



The CEO Water Mandate



wbcscd



## Corporate action on WASH in supply chains Case study

# DIAGEO

### Diageo's evolving response to WASH in supply chain communities

Sustainable access to water, sanitation and hygiene (WASH) is central to meeting global development goals on poverty, health, education and economic growth. With one-in-five people employed in corporate supply chains<sup>1</sup>, and up to 90% of these working in developing country SMEs and farms, the potential benefits of a stronger focus and action on WASH in supply chains by global corporations are significant. By profiling company interventions on WASH in supply chains, this series of case studies aims to strengthen the evidence base and share learning to inspire and support other companies to take action.

#### Why is WASH a priority for Diageo?

Diageo is a global leader in the beverage sector, with iconic brands in spirits and beer. Their brands are produced from more than 150 sites in over 30 countries. A third of the volume produced from Diageo sites is from operations based in water stressed areas, and as a drinks company, water is an essential resource for Diageo, with its careful management a top business priority. The Diageo Water Blueprint sets out the company's strategic approach to water stewardship, and commits Diageo to increasing its efforts to address global water challenges through their own operations, in the sourcing of raw materials, in the communities in which they operate, and through local and global advocacy.

The company's Water of Life Programme was originally established as a philanthropic programme by Diageo in Africa, as they looked to differentiate their businesses and motivate their employees. Given the company's presence in Africa, where the WASH challenge is most pressing, the company committed to help a million people a year through improved water supply and sanitation. As the Water of Life programme and implementation of the Blueprint have evolved, understanding of the water risks faced by the company and its stakeholders has deepened. In particular, external evaluation of its work in Ghana and application of the Alliance for Water Stewardship standard in Tanzania have confirmed that focusing efforts to improve WASH for communities within the Diageo upstream supply chain can deliver operational and business benefits which go far beyond 'feel good' philanthropy. The company's approach to WASH has therefore evolved from being part of Corporate Social Responsibility to an essential element of sustainability within the value chain.

There are important business drivers for establishing strong relationships with local suppliers and their communities, and for taking collective action with them on WASH where this emerges as a priority challenge. These include the benefits which WASH brings for family health, educational achievement, and financial and time savings in collecting water, caring for the sick and treating ill health. These all support the productivity, resilience and sustainability of small farms and communities, and provides competitive advantage. By investing in healthy communities, businesses also demonstrate their long-term commitment to governments as well as other stakeholders, and in many countries, there are also important tax and excise benefits in securing raw materials locally. Locally established trust can come from investing in the farming business and also in the communities close to operations.

<sup>1</sup> Supply chains are here defined as "parties not under direct ownership of the company who are a key part of processes involved in the production and distribution of a product, and can include direct contractors, to trade processors, to materials producers, to farmers".

## What was involved and what has been achieved?

Diageo’s strong record in water stewardship and the Water of Life programme has brought clean, safe water and sanitation to around 10 million people in 18 countries over the last 10 years. The aim is for the Water for Life programme to be self-funded by the local Diageo businesses, rather than being supported from the company head office. Local businesses therefore decide where they will focus work to deliver on their annual commitment of numbers of people assisted with WASH, and work with NGO partners (e.g. United Purpose, WaterAid, AMREF, CAF, Oxfam) in delivery.

### Ghana

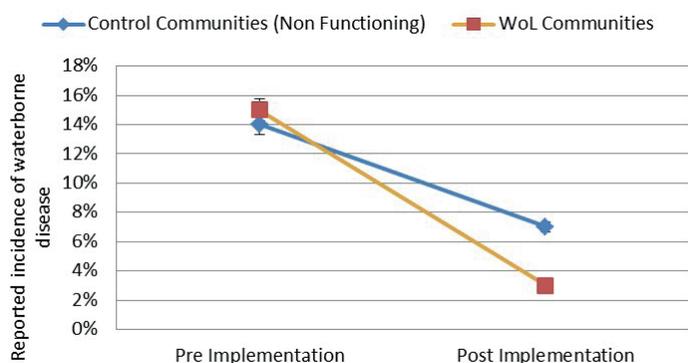
Diageo and their local subsidiary, Guinness Ghana Breweries Limited, worked with a number of WASH specialists including WaterAid across Ghana with a particular focus on the Upper West and Upper East Regions between 2007 and 2015 to support 68 water supply, sanitation and hygiene projects in 58 communities. Some of these interventions focused explicitly on the communities working to grow sorghum as an input to the breweries’ supply chain. The initiative focused on both rural and urban communities, health centres and schools, and involved construction of handpumps, mechanized boreholes, distribution and storage infrastructure, and ‘water health centres’.



