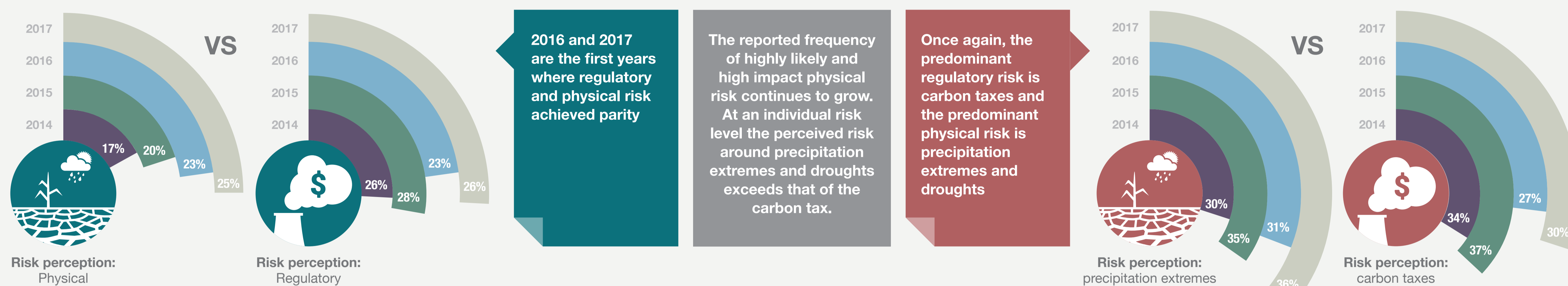


# Risks and planning

South Africa remains a climate vulnerable country and, in addition to managing global competitiveness, companies need to manage their risk exposure and their long-term response

Physical risks are increasingly prevalent in company disclosures; and while regulatory risks are still more commonly disclosed and seen as more likely, it is physical risks that dominate high-magnitude risk and which are deemed to have a greater financial cost.

The percentage of companies reporting risks with a high likelihood to occur and high magnitude of impact



While the likelihood of regulatory risks is higher, with 84% of those disclosed deemed highly likely, against 57% of physical risks, only 29% of regulatory risks disclosed are deemed to be of high impact (2016: 27%) against 40% of physical risk (up from 39% in 2016)

Likelihood	All risks			Regulatory risks			Physical risks		
	Low	Medium	Magnitude High	Low	Medium	Magnitude High	Low	Medium	Magnitude High
High	13%	27%	23%	24%	34%	26%	5%	27%	25%
Medium	4%	18%	9%	4%	8%	3%	4%	22%	14%
Low	2%	2%	2%	1%	0%	0%	1%	1%	1%
			<b>29%</b> (Total % of companies reporting regulatory risk to be of high impact)			<b>40%</b> (Total % of companies reporting physical risk to be of high impact)			

**77% of all risks disclosed to CDP in 2017 are perceived to be medium-high impact and medium-high likelihood**

The consideration of risk versus opportunity is still dominated by direct risks and direct opportunities; companies need to focus more on their value chains and enabling partners to generate greater value



Only 54% of companies actively engage with their supply chain and only 22% of companies engage with 40% or more of their suppliers by spend

Only 57% of responders indicate that their products and services directly enable third parties to avoid GHG emissions\*\*

### Risks and their Financial Impacts

#### Commonly Disclosed Risks

- Carbon taxes
- Change in precipitation extremes and droughts
- Reputation
- Emissions reporting obligations
- Fuel/energy taxes and regulations

Some companies quantified the potential financial impacts of climate change risks

- Carbon tax = R2.75 billion (n=25) over a period ranging from 1 to over 6 years. (2016: R300 million, n=35)
- Changes in precipitation extremes and droughts = R4 billion (n=25) calculated as production interruptions and/or increased insurance costs over a period ranging from 1 to over 6 years (2016: R2 billion, n=18)

