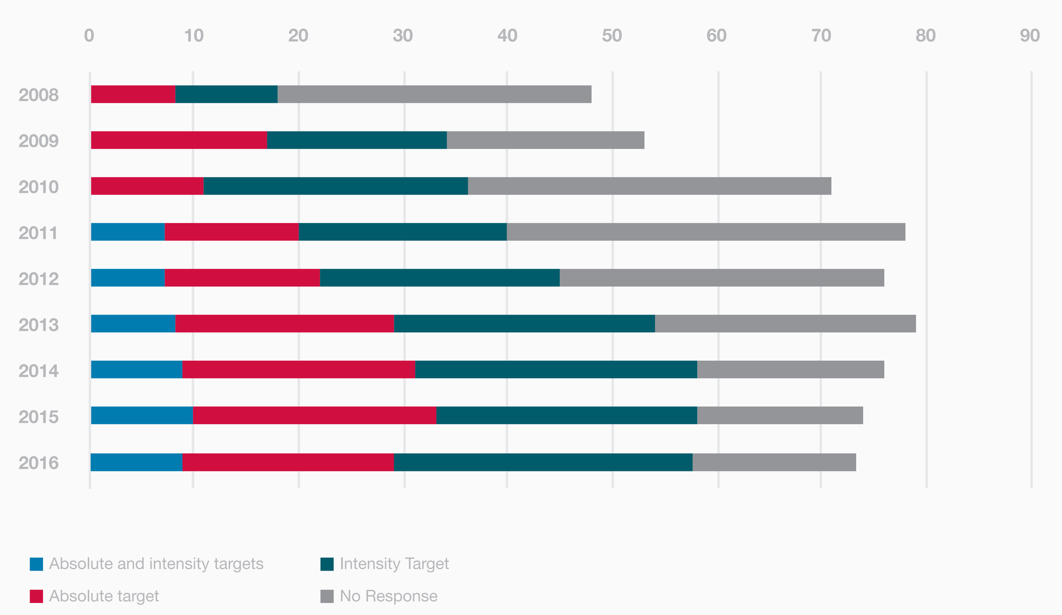
CDP SOUTH AFRICA 2016 TARGETS AND PROGRESS

NBI National Business Initiative | CDP DRIVING SUSTAINABLE ECONOMIES

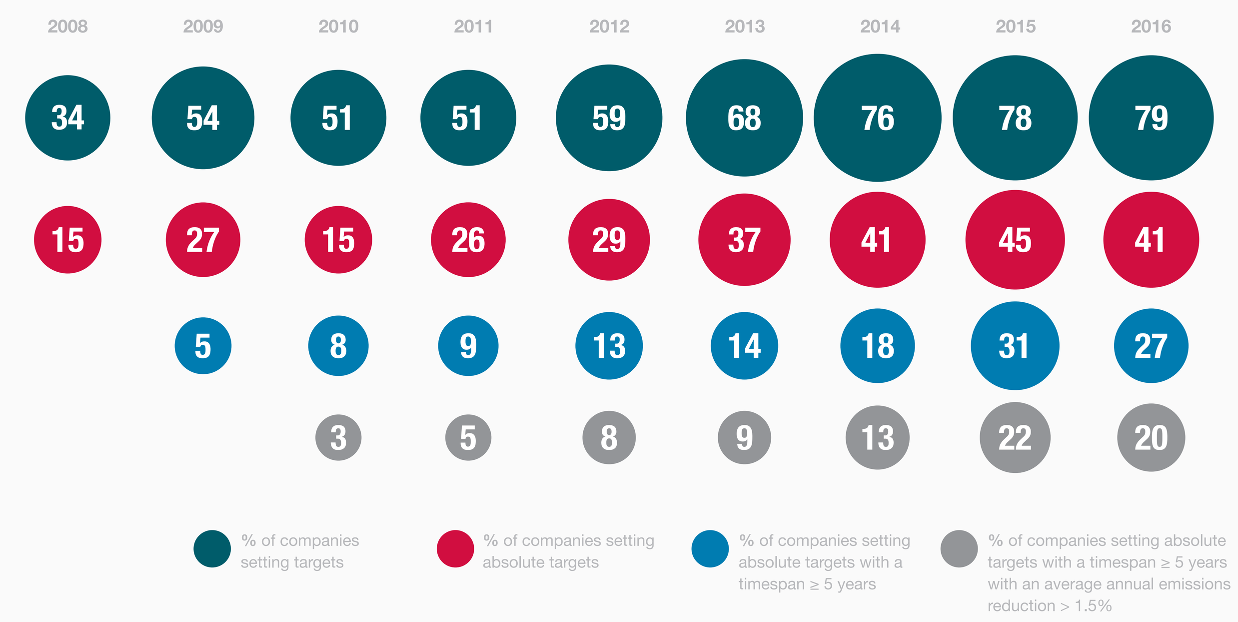
To meet the shared global goal of keeping temperatures below 2^0C, SA needs to strengthen efforts to reduce emissions. There are real challenges in implementing more impactful emission reduction activities and in needing to align targets with science and with longer-term timelines

