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Four corporate strategies for water security

Companies increasingly compete for water and other resources. **Alejandro Litovsky** discusses how to secure your supply – and your social license to operate

Alejandro Litovsky

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How can companies secure their water supply - and their social license to operate? Photograph: Rui Vieira/PA

Corporate sustainability strategies have, so far, focused on that which is measurable and manageable – product footprints, for example, and efficiency in supply chains. But this is no longer sufficient when it comes to resource security challenges.

The risks are more complicated, more political – seemingly outside the control of companies – and managing them is often perceived to be the responsibility of governments. This view is beginning to change.

In the face of resource security risks, business leaders have to reconsider their sustainability messages, their targets and the government relations in the countries where they operate. These changes will define the license to operate that resource-intensive industries will enjoy in a resource-constrained world.

A [report launched today](#) by the Earth Security Initiative, with the support of the United Nations Global Compact, explores how global corporate leaders in **food** and agriculture will be able to respond to the systemic risks they face from resource limitations. It provides a strategic view of the options, which corporations will discuss later this month at the UN Global Compact's Leaders Summit in New York.

Business and resource security

Earlier this year, 15 communities located within three miles of a Coca-Cola bottling plant in India opposed the company's plans to expand its operations, citing water security concerns. The tension between Coca-Cola and these communities is just one example of how global companies that have embraced sustainability strategies, such as by managing the water footprint of their value chains, can still end up reducing the water available to their neighbors.

Despite corrective action, the damage to a company's reputation – if it's seen to be taking resources away from local communities – can have lasting effects on its social and political license to operate.

Under the banner of resource security, a range of interconnected challenges are emerging for companies and investors in regions where land rights are weak, where growing populations have insecure access to food, where water resources are improperly managed or where the provision of sustained electricity is wavering.

Global competition for scarcer resources is growing, and so companies' responses to these resource security challenges should be guided by the strategic goal to become long-term "partners of choice" for countries where they seek to operate.

Rethinking business targets

Agriculture, in particular, is pivotal to the resource security agenda. More than just food, agriculture grows fibres for textiles, fuel for energy and transportation and animal feed to supply our growing appetite for meat.

Whether big, medium or small, farmers and agriculture enterprises represent the core of our societies, but land and resource availability – as well as changing economic priorities, demographics and values – is challenging these enterprises' relationships with communities. Staggering inequalities persist between those systems servicing developed consumer markets and the half billion small farmers simply struggling for survival.

As with the Coca-Cola plan, water is a major Achilles' heel for agriculture. In 2010, a risk report by Lloyd's Bank stated that "looking ahead to a world with greater water stress, it is quite probable that there will be increasing price instability, especially in agricultural markets as demand for water-dependent commodities outstrips production". According to the bank: "the key message for companies to understand is that water risks are experienced firstly and predominantly by people and ecosystems at the local/river basin scale".

In 2012, according to KMPG, only one in 10 of the world's largest companies publicly reported that they were adapting their businesses to changes in water availability or that they were mitigating the impacts of water scarcity on their company or stakeholders.

What businesses can do

Here are four ways corporations can take stock of water security:

1. Assess the risk to neighbors: Coca-Cola has introduced an assessment of risk for neighboring communities, as well as their own systems. As part of its [strategy](#), Coca-Cola reported its intention assess "the vulnerabilities of the quality and quantity of

water sources" for each of its bottling plants and create "a locally relevant water resource sustainability program".

2. Measure direct water withdrawals: Nestlé has increasingly shown an interest in water governance. It has set a 2015 target of reducing direct water withdrawals per ton of product by 40% from 2005.

3. Innovate for better efficiency: PepsiCo plans to take its four potato chip factories, which employ 3,500 people, completely off the water mains by using water extracted from the potatoes as a replacement. "We had that Eureka moment of realizing we use 350,000 tons of potatoes a year and 80% of a potato is water, so we set ourselves the challenge of capturing that water and using it in our operations," said Walter Todd, PepsiCo's vice president for sustainability."

4. Consider the linkages: In reducing the water that's used in brewing and packaging its beers, SABMiller has been able to cut the amount of energy that is used to heat and cool that water. Looking at water and energy as inter-connected inputs also allows the company to increasingly generate renewable energy from byproducts of the brewing process, such as spent grain biogas captured during wastewater treatment.

Proactive management

Resource security challenges apply today in many regions and are likely to dominate the future operating environment for resource-intensive sectors.

The pressures on water, food, energy and land are critical to local people, and leaders in business, government, military, finance and civil society are opening their eyes to the scale of the risks involved. As the mosaic of risks gets mapped out, now is the time to focus on what global businesses can do.

It's true that, in theory, governments bear the ultimate responsibility for creating a political and policy framework within which companies can operate. However, in reality, companies face the resulting risks, so it's in their interest to support targets that will – in turn – support resource governance.

And they may need to look beyond their own walls to tackle these challenges. In addition to taking sustainability measures to improve their own resource efficiency, business leaders will find it increasingly necessary to commit time, money and expertise to help relieve systemic resource pressures.

Alejandro Litovsky is the Founder and Director of the Earth Security Initiative

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