

COMPANIES NOT MOVING FAST ENOUGH TO ADDRESS GROWING WATER RISK

- > Annual tracking study shows water-related impacts cost business US\$14 billion this year;
- > Findings reveal poor water management could stop companies achieving 24% of their carbon cutting plans;
- > Major brands **Ford, Toyota** and **Unilever** among 24 corporations named in 2016 CDP Water A List for implementing best-practice strategies.

Marrakesh, Morocco, 15 November, 2016: Drought, flooding, increased water stress fueled by climate change, tightening environmental regulation and the cost of cleaning up water pollution and fines have all resulted in **US\$14 billion worth of water-related financial impacts to business**. This is over five times the US\$2.6 billion reported last year by companies providing information to investors on their management of and impacts on water resources.

These are the findings of a new report from **CDP**, the global non-profit tracking corporate environmental performance, published at COP22 in Marrakesh today. The report, ***Thirsty business: Why water is vital to climate action***, is based on data provided by 607 companies in response to CDP's request for information made on behalf of 643 institutional investors with US\$67 trillion in assets. It reveals:

- > **Year-on-year trends show company progress is almost stagnant:** The report evaluates corporate performance over five key metrics relating to water management, including measuring and monitoring use, reporting and target-setting. Year-on-year trends show company progress is almost stagnant, for example 61% of companies say they track their water use – just 3% more than did last year. While companies have made progress on transparency – 2016 saw the largest response yet to CDP's annual request for investment-relevant information on water – over half (677) of the companies asked to disclose by investors failed to do so.
- > **Water risks are rapidly materializing for business:** Nearly every business sector analyzed in the report saw an increase in water-related financial impacts this year. Utilities, materials and energy companies disclosed the most substantive impacts. The increase was largely driven by Japanese power giant **Tepco**, who disclosed that nearly US\$10 billion was spent in the past financial year addressing groundwater pollution from the Daiichi nuclear power plant following the 2011 tsunami.

For some companies the impacts were a significant proportion of their business: Water supply disruption to their mines cost **African Rainbow Minerals** US\$26 million in lost revenues last year, over a third of its annual income. In total, over a quarter (164) of companies experienced detrimental impacts from water in the past year alone. And companies expect over half (54%) of the 4,416 water risks they identified to materialize in the next six years.

- > **Water could make – or break – global efforts to implement the Paris Agreement:** Companies will need to get a handle on water management in order to achieve their climate goals. Analysis reveals **one in four (24%) greenhouse gas (GHG) emissions reduction activities reported by companies depend on a stable supply of water**. However, better management of water could enable companies to reduce their carbon emissions. More than half of companies said more efficient use of water has led to lower GHG emissions.

CDP's CEO Paul Simpson says: *"This year's findings offer two clear lessons for the private sector. Firstly, that water risks can rip the rug from right under business, posing a serious threat to bottom lines. Secondly, and crucially, that water will be a fundamental global commodity in the transition to a low-carbon economy. Every drop of clean, sustainable water will be essential for the emissions reduction activities countries and companies have planned. This is a wake-up call to companies everywhere to take water more seriously."*

For the second year in a row, CDP and leading sustainability solutions provider **South Pole Group** have scored companies on their environmental management and governance of water and published **CDP's Water A List** – an index of companies who are judged to be following best practice in the field of sustainable water management. In a sign that a growing number of companies are taking a more comprehensive approach to water management, 24 companies were named on the CDP Water A List this year, up from the eight named in 2015. This year's Water A List includes **BASF SE, Coca-Cola European**

Partners, L'Oréal and Suntory Beverage & Food. Six firms have made it to the A List for the second year running, including **Colgate Palmolive Company, Ford Motor Company** and **Toyota Motor Corporation.**

Renat Heuberger, CEO South Pole Group says: *"Companies that understand and actively manage their water risks benefit twice. On the one hand, they are able react in time, before disrupting issues such as floods, droughts, supply challenges, or conflicts with stakeholders affect their profits. On the other hand, managing the risks means spotting the opportunities: efficiency gains, quality improvements, or procurement cost cuts, to name just a few."*

Companies who did not respond to the investor request for data received an F, denoting failure to disclose. **The energy sector continues to be the laggard industry on water transparency**, with only 29% of those companies requested to disclose providing information to their investors via CDP this year. The report highlights **Exxon Mobile Corporation, Chevron Corporation, Royal Dutch Shell** as the three largest energy companies (by market capitalization) who, since 2012, have consistently failed to respond to investor requests for disclosure through CDP's water program.

