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## Summary

**Corporate stewardship practices in the water sector incentivise businesses to understand their water use and its impacts. Corporate players engage in water stewardship either to manage water-related risks or seek for new business opportunities. This Tool defines what corporate water stewardship entails, discusses the incentives for businesses to engage in corporate water stewardship, and provides guidelines for corporations to conduct water stewardship value chain assessment.**

## Defining Corporate Water Stewardship

Corporate Social Responsibility (CSR) is defined as a “management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders” (UNIDO, 2021). Initially, CSR was focused on philanthropic activities not being directly embedded into the mission or vision of businesses (Motilewa et al., 2016). Today, stewardship and sustainability are becoming increasingly part of the core values and practices of corporate entities (OAF, 2017). The example of the water sector demonstrates that companies expand from CSR to stewardship recognising the value of water (Tool C5.04) and the need to switch from individual to collective action (UNESCO & UN-Water, 2021).

Water stewardship may be described as “the socially and culturally equitable use of water”, which is also “environmentally sustainable and economically beneficial” and “is achieved through a stakeholder-inclusive process” on the level of “both site- and catchment-based actions” (AWS, 2017). Water stewardship approach “supports water users to understand their water use and its impacts” (UNESCO & UN-Water, 2021, 40).

## **Incentives for Businesses to Engage in Corporate Stewardship**

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

- Physical: such as water scarcity, poor water quality and intermittent supply affecting business processes throughout the whole supply chain;
- Regulatory: in regard to tightening standards and requirements on a local, national and international levels;
- Reputational: resulting in harming brand image that is associated with bad water practices.

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

Addressing these risks and demands, corporate actors should avoid greenwashing defined as “the practice of making diverting sustainability claims” to attract investors and consumers (Watson, 2017, 38). Monitoring and evaluation practices should be introduced for water stewardship programmes not to be labelled as greenwashing (Sturgess, 2016).

## **Guidelines for Water Stewardship Value Chain Assessment**

Good water stewardship should entail for a sustainability assessment of water use across the full

value chain rather than conducting a mere assessment of how to manage water-related risks (Hoekstra, 2014). A significant share of companies' environmental impacts occurs not at the company level itself but in the supply chain (upstream or downstream). Multinational companies not only boost economic activity in developing countries by relocating their production sites there but also create demand on natural resources, such as water (Newborne & Mason, 2012).

Water stewardship activities conducted by businesses may be divided into four consequent stages, starting with operations when a company is held accountable for water management at owned-and-operated facilities. The next two stages are about understanding the context, constituted by water-related risks and impacts, and creating a strategy by developing a stewardship plan. Last but not least, the engagement stage activates work with different stakeholders beyond the fence line of company's operations (Tool B3.05) (CEO Water Mandate, n.d.). The concrete steps that may be implemented throughout the four stages include the following:

- Providing WASH services: stands for ensuring that employees have access to WASH both in the workplace and throughout supply chains in communities. The business incentive to have good WASH practices comes from managing risks and aiming at growth through increased productivity, health and wellbeing of workers as well as reduced absenteeism (WaterAid, 2021).
- Measuring, monitoring and disclosure: promotes data collection for the site and the catchment and might include water balance, water quality, water governance, water-related costs and revenues, as well as indirect water use (Tool C5.03). Prior to data collection, the physical scope of both should be identified (AWS, 2019). Assessing water use efficiency companies are asked to share information on water withdrawal, discharge, recycling/reuse and consumption. Companies may be incentivised by scoring methodology to align their operations with IWRM principles, transboundary cooperation and sustainable extraction of fresh water by including all the relevant stakeholders, recognising the cross-boundary nature of water management (Tool C1.09) and understanding needs of other water users (CDP, 2021a). The process of measuring and monitoring should be transparent demanding corporate disclosure of targets and actions (CDP, 2021b).
- Assessing water-related risks (Tool C1.01): covers both direct operations and supply chains. The assessment starts with identifying risk drivers that vary significantly across the world ranging from physical to regulatory and reputational ones. Availability of data is vital for companies to identify, understand and respond to these risks (WRI, 2021), as well as to convert risk into value (WWF, 2021). Water footprint maps may be created to show where demand will grow along the value chain resulting in water scarcity and thus, higher risk exposure (McKinsey, 2009).
- Developing an action plan: requires defining mission, vision, and goals of a company towards good water stewardship, which should be publicly disclosed or reflected in an organisational document. The plan should also touch upon concrete actions to achieve water stewardship targets, timeframes, financial budget allocated, and positions held accountable for the implementation (AWS, 2019).
- Promoting collective action and engaging value chain stresses that various stakeholders can be

brought together to achieve water stewardship targets more effectively. Different companies may be brought together to create a mechanism to measure progress on one of the water-related SDGs (WBCSD, 2021). Businesses can partner with governments via a multi-stakeholder and multi-sectoral gender-sensitive approach to support IWRM Support Programme (GWP, 2021). Public and private partners together with civil society and development organisations may be convened to address water challenges via public policies, institutions, and investments, appropriate technologies, and innovative financing models (WRG, 2020).

## **Business' Role in Strengthening Water Governance**

Responsible business engagement implies that private sector actions should stay in line with public policy objectives. The following scales of business engagement may be identified (Morrison et al., 2010):

- Internal operational and supply chain management: on-site and suppliers' actions comply with broader water policy objectives.
- Local engagement: companies engage with local authorities (Tool B1.02) and communities promoting inclusion of local stakeholders in decision-making.
- Catchment-scale integrated water resources management: supporting basin management projects and taking part in decision-making process by seating on basin management boards.
- National dialogues and policy advocacy: being involved in water policy development (Tool A1.02).
- Global initiatives: collaborating with government, development agencies, NGOs, and international financial institutions on international advocacy and research in the sector.

Businesses can be powerful actors by demonstrating the need for smarter water policies and advocating for sound policy changes (Pacific Institute, UN Global Compact & CEO Water Mandate, 2021).



### **Thematic Tagging**

Private Sector Urban Water services

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