

THE CAMBRIDGE NATURAL CAPITAL PROGRAMME

Building resilient value chains

Value chain case studies illustrating different intervention types



UNIVERSITY OF
CAMBRIDGE

PROGRAMME FOR
SUSTAINABILITY LEADERSHIP

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B&Q: Sustainably sourced timber

Communicated by Jamie Lawrence, Corporate Responsibility, Kingfisher plc

Introduction

B&Q's journey to sustainably-sourced timber began as a 'decoupling' intervention, but developed into a number of 'transition schemes' across their timber supply chain and beyond using certification, roundtables and land use planning.

The intervention

Estimates of illegal logging suggest that it accounts for over a tenth of the global timber trade, with products valued at \$15bn every year contributing to global deforestation and climate change. In the early 1990s, as rainforest deforestation and tropical timber sourcing gained public prominence, B&Q (part of the Kingfisher Group) came under increasing pressure to show transparency in its timber sourcing. This sparked a huge internal focus on its timber supply chain to look for solutions.

The company concluded, along with a number of other organisations, that a sustainable timber product label which was credible and trustworthy was needed to help consumers make informed purchases that did not contribute to forest degradation. As a result, B&Q became a founding member of the Forestry Stewardship Council (FSC) in 1991, and in 1993 was one of the first retailers to develop a responsible timber policy.

Although the FSC was initially a roundtable initiative for supply chain and forest management issues, its scope and partnerships grew. Non-governmental organisation (NGO) involvement was crucial in building FSC credibility and ensuring that the project was achieving its aims. FSC now provides assurance and a recognised chain of custody for certifying wood products, and is generally considered to be the 'gold standard'

for sustainable forestry. It is included within government procurement policies on the market side and within their forest management strategies on the production side.

Independent verification of forestry enabled B&Q to move towards sustainably sourcing timber for its products. At an early stage it announced the aim to move to 100 per cent proven well-managed and sustainably sourced timber, increasing its sustainable supply each year. Several B&Q suppliers have grown with the business, grasping the importance of FSC from an early stage.

At the start, FSC was *the* intervention for B&Q. However, certification does not solve all forest issues, and B&Q and Kingfisher have now developed a wider 'forest programme'. This includes promotional campaigns such as 'Good Wood' and 'Forest Friendly', awareness raising through The Prince's Rainforest Project, regulatory engagement via 'The Timber Retail Coalition', NGO programmes such as 'Forest Trust' and WWF's Forest and Trade Network, and investment mechanisms such as 'The Forest Footprint Disclosure'. These initiatives have led to strategic relationships with suppliers to ensure transparency and resource security in the supply chain, an approach that is changing the purchasing model norm within the Kingfisher Group.

Approach, challenges and achievements

Deforestation remains high in the public consciousness and a failure by companies to engage on the issues carries reputational risks. But consumer demand remains under-developed, and choice editing (in which lower ethical or environmental choices are removed from the customer or supplier offer) through timber procurement policies has

been the main element of the timber programme to date.

Refusing to buy certain species of timber, essentially banning them in-house, and refusing to buy from non-certified sources has a significant influence on the supply chain. But, while this method can help an organisation meet its individual sustainability needs, it 'decouples' the business from non-complying suppliers/forests. The easier (short-term) option in many cases is for the commercial team to switch suppliers rather than to move the supplier towards certification. To mitigate this, B&Q has partnered with the Forest Trust and WWF to move forests as a whole towards certification in a phased approach. This takes time. Moving a forest to FSC standard typically can take up to five years.

When FSC first started, initiatives required little coordination since very few existed. As the number of initiatives increases, and sustainable sourcing becomes more mainstreamed into company procurement policies, greater potential exists for overlap and duplication. As part of its process of building strategic supplier relationships, B&Q now assesses and rates its own suppliers on sustainability issues and is working on how to complement this with independent interventions such as the FSC and PEFC (Programme for the Endorsement of Forest Certification). Nowadays, 77 per cent of Kingfisher Group timber is from proven, well-managed sources (50 per cent of this is FSC), and 100 per cent of B&Q UK products contain wood from either certified or independently verified sources.

