

# Exxaro's move to renewable a sign of progress

Exxaro Resources chief executive, Mxolisi Mgojo, announced in February that his company will join a growing list of international miners divesting from thermal coal assets, reinforcing the global pressure for mining houses to reduce exposure to fossil fuels is gaining momentum.



Jon Duncan, head, responsible investment, Old Mutual

He said that Exxaro, which exports coal as well as supplying it for domestic power generation, would continue to supply thermal coal to state-owned power utility Eskom's Medupi and Matimba power stations through its coal contracts.

"As we come to the the end of life of our other coal reserves, we will not be building any new ones," Mgojo said during a virtual panel at the Investing in African Mining Indaba conference.

While the announcement signals that the mining sector is responding to an increasingly diverse stakeholder base, the financial ecosystem is evolving in parallel. "The move to divest from coal assets is a global trend to accommodate investors looking to decarbonise their holdings," says Jon Duncan, head of responsible investing at Old Mutual Investment Group.

"While we cannot ignore the global context, which is material to the divestment from the likes of Exxaro and Anglo American, the reality is that locally, climate change – the effects of which can no longer be denied – risks accelerating a host of social challenges which threaten the country as a whole.

## Increase in ESG investment

"More and more, investors are becoming acutely aware of this, which is why we are seeing an increase in environmental, social and governance (ESG) investing," says Duncan.

However, given that many investors are benchmark-cognisant in respect of financial returns, many investment managers, take a risk-managed approach to fossil fuel exposure and so don't take a hard exclusion approach.

"We have not adopted a hard-exclusionary approach on primary fossil fuel producers at this stage as our approach is informed by a recognition of the Just Transition dimension of climate change and so are aligned with the idea of a decarbonisation pathway over time. We support our commitment to this pathway through a pro-active approach to stewardship or active ownership on climate-related issues with clear escalation pathways in order to drive impactful change among our investee companies," he says.

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