

CDP South Africa Climate Change 2016 Executive Summary

On behalf of 827 investors representing US\$100 trillion in assets



Executive Summary

Introduction and Methodology

The world is different now. The Paris Agreement is ratified and comes into force on 4 November 2016. Its ratification process has moved faster than most multilateral agreements. The Paris Agreement binds all countries to a single emissions reduction pathway, setting a long-term goal of keeping the temperature rise below 2 degrees centigrade, directs global finance flows (including private finance) towards low carbon investment, and demands that equal attention be given to adaptation. This is an extremely strong global decarbonisation signal and is spurring businesses around the world to take action. Governments around the world, including in South Africa, will implement the Paris Agreement through domestic legislation. This context, combined with the market pressures created by international business action has significant implications for South African companies.

Since the first South African CDP report launched in 2007 we have seen a significant improvement in company disclosure and performance, with domestic companies unquestionably performing on a par with their global peers and in many cases outperforming them. However, despite their performance over the past 10 years and yet another excellent performance in 2016, there are signs that the momentum is slowing and that South African companies along with the private sector broadly may need to consider how to both maintain and intensify their efforts to reduce emissions and address the impacts of climate change.

In 2016 we continue our shift in reporting by focussing on an executive summary (this report), supported by three separate infographics and the data analysis and reporting tools available on the CDP website (www.cdp.net). It is important to note that there may be discrepancies between data presented on the CDP's website and by this report. This is because CDP no longer focusses its analysis on a sample driven by the top companies on country stock exchanges but rather looks more broadly at heavy emitting and vulnerable companies. CDP also includes companies who elect to respond to CDP and who are not in the traditional samples.

For the 2016 reporting of CDP results the NBI elected to remain with the Johannesburg Stock Exchange (JSE) top 100 companies. This allows us a ten year comparable sample and a clean

break before the first procedural change since the NBI introduced CDP in 2007: the introduction of a global disclosure fee in 2017. As a consequence, all statistics reported (except where stated otherwise) use the data reported by the 78 responding companies within the top 100 companies by market capitalisation on the JSE at the end of 2015. Percentage figures are of the 78 responding companies and not the full sample.

CDP is a global not-for-profit organisation working to transform the way the world does business to prevent dangerous climate change and protect our natural resources. Its primary focus is to work with the investment community to realise a world where capital is efficiently allocated to create long-term prosperity rather than short-term gain at the expense of our environment. CDP holds the largest collection globally of self-reported climate change, water and forest-risk data. This data is gathered via annual questionnaires sent to companies on behalf of investors. This year's CDP climate change questionnaire was sent on behalf of 827 investors representing US\$100 trillion of assets.

It is important to note that the responding South African based companies report to operate in 94 countries around the world. The data disclosed does not necessarily represent South African emissions but rather emissions of companies headquartered in South Africa. The scoring methodology has been upgraded since 2015 and provides a single score which assesses progress towards environmental stewardship as reported by a company's CDP response. The score assesses the level of detail and comprehensiveness of the content, as well as the company's awareness of climate change issues, management methods and progress towards action taken on climate change as reported in the response. Performance is rated in bands from A to E, with A being the highest band. Previously, each company response was scored separately for disclosure and for performance and this is displayed on the table listing the overview of all responses. The top 10% of responding companies that also receive a performance band A comprise the Climate A-List, formerly known as the Climate Performance Leadership Index (CPLI). This prestigious list is a record of the planet's top performing companies and spans all of the CDP samples globally.

This South African report is written by the NBI. We once again thank ADEC Innovations (formerly FirstCarbon Solutions), CDP's global scoring partner, for their support. Additional analytic support was provided by EnigMatrix.

Key:

- Score listed** Answered Questionnaire
- AQ (NP)** Answered Questionnaire but declined permission to make this public
- AQ (SA)** Answered Questionnaire via another listed company also in sample
- DP** Declined to Participate
- NR** No Response
- Only Scope 3 categories reported using the Greenhouse Gas Protocol Scope 3 named categories (as provided in the Online Response System) are included when determining the number of categories reported. Where companies have not provided emissions data or where they have not reported a named Scope 3 category according to the GHG Protocol Scope 3 standard, this column is blank.
- VAA: Verification/Assurance approved. Companies have reported that they have verification complete or underway with last year's certificate available and have been awarded the full points available for their statement.
VAR: Verification/Assurance reported. Companies have reported that they have verification complete or underway with last year's statement available but the verification statement provided has not been awarded the full points available, or they have not been scored and therefore their verification statement has not been assessed.
S1: verification/assurance applies to Scope 1 emissions.
S2: verification/assurance applies to Scope 2 emissions.
S3: verification/assurance applies to Scope 3 emissions.
- Abs: Absolute target. Companies have reported 'absolute targets' and have provided supporting information: percentage reduction from base year; base year; normalised base year emissions; and target year.
Int: Intensity target. Companies have reported 'intensity targets' and have provided supporting information: percentage reduction from base year; metric; base year; normalised base year emissions; and target year.
- The score comprises the disclosure score number and performance score letter. Only companies that have scored more than 50 for their disclosure score are given a performance score.

