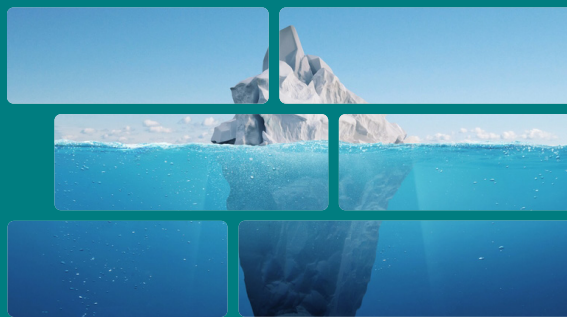
Calvert

Importance of Improved Water Risk Metrics in Sustainability Reporting



CALVERT RESEARCH AND MANAGEMENT | March 2025

Key Takeaways

- Critical industrial and manufacturing processes depend on the availability and quality of freshwater.
- Disruptions in freshwater availability may pose financially material risks to investors.
- Corporate disclosure and data remain a challenge due to lack of standardization and difficulties collecting data.
- Calvert encourages water intensive sectors to coalesce to develop water reporting protocol similar to the Greenhouse Gas (GHG) reporting protocol.
- In light of water risk data limitations, Calvert utilizes a proprietary method to assess water risks at the sector and company level.

Access to freshwater has been crucial since the dawn of civilization, impacting health, industry, and national security. Despite its importance, freshwater is a scarce resource, with only 2.5% of Earth's water being freshwater and 0.3% of that available for human use.[1] Freshwater risk is commonly viewed through a humanitarian or public health lens. Its scarcity underpins many risks, including waterborne illnesses, supply issues, and social inequality. Calvert believes ensuring just access to freshwater promotes social equality, enhances quality of life, and lays the foundation for sustainable development. Yet, the critical risks that threaten sustainable development, as well as pressing economic concern associated with this finite resource, are often overlooked. These risks are often neglected since freshwater resources may be mistakenly considered affordable and abundant.

As water related climate risks like flooding, droughts, water quality degradation, and glacial melt increase along with rising demand, corporations face significant threats to their businesses and operations from critical water issues. The 2025 California and Carolinas wildfires highlight the interconnectedness of climate

[1] World Economic Forum, Water security is a national security issue: What's needed now, February 8, 2023.

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"All over the world water is regarded as precious as life itself."

– Nelson Mandela

DISPLAY 1

Industry Water Usage Examples

Industry is the largest consumer of freshwater, using 90% of the global supply. Personal and municipal use make us the remaining 10%

Agriculture, on its own, is responsible for 70% of freshwater withdrawals.

Production of a Cotton tee-shirt uses 2,700 liters (713 gallons) of water.

Per day, one leading Generative Artificial Intelligence (Gen AI) company processes over 1 billion queries, using 17 million liters (4.5 million gallons) of water for cooling server farms—equivalent to approximately 7 Olympic sized swimming pools.

Source: Calvert Research and Management based on publicly available information as of January 27, 2025.

impacts, water stress, and corporate risk. Wildfires sparked by natural causes or human activities fueled by prolonged drought and extreme heat have devastated communities, strained water resources, and emphasized the urgent need for comprehensive water management strategies. Addressing water scarcity and quality challenges will be crucial for long-term corporate sustainability and for society. Achieving global water security will require leadership from the private sector, including both corporations and their investors. By 2050, approximately 46% of the global GDP could be generated from areas facing high water risk. This is an increase from the current 10%.[2] Because water is a critical factor for economic expansion, the risk of shrinking water translates to slower economic progress. According to the World Bank, water risk could lead to a decline in economic growth, with some regions seeing economic growth rates potentially drop by up to 6% of their GDP by 2050 due to water related losses. This prediction is based on the expectation that water scarcity will increase due to climate impacts unless significant efforts are made to improve water resource management. **Responsible investors must understand the relationship between water risk and responsible corporate growth.**

