Planet Tracker

EXPOSING WATER RISK

How do Textile Brands think about Water Risk?

January 2024

CONTENT

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KEY TAKEAWAYS

- The vast majority (90%) of the 3,900 documents, transcripts and filings by apparel-related companies analysed by Planet Tracker do not mention water-related risks. Many corporates barely mention water in their releases.

- However, total mentions of water-related risk have risen across the analysed period, from around 2,000 disclosures in 2018 to more than 9,000 in 2022.

- Most mentions of water-related risk are by non-luxury brands, followed by luxury brands. The companies analysed who mainly operate as retailers of apparel typically make very few water-related risk disclosures.

- Most mentions of water-related risk are found in sustainability reports and annual reports. There was very little mention of water in transcripts from corporate events, suggesting it is not something investors are focused on.

- The *quality* of water-related risk disclosures has been broadly flat across the period analysed.

- Planet Tracker calls on investors into the major apparel brands to include water in their investment strategies. Using tools such as the Investor Water Toolkit from Ceres, they should engage with their holdings on water risk. They should push companies to publicly disclose their water use and water risks via a standardised framework such as the CDP and to develop a strategy for water risk and start exploring sector transition plans to reduce those risks. They should also support engagement with the textile supply chain to address its use of water and the pollution associated with textile manufacture.

EXECUTIVE SUMMARY

Companies in the apparel industry should be talking about water risk. Many stages of the manufacture of apparel are significant users of water. The availability of water is increasingly becoming stressed across the globe as a result of climate change, inefficient use and untreated disposal. Increasing water stress could threaten production of textiles in many key regions and thus disrupt supply chains.

Investors and lenders to the apparel industry are financially exposed to this water-related risk. Financial institutions should be including this risk in their investment decisions if they believe that other sources for apparel manufacture are unavailable and that the higher price of supply (if there is one) cannot be passed on to the consumer.

Planet Tracker examined how the management teams of 29 major apparel brands perceive their water-related risk by examining regulatory filings, investor meeting transcripts, annual reports and sustainability reports. Natural Language Processing (NLP) was used to scan these documents for extracts focused on water-related risks.

Planet Tracker calls on investors into the major apparel brands to include water in their investment strategies and the way they engage with their holdings. They should push companies to publicly disclose their water use and water risks via a standardised framework such as the CDP. They should also support engagement with the textile supply chain to address its use of water and the pollution associated with textile manufacture.

INVESTOR, LENDER AND INSURER ENGAGEMENT

We encourage investors, lenders and insurers to ensure that the apparel industry is reflecting the risks related to water when pricing their investments, financial instruments and premia.

Investors, in particular, need to fully understand these risks to the business operations of their investments and how increasing water stress could impact the ability to deliver product and affect sales.

They should ensure that water risk is raised with management – please see the Investor Engagement Sheet - and challenge their risk assessments and strategic plans for water to ensure they are robust and well targeted.

Investors should push companies to publicly disclose their water use and water risks via a standardised framework such as the CDP.

The major apparel brands can be drivers for improved water management across the industry and have an opportunity to prove their sustainability credentials by engaging with their supply chains and using their relative financial strength to support their suppliers' efforts to transition to more sustainable production techniques. Investors should push for and support such engagement as a means to reduce water risk, whilst also offering the potential to improve sales on the back of reputational gains.

INTRODUCTION

Water is fundamental to the production of textiles, from the growing of natural fibres to the dyeing and finishing of fabric – see Figure 1.

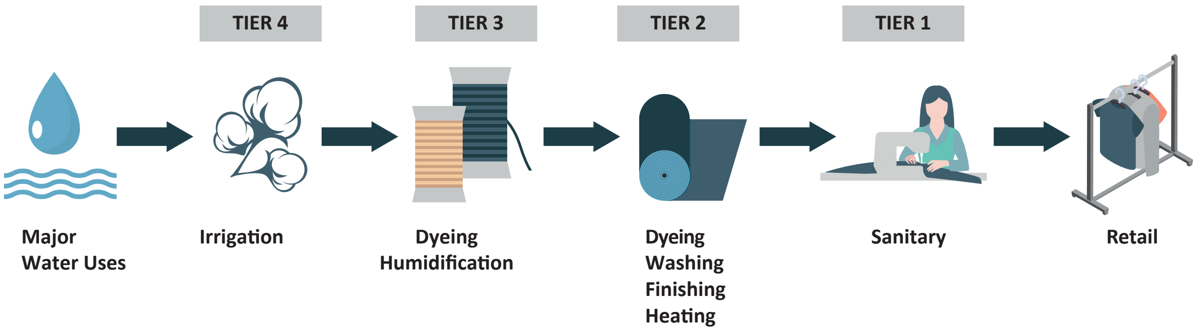

Figure 1: *Water is critical to many stages of the textile supply chain (Source: Planet Tracker)*

However, water can also be a significant threat to the textile supply chain. Firstly, water stress, i.e. a potential lack of water, is expected to be a growing issue in many areas of the world as a result of climate change, inefficient use and untreated disposal - see Figure 2 & Figure 3.

