

CDP South Africa Water 2015: Key messages



South Africa's complex water context

In addition to the high profile political and media attention water is getting, the expert group convened by the NBI concluded that while the drought is a serious short-term water 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.



70%
companies reported detrimental impacts (up from 50% in 2014)

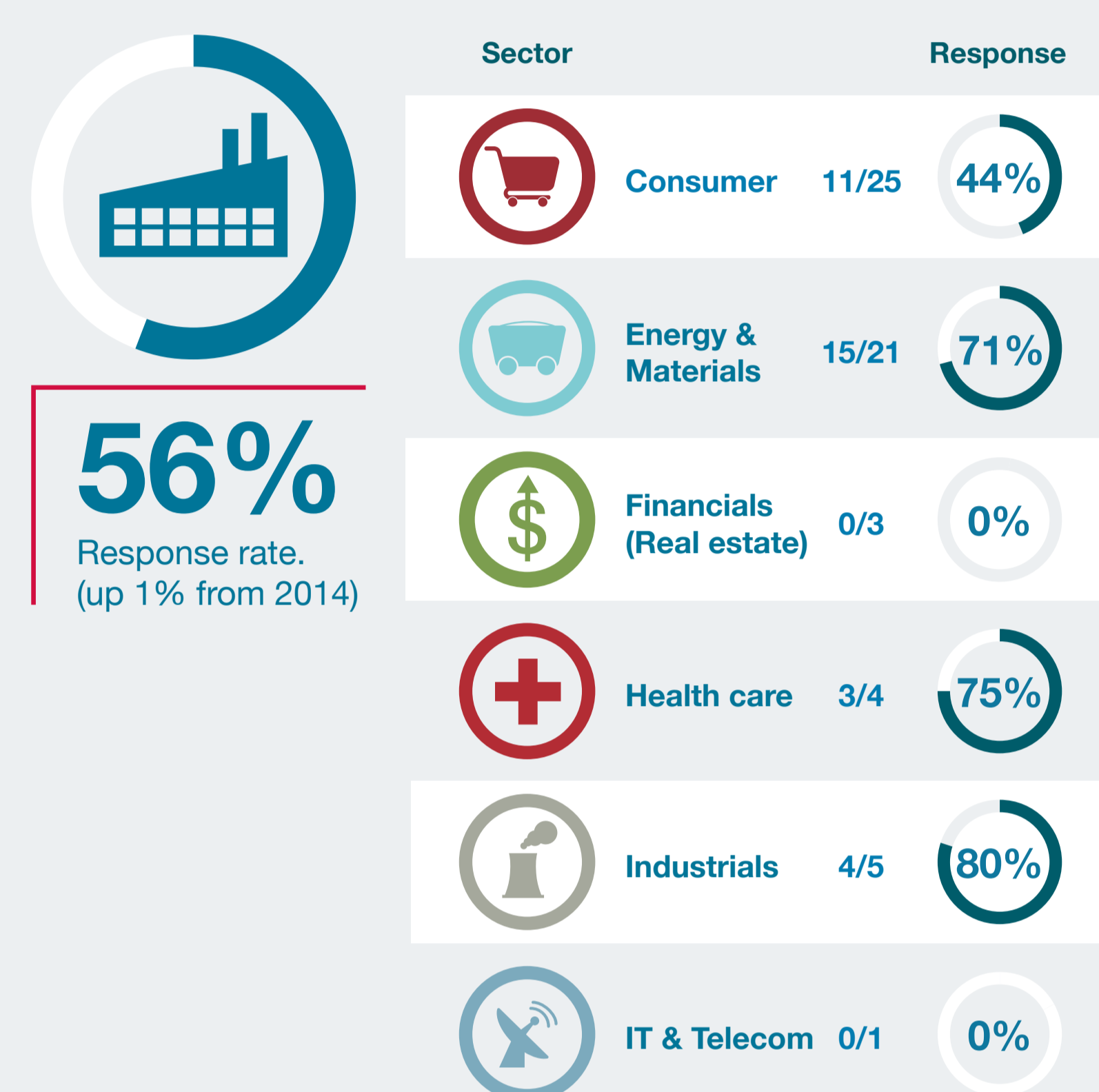


83%
companies reporting risks in direct operations (the highest in the world)

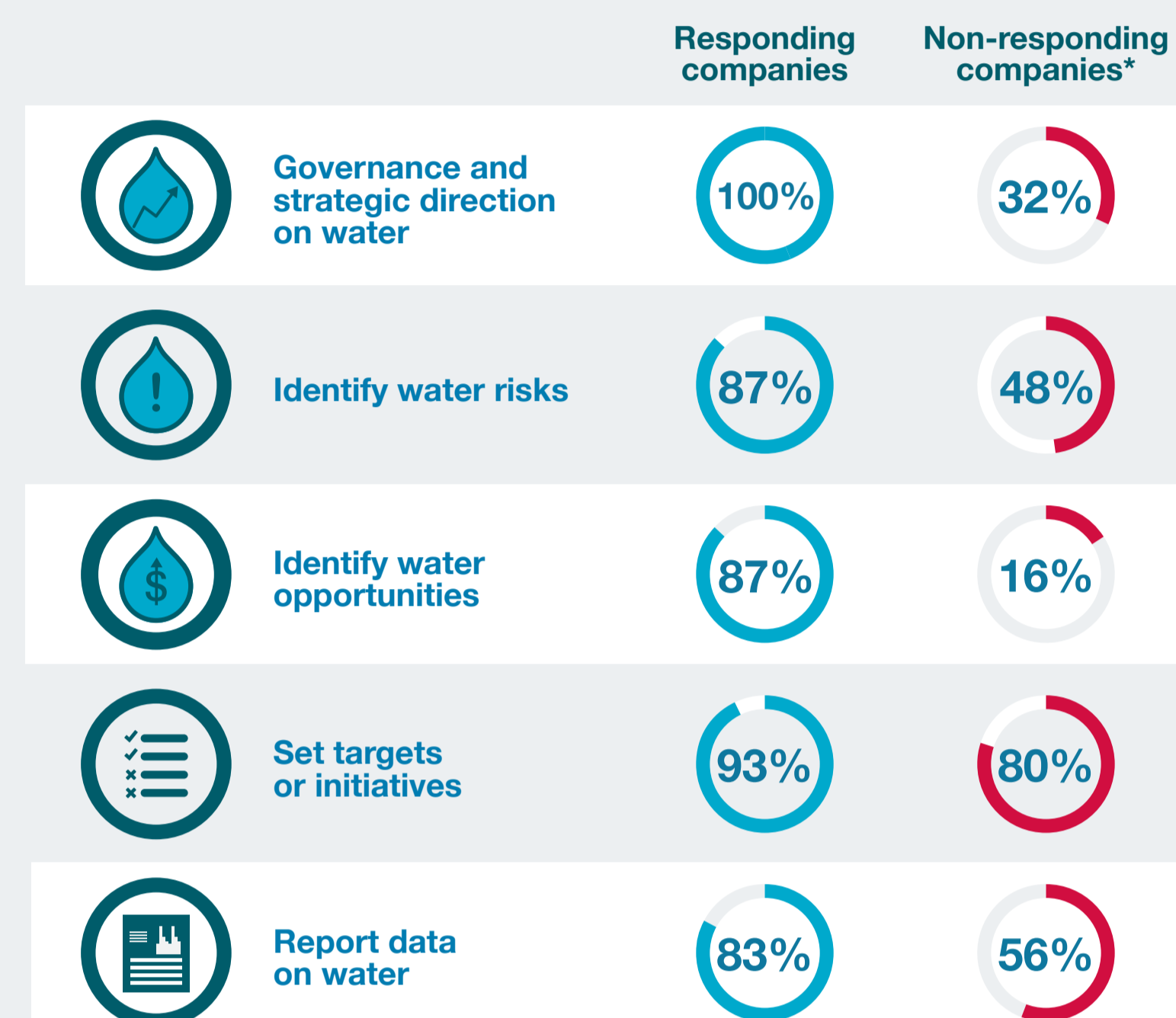
54% Direct risks that are current or are expected to materialise within 3 years
64% Risks having a medium to high financial impact

