

INTRODUCTION TO CDP WATER SECURITY DISCLOSURE

Hosted by CDP Europe
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SPEAKERS



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AGENDA

- ▼ Water – Why should we care?
- ▼ CDP's water security disclosure
- ▼ Investor demand for corporate water data (incl. interview)
- ▼ CDP's water security questionnaire
- ▼ CDP 2023 disclosure timeline and resources
- ▼ Q&A

WATER: WHY SHOULD WE CARE?





> 50%

**Shortfall of the available
global water supply
expected by 2030**

WRI 2020



4 billion

**People experience
severe water scarcity
for at least one month
each year**

UNICEF 2021



6 out of 9

**Planetary boundaries
have passed the safe
zone, including
freshwater**

Stockholm Resilience Center 2022

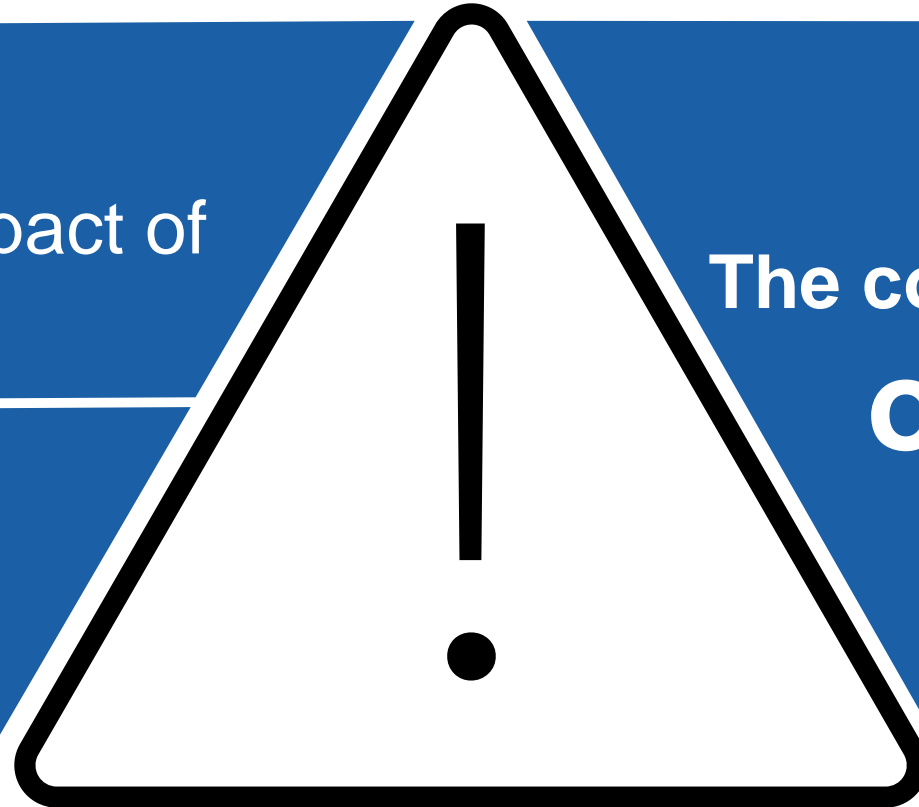
THE ECONOMIC IMPERATIVE TO ACT ON WATER IS STRONGER THAN EVER

US\$ 392 bn

potential financial impact of water risk

US\$ 79 bn

Money required to mitigate those risks



The cost of inaction could be **over 5x higher** than the cost of action

Based on responses from companies that recorded both potential financial impact of water risks and the cost of mitigating those risks in their 2022 response to CDP's Water Security questionnaire.

The private sector is more engaged than ever on water security and is taking action

In 2022, CDP disclosure was higher than ever.

275

global financial institutions disclosed for the first time.



3,900

companies disclosed, an 85% increase over five years.



1,729

companies, including H&M, Microsoft, and Ford, have committed to invest in water-related opportunities.



Riding the Wave

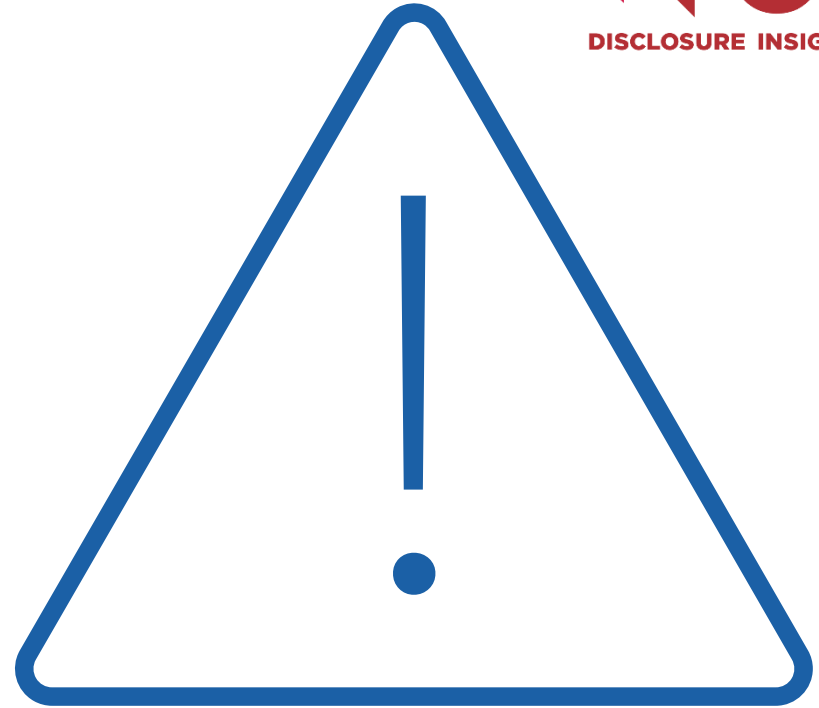
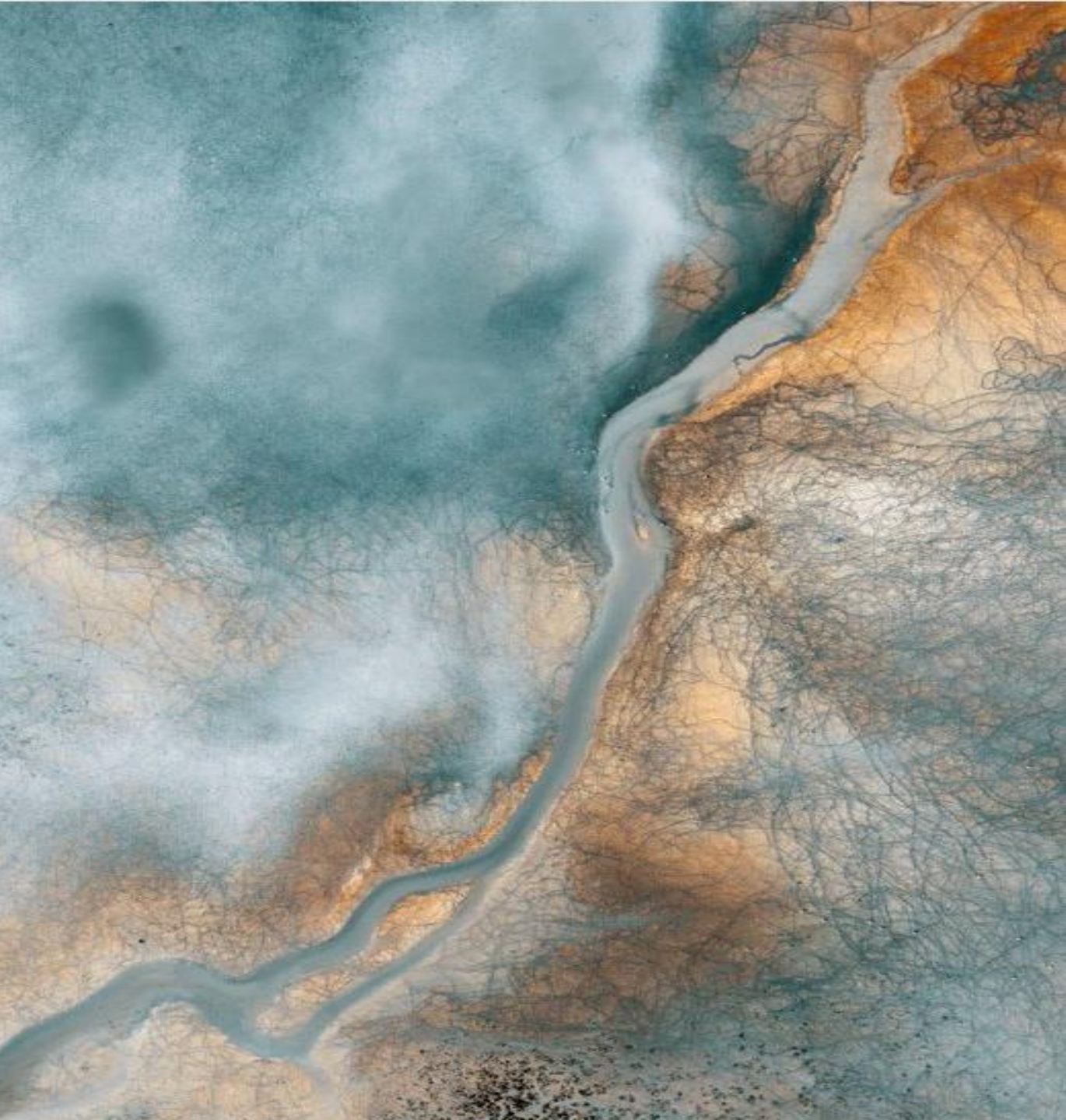
How the private sector is seizing opportunities to accelerate progress on water security

