IWRM Action Hub

IWRM TOOL - C5.05

Corporate Stewardship

Summary

Corporate water stewardship is about encouraging businesses to consume and manage water resources in a sustainable and equitable way. Corporate water stewardship provides a pathway for companies to better understand water-related risks and to engage them in managing those collectively. This Tool defines what corporate water stewardship entails, discusses the incentives for businesses to engage in water stewardship, presents the main barriers for businesses to pursue corporate water stewardship, gives some tips on how to approach businesses on this matter, presents key buckets of activities aligned with corporate water stewardship, and highlights few ways that companies can help strengthen water governance regimes.

Defining Corporate Water Stewardship

Water stewardship is a set of practices, that promotes and fosters the socially and culturally equitable use of water, which is also environmentally sustainable and economically beneficial and is achieved through a stakeholder-inclusive process on the level of both site- and catchment-based actions (AWS, 2017). These practices are be used by businesses, utilities, communities, and others, and they range from water use efficiency at an organisation's own operations, to engagement with suppliers, to long-term multi-stakeholder river basin projects, and beyond. Thus, water stewardship not only ensures that businesses manage their own risks and seize opportunities related to water, but also promote long-term water security for all (Global Compact CEO Water Mandate, 2023). The approach supports water users to understand their water use and its impacts (UNESCO and UN-Water, 2021).

The concept of corporate water stewardship is linked to the broader movement on Corporate Social Responsibility (CSR). CSR is defined as a "management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders" (UNIDO, 2021). Initially, CSR was focused on philanthropic activities not being directly embedded into the mission or vision of businesses (Motilewa et al., 2016). Orr and Pegram describe the shift from corporate sustainability thinking to collective water management thinking as the recognition "... that the pressures, realities, risks and opportunities that business face from water are mainly external. Therefore, an understanding of how water is actually managed by governments and shared in society must supplement what has been done in improving internal efficiency" (Orr and Pegram, 2014:18). Today, stewardship and sustainability are becoming increasingly part of the core values and practices of corporate entities.

Incentives for Businesses to Engage in Corporate Stewardship

Companies may be motivated to engage with water stewardship as a result of realising how water-related risks can hamper their business viability (Tool C1.01). Such water-related risks include (Hepworth, 2021):

- **Physical**: such as water scarcity, poor water quality, and intermittent supply affecting business processes throughout the whole supply chain;

- **Regulatory**: in regard to tightening standards and requirements on a local, national, and international levels;

- **Reputational**: resulting in harming brand image that is associated with bad water practices.

Some businesses frame water security issues as "risks", whereas some perceive them as an "opportunities" (Caplan and Tiberghien, 2021) to uphold corporate values related to sustainable development (Morrison et al., 2010). Additionally, there is incremental pressure from consumers, investors, and employees that demand from corporations to behave more sustainably. Investors, for instance, are showing interest towards evaluating and acting on water risks in investment portfolios (Tool D1.01) (Ceres, 2018).

Addressing these risks and demands, corporate actors should avoid greenwashing defined as "the practice of making diverting sustainability claims" to attract investors and consumers (Watson, 2017:38). Monitoring and evaluation practices (Tool C2.05) should be introduced to ensure that water stewardship programmes deliver on their promises

(Sturgess, 2016).

Businesses' barriers to corporate water stewardship

Despite clear drivers for action, companies still struggle to redefine their approach to water resource management. Building on 20 years personal experience advising mining company representatives, Ross Hamilton identifies some common barriers to advancing corporate water stewardship:

1. **Linking local to global:** Tackling the complexity associated with developing a global corporate strategy that effectively accommodates the diverse range of water related issues present across different operating locations.

2. **Understanding stewardship:** Sorting through the noise of different terms used and the confusion created by the number of external water stewardship initiatives.

3. **The organisational challenge:** Creating a holistic management response to water challenges, including a range of touchpoints across multiple functions of the business, which often fall outside the remit of the environmental function where accountability for water issues conventionally lay. This may include functions that are geotechnical, engineering, infrastructure, production, safety and health, community development, cultural heritage, government affairs and even product marketing.

4. **Stepping outside the fence:** Participating in collective action, and engagement with other water users requires considerable level of ongoing commitment and effort, often with uncertain timeframes and outcomes. Furthermore, there is reluctance to openly share data and involve others in decision-making processes due to concerns over how the information will be used and leveraged, which requires a shift in mindset and culture to overcome. In addition, presenting the business case for a collaborative approach remains challenging as there is currently no recognised method for quantifying the 'value' of water stewardship actions (Tool C5.04).

