

Companies exposed to climate change

Risks must
be assessed
and
preparation
speeded up

MOST companies are still treating sustainability as a separate issue, rather than one that should form part of their entire business strategy, says Shireen Naidoo, director of sustainable development at KPMG.

While many businesses have on the one hand taken care to consider sustainability issues, they often fail to take into account such issues as what effect an increase in production will have on the environment, says Naidoo.

KPMG's Climate Changes Your Business survey, released last year, found that climate change could expose companies to four types of risk, namely: regulatory, reputational, litigation and physical — the direct impact of weather-related events.

KPMG's report also considered what the preparedness of each sector was towards climate change. Those sectors most at risk were oil and gas, aviation, transport, health care, the financial sector and tourism.

Those sectors with the least risk were telecommunications, chemicals and food and beverages. The chemicals sector was defined as relatively safe because of a high level of preparedness.

"Too often we point fingers and say they have to do it, but all sectors are at risk and can make a difference."

Another report that has helped bring the issue of climate change in the corporate sector to the fore is the carbon disclosure project (CDP).

Last year's report, the second by the CDP on SA, invited the top 100 companies on the JSE to report on their greenhouse gas emissions and on what they were doing about climate change.

In all, 59% of firms responded to the report, which was prepared by Incite Sustainability in partnership with the National Business Initiative (NBI).

This rate compares very favourably with the rate experienced in most other CDP participant countries.

Valerie Geen, the NBI's director of sustainable climate and energy, says an important concern voiced by businesses that participated in last year's report was that of impending regulation, such as tax incentives for cutting carbon emissions.

SA does not yet have targets on carbon reduction in place, but the government has proposed a tax incentive for companies that reduce carbon emissions through

the release of the draft Taxation Laws Amendment Bill earlier this month.

Another concern by business is the physical risk involving climate change, particularly for businesses with branches based near flood lines, the sea or in areas that would be affected by a change in rainfall patterns.

Geen gave the example of a mine that had recently seen a 15% drop in production with the increase in heating underground.

Electricity consumption constitutes 41% of the total reported GHG emission, but Geen says this did not mean companies in the services and retail sectors did not have a role to play.

These sectors interacted a lot with consumers and could therefore contribute to the reduction of energy usage by the residential sector, which currently stands at 17% of all energy consumed in the country, she says.

This year's report was expected to be released by the end of October and would concentrate more on the emissions targets business had put in place, especially as only 23% of the responding companies in last year's report had specific emissions reduction targets in place, says Geen.



SUSTAINABILITY: Shireen Naidoo says it is part of a strategy.

The report suggests companies consider three priorities: develop risk management, invest in green opportunities and provide disclosure, such as reporting on their carbon emissions level.