CDP SOUTH AFRICA 2017

NBi
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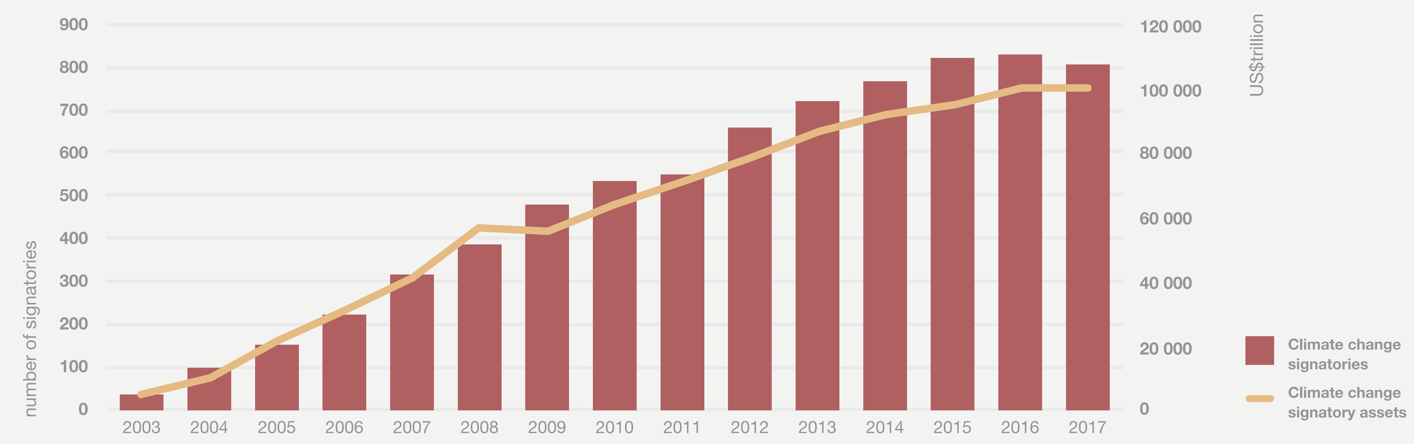
DISCLOSURE INSIGHT ACTION

CDP South Africa 2017

Indicators of a broad market shift to a low-carbon economy

Climate change will affect all sectors of the economy and requires that we transition to a low-carbon economy. Two leading indicators of this transition are investor pressure and changes in demand as a result of company action and commitment.

CDP South Africa data for the financial services sector provides a hint as to how investor and project finance stakeholders are maturing in climate change. They are taking more action, engaging more outside their direct operations and demonstrating longer-term thinking than the rest of the sample.



The Financial Stability Board, through the industry-led TCFD, published recommendations for effective disclosure of climate-related financial risks. The Task Force, chaired by Michael R. Bloomberg, was established by the FSB in December 2015 to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks.

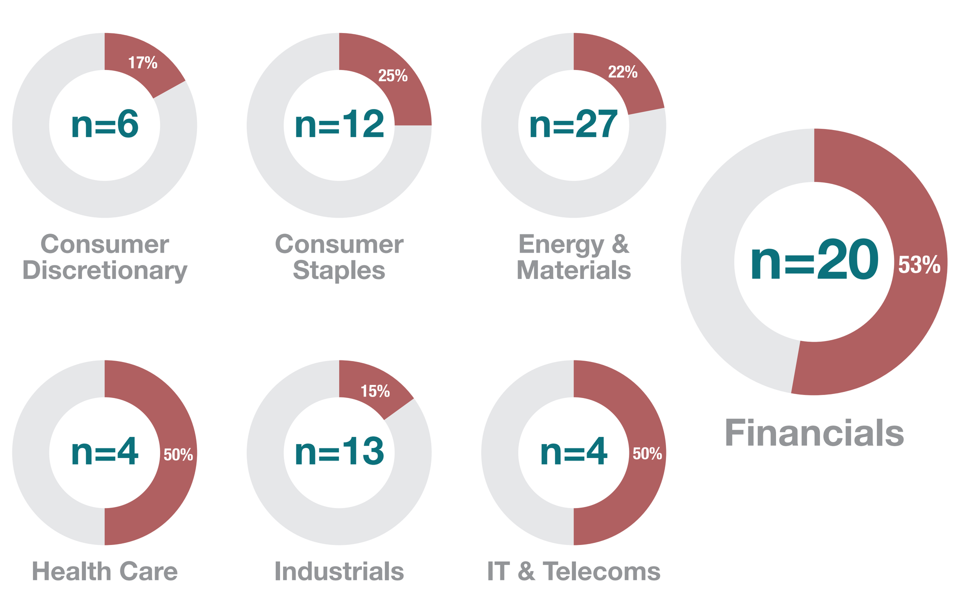
5/30 companies who have set or intend on setting science-based targets are from the financial sector

