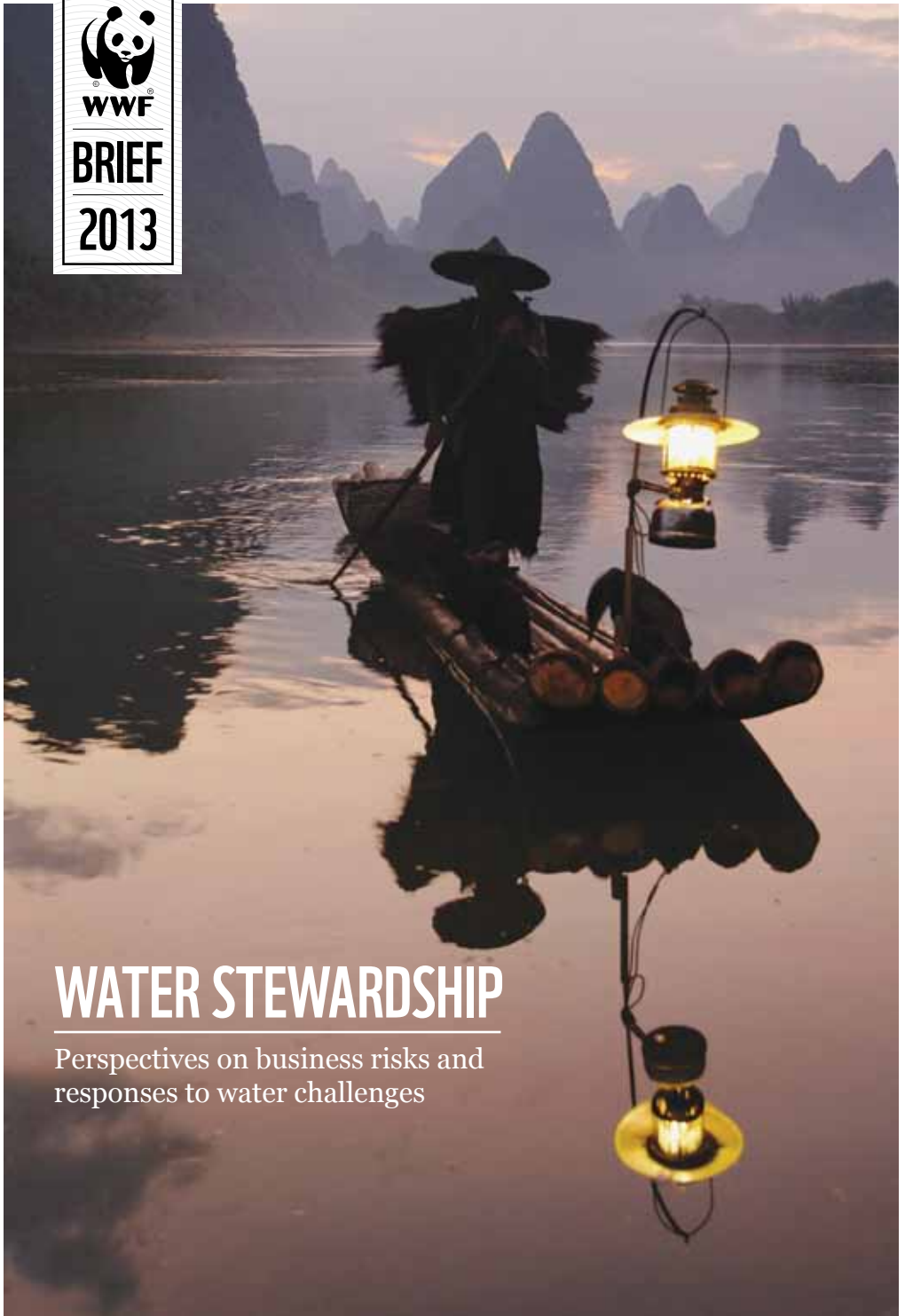




BRIEF
2013

WATER STEWARDSHIP

Perspectives on business risks and
responses to water challenges



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WWF is one of the world's largest and most experienced independent conservation organizations, with over 5 million supporters and a global network active in more than 100 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

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BACKGROUND

WWF has worked on freshwater conservation for decades. Over that time, we have evolved and expanded our programmes to meet changing water challenges.

As problems of governance, scarcity and pollution have spread and intensified, interest in protecting water has diversified. More than ever before, business leaders realize that their long-term profitability – even viability – depends on the right quantity and quality of water available at the right time and place to meet the needs of people, business and ecosystems. This business interest triggered the creation in 2008 of WWF's Water Stewardship Programme.

The concept of water stewardship serves to unite a wide set of stakeholders interested in water management. In common usage, it often refers to business action on water challenges. In this brief we are using the term in this common sense, as it relates to business – while acknowledging that there is no universally agreed definition.

We define **Water Stewardship for business** as a progression of increased improvement of water use and a reduction in the water-related impacts of internal and value chain operations. More importantly, it is a commitment to the sustainable management of shared water resources in the public interest through collective action with other businesses, governments, NGOs and communities.

WWF is a strong advocate for responsible private sector engagement on water issues, and has long worked with companies in watershed protection. We are excited by the increased interest in water from business and appreciate that good stewardship does exist. Yet, we are witnessing a mixed response from many companies, including weak and unsubstantiated claims around their engagements in stewardship, inconsequential efforts, meaningless targets and ad hoc strategies to address water challenges. While that is a harsh assessment, it is simply a reflection of the significant confusion about the issues and how to respond, and too often, a loose interpretation of the term and concept of water stewardship.