Traditionally Kingfisher/B&Q have stayed four or five steps away from the forest in the supply chain. Now they are exploring how to get closer to the resource itself and influence the debate to ensure that forests are

protected and sustained. What was once a certification intervention is now much more varied – with certification, roundtables, regulatory/government engagement and, increasingly, taking retailers into land use planning discussions.

Impact

From an early stage, B&Q made the bold statement that it would reach 100 per cent sustainably sourced timber. This announcement helped to move the debate forward significantly, but required a process for measuring progress and checking sources of supply. As traceability became more and more important to the Group, human error in purchasing decisions needed to be eliminated. Purchasing policy has now been incorporated into the Group's quality control systems together with independent certification and internal monitoring and assessment – all of which requires the allocation of internal resources.

From February 2011, B&Q became the first major UK retailer to achieve 100 per cent proven well-managed and sustainably sourced timber. A major effect of B&Q's early work on timber has been the evolution of the debate internally and an opportunity to evolve a wider B&Q/Kingfisher forest programme and strategy.

The company now has increased understanding of what is meant by a resilient supply chain. It also realises that resilience and sustainability are not necessarily the same. Having 100 per cent sustainably sourced timber does not guarantee that a company will have commercial access to that source for the next 30 years. Competitors, or even companies within the same organisational family, can tie up sustainable resources, and longer-term resilience in the supply chain requires strong relationships with suppliers and partners.

Lessons learnt

To operate sustainably and, as competition for ever decreasing resources continues, the company has realised that it must protect and enhance all the environmental resources and services that it uses or that are affected by its operations. Learning from what was once a third party certification and verification process has extended beyond B&Q's timber supply chain. It has enabled B&Q to diversify sustainable sourcing and choice editing into areas such as peat use in gardening products and paints using volatile organic compounds. Coordinating the timber work with other interventions, both internal and external, has been crucial. The role of the consumer has also been important though through choice editing and not just a reliance on informed consumer choice. Indeed, retailers gain advantage if they anticipate what their customers will want two or three years down the line and encourage this.

The business has also realised that it will need to keep pace to respond effectively. As it moves towards 2020, B&Q aims to do this through continued work with governments (e.g. through the EU timber regulations), product innovation, working within 'closed loop' product systems and by understanding the impacts of all products.

Although B&Q realised that it was important early on to proclaim its preference for FSC-sourced timber, its targets could only be achieved with sound policies that gave a clear remit and priorities to its buying teams, and effective monitoring, auditing and data capture mechanisms. Its focus is increasingly on tropical timbers, working either through FSC or partners such as the Tropical Forest Trust, Rainforest Alliance and WWF.

The Kingfisher Group as a whole believed that communications about corporate responsibility issues needed to be strongly supported by evidence, data and key performance indicators. This cautious view has meant that it has not always communicated its leadership position in relation to timber and it could have been louder and prouder of what it was achieving.

Leading by example is important, and in 2010 Kingfisher invited IKEA, M&S and Carrefour to join it in forming the Timber Retail Coalition to support EU-wide regulations to control the import of illegally-logged timber. This approach aims to create a 'level playing field' since illegal timber continues to have easy access to the market and undermine sustainable sourcing.



Cargill: Sustainable Soy Partnership

Communicated by Mark Murphy, AVP Corporate Affairs, Cargill

Introduction

By using roundtables, land use planning and independent monitoring of compliance with a national Forest Code, the Sustainable Soy Partnership is a 'transition scheme' that keeps farmers in the Santarém area of Brazil in the supply chain, helping them transition to compliance with government legislation.

The intervention

Centred around Cargill's soybean terminal in Santarém in Brazil, the Responsible Soy Partnership was initiated in 2004 by Cargill and The Nature Conservancy (TNC). Brazil is unusual in that it has an excellent national Forest Code to help protect high conservation-value land and pristine Amazon forest. At the time, the code was not being implemented nor was well enforced.

TNC saw Cargill as a key stakeholder in the Amazon land use issue – soy farmers in the supply chain were not complying with the Brazilian Forest Code, exacerbating deforestation in the area. At the same time, European non-governmental organisations (NGOs) were highlighting the effects of deforestation due to soy farming, with the subject gaining ground in the media. Cargill's international customers did not want their products associated with deforestation and so commercial pressures were brought to bear on the issue. Given Cargill's role in the markets and the company's investment in the region, it was in a good position to show leadership to address the issue.