### Opportunities and their Financial Impacts

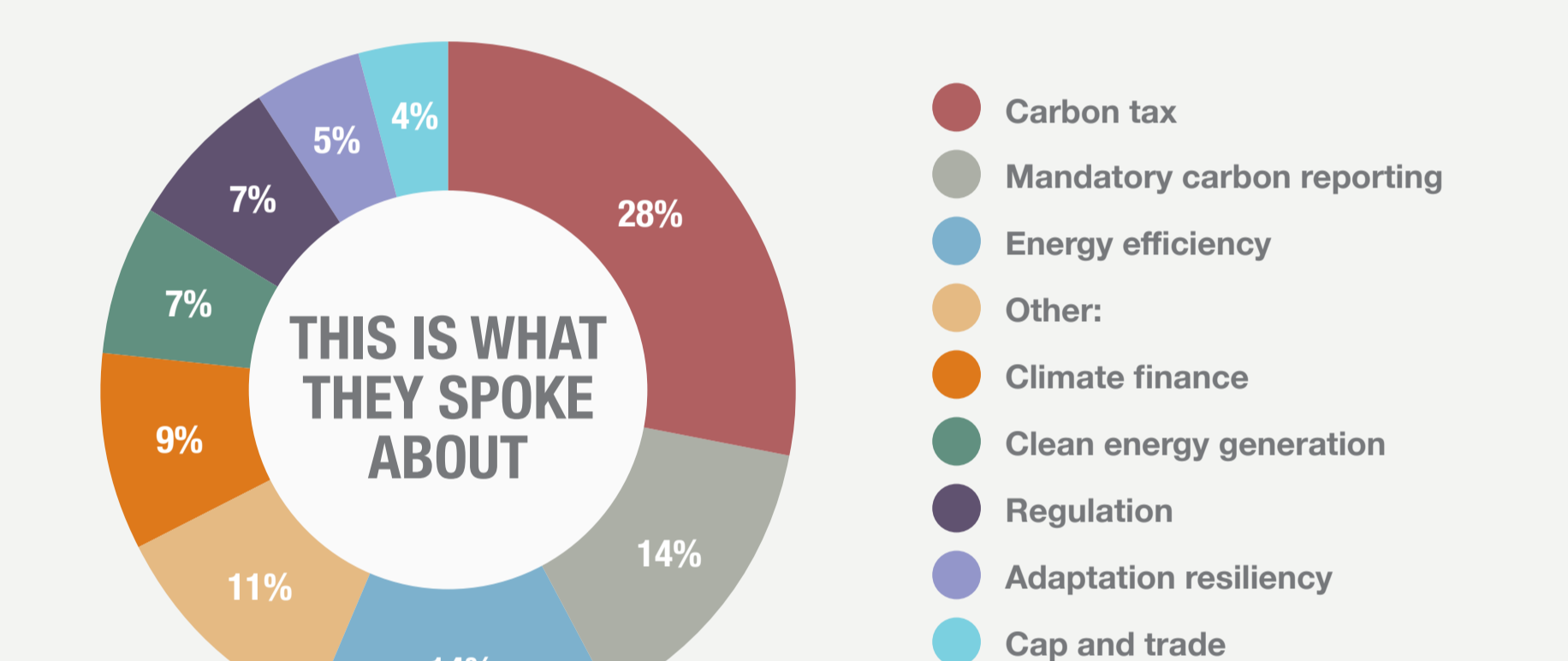
#### Commonly Disclosed Opportunities

- Reputation
- Other drivers
- Fuel/energy taxes
- Consumer behaviour
- Changes in precipitation extremes and drought

