



WWF®

GUIDE

SE

2015



MANAGING WATER RISKS

A Guide for the Swedish Private Sector



DID YOU KNOW THAT:

**WATER CRISES ARE RATED
AS THE MOST CRITICAL RISK
FOR GLOBAL GROWTH**

(World Economic Forum's 10th Global Risk Report)

WATER

A SCARCE RESOURCE AND A BUSINESS RISK

Water is essential for all life and it's a prerequisite for eco systems to function and provide us with food and energy. But water is a scarce resource and in 2025 around two billion people are estimated to live in water scarce areas. The amount of freshwater species has decreased with 76% since the 1970's due to human impact on the eco system.

WWF is working with the private sector to drive change

Freshwater use is an integrated part of all businesses, whether it is used in direct manufacturing processes, for power generation, production of raw materials or intermediate goods. A growing, richer, world population not only means more consumption, but also changed consumption patterns where demand for more water intensive goods will continue to grow. On top of this, the effects of climate change will make water availability more erratic and difficult to predict in the future.

One of WWF's focus areas for corporate partnerships is freshwater and we encour-

age the business sector to work according to our water stewardship concept.

Water risks to business are distributed unevenly. The scale and nature of the risks will vary from business to business depending on the sector and location among other factors. However, the risks can generally be categorized as physical, regulatory and reputational. Each can ultimately pose a financial risk to the business. As such, water-related risks need to be addressed comprehensively as part of the strategic business planning process.

With this guide WWF aims to provide guidance for the Swedish private sector on how to become aware and respond to its water risks, within the operations and beyond the fence lines.



FACTS: THE STATE OF OUR PLANET – THE LIVING PLANET INDEX (LPI)

WWF's mission is to stop the degradation of our planet's natural environment, and build a future in which humans live in harmony with nature.

WWF's "One Planet Perspective" outlines better choices for managing, using and sharing natural resources within the planet's limits – to ensure food, water and energy security for all. It requires that we: preserve natural capital, produce better, consume more wisely, redirect financial flows and ensure equitable resource governance.

For more than 40 years, humanity's demand on nature has exceeded what our planet can replenish. We would need the regenerative capacity of 1.5 Earths to pro-

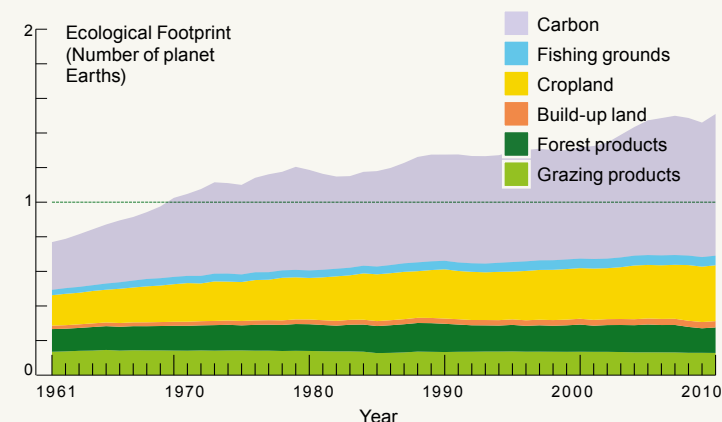
vide the ecological services we currently use. "Overshoot" is possible because we cut trees faster than they mature, harvest more fish than oceans replenish, or emit more carbon into the atmosphere than forests and oceans can absorb.

The Living Planet Index, which measures trends in thousands of vertebrate species populations, shows a decline of 52% (76% for freshwater species) between 1970 and 2010. In other words, vertebrate species populations across the globe are, on average, about half the size they were 40 years ago.

GLOBAL ECOLOGICAL FOOTPRINT

We would need the regenerative capacity of 1.5 Earths to provide the ecological services we currently use.

