



**SUPPLIERS PARTNERSHIP
WATER STEWARDSHIP STRATEGY FRAMEWORK
April 2023**

Background

TWC will work with SP staff, the Water Stewardship Work Group and key members to develop a strategic framework to guide water stewardship actions and outcomes in the sector. The strategy framework will address key drivers of improved water stewardship performance within the sector, particularly within the supplier base but also address drivers relevant to other stakeholder groups within the value chain. By working with SP members to craft a sector strategy, many companies in the supply base will be able to align with this framework and address material issues and risks within their own operations thus contributing to more sustainable and resilient supply chains and communities.

A Water Stewardship Strategy Framework will be developed through consultation with SP leadership and members. The framework will:

- Create a sector water ambition and strategy around which companies can collectively rally;
- Identify key drivers for action;
- Define why companies in the automotive value chain should address water challenges and opportunities; and
- Chart a path for business value creation for companies.

As the Water Stewardship Framework is operationalized across the sector, it will also help stakeholders in the value chain strategically address water-related current issues, like (but not limited to):

- Feasibility and trade-offs of removing potable water from the manufacturing process;
- Identifying co-metrics and co-benefits connecting water reduction to climate adaptation to carbon reduction; and
- Assessing water impacts from the EV transition.

Draft Water Stewardship Strategic Framework – “Umbrella” Statement

Through two rounds of initial consultation with SP and Work Group leadership, the following draft framework has been identified as a preferred path forward. SP and the Work Group seek continued feedback on this framework to ensure it aligns with value chain stakeholder expectations and ambition.

The Umbrella Statement

A generalized statement on water stewardship and its importance to the sector will be developed. Cascaded down from that generalized “umbrella” statement would be more customized statements applicable to different stakeholder groups in the value chain: OEMs, component suppliers, materials suppliers, dealers and end-of-life. While the umbrella statement serves as a general acknowledgement

of the importance of water and water stewardship outcomes to the sector, each stakeholder group's cascaded statement will add specificity by:

- Reflecting water's materiality at that position in the value chain and how each stakeholder group has unique attributes to address shared water challenges and opportunities; and
- Identify specific water stewardship outcomes that will be targets of each stakeholder group (e.g., something broad, like "the supply base will strive to implement watershed risk assessments at key sites").

The "umbrella" statement approach allows for flexibility in crafting the sector framework by taking into account how water is materially different for each of the five value chain stakeholder groups. Nevertheless, it still showcases the sector's overall water stewardship ambition and provides a "north star" approach to improving water stewardship outcomes within companies and within the communities and watersheds in which those companies operate and source.

Other Factors

Even if the identified "umbrella" approach is modified or another option is chosen, the following factors should be considered as the framework is finalized:

- The statement must address key drivers for water-related action in the sector.

The drivers for actions could include but are not limited to: cost considerations (procuring water); regulatory uncertainty; customer or investor pressure, enhanced external reporting; and, "future-proofing" the sector from climate change impacts.

- The framework should differentiate how water is material to key stakeholder groups.

Explore and outline water materiality to OEMs vs, suppliers vs, dealers vs. consumers (as warranted) as a result of how each uses and impacts water resources.

- The statement must address the value proposition for companies and the sector for investing in and achieving water stewardship outcomes.

Identify and articulate how risk mitigation, brand enhancement, cost savings/avoidance, resilient operations and supply chains all help to define a value proposition for setting water targets and striving to achieve them. In totality, individual companies striving to meet the strategic framework's ambition will enhance their social license to operate and grow.

Lastly, the framework will need to include relevant metrics and address any trade-offs vis-à-vis other sustainability issues the sector faces. For instance, how will the drive toward EV fleets impact water quality and quantity aspirations reflected in the Water Stewardship Strategy Framework.



Proposed Next Steps and Timeline

Based on the six month timeframe of this project, a tentative schedule of next steps follows:

- Initial socializing of, and decision on options via email (Feb-March)
- In-person discussion and distillation of chosen option (April-May)
- Draft framework presented to the Water Stewardship Work Group (June)
- Gather additional SP feedback and refinement of framework (June-July)
- Final draft presented to SP (July)