

The fashion industry: a thirsty business

Water is an important topic for RobecoSAM. Engagement Analyst Peter van der Werf pursues an active dialogue with ten apparel companies on water management in their supply chain.

A footprint spanning several continents

Water is a crucial natural resource faced with scarcity and quality issues around the world. Consumers in Europe have a water footprint that is largely based on water use on other continents. Their water footprint is the total volume of water used to produce the products they consume, measured in all parts of the production chain. Cotton and wool both are water-intensive raw materials. A single cotton t-shirt, for example, has a water footprint of at least 2,700 liters.

Fashion is water-intensive

In the apparel industry it is not only the production of raw material that is water-intensive, the wet processing of clothing, such as washing and dyeing, also consumes huge amounts of water. Moreover, it can lead to water pollution when effluents of the tanneries are not properly processed. The production of new fashion every season is causing water issues. Water scarcity can lead to issues for local farmers and communities that depend on water for their daily use.

A difficult supply chain to manage

Apparel companies have an important role to play, as they are ultimately driving the supply chain for materials such as cotton based on consumer demand. However, based on our experience in engaging with food and beverage companies, apparel companies seem to be less advanced in water supply chain issues. Water management is a difficult issue for them to address as textile companies have a fragmented supply chain. Many companies, such as Gap Inc. or H&M, have thousands of suppliers and often may only purchase 2-5% of the total production of a specific mill.

Better disclosure is needed

Although it is difficult for apparel companies to address water management in their supply chain, Engagement Analyst Peter Van der Werf sees huge value in companies providing better disclosure of their water impact through participation in the Water Disclosure Project or by addressing water management in the supply chain in their sustainability report.

Identify the risks

Van der Werf therefore engages with ten companies in the textile sector on their water management. He talks to them on how they can improve issues such as the awareness of their water dependency. Van der Werf identifies two main risks for the companies, i.e. the risk of water scarcity endangering the continuity of supply, and reputational risk. The latter relates to, for example, environmental impact if water used in the dyeing process is not purified properly.

Corporate water policy

"Companies can analyze what the impact of a possible change in the availability of water is in the areas in which they operate; either directly or via their supply chains", says Van der Werf. Such an analysis can incorporate a water footprint or a summary of the water flows throughout the supply chain. But it doesn't stop there. "Companies should use this analysis as a basis for establishing an effective water policy", says Van der Werf.

"Stakeholders of textile-related companies need to have a complete picture of a company's water management and how well the company performs in this respect."

As always, transparency is important. "Stakeholders of textile-related companies need to have a complete picture of a company's water management and how well the company performs in this respect", Van der Werf states. "Companies should make the results of these reports public and link them clearly to the objectives for water management that are included in the policy."

Better Cotton Initiative

"Some companies go beyond the call of duty and set up their own initiative", Van der Werf goes on to say. "A positive example of stakeholders proactively taking responsibility for a more sustainable supply chain is the Better Cotton Initiative." This voluntary initiative is supported by retailers like Nike, Adidas and H&M; by producers; and by organizations like World Wildlife Fund and Rabobank.



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