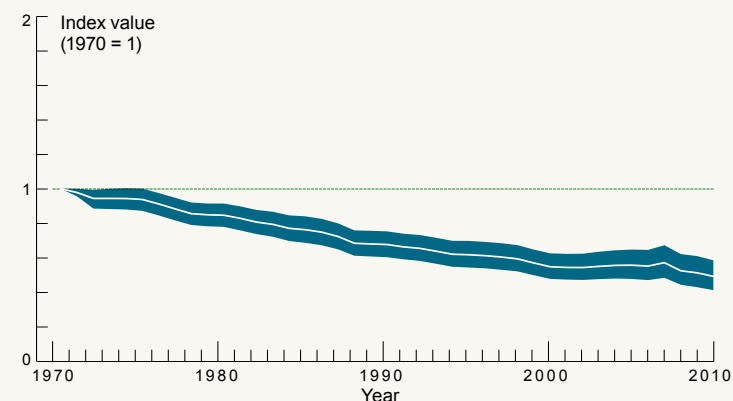
Source: Living Planet Report



GLOBAL LIVING PLANET INDEX

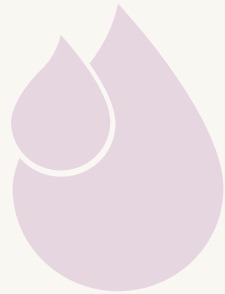
Vertebrate species populations across the globe are, on average, about half the size they were 40 years ago.

Source: Living Planet Report



DID YOU KNOW THAT:

ONLY 1%
 of global water resources
 is freshwater, accessible for human use



“Water is a key resource for H&M and we are committed to ensure that water is used responsibly throughout our value chain. We do this to minimize risks in our operations, protect the environment and secure availability of water for present and future generations. We are proud of the partnership with WWF which I hope will inspire others to follow.”

Karl-Johan Persson CEO H&M

7 GOOD REASONS FOR BECOMING A WATER STEWARD

1. Your operations or supply chain are dependent on water
2. Your operations or supply chain are located in water scarce or water polluted areas
3. Your licence to operate can be threatened due to social water crisis in your production areas
4. Your brand is or can be damaged due to the use or pollution of water related to your production
5. Your operations or supply chain are affected by water regulations that might change on short notice
6. Investors are increasingly considering water risks and ask for water strategies
7. Commodity prices are affected by water and this creates uncertainties in your supply chain

WWF STEWARDSHIP STEPS – OUR THEORY OF CHANGE

This guide is structured around WWF’s water stewardship framework, as illustrated in the diagram below. The framework sets out five steps to support a robust assessment of the different types of risks and actions that can be taken to respond.

The steps show a shift from management to stewardship – moving beyond issues over which a company has direct control to those where control is indirect. The measures, focus, engagement and complexity

change considerably. Strategic engagement beyond the company’s own four walls will help to proactively manage risk rather than reactively responding to it.



1

WATER AWARENESS

UNDERSTAND WATER RISKS AND ENSURE ENGAGEMENT

GOAL: Companies, their suppliers and customers have (high level) understanding of the global water challenges, and their dependence on freshwater.

YOUR CHECK LIST

- ☐ Identify where in the value chain your company has the highest water impact
- ☐ Identify in what geographical areas your company has significant impact and/or dependence on water (including the supply chain)
- ☐ Understand how access to water, water regulations and stakeholders' expectations could affect your business
- ☐ Analyze future trends related to water, including internal and external factors
- ☐ Engage employees, suppliers and customers in water through training and communication

2

KNOWLEDGE OF IMPACT

GAIN KNOWLEDGE OF IMPACT

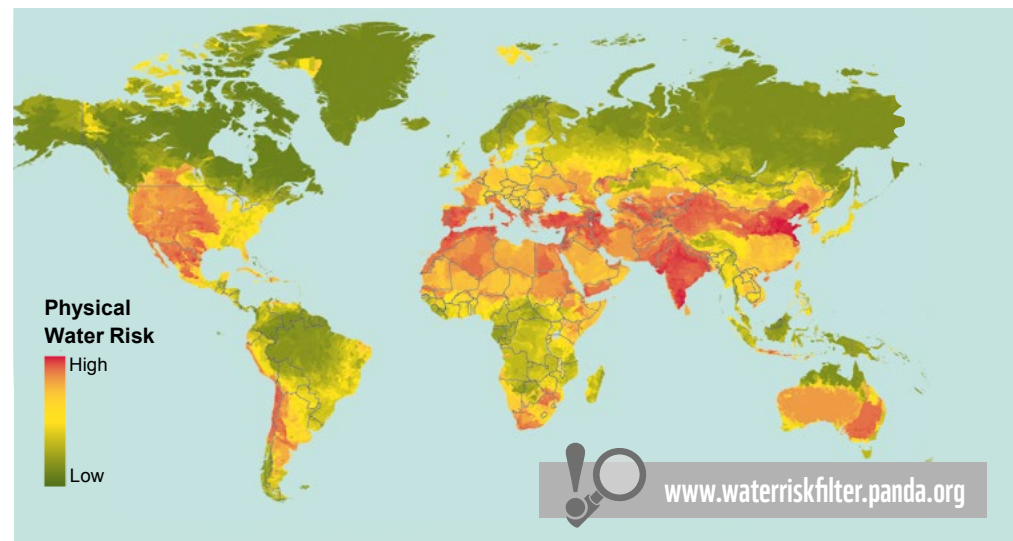
GOAL: Companies have detailed understanding of impact they and their suppliers have (incl. footprint & risk).