Why does it matter? Projections on the future of freshwater mean that we face increasingly difficult choices as we strive to meet our needs for food, energy and water, while maintaining the other services that freshwater ecosystems deliver. Optimizing water use for one sector can have dire consequences for others – and history tells us that nature will usually draw the short straw.

INTRODUCTION

As our shared water resources face ever greater demands, using and polluting less may not ensure sufficient water for all of our needs and desires – including economic growth. WWF does not want to see effort wasted pursuing dead-ends and ineffective approaches; nor do we want to see greenwash in business water responses or dilution of the term water stewardship. Therefore we believe it is time for us to put a stake in the ground as to what we think is worthwhile and what is not.

-70%
**THE TROPICAL
FRESHWATER INDEX
DROPPED BY 70%
SINCE 1970**

This brief is for anyone interested in better understanding the concept of water stewardship as defined by WWF.

We base our definition on insights gained from our contributions to many of the aspects that make up water stewardship. These include river basin management, water footprinting, risk analysis and metrics, stewardship strategy, public policy guidance, standards development and partnerships with companies in stressed watersheds. We have outlined our definition of risk and footprint in previous publications, a list of which you can find at the back of this brief.

Why WWF?

A brief on water stewardship could be written by any number of business consultancies or other entities; each would bring its own perspective. At WWF, we care about ecosystem health because we understand that healthy ecosystems are essential for human well-being. And the ecosystems that supply humanity's water – that most essential of resources – are taking a beating.

The Freshwater Living Planet Index (WWF, 2012) tracks the changes in 2,849 populations of 737 species of fish, birds, reptiles, amphibians and mammals in tropical and temperate freshwater ecosystems. These data are used to calculate an index that shows trends in the state of freshwater systems relative to a 1970 baseline. Globally, this index has declined by 37 per cent since 1970, a greater decline than has been seen in either marine or terrestrial ecosystems (Figure 1). The tropical freshwater index declined by a much greater extent (70 per cent) over this period. There is some optimism in the improved state of freshwater in temperate zones (36 per cent increase), demonstrating that trends can be reversed with the right policies and interventions. It is precisely the aim of water stewardship to foster the kinds of policies and interventions that enabled the positive trend in temperate freshwater ecosystems.

To address our shared water challenges, WWF has over 370 staff in 65 countries solely dedicated to national and regional water issues. These teams recognized a long time ago that addressing the trends in species decline and meeting societal needs means

we must engage decision-makers and the drivers of these trends. Water stewardship, if done well, now provides a new lever to affect positive change through companies and investors.

The alternative – not engaging with the companies and investors active in the places we care about – is simply not an option. Given the world’s spiraling water challenges, the underwhelming implementation of integrated water resource management and the lack of government investment in water, we must explore all potential avenues for change.

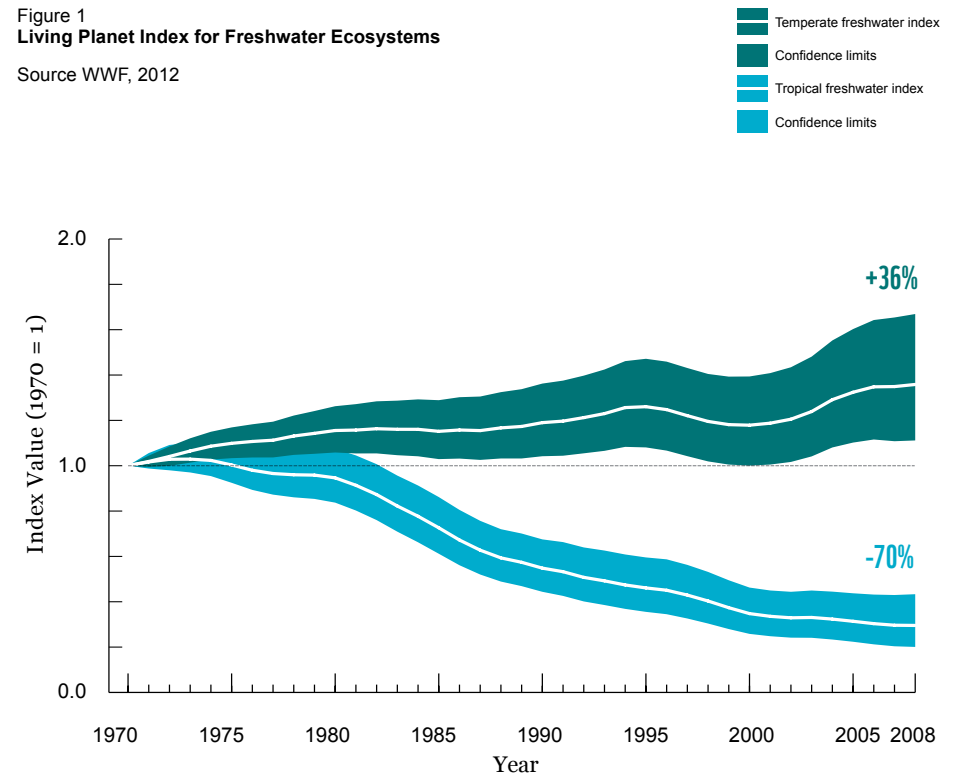
We recognize that business engagement in water management debates, and especially public policy, provokes significant concerns from some NGOs and the public, including fears about business takeover of global resources. At the core of these concerns are two issues:

1. Water is a highly complex public resource with multiple socially defined functions and values. Its effective management requires the continual reconciliation of trade-offs between private interests and collective well-being, not to mention fulfillment of a fundamental human right.
2. Although they must “have regard to” wider social and environmental interests, many companies are legally obliged to prioritize a narrow set of shareholder interests (Newborne and Mason, 2012).

