





CDP - Interactive Dialogue on Defining and Scoring Water Stewardship at the Corporate Level

April 10 2014

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Agenda

- ▼ Introduction to CDP's work on water
 - ▼ Rationale and approach to CDP's water scoring
 - ▼ Deep dive into key aspects of the methodology
 - Establishing a leading approach to water risk assessment - how can we measure it?
 - Investors want confidence that you are mitigating your water risks - how can we measure and communicate this?
 - Leadership criteria - What defines a leader now and what would we expect to be the norm in 5 years?
 - ▼ Summary of the whole
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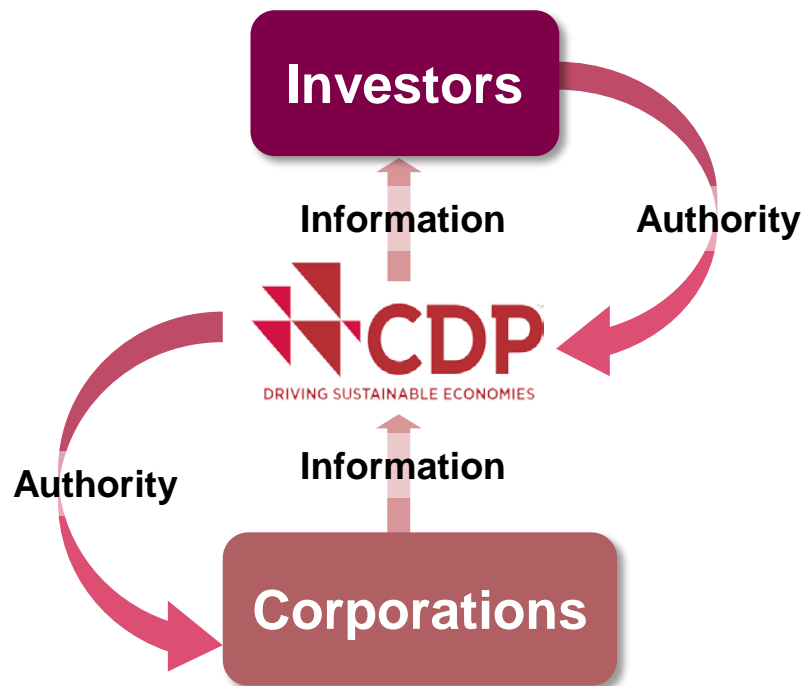
CDP

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 sustainable economies.

- ▼ CARBON ACTION
- ▼ CITIES
- ▼ CLIMATE CHANGE
- ▼ CLIMATE DISCLOSURE STANDARDS BOARD
- ▼ FORESTS
- ▼ REPORTER SERVICES
- ▼ SUPPLY CHAIN
- ▼ WATER

CDP operates on behalf of investors and purchasers



Investor interest in water is rising

Water 2014

573 investor signatories

US\$63 trillion in assets

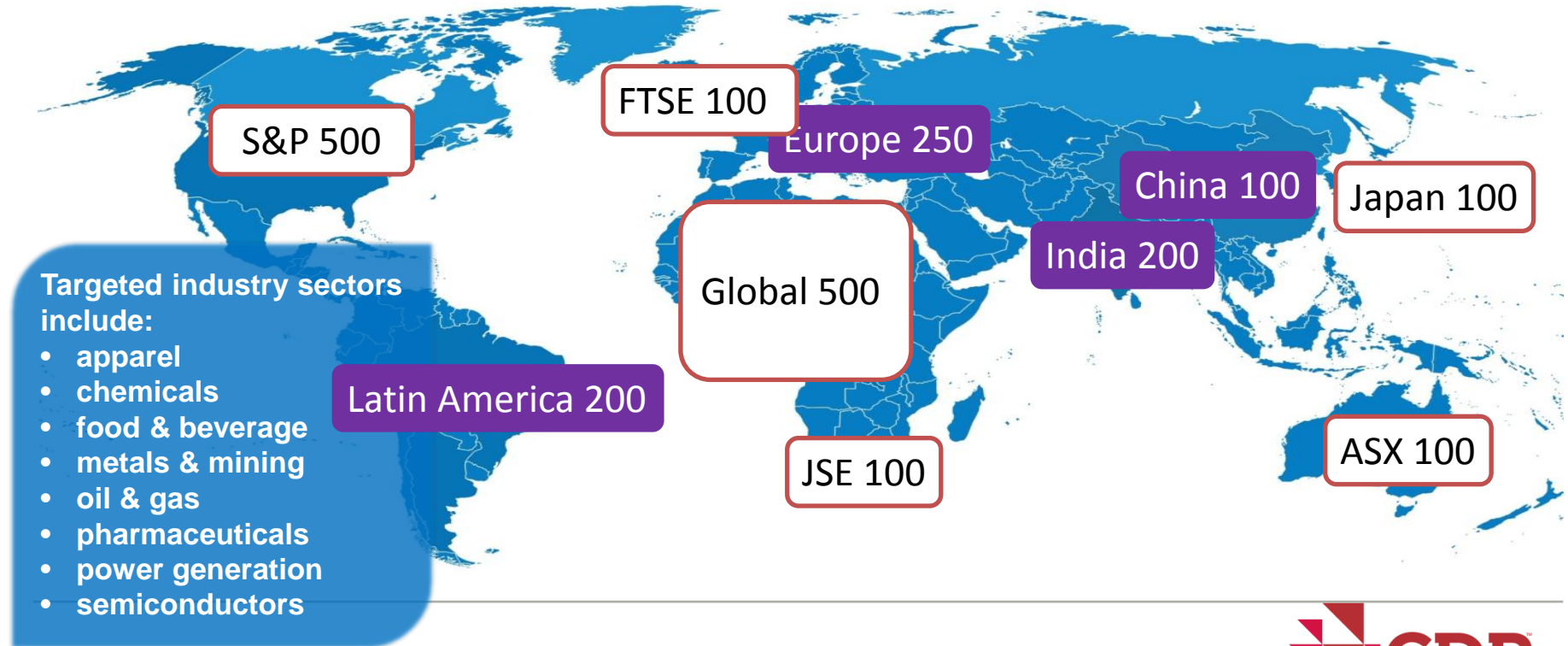
How resilient is a business in the face of water challenges?

