

Water, Water. Everywhere?

COP27 will clarify the links between water risk and climate change. How are asset managers responding?

Morningstar Manager Research

4 November 2022

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Executive Summary

"Global water use has increased by a factor of six over the past 100 years and continues to grow steadily at a rate of about 1% per year," according to a 2020 study by the United Nations¹. It also states that "the world could face a 40% global water deficit by 2030 under a business-as-usual scenario."

In light of this, investors have recently started to pay greater attention to water as an investment risk, and in August, a group of 64 organizations, including asset managers and asset owners, representing USD 10 trillion of assets, set up the Valuing Water Finance Initiative, or VWFI. Similar to what Climate Action 100+ aims to achieve on climate change, the VWFI aims to engage with many of the most water-intensive companies to drive change and protect water systems.

There couldn't have been a more opportune time to create the VWFI, ahead of the COP27 climate conference in Egypt — a part of the world with ever-present water-related risks. We expect that COP27 will clarify the links between water risk and climate change and at the same time set an important context for asset managers' active ownership activities related to water in 2023 and beyond, in the same way that COP26 did for climate.

This paper examines the key business risks and the policies and active ownership initiatives implemented by asset managers that focus on water.

Key Takeaways

- ▶ Asset managers are increasingly targeting their engagement with companies in sectors highly exposed to water-related risks, such as materials, utilities, energy, and consumer staples. The Valuing Water Finance Initiative, which targets 72 companies, is an important development.
- ▶ It is rare to find voting and engagement policies targeting water specifically as a theme, but some managers offer a degree of detail on the topic. We identified eight asset managers who do: AllianceBernstein, BNP Paribas, Boston Trust Walden, Calvert, LGIM, Robeco, Schroders, and UBS.
- ▶ These managers' policies generally request disclosures from companies on material water-related risks and support shareholder proposals requesting such disclosure. Some managers — notably Boston Trust Walden and Calvert — also seek to ensure that company policies on water use and efficiency are socially and environmentally responsible.

¹ The United Nations World Water Development Report 2020, p. 22

COP27, Climate, and Water Risk

"The chronic threat of climate change isn't going away. You've seen the impacts of that this summer ... This summer, we had the worst drought in 500 years in Europe, the worst drought in 1,000 years in the U.S., and the worst drought ever in China."—Alok Sharma, COP26 president

This quote is one of the key comments I took away from a [talk with Alok Sharma](#) that I recently attended. He reflected on what was achieved at the COP26 Climate Conference last year in Glasgow and what still needed to be done as we head into COP27, which is taking place in Sharm-El Sheikh, Egypt, in early November. While COP26 was the first such conference to make an explicit link between climate change and nature loss, it is clear—given the unprecedented heat and drought conditions seen across the world this year—that risks to water supply are becoming front-of-mind issues for businesses, investors, and policymakers.

Many are referring to COP27 as the "Implementation COP" as the focus moves away from the Glasgow negotiations toward the specific actions that governments need to take to combat climate change and other connected risks such as water supply. With the conference being held in Egypt—a part of the world with ever-present water-related risks—we expect that COP27 will set an important context for asset managers' active ownership activities related to water in 2023 and beyond, in the same way that COP26 did for climate. It will also set an important foundation for the [UN 2023 Water Conference](#) scheduled to be held in New York next March.

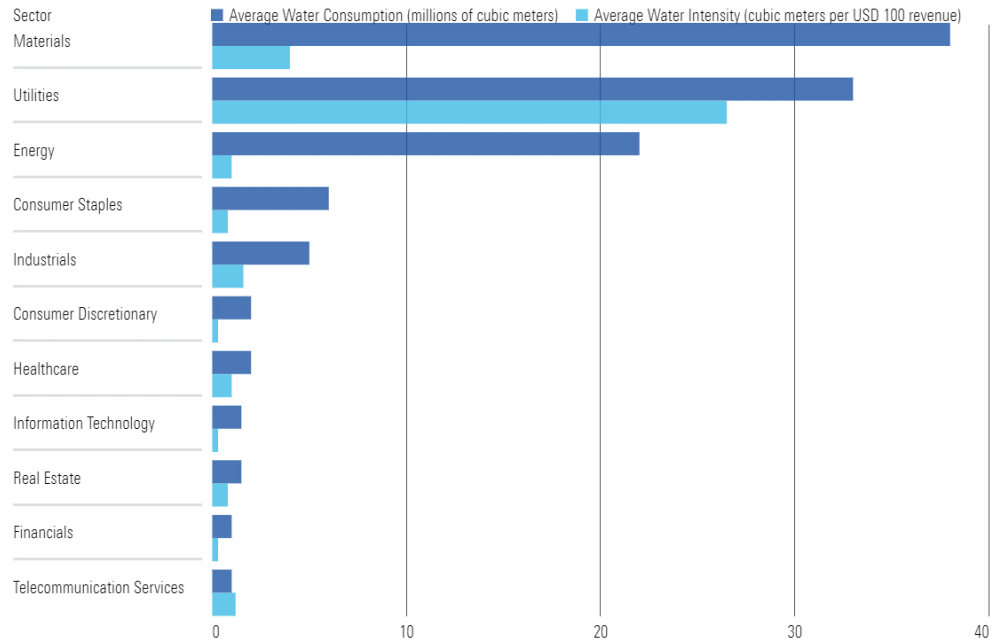
Water as an Investment and Business Theme

