

ENVIRONMENTAL FINANCE

The Basics of Water Disclosure

10th May, 2012

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The Basics of Water Disclosure

- Understanding water issues
- Some useful tools
- Disclosing and communicating

Water disclosure is not like carbon disclosure; it is not just about 'how much' water is the company using!

What?

- Is the water 'Green', 'Blue' or 'Grey'?

Where?

- Is the water source 'stressed'?
- Is the water source being used by others?

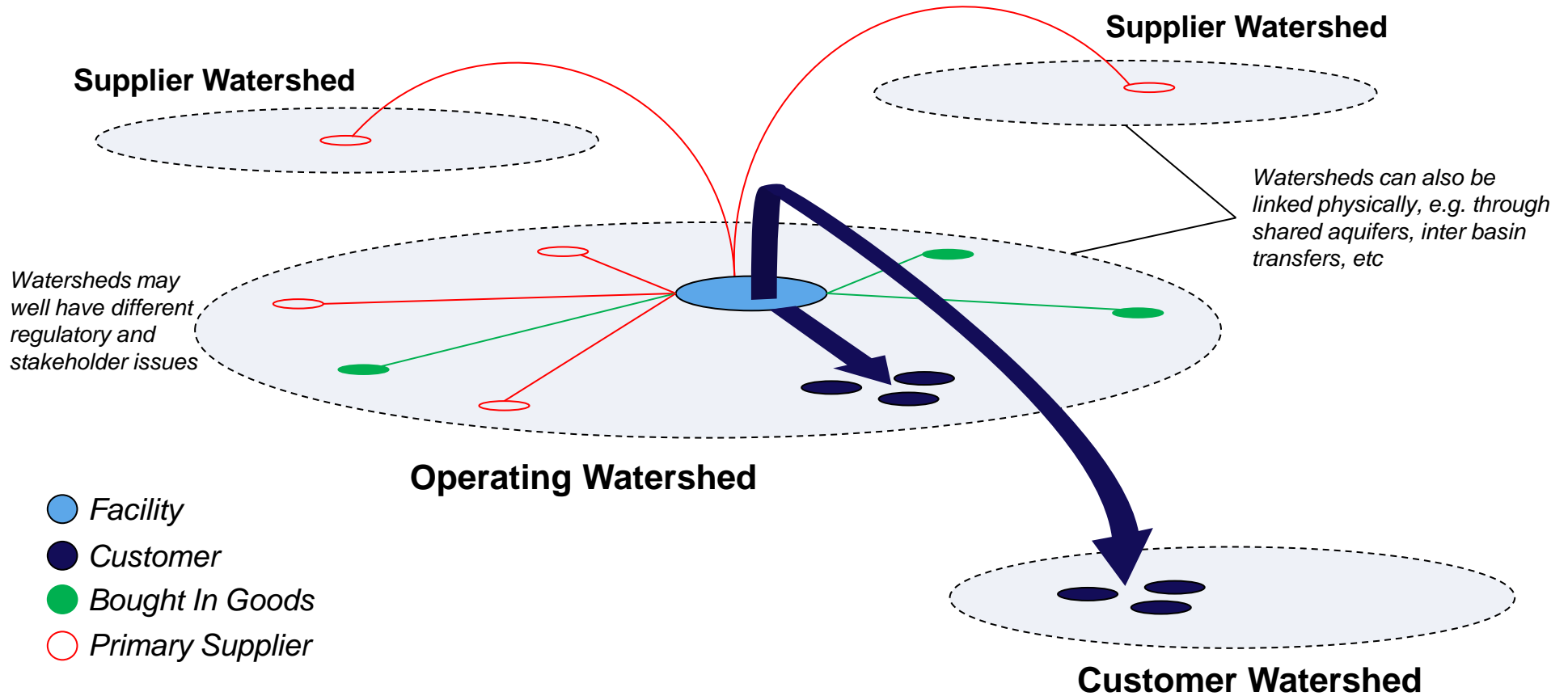
When?

- Is the water being used during a dry season?

Why?

- Is the water being consumed, abstracted and/or returned?

