# GOVERNANCE AND MANAGEMENT

## Indicator and Point Allocations vs. Scoring Guidance

<table>
<thead>
<tr>
<th>Indicator and Point Allocations</th>
<th>Scoring Guidance</th>
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</thead>
<tbody>
<tr>
<td><strong>1. Charges board members and senior executives with oversight of water-related issues</strong></td>
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</tbody>
</table>
| **1.1 Board oversight**  
Board or board committee has oversight over sustainability (1 point) OR explicit oversight over water-related issues (3 points).  
AND/OR is regularly briefed by management on water-related issues (3 points). | The company’s board committee charter must include sustainability or water-related issues.  
“Regularly briefed” means that the board is briefed by management on water issues at least once annually.  
6  
6 |
| **1.2 Senior executive oversight**  
The individual with the highest level of direct responsibility for water-related issues reports directly to a member of the Executive Management Committee (3 points).  
OR, the individual with the highest level of direct responsibility for water-related issues reports to the CEO (5 points). | 5  
6 |
| **1.3 Executive compensation**  
Water is linked to pay or incentive compensation for senior executives implicitly (3 points).  
OR explicitly (6 points). | The link between water and executive compensation is considered explicit if there is an explicit reference to water goals or the company’s broader water strategy. The link is considered implicit if there is a clear link from sustainability performance to water goals (e.g., performance tied to progress against sustainability strategy which includes a strong water component).  
Credit is only given when compensation applies to senior executives, such as the CEO, CFO, Chief Sustainability Officer, SVP of Supply Chain.  
6  
5 |
| **2. Considers water in strategy and operations** | |
| **2.1 Business planning**  
Considers water in major business planning activities and investment decision-making (2 points). | Business planning activities and investment decisions include, among others: acquisitions, capital investments, siting of facilities, contracts with major suppliers, evidence of substantive diversification of product line away from water intensive inputs and product development and design.  
Specific examples include: due diligence for key water performance indicators required for all acquisitions, contracts and capital investments over a certain amount, as well as scenarios where a company has decided to relocate a facility, source a new product, or switch suppliers because of water risks identified.  
2  
2 |
| **2.2 Translates water risk into financial terms**  
Uses methods or tools to translate water risk into financial terms (2 points).  
AND discloses the results of this analysis and the methods used to conduct it (1 point). | Examples include approaches or tools that help a company understand its water-related financial risk exposure or revenue/value at risk. Companies can use a shadow price, “full value accounting,” “true value,” or well-founded value of water, in addition to a range of different tools such as: Ecolab’s Water Risk Monetizer, Veolia’s Trucost of Water tool, Water Risk Filter’s Water Risk Valuation Module, or similar internal tools.  
3  
3 |
| **2.3 Policy to guide procurement function**  
Has a policy or code that guides procurement decisions with respect to water-related issues and risks, and is integrated into the procurement process (3 points). | The policy can be part of a larger procurement policy or supplier code, or can be a separate procurement code or guidance document that focuses specifically on water and sustainable agriculture. It must be directed at the internal procurement team, guide procurement leads in implementing company water management practices, and seek to ensure that existing water policies and goals align with procurement sourcing strategies and practices.  
3  
3 |
| **3. Reports data on water use and discharge in direct operations** | |
| **3.1 Water withdrawals – total volume** | 0.2  
0.5 |
| **3.2 Water withdrawals – withdrawals by source** | 0.2  
0.5 |
| **3.3 Water consumption – total volume** | 0.2  
0.5 |
| **3.4 Water discharge – total volume** | 0.2  
0.5 |

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**Feeding Ourselves Thirsty:** [feedingourselvesthirsty.ceres.org](http://feedingourselvesthirsty.ceres.org)
### Direct Operations

#### 3.5 Water discharges – volume by destination
- Some data are contextualized or differentiated by risk.

#### 3.6 Water discharge quality data – by standard effluent parameters

#### 3.7 Data are differentiated by risk or science-based
- Verification by an external third party is conducted for at least one of the water accounting sub-indicators.