This table provides an overview of key data elements drawn from company responses. Where companies have isolated their South African emissions from their global emissions, this figure has been provided. This was not required by the CDP methodology. However, it is important to consider this information when interpreting the carbon emissions data of large

companies with global footprints. This is significant when making comparisons between different companies. The emissions data must be read with consideration of company emission exclusions and qualifying remarks, which can be made available on request.

Overview of all responses

Company Name	Sector	Sub-Sector	2016 Score	2015 Score	2014 Score	2013 Score	Scope 1 South Africa (tCO ₂ e)	Scope 1 Global (tCO ₂ e)	Scope 2 South Africa (tCO ₂ e)	Scope 2 Global (tCO ₂ e)	Scope 1&2 South Africa (tCO ₂ e)	Scope 2 Global (tCO ₂ e)	Scope 1 & 2 Global (tCO ₂ e)	Scope 3 Global (tCO ₂ e)	Number of Scope 3 Categories Reported	Verification/ Assurance Status	Targets reported
AELC Ltd Ord	Energy & Materials	Chemicals	B	97 C	91 B	87 B	296372	296372	192075	217360	488447	513732	8724	3	VAA Sc1	Abs	
African Rainbow Minerals	Energy & Materials	Metals & Mining	B	99 B	93 B	96 B	314762	322034	923961	924097	1238723	1246131	2807897	9	VAA Sc1, VAA Sc2	Abs	
Anglo American	Energy & Materials	Metals & Mining	A	96 B	95 B	96 A	2090949	8699733	6928443	10376315	9019392	19076048	225347659	12	VAA Sc1, VAA Sc2	Abs	
Anglo American Platinum	Energy & Materials	Metals & Mining	A	100 A-	99 A	99 A-	548480	561855	5251249	5316359	5799729	5878214	1484030	9	VAA Sc1, VAA Sc2	Abs	
AngloGold Ashanti	Energy & Materials	Metals & Mining	B	96 C	89 C	87 B	99481	1287220	2859692	3047236	2999773	4334456	872000	5	VAA Sc1, VAA Sc2	Int	
Aspen Pharmacare Holdings	Health Care	Pharmaceuticals	B	96 C	89 C	87 C	4672.18	38036	95451.66	151183	100123.84	189219	1302879	3	VAA Sc1, VAA Sc2		
Assore Ltd	Energy & Materials	Metals & Mining	AQ (NP)	AQ (NP)	AQ (NP)	AQ (NP)											
Attacq Ltd	Financials	Real Estate	B	DP			973		145746	145746	146719	3664	4	No Verification			
Avi Ltd	Consumer Staples	Food Products	NR	DP	DP	DP											
Barclays Africa	Financials	Banks	B	97 B	86 B	83 B	35559	35574	145243	185890	180802	221464	32129	1	VAA Sc1, VAA Sc2, VAA Sc3	Abs	
Barroworld	Industrials	Trading Companies & Distributors	B	96 B	93 B	97 A	194643	209914	66829	77683	261572	287597	106521	2	VAA Sc1, VAA Sc2	Int	
BHP Billiton	Energy & Materials	Metals & Mining	B	99 B	87 B	75 C	20700000		17614200		38314200	316000000	1	VAA Sc1, VAA Sc2, VAA Sc3	Abs		
Bidvest	Industrials	Industrial Conglomerates	DP	95 C	92 B	78 B											
Brait SA	Financials	Capital Markets	DP	DP													
British American Tobacco	Consumer Staples	Tobacco	A-	99 B	91 B	94 B	23924	330495	46211	363501	70135	693996	182343	4	VAA Sc1, VAA Sc2, VAA Sc3	Int	
Capital & Counties Properties	Financials	Real Estate	B	94 B	87 B	AQ (NP)	1356	1356	6354	6354	7710	159936	9	VAA Sc1, VAA Sc2	Abs		
Capitec Bank Holdings Ltd	Financials	Banks	C	AQ (NP)	AQ (NP)	AQ (NP)	1613	29277	29277	29277	30890	6425	3	No Verification	Int		
Clicks Group Ltd	Consumer Staples	Food & Staples Retailing	A-	99 B	95 B	94 B	2743	87809	90545	90545	93288	190790	6	VAA Sc1, VAA Sc2, VAA Sc3	Abs & Int		
Compagnie Financière Richemont SA	Consumer Discretionary	Textiles, Apparel & Luxury Goods	C	93 D	75 C	79 B	13604		57300		70904	98800	2	VAA Sc1, VAA Sc2, VAA Sc3	Int		
Coronation Fund Managers Ltd	Financials	Capital Markets	NR	NR	NR	NR											
Curro Holdings	Consumer Discretionary	Education Services	NR														
