



# The CEO Water Mandate

## Guide on Business Engagement with Water-Related Public Policy Annotated Outline DRAFT July 7, 2009

### Introduction

The preface of the Guide will include a summary of current societal and water resource trends affecting business operations. It will define the origins, scope, and objectives of the Guide, and will provide background on the Mandate and its activities, particularly with respect to its work-stream on public policy.

- *Preliminary Working Objective of the Guide:* To provide principles, concepts, practical steps, and case examples that can facilitate companies' responsible engagement with water policy in a manner that reduces business risks while simultaneously advancing policy goals and positively impacting nearby communities and ecosystems.

Acknowledging and exploring some fundamental concerns among some stakeholders with corporate involvement with water policy decisions, the introduction will make a general argument for why corporate policy engagement can be a valuable undertaking. In doing so, this section will feature examples of water-related business risks and briefly demonstrate how policy engagement can add value to business by mitigating those risks, while benefiting communities and ecosystems. It will also explain how the engagement framework, principles, and good practices/approaches highlighted in the Guide will steer companies toward policy engagement strategies and practices that are integrated, inclusive, and equitable.

### Section 1: Understanding Water Policy and How it Affects Companies and Investors

Because many companies have only a vague understanding of water policy issues, this section will provide background on what water-related public policy consists of, how it affects business operations, and what is meant by corporate engagement with public policy.

#### I. *What is public water policy?*

##### A. Definition

This section will define what is meant by water-related public policy. It will include the "strict" policy and legal framework definition, as well as the broader definition used in the Guide, which includes the enabling framework, strategic intent, and implementation practice that supports policy.

##### B. Elements of public water policies relevant to business activities

Here the Guide will describe the different “elements” that water policy encompasses, highlighting the ways in which altering these elements can impact resource management, ecosystems, and human communities. The major elements explored will include:

1. Water resource protection
2. Water allocation among sectors
3. Water distribution (within a sector, i.e., residential water access for the poor)
4. Water quality management
5. Water use regulation, control, and enforcement
6. Water infrastructure development
7. Water pricing and economic instruments
8. Trade policy

## II. *What does responsible corporate engagement in water policy mean?*

### A. Definition

This section will provide the definition of corporate engagement with public water policy used in the Guide, while acknowledging alternative definitions and the political and business implications of these various interpretations.

- *Preliminary Working Definition:* Corporate water management initiatives external to areas of direct management control (i.e. operations and supply chain decisions) that require corporate joint involvement with government entities (e.g., regulatory body, watershed authority, water service providers), local communities, and/or civil society organizations.

## **Section 2: Addressing Water-Related Business Risks and Opportunities through Policy Engagement**

This section will explain the business case for policy engagement as a risk mitigation tool, focusing on how the policy “elements” described in Section 1 can both positively and negatively impact business risks depending on the effectiveness of water policies, governance, and management. Beyond risk, it will articulate how sustainable and equitable water management is in the long-term, bottom-line interest of business, especially within the current context of increased consumer awareness and the intensification of water scarcity and quality issues.

The section will briefly address: 1) the types of water-related business risks (i.e., physical, regulatory, reputational, financial) that can result from poor (internal and external) water management; 2) when and how policy engagement can help mitigate those risks; and 3) how companies can identify such risks. It will aim to do so by looking at the relative complexity of watershed systems and the various water sustainability challenges within them (i.e., physical scarcity, inequitable access, pollution) and examining how these different conditions affect whether and how corporate engagement in water policy might make sense. The goal is to provide companies with a framework that allows them to align different hydrologic, economic, and political contexts with the appropriate policy engagement responses.

## **Section 3: Topics, Spheres, and Modalities of Corporate Engagement with Public Policy**

Utilizing the UN Millennium Development Goals as an overarching framework, this section will explore the various issues and forms of corporate engagement with public policy, including high-priority global policy topics, spheres of engagement (i.e. type of change sought), and operational dimensions (i.e.

component of business activities to be altered/affected). The section will explore how the parties involved – both the type of corporate entities (and partnering organizations) engaging and the type of public entities engaged – influence corporate approaches to engagement as well as outcomes.

