



The CEO Water Mandate



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EXPLORING THE CASE FOR CORPORATE CONTEXT-BASED WATER TARGETS

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Abbreviations

BIER	Beverage Industry Environmental Roundtable
CBWT	Context-based water target
GHG	Greenhouse gas
IPCC	Intergovernmental Panel on Climate Change
IWRM	Integrated Water Resources Management
NGO	Non-governmental organization
SDG	Sustainable Development Goal
TNC	The Nature Conservancy
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN-Water	United Nations Inter-Agency Mechanism on All Freshwater Related Issues, Including Sanitation
WRI	World Resources Institute

About this discussion paper

This paper will be of interest to companies and other organizations committed to advancing corporate water stewardship and improving water security for all. The paper is the start of a broader project that aims to develop guidance for companies seeking to employ meaningful water metrics and targets. The authors make the case that to effectively contribute to long-term risk mitigation and tackle increasing water challenges, corporate water targets must be informed by the best available science on hydro-ecological conditions at the basin level, informed by contextual social needs, and aligned with local to global public policy objectives. The paper is also an invitation to interested organizations and practitioners to support the project in the development of a common approach to identifying context-based water targets.



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Section 1 Introduction

This discussion paper documents the initial thinking of CDP, UN Global Compact CEO Water Mandate, The Nature Conservancy (TNC), World Resources Institute (WRI), and WWF regarding:

- What constitutes a credible and meaningful context-based water target (CBWT);
- The value for companies of setting CBWTs, informed by the best available science, social equity principles, and legitimate local and global public policy objectives, e.g., UN Sustainable Development Goal 6 (SDG6);
- Current practices in corporate water target setting;
- The potential challenges of and opportunities for companies in setting these targets; and
- Next steps in establishing a common approach to guide companies in identifying context-based metrics and setting CBWTs.

The content within reflects input collected during the [CEO Water Mandate's 16th Multi-Stakeholder Working Conference](#)¹ at Stockholm World Water Week in September 2016, and other engagements with companies and non-governmental organizations (NGOs) interested in this topic. Although the topic has relevance to all sectors, this discussion paper is primarily intended for companies.

This paper makes the case for the need to develop guidance that assists companies in employing context-based water metrics and setting meaningful water targets that:

- Support companies' water risk mitigation efforts;
- Are informed by and aligned with basin conditions; and
- Advance water sustainability to the benefit of all users in the basin.

The resulting approach could potentially employ the targets underpinning SDG6 as a foundational framework because of its widespread adoption across countries and prioritization of the most critical threats to water security.

1 For more information, see <http://ceowatermandate.org/what-we-do/events/>

Background

Water is becoming increasingly more important to any company's bottom line.² In response, a growing number have been expanding their efforts to understand and mitigate water risks, and to realize opportunities via improved water management and corporate stewardship.³

However, the risks faced by individual water users are for the most part created by shared water challenges in the basins in which they operate. Furthermore, various studies are recognizing that earth's planetary boundaries need to be reflected in company and policy aims.⁴ Because of this, companies are increasingly engaging with governments and other local stakeholders within their respective basins to address these shared challenges. Despite these efforts, evidence suggests that water-related impacts on communities, ecosystems, and the economy are on the rise.^{5,6}

With a few exceptions among leading companies, corporate water stewardship activities to date have been largely focused on operational water use efficiency and pollution reduction. In many cases, there is limited accounting for the surrounding basin context (e.g., how much water is available or the basin's capacity to absorb pollution). As a result, water stewardship activities typically do not fully account for basins' specific needs or address the root causes of water challenges.

Further, when companies do consider basin context, they often do not account for how their water relates to the collective needs of other companies, communities, and nature. The engagements informing this paper indicated that alignment of targets amongst different stakeholders is critical for positive outcomes. As such, there is a growing need for a more consistent approach to selecting performance metrics and targets that allows companies to (1) more fully consider critical contextual factors, and (2) better align their efforts with others, including the public sector and other basin stakeholders when feasible and appropriate.

2 2030 Water Resources Group (2009). Charting Our Water Future: Economic frameworks to inform decision-making. Available at www.2030wrg.org/knowledge-tools/

3 UN Global Compact, CEO Water Mandate, World Wildlife Fund, WaterAid (2015). Serving the Public Interest: Corporate Water Stewardship and Sustainable Development. Available at <http://pacinst.org/publication/serving-the-public-interest-corporate-water-stewardship-and-sustainable-development/>

4 Rockstrom, J., et al. (2009). Planetary Boundaries: Exploring the safe operating space for humanity. Ecology and Society, Vol. 14(2), Article 32. Available at www.ecologyandsociety.org/vol14/iss2/art32/

5 International Food Policy Research Institute and Veolia (2015). The Murky Future of Global Water Quality: New global study projects rapid deterioration in water quality. Available at <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/129349>

6 WWF (2016). Living Planet Report 2016. Available at http://wwf.panda.org/about_our_earth/all_publications/lpr_2016/

TERMINOLOGY

Recognizing that terminology such as “context-based metrics,” “targets,” and other related terms can be confusing, here we provide the following working definitions of key terms:

Metric: any form of quantitative or qualitative measure used to track progress at a site, whether corporate, basin level, or other levels. For example, “water efficiency” or “water withdrawal.”

