

PERSPECTIVES

# Global water innovators: a sustainability perspective

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STOXX

# Global water innovators: a sustainability perspective

**This year, Deka Investment GmbH (Deka)<sup>1</sup> introduced the Deka STOXX Future Water ESG UCITS ETF, which tracks the STOXX® Future Water ESG index, to help investors gain exposure to companies leading innovation in the water sector worldwide.**

Water is a critical asset that shapes global sustainability, economic stability and public health, and significant investment is required to bridge the widening supply-demand gap in this vital resource.

An estimated 2.2 billion people lack access to safe drinking water while 3.4 billion live without proper sanitation<sup>2</sup>, with profound impacts on health and economic opportunity. By 2050, forecasts suggest that water scarcity could reduce GDP growth by an average of 8% in high-income countries, and by much more in less developed nations.<sup>3</sup> In January this year, a United Nations research

report argued that the world has moved from a “global water crisis” to “global water bankruptcy,” a condition defined by both insolvency and irreversibility.<sup>4</sup>

The STOXX Future Water ESG index incorporates ESG considerations based on data from STOXX’s affiliated unit ISS Sustainability Solutions. It then employs a detailed breakdown of companies’ revenues (based on FactSet’s RBICS classification) and their patent data as sourced by EconSight to select those most aligned with the theme and index objective. These are businesses involved in the sourcing and treatment of water, as well as those developing equipment, infrastructure and new technologies essential to water management.

For a detailed index methodology and patent analysis of the Future Water ESG index, visit a [recent blog article here](#).

**Figure 1: STOXX Future Water ESG index top 10 holdings**

Company	Supersector	Country	Weight (%)
Ecolab	Chemicals	US	10.30
Xylem	Industrial Goods and Services	US	9.10
American Water Works	Utilities	US	8.41
Veralto	Industrial Goods and Services	US	8.16
United Utilities	Utilities	UK	7.14
Geberit	Construction and Materials	Switzerland	5.81
Masco	Construction and Materials	US	5.24
Zurn Elkay Water Solutions	Industrial Goods and Services	US	4.80
Advanced Drainage Systems	Construction and Materials	US	4.15
Kurita Water Industries	Industrial Goods and Services	Japan	3.30

Source: STOXX. Composition as of February 27, 2026.

<sup>1</sup> Deka Group is the securities services provider of the German Savings Banks Finance Group (Sparkassen-Finanzgruppe). With total customer assets of more than EUR 440 billion on September 30, 2025 and more than 5.9 million securities accounts, Deka is one of the largest securities services providers and real estate asset managers in Germany.

<sup>2</sup> United Nations, “[The Sustainable Development Goals Report 2025](#),” July 2025. Data corresponds to 2024.

<sup>3</sup> Commission on the Economics of Water, “[The Economics of Water](#).”

<sup>4</sup> United Nations News, “[World enters era of ‘global water bankruptcy’](#),” January 20, 2026.

## A sustainability lens

So how does a portfolio of global water champions look from a sustainability perspective? To answer this question, we can draw on deep datasets from ISS Sustainability Solutions to derive several analytical takeaways.

While companies in the Future Water ESG index contribute to addressing global water challenges, datasets covering ESG performance, alignment with the United Nations Sustainable Development Goals (SDGs), water risk exposure, biodiversity impact and carbon footprint can help assess how well these companies perform from a broader sustainability perspective as corporations.

