



B Lab Statement on Bottled Water Industry and B Corp Certification Updated as of November 2020

B Lab's independent Standards Advisory Council has rendered the following decision and guidance regarding eligibility for B Corp Certification for bottled water companies:

Bottled water companies are eligible for B Corp Certification with additional review by the Standards Advisory Council and, at minimum, incremental disclosure on their public B Corp profile regarding material sensitive issues in the industry.

Process: This document, and the decision of the Standards Advisory Council, was based on independent research conducted by B Lab into the bottled water and beverage industry to understand its material positive and negative impacts in response to an inquiry from an interested stakeholder. A sampling of research conducted are included in the footnotes of the document, and a review of SASB's material disclosure metrics for the non-alcoholic beverage industry was also included for the purposes of alignment. B Lab conducts similar procedures and Standards Advisory Council review for other industries or practices as necessary and makes them publicly available.

Rationale:

A guiding principle of B Corp Certification is "we stand for something, not against anything." For that reason, the B Impact Assessment primarily focuses on the positive impact and pro-active impact management of a company. B Lab and the Standards Advisory Council have not yet specifically prohibited any industry from certification, nor does it take a position on matters of public policy regarding the role of government and private enterprise.

The B Impact Assessment alone, however, is insufficient in assessing the potential negative impact of the bottled water industry. The B Impact Assessment is customized based on the size, sector, and geographic market of the company, but that does not always allow it to analyze the the potential controversial aspects of a specific industry or product in depth.

Through industry research and stakeholder consultation, B Lab recognizes that--despite providing an essential good and being particularly beneficial in certain circumstances (in the Global South) where clean water access is a scarcity--the bottled water industry is controversial in the ways outlined below. B Lab's Standards Advisory Council will evaluate bottled water companies and their mitigation of potential negative impacts prior to certification to ensure that

Certified B Corps in the bottled water industry are pro-actively managing and demonstrating leadership on those issues.

While B Lab and its Standards Advisory Council may approve a bottled water company for certification based on the below framework, B Corp Certification also values transparency. Therefore all bottled water companies that become Certified B Corps will be required to disclose the methods they use to address these issues on their B Corp profile page to allow interested stakeholders the opportunity to make their own reasonable judgment.

Framework for Evaluating Issues in the Bottled Water Industry:

In the bottled water industry, concerns that go beyond the scope of the B Impact Assessment include sustainable water usage (and extraction), water access rights and fair payment, and packaging life-cycle and waste management.¹ More detail regarding each of the topics is provided below.

This framework is not intended to provide a set of rules governing eligibility for B Corp Certification, but rather a set of guidelines to be used when evaluating the particular circumstances of a company. These factors will be considered holistically, with one another and the positive impact of the company as a whole as quantified in the B Impact Assessment, to determine whether the company has demonstrated the qualities and management practices necessary to be recognized as a leader in the industry and in the global movement of people using business as a force for good.

Sustainable Usage:

At the core of concerns around bottled water, and water usage generally, is its sustainable usage, whether sourced from municipal water sources or directly from natural sources. There is the possibility for companies to extract water at a rate that depletes the water source over time, not just affecting the long-term management of the company but also the communities that may also rely on the water sources and the ecosystems which depend on them.

B Lab will review the management practices a company uses to minimize and/or altogether avoid extraction at a scale or rate that will significantly affect the water table or water access for others, taken into context with the normal recharge or flow rate of the water source. Additionally, companies should also work to minimize the risk of contamination of water supplies through their extraction methods, as well as the water and/or energy usage through the process of extraction, purification (if necessary) and bottling.²

¹ Water usage, and packaging lifecycle management, are aligned with material topics identified for the non-alcoholic beverage industry identified by the Sustainability Accounting Standards Board (SASB).

² This includes a review of methods used such as reverse osmosis, which is effective in water purification but is energy intensive and may produce wastewater.

Water Access:

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In addition to the water usage itself, there are also controversies around the methods that companies use to access water, and their privatization of what is considered a “public good.” The practical concerns of this issue include a lack of proper payment for the rights to water resources when compared to fair market value, which in some circumstances effectively subsidize the privatization of the water while providing insufficient resources to support municipal infrastructures.³ In some instances, bottled water companies own the only source of clean drinking water in a given community or region, which can have adverse impacts on the local communities, such as forcing the areas to find new water supplies, drying out natural water sources, and restricting water use.⁴ In other cases, whether land or rights are owned directly by the company, the fees or taxes paid for water extraction can vary substantially and be based on volume used, extracted, a flat fee, or be none at all. In many cases, companies themselves may have limited control over these payment structures depending on their size and geography, although some companies may engage in lobbying to create policies that will benefit them.

