SUPPLIERS PARTNERSHIP FOR THE ENVIRONMENT

Water Stewardship Action Matrix Guide

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Water Stewardship Action Matrix Guide

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THE WATER COUNCIL

I. Introduction

The Suppliers Partnership for the Environment (SP) provides a forum for global automotive manufacturers and their suppliers to work together toward a shared vision of an automotive industry with positive environmental impact.

Through SP, automotive industry leaders are coming together to share best practices and advance action on key environmental sustainability priorities such as carbon neutrality, sustainable materials management and water stewardship.

In 2022, SP worked together with The Water Council (TWC) – an internationally acclaimed nonprofit organization dedicated to freshwater innovation – to test the design of a sector-wide water stewardship program that is centered on a decision matrix and action plan to help its member organizations, and their suppliers, achieve excellence in their water stewardship performance.

This document was prepared for SP by The Water Council through a collaborative process, including feedback and pilot testing by members of SP's Water Stewardship Work Group. The information contained in this document is based on the professional judgment of The Water Council, in collaboration with individual SP members, and may be used at a company's discretion. SP and its member companies make no warranty, expressed or implied, and assume no liability for any form of damage that may result from the application of the information contained in this document.

A. The SP Water Stewardship Action Matrix Guide

The Water Stewardship Action Matrix and the resulting outcomes and learnings are meant to help inform the creation of an eventual Suppliers Partnership Water Stewardship Program built on global water stewardship best practices that align with the principles and frameworks of the CEO Water Mandate and the International Water Stewardship Standard ("AWS Standard").

The Action Matrix is intended as a first step in helping companies build water stewardship programs. As such it provides the necessary actions to ensure the right data, information and risk assessment processes are in place if and when companies choose to directly mitigate water-related risks and report those actions and outcomes to key external stakeholders. Thus, the Action Matrix forms a platform for future action and currently serves as the first phase in a possible multi-phase SP water stewardship initiative.

The Action Matrix is informed by the basic principles and five outcomes of good water stewardship:

- Sustainable water balance
- Good water quality
- Good water governance
- Healthy status of important water-related areas
- Access to safe water, sanitation and hygiene (WASH)

It is important to understand what constitutes "good" water stewardship practices at a site and how that differs from traditional "water management" approaches. The Alliance for Water Stewardship

(AWS) defines “water stewardship” as the use of water that is socially equitable, environmentally sustainable and economically beneficial. This is generally achieved through a stakeholder-inclusive process that involves site- and watershed-based actions.

The Action Matrix serves as a company’s first step toward developing a comprehensive water stewardship program. It follows a plan-do-check-act approach that leads to a better understanding of water uses and impacts so that if companies choose, they can create targets, set policy and ultimately mitigate highest priority water-related risks. Because it is a process-based approach, it is meant to accelerate water stewardship performance in companies of different sizes, in different locations and with different operational profiles.

Implementing the Action Matrix steps results in useful water-related data to further improve site-level operations and facilitate eventual enterprise-wide reporting to key customers and other stakeholders. Specifically, this Action Matrix will help automotive manufacturers and suppliers: 1) Understand water uses and their impact on their source water(s), watershed(s) and surrounding communities; 2) Identify water-related risks and key stakeholder types; and 3) Prioritize risks and consider opportunities for action and eventual public disclosure.

After working through the Action Matrix, a company can then determine appropriate actions to take as warranted to mitigate risk. The strategic direction and specific action steps that each company takes will be a function of the water-related risks at their production sites as well as stress drivers in the watersheds in which they are operating.

In summary, the Action Matrix accomplishes several goals at once:

- Aligns with UN Sustainable Development Goal 6 (Clean Water and Sanitation)
- Generally aligns with OEM requirements/supplier codes of conduct
- Lays foundation for more comprehensive water risk assessment, mitigation and strategy development in the future
- Builds a baseline that positions companies toward best practice for site and enterprise-wide water stewardship (AWS Standard and CEO Water Mandate, respectively)

Specific outcomes companies achieve upon completion:

- Generates data/actions that can be reported through CDP and other external water-related reporting
- Prepares companies for more comprehensive site-level action in the future (i.e., use of the AWS Standard)
- Informs the development of an eventual water policy/commitment reflecting local context and direct risks
- Positions a company to set contextual water goals/targets (including water reduction targets) if it chooses

B. Water Stewardship: Inside and Outside the Fence Line Actions

Traditionally, “water management” has focused on efficiency and regulatory compliance. While these are important aspects for stewarding water resources at a site, this focus may ignore risks and value-creation opportunities that exist outside the fence line of a given facility. Water stewardship is a more holistic approach to not only identifying and mitigating water-related risks that affect operations inside

the fence line, but also addressing shared water-related challenges and opportunities outside the fence line.

Sites can develop a more complete water risk radar informed by localized assessment of risk and input from key stakeholders. Water stewardship builds on water management best practices by broadening the facility manager's perspective from considering water only as an input to production to be used, moved and discharged from the facility as efficiently as possible, to a view of water as an asset to be stewarded.

