



WATER

**THEMATIC
ENGAGEMENT**

Q2 2023 Progress Report

July 2023

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INTRODUCTION

This progress report presents the Water Thematic Engagement activities that were carried out by ISS ESG on behalf of participating institutional investors in Q2 2023.

The report includes an overview of the ISS ESG Thematic Engagement approach as well as details on the Water Thematic Engagement, including the methodology for target company selection and engagement objectives. It also includes key statistics for Q2 2023, a summary of the engagement stage and number of interactions with all target companies, as well as details of the responses received during the period. The progress against engagement objectives as well as the overall engagement success will be measured and included in the next progress report, as data on the target companies' improvement in their alignment with the requirements for each engagement objective is collected and assessed twice a year.



ISS ESG THEMATIC ENGAGEMENT APPROACH

ISS ESG's Thematic Engagement solution allows investors to participate in a joint outreach and dialogue with companies on material sustainability-related themes. By engaging collaboratively, institutional investors can leverage their scale in discussions on ESG issues and communicate their concerns to corporate management more effectively. ISS ESG facilitates engagement on behalf of participating clients to promote positive change through active ownership and dialogue. This may include ongoing dialogue with companies identified for enhanced disclosure, a push for improved sustainability performance, or the mitigation of ESG risks.

Through ISS ESG's Water Thematic Engagement, participating investors seek to improve their transparency around water-related strategy and risk management through the disclosure of key metrics and targets in two industries with high water risk exposure: Chemicals and Textiles & Apparel.

ENGAGEMENT PROCESS

ISS ESG's Thematic Engagement involves a number of steps carried out over a two-year lifecycle. The process starts by identifying target companies and setting objectives and key performance indicators in line with investor expectations. Both the company selection and the objective setting leverages ISS ESG proprietary data and research, as well as internal expertise.

The engagement dialogue is initiated through letters to companies, sent by ISS ESG on behalf of participating investors. Dialogue may be conducted in writing or through meetings, facilitated by ISS ESG. Some companies require reminders to respond. Should the company remain unresponsive, enquiries are escalated to the CEO and the Board.

At the end of each engagement cycle, ISS ESG will assess the opportunity to extend or close engagements.

ENGAGEMENT OUTCOMES

ISS ESG's Thematic Engagement includes regular measurements of the outcome of the engagement dialogue, both at the level of each objective as well as at an aggregate level of each company engagement. The outcome measurements are based on improvements in each company's alignment with the requirements for each engagement objective, as evidenced by their public disclosures and assessed in the relevant ISS ESG data and research (checked twice a year); as well as ISS ESG's assessment of the quality of each company's participation in the engagement.

REPORTING

Participating investors are informed of the progress of engagements through quarterly and annual progress reports. The reports provide an overview of the engagement stage reached for each company, details of interactions as well as company responses.

In the quarter following the check of the ISS ESG data on the requirements for each objective, the reports also include measurements of progress against each engagement objective as well as the overall engagement success.



WATER THEMATIC ENGAGEMENT

Global population growth has driven an increase in the demand for water throughout the 21st century, a situation exacerbated by the impacts of climate change on water availability. This increasing demand is likely to result in a [40% shortfall](#) in freshwater supply within 10 years, signifying that the world is facing a water crisis.

With growing global water stress, companies are facing increased scrutiny over their water stewardship, and are expected to be demonstrating to their stakeholders how they are integrating water-related risk into their overall business strategies, how they are pricing and valuing water, and how they are building long-term resilience to water-related challenges.

Water presents a range of financially-material business risks which can be categorised into [three types](#), based on how water-related challenges are likely to undermine business activities: physical risks, regulatory risks, and reputational risks. Water is often [undervalued](#), and therefore existing calculations on its materiality may not always be accurate. That said, water-related issues are often indirectly prioritised in many companies' physical climate risk assessments, affecting companies across all regions.

There are also opportunities, with companies disclosing that water-related opportunities could generate up to [\\$436 billion](#).

