

Sustainability and Climate Disclosure Guidance

let's connect

JSE

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In support of



Supported
by



Federal Ministry
for Economic Affairs
and Climate Action



JSE Sustainability purpose statement

We undertake to: →



01

Guide our markets on the importance of **ESG disclosure** and incorporating ESG into investment considerations

02

Behave in a manner that explicitly **considers sustainability across our value chain** as an exchange and as a central player in the South African economy

03

Provide the tools and services that **facilitate responsible investing** and the re-orientation of capital flows to more sustainable development

04

Use our central role as connector to **facilitate engagement** and advocacy in relation to sustainability

JSE Sustainability Disclosure Guidance and JSE Climate Disclosure Guidance

In **June 2022** the JSE launched two Disclosure Guidance documents

The Guidance is **voluntary**



The Guidance has the following broad objectives

- Assist listed companies to *navigate the global sustainability/ESG landscape*
- Improve the quality of sustainability/ESG information available to enable more informed, *more sustainable, investment decisions*
- Drive improved *sustainability performance and accountability, and encourage business leadership* in addressing significant social and environmental challenges

The JSE Guidance was informed by an extensive review of global initiatives...

Global disclosure standards and initiatives



SSE Model Guidance WFE ESG Metrics



Eight peer exchanges Warsaw, London, Nasdaq, Hong Kong, Brazil, Australia, Singapore, Malaysia



... as well as by local disclosure requirements and sustainability challenges

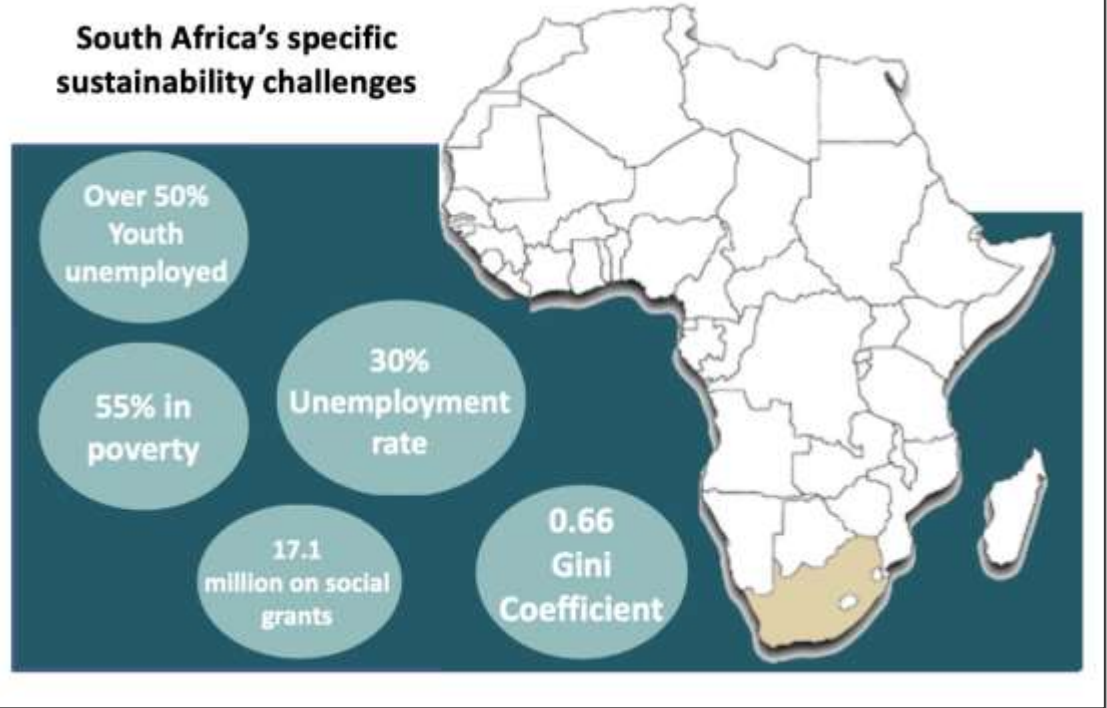


Local disclosure requirements

- Employment Equity Act, 1998
- Broad-Based Black Economic Empowerment Act, 2003
- Companies Act, 2008
- Political Party Fund Act, 2010
- National Environment Management Act, 2002
- JSE Listings Requirements
- King IV



South Africa's specific sustainability challenges



The JSE Guidance specifically seeks alignment with GRI and draft IFRS and EU standards

Financial materiality



In reviewing all the various global standards and peer exchange guidance

- ✓ We are not seeking a list of indicators that reconciles all this guidance – but rather to find **points of convergence**
- ✓ We are not assuming things are static – but rather to sense **the direction of change**
- ✓ We are not adding more boxes to tick – but working out which existing boxes are **useful to use in SA...** and why



JSE Sustainability Disclosure Guidance



What is sustainability and why report on it?