Despite South Africa's water context, response rates for water are low

Response rates by sector



Reporting drives performance



* Based on a high-level review of non-responding companies' sustainability and integrated reports

Responding companies are leaders in water management

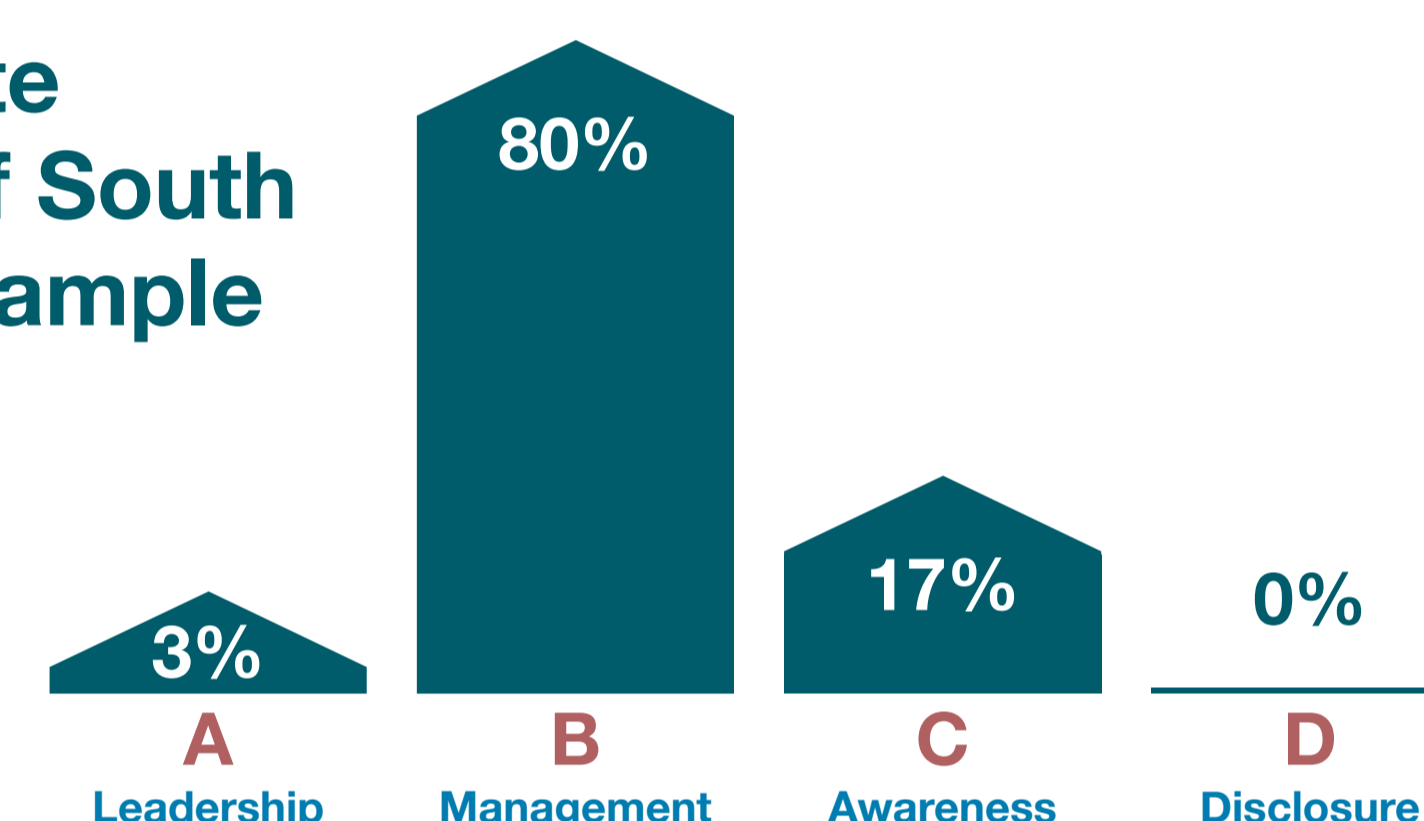
CDP's Global Water A List - South African companies