Managing water risk is about more than just managing site specific risks



Good corporate water management is moving from operations and compliance to strategy and stewardship

EXAMPLES OF EVOLVING THEMES

Using value chain influence

Engaging beyond business/industry borders

Planning and capital allocation

Developing wider water resilience



EDUCATE CONSUMERS

Changing manufacturing process to reduce water use substantially for some products and encouraging customers to reduce their use as well



SOURCE WATER PROTECTION PLAN

Create and implement a formal source water protection plan, including local engagement

RioTinto

VALUE OF WATER

Developed risk based valuation methodology for non-financial values of water



PEPSICO

WATER AS A HUMAN RIGHT

Developed guidelines to support water as a human right. Forms basis of stewardship approach

There are lots of tools available to help companies begin to *measure* their exposure to water related risk (1/2)



- Product/Individual/Company/Country
- Freshwater appropriation
- General indicator of water use

Life Cycle Analysis

- For individual product
- Overall environmental impact
- Weights water volumes based on impacts



- For (portfolio of) site or operation
- Mapping and risk assessment
- Risk indicators can be weighted together
- Detailed data available for 2 river basins



- For (portfolio of) site of operation
- Identification of sites in high stress areas
- Based on annual withdrawals

There are lots of tools available to help companies begin to *measure* their exposure to water related risk (1/2)



- For specific site or operation
- Assess water related risks
- Central repository of information
- Template for risk management activities



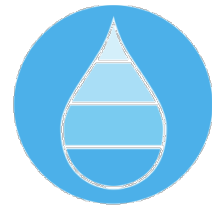
- For (portfolio of) site or operation
- Assess water related risks
- Central repository of information
- Database of risk management examples

NOT AN EXHAUSTIVE LIST OF TOOLS/APPROACHES

More comprehensive comparisons can be found at:

- <http://ceowatermandate.org>
- <http://waterriskfilter.panda.org/KnowledgeBase.aspx>

The Ceres Aqua Gauge is designed to help companies develop a complete approach to *management* of water risk



AQUA GAUGE

Companies	Investors
<ul style="list-style-type: none">▪ Strategy Development▪ Investor Engagement▪ Supplier & Industry Engagement▪ Self-Assessment & Improvement	<ul style="list-style-type: none">▪ Priority Identification▪ Corporate Response Assessment▪ Company Engagement▪ UN PRI Compliance

<http://www.ceres.org/issues/water/aqua-gauge>

The Aqua Gauge highlights a range of actions needed to manage water across a large organisation

MEASUREMENT

- Collects and monitors data relating to water
- Identifies and quantifies water-related risks

MANAGEMENT

- Responsibility for water at executive level
- Sets performance standards and goals for water and wastewater
- Addresses water issues in business decision-making