Reflecting on the difference between 'sustainability' and 'ESG', recognising the business case for good disclosure, and identifying some of the significant recent developments behind the growing convergence in sustainability disclosure standards and initiatives.



How might an organisation approach sustainability disclosure?

Identifying seven key questions to inform an effective reporting process, understanding materiality for the purposes of sustainability-related disclosure, and listing a set of core principles aimed at enhancing the quality and presentation of the sustainability information that is disclosed.



What sustainability information should a company disclose?

Providing a detailed set of Narrative Disclosures and Standardised Sustainability Disclosures (Core and Leadership) informed by a thorough review of global and national sustainability disclosure expectations and emerging best practice, with provision for South Africa's specific business context and developmental challenges.



Annexes

Referencing global and regional standards and frameworks; comparing the JSE Guidance with the IFRS Sustainability Disclosure Standards and European Sustainability Reporting Standards; and providing a glossary of key terms.

JSE Sustainability Disclosure Guidance

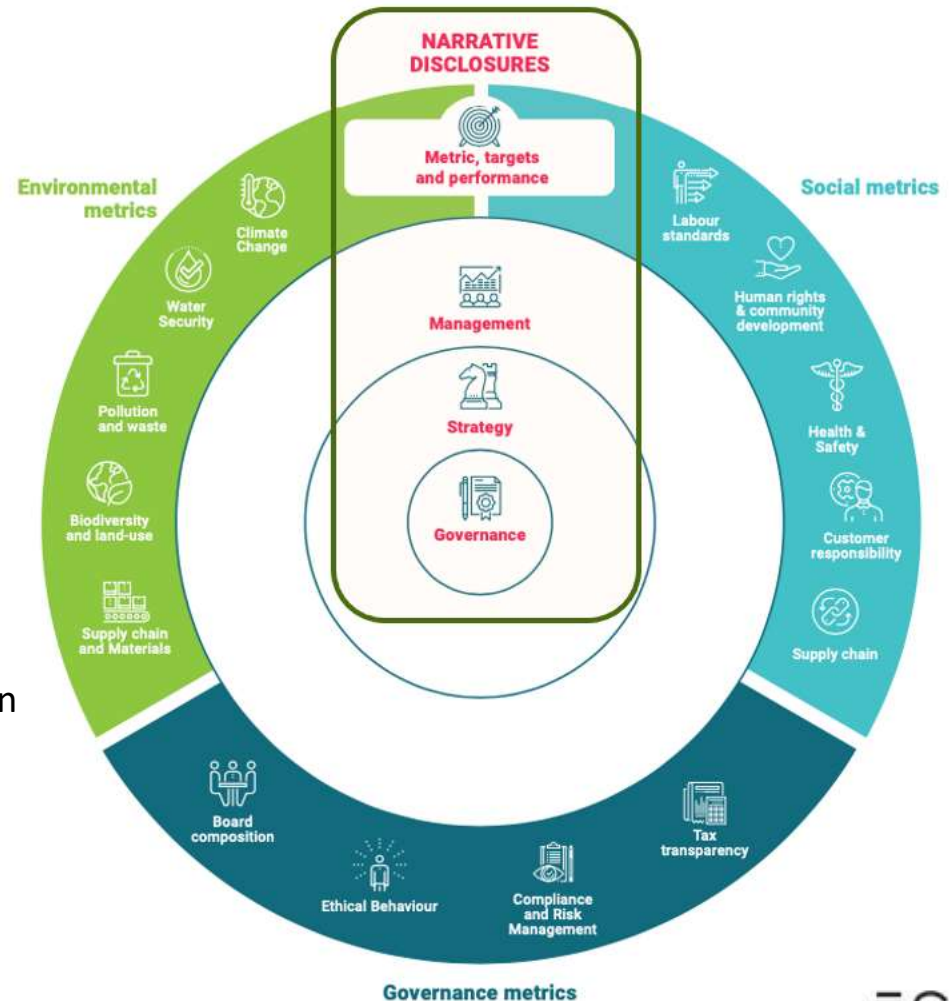
Sustainability Narrative Disclosures

- Focus on **Governance**; **Strategy**; **Management**; and **Metrics, Targets and Performance**
- Aligned with **IFRS**, **ESRS**, **TCFD**, **CDSB**, **SDGD**

Selected set of ESG metrics

- Referenced to **existing standards / initiatives**
- Both **Core** and **Leadership** metrics
- Adopt **double materiality** (impact on organisation and on people, environment, and economy)
- Seek to emphasise **outcome** and **impact** metrics

Note: these metrics are intended to inform the organisation's materiality process, not replace it!





Inequality is a systemic risk that demands urgent action

"Inequality destroys trust in institutions including businesses, it fractures society, and it holds back economic progress."