Datatec	IT & Telecoms	Information Technology	AQ (NP)	DP	DP	DP											
Discovery Holdings Ltd	Financials	Insurance	B	95 C	95 C	95 B	1530	1530	35726	35726	37256	15678	1	No Verification	Int		
Diageo Group Ltd	Consumer Staples	Food & Beverage Processing	A-	99 B			75926	75926	83865	83865	159791	350878	3	VAA Sc1, VAA Sc2, VAA Sc3	Int		
EOH Holdings	IT & Telecoms	IT Services	AQ (NP)	NR	DP												
Exaro Resources Ltd	Energy & Materials	Oil, Gas & Consumable Fuels	B	99 B	98 B	87 B	235179	235179	521905	521905	757084	79157745	13	VAA Sc1, VAA Sc3	Int		
Famous Brands Limited	Consumer Discretionary	Restaurants	DP	DP	NR	NR											
FirstRand Limited	Financials	Diversified Financial Services	A-	99 A-	99 A	96 A	10319.95	10319.95	253810.3	268556.79	264130.25	278876.74	37849.36	3	VAA Sc1, VAA Sc2, VAA Sc3	Abs	
Fortress Income Fund	Financials	Diversified REITs	NR	DP													
Foschini Group Ltd	Consumer Discretionary	Retailing	B	AQ (NP)	AQ (NP)	AQ (NP)	3574.13	3574.13	150074.46	152019.75	153648.59	155593.88	49585.13	5	No Verification	Int	
Gold Fields Limited	Energy & Materials	Mining & Metals	A	100 A-	96 B	100 A-	529588	489525	793026	489525	496627	1322614	430547	10	VAA Sc1, VAA Sc2, VAA Sc3	Abs	
Growthpoint Properties	Financials	Real Estate	A-	95 C	90 B	93 A	68.83	68.83	2140.27	2140.27	2209.1	642141.95	6	VAA Sc1, VAA Sc2, VAA Sc3	Int		
Hosken Consolidated Investments	Industrials	Hotels, Restaurants & Leisure, and Tourism Services	B	91 D	64 D	63 D	110908.62	112822.22	296824.95	300608.45	407733.57	413430.67	189676.54	6	No Verification		
Hyprop Investments Ltd	Financials	Real Estate	A-	90 C	AQ (NP)	DP	6325	6325	31718	31718	38043	38043	263960	1	VAR Sc1, VAR Sc2, VAR Sc3	Abs	
Impala Platinum Holdings	Energy & Materials	Mining & Metals	A-	96 C	89 B	91 B	283647	349000	2605841	3001522	2899488	3550522	64690	4	VAA Sc1, VAA Sc2	Abs	
Imperial Holdings	Consumer Discretionary	Distributors	B	88 C	86 C	82 C	865432.59	0	218636.52	1084069.11	15729.31	41392	2	VAA Sc1, VAA Sc2	Int		
Intu Properties plc	Financials	Real Estate	C	90 C	82 C	74 B	5595	5595	35797	35797	41392	31382	3	VAA Sc1, VAA Sc2, VAA Sc3	Abs		
Investec Limited	Financials	Capital Markets	A-	99	91 B	99 A-	1316	1813	30024	40522.41	31340	42335.41	31382	3	VAA Sc1, VAA Sc2, VAA Sc3	Abs	
Investec plc	Financials	Capital Markets	AQ (SA)	AQ (SA)	AQ (SA)	AQ (SA)											
Investec Property Fund	Financials	Diversified REITs	AQ (SA)	AQ (SA)	AQ (SA)	AQ (SA)											
Iaitile Ltd	Consumer Discretionary	Retailing	AQ (NP)														
JSE Ltd	Financials	Diversified Financial Services	C	88E			78.4	78.4	9272	9272	9350.4	1073	1	No Verification			
KAP Industrial Holdings Ltd	Industrials	Industrial Conglomerates	AQ (NP)	90 D													
Kumba Iron Ore	Energy & Materials	Metals & Mining	A	100 A-	95 B	98 B	693961	693961	509736	509736	1203697	109759171	2	VAA Sc1, VAA Sc2	Abs		
Liberty Holdings Ltd (incorporating Liberty Life Group Ltd)	Financials	Insurance	C	68E	AQ (NP)	62 D	2772	2772	32875	32875	35647	14303	4	VAA Sc1, VAA Sc2, VAA Sc3	Abs		
Life Healthcare Group Holdings Ltd	Health Care	Health Care Providers & Services	C	87 D	60 C	56 E	4790.6	4790.6	156183.79	4790.6	4790.6	160974.39	0.13	1	No Verification	Int	
Massmart Holdings Ltd	Consumer Staples	Food & Staples Retailing	C	95 C	85 C	87 B	41318.29	44056.69	429298.47	456023.6	470616.76	500080.29	74237.92	5	VAA Sc1, VAA Sc2	Abs & Int	
Mediclinic International	Health Care	Healthcare Providers & Services	A	100A-	99 A	99 B	23841.37	23841.37	159570.94	159570.94	183412.31	36037.13	6	VAA Sc1, VAA Sc2, VAA Sc3	Int		

