



China Water Report 2015: CDP Sneak Preview

Water threatens business

Water in China is undergoing a massive transition. As a precious resource that enabled business to thrive and rapidly transform the country into an economic and political powerhouse, water security is now under threat from heavy industrialization, urbanization and pollution. If left unchecked, continued mismanagement may pose a strategic and/or financial risk to companies operating in, or buying from, China.

CDP's water program is designed to guide companies through water challenges, while helping investors and companies with large supply chains better understand how their portfolio companies and suppliers are addressing their water impacts. There is an increasing number of investors and corporate customers calling for greater transparency of corporate water data. This is evidenced by the 617 financial institutions, with \$63 trillion in assets, using CDP's water data and the 17 global purchasing organizations, which collectively command an annual procurement spend of US\$216 billion, using CDP's water program to engage with their suppliers.

In response to demand for increased corporate water data in China, CDP will be launching its first ever water report focused on China on June 10 2015, at the [Aquatech China](#) event in Shanghai. '*The business case for corporate water reporting in China*' identifies a number of key findings; one of which is that almost a quarter (24%) of companies with headquarters in China such as **Asia Vital Components Co., Ltd.**, **Wus** and **Jiangyin Chengxing Household Chemicals**, report exposure to water related risk.

Changes are afoot

There are multiple interrelated problems that contribute to the water issues faced in China. Diverse geography of the land means freshwater resources are unevenly distributed. Water sources are heavily concentrated to the south and experience frequent floods whereas the northern regions are arid, containing less than a quarter of nationally available water¹.

Despite the dryness of northern China, the region holds a large proportion of megacities including Beijing and Tianjin, as well as a high population density. Additionally, it is where agricultural production of wheat, corn and millet takes place alongside critical industrial development. The North's reliance on groundwater has led to dramatic drops in the water table² and competition for water is fierce.

Business is already impacted. In Gansu province, recent oil leaks and inadequate water treatment facilities have shut off the water supply for 2.4 million people³. Recent events in China's Jiangsu province led to six companies facing fines totalling 160 million yuan (\$26 million) for the discharge of chemical waste into rivers⁴.

The growing awareness to water challenges in China have sparked action by government. In October 2014, a 7% increase to the water investment budget was announced⁵. Plans, thus far, include reforming

¹ http://regional.org.au/au/asa/2004/symposia/1/5/2085_deng.htm

² <http://www.wwdmag.com/desalination/groundwater-crisis-and-sustainable-agriculture-northern-china>

³ http://gansu.chinadaily.com.cn/2014-04/13/content_17454343.htm

⁴ http://www.chinadaily.com.cn/china/2014-12/31/content_19209700.htm

⁵ <http://www.bloomber.com/news/articles/2014-10-14/china-to-encourage-private-investment-in-major-water-projects>



the water tariffs⁶ and providing financial incentives for private investors to contribute to major water projects.

Leaders identify opportunities

Despite challenges, there are also opportunities resulting from water. CDP can exclusively reveal that 31% of Chinese companies report opportunities, including Technology hardware and equipment companies **Cooler Masterco** and **EMI Stop**. Additionally, some leading companies have already implemented strategies to realize them. Benefits of reported opportunities include improved water security and quality, increased reliability in operations and supply chains, and heightened perception of brand image through community interactions.

Water can be a significant driver for innovative and sustainable economic prosperity, but its mismanagement can result in significant business failure. Pressure is growing for companies to build long-term resilience to water challenges into their business. Corporate water stewardship is increasingly being recognized by investors, policy makers and NGOs as a useful way to appropriately manage water-related risks.

'The business case for water reporting in China', prepared by CDP and funded by **The Coca Cola Foundation** and **Swire Beverages**, summarises the case for reporting water-related risk and includes key findings and conclusions from the data collected by CDP to date. Despite the many water challenges that companies face in China, consensus is optimistic – there are many opportunities to be had however companies, investors and governments must move quickly, efficiently and collectively if the global challenges posed by water are to be addressed. For companies wishing to make their mark, the first step is reporting.

⁶ <http://www.wsj.com/articles/SB10001424052702303870704579297410328066466>