[For Chemicals companies](#), water is vital across the value chain. In production processes, water is primarily used for cooling, steam generation, and feedstock processing. Chemicals companies' operations can also be at high risk of disruption where they are water intensive, thus increasing water procurement costs and capital expenditures. In manufacturing processes, chemicals can generate process wastewater that requires treatment prior to disposal, and non-compliance with water quality regulation may result in financial risks and other regulatory implications.

The Textiles & Apparel industry has a [significant impact on water throughout its value chain](#), from the consumption of water, pollution of water resource (insecticides, factory level discharged, micro and/or nanofiber pollution, textiles going to landfill), and the production of raw materials, through to the use and disposal of products. These activities pose significant risks to Textiles & Apparel companies through regulatory non-compliance and fines, damaged brand reputation, or losing their social license to operate if they are found to have poor water and wastewater management processes. The industry demonstrates a lack of understanding about the materiality of these risks to their business and value chain, however. Despite a range of water-related opportunities, for instance water efficiency or new products and services, these opportunities are not being acknowledged, disclosed or realised.

COMPANY SELECTION

Relevant companies for engagement are selected on the basis of the following factors:

- High market capitalisation.
- Industries with high water risk exposure in their supply chains and direct operations.
- Laggards identified using ISS ESG's Water Risk Rating.
- No or only partial fulfilment of the engagement objectives and KPIs, based on ISS ESG's Corporate Rating indicators.



WATER TARGET LIST

Air Liquide SA	LG Chem Ltd.
Air Products and Chemicals, Inc.	LyondellBasell Industries NV
Akzo Nobel NV	Moncler SpA
ANTA Sports Products Ltd.	Nutrien Ltd.
Asian Paints Ltd.	PETRONAS Chemicals Group Bhd.
Celanese Corporation	Prada SpA
Cintas Corporation	RPM International Inc.
Corteva, Inc.	Saudi Basic Industries Corp.
Dow, Inc.	Shenzhou International Group Holdings Ltd.
DuPont de Nemours, Inc.	Skechers U.S.A., Inc.
EMS-Chemie Holding AG	The Sherwin-Williams Company
Ganfeng Lithium Co., Ltd.	Tianqi Lithium Corp.
Givaudan SA	Titan Company Limited
Industries of Qatar Co.	Wanhua Chemical Group Co., Ltd.
Kering SA	Westlake Corp.

ENGAGEMENT OBJECTIVES

Target companies have been asked by participating investors to improve their water-related disclosures, focusing on the following engagement objectives:

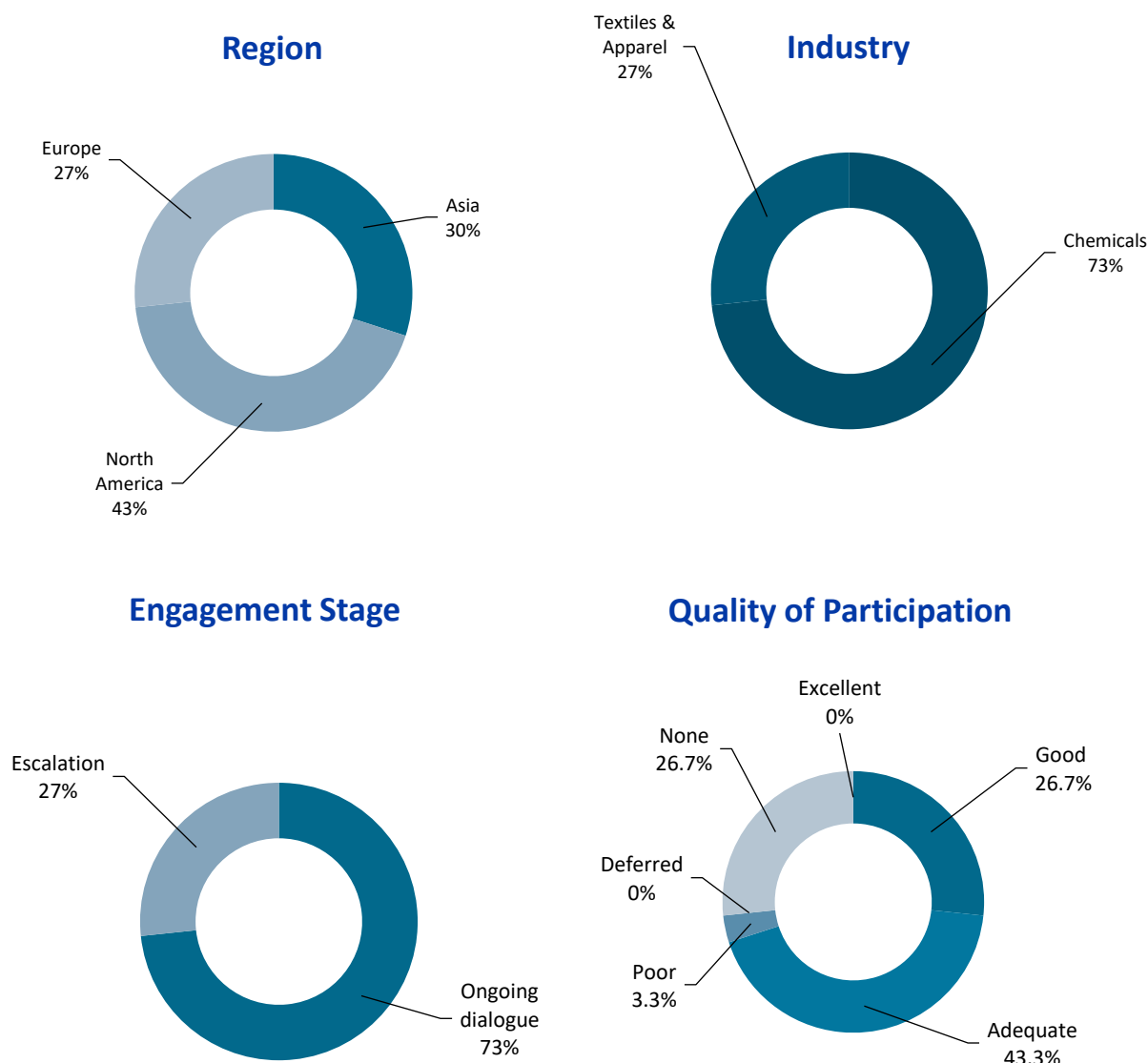
CHEMICALS	TEXTILES & APPAREL
1. Management of water consumption <ul style="list-style-type: none"> Freshwater use inventories Identification of activities in regions with high levels of water stress 	1. Water management strategy <ul style="list-style-type: none"> Freshwater use inventories Identification of activities in regions with high levels of water stress Water management at outsourced production sites
2. Management of wastewater <ul style="list-style-type: none"> Wastewater management 	2. Reduction of pollution <ul style="list-style-type: none"> Wastewater management Strategy to reduce substances of concern in production processes and at outsourced production sites
3. Disclosure of water use reduction targets <ul style="list-style-type: none"> Freshwater use reduction targets and action plan 	



Q2 2023 ENGAGEMENT STATISTICS

The following statistics provide an overview of the geographic and industry distribution of the Water Thematic Engagement target companies as well as engagement stage and quality of participation as of the end of Q2 2023.

Summary charts, as of 30 June 2023.



NOTE: “Industry” refers to ISS ESG Corporate Rating Industry. **Engagement Stage** definition: **Initiation:** An engagement letter is sent to the relevant company representatives. **Reminder:** Reminder letters are sent to unresponsive companies. **Escalation:** In case of non-response, enquiries are escalated to a higher level of seniority within the company. **Ongoing dialogue:** The company is entering into a dialogue with the investors through ISS ESG and is providing answers to the questions raised or providing further information. **Quality of Participation** definition: **Excellent:** The company has replied and substantially addressed all elements of the questions. **Good:** The company has replied and addressed most elements of the questions. **Adequate:** The company has replied, but only partially addressed the questions posed. **Poor:** The company has replied but not addressed the questions posed. **Deferred:** The company has replied, acknowledging the enquiry, but requested more time to respond, transferred the responsibility to another function in the company, and/or agreed to schedule a meeting in which it will provide more information. **None:** The company has not replied.



ENGAGEMENT SUMMARY TABLE

The initiation letter was sent to the target companies on 15 September 2022 (Q3). This table lists the number of interactions that took place with each company during Q2 2023. Note that in Q1 2023, ISS ESG started recording friendly reminders sent to companies.