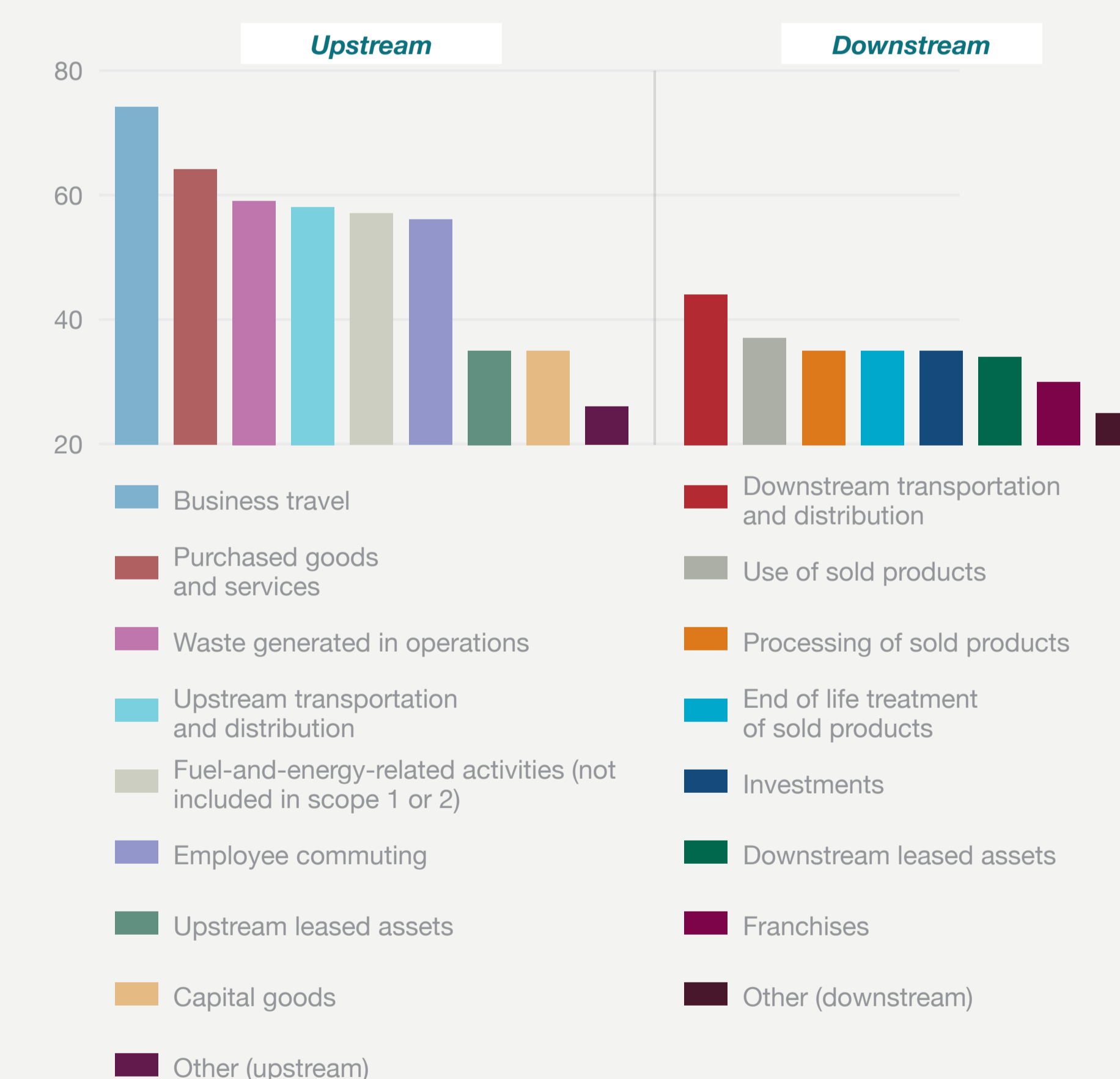
Some companies quantified the potential financial impacts of climate change opportunities

- Reputation = R36.6 billion (n=29) calculated as a re-evaluation of market capital over a period ranging from 1 to over 6 years (2016: R763 million, n=11)
- Other drivers = R13.8 billion (n=24) Other drivers refer to various opportunities disclosed by companies that include waste management and green products and services

92% of companies engage with Government on climate change issues (2016: 92%), of which 72% engage directly (2016: 63%)



