

Shoprite Holdings Limited & Woolworths Holdings Limited

Briefing ahead of 2022 AGMs

Climate-related disclosures and commitments



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Shoprite Holdings Limited and Woolworths Holdings Limited

Briefing ahead of AGMs on 14 November (Shoprite) and 23 November (Woolworths) 2022: climate-related disclosures and commitments

1. Introduction

Just Share has reviewed the 2022 annual reports of Woolworths Holdings Limited and Shoprite Holdings Limited to analyse the retailers' progress on a range of climate change-related issues ahead of their November 2022 AGMs. Beyond a straight focus on emission figures and targets, numerous other aspects of a retailer's business approach have important implications for climate change-related issues.

Woolworths Holdings Limited (WHL), is a South African retail company that owns the South African retail chain Woolworths, and Australian retailers David Jones and Country Road Group. The South African Woolworths business consists of food, fashion, home and beauty stores. The company has a market capitalisation of more than R66 billion.¹

Shoprite Holdings Limited (SHP), with a market capitalisation of more than R140 billion,² is the largest South African retailer by market capitalisation, sales, profit, and number of employees and customers.³

Both retailers, while making the right commitments with respect to a range of climate-related issues, fail to provide adequate detail that would either support the majority of statements made in the companies' reports, or provide convincing evidence of their ability to meet their commitments and targets.

2. Greenhouse gas (GHG) emissions

WHL aims to achieve net-zero carbon scope 1 and 2 emissions by 2040,⁴ making it the most ambitious food retailer listed on the JSE with regard to scope 1 and 2 emissions.⁵

With regard to all emissions (including scope 3 emissions), while WHL does not explicitly state a commitment to achieve net-zero by 2050, this position is implied by its being a signatory to the Alliance for Climate Action South Africa,⁶ "a network of committed organisations, working together with local and national government and research institutions, to collectively achieve a net carbon neutral economy for South Africa by 2050".⁷

¹ <https://www.sharedata.co.za/v2/Scripts/Summary.aspx?c=WHL&x=JSE>

² <https://www.sharedata.co.za/v2/Scripts/Summary.aspx?c=SHP&x=JSE>

³ Top 40 JSE listed companies (by market cap): <https://www.sharedata.co.za/v2/scripts/Shares.aspx>

⁴ Good Business Journey Abridged Report 2022, p. 28.

⁵ Although surprisingly, in its latest submitted CDP Report (2022), in response to question C4.2 "Did you have any other climate-related targets that were active in the reporting year?", the company states: "No other climate-related targets".

⁶ Good Business Journey Report 2022, p. 103.

⁷ <http://www.alliancesforclimateaction.co.za/>



WHL is also the only major JSE-listed food retailer to have science-based targets approved by the Science Based Targets initiative (SBTi) - which aims to drive ambitious climate action in the private sector by enabling organisations to set science-based emission reduction targets.⁸

With respect to net-zero ambition, **SH**P states simply that it is committed to a net-zero target by 2050,⁹ but does not specify which emission scopes this ambition covers.

As is the case for the other major JSE-listed food retailers (Pick n Pay and SPAR Group), SHP is yet to have its targets approved as “science-based” by the SBTi. It did, however, submit them for approval in 2022.

SHP only reports its targets in its CDP Report; the CDP is a not-for-profit organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.¹⁰ It provides a standard for environmental reporting, but is not a reporting initiative that has been structured keeping in mind issues of the “user-friendliness” of its reports, focusing as it does on comprehensive datasets. It is therefore harder to access SHP’s GHG emission reduction targets than those of WHL, which are set out within its principal reporting suite.

Emission reduction targets

The targets of the two companies are as follows:

- **WHL’s targets** (from a 2019 baseline) are:¹¹
 - Reduce absolute scope 1 and 2 GHG emissions by 50% by 2030.
 - For scope 3, work with its top suppliers, representing 25% of total procurement spend (in rand), to set their own reduction targets.
- **SH**P’s targets (from a 2020 baseline)¹² are:
 - Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030.¹³
 - Reduce absolute scope 3 GHG emissions by 25% by 2030 (although these scope 3 emissions cover only category 11 of scope 3 emissions (use of sold products), SHP states that category 11 emissions account for 80% of its total scope 3 emissions).¹⁴

Both companies have set meaningful emission reduction targets for scopes 1 and 2, given that science requires that global GHG emissions be reduced by 43%, relative to 2019 levels, by 2030 - for a greater than 50% chance of limiting global average temperature rise to 1.5°C.¹⁵

⁸ <https://sciencebasedtargets.org>

⁹ Sustainability Report 2022, p. 67.