Recent events underscore the vulnerability of industries to extreme weather events and the need for improved infrastructure and disaster preparedness. The 2024 floods in Spain severely impacted various industries, particularly agriculture, where approximately 49,000 producers and 70,000 hectares were affected.[3] Similarly, the 2024 drought in the United States had significant corporate impacts, particularly in the agricultural and energy sectors. The drought led to reduced farming and livestock production and increased operational costs.[4] Hydroelectric power generation was significantly impacted due to lower water levels in reservoirs which also led to increased reliance on fossil fuels, contributing to higher GHG emissions. Disruptions in global weather patterns have led to uneven distribution of rainfall causing prolonged droughts in some areas and excessive rainfall in others, resulting in inconsistent water supplies. Global population growth since the Industrial Revolution has resulted in greater consumption of resources (including water) and a rapid, consistent output of greenhouse gases. By the late twentieth century, there was a clear link between global greenhouse gas emissions, global temperature anomalies, global population, global freshwater use, and global water disasters. Population growth, industrialization, and long-term changes in climate trends are the primary sources of freshwater stress.

For every degree Celsius that the Earth's atmospheric temperature rises, the amount of water vapor in the atmosphere can increase by about 7%[5] as warmer temperatures lead to more surface water evaporation. This contributes to making wet regions wetter and dry regions drier. The more water vapor that air contains, the more energy it holds. This energy fuels intense storms, resulting in more extreme weather events. Over time, these interconnected trends have resulted in 90% of climate

[2] WWF, Water crisis threatens $58 trillion in economic value, food security and sustainability, October 16, 2023.

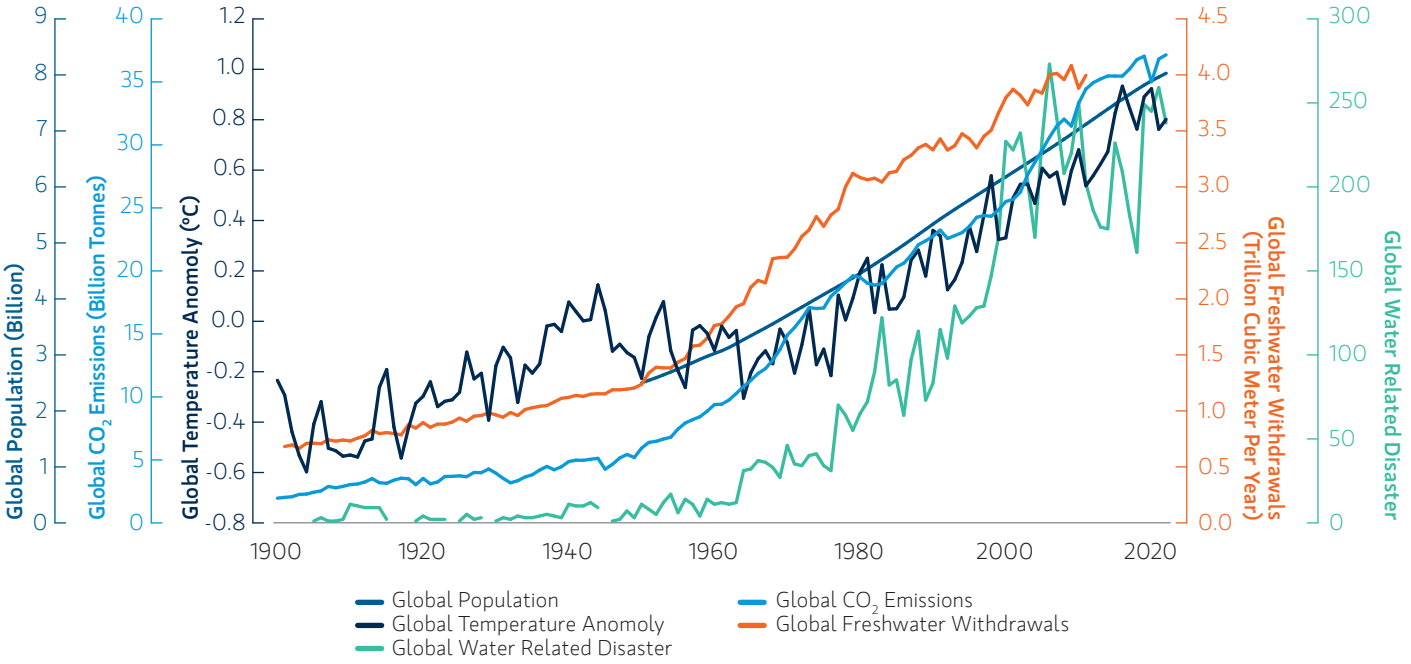
[3] CaixaBank Research, Economic impact of the floods in the Valencia province, December 13, 2024.

