

Water risk management



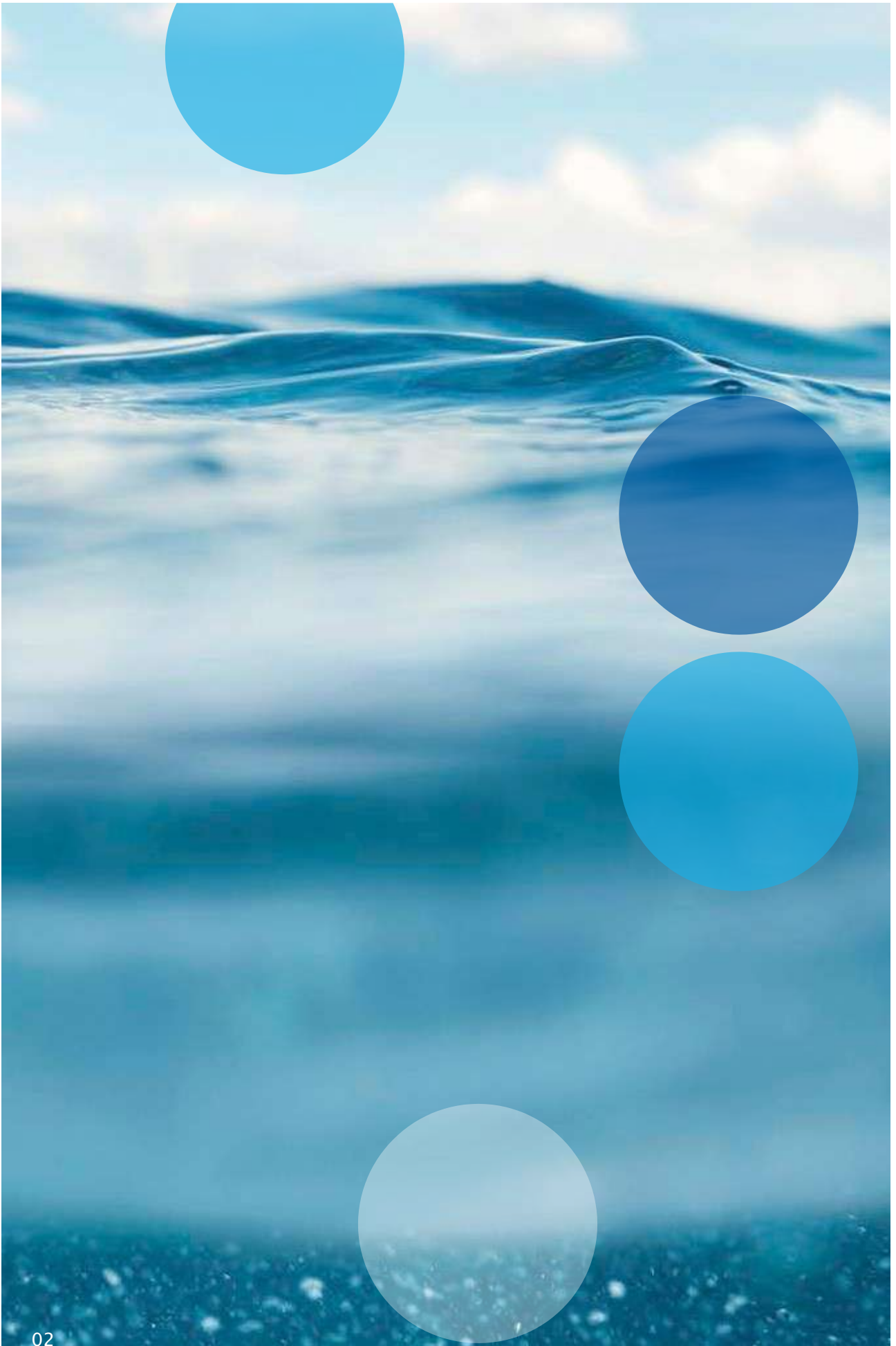


TABLE OF CONTENT

Introduction	04
Understanding Water Risk	11
Drivers of Water Risk	16
Water Risk Assessment	19
Profiting from Water Risk Management	22
Business Opportunities in Water Risk	24
Case Studies	27
Financial Implications	46
Water Risk Reporting and Disclosure	48
Future Trends and Challenges	51
Recommendations	54
Conclusion	58



A hand is shown holding a small amount of water, with several droplets falling from it. The background is a blurred sunset over a body of water. Three blue circles of varying shades are overlaid on the image: a light blue circle on the left, a medium blue circle in the center, and a dark blue circle at the bottom left. The word "Introduction" is written in white, bold, sans-serif font across the middle of the image.

Introduction

INTRODUCTION



Monica Chao
Presidenta WAS

In our rapidly evolving world, where water plays a vital role in sustaining life, driving economies, and forming the bedrock of societies, the global community, represented by Women Action Sustainability (WAS), recognizes the imperative of unraveling the intricate tapestry of water risk. As we collectively navigate the challenges of the 21st century, understanding the nuanced intersection of environmental and economic imperatives becomes paramount for businesses aiming to flourish in a sustainable future.

This report, initiated by WAS, embarks on a comprehensive journey into the heart of water risk, with a special focus on Europe and a lens specifically on Spain—a region emblematic of the challenges and opportunities presented by water dynamics. By meticulously analyzing industry-specific activities, market dynamics, and regional peculiarities, our objective is to equip businesses with actionable insights to proactively manage water risk and navigate the nuanced intersection of challenges and opportunities.

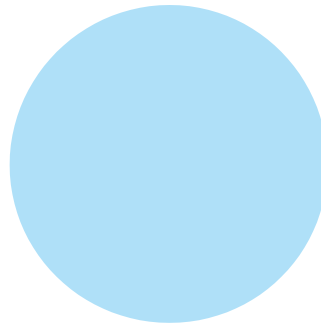
Europe, with its unique environmental and socioeconomic factors, stands as a focal point of global efforts to address water risk. From the sun-drenched fields of Spanish agriculture to the bustling industrial corridors of other European nations, understanding the complexities of water risk is essential for fostering sustainable business practices that serve both economic imperatives and societal welfare. As we delve into this report, our collective journey traverses various dimensions of water risk. We explore its definition and drivers, survey the landscape of assessment tools and management strategies, and uncover the untapped business potential concealed within this critical paradigm.



INTRODUCTION



Clare López-Wright
Managing Director
BRITA Iberia
A Company of the
BRITA Group



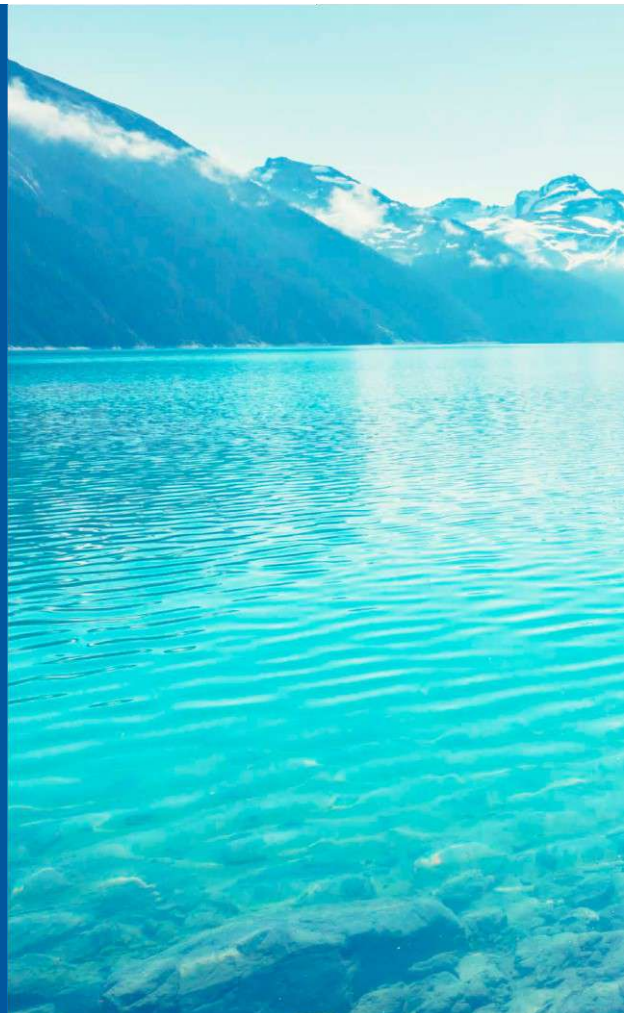
"Our society is facing a 'water crisis,' defined as the availability of an acceptable quantity and quality of water for health, life, ecosystems, and production, along with an acceptable level of water-related risks for individuals, the environment, and the economy (Grey and Sadoff, 2007). This global challenge has been articulated in various international strategic documents such as the Sustainable Development Goals (SDGs), principles for 'Water Wise Cities,' and the New Urban Agenda. Additionally, the Human Right to Water, recognized by the United Nations in 2010, plays a crucial role.

There are various pressures related to the supply of good-quality water, including scarcity, pollution, imbalanced population growth, and climate change, all of which require addressing through behavioral changes. In this context, the Water Working Group of WAS believes that addressing this crisis requires integrated water resource management applying circular economy principles. The group delves into the water risk situation in Europe, emphasizing Spain, where we have assessed our unique challenges and opportunities."

It is also essential to foster a social and participatory dialogue, accompanied by communication, education, and training strategies tailored to each audience, in addition to redefining or adapting the governance system for water resources. In line with this need, we have meticulously analyzed various initiatives from different sectors, market dynamics, and regional peculiarities.

These discussions, occurring both at international organizations and within individual countries, involve various stakeholders such as government entities, businesses, and civil society. They are particularly urgent and necessary in regions where water resources are scarce or threatened by climate change.

This report aims to provide companies and consumers with practical information to inspire proactive water risk management and navigate the nuanced intersection of challenges and opportunities we face in our daily lives. Detailed case studies of companies that have successfully managed water risk and benefited from their initiatives offer a practical insight into how businesses, across various industries and regions, have applied effective water risk management strategies.



DESCRIPTION OF ORIGIN OF WATER

Water has many functions...

Drinking water

• Water for irrigation

• Wastewater

• Industry/manufacturing

Most water on Earth is unfit for human consumption or locked in glaciers.

...and takes multiple forms:



Ocean water
97.2%



Glaciers & other ice
2.15%



Groundwater
0.61%



Fresh water lakes
0.009%



Inland seas
0.008%



Soil moisture
0.005%



Atmosphere
0.001%



Rivers
0.001%

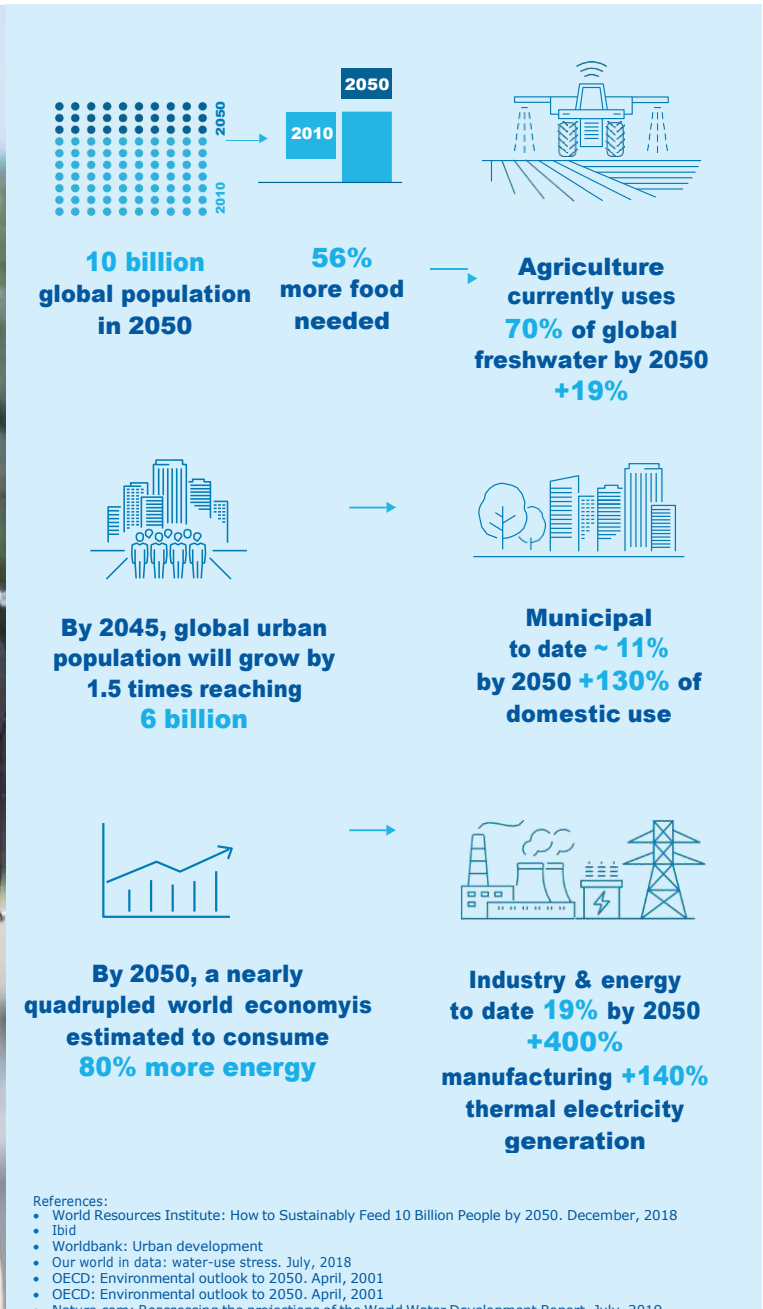
Only about 1% of water resources are available as freshwater.

