



Reporting matters

Water deep dive analysis

WBCSD 2018 Addendum Report



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In partnership with

ry.



Water deep dive analysis

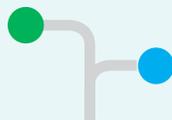
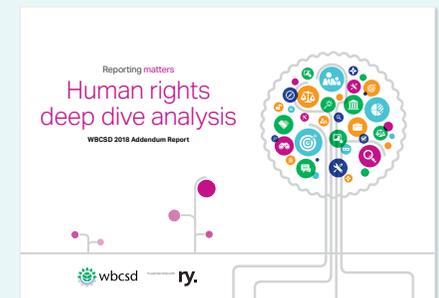
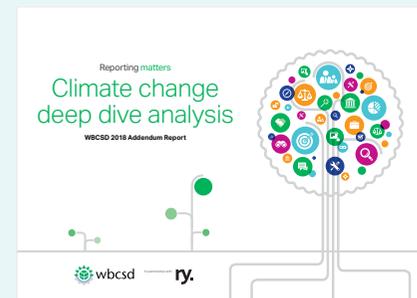
Sustainability reporting has come a long way since we started *Reporting matters*. During this time, we've seen companies take a more balanced approach to reporting and the evolution of reporting formats to better connect with audiences beyond traditional reporting stakeholders.

Our main report continues to focus on our evaluation framework, good practice examples and interviews with members. This year, we go deeper and look in detail at the underlying processes and impact of reporters' activities on three key issue – climate change, water and human rights – through a series of deep dive reports.

These deep dives focus on the evolving regulatory and reporting context and explore the underlying processes companies are adopting to address these three key issues, backed up by member case studies which show the links between reporting performance and impact.

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Water deep dive analysis

Reporting context

Water is a vitally important but challenging resource. It is crucial for human health and biodiversity, but it can be difficult to manage. Water does not recognize man-made boundaries, is difficult to transport and in some parts of the world there is too much, while in others there is too little. Across the globe, businesses are exposed to billions of dollars worth of water-related risks. In 2015 alone, companies experienced [USD \\$2.5 billion](#) in financial losses due to water-related challenges. The situation has been globally acknowledged since well before the 1992 Rio Summit, and there are now globally agreed targets pertaining to access to water for all, driven by Sustainable Development Goal (SDG) 6.

Reporting developments around water

The risks that poor water management poses for communities, regions and businesses have resulted in a proliferation of water-related regulations around the world (Figure 1). They include the United States Clean Water Act, the UK Water Supply regulation and the India Water (Prevention and Control of Pollution) Act, to name but a few.

Due to its strategic importance to business, and the potential risks if it is not adequately managed, reporting requirements such as the European Union's Non-Financial Reporting Directive and the Australian Corporations Act require business to disclose through their legally required annual reports how water, among other ESG aspects, is integral to their strategy and management processes.

According to the [CDP Water Questionnaire in 2016](#), 43% of companies said water-related risks such as drought, flood or pollution could result in fundamental problems in their business and operations. For this reason, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations draw the connection between climate risk and water risk and ask companies to consider disclosing these through their mainstream reporting channels.

Looking more broadly, to ensure a robust, long-term response, companies need to understand water usage and risks at the catchment level and across the entire value chain, as well as in local and site-specific contexts. Some voluntary and mandatory reporting frameworks try to capture this. Australia's Water Accounting Framework for the Minerals Industry (2012), for example, includes in-depth reporting requirements and site-specific input/output analysis of water at mine sites.

Some companies are proactively developing their own tools and frameworks to manage water-related risks and opportunities. Among others, Unilever measures water across the value chain and Puma includes water use across its operations and supply chain in its Environmental Profit and Loss sheet.

Stakeholders are increasingly demanding disclosure of the material water-related issues that may impact a company's future – from licenses to operate to access to capital and healthy supply chains. However, while increasing numbers of companies recognize water as essential to their bottom line and long-term competitiveness, many have not yet revised their business models and operations to contribute to water security. Managing and reporting on water-related risks and opportunities can help to ensure long-term resilience, both for businesses and their local communities, as well as the planet as a whole.





