



Sustainability and Climate Disclosure Guidance

Launch of Public Comment Period - 9 December 2021



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JSE

Jonathon Hanks – Incite



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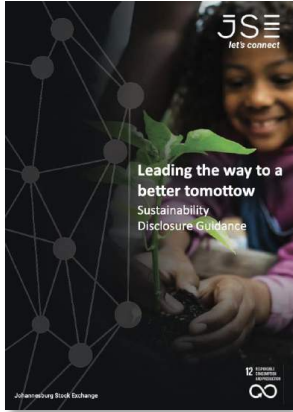


based on a decision of the German Bundestag

JSE Sustainability and Climate Disclosure **Guidance**

“African capital markets have a fantastic leap-frog opportunity to stimulate much needed investment in the emerging green economy. Through this initiative the JSE has an opportunity to be a big part of this.”

JSE stakeholder



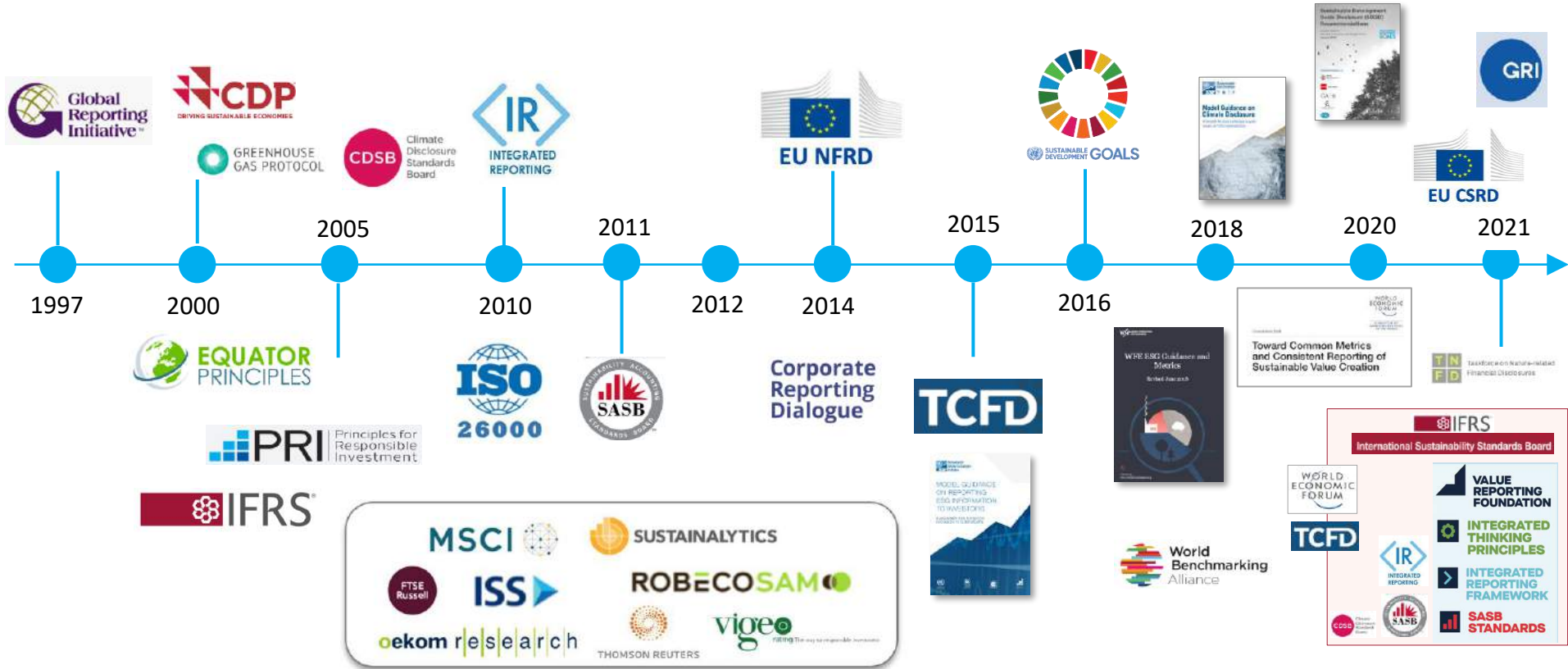
JSE Guidance and Requirements: Understanding the distinction

This paper is issued as a guidance tool that may be used by issuers on a voluntary basis to:

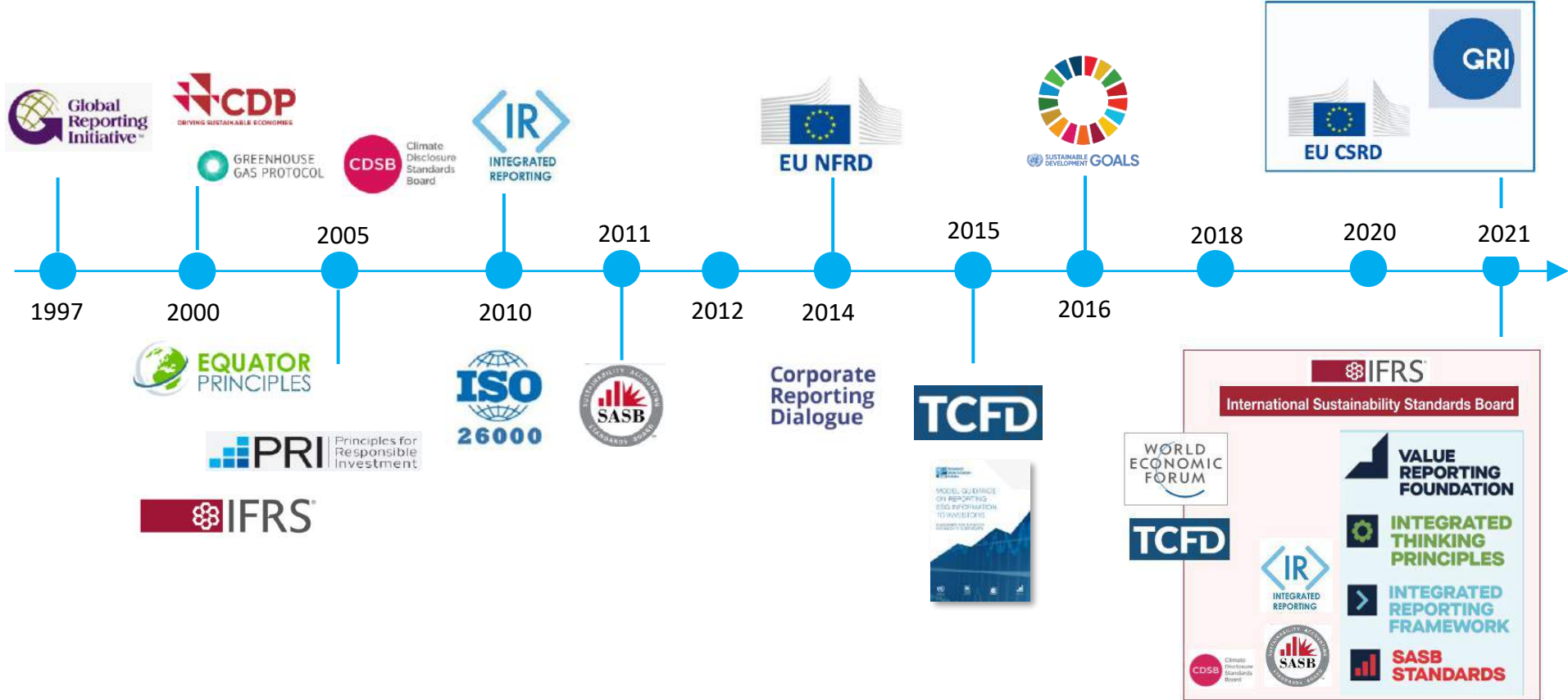
- Assist local companies to navigate the global sustainability and ESG landscape
- Provide for South Africa’s specific sustainability challenges
- Improve the quality of sustainability and ESG information available to enable more informed investment decisions
- Drive improved sustainability performance, accountability, and business leadership.

The paper does not constitute disclosure or reporting obligations for issuers pursuant to the provisions of the JSE Listings Requirements.

A lot of 'noise' as sustainability and ESG goes mainstream



We are seeing signs of convergence, but some confusion remains

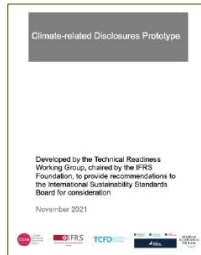


The establishment of the ISSB marks a profound change in global reporting



03 November 2021

IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements



The JSE Guidance seeks alignment with the ISSB and its Prototypes....

