For Professional Clients and/or Qualified Investors only.

CT SDG Engagement Global Equity Strategy

Impact Report

1st April 2022 – 31st March 2023

Contents

Key risks

Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Investing to improve

Welcome to our fourth annual impact report for the CT SDG Engagement Global Equity Strategy, for the fiscal year ending 31st March 2023.

Back in 2015, United Nations Member States set a target date of 2030 to achieve the 17 Sustainable Development Goals (SDGs) to transform our world, which means we have already reached the halfway point in the implementation of the SDG agenda.

Though collective efforts are currently falling short of achieving the ambitious agenda, there is little doubt that the Covid-19 pandemic and other recent global crises have provided immense worldwide challenges to sustainable development cooperation.

At the forefront of the challenges for investors has been the upsurge of inflation, which led to correspondingly strong action from policymakers, with the US Federal Reserve engaging in one of the fastest interest rate hiking cycles ever. This also inspired investors to search for more balance along the growth to value spectrum. Supply chains were disrupted, traditional Energy outperformed, and Technology moved through a severe valuation correction, to subsequent recovery in early 2023, as cost cutting and artificial intelligence broke into sight. And in March 2023, SVB Financial, which we had owned since the Strategy's inception, mismanaged its duration risk as rates soared, and it consequently collapsed, at the heart of the first global digital bank run. This specific stock made an adverse contribution to the Strategy's performance during the year.

And yet, despite all of this uncertainty, we still firmly believe that the SDGs remain our best collective global sustainable development roadmap.

This Strategy is intent on showing that we can align our investment decisions with investors' values and deliver both positive non-financial outcomes, as well as attractive financial returns. Ultimately, we want our money to drive improvement in the world around us, and to engage with companies for impact. Four years since inception, we are gaining greater experience in how collaborative shareholder engagement can generate real-world impact – and we are pleased to share the latest annual report of the Strategy with you.

Takeaways from our fourth year include: 1) it is vital to have top company leadership aligned with sustainability, including through defined positions (e.g. Chief Sustainability Officer), as operating and investor relations teams are more stretched than ever; 2) despite many companies advancing past initial ESG reporting – now being focused on sustainability target setting – it can be challenging to understand which metrics to choose, set, and report (standardisation is needed); and 3) feedback from investee companies matters, to identify and work through sustainability bottlenecks.

As we request of our investee companies, we too aim to continue advancing reporting transparency. In this report, we showcase our engagement across the Strategy, key voting statistics, Milestones, multi-year progress via portfolio-level metrics and individual company case studies, and an update on our social themes and net zero pathway. We also show the results of our latest investee company feedback survey.

We are living through a period of accelerating and often unsettling change, but remain determined to mobilise capital towards a more sustainable future, using the SDGs as a framework. We thank you for your trust in us, and we will keep reporting on the progress that our Strategy and its investee companies are making.

Jamie Jenkins
Managing Director,
Head of Global
ESG Equities

Laura Wood
Vice President,
Portfolio Manager,
Global Equities

Our investment approach

The SDG Engagement Global Equity Strategy aims to provide long-term capital growth and support sustainable development.

Our Strategy invests in a diversified selection of equity and equity-related securities of small and mid-capitalisation companies, which may be located anywhere in the word and be in any industry sector. Our Strategy seeks to achieve positive impact through targeted, impact-focused, active engagement with companies, using the SDG framework.

The overarching sustainability philosophy of the Strategy is to:

AVOID

Using a set of exclusion criteria, we avoid investing in companies with socially or environmentally damaging products or unsustainable business practices.

INVEST

We invest in companies that have significant potential to advance the SDGs through their products/services and/or through their corporate conduct.

IMPROVE

As active owners, we engage with our investee companies on business-relevant ESG issues to drive progress towards achieving the SDGs.

Key Facts

- Committed to achieve net zero emissions by 2050 or sooner.
- The benchmark is the MSCI ACWI SMID cap index NR.

Our impact framework

Our approach to delivering impact in listed equities looks to wield the power of active stewardship to precipitate and accelerate corporate change, and galvanise sustainable development in the world around us.

One powerful way to drive positive changeis to mobilise capital with intent and purpose. There is an urgent need for our economic model to embrace sustainability impact as a key input into capital allocation decisions and, ultimately, as a key determinant of future investment returns.

With the right framework, we believe investments in listed equities can generate real world impact. As such, our impact framework has four fundamental building blocks to ensure transparency and a robust approach to impact investing, with a central focus on shareholder impact:

Additionality

We make the distinction between the impact being generated by the underlying investment, i.e. by an investee company's activities (enterprise impact), and the impact opportunity that we as an investor can generate, primarily through our stewardship activities.

We recognise the limitations of the nature of our ownership, yet believe that as long-term active investors, we can drive additionality through collaborative and informed engagement.

Intentionality

We identify at the outset the environmental or social challenges that the investment could help solve, via improving the sustainability of its products and services, and/or corporate conduct.

To do so, we require the investee company to be engageable and open to change, as a prerequisite to investing. We determine the level of engageability through our SDG analysis, as part of our research due diligence.

We set a forward-looking engagement objectives agenda for each investee company, with defined goals and timing expectations.

Materiality

We seek to assess the scale of the investee company's SDG impact. We take into consideration how important SDG-linked activities are to its revenues. We will not invest in any company with revenues which are net negative to the SDGs.

Measurability

We assess, measure and track outcomes that are meaningful and contribute to making a real-world, positive impact.

We link the outcomes ('Milestones') back to our active shareholder engagement.

Active ownership at a glance: engaging for impact

Companies are integral to achieving the SDGs. We believe that through engagement, we can help them move in the right direction.

Engagement

We structure our engagement around the SDGs and their underlying targets, and set defined engagement objectives for every company held. The below statistics provide an overview of our engagements during our Strategy's fourth fiscal year (1-Apr-22 – 31-Mar-23).

147 engagements

45 companies engaged

19 countries covered

97% of engagement linked to SDG targets

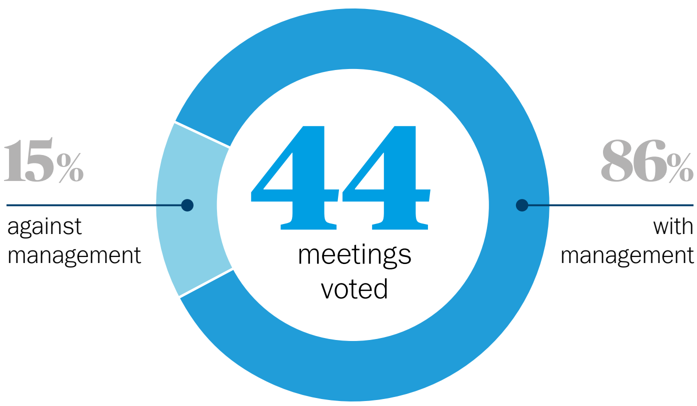
25 Milestones achieved

Voting

We believe that voting is an important tool for driving improvement in company practices and market standards, and for reinforcing objectives set prior to engagement.

Our voting policies take account of local practices and are applied in a pragmatic fashion that reflect 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.

Key voting stats



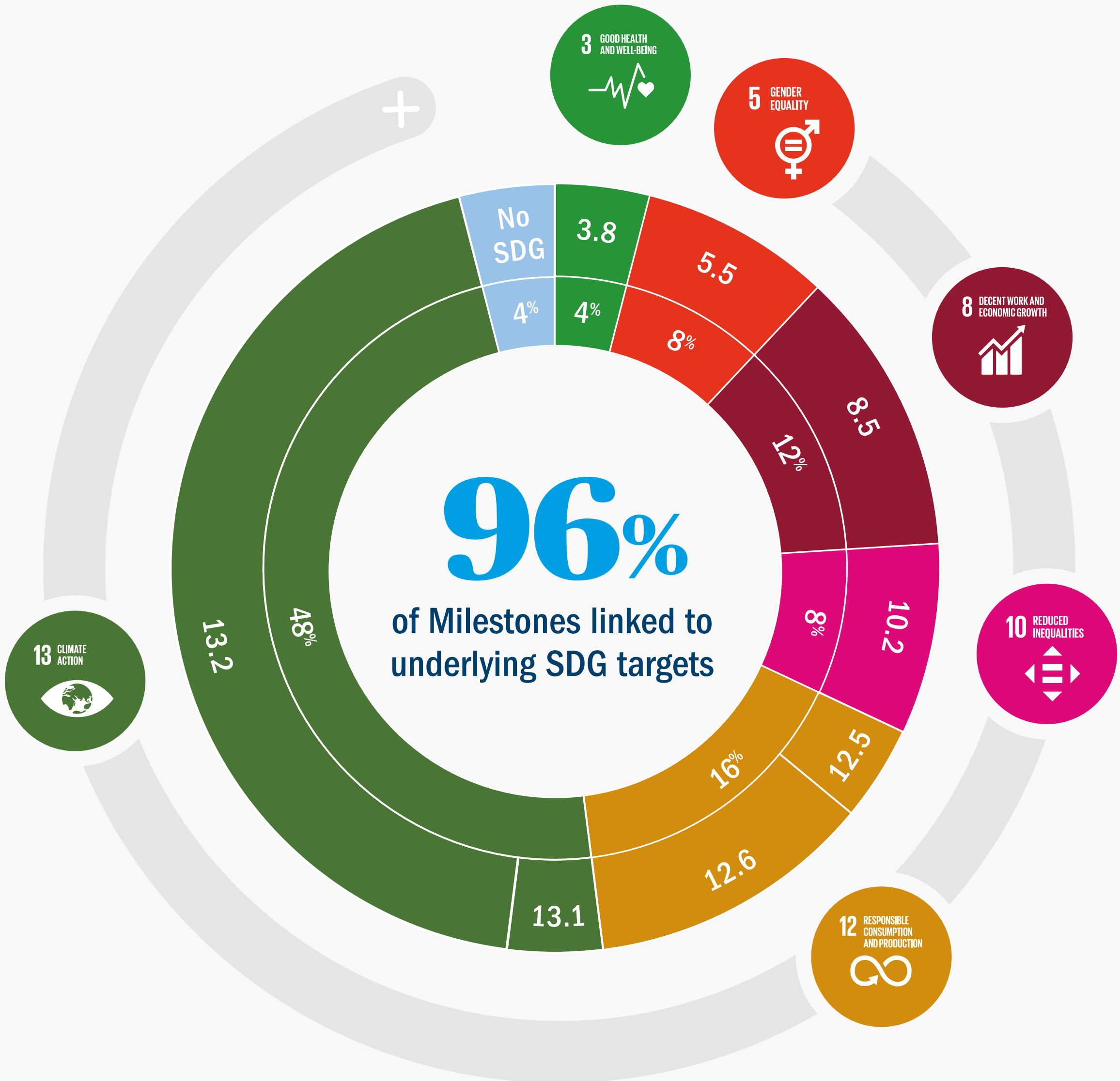
Source: Columbia Threadneedle Investments, as at 31-Mar-23.

SDGs commonly linked to our engagement during the Strategy's fourth fiscal year included **SDG 8** – Decent Work and Economic Growth; **SDG 12** – Responsible Consumption and Production; and **SDG 13** – Climate Action.

Source: Columbia Threadneedle Investments. Reflects companies held in Strategy as at 31-Mar-23. Total engagements and companies engaged are inclusive of investee company feedback survey requests sent in May 2022. Excluding these survey requests, 104 remaining engagements were conducted with 43 companies. The above engagement statistics excludes other forms of outreach such as CDP outreach (5) and votes against management letters. Note: Different SDG targets may be discussed at any given meeting.

Tracking improvement

For each company in our Strategy, we monitor the impact of our dialogue and recommendations via what we call "Milestones". During the Strategy's fourth fiscal year, we achieved **25 Milestones**, 96% of which are linked to the SDGs.



Star rating breakdown and legend

To record Milestones we use a three-star rating system. 1 star is awarded for a smaller change to ESG practices; 2 stars are awarded for meaningful updates/changes to ESG practices; and 3 stars are awarded for material changes of significant ESG importance.

4 ★★★ star Milestones | 9 ★★ star Milestones | 12 ★ star Milestones

Source: Columbia Threadneedle Investments, as at 31-Mar-23.

Continuous improvement: Milestones since inception

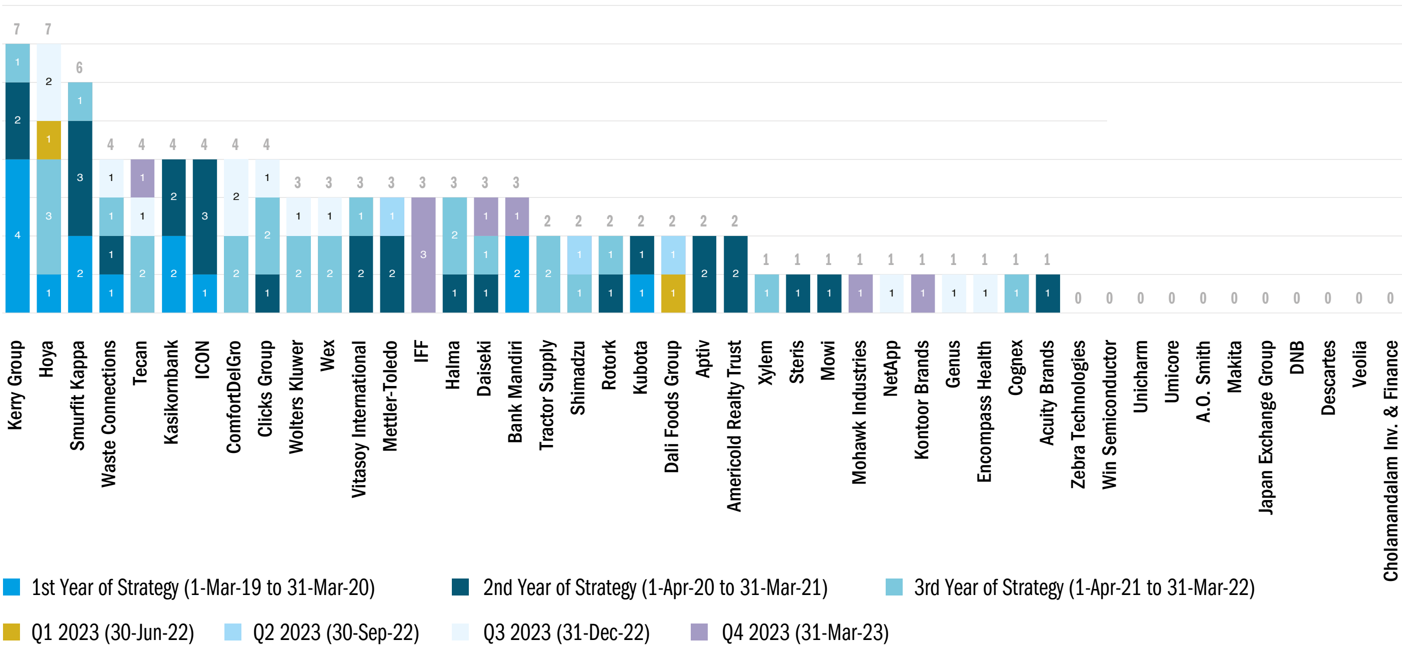
Our Milestones across the first four years of the Strategy (1-Mar-19 to 31-Mar-23) are below.

There are a number of companies which have made multiple sustainability improvements, where we believe our shareholder engagement has contributed to this progress. Additionally, we have logged first Milestones with five companies this year. These companies are **Mohawk Industries**, **NetApp**, **Kontoor Brands**, **Genus**, and **Encompass Health**.

To-date, we have achieved multiple improvements (2+ Milestones) with more than half the Strategy, and have achieved at least one Milestone with 76% of the Strategy. Nonetheless, efforts continue: we have not yet made an engagement impact with 11 outstanding companies, of which four have been held in the Strategy since inception (**Umicore**, **A.O. Smith**, **Japan Exchange Group**, and **Descartes**). Two of these ten companies, **Veolia** and **Cholamandalam Investment & Finance**, were new additions to the Strategy in fiscal year 2023.

92 Milestones achieved

Milestones since Strategy inception (1-Mar-19 to 31-Mar-23)



Source: Columbia Threadneedle Investments as at 31-Mar-23. Note: Reflects companies held in Strategy as at 31-Mar-23. These numbers do not include engagements on companies sold prior to that date. Quarters shown are Strategy's fiscal quarters.

