CDP Water-related Indicators for Financial Institutions

Document for consultation

This document forms part of the CDP Water-related Indicators for Financial Institutions (FIs) consultation. The consultation consists of three main parts:

- Consultation briefing document
- Water-related Indicators for FIs document (this document)
- Consultation feedback form

Please read the briefing document prior to viewing indicators presented here. Following your review of this document, please respond the consultation feedback form. There are 15 questions in the survey. We estimate that it will take you approximately 10 to 15 minutes to fill in the survey.

Contents

Introduction

Quantitative water-related* metrics for financial institutions are important as they allow companies to measure their impacts on water resources and their exposure to water-related risks and opportunities via financial (portfolio) activities. Such metrics can be used to inform strategy or actions and are useful in setting the foundation to set targets, disclose and track progress. A variety of metrics exist for climate change, such as portfolio emissions, however water-related metrics are very much in their infancy.

The scope of the indicators presented in the documents is:

- Financial institutions: banks, asset owners, asset managers, (re)insurers
- Portfolio activities only: banking, investing, insurance underwriting (operational impacts are not included because most of the financial sectors' environmental impact/exposure comes from the activities they finance/insure in the wider economy).

**Note that all references to "water" relate to (fresh)water security. Oceans are not in the scope of this work.*

Water-related indicators for FIs

The indicators presented in the table below have been grouped into the following categories:

- **Water-themed financial products/services:** indicators that measure and assess what financial institutions are doing to address the estimated US$670bn annual investment needed to meet water-related SDGs[1]. CDP works with over 590 investors and banks, who together control $110 trillion in assets. The assets of banks globally amounted to more than US$180 trillion in 2020[2]. These figures showcase the power and capital the financial sector holds to drive the change needed to achieve water security.
- **Portfolio water-related risk exposure:** indicators that seek to measure indirect water-related risks to financial institutions via the companies in their portfolios. Research suggests that current business-as-usual water management practices and levels of water productivity will put at risk $63 trillion dollars or 45 per cent of the projected 2050 global GDP[3].
- **Water-related action by portfolio companies:** indicators that measure what proportion of the financial institution's portfolio value water by evaluating if portfolio companies are undertaking key water-related actions.
- **Portfolio water accounting:** indicators that seek to measure a financial institution's indirect impact and dependencies on water resources by aggregating water accounting data disclosed by their portfolio companies.
- **Portfolio coverage:** to enable financial institutions to report against most of the indicators presented in this document, they require data from their clients/investees. CDP recognises there are data availability challenges, and so it is essential that financial institutions provide transparency on what proportion of their portfolio is covered by the calculations. CDP envisages that as stakeholder pressure increases, water-related disclosure by companies will also increase.

The rationale for each indicator is provided, as well as potential limitations that have been identified. A preliminary mapping of the indicator to CDP's 2022 Water Security questionnaire for corporates is also provided. For terminology, please refer to the glossary at the end of the document.

[1] https://www.dws.com/globalassets/merill-lynch/pdfs/dws-research-institute-a-transformational-framework-for-water-risk.pdf
[2] https://www.statista.com/statistics/421215/banks-assets-globally/#statisticContainer
[3] wwf_fmcg_2016_web_ready_chap_2_r3.pdf (d2ouvy59p0dg6k.cloudfront.net)

