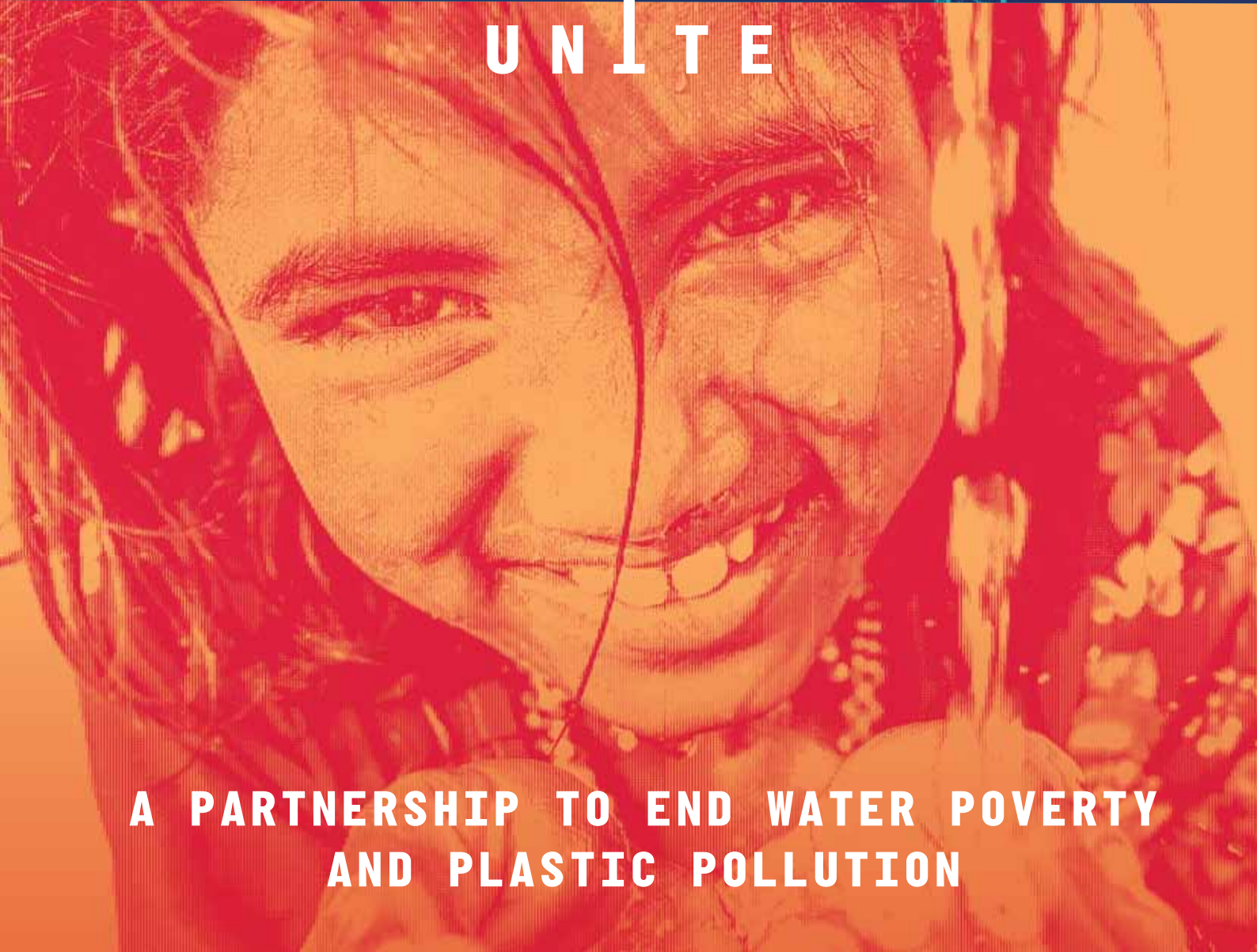




**WATER
UNITE**



**A PARTNERSHIP TO END WATER POVERTY
AND PLASTIC POLLUTION**

Photo Credit: Oxfam



By capturing a tiny fraction of bottled water revenues, Water Unite aims... to end water poverty, tackle the sanitation challenge and halt plastic pollution.

EXECUTIVE SUMMARY

Consumers around the world buy **376 billion litres** of packaged water each year, generating revenues of over **\$160 billion**. However, more than **660 million** of the world's poorest people still rely on unsafe water for drinking and washing and **more than two billion** have no access to adequate toilets. On top this, of the **300 million tons** of plastic waste produced each year **less than 10%** is recycled.

By capturing a tiny fraction of bottled water revenues, Water Unite aims to generate a significant, sustained source of funds for targeted, catalytic investments to provide sustainable water and sanitation services to end water poverty, tackle the sanitation challenge and halt plastic pollution.

The industry is ready to take part. Bottlers, retailers, distributors and consumers are already engaged in a wide range of water-related CSR and sustainable development activities, and are looking for further ways to engage with the new UN Sustainable Development Goals¹, particularly SDG 6, 12 & 14.

Water Unite is unique in proposing a way for the entire bottled water sector to engage collectively in the achievement of the Sustainable Development Goals. It answers a real need for a catalytic investment vehicle for water, sanitation and plastics waste management projects that engages the private sector, governments, civil society and other stakeholders, and provides comprehensive plans on how such funds could be deployed.

Detailed technical and financial analysis conducted over the past year concludes that it is feasible for Water Unite to raise \$100-200 million per year in a 'pioneer' phase by working with a select group of companies that are already indicating their willingness to participate.

Over 10-15 years, Water Unite aims to raise even greater sums for investment and to become an integral part of the sector. Water Unite's ambition is to be nothing less than an independent and widely recognised indicator of industry best practice, an effective means for collaboration and, most importantly, to make a substantial contribution to the delivery of sustainable water, sanitation and plastic waste management services where they are needed most.

