

WATER DISCLOSURE

Insights and Implications for Corporate Practitioners -----



Water is quickly becoming one of *the* defining sustainability issues of this century. It is a fundamental ingredient to human health, environmental well-being and economic prosperity.

If this shared resource is not managed sustainably the impacts, including environmental, health, social and economic, will be felt by all.

With stakeholder interest in corporate management of water growing rapidly; the high profile and importance of water makes it a material issue for most companies, regardless of the sector.

Against this backdrop, pressure to improve **corporate disclosure of water** management is escalating.

This short briefing note is designed to provide corporate practitioners with insight on the emerging water pressures facing corporations and describes best practice in water disclosure. It is intended to support corporations in their thinking around water disclosure and corporate water strategies.

WHAT IS “WATER DISCLOSURE”?

Water disclosure involves reporting of water related performance, opportunities and risks in ways that provide stakeholders with sufficient information on which to base decisions about their interaction with a company. This information will help in understanding of the scale and scope of water related exposures and specific at risk operations or supply chains.

The recently launched Water Disclosure Project (sister to the Carbon Disclosure Project) is seeking to improve water disclosure practices with an aim to improve the information available for investors.

Water Disclosure – Carbon Disclosure Project (CDP):

CDP is an independent not-for-profit organization whose goal is to facilitate a dialogue, supported by quality information, from which rational responses to sustainability challenges will emerge. Building on CDP's progress on carbon disclosure, the CDP launched its work on Water Disclosure in 2009. The purpose of CDP Water Disclosure is to provide critical water-related data from the world's largest corporations to inform the global market place on investment risk and commercial opportunity. In 2010, the CDP Water Disclosure questionnaire sent to 302 of the world's largest companies in sectors that are water-intensive or face particular water-related risk. The results will provide valuable insight into the strategies on water and will be used to help drive investment towards sustainable water use.

INSIGHTS – WHAT'S DRIVING WATER STRATEGY?

Water gets business critical

- Water is increasingly being recognized as an immediate business risk in some sectors with potential to have substantial and immediate operational impact.
- Expectations of shareholders and other key stakeholders for proactive water risk management practices are on the rise.
- Corporate water strategies and disclosure practices are maturing in response to business and stakeholder pressures.

The economics of water are hardening

- A recent report from CERES, a US based coalition of investors, environmental groups and other public interest organizations, indicates that businesses and investors are not fully taking into consideration the economic impact of water resources.
- With water prices increasing above inflation and water scarcity and emerging regulatory caps on water access and use, making investments in the strategic water management will pay dividends today and far into the future.

The place-based importance of water

- Water is inherently linked to place. Water issues often have the most impact at the local or sub-regional level which can pose real risks to local operations (e.g. restricted access, conflicts with other users, production delays).
- A study commissioned by the *United Nations' Principles for Responsible Investment's CEO Water Mandate* found that while most of the 110 companies analyzed provided data regarding their total water use, relatively few provided data on regional or local water use or any contextual information in which their water uses and/or impacts could be understood.

Water communication to consumers

- Disclosure on product sustainability performance has seen significant innovation and activity in recent years. Attention here is likely to turn to water as the public more intensely examines corporate water-use practices and companies explore ways to reduce the water impact of their products and services.
- Similar to the increased public awareness of climate change and the resulting innovation and growth of communication of carbon related attributes to consumers, Stratos anticipates opportunities for branding and product related communication on water.

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IMPLICATIONS – WHERE DOES DISCLOSURE FIT IN WATER STRATEGY?

Water is a strategic issue. Credible corporate management of water requires a robust and coherent strategy. Stratos recommends companies address the following elements in their corporate strategy.

KEY ELEMENT OF CORPORATE STRATEGY	BEST PRACTICES IN DISCLOSURE
Identification of Risks and Opportunities	<ul style="list-style-type: none"> Assesses the risks and opportunities that water poses to core business Identifies water as a risk and candidly discusses the potential business impact of future water issues Identification of particular location specific water risks
Governance	<ul style="list-style-type: none"> Describe the key roles and responsibilities for water management, including specific oversight responsibilities for the Board Identify the senior management responsible for the company's water targets
Policies and Management Systems	<ul style="list-style-type: none"> Shares water specific aspects of a corporate environmental policy, including what the corporate water plan addresses
Business Plans	<ul style="list-style-type: none"> Reports on company decreases in water use through initiatives including water optimization through operational upgrades, transportation efficiencies, reuse and recycling including implementation by specific departments/divisions Discusses its financing of innovative water management efforts (e.g. clean technology). Indicates how water disclosure/ performance relates to customer offering
Research and Development	<ul style="list-style-type: none"> Disclosing investment in research into alternative water efficient technologies as part of the corporate growth strategy
Performance Targets and Measures	<ul style="list-style-type: none"> Report on direct and indirect water use and consumption volumes and quality of water released. Reports water use reduction targets and forecasted water use into the future. Indicates steps the company will take to achieve targets and objectives. Reviews water related performance in key geographies with water risk, narrative information to allow interpretation of results in light of watershed impacts.
Stakeholder Engagement	<ul style="list-style-type: none"> Communicating water risk/performance with stakeholders. Independent advice and oversight of water related activities and performance. Reports on campaigns and programs to encourage staff to be more water conscious at work. Review of approach to water communication with consumers.
Assurance	<ul style="list-style-type: none"> Have company water data verified by a third-party.

STRATOS' WATER SERVICES

Stratos is a sustainability strategy and management consulting firm. We work together to empower organizations to take real steps towards sustainability. Stratos is committed to playing a role in shaping long-term, strategic and sustainable water management in Canada.

We help clients navigate the risks and understand the opportunities presented by water sustainability through risk management, developing sustainable management strategies, stakeholder engagement, and development of policy and governance structures. We work constructively with individuals and organizations, and where possible convene different interests, in pursuit of progressive and equitable water management solutions.

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For more information and examples on water disclosure and corporate reporting best practices see:

CDP Water Disclosure, 2010 - <https://www.cdproject.net/en-US/Programmes/Pages/cdp-water-disclosure.aspx>

UN Global Compact, The CEO Water Mandate, 2009 -

http://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2009_03_11/Water_Disclosure.pdf

CERES, Murky Waters? Corporate Reporting on Water Risk: A benchmarking study of 100 companies, 2009 -

<http://www.ceres.org/waterreport>