¹⁰ <https://www.cdp.net/en/>

¹¹ Good Business Journey Report 2022, p. 97.

¹² SHP states that 2020 was used as the base year due to the 2019-20 reporting scope increasing to cover its company-wide operations (as opposed to the previous focus on rand-based operations only, i.e., covering a limited number of countries in which SHP operates): CDP Report 2022, p. 36.

¹³ CDP Report 2022, p. 36.

¹⁴ CDP Report 2022, p. 38.

¹⁵ https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SPM.pdf



However, the real question is whether the companies are making credible progress against their targets – given the limited time available to reduce emissions by almost half by 2030.

Scope 1 and 2 emissions

WHL's scope 1 and 2 emissions (for 1 July 2020 to 30 June 2021, its most recent reporting year for emissions) have decreased by 12.2% relative to 2019 (536 562 tCO₂e in 2019 and 471 078 tCO₂e in 2021),¹⁶ which would put the company **on track to achieve its scope 1 and 2 emission reduction targets (if it maintains the same pace of emission reductions)**.

SHP's scope 1 and 2 emissions have decreased (in 2022) by 6.6% relative to 2020 (2 569 711 tCO₂e in 2020¹⁷ and 2 399 925 tCO₂e in 2022¹⁸). It is therefore **not on track to achieve its scope 1 and 2 emission reduction targets (at the current pace of emission reductions)**.

Scope 3 emissions

With regard to scope 3 emissions, **neither company's ambitions or progress is currently satisfactory**.

WHL's scope 3 emissions constitute more than 75% of its total (scope 1, 2 and 3) emissions,¹⁹ and therefore its targets and actions in relation to scope 3 emissions are the most significant. WHL's position on scope 3 emissions has not advanced since last year, in terms of:

- setting out credible strategies for achieving its scope 3 targets, with particular reference to: explaining how it plans to work with its top suppliers; what timelines it expects to set for its targets; how it will monitor them; and what consequences it envisages if suppliers fail to set emission reduction targets and/or fail to demonstrate sufficient progress in meeting these targets;
- setting its own direct scope 3 targets (i.e. beyond working with suppliers), merely stating “[w]e will investigate the feasibility of setting more measurable and timebound scope 3 emissions reduction targets for the Group”;²⁰ and
- disclosing the emissions from all relevant scope 3 emissions categories, particularly the one likely to be a significant source of emissions, i.e. category 11 (use of sold products). This

¹⁶ Good Business Journey Report 2022, p. 99. See also CDP Report 2022 (available at <https://www.cdp.net/en/>), sections C4.1a, C6.1 and C6.3 (page numbers not available).

¹⁷ Sustainability Report 2021, p. 84.

¹⁸ Sustainability Report 2022, p. 46.

¹⁹ Good Business Journey Report 2022, p. 99.

²⁰ Good Business Journey Report 2022, p. 94. See also WHL's CDP Report 2022 (available at <https://www.cdp.net/en/>), in which the company does not make reference to a scope 3 target beyond what is stated in section C0.1 (general description and introduction): “Our science-based (sic), in line with the 1.5°C trajectory, was approved in 2020 as follows: “Woolworths Holdings Ltd commits to reduce absolute Scope 1 and Scope 2 GHG emissions by 50% by 2030 from a 2019 base year. Woolworths Holdings Ltd commits that 25% of its suppliers by spend, covering purchased goods and services, will have science-based targets by 2024.”



means that the figure provided for WHL's total scope 3 emissions for 2021 (312 963 tCO₂e)²¹ is likely to be much lower than its actual scope 3 emissions.

SHP's scope 3 emissions account for more than 87% of its total (scope 1, 2 and 3) emissions, as calculated from the figures provided by SHP.²² Therefore, as is the case for WHL, its scope 3 emissions are of most importance in terms of emission reductions. SHP has disclosed **emissions for all its relevant scope 3 categories**,²³ **unlike WHL**.²⁴

For the 2022 financial year, SHP's calculated scope 3 emissions amounted to 16 705 791 tCO₂e.²⁵ The company has implemented various initiatives to reduce its scope 3 emissions such as recycling, cardboard reuse, diverting food waste from landfill, and its Sixty60 programme.²⁶ During the 2022 financial year, it has managed to save 199 128 tCO₂e of scope 3 emissions through these initiatives.²⁷ However, that is only 1.19% of the total scope 3 emissions, and the company is therefore **a long way away from achieving its targets**.

