For professional investors/qualified investors only.

CT Responsible Global Emerging Markets Equity Strategy

ESG Profile and Impact Report 2022

COLUMBIA THREADNEEDLE INVESTMENTS

The CT Responsible Global Emerging Markets Equity Strategy aims to provide a medium through which investors may participate in an actively managed portfolio of ordinary shares (equities) of companies in emerging markets, which contribute to or benefit from sustainable economic development. It is part of a wider range of sustainability-focused global equity products that follow our Avoid, Invest, Improve framework.

Investment Philosophy

Avoid Exclusions	Invest Sustainability-focused	Improve Driving change
Certain industries or securities are excluded from the investible universe based on environmentally damaging products or services, or unsustainable business or governance practices.	We invest in companies providing sustainable products and services and/or companies making a positive contribution to society or the environment.	We engage with companies on significant ESG issues most relevant to their business, to reduce risk, support long-term returns, and encourage better management of sustainability issues.

Active ownership – engagement and voting
ESG integration
Impact reporting

ESG Investing
WINNER AWARDS 2023

The CT Responsible Global Emerging Market Equity Strategy won the award for Best ESG Investment Fund: Emerging Market Equities at the ESG Investing Awards. The Strategy demonstrated 'best in class' in terms of impact reporting and transparency of SDG and Net Zero assessment, with strong evidence of stewardship practices that align with fund objectives.

Key Facts

- Committed to achieve net zero emissions by 2050 or sooner.
- The benchmark is the MSCI EM Index.

Key risks

- The value of investments and any income from them can go down as well as up and investors may not get back the original amount invested.
- Screening out sectors or companies may result in less diversification and hence more volatility in investment values.
- Investing in emerging markets is generally considered to involve more risk than developed markets.

Investing responsibly in emerging markets

In an ever-changing and complex world, it is important to hold ourselves accountable and regularly report to our clients, as stewards of their capital, how our investment decisions are impacting key stakeholders across various emerging markets. In our seventh impact report, we continue to showcase the influence our investments are having within society, through their products and services as well as operations. Our core belief to adopt leading standards means we don't just share our successes, but also highlight the challenges and report on our engagements to drive change.

To create this report, we delved into a collaborative process with our Responsible Investment team to refine our Sustainable Development Goals (SDG) mapping tool, debating various business models and their genuine linkage to SDGs. The result is a significant increase in positive alignment, as we have demonstrated how various business models within emerging markets help address these goals. It is imperative we understand how our investee companies can benefit from the sustainable structural trends we see shaping our world, ensure they continue to drive change, and are at the forefront of the transition to a better world. We have listed a group of anecdotes of some of that impact on page 5.

We believe capital can and should drive positive change. This is particularly poignant in our universe, as capital scarcity amplifies the importance of market participants. We utilise the soft power to drive change through engagement and voting, but more importantly we first select companies that are creating positive impacts on the populations within the regions we invest. Our research intensity results in an enhanced focus on maximising both financial and non-financial benefits, through identifying stewards of capital, i.e. companies that are good stewards of shareholder capital who use the capital to build successful sustainable businesses.

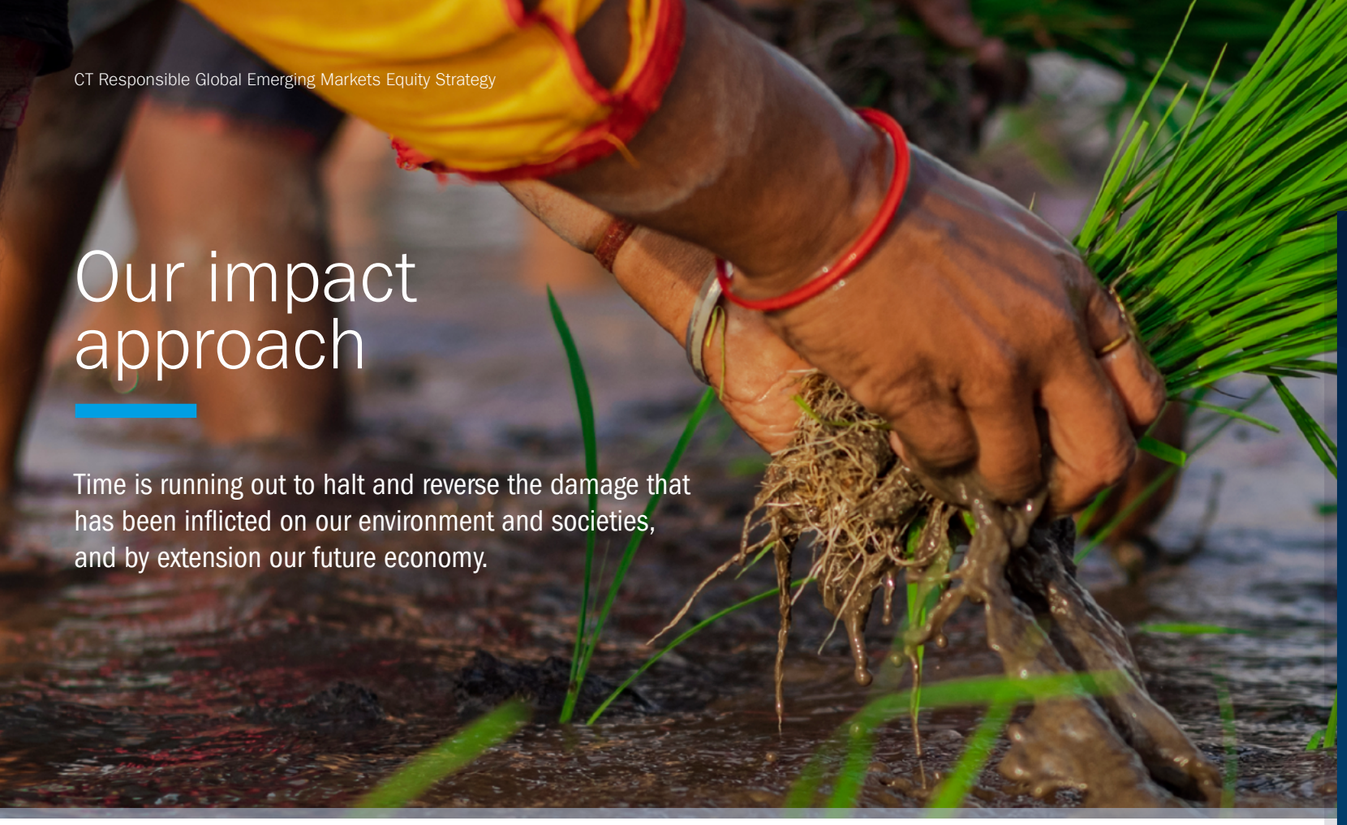
Each of our investee companies' current and future revenue is inherently linked to satisfying various stakeholder needs and wants:

- Their employees, who manufacture and provide services that are needed by the wider society;
- Resilient supply chains made up of hundreds of SMEs that provide the necessary inputs to manufacturing;
- Thriving local communities, which provide a healthy and productive workforce that reside in desirable living conditions;
- Customers that receive sustainable, long-lasting value from the final product or the service that is provided;
- And of course the environment, by ensuring each company maintains the biological balance and, if possible, improves it directly as well as indirectly

We do not solely think in economic terms to assess development. Rather, we think more holistically around the human development taking place in emerging markets. Development is not purely measured by GDP per capita. It is measured alongside quality of life and the creation of new and improved business models which enable growth, maximise social and environmental capital, and enrich lives.

We hope this report will provide examples on how companies can act as a force for good, as well as help deepen your understanding of our Strategy. As ever, we welcome all feedback, and we thank you for the trust that you place in our Strategy and our team.

Gokce Bulut, Portfolio Manager, CT Emerging Market Equities team



Our impact approach

Time is running out to halt and reverse the damage that has been inflicted on our environment and societies, and by extension our future economy.

One very effective and powerful way to drive positive change is to mobilise capital with intent and purpose. There is an urgent need for our economic model to evolve and embrace impact as a key input into capital allocation decisions and ultimately, as a key determinant of future investment returns. With the right framework, investments in listed equities can generate real world impact. With this in mind, we have crafted a framework around 4 fundamental building blocks:

Additionality

we make the distinction between the impact generated and delivered by the underlying investment, i.e. by an investee company's activities, and the impact generated and delivered by ourselves, the investor, primarily through our stewardship activities.

Intentionality

we identify at the outset an environmental or social sustainability challenge that the investment would help to solve.

Materiality

we seek to assess the scale of the investee company's impact. We take into consideration how important these impact-linked activities are to its own revenues.

Measurability

we track, measure and report on improvements our investee companies make against our stewardship objectives.