1. Water-themed financial products/services

Id	Indicators	Rationale	Limitations
1.1	Total portfolio value of products/services that support water security (e.g., aligned with SDG 6 “Clean water and sanitation”) *The indicator should be broken down by asset class*	The private sector has a key role in providing the estimated US$670bn annual investment needed to meet water-related SDGs. This indicator tracks the amount of funds or business that financial institutions are allocating towards achieving water security. The types of products/services that fall under the scope of supporting water security could include, but are not limited to, the following: water supply/treatment infrastructure, WASH services, ecosystem protection or resilience to extreme weather events, such as floods and droughts.	Due to a lack of water-related taxonomies and classifications, it can be challenging to determine which products fall under the scope of this indicator. CDP therefore plans to ask financial institutions to disclose what classification or criteria they use to determine whether a financial product is water security. Further, it should be noted that “green” products do not automatically qualify, given a green/climate product is not necessarily beneficial/good-for-blue too.
1.2	% of total portfolio value that is allocated to products/services that support water security (e.g., aligned with SDG 6 “Clean water and sanitation”) *The indicator should be broken down by asset class*	As per 1.1, but this indicator tracks the proportion of the portfolio that is invested in supporting water security, which is useful in understanding the magnitude in relation to the financial institution’s total portfolio size.	As per 1.1., and while total value should correlate directly with improvements in water security, % of total portfolio does not necessarily.
1.3	% of products/services that support water security (e.g., aligned with SDG 6 “Clean water and sanitation”) that have explicit water policies	This indicator is in relation to the products/services that are included in indicators 1.2 and 1.3. Referring to a lack of taxonomies to classify products, financial institutions can implement explicit water policies to ensure products/services are beneficial for water.	The level of ambition documented in the policy can vary by products and by organization.
1.4	Targeted allocation of products/services that support water security (e.g., aligned with SDG 6 “Clean water and sanitation”) in $M amount and target date	Setting targets demonstrates a financial institutions’ commitment to progressing water security by directing capital towards activities and solutions that support it.	As per 1.1.

2. Portfolio water-related risk exposure

Id	Indicators	Rationale	Limitations
2.1	Percentage of portfolio companies (by number and by portfolio exposure) exposed to substantive water risk	For financial institutions, water insecurity can pose significant challenges, now and in the future, via the companies and activities they lend to, invest in and insure in the real economy. Understanding which companies in the portfolio are exposed to substantive water risk can guide actions that improve business resilience and water stewardship.	Varying definitions of “substantive water risk”. See Glossary for how CDP approaches this.
2.2	Number of facilities in the portfolio exposed to substantive water risk	Water risks tend to be location specific and therefore location specific information is required to enable assessment. For financial institutions, it is important to understand the extent at which their portfolio companies have facilities that are exposed to substantive water risk.	As per 2.1. Also, facility-level data can be particularly challenging for financial institutions to obtain, but as per the indicator mapping guide, CDP requests facility-level data from companies in the CDP Water Security questionnaire.

2.3	% of facilities in the portfolio exposed to substantive water risk	As per 2.2, but this indicator tracks the proportion of facilities in the portfolio that exposed to substantive water risks, which is useful in understanding the magnitude in relation to the financial institution's total portfolio.	As per 2.1 and 2.2. Also, while data availability challenges exist for many indicators, this one may prove particularly challenging as not many FI's will know the **total** number of facilities in their portfolio. For this reason, the indicator could be specified for only certain asset classes (e.g., real estate) and sectors.
2.4	Number of water-related regulatory violations in the portfolio that were issued in the reporting year *The indicator should be broken down by sector and country.*	Knowledge of compliance-related fines within the portfolio reveals to financial institutions where impacts on the environment occur, as well as potential risks, signalling where further engagement may be needed.	The level and standard of legislation and regulation vary by region, so even if regulatory incidents don't occur or the number of them goes down, it doesn't necessarily mean that no water-related issues are occurring.
2.5	Total financial impact (currency) of water-related regulatory violations to portfolio companies that were issued in the reporting year	As per 2.4, but this indicator provides an indication on the scale of the impact and associated risk. Financial impact should include all costs related to the regulatory violation, e.g., financial penalties imposed on the portfolio companies. This figure should not include regulatory violations that were issued to the portfolio company in a previous year but became payable in this year.	As per 2.4 Regulatory violations issued to the portfolio company in a previous year can become payable in future years. For this reason, only regulatory violations that were issued in the reporting year should be included.