3. Renewable energy

WHL aims to source 100% of its electricity from renewable energy sources by 2030.²⁸ However, the company is **drastically behind in terms of its progress towards meeting this target**. WHL states that it only sourced 0.64% of its energy from renewables in 2021. That is only a 0.03% improvement from 2020 (0.61%).²⁹

WHL lacks credible plans and short-term targets for how it will address achieving its 2030 target for renewable energy sourcing.

SHP plans to "power 25% of its operations with renewable energy over the next five years", as stated in its Sustainability Report 2022 – which presumably, therefore, means by 2027.³⁰ However, in its CDP Report 2022, SHP states that it "aims to increase its total renewable energy consumption to account for approximately a quarter of its 2019/2020 total energy usage by the target year", with the target year given as 2030.³¹ It is therefore unclear which target year SHP is aiming for.

²¹ Good Business Journey Report 2022, p. 97. See also CDP Report 2022 (available at <https://www.cdp.net/en/>), section C6.5 (page numbers not available).

²² Sustainability Report 2022, p. 46.

²³ SHP fails to report emissions for only three scope 3 categories, "Upstream Leased Assets", "Investments" and "Other: downstream"; on the basis that these are not relevant emissions categories for the company: see its CDP Report 2022, section C6.5.

²⁴ Compare the 2022 CDP Reports for both companies (relevant CDP Report section: C6.5).

²⁵ Sustainability Report 2022, p. 46.

²⁶ Sustainability Report 2022, p. 48.

²⁷ Sustainability Report 2022, p. 48.

²⁸ Good Business Journey Report 2022, p. 12.

²⁹ Good Business Journey Report 2022, p. 94

³⁰ Sustainability Report 2022, p. 7.

³¹ CDP Report 2022, p. 42.



In 2020, SHP signed an agreement with a specialist energy trader to procure 434 000 MWh of renewable energy a year, dependent on the trader receiving the necessary regulatory approvals.³² In 2021, SHP reported that “[p]ending all necessary approvals, we expect the first renewable energy from this project to come online by financial year 2023”.³³ In its latest reporting suite, SHP states that this commitment remains in place, but that:

*“the project experienced challenges, particularly in wheeling the electricity from the generation site to our operations, as the co-ordination of multiple stakeholders has increased the complexity of the project. We continue to work with our energy trading partner and provide support wherever possible. We do, however, acknowledge the limited influence we have in this space. Support and decisive action are needed from all parties concerned, including the national energy regulator, Eskom, the municipalities affected and landlords of the buildings we operate in, to ensure projects of this scale are executed”.*³⁴

In other words, it is not at all clear whether SHP will deliver on these plans, and, if so, for how many years it hopes to procure this energy.

In the 2022 financial year, only 2.8% of SHP’s electricity came from renewable sources.³⁵ The company **fails to explain how it will credibly reach its target, given SHP’s low use of renewable energy to date and its uncertainty over its ability to deliver on its commitment to procure renewable energy from a specialist energy trader.**

Further, the company **lacks any specific longer-term plans for renewable energy procurement.**

4. Packaging and waste

Packaging and waste constitute a significant source of GHG emissions. **WHL** aims to produce all of its packaging from recyclable/reusable material by 2022.³⁶ In the 2022 financial year, 98% of packaging from Woolworths South Africa Food, 92% of packaging from Country Road and 99% of packaging from David Jones, was recyclable. However, for Woolworths Food, Beauty and Home, WHL states only “baseline in progress”.³⁷

Two things are therefore not clear: which financial/calendar year its 2022 target reflects, and how Woolworths Food, Beauty and Home measures up. WHL also reports that all Country Road Group and 313 Woolworths stores are now plastic shopping bag free,³⁸ and that in the current year, it completed the phasing out of single-use plastic shopping bags from Woolworths stores in the rest of Africa.³⁹

³² Sustainability Report 2020, p. 7.

³³ Sustainability Report 2021, p. 62.

³⁴ Sustainability Report, p. 47.

³⁵ Sustainability Report 2022, p. 47.