## Exclusions overview

The Future Water ESG index applies the following exclusionary screens:

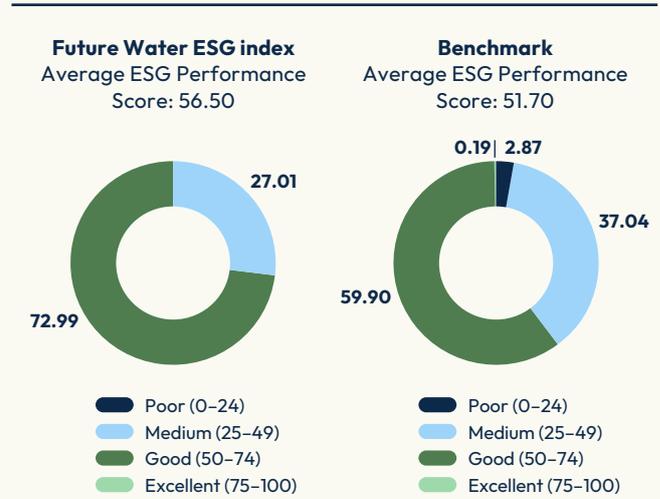
- Norms-based research
- Controversial Weapons research
- Product involvement
- Emissions and energy consumption intensity
- Corporate Rating
- SDG 6 Impact Rating

Figure 2 provides a first comparative analysis from a sustainable perspective of the Future Water ESG index. ISS Sustainability's Corporate Rating<sup>5</sup> offers a detailed assessment of a company's environmental, social and governance performance. The ESG Performance Score (PS) is the numerical representation of alphabetic ratings (A+ to D-) on a scale of 0 to 100, with 50 representing the Prime threshold.

Almost 73% of the Future Water ESG index's constituents by weight have a "good" Corporate Rating, higher than the 60% of benchmark constituents with data.<sup>6</sup> There are no companies with a "poor" Rating in the water portfolio. The index methodology excludes companies that ISS Sustainability identifies to have an overall Corporate Rating of D+ or less.

<sup>5</sup> ISS Sustainability's Corporate Rating assesses companies' sustainability performance on an absolute best-in-class basis and the Rating Scale ranges from D- to A+. Prime Status enables investors to identify companies with an overall rating above the industry-specific Prime threshold, which means that they fulfil ambitious absolute performance requirements. The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries.

Figure 2: Corporate Rating



Source: ISS Sustainability Solutions. Benchmark is STOXX® Developed World Universal All Cap.

## SDG Impact Rating

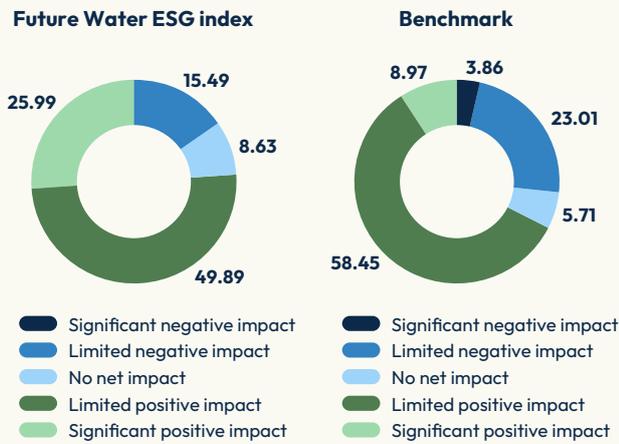
The SDG Impact Rating evaluates impact on the SDGs through analysis of three pillars: products and services, operational management, and involvement in and responsiveness to controversies. Scores range from -10 (significant negative impact) to +10 (significant positive impact).

Nearly 76% of the water portfolio's weight has a positive impact on the relevant SDGs, a notably high share. The weighted-average SDG Impact Rating of the Future Water ESG portfolio is 3.65, compared with 1.68 for the STOXX® Developed World Universal All Cap benchmark constituents with coverage data.<sup>7</sup>

<sup>6</sup> In all pie charts, companies without data have been excluded from the final index and benchmark totals, and their weights have been redistributed proportionally among remaining constituents. By contrast, Fig.6 and Fig.8 display only totals for companies with ISS Sustainability data, so the totals do not sum to 100%.

<sup>7</sup> The STOXX Future Water ESG's benchmark is the STOXX Developed World Universal All Cap. For the purposes of analysis, only benchmark constituents for which sustainability data is available have been included.