Our companies' impact

Examples of investee companies' impact-related outputs and outcomes:

5.3 million patients
benefitted by biosimilars medicine in FY22
Biocon

$100 million humanitarian assistance
commitment to aid employees and their families in Ukraine
EPAM – the company has 10,500 delivery professional residing in Ukraine

c.80,000 metric tonnes of CO_2e
saved through usage of Techtronic Industries consumer electric string trimmers, blowers, walk-behind and riding mowers sold in the US, equivalent to driving a gasoline-powered passenger vehicle along the iconic US Highway Route 66 one-way 49,993 times
Techtronic Industries

108,100 full-time equivalent students
provided with education
FPT

295,000 underprivileged patients
treated for free by Max Healthcare facilities in India
Max Healthcare

15% more energy saved
through fridges produced by Haier Smart Home compared with traditional fridges, owing to the innovation of inverter hardware and software algorithms
Haier Smart Home

c.4.5 million people
positively impacted by the allocation of €61.2 million to 412 organisations, based on Business for Societal Impact criteria
Jeronimo Martins

$10.6 billion investment
in Healthcare and ESG bonds
AIA

15% increase in productivity
owing to over 62,000 farmers being enrolled in Marico's sustainable coconut programme, reflecting a year-on-year addition of 15,000+ beneficiaries
Marico

8.5% improvement
in the percentage of BTPN Syariah's customers below the poverty line for the last three years
BTPN Syariah

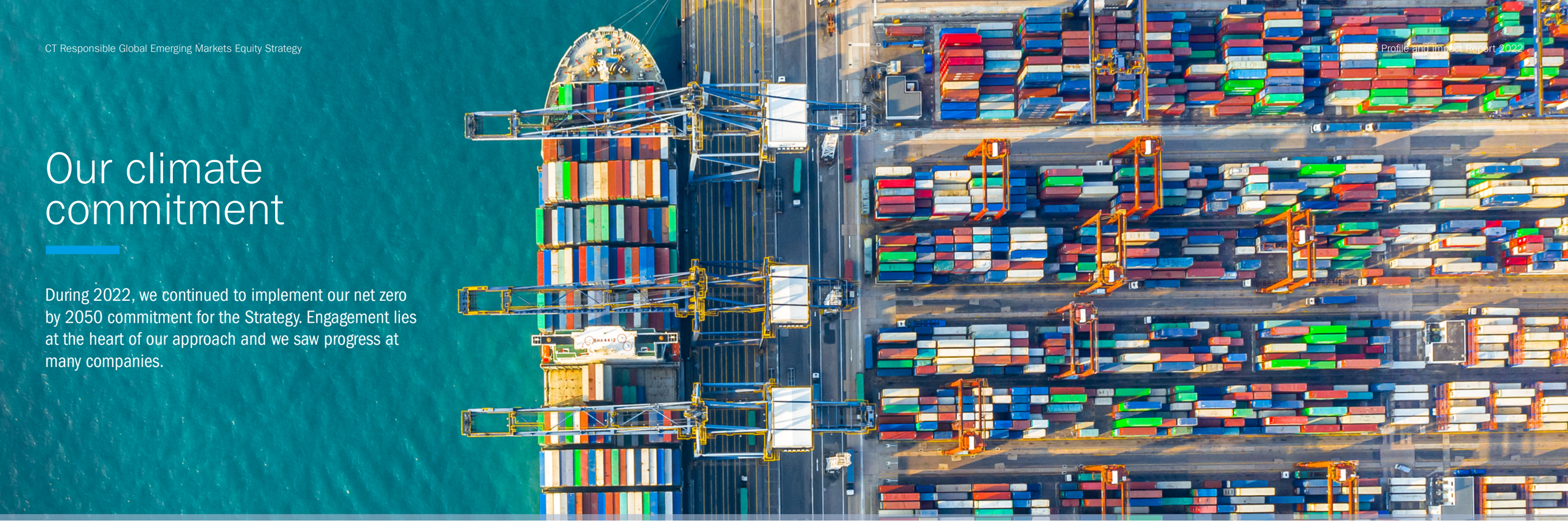
Up to 25% higher power density and 15% reduction in emissions
during production delivered by WEG's High Density Motors, with reduced size and weight compared to the previous line.
WEG

Measuring real-world impact

We have selected examples from companies in the Strategy that report impact-related outputs or outcomes to illustrate the real-world effect of their operations, products or services on the environment or on the lives of stakeholders, such as workers, suppliers and customers.

Expectations of companies' measuring and reporting on the environmental and social impacts of their businesses continue to grow. While significant progress has been made, challenges remain, and we have been engaging with companies in the Strategy to discuss these challenges and offer support in identifying best practice. Currently, companies focus on their own actions as a proxy for impact (e.g. 5,000 new microloans disbursed), rather than diving deeper and using metrics to demonstrate that these actions have had a positive effect (e.g. new microloans improved borrowers' income by x%).

Ideally, we would like companies to consider not just what type of impact they have but also how much – i.e. quantifying where possible the materiality of impact, its scale, depth and duration; who is affected (e.g. marginalised groups, low-income countries); the contribution their actions have beyond what would have happened anyway; and, where they are forecasting future impacts, the risk that these may not materialise as planned.



Our climate commitment

During 2022, we continued to implement our net zero by 2050 commitment for the Strategy. Engagement lies at the heart of our approach and we saw progress at many companies.

Assessing net zero alignment

The methodology we use to implement our net zero commitment is based on the Net Zero Investment Framework, developed by the Paris Aligned Investment Initiative.

The focus of our approach is on real-world change, using stewardship to encourage our Strategy companies to improve their own alignment to a net zero emissions future.

We use a selection of data sources to rate companies on their alignment to a net zero pathway, enabling us to analyse portfolios, and identify companies in need of engagement. We aim to have companies representing at least 70% of portfolio emissions either rated as Aligned or under engagement, as recommended by the Framework.

We also compare the Strategy's overall carbon intensity with a net zero aligned trajectory, based on taking emissions intensity for the Strategy's benchmark in 2019, and applying a 50% reduction by 2030. We use this as a reference pathway to track and monitor progress, but not as a binding target.

Our approach to net zero investing will need to be nimble to adapt as this area of investing rapidly evolves.

[1] The MSCI World Index

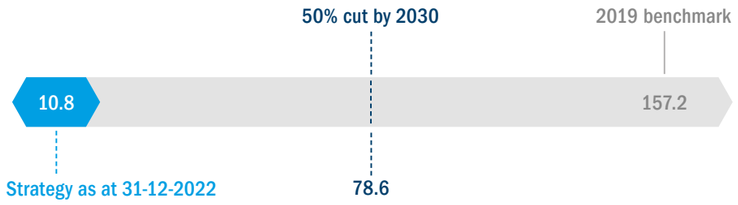
Assessing emissions in 2022

As part of our net zero commitment, we are shifting our focus to considering the Strategy's carbon intensity in terms of financed emissions intensity. The main advantage of this metric is that it is an ownership-based metric, allowing measurement of an investor's share of emissions proportional to its exposure to the investee's total value.

As the chart indicates, the Strategy is already ahead of its 2030 target. It also fell from 16.0 in 2021, largely as a result of market fluctuation and inflation, as this measure is expressed on a per-$m invested basis. Supermarkets and semiconductor companies are among the biggest contributors to the Strategy's financed emissions intensity, as well as marine shipping logistics company **SITC International Holdings.** We encouraged SITC to enhance the ambition of their short and long-term net zero targets to align with peers, and suggested improvements to their climate strategy disclosures. We emphasised our concerns around LNG-powered vessels, and encouraged them to identify commercial opportunities from the net zero transition. We also offered to support them as they look to make their first TCFD disclosure in 2023. SITC submitted its first disclosures to CDP climate that were eligible to be publicly scored. While only scoring a D, this is still an important step forward for the business in providing more transparency for investors, and allows the company to clearly target areas which are undermining its climate performance. We have encouraged SITC to disclose to CDP over the last three years, and are pleased to see it beginning to do so.

Financed emissions intensity

CO_2e/$mn invested



Columbia Threadneedle Investments and MSCI ESG, as at 31 December 2022. The Strategy's financed emissions intensity figure reflected here for end-2022 use our company-wide Task Force on Climate-related Financial Disclosures (TCFD) system data.

Companies' net zero alignment in 2022

Our analysis of the alignment status of our holdings shows:

ALIGNED: Companies that meet all our expectations on a core net zero strategy, across categories such as ambition, targets, disclosure, capex alignment and governance.

0 companies – 0% of financed emissions

While none of our holdings are currently rated as Aligned, this is neither a huge surprise nor a significant concern at this stage: the requirements for this category are very strict, and very few companies across emerging or developed markets currently meet these. However, we will of course continue to engage companies for improvement here – see the section 'Engaging on net zero' for more details.

ALIGNING: Companies that meet all our expectations on a core net zero strategy, across categories such as ambition, targets, disclosure, capex alignment and governance.