1. National Geographic library: rivers and streams
2. Earthhow: how much water is on earth?
3. AllianzGI Guide

WHY IS WATER UNDER STRESS AND AT RISK?

Beyond abundance: why is water under stress and at risk?

Water, the lifeline of our planet, is in acute danger of running dry mainly due to an ever-growing population, increasing urbanisation, changing consumption patterns, an increasing food demand and an ageing water infrastructure.



SUSTAINABLE DEVELOPMENT GOALS (SDGs) : FOCUS ON WATER



SUSTAINABLE DEVELOPMENT GOALS



6 CLEAN WATER AND SANITATION



Water separation: Construction of sanitation infrastructure to separate drinking water and wastewater, which is fundamental for health and development.

Access and treatment: Facilitating access to safe drinking water, freeing up time for productive activities, and ensuring its potability through treatment methods.

Ecosystem protection: Recognise the connection between human health and

the well-being of freshwater ecosystems, focusing on conservation and restoration to ensure water quality and availability.

Equitable water use: Consider the needs of diverse users, such as communities, agriculture and industry, through water-sharing agreements negotiated among all affected parties for equitable and sustainable access.



SUSTAINABLE DEVELOPMENT GOALS



3 GOOD HEALTH AND WELL-BEING



SDG 3 seeks to ensure healthy lives and promote well-being for all at all ages, thereby ensuring sustainable development. Its targets include reducing the global maternal mortality ratio and ending preventable deaths of newborns and children under five.



SUSTAINABLE DEVELOPMENT GOALS



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



SDG 12 aims to change the current model of production and consumption to achieve efficient management of natural resources, putting in place processes to avoid food loss, environmentally friendly use of chemicals and reduce waste generation.



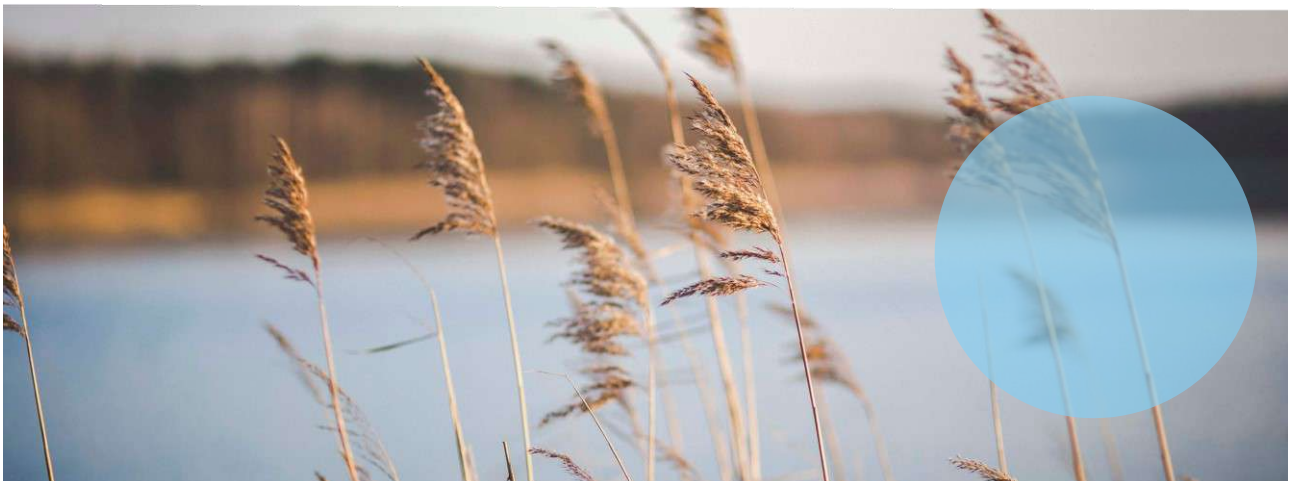
SUSTAINABLE DEVELOPMENT GOALS



13 CLIMATE ACTION



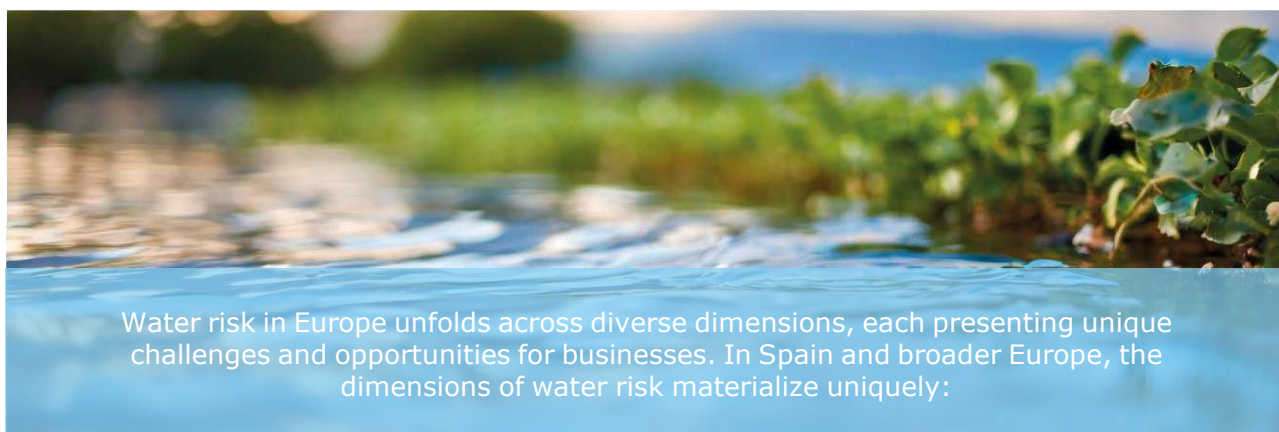
SDG 13 focuses on the need to take urgent action to end climate change, which affects every country in the world. According to the UN, climate scientists have already shown that people are responsible for the global warming of the last 200 years.





Understanding Water Risk

UNDERSTANDING WATER RISK IN EUROPE (1/4)



Physical Water Scarcity:

Localized water stress and prolonged droughts, as witnessed in Southern Europe, particularly Spain, disrupt water supply, impacting agriculture, industry, and communities. Severe droughts, exemplified by the Iberian Peninsula's recent experience, lead to reduced reservoir levels, affecting agricultural irrigation and hydroelectric power generation. Industries, such as textiles, face production challenges during water scarcity, impacting employment and economics. Urban areas may encounter water shortages, affecting essential needs and deterring tourism.



Economic Water Scarcity:

In Europe, water prices and scarcity significantly influence production costs and business profitability, notably in water-intensive industries. Escalating water prices, as reported by Reuters, impose a substantial toll on European businesses. Proactive measures, including water risk assessment, efficiency practices, pricing strategies, and employee engagement, are crucial for economic resilience.



Quality and Pollution:

Water quality concerns arise from agricultural and industrial runoff, necessitating regulatory adherence for environmental protection and human health. Challenges highlighted by Euronews and The Guardian underscore the need for stricter enforcement, investment in wastewater treatment, sustainable agricultural practices, and public awareness to achieve good water quality in Europe.

UNDERSTANDING WATER RISK IN EUROPE (2/4)



Social and Stakeholder Risks:

Water pollution in tourism-driven coastal areas, as seen in Spain, can harm communities and industries. Proactive measures, including wastewater infrastructure investment, sustainable water management, community engagement, and transparent communication, safeguard social and stakeholder interests.



Supply Chain Risks:

European supply chains, susceptible to water scarcity, pollution, and regulatory variations, demand a strategic, collaborative approach. Recent instances, as reported by Euronews, demonstrate the intricate links between water availability, agriculture, and supply chain disruptions. Mitigation involves risk assessment, supplier diversification, water-efficient technologies, and collaboration.



Financial Risks:

Hydro-power dependent utilities face financial risks during water scarcity, impacting energy production costs. Diversified energy portfolios, conservation measures, and adaptive financial planning are essential, as seen in Spain's recent drought impacting hydro-power generation.

UNDERSTANDING WATER RISK IN EUROPE (3/4)

“Only around 40% of surface waters (rivers, lakes and transitional and coastal waters) in Europe are in good ecological status or potential, and only 38% are in good chemical status”

European Environment Agency

Regulatory and Policy Risks:

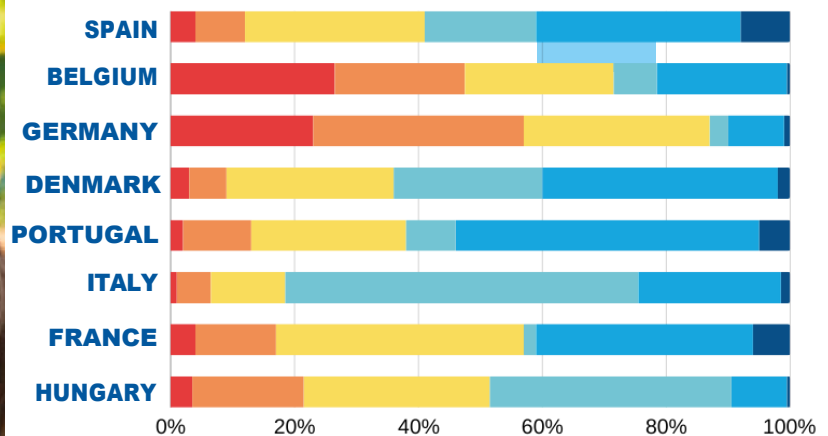
Strict European water quality regulations necessitate compliance for companies, requiring proactive measures, such as environmental compliance programs, technology investments, and staying informed about evolving policies. Recent reports highlight the potential for stricter regulations, emphasizing the need for vigilance.

Conflict and Social Unrest:

Water scarcity, evident in Spain's protests and Europe's trans-boundary challenges, underscores the potential for conflicts, emphasizing the need for sustainable practices, international cooperation, and climate change mitigation.

In conclusion, navigating the multi-faceted dimensions of water risk in Europe demands a comprehensive and adaptive approach. Proactive strategies, collaboration, and sustainable practices are integral to ensuring a resilient, water-secure future for businesses and communities alike.

Surface Water Bodies: Ecological Status or Potential, by Country (European Environment Agency data)



The above graph shows percentage distribution of water bodies sorted according to their ecological status and country.

