

# The business case for action on WASH

## WaterAid analysis of CDP WASH data

Corporate disclosure enables the clear communication to key stakeholders of commitments, targets and progress across a wide range of sustainability issues. WaterAid have analysed corporate responses submitted publicly to CDP's 2015, 2016 and 2017 water information requests. The analysis focuses on responses related to the provision of water, sanitation, and hygiene (WASH) to identify trends in business action on providing access to WASH, and to demonstrate the benefits for the private sector in doing so. For the full corporate water data analysis please refer to CDP's recently released 2017 [Global Water Report](#).

The corporate water disclosures submitted to investors through CDP reveal a strengthening business case for companies investing in WASH. Analysis of CDP's data clearly shows that either a lack of management, or the mismanagement, of WASH issues can have detrimental socio-economic impacts for companies, whilst those addressing WASH issues can see significant business benefits.

### Key findings

- Organisations are potentially underestimating WASH risks in both their direct operations and supply chains, largely due to incomplete water risk assessments. This is potentially due to water management not being considered in a holistic manner through a water stewardship lens;
- WASH risks are materialising for businesses in both direct operations and supply chains, and the impact can be costly;
- WASH-related opportunities can be beneficial for businesses, and some can materially impact the bottom line;
- Corporate action can help delivery against Sustainable Development Goal 6, which in turn can support the sustainability and resilience of businesses;
- Corporate action on WASH can be scaled up by integrating WASH into corporate strategies, and adherence to voluntary third-party standards that integrate WASH; and
- A concluding 'call to action' provides some next steps or recommendations for corporates to take action.

## State of play: companies may be underestimating WASH risks

More companies are assessing water-related risks: in 2016 and 2017, 91% and 90% of respondents respectively, undertook a water-related risk assessment compared to 74% in 2015. Yet many may still be underestimating water – and specifically WASH – risks, by not considering water issues in a holistic manner through a water stewardship lens.

- Of the risk assessments undertaken in 2017, 45% did not include the **supply chain** (versus 48% in 2016 and 2015). The International Labour Organization (ILO) estimates that more than 450 million people work in supply chain-related jobs.<sup>1</sup> As many are located in geographies where the WASH challenge is most acute, the potential for risks to businesses is significant.<sup>2</sup>

As companies within the Consumer Staples and Consumer Discretionary sectors (for example textile manufacturers, and food and drink producers) often source and manufacture products in such geographies, they can be particularly exposed to supply chain risks. Yet in 2017, 34% of such companies excluded the supply chain in water-related risk assessments. They will have therefore missed the important links, as well as opportunities, between the provision of WASH and creating sustainable and resilient supply chains:

'Kering's operations only represent 7% of the total environmental impacts of the Group's activities. 93% of the impact is linked to the supply chains. WASH services are therefore not particularly relevant for Kering's employees.'  
Kering (Consumer Discretionary sector) (2017)

- Although 86% of the risk assessments undertaken factored in **employees** (versus 82% in 2016, and 80% in 2015), only 76% considered employees' current access to fully-functioning WASH services (up from 71% in 2016, and 60% in 2015). For some companies, exclusion was due to the provision of WASH services being a legal requirement or considered to be an obligation and therefore a risk assessment was not considered necessary:

'We have production in Finland, Sweden and England where fully-functional WASH services are a national standard and therefore not relevant in our risk assessments.'  
BillerudKorsnäs (Materials sector) (2017)

'We consider 'Current access to fully-functioning WASH services for all employees' as our fundamental obligation, so we do not evaluate as a risk.'  
NGK Spark Plug Co., Ltd. (Consumer Discretionary sector) (2017)

However, given the growing importance of WASH as a material issue to businesses, WASH considerations should be integrated into routine water risk assessment processes regardless of the operating environment.

<sup>1</sup> [www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_370189/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_370189/lang--en/index.htm)

<sup>2</sup> [www.wateraid.org/what-we-do/our-approach/research-and-publications/view-publication?id=c496a8b5-9188-4c4a-a5de-64d23e96991e](http://www.wateraid.org/what-we-do/our-approach/research-and-publications/view-publication?id=c496a8b5-9188-4c4a-a5de-64d23e96991e)

- Encouragingly, in 2017 the majority (89%, versus 85% in 2016, and 81% in 2015) of companies did integrate **local communities** into risk assessments. This demonstrates that companies recognise the importance of, for example, maintaining a social licence to operate, and mitigating the risks of reputational damage due to community opposition.

## Why should corporates consider WASH interventions in the context of water stewardship?

### 1. WASH risks are materialising for businesses in both direct operations and supply chains

Of those companies that publicly responded in 2017, 66% disclosed that they were exposed to water-related risks, an increase from 65% in 2016, and 51% in 2015. Of the 2017 respondents, 15% reported risks driven by community opposition and/or inadequate access to WASH in direct operations, and 7% in supply chains (and these numbers may be underestimated due to incomplete risk assessments):

'Inadequate water for sanitation and hygiene ... contravenes basic requirements for a workplace as shortages can create breeding space for disease causing agents thus an increase in the level of absenteeism due to ill health. Absenteeism can impact on operational efficiency and thus impact on operating costs and revenues.'  
Transnet (Industrials sector) (2017)

Analysis shows that such water risks are materialising for business: 22% reported detrimental water related impacts in 2015, 30% in 2016, and 25% in 2017. Of the 2017 impacts reported, 7% related to community opposition and/or inadequate access to WASH. These impacts can be costly for a business:

'...there are challenging socio-economic circumstances with high poverty levels and poor infrastructure...The financial impact is increased costs of water provision and is significant for Anglo American.'  
Anglo American (Materials sector) (2017)

With WASH risks materialising in both direct operations and supply chains, for water management to effectively mitigate socio-economic WASH risks companies should therefore consider such risks in a more holistic manner 'beyond the fence-line' of direct operations to also include supply chains.

'Improper wastewater treatment following the use of dyes and chemicals at mills and laundries could affect the well-being of the people who make our clothes and surrounding communities. Workers' productivity could be impacted, and...We could also face reputation risks [which] could adversely affect consumers' perceptions of our brands and lead to lower demand for our products. We estimate our operational cost for managing this risk to be roughly increased by \$0.5-1 million.'  
(Consumer Discretionary sector) (2017)

## 2. WASH-related opportunities can be materially beneficial for businesses, and communities

In 2017, 76% of companies stated that water presents strategic, operational or market opportunities for their business; up from 75% in 2016, and 58% in 2015. In all three years, approximately 40% of respondents identified WASH-related opportunities, most of which could positively impact the bottom line. These include supply chain resilience, improved community relations, securing a social licence to operate and staff retention.

‘Oil Search has identified an opportunity to improve community relations and social license to operate through WASH programs in local communities. Improving access to safe and alternative water sources in addition to increasing awareness of good sanitation practices that reduce disease risks are included in Oil Search’s community development initiatives. Improvements in just 1% productivity from avoided community disruptions or impacts to worker and community health could result in increased revenue.’

Oil Search (Energy sector) (2017)

‘Amatil’s water stewardship program ... provides multiple benefits to the business and opportunities in areas of business resilience, community relations, employee engagement and brand value.’

Coca-Cola Amatil (Consumer Staples sector) (2017)

The potential positive impacts from corporate action on WASH through integrated water management, considered in a holistic and all-encompassing manner, are significant. Businesses can reap the benefits of cost savings, business growth and opportunities for shared collaboration, whilst improving access to WASH for vulnerable communities and economic and social development.<sup>3</sup>

‘We recognise that there are many financial and broader business advantages to Diageo from improved management of water resources. We estimate the scale of value to Diageo from this opportunity to be in the range of £10-20 million over the next 2-5 years, primarily from cost savings and reduction in water insecurity.’

Diageo (Consumer Staples sector) (2017)

‘Unilever sees a significant market opportunity in offering home & personal care products such as laundry detergents, shampoos & soaps which reduce water need and perform well in places of poor water quality or intermittent supply. Water scarcity & poor quality can cause consumers to cut down on the frequency of household chores, like laundry, & personal care routines such as showering & hair washing. Unilever’s strategy is to develop innovative products which help people adapt to water scarcity. We estimate this could yield around €2-3 billion incremental sales in 2025.’ (Consumer Staples sector) (2017)

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<sup>3</sup> <https://wash4work.org/business-case/>

Gap Inc. identifies several WASH-related opportunities for its business and has strategies in place to realise them, including:

‘Contribute to improving health and well-being for the women who make our clothes and live in communities in our sourcing countries by providing training on good water, sanitation and hygiene (WASH) practices in factory and community settings. We believe this can also benefit suppliers and our business by helping to reduce absenteeism and turnover and improve productivity.’

