THUNGELA RESOURCES LIMITED
("Thungela" or "the company")

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

Shareholders request that Thungela Resources Limited ("the company") adopt and publish in its 2025 suite of reports: short-, medium- and long-term greenhouse gas emission reduction targets across its full range of value chain emissions, and for its global operations, which are in alignment with the Paris Agreement's 1.5°C goal requiring net zero emissions by 2050.

Supporting statement

The company has confirmed its support for the Paris Agreement,[1] as well as its commitment to "net zero by 2050",[2] which it has further confirmed includes the company's scope 3 emissions.[3]

However, the company has not set any interim targets that will meaningfully contribute towards achieving this long-term ambition. This means that shareholders are unable to assess the likelihood of the 2050 target being achieved.

Short- and medium-term emission reduction targets are particularly important in light of the findings in the Intergovernmental Panel on Climate Change's (IPCC's) Sixth Assessment Report[4] that coal use would need to fall to 75% below 2019 levels by 2030 and to 95% below 2019 levels by 2050, in order to limit global average temperature rise to 1.5°C.[5]

While the company has committed to incorporate at least 19 MW of renewable electricity into its operations by the end of 2026,[6] the company's target of a 30% emission reduction by 2030, off a 2021 baseline, applies only to its scope 1 and 2 emissions. It does not include scope 3 emissions.

In 2023, the company's scope 3 emissions were 32 033 kt CO_2e, compared to scope 1 and 2 emissions of 295 kt CO_2e and 433 kt CO_2e, respectively. The exclusion of scope 3 emissions therefore means that 98% of the company's value chain emissions are not covered by its 2030 target. The 2030 target also appears to apply only to the company's existing operations[7] and would therefore exclude new acquisitions.

Coal phase-out

The IPCC has repeatedly reported that immediate and significant emission reductions are required to stave off the worst consequences of climate change.[8]

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[1] P 31 Thungela 2023 climate change report.
[2] P 19 and 20 Thungela 2023 climate change 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)
[4] https://www.ipcc.ch/assessment-report/ar6/
[5] https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf p 24 and 71; https://www.carbonbrief.org/in-depth-qa-the-ipccs-sixth-assessment-on-how-to-tackle-climate-change/
[6] P 26 and 29 Thungela 2023 climate change report.
[7] P 15 Thungela 2022 climate change report.
[8] https://www.ipcc.ch/assessment-report/ar6/

In the IPCC's 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.[9]

According to the International Energy Agency (IEA)'s report "*Net Zero by 2050. A Roadmap for the Global Energy Sector*", in a net zero by 2050 pathway, 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 1.5ºC.[10] 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 in any historical power transition.[11]

Aligning to Net Zero

In alignment with the Paris goal of limiting the rise in global temperature to 1.5°C, investors increasingly require companies committed to net zero to set interim emission reduction targets inclusive of all relevant scope 3 emissions.[12]

In its 2022 report *Integrity Matters: Net Zero commitments by Businesses, Financial Institutions, Cities and Regions*,[13] the United Nations High-Level Expert Group (HLEG) set 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."[14]

In summary, the report requires that a company set short-, medium- and long-term absolute emission reduction targets and, where appropriate, relative emission reduction targets across its value chain. These must at least be "consistent with the latest IPCC net zero greenhouse gas emissions modelled pathways that limit 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".[15]

The HLEG report states that companies should set short-term targets of five years or less, with the first target set for 2025.[16] 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 is missing for scope 3 emissions, businesses should explain how they are working to get the data or what estimates they are using.[17]

Thungela remains substantially misaligned with global net zero goals and investor expectations. Failing to set targets that address the full range of its greenhouse gas emissions exposes the company to increasing physical, regulatory, and market risks. By setting short- and medium-term,1.5°C-aligned targets inclusive of its entire value chain, Thungela can mitigate its climate-related risks, and capitalise on the value-creating opportunity of the net zero economy.

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9 https://www.carbonbrief.org/guest-post-how-quickly-does-the-world-need-to-phase-down-all-fossil-fuels/
10 https://www.iea.org/reports/net-zero-by-2050, p 20.
11 https://www.nature.com/articles/s41558-022-01576-2
12 https://www.climateaction100.org/wp-content/uploads/2023/10/CA100-Benchmark-2.0-Disclosure-Framework-Methodology-Confidential-October-2023.pdf, p 5; https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf, p 39-40.
13 https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf
14 P 12.
15 P 17 HLEG report.
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