To ensure that the profit motive of companies is balanced with social and environmental values, WWF and others must be able to separate water stewardship rhetoric from substantive action, and challenge and measure company participation in ways that benefit more than just the near-term financial bottom line.

Figure 1
Living Planet Index for Freshwater Ecosystems

Source WWF, 2012



To ensure that the profit motive of companies is balanced with social and environmental values, WWF and others must be able to separate water stewardship rhetoric from substantive action.

LEVERAGING THE LITTLE GUYS IN PAKISTAN 🐼

Frequently, it's multi-national companies with well-known brands that get the stewardship spotlight. Yet, it's small and medium enterprises that often face the greatest water risk. These companies can't simply move out of a water-scarce basin; if they close a facility, they close up shop. With so much on the line, these companies have a compelling reason to engage in water stewardship. In Lahore, Pakistan, WWF and partners are supporting improvements in the sustainability of production practices, with a particular focus on water use, water management and wastewater discharge quality in water-intensive, urban small and medium enterprises. In addition to "inside the fence-line" improvements, the participating companies will engage with policymakers and institutions to encourage interventions that reduce their collective water risk.



Part A WHY STEWARDSHIP?

20%
**ONE-FIFTH OF
THE WORLD'S
POPULATION
LIVES IN
WATER-SCARE
REGIONS**

CONTEXT OF A CHANGING WATER WORLD FOR COMPANIES

Water is a resource under increasing stress, and its management is now recognized as one of the key societal, environmental and sustainability challenges of the 21st century (WEF, 2012). Sobering statistics attest to the challenges of its management, with nearly one-fifth of the world's population – about 1.2 billion people – residing in regions where water is now physically scarce, rising to two-thirds of the world's population by 2025 (FAO, 2007). Another 1.6 billion people, or almost one-quarter of the world's population, face economic water shortage, a condition where countries lack the necessary infrastructure and financial capacity to take water from rivers and aquifers and deliver it to households (UN Water, 2013).

Consider these three trends:

1. We will add 2.5 billion people to the planet in the next 40 years (Godfray et al., 2010) and, with that, increase humanity's water footprint as well as costs for infrastructure to support sustainable human development.
2. Global climate change will result in greater weather variability, less freshwater stored in ice and snow, more extreme events causing droughts and floods, and changes in ecosystems that support life and livelihoods connected to freshwater (World Bank, 2013). Sustainable water management will undeniably become more difficult in the future.

In 2012, 53 per cent of companies responding to Carbon Disclosure Project's Water Disclosure reported that they have experienced detrimental water-related impacts in the last five years, with 68 per cent identifying water as a substantial risk to their business (CDP, 2012). In the World Economic Forum's recent Global Risk report, water supply emerged as one of the top three global risks affecting future economic growth (WEF, 2013). In almost all cases of documented water risk, company factories, operations and supply chains are located in areas where it will be necessary to do more than simply address the water use of one's own company. These companies will need to target and address external, as well as internal, conditions if they hope to materially reduce water risks.

3. Rising incomes, especially in BRIIC countries, will lead to higher consumption of food and other resources, and changes in consumption patterns. Some experts say we will need to double irrigation by 2050 to grow enough food to meet demand (Faurès et al., 2007).

The global nature of these trends means that no single government, sector of society or private enterprise can ensure a water secure future. Coordinated collective action is needed if we are going to find new, sustainable ways to protect the water cycle in a rapidly changing world. Water stewardship engages those who do not hold a government mandate to manage water resources or water infrastructure and enables them to contribute positively to water security.

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Water claims

Many companies have pursued neutrality and offset initiatives with carbon and seek to replicate these in water. For many, this is the start of the water stewardship journey and a helpful way to sell the water story within the company. However, WWF is concerned about the claims that companies will make in relation to these approaches, and the distraction this can cause from potentially more strategic and meaningful responses. If embedded as part of a wider strategy, these activities can be useful if they are locally relevant and demonstrate measurable benefits to watersheds or people. But if this is seen as an end-game – or if the goal is to win a green business award for attaining neutrality – then these efforts are irrelevant to external stakeholders and the real challenges at hand. If this is a component of your wider stewardship strategy, be sure you know why you are doing it, how it will positively impact watersheds, and communicate this clearly.

BUSINESS RISK

Current regional and local water issues, and the trajectory of increased water scarcity in the future, mean that business engagement with water management is at a critical juncture. Business faces, or will soon face, risks from water that could have a profound impact on profitability and brand value. Gaining an understanding of the fundamental societal, investment and environmental water challenges that exist today and lie ahead – and the implications of these for economies – should be a top priority for business leaders.

Water risk for companies is derived from the cumulative use of water in a river basin by all water users. While businesses might be highly water efficient or even use a relatively small amount of water, if they are operating in a water-stressed catchment where the rules and allocations are non-existent, or where water is apportioned poorly to people or ecosystems, they remain exposed to some level of risk. Conversely, those pursuing efficiency in water-abundant areas may not be optimizing the use of their capital, and efforts could be better spent on other issues.

Indeed, in a world where water is priced artificially low to help ensure its availability to all, the incentives for conservation are often low. This leaves regulatory mechanisms, such as the threat of fines, as the primary motivator for action. However, these “stick” incentives are slowly being matched by “carrots.” It is perhaps finally dawning on society that the value of water is actually much greater than its present cost, with a growing appreciation that investments in water can generate significant energy savings and create options for future growth.

From a production standpoint, water is material to the bottom line of most companies. Fresh water ecosystem services represent unrealized assets for many companies and as such, water assets and liabilities need to be put down on financial disclosure statements to help bring a level of awareness to management and investors of the importance of water to the company.

