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Catalysing action on corporate water stewardship

CEO Water Mandate Mumbai Multi-Stakeholder Working Session

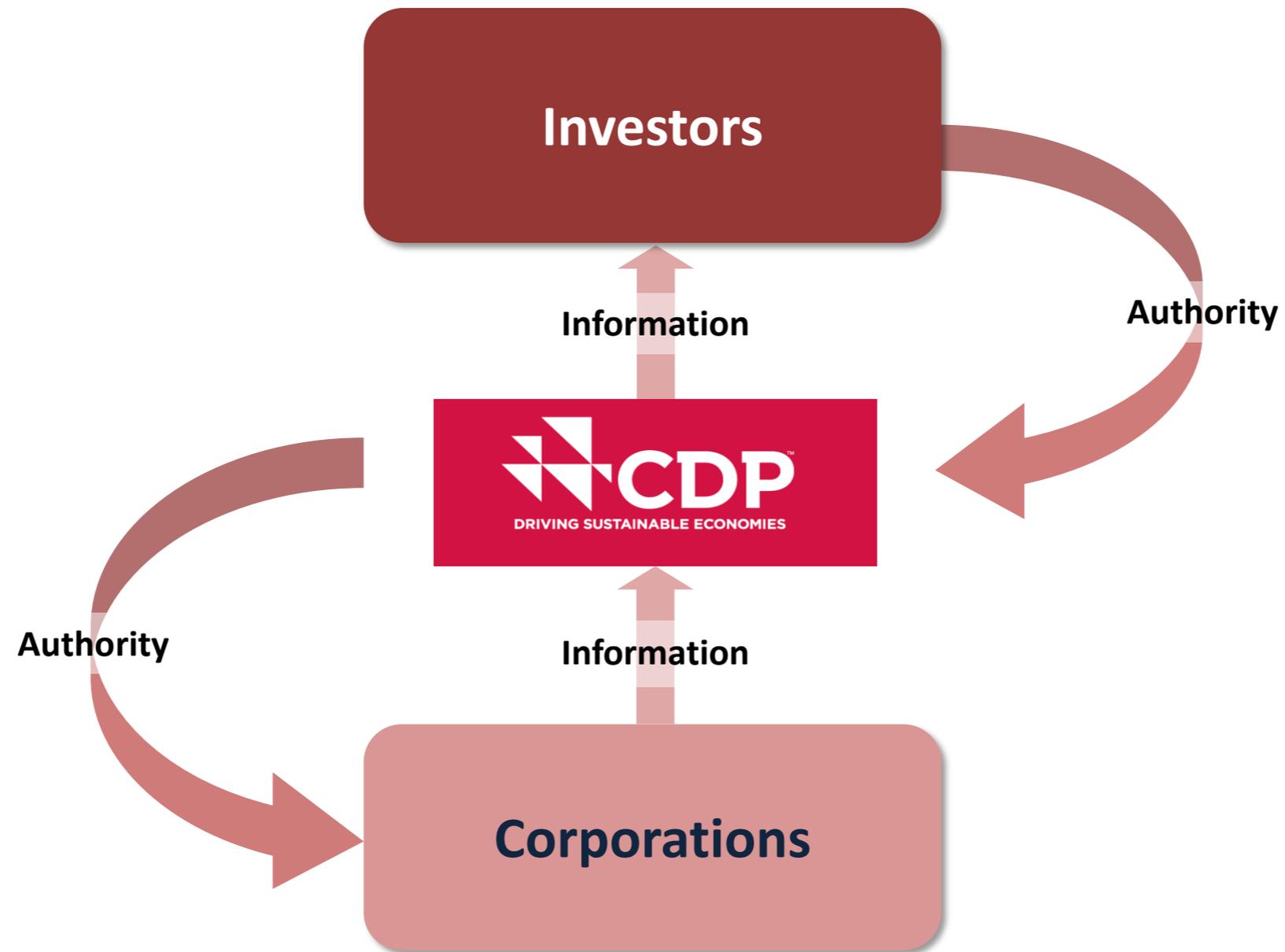
March 06 2013

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CDP seeks disclosure on behalf of investors