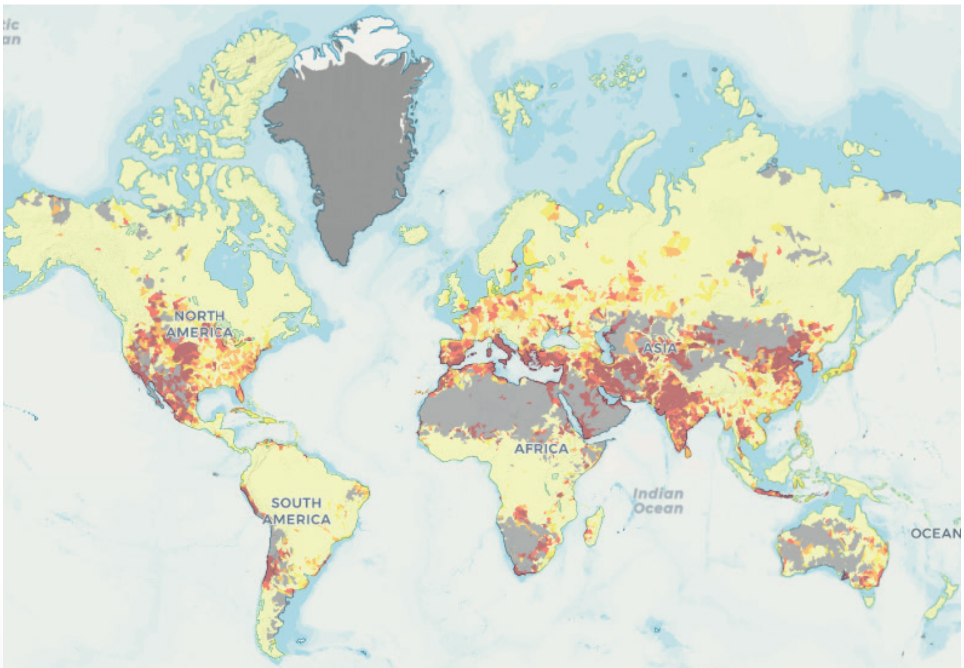

Figure 2: *Current water stress – deeper red is more stressed (WRI Aqueduct)*

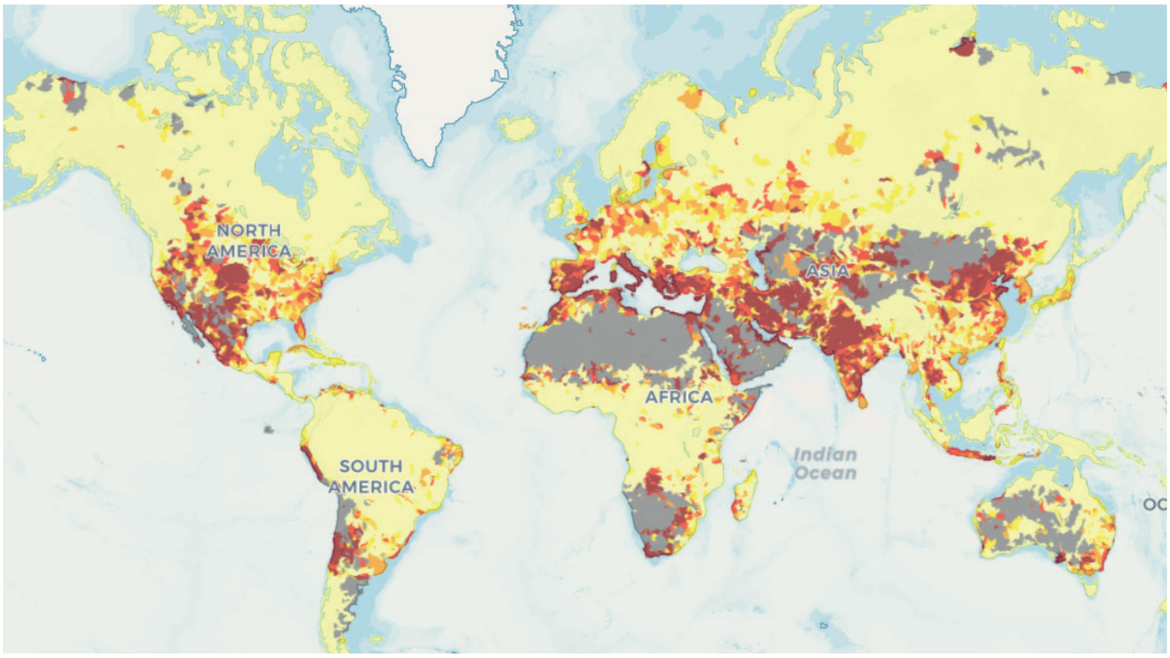

Figure 3: *2030 water stress under a business as usual scenario – deeper red is more stressed (WRI Aqueduct)*

Climate change has also been suggested to increase the risk of flooding (both riverine and coastal) in many areas, potentially putting workers and factories at risk of inundation and damage (see the report from Cornell University – Higher Ground).

As such, the textile industry faces potential challenges from multiple angles to its current business model arising from water-related risks.

Our previous work has highlighted the risk from growing water stress to the wet processing stage of garment manufacture (see our report Will-Fashion-Dye-another-Day). We highlighted that the wet processors would likely find it difficult to adapt to greater regulation of water use or higher costs without support from the fashion brands. We also note that relatively small levels of investment can be transformative in terms of the environmental impacts of the textile supply chain (see our report Easy-UnPickings).

With the majority of the capital in the industry sitting at the retail stage of the supply chain, in general financiers would seem to be sheltered from much of the direct risk of rising water stress impacting the production stages. However, the big apparel brands rely on the continued functioning of their supply chains to produce product and thus water-related disruption could materially impact sales.

