



Corporate Water Disclosure

Part II – Benchmarking

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1. Benchmarking Corporates

1.1 Benchmarking Corporate Water Disclosure

While a few companies have contributed towards increasing transparency, on the whole, very few have been diligent in analysing and disclosing water-related information.

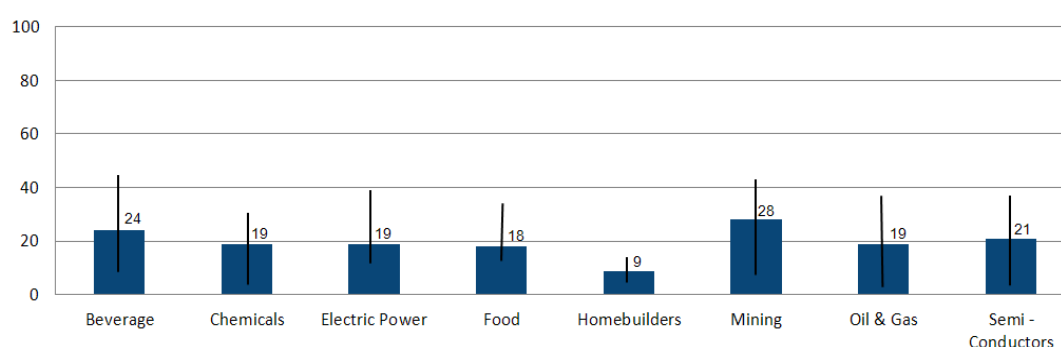
In February 2010, Ceres (www.ceres.org), a US-based coalition of investors, environmental groups, and public interest organizations, in collaboration with UBS and Bloomberg, released “Murky Waters? Corporate Reporting on Water Risk”¹. This following section is based on the findings of this report.

The report is designed to help investors and companies understand how companies in vulnerable sectors are evaluating, managing, and disclosing water risks in their operations, supply chains, and products. With data support from financial information provider Bloomberg and analytical support from the financial services firm UBS Limited, the report evaluates and ranks the water disclosure practices of 100 publicly-traded companies in eight key sectors exposed to water-related risks, including: beverage, chemicals, electric power, food, home-building, mining, oil and gas, and semiconductors.

The study found that even for companies operating in sectors and regions of the world facing significant water risk, disclosure of both risk and corporate water performance was surprisingly weak.

Ceres reviewed the companies’ most recent voluntary corporate disclosures such as sustainability or CSR reports, company websites, and mandatory financial disclosures such as 10-K filings (Box 1). Only company disclosures made publicly available before June 30, 2009 were included in this assessment. Average scores by sector are provided in Figure 2 and overall sector scores are provided in Figure 3.

Figure 1: Average Scores & Ranges by Sector



Source: Ceres, “Murky Waters? Corporate Reporting on Risk”, February 2010
For the beverage, electric power, food, oil and gas, mining, and semiconductor sectors, companies were scored on a 100-point scale. A 112-point scale was used for the chemicals and home-building sectors because an additional category, “Opportunities,” was evaluated.

¹ www.ceres.org/resources/reports/corporate-reporting-on-water-risk-2010/view

Figure 3: Percentage of Companies, by Sector, Reporting Water Related Risks

Sector	Self Reported Risks				Comments
	Physical	Regulatory	Reputational	Litigation	
1 Mining	93	100	31	62	77% report on water usage and disclose how they are engaging to resource water-related conflicts and manage local water resources
2 Electric Power	92	100	0	68	Despite recognising risk, poor water accounting with <50% disclosing water usage and wastewater discharge
3 Homebuilding	80	80	0	70	Despite recognising risk, the sector provided the most limited disclosure on water risk
4 Oil & Gas	54	93	23	31	Relatively poor disclosure despite the recognised risk with 62% reporting water usage and <50% on wastewater discharge
5 Food	100	23	0	54	85% report on water usage but only 8 companies break this down by site
6 Beverage	90	30	20	30	None of the beverage companies present water use data broken down by site level
7 Semiconductors	63	64	0	27	82% report on water usage but only 36% on wastewater discharge but none disclosed supply chain footprint despite high level of
8 Chemicals	33	53	0	47	Strong water accounting with 80% showing water usage and wastewater discharge and 66% disclose investment opportunities

Source :Ceres, UBS Investment Research, Bloomberg, 'Murky Waters ? Corporate Reporting on Water Risk' 2010

Box 1: Boilerplate Reporting and Limited Disclosure in Financial Filings

- The majority of the companies evaluated disclosed exposure to water risks in their 10-Ks or annual reports – for example, 73% report some level of physical risk. Nevertheless, the vast majority of these disclosures consist of vague, boilerplate language. They fail to reference specific at-risk operations or supply chains, and lack any attempt to quantify or monetize risk.
- Some companies disclosed water-related risk factors in their sustainability reports, but did not make corresponding mentions in their 10-K or annual reports, a finding that indicates an ongoing lack of integration between voluntary reports and regulated financial filings.
- Critical performance data on water was also missing from financial filings, with only six companies disclosing water accounting data in their 10-Ks or annual reports. The vast majority of water accounting and other performance information was found in voluntary reports – sustainability and CSR reports – rather than in financial filings.

What makes useful water reporting?

- inclusion in company financial filings rather than just sustainability reports
- discussion of relevant management systems and strategies
- provision of water accounting data that puts performance in geographic context
- inclusion of supply chain water risks in the analysis

1.2 Overview of Key Findings

Leading and lagging sectors. The mining sector scored highest overall, followed by the beverage industry. Companies in the home-building sector received the lowest overall scores.

