WBCSD TNFD pilot use case: *Procter & Gamble*

World Business Council *for Sustainable Development*

Context/Disclaimer

This use case was drafted by WBCSD in June 2023 as part of the WBCSD TNFD pilot program. The use case was drafted following a review by WBCSD of P&G's existing public disclosures.

The use case showcases elements of P&G's approach to water-related risks, opportunities and target setting.

It is essential to note that P&G's water strategy and reporting were written prior to the creation of the TNFD disclosure framework and LEAP approach. Therefore, this use case should not be considered as P&G's approach to LEAP but rather as an example of how companies' previous nature-related risk and opportunity management and reporting efforts may align with LEAP.

The LEAP approach is TNFD's voluntary nature-related risk and opportunity assessment approach for corporates and financial institutions

LEAP has been designed and developed with three overarching considerations in mind:

1. The LEAP approach encourages users to carefully **consider the scope** of their assessment before commencing;

2. Analysts and preparers are encouraged to **consult with relevant stakeholders** as they work their way through the LEAP approach; and

3. LEAP is designed as an **iterative process** – across business locations, business lines for corporates, and across investment portfolios and asset classes for financial institutions – in line with enterprise risk management processes and reporting and disclosure cycles.

LEAP is **not, in itself, a recommended disclosure or a mandated process** to adhere to the disclosure recommendations put forward by the TNFD.

As such, not everything that is identified, assessed and evaluated using the LEAP approach needs to be disclosed.

Figure 1: Overview of LEAP

This use case shows how the development of P&G's water strategy aligns with aspects of the LEAP approach

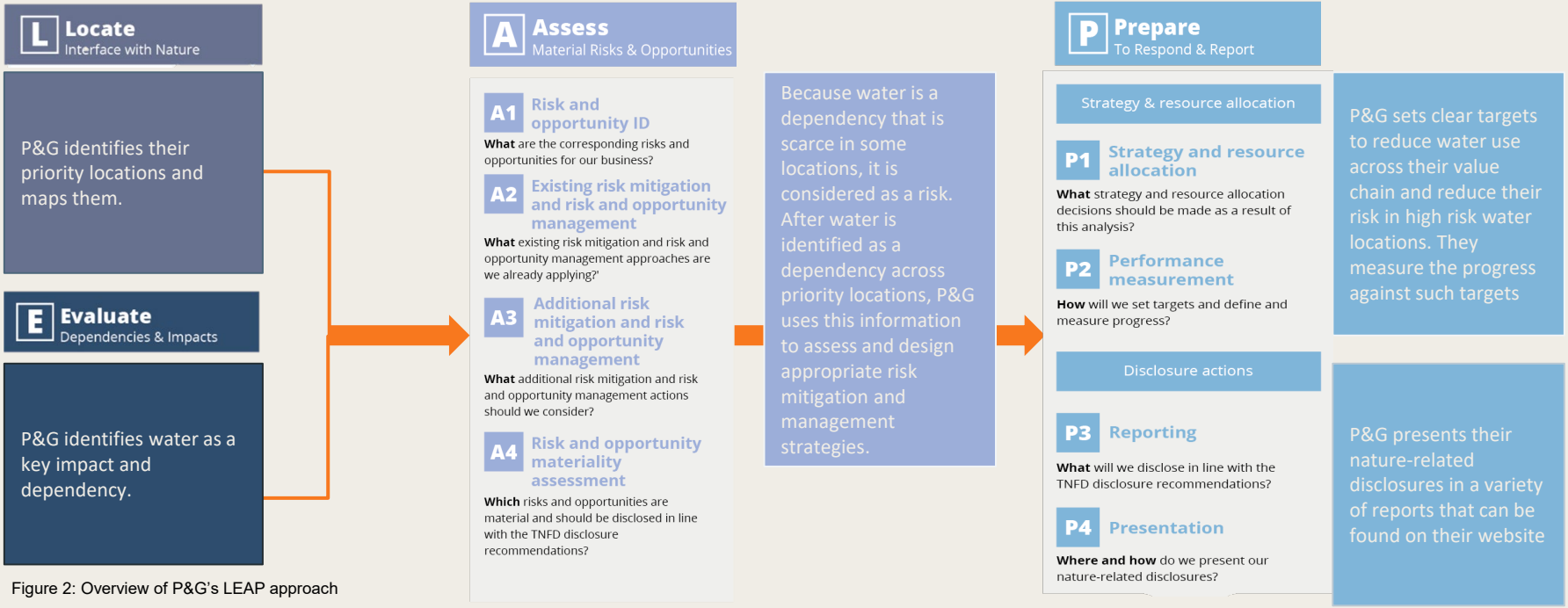


Figure 2: Overview of P&G's LEAP approach

P&G maps their priority locations and identifies water as a key dependency and impact

Process

- P&G identifies water as one of their key impacts and dependencies.
- P&G works closely with the WRI, WWF, and others to assess and **prioritize basins based on water stress levels and where they can make a meaningful difference**. They identified **18 priority basins** experiencing chronic water stress, according to WRI Aqueduct Baseline Water Stress Indicator.

