



The CEO Water Mandate

Guide to Responsible Business Engagement with Water Policy

PUBLIC CONSULTATION DRAFT

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Preface

This Guide is a product of the CEO Water Mandate, drafted by the Pacific Institute in its capacity as the “operational arm” of the Mandate Secretariat in consort with World Wildlife Fund (WWF) International. The Guide’s origins date from the CEO Water Mandate’s Third Working Conference in Istanbul at the 5th World Water Forum (March 2009), where endorsing companies and key stakeholders first expressed their interest in the development of a guidance document for responsible business engagement with water-related public policy. At the Mandate’s Fourth Working Conference in Stockholm (August 2009), endorsers and stakeholders affirmed their interest, and agreed upon the Guide’s overarching objectives and scope.

An extensive review of existing and emerging practice, as well as consultation with industry and civil society representatives, academia and intergovernmental organizations has informed the engagement guidance contained within this document. Given the wide range of views regarding the merits, pitfalls, and controversies of business intervention in public processes, the authors have emphasized an iterative, inclusive, and transparent analytical process whereby key stakeholders and the general public were engaged to provide input on the project work plan, annotated outline, methodological approach, and various drafts of the report. This engagement was performed in part through the CEO Water Mandate’s working conferences and Policy Engagement Working Group – comprised of Mandate endorsers – who met periodically throughout the development of the Guide to discuss key issues. Key stakeholders representing a wider variety of interests were included in Working Group meetings on an *ad hoc* basis. The annotated outline of the Guide was open to public review for eight weeks in July and August 2009 via the UN Global Compact and Pacific Institute websites. This version of the Guide will undergo a public review period throughout April 2010, with feedback informing the final version of the Guide scheduled for publication in June 2010.

Disclaimer for public consultation draft

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Introduction

A. Emerging global trends in water resources and business risks

Historically, access to water has not been among most companies' top strategic concerns, yet, in the last few decades, a number of global trends have increasingly threatened the supply, quality, and reliability of water resources and services. Growing demand and competition for water mean there may not be enough water to meet company needs. Even companies that do not foresee water challenges may be at risk due to short-term changes in weather conditions or stricter regulations. Governments are increasingly forced to impose limits on water use and wastewater discharge to prevent over-development in catchments. Reputational damage is likely if there is mismanagement of scarce water resources, particularly if it negatively impacts basic human and environmental needs. All of these factors reduce investors' and consumers' confidence in a company.

Companies' "internal" solutions are limited in mitigating the full range of water-related business risks, as many risks stem from external factors largely established by the public sector and controlled through public policy.

In response, leading companies have begun to develop strategies and action plans to mitigate water-related risks. Companies invest in operational efficiencies, such as new irrigation technologies, closed-loop production processes, or water recycling. They locate their facilities in areas that can provide adequate and reliable sources of water and are increasingly working with their suppliers to improve water management practices. They are instituting corporate wide policies, codes, and ethics that stress the importance of water conservation and stewardship.

These "internal" solutions, however, are limited in mitigating the full range of water-related business risks, as many stem from external factors largely established by the public sector and controlled through water policy. The wider societal context of water dictates that well managed internal business operations in a poorly managed catchment remain at risk. Water policy determines water allocations in the face of limited supplies, establishes water pricing, sets quality standards to address pollution, and builds and maintains infrastructure that delivers water services, among many other roles. Even if official public water policy is adequate, it can suffer from low levels of political priority and funding, and a lack of implementation and enforcement and therefore may fail to protect the shared interests of public and commercial water users. These problems can be exacerbated by wider problems with governance such as both grand and petit corruption, dysfunctional bureaucracies and a poorly motivated civil service. Weak or ineffectively implemented water policy can exacerbate water scarcity, pollution, and infrastructure problems, thus creating or amplifying risks in social, environmental, economic, and business domains. These risks are of particular concern in developing country contexts where management institutions are often under-resourced and where impoverished communities are more vulnerable to reduced water quality or quantity.

This Guide embraces the reality that a businesses' water-related risk cannot be fully and effectively managed unless the catchments in which they, and their supply chains, operate are managed equitably, efficiently, and sustainably. It further promotes the

belief that, in many parts of the world, efforts toward sustainable water management could benefit from corporate engagement, provided that this support is grounded in the concepts of sustainability and equity. At the same time, business engagement in public policy, although directed at reducing risk, can, in and of itself, expose a company to reputational risk. Companies can expect some amount of mistrust and even opposition as they enter the water policy space, as concerns around policy capture, privileged access, and unbalanced leverage can color perceptions.

It is the overarching goal of this Guide to make a compelling case for engagement, while providing the insights, strategy, and tactics needed to do so in an effective, low risk manner. In this context, this Guide equates effective engagement – that which establishes a reliable supply of safe water to all users – with responsible engagement. The Guide positions responsible business engagement in water policy as actions undertaken consistent with the simultaneous furtherance of individual company and overall societal water needs.

The Guide defines sustainable water management as the management of water resources that addresses equity, economy, and the environment in a way that maintains the supply and quality of water for a variety of needs over the long-term, and ensures meaningful participation by all stakeholders in water resource management decisions. As such, responsible (and effective) corporate engagement with water policy entails companies contributing to shared policy goals and ensuring that policy is developed and implemented in a way that inclusive for all water users. It will not, at a minimum, contravene broader sustainable water management public interests (operating under a “do no harm” principal), and it will actively seek opportunities to improve broader social, environmental, and economic conditions that underpin sustainable water management.

The Guide recognizes and stresses that the management of water is a government mandate, though water-related risks are often shared between government, business interests, communities, and the environment. Within this context, corporate actors will need to determine where to set their individual “responsibility boundaries.” Companies will face water resource management frameworks ranging along a broad continuum from highly functional to fully dysfunctional, with the challenges for and pressures on the scope, nature, and degree of engagement changing accordingly. While each set of conditions will dictate tailored engagement responses, this Guide seeks to provide engagement principals, strategies, and tactics that will assist businesses to strike an effective balance and navigate these challenges.

In response to these emerging risks, companies can engage and work with the public sector in order to advance responsible water policies and sustainable water management. Examples of such engagement include:

- Encouraging efficient water use across a catchment
- Supporting research, advocacy, and monitoring
- Contributing to the development of effective and equitable policy and regulations
- Aiding environmentally and socially responsible infrastructure development
- Data sharing/gathering related to water resources
- Establishing or engaging in participatory platforms and other democratic processes for water governance decision making or oversight
- Advancing public awareness of water resource issues

However, this task is often daunting for companies. Many companies do not have extensive experience in this emerging field and therefore do not know when and how to engage and determine which issues are of greatest importance to them as well as recognize pitfalls, potentially created by engagement and interference.

B. The Guide's structure

This document offers practical guidance for companies wishing to promote sustainable water management in the catchments in which they operate, while providing insights as to the challenges of engaging with external stakeholders on water policy issues. Its principles, concepts, practical steps, and case examples are intended help facilitate companies' responsible engagement with water policy in a manner that advances policy goals and positively impacts nearby communities and ecosystems, and in so doing reduces business risks. Effectively, the Guide:

1. Defines public water policy, sustainable water management and the nature and objectives of responsible engagement;
2. Discusses the concept of shared risk related to water and the motivations and opportunities to engage;
3. Defines core principles for engagement;
4. Describes practical steps of engagement; and
5. Identifies potential pitfalls and actions to avoid them.

Facilitating equitable processes through which all affected parties can come together and contribute to mitigating shared risks will be a powerful tool for combating this century's emerging water issues.

It also explicitly addresses concerns about engagement regarding potential policy capture and other ways in which companies can negatively contribute to or block public water policy. These include concerns that: 1) companies will not cooperate with government in good faith to reach equitable and sustainable water management, 2) private sector involvement inevitably leads to other voices being drowned out, 3) for-profit companies fundamentally have no role in the governance of water resources which belong to the commons. This Guide denounces any type of engagement that could be construed as inequitable or non-inclusive, and instead asserts that inclusive and sustainable water management as the most effective way of mitigating long-term risks.

The guidance in this document is tailored primarily to large-scale private water users, rather than private water service providers. That said, some of the principles and recommended practices presented in this Guide may be applicable to the latter group.

Section 1: Understanding Water Policy

Water policy issues reside in a complex and nuanced landscape. This section provides an overview of how water-related public policy is defined in this Guide, what the objectives are, and what is meant by responsible corporate engagement water policy development and implementation.

A. What is public water policy?

Public water policy is often understood strictly as the legislation and regulations that underpin water management. This relatively narrow definition focuses on the principles, policies, and legal framework that govern water management, including, for example, broad strategies for infrastructure development, water rights laws, environmental protection, human rights laws, and research funding. This Guide takes a holistic view of water policy that encompasses all efforts to define the rules, intent, and instruments with which governments manage human uses of water, control water pollution, and meet environmental water needs. It considers not only the legal and regulatory framework, but also the planning around water resource allocation and the implementation practices by water managers and other stakeholders in support of this framework. A number of elements of public water policy are of key relevance to business activities, and will be the focus of later sections of this Guide. They include:

This Guide takes a holistic view of water policy that encompasses all efforts to define the rules, intent, and instruments with which governments manage human uses of water, control water pollution, and meet environmental water needs.

- Water supply and infrastructure development
- Water resource protection
- Water rights and allocation among sectors
- Water quality management
- Water pricing and economic instruments
- Operations and maintenance of water management systems
- Public participation in water governance and decision-making
- Environmental regulation, planning, and protected area management

Public water policy occurs at all levels of government. The overarching legislative framework is typically developed at the national or state/provincial level, whereas management and operational aspects are implemented at the local or catchment level. While not defined as water policy *per se*, there are a variety of other policy issues (i.e., economic development, trade, land planning, agriculture and energy policy) that have bearing on water policy and management.

B. Defining the end goal: sustainable water management

Sustainable water management (SWM) is a broad concept that can mean different things to different people. Environmentalists will focus on ensuring adequate environmental flows to sustain ecosystems. Human rights activists will consider it to be the point when all humans receive adequate supplies of safe water. Economists will

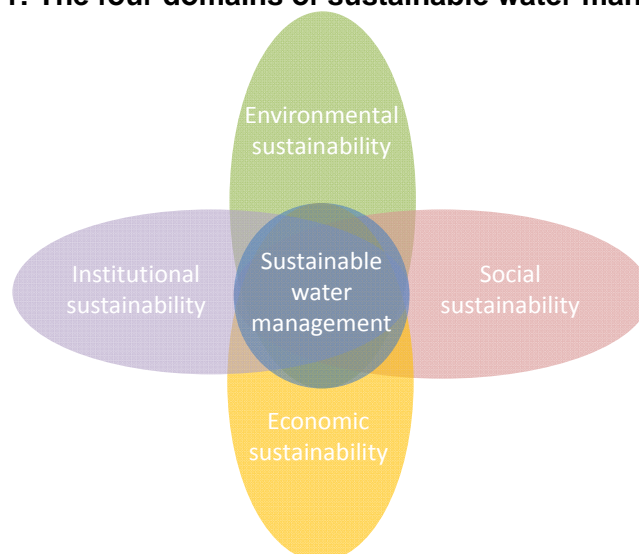
think of it as when water pricing can sustain a system's operational, maintenance, and capital costs over the long-term. A business might think of it as when water resource instability and competition are minimized, thereby reducing business risks.

This Guide presents SWM as a balance of all these elements. At its most basic level, SWM is the management of water resources that holistically addresses equity, economy, and the environment in a way that maintains the supply and quality of water for a variety of needs over the long-term, and ensures meaningful participation by all water resource management stakeholders. As shown in Figure 1, SWM might be thought of as the state when four domains of sustainability are effectively implemented. They are:

1. Social sustainability: Where all humans have equitable access to adequate and affordable water services in order to meet their health and livelihood requirements, and where citizens and communities play a meaningful role in water governance and decision making.
2. Environmental sustainability: Where water use and management does not compromise biodiversity, the functioning of habitats, or ecological, or hydrological processes which are essential to society,
3. Economic sustainability: Where the economic costs of water use and infrastructure development are fully calculated, including often externalized social and environmental costs, and are borne by the beneficiaries and/or balanced between water users in a way which is transparent and socially acceptable,
4. Institutional sustainability: Where institutions tasked with water management have sufficient resources and social legitimacy to enable them to function over the long term.

These broad concepts are aspirational and implementation practices in pursuit of these goals can take a variety of forms and approaches. This Guide provides both principles and operational measures that can help steer the different ways that companies can engage in water policy in support of SWM. For a description of major sources of water-related risk and how SWM can help mitigate those risks, see Appendix A.