5. **Transfer of approach between operations:** The local nature of water means that the approach taken by each local operation of any business needs to be tailored to the local context. This takes time to develop, and any approach may not be able to be simply applied or scaled to other business operations within the company's portfolio.

6. **(Mis)understanding water value:** The discrepancy between the actual market price of water and its true value as a business-critical resource makes it futile to simply use the cost of water to influence internal decision making. Some companies

have thus begun to apply a ‘value at risk’ lens to water decision making, after suffering significant project delays or interruptions due to direct or indirect water-related impacts (Tool C1.01).

(Hamilton, 2019:438)

Approaching businesses on water stewardship

Apart from being concerned with immediate risks, private companies are interested in their long-term sustainability and expansion. When incentives are viewed in this light, it becomes easier to see the potential for engaging companies in water stewardship. Hence, businesses can be appealed to by looking beyond immediate short-term financial gain and towards building long-term economic and societal value instead. In practice, many companies still focus mainly on short-term financial goals but there is a growing movement towards purpose-driven business activity which takes a broader view of the company’s operations (Stibbe and Prescott, 2020).

The following list presents some characteristics of private companies which ‘outsiders’ (such as NGOs or civil society representatives) should consider while approaching companies and try to engage them in water stewardship (adapted from Stibbe and Prescott, 2020)

- **The private sector is not a homogeneous entity:** Be aware of the considerable variations in the focus, size (from small-holder to multi-national) and constituency (including owners, shareholders, employees, costumers, and other stakeholders) of companies in order to focus efforts appropriately. For example, big fashion companies may be more easily convinced by investing in watershed conservation as a way to maintain its good reputation vis-à-vis its customers, while a small farming enterprise may be interested in productivity gains in optimizing its water consumption.

- **The private sector doesn’t only think about making money:** An increasing number of companies are moving beyond traditional CSR and towards an agenda which aligns value creation for society with their own financial value creation. When considering approaching a company, understanding their interests and capacities with respect to water resources management can help frame the initial approach and conversation. You might want to look at different ways of valuing water to think through the various ways in which water matters to the specific company (Tool C5.04).

- **Multinational companies are complicated entities and can be difficult to navigate:** If you are thinking of approaching a large multi-national corporation, remember that any major international organisation has its own bureaucracy and internal dynamics, both operationally and geographically. The nature of the activity you wish to promote will determine which business unit or units within the company need to be involved – for example: marketing when the aim is regulating consumer behaviour, product development when the aim is to increase efficiency, or human resources when implementing learning activities. Geographically, the corporate structure, degree of decentralisation, and level of autonomy may affect the degree of commitment from the company at country-level. This means that it is often helpful to have a well-positioned champion within the company to make the necessary connections and navigate internal company dynamics to ensure the appropriate entry point.

- **Companies have limited resources and have a clear objective to maximise profit:** The sweet spot for engaging companies in stewardship can be identified where there is both a clear societal/environmental benefit and a clear business case for engagement. Make it clear to companies how water stewardship will help them making more money now or support their future money-making potential, for example through ensuring the long-term sustainability of their businesses. Sometimes, other stakeholders can help justify participation and buy in by jointly exploring the additional resources that companies can bring beyond cash. Technology and data are significant areas of exploration, sometimes involving no exchange of money at all. Do not think of companies as an ATM, willing to simply hand over money to other development actors. The more critical an issue is to them (including making profit), the more strongly they will engage and bring important resources far beyond money. Some direct and indirect ways of improving profits through water-related initiatives may include increasing agricultural yields for small farmers and agricultural producers; increased power generation for electricity generating companies, avoiding stops and spills, and savings from no longer needing to invest in filtering water, reducing energy consumption, reducing the cost of sludge removal, etc.

Building blocks for engaging in corporate water stewardship

Here are some buckets of activities that business can implement in order to engage in water stewardship and thereby contribute to promoting sustainable and equitable water resources management (CEO Water Mandate, 2022).

- **Providing WASH services:** Part of corporate water stewardship entails ensuring that employees have access to WASH both in the workplace and throughout supply chains in communities. The business incentive to have good WASH practices comes from managing risks and aiming at growth through increased productivity, health and wellbeing of workers as well as reduced absenteeism (WaterAid, 2021).

- **Measuring, monitoring and disclosure:** Promotes data collection for the site and the catchment and might include water balance, water quality, water governance, water-related costs and revenues, as well as indirect water use (Tool C5.03). Prior to data collection, the physical scope of both should be identified (AWS, 2019). Assessing water use efficiency, companies are asked to share information on water withdrawal, discharge, recycling/reuse and consumption. Companies may be incentivised by scoring methodology to align their operations with IWRM principles, transboundary cooperation and sustainable extraction of fresh water by including all the relevant stakeholders, recognising the cross-boundary nature of water management (Tool C1.09) and understanding needs of other water users (CDP, 2021a). The process of measuring and monitoring should be transparent demanding corporate disclosure of targets and actions (CDP, 2021b).

