Exxaro Resources: Climate Policy Engagement Overview
An investor briefing on Exxaro Resources’ climate policy engagement in advance of its 2023 Annual General Meeting (AGM)

Executive Summary

■ In April 2023, Exxaro Resources (‘Exxaro’) investors filed a shareholder resolution requesting that the company “annually conduct an evaluation of and report to shareholders on the Company’s lobbying and policy engagement activities including: if [...] 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” (here). In May 2023, co-filers Just Share announced that Exxaro "refused to table" the shareholder resolution at its 2023 Annual General Meeting (AGM) on 18th May.

■ This briefing provides an overview of Exxaro’s direct and indirect (via industry associations) climate-related policy engagement, and shows that the company has not aligned its policy engagement activities with the Paris Agreement. Exxaro’s online company profile can be found here.

■ InfluenceMap analysis suggests 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. This position appears inconsistent with IPCC 1.5°C-aligned decarbonization pathways which project a reduction in the global use of coal in 2050 by 95%.

■ Exxaro has limited transparent engagement with climate-related regulations in its corporate reporting from 2020-2023. However, the company expressed broad support for the South African Carbon Tax and the Climate Change Bill in its 2022 CDP response. In contrast, Exxaro’s industry associations - including the Minerals Council South Africa and Industry Task Team on Climate Change - have actively advocated to weaken the climate ambition of both policies.

■ Exxaro holds memberships to industry associations displaying negative engagement with climate legislation and regulation in 2020-2023, including the Minerals Council South Africa, Business Leadership South Africa, and Industry Task Team on Climate Change. Exxaro has not published a review of its climate policy engagement activities in line with standards put forward by institutional investors as part of the 2022 Global Standard on Responsible Climate Lobbying. The Global Standard highlights the need for companies to publish a detailed annual review to ensure that its climate policy engagement – both direct and indirect via industry associations – is consistent with the 1.5°C goal of the Paris Agreement.
Background: Shareholder resolution on climate advocacy

Engagement with companies over their climate policy engagement is now firmly on the investor agenda on climate change. It is an integral part of the Climate Action 100+ (CA100+) investor-engagement process, which now has over 700 investor signatories with a total of $68 trillion in assets under management.

As a research partner to CA100+, InfluenceMap maintains a global system for tracking, assessing and scoring companies on their engagement with climate change policy against Paris-aligned benchmarks. This system currently covers around 500 companies along with 250 of their key industry associations.

InfluenceMap refers to the UN’s Guide for Responsible Corporate Engagement in Climate Policy as a guide for what constitutes engagement. This can include advertising, social media, public relations, sponsoring research, direct contact with regulators and elected officials, funding of campaigns and political parties, and participation in policy advisory committees.

This briefing provides an overview of Exxaro’s direct and indirect climate policy engagement to inform engagement on the shareholder resolution filed ahead of its 2023 Annual General Meeting (AGM), summarized in Table 1 below. In May 2023, co-filers Just Share announced that Exxaro “refused to table” the shareholder resolution at its 2023 AGM on 18th May.

Table 1: Key information for shareholder resolution at Exxaro Resources’ 2023 AGM

<table>
<thead>
<tr>
<th>Resolution: Request for a report on direct and indirect lobbying in line with the Paris Agreement</th>
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<tr>
<td>Lead Filer:</td>
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<td>AGM Date:</td>
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<tr>
<td>Proposal Summary:</td>
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<td>The full resolution text is available here.</td>
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Exxaro’s Climate Policy Engagement

A company’s climate policy engagement is a strong indicator of sound corporate governance and provides insight into management thinking on the transition to a net-zero economy. Therefore, if a company’s climate policy engagement is inconsistent with the Paris Agreement’s 1.5°C goal, this suggests that the company’s business model is not prepared for a low-carbon transition.

InfluenceMap’s methodology, available on our website, uses seven publicly available data sources to gather evidence of company and industry association engagement on a range of climate-related policy streams. Each item of evidence is scored against benchmarks based on the advice of IPCC science or the stated intentions of governments looking to implement the Paris Agreement. This process can result in hundreds of scored evidence items, providing a robust basis to assess the extent to which a company’s climate policy engagement, and that of its industry associations, is Paris-aligned.

InfluenceMap's online profile of Exxaro, including access to the underlying data which forms this assessment, can be found here. An overview of this assessment is provided in Table 2 below.