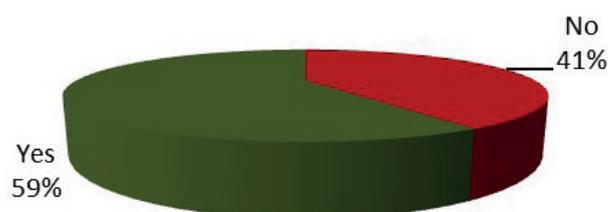
External evaluation found the following benefits for around 150,000 people and 21,500 households:

- The intervention has provided the main, reliable source of water for 79% of households.
- Reduced incidences of waterborne disease reported at household level from 15% to 3% pre/post intervention (See Figure 1). 82% of respondents report that the project has reduced waterborne disease incidence.
- Improved water supplies have provided enhanced commercial opportunities for women according to 88% of respondents.
- Improved water supplies support livelihoods of 32% of beneficiaries, or 34,000 people.
- Increased school attendance by girls and reduction of time spent collecting water by approximately 23 school days each year.
- Reduced absenteeism and improved academic performance as a result of the intervention (see Figure 2).

**Figure 1. Reported waterborne disease incidence pre and post-intervention**



**Figure 2. Has the intervention contributed to reduced sickness-related absenteeism? (respondents as percentage of 385 households surveyed)**



**Key lessons:** Assessing the impact of interventions based on beneficiary headcount alone doesn't adequately capture the full benefits or learning available. Undoubtedly, the intervention appears to have benefited communities within the Guinness Ghana Brewery Ltd supply chain, but the qualification and quantification of these benefits required a more nuanced approach to evaluation. Livelihood, health and other impacts, alongside sustainability elements were considered and the benefits for multiple stakeholders through family and farm case studies were identified. The evaluation concludes that alongside direct intervention and financing of WASH, companies can play an important role as champions for improved WASH, influencing other corporate actors and government to improve performance. These findings have contributed to new initiative by Diageo and Unilever through partnership with WaterAid to establish the business case for investment on WASH.

## Tanzania

In 2015, Diageo and its local Tanzanian subsidiary, Serengeti Brewery's Ltd (SBL), implemented the Alliance for Water Stewardship (AWS) Standard at their Moshi Brewery. AWS is a global partnership dedicated to promoting the responsible use of freshwater, through a water stewardship system that drives and recognizes improved water stewardship performance. The AWS Standard was launched in 2014 and provides a comprehensive set of criteria and indicators for responsible water use which is environmentally, socially and economically beneficial, WASH elements are embedded within the standard. AWS Standard implementation ensures that businesses take action which is proportionate to risk and focused on the key water challenges in any given setting, at site, community and catchment scale. Compliance is verified through third-party auditing.

Implementation of the AWS standard was supported by certified AWS advisors and through wide consultation with stakeholders and analysis, key risks were identified and mitigation actions put in place. While the brewery site and local community face a range of risks – for example from groundwater pollution – the most significant risks were faced in the site's agricultural supply chain. Risks to small-scale barley farmers and their communities supplying SBL with raw materials include impacts of erratic rainfall, flood and drought events, pollution, regulatory non-compliance, water conflict, and the inadequacy of water supply, sanitation and water-related infrastructure.



