Transaction support, due diligence and accounting advisory

Have you taken steps to ensure that the sustainability and climate change risks associated with your transaction have been evaluated?

Do you have sufficient information to manage the risks in your transaction, and to negotiate effectively on price?

Have you considered how to address sustainability and climate change risk in the management of a new business entity once the transaction has been completed?

Why this issue is important:

The value of transactions can be significantly influenced by environmental factors and accounting issues, and broader issues relating to corporate responsibility. Buyers and sellers need to understand the environmental, social, ethical and economic risks related to their transactions that can impact operating costs, compliance and financial reporting. In addition, carbon credit financial accounting and reporting issues are increasingly becoming a part of deals.

Our approach

PwC undertake a systematic review of the risks and liabilities arising from a transaction, and assess their financial reporting impacts. This includes risks related to operational environmental performance, legal compliance, reputation and stakeholder pressures. We also provide ongoing transaction support in transaction negotiations and in the development of systems to manage significant risks and liabilities. Finally, we advise companies on sustainability and climate change-related financial accounting and reporting issues.

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Creating long-term value
Sustainability and Climate change

Sustainability and Climate Change

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Climate change policy and strategy development

What are the business risks your company faces due to climate change?

Are you confident that you are effectively managing climate change risks and opportunities that affect your business?

How does your organisation measure up against its peers in terms of climate change management response?

Why this issue is important:

- Climate change is a global challenge that is affecting the way that organisations do business. Developing a climate change policy and strategy allows a company to effectively manage climate change risks and pursue opportunities.
- There is a lack of climate change awareness/preparedness among the local business community where, increasingly, a premium is being placed on a sound, demonstrable climate change strategy.

Our approach

PwC can assist you in developing a specific climate change strategy, highlighting regulatory risks, legal risks, opportunities, physical risks, reputational risks and the best path forward for you. This includes relevant business examples and benchmarking of similarly placed industries.

Monitoring, reporting and verification

Have you integrated climate change risk management throughout your organisation?

Are you aware of the South African Government's requirements for monitoring, reporting and verification?

Have you quantified your company's carbon footprint?

Are there carbon emission reduction opportunities within your company?

Do you have an action plan that optimises business value by managing your carbon assets and liabilities?

Why this issue is important:

Given the nature and implications of climate change and the economic and social implications of effective climate change responses, decisions must be based on accurate, current and complete information in order to reduce risk and ensure that interventions are effective. In the National Climate Change Response White Paper (2011), South Africa has committed to ensuring that nation-wide climate change and atmosphere monitoring systems are maintained and enhanced where necessary, and that climate change impacts are monitored at appropriate spatial density and frequency. To monitor the success of responses to climate change and to replicate the ones that have worked well, we need to measure their cost, outcome and impact. To this end, South Africa will design and publish a draft Climate Change Response Monitoring and Evaluation System.

The system will evolve with international measuring, reporting and verification (MRV) requirements. South African businesses have a role to play in MRV.

Other important benefits are also evident:

- Financial and marketing benefits of voluntary carbon disclosure in current and future markets (e.g. emissions disclosure to the Carbon Disclosure Project (CDP) for Top 100 JSE-listed companies).
- Financial benefits resulting from insight into emissions and identification of reductions/energy savings opportunities, identification of Clean Development Mechanism (CDM) and Carbon Credit generation potential.
- Results of the carbon footprint form the basis for the formulation of a climate change strategy.
- Carbon has a cost in those jurisdictions that have emissions trading schemes or carbon taxes and many jurisdictions (including South Africa) are either in the process of introducing these or are considering them.

Our approach

PwC offers quantification of the carbon footprint of a business using accepted international methodologies and South African/industry-specific emissions data. In addition, we assist in the identification of possible emissions reduction opportunities across the organisation.

Greenhouse gas assurance

Would reporting your greenhouse gas (GHG) emissions publically in your sustainability report or forum like the Carbon Disclosure Project (CDP) raise your company's profile as an early mover in the carbon space and as a responsible corporate citizen?

Is your board confident in the processes for reporting on key sustainability issues, such as greenhouse gas emissions?

Should you be using independent third-party assurance to demonstrate the reliability of your greenhouse gas information?

Why this issue is important:

- Greenhouse gas assurance is increasingly being recognised as best practice. The CDP encourages respondents to not only disclose their GHG emissions but also to obtain third-party verification of emissions.
- Directors may feel they need a higher level of comfort for the sustainability information in their company's report, especially greenhouse gas information as it becomes more closely linked to financial reporting through the provisions of the King Report on Governance for South Africa 2009 (King III).
- Greenhouse gas assurance provides internal comfort that carbon footprint calculations or reporting of greenhouse gas information is accurate.

Our approach

PwC assesses your carbon footprint calculation against agreed assurance criteria:

- Reviewing systems and documentation
- Performing systems testing and analytical procedures where necessary
- Report to management on the reliability of carbon footprint
- Express an opinion to be published

Environmental tax incentives

Are you taking advantage of the available environmental tax allowances, incentives, and opportunities for strategies your company is considering or may have already invested in?

Is your tax department involved in your company's overall 'green' strategy?

Are you aware of the current and pending modifications to climate change and energy tax legislation that may provide financial benefits to your organisation?

Why this issue is important:

The available tax incentives are designed to encourage and enhance the financial viability of projects that result in environment-friendly outcomes and are applicable to any potential projects identified as a result of carbon footprint or Life-Cycle Assessment (LCA) projects. These incentives take the form of accelerated or additional tax allowances and the ability to turn carbon credits into tax-exempt income.

Our approach

PwC can help your company manage your energy investment decisions and reduce costs by providing insight into the availability of tax incentives and the relative value of various tax incentive options; and provide insight into upcoming energy and tax policy proposals to keep you ahead of the curve.

Carbon project financing

Has your company identified opportunities for carbon credit generation but require structured financing for the project(s) to be viable?

Is your company taking advantage of available governmental funding, incentives, and opportunities for the development of low-carbon strategies or technologies?

Why this issue is important:

The cost of mitigating climate change is estimated at $1.3 trillion by 2050. Funding will have to come from public and private sector financing. Our services enable clients to turn a project concept into an operational asset. Raising carbon project funding for CDM and voluntary carbon markets can potentially be done more cost effectively than traditional funding, thus increasing project viability and investor returns.

Our approach

PwC provides advice on how to raise funding for CDM projects. This includes reviewing and advising on various sources of potential funding, the cost of such funding and likely associated terms and conditions. We are also able to assist clients in raising carbon project funding, including liaising with funders, negotiations, commercial input into final legal agreements and overall project management.

Engaging employees on climate change and the sustainability challenge

How is your climate change or sustainability programme going to succeed if your people don't play their part?

Why this issue is important:

Companies with existing climate change/sustainability agendas recognise that cultural change is needed to make that agenda effective.

Our approach

PwC provides advice on aspects including:

- raising climate change/sustainability awareness among employees and improving employee engagement in the pertinent issues
- ensuring that employees are equipped to take forward the company's climate change agenda and to drive change
- mobilising leadership
- engaging and communicating with employees
- embedding the climate change/sustainability agenda in business as usual
- incentivising, rewarding and recognising employees who espouse the principles of the climate change/ sustainability agenda