March 2023

WATER SECURITY IS NO LONGER JUST A QUESTION OF RISK, BUT OF REAL VALUE READY TO BE CAPTURED BY COMPANIES

- ▼ Global brands report water-related opportunities worth US\$436 billion
- ▼ Companies across every sector are transitioning away from polluting and water-intensive products.

Based on responses from 3,909 companies who responded to CDP's 2022 Water Security questionnaire

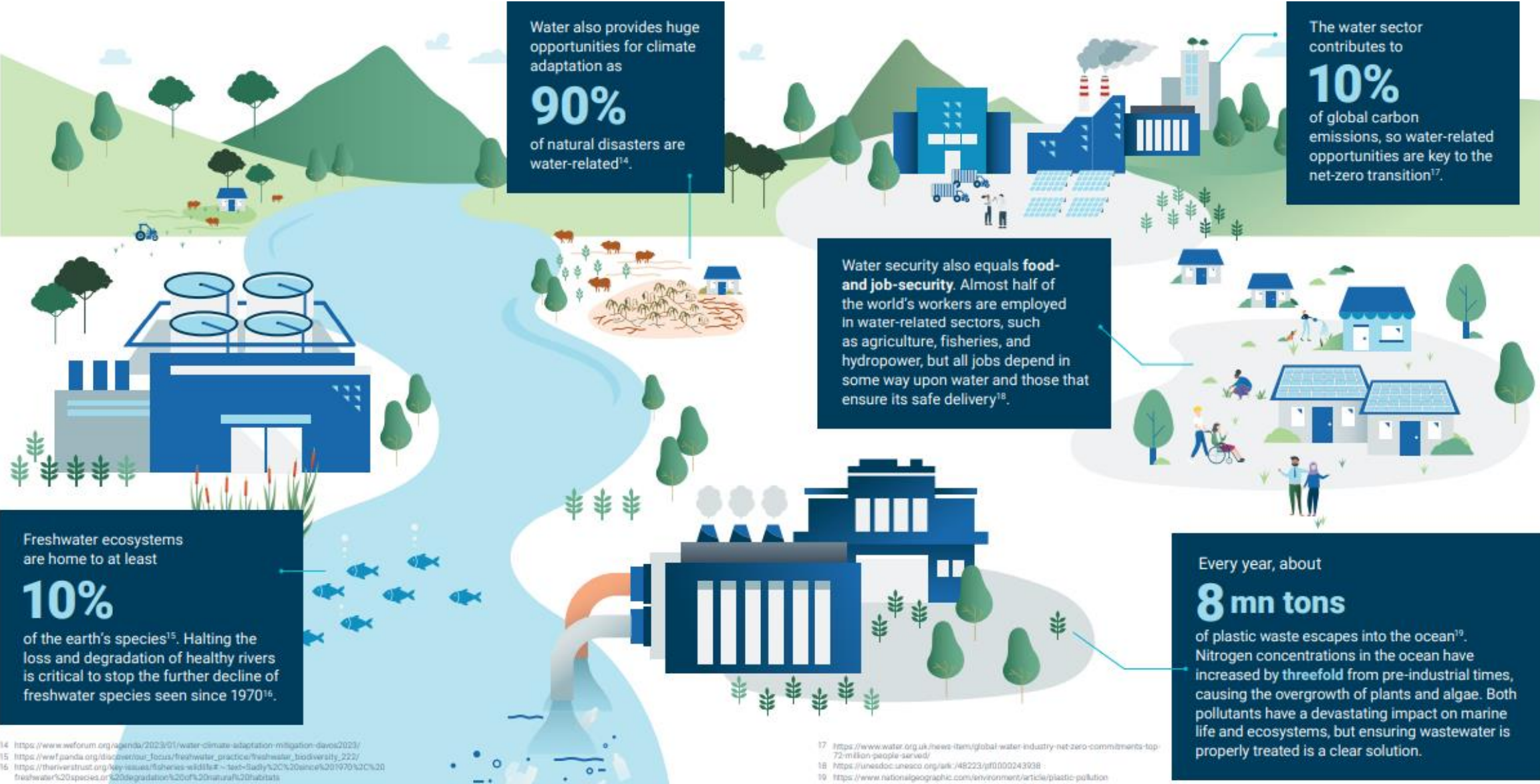


4x more
opportunities for firms
integrating water into
business strategy

THE RIPPLE EFFECT OF WATER-RELATED OPPORTUNITIES



DISCLOSURE INSIGHT ACTION



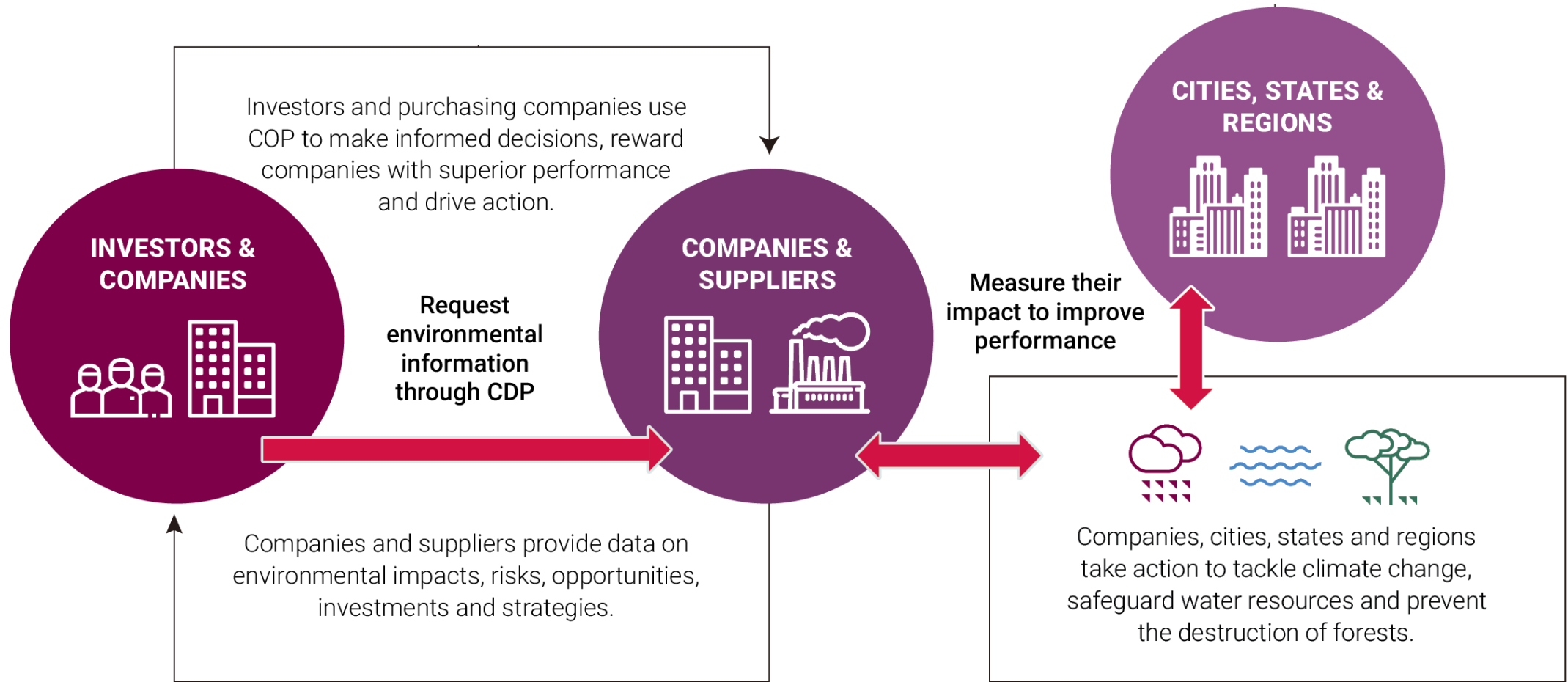
¹⁴ <https://www.weforum.org/agenda/2022/01/water-climate-adaptation-mitigation-davos2022/>
¹⁵ https://wwf.panda.org/discoversourfocus/freshwater_practice/freshwater_biodiversity_222/
¹⁶ <https://theriverstrust.org/key-issues/freshwater-wildlife--tofs-5a6y%20%20ance%201970%20%20freshwater%20species.or%20degradation%20of%20nature%20habitats>