Global datasets are an efficient tool to determine priority locations. The priority basin names and boundaries come from the World Resources Institute (WRI) Aqueduct 3.0 dataset, which uses basin names from the Food and Agriculture Organization (FAO) and HydroBASINS level 6 basin boundaries. These global datasets providing a starting point for building an understanding of the unique water challenges facing specific basins.

Output

P&G identifies 7 priority locations in North America, 3 in Europe (including Turkey) and 8 across South Asia and South-East Asia

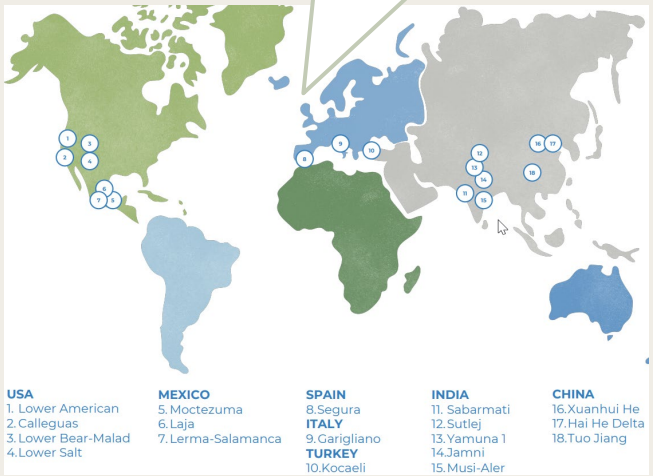


Figure 3: Map showing P&G's 18 priority basins experiencing chronic water stress
Source: P&G Water Positive Future Strategy p.8

P&G's estimated impacts in the Moctezuma basin in Mexico and the Calleguas basin in the United States represent over half of the total water quantity footprint across the 18 priority basins. These findings inform where targets are set.

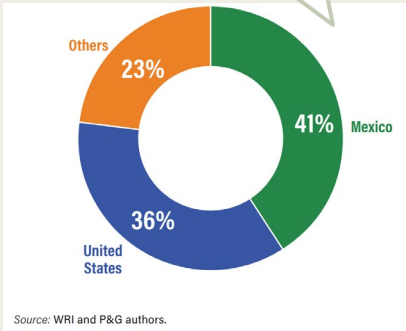


Figure 4: Comparison of P&G's consumer water consumption quantity impacts across the 18 priority basins aggregated at the country level
Source: WRI Setting Enterprise Targets p.13

P&G collects data to understand which sites are exposed to high water-related risk and identifies that 96% of water withdrawals occur downstream

In order to map their impact, organizations can choose different tools and datasets for their assessment. For the screening in step 1, P&G worked closely with WRI on a data-driven process to understand water related risks and prioritize locations. The process cross-referenced the company's manufacturing portfolio and top consumer markets by sales with Aqueduct's water risk indicators.

Process

Once P&G identifies its key impacts and dependencies, they convert them into risks and opportunities. For example, P&G's **dependency on water could potentially translate to a business risk if not managed appropriately**. A shortage of water could negatively affect P&G's highly water-dependent activities upstream and downstream in their value chain.

As water is identified as a key dependency, P&G follows a three-tier **risk assessment process to determine the facilities exposed to high water risk**, as explained on the right.

All P&G manufacturing sites identified as potentially high risk go through steps 1 & 2 of the Alliance for Water Stewardship (AWS) International Water Stewardship Standard 2.0.

Output

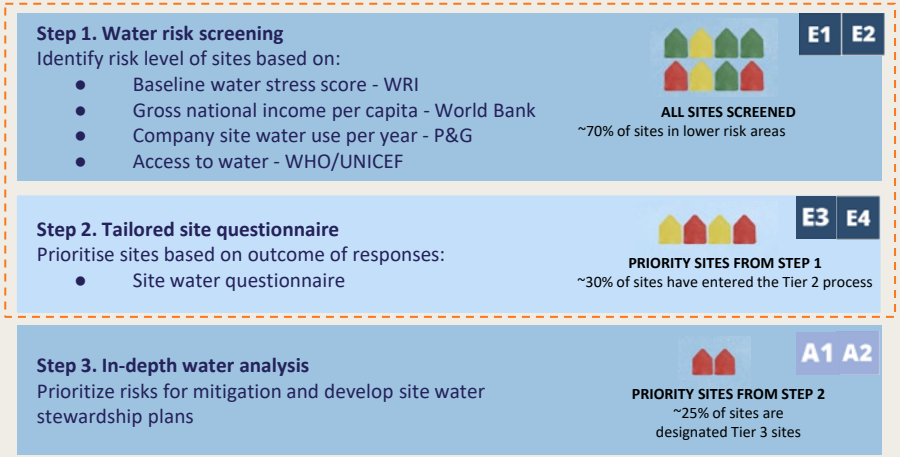


Figure 5 (above): Three tier risk assessment process to determine the facilities exposed to high water risk
Source: P&G Water Positive Future Strategy

