

# South Africa Snapshot

Environmental disclosure and progress in 2023

June 2024





The background of the page is an aerial photograph of a landscape. In the foreground, there is a large, vibrant green field, possibly a farm or a park, with distinct rows of crops. Beyond the field, the terrain rises into rolling hills and mountains. The hills are covered in sparse, dry-looking vegetation, including small trees and shrubs. The sky is a clear, pale blue. A dark red semi-transparent box is overlaid on the middle of the image, containing white text.

CDP is a non-profit organisation that runs the global disclosure system for financial institutions, companies, cities, states and regions to better manage their environmental impacts and take action to build a truly sustainable economy. Considered the gold standard for corporate environmental reporting, CDP is fully aligned with the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD).

The scope of environmental disclosure themes covered by CDP includes climate change, forests and water security. CDP supports companies in measuring and managing their risks and opportunities related to these environmental themes. Transparency and accountability are crucial for tracking progress towards a sustainable net-zero, deforestation-free and water-secure future.

More than 700 global investor companies with over US\$136 trillion in assets and more than 330 large purchasers with over US\$6.4 trillion in procurement spend, annually request thousands of companies to disclose their environmental data through CDP. This drives a high market demand for environmental disclosures.

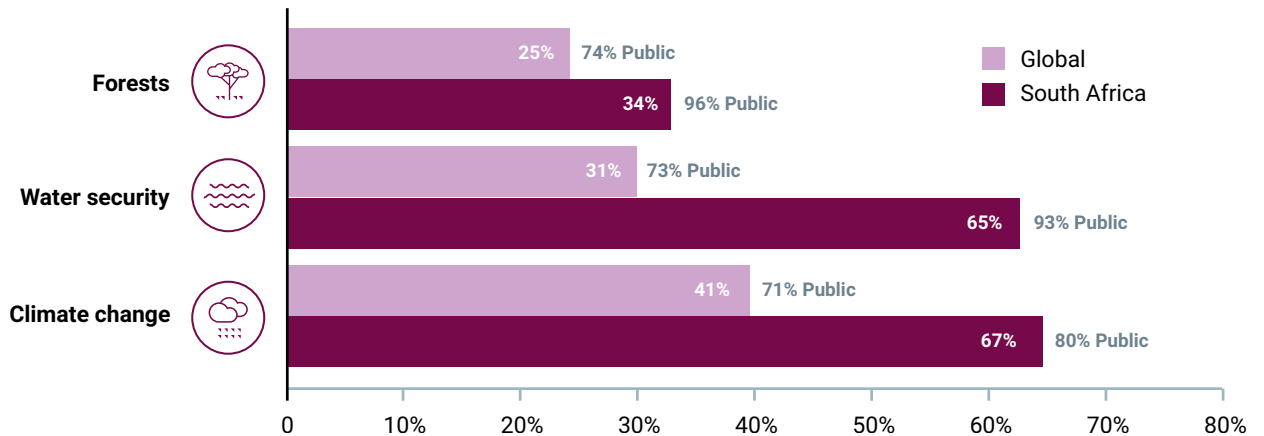
This report provides insights into the disclosure practices and performance of all **South African public responses** to the three CDP questionnaires submitted during the 2023 reporting period. It analyses reporting performance and identifies areas for improved sustainability, climate and nature action.




# CDP reporting response rates

Response rate data considers public and non-public CDP responses by companies requested to disclose by investors (excluding supply chain requests). The response rates in South Africa for CDP reporting across all three questionnaires are higher than global averages (Figure 1). The percentage of publicly available South African CDP responses is also higher than global averages. This illustrates a comparatively greater emphasis on transparency and information sharing within South African organisations disclosing through CDP.

Figure 1. Comparison between SA and Global Response rate based on Investor requests.



**84**   
**Public Disclosures**

## Climate change disclosure

The number of South African companies disclosing publicly has increased by 35% over five years. During the 2023 reporting period, 84 public climate disclosures were made. The disclosing companies include 45% of Johannesburg Stock Exchange (JSE) listed companies. This growth in responses reflects awareness among South African companies regarding the impact of climate change on their operations and increased requirements from investors to include robust climate-related strategies. Although the number of climate change responses has been steadily growing, it is not keeping up with the global response increase of 178% over the past five years.

The number of companies reporting having board members with climate change-related competence rose from

**65%**

in 2022 to

**68%**

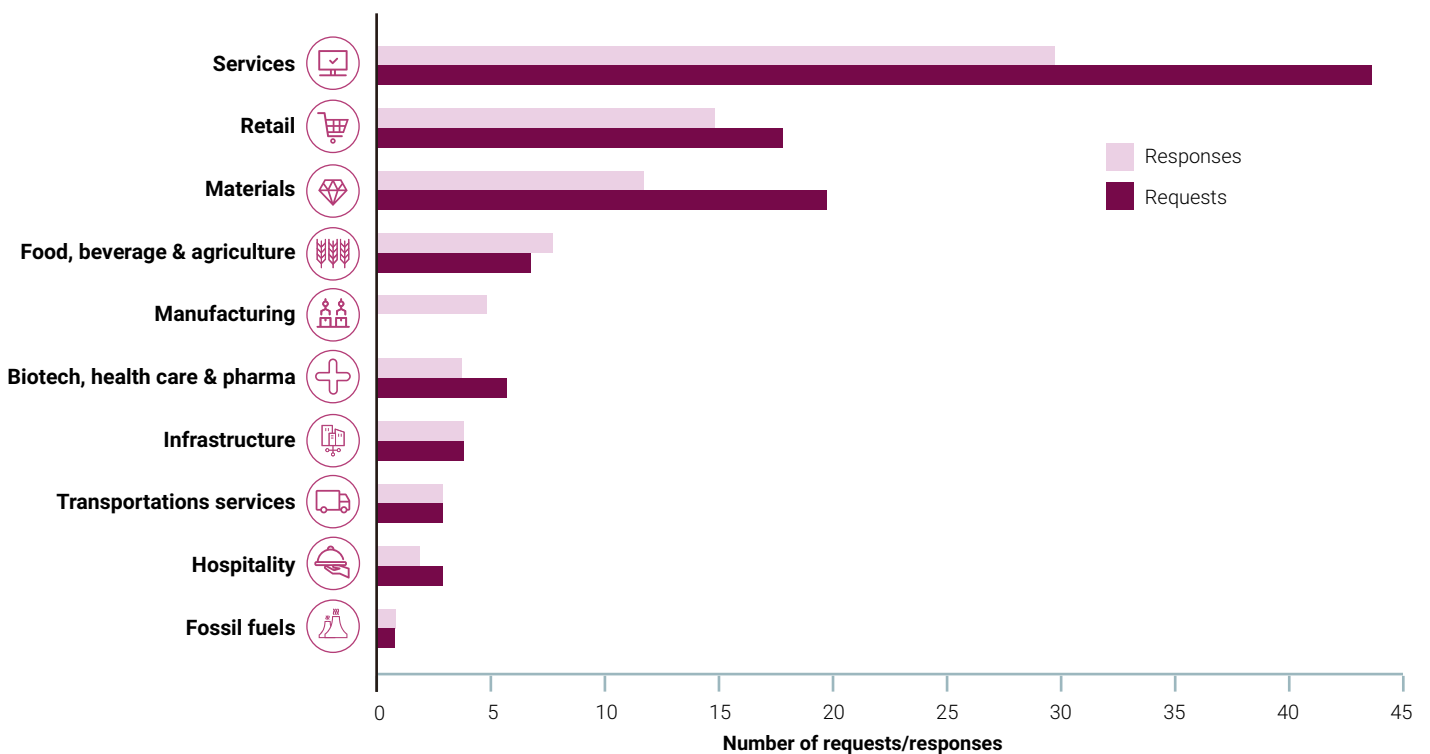
in 2023



Services, retail and materials are the top three highest-disclosing industries in South Africa (Figure 2). Manufacturing companies are responding through CDP voluntarily without any investor requests, likely demonstrating higher climate change awareness in this industry.

Climate change governance refers to the organisational structures and mechanisms through which climate-related challenges are addressed through decision-making, policy development and implementation plans. Robust climate change governance structures include competent board-level oversight of climate-related activities and regular feedback on progress related to climate strategy performance. In 2023, 68% of companies reported having board members with climate change-related competence, compared to 65% in 2022. Board-level oversight of climate-related activities was indicated by 89% of responses. Additionally, 86% of companies report on climate-related topics to their boards quarterly or more frequently (75% in 2022). A slight improvement in climate change governance considerations is noted. According to Deloitte’s Job Vulnerability Index, the food, beverage & agriculture industry is the most exposed to physical climate damage and net-zero transition risks. However, only 38% of organisations within this industry have at least one board member competent in climate-related issues.

Figure 2. Industry response performance per sector in SA.



Limited change was noted in the % of companies using climate scenario analysis to inform decision-making and strategy development:

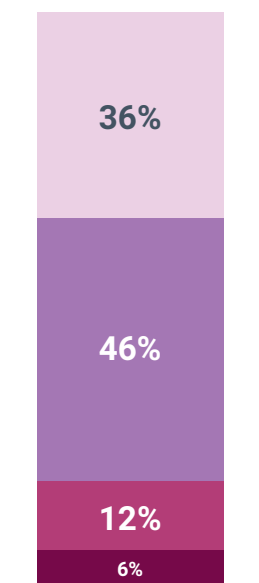
**52%**

in 2022 to

**54%**

in 2023

Figure 3. Breakdown of strategy plans.



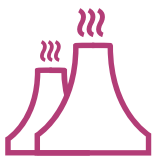
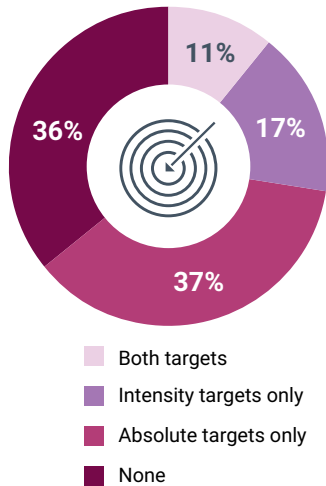
- Transition plan aligned with 1.5°C
- Transition plan within two years
- No transition plan within two years
- Strategy not influenced by climate

Good climate-related governance includes conducting climate change scenario analysis to inform strategic planning and the development of credible net-zero transition plans. Scenario analysis can be quantitative or qualitative. 2023 data indicates that companies prefer quantitative scenario analysis methods. Generally, disclosure practices mature over time and as an organisation improves their responses. More advanced analyses like scenario analysis were performed from 2022 to 2023; limited change was noted in the percentage of companies using climate scenario analysis to inform decision-making and strategy development (52% in 2022 to 54% in 2023). The consideration of scenario analysis amongst newly disclosing companies could improve as the organisations' climate disclosures and governance matures.

CDP encourages companies to develop climate transition plans aligned with a 1.5°C warming pathway. A credible transition plan is time-bound, action-oriented, aligns with the latest climate science and aims to mitigate climate change risks and enhance opportunities to ensure the business model remains relevant in a zero-carbon economy. A credible transition plan, therefore, has clearly defined objectives linked to how a company will manage its existing assets, operations and business model in alignment with the Science Based Targets initiative (SBTi). The SBTi provides guidance on how much and how quickly organisations need to reduce their GHG emissions to prevent the worst impacts of climate change, leading them on a clear path towards decarbonisation.

A notable increase from 14% in 2022 to 36% of respondents aligning their climate transition plans with a 1.5°C future signifies a positive shift towards more proactive and ambitious climate strategies. However, only 24% of respondents have their 1.5°C-aligned transition plans publicly available, a key consideration for credible climate transition planning. As shown in Figure 3, 46% of companies demonstrate a strong commitment to developing climate transition plans within the next two years. A high percentage of companies (83%) engage in public consultation with external stakeholders on their transition plans, reflecting a commitment to transparency and underscoring the value of high-quality, legitimate and effective transition plans.

**Figure 4. Breakdown of target setting.**



**The disclosed and implemented emissions reduction initiatives for all respondents account for 2.4 million tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e).**

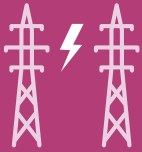
Based on a company's climate strategy, two types of emissions reduction targets can be established. These may encompass absolute targets, designed to decrease greenhouse gas (GHG) emissions by a specified quantity, or intensity targets, representing an organisation's emissions relative to an economic or operational variable. A combination of both absolute and intensity targets is also a viable approach. CDP defines best practice for target setting as being within the 5-to-10-year timeline and an absolute target. The proportion of respondents disclosing absolute targets increased from 22% in 2022 to 37% in 2023 (Figure 4). However, only 13% of the total disclosed targets are SBTi-approved which is viewed as best practice. The respondents still have a long way to go in meeting targets and need to rapidly increase emissions mitigation, as only 14% of companies have met their disclosed targets.

Mitigating emissions and realising disclosed targets rely on implementing emissions reduction initiatives. The disclosed and implemented emissions reduction initiatives for all respondents account for 2.4 million tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e). Although not insignificant, the implemented emissions reduction initiatives only contribute 0.8% of the total disclosed Scope 1 and 2 emissions of South African respondents. Considering the limited impact on reducing Scope 1 and 2 emissions, it is imperative to urgently accelerate the implementation of emissions reduction initiatives. Accelerated implementation of initiatives can contribute to more companies meeting their absolute targets.

The favoured emissions reduction initiatives reported include solar PV installations, lighting efficiency improvements, process optimisation, heating ventilation and air conditioning (HVAC) system upgrades, efficiency advancements in compressor systems and waste heat recovery. These initiatives reflect strategic alignment with technologies that offer substantial environmental benefits and economic feasibility. They also hold significant potential for contributing to emissions reductions by leveraging renewable energy sources, enhancing energy efficiency in industrial processes, and optimising resource utilisation, aligning with sustainable practices and climate action goals.



# Unlocking emissions reductions through virtual wheeling



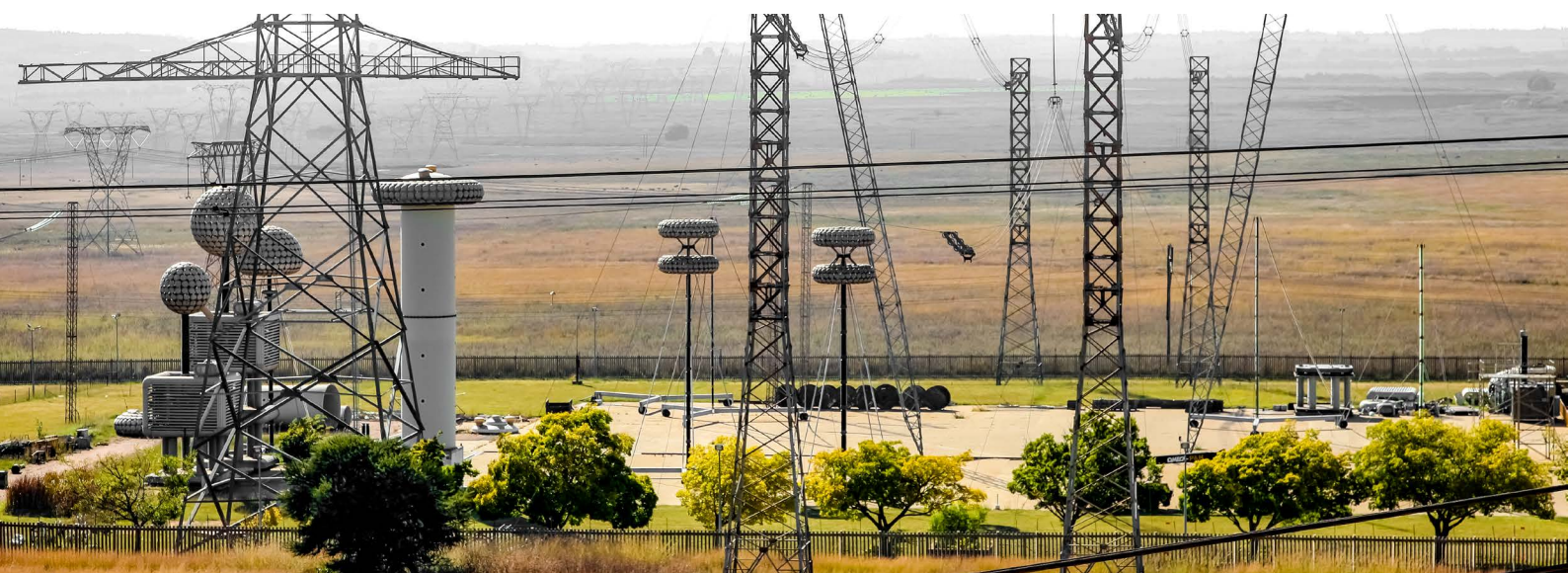
Electricity wheeling is the process of transmitting electricity from a generation source through transmission and distribution lines owned by utilities to a different location, often across different service territories, allowing users to access electricity generated remotely from a specific source.

**Reducing emissions from grid electricity use poses a challenge for companies with numerous distributed sites. A case in point is Vodacom, which operates around 15,000 base stations and data centres throughout South Africa. Implementing renewable energy solutions at individual sites, with limited space availability, would be time- and cost-intensive.**

For large single-site industrial electricity consumers supplied with one kilovolt or above electricity lines, traditional point-to-point wheeling is available, but not suitable for companies like Vodacom. To address this challenge, Eskom, South Africa's national power utility, and Vodacom co-developed a virtual wheeling solution. This innovative solution could unlock additional renewable energy capacity from independent power producers (IPPs) and contribute to decarbonisation in the national grid outside the government-managed Renewable Independent Power Producer Programme (REIPP). Virtual wheeling simplifies the accounting of electricity

production from multiple IPPs and multiple consumer sites with dispersed operations throughout the country through an Eskom platform. Notably, virtual wheeling is designed to support consumers at any voltage, caters to a broader range of energy users, is accessible for renewable IPPs and promotes decentralised energy generation and consumption.

Eskom and Vodacom partnered in a trial period to assess Vodacom's platform and an Eskom virtual wheeling platform (VWP). This trial entails all Vodacom participating sites to be accessible, reviewing metering installations' compliance with Eskom and SANS/NERSA specifications, while metering data will be provided at specified intervals, and testing Eskom's connected IPPs. Once fully implemented, this trial will have reduced Vodacom's Scope 2 emissions by ~30%. The first IPP is expected to come online before the end of 2024, after which the solution will be extended to benefit other electricity consumers. Eskom will be externally wheeling to all approved participants that are able to plug into the Eskom wheeling platform.

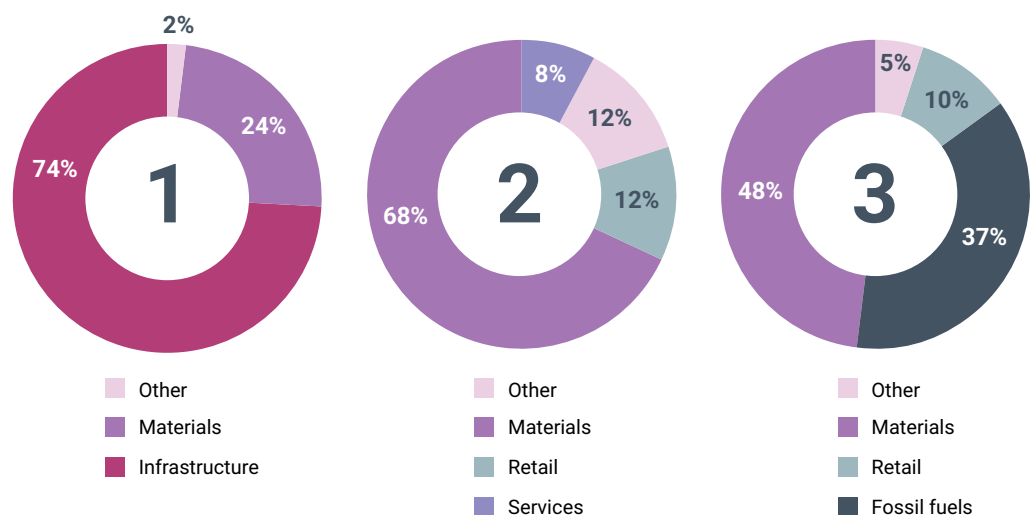


Virtual wheeling presents a compelling business case with standardised rules and processes outlined in two key agreements: a virtual wheeling agreement between the electricity buyer and Eskom, and a virtual wheeling agreement between the electricity buyer and the IPP. The Eskom-developed VWP streamlines billing, consolidating charges from both Eskom and IPPs into a single bill for users, integrating with existing Eskom billing systems. Payments on electricity bills including customers connected to municipalities and Eskom direct customers remain untouched. A reimbursement to the buyer for the energy supplied is based on Eskom's avoided cost. Virtual wheeling emerges as a vital mechanism for private sector involvement in addressing South Africa's energy crisis. Through this approach, electricity buyers can realise substantial cost savings by capitalising on the variance between Eskom's electricity rates (covering generation and transmission to end consumers) and the prices offered by IPPs for renewable electricity. Furthermore, virtual wheeling provides additional funding opportunities for capacity to be added to the national grid by IPPs leveraging the balance sheets of private companies. This solution holds appeal for companies like manufacturers and retailers with decarbonisation commitments facing limitations in integrating renewables across multiple stores and factories.

## Breakdown of emission scopes

CDP requests companies to account for their Scope 1, 2 and 3 emissions (Figure 5). In 2023, 89% of respondents reported Scope 1 and 2 emissions. Scope 1 emissions are dominated by the infrastructure sector, with Eskom contributing the vast majority. Scope 2 emissions are dominated by the materials sector (including metals, mining and chemical companies).

**Figure 5. Breakdown of sectoral contributions to emissions per scope.**





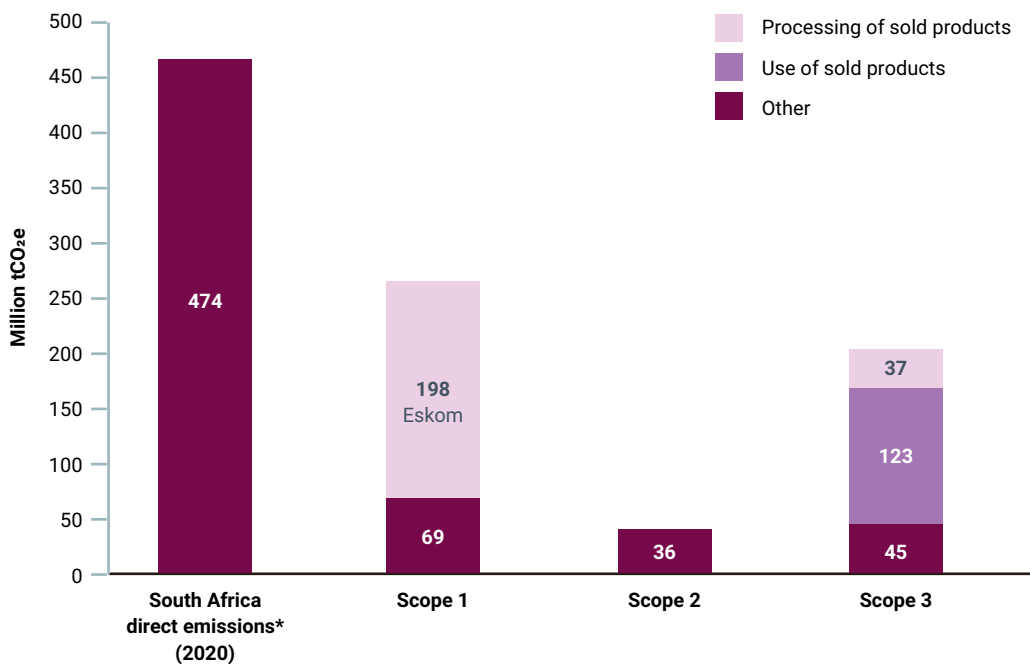
The respondents' reported emissions, totalling 267 million tCO<sub>2e</sub> for Scope 1 and 36 million tCO<sub>2e</sub> for Scope 2, fall significantly short of the country's total direct emissions of 474 million tCO<sub>2e</sub> as per the South African GHG Inventory (Figure 6). This underscores the necessity for enhanced and more comprehensive disclosures to more accurately capture and account for the nation's emissions profile.

Scope 3 emissions (at least one of 15 categories) are reported by 82% of reporting companies, with most of the emissions attributed to the use of sold products (Scope 3, Category 11). Only 12 respondents reported the contribution of emissions from the use of sold products. The highest Scope 3 emissions were reported by Exxaro, a coal miner and exporter that accounts for the end use of sold products from coal combustion in downstream processes for power generation. Globally Scope 3 emissions are 26 times greater than Scope 1 & 2 emissions. However, the South African Scope 1 emissions reported in 2023 are 1.3 times

greater than Scope 3 emissions, which indicates underreporting, as only 27 companies report five or more Scope 3 emissions categories.

South African organisations reporting through CDP must substantially enhance the overall comprehensiveness of their Scope 3 disclosures. This involves calculating and disclosing additional categories to provide a more thorough and detailed representation. Additional value chain engagements with suppliers and customers can also facilitate improved Scope 3 disclosures. CDP considers direct engagements, collaboration for innovation, and emissions reduction incentivisation as best practices for value chain engagement. Reported value chain engagement aligned with CDP's best practice increased slightly from 49% to 53% during this reporting period. Furthermore, 20% of responding companies engage with suppliers that represent more than 80% of total value chain emissions (increased from 13% in 2022). Reported engagements with suppliers and customers increased from 66% to 79%.

**Figure 6. Breakdown of GHG emissions per scope.**



# Sappi's 44% supplier target initiative

The target is to have

# 44%

of its suppliers (by spend) set science-based targets by 2026.



**Sappi's supplier engagement strategy involves incorporating decarbonization and target-related topics into existing engagement teams, streamlining the process, and enhancing efficiency.**



**Sappi Limited disclosed an ambitious target within the climate change questionnaire, demonstrating leadership in supplier engagement. The target is to have 44% of its suppliers (by spend) set science-based targets by 2026. To align with the Science-Based Targets initiative (SBTi), Sappi initially set a science-based emissions reduction target, including the challenging integration and reduction of Scope 3 emissions. Constituting 40% of Sappi's global footprint, Scope 3 emissions necessitate a comprehensive understanding of supplier emissions, reduction targets, and ongoing decarbonisation efforts.**

Progress toward the SBTi goal is notable, with 20% of Sappi's suppliers (by spend) already having SBTi-aligned targets, marking the halfway point to the 44% target. This success is attributed to the well-established emissions accounting practices in the pulp industry, where Sappi procures a significant portion of its spending.

Sappi's supplier engagement strategy aligns with ongoing engagement efforts focused on deforestation and certification. The strategy involves incorporating decarbonization and target-related topics into existing engagement teams, streamlining the process, and enhancing efficiency.

Sappi's Supplier Engagements Strategy centres around a questionnaire aimed at gaining deeper insights into supplier emissions. The development of this questionnaire was a meticulous process, involving the procurement team in extensive training sessions to ensure a thorough understanding of key concepts such as Scope 1, 2 and 3 emissions and how to categorise different emission types. Sappi is taking a proactive approach to supplier development by planning to share its internally developed training materials, where appropriate, with suppliers identified as high-risk suppliers, ie suppliers contributing significantly to value chain emissions or those without established emissions accounting or target-setting practices.

The questionnaire, sent out in early 2024, aims to refine the selection of priority suppliers to engage with, giving preference to those with existing targets, even if not SBTi-aligned. The responses will guide future engagements with both high-risk suppliers and quick wins, ensuring effective emissions reduction considerations across the supply chain.

In addition to active engagement via questionnaires, Sappi has a comprehensive onboarding platform, featuring SBTi-related questions, facilitating supplier data collection, assessments, and supplier scorecards. Subsequent engagements aimed at updating supplier targets and further alignment with SBTi will be the next step.