Target: a specific time-bound objective that sets the desired outcome at site, corporate, basin, or other levels. For example, “By 2020, a 20% increase in total water efficiency as compared to 2015,” or “By 2020, a 10% decrease in total nitrogen discharges as compared to 2017.”

Local water context: according to the Alliance for Water Stewardship’s Standard,⁷ “the social, economic, and environmental conditions of a surface or groundwater basin,” including:

- Surface and groundwater governance, policy, and regulation;
- Surface and groundwater stewardship initiatives;
- Physical conditions, related to water quantity and quality, environmental flows, and water-related infrastructure, including both built (gray) and natural (green) infrastructure;
- Social conditions, including cultural and community tradition, and social equity concerns;
- Economic conditions, such as water productivity, water-related employment, and income; and
- Future changes in social, economic, and environmental conditions.

Context-based: informed by sustainable thresholds or limits of a given basin based on science; respects the basin’s environmental, economic, and social needs, and current and future conditions; and supports public sector objectives such as the SDGs. Thresholds should be informed by non-unilateral (and ideally consensus-driven) method. Efforts that strive to consider and address basin context, but that differentiate based on local conditions (e.g., citing the number of initiatives that take place in water-stressed basins), are not considered context-based for this project.

⁷ Alliance for Water Stewardship (2014). The AWS International Water Stewardship Standard. Available at <http://a4ws.org/wp-content/uploads/2017/04/AWS-Standard-Full-v-1.0-English.pdf>

TERMINOLOGY continued...

Context-based water metric: a water measure used to track progress on a company's efforts relative to the thresholds of the basin. Such metrics include both a component that speaks to performance and a component that speaks to the basin's thresholds.

Context-based water target: a specific time-bound objective that sets the desired outcome to include both a component that speaks to the company's water performance and a component that speaks to the basin's conditions. Context-based water targets better inform audiences on the extent to which performance respects the agreed upon thresholds of the basin or supports public policy. See Box 1 for an example.

Science: For the purposes of this paper, science refers to the factual basis and knowledge covering general truths of a basin, including water demands, withdrawals, consumption, availability, quality, and accessibility, obtained and tested through the scientific method. Furthermore, the approach for setting context-based water targets, including the level of stakeholder engagement, will be developed in the next stage of this initiative.



Section 2 What constitutes a corporate context-based water target?

Establishing meaningful, legitimate, CBWTs requires a process that accounts for (1) a scientific understanding of the basin's conditions, (2) local and global policy objectives, and (3) the needs and perspectives of various stakeholders. This section gives shape to the critical components that we believe are needed for a CBWT.

Science as foundation for water targets

Credible context-based efforts are underpinned by a scientific understanding that enables a level of objectivity to water planning, allocation, and accounting decisions. As companies begin to explore CBWT, **using a science-based approach offers a strong basis for providing a common understanding of sustainable water use and basin limits.**

Setting targets that are based on science has been most notably done in relation to greenhouse gas (GHG) emission reduction targets with the Intergovernmental Panel on Climate Change (IPCC),⁸ where the connection is made between specific carbon emission levels and the various impacts on temperature, ocean acidification, precipitation, and other effects that together comprise what is commonly referred to as climate change. This knowledge has helped inform a global goal through the Paris Agreement⁹ – a specific, global parts-per-million level of greenhouse gases that keeps global average temperatures below a 2° Celsius change from pre-industrial levels. Through the United Nations Framework Convention on Climate Change (UNFCCC), this goal is distributed to national carbon emission reduction targets and divided amongst sectors and companies to achieve the desired outcome. This work led to the establishment of the [Science Based Targets Initiative](https://sciencebasedtargets.org),¹⁰ providing the private and public sectors with a common goal and a set of meaningful, aligned targets that help all actors contribute to the larger, shared goal of reducing GHG emissions.

The local nature of water challenges and solutions

Although reducing GHG emissions in one area of the world can reap benefits for the rest of the globe, **water withdrawal, consumption, and pollution typically have an impact only in the basin in which they occur.** Therefore, although Sustainable Development Goals (such as SDG6 on water) can serve as a reference point against

8 IPCC (2001). Target Setting for Greenhouse Gas Emissions Reduction. Available at <http://www.ipcc.ch/ipccreports/tar/wg3/index.php?idp=314>