International Sustainability Standards Board



Develop global baseline of sustainability disclosure standards



Focus on meeting the information needs of investors



Companies to provide comprehensive sustainability information for the global capital markets



Facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders

Climate-related Disclosures Prototype

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021



General Requirements for Disclosure of Sustainability-related Financial Information Prototype

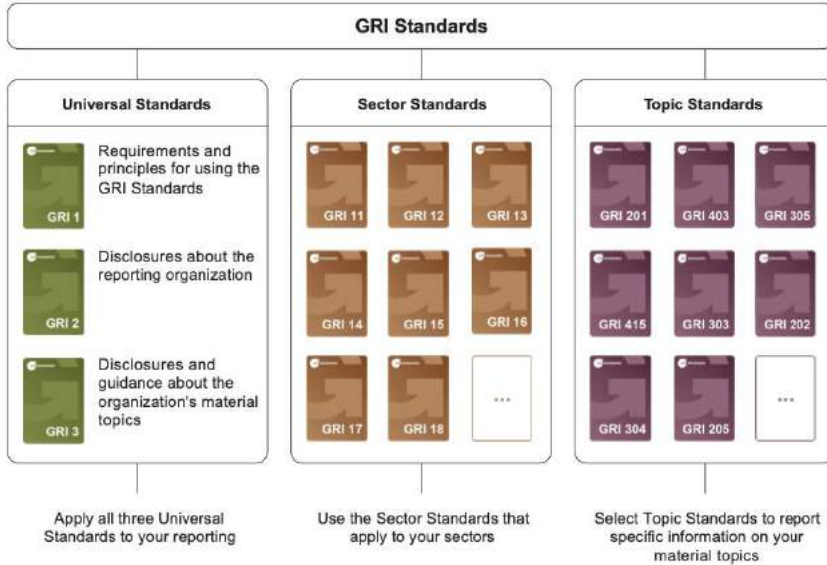
Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021



Source: Value Reporting Foundation presentation to Good Governance Academy Colloquium (Nov 2021)

...while also seeking alignment with GRI, EU CSRD and King IV



Brussels, 21.4.2021
COM(2021) 189 final

2021/0104 (COD)



The GRI and <IR> Framework will continue to be relevant, alongside the ISSB

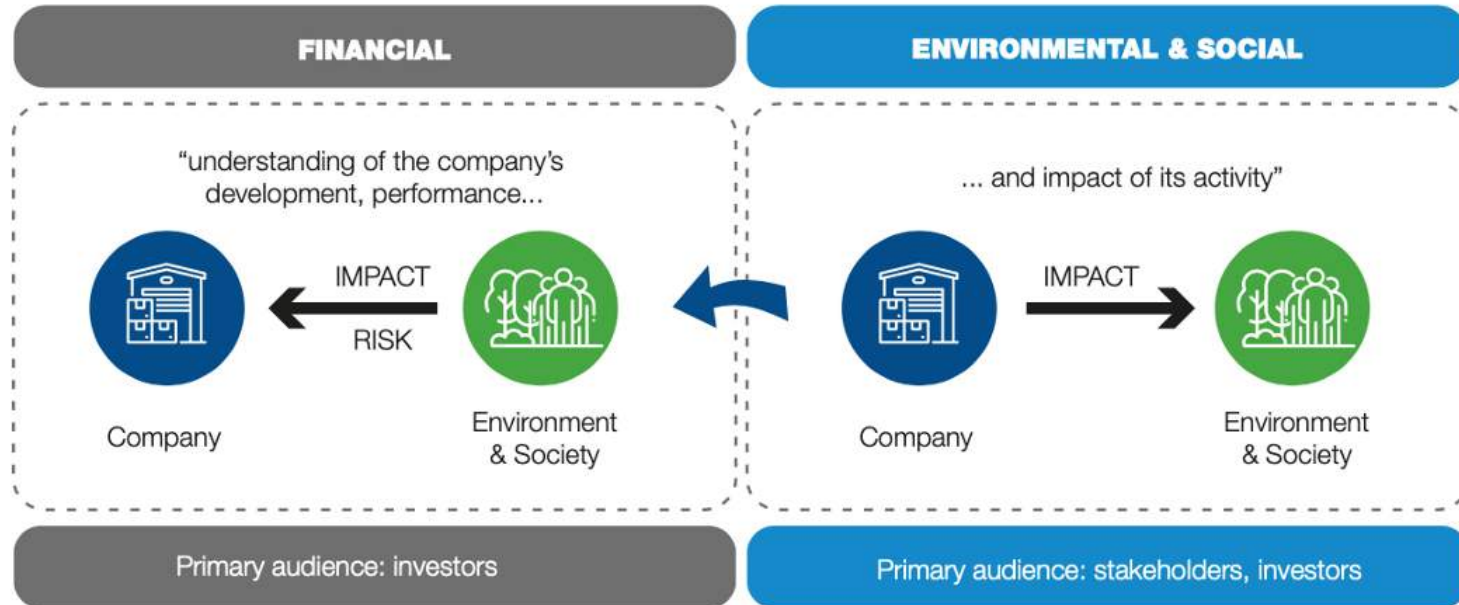
Myth	Reality
ISSB diminishes GRI's important role in the sustainability reporting landscape.	<ul style="list-style-type: none">• GRI is the leading global standard-setter for sustainability reporting focused on the information needs of multiple stakeholders• The ISSB and GRI will co-exist, because they play different roles in the landscape• We aim for interoperability between the GRI and SASB Standards. We will continue to advocate as such for ISSB Standards.
The <IR> Framework is being consolidated into the ISSB and will therefore lose relevance as a connecting framework across financial and sustainability disclosure.	<ul style="list-style-type: none">• The VRF is being consolidated into the IFRS Foundation, not the ISSB.• The SASB Standards map to the ISSB.• The <IR> Framework is best positioned as a connecting framework between the IASB and ISSB.