3. Water-related action by portfolio companies

***All indicators in this section should be broken down by sector**

Id	Indicators*	Rationale	Limitations
3.1	Percentage of portfolio companies (by number and by portfolio exposure) that have a publicly available water policy	This metric indicates what proportion of portfolio companies recognize the importance of water-related issues to their business and have set out commitments and guidelines for action. When broken down by sector, the indicator can reveal to financial institutions which companies in high-water-risk sectors do not have a water policy, and therefore require further engagement for instance.	The level of ambition documented in a water policy will vary by organization.
3.2	Percentage of portfolio companies (by number and by portfolio exposure) that monitor and measure water withdrawals and/or consumption volumes for more than 75% of their facilities	Monitoring and measuring withdrawals/consumption is a key step in understanding a company's dependence on water. This indicator provides financial institutions with an indication of which companies in their portfolio understand their business dependence on water.	
3.3	Percentage of portfolio companies (by number and by portfolio exposure) that monitor and measure water discharge volumes for more than 75% of their facilities	In addition to 3.2, it is important for a company to monitor volumes of effluents and other water that is discharged to surface water, groundwater or to third parties, because a first step in managing the discharge is measuring it.	
3.4	Percentage of portfolio companies (by number and by portfolio exposure) that monitor and measure water discharge quality data by standard effluent parameters for more than 75% of their facilities	Building on 3.3, it is important for companies to monitor and measure the quality of water discharged, as well as volume, because pollution to water is a driver of business risk and a potential threat to public health, food security, and economic resilience – as well as a cause of degradation of freshwater biodiversity.	

3.5	Percentage of portfolio companies (by number and by portfolio exposure) with a water impact rating of 8 or above (according to CDP's Water Watch tool[4]) that undertake water-related risk assessments	A first step to managing water-related risks is to conduct an assessment to identify risks. Portfolio companies in sectors that are considered to have high-water risk should be a priority for financial institutions, because risks posed to their clients/investees (e.g., closure of a mine due to pollution-related incident) can translate into risks for the FI's (e.g., stranded assets).	
3.6	Percentage of portfolio companies (by number and by portfolio exposure) that have committed to safely managed Water, Sanitation and Hygiene (WASH) in the workplace	The universal provision of safely managed water, sanitation, and hygiene services has dedicated targets within the Sustainable Development Goals (SDG 6.1 and 6.2). At a minimum, portfolio companies should commit to the provision of drinking water for all workers, available when needed and from sources compliant with faecal and chemical standards, as well as sanitation facilities where excreta are safely disposed in situ or transported and treated offsite.	
3.7	Percentage of portfolio companies (by number and by portfolio exposure) that have committed to align with public policy initiatives, such as the SDGs	Public policy initiatives, such as the Sustainable Development Goals, provide worldwide guidance for addressing global challenges, including the water crisis. Portfolio companies should seek to align their business with these initiatives, such as the SDGs.	
3.8	Percentage of portfolio companies (by number and by portfolio exposure) that have set a timebound water target	Water-related quantitative targets demonstrate a company's commitment to progressing water stewardship and security, and to improving water management.	This indicator does not factor in the quality of the target, however, until it is possible to validate targets as science-based, this will be difficult.
3.9	*Percentage of portfolio companies (by number and by portfolio exposure) that have set a water-related target that has been validated as science-based by SBTN**	*Referring to the limitations of indicator 3.8, once the SBTN methodologies for setting water-related targets has been established, this should be considered best practice and financial institutions should encourage portfolio companies to set targets which are science-based (as they currently do for climate)*	**The SBTN methods and guidance are under development. In ~2023 we could start to see companies with SBTN-approved targets, therefore this metric is only applicable to the FS sector in 2024 at the earliest.*
3.10	*Percentage of portfolio companies (by number and portfolio exposure) whose revenue is based on products' sales containing identified listed hazardous chemicals**	*Hazardous chemicals of concern pose a threat to the quality of surface and groundwater bodies and their dependent ecosystems. It is important that companies define and identify potential water pollutants linked to their business operations and products and effectively manage them.* *For financial institutions this metric exposes the extent to which companies in their portfolio rely on hazardous chemicals to generate revenue, and therefore may be subject to higher risk due to changing regulations for instance.*	**CDP is developing indicators for corporates relating to hazardous chemicals, but this information is currently not provided by all companies in the CDP WS 2022 questionnaire. Therefore, this metric is only applicable to the FS sector in 2024 at the earliest.*

[4] Water Watch (CDP Water Impact Index) ranks industrial activities according to their potential impact on water resources – both water quantity and water quality. Industries ranked with a water impact rating of 8 or above have a "High", "Very High" or "Critical" water impact. For more information see: https://www.cdp.net/en/investor/water-watch-cdp-water-impact-index

