






WATER

THEMATIC ENGAGEMENT



Q3 2024 Annual Progress Report

Including analysis of progress during the first cycle of the engagement



October 2024



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INTRODUCTION

This report presents the Water Thematic Engagement activities that were carried out by ISS ESG on behalf of participating institutional investors in Q3 2024, as well as an analysis of the progress during the first cycle of the engagement.

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. The report includes a section providing insights from the first cycle of the engagement, in terms of the water context, the responsiveness to and progress of the engagement, highlights from the engagement dialogues, the future focus of the engagement, and a summary of the first engagement cycle. It also includes key statistics for Q3 2024, a summary of the engagement status, stage, number of interactions and engagement success status for all target companies; as well as details of the responses received during the period. The report includes a measurement of the progress against engagement objectives as well as the overall engagement success, based on the six-monthly data check on the target companies' improvement in their alignment with the requirements for each engagement objective.



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 calls and 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 categorized into [three types](#): physical risks, regulatory risks, and reputational risks. [Risks do not only apply for water-intensive companies](#); companies across sectors can be affected by water-related risks which may lead to increased costs for water procurement or loss of revenue through the disruption of operations. 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.

[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 	



FIRST CYCLE OF THE WATER ENGAGEMENT

The third quarter of 2024 marks two years since ISS ESG's Water Thematic Engagement was initiated. The following section provides observations on the evolving Water landscape during the cycle, as well as analysis of the changes that ISS ESG has observed at the end of the two-year cycle. The section also highlights common themes emerging in the engagement dialogues held to date – including challenges shared by companies – and the focus of future engagements.

EVOLVING WATER LANDSCAPE

During the first cycle of the Water Thematic Engagement, discussions around the water crisis have centred around ensuring the world is on track to achieve Sustainable Development Goal (SDG) 6 – on Clean Water and Sanitation – by 2030. At the UN 2023 Water Conference held in March 2023, water experts from the United Nations University Institute for Water, Environment and Health published their [Global Water Security 2023 Assessment](#), which outlined that approximately 80% of the world's population live in water-insecure areas, and that unless radical action is taken, up to two-thirds of the global population may continue to live in water-insecure places beyond 2030. The UN's [2023 Global Sustainable Development Report](#) indicates limited or no progress towards the SDG 6 goal on universal safe drinking water, and suggests acceleration is needed to achieve universal safe sanitation and hygiene.

A key outcome from the UN Water Conference was the [Water Action Agenda](#), bringing together commitments, pledges and actions across all sectors, industries and interests in order to achieve accelerated implementation and improved impact towards achieving SDG 6. Another critical initiative to come out of the talks was the launch of the [Finance Water Action Pathway](#), a partnership between the Valuing Water Initiative, CDP, Water Footprint Network, and the OECD, which sets out clear actions for financial institutions to take in order to achieve the previously announced goal of aligning trillions in financial flows with the achievement of a water secure world.

Additionally the [Valuing Water Finance initiative](#) set out its Corporate Expectations for Valuing Water, laying out six science-based actionable expectations to inform engagements with companies in order to address SDG 6. The initiative also plans to develop and implement a disclosure framework for financial institutions to ensure that financial decision making and practices are aligned to a water-secure future.

Focused on corporate action is the Science Based Targets Network, which recently published its updated [target-setting guide](#) and [corporate manual](#), to guide companies through the target setting process. Covering the five realms of nature (with methods for oceans under development), the guidance outlines the 5-step approach: step 1: assess; step 2: interpret & prioritise; step 3: measure, set & disclose, and steps 4 and 5 – act and track – which are in early development).

ENGAGEMENT RESPONSIVENESS

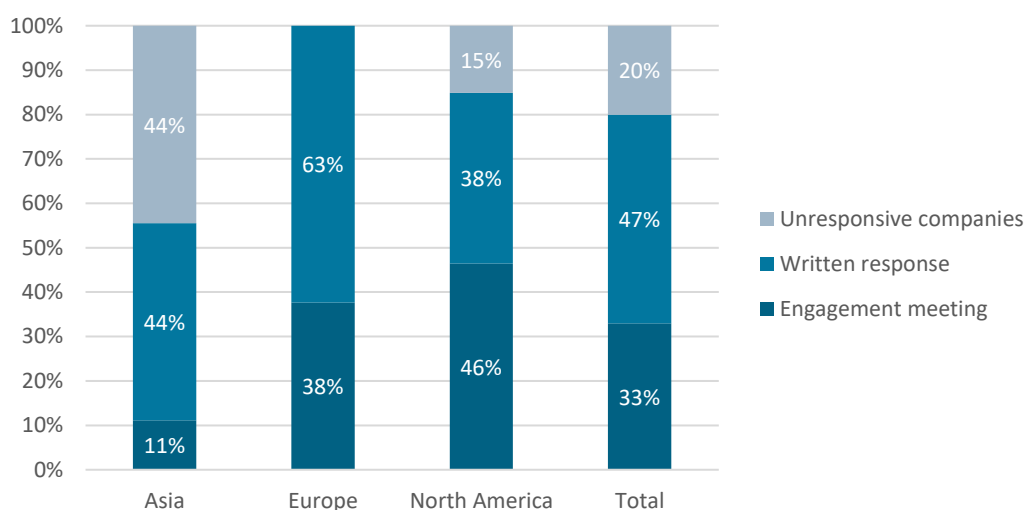
The Water Thematic Engagement was initiated in September 2022. At the end of the two-year cycle, 80% of the target companies have responded, showing willingness to participate in the engagement and discuss the issues with participating investors. The response rate differs by region. Among the



target companies domiciled in North America the response rate is 85%, while among the Asian companies it is lower at 56%, and among European companies it is the highest, at 100%.