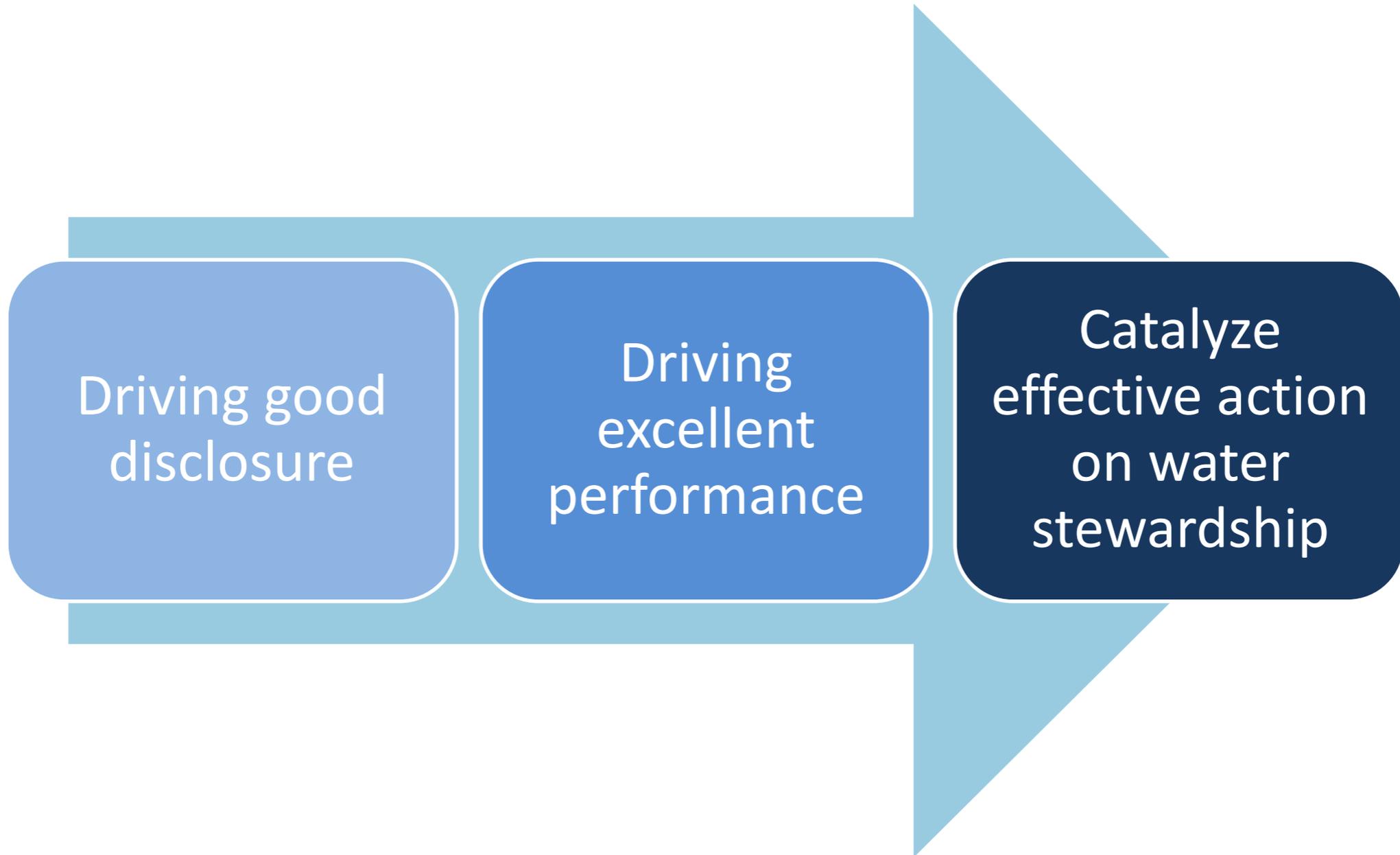
Investor interest in water is rising

Water 2013

530 investor signatories with

US\$57 trillion in assets

CDP is not just about disclosure



Our water questionnaire

Asks a range of questions around the themes of:

- Governance
- Strategy
- Risk management
- Verification
- Watershed management/engagement

The screenshot shows the 'CDP Water Disclosure 2013 Information Request' document. It includes the following text:

CDP Water Disclosure 2013 Information Request

The following set of questions form the CDP Water Disclosure 2013 information request. Companies are asked to answer these questions in the Online Response System (ORS) provided by CDP through their website. As such, this document is a representation of the request and whilst the questions will remain the same, the format may differ online particularly where drop down options and tables have been included for ease of responses. Guidance will be available from February 2013 which will include or set out all of the options available and provide screen shots of the ORS to aid companies in completing the request.

We request a reply to the following questions by 30 June 2013.

Please respond to the information request using our Online Response System (ORS). This is the same ORS as is used for the Investor CDP 2013 information request (on carbon and climate change). In early February 2013, instructions on how to access the ORS will be sent to you by e-mail. If you are unable to respond via the ORS, please e-mail respond@cdproject.net.

We encourage companies to consult the CDP Water Disclosure 2013 reporting guidance, <https://www.cdproject.net/guidance/> and to use the guidance within the ORS. Please answer the questions as comprehensively as possible. Where you do not have all of the information requested please respond with what you have as this is more valuable to us than no response.

Please note that the reporting period and the reporting boundary (i.e. the companies, entities or group) for which you will be providing data will be collected on a page of the ORS prior to the start of the CDP Water Disclosure 2013 information request.

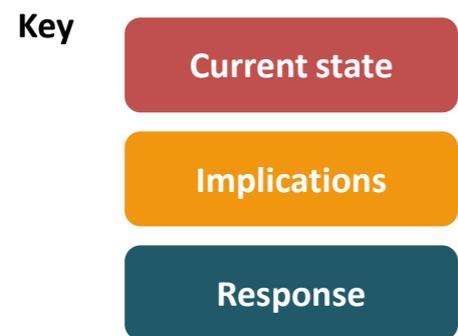
CDP Questionnaire License Fee:

The copyright to CDP's annual questionnaire is owned by Carbon Disclosure Project, a registered charity number 1122930 and a company limited by guarantee, registered in England number 02013650. Any use of any part of the questionnaire, including the questions, must be licensed by Carbon Disclosure Project. Any unauthorized use is prohibited and Carbon Disclosure Project reserves the right to protect its copyright by all legal means necessary.

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Our questions reflect the stewardship progression



Source: CEO Water Mandate "Corporate Water Disclosure Guidelines"
Public exposure draft, August 2012