¹On 25 September 2015, UN Member States adopted a set of 17 goals as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. The goals are universal – they apply to developed and developing countries, and actively encourage participation and partnership by governments, private sector and civil society. www.un.org/sustainabledevelopment/sustainable-development-goals/

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INTRODUCING WATER UNITE

Water Unite is built on the concept that micro-contributions from the bottled water sector can raise significant funds to help end water poverty² for hundreds of millions of people and substantially reduce plastic pollution by 2030.



663m

**people still rely
on unimproved
water sources**

>2bn

**people still do not have
access to a toilet**

300m

**tons of plastic
produced annually**

Although 2.6 billion people gained access to improved drinking water sources between 1990 and 2015, 663 million people still rely on unimproved water sources and more than 2 billion still do not have access to a toilet. A much higher number have to use unreliable or expensive services relative to income. In the decades ahead, the challenge is not only to ensure access to water and sanitation for all, but also to ensure that services are reliable, sustainable and fairly priced.

Benefits of plastics are well known. However, the wide range of environmental problems they cause, is attracting increasing concern and attention. Of the 300 million tons of plastics produced worldwide every year, only 9% are recycled. Remaining plastic waste contributes to polluting water sources such as rivers and travels to the ocean.

Poor waste management across many middle and low-income countries is the major contributor to global plastic pollution. The East Asia and Pacific region accounts currently for 60% of the world's total mismanaged plastic waste. In response, a new "plastics economy" is emerging to ensure that plastics never become waste, aligning with the principles of the circular economy. This will require new business models and strengthening the plastic industry circular value chain from waste collection to recycling.

The fast-growing bottled water industry has a keen interest in the global sustainability challenge in terms of managing water resources, plastic usage, waste reduction and recycling, and many companies already make substantial contributions to water charities and related development and sustainability activities.

Water Unite's aim is to take that commitment to scale, providing a global platform for the bottled water sector to contribute to ending water poverty and plastic pollution – including bottlers and distributors, brand owners, retailers and consumers.

The Water Unite concept has been developed over three years by financial, technical, civil society and governance experts and is now confidently emerging as a partnership with the potential to raise hundreds of millions, if not billions of dollars, for catalytic investments to achieve this goal.

This report sets out the Water Unite concept: its alignment with the UN-agreed Sustainable Development Goals, potential fundraising mechanisms, and a disbursement strategy that will address the most pressing needs across the water, sanitation and waste management sectors. Water Unite's aim is to become a globally recognised brand, developed with and funded by the retail and bottled water industry, working in close collaboration with the public and third sectors, to provide sustainable water and sanitation services to the most under-served people as well as helping to realise the value plastic plays as an income source within a circular economy.

² In this report, 'water poverty' means the condition of not having access to adequate water and sanitation services to meet basic needs.





BOTTLED WATER AND THE GLOBAL GOALS

Water Unite’s primary focus is to support the achievement of SDGs 6, 12 and 14 by 2030:

Goal 6: Clean water and sanitation. Ensuring the availability and sustainable management of water and sanitation for all.

Goal 12: Responsible consumption and production. Substantially reduce waste generation through prevention, reduction, recycling and reuse.

Goal 14: Life below water. Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris.

Sustainable Development Goal (SDG) 6 is central to the achievement of almost all 17 Sustainable Development Goals.

Ensuring and protecting safe water supplies is essential to health, agriculture and economic development, ending hunger and poverty, and protecting life on land and below water.

In the research phase of Water Unite, it became clear we had to link our efforts to improve access to water and sanitation services (SDG 6) to environmental concerns and simultaneously address SDGs 12 and 14.

Our goal is to reduce marine and terrestrial plastic pollution by preventing and minimizing plastic waste. We will do so by aligning our interventions to support extended producer responsibility approaches and to strengthen the plastic value chain in countries where this is needed the most.

THE GLOBAL GOALS

For Sustainable Development





THE INDUSTRY VIEW

There is an encouraging alignment of views from water bottlers, brand owners and retailers around the Water Unite concept. Many of those consulted about Water Unite like its simplicity and appreciate the virtue of supporting outcomes such as water efficiency and safe water supply for those who need it most alongside reduction in plastic pollution ³.

Most are aware of consumer expectations of the industry around water usage and stewardship, the use and recycling of plastic bottles, and the provision of safe water in developing countries. They recognise the need to embrace such challenges and respond.

More often than not, these already shape their sustainability and CSR practices, while most also recognise that much more can be done, particularly in a coordinated and efficient manner. Water Unite is seen as having distinct potential to put the bottled water industry at the forefront of achieving SDGs 6, 12 and 14 by 2030.

Among the major bottlers and brand owners, there are different views as to whether bottled water should be seen as a separate drinks category or part of the wider beverage industry, raising the possibility that a micro-levy could go beyond bottled water to a broader range of consumables.

For retailers, who constantly review opportunities to frame and deliver their offer, Water Unite offers a simple yet effective scheme that may be easily grasped by consumers. Those who have been introduced to the Water Unite concept agree that, when set up and communicated effectively, it fulfils these criteria.

Provision of clean water resonates particularly well with stakeholders, while sanitation needs are harder to communicate.

However, there is a growing understanding that water and sanitation must be addressed together in the context of the SDGs, as poor sanitation can contaminate water supplies. Also compelling is the fact that safe sanitation is essential to keeping girls in school and addressing gender inequality.

Ideally Water Unite will provide a mechanism for collective action across the value chain that can achieve real change at scale to help achieve SDG 6 and make a significant impact on achieving many other Goals. Water Unite will draw on development, finance and industry best practice with a recognised, independent brand that assures consumers of the highest levels of industry engagement and transparency.