Figure 1: The four domains of sustainable water management



C. What is responsible corporate engagement in water policy?

A properly enforced and consistent policy and regulatory framework is essential to support SWM, and SWM is essential to the ability of businesses to effectively manage water-related risks. Corporate policy engagement is by definition a complement to water policy and supporting regulatory frameworks, rather than a replacement for them. As such, responsible (and by definition effective) corporate engagement with water policy entails companies contributing to shared policy goals and supporting policy that is developed and implemented in a way that is effective, equitable, and inclusive for all water users. In catchments where there are no established policy goals or where public institutions are unable to meet their water management responsibilities, companies must look to established international guidelines and community engagement to inform the nature of their actions in support of community access to water or environmental health.

Businesses engage with governments on a range of issues, water only representing one topic among many. Corporate engagement with public policy has traditionally been understood as direct policy advocacy and lobbying. This Guide promotes a broader approach to corporate engagement in water policy, defining it as corporate water management initiatives that involve interaction with government entities (e.g., regulatory bodies, catchment authorities, and water service providers), local communities, and/or civil society organizations with the goal of advancing: 1) responsible internal company management of water resources within direct operations and supply chain in line with policy imperatives (e.g., legal compliance) and 2) the sustainable and equitable management of the catchment in which companies and their suppliers operate.

Thus this interpretation includes direct promotion of good legislation, but also the strengthening of policy implementation and local water management. It also includes corporate engagement with non-public sector entities that influence or are impacted by water policy decisions and management.

By its nature, water is fundamentally a local issue, either because there is inadequate supply due to local resource constraints and/or local supply schemes, or because the cumulative impacts of its use have negative consequences for other users, communities or ecosystems. The inclusion of policy implementation at the local level highlights companies' potential to directly influence and improve these local systems that create business risks. In many cases, local water managers need financial and technical assistance in order to operate more effectively and sustainably. This type of local engagement allows companies to assist water managers in this way and also promote efficiency and reliability of water delivery, fair and transparent water allocation and pollution control, appropriate pricing policies, infrastructure improvements, etc. In many

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countries water stakeholders, including corporate players are invited to actively participate in water governance and its oversight through representation in river basin boards or catchment forums. Such local level engagement ultimately provides them with a legitimate avenue through which to improve water security, reduce impacts on communities and ecosystems, improve their stakeholder relationships, protect long-term supply, and ultimately reduce business risks.

Yet, water also has the unique quality of connecting sometimes distant upstream and downstream areas; in some places river basins span tens of thousands of kilometers. National water policy has a direct impact on what standards and regulations those catchments are managed against. In addition, water is also managed by international compacts and a shared understanding of the essential need for safe and clean water for many human activities. Finally, policy implementation must occur at the corporate level insofar as companies comply with regulations and/or contribute to reduced water demand, pollution, impacts, and other policy goals. For this reason, as illustrated in this Guide, engagement with water policy includes action at a number of different scales: internal/corporate, local, catchment, national, and international.

Defining policy engagement to include engagement with local communities, civil society organizations, and stakeholders substantially broadens the scope of possible engagement actions. This can include companies engaging communities while forming internal water policies, supporting academic research on new technologies and management practices, and cooperating with civil society to ensure environmental and basic human needs are met, to name a few.

Responsible business engagement with water policy is built upon core principles that are fundamental to companies' efforts to advance sustainable water management in order to mitigate water-related business risks. These principles provide the foundation of the guidance provided in this document. Efforts that do not embrace these principles are likely to be inequitable and/or ineffective, and could potentially lead to increased risk. These principles – to be described in greater detail in Section 3 – are as follows:

- Principle 1: Intent to advance sustainable water management
- Principle 2: Respecting appropriate public and private roles
- Principle 3: Inclusiveness and partnerships in engagement
- Principle 4: Comprehensive and integrated engagement
- Principle 5: Proactive and pragmatic engagement
- Principle 6: Accountability and transparency in engagement

Section 2: Addressing Shared Risks and Opportunities through Policy Engagement

Companies engage with water policy development and its implementation for many reasons. However, in many instances they are particularly motivated by the desire to reduce business risks. There is a great deal of recent work documenting the existence and different types of water-related business risk.¹ This section provides an overview of this work, describing the risks shared between government and business, and making the business case for policy engagement. It concludes by summarizing how engagement at particular scales of water policy (i.e., local, national international) can help mitigate water-related risks.

The strategic decision to proactively manage water-related risks is driven by five primary inter-related motivations, namely:

1. Ensuring the company's local legal or social license to operate in a specific location;
2. Preventing or reacting to operational crises resulting from inadequate availability, supply or quality of water or water-dependent inputs in a specific location;
3. Gaining competitive advantage over competitors, due to stakeholder and consumer perceptions that the company uses natural resources responsibly and has minimal impacts on communities or ecosystems;
4. Assuring current and potential investors and markets that business operations will continue to be profitable into the future, by assuring water availability for operations and supply chains;
5. Upholding corporate values and ethics based on sustainable and equitable development, by contributing to the well-being of the catchments, ecosystems, and communities in which they operate.

Companies face different water-related risks depending on their reliance on water, value chains, brand profile, location of operations, customer relationships, product necessity, and institutional and infrastructure context. Because of this, different companies and different industry sectors are often subject to quite different types of water risks. Agri-business and those dependent upon agricultural products in their supply chain face very real direct risks around water availability, while those in the extractive and chemical industries face risk around local supply and waste discharge. Finally, retail and financial industries face indirect risk associated with the risks faced by their suppliers and clients.

While some of these risks can be effectively addressed through improving the efficiency of internal operations, the majority of risks are closely tied to the impacts internal operations have on the surrounding environment and/or catchment conditions, including ecosystem health, community access to clean water, and institutional capacity to provide water services sustainably and reliably. This Guide provides a way for companies to

¹ See for example: *Water Scarcity and Climate Change: Growing Risks for Businesses and Investors*, Pacific Institute & Ceres (2009); *Investigating Shared Risk in Water: Corporate Engagement with the Public Policy Process*, WWF International (2009); *Watching Water: A Guide to Evaluating Corporate Risks in a Thirsty World*, JPMorgan Global Equity Research (2008); *At the Crest of a Wave: A Proactive Approach to Corporate Water Strategy*, Pacific Institute & BSR (2008)

address risk stemming from external catchment conditions that cannot be dealt with through changes in internal management alone.

A. Sources and types of risk

Water risk manifests in many different ways and for many different reasons. Understanding the cause or source of risks can be an important step in identifying the most effective way to address that risk. Such a process can begin by identifying the origin(s) of a company's water risks. Examples of common sources of water-related business risk include: physical water scarcity, inadequate operation and management of water systems, insufficient infrastructure, ineffective or inconsistent regulatory framework, water pollution, competition among uses, and climate change. A detailed discussion of these problems, how they create risk, and how sustainable water management helps mitigate those risks can be found in Appendix A.

While the causes and extent of water risk, as well as the appropriate response strategies, varies greatly from company to company, and location to location, risk can generally be divided into three inter-related categories that reflect how businesses are affected. Risk relates to the impact and likelihood of an event or outcome. Both the impact and likelihood vary according to a company's vulnerability amid a wide range of conditions. Therefore, firms have different risk profiles and exposure in a specific water management context, while the nature and manifestation of the risk is commonly shared. Business risk related to water can be examined through some inter-related lenses:

- **Physical:** Physical risks stem from having too little water (scarcity), too much water (flooding) or water that is unfit for use (pollution). This can be caused by drought or long-term water scarcity (i.e. insufficient and/or unreliable access to water); over-allocation among users, flooding (causing damage to infrastructure and/or disruptions in supply); or pollution, to the extent that such water is rendered unfit for operational use. Even where water is physically abundant, companies can have limited access to water due to poor management and insufficient or inconsistent water services. This is most often a problem for companies with water-intensive operations in water-scarce regions or in developing countries in the Global South.
- **Regulatory:** Regulatory risks can occur due to changing, ineffective, poorly implemented, or inconsistent water-related policies. Stricter regulatory requirements often result from water scarcity and/or ensuing conflict among various needs (e.g. urban, agricultural, industrial, ecological) or because of public perception of a company's water uses and discharges as wasteful, disproportionately harmful, or inequitable. They can also be changed due to other policy objectives or in some cases corruption. Risk can stem from a number of different aspects of this change: the changes themselves can create a less inviting or stable business environment, they can be simply incoherently designed, and/or inconsistently applied. All of these situations can compromise a company's access to water supplies/services, increase the costs of operation, or otherwise make corporate water use and management more challenging.
- **Reputational:** Reputational risks stem from changes in how stakeholders view companies due to their real or perceived negative impacts on the quantity and quality of water resources, the health and wellbeing of workers, aquatic ecosystems, and/or communities. Reputational concerns can lead to decreased

brand value or consumer loyalty or changes in regulatory posture, and can ultimately threaten a company's legal and social license to operate.

Physical, regulatory, and reputational risks ultimately lead to increased costs or lost revenue due to the diminished supply or quality of water or the mismanagement of water resources (i.e. financial risks). Water shortages or inadequate water quality lead to more expensive water, inconsistent production due to unreliable water supply, higher energy prices, higher insurance and credit costs, or damaged investor confidence. All of these situations can significantly affect the profitability of certain operations.

B. Shared risk

The geographic, developmental, and socio-political context in which a company's operations are located define the nature and extent to which water resources create business risks.

Operations that are located in water-rich catchments are likely to have greatly reduced risks, because companies will always have sufficient amounts of water for their productions and corporate water use will likely not compete with other uses. In contrast, companies that operate in water-scarce regions are likely to be exposed to great risk

regardless of their attempts to be sustainable, because of the perception of competition and the likelihood that their water use will be limited through regulation. Similarly, companies that operate in catchments that are effectively and sustainably managed will be exposed to much less risk, even when water supplies are relatively scarce. In these situations, though companies' water use may be limited in times of drought, restrictions can be planned for and anticipated within a cooperative and coherent response so that use is likely to be sustainable over the long-term. Conversely, catchments that suffer from a lack of management will be less likely to provide reliable water for companies or ensure that basic human and environmental needs are met. These situations are more prevalent in developing countries where basin management can be very challenging because of a highly dynamic environment, issues of scale, lack of data and infrastructure; where institutional capacity is often low; and where corruption can be more pervasive.

These external catchment conditions that create risk for companies also create risk for other actors in that catchment. Indeed, communities, the environment, customers and suppliers, as well as government are all exposed to risk due to common problems such as water scarcity, pollution, aging infrastructure, floods, droughts, and climate change. For instance, inadequate water quality standards might hinder a company's access to adequate water supplies or increase the cost of this access. Conversely, inadequate water quality standards hinder a government's capacity to fulfill its responsibilities to protect water resources or provide clean water for its citizens. Figure 2 offers examples of water issues that create risks for businesses and governments alike.

Business operations rely on healthy water management systems, coherent policies that govern water use, and functioning ecosystems in order to access water and avoid risk. Measures to manage water risks solely within the closed circle of the company and its key suppliers (i.e., efforts to reduce water footprints within a company's direct operation and supply chain) cannot entirely eliminate water risk exposure and water supply uncertainty.

Figure 2: Examples of water-related risks shared between companies and governments



In the same way that common problems pose risks to businesses and governments alike, both sectors can reduce these risks through common strategies and solutions. Businesses and governments both need efficient water use, clean water bodies, and effective infrastructure. Both rely on water management to address these issues and to respond to short-term risk and plan for long-term risk. In essence, both look to

sustainable water management to mitigate risk. As such, shared risk provides a strong argument for business and government to cooperate and collaborate to promote sustainable water management. This is when business engagement with water policy becomes a powerful tool. Common principles for effective management and mitigation of water risks apply to both governments and businesses. These include a focus on long-term sustainability, the prioritization of water allocation for those least able to cope with scarcity, flexibility of response in the light of changing hydrological reality, and the need for better public policy, stronger institutions and broad stakeholder engagement. Out-of-date or poorly enforced public policy and weak water management institutions transfer risk to companies and often onto those in society that are the least able to cope.

C. The business case

In the past, increased government intervention in business operations has been perceived as a key business risk. However, as water resources become jeopardized and stakeholder expectations of sustainability and corporate social responsibility gain momentum, this is no longer the case. As discussed earlier, much of companies' water-related risk is created by external environmental, social, and political conditions that are beyond their direct control or influence. A growing number of businesses now accept that strong regulatory frameworks and management systems can lower the cost of doing business on a day to day basis. Such regulations - as long as they are coherent in design and predictable and consistent in implementation - ultimately reduce risks by driving improvement among the company itself and provide a level playing field among water users in the system. As such, businesses accept the need for reasonable regulation. This pushes corporate engagement toward cooperative advocacy for the regulation of water allocation, wastewater discharges, and land use within a rational catchment plan: and for regulation of water supply, sanitation access, and water pricing in certain settings.

The potential for business and corporate players to play a meaningful and positive role in sustainable water management is very significant, particularly in regions with fledgling water governance arrangements and institutions. Businesses often have a great deal of credibility and authority with government and with thoughtful engagement, business can help create highly legitimate platforms to advocate and oversee better performance and greater accountability within the public sector – for everyone's benefit. The architecture for water management under recent policy reforms in many developing countries invites this participation in multi-stakeholder water management fora and corporate engagement can help these functions.