JSE Sustainability and Climate Disclosure Guidance has adopted “double materiality”

All organisations impact the **environment and society**. In turn, the environment and society affect the business and its performance. These impacts may be positive or negative and will vary in time.

Organisations report these interactions differently depending on the intended report user. **Three broad arenas of reporting** have emerged, each of which has **different global disclosure standards and initiatives** aimed at addressing the different material interests of the report user.



All sustainability matters affected by or that affect the organisation

Impact
Materiality

Sustainability reporting: targets all stakeholders seeking to understand the entity's **significant sustainability impacts**

Disclosure includes those sustainability topics that reflect the organisation's **most significant impacts** (positive or negative) on society, the environment, and the economy ("people, planet and prosperity")

Materiality should be informed by *science-based environmental thresholds and agreed social priorities* as articulated in authoritative international instruments, global and national development objectives, and local legislative requirements



EU NFRD/CSRD

Financial
Materiality

Integrated reporting: targets stakeholders seeking to assess **enterprise value** (eg investors, lenders and creditors)

Disclosure includes a sub-set of sustainability issues that enable report users to understand the financial implications of **sustainability-related risks and opportunities** on enterprise value over time

Materiality should be informed by the extent to which the sustainability-related information influences a users' assessments of the value, timing and certainty of the *reporting entity's future cash flows*, over the short, medium and long term

Financial reporting: targets primarily investors and capital markets

Disclosure includes **monetary amounts** in the financial statements reflecting the **effects on enterprise value that have already taken place** at the reporting date, or are included in future cash flow projections



This diagram draws on materials developed by EFRAG, GRI, CDP, CDSB, Value Reporting Foundation and IFRS

All sustainability matters affected by or that affect the organisation

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Dynamic materiality: Sustainability issues can move (gradually or very quickly) between these areas

This diagram draws on materials developed by EFRAG, GRI, CDP, CDSB, Value Reporting Foundation and IFRS

JSE Disclosure Guidance informed by global and local benchmark review...

Global disclosure standards and initiatives



SSE and WFE Guidance



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



Local disclosure requirements

- Employment Equity Act, 1998
- Broad-Based Black Economic Empowerment Act 2003
- Companies Act, 2008
- Political Party Fund Act, 2018
- National Environment Management: Air Quality Act, 2004
- JSE Listings Requirements
- King IV



JSE Disclosure Guidance informed by global and local benchmark review...

Global disclosure standards and initiatives

SSE and WFE Guidance

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



In reviewing the global standards and 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



Local disclosure requirements

- Employment Equity Act, 1998
- Broad-Based Black Economic Empowerment Act 2003
- Companies Act, 2008
- Political Party Fund Act, 2018
- National Environment Management: Air Quality Act, 2004
- JSE Listings Requirements
- King IV



...and feedback from an initial round of stakeholder consultation

Six questions on the Sustainability/ESG Disclosure Guidance:

1. Is there value in the JSE issuing its own ESG Disclosure Guidance?
2. Should the guidance provide for 'double materiality'?
3. Should the Guidance include specific sustainability/ESG metrics?
4. If so, should it distinguish between 'Core' and 'Leadership' metrics?
5. Should we structure the revised metrics using the FTSE/Russell 14 themes?
6. Should we provide sector-level guidance?

Three questions on the Climate Disclosure Guidance:

1. Is there value in having separate Climate Disclosure Guidance?
2. Should the Climate Guidance adopt a double materiality approach?
3. Should climate guidance be included at a sector level?