Water issues are poorly understood in many businesses

- ▼ Some companies clearly recognise water as an issue, but **too few recognise its importance or understand the risk drivers**:
 - Regulatory (or lack of regulations)
 - Reputational
 - Physical
- ▼ Too few companies disclose **meaningful or comparable water** data as part of their (CSR) reporting
- ▼ The **immediacy of risks is underestimated**
 - Water shortages and restrictions in licenses to operate may not be as far away as some companies think

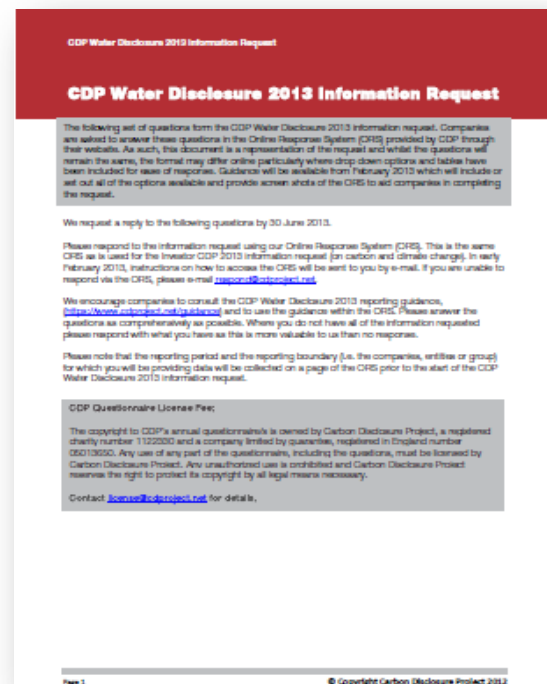


2,600 target companies in 2014



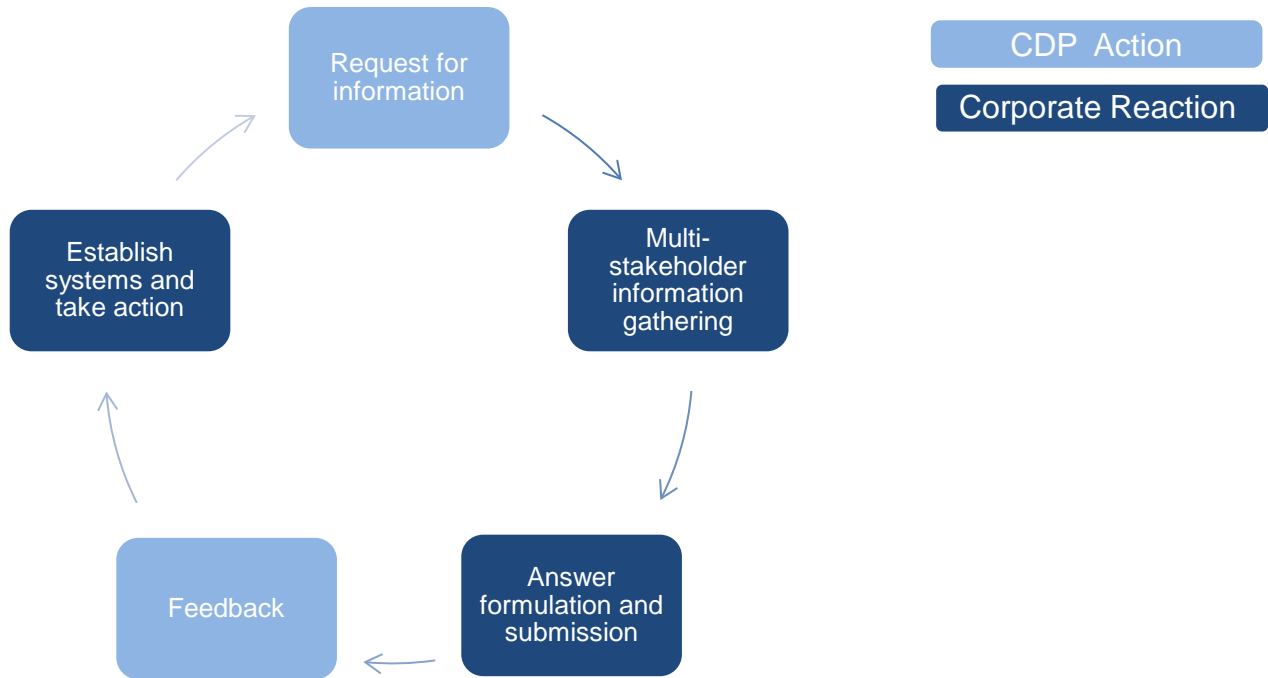
CDP water information request

- ▶ Drive greater transparency and make meaningful reporting on water standard corporate practice globally
- ▶ Facilitate informed decision making and promote better understanding of water risk
- ▶ Promote more competent and robust governance and action on water issues
- ▶ Incentivize sustainable, long-term thinking, action and business planning
- ▶ Support and accelerate the development of standard water metrics and performance benchmarks