Cargill and TNC started a pilot training scheme of 25 small- and medium-sized farms in the immediate area around Cargill's soy terminal. The pilot study provided farmer training, legal assistance and land mapping tools. The scheme has now grown to over

350 farmers, covering an area of around 1,200 kilometres. The training supports the farmers in working toward compliance with the Brazilian Forest Code. A fundamental requirement of the code is that 80 per cent of the farmers' land must remain forested.

Farmers are initially supported by the project to map areas of their land which are not complying with the forest code, and then helped to improve their practices to bring them up to compliance. GPS (Global Positioning System) is used to monitor the rate of deforestation in the area and help ensure farmer compliance.

Approach, challenges and achievements

Incentives to tackle the issue came from two directions. The first was NGO concerns about deforestation and the second was commercial concerns from corporate customers about product supply. The approach to meeting both is broadly the same: partnership.

Cargill had already had a long history of partnership with TNC in the USA before the NGO opened a conversation with the company in São Paulo about soy production in Santarém and the effects on deforestation on the Amazon biome (i.e. a large naturally occurring community of flora and fauna occupying a major habitat). This trusted relationship was an opportunity for Cargill's work in the Amazon to be a learning 'laboratory' on soy. The NGO brought expertise to the partnership and did not expect Cargill to do all the work itself. The quality of TNC's field staff in the area gave Cargill the confidence to move ahead with the pilot project.

TNC and Cargill staff would visit soy farmers

and raise awareness about deforestation issues and offer the support of the Responsible Soy Partnership. As well as mapping, training and monitoring, the Partnership offered to assist farmers on working out land rights issues. Land rights are a complex and heated topic in Brazil, with layers of rights on the same piece of land so that farmers may not actually own the land that they think they do. Legal assistance was given to the farmers to help them navigate the legal maze providing an attractive incentive for farmers to become involved.

Cargill offered a second incentive: a market. The company would sign supply contracts with the farmers that stipulated Cargill would only buy from them if they were in compliance with the Forest Code.

Localisation played a key role. The plant was local to the farmers and Cargill had a daily, long-term presence. This localisation generated interest from farmers, civic and civil society groups in the area. It also presented the biggest challenge, that of building trust with stakeholders. The farmers needed to trust both Cargill and the NGO, and Cargill and the NGO needed to trust each other. Building relationships and engaging communities takes time and regular two-way communication between partners to be successful. Relationships have now been built at all levels with local and national industry bodies, and local and federal government. Transparency, clear and complementary partner objectives and clear communications within and beyond the partnership have been vital in ensuring the pilot project was successful in getting farmers on board and keeping them involved.

Impact

The primary project goals were to combat deforestation in the Santarém area, satisfy customer concerns, and uphold Cargill's reputation and commitment to corporate

responsibility. Demand in the soy bean market is such that the farmers could have sold their produce elsewhere and continued to neglect the Forest Code. Working with the farmers and keeping them in the supply chain with more sustainable practices, rather than excluding them and allowing continued deforestation, has meant that no deforestation has occurred the area around Cargill's soybean terminal in Santarém since 2008 (as verified by satellite imagery). The Responsible Soy Partnership with Cargill and TNC has not only halted deforestation in the Santarém area, it has also provided a model for the Brazilian government's conservation efforts in other parts of the Amazon.

Soy beans produced by the project are being supplied to Cargill's European customers, helping to address commercial risks and concerns about responsible and sustainable sourcing practices.

By starting with a pilot project focused on high conservation-value land management, Cargill has seen in practice the layers of complexity that also apply to its supply chains in many other geographies. Once off the ground, the Responsible Soy Partnership was able to coordinate its work with a bigger project – the Roundtable on Soy Moratorium in the Amazon. Cargill, other Brazilian soy processors and NGOs signed the Moratorium in 2006, publicly committing the soy processors to not purchase soybeans from lands that have been deforested in the Amazon biome. The Moratorium has contributed significantly to reducing deforestation by independently monitoring soy production, and penalizing farmers who cut down local forests.