Given the importance of water to the industry, we would expect it to be a point of concern for both corporates across the value chain and their financiers. However, our previous work has shown that the reporting by corporates of the water impacts from textile production is often limited (see our report Threadbare-Data).

Given the issues discussed above, investors should be demanding high quality data from their holdings on their direct and indirect water impacts, so that they can better quantify the risks to which they are exposed.

This report examines the water-related disclosures of 29 of the biggest apparel brands to determine to what degree corporates and investors are cognisant of the risk they face from water stress.

What do major textile corporates say about water?

As a starting point for considering how major textile corporates think about water risk, we examined whether brands report on water to CDP. We also examined the sort of targets they have set for water management.

Of the 29 brands included in our analysis, 15 report to CDP on their usage of water - see Table 1. We see this as a fairly positive starting point, suggesting that water is something management teams are thinking about

***Table 1**: Examples of targets on water for major textile brands (Source: Planet Tracker)*

No.	Company	CDP Water Report
1	Adidas	Yes
2	American Eagle	No
3	ANTA Sports	No
4	Burlington Stores	Yes
5	Capri	No
6	Fast Retailing	Yes
7	Foot Locker	No
8	GAP	Yes
9	H&M	Yes
10	Hanes Brands Inc	No
11	Hermes	Yes
12	Inditex	Yes
13	Kering	Yes
14	Levi Strauss	Yes
15	LVMH	Yes
16	Nike	No
17	Nordstrom	Yes
18	Puma	Yes
19	PVH	Yes
20	Ralph Lauren	No
21	Ross Stores	No
22	Skechers	No
23	Tapestry	Yes
24	TJX	No
25	Under Armour	No
26	VF Corp	Yes
27	Victoria`s Secret	No
28	Vipshop	No
29	Zalando	No

Moving on to the sort of targets brands are setting on water management (see Table 2), we see a number of different target areas across the brands in our analysis. Many of these targets focus on one or two areas, for instance water use efficiency. In our view, a truly robust approach to water management would likely focus on a number of metrics across a brand's own operations and their supply chain. Moving forward, we would like to see more companies setting Science Based Targets for Water following the recently published guidance.

***Table 2:** Examples of targets on water for major textile brands (Source: Planet Tracker)*

Company	Target Established	Target Category: Water Use Efficiency	Target Category: Consumption	Target Category: Discharge	Target Category: Withdrawls	Target Category: Sustainable raw materials	Target Category: Water pollution reduction	Target Category: Water recycling/ reuse	Target Category: Product, water, intensity	Target Category: Watershed remediation and habitat restoration, ecosystem preservation
Adidas	Yes	•	•							
Burlington Stores	No									
Fast Retailing	Yes						•			
GAP	Yes									
H&M	Yes	•		•	•	•	•	•		
Hermes	Yes		•							
Inditex	Yes	•	•							
Kering	Yes	•					•			
Levis Strauss	Yes		•							
LVMH	Yes	•								
Nordstrom	No									
Puma	Yes		•							
PVH	Yes								•	•
Tapestry	Yes		•							
VF Corporation	Yes								•	

Textiles Universe

The companies analysed in this report were selected using Planet Tracker's proprietary textile universe consisting of close to 3,900 entities (see Following-The-Thread for details of the universe). We analysed financial databases to identify public and private entities within the textile space. These were then assigned to five nodes along the value-chain of the manufacture and retail of apparel.

Out of this, Planet Tracker has examined the water-related risk disclosures of the top 30 retail companies (as calculated by adjusted revenue) to create the sample for this paper. Adjusted revenue is calculated by applying an apparel and footwear weighting to actual revenue to account for those entities active in other segments alongside textiles.

Note: Shimamura Co Ltd., which was part of the initial 30 companies, dropped out of the analysis during the running of the NLP algorithm as it returned no hits. This is likely due to the fact that the algorithm currently only works on documents in the English language.
The removal of Shimamura left 29 brands in the final analysis – see Figure 4.

Figure 4: *The major apparel brands included in the analysis (Source: Planet Tracker)*

Within the companies analysed, we created three broad groupings for comparison purposes during the analysis. These were:

1. Luxury brands i.e. Kering, LVMH
2. Non-luxury brands i.e. H&M, Inditex
3. Stores – Mainly retail focused corporate such as Ross Stores or Burlington Stores

The full allocation to these groupings is shown in Figure 5.

Luxury	Non-Luxury	Stores
Kering	Hanesbrands	TJX
LVMH	Gap	Vipshop
Hermes	VF Corp	Ross Stores
Ralph Lauren	Levi Strauss	Nordstrom
PVH	Adidas	Burlington Stores
Capri	Inditex	Zalando
Tapestry	Nike	
	H&M	
	Puma	
	Anta Sports	
	Fast Retailing	
	American Eagle	
	Foot Locker	
	Skechers	
	Under Armour	
	Victoria`s Secret	

Figure 5: *The major apparel brands included in the analysis (Source: Planet Tracker)*

Measuring Water Risk Disclosures

In order to assess how executive management at major apparel brands perceive risk to their businesses from water, Planet Tracker used a set of keywords related to water risk i.e. pollution or volume. These keywords relate to how companies communicate various aspects of water-related risk to investors and other stakeholders. The keywords can be grouped into four broad buckets:

1. Consumption-related
2. Pollution related
3. Risk related
4. Other

3,947 documents and transcripts were scanned using our proprietary Natural Language Processing algorithm to determine when water and one of the context words was mentioned.

