

Environment and Society

CDP Water Launch – 17th March 2016



British
High Commission
Pretoria

A big thank you

*The work on CDP Water and the infographics
you will see today would not have been
possible without the generous support of the
Prosperity Fund of the British High Commission*

Key Point Summary

- The water context is not benign
- The good news – those that respond are top performers
- The big issues:
 - The water message is not sticky
 - Water is challenging to measure and understand
 - Companies assessment of the risk appears to be out of sync with other stakeholder opinion trends
- Conclusion – is there much changing in water?

Water is top of mind for the media, government and the public in South Africa



An expert group convened by the NBI concluded that while the drought is a serious short-term risk facing the country, there are more critical systemic issues in the water sector that need to be addressed to ensure long-term sustainability of supply in South Africa.

SOUTHERN AFRICA

Drought pushing South Africa to the brink of recession - Moody's

by Reuters © Last Updated: Wed, 17 Feb 2016 06:34:12 GMT

BusinessDay
BDlive



Drought could cost SA billions in crop imports

BY CLAIRE BISSEKER, NOVEMBER 06 2015



Moody's says drought pushing

FINANCIAL TIMES

March 16, 2016 9:04 am

South Africa winemakers face poor harvest

Emiko Terazono

16 MARCH 2016



South Africa: Water - Pandemonium As Joburg Taps Run Dry



Network South Africa

Business Action for Sustainable Growth



For business water is also critical...



70%

companies reported
detrimental impacts
(up from 50% in 2014)



83%

companies reporting risks in
direct operations
(the highest in the world)

Water is also often recognised as a more significant risk than climate change

More water risks are
expected to materialise in
the next 3 years and are
expected to have a higher
financial impact



69%



62%

Risks expected to materialise in
the next 3 years



74%



60%

Risks with medium to high
financial impact

and has material financial costs

Financial impacts reported by 10 companies in 2015 amounted to:

R841 million



Drought & increased
water stress



R610 million



Ecosystem
vulnerability***



R128 million



Flooding



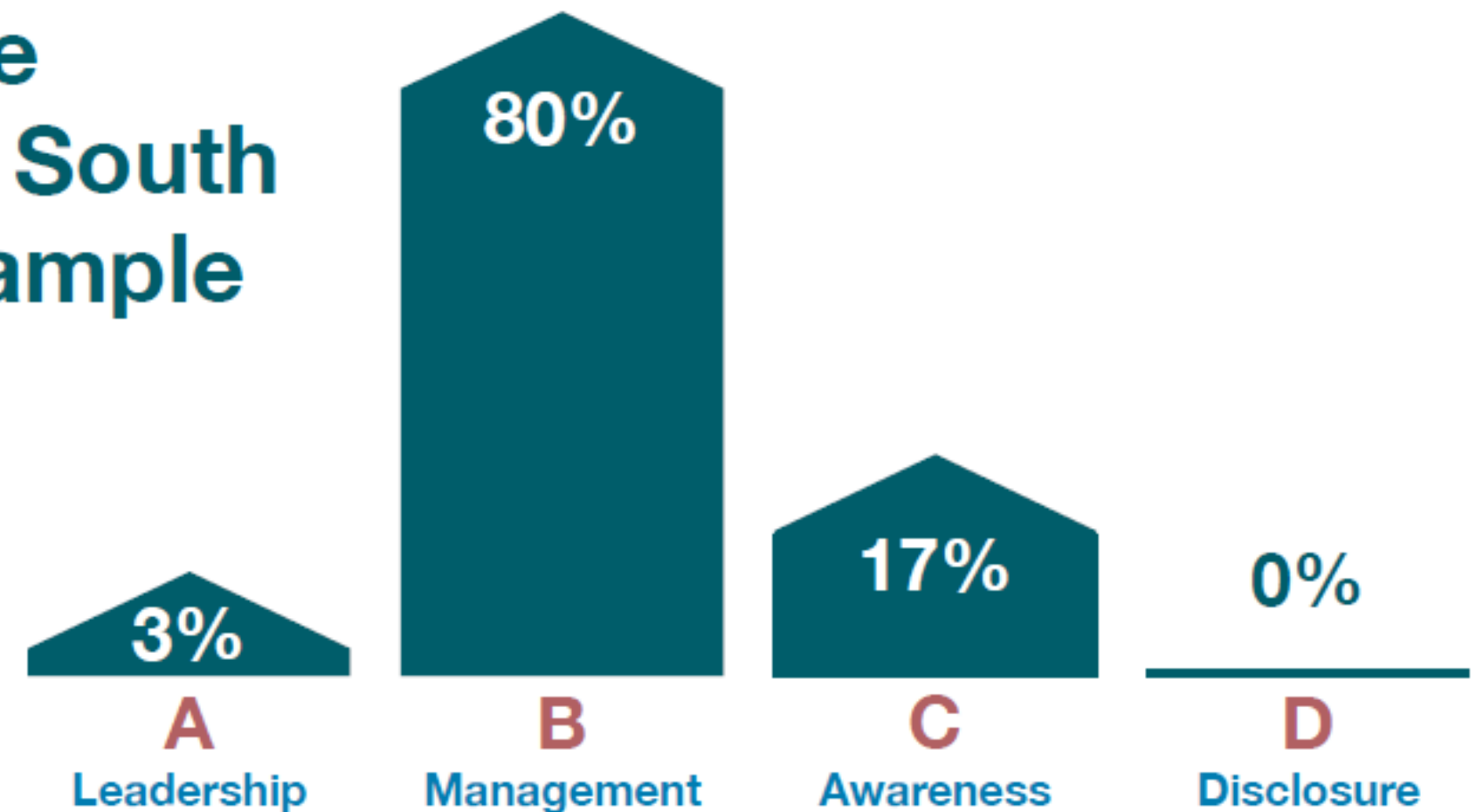
R35 million

Fortunately the response from businesses disclosing to CDP is robust

2/8

companies on
the global CDP
Water A list are
South African

Aggregate scores of South African sample



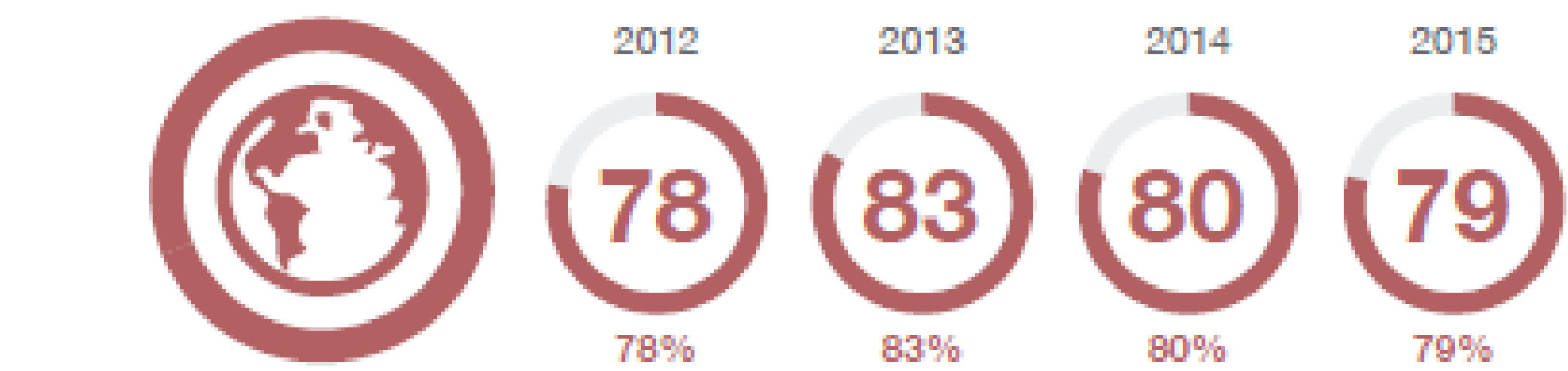
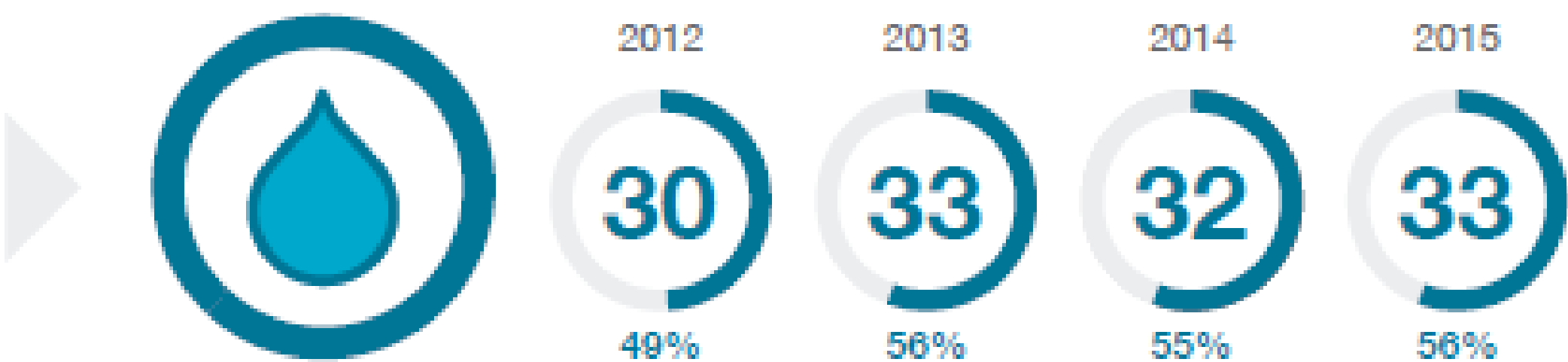
The big issues

- ① The water message is not sticky

Although those that respond perform well, the engagement with CDP water is disappointingly low

