CT Sustainable Global Equity Income Strategy

Quarterly non-financial report
For the quarter ending 31 March 2024

Contents of this report:

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. Screening out sectors or companies may result in less diversification and hence more volatility in investment values. Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.

1. High Level Summary

- During the quarter we made a handful of adjustments to the shape of the portfolio, looking to take profit in names that have outperformed of late, and pivoting towards emerging opportunities. In this vein, we initiated a new position in **Union Pacific**, the US Class 1 railroad, offering strong sustainability credentials as they provide a much lower carbon footprint logistics network relative to shipments via truck. Operationally, the arrival of industry veteran Jim Vena as CEO should drive greater operational excellence yielding stronger pricing, and as we progress through the year we believe the rail industry should be a beneficiary of increased volumes on the back of improving economic activity. This position was funded by trimming recent winners, such as **Tokio Marine**, **Emerson Electric**, and **Linde**.
- From a sustainability mapping perspective, the mapping remains high, as one would expect. Importantly though, we would note a healthy balance between **Environmental** and **Social**.
- During the quarter we engaged with **7 companies** across various sustainability issues, including some very insightful conversations as detailed later in this document.

We also published various sustainability-focused thought-leadership articles; including:

ESG Viewpoint: Green machines: the future of transport

- The transportation sector has a significant impact on global emissions, but technology innovations, policy changes and shifting behaviours can reduce this. How are the different modes progressing?

Download here

ESG Viewpoint: Investing in a Just Transition

- It's essential we consider the social dimension as we transition to a low carbon world. We explore the investment implications of a Just Transition.

Download here

ESG Viewpoint: Interpreting climate data for investment portfolios

- Climate change and the energy transition will impact the long-term performance of investment portfolios. Here we look at how investors should interpret climate data for managing investment portfolios.

Download here

2. SDG revenue mapping

A summary of the strategy's SDG exposures is displayed in the chart and table below:

Leveraging long standing analysis and proprietary mapping that we've established with our 45-strong Responsible Investment Team, we are able to provide a summary of the SDG exposures with the Strategy. Whilst assessing the strategy's exposure at the goal-level gave us a useful starting point, we found that the high-level mapping against the 17 goals was not granular enough to provide sufficient insight into our portfolio holdings. We have therefore extended our analysis by going to a deeper level, and consequently now consider the underlying 169 SDG targets.

SDG	Goal	Goal Weight	Target		Target Weight
	Positive	89.5%			89.5%
3	SDG 3: Good health and wellbeing	22.4%	3.3	end epidemics of AIDS, tuberculosis, malaria and combat other communicable diseases	2.7%
			3.4	reduce mortality from non-communicable diseases and promote mental health	2.6%
			3.6	halve the number of global deaths and injuries from road traffic accidents	0.2%
			3.8	Achieve universal health coverage and affordable essential medicines for all	17.0%
4	SDG 4: Quality Education	2.2%	4.3	Equal access to affordable technocal, vocational and higher education	0.5%
			4.6	By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy	1.7%
6	SDG 6: Clean water and sanitation	2.5%	6.1	universal and equitable access to safe and affordable drinking water for all	1.5%
			6.4	increase water-use efficiency	1.1%
7	SDG 7: Affordable and clean energy	3.4%	7.2	increase renewable energy in the global energy mix	3.4%
8	SDG 8: Decent work and economic growth	26.1%	8.1	sustain per capita economic growth in accordance with national circumstances	0.5%
			8.2	economic productivity through technological upgrading and innovation	16.3%
			8.3	Promote job creation, entrepreneurship, encourage growth of SMEs	3.0%
			8.10	financial institutions to encourage access to banking, insurance & financial services	6.3%
9	SDG 9: Industry, innovation and infrastructure	15.3%	9.1	resilient infrastructure to support economic development and human well-being	8.4%
			9.3	Increase the access of SMEs to financial services	0.1%
			9.4	retrofit industries with increased resource-use efficiency	5.6%
			9.c	Universal access to information and communications technology	1.3%
11	SDG 11: Sustainable cities and communities	5.1%	11.1	ensure access for all to adequate, safe and affordable housing	0.5%
			11.2	provide access to safe, affordable, accessible and sustainable transport systems for all	2.6%
			11.6	reduce environmental impact of cities, including air quality and waste management	1.9%
12	SDG 12: Responsible consumption and production	8.4%	12.2	achieve the sustainable management and efficient use of natural resources	2.7%
			12.4	achieve the environmentally sound management of wastes throughout their life cycle	0.4%
			12.5	reduce waste generation through prevention, reduction, recycling and reuse	2.7%
			12.6	encourage companies to adopt sustainable practices	2.7%
16	SDG 16: Peace, justice and strong institutions	3.0%	16.3	promote the rule of law and ensure equal access to justice for all	0.5%
			16.10	ensure public access to information and protect fundamental freedoms	1.6%
			16.a	strengthen national institutions to prevent violence and combat terrorism & crime	0.9%
	Other	1.0%			1.0%
	Neutral	9.9%			9.9%
	Negative	0.7%			0.7%
9	SDG 9	0.4%	9.1	N: resilient infrastructure to support economic development and human well-being	0.5%
13	SDG 13	0.2%	13.2	N: integrate climate change measures strategies and planning	0.2%
	TOTAL	**100%**			**100%**