4. Portfolio water accounting

Id	Indicators	Rationale	Limitations
4.1	Weighted average water withdrawal intensity, expressed in megalitres of water withdrawn/$M revenue *The indicator should be broken down by sector and asset class. (Asset classes covered: Listed equity, listed bonds, corporate loans, private equity)*	This indicator measure the portfolio's exposure to water-intensive companies, expressed in megalitres of water withdrawals/$M revenue. A water withdrawal intensity metric enables companies to track the water-dependency of their revenue. For financial institutions, the water withdrawal for each company in the portfolio is weighted according to its importance in the portfolio. If a lot of the portfolio's overall investment is in water-intensive companies, the metric will increase. See glossary for metric calculation. The metric builds on the "Weighted average carbon intensity (WACI)" approach as per TCFD recommendations and has the following benefits: + Can be easily applied across asset classes since it does not rely on equity ownership approach + The calculation is fairly simple and easy to communicate to investors + Allows for portfolio decomposition and attribution analysis This indicator is comparable to the SFDR metric "water usage"[5] which also uses revenue as the denominator. Note that CDP's indicator asks about water withdrawals as opposed to water consumption.	The indicator lacks geographical/basin context: withdrawing water from a highly stressed water region or basin does not have the same impact as withdrawing water from a region where it is in abundance. However, understanding the volumes of water that are being abstracted is a good place to start, before working further to assess where it is being taken from. As per the WACI approach, limitations include: − Sensitive to outliers − Using revenue (instead of physical or other metrics) to normalize the data tends to favour companies with higher pricing levels relative to their peers.
4.2	Portfolio water withdrawal, expressed in megalitres of water withdrawn/$M invested *The indicator should be broken down by sector and asset class. (Asset classes covered: Listed equity, listed bonds)*	The total water withdrawals for a portfolio normalized by the market value of the portfolio, expressed in megalitres of water withdrawn/$M invested, which has the following benefits: + May be used to compare and benchmark portfolios + Using the portfolio market value to normalize data is fairly intuitive to investors + Allows for portfolio decomposition and attribution analysis See glossary for metric calculation.	As per 4.1, but using an approach that is normalized by $ invested has the following limitations: − Does not consider differences in the size of companies (e.g., does not consider the water withdrawal intensity of companies) − Changes in underlying companies' market capitalization can be misinterpreted The current proposed calculation for the metric is limited to listed equity and listed bonds.
4.3	Portfolio water withdrawal from water-stressed areas, expressed in megalitres of water withdrawn from areas with water stress/$M invested	Given the limitations of 4.1 and 4.2 (which lack context), this metric provides an indication of how much water is being withdrawn from water-stressed areas.	There is no universally accepted methodology for classifying an area as water stressed. As good practice, a water stressed area should

[5] See table 2 "Additional climate and other environment-related indicators"
https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2021/962778/JC%202021%2003%20-%20Joint%20ESAs%20Final%20Report%20on%20RTS%20under%20SFDR.pdf

