For Professional Clients and/or Qualified Investors only.

CT SDG Engagement Global Equity Strategy

Engagement progress report
1st April 2023 – 31st March 2024

COLUMBIA THREADNEEDLE INVESTMENTS®

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 engagement progress report for the CT SDG Engagement Global Equity Strategy, for the fiscal year ending 31st March 2024.

'Another extraordinary and distinctive year!' seems to be the regular refrain when we gather to collect our thoughts for our annual strategy review, and it is no different this year. There is a palpable sense of enduring tumult across the economic, political and natural world. The world's second largest economy, China, has grappled with a severe downturn, which sent ripples out around the world but subsequently sharply rallied; more than 80 countries and more than half the world's population are going to the ballot box in 2024, multiple major conflicts are underway and the world continues to witness extraordinarily fast-changing climatic conditions, which typically incur greatest disruption and hardship on the world's developing regions.

Although we have known that the timeline for achieving the 2030 Sustainable Development Goals (SDGs), set back in 2015 by the United Nations Member States, was likely to fall short of the original deadline, we continue to believe that the SDGs represent the clearest, simplest, and universal roadmap for creating a more sustainable world. We intend to stay the course and, as such, we remain truly motivated by the underlying ethos and objective of this Strategy, which is to deliver both positive, real world, non-financial outcomes, as well as to generate competitive financial returns for investors. In fiscal year 2024 (1st April 2023 to 31st March 2024), we reached another 38 improvement Milestones with our investee companies, and logged over 80 engagements, across a variety of sectors and sustainability issues. We introduced five new stocks to the portfolio, and sold six.

The CT SDG Engagement Global Equity Strategy has now registered its 5th anniversary since inception, and we would like to express our great thanks for the deep commitment and trust that our clients have shown us over the years since this ambitious twin mandate global strategy was launched.

We are living through a period of accelerating and sometimes 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

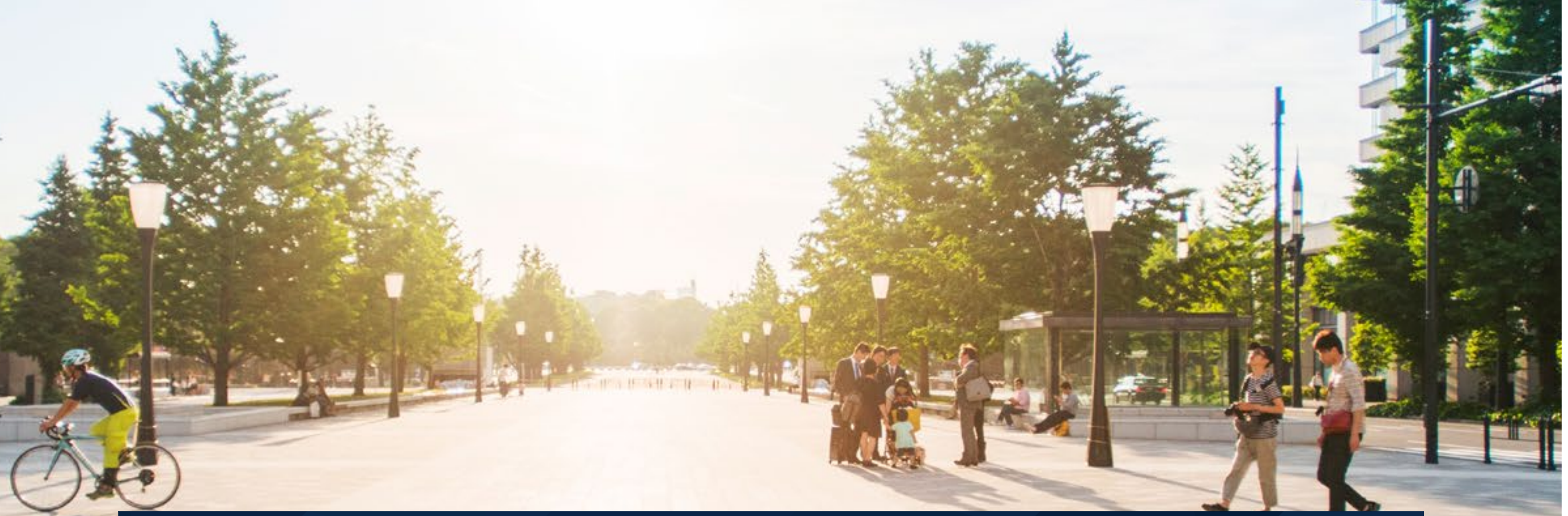
Claire Franklin
Portfolio Manager, Global Equities

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	Invest	Improve
Using a set of exclusion criteria, we avoid investing in companies with socially or environmentally damaging products or unsustainable business practices.	We invest in companies that have significant potential to advance the SDGs through their products/services and/or through their corporate conduct.	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.
- On 29 December 2023 we changed the benchmark to from the MSCI ACWI SMID cap index NR to the MSCI ACWI Mid Cap Index, to better reflect the current make-up of the portfolio.

Active ownership at a glance

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 fifth fiscal year (1-Apr-23 – 31-Mar-24).

81 engagements[1]

44 companies engaged

14 countries covered

96% of engagement linked to SDG targets

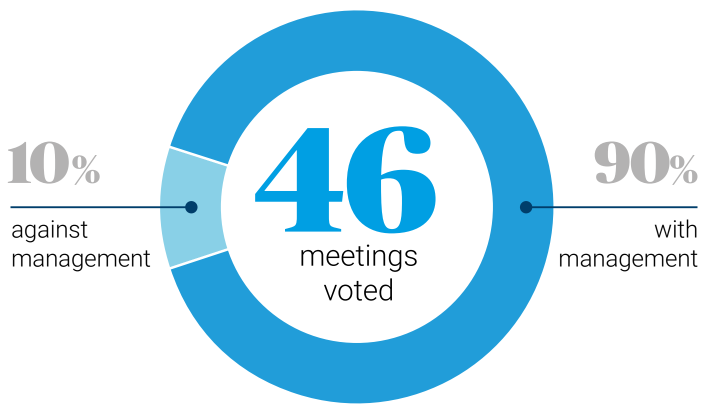
38 Milestones achieved[2]

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



Votes against management most commonly related to compensation and director elections.

The SDGs most commonly linked to our engagement during the Strategy's fifth fiscal year were **SDG 12** – Responsible Consumption and Production – and **SDG 13** – Climate Action.

Source: Columbia Threadneedle Investments. Reflects companies held in Strategy as at 31-Mar-24.

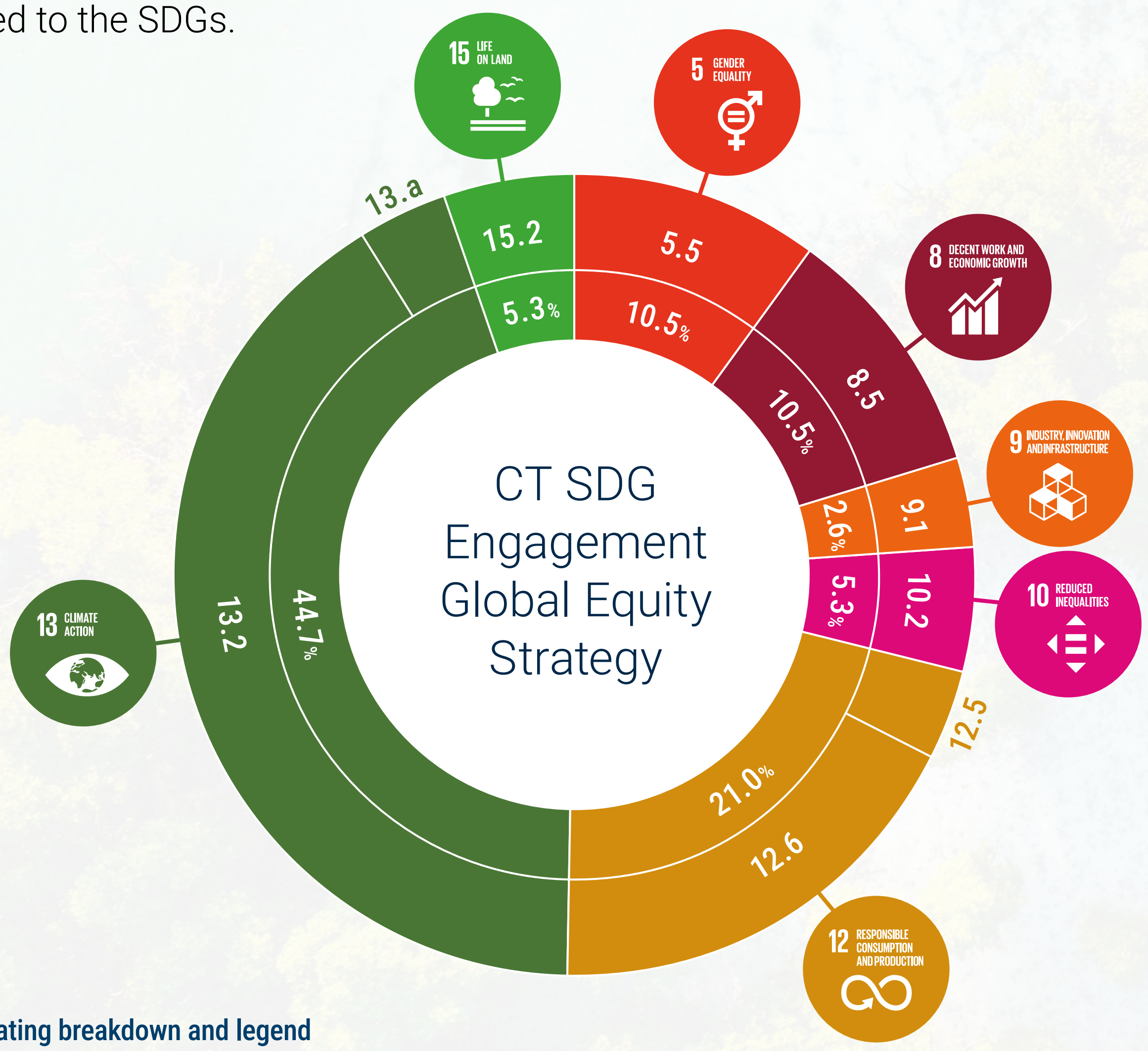
[1] Statistics are reflective of companies held as at fiscal year end, 31st March 2024. The total number of engagements inclusive of the investee company feedback survey requests sent in June 2023 is 117.