72% of the financial sector responders consider risk over a timeline beyond 6 years, versus 58% of the sample

74% of the financial sector have third party assurance on Scope 3, versus 41% of the sample

The financial services sector have the highest achievement of emissions reductions due to emissions reduction activities, alongside Health Care and IT and Telecoms, which are much smaller samples.

Sectors embedding climate change into strategy and having emissions reduction targets and achieving > 3% emissions reductions due to emissions reduction activities (South African respondents)



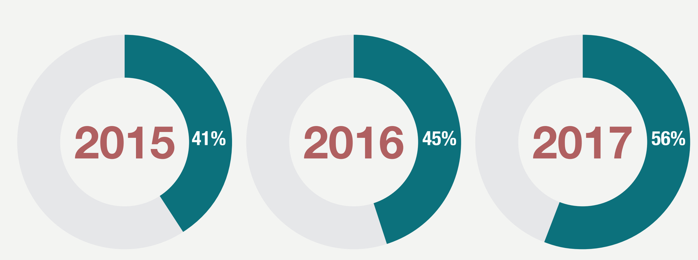
The second component driving change is demand. An increase in demand for low-carbon products and services creates business opportunities and drives change.

South African companies are making commitments under the We Mean Business framework and combined with international companies operating in South Africa that have made commitments, this is set to grow demand and alter behaviour.

South African companies making **WE MEAN BUSINESS** commitments

Carbon pricing	Deforestation	Energy productivity	LCTPi	Policy	SBTI	SLCPs	Water
Put a price on carbon	Remove commodity-driven deforestation from all supply chains by 2020	Commit to double energy productivity	Join the low carbon technology partnerships initiative	Commit to responsible corporate engagement in policy	Adopt a science-based emissions reduction target	Reduce short-lived climate pollutant emmissions	Improve water security
Eskom	Woolworths, Pick n Pay	Woolworths	Eskom, ArcelorMittal	Sasol, Exxaro, Tongaat Hulett, Vodacom, Transnet, Tiger Brands, FirstRand, Royal Bafokeng Platinum, Pick n Pay	Pick n Pay, Tiger Brands, Woolworths, Netcare, Exxaro, Emira Property Fund, Tongaat Hulett, Mediclinic	Tongaat Hulett	Tongaat Hulett, Tiger Brands, Woolworths, Royal Bafokeng Platinum