Table 2: Overview of InfluenceMap’s assessment of Exxaro Resources

<table>
<thead>
<tr>
<th>Exxaro Resources</th>
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<tbody>
<tr>
<td><strong>Performance Band</strong></td>
<td>C-</td>
</tr>
<tr>
<td><strong>Organization Score</strong></td>
<td>58%</td>
</tr>
<tr>
<td><strong>Relationship Score</strong></td>
<td>63%</td>
</tr>
<tr>
<td><strong>Engagement Intensity</strong></td>
<td>14%</td>
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**Performance Band (A+ to F)** is a full measure of a company’s climate policy engagement, accounting for both its own engagement and that of its industry associations. A+ indicates full support for Paris-aligned climate policy, with grades from D to F indicating increasingly obstructive climate policy engagement.

**Organization Score (0 to 100)** expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement is, with scores under 50 indicating misalignment with the Paris Agreement.

**Relationship Score (0 to 100)** expresses how supportive or obstructive the company’s industry associations are towards climate policy aligned with the Paris Agreement, with scores under 50 indicating misalignment with the Paris Agreement.

**Engagement Intensity (0 to 100)** is a measure of the level of policy engagement by the company, with scores above 12 indicating active engagement, and scores above 25 indicating highly active or strategic engagement.
Direct climate policy engagement

InfluenceMap’s analysis of Exxaro’s direct climate policy engagement is based on 86 independent data points, 77 of which have been logged since 2020. Under InfluenceMap’s system, recent evidence is heavily weighted in the calculation of metrics, as explained in our methodology.

Exxaro states in its February 2023 ESG report that the company is aiming for carbon neutrality by 2050. However, Exxaro’s top-line support for emissions reductions is not fully aligned with its detailed policy engagement. UN Secretary-General, António Guterres, has called for “zero tolerance for net-zero greenwashing” and, in 2022, established a high-level expert group on net zero pledges. The group presented guidance on how to ensure credibility and accountability in net zero pledges as part of a report entitled “Integrity Matters: Net Zero commitments by Businesses, Financial Institutions, Cities and Regions,” released during COP27 in November 2022. Among other recommendations, the guidance called on companies to align their climate policy engagement in support of climate action and not against it, and to disclose all their activities toward this aim.

Exxaro has communicated positive top-line statements on climate change:

- In its February 2023 ESG report, Exxaro appeared to recognize the need for urgent action to combat climate change, supported the goals of the Paris Agreement, and supported a governmental response to climate change in South Africa.

Exxaro has limited transparent engagement with climate-related regulations in its corporate reporting from 2020-2023. However, the company expressed broad support for the South African Carbon Tax and the Climate Change Bill in its 2022 CDP response:

- In its 2022 CDP response, Exxaro supported the South African Carbon Tax Act and called for the alignment of the tax with carbon budgets under the Climate Change Bill;

- Exxaro supported the Climate Change Bill in its 2022 CDP response. The company advocated for the Bill to relate more to the Paris Agreement and South Africa’s Nationally Determined Contribution, while also pushing to align the carbon tax with the Bill’s carbon budget;

- In contrast, Exxaro’s industry associations have engaged negatively on the South African Carbon Tax and/or Climate Change Bill, including the Minerals Council South Africa and Industry Task Team on Climate Change. See Table 3 below for more details of Exxaro’s indirect advocacy via industry associations.

Exxaro appears to support a sustained role for coal in the energy mix. These views do not appear aligned with 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%. For example:
In its February 2023 ESG report, Exxaro appeared to support the role for coal alongside renewables in the energy mix, stating that both energy types play a key role in energy security.

In a May 2022 Mail and Guardian article, Exxaro Managing Director for Minerals, Kgabi Masia, stated that it would be “foolish” to walk away from coal until viable alternatives can provide the same scale of capacity.

However, Exxaro has increasingly expressed support for the energy transition from 2021-2023:

- Exxaro CEO, Dr Nombasa Tsengwa, stated in a February 2023 ESI Africa article that “we must transition from coal […] it’s not debatable, it’s a given”, and supported the transition to renewables in South Africa. Tsengwa did however appear to question the feasibility of the pace of the energy transition, stating that it is not going to be at the speed expected.

- Tsengwa also appeared to support green hydrogen production in an August 2022 Mining Weekly article.

- Roland Tatnall, Managing Director of Energy at Cennergi (an Exxaro subsidiary), supported increasing the licensing threshold of embedded generation from 1MW to 100MW under the Electricity Regulation Act, which would encourage further renewable power generation in South Africa.

Indirect climate policy engagement via industry associations

InfluenceMap's platform tracks and analyzes the climate policy engagement of over 250 industry associations, using the same benchmarks and scoring process applied to companies. This gives an assessment of each association’s engagement against Paris-aligned benchmarks. This section details InfluenceMap’s analysis of Exxaro’s key industry associations and governance processes.