CDP provides a transformative process



Realizing the true value of water



Investors recognise transparency as leadership



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

Interfaith Centre for Corporate Responsibility



Investors recognise transparency as leadership

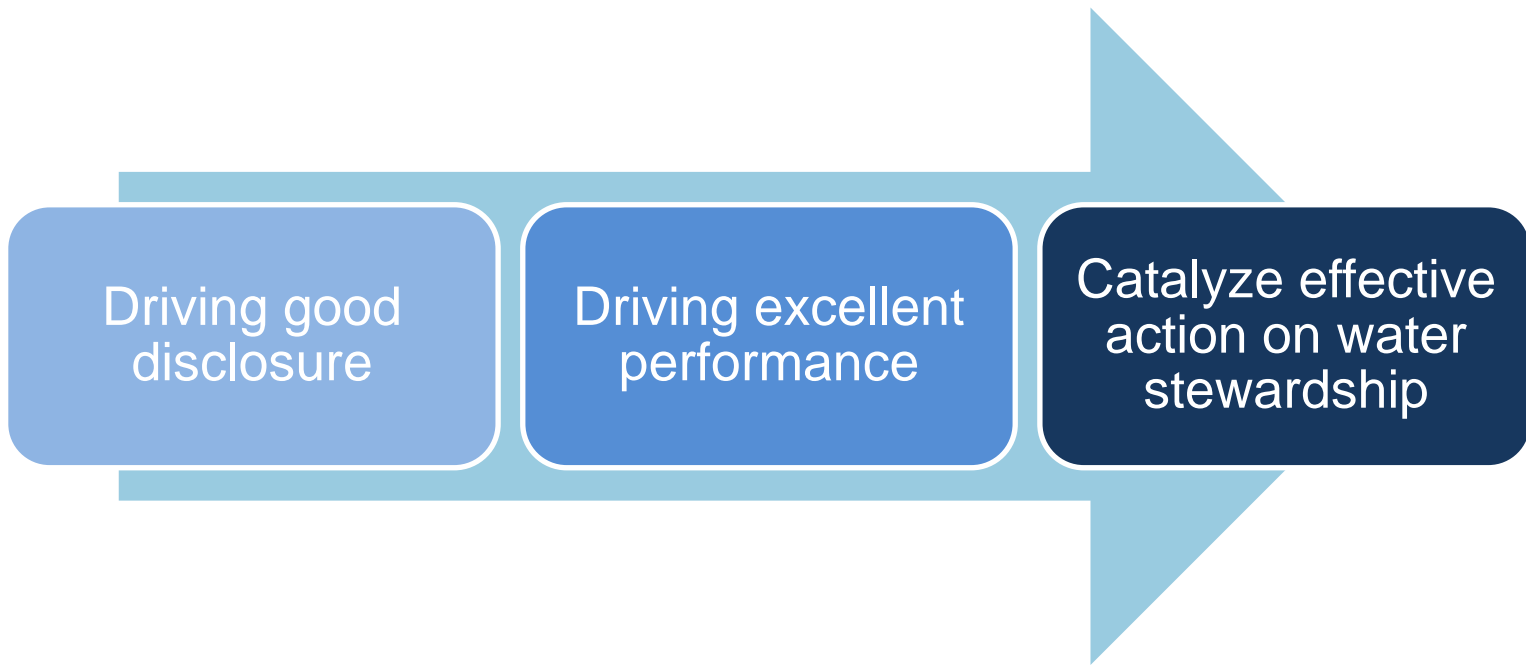


Companies that respond to the questionnaire signal to our investor coalition that they are strategically measuring and addressing water related risks.

Interfaith Centre for Corporate Responsibility



CDP is not just about disclosure



Our work is having an impact and changing behaviour

2011 to 2013

- ▼ 20% increase in proportion of respondents reporting exposure to water-related risks with potential to have substantive business impacts
- ▼ 50% increase in proportion of respondents engaging on water across their supply chain
- ▼ 18% increase in proportion of respondents able to identify linkages or trade-offs between water and carbon emissions in their operations or supply chain

