



# **The Corporate Water Footprint What Can We Do to Decrease It?**

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## **Mr José Lopez, Executive Vice President, Operations, Nestlé S.A.**

### **Slide 1**

Your Royal Highness, Your Excellencies, Distinguished Professors, Ladies and Gentlemen

First of all I would like to thank Professor Lundquist and Anders Berntell, SIWI and the organisers of World Water Week for this opportunity to share with you some thoughts on the corporate water footprint, seen from the perspective of the world's largest nutrition health and wellness company.

### **Slide 2**

Disclaimer

### **Slide 3**

I think one of the challenges of a topic like this is its breadth: how to capture the salient points in 15 minutes?

I also think it's very important for us to understand exactly what we mean by Water Footprint. It's tempting to think that water footprints are the same as or equivalent to carbon footprints. So I'm going to start by contextualising what water foot printing can realistically mean to a food and beverage company.

Next, a company like ours can do a lot in terms of our own water-related housekeeping, so I will briefly examine some of our own experiences on this subject.

I'd then like to look briefly at some of the ways we can use our influence in our supply chain. This, for a company like ours, is closely linked to agriculture, which as we all know is by far the largest water using sector. And we can also look closely at the role of the consumer. In some cases the largest footprint occurs during the preparation and use of a product.

It would also be too simplistic to stop there; just to talk about a company's direct responsibility, or the impact it can have on its supply chain. We've found that by considering the bigger picture; by understanding how we fit into the broader water landscape, we can address water issues in the communities where we are present; and help move water issues up the global agenda.

### **Slide 4**

I'd like to spend a minute explaining how Nestlé looks at its role in society. Because that has a great bearing on today's subject. We call our approach Creating Shared Value. We think that compliance is the very least a company can do; compliance with laws, norms and our own business principles is the foundation of having a positive impact on society.

Our next "given" is operating sustainably: making sure that our actions today don't compromise the needs of tomorrow.

But we think our role in society goes further than that. We believe that, provided we focus our activities in areas relevant to our business over the long term, we can generate value for society at the same time as we generate value for our own shareholders .

That, ladies and gentlemen, is very exciting. Because we're not asking our shareholders for their permission to invest their money in activities that benefit society while denting their dividend. Water management is obviously relevant to each stage of our Creating Shared Value pyramid, and water is one of the three areas in which we can deliver most mutual benefit.

### **Slide 5**

As I said at the beginning, it's important we understand and agree on what we mean by water foot printing.

Let's be quite clear. Water footprints are absolutely not the same as carbon footprints. They cannot be measured in the same way and there are entirely different principles at stake.

And it's not just the corporate sector that says so. This slide was borrowed from our previous speaker's organisation – WWF - I think it captures magnificently the complexity of water foot printing. And the words I've highlighted are at the root of the conundrum: you may be able to measure your carbon impact the same way wherever you operate; but a litre of water used in Sweden is absolutely not the same as a litre

used in Sudan. And as we work together on this complex issue of water foot printing, we need to keep that notion front of mind.

#### **Slide 6**

If we are to assess accurately the impact that industry makes on water, we will need a commonly agreed set of metrics for water foot printing.

Such a thing doesn't yet exist. But Nestlé has been participating in a working group, under the leadership of Professor Hoekstra of Twente University, together with other leading companies; and experts from civil society.

The aim currently is to test the methodology of Professor Hoekstra's concept; and Nestlé will undertake this in a real situation, covering the life cycle of one of our products.

It's possible that this work may even bear out some of what we already know; that when you analyse the environmental impact of packaged goods closely, their footprint is actually less than preparing an equivalent meal from scratch. Which could start us looking at the whole notion of corporate water footprints from a totally different perspective.

#### **Slide 7**

Coming back to the notion of Creating Shared Value, why is a company like Nestlé investing all this effort? Quite simply, good global water management is critical to our ability to do business in the long term.

