The JSE ESG Investor Briefing

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Overview of topics

- The JSE and Sustainability
- The JSE SRI Index
- The ESG Investor Briefing
The JSE and sustainability

- Sustainability is multifaceted, requires balancing various pressures (two quick examples)

  - External sphere of control and influence
  - Running sustainable business
JSE’s hybrid approach

Regulatory Framework
- Mandatory governance
- King III comply or explain (integrated reporting)

Investment tools
- SRI Index since 2004

Engagement
- ESG Investor Briefings / Showcase

Advocacy
- UNPRI, SSE
- King III, CRISA
- Panels / Committees

Enabling Environment
The JSE SRI Index

- Flagship sustainability initiative

- Pioneering initiative launched in 2004
  - First of its kind in the world owned by an exchange
  - First of its kind in an emerging market context
  - Aims to encourage integrated risk management and facilitate responsible investment strategies and engagement
  - Positive and aspirational, no ethical exclusions

- Criteria
  - Aligned to global standards, customised for local relevance
  - Developmental and incremental
  - Covers triple bottom line (environmental, social and economic sustainability) and governance
  - Focus criteria for climate change since 2010
The JSE SRI Index: Technical construction

- Eligible universe
  - Base universe: FTSE/JSE All Share Index
  - Automatic assessment
  - Only publicly available information since 2013

- Annual assessment
  - Data collected by external data provider
  - Two-phased process – public review and company input
  - JSE engagement on controversial issues and borderline cases
  - Market-cap weighted construction – FTSE/JSE Africa Index Series methodology
The JSE SRI Index: Environment

- **Impact classification**
  - High, medium, low
  - Activity-based, assessed relative to five key areas: climate change and energy, air pollution, water pollution, waste, water consumption

- **Indicators**
  - Policies and systems – responsibility, commitment
  - Targets and objectives – minimise, reduce, rehabilitate
  - Reporting – impact, performance, engagement
The JSE SRI Index: Society, Governance

- **Thematic approach**
  - Training & development, labour relations, community relations, equal opportunities, health & safety, etc.
  - Board practice, Ethics, Business valuation, Risk management, Indirect impacts, Socio-economic, etc.

- **Core and desirable indicators**
The JSE SRI Index: Climate Change

- **Principles**
  - Incremental
  - Risk assessment and management
  - No impact classification

- **Indicators**
  - Policy: Senior responsibility and Public commitment (entry level), Policy context
  - Management: Emissions measurement (entry level), any targets / goals
  - Reporting: Scope, Methodology, Trend data
## Current statistics

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<tbody>
<tr>
<td>Companies assessed</td>
<td>74</td>
<td>58</td>
<td>62</td>
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<td>105</td>
<td>109</td>
<td>106</td>
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<tr>
<td>Number of constituents</td>
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<td>57</td>
<td>61</td>
<td>67</td>
<td>74</td>
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<tr>
<td>Best performers</td>
<td>-</td>
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<td>23</td>
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<td>23</td>
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By size

![Bar chart showing the number of companies by size and year of assessment. The chart includes data for Top 40, Mid Cap, and Small Cap categories from 2004 to 2013.]
Value proposition: Issuers

- Aspirational benchmark
- Streamlined indicators with global reach and local significance
- Increased accountability
- Focus on transparency
- Closes the loop between global standards and local imperatives
- Potential for increased engagement and investment
  - Accelerated and expanded interest since UNPRI
Value proposition: Investors

- Pool of companies screened against global best practices and local imperatives
- Known universe of candidates
- Menu of diverse constituents
  - Across sectors
  - Across environmental impacts
  - Varying market caps
- Increasing data availability and potential for engagement
Sectors

- Consistently strong
  - Mining
  - Banks

- Other strong sectors
  - General Financial
  - General Industrial
  - Life insurance
  - Construction & Materials

- Growth sectors
  - Retail, food producers, health
Keep moving forward

- JSE seen as key player in sustainability debate locally and globally
  - Strong reputation for taking leadership ahead of its peers
  - Expected to maintain position

- SRI Index has been very influential
  - Issuers take it very seriously and engage deeply
  - Investors see it as a benchmark for good ESG performance

- Intention to retain impact
  - Promotion of transparency and interaction is what will have impact
  - JSE well positioned to facilitate this through:
    - Expanded data collection to promote increasing ESG transparency
    - Access to data
    - Enhancing the issuer-investor interface
The ESG Investor Briefing

- Grew out of need for ESG-focused issuer-investor interface
- Run successfully for four years
- Continue to grow and expand
- Value Driver Framework
  - Joint project of UNGC and UNPRI
  - Aim is to allow for unique content, but meeting investor needs for relevance, comparability and integration in financial analysis
  - Content elements:
    - Sustainability investment case – ESG integral to strategy
    - Focus on value drivers material to the company and related metrics
Value Driver Framework: elements

- **Growth**
  - New markets and customers
  - Products & Services

- **Return on capital**
  - Operational efficiencies
  - Human capital management
  - Reputation

- **Risk management**
  - Operational and regulatory
  - Reputational
  - Supply chain
  - Leadership & Adaptability
Thank you and enjoy the day!

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