[2] One Milestone with Win Semiconductor is not included in this total (we exited our position ahead of 31st March 2024 – please see Sell discipline section).

Tracking improvement

We measure and report on the success of our engagement through the assignment of Milestones, which recognise improvements in companies' ESG policy, management systems or practices against the engagement Objectives that we set. We align Milestones to the SDGs to demonstrate how these outcomes can contribute towards a better, more sustainable future.

During the Strategy's fifth fiscal year, we achieved **38 Milestones**, all 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.

5 ★★★ star Milestones | 16 ★★ star Milestones | 17 ★ star Milestones

Source: Columbia Threadneedle Investments, as at 31-Mar-24.

100%

of Milestones linked to underlying SDG targets

Continuous improvement: Milestones since inception

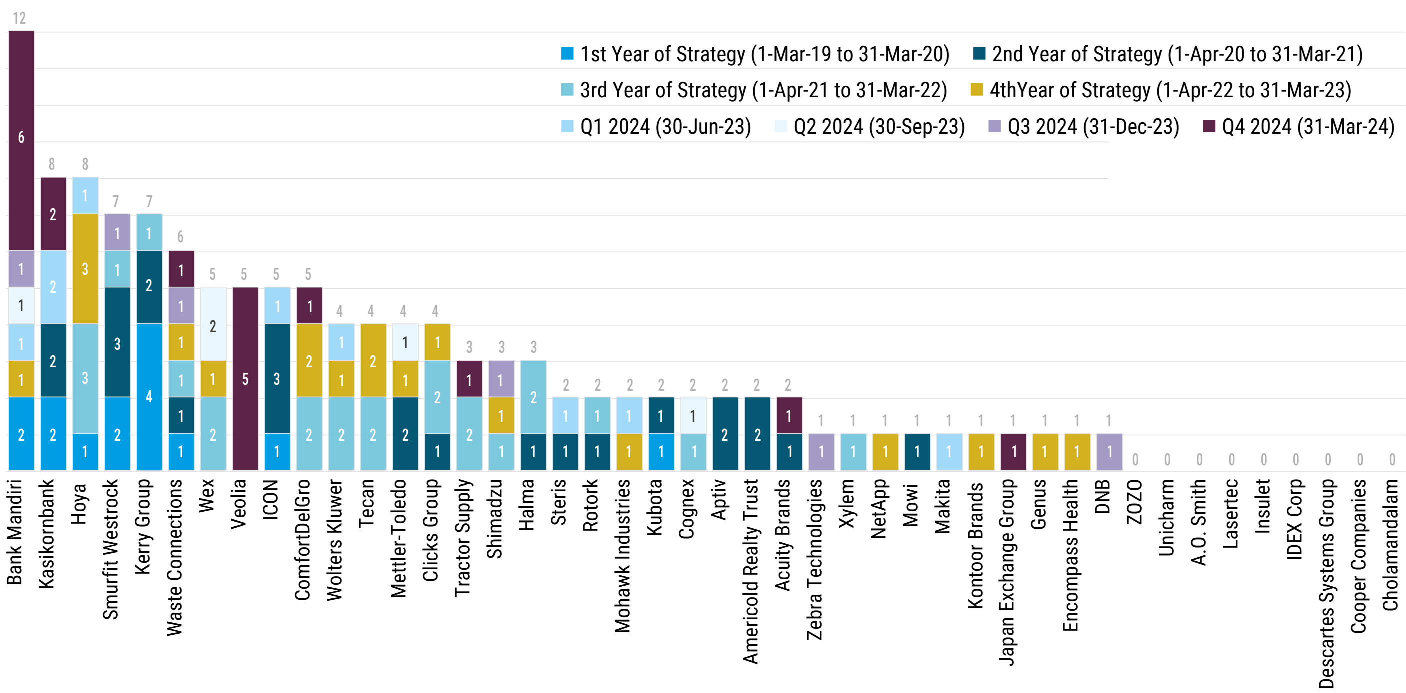
Here we reflect on the Milestones achieved across the first five years of the Strategy (1-Mar-19 to 31-Mar-24).

As demonstrated on the chart below, several companies have made multiple improvements to their management of ESG issues, where we believe our shareholder engagement has contributed to this progress. This includes **Bank Mandiri**, **Hoya** and **Kasikornbank**. Meanwhile, we logged our first Milestones with five companies during the Strategy's fifth fiscal year: **DNB**, **Japan Exchange Group**, **Makita**, **Veolia** and **Zebra Technologies**.

To-date, we have achieved multiple improvements (2+ Milestones) with more than half the Strategy, and have achieved at least one Milestone with 80% of the Strategy. We have still not yet made an engagement impact with nine outstanding companies, of which two have been held in the Strategy since inception (**Descartes** and **A.O. Smith**). Five of these companies were new additions in fiscal 2024, and we hope that our engagement agenda with each of these companies will lead to improvements in their management of ESG practices and resultant Milestones.

119 Milestones achieved since Strategy inception.

Milestones since Strategy inception (1-Mar-19 to 31-Mar-24)



Source: Columbia Threadneedle Investments as at 31-Mar-24. Note: Reflects companies held in Strategy as at 31-Mar-24, and excluding engagements on companies sold prior to that date. Quarters shown are Strategy's fiscal quarters.

Multi-year progress: Milestones ratings

The following two tables show the evolution of the quality of the Strategy's Milestones over the past five years (please refer to p5 for a description of each star rating).

Original holdings (held from Strategy inception in 1-Mar-19 to 31-Mar-23)

21 Companies; **82** Milestones

Mile-stone rating	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	Totals
★	8	5	12	8	13	46
★★	4	6	11	6	5	32
★★★	0	0	2	2	0	4
						82

Current holdings at fiscal year end[2]

29 Companies; **119** Milestones[3]

Mile-stone rating	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	Totals
★	7	13	11	8	16	55
★★	7	11	11	7	17	53
★★★	0	0	2	4	5	11
						119

We are pleased to see the standards of Milestones improving, as evidenced through the increase of three-star Milestones, particularly during the Strategy's fifth fiscal year.

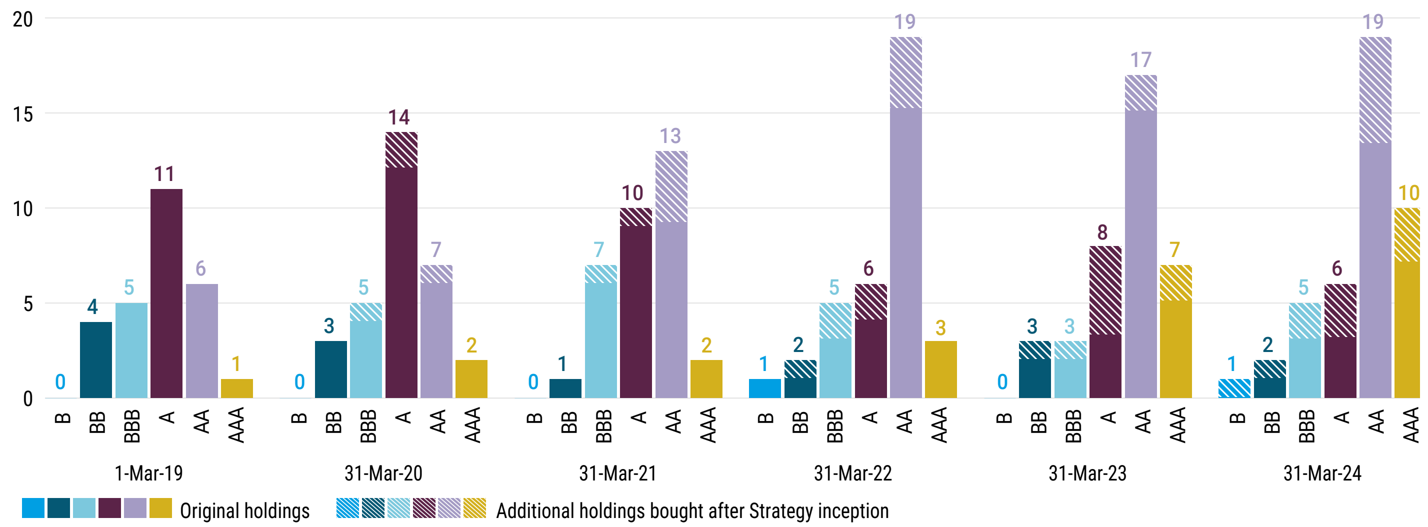
Multi-year progress: MSCI ESG ratings

We have reflected on the evolution of external ESG ratings over the past five years 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. 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.