ISS ESG encourages companies to share their responses to the engagement questions through a (virtual) meeting, as this enables the participating investors to gain valuable insights and better understand the companies' perspectives. As of the end of the first engagement cycle, 33% of the target companies have participated in the dialogue through at least one engagement meeting, and a further 47% have responded in writing.

Regional Overview of Response Rate and Type



NOTE: Due to rounding, totals may not add up to 100%.

ISS ESG implements a robust reminder and escalation process for non-responding companies, and the response rate has progressively increased throughout the cycle. Initially, 40% of companies responded to the engagement letter. The response rate then increased to 50% following reminder emails to the Investor Relations' teams of the target companies; to 67% following reminder calls to Investor Relations; to 70% following escalation letters to the CEO; to 73% following escalation letters to the Board; to 77% following the escalation letters to the CEO and Board; and subsequently to 80% following two additional escalation letters to the Board, where it remained following the final reminder to Investor Relations.

ISS ESG notes that once a company enters into a dialogue, it often continues to provide updates throughout the cycle. Out of 23 companies that were sent follow-up enquiries at least once during the engagement cycle, 19 companies (83%) responded again.

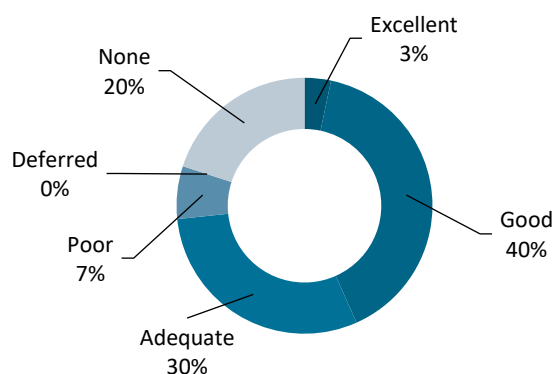
QUALITY OF PARTICIPATION

For each company response, ISS ESG assesses the quality of the participation in the engagement. The assessment considers the extent to, and depth in which, the company has addressed the engagement questions, and is separate from the measurement of progress against the engagement objectives. The assessment is dynamic over time, as ISS ESG continues to pose clarification questions where a company does not initially address all questions, or only does so in a partial manner.



For the large majority of target companies, the quality of participation at the end of the engagement cycle is assessed as positive. In total, 73% of all target companies (92% of responding companies) are assessed as either ‘Adequate’ – meaning that they have at least partially addressed the engagement questions – ‘Good’ – meaning that they have addressed most elements of the questions, or ‘Excellent’ – meaning that they have substantially addressed all elements of the questions. Less than 7% of all target companies have provided responses deemed ‘Poor’ or ‘Deferred’ – meaning that they have either provided a general response which has not addressed the specific questions, or that they have acknowledged the engagement outreach but have yet to provide answers to the specific engagement questions.

Quality of Participation



ENGAGEMENT OBJECTIVE PROGRESS

Progress against the relevant engagement objectives for each company considers a combination of improvements in the company’s alignment with the requirements for each objective, as well as the quality of participation in the engagement.

ISS ESG notes a difference in the fulfilment of each of the engagement objectives between the two industries covered by the engagement, with Textiles & Apparel companies displaying relatively limited progress on the underlying indicators in comparison to Chemicals companies, for whom significant progress has been noted across all three engagement objectives.

CHEMICALS

Among companies in the Chemicals industry, ISS ESG has observed a positive trend in the progress towards all three engagement objectives since the engagement was initiated. Engagement objective 1, in relation to the management of water consumption, has the highest share of companies assessed as ‘Achieved’ at the end of the engagement cycle, at 50% of companies for whom the objective was not fulfilled at the initiation. This is followed by objective 2, in relation to wastewater management, for which 33% of companies are assessed as ‘Achieved’. For objective 3, related to the disclosure of water use reduction targets, 17% of companies are assessed as ‘Achieved’.

The share of target companies that have made progress in their alignment with the underlying indicators is 73%. An additional 23% of the target companies have demonstrated a positive quality of participation, and the objectives which were not fulfilled at the initiation are now assessed at ‘Raised

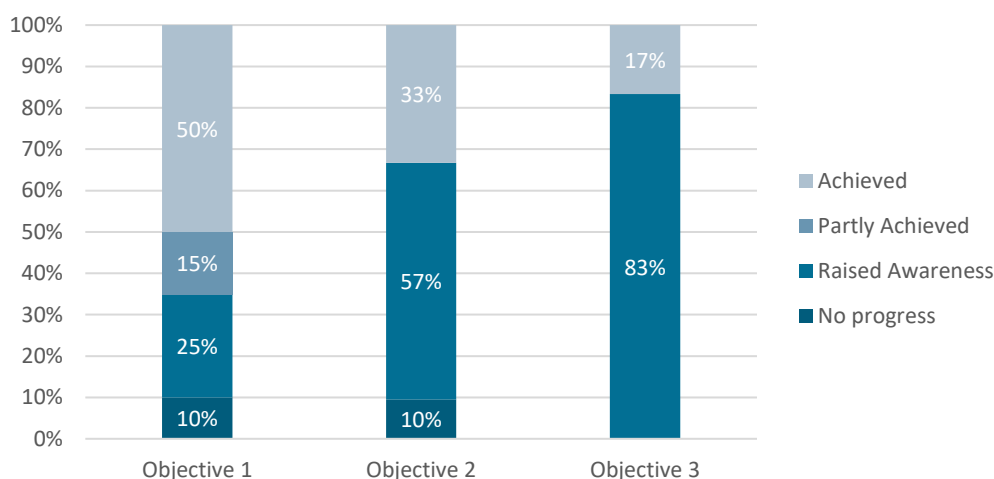


Awareness’. The share of companies for which there is no progress noted – either in terms of their participation in the dialogue or in terms of their alignment with the underlying indicators – is around 5%.

