

19 February 2024

Dear AGBIZ Member

Report: Sustainability / ESG workshop

Held at the Grain Building, Pretoria

Held on: 8 February 2024

Overview and purpose

The workshop on Environmental, Social, and Governance (ESG) considerations in the agricultural & agribusiness sectors provided a comprehensive overview of the evolving landscape, challenges, and opportunities for sustainable practices. Led by Agbiz and Agrifusion, the session delved into;

- The why, how, and what of ESG, emphasizing the importance of understanding double-materiality;
- A six-step process for compiling an ESG roadmap was shared, highlighting the critical role of materiality assessment and stakeholder engagement;
- A scoping exercise was done to determine the biggest risks facing the sector;
- Inputs were solicited regarding the themes that participants agreed make up sustainability;

The Why, How, and What of ESG:

Emphasis was placed on the shifting paradigm towards externally verified frameworks, with a heightened awareness of reputational risks. There was consensus on the necessity of addressing key risks and fostering compliance, albeit hindered by resource constraints and varying levels of awareness. The discussion highlighted the importance of understanding the benefits in addition to the compliance burden that reporting can introduce. The banking sector emphasized the need for evaluating climate resilience and integrating environmental and social factors into risk assessment. Overall, while acknowledging the complexity of ESG considerations, there was a collective resolve to navigate these challenges and harness opportunities for sustainable practices.

Trends in 2024:

The workshop outlined significant trends in the ESG landscape, emphasizing the necessity of robust data management systems over traditional tools like Excel and notebooks. Noting that Scope 3 emissions are increasingly crucial for transparency, particularly in non-listed environments, affecting banks, suppliers, and procurement processes. It was mentioned that the current ESG environment is likened to the early stages of BBEE two decades ago, necessitating discernment regarding material factors and widespread acceptance. Additionally, carbon trading is under scrutiny, highlighting the importance of addressing reputational risks promptly. Despite challenges, substantial financing opportunities exist, while differing priorities between the global north and south shape the ESG agenda. Moreover, consumer behaviour plays a pivotal role, emphasizing the need to avoid increasing compliance costs.

Compiling an ESG Roadmap:

A six-step process for compiling an ESG roadmap was outlined, emphasizing the importance of materiality assessment and stakeholder engagement. Participants discussed the need for industry-level standardization to simplify compliance and enhance transparency.

The discussion highlighted several key considerations for developing a comprehensive Environmental, Social, and Governance (ESG) framework. While acknowledging existing audits and certifications that address similar aspects but may not explicitly fall under the ESG umbrella, participants emphasized the need to integrate and map these elements systematically. There was a plea to producer organizations to play a central role in consolidating these efforts, with examples like the Pork industry cited as potential models. The importance of focusing on universal business aspects while addressing unique sub-sector needs was underscored, with an emphasis on identifying common areas of concern. Participants stressed the importance of ESG frameworks being facilitative rather than obstructive to financing clients, emphasizing the concept of double materiality encompassing both impact and financial considerations. Stakeholder mapping was deemed essential to understand reporting requirements, recognizing that perspectives may vary depending on the stakeholder group. The session concluded with a reminder to begin with the end goal in mind, tailoring the ESG reporting to meet the needs of the intended audience.

Agribusiness Case Studies:

The afternoon session focused on discussing case studies and priorities in SDGs, environmental, social, and governance aspects. Collaboration and transparency were highlighted as crucial in ESG reporting, with participants sharing insights and best practices from their respective organizations.

Advocacy

During discussions on advocacy roles, it was noted that Europe offers ample grant funding opportunities, prompting inquiries on where to apply and how to access these resources. Industry bodies expressed various viewpoints: MPO highlighted concerns about dairy affordability, CGA aimed to develop a sustainability index to showcase the industry's low carbon footprint, and Red meat sought collaboration with other organizations amid industry threats. Additionally, Hortgro and Cane emphasized sustainability index development without adding compliance burdens to growers, while financial institutions like FNB and Nedbank stressed the importance of standardization and credibility in sustainability reporting for risk assessment and value unlocking. Absa and

Standard Bank echoed the need for data access and awareness on ESG issues, while Senwes highlighted pressure from international manufacturers. The consensus pointed towards the necessity of clearer guidance and alignment for Agbiz's advocacy role, emphasizing positivity and relevance in reporting amidst uncertainties further more Financial institutions seek clarity on Agbiz's role in driving compliance and the standardization of sustainability frameworks across industries, drawing insights from successful models like Pork 360. Collaboration between grower associations and banks was encouraged, with a focus on aligning reporting practices. Suggestions for future actions include conducting gap analyses

Way forward:

- **Agbiz will compile a position paper to be presented at Congress;**
- The position paper will focus on;
 - Key thematic areas that members deem material;
 - A gap analysis will be conducted between the thematic areas identified at the workshop and;
 - The themes currently measured and reported by ethical trade bodies in the primary sector; and
 - The themes currently measured and reported on by a sample group of agribusinesses;
- The team will then draw conclusions and make recommendations between the themes highlighted, the metrics used by the JSE and the current practice.
- The position paper will not set targets but instead aim to reach a common understanding on the themes and metrics that could be applied across the value chain;
- This will be used by Agbiz in its advocacy going forward to;
 - Influence future regulation;
 - Combat misinformation; and
 - Assist value chain players to work from a common frame of reference.
- **The concept of a help desk at Agbiz will also be explored in more detail going forward.**

Conclusion:

The workshop provided valuable insights into the evolving landscape of ESG considerations in the agricultural sector, highlighting key trends, challenges, and opportunities for sustainable practices. Collaboration and standardization were identified as critical factors in driving effective ESG reporting and advocacy efforts. Moving forward, further discussions and actions will be planned to address the identified priorities and develop a comprehensive position paper that reflects the industry's commitment to sustainability.

By Agbiz Agricultural Economist and Policy Analyst Thapelo Machaba