Using a holistic "water stewardship" approach to identify and mitigate risk benefits facilities in three ways:

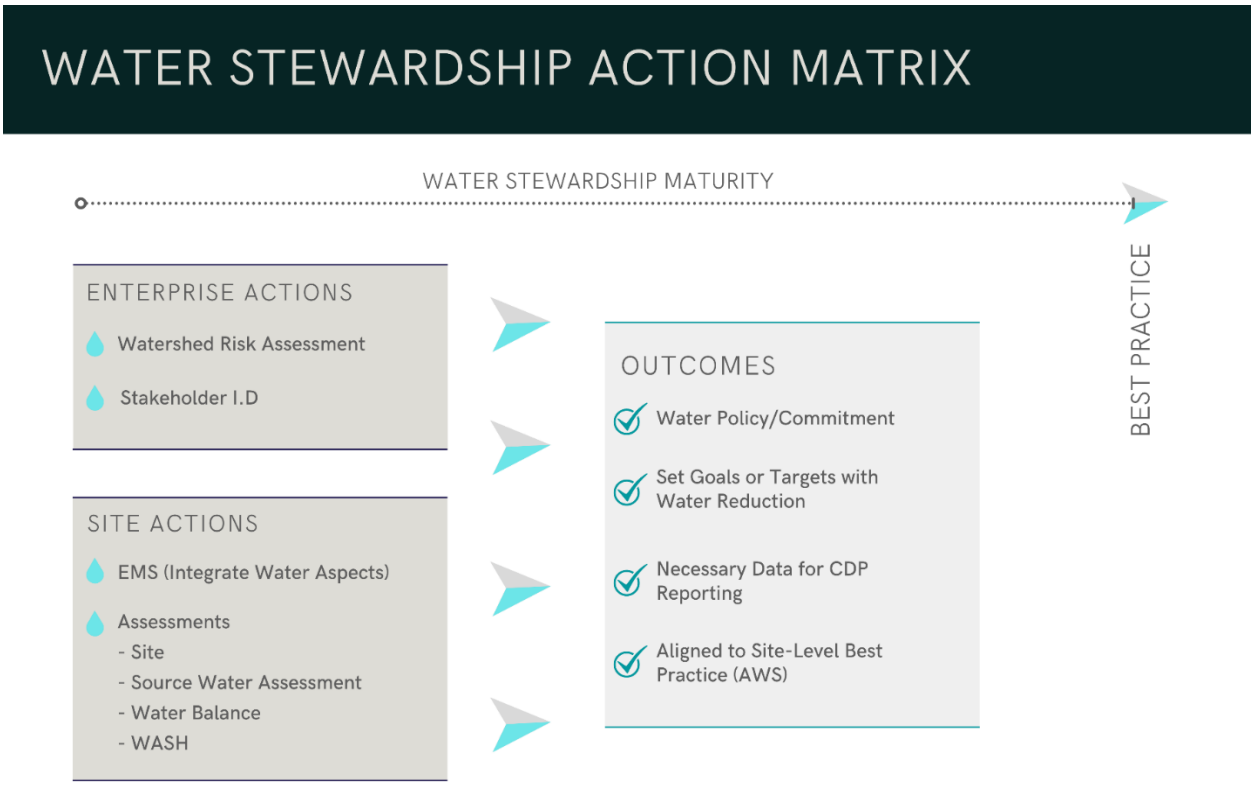
- *Sites use water in a more sustainable manner*. That means working toward optimizing water use inside the facility, moving beyond regulatory compliance and looking for opportunities to address shared water-related challenges.

- *Increased stakeholder engagement*. Proactively engaging key water-related stakeholders helps sites broaden their consideration of risks and actions as they relate to local water resources and associated challenges and opportunities. Stakeholder engagement can build credibility for the site and provide valuable intelligence about water-related risks that exist outside the fence line but can have impacts on site operations.

- *Alignment of actions inside the facility with conditions in the surrounding watershed*. For example, if a site is located in a water-scarce region, then plans to increase water consumption year-over-year would expose its operations to unnecessary risk. In the same regard, a facility in a region with water quality challenges from runoff might consider opportunities to better mitigate and manage stormwater on-site.

A comprehensive water stewardship program leads companies to identify opportunities and challenges shared by others in their watershed. Companies can enhance brand value through collaborations that proactively address shared water-related challenges and opportunities that ultimately benefit multiple water users within a given watershed. Working with partners is often critical to achieving watershed-scale improvements to local water resources.

II. Using the SP Water Stewardship Action Matrix



A. Factors to Consider and Plan Before Starting

Companies committing to working through the Action Matrix should consider the following factors as they develop a starting plan:

1. *Identify project team.* Ideally, one person from corporate would act as the main point-of-contact who can liaise as necessary with the appropriate staff at the participating sites.

2. *Identify and/or prioritize which company site(s) will participate.* If there are not enough resources to support use of the Action Matrix at all company facilities, then determine a methodology to prioritize sites for implementation.

3. *Site readiness survey.* A simple survey via email or phone should be conducted to determine if your participating site(s) has the necessary staff and mechanisms in place to collect the required water-related data and information.

4. *Set aside several hours per week per site.* The Action Matrix was designed to be implemented by two people. More time will be spent upfront on project team organization and site

prioritization. Once your team begins working through the Action Matrix, be prepared to spend several hours per action.