Looking in more detail at each specific engagement objective and the underlying requirements, ISS ESG notes the following trends:

- **Objective 1 – Management of water consumption:** The greatest improvement has been in relation to disclosing detailed freshwater use inventories. The share of companies identifying activities taking place in regions with high levels of water stress has also increased.
- **Objective 2 – Management of wastewater:** There has been an increase noted in the proportion of companies demonstrating positive wastewater management practices, such as through the disclosure of relevant effluent parameters, effluent monitoring, and specialised wastewater treatment processes.
- **Objective 3 – Disclosure of water use reduction targets:** ISS ESG has noted a slight increase in the number of companies disclosing freshwater use reduction targets and action plans, or publishing details regarding best practice approaches to target setting, for instance context-based or risk-differentiated targets.

Engagement Objective Progress (Chemicals)



NOTE: Due to rounding, totals may not add up to 100%.

TEXTILES & APPAREL

In the Textiles & Apparel industry, ISS ESG has observed progress since the engagement was initiated, with responding companies having entered a detailed dialogue with investors on each of the engagement objectives. After the first year of engagement, the only engagement objective for which companies were assessed as ‘Achieved’ was objective 1, related to water management strategies. As of the end of the second year of engagement, objective 3 has also been ‘Achieved’ for 17% of companies, related to the disclosure of freshwater use reduction targets.

The share of target companies that have made progress in their alignment with the underlying indicators is 50%. An additional 25% of the target companies have demonstrated a positive quality of participation, and the objectives which were not fulfilled at the initiation are now assessed at ‘Raised

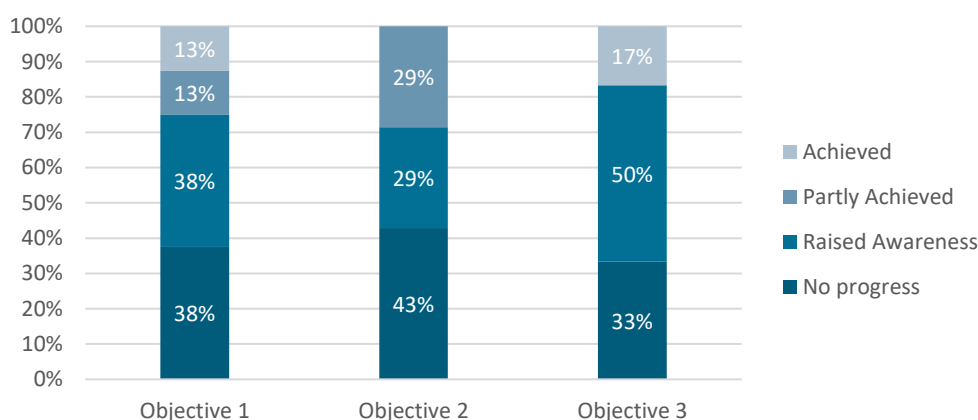


Awareness’. The share of companies for which there is no progress noted – either in terms of their participation in the dialogue or in terms of their alignment with the underlying indicators – is 25%.

Looking in more detail at each specific engagement objective and the underlying requirements, ISS ESG notes the following trends:

- **Objective 1 – Water management strategy:** The greatest improvement noted has been in relation to the disclosure of detailed freshwater use inventories. A slight improvement has been noted regarding the identification of activities taking place in regions with high levels of water stress, and no improvements are noted regarding water management at outsourced production sites.
- **Objective 2 – Reduction of pollution:** Some improvements have been noted regarding companies’ wastewater management practices, as well companies’ strategies to reduce substances of concern in production processes. No progress was made regarding substances of concern management at outsourced production sites.
- **Objective 3 – Disclosure of water use reduction targets:** A slight improvement has been noted regarding the disclosure of freshwater use reduction targets and action plans.

Engagement Objective Progress (Textiles & Apparel)



NOTE: due to rounding, totals may not add up to 100%.

OVERALL ENGAGEMENT SUCCESS

The overall success and impact of the engagement with each company is an aggregate measure of the progress towards all of the relevant engagement objectives. Each company engagement is categorised in one of four levels of zero to three globes, which takes into consideration both whether a dialogue has been established and awareness of the issues has been raised, and/or whether the company has improved its alignment with the objectives – as evidenced in its public disclosures. Given the approach of combining both the participation in the dialogue and the progress towards the objectives, there is a range of different scenarios for each globe level.