Multi-year progress: Milestone ratings

The following two tables show the evolution of the Strategy's Milestones, via our internal Star rating system, over the past four years:

Original holdings (held from Strategy inception in 1-Mar-19 to 31-Mar-23)
32 Companies; **69** Milestones

Milestone rating	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	Totals
★	8	5	13	9	35
★★	4	7	11	7	29
★★★	0	0	2	3	5
					69

Current holdings at fiscal year end[1]
33 Companies; **92** Milestones[2]

Milestone rating	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	Totals
★	7	13	12	12	44
★★	7	14	12	9	42
★★★	0	0	2	4	6
					92

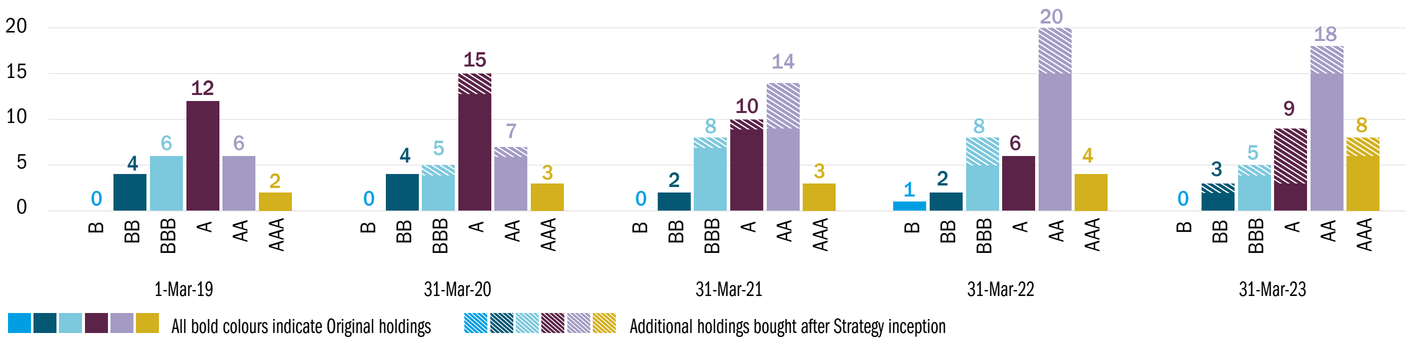
We are pleased to see the standards of Milestones beginning to increase, evidenced through the achievement of 3-star Milestones in our third and fourth years of running the Strategy, for both our original holdings, and current holdings.

Multi-year progress: MSCI ESG ratings

We have reflected on the evolution of external ESG ratings over time for the Strategy's holdings, via MSCI ESG, the Strategy's main external ESG data provider. We acknowledge that there could be a variety of factors that influence an ESG rating, above-and-beyond our shareholder engagement, and thus cannot conclude that the below analysis is solely attributable to our active stewardship.[3]

External ratings can, nevertheless, act as a reference point for corporate improvement, and we are encouraged to see a general upward trend in underlying holdings' ESG ratings towards the top AAA rating over time.[4] In the below chart, we show both our 'Original' holdings from Strategy inception (a subset of 30 companies, excluding **ICON** and **Vitasoy**, which only more recently became rated), as well as a view of the Strategy's 'Current' holdings (43 names).[5] The bold bar colours represents the breakdown of ratings – B through AAA – among the Original holdings over time, and the patterned sections show the additional names which were bought post Strategy inception, to encompass Current holdings as at 31-Mar-23:

MSCI ESG Ratings distribution since Strategy launch



Source: MSCI ESG, as at 31-Mar-23

[1] Reflects companies held in Strategy as at 31-Mar-23 (Strategy's fiscal year end 2023), inclusive of the 13 companies bought post Strategy inception and held until 31-Mar-23. These numbers do not include any company sold prior 31-Mar-23.
[2] 11 companies of Current holdings have not yet achieved Milestones. Please refer to Milestones Since Strategy Launch graph on page 8.
[3] We also acknowledge the limitations of this assessment as MSCI ESG carries its own rating methodology and assumptions, and is only one of a variety of ratings providers available.
[4] For transparency, we note that A.O. Smith, Americold Realty Trust, Daiseki, Dali Foods Group and Mohawk Industries each received a ratings downgrade at some point in time during our holding period.
[5] ICON and Vitasoy were part of the 32 original holdings at Strategy inception in March 2019, which are now still held as at 31-Mar-23. Vitasoy International Holdings became rated by MSCI ESG in July 2019 and ICON became rated by MSCI ESG recently in October 2022. Thus they are not included in the Original holdings analysis (30 names) nor the Current holdings analysis for MSCI ESG Ratings over time (43 names). Thirteen companies were bought in the years post inception of the Strategy (the difference between the 30 and 43 names). These numbers do not include any company sold prior 31-Mar-23.

Engagement case study: ComfortDelGro

ComfortDelGro is a global transportation logistics provider of taxi and bus services, listed in Singapore.

Its Bus Station and Public Transport Services segments contribute to SDG 11.2 ('provide access to safe and affordable transport systems'), whilst its Automotive Engineering Services and Inspection & Testing units contribute to SDG 3.6 ('halve deaths and injuries from road traffic accidents').*

Our engagement has focused on 1) climate change strategy, 2) driver safety, 3) board oversight, and 4) gender equality:

COMFORTDELGRO

2020

24 August 2020

Meeting with CFO and Risk / Sustainability Officer on climate change (targets, TCFD), Board oversight, and SDG 11

21 December 2020

Email sent explaining our votes against management at 2020 AGM

2021

April 2021:

2 Milestones:

1. The company established a Sustainability Committee

SDG target 16.6

2. Committed to the SBTi

SDG target 13.2

October 2021

1. 8-Oct: **Meeting** to discuss gender diversity, employee engagement, carbon emissions, digitisation, Board independence;

2. 21-Oct: Participation in a **materiality consultation** for the company

2022

5 January 2022

Email sent on climate change (targets, TCFD), gender diversity & inclusion, Board composition

April 2022

1. 20-Apr: **Email** sent requesting information on CD's executive share award scheme;

2. 20-Apr: **Meeting** with Sustainability Officer on climate (targets, TCFD, fuel mix), Board, driver safety, gender diversity

21 April 2022

Follow-up **Email** sent with recommendations on climate targets/net zero, TCFD, ESG remuneration, and diversity. Also introduced suggestion for Board training on ESG

October 2022

We became aware of

2 Milestones:

1. SBTi-approved emissions reductions targets

SDG target 13.2

2. Disclosure to the TCFD

SDG target 13.1

19 October 2022

Portfolio manager **Site Visit** in Singapore, focusing on operations and social issues, mainly driver safety and gender diversity

December 2022

1. 14-Dec: **Meeting** with Sustainability Officer on executive remuneration KPIs, net zero, TCFD, driver safety, gender diversity (Gender Action Plan);

2. 21-Dec: Follow-up **Email** on decarbonisation strategy (quantification), executive remuneration, gender diversity;

3. 22-Dec: **Email** sent explaining our votes against management at 2022 AGM.

Source: Columbia Threadneedle Investments, as at 31-Mar-23. *12.0% of CD's revenues (its Taxi division) are Neutral to the SDGs, whilst 2.2% of its revenues are Negative to SDG 13.2 (its Driving Centre and Car Rental & Leasing units). Engagements not shown on timeline were: surveys we sent on our engagement processes and impact (in Apr-20, May-21 and May-22; SDG 12.6).

Our Engagement Impact: ComfortDelGro

Below we detail our engagement contribution, the timing of our asks, and the resulting outcomes:

Our Engagement	Our Milestones	Relevant SDGs, KPIs
1. Board oversight engagement **Our asks:** - Improvement in Board oversight / accountability on sustainability, and direct ESG links in exec. remuneration (24-Aug-20 meeting).	**1 Milestone:** ★ **April 2021**: ComfortDelGro established a Sustainability Committee at Board level (SDG 16.6).	16 PEACE, JUSTICE AND STRONG INSTITUTIONS ✓ 1 governance improvement.
2. Climate change engagement **Our asks:** - Quantitative SDG-related targets, including those aligned with the 1.5°C Paris agreement. Greener fleet/renewable energy targets. We expressed our strong support for consideration of TCFD and SBTi (24-Aug-20 meeting). - SBTi action plan request (scope/ timeline) (8-Oct-21 meeting); encouragement to focus on climate change (21-Oct-21 company materiality assessment); prompt to set a LT climate target (5-Jan-22 email); query about plans to set a net zero target (20-Apr-22 meeting); assertion that climate targets should be on gross instead of net emissions (excluding offsets) (21-Apr-22 email).	**2 Milestones:** ★ **April 2021**: CD committed to the SBTi (13.2). ★★ **October 2022**: We became aware that CD set a 1.5°C SBTi- approved emissions reductions target covering Scopes 1-3 by 2032 vs. 2019 base year (13.2).*	13 CLIMATE ACTION ✓ 1 commitment. 13 CLIMATE ACTION Targets for emissions reductions: ↓ 54.6% Scope 1-2. ↓ 61.2% Scope 3.
3. Disclosure engagement **Our asks:** - Support indicated for CD's consideration of TCFD (24-Aug-20 meeting); request for TCFD disclosure (5-Jan-22 email); TCFD discussion (20-Apr-22 meeting); guidance on robust TCFD reporting (21-Apr-22 email).	**1 Milestone:** ★ **October 2022**: We became aware of CD's first TCFD report (13.1).**	13 CLIMATE ACTION ✓ 1 disclosure improvement.

Source: Columbia Threadneedle Investments, as at 31-Mar-23. Only engagements which have led to outcomes are shown on this page. *Press release in Jun-22; we became aware in Oct-22. **TCFD report published in Jul-22.

With TCFD and SBTi now in place, our engagement agenda will focus on ComfortDelGro's decarbonisation strategy and disclosure, to deliver on its 2032 targets.

Engagement case study: Hoya

Hoya is a Japanese IT and MedTech company. Based in Japan, Hoya is a key manufacturer of eyeglass lenses, contact lenses, and intraocular lenses for cataract operations, supporting healthy and improved vision care for a multitude of people worldwide.

It also produces glass disks for hard disk drives (HDDs) and EUV mask blanks for semiconductors. Its health and medical products are aligned to SDG target 3.8 ('access to medicines and healthcare'), and its electronics and imaging products are linked to SDG target 8.2 ('achieve greater productivity through diversification, technological upgrading and innovation').

We have engaged Hoya many times since launching our Strategy:

HOYA

28 June 2019
We **wrote** to Hoya on Modern Slavery in April and, post receiving a response from the company, followed up in May with encouragements to provide training, disclose suppliers with high-risk sourcing countries, conduct risk assessments and disclose policies

SDG target 8.7

14 and 21 June 2019
We held **two calls** with Hoya on carbon emissions management, supply chain, employee diversity, and governance structures

SDG targets 13.2, 8.7, 8.8, 5.5, 10.2, 12.6

July 2019
1 Milestone: inaugural ESG committee (**SDG target 12.6**)

7 November 2019
Call with the company on its product footprint in developing countries, Modern Slavery risks in Vietnam, the ESG committee, and transparency (GRI,SASB, quantitative metrics)

SDG targets 3.8, 8.7, 12.6

2019

18 and 26 February 2020
Call on Modern Slavery (highlighting KnowTheChain initiative), philanthropy, and ESG goals – encouraging quantitative targets

SDG targets 8.7, 3.8, 12.6;

subsequent follow-up email on Modern Slavery

SDG target 8.7

2 July 2020
Call on Modern Slavery and supply chain code of conduct, as well as Board of Directors gender diversity

SDG targets 8.7, 5.5

2020

9 March 2021
Call with the company to discuss ESG disclosure, carbon emissions (encouraging a new reductions target), water, plastic waste, diversity, and partnerships in developing countries

SDG targets 12.6, 13.2, 6.4, 12.5, 5.5/8.5, 3.8

2 November 2021
Call to discuss ongoing carbon, water, employee engagement, diversity, and Modern Slavery, and partnerships

SDG targets 13.2, 6.4, 8.5, 5.5, 8.7, 3.8

November 2021
3 Milestones:

1. vision care partnerships
2. water reduction initiatives
3. CO2 reduction target

SDG targets 3.8, 6.4, 13.2

2021

18 May 2022
Call to discuss earnings and a range of ESG topics: climate-related disclosure, renewable energy, packaging waste and recycling, modern slavery disclosure and supply chain due diligence, gender diversity, and entering partnerships to increase healthcare access.

SDG targets 12.5, 12.6, 5.5, 8.7

June 2022
1 Milestone: Appointment of Chief Sustainability Officer

No SDG link

10 November 2022
Call to discuss earnings and progress on a range of ESG topics: professional training in low and middle-income countries, employee health and wellbeing, gender diversity, and renewable energy use.

SDGs 5.5, 7.2, 12.6

November 2022
2 Milestones:

1. Partnership for myopia prevention and treatment
2. RE100 pledge

SDG targets: 3.8, 13.2

2022

Source: Columbia Threadneedle Investments, as at 31-March-23. Engagements not shown on the timeline were: surveys we sent on our engagement processes and impact (in Apr-20, May-21 and May-22; SDG 12.6).

Our Engagement Impact: Hoya

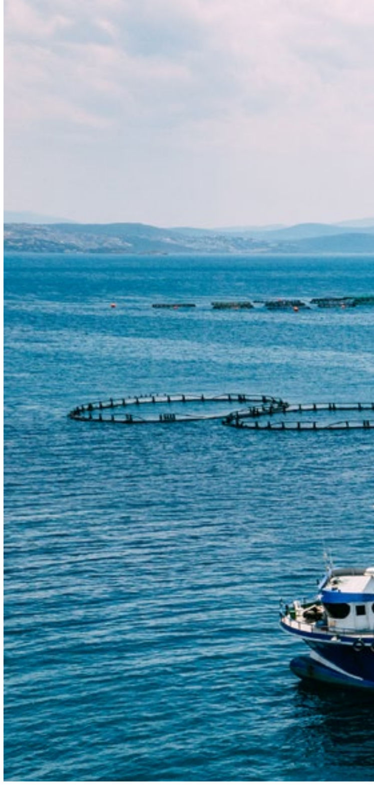
Below we detail our engagement contribution, the timing of our asks, and the resulting outcomes:

Our Engagement	Our Milestones	Relevant SDGs, KPIs
1. ESG oversight engagement **Our asks:** - Board-level oversight of ESG issues (June 2019 meeting).	**2 Milestone:** ★ **July 2019**: Formed its inaugural ESG Committee to tackle material ESG issues and improve disclosure. ★ **June 2022**: Appointed a Chief Sustainability Officer who will develop and implement Hoya's overarching sustainability strategy across its global operations, products and supply chains.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION ☑ ESG committee formed. ☑ Sustainability leadership position created.
2. Healthcare engagement **Our asks:** - Identify potential partnerships to increase access to glasses (March 2021 meeting). - Commended partnership established and expressed support for Hoya entering into similar partnerships (May 2022 meeting).	**2 Milestones:** ★★ **November 2021**: Entered into partnerships with Orbis International and Optometry Giving Site to bridge vision care gaps. ★★ **November 2022**: Partnered with the International Myopia Institute to promote the prevention, treatment and management of myopia (shortsightedness).	3 GOOD HEALTH AND WELL-BEING ☑ Three partnerships established.
3. Climate change engagement **Our asks:** - Set a new emissions reduction target (March 2021 meeting). - Set longer-term greenhouse gas emissions reduction targets (November 2021 meeting). - Publish a greenhouse gas emissions reduction target approved by the Science Based Targets initiative (SBTi); Use of on-site renewable energy. (May 2022 meeting).	**2 Milestones:** ★ **November 2021**: Set a medium-term target to achieve a 16% reduction in carbon dioxide emissions per unit of net sales between fiscal 2021-2025 (compared with fiscal 2019). ★★ **November 2022**: Pledged to join the RE100: a global corporate renewable energy initiative bringing together businesses committed to 100% renewable electricity.	13 CLIMATE ACTION ↓ Set emissions reductions target (16%). ☑ joined industry-wide initiative.
4. Circular economy engagement **Our asks:** - Increase transparency about efforts to reduce water consumption (March 2021 meeting).	**1 Milestone:** ★ **November 2021**: Disclosed water reuse ratio and information about initiatives to reuse water in the 2021 Integrated Report.	6 CLEAN WATER AND SANITATION ☑ Improved water disclosures.

Source: Columbia Threadneedle Investments, as at 31-Mar-23. Only engagements which have led to outcomes are shown on this page.

Going forward, we will continue to encourage Hoya to improve its human rights due diligence and ensure it progresses on its renewable energy target.

Thematic impact and Strategy benchmarking



Discover how the Strategy ranks relative to its benchmark across sustainability metrics, and how the Strategy's metrics have changed over the past three years (2021-2023).