SETTING TARGETS IS A KEY STEP IN TAKING ACTION

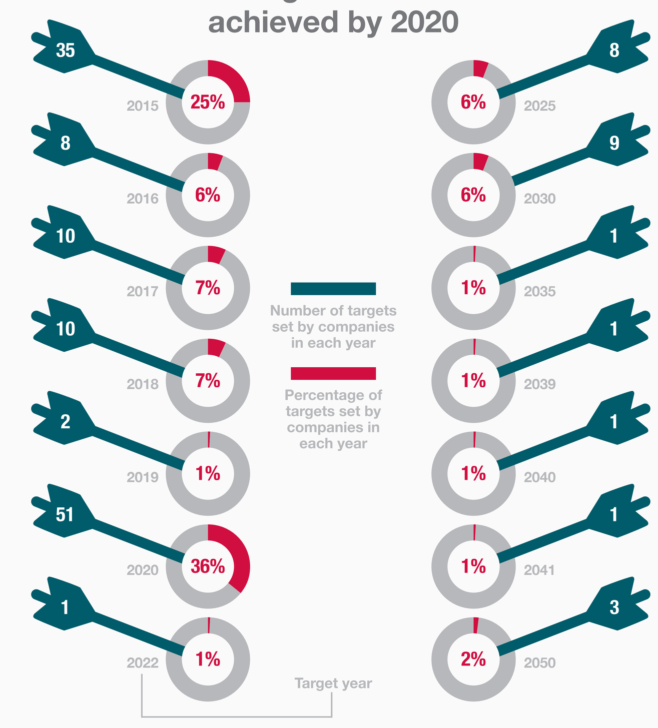
The number of companies with active targets in place



More companies need to set longer-term, more ambitious targets



82% of targets are set to be achieved by 2020



RISKS AND OPPORTUNITIES AND THEIR FINANCIAL IMPACTS

Companies are still focused on quantifying the impact of risks and less so of opportunities

RISKS AND THEIR FINANCIAL IMPACTS

HIGH RANKING RISKS 2016

1. Change in precipitation extremes and droughts
2. Carbon tax
3. Reputation
4. Change in precipitation pattern
5. Change in mean (average) temperature

56% of companies quantified the potential financial impacts of climate change risks

Carbon tax = **R300 million (n=35)** over a period ranging from 1 to over 6 years, making up **0.028**% of 2016 tax revenues

Reputation = **R6.9 billion (n=19)** calculated as a devaluation of the market capital over a period ranging from 1 to over 6 years

Changes in precipitation extremes and droughts = **R2 billion (n=18)** calculated as production interruptions and/or increased insurance costs over a period ranging from 1 to over 6 years

OPPORTUNITIES AND THEIR FINANCIAL IMPACTS

COMMONLY DISCLOSED OPPORTUNITIES:

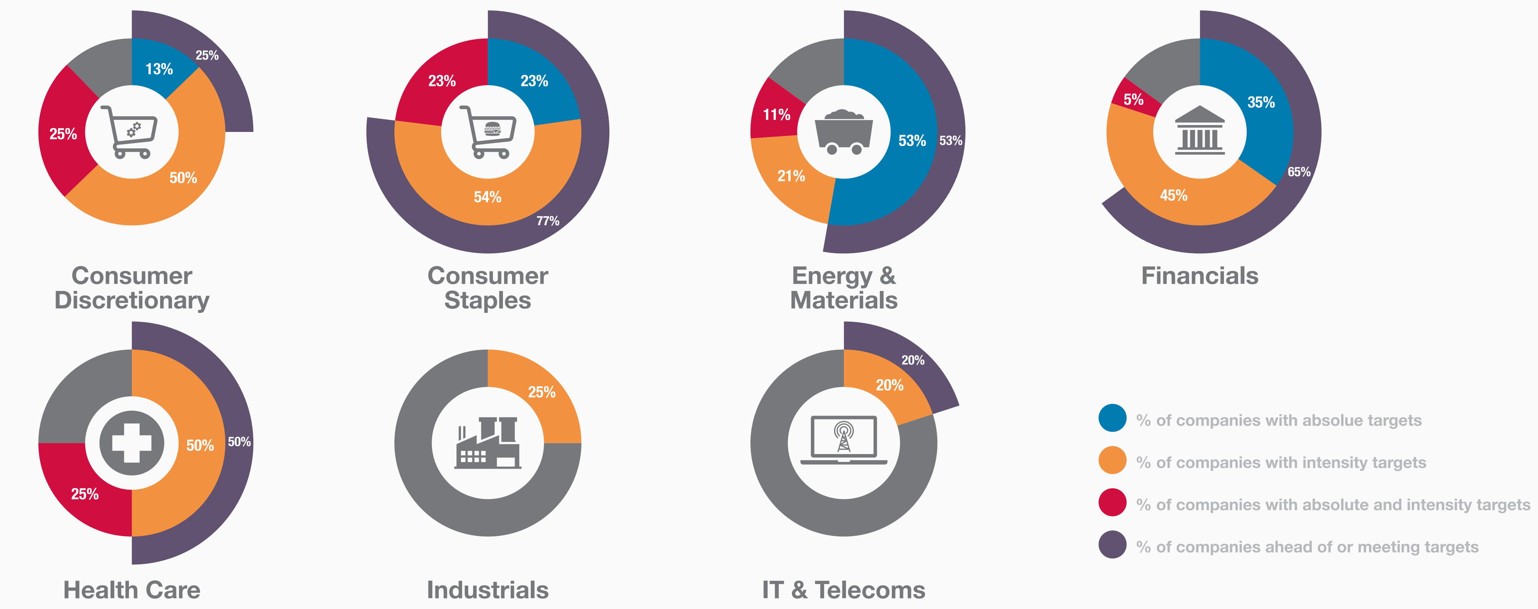
1. Reputation
2. Changing consumer behaviour
3. Other driver
4. Fuel/Energy taxes & regulation
5. Change in precipitation extremes and drought

39% of companies quantified the potential financial impacts of climate change opportunities

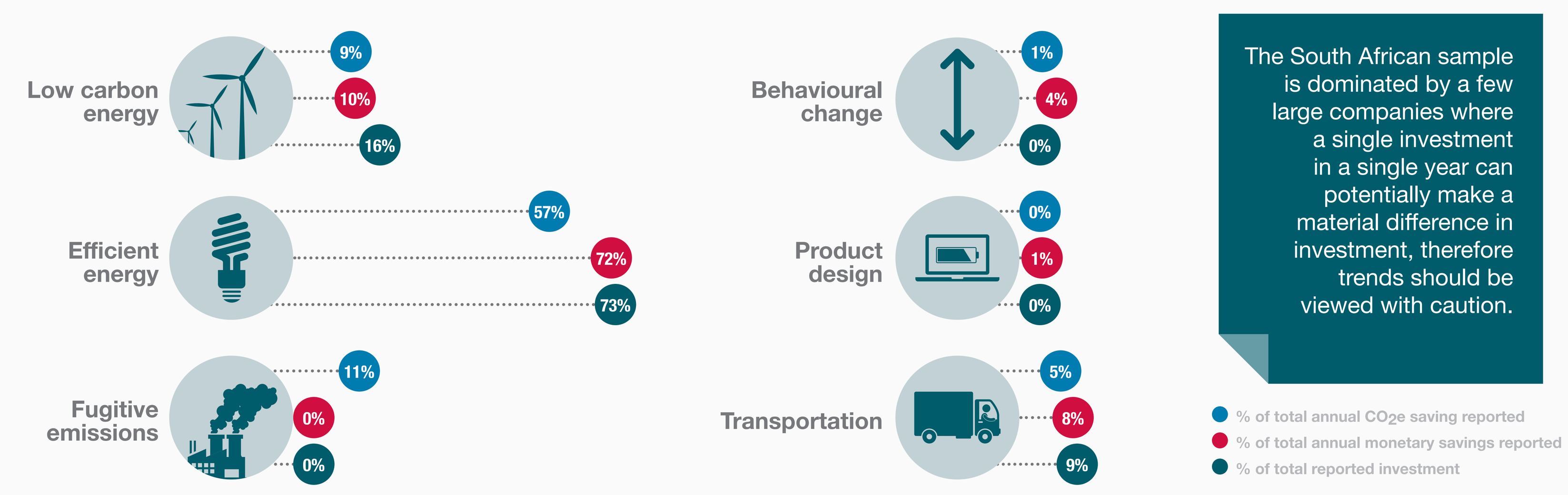
Changing consumer behaviour = **R763 million (n=11)** over a period ranging from 1 to over 6 years

