

The business case for corporate water stewardship

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CDP

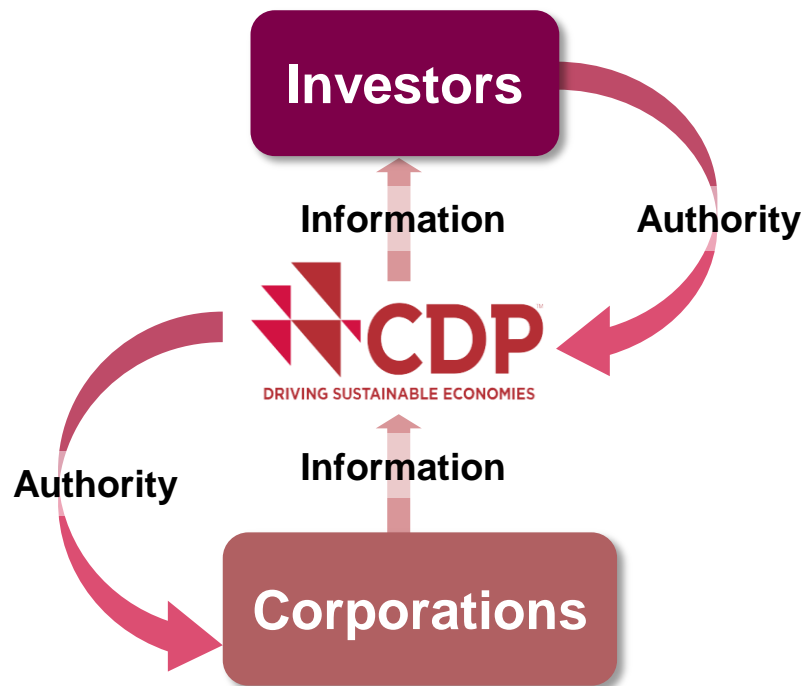
A not-for-profit that has pioneered and provides the only global natural capital disclosure system for companies and cities to measure, manage and share vital environmental information.


A critical role in driving a transition towards sustainable economies.

What we do

- ▼ Work with investors
- ▼ Climate change program
- ▼ Water program
- ▼ Supply chain program
- ▼ Forests program
- ▼ Cities program
- ▼ Work with governments & policymakers

CDP operates on behalf of investors and purchasers





To catalyse corporate action to protect water resources and enhance water security

- Vision, CDP's water program



Investor interest in water is rising

Water 2014

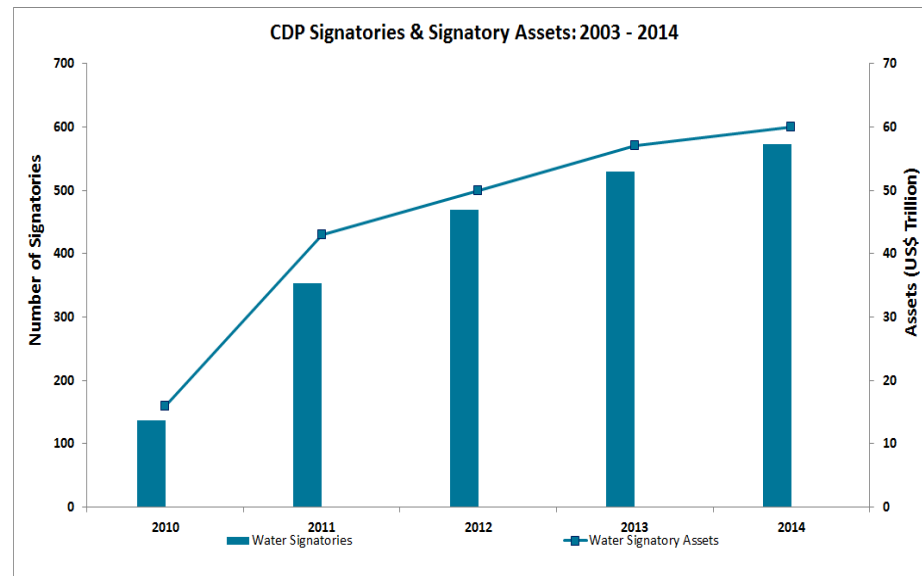
573 institutional investors

US\$60 trillion in assets



Investors use CDP to...

