

IMPACT INVESTING MONTHLY

February 2024

Alpha Omega Wealth Management

Your monthly update on impact investing

Impact Investing at AOWM

Seeking companies that
turn a profit making a
sustainable impact on
society and the
environment

February's update has a company highlight on Xylem, graphs on water usage, and links to further resources around water issues facing the world. As always, if you would like to discuss impact investing in general or your impact portfolio specifically, please do not hesitate to email me.

Grace and Peace,



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Company Highlight on Xylem




Xylem Inc. (xylem.com) is a water technology company focused on “developing sustainable solutions to global water challenges,”* especially those tied to water scarcity, sanitation, analysis, affordability, and resilience to climate change.



Xylem is named after the crucial “xylem” cells in plants that move water and nutrients from the roots to plant stems and leaves. Xylem’s vision is “to create a world in which water issues are no longer a constraint to health, prosperity, and sustainable development.”* Some of its core customers are water and wastewater utilities, but its products are also used in farms, mines, power plants, and industrial facilities.

In 2024, Xylem earned the 15th spot in [Barron's 100 Most Sustainable U.S. Companies](#), which looks at factors including carbon-emissions, workplace diversity, and progress toward creating a circular economy. [Calvert Research and Management](#) conducted the analysis. See more about Xylem [here](#), and check out its podcast [Solving Water](#).

TABLE 1: Xylem's Three Business Segments

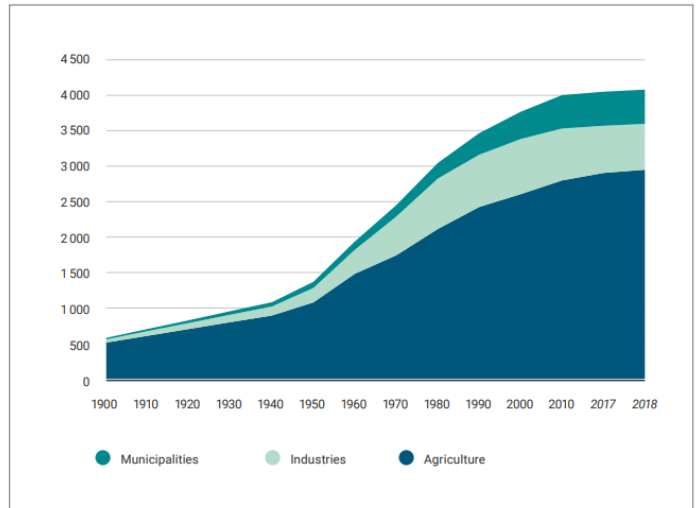
BUSINESS SEGMENT	APPLICATION	MAJOR PRODUCTS
 Water Infrastructure	<ul style="list-style-type: none">• Transport• Treatment	<ul style="list-style-type: none">• Water and wastewater pumps• Filtration, disinfection and biological treatment equipment• Mobile dewatering equipment
 Applied Water	<ul style="list-style-type: none">• Building services• Industrial water	<ul style="list-style-type: none">• Pumps• Valves• Heat exchangers• Controls• Dispensing equipment systems
 Measurement & Control Solutions	<ul style="list-style-type: none">• Water• Energy• Software as a Service/Other	<ul style="list-style-type: none">• Smart meters• Networked communication devices• Data analytics• Test equipment• Controls• Sensor devices• Software & managed services• Critical infrastructure services

*2022 Annual Report

Charts of the Month

Water covers 71% of the earth's surface, but only 3% of that is fresh water. And a mere 1% of that fresh water flows in rivers, streams, and lakes, while 30% lies underground and 69% is frozen in glaciers. As global population continues to rise, water scarcity, access to safe drinking water, and infrastructure for waste water treatment are increasingly pressing issues.

