

Impax and AP7 partner for ground-breaking water impact report

London, Stockholm, 30 June 2021 – Impax Asset Management (“Impax”), the specialist asset manager investing in the transition to a more sustainable global economy, has partnered with Swedish public pension fund, Sjunde AP-fonden (“AP7”), to produce a report that investigates how best to assess, measure and report on water impact.

The report, [*Water: from a systemic and unpriced risk to a measurable opportunity with positive impact*](#) provides an investment practitioner’s perspective on water as a sustainability and impact topic. The report focuses on the solutions to the sustainability problems associated with water supply and treatment, on effective water impact measurement, and provides practical learnings, case studies and recommendations.

Water is vital to virtually every business in the world and to all sectors of the economy. Yet ensuring the resilient and sustainable supply of water is also a systemic and unpriced global challenge with significant economic and societal risks. The report highlights how water is too often overlooked in sustainability and risk assessments, and water data reporting is well behind climate reporting in terms of the amount and quality of disclosure.

Key findings

- The report highlights the complexity and ambiguity of current water reporting, with few globally agreed frameworks to measure water impact. The report recommends moving to common water impact indicators so that water impacts can be compared and aggregated across different investments and assessed at portfolio level.
- To get a full, decision-useful picture of water impact, Impax and AP7 recommend considering three different elements – water withdrawals; positive water solutions; and local water circumstances. The report finds that none of the open-source frameworks include all three of these elements and there is a lack of comparability in the data that does exist.
- To help remedy this, Impax and AP7 have developed a “Water impact metric dashboard”; this provides a closer assessment of the most relevant water impact metrics which are considered for their primary use and characteristics such as data availability, decision-usefulness and complexity.
- Many existing frameworks focus mainly on water quantity and do not put sufficient focus on water quality and pollution. Therefore, the report recommends, investors must engage with companies and standard setters to improve reporting by companies. The report outlines a roadmap for improving investor dialogue and finds that, of existing water impact data today, decision-useful information is scarce and is not easily available to investors.
- As demonstrated by case studies throughout the report, the most advanced water companies today develop site-level stewardship with other water users in a local watershed, collaborating on water savings, pollution control and even regenerative practices.
- The report concludes that company boards and executive management must treat water as a strategic issue. Investors can play a key role in funding solutions to water problems, as well as providing stewardship for effective water management.

Lisa Beauvilain, Head of Sustainability and ESG, Impax Asset Management, said: “Currently, water impact reporting practices often fall short. By effectively measuring and reporting water impact, investors would gain useful information on water risks and understand better the positive impact of water solution providers. As our report uncovered, water data are not widely available, particularly information on local hydrological conditions and on the impact of water quality. This needs to change rapidly, as chemical water pollution in particular is becoming better understood and the magnitude of the challenges is becoming clearer and regulators’ focus on this area increases.

“We believe investors can have significant positive impact in a number of ways - by investing in water solutions, engaging with companies and reporting framework organisations, through policy advocacy with regulators and policymakers, as well as through rigorous water impact measurement and reporting.”

Johan Florén, Head of ESG, AP7, added: “Climate change, access to water and loss of biodiversity have become existential threats and politicians have been forced to collaborate on a global scale. But the financial sector and businesses must also contribute if we are to have a chance of success.

“At present, knowledge of the effects of investment decisions on the real economy is insufficient. Transparent reporting of real effects is a first step for investors to be able to evaluate the societal impact of their investments and better understand corporate governance considerations.

“We have teamed up with Impax to investigate what impact portfolio companies have on water availability, and how we as investors could support increased transparency and improved water stewardship. Sustainable development requires reliable and continuous access to clean fresh water. From an impact perspective, water availability is very much linked to the local context.”

Next steps

Impax and AP7 believe further analysis and work are required in the following areas:

- Water quality impact measurement, including urgently needed definitions and baselines
- How water interacts with climate change (physical climate risks) and biodiversity loss, and how these can be taken into account in future water impact measurement.
- The robustness and pathways of emerging water initiatives such as [Net positive and regenerative water impact by 2050](#), likely inspired by the net zero carbon initiatives. These are positive initiatives that are introducing net positive water and regenerative water principles. However, where targets are very long-term, the right methodologies and pathways become critical for success.
- When water impact data is strategically and/or operationally material and highly decision-useful, the next step is financial quantification and inclusion in corporate financial reporting.

ENDS

Montfort Communications
Louis Supple/Jack Roddan

impax@montfort.london
+44 (0) 773 943 0102
+44 (0) 203 770 7906

About Impax

Founded in 1998, Impax is a specialist asset manager, with approximately £32.6bn / \$46.4bn as of 31 May 2021 in both listed and private markets strategies, investing in the opportunities arising from the transition to a more sustainable global economy.

Impax believes that capital markets will be shaped profoundly by global sustainability challenges, including climate change, pollution and essential investments in human capital, infrastructure and resource efficiency. These trends will drive growth for well-positioned companies and create risks for those unable or unwilling to adapt.

The company seeks to invest in higher quality companies with strong business models that demonstrate sound management of risk. Impax offers a well-rounded suite of investment solutions spanning multiple asset classes seeking superior risk-adjusted returns over the medium to long term.

Impax has ca. 200 staff across six offices in the United Kingdom, the United States, Ireland and Hong Kong, making it one of the investment management sector's largest investment teams dedicated to sustainable development.

www.impaxam.com

About AP7

AP7 (the Seventh Swedish National Pension Fund) is the default alternative within the Swedish Premium Pension system with five million savers and more than 800 billion SEK AUM in global equities and fixed income. With a diversified equity portfolio of more than 3,000 companies, AP7 has an ESG-strategy that focuses on active universal ownership complemented with impact investments.