Corporate engagement with water policy geared toward addressing shared risk can occur at numerous levels. Five primary scales for such engagement and the way in which this engagement can reduce risk include:

1. **Internal operational or supply chain engagement:** At this level, companies facilitate internal and supplier actions that are in line with broader water policy requirements and objectives (e.g., permits, efficiency, discharge, siting). This reduces risk by improving internal efficiencies, reducing competition among other users in a catchment (and thereby supporting the license to operate), ensuring compliance with regulations and social norms, and ensuring internal house is in order to prepare for policy engagement.
2. **Local engagement:** Companies also work with municipalities, operators, local civil society, or communities around operational issues related to reliability and

- adequacy of local water supply and sanitation (e.g., infrastructure, community supply, water treatment, and quality). This helps support efficient operations of external actors, and also helps ensure local stakeholders are included in decision making at the corporate and local levels.
3. Regional, catchment-scale engagement: Engagement also occurs with water management authorities and other stakeholders around strategic and operational issues related to water allocation, pollution control, environmental protection, flood and drought management, planning and development control, etc. At this level, companies can reduce risk by strengthening the enforcement of regulations and helping to reduce corruption, and thus preventing widespread pollution or excessive water use and addressing strategic water resources management issues (e.g. allocation, environmental protection, water pricing, etc.) to improve the reliability of water supply.
 4. National engagement: Companies also engage with water and related policy processes to ensure the appropriate legislative and institutional arrangements are in place and functional. This can also address broad strategic water resource management issues (and in doing so improving reliability of supply), strengthen regulations that reduce pollution and excessive water use, and targeting areas of concern in the water sector for financial investment.
 5. International engagement: Finally, business engagement can occur with governmental, international civil society and/or public platforms around water management norms, international advocacy, and research and development toward best practice. This can help improve regulatory certainty through international law and standards, foster reputational benefits through advocacy of sustainable policy, and help create pressure for local and national governments to implement more sustainable policies and management.

The first level relates directly to a company's own decision making, and is about alignment of corporate policy with public policy imperatives – all companies tend to start in this space. The second and third levels typically relate to company engagement with water management bodies (either as individual corporate entities or through local stakeholder platforms), and is fundamentally about implementation of policy through local action, strategy and policy – this is the space in which those companies facing strategic or operational risk can act. The last two levels usually relate to joint engagement by corporate entities through business associations or global initiatives (e.g., UN CEO Water Mandate), and is about policy frameworks (normative) for water management. This is the space that those that want to operate as sector leaders tend to operate, because of the long timeframe for effects to be felt on the ground (except where there is a traditional lobbying response to emerging/proposed policy and legislation). At each scale, there are different public entities engaged in water management, collective action opportunities, and opportunities to address risk.

Section 3: Core Principles for Responsible Engagement

The guidance provided in this document is centered on six fundamental principles or values that underpin responsible engagement with water policy and management. Aspirational in nature, these principles address the **goals, objectives, and approaches** to responsible engagement. While all of the principles are broadly relevant to responsible policy engagement, particular principles will be more or less relevant depending on the nature and scope of specific engagement activities. This section explores these principles in detail, focusing on why they are important and how they can be effectively implemented into engagement.

Principle 1: Intent to advance sustainable water management

Responsible corporate engagement in water policy must be motivated by a genuine interest in furthering sustainable water management.

Responsible engagement requires that the business' objectives be aligned with specific public policy objectives and sustainable water management in general. Reducing the likelihood of operational crisis and managing medium/long-term strategic risks are ends consistent with responsible engagement. Clearly understanding the water management context within which engagement will take place (e.g., high to low institutional capacity, high to low water stress conditions, high to low water competitive pressures) is critical to connecting these motivations to outcomes and objectives that will serve corporate and broader societal interests, setting the desired responsibility boundaries for action, and managing the risks involved in engagement. The company will further need to clarify to all concerned what it is doing and why, as well as to explain the risks and the rationale for the decision to get involved (See Principle 5). While practically difficult to ensure or guarantee that all corporate activities are aligned with SWM, responsible engagement orients around seeking opportunities to improve broader social, environmental, and economic conditions associated with SWM and effectively addressing the company's negative impacts.

Principle 2: Respecting appropriate public and private roles

Responsible corporate engagement in water policy entails ensuring that activities do not infringe upon the government's policy and implementation roles for water resource custodianship and service delivery.

On a day-to-day basis, governments are responsible for establishing and implementing water-related policy that ensures water services are reliably provided and catchments are managed sustainably, equitably, and efficiently. Businesses are responsible for ensuring that their operations comply with regulations and do not hinder the ability of governments to meet these policy imperatives or protect internationally recognized human rights.

Through the engagement process, businesses go beyond their direct responsibilities to actively engage with governments to advance SWM. The corporate role in engagement is to facilitate and support government's achievement of policy by building institutional capacity, helping to create effective and equitable policy, regulatory and strategic frameworks, and encouraging multi-stakeholder dialogue. In these situations, the objectives and strategies of engagement must be developed in cooperation with governments and affected stakeholders. Companies must be wary of taking on too much responsibility for policy formulation or implementation, and should rather engage to facilitate government meeting its obligations.

In cases where insufficient political priority is afforded to water management, where institutional capacity falls short of the challenges or where there are pervasive problems with governance and probity, private sector actors can play important roles in unlocking progress through contextually appropriate advocacy and action. Alternatively, companies may engage directly with communities to support internationally accepted policy goals such as those in the UN Millennium Development Goals or the Universal Declaration on Human Rights or more practical local efforts to improve water services and management. Any corporate advocacy or community engagement strategies purporting to advance sustainable water management must be developed through stakeholder dialogue, providing other interests with space to balance corporate interests and the opportunity to share existing expertise.

Principle 3: Inclusiveness and partnerships in engagement

Responsible corporate engagement in water policy promotes inclusiveness and genuine and equitable partnerships across a wide range of stakeholder groups.

Companies interfacing with water policy and management can expect to face mistrust. To enhance legitimacy² and protect against policy and regulatory capture³ concerns, companies should pursue approaches that bring together and enable affected stakeholders. Such stakeholder participation helps ensure integrity of joint purpose. In particular, companies, depending on the context and associated goals and outcomes articulated above, should include affected stakeholders, relevant peers, public sector, civil society organizations (NGOs) and national and international agencies in any particular engagement activity.

A partnership-based approach brings other potential benefits. The complexities of water governance and policy engagement may already be well understood through the long term work of researchers and NGOs. Working with existing 'water sector actors' through broad-based partnerships has the potential to galvanize the legitimacy of corporate engagement and to facilitate the constructive pooling of insights, information and experience.

Principle 4: Comprehensive and integrated engagement

Responsible corporate engagement in water policy proceeds in a coherent manner that recognizes the interconnectedness between water and many other policy arenas.

Efforts have been underway for many decades to improve public policy and its implementation in the water sector. Where these efforts are progressive it is important that companies are cognizant of them and their content, and help them to take effect rather than attempting to inculcate potentially inappropriate *new* approaches.

Companies can and should engage policy with the understanding that water management decisions are ultimately economic development decisions (with social and environmental

² Legitimacy describes the 'formal and informal ways in which processes, policies, structures and agents are validated and consequently empowered'. Legitimacy in water management is volatile, constantly under review and determined within a network of economic, social and political relationships, constantly in flux, but which legitimate or de-legitimate policies, practices and people. Legitimacy is gained through a cycle of achievement, which is self-reinforcing. When formal policy processes and implementation attempt to demand validation without achievement then there is a divide between formal authority and popular support - a 'legitimacy gap' (Hepworth 2010).

³ Policy and regulatory capture exist where policy makers and those affected by policy; and regulators and the regulated become too close with the result that the interests of the regulated enterprise are pursued rather than those of the public at large. Capture can work in various forms - through imbalanced access, influence, finance, expertise, information and technology and can shape policy and regulatory performance, intentionally or through circumstance, to favor vested interests rather than in furtherance of the public good.

implications). Companies can engage in water policy from the top down and bottom up – in both cases they can seek to ensure more comprehensive and integrated policy.

There is a need for corporate leadership to raise awareness that public policies and approaches to solving broader sustainability issues have underappreciated implications for water. Biofuels, international trade, and agriculture policy are examples where the energy-water-food nexus is not often fully acknowledged or integrated in public policy making. Companies are in a better position to understand this integration as it often occurs along a supply chain. Therefore comprehensive solutions may incorporate more than one typically isolated policy arena.

Principle 5: Proactive and pragmatic engagement

Responsible corporate engagement in water policy is proactive rather than responsive to events and is cognizant of and sensitive to the environmental, social, cultural and political context it takes place within.

The timing of policy engagement is critical to public perception and ultimate success of corporate involvement. A proactive company with established stakeholder partnerships and a long-term SWM agenda will run fewer risks of being seen as a narrowly focused competitor in times of crisis (e.g., during water shortage or pollution event) than one that merely reacts as crises develop.

Efforts to improve water governance are already ongoing by government, NGOs, and other water stakeholders in most countries and catchments. It is pragmatic - and brings legitimacy - for companies to engage with and add momentum to existing initiatives rather than to attempt their own parallel efforts.

For engagement to be pragmatic it is vital to comprehend and be sensitive to disparities in the capabilities and priorities between corporate and public sectors in terms of their abilities and interest to engage in dialogue and other joint initiatives. In developing countries in particular, the ability of other water users, water managers and communities to articulate and argue their interests may be limited. On the other hand, if water management capability does exist in developing countries it will be in enormous demand. The resources available to these groups may be tied up on urgent priorities which may not benefit from private sector engagement. In this regard, pragmatic, inclusive and productive engagement needs to be based on a nuanced understanding of local realities and contexts, within which institutional development and capacity building may be key considerations for engagement.

To help elucidate shared risks and align mutual interests, responsible engagement may incorporate a longer time horizon and incorporate social and environmental costs into internal planning and cost-benefit analysis. To ensure that short-term interventions do not jeopardise long-term goals and objectives, the company must recognize the links between political, security, and development objectives. Pragmatic engagement in the policy sphere may require long-term commitment and recognition that there may be reputational risks associated with disengaging prematurely. Upfront understanding of the length of engagement required, commitment to the costs (capacity and capital), and acknowledgment of the political will inside and outside the company needed to sustain the effort are critical.

Principle 6: Accountability and transparency in engagement

Responsible corporate engagement in water policy progresses in a way that is fully accountable and transparent so as to ensure alignment with sustainable water management and to promote trust among stakeholders.

A chain of internal corporate accountability must be established so that agreements are honored throughout the company hierarchy. To ensure this accountability, a company should ensure that a full understanding of objectives, approach, risks, opportunities, and exit strategy is clear, along with buy-in and full commitment from the appropriate level of corporate management depending on scale of engagement.

A commitment to transparency with respect to motivations, objectives, actions, and sense of responsibility boundaries is critical to avoiding perceptions of bad faith or intent. Transparency will be most effective if conducted in partnership with stakeholders with a direct interest in the issue, leading to the establishment of multi-stakeholder platforms for policy engagement (which may survive beyond any individual engagement by a company).

Section 4: Effective and Equitable Approaches to Engagement

While the extent to which companies understand the concepts and principles that underlie responsible business engagement with water policy and management ranges widely, the ability to effectively translate these concepts into practical action is a significant challenge for many companies. This section outlines a number of practical measures companies can take when engaging with water policy, with a goal of advancing sustainable water management. These measures constitute an operational framework that is organized around the four main stages of a continual improvement cycle: planning; implementing; reviewing; and responding. This is consistent with the four stages of the plan-do-check-act Demming Cycle (shown on the right). This framework orients around these stages to stress the highly iterative, dynamic, and feedback-oriented nature of engagement.



The operational framework further looks to support activity across the scales of engagement discussed earlier, with local and regional interventions tending to focus on mitigating direct operational risk and national and global interventions more focused on broader and more long-term SWM approaches and frameworks. Addressing shared risk while adhering to the principles for responsible engagement can be applied to all of the activities described below.

A. Planning

The first stage involves creating the internal understanding, focus, and buy-in to support credible external engagement with a minimum of reputational risk. During planning, a company will discern the relationship between its water risks (along a continuum from the group/corporate level to individual operating units) and the public policy context within which it operates. Planning can be initiated at any organizational level. It can result in a decision to utilize one or more types of engagement (e.g. advocacy, data sharing, building capacity) and at one or more scales. Planning engagement includes the following key elements:

Step 1: Ensure internal house is in order

Businesses should recognize that water policy engagement will likely generate scrutiny of their internal operations. This scrutiny signals the need to ensure internal water management policy, practices, and performance are at levels consistent with establishing and maintaining credibility and legitimacy with external stakeholders, such as governments, civil society organizations, consumers, and potentially affected communities. Key drivers of stakeholder perceptions include water use efficiency, water quality impacts, water withdrawals in competition with other critical water uses, preferential supply arrangements, and undue influence on public policy and management. It is important to understand these views may substantially vary at different policy levels. For instance, local community relationships for individual operating units may be very positive and strong, while global reputation may be under stress.