Key: Better than benchmark | Neutral | Worse than benchmark

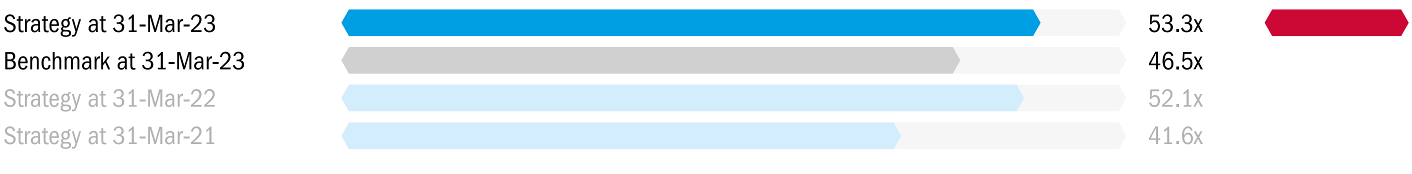
Labour standards and Diversity & inclusion

Here we focus on executive pay ratios and gender diversity.

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

Executive pay

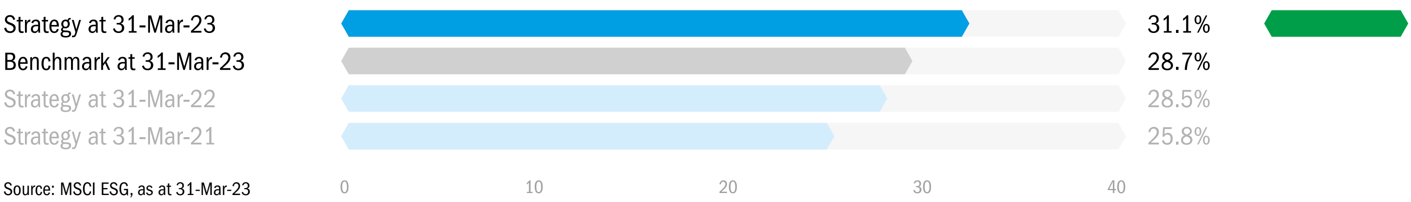
CEO pay relative to average employee compensation



Source: Impact Cubed, as at 31-Mar-23

Gender

% female directors on company board



Source: MSCI ESG, as at 31-Mar-23

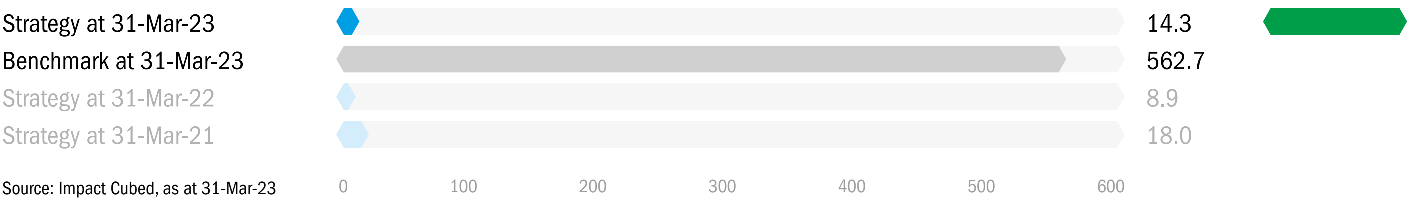
During the reporting period, the Strategy outperformed the benchmark on board-level gender diversity, and has shown a general rate of improvement over the past three years. 22 investee companies now have boards with at least one-third female directors. Diversity and inclusion (D&I) engagement included encouraging **Win Semiconductors** and **Shimadzu** to promote STEM subjects among female students, to help increase their female talent pools. We also recommended **Wex** to develop programmes and skills training to advance ethnic minorities to more senior-level positions, and encouraged **Zebra Technologies** to set quantitative D&I metrics and disclose individual executive achievement of this. On executive pay ratios, the Strategy underperformed the benchmark. We encouraged **Wolters Kluwer** to limit its scale of executive pay, and asked **ComfortDelGro** to provide disclosure on ESG metrics in executive remuneration. We also encouraged **Tractor Supply** to disclose a formal living wage policy, carry out a living wage assessment and asked about its intentions to move toward to a $15 minimum wage across its US operations.

Circular economy

Here we focus on the Strategy's waste and water intensity.

Waste intensity

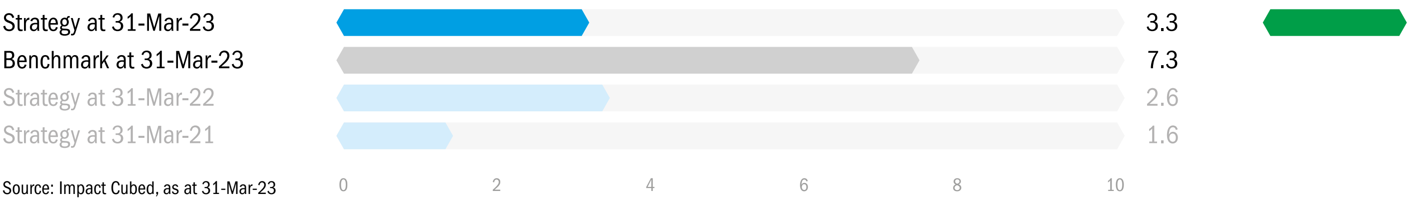
Tonnes of solid waste generated to create $1 million revenue



Source: Impact Cubed, as at 31-Mar-23

Water intensity

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

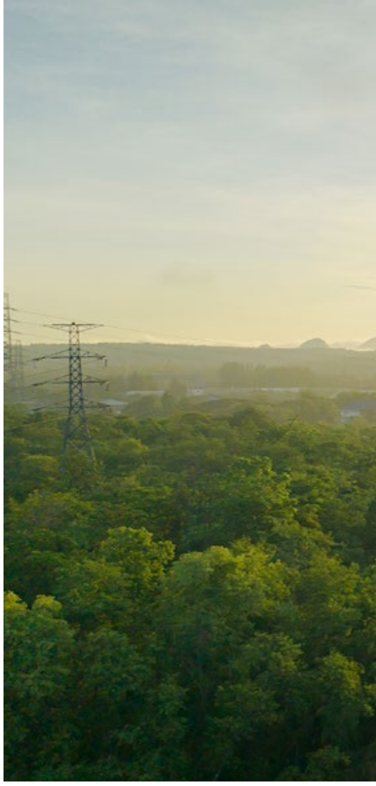


Source: Impact Cubed, as at 31-Mar-23

Ensuring sustainable use of water and addressing waste production are key elements to ensuring a successful circular economy. During the reporting period, the Strategy continued to be less water and waste-intensive than the benchmark. Seafood producer **Mowi** remains our most water-intensive holding. During an engagement, we learned that the company has conducted a water survey for its suppliers; we will seek more information on specific metrics and targets. Soy milk brand **Vitasoy** is another relatively water-intensive holding.

While the company has begun a water risk assessment pilot for one of its products from farm to customer, we wrote to the Board Chair to encourage an assessment on water risk in the supply chain to determine impacts and dependencies. In terms of waste intensity, **Mowi** is among the most waste-intensive companies we hold. It has a target to send zero waste to landfill from its processing plants by 2025.

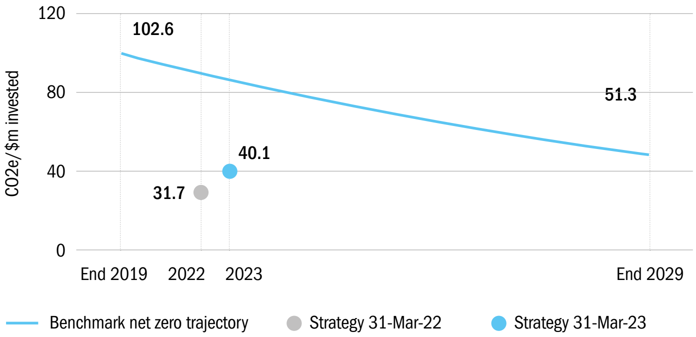
Climate change: getting to net zero



During the Strategy's fourth fiscal year, we continued to implement our net zero by 2050 commitment.

Our methodology is based on the Net Zero Investment Framework. To monitor our progress, we compare the Strategy's financed emissions intensity versus its benchmark's net zero aligned trajectory. This trajectory is constructed by taking the benchmark's emissions intensity at end-2019, and calculating a 50% cut by 2030.

Strategy emissions performance versus the benchmark



Source: Columbia Threadneedle Investments and MSCI ESG, as at 31-Mar-23.

As the chart demonstrates, as at 31st March 2023, the Strategy's financed emissions intensity remained ahead of the net zero trajectory, despite increasing from the previous fiscal year. This metric is subject to o both market movements and inflation, meaning that emissions intensity can change purely due to these factors, as well as any changes in the real world. Utility company **Veolia** and land transport provider **ComfortDelGro** are among the top contributors to the Strategy's financed emissions intensity. Both have near-term emissions reduction targets validated by the Science-Based Targets Initiative (SBTI).

Companies' net zero alignment

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

90% of the portfolio financed emissions were aligned or engaged on climate change during the Strategy's fourth fiscal year.

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.

1 COMPANY, 1% of financed emissions.

This is food producer **Kerry Group**.

ALIGNING: Companies that meet our core expectations around disclosure, setting targets and strategy.

16 COMPANIES, 58% of financed emissions.

Examples: **Veolia** and **Smurfit Kappa**.

COMMITTED: Companies that have not yet met our expectations but have committed to set a science-based emissions reduction target.

4 COMPANIES, 16% of financed emissions.

Examples: **Xylem** and **Mettler-Toledo**.

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

15 COMPANIES, 22% of financed emissions.

Examples: **Waste Connections** and **Makita**.

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.

9 COMPANIES, 3% of financed emissions.

Examples: **Japan Exchange Group** and **DNB**.

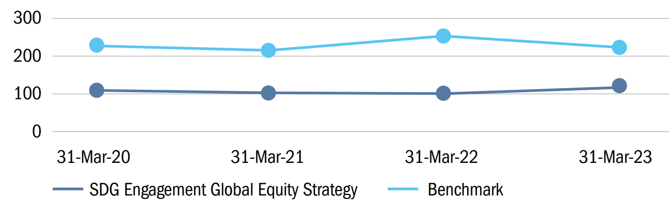
Engagement during the fiscal year

We engaged **Makita**, a power tool manufacturer, on its climate change strategy. The company has set ambitious targets for scope 1 and 2 emissions, but as the bulk of its emissions are in the supply chain, we engaged for clearer targets and disclosure around scope 3 emissions. Over several engagements with **Smurfit Kappa**, we discussed its climate risk approach, the opportunity for nature-based solutions to address climate change, and its TCFD disclosures. On the latter, we highlighted several areas for improvement related to scenario analysis and disclosure of transition and physical risk metrics. We also engaged **Kasikornbank** in Thailand, facilitated by Asia Research & Engagement, to discuss their approach to climate risk management. The company confirmed their policy of no financing of new coal plants and phasing out existing finance by 2030. Kasikornbank were very transparent about the challenges of managing climate risks and supporting the low carbon transition in Thailand, but it was clear they have been proactively collaborating with their peers and government, wanting to be a leader and raise standards in the industry and region.

Weighted-average carbon intensity

We also measure and monitor weighted-average carbon intensity (WACI) as a metric to help understand climate risk.

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



Source: Columbia Threadneedle Investments and MSCI ESG, as at 31-Mar-23.

Positive development: Milestones achieved

Waste Connections, Inc.

13 CLIMATE ACTION

Target: 13.2 – Integrate climate change plans into policies and strategies

Milestone: ★★★

Introduced a target to reduce absolute emissions by 15%

Waste Connections: Announced a new target to reduce absolute scope 1 and 2 emissions by 15%. We have previously engaged the company to encourage a commit to reduce its actual emissions rather than focusing on offsets.

NetApp

13 CLIMATE ACTION

Target: 13.2 – Integrate climate change plans into policies and strategies

Milestone: ★★

Set scope 3 emissions reduction target

NetApp: Outlined its commitment to achieve 50% intensity reduction of Scope 3 emissions by 2030. We have previously engaged the company to encourage adoption of Scope 3 targets.

达利食品集团 DALI FOODS GROUP

13 CLIMATE ACTION

Target: 13.2 – Integrate climate change plans into policies and strategies

Milestone: ★★

Submitted a response to CDP

Dali Foods Group: Submitted a response to the CDP (Carbon Disclosure Project) questionnaire, following our engagement with the company on this topic.

Results from our investee company survey

After the end of each fiscal year, we send a survey to our investee companies to request feedback from them about the impact our engagement with them is having. We use this feedback to deepen and focus our engagement agendas.

We sent the 2023 survey to all investee companies in the Strategy in June 2023. **60%** responded, up from **50%** last year. We will use the responses from the survey to deepen and focus our engagement agendas, and advance our Strategy to drive positive change.[1]

Which SDG areas have increased most in importance/relevance for our companies in the last 12 months?

Respondents were asked to select as many of the SDGs that applied. Results show the percentage of respondents for the top 5 SDGs selected overall.

70%	13 CLIMATE ACTION
60%	7 AFFORDABLE AND CLEAN ENERGY
56%	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
56%	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
52%	5 GENDER EQUALITY

How has our engagement helped?

63%	Increased awareness of SDGs and which key SDG targets are important for your business
52%	Developed greater internal buy-in for addressing the environmental and social issues we have raised
41%	Driven change within the organisation
11%	Created a new policy around specific SDGs and/or their underlying targets
7%	Implemented a new policy around specific SDGs and/or their underlying targets[2]

A focus on net zero

As an asset manager, we have an ambition to achieve net zero emissions by 2050 or earlier, across all assets under management. We expect all our investee companies to adopt business strategies which are aligned with the Paris agreement, and are consistent with a net zero emissions future. In light of this, we used our survey to gather the following information:

67% of respondents have adopted a net zero commitment for 2050 or earlier, and another **19%** are aiming to commit to net zero by 2050 or earlier within the next three years.

67% of respondents believe there is enough clarity about investor expectations on what constitutes good quality climate change strategy and disclosure, and **41%** wish to discuss our expectations further.

[1] Our survey comprised of six questions, with a blend of multiple choice and qualitative fields.
[2] 7% also voted 'Driven change outside the organisation' and 'Other', whereby the written responses were 'Increased awareness of investor needs and best practice around responsible deployment of artificial intelligence' and 'Has been very helpful to have your support on our approach and a level of challenge as well, to help us refine our ESG reporting plans as we go forward.'

Change over time

Having sent our survey since April 2020, a year since inception of the Strategy, we have analysed how investee companies' responses to questions around our engagement with them have evolved over time.

Multi-year response rate: The average response rate over the four years is **54%**, with a high of **66%** in the Strategy's first fiscal year and a low of **39%** in the second fiscal year.

A focus on the SDGs

Since the Strategy's second fiscal year, we have asked our investee companies which SDGs have increased most in importance/relevance to them over the past 12 months, with respondents able to select as many of the SDGs that applied.

SDG 13 – Climate Action – has scored the highest each year, with an average of **69%** of respondents selecting it. **SDG 5 – Gender Equality** – has also stayed consistent, with an average of **51%** of respondents selecting it over the past three years we have asked this question.

SDG 7 – Affordable and Clean Energy – has grown in importance/relevance to respondents during the years we have run our survey. During the fourth fiscal year, **60%** of respondents selected it, compared with **48%** in the third fiscal year. In the second fiscal year, it did not rank among the top 5 SDGs chosen by respondents.

During the Strategy's second fiscal year, running 1st April 2020 to 31st March 2021, **62%** of respondents selected **SDG 3 – Good Health and Wellbeing**. This is not surprising giving the Covid-19 context at the time. In the Strategy's third fiscal year, this dropped to **48%** of respondents, and in the fourth fiscal year dropped further to **33%** of respondents.

Assessing how our engagement has helped

We also ask our investee companies ways in which our engagement has helped them on their sustainability journey. Over the past four years, the percentage of respondents who agree that our engagement has helped increase their awareness of the SDGs and which targets are important to their business has ranged from **61-69%**, reflecting our ongoing efforts to help companies address relevant SDG-related issues through our engagement. Furthermore, a range of **34-47%** respondents over the past four years agree that our engagement has helped driven change within their organisation. We believe that this is also reflected through the Milestones we have recorded for companies over this time frame.

Assessing the quality of our engagement

A particularly insightful question in our survey was "How would you rate the quality of our engagement questions and recommendations?", with companies given the options to answer as Strong, Good, Adequate or Poor. Of the 27 companies that responded to our survey, **14** companies (**52%**) rated our engagement as Strong, **11** (**41%**) rated our engagement as Good, and **2** (**7%**) rated our engagement as Adequate, totalling 100%.