Planet Tracker then categorised the disclosures into low, medium and high, reflecting the number of context words appearing in each text extract. This measures the density of context words in each extract, which acts as a proxy for disclosure quality – see the Appendix for more details of the methodology.

In total of the 3,947 documents analysed, only 10% included water risk-related disclosures. Documents analysed included reports such as annual reports, CSR and ESG reports and 8K (notifications of significant events), 10K (annual reports), 10Q (quarterly reports) and 20F filings (foreign private issuer reports) and transcripts such as company presentations, earnings calls and shareholder meetings.

We note that we did not focus on any social-related water risks in the textile industry, i.e. discussion of provision of water, sanitation and hygiene for workers in factories (often referred to as WASH issues). A failure to address WASH issues could represent a reputational risk or litigation risk to a brand, but our analysis focused more on risk to operations from water.

WATER-RELATED RISK DISCLOSURES BY MAJOR APPAREL BRANDS AND RETAILERS

Key Points

- The highest level of water-related risk disclosures was found in the non-luxury brand group
- The stores group were found to have very low levels of water-related risk disclosures
- Most disclosures are found in reports, with very limited discussion of water in transcripts
- Within reports, most disclosures come in sustainability reports

The amount of water risk-related disclosures is markedly different across the three groupings we created. The highest level of disclosure was seen in the non-luxury group at 69% of the identified disclosures followed by the luxury group (29%). We found very little discussion of water-related risk for the stores group with only 2% of the identified disclosures. It is also noteworthy that the vast majority of disclosures for all three groups come in reports (99%), with our analysis suggesting very limited discussion of water in transcripts from earnings calls or capital market events - see Table 3.

We question whether the absence of discussion of water at company events represents investors not considering water as an important topic or whether they believe the companies are managing any water risk successfully and thus it is a low priority for questions.

Table 3: *Water-related risk disclosure by group and report type. Metric: all context words in a text extract. (Source: Planet Tracker)*

	Publication Type 1 / Textiles Category						Grand Total
	Report			Transcript			
	Luxury	Non Lux.	Stores	Luxury	Non Lux.	Stores	
Low	10.1%	29.4%	1.1%	0.2%	0.3%	0.0%	41.0%
Medium	11.9%	28.7%	1.0%	0.3%	0.2%		42.1%
High	6.1%	10.3%	0.3%	0.2%	0.1%		16.9%
Grand Total	**28.1%**	**68.4%**	**2.4%**	**0.6%**	**0.5%**	**0.0%**	**100.0%**

Diving into the report category allows us to look at which type of company publication is most important for water-related disclosures – see Table 4. This analysis shows that corporate sustainability reports are the most common source of water-related risk disclosures, followed by annual reports. There is very limited mention of water in other corporate publications included in our analysis.

Table 4: *Water-related risk disclosure by document type. Metric: all context words in a text extract. (Source: Planet Tracker)*

	Publication Type 2 (v2)				
Disclosure Quality Category	**8K**	**Annual Report**	**Sustainability Report**	**Unidentified Type**	**Grand Total**
Low	0.1%	7.3%	33.6%	0.1%	**41.1%**
Medium	0.3%	8.7%	33.1%	0.1%	**42.1%**
High		3.2%	13.7%		**16.8%**
Grand..	**0.4%**	**19.7%**	**80.4%**	**0.2%**	**100%**

As well as looking at the total number of disclosures identified, we can also examine their relative quality. We do this by analysing the number of context words associated with each disclosure, determining that more words mean a better framing or context of the issue. We categorise extracts into three quality sets – low, medium and high. See the Appendix for more details on the methodology.

All three corporate groups show a similar trend in terms of disclosure quality, with a similar level of low and medium quality disclosures and typically a lower number of disclosures categorised as high quality.

The companies with the highest level of water-related risk disclosures were Hanesbrands, Gap, VF Corp and Kering – see Table 5.

Table 5: *Water-related risk disclosures by company Metric: all context words in a text extract. (Source: Planet Tracker)*

		Disclosure Quality Category			
Textiles Category (v2)	**Company Name**	**Low**	**Medium**	**High**	**Grand Total**
Luxury	**Kering**	3.6%	4.9%	3.2%	11.6%
	LVMH	2.3%	2.0%	0.5%	4.8%
	Hermes	1.6%	1.7%	0.3%	3.6%
	Ralph Lauren	1.0%	1.2%	1.4%	3.6%
	PVH Corp	1.0%	0.9%	0.2%	2.0%
	Tapestry	0.7%	0.9%	0.4%	2.0%
	Capri	0.2%	0.6%	0.2%	1.0%
Non - Luxury	**Hanesbrands**	6.4%	7.6%	2.5%	16.5%
	Gap	7.5%	4.8%	1.3%	13.6%
	VF Corp	5.6%	4.4%	1.6%	11.6%
	Levi Strauss	2.5%	3.6%	0.9%	7.0%
	Adidas	1.4%	1.9%	1.3%	4.6%
	Inditex	1.7%	1.9%	0.4%	4.1%
	Nike	1.6%	2.0%	0.4%	4.0%
	H&M	1.2%	0.9%	0.3%	2.5%
	Puma	0.8%	0.4%	0.6%	1.8%
	ANTA Sports Products	0.3%	0.5%	0.4%	1.2%
	Fast Retailing	0.2%	0.5%	0.5%	1.2%
	American Eagle	0.4%	0.3%	0.0%	0.7%
	Foot Locker	0.1%	0.1%	0.1%	0.2%
	Sketchers	0.1%			0.1%
	Victoria's Secret	0.0%	0.0%		0.1%
	Under Armour	0.0%	0.0%		0.0%
Stores	**TJX**	0.5%	0.5%	0.0%	1.0%
	Vipshop	0.2%	0.1%	0.2%	0.6%
	Zalando	0.1%	0.1%		0.3%
	Nordstrom	0.1%	0.2%		0.2%
	Burlington Stores	0.1%	0.1%		0.2%
	Ross Stores	0.1%	0.0%		0.1%
Grand Total		41.1%	42.0%	16.9%	100.0%

Limitations of the analysis

There are a number of limitations to the NLP analysis which should be borne in mind when considering the results.