A number of important secondary goals have now been achieved. The project has shown Cargill that this type of intervention is an effective model for working with NGOs to address supply chain issues. As a result of its experience with the Responsible Soy

Partnership, Cargill is now working in partnership with NGOs to address social and environmental challenges in its supply chains in other regions, for instance, for cocoa in Africa and palm oil in Indonesia.

Lessons learnt

By building compliance to an existing national Forest Code into the operating principles of the intervention, the Sustainable Soy Partnership has been able to develop a business strategy that addresses commercial, reputational and policy issues in their supply chain.

The Sustainable Soy Partnership has encouraged Cargill to take a broader stakeholder perspective on supply chain issues and to be sensitive to a greater array of external factors.

Cargill has seen the benefit in demonstrating greater transparency and accountability, and in looking for alternative ways to reach solutions. NGOs are increasingly viewed within Cargill not as a detractor but rather as key partners in building successful interventions by understanding and providing training and solutions – as in the case of the Sustainable Soy Partnership.





Nestlé: The Nescafé Plan

Communicated by Claus Conzelmann, Vice President, Head of Safety, Health & Environmental Sustainability, Nestlé

Introduction

Through a partnership between Nestlé and a number of non-governmental organisations (NGOs), the Nescafé Plan is a 'transition scheme' that uses land use planning and the sharing of technical expertise to move towards publicly stated targets for sustainably sourced coffee, and to increase the stability of supply.

The intervention

The Nescafé Plan was created to improve the quality of coffee and to transform coffee farm management. Endorsed by the Rainforest Alliance, the Sustainable Agriculture Network (SAN) and the Common Code for the Coffee Community (4C), the Plan supports responsible farming, production and consumption. The initiative aims to bring all farms that directly supply Nescafé factories up to the 4C baseline code by 2015.

Through the Nescafé Plan, experienced agricultural specialists from the Rainforest Alliance, SAN and Nestlé bring together the local knowledge of farmers with modern science. Farmers are given new tools and techniques so that they can sustainably farm by using less water and fewer agrochemicals, and without clearing the rainforest.

Based on Nestlé's concept of 'Creating Shared Value', the Plan's stated commitment is to safeguard the supply of coffee as an important raw material for the company and for the future of the communities who produce it. The company aims to double the coffee it purchases directly from farmers and farmer associations from 170,000 farmers to 180,000 tonnes by 2015.

Responsible production and supply forms the second strand of the intervention by

optimising product packaging, making factories more energy- and water-efficient, and by reducing waste. Raising consumer awareness about being energy efficient when preparing coffee products, and proposing a solution for consumers to reduce their footprint, are important aims of the intervention.

Approach, challenges and achievements

Partnerships have driven the intervention. Through partnerships with public and private institutions in a number of countries (such as Mexico, Thailand, the Philippines, Tanzania and Uganda), Nestlé has distributed over 16 million coffee plantlets in the past ten years. To further improve the quality of the coffee harvest, the company has expanded its technical assistance programmes, providing 10,000 coffee farmers a year with access to Nestlé agronomists who advise them on farming and post-harvest practices.

The project would not be possible without NGOs such as Oxfam and the Rainforest Alliance. Many other NGOs and unions, in coffee-growing countries and elsewhere, also play an important role in working towards the Plan's goals.

In Thailand, partnership and research have gone hand in hand. Nestlé wanted to ensure a long-term supply from the 25,000 growers tending the robusta coffee bean. Farmers who cannot earn a sustainable income from coffee in the years when coffee prices fall, may change crops to para rubber trees or palm oil, thereby endangering the supply chain. To head off this risk, Nestlé tested different varieties of robusta coffee plants and selected the best ones for specific environmental conditions. As a result, 600 farmers bought planting materials that had

the potential to increase their income by doubling their crop yield. To improve cultivation techniques the company trained two Thai scientists in sustainable agricultural techniques. These scientists then worked with the farmers to encourage them to adopt more sustainable practices, such as reducing chemical use and using improved pruning techniques.

The Nescafé Plan is not an isolated intervention but comprises a number of workstreams and initiatives that build on previous work (such as the Cocoa Plan). The Plan is coordinated with other Nestlé initiatives, such as waste-to-energy schemes where spent coffee grounds are used to meet factory energy requirements, and improved industrial refrigeration techniques that reduce energy usage, carbon emissions and pollutants.