Step 2: Understand the local water resource and supply contexts and assess your impact on them: This begins with understanding the scheme or catchment from which water is sourced and waste water returned for operations or key suppliers. Impacts on these water resources will be cumulative with other users, but together have social equity or ecological sustainability

consequences that are mitigated or ignored by water policy and its implementation, which requires some understanding of the other users of the water resource. These consequences are the source of the greatest reputational and regulatory risks. Key questions relate to whether any water scarcity is economically induced (a lack of investment), policy induced (a lack of policy and/or implementation) or physically induced (a lack of water); whether the basin is closed or approaching closure and whether the context lends itself to demand rather than supply side solutions. Lastly, an assessment of the future developmental or climate pressures on water resources is necessary to identify potential engagement opportunities.

Step 3. Conduct candid review of current stakeholder perceptions

Consistent with Principle 3, an established baseline of trust among stakeholders is critical for effective water policy engagement. To effectively prepare an engagement strategy, a company must understand the positions held by its key stakeholders including but not limited to regulators, employees, and local citizens. In some cases, such an assessment directly informs the objectives of engagement activities, while in others it makes companies aware of certain types of outcomes that are particularly important to avoid. This process includes identifying key stakeholders and developing effective, long-term lines of communication with those groups (which will often be quite different depending on the type of stakeholder).

Community engagement is often a cornerstone of policy engagement strategy. It can be deployed as a part of a companies' general strategy for conducting business in a catchment, as a precursor to engagement in order to ensure internal shop is in order, or in support of other engagement actions as a means of understanding how such actions will impact key stakeholder groups. Community engagement focuses on establishing enduring relationships with a broad spectrum of community leaders. These relationships are geared towards an open flow of information between company management and community leaders resulting in a clear and shared understanding of key needs and interests, a company's impacts on those groups, issues that create risk for companies and communities alike, and company and community actions that reflect mutual benefit. Community engagement actions include forming community advisory groups, holding regular "open house" forums with neighboring communities, creating catchment groups, and implementing grievance mechanisms in the case of negative impacts.

In its most productive form, community engagement leads to a strong sense of shared interests, creates direct lines of communication in support of corporate transparency measures, facilitates substantial trust-based relationships, and helps provide strong support for critical corporate operational needs. Trust is often only gained through on-going communication among a company and local communities and genuine action informed by that communication. It requires heavy investment of corporate resources for initial and on-going education efforts, as well as a commitment to responsiveness to community interests and needs.

Step 4. Understand the public policy context and political economy

Policy engagement must be informed by a clear understanding of the nature, strengths, and weaknesses of relevant policy framework and management systems. In pinpointing the aspects of the policy framework that create risk, a company should link its operational water-related risk assessment as specifically as possible to aspects of the policy framework. For example, a company might link poor local maintenance of water supply systems or poor enforcement of illegal water use to business unit water supply interruption or shortage risks. This kind of gap analysis can be done for all aspects of operations including citing new facilities, existing sites, supply chain, and product use. This analysis will isolate the weak links in the policy framework and thereby inform what type of engagement is needed.

Successful engagement will also require comprehension of the political economy within which a company operates. A contextual understanding of the political priorities and imperatives, modes of decision making, 'drivers of change' and power structures will reveal at what scale and at which aspects of water policy or management (e.g. infrastructure, management capacity, enforcement of regulations) engagement should be targeted.

Companies can use the elements of SWM (see Section 1.B of this Guide) as a means to understand how robust and equitable the local framework is. Companies should seek to answer the following types of questions using the mix of public policy engagement levels (local through international) most appropriate to the organizational level conducting the planning:

- What are the key determinants of water policy performance? Are local government officials and water managers endeavoring to achieve sustainable water management in good faith? If not, are they simply under-resourced, lacking political support, or is there evidence of negligence or widespread corruption?
- What is the formal (legal and regulatory) water management decision framework?
- Is this framework adequate (e.g., includes needed standards, allocation mechanisms, public participation elements) and sufficiently functional (governments have sufficient resources and license to enforce rules, process permits and licenses, etc.).
- Who has what type of leverage in the water management decision framework and are there underrepresented or poorly represented interests?
- Who has what type of water access and use needs and to what extent are these met? What is the outlook for these needs being met in the future?
- Is water supply and treatment infrastructure sufficient and adequately maintained to meet current and projected needs?

Answering these and related questions will reveal where gaps exist in the current water policy framework that can lead to or exacerbate water-related business risks. The questions will also inform companies about the interdependence of key organizations and actors, which will have high relevance as their policy engagement strategy is developed.

Step 5. Establish and articulate engagement goals and strategy

Consistent with Principle 1, effective engagement will need to be driven by clarity of purpose which will ensure internal company management is well-aligned and that external communication will send clear, consistent messages. Critical to this activity is the establishment of clear responsibility boundaries and an understanding of how the company will position itself relative to public institutions. The company must decide to what extent it is feasible, desirable, and appropriate to take on issues that would be public water management responsibilities in a more functional institutional environment. The company will be best served by deciding to identify its objectives, setting responsibility boundaries, and then communicate clearly its intent to stakeholders. The company should explicitly consider how its water policy engagement goals align with sustainable water management objectives. Appendix A provides an aspirational list of such objectives, along with a description of how attaining them may help reduce business risk.

To complete engagement planning, the company will need to decide on the strategy and methods with which it will pursue its established engagement objectives, which as described in Principle 2 must be consistent with public policy goals. This involves deciding on the nature, topics, and means of engagement. The nature of engagement includes utilizing individually or in combination the elements of direct intervention, information sharing, technical assistance, advocacy and others. Examples of positioning include: a commitment to zero water loss or

water neutrality; a goal to not take any water in competition with local community drinking water; or a commitment to improve community access to water in the catchment in which they operate.

The most important step in this process is to ensure that the corporate role and responsibilities in engagement are clearly understood and agreed to by the company, public entity, and relevant stakeholders. In most cases, companies will support and facilitate public entities in their attempts to fulfill their responsibilities (e.g. treat drinking water, repair infrastructure, monitor water quality); in others, companies may partially fulfill these traditional public roles. However, the corporate fulfillment of public roles is not an expectation and is in fact undesirable for companies, governments, and other stakeholders alike in most situations.

Whether to partner with other companies, civil society organizations, and/or intergovernmental institutions in engagement or to “go it alone” is often a key component of the planning process. Partnerships (discussed in more detail in Section 5) allow for greater visibility, greater resources, and a broader range of ideas and knowledge. That said, they also typically require more deliberation and coordination amongst actors. The need for and usefulness of partnerships often increases as the level/scale of engagement becomes greater. For instance, while company resources and communication alone at the local level may be sufficient in order to affect change in municipal water management, it may take a broad coalition of businesses to have the resources and leverage needed to influence national policies.

Many of these aspects of engagement should be clearly communicated to affected stakeholders, investors, consumers, and the general public. Guidance on operationalizing transparency in policy engagement can be found in Section 5A.

B. Implementing

Note from the Editors: The Guide’s drafters are planning to include a series of case examples in this section that will demonstrate various types of successful engagement and how they have played out at different scales. We welcome companies and stakeholders to suggest any case studies on innovative approaches or effective collaborations between governments and companies with respect to water policy engagement. We also welcome input (and specific proposals) regarding whether case examples in other sections of the Guide would be helpful.

As discussed, policy engagement may occur at one or a combination of levels (local, catchment, national, and/or global), on a broad range of topics, and through a variety of approaches and mechanisms. This section summarizes some key issues and actions at various scales of engagement. It also describes some engagement approaches and considerations relevant across scales. To see how the relevant actors, water policy foci, and engagement opportunities differ depending on scale, see Table 1 below.

Internal actions: direct operations and suppliers

“Getting the house in order” is a prerequisite for effective water policy engagement. In pursuit of achieving good operational practices, companies can implement basic efficiency practices and technologies (e.g. water recycling, drip irrigation systems) and take steps to make sure they adequately comply with local regulations. Water accounting methods, such as water footprinting, Life Cycle Assessment, and the WBCSD’s Global Water Tool, are useful ways through which to assess and manage water-related risk and impacts. In addition, companies can work to influence suppliers to implement similar operational efficiency practices. These measures are particularly relevant where operations and/or suppliers are in locations with

existing of threatened water stress or water quality concerns. Underlying these approaches is the necessity of ensuring legal compliance in terms of local or national water abstraction and/or discharge permit conditions, or alternatively accepted international norms where the local regulatory regime is inadequate.

Companies can also engage with water managers and other public institutions to get access to data regarding water uses in that catchment or general conditions of water resources in that area as a means of improving internal operations. This can aid companies in deciding how to site their facilities so as to minimize impacts and risk, to benchmark against other industries in that catchment, to learn about water efficient techniques that have been successfully implemented in that area, and to engage with catchment development boards that could help identify where a company's impacts occur, among other things.

Local and regional/catchment engagement: Influencing policy implementation

Water use efficiency and the reduction of wastewater discharge by themselves do not necessarily immunize a company from reputational and regulatory risks stemming from social, environmental, and political catchment conditions. The second scale of engagement involves engaging with external stakeholders to improve the management of water resources. This type of engagement typically occurs at the local or catchment scale and is most effective when the corporate recognizes the diversity of stakeholder perspectives, but in the context of "shared risk". Types of engagement at this scale include:

Incorporating Soft Path Solutions in Policy Engagement Strategies

The past century was dominated by the construction of massive infrastructure in the form of dams, aqueducts, pipelines, and complex centralized treatment plants, funded with a limited set of financial tools. This "hard path" approach has been incredibly beneficial in many respects, however it also had substantial, often unanticipated social, economic, and environmental costs. An emerging, alternative water management paradigm is the "soft path," which continues to rely on carefully planned and managed centralized infrastructure but complements it with small-scale decentralized facilities and innovative management approaches. Some key principles of soft path management:

- *Treating water as a service:* Changing the concept of water as an ends to a means is critical in order to liberate water planners and managers from the constraints of merely supplying more water to supplying water services. This allows for an increased range of options to reduce water use while maintaining the desired water services.
- *Ensuring ecological sustainability:* In many situations, leaving water in its natural state may be more beneficial to society than extracting it. Thus, important environmental constraints are acknowledged from the start to limit water extraction from natural sources.
- *Matching the quality of water to its use:* Water policies and planning efforts are designed to match the quality of water to that required by the final use. The goal is to create circular systems so that the wastewater from one use becomes an input to others.
- *Beneficiary-pays:* Water pricing should reflect the value of water and incentivize efficient uses. Further, those that benefit the most from certain improvements should bear a proportionate amount of the costs through user-based fees and polluter-pays principles.
- *Planning with the future in mind:* A longer time horizon for water planning allows for the consideration of new norms of behavior, impacts of climate change, and preferred policy interventions.

These concepts can help inform a business' policy engagement strategy by providing practical steps that advance sustainable and efficient water management. These solutions are generally more cost-effective, have less impacts, and incorporate stakeholder participation, and thus generally help ensure that both the process and outcomes of engagement minimize risk.

For a more comprehensive discussion of Soft Path solutions, see the work of the Polis Project on Ecological Governance at: <http://www.waterdsm.org/softpath>, and the Pacific Institute at: http://www.pacinst.org/topics/water_and_sustainability/soft_path/index.htm.

Direct intervention with policy implementation / water management

Policy engagement at the local or catchment level often focuses on directly fixing deficiencies in or supplementing the adequacy of water management institutions and infrastructure. This can be used to improve the reliability or quality of water supply or to address local social or environmental concerns, among other things. This type of intervention, in particular, will challenge a company's "responsibility boundaries," as it will typically be taking on what would otherwise be a public sector water management role. As such, companies must be particularly careful to ensure that the relevant government agencies and stakeholders support their fulfillment of this role. Direct intervention with policy implementation and/or water management takes on many different forms depending on local conditions, but includes:

- Investing in public water infrastructure upgrades (e.g. fixing leaking pipes),
- Using internal facilities to meet local water needs (e.g. on-site treatment system used to supplement public wastewater treatment capacity)
- Using financial and technical resources to support catchment planning/management.
- Supplementing infrastructure to ensure local supply to communities and industry.

Ineffective or inequitable handling of such responsibilities can expose a company to major reputational risks and could be easily perceived as privatization if the company profits from such an arrangement. In order to be credible, any assistance provided must be free of charge and with the objective of advancing SWM and community access to water services.

In many cases, engagement is conducted with officials from local public agencies, such as water districts, utilities, or municipalities. However, in some cases local engagement is inadequate, because there are governance challenges at the catchment level. Companies then need to engage catchment managers, stakeholders, or processes to advocate for more equitable, economically efficient, and environmentally management. This is usually through participation in multi-stakeholder platforms linked to water management institutions, but may also happen independently from these formal institutions through catchment cooperation.