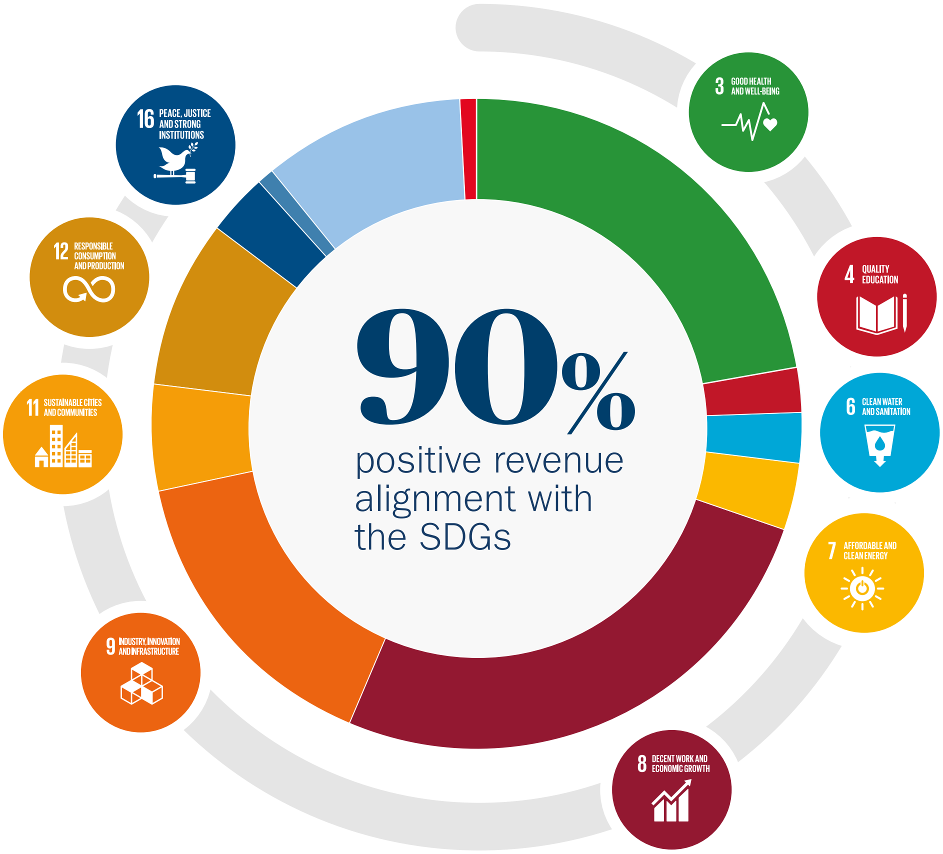
Source: Columbia Threadneedle Investments as at 31 March 2024
Note: The data is not indicative of future characteristics. At a portfolio and company level, we measure and monitor the alignment to the UN SDG goals and targets. It is an important element of our investment process to ensure we are investing in sustainable companies.

In order to do so, we analyzed the individual revenue streams of portfolio holdings and identified whether the products and services in those business segments have links to SDG targets, and if so, which ones. One company, depending on its breakdown by business segment, may have links to more than one goal and/or target; another company may have a business segment that is linked, and one that isn't. We developed an in-house methodology to do this, considering existing investor resources[1] but using our own interpretation of the many borderline cases that arose.

Through this analysis we have achieved a much deeper understanding of where the exposure lies, both to business areas that support the sustainable development agenda ('positive' alignment), to areas that are not so aligned ('neutral' alignment), and to areas that detract from the agenda ('negative' alignment).