# 42

## Public water security disclosures



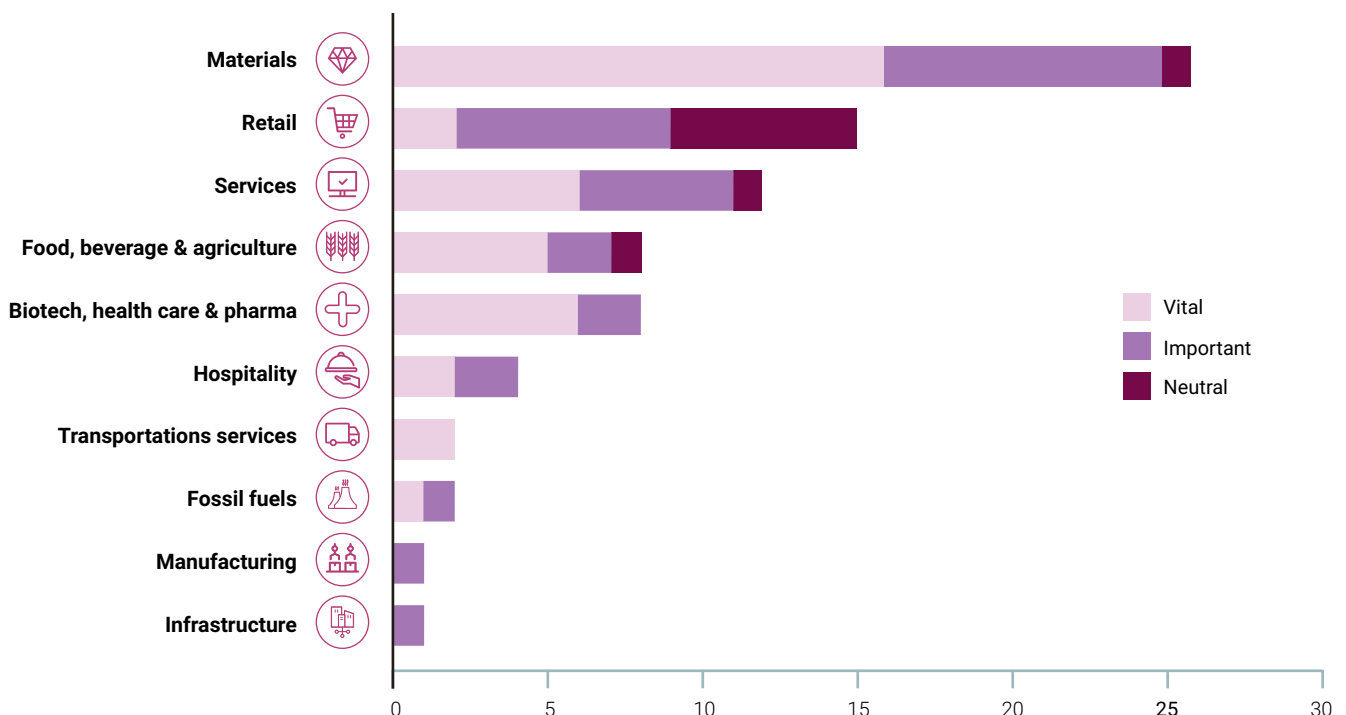
### Water security disclosures

Water security is crucial for life on Earth. Attaining sustainable water security means optimising the utilisation of water resources while mitigating any destructive impacts on these resources. South Africa is a semi-arid country facing substantial water security challenges. The country is increasingly facing risks due to increases in the length and frequency of drought periods, more regular flooding events, lack of access to potable water, poor sanitation, reduced water quality and unsustainable demand.

South African water security questionnaire responses increased in 2023 (a growth of 20% over five years). The higher response rate (based on investor requests) from South African companies (65%) compared to global peers (31%) shows increased awareness of water security risks and the need for improved management. Additionally, 93% of South African water security responses are public, while only 73% of global responses are public.

Freshwater is a finite resource; 83% of respondents indicated that freshwater is 'vital' or 'important' to their business operations (Figure 7). Given the scarcity of freshwater resources among the South African population, industries often compete with the population's essential needs. Freshwater is deemed vital in key sectors that support

Figure 7. Importance of freshwater per sector.





45%

**of reporting organisations withdraw more than**

**75%**

**of their total water consumption from water-stressed areas.**



economic growth, namely, materials, services, food & beverage, and health. The materials sector, which is the overarching sector for mining and metals, contributes ~8% to South Africa's GDP, while services contribute ~62%. Among the reported water data, the materials and food & beverage sectors contribute 96% of total water consumption, highlighting the need for targeted water management strategies in these industries to address and mitigate potential water risks.

Understanding the regions from which water is withdrawn and the consequences of these withdrawals is crucial. Water withdrawals from water-stressed areas account for 81% of reported withdrawals. Additionally, 45% of reporting organisations withdraw more than 75% of their total water consumption from water-stressed areas. This indicates that a significant proportion of consumed water is at risk of climate change-induced droughts. Water use efficiency and the level and quality of water replenishment are, therefore, key factors influencing South Africa's resilience to water security.

The level and quality of water replenishment of a company's discharge must be considered. A water balance analysis, assessing total withdrawals against total discharge, was conducted on reported water data. A total of 2.36 million mega litres were withdrawn from freshwater sources while only 1.15 million mega litres were discharged back to the environment. The discharge rate back to the environment was 48.7%, which indicates high consumption with insufficient replenishment.

The quality of discharged water is also essential, as it can influence the environmental conditions where it is released. Untreated water discharged into the environment can harm aquatic life and damage ecosystems, leading to pollution or eutrophication of water bodies. Of the responses received, 24% indicated companies discharging untreated water into the natural environment. Of the 27 respondents reporting their water practices, 60% indicated secondary and/or tertiary treatment on discharged water. In 2022, 53% of respondents treated their discharge in some way. However, discharge treatment has decreased to 48% in 2023. The decrease in water treatment disclosed could be attributed to the high cost of maintaining water treatment infrastructure or the fact that newly reporting organisations do not have the required information to report accurately. More work needs to be done by South African organisations to improve the quality of water discarded to the environment, as this finite resource is at risk from climate change, with projected increases in drought frequency and intensity.