2/8

companies on the global CDP Water A list are South African



Aggregate scores of South African sample

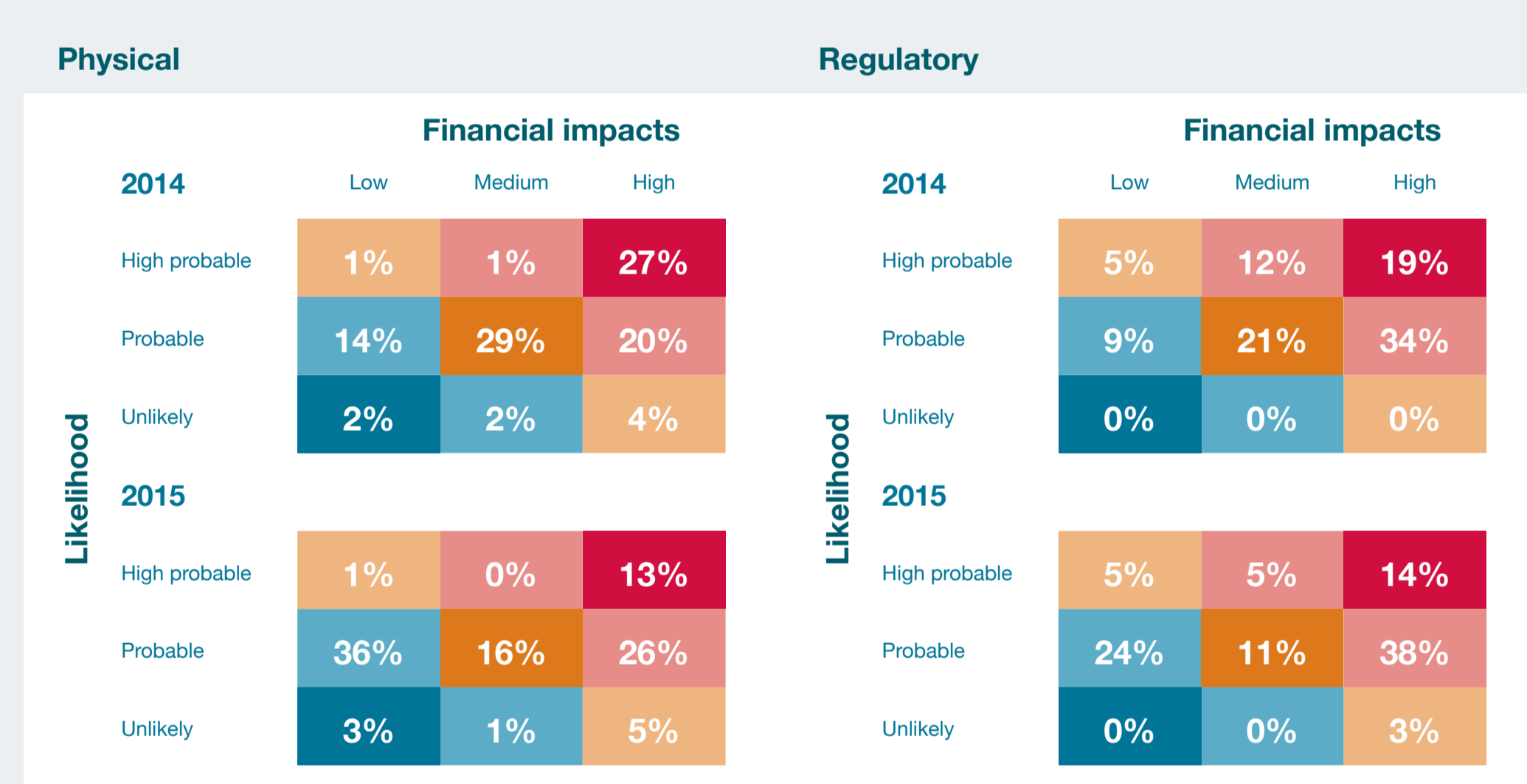


Leading companies view water as a less material risk than in 2014

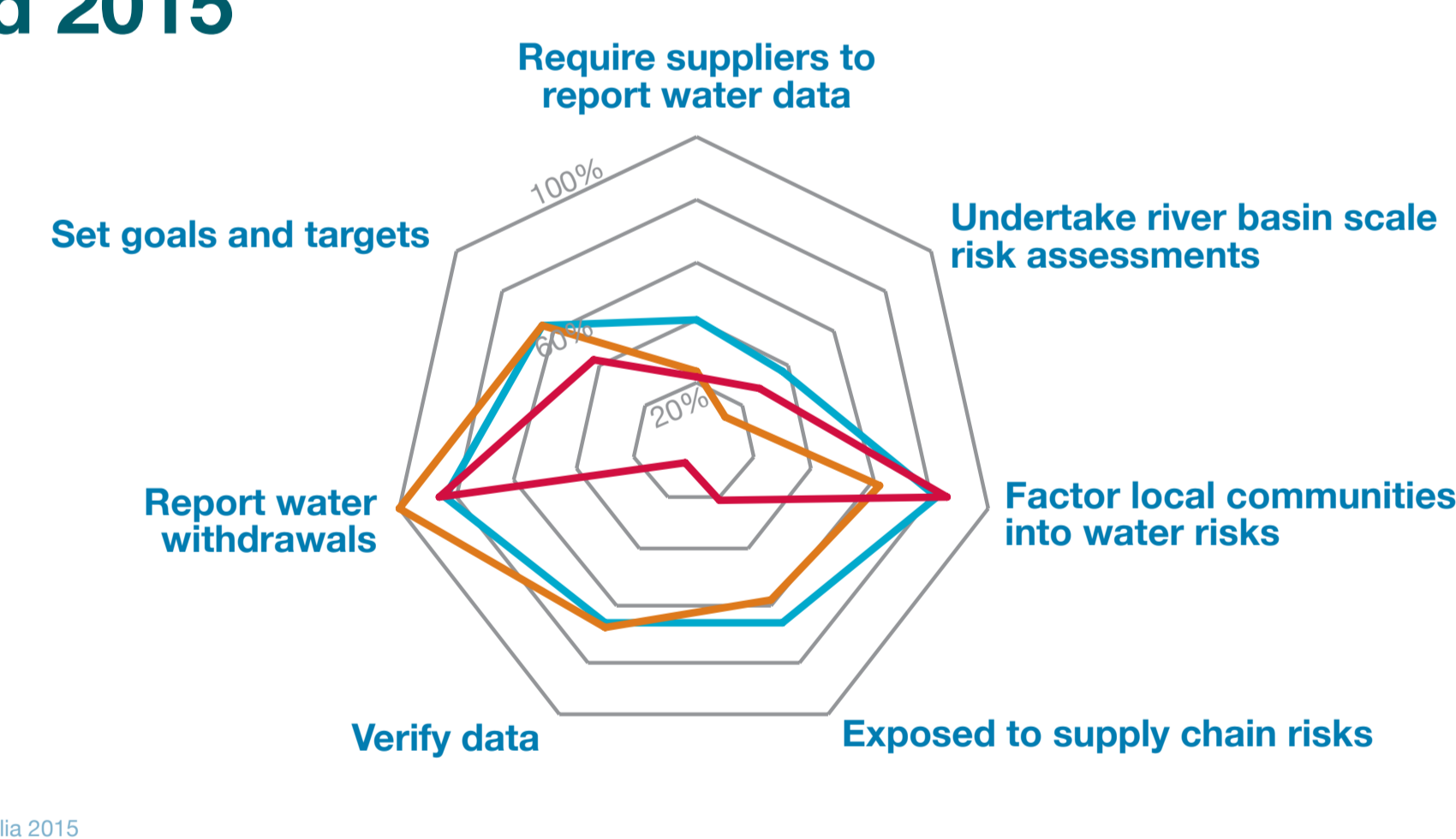
Reported risks are less severe



Risk perceptions



Key water indicators: 2014 and 2015



Majority of reported risks are direct, physical risks

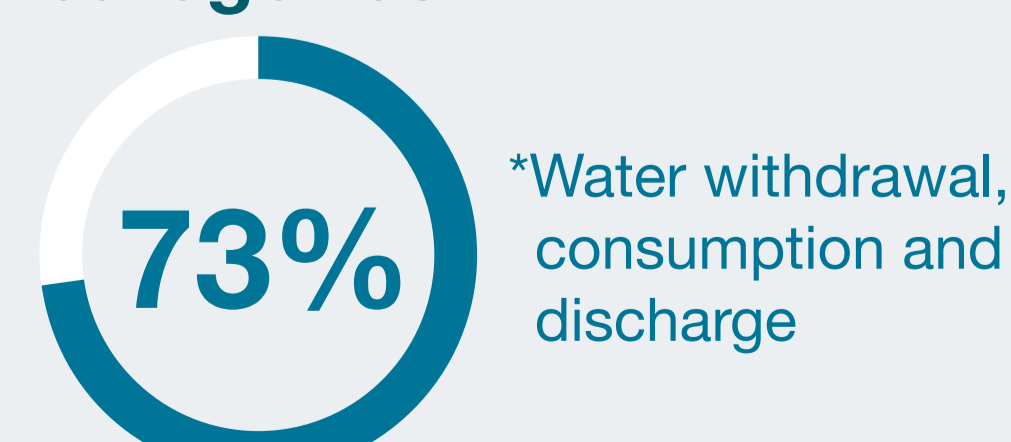


Physical risks reported by sector	Direct risk	Supply chain risk	Regulatory risks reported by sector	Direct risk	Supply chain risk	Top direct risks	Top supply chain risk	Top risks identified in expert session	% of responding companies*
Consumer	69	39	Consumer	13	9	Drought (40% 12)	(20% 6)	Inadequate infrastructure	30%
Energy & Materials	55	11	Energy & Materials	23	2	Increased water stress (37% 11)	(17% 5)	Rising water costs	23%
Health care	6	3	Health care	0	0	Increased water scarcity (30% 9)	(23% 7)	Declining water quality	27%
Industrials	16	3	Industrials	6	0			Regulatory uncertainty in water licensing	30%