ISSUER NAME	DOMICILE	ISS ESG CORPORATE RATING INDUSTRY	ENGAGEMENT STAGE	NUMBER OF OUTBOUND INTERACTIONS	NUMBER OF INBOUND INTERACTIONS	TOTAL NUMBER OF INTERACTIONS
Air Liquide SA	France	Chemicals	Ongoing dialogue	4	2	6
Air Products and Chemicals, Inc.	USA	Chemicals	Ongoing dialogue	0	0	0
Akzo Nobel NV	Netherlands	Chemicals	Ongoing dialogue	2	1	3
ANTA Sports Products Ltd.	Cayman Islands	Textiles & Apparel	Escalation	1	0	1
Asian Paints Ltd.	India	Chemicals	Ongoing dialogue	1	1	2
Celanese Corporation	USA	Chemicals	Escalation	1	0	1
Cintas Corporation	USA	Textiles & Apparel	Ongoing dialogue	1	1	2
Corteva, Inc.	USA	Chemicals	Ongoing dialogue	1	0	1
Dow, Inc.	USA	Chemicals	Ongoing dialogue	0	0	0



DuPont de Nemours, Inc.	USA	Chemicals	Ongoing dialogue	3	1	4
EMS-Chemie Holding AG	Switzerland	Chemicals	Ongoing dialogue	3	0	3
Ganfeng Lithium Co., Ltd.	China	Chemicals	Escalation	1	0	1
Givaudan SA	Switzerland	Chemicals	Ongoing dialogue	1	0	1
Industries of Qatar Co.	Qatar	Chemicals	Ongoing dialogue	2	0	2
Kering SA	France	Textiles & Apparel	Ongoing dialogue	0	0	0
LG Chem Ltd.	South Korea	Chemicals	Ongoing dialogue	1	1	2
LyondellBasell Industries NV	Netherlands	Chemicals	Ongoing dialogue	1	0	1
Moncler SpA	Italy	Textiles & Apparel	Ongoing dialogue	3	4	7
Nutrien Ltd.	Canada	Chemicals	Ongoing dialogue	1	1	2
PETRONAS Chemicals Group Bhd.	Malaysia	Chemicals	Ongoing dialogue	1	0	1
Prada SpA	Italy	Textiles & Apparel	Ongoing dialogue	2	2	4



RPM International Inc.	USA	Chemicals	Ongoing dialogue	1	0	1
Saudi Basic Industries Corp.	Saudi Arabia	Chemicals	Escalation	1	0	1
Shenzhou International Group Holdings Ltd.	Cayman Islands	Textiles & Apparel	Escalation	1	0	1
Skechers U.S.A., Inc.	USA	Textiles & Apparel	Ongoing dialogue	3	2	5
The Sherwin-Williams Company	USA	Chemicals	Ongoing dialogue	3	2	5
Tianqi Lithium Corp.	China	Chemicals	Escalation	1	0	1
Titan Company Limited	India	Textiles & Apparel	Escalation	1	0	1
Wanhua Chemical Group Co., Ltd.	China	Chemicals	Escalation	1	0	1
Westlake Corp.	USA	Chemicals	Ongoing dialogue	1	0	1

NOTE: For definitions, see p.7.



COMPANY RESPONSES RECEIVED IN Q2 2023

During Q2 2023 ISS ESG received responses from 11 of the 30 companies. The tables below provide further information on each dialogue.