Business engagement beyond the fence line should not simply be a matter of corporate social responsibility (CSR) or public relations. There is an essential business case for achieving sustainable flows and access to clean water. It is important for companies to appreciate that if they undertake water-related activities from a CSR perspective only, it is unlikely to address

the underlying water risks they face, nor harness the potential opportunities. Becoming a good water steward necessitates shifting from ad hoc and philanthropic initiatives – even with associated reputational enhancement – to recognizing water as a strategic and core business issue that is material to profits and long-term opportunities for growth.

Water risk is distributed unevenly, with highly varied possibilities for users to cope with scarcity and pollution events. However, we argue that companies share a need with the public for reliable water services and sustainable water management. “Shared risk” is the idea that companies have an incentive to invest in sustainable water management beyond their fence-line in a way that advances the public interest, because it manages business risk at the same time. Shared risk does not imply that water challenges create an equal and similar risk or sense of urgency to all stakeholders. Rather, the concept elevates local water challenges as a common or shared problem and, ideally, triggers proactive and collaborative responses.

We define water risk in three basic categories, all of which combine to hit the bottom line (Figure 2).

Figure 2
Types of Water Risk

	Physical risk	Regulatory risk	Reputation risk
Basin-related risk Linked to location	Water quantity (scarcity, flooding, droughts) and quality (pollution) within the river basin and the impacts this might have on society and the environment.	Strength and enforcement of water regulations and the consequences of restrictions by public institutions; either felt through direct regulatory action or from neglect, blockages or failure.	Perceptions around water use, pollution and behaviour that may have negative impacts on the company brand and influence purchasing decisions. Public perceptions can emerge rapidly when local aquatic systems and community access to water are affected.
Company-related risk Linked to behavior	Water quantity and quality issues related to the performance of the company and its supply chain.	The potential for changes in pricing, supply, rights, standards and license to operate for a particular company or sector.	When the actions of the company are poorly executed, understood or communicated with local stakeholders and where perceptions and brand suffer as a consequence.

Shared risk is the idea that companies have an incentive to invest in sustainable water management beyond their fence-line in a way that advances the public interest, because it manages business risk at the same time.

Beware of water labeling

Water labels (either water footprint or lifecycle assessment) for consumer products have been discussed for years. WWF does not support volumetric labels for a number of reasons. Communicating a weighted volume of water is incredibly difficult; and we believe no matter what numbers are generated, they will tell a distorted story. What exactly can a water-stress label tell a consumer in Europe or Australia about a poor farmer in Africa, living in a water-scarce environment, who is striving to raise herself out of poverty by trading her goods? WWF also feels that the time, effort and cost of pursuing these types of labels distracts funds and focus away from issues that really matter. If companies want to be legitimate water stewards, they will deliver products to market that can be validated through their stewardship credentials, and then allow consumers to decide based on relevant information, not distracting labels.

ASSESSING RISK

To address this need for communication and assessment of potential water risks, we created the Water Risk Filter (waterriskfilter.org) through a joint project with DEG, the German development finance institution. The Water Risk Filter considers the risks to business operations based on the river basin in which they are located, as well as the business sector and the company's specific water management.

The basin-related risks considered include the availability of water, aggregated demand, water quality and ecosystem status, governance and regulation issues, and potential reputational risks. Company-specific risks encompass the reliance of the company on water, use volumes, pollution potential of the processes, supply chain risks, foreseen changes in water regulation or specific licenses and the company's involvement in local stakeholder engagement. In total, the risks are evaluated against approximately 60 indicators and risk scores are weighted and aggregated to calculate overall indicators.

Our intention is not to find the perfect risk score, but rather to give companies and investors enough information to start being more alert to risks and opportunities, and critically, to start putting together a strategic approach to water. We hope to lead more companies and investors to focus on the right actions and respond to improve the collective use of water – eventually mitigating shared risks and harnessing financial opportunities in the process.

LEADERSHIP

Many of the businesses engaged in water stewardship have identified water, or particular aspects of water stewardship, as a niche for them to demonstrate their environmental responsibility and set themselves apart from their competitors. The perception of leadership on particular environmental issues is seen as an important incentive for engagement.

If these risks were fully understood, then businesses would engage in water stewardship based on the business case without the need for the added brand value of being seen to be a leader.

When companies perceive others to be established in a particular environmental sustainability niche such as water stewardship, they often are reluctant to push the boundaries and demonstrate leadership themselves, preferring to seek other niches where they can establish themselves. This way of thinking reveals that the nature of water stewardship and the fundamental business risks from water are not yet fully understood; water stewardship is still viewed as a CSR initiative, the prime motivation of which is brand image. If these risks were fully understood, then businesses would engage in water stewardship based on the business case without the need for the added brand value of being seen to be a leader.

Risk is, of course, subjective; but we find in most cases that people are not as worried about water as they should be. In other cases, they are worried about the wrong thing. Much like climate change, the threat of water scarcity is often perceived as some hypothetical problem that may or may not materialize. But, as evident from the summary of CDP survey responses (see page 8), we know the problem is hardly hypothetical. WWF and others need to help shift perception through effective communication of water issues and how they already affect societies, businesses and the environment.

Get out more!