Scaling up is the single biggest challenge that the intervention faced. Nestlé has set up pilot studies and demonstration plots, but there are too few 'trained trainers' to provide expertise to the huge numbers of farming communities involved. By working with partners, the intervention is increasing the network of agricultural advisors who can support the farming communities directly. Nestlé also works with its large scale supplier companies to encourage them to address the issues in their supply chains.

Impacts

The intervention will be 'work in action' between 2010 and 2020. By providing-on-the-ground training and technical expertise,

the plan has already increased the uptake of improved farming methods by developing direct relationships with farmers. In some areas, Nestlé has bought direct from farmers, cutting out middle-men and thereby increasing farmer profits and control. A cornerstone of the plan has been the distribution of millions of higher-yield and disease resistant coffee varieties to farmers.

Lessons learnt

The Nescafé Plan acknowledges the importance of a long term (ten-year) investment in local engagement. Training by large numbers of agricultural advisors and third party verification to bring suppliers up to standard and improve efficiencies in the supply chain, is critical in this engagement. The effect is magnified by encouraging large-scale suppliers to address issues in their supply chain.

Scaling up is a huge challenge. The intervention is in part an evolution of existing relationships between Nestlé and NGOs, and brings together a number of initiatives that build on previous work. Joining forces with NGOs, and applying their expertise specifically to Nestlé's own supply chains, has enabled the company to push its existing engagement further and faster.





Olam International - Rice Nigeria

Communicated by Chris Brett, Senior Vice President Head of Corporate Responsibility and Sustainability, Olam International

Introduction

An example of land use planning and international government co-ordination, Rice Nigeria is a 'transition scheme' in which Olam is working with partners and suppliers to bring change from the base up in the Nigerian rice supply network.

The intervention

Rice Nigeria began in 2005, when Olam identified a business opportunity and purchased a defunct rice mill from the Nigerian Benue state government, which wanted to privatise some of its assets. Nigeria imports approximately 1.23 million tonnes of rice each year so is heavily exposed to volatility in the international rice market. The government hoped that corporate investment in renovating the mill would support domestic rice production and contribute to its food security agenda.

Olam is currently the third biggest global player in the rice business, handling in excess of one million tonnes of rice annually. The Nigerian rice mill was flagged up as a business opportunity because of the wider context. Crucially there was already a local demand for rice, which is a Nigerian 'fast food'.

An initial partnership was born between Olam and the Benue state government. In the early stages of the programme, the programme directly supported 1,000 local rice farmers over an area of 1,200 hectares. It contracted them to supply the renovated mill and helped to establish model farms and farmer field schools that provided training in crop techniques.

By 2007 the programme was working well and Olam wanted to scale it up since the mill

had the potential to process much larger quantities of rice. The challenge was two-fold: funding and farmer training. The latter was not considered by Olam to be a core competency.

To overcome these challenges, the partnership was expanded. It now includes local Farmer Associations, the US Agency for International Development (USAID funding the delivery of farmer training), the State Government (land & fertiliser allocation), First Bank of Nigeria (crop finance for farmers) and the Nigerian Agricultural Insurance Company (reducing risk for farmers). Over the following two years, the number of farmers grew to 12,000, split into groups of around 200 farmers each. The programme currently produces up to 70,000 tonnes of rice each year for the Nigerian domestic market under the 'Lobi Rice' brand.

Approach, challenges and achievements

Partnership is the driving force of the programme. Each partner contributes a vital element without which the programme would struggle to continue. The bedrock is the demand for the product, which Olam tapped into by purchasing the rice mill and marketing the Lobi Rice brand. This created a market for local rice farmers to sell their crops to Olam. The state government allocated farm land for further expansion, and also guaranteed fertiliser to the farmers. Giving farmers a guaranteed source of fertiliser at a guaranteed government price reduces risk and allows the rice farmers to plan more effectively for the coming year.