#### 3.8 Data are externally verified

#### 4. Assesses water risks facing direct operations

<table>
<thead>
<tr>
<th>4.1 Analysis of watershed conditions</th>
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<tr>
<td>Uses third-party tools or data sets (or similar internal tools) to identify facilities located in watersheds identified as water-stressed (inclusive of water scarcity &amp; quality) (2 points). AND uses these tools to identify facilities in watersheds facing risks aside from water scarcity and quality, including: impaired ecosystems, regulatory risk, economic water scarcity, poor socioeconomic conditions, water access challenges for particular communities, etc. (2 points).</td>
<td>4</td>
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<tr>
<td>To receive full credit, the company must make it clear that they have evaluated risks in addition to water scarcity and pollution, such as impaired ecosystems, regulatory scrutiny, and socioeconomic conditions etc. Third-party tools and methodologies that companies use to analyze watershed conditions include: WBCSD Global Water Tool, GEMI's Global/Local Water Tool, WRI's Aqueduct, WWF/DEG’s Water Risk Filter, Maplecroft water risk data, and USGS Sparrow Surface Water Quality Monitoring.</td>
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<th>4.2 Analysis of facility impacts</th>
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<td>Evaluates the ecological and social/community impacts of facility water use and wastewater discharge.</td>
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<th>4.3 Analysis of future conditions</th>
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<tr>
<td>Considers potential future changes in water availability, quality, regulations, climate change, demand/competition, ecosystem, stakeholder concerns, and impacts on local communities.</td>
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#### 5. Sets standards and goals for direct operations on water use, discharge and impacts on watersheds

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<tr>
<th>5.1 Targets to reduce water use</th>
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<tr>
<td>Has targets for reducing water withdrawals/consumption at a company-wide level (2 points) AND uses a risk-differentiated or science-based approach to set water withdrawal/consumption targets (2 points).</td>
<td>4</td>
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<tr>
<td>“Company-wide” targets should apply to all “significant” direct operations, which include facilities across all business units and geographies and which use significant water volumes. A “risk-differentiated” approach sets more aggressive targets for higher-risk facilities or regions (e.g. 25% improvement in water use efficiency in facilities deemed “high risk” vs. 15% improvement target for all other facilities). A science-based approach is one where a company accounts for how much water it uses and balances this use with the availability and quality of water at a regional level.</td>
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<th>5.2 Wastewater discharge standard</th>
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<td>Has a goal or standard to ensure that all wastewater meets a global wastewater loading performance standard. Voluntary wastewater discharge standards should set a maximum concentration for key contaminants that must be met by all significant facilities except in cases where more stringent regulatory standards apply.</td>
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<th>5.3 Watershed protection plan</th>
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<td>Has developed a watershed protection plan or strategy for key watersheds identified as high risk which includes plans to support projects that improve conditions for the watershed in collaboration with key local stakeholders.</td>
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<td>“Plan” or “strategy” should include involvement in collaborative efforts to improve the conditions of rivers, lakes, groundwater and related ecosystems that the facility depends on and are identified as high-risk. This could include activities such as river restoration projects, reforestation of stream buffers, and aquifer replenishment. Watershed protection plans should be linked to areas of risk, and typically encompass more than a one-off project in a single location.</td>
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### MANUFACTURING SUPPLY CHAIN

#### 6. Assesses water risks facing manufacturing suppliers

| **6.1 Analysis of watershed conditions** | Uses third-party tools or data sets (or equivalent internal tools) to identify all significant supplier manufacturing facilities located in watersheds identified as water scarce or stressed (1 point). AND to identify supplier facilities in watersheds facing a broader set of risk factors such as impaired ecosystems or water quality, regulations, economic water scarcity, and weak socioeconomic conditions/water access (1 point). | Third party tools and methodologies that companies use to analyze watershed conditions include: WBCSD’s Global Water Tool, GEMI’s Global/Local Water Tool, WRI’s Aqueduct, WWF/DEG’s Water Risk Filter, Maplecroft water risk data, and USGS Sparrow Surface Water Quality Monitoring. Many of the tools listed above have both a water scarcity/quality overlay and other data sets. | 2 2 |
| **6.2 Analysis of supplier performance** | The company uses information on significant manufacturing suppliers’ water use, wastewater discharge and/or management practices to identify supplier facilities with higher environmental or social impacts. | Direct forms of data collection could include the use of custom supplier surveys or gathering data from suppliers via sustainability reports, CDP Supply Chain or Sedex. Indirect data collection could entail the use of lifecycle analysis or similar methodologies to estimate general water use and wastewater discharge of specific manufacturing processes or facilities. | 1 1 |
| **6.3 Analysis of future conditions** | Takes into consideration potential future changes in water availability, quality, regulations, climate change, demand/competition, ecosystem health, stakeholder concerns and impacts on local communities for all significant supplier manufacturing facilities. | | 1 1 |

