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# Case study: CDP corporate stewardship

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**Speaker:** Cate Lamb, CDP

## Short summary:

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CDP is an international not-for-profit organization providing the only global environmental disclosure system. These insights enable investors, companies and governments to mitigate risks from the use of energy and natural resources and identify opportunities from taking a responsible approach to the environment. In 2014, CDP's water program was used by 573 investors with USD 60 trillion in assets and 14 multinational companies with a combined annual procurement spend of USD 216 billion to engage more than 2,200 companies to disclose business critical data regarding their water use, impacts, risks and opportunities. 1,064 companies responded, contributing to the world's largest database of self-reported corporate water risk and the mitigating actions being taken.

By inviting companies to disclose to CDP, we aim to lead them on a journey towards effective corporate water stewardship. We pose key questions to corporations about their risk and response to water challenges through the CDP platform enabling investors, purchasers, and policy makers' greater understanding of the private sector's impact on the world's finite water resources. Our questionnaire drives transparency of water issues, facilitates informed decision making, encourages action to mitigate water risk and impacts and promotes competent and robust governance of water issues.

Evidence is vital to driving real change and CDP uses the insights gained through disclosure to facilitate meaningful change through strategic dialogue with corporate senior management, government officials and other key stakeholders. Cate Lamb, Head of CDP's water program will share CDP's experiences of using meaningful reporting as a solution to water challenges.

## Key words:

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Corporate water stewardship, transparency, accountability, protecting water resources, WASH

## Issues addressed:

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### **WASH (inequalities, schools, health centres, refugee camps, women and girls)**

CDP's water questionnaire incentivizes companies to implement a publicly available, company-wide water policy that sets out clear goals and guidelines for action and acknowledges the human right to water and sanitation. Companies can also report if they have set a goal to increase access to Safe Water, Sanitation, and Hygiene (WASH) within their organization.

We believe that businesses must be responsible for their impacts on communities and ecosystems.

With respect to WASH goals, industry can invest in pollution reduction and greater access to services, simultaneously reducing their risks and advancing public policy goals.

Only 7% of companies included WASH in their water policy and only 4% reported increasing access to WASH as a goal in 2014. This is the first year we have included WASH in the questionnaire and we will strive to encourage more companies to consider WASH as a strategic area of business action.

### **Water resources management (water-use efficiency, integrated water resources management, transboundary cooperation, sustainable extraction and supply of freshwater)**

The water questionnaire drives all issues of water resources management. Water use efficiency – companies are asked to disclose accounting information (water withdrawal, discharge, recycling/reuse and consumption) both at the corporate level in addition to more detailed accounting data for facilities most exposed to risk. Companies are thus incentivized to closely monitor and manage water use. In 2014, 27% of reporting organizations monitor and measure water use at operations exposed to risk.

Integrated water resources management – CDP's scoring methodology rewards companies that include key stakeholders at the river basin level into their risk assessments as we recognize that water is a shared resource and therefore managing it requires collaborative action. In 2014, 26% of responding companies conduct risk assessments at the river basin, business unit or facility level.

Transboundary cooperation – Through CDP's water questionnaire, companies are driven to coordinate water management across all operations, at both national and local levels and consequently to recognize its cross-boundary nature.

Sustainable extraction of freshwater – Questions pertaining to a company's risk assessment asks for contextual, environmental, and social issues as to where they abstract water. By understanding the needs of other users within the basin, companies can make informed decisions about sustainable water extraction.

### **Water quality (pollution, dumping of toxic materials, wastewater management, recycling, reuse, restore ecosystems and aquifers)**

CDP has adopted the following definition from the CEO Water Mandate's Corporate Water Disclosure Guidelines for use within the water questionnaire:

Water quality - refers to the physical, chemical, biological and organoleptic (taste-related) properties of water.

Water quality features throughout the questionnaire. For example:

1. When considering the importance of good quality water for the business – incentivizes companies to consider whether they are a clean fish in a dirty pond (and therefore should collaborate with other water users).
2. When evaluating how water quality may impact the success of the business in the future – drives companies to think long term. 68% of respondents evaluate how water quality and quantity could affect the success of their organization.
3. When factoring in water quality parameters at the local level into risk assessments.
4. When reporting substantive risks to the business from water quality issues.

