

Sustainability-related risks in investing in Artificial Intelligence

Harris | Oakmark categorizes our exposure to Artificial Intelligence (AI) into three groups: (1) technology- and data-driven businesses; (2) technology revenue beneficiaries; and (3) companies where AI is expected to have a significant secondary impact. In our fundamental analysis, we consider sustainability-related AI risks where they are material to long-term value creation, cost structures, or a company's overall risk profile.

Three key AI related sustainability risks that we are monitoring are (1) energy and water use associated with data centers; (2) supply chain impacts related to AI hardware and infrastructure; and (3) responsible AI governance.

Energy and water use associated with data centers

Data centers are significant consumers of electricity, and AI-driven computing demand has materially increased long-term power consumption forecasts. For example, Goldman Sachs projects global data center power demand to grow by approximately 220% in 2030 relative to 2023 levels. Roughly 60% of this incremental demand is expected to originate in the United States, contributing approximately two percentage points of its 3.2% U.S. power demand compound annual growth rate (CAGR) through 2030¹.

This rapid growth has increased scrutiny from policymakers and regulators, particularly around electricity affordability and grid reliability. Rising data center demand is likely to be met through a combination of energy solutions. Grid-connected power continues to present both optimization and cost benefits, but increasingly faces challenges, including delays in securing capacity and transmission connections, as well as load management restrictions. As a result, off-grid or behind-the-meter solutions, such as on-site generation, energy storage, or power management systems, may help mitigate political risk and reduce time to market. A survey cited by Morgan Stanley Research found that 92% of data center projects are currently being delayed by utility capacity or transmission constraints³.

Where material, we consider the source, cost and reliability of power supply for data centers within our fundamental analysis. This may influence margin

assumptions, capital expenditure requirements and assessments of execution risk. We may also consider the impact of rising data center power demand on a company's greenhouse gas emissions targets and decarbonization pathways.

Beyond energy intensity, water availability for cooling, manufacturing and energy generation remains a key area of debate. This is particularly relevant in regions experiencing high or extreme water stress, where UBS estimates that approximately 50% of traditional data centers are currently located². The same Morgan Stanley survey identified water availability as a constraint in data center development in 73% of cases³. We therefore may monitor the geographic location of data centers to assess potential operational risks arising from water scarcity.

Supply chain impacts of AI hardware

As part of our analysis, geopolitical and sustainability risks embedded within a company's supply chain are considered. AI hardware and data center infrastructure depend on critical materials such as copper, aluminum, and rare earth elements, all of which may be subject to supply constraints stemming from geopolitical tensions or concentrated production regions.

For companies with supply chains exposed to higher-risk or politically uncertain jurisdictions, we may reflect risks through higher discount rates, adjustments to a company's risk rating, or additional due diligence, which can influence our intrinsic value. Where appropriate, we engage directly with management to better understand risk identification and mitigation efforts.

We recently have undertaken a human rights assessment of an AI infrastructure supplier and engaged with management on its approach to mitigating human rights and modern slavery risks within its operations and supply chain.

Responsible AI governance

Clear management accountability, relevant expertise and robust board-level oversight are critical for companies with significant AI exposure.

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In 2025, AI governance emerged as an important proxy and engagement theme, with shareholder proposals submitted at companies including Amazon, Lyft, Alphabet, Berkshire Hathaway, Apple, and Meta. These proposals sought enhanced board oversight, greater transparency and accountability, clearer frameworks for ethical governance, human rights considerations, and responsible data sourcing.

We view robust AI governance as increasingly relevant to managing regulatory risk, protecting corporate reputation, and supporting the durability of long-term competitive advantages as AI adoption accelerates.

Conclusion

While AI-exposed companies may face sustainability related risks, we believe many can also benefit meaningfully from the technology through improved efficiency, innovation, and profitability, particularly when AI is deployed within an ethical framework and supported strong governance. Although our direct exposure remains limited, we assess both risks and opportunities through bottom-up fundamental analysis and, where relevant, company engagement.

We also see potential for AI to enhance responsible investment practices more broadly, including improved screening and monitoring of controversial activities, more efficient ESG reporting, and the optimization of ESG data analysis and scoring.

About Harris | Oakmark

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All information provided is as of 03/31/2026 unless otherwise specified.

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Sources

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