B. Implementing and Completing the Action Matrix

Companies will work their way through the Action Matrix (See Figure 1) starting on the left-hand side with two sets of activities – one at the enterprise level and the other at the site level. The actions laid out below do not need to be completed in the order as written. Additionally, the sets of enterprise actions and site-level actions can be completed concurrently as time and resources allow.

Enterprise Actions
These actions can be led by staff at the corporate level or at the site level. If you are implementing the Action Matrix at multiple sites, it makes more sense for corporate staff to conduct these actions in order to free up facility staff for site-level actions.

Enterprise Action 1: Conduct a watershed risk assessment using a free, online third-party tool such as WRI Aqueduct Water Risk Atlas.

What is a watershed risk assessment? A watershed risk assessment assesses the current status and health, future trends, and current and future issues driving risk within surrounding surface and groundwater bodies. This includes physical, regulatory and reputational risks. This location-based risk assessment helps sites understand how factors in the surrounding watershed may impact site-level operations, as well as how the site itself may impact the surrounding watershed.

How do I conduct a watershed risk assessment? It is recommended that companies use the free, online WRI Aqueduct Water Risk Atlas. There are other free, online third-party assessment tools that utilize higher resolution data but require more site-level data input. You are free to use a different tool – simply note which one it is.

A watershed risk assessment (and output from the tools) assesses three types of risk that exist in any given watershed: *physical*, *regulatory* and *reputational*.

Physical risks generally arise from having too little water, too much water, water that is unfit for use or inaccessible water. You should consider exploring surface and groundwater quality (pollutants, sediments, saltwater intrusion) and surface and groundwater quantity (scarcity, flooding, aquifer replenishment, extreme seasonal variability).

Regulatory risk in the watershed includes issues like uncertain or fast-changing regulatory environments and lack of legitimate water governance authorities. Issues to explore include understanding the general legal framework for water (prior appropriation vs. riparian rights), current public policies (reducing polluted stormwater runoff), and industry-specific regulations that may or may not be effective in protecting the health of local water bodies.

Reputational risk results from stakeholder perceptions that companies are negatively impacting water resources or increasing demands and competition among different water users for limited or stressed water resources. This aspect of the watershed assessment is quite subjective, so supplementing online tool output with local knowledge of site-level staff can help companies better

understand how they are viewed in the community. Mitigating reputational risk is strongly tied to improving a facility's social "license" to operate and grow.

What is the outcome? The online tools will produce a downloadable report for your site that categorizes risk based on physical, regulatory and/or reputational risk; or even on overall water-related risk in the watershed. The report ranks water-related risk from "low" to "high," including individual factors driving risk. It is critically important to understand what specific factors are driving different types of risk in the watershed. For instance, if the tool assesses *physical risk* in the watershed as "high," review the tool output to determine whether this is due to issues of scarcity, poor water quality or others (it will be identified in the report).

Important notes about free, online assessment tools including WRI Aqueduct Water Risk Atlas:

- These tools are a starting point for understanding watershed-based risk – the assessment outputs from these tools must be supplemented by the Site-Level Actions;
- The tools are reliant upon data at large watershed scales that is useful for high-level considerations but not as a single source of the truth; and
- Each tool has pros and cons so please consult each tool's description of data and assessment methodology.

Enterprise Action 2: Identify groups of key water-related stakeholders that may be common across the enterprise and shared by your sites.

Who are my stakeholders? Any organization, group or individual that has some interest or "stake" in the implementing organization's activities, and that can affect or be affected by them. The four main categories of stakeholder are: (1) Those who impact the organization; (2) Those on whom the organization has (or is perceived to have) an impact; (3) Those who have a common interest; (4) Neutral – those with no specific link, but whom it is relevant to inform. Of most relevance to water stewardship are stakeholders associated with water use and dependency, but engagement need not be limited to these.

How do I conduct high-level stakeholder identification? This is not meant to be a comprehensive corporate stakeholder mapping exercise, but rather a starting point to better understand key water-related stakeholder types. Proactively engaging with key stakeholders provides two primary benefits. First, water-related stakeholders often have excellent local intelligence on the status of water resources upon which your operation might rely or impact. Second, proactive engagement leads to trusted partnerships that can help reduce reputational risk while also leading to collaborative opportunities to address shared water-related challenges.

For purposes of using the Action Matrix, companies should start with investigating three general categories of water-related stakeholders.

- Municipal water authorities and/or water service providers. Your local water authority and your water service provider (if different) have valuable intelligence on the health and status of your source water and public water-related infrastructure. Identify these entities and determine which has authority for regulating water use, providing water and treating wastewater.

- Water-related NGOs (local, regional, etc.). Local water-related NGOs house valuable intelligence on water quality and quantity challenges but also have insight into how your company is perceived by others in the watershed. Identify the active and respected local water-related groups that monitor water quality and quantity as well as overall ecosystem health.
- Other local water users (agricultural, industrial). Water stress is exacerbated when multiple water users within the same watershed compete for limited or poor-quality source water. Watershed health can only be improved in collaboration with others. Since businesses rely on sustainable water resources, avoiding conflict and identifying shared water-related challenges and opportunities reduce risk for everyone. Identify the larger water users in your watershed – both industrial and agricultural.