Our questionnaire: A journey

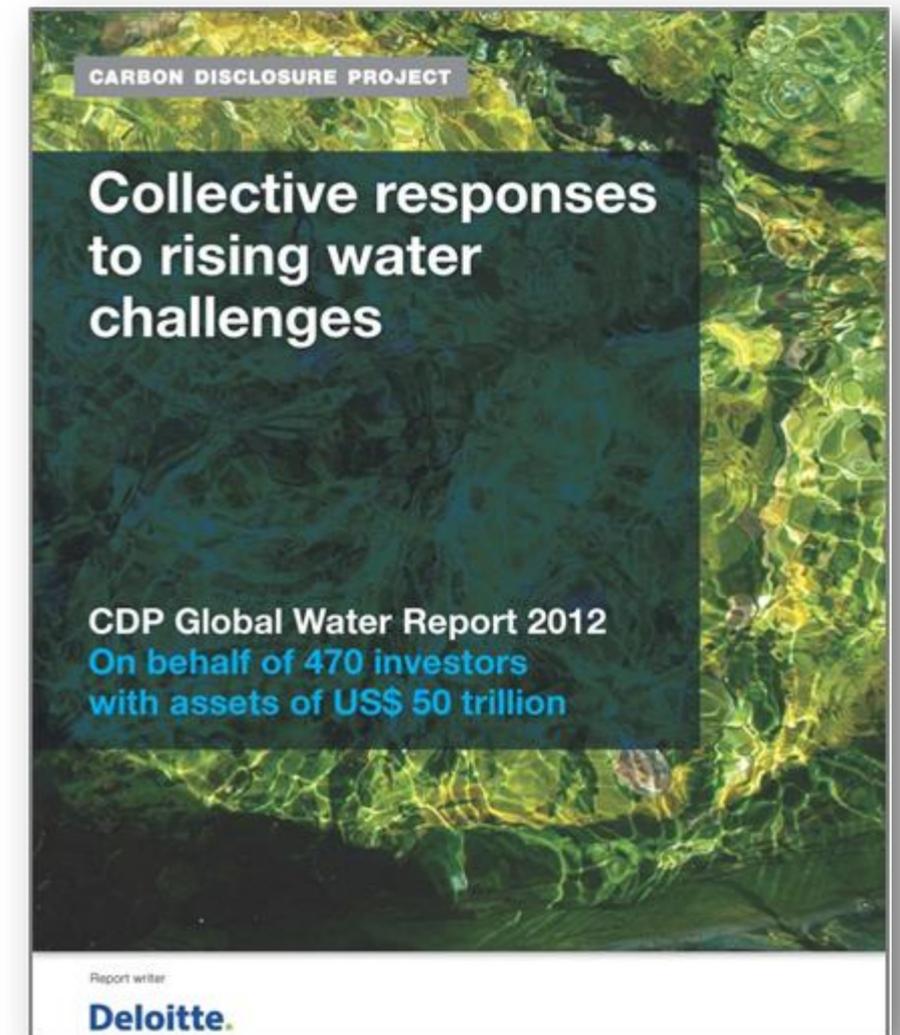
- ▼ *Does your company have a water policy, strategy or management plan?*
- ▼ *Is your company exposed to water-related risks (current or future) that have the potential to generate substantive change in your business operation, revenue or expenditure?*
- ▼ *Has your company identified any linkages or trade-offs between water and carbon emissions in its operations or supply chain?*

The screenshot shows the title page of the 'CDP Water Disclosure 2013 Information Request'. The header is in a dark red box with the title in white. Below the header, there is a grey box containing introductory text: 'The following set of questions form the CDP Water Disclosure 2013 information request. Companies are asked to answer these questions in the Online Response System (ORS) provided by CDP through their website. As such, this document is a representation of the request and whilst the questions will remain the same, the format may differ online particularly where drop down options and tables have been included for ease of responses. Guidance will be available from February 2013 which will include or set out all of the options available and provide screen shots of the ORS to aid companies in completing the request.' Below this, there are several paragraphs of text providing instructions on how to respond, including a deadline of 30 June 2013, and a link to the ORS. There is also a section titled 'CDP Questionnaire License Fee' which states that the copyright to the questionnaire is owned by Carbon Disclosure Project, a registered charity, and that any use of the questionnaire must be licensed by CDP. The footer of the page includes 'Page 1' and '© Copyright Carbon Disclosure Project 2012'.