Reputation = **R1.6 billion (n=14)** calculated as a devaluation of the market capital over a period ranging from 1 to over 6 years

SETTING TARGETS UNLOCKS THE OPPORTUNITY OF COST SAVINGS THROUGH EMISSION REDUCTIONS

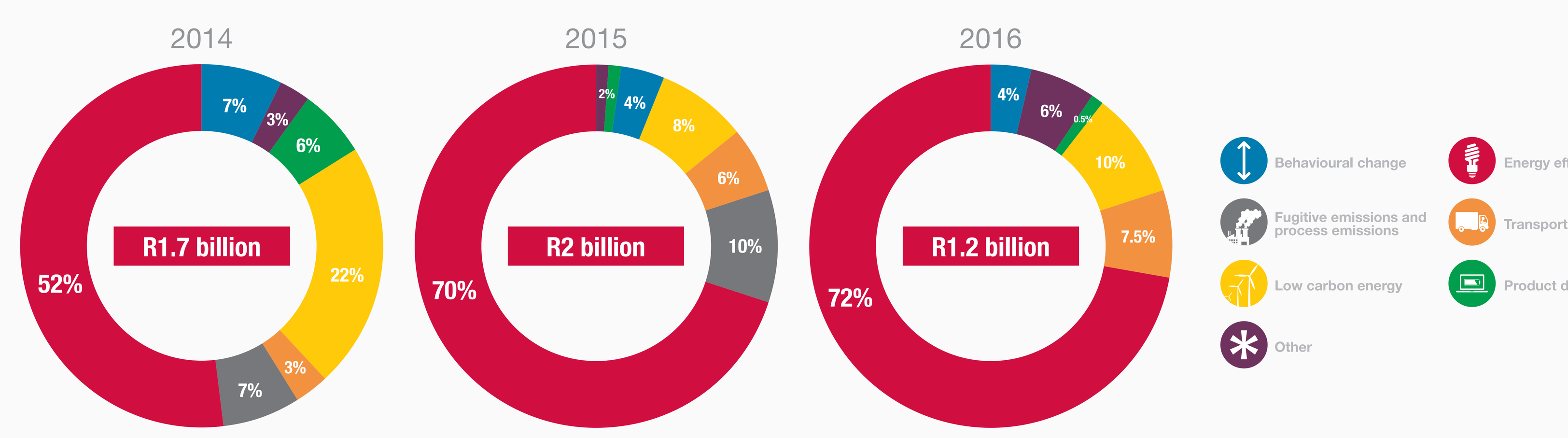


In 2016, investments made into energy efficiency continue to provide the highest GHG and monetary savings



The South African sample is dominated by a few large companies where a single investment in a single year can potentially make a material difference in investment, therefore trends should be viewed with caution.