Since this is an identification process and not stakeholder *engagement*, companies need not actively reach out and discuss shared water-related challenges and opportunities with others in the same watershed of operation. That being said, during the Source Water Assessment below, it is recommended that you establish contact at a minimum with your water service provider (see Site-Level Actions – 3 below for more information). Keep in mind that as you build out your water stewardship program, you will find value in engaging proactively with the three stakeholder groups identified above. Furthermore, enhanced brand value flows directly from working with others to address shared water-related challenges and opportunities.

Site-Level Actions
These actions can be led by corporate or facility staff but are best accomplished by staff at the participating site(s). These actions can be conducted in any order.

Site Action 1: Identify existing environmental management systems at the participating site(s).

This is simple survey of your own internal operations to determine whether you use an environmental management system and, if you use such a system, how the water-related aspects of your operations are covered. The environmental management system can be proprietary or publicly available such as ISO 14001 or the AWS Standard. If you have such a system in place and have not done so already, incorporate the water-related aspects of your operations into it. This is an opportunity for improvement. The goal is to ensure that you treat water like other resources and inputs that you manage. This provides a foundation on which to build a more comprehensive water stewardship system that accounts for all water-related actions and direct and indirect costs. Additionally, besides being a general manufacturing best practice, many OEM supplier codes are requiring the use of such a system that accounts for the water-related aspects of your operations.

Site Action 2: Identify how your sites use water and typically impact local water resources.

Understanding your operational water-related uses and impacts is key for assessing overall levels of water-related risk at a given site. It also helps to better define which categories of risk (physical, reputational and regulatory) are of concern and how that may translate into financial risk. Further, the relationship between how your site is using water and the conditions of the watershed, source water(s) and receiving water body(ies) can give you important information about current and future risks.

How do I conduct an operational assessment? Start by gathering the following information for each site implementing the Action Matrix:

- How much water is received/withdrawn vs. consumed
- How is water used (cooling, cleaning, in process, etc.)
- Site effluent or discharge quality and amounts
- Any noted variance (seasonal or otherwise) in water withdrawn/used/discharged
- Water quality parameters tracked at the site
- Potential sources of pollution onsite (hazardous materials, chemical storage)
- General understanding of water-related costs (direct and indirect) at the site
- The site's exposure to extreme weather events
- Proximity to socially, culturally or economically important water-related areas (wetlands, public access points to local waterways)
- Impact to the business should water resources be compromised or become unavailable, including temporary production shutdowns

What is the outcome? After you have gathered this information and have a more detailed understanding of how your site uses and impacts water resources, as well as a general understanding of water-related costs and impacts to the business, you have the necessary information to determine how water-reliant the site is. This step is about filling out your understanding of the site's water uses and impacts so that you can weigh those factors against your watershed risk assessment and the source water assessment. This data can also be used to supplement external reporting to investors and other key stakeholders. Lastly, in one of the following Site-Level Actions, you will develop a high-level water balance for your site. This information will assist you in that effort.

Site Action 3: Conduct a high-level source water assessment for participating sites.

What is a source water assessment? A source water assessment helps sites understand the major trends and overall status of those water bodies they rely upon or impact through water supply and discharge. It can provide a more comprehensive understanding of risk by assessing, at a greater level of detail, both health and status of the source water(s) for the facility, as well as the health and status of the ultimate receiving body(ies) for discharge and runoff.

The AWS Standard identifies four elements to the source water assessment:

- Site water sources that are owned or managed by the site or its parent organization;
- Water service provider (if applicable) and its ultimate water source(s);
- Wastewater service provider (if applicable) and ultimate receiving water body or bodies (including runoff, discharge, etc); and
- Status of public and private water-related infrastructure upon which the site relies.

Free, online watershed risk assessment tools like WRI Aqueduct Water Risk Atlas do not provide all the necessary information for this Action Matrix step. Through the entirety of this step, it is critical to engage either your local water service provider or another knowledgeable third party (local university, local water-related NGO) to help complete your understanding of the status, trends and risks associated with your source water(s) and ultimate receiving water body(ies).

How do I conduct a source water assessment? Proceed by gathering the following information on your source water(s) and associated status of public or private infrastructure; then gather the same type of information for your ultimate receiving water body(ies).

A. Source Water. Identify where your water supply comes from. Understand first whether source water is provided by a municipal utility, directly withdrawn and treated by the site or some combination of both. Knowing if the municipal source water is stressed gives an indication about longer-term water availability trends or even efforts by the municipality to seek supplemental sources of water for the community. Likewise, for sites that directly withdraw groundwater, understanding the status of that aquifer, replenishment rates and future regulatory changes can help ensure a more resilient operational posture.

   If your water comes from a municipality: Contact the utility directly to find out the provenance and status of provided waters. Understand the age and status of public infrastructure delivering water to the site. In both instances, identify any trends or conditions that may pose a risk to availability of provided waters. For instance, if the site is located in a water-scarce region, is the municipality in the process of identifying alternate water sources? Or, is the age of the infrastructure such that the municipality may be increasing rates to pay for upgrades and continued public infrastructure maintenance?