‘Improve the resilience of our supply chain, reduce costs and gain competitive advantage by helping strategic suppliers to adopt more sustainable production technologies and processes.’

‘Enhance our social license to operate and build good relations with stakeholders by provide access to clean, safe water to people living in rural villages in India.’  
(Consumer Discretionary sector) (2017)

### 3. Corporate involvement is needed to attain Sustainable Development Goal 6 (SDG 6)

Access to safe water and sanitation are essential to human health, environmental sustainability and economic prosperity.<sup>4</sup> SDG 6 aims to ensure the availability and sustainable management of water and sanitation for all. Yet 2.3 billion people in the world – one in three – do not have a decent toilet and 844 million people in the world – one in ten - do not have access to clean water.<sup>5</sup>

Effective water and sanitation management relies on the participation of a range of stakeholders,<sup>6</sup> and fundamental to the achievement of SDG 6 are private sector efforts to ensure better and more sustainable WASH outcomes.

‘WASH activities are increasingly becoming common practice in our industry and many apparel companies are aligning their goals with the United Nations (UN) Sustainable Development Goals.’  
PVH Corp (Consumer discretionary sector) (2017)

The SDGs provide a strong framework for action by companies, and aligning corporate strategies to the SDGs will allow companies to capitalise on a range of benefits, including identifying future business opportunities, enhancing the value of corporate sustainability, and strengthening stakeholder relations.<sup>7</sup> In short, achieving SDG 6 and assuring adequate water for employees, communities, and society is essential to the long-term well-being of businesses.<sup>8</sup>

<sup>4</sup> <https://sustainabledevelopment.un.org/sdg6>

<sup>5</sup> <https://washdata.org/reports>

<sup>6</sup> <https://sustainabledevelopment.un.org/sdg6>

<sup>7</sup> [https://sdgcompass.org/wp-content/uploads/2015/12/019104\\_SDG\\_Compass\\_Guide\\_2015.pdf](https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf)

<sup>8</sup> [www.2degreesnetwork.com/groups/2degrees-community/resources/business-case-improving-access-water-sanitation-and-hygiene/](http://www.2degreesnetwork.com/groups/2degrees-community/resources/business-case-improving-access-water-sanitation-and-hygiene/)

An analysis of the SDG targets and indicators reveals that CDP's four 2017 environmental questionnaires (climate change, water, forests and supply chain), address 16 targets and 19 indicators of the SDGs. CDP's water questionnaire has particular alignment with SDG 6 and provides a powerful tool to assist companies in mapping their operations against the relevant SDGs to identify opportunities, set targets, track progress and showcase success. For further information and a detailed mapping document please visit [www.cdp.net/sdgs](http://www.cdp.net/sdgs)

## How to scale-up corporate action on WASH

### 1. Integrate WASH into corporate strategies

In 2017, 87% of companies reported that their business strategy factored in water management (versus 86% in 2016, and 83% in 2015), and 82% of companies reporting having a water policy that sets out clear goals and guidelines for action (78% in 2016, and 61% in 2015).

There is emerging evidence to suggest that having a water policy that acknowledges the human rights to water and sanitation translates into a better appreciation of both the risks and opportunities related to WASH. Although most companies do not have a water policy that acknowledges these human rights (59% in 2017, versus 64% in 2016 and 71% in 2015), in 2017 those companies that did were more likely to:

- Include the supply chain in risk assessments (74% versus 57%);
- Consider current access to fully-functioning WASH services for all employees (90% versus 75%); and
- Have WASH targets and/or goals (38% versus 27%).

Integrating WASH considerations is fundamental to ensure good water stewardship practices, and has positive implications for a variety of other sustainability priorities.<sup>9</sup> It should therefore be integrated into existing policies and practices to strengthen the resilience and sustainability of businesses.

### 2. Adhere to voluntary third-party standards that integrate WASH

The recently published report '[Corporate engagement on WASH: Driving progress on SDG6 through supply-chains and voluntary standards](#)' (2017, CEO Water Mandate, WaterAid, Water Witness International and WBCSD), found that a range of strategies for driving progress on WASH can be pursued. One of the strategies for driving progress is adherence to third party standards that integrate WASH. The report provides an analysis of nine standards systems highlighting practical opportunities for engagement. The following quotes illustrate how some companies are already adhering to third party standards demonstrating how this strategy could be a lever of change.