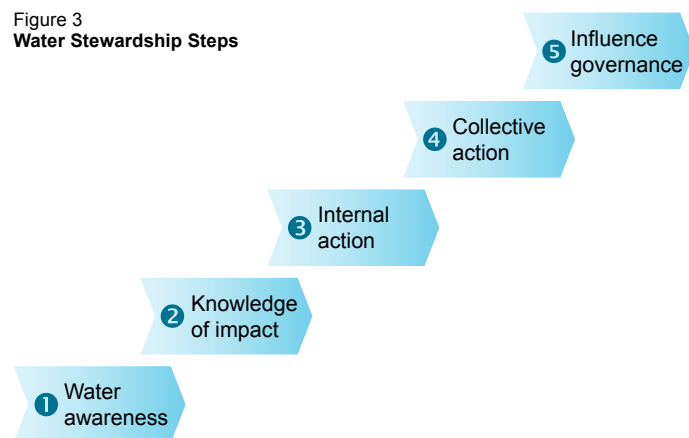
Companies have been prolific in establishing sector-specific industrial roundtables or other “safe” environments to discuss water issues. This is understandable, but so much about water is determined external to business – by forces as diverse as regulatory frameworks and natural hydrological cycles. Industry groups that design their own footprint, impact or risk methodologies should recognize that the shared nature of water makes it necessary to establish external agreement on what should be counted and offset, and what an impact looks like. Companies should engage with water management institutions, government, NGOs and stakeholder processes, rather than talking only among themselves.

Part B FACILITATING STEWARDSHIP

The emergence of water stewardship does not replace the need for technical expertise, nor does it supersede government responsibility for water management. We have witnessed many early efforts from companies starting out a fresh in the “water business” acting as if no one has done this before! Being a good water steward requires a sound understanding of water as a resource with strong connections to political-economic objectives, such as health, energy and agriculture. Only with such understanding can a company craft a strategy that is relevant to various stakeholders. However, even with an enlightened strategy, companies must be mindful that the rules of the game are set by government. Stewardship, therefore, requires policy advocacy quite unlike anything most companies have done before.

The following steps (Figure 3) help define WWF’s concept of water stewardship. The steps were designed to better understand the various water-related activities that companies can engage in, but not to be a comprehensive description of action for every company. While they are simple in definition, there is a lot of depth and detail to each step. There is also overlap between steps, meaning that they should not be seen as prescriptive and contained, but rather fluid and iterative. The local nature of water will dictate where some companies will have to prioritise, as will the level of risk as dictated by the business sector and geography.

Figure 3
Water Stewardship Steps



- 1. Water Awareness** – At its most basic, it is awareness of the general water debates (social, environmental, economic), the water management context, the functionality of water institutions, as well as the implications for specific sectors. Awareness should also explore how a company is perceived by others, including basin stakeholders, the press, consumers, NGOs, etc. This will influence the degree of risk that a particular company faces. There is also internal awareness of issues, from the CEO to plant managers and suppliers, which is a key factor in how companies sell the water story within – and get action where it matters. As with each of the subsequent steps, this is an on-going process and should be revisited periodically.
- 2. Knowledge of Impact** – A company requires a wider understanding of where its footprint actually is, where suppliers are located and what dependencies they have on water – both in terms of quantity and quality. This may include some measurement of water footprint, as well as some measurement of the impact a company’s activities have on water, and how this affects people and ecosystems. Companies will begin to understand the wider context of their use, including peer examples and more material risk issues. This understanding should begin to include the context of specific river basins, and the identification of high risk ‘hot spots’ caused by water quantity and/or quality issues relevant to the company.

Companies and investors are not asking enough about how much water (and risk) future growth needs.

Just how much water is needed to support your company’s growth? If your investors aren’t asking yet, they will. You can get ahead of the curve by estimating water dependency and developing a transparent strategy that looks beyond the immediate future. This strategy should not be focused on securing water at all costs, but rather it should demonstrate an understanding of evolving risks around who or what else will need that same water, and what changes (social, climatic, political) are expected in those growth areas over time.

3. Internal Action – This is a logical and easily managed first step of outlining actions, targets, goals, plans, etc. to help tackle the more immediate technical fixes to the problem. It can also be a good time to drive wider awareness through the company. Internal action means engagement with employees, buyers and suppliers to establish the potential opportunities as well as risks for the company. Water efficiency (where appropriate), pollution reduction, measuring and reporting, and internal water governance are all crucial elements of internal action. Companies should begin to engage their suppliers to realize improvements.

The bridge between steps 1, 2, 3 and beyond

The first three steps in Figure 3 are materially distinct from the next two. This is where a company shifts from management to stewardship – where the rules, measures, focus, engagement, control and complexity change considerably – and where traditional notions of business sustainability are most challenged by the resource.

Steps 1, 2 and 3	Steps 4 and 5
Direct sphere of control	Indirect sphere of influence
Impacts my company has on water resources	How my company is impacted by external water issues
Efficiency of resources	Allocation of resources
Products I make (or buy or use)	Places I (or others) make them
Private goods	Public goods
The value I create	The values people hold
The risk I face	The risk we face

4. Collective Action – This relates to external engagement and demonstrates that a company now recognises that working with others and at various scales (global fora to local water user groups) might be a necessary part of its strategy. Stakeholders can be anyone from other users within a geographical area, such as a specific catchment, to other companies, sector initiatives, public agencies, NGOs, standard setting bodies, etc.

External engagement can be undertaken without setting targets and strategy. Part of a company’s collective action may be supporting other water stakeholders with more limited resources to respond to water issues.

Partnerships are essential to deliver water stewardship objectives. In order to create sustainable solutions, water stewardship partnerships should encompass the range of stakeholders that have an interest in water management, and engage the expertise, resources and institutional capital of others. It is essential that businesses engaging in water stewardship recognize, understand and respect the efforts that have already been made on water management by these stakeholders.