**Plate 1:** Peter Ndegwa, (former) Managing Director of Guinness Ghana Breweries Limited together with the chief and people of the Alogboshie township in the Greater Accra region, raising cups to show appreciation for the provision of a WaterHealth Center (2015)

Based on consultation and analysis, inadequate water supply, sanitation, and hygiene practices at farm scale and within farming communities was found to be an issue. Secondary data suggests limited access to improved and reliable services, with elevated levels of ill-health as a result. For example, 60% of the population in a key sourcing district relies on unimproved/unprotected water sources, only 6% have an improved pit latrine, and 12% of households have no latrine. The degree to which WASH is an issue varied between sourcing locations. In one, a reliable gravity fed supply system is in place, but in another, the community is reliant on a gravity scheme sourcing water from some 10km away, which sees regular problems. The village community can go with no water for several days following damage caused by heavy rains, conflict, or vandalism of the pipework. Sanitation provision is also variable, with provision at the farm scale often non-existent.

**Key lessons and next steps:** Given the vulnerability of farmers in SBL's supply chain to water related risks including on WASH, additional analysis to understand these risks and to design and implement mitigation actions is underway. In relation to WASH, this work will explore:

- **Implications of WASH provision for community and worker health and wellbeing, productivity and livelihoods.**
- **Options for improved on-farm WASH provision:** WASH advice/training, water carrier/bottles, and trowels and screens to cover open defecation will be assessed as a cost-effective option.
- **Areas for consideration to improve security of WASH provision at community level:** Investment in infrastructure/O&M (possibly combined with sewage/pit sludge re-use as fertiliser); advocacy and monitoring of service provision by local authorities/providers; support for community WASH committees; community water safety planning; additional data/mapping required to target these efforts; district, regional and national advocacy on improved WASH provision.

Water and WASH can't be considered in isolation, and this work is part of a broader sustainability assessment and programme of support for farmers. However, this work will address an important gap in the existing international guidance available on water stewardship in local supply chains, including on WASH. By developing and sharing a methodology for assessing and acting on priority challenges and opportunities facing supply chain communities, SBL and Diageo will make an important contribution to water stewardship and the WASH agenda, while delivering commitments within the Diageo Water Blueprint.

### A call to action – advice to others and key messages

These learnings have contributed towards how Diageo have modified the focus of their Water of Life programme. Previously, the onus was on hitting a target number of beneficiaries. Now, there is a move away from this towards supply chain geographies of relevance and strategic and sustainable impact for the business. This is seen as a much more sustainable approach, which doesn't rely on passionate and philanthropic individuals, but is hardwired into business operations:

#### Company testimony...

*“This incorporates factors such as supply chain resilience, and giving value in terms of enhanced trust and improved relationships with our agricultural communities that go beyond just a transaction for raw materials. The key lesson for us, and for this programme to last another ten or twenty years, is that it should have this strong business value articulated clearly. There is a greater scrutiny on spend, so the money we invest on WASH has to work for the business. We are being more strategic about where we implement programmes, how we implement programmes, who we implement with, and how we measure impact so that there is a much clearer benefit for communities and our business.”*

- Don't rely on heartstrings and emotional buy-in. Make sure there is a well-articulated business case and value beyond reputation and people feeling good. That means making it business relevant. The biggest lesson is making sure there is business value, and that it's communicated clearly across the business.
- Invest in impact measurement, not just looking at beneficiary numbers but at what the impact is in communities. It can't all be attributed to the projects, by any means, but you should have a reasonable understanding of what the wider impacts are beyond making water available to 'X' number of people.
- Ensure that all projects are sustainable, with some form of ongoing maintenance built into the project planning. Make sure that you have reliable implementing partners, and don't just go for the cheapest ones.
- The principal of building trust with our suppliers and small-holder farmers via community programmes, including on WASH, is well accepted in our business.
- The AWS standard and upcoming guidance is a useful mechanism for steering investment on the priority water risks facing a site and its supply chain stakeholders.



Photo credit: Diageo



Photo credit: Diageo



Photo credit: Diageo



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**Plate 2-5 (clockwise from top left):** Community members of the Fianko Ekura township testing the water pump system for the first time. (2014); School children from the Fianko township in the Central region, excited about the provision of the borehole fitted with hand pump. (2014); Dr. Ernest Kwarko, Project Liaison Officer at the Komfo Anokye Teaching Hospital (KATH) gladly accessing water provided to the Reproductive Health section of the Hospital. (2017); District Chief Executive of Awutu Senya West of the Central Region confirming water quality to participants. (2015)