[4] Annual 2024 Drought Report | National Centers for Environmental Information (NCEI).

[5] Steamy Relationships: How Atmospheric Water Vapor Amplifies Earth's Greenhouse Effect - NASA Science.

DISPLAY 2

Global Environmental Trends Since 1900



Source: Global Carbon Budget (2023); Met Office Hadley Centre (2024); World Population Prospects (2024); Global International Geosphere-Biosphere Program. Rising global population has driven energy and water demands. These demands have led to higher carbon emissions and higher global temperatures which has contributed to an increase in global water related disasters. As a result, financially material water risk may increase in the coming decades.

impacts being felt through water-related events, including drought, aridification, pollution, and floods.[6] Examples of economic cost associated with water-related disasters:

- Global insured losses from natural catastrophes on track to exceed $135 billion (USD) in 2024.[7]
- Typhoon Yagi's economic losses impact on Vietnam is estimated to be $3 billion (USD) in 2024.[8]
- United States 5-year (2020-2024) average annual cost due to flooding, severe storms, and tropical cyclones is estimated to be $120 billion (USD, CPI-Adjusted).[9]
- Major floods hit Europe and the Middle East, causing estimated insured losses around $13 billion (USD) in 2024.[10]

Relationship between Water and Financial Outcomes

Growing frequency and severity of water-related events, as described above, impact the availability and scarcity of water for businesses across sectors. Calvert views water issues as both risks, where it presents material downside to company value creation, and opportunity, in instances where companies are mitigating water risk in cost effective ways relative to peers. The failure by corporations to meaningfully engage and manage water risks can lead to the following:

- **Operational Risks** – limited water supply can halt operations, increase costs, and create regulatory restrictions to water usage.
- **Supply Chain Risks** – water scarcity can impact raw material availability, create upstream supply disruptions, and transportation challenges.
- **Reputational Risks** – overuse or mismanagement of water resources can lead to negative public perception, conflict with communities in which companies operate and pressure from stakeholders who are increasingly scrutinize companies' water stewardship policies.
- **Regulatory and Legal Risks** – stricter water regulations may require investments in water saving technologies or processes, potential fines or penalties associated with mismanagement and litigation.

[6] Disasters and Climate Change | UNEP - UN Environment Programme.

[7] Swiss Re Institute, Hurricanes, severe thunderstorms and floods drive insured losses above USD 100 billion for 5th consecutive year, says Swiss Re Institute, December 5, 2024.

[8] Barron's, Vietnam Puts Typhoon Yagi Economic Losses At $3.3 Billion, September 28, 2024.

[9] NOAA, Time Series: United States Billion-Dollar Disaster Events 1980-2024 (CPI-Adjusted).

[10] Swiss Re Institute, Hurricanes, severe thunderstorms and floods drive insured losses above USD 100 billion for 5th consecutive year, says Swiss Re Institute, December 5, 2024.

- **Financial Risks** – Reduced production capacity in the face of water scarcity can directly impact revenue streams, increase capital expenditures in water efficient technologies, and processes can strain budgets. Water associated risks may raise insurance costs.

Material Water Management Risk

Water management at the Hindustan Coca-Cola Beverage company (an Indian bottling entity of Coca-Cola) in Plachimada, Kerala, India has led to significant material risks. The Government of Kerala investigative report[11] found the plant operations, including water management, led to regional ground water depletion and pollution. These management practices introduced operational, supply chain, reputational, legal, and financial risks, leading to the eventual closure of the plant.

Through the lens of water management, companies and investors can also identify opportunities. For instance, innovation in water savings technologies and processes can create lasting competitive advantages by reducing the need for scarce raw materials like water. Companies proactive in water conservation strategies can enhance brand equity through stronger relationships with communities, regulators, and customers.