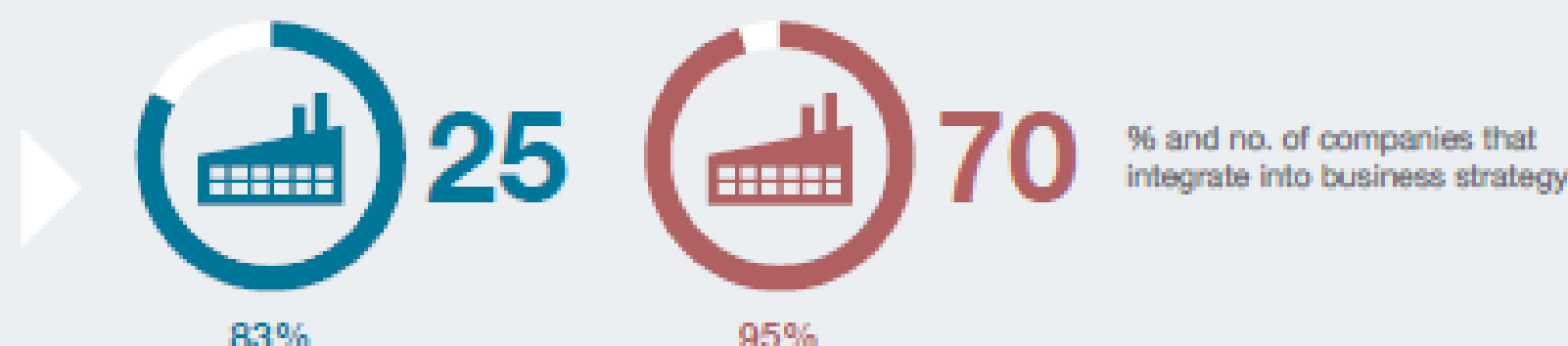


Response rates for CDP water are significantly lower than for CDP climate change



Despite identifying water risk as a more urgent and more severe risk the response in water lags that of climate change

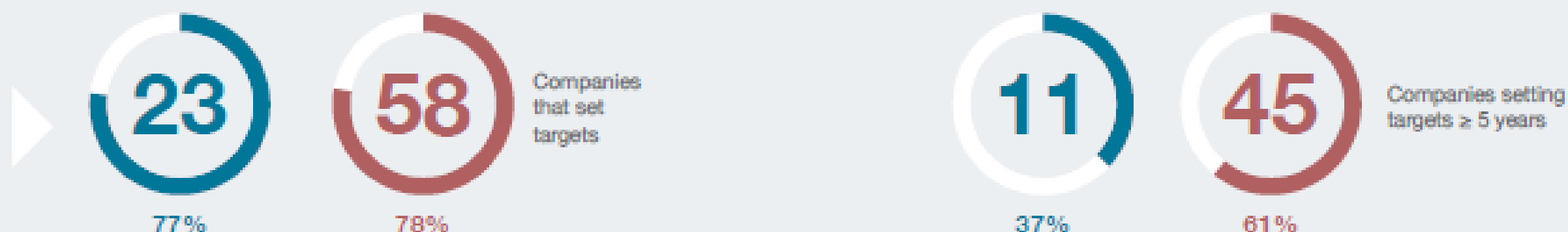
Fewer companies integrate water into their business strategies



Fewer companies conduct frequent, company-wide risk assessments on water issues



More companies set carbon reduction targets that are longer term, compared to water-related targets