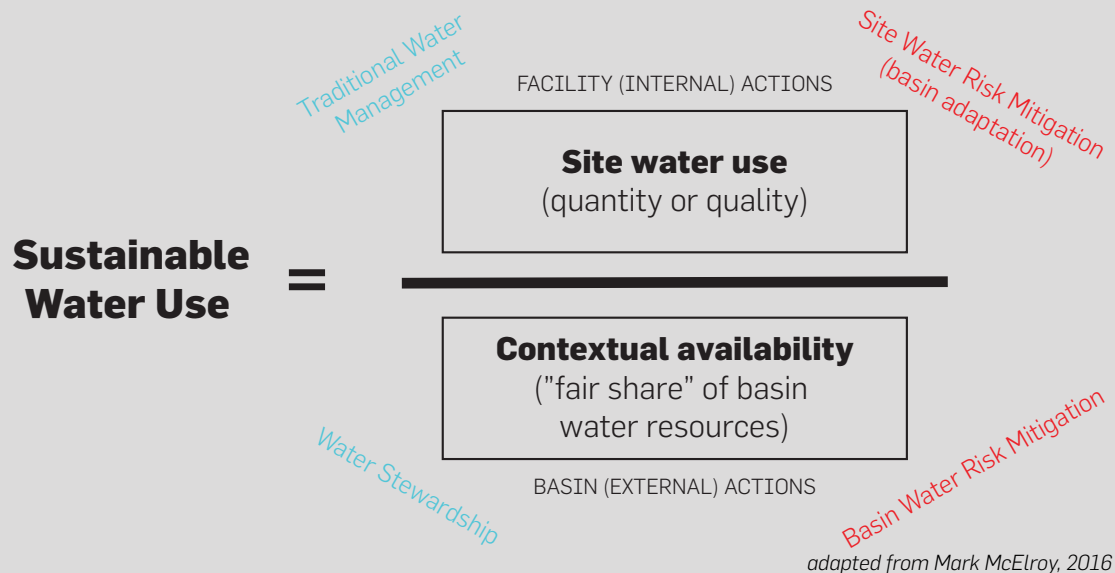
9 UNFCCC (2016). The Paris Agreement. Available at http://unfccc.int/paris_agreement/items/9485.php

10 Science Based Target Initiative website, sciencebasedtargets.org

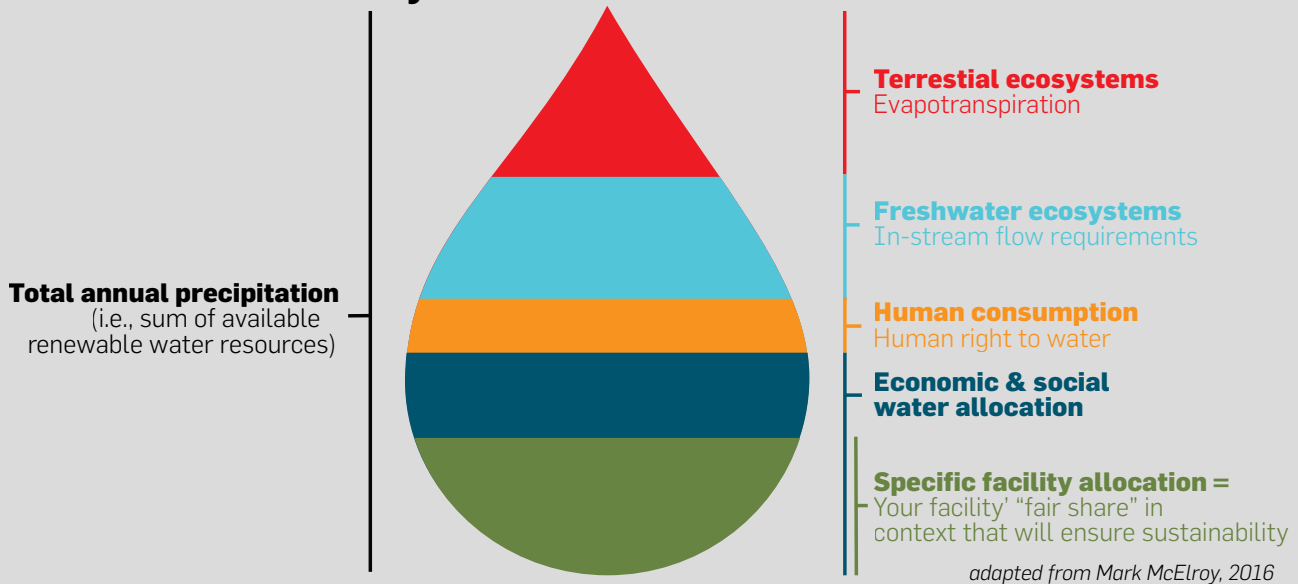
BOX 1 Definition of Sustainable Water Use

Efforts to develop stronger contextual sustainability metrics have been underway for a long time. This work – by, for example, the Center for Sustainable Organizations, Reporting 3.0, the Sustainability Context Group, among others – can inform our thinking on context-based water metrics and targets.

The calculation of sustainable water use includes a numerator – use, or more specifically, site water use – over a denominator – context, or more specifically, basin contextual availability of water resources, either available volumes or available absorption capacity.



Contextual Availability =



Such an approach allows traditional efficiency efforts to be part of the solution, and accounts for the collective needs of other stakeholders in the basin, which helps to increase contextual availability. More work will be required to refine this thinking over the course of this project.

which companies can set targets, it is important that they are informed by metrics that account for the scientific understanding in a specific local basin. By using each basin's unique conditions to inform targets, companies can establish performance targets that contribute not only to public policy objectives, but also to meaningful basin water risk reduction and help to establish a common goal amongst users.

Aligning company targets with public policy

Context-based water targets, to the extent possible, need to be informed by existing, effective public water policy goals, which will, in theory, align water targets with the needs of local communities and ecosystems. Water is a human right that is largely managed and protected by the public sector. Government agencies are often charged with water resource management, provision of water data, water monitoring, and the development and enforcement of local water regulations. This includes financing water-related infrastructure and socio-economic development. In carrying out this role, the public sector also plays a critical role in defining the contextual factors of a basin.

