

# ERM Client Alert: New Carbon Disclosure Project's (CDP) Water Disclosure Initiative

April 2010



**The “CDP is committed to raising awareness and understanding of the business impacts of changing patterns of water availability and to facilitating a rational response to the challenges it poses from the investors, corporations and Governments”.<sup>i</sup>**

In 2009, the CDP launched its Global Water Disclosure Project with the intent of creating a database to provide institutional investors with a tool to evaluate companies' business risks and opportunities associated with water scarcity and other water related issues.

After an initial 2008 pilot survey on water the CDP now intends to develop and send in 2010 a questionnaire to approximately 300 of the world's largest corporations (by market capitalization) in what they have determined to be “water intensive sectors” these include: the chemical industry, fast moving consumer goods, food and beverage, mining, paper and forest products, pharmaceuticals, power generation, and semiconductor manufacturing. The survey will request information on the risks and opportunities companies face in relation to water; on water usage and exposure to water stress in companies' own operations and in their supply chains; and on companies' water management plans and governance. The CDP's intent is that this data will provide valuable insight into the strategies deployed by many of the largest companies in the

world on water and will be used to help drive investment towards sustainable water use.

The time line for the CDP Water Disclosure Initiative is as follows:

December 2009 - January 2010	Consultation phase for questionnaire
February - March 2010	Signatories review and sign the questionnaire
April 1st 2010	CDP Water Disclosure issues the questionnaire to approximately 300 of the largest corporations globally by market capitalization in water-intensive sectors
July 31st 2010	Deadline for companies to respond to the questionnaire
October - December	Findings launched

ERM's team of experienced management and strategy consultants has a 30-year track record implementing sustainability projects for clients. Sustainability is a core practice area for ERM and we have created a dedicated team that focuses on water scarcity risks and footprints. Additionally, we recognize that our clients' business challenges have become increasingly more environmentally and socially focused and therefore we have adapted to meet those needs. Our goal is to help our clients create and maintain value in the changing world around us.

**How can ERM help position your company to gain or maintain competitive advantage?**

**ERM will help you formulate a clear understanding of your current position and identify water risks and opportunities. From there, your organization can make appropriate changes based on the strategy we help you develop.**

<sup>i</sup> CDP Water Disclosure The Case for Water Disclosure Report - [https://www.cdproject.net/en-US/Programmes/Documents/CDP\\_Water\\_Disclosure\\_PDF.pdf](https://www.cdproject.net/en-US/Programmes/Documents/CDP_Water_Disclosure_PDF.pdf)

## ERM can practically support you with:

- Water strategy development including identification of risks and opportunities and mitigation measures
- Water footprinting of organizations, products, and services
- Stakeholder engagement strategies and education
- Water modelling and audits
- Innovative technological solutions including no- or low-cost options
- Water disclosure and reporting

## What benefits can you expect?

### • Resources Efficiency Improvements

Water efficiency audit for food & drink manufacturer resulted in resources conservation measures leading to savings of more than \$50 million.

### • Cost Savings

Elimination of packaging for a large apparel retailer eliminated more than 800,000 gallons of water, 167,000 pounds of CO2 emissions, and \$1 million in costs.

### • Reduced Risk

ERM conducted a baseline water risk evaluation for the worldwide operations of a leading agricultural processor. The primary elements of the risk evaluation included: water availability; water impacts; water costs; water management systems; and sensitivity of operations to water. The evaluation surveyed operational sites to obtain information at both macro (overall organization water usage) and micro (site community issues) levels. ERM was able to identify water risks for the client based upon the criteria of water scarcity, increasing water costs, and water abundance (flooding due to climate change). ERM has proposed

solutions and is in the process of working with the client as how to mitigate these risks in a socially responsible way that addresses domestic, industrial, and agricultural water use concerns.

### • Improved Stakeholder Engagement

ERM has developed its branded Water School as a result of client needs related to stakeholder awareness building, organizational capacity building, and reducing supply chain risks thru education. ERM has delivered water school training sessions for several clients in water-intensive sectors, e.g. apparel. The training sessions lead to increased employee awareness and engagement around water issues, risks, and market positioning, supply chain engagement and performance improvement, and increased organizational involvement with local communities.

### • Increased Shareholder Value

Cadbury (UK/South Africa), Pilot Water Footprint Method and Tool Development, 2009 - Ongoing. ERM was commissioned by Cadbury Plc to develop a pilot methodology and Excel-based tool to calculate product water footprints. The method seeks to build upon the current state-of-the-art in water footprinting approaches, such as the Hoekstra and Chapagain<sup>ii</sup> method, the Water Footprint Network's Water Footprint Manual<sup>iii</sup>, and the UNESCO Institute for Higher Education (IHE) method for Business Water Footprinting<sup>iv</sup>. The calculation method will

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<sup>ii</sup> See Hoekstra, A.Y. & Chapagain, A.K. (2008). Globalization of Water: Sharing the Planet's Freshwater Resources. Blackwell Publishing: Oxford

<sup>iii</sup> Water Footprint Manual: State of the Art 2009  
[www.waterfootprint.org/downloads/WaterFootprintManual2009.pdf](http://www.waterfootprint.org/downloads/WaterFootprintManual2009.pdf)

<sup>iv</sup> Business Water Footprint Accounting: A Tool to Assess How Production of Goods and Services Impacts on Freshwater Resources Worldwide. Available from: [www.unesco-](http://www.unesco-)

however move these methods forward by incorporating an indicative impacts assessment that builds an assessment of the local effects of water withdrawal/ discharge onto the traditional volume-focused water footprint methods. This modified approach will enable a more rigorous approach to identifying and characterising water use 'hot spots' and facilitate the identification of the most-beneficial mitigation methods.

### ***For More Information***

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