

PROLIFERATION OF TERMINOLOGY USED FOR DISCLOSURE

CDP Water Disclosure 2013 Information Request

Risks & Opportunities

2. Risk indicators

Operations

2.1 Are any of your operations located in water-stressed regions?

2.1a Please specify the method(s) you use to characterize water-stressed regions.

2.1b Please list the water-stressed regions where you have operations and the proportion of your total operations in that area.

Companies identify operations in water-stressed areas, when:

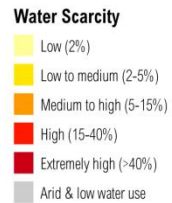
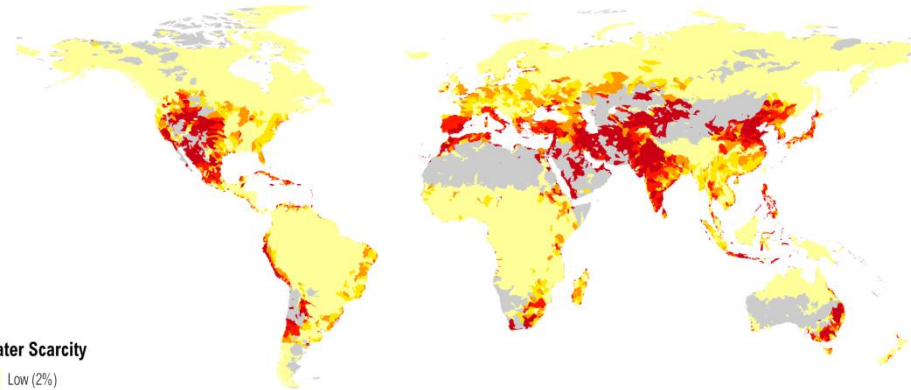
- **Baseline water stress** is greater than 40%.
- **Annual renewable water supply per person** is less than 17,000m³.
- **Physical water scarcity** is greater than 75%.
- **Annual average monthly blue water scarcity** is greater than 100%

CURRENT WRI DEFINITIONS OF WATER STRESS & SCARCITY

Water scarcity:

Water consumption

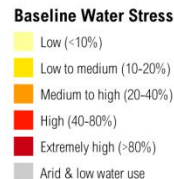
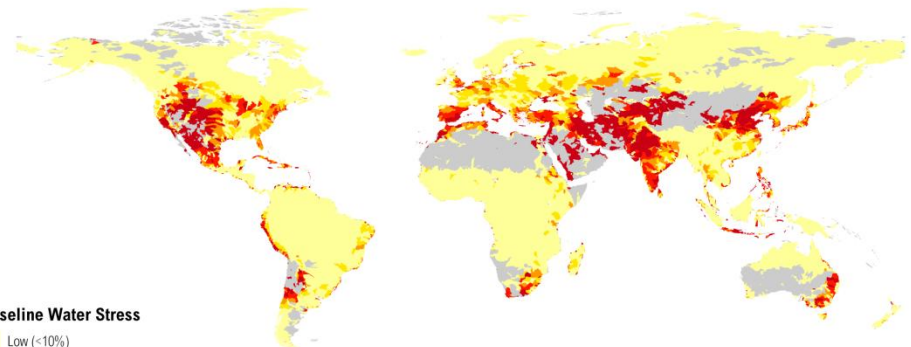
Available renewable supply



