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Many SA's agro-food companies are not prepared for long-term impacts of climate change

With Africa being highly vulnerable to climatic shocks, research by the University of Cape Town's (UCT) master's graduate Koaile Monaheng has shed light on how South Africa's agro-food sector — a crucial yet often overlooked industry — faces significant risks and impacts from climate change.

His dissertation, titled "Climate risk disclosure: An assessment of the South African agro-food sector", investigated the extent to which South African companies in the agro-food sector have incorporated climate change risks into their strategies and planning. The approach of this research was to go beyond the conventional high carbon-intensive sectors and bring to the fore sectors that are less carbon-intensive but arguably more prone to physical climate risk.

The research introduced a blended climate risk disclosure framework, which drew from international climate disclosure frameworks such as the Carbon Disclosure Project (CDP) and the Task Force on Climate-Related Financial Disclosures (TCFD). It analysed the role of climate change risk in the agro-food sector and described how climate risk is conceptualised and reported across different international contexts, generating a set of best practices against which to assess South African agro-food companies.

The results of South African companies indicated that environmental, social and governance (ESG) topics and climate risk reporting remain nascent in South Africa. There was no single clear front-runner in the South African introduced rankings through the climate risk disclosure blended framework.

The findings showed that the performance of the South African agri-businesses was not far off from that of their international counterparts in CDP climate change disclosure, with the majority performing on par with global best practices despite not being on the 'A list' of top performers leading the way in environmental transparency and performance on climate change disclosure. These findings are consistent with the National Business Initiative South African Climate Report, indicating that no other global sample surpasses South African corporates in identifying their climate risks and opportunities.

"Consequently, despite South African companies illustrating strong risk recognition in reporting, the disclosures on action and engagement are not as strong, and so these risks do not translate into progressive action," commented Monaheng, who graduated with a Master of Philosophy in Climate Change and Development on 4 September.

“Therefore, while there is evidence of good reporting on climate change risk present within the South African agro-food sector, greater detail on actions and implementation are needed,” he said.

In terms of TCFD recommendations that outline climate change governance, South African food retailers performed better than the agri-businesses. The same pattern followed for both transition risks and physical risks. Monaheng said South African companies understand and take seriously the importance of transitioning towards a low carbon economy in line with local legislation in their disclosures where they reference the Greenhouse Gas Protocol, the South African Carbon Tax and the Draft Climate Change Bill since the signing of the Paris Agreement.

“Generally, South African companies are not meeting climate-related or Greenhouse Gas (GHG) emission reduction targets, which include aligning with the 1.5°C Paris Agreement warming trajectory, aligning with the Science Based Targets initiative, and including scope 1, 2 and 3 reduction targets in their reporting,” he said.

The research found that most companies only disclosed information on scope 1 and 2 emissions. They described targets as 'under 2°C or well-below 1.5°C scenario' in line with South Africa's 2030 Nationally Determined Contribution (NDC) mitigation target, but not aligned with the global goal.

“The research adds to the literature, which notes that while the South African private sector prominently supports the Paris Agreement as a signatory by effectively endorsing the call for reduction of GHGs, there needs to be substantial improvements to be consistent with limiting warming to 1.5°C,” said Monaheng, adding that the finding reinforces calls for greater ambition and more concrete climate action from the South Africa government, with South Africa’s newly updated NDC in 2023 is still rated as “insufficient” (previously highly inefficient) when compared to its fair share contribution to climate action.

He added: “The research results suggested that the gap between climate change and food security needs to be closed. For instance, in 2024, scientists from southern Africa and Europe collaborated to assess how climate change has altered the severity of El Niño events, with some leading to droughts while others did not. This research can provide the foundation for agro-food companies and farmers to build and strengthen climate-resilient systems during extreme weather events.”

To meet the global target of 1.5°C warming trajectory, Monaheng said South African private sector companies, with the support of policymakers, ought to be encouraged to be more ambitious and go beyond compliance with the local legislation if they are to become industry leaders themselves.

“Policymakers, researchers, and industry could draw more attention to the agro-food sector, which remains highly vulnerable to climate risk due to projections of Southern Africa’s water scarcity in the region, the deficit in water availability, the dependency on rain-fed agriculture, and the impact of extreme weather, such as floods and drought. The magnitude of damage by the 2022 KwaZulu Natal floods and the 2023/24 El Niño Southern Oscillation droughts are examples of the urgent action to address climate risks in Southern Africa,” he said.

While climate risk disclosure in the South African agro-food sector still has a long way to go, the research showed that some companies are making strides in acknowledging climate-related risks and are on par with international industry leaders and global best practices.

Monaheng said the varying levels of commitment and inconsistency in physical climate risk reporting leave many companies unprepared for the long-term impacts of climate change.

“If companies cannot respond effectively by failing to adapt to climate change, they will not survive,” he added.

He said the high degree of prioritisation of climate-risk governance in integrated reporting by South African companies speaks to the strong integration of climate change into their governance process, which should be matched with building physical resilience to climate-related risks.

Koaile Monaheng Photo: Supplied

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