#### 7. Has policies and programs to encourage manufacturing suppliers to improve water and wastewater measurement, management and reporting

| **7.1 Supplier policy** | A supplier policy or code can be embedded in a larger company policy/code of ethics or can be a stand-alone policy, as long as the policy communicates a clear expectation that suppliers maintain environmental regulatory compliance. Credit for exceeding compliance will be allowed if the policy is has water-specific requirements or includes water as one of a range of different areas where continuous improvement is expected. | 2 2 |
| **7.2 Collects data from manufacturing suppliers** | Companies may ask suppliers to report data through various tools, including CDP Supply Chain, Sedex, or custom supplier surveys. “Significant” suppliers include those that supply a substantial portion of total inputs for production and/or are crucial to operations and cannot be easily substituted. | 2 2 |
| **7.3 Water management program** | Requires direct manufacturing suppliers to have their own water management program that goes beyond compliance and imposes comparable standards on their own suppliers. | 2 2 |
| **7.4 Watershed protection plan** | Has developed a watershed protection plan or strategy for key watersheds identified as high-risk which includes plans to support projects that improve conditions for the watershed in collaboration with key local stakeholders. “Plan” or “strategy” should include involvement in collaborative efforts to improve the conditions of rivers, lakes, groundwater and related ecosystems that the suppliers facility depends on and are identified as high-risk. This could include activities such as river restoration projects, reforestation of stream buffers, aquifer replenishment. Watershed protection plans should be linked to areas of risk, and typically encompass more than a one-off project in a single location. | 2 2 |

#### 8. Supports and incentivizes manufacturing suppliers to strengthen water management practices

| **8.1 Educational support** | Provides educational resources or advising to manufacturing suppliers to strengthen water management. Educational resources can include trainings or supplier educational summits, access to free technology or water audits, and advising/consulting services from customers. | 1 1 |
| **8.2 Direct financial incentives** | Provides direct financial incentives to suppliers to encourage stronger water management. Direct financial incentives can include premiums for high performance, requiring baseline performance levels for obtaining or renewing contracts, increasing the duration of contracts, or favorable financing terms for equipment or technology. | 1 1 |
| **8.3 Indirect financial incentives** | Provides indirect financial support to suppliers to encourage stronger water management. Indirect financial incentives can include financial support to non-profit organizations, government agencies, or industry associations which in turn provide financial or advisory support to improve suppliers’ water management. | 1 1 |
### 9. Assesses water-related risks facing key commodities and sourcing regions

#### 9.1 Analysis of watershed conditions
Uses third-party tools or data sets (or similar internal tools) to identify major agricultural inputs or agricultural sourcing regions in watersheds identified as water scarce or stressed for at least one commodity or location (2 points).

OR, as a part of a more structured and comprehensive approach (5 points).

Companies are eligible for partial credit if they have completed an initial analysis for at least one commodity. Full credit is given for companies that use a more structured and comprehensive approach covering the majority of major commodities or sourcing regions facing a broader set of risk factors. Sourcing regions could refer to a specific, smaller region or watershed, or to a larger geographic region.

To obtain all available points for this sub-indicator, the company must make it clear that they have not just evaluated water scarcity risks facing major agricultural sourcing regions in watersheds identified as water-scarce or stressed, but have evaluated a broader set of risk factors such as: impaired ecosystems, water quality, regulations, economic water scarcity, weak socioeconomic conditions/water access, etc.

Some third party tools and methodologies that companies use to analyze watershed conditions include: WBCSD’s Global Water Tool, GEMI’s Global/Local Water Tool, WRI’s Aqueduct, WWF/DEG’s Water Risk Filter, Maplecroft water risk data, and USGS Sparrow Surface Water Quality Monitoring. Many of the tools listed above have both a water scarcity/quality overlay and other data sets.

#### 9.2 Characterization of water demands and pollution impacts
Gathers data on the relative water requirements of key commodities and/or locations.

Discloses how this data informs their water risk mitigation strategy for at least one commodity (2 points).

Or, as part of a structured, comprehensive approach to assess all major commodities (4 points).

Data can be collected in a variety of ways, including through review of academic literature or government data, by conducting water footprint analyses of crops, by getting advice/information through outside consultants or NGOs, or by directly surveying agricultural producers. Impacts analyzed may include crop dependence on rainfall vs. irrigation, water pollution impacts such as erosion and sedimentation, runoff/groundwater infiltration of chemical fertilizers, manure, pesticides, and insecticides or herbicides. “Key commodities” make up a significant portion of commodities purchased by the company.

#### 9.3 Analysis of future conditions
Takes into consideration current and potential future changes in water availability, quality, regulations, climate change, demand/competition, ecosystem health, stakeholder concerns and impacts on local communities for key commodities and/or agricultural sourcing regions.

