

Q4 2023

CORPORATE ENGAGEMENT PROGRESS REPORT: SONY

Sector

Consumer discretionary

Focus theme; sub-theme(s)

Nature; impact and dependency assessment (water)

Related UN Sustainable Development Goal(s)



Engagement activity

Co-lead of collaborative meeting (first time)

Responsiveness

Responsive

Holding status (subject to change without notice)

NEI Global Equity RS Fund;
NEI Global Value Fund

Objective: To seek and share information about Sony’s management of water-related risks, and to support the development and setting of water use targets for the company’s 2030 planning process.

We met with Sony as part of an investor collaboration organized by Ceres, a large non-profit organization made up of investors, companies, and other non-profit groups. The work stems from Ceres’ Valuing Water Finance Initiative, a global investor-led initiative aimed at engaging companies with large water use footprints.¹ NEI is the lead investor for the Sony collaboration; we will co-lead a collaboration with Amazon in 2024.


The Valuing Water Initiative lays out six corporate expectations² that align with UN Sustainable Development Goal number six, “clean water and sanitation.” For our discussion, we were primarily focused on expectations around water consumption.

The main use case we were looking at is the manufacture of semiconductors, sales of which make up 11% of Sony’s total revenue and which require significant volumes of water as an input. As with any critical input to a production process, whatever risks there are to that input will be transferred up the chain. Sony needs a large, consistent supply of water for certain manufacturing sites around the world to maintain output, and if supply is affected by government-imposed restrictions, climate change, scarcity, reputational damage in the community, or other factors, that can have a major impact on the business.

Sony's semiconductor operations are growing and expected to grow further, and the water footprint is growing as well. We want to understand how the company is addressing the potential long-term impacts on the business, how they intend to reduce their water use through recycling, and how they intend to support water accessibility in the communities where they operate, among other considerations.

It's clear that Sony has been addressing the material risk of water for a number of years. They have long-term climate and water use targets extending to 2050, as well as incremental five-year plans to help them get there. As an example of such a target, for 2025, they have a goal of reducing water use intensity by 5% at their high water-usage sites (not all of them are). In addition to reducing water withdrawal rates, Sony is also investing in water recycling technologies to improve that aspect of the production process.

Next steps: Sony is beginning the process of setting sustainability business goals for 2030. It is our intention to engage them along the way so that we can provide input. We also intend to dig deeper into the company's supply chain risks (component suppliers that also face water challenges), board oversight, and water use in high-risk geographic areas, among other related topics.



Talk to your advisor today about how responsible investment solutions from NEI can help you achieve your goals.

¹ <https://www.ceres.org/water/valuing-water-finance-initiative>.

² <https://www.ceres.org/sites/default/files/Ceres%20Corporate%20Expectations%20for%20Valuing%20Water%202022.pdf>

This report is based on NEI records, research and impressions gathered during company engagements. Unless otherwise indicated, no company identified in this report reviewed its contents before publication. We acknowledge that company progress on environmental, social and governance issues is due to multiple factors and not attributable solely to NEI's influence.

This material is for informational and educational purposes and it is not intended to provide specific advice including, without limitation, investment, financial, tax or similar matters. The views expressed herein are subject to change without notice as markets change over time. Information herein is believed to be reliable but NEI does not warrant its completeness or accuracy. Views expressed regarding a particular security, industry or market sector should not be considered an indication of trading intent of any funds managed by NEI Investments. Forward-looking statements are not guaranteed of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Do not place undue reliance on forward-looking information.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and/or Fund Facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

NEI Investments is a registered trademark of Northwest & Ethical Investments L.P. ("NEI LP"). Northwest & Ethical Investments Inc. is the general partner of NEI LP and a wholly-owned subsidiary of Aviso Wealth Inc. ("Aviso"). Aviso is the sole limited partner of NEI LP. Aviso is a wholly-owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited.