GROUP FIVE
structured ingenuity

Investor CDP Information Request

CDP 2014

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Report compiled by

PROMETHIUM CARBON

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Introduction

0. Introduction

0.1 Introduction

Group Five is a diversified construction, infrastructure concessions and services group with an international client base engaged in resources, energy and infrastructure delivery. The group operates in South Africa, broader Africa, the Middle East and Eastern Europe.

Group Five recognises the impact of its business on surrounding natural environments and understands that these impacts may affect the long-term sustainability of its business. The company operates its business cognisant of the climate change agenda and its presence in future low carbon economies. 2014 is the sixth successive year that Group Five is voluntarily reporting its climate change response to the CDP.

0.2 Reporting Year

Enter Periods that will be disclosed
01 July 2012 – 30 June 2013

0.3 Country list configuration

Select country
South Africa
Namibia
Mozambique
Zimbabwe
Uganda
Democratic Republic of the Congo
Burkina Faso
Tanzania
Sierra Leone
Saudi Arabia
Hungary
Poland
Ghana

0.4 Currency Selection

Select currency
ZAR

Management

1. Governance

Group and Individual Responsibility

1.1 Where is the highest level of direct responsibility for climate change within your organisation?

Individual/Sub-set of the Board or other committee appointed by the Board

1.1a: Please identify the position of the individual or name of the committee with this responsibility

Name of the individual:
Group Five's Group Risk Officer, Guy Mottram, has highest level of direct responsibility for climate change within the company.

Position in corporate structure:
Group Five's Group Risk Officer, Guy Mottram, reports directly to Group Five's Board of Directors and is a member of company's Risk Committee and Social and Ethics Committee. Guy Mottram manages Group Five's response to risk across all fields: legal, compliance, safety, competition, expansion and climate change.

Individual Performance

1.2 Do you provide incentives for the management of climate change issues, including the attainment of targets?

Yes

1.2a: Please provide further details on the incentives provided for the management of climate change issues.

Who is entitled to benefit from those incentives?	The type of incentives	Incentivized performance indicator
Chief Executive Officer	Monetary reward	Group Five's Chief Executive Officer is rewarded with share options based on the reputational value of the company. Group Five's response to climate change plays a role in this reputational value.
Environment/ Sustainability managers	Monetary reward	Group Five's environmental managers are monetarily rewarded for the implementation of green initiatives and GHG emission reductions. These managers are also recognised for creating awareness of Group Five's environmental and climate change responsibilities amongst employees and contractors.
Business unit managers	Monetary reward	Group Five's business unit managers are monetarily rewarded for identifying, developing and constructing green buildings and renewable energy projects.

Management

Who is entitled to benefit from those incentives?	The type of incentives	Incentivized performance indicator
Risk managers	Monetary reward	Group Five's remunerates its risk managers for identifying climate change risks and opportunities, and communicating these risks and opportunities across the group.
Board/Executive board	Recognition (non-monetary)	Group Five's executive board is recognised for overseeing the group's response to climate change and the achievement of GHG emission reductions. These managers are also recognised for creating awareness of Group Five's environmental and climate change responsibilities amongst employees, contractors and suppliers.

2. Strategy

Risk Management Approach

2.1 Please select the option that best describes your risk management procedures with regard to climate change risks and opportunities

Integrated into multi-disciplinary company-wide risk management processes

2.1a: Please provide further details on your risk management procedures with regards to climate change risks and opportunities

Frequency of monitoring	To who are results reported?	Geographical areas considered	How far into the future are risks considered?	Comment
Six-monthly or more frequently	Individual/ Sub-set of the Board or committee appointed by the Board	The geographical areas considered in the climate change risk management are countries where Group Five has an existing operation or is exploring growth opportunities. These countries are: South Africa; Namibia; Mozambique; Zimbabwe; Uganda; Democratic Republic of the Congo; Burkina Faso; Tanzania; Sierra Leone; Saudi Arabia; Hungary; Poland; and Ghana.	3 – 6 years	The risk management of climate change related issues is integrated into Group Five's corporate risk management strategy. Risk management is done on both a corporate level, as well as on a project by project basis. The scope of this risk management process includes physical, regulatory, market, customer perception and behaviour change.

Management

2.1b: Please describe how your risk and opportunity identification processes are applied at both company and asset level

Company level:

To help assess risks and opportunities at a company level, Group Five has implemented a Total Quality Management System that underpins every aspect of its operations and reinforces the centrality of sustainability and climate change to the business. The Group Risk Officer is responsible for risk management at the corporate level, and reports risks and opportunities directly to the Board. Ultimately the Board is responsible for overall risk management.

Group Five's Green Team was established to assess the impact of climate change on its business. This Team also shares best practices and green initiatives across the company, and reports on risks and opportunities to Group Five's Board of Directors. The risks and opportunities that are considered with regards to climate change are those driven by regulation, changes in physical climate parameters and changes in other climate-related developments.

Asset level:

Group Five's climate change risks and opportunities are assessed at an asset level for (a) all projects and sites, and (b) fixed operations and facilities. For new projects and sites, risks and opportunities inherent to each potential project are identified by the Risk Committee during the tendering phase of a project. A comprehensive review of commercial, financial, technical, operational, SHEQ and climate issues is performed prior to approving the project. Risks and opportunities for fixed operations and facilities are assessed by the Green Team, headed by the Group Risk Officer. Monthly contract and project review meetings are used to monitor and report progress on potential climate related risks and opportunities for projects and sites. Most sites also have Environmental Site Officers responsible for management of climate change risk and opportunities on-site. The group has an established enterprise risk management framework that allows management and the Board to analyse data related to risks and opportunities for individual projects and sites.

2.1c: How do you prioritise risks and opportunities identified?

Climate change risk and opportunity matrices are created as part of Group Five's integrated risk management process, and are based on the identification of risk and opportunity drivers. Risk drivers are any types of events that have the potential to disrupt business and impact local communities, have financial implications, or influence asset optimisation. Opportunity drivers are those events that have the potential to improve operations, allow for the diversification of business, or increase revenue.

The potential impacts associated with each climate change risk/opportunity driver are identified and rated separately. The risk/opportunity items are assessed with regards to the:

- Probability;
- Severity; and
- Consequence

Each of the abovementioned criteria have a pre-specified classification of potential with a different value attributed. These factors are multiplied together to get a total rating value for each item, known as the

inherent risk/opportunity (the risk/opportunity that Group Five faces if it does not take action). The inherent risk/opportunity rating is then recalculated based on actions already taken by Group Five – this is known as the residual risk/opportunity. If the residual risk is still considered unacceptably high, the risk is prioritised and further action is taken. If the residual opportunity is still high, Group Five prioritises the opportunity to exploit in the year (based on its financial viability).

Group Five's Total Quality Management System (which encompasses risk management) is certified and measured against formal standards. The relevant standards used as criteria to determine materiality/priorities are ISO 31000 (Risk Management), OHSAS 18000 (Safety, Health and Environment), and ISO 14000 (Environment).

Business Strategy

2.2 Is climate change integrated into your business strategy?

Yes

2.2a: Please describe the process of how climate change is integrated into your business strategy and any outcomes of this process

i. Group Five's business strategy has been influenced by climate change on a number of levels:
   - To source new business and projects from opportunities generated by both climate change mitigation (renewable energy, green buildings, etc.) and by climate change adaptation (infrastructure projects, etc);
   - To optimise existing projects with respect to climate change mitigation (fuel efficiency on site) and adaptation (safeguarding sites against flash floods, etc); and
   - To optimise fixed operations with respect to climate change adaptation and mitigation.

   The Green Team, which consists of champions in each of the operating divisions, are responsible for identifying climate change risks and opportunities. The Green Team has monthly meetings to monitor and review climate change risks and opportunities, and highlight issues of importance. The Group Risk Officer, who forms part of the Green Team, reports to the Board. Every six months the Board and executive committee consider any potential changes that are required in response to climate change.

   The Green Team is also then responsible for communicating Group Five's climate change strategy through the company. Communication of green initiatives is done via the 'Green Page' on the company intranet and monthly internal newsletters. Each champion is responsible for implementing and tracking performance of green initiatives within their own operating divisions. Annual feedback meetings with the heads of business units on the GHG inventory results and progress of the specific business unit also aid in communicating climate change related risks and opportunities.

ii. Market developments influenced by climate change regulation and global climate change perceptions have influenced the strategy of Group Five significantly - the global move to a carbon-constrained economy provides opportunities for business development in construction and low carbon energy solutions. Opportunities like the increased demand for green buildings and renewable energy resulted in Group Five dedicating two teams under the business unit 'Engineering and Construction' for the

identification and implementation of these types of projects. The decision to establish these teams was underpinned by the large emission reduction targets pledged by South Africa and the barriers associated with development of renewable energy projects. These teams have a goal to secure as many projects as possible under the Eskom Renewable Energy Independent Power Producers Procurement (REIPPP) programme.

Physical climate change aspects (such as extreme weather events, extreme temperatures and precipitation pattern changes) and regulatory climate change aspects (such as the imminent carbon tax and increased fossil fuel prices) have also influenced the strategy. Group Five's long term contracts are carefully worded to reduce weather related costs/penalties, and projects are insured suitably to have cover for these instances if they occur. With respect to projects currently in the books, the strategy has been adapted to take cognisance of increased energy costs (either direct cost or as a result of increased costs passed down via the supply chain) and the potential impact of the proposed carbon tax for South Africa.

iii. Group Five's short term climate change strategy (over the next two years) is aimed at positioning the company as the leading 'green building' construction company. Group Five believes that it can leave a legacy of buildings that not only aid in mitigating climate change, but also are built to withstand a changing climate. Group Five's employees are actively involved in the development of the Green Building Council of South Africa's (GBCSA) rating tools, and the company also has an employee on the board of the GBCSA. Group Five's marketing strategy has also been adopted to capitalise on promoting our leadership in the green buildings industry. Group Five has also moved its head office to a new five star green building in Waterfall Estate, Johannesburg.

iv. Group Five's long term strategy (5-10 years) is to invest in opportunities that are presented by climate change, such as renewable energy, energy generation from waste, independent power producers and nuclear readiness. Group Five has two dedicated teams for identification and implementation of these projects:
- A division of Infrastructure Development Services responsible for the development of renewable energy projects and bidding into the government program; and
- A division of Engineering & Construction to be involved as a contractor in the construction of renewable energy projects.

v. Group Five is gaining a strategic advantage over its competitors by:
- Effectively preparing for future legislations. Group Five's voluntary response to the CDP, coupled with 6 years of carbon footprint experience and external emissions verification, means that the group is well placed to meet SA's proposed air pollution, GHG, and energy reporting legislations.
- Group Five has incorporated the potential financial implication of carbon tax on its South African projects and contracts operations into all contracts, making the company well positioned to meet government's future tax regulations.
- Group Five's extensive renewable energy portfolio in South Africa optimises energy usage and manages energy costs.

vi. The most substantial business decisions made in this reporting year were to:
- Complete construction of 5-star green office building in Waterfall Estate, Gauteng. All Group Five divisions previously located in numerous office buildings across the province will be housed in this new green building, thereby reducing energy consumption and costs.
- Investment in energy efficiency and renewable energy projects that result in GHG emission reductions.

Engagement with Policy Makers

2.3 Do you engage in activities that could either directly or indirectly influence policy on climate change through any of the following?

Direct engagement with policy makers

2.3a: On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Carbon Tax	Support with minor exceptions	The most significant climate policy affecting Group Five's business is the impending South African carbon tax. The imposition of this tax has been delayed by one year to 2016 allowing adequate time to: – Align the tax with the country's proposed desired emission reduction outcomes; and – Ensure adequate time for consultation on draft legislation. Group Five understands the need to implement a carbon tax to reduce the country's carbon footprint. However, its view is that the method of taxation should balance the country's tax needs with industry's need to remain competitive (which is crucial to encouraging further investment in the South Africa, especially in the construction sector). Group Five has been engaging directly with National Treasury regarding the proposed South African carbon tax. The company has commented on Carbon	Group Five is concerned over the lack of clarity on the country's climate change strategy and what government is seeking to achieve in terms of climate change mitigation per sector. A customised sectoral climate change mitigation plan for the construction industry has not yet been developed. Currently there is an absence of guidance on how the construction industry should operate so as to support the country-wide objective of meeting South Africa's emission reduction pledge under the Copenhagen Accord. It is difficult for construction firms, including Group Five, to develop a green strategy if no clear indications are provided in this respect. Border tax is another issue of concern. For large construction projects, Group Five can either import or purchase local material (e.g. cement and steel). A carbon tax on input material will put local producers at an uncompetitive disadvantage, and favour inputs from other producers elsewhere. Suggested border tax adjustments and trade tariffs are not clearly defined in the Carbon Tax

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
		Tax Policy Paper released in March 2013, and has also participated in the carbon tax impact study by National Treasury to establish how local companies have responded to higher electricity prices and their ability to respond to further electricity price increases.	papers to date.

2.3h: What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Group Five's strategy in response to climate change is to engage with government in the development of policies and strategies to address energy efficiency and greenhouse gas reductions. Group Five forms part of the voice of the construction industry at monthly business meeting through the Business Unity of South Africa.

Group Five's Group Risk Officer, Guy Mottram, is responsible for the oversight of Group Five's climate change response strategy, and also coordinates the company's direct/indirect engagement with government on climate change related policy through the Green Team. This ensures that Group Five's direct and indirect activities that influence policy are consistent with the company's overall climate change strategy.

Management

3. Targets and Initiatives

Targets

3.1 Did you have an emission reduction target that was active (ongoing or reached completion) in the reporting year?

No

3.1e: Please explain (i) why you do not have a target; and (ii) forecast how your emissions will change over the next five years

i. Setting a target is a complex undertaking that requires a significant internal reporting process. Group Five is a diversified construction services, materials and infrastructure investment group. Therefore, its overall GHG inventory can be correlated to number and type of construction projects and contracts in a given year. Group Five's service offerings range from the manufacturing of construction materials at fixed sites (fibre cement, piping, fencing, etc), to temporary construction work in Africa and the Middle East. Group Five also partners with various firms on large infrastructure projects, and leases buildings when doing temporary work. This not only makes the calculation of Group Five's GHG inventory a complex undertaking, with the setting of targets for these operations an even more difficult task. With regards to Group Five's temporary/project-based construction work, the GHG inventory of each project is directly linked to its design which is dictated by the client. As such, Group Five does not have direct control of the GHG emissions from its project-based contracts.

   GHG inventory calculations in the in the project-based construction industry is significantly more complex than what it is for fixed operations and there is currently no international consensus on GHG accounting approaches. The major challenges are the setting of organisational and operational boundaries for complex projects built by consortiums and joint ventures (a common practice in the mega-projects we are involved in) and the alignment of greenhouse gas accounting systems for projects where the participants have different approaches due to the lack of standards. These challenges are further exacerbated by the split incentive barrier where the client (and ultimate owner of the project) has the biggest impact on the emissions through the design specifications, but counts the project's emissions as 'indirect emissions' and therefore has little incentive to reduce it.

   In this reporting year, Group Five contracted a carbon consultancy firm to develop a GHG Management Handbook in order to improve the consistency of GHG emission calculations. This Handbook will be applied in conjunction with a new 'green' system that will calculate emissions based on data captured in Group Five's financial system. This 'green' system has been developed by JD Edwards and will overlay the current financial system. This will ensure better measurement techniques are applied which will, in turn, result in better GHG management.

ii. Group Five is working towards the development of emission reduction targets for its fixed sites. It is anticipated that absolute emissions could be reduced by as much as 3% over the next four years, with 2012 as a base year. Whilst it is more complex to anticipate changes in absolute emissions for Group Five's project-based construction work, Group Five is working towards reducing the emission intensities of these operations over the next four years, as this will result in reduced costs.

Management

Emission Reduction Initiatives

3.2 Does the use of your goods and/or services directly enable GHG emissions to be avoided by a third party?

Yes

3.2a: Please provide details of how the use of your goods and/or services directly enables GHG emissions to be avoided by a third party

Group Five's services directly enable GHG emissions to be avoided in three ways:

1. Construction of green buildings:
Emissions are avoided by customers utilising the green buildings constructed by Group Five. On average, green buildings are expected to save between 30-50% of energy (and therefore emissions) through their lifetime when compared with conventional buildings. Group Five has constructed the following green buildings over the last two years:

- Nedbank Phase 2 in Sandton (4 star)
- Waterfall Office Park (5 star)
- DStv City (4 star)
- Cell C Campus (5 star)

When compared to conventional buildings, and assuming an average of 60 years lifetime for a building, the average avoided emissions of a new green office building over its lifetime is estimated to be 320,000 tonnes CO_2e.

2. Solar water heaters:
Group Five has a 25% share in Kayema, a solar energy system manufacturer which specialises in solar water heaters. An average solar water heater saves between 1 – 2 MW of grid electricity, equating to 7,500 tCO_2e per annum.

3. Renewable energy plants:
Group Five is also involved in the development of renewable energy projects. For every 1 MWh of renewable energy generated, 0.99 ton CO2 will be avoided by displacing an equivalent amount from the South African electricity grid. Group Five, in consortium with IBERDROLA INGENIERIA, will build two wind farms and two photovoltaic plants in South Africa with a total project cost of €265 million. The facilities to be built are the Dassiesklip wind farm (26.19 MW), the Jeffery's Bay wind farm (133.86 MW), the De Aar photovoltaic plant (48.25 MW) and the Droogfontein photovoltaic plant (48.25 MW). The plants will have a combined power generation potential of 257MW, with the opportunity to achieve between 3.5-5.5 million tons of CO_2 emission savings over 10 years of operation.

Management

3.3 Did you have emissions reduction initiatives that were active within the reporting year (this can include those in the planning and/or implementation phases)?

Yes

3.3a Please identify the total number of projects at each stage of development, and for use in the implementation stage, estimated CO2e savings

Stage of development	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	Not applicable
To be implemented*	2	6600
Implementation commenced*	1	1000
Implemented*	5	1816
Not to be implemented	0	Not applicable