³futureau consulting, *The Bottled Water Sector: Analysis, opportunities, engagement.* www.giffwater.org

A FAST GROWING SECTOR.....

In 2015, global sales of plain bottled water totalled 376 billion litres, with a value of US\$160 billion. By 2020, global volumes are forecast to approach 520 billion litres on a compound annual growth rate (CAGR) of nearly 7%.

If value advances at a similar pace, the 2020 global market for packaged water will be worth well over **US\$200 billion**.

Table 1: Total Bottled Water Volume & Value: Small Pack & Bulk by Region, 2015

	VOLUME - BN LITRES		VALUE - US\$ BN		VOLUME	VALUE	VPL*
	SML PACK UP TO 10 LITRES	BULK 10.1 LITRES PLUS	SML PACK UP TO 10 LITRES	BULK 10.1 LITRES PLUS	TOTAL BN LITRES	TOTAL US\$ BN	SML PACK US\$
ASIA PACIFIC	68.9	86.7	38.1	11.8	155.6	49.9	0.55
N AMERICA	37.8	6.1	34.0	2.0	43.9	36.0	0.90
EUROPE⁴	64.3	3.7	38.5	1.0	68.0	39.5	0.60
L AMERICA	19.9	40.2	13.9	4.7	60.2	18.6	0.70
AFRICA	17.3	2.2	7.2	0.4	19.5	7.6	0.42
MIDDLE EAST	14.8	14.0	6.6	1.8	28.8	8.4	0.44
TOTAL	223.0	153.0	138.3	21.7	376.0	160.0	0.62

Source: futureau consulting limited based on industry sources

* VPL – value per litre

..... WITH A RANGE OF PRODUCTS AND MARKETS

While bottled water is a simple product, it is marketed in a range of sizes from 'small pack' bottles (100 ml up to 10 litres) to 'bulk water' formats of 10 litres or more. These are sold through a variety of channels such as supermarkets, convenience stores, food service channels, wholesalers and

distributors (known as the **off-trade**) through to bars, restaurants, hotels and entertainment venues (collectively known as the **on-trade**). Larger formats are often delivered direct to homes and offices (HOD or Home and Office Delivery), or may be used in self-filling schemes.

⁴The industry still tends to divide European sales into 'West' and 'East' Europe. For the purposes of this analysis we have combined the data.



85%

**of small pack bottled
water is sold through
the off-trade**

1/3

**of total value of
small pack sales is
through the on-trade**

Around 85% of small pack bottled water is sold through the off-trade but bottled water sold through the 'on-trade' accounted for around a third of the value of total sales in 2015.⁵

Worldwide, small pack sales of 223 billion litres in 2015 made up about 60% of total packaged water sales. Asia Pacific and Europe are the largest markets by volume, followed by North America, Latin America, Africa and the Middle East.

Asia Pacific will deliver the fastest growth rates in coming years, driven by population growth, increasing affluence, health and convenience. The volume of small pack sales in Asia Pacific is projected to increase by an estimated 45% by 2020 with the value of sales up by 40%. The value of North American sales is projected to grow by 39% while Europe is a more mature market with a stable population, where volume growth is estimated to be 15.5% by 2020 with growth in value around 17%.

⁵Off-trade: supermarkets, convenience stores, food service channels, wholesalers and distributors. On-trade: cafés, bars, restaurants, hotels and entertainment venues.

