



Ceres

Sustainability is the bottom line.

Portfolio Water Footprinting

Problem Statement

- **Current State:** Almost all global equity portfolios have significant water risk and no guidelines exist for investors to assess the water risk of their portfolios
- **Desired State:** Widespread portfolio water footprinting by asset owners/managers that incentivizes companies to report on and responsibly manage water, ultimately leading to a global reduction in water risk

Relevance and Impact

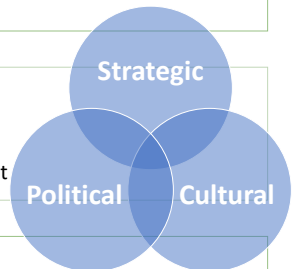
- **Ceres' mission:** Transform the economy to build a sustainable future for people and the planet
- Responsible water management is essential for a sustainable future and **water footprinting is important in catalyzing asset owners & asset managers to be more engaged stakeholders** on water resource issues

Research & Sensemaking

- **Interviewed stakeholders**, including water experts & asset owners/managers, to identify root causes for the lack of water footprinting execution
- **Identified over 25 existing sources** (i.e. WRI, SASB, MSCI, WWF-DEG, Corporate Sustainability Reports) for water data and screened publicly available data for consistency and availability to develop tool factors

Root Cause Analysis

- **No clear shared goals, incentives, or workflows for investors** to perform portfolio water footprints
- **Stakeholder interests often conflict** (investors versus corporations)
- Organizations (and teams within) have different perspectives on the importance of water risk management



Recommendations

- **Build a high-level, simple, & transparent tool** for portfolio water footprinting based on publicly available data that targets asset owners in the “novice” to “aspiring” water awareness category
- **Incorporate flexibility in factor weighting** to build trust with users & limit # of factors to minimize the time required to evaluate a company
- **Use the tool to pressure companies to report water data** as no reporting leads to a score of 0 in each respective category

PORTFOLIO NAME	% of Portfolio AUM	SASB	Corporate Sustainability Report, Corporate Website, CDP						10-K	CDP			WRI	Factor-Weighted Company Score																						
		Industry Water and Wastewater Mgmt Materiality	Has corporate sustainability report	Discussion of water mgmt risks and strategy	Discussion of investment in water use efficiency	Sets explicit water related goals	Reports water usage data	Reports water discharge data	Number of Incidents of Non-Compliance	Reports water mgmt data to CDP	Requires key suppliers to report on water use, risks and mgmt?	Who has the highest level of direct responsibility for water?	Regional Overall Water Risk																							
Recmd. Weight	-	Conditional	10	2	3	4	5	6	9	10	1	2	10																							
Actual Weight	-	Conditional	5	5	5	5	5	5	5	5	5	5	5																							
Company A	33%	Material	No	Yes	Yes	Yes	No Reporting	Overall data only	< 5	No	Yes	Upper Management	0.8	72%																						
Company B	33%	Material	Yes	No	No	No	Reduction data only	Reduction data only	> 10	No	Yes	C-Suite	0.5	45%																						
Company C	34%	Immaterial	Yes	Yes	No	No	No reporting	Reduction data only	<div>Portfolio Geographies</div> <table><tr><th>Company</th><th>Region</th><th>Country 1</th><th>WRI Score</th><th>% Business</th></tr><tr><td>Company A</td><td>Mexico</td><td>0 - 1 (Low)</td><td></td><td>50</td></tr><tr><td>Company B</td><td>Russia</td><td>2 - 3 (Medium to High)</td><td></td><td>100</td></tr><tr><td>Company C</td><td>Kenya</td><td>3 - 4 (High)</td><td></td><td>15</td></tr></table>						Company	Region	Country 1	WRI Score	% Business	Company A	Mexico	0 - 1 (Low)		50	Company B	Russia	2 - 3 (Medium to High)		100	Company C	Kenya	3 - 4 (High)		15		
Company	Region	Country 1	WRI Score	% Business																																
Company A	Mexico	0 - 1 (Low)		50																																
Company B	Russia	2 - 3 (Medium to High)		100																																
Company C	Kenya	3 - 4 (High)		15																																
Total Portfolio, AUM (should = 100%)	100%																																			
Portfolio Score by Factor			67%	67%	67%	67%	80%	90%	57%	34%	100%	90%	77%	72%																						

Next Steps

- **Test the tool against portfolios** to evaluate performance & identify bugs
- **Adjust factor weights** according to Ceres' expert knowledge & automate factor weighting based on each company's GICS classification
- **Disseminate the tool to potential users** for testing & feedback, after which the tool can be optimized & shared with the greater target audience