FINANCIAL MAIL, Supplement A
09 Oct 2013, p.11

CARBON DISCLOSURE

Cleaning up their corporate act

Top companies are now taking **firm steps** towards cutting down emissions

Firmly established as global leaders in disclosing their carbon emissions, SA's top 100 listed companies are now showing considerable progress in reducing them.

Analysis of company data supplied to the international Carbon Disclosure Project (CDP) shows that greenhouse gas (GHG) emissions intensity levels have reduced by 16% over the past four years.

Undertaken by Mergence Investment Managers, the analysis is based on the 43 JSE top 100 all share index companies that have disclosed emissions since 2009. Annual aggregated emissions per R1m of market cap have declined from 88,1 Mt to 75,6 Mt from 2009 to 2012, says Mergence portfolio manager Bradley Preston. Annual emissions per R1m in revenue have fallen from 85,9 Mt to 71,9 Mt.

WHAT IT MEANS

INVESTOR PRESSURE YIELDS RESULTS

THREAT OF BLACKOUTS A MAJOR MOTIVATOR

Including the additional 29 firms that have disclosed emissions since 2010, the average carbon intensity of JSE top 100 companies reduces even further.

Among large-scale emitters, aluminium producer BHP Billiton, for example, is emitting 38% fewer tons of greenhouse gas per R1m of revenue than it emitted in 2009. Emissions of three other large-scale emitters — Sasol, PPC and Sappi — have also declined markedly.

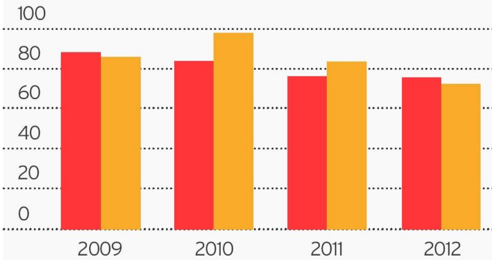
Preston identifies two main reasons for the decline. The first is that companies are responding to pressures from investors who are monitoring their progress in identifying climate change risks and efforts to measure, verify and reduce carbon emissions.

The second is that the rolling blackouts in 2008, followed by sharply rising electricity tariffs, have caused companies to become more energy efficient. Certain energy intensive industrial and mining firms have also entered agreements with Eskom to cut back their energy consumption when the utility's capacity is under severe pressure.

MONITORING EMITTERS

Aggregate carbon emissions of the JSE all share index (CO_{2e} = carbon dioxide equivalent)

■ Tons CO_{2e} per annum per R1m market capitalisation
■ Tons CO_{2e} per R1m revenue



SOURCE: MERGENCE INVESTMENT MANAGERS, BASED ON CARBON DISCLOSURE PROJECT DATA

FINANCIAL MAIL, Supplement A
09 Oct 2013, p.12

Firms in the JSE top 100 are among 3 700 corporations worldwide that have been responding voluntarily for the past six years to requests by the CDP for detailed data on their carbon emissions and progress in reducing them. In 2012, the CDP was backed by 655 financial institutions that had US$78 trillion of assets under management.

The CDP in SA is managed by the National Business Initiative (NBI) and Incite Sustainability, with sponsorship from KPMG, Element Investment Management, the Industrial Development Corp and the SA Post Office.

The number of financial institutions backing the CDP grew by close to 20% worldwide between 2011 and 2012. This reflects "growing investor awareness" of the "creeping risks of climate change, water scarcity and the destruction of biodiversity", says Element investment analyst David Couldridge in the report.

In SA, he says, regulation 28 of the Pension Funds Act, introduced in January 2012, requires trustees to apply a responsible investment approach when deploying capital into markets across all asset classes. Consideration must be given to material environmental, social and governance factors that can affect the long-term sustainable performance of a fund's assets.

In addition, the Code for Responsible Investing in SA (Crisa) provides responsible investment guidance to institutional investors through five principles and practice recommendations. Crisa is the first investor code in the world to require the integration of sustainability considerations into investment analysis and decision making.

Requests for data from the top 100 JSE listed firms for the CDP 2012 report drew a 78% response rate, the second highest internationally. "The JSE 100 response rate reaffirms SA business as a global leader in terms of their participation in the CDP," says the report.

Hetty Zantman

Bradley Preston
Coming clean has helped companies respond to climate change

The CDP generates two indices: a carbon disclosure leadership index (CDLI), which indicates companies' transparency and accountability in disclosing emissions; and a carbon performance leadership index (CPLI), which includes performance in reducing emissions. As SA companies have already established themselves as leaders in reporting on their emissions, the NBI has shifted the focus to their performance in reducing them.

The CPLI in the 2012 CDP report was led by Anglo American Plc, Barloworld, FirstRand, Gold Fields, Mondi Plc and Woolworths.

Mining group Exxaro Resources emerged as overall leader with 100 normalised points in the CDLI, followed by Gold Fields (99) and Harmony Gold Mining Co (98).

Key findings of the report include:

❑ All but one of 76 company responses analysed disclosed figures for global scope 1 and/or scope 2 emissions. Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by a firm. Scope 2 emissions are indirect GHG emissions from consumption of purchased electricity, heat or steam. There has also been an increase in the number of companies calculating and disclosing scope 3 emissions, which are other indirect emissions, such as those from the extraction and production of purchased materials and fuels, not owned or controlled by a reporting firm.

❑ The number of companies that have or are in the process of verifying their emissions has increased.

❑ The number of companies with GHG emissions reduction targets has increased, from 40 in 2011 to 43 in 2012.

❑ Seventy-three companies report having a board committee or executive body with responsibility for climate change. Forty-seven (62%) provide monetary incentives for management performance related to the achievement of climate change objectives.

❑ Energy efficiency remains a core focus. Fifty-seven (75%) companies reported implementing energy efficiency initiatives related to processes, building services and building fabrics. Several companies continued to report that a significant proportion of these initiatives have relatively short payback periods.

❑ Total reported direct (scope 1) emissions for 2012 decreased from 137 Mt of carbon dioxide equivalent in 2011 to 132 Mt in 2012, while indirect (scope 2) emissions reduced from 98,4 Mt in 2011 to 86,6 Mt in 2012.

Together with Eskom, the 78 JSE listed firms that responded to the CDP account for 64% of SA's total estimated emissions of 510 Mt of GHG emissions. Eskom accounts for 231,9 Mt, followed by Sasol (61,4 Mt), BHP Billiton (3,2 Mt), Anglo American (3 Mt) and Sappi (2,8 Mt). ■

CARBON EMISSIONS INTENSITY

(Tons CO_{2e} per R1m of revenue)

	2009	2010	2011	2012
Sasol	559	583	526	441
BHP Billiton	111	121	95	69
Sappi	143	151	118	122
PPC	962	838	782	723

SOURCE: MERGENCE INVESTMENT MANAGERS

CARBON DISCLOSURE LEADERSHIP INDEX

Rank	Company	2012	2011
1	Exxaro Resources	100	94
2	Gold Fields	99	98
3	Harmony Gold Mining Co	98	91
4	FirstRand	97	88
	MediClinic International	97	74
	Remgro	97	80
	Sanlam	97	88
8	Anglo American Platinum	96	85
	Pick n Pay Holdings	96	86
10	Growthpoint Properties	95	83
	Nampak	95	82
	Oceana	95	–

SOURCE: CDP SA REPORT 2012