



H&M Group

# CONTEXTUAL WATER TARGETS

A PRACTICAL GUIDE TO SETTING CONTEXTUAL  
CORPORATE- AND SITE-LEVEL WATER TARGETS

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**Lead Author**

Rylan Dobson

**Co-Author**

Alexis Morgan

**Contact**

Rylan.Dobson@wwf.de

**Acknowledgements**

Ariane-Laport Bisquit (WWF-DE)

Gyan deSilva (WWF-US)

Caroline Gelderblom (WWF-SA)

Karin Glaumann (WWF-SE)

Richard Lee (WWF-INT)

Monica McBride (WWF-US)

Sarah Wade (AWS)

**Design**

Lou Clements

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# EXECUTIVE SUMMARY

*Target setting is common practice within business environments and is not only a tool for continual performance improvement, but also for driving the delivery of business strategies.*

**WHAT THIS MEANS  
IN PRACTICE FOR  
BUSINESSES IS THAT  
ACCOUNTING FOR  
“PURPOSE” THROUGH  
THE PERFORMANCE  
OF ANY FORM OF  
WATER TARGETS  
REQUIRES THE LEVEL OF  
PERFORMANCE TO BE  
INCREASINGLY TIED TO  
LOCAL HYDROLOGICAL  
AND/OR  
SCIENTIFIC DATA.**

Like standard business targets, water targets are also most effective when aligned to the delivery of strategic water goals. This guidance builds on WWF’s experience and work on corporate water stewardship and target setting and is rooted in the logic that a corporation’s water programme should be in service of the wider corporate and business water strategies, create value for as many stakeholders as possible, and set the corporation on a pathway towards delivering meaningful positive impacts that help to address societal and environmental challenges.

As businesses look to the trends that will shape their strategies, climate change, biodiversity loss and increasing water stress are consistently at the top of the list of factors that need to be accounted for. Indeed, many leading businesses are increasingly pushing towards business strategies that are not just rooted in “sustainability” but also consider how they can help solve wider challenges, which can impact future business growth.

Such “purpose driven” business strategies are a general trend that shapes the thinking underpinning this report (Grayson, *et. al.*, 2018).

The translation of “purpose” within water targets requires accounting for water-related challenges that the business is exposed to within the basin(s) (or context) in which it operates. This can be achieved by either setting contextual water targets or water science-based targets (water SBTs). What this means in practice for businesses is that accounting for “purpose” through the performance of any form of water targets requires the level of performance to be increasingly tied to local hydrological and/or scientific data. In addition, the coverage of water-related challenges on which these targets focus needs to be narrowed down to those water-related challenges that are strategic or materially relevant (to the target setter and other users within the surrounding context).







Contextual water targets represent a middle ground between non-contextual and water SBTs. These targets embrace efficiency and management concepts (traditionally non-contextual approaches) but move further by accounting for the needs of local water-related challenges. They do not, however, go so far as to tackle precise levels of performance required by a business to contribute towards the achievement of basin-level science-based outcomes. As such, contextual targets represent a concrete starting point for businesses seeking to take the first step towards water SBTs.

At the time of publication, there remains no globally agreed methodology for setting water SBTs (however an early draft is currently being piloted). However, early piloting of emerging thinking has shown that barriers exist to scaling water SBTs across the entire value chain of a corporation. Rather than waiting until these methods and guidance are available, WWF recommends that businesses get to work setting contextual targets. Indeed, even once a methodology is available, there will likely remain a need for contextual approaches for not only corporations starting their water journeys, but also for less strategically relevant parts of the value chain where the work required to set a water SBT may not add value, as well as for those for whom a SBT is not logistically or financially feasible to develop (e.g., SMEs).

This guidance is primarily intended for those responsible for setting corporate-level targets. It is consistent with, and builds upon, thinking that WWF has contributed to other publications on water target setting, namely: *Setting Site Water Targets Informed by Catchment Context: A Guide for Companies* (CEO Water Mandate,

CDP, TNC, WRI, WWF, UNEPDHI, 2019) and *Setting Enterprise Water Targets Informed by Catchment Context* (publication pending). This guide provides five practical steps and guidance on how to balance top-down corporate-level strategic objectives with bottom-up contextual water insights from a site level to construct meaningful contextual targets. However, it is neither intended to be prescriptive nor to propose a formal methodology for setting contextual targets. Instead, WWF recommends that a corporation adapts this framework to meet the unique context of the corporation.

Lastly, WWF believes that setting corporate-level water targets should be driven by rolling out bottom-up site-level contextual/water SBTs, which are created in service of a purpose-driven water strategy and goals. However, it is important to note that this guidance does not cover how a corporation places its water strategy into the context in which it operates or how it can set goals. For more guidance on this topic, WWF has developed a separate publication, *Putting Water strategy into Context* (Dobson and Morgan, 2021), which sets out a framework for incorporating water's context into strategy.

**THIS GUIDANCE IS  
PRIMARILY INTENDED  
FOR THOSE RESPONSIBLE  
FOR SETTING CORPORATE-  
LEVEL TARGETS.**



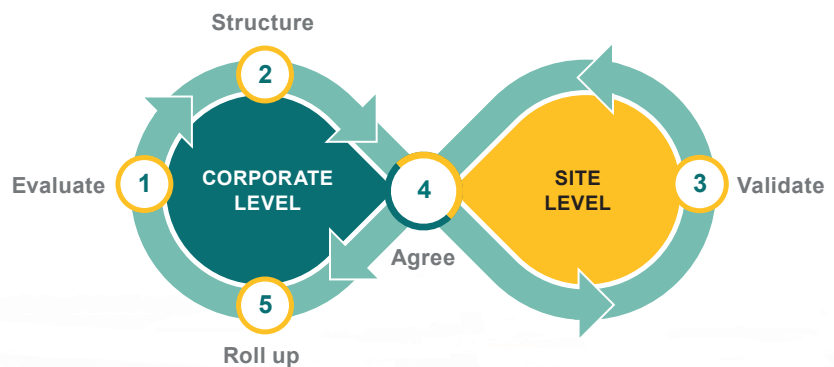
# INTRODUCTION

*This guidance is designed to be implemented at a corporate-level, however adopting a contextual approach to corporate-level water targets does need to be informed by bottom-up (or site-level) insights.*

As such, there are steps (Validate and Agree) that need site-level input (Figure 1). The five steps described within this guide are illustrated below in Figure 1 and are designed to strengthen

the alignment between top-down strategic business objectives and bottom-up site-level water context. A summary of the objectives of each of the 5 Steps illustrated above is provided below:

**Figure 1:**  
WWF's Contextual Target setting framework designed to establish a more strategic and contextually appropriate corporate water targets



STEP	OBJECTIVE OF STEP
1. EVALUATE	Evaluate the strategic relevance of performance monitoring for specific water-related challenges at sites within the prioritised "hot spots" of the value chain within the water strategy
2. STRUCTURE	Structure the contextual targets for each water-related challenge using levels, components, and the interim milestones to establish a suite of targets that can then be contextually assigned to individual sites within the priority value chain "hot spots"
3. VALIDATE	Validate the assigned contextual targets at a site-level using local insights and data and set site-specific performance trajectories for interim milestones – empowering sites to contribute bottom-up feedback into corporate-level target setting.
4. AGREE	Agree any changes to the assigned contextual target based on the site-level validation of the water-related challenge evaluation and/or the site performance trajectories that will contribute to the corporate interim milestones
5. ROLL UP	Roll up site-level performance trajectories into a single, simple, and clear performance metric for each interim milestone for each contextual target for each water-related challenge

**Table 1:** Details of the objectives of each of the 5 steps within WWF's Contextual Target setting framework





# TARGET SETTING IN THE CONTEXT OF WATER STRATEGY

*This guidance builds on the logic that a corporation's water programme should be in service of the wider corporate and business water strategies and create value for as many stakeholders as possible while also delivering purposeful impacts that address societal and environmental challenges.*