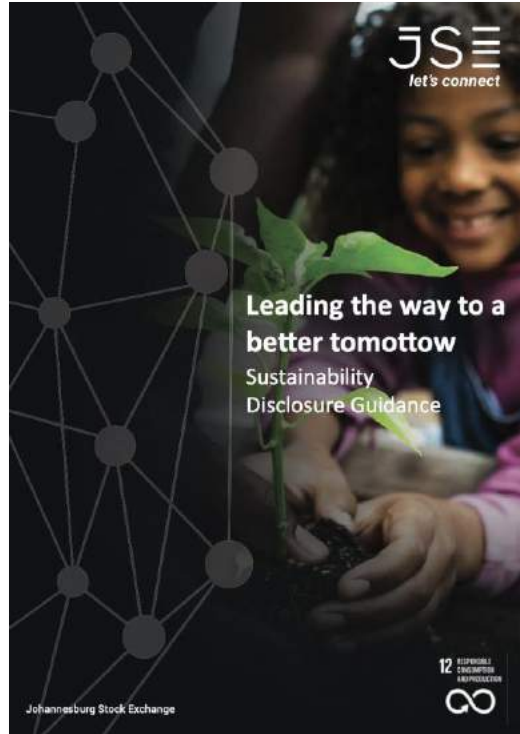
...and feedback from an initial round of stakeholder consultation

Sustainability Advisory Committee – Representatives from:

- Association for Savings & Investment South Africa (ASISA)
- Batseta: Council of Retirement Funds for SA
- European DFI Network
- Financial Sector Conduct Authority (FSCA)
- Government Employees Pension Fund (GEPF)
- JSE Issuer Regulation and JSE Information Services
- Just Share
- King Committee
- National Business Initiative (NBI)
- National Treasury Director for Financial Stability
- National Treasury Climate Risk Forum Disclosure WG
- Public Investment Corporation (PIC)
- UN Global Compact Network SA
- Univ. of Pretoria: Albert Luthuli Leadership Institute



JSE Sustainability Disclosure Guidance



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Project team

JSE Sustainability Advisory Committee

Stakeholders

JSE Sustainability Disclosure Guidance: Narrative Disclosures and specific Metrics

Narrative Disclosures

- Guidance aligned with TCFD, SDGD, and ISSB Prototypes: Governance, Strategy, Management, and Metrics, targets & performance

Specific Sustainability / ESG Metrics

- Carefully selected set of disclosure metrics all derived from credible existing global standards and guidelines
- Include Core and Leadership metrics
- Emphasise outcome/impact metrics rather than output metrics
- Address South Africa's challenges with stronger social focus



JSE Sustainability Disclosure Guidance: Narrative Disclosures

Sustainability Narrative Disclosures

■ Governance

Describe the board's oversight of sustainability-related impacts, risks and opportunities, and its process for integrating sustainability issues into governance processes.

■ Strategy

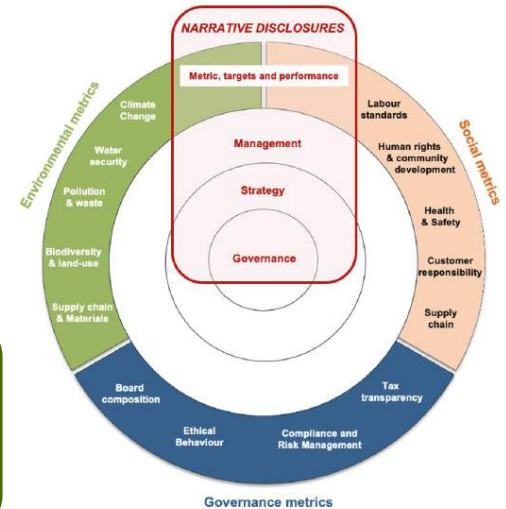
Describe how an assessment of sustainability-related impacts, risks and opportunities has influenced the organisation's strategy, and what impact this has had on the organisation's overall performance, both positive and negative.

■ Management

Describe how sustainability-related impacts, risks and opportunities have been integrated into the organisation's management processes.

■ Metrics, targets and performance

Describe the performance metrics and targets used by the organisation to manage, monitor and manage its sustainability impacts, risks and opportunities, and its performance against these metrics and targets.



METRICS, TARGETS AND PERFORMANCE *Recommended Disclosures*

Describe the performance metrics and targets used by the organisation to measure, monitor and manage its sustainability impacts, risks and opportunities, and its performance against these metrics and targets.

In describing its sustainability metrics, targets, and performance, the organisation should disclose the following information:

The metrics and targets used to measure, monitor and manage the organisation's performance against its material sustainability-related impacts, risks and opportunities, including any cross-industry, sector-based and entity-specific activity metrics.

The methodologies used to calculate or estimate the metrics and targets, where this is not immediately apparent.

The nature of its sustainability targets, including where relevant:

- (i) whether the target is absolute, normalised, intensity, or activity-based
- (ii) the timeframe over which the target applies
- (iii) the base period from which progress is measured
- (iv) any milestones or interim targets.

The nature of any changes to metrics or targets, explaining the reasons for these changes, including (where practical and appropriate) any restated comparative figures.