   If your water comes from a direct withdrawal: Locate publicly available reports on the health and status of the surface- or groundwater sources upon which it relies. Consider how your facility's use of that water may contribute to stress of the local water supply and impact other water users. At this point, reach out to the local municipal water provider (even if it does not serve your site) and/or trusted third-party sources of information in the community to help improve your understanding of the surface water and/or groundwater sources upon which your site relies. For privately owned water-related infrastructure, find out the status and costs associated with operating and maintaining wells, water intake infrastructure and/or onsite water treatment works. For instance, what is the age of the infrastructure? What plans are there for replacement? Is there a need to drill new wells?

B. Ultimate Receiving Water Bodies. Identify where your water returns. Ascertain the same type of information for the ultimate receiving body(ies) for discharge and runoff as you did for source water(s). Determine whether the site relies on public sewerage infrastructure, its own system of conveying discharge or some combination of both.

   If your site discharges to a public wastewater utility: Ask the same questions of the utility as outlined above for public drinking water utilities. Understand any risks associated with the ultimate receiving body, especially if the site has potential to negatively contribute to water quality or stormwater challenges.

   If your site has direct discharges, injection wells, runoff, outfalls or otherwise manages stormwater on site: At this point, there may be regulatory issues (permitting, compliance costs) to understand, in addition to how the site's activities may or may not contribute to local water body stress. Again, reach out to key stakeholders including the local utility or other trusted third-party sources to understand precisely how the site's actions may be impacting the watershed.

Site Action 4: Conduct or map a high-level water balance for participating sites.

If you have not completed a water balance to date, consider this as a high-level starting point. If you have completed a water balance, now might be a good to time to update it as necessary with any new data and information generated from completion of the Action Matrix. Sites may develop or utilize a simple schematic representing the site's water balance if they prefer.

How do I conduct a site-level water balance? The AWS Standard provides helpful guidance on conducting a site-level water balance via the following water balance equation:

> Water balance = water withdrawn from source(s) + water gathered on-site - site water consumption - water discharged from site (per meaningful time unit).
>
> Guidance from the AWS Standard: "Typically, a water balance exercise involves a mass-balance accounting calculation for the input water (direct from water bodies, gathered on-site and/or via water service providers); water consumed through various processes; and waters returned (to water bodies and/or to water service providers) over a given time period. Note, water process losses should include losses to leaks, releases to atmosphere (evaporation, transpiration, vapor/steam releases), irrigation, water retained in product, water retained on-site and any other water consumed on-site."

A mass balance exercise helps identify any unaccounted-for losses or leaks and should result in a better, more refined understanding of how water moves through and is consumed within your facility. This type of water balance supplements information you've already gathered in the preceding steps and further informs the picture of water-related risk at your site(s).

Site Action 5: Conduct a WASH Self-Assessment at participating pilot sites using the WBCSD free, online tool.

What is WASH? "WASH" is an acronym for access to safe **Wa**ter, **S**anitation and **H**ygiene. It is used in the international development sector to refer to the combined area of effort to address basic human water needs and rights related to access to safe and sufficient water for drinking, food preparation and washing. It also includes the provision of good washing and toilet facilities and the principal of hygiene education to combat the spread of water-related illnesses and disease.

In addition to its inclusion within OEM supplier requirements and codes of conduct, WASH is important for two primary reasons. First, ensuring WASH at company sites means workers have safe access to water for all their drinking and sanitation needs. While WASH access in North America is widespread, this is not necessarily the case in every location. Adequate WASH on-site also means contractors, visitors and other people on site (besides employees) also have access to safe drinking water and sanitation. Second, making WASH a priority in your direct operations and ensuring that your facilities do not impinge on the surrounding community's access to WASH (or water rights) helps protect your social license to operate and burnishes your reputational standing in the community and industry.

How do I conduct a WASH Self Assessment? The WASH Pledge self-assessment tool is an Excel-based tool that can be used by companies to evaluate their implementation of access to safe WASH at the workplace (i.e., a given site) in comparison to leading practices. It can help identify areas for

improvement and support decision-making regarding investment and priority action if WASH is a challenge within the community or a risk to the site.

The tool consists of 31 questions across the six categories listed below and is presented in an Excel workbook format. Once completed, it provides an overall rating for the assessed facility or workplace location as well as for each of the categories below:

- General Access
- Workplace Water Supply
- Workplace Sanitation
- Workplace Hygiene
- Value/Supply Chain WASH
- Community WASH

Simply complete the assessment tool and follow up on any areas identified for improvement.

III. Summary & Next Steps in Your Water Stewardship Journey

Congratulations on starting your water stewardship journey! Through your completion of the SP Water Stewardship Action Matrix, you have laid a solid foundation for developing or updating your site-level and enterprise-wide water program. You may also have identified important water-related improvements and outcomes to report to key stakeholders.

A. Summary

Upon completing the steps of the Action Matrix, you now have valuable data and information on which to evaluate overall water-related risk at your participating site(s). The watershed risk assessment provides a location-based assessment of issues driving water-related risk that emanate from outside the fence line (physical, regulatory and/or reputational). The source water assessment further refines your understanding of risk associated with your water supply and discharge while the stakeholder identification exercise provides you with valuable intel on partners that can help you truth-check your understanding of water-related risk at your site(s). The conversation with key stakeholders and these two assessments will inform your understanding of which issues are driving risk in the watersheds in which you operate and how that might be exacerbated by your water supply and/or discharge and runoff.