	The indicator should be broken down by sector and asset class. (Asset classes covered: Listed equity, listed bonds)	See glossary for metric calculation.	be at the catchment level as a minimum. CDP suggests some publicly available and credible tools for identifying water stressed areas based simply on physical scarcity, see glossary for further information. The current proposed calculation for the metric is limited to listed equity and listed bonds.
4.4	Number of facilities in the portfolio located in areas with water stress	Since water is a shared resource, and water-related impacts are localized, organizations are increasingly being encouraged to prioritize action in areas with water stress and to understand and respond to local contexts. Water stress occurs when the demand for water exceeds availability during a certain period, or when access is restricted due to poor quality or regulatory enforcement for example. Water stress is a driver of business risk and, as it is likely to worsen, transparency is critical. For financial institutions, it is therefore important to understand the extent at which their portfolio companies have facilities located in water stressed areas.	As per 4.3. Also, facility-level data can be particularly challenging for financial institutions to obtain, but as per the indicator mapping guide, CDP requests facility-level data from companies in the CDP Water Security questionnaire.
4.5	% of facilities in the portfolio located in areas with water stress	As per 4.4, but this indicator tracks the proportion of facilities in the portfolio that are located in areas with water stress, which is useful in understanding the magnitude in relation to the financial institution's total portfolio.	As per 4.3 and 4.4. Also, while data availability challenges exist for many indicators, this one may prove particularly challenging as not many FI's will know the **total** number of facilities in their portfolio. For this reason, the indicator could be specified for only certain asset classes (e.g., real estate) and sectors.
4.64	Total amount of untreated water in megalitres discharged to the natural environment by portfolio companies	Pollution is a driver of business risk and a potential threat to public health, food security, and economic resilience – as well as a cause of degradation of freshwater biodiversity. Treatment of discharge is therefore critical.	Lacks information on the loading of pollutant concentrations, but that information is not readily available from portfolio companies. Also does not account for localized impact of pollution.
4.7	*Average Chemical Oxygen Demand (COD) loading of discharge across the portfolio**	*COD is useful in terms of water quality by providing a metric to determine the organic pollution effect an effluent will have on a receiving body. Unlike biochemical oxygen demand (BOD), COD detection can be used to easily identify the quantity of organics in water.[6] COD is used to measure the short-term impact wastewater effluents will have on oxygen levels of receiving waters. Many regulatory bodies impose restrictions on the amounts of effluent COD allowed to be discharged onto receiving water bodies.* *Effluent COD loading in simple terms combines the volumetric flowrate and water quality i.e. concentration of the pollutant [i.e. effluent COD loading (kg/d) = flow (m3/d) x COD concentration (mg/l)/1000]. Effluent COD loading should be provided in average tonnage (or mega tonnes) per annum for the entire portfolio*	*An average figure for the entire portfolio does not account for localised data in respective basins and thus for localised impact of pollution. Nonetheless, the aim of this metric similarly to water accounting (eg. Withdrawals, discharges) is to reduce the combined pollution loading of the FS's portfolio companies onto receiving water bodies.* *Additional metrics that should be considered in line with determining the biochemical flows of pollution onto freshwater are nitrogen and phosphorus loading.*

[6] Chemical Oxygen Demand - an overview | ScienceDirect Topics

			**CDP does not currently request this data from companies via the CDP WS 2022 questionnaire.*

5. Portfolio coverage

Id	Indicators	Rationale	Limitations
5.1	Percentage of total portfolio that has been measured based on the portfolio value (for all indicators listed in section 2, 3 and 4)	For all indicators listed under section 2, 3 and 4, data from portfolio companies are a crucial component of the calculation. While metric 5.1 doesn't solve the issue, it does give an indication on how much of the portfolio is covered. The financial sector can engage with their portfolio companies to encourage better disclosure practices on water.	Given low percentages are expected initially for this indicator, financial institutions may be deterred from measuring and reporting against the other metrics. However, as more and more FI's need data from their clients/investees to report on the water-related indicators, disclosure rates are expected to improve.

Indicator mapping guide

Id	Indicators	CDP Water Security 2022 Questionnaire[7] for corporates (portfolio companies) question mapping
1.1	Total portfolio value of products/services that support water security (e.g., aligned with SDG 6*"Clean water and sanitation")	N/A – financial institutions should collect this information within their own organizations
1.2	% of total portfolio value that is allocated to products/services that support water security (e.g., aligned with SDG 6 "Clean water and sanitation")	N/A – financial institutions should collect this information within their own organizations
1.3	% of products/services that support water security (e.g., aligned with SDG 6 "Clean water and sanitation") that have explicit water policies	N/A – financial institutions should collect this information within their own organizations
1.4	Targeted allocation of products/services that support water security (e.g., aligned with SDG 6 "Clean water and sanitation") in $M amount and target date	N/A – financial institutions should collect this information within their own organizations
2.1	Percentage of portfolio companies (by number and by portfolio exposure) exposed to substantive water risk	(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?
2.2	Number of facilities in the portfolio exposed to substantive water risk	(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

[7] CDP Water Security 2022 questionnaire available from this webpage: https://www.cdp.net/en/guidance

