Governing Corporate Water Replenishment Programs

Twelve Practical Tips and Lessons Learned

Bluerisk

UN GLOBAL COMPACT CEO WATER MANDATE

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Why Governance Matters

Maintaining reliable access to fresh water is a global challenge, and this challenge is growing increasingly difficult due to a complex range of reasons, including weak governance, climate volatility, water scarcity, degradation of natural systems, pollution and aging infrastructure.

In response, many organizations in the private sector have made ambitious public commitments to improve the long-term health and security of the natural water systems within the watersheds[1] on which they depend. These commitments are often communicated as water replenishment targets (Box 1).

Today, more than 40 Fortune 500 companies have committed to water replenishment.[2] For many, this is articulated as a public commitment to replenish a volume of water equal to, or greater than, what they consume[3] (typically in their direct operations).

As part of a broader water stewardship strategy, water replenishment programs offer strong opportunities to build trust, business resilience and brand value – by working with local stakeholders to improve watershed health and protect the company's license to operate.

However, developing and sustaining an effective water replenishment program is not easy, and many different types of challenges can get in the way, including:

- Finding suitable local partners
- Promoting consistency across different regions and business units
- Maximizing the value of limited resources and attention
- Managing and coordinating the efforts of multiple partners
- Delivering effective reporting, auditing and claim management

“As part of a broader water stewardship strategy, water replenishment programs offer strong opportunities to build trust, business resilience and brand value.”

Effective governance of corporate water replenishment programs is critical to successfully navigating these challenges and minimizing the risk of greenwashing, overclaiming or failing to deliver on commitments.

This paper presents 12 practical tips for developing effective governance of corporate water replenishment programs – based upon key insights from seven leading companies in the food and beverage industry. Cumulatively, the companies interviewed have decades of experience implementing water replenishment programs at more than 550 sites in 25 countries.

By sharing these tips, we hope to support companies across all sectors and geographies that are planning, or engaged in, water replenishment activities to implement effective programs that deliver sustained outcomes and build a more water-resilient future.

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1 A watershed is an area of land that drains all the streams and rainfall to a common outlet such as the outflow of a reservoir, mouth of a bay or any point along a stream channel (USGS Watersheds and Drainage Basins). Watershed is sometimes used interchangeably with the terms basin and catchment.

2 Microsoft (2023) Water replenishment: Our learnings on the journey to water positive, accessed July 9, 2024, at https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RW1eAAY

3 “Water consumption” is the portion of water use that is not returned to the original water source after being withdrawn. (WRI What’s the Difference Between Water Use and Water Consumption?)

BOX 1

Water replenishment (also known as water restoration or water regeneration) is the term used to describe the volume of water, in a given watershed, that is improved in ways that:

- address local shared water challenges and
- have measurable, positive and sustained impacts on water availability, quality or access, and/or ecosystem health.

This may be achieved by a range of actions (by the company acting alone and/or with others), including land conservation and restoration, installation of new infrastructure, aquatic habitat restoration, water governance and catalytic activities.

Twelve Practical Tips for Developing Effective Governance of Corporate Water Replenishment Programs

The following insights are organized using the four P's of corporate governance, the guiding principles behind why corporate governance exists and how it operates: Purpose, Process, People and Performance.

A DEFINE YOUR **PURPOSE**

Start by defining the purpose of your water replenishment program and the specific outcomes you aim to achieve. Every component and project within the program should exist to further these objectives.

TIP 1: UNDERSTAND THE VALUE

Understand the value of water replenishment to the business. Understanding how water replenishment adds value to the business can help secure internal buy-in for the program, unlock funding and drive meaningful action. When implemented correctly, water replenishment programs can help reduce physical risks by reducing source water vulnerability, increasing supply reliability and building climate resilience, and they can strengthen a company's social and legal license to operate by building trust with communities or contributing towards a good standing relationship with the authorities.

> **Example:** A site demonstrated the value of the water stewardship program by showcasing how working with local governments, tribes and communities resulted in improved relationships and greater trust. This led to an improved regulatory permit renewal process compared with what it had been before the company was engaging and working with others in the watershed.