Funding by USAID enabled the training to be scaled up to include more farmers. USAID's participation also leveraged further partners, helping to support the programme's

expansion. Because of the involvement of the State Government, Olam and USAID, First Bank of Nigeria came on board to supply credit lines so that farmers could take out annual crop loans for items such as fertiliser and pesticides.

Credit has traditionally been a major challenge for small scale farmers in the area. Crop loans depend on the farmers' obtaining insurance against crop failures, droughts, and outbreaks of pests and diseases. Insurance is a major hurdle as insurers traditionally have had very little experience of dealing with smaller farmers and have considered them uninsurable. Participation by Nigerian Agricultural Insurance Company in the programme cleared that hurdle. The farmers now obtain credit and insurance in groups of 200 and not individually, so fees and operational costs are kept down. With Olam's backing, and a tangible market for the farmers' crops, the farmers are considered a safer investment, and the Bank feels more confident in the process.

A big challenge is to get farmers on board, gain their trust and develop their confidence in the programme. The farmers need to trust that Olam is going to be there over the long term, and that the partners are coordinating across the programme. Trust takes time to build – often over three to four growing seasons - and requires an understanding of local cultural norms. Since the farmer groups deliver the rice direct to the local mill, the middle-man is cut out. The rice is sold locally rather than exported so the farmers (and programme partners) see their own rice being processed by the mill. Since Olam runs the mill and markets the rice locally, the company develops an 'everyday' relationship with farmers that builds trust in both directions.

Rice Nigeria is a standalone on-the-ground intervention. It is not currently coordinated with other supply chain interventions as this

is one of Olam's first moves into food production. As the company's involvement in this area expands, coordination will be key in reducing duplication and overlap.

Impact

From the start, Olam's definition of success was to make rice production, and the mill, economically viable. This has been achieved. Rice production is economic and profitable, and the Lobi Rice brand has a good reputation and sells well. Average crop yields from farmers in the partnership have risen from 1.5 tonnes per hectare to 4.4 tonnes per hectare, raising farm incomes and profitability.

Olam is now confident that this type of intervention is effective in the long-term. The programme has given the company a new perspective on the rice supply chain, moving from its historical view that the supply chain was about procuring, packing and shipping Asian rice to Nigeria, to a view that rice can be competitively produced locally for the local market. This programme was Olam's first foray from cash crops, such as cocoa, into food crops.

Olam is now building a rice mill in a second Nigerian state, and is in the early stages of replicating the model in Mozambique. Feed the Future USA are looking to employ the model in other countries, and the programme is being promoted as an example of successful interventions by USAID and the United Nations.

For the programme to be successfully rolled out on a wider scale, it will need to be adapted to the local environments where it is being deployed. Business opportunities must be identified that will encourage corporate involvement and enable partners to fulfil complementary aims. A strong reason for the success of Rice Nigeria is that it plays an important role in helping the main partners to achieve their aims. For the State

Government, this means achieving food security. Local farmers improve yields and profitability. USAID can integrate farmers into the supply chain, and the First Bank of Nigeria can fulfil its licence to lend by providing 10 per cent of loans to agriculture.

Lessons learnt

Rice Nigeria has required both a long-term view of interventions and company investment in time and money. Partnerships have been key in kick-starting the project and its expansion to current levels. Local government and farmer groups are working with business to determine the best land use for the area, helping improve incomes for local people as well as securing supply for the business.

Scaling up the intervention had two

challenges from the outset: funding and farmer training. Farmer training was funded by a major US Government development agency. Difficulties for farmers in obtaining credit and insurance have been overcome by providing these on a group basis and not individually to keep down fees and operational costs. Farmers gained trust and confidence in the initiative when they saw that Olam was committed to working locally, over time and in close collaboration with its partners. The company took care to understand local cultural norms so that the intervention is adapted to local environment in which it is being deployed.





SABMiller: Water Futures

Communicated by David Grant, Sustainable Development Projects Manager, SABMiller

Introduction

Water Futures is a partnership between business, NGOs and government with an objective to protect watersheds critical to SABMiller's operations and supply chains. At the same time, the partners aim to prove the business case for more companies to engage in sustainable water management.

