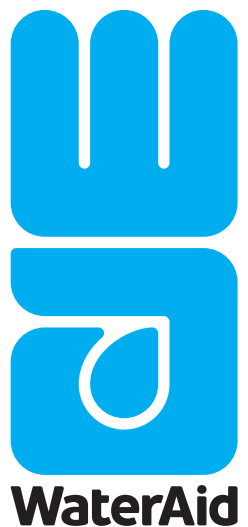


Water and resilient business

The critical role of water, sanitation and hygiene in a changing climate



The worsening climate crisis is a water crisis. It is happening now and will affect businesses on a global scale.

Extreme and unpredictable weather impacts upon access to water, sanitation and hygiene (WASH) services, particularly in poorer countries.

For business, this poses a dire and growing threat to the health of its people, its resilience and its sustainability.

WaterAid is collaborating with businesses to empower them to play an active role in protecting and expanding access to safe and sustainable WASH services all along the supply chain – for their workers, consumers and operations.

In the face of climate change, we can work together to put WASH at the centre of your business strategy to ensure continuity and future prosperity.

Protecting and managing WASH services helps communities and businesses manage the worst effects of climate change in a practical and effective way.

Together, we can improve business resilience and continuity and achieve Sustainable Development Goal (SDG) 6: water and sanitation for all by 2030.

A threat to humanity and progress

Climate change is being felt primarily through water. Extreme and unpredictable weather is having an increasingly disastrous effect on people's lives, particularly through its impact on access to WASH services.

Access to WASH services is critical to human health. Droughts and floods impact water quality and quantity, affect and sometimes destroy water and sanitation infrastructure, and therefore hinder good hygiene practices. Diseases spread more easily and worker productivity drops.

Just like individuals, businesses struggle to survive without a reliable supply of clean water, decent toilets and good hygiene.

Globally, drought affects an average of 55 million people on an annual basis.¹ 785 million people don't have clean water close to home. 2 billion don't have a decent toilet of their own.² The resulting diarrhoea kills a child every 2 minutes.³

Access to WASH services is not only fundamental to sustainable development, it is also a critical adaptation strategy for communities and businesses to cope with the effects of climate change. Despite this importance, WASH services, and the critical role they play as part of climate adaptation, are often overlooked and are not yet well-recognised by governments, businesses and even technical experts.

Investing in WASH is good for business

Threats to WASH are accentuated and accelerated in a changing climate. WASH investment can increase productivity and reduce absenteeism across a workforce by preventing WASH-related diseases, reducing operational costs, and strengthening the 'social license' to operate by addressing reputational risk. All these benefits can be good for a company's bottom-line,⁴ and can help businesses grow.

Many businesses are contributing to achieving SDG 6: water and sanitation for all by 2030, which underpins many additional SDGs such as SDG 8 (decent work and economic growth) and SDG 11 (sustainable cities and communities). Water and sanitation are human rights and workers, consumers and investors are increasingly favouring businesses that live the values of sustainability and progress.

Water is a top-five climate risk

The World Economic Forum's Business Global Risk Report (GRR) lists water crises among the top-five risks in terms of climate change impact.⁵

Global water demand will increase by up to 30% by 2050. As competition for this scarce resource increases, it needs to be managed in an integrated way, ensuring water for basic human needs is met alongside the needs for industry, environment, agriculture and energy. A sustainable and prosperous business needs to provide WASH to support a productive, healthy and happy workforce.

Business resilience depends on provision of WASH

Access to adequate WASH services remains a critical issue at every stage of the supply chain. For many companies, the environmentally focused elements associated with physical access to water to produce the raw material, as well as water-use efficiency and discharge in processing, are often prioritised over the social elements that address the resilience of their workforce. However, holistic management of the environmental and social elements means a more sustainable, resilient business.

Businesses that are well prepared to manage WASH risks will outperform their competitors and present good investment opportunities. The CDP (formerly the Carbon Disclosure Project) reported corporate losses of over US \$30 billion in 2018 alone due to water risks. Companies that effectively manage these risks have a chance of reducing potential losses and becoming more robust opportunities for investment.⁶

Climate change provides a clear opportunity for corporate action: it accentuates the level of WASH-related risk and the implications for a business making the operating context more uncertain.

The four risk areas

Businesses across all sectors that manage their physical water and WASH risks will be more resilient to climate change than their competitors. There are four risk areas that require attention:

1. Physical water risk

More than 40% of the global population is projected to be living in areas of severe water stress by 2050.⁷ **Physical** access to water, as well as issues such as declining water quality, will exacerbate the challenges of water availability for business needs as well as for sustainable WASH services for workforces.