Fig 1: Bottled Water Small Pack Volume (billion litres) 2010-2020

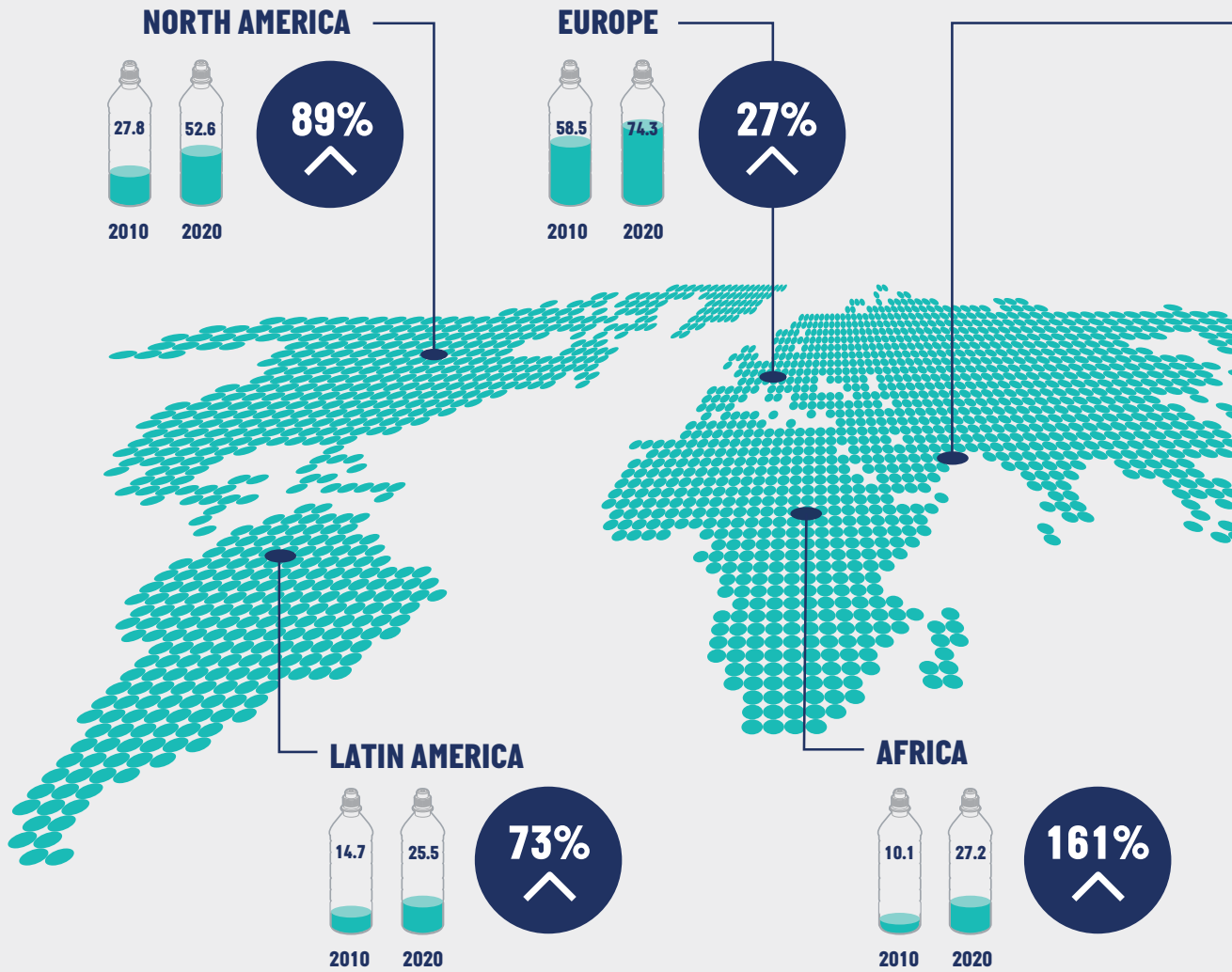
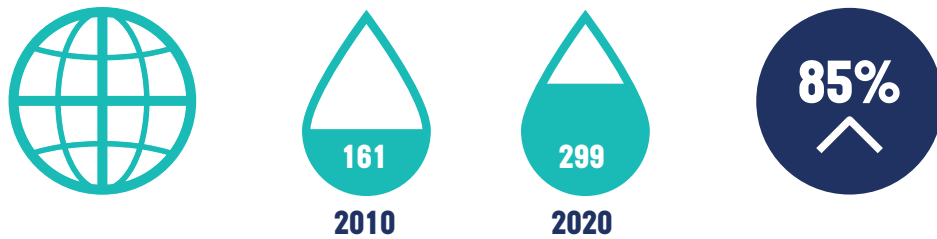
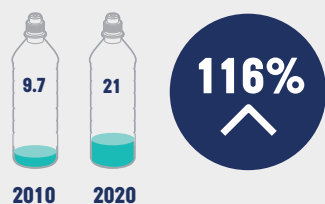


Fig 2. Total Bottled Water Small Pack Consumption (billion litres) 2010-2020

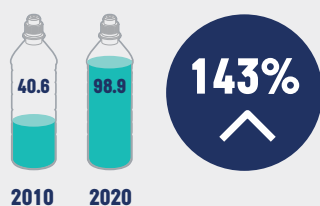


Source: futureau consulting limited based on industry sources rounded down to nearest decimal. For full data see Table 2

MIDDLE EAST



ASIA PACIFIC



Source: futureau consulting limited based on industry sources. See full data in Table 2



Table 2: Bottled Water Small Pack Volume and Value by Region, 2010-2020

	VOLUME (BILLION LITRES)			VALUE (US\$ BN)		
	2010	2015	2020	2010	2015	2020
ASIA PACIFIC	40.6	68.9	98.9	22.2	38.1	53.4
N AMERICA	27.8	37.8	52.6	20.8	34.0	47.4
EUROPE	58.5	64.3	74.3	39.2	38.5	45.1
L AMERICA	14.7	19.9	25.5	14.5	13.9	17.8
AFRICA	10.1	17.3	27.2	4.3	7.2	11.7
MIDDLE EAST	9.7	14.8	21.0	5.5	6.6	9.3
TOTAL	161.4	223.0	299.5	105.9	138.3	184.7

Source: futureau consulting limited based on industry sources

Turning to sales by country (Table 3), the USA and China top the tables in terms of total volume and value. However, analysis by price paid per litre (Table 4) reveals a very different picture.

Table 3: Bottled Water Small Pack Volume Ranked by Country, 2015

RANK	COUNTRY	VOLUME (BILLION LITRES)
1	USA	35.25
2	CHINA	30.90
3	GERMANY	14.53
4	ITALY	12.14
5	INDONESIA	10.00
6	INDIA	9.36
7	FRANCE	8.05
8	BRAZIL	7.90
9	SPAIN	5.92
10	NIGERIA	5.00
11	TURKEY	4.70
12	THAILAND	4.45
13	MEXICO	4.10
14	POLAND	3.77
15	RUSSIAN FED.	3.65
16	JAPAN	3.60
17	SAUDI ARABIA	3.60
18	ARGENTINA	3.20
19	CANADA	2.56
20	UK	2.50

Source: futureau consulting limited based on industry sources

Table 4: Small Pack Value per Litre Ranked by Country (off-trade), 2015

RANK	COUNTRY	US\$
1	NORWAY	2.00
2	FINLAND	1.70
3	SWEDEN	1.41
4	SINGAPORE	0.92
5	DENMARK	0.91
6	JAPAN	0.90
7	NEW ZEALAND	0.89
8	UK	0.80
9	HONG KONG	0.80
10	AUSTRALIA	0.78
11	IRELAND	0.75
12	USA	0.72
13	SWITZERLAND	0.70
14	TAIWAN	0.69
15	CHILE	0.64
16	ARGENTINA	0.63
17	BRAZIL	0.61
18	ANGOLA	0.60
19	SOUTH AFRICA	0.56
20	CHINA	0.55

Source: futureau consulting limited based on industry sources

Opportunities for revenue raising are not only to be found in high volume markets, but also in much smaller markets where the price per unit is higher, often significantly so. Where the price per litre paid is highest, a micro levy may be more readily absorbed by the value chain.