We also asked companies to provide us optional qualitative feedback on how we could improve.*

Below we highlight examples of qualitative feedback from six investee companies, which we have found to be insightful, and useful to help guide our engagement into 2024:

HOYA

On the quality of our engagement (Strong): *"Engagement with Columbia Threadneedle has been the most impactful for our company to change the way we think about sustainability."*

On how we can improve: *"It would be great if your firm can provide advice with further granularity to how we can tackle certain SDG areas."* – Taishi Arashida, Head of Corporate Communications

NetApp

On the quality of our engagement (Strong): *"Very knowledgeable, great at connecting SDG issues to business results."* **

VEOLIA

On the quality of our engagement (Strong): *"Ongoing and constructive dialogue, which allows to establish a trajectory of progress rather than a binary approach Yes/no."*

On how we could improve: *"Would say not changing anything and continue to understand the reality behind all the demands of progress."* – Ronald Wasylec, Deputy CFO and Head of Investor Relations

Other feedback

On the quality of our engagement (Strong): *"We value the team's feedback and the ongoing engagement we have around ESG. Andy [Penman] has spoken to our internal ESG council and we have used information provided by the team to prioritize goals."* – Investee company, North America**

On the quality of our engagement (Good): *"Decent two way communication, demanding but not unobtainable."* – Investee Company, EMEA***

On the quality of our engagement (Good): *"Your insights around certain ESG topics are among the most advanced."* – Investee Company, EMEA

On how our engagement has helped: *"Increased awareness of investor needs and best practice around responsible deployment of artificial intelligence".* – Investee Company, EMEA

On how we could improve: *"Focus on what is most important (as demands on issuers on ESG data collection, reporting and setting and achieving goals are very high already)."* – Investee Company, EMEA

* The full question asked was: "Based on our discussions to date, how can we improve to help you drive further change? Which areas/aspects of your business do you think would benefit the most from our engagement?" (Qualitative answer field). ** No improvement comments. *** Note: Sustainability Reporting and Human Capital management were noted for areas of improvement.

Our sell discipline: companies sold during the year

We are acutely aware when our engagement progress has stalled, or when we feel an investee company's willingness to engage or change is diminishing.

This is particularly highlighted each March when we conduct an annual review of forward-looking engagement objectives for each company. Upon team discussion, a company will be sold if we feel the fundamental investment thesis has significantly shifted, if a company is making too little progress, or if we view our engagement opportunities with a company to have closed.

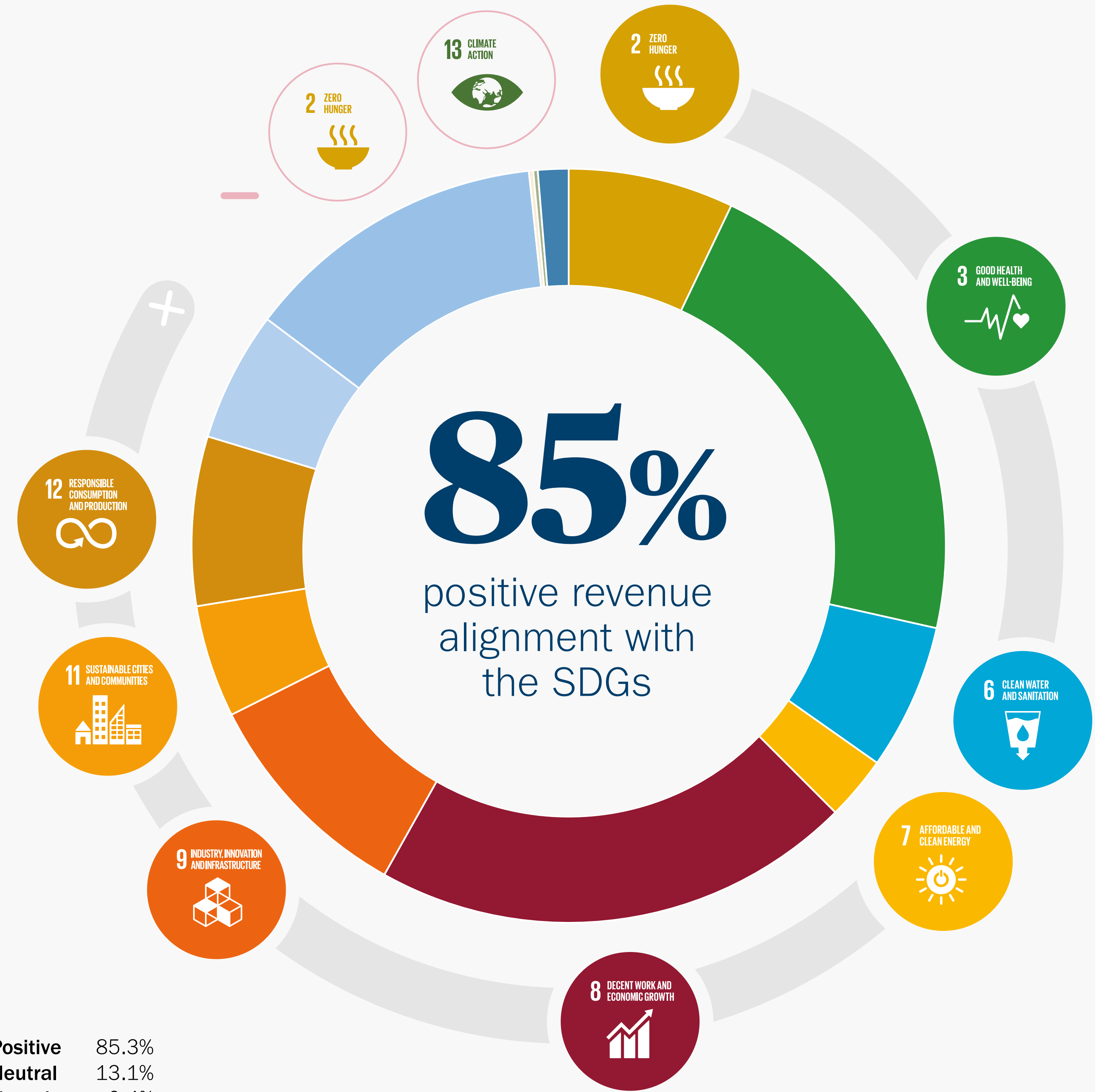
Companies sold during fiscal year ending 31-Mar-23

Company name	Sell date	MSCI ESG rating at time of sale	Reason for divestment
Enhabit	Fiscal Q2 2023	AA	We sold our stock in Enhabit after its spinoff from Encompass Health, owing to a variety of reasons: its small market capitalisation, our lack of conviction in the home health/hospice segment of healthcare, and our lack of confidence in new management's willingness to be engaged.
Principal Financial Group	Fiscal Q4 2023	BBB	Portfolio construction contributed to our sale of Principal Financial Group, but so too did limited scope for further engagement, given its solid and coordinated efforts on ESG issues.
SVB Financial Group	Fiscal Q4 2023	BB	SVB collapsed in early March, with trading banned for three weeks. Upon the reopening of trading in late March, we did not believe any recovery would enable value for equity holders, and instead sold our remaining stock at diminished value.

While we did not engage these companies during fiscal 2023, we completed 13 engagements in total, up to the date of their divestments from the Strategy.

Investing for a better future

We assess the connection between our Strategy and the SDGs, based on an analysis of the sources of revenue for each of the companies in our Strategy.



Positive	85.3%
Neutral	13.1%
Negative	0.4%
Cash	1.3%

This lets us clarify the degree to which the businesses we own help facilitate and enable the accomplishment of these SDGs, which helps us make better and more informed decisions.

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. This methodology only captures one part of a company's enterprise impact, that which is specific to its products and services and how they contribute to the SDGs (positively, negatively or neutrally). It therefore does not reflect a company's enterprise impact through its footprint/conduct, which is captured in the Thematic Impact and Strategy Benchmarking section of this report.

Negative links

We have identified some of our companies' negative contributions to the SDGs. That is, those products or services that companies in our Strategy offer which might hinder the achievement of some of the SDGs. Similar to last year, these include exposure to unhealthy food through **Dali Foods Group** (negatively aligns with target 2.1), and **ComfortDelGro's** car rental business (negatively aligns with target 13.2). These negative mappings don't appear on the chart or table as they total just 0.4% overall, and we only show targets more than 0.5% aligned.

Whilst we continue to evolve our reporting process, we hope this provides even deeper disclosure into investee companies' contribution to society and the environment; both positive and negative.

21.4%

positive alignment with **SDG 3**: Good Health and Well-Being

20.6%

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

Revenue alignment breakdown

SDG 2: Zero Hunger		**7.1%**
2.1	End hunger and ensure access to safe and nutritious food	4.6%
2.4	Implement climate-resilient and sustainable food production	2.5%
SDG 3: Good Health and Well-Being		**21.4%**
3.3	End AIDS, TB, malaria and other water-borne and communicable diseases	2.3%
3.6	Halve deaths and injuries from road traffic accidents	0.7%
3.8	Access to medicines and health-care	16.3%
3.9	Reduce deaths and illnesses from pollution and contamination	2.2%
SDG 6: Clean Water and Sanitation		**6.3%**
6.1	Achieve universal access to safe & affordable drinking water	0.2%
6.3	Improve water quality by reducing pollution	0.8%
6.4	Increase water-use efficiency to address water scarcity	5.3%
SDG 7: Affordable and Clean Energy		**2.7%**
7.3	Double the global rate of improvement in energy efficiency	2.7%
SDG 8: Decent Work and Economic Growth		**20.6%**
8.2	Achieve greater productivity through innovation	13.3%
8.10	Increase access to finance	7.4%
SDG 9: Industry, Innovation and Infrastructure		**9.5%**
9.1	Develop resilient and sustainable infrastructure	2.6%
9.3	Increase access to finance for SME's	2.7%
9.4	Upgrade and retrofit industries to increase sustainability	4.2%
SDG 11: Sustainable Cities and Communities		**4.8%**
11.2	Provide access to safe and affordable transport systems	1.7%
11.6	Reduce the negative environmental externalities of cities	3.1%
SDG 12: Responsible Consumption and Production		**7.2%**
12.3	Halve global food waste at the production and consumer level	2.5%
12.4	Manage chemical usage and waste throughout their life cycle	1.7%
12.5	Reduce waste through prevention, reduction, recycling and reuse	3.1%
	Other (SDGs less than 2.5%)	**5.6%**
	Positive	**85.3%**
	Neutral	13.1%
	Negative	**0.4%**
	Cash	1.3%

Source: Columbia Threadneedle Investments, State Street, as at 31-Mar-23. Designed for illustrative purposes.


POLKI
KUNDAN
GOLD
Helian
CORPORATE
And
Wedding Gifts

Our Strategy at a glance

Discover our Strategy holdings and weights, as at 31st March 2023.

	Strategy weight
Waste Connections	3.49%
Bank Mandiri	3.45%
ICON	2.98%
Tecan	2.91%
Acuity Brands	2.89%
Steris	2.82%
Mettler-Toledo	2.81%
Americold Realty Trust	2.81%
A. O. Smith	2.79%
NetApp	2.75%
Unicharm	2.63%
Wex	2.63%
Xylem	2.62%
Tractor Supply	2.59%
Zebra Technologies	2.57%
Wolters Kluwer	2.50%
Halma	2.47%
Veolia	2.38%
Cognex	2.24%
Shimadzu	2.23%
Kontoor Brands	2.22%
Aptiv	2.18%
Kerry Group	2.18%
Hoya	2.17%

	Strategy weight
Comfortdelgro	2.14%
Japan Exchange Group	2.12%
Kasikornbank	2.11%
Encompass Health	2.05%
Smurfit Kappa	1.96%
Umicore	1.93%
DNB	1.92%
Rotork	1.91%
Win Semiconductors	1.85%
Descartes	1.84%
Kubota	1.76%
Makita	1.71%
Mohawk Industries	1.68%
Mowi	1.58%
International Flavors & Fragrances	1.57%
Vitasoy International Holdings	1.49%
Clicks Group	1.42%
Genus	1.26%
Daiseki	1.20%
Cholamandalam Investment & Finance	1.16%
Dali Foods Group	0.72%
Cash	1.31%

Source: Columbia Threadneedle Investments, State Street, as at 31-Mar-23

Engaging for impact: Engagement progress profiles

Each fiscal year, we work together with our Active Ownership analysts to engage each investee company in the Strategy. Discover an overview of this engagement during the reporting period of 1st April 2022 to 31st March 2023.

A.O. Smith

Industrials, United States, 2.79% weight

Company description	Engagement summary
Produces water heaters and boilers, which play into energy efficiency and water conservation thematics. Water filtration systems replace the need for single-use plastic bottles. A.O. Smith's investment thesis also holds an attractive linkage to a rising middle class in China.	In April, we engaged A.O. Smith ahead of its AGM on corporate governance matters. We discussed A.O. Smith's multi-class structure, board refreshment, and executive compensation. Upon asking of plans to integrate ESG into executive compensation, we were informed that while nothing has been added yet, this is being considered for the future. Meanwhile, we were encouraged by A.O. Smith's focus on refreshing the board over the next several years, given the company's mandatory retirement age and longer tenured directors. In June, we had a call with A.O. Smith's new Investor Relations representative – a rather limited discussion given they hadn't been in their position for long. We sent a follow up email with questions, and the representative showed a willingness to be engaged, which is encouraging. In October, we held a call with A.O. Smith's Head of HR to discuss D&I. While the company lags its peers in diversity in leadership, it was evident during the call that the Head of HR is committed to improving D&I at the company. We discussed participation in the Workforce Disclosure Initiative. While it's clear A.O. Smith have a pay equity process internally, we asked for pay gap reporting to be published. We would also like to see published information on employees in different roles as per an EEO1 submission.

Acuity Brands

Industrials, United States, 2.89% weight

Company description	Engagement summary
Distributor of energy efficient indoor and outdoor lighting and control systems, delivering energy savings through higher efficiencies, longer source life and smaller form factors.	Our first engagement meeting with Acuity Brands during the reporting period took place in June 2022, where we discussed different aspects of D&I. It was beneficial to have both the CFO and Chief HR Officer on the call, who were able to discuss the policies of the company with good depth. While Acuity Brands are transitioning to improve ESG data reporting overall, it is clear that many of their policies around D&I are well thought through. We next engaged Acuity Brands in October 2022, to discuss proposed changes to the company's remuneration structure and the dissent on executive remuneration at the previous AGM. We shared some of our best practice expectations around these topics, and encouraged increased disclosure on pay. During the meeting, we also discussed the company's management of greenhouse gas emissions, and were pleased to learn that they have adopted science-based emissions reduction targets. Finally, upon discussion of updates to employee benefits, we were encouraged to hear that Acuity Brands expanded benefits for employees going into 2023 to include adoption, surrogacy, and gender affirmation.

Americold Realty Trust

Real Estate, United States, 2.81% weight

Company description	Engagement summary
The largest listed cold and frozen food storage and logistics firm, structured as a REIT. It is sustainably focused on reducing global food waste and switching facilities to use renewable power.	Americold Realty has a rich engagement agenda and we spoke to the company several times during the reporting period. The single greatest opportunity that we see for engagement is around their intent to fully embed climate change into their strategic initiatives. With their global network of >240 cold storage facilities, it is clear that it will take some time to map the carbon footprint and assess the best course of action to get them on a net zero aligned flightpath. It sounds like it will be at least two years until the company will be in a position to submit to SBTi. To an extent this is a bit disappointing, but on the other hand this is still only a fairly recently listed company, with the potential to show leadership in their field of operations. It is also interesting that they are using Schneider Electric as a global advisor to understand the data they are collating. The second major area of engagement was on human capital/workforce diversity, equity and inclusion. The cold storage industry offers relatively harsh labour conditions, given the sub-zero temperatures involved, and workers tend to largely be male and in the lower paid cohorts. We continue to push for more disclosure around workforce diversity and labour conditions and to encourage the firm to reveal more details of their diversity and inclusion strategy.

Aptiv

Consumer discretionary, Ireland, 2.18% weight

Company description	Engagement summary
Provider of mission critical software and hardware into the auto industry, particularly into structurally growing end markets of EVs and autonomous driving.	Our engagement with Aptiv focused on sustainable sourcing and circularity. On sustainable sourcing, we focused on Aptiv's work on conflict minerals, and in particular how they are adapting their current approach to meet the EU regulation. We spoke about how they screen suppliers for human rights risks, and we discussed their efforts to assess cobalt sourcing risks. We recommended that they look to trace conflict minerals to the mine level, and that they build out clear risk management processes around cobalt. We also discussed circularity, where we encouraged Aptiv to update its recycling target and to set a target for the percentage of recycled input materials. We have seen some improvement against these topics over the past year, but they will continue to be focus areas for engagement moving forward. We also intend to engage the company on several climate issues, namely to develop a detailed climate transition strategy to meet their climate targets, set a pre-2035 Scope 3 target, develop an upstream decarbonisation strategy, and enhance TCFD disclosures.