¹⁷ <https://www.water.org.uk/news-items/global-water-industry-net-zero-commitments-top-72-million-people-served/>
¹⁸ <https://unesdoc.unesco.org/ark:/48223/qf0000243938>
¹⁹ <https://www.nationalgeographic.com/environment/article/plastic-pollution>

CDP'S WATER SECURITY DISCLOSURE



THE CDP SYSTEM: LINKING FINANCE AND BUSINESS TO REDUCE RISKS AND SEIZE OPPORTUNITIES



CDP'S CORPORATE WATER SECURITY WORK



In 2022, over **3,900 high impact companies** provided water-related data via CDP's water security questionnaire



CDP is motivating companies in **104 countries** and **across all sectors** to take ambitious action on water security



The data collected and scores generated are used by **over 680 institutional investors with more than \$130 trillion in assets** and **200+ large purchasing organizations**

MAINSTREAMING ENVIRONMENTAL TRANSPARENCY



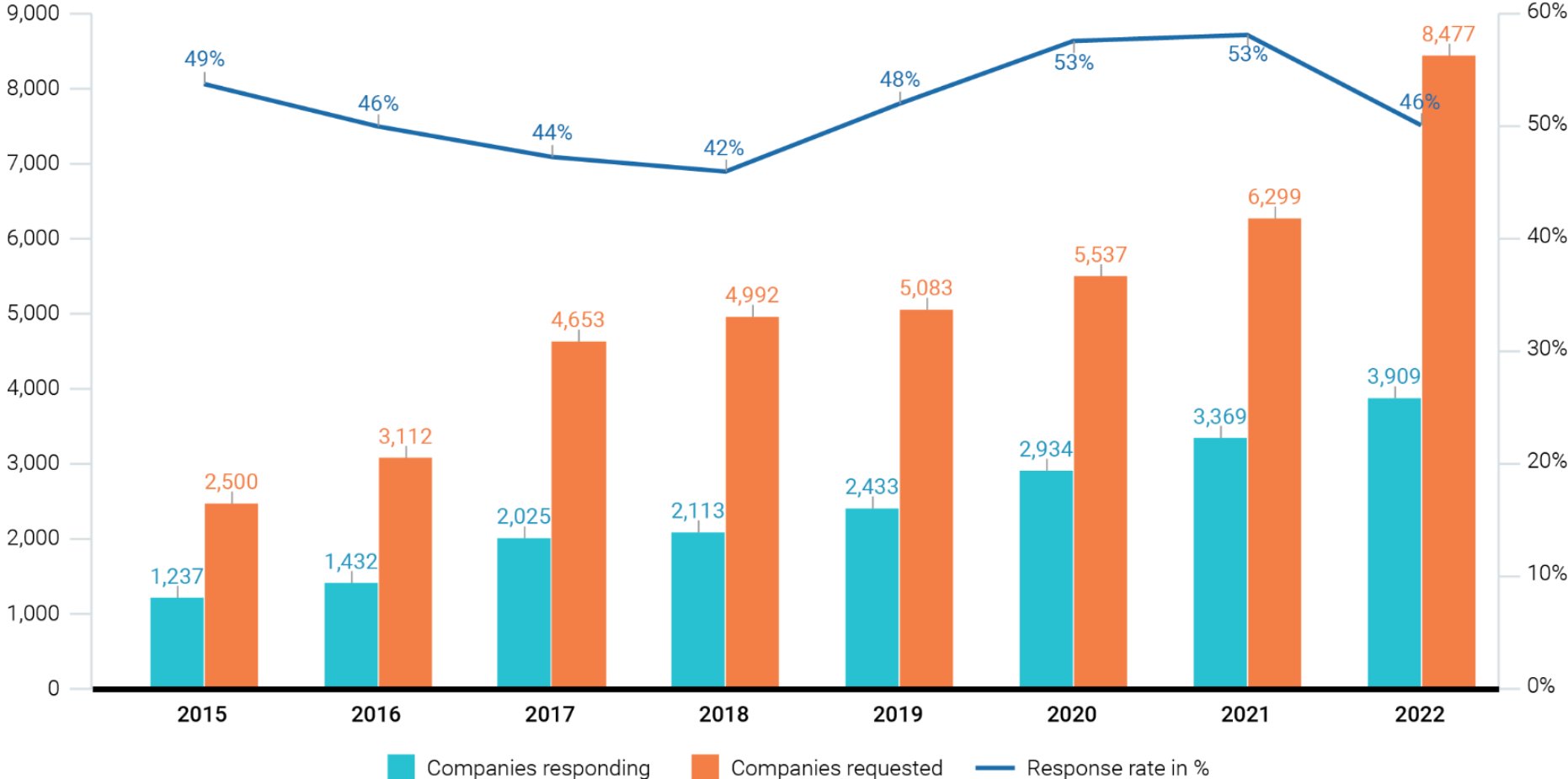
3,909

Organizations reporting on Water Security to investors and customers through CDP.