ENGAGEMENT

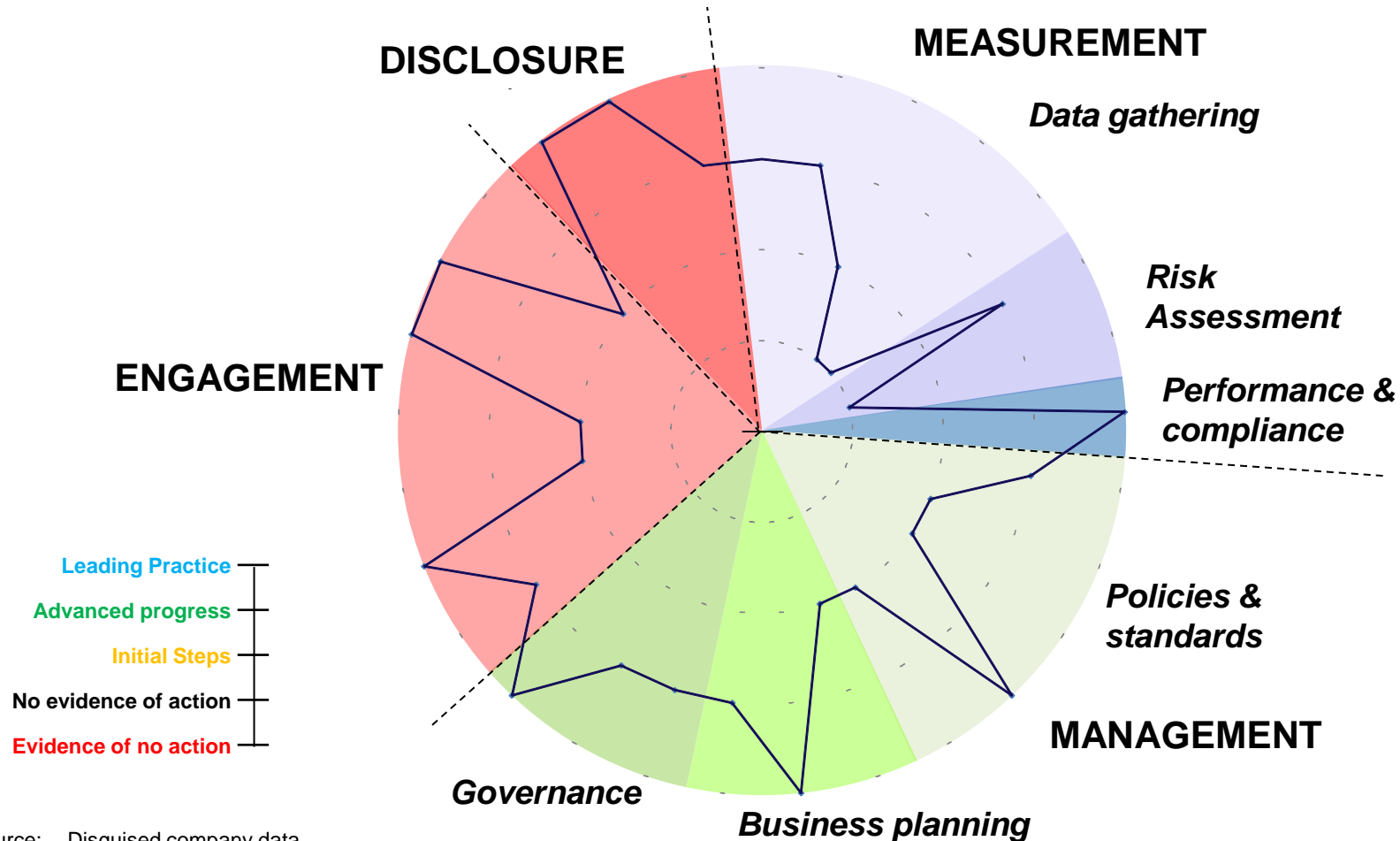
- Engages with internal and external stakeholders on water-related issues

DISCLOSURE

- Communicates water-related information

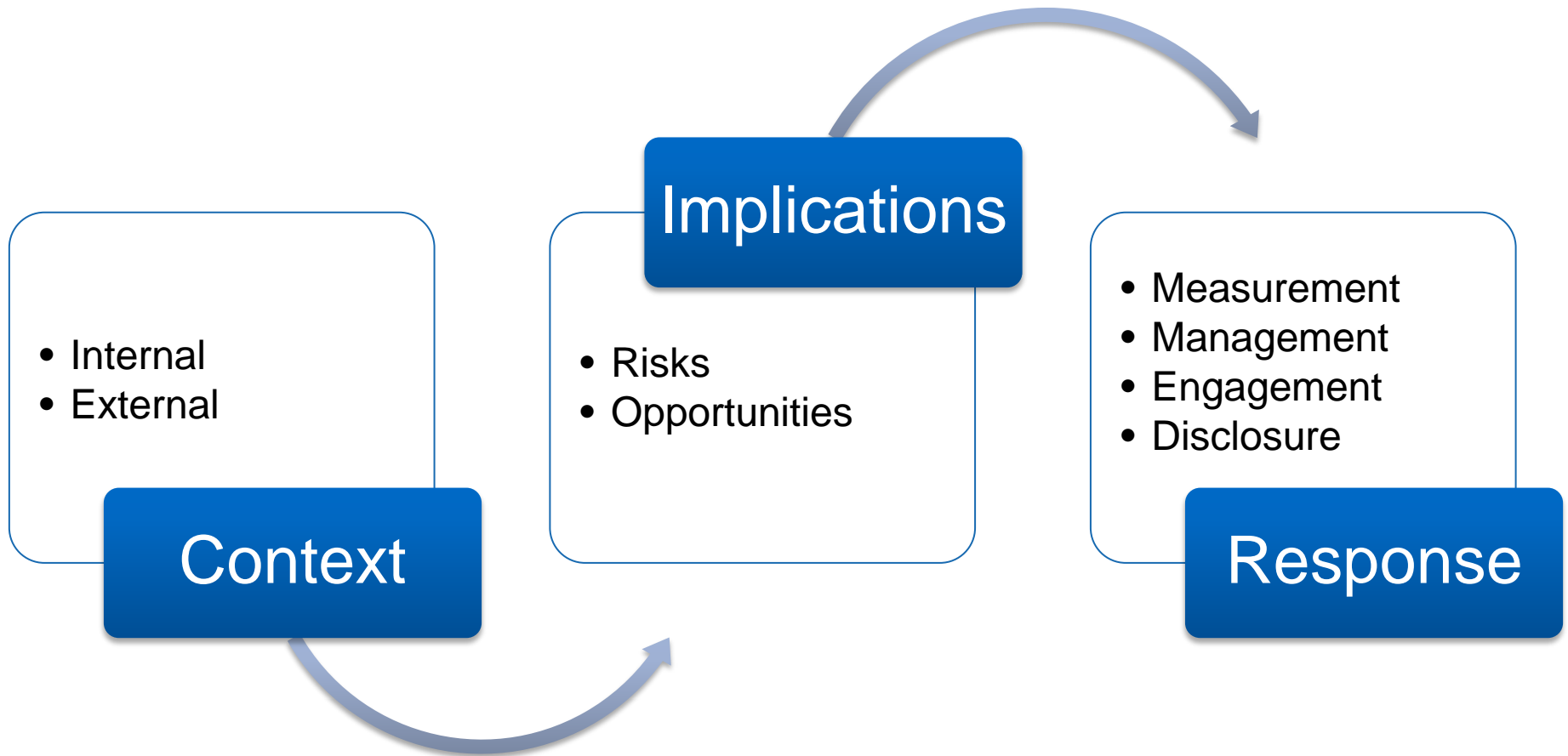
The Aqua Gauge is being used by major US investors to inform and guide engagement with companies

