

Water guzzling beverage firms are trying to give it back

Beverage companies such as PepsiCo and United Breweries, criticized for exploiting water, are trying to portray themselves as water conservators



A borewell dug by United Breweries as part of an initiative to provide drinking water to villages in Karnataka.

Water has moved to the top of the business risk agenda, according to an April PricewaterhouseCoopers (PwC) report, and at the current pace of water consumption, the overall demand for water is expected to increase by 55% globally by 2050, with industrial demand increasing fivefold.

Beverage companies, which are criticized by environmental activists for their exploitation of water resources, are now trying to portray themselves as water conservators.

"It is a little-known fact that of the total water available, agriculture uses close to 80%. Indian industry is a small consumer; domestic and industrial use clubbed together barely amounts to 20%," says **Vivek Bharti**, vice-president of corporate affairs, **PepsiCo** India.

Until now, the corporate social responsibility (CSR) funds of beverage companies had been going into a variety of causes—from health and education to skill development and building toilets. But as water sustainability becomes a key challenge, many beverage companies

are debating whether to place all their initiatives under CSR or keep them under the head of sustainability.

For most multinational beverage companies—such as PepsiCo, **Coca-Cola** and SAB Miller—water conservation is part of their global sustainability goals and thus fall under the sustainability budgets.

"It is difficult to ascribe a rigid budget head to water initiatives because water is not black or white—it cannot be just CSR or just sustainability," says Cedric Vaz, executive vice-president, **United Breweries Ltd.**

With the Companies Act of 2013 and the CSR Rules of 2014 kicking in, beverage companies are divided on how much of funds can be diverted under CSR expense for water conservation because water is also a raw material for them. However, while water conservation can have a positive social impact, these practices can also help their business.

"Water is a complex issue and to put it under CSR or not is tricky. One argument could be that improving water efficiency in the manufacturing processes helps reduce water stress in the area and therefore is a socially responsible thing to do and should qualify for CSR. However, the alternative argument could be that water is a resource for, say, beverage companies—like iron ore is a resource for steel companies," says Ranen Banerjee, executive director, public sector and governance, PwC India.

"To justify a water conservation activity of the industry as CSR could be challenged," he adds.

CSR vs sustainability

As far back as 2006, PepsiCo had decided it was to improve water efficiency within its factories by over 20%, which it claims to have reached in 2015—four years ahead of schedule. In India, the beverage company claims to have reached a positive water balance in 2010 and 2011. Positive water balance is defined by the company as being able to harvest more rainwater and recharge more groundwater than they are using.

A few years later, in 2010, United Breweries, the maker of Kingfisher beer, announced water conservation as one of its focus areas.

In fact, even new entrants to the sector, such as Hector Beverages, have already set aside 5% of capital expenditure to ensure efficient water use within their plants. "We use approximately 250,000 litres of water in a day (24-hour operation) for making our beverages. Since water is a depleting resource, recycling and reuse are very important for us, and have been worked into our systems," explains **Neeraj Kakkar**, chief

executive officer, Hector Beverages, manufacturers of **Paper Boat**, a soft drink.

United Breweries has allotted close to 35% of its CSR funds towards water conservation. "At UB, we are categorizing water initiatives under CSR because much of the conservation initiatives are carried out under public-private partnerships," says Vaz. United Breweries says it provides drinking water facilities for local communities, helps clean and maintain local water bodies such as ponds and builds check dams around its plants. The firm claims to have spent `3 crore over the past two years on water-saving initiatives.

Others, like **Dabur India Ltd**, which manufactures the Real and Activ juice brands, are continuing water initiatives under the head of sustainability. Most of their initiatives have been focused on reducing water consumption in manufacturing processes. That's why the company feels that while its initiatives have an impact on society, they are also closely tied with their business and thus cannot qualify for the CSR budget, says A. Sudhakar, head of CSR at **Dabur** India.

Dabur, says Sudhakar, is among the very few companies that allow third-party reviews of their water initiatives, adding that business performance and sustainability go hand-in-hand at the company. Dabur says it has recorded "around 30-35% reduction in water usage at its plants" over the past three years.

Internal vs external

Efforts to conserve water are divided into two parts.

On the one hand, it involves managing a company's internal demand by increasing reliance on recycling, reuse and overall reduction in water consumption by deploying technologies such as pressure pumps to clean bottles.

On the other, companies need to save water externally too, by working with communities outside the company premises and helping them manage rainwater harvesting, build check dams, etc.

"There has been relatively more progress on the former and the work on the latter is still building up," says Shilp Verma of the **International Water Management Institute (IWMI)**, a Sri Lanka-based non-for-profit scientific research organization focused on the sustainable use of water and land resources in developing countries.

Internal efficiency has dramatically improved. For example, United Breweries says it has cut down its water needs from seven litres to make one litre of beer to 3.4 litres of water per bottle of beer. Similarly, PepsiCo claims that from seven to eight litres of water required per litre of beverage about 10 years ago, today, with the help of technology and reuse and recycling, it has brought the use of water to under 3 litres per bottle of Pepsi.

Vaz of United Breweries says, "It is easier to achieve internal water conservation targets, because it is largely under your own control, whereas for external initiatives the local community, local government body and weather are all involved. There are too many variables and uncertainties which need to be addressed before you can confidently say that you have saved an X amount of water."

Ground reality

Not many of the claims about being "water positive" are verified by independent external sources and they are heavily contested by environmental activists, who say the concept of positive water impact has no scientific basis.

"Water neutrality/positive impact can only be assessed if water extracted and water recharged/conserved are at the same location. And from the reports I have seen so far, that is not the case. Plus, the claims by beverage companies are slightly dubious because these companies hire a third party to verify numbers that the companies give. The assessing agencies seldom check the actual impact on the ground," says Chandra Bhushan, deputy director general, Centre for Science and Environment (CSE), India.

As the head of industrial unit at CSE, Bhushan believes "industrial water use can only improve when the resource is appropriately priced. At present, most companies get water for free by digging borewells in their factories or at negligible costs. With the right cost on water, there will be an inbuilt incentive to make water use more efficient."

Others, like Amit Srivastava of India Resource Centre, a California-based rights advocacy not-for-profit, say, "One of the reasons we are hearing so much from these companies about their water initiatives is the fact that they have taken a beating in India. The water usage led to protests and severe damage to the company brand names. In 2002, Coca-Cola had three water harvesting structures; today they claim to have over 400 across India."

The criticism is dismissed by most water-intensive companies. "It is easy to criticize and therefore people do it. Companies like ours are a visible and an easy target. Opposition is only justified when the company is not trying to replenish the water in the same or another water-

stressed area," says Vaz.

"It would be unfair to fault all water initiatives by industry. Several government and donor programmes also make the same mistakes. Most CSR initiatives in India are still in their formative stages and I am sure that their thinking on the subject of water resources will evolve and mature over time," says Verma of IWMI, while agreeing that current water tariff structures give businesses little incentive to save water.