YOUR CHECK LIST

- ☐ Gather water data to capture water impacts in operations as well as supply chain and raw materials
- ☐ Ensure relevance and accuracy in data
- ☐ Use indicators to analyze and monitor performance (quality, quantity and management)
- ☐ Ensure compliance with legislation or relevant standards



STEP 1 AND 2: Useful links - information, inspiration and tools - see page 18



DID YOU KNOW THAT:
WATER POLLUTION IS HIGH,
 especially in developing countries where up to 70% of industrial wastewater is disposed without treatment

3

INTERNAL ACTION

GET YOUR HOUSE IN ORDER

GOAL: Companies take action to optimize internal water governance, improve water efficiency and reduce pollution.

YOUR CHECK LIST

- ☐ Ensure overall water responsibility and engagement in executive management team
- ☐ Identify and prepare key staff for roles on water
- ☐ Set up a clear governance structure for water
- ☐ Create a strong and transparent Water Strategy with measurable targets
- ☐ Ensure targets captures both internal and supplier performance as well as raw materials and that incentives to reach targets are clear
- ☐ Disclose the company's water risks, response and performance



STEP 3: Useful links – information, inspiration and tools – see page 18



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CASE STUDY H&M:

PIONEERING WATER STEWARDSHIP
IN THE FASHION INDUSTRY

H&M has been addressing water issues for over a decade as part of the extensive sustainability work that includes focus on labor, anti-corruption and human rights issues.

Together with WWF, H&M developed a water strategy, targeting four key themes: improving the use of water; building water awareness; collective action; and measuring water impact and risk. Including various strategic partners, H&M is able to systematically address the complexity of water issues. These are some examples of H&M's water work:

Building Water Awareness

To reach suppliers with wet processes, H&M has implemented a technical water training program. The suppliers are trained in three different areas – general water awareness and H&M's water requirements; technical water testing; and technical training on ETP (Effluent Treatment Plant) functionality.

An additional component has been through a water awareness film. Together with WWF, a film was produced in early 2015 on water in Bangladesh which addresses the connection of water and economic development. The aim was to increase awareness of how supplier use of water affects the local environment as well as the importance of water for the textile industry in Bangladesh, job creation and the national economy. The film explains that if sustainable solutions are not applied, the industry cannot be sustained long-term.

Improve the use of water:

Cotton production requires significant amounts of water which is why there is focus on this raw material, and H&M has a commitment to sourcing all cotton from more sustainable sources by 2020 at the latest. To this end, H&M collaborates with the Better Cotton Initiative (BCI) addressing both social and environmental sustainability of development. Reduced water and pesticide use will positively contribute to both the agricultural community and the surrounding community dependent on the same water sources for drinking and sanitation.

Measure Water Impact and Risk

Measuring water impact and risk is vital to ensuring that production activities are in line with the sustainability strategy. This involves yearly water risk assessments of all 500 supplier factories with wet processing. The assessment focuses on water use, water discharge and geographical location.

By using the WWF Water risk filter combined with water data from suppliers, a comprehensive water risk analysis is made. The analysis provides information which makes it possible to track the hotspots of water risks in the supply chain and find a way to mitigate them. Transparency is also key and disclosing supplier information is »

CASE STUDY H&M - PIONEERING WATER STEWARDSHIP IN THE FASHION INDUSTRY

» necessary to hold suppliers accountable to meet water use and discharge requirements.