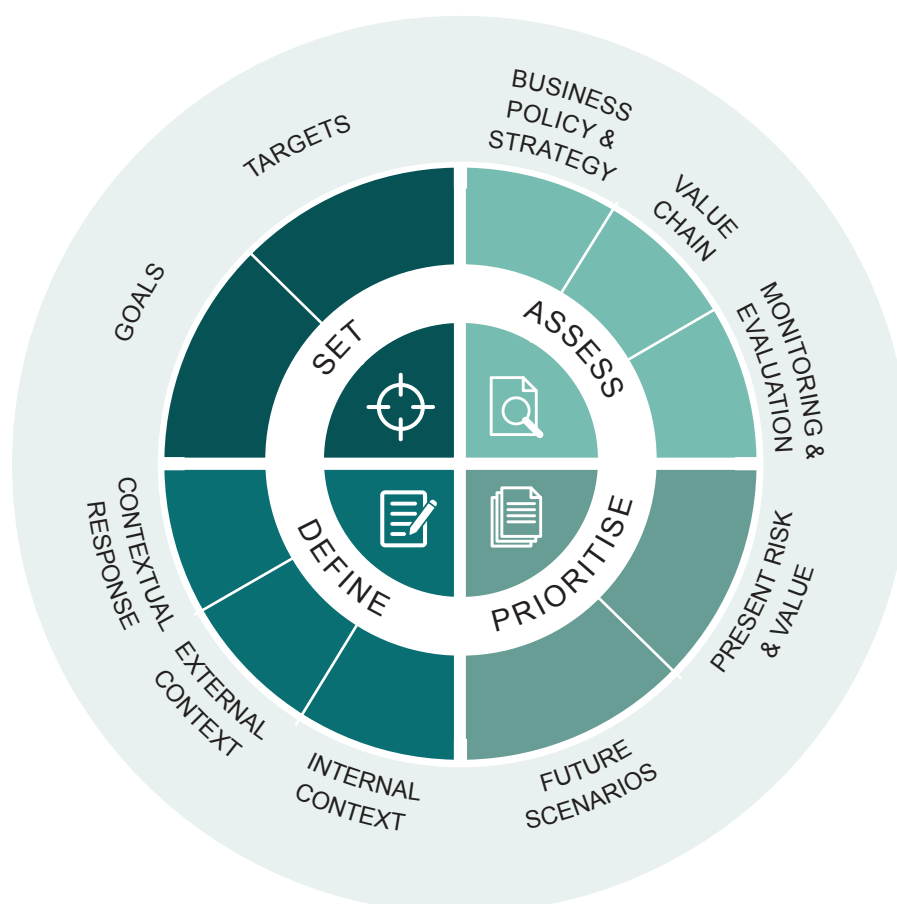
WWF believes that the successful corporations of tomorrow will be those which embrace purpose. Purpose “is the centralizing force that extends and embeds a corporation's engagement with a sustainable future deeper into the culture of the corporation. The next generation of our workforce (often referred to as millennial) typically hold values and expectations that corporations should play an active role in solving societal challenges and as such this creates a stronger business case for embedding purpose into the heart of a corporation's strategy. Purposeful corporations increasingly focus all that it does, from innovation to supply chain to manufacturing to marketing, through a lens of having positive impact in the world” (Grayson, *et. al.*, 2018).

Setting targets is a core part of business, and targets are a key element in driving the delivery

of business strategies. Water targets are no different and, similarly, are most effective when linked to water strategies. Accordingly, there is a cascading logic built into this report around how water, and its targets, ladder up to deliver value and, in turn, support purpose-driven water strategies (Figure 2). In this framing, the development of targets (embedded within the set step) is most effectively done after the completion of the *assess*, *prioritise* and *define* steps. This allows corporations to identify the strategically relevant water-related dependencies and impacts within the value chain and determine the best focus areas before setting goals and targets. For more information on how to integrate water and context into water strategies, please see our companion guidance: *Putting water strategy into context* (Dobson and Morgan, 2021).

**Figure 2:**

WWF's *Putting Water strategy into Context* framework designed to establish a more purpose-led water strategy (Dobson and Morgan, 2021)





# GOALS, TARGETS AND METRICS

Terms such as Goal, Target and Metric are often used interchangeably. However, within this guidance they are distinct terms and are used according to the following definitions (adapted from *Fisher (2020)* and *Bernard Marr & Co (2021)*):

**SETTING TARGETS IS A CORE PART OF BUSINESS, AND TARGETS ARE A KEY ELEMENT IN DRIVING THE DELIVERY OF BUSINESS STRATEGIES.**

## GOAL

A statement that captures a larger more strategic vision that a corporation aims to accomplish within a specified timeframe and is often used to communicate the focus areas of business strategies.

## TARGET

A statement that includes a specific, timebound and quantifiable level of performance, in the form of a metric that represents a point of assessment, that can inform ongoing progress towards achieving a goal. Targets capture progress towards a goal.

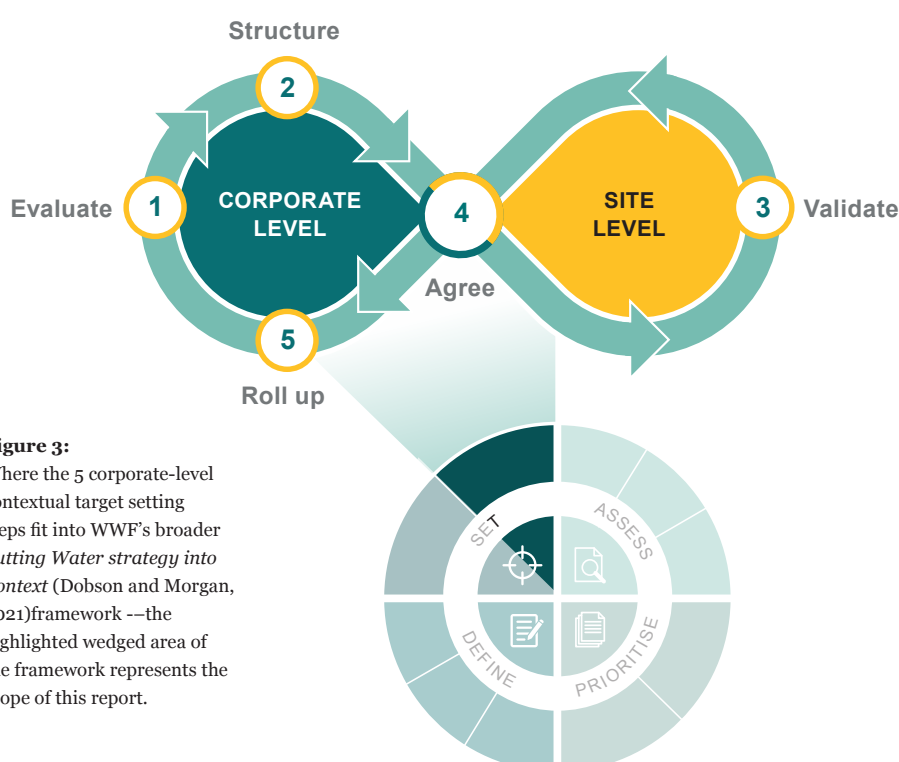
## METRIC

A unit of measure that helps a company assess if it is achieving the objectives within a target. Often also referred to as a Key Performance Indicator.

With the above in mind:

1. Water strategy goals should be drafted or defined ahead of developing any targets or metrics.
2. Water targets should include a specific metric that is used to monitor the progress the corporation is making towards meeting its strategic goals.

While the development of more meaningful water strategy goals is part of the set step within WWF's *Putting Water strategy into Context* (Figure 1) (Dobson and Morgan, 2021), guidance for developing goals falls outside of the scope of this guidance. Rather, this guidance is aimed at supporting a corporation to develop the contextual targets that can, using appropriate performance metrics, support the goals of a water strategy. The connection between this guidance and the framework from WWF's *Putting Water strategy into Context* (Dobson and Morgan, 2021) is illustrated in Figure 3 below.



**Figure 3:** Where the 5 corporate-level contextual target setting steps fit into WWF's broader *Putting Water strategy into Context* (Dobson and Morgan, 2021) framework --the highlighted wedged area of the framework represents the scope of this report.



# PRIVATE SECTOR PERFORMANCE TARGETS

*Performance targets can be developed at different levels within a corporation – either at a corporate-level or at an operational level (referred to as site-level in this guidance) and, as such, these targets have different purposes and roles at each level. A brief recap of these roles is outlined below:*

## CORPORATE-LEVEL

Corporate-level water targets are a measurable, specific, and realistic translation of the mission, vision and goals of a corporation's water strategy and are used to guide strategic decision-making. While often difficult to directly translate into actionable day-to-day tasks or projects (due to longer time frames), these targets set the benchmark based on which a corporation will measure its success. Corporate-level water targets are typically designed for an external audience, meaning they are a distillation/aggregation of all the complexities of site-level water targets into a “single” (or a few) water target(s) and are often aligned with external frameworks (e.g., UN Sustainable Development Goals or SDGs).

## SITE-LEVEL

Site-level water targets are also measurable and specific, but typically provide day-to-day direction to site-level employees. They are used primarily to allocate internal resources and focus to ensure site-level efforts contribute towards the success

of corporate-level water targets (Petryni and Thompson, 2019). Site-level water targets are typically designed for internal use and are often not disclosed externally. Historically, many of the headline site-level water targets are assigned to sites using corporate-level targets, while others may be site-specific and operational in nature.

Different levels within a corporation play different roles in facilitating the delivery of the outcomes of a water strategy. As such, water-related risks, opportunities and prioritisations manifest differently at both corporate- and site-levels. Practically this means that while corporate- and site-level water targets are interrelated, corporate-level water targets are unlikely to be achieved if they cannot be linked to site-level water targets. Similarly, site-level water targets would lack cohesion if developed without consideration of corporate-level water targets or the broader water strategy. Put simply, to set meaningful corporate-level water targets, a balance needs to be found between using bottom-up (site) insights to inform top-down (corporate) water targets, which ensure cross-cutting (corporate-level) cohesion.

