

Globalisation Trifecta: Corporate risks related to water scarcity, food shortages and energy

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Corporate water risks: why are investors concerned?

Queensland floods force another coal mine closure

THE AUSTRALIAN | JANUARY 11, 2011 2:58PM



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FEBRUARY 13, 2013

MOODY'S
INVESTORS SERVICE

June 19, 2014 11:36 am

Water shortage shuts Coca-Cola plant in India

By Avantika Chikoti in Mumbai

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A Coca-Cola bottling plant has been ordered to close in northern India after local farmers blamed it for using too much water, creating fresh headaches for the world's biggest soft-drinks maker in one of its most important markets.

Authorities withdrew consent for the Hindustan Coca-Cola Beverages plant in the state of Uttar Pradesh, where groundwater levels have been critical for more than a decade, according to the government.



The plant closure comes as water scarcity rises up the list of risks facing multinational companies operating in regions where supplies are limited. Acute water shortages are widespread in India, largely because of

More

...m caused by Queensland's production.

...d damage had yet occurred & being assessed.

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Protests in Peru halt Newmont gold mine project

30 November 2011 | Latin America & Caribbean

US company Newmont which is planning a huge open-cast gold mine in northern Peru says it is halting construction after days of protests.



Protesters say the project will cause pollution and destroy water supplies

At least 10 people were injured on Tuesday at the site in the high Andes.

Critics say the \$4.8bn (£3.1bn) mining project will cause pollution and destroy water supplies.

SPECIAL COMMENT

Global Mining Industry Water Scarcity to Raise Capex and Operating Costs, Heighten Operational Risks

Table of Contents:

SUMMARY
WATER SCARCITY IS EMERGING AS A KEY RISK FOR THE INDUSTRY
WATER SCARCITY IS ALREADY HAVING AN ADVERSE EFFECT ON MINING COMPANIES...
...AND WILL ONLY GET WORSE

Summary

» We think water scarcity and broader environmental risks will continue to push up development and operating costs in the global mining industry as these trends become more pronounced. As the consequences of poor environmental risk management are likely to increasingly lead to production stoppages, protests, fines and license withdrawals, we expect to place greater analytical emphasis on rated mining companies'

Company response to supply chain water risks

How do companies ensure continuity and quality of supplies?

Management response to water risks to continuity & quality of supplies										
	Commodity strategy				Supplier engagement					Corporate level approach
Risk exposure	Alternatives (e.g. synthetics for cotton)	Insurance	Futures	Diversification	Certification (e.g. better cotton)	More efficient water use and management	Catchment based approach	Research, innovation and technology development	Supplier + Stakeholder engagement + Partnerships	Goals, policy, transparency, accountability, disclosure, risk assessments
Physical risks										
Specific crop-region combination (e.g. pistachio from Iran)										
Climate impacts / seasonal weather - current and future projections										
Quality of water available										
Water availability										
Regulatory risks										
Water licensing										
Water discharge permit										
Reputational risks										
Local water users										
Pollution and quality of discharge										
Financial risks										
Operational costs										
Water price										

Company response to supply chain water risks

Nestlé example



Nestlé

Basic tools help farmers save water



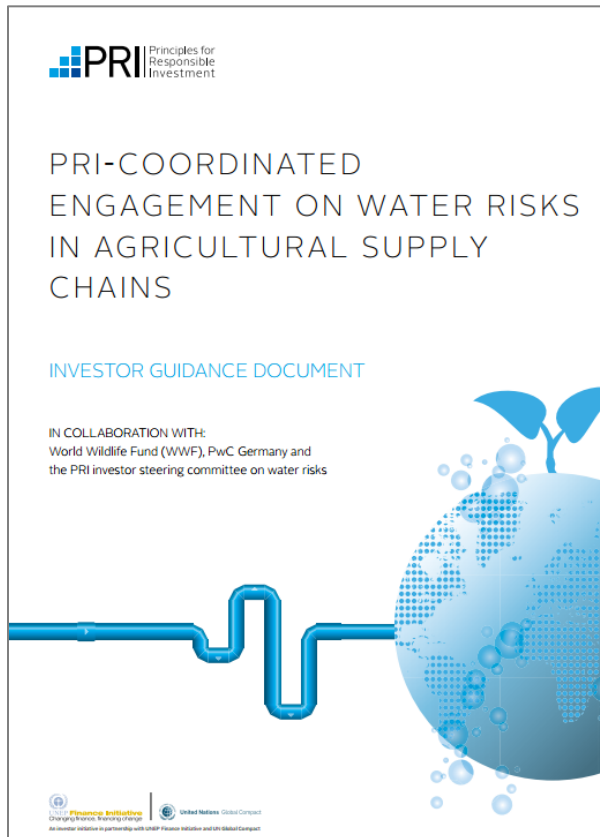
This plastic bottle measures soil moisture



Source: Nestlé - How a plastic bottle can help save water in Vietnam's coffee fields

Investor Engagement

PRI's coordinated collaborative engagement on Water Risks in Agricultural Supply Chains



Objectives:

1. Improve disclosure of supply chain water risks by companies
2. Improve water risk management practices

PRI AT A GLANCE

Launched in April 2006 at the NYSE, the Principles for Responsible Investment has:

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UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



1500

SIGNATORIES:

ASSET OWNERS,
INVESTMENT
MANAGERS
AND SERVICE
PROVIDERS



60

US\$ TRILLION:

ASSETS UNDER
MANAGEMENT



6

PRINCIPLES:

RECOGNISING THE
MATERIALITY OF
ENVIRONMENTAL,
SOCIAL AND
CORPORATE
GOVERNANCE ISSUES



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