*I. High priority water policy issues*

1. *Improved and equitable access/human right to water and sanitation*
2. *Integration of climate, energy, food, and water policy decision-making*
3. *Water pollution*
4. *Environmental/in-stream flows*
5. *Water pricing and market mechanisms*
6. *Soft path to water management*

*II. Conceptualizing spheres of engagement*

1. Plant performance (e.g., efficiency and control of pollution)
2. Watershed management (e.g., Integrated Water Resource Management)
3. Promoting sustainable communities (e.g., access, infrastructure)
4. Supply chain management/sourcing policies and criteria
5. Advocacy on key policy issues (e.g., water pricing, human right to water)

*III. Corporate and public entities through which engagement occurs*

This section will look at how the business entity (e.g., group level), individual representatives (e.g., public relations personnel vs. facility operations manager) and types of partnership (e.g. collective action with other businesses, collaborations with NGOs, etc.) influence engagement strategies and practices. It will identify which level of government (e.g., local, state/provincial, national, international) it typically associated with advancing particular public policy goals, and will also explore how the type of entities being engaged (i.e. policy-makers, water managers, civil society organizations and local communities, etc.) should inform companies' approach to policy engagement. It will do so by looking at each different group's strength and weaknesses with regard to advancing policy goals and engaging with businesses. This will lead to a discussion of how companies can identify: 1) effective public partners who understand what is at stake for companies with regard to long-term economic viability and who have the ability/willingness to participate in dynamic dialogue; 2) water governance instances/settings where companies can and cannot effectively contribute to policy goals; and 3) the ways in which corporate engagement can help advance the UN Millennium Development Goals.

**Section 4: How to Engage in Water Policy – Effective and Equitable Approaches and Common Pitfalls**

This section will identify the primary operational pathways through which companies can contribute to policy goals, highlighting which methods of engagement have proved effective and equitable, and describe some of the common pitfalls of engagement. While other sections offer mitigation strategies for specific components of engagement (e.g. type of risk, type of water challenge, etc.), this section will provide general strategies for addressing shared risk and principles that can be applied to all types of engagement.

*I. Key principles and concepts*

This section will present a framework for good practice in corporate water policy engagement by defining and describing the key principles that should underpin all actions.

- A. Integrated, holistic approach considering all uses (i.e. business, domestic, ecological)
- B. Inclusivity / Stakeholder engagement

- C. Rights-based approach
- D. Proactive, long-term planning
- E. Transparency of intent and engagement

## II. *Types of actions*

This section will identify and describe some of the broad types of actions companies can take to contribute to policy engagement. These actions will be described in terms of contribution to policy goals (rather than contribution to risk mitigation), in order to better define policy engagement as a facilitation of policy goals, rather than as an exclusively self-serving process.

- A. Sharing data/knowledge/resources to contribute to management and policymaking
- B. Using resources to build awareness and support for policy points
- C. Policy advocacy
- D. Infrastructure development

## III. *Pitfalls and perceptions*

This section will capture the common pitfalls of corporate policy engagement, both in terms of risks/unintended outcomes and barriers to effective engagement. It will also discuss perceptions of those stakeholders who are distrustful of corporate motives.

### A. Barriers to effective engagement

This section will describe the common barriers blocking effective engagement as well as ways around the barriers.

1. Lack of engagement/communication pathways
2. Poor stakeholder (e.g., government, NGO, local community) understanding of private sector concerns and intent
3. Lack of capacity/unwillingness of engaged entities
4. Internal buy-in/knowledge of the problem
5. Clarity of boundaries

### B. Risks & Perceptions

This section will describe negative outcomes of policy engagement—both ineffective and inequitable policy and harmful public perception. It will also highlight some strongly held views of some stakeholders against corporate engagement in public policy. While some of these views will change over time with 1) transparency, 2) the clear articulation of corporate intent, and 3) the prolonged, consistent demonstration of good practice, many perceptions will remain dogmatic and unchanged.

1. Stakeholder concern of policy capture
2. Confusion of debates (e.g., water privatization and water public policy)
3. How lack of corporate 'rules' may perpetuate and heighten negative perceptions
4. Undesired and unexpected results
5. Challenges of disengaging