**DIFFERENT  
LEVELS WITHIN  
A CORPORATION  
PLAY DIFFERENT  
ROLES IN  
FACILITATING  
THE DELIVERY OF  
THE OUTCOMES  
OF A WATER  
STRATEGY.**



# PRIMER ON FORMS OF WATER TARGETS

*WWF believes that over time water targets will require greater alignment with water-related challenges within the surrounding basin(s) (or context) in which a corporation operates. The logic is that one must tackle shared water challenges to:*

AN OUTLINE  
TYPOLOGY OF  
WATER TARGETS  
HAS EMERGED,  
WHICH CAN BE  
HELPFUL TO  
CATEGORISE  
THE DIFFERENT  
TYPES OF WATER  
TARGETS THAT  
ARE COMMONLY  
DISCUSSED.

## 1. Mitigate exposure to basin water risks:

To effectively do so, it requires sites to focus on solving the water-related challenges that are the root causes for those physical, regulatory, or reputational water risks facing the corporation and driving potential financial impacts.

## 2. Harness opportunities and purpose-driven strategies:

Again, to effectively identify and harness such opportunities requires sites to identify, focus on, and credibly address, the water-related challenges facing the site and the corporation. Or to put it differently, solving such challenges will create purpose-driven opportunities for the corporation.

## 3. Efficiently allocate scarce internal resources:

The array of challenges facing sites will continue to grow, which means that corporations must address root causes. Accordingly, sites will increasingly need to focus efforts on the issues that are most strategically relevant and either reduce risk or create value. Like in medicine, where it is much less expensive to prevent a disease than to try to cure patients once they are sick, tackling select shared water challenges becomes a key pathway to efficient resource allocation.

While this guidance covers the development of contextual targets, it is important to set out WWF's view as to how this form of target integrates in the broader landscape of target-types commonly referenced in water stewardship literature. As water targets move from being unconnected to the current state of local water-related challenges (i.e., non-science-based) toward being explicitly connected to the current state of local water-related challenges (i.e., water SBTs), two variables change, namely: *performance and coverage* (Figure 4).

Since 2016, WWF has been working with other NGOs, including CDP, TNC, UN Global Compact CEO Water Mandate, UNEP-DHI and WRI, on various efforts related to

providing guidance on the evolution of water targets. From these efforts an outline typology of water targets has emerged, which can be helpful to categorise the different types of water targets that are commonly discussed – based on the performance and the coverage addressed by each form of target. These are illustrated in Figure 4 and include:

## NON-CONTEXTUAL

WWF's working definition of a non-contextual target is “**a target that does not consider surrounding water-related challenges but is rather influenced by exercises such as benchmarking, a desire for incremental improvements, compliance or general corporate-level ambitions.**” In short, this type of target is often aimed at improving internal efficiencies and water management practices and is typically driven largely by internal agendas.

With this form of water target, the *performance* and *coverage* are largely (often completely) unconnected to the state of local water-related challenges. In most cases, these targets are usually driven by internal corporate objectives such as a desire to improve specific internal metrics, responding to external regulatory requirements (impact reductions) or a response to peer benchmarking (which includes what is technologically feasible).

However, there is a subset of this form of water target that begins to adapt the *coverage* of targets to reflect specific global water-related policy agendas (e.g., SDG6) but does so without a connection to the actual local state of these water-related challenges. One such example could be water-intensity targets (covering every site) framed using SDG 6.4 but without accounting for the local state of water balance within each basin.



## CONTEXTUAL

Presently, the Freshwater Hub within the Science-Based Targets for Nature (SBTN) (SBTN, 2020a) defines a contextual target as a target that is **“informed by the surrounding catchment (basin) context and helps to focus resources towards 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 (basin).”** In short, this form of target is primarily aimed at ensuring the coverage of water targets is aligned with the materially relevant water-related challenges at either a site- or corporate-level.

With this form of water target, performance is mainly driven by corporate-level efficiencies and management objectives but is adjusted slightly across sites to account for the state of local water-related challenges. The coverage, however, that the water targets address is now more directly influenced by the state of local water-related challenges.

## WATER SCIENCE-BASED TARGETS

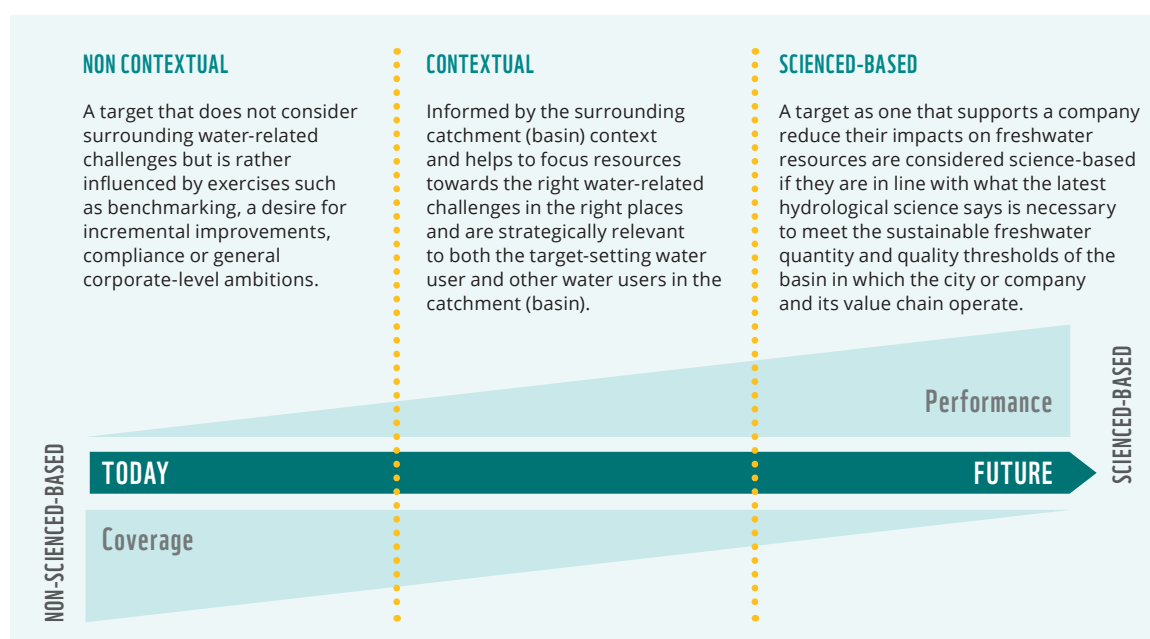
Presently, the Freshwater Hub within the Science-Based Targets for Nature (SBTN) (SBTN, 2020a) defines a water SBT as **“a target as one that supports a company reduce their impacts on freshwater resources are considered science-based if they are in line with what the latest hydrological science says is necessary to meet the sustainable freshwater quantity and quality thresholds of the basin in which the city or company and its value chain operate.”**

With this form of water target, *performance* builds from where contextual water target performance ended by explicitly linking performance to local hydrological data – or a science-driven definition of what is a “sustainable” state for a shared water-challenge within a given basin. The *coverage* of this form of water target is now far tighter and usually addresses only the most relevant and pressing local water-related challenges. It is also worth noting that this form of target used to be referred to as *Context-Based Water Targets* by WWF until the term was discontinued in 2018.

At the time of publication, there remains no globally agreed methodology for setting a water SBT. However, the SBTN has published Initial Guidance that sets out the trajectory towards setting water SBTs and is encouraging corporations to complete steps 1 and 2 (SBTN, 2020b). Within this Initial Guidance, it is step 3 that focuses on the target setting process and it is this specific methodology that is not yet available. Rather than waiting until these methods and guidance is available, WWF recommends that businesses get to work setting contextual targets as these represent a concrete starting point for those seeking to make the transition towards more science-based forms of targets. Indeed, even once a methodology is available, there will likely remain a need for contextual approaches not only for lagging companies, but also for less strategically relevant parts of the value chain where the work required to set a water SBT may not add value.

WWF RECOMMENDS  
THAT BUSINESSES  
GET TO WORK  
SETTING  
CONTEXTUAL  
TARGETS AS  
THESE REPRESENT  
A CONCRETE  
STARTING POINT  
FOR THOSE  
SEEKING TO MAKE  
THE TRANSITION  
TOWARDS MORE  
SCIENCE-BASED  
FORMS OF TARGETS

**Figure 5:**  
WWF’s adaptation  
of the emerging  
simplified typology  
of forms of water  
targets



## COMPONENT PARTS OF TARGETS

*Robust and meaningful contextual targets should be constructed using five component parts, described in Table 2, which will be developed more fully in Part 2 of this guide.*

**Table 2:**

The five components that are essential to developing robust performance targets and the different forms to which these components can take

COMPONENT	DESCRIPTION	FORMS	DESCRIPTION OF FORMS
OBJECTIVE	What the target is aiming to deliver	Outcome	• Sets out the results that the site is seeking to achieve
		Process	• Sets out a thing or process that the site is seeking to achieve
SCOPE	Where (spatial scope) the target will be focused	Site	• Specifically covers water performance within an individual site
		Basin (region)	• Specifically covers water performance or actions outside the fence line
MEASUREMENT	How the target will be measured	Quantitative	• Defined unit of measurement that can be used to assess the progress towards a target
		Qualitative	• Defined quality of the objective rather than a defined measurement unit
PERFORMANCE	What level of performance is being set	First-order (incremental) ( <a href="#">Bartunek &amp; Moch, 1987</a> )	• Performance that could reasonably be expected to be achieved based on the current state of operations
		Second-order (discontinuous) ( <a href="#">Bartunek &amp; Moch, 1987</a> )	• Performance that is “transformational”, “revolutionary”, “radical” or “discontinuous” and involves challenging assumptions and working from a new worldview
		Third-order (adaptive) ( <a href="#">Bartunek &amp; Moch, 1987</a> )	• Performance that is adaptive and responsive to the changing state of local shared water challenges
TIMEFRAME	When the level of performance is expected to be met	Time-bound	• A defined unit of time that will be used to measure progress against

### BOX 1 ALLIANCE FOR WATER STEWARDSHIP STANDARD

The Alliance for Water Stewardship (AWS) Standard (Version 2) ([AWS, 2019](#)) is globally recognised good practice in site-based water stewardship and outlines a series of steps and criteria that define responsible water stewardship. The standard requires an implementing site to first gather relevant contextual data (Criteria 1.1, 1.3, 1.4, 1.5 & 1.6) and integrate the data into the site's water targets (Criteria 2.3) and water stewardship activities, including the development of detailed plans for how targets will be achieved (Criteria 3.3, 3.4, 3.5, 3.7 & 3.8). As part of this, the standard advocates that targets are contextual in nature through their coverage (Criteria 3.3.2 and 3.4.2).