When aggregating the data, we use the weighting of each holding within the portfolio as at the end of the period, which in turn determines not only the number of companies with a link, but also the value of the portfolio's assets with links.

A summary of the goal-level strategy exposure is displayed below:



Revenue alignment breakdown

SDG 3: Good Health and Well-Being	**22%**
SDG 4: Quality Education	**2%**
SDG 6: Clean Water and Sanitation	**1%**
SDG 7: Affordable and Clean Energy	**3%**
SDG 8: Decent Work and Economic Growth	**21%**
SDG 9: Industry, Innovation and Infrastructure	**15%**
SDG 11: Sustainable Cities and Communities	**5%**
SDG 12: Responsible Consumption and Production	**8%**
SDG 16: Peace, justice and strong institutions	**3%**
Other	**1%**
Neutral	10%
Negative	**1%**

[1]Approaches we reviewed included the SDG Compass and Sustainable Development Investments (SDIs) Taxonomies – PGGM and APG

Source: Columbia Threadneedle Investments
Note: The data is not indicative of future characteristics. At a portfolio and company level, we measure and monitor the alignment to the UN SDG goals and targets. It is an important element of our investment process to ensure we are investing in sustainable companies.

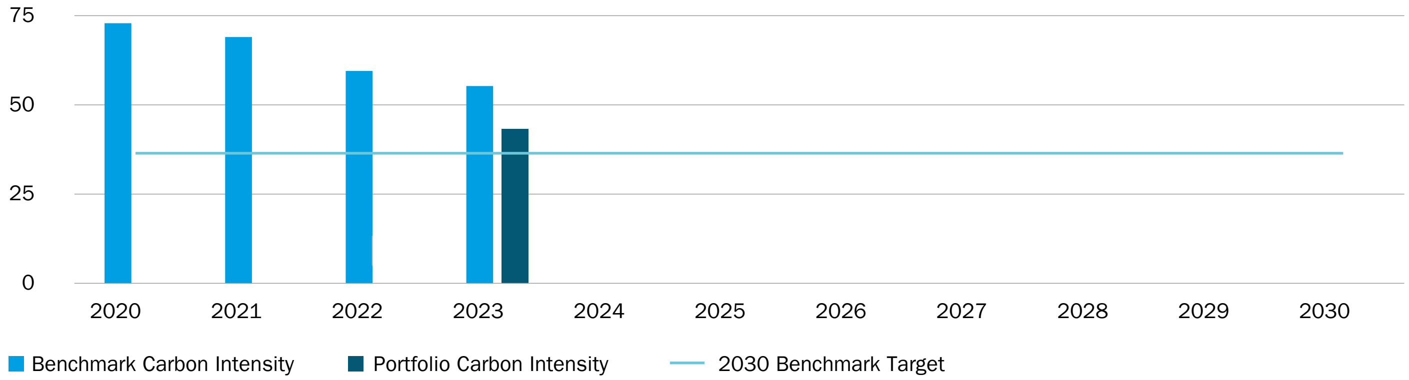
3. Portfolio Carbon Intensity

Carbon intensity for the strategy is as follows:

	CT Sustainable Global Equity Income Strategy	MSCI ACWI Benchmark
Carbon intensity (tons C)2e/EVIC $m)	39.5	50.2
Coverage (portfolio value)	100.0	99.5

Source: Columbia Threadneedle Investments, MSCI ESG Research. Represents Scope 1 & 2 carbon intensity. EVIC: Enterprise Value Including Cash. Carbon Intensity methodology in appendix

Portfolio and Beanchmark Carbon Intensity



*Note, 2030 Benchmark target is a 50% reduction by 2030 from 2019 base year to achieve Paris Agreement alignment

Largest emitters within the portfolio

Quarter on quarter, we are encouraged to see a reduction in the aggregate portfolio carbon intensity of the portfolio, largely driven by reduction in carbon intensity within some of the more emitting companies in the portfolio, including **Waste Management** and **Packaging Corporation of America**. Emissions at these companies are still high, but we are encouraged by the progress made and will continue engaging on this important issue.

The largest emitter within the portfolio remains to be **Linde**. That said, we have not seen a material increases in carbon intensity, but it remains a core engagement agenda item.