Companies that are using or plan on using an internal price of carbon

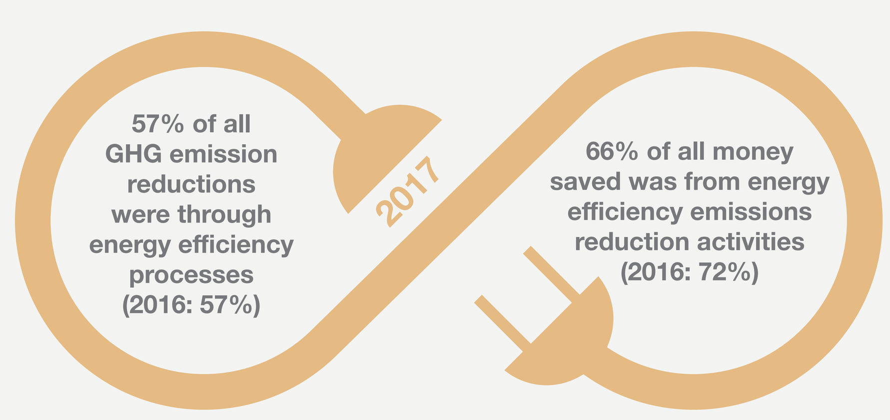


30 COMPANIES have set or intend on setting science-based targets within the next two years (2016: 25)

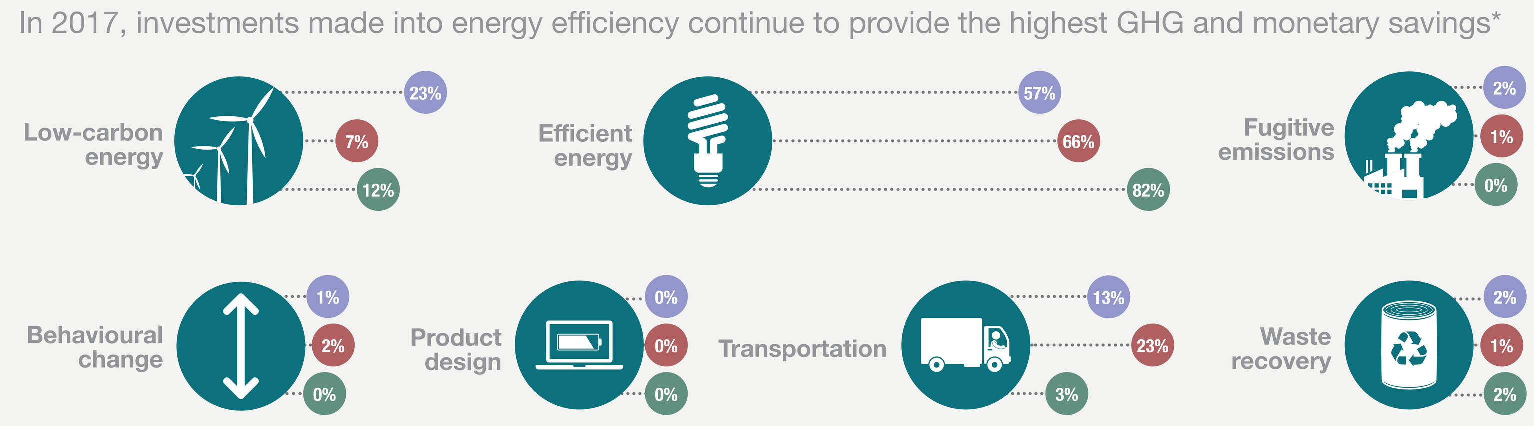
Do companies consider forward-looking scenarios in their strategy and planning?

23% Yes | 71% Do not | 6% Considering to integrate in future

In all sectors, quick wins from energy efficiency measures remains the category providing the highest amount of savings and carbon reductions. This will change as companies investigate alternative mitigation strategies.

