

Trends in Biodiversity reporting – JSE listed companies (FTSE data)

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18 February 2020

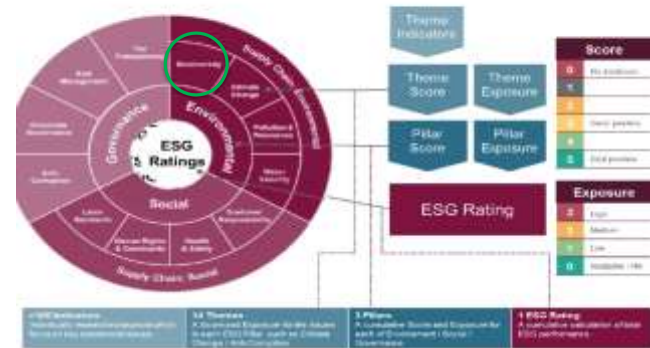


The FTSE model



ESG Ratings Model

The ESG Ratings use a company's Theme Exposure and Theme score assessment to calculate a range of assessments that allow investors to understand a company's ESG practices in multiple dimensions.



Highest impact sectors (exposure classification)



- Companies with H/M theme exposures
 - Forestry
 - Paper
 - Farming and fishing
 - Tobacco
- Geographical filters
- Subsector filters
- Focus on those with highest impact on biodiversity including endangered ecosystems and threatened species
- Does not cover biodiversity dependency (hence pharmaceuticals omitted)

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Sectors at a glance



Primary Impact Subsector Category		Secondary Impact Subsector Category	
1733	Forestry	533	Exploration & Production
1737	Paper	537	Integrated Oil & Gas
3573	Farming & Fishing	573	Oil Equipment & Services
3785	Tobacco	577	Pipelines
		1353	Commodity Chemicals
		1357	Specialty Chemicals
		1753	Aluminium
		1755	Nonferrous Metals
		1757	Iron & Steel
		1771	Coal
		1773	Diamonds & Gemstones
		1775	General Mining
		1777	Gold Mining
		1779	Platinum & Precious Metals
		2353	Building Materials & Fixtures
		2357	Heavy Construction
		3577	Food Products

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Operations in these countries would possibly require additional indicators or a different weighting



Primary Impact Countries		
Brazil	Kenya	Philippines
Cameroon	Lao People's Democratic Republic	South Africa
Colombia	Madagascar	Sri Lanka
Democratic Republic of Congo	Malaysia	Tanzania
Ecuador	Mexico	Thailand
India	Myanmar	Venezuela
Indonesia	Papua New Guinea	Vietnam
Ivory Coast	Peru	

Biodiversity Indicators

Indicator Type Key:
 1 Subsector specific indicators
 2 Performance Indicators
 3 Geography specific indicators

Exposure Key:
 4 High Exposure
 5 Medium Exposure
 6 Low Exposure

See Appendix for references

Indicator legend	Indicator type	Indicator description	Applicable Subsectors	Exposure
EBO17	Qualitative	Policy or commitment on biodiversity which: a. Addresses the issue b. Includes commitment to include or avoid the impact	1, 2, 3	4, 5
EBO03	Qualitative	At Critical Area: a. Quantified time-specific targets to address biodiversity impact b. Commitment to net positive biodiversity impact (or compensation for negative impact)	1, 2, 3	4, 5
EBO05	Qualitative	Disclosed assessment of biodiversity risks for: a. Material new operations or projects (due diligence) b. Existing operations or projects	1, 2, 3	4, 5
EBO06	Qualitative	Disclosure of biodiversity results: a. Where of interest to business operations, products or services by the company	1, 2, 3	4, 5
EBO08	Qualitative	Disclosure of engagement or efforts to reduce loss of biodiversity risk: a. Government or regulatory b. Local or international stakeholders and NGOs	1, 2, 3	4, 5
EBO09	Qualitative	Disclosure of biodiversity action plan (BAP) or: a. At some level b. At all relevant sites	1, 2, 3	4, 5
ED014	Qualitative	The company participates in additional, biodiversity-themed certification schemes through: a. Pilot schemes b. Systematic application	1, 2, 3	4, 5

Indicator legend	Indicator type	Indicator description	Applicability:	
			Subsectors	Exposure
EBD10	Qualitative S	Disclosed commitment to the rehabilitation of mining sites: a. At some sites b. At all relevant sites	1753	Aluminium
			1756	Nonferrous Metals
			1757	Iron & Steel
			1771	Coal
			1775	Diamonds & Gemstones
			1775	General Mining
			1777	Gold Mining
1778	Platinum & Precious Metals			
EBD15	Qualitative S	Support for sustainable palm oil through: a. Ordinary Associate or Supply-Chain Membership of the Roundtable for Sustainable Palm Oil (RSPO) b. Specific timetables set to move to 100% sustainable palm oil	3573	Farming & Fishing
			3577	Food Products
EBD11	Quantitative S	Disclosure of certified palm oil as a percentage of total palm oil produced/used/processed	3573	Farming & Fishing
EBD12	Quantitative S	Disclosure of certified forest products (e.g. FSC, PEFC) as a percentage of total forest products produced/used/processed	1733	Forestry
			1737	Paper
EBD13	Quantitative S	Disclosure of certified seafood (e.g. MSC, ASC) as a percentage of total seafood produced/used/processed	3573	Farming & Fishing
			3577	Food Products
EBD16	Quantitative S P	Percentage of certified palm oil as a percentage of total palm oil, relative to RSPO recommendations	3573	Farming & Fishing
			3577	Food Products