As of the end of the first engagement cycle, ISS ESG notes an impact with the majority (90%) of target companies. For 10% of the companies, the engagement is assessed to have a ‘High Impact’. This

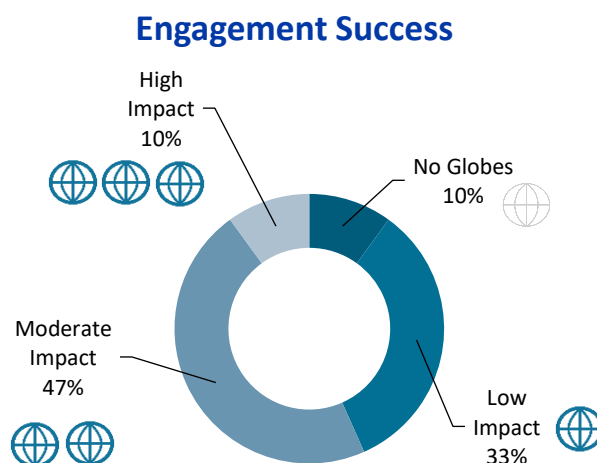


includes companies which have been assessed as 'Achieved' for all three engagement objectives that were not fulfilled at the initiation, or for companies that have made significant progress towards them.

For 47% of the companies, the engagement is assessed to have a 'Moderate Impact'. This includes companies which have made progress towards at least one objective and addressed the engagement questions, or which have made progress towards two objectives or more. For companies that already fulfilled one of the objectives at the start of the engagement, 'Moderate Impact' also applies when at least one of the applicable objectives is fully achieved, even if the second applicable objective has not been addressed.

For another 33% of the companies, the impact is assessed to be 'Low'. This includes companies which have addressed the engagement questions but have not made any progress towards any of the engagement objectives. It also includes companies which have made progress towards at least one engagement objective, even if they have not addressed the engagement questions.

The share of companies which have neither addressed the engagement questions nor demonstrated any progress towards any of the objectives, stands at 10%.



ENGAGEMENT DIALOGUE

The following section outlines case studies of positive dialogues noted since the engagement was initiated, as well as a summary of general observations from the discussions with companies and challenges highlighted through the dialogues. Further details on the dialogue with companies are available in each respective Quarterly Progress Report, as well as the Activity Reports.



CASE STUDIES

Asian Paints Ltd.		ISIN INE021A01026
THEME Water (Chemicals)	DOMICILE India	
SUMMARY	<p>Since the start of the engagement, ISS ESG has facilitated dialogue with Asian Paints Ltd. through written communication, with responses received in Q2 and Q3 2023.</p> <p>Since the initiation, Asian Paints has shared that it has introduced disclosure of source-wise water withdrawal data for all decorative manufacturing sites in its Integrated Annual Report for FY 2022-23. In the report, published in June 2023, the company discloses its total freshwater use broken down by source, and by source in areas with high levels of water stress, as part of the India’s Business Responsibility and Sustainability Report (BRSR) disclosure. Also, in the BRSR the company discloses information regarding its wastewater management approach that was also highlighted in the engagement dialogue, noting that all decorative manufacturing sites are zero liquid discharge facilities, and that effluents generated in its processes are always reused or recycled in treatment or advanced treatment plants where necessary. In the dialogue, the company explained that this may be in the form of high recovery reverse osmosis or similar technologies. In addition, the company highlighted some of its efforts to reduce and reuse freshwater in its processes, for example through more efficient equipment cleaning. In relation to freshwater use reduction targets and related action plans, the company shared through the dialogue that it conducted an empirical minimum study at each of its manufacturing plants, and devised a target according to the minimum water requirement for each location. The company explained that its reduction in specific non-process water target represents almost 67% of its total freshwater used in decorative manufacturing plants, and noted that it takes community needs and local ecological conditions into consideration.</p> <p>At the end of the engagement cycle, Asian Paints Ltd. is assessed to have a quality of participation of ‘Good’, meaning that it has addressed most elements of the questions throughout the dialogue. Throughout the two-year engagement cycle, the company demonstrated progress against underlying indicators on objective 1, in relation to the public disclosure of freshwater use inventories; on objective 2, in relation to the public disclosure of wastewater management processes; and on objective 3, in relation to the public disclosure of freshwater use reduction targets and related action plans. At the end of the engagement cycle, the underlying indicator that remains unfulfilled is the public disclosure of the identification of activities taking place in regions with high levels of water stress.</p>	



Industries of Qatar Co.		ISIN QA000A0KD6K3
THEME Water (Chemicals)	DOMICILE Qatar	
SUMMARY	<p>Since the start of the engagement, ISS ESG has facilitated dialogue with Industries of Qatar through written communication, with responses received in Q3 and Q4 2022.</p> <p>Since the engagement was initiated, the company has shared details of its freshwater consumption data, and explained that its 2020 ESG report contained limited data as it was the first time the company had disclosed such information. The company has since disclosed a freshwater use inventory in its 2021 Sustainability Report, which was published in 2023. The inventory is broken down by source and includes total freshwater use in regions with high levels of water stress, also broken down by source. In the dialogue the company also explained its wastewater monitoring and treatment approach, which is guided by the Consent to Operate issued by the Qatari Ministry of Municipality and Environment. In its response to the engagement enquiry, the company noted the priority substances of concern for which discharges are treated, including pH, TSS, COD, BOD, NH3 -N, and heavy metals such as chromium, lead, sulphides and free residual chlorine. These were subsequently disclosed in 2023, along with information regarding the company’s general wastewater management approach – including which elements of its operations produce wastewater, how this is then recycled and reused for its processes – as well as its commitment to eliminate wastewater discharge to the sea.</p> <p>At the end of the engagement cycle, Industries of Qatar Co. is assessed to have a quality of participation of ‘Good’, meaning that it has addressed most elements of the questions throughout the dialogue. Throughout the two-year engagement cycle, the company demonstrated progress against underlying indicators on objective 1, in relation to the public disclosure of freshwater use inventories; and on objective 2, in relation to the public disclosure of wastewater management processes. At the end of the engagement cycle, the underlying indicators that remain unfulfilled are the public disclosure of the identification of activities taking place in regions with high levels of water stress; and freshwater use reduction targets and related action plans.</p>	