TIP 2: LEVERAGE CO-BENEFITS

Leverage co-benefits. The funding and staff resources to deliver on a sustainability program are often limited, creating situations of competing demands among a water replenishment program and other corporate sustainability programs. To help overcome this, look for ways that the programs can enhance one another. Many water replenishment projects contribute to climate, social, agricultural and biodiversity benefits.

> **Example:** A wetland restoration project can improve water quality, biodiversity and natural processes, capture carbon and have recreational, spiritual and livelihood benefits for local communities. Understanding, explaining and designing a program to optimize broader environmental and social benefits can help leverage limited funds for greater impact and value to the business.

B DEVELOP YOUR **PROCESS**

Next, develop the process by which your company can consistently achieve the purpose and desired outcomes of the water replenishment program. It takes time and hard work to make processes function but, once they do, they can drive significant improvements in outcomes.

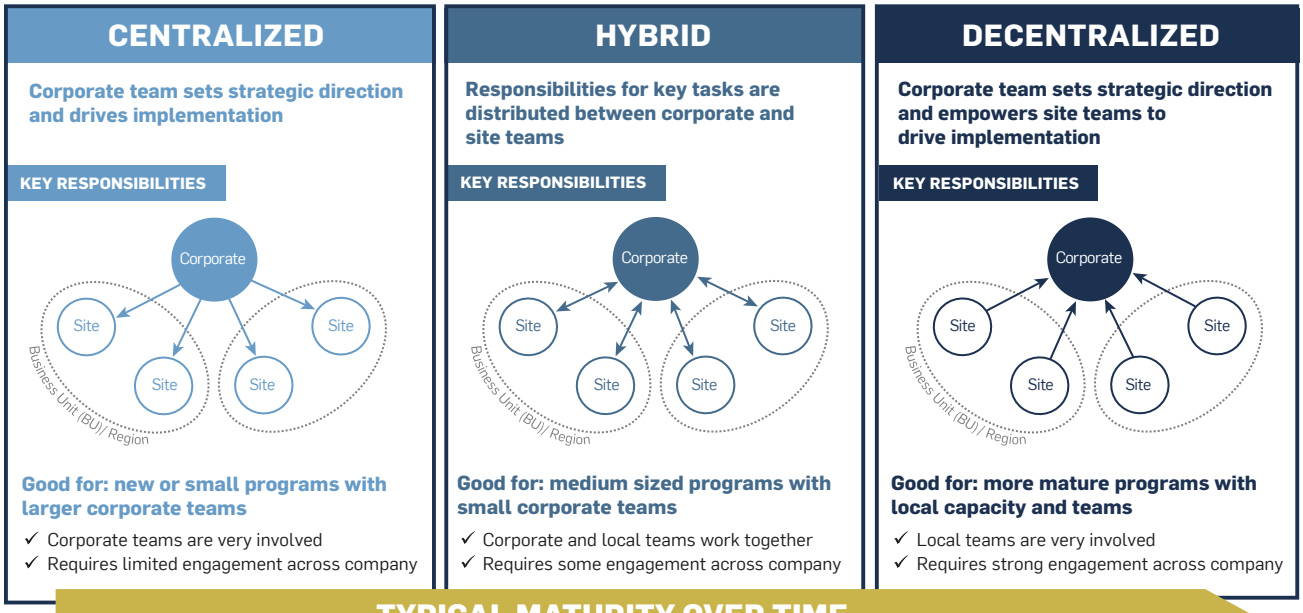
TIP 3: DEFINE YOUR APPROACH

Corporate or global teams define the program parameters, guidelines and expectations, and provide necessary guidance and support with reporting. They decide on the ambition, strategy and direction of the water replenishment program. This enables everyone within the company, across functions, business units, geographies and teams, to clearly understand what the company is aiming for, how to get there and what will be required of them.

