

WASH 4 WORK

The Business Case for Investing in WASH Draft White Paper for Discussion WWW Stockholm, August 2016

CONTEXT



Ensure availability and sustainable management of water and sanitation for all

SDG6 is pivotal to achieving other goals.



WHY YOUR BUSINESS CAN'T AFFORD NOT TO INVEST IN WATER, SANITATION AND HYGIENE (WASH)

The imperative to provide universal access to water, sanitation, and hygiene is well known:

- 663 million people are still without safe drinking water.¹
- 2.4 billion people lack access to basic quality sanitation.²
- Every day, on average, over 800 children under five years of age die from diarrhoeal diseases due to poor WASH.³
- Menstrual hygiene has been largely neglected, resulting in millions of women and girls being denied their rights.⁴

For businesses, gaps in access WASH are sources of risk and opportunity:

- Lack of access to sanitation cost the global economy US \$222.9 billion in 2015, up from US \$182.5 billion in 2010.⁵
- For every US \$1 invested in water and sanitation, US \$4.30 is generated in economic returns through increased productivity.⁶
- As a result of usage patterns, population growth and climate change, experts project that 2/3 of the global population will experience severe weather stress by 2025.⁷ This will exacerbate the challenge of using water for agricultural and industrial uses, as well as sustainable delivery of WASH.

THE ROLE OF BUSINESSES IN WASH

The impact of businesses on WASH can be understood as:

- Delivery of services directly to employees;
- Influencing stakeholders to provide access to WASH for workers in supply chains and communities;
- Managing consumption and discharge of water that can affect water resources for communities.

Businesses have an obligation to provide employees with access to safe drinking water, sanitation and hygiene and to ensure their operations respect population's ability to achieve their Human Rights to Water and Sanitation (HRWS).

Some companies are turning risk into opportunity through action to fill WASH gaps. This paper presents some of the economic benefits and business value creation associated with positive actions on WASH:

- 1) Increasing productivity and reducing absenteeism;
- 2) Reducing operational costs and risks;
- 3) Strengthening social license to operate;
- 4) Helping to enable business growth.

WASH opportunities can not only facilitate doing business, but can also have a positive impact on the bottom line. Unfortunately, companies that integrate WASH initiatives into their strategy are still a minority. More data and studies are needed to strengthen the business case as to why it's imperative that companies invest in WASH.

Analysis by WaterAid of 2015 company responses to the CDP questionnaire found that of risk assessments undertaken:

- 40% did not assess employees' current access to WASH services;
- 48% are still not including their supply chain;
- Only 28% have a goal or target related to WASH;
- Almost a quarter did not include estimate of future changes in water availability at a local level.⁸

"WASH concerns and in particular water quality has an impact on the well being of our employees and thus on our operations." **Nestlé, Switzerland (2015)***

"Water is a local issue and local communities are an integral part of water related risk assessment." **Tata Chemicals India (2015)***

"There have been challenges particularly with the community where they feel that they have not been ... adequately engaged in the progress and therefore the water supply may be at risk owing to community vandalism." **Anglo American Platinum, South Africa (2015)***

"Being a responsible water user is an opportunity for us – it helps build stronger relationships with local communities and governments and enhances our social license to operate: being responsible makes it easier for us to do business." **Anglo American, UK (2015).**^{9*}

"With our global reach, portfolio of WASH-related brands and experience in changing behaviour, we are helping to deliver progress on SDG6 and develop market solutions which will transform WASH provision." **Unilever Plc, UK (2016)**

*Taken from 2015 responses to the CDP water questionnaire.

HOW IS INVESTING IN WASH GOOD FOR BUSINESS?