Water deep dive analysis

Reporting context continued

Key reporting trends on water

To understand trends and developments in reporting on water, we use the data and research from the Reporting Exchange which maps over 1,790 sustainability reporting provisions across 60 countries, covering the world's largest economies and 93% of the world's GDP.¹

Our research shows that South America has seen stable growth of water-related reporting requirements whereas in North America, they have tripled since 2010. This spike is partly due to Sustainability Accounting Standards Board (SASB) recommendations for different sectors in the United States (US). Both Asia-Pacific and Europe have doubled their requirements every decade.

Types of reporting provisions

Our research identified 391 water-related reporting provisions in 56 of the 60 countries covered by the Reporting Exchange. Of these, 58% (226) are reporting requirements and 42% (165) are reporting and management resources, showing there is a broad range of tools and guidance available to support companies in managing and reporting on water. They include the WBCSD Global Water Tool which helps companies identify their water-related risks and opportunities in relation to local context and externalities.

Please reference definitions of Channel, Reporting Obligation and Reporting provision in the glossary on [page 10](#).

Figure 1: Total number of reporting requirements related to water between 1990–2017 by region

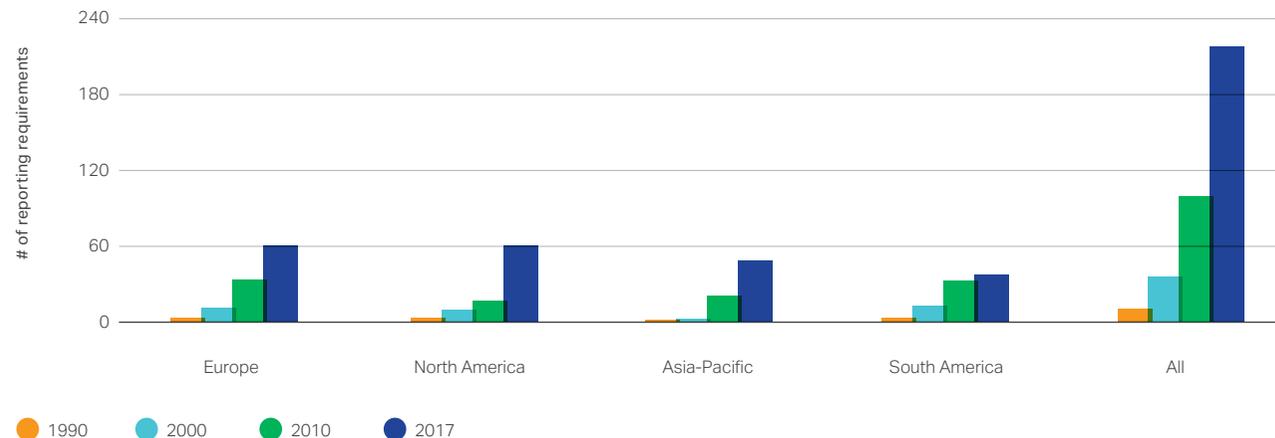
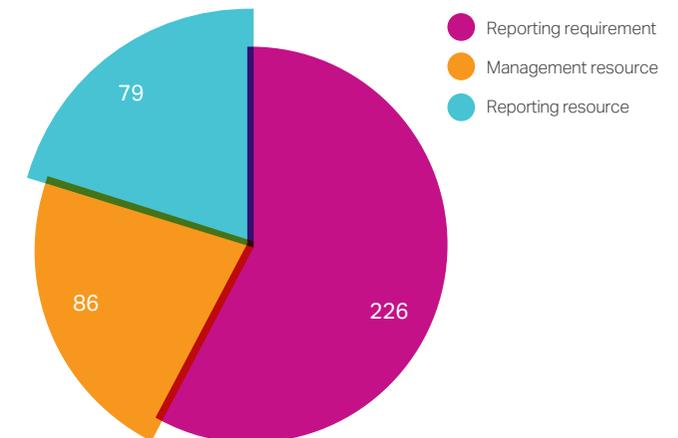


Figure 2: Reporting provisions related to water



¹ The Reporting Exchange data was extracted June 2018 representing over 1790 reporting provisions in 60 countries.