Key findings

South African companies once again perform superbly in 2016

Once again the South African sample achieved an excellent response rate of 78% with scores also improving dramatically, with 11 South African companies making it on to the A-List and only 1 company scoring below a C (2015: 14). We would like to congratulate the companies making it onto the A-List this year: Anglo American Platinum, Gold Fields, Harmony Gold Mining Company, Kumba Iron Ore, Mediclinic International, Mondi, Nedbank, Pick n Pay Stores, RCL Foods, Remgro and Sibanye Gold. The general improvement in scores across the board does credit to South African companies and we congratulate all of the responding companies.¹

South African companies also continue to strongly integrate climate change into their governance procedures. This is extremely important and companies that integrate climate change into governance are strongly correlated with setting targets and taking action. 96% of companies embed climate change into strategy, 99% have board oversight over climate change, and 81% provide monetary incentives for climate change performance.

It is interesting to note that South African companies echo the Paris Agreement in their recognition that mitigation efforts need to be balanced with equal attention to adaptation. For the first time there was

an equal number of physical and regulatory risks reported and the “carbon tax” was usurped by “precipitation extremes and droughts” as the top perceived risk. Although, of the 92% of responders who engage with government on climate change issues, 47% of all reported engagements are on regulation (including 25% on the carbon tax) and 23% on energy, and only 8% of engagements with government are on adaptation.

There are some concerns momentum will be difficult to maintain

While allowances are made for our developing country status and the specifics of our economy, it is critical that South African companies continue to reduce their emissions for purposes of international competitiveness, political reputation, and for our shared global environment. However, there are a number of leading indicators that suggest that South African disclosing companies might struggle to maintain their emissions reductions pathways in the short term. There is also a concern that many of the improvements are being driven by a small list of companies that are pulling away from the pack. While it is too early to definitively conclude on these trends, this is certainly something that South African companies need to watch and address at an early stage.

¹ It is however important to note that CDP's scoring methodology has changed since 2015 (the changes can be viewed here: <https://vimeo.com/162087170>.)

South African companies outside the JSE 100 sample that responded to CDP

Company Name	Sector	Sub-Sector	2016 Score	2015 Performance Score
Allied Electronics Corporation Ltd (Altron)	Industrials	Telecommunication Services	B-	97 C
Arcelor Mittal South Africa Ltd	Energy & Materials	Mining – Iron, Aluminum, Other Metals	C	92 D
Aveng Ltd	Industrials	Construction & Engineering	B-	92 C
Basil Read	Industrials	Construction & Engineering	B-	91 C
Emira Property Fund	Financials	Real Estate	A-	98 C
Eskom	Utilities	Electricity Utilities	Not scored	91 D
Grindrod Ltd	Industrials	Water Transportation – Water Transportation	B-	96 C
Group Five Ltd	Industrials	Construction & Engineering	B	99 B
Harmony Gold Mining Co Ltd	Energy & Materials	Mining – Other (Precious Metals and Gems)	A	100 A
Hulamin	Energy & Materials	Mining – Iron, Aluminum, Other Metals	Not public	54 E
Illovo Sugar Ltd	Consumer Staples	Food & Beverage Processing	B	97 C
KPMG	Financials	Banks, Diverse Financials, Insurance	Not public	87 D
Lonmin	Energy & Materials	Mining – Other (Precious Metals and Gems)	A-	99 B
Murray & Roberts Holdings Limited	Industrials	Construction & Engineering	B	94 C
Raubex Group Limited	Industrials	Construction & Engineering	C	82 E
Royal Bafokeng Platinum Ltd	Energy & Materials	Mining – Other (Precious Metals and Gems)	B	96 B
Scaw South Africa (pty) Ltd	Energy & Materials	Mining – Iron, Aluminum, Other Metals	Not public	55 E
Transnet	Industrials	Air Freight transportation and Logistics	B	99 B
Wilson Bayly Holmes-Ovcon Ltd	Industrials	Construction & Engineering	B-	93 D