P&G conducts analysis to evaluate dependencies and impacts on water quantity and set downstream targets

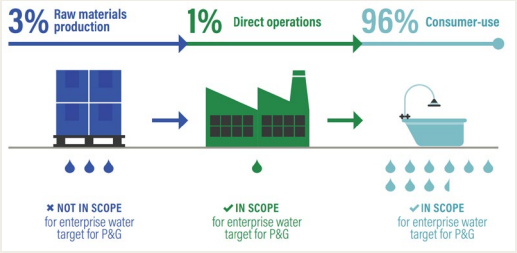
Process

After the 3-step prioritization exercise for facilities, P&G considered:

- the percentage of estimated water withdrawal of each value chain stage;
- P&G's sphere of influence;
- the dependency on water resources;
- and the impacts on water resources.

As a result of this exercise, both direct operations and the consumer-use stage of the value chain were selected for setting quantitative water targets based on annual consumption. P&G decided to focus its target-setting strategy on direct operations (where they have the most control) and downstream (largest estimated water withdrawal).

Figure 6: Water withdrawal along P&G's value chain and the phases of the value chain in scope for the enterprise water target. Source: WRI Setting Enterprise Targets p.9



Output

This process shows how P&G used a mixture of company and third-party modelled data to calculate estimated water consumption in priority basins. Results are used to set quantified water restoration targets and inform strategy.

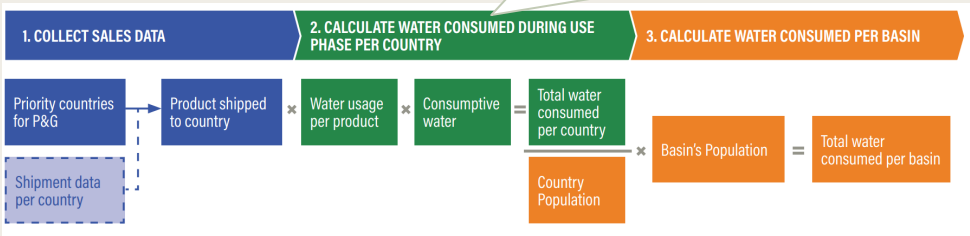


Figure 7 : Step-by-step outline of how consumer water quantity impact was calculated in the priority basins.
Source: WRI Setting Enterprise Targets p. 12

This methodology informed P&G's water restoration targets. P&G consider data from their top markets by sales in order to prioritize where to set the most impactful targets. The targets focus on restoring more water than is consumed during product manufacture and consumer use.

TARGETS

- Restore **more water than is consumed** at P&G **manufacturing** sites in 18 water-stressed areas around the world.
- Restore **more water than is consumed when using P&G products** in the high water stressed metropolitan areas of Los Angeles and Mexico City.

A2 Existing risk mitigation and risk and opportunity management

A3 Additional risk mitigation and risk and opportunity management

P&G identifies opportunities to reduce water use downstream by analyzing consumer behaviors and insights

Process

To identify high impact interventions and innovations, P&G brands analyze consumer insights.

For example, the Cascade brand has an initiative focused on switching consumers from handwashing to the dishwasher in the United States. This was born out of studies which showed that Americans believe the dishwasher uses more water than the sink when washing dishes, when actually the opposite is true.

- **P&G's Cascade brand noted that In-home water and energy usage increased exponentially** in 2020, with the average US home using nearly 21 percent more water per day. Energy use also spiked, with Americans spending an additional $6 billion dollars on at-home power consumption.
- The product and campaign **provides opportunities** to increase resource efficiency through reduced water consumption, while enhancing brand reputation through nature/water-positive action.
- Over their lifetime, the water restoration projects supported by the brand are expected to **restore over 2 billion gallons of freshwater in water-stressed regions**.

Output

Figure 8: P&G Cascade brand's approach to addressing water impacts in different areas of the value chain. Source: P&G Water Positive Future Strategy p. 25

P&G's Cascade is an example of how responding to consumer insights can minimize impacts, dependencies and risk, and lead to opportunity

Once P&G identified priority sites in water stressed basins, they worked with the WRI to design quantitative water targets and a water strategy

Process

P&G's identified risks and opportunities feed into the development of their strategy and target setting.