Understanding these risks and opportunities are critical for companies to protect and drive corporate outcomes, but also for investors to better identify leadership and innovation across sectors. Calvert's approach for understanding water related risks and opportunities is an expression of our broader investment process that focuses on uncovering material externalities not readily apparent in standard financial metrics. Calvert believes this information provides a deeper understanding of risks and opportunities companies face, fostering a more comprehensive price discovery process that accounts for real world impact of corporate activities.

Water Risk Across Sectors

Calvert employs a sector-based approach to understand financially material risks and opportunities, including water which helps us uncover and integrate idiosyncratic water risks across our coverage of companies.

Below are several examples that illustrate water risks by sector, by business model and by physical exposure to regions with specific water-related stresses.

Water Consumption

BEVERAGE COMPANIES

Water is a main ingredient for beverage companies such as Coca Cola. Notably, production of agricultural products such as cane sugar and fruit is responsible for majority of freshwater consumption. Critically, freshwater is oftentimes a shared resource with local communities and hence a potential trigger of elevated tensions between firms and the local community. Failure to manage water usage, protect regional water supplies and inadequate community engagement campaigns on water could result in negative media coverage, erosion of brand equity and ultimately the loss of social license to operate. This could result in expensive relocation initiatives and/or curtailment of expansion projects.

DATA CENTERS

Data centers, like those operated by Microsoft, require significant quantities of freshwater for cooling purposes, they are also one of the fastest growing industrial water-use verticals due to growing computing capacity driven by surging AI applications. According to a 2023 study by UC Riverside, ChatGPT uses an average of ~17ml of water for each inference (i.e., query), which is besides the water needed to 'train' algorithms. Insufficient freshwater supplies could diminish the quality of services, and result in loss of business.[12]

LITHIUM MINING

In the Atacama Desert, Chile, water is oftentimes the source of tension between indigenous people and resource extractive firms. Firms like Albemarle Corp and Sociedad Quimica y Minera de Chile engage in brine evaporation lithium mining in the region, a process that is brine (saltwater) intensive. Brine mining in one of the driest places on earth has been linked to concerns regarding groundwater formation and salinization of freshwater, impacting the livelihoods of indigenous people and sensitive ecological systems.[13] Absent adequate water management programs, and community-firm agreements to safeguard indigenous interest and water rights, mining firms risk higher operating cost, fines, and losing their social license to operate.

[11] Government of Kerala, Report of the High Power Committee to assess the extent of damages caused by the Coco Cola plant at Plachimada and claiming compensation, March 2010.

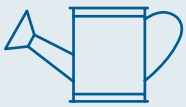
[12] University of California, Riverside. Making AI Less "Thirsty": Uncovering and Addressing the Secret Water Footprint of AI Models.

[13] WRI. More Critical Minerals Mining Could Strain Water Supplies in Stressed Regions. January 10, 2024.

Water Consumption or Pollution

PFAS[14]

Linked to numerous health risks including cancer, Per- and Polyfluoroalkyl Substances, or PFAS, are a group of manufactured chemicals that is becoming one of the most significant corporate-liability battles in the US, with litigation in early stages in the EU. Freshwater is a significant component to PFAS pollution because it is the primary source of human exposure to these chemicals.



AGRICULTURAL RUN-OFF

Nitrates from fertilizer and manure enter freshwater sources through leaching and runoff. In a process called eutrophication, excessive nitrogen in water bodies stimulate the growth of algae that could deplete oxygen, impacting biodiversity, fisheries, and recreational activities. Failure by firms to limit nitrogen run-off risks regulatory fines and community opposition.

FAST FASHION[15,16]

The culture generated by fast fashion players, such as Shein and H&M to update our wardrobes with the latest looks frequently, is exacerbating freshwater risks in the apparel industry. According to the WWF, it takes approximately 2,700 liters of water to make one cotton t-shirt, with cotton production responsible for majority of the water footprint. In addition, fabric dying and treatment practices generate significant water pollution, accounting for approximately 20% of global wastewater. The treatment process infuses many chemicals into water, which can make its way to water bodies if left untreated, while increasing reliance on synthetic fibers in fast fashion, owing to its cheap manufacturing cost, is resulting in microfiber pollution. Stakeholders from regulators and consumers are increasingly cognizant of the water challenges of the fashion industry. Potential changes to freshwater pricing, access rights, and other environmental regulations could increase cost and impact profitability of apparel firms.