However, the AWS standard does not provide any specific guidance on how a site can systematically define, and evidence, how it has determined the coverage of the water targets, nor any detailed guidance on how to set appropriate contextual performance levels for the water targets. The standard does, however, provide guidance on how to collect locally relevant contextual data that can be used within target setting. Accordingly, WWF believes this guidance note can supplement AWS guidance relating to the above-mentioned criteria within the standard.



# ENGAGING EXTERNAL STAKEHOLDERS

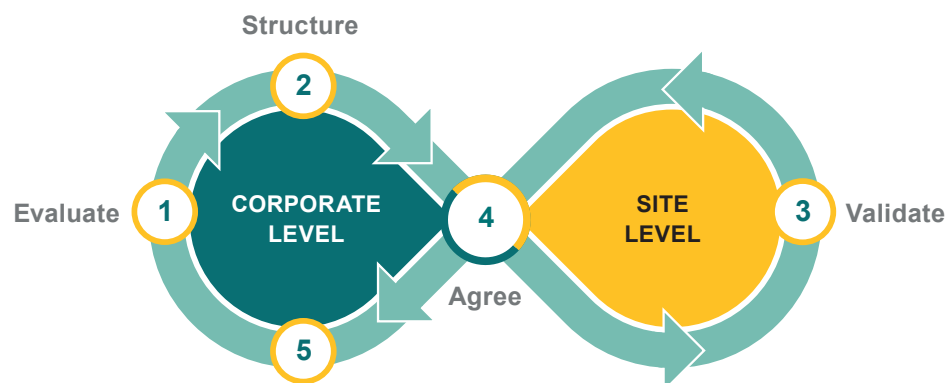
*Water is a complex, socially negotiated resource. Not only does it have localised spatial and temporal variability, but its perceived value differs among those who use it.*

Water is essential for developing and maintaining healthy economies and the health and wellbeing of humans and nature. Equally, good water stewardship requires a user to engage with other water users to cultivate an understanding of not only their own water use but also the concerns and needs of other water users in the surrounding basin. As a result, corporate target setting, which is intended to speak to stakeholders, faces a complex challenge in navigating these variable values of water. So, WWF would advocate that any corporation setting contextual targets should consider including a degree of engagement with local external stakeholders while setting its targets.



## SETTING CONTEXTUAL TARGETS

This section of the guidance outlines 5 Steps (Figure 6) that a corporation can use to develop contextual targets at both corporate- and site-levels. As discussed in Part 1, WWF recommends that any development of corporate-level contextual targets is undertaken as part of a broader water strategy development process (top-down), while providing clear direction to sites as to how site-level targets will inform the corporate target setting process.



**Figure 6:**  
The iterative flow between corporate- and site-levels of the 5 steps in this guidance that can be used for setting contextual targets

As such, a corporate-level contextual target should be a rolled-up summary of the performance and coverage of all local site-based contextual targets, rather than a top-down non-contextualised target. Put differently, corporate-level contextual targets are an aggregated reflection of the water context in which the corporation operates rather than a global non-contextualised target that is cascaded down to sites. This represents a transformational shift for corporations when setting targets as it is likely to involve an inverse approach to more traditional target-setting practices.

As described above, contextual targets are ideally developed in the service of a broader water strategy since setting contextual targets is most effective when set within a strategy development process (Figure 3). The process for putting water strategy into context goes beyond the scope of this report. If further information on this is needed, we recommend WWF's companion guide *Putting Water strategy into Context* (Dobson and Morgan, 2021), which specifically focuses on embedding context into business water strategies. As such, this guide begins with the assumption that the above preparatory steps have been completed and that the target setting process is part of a broader water strategy development process (i.e., Figure 1).

### STEP 1: EVALUATE

**Evaluate the strategic relevance of performance monitoring for specific water-related challenges at sites within the prioritised “hot spots” of the value chain within the water strategy**

A corporation must first evaluate how much emphasis to place on performance monitoring at the sites it has prioritised in the value chain “hot spots” for water-related challenges as part of its corporate-level water strategy (see WWF's supplementary guidance *Putting Water Strategy into Context*). It is important to note that often this prioritisation of “hot spots” may result in parts of the value chain being prioritised that were previously not considered within the corporation's water strategy or target setting.

To start this process, it is important to establish a standard “definition” of what water-related challenges mean to the corporation (if not already completed). Here, rather than creating new definitions, the corporation may consider choosing to align its definitions of water-related challenges with other water-related frameworks. Table 3 includes examples of how water-related challenges could be framed using the UN SDG 6 targets and the AWS outcomes. Once a corporation has established its “definition” for water-related challenges, it is ready to complete its evaluation with respect to how much



emphasis it will place on performance monitoring for water-related challenges as part of its corporate-level water strategy. In completing this evaluation, it is important to factor in three dimensions, namely:

### Current state

The current state of a water-related challenge within the immediate spatial context (e.g., surrounding basin) (i.e., how the water-related challenge currently manifests on the ground

### Dependencies

The degree to which the corporation or site may be sensitive to changes in the current state of a water-related challenge (i.e., the level of reliance the corporation or site has upon the water-related challenge to maintain its operations) (Adapted – Enterprise Water Targets, 2021)

### Impact/Influence

The degree to which the corporation or site could, through its actions, contribute to a change in the current state of a water-related challenge (i.e., either through “negative” *impacts* or by “positive” *influence*) (Adapted: Setting Enterprise Water Targets – to be published 2021)

In combination, evaluating the strategic relevance of performance monitoring for each water-related challenge as part of a water strategy using these three factors enables a corporation to get a more complete picture of its unique situational water context. The evaluation process should be done using site-level data that is then aggregated up to a corporate-level – meaning each site within the prioritised value chain “hot spots” should be evaluated against the three factors and then these evaluations should be aggregated up to a corporate-level. If a corporation does not have access to data for the prioritised “hot spot” within the value chain, WWF would recommend that basic assumptions are made to enable the completion of the evaluation but for the corporation to also develop a timebound plan to validate the assumptions and substitute these with real data.

Prior to completing the evaluation, it may be useful to first identify a series of proxy metrics (both Operational and Basin) that can be used to provide a degree of initial quantification for each factor of each water-related challenge. With respect to basin-level metrics, where possible, WWF recommends using locally sourced water data (e.g., local data sets, local knowledge of staff or stakeholders). However, where this is not possible, water risk mapping tools can provide basin-related proxy values (such as the [WWF’s Water Risk Filter](#) or WRI’s [Aqueduct](#)). These tools draw on global data sets (meaning the levels of local accuracy and granularity will not be sufficient to set water SBTs but are sufficient for setting contextual targets) to create a series of indicators that are a risk-interpreted representation of the status of water-related challenges.

While the use of these tools can be valuable at this stage of the target setting process, WWF encourages further site-level validation of these global indicators with locally sourced data relating to the water-related challenge in question (see Step 3). To better understand the differences and similarities between these tools, as well as the India Water Tool from WBCSD, please see the publication [Right Tool for the Job: Tools and Approaches for Companies and Investors to Assess Water Risks and Shared Water Challenges](#) (WWF & WBCSD, 2020). Regardless of the which tool, data or metrics are selected for this step, it is recommended that the following criteria are considered when considering their use (adapted [CEO Water Mandate, PI, CDP, TNC, WRI, WWF, UNEPDHI, 2019](#)):

- What spatial scale is being represented by these data? (i.e., basin-level, local, global)
- How recent are these data?
- Who produced or provided this source of data and are they well-respected?
- Is this resource well used or known by others?
- Will this resource help me to prioritise between the water-related challenges in the surrounding context?