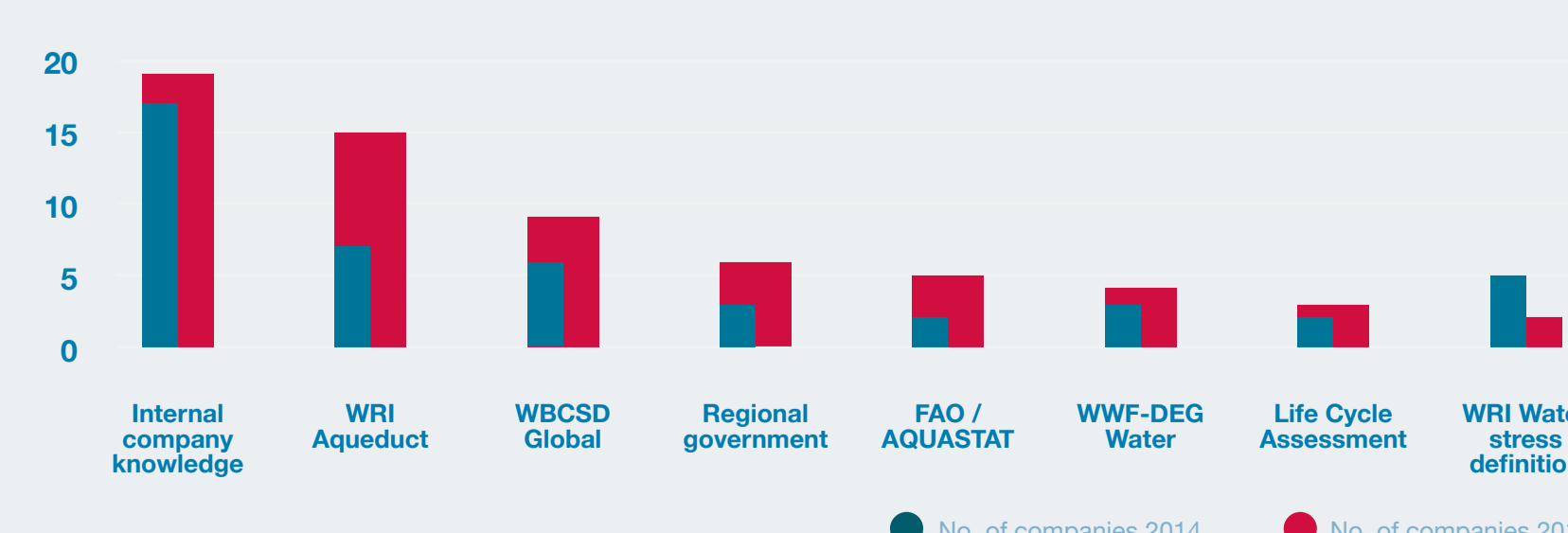
Variance in data makes comparability difficult

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

Companies that report water use in all 3 categories*



Significant variation in risk assessment approaches



Lead sponsor
British High Commission Pretoria

Detrimental water impacts for business



South Africa is facing the worst drought in decades and is exposed to a number of long term critical systemic issues. Businesses are rising to the challenge and are responding to the impacts.

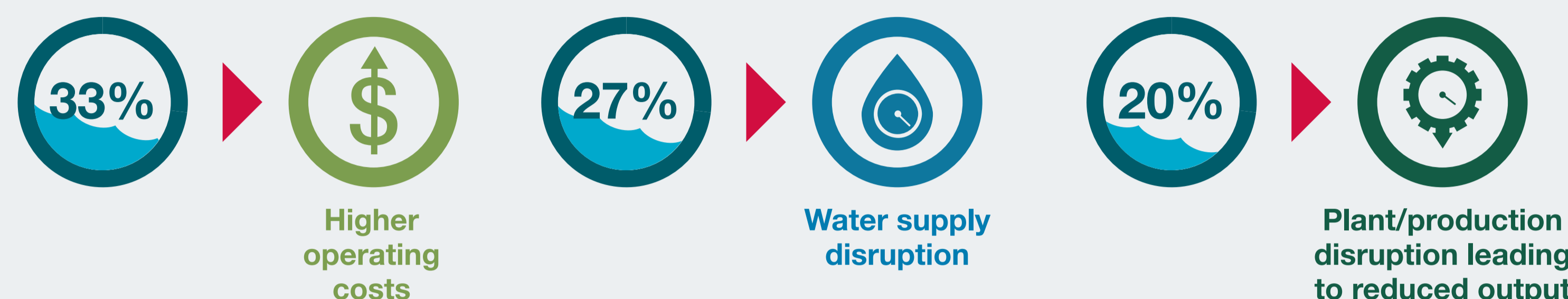
More companies are experiencing detrimental water impacts



21 (70%)

companies experienced detrimental water impacts in the reporting year (up from 50% in 2014)

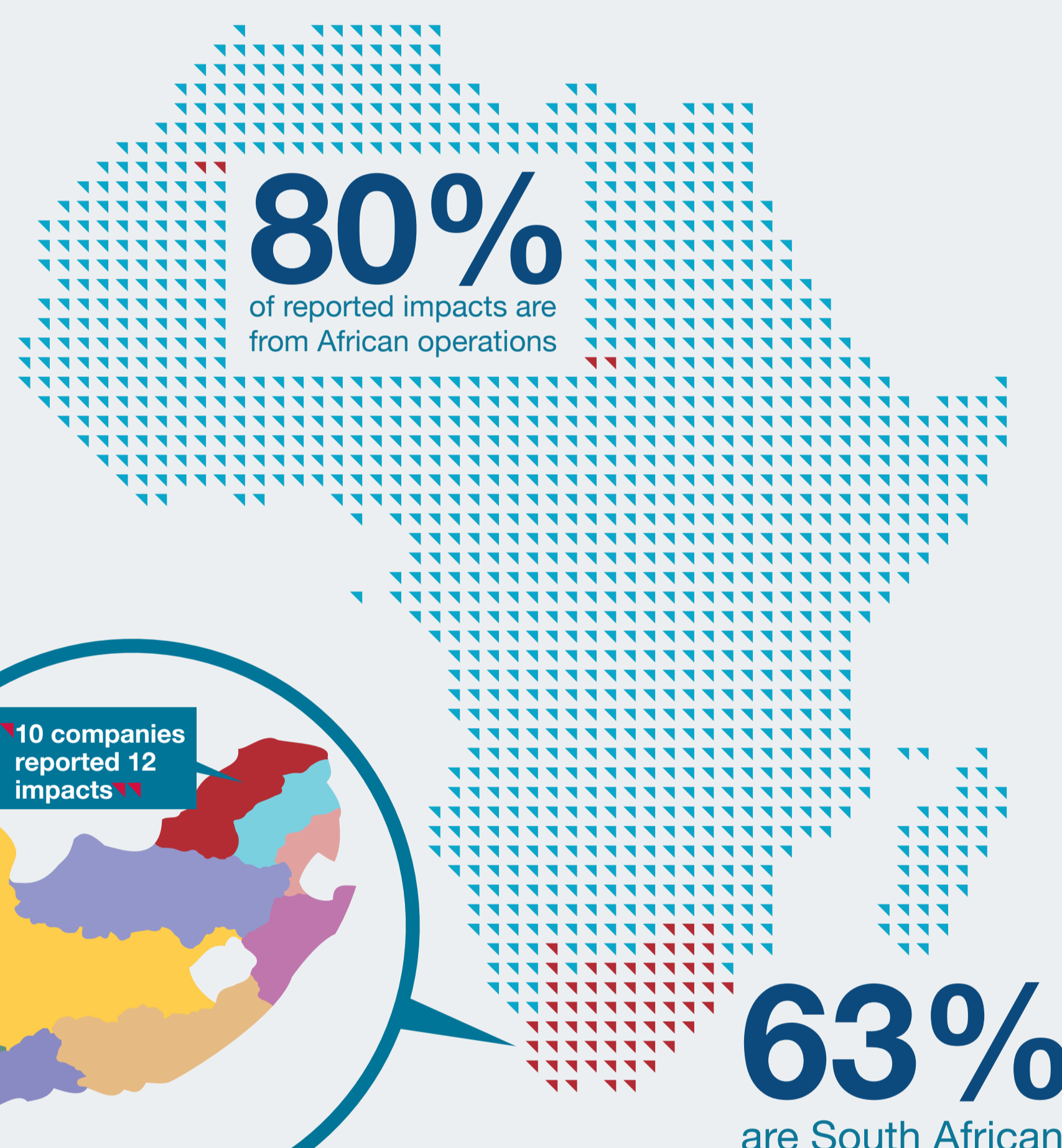
Companies are mostly impacted by higher operating costs and water supply disruption*



