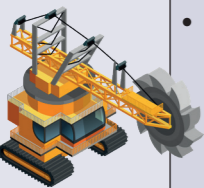


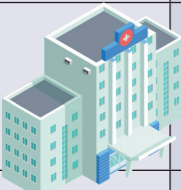
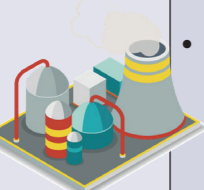

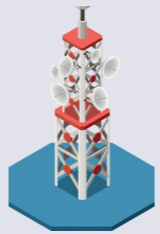


## RESEARCH TRENDS AND OTHER COMMON FINDINGS PER SECTOR

Industry	Trends and other findings	Examples of companies with good climate-related disclosure**
 <p><b>Basic materials</b></p>	<ul style="list-style-type: none"> <li>The mining sector, followed by the broader financial sector players in South Africa, is leading other sectors with regard to climate-related disclosure.</li> <li>However, an interesting observation to note is the difference in quality of climate-related disclosure between global mining companies (dual listed) vs. local mining entities only listed on the JSE. It was often found that many of the mining entities that have a global footprint, where stakeholders have presumably already started requesting climate-related financial data, are more advanced in their TCFD disclosures.</li> <li>While mining companies tend to have better disclosure than other industry sectors, this is largely due to this sector's high exposure to climate risk and environmental impacts of their operations as material risks.</li> </ul>	<ul style="list-style-type: none"> <li>Local: Exxaro Resources Ltd</li> <li>Global: Gold Fields Ltd</li> </ul>
 <p><b>Consumer goods</b></p>	<ul style="list-style-type: none"> <li>This industry segment is dominated by two major global players, both of which are dual listed. As to be expected, these entities fare well in terms of their climate-related disclosure, both making use of CDP disclosure to disclose these data points.</li> <li>It is worth highlighting that the operations, products and services of both these major players are inextricably linked to large value chains within the agriculture sector, which has a high exposure to climate risk and associated physical risk impacts, such as droughts, severe weather events etc.</li> <li>In comparison to the two major players noted above, the two South African players fare moderately in terms of climate-related disclosure, with room for ongoing improvement.</li> </ul>	<ul style="list-style-type: none"> <li>Local: Distell Group Holdings Limited</li> <li>Global: Anheuser-Busch InBev SA NV</li> </ul>
 <p><b>Consumer services</b></p>	<ul style="list-style-type: none"> <li>All players in this industry are South African-based companies, most of whom are already complying with CDP reporting requirements. As such, this grouping performed moderately in terms of climate-related disclosure, although there is room for ongoing improvement.</li> <li>There is still work to be done by most entities in this industry, in terms of complying with all of the TCFD pillars. It appears that the focus area with the most room for improvement in terms of disclosure is companies providing a description as to how resilient their strategies are to climate-related risks and opportunities. This would need to take different climate scenarios into consideration, including a 2°C or lower scenario.</li> <li>Although this industry also faces slightly reduced physical risk exposure as a result of climate change, some entities operating within this industry are much more exposed due to their broader supply and value chain being directly linked to sectors such as agriculture.</li> </ul>	<ul style="list-style-type: none"> <li>Local: Woolworths Holdings Ltd</li> </ul>
 <p><b>Healthcare</b></p>	<ul style="list-style-type: none"> <li>This industry is led by two main entities. One is a South African-based company and the other a global international group. Both companies performed only moderately well with respect to climate-related disclosure. The global entity only slightly outperformed the South African-based company, mainly on the front of target setting.</li> </ul>	<ul style="list-style-type: none"> <li>Global: Mediclinic International Plc</li> </ul>
 <p><b>Industrials</b></p>	<ul style="list-style-type: none"> <li>With only two big players in this space, the one being a South African-based entity, and the other a dual listed Plc entity, the levels of climate disclosure were polar opposites. The South African company lagged considerably, with little to no climate disclosure, when compared to the company with a global footprint.</li> <li>Given that both entities have a fairly high environmental impact through their operations, one would expect the climate-related disclosure of all companies operating in this industry to be well aligned, or at least well on their way to being aligned to the TCFD recommendations. But here the misalignment between South African companies' level of disclosure compared to that of their global peers came to the fore.</li> </ul>	<ul style="list-style-type: none"> <li>Global: Mondi Plc – covers most of the TCFD recommendations through current reporting structures. However, Mondi does not have a standalone TCFD report.</li> </ul>

 <p><b>Financials</b></p>	<ul style="list-style-type: none"> <li>The financial industry, being one of the JSE's largest industries in terms of market cap, is represented by 18 entities within the sample of 55 companies. The industry profile for this grouping consisted of the following sectors: banks, life insurance, non-life insurance, general financial, Real Estate Investment Trusts (REITs) and real estate investment &amp; services.</li> <li>The industry is one of the most crucial players when it comes to climate-related financial disclosure. Companies in this industry are exposed to climate-related risks through investments, lending and other financial intermediary activities, as well as through their own operations.</li> <li>Generally speaking, a lot of work still remains to be done by the industry to get to grips with what their level of climate exposure is, and where exactly this sits within their businesses. To date, only a handful of financial companies have been able to convey this information successfully.</li> <li>Within the industry, there are sectoral groupings that have been more successful than others in terms of their climate-related financial disclosure, with commercial banks currently leading on this front, followed by the insurance sector. These sectors are, however, crucial in being able to get to grips with their level of climate risk exposure, as they provide funding to large infrastructure projects and manage assets on behalf of various institutional clients and their beneficiaries, such as retirement funds.</li> <li>Some of the sectoral players slowest to transform on this front include retail banks and investment holding companies, which have little to no data currently published related to climate risk. The question here, from a financing perspective in particular, is just how much climate exposure these entities are carrying. While it is often assumed to be less than the commercial banks and life and non-life insurance firms, better disclosure is needed before this can be confirmed.</li> </ul>	<ul style="list-style-type: none"> <li>Global: Investec Plc</li> <li>Local: Nedbank Ltd and FirstRand Ltd</li> </ul>
 <p><b>Telecommunications</b></p>	<ul style="list-style-type: none"> <li>This industry segment is dominated by two key South African-based companies, both of which performed fairly well in terms of climate disclosure, given that both have been making use of the CDP disclosure framework.</li> <li>It is worth noting that companies that fall within this sector (infrastructure businesses) are faced with increasing levels of physical climate risk as a result of increasing changes in extreme weather conditions. However, in the South African context, with both these entities having an over-reliance on grid electricity, their most immediate risk is related to transition risk. Transitioning to a lower-carbon economy may entail extensive technological and policy changes in order to address mitigation and adaptation requirements related to climate change.</li> </ul>	<ul style="list-style-type: none"> <li>Local: Vodacom</li> </ul>

**\*\*Note: Although a number of sectoral leaders can be listed as good examples, the list has been informed by entities that are most closely aligned to the recommendations of the TCFD framework.**

## GLOSSARY

<b>Just transition</b>	Secures the future and livelihoods of workers and their communities in the transition to a low-carbon economy.
<b>Science-based targets</b>	Provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.

\*It is worth noting that for many companies, climate change is incorporated under the environmental or sustainability banner.

## LEARN MORE

To learn more about this topic, please visit our website [www.atleha-edu.org](http://www.atleha-edu.org) or contact us on 021 851 0091 to find out more about our educational workshops and events.

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