CHEMICALS

Air Liquide SA		ISIN	DOMICILE
		FR0000120073	France
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Follow-up enquiry		11 May 2023	
Friendly reminder		08 June 2023	
Company response		09 June 2023	
Clarification enquiry		20 June 2023	
Company response		23 June 2023	
Engagement outlook communication		30 June 2023	
QUARTERLY SUMMARY OF INTERACTIONS			
<p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 11 May. On 8 June, ISS ESG sent a friendly reminder. The company provided a written response to the questions posed on 9 June. On 20 June, ISS ESG sent a clarification enquiry which the company responded to on 23 June. An engagement outlook communication was sent on 30 June, and a follow-up enquiry is scheduled for Q1 2024.</p>			
QUARTERLY SUMMARY OF OBSERVATIONS			
<p>In its 9 June response, the company explained that it has an internal reporting system with detailed information regarding water quantity and water sources in order to identify actions, deploy its action plan, and continuously improve its environmental performance. The company stated that approximately 80 out of its 657 sites are located in areas of high water stress, and water withdrawal from these sites represents less than 10% of total water withdrawal. Regarding wastewater disclosures, the company highlighted its Universal Registration Document (URD) which contains some quantification of effluent parameters, and also explained that its new technical standard regarding the monitoring and control of wastewater quality is to be released for application this year. The company also clarified that 85% of its water is returned to the customer (which is often the water supplier), and therefore a centralised wastewater treatment is part of the industrial site. As regards water use reduction targets, the company shared that in 2022 the company initiated the rollout of the water management policy which contained objectives to implement a documented water management plan by 2025, and defining and implementing a Group-wide standard for all operations as regards wastewater that goes beyond existing processes. The company shared links to its URD, Sustainability Report, Advance Strategic Plan slides, and its Sustainability Day slides. On 23 June, in response to the clarification enquiry, the company clarified that 15% of its sites are in areas with high levels of water stress, and they account for 16% of the company's water consumption. As regards the</p>			



company's disclosure ambitions for freshwater use inventories, the company stated that it expects to provide more information on the progress of its water management plans for sites in water stressed regions, but noted that in doing so it must consider both the relevance of the information, and the resources required to do so. The company stated that in this year's URD it intends to include additional contaminants (COD and nitrates). The company iterated that the process for monitoring its wastewater quality is still evolving, and that its new internal technical standard will provide a framework for enhancing the level of detail on additional pollutants. The company explained that the purpose of the internal standard is to define the minimum requirements for monitoring and controlling industrial wastewater, and that it is a group-wide standard that will surpass local process and procedures. As regards freshwater use reduction targets, the company clarified that its aim is that by 2025 it will have a documented water management plan in place for 100% of its sites in water intensive operations located in regions with high levels of water stress. The company explained that the plans will be designed to mitigate water withdrawal and use risks, and that some actions can be implemented before 2025, and others will require a longer timeline. The company explained that it conducts an analysis to identify relevant stakeholders in relation to target setting, determine what the requirements of identified stakeholders are, and then determine which stakeholder requirements can be addressed.

ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of freshwater use inventories; wastewater management processes; and freshwater use reduction targets and related action plans.



Akzo Nobel NV		ISIN NL0013267909	DOMICILE Netherlands
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Follow-up enquiry		24 May 2023	
Company response		13 June 2023	
Clarification enquiry		22 June 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 24 May. The company provided a written response to the questions posed on 13 June. A clarification enquiry was sent on 22 June.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 13 June response, the company stated that it reports on its sustainability performance on an annual basis. It also shared links to its ESG and Sustainability webpages that contain its latest ESG disclosures. The company also shared that investor expectations will be taken into consideration for the next reporting cycle.</p> <p>ISS ESG will continue to monitor the company’s progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of freshwater use inventories; wastewater management processes; and freshwater use reduction targets and related action plans.</p>			



Asian Paints Ltd.		ISIN INE021A01026	DOMICILE India
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Escalation letter to the Board		08 June 2023	
Company response		25 June 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As the company remained unresponsive to ISS ESG’s previous outreach, the investor enquiry was escalated to the Board on 8 June. On 25 June, the company responded, providing a response to the questions posed. A clarification enquiry will be sent in Q3.</p>			
<p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 25 June response, the company stated that being a responsible organisation, it undertakes many water stewardship measures, such as risk assessments and interventions for water conservation and replenishment to address the challenge of water scarcity holistically. It highlighted that as of its latest risk assessment, none of its plants are located in high water stress areas. The company provided information on its advanced effluent treatment plants which exist for all decorative plants to treat wastewater and recycles any wastewater that cannot be used for its processes. The company shared several key performance highlights for the year 2022-23 and stated that it has water neutrality targets for 2025 and 2030. The company also shared a link for its latest Integrated Annual Report.</p> <p>ISS ESG will continue to monitor the company’s progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of the identification of activities taking place in regions with high levels of water stress; wastewater management processes; and freshwater use reduction targets and related action plans.</p>			