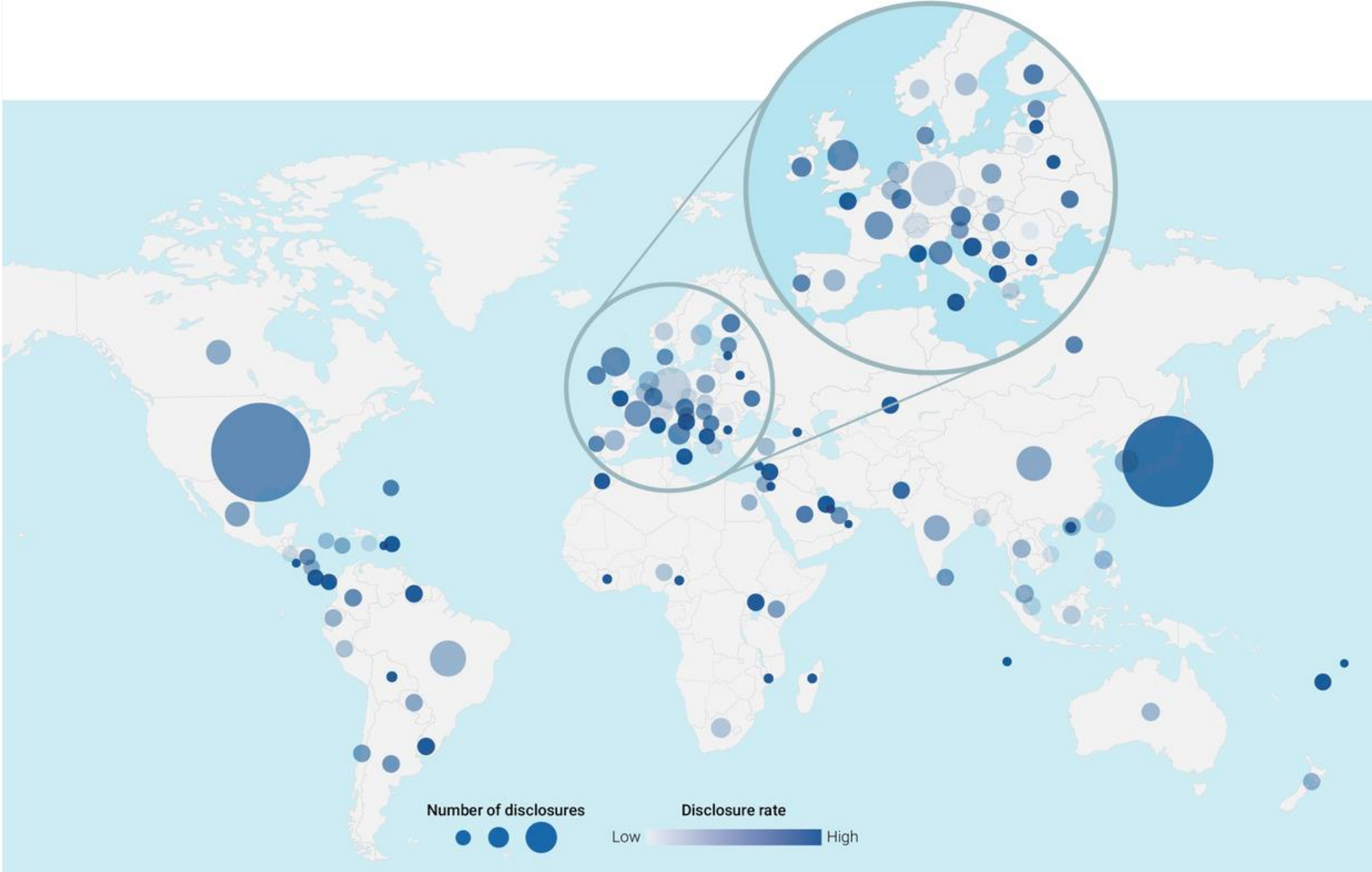
16%

Growth in disclosure from 2021 to 2022

Disclosure response rate 2015-2022



DISCLOSURE BY REGION IN 2022



EUROPE'S NEW ESG DISCLOSURE REQUIREMENTS WILL RAISE THE BAR ON WHAT IS EXPECTED FROM COMPANIES

European Sustainability Reporting Standards (ESRS)

- List water and marine resources as key topics
- Will bring more accountability and a better understanding of risks and opportunities
- Enable the tracking of progress against EU and global goals

European Sustainable Finance Disclosure Regulation (SFDR)

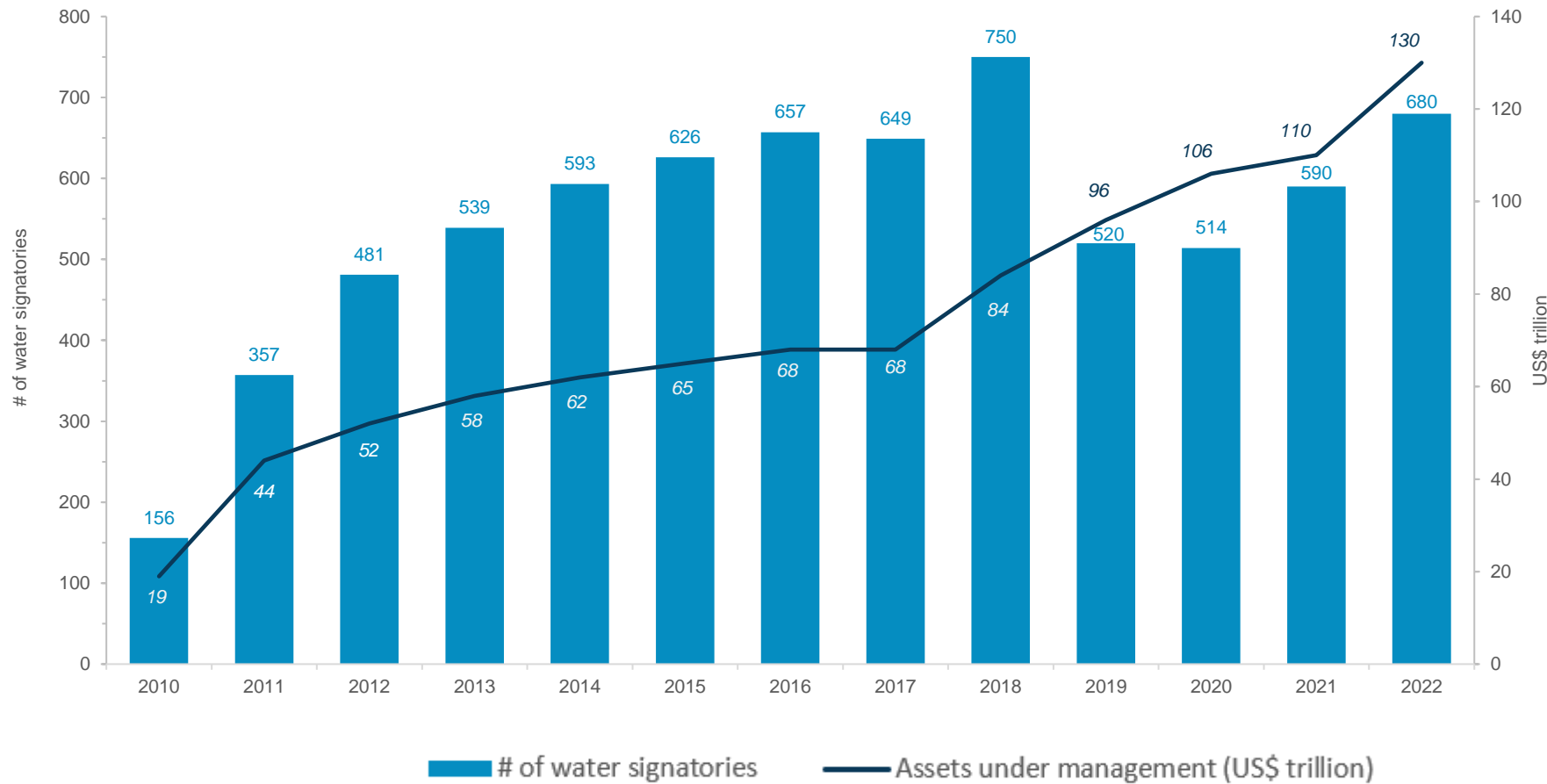
- Includes indicators on water pollution
- Aims to improve transparency for sustainable investment portfolios