A response to each of the Core Metrics listed in the JSE Disclosure Guidance, or a description as to why these are not disclosed and/or not seen to be material, and what steps are being taken to start disclosing those that are material.

The organisation's performance against its sustainability metrics and targets, with provision for a suitable historical period to allow for trend analysis.

JSE Sustainability Disclosure Guidance: Core and Leadership metrics

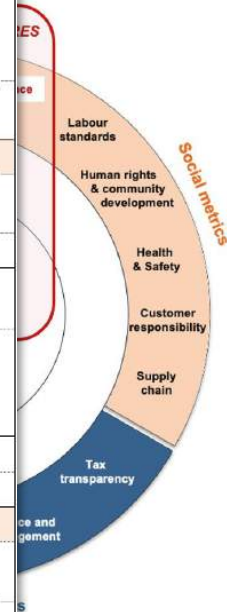
Environmental

ENVIRONMENTAL: Core (C) and Leadership (L)			
Climate change			
GHG Emissions	Water security		
	Water usage	Biodiversity and land use	
Energy mix		C	Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA). Report for operations (if applicable) and full supply chain (if material)
		C	Area of land used for the production of basic plant, animal or mineral commodities (e.g. the area of land used for forestry, agriculture or mining activities).
Science-based targets	Pollution and waste		
	Solid waste	L	Percentage of land area in point 1 above covered by a sustainability certification standard or formalized sustainability management programme; Percentage of land area in point 2 above covered by a sustainability certification programme or formalized sustainability management system
		Supply chain and materials	
Just transition		Supply chain (environmental)	L Report wherever material across the value chain, mechanisms aimed at enhancing management of environmental issues (codes, policies, prevention, and treatment)
	Single use plastic	Materials of concern	C Process to identify and manage emerging materials and chemicals of concern in products (materials of concern could include conflict minerals or recognised high impact raw materials such as palm oil)
	Atmospheric pollution		L Percentage of materials identified in point 1 above that are covered by a sustainability certification standard or formalized sustainability management programme
		L	Whenever possible estimate the proportion of specified emissions that occur in or adjacent to urban/densely populated areas
	Water pollution	L	Estimate and report wherever material along the value chain: metric tonnes of nitrogen, phosphorous and potassium in fertilizer consumed
	L	Level of capital or expenditure deployed toward climate adaptation and climate mitigation projects	

JSE Sustainability Disclosure Guidance: Core and Leadership metrics

Social

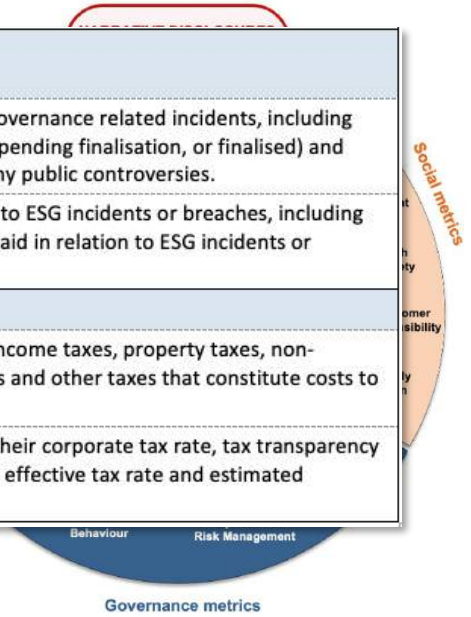
Human rights and community		Health & Safety	
Labour standards	Human rights (see also supply chain below)	Workplace health and safety	C Number and rate of fatalities during reporting period across the organisation. The disclosure should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.
Diversity and inclusion			C Number of recordable work-related injuries, and number of work-related illnesses or health conditions arising from exposure to hazards at work, during the reporting period. The disclosure should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.
Pay equality	Skills for the future		L An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services and the scope of access provided for employees and workers
Wage level	Employment and wealth creation	Customer responsibility	
Living wage		High risk products and services	L Description of products and services that present specific risks to individuals, communities or the environment; an outline of the nature of these risks, and the measures taken to mitigate these.
Freedom of Association and Collective Bargaining	Economic Contribution	Product innovation	C Total costs related to research and development aimed at enhancing social or environmental attributes of products and services
Temporary workers			L Percentage of revenue from products and services designed to deliver specific social or environmental benefits or to address specific sustainability challenges; if the company applies a taxonomy or benchmark to label their activities as sustainable, they should report on the benchmark used and how they meet the criteria of the benchmark
		Consumer data and privacy	C A description of the mechanisms and steps taken to ensure privacy of consumer data
			C Number and types of breaches reported in relation to consumer data privacy
		Supply Chain	
	Supply Chain (Social)	C Report wherever material across the value chain, mechanisms aimed at enhancing management of social issues (codes, policies, prevention, and treatment)	
		C An explanation of suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to type of operation (such as manufacturing plant) and type of supplier; or countries or geographic areas with operations and suppliers considered at risk.	
		L % of products certified by external agencies, % of traceable origin	



