

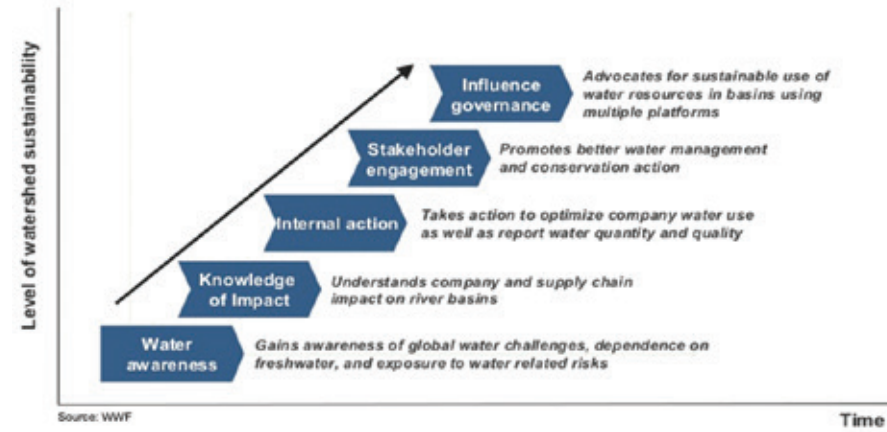
Recommendations for policy makers

There is a global trend towards increasing focus on CSR in the private sector. However, the developments are very uneven between geographical areas and industrial sectors. Progress happens both based on a push from government and from other stakeholders. It is quite clear that governments can have a strong impact in broader adoption of CSR strategies through legislation, regulation or other types of initiatives. There is widespread evidence from around the world showing that where governments have been most active in this field, the private sector has also become more proactive and strategic in its approaches.

Government initiatives can stimulate development of CSR through broader approaches, such as the EU legislation regarding sustainability reporting from companies or through legislation addressing specific CSR issues, with examples covering for instance anti-bribery (UK), conflict minerals (US) or climate change (EU through the ETS emission trading scheme).

THE STEWARDSHIP JOURNEY

Figure 3: WWF Water Stewardship Model



Governments can start by raising awareness in the private sector regarding critical issues such as water. This can stimulate initiatives from the private sector, and result in regulatory interventions as a second step. Governments should also invite the private sector to public-private initiative regarding proactive water management and water stewardship. Such initiatives are clearly beneficial for both private and public and should be developed based on local needs.

Recommendations for companies

Water issues present increasing risks globally and on different levels in many markets around the world. It is clear that water will be a critical issue for decades ahead, since there is no substitute for it. Water is fundamental to life and increasingly seen as a human right. There is no other alternative than the broad adoption of water stewardship in the private sector.

Significant opportunities present themselves to companies that are willing to move ahead of the curve. The opportunities vary by industrial sector and by geography, but there is a great need for more strategic approaches to water management across all sectors.

The rationale for proactive action by companies may be summarized as follows:

- **Direct cost-benefit:** scarce water would cost more, and even temporary interruption of supply could damage many industries which are dependent on clean water, directly or in their supply chain (or where the power supply or cooling is water-generated).
- **Reputation:** unsustainable water use could damage a company's image through negative publicity and increased public scrutiny.
- **Risk of increased legislation:** voluntary corporate action may avert harsher restrictions which raise costs further. However, the study suggests that regulatory pressures are one of most successful means of generating voluntary environmental management approaches.
- **Risk of requirement to invest in water supply:** there is a growing expectation for corporate investment in water management; currently, to relieve public funds that now account for 95 per cent of investment.

Further resources

- CDP Water initiative, <https://www.cdp.net/en/water>
- WWF Water, http://wwf.panda.org/what_we_do/how_we_work/our_global_goals/water/
- WRI Water, <http://www.wri.org/our-work/topics/water>
- Norges Bank, "Water Management - Expectations on companies", <https://www.nbim.no/contentassets/228e2216a0c34c18a48df90c98a39a13/nbim-water-management-expectation-document.pdf>
- Water Footprint Network, <http://waterfootprint.org/en/>
- CEO Water Mandate by the UN Global Compact, <http://ceowatermandate.org/>
- World Economic Forum's Water Initiative, <https://www.weforum.org/projects/global-water-initiative>
- World Economic Forum, Global Risks 2016 <http://reports.weforum.org/global-risks-2016/>
- Archie B Carroll, "Carroll's pyramid of CSR: taking another look", <https://jcsr.springeropen.com/articles/10.1186/s40991-016-0004-6>