SFDR

INVESTOR DEMAND FOR CORPORATE WATER DATA



CDP INVESTOR SIGNATORIES TO THE WATER REQUEST 2010 - 2022



“Companies that disclose through CDP ranked 19 percentiles better than the average business in their ability to access capital” according to research by McGill University and consultancy firm Milani

CDP WATER DATA IN INVESTMENT DECISIONS



▼ by 680+ CDP financial institutions

- to screen companies
- to assess the water risk/impact of their portfolio
- to engage companies: seek clarification, hold companies accountable and identify improvements
- to build “house ratings” (can be the “E” input to an internal ESG rating) or using it to complement other ratings

▼ in financial indices (e.g., Euronext CDP Water Eurozone Index)



▼ in research products and ratings



INVESTOR INTERVIEW

PANELIST



Emilio López Fernandez
Managing Director,
Head of Corporate
Lending Iberia,
BBVA

MODERATOR

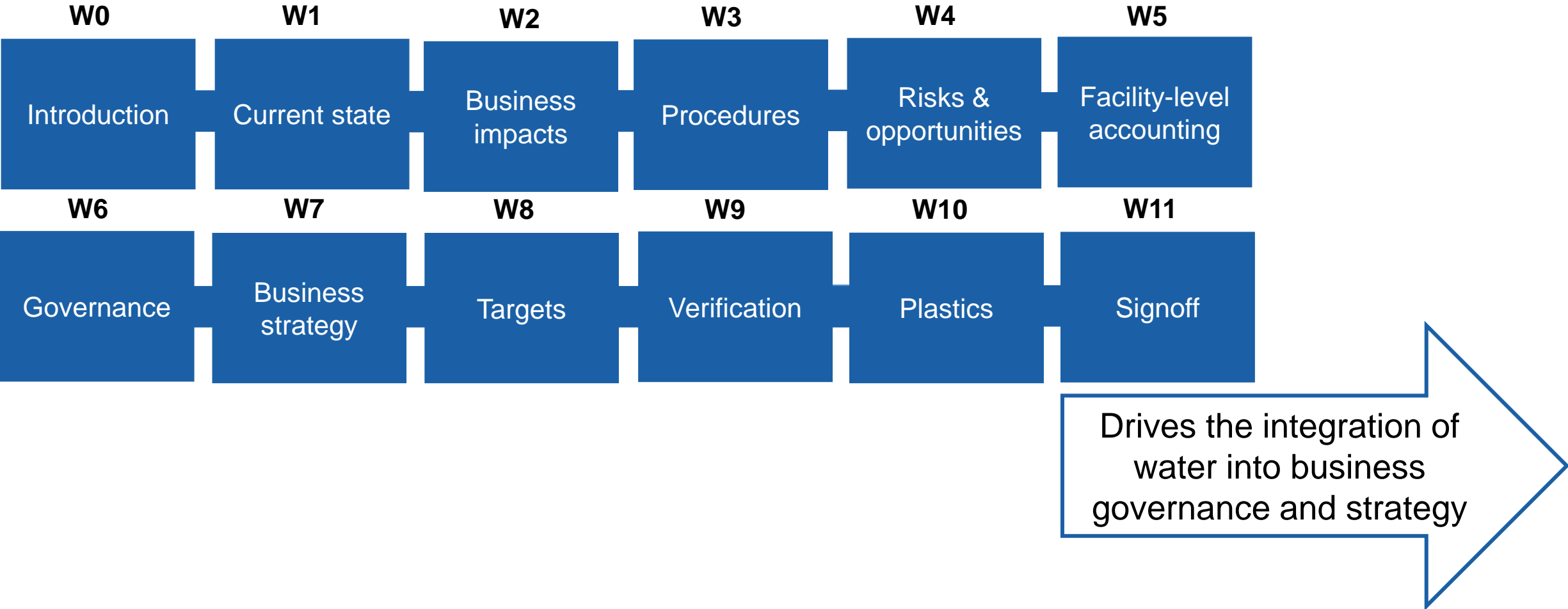


Matteo Brezza
Senior Account Manager,
Capital Markets
CDP Europe

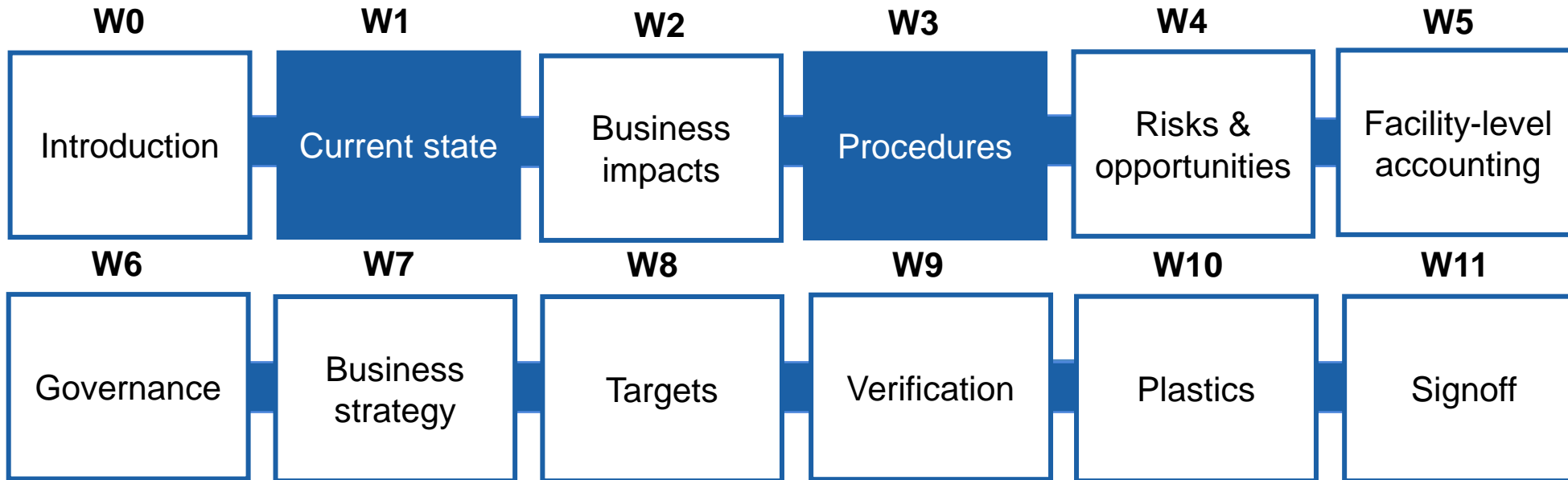
CDP'S WATER SECURITY QUESTIONNAIRE: A FRAMEWORK FOR ACTION



CDP'S WATER SECURITY QUESTIONNAIRE: a framework for action on water stewardship



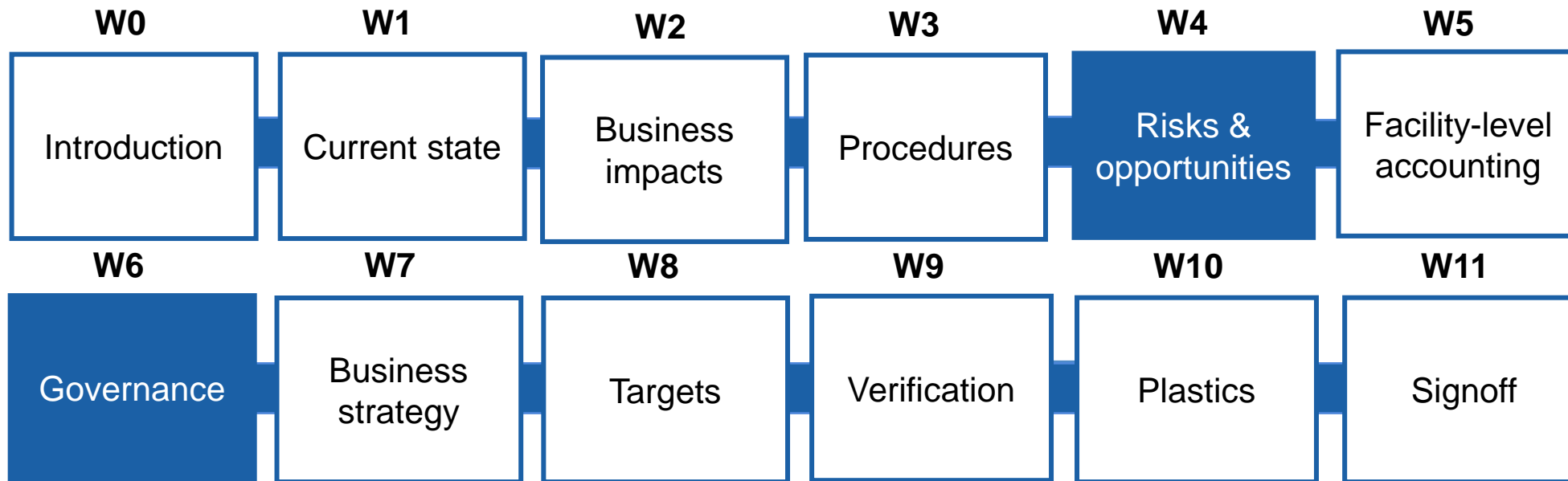
CDP'S WATER SECURITY QUESTIONNAIRE: a framework for action on water stewardship



- ▼ **Current state:**
 - ▼ Dependence
 - ▼ Company-wide water accounting
 - ▼ Value chain engagement

- ▼ **Procedures:**
 - ▼ Water-related risk assessment?
 - ✓ Yes: describe process
 - ✓ No: explain why

CDP'S WATER SECURITY QUESTIONNAIRE: a framework for action on water stewardship



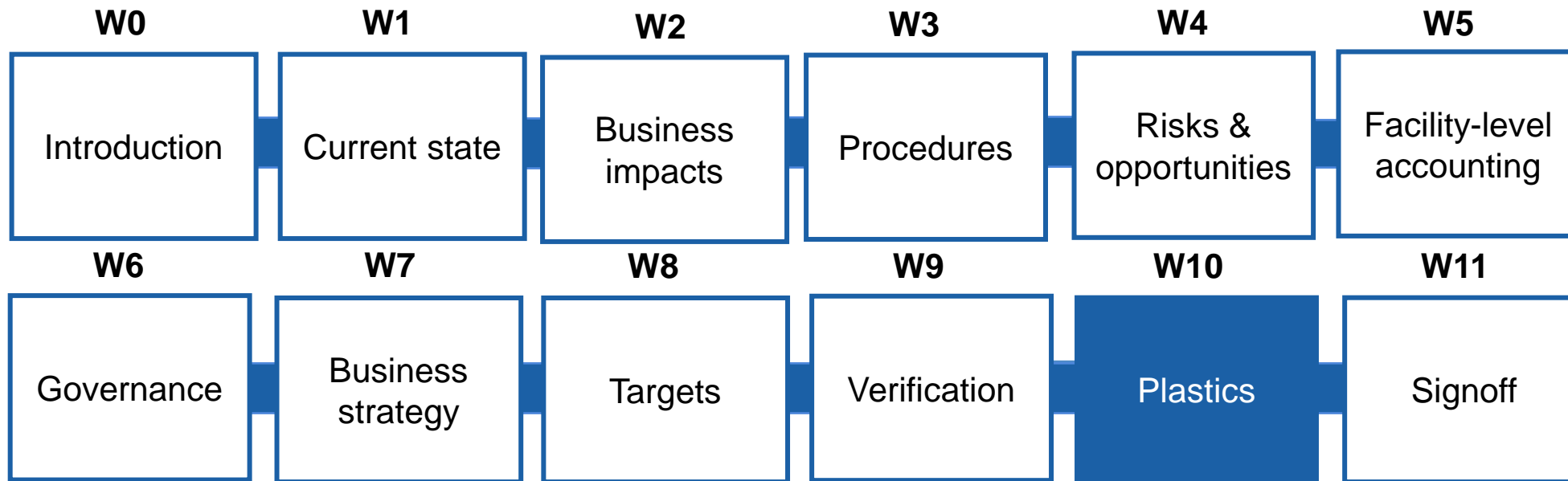