It's time to keep score on water

- ▼ Facing increasing corporate and investor demand for scoring responses to:
 - ❑ Catalyse changes in corporate behaviour
 - ❑ Provide insights into the characteristics, good practice and common trends among companies on water stewardship
 - ❑ Provide objective feedback to each responder
 - ❑ Provide a useful benchmarking metric for investors
- ▼ CDP wants to separate the rhetoric from the reality to catalyse greater corporate water stewardship



Introducing water scoring



Water scoring: background

- ▼ In 2014 we are launching our pilot water scoring methodology
- ▼ Scoring
 - provides feedback
 - facilitates engagement
 - drives action
- ▼ Private pilot in 2014, roll-out 2015



Why score?

- ▼ Drive behaviour change
- ▼ Improve data quality and reliability
- ▼ Recognition
- ▼ Benchmarking
- ▼ Education



Water scoring principles

▼ Universal

▼ Fair

▼ Effective



Scoring water: challenges

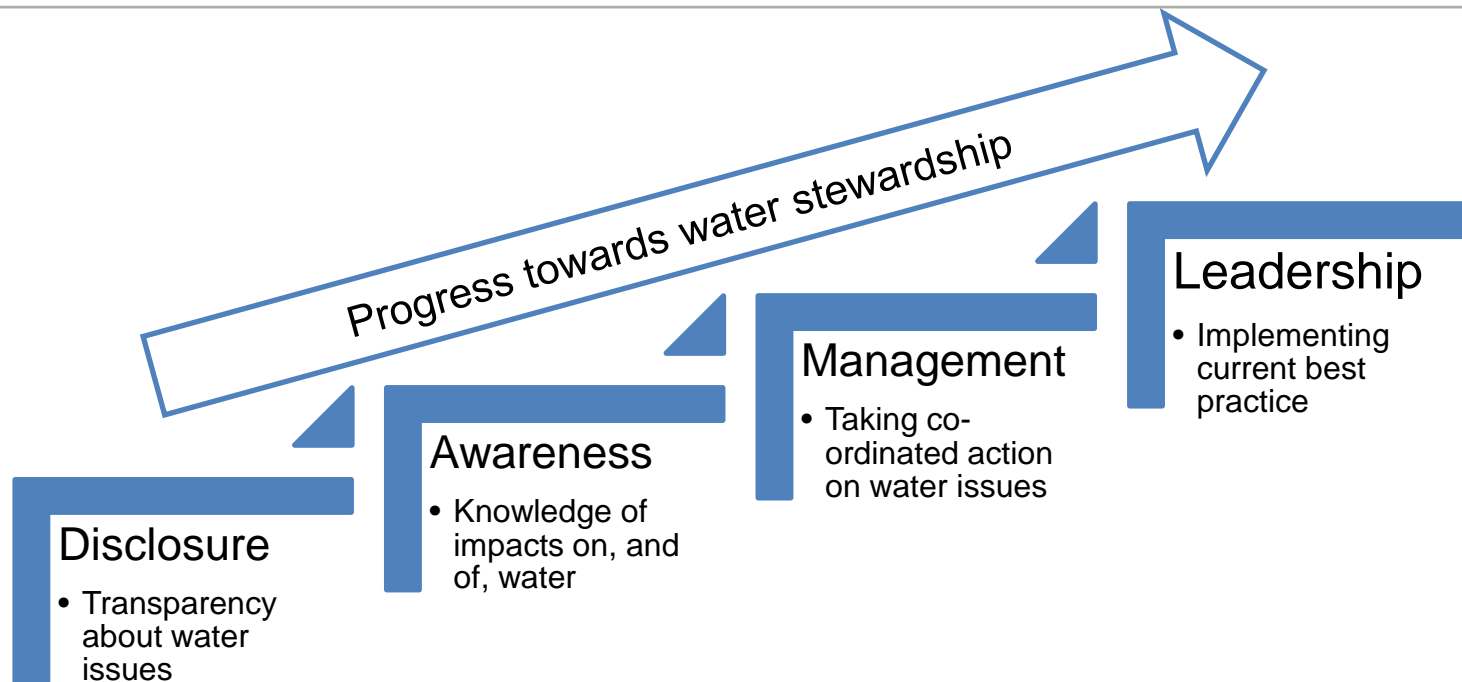
- ▼ Local
- ▼ Emerging
- ▼ Evolving
- ▼ Complex