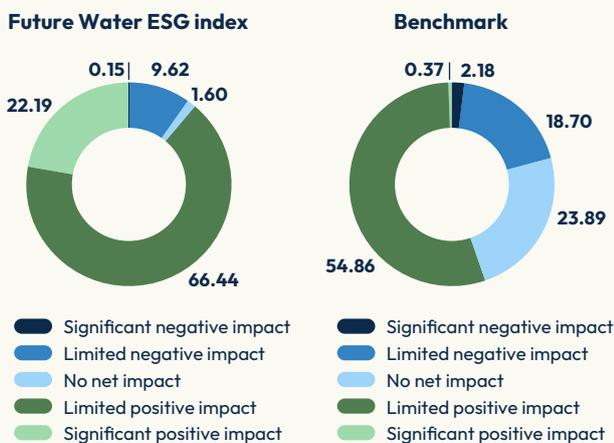
**Figure 3: Overall SDG Impact Rating (based on 17 SDGs)**



Source: ISS Sustainability Solutions.

Looking at SDG 6 – Clean Water and Sanitation – 89% of the water portfolio’s components by weight have a positive impact on the goal, compared with 55% of the benchmark. The weighted-average SDG 6 Impact Rating of the Future Water ESG portfolio is 2.68, versus 0.66 for the benchmark. There are no companies with “significant negative SDG 6 impact” in the water portfolio. The index methodology excludes companies to which ISS Sustainability assigns an SDG 6 Clean Water and Sanitation Controversy score of -1 or lower.

**Figure 4: SDG 6 Clean Water – Impact segments by weight**



Source: ISS Sustainability Solutions.

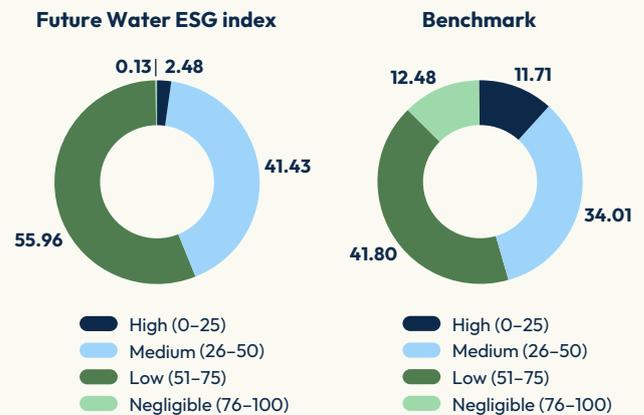
## Water Risk Rating

ISS Sustainability’s Water Risk Rating enables investors to address water risks in their portfolios by providing a holistic and granular assessment of a company’s overall exposure to freshwater-related risk, comprised of 11 distinct data points per company.

While companies in the Future Water ESG index are selected for their involvement in water treatment and management, the Water Risk Rating assesses how effectively a company mitigates freshwater-related risks arising from dependencies such as its operations and supply chain.

Only 2.5% of the Future Water ESG index is exposed to high water risk, versus 12% for the benchmark. This suggests that the index companies – many directly involved in managing water – are better positioned to mitigate water-related risks inherent to their industry.

**Figure 5: Water Risk category distribution by weight**



Source: ISS Sustainability Solutions.

## Biodiversity Impact Assessment Tool

Turning to the ecosystem effects of investments, the Biodiversity Impact Assessment Tool (BIAT) evaluates how companies’ business and supply-chain activities impact and depend on biodiversity. Figure 6 presents a comparative biodiversity impact report for the water portfolio and its benchmark based on BIAT’s two indicators: Potentially Disappeared Fraction of Species (PDFs) and Mean Species Abundance (MSA).