Extreme Weather Events

Water is a crucial component to how the impacts of the increasing frequency and rising intensity of weather events are being felt across the world, from hurricanes and floods (e.g., Hurricane Helene and Hurricane Milton), to chronic water stress issues in arid regions.

HURRICANES & FLOODS ON INSURANCE[17]

Insured losses are on the rise. The insurance sector's global insured protection gap, the difference between total economic loss from natural catastrophes and insured losses, has been trending downward. However, it remains above 60% globally, suggesting high levels of vulnerabilities to natural disasters.

HURRICANES & FLOODS ON INDUSTRIALS

In the days after Hurricane Harvey hit Houston, Texas, in 2017, dozens of industrial and chemicals plants were damaged, resulting in over 100 spillage events of toxins and chemicals into floodwater. Impacted firms, such as Arkema SA, were faced with civil lawsuits because of these wastewater releases into water bodies.

DROUGHT IMPACT ON SEMICONDUCTORS[18]

Semiconductor manufacturing relies on large volumes of ultra-pure water to rinse microchips. An integrated circuit on a 30cm wafer requires an estimated 2,200 gallons of freshwater. When hit by one of the worst droughts in decades in 2023, industrial companies based in Taiwan were faced with restrictions on water consumption. This forced firms like Taiwan Semiconductor Manufacturing Company to implement business continuity plans including hauling water on tank cars, performing water-stress tests and implementation of various water savings exercises. Leading semiconductor manufacturers could see even higher water-intensities due to higher demand for advanced nodes (such as AI Chips) and expanding production capacity for both leading and trailing edge products.

CHRONIC WATER STRESS ON COPPER MINING[19]

Chile is home to the largest copper production operations (~25% global share), an activity that is water intensive. However, Chile's continental water supplies have been dwindling. Climate impacts are worsening the water supply over time. Lost mineral production due to water shortages—like the one we saw in 2022—have a direct impact to the bottom line of mining companies. Several miners experienced double-digit percent falls in copper production in the last drought. As such, many miners are now spending billions of dollars on desalination capacity to satisfy their water needs.

[14] US Environmental Protection Agency. Our Current Understanding of the Human Health and Environmental Risks of PFAS. Accessed October 2, 2024.

[15] WWF. Handle with Care | Magazine Articles | WWF. Spring 2014.

[16] World Bank. How Much Do Our Wardrobes Cost to the Environment? September 9, 2019.

[17] Aon. Catastrophe Insight 2023 Report.

[18] U.S. International Trade Commission, Executive Briefing on Trade, Taiwan – The Silicon Island. February 2024.

[19] Reuters. Chile's parched mines race for an increasingly scarce commodity: water. May 6, 2022.

In many of these examples, inadequate water management practices can lead to production interference and rising costs, creating meaningful financial losses for companies and potential widespread supply and demand imbalances in the industry. Operations and supply chains based in water-stressed regions compound these problems, as water stress often raises questions about just allocation of finite water resources. Continued heavy use of water and/or inadequate wastewater management by some companies can spark backlash from local governments and communities, potentially leading to restricted access to water resources, fines, social backlash and ultimately the costly relocation of facilities.

Disclosure Matters

Corporate disclosures are the foundation investors use to effectively analyze and manage water risks and opportunities. Without this transparency, investors and stakeholders lack necessary information to make informed decisions about the long-term sustainability and resilience of a company in a world facing growing water challenges. Accounting for water usage in public reporting is the first step in determining a company's financial risk associated with water. These public disclosures can be a catalyst for identifying improvement within companies. The disclosures create a source for productive and transparent discussion between companies and their investors in the form of engagement.

A common method of reporting water management is quantifying the volume of water abstracted and purchased by a company. These metrics are used as simple proxies to show directionality of water risk. However, Calvert believes metrics are not sufficient for investors to determine how water risk may affect a company or its investors. To understand the complete picture of a company's water risk, globally reputed organizations such as the Global Reporting Initiative (GRI), International Organization for Standardization (ISO), Principles for Responsible Investment (PRI), International Sustainability Standards Board (ISSB), Taskforce on Nature-Related Financial Disclosures (TNFD) have developed various frameworks, guidance documents, and thought pieces on the types of water risk metrics businesses should consider using and reporting. In addition to overall water use, there is agreement across these international organizations to include metrics pertaining to water discharge and water stress. Water discharge includes the amounts, quality, temperature, pollution, and destination of discharged water. Water stress includes information on water withdrawal from regions with water stress and the proportion of water withdrawn from water stress regions.