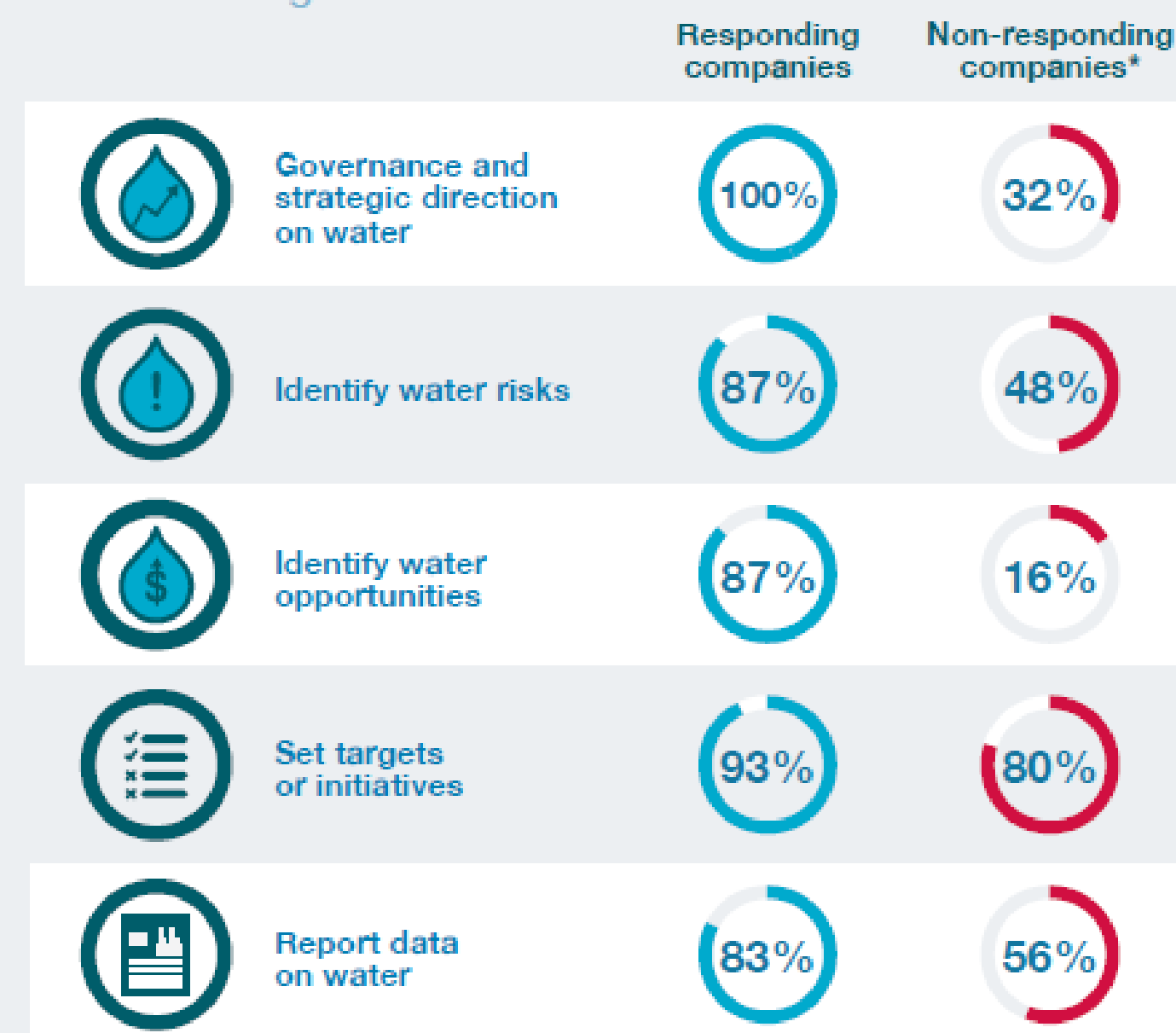


A review of companies who do not disclose to CDP reveal poor levels of disclosure

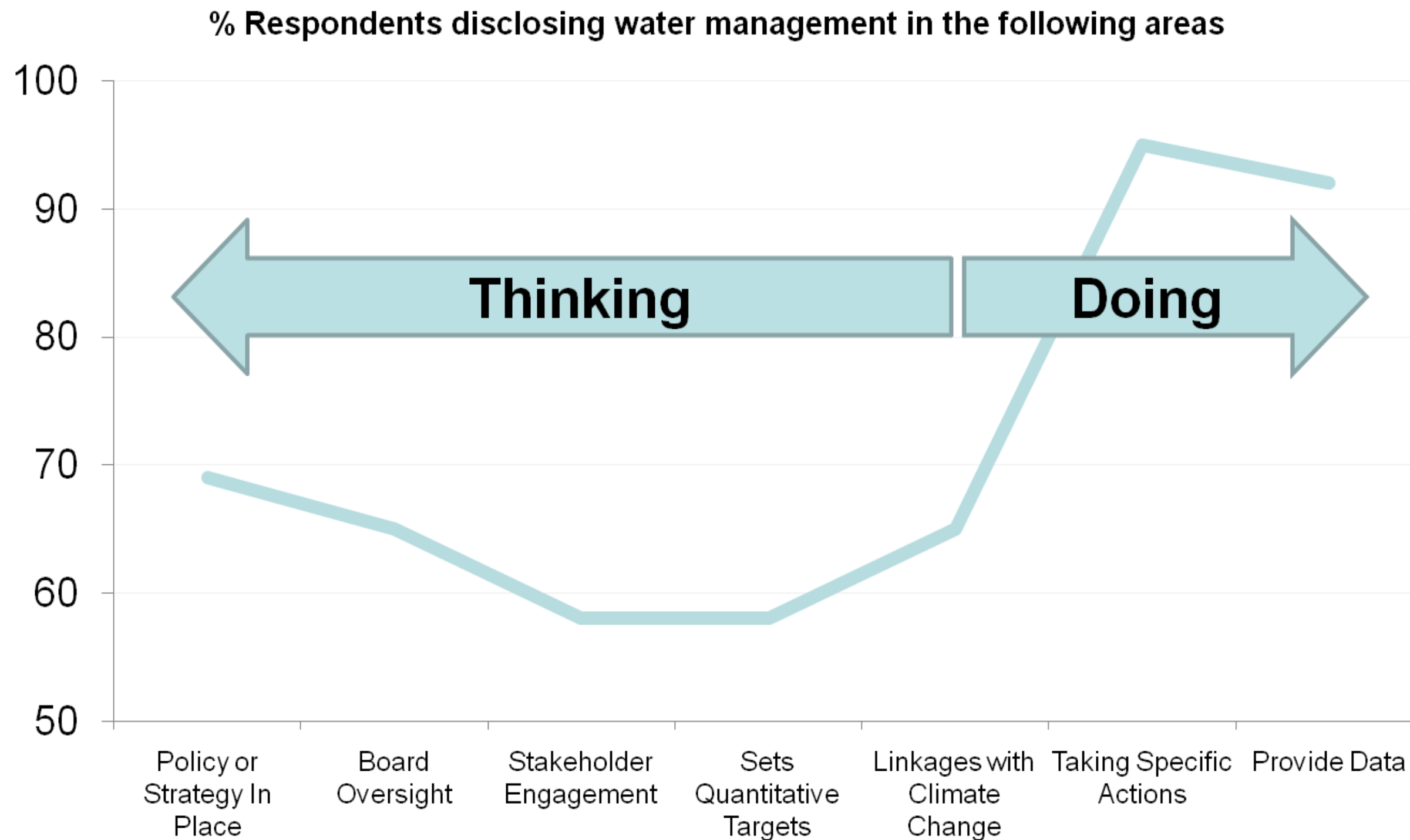
The quality of water reporting of non-disclosers to the CDP water program does not provide the same level of detail and insight as provided by responding companies.