³⁶ Good Business Journey Report, p. 76.

³⁷ Good Business Journey 2022 Report, p. 76.

³⁸ Good Business Journey 2022 Report, p. 3.

³⁹ Good Business Journey report p. 78.



The company also plans that “all private label products can be reused, repaired, resold or recycled by 2025”. Furthermore, it plans for “all private label clothing, beauty, and home products to contain at least one renewed, reused or recycled product material input by 2030”.⁴⁰ While WHL has started the work for both of these goals in the current financial year, it acknowledges that it is behind on both of these targets. It is also not clear what “**at least one** (*our emphasis*) renewed, reused or recycled production material input by 2030” means – in real terms, such a statement could amount to very little.

SHP aims for 100% of its (in-store) packaging to be “reusable or recyclable or compostable by 2025”.⁴¹ The company further aims to have 30% “average recycled content across all packaging by 2025”.⁴² The company has made the following progress in terms of addressing sustainable packaging on its operations:

- 91.3% of SHP’s in-store packaging is either reusable, recyclable or compostable.⁴³ It is thus very close to its 2025 goal.
- An average of 68% of SHP’s in-store packaging comes from recycled content.⁴⁴ It is difficult to assess how close the company is to its 2025 goal on average recycled content as the percentage of the current average of recycled content across all of SHP’s packaging is not disclosed in its annual reports.

Both companies have made significant progress to ensure that they address sustainable packaging in their business operations.

Food waste is one of the biggest challenges that the world faces when it comes to sustainability. According to the Consumer Goods Council of South Africa (CGCSA), “[i]f food and beverage wastage were a country, it would be the third largest greenhouse gas emitting country in the world”.⁴⁵ It is therefore critical for food retailers to address this issue.

WHL is a signatory to the South African Food Loss and Waste Voluntary Agreement,⁴⁶ which is led by the CGCSA. One of the things that companies commit to in this Agreement, signed in late 2020, is to “halve food waste by 50% by 2030”. WHL has confirmed this commitment, by undertaking to “halve food loss and waste in our own operations and across our top 30 suppliers by 2030”.⁴⁷ To date, “more than 30” of WHL’s “strategic” suppliers have committed to the Food Loss and Waste Voluntary Agreement.⁴⁸ Unless these suppliers represent the largest of WHL’s suppliers, the number

⁴⁰ Good Business Journey Abridged Report, p. 11.

⁴¹ Sustainability Report 2022, p. 50.

⁴² Sustainability Report 2022, p. 50.

⁴³ Sustainability Report 2022, p. 50.

⁴⁴ Sustainability Report 2022, p. 50.

⁴⁵ South African Food Loss and Waste Voluntary Agreement (CGCSA): Overview of the Food Loss and Waste Voluntary Agreement, <https://www.cgcsa.co.za/service-offering/food-safety-initiative/food-loss-and-waste/>

⁴⁶ South African Food Loss and Waste Voluntary Agreement, CGCSA, <https://www.cgcsa.co.za/service-offering/food-safety-initiative/food-loss-and-waste/>

⁴⁷ Good Business Journey Abridged Report 2022, p. 24.

⁴⁸ Good Business Journey Report 2022, p. 82.



is not particularly encouraging, given that WHL has “more than 570 Food direct suppliers across the Group”.⁴⁹

As part of **SHP**'s commitment to reduce food waste, it is also a signatory to the CGCSA's Food Loss and Waste Voluntary Agreement.⁵⁰ As a result, SHP should set commitments to reduce food waste by 50% by 2030.⁵¹ It is therefore puzzling that the retailer does not appear to explicitly set targets in relation to food waste.

The company states “... Shoprite Group is aligned with the UN [Sustainable Development Goals (SDGs)] and specifically with SDG Target 12.3 that intrinsically aims to halve food waste at the retail and consumer levels and reduce food losses along the food chain by 2030”.⁵² This is not a direct commitment to a 50% food waste reduction by 2030. However, SHP does provide information on how it addresses food loss and waste.⁵³

In summary:

- WHL does not provide detail on how it plans to achieve its food waste reduction target (beyond generically reporting that it plans to work with its suppliers). This is a glaring omission, considering there are 7 years remaining to achieve the ambitious 50% reduction target.
- SHP does not explicitly commit to halving food waste by 2030 (or set any other targets), but does provide an outline of how it approaches the task of reducing food waste.

