

AGM round-up Thungela Resources Limited



Table of Contents

1. Introduction.....	2
2. Key takeaways: climate targets, climate resolutions and authority to issue shares	2
3. AGM governance	2
4. Q&A sessions	3
5. Opening address.....	3
6. Just Share’s questions.....	3
6.1. Scope 3 emission reduction targets	3
6.2. Use of carbon capture and storage	4
6.3. Scope 1 and 2 emissions and the inclusion of Ensham.....	5
6.4. “Say on Climate” resolution.....	5
7. Questions asked by other shareholders	6
8. Relevant resources.....	7
8.1. Just Share	7
8.1.1. Climate-related resources	7
8.1.2. Governance-related resources	7
8.2. Other resources	7



1. Introduction

Date of AGM: 4 June 2024

Chair of the board: Sango Ntsaluba

Type of AGM: **Hybrid AGM** (with attendance online and in-person permitted) conducted by ComputerShare.

Useful links:

- [Notice of AGM](#)
- [Results of 2024 AGM](#)

2. Key takeaways: climate targets, climate resolutions and authority to issue shares

- *Thungela has still not set any targets to reduce its scope 3 emissions before 2050, and CEO July Ndlovu refused to provide a timeline for setting such targets, stating that the company would not want to set targets which it would not be able to meet. However, the effect of this is that the company does not have a credible decarbonisation plan: the Science Based Target Initiative, for example, requires companies to set at least one near-term, science-based scope 3 target when scope 3 emissions make up 40% or more of its total emissions, in order to have a credible climate strategy.*
- *Despite refusing for the second year in a row to table a shareholder-proposed resolution filed earlier this year by Just Share, Aeon Investment Management and Fossil Free South Africa, Thungela would not commit to tabling its own “say on climate” resolution, which would give its shareholders an opportunity to vote on the credibility of its decarbonisation strategy. This type of resolution is increasingly becoming standard practice at fossil fuel companies around the world.*
- *The resolution requesting general authority for directors to allot and issue ordinary shares received only 48% support.*

3. AGM governance

Thungela’s hybrid AGM was hosted by ComputerShare,¹ and those attending in-person did so at the Johannesburg Stock Exchange, Sandown. The chair welcomed shareholders, set out a clear agenda for the meeting, and explained how the Q&A session would be conducted and when voting on the resolutions would take place.

The AGM was conducted effectively with no issues that might raise concerns about compliance with section 63(2)(b) of the Companies Act, 2008, which permits electronic AGMs:

“as long as the electronic communication employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the meeting.”

¹ www.computershare.com/za



Thungela also provided online access to its AGM, via the ComputerShare platform, to stakeholders other than shareholders.

4. Q&A sessions

During the Q&A session, shareholders attending electronically were given the opportunity to either submit written questions or to ask their questions verbally, although no shareholders opted to use this facility. Written questions were read out clearly and in full. Just Share attended the AGM in person.

5. Opening address

In his opening address, the chair made the following ESG-related points:

- *Ntsaluba recognised Thungela’s responsibility for its environmental stewardship, underpinned by climate risk management, efficient use of resources, land stewardship, and biodiversity. He spoke about the steps the company is taking to replenish the fish in the Wilge and Oilifants rivers after the 2022 collapse of an old mine shaft at Khwezela Colliery’s Kromdraai site resulted in the release of toxic mine water.*
- *Thungela has made progress in its diversification strategy through the acquisition of a controlling interest in Ensham mine in Australia.*
- *Ntsaluba also referred to maximising value from existing assets, stating that progress on the Elders production replacement project and Zibulo North Shaft Project were on track and on budget, and that the first coal was delivered at Elders in March 2024.*
- *In 2023, Thungela published emission reduction targets [which are only applicable to scope 1 and 2 emissions]. Ntsaluba stated that Thungela’s commitment to net zero will be upheld, “notwithstanding our pursuit of geographical expansion through acquisitions such as Ensham”.*

6. Just Share’s questions

6.1. Scope 3 emission reduction targets

Just Share began by saying that, although Thungela has improved its scope 3 reporting, it has still not set any short- or medium-term scope 3 targets, despite these constituting 98% of Thungela’s emissions. The Science Based Target Initiative requires companies to set at least one near-term, science-based scope 3 target when scope 3 emissions make up 40% or more of its total emissions, in order to have a credible climate strategy.²