Reporting drives performance

Reporting through CDP drives maturity in understanding water issues



A reminder from 2011: We were concerned about undirected business activity



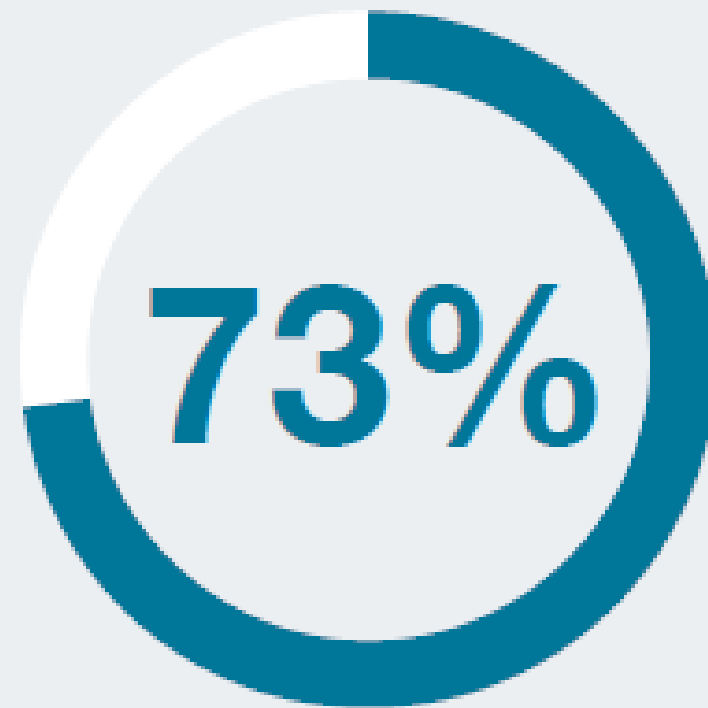
Data from
CDP
Water, JSE
100 Report
2011

The big issues

- ② Water is challenging to measure and understand

Most companies report on all three data points requested by CDP

Companies that report water use in all 3 categories*

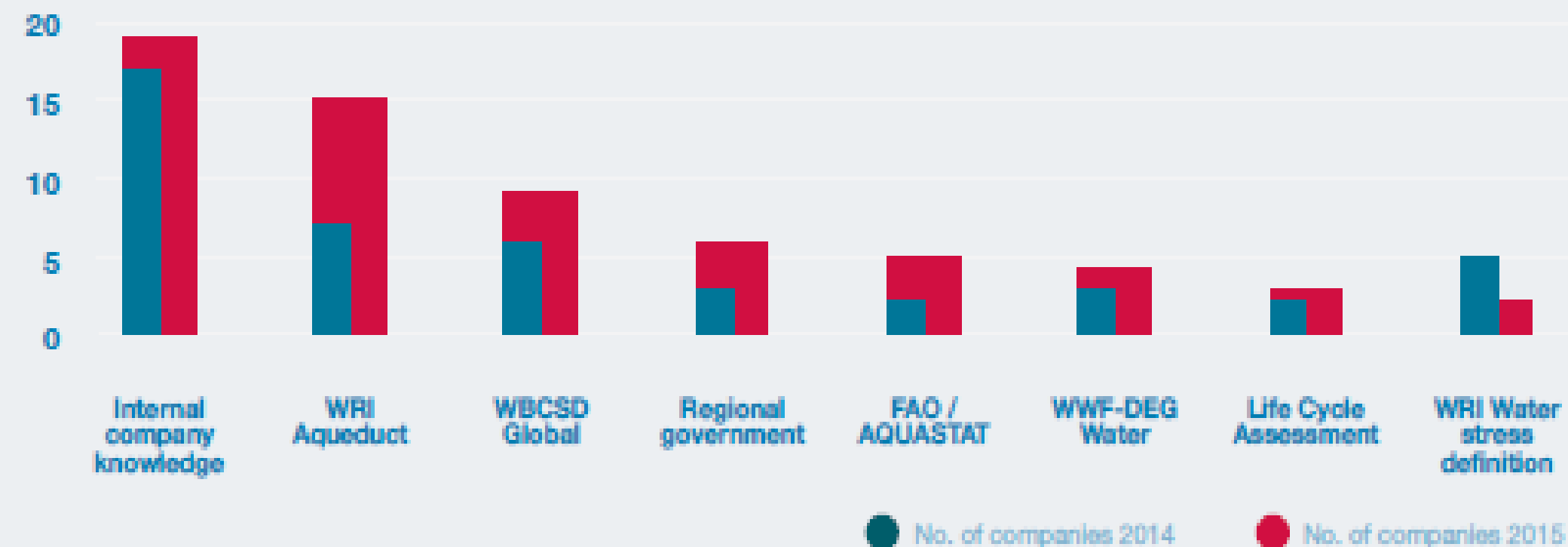


*Water withdrawal, consumption and discharge

There is a huge variation in approach to assessing risk and measuring data

Within sectors
variance of
reported water use
ranges from 62%
to over 200 000%,
with 75% of water
withdrawn from
1 sector

There remains significant variation in risk management approaches



Companies use over 30 different methodologies to assess water risk

The big issues

- ③ Businesses assessment of the risk appears to be out of sync with other stakeholder opinion trends

Despite the urgency expressed by other stakeholders, leading companies view water as a less material risk than in 2014

Reported risks are less severe



Companies reporting direct risks



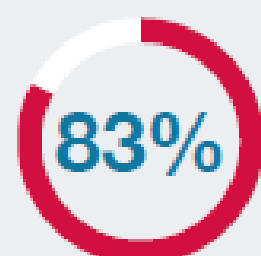
High likelihood, high impact risks

2014



22%

2015



12%

Risk perceptions

Physical

		Financial impacts		
		Low	Medium	High
2014	High probable	1%	1%	27%
	Probable	14%	29%	20%
	Unlikely	2%	2%	4%
2015	High probable	1%	0%	13%
	Probable	36%	16%	26%
	Unlikely	3%	1%	5%