From a social perspective, much of the focus on water-related risks relates to the [United Nations Sustainable Development Goals](#), particularly Goal 6: Clean Water and Sanitation. However, most of the world's water is used for other, industrial purposes, and asset managers tend to focus on these aspects. The energy, utilities, materials, consumer staples, and industrials sectors are all particularly heavy water-users, as Exhibit 1 below shows.²

For overall water consumption, the materials sector is the top consumer, driven by high-water-demanding steel producers and mining companies, with utilities in second place and energy in third place. Utilities take a clear first place for water intensity, as water is necessary for many electricity-generating activities. Materials and industrials are in second and third place, respectively.

Clearly, there is high demand for water resources in sectors with a strong capital market presence and where asset managers have strong influence.

² For further information, see Morningstar Sustainability's March 2022 research paper "[Water-Related Risks and Challenges](#)."

Exhibit 1 Water Use and Water Intensity by Sector

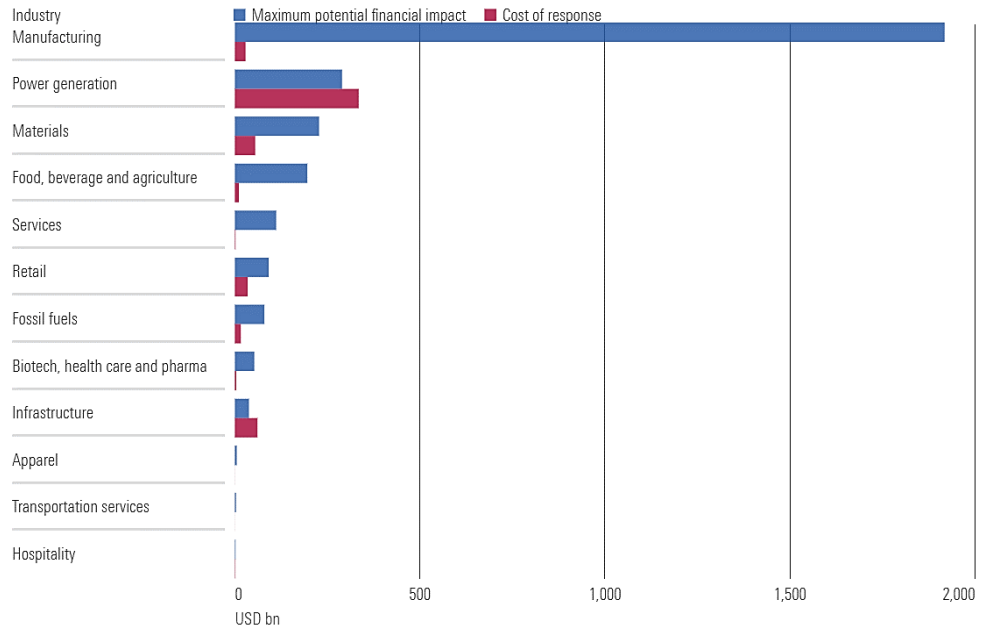
Source: Morningstar Sustainalytics. Data as of March 18, 2022.

Furthermore, in several industries, the maximum potential financial impact from water-related risks is higher than the cost of mitigation, according to [2020 data](#) from environment-reporting specialist CDP, shown in Exhibits 2 and 3 below.

Mitigation measures that businesses could undertake include setting organizationwide water targets, prioritizing investments in water-efficient technology and waste reduction in current and potential water-stressed locations. This could include installing water storage, reducing leaks, and using technology to reduce the water intensity of industrial processes. It could also include upgrading plant and equipment to minimize discharges into freshwater sources. Companies may need to raise capital or reduce cash distributions to shareholders in the short term to make such investments.