To build a more comprehensive determination of overall water-related risk, you can match these two assessments and stakeholder input with your operational profile of water uses and impacts using the water balance and WASH exercises. Assuming you have an EMS system in place, you can add or update the necessary water aspects so that you are moving toward more sustainable production methods that account for outside and inside the fence line uses, impacts and risks. Now that you have expanded your understanding of your operational water profile, you can begin identifying possible mitigating actions with more precision. For instance:

- Is my facility water intensive, with minimal leak detection or sub-optimized metering, located in a water-scarce region?

- Is my facility located in a region prone to flooding yet lacking updated/efficient stormwater capture and conveyance infrastructure?
- Am I reliant on direct water withdrawals for my operations yet the health of the local aquifer is severely stressed and status of recharge unknown?

Remember, while the Action Matrix and this Guide form a baseline for future water stewardship action, you need to move quickly on the right water-related actions, at the right times and in the right places to fully capture the value of addressing shared water-related challenges and opportunities.

B. Action Matrix Outcomes

The Action Matrix outlines four possible outcomes upon which you can follow up as warranted. Each of these is voluntary but recommended. Further, these steps could form the basis for a second phase to this initial phase of the SP water stewardship program.

Water Policy/Commitment – Now that you have completed the Action Matrix, you have enough information to develop a Corporate Water Stewardship Commitment or Policy that references the principles and best practices of water stewardship. This corporate-wide statement provides guidance and authority for implementation of water stewardship projects at key sites within direct operations. Such statements not only help to ensure that senior management is accountable for water stewardship performance and risk mitigation, but also empower and enable staff across the enterprise to undertake ongoing water stewardship actions. If your company already has a broad sustainability or corporate social responsibility policy or commitment, either can be modified to explicitly reference the outcomes of good water stewardship.

Set Goals/Targets with Water Reduction – Some OEM supplier codes require water target/goal setting. Whether your company supplies to such an OEM or not, setting water targets/goals is a best practice in achieving operational water stewardship excellence. The data and information generated through completion of the Action Matrix form contextual basis needed to set meaningful targets that are directly responsive to water uses and the highest prioritized risks. Setting *contextual* water targets is a best practice in water stewardship performance.

Necessary Data for CDP Reporting, Stakeholder Reporting – CDP is a nonprofit that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. One of their disclosure frameworks is CDP Water. Thousands of companies report to CDP Water by answering a questionnaire that covers all aspects of enterprise-wide water use, impact and risk. Companies with sites that have completed the Action Matrix are now generating necessary data and information that can be aggregated at the corporate level and reported to CDP, as well as support responses to customer and other stakeholder requests. Companies that report to CDP generally improve reputation, boost competitive advantage, track and benchmark progress, uncover risks and opportunities, and stay ahead of regulation (summarized from the CDP website).

Alignment to Site-Level Best Practice – Upon completion of the Action Matrix, participating sites will have the foundation in place to further align to, and potentially implement and certify to, the AWS Standard. The AWS Standard is a comprehensive water use standard built on a plan-do-check-act approach to continuous improvement. It is a complete system for gathering water-related data at the site level; improving understanding of uses and impacts; identifying risks, shared challenges and opportunities; and ultimately developing a customized plan to improve overall water-related

performance and stewardship. The Enterprise and Site-Level Actions from the matrix form the basis of understanding water-related risk and ultimately mitigating it.

C. Additional Opportunities

What follows are initial steps you can take to help maintain this positive momentum you have started regarding your water stewardship program and performance. The ideas for consideration below can apply no matter the level of overall water-related risk you have identified for your site(s).

First, consider communicating accomplishments to date, even if you have not yet set public-facing water targets/goals. Do not delay – start utilizing company-approved channels to tell your water stewardship story and proactively set the narrative about how your company assesses water-related risk, prioritizes sites for actions, and measures and tracks progress and outcomes. The fact that you have completed the Water Stewardship Action Matrix shows a level of commitment to securing sustainable water resources relatively uncommon across many sectors.

Start by reaching back out to any external stakeholders that assisted with completion of the Action Matrix. Keep customers, investors and other key stakeholders informed of your progress, as they may want to know where you are at on your water stewardship journey. This can help alleviate reputational risk by informing stakeholders that you are following a methodical approach to assessing risk, setting goals and communicating progress. Companies can utilize existing sustainability reporting formats, social media channels and/or ESG-reporting frameworks.

Second, use the outcomes, data and information from the Action Matrix to build the foundation for a company water strategy. The Action Matrix is scalable across all your sites. Aggregate site-level data for external reporting but also for developing contextual water targets or goals (see previous section). It's not enough to simply identify risks, you must also act to mitigate them. Water stewardship is about "doing the right things, at the right places, at the right times." Incorporating water targets/goals into an overarching strategy ensures aligned, effective and optimized actions across the enterprise.