Therefore, at this stage CDP water scoring will emphasise management policies, processes and strategies at the corporate level over specific, local water risk management



Stewardship scoring levels





Score distributions

Question Number	Module	Disclosure Scoring / % weighting	Awareness scoring	Management scoring	Leadership Scoring
W0	Introduction	3%			
W1	Current state	7%			
W2	Risk Assessment	16%			
W3	Risks	21%			
W4	Opportunities	6%			
W5	Accounting	22%			
W6	Governance & Strategy	9%			
W7	Compliance	9%			
W8	Targets & Goals	4%			
W9	Sign-off	1%			

(White cells in the table are not scored)

Getting to know the CDP scoring methodology principles



TRUE OR FALSE?



CDP Scoring – True or False?

1. CDP water scoring will reward companies that use little water
2. CDP water scoring incentivises managing water at the corporate level
3. Companies will score zero points if they disclose to CDP that they have not evaluated water issues
4. Companies exposed to high levels of water risks will get lower scores

CDP Scoring – True or False?

1. CDP water scoring will reward companies that use little water

FALSE

Rationale:

Water stewardship is about more than just water quantity, or the volume of water withdrawals

Volumes of water used depend a great deal on sector – we can't compare an aluminium smelter with a semiconductor manufacturer

CDP Scoring – True or False?

2. CDP water scoring incentivises managing water at the corporate level as well as at facility level

TRUE

Rationale:

Water management at the facility level is important, but needs to be co-ordinated at the corporate level to control the organisation's overall risk

CDP Scoring – True or False?

3. Companies will score zero points if they disclose to CDP that they have not evaluated water issues

FALSE

Rationale:

Companies will score Disclosure points for being transparent about the fact that evaluations have not been completed. Transparency is an important step and we want to incentivise it.

CDP Scoring – True or False?

4. Companies exposed to high levels of water risks will get lower scores

FALSE

Rationale:

Companies should not be penalised for their inherent risks linked to their business model, geography or any other factor. Rather, CDP wishes to incentivise taking action on these risks

CDP Scoring – True or False?

1. **FALSE** CDP water scoring will reward companies that use little water
2. **TRUE** CDP water scoring incentivises managing water at the corporate level as well as at facilities
3. **FALSE** Companies will score zero points if they disclose to CDP that they have not evaluated water issues
4. **FALSE** Companies exposed to high levels of water risks will get lower scores

Questions?



Summary

- ▼ Questionnaire, scoring and data are CDP's tools to drive water stewardship
- ▼ Scoring methodology is universal, fair and effective
- ▼ Current methodology is the pilot version



Workshop


Objectives of the session




▼ We're not expecting an answer, just to be pointed in the right direction

Mapping matrix

Blocks 	Enablers 
Dead ends 	Areas to explore 




1. Establishing a leading approach to water risk assessment: how can we measure it?




Mapping matrix: a good risk assessment

Blocks	Enablers
Dead ends	Areas to explore




2. Investors want confidence that you are mitigating water risks: how can we measure and communicate this?




Mapping matrix: efficacy

Blocks	Enablers
Dead ends	Areas to explore



3. Leadership criteria: what defines a leader now? What would we expect to be the norm in 5 years?



Mapping matrix: leadership

Blocks	Enablers
Dead ends	Areas to explore

Thank you!

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