First, a higher number of water-related risk disclosures does not necessarily guarantee that a company's disclosure of water risk and management of water risk is better than others. If they discuss water in their reporting for other reasons, this could be picked up by our algorithm. We hope this mis-categorisation will be minimised by the context words we have chosen, but it cannot be excluded.

Second, our NLP algorithm can currently only work with documents in English. As such, companies which publish water-related risk detail in other languages will be missed.

Third, we note that the sample size must be borne in mind when comparing across the groups in the analysis. At 15 companies, the non-luxury brand category is significantly bigger than the other two and thus we might expect more disclosures to be picked up in this group than in the other two. We can control for this when needed by considering the number of disclosures per page as we show in the report.

Finally, we use Bloomberg as a source for the analysed documents, so we inherit any errors that exist in their database. We also note that we get the appendices or supplementary documents for each of the filings, so for one 10K document we might get an additional 10 documents, each one page long, which may just contain signatures of the Executives approving the report. This could distort the relative preponderance of water-related risk commentary analysis.

TRENDS IN DISCLOSURES OVER TIME

Key Points

- There has been a rising trend in the number of water-related risk disclosures over time, but with a notable drop seen in 2021.
- Sustainability reports have been the major location for water-related risk disclosure across the periods analysed at 79% of disclosures.
- There has been little change in the quality of disclosures, with a similar proportion rated high in 2018 and 2022.

Looking at the trend in water-related risk disclosures over time, we note that the trend is generally for a significant increase in the number of disclosures across the periods analysed from around 2,000 disclosures in 2018 to more than 9,000 in 2022 – see Figure 6. There was a notable drop off in the number of disclosures in 2021, going against the general trend across the period. This may perhaps reflect some effect of Covid on the industry and its reporting in the period.

The trend shown in Figure 6 only captures the trend in reports as the level of disclosure in transcripts has remained low across the periods analysed.

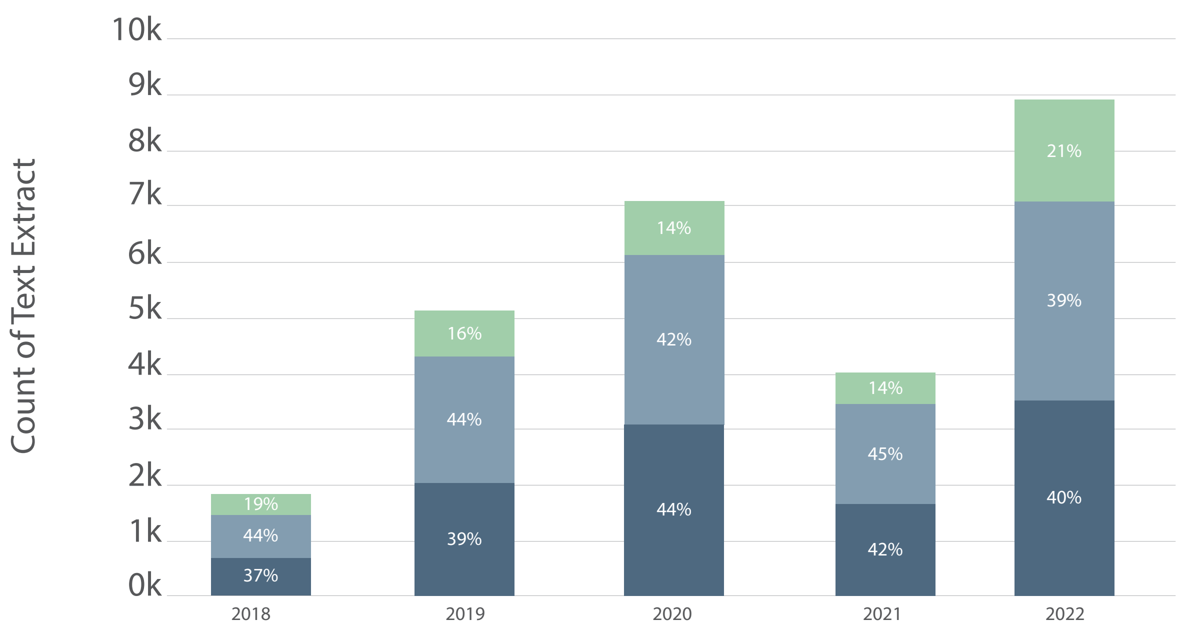

Figure 6: *Trend in water-related risk disclosures over time. Metric: all context words in a text extract. (Source: Planet Tracker)*

Looking at the trend in the type of report where the disclosures are found, we can see that the sustainability report has been the major location for water-related risk disclosures across the periods analysed - see Figure 7.