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<sup>9</sup> [www.wateraid.org/~/.../Scaling\\_Corporate\\_Action\\_on\\_WASH\\_in\\_Supply\\_Chains.pdf](http://www.wateraid.org/~/.../Scaling_Corporate_Action_on_WASH_in_Supply_Chains.pdf)

‘In 2015 Burberry joined the Better Cotton Initiative (BCI) to support and drive global demand for sustainable cotton.’

Burberry Group (Consumer discretionary sector) (2017)

‘At Nestlé Waters, we have introduced the Alliance for Water Stewardship (AWS) standard as the guiding framework to ensure sustainable water management in our direct operations.’

Nestlé (Consumer staples sector) (2017)

‘Diageo believes that provision of access to safe water, sanitation and hygiene for our employees while they are at work is a critical obligation for the company. We were the first beverage company to sign the WBCSD WASH at Work Pledge and have set a target to provide 100% of Diageo employees with access to water, sanitation and hygiene.’

Diageo Plc (Consumer staples sector) (2017)

## Call to action

Both CDP and WaterAid encourage all companies to increase their level of action, reporting and disclosure on WASH in recognition of the long-term benefits for both business and communities. The case for why corporates should consider WASH interventions in the context of water stewardship is becoming more compelling. WASH risks in both direct operations and supply chains are rapidly materialising and the opportunities for business benefits are becoming clearer.

The companies that are implementing WASH interventions are realising multiple business benefits to direct operations, supply chains and local communities. These direct business benefits include: reduced operational costs and risks which are associated with more resilient supply chains, worker well-being and increased productivity; strengthened and maintained social licenses to operate; and attainment of SDG 6.

As a company there are some key steps for scaling-up corporate action on WASH:

- Disclose, report and be transparent on your water management approach.
- Identify your companies' WASH related risks and opportunities, whether they are in the workplace, the community or the supply chain, and then focus on measurement, management, disclosure and improvement – Plan, do, check, act.
- By ensuring that your water policy acknowledges the human rights to water, sanitation and hygiene, this can help embed WASH elements (risks and opportunities) into your corporate water stewardship strategy.
- Set ambitious targets and/or goals on improving WASH issues.
- Broaden and deepen your employee and company understanding about WASH by providing them with the International Labour Organization's [WASH@Work Self-training handbook](#).
- Adhere to voluntary third-party standards that integrate WASH and consider signing and implementing the WBCSD [WASH at the workplace Pledge ensuring](#) that all employees in direct operations have access to safe WASH while at work. (For more, click [here](#).)
- Contribute to WaterAid's project to strengthening the business case for WASH by offering opportunities for evidence-gathering from your operations and projects.

If you are just beginning your journey towards considering water management in a holistic manner through a water stewardship lens, or you want to take the next step to integrate WASH into your business strategies and reporting, we would like to hear from you to discuss this further.



## CDP and WaterAid

Whilst water and water stewardship has risen up the corporate agenda over the last decade, corporate involvement in securing universal access to safe water, sanitation and hygiene has not progressed at the same rate. WaterAid analysed responses to CDP's 2015, 2016 and 2017 water questionnaires that were made publicly available, with a view to quantifying current levels of corporate action on WASH; the human rights to water, sanitation and hygiene; and community engagement.

## WaterAid

Extreme poverty won't end until everyone, everywhere has clean water, decent toilets and good hygiene.

We're determined to make that happen within a generation – and we believe the best way to do it is by working with others.

That's why we're part of an active global network. Advisors, debate shapers, policy makers, engineers, campaigners and fundraisers - all of us here at WaterAid are working towards a common goal: getting water, toilets and hygiene to the millions of people still living without these basic human rights.

By working together, we can enable entire communities to unlock their potential, break free from poverty and change their lives for good. Please visit our [website](#).

## CDP's Water Programme

CDP's water programme motivates companies to disclose and reduce their environmental impacts, and accelerate the use of this data by influential decision makers to better mitigate risk, capitalize on opportunities and make investment decisions that drive action towards a more sustainable world.

CDP has built the world's largest and most comprehensive database of primary corporate water data through its water questionnaire, which has been circulated annually since its creation in 2010.

In 2017, 1,461 of the world's largest publicly listed companies deemed to have high water vulnerability or impact on water resources were asked to disclose how they are managing these risks and seizing opportunities. Please see the [CDP Global Water Report 2017](#) for the key findings.