We believe gaining access to these recommended water metrics is crucial for responsible investors to integrate water risk sustainability analysis into their financial due diligence process. It may also be additive for companies in maintaining operational continuity and regulatory compliance.

Challenges Remain for Corporate Water Risk Reporting

Despite the presence of corporate disclosures, reporting frameworks and metrics, there are many challenges companies face in reporting water usage. The challenges to providing a comprehensive water footprint are twofold. At the company level, there can be deficiencies in reporting water discharge and water stress. These challenges might include data availability and quality, lack of standardization, complex supply chains, regional variability, operational diversity, resource constraints and the fluid nature of water risks.

AS A RESULT OF THESE CHALLENGES, THERE IS AN ABSENCE OF COMPREHENSIVE WATER RISK METRICS IN SUSTAINABILITY REPORTING THAT CAN BE EFFECTIVELY UTILIZED BY INVESTORS. While inadequacies in disclosures does not inhibit rigorous research into company water risks, stronger and more comprehensive availability of water-related risk metrics would enable investors to derive better insights and make more informed investment decisions. We think that data vendors play a critical role in this through the gathering of data points. Today, vendors are in the early stages of developing a comprehensive suite of water risk metric offerings. There are water data providers that have detailed geospatial water related data.[20] However, it is rare to find a vendor who can offer quality geospatial data with the stated financial material water risk metrics for most of the global capital market issuers. Climate risk models that factor into water risk also should be refined to improve their projections. Climate change is altering the patterns, frequency, and intensity of extreme weather events. Due to the unpredictability of weather events, historical climate patterns cannot be solely relied on for projecting future climate risks. Therefore, climate risk modelers must also consider incorporating other scientific behaviors to provide sensible risk assessments for investors.

Calvert's Investing Approach Through a Water Lens

DEEP RESEARCH

Calvert believes that data limitations should not be a barrier to incorporating existing water-related information into our investment process. To address current limitations, Calvert

[20] Why Understanding Water Challenges Is Critical to Your Organization's Future | True Elements.

uses tailored thematic indicators across Environmental, Social and Governance dimensions in sector models. The objective is to indicate how well companies are managing financially material sustainability risks relative to their peers. Water is one such risk. To handle methodological differences between vendors and coverage deficiencies, multivariate regression is generally applied to over 25 existing water related Key Performance Indicators (KPIs) to arrive at a company-level water score. These KPIs assess company's risk exposure to water and how companies are managing water through policies, disclosures, and performance metrics. These scores are weighted for all available KPIs, with weights determined by the strength of the relationship between each vendor KPI and financial performance, based on a 10-year lookback to measure the statistical relevance of equity outperformance. The result is a company-level signal that helps strengthen the effectiveness of its economic research models in terms of financial materiality, making it relevant for decision making. We view this as a pragmatic approach for dealing with today's limitations, as described above, while the water reporting landscape improves.

INVESTMENT SOLUTIONS

In addition to assessing water risk for all financially material sectors across our research universe, Calvert has investment strategies that are dedicated to water solutions or that include dedicated tilts towards water solution providers. These investment strategies are driven by our belief that companies that make more efficient and effective use of capital can outperform over the long term. Further, driving capital to companies that manage water responsibly can help drive more investment in solutions that address global water challenges. Investing in water solutions is also another way to counteract the systemic risks we observe related to global water stress even in lieu of robust water risk data.

Calvert defines solutions providers as companies providing innovative water solutions such as treatment and filtration technologies, infrastructure, and irrigation. These companies may offer long term value creation as water scarcity and other risks intensify. Calvert uses a bottom-up process to identify these companies relying on business description, filings, and business segments to determine their involvement in water-related businesses. Companies whose activities meet a threshold for 30% revenue or earnings derived from water solutions-related businesses are categorized as solutions providers and eligible for our strategies with dedicated solutions allocations.