by the organization from any government during the reporting period

JSE Sustainability Disclosure Guidance: Core and Leadership metrics

GOVERNANCE METRICS: Core (C) and Leadership (L)		
Board composition		
Board diversity and competence	C	Composition of the board and its committees by: race; gender; membership of under-represented social groups, and stakeholder groups competencies relating to the risks, opportunities and management of economic, environmental, and social issues
Board independence	C	Composition of the board in relation to: executive or non-executive; independence; tenure on the governance body; number and nature of the committees
Remuneration practices	C	How performance criteria and executives' objectives fit with the company's stated purpose, strategy and values
Ethical behaviour		
Anti-corruption	C	Total percentage of governance training on the organization
	C	Total number and nature of incidents in the current year and previous years
	C	Description of the organization's policies and procedures raised through the whistleblowing process
	L	Discussion of initiatives and programs, including culture, to combat corruption
	L	A description of: i) the organization's policies and procedures; ii) the organization's behaviour and organizational structure; and iii) the organization's policies and procedures to address the outcomes of processes using these mechanisms,
Lobbying and political contributions	C	Identify the significant issues that are the focus of the company's participation in public policy development and lobbying, including within any business association that the company is a member of; describe the company's strategy relevant to these areas of focus; and any differences between its lobbying positions and its purpose, stated policies, goals or other public positions.
	C	Total amount of political contributions made per political party
		Compliance and risk management
		Incidents
	C	Number and nature of significant environmental, social and/or governance related incidents, including incidents of legal non-compliance (whether under investigation, pending finalisation, or finalised) and directives, compliance notices, warnings or investigations, and any public controversies.
		Fines
	C	Total number of fines, settlements and penalties paid in relation to ESG incidents or breaches, including individual and total cost of the fines, settlements and penalties paid in relation to ESG incidents or breaches
		Tax transparency
		Tax paid and estimated tax gap
	C	The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes
	C	Extent of exposure to countries and jurisdictions recognised for their corporate tax rate, tax transparency and tax haven status; estimated tax gap (gap between estimated effective tax rate and estimated statutory tax rate)



JSE Sustainability Disclosure Guidance: Core and Leadership metrics

In the final publication the following details will be provided on each metric:

- Description of the Core or Leadership metric
- How the metric is measured
- The rationale for disclosure
- Reference to existing standards and frameworks

LABOUR STANDARDS	
Diversity and Inclusion	<ol style="list-style-type: none">1. Percentage of employees per employee category, by race, gender, age, and other indicators of diversity2. Number of reports of discrimination and harassment incidents, investigation status of reported incidents, and actions taken and the total amount of monetary losses as a result of legal proceedings associated with (1) law violations and (2) employment discrimination
CORE	
How is it Measured	<ol style="list-style-type: none">1. Quantitative metric – % of employees by category2. # and description
Context/Rationale	Organisations with higher levels of diversity, particularly within executive teams, are generally better able to innovate, attract top talent, improve their customer orientation, enhance employee satisfaction, and secure their license to operate. To be effective, organisational culture should be built on a foundation of respect, courtesy, and professionalism, free from any acts of discrimination, bullying or harassment.
Link to standards and frameworks	GRI 405-1; GRI 406-1; SASB 310; SASB 330; WEF

JSE Climate Disclosure Guidance

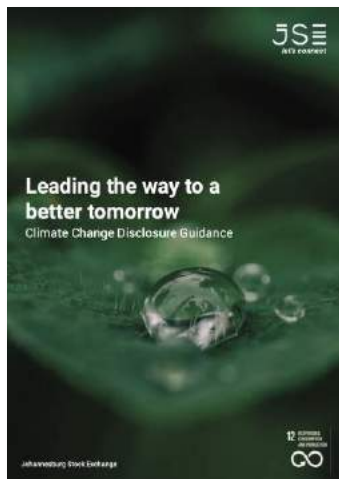


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A MESSAGE FROM THE JSE

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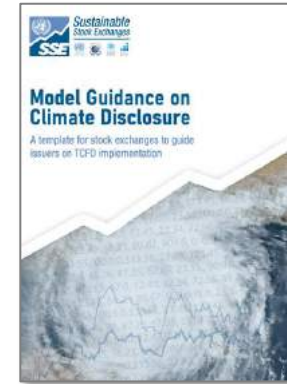