5. Sustainable farming

Farming comprises an important part of a food retailer's supply chain, and agriculture is a major contributor to GHG emissions, with emissions hard to abate in this sector.⁵⁴

WHL has set a target for “[a]ll private label products to support regenerative farming practices by 2030”.⁵⁵ For Woolworths South Africa Food, WHL reports “80% of private label produce and horticulture lines on the Farming for the Future programme” in financial year 2022, an increase from 58% in financial year 2021.⁵⁶ The Farming for the Future programme is WHL's own “approach to growing food in a sustainable, regenerative, and harmonious way. The programme [...] is a scientific, data-based approach to farming that aims to manage a farm as part of its wider ecosystem”.⁵⁷

⁴⁹ Annual Integrated Report 2022, p. 21.

⁵⁰ Sustainability Report 2022, p. 54.

⁵¹ <https://www.cgcsa.co.za/service-offering/food-safety-initiative/food-loss-and-waste/>

⁵² Sustainability Report 2022, p. 55.

⁵³ Sustainability Report 2022, pp. 54-56.

⁵⁴ See for e.g.

<https://www.mckinsey.com/~media/mckinsey/industries/agriculture/our%20insights/reducing%20agriculture%20emission%20through%20improved%20farming%20practices/agriculture-and-climate-change.pdf>

⁵⁵ Good Business Journey Abridged Report, p. 12.

⁵⁶ Good Business Journey Abridged Report p. 22.

⁵⁷ Good Business Journey Report p. 69.



SHP states that it supports sustainable agriculture in South Africa through its Sustainable Initiative of South Africa (SIZA) membership, and further that it requires all suppliers to obtain good agricultural practice certification through localg.a.p. or GLOBALG.A.P (see below).

SIZA is “... a membership based free standing, non-profit company, designed to assist growers with ethical labour compliance and environmental assurance whilst minimizing costs. It is a South African standard, developed, owned and operated in South Africa but aligned to global best practices”.⁵⁸

Given that SHP is a food retailer, it is not clear how its SIZA membership would ensure sustainable farming practices by its suppliers – rather than its suppliers being SIZA members; and SHP merely states “[w]here possible, we encourage suppliers to become SIZA certified”.⁵⁹ SHP does not disclose the circumstances in which such encouragement is “possible”, nor how many of its suppliers are SIZA members.

The GLOBALG.A.P. is an internationally-recognised standard for farm production, which aims for safe and sustainable agricultural production.⁶⁰ However, reviewing GLOBALG.A.P.’s alignment with the SDGs does not clarify to what extent GLOBALG.A.P certification would lead to agroecology or climate-friendly agriculture⁶¹, and Just Share was not able to find any reviews on the topic; further, the standard does not claim to address SDG 13 (climate action).⁶²

More problematically, the localg.a.p. “has been designed by GLOBALG.A.P. to be used as a capacity-building tool, or to be applied as a local standard for agricultural supply chains especially in developing economies and emerging markets. [...] It is intended to help producers adopt good agricultural practices that can improve the efficiency of farm management, cut exposure to food safety risks, and comply with legislation on food safety. [...] localg.a.p. is the lowest/entry level of the GLOBALG.A.P. family of products and not covered under the certification scope”.⁶³

As such, it is doubtful that this “certification” would lead to environmentally sustainable or climate-friendly agriculture, and SHP is silent on what proportion of suppliers are GLOBALG.A.P. vs localg.a.p. certified. In terms of future progress, the company merely states that, “[g]oing forward we are eager to learn more about our grower’s sustainability efforts and the obstacles they face to adopting more sustainable practices”.⁶⁴

⁵⁸ <https://siza.co.za/about/the-siza-programme/>

⁵⁹ Sustainability Report 2022, p. 60.

⁶⁰ https://www.globalgap.org/uk_en/

⁶¹ Note, for example, that GLOBALG.A.P. states that it contributes to SDG 15: Life on Land (protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss). However, GLOBALG.A.P.’s statement for how it contributes to this SDG fails to make clear how its certification protects, restores and promotes ecosystems and biodiversity: “GLOBALG.A.P. Livestock certification ensures that producers select animals carefully for their environmental fitness (CS 2.1, CS 6.4, PG1.3) and raise the animals under animal welfare friendly conditions (LB5, LB6). Furthermore, sustainable livestock production includes that animals are raised by using antibiotics responsibly (LB6.3, LB7) and fed sustainably grown feed (LB4.1). These practices protect and promote sustainable use of genetic resources”. See https://www.globalgap.org/uk_en/what-we-do/un-sustainable-development-goals/

⁶² https://www.globalgap.org/export/sites/default/.content/galleries/Documents_Other/190621_SDG_Slides_web.pdf

⁶³ https://www.globalgap.org/uk_en/what-we-do/globalg.a.p.-certification/localg.a.p./

⁶⁴ Sustainability Report 2022, p. 60.



