

The JSE ESG Investor Briefing

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9 September 2014



Overview of topics

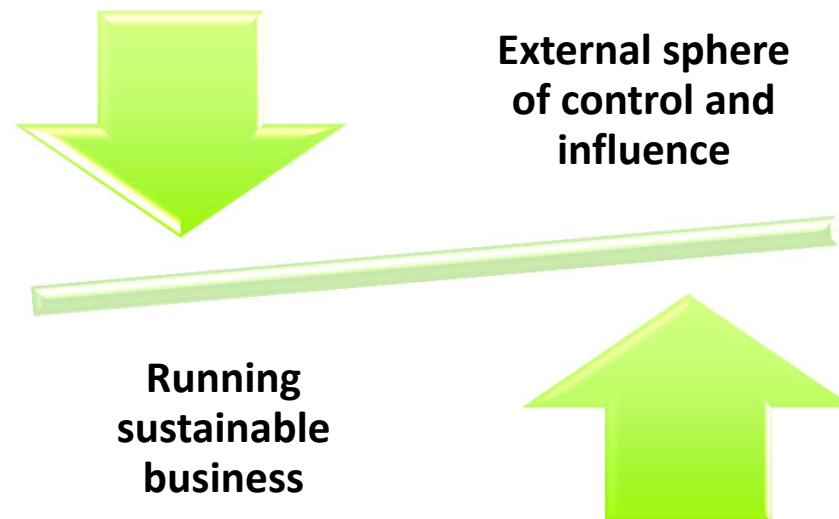


- The JSE and Sustainability
- The JSE SRI Index
- The ESG Investor Briefing

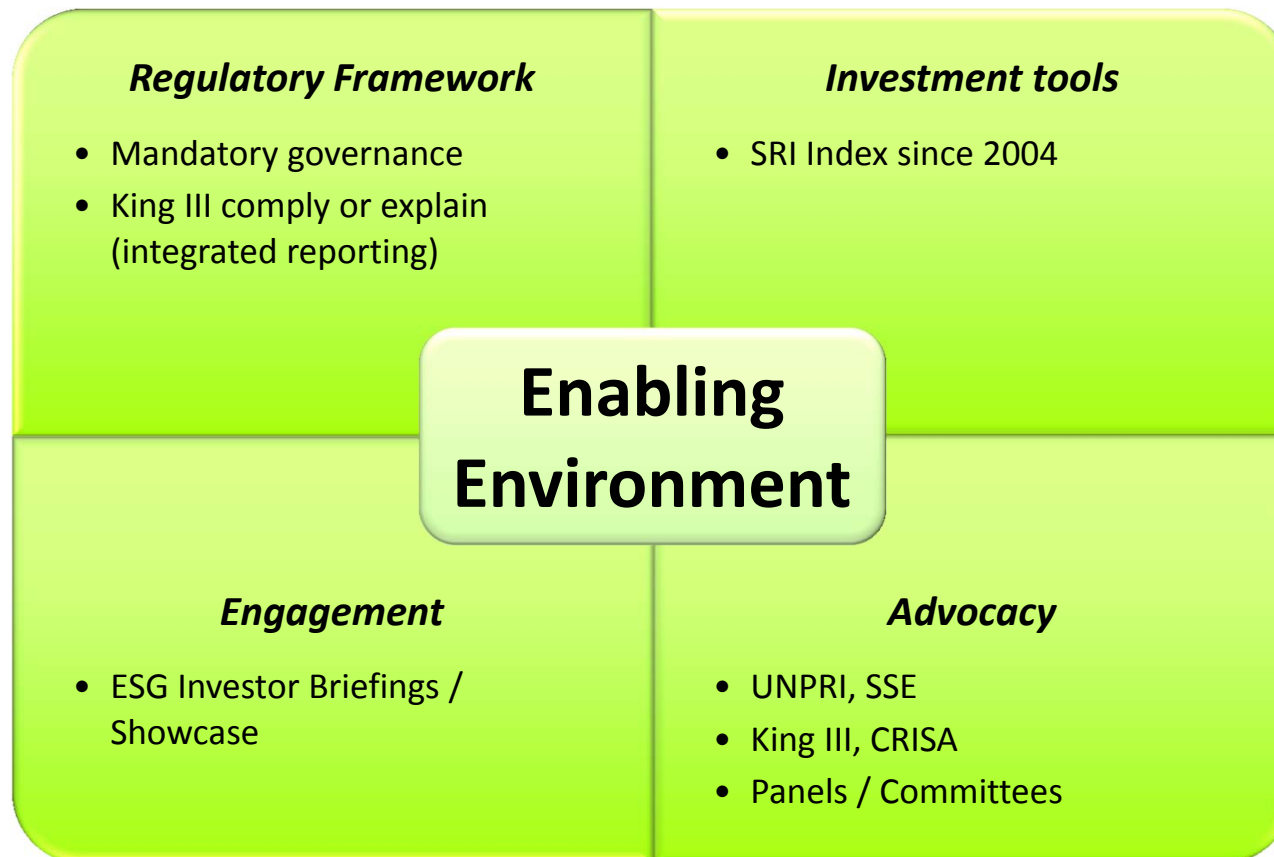
The JSE and sustainability

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



JSE's hybrid approach



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

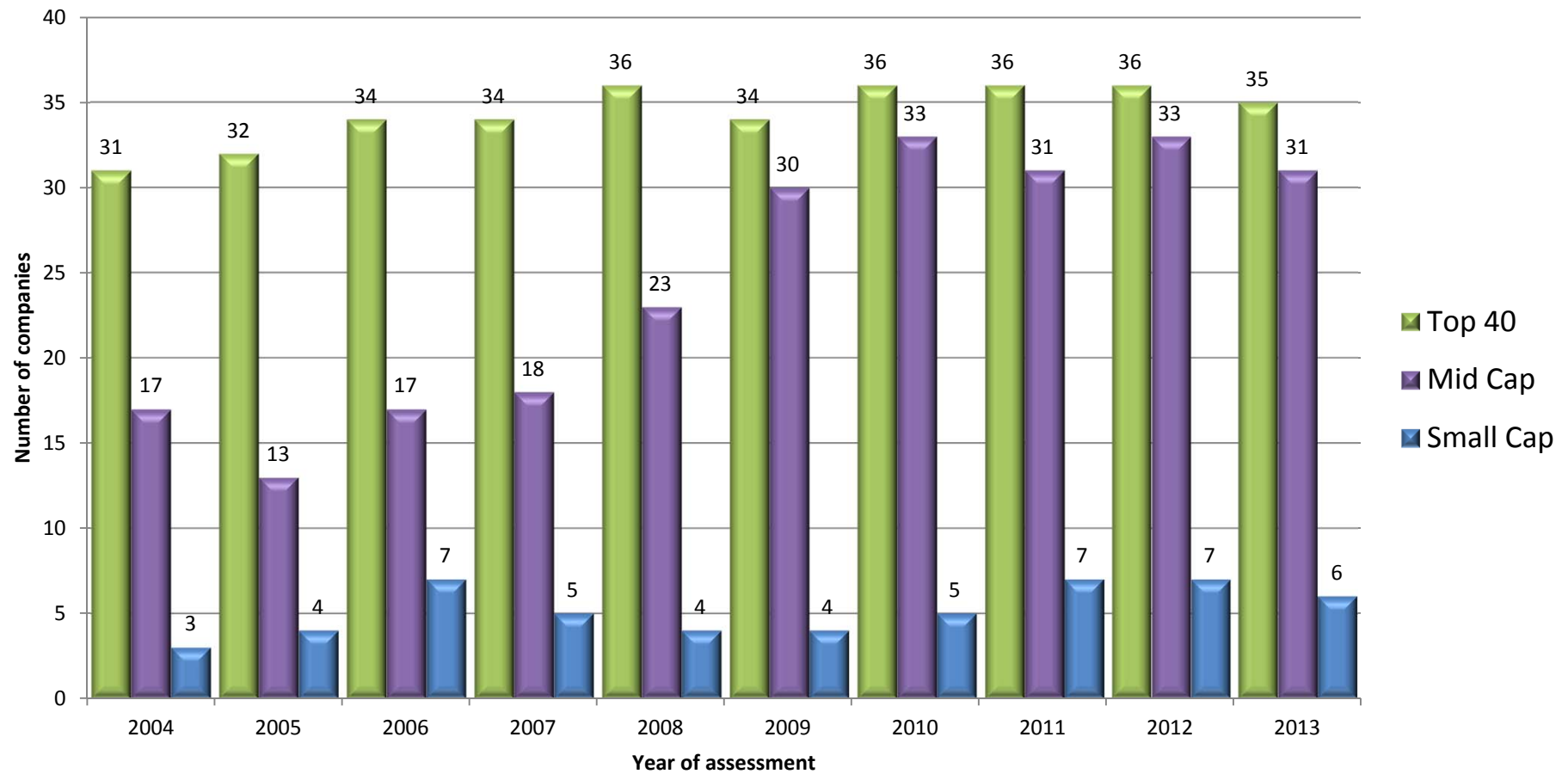
Current statistics



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Companies assessed	74	58	62	72	105	109	106	109	108	157
Number of constituents	51	49	58	57	61	67	74	74	76	72
Best performers	-	-	-	14	23	30	23	22	10	6

By size

JS



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

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- **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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