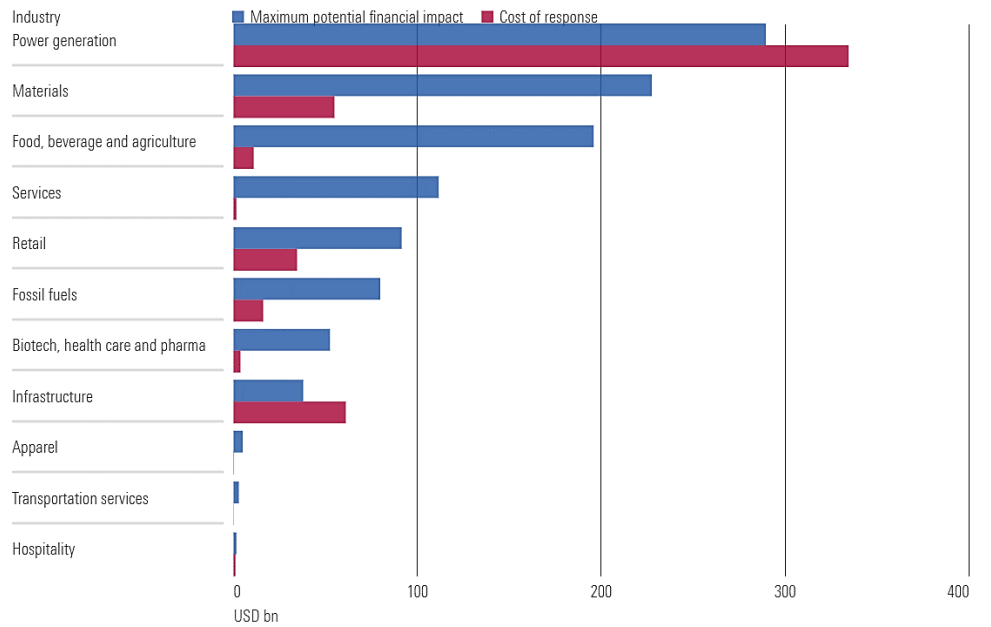
The data shows that in most industries, except for power generation and infrastructure, the cost of responding to water-related risks would be lower than the maximum potential negative financial impact (although the maximum potential impact isn't the most probable outcome). On this basis, manufacturing is the industry most exposed to this risk by a considerable distance, with a maximum potential financial impact of over USD 1,900 billion. Power generation, materials, food and beverage, and agriculture would be less impacted but also quite heavily exposed, with maximum potential financial impacts of around USD 200 million to USD 300 billion, according to CDP.

Exhibit 2 Water-Related Risks: Potential Impact and Cost of Response



Source: CDP Global Water Report 2020.

Exhibit 3 Water-Related Risks: Potential Impact and Cost of Response (Excluding Manufacturing)



Source: CDP Global Water Report 2020.

In light of this, asset managers increasingly recognize the need to engage with companies in those sectors as well as public policy advocacy to influence those who are involved in regulatory priorities — including climate plans, which have a strong link to preservation of water resources.

Active Ownership Initiatives

The [Valuing Water Finance Initiative](#) was launched in August this year to address water-related risks in investing. The 64 VWFI signatories have almost USD 10 trillion of assets under management. The initiative aims to "engage companies with a high water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems."

VWFI is currently targeting [72 companies](#) for engagement, most of which are in the food and beverage, apparel, and technology industries. And so far, 26 asset managers have signed the VWFI, ranging from large global managers like DWS, Fidelity International, and Franklin Templeton to water-investment specialists like Thomas Schumann and Water Asset Management.

Exhibit 4 Asset Manager Signatories to the Valuing Water Finance Initiative

Asset Manager	Country
A.S.R. Asset Management	Netherlands
Achmea Investment Management	Netherlands
ACTIAM	Netherlands
Aviva Investors	United Kingdom
Boston Common Asset Management	United States
Christian Brothers Investment Services	United States
Dana Investment Advisors	United States
DNB Asset Management	Norway
DWS Investment GmbH	Germany
Federated Hermes	United States
Fidelity International	United Kingdom
Franklin Templeton	United States
Impax Asset Management	United Kingdom
KBI Global Investors	Ireland
Lombard Odier	Switzerland
Man Group	United Kingdom
Manulife Investment Management	Canada
PGGM	Netherlands
Pictet Group	Switzerland
SEB Investment Management	Sweden
Sumitomo Mitsui Trust Asset Management	Japan
Sustainable Insight Capital Management	United Kingdom
Terra Alpha Investments	United States
Thomas Schumann Capital	United States
UOB Asset Management	Singapore
Water Asset Management	United States

Source: Ceres. Data as of Oct. 18, 2022.