12 companies – 59% of financed emissions

These companies meet expectations on ambition, interim targets, strategy and disclosure. Examples include food retailers **Jeronimo Martins** and **Wal-Mart de Mexico,** as well as semiconductor manufacturers **Win Semiconductors** and **Taiwan Semiconductor Manufacturing Company.**

COMMITTED: This Companies that do not meet our expectations, and have not committed to set a scienced-based emissions reduction target.

0 companies – 0% of financed emissions

Currently no holdings in the Strategy fit this category.

NOT ALIGNED: Companies that do not meet our expectations, and have not committed to set a scienced-based emissions reduction target.

13 companies – 35% of financed emissions

This includes South Korean company **NAVER Corp,** which operates as a search engine and e-commerce platform. We were informed by CDP that the company submitted a response to the CDP questionnaire, following our engagement with the company on this topic this year. This is an encouraging step, as it will improve our ability to appraise the company's environmental performance.

NOT ASSESSED: This includes companies in the lowest-impact sector from a climate perspective, and in the finance sector, which we do not yet assess due to there not being sufficient data or standardisation of commitments across the sector for us to create a meaningful model. However, this is slowly improving and we are actively investigating frameworks.

13 companies – 6% of financed emissions

This includes **HDFC Bank** in India, and **Bank Central Asia.** The low carbon transition will require significant investment and capital expenditure, particularly in Asia, and therefore we believe that emerging market banks will play a crucial role in this.

SBTi-approved targets

Three of our holdings have an SBTi-approved target: **Infosys, Taiwan Semiconductor Manufacturing Co,** and **Advantech.**

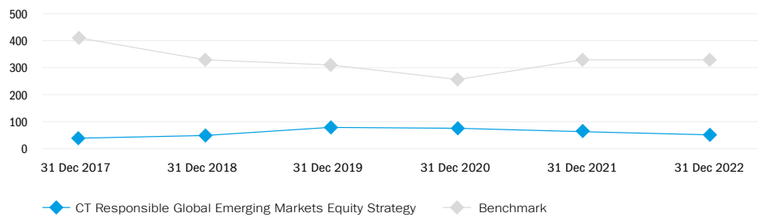
Engaging on net zero

We use targeted engagement to drive further improvements in our investee companies' climate strategies. During 2022, 69% of portfolio financed emissions were rated 'Aligned' or engaged on climate change during 2022, down from 79% in 2021 and just below our target of 70%. This is mainly due to slight changes in the ranking of companies as of total portfolio finance emissions, which can be attributed to changed portfolio weightings and changes in companies' carbon emissions.

Examples of climate change engagement during 2022 include with Win Semiconductors on recommendations and best practices from peers regarding setting Science-Based targets and joining the RE100 initiative, a global corporate initiative that brings together companies committed to 100% renewable electricity to provide access to peer learning, policy support and local market insight. We also engaged Yili Group to seek more details on its net zero commitment, as well as to encourage the company to engage its supply chain on emissions reductions.

We still report the Strategy's carbon intensity in terms of its weighted average carbon intensity (WACI) as a reference.

Scope 1 + 2 Intensity (tCO2e/USD million sales)



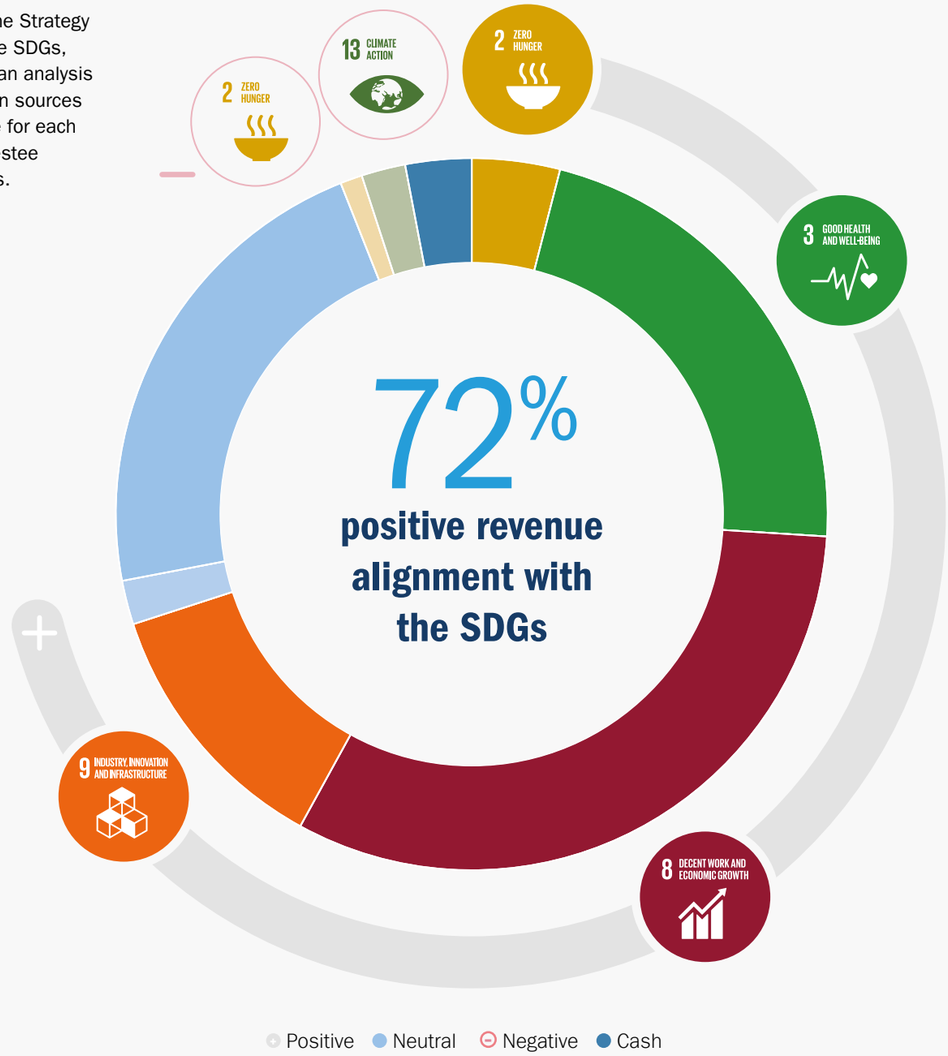
Source: MSCI ESG, as at 31 December 2022. Strategy and benchmark figures for 31/12/2022 are based on our company wide Task Force on Climate-related Financial (TCFD) disclosures, which we transitioned to during 2023. All previous figures are derived from our previous Responsible Investment impact reporting system.

We have a broad climate change engagement programme, with objectives aligned to those of Climate Action 100+, as well as our own sector-specific expectations that draw on organisations such as the Institutional Investors Group on Climate Change.

Strategy alignment with the SDGs

The UN Sustainable Development Goals (SDGs) are 17 goals and 169 underlying targets that set out a roadmap for a more sustainable world by 2030, covering issues such as poverty, climate change and health and well-being.

We map the Strategy against the SDGs, based on an analysis of the main sources of revenue for each of the investee companies.



Specifically, we measure how the individual sources of revenue for each company correspond to the 169 targets that underlie the goals – so that one company, depending on its mix of goods and services, may have links to more than one goal. The results of this analysis are summarised here, with a full breakdown of each company and its relevant SDG links provided later in this report.

Assessing our alignment

During 2022, the goal most represented in the Strategy remained SDG 8 – Decent Work and Economic Growth. This again reflects holdings in semiconductor manufacturers **Win Semiconductors** and **Taiwan Semiconductor Manufacturing Company,** which support target 8.2 calling for boosting economic productivity through technological upgrading and innovation. During the year, we initiated holdings in computer manufacturer **Advatech** and software engineering company **EPAM Systems,** which both also align to this target. We also aligned relevant business areas at information technology services companies **FPT Corp** and **Tata Consultancy Services** to this target too. The overall alignment to SDG 8 also reflects banks such as **Bank Central Asia Tbk PT** and **HDFC Bank** that are mapped to target 8.10, which focuses on expanding access to financial services.

72%

of the aggregate revenue of the companies we invest in is linked to one of the Sustainable Development Goals

8%

increase/decrease from last year

32%

alignment with **SDG 8**: Decent Work and Economic Growth

Revenue alignment breakdown

SDG 2: Zero Hunger		**4.0%**
2.1	End hunger and ensure access to safe and nutritious food	4.1%
SDG 3: Good Health and Well-Being		**22.0%**
3.3	End AIDS, TB, malaria and other water-borne and communicable diseases	0.9%
3.8	Access to medicines and health-care	20.8%
SDG 8: Decent Work and Economic Growth		**32.0%**
8.2	Achieve greater productivity through innovation	19.0%
8.10	Increase access to finance	13.2%
SDG 9: Industry, Innovation and Infrastructure		**12.0%**
9.1	Develop resilient and sustainable infrastructure	6.9%
9.3	Increase access to finance for SMEs	1.5%
9.4	Upgrade infrastructure and retrofit industries to make them sustainable	0.9%
Other (SDGs less than 2.0%)		2.0%

Total positive	**72.0%**
Neutral	22.0%
Negative	**3.0%**
SDG 2: Zero Hunger	**1.0%**
2.1 End hunger and ensure access to safe and nutritious food	0.5%
SDG 13: Climate Actions	**2.0%**
13.2 Integrate climate change plans into policies and strategies	1.9%
Cash	3.0%

Source: Columbia Threadneedle Investments, as at 31st December 2022, designed for illustrative purposes, subject to change. Only targets that equal to or greater than 0.5% aligned are shown on the table.