Small pack sales are the most likely focus for revenue raising for Water Unite. However, bulk water sales may also offer some opportunities. In this category, Asia Pacific also leads on total volumes.

Table 5: Volume of Bulk Water Sales Ranked by Country, 2015

RANK	COUNTRY	VOLUME (BN LITRES)
1	CHINA	45.00
2	MEXICO	23.4
3	INDONESIA	19.0
4	BRAZIL	11.2
5	INDIA	9.1
6	TURKEY	6.5
7	USA	5.2
8	SAUDI ARABIA	3.5
9	VIETNAM	2.9
10	PAKISTAN	2.5
	OTHER	24.7
	TOTAL	153.0

Per capita consumption and expenditure data put North America and Europe firmly at the top of the table of spending on bottled water. While average global consumption is a little over 51 litres per person per year at a cost of around \$22, North Americans and Western Europeans consume around 120 litres per person in total, spending a total of around \$100 and US\$75 respectively. [See Table 6 below.]



A micro-levy of 1 cent per litre on small pack sales of bottled water in North America or Western Europe would equate to a contribution of around US\$1 per person per year.

Source: futureau consulting limited based on industry sources

Table 6: Per Capita Consumption and Expenditure by Region, 2015

	CONSUMPTION PER CAPITA (LITRES)			EXPENDITURE PER CAPITA (US\$)		
	SML PACK	BULK	TOTAL	SML PACK	BULK	TOTAL
N AMERICA	104.7	16.9	121.6	94.11	5.68	99.79
EUROPE	80.7	4.7	85.4	48.36	1.27	49.63
L AMERICA	31.6	63.6	95.2	21.99	7.50	29.49
MIDDLE EAST	41.1	39.0	80.1	18.27	5.00	23.27
ASIA PACIFIC	17.1	21.4	38.5	9.43	2.92	12.35
AFRICA	15.0	1.9	16.9	6.29	0.30	6.59
GLOBAL AVERAGE	30.4	20.9	51.3	18.85	2.96	21.81

Source: futureau consulting limited based on industry sources



RAISING REVENUES FROM BOTTLED WATER

Analysis of different pack sizes, regional and national sales suggests that small pack is likely to be the most appropriate category for revenue raising for Water Unite. However, for Water Unite to operate effectively, it should generate a predictable and sustainable income stream, delivering growing revenues.

Revenue raising mechanisms need to be cost-effective, simple for companies and consumers to understand, pragmatic in the way they are applied and, ideally, have low or neutral impact on industry profits.

They should be widely recognised and applied - it would not be beneficial for mechanisms to become, at a brand level, competitive or used for product differentiation.

A VOLUNTARY CONTRIBUTION

In consultations with retailers, brand owners and food service operators, a pioneering group of companies has emerged that have indicated willingness to participate in Water Unite directly on the basis of an agreed contribution per litre on a specific category of sales. The companies are, in effect, prepared to make a small sacrifice on profit and loss to support the Water Unite initiative.

The advantages of this approach are:

- Easy to calculate
- Low cost to administer
- Easy to communicate to consumers
- Incremental in key markets where the category is growing

OTHER REVENUE RAISING MECHANISMS

Governments, municipal bodies and charities already benefit from funds raised from water production, distribution and sales. Some examples of existing mechanisms are presented here to illustrate methods that could be used to raise Water Unite revenues without causing major disruption, and adapted to suit different markets.⁶

Deposit systems operate in Germany, parts of Australia and the USA, and in many other countries to encourage recycling of plastic bottles. These typically add a few cents to the sale price, refundable on return of the container. A Water Unite contribution could be applied alongside the deposit.

Import tariffs are imposed on bottled water in Liberia, with no tariffs on locally bottled water. Such tariffs could be adapted in developing countries to raise revenues for WASH activities.

Export tariffs of US\$0.20 per litre are imposed on bottled water in Fiji, which raised US\$113 million in 2014.

Production and distribution taxes are applied in many countries. They are usually set at less than 1 cent per litre.

VAT or GST

Many jurisdictions apply Value Added Tax or General Sales Tax to consumer goods. Bottled water, classified as a soft drink, usually attracts a levy, although the bottled water industry has long pointed out the anomaly of charging GST on water, when 100% fruit juice, milk and flavoured milk attract zero-rating in some jurisdictions as “essential foods.” As sugar taxes and issues of health come to the fore, bottled water could attract a preferential or zero rating. Should that occur, some of the revenue ‘released’ could be redirected to Water Unite.

Water Unite does not seek to prescribe how a micro-contribution can be raised. Flexibility, choice and pragmatism will be essential both for the bottler and retailer or governing body. Conversations with bottlers and retailers indicate that if both want to support Water Unite, they will need to work together to avoid ‘double dipping’. Conversely, if a brand is sold in a retailer, but has not voluntarily donated, then the retailer may choose to do so on their behalf, either through margin reduction, price increases or some other trading mechanism.

A domestic income stream for WASH and the recycling value chain

It is anticipated that the majority of revenues raised by Water Unite, at least in the early years, will be from higher-income countries and deployed to support catalytic investments and other finance needs in developing countries. However, Water Unite could also support low and middle-income countries to create their own revenue streams from bottled water sales that are retained in country for WASH, waste recycling and related value chain investments and activities.