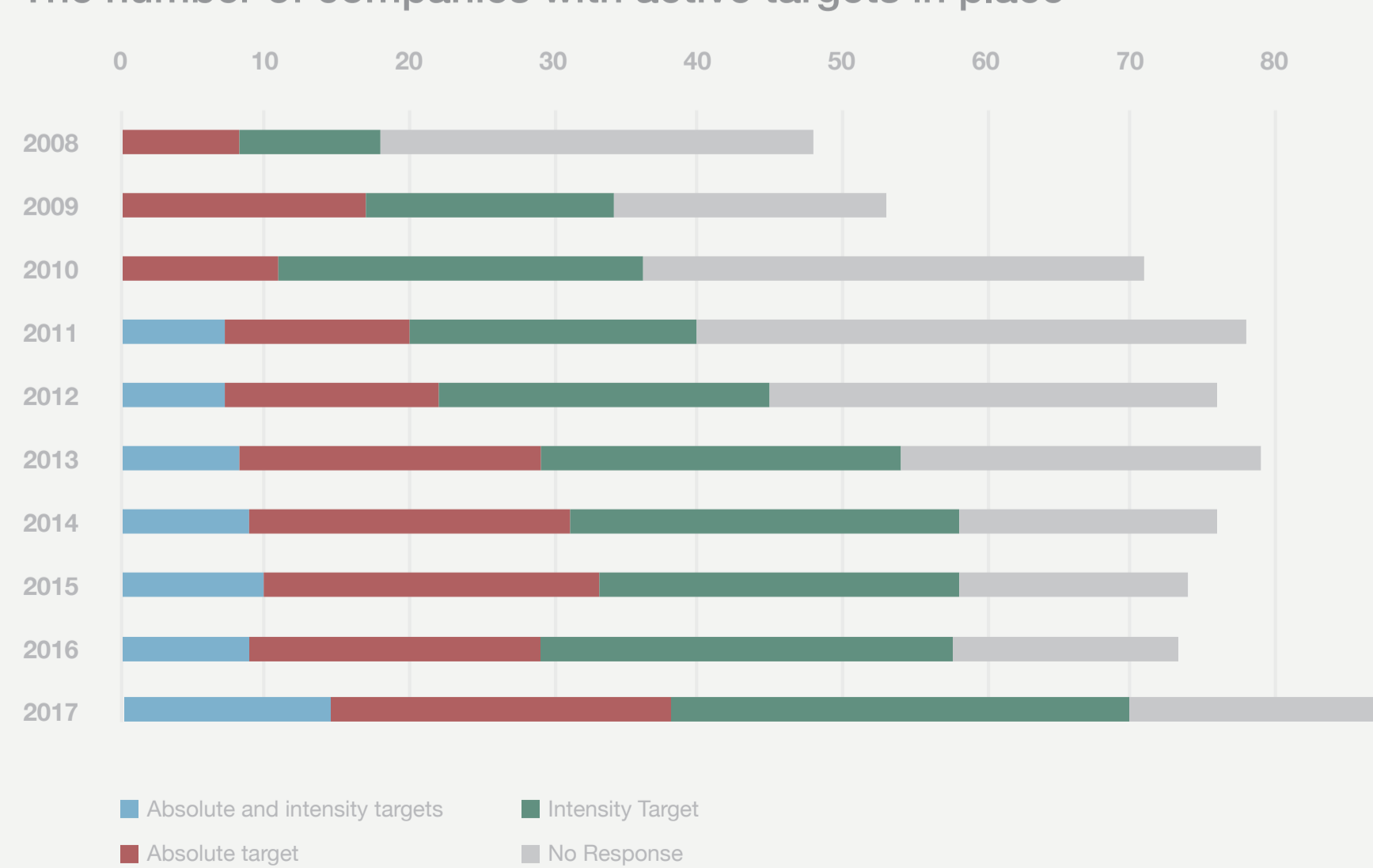
Companies report scope 3 emissions more robustly for upstream emissions than for downstream (suggesting an approach that is more supply chain focussed rather than customer-centric)