<p>Kering SA</p>	<p>ISIN FR0000121485</p>
<p>THEME Water (Textiles & Apparel)</p>	<p>DOMICILE France</p>
<p>SUMMARY</p>	<p>Since the start of the engagement, ISS ESG has facilitated dialogue with Kering SA through both written communication and an engagement meeting, with responses received in Q4 2022 and Q1 2023, and an engagement meeting held in Q3 2023.</p> <p>Throughout the engagement cycle, the company has provided updates on its approach to sustainable growth, in particular regarding efforts to increase transparency and management of water-related topics. In the dialogues, the company highlighted its Environment Profit and Loss (EP&L) tool, which it uses to measure its environmental footprint across six key pillars across its entire value chain. The company explained that water represents two out of the six components through water consumption and water pollution. Further, the company noted that its EP&L results have informed a review of responsible water management across the entire production chain, and that the greatest impacts lie at tier 3 (raw material processing) and tier 4 (raw material production). The company explained that as it does not have direct control over tier 4, it seeks to circulate its expectations throughout its supply chains through the Kering Standards, the MRSL and PRSL, and through cross-cutting programmes with producers and industries players. Regarding water usage, the company shared that its consumption intensity declined 26.8% between 2019 and 2021, which was reflected in the 2022 Universal Registration Document, along with other expanded disclosures including freshwater use data broken down by industrial and domestic use, as well as by source. During the Q3 2023 engagement meeting, the company highlighted its involvement in the Science Based Targets Network (SBTN) pilot programme, in which it is one of 17 companies globally to establish land use and water targets. The company acknowledged that in response to investor expectations, including through ISS ESG’s Thematic Engagement, it decided to set dedicated targets for the key areas under the EP&L target, including targets for climate, biodiversity, water, and circularity. The company explained that in its 2023 CDP Water submission, it published an initial water target related to five tanneries in Italy, France and Serbia, and that a group-wide water reduction target will likely be defined in the course of 2024.</p> <p>At the end of the engagement cycle, Kering SA is assessed to have a quality of participation of ‘Excellent’, meaning that it has substantially addressed all elements of the questions throughout the dialogue. Throughout the two-year engagement cycle, the company demonstrated progress against underlying indicators on objective 1, in relation to the public disclosure of freshwater use inventories; and on objective 3, in relation to the public disclosure of freshwater use reduction targets and related action plans. In Q2 2024, ISS ESG closed the engagement as the company fulfilled all engagement objectives.</p>



ISS ESG OBSERVATIONS

The dialogues have enabled companies to share context and perspectives on how they consider water in an overarching sustainability approach, and to highlight forward-looking plans even if these are not yet detailed in public disclosures. For example, several companies have shared examples of plans and initiatives to increase water efficiency, which can also lead to lower operating costs. Examples of these activities include greater water circularity in process, such as using increased pressure in cleaning processes to reduce water use, increased recycling of process wastewater where possible, and greater technological and sustainability product innovations to reduce water intensity. Other efforts noted from Chemicals companies include financial investments in new cooling towers or irrigation systems, and utilising sea water for cooling and steam generation. From Textiles & Apparel companies, examples include collecting wastewater data from suppliers and partnering with business and philanthropic organisations to reuse or donate textiles for other uses.

Through the dialogues, some companies have also highlighted challenges they face in achieving some of the investor expectations. As ISS ESG's data shows, there is still a very limited proportion of Textiles & Apparel companies that have made any progress towards the engagement objectives, and some of these companies have noted that some of the solutions to the water challenge lie with their suppliers. For both industries, another challenge regarding objective 2 on wastewater management is that companies are often required to comply with permit requirements which vary from country to country, and therefore disclosing a group-wide approach is noted as being a complex task. Similarly, companies from both industries have noted challenges of gathering all relevant water-related data, which can often be the foundation of their water stewardship approaches before addressing enhanced disclosures, policies and targets.

FUTURE ENGAGEMENT FOCUS

At a time when the nexus of environmental topics of climate change, water security and biodiversity is in great focus for investors, participating investors will aim to develop a greater understanding of risks, impacts and dependencies on nature, and require the granular data from companies' disclosures to do so. ISS ESG will continue to facilitate dialogue through the launch of the second cycle of the Water Thematic Engagement, which will cover companies in the Chemicals and Beverages industries. The engagement will continue to focus on the disclosure of freshwater use inventories and risk assessment to identify activities taking place in regions with high levels of water stress. Additionally, the engagement will build on dialogues from the first cycle regarding wastewater management, and additionally it will cover companies' broader impacts on freshwater sources. Finally, the adoption of best practice water use reduction targets, along with related action plans, will continue to be a core element of the engagement. Additionally, for beverages companies, a core topic will be water conservation in the supply chain, both in terms of standards and expectations of suppliers, as well as the types of measures and activities the company itself is taking to promote best practice.

Some companies included for engagement during the first engagement cycle will be considered for the second cycle in order to build on progress made in the first two years. The 20% of unresponsive companies will not be considered for inclusion in the second cycle as eight attempts to escalate the investor enquiry have been made, and to allow for participating investors to focus their effort on companies which are more open to dialogue. The second cycle will be initiated by sending engagement letters to 30 companies in November 2024.