The VWFI is coordinated by shareholder engagement group Ceres, which also plays a key role in the [Climate Action 100+](#) collaborative engagement initiative. The group outlines [six corporate expectations](#), which we have listed in Exhibit 5. These expectations are aligned with Goal 6 of the U.N. SDGs—and the [CEO Water Mandate](#) of the [U.N. Global Compact](#), which sets principles for corporate sustainability.

Exhibit 5 The Valuing Water Corporate Expectations

#	Expectation	Description
1	Water Quantity	Companies do not negatively impact water availability in water-scarce areas across their value chain.
2	Water Quality	Companies do not negatively impact water quality across their value chain.
3	Ecosystem Protection	Companies do not contribute to the conversion of natural ecosystems critical to freshwater supplies and aquatic biodiversity and actively work to restore degraded habitats that their businesses depend upon.
4	Access to Water and Sanitation	Companies contribute to the social, economic, and ecological resilience of communities they interact with by contributing to achieving universal and equitable access to water, sanitation, and hygiene (WASH) across their value chain.
5	Board Oversight	Corporate boards and senior management oversee water management efforts.
6	Public Policy Engagement	Companies ensure that all public policy engagement and lobbying activities are aligned with sustainable water resource management outcomes.

Source: Ceres. Data as of Oct. 18, 2022.

Summary of Asset Managers' Water-Related Policies

The VWFI's focus on engagement and public policy advocacy is well-aligned with Morningstar's approach to assessing asset managers' [ESG Commitment Level](#). We reviewed the policies of the 25 asset managers assigned the highest two ESG Commitment Level ratings—Leader and Advanced—to determine the role water plays in their active ownership approach. (See Appendix 2 for further details, sources, and relevant extracts from the asset managers' documentation.)

We found substantive comments on water-related sustainability approaches by eight of the 25 managers. (Morningstar ESG Commitment Level ratings are shown in parentheses.)

- ▶ AllianceBernstein (Advanced)
- ▶ BNP Paribas Asset Management (Advanced)
- ▶ Boston Trust Walden (Leader)
- ▶ Calvert Research and Management (Leader)
- ▶ LGIM (Advanced)
- ▶ Robeco (Leader)
- ▶ Schroders (Advanced)
- ▶ UBS Asset Management (Advanced)

Three key themes emerged from our analysis:

- ▶ Water as part of a holistic environmental approach
- ▶ Encouraging better corporate reporting and clearer policies
- ▶ Support for shareholder resolutions addressing water-related risks.

Water as Part of a Holistic Environmental Approach

Several managers indicate that their active ownership approach incorporates "water-related risks [as] an important issue with a number of environmental and social implications," as Robeco puts it, with a clear link to material financial risks a company may face. For example, Schrodgers' ESG policy states:

"Water is critical to human and ecosystem health, necessary in many industrial processes, indispensable in food and energy production, an important vehicle for disposing of wastes, and integral to many forms of recreation ... Understanding and managing water risk may be fundamental to a company's ability to continue as a going concern. As a result, the water intensity of companies' operations, scarcity in the regions in which they operate and their strategies to manage their use all feature in our ESG analysis of companies. We also engage companies on water risk."

Along similar lines, Calvert mentions:

"As investors, we also believe that over the long-term stable ecosystems are necessary to sustain capital markets and economic growth."

While it is rare to see water risk commented on extensively in asset managers' active ownership policies, it is often referred to as part of their overall approach to environmental issues, particularly with a link to biodiversity and deforestation themes. Examples include policies by AllianceBernstein, BNP Paribas, Calvert, LGIM, Schrodgers, and UBS.

We did not find any current examples of asset managers drawing a clear link between their approaches to climate change and water risk. Given recent climate-related water shortages occurring globally in 2022, we can expect that managers' thinking on these issues will develop further after COP27 and that this development will be reflected in their policy updates for 2023.