Public sector agencies are commonly charged with determining legal limits to water withdrawals and pollution, based on the cumulative water stress facing a given basin. Typically, these approaches are linked to Integrated Water Resources Management (IWRM) and strategic basin planning.¹¹ Allocations set during strategic basin planning are typically defined through the consideration of multiple variables, including environmental flows. In doing so, any trade-offs that are made are likely to be more aligned with social and economic priorities than company priorities.

The lessons learned by the public sector in setting targets for development projects can offer companies guidance on how to begin considering context when setting their own targets.¹² In addition, there is value in greater alignment of water initiatives being undertaken by the public and private sectors. Companies' target setting need not be driven entirely by the public-sector agendas. Rather, **the shared nature of water presents an area of common ground that can be a useful starting point for developing approaches for context-based targets.**

Policy objectives can mean a variety of different things and cover many different topics. They can be set at the local, national, and global levels, and fulfill many different functions, including but not limited to:

1. Guiding how water use is prioritized and how allocation decisions are made in the face of limited supplies;
2. Helping establish water prices;
3. Setting quality standards and human health safeguards through pollution control measures; and

11 WF-UK (2012). Strategic Basin Planning. Available at https://d2ouvy59p0dg6k.cloudfront.net/downloads/2_strategic_basin_planning_web.pdf

12 UN-Water (2016). Integrated Monitoring Guide for SDG 6: Targets and global indicators. Draft, 16 July 2016. Available at <http://www.unwater.org/publications/publications-detail/en/c/405371/>

4. Building and maintaining the infrastructure that delivers water services.¹³

Aligning with and building on effective public water policy goals offers a way for companies to collaboratively engage with other stakeholders in implementing solutions to the root causes of water risk. The aim of pursuing CBWTs in both private and public sectors is not to replace formal basin planning and legal allocations. Rather, it is to explore how companies can contribute to broader efforts that aim to respect basin boundaries.

The SDGs offer perhaps the most overarching, universal policy framework with which companies can align their water targets. The SDGs encompass 17 goals that aim to better align government, company, and civil society efforts through a common framework. The SDGs can not only foster alignment among actors within a basin, but also help harmonize efforts across basins and even countries.

The SDG6 targets cover six water priorities that are critical to any basin:

1. Access to improved drinking water;
2. Access to adequate sanitation and hygiene;
3. Water quality and pollution;
4. Water stress, scarcity, and availability;
5. Water governance; and
6. Freshwater-related ecosystems.

By aligning their water-related efforts with the SDGs, companies inherently align with local, national, and global water priorities, and build trust and confidence amongst their stakeholders. Likewise, **governments and communities that collaborate with companies to achieve commitments related to SDG6 can benefit from corporate investment, innovation, capacity building, awareness raising, and collective action.**

Aligning CBWTs with policy objectives has both moral justification and practical company benefits, including:

- Clarifying the impacts of water stewardship initiatives through collaborative reporting;
- Demonstrating the positive impacts of collective action projects and the contribution of a company or an industry to water management goals; and
- Facilitating clear communication with practitioners and partners in other segments of society.

¹³ CEO Water Mandate (2011). Guide to Responsible Business Engagement with Water Policy. Available at <http://ceowatermandate.org/policyengagement/>

Establishing shared basic targets with multiple stakeholder groups through the notion of “sufficiency”

In recent years, various organizations have developed frameworks, tools, and data to support corporate water stewardship efforts,¹⁴ and many provide companies with information on basin context. **One element that arises across these initiatives is the notion of sustainable basin thresholds – which has been referred to in past work as “sufficiency”¹⁵ – within which all community and environmental needs are met without compromising the long-term viability of water resources.** By understanding these basin limits, shared goals for protecting them can be developed.

In some places, it is in companies' best interests not only to identify and understand these thresholds, but also to work with stakeholders to develop common goals to protect and maintain them. El Bajío, Mexico, for example, is a key agriculture hub with a growing manufacturing and urban population where groundwater is being pumped faster than it is replenished. Scientists have estimated that at the current rate of pumping, groundwater will only be available for another 20 years. Fortunately, the sufficiency gap for groundwater was determined by the state. With a deficit of 255 million cubic meters per year, to be “sufficient,” a suite of water stewardship activities had to be implemented by all water users for several years to return to historic groundwater levels.¹⁶

For companies, aligning internal targets with shared basin targets where they exist – and advocating for shared basin targets where needed – can help accelerate action toward maintaining and protecting basin thresholds. In turn, such stakeholder engagement efforts can provide companies:

- A more predictable operating environment and long-term liability;
- Reduced likelihood of stakeholder conflict;
- Reduced uncertainty in regulatory change; and
- The ability to contribute to local, national and global development priorities.

Furthermore, this approach underscores the shared nature of water challenges and need for collective action, which can help distribute the cost and responsibility of action across water users in a basin.

14 CEO Water Mandate (2017). List of Resources. Available at <http://ceowatermandate.org/toolbox/list-of-resources/>

15 CEO Water Mandate (2014). Understanding “Sufficiency” in Water-Related Collective Action. Available at <http://ceowatermandate.org/sufficiency/>

16 CEO Water Mandate (2014). Understanding “Sufficiency”: El Bajío growing region, Mexico: Overdrafts in the aquifer account. Available at http://ceowatermandate.org/blog/case_study/understanding-sufficiency-el-bajio-growing-region-mexico/

Section 3 Value of setting context-based water targets to companies

Developing a common approach to CBWTs will offer value to both companies and their stakeholders by addressing:

Existing integrated basin management priorities and goals. Water stewardship targets are most effective when established in a social, economic, environmental, and political context in which food, energy, water, and ecosystem security for all is in balance.