Companies generally take one of three approaches to govern their watershed restoration programs: centralized, hybrid or decentralized (Figure 1). Over time, more mature watershed restoration programs naturally evolve from a centralized approach into more decentralized approaches, whereby **regional and local teams fund and implement the water replenishment program.** This drives local ownership and accountability within the company and helps ensure that the projects are addressing local priorities, for the company, its regulators and surrounding communities.

> **Example:** When building your water replenishment program, think about the core competencies and expertise needed and who in your organization (e.g., at the business unit, market or site level) may be well positioned to support it. That can help you distribute roles and responsibilities accordingly and identify key gaps that need to be filled.

FIGURE 1. DISTRIBUTION OF RESPONSIBILITIES AMONG CENTRALIZED, HYBRID OR DECENTRALIZED APPROACHES TO GOVERNING A WATERSHED RESTORATION PROGRAM.



TYPICAL MATURITY OVER TIME

Typical distribution of responsibilities		CENTRALIZED		HYBRID		DECENTRALIZED	
		Corporate	BUs / sites	Corporate	BUs / sites	Corporate	BUs / sites
Governance	Ambition setting	●		●		●	
	Capacity building	●		●		●	
Implementation	Project sourcing	●			●		●
	Project selection	●			●		●
	Project contracting	●		●			●
	Project funding	●		●			●
	Project tracking	●		●			●
Reporting		●		●		●	

TIP 4: LEARN FROM OTHERS

Utilize the experience of those who have already been working on watershed restoration. Finding existing water replenishment partnerships and projects or implementing new ones can be difficult. After you find projects, it can be challenging to fund them, account for the volumetric water benefits and report progress over time. Before you start, consider engaging with experienced companies, project brokers and implementors to learn from them and avoid making the same mistakes others have made, such as funding a project that had a strong proposal but did not deliver the desired outcomes when completed.

> **Example:** Consider engaging other companies and experts to review your program before it is launched and, once launched, convene your team regularly to share learnings and knowledge among sites and countries in ways that can help adapt and improve the program over time. Several companies have hosted open-door events, at their sites or at conferences, to help socialize their water replenishment program with local stakeholders and connect with potential partners and others from whom they can learn.

TIP 5: FOSTER PARTNERSHIPS AND COLLABORATIONS

Partnerships and stakeholder engagement are crucial elements for fostering innovation and impact, both locally and globally. By collaborating with local communities, government and regulatory bodies, environmental organizations and industry peers as well as with global non-profits and industry associations, companies can tap into a wealth of knowledge and expertise. Engaging stakeholders early in the process ensures that the solutions developed are practical, context-specific and widely supported. These collaborative efforts not only enhance the effectiveness of individual programs but contribute to building resilient ecosystems and stronger networks of support within communities, ultimately leading to more sustainable and impactful outcomes.

> **Example:** Companies have built successful partnerships and projects by starting with local engagement. For example, a site in Spain shared that it started by calling the local river basin council, and a site in Turkey went to its water utility to ask how to be of help. In both cases, the sites were met with enthusiastic responses, a list of capital projects in the watershed in need of funding and clear next steps on how to work together with other local organizations.

TIP 6: SET REALISTIC TIMELINES

Set realistic timelines. Identifying, sourcing and implementing water replenishment projects takes a long time, and so does building the coalitions and collaborations needed to drive collective action and sustain benefits over time. Furthermore, projects can be delayed, and stakeholders change priorities. If timelines are not understood upfront, they can become a key barrier to meaningful collaboration and to meeting water replenishment goals. When designing a replenishment program, consider building in redundancy and setting timelines that allow for creating a robust pipeline of projects and working collaboratively with others in ways that can help sustain watershed outcomes over time, beyond the years the company is involved. A failure to do so will undoubtedly become a barrier to scaling impact and creating long-term business and societal value.

> **Example:** A company that set a five-year water replenishment target shared that had it had more time, it would have been able to support more meaningful projects and partnerships. Short timelines resulted in chasing short-term projects and limited the ability to invest the time and resources needed to support long-term improvements in infrastructure, governance and landscapes needed to ultimately address the root cause of many shared water challenges.