Likelihood

Regulatory

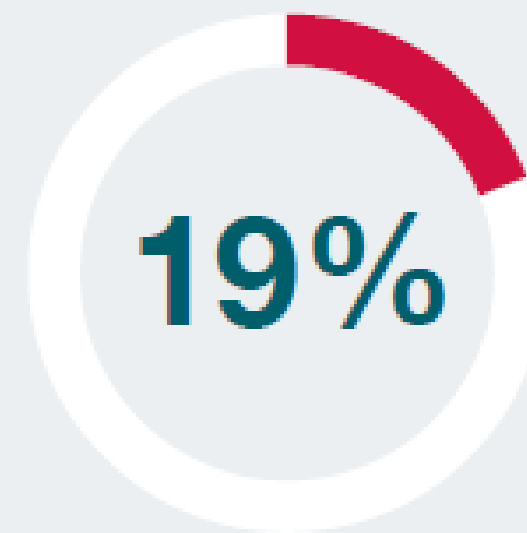
		Financial impacts		
		Low	Medium	High
2014	High probable	5%	12%	19%
	Probable	9%	21%	34%
	Unlikely	0%	0%	0%
2015	High probable	5%	5%	14%
	Probable	24%	11%	38%
	Unlikely	0%	0%	3%

Likelihood

Companies see water risk as predominantly a physical risk and not a regulatory risk



**Physical
risks**



**Regulatory
risks**

Companies still view risk as direct, rather than as a broader socio-economic and supply chain risk



Companies reporting direct risks

83%



Fewer companies report supply chain risks

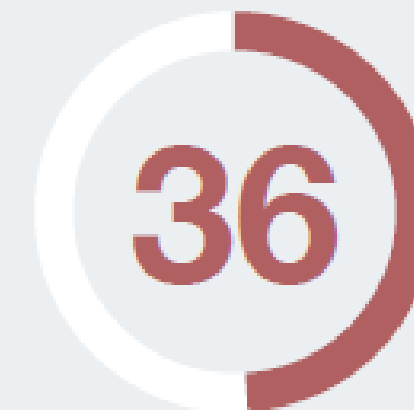
63%

While supplier engagement is low in both climate change and water, more companies use supplier data in response to climate change issues



