CCS projects running today capture approximately 0.1% of fossil fuel emissions globally.⁹

Just Share asked what Exxaro's expected CAPEX investment for CCUS technology is, and in what timeframe. Just Share also asked why the company is investing in something that shows so little prospect of success, and that will almost certainly not produce the desired results.

In response, the chairman warned against dismissing technologies, and against saying that these would never work, when technologies may simply be taking a long time. He used the example of storage of renewable energy, indicating that it had evolved significantly with time and investment. The chairman commented that "we know that's the future".

This is an apt example to have used. In a global crisis with a rapidly-diminishing window to make the transition necessary to avoid the worst impacts of climate change, we should be focussing on technologies that are proven and implementable now – like renewable energy and storage - rather than ones that are uncertain and will take a long time to materialise. CCUS technology has not shown to be either technically or economically viable globally, despite significant investment of capital and time. CCUS technology is not new - it is only considered emerging because it has failed to show any success on a commercial scale.

Mr Snyder noted that Exxaro has been investing in research organisations to find "applicable ways of addressing the emissions we have". Despite this, it has failed to make progress on CCUS. He was clear, however, that CCUS would form part of the company's proposed solutions - although Exxaro is not yet able to quantify the actual capital needed for these technologies. The chairman agreed, confirming his view that this is a technology that cannot be ignored, even though it will take a long time to scale.

6. Voting results

All resolutions tabled at the 2024 AGM passed with the required support from shareholders.¹⁰

The non-binding advisory vote on the remuneration policy received 93,34% support and the non-binding advisory vote to endorse the implementation of Exxaro's 2023 remuneration policy received

⁹ See <https://res.cloudinary.com/dbtfcnfij/images/v1700717007/Global-Status-of-CCS-Report-Update-23-Nov/Global-Status-of-CCS-Report-Update-23-Nov.pdf?i=AA> and <https://globalcarbonbudget.org/fossil-co2-emissions-at-record-high-in-2023/>

¹⁰ https://senspdf.jse.co.za/documents/SENS_20240524_S489902.pdf



93,30% support. This was an improvement on the 2023 AGM result, where the non-binding advisory vote to endorse the implementation of Exxaro's remuneration policy received 82,51% support.¹¹

7. Relevant Just Share resources

7.1. Climate-related resources

- **Resolution:** 2023 Exxaro climate lobbying resolution co-filed by Just Share, Aeon Investment Management and Fossil Free South Africa (April 2023)
- **Media release:** Coal companies Thungela and Exxaro refuse to table shareholder-proposed climate lobbying resolutions (8 May 2023)
- **Briefing:** Exxaro Resources Limited & Thungela Resources Limited 2022 climate-related disclosures (June 2023)
- **Op ed:** Fossil fuel investments undermine insurers' climate concerns (May 2024)

7.2. Governance-related resources

- **2023 AGM Roundup 1:** includes a summary of Just Share's 2023 Exxaro AGM attendance
- **Guide:** Best practices for South African virtual annual general meetings (May 2020).

End

¹¹ https://www.moneyweb.co.za/wp-content/uploads/ftp/senspdfs/SENS_20230519_S475376.pdf