Encouraging Better Corporate Reporting and Clearer Policies

All eight asset managers express support for companies' efforts to improve their practices and reporting on water-related risks. Here are some of their comments on expected business practices:

"Companies should be aware of their exposure to water- and deforestation-related risks and develop appropriate mitigation strategies. Depending on the company's exposure to water stressed areas, we want companies to track fresh water use and quality, set ambitious reduction and recycling targets, and appropriately manage conflicts with local stakeholders concerning fresh water resources." — Robeco

"We expect that companies will develop robust environmental management systems; implement business strategies that anticipate risks and opportunities related to growing expectations for corporate environmental sustainability, and set quantitative targets for reducing environmental impacts from operations and supply chains. Companies should pay particular attention to their impact on [water]." — Calvert

"Companies should analyze risks associated with business operations that might affect: water stressed areas; the possible impacts of changing water systems on their ability to operate; the impact of company operations on water quality or availability; consider the company's impacts on marine life and ecosystems; and explore ways of increasing access to water, especially among economically disadvantaged populations. Companies in water-intensive industries, including the food products, paper and semiconductor industries, should consider improving their water efficiency or water re-use." — Calvert

"Desired long-term outcomes: Implement a water stewardship strategy including efforts and targets to reduce water consumption and manage wastewater treatment." — Schroders

The asset managers who mention their reporting expectations tend to emphasize that it is important for companies in high-impact industries to report on "key impacts and dependencies."

"We expect companies to assess and report on key impacts and dependencies on nature, beginning with companies in high impact sectors, and with a priority focus on deforestation and water-related issues." — BNP Paribas

"For sectors where it is material, we strongly encourage companies to report via the CDP Water and Forest questionnaires." — LGIM

"Desired long-term outcomes: . . . Disclose operations in water stressed areas." — Schroders

In addition to the above, Boston Trust Walden's voting policy focuses on hydraulic fracturing (also known as *fracking*) in the oil and gas industry as an important source of risks related to wastewater and groundwater supplies.

Support for Shareholder Resolutions Addressing Water-Related Risks

Water-related voting policies outlined by the eight asset managers focus on shareholder resolutions requesting additional reporting on material risks. Several of these managers express general support for shareholder proposals requesting improved disclosure on water, alongside other environmental and social themes.

"In line with our voting policies, we will vote on shareholder resolutions related to biodiversity. To date, such resolutions have typically referred to deforestation, packaging and pollution, water usage, and pesticides." — LGIM

"These [shareholder] proposals can include reporting and policy adoption requests in a wide variety of areas, including, but not limited to, (nuclear) waste, deforestation, packaging and recycling, renewable energy, toxic material, palm oil and water. We generally support shareholder proposals calling for reports and disclosure while taking into account existing policies and procedures of the company and whether the proposed information is of added benefit to shareholders."—AllianceBernstein

"We may vote in favor of proposals put forward by shareholders that seek to promote good corporate citizenship and environmental stewardship, while enhancing long-term shareholder and stakeholder value. Such proposals might refer to, but are not limited to, sustainability disclosure, human capital management, diversity, supply chain's labor standards, bribery and corruption, climate change, water and deforestation."—UBS

Boston Trust Walden and Calvert go a step further on their voting recommendations by also supporting proposals for companies to adopt socially and environmentally responsible water policies. Calvert's policy also specifically targets high-impact sectors.

"Boston Trust Walden Recommendation: Vote for shareholder proposals seeking the preparation of a report on a company's risks linked to water use... Vote for shareholder proposals requesting that companies report on or adopt policies for water use that incorporate social and environmental factors."—Boston Trust Walden

"Calvert ordinarily will support proposals seeking improved management and reporting of a company's risks linked to pollution of air, water, land or other ecological systems;... support proposals seeking the preparation of a report on a company's risks linked to water use or impacts to water, including but not limited to the company's impact on water quality, availability, and accessibility; support proposals seeking the adoption of programs and policies that enhance equitable access to affordable safe drinking water and sanitation."—Calvert

"Support [for] proposals seeking improvements in water efficiency or water re-use for companies in water-intensive industries, including the food products, paper and semiconductor industries."—Calvert



Appendix 1: Water-Related Social Factors of Interest to Asset Managers

The United Nations Sustainable Development Goals have been a key driver of investor interest in water. The 17 U.N. SDGs were adopted in 2015 by all United Nations member states, with a target of achieving them by 2030. They provide a globally accepted framework for advancing social benefits like reducing poverty, hunger, and inequality; improvements in health, education, and economic growth; and combating climate change and nature loss. As a result, asset managers frequently refer to the U.N. SDGs when setting and reporting on their sustainable- and impact-investing objectives.