- High
- Good
- Unknown
- Moderate
- Poor
- Bad

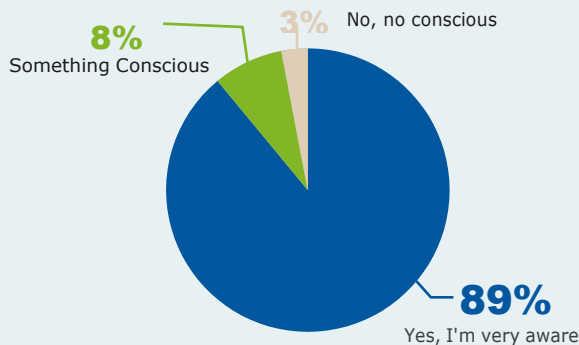
UNDERSTANDING WATER RISK IN EUROPE (4/4)



Water Scarcity Awareness

89% of respondents are very aware of scarcity issues. Among them, 42% live in autonomous communities most affected by drought, such as Cataluña and Andalusia

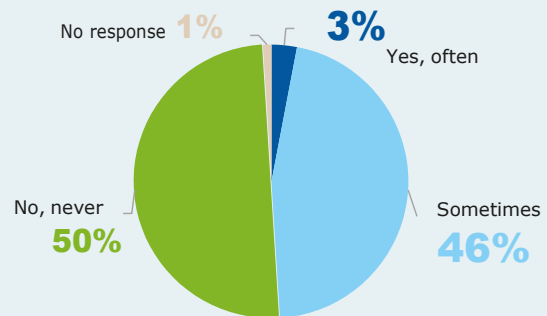
Are you worried about the lack of water in the future?



Water Scarcity Awareness

50% of respondents have never experienced water scarcity in their home or community, while 46% have, although for very few it has been frequent.

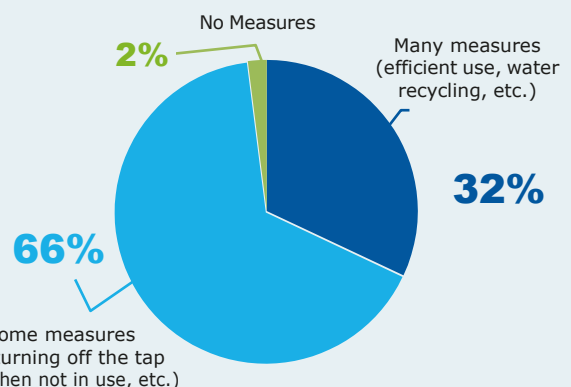
Have you personally experienced water scarcity in your home or community?



The five most common measures include

- Reuse water: collect water from the shower before it comes out hot, vegetable/fruit washing, condensate from the dryer and cooking for other uses such as watering and cleaning.
- Use dishwashers and dishwashers with more efficient programs and whenever they are full.
- Shorter showers and reducing their frequencies
- Turning off the faucet when not in use (brushing teeth, lathering, washing dishes, etc.)
- Improve water infrastructure at home, reduced push button toilet, use sprinklers/diffusers for faucets

What steps are you taking to conserve water in your home?



Water Conservation Measures:

The vast majority of respondents (98%) implement water conservation measures in their home, and among those, one-third implements many measures.

A scenic landscape featuring a large body of water in the foreground, surrounded by lush green mountains and a sky filled with soft, white clouds. The scene is bathed in a warm, golden light, suggesting either sunrise or sunset. Three semi-transparent blue circles are overlaid on the image: one large circle on the left, one medium circle on the right, and one smaller circle at the bottom left. The text "Drivers of Water Risk" is centered in white, bold font across the middle of the image.

Drivers of Water Risk

DRIVERS OF WATER RISK IN EUROPE (1/2)

Europe's water risk is influenced by a multitude of factors that interplay with each other, posing challenges and opportunities for businesses. These drivers include:

Climate Change



Europe's water risk is shaped by complex interactions of climate change. The altered precipitation patterns, rising temperatures, and extreme weather events impact water availability across the entire continent. Southern European countries like Spain face reduced rainfall, intensifying water scarcity, while Central European countries contend with flash floods. Recognizing the implications of climate change on water risk, businesses in Europe, particularly in Spain, implement adaptive strategies like precision irrigation and resilient infrastructure to mitigate the effects of climate change on water resources.

Population Growth



The rising European population, especially in urban areas, strains water resources. Urban expansion concentrates water demand, stressing infrastructure. Agricultural water demand rises with population growth, demanding innovative irrigation and conservation practices. Businesses must implement water-efficient strategies, explore alternative sources, and engage in collaborative efforts for equitable water access. Addressing population growth's impact on water resources requires a nuanced understanding and proactive measures to ensure sustainable practices and resource availability.

Agriculture



Agriculture, vital to Spain and Europe, requires intensive water use. Sustainable practices like precision irrigation helped by digital tools and innovation in crops more water resilient are needed.

Industry



Diverse industrial activities contribute significantly to water risk. High water demand and effluent discharge challenge local water availability and degrade water quality. Spain's industrial hubs face a dilemma of economic growth versus responsible water usage. Sustainable practices, circular water management, and collaborative efforts are crucial for mitigating water risk in agriculture and industry. The imperative for businesses to consider these infrastructure challenges extends beyond their immediate operational concerns.

DRIVERS OF WATER RISK IN EUROPE (2/2)

Urbanization



Rapid urbanization amplifies water demand and wastewater generation, particularly in regions like Catalonia and Madrid. Concentrated water demand challenges equitable access. Inadequate wastewater management risks water quality and environmental contamination. Urban water strategies must include infrastructure investment, conservation initiatives, and community engagement. The surge in urban activities, encompassing industrial processes, sanitation, and commercial enterprises, contributes to the volume of wastewater that necessitates efficient treatment.

Water Governance



Diverse water governance systems across Europe, including Spain, contribute to a complex landscape. Decentralized structures and regional disparities demand a nuanced understanding. Compliance with varied standards is crucial for businesses operating across borders. Transparent communication, stakeholder engagement, and proactive adherence to evolving regulations are essential for effective water governance.

Aging Infrastructure



Aging water infrastructure, prevalent in parts of Europe, poses a critical water risk. Leakages from pipelines contribute to water loss, while outdated treatment facilities compromise water quality. Businesses, governments, and communities must collaborate to invest in modernization projects, including pipeline upgrades and treatment facility enhancements.

Environmental Impact



Stringent environmental regulations in Europe, including Spain, influence the water risk landscape. Industries discharging pollutants face scrutiny and must adopt advanced treatment technologies. Regional ecosystems, like the Mediterranean Sea and inland water bodies, require tailored approaches for environmental sustainability.

In summary, addressing water risk in Europe requires a holistic approach involving climate change, population growth, agriculture, industry, urbanization, environmental impact, aging infrastructure, and water governance. Businesses must adapt, collaborate, and adhere to evolving regulations for resilient and sustainable water management across the continent.



Water Risk Assessment

WATER RISK ASSESSMENT IN EUROPE

Various assessment methods and tools are available to help companies gain a comprehensive understanding of their water risk profiles. These methods can be broadly categorized into four main approaches:

Geospatial Analysis:

Utilizing Geographic Information Systems (GIS) technology, companies can map and analyze water resources, infrastructure, and risk factors. By visualizing water availability, usage patterns, and environmental conditions, geospatial analysis can help identify areas of high water stress and potential risk.

Water Footprint Assessment:

The water footprint of a company represents the total volume of water consumed or polluted throughout its value chain. This includes both direct water use, such as in manufacturing processes, and indirect water use associated with the production of materials, energy, and other inputs.

Scenario Modelling:

Scenario modelling allows companies to simulate the potential impacts of different water-related scenarios, such as droughts, changes in water quality, or regulatory changes. By considering these potential risks, companies can develop proactive strategies to mitigate and adapt to changing water conditions.

Water Risk Indices:

Various organizations and research institutions have developed standardized water risk indices and tools. These indices provide a comparative assessment of water risk across different regions, industries, and companies.

Reporting Standards and Legal Requirements:

Several reporting standards and legal requirements guide companies in assessing and reporting their water risk profiles.

GRI (Global Reporting Initiative) Water Disclosure Standards: The GRI provides standardized guidelines for companies to report on their water-related impacts and risks.

EU Water Framework Directive: This EU directive mandates that companies identify and assess their water risk



Several companies have already developed a comprehensive water risk assessment methodology that encompasses its entire value chain, from agricultural sourcing to manufacturing and distribution. This methodology helps the companies identify and prioritize water-stressed regions, enabling them to implement targeted water conservation measures and invest in water efficiency technologies. As a result of these efforts, the companies are able to achieve significant reductions in its water footprint, saving millions of water.

profiles and implement appropriate risk management measures.

Spanish Water Act: The Spanish Water Act sets out the country's water management regulations, including requirements for water use licensing and reporting on water consumption.

WATER RISK ASSESSMENT IN EUROPE

NGOs and Companies Providing Guides:

Several NGOs and companies offer guidance and resources to help businesses assess their water risk profiles.



World Resources Institute (WRI):

The WRI's Aqueduct Water Risk Atlas provides a global assessment of water scarcity and water-related risks.



Water Risk Filter by WWF:

This tool helps companies assess their water risk exposure across their supply chains.



Water Footprint Network (WFN):

The WFN provides training and resources on water footprint assessment and water risk management.



Some companies have implemented a water risk management program that focuses on identifying and prioritizing water-stressed regions in its operations and supply chain. The companies have developed a Water Risk Atlas that maps out water scarcity and pollution risks across its footprint to guide their investment decisions and help the company collaborate with local communities to improve water resource management.

Several companies have integrated water risk assessment into their environmental management system. They have established a water usage reduction target of by 2025 along with a series of initiatives to achieve this goal. Initiatives like optimizing irrigation systems, recycling wastewater, etc. As a result of these efforts, they have achieved significant water savings, reducing water intensity.

Other have employed geospatial analysis and scenario modelling to optimize its water management practices. They use this data to identify areas of potential water scarcity and develop strategies to reduce their reliance on surface water sources. This is aiming to achieve significant reduction in water consumption per gigawatt-hour of electricity generated.

By adopting these methods and tools, conducting regular assessments, and proactively managing water risks, businesses in Europe can ensure long-term sustainability, contribute to the well-being of communities, and align with growing investor preferences for ESG (environmental, social, and governance) practices.



Profiting from Water Risk Management

PROFITING FROM WATER RISK MANAGEMENT

Addressing water scarcity, a growing challenge in Spain and Europe, is not just an ethical and environmental commitment; it also carries substantial financial implications that can positively impact a company's bottom line. Here are the key financial aspects to consider:

Cost Reduction:

Water-efficient technologies and practices: Implementing water-efficient technologies and practices, such as smart irrigation systems, water-efficient appliances, and water reuse and recycling technologies, can lead to significant cost savings. Reduced water consumption, lower energy usage, and minimized waste disposal expenses translate into improved operational efficiency and cost reduction.

Reduced insurance premiums: Effective water risk management can also lower insurance premiums and protect against potential liabilities arising from water-related incidents. This reduction in financial risk safeguards the company's balance sheet. According to a report by the Insurance Information Institute, water damage is the second most common cause of property insurance claims, accounting for over €7 billion in losses in 2022.

Investor and Stakeholder Confidence:

Attracting environmentally conscious consumers: By embracing water sustainability, companies in Spain and Europe can attract more customers and investors who value environmentally responsible businesses. This enhanced reputation can lead to increased market share and revenue. For instance, Coca-Cola, a global beverage company, has reduced its water usage by 20% since 2010, gaining recognition as a leader in water stewardship and attracting environmentally conscious customers.

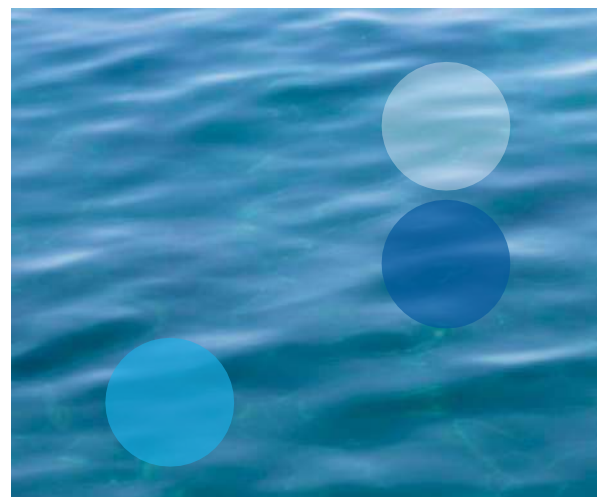
Market differentiation and competitive advantage: Companies that lead in water sustainability in Spain and Europe can distinguish themselves in their industries, attracting customers and partners seeking responsible and eco-friendly solutions. According to a 2022 report by McKinsey, companies that are recognized for their ESG performance are more likely to win new business and increase market share.