2. Financial risk

The International Labour Organization (ILO) estimates that with a temperature rise of only 1.5°C global productivity losses equivalent to 80 million full-time jobs could occur in 2030. This is due to the projected impacts of 'heat stress' on workers' occupational health, and therefore productivity, resulting from climate change. This breakdown in the supply chain is equivalent to global **financial** losses of US \$2,400 billion and the negative impacts on worker productivity can also be linked to WASH provision and working conditions.⁸

At the macroeconomic level, for every US \$1 invested in WASH, an estimated US \$4.30 is generated through increased productivity.⁹

Financial cases for microeconomic WASH investments can be demonstrated through projects like the HERproject by the Levi Strauss Foundation. Levi Strauss provided women working in one of its factories with on-site health services, including WASH provision such as menstrual hygiene facilities, and as a result saw a US \$4:1 return on investment through worker productivity.

Similar work is currently underway, and is being championed by WaterAid, in collaboration with Diageo, Gap Inc., HSBC, Twinings and Unilever to identify the return on investment for their businesses, and pilot test the Business Case for WASH guide.¹⁰ Through this pioneering programme, WaterAid and partners are working across geographies and sectors to demonstrate the benefits and financial value of investments in WASH.

3. Reputational risk

Responsible businesses with a good public profile are more likely to access finance and ensure future resilience. Responsible water management and providing adequate access to WASH for workers and the surrounding communities will not only be beneficial for the health and dignity of workers, but also for stakeholder relations, supply chain resilience and maintenance of a company's 'social license' to operate. Businesses with a good **reputation** can reap sales benefits and increase staff loyalty.

With increasing consumer pressure and shift towards socially conscious brands – 66% of global consumers are willing to pay more for brands committed to social impact¹¹ – along with voluntary standards and certification, ethical issues are gaining prominence among global businesses.

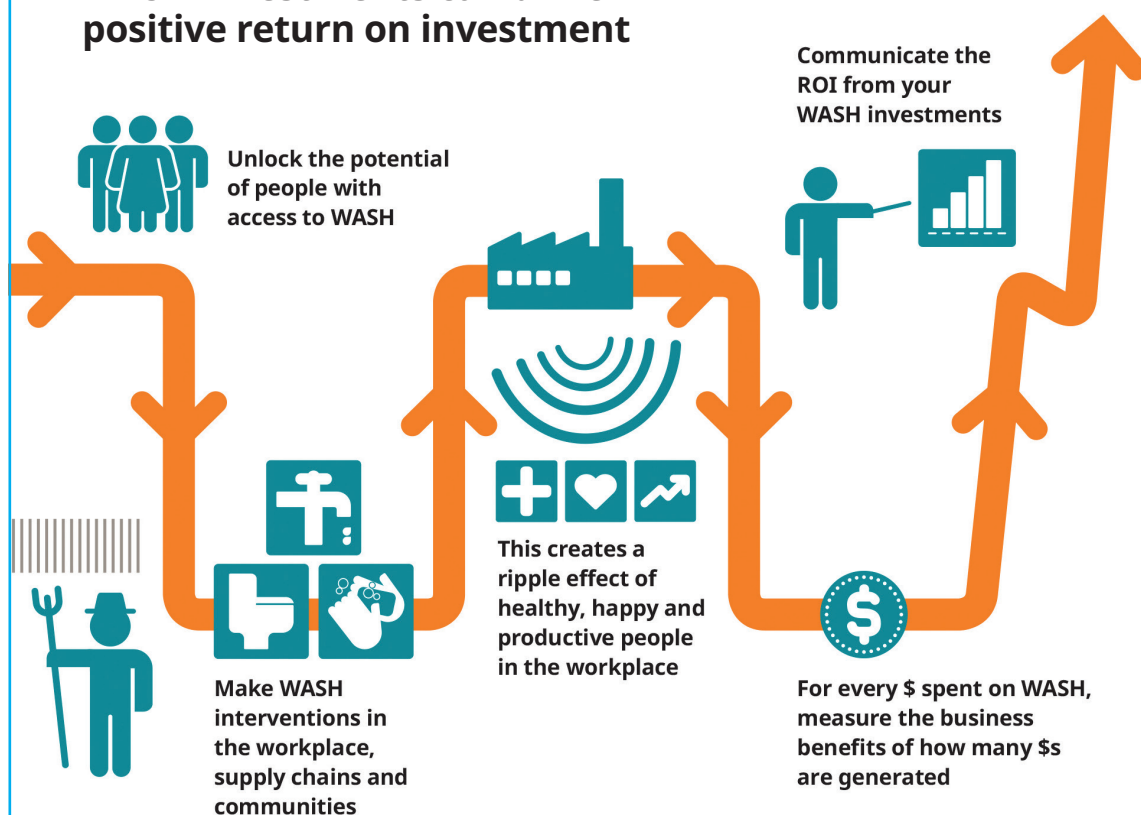
4. Regulatory risk

Water and sanitation are UN-mandated human rights and it is part of a company's responsibility to respect these rights. Corporate policies which incorporate WASH can drive compliance with national or regional government **policy or regulation on WASH** and other sustainable development issues. CEO commitments and endorsements can also be very powerful.

Addressing these risks by improving water management and WASH provision requires partnership and collaboration. Water is a critical, dynamic, resource shared between many different stakeholders. Its availability varies over time and place and is distributed unequally.

Water management and WASH provision cannot be achieved by business in isolation. Collective action from all stakeholders and effective regulation are required.

WASH investments can drive positive return on investment



The role of the financial sector

Approximately US \$2.5 trillion is needed each year in developing countries to fill financing gaps to meet the SDGs.¹² Achieving SDG targets 6.1 and 6.2, universal access to safely managed water and sanitation, could cost as much as US \$200 billion a year, several times current funding levels.¹³

Private or blended finance can play an important role, particularly for infrastructure where a good rate of return for the investor can be achieved while ensuring affordability for the user. There is a growing focus from all investors on impact investing and Environmental and Social Governance (ESG) issues. Water has been highlighted for eight consecutive years as a WEF global risk. By investing in securing this important resource for people and industry, the macroeconomic RoI, due to increased productivity, is estimated at US \$1:4.30.¹⁴

The role of business in creating a sustainable future

Climate change is happening now and its impacts will affect businesses in multiple ways, including loss of business productivity and supply chain weakness. Without urgent action we will not deliver the hope for people and planet contained in Agenda 2030 and the Paris Climate Agreement.

Business response should be to provide leadership on adaption policies and actions to protect workers in the workplace or supply chains in a warming climate – starting with a strategy to mitigate the impacts of climate change. WaterAid works directly with global businesses who have operations in the countries that are most vulnerable to the effects of climate change. This presents an opportunity to build resilience into supply chains and to make progress against SDG 6, building resilient workforces and drive prosperous businesses.

Taking action on water and climate change

WaterAid invites businesses to take action in response to the global climate crisis by prioritising WASH in the workplace and supply chain, and through supporting our advocacy for greater investment and prioritisation of clean water in adaptation planning.

We call on the business community, as key stakeholders in achieving the SDGs, to be part of the climate resilience solution through collaboration, in partnership with public and private sector actors, and to support capacity building and resilience on a national scale:

1. **Take action by making WASH an organisational priority** and raising awareness across your business and suppliers of the impact of a changing climate on a resilient workforce and prosperous business – highlighting how sustainable access to clean water, decent toilets and good hygiene behaviour can be good for business.
2. **Driving action within the business in collaboration** with civil society and governments to improve provision of adequate WASH facilities through:
 - a. Infrastructure and technology improvement for indoor and outdoor workers;
 - b. Capacity building on the issues for management and workers;
 - c. Driving improvement in regulation, voluntary standards and behaviour change in the workplace; and
 - d. Collective action amongst key stakeholders in a water/WASH risk river basin resulting in resilient systems and businesses.

3. **Working with WaterAid to develop a clear business case for your sector** to drive increased investment by companies in their workplace, supply chains and in communities through development of a clearer financial business case. For example, working with investors and the financial sector to highlight the importance of resilient businesses and where and why they should prioritise WASH investment.

4. **Join WaterAid, governments and the business community to call for new urgency and prioritisation for WASH** in the response to the global climate crisis by supporting our advocacy for greater investment, prioritisation of clean water in adaptation planning.

In 2020, WaterAid is launching a new campaign to radically increase action and ambition on water and climate change.

WaterAid is committed to working with partners in the private sector, governments and multilateral institutions to catalyse adaptation efforts by putting access to water at the centre of ambitious climate policies.

In a climate-stressed world, we are calling on companies to invest in WASH in the workplace, the supply chains and the communities in which workers live to ensure a prosperous workforce and robust, sustainable businesses.

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● Apsara Sunuwar working at a garment factory in Kharelthok Village, Kavrepalanchok District, Nepal.

Help us reach everyone, everywhere with clean water, decent toilets and good hygiene by 2030.

For more information on how, contact us on infocorporate@wateraid.se to book a meeting.



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● Farmland in the Kathamari area, Bangladesh.

Front cover images:

- Top: Jabulile Gamedze, 39, works on a sugarcane plantation, in Hlane, Lubombo Province, eSwatini. © WaterAid/ Nyani Quarmyne/Panos
- Lower left: Women walk toward a pond to collect water at Vitaranga, Bangladesh. © WaterAid/Abir Abdullah
- Lower right: Employee of a leather tannery in Kanpur. © WaterAid/Sharbendu De



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● Manoj Kumar, working at a leather tannery in Kanpur.