Direct intervention with communities

In many cases, water managers and other local authorities are legitimate and effective representatives of nearby communities often meaning that engagement with water managers is the most effective strategy for addressing community access issues. In other cases, companies can work directly with communities to support their efforts to enhance water services. Examples of potential solutions include digging boreholes, establishing inexpensive sanitation systems, cleaning waterways, and introducing technologies that promote water use efficiency. Companies can also participate in, and help to support, local and regional water councils.

While direct engagement with communities can be a very successful approach, it also brings with it many risks particularly in regard to "responsibility boundaries". Companies may be seen as forcing their actions on communities unless engagement is done in response to community requests or is decided upon through legitimate multi-stakeholder decision-making processes. In addition, working effectively with communities to improve water supply and sanitation or other infrastructure requires specialist approaches and knowledge to embed sustainability, ownership and equity. Further, in cases where governments are corrupt or otherwise opposed to aiding these communities, companies' legal license to operate may be compromised if governments view corporate actions as opposed to their agenda.

National engagement: influencing the enabling framework and discourse around SWM

The private sector has a mixed history of engagement in national policymaking ranging from understanding the need for more stringent policy and supporting changes to corollary regulations to outright opposition and obstruction to such measures. Opposition at times has been rooted in legitimate concerns over regulatory uncertainty or poorly constructed requirements. However, when opposition works against sustainable water management or hinders the ability of other stakeholders to be heard and considered, it creates both short- and long-term risks and undermines the credibility needed for other engagement activities. More recently, companies have increasingly engaged proactively to strengthen policy frameworks with respect to sustainability and equity and to build institutional capacity at the catchment level. This mode of engagement stems from the perceived greater long-term risk of inadequate coherence, consistency, and stability around water management.

Thus far it has tended to focus on calls for improved water allocation, control and enforcement, as well as the use of water pricing and trading as a means of economically efficient water allocation. Such engagement is conducted directly with policymakers, however it can also be done through public awareness campaigns aimed at building pressure from the voting base. Though campaigns to engage with national policy are often most effective when done in collaboration with other businesses due to greater resources and visibility, there is also potential for companies to advocate for sustainable policies on their own. As long as they advocate for policies that are in the broad public interest, they are likely to gain reputational benefits and therefore have no need to distance themselves from the engagement. That said, while these corporate positions are economically sound, they often ignore or simplify the peculiar political, social, and ecological nature of water. For this reason, they can easily feed into government and civil society assumptions about corporate policy capture, despite good intentions.

In some developing countries and internationally, broad coalitions are emerging between water stakeholders to conduct research and undertake advocacy for improved performance and accountability in SWM. Where led by capable and dynamic NGOs with appropriate social mandates, such groups undertake highly effective performance monitoring and budget tracking to provide institutional incentives within the public sector. Multilateral support by companies for these efforts provide an effective route to influencing public policy with a built in firewall.

International engagement: influencing global standards and raising awareness

Lastly, companies can engage with intergovernmental institutions, particularly the United Nations and its various agencies, in order to influence broad global policy goals, support the development of effective environmental and social standards (e.g. human rights), and help raise awareness of water-related developmental issues. These institutions are highly influential in establishing global expectations, which can then be adopted by national governments. In almost all cases, companies engage at this level as part of a multi-stakeholder forum or coalition. Typically, only a upper management within a company is able to engage at this scale.

Engagement strategies that occur across all scales

Though many types of engagement are specific, to particular scales, there are some strategies that are broadly applicable at many different levels.

Sharing Information to Improve Management

Poor water management often results from a lack of data and research capacity at public entities charged with local and catchment level water management. At the same time, global companies often conduct substantial research and monitoring for their own internal purposes.

Entering into relationships with public entities to provide data on water uses and catchment conditions and research findings can supplement capacity and support a clearer understanding of needs and impacts leading to better water management planning and implementation. This type of engagement typically creates less business risk than direct intervention as it does not typically entail the company fulfilling any tasks that fall under public responsibility. A notable exception is when companies gather and communicate data regarding catchment status, which is typically (and in many instances should be) a public responsibility. In addition to providing public institutions with data and research, companies can provide them with technologies or assistance in operating water services. This is particularly true in the Global South, where some governments do not have access to the necessary resources. Examples of technical assistance include monitoring practices and technologies, and good agricultural practices.

Conversely, engagement can also be used so that public institutions inform good internal practice and policy. Most notably, companies engage with public institutions to access data regarding water use or general conditions of water resources in that area. This can aid companies in siting their facilities so as to minimize impacts and risk, to benchmark against other industries in that catchment, to learn about water efficient techniques that have been successfully implemented in that area, and to engage with catchment development boards that could help identify where a company's impacts occur, among other things.

Policy advocacy

Advocacy represents a very common form of public policy engagement with the objective of raising awareness of needs and problems among various stakeholders and assisting policymakers with articulating responses. As described in Principle 2, the corporate role in these cases is to improve policymakers' ability to understand major issues and needs and to make informed decisions. It can also play an essential role in increasing the capacity of affected stakeholders to act and advocate for themselves. Advocacy takes a variety of forms depending on the public policy sphere and the nature of the problems addressed. For example, advocacy can take place at the national level to create improved water quality standards that ensure companies have reliable access to clean water. It can also take place at the local or catchment level in order to advance specific conservation actions or better enforcement of existing requirements. In many instances, advocacy is most effective when coordinated across various scales. Advocacy can be implemented toward a number of different ends including: motivating governments to make water issues a higher priority, coordinating policy implementation, building institutional capacity, promoting democratic participation, and developing standards/regulation.

There are a number of steps companies can take to ensure that advocacy actions effectively achieve the desired results. As with nearly all engagement actions, advocacy requires a dynamic understanding of the social and environmental conditions of the catchment in which change is needed, as well as the power dynamics and political processes that control how water resources are managed in that catchment. Companies must also determine where private sector involvement is appropriate and strategic. Advocacy is particularly vulnerable to negative stakeholder perceptions linked to concerns that this form of engagement will be driven by overly narrow, individual corporate needs at the expense of broader interests. For this reason, the intent and details of advocacy actions must be fully disclosed especially to stakeholders who are likely to be affected. Conducting advocacy in collaboration with other stakeholders from affected communities, academia, and reputable NGOs can help ensure equity and legitimacy.

WaterAid's *The Advocacy Sourcebook* provides a number of practical steps to effectively implement advocacy effectively at a number of different scales. To read the *Sourcebook* in full, see: http://www.wateraid.org/documents/plugin_documents/advocacy_sourcebook_2.pdf

Table 1: Engagement strategies across different scales of water policy

Scale	Typical entities engaged	Common water policy foci	Engagement opportunities
<i>Corporate / Internal Operations</i>	<ul style="list-style-type: none"> • Facility managers • Line workers • Environmental health and safety personnel • Legal counsel 	<ul style="list-style-type: none"> • Meet regulatory standards • Reduce demand on water sources • Minimize pollution • Assess and mitigate social and environmental impacts 	<ul style="list-style-type: none"> • Communicate expectations for regulatory/legislative compliance • Share water data to help benchmarking and impact assessment • Share innovative technologies and practice
<i>Local (Municipality/Community)</i>	<ul style="list-style-type: none"> • Local water providers • City planners • Community councils and committees • Community-based civil society organizations 	<ul style="list-style-type: none"> • Set water rates, distribute water • Establish and amend building, plumbing, and planning codes • Set local priorities • Service delivery to underserved areas 	<ul style="list-style-type: none"> • Change building codes and planning processes to consider non-structural water treatment • Encourage community engagement in water management and planning • Shared investment in service delivery infrastructure development and O&M
<i>Regional (Catchment/watershed)</i>	<ul style="list-style-type: none"> • Regional water providers • River basin authorities • River Basin Boards/ Commissions • Catchment stakeholder forums • Research institutions and universities • Local and international NGOs 	<ul style="list-style-type: none"> • Set water rates • Develop quality goals and corresponding parameters for each water-body • Integrate water services • Provide a meaningful and legitimate forum for public participation • Developing contextually-specific responses to shared risks 	<ul style="list-style-type: none"> • User fees that recover full capital and O&M costs, incentivize efficiency • Create catchment-based planning units that integrate data, and create economies of scale/scope • Support transparent decision making and oversight for accountable water governance • Participatory decision making and sign off of allocation decisions and conflict resolution
<i>National</i>	<ul style="list-style-type: none"> • National governing body (e.g., legislature, parliament) • National agencies (e.g. water management, infrastructure development) • National NGOs (e.g., for environmental protection) • National Water Boards / Water Research Councils 	<ul style="list-style-type: none"> • Legislation (e.g., national frameworks like the South African Water Law) • Water allocation processes (e.g., water rights framework) • Enforceable and enforced standards (e.g., contaminant limits) • Monitoring networks (e.g., water quality testing) • National and regional water and land development and planning 	<ul style="list-style-type: none"> • Establish polluter-pays and beneficiary-pays principles • Avoid inappropriate subsidies for water infrastructure of services • Require policies for integrated approach to water management • Establish enforceable water-quality standards that protect human and ecosystem health • Institutional performance monitoring
<i>International</i>	<ul style="list-style-type: none"> • Bilateral Development Partners (e.g. government) 	<ul style="list-style-type: none"> • International law (e.g., transboundary management) 	<ul style="list-style-type: none"> • Establishing international law and standards around water supply and quality concerns to



Scale	Typical entities engaged	Common water policy foci	Engagement opportunities
	entities like DfID, USAID, Danida, JICA, etc) <ul style="list-style-type: none"> • Multi-lateral Development Partners (UN Agencies, WHO) • International Financial Institutions (World Bank, IFC, Regional development banks) • International NGOs • Networks of smaller NGOs/Researchers • Multi-stakeholder initiatives 	<ul style="list-style-type: none"> • Standards (e.g., drinking water) • Human rights (e.g., to water) • Financing (e.g., for large infrastructure projects) • Research and development • International policy and methodologies 	enhance certainty and reduce risk <ul style="list-style-type: none"> • Advance best management practices • Financing water infrastructure and wastewater treatment • Innovation for improved SWM through investment or indirect support • International advocacy to unlock progress in SWM

C. Reviewing and Responding

Consistent with Principle 5, the most effective and credible engagement is that which addresses problems proactively and is sustained over the long-term until shared objectives are met and systems are put in place to ensure sustained management. Because of this, engagement actions must adapt to weaknesses in strategy or changes in the environmental, political, and social conditions of a catchment. In order to do so, companies can implement rigorous review and response mechanisms. Reviewing entails assessing the new processes in respect to intended outcomes and determining where changes must be, while responding involves following through on the actions necessary to achieve the intended outcomes. This step is particularly relevant to water policy and management, given the highly dynamic and iterative nature of public policy.

The key to effectiveness in this area is tied to both the establishment of clear goals and objectives for engagement during strategy development and the establishment of an internal management process that focuses on regular monitoring of relevant indicators of progress and making decisions to alter strategy in response. Indicators of progress will typically be tailored to elements of the engagement strategy and run a range from quantitative to qualitative. For example, an engagement action targeting leaking municipal water supply pipes could be supported by quantitative water loss reduction targets and monitoring. Alternatively, community engagement might be supported by an annual public opinion survey geared to a qualitative assessment of business community credibility. In all cases, engagement must be reviewed in respect to equity and human rights. All of this information is then used to adjust current strategy, as well as inform and improve future engagement activity.

Effective review can be achieved through a number of different methods, often conducted simultaneously. These range from informal discussions with operations managers, employees, and local communities to formal processes, such as local community advisory groups, consultation with local NGOs, independent audits, obtaining data from public agencies, and implementation of monitoring systems that track the conditions of local water bodies over time.

Section 5: Avoiding Pitfalls

Stakeholder concerns surrounding corporate policy capture are perhaps the largest barrier to companies' playing a meaningful and responsible role in water policy and management. This section addresses some common pitfalls of corporate policy engagement in terms of policy capture, barriers to effective engagement and perceptions of stakeholders distrustful of corporate motives. It illustrates how companies can (intentionally or unintentionally) block or monopolize policy discussions, and how this in turn has led to unmet policy goals and public mistrust. It also provides guidance on how companies can avoid such negative realities and perceptions through prolonged, correctly motivated, inclusive, transparent, and meaningful advancement of sustainable water management.

A. Policy and regulatory capture

Policy and regulatory capture exist where private organizations unduly dominate a policymaking process to the extent that other stakeholders are excluded and established policy goals are undermined in favor of narrow self-interest.

Capture can work in various forms - through imbalanced access, influence, finance, expertise, information and technology and can shape policy and regulatory performance, intentionally or through circumstance, to favor vested interests rather than in furtherance of the public good.

While the shared risk approach can enable constructive dialogue between business and government in the common interest, there is a very real threat of perceived institutional capture.