DuPont de Nemours, Inc.		ISIN US26614N1028	DOMICILE USA
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Engagement meeting		04 April 2023	
Clarification enquiry		13 April 2023	
Friendly reminder		20 April 2023	
Engagement outlook communication		10 May 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>A meeting was held on 4 April. On 13 April, ISS ESG sent a clarification enquiry and on 20 April a friendly reminder was sent. As the company was unresponsive to the clarification enquiry, an engagement outlook communication was sent on 10 May, and a follow-up enquiry is scheduled for Q4.</p>			
<p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In the 4 April engagement meeting, the company provided an overview of changes to its organisational structure in recent years, and explained that it is not a major consumer of water. The company highlighted three themes it is focused on in relation to water, which are its water footprint attributed to its manufacturing sites; the way in which it innovates with customers; and the company’s water-related thought leadership and advocacy efforts. The company explained that it uses both the WRI Aqueduct Tool and WWF’s Water Risk Filter to identify locations facing water stress, and referenced the Alliance for Water Stewardship standard which it uses to manage its water risk. The company stated that it complies with applicable local regulations for wastewater, and stated that it does not intend to expand its disclosures regarding wastewater monitoring, partly because the global definitions are not standardised, and also because of challenges around consolidating data from a range of sites. Regarding water use reduction targets, the company explained that it has not defined targets, and iterated the importance of understanding water issues from a local perspective. The company also stated that its next sustainability report is due to be published at the beginning of May 2023.</p> <p>ISS ESG will continue to monitor the company’s progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of wastewater management processes; and freshwater use reduction targets and related action plans.</p>			



LG Chem Ltd.		ISIN KR7051910008	DOMICILE South Korea
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Company response		07 April 2023	
Engagement outlook communication		14 April 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>On 7 April, the company responded to the clarification enquiry sent in Q1, providing a response to the questions posed. An engagement outlook communication was sent on 14 April, and a follow-up enquiry is scheduled for Q4.</p>			
<p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 7 April response to the clarification enquiry, the company stated that it will include freshwater use inventories broken down by geographical region in future disclosures. The company also mentioned that currently ninety percent of its total water usage is in Korea and some of its plants in China and Korea are identified as located in regions with high water stress based on its usage of the WRI Aqueduct tool. However, the company does not plan to include this in disclosures in the near term. On wastewater, the company mentioned that it complies with regulations in each of the countries in which it operates, and shared additional detail on its wastewater management process including looking at treatment efficiency, installing optimal prevention facilities, and the use of reverse osmosis membrane technology. The company mentioned that in the future it aims to target water self-sufficiency by establishing a circular water system that includes recycling and treatment processes.</p> <p>ISS ESG will continue to monitor the company’s progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of freshwater use inventories; wastewater management processes; and freshwater use reduction targets and related action plans.</p>			



Nutrien Ltd.		ISIN CA67077M1086	DOMICILE Canada
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Engagement meeting		03 May 2023	
Engagement outlook communication		25 May 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>A meeting was held on 3 May and an engagement outlook communication was sent on 25 May. A follow-up enquiry is scheduled for Q4.</p>			
<p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In the 3 May engagement call, the company provided an overview of its governance structure, explaining that a cross-functional water stewardship team has been built, and that the Board of Directors is regularly updated on water-related issues. The company explained some of its work relating to the identification of sites with high levels of water stress, stating that it conducted risk assessments at the facility level using the WRI Aqueduct Tool. Only one site, the Carseland nitrogen facility, is located in an area of high water stress, and represents less than 2% of Nutrien’s overall freshwater use. The company also explained that it had engaged with a range of stakeholders to better understand its risk and exposure in particular locations, including the Bow River Basin Council and the Lake Winnipeg Water Stewardship Project. Regarding wastewater management, the company stated that it manages water quantity and quality to meet local regulations and permits. The company stated that it is not considering expanding its disclosures on relevant contaminants at this stage. The company presented its recently-published water reduction target, and explained that it considers the target to be context-based. The company clarified that the baseline year can be considered to be 2018, and that the target represents an annual reduction of approximately 1% water consumption. The company explained that the target comprises a portfolio of existing and potential projects over the period of 2018-2025.</p> <p>ISS ESG will continue to monitor the company’s progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of freshwater use reduction targets and related action plans.</p>			