Third, seek opportunities to collaborate with others in the sector or in a watershed where you operate no matter the level of risk perceived at a given site. Water stewardship outcomes improve from collaborative, competitively appropriate action. When companies address shared challenges and opportunities with other water users where they are co-located, participating companies can achieve positive local impacts and may also enhance brand value.

Do not wait for a water crisis! Start your water stewardship journey today. For a more detailed conversation on your next steps in your water stewardship journey, please contact SP staff or The Water Council.

IV. Acknowledgements & Disclaimer

Acknowledgement: SP wishes to thank The Water Council for its assistance throughout the course of developing and piloting testing the Water Stewardship Action Matrix, specifically, the guidance and project leadership provided by Matt Howard, Vice President for Water Stewardship.

companies make no warranty, expressed or implied, and assume no liability for any form of damage that may result from the application of the information contained in this document.

Contact: Please submit any feedback on this document or suggestions for future improvements to SP at info@supplierspartnership.org.

For specific company inquiries related to practical application of the Water Stewardship Action Matrix or operationalization of any of the water-related concepts discussed herein, please free to contact Matt Howard, Vice President for Water Stewardship, The Water Council at mhoward@thewatercouncil.com.

Glossary

Alliance for Water Stewardship: The Alliance for Water Stewardship (AWS) is a global membership collaboration of businesses, NGOs and the public sector. Its members contribute to the sustainability of local water resources through their adoption and promotion of a universal framework for the sustainable use of water – the International Water Stewardship Standard, or AWS Standard.

Aspects List: Any part of your company's activities that can interact with the environment, either positively or negatively. This could be chemicals that are emitted into the air from a vent during one of your processes or chemicals that are expelled in your wastewater. This could also take into account resources that your processes utilize, or the environmental effect of the amount of waste you dispose of.

Aquifer: Geological unit containing groundwater. It must have sufficient porosity to hold water and sufficient permeability to allow easy flow. Porosity is created by the space between grains of rock and by cracks and fissures. Aquifers occur on many scales, ranging from small and local units to hundreds of square kilometers. Thickness ranges from one meter to hundreds of meters. A water table (or unconfined) aquifer lies just below the ground surface and is vulnerable to pollution. A confined aquifer lies below an impermeable rock layer (such as clay), which helps protect it from surface pollution.

Catchment: The geographical zone in which water is captured, flows through, and eventually discharges at one or more points. The concept includes both surface water catchment and groundwater catchment. A surface water catchment is defined by the area of land from which all precipitation received flows through a sequence of streams and rivers towards a single river mouth, as a tributary to a larger river, or to the sea. A groundwater catchment is defined by geological structure of an aquifer and groundwater flow paths. It is replenished by water that infiltrates from the surface. Depending on local conditions, surface and groundwater catchments may be physically separate or interconnected. Alternative terms are watershed, basin and river basin.

CEO Water Mandate: The CEO Water Mandate is a special initiative of the UN Secretary-General and the UN Global Compact, implemented in partnership with the Pacific Institute. The CEO Water Mandate mobilizes a critical mass of business leaders to address global water challenges through corporate water stewardship, in partnership with the United Nations, governments, civil society organizations and other stakeholders. The Mandate is a commitment platform for business leaders and learners to advance water stewardship. Endorsing companies commit to action across six key elements and report annually on progress.

CDP: CDP, formerly the Carbon Disclosure Project, is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts including a comprehensive water reporting platform. The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate and city action.

Contextual Water Target: Targets informed by the surrounding catchment (watershed) context that help focus resources toward the right water-related challenges in the right places and are strategically relevant to both the target-setting water user and other water users in the catchment (watershed).

Discharge: Water-related discharge from a site, including drainage, wastewater (effluent), used cooling water, and irrigation surplus. The quality of discharged water may range from good to polluted, depending on its origin, use and treatments applied.

Goal (or Target): A specific time-bound objective that sets the desired outcome at site, corporate, basin or other levels. For example, "By 2020, a 20% increase in total water efficiency as compared to 2015," or "By 2020 a 10% decrease in total nitrogen discharges as compared to 2017."

Groundwater: Water below the surface of the Earth stored in porous spaces and fractures within rock or layers of sand and gravel (aquifers). In water resources management the term more specifically applies to water that can be extracted at a viable rate, quantity and quality for human use (with or without treatment). Saline water or water contained in rocks of very low permeability is not conventionally considered groundwater.

Indirect Water Use: Water used in a site's supply chain representing that which is used in the manufacturing and provision of all products and services, excluding water used on site. In effect, it is the sum of "embedded water" of all products and services. Indirect water can also include outsourced services that use water (such as laundering or fleet washing).

Integrated Water Resource Management: "IWRM" is a process that promotes the coordinated development and management of water, land and related resources, in order to maximize the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems.

International Water Stewardship Standard ("AWS Standard"): A globally applicable framework for major water users to understand their water use and impacts, and to work collaboratively and transparently for sustainable water management within a catchment context. The Standard is intended to drive social, environmental and economic benefits at the scale of the catchment.

Metric: Any form of quantitative or qualitative measure used to track progress at a site, whether corporate, basin level or other levels. For example, "water efficiency" or "water withdrawal."