**Table 3:**

Example of an approach to define water-related challenges and align these to SDG targets and AWS outcomes

WATER RELATED CHALLENGES	RELEVANT SDG TARGET	AWS WATER STEWARDSHIP
EXTERNAL GOVERNANCE*	6.5	Good water governance
ACCESS TO WATER, SANITATION & HYGIENE (WASH)	6.1 & 6.2	Good water sanitation & health
WATER QUALITY	6.3	Good water quality status
FRESHWATER BIODIVERSITY*	6.6	Important water related areas
WATER SCARCITY	6.4	Sustainable water balance
FLOODING (ANNUAL)	11.5	Sustainable water balance
EXTREME WEATHER EVENTS (CLIMATE RESILIENCY)	13.1	Good water governance/Sustainable water balance/ Good water quality status

\* When considering these water-related challenges it is important to also consider the socio-cultural aspects of these challenges – not just the ecological aspects

It is highly likely that the chosen proxy metrics, selected to evaluate the *Current State*, *Dependencies* and *Impact/Influence* of each water-related challenge, may have different units of measurement. To make it easier to compare across sites, a corporation may wish to consider developing a simplified common index that can be used to translate the different metrics into a comparable set of values. An example of a simple index that could be used in an evaluation process is shown in *Table 4*.

To facilitate identifying how much focus to place on performance monitoring for each water-related challenge from sites within prioritised “hot spots” as part of the corporate’s water strategy, the individual aggregated outputs for the three factors for each water-related challenge can be plotted to create a simple visual illustration of the evaluation output. An example is provided in Figure 7 where the numerical values for *Current State* and *Dependencies* are plotted along the x- and y-axis while the numerical value for *Impact/Influence* is visualised using colour and size.

**Table 4:**  
Example of a simplified evaluation index that can be used to evaluate Current state, Dependencies and Impact/Influence of water-related challenges

EVALUATION SCALES					
	VERY LOW	LOW	MEDIUM	HIGH	VERY HIGH
	1	2	3	4	5
<b>CURRENT STATE</b>	...almost non-existent and or never compromised	...sufficient and/or rarely compromised	...moderate and /or occasionally compromised	...significant and/or frequently compromised	...severe and/ or permanently compromised
<b>DEPENDENCIES</b>	...continue as normal if the state of the water-related challenge changed	...experience limited or short-level operational impacts if the state of the water-related challenge changed...	...be subjected to major operational efficiency and capacity reductions if the state of the water-related challenge changed	...be subjected to major operational efficiency and capacity reductions if the state of the water-related challenge changed	...be either temporarily or permanently suspended if the state of the shared water changed
<b>IMPACT/INFLUENCE</b>	...has no ability to influence an improvement in the state of the local water-related challenge through reducing its existing impacts	... has limited ability to influence an improvement in the state of the local water-related challenge through reducing its existing impacts	... has a moderate ability to influence an improvement in the state of the local water-related challenge through reducing its existing impacts	has significant ability to influence an improvement in the state of the local water-related challenge through reducing its existing impacts	...has considerable ability to influence an improvement in the state of the water-related challenge through reducing its existing impacts
	.....has no potential to influence positive changes in the water-related challenge	...has limited potential to leverage resources to facilitate positive changes to the water-related challenge	...has some potential to leverage resources to actively engage with efforts to facilitate positive changes to the water-related challenge	... has significant potential to leverage both influence and resources to actively support efforts to facilitate positive changes to the water-related challenge	...has considerable potential to leverage both influence and resources to lead efforts to facilitate positive changes to water-related challenge

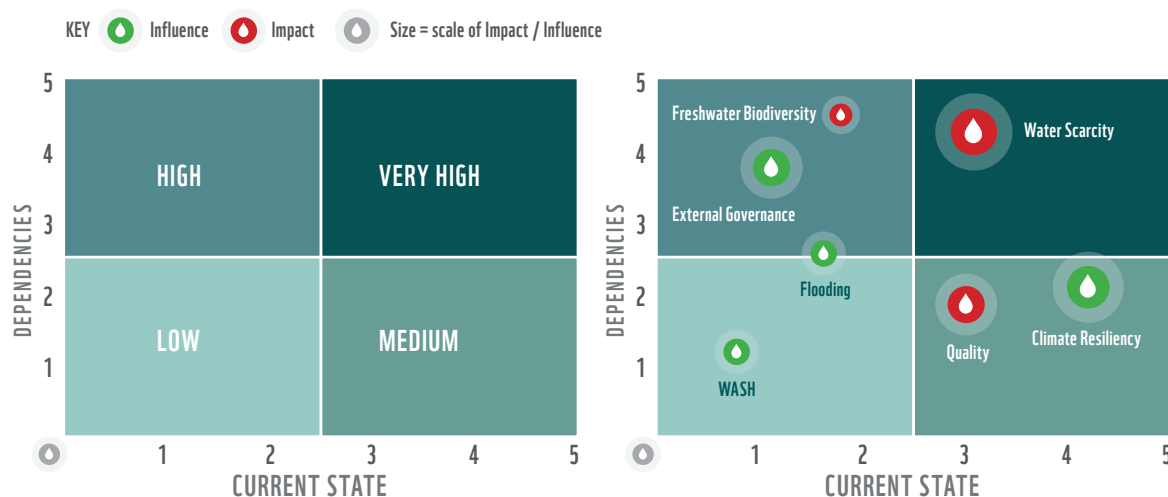
An illustrative example for *ACME Corporation* is shown in *Figure 8*. This output could also be used to communicate externally the pattern of decision-making that *ACME Corporation* has used in determining how much emphasis it will place on performance monitoring as part of its water strategy. In *Figure 8*, we can see that *ACME Corporation* is facing considerable extreme weather events, but has a strong ability to *Influence*, while also facing moderately high water scarcity (with high Dependency and high *Impact*). Conversely, *WASH* appears to be a low issue for this site.

The purpose of this evaluation is not to demonstrate which water-related challenges will not have performance targets assigned to them but rather which water-related challenges need to have more ambitious performance levels assigned to them (*see step 2*) and which performance against targets for water-related challenges will be highlighted and communicated more externally as part of the water strategy.



**Figure 7:**

Right: Illustration of how the outputs of the evaluation of the *Current State*, *Dependencies* and *Impact/Influence* for each water-related challenge (site-level insights aggregated up to a corporate level) could be visualised to inform the focus placed on performance monitoring for each water-related challenge as part of the corporate's water strategy

**Figure 8:**

Top right: Example of the possible visual output from an evaluation to support the decision as to how much focus to place on performance monitoring of each water-related challenge within the *ACME Corporation's* water strategy

## BOX 2 USING THE WATER RISK FILTER TO EVALUATE INITIAL WATER DEPENDENCIES AND IMPACTS

WWF's *Water Risk Filter* is an online tool that supports users to assess and identify responses to address unique contextual water-related risks. To assess basin (external) water-related risks, the *Water Risk Filter* uses the geographic location of a site to draw on 32, annually updated, peer reviewed data layers across three types of water-related risks, namely: physical, regulatory and reputational risks. As such, it is possible to align the water-related challenge definitions with some of the *Water Risk Filter's* indicators (as illustrated below). This enables a corporation to draw on a credible data set, compiled and updated by WWF, within a tool that is well regarded within the water stewardship community to complete the *Current State*, *Dependency* and *Impact/Influence* evaluation.

### POSSIBLE WWF WATER RISK FILTER BASIN AND OPERATIONAL INDICATORS

WATER-RELATED CHALLENGE	CURRENT STATE	DEPENDENCIES	IMPACT/INFLUENCE
EXTERNAL GOVERNANCE	• Basin Regulatory Risk (BRG)	• Regulatory scrutiny (O12) • Planned Regulatory changes (O13)	• Local brand recognition (O22) • Number of employees (O22) • Stakeholder engagement level (R13)
WASH	• Access to safe drinking water (8.1) • Access to improved sanitation (8.2)	• Water Stewardship maturity (O21) • Number of employees (O28)	• Local brand recognition (O22) • Number of employees (O22) • Stakeholder engagement level (R13)
WATER QUALITY	• Quality (3)	• Importance of water in operations (O2) • Treatment requirements before use (O8)	• Total water discharged (O5) • Total wastewater discharged into environment (O7) • Ability to impact downstream quality (O11)
FRESHWATER BIODIVERSITY	• Ecosystem Service Status (4)	• Historical issues with water-related challenges (O3) • Importance of water in operations (O2)	• Total water withdrawn (O4) • Total wastewater discharged into environment (O7) • Ability to impact downstream quality (O11)
WATER SCARCITY	• Quantity (Scarcity) (1)	• Historical issues with shared water challenges (O3) • Importance of water in operations (O2)	• Total water withdrawn (O4)
FLOODING	• Estimated Occurrences of Floods (2.1)	• Importance of this site to company (O23) • Historical issues with water-related challenges (O3)	• Local brand recognition (O22) • Number of employees (O22) • Water Risk awareness level (R12)
EXTREME WEATHER EVENTS	• Projected change in occurrences of droughts (1.6) • Projected change in occurrences of floods (2.2)	• Importance of this site to company (O23) • Climate change scenarios and resiliency planning (R15)	• Local brand recognition (O22) • Number of employees (O22) • Climate change scenarios and resiliency planning (R15)

## STEP 2: STRUCTURE

**Structure the contextual targets for each water-related challenge using levels, components, and interim milestones to establish a suite of targets that can then be contextually assigned to individual sites within the priority value chain “hot spots”**

Once a corporation has identified how much emphasis to place on performance monitoring at the sites it has prioritised in the value chain “hot spots” for water-related challenge as part of its corporate-level water strategy, it then needs to begin to *structure* the forms of targets that it will be setting. There are three dimensions that can help a corporation structure a more contextually appropriate performance for its targets, namely:

### Level

A series of multiple levels that represent incrementally more ambitious performance, which can be used to more meaningfully match target performance expectations to the unique context of sites

### Components

A collection of five components that can be used to construct more meaningful and consistent targets (see Table 2)

### Interim milestones

A series of defined points within the timeframe of the target that will be used to monitor progress towards the final level of performance (*Step 3 provides further guidance on this*)

An illustrative example (Table 5) shows how these three dimensions could be combined for the

water-related challenges of Water Scarcity and WASH for *ACME Corporation* to enable it to structure a matrix of performance targets for the water-related challenges, which can then be used to assign contextual targets to sites within the prioritised “hot spots” of its value chain.