Bank Mandiri

Financials, Indonesia, 3.45% weight

Company description	Engagement summary
A leading Indonesian private bank, Bank Mandiri has the capacity to extend financial services to a growing number of individuals and companies that have previously had no access to finance.	We engaged Bank Mandiri several times during the reporting period. Overall, we have been able to build up a good relationship with the company, with our conversations moving beyond investor relations to now include their new Head of ESG. Several previous conversations have focused on their management of climate risks, as well as their broader sustainable finance strategy. However, this year the conversation has also expanded to other areas such as their operational diversity, equity and inclusion efforts, their environmental and social risk management framework for lending, their financial inclusion efforts, and their anti-money laundering policies and processes. We have seen some progress and Milestones against the SDG objectives that we have set. In their most recent sustainability report, the company have enhanced their climate risk management, now reporting in line with the TCFD recommendations. They have committed to measuring and disclosing their financed emissions, and have also started to conduct climate scenario analysis. Despite these Milestones, progress has been slow. Given the company is majority state-owned, they remain focused on aligning with government regulation, particularly in regards to policies that apply to their financing. We will look to continue our engagement with the company seeking continued dialogue with senior executives.

Milestones achieved: 1

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★

In Bank Mandiri's latest sustainability report they have announced a new net zero scope 1 and 2 emissions target, as well as recognised the risks posed by climate change and started disclosing in line with the TCFD recommendations. The setting of a target of Scope 1 and 2 targets is a positive step, as it appears to be the first time the bank has set a sustainability target of any kind. We have engaged several times with Bank Mandiri on TCFD reporting and climate risk management, initially in October 2020 when they highlighted that they were working on this.

Cholamandalam Investment & Finance

Financials, India, 1.16% weight

New investment in fiscal 2023 ✓

Company description	Engagement summary
One of the largest non-banking financial institutions in India, specialising in providing vehicle finance, home loans and loans against property. The company plays an important role in enabling financial inclusion, focusing lending to small and medium-sized enterprises and to the large unbanked population in rural India, with 80% of their branches located in rural or semi urban areas. We initiated a position in this company in January 2023. We believe there is a rich engagement agenda with the company in areas such as electric vehicle loan financing, sustainability reporting, and gender diversity in management. Our core engagement targets are: SDG 9.4, SDG 5.5, and SDG 12.6.	Cholamandalam Investment & Finance are at the early stages of their sustainability reporting and disclosure, issuing their first ESG report in 2022. The initial focus of our engagement will be to enhance this reporting, further aligning this with the GRI standards, reporting on gender diversity across different levels of the organisations, to disclose their electric vehicle financing activities, and to provide more information on their financial inclusion efforts. We had a very positive call with the CFO and Head of Operations to discuss several of these issues and subsequently followed up to share the engagement objectives in writing. The company highlighted that they would take these on board in future reporting efforts, and expressed a willingness to continue the dialogue.

Clicks Group

Consumer staples, South Africa, 1.42% weight

Company description	Engagement summary
The largest personal goods retailer and pharmacy chain in South Africa. It has a strong, dedicated management team which serves customers via its Clicks (health and beauty, including pharmacy) and UPD (pharmaceutical wholesale) channels. Clicks Group has a store presence in many townships across South Africa and has a key role to play in improving access to medicine and reducing communicable diseases.	We have had open and constructive engagement with Clicks Group, with access to the CEO, CFO and human resources executives. We were pleased to see progress on some targets, especially gender diversity and an inclusive workplace and employee support. For example, the operating board now comprises 50% women. The improved diversity is a good sign, and we subsequently requested more information on the governance of the talent development programme, and plans for further work following the gender pay gap analysis. On environmental issues, we commended Clicks Group for its efforts to reduce plastic, and discussed how its pilot scheme on refill bottles at its 'The Body Shop' brand could be scaled up to contribute to set targets. We encouraged Clicks Group to source from local suppliers, but this is challenging due to South Africa's infrastructure issues, such as energy reliability and lack of local investment in industries. We engaged on opportunities to influence industry bodies to encourage local investment. Going forward, we will focus our engagement on sustainable packaging and the provision of healthcare services to a wider set of the population. We will also continue to engage on diversity and the implementation of targets in human resource development programmes.

Milestones achieved: 1

5 GENDER EQUALITY

SDG target 5.5 – Ensure women's full and effective participation and equal opportunities for leadership at all levels ★★

The group conducted its first Women's Empowerment Gender Gap Analysis evaluation. This is a business-driven tool designed to help organisations assess gender equality performance across leadership and strategy in the work and marketplace, and in the community. We have engaged with them on talent retention, including diversity and race at the senior management level as well as wider diversity topics over the past few years.

Cognex

Information technology, United States, 2.24% weight

Company description	Engagement summary
Provides technology solutions facing structural drivers: installing machine vision systems leads to manufacturing productivity gains, which in turn reinforces good sustainability side-effects including reduced wastage, improved accuracy, lower energy consumption and higher quality assurance.	Our engagement this year focused on climate, circular economy and human capital management including diversity & inclusion. We had a meeting with the CFO regarding the concerns involving the founder and former CEO/chair about donations made to questionable organisations and the impact on the company's culture. The company reassured that his values did not translate into the company. On diversity & inclusion, the company is still nascent in its approach. It has yet to formalise programs and initiatives to increase the representation of women and ethnic minorities and collect this data. On climate targets, it is struggling to find the budget for science-based targets but mentions it is a high priority. On e-waste, the company stated that customer sustainability is one of its material issues and it has focussed on reducing packaging rather than end of life management given its products form a part of a larger machine. Our engagement next year will continue to focus on its plans to measure the effectiveness of its human capital strategy including specific metrics. We will continue to encourage the company to formalise its diversity, equity and inclusion programmes, conduct audits of its third-party contractors and continue the momentum on setting science-based targets.

ComfortDelGro

Industrials, Singapore, 2.14% weight

Company description	Engagement summary
Provider of land transportation logistics, operating across Singapore, the UK, Australia and China, with the potential for long-term structural growth in passenger numbers as people move towards mass transportation.	We engaged with ComfortDelGro six times over the last year, including two calls with the Treasurer and Sustainability Lead, and a meeting at their offices in Singapore. Our engagement reception has been positive, we have had good access and have a constructive relationship. We had good Milestones in 2022, including CDG being the first Southeast Asian land transport operator to have its carbon emission reduction targets officially approved by SBTi and CDG publishing its first TCFD aligned disclosures. We have engaged ComfortDelGro on these topics numerous times over the last three years and will now look to encourage improvements in its climate strategy to deliver on these targets. We are also targeting specific improvements in executive remuneration and diversity and inclusion. On executive remuneration, we would like CDG to enhance disclosure around performance indicators, alter vesting periods and enhance the linkage of ESG metrics with executive remuneration. On diversity and inclusion, we believe CDG should look to progress beyond safeguarding to engendering positive change. We have discussed this in some detail with them on our calls and meetings, and suggest that they implement a Gender Action Plan, establish mentorship opportunities for female employees, and creating women in business forums.

Milestones achieved: 2

13 CLIMATE ACTION

SDG target 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters ★

ComfortDelGro published its first TCFD report this year, which is an important step forward. We have consistently engaged the company on this topic over the last three years, and will now to look with the company to identify further areas of improvement in its TCFD disclosures, in particular scenario analysis.

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★

ComfortDelGro has set 1.5 degree aligned science-based targets which have been approved by SBTi, and cover its Scope 1, 2 and 3 emissions with a 2032 target year. This is a significant moment as the company becomes the first Southeast Asian land transport operator to have its carbon emission reduction targets officially approved by SBTi. We have engaged ComfortDelGro on this topic numerous times over the last three years and will now look to encourage improvements in its climate strategy to deliver on these targets.

Daiseki

Industrials, Japan, 1.20% weight

Company description	Engagement summary
A leading player in Japan in the treatment and recycling of waste oil, waste water, and industrial sludge. Daiseki has a track record of steadily growing its market share through both organic growth and tuck-in deals. Recovering usable materials from industrial sludge, water and oil places Daiseki as a key player in the pivot to a more circular, sustainable economy.	Daiseki has been very responsive to engagement, and we appreciate the direct dialogue we have had with the President of the company. This year, we discussed topics relating to climate change mitigation and improving gender diversity. In terms of the Daiseki's climate action strategy, historically there has been high emphasis on the less emissive nature of the business compared to competitors who focus on the landfill and incineration of waste. That said, we were encouraged to see Daiseki set science-based emissions reduction targets that have been certified by the Science Based Targets Initiative. The commitment targets a 34% reduction in Scope 1+2 and 20% reduction in Scope 3 emissions by FY2028 compared to FY2022. We have been engaging Daiseki on its emissions management program since 2021. For 2023, we will expand our focus to the company's responsibility over supply chain environmental stewardship relating to water treatment and hazardous waste. We will also continue to engage on the effectiveness of its efforts to promote gender diverse senior leadership pipelines.

Milestones achieved: 1

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★★

Daiseki set science based emissions reduction targets that have been certified by the Science Based Targets Initiative. The commitment targets a 34% reduction in Scope 1 and 2 emissions and 20% reduction in Scope 3 emissions by 2028 compared to 2022. We have been engaging Daiseki on its emissions management program since 2021.

We dynamically interact with companies to enhance their long-term viability, performance, and sustainability to create value for our clients as well as society.

Dali Foods Group

Consumer staples, China, 0.72% weight

Company description	Engagement summary
A market leader in snack foods and other beverages in China. It has a multibrand approach and strong, nationwide distribution. In recent years it has become the number one player in soy milk. Whilst the portfolio is skewed more towards snack foods, new innovations have been in healthier categories and improving the composition of existing products.	During the reporting period, we engaged Dali Foods Group on a range of issues: climate and environment; labour standards; and product nutrition. On climate, we were encouraged by the progress the company has made in carbon footprint disclosure in its annual report and the CDP reporting platform. We would like to see a long-term emissions reduction commitment and related strategy to better understand how the company will progress its climate change agenda. The company has also improved its disclosure on water risk management, by reporting to the CDP platform. To more broadly assess the sustainability of its operations and supply chain, we would like to see a clearer roadmap and related Milestones to underpin this. We also encouraged the company to provide more details on deforestation risks in its supply chain. Overall, while our conversations have been open, going forward we think it would be useful to speak directly with senior executives to better understand strategic considerations and nuances of the company's sustainability approach, beyond reference to a lack of resources. We would also like to determine whether the sustainability agenda is receiving sufficient attention by the board.

Milestones achieved: 2

SDG target 12.6 – Encourage companies to adopt sustainable practices and enhance ESG reporting ★

Dali Food Group has disclosed emissions data for scope 1 and 2 in its latest reporting. We are engaging with the company on setting greenhouse gas emissions reduction targets. This disclosure is a key step towards setting such targets.

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★

We have been informed by CDP that Dali Foods Group has submitted a response to the CDP (Carbon Disclosure Project) 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.

Descartes

Information technology, Canada, 1.84% weight

Company description	Engagement summary
Provider of logistics and supply chain management solutions to drive a more efficient logistics network – enabling products to reach customers faster and with a lower carbon footprint.	We held a meeting with the company's CFO following the release of its inaugural sustainability report. We were encouraged by the efforts to increase diversity in the workforce, such as diverse recruitment and diversity training at the executive leadership level. However, the company has yet to consider other diversity, equity and inclusion programmes such as targeted training, mentorship schemes or outward-looking initiatives such as encouraging young women to take on more STEM subjects, encouraging a career in technology or partnerships with historically black colleges and universities. The company has discussed tying ESG metrics tied to compensation but has not committed to applying them yet. Our engagement going forward will focus on enhancing the company's ESG disclosure in line with international sustainability standards and formalise its career development and diversity & inclusion programmes including the reporting of associated metrics.

DNB

Financials, Norway, 1.92% weight

Company description	Engagement summary
The largest financial services provider in Norway. It is at the forefront of digital banking, making it one of the most efficient global banks.	We have engaged with the company throughout the course of the last year, where we have focused on how they are managing climate-related risks. In the past year the company have introduced emissions intensity targets for the oil and gas, shipping, commercial property, and life insurance industries, as well as a sustainable finance target, whilst also setting an overarching goal of aligning their investment and lending activities with the goals of net zero by 2050. Despite this, they are not members of the Net Zero Banking Alliance, and the methodology they have used for setting these targets is not aligned with the industry standard, Partnership for Carbon Accounting Financials methodology. In the past year, we have engaged with them to enhance their financed emissions targets and broader management of climate-related risks, and will look to continue this engagement in the coming year. We will also look to engage with them regarding their socio-environmental risk management policies and process, in particular in relation to their forestry and seafood lending policies.

Encompass Health

Health care, United States, 2.05% weight

Company description	Engagement summary
A key provider of post-acute healthcare services in the United States. It runs inpatient rehabilitation facilities and is expanding its footprint via new build locations. With more than 65% of revenues linked to Medicare in calendar 2022, Encompass Health is well positioned to enable shifting healthcare provision trends among an aging US demographic.	Our engagement this past year focused on Diversity and Inclusion. Encompass Health has a Diversity, Equity and Inclusion (DEI) office whose Head reports to the board. In 2022, the company published workforce data by age which we considered an improvement, but nonetheless a very granular one. We re-emphasized the importance of also collecting, and disclosing, ethnic diversity and representation of minority groups at different levels of seniority, including hospital leadership. Hospital CEO's are still predominantly of Caucasian ethnicity at Encompass Health, which doesn't adequately reflect the diversity of EHC's population base. We will continue to prioritize engagement on (racial) diversity of EHC's senior leadership, through external hires, but also through training and support of junior employees moving up through management levels at the company. We believe this is important given the persistence of health outcome disparities that persist in the US healthcare system. Elsewhere, we formally requested Encompass Health take part in ShareAction's Workforce Disclosure Initiative. Going forward we will also engage Encompass Health on environmental stewardships and emissions reduction as the company does not yet disclose its carbon emissions from running its multiple IRF facilities. Given healthcare in the USA is a notable contributor to US emissions, we will encourage the company to improve its emissions strategy.

Milestones achieved: 1

8 DECENT WORK AND ECONOMIC GROWTH

SDG target 8.5 – encourage companies to achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value ★

Disclosure of select employee turnover figures can now be found in Encompass' Annual Report. Encompass Health tracks, measures and discloses its therapist and nurse turnover in its inpatient rehabilitation segment and overall turnover for its full-time employees in its home health and hospice segment. We had encouraged Encompass Health to publish employee turnover data because we recognise that human capital management is a highly material issue for the company.

Genus

Health care, United Kingdom, 1.26% weight

Company description	Engagement summary
World-leading animal genetics company that breeds, and helps farmers to breed, genetically superior animals to improve the efficiency of bovine and porcine production. Its genetic knowledge, data collection and tech IP create a strong moat around the business. As farmers face increased pricing pressures, growing meat demand, and a need to decarbonise, Genus have a critical role to play in developing and globalising sustainable protein production.	This year we spoke with the Deputy Company Secretary, Group General Counsel and the Global Lead of Sustainability & Environment about multiple material ESG issues. We discussed improvements to Genus's overall strategy but largely focused our attention on environmental initiatives. Genus is working on innovative solutions to quantify and mitigate its environmental impacts, which we will continue to engage on. We were pleased to see Genus commit to adopting validated Science-Based Targets once a methodology is published for the sector. We had engaged the company on this and logged a Milestone in October 2022. We were also informed that the company will disclose additional environmental data relating to deforestation and water through CDP. The company is incentivising Senior Executives to achieve ESG targets via the integration of enhanced ESG metrics into compensation. On ESG reporting, we recommended the publication of a standalone ESG report, and encouraged the publication of ESG data over a 5-year period, where possible. Going forward, we will continue to monitor Genus's progress on emissions management and its net-zero strategy. We will also encourage the company to share more information about its human capital management, responsible anti-biotic use and biodiversity policy.

Milestones achieved: 1

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★

The company has committed to adopt a validated Science Based Target (SBT) once a published methodology is available for its sector. We had encouraged Genus to set an emissions reduction target in line with the Science Based Targets initiative's criteria as part of our engagement on reducing the environmental impact of the company's operations.

Halma

Information technology, United Kingdom, 2.47% weight

Company description	Engagement summary
Holds global, niche competitive positions in a wide range of non-discretionary, environmental protection, hazard detection and healthcare-related products. Its various companies develop technologies which save lives and protect critical infrastructure and services. Halma covers some of the world's most pressing problems, from air quality and clean water to fire safety and eyecare.	We had a dialogue with the company's Head of Sustainability; our engagement focused on the circular economy, supply chain and diversity & inclusion. Given the company's decentralised business model, gathering aggregate data, metrics and frameworks on the circular economy is challenging. The company acknowledges it can have the most significant impact with its products and services, and it is working on accelerating the opportunities with its products. Consequently, it is focussed on upskilling its companies on sustainable design, for example, measures to reduce material and design for modularity. On the supply chain, the company's practices are still reasonably nascent; some of its operating companies are using ECOVADIS. At the group level, it encourages its companies to get their top suppliers on ECOVADIS. We will continue to push for greater expansion across more companies and suppliers. On diversity and inclusion, Halma has set targets at the Board and Executive management level for the group company and the Operating Board. Senior-level remuneration is tied to these metrics to ensure accountability. Our engagement going forward will focus on encouraging the company to publish group level circular economy targets and expanding its human capital data as it rolls out its new software system across portfolio companies.