We pointed out that this means that until Thungela has set such a scope 3 target, it does not have a credible emission reduction strategy aligned with science and global best practice. We asked what Thungela’s envisaged timeframe is within which it will set scope 3 targets aligned with the goals of

² <https://sciencebasedtargets.org/blog/scope-3-stepping-up-science-based-action>



the Paris Agreement, and a strategy to achieve these targets. We had also asked Thungela this question at its 2023 AGM.³

Besides saying that some of scope 3 emissions reduction “is going to be related to mine closures where we will not be replacing those tonnages” neither the chair nor the CEO responded to this question, both focussing instead on Thungela’s commitments on its scope 1 and 2 emissions. Ndlovu did end by saying that, “What we would like to avoid doing is committing to society, targets, for the sake of committing to targets that we will not be able to meet, and that is where we are being very deliberate and rigorous in terms of our thought process, both in terms of timing and quantum of what we can impact.”

6.2. Use of carbon capture and storage

Just Share noted that throughout its reporting, Thungela refers to carbon capture, utilisation and storage (CCUS) as key to its decarbonisation strategy. We pointed out that, despite decades of experimentation and huge financial expenditure, none of the many CCUS “pilot projects” anywhere in the world has been successful in the development of commercially viable CCUS, at scale.

While Thungela reports that the “capture capacity of CCUS projects in development, in construction or operating has increased”, the reality is that commercial CCUS projects running today still only capture about 0.1% of fossil fuel emissions globally. We therefore asked what Thungela’s expected CAPEX investment for CCUS technology is and how it compares to CAPEX allocated to other elements of its decarbonisation plan.

Ndlovu responded by saying that it is the nature of technological development that it “at the beginning, quite often, doesn’t look economic. But you have to invest in it if you have belief, and commitment, just like the renewable technologies. If you go 50, 40 years ago, turbines and solar panels were not economic. They had to be subsidised to come down the commercial scale, and equally, CCUS is one of those technologies that is going to require continued investment and support among other technologies such as, high efficient, low emission technologies.”

This is a common argument of fossil fuel companies. The problem with it is that we are not at the “beginning” of the development of CCS technology. It has, in fact, been deployed since the early 1970s, but more than 50 years later is still not commercially viable at scale. Renewable energy technology, on the other hand, is now the cheapest, cleanest and fastest means of providing electricity. Furthermore, given the urgency of the climate crisis, the world does not have 40 or 50 more years to wait and see if CCS becomes feasible. The reference to CCS is nothing more than a fossil fuel industry delay tactic.

Ndlovu also mentioned the increased investment in CCUS in China, in combination with “alternative uses of coal”. However, he ended by saying that although Thungela is monitoring these

³ https://justshare.org.za/wp-content/uploads/2023/09/2023-AGM-Roundup-1_14-February-12-June-2023_July-2023_final.pdf



developments, the board does “not believe that we’ve got the wherewithal nor means to begin to allocate capital to CCUS ourselves, because we’re not consumers of coal necessarily.”

6.3. Scope 1 and 2 emissions and the inclusion of Ensham

Last year Thungela indicated that its target to reduce scope 1 and 2 emissions by 2030 applied to “existing operations”, and said that it would update its “baseline and include initiatives to decarbonise the Ensham operations” in this current reporting cycle, once the Ensham Mine transaction had been closed. That acquisition was completed in September last year, but the current annual reports still exclude Ensham. Just Share asked why Thungela was not able to include Ensham in this year’s reports. This, we were told, was due to the fact that the deal on Ensham closed in September and, given the complexity of the data and legal requirements in Australia, it was unable to standardise the data in time to include in these reports.