2.3	% of facilities in the portfolio exposed to substantive water risk	(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?
2.4	Number of water-related regulatory violations in the portfolio that were issued in the reporting year	(W2.2a) Provide the total number and financial value of all water-related fines.
2.5	Total financial impact (currency) of water-related regulatory violations to portfolio companies that were issued in the reporting year	(W2.2a) Provide the total number and financial value of all water-related fines.
3.1	Percentage of portfolio companies (by number and by portfolio exposure) that have a publicly available water policy	(W6.1) Does your organization have a water policy?
3.2	Percentage of portfolio companies (by number and by portfolio exposure) that monitor and measure water withdrawals and/or consumption volumes for more than 75% of their facilities	(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?
3.3	Percentage of portfolio companies (by number and by portfolio exposure) that monitor and measure water discharge volumes for more than 75% of their facilities	(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?
3.4	Percentage of portfolio companies (by number and by portfolio exposure) that monitor and measure water discharge quality data by standard effluent parameters for more than 75% of their facilities	(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?
3.5	Percentage of portfolio companies (by number and by portfolio exposure) with a water impact rating above an 8 (according to CDP's Water Watch tool) that undertake water-related risk assessments	(W3.3) Does your organization undertake a water-related risk assessment? See also: https://www.cdp.net/en/investor/water-watch-cdp-water-impact-index
3.6	Percentage of portfolio companies (by number and by portfolio exposure) that have committed to safely managed Water, Sanitation and Hygiene (WASH) in the workplace	(W6.1a) Select the options that best describe the scope and content of your water policy.
3.7	Percentage of portfolio companies (by number and by portfolio exposure) that have committed to align with public policy initiatives, such as the SDGs	(W6.1a) Select the options that best describe the scope and content of your water policy.
3.8	Percentage of portfolio companies (by number and by portfolio exposure) that have set a timebound water target	(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.
3.9	*Percentage of portfolio companies (by number and by portfolio exposure) that have set a water-related target that has been validated as science-based by SBTN**	N/A – SBTN water-related target setting framework under development
3.10	*Percentage of portfolio companies (by number and portfolio exposure) whose revenue is based on products' sales containing identified listed hazardous chemicals**	N/A – question under development

4.1	Weighted average water withdrawal intensity, expressed in megalitres of water withdrawn/$M revenue	(W1.3) Provide a figure for your organization's total water withdrawal efficiency.
4.2	Portfolio water withdrawal footprint, expressed in megalitres of water withdrawn/$M invested	(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?
4.3	Portfolio water withdrawn from water stress areas footprint, expressed in megalitres of water withdrawn from areas with water stress/$M invested	(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year? (W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.
4.4	Number of facilities in the portfolio located in areas with water stress	(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year (column 7 “Located in area with water stress”)
4.5	% of facilities in the portfolio located in areas with water stress	(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year (column7 “Located in area with water stress”)
4.6	Total amount of untreated water in megalitres discharged to the natural environment by portfolio companies/$M invested	(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.
4.6	*Average Chemical Oxygen Demand (COD) loading of discharge across the portfolio**	N/A – CDP does not currently collect this information.
5.1	Percentage of total portfolio that has been measured based on the portfolio value (for all indicators listed in section 2, 3 and 4)	N/A – financial institutions should calculate this metric based on their own portfolio value.

Glossary

- **Total value of products/services**: This can take the form of all banking, investment and/or insurance products (e.g., blue bonds) and should be provided in currency of AUM, outstanding commitments, premiums or committed capital.
- **% of portfolio value**: The proportion of products/services in relation to total value of portfolio.
- **Substantive impact:** An impact that has a considerable or relatively significant effect on an organization at the corporate level. This could include operational, financial or strategic effects that undermine the entire business or part of a business.
- **Facilities**: This may be used as a broad term and not restricted to a particular site or grouping of fixed buildings and factories. For example, if the organization is in the extractive industries, they might normally collate business information for assets or business units and may wish to define ‘facility’ information in this way.
- **Regulatory violations**: These may include fines, enforcement orders or other penalties.
- **Water policy**: A statement of an organization’s water-related commitments and the actions to achieve them, which applies to all its activities.
- **Portfolio exposure**: This can be based on either total or outstanding commitments, premiums, committed capital, and/or other.
- **Water withdrawal:** The sum of all water drawn into the boundaries of an organization from all sources for any use over the course of a reporting period.
- **Water consumption:** The amount of water that is drawn into the boundaries of an organization and not discharged back to the water environment or a third party over the course of a reporting year.