Access to Sustainable Finance:

Green bonds and sustainability-linked loans: Companies that demonstrate a commitment to water sustainability are better positioned to access sustainable finance options, including green bonds and sustainability-linked loans, which can be advantageous for growth and innovation. Green bonds are a type of debt security that funds environmentally friendly projects, while sustainability-linked loans tie loan terms to the achievement of specific environmental or social targets.

Investor and Stakeholder Confidence:

Enhanced reputation and stakeholder trust: Companies with strong water risk management practices are more likely to gain the trust and confidence of investors and stakeholders. They are viewed as responsible and forward-thinking, which can result in increased access to capital and higher stock prices. A 2023 study by Ceres, a nonprofit environmental advocacy organization, found that 82% of investors believe that companies with strong ESG (environmental, social, and governance) practices have a higher likelihood of long-term financial success.





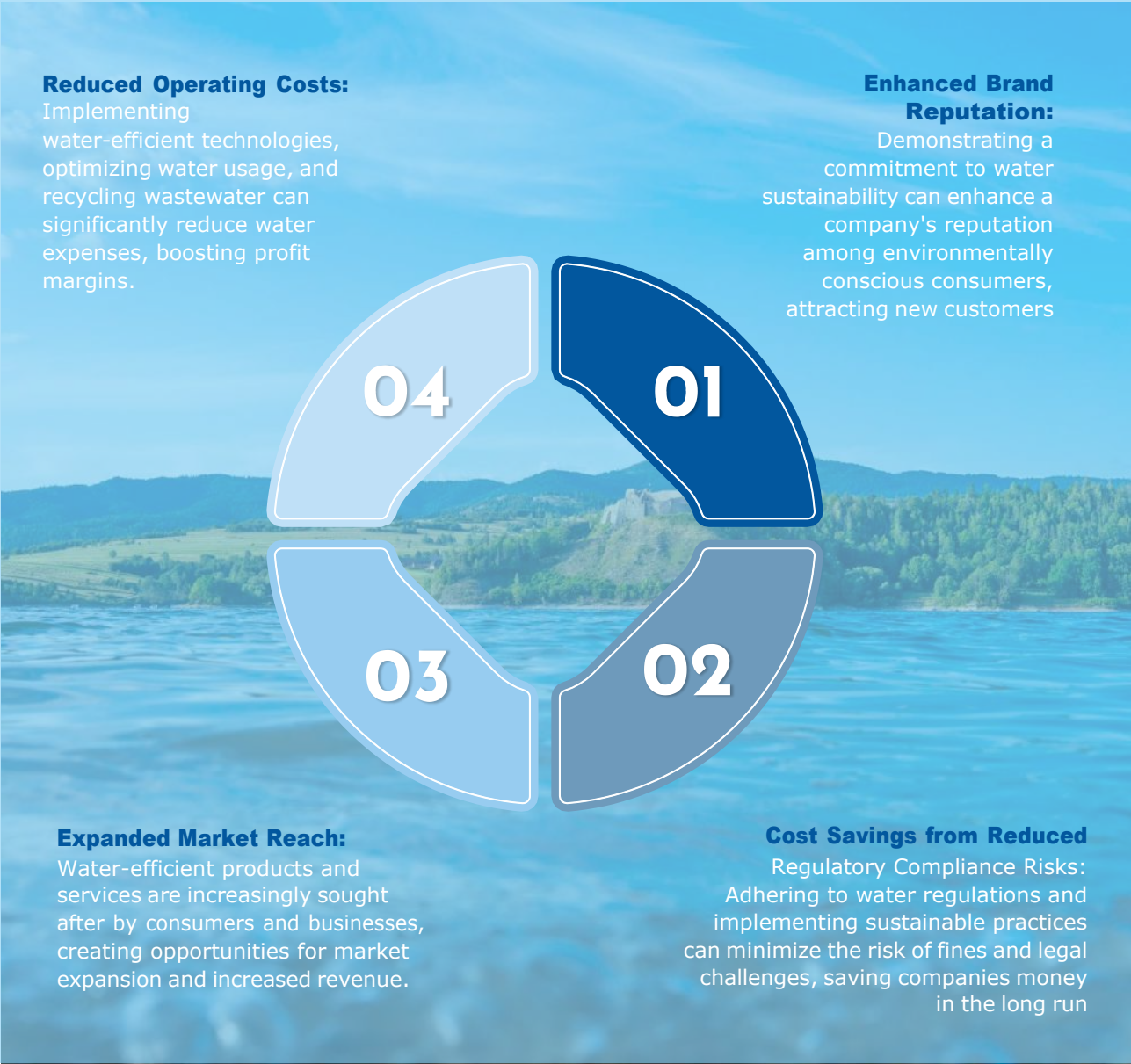
Business Opportunities in Water Risk

BUSINESS OPPORTUNITIES IN WATER RISK IN EUROPE

Business Opportunities in Water Risk: Unlocking Profitable Growth through Sustainable Water Management

Water scarcity, a growing global challenge, is presenting a multitude of opportunities for businesses that embrace sustainable water management practices. While the scarcity of water poses significant risks, it also presents a chance for companies to differentiate themselves, enhance their reputation, and capture market share in a growing industry. By addressing water risk proactively and implementing innovative water solutions, businesses can not only mitigate risks but also boost their bottom line and gain a competitive edge in the marketplace.

Companies that effectively manage water risk can reap a range of financial benefits, including:

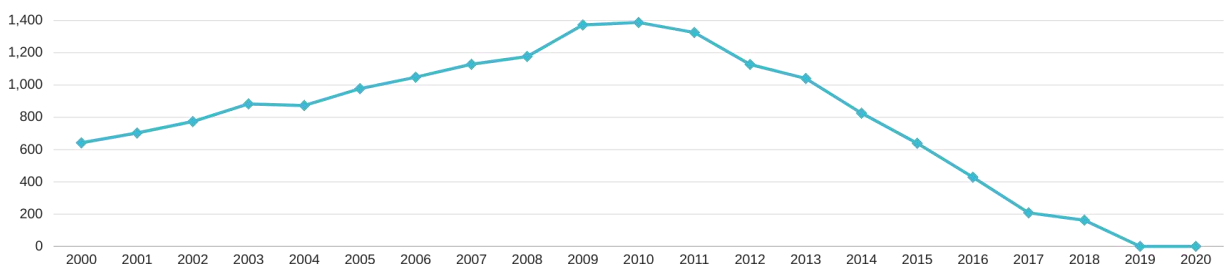


AGÈNCIA CATALANA DE L'AIGUA (ACA)

The Agència Catalana de l'Aigua (ACA) is a public agency of the Generalitat de Catalonia (Spain) is responsible for planning and managing the water cycle in the region. With a mission to ensure the availability of quality water resources for the population, environment, and economic activities while promoting sustainable water management practices, the ACA has faced a significant financial challenge in 2010. With its record high debt, the agency's operations were hampered by a lack of funds. The ACA implemented a number of measures to address this issue, including reducing costs, improving efficiency, raising revenue, and seeking external funding. As a result of these mea-

asures, the ACA was able to reduce its debt and stabilize its financial situation. Now in a stronger position to meet its mission, the agency has seen a reduction in its debt-to-equity ratio from 143% to 60% and an increase in operating income from €1.1 billion to €1.6 billion. These improvements have allowed the ACA to invest in new infrastructure and technologies, providing better services to its customers. The ACA's success in overcoming financial challenges is attributed to its commitment to efficiency, innovation, and collaboration.

Evolution of ACA debt: In M from the year 2000 to 2020



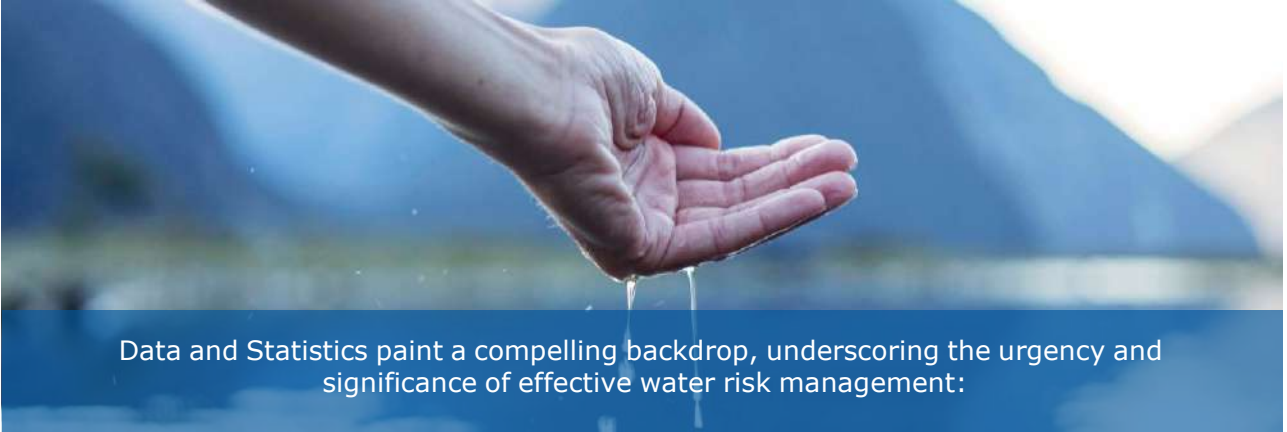
By the end of 2010, the Agency faced a debt of nearly 1,400 million. Through a series of measures, including cost reduction, income adjustment, debt refinancing, and freezing new actions, the debt was cleared in less than 10 years. Since 2019, the ACA has restored its investment capacity, allowing an annual allocation of around 100 million for new initiatives.





Case Studies

WATER-SAVING PROGRAMS



Data and Statistics paint a compelling backdrop, underscoring the urgency and significance of effective water risk management:



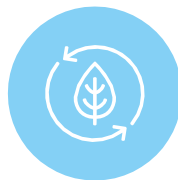
Across the European Union, water scarcity casts its shadow on 11% of the population and claims 17% of its land area.



Spain's per capita water consumption, averaging 138 liters per day, surpasses the EU average of 126 liters per day.



The economic toll of water scarcity in Europe is a staggering €120 billion annually, emphasizing the far-reaching consequences of inadequate water management.



Investors, increasingly prioritizing environmental sustainability, are drawn to companies with robust sustainability profiles, accentuating the financial imperative of conscientious water practices.



Tools such as the CDP Water Risk Scorecard offer invaluable insights, empowering companies to benchmark their water risk management performance and strategically align with evolving industry standards.

By proactively addressing these imminent challenges through strategic planning and targeted investments, businesses not only fortify their long-term profitability and maintain a social license to operate but also play a pivotal role in shaping a sustainable future for both Spain and Europe.

In the tapestry of water risk management, these enterprises emerge not just as corporate entities but as custodians of a vital resource, steering the course toward a more resilient and sustainable future.

BAYER LEADS POSITIVE CHANGE IN WATER USE

Bayer

Bayer's purpose, "Science for a better life," guides its actions to contribute to a high quality of life on a healthy planet. Consequently, the protection of all natural resources is an integral part of Bayer's commitment to sustainable development. The availability of fresh water is a growing concern worldwide.

The mission of Bayer:

Globally monitor site water usage, quality and discharges

Continuously improve water reuse, recycling, reduction and wastewater treatment.

Reduce water risks of sites in water-scarce areas or areas threatened by water scarcity.

Ensure wastewater effluents are fully protective to receiving waters.

Regularly review and assess risks and necessary investment decisions.

Apply for new investments the European environmental standards appropriate in all global regions in the absence of stricter local regulations.



“Health for all, Hunger for none”

The agriculture sector is recognized to need evolution in order to use scarce water resources more effectively, given its status as the major user of global freshwater.

Aligned with its mission "Health for all, Hunger for none," the company is committed to playing a role in supporting farmers worldwide and advancing water-efficient agriculture for the benefit of farmers, people, and the environment.

The company engages in close collaboration with growers and other partners, delivering innovative solutions to customers that aim to sustainably improve yields with less water,

with the overarching goal of enhancing food security and the livelihoods of smallholder farmers.

Through its re-contrast program, the company develops contrast media recovery services to assist customers in properly disposing of residue and recovering valuable materials (e.g., iodine).