SUMMARY OF FIRST ENGAGEMENT CYCLE

The table below provides a summary of the engagement for each company as of the end of the first engagement cycle. A company is defined as responsive if at least one response was logged during the engagement cycle.

ISSUER NAME	DOMICILE	RESPONSIVE (Y/N)	NUMBER OF OUTBOUND INTERACTIONS	NUMBER OF INBOUND INTERACTIONS	TOTAL NUMBER OF INTERACTIONS	ENGAGEMENT SUCCESS
Air Liquide SA	France	Y	11	6	17	
Air Products and Chemicals, Inc.	USA	Y	15	8	23	
Akzo Nobel NV	Netherlands	Y	12	7	19	
ANTA Sports Products Ltd.	Cayman Islands	Y	14	4	18	
Asian Paints Ltd.	India	Y	11	2	13	
Celanese Corporation	USA	Y	8	1	9	
Cintas Corporation	USA	Y	9	5	14	
Corteva, Inc.	USA	Y	10	7	17	
Dow, Inc.	USA	Y	7	10	17	



DuPont de Nemours, Inc.	USA	Y	9	6	15	
EMS-Chemie Holding AG	Switzerland	Y	14	6	20	
Ganfeng Lithium Co., Ltd.	China	N	10	0	10	
Givaudan SA	Switzerland	Y	8	4	12	
Industries of Qatar Co.	Qatar	Y	10	2	12	
Kering SA	France	Y	9	5	14	
LG Chem Ltd.	South Korea	Y	17	12	29	
LyondellBasell Industries NV	Netherlands	Y	13	6	19	
Moncler SpA	Italy	Y	11	10	21	
Nutrien Ltd.	Canada	Y	11	7	18	
PETRONAS Chemicals Group Bhd.	Malaysia	Y	15	9	24	
Prada SpA	Italy	Y	11	4	15	
RPM International Inc.	USA	Y	5	6	11	



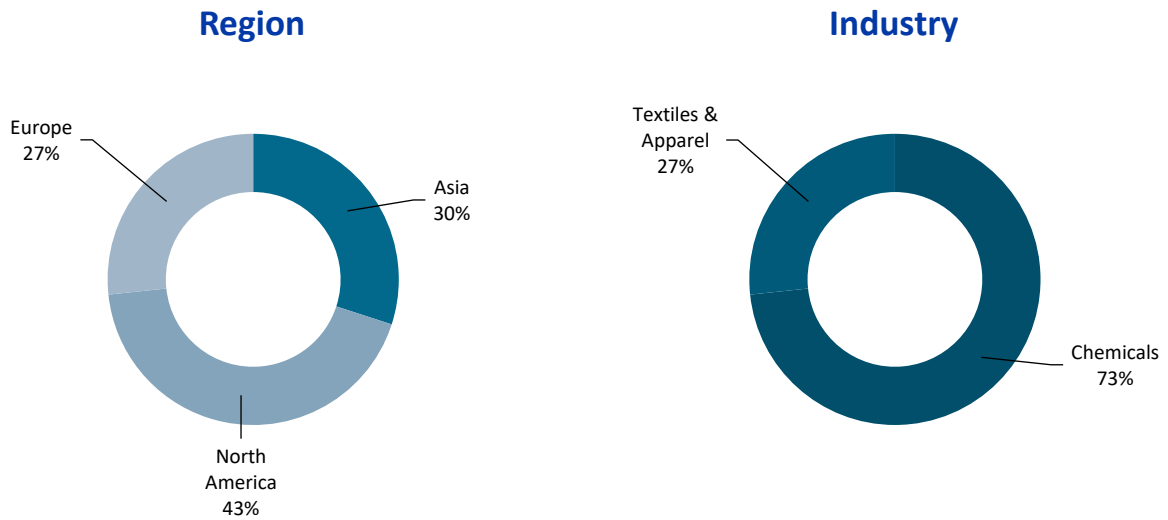
Saudi Basic Industries Corp.	Saudi Arabia	N	10	0	10	
Shenzhou International Group Holdings Ltd.	Cayman Islands	N	10	0	10	
Skechers U.S.A., Inc.	USA	Y	10	6	16	
The Sherwin-Williams Company	USA	Y	11	8	19	
Tianqi Lithium Corp.	China	Y	13	4	17	
Titan Company Limited	India	N	10	0	10	
Wanhua Chemical Group Co., Ltd.	China	N	10	0	10	
Westlake Corp.	USA	Y	13	2	15	



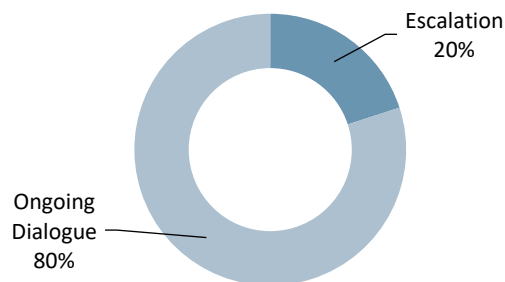
Q3 2024 ENGAGEMENT STATISTICS

The following statistics provide an overview of the geographic and industry distribution of the Water Thematic Engagement target companies, as well as engagement stage.

Summary charts, as of 30 September 2024.
















Engagement Stage



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 (the engagement stage refers to engagement activities before engagements were closed on 30 September 2024 due to the end of the first engagement cycle). Due to rounding, totals might not add up to 100%.