There has been a decline in annual financial savings as a result of emissions reductions activities



THERE IS ALSO OPPORTUNITY IN WORKING WITH VALUE CHAIN PARTNERS

TOP 3 HIGH IMPACT INDIRECT RISKS

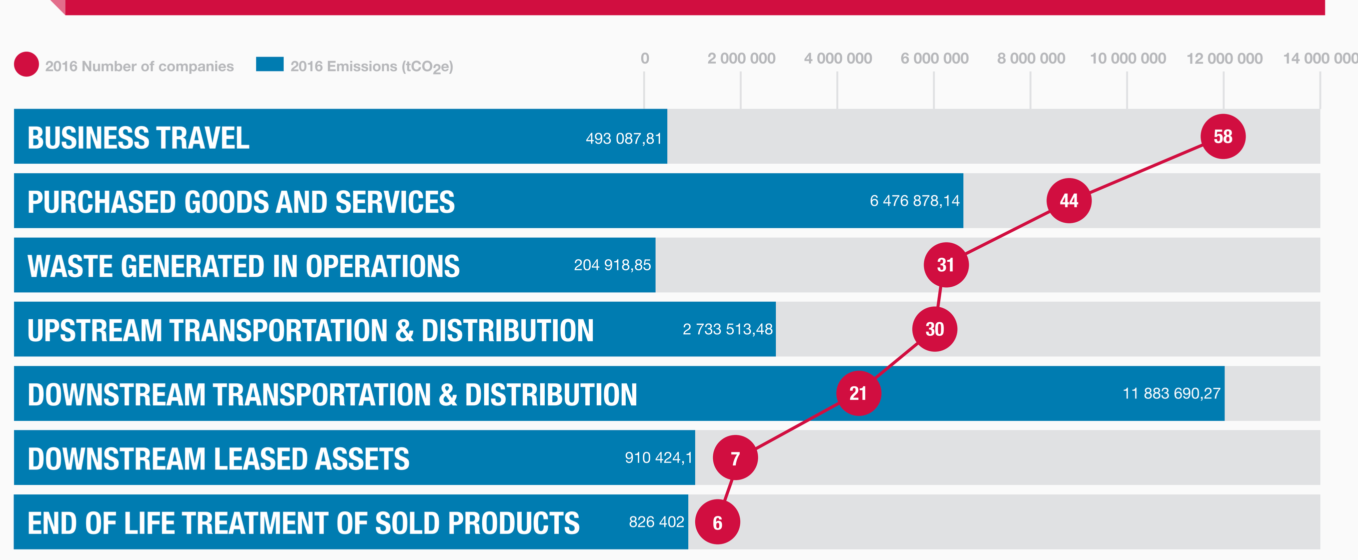
- Reduction/disruption in production capacity
- Increased operational costs
- Reduced demand for goods/services

TOP 3 HIGH IMPACT INDIRECT OPPORTUNITIES

- Reduced operational costs
- Increased demand for existing goods/services
- New products/business services

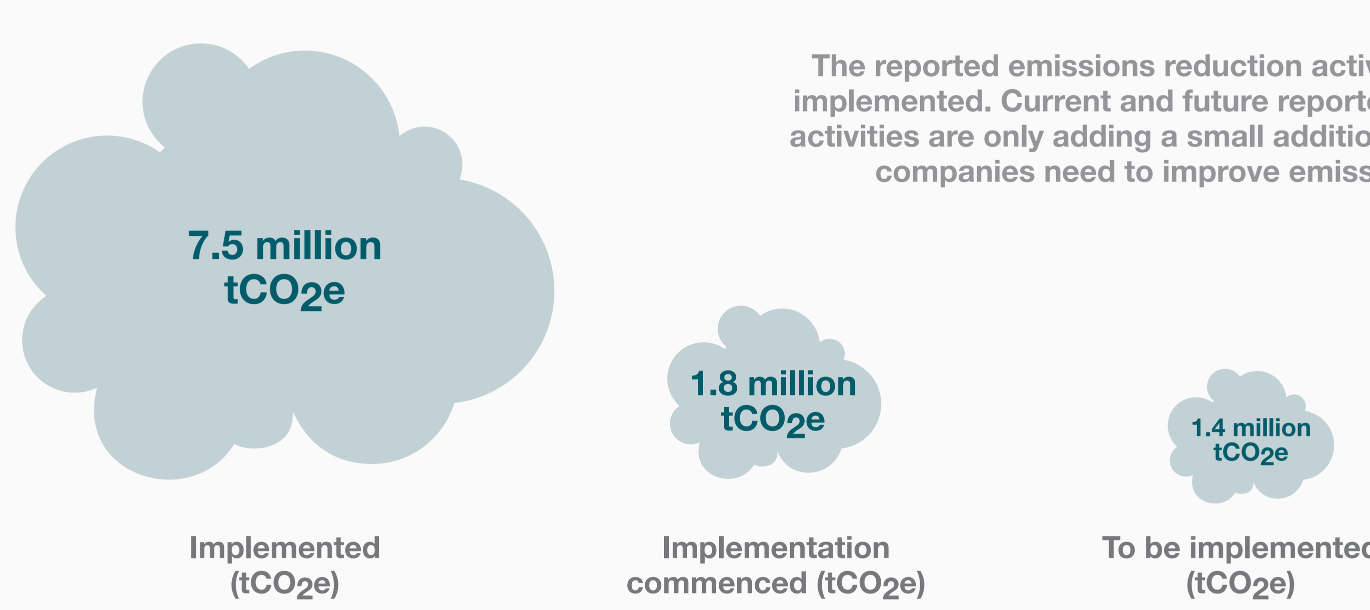
41% OF COMPANIES VERIFY THEIR SCOPE 3 EMISSIONS