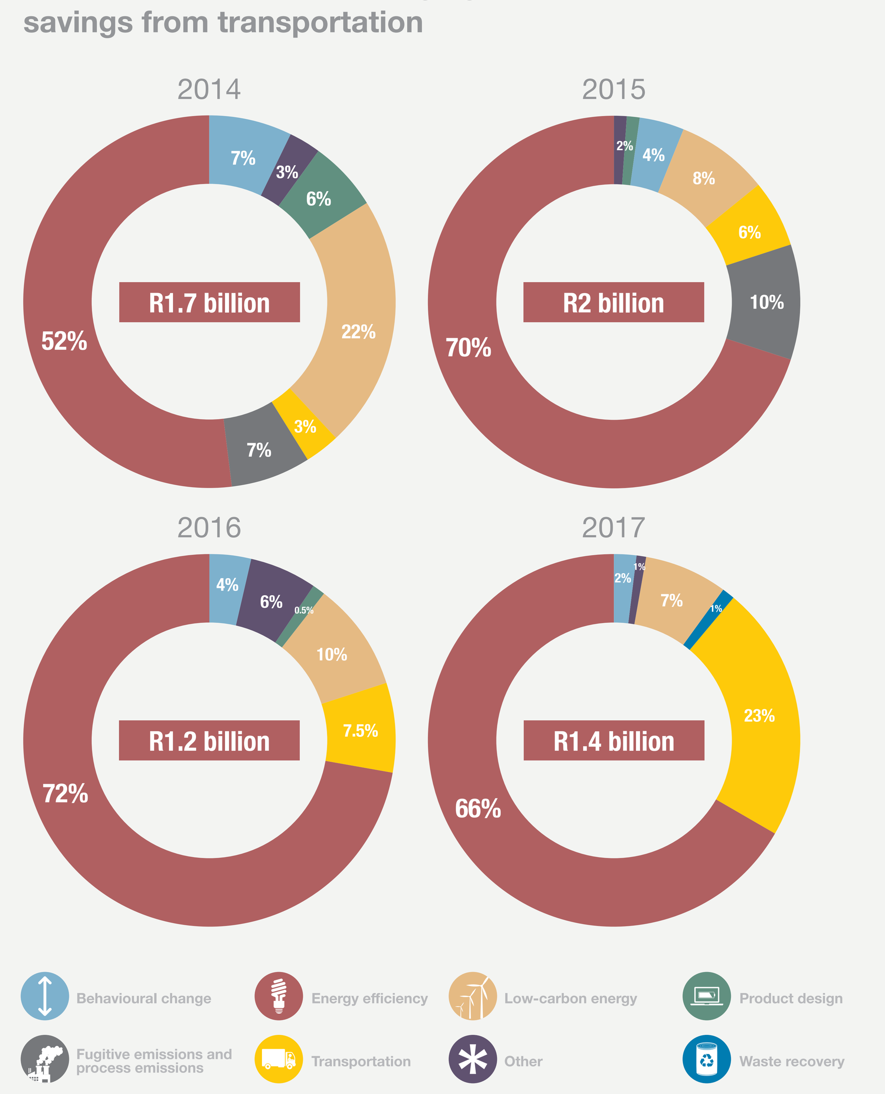


In 2017, investments made into energy efficiency continue to provide the highest GHG and monetary savings*



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.