Recognising the critical role of national and municipal governments in the provision of water, sanitation and waste management services, Water Unite seeks to incentivise and complement government-led processes in developing countries to provide sustainable services to all.

⁶ For full details of existing mechanisms that could be adapted to include a Water Unite contribution, see future *Bottled Water: Analysis, opportunity, engagement* pp 18-22. www.giffwater.org



SMART INVESTMENTS, CHANGING LIVES

Between 1990 and 2015, 2.6 billion people gained access to improved drinking water sources and 2.1 billion gained access to improved sanitation. The Millennium Development Goal target of halving the proportion of people without access to improved sources of water was met 5 years ahead of the 2015 deadline. However meeting the MDG meant only that water was available within half a kilometre of a dwelling, did not require the water to be safe, nor did it have to be available 24/7.

Meanwhile the MDG for sanitation was not met. That goal only measured access to sanitation, not whether a household continued to use it. The ability to maintain a latrine or to sustain the desire to use a latrine was not measured.

While 91 per cent of the world's population now uses improved water sources, 663 million people do not, with progress varying between regions and between rural and urban populations.

Progress on sanitation is much slower. In 2015, 68 % of the global population was using an improved sanitation facility, [82 % urban, 51 % rural] with 2.4 billion in 2015 still lacking access to improved sanitation.

The new Sustainable Development Goal for water and sanitation aims much higher than MDGs. SDG 6 calls for continuous and equitable access to water and sanitation services, which means reaching everyone, including the poorest, with sustainable service provision all the time.

The difference in expense between taking the MDGs forward and meeting SDG 6 in full is stark. It is estimated to cost \$114 billion per year to reach Goal 6 by 2030 which is 4 times the cost of providing [but not necessarily maintaining] MDG-level access. \$114 billion is about four times the current sector investment which is estimated at \$28.4 billion [average] per year.⁷

**The new Sustainable
Development Goal for water
and sanitation aims much
higher than the MDGs**

\$114bn

**is the estimated cost
per year to reach
SDG 6 by 2030**

⁷See Lion's Head Global Partners *GIFFW: Assessing Financing Need in the Global WASH Sector and Identify the Most Efficient Structure for Disbursement* p.8. www.giffwater.org

This analysis suggests that, at very least, there is a need to quadruple current capital flows into the WASH⁸ sector.

In seeking additional funding sources, WASH lags behind sectors such as energy in terms of successful business models operating in low-income settings. Many water utilities operate with poor tariff collection rates, tariffs that are too low (or too high and have low uptake), consequently facing difficulties in gaining access to capital. While a sustainable business model does not have to be entirely self-financed (water and sanitation services often include some subsidies), there are relatively few examples of structures that demonstrate long-term, sustainable financial models.

Apart from the gap in the type and amount of funds available for sustainable WASH development, other issues identified by technical and development experts are the failure to think of WASH as a service, lack of local political prioritization around WASH provision, and a lack of local capacity in implementing sustainable service solutions both operationally and financially. In countries where these issues are most acute, lack of data often compounds the hurdles to be overcome, while a lack of transparency is an issue for decision makers and for potential investors.

2.4bn

people still lacked access to improved sanitation in 2015

⁸ WASH stands for water, sanitation and hygiene and is a commonly used acronym in the sector.



Photo: Penos Pictures

Photo: In Eritrea a mother helps her child to wash his hands after using the family toilet.

A NEW TYPE OF FINANCE FOR WATER AND SANITATION

In order to achieve sustainable service delivery in WASH, not only is there a need for increased amounts of funds, but also a diversification of the type of finance available.

The sector is currently dominated by donor aid and concessional capital, which, though vital, is risk averse and bound by very specific requirements, which do not fully align with the sector's needs.

Water and sanitation services have a high ratio of ongoing operating costs compared with capital expenditure, lengthy implementation timelines, with revenue streams restricted by the politics and affordability of tariffs. Capital expenditure investments alone are therefore insufficient. A holistic approach for the sector should aim to improve the overall system for delivering lasting services including appropriate regulation, coordination among stakeholder groups and better approaches to reach the poor, as well as appropriate finance.

Water Unite thus aims to provide the missing types of funding, including long term, risk-tolerant capital and grants for systems-strengthening, in order to tackle key areas currently lacking funding and to catalyze a sustainable approach to WASH. This type of funding will be complementary to the monies available from other sources, rather than duplicating what is already on offer.

Water Unite engagement criteria

In order to be able to support locally appropriate and innovative solutions, Water Unite will not be prescriptive in its disbursement policies, but be guided by a detailed set of Eligibility Criteria and Engagement Principles⁹. In summary, the requirements a project must meet in order to qualify for Water Unite financing are as follows:

- **Evidence of sustainability**
- **Evidence of direct or indirect impact on the poorest (bottom of the pyramid)**
- **Evidence of support from national/district/municipal government**
- **Additive solution able to leverage existing funding and partnerships**
- **Strength of team and partners**
- **Strength of replicability of the model**
- **Ability to measure outcomes and share knowledge**
- **Innovation in service delivery**
- **Models supportive of corrective action**

⁹ Ibid. pp 24-26

NO MORE BUSINESS AS USUAL

The new funds mobilised by Water Unite will not be maximised if deployed under 'business as usual' frameworks¹⁰. The purpose of Water Unite will be to provide a new source of flexible capital with a deeper understanding of systems strengthening and an increased risk appetite relative to what is available.

Water Unite aims to achieve maximum impact by concentrating on three categories of activities that are not well funded at present:

1. Systems Strengthening

Water Unite will invest in strengthening the local systems that can deliver reliable WASH services to the poor over the long run. This includes supporting governments to improve WASH planning and collection and use of data; sharing expertise on finance and financing options; and improving capacity on service delivery, tariffs and budgeting. In particular, systems strengthening calls for improving coordination among government, private sector, community groups and other stakeholders. This function is essential to successful service delivery but is rarely funded.