"We are thrilled to be part of catalysing this high calibre conversation between investors and companies together with CDP," says **John Davis, Director Financial Industry, South Pole Group.** *"Investors will be able to select the leaders from the pack with comprehensive water data, allowing them to better understand how water alongside carbon issues may impact their portfolios during this sustainability transition."*

CDP's report shows the energy sector is exposed to water risks: Nearly half of the companies who did respond (47%) were subject to fines or penalties for incidents ranging from spills to settlements over contravening environmental regulation. The fines accrued to US\$78 million, significantly higher than any other sector analyzed in the report, and over seven times the amount energy companies disclosed having to pay last year.

Morgan Gillespy, the report lead author and CDP's head of water, says: *"For a long time companies have taken water for granted as a free and plentiful resource. But these assumptions are unraveling as the impacts of climate change gather pace. From the US\$100 billion worth of energy infrastructure at risk from rising sea levels in Louisiana to Chinese industry facing tightening restrictions on water use, investors are right to worry about the impacts of water risks on their assets. There are reasons to be hopeful however. The growing list of companies on our Water A List is testament to the fact that many executives have understood the value in better water management and are seeking to raise the bar. And, as our report shows, this will make all the difference to companies working to fulfill their carbon reduction potential and the sustainable development goals."*

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Notes to editors

CDP's 2016 water-related corporate data is now available to view on our [water data microsite](#). This includes case studies and regional stats based on the data disclosed by 1,412 firms to institutional investors and to purchasing organizations through CDP's supply chain program.

CDP's Water A List 2016 are:

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| ACCIONA S.A., Spain | Kirin Holdings Co Ltd, Japan |
| Anglo American Platinum, South Africa | Kumba Iron Ore, South Africa |
| BASF SE, Germany | L'Oréal, France |
| Bayer AG, Germany | LG Display, South Korea |
| Centrica, UK | Metsä Board, Finland |
| Coca-Cola European Partners, UK | Mitsubishi Electric Corporation, Japan |
| Colgate Palmolive Company, US | Royal Bafokeng Platinum Ltd, South Africa |
| Diageo plc, UK | Sony Corporation, Japan |
| Fiat Chrysler Automobiles NV, Italy | Suntory Beverage & Food, Japan |
| Ford Motor Company, US | Toyota Motor Corporation, Japan |
| GlaxoSmithKline, UK | Unilever, UK |
| Harmony Gold Mining Co Ltd, South Africa | |
| KAO Corporation, Japan | |
| ACCIONA S.A., Spain | |

CDP's water score is an indicator of a company's commitment to transparency around their environmental risks, and the sufficiency of their response to them. CDP's water score is based solely on activities and positions disclosed in their CDP response. More information about CDP's scoring can be found [here](#).

Scoring of company responses were undertaken by the **South Pole Group**.

About South Pole Group

South Pole Group is a leading provider of global sustainability solutions with over a decade's worth of experience of working with a wide range of public, private and civil society organisations. The company's core competence covers the areas of corporate sustainability, investment climate risks, sustainable supply chains, green finance, as well as renewable energy and energy efficiency. South Pole Group helps companies in the consumer goods, extractives, agricultural and forestry sector to design strategies and monitoring approaches for results-based sustainability action, building on its expertise in identifying, quantifying and understanding operational impacts on natural capital such as forests, water and other land use resources. A pioneer in emission reduction and renewable energy projects, South Pole Group's portfolio is at present the largest available on the market. For more information, visit www.thesouthpolegroup.com or follow the company [@southpolegroup](#)

About CDP

CDP, formerly Carbon Disclosure Project, is an international, not-for-profit organization providing the global system for companies, cities, states and regions to measure, disclose, manage and share vital information on their environmental performance. CDP, voted number one climate [research](#) provider by investors, works with 827 institutional investors with assets of US\$100 trillion and 89 purchasing organizations with a combined annual spend of over US\$2.7 trillion, to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. Please visit www.cdp.net/ or follow us [@CDP](#) to find out more.

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