

## Water resources and business sustainability

By Bethany Murray\*, September 2007

Through research into sustainability issues to inform the investment community, I have come across various emerging issues and trends in relation to business and water management in the developing world. I have a background in environment and development issues having completed a Masters degree in this area, and I now apply these interests through my research role in responsible investment.

Although climate change dominates current CSR agendas and sustainability debates, managing water resources is also working its way up the agenda of sustainability priorities for a number of companies, some of whom are beginning to report on the issue in more depth. This particularly applies to companies in the food and beverages sector whose agricultural supply chain and production processes are water intensive, and who are often operating in or sourcing from regions where water scarcity is a particular concern.

The attention on water in the CSR community is set against a background of increasing concern over water shortages due to climate change, pollution and rising demand, particularly in the developing world, where many companies have agricultural and production facilities, or source products grown or manufactured in these countries. WWF has reported on environmental and social issues surrounding the global freshwater supply, and they note that agriculture wastes 60% or 1,500 trillion litres, of the 2,500 trillion litres of water it uses each year; or 70% of the world's accessible water. According to WWF, many big food producing countries like the US, China, India, Pakistan, Australia and Spain have reached, or are close to reaching, their renewable water resource limits. A WWF report, *Thirsty Crops: Agricultural Water Use and River Basin Conservation*, identifies cotton, rice, sugar cane and wheat as the 'thirstiest' crops in nine large river basins rich in biodiversity. Together, these four crops account for 58% of the world's irrigated farmland.

For a number of companies with direct impacts, there is at least an increasing recognition of the need to manage water as a material issue to business. For example, SABMiller has developed a position statement on water use, analysing risks surrounding water security and scarcity at its regional operations. The company analyses its water use using an industry metric, the amount of water used to brew a hectolitre of beer, and it recognises that in addition to saving costs, water is a material risk factor for the company, as some of its operations are located in watersheds facing water stress. The company accordingly recognises that it has a part to play in water efficiency in order to protect its resource base.

Water issues should also be set in the social and political context, and companies need to engage with the politics of water management in the developing world. A case in point relates to flower production for the UK retail market, which links business and water scarcity in the developing world. Recent controversies include water scarcity in Kenya in relation to flower production for the UK retail market and conflicts with the needs of farmers in the region. According to the Kenyan Water Authority, flower companies supplying UK supermarkets are taking as much as 25 percent of the water normally available from the river Ngiro to more than 100,000 small farmers, and the companies have been accused of blocking rivers and tapping streams to channel supplies of water. It has been alleged that flower farms on the outskirts of Nairobi pipe water from the slopes of Mount Kilimanjaro, yet the majority of people living in Nairobi have no water supply. How the retail sector will analyse its

impacts on water further down the supply chain has not yet been addressed; and retailers need to commit to working with suppliers to improve water efficiency.

A global perspective involving NGO collaboration is being taken by the Coca-Cola Company, which has been embroiled in NGO campaigns concerning depletion and pollution of local water resources near its bottling plants in India. It has recently announced collaboration with WWF on a global initiative to conserve water resources and replace the water used to produce its drinks. Using funding from the company, the NGO will aim to conserve seven freshwater river basins, support more efficient water management in Coca-Cola's operations and global supply chain, and reduce the company's carbon footprint. The company also notes that it shares the interest of the communities in the watersheds in which it operates as the water resources sustain the life of the business. Criticism of the company and accusations concerning greenwash continue, but the company is signalling a move in the right direction by being transparent and through its willingness to engage.

The efforts of companies to integrate water use more fully into CSR strategies and reporting is supported by the World Business Council for Sustainable Development's (WBCSD) recent launch of a new Global Water Tool. This tool will enable companies to better understand their water risks, calculate their water use efficiency, and report according to the GRI water indicators and protocols, in a similar way to which companies use WBCSD tools to report on greenhouse gas emissions. It can also be used by companies that haven't yet collected any water information, as the tool can be used to start a basic water risk assessment by plotting facility locations on maps showing regional water availability/scarcity. It is hoped that the development of these kinds of reporting tools will be a driver for water to be more fully addressed and reported on in the CSR community, and enable companies to map their risks in this area.

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