- Exxaro does not appear to have undertaken a review of its climate policy engagement, including an assessment of alignment with its industry associations on climate change. The Global Standard on Responsible Climate Lobbying - instigated by investors and launched in March 2022 - highlights the need for companies to publish a detailed annual review to ensure that its climate policy engagement (direct and indirect via industry associations) is consistent with the 1.5°C goal of the Paris Agreement.

- InfluenceMap analysis indicates that Exxaro likely holds 3 memberships to industry associations with climate policy engagement potentially misaligned with the Paris Agreement (ranked from D+ to B- by InfluenceMap’s system). These include the Minerals Council South Africa, Business Leadership South Africa, and Industry Task Team on Climate Change. Exxaro CEO Dr Nombasa Tsengwa holds a board position at Minerals Council South Africa.
Detailed profiles for all Exxaro’s industry associations can be explored via the links in the table below, Appendix A, or the "Details of Relationship Score" tab on Exxaro’s company profile. Table 3 below gives an overview of three key industry associations with examples of recent obstructive climate policy engagement.

Table 3: Evidence of recent climate policy engagement by Exxaro Resources’ key industry associations

<table>
<thead>
<tr>
<th>Industry Association</th>
<th>Performance Band</th>
<th>Examples of recent climate policy engagement</th>
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</table>
| Minerals Council South Africa (MCSA)                | C-               | ● **February 2023:** In its Climate Change Position statement, MCSA supported further research and development into clean coal technologies to further extend the life of the South African coal mining industry.  
● **October 2022:** In a submission to a parliamentary hearing on the South African Climate Change Bill, MCSA called for penalties for emitters that exceed their carbon budgets under the Bill not to inflict punishment, but rather encourage deterrence and emissions reductions. MCSA also emphasized that penalties could give rise to economic consequences.  
● **September 2022:** MCSA was strongly unsupportive of amendments to the South African Carbon Tax Act, advocating directly during a presentation to policymakers. MCSA opposed the removal of allowances under the Carbon Tax Act, opposed an increased tax rate, called for extension of the sequestration deduction to all sectors, and supported the implementation of additional unspecified measures to support industry. |
| Industry Task Team on Climate Change (ITTCC)        | C+               | ● **September 2022:** ITTCC was strongly unsupportive of amendments to the South African Carbon Tax Act in a presentation to policymakers. The association opposed the removal of allowances under the Carbon Tax Act, opposed an increased tax rate, called for extension of the sequestration deduction to all sectors, and supported the implementation of additional unspecified measures to support industry.  
● **April 2023:** On its corporate website, ITTCC supported mandatory carbon budget legislation in South Africa, but appeared to advocate for less stringent penalties for companies which exceed the carbon budget.  
● **April 2023:** ITTCC appeared to support dedicated climate change legislation in South Africa on its corporate website, but stated that there is no reason for the legislation to be “one of the most stringent in the world” |
November 2022: In a CEO newsletter, BLSA CEO Busisiwe Mavuso supported the decommissioning of coal-fired power plants and the transition to renewables, but also supported the role of fossil gas as a transition fuel in South Africa without placing stringent requirements on carbon capture and storage deployment.

September 2022: BLSA advocated directly to policymakers to support specific measures to weaken the South African Carbon Tax Act. The association supported the extension of phase 1 of the tax by 3 years to 2025, called for a lower tax rate from 2023-2025, called for allowances including free allocations and subsidies for emitters up to 2030, advocated for a delay in increasing the carbon price until post-2035, and called for sequestration deductions to be expanded to all emitting sectors.
### Appendix A: Exxaro’s industry association memberships

The table below provides a ranking of Exxaro’s key industry associations by Performance Band, i.e. a measure of direct climate policy engagement (see page 3 for more information on InfluenceMap’s metrics). Detailed profiles for all Exxaro’s industry associations can be explored via the links in the table.

<table>
<thead>
<tr>
<th>Industry Association</th>
<th>HQ Country</th>
<th>Performance Band</th>
<th>Engagement Intensity</th>
</tr>
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<tbody>
<tr>
<td>National Business Initiative</td>
<td>South Africa</td>
<td>B</td>
<td>16%</td>
</tr>
<tr>
<td>Business Leadership South Africa</td>
<td>South Africa</td>
<td>B-</td>
<td>10%</td>
</tr>
<tr>
<td>Industry Task Team on Climate Change</td>
<td>South Africa</td>
<td>C+</td>
<td>15%</td>
</tr>
<tr>
<td>Minerals Council South Africa</td>
<td>South Africa</td>
<td>C-</td>
<td>27%</td>
</tr>
<tr>
<td>Energy Intensive Users Group of South Africa</td>
<td>South Africa</td>
<td>n/a</td>
<td>4%</td>
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