Top performers in the Climate A List

Company Name	Sector	2016 Performance	2015 Performance	2014 Performance	2013 Performance
Anglo American Platinum	Energy & Materials	A	A-	A	A-
Gold Fields Limited	Energy & Materials	A	A-	B	A-
Harmony Gold Mining Co Ltd	Energy & Materials	A	A	A	A
Kumba Iron Ore	Energy & Materials	A	A	B	B
Mediclinic International	Health Care	A	A-	A	B
Mondi PLC	Energy & Materials	A	B	B	D
Nedbank Limited	Financials	A	A	A-	B
Pick n Pay Stores Ltd	Consumer Staples	A	B	A	A
RCL Foods Ltd	Consumer Staples	A	B	B	
Remgro	Financials	A	A-	B	A-
Sibanye Gold Ltd	Energy & Materials	A	A-	B	

South African business needs to find ways to continually innovate and increase the scope and impact of their emission reduction activities.

78% of all reductions as a result of emission reduction activities came from the 11 companies recognised on the A-List. In 2016 the number of companies setting absolute targets dropped from 45% (2015) to 41%. Only 41% of companies are ahead of or meeting their targets. The vast majority of targets are short term, with 82% of all reported targets set to be achieved in the next four years. Fewer companies are reporting scope 3 categories which may indicate an inward focus when many reduction opportunities result from working within value and supply chains. These observations combined could indicate companies grappling with how to extend their reductions streak having implemented available quick-wins.

Perhaps a stronger indicator is that while South African companies report roughly 7.5 million metric tonnes CO₂e reductions through implementing specific emissions reduction activities in the past, there are only 3.3 million metric tonnes CO₂e reductions projected to result from current or planned activities. This suggests a renewed focus is required on what reductions are possible and also that companies may need to work with government on creating a regulatory environment that enables further reductions. Perhaps the most obvious indicator is that South African reported emissions have gone up 3% on a like-for-like basis. Therefore despite the strong performance indicators and the South African company presence on the A-List, South African business needs to find ways to continually innovate and increase the scope and impact of their emission reduction activities.

South African companies need to keep their focus on performance

The NBI, CDP and We Mean Business (a global coalition of which the NBI and CDP are both members) advocate a number of actions and commitments that could benefit companies around the world. These include using an internal price on carbon, focussing on the energy system (in particular on energy efficiency), and setting science based targets. We see strong growth across the South African sample in all these areas, however absolute numbers remain low and the NBI encourages all companies to explore these and the other commitment areas promoted by CDP and We Mean Business.

45% (2015: 41%) of responding companies use or plan to use a carbon price within the next two years. 25 companies intend on setting a science based target within the next two years. Energy efficiency, especially in the South African context, needs to remain a strong focus. 57% of all emissions reductions and 72% of all reported monetary savings reported from emissions reduction activities were as a result of energy efficiency interventions. This also suggests however that companies need to consider interventions outside of energy conservation or traditional, quick-win, energy efficiency measures.

Conclusion

The NBI would like to congratulate all South African companies on another strong performance in 2016. Notably, we would like to thank CDP participants for the general improvement in performance and specifically congratulate those companies on the A-List. However given the slight increase in like for like disclosed emissions, the narrowing pipeline of emission reduction activities, and the leading indicators that may point to an increased difficulty in maintaining momentum, we would encourage South African companies to renew their focus on mitigation while at the same time addressing climate impacts and means to increase resilience. We encourage South African companies to engage with our government to co-create and implement solutions appropriate to our context and to company circumstances, and to ride on the wave of impacts of the Paris Agreement that should provide the necessary political and scientific stimulus for climate change action. In particular, South African companies could be looking to benefit from new streams of climate finance that could support action and innovation.