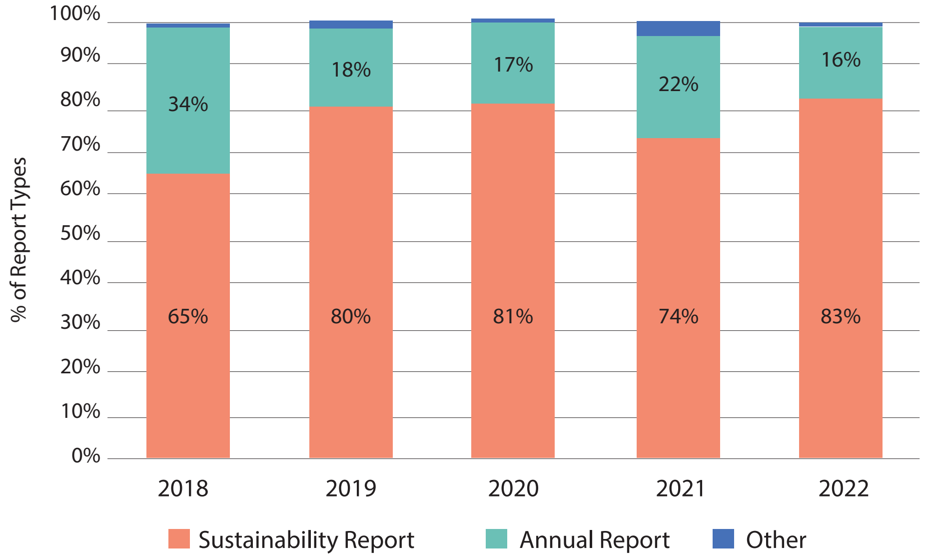

Figure 7: *Trend in water-related risk disclosures by document type over time. Metric: all context words in a text extract. (Source: Planet Tracker)*

Little change in the quality of disclosure

Looking at how the quality of the water-related risk disclosures have changed over time suggests that there has been little change in the mix of disclosure quality - see Figure 8. The proportion of disclosures assessed as high reached 21% in 2022, up from 19% in 2018, having actually fallen in the intervening period. The proportion of low and medium quality disclosures has also been broadly flat.

Figure 8: *increasing water-related risk disclosure for the last five years. KEY: GREEN – High; LIGHT BLUE – Medium; DARK BLUE – Low. (Source: Planet Tracker)*

GEOGRAPHIC TRENDS IN DISCLOSURE

Key Points

- Both Europe and North America have similar levels of disclosures when controlled for sample size. Asia lags behind.

- Most disclosures in North America are in the sustainability report, with Europe seeing a more even split between the sustainability report and annual report.

Looking at how the number of water-related risk disclosure correlates with a company's location of incorporation appears to show North America as the clear leader, with around twice as many disclosures as companies incorporated in Europe - see Table 6.

***Table 6**: The number of water-related risk disclosures by report type and location of incorporation (Source: Planet Tracker)*

Continent	Publication Type 1 / Publication Type 2 (v2)							Grand Total
	Report				Transcript			
	8K	Annual Report	Sustainability Report	Unidentified Type	Earnings Call	Presentation	Shareholder Meeting	
Asia		182	639			19		**840**
Europe	1	5,063	4,665	51	9	94	10	**9,893**
North America	108	202	17,635		33	115	38	**18,131**
Grand Total	**109**	**5,447**	**22,939**	**51**	**42**	**228**	**48**	**28,864**

However, this finding is really reflective of sample size. When we control for the number of companies incorporated in North America and look at the number of disclosures per document, we find that North America and Europe have close to identical levels of disclosure in terms of the number of disclosures per document – see Table 7.

***Table 7:** The number of water-related risk disclosures by location of incorporation controlling for sample size (Source: Planet Tracker)*

Continent	Count Document	Count Companies	Count WRDs	Document per Company	WRD per Document
Asia	29	3	840	10	29
Europe	143	9	9,893.	16	69
North America	251	17	18,131	15	72
Grand Total	**423**	**29**	**28,864**	**15**	**68**

Looking at whether there is a difference in where water-related risk disclosures are made, North America stands out as most disclosures being in the sustainability report, whilst Europe sees a similar level in the sustainability report and annual report – see Table 8.

***Table 8**: The number of water-related risk disclosures in reports by document type and location of incorporation (Source: Planet Tracker)*

Continent	Publication Type 1 / Publication Type 2 (v2)							Grand Total
	Report				Transcript			
	8K	Annual Report	Sustainability Report	Unidentified Type	Earnings Call	Presentation	Shareholder Meeting	
Asia		182	639			19		**840**
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North America	108	202	17,635		33	115	38	**18,131**
Grand Total	**109**	**5,447**	**22,939**	**51**	**42**	**228**	**48**	**28,864**

We are cautious on overinterpreting this result as we believe it may, in part, be driven by differences in the nature of documents published by European and U.S. companies. It is common in Europe to publish an Annual report which includes significant details on sustainability (or even the entire sustainability report), whilst the 10K in the U.S. (the equivalent of the annual report in Europe) typically is shorter and more focused on regulatory required reporting.

WHAT COMPANIES REVEAL ABOUT WATER-RELATED RISK

Key Points

- The most common category for water-related risk disclosures was consumption.
- Consumption was the most common theme across company types
- The most commonly identified water-related risk words were risk, policy, and reduction

The least commonly identified water-related risk words were toxin, abstraction, and debris. This section focuses on what topics companies are discussing when they mention water-related risk. We categorised our context words into four broad buckets; Consumption related; Pollution related; Risk related; Other.