- **Assessing water-related risks** (Tool C1.01): should be done across the value chain, covering both direct operations and supply chains (Hoekstra, 2014). The assessment starts with identifying risk drivers that vary significantly across the world ranging from physical to regulatory and reputational ones. Availability of data is vital for companies to identify, understand and respond to these risks (WRI, 2021), as well as to convert risk into value (WWF, 2021). Water footprint maps (Tool C5.03) may be created to show where demand will grow along the value chain resulting in water scarcity and thus, higher risk exposure (McKinsey, 2009).

- **Developing an action plan:** requires defining mission, vision, and goals of a company towards good water stewardship, which should be publicly disclosed or reflected in an organisational document. The plan should also touch upon concrete actions to achieve water stewardship targets, timeframes, financial budget allocated, and positions held accountable for the implementation (AWS, 2019).

- **Promoting collective action:** Engaging actors along the entire value chain stresses that various stakeholders can be brought together to achieve water stewardship targets more effectively. Different companies may be brought together to create a mechanism to measure progress on one of the water-related SDGs (WBCSD, 2021). Businesses can partner with governments via a multi-stakeholder and multi-sectoral (Tool B3.05) gender-sensitive approach to support IWRM Support Programme (GWP, 2021). Public and private partners together with civil society and development organisations may be convened to address water challenges via public policies, institutions, and investments, appropriate technologies, and innovative financing models (WRG, 2020).

Volumetric Water Benefit Accounting (VWBA)

Due to the shared nature of water challenges, companies are to an increasing extent willing to commit large sums to lessening exposure to water risk and to balancing a volume of water equal to what they use, through investments in watersheds and communities outside their own facilities. There is hence a growing demand for a common and unified method that drives investments to address shared water challenges and contribute to public policy priorities.

Volumetric water benefit accounting is a method for practitioners to help calculate the volumetric water benefits of water stewardship activities, and associated guidance related to planning, project selection, and assessment, as well as communicating the benefits of water stewardship activities. Volumetric water benefits (VWBs) are defined as “the volume of water resulting from water stewardship activities, relative to a unit of time, that modify the hydrology in a beneficial way and/or help reduce shared water challenges, improve water stewardship outcomes, and meet the targets of Sustainable Development Goal 6.” (Reig et al., 2019:1).

VWBA provides a standardized approach with a set of indicators to quantify and communicate the volumetric water benefits, and includes complementary indicators to measure nonvolumetric outputs, and elements of effective water stewardship activities that increase the likelihood of generating social, economic, and environmental benefits.

The method includes:

- Recommended indicators and calculation methods for each water stewardship activity
- Communication guidelines
- A three-step process for implementation: 1) identify shared water challenges and understand local context, 2) define water stewardship project activities and partners, and 3) gather data and calculate volumetric water benefits

Before using the methods proposed, companies will need to have a deep understanding of their water use, risk exposure, and catchment conditions, as well as clear and well-defined corporate water stewardship goals and targets (Reig et al., 2019).

Business’ Role in Strengthening Water Governance

Responsible business engagement implies that private sector actions should be aligned with national and local policies and help strengthen the water governance structures and processes. Here are some areas that companies can focus on in order to support building more robust and adaptive water governance regimes (Morrison et al., 2010):

- **Internal operational and supply chain management:** On-site and suppliers’ actions comply with broader water policy objectives and relevant strategies and regulations (Tool B1.01).
- **Local engagement:** Companies engage with local authorities (Tool B1.02) and communities promoting inclusion of local stakeholders in decision-making.
- **Catchment-scale integrated water resources management:** Supporting basin management projects and taking part in decision-making process by seating on basin

management committees (Tool B3.04).

- **National dialogues and policy advocacy:** Businesses should not be side-lined in the water policy development (Tool A1.02). They can be powerful actors by demonstrating the need for smarter water policies and advocating for sound policy changes (Pacific Institute; CEO Water Mandate, 2022).

- **Global initiatives:** Collaborating with government, development agencies, NGOs, and international financial institutions on international advocacy and research in the sector. Businesses can for example become a CEO Water Mandate Endorser by signing the commitment letter to act on water and becoming a member of UN Global Compact.

Thematic Tagging
Private Sector , Urban , Water services