Nevertheless, external ratings can 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. We also note that nine companies have each received at least one ratings downgrade at some point in time during our holding period: **A.O. Smith**, **Americold Realty Trust**, **Bank Mandiri**, **Cholamandalam Investment & Finance**, **Cognex**, **Makita**, **Mohawk Industries**, **Smurfit Kappa**, and **Zebra Techologies**. Some have since rebounded.

In the below chart, we show both our 'Original' holdings from Strategy inception (a subset of 27 companies), as well as a view of the Strategy's 'Current' holdings (43 names). We have excluded **ICON** from both, as it only become rated by MSCI ESG more recently in October 2022. We have not included any company sold prior to 31-Mar-24. 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-24:

MSCI ESG Ratings distribution since Strategy launch



Source: MSCI ESG, as at 31-Mar-24

[2] Reflects companies held in Strategy as at 31-Mar-24 (Strategy's fiscal year end 2024), inclusive of the 16 companies bought post Strategy inception and held until 31-Mar-24. These numbers do not include any company sold prior to 31-Mar-24.

[3] As at 31-Mar-24, 9 companies had not yet achieved Milestones. Please refer to the 'Milestones since Strategy inception' graph on p7.

Engagement case study: Waste Connections

WASTE CONNECTIONS, INC.

Waste Connections (WCN) is a waste and recycling management company operating in the Industrials sector.

Headquartered in Texas, US, it serves communities across both the US and Canada. WCN's revenues carry links to SDG target **11.6** primarily (regarding reducing the negative environmental externalities of cities) and SDG target **12.5** secondarily (regarding reducing waste through prevention, reduction, recycling and reuse).* WCN has shown to be receptive to engagement – we have engaged WCN many times since fund launch, and have achieved Milestones for SDGs 5, 8, 10, and 13. Most recent progress has come in the form of advancing its decarbonisation strategy.

Our engagement timeline
(since Strategy launch)

2019

- **14 May**
  Engagement (**Meeting** with interim CEO)
- **14 August**
  Engagement (**Email**)
- **October – 1 Milestone:**
  Board gender diversity policy introduced (**SDG target 5.5**)
- **6 December**
  Engagement (**Meeting**, also on operations)

2020

- **7 January**
  Engagement (**Meeting**)
- **13 May**
  Engagement (**Meeting**, governance)
- **4 November**
  Engagement (**Meeting**)
- **December – 1 Milestone:**
  Participated for the first time in the Workforce Disclosure Initiative (**SDG target 8**)

2021

- **21 May**
  Engagement (**Meeting**)
- **20 July**
  Engagement (**Meeting**)
- **3 and 16 December**
  Engagement (**Email & call**)

2022

- **January – 1 Milestone:**
  Expanded detail and breakdown of its diversity disclosures (**SDG target 10.2**)
- **28 June**
  Engagement (**Meeting**)
- **16 Sepember**
  Engagement (**Email**)
- **November – 1 Milestone:**
  Introduced target to reduce absolute carbon emissions by 15% (**SDG target 13.2**)

2023

- **16 August**
  Engagement (**Meeting**)
- **November – 1 Milestone:**
  Makes a formal commitment to SBTi (**SDG target 13.2**)

Note: Engagements shown exclude outreach requests (including survey requests, Carbon Disclosure Project request outreach) and votes against management letters for AGMs.

* 21% of the company's revenues are neutrally mapped to the SDGs.

Engagement case study: Waste Connections

Our engagement outcomes: Below we outline our engagement, the timing of our asks, and the resulting outcomes.

Our Engagement: 1. Climate Change

Our asks:

We have engaged the company on its emissions management strategy and have recommended SBTi since 2021.
To note:

- **7-Jan-20 (Meeting):** Discussion of GHG emissions calculation methodology, fleet electrification
- **3-Dec-21 (Email):** We wrote to the company, requesting CDP disclosure and asking if they had considered setting Science-Based targets (SBTi). We had a follow up call on **16-Dec-21** and reiterated this request. We discussed fleet fuel emissions and asked for more information on actual emissions over and above fuel efficiency
- **28-Jun-22 (Meeting):** We asked for updates on emissions management strategy and any progress towards SBTi verification
- **16-Aug-23 (Meeting):** The company had indicated it wanted 'to 'work toward' an SBTi commitment in Oct-2022; here we noted our support for that and continued our climate change engagement, engaging on climate impact of operations, reiterating a need of a time-bound commitment for its 15% target, and raising our interest in Scope 3 emissions reductions.

Our Milestones

2 Milestones:

★★★
November 2022: Introduced a target to lower Scope 1 & 2 absolute carbon emissions by 15%.

★
November 2023: Made a formal, defined commitment to setting an SBTi emissions reduction target.

Note: We logged these Milestones following WCN's sustainability reports, published in October 2021, 2022, and 2023, respectively.

Further information and relevant IRIS+ metrics

WCN has disclosed it reduced 2022 carbon emissions (Scope 1&2) by 14%, and increased its absolute emissions reduction target from 15% to 30%. Absolute emissions disclosures (2022 calendar year):

- Scope 1: 4,812,957 MT CO_2e (IRIS+ OI4112, in MT CO_2e)
  - Reduction vs. 2021: 787,221 MT CO_2e (IRIS+ OI4862)
- Scope 2: 49,805 MT CO_2e (IRIS+ OI9604)
  - Reduction vs. 2021: 889 MT CO_2e (IRIS+ OI4862)

Our Engagement: 2. ESG Disclosures & Reporting

Our asks:

- Board diversity: We supported a shareholder proposal at WCN's May 2019 AGM for a formal diversity policy to be introduced. We discussed director diversity with the interim CEO in the lead up to the AGM (**14-May-19**)
- WDI: As investor supporters of the WDI (Workforce Disclosure Initiative by ShareAction), we engaged the company on this topic on **14-Aug-19 (formal Email)**, and during our **4-Nov-20 meeting**
- On Diversity: We specifically requested transparency on gender and ethnic diversity as part of our wider diversity engagement agenda with the company:
  - **7-Jan-20 (Meeting)**: asked for middle management diversity statistics
  - **4-Nov-20 (Meeting)**: Gave feedback on their diversity statistics disclosure and asked for a breakdown of gender and ethnic diversity at different ranks of management.

Our Milestones / Relevant KPIs and IRIS+ metrics

3 Milestones:

Our Milestones	Relevant KPIs and IRIS+ metrics
★★★ **October 2019**: Published a diversity policy, with a commitment for representation by women of 30% of independent Board members by 2020 and 30% of total Board members by 2030 (SDG 5.5)	☑ **Diverse representation policy** (IRIS+ OI9485)
★ **December 2020:** Informed us of participation in the Workforce Disclosure Initiative	☑ **WDI participation**
★ **January 2022:** Expanded breakdown of diversity disclosure in its sustainability report, by providing a breakdown of ethnic diversity for the workforce within top management and at Board level.*	**Diversity disclosures (October 2021 Sustainability report):** Female BoD: 25% (IRIS+ OI8118) Historically Marginalised BoD: 13% (IRIS+ OI6696) 18% Female (top) Managers (IRIS+ OI1571) 9% Historically Marginalised (top) Managers (IRIS+ OI8147)

Those engagements which have not yet led to any outcomes are not shown on this page. Note: KPIs are linked to IRIS+ metrics, where possible and relevant (disclosed by the GIIN). For more information please visit https://iris.thegiin.org/metrics/

Engagement case study: Bank Mandiri

mandiri

Bank Mandiri is a leading Indonesian bank with the capacity to extend financial services to a growing number of individuals and companies that have previously not had access to finance

Its revenues carry positive links to SDG target **8.10** primarily (regarding increasing access to finance) and SDG target **9.3** secondarily (regarding increasing access to finance for SMEs specifically)*. While Bank Mandiri has been open to engagement, progress was initially slow. However, they established a dedicated ESG team and introduced several new team members between 2022 and 2023. We have built a strong relationship with this team through engagement. We have recorded several Milestones across SDGs 5,12, 13 and 15. In fiscal year 2024 alone we achieved 9 of these Milestones.