If this is not managed carefully, it can derail the process and cause reputational harm. It could be argued there are always certain groups who reap disproportionate benefits from changes in regulation and policy. Stakeholders are concerned that negotiation over policy, access to the dialogue on policy, and access to power in decision making etc, are not conducted in a fair and even manner: or in fact that it may be impossible to secure such conduct. As such, the benefits that accrues to those with agency and access, skew policy outcomes in the favor of those at the table and in vested interests. Many government and civil society representatives are already skeptical of corporate motivation for engagement, so attention to issues of capture must be taken seriously, and engagement must be tackled with transparency, inclusion, ongoing public outreach, and prolonged efforts to address shared goals.

The issues of policy and regulatory capture are of particular concern in developing world contexts where business access is high and local engagement in government policy-making awareness or access is very low. Companies that have strong lobbying experience inevitably gain insight and access to processes that are far less easily accessed by local civil society groups, water user associations and individuals.

There are a number of considerations in managing this issue. For example, business must recognize that water policy is a public sector responsibility and companies must not attempt to fulfill public responsibilities except when explicitly agreed to by governments and other stakeholders. Companies can supplement and support the capacity of public entities and work collaboratively with communities to ensure their basic needs are met. Effective policy

Stakeholder concerns surrounding corporate policy capture are perhaps the largest barrier to companies' playing a meaningful and responsible role in water policy and management.

engagement to manage risk requires the alignment of corporate interest with common (including social and environmental) interest, which means that companies cannot afford to be seen as having adopted a position at the table only to advocate and negotiate their own positions, or otherwise manipulate the process to benefit from favoritism or achieve de-regulation.

Strategies for avoiding real and perceived policy capture

Avoiding policy capture requires proactive strategies from companies to ensure inclusivity and clear communication are ensured on an on-going basis. This section identifies some key avenues through which companies can achieve these goals.

Partnerships

Companies seek out partnerships with other organizational actors (e.g. NGOs, intergovernmental agencies, universities, trade associations, directly with another business) in order to gain other perspectives, enhance credibility, increase leverage, and pool resources to address shared risks. While strengthening the engagement in general, partnerships also provide an effective way through which to prevent real and perceived policy capture. For example, partnerships can build credibility and provide access to stakeholder perspectives and often intimate knowledge of local water realities and catchment conditions. Partnerships with other companies can help build a broader foundation of resources for engagement and can also help increase the visibility of that action (and in doing so promote good practice). That said, partnerships comprised solely of private sector entities are likely to be met with more skepticism than those with a variety of public and civil society actors.

In order for partnerships to ensure inclusivity and prevent policy capture, all parties must have a reasonable opportunity to influence the engagement strategy and outcomes. As with engagement in general, in almost all cases it is necessary for companies to demonstrate that their internal house is in order and that their engagement activities will address shared risk before they expect other organizations to partner with them. Companies can receive and provide a number of different types of assistance through partnership: funding, influence/visibility, data, stakeholder perspectives, technologies, management strategies, etc.

Community engagement

Engaging the community during planning is also essential to prevent real and perceived policy capture. If a company genuinely seeks to engage public water policy in order to manage risk in the long-term, integrity of joint purpose must be ensured. Companies that uphold an engagement process through popular dialogue (potentially through the media and multi-stakeholder platforms) will best avoid concerns of policy capture. This may take the form of multi-stakeholder platforms for policy engagement; hopefully those which will survive beyond the company's engagement.

By focusing on establishing enduring relationships with a broad spectrum of community leaders, companies can forge a better understanding of key external needs and interests. More crucially, how their company activities impact on those groups, what issues create risk for companies and communities alike, and which company and community actions might generate and reflect mutual benefit. This allows companies to incorporate these concerns in the engagement strategy and also inform companies of their plans to avoid perceptions of policy capture.

Transparency

Regardless of the scale and nature of engagement, there is a need for companies to disclose the details and intent of their actions. A lack of company transparency in policy engagement will lead to stakeholder concerns of policy capture. Transparency is essential to building

relationships with key stakeholders and ensuring that the company is accountable for its actions. It can also play an important role in sharing good practice with other sectors.

Relevant information to disclose includes: the nature of the company's water use in a given area, the objectives of policy engagement, the strategy used to achieve these objectives, steps taken to ensure stakeholder support and mitigate negative impacts, the length of engagement, the resources dedicated (e.g. monetary contributions, work hours, technology, etc.), and the outcomes achieved (both positive and negative). Disclosure can be achieved in a number of different ways. These strategies include monitoring and control systems focusing on assurance and auditing, Corporate Social Responsibility reports, dialogue with local stakeholders, local water boards, and corporate website posts.

Disclosure can and should take place at different scales and toward different stakeholders. This includes direct communication with stakeholders near a facility, national level outreach, and globally-available reports and public statements. This should always include efforts to communicate with affected communities, relevant civil society actors, investors, the consumer base, and the broader public.

B. Barriers to effective engagement

Policy capture is just one of many things that can hinder engagement from being completed or that can lead to unintended and undesirable outcomes and impacts. This section will identify some of these other issues and determine how they can be avoided.

Polarized positions

Debates about the management of water and the role and vulnerability of different segments of society to water have shifted from government and development circles into the public domain. With this shift, there is a passionate dialogue among groups with polarized perceptions and positions regarding the appropriate role of companies in water policy. If business engagement in water policy is not facilitated effectively and with clear roles, rules and boundaries, change may foster uncertainty and distrust rather than hope and progress. While some perceptions will remain oppositional and unchanged despite good faith efforts, many will change over time with 1) transparency, 2) the clear articulation of corporate intent, and 3) the prolonged, consistent demonstration of good practice.

Confusion over water debates

Water issues often invoke passionate responses spurred on by differing perceptions and understanding of water issues and the paths to solving them. Perceptions around water affect corporate reputation and influence public attitudes as well as policy and regulation (positively or negatively). This can mitigate or exacerbate corporate risks, which can in turn stymie much needed advancement on water management for all users. Water-related issues and debates are becoming more complex, dynamic and nuanced, making it more difficult for all affected parties to have a common view of the problems and therefore more difficult to agree on solutions. Further, it should be recognized that often, water debates are merged into broader perspectives/critiques of companies thus obscuring clear appraisals of the water issue at hand.

Water crosses many domains, from health and sanitation, to agriculture, industrial use and domestic needs as well as environmental function. Within these spheres are differing policy regimes, investment requirements, pricing possibilities, institutional support needs, stakeholder groupings and sufficient experience to draw from. Add to this issues related to water as a human right, water used for products such as food, biofuels and bottled water, social equity, etc,

and what emerges is a myriad of possible positions, unexpected consequences, and ample room for the confusion of debates.

Communities, policy makers, NGOs, and companies alike are focused on specific elements of these debates and operate in differing contexts. All actors need to be aware of that the solutions to one issue may not be relevant to solving another, while learning across this broad spectrum may provide essential experience for how to engage in dialogue. Ultimately, engagement will be supported when all parties have access to a wide range of information and viewpoints.

Lack of internal buy-in, awareness, and/or alignment of incentives and objectives

Effective interventions in the public sphere almost always will require time and resources, and the shortage of either may jeopardize the effectiveness or completion of the process.

Engagement in the water policy arena is often primarily motivated by the desire to mitigate risk and uncertainty, but once the decision to engage has been made, success in the engagement requires the corporate position to be aligned with the broader public interest.

Having appropriate levels of internal buy-in from key staff, combined with realities in commitment and support required, cannot be stressed enough. Realistic and budgeted financial, human and/or infrastructural resources will be required to have an impact. It must be determined which human and infrastructural resources will be most crucially needed to justify engagement and leverage risks along with the appropriate level of corporate endorsement to ensure process completion.

Companies can encourage public action on water to ensure that cooperation and partnership is successful. Where political will is low, the corporate sponsor of an intervention will have greater exposure to risk, and often with little benefit. Therefore, an identification of the weak points in the institutional capacity of potential partners and on-going action to improve these areas is required to ensure success. Where the capacity and will on the government side is low, the company might want to realign their engagement strategy to one of advocacy and support with governments and direct intervention with communities, as opposed to higher risk interventions. There is always a chance that the risks incurred by intervention become higher than not intervening at all (because of costs, commitment or stakeholder perceptions), but each situation will require a weighing of options and clear articulation of intent.

Unintended consequences and impacts

Engagement activities while effective and beneficial in certain ways, can also have unintended negative consequences on stakeholders or the environment. Such negative consequences can still lead to great reputational risk, despite the intentions of engagement. For this reason, it is important to conduct comprehensive analyses of the impacts of proposed actions on different groups of people. An attention to the equity of both intended and unintended consequences can enhance trust and lead to more opportunities for community engagement and partnerships.

Reflexivity is a concept and process from the social sciences which requires policy actors in developing countries to place themselves, their assumptions, and their practices under scrutiny, acknowledging the ethical dilemmas that permeate their engagement and which may impinge on the achievement of established policy goals. Reflexivity promotes careful self-scrutiny of one's actions, methods, values, biases and decisions and sensitivity to cultural, social and political contexts. As a concept for improving the quality and ethical footprint of corporate engagement reflexivity may help avoid negative unforeseen outcomes of well meaning efforts. Companies can operationalize this concept into their internal operations as well as their

engagement opportunities through regular impact assessments, employee consultation, community engagement processes, and disclosure of practices and data to the general public.

Conflicting Interests

Though the concept that water issues create risk for governments and companies alike (thereby creating a compelling reason to work collaboratively to solve those problems), it cannot be assumed that corporate and public interests align in all cases. Further, while companies and other stakeholders may agree on the source of shared risk, they may have fundamental differences in their preferred method for addressing these issues. For instance, while some water-intensive companies may never advocate for conservation water pricing that make the cost of operation prohibitive, community water users may find this to be an effective way of reducing demand and protecting ecosystems. Situations such as these, of course, pose significant obstacles to effective engagement.

Responsible business engagement, by definition, entails that broad stakeholder support must be reached in order for companies to attempt to support established policy goals. As such, proposed engagements that are met with widespread resistance from stakeholders must be eliminated or changed so that they better integrate the range of needs. When there is a broad range of stakeholder opinions on the proposed engagement, companies deliberate in catchment level water boards or other stakeholder forums in order to determine a compromise among different interests. This strategy is essential in mitigating reputational risk and will likely lead to better results by means of a highly iterative and inclusive planning process.

C. Other risks and perceptions

Policy engagement progress walks hand in hand with risks. Companies necessarily consider a comprehensive cost-benefit analysis highlighting an engagement's implications for risk. Decisions about the nature of engagement in water policy must reflect the operational, strategic, or normative imperatives of the business within the context of public concerns. Considerations that should influence the nature of engagement (or non-engagement), may include:

- A given problem's complexity, and ability to frame a clearly defined, finite and targeted intervention.
- The coherence and stability/fluidity of the policy and legal framework within which an intervention must be implemented
- The political will of counterparts to engage in good faith, particularly before a crisis situation has developed
- The institutional capacity of water managers to cooperate and collaborate, engaging in an effective and sustained manner
- The ability to initiate a process or intervention, including the involvement of potential allies and specialists
- Tolerance by corporate shareholders of long-term initiatives that may not yield short-term profits
- A clear ability to communicate the intentions and maintain transparency of engagement

It can be difficult to assess these types of challenges and risks before embarking on a process of dialogue with government or communities. However, the process of initiating dialogue leading to meaningful policy engagement at any level requires companies to demonstrate good faith (potentially through action, rather than words) and to ensure that the counterparts will be responsive to initiatives. On the one hand, personal interactions to discuss the problems without

blaming may assist in proposed interventions later, while bringing an independent/neutral facilitator into the process initiation can assist to broker the discussions.

Corporate endorsement of the process must be there to ensure completion and care should be taken to avoid starting a process (particularly if commitments are made) that is at risk of being left uncompleted, because the resulting negative perceptions may be more damaging than not engaging at all. In this context, interventions would wisely ensure relevance and efficacy of the intervention in the wider water management process. Interventions that are not aligned run the risk of being ignored or even opposed by stakeholders, with the negative consequences for the corporate sponsor. In extreme cases where government's actually abdicate their responsibility in water management and effectively leave companies with the responsibility for a non-core function, clear exit strategies will need to be in place. It must be recognized that managing water resources or supply is not the business of most companies and comes with a number of reputation and financial risks. This is particularly an issue where government abdication occurs in cases where a corporate intervenes. The public sector with stretched resources will often reprioritize effort away from areas that are being well managed, which leaves the corporate with the entire responsibility for a non-core function.

Section 6: Conclusion

Using the CEO Water Mandate elements to organize specific actions

All of the information in this guide is conceptually and practically consistent with the six elements of the CEO Water Mandate. Indeed, endorsing companies and other businesses can use the Mandate as a framework for organizing actions that contribute to public water policy and management. These actions can be understood in terms of their contribution to the broad policy goals embodied in sustainable water management.