**Figure 6: Biodiversity impact**

	Absolute impact (PDF.km2.yr)	Weighted average (PDF.km2.yr)	Weighted average intensity (PDF.km2.yr/€M)	Absolute impact (MSA.km2)	Weighted average (MSA.km2)	Weighted average intensity (MSA.km2/€M)
Portfolio	15.80	213,917.86	25.46	0.25	3,515.96	0.43
Benchmark	59.48	299,371.08	43.44	1.61	18,819.23	2.80
Net performance	73.44%	28.54%	41.39%	84.41%	81.32%	84.70%

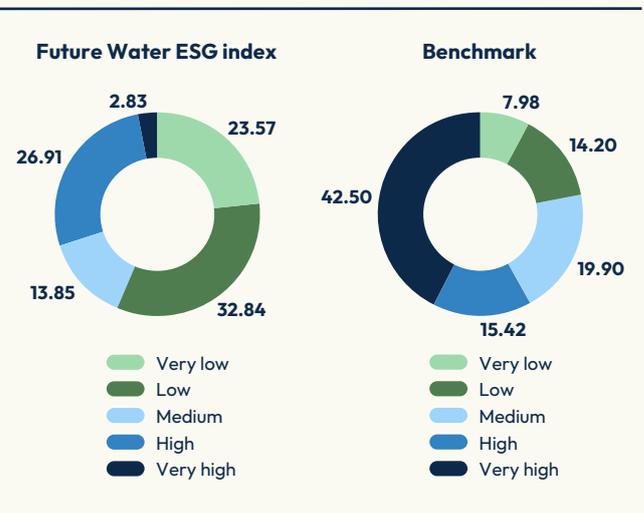
Source: ISS Sustainability Solutions.

The weighted-average intensity of the Future Water ESG portfolio (third column) is just over half that of the benchmark on the PDFs readings and significantly lower in the case of the MSA (sixth column). In other words, the water portfolio overall is predicted to have a less harmful impact on surrounding ecosystems and species.

Figure 7 looks at the absolute performance of portfolio components from a PDF perspective and shows that over half of the water portfolio constituents have a low or very low impact on biodiversity species, compared to 22% for benchmark components with coverage data. A total of 30% of the water portfolio stocks have a high or very high impact, compared with 58% of the benchmark.

Finally, Figure 8 shows a carbon footprint report of the water portfolio and benchmark. The carbon intensity of the former is about half the latter's, even when only 64% of the benchmark's weight is considered in the analysis.

**Figure 7: Biodiversity impact by constituents' count (%)**



Source: ISS Sustainability Solutions.

**Figure 8: Carbon footprint report**

	Disclosure number/weight	Emissions exposure tCO <sub>2</sub> e		Relative emissions exposure tCO <sub>2</sub> e / M EUR				Climate performance weighted average
		Scope 1&2	Scope 1,2&3	Relative carbon footprint		Carbon intensity	WACI Revenue	Carbon risk rating
Portfolio	94.8%/99.5%	15	909	15.56	913.43	48.04	42.06	50
Benchmark	63.8%/64.0%	82	1,118	82.58	1,123.50	109.59	130.28	48
Net performance	+31.0 p.p./+35.5 p.p.	-81.15%	-18.70%	-81.15%	-18.70%	-56.16%	-67.71%	-

Source: ISS Sustainability Solutions. Carbon Intensity and WACI Revenue are based on Scope 1 and 2 only.