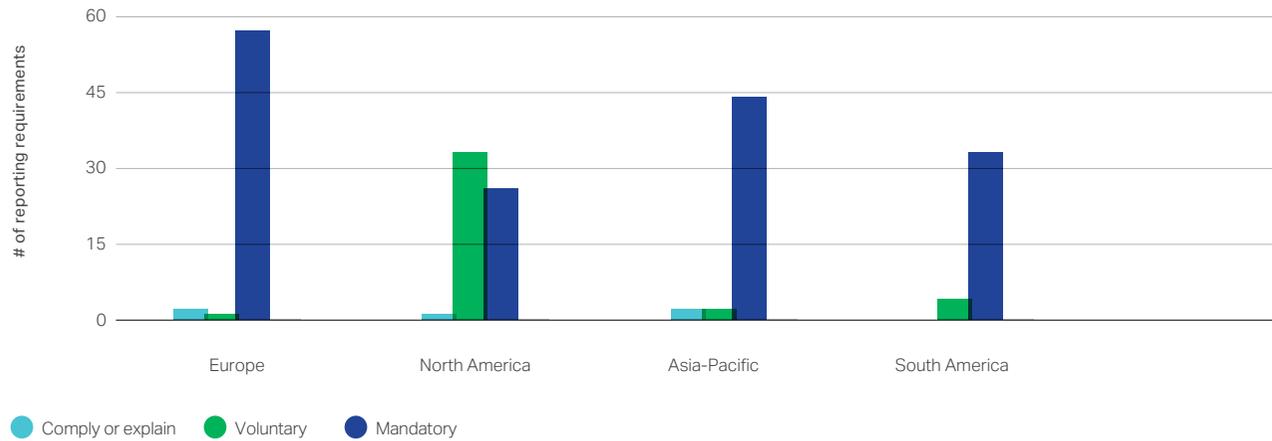




Water deep dive analysis

Reporting context continued

Figure 3: Reporting requirement obligation type by region



Obligation of reporting on water

Most reporting requirements are **mandatory** (72%, 162) while 26% (59) are **voluntary**. Many of the mandatory reporting requirements are for large companies, potentially limiting water-related disclosure by small- and medium-size companies. Voluntary reporting has grown as investors and other stakeholders call for better quality reporting on water. Both the GRI framework and the CDP Water Disclosure Project require disclosure on specific water-related indicators.

Channel of disclosure

The majority of reporting requirements (68%, 153) require disclosure through a specialist system, indicating that much of the information is directed at specific organizations and regulatory bodies, while 24% (54) steer disclosure through mainstream reports. This can help promote integration of water-related issues into a company's overall strategy and management, and it allows information to reach a larger variety of stakeholders.

Figure 4: Reporting requirements by obligation type

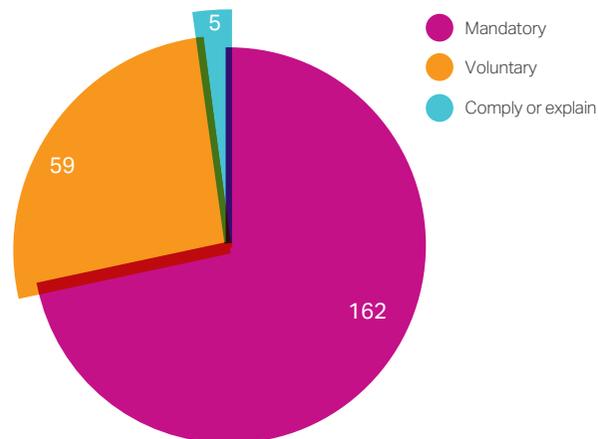
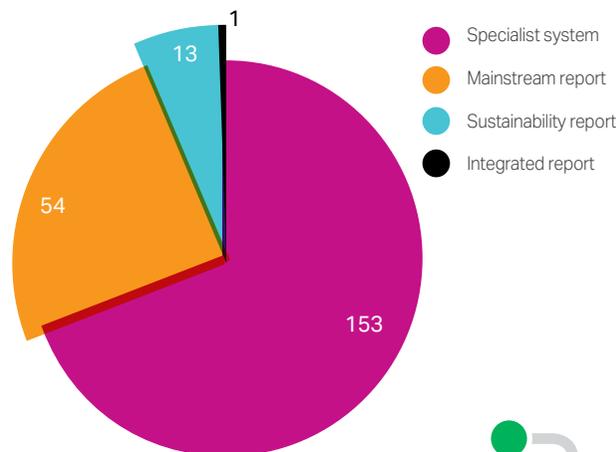