While **WHL**'s position on sustainable farming appears at first glance stronger than **SHP**'s, the company does not provide sufficient details regarding its Farming for the Future programme on which to judge the credibility of this programme; or any evidence of external certification of such programme, beyond that external verification or assurance is provided by "an independent specialist environmental assessment firm".⁶⁵

6. Climate-related reporting

WHL's CDP Climate scoring is fairly poor, considering the positioning of the company as a retailer that highly values sustainability; its 2021 score was B, which is unchanged from 2020.⁶⁶ **SHP**'s 2021 CDP Climate ranking was also B, a decrease from the preceding year, in which it was awarded an A-.⁶⁷

Both WHL and SHP's reporting in terms of the Recommendations of the Task Force on Climate-Related Disclosures (TCFD) is still, respectively, poor and very poor. Both companies take the approach of providing their TCFD "reports" in a table format, redirecting the reader to various sections of their reporting suite.⁶⁸ **WHL**, however, does include more detail in its "report" than does **SHP**. This approach is not helpful for gaining a coherent, clear understanding of a company's progress in relation to the TCFD recommendations, particularly when a reader is redirected to the CDP reports, which as previously stated, are not "user-friendly".

In any event, given that the JSE has developed Sustainability and Climate Disclosure Guidance specifically for the South African context, which is aligned with, and draws on, the most influential global initiatives on sustainability and climate change disclosure (including the TCFD recommendations),⁶⁹ both companies should be aligning their disclosures with the JSE's Guidance.

In short, neither company's reporting on climate-related issues is particularly noteworthy, and neither has made any progress since its last reporting cycle.

7. Remuneration linked to climate-related outcomes

Remuneration linked to climate or sustainability-related outcomes is a crucial performance condition when it comes to remuneration at management and board levels.

WHL has only linked its long-term incentive (LTI) schemes with environmental, social and governance (ESG) measures for its executive directors, group executives, and operating entity

⁶⁵ Good Business Journey Report 2022 Assurance Summary, p. 2.

⁶⁶ Good Business Journey Report 2022 External Recognition, p. 2.

⁶⁷ Scoring available through the CDP website, <https://www.cdp.net/en/>.

⁶⁸ **SHP**: see Sustainability Report 2022, pp. 65-67; **WHL**: see: 2022 Task Force on Climate-Related Financial Disclosures Report.

⁶⁹ [https://www.jse.co.za/our-business/sustainability/jses-sustainability-and-climate-disclosure-guidance#:~:text=The%20JSE%20Sustainability%20Disclosure%20Guidance,TCFD\)%20recommendations%2C%20and%20the%20IIRC's](https://www.jse.co.za/our-business/sustainability/jses-sustainability-and-climate-disclosure-guidance#:~:text=The%20JSE%20Sustainability%20Disclosure%20Guidance,TCFD)%20recommendations%2C%20and%20the%20IIRC's)



executive committees.⁷⁰ Of the 20% ESG performance conditions, 10% is allocated to environmental and sustainability issues. These issues are: reduction of plastic usage, and “bringing [Woolworths’ South Africa Fashion, Beauty and Home] production back to SA”.⁷¹

SHP incorporates ESG measures in both its LTI and short-term incentive (STI) schemes - from its junior management employees to its executive directors.⁷² During the 2022 financial year, SHP has a 20% ESG weighting towards its STIs and a 20% ESG weighting towards its LTIs. However, SHP only links its STI schemes with environmental measures. These are: the company’s progress in terms of procuring renewable energy⁷³ (10% weighting); an increase in cardboard recycling (2.5% weighting); an increase in plastic recycling (2.5% weighting); and an increase in sustainable packaging (5% weighting).⁷⁴

Both companies notably fail to provide any performance conditions linked directly to reduction of their GHG emissions, i.e., the achievement of arguably the most crucial element of their sustainability targets is not linked to executive remuneration.