▼ Risks & Opportunities:

- ▼ Definition of substantive risk
- ▼ Water-related risks and response
- ▼ Water-related opportunities

▼ Governance:

- ▼ Company's water policy
- ▼ Board oversight
- ▼ Employee incentives

CDP'S WATER SECURITY QUESTIONNAIRE: a framework for action on water stewardship



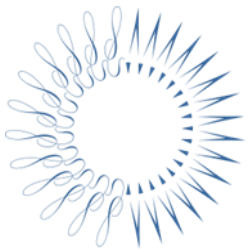
▼ Plastics:

- ▼ New module of 5-9 exploratory, unscored questions.
- ▼ Covers value chain mapping, impacts, business risks, targets, quantitative metrics for raw material content of plastic goods and packaging.
- ▼ Aligned with the Ellen MacArthur Foundation's Global Commitment.

CDP'S WATER SECURITY QUESTIONNAIRE: the new plastics module



- ❑ Our vision is that **disclosure enables the transparency, action, and accountability needed to end plastic waste and pollution.**
- ❑ Alongside our partners Minderoo Foundation, Pew Charitable Trusts and Ellen MacArthur Foundation, we will use transparency and accountability to drive ambitious action on the plastic pollution crisis.



THE
PEW
CHARITABLE TRUSTS



**ELLEN MACARTHUR
FOUNDATION**

CDP Plastics Disclosure



- ▼ CDP Water Security questionnaire (full version) includes a **Plastics Module** of 5-9 new, **unscored** questions.
- ▼ **Plastics Module** questions cover value chain mapping, impacts, business risks, targets, and quantitative metrics for raw material content of plastic products used, produced, and commercialized.
- ▼ CDP plastics disclosure is aligned with the Ellen MacArthur Foundation's Global Commitment
 - [Technical Note on Plastics Disclosure](#) provides a mapping of metrics.

Why is plastics in the water security questionnaire?