Our analysis found that most disclosures were focused on consumption, followed by risk – see Figure 9.

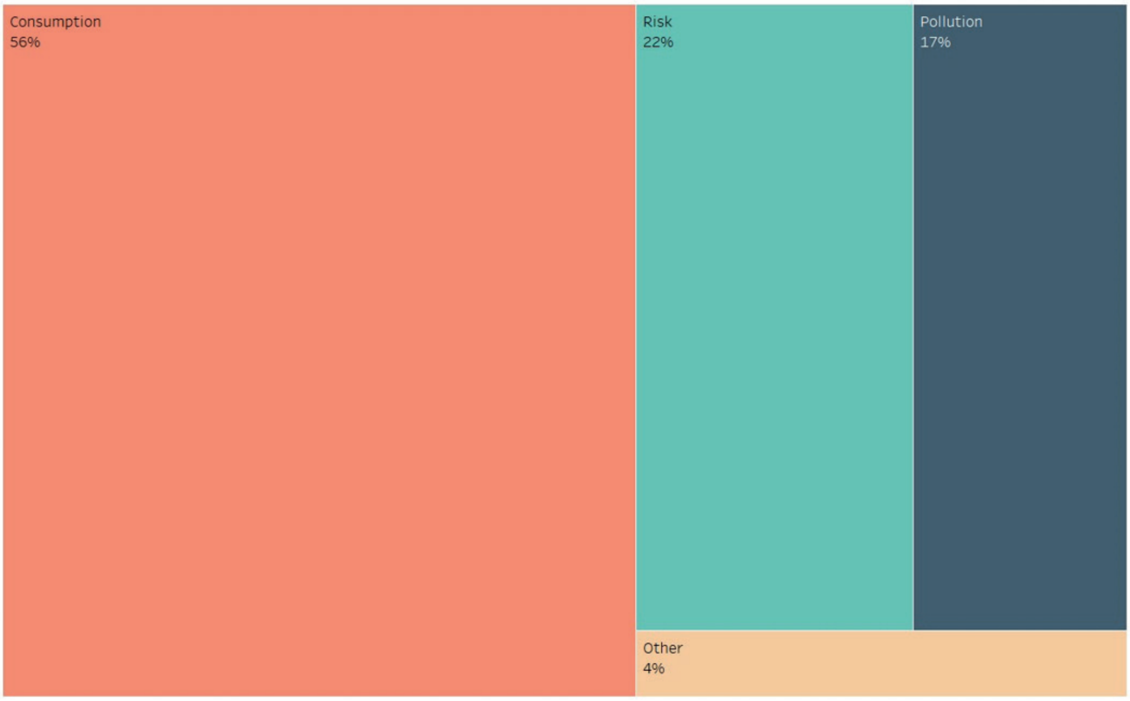

Figure 9: *Water-related risk disclosures by type (Source: Planet Tracker)*

The importance of consumption as the most common disclosure type was seen in the luxury, non-luxury and store groupings - see Figure 10.

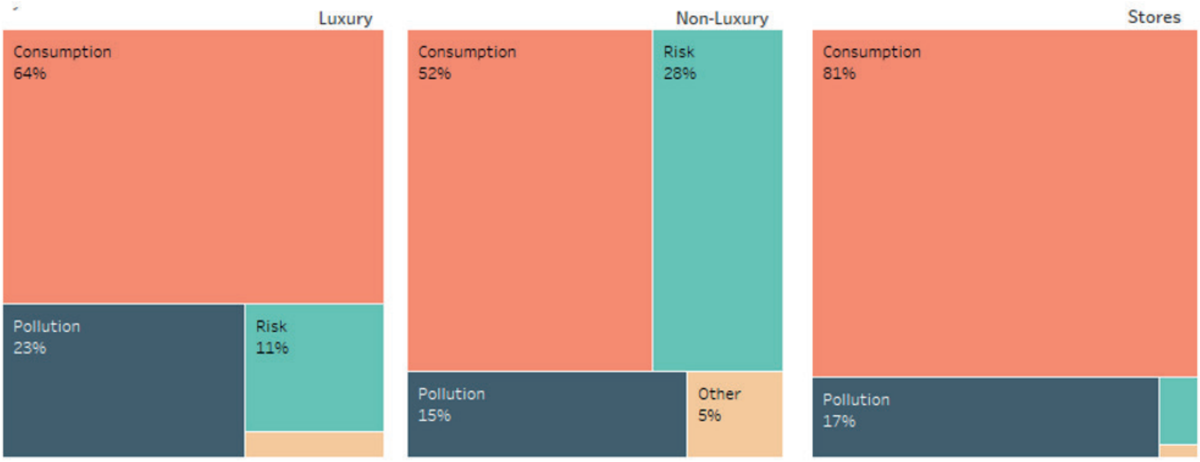

***Figure 10**: Water-related risk disclosures by type and company grouping (Source: Planet Tracker)*

Moving from assessing the high level categories of water-related risks to looking at individual risks we can identify the most and least common topics covered in the analysed documents – see Table 9.

***Table 9:** Generic risk topics mentioned by companies in all documents. Source: Planet Tracker.*

Ranking	1	2	3	4	5
Most	Risk	Policy	Reduction	Waste	Challenge
Least	Toxin	Abstraction	Debris	Run-Off	Contaminant

CONCLUSIONS

This analysis shows that over the past five years the trend is towards higher levels of water-related risk disclosure. This suggests that this is an area on which corporates are increasingly focused.

