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 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.

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.

Further resources

- WWF Water, http://wwf.panda.org/what_we_do/how_we_work/our_global_goals/water/
- CEO Water Mandate by the UN Global Compact, http://ceowatermandate.org/

Brief on Water and CSR

Putting water issues in the context of Corporate Social Responsibility

In the framework of the Union for the Mediterranean (UIM) labelled project ‘Governance & Financing for the Mediterranean Water Sector’

Labelled in 2012 by the UIM, the project on overcoming governance challenges to financing the Mediterranean Water Sector is a joint undertaking of the Global Water Partnership-Mediterranean (GWP-Med) and the Organisation for Economic Cooperation and Development (OECD).
Reactions to water related core business critique.

Strengthened license to operate.

Minimized operational disruptions – from insufficient water supplies.

Reduced cost – stewardship pays for itself through efficiencies.

Advance collective action and sustainable water management in river basins.

Investment flows for water are strengthened and diversified through better governance through joint actions and strategies.

Advances in water management, by embracing transparency and ethical behavior and practices, and strengthening corporate strategy in this field, are 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).

In the recent announcement of the new Sustainable Development Goals (fall 2015) and the recognition of the role of water in these goals, companies came to see that water issues are of central importance and that companies are increasingly responsible for them. This is also reflected in the new Common Ground Rules for business (Water Resources Group, 2013). Given the criticality of water to economic and social development, it is not surprising that a large number of policy and regulatory developments are taking place around the world to ensure water security.

Furthermore, despite the high risks and global concerns regarding water issues, the corporate sector is generally immature in understanding the risks and opportunities presented by water. This is particularly true in emerging markets where water issues have become an increasing concern. A recent survey by the World Economic Forum’s Global Risks Report 2016 found that water crisis is identified as the risk of greatest concern of all, by the World Economic Forum [WEF, 2016].

Companies have come to realize that water management is a critical part of their core business and that it is essential for long-term sustainability. Water issues are a key focus for many companies, and there is a growing recognition that water management is critical to achieving the world’s development goals. In many markets there are laws and regulations regarding the social role and responsibilities of companies, and what is required in terms of compliance with these laws. In the EU there is legislative pressure towards requiring companies to report on their water usage and the environmental impacts of their operations.

In India, there is legislative pressure to encourage companies to report on their water usage and the environmental impacts of their operations. In addition, there are also national and international agreements and conventions, such as the UK anti-menality act, the US Dodd-Frank Act regarding conflict minerals, or the US Foreign Corrupt Practices Act.

In the context of CSR, the viewpoint is that companies are a force for good, contributing to the improvement of society and the environment, through transparency and ethical behaviour that:

• Fairly share the costs and benefits of water management, and companies should look for value creation through joint actions.

• Provide water, sanitation, and hygiene for all employees.

• Drive efficiency and reduce pollution in their operations.

• Reduce water footprint through performance improvements and maintain their value chain.

• Advance collective action and sustainable water management in river basins.

• Achieve continuous dialogue with stakeholders.

In this model, the strategy maturity is ranked in accordance to:

• Water issues are by definition multi-stakeholder issues. It is therefore useful to look at how advanced companies in their stakeholder approaches to manage water issues. In figure 1, a maturity model by World Water Council is introduced, which highlights stakeholders engagement beyond direct operations. The maturity model refers to your business performance picture, where your impacts beyond direct operations, and companies should look for value creation beyond this.

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.

A good overview can be found at the website of the CEO Water Mandate, http://www.ceowatermandate.org. Water issues are by definition multi-stakeholder issues. It is therefore useful to look at how advanced companies in their stakeholder approaches to manage water issues. In figure 1, a maturity model by World Water Council is introduced, which highlights stakeholders engagement beyond direct operations. The maturity model refers to your business performance picture, where your impacts beyond direct operations, and companies should look for value creation beyond this.

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In the context of CSR, the viewpoint is that companies are a force for good, contributing to the improvement of society and the environment, through transparency and ethical behaviour that:

• 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.

• Investments in water have been strengthened and diversified through better governance through joint actions and strategies.