Many companies face exposure to key water risks. The majority of the companies surveyed (73%) report some exposure to water-related physical risks such as drought. Only nine companies report reputational risks related to water – these included companies in the beverage, mining, and oil and gas sectors. Sixty-seven percent of companies disclose some level of water-related regulatory risk, with the highest exposure in the mining, electric power, and oil and gas sectors. Nearly half (48%) report some level of litigation risk.

Few companies provide performance data at the local-level. Nearly two-thirds of the reviewed companies report total water use data, but only 17% report this data down to the site or regional level. Only a handful of companies put their water use in context by noting the number or percent of facilities operating in water-stressed regions. These included BP, Diageo, Heineken, Nestlé, and SABMiller.

Water-related policies and management systems for some. Twenty-four percent of companies detail specific policies, standards, or management systems to reduce water-related risks and costs.

Relatively few reduction targets. Only 21 companies disclose quantified targets to reduce water use. Just three of these companies – Diageo, DuPont, and Xstrata – had reduction targets that were differentiated by the level of water stress facing specific facilities. Even fewer – 15 companies – had goals to reduce wastewater discharge.

Supply chain data scant. No companies provided comprehensive data on their suppliers' water performance. A few – including Danone, SABMiller, and Unilever – provide estimates of the water use embedded in their supply chains. Twelve companies disclose working with their suppliers to help them reduce water use or wastewater discharge. Companies in sectors with a significant proportion of their water footprint embedded in the supply chain – food, beverage, electric power, and oil and gas – largely did not report on engaging their suppliers on water management.

Stakeholder engagement weak. Just under one-third of companies report collaborating in some way with local stakeholders on efforts to protect or restore watersheds and ecosystems near their operations. And despite reputational risks linked to siting water-intensive projects or facilities, only five companies – all in the mining or oil and gas sector – disclose engaging or consulting with stakeholders on the water impacts of siting or expanding operations.

A summary of the scores by sector can be found in Appendix I

2. Recommendations for Investors

In addressing the issue of disclosure, investors can:

- Engage companies in key water-intensive sectors about how they are assessing and disclosing water risks and related performance information.
- Ask asset managers to assess and engage companies on water and other ESG risks and opportunities. Institutional investors should stipulate this to asset managers in requests for proposals (RFPs) and in annual performance reviews to ensure that the firms managing their money are giving water, climate, and other sustainability risks the attention they deserve.
- Support investor and corporate initiatives to achieve increased water disclosure. Among initiatives that investors should consider supporting are the Carbon Disclosure Project's water disclosure initiative and the United Nations' Principles for Responsible Investment's efforts to encourage more companies to sign on to the CEO Water Mandate and to meet key Mandate commitments, including increased water reporting.

Examples of questions that investors may ask are provided in the CWR booklet 'Assessing Risks in Your Portfolio – Water: The New Business Risk Part II' at www.chinawaterrisk.com).



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Appendices

APPENDIX I:

Water Disclosure Scores

Exhibit 1. Water Disclosure Scores:

Beverage, Electric Power, Food, Mining, Oil and Gas, and Semiconductors
(scored on a 1–100 point scale)

Beverage		Mining	
Diageo	43	Xstrata	42
Anheuser-Busch InBev	34	Barrick	38
The Coca-Cola Company	34	Rio Tinto	37
SABMiller	30	Alcoa	35
PepsiCo	29	Anglo American	33
Heineken	25	Freeport-McMoRan	31
Pernod Ricard	18	BHP Billiton	30
Brown-Forman	14	Teck	27
Constellation Brands	9	Vale	27
Dr Pepper Snapple	8	Newmont	25
		Consol Energy	15
		Massey Energy	15
		Peabody Energy	8
Electric Power		Oil & Gas	
Pinnacle West/ Arizona Public Services (APS)	38	BP	35
American Electric Power (AEP)	36	Suncor Energy	27
PG&E	26	Total	27
Exelon	21	Nexen	26
Southern Company	18	Royal Dutch Shell	25
Dominion Resources	17	Exxon	23
Entergy	16	Chevron	16
Xcel Energy	16	ConocoPhillips	16
Constellation Energy	14	Devon Energy	16
Duke Energy	14	Canadian Natural Resources	12
AES Corporation	12	Chesapeake Energy	7
NRG Energy	11	Range Resources	7
Florida Power & Light Group	8	EnCana	4
Food		Semiconductors	
Unilever	34	Toshiba	35
Nestlé	29	Intel	34
Smithfield Foods	25	Samsung	29
Danone	20	United Microelectronics	27
General Mills	19	Taiwan Semiconductors	25
Tyson Foods	17	ST Microelectronics	22
Kellogg	15	Advanced Micro Devices	17
Kraft Foods	15	Analog Devices	15
ConAgra	12	Texas Instruments	15
Dean Foods	12	Infineon Technologies	8
Sara Lee	12	Micron	1
Archer Daniels Midland	9		
Bunge	9		

Exhibit 2. Water Disclosure Scores:

Chemicals & Homebuilders
(scored on a 1–112 point scale)

Chemicals	
Mitsui	33
Sumitomo Chemical	32
PotashCorp	31
DuPont	23
Monsanto	23
Syngenta	22
Dow	21
BASF	20
Reliance Industries	17
Mosaic	15
Praxair	13
PPG Industries	11
Air Liquide	10
Linde	10
Saudi Basic	5
Homebuilding	
KB Home	15
Pulte	13
Toll Brothers	13
Beazer Homes	11
Lennar	10
Centex	6
D.R. Horton	4
Hovnanian	4
NVR	4
Ryland	4

Source: Ceres, "Murky Waters? Corporate Reporting on Risk", February 2010