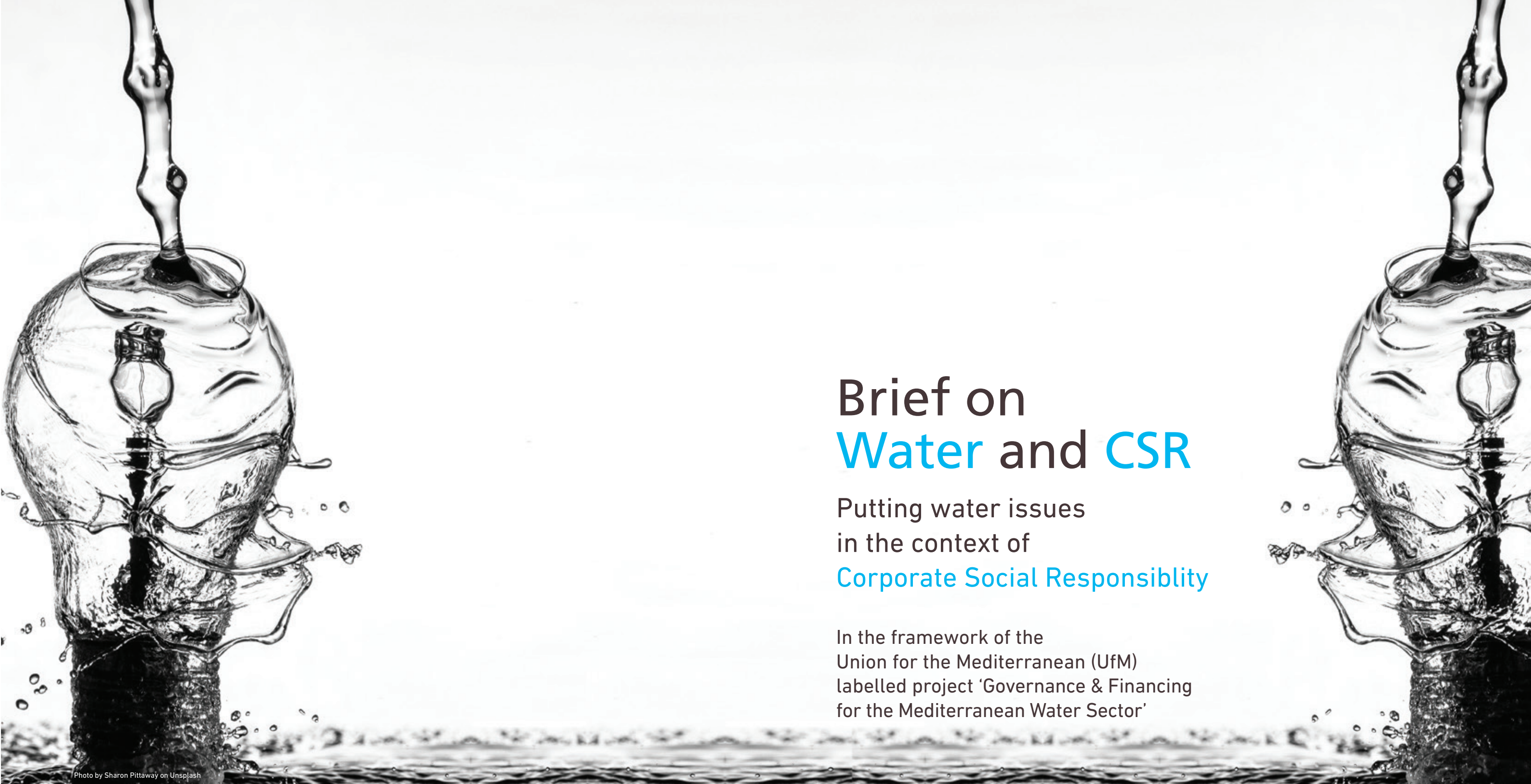


Photo by Sharon Pittaway on Unsplash

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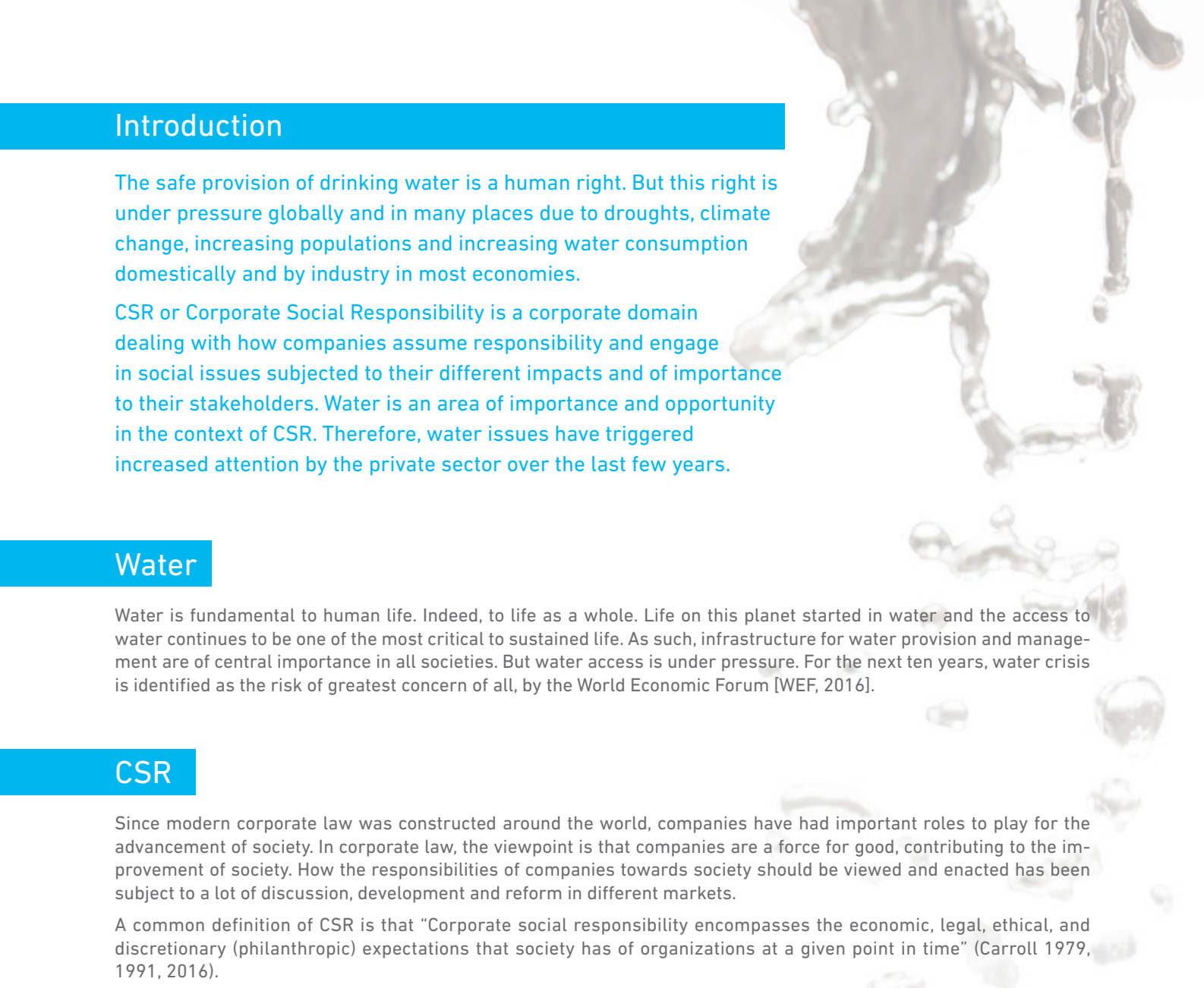


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Introduction

The safe provision of drinking water is a human right. But this right is under pressure globally and in many places due to droughts, climate change, increasing populations and increasing water consumption domestically and by industry in most economies.

CSR or Corporate Social Responsibility is a corporate domain dealing with how companies assume responsibility and engage in social issues subjected to their different impacts and of importance to their stakeholders. Water is an area of importance and opportunity in the context of CSR. Therefore, water issues have triggered increased attention by the private sector over the last few years.

Water

Water is fundamental to human life. Indeed, to life as a whole. Life on this planet started in water and the access to water continues to be one of the most critical to sustained life. As such, infrastructure for water provision and management are of central importance in all societies. But water access is under pressure. For the next ten years, water crisis is identified as the risk of greatest concern of all, by the World Economic Forum [WEF, 2016].

CSR

Since modern corporate law was constructed around the world, companies have had important roles to play for the advancement of society. In corporate law, the viewpoint is that companies are a force for good, contributing to the improvement of society. How the responsibilities of companies towards society should be viewed and enacted has been subject to a lot of discussion, development and reform in different markets.

A common definition of CSR is that “Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time” (Carroll 1979, 1991, 2016).

In many markets there are laws in place emphasizing the social role and responsibilities of companies and what is required in terms of compliance with these laws.

In the EU, there is recent legislation pushed towards member states requiring transparent disclosure from companies regarding how they engage in environmental and social issues.

In India, there is legislation dictating that 2% of corporate profits should go to charities.