TIP 7: EMBED IN BUSINESS PROCESSES

Integrate water replenishment into core business activities and apply standard corporate operating controls. When designing a water replenishment program, govern it the same way the rest of the business is governed. This will help integrate water replenishment into core business activities, using processes the company is already familiar with (e.g., procurement services, partner vetting, internal or external audit) in a way that can help create a shared vision for how to do things while also increasing staff accountability. Embedding water replenishment into core business processes will also help the program endure over time despite staff turnover and/or changing priorities.

> **Example:** Working with procurement can help you understand how best to contract projects in ways that reduce project risks. Engaging internal reporting and communications teams can help strengthen how the program is tracked and communicated to different audiences in ways that maximize value across stakeholder groups.

C EMPOWER YOUR **PEOPLE**

People are the foundation of your program, the organizers who will help achieve the purpose, apply the process and ultimately evaluate the performance over time. People with clear roles and responsibilities must be at the center of any successful corporate water replenishment program.

TIP 8: BUILD CAPACITY

Conduct frequent training and awareness-raising sessions, focused on continuing to socialize the water replenishment program, its desired outcomes and its value to the business as well as tools and resources to help understand the value of the investment. This helps embed the program into the business and make it relevant in the context of local business priorities. Companies that invest in staff training can be more flexible and responsive to evolving risks, local conditions and regulatory environments. Importantly, obtaining budget approval for projects hinges upon employees' ability to effectively communicate the multiple benefits of project implementation. This communication, strengthened by their training and skill sets enables them to articulate the value and impact of the programs, thereby securing the necessary financial support.

> **Example:** Sites and project teams have benefitted significantly from having access to external subject-matter experts to help train, raise awareness and build capacity during the initial years of the program as well as to provide support and guidance on an ongoing basis throughout the life of the program. This type of on-demand support offers a cost-effective way to give local teams what they need to build trust and confidence in their ability to succeed and achieve the program's desired outcomes.

TIP 9: ALLOCATE RESOURCES

Provide adequate resources, tools and frameworks to the colleagues responsible for implementing the water replenishment program. This is critical to embedding water replenishment into the company culture and meeting the water replenishment target. Giving teams the resources and abilities required to succeed will build internal trust and lead them to become a source of innovation and ingenuity that can create new opportunities and ideas for how to meet your goals and have a lasting impact.

> **Example:** A company shared that spending the first 18 months of the water replenishment program building capacity (e.g., training, building decision-support tools, sharing guidance and required processes) resulted in local teams feeling comfortable working on water replenishment, which ultimately led them to taking full ownership and driving the program forward.

D SHARE YOUR **PERFORMANCE**

Lastly, make sure to evaluate and share your performance. It's the only way to determine if you achieved the desired outcomes, to learn and improve your program over time and to build trust with other stakeholders by sharing and communicating what has been done.

TIP 10: STANDARDIZE THE METRICS

Select projects, measure, report and track progress following Volumetric Water Benefit Accounting (VWBA). All the companies highlighted that their water replenishment programs are designed following Volumetric Water Benefit Accounting guidance. Adhering to the VWBA approach has aided in the standardization of data collection and replenishment program design across multiple geographies. As such, it has become the cornerstone of water replenishment programs by ensuring a standardized approach to measuring volumetric outputs across any geography and type of intervention.

> **Example:** Companies require the use of VWBA when working with other organizations to identify, vet and ultimately implement water stewardship projects. This has led VWBA to become a common approach, resulting in improved project procurement processes, more robust performance monitoring and validation and ultimately more open and credible public communication.

TIP 11: DEVELOP EFFECTIVE TRACKING TOOLS

Use digital dashboards, scorecards or other systems to help track replenishment project progress. Detailed documentation and benefit summaries are maintained, often with the help of third-party experts, to track both project and program progress from initial scoping and sourcing through the entire duration of the benefits. As a result, companies are well positioned to help scale and grow the water replenishment program in a consistent and standardized way with centralized access to all information and data required to substantiate claims.