Direct operations and supply chain management is the innermost level of policy engagement that focuses on improving plant performance/water-use efficiency to reduce physical water risk and to ensure a credible basis for higher levels of water policy engagement.

Watershed/catchment management and community engagement focuses on improving local/regional level water resource policy development and its implementation. It involves reaching out to local organizations and key stakeholders, and initiating or participating in integrated regional catchment planning and management (e.g., joint participatory platforms such as basin water boards and national water boards) to advance policy goals.

Collective action is founded on the premise that the scale of many water challenges is too great for individual companies to effectively address alone. Partnerships with key stakeholders are geared towards developing a clear and shared understanding of priority needs and interests, of issues that create risk for companies, governments, and communities alike, and company and stakeholder actions that reflect mutual benefit.

Policy advocacy can play out at all levels of water policy engagement, using sustainable water management as an aspirational compass point. Responsible policy engagement can consist of advocacy on a range of key public policy issues such as water pricing, demand side management, green infrastructure development, the human right to water, and promoting sustainable communities (e.g., access, infrastructure)

Transparency is both a principle and operational component of responsible water policy engagement. Disclosure of policy engagement intent and the outcomes of engagement helps ensure alignment with specific water policy goals and sustainable water management more generally.

Appendix A: Objectives of Corporate Engagement with Public Policy

Utilizing the concept of sustainable water management as an orientating framework, this section describes the various types of water-related challenges that pose risks for companies. While highlighting a number of practical problems that are occurring throughout the world, it demonstrates how sustainable water management (and therefore business engagement with water policy and management) can mitigate these risks. At the most general level, the objectives of sustainable water management include:

- All humans have access to a basic level of adequate and affordable water services,
- Environmental flows are of adequate volume and quality to maintain natural habitat, biodiversity, and ecosystem services,
- Water managers prioritize water uses based on societal and economic value,
- Long-term risks (and in particular water scarcity, pollution, climate change, and inadequate infrastructure) are effectively managed,
- All affected stakeholders and impacted communities are included in the decision making process,
- The impact of one water use on another is responsibly regulated,
- The beneficiaries of water services or improvement projects bear the majority of development costs.

Engagement actions should aid in accomplishing these objectives. In doing so, companies promote sustainable water management and therefore minimize risks stemming from external water resource issues. The descriptions of broad water-related issues that create business risks below also identify more-specific objectives that support sustainable water management.

Physical water scarcity

Many regions in the world simply do not have enough water to meet all industrial, agricultural, social, and environmental water needs. Known as physical water scarcity, this problem is on the rise globally as populations grow in arid regions; industrial, agricultural, and municipal water demands increase; and as climate change threatens to drastically change the hydrologic cycle. Physical water scarcity occurs in a number of different ways. Some regions are in a perpetual state of water scarcity because of an arid climate. Others have over-allocated the, sometimes plentiful, available water supplies. Others still experience short-term periods of drought due to annual fluctuations in climate and precipitation.

All of these situations pose substantial risk for companies who rely on water in catchments or systems that lack water. A lack of water in the most basic sense limits the amount of water a company can use (and therefore the amount of goods it can produce). However, these conditions can also lead to increased negative social and environmental impacts, stricter regulation, the reality or perception that corporate water use hinders others' ability to access water, and less interest from investors.

In many situations sustainable water management can greatly reduce risks brought on by physical water scarcity by minimizing the amount of water needed and by ensuring that water is used for the most valuable purposes. A company can minimize its own water use, but is still exposed to risk if other water users in the catchment are wasteful. A well-operated system ensures that basic human and environmental needs are met, systems are drought-resistant (i.e.

with proper storage infrastructure), wasteful water use is minimized through efficient water transportation and regulation of water users, water rates are structured in ways that incentivize conservation, and that water is allocated to water users that provide the most economic, environmental, and social value.

Inadequate operation and management of water management systems

In many situations, even in the presence of physically abundant supplies of water, companies are unable to reliably access water due to failing water management systems. This is known as institutional water scarcity. Such water management systems are in charge of treating, pricing, distributing, and storing water. They may also collect water bills, operate infrastructure, protect water resources, and respond to social and environmental change when needed. Improperly managed water management systems can lead to wasteful water use, inconsistent delivery, and insufficient planning for long-term catchment risks. Failure to protect water resources can lead to the destruction of aquatic ecosystems (and therefore the loss of ecosystem services) as well as human health concerns caused by pollution. It also limits the usefulness of that water for potable, industrial, and agricultural uses. Improperly managed systems are particularly common in the Global South where there is often less money to operate water management systems and more corruption.

Inadequate water management systems (e.g. no treatment, insufficient pricing, a lack of monitoring and/or enforcement) can limit companies' access to water supplies and services even when water is physically available. However, business engagement solutions can often be quite different. While physical water scarcity mitigation typically involves encouraging increased water-use efficiency, inadequate operation and management focuses more on building the capacity of those systems. Businesses have reduced risks when they operate in catchments where the managers have the funding, data, and knowledge to respond to the various problems that arise. This can be achieved through building water rates that recover the full price of operation, improving data collection on water uses and catchments conditions, and strengthening monitoring/enforcement programs, while also supporting the water conservation strategies mentioned above.

Insufficient infrastructure

Closely related to failing water management systems, is the idea that business risk can be created through insufficient water infrastructure. Infrastructure development – often conceived at the regional or national scale - determines the capacity to supply different areas with water and often the costs associated with using the water, while operation affects the timing and actual quantity of deliveries. Water infrastructure includes necessities such as pipes, canals, reservoirs, and wastewater and drinking water treatment systems. The design and development of water supply infrastructure directly affects water distribution and access to water services, and may impact water rights, water pricing, and water quality. Failures in (or the lack of) these structures can lead to massive inefficiencies (and therefore supply problems), water pollution, and inconsistent delivery, among other things. While these problems are often a direct result of inadequate management, they can also be due to a lack of action among policymakers.

Insufficient infrastructure, such as the lack of effective treatment facilities, damaged piping systems, or lacking storage capacity can hinder companies' access to clean water supplies and can also contribute to water scarcity due to massive inefficiencies. However, while physical water scarcity can be mitigated through encouraging various water users to adopt better conservation practices (or supporting water managers' ability to do so), deficient infrastructure can only be addressed by supporting water managers ability to fund, repair, plan, or build

efficient infrastructure. Examples of such support includes companies helping repair piping systems, building water recycling plants, and advocating for more stringent water treatment practices. These solutions allow for more efficient water use, increased access to clean water, healthier ecosystems, and reduced human health issues, which in turn may improve companies' ability to access water services and reduce the perception that they are contributing to major environmental and health problems.

Ineffective or inconsistent regulatory framework / implementation

Businesses can also experience water risk due to a regulatory framework – at the national, regional, and/or local level – that is ineffective in its conception by policymakers or poorly implemented by water managers. The regulatory framework around water quality and supply includes standards for water quality or environmental flows, as well as policies that establish the process for permitting, monitoring and enforcement of those standards. These regulations are used to understand what environmental conditions are needed to allow for healthy ecosystems and communities, to establish a process that allows those conditions to be met and maintained, and to prevent any individual water users or polluters from unduly hindering these conditions from being met.

Poor policy and regulatory frameworks – or inadequate implementation of them – mean that there are no formal mechanisms through which water issues (e.g. scarcity, pollution, infrastructure) are addressed and planned for. This can exacerbate risk in the long-term or expose companies to reputational damage for not complying with regulations, when in reality they could simply not understand how to comply.

Though it is no new concept that regulation leads to increased costs and time requirements for companies to implement certain practices, it is perhaps less intuitive that the most pressing risks caused by regulation are tied to regulations that are not strict enough or inconsistently applied. Regulations that are sufficiently strict eventually lead to systems that plan for short- and long-term catchment risks, ensure that other water users do not waste or excessively pollute water resources, and reduce the perception that companies are competing with other uses. Consistently applied regulations ensure that companies can plan for certain costs and rely that they will have reliable access to sufficient amount of water of a certain quality. While better regulations in many cases will add more up-front costs for companies, they will also certainly stabilize the catchments in which they operate in the long-term.

There are a number of policy elements that are not primarily geared toward the management of water resources, but nevertheless often have important implications for water supply and quality; these include: trade policy, energy policy, and agricultural policy. Trade policies affect what types of goods are imported and exported. Well-designed trade policies can help mitigate water scarcity by importing water-intensive goods into water-stressed countries. Energy policy also has great implications on water resources since water is needed for energy production and energy is needed for water supply and treatment. For example, energy policies that rely on biofuel production can reduce GHG emissions and dependence on fossil-fuel based energy sources, but also requires large amounts of water for growing and processing biofuel plants and is associated with increased leaching of pesticides and nutrients to water bodies. Finally, agricultural policy often provides incentives for growing certain crops through subsidies. In water-scarce regions, agricultural policy can be adapted to incentivize the growth of crops that have high economic and social value relative to their water use.

Water pollution

Just as shortages in water quantity create risk, so does insufficient water quality. Insufficient water quality is in almost all cases due to excessive pollution (from agricultural runoff, industrial wastewater, sewage, stormwater, etc.) and a subsequent lack of proper treatment by water managers. Public policy and management is ultimately responsible for water quality. Policymakers can create effective legislation and regulations for water pollution that prevent excessive pollution. This regulatory framework establishes water quality infrastructure (e.g., stormwater systems, wastewater treatment facilities, drinking treatment facilities), as well as practice for the monitoring and enforcement of regulations and standards. Water managers implement these monitoring and enforcement practices that identify and mitigate pollution and operate facilities that treat pollution.

The extent to which different countries regulate water quality varies widely - ranging from no regulations to comprehensive regulations. The European Union regulates water quality through both the Water Framework Directive (which requires all water bodies to reach “good ecological status” by 201x) and the REACH Directive (which requires registration, evaluation, authorization, and restriction of chemicals before they enter a water course). Others – especially many in the Global South – have little to no or poorly enforced water quality laws.

Wastewater discharged by companies can negatively impact employees, communities, and the environment and therefore lead to reputational damage. Water pollution caused by other actors in a catchment can limit a company’s access to sufficient quality of water for their production processes. By advocating and providing resources for improved water quality management systems (including infrastructure, regulations, monitoring, and enforcement), companies can help reduce water pollution and increase the capacity of water managers to respond to it effectively. Stricter enforcement protocol ensures that upstream users minimize their wastewater discharge. Supporting quality infrastructure development can ensure that a company’s own discharge does not have negative impacts and that water is of sufficient quality for industrial uses.

Competition among uses

In most cases, industrial water uses occur in catchment that also have many agricultural, municipal/residential, and environmental water needs. In addition to ensuring that industry has enough water to drive the economy in a region, water managers must also make sure that these needs are sufficiently met. This includes providing enough water of sufficient quality for communities and maintaining environmental flows and ecosystem function. It also includes having a legal framework of water rights and associated institutions that prioritize the most economically, socially, and environmentally valuable water uses and also appropriately adapts those rights in times of droughts, floods, famines, etc.

Companies are exposed to risk when they operate in catchments that do not meet these needs, regardless of whether the companies themselves receive enough water. A lack of access to water supply can create conflict amongst water users in the region, while lack of basic sanitation can lead to worker illness and a poor quality of life in surrounding areas. In these situations – whether rightfully or not - companies are often perceived as competing with other uses and as taking water that rightfully belongs to the environment or communities. These perceptions lead to great reputational risks that threaten a company’s social license to operate, tarnish a company’s brand among consumers, or reduce investor interest.

For this reason, companies have a great stake in ensuring that social and environmental water needs are met. They can so do by supporting catchment-wide conservation efforts, working directly with communities and environmental representatives, and advocating for water rights

policies and regulations that ensure basic human and environmental needs are met and that allocation and rights adapt in times of drought or other major catastrophes. Governments can also adopt a policy on the human right to water that entitles all humans to a certain amount and quality of water so as to maintain their health and well-being, regardless of the ability to pay. Governments complying with this right are looking for ways to ensure water for all while still operating water systems that allow economic and environmental needs to be met. While the business implications of such a right are as of yet unclear, it is clear that companies are exposed to less reputational risk when they operate in catchments where basic needs are met.

Climate change

Climate change is already altering the hydrologic cycle, leading to more frequent extreme weather events including both droughts and floods, and causing sea level rise, which has a variety of impacts including salination of surface waters and groundwater aquifers. This will exacerbate issues that create water risk, such as water scarcity, pollution (due to decreased environmental flows and therefore higher concentrations of contaminants), and competition among water users.

Climate change will be felt differently in different parts of the worlds depending on climate zone, degree of development, and governmental/institutional capacity and/or will. Effects are likely to create greater risks for companies in areas where there is inadequate infrastructure to adapt to these changes or government capacity or will to invest in changes. Though mitigation and adaptation efforts for climate change are much broader than water-related management issues, sustainable water management does have a role in adapting to climate change. Reduced water use will decrease the effects of drought and pollution and help prevent competition amongst water users. Policies that reduce the emissions of greenhouse gases will help reduce the effects of climate change (and the subsequent impacts on water resources), and therefore can be considered a strategy for promoting sustainable water management.