Through years of experience it is apparent that supplier transparency is an integral part of work with accountability. To this end, the current compliance-based assessments will be replaced by a new supplier assessment method, based on the Sustainable Apparel Coalition's Higg Index. Since compliance is primarily focused on code of conduct or legal regulation (whichever is stronger), it is necessary to go further and incorporate performance indicators beyond compliance level. Self-reporting, coupled with validation, aims to give suppliers ownership. This new method aims to standardize data reporting to make comparison easier for suppliers and H&M.

Collective action

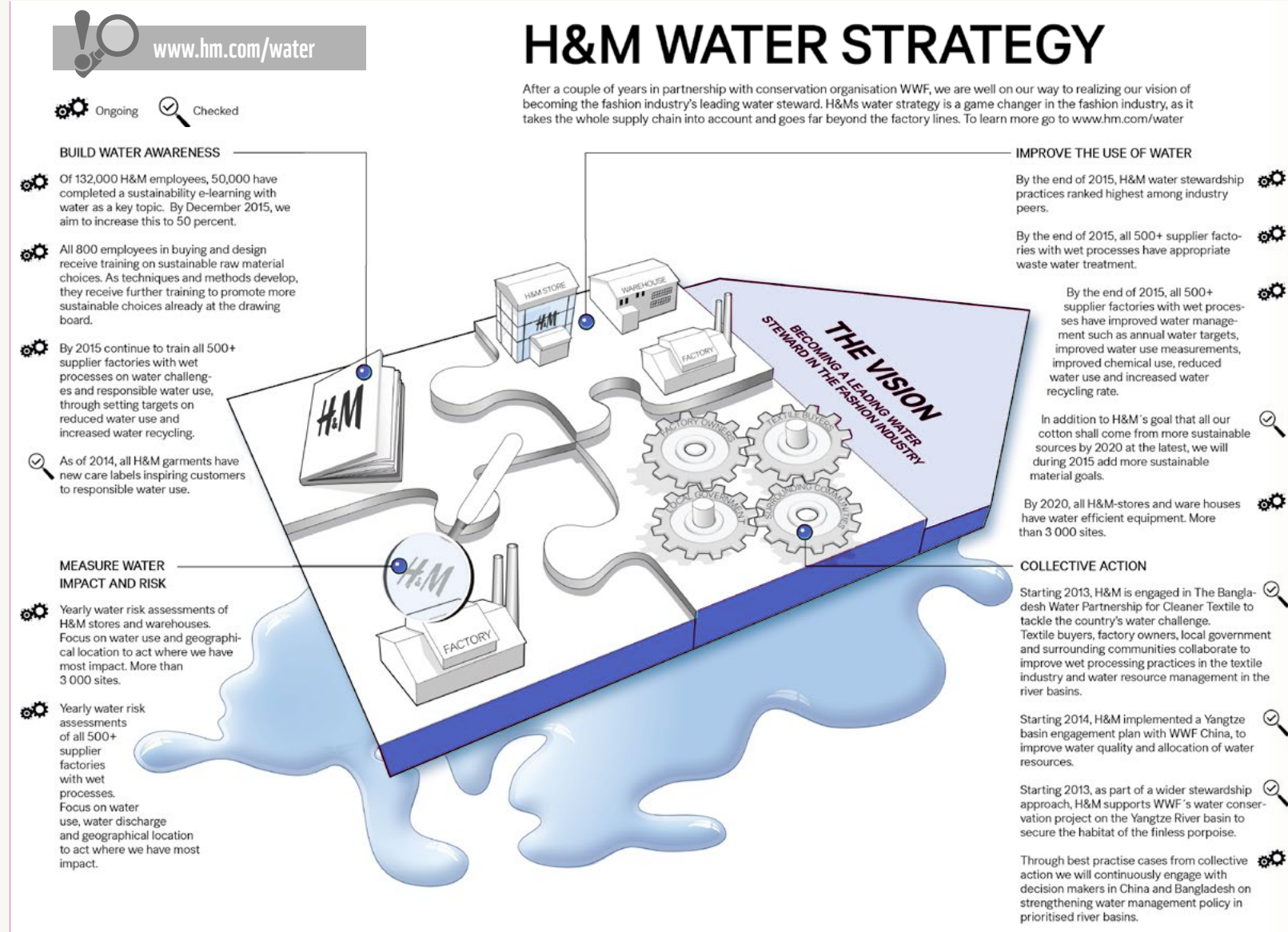
H&M has worked with WWF on collective action projects in two countries: Bangladesh and China. WWF and H&M are working on supporting stronger water governance in Bangladesh, through collaboration with other organisations and analysis of governance challenges. The aim is to raise awareness with public and private actors on the importance of strong water governance and create a roadmap for all actors to contribute towards strengthened governance and a sustainable, shared, water future.