- **Water discharges – total volume:** The sum of effluents and other water leaving the organization's boundary and released to surface water, groundwater water or to third parties over the course of the reporting year.
- **Water discharge quality data by standard effluent parameters**: This refers to the quality of discharged water/effluents tracked according to parameters such as Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Suspended Solids (TSS), pathogens, nitrogen, phosphorus, pH and temperature.
- **Water-related risk:** The possibility of an organization experiencing a water-related challenge (e.g., water scarcity, water stress, flooding, infrastructure decay, drought (adapted from the CEO Water Mandate's "Corporate Water Disclosure Guidelines").
- **Weighted average water withdrawal efficiency**, expressed in megalitres of water withdrawn/$M revenue:

$$\sum_{c=1}^{c} \frac{Outstanding\ amount_c}{Current\ portfolio\ value} \times \frac{Company\ water\ withdrawals_c}{Company\ revenue_c}$$

Where:
$\boldsymbol{c}$ is an investee/borrower in a portfolio of investees/borrowers from 1…C;
$\boldsymbol{Outstanding\ amount_c}$ is the actual outstanding investment or loan amount in investee/borrower c;
$\boldsymbol{Current\ portfolio\ value}$ is the total size of the investor/bank's portfolio;
$\boldsymbol{Company\ water\ withdrawals_c}$ is the sum of all water drawn into the boundaries of investee/borrower c from all sources for any use over the course of a reporting period and,
$\boldsymbol{Company\ revenue_c}$ is the revenue of investee/borrower c for the reporting period.

- **Portfolio water withdrawal (listed equity and listed bonds),** expressed in megalitres of water withdrawn/$M invested:

$$\frac{\sum_{c=1}^{c} \frac{Outstanding\ amount_c}{EVIC_c} \times Company\ water\ withdrawals_c}{Current\ portfolio\ value}$$

Where:
$\boldsymbol{c}$ is an investee in a portfolio of investees from 1…C;
$\boldsymbol{Outstanding\ amount_c}$ is the actual outstanding investment in investee C;
$\boldsymbol{EVIC_c}$ is the enterprise value including cash of investee C;

$\boldsymbol{Company\ water\ withdrawals_c}$ is the sum of all water drawn into the boundaries of investee c from all sources for any use over the course of a reporting period and,
$\boldsymbol{Current\ portfolio\ value}$ is the total size of the investor's portfolio

- **Portfolio water withdrawn from water stress areas (listed equity and listed bonds)**, expressed in megalitres of water withdrawn from areas with water stress/$M invested:

$$\frac{\sum_{c=1}^{c} \frac{Outstanding\ amount_c}{EVIC_c} \times (Company\ water\ withdrawals_c \times\ \%\ withdrawn\ from\ areas\ with\ water\ stress_c)}{Current\ portfolio\ value}$$

Where:
$\boldsymbol{c}$ is an investee in a portfolio of investees from 1…C;
$\boldsymbol{Outstanding\ amount_c}$ is the actual outstanding investment or loan amount in investee C;
$\boldsymbol{EVIC_c}$ is the enterprise value including cash of investee C;
$\boldsymbol{Company\ water\ withdrawals_c}$ is the sum of all water drawn into the boundaries of investee c from all sources for any use over the course of a reporting period and,
$\%\ \boldsymbol{withdrawn\ from\ areas\ with\ water\ stress_c}$ is the percentage of $Company\ water\ withdrawals_c$ that is withdrawn from areas with water stress;
$\boldsymbol{Current\ portfolio\ value}$ is the total size of the investor's portfolio

- **Area with water stress:** There is no universally accepted methodology for classifying an area as water stressed, nor for identifying whether facilities are located in a water stressed area. As good practice, a water stressed area should be at the catchment level as a minimum. Commonly accepted global risk indicators to assess areas as water stressed in terms of quantity and their thresholds for reporting to CDP include:
    - Baseline water stress - equal to/greater than 'High': 40-80% (WRI Aqueduct).
    - Baseline water depletion - equal to/greater than 'High': 50-75% (WRI Aqueduct).
    - Water depletion - equal to/greater than risk score 3 in the WWF Water Risk Filter.
    - Blue water scarcity - equal to/greater than risk score 3 in the WWF Water Risk Filter.
    - Available water remaining (AWARE) - equal to/greater than risk score 3 in the WWF Water Risk Filter.

  Note: these global risk indicators account for water stress in terms of the quantity of water resource available. There are currently no commonly used tools/indicators which also take account of accessibility and water quality, and which would reflect the CEO Water Mandate's more inclusive definition of water stress.

For further water accounting definitions, please see CDP's Technical Note on Water Accounting Definitions