BAYER LEADS POSITIVE CHANGE IN WATER USE

Suppliers and Upstream Producers:

Bayer assesses the sustainability of its key suppliers and those considered high risk using a risk analysis tool that includes water. The company has implemented a new Code of Conduct for suppliers with a specific focus on water and wastewater initiatives. In addition, it actively collaborates with growers in its seed production network to improve water use efficiency.

More Resilient Agriculture (Downstream):

Bayer is committed to leading positive change in water use in cropping systems, starting with rice, responsible for 43% of global irrigation water use. It seeks to improve water use per kilogram by 25% by 2030, focusing on transforming the rice farming system of smallholder farmers in relevant regions. Bayer's existing commitment to reduce the impact of its crop protection portfolio by 30% by 2030 also contributes to improving water quality.

25% to improve water use per kilogram

Operations (Bayer Facilities and Equipment):

Bayer provides clean water, sanitation and hygiene to all employees at its sites, extending this commitment to selected communities. The company continues to minimize emissions, including wastewater emissions, globally. It sets strict voluntary limits for active ingredients in wastewater at all its production sites. Bayer implements water management systems in its factories to optimize water use in water-stressed areas, extending them to areas projected to be in short supply by 2030. The company will set quantitative targets starting in 2025, to be achieved by 2030.

Water Value for Business and Investment:

Bayer develops a concept that will integrate water quality and quantity into business decisions and processes, assigning it a value that will be incorporated into investment evaluation. In 2021, approximately 10% of Bayer's CapEx projects were related to water and wastewater.

10% of Bayer's CapEx projects were related to water and waste water

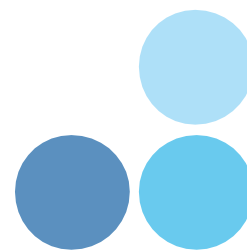


“Our commitment to protect and use water responsibly is expressed in our corporate water position.”

In their commitment to supporting water-related community projects, the company utilizes its local presence and collaborates with various organizations. Their efforts are directed towards backing initiatives that offer access to clean water and sanitation for both employees and the communities where they operate. Additionally, there is a specific emphasis on raising awareness and building skills related to water management. As part of this commitment:

They actively engage in and promote meaningful water initiatives globally, such as WMO water and climate leaders.

Schneider Electric Sustainability & Water initiatives



About Schneider Electric water commitments

Schneider Electric is a global company with a strong focus on sustainability, including water management. The company's comprehensive portfolio of solutions and services is designed to help organizations achieve their corporate Sustainability goals, including water stewardship and responsible resource use.

The company works with customers to offer a wide range of **solutions for water and wastewater infrastructure**, such as smart water solutions, automation and telemetry solutions, safe and intelligent power solutions, as well as video security, access control, cybersecurity, including arc flash mitigation solutions.

CORPORATE SUSTAINABILITY STRATEGY:

The company's strategy involves implementing a comprehensive digital data architecture to create solutions. Using this approach, it has successfully monitored water withdrawal in its largest 243 sites globally, covering 83% of its total water withdrawal. This monitoring is achieved by combining utility invoice data and local meters, with data collected monthly at each site and reported quarterly to the centralized EcoStruxure Resource Advisor reporting platform.

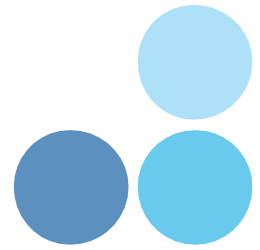
OBJECTIVES AND GOALS:

Commitment to ensure that **100% of its sites in water-stressed areas have a water conservation strategy and related action plan by 2025**.

The company also aims to **reduce water intensity by 35% in 2025** versus 2017, with a focus on sites located in severely water-stressed areas.



Schneider Electric Sustainability & Water initiatives



Recognitions and best practices

In 2023, Schneider Electric has received many important recognitions, among them inclusions in the Dow Jones Sustainability Index (DJSI) and Corporate Knights' list of Global 100 Most Sustainable Corporations, and high scores from Moody's Analytics, CDP, and EcoVadis.

2024 – Recognized by the World Economic Forum and McKinsey for its **end-to-end circular approach**

2023 – CDP Water Security response: A-

2022 – Global Water Intelligence Award as **Water Technology Company of the Year**.

Schneider Electric's Le Vaudreuil plant (France)

Employs industrial Internet of things (IoT) sensors connected to digital platforms to unlock data that drive energy and water efficiency.

It has a **zero-reject** water recycling station connected to cloud analytics and monitored by artificial intelligence (AI) that led to **water reduction of 64%**.

Schneider Electric's Wuxi plant (China)

Power Monitoring Expert (PME): Optimizing with Power and Buildings has driven 721MWh energy reduction. **38.4% water use reduction compared to 2020**.

Other initiatives: Investing in agri-tech start-up Agros

Part of the **Environmental Stewardship**, that provides sustainable farming solutions for 18 million horticulture farmers to help decarbonize across Asia.

Agrosolar and Agrosoil, first two products, solve major agricultural problems like fuel dependency and soil degradation.



Le Vaudreuil Plant- reduction in:

64%
Water use

25%
CO2 emissions

17%
Material waste

48%

Water intensity reduction achieved in 2022 vs. 35% Target by 2025

DIGITALIZATION best practices from a Leader



Schneider Electric is committed to digitalization to face water challenges. The company leverages digital technologies for industrial water applications, offering innovative solutions and services for water and wastewater treatment, desalination, water and wastewater transportation, and water reuse.

In addition to its internal initiatives, Schneider Electric supports its industrial customers on their path to sustainability. The company offers support to industrial clients to preserve water, promoting water stewardship and enabling resource circularity. Schneider Electric also helps its customers understand their water obligations and optimize their water costs, helping to improve their bottom line. In summary, Schneider Electric is deeply involved in the water sector, offering a wide range of innovative products such as:

Centralising data and control

Integration of OT-IT

Digital twin

"The digitization of water management cannot be overstated. In the water industry, digital is no longer the elephant in the room; it's more like an aid drone that makes the journey faster and shorter, provided you have the right travel plan and co-pilots. Our company's application of innovative digital technologies is pivotal in addressing water challenges, achieving sustainability, and driving cost reduction. Through our extensive water handprint and strategic programs, such as our industrial water support initiative, we are leveraging our global expertise and industry footprint to maximize resource circularity and work toward water positivity. Our innovative solutions, integrating smart analytics from design to operation & maintenance, are transforming industrial water applications across the globe." Carmen de Miguel, Water segment, Schneider Electric.

DIGITALIZATION best practices from a Leader

EXAMPLES OF BEST PRACTICES

Aquapolo – Sao Paolo, Brazil

The largest wastewater treatment plant from Brazil uses **EcoStruxure solution** to produce recycled water for industrial (petrochemical) use, recycling sewage to meet growing industrial demand, saving water for +500K people in Sao Paolo.

25% Production cost reduction

NHS Highland , Scotland

Responsible for a large district hospital, 3 rural general hospitals, a psychiatric hospital and a number of community hospitals on their **water strategy and savings implementation**. The reductions are equivalent to a massive 110m³ of water per day.

 Water reduction = 16 Olympic-size swimming pools

Aigües De Barcelona, Spain

Process optimisation software was used to monitor and control the operations of the sewage treatment plant.

41% Aeration energy cost reduction

Padania Acque, Province of Cremona, Italy

A **digital twin** was used alongside **asset management software** to bring a predictive approach to management.



5% Energy consumption reduction

22% Increased earnings over 3 years before interest, taxes, depreciation, and amortisation.

ILUNION "SUSTAINABILITY WAY"

Ilunion Lavanderias

The company has a strong environmental commitment focused on reducing water consumption, transparent communication and collaboration with various stakeholders. Its sustainability master plan, "Ilunion Sustainability Way", strategically guides the group with an emphasis on continuous improvement. The plan addresses three axes, including the environment, with projects such as "ecosystem dependencies mapping" and "climate risk mapping".

Ilunion focuses on water reduction, participates in regeneration projects with "Fundación Empresa Biodiversidad" and measures the water footprint in laundries, prioritizing reduction in hotels and exploring ecological alternatives and technologies such as reverse osmosis. The company stresses the importance of considering evaporation in the water footprint and seeks innovative solutions.

In terms of impact management, Ilunion emphasizes circularity and water reuse, recognizing the relevance of scope 3 in the carbon footprint. It collaborates with suppliers, sets concrete targets and shares visual information on environmental actions. In addition, it collaborates with social groups, the 11 Foundation and links with public administration and local communities in regeneration projects.

It also suggests the possibility of establishing contacts with the Hydrological Confederation and the Catalan Water Association. In summary, Ilunion demonstrates a significant environmental commitment and seeks collaboration in regeneration projects with social entities and local NGOs.



ILUNION has developed a decarbonization plan with the aim of reducing its greenhouse gas emissions by 30% by 2025 and achieving carbon neutrality by 2040.

25.3 GWh
of
renewable
energy

69,000
trees
planted

30% of
CO2

ILUNION Lavanderías is a leader in industrial laundry. With 44 facilities spread across Spain, Portugal, and Colombia, it provides comprehensive laundry solutions for major hotel chains and hospitals, as well as offering solutions to recognized companies in the industrial and socio-health sectors.



With initiatives aimed at promoting environmentally and socially respectful transformation and growth, ILUNION Lavanderías is progressing towards excellence, reinforcing its commitment to sustainability based on environmental, social, and governance criteria.

"We are moving towards a more responsible, sustainable, and environmentally conscious business model, a company aligned with the roadmap outlined by the Agenda 2030 and committed to contributing, through its purpose, to being part of the solution to the challenges we face as a society."

LIQUATS VEGETALS ADVANCED IN WATER OPTIMIZATION

Liquats Vegetals

Liquats Vegetals, a Catalan family-owned company, is known for its strong commitment to environmental sustainability in the production of vegetable beverages.

The company's factory is strategically located in Viladrau, near the Montseny Natural Park, which allows it to take advantage of the high-quality water of Montseny to produce its beverages.

Liquats Vegetals has actively addressed its water management practices, collaborating with hydrologists to optimize efficiency in the use of water per liter produced.

As a result of these efforts, the company has been able to reduce its water intensity by 18%, resulting in significant water savings.

Liquats is currently on track to achieve a 25% reduction in water use, demonstrating its dedication to sustainable practices.

18%

Water intensity has been reduced by 18%, leading to significant water savings.

25%

Achieve a 25% reduction in water use, demonstrating a commitment to sustainable practices.



The company has implemented a state-of-the-art water treatment plant that allows them to obtain water of excellent quality. This water is returned to the Riera Major, where the company conducts periodic checks to ensure the ecological state of the river and guarantee the preservation of biodiversity. In a second phase, they plan to generate biogas for use in the production plant.

The company aims to further reduce water consumption by an additional 8% per liter produced by 2024. In line with its commitment to environmental protection, Liquats has commissioned an advanced water treatment plant. This state-of-the-art treatment plant not only ensures the production of high-quality water, but also facilitates the return of this treated water to the Riera Major.

Periodic ecological assessments are conducted on the river to ensure its environmental health and preserve biodiversity. Looking ahead, Liquats plans to enter a second phase of sustainability initiatives, with the goal of harnessing the biogas generated in the wastewater treatment process for use in the production plant, thus contributing to a more circular and environmentally friendly production cycle.

"Our company is located in the midst of the Montseny Natural Park, a Biosphere Reserve. This allows us to craft our beverages with suitable water that has low sodium content. Water is the primary element in plant-based drinks, making this privileged location key to achieving the distinctive taste of our beverages."

BRITA customizes positive water drinking habits

Brita GROUP

The BRITA Group is a leading global expert in optimising and customising drinking water. Founded in 1966, the family business is divided into three.

BRITA is divided into three segments to offer sustainable drinking water solutions to as many people as possible.

CORPORATE SUSTAINABILITY STRATEGY:

The corporate strategy, "Shaping Sustainable Solutions," introduced in 2020, centers sustainability in business activities. The objective is to emerge as the foremost provider of sustainable drinking water solutions by 2025.

A vital performance indicator, the "Planet Contribution," is introduced to gauge the positive and negative impact of products and activities on people and the environment.