The local basin context. Meaningful targets are more sustainable when founded in scientific understanding as well as in the socioeconomic, political, and hydrological context to ensure sustainability. It is also more sustainable when possible targets align with ongoing public policy dialogues and company initiatives.

The multi-issue nature of water. Water stewardship outcomes tend to be more lasting when they align with the six areas outlined in SDG6, consider linkages to the water-food-energy-ecosystem nexus, and drive social and economic development within local contextual constraints.

Equitable allocation methods rooted in good water governance. The attainment of CBWTs tends to be more successful when (1) informed by the sustainability of the basin and the company's share of responsibility, and (2) tied to notions of good water governance and other shared basin goals. Arriving at shared goals and responsibilities may be formal or informal, but it is central to basin sustainability.

Data constraints and needs. Data remain a critical element in any context-based target approach. Any proposed approach tends to be more effective when based on a realistic assessment of what data is available for all stakeholders in the near-term, as well as, when possible, ongoing links to data monitoring systems and sharing water data.

The need to be company-relevant. CBWTs tend to be more affective when they are applicable for company decision-making and corporate strategy, including scenario analysis and horizon planning, and when they tie back to actual water risk and investor concerns. Target setting must be supported by measurable, meaningful, and pragmatic methodologies for companies across a full value chain, from raw material sourcing all the way to consumer product use.

Section 4 Current practice in water target setting

Current practice in corporate water target setting

The [2016 Annual Report of Corporate Water Disclosure](#),¹⁷ published by CDP, indicates that 17 percent of over 600 responding companies are beginning to factor a broader range of contextual issues into their water risk assessments. Considering these issues – such as regulatory changes or stakeholder conflicts concerning water resources – allows companies to develop a more complete picture of the local water context. Recognition of a broader range of stakeholders can also support the identification of a wider variety of shared water challenges. However, the same report also indicates that only 13 percent of responding companies achieved best practice for broad stakeholder engagement while completing their water risk assessments.

Just as companies set water targets for many reasons, they may disclosure of those targets hoping to serve a variety of purposes. The data within CDP's 2016 Annual Report indicate that reported company targets broadly remain (internally) operationally focused. However, the evidence also suggests that companies are starting to set more externally focused targets as they become more aware of the importance of the shared nature of water challenges. This trend is reinforced by an emerging number of context-based approaches, including BIER's pioneering Performance in Context Tool (see Box 2),¹⁸ Center for Sustainable Organizations' Context-Based Sustainability (see Box 1),¹⁹ and World Resource Institute's recent work with Mars.²⁰

An argument can be made that in order to effectively demonstrate materiality in terms of water risk mitigation, organizations will need to have a balance of both internally focused operational targets and externally oriented targets that consider:

- The status of the context within which they operate or the suppliers from whom they buy;
- The evolving scientific data and understanding of local water issues; and
- Wider public sector water planning objectives and policy initiatives, such as the SDGs.

17 CDP (2016). 2016 Annual Report of Corporate Water Disclosure: Thirsty Business: Why water is vital to climate action. Available at <https://www.cdp.net/en/research/global-reports/global-water-report-2016>

18 BIER (2015). Performance in Watershed Context Concept Paper. Available at <http://www.bieroundtable.com/untitled>

19 Center for Sustainable Organizations (2016). Context-based sustainability (CBS). Further information and resources are available at <http://www.sustainableorganizations.org/context-based-sustainability.html>

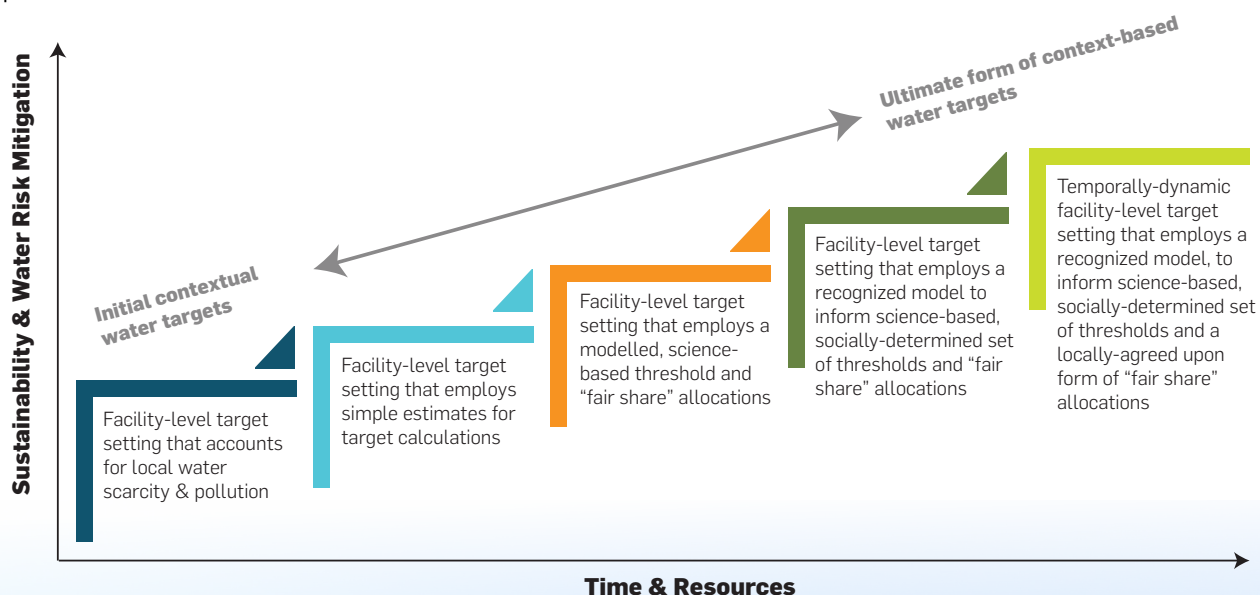
20 Putt del Pino, S., et al. (2016). From Doing Better to Doing Enough: Anchoring corporate sustainability targets in science. WRI and Mars Inc. Available at <http://www.wri.org/publication/doing-enough-corporate-targets>