The Sherwin-Williams Company		ISIN US8243481061	DOMICILE USA
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Follow-up enquiry		17 May 2023	
Friendly reminder		14 June 2023	
Company response		15 June 2023	
Company response		16 June 2023	
Clarification enquiry		26 June 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 17 May. On 14 June, ISS ESG sent a friendly reminder. The company provided written responses to the questions posed on 15 and 16 June. A clarification enquiry was sent on 26 June.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 15 June response, the company shared its 2022 Sustainability Report. The company explained that the report describes its progress concerning sustainability, and stated that the report's appendix includes various ESG reporting frameworks, ratings and rankings. In its 16 June response, the company explained that its wastewater processes are largely guided by local permit requirements. The company stated that in its Water Management Global Standard it describes that measurement of wastewater contaminants is driven by regulatory requirements in the jurisdictions in which it operates. The company explained that individual sites disclose such information to local government agencies as required by law, and that currently the company does not aggregate the data at the corporate level. The company also stated that it follows regulatory requirements for wastewater testing, which do not mandate continuous monitoring. The company also stated that its production processes are batch processes, so any wastewater discharges also reflect this cadence. As regards water use reduction targets, the company stated that water has not been identified as a top tier focus area in its materiality assessment that guides the company sustainability goals and programmes, but iterated that water is a critical resource, and as such, it is committed to responsible water stewardship. The company stated that it does have a target regarding water, sanitation and hygiene (wash) water re-use.</p> <p>ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosures of wastewater management processes; and freshwater use reduction targets and related action plans.</p>			



TEXTILES & APPAREL

Cintas Corporation		ISIN US1729081059	DOMICILE USA
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Follow-up enquiry		27 June 2023	
Company response		30 June 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 27 June. On 30 June, the company responded agreeing to participate in a virtual meeting. An engagement meeting will be scheduled in Q3.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>N/A</p>			



Moncler SpA		ISIN IT0004965148	DOMICILE Italy
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Follow-up enquiry		15 May 2023	
Company response		26 May 2023	
Clarification enquiry		05 June 2023	
Company response		05 June 2023	
Friendly reminder		26 June 2023	
Company response		26 June 2023	
Company response		28 June 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 15 May. The company provided a written response to the questions posed on 26 May. A clarification enquiry was sent on 5 June, which the company acknowledged the same day. On 26 June, ISS ESG sent a friendly reminder, which the company responded to on the same day, stating that it would respond to the questions shortly. On 28 June, the company responded to the clarification enquiry, providing a response to the questions posed. An engagement outlook communication will be sent in Q3.</p>			
<p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 26 May response, the company outlined its efforts to assess its impacts on water consumption, including its water footprint analysis and calculation which took place in 2022 and showed that the most significant impacts on water resources occur in the extraction and production phases of materials and also in some processing stages. The company explained that in its Sustainability Report it reports on the value of water consumption at its own sites and also at supplier sites. The company also stated that it is working on increasing the level of traceability of its key raw materials which would provide information that would enable it to measure water consumption at the country or regional levels. As regards substances of concern, the company stated that it monitors chemicals used in the production process to prevent potential contamination of materials, products, water and sludge, and stated that its Manufacturing Restricted Substances List and Product Restricted Substances List set out the list of substances that suppliers are required to monitor. The company also highlighted that in 2022 it conducted environmental audits and analyses of suppliers to identify impacts related to potential spills or cases of water contamination, and such analyses identified no significant instances of non-compliance. On 28 June, in response to the clarification enquiry, the company explained that its water footprint, calculated in 2022 for the company's own sites as well as the supply chain, showed that its most significant water consumption is at the extraction and production phases of materials, and in some processing stages. The company stated that its ambition is to increase transparency on environmental data reporting, including water consumption breakdown by region. In relation to wastewater, the company explained that it uses both its PRSL and MRSL to monitor the possible presence of substances of concern, and that these inform decisions and phaseouts. Regarding its suppliers, the company explained that it monitors supply chain wastewater, using its MRSL and ZDHC guidelines. The company also stated that it collects available relevant wastewater reports from its suppliers. With regard to freshwater use reduction targets, the</p>			



company explained that it is working on increasing the traceability of its key raw materials in the supply chain to collect more specific data that will inform the group targets on water consumption and withdrawal. The company stated that it is monitoring the developments of the SBTN framework, and participates in the Fashion Pact workshops which focus on the SBTN's target setting framework for water withdrawal and consumption.

ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of freshwater use inventories; the identification of activities taking place in regions with high levels of water stress; substances of concern management and strategy; and freshwater use reduction targets and related action plans concerning own operations and outsourced production sites.



Prada SpA		ISIN IT0003874101	DOMICILE Italy
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Friendly reminder		18 April 2023	
Company response		18 April 2023	
Engagement outlook communication		25 April 2023	
Company response		25 April 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As the company did not provide a response to the questions posed in the clarification enquiry sent in Q1, a friendly reminder was sent on 18 April. The company responded on the same day providing a response to the questions posed. An engagement outlook communication was sent on 25 April which the company acknowledged on the same day. A follow-up enquiry is scheduled for Q4.</p>			
<p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 18 April response to the clarification enquiry the company mentioned that the group assessed its water consumption of its production plants and warehouses for the first time in 2021. It shared that it plans to report the water consumption of its suppliers within the next two years, and has made it mandatory for all suppliers to sign its Supplier Code of Conduct which outlines its expectation that suppliers should measure their water withdrawals, discharges, and implement measures to reduce water impact. It highlighted that the group plans to commit to a Water Stewardship Program that will improve its management of hazardous chemicals used in its processes. The company stated that its Torgiona site has a wastewater treatment plant that filters civil and industrial water, and wastewater at its French tannery is treated at an internal treatment plant before being sent to a municipal treatment plant. The company also shared that it plans to work on a Manufactured Restricted Substances List in 2023, that it plans to set water use reduction targets, and is currently aiming to reduce water consumption in manufacturing plants by introducing technological improvements. Additionally, the company shared a link to its latest Sustainability Report. On 25 April, in response to the engagement outlook communication, the company stated that dialogues with stakeholders are a lever for growth and continuous improvement but explained that although the Prada Group aims for constant progress, stakeholders should not expect quick results on such complex issues. The company stated that it looks forward to communicating a water program as soon as possible along with and concrete objectives to be pursued in the coming years.</p> <p>ISS ESG will continue to monitor the company’s progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of freshwater use inventories for outsourced production sites; the identification of activities taking place in regions with high levels of water stress for outsourced production sites; water management at outsourced production sites; wastewater management processes; substances of concern management and strategy; and freshwater use reduction targets and related action plans concerning own operations and outsourced production sites.</p>			



Skechers U.S.A., Inc.		ISIN US8305661055	DOMICILE USA
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Follow-up enquiry		17 May 2023	
Company response		22 May 2023	
Clarification enquiry		01 June 2023	
Company response		12 June 2023	
Engagement outlook communication		22 June 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 17 May. The company provided a written response to the questions posed on 22 May. A clarification enquiry was sent on 1 June, which the company responded to on 12 June. An engagement outlook communication was sent on 22 June, and a follow-up enquiry is scheduled for Q1 2024.</p>			
<p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 22 May response, the company shared its recently published 2022 Impact Report, stating that it includes details on its policies, procedures, and efforts to manage ESG topics. On 12 June, in response to the clarification enquiry, the company stated that at this time it does not have publicly shared data regarding water and waste management. The company explained that it is currently working with its ESG partners to develop the right approach and strategy that it will be able to successfully deploy, and that it will continue to provide updates on its progress.</p> <p>ISS ESG will continue to monitor the company’s progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as public disclosure of freshwater use inventories for outsourced production sites; the identification of activities taking place in regions with high levels of water stress for outsourced production sites; wastewater management processes for outsourced production sites; substances of concern management and strategy for outsourced production sites; and freshwater use reduction targets and related action plans concerning outsourced production sites.</p>			



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