Local water issues arise from a complex interaction of environmental factors (climate, geology, hydrology), socio-economic factors (land use, demographics, water infrastructure) and institutional/political factors (political will, capacity) at a range of scales from very local to national and transboundary. The forms of water stewardship partnerships, and the types of activities they undertake, are likely to be different from place to place. In particular, the presence of appropriate partners, the degree of development and the willingness to engage on the part of the established water management institutions will determine the shape of the partnerships. For partnerships to be successful they must address shared risks; that is, activities should tackle problems that are relevant for all the partners, and not just those specific to the business.

AWS – A framework and verification for responsible water stewardship

The Alliance for Water Stewardship (AWS) was founded with the mission to promote responsible water stewardship. The organization was founded by WWF and nine other leading water organizations, including the Carbon Disclosure Project (CDP), The Nature Conservancy and the CEO Water Mandate. At the heart of AWS is a global water stewardship standard that outlines the expectations of a company claiming to be a good water steward. This standard, which can be applied anywhere, aligns with the WWF water stewardship steps, and enables companies to mitigate their water risks and harness opportunities. Having mitigated these risks, the standard has a verification system that allows others (investors or regulators) to be confident that sites are indeed “walking the walk”.

Water is not carbon

It is still alarming how often companies seek to model their water strategy on carbon measures, off-sets and lifecycle assessments. While there is wide agreement that water is ‘different’ and that water in one basin is not equivalent to water in another, this has not slowed the number of carbon and off-set organizations moving into water. In our estimation, almost all of these initiatives have a long way to go to shake off their bias toward internal efficiency and weak analysis of impact, and begin to be relevant to stewardship and the external context of shared water-related risk.

- 5. Influence governance** – Water governance refers to the political, social, economic and administrative systems that are in place to develop and manage water resources, and the delivery of water services, at different levels of society (GWP, 2002). Often when we refer to governance, we have in mind the narrow perspective of national government – its policies, laws, regulations and allocation of resources, but advocacy or influence can occur at various scales. Improving governance via stewardship enables non-government actors to play a positive role by fulfilling their responsibilities and supporting other actors and government to do the same.

Engagement in the water public policy arena should be motivated primarily by the mitigation of risk and uncertainty. In some places, companies may choose to use this strategy if risk is high or the need for better management from public authorities is seen to cause future risk.

A lot of engagement activity will depend on the sector and its ability to influence, whether it is a strategic partner of government (energy, water provision) or a manufacturer of goods. Regardless, once the decision to engage has been made, success in the engagement requires the business position to be aligned with the broader public interest. This type of engagement may take various forms, such as lobbying independently or with other companies, and risk mitigation in specific locations or as part of broad coalitions of businesses and NGOs. All of these efforts should help create greater political support for progressive water legislation and implementation.

Engaging in policy dialogues has an associated risk when not paralleled with transparency. Less empowered companies or community groups will be sensitive to policy capture and, ultimately, resource capture through this engagement.

Engaging in policy dialogues has an associated risk when not paralleled with transparency. Less empowered companies or community groups will be sensitive to policy capture and, ultimately, resource capture through this engagement.

While there are compelling arguments for businesses to address the risks they face from water by engaging on water governance, there are potentially new risks from not approaching it in the correct way. The importance of water to the environment and communities, as well its relevance to issues of food and energy security means that water policy and its implementation is ultimately a government mandate. The perception of policy capture is a major reputational risk, so companies need to be transparent and wield their influence judiciously. The CEO Water Mandate’s Guide to Responsible Business Engagement with Water Policy (Morrison et al, 2010) sets out five principles that should guide any company action beyond the fence-line.

Principle 1: Advance sustainable water management

Principle 2: Respect public and private roles

Principle 3: Strive for inclusiveness and partnerships

Principle 4: Be pragmatic and consider integrated engagement

Principle 5: Be accountable and transparent

Stewardship is about guiding and supporting government policy, not supplanting it, and certainly not thwarting or undermining its implementation. The water sector is already full of the technical expertise needed to address many, if not most, water management issues. A key challenge for water stewardship is to broaden the discussion of water problems from sector- or business-specific concerns and develop a common understanding of the challenges and drivers of water problems across government, the private sector, civil society and communities.

Measure the right things

Most companies do not measure water use very well or even track it in comparable units of measure. So, it’s important to get the basics right, and then consider what else you should be tracking. The business mantra of “measure to manage” has never been more appropriate; but make sure you are actually measuring the right things. Using our steps, consider what water issues need to be measured between steps 1-3 and then how they differ for 4 and 5. The latter will necessitate greater external measures for societal trends, government investment and rights issues as they pertain to water – and ultimately how this affects your value at risk.

Part C THE GOOD, THE BAD AND THE UGLY

Aside from the issues outlined above, separating the good from the bad and even the ugly will require vigilance and a variety of perspectives to validate claims of stewardship. There is a growing number of industry awards, prizes and accolades for companies seeking to gain recognition for what they have achieved in the water sector. Some of this work is indeed praiseworthy, as many companies have made great strides toward awareness and action. But equally, there are many companies happy to jump on the bandwagon and capture credit where they can, even when they have taken only very weak actions. As one voice on this issue, WWF has an important role to play, but we cannot, and should not, be the sole arbiter of stewardship. As water stewardship develops and shifts from discussion to action, we will increasingly be vocal on the effectiveness, inclusiveness and intent of companies and their initiatives.



A public awareness ad on a London bus, UK.

© Global Warming Images / WWF-Canon

Here are our basic dos and don'ts.

