

# Investors' expectations for mining companies

Pratima Divgi

April 2023

# CDP's Reporting system and connectivity to disclosure frameworks



Standardizing climate and environment information to mainstream drive real world outcomes



Incorporating environmental jurisdictional requirements and best practice frameworks in a standardized reporting format



SCIENCE BASED TARGETS



Transition Plan Taskforce



GFANZ

**CDP responders as of 2022:**  
**18,700+** companies  
**1,100+** local governments and public entities  
Supply chains of **280+** multinationals with over US\$6.4 trillion in purchasing power

- The CDP questionnaire maps commitment requirements / guidelines under the GFANZ alliances viz.,
1. Net Zero Banking Alliance
  2. Net Zero Asset Owners Alliance
  3. Net Zero Asset Managers Alliance
  4. Net Zero Insurance Alliance
  5. Paris Aligned Asset Owners
  6. Investor Climate Action Plans
  7. GFANZ Transition frameworks



# Current and emerging water risks to financial institutions



## Portfolio-related financial risk:

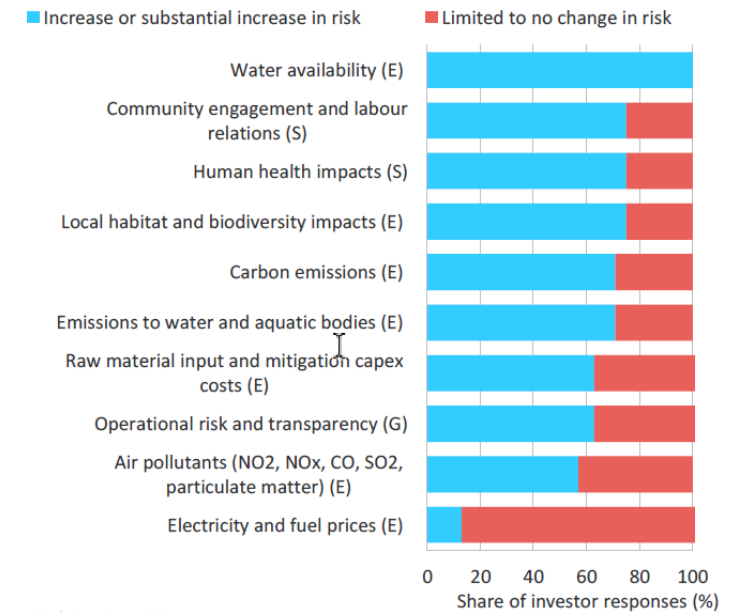
- ❑ Physical risks:
  - Includes flooding, drought, declining water quality, ecosystem vulnerability, increased water scarcity and/or stress, and inadequate
  
- ❑ Regulatory risks:
  - requirements for water withdrawals and/or discharge permits, mandatory water efficiency, recycling, conservation, or process standards, regulatory uncertainty and higher water
  
- ❑ Reputational and markets risks:
  - community opposition, increased stakeholder concern or negative stakeholder feedback, litigation and changing consumer behavior;
  
- ❑ Technological risks:
  - Adoption to changing technologies and products concerning water security and usage

# Current and emerging water risks to financial institutions



Source: CDP

## Investors Expect Increase in Water, Labour Relations, Health and Biodiversity Risks in Next Five Years



Source: Fitch Ratings, CRU

# Regulatory requirements on water for financial institutions



Water metric	Description
Exposure to areas of high-water stress	Share of investee companies with sites located in areas of high-water stress
Investing in companies without water management initiatives	Share of investee companies with no water management initiatives
Water usage	The average amount of water consumed and reclaimed by the investee companies (in cubic metres) per million euros of revenue of investee companies
Untreated discharged waste water	The total amount in cubic metres of untreated waste water discharged by the investee companies expressed as a weighted average
Water recycled and used	The weighted average percentage of water recycled and reused by investee companies
Water emissions	The weight in tonnes of water emissions generated by investee companies per million EUR invested, expressed as a weighted average
Investing in companies without sustainable oceans / sea practices	Share of investee companies without sustainable oceans / sea practices or policies

# Leadership best practice is starting to emerge



The purpose of these expectations is to express how Norges Bank Investment Management, as a financial investor, expects companies to manage the challenges and opportunities surrounding water resources. Our expectations are primarily directed at company boards. The expectations serve as a starting point for our interaction with companies on the topic of water management.

Boards should understand the broader environmental and social consequences of business operations. Boards should ascertain that relevant water challenges and opportunities are integrated in corporate strategy and investment planning, risk management, and reporting. They should ensure that responsibilities are clearly defined within the organisation and they should effectively guide, monitor, and review the company's management in these efforts.

