Catalysing action on corporate water stewardship

CEO Water Mandate Mumbai Multi-Stakeholder Working Session
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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

Driving good disclosure

Driving excellent performance

Catalyze effective action on water stewardship
Asks a range of questions around the themes of:

- Governance
- Strategy
- Risk management
- Verification
- Watershed management/engagement
Our questions reflect the stewardship progression

- Improve operational water performance
- Understand how the company interacts with basins
- Develop a comprehensive water strategy
- Leverage improved performance in the value chain
- Advance sustainable water management and collective action

Key
- Current state
- Implications
- Response

Source: CEO Water Mandate “Corporate Water Disclosure Guidelines”
Public exposure draft, August 2012
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?
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
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

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

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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Water working group consultation</td>
<td>May and July 2013</td>
</tr>
<tr>
<td>2014 Questionnaire public consultation</td>
<td>Sep 2013</td>
</tr>
<tr>
<td>Publication of methodology</td>
<td>Feb 2014</td>
</tr>
<tr>
<td>2014 Disclosure period</td>
<td>Feb – July 2014</td>
</tr>
<tr>
<td><strong>Scoring pilot (1 sample only)</strong></td>
<td>Oct 2014</td>
</tr>
<tr>
<td>Methodology refinement</td>
<td>Nov ‘14 – Mar 2015</td>
</tr>
<tr>
<td><strong>Scoring full implementation (all samples)</strong></td>
<td>Oct 2015</td>
</tr>
</tbody>
</table>
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