Do	Don't
Assess risks, and explore which tools and indicators are truly meaningful	Misrepresent risks, or assess risks with poor quality indicators or single-focus tools
Create a clear and strong water strategy – and publish it on your website; support and develop initiatives that make strategic sense from the point of view of your risk profile, not just any initiative that addresses water	Perpetuate ad hoc approaches and unclear motives
Get your own house in order	Blame your catchment neighbors or engage in high level policy debates without taking responsibility for your own actions at a local level
Be engaged with your catchment neighbors and your supply chain	Ignore your catchment neighbors, suppliers and ecosystems and say that “their water problems aren't a part of your core business”
Be transparent and accountable while considering business responsibility	Misrepresent motivations and the role you are playing
Explore robust water stewardship schemes like the Alliance for Water Stewardship and consider third party verification	Make unsubstantiated claims about stewardship using only internal platforms
Be clear on your roles and responsibilities	Greenwash core impacts with minor improvements and small-scale projects
Partner with others in shared responses	Subvert the water discourse to a limiting agenda
Anticipate investor disclosure expectations and reporting trends	Think that water is not material, that investors only care about quarterly profits or that the water topic is too complex for investors and consumers
Consider whether efficiency is the best allocation of resources to benefit your water risks	Pursue efficiency because “using less water is always good”
Begin to think about how your actions affect the food-energy-water-ecosystem nexus	Manage issues in silos without considering interactions and trade-offs
Create targets that are meaningful and relevant to external conditions	Set arbitrary water targets that have little to do with what regulators, policymakers and nature have in store for your water use
Promote strong governance, and predictable and consistent regulation	Dismantle regulatory regimes for narrow, short-term interest

The dos and don'ts are essential considerations for us. If stewardship is to yield societal and environmental benefits, then these outline the basics. That said, these are not the final words on water stewardship, and WWF's thinking continues to evolve with our experience. The challenging dimensions of water have always tested our own assumptions about how we engage with decision-makers, what strategies and language we use to achieve our aims, and what partnerships and collaborations we employ.

WHAT ARE THE REAL DEBATES IN STEWARDSHIP GOING TO BE?

1. The external world is going to get riskier. This is true from the standpoint of how water is affected by radical changes in populations and climate, as well as the performance of governments, and the expectations of media and investors. Navigating water challenges in and of themselves is difficult, yet we can also expect that the energy, food and water convergence will affect companies and stewardship in many unforeseen ways.
2. The actions of some sectors and companies will negatively affect other sectors and companies. As such, we expect those trying to lead on stewardship to be at odds with sectors seeking to dismantle water legislation, weaken institutions and behaving in unilateral ways. Business groups will need to reconcile their own members' behavior in ways that promote the public good versus business as usual.
3. Will companies move when the risk and complexity get too hot, or will they stay and try to solve the problem? Which represents stewardship?
4. Governments are not at all clear on company risk or motivations and, equally, companies do not understand government priorities around difficult trade-offs. While governments set the rules of the game, they are often so far behind in planning and investment that they resort to knee-jerk and sub-optimal responses. This will be a contested space, with some companies continuing to lobby for short-term benefits and against regulations, while others bring sincere commitment to long-term solutions.

A CALL TO ACTION

The following are some top-line recommendations for groups that are crucial to water stewardship's continuing evolution.

NGOs – There is an urgent need for informed, pragmatic watchdogs on company actions. Companies will engage in wider policy debates about water to drive down risk – that is a fact; simply being a naysayer is not constructive. The diverse objectives and perspectives of NGOs are valuable, but we need to work hard to clarify and distinguish issues of human rights, bottled water, water

and sanitation, privatization and commoditization of water, and corporate water use, to name a few. NGOs have a crucial facilitation role to play and we must begin to consolidate messages on this debate in order to be effective.

Government – Government ultimately needs to balance the needs of the present with the needs of future generations. Yet governments are not keeping pace with water management, let alone developments in the business and investor world around water. Nor are they connecting the dots between business risks and issues such as land deals, trade policy and regulatory failure. WWF will work with local and national governments to better interpret and understand what companies are doing and thinking, and to develop and implement meaningful catchment management plans that bring all sectors to the table. WWF will strive to inform policy decisions with sound science.

Consumers – Consumers have more power than they realize and can demand sustainable choices from companies – pushing those who they buy from, supply from or invest in to take water seriously. They should not be forced to guess which options are sustainable and should help shift the debate from how much water a company uses to whether they are acting responsibly.

Investors – Investors are crucial to what will happen to stewardship in the coming years. But, frankly, they do not understand water very well. We already work closely with the investor community to help clarify water and stewardship debates, and help them ask the right questions of business. We believe companies should be evaluated not just on the amount of water they use, but on the risks they face and how they plan to manage those risks. Water can affect the short term, but the real value comes through having a long-term view on water, and this is where investors can play a major role in shaping good responses.

Public Donors – Development aid and investment from public donor banks can be a driving force for water stewardship and also help create the space for private banks to evaluate good performance. In their own due diligence, loans or technical assistance, donors have the ability to bring the private sector into collective action through a rigorous process of transparency and action. They can help facilitate partnerships at scale and help create a new generation of public-private partnerships around shared risk and action, as opposed to just water infrastructure.



IDENTIFYING
COMPANIES IN BASINS
IMPLEMENTATION
RISK ANALYSIS
VALUATION
VALIDATION OF IMPACTS
SPEAKING UP
WORKING
WITH INVESTORS
COMMUNICATING
KEY PARTNERSHIPS
COLLABORATION

WHAT WILL WWF BE DOING IN WATER STEWARDSHIP?

Over the next two years, WWF will continue to grow our water stewardship programme and focus the majority of our time on implementation. We will drive company and donor support in the following areas, and welcome companies, donors, NGOs and others to join with us on this path.