The continuum from context-informed to context-based water targets

Collectively, we recognize that a shift to CBWTs will not occur overnight. Furthermore, we recognize that these changes are not starting from scratch; companies have a long history of working on water issues in context and, indeed, acknowledging context in their water targets (e.g., very strict – or even zero – water use for sites located in areas of extreme scarcity).

However, many of these approaches are developed unilaterally by companies without participation from relevant stakeholders in the basin. As such, they are quite likely to not fully address the wide range of perspectives and needs (e.g., “sufficiency”) implied by a “context-based” approach.

We believe that a continuum of approaches (see Figure 1) will likely be required as companies shift from contextual to stronger forms of CBWTs that include more robust, consensus-driven processes.



Box 2 Case Study from the Beverage Sector: Performance in Watershed Context

Background

BIER²¹ member companies are in a unique position to further accelerate global water stewardship by making more informed investment and partnership decisions at the basin level globally. In 2015, BIER published a [Concept Paper](#), Performance in Watershed Context, defining a practical perspective on managing water-related performance in the context of local basin conditions.

Approach

BIER members collaborated in developing and pilot-testing a decision support tool with a representative set of global beverage facilities. The working concept is that for every defined impact or dependency that a beverage facility has within a given basin, an associated performance expectation could be defined.

Pilot Test Insights

Based upon the initial pilot test, BIER is evaluating key insights gained that will drive further development, refinement, and collaboration efforts. The following are examples of these insights from the pilot test:

- Context-based thinking provides an important, fresh, and holistic perspective on basin conditions, which leads to more informed decisions on potential actions, investments, and collaborations.
- Basin-specific data is not consistently or readily available globally, including fundamental data such as water use by domestic, agriculture, and industry user types.
- The dynamic and local nature of basin conditions requires an agile approach to effectively instill context-based decision-making for global companies operating in hundreds of local contexts. The challenge is defining an approach that prioritizes the most meaningful investments in a manner that balances available basin expertise, alignment with company-specific risk management and corporate planning processes, and day-to-day operational realities at the facility level.

Path Forward

BIER plans to publish additional insights from their work on Performance in Watershed Context in 2017, and will continue to collaborate with leading organizations active with context- and science-based target setting.