2. Market Support

Massive investments are needed to achieve the Global Goals for WASH. But the most appropriate source of financing for these investments, the local capital markets, are not yet broad or deep enough to meet these needs. Water Unite will help address this challenge of underdeveloped markets by taking risks others won't. For example, most water and sanitation project costs are local, and income from tariffs is received in local currency. But due to the weak local capital markets, the main source of long-term financing at present is development or commercial funding in hard currency (USD or EUR). To address this mismatch, Water Unite will provide a pool of capital for local currency hedging which will facilitate foreign investment, both public and private, in WASH services while also building up local capital markets over time.

3. Transaction Support

By providing access to capital with high risk-tolerance and a long time horizon, Water Unite can support pioneering at-scale transactions that deliver sustainable WASH services. These transactions will not just fund direct service delivery because Water Unite will prioritize innovations with the potential to be replicated in other places. By providing risk tolerant, patient capital, Water Unite will fill a crucial financing gap for both private and public entities and provide the market with precedent transactions.



Water Unite's definition of success:

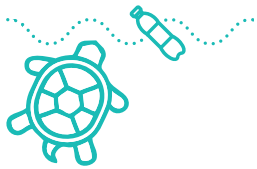
"Enabling the development of sustainable WASH services at scale that are able to become independent of aid within a 10-15 year period by relying on sustainable revenue streams"

¹⁰Ibid. p3



PUTTING A HALT TO PLASTIC POLLUTION

Plastic has quickly become one of the world's biggest problems. The oceans have become a dumping ground, endangering marine life and introducing plastic into the food chain. Whilst in cities, landfill sites are growing and plastic waste is breeding disease.



>51tn

estimated number of microplastic particles littering the ocean

Water Unite looks to address this by investing a proportion of its funds in initiatives that enable the private sector to develop and implement market-driven solutions to plastics pollution in middle and low-income countries around the world. At the same time, we will look at supporting all stakeholders in the plastic industry value chain to ensure that no one is left behind.

Reducing our impact on the environment through the management of plastic waste is of paramount importance to us. Water Unite's model has the potential to contribute to

reduction of plastic waste by investing a proportion of micro-donations into existing or future recycling and deposit schemes. This is why we are currently working on creating better plastic recovery and management schemes and facilities for turning plastic into an income stream for the communities in developing countries, where the issue is more pressing. In our model of a circular economy, we expect to see good quality plastic returned back to the food sector and poor quality material recycled and reused industrially. Helping to realise the value plastic plays as an income source.

INVESTING IN A CIRCULAR ECONOMY

We recognize that plastic pollution is a global problem. Investing in solutions in developed countries with efficient waste management systems will not necessarily lead to major reductions in overall plastic pollution.

Part of the funds raised by Water Unite will be invested into initiatives to facilitate the Three R's - Reduce, Reuse and Recycle of plastic bottles. These may include supporting deposit return schemes or recycling facilities in the countries where it operates. Moving away from the current take-make-dispose industrial model, to introduce a circular economy, will redefine growth and focus on positive society-wide benefits.

These investments will also follow the Water Unite Eligibility Criteria and Engagement Principles ¹¹.

¹¹ Ibid. p18





FROM PIONEERING PARTNERS TO A NEW GLOBAL STANDARD

It is anticipated that Water Unite will come to life in two key phases – first in a select number of countries with the support of a pioneering group of bottlers and retailers, governments and NGO partners. Having demonstrated proof of concept, Water Unite will then seek to become embedded across the bottled water industry, with participation becoming the norm among brand owners, retailers and consumers.



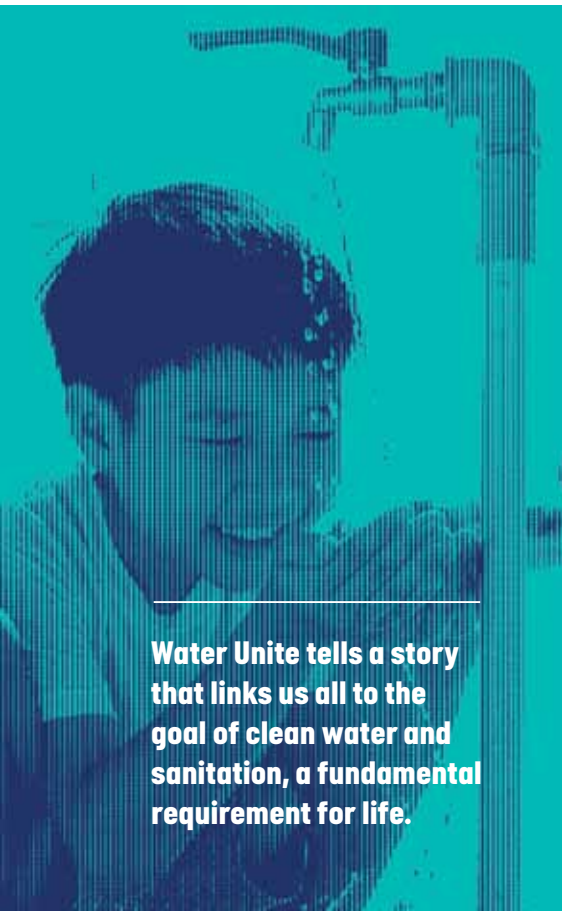
>8bn

**projected global
population
by 2030**

With the global population projected to grow beyond 8 billion by 2030, the demand for bottled water is not slowing. Tapping into this expanding demand can potentially generate many hundreds of millions of dollars to help end water poverty and halt plastic pollution.

