

Say on Climate proposal at Sasol

February 2024

Company: Sasol Ltd. (Sasol)

Meeting date: January 19, 2024

Proposal: Item 3—Approve climate change report

How the funds voted

At the 2024 annual meeting of Sasol, a South African-listed global chemicals and energy company, the Vanguard-advised funds supported an advisory management proposal requesting that shareholders approve the company's climate change report (commonly referred to as a "Say on Climate" proposal).¹

The funds' proxy voting policies

The funds vote case by case on Say on Climate proposals, typically including advisory votes on a company's climate report.

When a company's management chooses to hold a Say on Climate vote, the funds look for the board to provide clear disclosure of the rationale for the vote, to articulate the oversight mechanisms and governance implications of

the vote, and to produce robust reporting in line with the framework laid out by the International Sustainability Standards Board (ISSB). The funds view Say on Climate votes as a signal on the coherence and comprehensiveness of the reporting and disclosures a company provides to explain its climate plan to the market, rather than as an approval of, or an expression of lack of confidence in, a company's climate-related strategy itself.

Vanguard-advised funds do not seek to direct companies' climate-related strategies. We believe that company management teams, overseen by an independent and effective board, are best positioned to determine the particular strategy and tactics for maximizing shareholder value creation.

Analysis and voting rationale

Since 2021, Sasol has put forward advisory management proposals requesting that shareholders endorse the company's climate reports. The funds have supported each of these proposals, given our assessments of the company's disclosure of its approach to material climate risks and our determinations that the board had sufficient oversight of material climate-related risks.

¹ Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.

The climate report proposal was scheduled to be up for a vote again at Sasol's 2023 annual meeting, but two of Sasol's institutional investors, Ninety One and Old Mutual, held a protest regarding the climate report, asserting that Sasol had not provided sufficient clarity on the measures it was taking to reduce its greenhouse gas (GHG) emissions. In response, Sasol postponed the meeting to early 2024.

Upon reviewing the report, as well as the objections raised by other shareholders, we assessed that it provided enhanced disclosure of the company's climate strategy, the board's oversight of climate-related risks and opportunities, and the company's GHG reduction targets. The report outlined steps Sasol had taken to reduce its carbon emissions. The report also included Sasol's governance and risk management framework for overseeing the company's climate strategy and relevant opportunities and risks, consistent with the reporting recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Sasol also disclosed short-, medium-, and long-term targets for its scope 1, 2, and 3 GHG emissions.

We engaged with Sasol leaders ahead of the company's rescheduled annual meeting to discuss several topics, including the board's oversight of climate-related risks. In our engagement, Sasol leaders shared that the board had embedded climate risk oversight as a strategic focus area. The board chair also provided an overview of the various considerations for evaluating the board's composition and evolution, particularly focusing on the need for technical engineering skills to equip the company to execute on its energy transition.

Ultimately, through our research and engagement with Sasol leaders, we determined that the board conveyed a clear rationale for putting the climate report up for a shareholder vote (including that shareholders asked the company to do so), articulated the governance implications of the vote and existing board practices for overseeing material climate risks, and provided robust reporting in line with the ISSB framework.² The Vanguard-advised funds thus supported the proposal asking shareholders to endorse, on a nonbinding advisory basis, the company's climate reporting.

² As of October 12, 2023, the [TCFD](#) has fulfilled its remit and disbanded. The Financial Stability Board has asked the International Financial Reporting Standards Foundation to take over monitoring of companies' climate-related disclosures. The TCFD framework and recommendations have been absorbed by the foundation and incorporated into the ISSB standards. As of this publication, individual geographies and regulatory bodies are in the process of updating disclosure recommendations and requirements from TCFD recommendations to the ISSB framework. The Vanguard-advised funds are supportive of that framework's recommendations.

Vanguard publishes Investment Stewardship Policy and Voting Insights to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our effort to provide useful disclosure of Vanguard's investment stewardship voting and engagement activities. We aim to provide clarity on Vanguard's stance on governance matters beyond what a policy document or a single vote can provide. Insights should be viewed in conjunction with the most recent region- and country-specific voting policies.

The funds for which Vanguard acts as investment advisor (Vanguard-advised funds) retain the authority to vote proxies that the funds receive. To facilitate the funds' proxy voting, the boards of the Vanguard-advised funds have adopted Proxy Voting Procedures and Policies that reflect the fund boards' instructions governing proxy voting. The boards of the funds that are advised by managers not affiliated with Vanguard (external managers) have delegated the authority to vote proxies related to the funds' portfolio securities to their respective investment advisor(s). Each external manager votes such proxies in accordance with its own proxy voting policies and procedures, which are reviewed and approved by the fund board annually.



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