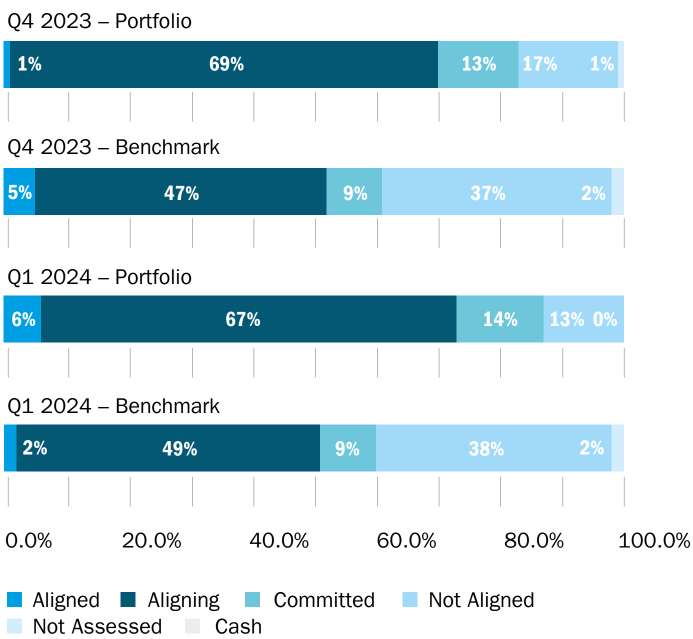
Other names of note, and where we continue to engage include paper-based packaging company **Smurfit Kappa Group** (net zero status currently: Aligning), and Singapore land transportation provider **ComfortDelGro** (Committed).

Note: The data is of a representative account (SICAV), is for informational purposes only and is not indicative of future characteristics. At a portfolio and company level, we measure and monitor all carbon metrics (including carbon emissions and intensity). It is an important element of our investment process to ensure we are investing in sustainable companies. Note: Details on our carbon footprint methodology can be found in the appendix of this publication.

Portfolio Net Zero alignment

The below outlines the progress the holdings within the portfolio are making towards net zero alignment. The Investment Manager deploys a rigorous 8-step methodology to assess the alignment status of each company, and over time we will continue to report this relative to the base year (end-2021) and toward an aspiration to have all companies at least aligning, and as many as possible to be net zero aligned by 2030, a key target year for emission cuts highlighted by the Intergovernmental Panel on Climate Change (IPCC). www.ipcc.ch

Net Zero alignment of Portfolio and Benchmark

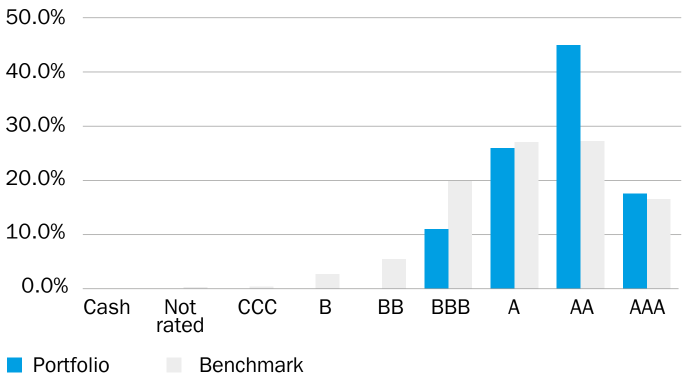


Most notably, we are encouraged to see the Quarter-on-Quarter increase in Aligned status, from Aligning. Moreover, we are encouraged with the number of names that are seeing a positive change of status, including:

Elevance Health	Not Aligned -> Aligning
DSM Firmenich	Not Aligned -> Committed
Colgate-Palmolive	Committed -> Aligning
AstraZeneca	Aligning -> Aligned
BT Group	Aligning -> Aligned
Daiwa House Industry	Aligning -> Aligned
Deutsche Telekom	Aligning -> Aligned
Johnson Controls	Aligning -> Aligned
Schneider Electric	Aligning -> Aligned

MSCI ESG Scores

Whilst ESG scores are not a perfect assessment of sustainability; on a broad basis we hope that illustrating the MSCI ESG score weights in the portfolio vs the benchmark demonstrate another angle of the portfolio's gearing towards companies taking a proactive stance on sustainability:



Source: Columbia Threadneedle Investments, as at end of December 2023

Whilst still well ahead of the benchmark, we note a Quarter-on-Quarter drop in the portfolio weight assigned AAA (24% -> 18%), which is largely down to the downgrade of **Microsoft** (AAA->AA) on account of their completed acquisition of Activision Blizzard. We are careful to note this evolution within the business and note the opinions of the MSCI ESG Analysts, but we are of the view that it is of limited overall impact to their sustainability materiality.