ASSESSMENT BASED ON THE AQUA GAUGE



Source: Disguised company data

Disclosure needs to cover a range of things; from context and associated implications, right through to response



Disclosure should not be 'one size fits all', it is important to understand the audience and their respective interests

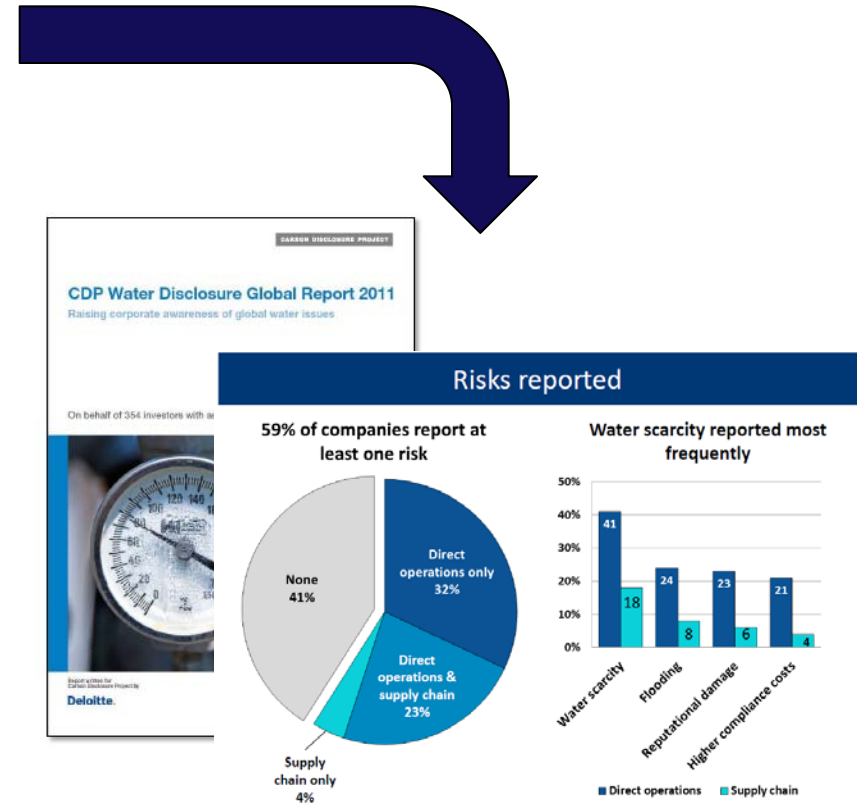
ILLUSTRATIVE

	Customer	Local Community	NGOs	Investor
Audience	Customer	Local Community	NGOs	Investor
Primary Interests	Footprint Practices	Compliance Local Initiatives	Compliance Footprint	Performance Strategy
Primary Channels	Labelling Marketing Material	Direct Comms. Newsletters Stakeholder Mtgs.	Direct Comms. CSR Report Stakeholder Mtgs.	10K/Annual Rep. Analyst Calls CDP
Metrics	Footprint LCA	Compliance Local Initiatives	Compliance Footprint	Performance Strategy