OBJECTIVE SETTING AND STAKEHOLDER CONSULTATION:

This process involves consultation with various internal and external stakeholders to gather opinions and needs, ensuring a diverse perspective in the decision-making process. These objectives are clearly outlined in the Sustainability Charter, accompanied by well-defined metrics to measure and track progress.

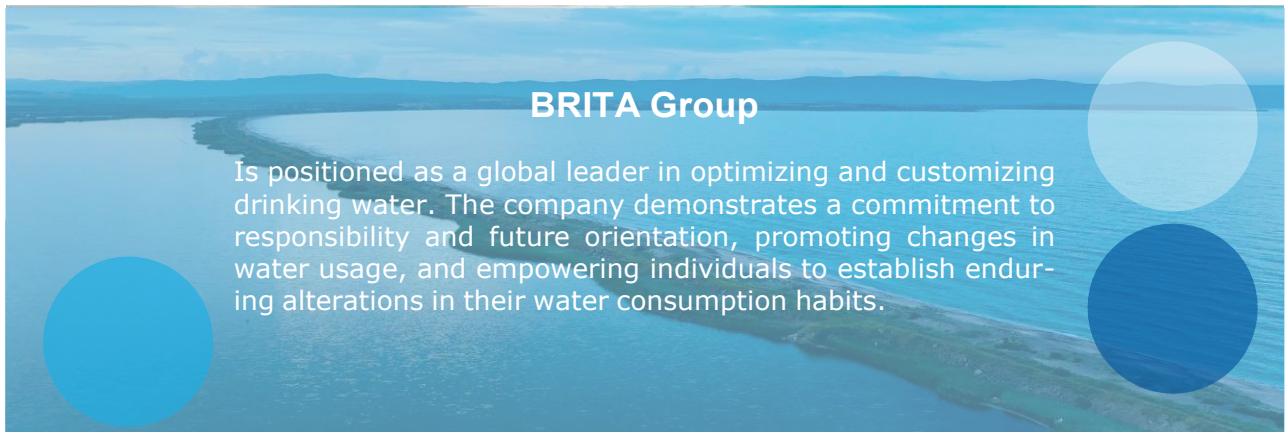
CONTINUOUS IMPROVEMENT AND RESOURCE ALLOCATION:

The Executive Board secures adequate resources to meet sustainability goals within set timelines. Regular assessments of BRITA's sustainability performance, including progress evaluations and necessary adjustments, are conducted during reviews. Certified management systems are employed to steer actions and achieve objectives.



"Reducing climate and environmental impact We recognise that our business activities along the entire value chain affect the climate and the environment. With the help of a materiality assessment, we identify the key environmental topics for BRITA. And we set targets to improve our environmental performance. We are systematically reducing our resource consumption, including the use of energy, materials, electricity and water. We also aim to minimise waste in all parts of our business and recognise the importance of protecting ecosystems and biodiversity. Using a systematic approach, we track our global carbon footprint. And we continuously take steps towards becoming a more climatefriendly company - by minimising emissions not only from Scope 1 and 2, but also in relevant."

BRITA CUSTOMIZES POSITIVE WATER DRINKING HABITS



OBJECTIVES AND GOALS:

The company's vision revolves around the UN Sustainable Development Goals (SDGs), particularly Goal 6 (Clean Water and Sanitation). Specific goals within the sustainability strategy include reducing environmental impact, minimizing the carbon footprint, and avoiding the use of 6.5 billion water bottles annually by 2025.

AVOIDING THE USE OF

6,5
BILLION
WATER
BOTTLES

"In the future, we want to further use the SDGs as a guiding framework".



SUSTAINABILITY CHARTER:

In 2021, the Sustainability Strategy took shape in the "Sustainability Charter," outlining key areas like materials, packaging, reuse & recycling, and emissions. Concrete targets are established in these

domains to guide employees, managers, and decision-makers.



ACHIEVEMENTS AND IMPROVEMENTS:

Highlighted achievements include a 6.4% reduction in virgin plastic use over two years and the introduction of a glass-made BRITA jug. Emphasis is placed on

the significance of incremental progress in resource conservation.



WATER CONSERVATION:

Identified areas within the BRITA Group with high water consumption, such as steam sterilization of filter cartridges and regeneration of ion exchange resins. Measures, including

internal recirculation, are implemented to diminish freshwater consumption, resulting in nearly a 6% decrease in 2022 compared to 2020.



RESPONSIBLE WATER USE:

BRITA's commitment to responsible water use, evident through continuous monitoring and stringent quality checks in the ion exchange resins' regeneration process.

HINOJOSA BENCHMARKS THE CIRCULAR ECONOMY

Hinojosa

Hinojosa, a company committed to sustainability, stands out for its deep-rooted commitment to responsible practices in its operations. Within the framework of the 20-23 Plan, sustainability emerges as one of the strategic pillars, and this premise is maintained in the new strategic plan under development.

The company has become a benchmark in the circular economy by manufacturing recycled paper from paper and cardboard waste, closing the production cycle with the manufacture of cardboard boxes that return to its factories.

Hinojosa focuses its efforts on three key areas: waste, water and decarbonization. Despite having previously reduced water consumption, the new Strategic Plan establishes additional goals, seeking to reduce water consumption and reduce the carbon footprint by 10%.

To achieve this, several actions are being carried out, such as the detection and control of water leaks, water balances and the implementation of water treatment plants. The company is also considering the possibility of using wastewater, in line with international practices.

EXAMPLES OF BEST PRACTICES

Reduction of CO2 emissions by 14.4%, in line with the European goals for climate neutrality by 2050.

14,4% Reduction of CO2

An increase of 11.35% in the use of renewable energy compared to the previous year, thanks to the full performance of the biomass boilers in our paper mills.

11,3% Renewable energy

Provision of 39,700 hours of training in talent development.

39,7 Hours of training

Achievement of a waste valorization rate exceeding 93%, reintegrating them as raw materials into the value chain.

93% Waste valorization



“In Hinojosa Packaging Group, we understand that our greatest contribution to society is safeguarding the value of the products that use our packaging. However, our task does not end with creating excellent packaging. Society is progressing, and there is an increasing awareness that the development of our well-being must align with economic activity, respect for the environment, and a positive impact on society.”

RAMON SOLER BRINGS SAVING WATER VISIBLE AT POINT OF USE



Ramon Soler

An international manufacturer of designer faucets, has demonstrated a strong commitment to sustainability and water savings. The company has joined the "BREEAMers program", which reinforces its commitment to sustainability, not only in terms of water and energy, but also in resource optimization.

Through its products, Ramon Soler promotes water and energy savings, incorporating technologies that reduce the consumption of resources in the long term. In addition, the company offers solutions for professionals and end users seeking to reduce their water and energy consumption through its faucets.

Each of the products are classified with icons that help identify the type of water saving they can deliver.

ramonsoler.

Water savings: C2/S2

Our monochromes incorporate an intermediate stop in the vertical lever movement, providing a flow with a 50% water savings. It complies with the NF regulation in France for water savings.

Cold opening and water saving C3/S3

The water and energy saving system is an efficient combination that incorporates central cold opening systems and intermediate stop (stepped or two-phase opening). It complies with the NF regulation in France for energy savings.

RAMON SOLER BRINGS SAVING WATER VISIBLE AT POINT OF USE

Ecological awareness



The company follows ecological criteria to produce in an eco-efficient manner, optimizing resources in terms of materials and energy required in production.

Save water with their faucets



All their faucets are eco-efficient and help save energy, reducing water consumption by 50%.

Double energy and flow-saving system



The system allows cold opening to save energy consumption and also prevents unnecessary water usage in bathrooms and kitchens.

Environmental certifications



The company holds certifications on a global scale, endorsing that their faucets are environmentally friendly, such as the BREEAM certification.

Flow limiter:

The company's flow limiters allow users to determine the maximum desired flow, reducing water consumption while maintaining user comfort. The standard limitation is 3.7 l/m for sinks and 8 l/m for showers.

90%

Of their **faucets** come equipped with a system by **water-saving** default from the factory

50%

This system allows for savings of up to 50% without compromising user comfort.

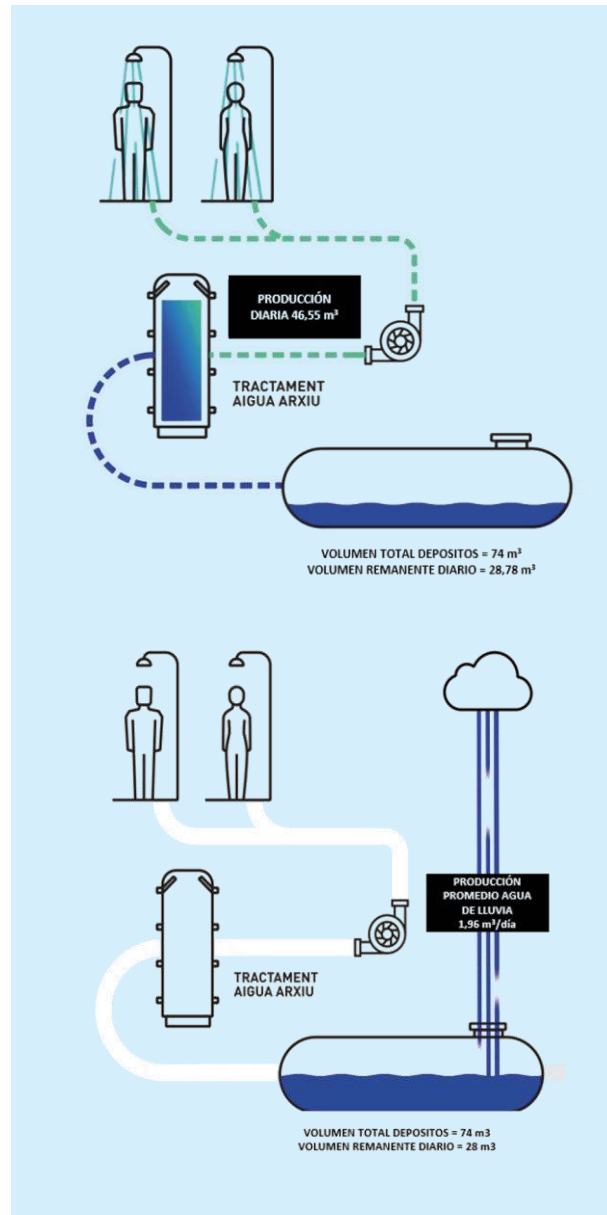
RCTB: PROFITING FROM WATER RISK MANAGEMENT

Real Club de Tennis de Barcelona-1899:

Has initiated a graywater and rainwater reuse project. The project involves the creation of a graywater treatment and management system for reuse in irrigation tasks, with the installation of separate collection networks, filtration and homogenization systems, and subway tanks for the storage of rainwater and reclaimed water.

Irrigation of the garden and courts is planned to start at 6 a.m. using the stored water, and a supplementary pumping well will be used in the event of insufficient levels of reclaimed and collected water.

The system fulfills with the necessary quality standards and contributes to enhance the self-consumption of resources, embracing the circular economy and reducing the planet's water footprint.



"The most significant risk in the current climate change scenario is not taking action. This is a project for both the present and the future, making RCTB-1899 once again a benchmark in the world of sports."

28 M³

Sustainable in the irrigation of courts and green areas



78 M³

Underground Tanks

Installation of 3 underground tanks beneath the terrace of Track 1 that will allow storing up to 78m³ of water – both rainwater and reclaimed water.

28 M³

During rainy periods, up to 28 m³ of rainwater will be stored. The initiative complies with quality standards and reinforces the club's commitment to the circular economy and reducing water footprint.

SUSTAINABLE WATER DEVELOPMENT:

ABM'S EXPERIENCE AND CHALLENGES IN ENGINEERING AND CONSULTING

ABM

The company ABM was founded in the year 2000 and has over 23 years of experience, specializing in engineering and consulting services primarily focused on the water sector. With a workforce of 40 employees, its market is evenly distributed between 50% public and 50% private clients.

The company's focus lies in developing strategies and projects related to water resources and other environmental issues, acting as advocates and designers of solutions in this field. Additionally, there is a notable collaboration with the Catalan Water Agency and other regulations related to water infrastructure.