ACCESS TO WASH HAS A SOCIAL, ECONOMIC & ENVIRONMENTAL IMPACT THAT CAN BENEFIT YOUR BOTTOM LINE

1) INCREASING PRODUCTIVITY & REDUCING ABSENTEEISM

The link between health and access to safe WASH is well documented. Since workplaces represent a major focus in the life of workers and employers, access to WASH in the workplace can contribute greatly to the business in:

- Improved productivity due to reduced absenteeism at work;
- More capable workforce as well as drop in factory error rates;
- Attrition rate drop and increase in employee retention;
- Improved employee engagement and worker satisfaction;
- Inclusion of menstrual hygiene management can help women stay in work and ensure gender equality at the workplace;
- Reduced cost of hiring and larger labour pool of talent (people want to work where clean and hygienic facilities exist).

Many workers at factories live in communities where clean water and access to safe sanitation are not available; investing in WASH beyond the factory gates provides workers with protection for families, better prospects for personal development and social integration.

Better WASH can increase attendance and academic performance at schools, especially for girls, enabling a better educated and prepared future workforce.

Through the HERproject, Levi Strauss provided women at factories with health education and improvement of on-site health services and behaviour. **Absenteeism fell by 55% and turnover has dropped from 50% to 12%.** One factory calculated a **\$4:\$1 ROI**.

WaterAid integrated WASH programmes in four tea gardens in Bangladesh. Tea farm managers reported a reduction of waterborne diseases in their workers, which has a **direct impact on reducing the number of sick days paid and increasing productivity and efficiency.**

In Vietnam, a number of factories created an environmentally comfortable and trusting workplace, including water and bathroom satisfaction. One factory reported a **7.6% increase in profitability** where workers expressed greater satisfaction with water, air quality, bathrooms, canteens and health services.¹⁰

Returns in performance by the 300 factory workers in Haiti largely compensated for the modest cost of installing seven water coolers, because it significantly **increased the level of attention and efficiency** at work.

In Kedougou, Senegal, 96% of the women surveyed said they did not regularly go to work while they were menstruating.¹¹

2) REDUCING OPERATIONAL COSTS AND RISKS

Businesses can reduce costs, gain efficiencies and mitigate risks in their operations through WASH initiatives in their own factories, as well as through the communities where they operate and throughout their supply chains:

- Reduced water treatment costs: lack of sanitation can lead to higher on-site pre-treatment costs in making contaminated water usable for industrial purposes, or worse, water supplies are so polluted that they are unavailable for industrial use.
- The impact that WASH has on attrition, errors and productivity can be directly linked to cost savings for the business.
- Building a resilient supply chain: by working with suppliers to implement WASH practices that improve worker wellbeing, they can ensure more reliable supply due to lower absenteeism and increased productivity.
- Providing sanitation facilities in communities surrounding operations can help improve solid waste and water resource management, which in turn improves drainage connections & decreases risk of flooding. In addition this reduces the risk of financial repercussions such as stranded assets and fees paid to secure permits to operate

SABMiller supported over 4,000 farmers in its supply chain to improve **water efficiency by 36.5%, crop productivity by 23.5%, and farmer average net income by 21%**. This would be further enhanced by adding WASH to their initiative.

A meta-analysis of studies covering 27 African countries found that **"increasing the access rate to drinking water significantly increases the growth rate of agricultural labour productivity"** because of the better health of workers and less time they spend on fetching water.¹²

Of those companies that publicly responded to the 2015 CDP water questionnaire, **65% believed that they were exposed to water risks that could generate a substantive change in their business, operations, revenue or expenditures**,¹³ WaterAid found **only 15% reported WASH-related risks in direct operations and 7% in supply chains**.¹⁴

Further analysis may be required to assess whether the WASH related figure listed above is in reality low reporting of a larger issue.

3) STRENGTHENING SOCIAL LICENSE TO OPERATE AND ADDRESSING REPUTATIONAL RISK

Corporate water stewardship enables companies to understand and mitigate the impact they have on water resources, particularly in water-stressed areas. Providing workers and communities with adequate access to WASH impacts businesses in the following ways:

- Working with all stakeholders to identify the best approaches for managing water resources, increasing operational water use efficiency, and wastewater discharge can strengthen long-term business resilience and mitigate impacts on local water resources needed for workers and community members. Further investment into WASH could enhance and extend this impact.
- Good water management, provision of WASH and meeting companies' responsibility to respect the HRWS ensures companies' social license to operate, reduces reputational risk and can strengthen relationships with governments and other key influencers.
- There is a requirement for businesses to comply with local regulations within the jurisdiction of their operations.
- Water issues can directly affect companies' profitability and, in turn, investor confidence. Poor water and WASH management can force the closure or relocation of business operations.
- Supporting consumer access to WASH can help safeguard corporate reputation and enhance brand image.