- The priority basin list provided the foundation for an outcome-oriented, quantitative target to address water quantity impacts in the direct operations and consumer-use stages of the value chain.
- P&G modelled consumer water use with Material Flow Analysis (MFA), a scientifically recognized analytical method to quantity the flow of materials (in this case, water) in a well-defined system (in this case, a household).
- The consumption was used to set a quantitative target.

This feeds into the wider water strategy of P&G and their goal of building a water positive future by 2030.

P&G sets targets for Mexico and the USA, given high water withdrawals identified in those regions.

Output

GOALS	PROGRESS through June 30, 2022
Reduce water in our operations by 2030	
Increase water efficiency at facilities by 35% per unit of production (vs. a 2010 baseline)	**27% increase per unit of production**
Recycle and reuse 5 billion liters of water in P&G facilities annually	**3.3 billion liters reused annually**
Restore water for people and nature in water-stressed areas	
Restore more water than is consumed[1] at P&G manufacturing sites in 18 water-stressed areas around the world	**New Goal—progress to be reported end of 2023**
Restore more water than is consumed[2] when using P&G products in the high water-stressed metropolitan areas of Los Angeles and Mexico City	**New Goal—progress to be reported end of 2023**
Respond to water challenges through innovation and partnerships	
Provide clean drinking water to children and families in need around the world by providing 25 billion liters of clean water by 2025 through CSDW program	**20 billion liters of clean water provided through CSDW program**
Accelerate water innovation at scale with the 50 Liter Home coalition	**50 Liter Home city pilots being planned for multiple countries around the world**
Enable our consumers to reduce their water footprint	**P&G brands continue efforts to develop innovations to help consumers use less water at home**

Figure 9: Overview of water goals and progress
Source: Citizenship report p.30

P&G disclose their nature related risks, opportunities and targets in their Annual report, TCFD report, and Citizenship report

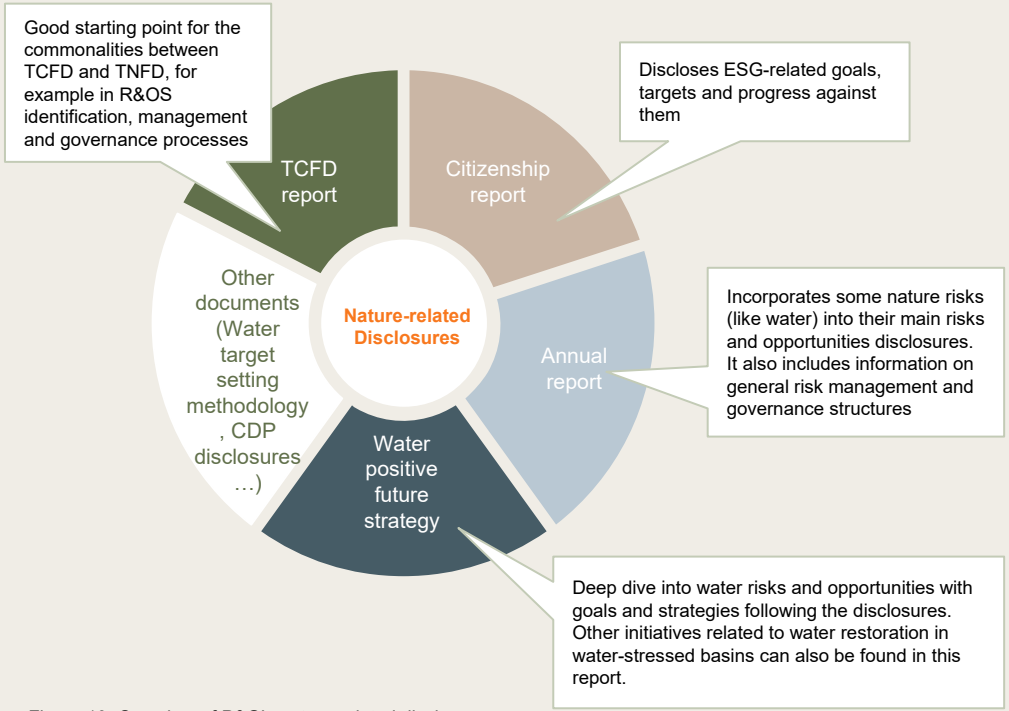
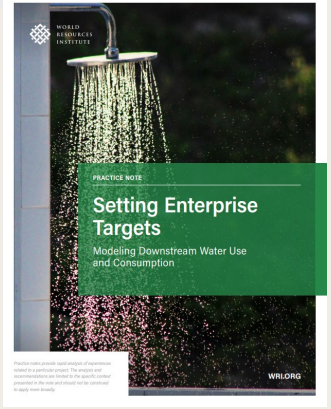


Figure 10: Overview of P&G's nature-related disclosures

TCFD report

Water Positive Future Strategy



WRI target setting

Annual report