

# Corporate Water Risk: Feeling the Bite

The pressure on corporations to disclose their water-related risks is driving demand for new technology innovations.

Cross-sector technology transfers, and new approaches to governance, partnerships and collaborations are other areas of opportunity, according to Cate Lamb, Head of Water at [CDP](#) (formerly the Carbon Disclosure Project), an international, not-for-profit organization providing a system for companies and cities to measure, disclose, manage and share environmental information.

*"There's a little bit of chicken and egg going on,"* added CDP CEO Paul Simpson. *"The investment community starts to become aware that there's a risk, but until they have information from the companies in which they invest where the risk is really felt, they are not really confident enough to know what to do."*

Many big companies *"should have a handle on water, but are not yet able to report to investors,"* and others *"are still not sophisticated in their water stewardship strategies,"* Simpson explained.

CDP chose this year's EIP Water Conference to release its latest report on corporate water risk, ["From water risk to value creation: CDP Global Water Report 2014."](#)

Among its major findings: 68 percent of companies that reported to CDP are exposed to water-related risks that have substantive impacts on their business and operations.

How does water compare to other environmental risks? *"If climate change is the shark, water is the teeth,"* as Simpson put it.

In the past, water was very low on the corporate agenda, but over the last five years, companies and investors have realized that water scarcity

and other risks are very material. Now, 62 percent of the Global 500 companies profiled in the CDP report *"have board-level oversights of water as an issue on a regular basis."*

EIP Water Action Groups might help fill this gap. Lamb cited a need for new data acquisition and development. She also sees room for more risk assessment tools.

*"There is not one single tool that will allow you to measure and monitor all risks. If you're a company, you should never really rely on one single tool or one single data set. In fact, to gain a more comprehensive understanding it's often better to use a number of tools. ... Competition in that space is important to really drive the improvements in the tools that are necessary."*

There is also potential for innovation in the investment space. *"There are an increasing number of small-bench capital funds and equity funds looking at water technology and water innovation,"* Simpson said. *"How can we get more capital to flow into water solutions?"*



## An Investors Perspective on Disclosure and Innovation

*Piet Klop is Senior Advisor on Responsible Investment for PGGM, the Netherlands' second-largest pension fund, with over \$178 billion USD in total assets under management. Many investors want to be socially responsible and have positive impacts in the world, but they are still grappling with the risk that water poses, and with finding an investment value for it.*

*"We need to wrap our heads around the financial ways water risk is impacting investment, and better understand its material bearing on investment. To do so, we need relevant, comparable, complete data to be able to effectively compare companies based on risk," he said. Right now, companies' disclosure of that data is entirely voluntary. "Within three years, we will be where we want to be with ranking companies," explains Piet Klop. "This will drive competition and spur a race to the top.*

*The financial sector is behind industry in acknowledging water risk. Half of the world's invested money is through index funds, which invest in "a little of everything," making it difficult to separate out the risks and investable opportunities. "We need aggregators like the EIB (European Investment Bank) to aggregate investment opportunities that otherwise would be too small."*

*“ The benefits of sharing experiences and disclosure is that we can stop reinventing the wheel. We need new models, we need innovations, we need start-ups – but we also need large companies. ”*

*Cate Lamb, CDP*