Companies are not reporting the scope 3 categories where the cost and GHG reduction opportunities lie.



	2016 Emissions (tCO_2e)	2016 Number of companies
BUSINESS TRAVEL	493 087,81	58
PURCHASED GOODS AND SERVICES	6 476 878,14	44
WASTE GENERATED IN OPERATIONS	204 918,85	31
UPSTREAM TRANSPORTATION & DISTRIBUTION	2 733 513,48	30
DOWNSTREAM TRANSPORTATION & DISTRIBUTION	11 883 690,27	21
DOWNSTREAM LEASED ASSETS	910 424,1	7
END OF LIFE TREATMENT OF SOLD PRODUCTS	826 402	6

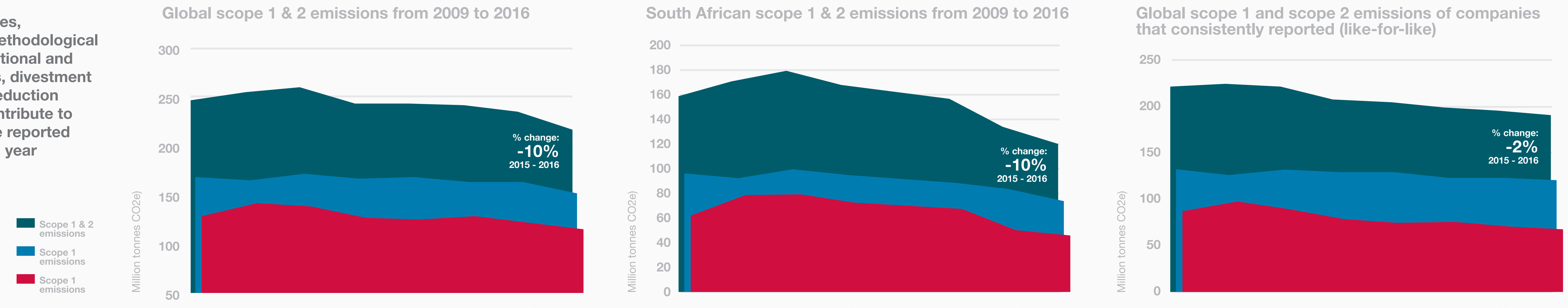
The reported emissions reduction activities have mostly been implemented. Current and future reported emissions reduction activities are only adding a small additional reduction. As such, companies need to improve emission reduction activities



THE REPORTED SCOPE 1 AND 2 EMISISONS AND % CHANGE OVER THE YEARS

A like-for-like comparison of 45 companies reporting their GHG emissions since 2009 reveals gross scope 1 (direct emissions) and scope 2 (indirect emissions from electricity purchased) have dropped 14% from 221.8 million tCO_2e in 2009 to 191.4 million tCO_2e in 2016

Sample variances, acquisitions, methodological changes, operational and output changes, divestment and emission reduction activities all contribute to variances in the reported emissions each year



However, the comparison of like-for-like reporting companies (n=63) between 2015 and 2016 show South African scope 1 and 2 emissions increasing by 3%.