In China, H&M and WWF have initiated a project in the Taihu area where Industrial Parks are engaged for the implementation of a water stewardship and collective action. The aim is that all factories in the area will improve internal practices, share resources and expertise regarding water management and engage in collective action with other factories, as well as local communities

and NGOs. A methodology for Industrial Parks (IP) has been developed with input from local experts, and tested with relevant industry and political stakeholders. We

H&M WATER STRATEGY

After a couple of years in partnership with conservation organisation WWF, we are well on our way to realizing our vision of becoming the fashion industry's leading water steward. H&M's water strategy is a game changer in the fashion industry, as it takes the whole supply chain into account and goes far beyond the factory lines. To learn more go to www.hm.com/water



will capture learnings from the IP level and ensure that a variety of key stakeholders are engaged, to support replication of the IP method in other locations.

Written by: Elisabeth Swayze, Environmental Sustainability Coordinator Water at H&M

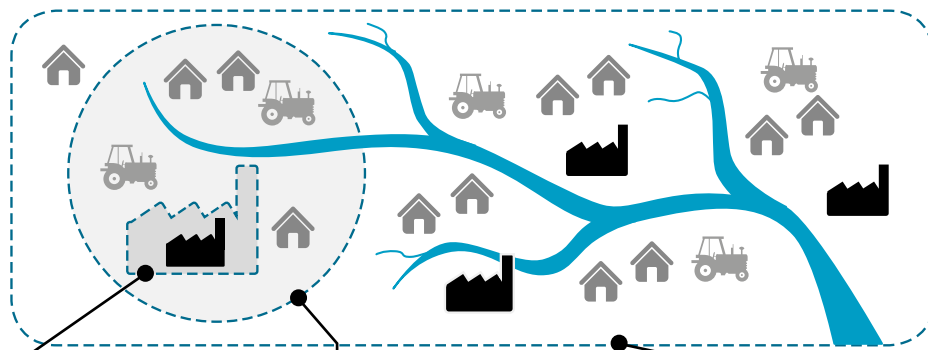
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COLLECTIVE ACTION WORK BEYOND THE FENCE LINE

GOAL: Companies, communities, public sector and NGO's are engaged together in collective action to address issues.

YOUR CHECK LIST

- ☐ Identify key catchments in which your company's input is likely to have the most impact
- ☐ Understand what efforts are already under way in the catchments identified and how you can contribute
- ☐ Support collective action in your water risk hotspots as described below
- ☐ Learn, adapt and share the lessons learnt



INTERNAL ACTION

Improving water management internally can have a limited impact. This strategy will ultimately need to be enhanced with focused external action.

LOCAL-LEVEL COLLECTIVE ACTION

Working with stakeholders in direct surroundings of facility to enhance social license to operate. High likelihood that collective action misses key stakeholders in the wider basin.

BASIN-LEVEL COLLECTIVE ACTION

Working with stakeholders at basin and sub-basin level, to support sustainable water management. Focus on long-term risk reduction, policy objectives and governance.

5

INFLUENCE GOVERNANCE IMPROVE THE POLICY LANDSCAPE

GOAL: Governments are incentivized and motivated to manage and invest in water basins in a sustainable way.

YOUR CHECK LIST

- ☐ Map the policy landscape in your water risk hotspots
- ☐ Be transparent and inclusive
- ☐ Align with the company's broader advocacy strategy
- ☐ Build coalitions of support with other stakeholders



STEP 4: Useful links - information, inspiration and tools - see page 18



STEP 5: Useful links - information, inspiration and tools - see page 18



EXAMPLE:

STUDY ON WATER GOVERNANCE IN BANGLADESH

WWF and H&M have carried out two research reports during 2015, to analyse and support strong action on water in Bangladesh.

The first is an analysis of the water governance issues and opportunities in Bangladesh, identifying key actions required to ensure the strengthening of water governance policy, institutional capacity and coordination, and implementation on the ground – as well as identifying the role of other actors in participating and strengthening water governance.

The second is an analysis of the economic risks connected to varying water management scenarios in Bangladesh, from business as usual to ambitious water

action and governance. The outcome of this analysis will be to calculate the potential economic growth or losses for the GDP of Bangladesh, in relation to the costs of action on water.