The intervention

Water Futures was established in 2009 when SABMiller identified risks to its future operations from the impacts of water scarcity and wanted to address global frameworks for managing freshwater ecosystems. Its water risk management projects in Honduras, Colombia, India and the US had highlighted a lack of global consistency in approaches to fresh water management. The projects had also demonstrated that fresh water is not sufficiently valued as a resource.

The Water Futures partnership was initially established with WWF, and then joined by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), a German state-funded sustainable solutions enterprise. To explore the shared risk of watershed management, Water Futures ran six roundtable discussions between experts in water management and the local water industry. These roundtables were run in regions where SABMiller already had major operations: South Africa, Tanzania, Peru and the Ukraine.

Water Futures has benefited from the expertise and experiences of both WWF and GIZ, establishing contacts in the partnership countries through their combined networks. In addition, GIZ provided matched funding that SABMiller put into certain water projects, so the scope of the project could be expanded.

Approach, challenges and achievements

Water Futures identifies water risks and implements mitigation strategies, where appropriate, for specific watersheds. It aims to secure sustainable fresh water supplies through more effective supply chain management of freshwater ecosystems, from the bottom up. In doing so, it reduces shared risks for stakeholders (including SABMiller) from poor watershed management.

The intervention is still at the early stage of risk identification and has two initial objectives. First, to identify and reduce shared water-related risks between SABMiller and other users of the relevant watersheds. Second, to increase sustainability of SABMiller's operations and supply chains by the better management of these watersheds through partnerships

The project has three phases:

- 1. Water footprinting.** Assess shared water risk and develop a plan of action at country and local level
- 2. Multi-stakeholder partnerships.** Mitigate shared water risk through multi-stakeholder partnerships
- 3. Shared learning.** Spread lessons learned to other stakeholders in order to influence wider change in the affected watersheds

The approach adopted has depended on the specific country since that water has very local manifestations and as such must be managed through local stakeholder interventions. Stakeholders engaged can vary greatly but would typically consist of national government, local government, farming communities, industry groups, other businesses and local communities in the affected watershed.

The interventions have achieved their goals to date, although SABMiller recognises that the partnership is still evolving and the watershed initiatives will take time. Key to the successes to date, SABMiller has had to justify investment in Water Futures to its internal stakeholders in the same way that it would any other business investment decision, thereby ensuring both business buy-in and sustainability of the projects.

Partnerships with stakeholders are for an initial 3-year period. Ultimately Water Futures will only be judged a success if operations on the ground are sustainable over a long period. The project intends to grow existing multi-stakeholder partnerships and build new ones over time.

Impacts of water risk management projects

SABMiller started with the understanding and commitment that real change takes time to achieve. Water Futures was, in part, born out of experience from previous projects that SABMiller has been involved in, and the partnership has learnt from these. These projects have shown that it takes time to mitigate freshwater ecosystems risks and produce tangible results. Impacts of the projects can only be evaluated fully - and real changes seen - in locations where SABMiller has been operating for two to three years, such as in India and Colombia.

In India for example, a ground water recharge project introduced by SABMiller is producing improved groundwater levels. In Bogota, Colombia, river sedimentation had increased due to run off from surrounding land in which vegetation had been cleared for livestock. As a result, the cost of municipal raw water treatment had risen, with a resultant impact on the utilities pricing to users. Through working in partnership with local stakeholders, a project is now well underway with farmers to address the runoff and improve local water quality and thereby reducing the associated costs relating to the resource.

Lessons learnt

SABMiller has faced three main challenges with this project.

- The nature of the partnerships themselves, Partnerships by their nature can be challenging since they combine different groups with different objectives. Understanding how partnerships work and providing the necessary skill sets have to be addressed straight away to ensure that the operations function effectively on the ground.
- Lack of data on watershed hydrology and risk in the area which the project operates. In a number of cases, considerable investment in research is required, taking time to build the necessary evidence base.
- The need to work with stakeholders to understand SABMiller's reasons for undertaking the project. Governments and communities are not used to the level of transparency that Water Future discloses. A fundamental part of the project has been to take the time to build trust with project partners.

As the Water Futures Partnership develops into a model for water risk management in several regions with relative success so far, could it be replicated in other countries? Expansion is a definite possibility, but the local, individual nature of the interventions need to be taken into account. The approach is different for every scenario and research before an intervention is a major part of the work.

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