Figure 5: Reporting requirements by disclosure channel



The Reporting Exchange is *the* global resource for sustainability reporting.

WBCSD launched the Reporting Exchange in 2017, in partnership with the Climate Disclosure Standards Board (CDSB) and Ecodesk, to help business navigate the often confusing world of corporate reporting. It's a free, online platform that brings corporate sustainability reporting requirements and resources from 60 countries and 70 sectors together on one single online platform. The Reporting Exchange data used in this report was extracted in June 2018 and represents over 1,790 reporting provisions in 60 countries.





Water deep dive analysis

The state of water reporting

This year, in addition to our critical review of sustainability reporting by 158 WBCSD member companies, we examined disclosure related to three key issues – climate change, water and human rights – to gain a holistic picture of the state of reporting on specific topics. Our research on water reporting is based on the review of companies' main source of sustainability disclosure.

Material:

A company considers water material when the topic is identified as important to the operations of the organization from the perspective of both the company and external stakeholders.

Highly material:

Water is considered highly material when the topic is explicitly mentioned or clearly prioritized as highly significant to the organization's operations. This information may have been presented in the materiality matrix or in a statement.

Materiality and strategy

Our analysis revealed that the majority of companies evaluate water as an issue that impacts their business. Over half (56%) of 158 companies highlight water as a material issue, but only 28% of companies define water as highly material, acknowledging the company's impact on and contribution to water preservation. Our analysis found the material importance of water differs across supersectors. Specifically, 93% in the Food & Beverage supersector, 90% of Basic Resources companies, and 76% of Chemicals companies found water material.

Figure 6: Companies considering water material by supersector

Supersector	% of companies
Automobiles & parts	44%
Basic resources	90%
Chemicals	76%
Construction & materials	50%
Food & beverage	93%
Health care	43%
Industrial goods & services	31%
Oil & gas	70%
Personal & household goods	50%
Technology	50%
Utilities	62%
Miscellaneous	18%
Overall	56%

It's interesting to note that, while water stress differs significantly, with some regions exposed at a greater magnitude,² our analysis does not reveal a clear correlation between regions of high water stress and the percentage of companies referring to water as material.³

We found that several companies link their general sustainability strategy to material issues such as human rights, climate change and water, but only 19% of them explicitly refer to a water-specific strategy in their sustainability report. Like the materiality aspect, the Food & Beverage supersector followed by the Chemicals supersector have the highest percentage of companies that refer to a water-specific strategy in their reporting practice.

Our analysis also revealed the percentage of companies that provide either context-based or scenario-based analysis when integrating water management into their business activities. Currently, only 15% of companies align their efforts with context-based water content and an even smaller percentage⁴ disclose information on local water conditions such as watersheds and future panoramas regarding water availability scenarios, whether related to regulation or conflict. The WBCSD Water Tool is one of the means referred to by 15% of companies to define both context and scenario-based analysis.

² United Nations. UN Water Scarcity. <http://www.unwater.org/water-facts/scarcity/>, (consulted 23.08.2018)

³ The 158 analyzed companies have been classified in six different regions: Africa, Asia, Europe, Latin America, North America and Middle East. The correlation between water – regional conditions and reporting has been stated considering the three most represented regions in our sample: North America, Europe and Asia. The percentage of companies by region defining water as material: North American (69%); European (54%); Asian (49%). The percentage of companies explicitly referring to a water strategy in their sustainability report: North American (28%); European (18%); Asian (16%).