25%

alignment with **SDG 3**: Good Health and Well-being.

We retained a significant alignment to SDG 3 – Good Health and well-being – over the course of 2022, specifically to target 3.8, which sets an ambition of access to affordable healthcare for all. **WuXi Biologics,** which engages in the discovery, development and manufacture of biologics services, and **Max Healthcare,** an Indian hospital chain, are two new holdings that we added to the Strategy during the year, and are aligned to 3.8. Other aligned holdings include **Torrent Pharmaceuticals,** biopharmaceutical company **Biocon,** and **Dian Diagnostics,** which provides medical diagnosis outsourcing services.

Our SDG mapping methodology, which is largely based on the analysis of revenue streams published by companies, still has some limitations that can prevent us from recognising all the ways in which companies contribute to the SDGs. Examples where we have assigned a neutral mapping to the SDGs include Turkish discount supermarket **BIM** and **Wal-Mart de Mexico.**

Our analysis identified a 3% negative mapping representing business activities that could be detrimental to sustainable development. Some of these relate to SDG 13 – Climate Action – and encompass shipping logistics company **SITC International Holdings** and the food delivery business area of our new holding **Meituan,** a Chinese shopping platform. Please see p8 for details of our climate-related engagement with SITC. As stated in the 'Climate Commitment' section of this report, we engaged SITC on climate change during the year, and the company also submitted its first disclosures to CDP. While only scoring a D, this is still an important step forward for the business in providing more transparency for investors, and allows the company to clearly target areas which are undermining its climate performance. **Nestle India, Jeronimo Martins** and **Yili Group** all engage in the production or provision of unhealthy food products and therefore have relevant business areas negatively mapped to SDG 2 – Zero Hunger.

Aside from aligning with the SDGs, companies also have an impact – either positive or negative – on the SDGs through their conduct: the way they treat their staff and wider stakeholders, and how they manage their own environmental footprint. We aim to capture this through the sustainability-oriented metrics on p14-17 as well as through our engagement on p18-25.

We began mapping our Strategy to the UN Sustainable Development Goals in 2016, and have continually worked to refine our methodology.

Sustainability metrics

Over the following pages we show how the Strategy ranks versus its benchmark and the previous year relative to various sustainability-oriented metrics. These relate to environmental stewardship, fairness and equality, and economic development.

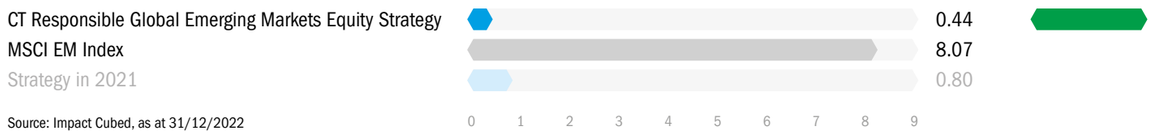
Key: Better than benchmark Neutral Worse than benchmark

Environmental stewardship

We consider the Strategy's environmental performance versus its benchmark, by focusing on water and waste intensity metrics.

Water intensity

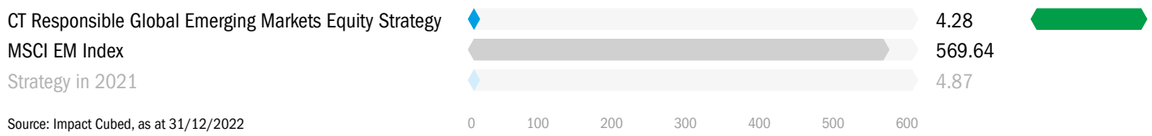
Thousands of cubic metres of fresh water used per $1 million revenue



Source: Impact Cubed, as at 31/12/2022

Waste intensity

Tonnes of solid waste generated to create $1 million revenue



Source: Impact Cubed, as at 31/12/2022

The Strategy's water and waste metrics remain well below the benchmark, again largely due to our lack of exposure to water or waste-intensive industries. Nutritional and dietary supplements producer **By-health Co** and dairy producer **Yili Group** are among the most water-intensive companies held in the Strategy, alongside semiconductor businesses **Taiwan Semiconductor Manufacturing Co** and **Win Semiconductors.** During engagement with Yili Group, we discussed that while its water savings are reported in its sustainability report, there are no targets for water reduction, only an ambition to reduce water intensity year on year. We encouraged the company to strengthen this ambition with time-bound targets set with the local water stress situation taken into consideration. We also discussed water management with Win Semiconductors. The company is continuously monitoring its water use and conducts water risk assessments before expanding its fabs. We encouraged setting contextual-based water targets, and provided best practice examples. On waste intensity, our supermarket holdings continue to report among the highest figures, including **BIM, Jeronimo Martins** and **Wal-mart de Mexico**. So too does our new holding in **WEG,** a Brazilian business that produces electric motors, generators and transformers, among other products. The company has reported in its 2021 sustainability report that c.75% of waste generated is recyclable.

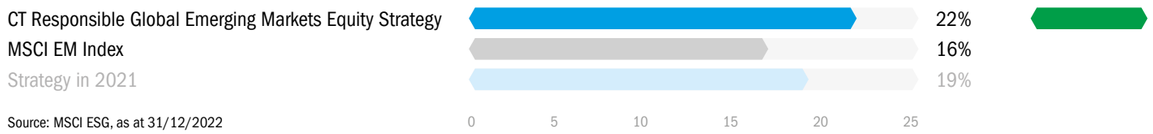
Our lack of exposure to water and waste-intensive industries results in the Strategy's environmental outperformance versus its benchmark.

Fairness and equality

Here we provide two metrics to give an indication of the Strategy's performance in relation to aspects of fairness and equality versus its benchmark: gender equality at Board level, and the ratio of top executive pay to the average employee's salary.

Gender

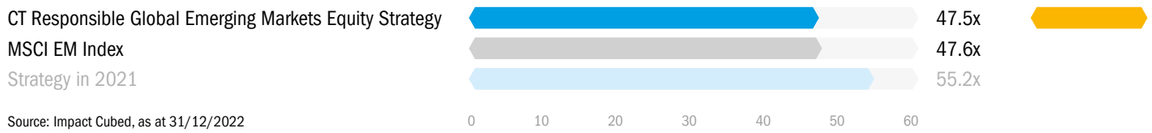
% female directors on company board



Source: MSCI ESG, as at 31/12/2022

Executive pay

CEO pay relative to average employee compensation



Source: Impact Cubed, as at 31/12/2022

Our Strategy continues to outperform its benchmark on board-level gender diversity. Indonesian bank **BTPN Syariah** and **Colgate-Palmolive (India)** both have over 50% female representation on their boards. Other holdings, including Chinese companies **Yili Group** and **Hualan Biological Engineering,** as well as **Nestle India,** have over 30% female boards. We were also pleased to see both China-based multinational **Haier Smart Home** and **HDFC Bank** improve their board diversity during the year, for which we recorded a milestone for each. **BIM** and **By-health Co** remain among the companies with no female board representation.

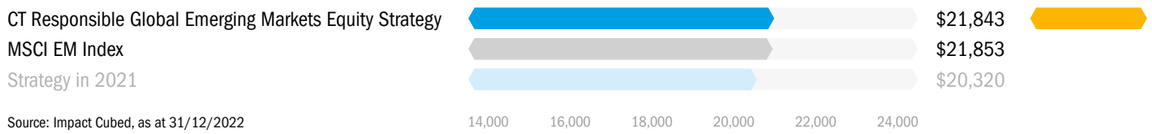
On executive pay, the Strategy performs broadly in line with its benchmark. **Jeronimo Martins** continues to exhibit a relatively large pay gap between its CEO and the average employee's pay. Other holdings at the higher end of the scale include online market place company **Mercado Libre** and **WEG.** Meanwhile, companies with much lower executive pay ratios include Taiwan computer manufacturer **Advantech** and Vietnamese IT service company **FPT Corporation.** We will vote against management where companies fail to meet our standards of good practice, and we regularly engage to drive improvements.

Economic development

To gain a fuller understanding of impact, we consider here the effect of our investments on global inequality, by looking at how companies support economic growth in parts of the world with the greatest needs. Both metrics are compared with the benchmark.