Comparability to CBWTs

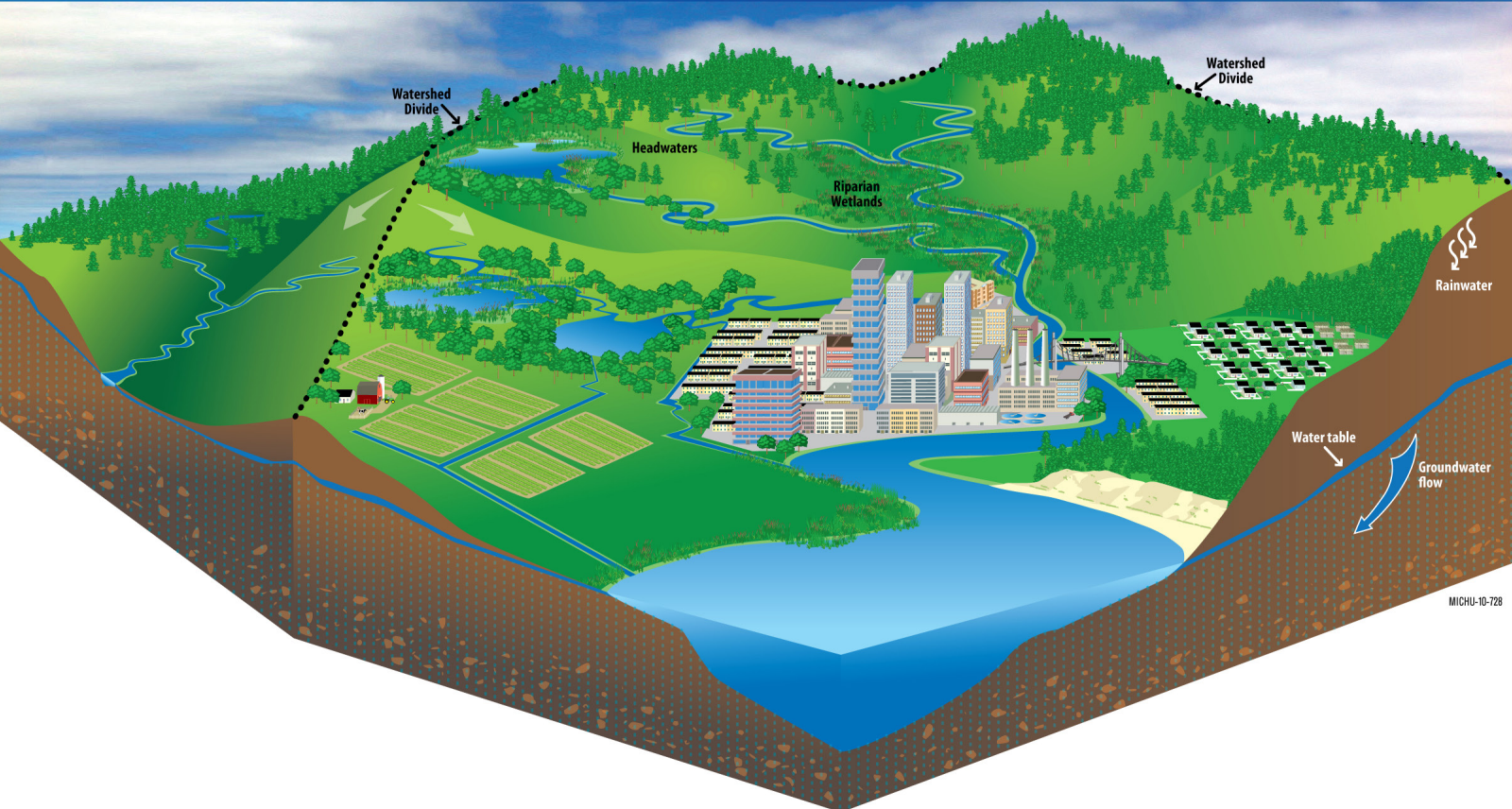
The aim of BIER's decision support tool and CBWT are slightly different. Both look at basin conditions. BIER's approach is focused on how a facility is dependent upon and

21 For more information on the Beverage Industry Environmental Roundtable (BIER) see: <http://www.bierroundtable.com/>

Box 2 continued...

impacts the basin while CBWT focuses on how a facility's water use, combined with that of other water users, contributes to basin sustainability. The CBWT approach complements BIER's decision support tool because it provides guidance for companies to set more meaningful facility-specific metrics and corresponding targets. Together, the two approaches will help companies ensure that their performance continues to improve basin conditions.

HOW WATERSHEDS WORK



MICHU-10-728

Image sourced from the Michigan Sea Grant, An Introduction to Michigan Watersheds: A Guide for Teachers, Students and Residents.

Section 5 Challenges and opportunities on the path to setting context-based water targets

The path to establishing a common approach to CBWT setting faces multiple challenges, perhaps most notably:

Data & monitoring. One of the main challenges when establishing water targets is the availability of basin data. The experience gained from developing global water tools, such as WWF's Water Risk Filter,²² WRI's Aqueduct Water Risk Atlas,²³ or TNC's Urban Water Blueprint,²⁴ has made it clear that there is a considerable lack of comparable and comprehensively reported basin-level water data. Bridging these gaps will require greater collaboration between the public and private sectors, increased investment in water data collection, and enabling more public access to the collected data. A lack of sufficient water-related data to fully understand the local water resources – including trends over time and consistent and accurate measurement of potential risks – makes setting scientifically defensible targets based on local conditions difficult in many places around the world. Many of the aforementioned tools are still too coarse to offer meaningful contextual data at the local scale.

Determining allocations. Even with highly resolute data, shared monitoring and determining allocations for water quantity and quality are by no means straightforward because they are often highly political. Public policy normally dictates legal allocations, whereas many of the initial methods in this space employ voluntary "economic fair share" approaches to move toward basin sustainability. Unpacking these linkages and details will be critical.

Comparability among ongoing and proposed initiatives. Changing metrics can be challenging due to factors including requests from disclosure initiatives, consistency of reporting, a lack of understanding from investors and customers, and cultural inertia. Furthermore, there are few examples of strong enterprise-wide, context-based targets by leading companies that others can follow.

The value and cost of water. Water is often inexpensive to procure, and accordingly, senior management may not see water targets as material and may not prioritize CBWTs. However, water risks have the potential for highly significant financial impacts and thus justify significant investment in context-based targets and other efforts that can help mitigate risk. Furthermore, on-site investments are often expensive relative to the basin gains that can be had by investing in projects outside the facility. Budget managers will be well served by appreciating the

22 WWF (2016). Water Risk Filter. Available at waterriskfilter.panda.org

23 WRI (2013). Aqueduct Water Risk Atlas. Available at <http://www.wri.org/resources/maps/aqueduct-water-risk-atlas>

24 TNC (2017). Urban Water Blueprint. Available at water.nature.org/waterblueprint

relationship between the value of water and cost-effective risk mitigation.

Local stakeholder engagement. Context-based target setting will require more local involvement, engagement with stakeholders, and getting involved in the details of managing the local water resource. The additional resources required for stakeholder engagement may result in companies preferring to set global context-independent targets, rather than getting involved in the complexities of the local situation. However, local engagement is critical to identify, mitigate, and reduce water risks.