There are also national laws with far reaching international consequences, such as the UK anti-bribery act, the US Dodd-Frank Act regarding conflict minerals, or the US Foreign Corrupt Practices Act.

In addition to the legal perspectives, there is also a multitude of voluntary codes of ethics that are increasingly being adopted by companies, such as the UN Global Compact, the OECD guidelines for multinational companies or the UN Guiding Principles on Human Rights in Business. There are also many international standards being developed, such as the ISO 26000 regarding social responsibility, and the older ISO 14001 regarding environmental management in business.

In ISO 26000, CSR is defined to be, “The responsibility of an organization for the impacts of its decision and activities on society and the environment, through transparency and ethical behaviour that:

- Contributes to sustainable development, including health and welfare of society.
- Takes into account the expectation of stakeholders.
- Is in compliance with applicable law and consistent with international norms of behaviour.
- Is integrated throughout the organization and practices in its relationship”.

There is also a growing number of industry initiatives being developed. As an example, there is good development in the textile and apparel industry through the Sustainable Apparel Coalition, which organizes many of the global players regarding common social responsibility practices using harmonized methods and standards.

Water and CSR

Given the importance of water for life and society, it is natural that this is identified as a central issue for companies to manage responsibly through their CSR practices to the benefit of local populations. This is happening, if slowly. Indeed, as we have seen water becoming increasingly focused as a global and local issue, it has also become more focused as a CSR issue by companies. We can conclude that there is a lot of remaining opportunity. The private sector is not engaged at a level proportional to the severity of the issue.

This provides an opportunity for companies to do more good for society in an area, which is critical to all their stakeholders resulting in significantly strengthened relations and brand visibility. However, this is not all. Given the criticality of water, there are also huge opportunities for companies to engage in a way that adds great value for society, while also being profitable and lowering their risk levels considerably.

The value of corporate strategy in this field is recognized by investors. An example is the explicit expectations on water management practices by companies as described by one of the world’s largest investors, Norges Bank (2015).

With the recent announcement of the new Sustainable Development Goals (fall 2015) and the recognition of the role of the private sector in achieving the goals, private sector leaders are aligning their strategies to support the implementation of Goal 6 – Ensure availability and sustainable management of water and sanitation for all.

A powerful example is the CEO Water Mandate, an initiative by the UN Global Compact and the UN secretary-general. The initiative inspires its signatory companies to work actively with their own footprint, while engaging in transparency and collective action for more sustainable water management.

Another prominent example is the World Economic Forum’s Global Water Initiative, which engages leading actors in public-private partnership actions towards:

- “Political leadership, commitment, and action across developed and developing countries.
- Water being more visible and central to global, regional, and national growth and development decision making processes.
- Investment flows for water are strengthened and diversified through better coordinated, and new and innovative approaches.
- Enhanced collaboration between governments and other key non-state actors across thematic issues, economic sectors, geographies, and scope (local, national, regional levels) that is innovative, scalable and which builds resilience”.

Transparency is a key to managing all sustainability issues, and equally important for water issues. This is fundamental, since the issues involve many stakeholders, and dialogue and solutions must be sought based on openness and inclusivity. CDP is a global organization with the aim to drive sustainability through open disclosures of environmental data from the private sector. In 2015, the CDP water initiative comprised an analysis of 405 global companies about their impact and strategy regarding water issues.

Analytical frameworks

The complexity and urgency of water issues have lead to the rapid development of available analytical tools for how to approach water issues in private-public settings. Companies that wish to assess their water risks and develop proactive strategies can look at different best practices available.

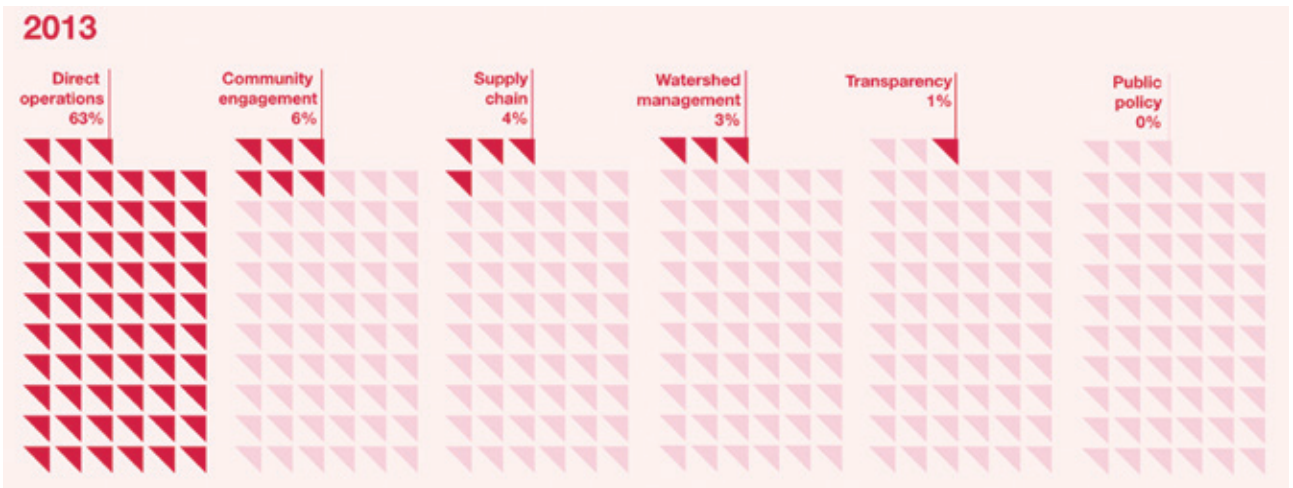
A good overview can be found at the website of the CEO Water Mandate, where tools, guidelines, best practices and cases are collected. By engaging in water stewardship, companies can gain a lot of advantages, such as:

- Reduced cost – stewardship pays for itself through efficiencies.
- Minimized operational disruptions – from insufficient water supplies.
- Strengthened license to operate.
- Gained competitive advantage and stronger brand value.
- Assurance to investors that the business is viable for the long term.
- Driven productivity improvements and talent recruitment.

The core actions for water stewardship to achieve this, according to the CEO Water mandate, are:

- Provide water, sanitation, and hygiene for all employees.
- Drive efficiency and reduce pollution in their operations.
- Facilitate improved water performance in their value chain.
- Advance collective action and sustainable water management in river basins.
- Achieve continuous dialogue with stakeholders.

However, despite the high risks and global concerns regarding water issues, the corporate sector is generally immature when it comes to developing proactive water management strategies. In a study by CDP, (See figure 1) very few of the responding companies go beyond management of their direct operations.



PROPORTION OF RESPONDENTS SETTING CONCRETE TARGETS OR GOALS BY TYPE (% OF RESPONDENTS)

Figure 1: Respondents targets by area, CDP (2014)

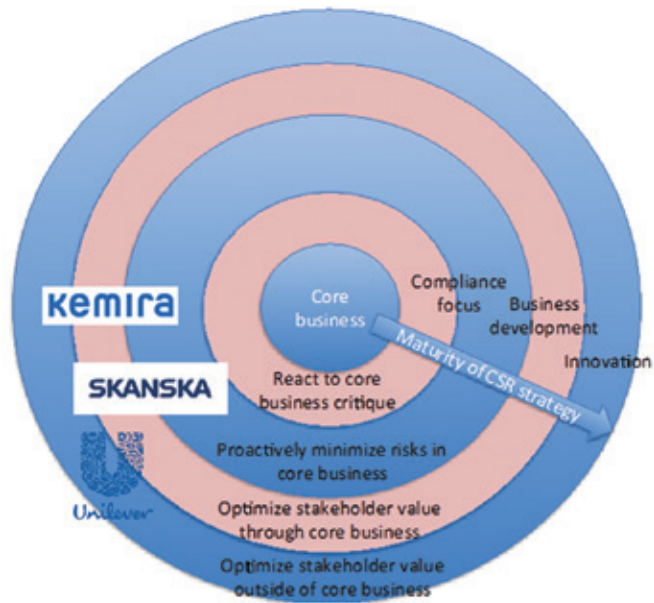
Water issues are by definition multi-stakeholder issues. It is therefore useful to look at how advanced companies are in their stakeholder approaches to manage water issues. In figure 2, a maturity model by Matters Group is introduced, which highlights stakeholder engagement beyond direct operations. The maturity model refers to seeing your business in the bigger picture, where your impact goes beyond direct operation, and companies should look for value creation also beyond this.

In this model, the strategy maturity is ranked according to initiatives:

- Reactions to water related core business critique.
- Proactive management of water related risks in core business.
- Optimization of water related stakeholder value through core business.
- Optimization of water related stakeholder value beyond core business.

MATURITY OF CSR STRATEGIES

Figure 2: Maturity of water CSR (Matters Group, 2014)



In February 2011, the Water Footprint Network (WFN) published the Global Water Footprint Standard. This is another robust model for companies to assess their footprint and to start working proactively on water issues as part of their Corporate Social Responsibility.

Also in the WWF Water Stewardship strategy model, introduced by the World Wide Fund for Nature, WWF, the stakeholder dimension is emphasized, and the highest level in this model is when companies positively influence watershed governance through joint actions and strategies.