Objective: The desired outcome of a target or goal. For example, "align site water use with catchment water balance."

Science-Based Water Target: A target that supports a company in reducing its impacts on freshwater resources in line with what the latest hydrological science says is necessary to meet the sustainable freshwater quantity and quality thresholds of the basin in which the company and its value chain operate.

Shared Water Challenge: A water-related issue, concern or threat shared by the site and one or more stakeholders within the catchment(s). Examples include physical water scarcity, deteriorating water quality and regulatory restrictions on water allocation.

Shared Water Opportunity: The possibility of an entity experiencing a positive gain resulting from water stewardship efforts (e.g., financial improvement, shareholder approval, improved brand image, etc.).

Site: For the AWS Standard, the site is the physical area over which the implementing organization owns or manages land and carries out its principal activities. In most cases it is a contiguous area of land but may also include physically separated areas and all areas owned or managed by the site (especially if in the same catchment). For a factory, the 'site' is typically represented by the fenced area encompassing all its buildings, parking and storage areas. For farming, the site encompasses its fields, buildings and storage areas. Where the organization operates its own water sources and/or wastewater plant, these should be considered part of the 'site'. For example, for a bottled water factory that operates a physically separate water source (e.g., spring or borehole), this should be considered part of the "site."

Stakeholder: Any organization, group, or individual that has some interest or "stake" in the implementing organization's activities, and that can affect or be affected by them. The four main categories of stakeholder are: (1) Those who impact on the organization; (2) Those on whom the organization has (or is perceived to have) an impact; (3) Those who have a common interest; (4) Neutral – those with no specific link, but whom it is relevant to inform. Of most relevance to water stewardship are stakeholders associated with water use and dependency, but engagement should not be limited to these.

WASH: Acronym for Water, Sanitation and Hygiene. It is used in the international development sector to refer to the combined area of effort to address basic human water needs and rights related to access to safe and sufficient water for drinking, food preparation and washing. It also includes the provision of good washing and toilet facilities and the principal of hygiene education to combat the spread of water-related illnesses and disease.

Watershed: Alternate term for catchment. River basin or basin may also be used as alternatives. AWS mainly uses the term catchment, which can slightly differ in meaning from how watershed is used in North America.

Water Balance: The change in water supply at a site level, or at a catchment level, determined by the difference between average intake, precipitation, evapotranspiration and water discharge (typically taken at the main drain of the site or catchment).

Water Consumption: Represents water used by the operation but not returned to its proximate source. It involves evaporated water; transpired water; water that is incorporated into products, crops or waste; water consumed by man or livestock; or water otherwise removed from the local resource. Water that is polluted to an extent prohibiting its use by others wishing access is termed "consumption."

Water Footprint: Measures the amount of water used to produce each of the goods and services we use. It can be measured for a single process, such as growing rice; for a product, such as a pair of jeans; for the fuel we put in our car; or for an entire multi-national company. The water footprint can also tell us how much water is being consumed by a particular country – or globally – in a specific river basin or from an aquifer.

Water Governance: Water governance encompasses all aspects of how water is managed by governments, regulators, suppliers and users. It includes water resources management, protection, allocation, monitoring, quality control, treatment, regulation, policy and distribution. Good water governance ensures responsible sharing of water resources in the interests of users and the natural environment in line with the principles of water stewardship. Water governance also applies to how water is managed at a given site or within a company.

Water Management: The control and movement of water resources to minimize damage to life and property and to maximize beneficial use.

Water Quality: The quality of a natural water body in terms of physical, chemical and biological parameters. The relevant quality standards are defined by national or local regulation and guidelines. Where these are absent, then international standards and guidelines should be applied. Good water quality status meets the requirements of native flora and fauna and human needs where applicable. The status is not required to be pristine (i.e., contaminant free) or of drinking water quality (which would be classed as high-water quality status).

Water Risk: The possibility of an entity experiencing a water-related challenge (e.g., water scarcity, water stress, flooding, infrastructure decay, drought).

Water Scarcity: The lack of sufficient available water resources to meet the demands of water usage within a region for environmental and human needs. Physical water scarcity is when there is insufficient water in natural water bodies. It may be a natural condition (e.g., in arid regions) or may result from excessive water abstractions for human uses.

Water Source: The physical structure from which a water supply is abstracted from a water body. For groundwater, it may be a natural spring, a borehole or water well. For surface water, it is a "water intake." It can also include the immediate surrounding zone of the main water body, in effect, the zone that feeds the point of abstraction. It may apply to multiple abstraction points where they are associated, for example, a wellfield.

Water Stewardship: The use of water that is socially and culturally equitable, environmentally sustainable and economically beneficial, achieved through a stakeholder-inclusive process that involves site-and catchment-based actions.

Water Stress: The ability or lack thereof to meet human and ecological demand for freshwater; compared to scarcity, "water stress" is a more inclusive and broader concept. Water stress occurs when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use.

Water Use: The total amount of water withdrawn or diverted by an operation to produce products or provide a service. Water use includes the sum of total water consumption, withdrawals and water pollution, regardless of whether the water is returned to the local resource or not.

Water Withdrawal: Freshwater taken from the ground or surface water sources, either permanently or temporarily, and conveyed to a place of use.