Economic development

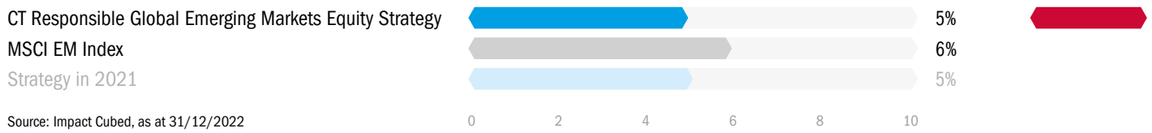
Company geographical spread of operations matched against GDP per capita*



Source: Impact Cubed, as at 31/12/2022

Employment

Company geographical spread of employment against unemployment rates provided by the ILO**



Source: Impact Cubed, as at 31/12/2022

* A higher figure indicates that the companies in the portfolio register less economic activity in low GDP/ capita countries, in aggregate, than the benchmark, and hence has a lower impact on development.
** A higher figure indicates that the companies in the portfolio register more activity in high unemployment countries, in aggregate, than the benchmark, and hence has a higher impact on employment.

We consider the effect of our investments on global inequality by looking at how companies support economic growth in parts of the world with the greatest needs. The two metrics used compare the location of companies' operations and employment with local GDP per capita and unemployment rates, respectively. On economic development, the Strategy and benchmark are broadly in line, indicating they have a similar development impact based on their exposure to companies operating in lower-income countries. We note here our exposure India, which has the lowest GDP per capital amongst the largest emerging economies, as well as to Indonesia, Vietnam and Brazil.

The Strategy just underperforms the benchmark on employment. We note that **Discovery,** which is based in South Africa where unemployment rates are relatively high, expanded its employment base by 6% during 2022. Similarly, **BIM,** a supermarket chain operating in Turkey where unemployment rates are also relatively high, boosted its employment base by 14% in 2022.

Impact through our engagement

Through engagement and voting, we seek to drive targeted improvement in how companies address ESG risks, opportunities and impacts.

We engage with purpose and intention to enhance long-term performance, reduce risk and encourage a positive contribution to broader environmental and social issues.

Labour standards were a key engagement theme during 2022. Specific topics of engagement included health and safety, living wage and working conditions. Corporate governance engagement included board independence and diversity, and linking executive pay to ESG metrics. On climate change, we discussed companies' climate strategies and alignment to the TCFD framework, as well as Scope 3 emissions reporting. We recorded 11 milestones[2] – improvements in companies ESG policy, management systems or practices against our engagement objectives. This included **HDFC Bank** improving its board gender diversity, and **Epam Systems** committing to set a science-based emissions reduction target.

[2] To record milestones we use a three-star rating system, with three stars indicating the most significant impact of the milestone on investor value, and one star reflecting smaller changes that nevertheless will contribute to investor value over the long-term. A one-star milestone tends to be a commitment to do something, whereas a three star milestone tends to be an action being implemented.

Source: Columbia Threadneedle Investments, as at 31/12/2022

We believe that voting is an important tool for driving improvement in company practices and market standards, and re-enforcing objectives set in ESG engagement.

Our voting policies take account of local practices and are applied in a pragmatic fashion that reflects an integrated understanding of local and international good practice. In all cases, we aim to achieve the same result: the preservation and enhancement of long-term shareholder value through management accountability and transparency. In 2022, we voted at 98% of all votable meetings. We voted against management on 13% of all proposals voted, including on compensation, director elections and auditing.

In 2022, we engaged with 22 companies, representing **57%** of our Strategy by value.

Source: Columbia Threadneedle Investments, as at 31/12/2022

Engagement case studies

Discover examples of where we worked in partnership with companies to drive improvements in their approach to sustainability and outcomes.

Seoul, South Korea

NAVER

Naver: We have engaged with Naver five times during 2022, outlining our expectations from previous dialogues on social positioning.

Background

Naver's core business is its online search engine, with a dominant market share of above 70%. It has remained leading despite the entrance of global players such as Google and Yahoo. This enabled the company to build a large database of Korean language content, which enables more targeted and relevant search results. It is also one of the leading commerce, fintech, content and cloud platforms in South Korea. Naver's services improve society by empowering customers, who gain access to high-quality, user-generated content. Its price comparison site also provides efficient price discovery, and investment in AI improves recommendations and search results for the customer. Naver also enables SMEs to access potential customers via their Smartstore platform, offering the lowest take rates compared to peers, and quick payment. Sellers also have access to various tools to improve their business. In its fintech business, Naver is specifically looking to finance those merchants who are underserved by the banks.

Engagement

We have engaged with Naver five times during 2022, outlining our expectations from previous dialogues on social positioning. We encouraged setting ESG metrics tied to executive compensation and implementing employee engagement pulse surveys alongside its annual survey. We also reinforced the importance of diversity and inclusion in the workforce due to its ties to financial materiality, employee engagement and trust, and recommended setting diversity and inclusion targets. One of our engagements on ethical AI was conducted as part of the investor group working with the World Benchmarking Alliance (WBA) through the Collective Impact Coalition (CIC) on Digital Inclusion. This was informed by the 2021 Digital Inclusion Benchmark (DIB) findings, where only 20 companies had evidenced a public commitment to ethical AI practices.

Outlook

While Naver has organisational ESG goals, it has yet to tie material ESG metrics to executive compensation or set diversity and inclusion targets. However, it discusses its extensive measures to ensure female leaders can exhibit their capacity through an inclusive working environment. We were encouraged to hear that Naver is internally discussing setting science-based emissions reductions, including supply chain engagement. It is also discussing its Scope 3 emissions reduction roadmap. The company has established ethical AI principles, although we are still to see more specific detail regarding its AI governance processes and how it implements them in practice. In light of recent company restructuring following on from controversies regarding the company's workplace culture, the dialogue remains constructive; Naver recognises the need to improve and gain trust amongst its employees. We recommended aligning its executive compensation with social targets, setting diversity and inclusion targets, and participation in the Workforce Disclosure Initiative. We will follow up following their new ESG report, human rights department and leadership implementation in 2023.

> Fruitful engagement can often take a long time, requiring persistence, tact and nuance.

Milestones in 2022

During 2022, we noted two positive changes made by Naver:

- Naver increased disclosure on employee engagement and satisfaction metrics through the publication of its annual survey. We previously engaged with the company to encourage disclosure of these metrics to demonstrate a changing workplace culture in light of workplace harassment controversies.
- We were informed by CDP that the company had submitted a response to the CDP questionnaire, following our engagement with the company on this topic this year. This is an encouraging step, as it will improve our ability to appraise the company's environmental performance.

marico

Marico: During 2022, we engaged Marico on both environmental and governance issues.

Background

Marico is a consumer products business in India with leading operations in the coconut oil and Saffola oil segments. Coconut oil is used for hair, cooking and moisturizer products, while Saffola is the healthy foods arm of the business. Marico has used its traditionally very localised businesses to expand into adjacent categories in food and well-being space, as well as international expansion in other emerging markets. Marico's positive impact comes through two key aspects: one is environmental, whether usage of packaging, minimising packaging and ultimately replacing fossil fuel-based packaging; or the company's focus on training its supply chain. For example, the company is training coconut farmers in increasing yield, and providing them with a long-term commitment to invest, shorter payments terms, etc. The other positive impact is societal, through Marico's focus on the health segment within the consumer space, through healthier and convenient offerings.

Engagement

We engaged Marico on two occasions during the past year. One was on packaging sustainability, including reduction of plastic use, using recycled materials as feedstocks, product recyclability and efforts to strengthen infrastructure to divert waste from landfill and develop circular economy approaches. We also pointed to the link to biodiversity impacts and suggested resources for assessments and target-setting. The second engagement related to our concerns regarding the company's employee share option plan, where we highlighted the inappropriate nature of awarding variable remuneration to non-executive directors. We encouraged Marico to disclose the performance metrics and criteria used to determine awards and to ensure that where options are granted, this is not at a deep discount to the market price.

Milestones in 2022

During 2022, we noted two positive changes made by Marico:

- After the 2022 EGM, the board's overall independence improved from 22% to 45%, which is just slightly below our 50% expectations for a board without an independent chair. The board added three new independent directors, and one long-tenure director was not re-nominated for election.
- After the 2022 EGM, the proportion of independent directors on the audit committee improved from 0% to 25%, and the level also improved from 0% to 50% on both compensation and nomination committees.

<epam>

EPAM Systems: EPAM acknowledges it is starting its ESG journey, and will publish its inaugural ESG report in 2023.

Background

EPAM operates in the fastest growing sub-segment of the IT sector, enabling companies to adapt digital platforms and solutions that help them stay more relevant for their customers, and competitive within their sectors. A proven asset-light business, EPAM has continuously expanded its capabilities beyond its core engineering competence, and has done so both organically and through acquisitions. The vast majority of its workforce is based in Ukraine, and the company has been doing a tremendous job in ensuring support to those impacted by the ongoing war, while ensuring its customers continue get the consistent, high-quality service from its delivery hubs.