While water supply is essential to most of the SDGs, it is addressed specifically in [SDG 6: Clean Water and Sanitation](#). As shown in Exhibit 6 below, SDG 6 comprises eight targets and 11 indicators, most of which focus on providing clean drinking water and sanitation, and protection of water sources. These responsibilities generally are within the purview of governments. However, Targets 6.2 and 6.3 place a specific focus on responsible wastewater treatment, water-use efficiency, and reducing water withdrawals in stressed areas — all themes in which companies play a significant role.

Studies demonstrate a clear case for investing in water, both from a social and a financial perspective. A recent [study](#) by asset manager M&G highlights World Health Organization data stating that for "every \$1 invested in sanitation, the return was \$5.50 in lower health costs, higher productivity, and fewer premature deaths."

However, the study also laments the lack of progress toward achieving SDG 6 by 2030, encouraging greater investor participation in financing water, sanitation and hygiene infrastructure.

Exhibit 6 SDG 6: Clean Water and Sanitation—Targets and Indicators

Target	Description	Indicators
6.1	By 2030, achieve universal and equitable access to safe and affordable drinking water for all.	6.1.1: Proportion of population using safely managed drinking water services.
6.2	By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.	6.2.1: Proportion of population using: (a) safely managed sanitation services; and (b) a hand-washing facility with soap and water.
6.3	By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.	6.3.1: Proportion of domestic and industrial wastewater flows safely treated. 6.3.2: Proportion of bodies of water with good ambient water quality.
6.4	By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	6.4.1: Change in water-use efficiency over time. 6.4.2: Level of water stress: freshwater withdrawal as a proportion of available freshwater resources.
6.5	By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.	6.5.1: Degree of integrated water resources management. 6.5.2: Proportion of transboundary basin area with an operational arrangement for water cooperation.
6.6	By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.	6.6.1: Change in the extent of water-related ecosystems over time.
6.a	By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programs, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.	6.a.1: Amount of water- and sanitation-related official development assistance that is part of a government-coordinated spending plan.
6.b	Support and strengthen the participation of local communities in improving water and sanitation management.	6.b.1: Proportion of local administrative units with established and operational policies and procedures for participation of local communities in water and sanitation management.

Source: UN.org.

Appendix 2: Extracts From Asset Managers' Documents

In this research paper, we reviewed proxy-voting policies, and other publications and disclosures, by asset managers with significant fund allocations to equities, and which have been assigned one of the two highest Morningstar ESG Commitment Level ratings (Leader and Advanced).

Exhibit 7 Asset Managers Reviewed for This Study

Asset Manager	Country	ESG Commitment Level	Published Water-Related Policies?	Sources Reviewed
Affirmative	Australia	Leader	No	Responsible Investment Policy, December 2021
Australian Ethical	Australia	Leader	No	Proxy Voting Policy, September 2021
Boston Trust Walden	United States	Leader	Yes	Proxy Voting Guidelines, February 2022
Calvert	United States	Leader	Yes	Proxy Voting Guidelines, March 2022
Impax	United Kingdom	Leader	No	Proxy Voting Policy, April 2022
Parnassus	United States	Leader	No	Proxy Voting Policies and Procedures, July 2020
Robeco	Netherlands	Leader	Yes	Stewardship Policy, November 2022
Stewart Investors	Australia	Leader	No	Stewardship and Corporate Engagement Disclosure Statement, October 2022
AllianceBernstein	United States	Advanced	Yes	Proxy Voting and Governance Policy, March 2022
Amana (Saturna Capital)	United States	Advanced	No	Investment Stewardship and Proxy Voting, June 2022
Alphinity	Australia	Advanced	No	Alphinity's Approach to Responsible Investment, June 2020
Amundi	France	Advanced	No	Voting Policy, February 2022
AXA	France	Advanced	No	Corporate Governance and Voting Policy, February 2022
BNP Paribas	France	Advanced	Yes	Governance and Voting Policy, March 2022
Candriam	Luxembourg	Advanced	No	Proxy Voting Policy, December 2021
HSBC	United Kingdom	Advanced	No	Asset Management Voting Guidelines, June 2022
Generation	United Kingdom	Advanced	No	Stewardship Report, April 2022
Jupiter	United Kingdom	Advanced	No	Annual Stewardship Report, April 2022
Nuveen/TIAA	United States	Advanced	No	Responsible Investing at Nuveen, June 30, 2022
Royal London	United Kingdom	Advanced	No	Voting Policy UK, February 2022
LGIM	United Kingdom	Advanced	Yes	Global Voting Policy (Ex-UK), January 2022 Global Corporate Governance and Responsible Investment Principles, April 2022 Policy on Biodiversity, November 2021
Schroders	United Kingdom	Advanced	Yes	ESG Policy for Listed Assets, May 2022 Engagement Blueprint, February 2022
UBS	Switzerland	Advanced	Yes	Proxy Voting Summary Policy and Procedures, March 2022³
Unigestion	Switzerland	Advanced	No	Proxy Voting Policy, May 2020