- ▼ Similar high impact sectors
- ▼ Impacts on marine and freshwater ecosystems



CDP Plastics Disclosure



W1 Current state

W2 Business impacts

W3 Procedures

W4 Risks and opportunities

W5 Facility-level accounting

W6 Governance

W7 Business strategy

W8 Targets

W9 Verification

W10 Plastics

W10 Plastics (9 Qs)

Mapping plastics (1 Q)

Potential impacts (1 Q)

Risks to the business (1 Q)

Targets (1 Q)

Activities (1 Q)

Metrics for production of plastic polymers (1 Q)

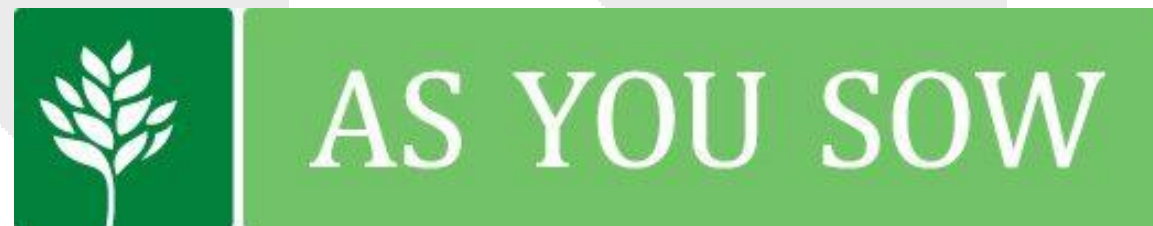
Metrics for durable goods/components (1 Q)

Metrics for plastic packaging (2 Qs)

Benefits of plastics disclosure: mitigate investor pressure



- ▼ Over **44%** of CDP investor signatories are interested in plastics¹.
- ▼ **50+** investors, convened by *As You Sow*, have formed a Plastic Solutions Investor Alliance².
- ▼ UN Principles for Responsible Investment (PRI) has published a set of engagement guides for investors³.



Benefits of plastics disclosure: get ahead of regulation



North America

Several US states have imposed fees, taxes, or bans on plastic bags.



Europe

European Union aims to reduce the volume and impact of specific plastic products on the environment through a range of measures to deal with single-use plastic items.



Asia

China has announced an ambitious ban on single-use plastics and increasing restrictions on the production, sale, and use of single-use plastic products. Singapore's Green Plan 2030 aims to reduce the waste per capita sent to Semakau Landfill by 30% and increase the national recycling rate to 70%.

Benefits of plastics disclosure: improve reputation



PLASTIC WASTE MAKERS INDEX SCORECARDS

The Minderoo Foundation has called out the largest petrochemical companies for their production of polymers bound for single-use plastic¹.

For the past five years, Break Free from Plastic has conducted audits of plastic litter across six continents to identify and document the brands found on plastic waste, and called out FMCG companies by name².

#break
free
from
plastic

Benefits of plastics disclosure: improve reputation



- ▼ **Escalating legal action:** there is growing momentum for legal challenges on plastic pollution¹. in US and Europe, and claims against companies in other regions – especially Asia – are increasingly likely².
- ▼ **Calls for transparency:** ClientEarth is taking legal action against prominent FMCG companies for their plastic waste and demanding that they map the impacts of their plastics use across their value chain and put together ‘deplastification’ plans³.

ClientEarth

Benefits of plastics disclosure: new business opportunities



Reuse models

Converting 20% of plastic packaging into reuse models is a US\$10 billion business opportunity¹.



Disruptive materials

The emergence of disruptive, innovative materials may replace traditional plastics².



New investments

The waste management and reprocessing sectors can realise economic and environmental benefits of creating a **circular economy** for plastics³.

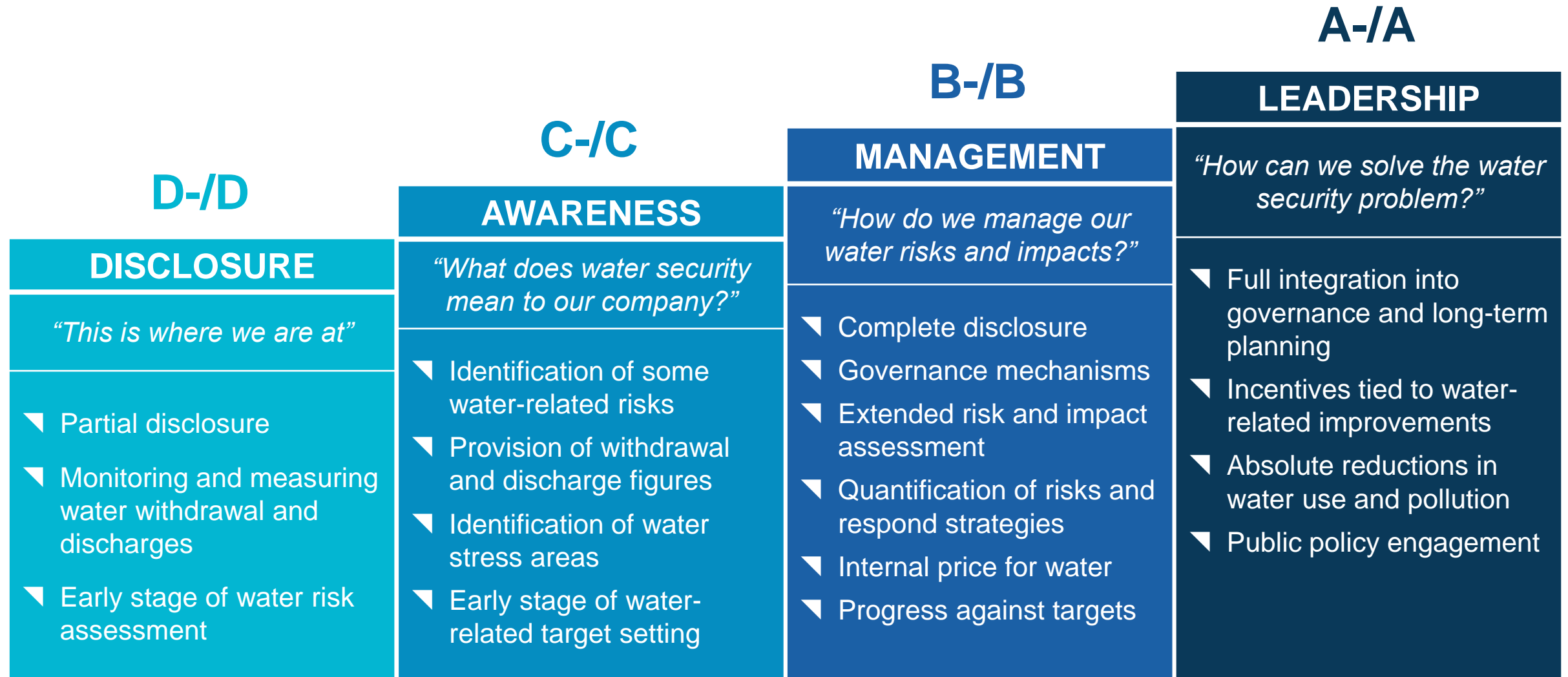


Plastic pollution presents a unique risk for producers and users of virgin plastics given regulatory changes and growing consumer outrage. But it is also a ***unique opportunity*** for companies ahead of the curve, ready to ***unlock value from a circular economy*** that derives revenue from the circulation of materials rather than the extraction and conversion of fossil fuels. Large ***new value pools*** can be created around better design, better materials, better delivery models, improved sorting and recycling technologies, and smart collection and supply chain management systems.