Finally, we note that some **63%** of the portfolio is AA or higher, still much higher than the benchmark at 44%.

Source: Columbia Threadneedle Investments, as at end of December 2023

Note: The data is not indicative of future characteristics. At a portfolio and company level, we measure and monitor all carbon metrics (including carbon emissions and intensity). It is an important element of our investment process to ensure we are investing in sustainable companies.

4. Quarterly engagement activity and milestones

Please find below an analysis of the strategy's engagement activity during the quarter as to how it aligns with specific SDG targets.

CT Sustainable Global Equity Income Strategy	
Calendar Q1 2024	

Engagement Stats	
Engagements	7
Companies engaged	3
Milestones achieved	0
Countries covered	2

Companies Engaged by Country	
Europe	0.0%
North America	66.6%
Asia (ex Japan)	33.3%
Japan	0.0%
Other	0.0%
Total	**100%**

Engagements by issue	
Climate change	28.6%
Environmental standards	0.0%
Business conduct	0.0%
Human rights	0.0%
Labour standards	28.6%
Public health	0.0%
Corporate governance	42.9%
Total	**100.0%**

Milestones achieved by issue	
Climate change	0.0%
Environmental standards	0.0%
Business conduct	0.0%
Human rights	0.0%
Labour standards	0.0%
Public health	0.0%
Corporate governance	0.0%
Total	**0.0%**

SDG	SDG engagement by goal
1 No Poverty	0%
2 Zero Hunger	0%
3 Good Health and Well-being	0%
4 Quality education	0%
5 Gender Equality	0%
6 Clean water and sanitation	0%
7 Affordable and clean energy	0%
8 Decent work and economic growth	14%
9 Industry, innovation and infrastructure	0%
10 Reduced inequalities	14%
11 Sustainable cities and communities	0%
12 Responsible consumption and production	0%
13 Climate action	29%
14 Life below water	0%
15 Life on land	0%
16 Peace, justice and strong institutions	0%
17 Partnerships for the goals	0%
No SDG	43%
Total	**100%**

This report represents data for the calendar quarter ended 31st March 2024 (1Q24).

Note: The data is not indicative of future characteristics.

Notable engagement activity we logged during Q1 2024:

GSK Plc

GSK Plc is a global bio-pharmaceutical company which manufactures innovative medicines and vaccines. Upcoming US regulatory requirements due to take effect in 2024 will push the industry to include diversity planning in their trial protocol or justify why this is not necessary. We discussed the upcoming regulatory requirements on diversity in clinical trials with the company and how GSK prepares for compliance. The company has a dedicated team that works on diversity in clinical trials, which ultimately falls under the Chief Scientific Officer. While work on trial diversity costs time and effort, GSK considers this a continuous learning curve for the company. They stressed that this is the right thing to do for patients and communities and that financially, the cost of getting it wrong will be more substantial. They also consider it a crucial part of their ambition to reach 2.5 billion patients by the end of 2030. The key take-away from this conversation was that diversity in clinical trials is increasingly embedded in the company-wide strategy. GSK feels confident about their preparedness for regulatory requirements, having made efforts to increase diversity in clinical trials for over 15 years. This is evidenced by successful progress on their target to have 100% of 2023 phase III trials contain a proactive strategy to enroll appropriately diverse trial participants, consistent with the disease epidemiology. We consider GSK a leader in this space and will monitor further developments.

DSM-Firmenich

DSM-Firmenich is a Dutch nutrition, health and beauty products multi-national company formed through the merger of Koninklijke DSM and Firmenich SA completed in May 2023. Given the changes in corporate structure as a result of the merger, we focused our engagement on discussing the governance as well as environmental programs at the newly created company. Upon discussion with the company, we note that the company is also in the process of integrating their climate targets to set new group goals, having hired a Chief Sustainability Officer in June to help with the integration. They have yet to set combined emission reduction targets and are currently following individual legacy company targets. However, they emphasized that while the creation of combined targets is a complex process which will take some time, they intend to have the reconciliation process completed by their March 2024 report. Given that the merger was completed in May, we view a publication timeline of less than 12 months as evidence of their focus on swiftly setting the foundation for their climate – and broader ESG – program. In our view, their proactive efforts to quickly set group goals demonstrate the company's commitment to developing a successful ESG program. Both entities appeared to have ambitious 2030 emission reduction goals and we expect to see a similar entity goal. We will continue monitoring the integration process and look forward to reviewing their next reporting disclosure in Q1 2024 to get more information on their board composition as well as updates on their emissions management integration.