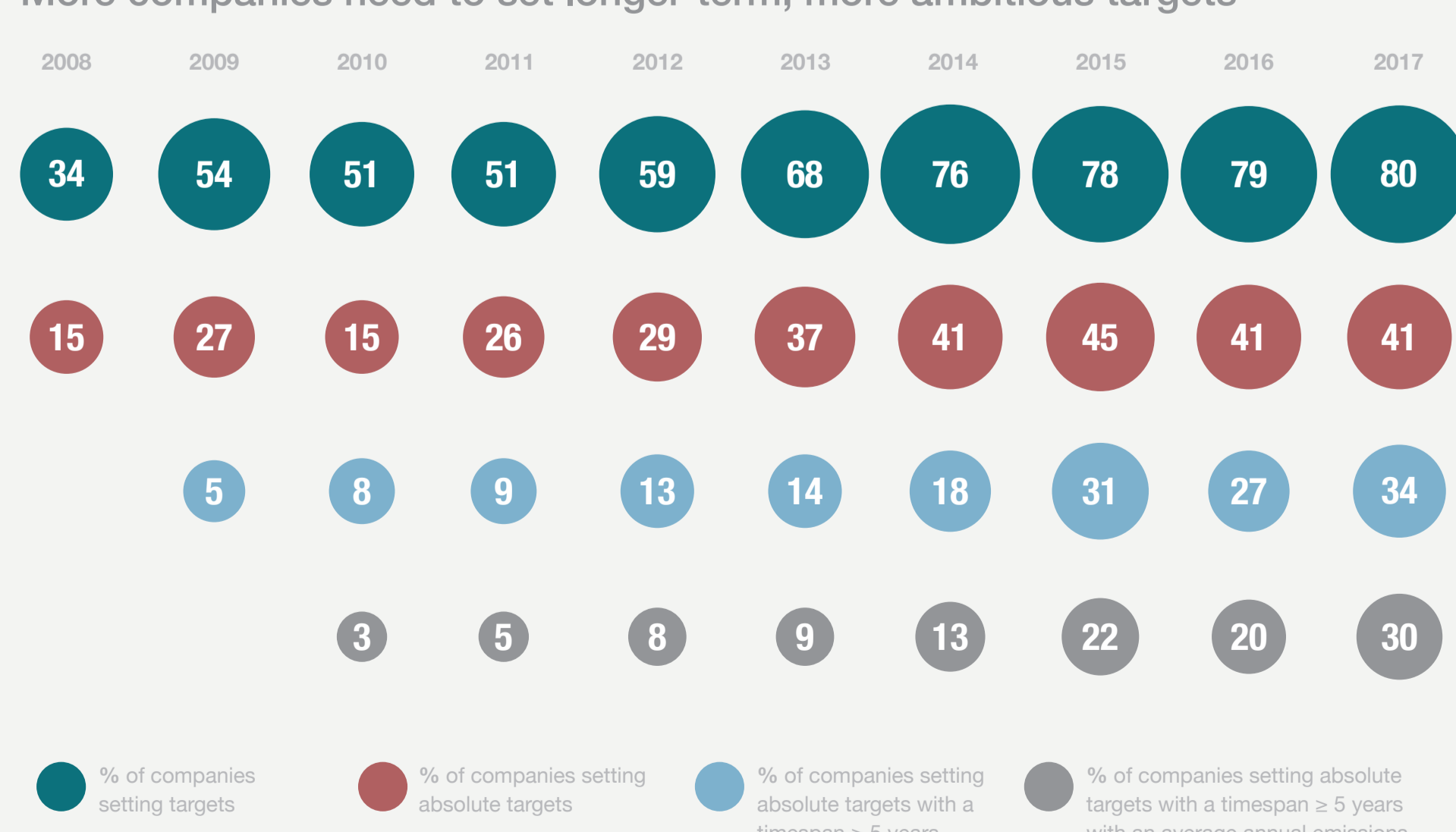
## A key step in unlocking value is deliberate long-term planning and should be catalysed by target-led investment

Target setting is insufficiently long term and insufficiently focussed on absolute reductions

The number of companies with active targets in place



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



**80% of all targets expire in 2020**

58% of companies that integrate climate change into risk management indicate considering timelines beyond 6 years

38% of companies that integrate climate change into strategy link their strategy to explicit mitigation targets and indicate an example of a substantial number of business decisions influenced by climate change

\*\*These figures have been obtained from CDP GLOBAL datasets. Refer to the NBI's CDP 2017 Executive Summary for details on their methodology that differs slightly to that of the NBI's