The importance of adapting to the current context is emphasized, highlighting the challenge of increasing efficiency and promoting sustainable strategies. The discourse concludes with concrete examples of audits and alternatives to reduce water consumption in various industries, considering investment costs and reutilization, urging the need to adapt to a future with reduced availability of water resources.

“The mistaken perception that water is an infinite and free resource is emphasized, highlighting the importance of considering alternatives such as wastewater regeneration and desalination.”

The need for digitization to enhance water systems is emphasized. The importance of taking action in both day-to-day operations and long-term investments and strategies is highlighted. Furthermore, it is explained that the planned actions will involve an investment, with the possibility of a price increase, underscoring the importance of tailored tariffs for different consumer types.

The duration of the implementation of these strategies is questioned, raising the issue of old networks and the need for renewal. The complexity of optimizing water management, particularly in old networks, is emphasized. Additionally, there is discussion about the variability of water prices at the European level and the necessity to increase costs to reflect environmental values. Potential conflicts between forest management and water availability are also addressed.

The technological challenges are highlighted, emphasizing the importance of investing in technologies to address short, medium, and long-term challenges. Additionally, the need to manage water losses effectively and update infrastructure is underscored.

Establishment of the Catalan Water Cluster in 2008 and its evolution with the participation of various entities and companies related to water. “The importance of research and development in the water sector is emphasized, with specific examples of involvement in digitization and process improvement projects. The level of technology in the water-saving segment is questioned, highlighting the need to apply existing technologies to the discussed challenges.”

REGENERATED WATER: A REAL ALTERNATIVE TO ENSURE THE FUTURE WATER SUPPLY



Urban water companies face the challenge of ensuring the supply to the growing population, especially in scenarios of climate change. In the Community of Madrid, natural water contributions to reservoirs have decreased by 30% in the last three decades, while the population has grown by 14%. An increase of almost one million inhabitants is expected in the next 15 years, with an estimated additional demand of eighty million cubic meters annually.

Despite this scarcity, the water storage capacity has not increased since 1991. In response to this situation, Canal de Isabel II has implemented

transformations, focusing on efficient management and the reuse of regenerated wastewater. Currently, regeneration and reuse are essential for Canal, allowing for non-human consumption uses such as watering parks, golf courses, and industrial processes.

In 2023, Canal managed 33 regeneration plants, 744 km of reuse networks, and 64 reservoirs of regenerated water, serving 26 municipalities and 401 municipal parks. The consumption of reused water in 2023 in Madrid represented 3.45% of the total potable water in the region, equivalent to the consumption of Getafe and Alcorcón combined (353,000 inhabitants).

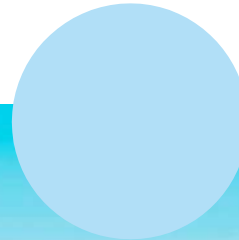
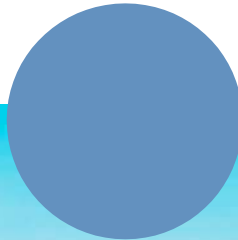


REGENERATED WATER: A REAL ALTERNATIVE TO ENSURE THE FUTURE WATER SUPPLY

In 2023, the total volume of regenerated water produced (both reused and discharged into rivers) was 107.16 million cubic meters, equivalent to 21.88% of the potable water consumed in the Community of Madrid

In the coming years, Canal de Isabel II will continue working to ensure that such a vital resource as water is available for everyone, even in unfavorable scenarios related to demographic growth and climate change. To achieve this, it is crucial to keep exploring innovative solutions and have the collaboration of our users to guarantee a secure and sustainable water supply for future generations. Water reuse is a fundamental part of this vision, and its role will remain crucial in the coming years.

In the last 17 years (from 2007 to 2023) in the Community of Madrid, 193.27 million cubic meters of regenerated water have been reused. This is equivalent to slightly more than the combined capacity of the Valmayor, El Vado, Navacerrada, and Navalmedio reservoirs.



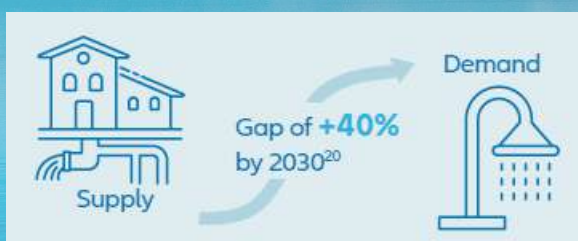


Financial implications

FINANCIAL NEEDS OPEN INVESTMENT OPPORTUNITIES

Increasing need for water-related investment spending

Water-related issues continue to make headlines as the mild but dry European winter turns to spring. Investments in water-related infrastructure have come back into investors' focus and are rising on political agendas. We therefore believe that water remains a secular growth opportunity for investors. To maintain our living standards and deal with the challenges of climate change, it is crucial to consider and increase targeted investments along the entire value chain of the water industry, as the imbalance between supply and demand continues to grow from current levels.



The good news is that water spending is on the rise globally, and governments, corporations and farmers alike have begun to realize the need for urgent capital expenditure. Another good news is that quick wins like fixing leakages or reducing

water waste are feasible everywhere, with comparatively little effort. The companies which deliver the required solutions for such resiliency issues are in many cases well-known. One of the largest producers for farming equipment reported strong increases over their first quarter which can be viewed as a bellwether indicator for the entire farming equipment sector.

Given the sound fundamentals of the companies in the water sector, and more interesting valuation levels, the overall outlook for water investments is quite compelling in our view. Recent M&A activity in the sector is another indicator for sound business expectations over the mid-term. Individual corporate profits will play a particularly important role over the months to come, are likely to create a favourable scenario for active managers. Overall, we believe that market participants will increasingly differentiate between "winners" and "losers" at the stock, sector, and country level and that an active theme and stock picking approach will be useful. At the same time, many market valuations are much more attractive than a year ago.

We therefore see opportunities for investors in companies that actively provide quality and resiliency solutions to water scarcity and water quality issues, and which help to improve the sustainability of water resources.



Pure exposure to the sustainable water segment

The strategy targets and invests only in pure-play companies, committed to solving water scarcity, increasing water quality and enhancing water efficiency.

Investors can benefit fully from the secular growth trend that the water theme represents.



A resilient portfolio in ever-changing market conditions

The fund shuns cyclical by only investing in high quality water stocks backed by strong structural drivers, delivering stability in difficult markets while generating attractive long-term growth.



Time tested experience in water and SDG investing

The investment team has over decade of expertise in water investing, and a recurrent dialogue with global water leaders.

The investment universe is constructed and repeatedly reviewed in full alignment to four of the 17 UN SDGs, with focus on GOAL 6 "Clean Water and Sanitation". Clients get exposure to financial, environmental and social alpha.





Water Risk Reporting and Disclosure

WATER RISK REPORTING AND DISCLOSURE

Risk Identification and Mitigation

Regular water risk reporting allows companies to continually assess their water-related risks, identify areas that require improvement, and adjust their strategies accordingly. This iterative process helps to mitigate potential risks, such as supply disruptions, regulatory changes, and reputational damage. By proactively addressing water risks, companies can avoid costly disruptions and maintain sustainable operations.

Aligning with International Standards

In Spain and Europe, aligning water risk reporting with international standards and frameworks, such as the GRI and the CDP, can enhance transparency, provide comparability, and facilitate meaningful engagement with stakeholders. By adhering to these frameworks, companies can ensure that their reporting is comprehensive, consistent, and comparable to industry peers. This alignment fosters credibility and trust among investors, stakeholders, and the public.



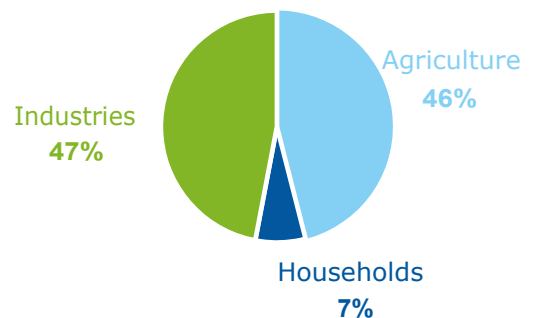
In an alliance with ACA, Cacaolat has initiated a water-saving program in collaboration with its suppliers. The company showcases its dedication to water conservation by using recycled water, leading to a substantial annual saving of 20,000 cubic meters. Moreover, Cacaolat has demonstrated its dedication to sustainability by optimizing packaging, achieving a 10% reduction in weight, thereby contributing to the conservation of 10,000 tons of packaging material annually. These initiatives underscore Cacaolat's proactive approach to environmental responsibility and resource efficiency in its operations.

Water Survey Summary

Pollutants: 47% of respondents consider industry to be the main polluter of water, followed by 46% who point to agriculture.



What do you think is the main polluting factor in water today?



Transparent reporting on water risk management is not only an essential component of corporate sustainability but also a strategic tool for building trust, enhancing reputation, and mitigating risks. By proactively communicating their water management practices, companies can demonstrate commitment to sustainability, build strong stakeholder relationships, and gain a competitive advantage in the market. In the face of growing water scarcity and increasing regulatory scrutiny, transparent reporting is no longer just a choice; it is a necessity for companies in Spain and Europe that seek to operate sustainably and thrive in the long term.

WATER RISK REPORTING AND DISCLOSURE

In the face of growing water scarcity and increasing regulatory scrutiny, transparent reporting on water risk management has become a crucial aspect of corporate sustainability in Europe, particularly in Spain. By openly communicating their water-related risks and strategies, companies can build trust with investors, stakeholders, and the public, while also enhancing their operational efficiency and mitigating potential legal and reputational risks.

Investor Confidence

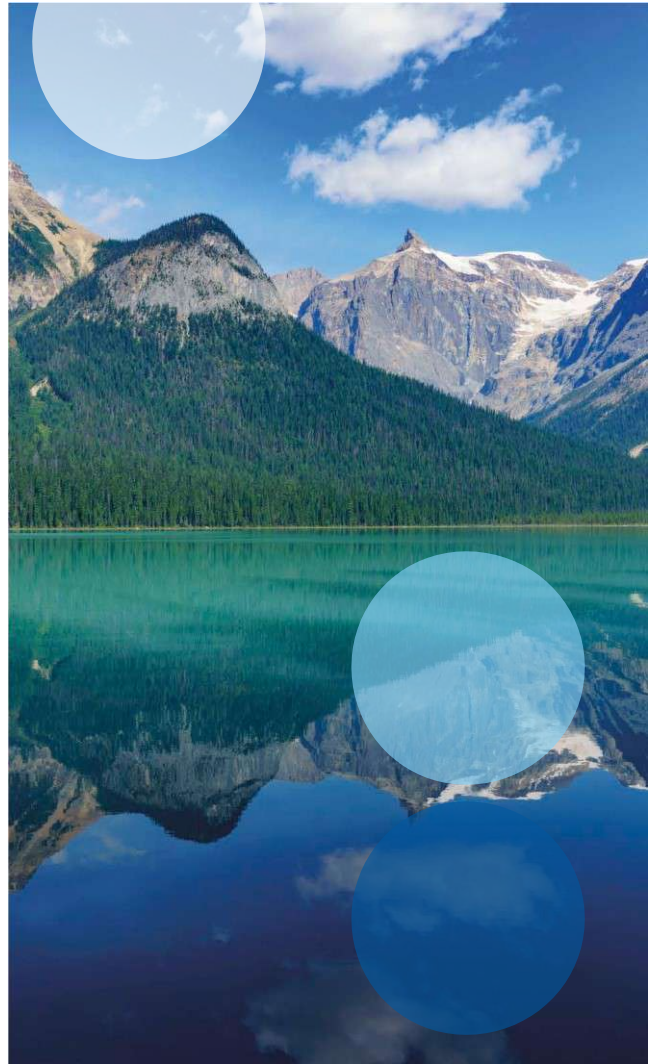
Transparent reporting on water risk management signals to investors that a company is committed to long-term sustainability and sound management practices. In recent years, investors have increasingly incorporated ESG (environmental, social, and governance) factors into their investment decisions, recognizing that sustainable companies are better positioned for long-term growth and resilience. By demonstrating a commitment to water stewardship, companies can attract socially responsible investors and gain a competitive advantage in the market.

Stakeholder Engagement

Open and honest communication about water risk management fosters strong relationships with local communities, governments, and non-governmental organizations (NGOs). Engaging with these stakeholders helps to build goodwill, gain support for water-conservation initiatives, and mitigate reputational risks that could arise from water-related issues. By demonstrating transparency and accountability, companies can build trust and partnerships with key stakeholders, enhancing their overall reputation and social license to operate.