The bottled water industry, retailers, food service operators and consumers have a vital and self-evident role to play in realising these ambitions, a role that a gratifyingly high number appear willing and able to play.

Water Unite's greatest strength is that it represents a direct and tangible way in which the private sector and individual consumers can contribute to making SDGs 6, 12 and 14 a reality. In doing so, giving millions of people access to safe, clean water and sanitation as well as building a circular economy for plastic.



**Water Unite tells a story
that links us all to the
goal of clean water and
sanitation, a fundamental
requirement for life.**

ENGAGING CONSUMERS AND CUSTOMERS

Water Unite may be a funding mechanism, but its foundations are our shared human need for clean water, dignity, safety and health.

Everyone can play a part in the Water Unite story. Consumers who choose to buy bottled water from participating brands will know that they are helping the poorest people in the world gain access to sustainable water and sanitation services.

Water Unite will also promote efforts toward a global approach to reducing plastic pollution, including through recycling programmes and other approaches to reducing plastic bottle waste and helping to protect the environment. Public awareness

of the dangers caused by plastic pollution have never been higher. Many consumers may also appreciate Water Unite's determination to reduce developing countries' reliance on international aid by helping to finance sustainable, lasting solutions.

Over time, the Water Unite story will speak to consumers in developing countries, especially the poorest, who lack access to services and often pay much more for water as a proportion of income than those on middle or higher incomes. And Water Unite will address the concerns of those who have been reluctant to pay more because the service is unreliable, supporting local and national institutions to deliver those services more effectively.

ANNEX 1 – WATER BOTTLERS AND BRANDS

Table 7: Leading Bottled Water Companies by Volume, 2015

The four leading global players – Nestlé, Danone, Coca-Cola and PepsiCo – account for around a quarter of volume and around 30% of value in small pack water sales. Behind them in the Top 12 are a quintet of Chinese companies and three other suppliers: Niagara (USA) which is the principal supplier to own labels in North America; Roxane, with its Cristaline brand in France and extensive private label interests elsewhere; and San Benedetto, a leading player in Italy, Spain and Poland.

Nestlé Waters' sales in 2015 were more than 30 billion litres. Brands include Nestlé Pure Life, sold in more than 40 countries, San Pellegrino, Perrier, Vittel, Poland Springs and Ozarka. Bulk formats make up around 20% of sales.

Danone Waters' sales in 2015 were around 26 billion litres (and closer to 29 billion litres if its 'water plus'¹¹ portfolio is added). Danone's largest brands are Aqua (Indonesia), Bonafont (Mexico) and its Chinese bottled water portfolio. Danone owns Evian and Volvic, which are exported from France. Bulk water represents around 50% of sales volume.

RANK	COMPANY	BASED	VOLUME (BN LITRES)		
			SML PACK	BULK	ALL
1	NESTLÉ WATERS	FRANCE	24.5	6.0	30.5
2	DANONE WATERS	FRANCE	13.0	13.0	26.0
3	COCA-COLA	USA	16.0	5.0	21.0
4	PEPSICO	USA	5.5	5.0	10.5
5	HUA RUN	CHINA	4.0	3.0	7.0
6	NIAGARA	USA	7.0	-	7.0
7	NONG FU SHAN QUAN	CHINA	3.8	1.2	5.0
8	TINGYI	CHINA	4.5	-	4.5
9	WAHAHA	CHINA	2.5	2.0	4.5
10	ROXANE	FRANCE	3.5	-	3.5
11	SAN BENEDETTO	ITALY	2.7	-	2.7
12	GANTEN	CHINA	2.2	0.5	2.7

Source: futureau consulting limited based on industry sources

Across the Coca-Cola system¹² packaged water sales in 2015 totalled around 21 billion litres – more than 22.5 billion litres when water plus is added. Coca-Cola has Ciel (Mexico), Bonaqua, Dasani and smartwater among its international brands. Around 20% of sales are in bulk formats.

Across the PepsiCo system, 2015 packaged water sales totalled around 10.5 billion litres, with bulk water making up about 40% of volume. PepsiCo's Aquafina is a multi-market brand.

¹¹ Water plus products are flavoured waters or waters where a functional ingredient (e.g. vitamin) has been added. Water plus figures are not included in the definitions within this report.

¹² The sales attributed to Coca-Cola and PepsiCo are system-wide – i.e. they include company brands owned and bottled by the company, company brands owned and bottled by the company's bottlers and brands owned by the bottlers.

ANNEX 2 – RETAILERS

Table 8: Top 20 Grocery Retailers*, 2015

The top six global retailers in 2015 had a combined turnover of more than US\$1 trillion from all activities and most are multi-country operators. Almost all retailers offer own-label or private label bottled water products and for many this is a fast-growing category.

For Water Unite these retailers offer an opportunity for global reach at considerable scale – as do key bottlers active in similar markets.

	COUNTRY OF ORIGIN	NO. COUNTRIES OF OPERATION
WALMART	USA	28
COSTCO	USA	10
KROGER	USA	1
SCHWARZ	GERMANY	26
TESCO	UK	13
CARREFOUR	FRANCE	34
ALDI	GERMANY	17
METRO	GERMANY	32
WALGREENS	USA	2
TARGET	USA	1
AUCHAN	FRANCE	13
CVS	USA	3
CASINO	FRANCE	29
AEON	JAPAN	11
EDEKA	GERMANY	1
SEVEN & I	JAPAN	18
REWE	GERMANY	11
WOOLWORTH'S	AUSTRALIA	2
LECLERC	FRANCE	7
WESFARMERS	AUSTRALIA	2

* ranking of retailers with grocery interests

Source: Deloitte

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