WWF and H&M are engaging with key sectors in Bangladesh, to raise awareness on report findings and catalyse action on water risks. In particular, the focus is on outreach to key governance actors, local and international NGOs, development organisations, and actors in the textile sector.

10 GOLDEN RULES FOR SUCCESS WITH WATER STEWARDSHIP

- 1 Identify the shared water challenges facing the catchments in which the company and supply chain operate.
- 2 Undertake a robust assessment of the water risks, establish priorities and target action accordingly.
- 3 Create a clear and strong water strategy or policy that has leadership buy-in. Consult staff and stakeholders in its development.
- 4 Establish monitoring and evaluation processes to assess the impacts of any action.
- 5 Go beyond water management. Efficiency and water quality are a great starting point, but don't neglect issues such as water governance, shared ecosystem services and climate change adaptation.
- 6 Partner with catchment neighbours and the supply chain in shared responses (i.e. collective action). Use pragmatic trusted third parties such as NGOs to facilitate dialogue.
- 7 Advocate strong governance and consistent, predictable legislation.
- 8 Ensure compliance with legislation, including by suppliers.
- 9 Drive transparency and disclose the company's actions through an organisation such as CDP.
- 10 Share good practice with all stakeholders, the business case for taking action and the lessons learnt.

Source: "From risk to resilience: Does your business know its water risk?", WWF UK

DID YOU KNOW THAT:

Water demand will exceed supply by

40%
in 2030 (KPMG)



USEFUL LINKS

STEP 1: WATER AWARENESS

[About Water Stewardship and water risks](#)

[WWF's tool to identify water risks: Water Risk Filter](#)

[Interactive global water risk map](#)

[H&M Water Stewardship Awareness Film](#)

STEP 2: KNOWLEDGE OF IMPACT

[Alliance for Water Stewardship standard](#)

[LEED standard for sustainable buildings](#)

[BREEAM standard for sustainable buildings](#)

[Performance Standard for Clothing & Apparel: The Higg Index](#)

STEP 3: INTERNAL ACTION

[H&M Water Strategy](#)

[SAB Miller Water Strategy](#)

[Coca-Cola Enterprises Water Strategy](#)

[CDP Water Disclosure Program](#)

STEP 4: COLLECTIVE ACTION

[WWF UK's report "From Risk to Resilience: Does Your Business Know its Water Risk?"](#)

[CEO Water Mandate Guide to Water-Related Collective Action](#)

STEP 5: INFLUENCE GOVERNANCE

[CEO Water Mandate Guide to Responsible Business Engagement with Water Policy](#)

[WWF/HSBC report on Corporate Engagement with the public policy process: Investigating Shared Risks in Water](#)



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Design: BRANDLINE



41% of humans live in areas of severe water stress

748 MILLION PEOPLE lack access to safe drinking water, 2,5 B lack adequate sanitation services

Source: WWAP, 2015

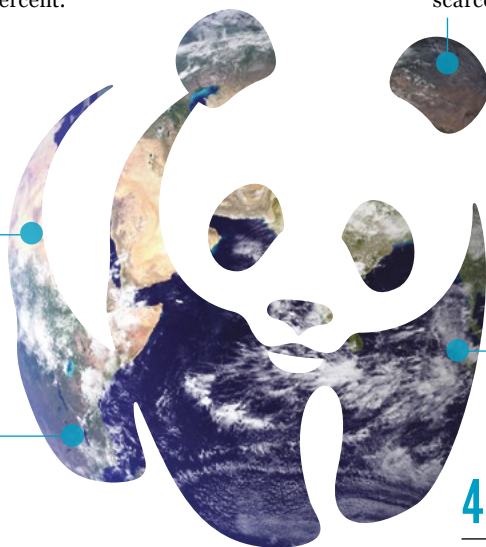
Water – a scarce resource and a business risk

76 PERCENT

Between 1970 and 2010, freshwater species declined by 76 percent.

2 BILLION

Around two billion people are estimated to live in water scarce areas in 2025.



WANT TO KNOW MORE ABOUT YOUR WATER RISK?

Please, visit www.waterriskfilter.org

400 PERCENT

The manufacturing industry is predicted to increase its water demand by 400 % by 2050



Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

www.panda.org

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