Appendix B: Notable Regional and Global Water Policy Efforts

Several regional and global policy efforts and initiatives exist that aim to promote sustainable water management solely or partially through private sector involvement. In some cases, these focus on how the private sector can align and engagement with the public sector. Others work to establish norms or guidelines for good policy and practice. Others still establish protocols or guidelines for business actions that can help inform policy engagement efforts. This appendix provides synopses of these initiatives, specifically focusing on how companies can use them to advance their engagement efforts and sustainable water management in general.

Alliance for Water Stewardship

The AWS is an initiative developing a global freshwater stewardship certification program. This certification program will reward responsible water use management with competitive advantage. Such a certification system will require quantification of water use, discharge, and impacts, however the Alliance intends to build on existing methodologies (namely the water footprint as developed by WFN) as a key component of its measurement, and will attempt to minimize duplication of efforts and confusion in this space. The Alliance intends for this certification scheme to be applicable both to water “users” (businesses) and water “providers” (utilities). The initiative is currently in the standards development phase in which they are defining what constitutes water stewardship.

This initiative aims to be a key avenue through which companies can: ensure that their internal operations are appropriately managed and have minimal impacts, better understand the catchments in which they operate, and communicate to stakeholders that they behave responsibly. In this respect, it can add value to policy engagement efforts by providing credibility and promoting communicating between companies, their stakeholders, and governments.

For more on the Alliance, see: <http://www.allianceforwaterstewardship.org/>

Berlin Rules on Water Resources

In 2004, the International Law Association approved the Berlin Rules on Water Resources as an overview of international law applicable to fresh water resources specifically regarding transboundary management of surface waters and groundwater. The Rules – an update to the Helsinki Rules on the Use of Waters of International Rivers developed in 1966 – like its predecessor are not legally binding, but rather provide guidelines for appropriate transboundary management in respect to water supply and quality. The Berlin Rules asserts that all bordering nations have a right to an equitable shared of water resources considering customary uses and the respective needs of each country. It also provides guidelines for resolving water-related disputes between countries.

The Berlin Rules offer an important framework for helping governments manage water resources sustainably – and helping companies engage with this process when necessary – in the case that water scarcity and pollution are contributed to by foreign states or other entities (e.g. industrial facilities) operating across national boundaries.

Carbon Disclosure Project Water Disclosure

The Carbon Disclosure Project (CDP)—an organization that collects information from companies worldwide regarding their greenhouse gas emissions and climate change strategies—is currently developing a framework through which to collect companies' water-related information and policies. The first iteration of the annual CDP Water Disclosure Information Request demonstrates an increased sophistication in what is asked of companies in respect to their understanding of their interaction with water resources. Examples of new expectations include: 1) an in-depth examination of water-related business risks and 2) an assessment of the local context in which companies operate (e.g. the proportion of facilities located in water-stressed regions). The CDP Water Disclosure Information Request asks that companies disclose this data for their own facilities, as well as their suppliers. CDP Water Disclosure's new framework underlines the fact that not only do these types of analysis help drive down water-related impacts and risks, but they are also becoming expected of companies by investors, consumers, and other key stakeholders.

As with the Alliance for Water Stewardship, the CDP Water Disclosure Information Request can be an effective tool through which companies demonstrate to key stakeholders that their internal shop is in order, thereby providing a foundation for further engagement activities. In addition to this, it provides a framework through which companies can assess the extent, location, and type of water-related risk and therefore identify where and how policy engagement efforts might be most effective.

For more on CDP Water Disclosure, see: <https://www.cdproject.net/water-disclosure>

McKinsey Water Report: *Charting Our Water Future: Economic frameworks to inform decision-making*

Charting Our Water Future is a 2009 report by the 2030 Resources Group that attempts to provide an analytical framework to facilitate decision-making and investment regarding water resources in order to help mitigate and adapt to water scarcity. The 2030 Water Resources Group is a group comprised of a range of organizations including the International Finance Corporate, McKinsey & Co, and a number of multi-national corporations such as Coca-Cola, Nestlé, SABMiller, and Syngenta aimed at elucidating ways to reduce water scarcity and advance a solutions-driven dialogue among stakeholders. The report identifies the most cost effective supply- and demand-side measures that can help conserve water. In doing so, it developed a "water-marginal cost curve" to be used as a tool to support decision-making. This curve offers a microeconomic analysis of the cost and water savings of existing technical measures and plots them in order to effectiveness (in respect to costs) It focuses specifically on case studies from China, India, South Africa, and Brazil.

Lack of economic resources and familiarity with technologies are some of the major contributors to issues that create water-related business risks. The McKinsey report provides a tool to evaluate which technologies or methods can save the most water for the least amount of money in different geographic and political settings. As such, it can be quite an important step in helping companies and governments alike mitigate water scarcity while promoting a strong economy.

To read the McKinsey report in full, see:

http://www.mckinsey.com/clientservice/water/charting_our_water_future.aspx

European Union Water Framework Directive

The European Union Water Framework Directive (formally known as Directive 2000/60/EC) is a legally binding policy of the European Union that provides steps and protocol for the management and protection of water resources. Established in 2000, the Directive commits EU member states to reaching goals for the status of water bodies (i.e. surface waters, transitional waters, coastal waters, and groundwater) both in terms of water supply and quality by 2015. This includes frameworks for improving river basin management, coastal marine environments, water supply, water-related human health issues, and water quality. The Directive focuses on managing water at the river basin level, promoting transboundary cooperation when appropriate. It emphasizes the importance of public participation in decision-making and integrating economic approaches, such as full cost recovery.

The Directive is perhaps the most in-depth and broad framework for understanding strategies for reaching sustainable water management. For companies operating in EU member states it is essential for ensuring that engagement efforts align with policy goals. For companies operating in other countries – particularly those without a comprehensive and effectively implementing water policy framework – the directive can be seen as a useful model offering processes for managing water quality, public participation, groundwater, human health, etc.

For more on the Directive, see:

http://ec.europa.eu/environment/water/water-framework/index_en.html

The Ruggie Framework: *Protect, Respect and Remedy: a Framework for Business and Human Rights*

The Ruggie Framework – developed by John Ruggie, the Special Representative of the UN Secretary-General on the issue of human rights and transnational corporations and other business enterprises – provides a conceptual and policy framework on the private sector's role in human rights. The Framework is built around three core principles:

- The public sector is responsible for protecting against human rights abuses by third parties (most notably corporations),
- The private sector is responsible for respecting human rights,
- There must be greater access for all to remedies when human rights abuses occur.

In this context, “to respect” means to “do no harm” and to not infringe on the rights of others. This is a baseline expectation, but does not preclude companies from voluntarily conducting actions that protect or fulfill human rights when there is need. While not specific to water, this framework has played a key role in defining the role in the emerging discussion on the human right to water and companies' role in ensuring that right.

The human right to water is one of the most controversial and important emerging issues related to water resources management. Governments and companies alike are largely unsure of what their roles are and how to fulfill those roles. The Ruggie Framework provides helpful guidance on these questions and can lead companies and governments to acknowledge and establish their respective roles and develop effective strategies.

To read the Ruggie Framework in full, see:

<http://www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf>

For an additional report on operationalizing this framework, see:

<http://www2.ohchr.org/english/bodies/hrcouncil/docs/11session/A.HRC.11.13.pdf>

United Nations Millennium Development Goals

The Millennium Development Goals – established in 2000 and adopted by all 192 UN member states – establish eight broad objectives for international development to be achieved by 2015. The MDGs have become the most widely recognize framework for assessing success of international development globally. The eight goals are related to: poverty alleviation, universal education, gender equity, children’s health, maternal health, HIV/AIDS, environmental sustainability, and global partnership. Each of these broad goals is composed of a number of specific targets. One of the targets for environmental sustainability relates to the amount of people with access to safe drinking water and sanitation services. Many other targets feature water-related actions as a key strategy for success. These goals are not meant as the responsibility of the private sector, however corporations are meant to play a large role in supporting global efforts.

The MDGs provide a very useful framework through which companies can understand broad policy goals, assess whether their business operations hinder the achievement of those goals, and determine engagement strategies that help achieve those goals. This is particularly true in catchments where public institutions have not clearly articulated water-related policy goals.

For more on the Goals, see: <http://www.un.org/millenniumgoals/>

Water Footprint Network

The Water Footprint Network (WFN) was launched in order to coordinate efforts between academia, civil society, governments, the private sector, and intergovernmental organizations to further develop and disseminate knowledge on water footprint concepts, methods, and tools. Water footprint (as defined by WFN) provides a methodology through which companies assess their water use and its spatial and temporal dimensions. This provides insight into subsequent business risks and impacts on catchments, ecosystems, and communities. The water footprinting methodology was initially created as a tool for water resources management and this still remains its primary use. For these purposes, water footprinting allowing policymakers, planners, and managers to map various water uses in a system (e.g. agricultural, municipal, industrial), as well as the amount of water used by the community, country, region, etc. to produce the goods and services they consume.

Because of this connection with water resources management, water footprinting can be quite effective in facilitating communication between governments and businesses in response to water uses and needs.

For more on the Network, see: <http://www.waterfootprint.org/>

Water Witness International

Water Witness International is a research and advocacy charity working for the equitable, sustainable and accountable management of water resources in developing countries.

Poor management of rivers, lakes and aquifers impacts all water users, holding back economic growth, poverty reduction and biodiversity conservation. A changing climate is exacerbating the many management challenges. In order to broker consensus based solutions, to build the broad based coalitions and to inform the evidence based advocacy required to unlock progress, Water Witness International carries out high quality interdisciplinary research to understand the

social, political, economic and environmental causes and consequences of water problems and conflict.

Water Witness International is working in Africa and South America to identify and reform inadequate water policy and to support implementation where progressive policy exists. With local partners it is establishing indicators and tracking performance, monitoring investment, providing objective advice and constructive support. Ultimately by bringing greater transparency and understanding the organization brings accountability to incentivize the improved performance of water management institutions.

The organization is now building a global network of partners to deepen and broaden our work, bringing together communities, catchment authorities, government, NGOs and national and multinational companies. You are invited to join this innovative coalition, to drive positive change - *because we are all downstream*.

For more details see www.waterwitness.org

World Business Council for Sustainable Development Global Water Tool

The WBCSD – a business association of roughly 200 global companies with efforts to promote sustainable development - launched its Global Water Tool in 2007. This tool – developed in collaboration with CH2M HILL - allows companies to:

- Compare their water uses (direct operations and supply chain) with water and sanitation availability information on a country and catchment basis,
- Calculate water consumption and efficiency,
- Determine relative water risks in order to prioritize action,
- Create key water GRI Indicators, inventories, risk and performance metrics and geographic mapping.
- Perhaps the most important aspect of this tool is that it – unlike water footprint and LCA methodologies – explicitly assesses the business risks associated with water use and discharge.

Though the Global Water Tool is not suited for an in-depth or comprehensive assessment of water-related business risks, it does provide a very good, inexpensive, and fast initial risk screen for companies. By identifying which locations where companies or their suppliers have operations are water-stressed or communities do not have sufficient access to water services, the Tool helps companies determine where policy engagement might be most needed.

For more on the Tool, see:

<http://www.wbcسد.org/templates/TemplateWBCSD5/layout.asp?ClickMenu=special&type=p&MenuId=MTUxNQ>

World Economic Forum Water Initiative

In 2008, the World Economic Forum launched its Water Initiative will provide multi-stakeholders strategies for raising awareness, using businesses to leverage improvement, and encouraging new multi-stakeholders dialogues regarding the century's major water issues. Specifically, the Initiative will:

- Produce a report outlines the political and economic implications of water issues,
- Develop policy tools to help analyze water challenges,

- Advance corporate water reporting practices and harmonization,
- Organize regional cross-sectoral dialogues to discuss potential response strategies, and
- Launched a global initiative among international organizations, multi-national corporations, and NGOs to scale up effective water projects.

The Initiative's Steering Board is comprised of prominent businesses such as Coca-Cola, Dow Chemical, Nestlé, and PepsiCo, as well as NGOs and other organizations, such as the International Federation of Agricultural Producers, the Swiss Agency for Development and Cooperation, and the World Wildlife Fund. It can support business engagement with water policy by identifying companies' key strengths in solving major water problems and by fostering communication and cooperation across sectors. It will also help raise awareness among stakeholders and governments alike and therefore help catalyze action.

For more on the Initiative, see: <http://www.weforum.org/pdf/water/WaterInitiativeGlance.pdf>



Appendix C: Metrics for Responsible Water Policy Engagement

To be completed: This appendix will list a series of questions and criteria that will help companies identify if their current or planned policy engagement activities are integrated, inclusive, effective, and equitable based on the principles and recommendations provided in this guide.