Our engagement timeline
(since Strategy launch)

2019

09 May
Engagement (**Email**)

23 May
Engagement (**Meeting**)

May – 2 Milestones:
- Developed ESG risk management framework (**SDG 12.6**)
- Improved management and reporting of data security risks (**SDG 12.6**)

18 July
Collaborative engagement (**Meeting**)

16 August
Engagement (**Email**)

14 November
Engagement (**In-person meeting**)

2020

30 March
Engagement (**Meeting**)

01 November
Engagement (**Meeting**)

17 November
Engagement (**Meeting**)

30 November
Engagement (**Email**)

2021

31 March
Engagement (**Meeting**)

2022

18 January
Engagement (**Company consultation**)

07 Febuary
Engagement (**Meeting**)

10 November
Engagement (**Meeting**)

2023

March – 1 Milestone:
Set operational emissions target and TCFD reporting (**SDG 12.6**)

May – 1 Milestone:
Commitment to measure and disclose financed emissions **SDG 13.2**

09 May
Engagement (**Meeting**)

16 June
Engagement (**Collaborative call**)

04 July
Engagement (**Email**

August – 1 Milestone:
Set senior management gender diversity target **SDG 5.5**

18 August
Engagement (**Email**)

11 December
Engagement (**Email**)

December – 1 Milestone:
First disclosure to CDP (**SDG 12.6**)

2024

March – 6 Milestones:
- Updated plantation and palm oil sector E&S policy (**SDG 15.2**)
- Commitment to achieve net zero in financing by 2060 (**SDG 13.2**)
- Enhanced E&S due diligence (**SDG 12.6**)
- Enhanced sustainability reporting aligned to international standards (**SDG 12.6**)
- Disclosure of climate stress test outcomes (**SDG 13.2**)
- Disclosure and breakdown of financed emissions (**SDG 13.2**)

Note: Engagements shown exclude outreach requests (including survey requests, Carbon Disclosure Project request outreach) and votes against management letters for AGMs.
*17% of the company's revenues are neutrally mapped to the SDGs.

Engagement case study: Bank Mandiri

Our engagement outcomes: Below we outline our engagement, the timing of our asks, and the resulting outcomes.

Our Engagement: 1. ESG Disclosure and Transparency

Several of the recent Milestones are topics that we have directly been engaging with the company for several years, as outlined below. This highlights the importance of long-term approach to engagement focused on building up a strong relationship and trust with the company.

Sustainability reporting and disclosure has often been a topic of our engagement with Bank Mandiri. In our **23-May-2019** meeting we expressed support of the bank's new Sustainable Finance Action Plan but encouraged transparency and disclosure standards that allow investors to assess progress of the plan's implementation. During an in-person meeting on **14-Nov-19** we again encouraged transparency and disclosure on ESG risk management, and suggested this could be improved through closer alignment with international standards such as SASB (Sustainability Accounting Standards Board) and TCFD. As part of company's sustainability reporting consultation, which we responded to on **18-Jan-2022**, we highlighted areas for improvement and encouraged TCFD, CDP and WDI reporting.

18-Jul-2019 (collaborative meeting): Discussed progress on implementing sustainable banking practices in lending activities. Asked for a more explicit and stricter palm oil lending policy. Revisited palm oil financing in **17-Nov-2020** meeting, where we encouraged the company to adopt a No Deforestation, No Peat, No Exploitation (NDPE) policy. Followed up with an email on **30-Nov-2020** specifically to ask for the explicit inclusion of all elements of the NDPE approach in the palm oil lending criteria/policy, as well as the implementation of a specific timeline for all borrowers to obtain the ISPO certification that is required by Indonesian law. In an email sent on **04-Jul-2023**, we asked Bank Mandiri to commit to requiring all wholesale plantation sector clients to be certified to the national sustainable palm oil certification by 2025, and to require new wholesales clients to have a NDPE policy in place. Through engagement, it has been clear that the company is unwilling to move beyond government policy, so as a state-owned company we asked them to share our comments with the company's Board of Commissioners.

31-Mar-2021 (meeting): Encouraged the company to address its lack of gender diversity at senior executive level and to measure and report on gender pay gap issues. During a meeting held on **09-May-2023**, the Bank confirmed a 30% senior management gender diversity target – we encouraged them to disclose more information on their plans to achieve this. However, we have received very different responses from different members who we have engaged with on a senior management gender diversity target. In an email sent **04-Jul-2023** we cited this communication issue and requested further clarity, and in an email sent by the company on **18-Aug-23** they confirmed their gender diversity target.

09-May 2023 (meeting): Discussed the Bank's new sector-specific E&S risk policies, and asked for further information about the process for implementing these. During a collaborative engagement on **16-Jun-2023**, we asked about the implementation of their mining sector policy given the government down streaming efforts and some of the E&S risks that have been raised here. In an email sent on **04-Jul-2023**, we requested additional disclosure on the ESG sectoral policies and the specific criteria that they seek clients to meet to be eligible for financing.

Our Milestones

★★
August 2023: Set senior management gender diversity target (SDG 5.5)
IRIS+ Metrics:
Board of Directors: Female (OI8118)

★★
March 2024: Updated plantation and palm oil sector E&S policy (SDG 15.2)
IRIS+ Metrics:
Land Indirectly Controlled: Sustainably Managed (PI6796)

★★★
March 2024: Enhanced E&S due diligence (SDG 12.6)
IRIS+ Metrics:
Environmental Policies for Financial Services Clients (PD7932)

★★
March 2024: Enhanced sustainability reporting aligned to international standards (SDG 12.6)
IRIS+ Metrics:
Social and Environmental Performance Reporting (OI4732)

Our Engagement: 2. Climate change

07-Feb-2022 (meeting): Discussed the bank's development and implementation of its climate strategy, such as a net zero financed emissions pledge to align with Indonesia's net zero by 2060 pledge. We also discussed related transparency and disclosure such as TCFD and CDP reporting. Sustainable lending products and opportunities were also a topic of discussion, as well as progress on green bond issuance. We also encouraged responding to CDP as part of our participation in Bank Mandiri's sustainability reporting consultation, which we completed on **18-Jan-2022**.

10-Nov-2022 (meeting): We engaged on climate risk management and disclosure again, including on carbon emission calculations. While the bank agreed they would begin calculating Scope 1 and 2 emissions, they raised concerns around the challenges of Scope 3 emissions calculation. We recognized this and recommended the Partnership for Carbon Accounting Financials (PCAF), which has a standardised reporting structure. The bank noted that they would likely report against the TCFD in the next round of reporting.

09-May-2023 (meeting): Discussed climate risk management, including financed emissions disclosure plans and climate stress testing. On the latter, we asked for more information on the methodology and timeline for conducting this and whether the bank would consider disclosing the outcomes of this. We also discussed climate risk management again during a collaborative engagement call on **16-Jun-2023**, where we asked for further clarification on their commitment to measure and publish financed emissions. We also further discussed climate stress testing and scenario analysis, and how the bank measures and monitors physical climate risks and extreme weather events.

11-Dec-23 (Email): Ahead of the publication of the company's next sustainability report, we shared areas for improvement in their disclosure on climate risk management. We shared a TCFD of their peer and highlighted the detailed disclosure and breakdown of their financed emissions by sector, as well as their scenario analysis, as good examples to aim towards.

We see the recent Milestones around a commitment to achieve net zero financing by 2060 and the disclosure and breakdown of financed emissions as very significant progress, as they represent a recognition of the ESG risks and impacts associated with the company's financing activities, beyond just their operations. While we recognise that this will take time, we are hoping the company will have sectoral financed emissions targets in place by 2028 – we believe this is feasible, but the company are now waiting for the Indonesian government to develop their new decarbonisation strategy. We believe that this will support Bank Mandiri in providing capital driver Indonesia's low carbon transition.

Our Milestones

★
March 2023: Set operational emissions target and TCFD reporting (SDG 12.6)
IRIS+ Metrics:
Greenhouse Gas Emissions Scopes (OI5732 – Scopes 1 and 2); Social and Environmental Performance Reporting (OI4732)

★★
May 2023: Commitment to measure and disclose financed emissions (SDG 13.2)
IRIS+ Metrics:
Greenhouse Gas Emissions Scopes (OI5732 – Scope 3)