STEWARDSHIP

Calvert's engagement with companies on water issues helps strengthen companies by encouraging transparency, efficiency, and access. Calvert's proxy voting guidelines underline our support for management of material water-related risks and state that we will support shareholder proposals that ask companies to: improve disclosure on water use and impact; adopt programs and policies that enhance equitable access to affordable safe drinking water and sanitation; improve management of water in industrial or agricultural operations and supply chains; improve management and reporting of marine ecosystems; improve water efficiency or water-use for companies in water-intensive industries.

Looking Ahead

Improvements to the current availability and quality of water-related disclosure are desired in order to provide the investment community with signals to identify forward-looking financial risks or opportunities stemming from water issues. Water is a source of either negative or positive externality that should be factored into decision-making by stakeholders across financial markets. Stronger tracking and disclosure of water-related information will allow investors to appropriately allocate capital to drive long term economic returns, and may improve the health of financial markets. Disclosing a business's operational water-related risk, water consumption based on operational needs, and regional vulnerability to water stress demonstrates a commitment to long term business sustainment, effective management of water resources, and narrative command of their water stewardship.

As water risks become more prevalent, the business community can counter these risks by reaching a consensus on a water reporting protocol similar to the reporting standards introduced by the Greenhouse Gas (GHG) reporting Protocol in 2001 for GHG emissions.[21] Investment and business communities would then have a standard to provide consistent, comparable, and useful information about a company's relationship with water. If there is consensus on standards among business and investment communities, regulators may lean toward adopting these voluntary standards to ensure global regulatory harmonization. It is important to also remember that additional factors will impact water risk reporting as water preservation and protection evolves, including technological innovation. Advancements such as enhanced tracking using automation and artificial intelligence capabilities, improvements in water metering equipment, and water quality measurement devices will play a role in improving

[21] The Carbon Neutral Protocol, Scope 1, 2, and 3 Emissions Explained, September 12, 2024.

DISPLAY 3

Calvert Approach to Investing in Water Solutions Providers

Water Utilities

- Companies whose services or products provide clean, drinkable water or wastewater management

Water Solutions Providers - Water Use Leader or Water Innovators

- Companies that are leaders in water efficiency or water re-use in high-intensity water industries
- Companies providing innovative solutions to global water challenges

Water Infrastructure Providers

- Companies who products and services help cultivate clean water infrastructure systems as well as companies whose products or services are related to the construction, planning, design, or engineering of infrastructure that improves water efficiency and/or delivery

Water Technology Providers

- Companies that develop, manufacture, distribute and/or install equipment or technologies for the treatment, separation and purification of water
- Companies offering technologies that promote water conservation and the efficient use of water

water data reporting. Varied commitment and efforts by data vendors will impact sustainability reporting, as well as growing regulatory, investor, and community pressure on corporations to enhance water impact reporting.

The relationship between water and sound financial investment are symbiotic. Future global weather patterns may impact water resources, having a full understanding of a company's water footprint benefits both a company and its investors. Water risk data provides important information to help companies address the challenges of managing water risk to ensure sustainable water availability and help responsible investors understand financial material risks to make sounds investments. Ultimately, this evolving relationship between issuers and water should help safeguard water resources for future generations.

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Company Names/GICS Subindustries

Calvert portfolios hold the following companies within the GICS subindustry noted, as of 12/31/2024

SOFT DRINKS & NON-ALCOHOLIC BEVERAGES

Celsius Holdings Inc
Coca-Cola Co/The
Coca-Cola Consolidated Inc
Coca-Cola Europacific Partners PLC
Coca-Cola Femsa SAB de CV
Coca-Cola HBC AG
Keurig Dr Pepper Inc
Monster Beverage Corp
PepsiCo Inc
Suntory Beverage & Food Ltd

Risk Consideration

There is no assurance that a Portfolio will achieve its investment objective.

Portfolios are subject to **market risk**, which is the possibility that the market values of securities owned by the Portfolio will decline and that the value of Portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Investments in **foreign markets** entail special risks such as currency, political, economic, and market risks. **ESG Strategies** that incorporate impact investing and/or Environmental, Social and Governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required.

For important information about the investment managers, please refer to Form ADV Part 2.

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