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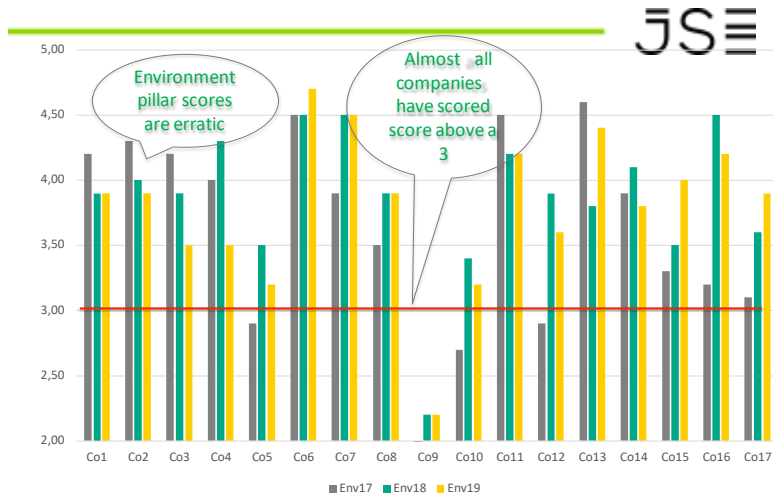
JSE sample



- Limited to what is covered by FTSE ESG research (<> 120 companies) and those to whom the Biodiversity theme is applicable
- 18 companies in the High Exposure categories (17 with consistent data)
- Predominantly mining
- 94% overlap with Biodiversity Performance Rating report for category “basic materials”
- 1 company in “consumer staples”
- Anonymised data. Annual data points.

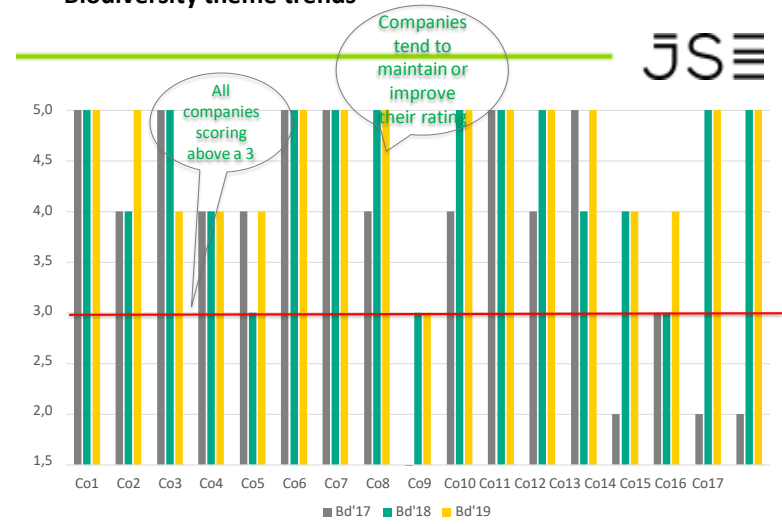
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Environmental Score Trend (2017 to 2019)



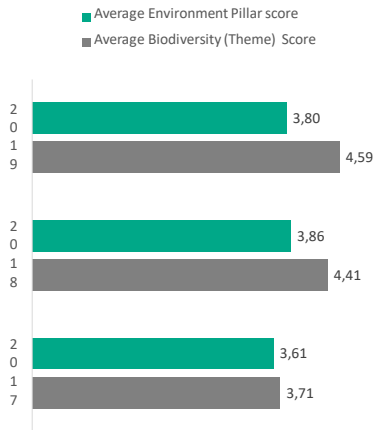
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Biodiversity theme trends



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Comparison of average Environment pillar and Biodiversity theme scores



- Environment pillar scores are improving marginally (3.61 to 3.8), but still wide room for improvement
- Biodiversity scores improved significantly (3.71 to 4.59)
- Environmental pillar affected by other themes e.g. climate change and water security- and in many cases these weight more heavily in a co's score and would accordingly affect the Environment score

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Parting thoughts



- FTSE and BPR have slightly different focus areas
- Overlap in scoring on :
 - Policy
 - Biodiversity Action Plan
- BPR is focusing on more quantitative data especially on impacts and dependencies
- Quantification is a key issue in sustainability metrics generally
- Risk assessment is the “trending” theme in sustainability and so understanding how biodiversity risk can manifest or fester, is critical
- Quantification can assist with procuring preferential financing

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JSE

If we don't invest in the world we want,
the one we get will be worth infinitely less.

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