Hoya

Health care, Japan, 2.17% weight

Company description	Engagement summary
Two major verticals: its lifecare business focuses on supporting the vision of people around the world through production of eyeglass lenses, contact lenses and intraocular lenses used for cataract operations, combatting the leading cause of blindness worldwide. Its IT business has dominant market positions in HDD glass disks and semiconductor mask blanks, helping store data and push cutting edge chip technology.	Hoya has been working hard to identify the most material ESG issues. The company must comply with mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD). The company plans to publish a greenhouse gas emissions reduction target approved by the Science Based Targets initiative (SBTi). Accessing renewable energy remains a challenge for the company, but it is very positive that it has committed to be a member of RE100, a global initiative bringing together businesses committed to 100% renewable energy. On social issues, we discussed disclosure on Modern Slavery risk mitigation, and the steps taken to enhance Hoya's supply chain due diligence process for conflict minerals. Regarding gender diversity, we noted that the percentage of female employees at Hoya continues to increase, but that further progress is needed. We stressed the importance of taking steps to remove gender bias from job descriptions. We were also pleased to learn more about Hoya's work in low- and middle-income countries, for example, training ophthalmologists and providing free spectacles. Going forward, we will continue to encourage Hoya to improve its human rights due diligence and ensure it progresses on its renewable energy target.

Milestones achieved: 3

No SDG

No SDG ★

Hoya has appointed a Chief Sustainability Officer who will develop and implement Hoya's overarching sustainability strategy across its global operations, products and supply chains. The Chief Sustainability Officer is currently reviewing the most material ESG issues for Hoya, a process which we have fed into via our engagement. In addition, Hoya has established an ESG Promotion Office, which is the company's first ESG-dedicated function. In our dialogue with Hoya, we have stressed the importance of taking robust action to address material ESG issues, therefore these developments are very welcome.

SDG target 3.8 – Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines ★★

Hoya Vision Care has partnered with the International Myopia Institute to promote the prevention, treatment and management of myopia (short-sightedness). Myopia has become a global health issue and by 2050 approximately 5 billion people may be affected. We had encouraged Hoya to identify potential partnerships with organisations working to address eye conditions globally.

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★

Hoya has pledged to join the RE100: a global corporate renewable energy initiative bringing together businesses committed to 100% renewable electricity. We have engaged Hoya on initiatives to reduce greenhouse gas emissions.

ICON

Health care, Ireland, 2.98% weight

Company description	Engagement summary
A leading Contract Research Organisation, providing outsourced services to help pharmaceutical and biotechnology companies run clinical research trials. Its trials span from very early stage development through to phases I-IV of drug trials. It also manages outsourced development for medical device companies. ICON aids the research and development of critical medicines and vaccines in an efficient and safe way.	Our engagement with ICON was centred around Diversity and Inclusion, both in terms of human capital management as well as enhancing diversity in their clinical trials. On the latter, the company informed us that this is a key focus area for ICON and its customers, and that hiring diverse clinical trial investigators could help to increase the diversity of clinical trial participants. The company also offers decentralized trials and works on trust-building with underserved and underrepresented communities, initiatives that we will continue to encourage the development of. We have also encouraged the company to disclose more information on human capital management, such as employee turnover rates and employee engagement outcomes. The company's workforce has grown by 200% and this inevitably presents challenges around integration and employee satisfaction. We discussed the possibility of a target to increase the representation of senior managers from ethnic minorities and have been encouraged to see that ICON publishes a gender pay gap report for its workforce in the United States. Going forward, we will continue our conversation on these material social topics alongside encouraging progress on their environmental stewardship, in particular promoting SBTi reporting and disclosure of the breakdown of Scope 3 emissions.

International Flavors & Fragrances

Materials, United States, 1.57% weight

Company description	Engagement summary
The largest specialist ingredient provider to the food, beverage, home care and personal care end markets with unparalleled portfolio breadth. IFF acts as an R&D outsourcer and supplier of innovative solutions to address challenges such as lowering sugar, salt and fat content and cleaning up labels, whilst also lowering the environmental impact of end products.	Our engagement focused on sustainable raw materials, the work towards more ambitious climate change targets, and implementation of the gender equality strategy. To address biodiversity impact, primarily from soy and palm, the company sees certification and traceability as complementary and provided examples also of the social dimension which supported communities in sourcing locations. Engaging on diversity, we were encouraged by the inclusion of gender equality targets in the executive committee incentive scheme and reassurance that the existing 2030 targets would remain in effect despite the organisational changes and recruitment of a new human resources director. The company had also drawn on employee survey outcomes to improve communication to clarify its pay practices to staff. As part of its EDGE re-certification process it is including disability aspects in surveys covering around 92% of the workforce. Future engagement will focus on water risk, waste management, and the updated GHG emissions pathway and continued engagement with the value chain to implement the scope 3 target.

Milestones achieved: 3

5 GENDER EQUALITY

SDG target 5.5 – Ensure women's full and effective participation and equal opportunities for leadership at all levels ★

The company disclosed more details in its 2021 ESG report about its strategy to achieve its gender equality targets. Included in the strategy is management training on unconscious bias throughout the employee life cycle, formalising a global family leave policy, and allocating 5% of executive management bonus to reaching gender targets.

10 REDUCED INEQUALITIES

SDG target 10.2 – By 2030, empower and promote the social, economic and political inclusion of all ★★

The company announced new diversity targets as part of its 'Do More Good Plan'. By 2030, 40% people of colour in management positions in the United States (with equitable representation elsewhere globally), as well as women holding 50% of management roles across the business.

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★

The company has committed to becoming climate net positive along its entire value chain by 2050, in addition to reaching scope 1 and 2 net-zero by 2040.

Japan Exchange Group

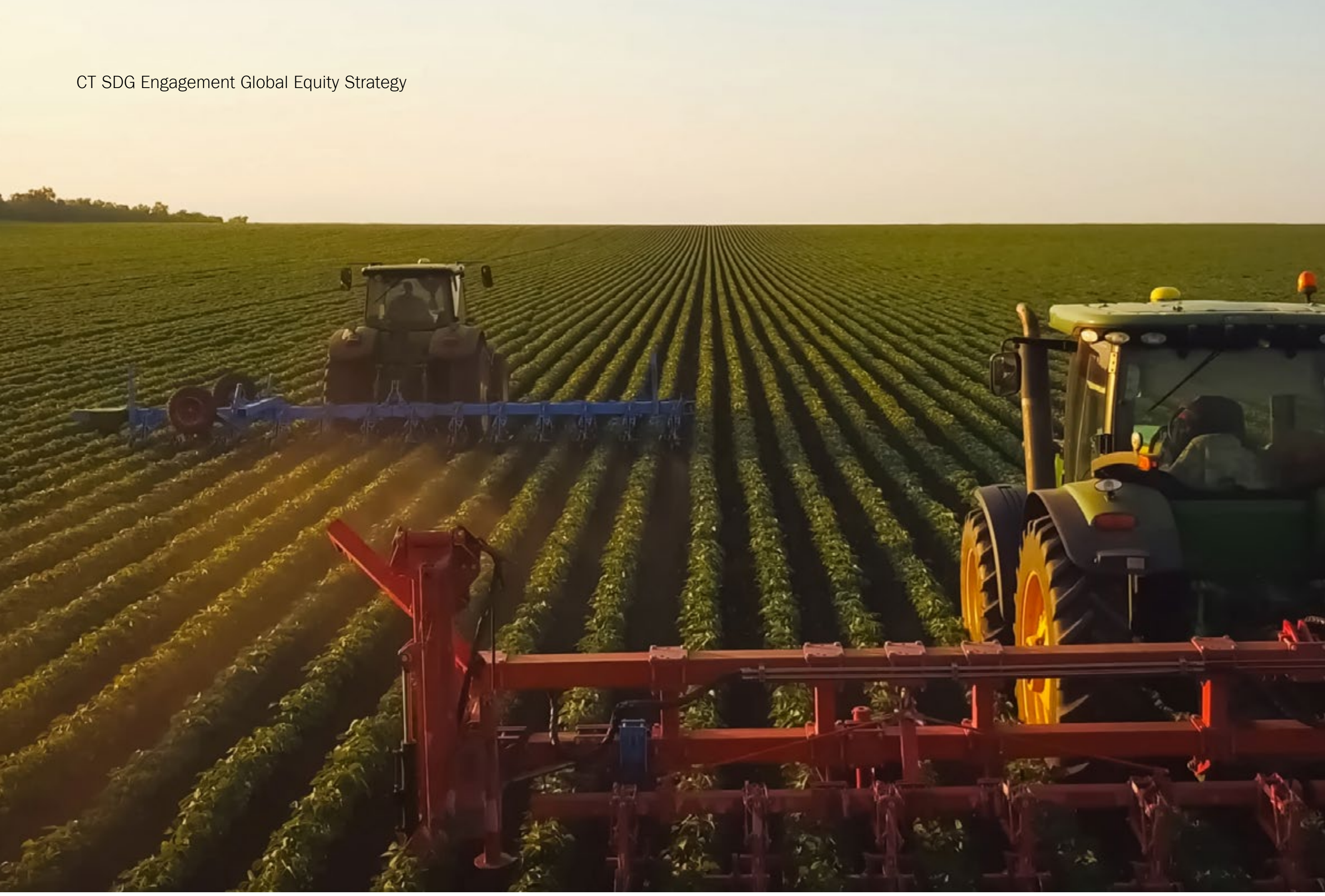
Financials, Japan, 2.12% weight

Company description	Engagement summary
Provides stable backdrop to facilitate efficient capital raising for Japanese corporates. It is also in a strong position to promote sustainability practices and bridge the gap between governance standards in Japan.	We have engaged with the company collaboratively, as part of the Asian Corporate Governance Association, with a focus on corporate governance and gender diversity in relation to the Tokyo Stock Exchange listing requirements. During the reporting period, we shared a letter with company and members of the Tokyo Stock Exchange's listing department, alongside other investors, recommending updates to the listing rules to require newly listed companies on the prime market to have at least one female board member. Through an engagement meeting, we discussed this recommendation as well as the implementation of the recent market restructuring of the Tokyo Stock Exchange, including how they will seek to implement and enforce listing requirements, particularly in relation to the principles of Japan's corporate governance code. There have been positive recent announcements from the Japanese government, the TSE and the Financial Services Agency on measures to improve the country's corporate governance. Going forward, we will look to focus our engagement on the implementation of these measures, as well as operational aspects of Japan Exchange Group's management of ESG issues, for example their own senior management gender diversity.

Kasikornbank

Financials, Thailand, 2.11% weight

Company description	Engagement summary
A leading private bank in Thailand, Kasikornbank has the capacity to extend financial services to a growing number of individual and corporate customers, who have previously had no access to finance.	We engaged Kasikornbank twice during the reporting period to discuss their climate risk management, following several previous engagements on the same topic. Our engagement was conducted collaboratively, initially through a letter sent to the company alongside other investors as part of Asia Research & Engagement's Energy Transition Platform, and then subsequently with the senior executive responsible for the company's climate and sustainability initiatives. Kasikornbank have responded very positively to engagement, expressing a desire to be considered a leader within the region in regard to climate and sustainability. During the reporting period, the company has made significant improvements in their climate risk management, with several Milestones achieved. They released their TCFD report in September 2022, reiterating their commitment to achieve net zero financed emissions in line with the Thai government's timeline, whilst also including further information on their climate governance and management. In their most recent March 2023 sustainability report, the company then disclosed their Scope 3 category 15 financed emissions, and provided details of sectoral 'glidepaths' to reduce financed emissions within the coal, oil and gas, and power sectors.



Kerry Group

Consumer staples, Ireland, 2.18% weight

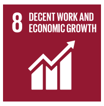
Company description	Engagement summary
A leading specialty ingredients company supplying key nutritional solutions. Based in Ireland, it primarily services the food and beverage end markets where its customers depend on their innovative solutions to drive better nutrition, clean up labels and lower their ingredients' environmental footprint. It targets lower sugar, salt and calorie levels, as well as improving nutrition properties in general.	We engaged Kerry Group on its assessment and approach to risks related to labour standards violations; nature impacts in its product and packaging supply chains; climate change; and the nutritional content of its products. Our dialogues have been open and constructive, with access to executive management, who we believe are committed to the company's sustainability agenda. The adoption of a nutrition profiling model has been helpful to provide more information on the company's product portfolio. It has also set near-term targets for sustainable raw materials sourcing, and we will keep engaging on the Milestones to underpin the roadmap. We would also like to see Kerry Group develop targets for the proportion of recycled materials in packaging. A positive development was the company's TCFD-aligned scenario analysis, with a further quantitative analysis underway that will provide more information on the emission proportions of its products. Kerry Group takes a holistic view on climate and nature impacts from animal protein. Related progress includes increased efficiency of input factors, cattle feed, and food waste. Overall, we believe the company is progressing well with its sustainability agenda. Further engagement will focus on setting clearer targets to progress its commitments.

Kontoor Brands

Consumer discretionary, United States, 2.22% weight

Company description	Engagement summary
The owner of Lee and Wrangler jeanswear brands. Now an independent business (previously part of VF Corp), Kontoor Brands has a focused capital allocation plan for these fashion brands.	Kontoor Brands has been responsive to engagement this year. Our key engagement themes include their efforts to enable supply chain living wages, its broader efforts relating to human rights due diligence and labour standards risk mitigation. We also introduced additional focus topics that will form part of our engagement agenda for 2023 – including clean water and sanitation, setting certified carbon emissions reduction targets and improved disclosure on its efforts and effectiveness in achieving sustainability goals. In terms of progress, we are pleased that the company updated its disclosures to outline expectations for suppliers to provide living wages to their workers. We have engaged Kontoor Brands as part of the Platform Living Wage Financials, a collaborative investor engagement group, to disclose a living wage policy with a definition of a living wage that includes the basic needs of the worker, his or her family and enough provision for discretionary saving.

Milestones achieved: 1



SDG target 8.5 – encourage companies to achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value ★★★

In 2022, the company updated its disclosures to outline expectations for suppliers to provide living wages to their workers. We have engaged the company as part of the Platform Living Wage Financials to disclose a living wage policy with a definition of a living wage that includes the basic needs of the worker, his or her family and enough provision for discretionary saving.

Kubota

Industrials, Japan, 1.76% weight

Company description	Engagement summary
A leading global producer of agricultural equipment. Its products improve food production and security, through more efficient technology and raising farming yield. Kubota is at the forefront of mechanising farming in South East Asia, which will be essential for supporting an increasing global population, with heightened global demand for food. Kubota's water infrastructure products help protect, transport and minimise wastage of water, one of the world's most vital resources.	Engagement revolved around two areas linked to SDG targets. The first area was linked to how Kubota can improve access to agricultural equipment in emerging markets. They have lots of training programmes in emerging markets, and exhibitions where they show local farmers how to use Kubota equipment. Some local farmers refuse to change the way they are farming, so product demonstrations are very important to change mentality. At the International Rice Research Institute in the Philippines, they demo products to farmers. Financing is also important to improving access, but the typical micro-financing size of £1000 is not enough to afford the down payment on a Kubota tractor. Kubota engages local banks on giving credit access to farmers; however, lots of local banks only approve loans for new tractors, not second hand ones. Financing for second hand tractors would significantly improve access. We also engaged Kubota on smart agricultural technology or data/automation to reduce the use of fertilisers on land, or increase their accuracy, to protect soil health. It seems that Kubota are developing technology that detects the amount of protein or the amount of water in rice when it's harvested, and they can detect how healthy the soil is and whether there's too much/too little fertiliser in that ground. This can be used to optimise the application of fertilisers, and has been used in Japan recently, with plans to roll this out in other rice farming countries. While Kubota lags its larger peers in embracing these technologies, they are a pioneer in wet agricultural equipment, and it is good to see them moving forward.