When reporting penalties or fines for breaching wastewater or discharge consents.

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**Risks (mortality, economic losses caused by natural and human-induced disasters)**

Section 2 of the questionnaire asks companies to disclose the procedures and requirements of their organizations water risk assessment.

Section 3 then asks companies to report on the water risks they face (in both direct operations and supply chains) in addition to their mitigation response.

Risk drivers include physical (climate change, drought, flooding, inadequate infrastructure, pollution); regulatory (water prices, permitting issues, poor enforcement of regulations, lack of catchment management); and reputational (community opposition, litigation, negative media coverage, changes in consumer behaviour). In 2014 176 reputational risks were reported; 1852 physical; and 658 reputational.

## Tools for implementation:

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**Financing / economic instruments:** CDP's corporate water data is used by institutional investors to inform sustainable investment decisions and drive the market beyond where it would otherwise be on water issues. The questionnaire includes financial metrics such as costs of risk mitigation strategies and water-related CAPEX and OPEX.

We see a world where capital is efficiently allocated to create long-term prosperity rather than short-term gain at the expense of our environment.

### **Governance: Institutions / legal framework:**

CDP strives to catalyze a transformation to a sustainable world by placing environmental information, insights and our expertise at the heart of policy-making decisions.

Our unique insight can illuminate the links between private and public sector activity in areas such as measurement, reporting and verification. We engage with policy-makers, governments and international institutions through:

- Tailored research and analysis for governments using CDP's unique database of corporate and public sector information on water management;
- Policy briefings, events and consultation responses on relevant key issues;
- Advice on designing and implementing policy on high quality corporate environmental reporting;
- Program development and project delivery to help local and national governments to deliver policy objectives; and
- Working with international institutions, including the EU, OECD and numerous UN bodies on international water policy.

### **Technology:**

CDP's water program has quickly established itself as the pre-eminent platform for corporate water disclosure via its online reporting system. It provides standardized and centralized communication to investors focusing specifically on water, reducing the reporting burden for companies.

### **Capacity development:**

By leveraging market forces including shareholders, customers and governments, CDP has incentivized thousands of companies and cities across the world's largest economies to measure and disclose their environmental information.

Through our global reporting system, companies, investors and cities are better able to mitigate risk, capitalize on opportunities and make investment decisions that drive action towards a more sustainable world.

## Lessons Learned:

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**Triggers:** Companies are motivated to respond through peer and investor pressure, through scoring, and as use the questionnaire as a tool to identify risks and opportunities that water presents to their business.

**Drivers:** CDP's authorities in leveraging action: investors, customers, policy makers, cities, NGOs (UN CEO Water Mandate, WRI, WWF, WFN, WBCSD, GRI, BITC)

**Barriers:** Resource issues in expanding the program globally. Inadequate disclosure.

"Corporate disclosure of water-related risk is seriously inadequate ...The financial impact of water shortages on sectors and companies is unclear, because information on water use data and impacts is spotty and partial."

**What has worked well?** CDP's water score will be a key component in driving better disclosure and comprehensive water stewardship amongst responding companies. Scores will enable investors and other stakeholders to assess the preparedness of a company in the face of water challenges. Harriet Lam, Environmental Operations Advisor, Safety, Sustainability and Reliance of National Grid shared that "the CDP score will enable us to benchmark our performance and better communicate the materiality of sustainability issues to internal and external audiences."

Growth in the number of targeted companies; Growth in the number of disclosing companies on a percent and absolute basis; Growth in the number of water specific investor signatories; Growth in the number of companies demonstrating water management and performance

**What could be improved?** Innovative ways in sharing our data.

**The way forward:** Analytics tools, infographics

**Links:** [Globalwaterresults.cdp.net](http://globalwaterresults.cdp.net)

<https://www.cdp.net/CDPResults/CDP-Global-Water-Report-2014.pdf>