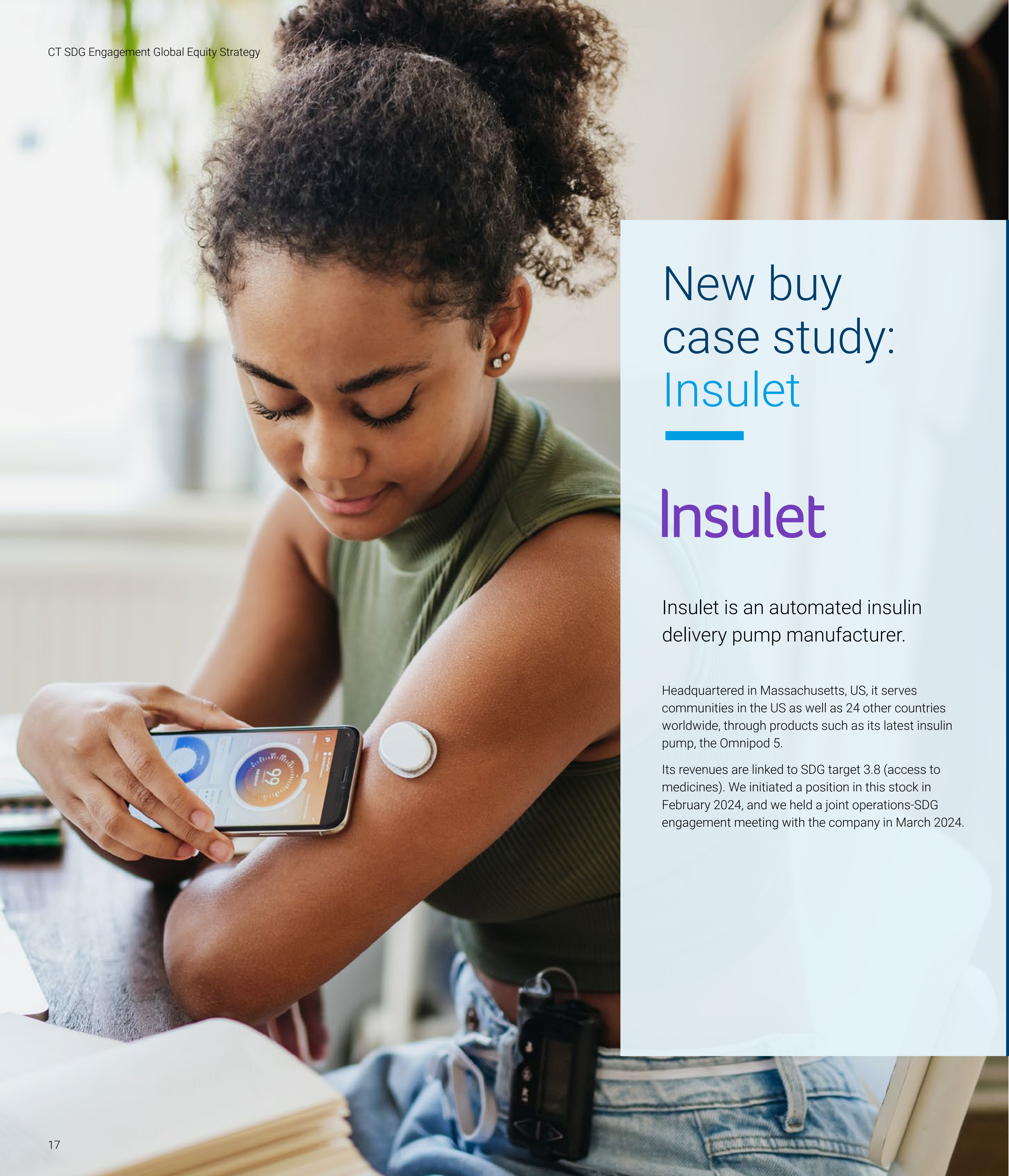
★
December 2023: First disclosure to CDP (SDG 12.6)
IRIS+ Metrics:
Social and Environmental Performance Reporting (OI4732)

★
March 2024: Commitment to achieve net zero in financing by 2060 (SDG 13.2)
IRIS+ Metrics:
Environmental Policies for Financial Services Clients (PD7932)

★★
March 2024: Disclosure of climate stress test outcomes (SDG 13.2)
IRIS+ Metrics:
Social and Environmental Performance Risk Assessment (OI9106)

★★★
March 2024: Disclosure and breakdown of financed emissions (13.2)
IRIS+ Metrics:
Social and Environmental Performance Reporting (OI4732)

Those engagements which have not yet led to any outcomes are not shown on this page. Two Milestones achieved in May 2019 are excluded, as the engagement to achieve these Milestones took place prior to Strategy launch. Note: KPIs are linked to IRIS+ metrics, where possible and relevant (disclosed by the GIIN). For more information please visit https://iris.thegiin.org/metrics/



New buy case study: Insulet

Insulet is an automated insulin delivery pump manufacturer.

Headquartered in Massachusetts, US, it serves communities in the US as well as 24 other countries worldwide, through products such as its latest insulin pump, the Omnipod 5.

Its revenues are linked to SDG target 3.8 (access to medicines). We initiated a position in this stock in February 2024, and we held a joint operations-SDG engagement meeting with the company in March 2024.

Investment thesis

- The Omnipod addresses a core need for patients with diabetes. Its pumps are easy to wear and tech-connected, removing the need for daily insulin injections.
- Insulet has a pay-as-you-go business model with a disposable pump, making it a more attractive long-term business model than legacy tubed pumps.
- The company has a runway for double digit % revenue growth as well as margin improvement potential.
- Insulet has been gaining market share in the US, with additional opportunity for geographical expansion.
- Insulet's R&D/Sales is robust at a high teens %; its Acton, MA, manufacturing facility illustrates its focus on automation to drive quality and efficiencies.
- Management have a variety of experience from firms like Thermo Fisher, MedTronic and ResMed. The top leadership team has been rejuvenated relatively recently (2022/2023, new CFO Q1 2024), which implies intention and a new energy to focus on growth and innovation.
- Shares have not fully recovered since spring 2023 ahead of the onset of GLP1 threat fears; additional share price drop post Q4 2023 earnings presented an opportune time to initiate a position at more attractive price.
- Despite its MSCI ESG 'AA' rating, there is an attractive sustainability engagement agenda with the company, particularly around SDG targets 12.5 (waste, especially given disposal of pumps), 12.2 (product lifecycle), and 3.8 (health access).

New buy case study: Insulet

SDG engagement analysis: The below details our engagement Objectives setting, as part of the Strategy's investment process:

1. 'Engageability': Governance Score: 4 / 4

Our governance analysts noted Insulet's classified board as a consideration.

2. 'Engageability': Engagement History

Existing access to management via Columbia Threadneedle Investments Fundamental Research team, as well as a previous engagement by our Responsible Investment team (January 2023) indicated a willingness by the company to be engaged.

3.a) Engagement Objectives: SDG targets

12.5 – Reduce waste through prevention, reduction, recycling and reuse (Core Objective):

- Insulet has rolled out takeback programmes in France, Canada, Germany and the UK, which is encouraging and forward-thinking. It lists the number of pods 'taken back' in 2022 at 5.8 million. It gives details around its processing in France (shredding, separation of ore materials), and notes that in Europe and Canada, pods are sent to waste-to-electricity facilities. It measures its takeback by Metric Tons, with 2022 being 150mt. In its 2022 Sustainability Report, Insulet indicates a willingness to develop its strategy: ''We look forward to evolving product takeback options as Insulet grows and considers novel recycling or material reuse processes based on local regulations and available services.''[1]
- However, in the US (the company's biggest market), its programme remains just a pilot in Massachusetts, which is slow moving. We believe our engagement with the company can push forward this programme on a timely basis, into something more established. This would include encouraging it to scale up the takeback programme and set targets, where applicable.
- Additionally, the company discloses waste diverted from landfill (%), and total waste generated on an office/manufacturing basis, but its waste management goals are indistinct; our engagement could help the company formalise waste management goals with target KPIs.

12.2 – Sustainably manage and make efficient use of natural resources (Core Objective):

- We also intend to focus on the broader product design, and lifecycle management. In its 2022 Sustainability Report, Insulet indicates it has a level of awareness on this subject[2], and provides some information on product design and its packaging redesign process.
- From this base, we intend to encourage Insulet to develop a robust, comprehensive product lifecycle management strategy; as part of this, we would share peer examples from other healthcare companies.

3.8 – Access to medicines and health-care (Core Objective):

- Access and affordability is a key opportunity for Insulet. Diabetes is a global health problem with numbers of patients increasing.
- In 2022, 73% of Insulet's sales were based in the US, and 28% were International. In its 2022 Sustainability Report, Insulet noted it sold its pods in 24 countries, but most of these are developed countries. We intend to discuss whether it sees a growth opportunity in emerging markets, as diabetes is prevalent in low-and-middle-income countries
- In general, whilst Insulet considers 'Affordability and Accessibility' a key material topic, and provides some information in its 2022 Sustainability Report, we intend to encourage the company to develop an access strategy that lays out specifically how they aim to address health gaps, particularly in underserved populations (both within developed markets and in emerging markets).

Secondary Objectives:

10.2 – Empower and promote inclusivity for all

6.4 – Increase water-use efficiency to address water scarcity

13.2 – Integrate climate change plans into policies and strategies

3.b) Engagement Objectives: KPIs and initial timing of our expectations

12.5:

- 1) Part 1: Initially, disclose more information on its takeback operations: disclose not only units received in takeback, but information on items refurbished, parts-reused, and recycled components. Disclose this information, broken down by US, Canada, Europe.
- Part 2: Set a 2030 metric tons target/goal of waste processed in takeback programmes globally (to be determined post first few engagements).
- 2) Set forward-looking reduction targets on different waste streams, e.g. metric tons generated, and report accordingly.

Timing: 2024 Sustainability Report (due May 2025; Part 1); 2025 Sustainability Report (due May 2026; 1-Part 2 and 2).

12.2:

- Develop a product lifecycle management strategy, with KPIs.

Timing: by 2025 Sustainability Report (expected May 2026).

3.8:

- Develop an access strategy.

Timing: by 2025 Sustainability Report (expected May 2026).

3.c) Strength of Agenda: Good

Source: Columbia Threadneedle Investments as Q1 2024. Subject to change. This does not constitute a recommendation to buy or sell any particular security. Full engagement agenda available upon request.

[1] Source: Insulet 2022 Sustainability report, 1-May-2023, page 33;

[2] Source: Insulet 2022 Sustainability report, 1-May-2023, page 31-32.

Sustainability metrics

Discover how the Strategy's sustainability metrics have changed over the past four fiscal years since we began reporting this data, as well as how the Strategy ranks relative to its new benchmark as at 31 March 2024.

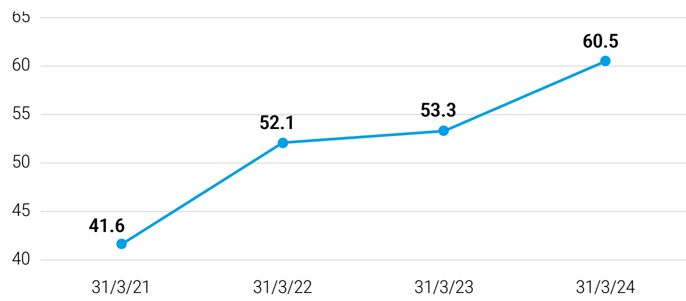
Labour standards and Diversity & inclusion

Here we focus on executive pay ratios and gender diversity.