Makita

Industrials, Japan, 1.71% weight

Company description	Engagement summary
The global leader in battery-powered, cordless powertools, at the forefront of pushing environmental sustainability and social inclusion (it products risk less physical damage to labourers using the tools), in both power and gardening equipment.	In late 2022, we had a call with Makita's IR team on climate change and board diversity. Makita have set ambitious targets for scope 1 and 2 emissions; however, as the bulk of their emissions are in the supply chain (and the end-use of its products) we engaged for clearer targets and disclosure on scope 3. Makita were open to the dialogue and explained their intention to bring more cordless equipment to the market, which should reduce emissions at end-use. They also stressed that they intend to work on efficiency gains in motorized equipment. However, we underlined the importance of short-term and medium-term scope 3 targets, to demonstrate they are serious about creating more low-carbon products and realising their 2050 net-zero goals (across all scopes). We also discussed Makita's all-male board, highlighting that we voted against management on this ground in 2022, as well as broader governance trends which put Makita at risk of wider shareholder discontent. Makita were responsive to this, stating that they are aiming to introduce a female board member next year. In March 2023, we continued our dialogue with Makita. The company stated that they do not yet have a net-zero interim target on scope 3, and are unable to provide any further details on when this will be implemented. We will continue to engage on this topic. Meanwhile, we were also pleased to learn that a female board director candidate has indeed been appointed. While outwith our reporting cycle, we would like to mention that this was approved at the company's June 2023 AGM.

Mettler-Toledo

Health care, United States, 2.81% weight

Company description	Engagement summary
Quality provider of precision weighing scales, analytical instruments and product inspection equipment. It provides products and services to a variety of end markets, including laboratories, industrials and food retail. It is globally diversified and decentralised, with manufacturing footprints in Europe, the US and China. The company has a reputation for innovation and strong return on invested capital, and is increasingly turning its efforts towards sustainability.	We had a call with an IR representative at Mettler-Toledo on a range of ESG topics which are directly linked to SDG targets. We discussed the company's disclosure on workforce demographics, which is currently limited to female/male representation. We emphasised the importance of expanding disclosure on workforce-related issues and recommended the Workforce Disclosure Initiative's resources. We also asked about Mettler-Toledo's responsible sourcing strategies and were pleased to hear that the company has multiple processes and methods in place to audit suppliers and improve their performance. Mettler-Toledo explained that it is challenging to aggregate regional survey outcomes and that there are concerns around disclosing competitively sensitive information. We committed to share some relevant best practice examples from peers. We finally discussed Mettler- Toledo's sourcing programs in China and its efforts to reduce single-use plastic. There is potentially further scope for the company to cut its plastic usage in packaging. Going forward, we will continue to encourage Mettler-Toledo to strengthen its disclosure on human capital management as well as supplier due diligence. The company could increase the frequency of its supplier audits and significantly enhance its Statement on Slavery, Human Trafficking, and Transparency in the Supply Chain.

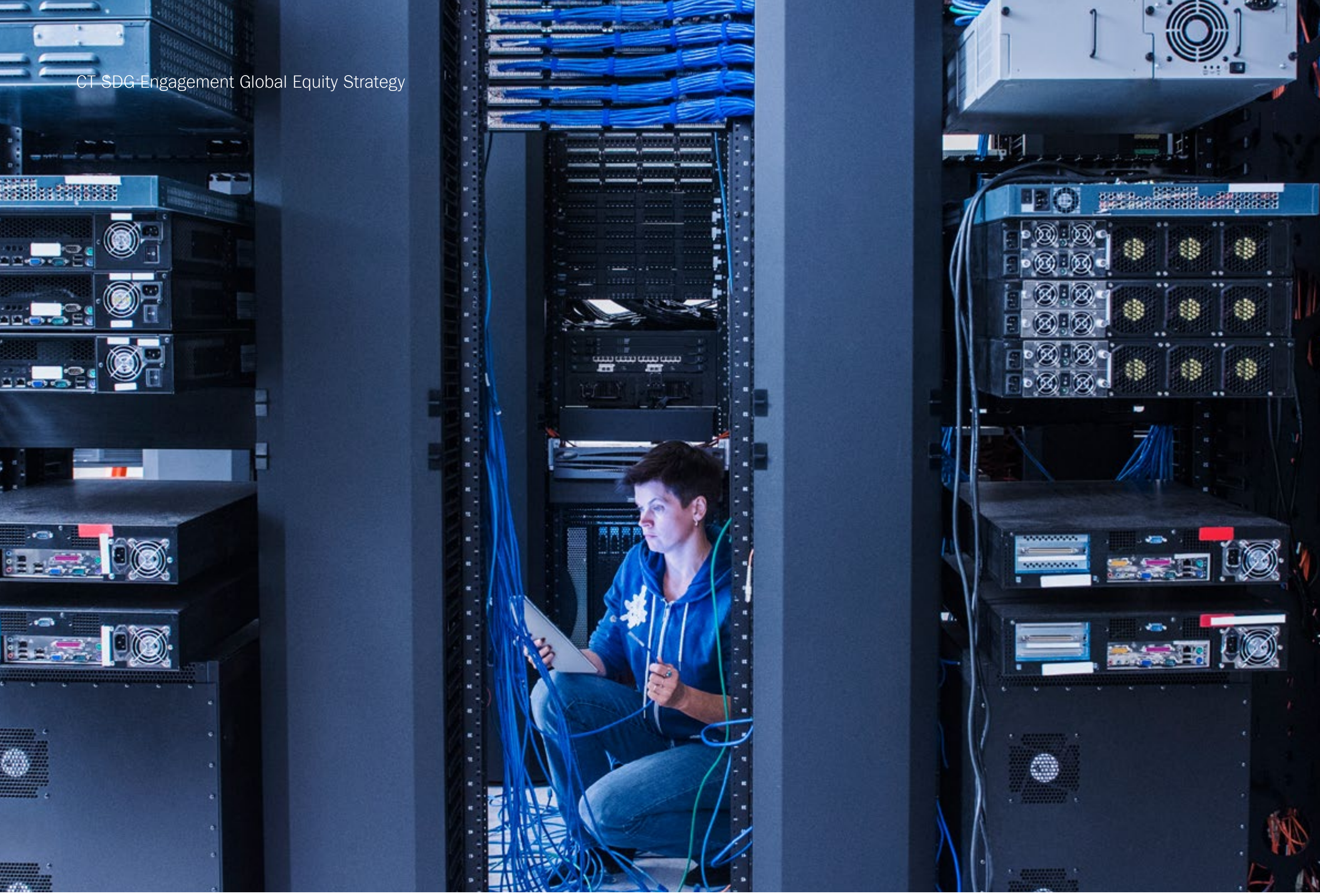
Milestones achieved: 1

SDG target 12.5 – Encourage companies to reduce waste generation through prevention, reduction, recycling and reuse

Mettler Toledo has set new targets for sustainable packaging materials, including the targets of more than 80% from recycled or certified sustainable sources and more than 95% easily reculcable or compostable packaging by 2025. We have engageed with the company on initiatives and targets to reduce waste and increase recycling.

Roughly half of the world's population is experiencing severe water scarcity for at least part of the year.[1] **Kubota's** water infrastructure products help protect, transport and minimise wastage of water.

[1] Intergovernmental Panel on Climate Change (IPCC), 2022, Sixth Assessment Report of the Intergovernmental Panel on Climate Change



Mohawk Industries

Consumer discretionary, United States, 1.68% weight

Company description	Engagement summary
One of the largest flooring providers in the world, including hardwood, carpet, laminates and vinyl. Can use recycled PET bottles as a feedstock, making it one of the largest consumers of plastic waste. This places them at the forefront of demands for a more circular economy.	We have had several robust dialogues with Mohawk Industries this year. A key focus for engagement has been the company's approach to human rights due diligence following the publication of a report, by University of Sheffield Halam, on Uyghur forced labour in the PVC global supply chain, where Mohawk Industries is noted as having sourced from regions that face high human rights risks. As part of our engagement program, we asked Mohawk Industries to strengthen its commitment to human rights and are pleased that this was reflected in its updated human rights policy during the quarter. We also engaged Mohawk Industries on its climate change mitigation programs and are encouraged by its new commitment to set certified science-based emissions reduction targets by 2024. For 2023, we will continue to press the company on the implementation of its supply chain due diligence and emissions management strategies. Concepts centred around environmental stewardship and circularity will also become more prominent.

Milestones achieved: 1

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★

In its 2021 ESG Report, the company announced a commitment to reduce Scope 1 and 2 emissions, disclose Scope 3 emissions and develop science-based targets (SBTs) by 2024. We have engaged the company on its supply chain environmental impact and efforts to reduce supply chain emissions.

Mowi

Consumer staples, Norway, 1.58% weight

Company description	Engagement summary
The global leader in salmon aquaculture, which is a more sustainable alternative to other animal-based proteins. The supply of salmon is biologically and geographically constrained globally as a highly regulated industry with high barriers to entry. Coupled with the rising demand for more sustainable sources of food protein, the long-term economics for high quality operator Mowi look very well underpinned.	We have had good dialogue with Mowi this year and believe the company is progressing well across the issues discussed. We believe Mowi is a top performer among its peers, and have engaged on its strategy to assess and mitigate nature and climate impacts from its operations and supply chain. Addressing the sustainability of fish feed links biodiversity and climate change, and the Mowi's approach appears to comprehensively address the issues. We also engaged Mowi on strengthening its targets to align with a 1.5-degree pathway. The human rights due diligence process appears robust with a comprehensive and layered risk assessment, though we seek more information on outcomes from monitoring and remediation preparedness, and would like to see a risk assessment across its value chain. As we move forward, one focus area will be product packaging sustainability and efforts to reduce the use of plastic prioritising materials that are less likely to be recycled, and increasing circularity of food-grade plastics. Reducing dependence on fish oil and soy would serve to mitigate biodiversity impacts from feed sourcing. Underpinning the sustainability agenda and its long-term implementation, we seek more integration of key performance metrics in executive remuneration.

NetApp

Information technology, United States, 2.75% weight

Company description	Engagement summary
Data storage and management provider seeing a growing contribution from the move to hybrid cloud storage solutions. NetApp performs a critical role for its customers as it helps them securely manage their digital data; it is a trusted partner of the major Cloud hosting companies. Unlike many cloud companies, NetApp is profitable and has a reliable cash flow a portion of which is returned to shareholders as dividends.	Our engagement this year focussed on climate, e-waste, cybersecurity and diversity & inclusion. We were pleased the company has now set a Scope 3 emissions reduction target. As part of its decarbonisation strategy, the company is engaging with its suppliers to report to CDP. We recommended the company to measure the progress of its supplier engagement strategy and the company also mentioned moving towards scorecard metrics and incentivisation in the future. On e-waste, we encouraged the company to formalise its plans to improve its product sustainability, including product details, durability and recyclability. On diversity & inclusion, we asked the company to publish its forward looking goals given it is tied to executive remuneration to ensure commitment, transparency and accountability to stakeholders. We will continue to encourage the company on this. Our forthcoming engagements will also focus on understanding the company's main areas of data privacy and cybersecurity risks and its associated mitigation measures. We will also encourage the company to embed circularity in the design of its products including specific targets.

Milestones achieved: 1

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★

The company outlined its commitment to achieve a 50 percent intensity reduction of Scope 3 emissions by 2030. We have previously engaged the company to encourage adoption of Scope 3 targets.

Rotork

Industrials, United Kingdom, 1.91% weight

Company description	Engagement summary
Manufacturer of electronic, hydraulic and pneumatic actuators and valves for a wide range of customers in a large number of end markets. Its advanced flow technology reduces leaks that could damage the environment.	This past fiscal year we held only one engagement with Rotork, in May 2022, which was requesting the company to take part in our investee company feedback survey, to help us assess the impact of our engagement as a shareholder. Overall, this past fiscal year our efforts were focused elsewhere for Strategy engagement. However, we maintained our holding as at 31st March 2023, given we have identified a continuation of forward-looking engagement agenda items. These link to SDG targets 6.4 (Clean Water and Sanitation); 7.1, 7.2 and 7.a (Affordable and Clean Energy); and 12.2 (Responsible Consumption and Production). Particular areas of focus for future engagement include how Rotork intends to position itself as an enabler of the energy transition while reducing exposure to the fossil fuel sector, as well as its role in the waste industry.

Shimadzu

Information technology, Japan, 2.23% weight

Company description	Engagement summary
Develops, manufactures, and sells analytical and measuring instruments, into various end markets, such as healthcare, food and pharma, as well as to check the purity of water and air to combat pollution. Its products help ensure the molecular integrity, quality and purity of products, protecting human health and the environment.	We held a dialogue with the company's investor relations team following a controversy alleging its subsidiary, Shimadzu Medical Systems, installed fraudulent devices in its x-ray machines to trigger a malfunction during its routine maintenance and inspection. We also discussed the company's approach to employee engagement and diversity & inclusion. We were encouraged by the company's transparency regarding the incident and its remediations measures in place. The company stated that this issue was raised through its whistleblower system in 2022. Following the incident Shimadzu conducted both an internal and external investigation. We recommended enhancing the disclosure of its grievance mechanism reporting by category. We also discussed the company's employee engagement survey given misaligned incentives led to the controversy and as a result we encouraged the company to expand its survey to other subsidiaries beyond the head office to capture employee feedback. Our engagement going forward will continue to focus on ensuring the company implements the changes to its management systems to prevent incidents from occurring again and disclosing employee satisfaction metrics such as turnover and promotion rates by gender/ethnicity.

Milestones achieved: 1

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★★

Shimadzu Group has set a new CO2 emission reduction target and is moving towards a net zero CO2 emission from overall business activities by 2050. Additionally, they have set medium-term targets to achieve more than 85% emissions cut by 2030 and 90% by 2040 compared to 2017. CO2 emissions from the use of Shimadzu's products at customer sites, which account for 74% of the Group's Scope 3 emissions, are also targeted to be cut by 30% or more from the 2020 level.

Globally, only 9% of plastic waste is recycled while 22% is mismanaged.[1] Flooring provider **Mohawk** Industries can use recycled PET bottles as a feedstock, making it one of the largest consumers of plastic waste.

[1] Organisation for Economic Co-operation and Development (OECD), 2022, Plastic waste management challenges

Smurfit Kappa

Materials, Ireland, 1.96% weight

Company description	Engagement summary
Provides paper-based packaging solutions. It is exposed to a number of megatrends, such as eCommerce, and is leading the way in the shift from plastic packaging to paper, with a management that is committed to sustainability.	We engaged with Smurfit Kappa four times over the last financial year, including one call with their Chief Sustainability Officer and Head of Investor Relations. There are four main topics we have been encouraging the company to strengthen its sustainability approach on; indigenous peoples, biodiversity, water quality and climate risk. Smurfit Kappa have an ongoing controversy with an indigenous community in the vicinity of one of its Colombian operations. While it seems that mediation is moving in a more positive direction, we encouraged them to provide more details on the composition of the mediating entities and how Smurfit Kappa ensures a fair process. On biodiversity we focused on two primary asks: that Smurfit Kappa assess its impacts on and risks from nature loss at the corporate level, and that it publishes a biodiversity target. The company is receptive to the need to improve on this topic, we have provided substantial resources and technical support, and this will be a priority area for us with the company moving forward. We also conducted a deep dive analysis of their TCFD disclosures, and saw some improvement in their 2022 climate risk disclosures. We also asked the company to set water quality targets on additional metrics.

Steris

Health care, United States, 2.82% weight

Company description	Engagement summary
A key source of infection prevention and sterilisation products, as well as surgical equipment critically needed within the health care industry. It serves hospitals, providers, pharmaceuticals and medical device companies in more than 100 countries.	We had a call with Investor Relations focused on Steris' ESG reporting and Diversity & Inclusion (D&I) initiatives. We have been engaging with Steris for a number of years on enhancing its disclosures and publishing a standalone ESG report. It was indicated that our investor feedback on the company's ESG reporting would be relayed to the Board. It is positive that, in 2023, Steris has now published a standalone ESG Fact Sheet containing SASB metrics (we logged a Milestone on this post March 2023 fiscal year end). However, we would like to see them publish a comprehensive standalone sustainability report. On DEI, Steris has been making some progress. The company has a Diversity, Equity and Inclusion Lead who is working on various initiatives, including ensuring that at least one person of colour is considered for a role during the interview process. We reminded the company that we would appreciate more granular data their DEI initiatives, and we asked about succession planning in regards to improving gender diversity. We reminded the company that we would recommend gender and ethnicity pay gap reporting (starting on an internal reporting basis). Elsewhere, we had a call to discuss our governance views with Steris, around board tenure and its Long Term Incentive Plan. Overall, Steris' progress on ESG initiatives and reporting has been slow, but is starting to show some positive progress. We will continue to engage Steris on this front.