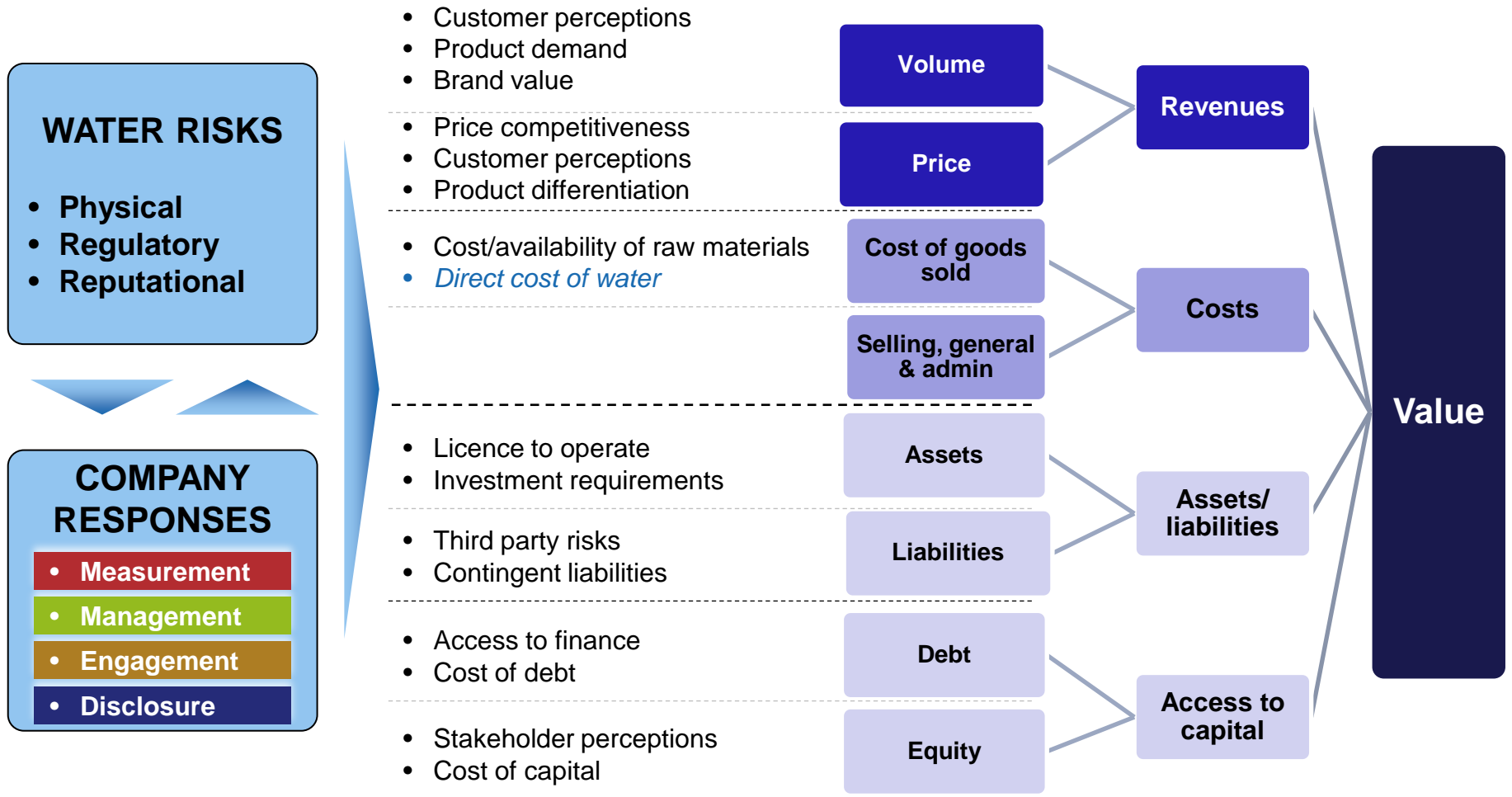
A further key consideration is language; what will the audience understand?

The main form of disclosure to investors is the CDP Water Disclosure initiative

CDP uses a 3-part questionnaire



The key for most investors is to understand the link between water and company value



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