Engagement

We spoke to EPAM on various occasions during 2022 on a range subjects, such as the war in Ukraine, privacy & data security, human capital management, carbon emissions and ESG governance. We encouraged the company to set ESG metrics tied to executive compensation, disclose employee engagement survey results, set diversity & inclusion targets, and implement initiatives to promote underrepresented minorities into leadership roles. We also provided best practice examples on the topics mentioned above and urged participation in the Workforce Disclosure Initiative. We had an outstanding question on the company's business continuity plans, given a large proportion of its workforce is impacted by the war in Ukraine. We will follow up in 2023 for an update.

Outlook

The company had over 14,000 employees in Ukraine at the beginning of the war and its immediate response was to move its employees to neutral zones in Ukraine. It keeps in contact with employees through different and regular channels. Thus far, it has relocated a large number into neighbouring countries and will continue to do that with employees and immediate family. It is focusing on moving as many employees as possible to its operations in other countries. EPAM acknowledges it is starting its ESG journey, and will publish its inaugural ESG report in 2023. Overall, our dialogue with the company has been constructive, and we will continue to engage to bolster its ESG practices and disclosures, particularly on setting science-based emissions targets, diversity & inclusion targets, and tying ESG metrics into executive compensation.

Milestone in detail

During 2022, we noted one positive change made by EPAM Systems:

- Committed to set a science-based emissions target, via a formal commitment to the Science Based Targets Initiative. We previously spoke to the company on setting an emissions reduction target particularly a science-based one, which is the industry gold standard.

Engagement Example

AIA Group

AIA Group (AIA) is a pan-Asian life insurer based in Hong Kong. AIA is positively aligned with SDG 8.10; strengthening the capacity of domestic financial institutions by offering insurance and financial services for all.

We have held AIA in our Strategy since 2012. Together with our Responsible Investment team, we have engaged with them on a number of ESG issues including; corporate governance, data protection and ESG risk management:

Hong Kong

Engagement

2012

- Discussed the company's approach to **public health, corporate governance** and incorporating **E&S risks** into its risk pricing models.
- Requested that the **CEO to be removed from the remuneration committee.**

2013

- We contacted the company ahead of the 2013 annual meeting and flagged concerns about the **CEO's role on the remuneration committee.**

2015

- Raised concerns about the **balance of its board,** specifically the concentration of power and the **CEOs membership of the Remuneration Committee.**

2016

- Discussed the role AIA sees itself playing in driving **social and economic development.**
- Expressed support for commitments to narrowing the gap between insurance coverage and protection needed.

2017

- We wrote to the board to highlight resolutions in which we voted against management's recommendations.
- We encouraged the company to reform its **governance practices.**

2018

- We wrote to the Chairman on **data protection issues** including the appointment of a Data Protection Officer.
- We encouraged improving **gender balance** of its board and executive management team.

2019

- We expressed our concerns about high **employee turnover figures.** We supported the rollout of enhanced employee engagement and workplace improvement initiatives.

2020

- We reached out to AIA regarding the **overboarding** of one of its independent directors and **lack of disclosure on performance metrics** of its executive option reward scheme.

2021

- We asked for information on managing risks from **coal-related investments.**
- We asked the company to incorporate its **revamped ESG strategy** into executive remuneration plans.

2022

- We completed AIA Group's annual ESG materiality survey, following interactions with their investor relations team.

Milestones

2013

- **Improved CSR disclosure** Annual Report.

2016

- Implemented changes to **board committee composition. CEO ceased to be a member of the Remuneration committee.**

2017

- Developed **responsible investment policy.**

2019

- Joined the **Principles for Responsible Investment.**

2021

- Appointed new **independent non-executive female director.**
- AIA released a **coal investment statement**

Our Strategy in detail

Over the following pages, discover how the companies held in the Strategy correspond to our seven sustainability themes, as well as details such as SDG alignment, any engagement conducted during the year and any positive outcomes (milestones) achieved.

Energy transition

Fuelling the economy with efficient and affordable energy from both conventional and alternative sources.

Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
WEG Industries Industrials Brazil	Owned since **2022** – **0.97%** weighting Manufacturer of industrial machinery.	⊕ **89% – 9.4 –** Supports efforts to upgrade and retrofit industries to increase sustainability through the provision on electric motors ⊖ **11% –** Neutral	0	0

Sustainable infrastructure

Helping build resilient infrastructure in transport, energy, water, communications and other sectors.

Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
Advantech Information technology Taiwan	Owned since **2022** – **1.90%** Manufacturer of industrial computing hardware.	⊕ **100% – 8.2 –** Promotes innovation in IoT, big data and artificial intelligence through the provision of computer hardware and software solutions	0	0
SITC International Holdings Co. Industrials Hong Kong	Owned since **2020** – **1.14%** Offers marine shipping and other logistics services.	⊖ **91% – 13.2 –** (negative) Marine transport has significant impacts on climate change ⊖ **9% –** Neutral	6: Climate change; Environmental stewardship; Labour standards; Corporate governance	1: First public disclosure to CDP
Techtronic Industries Co. Industrials Hong Kong	Owned since **2021** – **3.45%** Produces power tools, outdoor power equipment, floor care appliances and other related products.	⊕ **91% – 9.1 –** Supports the development of resilient and sustainable infrastructure through the provision of power equipment ⊖ **9% –** Neutral	1: Labour standards	0

Where company revenues do not add to 100%, then there is no SDG link for the remainder of the business revenues.

Responsible finance

Providing financial services to advance financial inclusion, SME development, green finance and sustainable financial markets.

Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
AIA Financials Hong Kong	Owned since 2012 – 5.06% weighting Offers insurance and investment services across Asia.	⊕ **100% – 3.8 –** Promotes access to healthcare through the provision of health insurance	1: Climate change; Business conduct; Corporate governance	0
Bank Central Asia Tbk PT Financials Indonesia	Owned since 2021 – 3.49% weighting Provides comercial and personal banking services across Indonesia.	⊕ **100% – 8.10 –** Promotes access to finance by providing corporate and consumer banking services in Indonesia	1: Climate change; Environmental stewardship; Labour standards; Corporate governance	0
Bank Rakyat Indonesia Tbk PT Financials Indonesia	Owned since 2022 – 1.03% weighting Provides micro, small and medium enterprises and personal banking services across Indonesia.	⊕ **96% – 8.10 –** Promotes access to finance by providing corporate and consumer banking services in Indonesia ⊕ **4% – 9.3 –** Increases access to financed for SMEs by providing corporate banking services to such companies across Indonesia	3: Climate change; Environmental stewardship	0
Bank Tabungan Pensiunan Nasional Syariah Tbk PT Financials Indonesia	Owned since 2020 – 1.01% weighting Provides banking services for unbanked and underbanked individuals and businesses across Indonesia.	⊕ **100% – 8.1 –** Promotes access to financial services for all through its retail banking operations	0	0
Discovery Financials South Africa	Owned since 2019 – 2.51% weighting Offers insurance, banking and investment services worldwide, focusing in South Africa.	⊕ **65% – 3.8 –** Helps achieve universal health coverage, including financial risk protection, through its health insurance products ⊕ **1% – 8.10 –** Promotes access to insurance products for all, including health and life insurance ⊖ **34% –** Neutral	1: Corporate governance	0
FPT Corp. Information technology Vietnam	Owned since 2021 – 3.50% weighting Provides technology and telecommunications services and solutions around the globe.	⊕ **55% – 8.2 –** Promotes innovation through the provision of IT consulting ⊕ **36% – 9.1 –** Provides technology and telecommunications solutions, including consulting, to help clients achieve technology-driven business development goals ⊕ **7% – 4.6 –** Provides education at all levels from elemtary school to postgraduate education and short-term training programmes for businesses ⊖ **2% –** Neutral	0	0

Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
HDFC Bank Financials India	Owned since 2011 – 5.45% weighting Provides general banking services serving corporate, commercial and SME, retail and microfinance, and treasury customers.	⊕ **46% – 8.10 –** Promotes access to financial services for all through its retail banking operations ⊕ **27% – 9.3 –** Promotes socioeconomic growth by enabling access to financial services for small, medium and large enterprises, including affordable credit ⊖ **27% –** Neutral	1: Climate change; Labour standards	1: Improvement of gender diversity on board
Hong Kong Exchanges & Clearing Financials Hong Kong	Owned since 2020 – 2.81% weighting Operates a range of equity, commodity, fixed income and currency markets.	⊕ **57% – 17.16 –** Promotes corporate transparency – and ultimately performance – on ESG issues amongst listed companies and encourages sustainable investment ⊕ **43% – 8.10 –** Promotes access to financial services through its provision of trading software	0	0
Ping An Insurance Financials China	Owned since 2021 – 2.56% weighting Financial services group providing services such as insurance, banking and asset management, as well as health technology capabilities.	⊕ **50% – 3.8 –** Provide accident and health insurance ⊕ **41% – 8.10 –** Provides a range of financial services, including insurance, banking and asset management ⊕ **2% – 8.2 –** Helps promote greater productivity through the use of technologies including artifical intelligence, blockchain and a cloud computing platform that support financial services, medical, real estate and other industries ⊖ **7% –** Neutral	0	1: Financed emissions disclosure

Food and nutrition

Helping advance sustainable production and consumption patterns.

Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
BIM Birlesik Magazalar AS Consumer staples Turkey	Owned since **2011** – **0.53%** weighting Operates food and basic consumer goods discount stores in Turkey.	**100%** – Neutral	0	0
Inner Mongolia Yili Industrial Group Co. Consumer discretionary China	Owned since **2018** – **1.53%** weighting Manufactures and distributes milk and dairy-based products.	**93% – 2.1 –** Provides affordable, safe and nutritious food all year round **7% – 2.1** – (negative) Produces snack foods such as ice cream that provide limited nutritional value	7: Climate change; Environmental stewardship; Human rights; Public health	0
Jeronimo Martins Consumer staples Portugal	Owned since **2019** – **3.42%** weighting Through its subsidiaries, distributes food in Portugal, Poland, and Colombia.	**5% – 2.1** – (negative) Produces snack foods and beverages that provide limited nutritional value **95% –** Neutral	3: Climate change; Environmental stewardship; Business conduct; Labour standards; Public health	0
Nestle India Consumer staples India	Owned since **2019** – **1.55%** weighting Produces food, beverages, chocolate and confectioneries.	**74% – 2.1 –** Provides affordable, safe and nutritious food all year round **14% – 2.1** – (negative) Produces snack foods and beverages that provide limited nutritional value **12% –** Neutral	0	0
Wal-Mart de Mexico Consumer staples Mexico	Owned since **2016** – **1.10%** weighting Retails food, clothing, and other merchandise under a variety of store formats across Mexico and Central America.	**100% –** Neutral	0	0

“During 2022, 98% of Yili Group's products reached the company's sugar reduction target. 100% of products reached the company's fat and sodium target.”

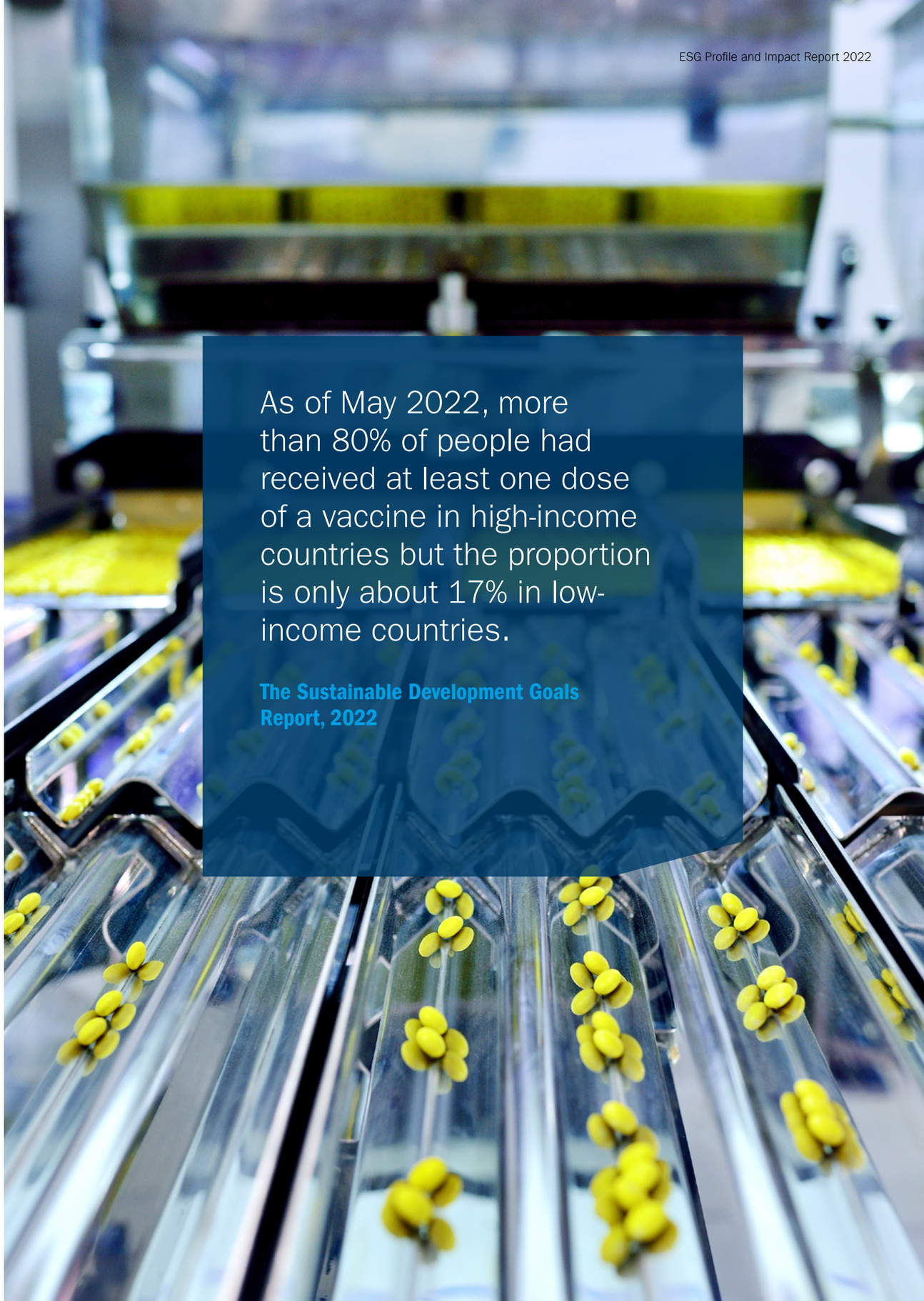
In 2020, an estimated 13.3% of the world’s food was lost after harvesting and before reaching retail markets. An estimated 17% of total food available to consumers is wasted at household, food service and retail levels. Food that ends up in landfills generates 8-10% of global greenhouse gas emissions.

The Sustainable Development Goals Report, 2022

Health and well-being

Supporting the provision of services to improve personal long-term well-being, such as education, health and sanitation.

Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
Biocon Health care India	Owned since **2020 – 2.16%** weighting Manufactures generic active pharmaceutical ingredients that are sold in over 120 countries across the globe.	**100% – 3.8 –** Promotes access to safe, effective and affordable essential medicines	0	0
By-health Co. Consumer staples China	Owned since **2020 – 2.36%** weighting Produces and sells nutritional and dietary supplements primarily in China.	**100% – 3.8 –** Promotes access to safe, effective and affordable essential vitamins and dietary supplements	0	0
Colgate-Palmolive (India) Consumer staples India	Owned since **2017 – 0.48%** weighting Manufactures consumer products for oral and body care.	**100% – 3.8 –** Helps improve oral care and personal hygiene across India	1: Corporate governance	0
Dian Diagnostics Group Co. Health care China	Owned since **2020 – 1.49%** weighting Engages in the provision of medical diagnosis outsourcing service.	**100% – 3.8 –** Promotes access to safe, effective and affordable essential medical diagnostics services	0	0
Home Product Centre Consumer discretionary Thailand	Owned since **2020 – 2.67%** weighting Retailer of building materials and home improvement products in Thailand and Malaysia.	**95% – 9.1 –** Home centers and hardware stores supports the development of resilient and infrastructure through the provision of building materials and supplies **5% –** Neutral	0	0
Hualan Biological Engineering Health care China	Owned since **2021 – 2.10%** weighting Researches, develops and produces blood prodcuts, as well as vaccine and biological engineering products.	**59% – 3.8 –** Promotes access to medicine and healthcare through the provision of blood products **41% – 3.3 –** Helps prevent disease through the provision of vaccines	0	0
Marico Consumer staples India	Owned since **2020 – 2.52%** weighting Provides consumer products and services in the areas of health, beauty and wellness in over 25 countries across Asia and Africa.	**59% – 2.1 –** Provides affordable, safe and nutritious food all year round **41% –** Neutral	2: Environmental stewardship; Corporate governance	2: Appointed newependent directors; Improvement on committee independence
Max Healthcare Institute Health care India	Owned since **2022 – 0.99%** weighting Hospital chain operator in India.	**99% – 3.8 –** Promotes access to medicine and healthcare through the provision of healthcare and pharmaceutical services in India **1% –** Neutral	1: Climate change; Environmental stewardship; Business conduct; Human rights; Labour standards; Public health; Corporate governance	0
Raia Drogasil Consumer staples Brazil	Owned since **2018 – 0.65%** weighting Owns and operates a chain of pharmaceutical stores across Brazil.	**100% – 3.8 –** Promotes access to safe, effective and affordable essential medicines through its drug retail and distribution activities	0	0
Torrent Pharmaceuticals Health care India	Owned since **2020 – 2.28%** weighting Manufactures and sells branded, as well as unbranded generic pharmaceutical products.	**100% – 3.8 –** Promotes access to safe, effective and affordable essential medicines	0	0
Wuxi Biologics Health care China	Owned since **2022 – 1.18%** weighting Global biologics manufacturing and developer	**100% – 3.8 –** Provides outsourcing options to small and medium-sized biotechnology companies with limited manufacturing capabilities, empowering them to discover and develop bioologics	1: Climate change; Environmental stewardship; Labour standards	0