Source: Morningstar research, asset managers' websites.

Extracts from these asset managers' policy documents relating to how managers consider water-use and water-risk issues can be found below. Quotes have been edited for clarity.

³ This document, previously available at [this URL](#), was unavailable at the time of publication.

ESG Commitment Level: Leader**Boston Trust Walden**

"8c-8. Water Use: Shareholders may ask for a company to prepare a report evaluating the business risks linked to water use and impacts on the company's supply chain, including subsidiaries and bottling partners. Such proposals also ask companies to disclose current policies and procedures for mitigating the impact of operations on local communities in areas of water scarcity."

"Boston Trust Walden Recommendation: Vote for shareholder proposals seeking the preparation of a report on a company's risks linked to water use. Vote for resolutions requesting companies to promote the "human right to water" as articulated by the United Nations. Vote for shareholder proposals requesting that companies report on or adopt policies for water use that incorporate social and environmental factors."

"8c-6. Hydraulic Fracturing: Shareholder proponents have elevated concerns on the use of hydraulic fracturing, an increasingly controversial process in which water, sand, and a mix of chemicals are blasted horizontally into tight layers of shale rock to extract natural gas. As this practice has gained more widespread use, environmentalists have raised concerns that the chemicals mixed with sand and water to aid the fracturing process can contaminate ground water supplies. Proponents of resolutions at companies that employ hydraulic fracturing are also concerned that wastewater produced by the process could overload the waste treatment plants to which it is shipped. Shareholders have asked companies that utilize hydraulic fracturing to report on the environmental impact of the practice, to disclose policies aimed at reducing hazards from the process, and to adopt best practices.

Boston Trust Walden Recommendation: Vote for requests seeking greater transparency on the practice of hydraulic fracturing and its associated risks."

Calvert Research and Management

"Environment: All economic activities affect, and in turn depend on, the natural environment. Physical changes in ecosystems, the associated effects on human health and the availability of natural resources, and national and international efforts to mitigate environmental harm will have a profound impact on corporate and investor outcomes. We believe that, over time, the market will reward companies whose strategies and operations continually progress towards minimal negative or beneficial environmental impact. As investors, we also believe that over the long-term stable ecosystems are necessary to sustain capital markets and economic growth. We expect that companies will develop robust environmental management systems; implement business strategies that anticipate risks and opportunities related to growing expectations for corporate environmental sustainability, and set quantitative targets for reducing environmental impacts from operations and supply chains. Companies should pay particular attention to their impact on... Water: Companies should analyze risks associated with business operations that might affect: water stressed areas; the possible impacts of changing water systems on their ability to operate; the impact of company operations on water quality or availability; consider the company's impacts on marine life and ecosystems; and explore ways of increasing access to water, especially among economically disadvantaged populations. Companies in water-intensive industries,

including the food products, paper and semiconductor industries, should consider improving their water efficiency or water re-use."

"In voting on proposals relating to the foregoing environmental matters, Calvert ordinarily will support proposals seeking improved management and reporting of a company's risks linked to pollution of air, water, land or other ecological systems; ... support proposals seeking the preparation of a report on a company's risks linked to water use or impacts to water, including but not limited to the company's impact on water quality, availability, and accessibility; support proposals seeking the adoption of programs and policies that enhance equitable access to affordable safe drinking water and sanitation. support proposals seeking improved management of water in industrial or agricultural operations and supply chains; support proposals asking for improved management and reporting of marine ecosystems; support proposals seeking improvements in water efficiency or water re-use for companies in water-intensive industries, including the food products, paper and semiconductor industries."

Robeco

"2.5.2.6 Embrace Climate Change: ... In our voting policy we define escalation steps if companies do not meet our expectations. An important aspect of this is water and biodiversity management, and companies should be aware of their exposure to water- and deforestation-related risks and develop appropriate mitigation strategies."