Compliance and Regulatory Alignment

Clear and comprehensive reporting ensures compliance with local and European water regulations, reducing the risk of fines or penalties. By aligning their reporting with established standards and frameworks, such as the Global Reporting Initiative (GRI) and the CDP (formerly the Carbon Disclosure Project), companies can demonstrate their commitment to meeting or exceeding legal requirements and best practices. This alignment enhances transparency, provides comparability with peers, and facilitates meaningful engagement with stakeholders.



Competitive Advantage

Companies that actively report their water sustainability efforts can stand out in the marketplace, appealing to consumers who prioritize responsible business practices. This can lead to increased market share and profitability, as consumers increasingly seek products and services from companies that demonstrate environmental stewardship. By embracing transparency and accountability, companies can differentiate themselves in the competitive landscape, attracting environmentally conscious customers and gaining a competitive edge.



Future Trends and Challenges

FUTURE TRENDS AND CHALLENGES IN WATER RISK MANAGEMENT

The landscape of water risk management in Europe, including Spain, is a dynamic and evolving domain influenced by shifting environmental, societal, and regulatory factors. For businesses to thrive, it is imperative to anticipate and adapt to these transformative forces, ensuring not only the longevity of operations but also competitiveness in the marketplace. In the following text, we delve into the future trends that will shape the trajectory of water risk management, offering insights for proactive strategies and sustainable practices.



Sustainability Regulation

The future of water risk management in Europe, including Spain, is expected to be shaped significantly by increasingly stringent regulations. The Water Framework Directive (WFD), Circular Economy Package, and Sustainable Use of Water Directive (SUD) are driving businesses to enhance their water management practices. Adapting to evolving regulatory landscapes is crucial for long-term sustainability.



Circular Economy

The adoption of a circular economy model is emerging as a pivotal trend in water risk management. Businesses embracing this approach aim to minimize waste and optimize resource use, consequently reducing water consumption. This not only aligns with sustainability goals but also meets the growing consumer demand for environmentally conscious products and services.



Water Scarcity and Climate Resilience

The escalating impact of climate change is intensifying water scarcity challenges for businesses. More frequent and severe droughts, floods, and extreme weather events are straining water resources. To build resilience, businesses must diversify water sources, enhance efficiency, and ensure the resilience of their supply chains against the backdrop of unpredictable climatic conditions.



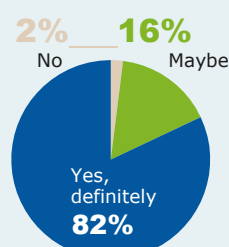
Technological Innovation

The ongoing development of technologies like smart metering, sensors, data analytics, and artificial intelligence is revolutionizing water risk management. These innovations empower businesses to enhance water efficiency, optimize water usage, and proactively identify and prevent water leaks. Staying abreast of technological advancements is crucial for effective water management strategies.

Water Survey Summary

Personal habits and willingness to change:
82% would be willing to change habits to conserve water and 16% perhaps would.

Are you willing to change your daily habits to help conserve water?



Top 5 habits that would change the most include:

- 1 Further action
- 2 Reduce shower time and frequency
- 3 Improve the water infrastructure at home, toilet with reduced load button, faucets with sprinklers/-diffusers, more efficient appliances (boiler, dishwasher, washing machine...), grey water purification, maintenance, and leak inspection
- 4 Use dishwashers and dishwashers with efficient programs, short washes, and cold water, and whenever they are full.
- 5 Collect water, for example, from when you are heating water for the shower and reuse it for other uses

FUTURE TRENDS AND CHALLENGES IN WATER RISK MANAGEMENT

Stakeholder Expectations

Growing public awareness of environmental issues is translating into increased consumer expectations. Companies committed to sustainability and robust water risk management are likely to gain a competitive advantage. Meeting stakeholder expectations involves transparently demonstrating a dedication to sustainability, fostering brand trust, and aligning with evolving societal values.

In the unfolding narrative of water risk management challenges, several Spanish enterprises emerge as pioneers, boldly forging innovative solutions to safeguard water resources and ensure sustainable operations. At the forefront of this movement is Iberdrola, a multinational energy behemoth that has committed a substantial €1 billion investment in cutting-edge water-efficient technologies. This strategic investment is complemented by ambitious targets to curtail water consumption by an impressive 20% before the culmination of 2025. This resolute commitment positions Iberdrola as a frontrunner in the integration of sustainable water practices within its operational ethos.


Mercadona, a prominent supermarket chain, contributes to this narrative with a multifaceted approach to water conservation. Implementing a suite of water-saving measures, including the innovative practices of rainwater harvesting, water-efficient fixtures, and judicious use of recycled water, Mercadona exemplifies a

comprehensive water risk management plan. The supermarket giant's proactive stance underscores its dedication to reducing environmental impact and enhancing water resilience across its operations.

Key findings about Water Survey Summary:



- The concern about future water availability is high
- The vast majority of respondents already implement various ranges of water conservation measures
- And most of them would be willing to change their habits and implement water-saving measures that they didn't know about yet



BRITA, a global water filtration leader, exemplifies commitment to sustainability and innovative water risk management. Their waterless production process, cutting-edge filtration systems, and collaborations with communities showcase dedication to responsible water use. Recognized with a remarkable CDP Water Risk Scorecard rating of 94 and named a Water Steward by the World Wildlife Fund, BRITA sets an inspiring standard for businesses. Their story emphasizes integrating water risk management into core operations for sustainable practices and playing a pivotal role in ensuring global water security.



Recommendations for companies

Profitable Water Risk Management in Spain and Europe: RECOMMENDATIONS FOR COMPANIES

ASSESS REGIONAL WATER RISK



Identify water scarcity and climate change trends: Understand the specific water risk factors in the regions where you operate, considering both local challenges and opportunities.

Analyze water quality and availability: Assess the quality and availability of water resources in your operations, including groundwater, surface water, and wastewater.

Explore climate change projections: Analyze climate change projections to anticipate future water scarcity and extreme weather events that may impact your operations.

ADOPT SUSTAINABLE TOURISM PRACTICES



Minimize water consumption in hotels and resorts: Implement water-saving measures in hotel and resort operations, such as rainwater harvesting, water-efficient appliances, and water-efficient landscaping.

Promote responsible tourism practices: Educate tourists about water conservation and encourage them to adopt water-saving habits during their stay.

Certify hotels and resorts with sustainability labels: Seek certification from sustainability organizations such as Green Key or TraveLife, which recognize hotels and resorts with strong water management practices.

INVEST IN WATER EFFICIENCY



Prioritize water-efficient technologies: Invest in water-efficient technologies, such as water-efficient fixtures, rainwater harvesting systems, and smart irrigation systems, to reduce water consumption.

Optimize water-intensive processes: Implement process optimization techniques to reduce water consumption in high-water-using areas, such as manufacturing, cooling systems, and agriculture.

Establish water-saving targets: Set ambitious water-saving targets and track progress regularly to ensure continuous improvement.

COLLABORATE FOR CIRCULAR ECONOMY



Embrace a circular economy approach: Explore opportunities to implement circular economy practices in your water use, reducing waste and minimizing environmental impact.

Recycle and reuse water: Implement water recycling systems to capture and reuse wastewater, reducing reliance on freshwater sources.

Design for water efficiency: Integrate water efficiency considerations into product design and manufacturing processes to minimize water consumption throughout the product lifecycle.

Profitable Water Risk Management in Spain and Europe: RECOMMENDATIONS FOR COMPANIES

REPORT TRANSPARENTLY



Publish water risk assessments: Disclose your water risk assessments, including the identification and prioritization of water-related risks, to stakeholders.

Measure and report water consumption: Measure and report your water consumption annually, tracking progress against targets and benchmarking against industry standards.

Incorporate water risk management into sustainability reports: Integrate water risk management into your sustainability reports, aligning with international standards such as the CDP Water Risk Scorecard.

COMPLY WITH WATER REGULATIONS



Stay up-to-date with water regulations: Regularly review and comply with water regulations in Spain and Europe to avoid fines, penalties, and potential reputational damage.

Implement water monitoring systems: Install water monitoring systems to track water usage, identify leaks, and ensure compliance with regulations.

Conduct regular water audits: Conduct regular water audits to identify areas for improvement and ensure compliance with regulations.

Community Engagement and Policy Opinions Water Survey Summary:

93% of respondents have never participated in a community initiative, and 71% believe that more restrictive policies should be implemented to conserve water.

water in 2023 in Madrid represented 3.45% of the total potable water in the region, equivalent to the consumption of Getafe and Alcorcón combined (353,000 inhabitants).

Profitable Water Risk Management in Spain and Europe: RECOMMENDATIONS FOR COMPANIES

INVEST IN TECHNOLOGY



Invest in water-saving technology: Consider investing in water-saving technology and data analytics to improve water efficiency and future-proof your operations.

Utilize smart irrigation systems: Implement smart irrigation systems that optimize water usage based on real-time weather data and soil moisture conditions.

Embrace data-driven decision-making: Utilize data analytics to identify patterns, trends, and anomalies in water usage, enabling informed decision-making and proactive risk mitigation.

PLAN FOR REGULATORY CHANGES



Anticipate future water regulations: Stay up-to-date with emerging water regulations and adapt your water management strategies accordingly.

Prepare for water scarcity scenarios: Develop contingency plans to address potential water scarcity scenarios, such as droughts or increased water demand.

Involve stakeholders in regulatory discussions: Engage stakeholders, including government agencies, NGOs, and industry peers, in discussions about future water regulations.





Conclusion

CONCLUSION

Detailed case studies of companies that have successfully managed water risk and profited from their initiatives provide practical insights into how businesses, across various industries and regions, have implemented effective water risk management strategies.

Addressing the financial benefits of managing water risk effectively, the report discusses the cost-benefit analysis and return on investment (ROI) for water risk management efforts. It highlights how a positive public image and a strong commitment to water risk management can lead to increased customer trust and market share.

Transparent reporting on water risk to investors and stakeholders is emphasized. The report

explores the importance of reporting frameworks and standards, such as CDP Water and GRI, in enhancing public trust, attracting responsible investors, and positioning a company as a leader in corporate sustainability.

The report, enriched by insights from WAS, also delves into emerging trends in the field of water risk management and potential challenges and uncertainties related to water risk in the future. The growing demand for corporate social responsibility (CSR) and sustainability, as advocated by WAS, is explored, showcasing how companies can use water risk management as a strategic CSR initiative to meet these expectations.



Key findings about Water Survey Summary:

The concern about future water availability is high

The vast majority of respondents already implement various ranges of water conservation measures

And most of them would be willing to change their habits and implement water-saving measures that they didn't know about yet

CONCLUSION

In conclusion, this report, invites businesses to unravel the complex tapestry of water risk, where environmental stewardship converges with economic prudence, and adopting sustainable practices becomes the bedrock for resilient, responsible businesses. It serves as a guide for companies, leveraging the expertise of WAS, navigating the dynamic waters of water risk, showcasing not only the challenges but the vast opportunities that lie within this critical paradigm.



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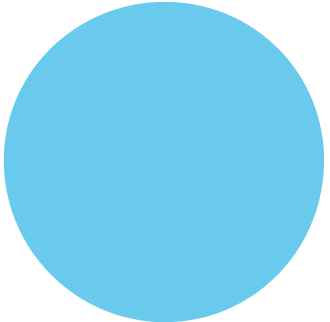
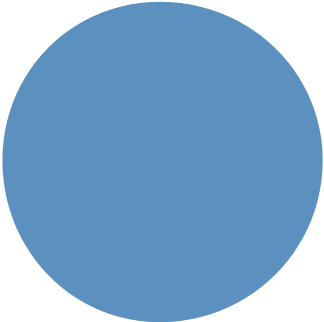
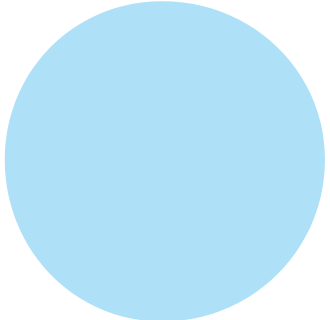
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