Sasol told to 'clean up its act'

Many of the shareholders were there to implore the directors to start reining in Sasol's destructive environmental impact

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Picture: BUSINESS DAY/ROBBIE BOTHA

As stakeholder engagements go, the Sasol AGM was more Communist Party of China plenary session than folksy Berkshire Hathaway AGM hosted by Warren Buffett.

The cavernous basement at the Sandton Convention Centre didn't help. It had been hired in anticipation of large numbers of Sasol BEE shareholders attending. Not many did, so the room echoed and rattled. What also didn't help was the nine dark-suited directors staring down on the shareholders from their lofty stage setting, doing a modestly good impression of Xi Jinping and his cohorts.

Adding to the them-and-us atmosphere was that the lighting was focused on the nine directors and the rest of the room was in semi-darkness.

It didn't help that chairman Mandla Gantsho started by telling shareholders he would limit the number of questions from the floor. This would have been an appalling PR gaffe — but not a contravention of the Companies Act. Given the eye-watering fees that even the nonexecutive directors on this board are paid, devoting a few hours to shareholder concerns should have been comfortably accommodated. As it happened, Gantsho didn’t follow through on his threat, but the gizmos given to the shareholders for voting and asking questions went on the blink after just 2½ hours, leaving many questions unasked.

Of course, it’s doubtful anything would have helped to warm the frosty atmosphere that pervaded the dark room on that scorching November morning. Unlike the tens of thousands who pitch up to the annual Berkshire Hathaway jamboree to celebrate Buffett’s genius, many of the people who had come to this year’s Sasol AGM were not there to celebrate. Instead, they were there to tell the directors of SA’s second-biggest polluter they’d had enough of the life-threatening air and water they have to live with; they were there to implore the directors to start acting on the public commitments the board has made about reining in its destructive environmental impact. "Sasol is dedicated to minimising the environmental impact of its operations globally, while delivering greater social impact," says the group’s latest environmental sustainability report.

The report’s puffery is presumably used in the "behind-closed-doors engagement" with powerful institutional shareholders to convince them that their multibillion-rand investments in Sasol do not fly in the face of their commitment to the UN principles for responsible investment.

To its credit, Sasol doesn’t attempt to hide the fact that a key strategy in mitigating the risks relating to compliance with the government’s environmental obligations seems a lot like lobbying.

"Sasol relies on seeking extended compliance time frames through postponement applications. This enables the execution of our committed roadmaps," its sustainability report says, though it provides no details of the targets on the road ahead.

There was no sign of the institutions at the AGM. They had sent in their proxies ahead of the meeting, providing overwhelming support for all the resolutions with the exception of the remuneration resolution. On this, 21.4% voted against the policy.

Without the activist shareholders who had travelled from Sasol-affected communities across SA and Mozambique, the AGM would have confirmed Sasol’s vision of itself: "To be a leading integrated global chemical and energy company, proudly rooted in our SA heritage, delivering superior value to our stakeholders." Sasol says its values include ensuring that safety, health and environment is a top priority. But during the AGM the community-based shareholders described a reality very different from that vision.

Tracey Davies of Just Share, a shareholder activism and responsible investment organisation, told the FM that for years representatives of the communities had waited to see improvements in Sasol’s environmental impacts. But it seems not even the 2015 Paris agreement, signed by the SA government, or the recommendations of the task force on climate-related financial disclosures finalised by the Financial Stability Board have made much difference to Sasol’s modus operandi.

Davies says the failure of the institutions to enforce behaviour change to encourage a transition to a low-carbon economy meant the communities and environmentalists are forced to take a more active role. "It’s amazing they don’t take a stronger stand because even a casual analysis of Sasol’s position in the face of mounting local and global pressure will confirm the limited scope for continued delays.

"We could be looking at some of Sasol’s multibillion-rand plants becoming stranded assets, and/or increased regulation and even litigation."

Andrew Lapping, chief investment officer at Allan Gray, which holds 11% of Sasol and has had discussions with Sasol's environmental team, describes the group's management stance as proactive and realistic.

"They do not deny the issues at hand and have made very substantial investments in various abatement projects over recent years." Lapping says by its very nature Sasol's coal-to-liquids process produces high levels of greenhouse gas emissions, and "the management team is forced to work within this framework".

At Prudential, which holds 3.9%, portfolio manager Simon Kendall also recognises the huge environmental legacy issues facing Sasol, which it says are serious and complex. "While our direct engagements broadly satisfy us that Sasol management does take these issues very seriously, we encourage the company to do more," he says.

Davies says the institutions are too tolerant of Sasol's "business as usual" approach and that the issues cannot be dismissed as legacy; many are ongoing.

Given the institutions' lack of urgency, it seems inevitable the shareholder activists will be back at next year's AGM.