- ▼ Gather data and drive corporate action to reduce water risks.
- ▼ Hold companies accountable for the economic, environmental and human consequences of their water use and management.
- ▼ Move the market beyond business as usual, to protect assets from current and future water risk and catalyse action to enhance water security.



Investors are waking up to water risk

“Water scarcity on a global scale represents a financial risk to the fund.

Economic growth, industrialisation and population growth are driving the increasing demand for water, while factors such as climate change, pollution and regulation are affecting the supply and costs related to water.”

NBIM Investor Expectations



Customer interest in water is rising

Water 2014

14 global purchasers

US\$214 billion procurement spend

2014 CDP supply chain water members

BMW Group



JUNIPER
NETWORKS



L'ORÉAL

NISSAN MOTOR CORPORATION



PHILIP MORRIS INTERNATIONAL



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Realizing the true value of water



What are you doing about water?

2014 key CDP water stats

- ▼ These key stakeholders invited 2,400 heavily water dependent companies to disclose business critical water data via CDP's water program
- ▼ 1,014 companies responded from a range of sectors and financial markets

Targeted industry sectors include:

- apparel
- chemicals
- food & beverage
- metals & mining
- oil & gas
- pharmaceuticals
- power generation
- semiconductors

Key stakeholder concerns

- ▼ Water is having more rapid and unavoidable consequences for some businesses than carbon
- ▼ Water availability and scarcity is constraining growth for almost one quarter of respondents
- ▼ Companies and suppliers are already facing disruptions in their business due to water challenges
- ▼ Growing number of companies are finding themselves in conflict with communities and regulators over access to water

Substantive risks are becoming more immediate

68%

Substantive risks anticipated to impact now or next three years

19% increase from 2012

American Electric Power forecasts **US\$1 billion costs** due to new Environmental Protection Agency water regulations affecting as many as 31 coal-fired power plants



Water is already halting business

53%

Companies that have already suffered detrimental impacts from water

40% increase from 2011

Barrick Gold suspends construction of \$8.5 billion Pascua Lama Mine in Chile due to water risks and stringent permitting conditions



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Water scarcity: evaporating growth?

▼ “The growth of our products is at risk. The use of Unilever products can account for over 90% of domestic water use. Those consumers experiencing water scarcity are making trade-offs about which household tasks will get their scarce ration of water.”