In the above example, *ACME Corporation* has chosen that the interim milestones for progress monitoring will be 2022, 2023 and 2024. These will be defined and validated by the site in step 3.

One of the questions that will inevitably come up during the development of the overall structuring of this matrix suite of contextual targets relates to performance. Before discussing performance further, it is important to again emphasise that a contextual target lacks the quantificational precision that allows a target setter to explicitly demonstrate how its performance against a specific target is benefiting other water users by contributing to a state of sustainable system balance (this is the role of a water SBT). In other words, the key distinction between a contextual and water SBT is that determination of the level of performance of the target remains the discretion of the target setter (versus the basin outcome’s threshold needs). However, adopting a contextual approach to water performance does require some form of accounting for the *current state* of water-related challenges.

**Table 5:**  
Example of the levels (and generally how these are framed) and the targets (built using the component elements) that ACME Corporation has developed for two of its water-related challenges – Water Scarcity and WASH

	LEVEL 1	LEVEL 2	LEVEL 3
	GOOD WATER MANAGEMENT	FOUNDATIONAL WATER STEWARDSHIP	ADVANCED WATER STEWARDSHIP
DESCRIPTION AND PURPOSE OF LEVEL WATER SCARCITY WASH	Good Water Management Establish good water management practices and/or performance that is at least compliant with local regulations.	Foundational Water Stewardship Establish operational practices and/or performance that are stretching and account for best practice.	Advanced Water Stewardship Establish operational practices and/or performance that are highly responsive to the local context and represent leading practice.
WATER SCARCITY	By 2025 (Timeframe), achieve a 20% (Measurement - Quantitative and Performance**) reduction (Objective - Outcome) in site-level (Scope – Site-level) water abstraction based on a 2020 baseline.	By 2025, achieve a 30% reduction in site-level water abstraction based on a 2020 baseline with greater emphasis on reductions during water scarce months of the year.	By 2025, achieve a 40% reduction in site-level water abstraction based on a 2020 baseline and replenish 100% of the volume of water the site uses each year locally at times and in places that are ecologically meaningful.
WASH	By 2023 (Timeframe), establish a process (Objective – Process) to manage WASH facilities for employees (Scope – Site level) that is compliant (Measurement - Qualitative) with local WASH regulations (Performance**).	By 2024, establish a WASH-related training and awareness programme that is delivered to all workers on site (not just employees) and is also part of all new employee orientation.	By 2025, establish a process that assesses the WASH needs of employees and their families at home and uses this data to inform an annual community WASH engagement plan.

\* Once a water SBT methodology is developed, this level could represent where a corporation sets SBTs for Quality and/or Water Scarcity

\*\* More guidance on performance in Table



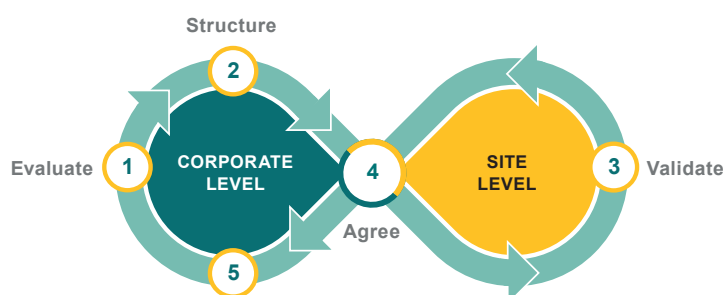
## BOX 3 TEMPORAL AND SPATIAL VARIABILITY OF WATER



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Water is temporally and spatially (i.e., localised) variable. The temporal variability is how the state of a water-related challenge changes over time (e.g., hourly, monthly, or annually). For example, if the water quality of a body of water into which a site discharges fluctuates across seasons, a corporation may choose to ask a site to break an absolute annual water discharge target into seasonal targets with more stringent discharge targets being set for seasons that have higher levels of water quality issues compared to others. The spatial variability is how the state of a water-related challenge changes across a geographic area. For example, two sites may be located near to one another but find themselves in different basins – meaning a water-related challenge may manifest differently for each site despite their closeness.

A leading approach towards contextual performance should begin to account for finer temporal (e.g., monthly, weekly, or daily) and spatial scales. While not critical as part of a contextual target, corporations that are seeking to pursue a more science-based approach in the future may need to account for this in these targets and so starting to account for temporal and spatial scales now may be beneficial in these circumstances. These temporal and spatial scales can be outlined generally at a corporate-level with the expectation that each site would then use local insights to translate these components of the target at the site-level.



**A CONTEXTUAL TARGET LACKS THE QUANTIFICATIONAL PRECISION THAT ALLOWS A TARGET SETTER TO EXPLICITLY DEMONSTRATE HOW ITS PERFORMANCE, AGAINST A SPECIFIC TARGET, IS BENEFITING OTHER WATER USERS BY CONTRIBUTING TO A STATE OF SUSTAINABLE SYSTEM BALANCE**

There are two ways that a corporation can start to consider what performance it will assign to its targets. Firstly, the output of the evaluation in step 1 (i.e., how much emphasis will be placed on the performance monitoring of a water-related challenge within a business strategy) can be used to signal which water-related challenges will have more ambitious performance levels applied to them. For example, those water-related challenges that have come out as being more strategically relevant should generally demonstrate more ambition with respect to the levels of performance that is set – across all *levels*. Secondly, the levels used in the approach described above in structuring a matrix of contextual targets, establish a natural pathway to build in incrementally higher levels of performance at each level for each water-related challenge. In almost all cases, contextual target performance will be either a first- or second-order level of performance (see *Table 2*). There are many ways in which a corporation could define this level of performance and *Table 6* describes some common approaches along with respective benefits and drawbacks.

Once a corporation has defined how it will structure its contextual targets for each water-related challenge, it then needs to *assign* these to sites. This is critical as it is through this step

that the situational context of each water-related challenge for each site (i.e., the *Current State, Dependency, and Impact/Influence*) is accounted for when targets are assigned. This can be done in many ways but the simplest would be to draw on the evaluation completed as part of step 1 (see *Table 4*) to create a matrix that will use the combination of the numerical values for *Current State, Dependencies, and Impact/Influence* to assign the levels of performance developed earlier in this step. *Table 7* gives an example of how *ACME Corporation* has chosen to combine the numerical values from the evaluations (*Figure 8*) and how it will assign outputs of this to each of the levels that it has structured. It should be noted that what is presented in *Table 7* is a simple example of how the numerical scales of *Current State, Dependencies* and *Impacts/Influence* can be combined. It is not a specific method for setting contextual targets and so corporations can tailor steps such as these to suit their unique situations. For example, rather than simply adding the numerical scales together, a corporation could choose to apply weightings to each factor to give one or more factors extra prominence. If this is done, it is good practice to explain this pattern of decision-making within corporate material (e.g., a corporation specific methodology) to help stakeholders understand the decision to weigh certain factors.

Constructing this matrix then allows the corporation to **assign** contextual targets for each water-related challenge to each site. *Table 8* gives an illustrated example for what the application of this matrix looks like for one of the prioritised sites within the *ACME Corporation's* value chain.