Alan Jope, CEO, Unilever

Pay equality – one of many means to address inequality
(and one of the more contentious set of metrics)

S1 LABOUR STANDARDS		Metric
S1.2 Pay equality S1.2a	C	Ratio between the CEO's total annual remuneration and the median, lower quartile, and upper quartile of the total annual remuneration of all the organisation's employees (excluding the CEO).
S1.2b	L	The ratio of the average annual remuneration of the top 10% of the organisation's top earners, and the average annual remuneration for the bottom 10% of the lowest earners in the organisation.
S1.2c	C	The total annual remuneration of both the highest paid employee and the lowest paid employee; the average remuneration; and the median remuneration of all employees.
S1.2d	C	Ratio of the total annual remuneration of women to men, and by race group, for each employee category , by 'significant locations of operation' (as defined by the organisation).

Table 0.1. CEO pay to average income* ratio
(Selected countries, 2015-2016)

South Africa	541
India	483
US	299
UK	229
Canada	203
Switzerland	179
Germany	176
Spain	172
Netherlands	172
Norway	101
Denmark	82
Sweden	75
Finland	61
Hong Kong	66
Malaysia	66
Singapore	65
Japan	62

Source: Based on Lu and Melin 2016.

* "average income" refers to per capita gross domestic product adjusted for purchasing power parity.

Building on existing and anticipated disclosure requirements

Draft requirements in South Africa

STAATSKOERANT, 1 OKTOBER 2021	No. 45250
DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION	
NOTICE 586 OF 2021	
COMPANIES AMENDMENT BILL, 2021	
INVITATION FOR THE PUBLIC TO COMMENT ON THE DRAFT COMPANIES AMENDMENT BILL, 2021	

What will the wage ratio report look like in South Africa?

In terms of the proposals, the wage ratio report will have to disclose, amongst other things:

- total remuneration of the highest paid employee;
- total remuneration of the lowest paid employee;
- average and median remuneration of all employees; and
- the remuneration gap reflecting the ratio between the lowest and highest paid employees.

The wage ratio report will be published on an annual basis and will have to be approved by shareholders at the company's AGM.

Building on existing and anticipated disclosure requirements

SEC in US

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 229 and 249

[Release Nos. 33-9877; 34-75610; File No. S7-07-13]

RIN 3235-AL47

Pay Ratio Disclosure

AGENCY: Securities and Exchange Commission.

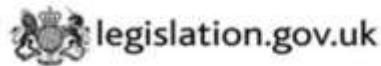
ACTION: Final rule.

SUMMARY: We are adopting amendments to Item 402 of Regulation S-K to implement Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 953(b) directs the Commission to amend Item 402 of Regulation S-K to **require disclosure of the median of the annual total compensation of all employees of a registrant (excluding the chief executive officer), the annual total compensation of that registrant's chief executive officer, and the ratio of the median of the annual total compensation of all employees to the annual total compensation of the chief executive officer.** The disclosure is required in any annual report, proxy or information statement, or registration statement that requires executive compensation disclosure pursuant to Item 402 of Regulation S-K. The disclosure requirement does not apply to emerging growth companies, smaller reporting companies, or foreign private issuers.

DATES: *Effective Date:* **October 19, 2015.**

Building on existing and anticipated disclosure requirements

UK Regulations



The Companies (Miscellaneous Reporting) Regulations 2018

New regulations coming into force today (Tuesday 1 January 2019) mean that, for the first time, the UK's biggest companies will have to disclose and explain every year their top bosses pay and the gap between that and their average worker.

The pay ratio regulations will make it a statutory requirement for UK listed companies with more than 250 employees to disclose annually the ratio of their CEO's pay to the median, lower quartile and upper quartile pay of their UK employees. Companies will start reporting this in 2020 (covering CEO and employee pay awarded in 2019).

JSE Climate Disclosure Guidance



Climate Disclosure – Setting the stage

By 1992 at the Rio Earth Summit, it was already established that "human influence on the climate system is clear and growing, with impacts observed across all continents and oceans".



How might an organisation approach climate disclosure?

The starting point is that all companies regardless of sector need to consider and disclose information on how the impact of climate change and the economic transition to net zero will impact their business and how their business will impact on the wider environment and society.



What climate-related information should a company disclose?

Organisations that have recognised the need for action on climate should integrate climate-related impacts, risks and opportunities into their governance, strategy and management processes. By reporting meaningfully on climate, organisations are able to signal to investors and other stakeholders that they have a sound appreciation of the issues.



How might an organisation approach climate disclosure?

As both the science behind climate-related issues as well as the reporting requirements evolve and grow, organisations should ensure they are working with the most up-to-date information.

Some closing reflections: Implications for SBFN members

Leveraging the JSE Guidance to foster effective national approaches to sustainable finance

- The Guidance presents an updated assessment of the key implications of the **most recent and most influential global sustainability reporting standards and disclosure trends**
- It provides a compelling basis to **assess the disclosure and performance of financial institutions**
- It can be used to encourage improvement in **how financial institutions manage sustainability / ESG, and climate risk**
- Driving accountability and promoting disclosure can **stimulate innovation in sustainable finance**, and contribute to greater financial stability and **more sustainable economies**





Thank you

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