Sectors most affected

Figure 1: Sectors most exposed to substantive water risks

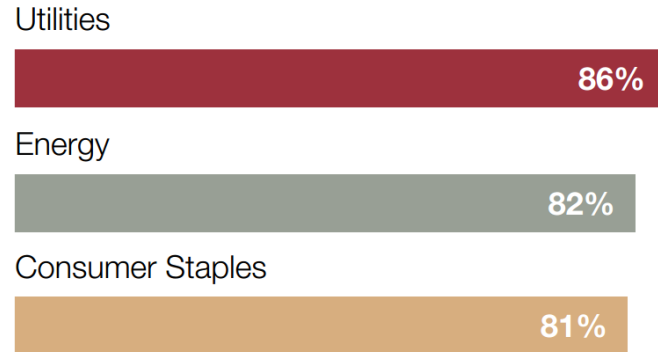
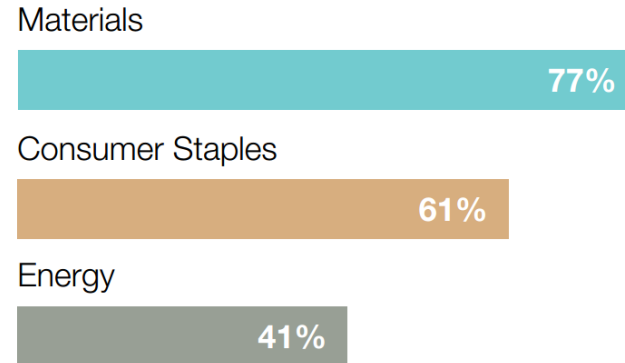
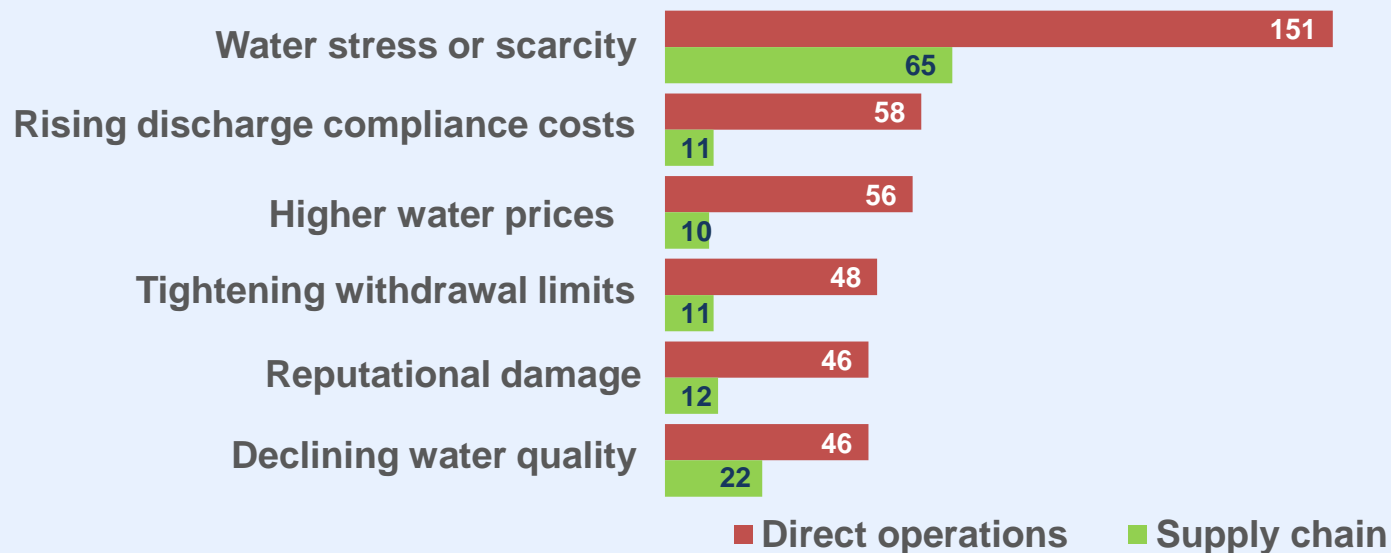


Figure 1a: Sectors most impacted by water in reporting period



Water risks



Most businesses are ill prepared to deal with the challenges

▼ Most companies do not understand water risk:

- ▼ Have gaps in their water use data
- ▼ Focus on managing direct water use
- ▼ Undertake one-off 'CSR' initiatives
- ▼ Underestimate the immediacy of water risks

Most businesses are ill prepared to deal with the challenges

▼ Most companies are missing opportunities:

- ▼ Do not think about water risk strategically
- ▼ Fail to engage at a river basin level
- ▼ Pursue ad hoc strategies and set meaningless targets
- ▼ Fail to address underlying water risk drivers and protect or enhance business value

