

# Supply Chain Working Group

DRAFT Terms of Reference

November 2015



The CEO Water Mandate

## Background

In many industries, **water-related business risks and impacts in supply chains** are more substantial than those in direct operations. For example, the water-related impacts of apparel industry activities like cotton cultivation and dyeing textiles occur outside the direct operational control of most brands and retailers.

In some cases, water-related risks originate not from on-site activities that farms or manufacturing facilities themselves control, but rather from **physical or political conditions outside the direct influence of brands and suppliers**. Limited understanding of supply chain operations and failure to evaluate the water-related risks that affect suppliers' access to adequate source water and license to discharge can increase costs, result in fines and penalties, and limit or disrupt production.

Furthermore, **inadequate or inequitable water, sanitation, and hygiene (WASH) in the workplace or lack of access to WASH services in communities** where workers and their families reside can reduce productivity, increase absenteeism or turnover, perpetuate the spread of preventable water-borne illnesses, and create other threats to human health and well-being.

One of the CEO Water Mandate's six core elements of corporate water stewardship is **Supply Chain & Watershed Management**, which calls for companies to:

- Encourage suppliers to improve their water conservation, quality monitoring, wastewater treatment, and recycling practices.
- Build capacities to analyze and respond to watershed risk.
- Encourage and facilitate suppliers in conducting assessments of water usage and impacts.
- Share water sustainability practices, established and emerging, with suppliers.
- Encourage major suppliers to report regularly on progress achieved related to goals.

## Supply Chain Working Group Membership

As described in the CEO Water Mandate 2016-18 Strategic Plan, the Secretariat will convene a **Supply Chain Working Group** (SCWG), evaluate the needs of endorsing companies, and facilitate the development of tools and guidance with input from endorsing company representatives.

Endorsing company representatives participating in the SCWG will:

- Define working group scope and approach – topic, structure, method
- Develop and support work plans – activities, timeline, budget
- Contribute to draft documents and other deliverables
- Participate in conference calls every 1-2 months or as appropriate to support projects
- Disseminate and position projects in the corporate water stewardship landscape

Greater engagement by endorsing companies will enable a more robust and complete body of work. All interested Mandate-endorsing company representatives are welcome and encouraged to join the SCWG at any time. Stakeholders from other sectors and implementing partners will join SCWG meetings as appropriate.

## Objective and Function

The Supply Chain Working Group will seek to:

- Reduce suppliers' direct and indirect water-related risks and impacts
- Advance supply chain water stewardship globally and contribute to the achievement of Sustainable Development Goal 6 (SDG6) for sustainable management of water and sanitation

Potential activities for the SCWG to address include, but are not limited to:

### SCOPE AND SCALABILITY:

- Define Scope – Identify key industries and geographies. Define ambition: guidance, tools, other outcomes.
- Facilitate Peer-to-Peer Learning – How have leading companies engaged supply chains to date? What is working? What needs improvement?
- Evaluate Capacity & Influence – Understand relationships, system conditions, and leverage points among companies, suppliers, and other stakeholders (e.g. Mandate, NGOs, governments, donors, communities).

### INTERNAL AND INDUSTRY ACTION:

- Operational Improvements – Identify/develop/disseminate via the Water Stewardship Toolbox good practice tools for water risk assessment, water quality, efficiency, and WASH. Leverage existing industry-specific or material input-specific sustainability standards and benchmarks, or influence development of standards where there are gaps.
- Supply Chain Leadership – Identify or develop communication tools, training and/or train-the-trainer methods, and materials to leverage or build supplier leadership, partnership, and transition management capacity.

### WATERSHED AND COLLECTIVE ACTION:

- Watershed Context Assessment – Support more standardized ways of assessing watershed context to inform more consistent and efficient stewardship response strategies by companies.
- Supply Chain Collective Action – Identify opportunities for place-based collective action. Facilitate or build capacity for local facilitation of activities that reduce risk, resolve or prevent conflict, improve water resource management, or stimulate investment in natural capital, for example.
- Stakeholder Capacity and Relationships – Identify and develop local stakeholders' capacity for partnership. Facilitate local relationships via UNGC Local Networks and Business Partnership Process.

### METRICS AND PERFORMANCE:

- Production Data – Define core metrics to solicit from suppliers to support water stewardship strategy development, target setting, and reporting.
- Watershed Data – Evaluate and improve local watershed data availability and flow to support business and sustainability decisions at the site/supplier/brand/retailer/consumer.
- Impact Data – Evaluate and improve industry impact data. How do companies know when water stewardship is successful? Draw on CDP partnership and link to SDG6 monitoring and evaluation.

## Decision making

The SCWG will make decisions by consensus. When consensus cannot be reached, the Mandate Secretariat will make the final decision, taking SCWG members' views into account to the greatest possible extent.

The Secretariat and SCWG will utilize best practices for partnership and integrity to ensure that the Mandate's activities and research on this topic are credible and add maximum value to companies, their stakeholders, other water-related global industry initiatives, and other key partners and interests.