Already seeing improvements in maturity

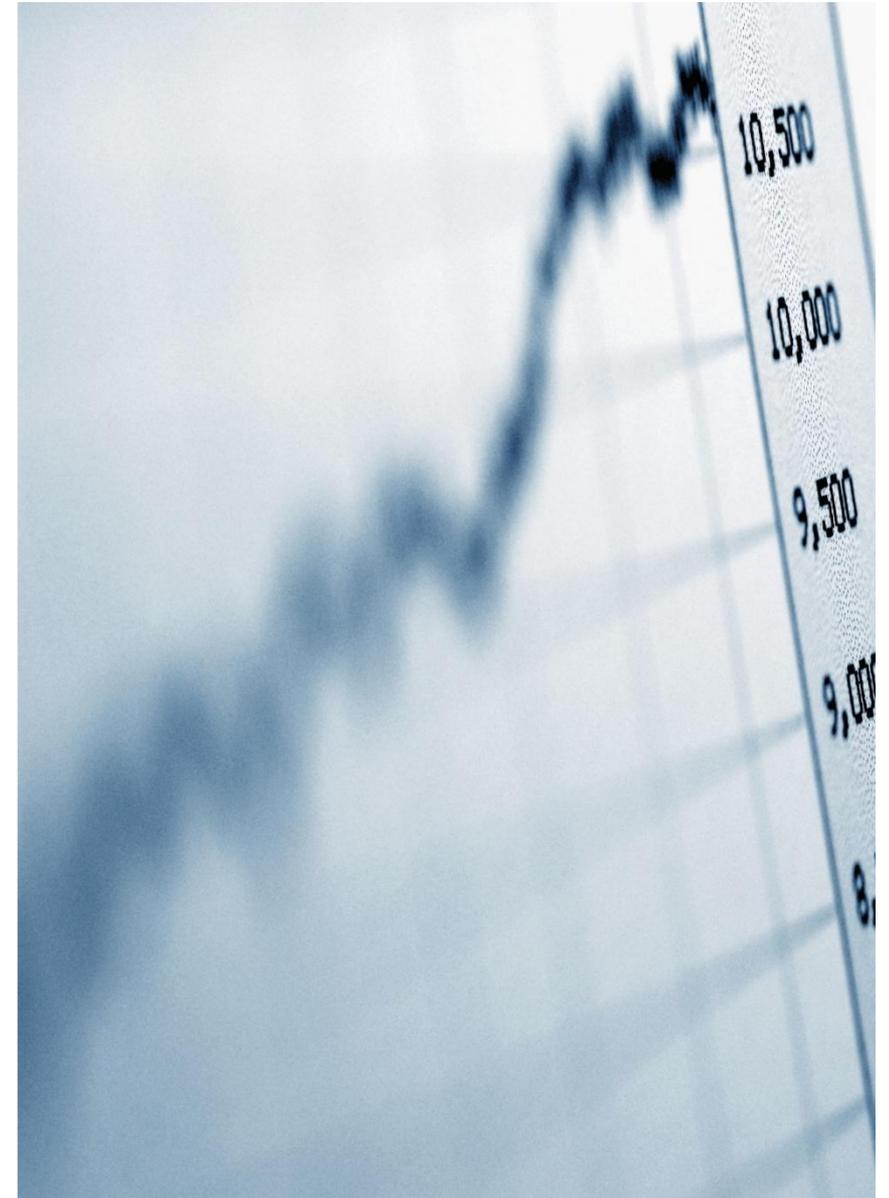
2011 to 2012

- ▼ 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



Scoring

- ▼ Facing an increasing corporate and investor demand for scoring responses to:
- ▼ Provide insights into the characteristics and common trends among leading companies on water stewardship
- ▼ Highlight good practice, leaders and laggards
- ▼ Provide objective feedback to each responder
- ▼ Provide a useful filter for investors
- ▼ Catalyse changes in corporate behaviour



Climate scoring

Disclosure score:

Expressed as a number (out of 100) and reflects the completeness and the quality of the response, and hence its usefulness to data users

Performance score:

Expressed as a band (A, A-, B, C, D, E) and points are awarded for actions in the reporting year that contribute to climate change mitigation, adaptation and transparency