Areas of impacts

Most impacts are reported in the Limpopo CMA**; a shift from 2014 where most impacts were reported in the Orange CMA (8)

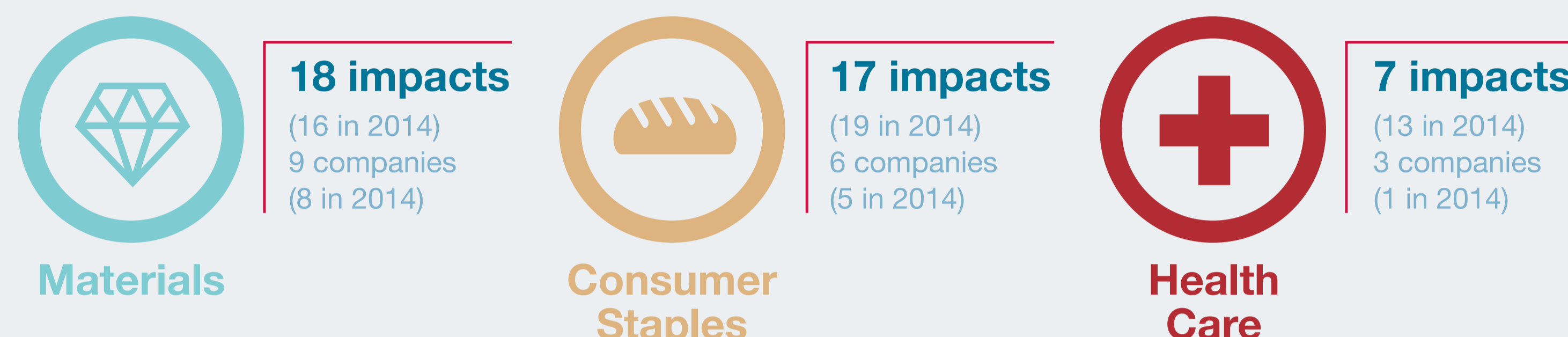
- Limpopo CMA**
10 companies reported 12 impacts
Top Impacts: Inadequate infrastructure, Drought, Increased water stress
- Vaal CMA**
4 companies reported 7 impacts
Top Impacts: Drought, Poor coordination between regulatory bodies
- Pongola-Mzimkulu CMA**
2 companies reported 2 impacts
Top Impacts: Drought
- Orange CMA**
2 companies reported 2 impacts
Top Impacts: Flooding/Above average rainfall



A drought in the Limpopo province has resulted in reduced crop production in the province, affecting availability and price of various produce categories.
- Woolworths, CDP Water Response



The materials and consumer staples sectors reported the most impacts



Main causes of water impacts

Drought, water scarcity and water stress were the biggest causes of water impacts; this closely aligns with the risks reported*

Cause	Top impacts (in reporting year)		Top risks reported	
	2014	2015	2014	2015
Drought, water scarcity and/or water stress	20%	30%	67%	67%
Flooding	23%	23%	37%	30%
Inadequate infrastructure	3%	17%	20%	27%
Declining water quality	17%	7%	40%	23%

The financial impact

Water-related impacts are resulting in financial impacts for companies

Financial impacts reported by 10 companies in 2015 amounted to:

R841 million

Drought & increased water stress → **R610 million**

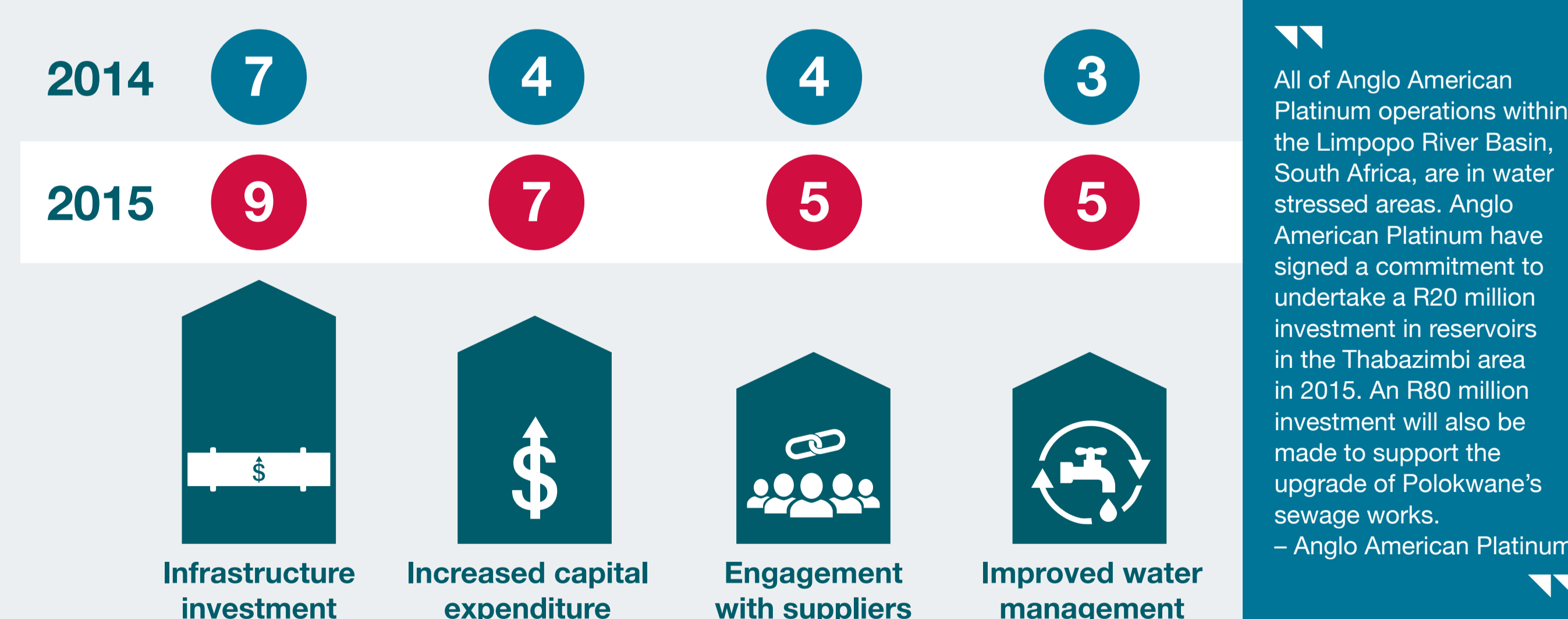
Ecosystem vulnerability*** → **R128 million**