Farmers need it to grow raw materials for us; we need it to operate our factories; and our consumers need it in many cases to prepare our products.

And the pressure on its availability is increasing anyway, as the world's population grows, becomes increasingly urbanised and standards of living rise, and with them demands on food consumption.

#### **Slide 8**

That's before we consider the impact of "wild cards", like the current craze for biofuels. One of the real problems here is that the impact on water hasn't been thought through, mostly because the water used to grow the crops used for biofuels isn't realistically priced. The effects of this over-enthusiasm are already being felt, especially among the poor, and sometimes the environmental impact can even be more negative.

It also shows that when considering our interest in managing water within our own direct sphere of influence, we must also see what we can do to impact relevant framework conditions; and biofuels is perhaps one of the most relevant to a company like ours.

#### **Slide 9**

That said, we do take our own direct responsibilities in water management very seriously; and we didn't just discover this yesterday. Our first waste water treatment plant was commissioned in 1929, and we've been systematically reducing our water withdrawals by 28% over the last decade, at the very time when our business has been growing by 76%.

Basically, we've decoupled our water withdrawals from our business growth through sound, joined-up management – and in the spirit of creating shared value, there are risk and cost reduction benefits for us at the same time as there is an environmental benefit.

And we haven't finished: we think it's possible to go further and are committing ourselves to at least 2% further improvement per tonne of product per year over the next five years; and we would hope that would include more of our factories achieving zero water discharge, like the Thai coffee plant featured in the picture on the slide.

Our ambition is to release no "grey" water to the environment; all water is to be treated to internationally agreed quality standards before being given back to nature.

#### **Slide 10**

As we're in the Year of Sanitation, it's worth spending a couple of moments on water treatment. We've long believed that water management is as much about quality as it is about quantity.

For us, this means a very serious focus on the quality of the water we put back into the environment around our plants.

Again, there is a strong shared value argument here. Many of our factories are milk processing plants, which depend on high quality milk as a raw material. That quality is in turn affected by the quality of the environment in which the cows are raised: which is in turn affected by the quality of the water serving that environment. So it makes absolute business sense for us to reduce the organic load in the water emitted from our factories to a bare minimum: and it's not just in the Northern hemisphere that we do that. We install treatment plants wherever we operate, often going beyond local legislation, precisely because we have global standards. And we routinely share our learnings with local governments, other companies and water authorities.

#### **Slide 11**

We can do much to encourage better water management, in our supply chain – especially since in our case, our suppliers are mainly farmers, the largest water users.

We interact with around 600,000 farmers around the world. Most of them supply us with milk, coffee and cocoa. We can and do implement programmes, either directly or in partnership with others, to encourage best water management practice on farms. In China, we are working with milk farmers to manage effluent better. And we know that one of the most potentially wasteful uses of water on coffee farms is when the coffee cherries are de-hulled and washed. We've taught Vietnamese and Ethiopian coffee farmers how to save between 60 and 90% of the water used in this process.

But while 600,000 farmers sounds like a lot, the World Cocoa Foundation says that there are over 5 million families involved in cocoa growing alone. There are many, many more dairy and coffee farmers, let alone those farming the 90% we source indirectly. So our capacity to influence even the farmers within our own supply chain directly is very limited. Which is why we shape the agenda of platforms like the Sustainable Agriculture Initiative to concentrate on water management through a specialised working group on water.

All of that said, we should be aware that the complexity of the agricultural supply chain places severe limits on the degree of direct or indirect influence a company like ours can have – even when working in partnership with others. After all, in milk farming communities, if the milk isn't sold to us, it's sold to someone else, but the water "footprint" re-mains the same, maybe greater. In fact by organising our supply into milk districts, our environmental impact is almost certainly lower than if we were not present.

At the other end of the value chain, often it is when our products are used that the greatest water impact is felt. Though we often find that using packaged goods is more environmentally sustainable than producing meals from scratch, we can do more to sensitise consumers in this regard.