**Table 6:**

Table outlining different approaches that can be used to determine the level of performance for contextual targets

APPROACH	DESCRIPTION	BENEFITS	DRAWBACKS
<b>BENCHMARKING</b>	Looking to others and/or leaders (either inside or outside a sector) with the view to replicate or better their level of performance	<ul style="list-style-type: none"> <li>Allows for easier comparison between other peers and leaders</li> </ul>	<ul style="list-style-type: none"> <li>Not every business is the same in its operations or where it operates and so could be lacking context</li> <li>Peers may not be accounting for local water context and so will not reflect the need of water-related challenges</li> <li>If peers are using non-contextual metrics, then it could perpetuate incorrect metrics (e.g., per unit efficiency)</li> </ul>
<b>REGULATIONS</b>	Use of local regulations for determining the level of performance	<ul style="list-style-type: none"> <li>Allows easier demonstration of local compliance</li> </ul>	<ul style="list-style-type: none"> <li>Regulations could be more conservative and do not always reflect the need of water-related challenges</li> <li>Regulations may be outdated</li> <li>Designed to be general rather than sector specific</li> <li>May not be informed by best available science</li> </ul>
<b>STANDARDS</b>	Use performance levels defined for a sector within sectoral best practice standards	<ul style="list-style-type: none"> <li>Allows for performance to meet sectoral best practice</li> </ul>	<ul style="list-style-type: none"> <li>Not every business is the same in its operations or where it operates and so could be lacking context</li> </ul>
<b>INTERNAL</b>	Use of continual improvement to incrementally increase the level of performance ambition	<ul style="list-style-type: none"> <li>Usually easier to achieve</li> <li>Less upfront work to define performance</li> </ul>	<ul style="list-style-type: none"> <li>May not reflect the need of the water-related challenges</li> </ul>
<b>TECHNOLOGICAL</b>	Use the performance afforded by new / best available technologies as the level of performance	<ul style="list-style-type: none"> <li>Usually, technology helps to improve processes and so it is likely to lead to an enhanced level of performance compared to older technology</li> </ul>	<ul style="list-style-type: none"> <li>New technology can sometimes need time before benefits are conclusively proved</li> </ul>
<b>FRAMEWORKS</b>	Translating levels of performance set out in global framework (e.g., SDGs) as the foundation for the level of performance	<ul style="list-style-type: none"> <li>Alignment with frameworks that have greater global buy-in</li> <li>Easier to demonstrate how performance could be contributing to global efforts</li> </ul>	<ul style="list-style-type: none"> <li>May not reflect the need of the water-related challenges</li> <li>Not every business is the same in its operations or where it operates and so could be lacking context</li> </ul>
<b>SCIENCE</b>	Use best available science to set the level of performance of a target (but less rigorous than what is required by a SBT methodology) to establish a more ambitious but contextual-relevant level of performance	<ul style="list-style-type: none"> <li>Closest type of performance that a contextual approach can offer to answering the question around what nature needs</li> </ul>	<ul style="list-style-type: none"> <li>May not have wider agreement on science and so could be less credible</li> <li>Science may be more stringent compared to what a company could achieve</li> </ul>

**Table 7:**

Table outlining how *ACME Corporation* will combine the numeric values from the evaluation of *Current State*, *Dependencies* and *Impact/Influence* and how the output of this will be used to assign different levels of contextual targets.

FORMULA TO BE USED	FORMULA OUTPUT TRIGGERS		
	LEVEL 1	LEVEL 2	LEVEL 3
CURRENT STATE + DEPENDENCIES + IMPACT/INFLUENCE	0 - 5	6 - 9	10+



**Table 8:**  
Example assignment  
of the different levels of  
contextual targets for each  
water-related challenge at  
a specific site within *ACME  
Corporation's* prioritised  
value chain "hot spots"  
based on the numerical  
values from the *Current  
State, Dependencies  
and Impact/Influence*  
evaluation

WATER-RELATED CHALLENGE	NUMERICAL EVALUATION			FORMULA OUTPUT	ASSIGNED LEVEL
	CURRENT STATE	DEPENDENCIES	IMPACT/INFLUENCE		
EXTERNAL GOVERNANCE	3	4	2	9	Level 2
WASH	2	2	2	8	Level 2
WATER QUALITY	3	1	3	7	Level 2
FRESHWATER BIODIVERSITY	3	3	4	10	Level 3
WATER SCARCITY	4	3	4	11	Level 3
FLOODING	3	2	2	7	Level 2
CLIMATE RESILIENCY	1	3	1	5	Level 1



## STEP 3: VALIDATE

**Validate the assigned contextual targets at a site-level using local insights and data and set site-specific performance trajectories for interim milestones – empowering sites to contribute bottom-up feedback into corporate-level target setting.**

With this step, a tipping point is reached in the balance between the efficiency of a broad top-down corporate-level target setting process and a focused bottom-up site-level target setting process. The previous step will have **assigned** each site a contextual target based on the levels matrix that the corporate has drawn up for each water-related challenge. However, depending on how the numerical values of the evaluation in step 1 were worked out, there is a need to validate the **assigned** contextual targets for each water-related challenge using local site insights and data. At this point, the focus of the process shifts from the corporate-level to the site-level.

This step is also designed to empower sites to contribute bottom-up feedback into the broader corporate-level contextual target setting process. Here each site within the prioritised value chain “hot spots” should be encouraged to take the site-level numerical values for *Current State*, *Dependencies*, and *Impact/Influence* from step 1 and use its site-level operational knowledge to validate the evaluation for all water-related challenges.

One approach a site could use to validate the output of the evaluation is to firstly define its physical water-related boundaries (e.g., what is the primary source of the water that is withdrawn or where do discharges of wastewater go). This physical water-related boundary becomes the spatial context in which the site can draw on when it is validating the appropriateness of the numerical scales of the evaluation for each water-related challenge. It also becomes a critical foundation on which the site can evolve its contextual targets into water SBTs in the future.

This question of spatial context can be challenging when sources of water are reliant upon headwaters a long way upstream, or if the distance/cumulative impacts of downstream discharge impacts is unknown. WWF has tended to encourage using a basin size of a few hundred to a few thousand square kilometres as a rough guide for starting to define the spatial context (and then adjust larger/smaller as need be through iterative learning). This is roughly the size of the basins used in the mainstream water risk tools (e.g., Water Risk Filter). There is more information on how to define the spatial context in the Guidance of the Alliance for Water Stewardship Standard (Criterion 1.1) (AWS, 2019).

The second element of this step is to establish site-specific interim milestones, which align with the defined points in time that have been set at the corporate level. These site-level interim milestones will then be fed back up and aggregated to form the baselines for corporate-level reporting against the progress towards each of the corporation’s contextual targets at each interim milestone. Interim milestones are generally good management practice as they allow for an evaluation of current progress towards longer-term targets, but they also strengthen the connection between performance and the temporal variability of water. This latter point is critical in building both the corporate- and site-level capacity needed for a transition towards setting water SBTs in the future, as these will likely require some degree of temporal performance accounting.

Additionally, the matrix of contextual targets (developed at a corporate level) did not consider the gap between the assigned contextual target and the current operational performance for each site. Understanding this gap and establishing an efficient site-specific trajectory towards meeting these contextual targets is important because it helps to contribute to the overall business case for investing in water

**THIS STEP IS ALSO DESIGNED TO EMPOWER SITES TO CONTRIBUTE BOTTOM-UP FEEDBACK INTO THE BROADER CORPORATE-LEVEL CONTEXTUAL TARGET SETTING PROCESS.**

### BOX 4 INCENTIVIZING CHANGE AND THE ROLE OF HUMAN RESOURCES

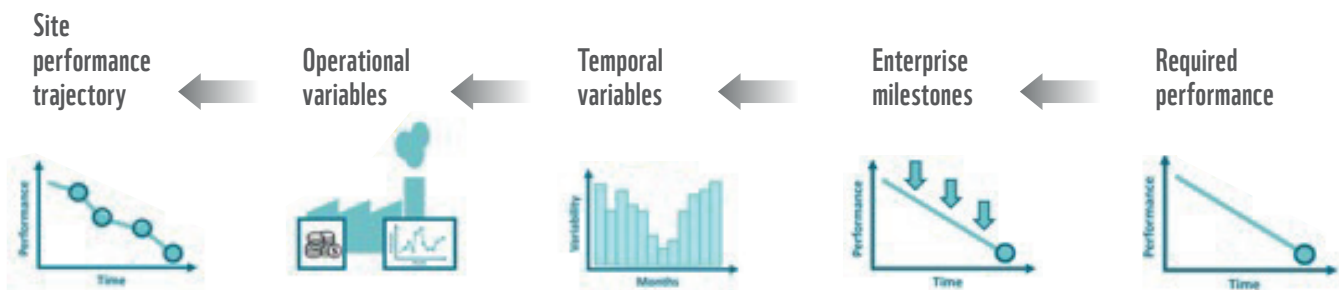
Using various forms of employee incentives can be a valuable mechanism to accelerate achievement of sustainability targets, including water targets. While research suggests such approaches can prove highly effective, corporations are well served to consider how these align to financial performance as bias continues to exist towards the latter in many companies (Merriman et al., 2020). While such practices still lack widespread adoption, there is a strong argument to be had for involving human resources in the delivery of water targets.

stewardship. Interim milestones also help to “break” a seemingly ambitious target into smaller incremental steps – which psychologically makes contextual targets seem more realistic to those responsible for delivering them, especially near the beginning of a longer journey (Huang et al., 2017). Simply put, interim milestones define the incremental changes that are needed to ensure that there is a reasonable expectation that long-term targets can be achieved as well as helping to detail what investments are needed to meet the targets.

To establish the site-specific interim milestones, sites can use an approach called backcasting. Backcasting helps to plan for a successful future outcome by asking the question “What do we need to do today to reach that outcome?” (Natural Step,

n.d.). A simple process to develop these interim milestones targets is shown in Figure 9 with an illustrative example for a site within ACME Corporation’s value chain based on a Level 2 Water Scarcity (see Table 5) contextual target provided in Table 9:

By using a backcasting approach at a site level, a corporation is better able to account for other operational goals and variables alongside the level of effort that is needed to meet the contextual target. Site-level performance trajectories also provide internal management value as they allow for incremental progress assessments against the overall performance target, which can allow a site manager to make earlier interventions if interim milestones are not being met.