Catalysing action on climate change

| Global 500 activity | 2008 | 2012 | Δ |
|--|------|------|------|
| Respond to questionnaire | 383 | 405 | +6% |
| Respond publicly | 311 | 335 | +8% |
| Report GHG emissions | 275 | 372 | +35% |
| Verify scope 1 and 2 emissions | 214 | 290 | +36% |
| Features CC in annual corporate report | 308 | 370 | +20% |
| Report targets | 206 | 312 | +51% |

Attributes of corporate water stewards

- ▶ Good water stewards will safeguard water resources
- ▶ Good water stewards will demonstrate a deeper understanding of, and address pro-actively, their water risks and opportunities
- ▶ Good water stewardship will be an indicator of superior, forward-looking companies with a sound understanding of their risk profile



Water stewardship maturity roadmap

Strategy

| 0. Non-responder | 1. Basic response | 2. Developing capacity | 3. Complete response | 4. Best practice |
|--|--|---|--|--|
| <p>Prepare: Evaluate how water is accounted for in your risk management procedures and how it is integrated into your business strategy</p> | <p>Disclose: Provide a description of current and future impacts of water on your business strategy and how your internal communication process drives the strategy</p> | <p>Action: Report water risks to the board or senior levels of the company</p> <p>Action: Monitor water risks on an annual or more frequent basis</p> <p>Disclose: Describe how water is integrated into and influences your business strategy</p> | <p>Add: Risk management procedures at basin and strategic levels</p> <p>Add: Report both short and long term strategy changes as a result of water</p> <p>Add: Provide information on your water engagement with policy makers, trade associations, and funding of research organization (TBC)</p> <p>Disclose: Describe how your water risk assessment accounts for specific watershed conditions</p> | <p>Add: Provide a comprehensive description of your risk management procedures, including the scope, tools used, basin engagement, monitoring, and reporting processes</p> <p>Add: Include the strategic advantage of water being integrated into your business strategy and any substantial business decisions influenced by water challenges or opportunities</p> <p>Action: Encourage stewardship approaches to and collective action on water with policy makers, through trade associations, or research organisations (TBC)</p> |

CDP's water scoring methodology

▼ Structure and format of the score and how we present this has yet to be decided

▼ Highlight good practice in:

- Reporting
- Governance
- Strategy
- Risk management
- Verification
- Watershed management/engagement



CDP's aspirations for scoring corporate water stewardship

- ▼ Fair and comparable rating of companies regardless of how material water is to their business
- ▼ Flexible to graduate from disclosure to performance
- ▼ Help stakeholders assess progress
- ▼ Easy to communicate
- ▼ Credible and applicable across all geographies and sectors
- ▼ Cater for leaders, first time responders and everyone else
- ▼ **It will not** be a definitive indicator of risk – this is only one element of water stewardship



Challenges

Developing a scoring methodology that:

- ▼ Enables benchmarking across all sectors and geographies
- ▼ Scalable
- ▼ Simple and cost-effective to implement
- ▼ Reflects the nuances and complexities of responses to water challenges
- ▼ Challenges leaders while encouraging laggards and new responders



Alignment with other initiatives

| |
|---------------------------------------|
| Alliance for Water Stewardship |
| CEO Water Mandate |
| CERES |
| European Water Stewardship |
| GEMI |
| GRI |
| WBCSD |
| WFN |
| WRI |
| WWF |

Turner Foundation

CDP & CERES awarded funds to work together to align CDP's water scoring methodology with CERES Aqua Gauge

Scoring development timeline

| Activity | Date |
|--|--------------------|
| Water working group consultation | May and July 2013 |
| 2014 Questionnaire public consultation | Sep 2013 |
| Publication of methodology | Feb 2014 |
| 2014 Disclosure period | Feb – July 2014 |
| Scoring pilot (1 sample only) | Oct 2014 |
| Methodology refinement | Nov '14 – Mar 2015 |
| Scoring full implementation (all samples) | Oct 2015 |

Invitation to participate

We don't have all of the answers.

We are operating a transparent and collaborative development process and we want to hear your thoughts.

Email us at:
water@cdp.net