Linde

Linde is the world's largest industrial gas company by market share and revenue. We had a call with them to discuss our previous votes for their 2023 Annual General Meeting and to learn about their environmental program. We noted that the board has 20% women, well below our 27% voting threshold. They are looking to refresh the board and so we can expect to see changes to their board composition which may include an increase in gender diversity, a development that we would welcome. We discussed their 2028 Sustainable Development Targets published in their 2022 Sustainability report. The company has 2028 goal to reduce their GHG Emissions intensity by 35%. They are also looking to reduce their absolute GHG emissions by 35% by 2035.They are looking to reduce their scope 1, by focusing on blue hydrogen. Lastly, we discussed their efforts on reducing their Scope 3. All in all, we were able to gain context about the different initiatives taking place internally and externally for the company to reach their reduction goals.

Highlighting Investee Sustainability Initiatives

Phizer

Pfizer have launched a 3yr initiative with The American Cancer Society to bridge the gap in cancer care disparities.

The initiative, "Change the Odds: Uniting to Improve Cancer Outcomes" aims to enhance awareness of and access to cancer screening, clinical trials and support in medically underrepresented communities across the United States. "Change the Odds" will initially focus on breast and prostate cancer in medically underserved communities, with the potential to expand to additional cancer types.

Microsoft

Google LLC, Microsoft Corporation, and Nucor Corporation today announced they will work together across the electricity ecosystem to develop new business models and aggregate their demand for **advanced clean electricity technologies**.

These models will be designed to accelerate the development of first-of-a-kind and early commercial projects, including advanced nuclear, next-generation geothermal, clean hydrogen, long-duration energy storage (LDES) and others.

The companies will pilot a project delivery framework focused on three enabling levers for early commercial projects: signing offtake agreements for technologies that are still early on the cost curve, bringing a clear customer voice to policymakers and other stakeholders on broader long-term ecosystem improvements, and developing new enabling tariff structures in partnership with energy providers and utilities.

TSMC

TSMC are contributing to Apple's $280mn Green Initiative

This initiative, the Restore Fund, aims to support carbon removal efforts through nature-based solutions while protecting critical ecosystems, and TSMC has pledged to invest up to $50 million.

Johnson Controls

According to the International Energy Agency, three-quarters of India's anticipated 2040 buildings have yet to be built. With the sector accounting for 20% of emissions and more than 30% of energy consumption in the country, the transition to smart and sustainable buildings is becoming an environmental and economic imperative.

As India ramps up efforts to decarbonize its rapidly growing infrastructure of buildings, the Mahindra Group, one of India's leading industrial enterprises, and **Johnson Controls** today announced a first of its kind **Net Zero Buildings Initiative** to decarbonize India's commercial, urban residential and public buildings. The joint initiative will simplify access to key information and resources to help organizations start their net zero buildings journeys.

The Net Zero Buildings initiative – comprising a cost-free, all-in-one toolkit and training – will help building and facility owners learn about best practices of sustainable buildings, implement tools to assess building parameters, identify and implement conservation measures and understand building regulations in India, available incentives, technology, financing models and more.

Note: The data is not indicative of future characteristics. Source: Columbia Threadneedle Investments, 31 March 2024. This does not constitute a recommendation to buy or sell any particular security.

5. Appendix

Carbon Footprint Methodology

At a company level, carbon intensity is a measure of how much greenhouse gas a company emits in order to conduct its business on a normalized basis. This normalisation allows (in theory) for a comparison between companies. In practice, differences in methodologies applied, scopes of emissions disclosure and different business models (e.g. outsourcing certain operations) can make comparisons challenging. Nevertheless, it is a useful proxy for carbon efficiency at an aggregate level. It is measured in tons of CO2 equivalent (i.e. including the basket of six Kyoto Protocol gases) per $1 million of EVIC at a company level and aggregated to portfolio level using a weighted average (by holding). Our data provider for this analysis is MSCI ESG.

This figure represents the companies' most recently reported or estimated Scope 1 and 2 emissions normalized by the most recently available Enterprise Value Including Cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt.

The carbon intensity for the portfolio and benchmark is calculated using MSCI ESG data and the following formula:

$$Carbon\ intensity = \sum w_i\ x\ carbon\ intensity_i$$

$$\text{w = portfolio / benchmark weight}$$

$$\text{carbon intensity = tons CO2e/EVIC \$m}$$

$$\text{i = stock 1 - x}$$

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