B Lab will review the methods by which the company has gained access to their water, including the ownership of the land and any contracts and rates being paid with and to municipal sources or governments to confirm that rights to the water are fairly obtained and compensated for.

- All bottled water companies should neither be engaged in lobbying, policy advocacy for cheap water prices, or to weaken regulations regarding access to water, nor should there be significant, material, and justified stakeholder concerns over the company’s water access that remain unresolved.
- Bottled water companies not paying a volume-based fee should make efforts towards collective action and/or engagement with stakeholders, focused on improving water quality, access, and availability in the watershed of the company.

Some illustrative examples that would meet the collective action and stakeholder engagement requirement are listed below:

- The company creates an internal fund linked to the volume of water extracted — for example, by setting an internal water price equal to the municipal water rate in the company’s community of operation—and invests that amount into community efforts and collective action focused on improving water access, water quality, and availability in the watershed of the company.
- The company has a partnership with public water utility companies to share resources, knowledge and skills and to support them in the development of adequate water infrastructure.
- The company shares its hydrogeological data with local stakeholders to enhance their understanding of the watershed conditions and encourage research activities.

³ https://www.vice.com/en_ca/article/zn85qw/a-look-into-nestles-controversial-water-bottling-business-in-canada

⁴ <https://www.providencejournal.com/news/20200221/states-seek-to-ban-bottling-companies-from-tapping-local-groundwater>

- The company undertakes education and awareness campaigns pertaining to water stress in the community of operation, through partnership with local stakeholders.

Companies meeting the above requirements will also be required to make their policies and practices on the above topics transparent on their B Corp profile.

Waste:

Bottled water also produces large amounts of plastic waste, particularly in the form of single use plastic bottles. Despite the fact that “the recycling rate for single serve PET plastic bottled water containers has doubled in the last nine years,”⁵ critics argue the vast majority of bottles purchased are not properly recycled, especially in the Global South where effective plastic recycling systems are not effective or non-existent. Even in the United States, the Water Project estimates US landfills are “overflowing with 2 million tonnes of discarded water bottles.”⁶ Companies are working to address the waste problem at the input level, but studies currently indicate that only 21% of bottles have recycled content, and of those 21% the average recycled content is around 20% per container.⁷

B Lab will review the practices that the company has put in place to minimize the input materials of the packaging (also known as source reduction), substitute more sustainable or recycled materials, and manage waste at the output level (supporting recycling programs).

While still requiring a holistic evaluation, the following attributes would be reviewed with particular scrutiny when considering eligibility for B Corp Certification:

- (1) Lacking management systems in place to determine the rate of water extraction compared to flow rate, steady water extraction beyond the natural rate of the aquifer, or continual large scale extraction from areas identified as having scarce or threatened water levels.
- (2) Contractual negotiations that allow the company to avoid payment for the water being used or payment that is excessively beneath common market rates for the water.
- (3) Using an insufficient amount of recycled input materials in plastic bottles, particular using total volume of virgin materials at an above average rate in the industry.

This framework has been designed specifically for use for bottled water companies because of the unique fact that the industry is delivering a product that is also delivered as a public good through municipal services. B Lab also recognizes the similarity of material issues for beverage industry companies more broadly, as well as water usage issues for many different types of

⁵ <http://www.bottledwater.org/education/recycling>

⁶ https://thewaterproject.org/bottled_water_wasteful

⁷ <http://www.recyclingtoday.com/article/water-bottle-weight-decreases-recycled-content-increases/>

companies at scale, and will consider applying these guidelines as necessary in those circumstances.

This statement is effective as of November 2020 but is subject to revision based on additional information and feedback, with approval of the Standards Advisory Council. Comments are invited.

In preparation for future revisits by the Standards Advisory Council on this issue and B Lab's continuous improvement of its standards, please send your feedback or questions to B Lab's Standards Development Manager at dosusky@bcorporation.net.