There's no value in being a clean fish in a dirty pond

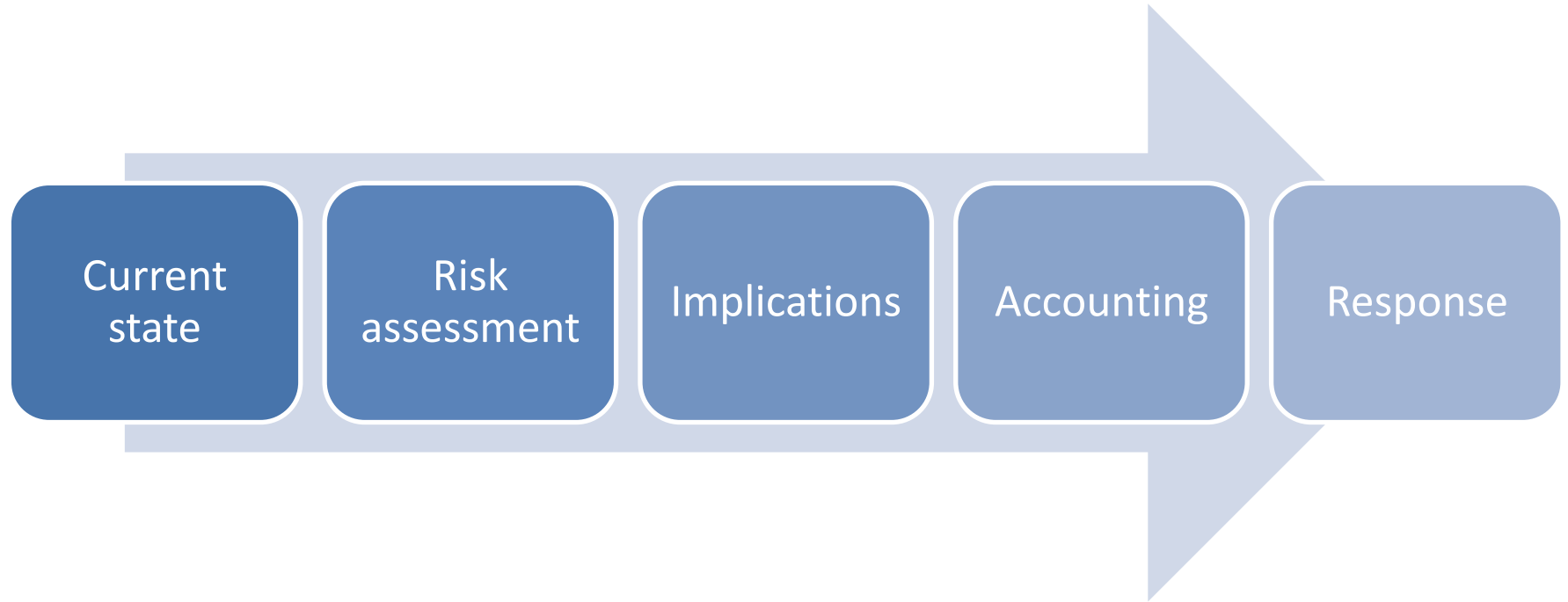


Corporate water stewardship including disclosure has a key role

▼ Water Stewardships and Disclosure will:

- ▼ Require companies to ***enhance their understanding*** of the issues, risks and opportunities in their own businesses;
- ▼ Support efforts to ***develop standard measures*** and performance benchmarks
- ▼ Provide companies, investors and other data users with ***better information***
- ▼ ***Encourage and support meaningful action*** and dialogue; and
- ▼ ***Enhance business resilience and water security***


CDP's water information request – A journey to stewardship



CDP offers a range of free and extensive support

- ▼ CDP Questionnaire
- ▼ CDP scoring methodology
- ▼ CDP Water Leadership Index
- ▼ CDP webinars, workshops and guidance
- ▼ CDP Data
- ▼ CDP Reports
- ▼ CDP Alliances






ICCR uses CDP's water data to understand companies' water-related risk exposure and water stewardship opportunities.

- Interfaith Centre for Corporate Responsibility





Companies that respond to the questionnaire signal to our investor coalition that they are strategically measuring and addressing water related risks.

- **Interfaith Centre for Corporate Responsibility**



Key takeaways

- ▼ Increasing number of investors understand the real value of water and are using CDP to secure the value of their portfolios.
- ▼ Water security is affecting business today and many risk drivers cannot be tackled alone.
- ▼ Corporate water stewardship is emerging as a viable way to address corporate water challenges, enhance shareholder confidence and boost water security for all.

Any questions?



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