ENGAGEMENT SUMMARY TABLE


The initiation letter was sent to the target companies on 15 September 2022 (Q3 2022). This table lists the number of interactions that took place during Q3 2024, as well as the engagement stage as per 21 October 2024. Note that in Q1 2023, ISS ESG started recording friendly reminders sent to companies. ISS ESG sent engagement closure communications in Q3 2024, with the exception of Givaudan SA which was sent in Q4 2024.

ISSUER NAME	DOMICILE	ISS ESG CORPORATE RATING INDUSTRY	ENGAGEMENT STAGE	ENGAGEMENT STATUS	NUMBER OF OUTBOUND INTERACTIONS	NUMBER OF INBOUND INTERACTIONS	TOTAL NUMBER OF INTERACTIONS	ENGAGEMENT SUCCESS
Air Liquide SA	France	Chemicals	Ongoing dialogue	Closed	1	0	1	
Air Products and Chemicals, Inc.	USA	Chemicals	Ongoing dialogue	Closed	6	3	9	 
Akzo Nobel NV	Netherlands	Chemicals	Ongoing dialogue	Closed	1	0	1	 
ANTA Sports Products Ltd.	Cayman Islands	Textiles & Apparel	Escalation	Closed	1	0	1	
Asian Paints Ltd.	India	Chemicals	Ongoing dialogue	Closed	1	0	1	  
Celanese Corporation	USA	Chemicals	Ongoing dialogue	Closed	0	0	0	  
Cintas Corporation	USA	Textiles & Apparel	Ongoing dialogue	Closed	2	1	3	

Corteva, Inc.	USA	Chemicals	Ongoing dialogue	Closed	1	0	1	
Dow, Inc.	USA	Chemicals	Ongoing dialogue	Closed	1	0	1	
DuPont de Nemours, Inc.	USA	Chemicals	Ongoing dialogue	Closed	1	0	1	
EMS-Chemie Holding AG	Switzerland	Chemicals	Ongoing dialogue	Closed	1	0	1	
Ganfeng Lithium Co., Ltd.	China	Chemicals	Escalation	Closed	1	0	1	
Givaudan SA	Switzerland	Chemicals	Ongoing dialogue	Closed	1	0	1	
Industries of Qatar Co.	Qatar	Chemicals	Ongoing dialogue	Closed	1	0	1	
Kering SA	France	Textiles & Apparel	Ongoing dialogue	Closed	0	0	0	
LG Chem Ltd.	South Korea	Chemicals	Ongoing dialogue	Closed	4	1	5	
LyondellBasell Industries NV	Netherlands	Chemicals	Ongoing dialogue	Closed	1	0	1	
Moncler SpA	Italy	Textiles & Apparel	Ongoing dialogue	Closed	1	0	1	
Nutrien Ltd.	Canada	Chemicals	Ongoing dialogue	Closed	3	2	5	

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



Westlake Corp.	USA	Chemicals	Ongoing dialogue	Closed	3	0	3	
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NOTE: For definitions, see p.20



COMPANY RESPONSES RECEIVED IN Q3 2024

During Q3 2024 ISS ESG received responses from four of the 30 companies. The tables below provide further information on each dialogue.

CHEMICALS

Air Products and Chemicals, Inc.		ISIN US0091581068	DOMICILE USA
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Closed		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT SUCCESS  Moderate Impact		ENGAGEMENT OBJECTIVE 1 Management of water consumption Achieved ENGAGEMENT OBJECTIVE 2 Management of wastewater Raised Awareness ENGAGEMENT OBJECTIVE 3 Disclosure of water use reduction targets N/A	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Friendly reminder		05 July 2024	
Company response		11 July 2024	
Friendly reminder		06 August 2024	
Company response		08 August 2024	
Clarification enquiry		21 August 2024	
Friendly reminder		10 September 2024	
Company response		12 September 2024	
Engagement outlook communication		19 September 2024	
Engagement closure communication		30 September 2024	
QUARTERLY SUMMARY OF INTERACTIONS			
After ISS ESG sent a friendly reminder email on 5 July, the company acknowledged the investor enquiry on 11 July. On 6 August, ISS ESG sent a second friendly reminder email, and on 8 August, the company responded, sharing its latest sustainability report. ISS ESG sent a clarification enquiry on 21 August, followed by a third friendly reminder email on 10 September. On 12 September, the company shared its response, and ISS ESG sent an engagement outlook communication on 19 September, followed by an end of cycle closure communication on 30 September.			
QUARTERLY SUMMARY OF OBSERVATIONS			



In its 8 August response, the company shared a link to its latest sustainability report. In its 12 September response, the company explained that it has limited visibility to the water treatment methods employed by facilities nearby where the Chemical Oxygen Demand (COD) is effectively treated before discharge. The company noted that these facilities are regulated and treat COD per local regulations. Regarding the company's progress on Water Management Plans, it explained that this is a new goal announced in August 2024. The company stated that it is ramping up work on the Water Management Plans and will share updates at a later stage.

ISS ESG's underlying data shows that the company has not progressed in the latest six-monthly data check.