Public sector alignment challenges and opportunities. As described above, the public sector is often charged with water resource management, provision of water data, water monitoring, and the development and enforcement of local water regulations. In engaging with the public sector about water, companies will need to consider the following potential challenges. The maturity of local public water policy varies among countries, and some are not yet able to ensure the sustainability of the basin. Reasons are often rooted in inadequate water governance, especially concerning the lack of legal frameworks and strategic planning.²⁵ Keeping that in mind, aligning closely with local public policy may not be the best option for companies, but that is not an excuse for inaction: sometimes it's better to work with stakeholders to understand the water risks and thresholds of the basin. Accordingly, more "informal" water governance mechanisms – such as those that can be enabled by WWF's Basin Report Cards²⁶ – may prove useful in such circumstances.

25 UNEP (2012). The UN-Water Status Report on the Application of Integrated Approaches to Water Resources Management. Available at http://www.un.org/waterforlifedecade/pdf/un_water_status_report_2012.pdf

26 WWF (2016). Basin Report Cards. Available at <https://www.worldwildlife.org/initiatives/basin-report-cards>

Section 6 Conclusion

Companies' understanding of water has grown considerably in recent years. As a deeper understanding of water issues emerges, so too does the realization that to properly mitigate and ultimately reduce water risks, companies must address underlying shared water challenges. However, the ability of collective action to achieve shared outcomes will require coordination, alignment of targets, and a consistent approach that will allow companies to work together with other stakeholders to contribute to solutions.

Science and stakeholder input will be core to setting CBWTs because both are central to ensuring targets are more meaningful, defensible, and ultimately more effective in addressing water challenges. Data, along with monitoring and evaluation systems, will be critical to establish water system boundaries and allow each water user to understand and fulfill their role in achieving these shared basin goals. In so doing, the process must be rooted in, and can in turn contribute to, good water governance.

With the launch of the SDGs, both governments and companies face a unique opportunity to align company water target setting with commonly accepted global water development priorities. A set of common context-based water metrics can help to ensure meaningful contributions to publicly accepted basin goals, while simultaneously driving improved efficiency, effectiveness, and measurable progress in companies. Such an approach of objectively measured improvements in shared water challenges will allow companies to better assess (1) reductions in water risk, (2) positive impacts from collective action, (3) response to investor and other stakeholder concerns, and (4) ability to ensure sustainable growth environments.



Section 7 Next Steps

CDP, CEO Water Mandate, The Nature Conservancy, World Resources Institute, and WWF, along with UNEP-DHI – who have agreed to join this initial group – have committed to work over the next two years to establish a roadmap for mainstreaming the concept of corporate CBWTs based on a collaborative and multi-stakeholder oriented process.

The project team is currently seeking interested organizations to support this effort in one or more of the following ways:

- **Advisory Committee**, to guide the technical development of the context-based target setting approach and roadmap;
- **Stakeholder Consultation Group**, to vet initial results and ideas resulting of this initiative; and
- **Pilot Testers and Early Adopters**, to test the approach and provide feedback and insight into the value and applicability for the recommendations put forward.



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CDP

CDP is the only global disclosure system for companies, cities, states and regions to manage their environmental impacts and for investors or purchasers to access environmental information for use in financial decisions.

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The Nature Conservancy

The Nature Conservancy is the leading conservation organization working around the world to protect ecologically important lands and waters for nature and people.

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Pacific Institute (representing CEO Water Mandate)

The Pacific Institute is a global water think tank that provides science-based thought leadership with active outreach to influence local, national, and international efforts in developing sustainable water policies.

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WORLD
RESOURCES
INSTITUTE

World Resources Institute

WRI is a global research organization that turns big ideas into action at the nexus of environment, economic opportunity and human well-being.

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WWF

WWF's mission is to stop the degradation of our planet's natural environment, and build a future in which people live in harmony with nature.

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The CEO Water Mandate is a special initiative of the UN Secretary-General and the UN Global Compact, providing a multistakeholder platform for the development, implementation, and disclosure of corporate water sustainability policies and practices.

The UN Global Compact is the world's largest corporate sustainability initiative with over 7000 corporate participants and other stakeholders from more than 140 countries. The UN Global Compact is based on ten principles in the areas of human rights, labour standards, the environment, and anti-corruption.

THE CEO WATER MANDATE'S SIX CORE ELEMENTS:

Direct Operations

Mandate endorsers measure and reduce their water use and wastewater discharge and develop strategies for eliminating their impacts on communities and ecosystems.

Supply Chain and Watershed Management

Mandate endorsers seek avenues through which to encourage improved water management among their suppliers and public water managers alike.

Collective Action

Mandate endorsers look to participate in collective efforts with civil society, intergovernmental organizations, affected communities, and other businesses to advance water sustainability.

Public Policy

Mandate endorsers seek ways to facilitate the development and implementation of sustainable, equitable, and coherent water policy and regulatory frameworks.

Community Engagement

Mandate endorsers seek ways to improve community water efficiency, protect watersheds, and increase access to water services as a way of promoting sustainable water management and reducing risks.

Transparency

Mandate endorsers are committed to transparency and disclosure in order to hold themselves accountable and meet the expectations of their stakeholders.