As the charts demonstrate, the Strategy's executive pay ratio has increased – and therefore worsened – since we began reporting this data, while the percentage of female directors has increased, thereby improving. As at the end of the Strategy's fifth fiscal year, the Strategy underperforms the benchmark on executive pay but outperforms on board-level gender diversity. During the year, we continued to engage **ComfortDelGro** on enhancing its executive performance disclosure. Meanwhile, we were pleased to learn that **Tractor Supply Co** now pays above minimum wage across direct operations. We have previously engaged on this topic, encouraging the company to move toward at least a $15 minimum p/h wage for all direct employees. On board-level gender diversity, we are pleased to see that 24 companies now have at least one-third female representation on their boards. We also recoded several Milestones related to our previous engagement: **Waste Connections** achieved 30% female representation on its board, while **Makita** added its first female board member. **Cognex** enhanced its workforce gender diversity disclosure, reporting the breakdown of the percentage of its global workforce and the percentage of global management by gender, while **Bank Mandiri** set a target to enhance senior management gender diversity to 30%.

Executive pay

CEO pay relative to average employee compensation

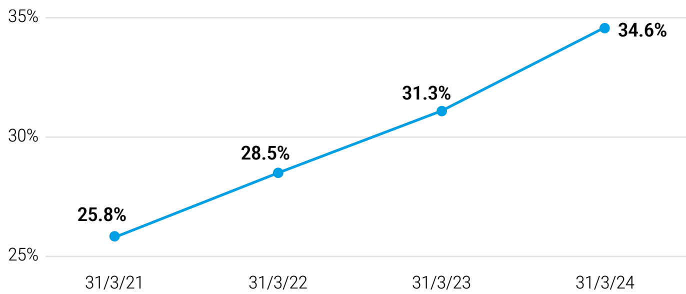


Benchmark as at 31-Mar-24: 54.7x

Source: Impact Cubed, as at 31-Mar-24.

Gender

% female directors on company board



Benchmark as at 31-Mar-24: 29.7%

Source: MSCI ESG, as at 31-Mar-24.

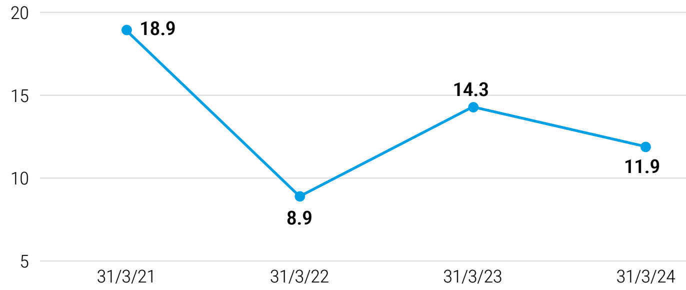
Circular economy

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

As the charts demonstrate, the Strategy's waste intensity has reduced since we began reporting this data, while its water intensity has increased. As at the end of the Strategy's fifth fiscal year, the Strategy outperforms the benchmark on both metrics. Aside from waste management companies such as **Veolia** and **Waste Connections**, **Smurfit Kappa** is among the largest contributors to the Strategy's waste intensity. While the company's packaging solutions help prevent waste generation, its involvement in paper recycling impacts its overall waste metrics. Encouragingly, during 2023 the company reduced its waste sent to landfill from its mill system by 35.8% from 2013 levels, ahead of its target to decrease this by 30% by 2025. We note that **Veolia** is also one of our most water-intensive holdings. We will look to engage the company on water and water scarcity going forward. During an engagement with water solutions provider **Xylem**, we learnt that the company is investing in Water, Sanitation and Hygiene (WASH) initiatives, targeting access to WASH for 20 million people by 2030. The company stated that while social initiatives such as this do not necessarily drive short-term returns, their benefits in social impact, recruitment and potential commercial opportunities make them strategically valuable over a longer time horizon.

Waste intensity

Tonnes of solid waste generated to create $1m revenue

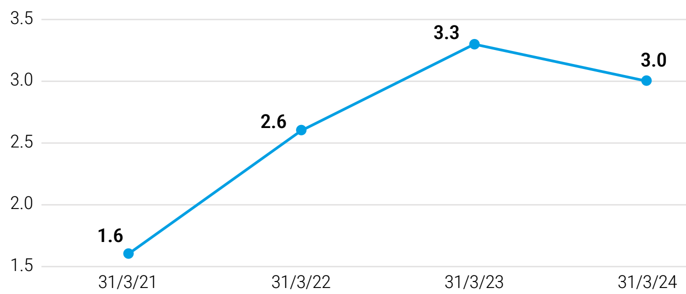


Benchmark as at 31-Mar-24: 460.9

Source: Impact Cubed, as at 31-Mar-24.

Water intensity

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



Benchmark as at 31-Mar-24: 18.5

Source: Impact Cubed, as at 31-Mar-24.

Climate change: getting to net zero

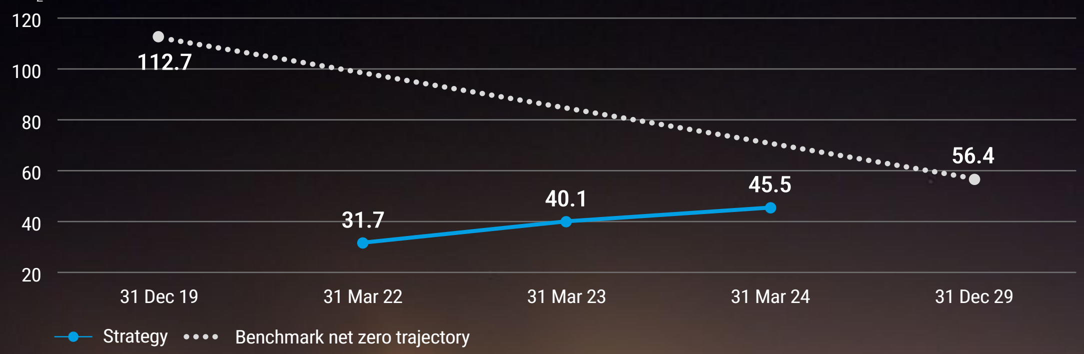
During the Strategy's fifth fiscal year, we continued to implement our net zero by 2050 commitment. The **methodology** we use to implement our net zero commitment is based on the Net Zero Investment Framework, developed by the Paris Aligned Investment Initiative. The focus of our approach is on real-world change, engaging investee companies to encourage improvement in their own alignment to a net zero future.

We compare the Strategy's overall carbon footprint[4] (Scope 1 & 2 emissions) with a net zero aligned trajectory, based on taking the benchmark's end-2019 carbon footprint, and applying a 50% reduction by end-2029. Due to the limitations of looking at Scope 1 & 2 emissions in isolation, we view this data as a way to track progress rather than as a target, and hope to see these measures reflect real-economy emissions cuts as our issuers take action.

As the chart demonstrates, the Strategy's carbon footprint is already lower than its benchmark's trajectory for 2030, despite increasing again from the previous fiscal year. This metric is subject to 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** remains the largest contributor to the Strategy's carbon footprint, followed by packaging company **Smurfit Kappa** and flooring company **Mohawk Industries**.

The Strategy's net zero trajectory

CO_2e/\$m invested



Source: Columbia Threadneedle Investments and MSCI ESG, 31-12-23. Data for the Strategy dates back to when we began reporting. Strategy figures for 31-Dec-22 and 31-Dec-23 use our company-wide Task Force on Climate-related Financial Disclosures (TCFD) system data. All previous figures are derived from our previous Responsible Investment impact reporting system.

[4] Financed emissions intensity, expressed as tonnes of CO_2 emitted per $m invested

Companies' net zero alignment

We use a selection of data sources to rate companies on their alignment to a net zero pathway including their targets, strategy, governance, and disclosure around net zero. This enables us to analyse portfolios and identify issuers in need of engagement.

Alignment status of portfolio companies by percentage weight of portfolio

3%

Aligned

Companies that have specific commitments, targets, and a clear strategy in place to meet net zero objectives by 2050 or sooner.

Examples: Shimadzu

39%

Aligning

Companies that are progressing towards implementing sufficient commitments and targets to progress toward a net zero future.

Examples: **Veolia**, **Smurfit Kappa** and **Mohawk Industries**

19%

Committed

Companies that have committed to net zero by 2050 or sooner but have not yet set a pathway or strategy to achieve their goals.

Examples: **ComfortDelGro**, **Waste Connections** and **Americold Realty Trust**

24%

Not aligned

Companies that do not meet minimum expectations on climate strategy.

Examples: **A.O. Smith**, **Clicks Group** and **Encompass Health**

15%

Not assessed

Companies that are not rated in the model. This includes financials and companies that are small and/or in sectors where climate change is less material.