Flooding → **R35 million**

Responses to impacts

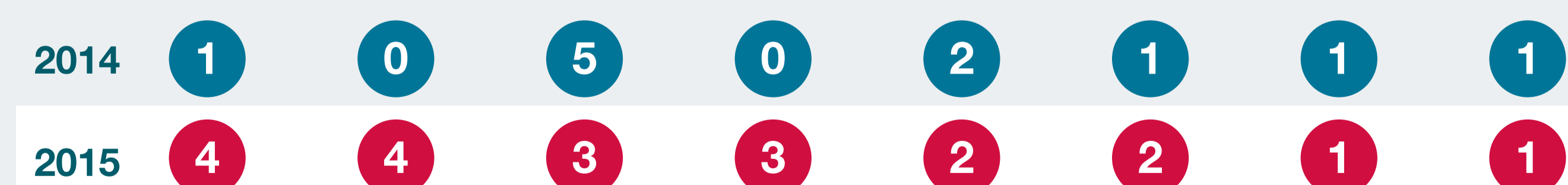
Companies are responding to water impacts mainly through infrastructure investment:

Main responses (No. of companies)



All of Anglo American Platinum operations within the Limpopo River Basin, South Africa, are in water stressed areas. Anglo American Platinum have signed a commitment to undertake a R20 million investment in reservoirs in the Thabazimbi area in 2015. An R80 million investment will also be made to support the upgrade of Polokwane's sewage works.
- Anglo American Platinum

Other responses



* Illustrates percentage of responding companies
** Catchment Management Agency
*** Exposure to stress in an ecological community and challenges with coping with it (in this instance, refers to costs associated with protecting high conservation value forests)

2015 CDP Water and CDP Climate Change in South Africa: Identifying the variation



While water and climate change are linked, water is often recognised as a more significant risk



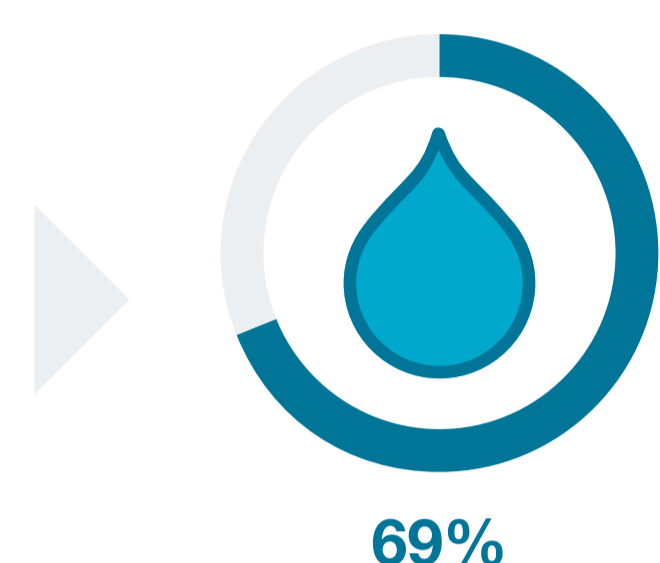
60 (81%)

companies recognise water and climate inter-linkages in their CDP climate change responses



Yet, **1/3** of these companies do not respond to CDP water

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

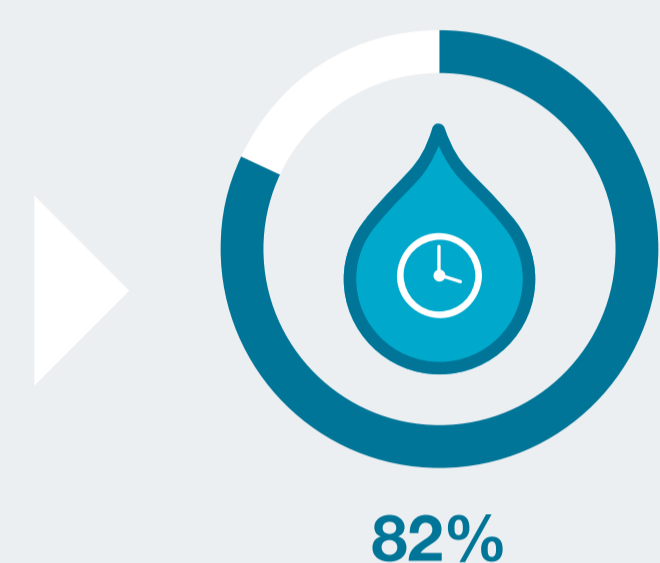


Risks expected to materialise in the next 3 years



Risks with medium to high financial impact

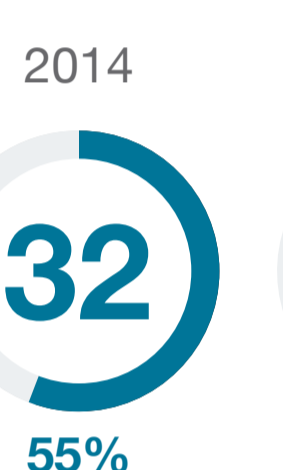
Time-frames for achieving water-related opportunities are also shorter than for climate change



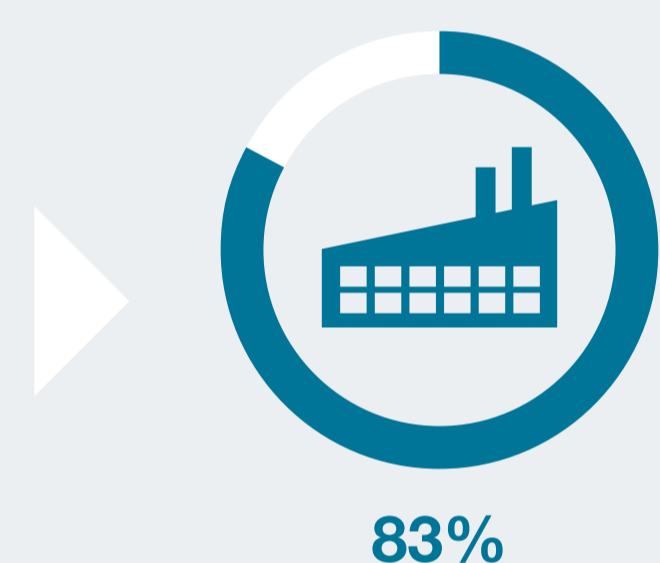
% of opportunities expected to materialise in 3 years