⁴ Only 6% of the overall companies have provided information on water scenario-based analysis.





Water deep dive analysis

The state of water reporting continued

Targets and indicators

Our analysis found that 80% of companies in our wider population provide water-related indicators but only 47% disclose a specific, measurable, achievable, relevant and time-bound (SMART) target to address water issues. Of the subset of companies that define water as a material issue, the figures are higher: 91% have water-related indicators and 58% have a SMART target.

Figure 7: Companies setting water targets and indicators by supersector

Supersector	Targets	Indicators
	% of companies	% of companies
Automobiles & parts	56%	89%
Basic resources	60%	100%
Chemicals	71%	95%
Construction & materials	50%	79%
Food & beverage	64%	79%
Health care	43%	100%
Industrial goods & services	35%	54%
Oil & gas	30%	100%
Personal & household goods	63%	88%
Technology	50%	100%
Utilities	31%	69%
Miscellaneous	9%	55%
Overall	47%	80%

Looking across supersectors, the Chemicals supersector has the highest percentage of companies integrating a water-related target (71%), followed by the Food & Beverage supersector (64%) and the Household Goods supersector (63%). Across all supersectors, most companies (63%) have set a deadline of 2020 for their water-related targets. This will be an important year in terms of target setting; our finding correlates across climate change and human rights targets as well. As this deadline approaches, it will be imperative that companies set new robust, long-term, measurable and quantifiable water targets and indicators for the future.

Governance

Our analysis sheds light on the proportion of companies explicitly referring to board-level oversight for water. While 56% of companies consider water a material issue, we found only 13% explicitly mention board oversight of water-related issues. This percentage is slightly higher among companies that have defined water as material, with 19% of them describing board-level oversight on water.

Conclusion

Our analysis shows that, while most companies consider water as material, many do not yet disclose governance mechanisms related to water, and many are still missing targets, strategy and context-based water analysis. This gap can, however, be related to the fact that the majority of water-reporting requirements drive disclosure through specialist systems rather than through the sustainability report. Our analysis found that corporate sustainability reports usually disclose water management data at a group level, which can limit the extent to which companies discuss regional contexts and local water-specific conditions.

WBCSD's work: CEO Guides

Our [CEO Guide](#) to water can help your organization navigate water issues.





Water deep dive analysis

Aditya Birla Group discusses water

Mr Tony Henshaw, Chief Sustainability Officer, Aditya Birla Group answers our questions about how water is addressed within the Group



We're committed to supporting Sustainable Development Goal (SDG) Targets 6.1 and 6.2 which aim to achieve universal access to water, sanitation and hygiene (WASH) by 2030.

Water is a key material issue for Aditya Birla Group's operations. How do you drive and measure progress on water?

One of the key aspects of Aditya Birla Group's commitment to responsible stewardship is water, and we have developed robust policy, technical standards and guidance on Water Stewardship to drive improvement. At the Group, business and site levels, we collect data to analyze our water usage and impacts globally. Our companies have their own water reduction targets, based on the requirement we place on them to follow the ABG Sustainable Business Framework Policy and Technical Standard on Water Stewardship.

Our Sustainable Business Framework Policy implies that we reduce our external impacts, driven by the shrinking legal space, and that we adapt to the external factors shaped by global megatrends. We do this in a number of ways. Firstly, we are committed to responsible stewardship and ensure that our policies and technical and management standards align with international best practice standards. Indeed, Lloyd's Register has certified the ABG Sustainable Business Framework as conforming to 14 internationally recognized standards. Secondly, we build strategic relationships with stakeholders and technical experts that enable us to stay abreast of trends that may impact our business. Finally, we aim to future-proof our business by embedding sustainability trends

into our strategic business plans to help minimize risks and grasp opportunities. Our technical standard on water adds to this through a step-wise approach which encompasses commit-inventorize-assess risks-mitigate-monitor-and-communicate steps. This helps our global companies to identify their site-specific water challenges and set context-specific targets to drive progress.

Why did Aditya Birla Group sign the WASH at the Workplace Pledge? How did you make the case internally for signing the WASH Pledge?