Tecan

Health care, Switzerland, 2.91% weight

Company description	Engagement summary
Global life sciences company based in Europe and North America. It is well placed in the global growing diagnostics market, driven by an ageing population and improved technology via automation. Tecan's management team are increasingly focused on improving its sustainability strategy and ESG reporting.	This year we engaged Tecan on a number of ESG topics. We spoke about the integration of Paramit, and how Tecan will ensure the alignment of ESG standards across both businesses. We also spoke about the company's DEI work and that we would welcome the publication of a target to increase the representation of women in management positions. Furthermore, we flagged that we would welcome insights of gender pay gap analyses and enhanced disclosure on parental leave. With regard to climate change, Tecan is making good progress: it continues to work with a third-party specialising in emissions data (we logged a Milestone this year on disclosure of Scope 3 emissions), it has committed to set new targets for Scope 1, 2 and 3 emissions, and it has signed up to the Science Based Targets Initiative. Finally, we continued our engagement on waste management around packaging. We discussed progress towards a measurable target to reduce waste and increase recycling and we shared our expectation for the company to set at least one relevant target in the next two years. We have expressed our interest in seeing the company adopt a waste take-back or targeted recycling programme. Elsewhere, we logged a Milestone with Tecan's first Workforce Disclosure Initiative (WDI) participation, something we had encouraged Tecan to do in previous engagements. Going forward, we will engage Tecan on waste processing, disposal, and recycling.

Milestones achieved: 2

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG target 12.6 – Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle ★

Tecan published their Scope 3 emissions in their 2021 sustainability disclosure. This was one of our main engagement asks in dialogues with Tecan as disclosure of Scope 3 emissions helps investors to monitor companies' emissions management and commitment to reduce their environmental impact.

8 DECENT WORK AND ECONOMIC GROWTH

SDG target 8.5 – encourage companies to achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value ★

Tecan participated in the Workforce Disclosure Initiative (WDI) survey for the first time. The WDI strives for relevant and material workforce-related disclosure, encompassing a wide range of topics, including health & safety practices, remuneration, freedom of association and employee engagement. We had encouraged Tecan to complete the WDI survey.

Tractor Supply

Consumer discretionary, United States, 2.59% weight

Company description	Engagement summary
High-quality farming and lifestyle retailer focused on rural consumers in the US. It is seen as a destination store for a range of shopping requirements. It produces a variety of agricultural equipment, garden tools, pet care, clothing and consumer goods to customers based across 49 states.	Corporate governance and human capital management strategies were a key feature of our engagement with Tractor Supply this year. In terms of governance, we encouraged improved board key committee independence and to increase the proportion of executive pay subject to performance conditions. Further, whilst we did not support the shareholder proposal requesting additional disclosure on the costs of low wages and inequality to the company's stakeholders, due to its overly prescriptive nature- we encouraged the formal disclosure of a living wage policy. We then held a follow up call on the topic of living wages, both in the company's own operations but also their efforts to enable and support suppliers in meeting decent work commitments. We also continued dialogue on Tractor Supply's climate change mitigation efforts. We noted their current focus on initiatives such as electric forklifts, HVAC trucks and solar panels but without an explicit commitment to investment and R&D to positively impact their upstream and downstream emissions, it is not clear how they will meet their net zero goal by 2040. This will be a core theme in the year to come.

Umicore

Materials, Belgium, 1.93% weight

Company description	Engagement summary
Belgian materials and technology company. From the manufacturing of automotive catalysts that deliver emission reductions, to the complex recycling of precious metals and the chemistry behind cathode materials required for EV batteries, Umicore is a sustainability leader.	We engaged Umicore to discuss their handling of material ESG issues amid planned growth. Their 2030 emissions reduction targets have been approved by SBTi. They have set an intensity-based scope 3 target; however, we stressed our preference for an absolute emissions reduction target. Umicore launched a water stewardship programme in 2022, identifying two initial sites with potential water issues and aiming to set quantitative targets. Waste management remains a concern to Umicore, with the largest portion of waste at its Hoboken site which is focused on recycling activity. Any hazardous waste that cannot be recycled is disposed of as per regulatory requirements. The company confirmed it is researching ways to report such activities and hopes to set recycling targets. Umicore acknowledges its environmental and social impacts. Whiles there is work to be done to mitigate and minimise these, we are encouraged with the steps Umicore is taking. We anticipate progress in its water stewardship and expect to see site-level targets for its 'at risk' sites. We also expect Umicore to enhance safety practices to reduce Lost Time Accidents after a rise in 2022, reflected in its next reporting cycle.

Unicharm

Consumer staples, Japan, 2.63% weight

Company description	Engagement summary
A leading adult and baby diaper and feminine care producer in Asia. Management have a focused growth strategy that includes investment in emerging markets and the development of the Asian adult incontinence market. Unicharm's brand equity, high quality products and sustainability-related innovation will help maintain Unicharm's market position and track record of stable growth.	Engagement with Unicharm during the reporting period focused on trying to better understand its climate change and biodiversity approach, and the links between the two. During early April 2022, we emailed Unicharm questions on its emissions reduction strategy, biodiversity, and recycling. We asked for detail on the Company's Scope 3 emissions exposure outside of Japan (including how calculated), and how the company is engaging its own suppliers on emissions. We also asked if there was an assessment on biodiversity impacts and dependencies in its raw materials sourcing, and asked for clarity on its recycled content intentions. Upon Unicharm's response later in April 2022, also via email, we felt that aspects of its strategy for reducing the largest component of Scope 3 emissions (purchased goods and services) appeared sensible, but we remained took note that such emissions originating outside of Japan had not yet been calculated. In December 2022, we had a call with Unicharm's CFO to further follow up on climate change and nature impact. Among our questions were how the company is considering its GHG emissions in light of increased attention on 1.5 degree pathways and SBTi FLAG guidance, and we shared examples of best practice net zero roadmap strategies and quantitative models from companies. The company had started to reflect on a 1.5 degree pathway and we were informed of specific actions planned for reducing Scope 1, 2 and 3 emissions. We are keen to expand this dialogue to better understand Unicharm's strategic direction and considerations for the future. In addition, we would like Unicharm to further develop its scope 3 emissions assessment and disclosure for sources outside of Japan. Coming engagements will also focus on increasing recycled materials, and mitigating nature impact from raw materials.

Veolia

Utilities, France, 2.38% weight

New investment in fiscal 2023

Company description	Engagement summary
A globally-diversified water utility, waste management and energy company. It is a leader in the circular economy space, and we expect it to benefit from the intensifying transition by governments and commercial stakeholders towards a more sustainable worldwide economy. We believe there are opportunities for Veolia to improve in areas such as recycling, biomass, and carbon and methane emissions. The company has been open and willing to have collaborative engagement with us to-date, since our initiation in April 2022. Core targets in its forward-looking engagement agenda are: SDG 12.5, SDG 13.2 and SDG 15.5.	We engaged with Veolia four times during the reporting period, including three calls the company. Our engagement focused on three main topics – climate targets, coal phase out and circular economy approach. We encouraged the company to strengthen its climate targets, in particular to expand them to cover Scope 3. We have also been pushing Veolia to bring forward its 2030 coal phase out date, define a phase out date for its Chinese coal assets and to provide more granular detail on asset-by-asset phase out plans and supporting CapEx. On circular economy, our main push has been for Veolia to set a recycling target to increase the rate of recovery and circularity of key materials, as several peers have done. We suggested that they could start by setting targets at the local level to build up to setting an enterprise level target. Veolia was only recently brought into the Strategy (April 2022), so we are at the earlier stages of building a relationship with Veolia to instigate change. The company has been receptive to our engagement so far, and moving forward we will continue to focus our efforts on these three main topics.

Vitasoy International

Consumer staples, Hong Kong, 1.49% weight

Company description	Engagement summary
Owns the leading soy milk brand in Hong Kong and has a strong presence in China. There is structural growth in the category coming from customer preferences switching to healthier options with lower environmental impact from plant-based food and beverages.	We engaged Vitasoy International four times during the reporting period. Engagement topics included supply chain risk assessment; monitoring for social and environmental impacts; and climate change. We were pleased to learn that Vitasoy International has made relevant improvements, by incorporating sustainability considerations in its supplier evaluations and joining a labour standards platform for supply chain monitoring. It has also completed a climate change-related physical risk assessment, and instructed its business units to review and take necessary action based on the results. While we recognise that Vitasoy International has faced a challenging business environment recently and that engagement has been open and constructive, we sent a letter to the CEO to provide our view on the positive developments and areas where we would like to see further progression. We were encouraged to see Vitasoy International reach out to investors and other stakeholders to gather feedback on its sustainability approach and material topics. We provided our views and also suggested collaborations and initiatives that the company could benefit from participating in to develop climate and deforestation strategies. Going forward, we will continue to focus our engagement on supply chain traceability, as well as monitoring relating to both labour conditions and nature impacts.

Waste Connections

Industrials, United States/Canada, 3.49% weight

Company description	Engagement summary
Provides non-hazardous solid waste collection, transfer, recycling and landfill disposal services to municipalities across the US and Canada. It has robust market positions in dedicated markets, a strong management team, and solid free cash flow generation.	Our main engagement focus was on the company's emissions management and circularity efforts following the release of its updated sustainability report. The company has not yet disclosed its climate action under the CDP framework and admits that it is a way off from setting science-based reduction targets, here it sees emissions quantification as a key challenge. Nonetheless, we were pleased with the decision to set a new ESG target to reduce absolute scope 1 and 2 emissions by 15%. In terms of waste management and circularity, we encouraged an increase in recycling and systematic reductions in waste to landfill. A challenge for recycling is the discrepancy in municipalities or consumers' behaviour towards recycling within different regions of North America (for example, coastal versus inland), and in different segments (commercial clients versus residential – around awareness and education). That said, we appreciate the investment being made into robotics to remove valuable materials from the line and ultimately improve recycling rates. We appreciate the practical, collaborative discussions we have had with the company this past year. We will continue with a similar engagement program in fiscal 2024 and also encourage improved gender diversity at the senior leadership level.

Milestones achieved: 1

13 CLIMATE ACTION

SDG target 13.2 – Integrate climate change measures into national policies, strategies and planning ★★★

The company announced a new ESG target to reduce absolute scope 1 and 2 emissions by 15%. The company has historically focused on offsets as part of its climate action plans; we have previously engaged the company to encourage a commit to reduce its actual emissions.

Wex

Information technology, United States, 2.63% weight

Company description	Engagement summary
Global provider of solutions for businesses, to help them manage organisational complexity and improve efficiency. It focuses in three areas: employee benefits, business payments, and fleet management and fuel cards.	Our engagement this year focussed on governance, climate, diversity & inclusion and its plan to grow its health segments. We held a call with the Lead Director on its board effectiveness, board evaluation and the input into succession planning. On climate, the company lacked information on its emission reporting and target-setting effort, this remains an area of focus for the next year (setting Science-Based Targets and Scope 3 emissions disclosure). On diversity & inclusion, due to the location of the company's offices, it faces greater challenges to increase the proportion of ethnic minorities in senior-level positions. We encouraged the company to have targeted programmes and skills training to advance ethnic minorities in to senior-level positions. Our engagement going forward will also continue to focus on formalising targeted programs to advance women and ethnic minorities in the workforce, plans to grow its health segment and enhance its disclosure on impact metrics and alignment with the SDG goals.

Milestones achieved: 1

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG target 12.6 – Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle ★

The company has disclosed emissions data for scope 1 and 2 in its latest reporting. We have been engaging the company on emissions reporting and setting science-based emissions reduction targets. This disclosure is a key step towards setting such targets.

Win Semiconductors

Information technology, Taiwan, 1.85% weight

Company description	Engagement summary
The world's largest III-V group compound semiconductor foundry with a ~70% market share. The compounds' electron mobility make them suitable for wireless and optoelectronic applications. The RF front end chips are used in smartphones, smart speakers, WiFi routers and base stations. The new but growing area for Win is in optoelectronics for light-emitting devices such as the Face ID scanner on the iPhone and industrial automation. With rising demand for IoT, there is a long runway for growth and Win has established market dominance.	We had a dialogue with the company on its approach to water management, conflict minerals and diversity & inclusion. We were encouraged by the company's efforts to conduct water risk assessments before expanding its fabs and its participation in government water recycling projects to reduce its water use. Given the water stress of some of its fabs, we encouraged the company to consider site-specific water targets. On diversity & inclusion, the company acknowledged that more effort is required to increase women's representation in the workplace. Given the lack of women in engineering roles in Taiwan, it has female talent pipeline issues. We encouraged focussing on education before university to promote STEM subjects, the company and the industry as an attractive place to work. Our engagement next year will continue to focus on water reduction targets, enhancing the transparency of its manufacturing site audits and formalising programs to advance more women into the senior level roles in the workforce.

Wex is a global provider of solutions for businesses, to help them manage organisational complexity and improve efficiency. It focuses in three areas: employee benefits, business payments, and fleet management and fuel cards.

Wolters Kluwer

Industrials, The Netherlands, 2.50% weight

Company description	Engagement summary
Provides expert solutions and productivity tools to clients in the Health, Tax & Accounting, Governance, Risk & Compliance and Legal & Regulatory industries. Of particularly interest to us is Wolter Kluwer's work within the Health vertical, with UpToDate providing clinicians with the tools required to make quicker and more accurate diagnoses, Emmi enabling better patient engagement to drive better ongoing treatment, and Drug Data supporting safer medication decisions.	Our engagement this year focussed on responsible AI and diversity & inclusion. In a meeting with the Board Chair and Head of Investor Relations, we encouraged the company to incorporate diversity factors beyond gender in the workforce recruitment process. We were encouraged to hear that responsible AI is an important topic at the Board level and the company has an internal Responsible AI framework. We were pleased that following our engagements the company has published a commitment to responsible AI in its latest annual report and disclosed the key principles that it incorporates. Given increased regulatory developments, this step towards more transparency regarding its approach to artificial intelligence is essential. We have been engaging the company to publish a commitment to responsible artificial intelligence and the principles it aims to embed in its solutions. Our engagement will continue to focus on understanding how it plans to operationalise its principles into practices and ensure it has governance processes in place to oversee its AI development and use. We will also continue to encourage further transparency on its human capital metrics such as parental leave, turnover and promotion rates.

Milestones achieved: 1

10 REDUCED INEQUALITIES

SDG target 10.2 – By 2030, empower and promote the social, economic and political inclusion of all ★

The company launched a 12-month inclusive leadership program for executives and people managers and piloted a series of voluntary, employee-led global inclusion networks. This step towards more diversity inclusion can improve retention rates and employee productivity. We have been engaging on diversity and inclusion and how it can lead to higher retention of better-quality talent.

Xylem

Industrials, United States, 2.62% weight

Company description	Engagement summary
Provides industrial solutions addressing global water challenges, such as improving water efficiency and accessibility in local communities. Its end markets face structural growth, driven by the need to address scarcity by delivering operational efficiencies.	This past fiscal year we held only one engagement with Xylem, in May 2022, which was requesting the company to take part in our investee company feedback survey, to help us assess the impact of our engagement as a shareholder. Additionally in December 2022, we sent an Outreach letter to the company explaining where we had cast votes against management in its most recent shareholder meeting, but this is not formally counted as an engagement. Within our Outreach letter we also highlighted certain areas of focus for us as a shareholder, such as increased scrutiny of climate change management practices, biodiversity impact, human rights impact, and gender diversity. Overall, this past fiscal year – in part due to Xylem exhibiting many leadership qualities in sustainability matters – our efforts were focused elsewhere for Strategy engagement. That being said, the stock was maintained as a holding in the Strategy as at 31st March 2023, given we have identified a continuation of forward-looking engagement agenda items, linking to SDG targets 6.1, 6.3, and 6.4 (Clean Water and Sanitation), and 12.2 (around its supply chain; Responsible Consumption and Production).

Zebra Technologies

Information technology, United States, 2.57% weight

Company description	Engagement summary
A global leader in design and manufacture of enterprise mobile computers, advanced data capture systems and specialty printers. Its products enable businesses in ecommerce /retail, logistics, manufacturing and health care to achieve greater accuracy and efficiency of both human capital and natural resource usage. The increasing shift to digitise the global economy plays right into Zebra Technologies' strengths.	We had a meeting with the company's Investor Relations and the Chief Legal Officer on diversity & inclusion, e-waste and chemical management. While the company has initiatives to enhance underrepresented minorities in the workplace, we encouraged the company to measure the success of its diversity and inclusion programmes, such as tracking participation and outcomes. We also recommended enhancing the disclosure of its diversity and inclusion internally with its stakeholder community, such as turnover, hiring and promotion rates by gender/ethnicity and parental leave uptake and return rates. The company is exploring how to scale up its circular economy programme and has improved the distribution and tracking between partners and customers to get its products back from the market. It currently has internal goals related to the success of its circular economy programmes but has yet to disclose this publicly. Our engagement next year will continue to focus on developing a circular economy strategy and publish related targets and improve the transparency of its audit reporting for its tier 1 manufacturing facilities.

“The SDGs aren’t just a list of goals. They carry the hopes, dreams, rights and expectations of people everywhere.”

UN Secretary General António Guterres, 2023

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