



United Natural Foods agrees to evaluate supply chain water risk; Walden Asset Management withdraws shareholder proposal

Despite a lack of consensus on the appropriate U.S. policy response to climate change, the need for adaptation to the physical impacts of extreme weather is no longer debatable.

October 18, 2012 – A mutually beneficial dialogue led Walden Asset Management (Walden) to withdraw a shareholder proposal calling on United Natural Foods (ticker: UNFI), to undertake a study of its exposure to water risk in the agricultural supply chain.

The extreme and prolonged lack of rainfall this summer and the depleted water tables have left extensive parts of the country suffering under severe drought conditions. As described in a recent *Nature* article, this is a global phenomenon, “in most of the world’s major agricultural regions, including the Central Valley in California, the Nile delta region of Egypt, and the Upper Ganges in India and Pakistan, demand exceeds these reservoirs’ capacity for renewal”. Evidence suggests that we are witnessing the physical impacts of climate change in this alarming trend toward increasing water shortages globally. A report¹ published this year by the Intergovernmental Panel on Climate Change (IPCC) anticipated the negative impacts of extreme weather events similar to those that we are witnessing currently:

“Extreme [weather] events will have greater impacts on sectors with closer links to climate, such as water, agriculture and food security, forestry, health, and tourism...there is high confidence that changes in climate have the potential to seriously affect water management systems.”

“If companies depend on access to clean water at any point along their value chain, they are vulnerable,” Marcela Pinilla an ESG Analyst at Walden, stated. Organic agriculture is a prime example of a vulnerable industry, not only for its exposure to water risk but also due to the limited amounts produced and arid growing regions, such as California and northern Mexico. “Companies who position themselves to adapt to unpredictable weather events have an advantage over those who are reactive,” said Ms. Pinilla.

Walden first sought dialogue in 2011 regarding water risk with United Natural Foods the largest purveyor of organic products in the U.S. The company supplies fresh produce to Whole Foods, for example, one of United Natural Food’s main customers. Walden filed a shareholder proposal this June seeking a commitment from United Natural Foods to undertake a water risk assessment of its supply chain. The resolution was withdrawn with the company’s commitment to pilot an assessment of water risk within the Albert’s Organics division. As a first step, United Natural Foods expects to be able to identify any exposure to water-stressed regions.

This positive development is representative of other discussions between Walden and United Natural Foods over the years on issues ranging from the adoption of a supplier code of conduct and increased transparency through sustainability reporting. Now that tools to measure water use and mapping water basins are becoming more sophisticated, Walden believes the company has the capacity to begin mapping those suppliers that deliver fresh organic produce.

While water risks are being addressed by a number of companies already, access to information on efforts on behalf of water-intensive businesses is lacking, as a recent Ceres report stated.² According to Ms. Pinilla, “Assessing suppliers’ exposure to water stressed regions can help companies proactively address corporate

¹ Intergovernmental Panel on Climate Change, Special Report, MANAGING THE RISKS OF EXTREME EVENTS AND DISASTERS TO ADVANCE CLIMATE CHANGE ADAPTATION, June 2012. <https://docs.google.com/file/d/0B1gFp6loo3akYkiZcWkwWHJud00/edit>

² Clearing the Waters: A Review of Corporate Water Risk Disclosure in SEC filings. June, 2012.

risk and strengthen relationships with communities who share water resources. Given the new and improved water management tools that are now available, the time is right for investors to have these conversations with companies.”

In addition to the water risk assessment within Albert’s Organics, Walden and United Natural Foods plan to communicate on the company’s progress and next steps on a regular basis. Additionally, United Natural Food’s plans to update its sustainability report with information on water-related commitments.

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About Walden Asset Management

Walden Asset Management has been a leader in integrating environmental, social and governance (ESG) research and engagement into the investment process since 1975. Walden is a division of Boston Trust & Investment Management Company and provides investment management and fiduciary services to retirement plans, foundations and endowments, other institutions, individuals, and families. On behalf of its clients, Walden’s company engagement and public policy advocacy seek to positively impact sustainable business practices, transparency and accountability.