



WATER QUICK START GUIDE

SSCA Guidance for Electric Utility Supply Chain
Professionals

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WHY IS THIS IMPORTANT?



01 — New Regulatory Frameworks

Many federal and regional governments are developing regulatory frameworks to address rapidly evolving water management issues. The urgency of this shift varies across regions but is more prevalent in [afflicted parts of North America](#). Mitigating the risks of caps, price increases, and water restrictions with strong management is essential to staying ahead of emerging standards and regulations.



02 — Increased Investor Scrutiny

Investors are increasingly evaluating environmental supply chain risks as an important factor in company value. Many reputable and common ESG raters and rankers give significant weight to performance on water management (CDP, GRI, DJSI, EcoVadis, etc.)



03 — Reputational, Financial, and Operational Risk

Unabated water management risks in the supply chain can pose serious threats to a company's reputation and bottom line. Water is required for most business sectors, from the growth and production of raw materials, to the manufacturing of raw goods, and the distribution of products. With a rapid depletion of fresh water supply around globally, supply chains that are seen as abusing natural water resources can face significant backlash and investment risk, as seen in the retaliations against [Google's data center causing water shortages in Arizona](#) and Nestle's overconsumption [from Canadian water bodies](#).

WHERE SHOULD YOU START?

Implement a Water Management Policy and ensure suppliers are engaged in water management best practices. A lack of visibility into, and influence over, one's supply chain can make it very difficult to mitigate [these water-related risks](#), and a supplier-facing policy is the first way to exert influence and begin actively managing the risk.

ORGANIZATIONAL RISK MANAGEMENT PRACTICES



Water Management Policy and Goals

- Water Management Policies are becoming increasingly common to address risks around water availability and quality. These policies can extend beyond one's organization to cover the water usage of suppliers as well.
- Supply Chain Water Management goals can be an effective means of communicating your organization's intentions around water to the supply chain, and set a measurable target to reach over time. [Science-Based Water Targets](#) is one example of a goal setting framework to follow.

Water Management Programs

- Water Management plans often involve systems of engaging suppliers on water management, as well as tracking use, collection, pollution, and capacity.
- These programs can be effective in reducing water usage in the supply chain, mitigating risks, and meeting water management goals.

Assessments & Audits

- [Ongoing assessment](#) of supplier water availability, management and quality to ensure alignment with organizational water policies and goals.
- Ensuring suppliers are metering and measuring water use can help to identify saving opportunities.
- Some suppliers, purchase categories, or sourcing regions have higher water-related risks than others; these "hotspots" should receive particular attention with regular assessment.

Programs and Initiatives

- Seeking opportunities for programs and projects aimed at supporting capacity building and improving supplier's ability to managed water sustainably; initiatives that protect water sources and conserve water in affected communities.
- Ensuring suppliers use water resources responsibly, with resources allocated to water "hotspots", whether it be regions, purchase categories, etc.

Key Purchasing Practices



1

Review suppliers' corporate commitments, policies, and systems around water management to gauge their relative risk profile.

2

Assess if potential suppliers (or their supply chains) are in key water hotspot regions or categories. Assessment tools are recommended in the "Tools and Resources" page.

3

Prioritize engagement and education to suppliers who are essential, but higher risk.

Sample RFX Questions

1. Does your company have a water management policy, or a policy/commitment related to the protection of water resources/local ecosystems?
2. What water management metrics, KPIs, and systems are in place to track performance over time? Is this independently certified to a recognized international standard such as ISO 46001?
3. Please provide evidence of any significant regulatory breaches or violations related to water management.
4. Does your company have a policy and/or supplier code of conduct which promotes responsible water management that extends to your supply chain?
5. Can water data (amount consumed, diverted, stored, polluted) be provided upon request?

NOTABLE UTILITY SC CONCERNS

HIGH RISK SOURCING REGIONS - Climate

- Geographical regions are feeling the impacts of climate change differently, and this applies to varying challenges with water management
- Areas of higher concern tend to be more prone to drought, storm severity, pollution, and the like; these concerns are already being felt today as an effect of climate change, but may shift over time
- These concerns are relevant to utility supply chains as they can cause raw material shortages, price increases, reputational risks from poor water management, all based on the sourcing region of your suppliers

HIGH RISK SOURCING REGIONS - Regulation

- In addition to regional differences in the availability and costs of water as a resource, regions differ greatly in the regulatory environment governing the use of and interaction with water as a resource
- Many parts of the world have less strict water management regulations, and it may be much more resource-intensive to educate and engage suppliers on water management improvements
- Regulations that change quickly can also be a risk if sudden withdrawal caps, price increases, or flow restrictions are implemented that affect your supply chain; it is important to understand these regional hotspots and mitigate the risk with proper management

HIGH RISK SOURCING PARTNERS - Management

- Regardless of where a supplier may be in the world, they may be sources of risks due to their existing water management practices
- Suppliers with no water management policies, programs, or systems may be high risk for regulatory crackdown, reputational damage, and disruption in supply (as has happened in India over high water use, as an example)
- Screening out suppliers that lack fundamental water management practices or data collection is a best practice, and actively engaging suppliers to develop these where necessary also builds out your program to manage supply chain water risks



TOOLS AND RESOURCES



SSCA Resources

- [Supplier CoC Model Language](#)
- [2022 ESG Maturity Framework](#)

Frameworks

- [CDP Water 2022 Reporting](#)
- World Business Council for Sustainable Development, [Global Water Tool](#)
- Global Environmental Management Initiative, [Collecting the Drops Water Sustainability Planner](#)

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Assessment Guidance

- Public water risk assessment tools include:
 - [Aqueduct \(WRI\)](#)
 - [Water Risk Filter \(WWF\)](#)
 - [WAVE \(WWF\)](#)
- BSR, "[Understanding and Managing Water-Related Risks](#)"
- EPA, "[Water Management Plans and Best Practices](#)"



02

Further Information

- WWF, "[Contextual & Science-Based Targets for Water](#)"
- Pacific Institute, "[Exploring the Case for Corporate Context-Based Water Targets](#)"
- UN Global Compact CEO Water Mandate, Pacific Institute, CDP, The Nature Conservancy, World Resources Institute, WWF, "[Setting Enterprise Water Targets: A Guide for Companies](#)," May 2021
- UNPRI, "[Why Care About Supply Chain Water Risks?](#)"



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