# 8

## Public forest disclosures

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### Biodiversity and forests

Biodiversity refers to the variation of life, encompassing species diversity, ecosystems, and genetic variability within and among them. Preserving environmental biodiversity is crucial in the fight against climate change, as diverse and healthy ecosystems play a fundamental role in absorbing carbon dioxide, providing ecosystem services, maintaining ecological balance and enhancing overall resilience to environmental disruptions. High and healthy biodiversity allows ecosystems to be more productive, resilient and adaptable, allowing them to respond better to changing climatic conditions.

CDP's biodiversity-related questions were included in the 2023 climate change questionnaire but are discussed with the forests questionnaire responses due to the thematic link between the topics. Many climate change disclosers report oversight of key biodiversity topics but do not disclose to the forests questionnaire. This is most likely because they do not consider or fully understand the value chain services that forests and nature contribute to their organisations.

In 2023, eight public CDP forests disclosures were made by South African early adopters and companies demonstrating awareness of their forest-related value chains. One respondent completely mapped its forest value chain, while the rest partially mapped their forest value chains. The companies in the retail sector demonstrated good awareness of the impacts and risks on their forest value chains.

Disclosure and understanding of forest-related risk are still developing, with 67% of forests respondents demonstrating awareness of their forest value chain. However, only 60% of climate change questionnaire respondents demonstrated board-level oversight on biodiversity aspects. A slight decrease in board-level oversight for biodiversity aspects from 2022 to 2023 may be attributed to the increased number of climate change disclosures in 2023. This suggests that the disclosure rate is increasing faster than companies' reporting and governance oversight is maturing. Biodiversity initiatives are supported by 48% of the climate change questionnaire respondents.



# 17%

of the climate change questionnaire respondents demonstrated awareness of their value chain's dependency on biodiversity.



CDP respondents are encouraged to clearly understand the impacts and dependencies of their value chain on biodiversity to effectively manage risks, ensure sustainable sourcing and uphold environmental stewardship. Only 17% of the climate change questionnaire respondents demonstrated awareness of their value chain's dependency on biodiversity, while only 31% reported awareness of their value chain's impact on biodiversity. Therefore, only 24% of respondents have clear oversight of their biodiversity impacts and dependencies. Reporting organisations must improve efforts to enhance the quality of disclosure in both the biodiversity subsection of the climate change questionnaire and the forests questionnaire. This is critical to improve governance of the Earth's finite biodiversity resources. Supporting biodiversity initiatives is critical as it helps preserve ecosystems, maintains natural resources, and mitigates climate change, contributing to long-term environmental sustainability and resilience.





# Conclusion

**South African CDP respondents have made progress in disclosing climate change and water security data. Significant efforts are still needed to improve forests disclosures, and we urge key stakeholders to embark on this crucial journey. Despite notable reported initiatives, there is a need for heightened ambition to address South Africa's challenges comprehensively.**

Only 24% of respondents reported publicly available climate transition plans, signalling that many disclosers must still assess how they will transition to a future aligned with a 1.5°C warmer world. Concerningly, this percentage only represents companies that have disclosed through CDP, with many in the JSE Top 100 yet to disclose. Additionally, progress is needed to establish robust targets for emissions reductions. Industries like the infrastructure sector are urged to set ambitious targets to fulfil the country's commitments under the Paris Agreement.

Africa is key to the global value chain due to its endowment of vast reserves of natural resources, including minerals, oil and agricultural products, which are crucial inputs for various industries worldwide. The future growth and development across Africa will require greater disclosure practices. Companies can improve their disclosure practices by improving supplier engagement aligned with CDP's recommendations for best practices. To encourage the participation of companies across Africa, it is necessary to present and report global and African environmental data in a way that highlights African achievements and examples of leadership.

The importance of water security is evident, requiring improved action to ensure companies can sustain their anticipated water demands, particularly focusing on circularity and resilience. Forests disclosure lags and additional efforts are crucial, prompting more companies to disclose and protect the abundant and beautiful nature currently enjoyed in South Africa. On a positive note, biodiversity disclosures show promise, with early movers taking steps to drive biodiversity action.

While Africa has historically contributed a smaller share of global GHG emissions, it is particularly vulnerable to climate change and associated disasters. All stakeholders must take urgent action to prevent catastrophic climate change and the irreversible loss of nature and habitats. This begins with decision-makers understanding environmental impacts through robust reporting, empowering financial institutions, companies, cities, and governments to make informed choices for the collective benefit.



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## About CDP

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states, and regions. Founded in 2000 and working with over 700 financial institutions representing more than US\$142 trillion in assets. CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Over 24,000 organizations around the world disclosed data through CDP in 2023, including more than 23,000 companies worth two thirds global market capitalization, and over 1,100 cities, states, and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda, and the Net Zero Asset Managers initiative.

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