> **Example:** Companies use centralized tracking systems (provided by external parties or developed internally) to help collect, organize and store all water replenishment program information, resulting in easier and quicker performance reporting both internally to senior leadership as well as externally as part of company disclosures.

TIP 12: BE TRANSPARENT

Annual or bi-annual replenishment project progress reports are most common, with some companies requiring quarterly updates from their project implementing partners. These reports include key metrics such as project cost, duration and volumetric water benefits as well as activity summaries. For many companies, this is done or validated with the help of third-party experts or expert panels to ensure consistency, credibility and alignment with external expectations and/or guidelines. As a result, companies learn and build capacity over time, guided by external experts, in ways that ultimately can reduce the level of effort required by the company while increasing the credibility and robustness of the program.

> **Example:** More and more companies are disclosing project-specific information to substantiate claims and share exactly how they are contributing to watershed health in key geographies of interest. While transparency of project-specific information is not always possible, when it is possible it can help clarify exactly how companies are doing, build trust with external stakeholders and demystify what corporate water stewardship is all about.

Call to Action—Make it Your Own

Moving forward, we hope the content provided herein can help your organization build and adapt the governance of its water replenishment program to meet your company's specific organizational structure, size, risk profile, value chain footprint and overall maturity in water management practices. With effective governance in place, your water replenishment program will be well-positioned to deliver sustained outcomes and help to build a more water-resilient future.

BOX 2

The insights presented in this section were gathered through a series of interviews with seven companies in the food and beverage sector, including Cargill Inc., Constellation Brands Inc., Diageo plc, Heineken N.V., Mars Inc., Nestle Waters and PepsiCo Inc. Participating companies were selected because of their well-established water replenishment program (in place for at least three years). These companies have anywhere from a few to several hundred sites. The interviews were limited to companies in the food and beverage sector, given the sector's maturity and experience engaging in water stewardship and water replenishment more specifically.[4]

4 Beverage Industry Environmental Roundtable (2023) A Decade In Review: Practical Perspectives and Experience in Driving Impactful Water Replenishment Initiatives, https://www.bieroundtable.com/publication/water-replenishment-insights/

About

BLUERISK

We are water strategy and data experts focused on enhancing resilience and reducing risk in the face of emerging water challenges. We are committed to creating simple and practical solutions tailored to a deep understanding of our clients' needs.

Bluerisk's primary services include water valuation and risk quantification, at the intersection of nature, people, and energy across corporate value chains; corporate water strategy development and target setting; and water strategy implementation, including decision-support tools and guidance, as well as cost-benefit analysis, volumetric water benefit accounting, project review and attestation.

Bluerisk was founded in 2019 by Paul Reig, after spending nine years at the World Resources Institute, where he advised many of the world's largest companies and co-led the development of the Aqueduct Water Risk Atlas and Volumetric Water Benefit Accounting method, two of the most widely used open-source resources and de facto standards for corporate water management.

CEO WATER MANDATE

Established in 2007, the CEO Water Mandate was created out of the acknowledgement that global water challenges create risk for a wide range of industry sectors, the public sector, local communities, and ecosystems alike. The CEO Water Mandate is a partnership between the UN Global Compact and the Pacific Institute that mobilizes business leaders on water, sanitation, and the Sustainable Development Goals for corporate water stewardship.Mandate endorsers commit to continuous progress against six core elements (direct operations, supply chain and watershed management, collective action, public policy, community engagement, and transparency) and in so doing understand and manage their own water risks.

Within the CEO Water Mandate, two initiatives allow companies to engage more deeply with specific elements of water stewardship and resilience. Endorsers of the CEO Water Mandate can join these groups to further accelerate their water action: The Water Resilience Coalition (WRC) is a CEO-led collective action and leadership group elevating action on mounting water stress to the top of the global corporate agenda. WRC members work to preserve the world's freshwater resources through collective action in water-stressed basins and through ambitious, quantifiable goals. Members commit to the 2030 ambitions and 2050 pledges. NPWI forms part of the 2050 pledge.

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