Yet, CDP SA data shows that companies approach climate change more strategically

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

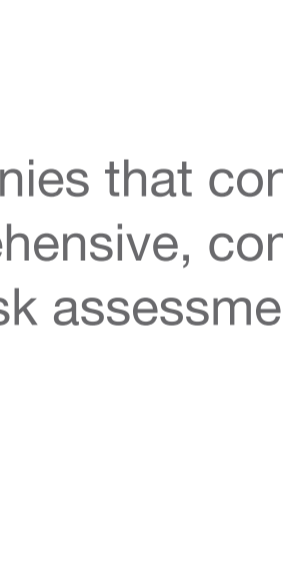
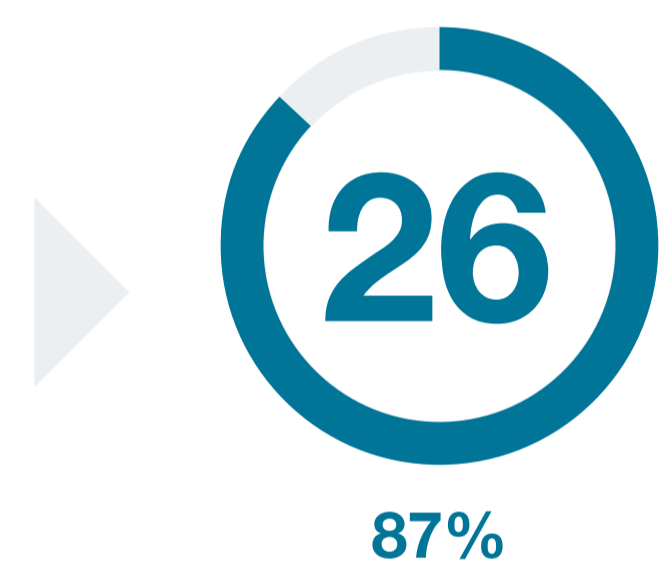


Fewer companies integrate water into their business strategies



% and no. of companies that integrate into business strategy

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

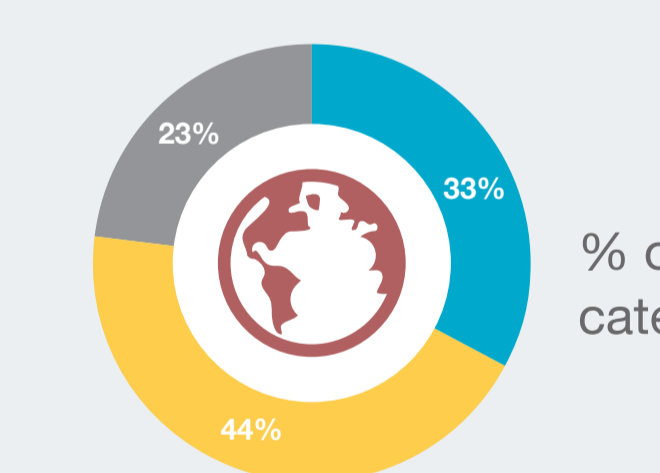
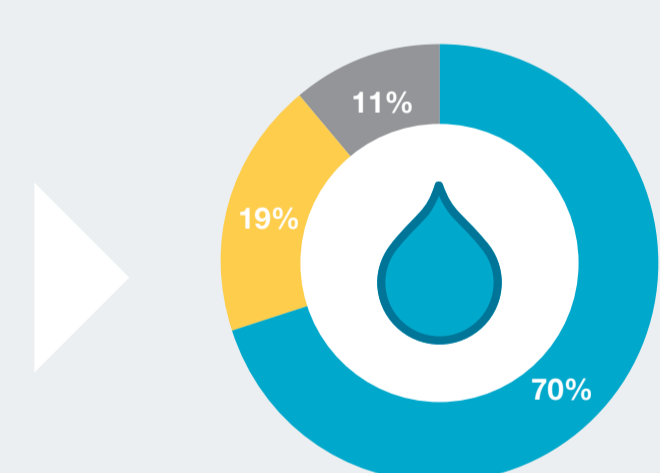


Companies that conduct comprehensive, company wide-risk assessments



Companies that assess risks six-monthly or more frequently

Risk in the water space is driven predominantly by physical risks while regulatory risks are cited more in climate change



% of risks by category

- physical
- regulatory
- other

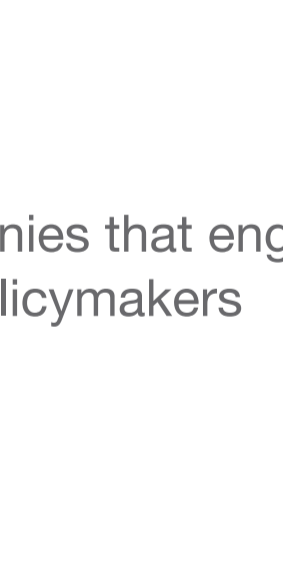
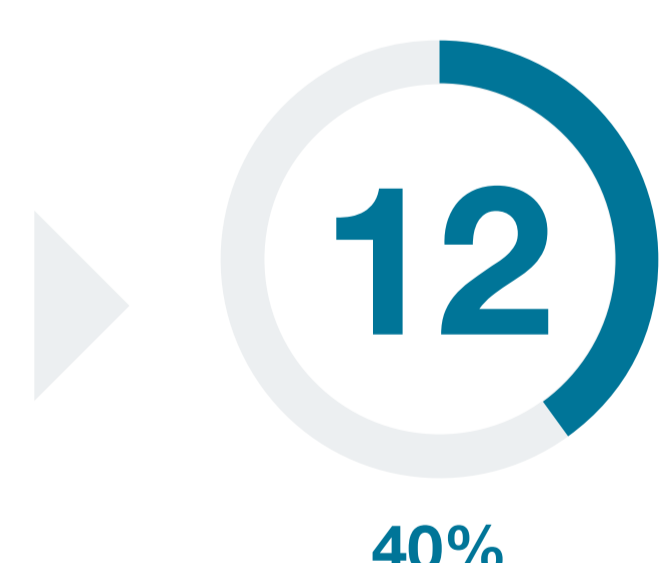
Top water risks

- Drought
- Increased water scarcity
- Increased water stress

Top climate risks

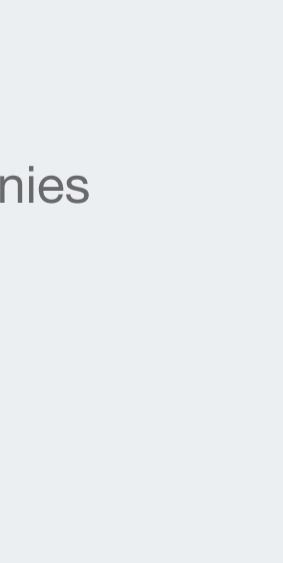
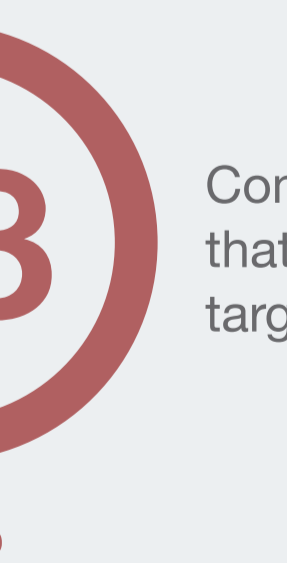
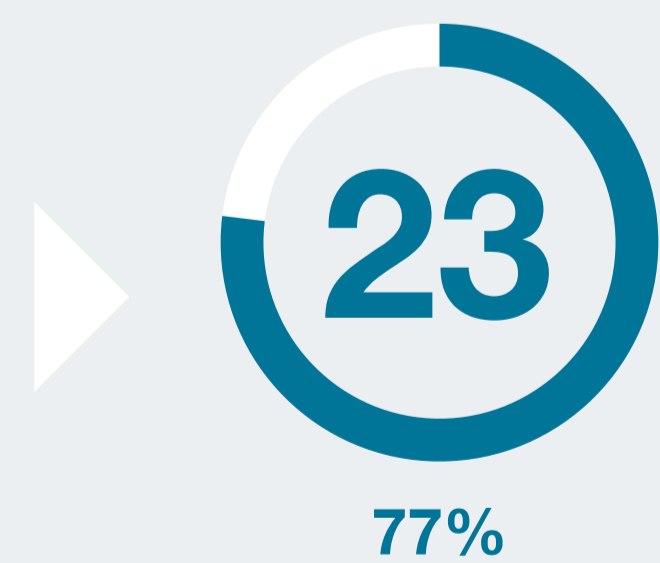
- Carbon taxes
- Precipitation extremes & droughts
- Reputation