"2.5.2.7 Manage water risks: Water-related risks are an important issue with a number of environmental and social implications. Depending on the company's exposure to water stressed areas, we want companies to track fresh water use and quality, set ambitious reduction and recycling targets, and appropriately manage conflicts with local stakeholders concerning fresh water resources. Major water pollution issues are treated as UN Global Compact environmental breaches and we will engage accordingly [i.e. commence 'enhanced engagement']... Enhanced engagement focuses on companies that severely and structurally breach minimum behavioural norms in areas such as human rights, labor, environment and anti-corruption. The primary objective of enhanced engagement is to address reported shortfalls against internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency... The desired outcome is the identifiable elimination and remediation of any breach [of minimum behavioural standards, such as those under the UN Global Compact] and enhancements in management processes aimed at avoiding any repeated breach. For each enhanced engagement, we address the same overarching objectives: Elimination of the breach, Policy, Stakeholder dialogue, Risk management systems, Transparency. Remediation is a key element of the elimination of breach in all enhanced engagement cases. An enhanced engagement may finally be escalated with a company's exclusion from Robeco's or our clients' investment universe, if it does not improve its ESG behavior after the engagement has concluded. The process for enhanced engagement is a formal part of Robeco's Exclusion Policy."

ESG Commitment Level: Advanced**AllianceBernstein**

"Environmental Proposals (shareholder proposals). CASE-BY-CASE. These proposals can include reporting and policy adoption requests in a wide variety of areas, including, but not limited to, (nuclear) waste, deforestation, packaging and recycling, renewable energy, toxic material, palm oil and water. For proposals requesting companies to adopt a policy, we will carefully consider existing policies and the company's incorporation of national standards and best practices. In addition, we will evaluate the potential enactment of new regulations, as well as any investment risk related to the specific issue. We generally support shareholder proposals calling for reports and disclosure while taking into account existing policies and procedures of the company and whether the proposed information is of added benefit to shareholders."

BNP Paribas Asset Management

"Biodiversity-related expectations: Reflecting on our Biodiversity Roadmap, we expect companies to assess and report on key impacts and dependencies on nature, beginning with companies in high impact sectors, and with a priority focus on deforestation and water-related issues."

"We are expanding the incorporation of biodiversity in our voting and corporate engagements and will engage with the industries having the greatest adverse impacts on biodiversity, with a core focus on deforestation and water issues."

LGIM

"For sectors where it is material, we strongly encourage companies to report via the CDP Water and Forest questionnaires."

"In line with our voting policies, we will vote on shareholder resolutions related to biodiversity. To date, such resolutions have typically referred to deforestation, packaging and pollution, water usage, and pesticides."

Schroders

"Water is critical to human and ecosystem health, necessary in many industrial processes, indispensable in food and energy production, an important vehicle for disposing of wastes, and integral to many forms of recreation. While ~70% of the earth's surface is covered in water, less than 1% of this is water available for consumption by people and business, and the supply of clean, fresh water is decreasing. At the same time, there is an increasing demand for water through agriculture, a growing global population and economic development. Supply side and demand side pressure means that water is increasingly becoming a material risk for companies that are struggling to source scarce, clean water. Understanding and managing water risk may be fundamental to a company's ability to continue as a going concern. As a result, the water intensity of companies' operations, scarcity in the regions in which they operate and their strategies to manage their use all feature in our ESG analysis of companies. We also engage companies on water risk."

"We prioritize four key engagement sub-themes within the broad topic of biodiversity and natural capital. These reflect the key natural capital and biodiversity issues faced by our investee companies . . . Sustainable food and water: The world's food system must transform to meet population growth, and address malnutrition and other health risks. Moreover, the food and water system is both at risk from climate change and is a significant contributor to greenhouse gas emissions and other environmental pressures; for example, through the use of fertilizer and pesticides. We engage to promote a food and water system that is more environmentally sustainable, healthy, and better able to meet the needs of a growing population."

"Desired long-term outcomes: — Implement a water stewardship strategy including efforts and targets to reduce water consumption and manage wastewater treatment— Disclose operations in water stressed areas."

UBS Asset Management

"We may vote in favor of proposals put forward by shareholders that seek to promote good corporate citizenship and environmental stewardship, while enhancing long-term shareholder and stakeholder value. Such proposals might refer to, but are not limited to, sustainability disclosure, human capital management, diversity, supply chain's labor standards, bribery and corruption, climate change, water and deforestation."

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