M&S and UNICEF's water and sanitation initiative in Bangladesh's low-income urban communities has **influenced government policy**. After the project provided new safe and legal water points, the government has taken over running several water points, taking clear responsibility for providing clean water to the communities where garment workers live.

Electricité de France (EDF) put in place WASH infrastructure and training for its 9000 employees and contractors in a temporary work site for the construction of a dam in Laos. They also put in place WASH provision for local communities. The initiative was undertaken to implement the WBCSD WASH at the workplace Pledge, and **to manage downstream impacts of the construction, and to compensate for the livelihood losses triggered.**

4) HELPING GROW YOUR BUSINESS

Investing in WASH resources and facilities can have a positive impact on businesses while creating a more sustainable future:

- Countries with higher percentages of the population with access to safe WASH enjoy higher growth and expanded and more vibrant markets.
- The WASH-generated economic returns - coming through increased productivity - enable increased consumer purchasing power.
- When safe drinking water and sanitation are unavailable, consumers may experience reduced earnings and/or need to allocate greater shares of their discretionary spending to healthcare. This then translates into consumers having less to spend on products and services offered by some companies.
- By responding to unmet needs, and in some cases untapped markets for water, sanitation and hygiene products and services, companies have an opportunity to grow their businesses.

The Toilet Board Coalition is a global, business-led coalition of leading companies, investors and non-profits, is working with companies to accelerate innovative solutions that deliver sanitation at scale..

Unilever developed a new soap that offers better germ fighting efficacy. As a result, this innovation has created an affordable product that addresses serious health risks, while also helping grow the company's overall brand, with **sales up 15%** in 2014.

In India alone, the national sanitation products **market is expected to grow from US \$6.6 billion in 2007 to US \$15.1 billion in 2020.** 15

WHERE IS WASH A MATERIAL ISSUE?

CORE BUSINESS ACTIVITIES

There are different ways that companies impact WASH through water management and stewardship as well as investments in WASH for workers:

- I. Providing access to clean water, hygienic toilets and handwashing stations with soap in the workplace;
- II. Improving operational water use efficiency;
- III. Managing watersheds and water extraction responsibly;
- IV. Implementing behaviour change education around hygiene for workforces;
- V. Incorporating good menstrual hygiene management practices in the workplace;
- VI. Engaging employees to deliver on WASH goals;
- VII. Disseminating responsible international business standards and practices internally and with suppliers;
- VIII. Developing innovative commercial solutions and products to address sanitation and hygiene needs in developing countries;
- IX. Integrate water recycling and grey water utilisation into production.

SOCIAL INVESTMENT

Mobilise core competencies and resources such as money, products, skills, premises and people to help support or strengthen local communities by:

- I. Supporting WASH enterprise development, and services;
- II. Investing in preserving and improving water resources and securing water and sanitation for local industry and wider community, in alignment with government;
- III. Offering experiences and expertise of best business practice and organisational skills to local industry and broader network;
- IV. Providing access to affordable WASH products and services for the base of pyramid.



POLICY DIALOGUE, ADVOCACY & INSTITUTION BUILDING

- I. Supporting good water and sanitation governance;
- II. Engage collective water approaches to water stewardship and WASH;
- III. Increasing awareness and education (e.g. hand washing, menstrual hygiene, etc.), through multi-industries forums, cross-sector sharing;
- IV. Use communication channels to highlight the work of the initiatives;
- V. Supporting the evidence base available to public authorities related to WASH services to promote better articulation and implementation of public policy.

*Only names of companies that have publicly acknowledged their efforts have been mentioned.

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