Just Share also asked for clarification as to whether Thungela still intends to amend its 2021 target baseline to one that reflects its ownership of Ensham – as it has promised to do in the past. We asked whether this is the same approach that will be taken to other new projects, such as the Lephalale coal-bed methane project for which a feasibility study commenced last year. Ndlovu’s response was difficult to interpret, but we understand it to mean that he acknowledged that this would not be a sensible approach.⁴

6.4. “Say on Climate” resolution

Finally, Just Share asked whether, given Thungela’s ongoing refusal to table any climate-related shareholder resolutions proposed by shareholders, it would commit to tabling a “say on climate” resolution at next year’s AGM, to give shareholders an opportunity to vote on its climate strategy. This type of resolution is increasingly standard practice at fossil fuel companies around the world.

The background to this question is that, earlier this year, Just Share, Aeon Investment Management and Fossil Free SA filed a climate-related shareholder resolution at Thungela which the company once again (as last year) declined to table,⁵ indicating that the tabling of any such resolution for a vote falls “exclusively within the power and discretion of the board of directors”.

Thungela was clearly anticipating a question about this refusal, as company secretary Francois Klem responded by reading out a statement reiterating the company’s interpretation of section 65(3) of the Companies Act, of which we are well aware. However, our question was about whether Thungela

⁴ Full transcript of the CEO’s response to this part of Just Share’s question: “it’s quite an interesting... It’s pointless to keep going to 2021. Let’s take Lephalale for instance: we might build the gas project say in 2030. What will be the point of going back to amend 2021? I think what you want to do is, when you’ve got a project, is to say how do we then mitigate the climate-related risks associated with this particular project?. And you do what is right for that project. I think what you’d recall we said, because that’s an important consideration here - other than the gas project, which might be in a slightly different context - we said, as we evaluate our investments, we’re going to primarily focus on existing carbon limits, rather than create new carbon limits. And the reason for that was so that actually, if we wanted to amend the baseline, actually it’s pretty straightforward because it already existed in that instance, we can actually do that; but if it didn’t exist, I mean, that will look kind of an oxymoron to then say theoretically, in 2021, this would have been this. So we would have to do what is right for that particular circumstance, I think.”

⁵ <https://justshare.org.za/media/news/coal-companies-thungela-and-exxaro-refuse-to-table-shareholder-proposed-climate-lobbying-resolutions/>



itself would table a resolution – not about whether it would commit to tabling a *shareholder*-proposed resolution.

To this, Ntsaluba merely said that “I guess it might be a little bit unfair for the company secretary to say ‘well, the matter will be on the agenda’ now. I guess the question is always, the company secretary submits these matters to the board, and the board then would apply the mind as it does all the time.” In reply, Just Share noted that Thungela would not comment on whether or not it would table its own resolution in future.

7. Questions asked by other shareholders

There were some questions from shareholders attending the AGM electronically:

- An asset manager shareholder asked why Thungela does not publish its pay ratio and gender pay gap by major geographic element, noting that “inequality is a growing local and global risk.” Ndlovu said that up until this year Thungela has only been a single geographic, single-country company and so did not have to segregate its remuneration disclosure. However, he also would not commit to doing so in future disclosures, saying that “it’s important that, as we consider these comparisons, that we don’t assume that we have got a single pay structure across all geographies because economic conditions in different geographies are different”, and that it “is something that we’re going to spend time understanding in what the appropriate comparisons are on a go-forward basis.”
- A shareholder from ESG Insight SA asked about Thungela’s remuneration policy, pointing out that the short-term incentives for the business and individual segments are difficult to assess as the policy does not disclose any targets. The response was to say that the company runs “a very robust process as a board in terms of translating the output of our strategic process into clear and measurable objective business KPIs that we associate monitor on a quarterly basis. It’s weighted, it’s very clear and clearly becomes the basis of the payout that we apply in the business.”
- Other questions related to the softening of the coal market, potential recourse against Transnet for loss caused to the company, and several questions relating to Thungela’s share buy-back scheme.



8. Relevant resources

8.1. Just Share

8.1.1. Climate-related resources

- **Briefing:** Five things to know about Thungela and Exxaro's climate-related disclosures (June 2023)
- **News post:** Coal companies Thungela and Exxaro refuse to table shareholder-proposed climate lobbying resolutions (May 2023)

8.1.2. Governance-related resources

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

8.2. Other resources

- **News:** Thungela looks to mine closures, renewables to tackle greenhouse gas emissions (June 2024), Business Live

End