Water and SRI

Examples of Approaches
of the SRI – Industry

Franz Knecht
Stockholm Water Week
UNEP-FI Meeting
Tuesday, 17th August 2004

CONNEXIS
Strategy Consultants
Picassoplatz 8
CH 4052 Basel
franz.knecht@connexis.ch
++41-61-2734203

1. Objective

- UNEP was looking for case-studies
- What are the approaches in general
- Service providers and product providers
- Identification of some trends

2. Who contributed?

- SRI-Rating firms: Europe, USA, CAN
- Investor: US
- Fund Provider: Switzerland, Sweden

3. Water and Corporate Analysis

- *Industries in focus*: mining/extraction, agriculture, food, textiles (cotton), pulp&paper, tourism
- *Standard*: Resource use in production, pollution control, remediation measures, life-cycle approach, product/service impact, sector specific
- *Sustainability approach*: env. analysis is „in competition with human rights and social issues“
- *Concerns*: Negative privatisation effects, new industry sites and tourism ‚compete‘ with population, availability/health,
- *Sources*: Innovest (Pierre Trevet), Jantzi Reseach (Michael Jantzi), Robur (Anna Nilsson), SiRi (Philippe Spicher),

4. Water and Investment Strategies

- *Water suppliers*: large cap! (Véolia/Suez, RWE), distribution and waste water treatment, growth factors: water infrastructure needs in poor countries, controversal factors: water and energy often linked (water price = energy price), B&C ..., easier position for regional specialists (Severn Trent)
- *Water technology*: small cap, higher volatility, depending on legislation (of water suppliers), lots of opportunities (but rather private equity)
- *Contributors*: UBS (Agi Bolli), SAM (website),

5. Water and Shareholder-Activism

- *Institutional investors US*: Climate Change risks accepted, water scarcity emerging issue
- *Water intensive industries*: beverage, chip-production (and others)
- *Business risks*: supply, efficient use, stakeholder engagement, water-protection initiatives
- *Example*: Trillium Asset Management and PepsiCo (shareholder resolution pushed management to a ‚total‘ water strategy)
- *New study*: business risks and water scarcity by Pacific Institute www.pacinst.org (18.8.2004)

6. Conclusions

POLITICS!

REPUTATION!

Infrastructure development

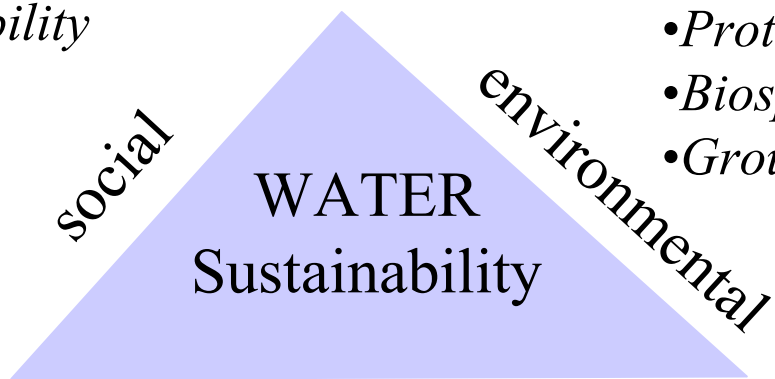
Legal development

- *Availability*
- *Health*

- *Protection*
- *Biosphere*
- *Ground water*

Controversal Issues

- *Corruption*
- *Access*



Growth! (small cap)

Privatisation

Technology

- *Supply-safety*

GROWTH! (large cap)

- *New industries*
- *Global water markets*

- *New needs for hyperclean water*

Shareholder activism