Examples: **Bank Mandiri**, **Kasikornbank** and **ICON**

Source: Columbia Threadneedle Investments, as at 31 December 2023

32 companies engaged on climate change during the fiscal year

We had two climate-related engagements with **Veolia**, the largest contributor to the Strategy's carbon footprint. We initially spoke with an independent consultant the company has appointed to assess its ESG priorities. We reiterated that our priorities for Veolia are improved disclosure of coal phase-out (including its Chinese assets) and reducing landfill methane emissions. We emphasised that Veolia's Scope 3 strategy lags peers and that the company needs a more evolved strategy on biomass. Later in the fiscal year, we had an in-person meeting with members of Veolia's Investor Relations team and CFO. The company have set a more ambitious Scope 1 and 2 emissions reduction targets, as well as submitted a new Scope 3 target to SBTi. They have also published a new climate report, with significantly more detail on their coal phase-out plans in Europe, and some additional information in China, as well as their broader strategy towards their 2030 emission targets. We felt that it was important to highlight our support for this, as this is something we have been engaging with them on. Elsewhere, we encouraged **Acuity Brands** to report in line with the TCFD, to better explain this risk/opportunity lens, and expressed our preference for **Americold Realty Trust** to commit to SBTi net zero targets as the gold standard.

18 climate-related Milestones achieved

The following three Milestones all aligned with:

13 CLIMATE ACTION

Target 13.2 – Integrate climate change plans into policies and strategies

Smurfit Kappa ★

Improvement in decarbonisation strategy disclosures

The company has provided more details on its scenario analysis and improved the detail provided on its net zero transition plan. These have been focus areas for our engagement over the past two years, and we will continue to advocate for further improvements moving forward.

Bank Mandiri ★★

Commitment to measure and disclose financed emissions

Following engagement, the company clarified wording in their previous sustainability report. The wording highlighted that they would look to measure Scope 3 emissions from the 'logistics of lending over Rp100 billion'. They confirmed that they have committed to measure and disclose the emissions associated with their lending and investment activities between 2023 and 2025. Financed emissions disclosure is an important climate risk metric. We have engaged with the company several times requesting this disclosure.

Veolia ★★★

Enhanced decarbonisation strategy

The company published their new sustainability strategy, alongside a first stand-alone climate report. The climate report provided significantly enhanced disclosure of the breakdown of their emissions by Scope and category, as well as by business unit. Within this, they disclose the key levers that they will use to meet their emissions targets within each Scope and business unit, as well as disclosing some information on the CapEx they will allocate to meet this. This is a significant improvement on previous disclosures, and provides strong reassurance over their climate strategy. We have engaged with the company on this, requesting additional disclosure on a call with the company and then also by following up over email.

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 2024 survey to 40 of our investee companies. While we had 44 holdings as at 31st March 2024, we only bought **Cooper Companies** and **Insulet** in early 2024 and have since sold **Tecan** and **Genus**, so we excluded these four names from the survey. **63%** of investee companies responded to the survey, up from 60% last year. As ever, we will use the survey responses to deepen and focus our engagement agendas with our investee companies.

Survey highlights

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 SDGs selected overall.

64%	13 Climate Action
52%	7 Affordable and Clean Energy
48%	12 Responsible Consumption and Production
44%	5 Gender Equality
40%	8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure

How has our engagement helped?

68%	Developed greater internal buy-in for addressing the environmental and social issues we have raised
44%	Driven change within the organisation
28%	Other (see below)
12%	Implemented a new policy around specific SDGs and/or their underlying targets
8%	Driven change within your supply chain

'Other' responses:

- *Higher ESG scores.*
- *Made us more aware that we should communicate better on what we are doing in ESG.*
- *Enquiries raised by Columbia Threadneedle often coincide with existing ESG queries from rating agencies and other investors, reinforcing the importance of topics already brought into focus for further management buy-in.*
- *Good to get feedback from key investor on our progress and plans.*
- *Reinforces the work already underway in this area and helps to ensure alignment with best practice.*
- *I enjoy our conversations and engagement, from which I have learned a lot and shared with our team.*
- *Current focus in on preparation for Corporate Sustainability Reporting Directive (CSRD) / European Sustainability Reporting Standards (ESRS) reporting.*

A focus on net zero

As an asset manager, we have an ambition to achieve net zero emissions by 2050 or earlier with respect to our assets under management, subject to direction by our clients on a portfolio-by-portfolio basis. Within the Strategy, we encourage our investee companies to adopt business strategies which are consistent with a net zero emissions future. In light of this, we used our survey to gather the following information:

32% of respondents have set interim net zero targets which they see as consistent with a net zero emissions future. **28%** of respondents have set a net zero target which they see as consistent with a net zero emissions future. **16%** of respondents have set both a net zero and interim net zero targets which they see as consistent with a net zero emissions future. **16%** of respondents have not set a net zero target but are considering this. **8%** of respondents have not set a net zero target and are not currently considering this.

And of those respondents that have set net zero targets:[5]

37% set out a transition plan in standalone reporting (such as TCDF or a Transition Plan report). **37%** do not currently report a transition plan but are considering this. **16%** publish a transition plan in both standalone reporting as well as integrating this into their financial reporting. **11%** publish their transition plan in their main financial reporting only.

[5] Percentages derived from the 19 respondents who indicated they have set net zero targets.

Assessing the quality of our engagement

A particularly insightful question in our survey is "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. The results are below, and we note that no companies rated our engagement as Poor. Meanwhile, **44%** rated our engagement as strong, **52**% as Good, and **4%** as Adequate.

We also asked companies to provide qualitative feedback on our engagement, including on how we could improve, to help us improve our engagement with investee companies going forward. See examples below:

Bank Mandiri

Engagement assessment: Strong

Feedback: "Columbia Threadneedle has actively engaged with us and provided valuable feedback on our sustainability journey. Most importantly, they have shared insights from best practices."

How we could improve: "To drive further change, conducting in-depth research on emerging markets focusing on thematic topics such as biodiversity, the Taskforce on Nature-related Financial Disclosures (TNFD), blue carbon, etc would be highly beneficial. These areas are becoming increasingly significant in the ESG landscape and understanding their implications can help us better navigate and contribute to sustainable development."

ComfortDelGro

Engagement assessment: Good

Feedback: "The engagement questions were helpful indications on whether our actions are aligned to investor expectations, and reinforces existing gaps highlighted by ESG rating agencies. However, further guidance can be given on these expectations for better understanding."

How we could improve: "Provide more guidelines to investor expectations, including definitions."

NetApp

Engagement assessment: Strong

Feedback: "You have a good understanding of our business and areas material to us. The dialogue and your recommendations are meaningful and relevant to us and our industry. The willingness to engage is very appreciated."

How we could improve: "Continue to engage in discussion."

Rotork

Engagement assessment: Strong

Feedback: "The team has achieved the right balance of requesting the necessary information while minimising the impact on the Rotork IR and ESG team's time."

How we could improve: "Keep doing what you are doing!"

Shimadzu

Engagement assessment: Strong

Feedback: "Questions and opinions raised especially about quantifying our contribution to society and the environment made us prepare a better internal accounting system in a timely manner, while we were still in the preparation phase."

How we could improve: "We look forward to your engagement with integrated report and other materials."

Waste Connections

Engagement assessment: Strong

Feedback: "We appreciate the feedback that you have provided. ESG-related reporting is constantly evolving and Columbia has been a solid partner in the past to help WCN understand what is important to you and other investors."

How we could improve: "Continue to support our sustainability-related objectives and targets."

Xylem

Engagement assessment: Good

Feedback: "Generally good questions that help us inform our disclosures for sustainability."

How we could improve: "Transparency on what data points are used and how they are used. Provide benchmarking rank for our company."

Zebra Technologies

Engagement assessment: Strong

Feedback: "Your team asks excellent thought-provoking questions."

How we could improve: "No change needed, in my opinion."

ZOZO

Engagement assessment: Good

Feedback: "International standards, overseas standards, and suggestions and advice."

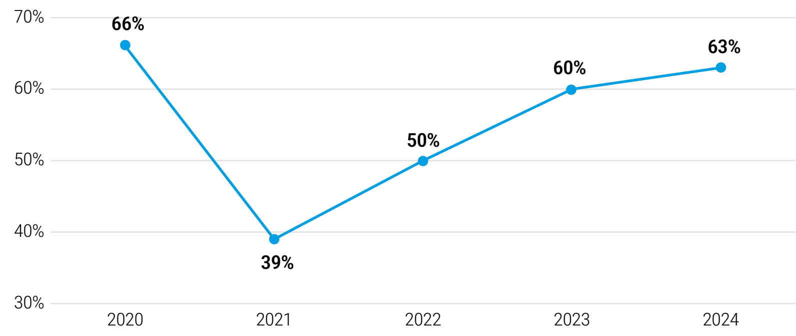
How we could improve: "We would like you to understand our company's services, business model, and characteristics more thoroughly, and provide advice incorporating examples of how other companies in the same industry are responding."

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

SDG company survey response rate



The average response rate over the past five years is 56%.

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 consistently scored the highest every year, averaging **68%**.

SDG 5 – Gender Equality – has an average of **50%** of respondents selecting it over the past four years we have asked this question.

SDG 7 – Affordable and Clean Energy – has changed in importance/relevance to respondents during the years we have run our survey. When we began asking this question in the second fiscal year, it did not rank among the top 5 SDGs chosen by respondents, and has only appeared in the top 5 since the third fiscal year. During this time, it has averaged at **53%**. It dropped in importance from **60%** in the previous fiscal year to **52%** in the fifth fiscal year.