## Index returns

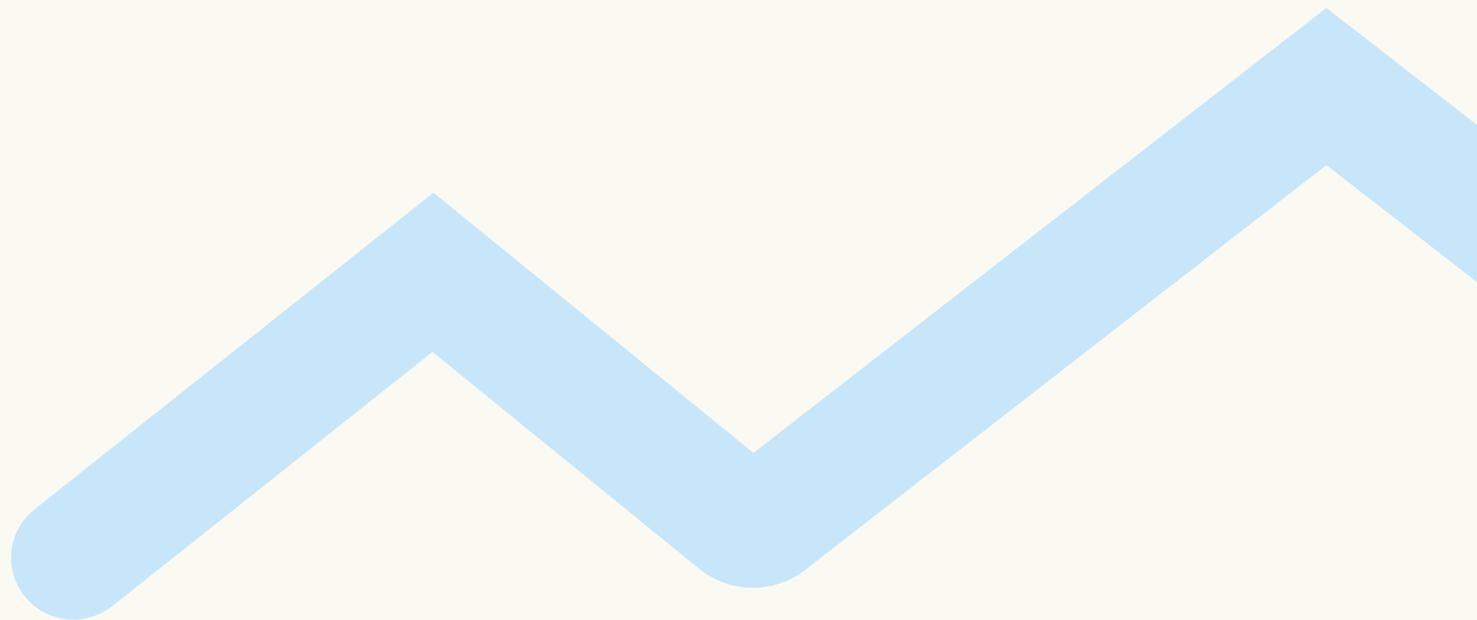
In terms of performance, the STOXX Future Water ESG index is off to a strong start in 2026 – up 10% through February against a 3.9% advance for the STOXX Developed World Universal All Cap<sup>8</sup> – having underperformed its benchmark in the past three and five years.

## Securing the future of water

Water stress poses a serious threat to human health and development, and to economic growth, in what has been called “potentially the most complex and costly sustainability issue”<sup>9</sup> the world is facing today. Population growth, industrialization and climate change are exacerbating the problem.

Companies that help provide secure, sustainable and affordable water have a key role to play. Significant growth in the water sector is projected to come from digital technologies, including AI, Internet connectivity and predictive analytics, as well as from water reuse, smart infrastructure and advanced treatment solutions.<sup>10</sup>

Because water is one of the most valuable and scarce resources of our time, the thematic STOXX Future Water ESG portfolio may be of particular interest to investors with nature and climate objectives. In this context, assessing the portfolio’s sustainability profile is important to understand how well its constituents align with environmental standards and broader responsible-investment principles.



<sup>8</sup> Gross returns in USD through February 27, 2026.

<sup>9</sup> Morgan Stanley, ‘A Deep Dive on the Water Crisis,’ February 14, 2022.

<sup>10</sup> For a complete overview of emerging water technologies, visit [Xylem, ‘Water Technology Trends,’ 2025](#).

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