

## Group Five Feedback on Group Five’s 2012 CDP Report

### Introduction

This document provides a detailed assessment of Group Five’s 2012 CDP response with respect to both disclosure and performance. This assessment identifies strengths and areas for improvement, and provides recommendations on how to improve both the company’s disclosure and performance. The 2013 assessment will follow the launch of the 2013 CDP South Africa JSE 100 report, after 28 November 2013. This assessment will also include some examples of responses that scored well for disclosure and / or performance.

To provide a context for understanding how Group Five’s 2012 submission was assessed, this document also includes a brief overview of the CDP Climate Change Programme, the information requested and how the information provided by companies has been scored.

### Assessment of Group Five’s response

Table 1 shows the changes in Group Five’s disclosure score and performance band year-on-year. Although the questionnaire and scoring methodology changed slightly, the disclosure scores are largely comparable and performance bands are largely comparable. Group Five’s disclosure response has improved from 87 to 99, whilst the performance score remained static.

*Table 1: A comparison of Group Five’s 2012 to 2011 response*

	2012	2011
<b>Status</b>	Public	Public
<b>Disclosure Score</b>	99	87
<b>Performance Band</b>	B	B

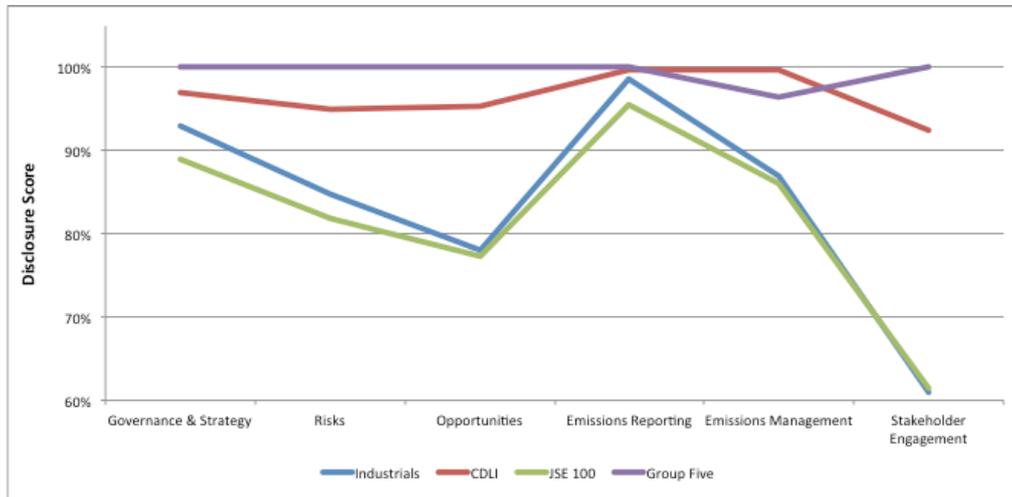
The excellent disclosure score reflects Group Five’s well thought through and consistent approach to answering the questionnaire, and suggests that Group Five has a thorough understanding of what factors it can and cannot control with respect to its carbon emissions. Group Five could use this understanding to establish targets where it is relevant to do so. Group Five’s ‘B’ Performance band would benefit from reducing carbon emissions in line with a public target. Verification of scope 3 emissions is another gap.

Figure 1 compares Group Five’s 2012 Carbon Disclosure score with the average score attained by:

- All 78 companies (note that only those companies that made their responses public were eligible for inclusion in the CDLI; the figure includes those companies that did not make their responses publicly available);
- The 12 companies in the 2012 CDP CDLI; and
- All the companies in the Industrials sector.



**Figure 1 Comparison of Group Five's Disclosure Scores for Key Questions<sup>1</sup>**



The six disclosure score buckets used for feedback purposes in CDP 2012 are defined as follows:

**Table 2: Disclosure buckets for CDP 2012**

Disclosure Score Bucket	Question Number
<b>Governance &amp; Strategy</b>	1-2.2, 14.1, 14.2
<b>Risks</b>	5
<b>Opportunities</b>	6
<b>Emissions Reporting</b>	7-8.5, 8.8-12.3, 15.1
<b>Emissions Management</b>	3, 13.1-13.4, 15.3
<b>Stakeholder Engagement</b>	2.3, 4.1, 8.6, 8.7, 15.2

The section below provides more detailed feedback and includes recommendations on how to improve in specific areas. The feedback has been arranged according to disclosure and performance, relating to the two different types of scores.

<sup>1</sup> Stakeholder engagement includes scores for verification



## **Positive areas**

### **Disclosure**

#### *Governance & Strategy*

- The governance section was faultless.

#### *Risks*

- The description of climate change risks was company- and sector-specific. This applies to the identification of all risk types.
- The responses on managing risks could be shortened, leaving out unnecessary information and focusing on the requirements of the questionnaire.

#### *Opportunities*

- The description of opportunities could be improved to be more specific to the sector as a whole and Group 5 specifically.
- The responses on managing opportunities could be shortened, whilst still addressing the requirements of the questionnaire.

#### *Emissions Reporting*

- This section was faultless.

#### *Emissions Management*

- One small error resulted in the loss of one point.

### **Performance**

#### *Governance & Strategy*

- A more succinct presentation of the process and outcomes of the strategy to address the specific needs of the CDP would be helpful.

#### *Risks*

- Methods used to manage risk and opportunities were generally of a high standard and financial evaluation was good. The responses could be structured to follow the questionnaire more logically and shortened considerably.

#### *Stakeholder engagement*

- Comprehensive verification of scope 1, scope 2 and scope 3 emissions is required for full performance points to be awarded.

## **Areas that need to be improved**

### **Disclosure**

An almost perfect score for disclosure means that improvement is difficult.

### **Performance**

#### *Emissions Management*

- The largest impact of poor scoring in this section was due to the absence of targets.
- Group Five's *increase* in carbon emissions intensities resulted in poor performance scoring.
- Emissions reduction activities were disclosed, but they could not be related back to targets (due to the absence of targets).

#### *Stakeholder Engagement*

- Verification of scope 1, scope 2 and scope 3 emissions is required for full performance points.



**General recommendations**

Recommendations for improving scores in the 2014 response will be included in the 2013 feedback that will be provided after the CDP launch event on 28 November 2013.



## Appendices

### **Appendix 1: Overview of Scoring Methodology**

#### **CDP disclosure areas**

The CDP information request covers three major areas:

- **Management** includes information on: responsibility for managing, and incentivising management of climate change (governance); management of climate change risks, engagement with policyholders and integrating climate change into the business strategy (strategy); the development of emission reduction targets and activities to achieve emission reductions (targets and initiatives); and communicating climate change related information outside of the CDP (communications).
- **Risks and Opportunities** includes disclosure on: the identification of regulatory, physical and other risks and opportunities driven by climate change; estimation of the financial implications of those risks and opportunities; methods used to manage those risks and opportunities; and the costs associated with these actions.
- **Emissions** includes disclosure on: the emissions collection methodology; the boundary and scope of data collected; verification of that data; actual emissions (Scope 1, 2 and 3); emissions performance (changes over time and emissions intensity); and, where relevant, information on biologically sequestered carbon the company's emissions trading activities.

The information requests across 2012 and 2011 are similar. Year-on-year comparisons are therefore possible. The CDP publishes the revisions to the information request in advance and highlights the year-on-year changes on their [website](#).

#### **Leadership Indices**

Each year company responses are reviewed, analysed and scored for the quality of disclosure and performance on actions taken to mitigate climate change. Leading companies are included on the CDP's Carbon Disclosure Leadership Index (CDLI) and the Carbon Performance Leadership Index (CPLI). Appendix 2 provides an overview of the disclosure and performance points awarded per section of the questionnaire. A comparison of the point allocation between 2013 and 2012 is also provided.

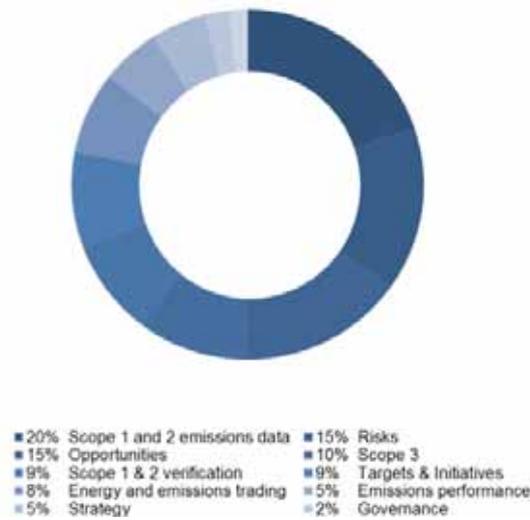
#### **The Carbon Disclosure Leadership Index (CDLI)**

- The top 10% of JSE 100 companies with the highest disclosure scores were included in the CDLI in 2013.
- To be included in the CDLI, companies had to respond using the Online Reporting System (ORS) prior to the deadline and provide a public response.
- The index highlights leaders in terms of transparency and accountability regarding climate change related issues and good internal data management practices.
- Only the company's CDP response was considered for scoring.
- Disclosure scores are an assessment of the quality and completeness of a company's response; they are not a measure of a company's performance in relation to climate change management (the scoring does not make any judgement over absolute levels of emissions, emission reduction achievements, or carbon intensity).
- Scores are plotted over a 100-point normalized scale.
- The same approach will be adopted in 2014.

The Carbon Disclosure score is more strongly weighted towards the disclosure of risks and opportunities and emissions data (including verification of those data). This is shown in Figure 2, below.



Figure 2: Approximate weighting of disclosure scores<sup>2</sup>

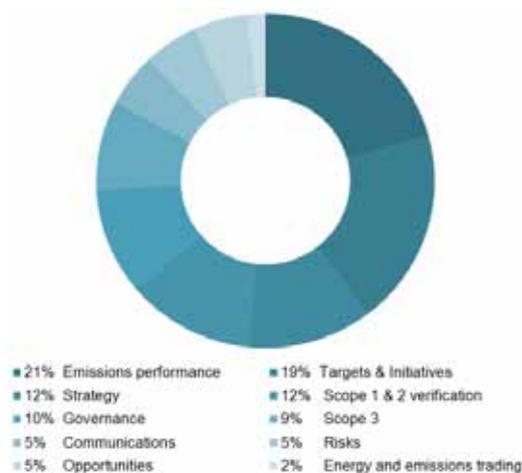


### The Carbon Performance Leadership Index (CPLI)

- Companies with the highest performance bands that meet additional ‘CPLI’ criteria are listed in the CPLI.
- Actions considered to be more fundamental to progress on combating climate change are awarded more points. External verification/assurance of emissions data is rewarded under the performance scoring as well as disclosure.
- There were five performance bands in 2012 and six in 2011. In 2014 the percentage ranges to be included in each band will only be set once all companies have been scored.
  - Appendix 3 indicates what the performance bands represented in 2012.
- A company could only receive a performance band if it scored at least 50 for disclosure.<sup>3</sup>

The Carbon Performance score is more strongly weighted towards the emissions performance and targets and initiatives. This is shown in Figure 3, below.

Figure 3: Approximate weighting of performance bands<sup>4</sup>



<sup>2</sup> The weighting may vary depending on the route taken in answering the questionnaire

<sup>3</sup> The performance bands in 2010 and 2011 are not comparable due to a change in the scoring methodology (the 2011 methodology included more questions) and due to a change in the range of scores included in each band. In 2010 Band B included a broader range of scores than in 2011

<sup>4</sup> The weighting may vary depending on the route taken in answering the questionnaire



## Appendix 2: Comparing 2012 to 2011 points allocation

The following table provides an indication of the allocation of disclosure and performance points within the different sections of the questionnaire. The “denominator” refers to the number of points available for a certain section. A company’s final score is normalised by dividing the score achieved by the score available and multiplying by 100. The denominator can vary depending on how a company answers the questionnaire. The table below presents the minimum and maximum denominator ranges for both the disclosure and performance scoring methodologies.

The table illustrates two key points: it highlights areas of the questionnaire that are more heavily weighted in terms of the two scoring types; and it shows that there has been no significant difference in the focus of the two scoring methodologies between 2012 and 2011. The biggest change relates to the increase in the proportion of performance points awarded for having targets (representing approximately 20% of available performance points in 2012). There are no significant differences in the focus of the disclosure scoring methodology.

	DISCLOSURE - Denominator range				PERFORMANCE - Denominator range			
	Min		Max		Min		Max	
	2011	2012	2011	2012	2011	2012	2011	2012
<b>Management</b>								
<b>Governance</b>	2	2	4	4	5	5	5	5
<b>Strategy</b>	5	8	11	10	9	10	9	10
<b>Targets &amp; Initiatives</b>	7.5	7.5	14	14	7	11	8	11
<b>Communications</b>	1	1	1	1	3	3	3	3
<b>Risks and Opportunities</b>								
<b>Climate change risks (regulatory, physical, other)</b>	30	24	36	36	0	0	9	3
<b>Climate change opportunities (regulatory, physical, other)</b>	30	24	36	36	0	0	9	3
<b>Emissions</b>								
<b>Emissions methodology</b>	3	3	4	4	0	0	0	0
<b>Emissions data</b>	33	32	36	35	7	0	7	0
<b>Emissions data 1: Boundary, Scope 1 &amp; 2 emissions, accuracy, exclusions</b>	NA	18	NA	20	NA	0	NA	0
<b>Emissions data 2: Scope 1 &amp; 2 verification, biologically sequestered CO2</b>	NA	14	NA	15	NA	7	NA	7
<b>Scope 1 breakdown</b>	1	1	2	2	0	0	0	0
<b>Scope 2 breakdown</b>	1	1	2	2	0	0	0	0
<b>Scope 2 contractual</b>	1.5	1.5	2.5	2.5	0	0	0	0
<b>Energy</b>	4.5	4.5	4.5	4.5	0	0	0	0
<b>Emissions performance</b>	5.5	5.5	9.5	9.5	9	9	10	10
<b>Emissions trading</b>	2	2	8	8	1	1	1	1
<b>Scope 3</b>	13.5	13.5	16.5	16.5	5	5	5	5
<b>Overall total</b>	<b>140.5</b>	<b>130.5</b>	<b>187</b>	<b>185</b>	<b>46</b>	<b>51</b>	<b>66</b>	<b>58</b>



### **Appendix 3: Carbon performance elements**

#### **The CDP 2012 climate performance bands**

The climate performance score is given as a banded score. Indicative descriptions of the bands follow and are for guidance only. The drivers of any individual company score may vary across a number of different indicators. As such, data-users should read individual company responses to understand the context for each business. Care should be taken when comparing performance across companies.

**Band A/A- (>85%)**

Fully integrated climate change strategy driving significant reduction in emissions due to climate change initiatives. An "A" signifies that in addition to achieving a score of more than 85, the company has met the additional criteria for entry into the Climate Performance Leadership Index (see below). An "A-" signifies that the company has achieved the high score, but not met the additional criteria.

**Band B (>60%)**

Integration of climate change recognized as priority for strategy, not all initiatives fully established.

**Band C (>40%)**

Some activity on climate change with varied levels of integration of those initiatives into strategy.

**Band D (>20%)**

Limited evidence of mitigation or adaptation initiatives and no/limited strategy on climate change.

**Band E (>0%)**

Little evidence of initiatives on carbon management potentially due to companies just beginning to take action on climate change.

**No performance band** is allocated below a disclosure of 50, as there would be insufficient information on which to base a performance score.