40%

Companies that request suppliers to report water data



49%

Companies that make use of suppliers climate change data

The is a lack of consistency in risk identification

Top risks identified in expert session



Inadequate infrastructure



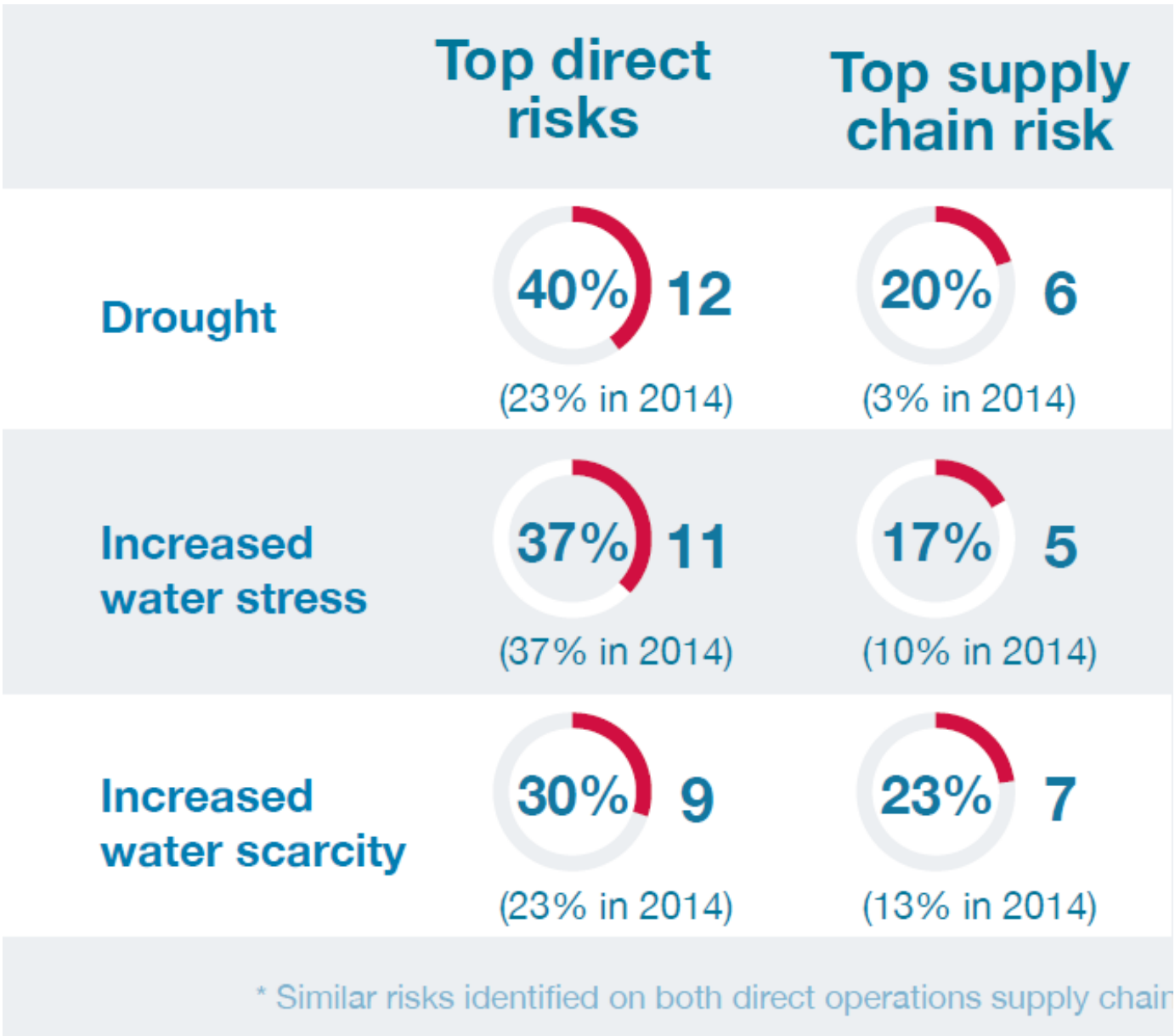
Rising water costs



Declining water quality



Regulatory uncertainty in water licensing



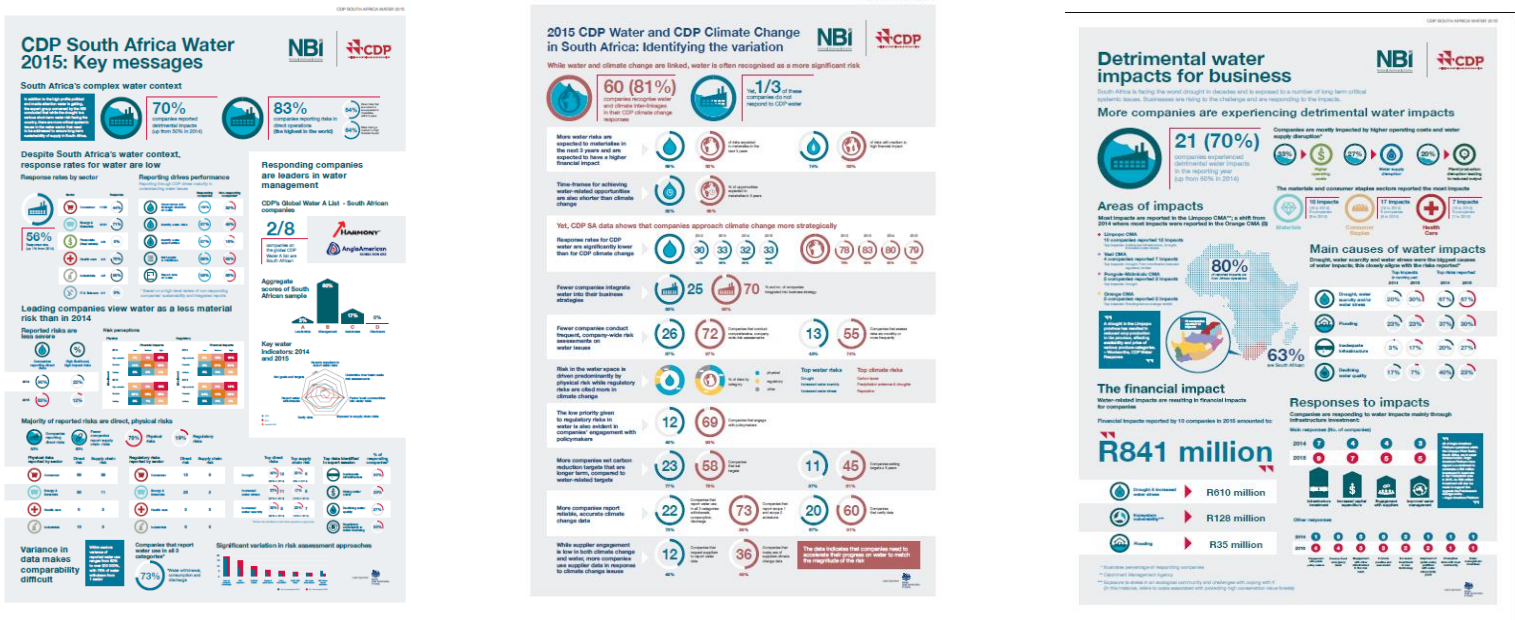
An expert group convened by the NBI concluded that while the drought is a serious short-term risk facing the country, there are more critical systemic issues in the water sector that need to be addressed to ensure long-term sustainability of supply in South Africa.

What Next

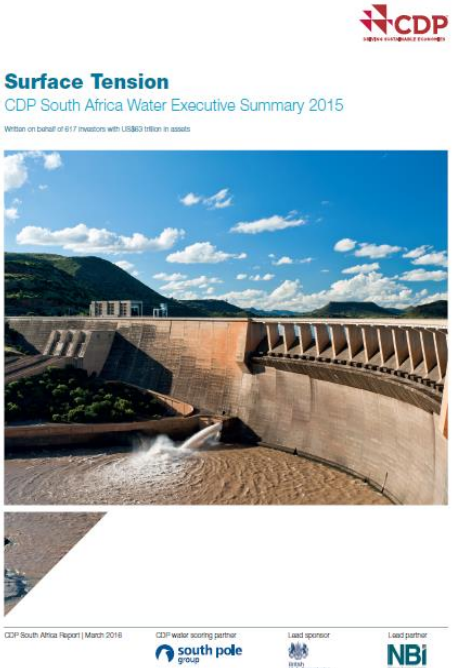
Like climate change, 2015 water results will be available through various platforms