Which brings me on to my final topic – advocacy – where we can help to shape the framework agendas affecting areas where we don't have much direct influence.

#### **Slide 12**

The first thing we can do in the context of advocacy is to show the way, especially when it comes to access to water for poor communities.

A company like ours, acting as it does in hundreds of thousands of agricultural communities, can enhance fresh water provision in those communities as part of its creating shared value proposition. When our Indian dairy farming communities don't have access to clean water, we can build wells to ensure they are healthy and productive. We only do this when the community agrees to partner with us; and we site the well in the village school so that future generations are sensitised to good water management; and help care for the pump.

Elsewhere we form partnerships to deliver clean water; we have one in Mozambique with the Red Cross that's delivering water to 25,000 villagers, and a new one this year in Rwanda with Interfaith Action for Peace in Africa that's reaching 22,000. Much of our input is technical expertise in water management from our Nestlé Waters hydrologists.

#### **Slide 13**

There's a much broader level at which our advocacy has taken off. Our Chairman, Peter Brabeck, has long been an outspoken advocate of water issues moving up the global agenda. And he's succeeded, thanks to

his influence with the World Economic Forum, to help make sure that water was a key agenda item at this January's Davos meeting, rather than a side-event.

He's also been actively championing water issues in media around the world. We understand that one of the outputs of these efforts at such a senior level within the business community and WEF was to influence the EU to seriously reconsider its 10% biofuel target. From the figures we saw earlier, you can see that is far from insignificant....

Engagement and commitment at the very top of our organisation gives us a great platform to encourage our peers to engage actively in water issues. We were one of the founding signatories of the UN Global Compact CEO Water Mandate – a global call to action to the corporate sector to act on six key water dimensions. And for the other corporations in the audience, if you haven't signed yet, do please do so; it's a strong statement of commitment.

#### **Slide 14**

And when we're championing water issues, we can – especially collectively – legitimately call on governments to do their part in creating realistic water management frameworks. Because without them, even collective industry action will have a limited effect.

Engagement with government can be partly about sharing our perspective and expertise; but also recognising (and encouraging others to recognise) that we don't have all the answers; indeed, some of the best, most pragmatic answers are to be found not in the industrial North, but in the water-stressed South.

#### **Slide 15**

In Oman, for example, the Aflaj systems have been recognised as a UNESCO World Heritage site. Interesting to note that this doesn't refer to the architecture, but the system of tradable and inheritable water rights, with prices determined among farmers and access measured in minutes and hours, while basic minimums are guaranteed free for families and the mosque.

In South Africa, a similar "minimum free right to water" for poor people is guaranteed in a system near our milk district and factory at Harrismith. Thereafter, water is priced according to use.

There are interesting models for water provision in urban communities as well: Tubig Para Sa Barangay is a program for sustainable development in Manila. It installs pipes and distribution system specifically designed for depressed communities to supply them with clean and safe water. The benefits are immediate and significant. No longer queuing for water, residents have more time to earn a living. They also spend 10% of the Peso 3,000 they used to spend on water by the drum. It's affordable and realistic because they have to organize themselves into associations to take part in the program.

#### **Slide 16**

As part of our advocacy, we can share, champion and encourage models that are more sustainable; and we can use them to encourage governments towards policies that will enable business and all other stakeholders to maximise best practice water management.

Why is this important? Why do we step out of the traditional business role in this way and, some might say, occupy the activist space?

Because, as we said right at the beginning, a water footprint is not a carbon footprint. In a business as complex as ours it may even not be possible to measure it accurately. We do everything we can to manage our own footprint downward, directly and in the supply chain. But unless other actors, especially government, provide the frameworks, we will not have anywhere near the individual or collective effect on our water footprint as we know we need to.

#### **Slide 17**

Thank you very much for your attention.

END.

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<http://www.nestle.com/MediaCenter/Presentations/Corporate+Responsibility/Corporate+Responsibility.htm>