1 point

1 point

### 10. Has policies and programs to encourage agricultural producers in their supply chain to measure, manage and report their water use and pollution impacts

#### 10.1 Sustainable agriculture policy
Has a sustainable agriculture policy that explicitly references water risk (2 points).

AND defines principles of sustainable agricultural sourcing (2 points).

At a minimum, policies will explicitly reference "water" or "water risk." Ideally, policies will include a majority of key water criteria: improving irrigation water efficiency, decreasing runoff and protecting water quality (through buffers, timing of fertilizer application and irrigation), improving nutrient and manure management practices, decreasing use of pesticides (through use of bio fertilizers, altering application techniques, increasing fertilizer application efficiency rate, etc.), maintaining and improving soil quality and protecting soil biodiversity.

4 points

4 points

#### 10.2 Time-bound goals for agricultural sourcing that reduces water impacts

A. Time-bound and quantifiable: The commitment has a publicly-disclosed target achievement date and is paired with clear performance indicators that define "sustainably sourced."

B. Impact-oriented: The commitment aims to measure and improve environmental and water-related performance either directly (water efficiency per acre, nitrogen reduction per ton, etc.) or indirectly (e.g. adopting specific practices such as cover cropping that have a related performance improvement).

C. Commodity breadth: The commitment applies to a majority of the company’s significant agricultural inputs, defined as crops that are documented to have high water scarcity or pollution impacts and are material to the business.

D. Commodity depth: The commitment applies to a significant portion of the procurement of the commodity in question.

*Companies can receive full (2 points) or partial (1 point) credit for each of the four parts of this sub-indicator, with total scores ranging from 0 point to 8 points.*

8 points

4 points
### 10.3 Employs metrics-based platforms and standards to measure progress against sustainable sourcing goals

Employs recognized industry best practice metric-based platforms or standards to measure progress against sustainable sourcing goals for key agricultural commodities and publicly shares progress on a regular basis. For one key agricultural commodity (partial-2pts) OR all key agricultural commodities.

*This indicator and its points were absorbed into 10.2 for the 2019 edition.*

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### 10.4 Collects agricultural supply chain data and shares analysis with producers

Company directly or indirectly surveys some (1 point).

OR more than 50% of producers (2 points).

AND facilitates producer access to non-open source water data in high water risk regions, helping to build the business case for adoption of better water stewardship practices (2 points).

Companies can gather data from producers indirectly through their suppliers, or through audits, third-party databases and tools, custom surveys or IT tools developed by the company.

Aggregated and anonymized benchmark data on water use and pollution can be shared with farmers through third-party databases and tools or IT tools developed by the company.

### 10.5 Watershed protection plan

Has developed a watershed protection plan or strategy for key watersheds identified as high risk which includes plans to support projects that improve conditions for the watershed in collaboration with key local stakeholders.

*“Plan” or “strategy” should include involvement in collaborative efforts to improve the conditions of rivers, lakes, groundwater and related ecosystems that the suppliers facility depends on and are identified as high-risk. This could include activities such as river restoration projects, reforestation of stream buffers, aquifer replenishment. Watershed protection plans should be linked to areas of risk, and typically encompass more than a one-off project in a single location.*

### 11. Supports and incentivizes agricultural producers in the supply chain to strengthen water management practices

#### 11.1 Educational support

Provides educational or agronomic resources to producers to encourage adoption of practices that reduce impacts and dependence on water.

This can include conducting trainings or hosting field days, as well as free advising and resources from on-staff agronomists or sustainable agriculture experts.

#### 11.2 Direct financial incentives

Provides direct financial incentives to producers to encourage adoption of practices that reduce impacts and dependence on water for some agricultural suppliers (2 points).

OR, for at least 50% of suppliers (4 points).

Direct financial incentives for growers can include scenarios where contracts are made more favorable in some way to the producer (larger or longer-term) a premium is paid to producers, favorable financing terms or interest-free loans are offered for equipment or IT solutions, or financial guarantees (type of insurance) or purchase guarantees are offered to producers who take the risk of trying new farming practices.

#### 11.3 Indirect financial incentives

Provides indirect financial support to producers to encourage adoption of practices that reduce impacts and dependence on water.

Indirect financial incentives can include scenarios where a company provides financial support to on-the-ground nonprofit organizations or government agencies/resource conservation districts, which in turn provide agronomic and environmental educational resources, financial incentives or other forms of support to producers to encourage different farming practices.