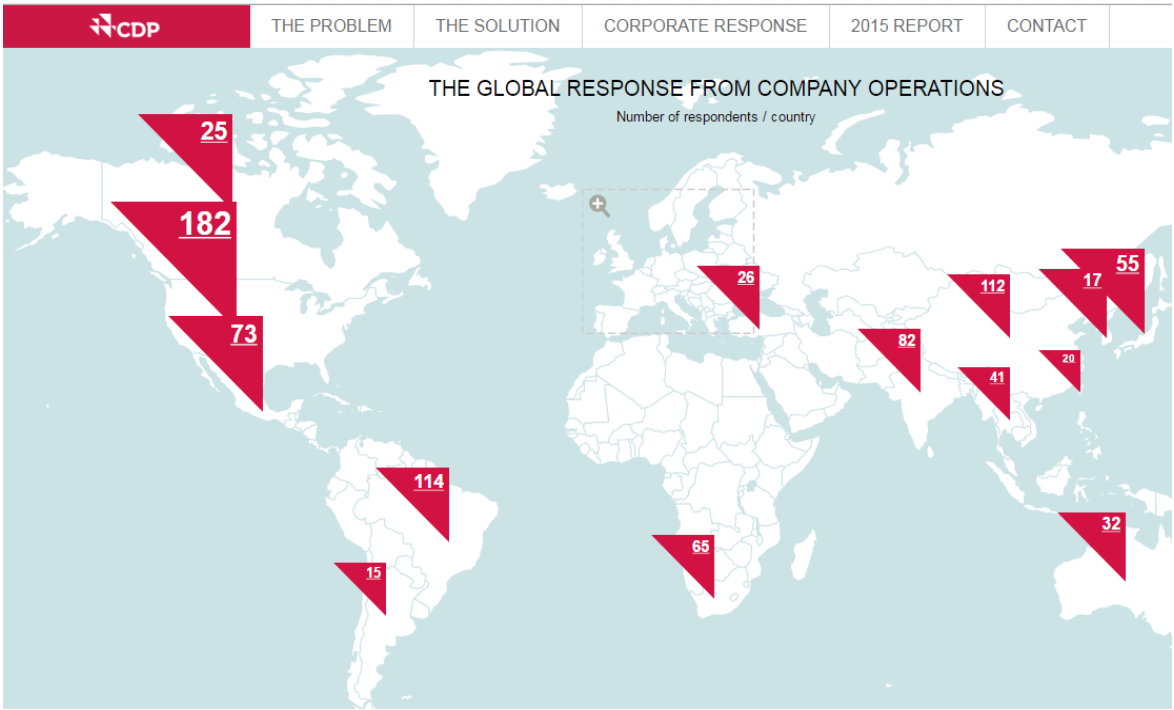
CDP South Africa Water 2015: Infographics



CDP South Africa Water: 2015 Executive Summary

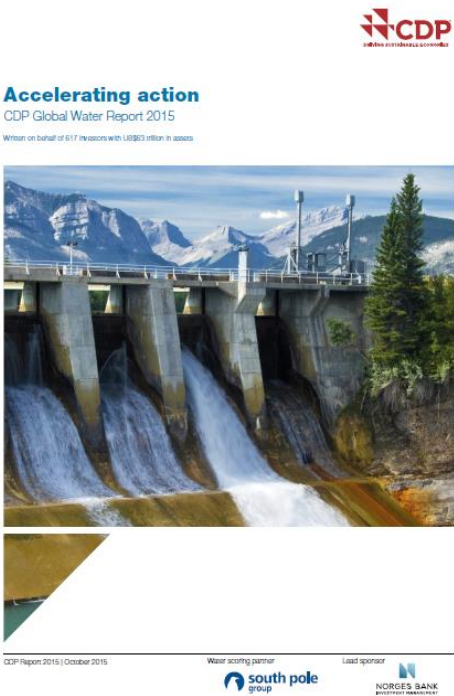


CDP Water Global Data Platform



<http://globalwaterresults.cdp.net/data/>

CDP Global Water Report 2015



Companies need to carefully consider their exposure to water risks and opportunities, especially given the social and economic systems underpinning water



- We must give water reporting and management the same status they give climate change
- Disclosure of water outside of the CDP water programme needs to improve and we strongly believe that participating in the CDP programme will drive better reporting and better performance
- We need a renewed focus on water as a shared risk, and as a long term systemic risk
- We need to focus on the socio-economic and supply chain nature of water risk
- We need to take the time to learn from and appreciate the work done by our leading water reporters
- We need a more consistent approach to reporting water data and risk



A reminder from 2011 - The 7 Habits of Highly Effective Water Managers – Stephen J Nicholls



- Seek and you will find
- Set appropriate accountability levels
- Participate in the CDP Water Disclosure Project
- Work together
- Set meaningful, quantitative targets
- Work on a common accounting approach
- Start today – we need more leaders!

Questions?



The National Business Initiative (NBI) is a voluntary coalition of South African and multinational companies, working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action.

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The National Business Initiative is a voluntary coalition of South African and multinational companies, working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action. Since our inception in 1995, the NBI has made a distinct impact in the spheres of housing delivery, crime prevention, local economic development, public sector capacity building, Further Education and Training, schooling, public private partnerships, energy efficiency and climate change.

The NBI is a global network partner of the World Business Council for Sustainable Development (WBCSD), the focal point of the United Nations Global Compact (UNGC) Local Network in South Africa and an implementation partner of the CEO Water Mandate, We Mean Business and the CDP.

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