Breaking the Plastic Wave, Pew Charitable Trusts



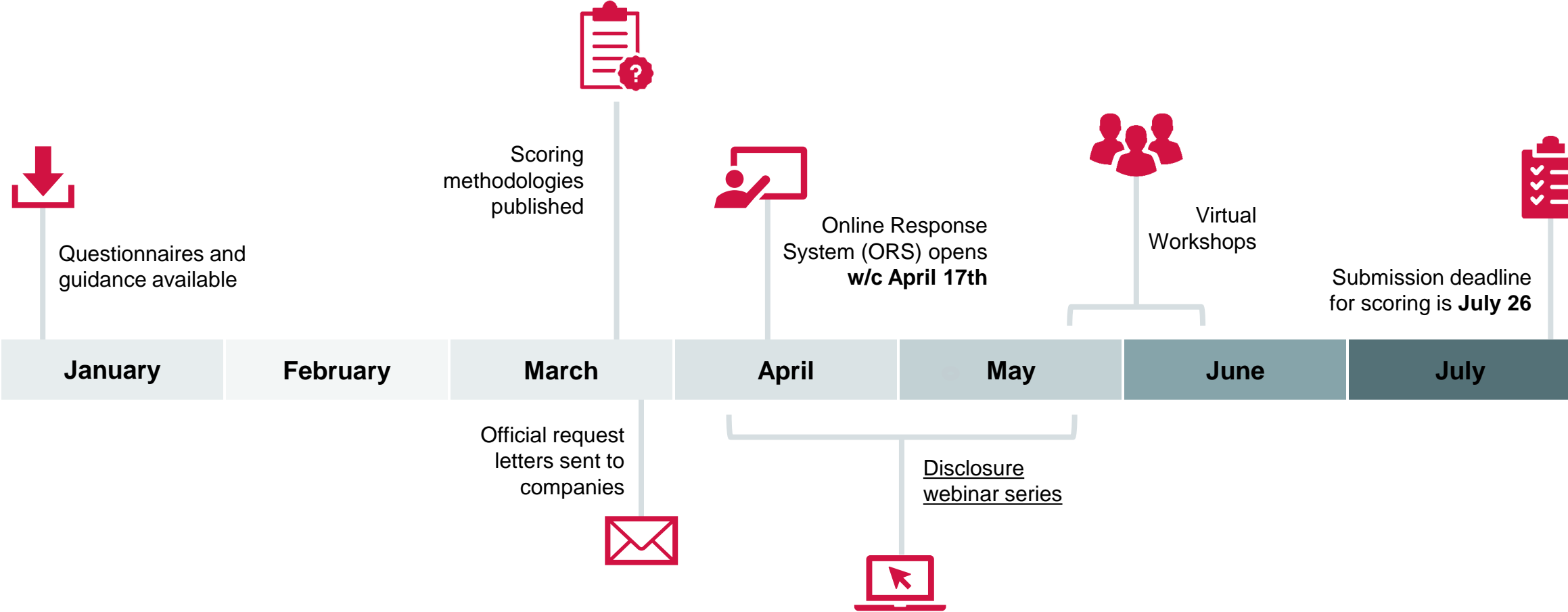
TRAJECTORY TO WATER SECURITY LEADERSHIP



CDP 2023 DISCLOSURE TIMELINE AND RESOURCES

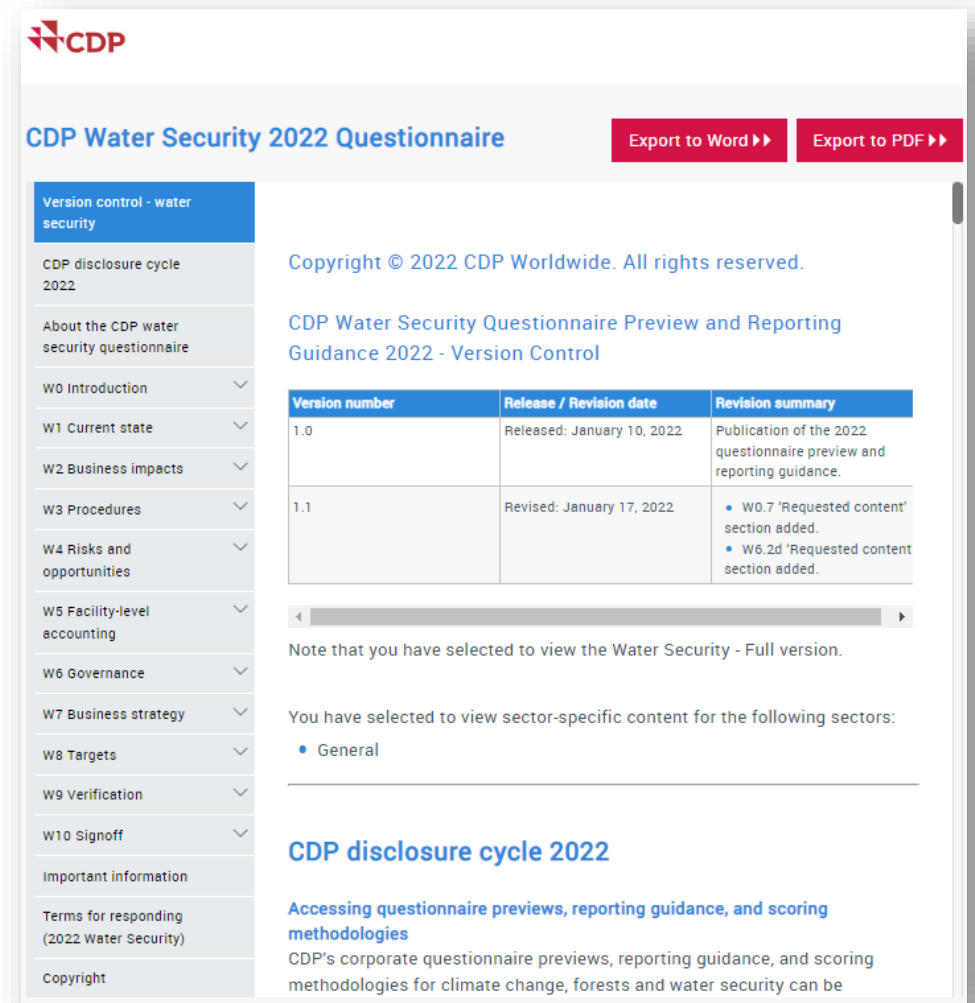


THE 2023 DISCLOSURE TIMELINE



KEY RESOURCES FOR 2023 WATER SECURITY DISCLOSURE

- Visit the [Guidance for companies website](#) to access 2023 disclosure resources:
 - [Water Security Questionnaire 2023](#)
 - [Water Security Reporting Guidance 2023](#)
 - [Water Security Scoring Methodology 2023](#)
 - [Water Security Questionnaire Changes 2022-2023](#)
 - [Water Security Scoring Methodology Changes 2022-2023](#)
 - [Water Security Scoring Categories and Weighting 2023](#)
- Plastics disclosure resources:
 - [Technical Note - Plastics Disclosure](#)
 - [Business Case for Plastics Disclosure](#)
 - [How is plastics material to different sectors?](#)



CDP Water Security 2022 Questionnaire

Export to Word Export to PDF

Version control - water security

CDP disclosure cycle 2022

About the CDP water security questionnaire

- W0 Introduction
- W1 Current state
- W2 Business impacts
- W3 Procedures
- W4 Risks and opportunities
- W5 Facility-level accounting
- W6 Governance
- W7 Business strategy
- W8 Targets
- W9 Verification
- W10 Signoff

Important information

Terms for responding (2022 Water Security)

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CDP Water Security Questionnaire Preview and Reporting Guidance 2022 - Version Control

Version number	Release / Revision date	Revision summary
1.0	Released: January 10, 2022	Publication of the 2022 questionnaire preview and reporting guidance.
1.1	Revised: January 17, 2022	<ul style="list-style-type: none">W0.7 'Requested content' section added.W6.2d 'Requested content' section added.

Note that you have selected to view the Water Security - Full version.

You have selected to view sector-specific content for the following sectors:

- General

CDP disclosure cycle 2022

Accessing questionnaire previews, reporting guidance, and scoring methodologies

CDP's corporate questionnaire previews, reporting guidance, and scoring methodologies for climate change, forests and water security can be

2023 CORPORATE DISCLOSURE WEBINARS



- ▼ **Nature & Biodiversity in Corporate Reporting** - Friday 19 May | 11:00 CEST
- ▼ **Navigating EU Sustainability Reporting** - Wednesday 24 May | 11:00 CEST

Recordings and slides available for

- ▼ **Introduction into CDP Forests disclosure**
- 📄 **Getting started with CDP disclosure**
- ▼ **Benefits of CDP disclosure**



Europe corporate disclosure webinars

Thank you for joining!

Questions?