- 1. Identifying companies in basins** – Map companies (SMEs and MNCs) in our priority river basins and create collective action at scale. Over time, we will also trace supply chains and investments (public and private) to engage financial institution donors and buyers in all river basins where we are active.
- 2. Implementation** – Work with companies in priority areas to implement water stewardship projects at scale. We will join with existing river basin initiatives where possible and where they don't exist, create new platforms of engagement. Where companies are seeking to make claims, we will encourage them to use the AWS Standard.
- 3. Risk Analysis** – Further develop the Water Risk Filter (waterriskfilter.org) to help all companies and investors take the first step to recognizing the importance of water. We will add more than 140 agricultural commodities to the tool and improve data sets, mapping, coverage and questionnaires. We will continue to link with groups like the Carbon Disclosure Project and Dow Jones to promote the use of our tool and give guidance to support meaningful water strategies.
- 4. Valuation** – Continue to develop corporate appreciation of water and continue to strengthen the business case for engagement in water stewardship. We will focus new research on the value at risk for business to help drive greater connection to the true cost of water. This work will evolve into an aspect of the Water Risk Filter over time.
- 5. Validation of impacts** – Water stewardship must lead us to conservation and water policy wins; otherwise we should change our strategy. Our job is not to make companies efficient or fit for purpose; it is to work with them to ensure sustainable resource management that delivers mutual benefits.
- 6. Speaking up** – Be vocal on initiatives and claims, and challenge others to create meaningful change. It is time to start insisting on greater rigor and clarity, and for companies to plan and act more strategically. We want to see these strategies published on their websites.
- 7. Working with investors, pension funds and financial institutions** – Collaborate with financial institutions to create the right questions, incentives, benchmarking and reward systems to drive better performance. We will ask investors to check their own water risks and investment impacts. We will encourage pension funds and financial institutions to support programmes and companies that we believe are leaders and potentially disinvest from those who are not.
- 8. Communicating** – Our objective is to highlight what works and what has not, to show companies and investors what “good” looks like, and to multiply our impact by encouraging others to replicate successful approaches.
- 9. Key partnerships** – Work with selected leading businesses that have either demonstrated leadership in water stewardship or who share our vision and are committed to becoming good water stewards. These relationships are important to WWF to help us drive water stewardship on the ground and develop examples of best practice for others to follow.
- 10. Collaboration** – The collaborative spirit among many groups, companies and NGOs on water stewardship has been inspiring. We are committed to working with these partners and with as many new initiatives, tool developers, data providers, companies, consultants and NGOs as possible. Where we can link and merge work we will, and particularly where there are opportunities for collaboration at the basin scale.

WATER STEWARDSHIP IN KENYA 🌿

Water's social, environmental and economic components are readily apparent in Kenya's Lake Naivasha region. The lake and its tributaries support thousands of small-scale farmers and fishers. In addition to being a Ramsar-designated wetland of international importance, this freshwater ecosystem is also the engine behind a multi-million dollar international flower and vegetable industry. When drought struck in 2009, all parties were pointing fingers at one another, convinced someone else was to blame for what was going wrong. WWF expanded our conservation efforts to include a stewardship approach – bringing government, business and community interests to the table. Together, they created a 15-point action plan that reflected the needs of the poor and powerful alike, and recognizes nature's role in meeting those needs.

Specifically, the government has established the Lake Naivasha Imarisha Board to coordinate all actions and actors in the basin; there has been a survey of groundwater abstraction permits and a freeze on new abstraction licenses; and user associations have been empowered to manage water resources and collect appropriate fees.

The progress and achievements in Lake Naivasha are infinitely replicable, as long as people are willing to see how their futures are linked to their neighbors' and to nature's.



FINAL STATEMENT

This is certainly not the last word on water stewardship. On the contrary, we expect this brief to provoke discussion. We accept that others may not agree entirely with our position, but we believe that being transparent about our objectives is the essential foundation for fruitful partnerships. The growing interest from companies and investors in water is a positive trend; if interest turns into principled action, we may be able to reverse troubling trends in freshwater. We welcome others to join us as we leverage the power of stewardship to meet our shared water challenges.

For more information: visit panda.org/ws
contact [Stuart Orr, sorr@wwfint.org](mailto:Stuart.Orr@sorr@wwfint.org)

WWF has produced or contributed to the following reports and tools, which can be found at panda.org/ws:

1. The Water Risk Filter (waterriskfilter.org)
2. Understanding Water Risks: A Primer on the Consequences of Water Scarcity for Government and Business
3. Investigating Shared Risk in Water: Corporate Engagement with the Public Policy Process
4. Assessing Water Risk: A Practical Approach for Financial Institutions
5. Global Water Scarcity: Risks and Challenges for Business (Lloyd's 360° Risk Insight)
6. Chief Liquidity Series, Issue 3: Extractives Sector (UNEP-FI)
7. Water Footprinting: Identifying and Addressing Water Risks in the Value Chain (SABMiller)
8. Guide to Responsible Business Engagement with Water Policy (CEO Water Mandate)
9. Shared Risk and Opportunity in Water Resources: Seeking a Sustainable Future for Lake Naivasha
10. 21st Century Water – Views from the Finance Sector on Water Risk and Opportunity
11. Good Water Stewardship: Guidance for Agricultural Suppliers (M&S)

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WWF in numbers

1961

WWF was founded in 1961

+100

WWF is in over 100 countries,
on 6 continents

+5M

WWF has over 5 million
supporters

+5,000

WWF has over 5,000
staff worldwide



Why we are here

To stop the degradation of the planet's natural environment and
to build a future in which humans live in harmony with nature.

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