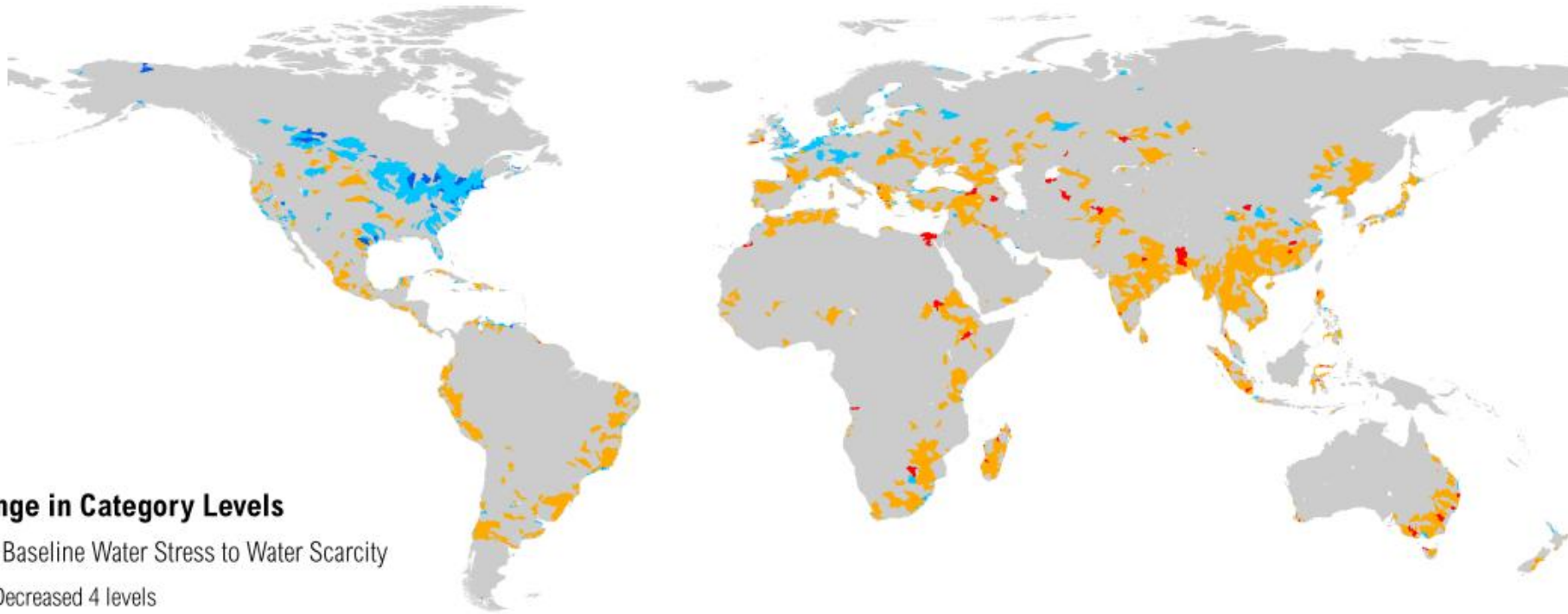
Water stress:

Total water withdrawals

Available renewable supply



REGIONAL DIFFERENCES BETWEEN WATER STRESS & SCARCITY



Change in Category Levels

From Baseline Water Stress to Water Scarcity

- Decreased 4 levels
- Decreased 2 levels
- Decreased 1 level
- No level change
- Increased 1 level
- Increased 2 levels