We're committed to supporting SDG Targets 6.1 and 6.2 which aim to achieve universal access to water, sanitation and hygiene (WASH) by 2030. To demonstrate our leadership and commitment, we decided to sign the [WASH \(Access to Safe Water, Sanitation and Hygiene\) at the Workplace Pledge in January 2015](#). Many of our businesses have operations, employees, contractors and customers in countries where there is inadequate WASH provisions. It was an issue we had identified as contributing to employee illness and poor productivity. We felt that we had a responsibility – as well as a business imperative – to bring basic facilities up to standard, and we saw a compelling case to sign the WASH pledge.





Water deep dive analysis

Aditya Birla Group discusses water continued

Aditya Birla Group has integrated the WASH at the Workplace Pledge at all levels of management. What is the internal monitoring and tracking mechanism for implementation of the Pledge?

The first thing we needed to do was to understand our position. We began by using the [WASH Pledge Self-assessment tool](#) to assess the status of all our sites with respect to the WASH Pledge requirements. This first assessment resulted in an overall score of 75.5% compliance. Clearly, we had work to do. It provided the evidence and impetus management needed to set a target for the entire ABG Group to reach at least 90% compliance within three years.

To support companies in reaching this, we developed a Guidance Note on General Hygiene, Sanitation & Potable Water Management which was included within the ABG Sustainable Business Framework.

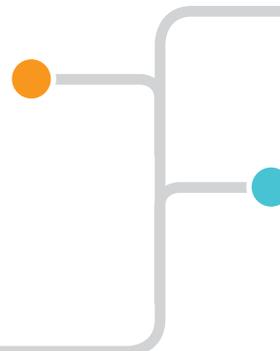
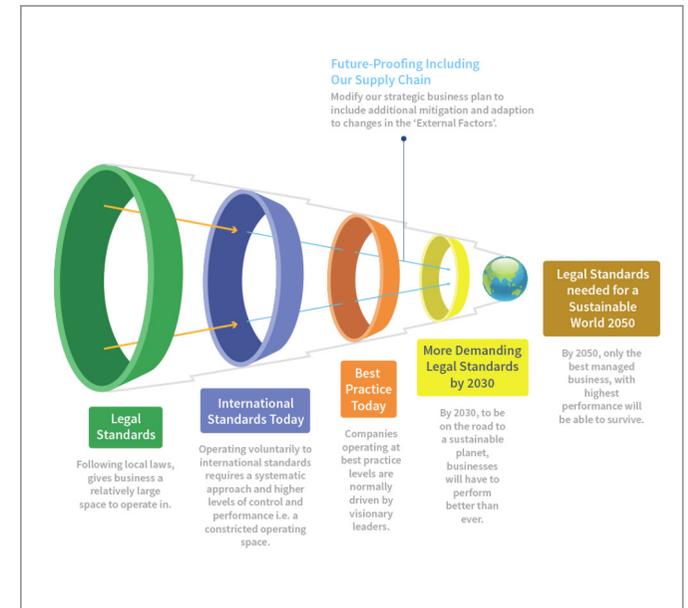
We also mapped the WASH self-assessment questionnaire into Enablon – our integrated Sustainability Management tool – to enable companies to access, update and track data in real time from any location and to ensure data accuracy. The WASH questions appear alongside 50 other self-assessment questionnaires (SAQs) and legal compliance self-assurance questions covering 16 countries and 30 state jurisdictions. The system enables management at all 283 sites and warehouses to answer the SAQs and load evidence in parallel. For self-assessed WASH Pledge scores below 80%, we arranged for support to be given to help drive improvement programs. Scores between 80% and 95% qualified for an off-site video conference with the assurance team to authenticate scores,

and above 95% we conducted a thorough on-site review with local management.

This process proved very effective. Our Group WASH score improved from 1.41 to 1.9 (on a scale of 2) and we reached 92.5% global compliance with WASH Pledge requirements within three years. We have extended the WASH Pledge implementation program to our 70 guest houses, 500 offices and retail stores, as well as 20 suppliers of one of our businesses, Hindalco.