JSE Climate Disclosure Guidance



Closely aligned with SSE Model Guidance with following revisions:

- **Shortened the document** to enhance access and value, but retained same structure
- **Updated** to provide for recent global and national trends, including work undertaken by National Treasury, and King IV Guidance paper
- **Adopts double materiality** – a departure from TCFD, but aligned with EU regulatory developments, and informed by King IV Guidance paper and Sustainability Disclosure Guidance
- **Specific section on Just Transition** to provide for South Africa’s social challenges



JSE Climate Disclosure Guidance



Table 1.1 TCFD recommendations and Supporting Recommended Disclosures

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p> <p>Describe the board's oversight of climate-related risks and opportunities</p> <p>Describe management's role in assessing and managing climate-related risks and opportunities</p>	<p>Recommended Disclosures</p> <p>Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term</p> <p>Describe the impact of the climate-related risks and opportunities on the organisation's businesses, strategy and financial planning</p> <p>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>Recommended Disclosures</p> <p>Describe the organisation's processes for identifying and assessing climate-related risks</p> <p>Describe the organisation's processes for managing climate-related risks</p> <p>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management</p>	<p>Recommended Disclosures</p> <p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</p> <p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p> <p>Describe the target used by the organisation to manage climate-related risks and opportunities and performance against targets</p>

JSE Climate Disclosure Guidance



Table A: TCFD Checklist (illustrative extract)

METRICS AND TARGETS		
a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process		
ALL	What are the key metrics used to measure and manage the climate-related risks and opportunities found in table 1 and 2 of the TCFD recommendations?	
ALL	Where climate-related issues are material, are related performance metrics incorporated into remuneration policies?	
ALL	What internal carbon prices are used for measuring impact and setting targets?	
ALL	What climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy are used?	
Banks	To what extent is lending and other financial intermediary business activity aligned with a well below 2°C scenario?	
Insurance	What is the aggregated risk exposure to weather-related catastrophes of the organisation's property business (i.e., annual aggregated expected losses from weather-related catastrophes) by relevant jurisdiction?	
Insurance	To what extent are insurance underwriting activities aligned with a well below 2°C scenario?	
Asset Manager	What metrics are used to assess climate-related risks and opportunities in individual funds or investment strategies, and how do these metrics change over time?	
Asset Manager	What metrics are used to assess climate-related risks and opportunities in each product or investment strategy, and how do these metrics change over time?	
Asset Owner + Managers	To what extent are assets owned or managed or funds and investment strategies, where relevant, aligned with a well below 2°C scenario?	
b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.		
ALL	What are the Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks of the organisation, according to GHG Protocol methodology? <ul style="list-style-type: none"> Are Scope 3 emissions deemed materially relevant, and how was this determined Are GHG emissions data externally verified? 	
ALL	What are the historic GHG emissions and trends?	

Banks	What are the GHG emissions for lending and other financial intermediary business activities where data and methodologies allow for calculation?	
Insurance	What is the weighted average carbon intensity or GHG emissions associated with commercial property and speciality lines of business, where data and methodologies allow for calculation?	
Asset Owner	What is the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy?	
Asset Manager	What is the weighted average carbon intensity, where data are available or can be reasonably estimated, for each product or investment strategy?	
Asset Owner + Managers	What are the GHG emissions for assets owned or under management, where data and methodologies allow for calculation?	
c) Targets used to manage climate-related risks and opportunities and performance		
ALL	What are the key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc. in line with anticipated regulatory requirements or market constraints or other goals? <ul style="list-style-type: none"> What are the long-term quantitative targets for reducing GHG emissions? What interim targets have been set? Are targets consistent with cross-industry, climate-related metric categories? 	
ALL	Does the organisation have climate-related targets pertaining to: <ul style="list-style-type: none"> efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy? 	
ALL	Are climate-related targets absolute or intensity based?	
ALL	What time frames are applied to each climate-related target?	
ALL	What is the base year used for each climate-related target?	
ALL	What key performance indicators are used to assess progress against each climate-related target?	

JSE Sustainability and Climate Disclosure Guidance

Your feedback is needed on these Guidance Documents – online feedback form to solicit views on

1. Anticipated uptake and application of the Guidance Documents
2. Any changes to the Narrative Disclosures
3. Any changes to the Sustainability Core and Leadership Metrics
4. Any issues in Sustainability Disclosure Guidance needing further clarification or guidance
5. Any changes proposed for the TCFD Checklist
6. Any issues in Climate Disclosure Guidance needing further clarification or guidance
7. Any other comments or feedback on the Guidance Documents



Thank you

Jonathon Hanks

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