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 Closed		ENGAGEMENT STAGE Ongoing dialogue	
<p>ENGAGEMENT SUCCESS</p> <div style="text-align: center;">  Moderate Impact </div>		<p>ENGAGEMENT OBJECTIVE 1 Management of water consumption Achieved</p> <p>ENGAGEMENT OBJECTIVE 2 Management of wastewater Raised Awareness</p> <p>ENGAGEMENT OBJECTIVE 3 Disclosure of water use reduction targets Raised Awareness</p>	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Clarification enquiry		05 July 2024	
Friendly reminder		30 July 2024	
Company response		13 August 2024	
Engagement outlook communication		23 August 2024	
Engagement closure communication		30 September 2024	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>Following the company’s written response in Q2, ISS ESG sent a clarification enquiry on 5 July, followed by a friendly reminder email on 30 July. On 13 August, the company provided a written response to the questions posed. ISS ESG sent an engagement outlook communication on 23 August, followed by an end of cycle closure communication on 30 September.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 13 August response, the company shared that it has no ongoing special projects in conjunction with the Korea Water Resources in water-stressed regions. However, it stated that it procures water in water-stressed regions from municipal agencies such as the Korea Water Resources, and that under 99% of its water needs are met by municipal water. The company provided a table showing a water resources breakdown including water withdrawal, wastewater discharge, water consumption and water reuse rate. With regard to an expected timeline for water use reduction targets, the company shared that it anticipates setting internal targets in a few years. The company stated that with regard to updates on its wastewater recycling target, it does not have any quantitative targets to increase the rate of recycling wastewater. The company shared that it identifies points of high recyclability and seeks to improve the processing of raw materials before wastewater generation. Pursuant to this, the company stated that it implements a wastewater treatment process to enable wastewater to be reused for example as indirect cooling water. Additionally, the company addressed its disclosures related to wastewater and stated that its sustainability policy, including wastewater treatment, is compliant with relevant regulations. The company shared that it anticipates enhancing its reporting standards in line with expected policy changes and industry best practice. With regard to third party treatment sites and</p>			



process, the company detailed that it contracts external agencies to analyse wastewater properties. Furthermore, the company stated that it operates a disaster prevention room to prepare for emergencies. The company shared that it conducts inspections of its facilities as well as implementing periodic maintenance to ensure the safety and efficiency of its wastewater treatment processes.

ISS ESG's underlying data shows that the company has not progressed in the latest six-monthly data check.



Nutrien Ltd.		ISIN CA67077M1086	DOMICILE Canada
SDG ALIGNMENT SDG 6: Clean Water and Sanitation		SFDR PAI ALIGNMENT PAI 8: Emissions to Water	
ENGAGEMENT STATUS Closed		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT SUCCESS  Moderate Impact		ENGAGEMENT OBJECTIVE 1 Management of water consumption N/A ENGAGEMENT OBJECTIVE 2 Management of wastewater Achieved ENGAGEMENT OBJECTIVE 3 Disclosure of water use reduction targets Raised Awareness	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Friendly reminder		05 July 2024	
Company response		15 July 2024	
Company response		28 July 2024	
Engagement outlook communication		02 August 2024	
Engagement closure communication		30 September 2024	
QUARTERLY SUMMARY OF INTERACTIONS After ISS ESG sent a clarification enquiry in Q2, a friendly reminder was sent on 5 July. On 15 July, the company committed to provide a written response to the questions posed, which it shared on 28 July. ISS ESG sent an engagement outlook communication on 2 August, followed by an end of cycle closure communication on 30 September.			
QUARTERLY SUMMARY OF OBSERVATIONS In its 28 July response, the company shared that its water reduction target is on track, with an estimated freshwater use reduction of nearly 2.7 million cubic meters in 2023. The company noted that its water consumption figures are significantly influenced by rainfall estimates at phosphate mines and mentioned ongoing efforts to refine water accounting methodologies. The company explained that whilst it is not exploring additional water-related targets, it will review the potential for new targets in the future. The company emphasised that it takes a watershed perspective across its operations. The company explained that many of its higher-risk and higher-water use sites are engaged in external engagement as part of water stewardship efforts, and there are over 20 projects across North American wholesale operations. The company noted its progress on an internal nature assessment as part of its TNFD pilot programme, focusing on assessing nature-related dependencies, impacts, risks, and opportunities across its operations. The company noted that the goal is to identify opportunities that may create positive sustainable outcomes rather than specifically focusing on water reduction at operating facilities, and that any further reduction opportunities identified through this assessment may inform future water targets. The company stated that it could not provide a clear timeline for public disclosure of a plan to reduce nature risks and capitalise on opportunities, which was outlined in			




the company's 2024 Sustainability Report. The company explained that the nature assessment is a multiyear initiative, and the outcomes will be internalised first to determine the appropriate timeline and scope for disclosure.

ISS ESG's underlying data shows that the company has not progressed in the latest six-monthly data check.



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 Closed		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT SUCCESS  Low Impact		ENGAGEMENT OBJECTIVE 1 Water management strategy Raised Awareness ENGAGEMENT OBJECTIVE 2 Reduction of pollution Partly Achieved ENGAGEMENT OBJECTIVE 3 Disclosure of water use reduction targets Raised Awareness	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Company response		03 July 2024	
Friendly reminder		13 August 2024	
Engagement closure communication		30 September 2024	
QUARTERLY SUMMARY OF INTERACTIONS After ISS ESG sent an engagement outlook communication in Q2, the company responded on 3 July and communicated its willingness to participate in an engagement meeting. As the company became unresponsive, ISS ESG sent a friendly reminder on 13 August, followed by an end of cycle communication on 30 September.			
QUARTERLY SUMMARY OF OBSERVATIONS ISS ESG's underlying data shows that the company has not progressed in the latest six-monthly data check.			



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