**Figure 9:**

An illustrative backcasting process that sites can use to help create site-specific trajectories for each water-related challenge at corporate-level with defined times points against assigned contextual targets

STEP	DESCRIPTION	EXAMPLE
REQUIRED PERFORMANCE	Understand the level of performance of the contextual target to be achieved in the context of the site’s operations	Reduce water abstraction by 30% by 2025 from a 2020 baseline. For this site, this equates to 180,000 m3 by 2025. Assuming target assigned at the start of 2021 and due by the end of 2024 (so 4 years)
CORPORATE MILESTONES	Understand the corporate-level interim milestones that have been set	Interim milestones that have been set for reporting are at the start of 2022, 2023 and 2024
TEMPORAL VARIABLES	Identify any relevant temporal variables that are linked to this target	Water scarcity indicator used for evaluation of Current State is broken down to a monthly scale and this indicates that water scarcity surrounding this site is twice as severe across the months of June, July, and August.
OPERATIONAL VARIABLES	Identify any relevant operational variables that are linked to this target	Investment in and installation of new equipment to achieve the contextual target will take at least 12 months – cutting down the available months to achieve this target from 48 to 36 months.
SITE PERFORMANCE TRAJECTORY	Break overall performance down into interim milestones for internal progress monitoring	Firstly, to account for the lag required for financing and installation of necessary equipment, there won’t be any reductions delivered in Year 1, meaning the reductions need to be spread over 3 years (as per the above). So, 180,000 m3 over 4 years is roughly 60,000 m3 per year or 5,000 m3 per month. BUT accounting for the temporal monthly variability in water stress this could be adjusted down to 3,500 m3 per month for all months except June, July, and August (each of these would have a target of 9,500 m3). So, the expected trajectory of cumulative reductions that the site would feedback (at the start of each year) to the corporate would be: 2022: 0 m3 (accounts for progress in 2021 – i.e., investment year) 2023: 60,000 m3 2024: 120,000 m3 2025: 180,000 m3

**Table 9:**

Table showing an illustrative example of how a site within ACME Corporation’s value chain “hot spot” could define its specific Level 2 Water Scarcity contextual target (based on Table 5) trajectory at each of the interim milestones defined by ACME Corporation (assuming current year is 2021)



## STEP 4: AGREE

**Agree any changes to the assigned contextual target based on the site-level validation of the water-related challenge evaluation and/or the site performance trajectories that will contribute to the corporate interim milestones**

**THE PRIMARY PURPOSE OF THIS STEP IS TO FORMALISE A POINT WITHIN THE PROCESS OF SETTING CORPORATE -LEVEL TARGETS THAT ALLOWS FOR BOTTOM-UP FEEDBACK INTO THE TOP-DOWN TARGET SETTING PROCESS.**

The primary purpose of this step is to formalise a point within the process of setting corporate -level targets that allows for bottom-up feedback into the top-down target setting process. As part of this step, each site within the value chain “hot spots” will need to feedback on any changes that it feels are needed to the assigned contextual target level. Any changes being proposed by any site to the assigned level should be supported by a motivation that is driven by the site’s work carried out in step 3 using locally sourced data or insights on water-related challenges.

The second activity of this step is for each site within the value chain “hot spots” to feedback the unique performance trajectories that were developed as part of the work from step 3. Here the corporation is encouraged

to review these site-level proposals and if needed negotiate changes to these with the site. This “check in” is useful to cross-check assumptions from corporate-to-local and act as a sense-check in the process. It is not intended as an opportunity for negotiation of the corporate target levels, but rather about data validation and whether implementation of the target is suitable (i.e., does the assigned target level make sense?). Once agreed, these trajectories will become (once aggregated) the performance that the corporate will report on at the defined interim milestone periods and will also become the performance that the site will be held to over the timeframe of the contextual target.





## STEP 5: ROLL UP

**Roll up site-level performance trajectories into a single, simple, and clear performance metric for each interim milestone for each contextual target for each water-related challenge**

**GOOD  
SUSTAINABILITY  
PERFORMANCE  
REPORTING  
PRACTICES REQUIRE  
THAT ACHIEVED  
PERFORMANCE IS  
REPORTED AGAINST  
SOME DEGREE OF  
CONTEXT - AND IN  
THIS CASE A CONTEXT  
THAT IS APPROPRIATE  
FOR WATER.**

In this step, the “work” shifts back to the central corporate-level teams. Here the corporation begins to roll up the performance trajectories (agreed with sites in *step 4*) into the interim milestones for each of the levels of contextual targets for each water-related challenge. This aggregated level of performance will represent the framework in which the corporation will monitor its progress towards meeting its contextual targets and these can be publicly communicated and disclosed.

The helps to overcome a common issue with corporate-level water targets where targets are often presented as a large single level of performance that will only be achieved at a single point in the future. The concern with this is two-fold, namely presenting targets in this way does not help stakeholders (i.e., investors) understand the expected trajectory that the corporation anticipates will achieve the target. Secondly, it does not provide transparent insights into how the corporation is progressing towards its intended targets (i.e., is performance on track, behind or ahead?). These corporate-level interim milestones also help to understand when (or the amount of) investment that is needed to achieve the contextual targets – ultimately a signal of the realism of the target.

Lastly, good sustainability performance reporting practices require that achieved performance is reported against some degree of context – and in this case a context that is appropriate for water. However, corporate-level water targets are often devoid of any connection to the spatial context of water (e.g., performance alongside the need of water-related challenges). One reason is that

water-related data is rarely the only form of performance data that is reported back to a corporate headquarters from sites. However, by setting contextual targets a corporation must place the overall achieved performance into some degree of context that is appropriate for water.

The above is consistent with the direction being taken by global reporting standards – such as GRI and CDP. Within GRI 303, it states that “an effective management approach accounts for the local context of water use, and acknowledges the importance of stewarding water as a shared resource” and that a corporation should be able to provide an “explanation of the process for setting any water-related goals and targets that are part of the organization’s management approach, and how they relate to public policy and the local context of each area with water stress” (GRI, 2018). The current CDP water questionnaire also asks corporates what contextual issues were considered within water-related risk assessments as well as provides options to report that targets are being set at basin scale (CDP, 2020).

As such, this step within a corporate-level contextual target setting process will ensure that the context that has been built into the structure of its contextual targets (step 2) is also incorporated into how it communicates its progress against the contextual targets to an external audience.

### BOX 5 WATER SCARCITY VS. STRESS

Water scarcity is broadly defined as the volumetric abundance, or lack thereof, of a supply of water. In contrast, water stress is formally defined as the ability, or lack thereof, to meet human and ecological demands for water. Compared to scarcity, stress is a more inclusive term as it considers other physical aspects relating to water – including scarcity, water quality, environmental flows and accessibility of water. While more inclusive and broader, using the definition of water stress for a site means that the site has less specific information to draw on to develop its mitigation strategies as the issue might not simply be a scarcity issue that is driving the stress but rather a suite of other indicators (i.e., quality, accessibility).

# CONCLUSION

*While developing contextual targets is more complex than simply developing generic corporate-wide non-contextual targets, working through the process to develop the targets offers many benefits to a corporation.*

**WATER IS  
INHERENTLY  
CONTEXTUAL,  
AND AS SUCH,  
CONTEXTUAL  
WATER TARGETS,  
EMBEDDED IN A  
BROADER STRATEGY,  
ARE A MEANS OF  
STRENGTHENING  
BUSINESS  
PERFORMANCE  
AND PURPOSE.**

Firstly, it helps corporations establish a risk-based approach towards water performance – meaning that corporate resources (e.g., financial, human etc.) are directed with greater efficiency towards mitigating business water-related risks as well as delivering greater value for others (i.e., a drop saved in a scarce environment may be worth more than a drop saved in an abundant environment).

Secondly, the process helps to establish a clearer pattern of decision-making as to which water-related challenges a corporation should emphasize within its business water strategy, thereby shifting focus away from simply adopting similar water targets to competitors or the sector. Lastly, the process of establishing contextual targets sets the foundations on which water SBTs can be set across strategic sites throughout the value chain. While a water SBT methodology is not yet available (at the time of publishing this paper an early draft is being piloted), it is likely that the first step in setting a science-based approach will be to define the coverage of the water SBTs but also to connect the *Current State* of water-related challenges to the operational water context (similar to steps 1 and 2 of the Initial Guidance from SBTN). By establishing contextual water targets in advance of a water

SBT methodology, a corporation will already have the internal processes (i.e., reporting, monitoring and implementation) required to handle highly localised water targets and it will also have already defined its prioritised contextual water challenges. Simplistically, all that remains will be to then adjust the performance of the contextual targets based on the specific local hydrological and/or scientific data.

In a world where there is growing demand for corporations to deliver more meaningful contributions towards solving environmental issues (as well as social and economic issues), target setting can no longer be done in isolation of corporate strategy. Without a strategic narrative linking corporate target performance to both the corporate strategy and the needs of nature – it will be hard to create the business case for the investments needed to deliver meaningful contributions to water-related challenges. Water is inherently contextual, and as such, contextual water targets, embedded in a broader strategy, are a means of strengthening business performance and purpose.



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