8. Board climate-related competence and training

The **WHL** board comprises eleven members, of whom nine are classified as having “sustainability, health, and safety” skills and expertise.⁷⁵ The board member biographies provided are, however, quite scant, and **do not provide evidence of any board member having sustainability-related skills.**⁷⁶

For instance, Hubert Brody is classified as having “sustainability, health, and safety” skills and expertise at WHL. However, at Nedbank (where he also sits on the board), he is not one of the directors classified as having “environment and climate” skills and expertise.⁷⁷ While it is possible that Mr Brody may possess “health and safety” skills (although his biography similarly provides no evidence), the use of the word “and” suggests that directors are classified as having both “sustainability” and “health and safety” skillsets. **WHL should separate these two skillsets out, due to the vast difference between them.**

In its Integrated Report, **SHP does not provide a categorisation of the skills and experience of its board members**, as is seen in most reports of JSE-listed companies. The company does, however, provide some indication as to who is responsible for climate change-related issues in the organisation at a board level in its CDP Report:⁷⁸ the board’s Social and Ethics Committee, and the Chief Financial Officer.

⁷⁰ Remuneration Report 2022, p. 102.

⁷¹ Remuneration Report 2022, p. 95.

⁷² Annual Integrated Report 2022, p. 84.

⁷³ SHP has a threshold performance goal of 4% renewable energy; a target level of 5%; and a stretch goal of 6.5%.

⁷⁴ Annual Integrated Report 2022, p. 89.

⁷⁵ Annual Integrated Report 2022, p. 17.

⁷⁶ <https://www.woolworthsholdings.co.za/directorate/directors/>

⁷⁷ Nedbank Annual Integrated Report 2021, p. 27.

⁷⁸ CDP Climate Report 2022, p. 4.



However, the biographies of the Chief Financial Officer and of the Social and Ethics Committee members, as provided in the Integrated Report, **do not point to any climate-related experience.**⁷⁹ In its CDP Climate Report,⁸⁰ in response to the question “Does your organization have at least one board member with competence on climate-related issues?”, the company replies that it does. Nowhere in its reporting suite, however, does SHP disclose who this (these) director(s) is (are).

In short, **neither company has provided evidence to back up claims of directors possessing climate-relevant skills or experience, and neither company mentions training of their board in climate-related issues in their reports either.** Such lack of evidence for board competence or even training is concerning, given the importance and urgency of climate change leadership for these companies’ strategic direction.

9. Conclusions

Despite the two companies’ vastly different market capitalisations and sizes, **neither currently provides convincing evidence that demonstrates adequate progress towards realising either the scale or pace of action (in relation to climate change outcomes) that is required by 2030, nor for the net-zero transition in general.**

Where the companies differ is in their **target-setting and narrative positioning, where WHL is in a stronger position than SHP.** WHL has a long history of positioning itself as a sustainability leader.⁸¹ In aggregate, its reports contain a mix of targets, statements and reported achievements that suggest a company that has a **good understanding of important climate-related topics and facts** (particularly regarding the wide range of climate-related topics that affect it and on which it has an impact as a fashion, beauty, home and food retailer). **However, the importance of such apparent understanding of the key issues is questionable in the face of lack of progress since last year, and credible evidence of impact in the real world.**

By contrast, **although SHP lacks the same reporting volume, it does not appear any different to its competitor in terms of meaningful action, and in some places outstrips WHL in its reporting, particularly with regard to scope 3 emission disclosure and target-setting.**

As dictated by science, immediate, rapid and large-scale reductions in GHGs are necessary to avoid the most severe impacts of climate change. This current decade, to the year 2030, is crucial in terms of climate action. There is therefore an urgent need for much greater detail in the companies’ reporting, such that shareholders and other stakeholders can judge the true significance of reported achievements, as well as progress towards limiting global average temperature increase to 1.5°C.

⁷⁹ Integrated Report 2022, pp. 35-37.

⁸⁰ CDP Climate Report 2022, p. 6.

⁸¹ See for e.g. <https://www.woolworthsholdings.co.za/woolworths-holdings-looks-to-the-future-with-bold-sustainability-goals/>; <https://endangeredwildlifetrust.wordpress.com/2016/05/27/woolworths-holdings-limited-whl-challenges-itself-to-bold-group-wide-sustainability-targets/>.