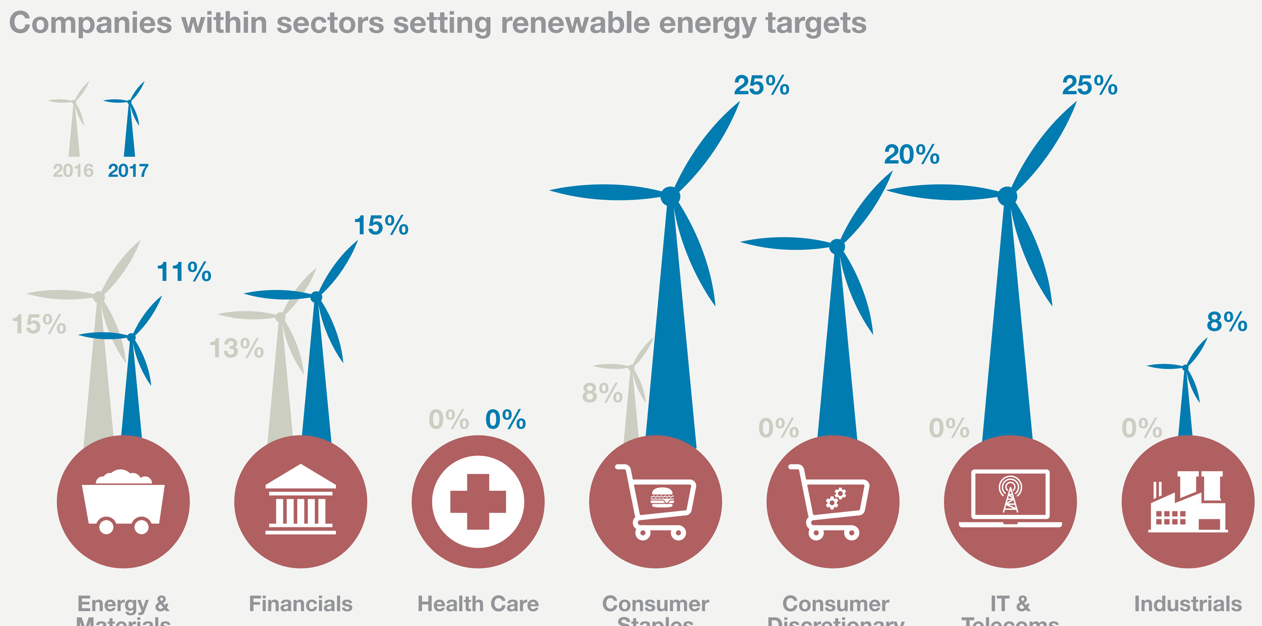
There has been an encouraging increase in savings from transportation



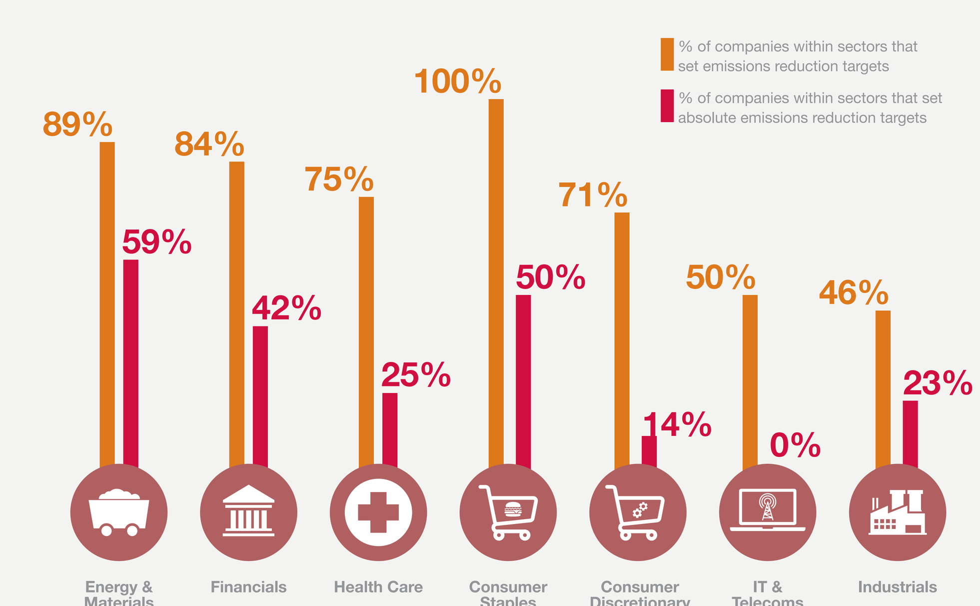
*For purposes of this infographic, not all categories have been reported.

If we look at the rapid shift in companies setting renewable energy targets and therefore having to invest in renewable energy, we see the beginning of a potential energy shift. However, we are seeing a decline in general target setting that may impede progress.

Companies within sectors setting renewable energy targets



In 2017, companies setting absolute targets stayed at the low of 41% (as in 2016) dropping from 45% in 2015



Shifting investment and patterns of demand create climate opportunity. South African companies need to respond by exploring alternative investment opportunities driven by long-term target setting.