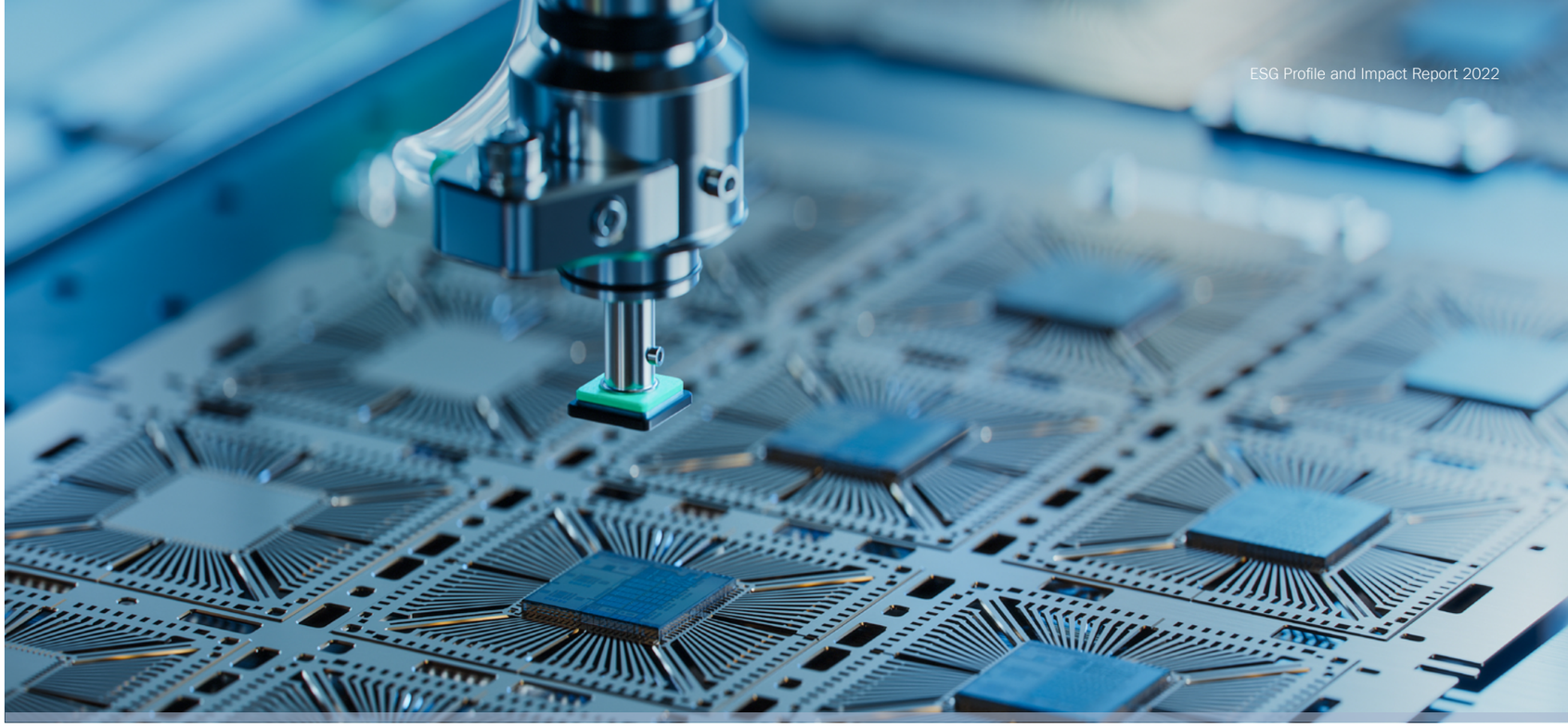


As of May 2022, more than 80% of people had received at least one dose of a vaccine in high-income countries but the proportion is only about 17% in low-income countries.

The Sustainable Development Goals Report, 2022

Technological innovation

Delivering technological and connectivity solutions to advance sustainable development.



Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
Allegro.eu Consumer discretionary Luxembourg	Owned since **2021** – **2.15%** weighting Online shopping platform offering products in categories such as automotive, fashion, electronics, health and beauty.	⊕ **1% – 8.2 –** Promotes innovation through provision of web hosting services for merchants ⊙ **99% –** Neutral	0	1: Strengthened board independence
EPAM Systems Information technology United States	Owned since **2022** – **2.02%** weighting Global IT services organisation that provides a comprehensive range of digitalisation services to its clients in diverse industries.	⊕ **100% – 8.2 –** Promotes innovation through provision of web hosting services for merchants	3: Climate change; Business conduct; Human rights; Labour standards; Corporate governance	1: Committed to set science-based emissions reduction target
Haier Smart Home Co. Consumer discretionary Hong Kong	Owned since **2021** – **3.06%** weighting Researches, develops and manufactures household electrical appliances, such as refridgerators/freezers and washing machines.	⊙ **100% –** Neutral	4: Environmental stewardship; Human rights; Labour standards; Corporate governance	1: Improvement of gender diversity and independence on board
Infosys Information technology India	Owned since **2019** – **2.59%** weighting Provides IT consulting and software services, including e-business, program management and supply chain solutions.	⊕ **100% – 8.2 –** Helps drive innovaion in enterprise service management through the provision of software products and platforms	1: Labour standards	0
Meituan Consumer discretionary China	Owned since **2022** – **1.64%** weighting Web-based platform linking locally sourced consumer products and retail services with users.	⊖ **53% – 13.2 –** (negative) Transportation for food delivery has negative impacts on climate change ⊙ **47% –** Neutral	3: Climate change; Business conduct; Human rights; Labour standards;	0
MercadoLibre Consumer discretionary Uruguay	Owned since **2022** – **2.32%** weighting Online e-commerce and financial technology company in Latin America.	⊕ **35% – 8.10 –** Increases access to finance through the provision of electronic payment processing ⊙ **65% –** Neutral	1: Business conduct; Labour standards; Corporate governance	0
NAVER Corp Communication services South Korea	Owned since **2020** – **2.22%** weighting Operates as a search engine and e-commerce platform providing fintech, digital content, and cloud services.	⊕ **100% – 8.2 –** Helps its customers achieve higher levels of productivity through diversification, technological upgrading and innovation	5: Climate change; Human rights; Labour standards; Corporate governance	2: Enhanced disclosure on employee satisfaction metrics; Submitted response to CDP

Company	Company description	SDG alignment	Number and subject of engagement(s) in 2022	2022 milestones
Taiwan Semiconductor Manufacturing Co. Information technology Taiwan	Owned since **2010** – **7.54%** weighting The world's largest dedicated pure-play semiconductor foundry, TSMC manufactures and markets.	⊕ **52% – 8.2 –** Helps its customers achieve higher levels of productivity through diversification, technological upgrading and innovation ⊕ **44% – 9.c –** Increasing access to information and communications technology through it smartphone platform ⊕ **4% – 3.6 –** Reducing death and injury from road traffic accidents via automotive technology	0	0
Tata Consultancy Services Information technology India	Owned since **2019** – **2.61%** weighting Global IT services organisation that provides a comprehensive range of IT services to its clients in diverse industries.	⊕ **100% – 8.2 –** Helps promote productivity through the provision of IT consulting across different industries such as retail, communications and financial services	1: Labour standards	0
Tencent Holdings Communication services China	Owned since **2010** – **6.87%** weighting Provides internet and mobile value-added services (VAS), online advertising, online gaming, and e-commerce transactions.	⊕ **31% – 8.10 –** Helps increase access to finance through the provision of electronic payment processing ⊙ **69% –** Neutral	6: Climate change; Business conduct; Human rights; Labour standards; Corporate governance	1: Improved climate-related disclosures
Win Semiconductors Information technology Taiwan	Owned since **2021** – **1.77%** weighting Compound semiconductor foundry, whose chips are used in products such as smartphones, smart speakers and WiFi routers. Also involved in optoelectronics for light emitting devices such as the Face ID scanner on the iPhone.	⊕ **97% – 8.2 –** Promotes innovation in communication through production of chips used in products ranging from smartphones, optical communication and 3D sensing ⊕ **2% – 2.1 –** Promotes access to safe and nutritious food through the development of agricultural technology ⊙ **1% –** Neutral	3: Climate change; Environmental stewardship; Human rights; Labour standards	0

Contact us

clientsupport@columbiathreadneedle.com

To find out more visit **columbiathreadneedle.com**

COLUMBIA THREADNEEDLE INVESTMENTS

5817190 | WF470840 (08/23)