Aditya Birla Group has done significant work in terms of business decision-making, and implementation of WASH at the Workplace Pledge. How do you plan to incorporate it into future external disclosures?

On external disclosure, we have contributed to the publication of a WASH Pledge Impact Report which records our status along with that of other signatories. We also spoke at the UN High-Level Political Forum in New York, supporting the launch of the joint report and promoting the Pledge to other stakeholders. Further, we have worked with WBCSD to develop a case study on our implementation of the Pledge. Some of our businesses communicate their progress in delivering the WASH Pledge through their own sustainability reports and we plan to include the work in our Aditya Birla Group-level Sustainable Business Report.





Water deep dive analysis

Glossary and acknowledgments

Glossary

Channel

The route of disclosure and the communication of published information.

- **Mainstream report:** Annual reporting packages which organizations are required to deliver under the corporate, compliance or securities laws of the country in which they operate, providing information to existing and prospective investors about the financial position and performance of the organization.
- **Integrated report:** An integrated report explains to providers of financial capital how an organization creates value over time. An integrated report aims to provide insight about the resources and relationships used and affected by an organization – these are collectively referred to as “the capitals.”
- **Sustainability report:** A report published by a company or organization about the environmental and social impacts caused by its everyday activities, communicating sustainability performance and impacts.
- **Specialist systems:** Allow companies to disclose information through online response systems, questionnaires or forms often directly to a given organization or authority.

Reporting obligation

The extent to which companies must comply with the reporting provision.

Mandatory: A mandatory provision imposes an obligation on the organizations within its scope to report or respond.

Comply or Explain: Comply or Explain requires companies to comply with requirements or explain why they have not done so.

Voluntary: Voluntary provisions have no defined obligation but are often more detailed, providing opportunities for innovation.

Reporting provision

The collective term for reporting requirements, reporting resources and management resources.

The Reporting Exchange geographical coverage

Argentina	Guatemala	Poland
Australia	Honduras	Portugal
Austria	Hong Kong	Romania
Bolivia	Hungary	Russia
Brazil	India	Singapore
Canada	Indonesia	Slovakia
Chile	Israel	South Africa
China	Ireland	South Korea
Colombia	ItalyJapan	Spain
Costa Rica	Kazakhstan	Sweden
Croatia	Malaysia	Switzerland
Czech Republic	Mexico	Taiwan
Denmark	Netherlands	Turkey
Ecuador	New Zealand	United Kingdom
El Salvador	Nigeria	United States
Finland	Norway	Uruguay
France	Panama	Vietnam
Germany	Peru	
Greece	Philippines	

Acknowledgments

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Editorial support: Andy Beanland, Deepa Magoo, Swapna Patil

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We would like to express our sincere thanks to all WBCSD staff, member companies and partners who kindly contributed interviews, quotes and support throughout the review and editorial process.

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Water deep dive analysis

About the research partners

This project is a joint collaboration between WBCSD and Radley Yeldar

About the World Business Council for Sustainable Development (WBCSD)

WBCSD is a global, CEO-led organization of some 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our Global Network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

www.wbcSD.org

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About Radley Yeldar

We're RY, an independent creative consultancy. We want to create a world that believes in business through our standout work. How? By combining strategic insight with creative flair, we get to the heart of the matter, and touch those they need to reach. We connect organisations to real people and help them to tell one story, clearly and simply, across all that they say and do.

Our 200-strong team of specialists has been working with multinationals, start-ups, private companies and public bodies for more than 30 years. As a family-owned business, we're better placed to take a long-term view. We want to be the best place to work where the best work gets done, determined to stand out ourselves as the most inspirational agency to work with and for.

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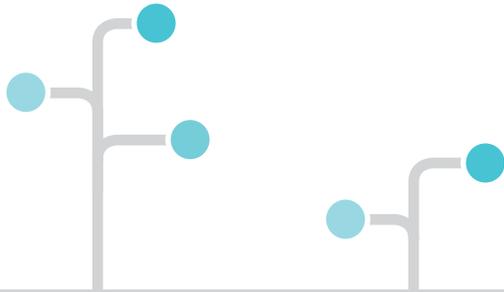
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