Source: Norges Bank Investment Management  
[nbim-water-management-expectation-document.pdf](https://www.nbim.no/~/media/2018/06/nbim-water-management-expectation-document.pdf)

CDP Water Score	Mining company
A-	Gold Fields Limited
A-	Harmony Gold Mining Co Ltd
A-	Impala Platinum Holdings
A-	Royal Bafokeng Platinum Ltd

Source: CDP





# Sustainable finance



**CDP**  
DISCLOSURE INSIGHT ACTION

Our strategic priorities are innovation and sustainability, and this brand new 'water footprint' loan developed by BBVA is a good example.

With this new product, customers benefit from their efforts to reduce their water footprint. One of the meaningful tools to measure this commitment from our clients, such as Iberdrola, is the CDP Water Impact Index. We highly value CDP as the best Global Environmental Disclosure System.

Jorge González Jacob  
Global Head of Corporate Lending  
BBVA

Iberdrola reaffirms its commitment to reduce the amount of water it uses to generate energy thanks to this innovative line of credit that consolidates its world leadership in sustainable financing, scoring in CDP water being a key framework of reference for companies' water management.

## CDP Water score used in first water-linked loan

BBVA created in June 2022 the first syndicated loan that is linked to the water footprint of a company, taken by Iberdrola, the Spanish renewable energy company.

The loan syndicate is composed of 24 financial institutions [1], led by BBVA. This € 2.5 billion loan considers two main indicators: (i) Iberdrola's water consumption in energy generation, including a 50% reduction target by 2030, and (ii) the CDP Water Security score, assessing disclosure, awareness, and management of water risks [2].

If Iberdrola achieves the above mentioned KPIs and conditions then the interest rate on the loan would be lower than 27.5 basis points. A sustainability margin adjustment (discount/premium) shall apply in case target levels for the indicators have/have not been met.

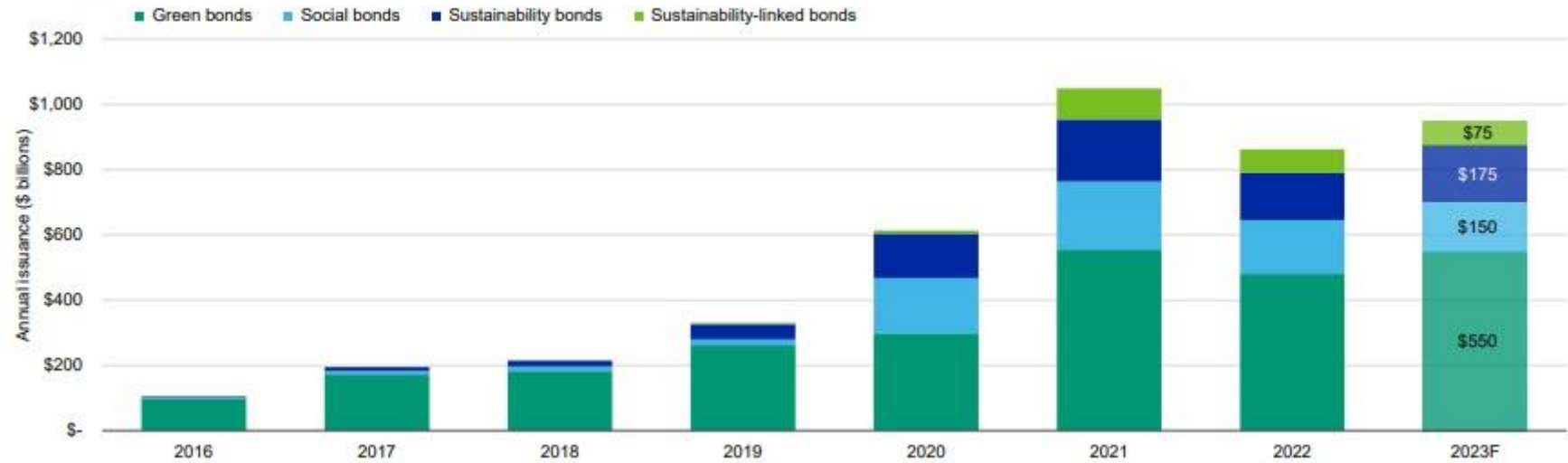
**GENERAL TERMS & CONDITIONS**

Total amount -----> € 2.5 billion  
 Type -----> Revolving Credit Facility  
 Tenor -----> 5+1+1 years  
 Initial Margin -----> 27.5 bps

This new credit line will join Iberdrola's already existing € 41 billion in green financing, which includes green bonds and other sustainability-linked instruments. The renewable energy company is an example of how corporates can use financial instruments as incentives to reduce their impact on the environment [3].

CDP's latest [High and Dry report](#) finds that the global water crisis is already having negative impacts on companies' assets.

## Annual global sustainable bond issuance by label



Source: Moody's Investors Service and Environmental Finance Data

Source: CDP