Most disclosures on water-related risk focus on consumption of water, with less discussion of pollution impacts or risk to the business.

Annual reports and sustainability reports are the primary sources for financiers to refer to when attempting to understand how a company talks about water risk. There is little detail found in transcripts from events or other report types.

There are some corporates who appear to be leading the way in terms of their discussion of water risk, notably Hanesbrands, Gap, VF Corp and Kering.

We encourage investors to make water risk part of their engagement with corporates. We are concerned by the lack of disclosures in transcripts suggesting that investors are either unaware of water as a risk, or do not consider it important. In either case, we believe this should change.

If investors are unaware of water as a risk, then they need to start considering it in their interactions with the companies they own. They should be factoring water risk into the way they evaluate their investments. This requires good data on water use and water impacts, so we also call for investors to push company management to disclose relevant information on water risk across their supply chains. This could, for example, be via reporting standards such as the CDP water questionnaire (Water - CDP).

APPENDIX I: METHODOLOGY

Scope

Planet Tracker extracted text excerpts from company reports and transcripts of company meetings/conference calls to assess their disclosures on water-related risk. The analysis started with a group of 29 companies, representing the largest listed apparel retailers. Over 3,900 documents were analysed, spanning from January 1st 2018 to December 31st 2022. The types of documents included in the analysis are:

1. **Reports**
    - 8-K, 10-K, 10-Q, 20-F
    - Annual reports
    - Corporate Governance, Corporate Responsibility, and ESG Reports

2. **Transcripts**
    - Company Presentations
    - Earnings Calls
    - Shareholder Meetings

NLP Model

Planet Tracker's NLP model searches for collections of target and context words. In this case, the target word is water, and the context words, such as pollution and abstraction, are chosen by Planet Tracker to characterise various aspects of risk associated with the target word. Planet Tracker chose 33 words that reflected risk related to water.

The model's algorithm then identified text extracts that span up to 100 words around the target word. Various versions of the model were run to find the optimal size of the text extract. It was found that extracts larger than 100, tended to dilute its meaning, and shorter extracts tended to lack detail on the water risk being disclosed. In total the model found 28,860 extracts across all documents – see Figure 11.

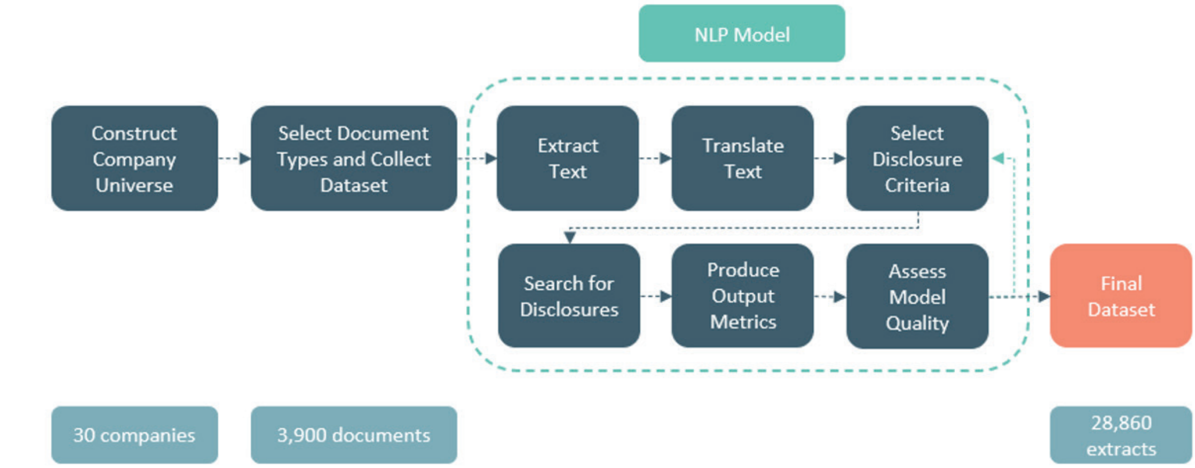

***Figure 11:** Planet Tracker analysis steps (Note – One company returned no English language documents and was excluded in the final analysis)*

Because of the approach taken, the algorithm is extremely accurate in identifying all of the extracts with the specified context words but will not pick up mentions where they use words that were not specified by Planet Tracker.

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ABOUT PLANET TRACKER

Planet Tracker is a non-profit financial think tank producing analytics and reports to align capital markets with planetary boundaries. Our mission is to create significant and irreversible transformation of global financial activities by 2030. By informing, enabling and mobilising the transformative power of capital markets we aim to deliver a financial system that is fully aligned with a net-zero, nature-positive economy. Planet Tracker proactively engages with financial institutions to drive change in their investment strategies. We ensure they know exactly what risk is built into their investments and identify opportunities from funding the systems transformations we advocate.

TEXTILE TRACKER

Textiles Tracker investigates the impact that financial institutions have in funding companies across the Textiles, Apparel & Clothing sector. Fast Fashion has created cheap and abundant clothing globally, but the natural capital cost has been high, with toxic production practices, degradation of natural resources, massive and growing waste as well as labour injustice. By providing information and analysis on these problems, placing a value on them and quantifying the negative impact on profits and investor returns from current practices and the potential benefits and opportunities from changes Textiles Tracker will support and stimulate a transition to greater sustainability in the industry. Textiles Tracker identifies the nodes in the textiles supply chain that are creating the greatest damage, analyses their financial value, provides transparency of ownership and, through owners and investors, pressures for change in industry practices.

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