Figure P.1
Evolution of global water withdrawals, 1900–2018 (km³/year)

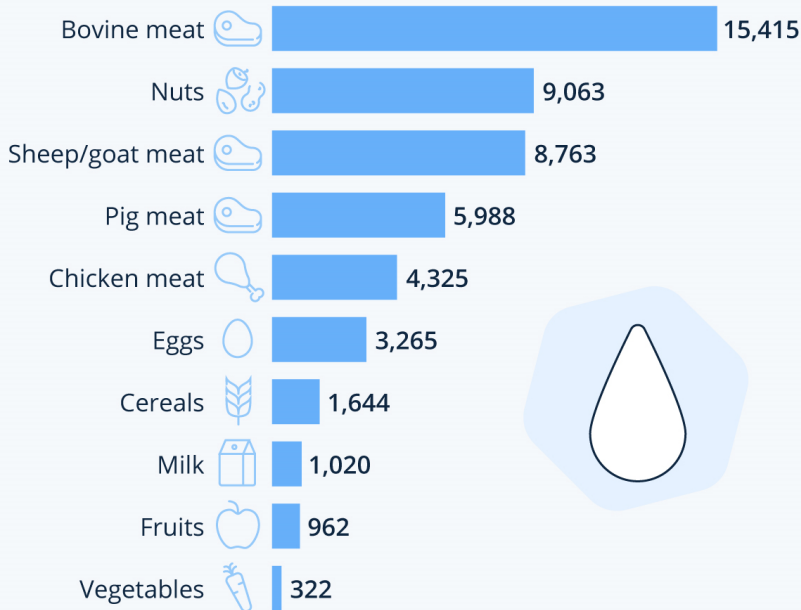


Source: FAO (2022, fig. 1.23, p. 71, based on AQUASTAT).

The first chart this month (above) comes from the UN's [2023 World Water Development Report](#), and it shows how agriculture and industry are the primary drivers of water demand around the world. [Water scarcity](#) due to overuse has become an increasingly [critical issue](#) in many regions. Given the high usage of fresh water in agriculture, our second chart this month (below) from [statista](#) and the [Water Footprint Network](#) highlights how much water is required to produce different types of food. Check out the footprints of other products and uses [here](#).

How Thirsty Is Our Food?

Liters of water required to produce one kilogram of the following food products*



* Global averages
Source: Water Footprint Network



Water is required to produce different types of food. Check out the footprints of other products and uses [here](#).

Water usage, alongside climate change, affects regions very differently depending on the ratio of how much is withdrawn versus how much can be replenished by seasonal cycles of rain and melting snow. You can see videos on the water crises in the U.S. [here](#) and globally [here](#).

Another critical issue tied to water is [sanitation and safety](#). The use of effective technologies to make water safe to drink, as well as to treat waste water, only date back to the early 20th century, and [billions of people](#) worldwide still lack access to safe drinking water and waste water treatment, key to [preventing diseases](#).

Links to Resources

“How is sewage transformed into drinkable water?”

Britannica
(7 minute video)

“Billions of people lack access to clean drinking water”

Seyma Bayram, NPR
March 22, 2023
(5 minute read)

“From Not Enough to Too Much, The World’s Water Crisis Explained”

National Geographic
March 22, 2018
(15 minute read)

“There’s a water crisis looming: Big Tech and AI could make it worse”

Sam Meredith, CNBC
December 6, 2023
(7 minute video)

What is Impact Investing?

The term **“Impact Investing”** focuses on investments made *“with the intention to generate positive, measurable social and environmental impact alongside a financial return.”*¹ Many people talk about this intersection of social, environmental, and financial values as a focus on the **triple bottom line** of **people, planet, and profit.**² Others also highlight the ways that environmental, social, and financial values are really **“blended values,”**³ given that the operations, products, and services of any business always have effects (whether positive or negative) on society, the environment, and the financial bottom line.

“ESG” is a term that stands for “Environmental, Social, and Governance” factors that can affect a company’s long term financial health as well as well-being for broader society and the environment. The term ESG was coined in a 2004 United Nations report entitled, “Who Cares Wins: Connecting Financial Markets to a Changing World,” and this report highlights the ways *“successful investment depends on a vibrant economy, which depends on a healthy civil society, which is ultimately dependent on a sustainable planet.”*⁴

ESG analysis usually focuses primarily on how a changing world (socially and environmentally) might affect a company’s financial return. Impact analysis usually focuses on how a company’s operations and products affect society and the environment. The two types of analysis are distinct but complementary and can be used to help you blend your values with your investments.

Sources

¹ Thegiin.org; see also rockefellerfoundation.org/from-the-archives/global-impact-investing-network-giin/

² “Triple bottom line,” *The Economist*, Nov 17, 2009. economist.com/news/2009/11/17/triple-bottom-line

³ Blendedvalue.org

⁴ UNepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf

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