STEPS TOWARDS HARMONIZATION OF CORPORATE WATER RISK TERMINOLOGY

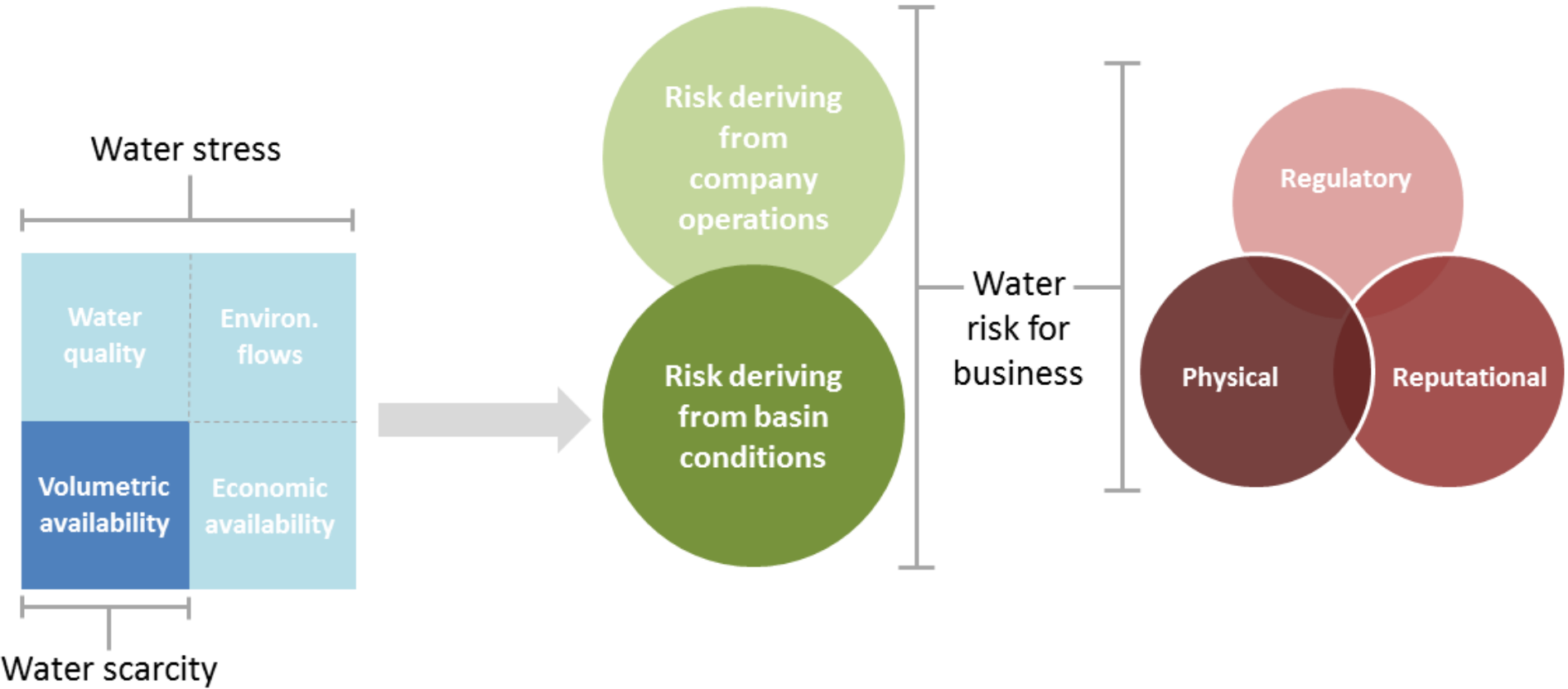
*“What does each term conceptually mean for the corporate water manager to **reduce confusion** and **provide comparable reporting**?”*

- Pacific Institute
- CDP Water
- WWF
- Ceres
- Alliance for Water Stewardship (AWS)
- The Nature Conservancy (TNC)
- World Resources Institute (WRI)
- Water Footprint Network

CONCEPTUAL DEFINITIONS OF WAER SCARCITY, STRESS & RISK

- **Water scarcity:** The volumetric availability, or lack thereof, of water supply
- **Water stress:** The ability, or lack thereof, to meet human and ecological water demand
- **Water risk:** The probability and severity of an entity experiencing a deleterious water-related event
- **Water risk for business:** The ways in which water-related issues potentially undermine business viability specifically

RELATIONSHIP BETWEEN WATER SCARCITY, STRESS AND RISK



RELATIONSHIP BETWEEN WATER SCARCITY, STRESS & RISK



- Simple
- Reflect objective & physical realities
- Suitable for quantitative measurement

- Complex
- Reflect socioeconomic and political conditions and subjective human values, in addition to physical realities
- Difficult to quantify

POSSIBLE APPLICATIONS OF THESE TERMS IN A BUSINESS SETTING

- **Water scarcity:** Assesses and compares the health of river systems, but does not serve as an effective proxy for “water risk”
- **Water stress:** A way of understanding where there is conflict among human and ecological uses of water, thus a useful proxy for “water risk”
- **Water risk:** Serves as a compilation of ways water issues may affect governments, communities, businesses, others

AREAS OF DIVERGENCE

Environmental flow requirements:

- Tool developers and organizations differ on how/whether environmental flow requirements should be included when calculating water availability

Water stress:

- Tool developers and organizations differ on whether water stress refers specifically to physical conditions and physical water risks, or rather includes a wider range of socioeconomic and political factors, such as governance capacity and ability to afford water services.

Q&A

- Are the proposed conceptual definitions for these terms viable?
- Is the proposed relationship among these terms logical and useful?

NEXT STEPS