The low priority given to regulatory risks in water is also evident in companies' engagement with policymakers



Companies that engage with policymakers

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

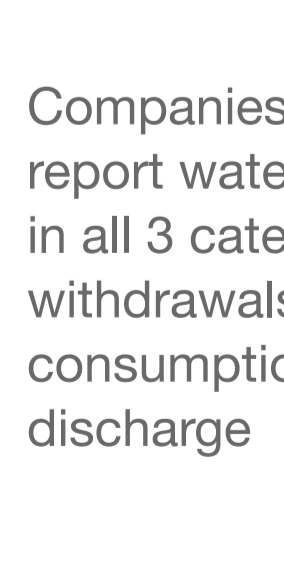
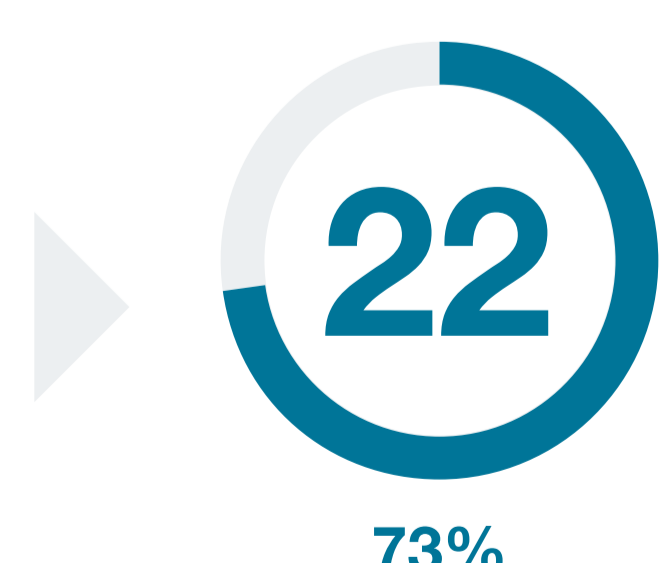


Companies that set targets

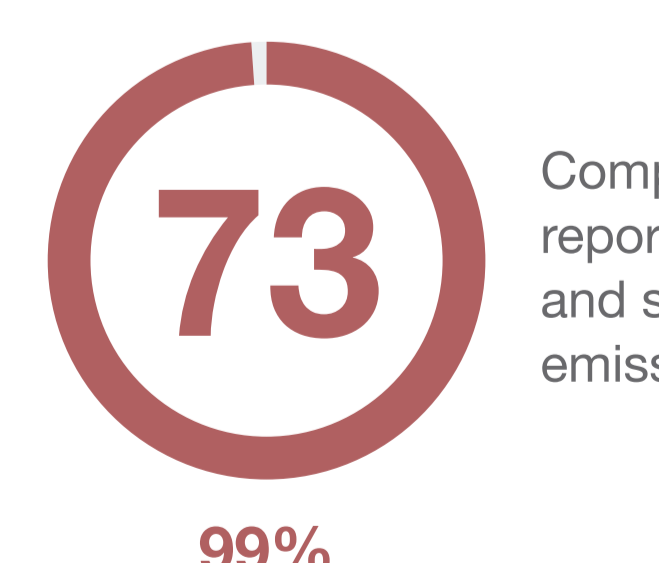


Companies setting targets ≥ 5 years

More companies report reliable, accurate climate change data



Companies that report water use in all 3 categories: withdrawals, consumption, discharge

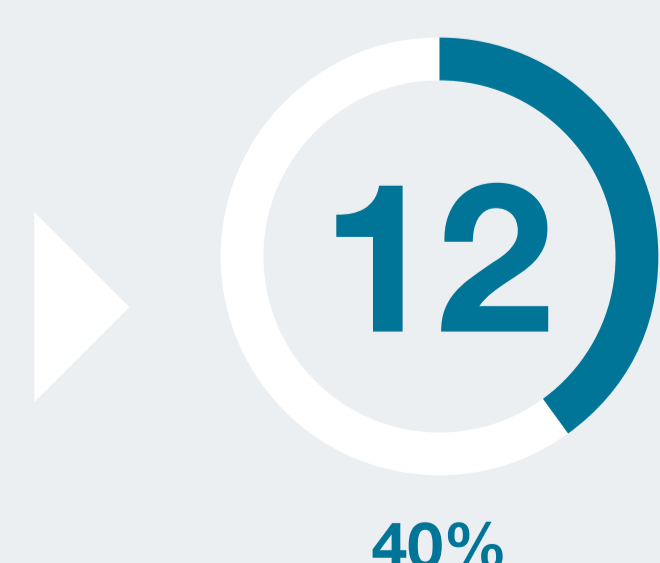


Companies that report scope 1 and scope 2 emissions

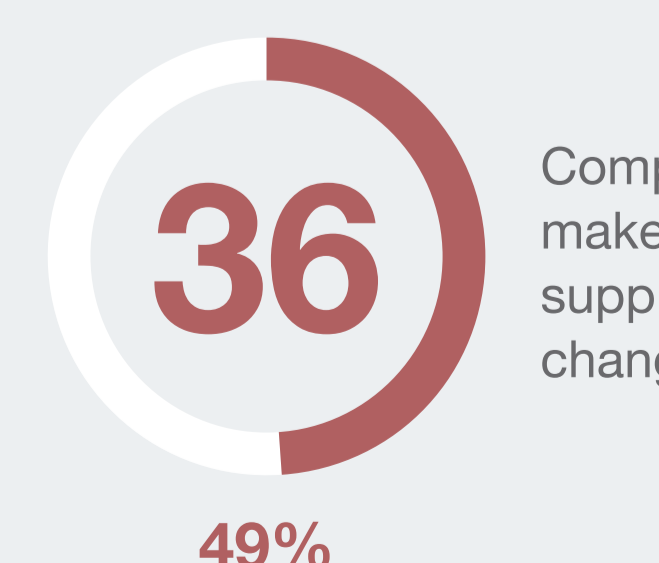


Companies that verify data

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



Companies that request suppliers to report water data



Companies that make use of suppliers climate change data

The data indicates that companies need to accelerate their progress on water to match the magnitude of the risk