Assessing how our engagement has helped

Over the past five 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.

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.

Our decision to sell results from a combination of our fundamental investment analysis, valuation, an understanding of the progress we have made in our engagements to-date, our ongoing access to the company, and the incremental future opportunity still left to engage – when we feel one (or a number of) these areas has degraded materially, we will sell our position.

Companies sold during fiscal year ending 31-Mar-24

Company name	Sell date	MSCI rating at time of sale	Reason for divestment
Dali Foods Group	Fiscal Q1 2024	BBB	A growing reluctance to engage with us, culminating in Dali taking itself private, but we sold before that juncture.
Vitasoy	Fiscal Q2 2024	A	Competitive pressures in soy milk categories from mainland China players structurally impaired Vitasoy's growth potential.
International Flavors & Fragrances	Fiscal Q2 2024	AA	Sold out after multiple profit warnings – we chose to redeploy to other engagement target companies.
Umicore	Fiscal Q2 2024	AAA	Investment thesis was under severe competitive pressure from Asian EV battery materials manufacturers.
Win Semiconductors	Fiscal Q2 2024	A	Willingness to be engaged fell short of our initial assessment.
Daiseki	Fiscal Q4 2024	BBB	Having achieved a good amount of progress, and with valuations now more fair, we saw better new opportunities within Japan.

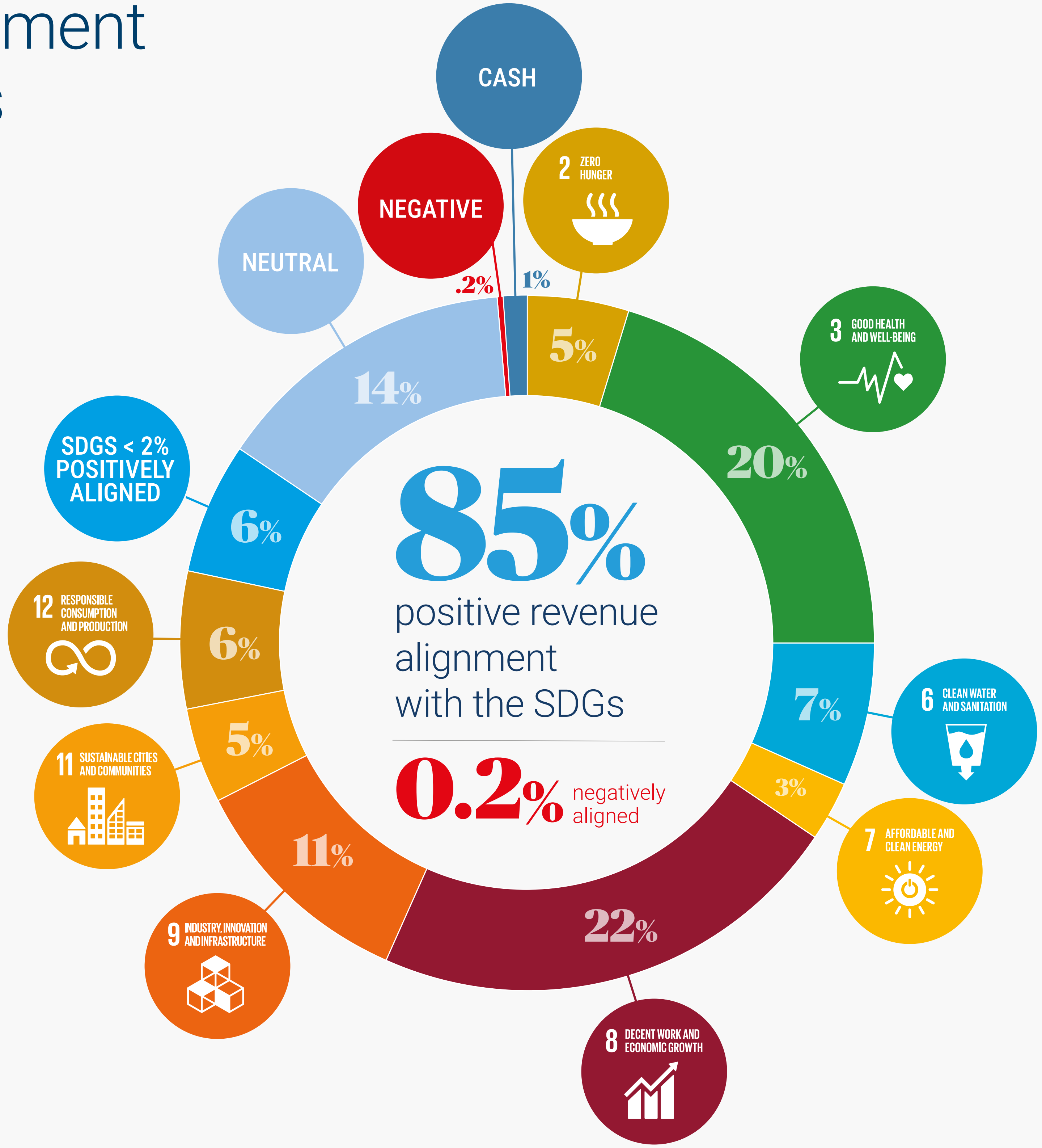
Among these companies sold, we completed three engagements during fiscal 2024 and logged one Milestone (**Win Semiconductors**), up to the date of their divestments from the Strategy. These figures are not included in our engagement and milestones statistics provided on p4.

Revenue alignment with the SDGs

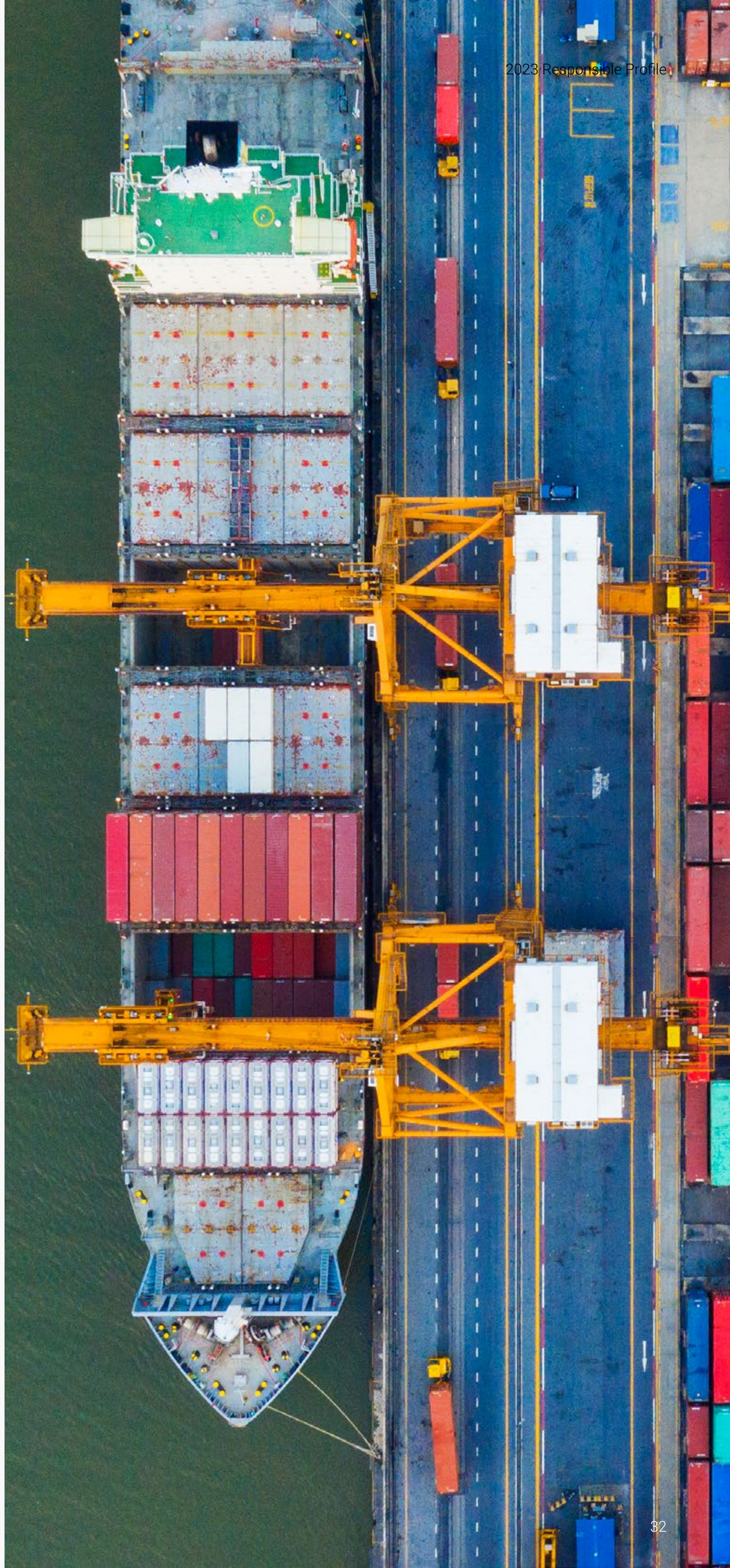
We developed our SDG revenue mapping tool in 2016 and have been reviewing and enhancing our methodology and its use cases since.

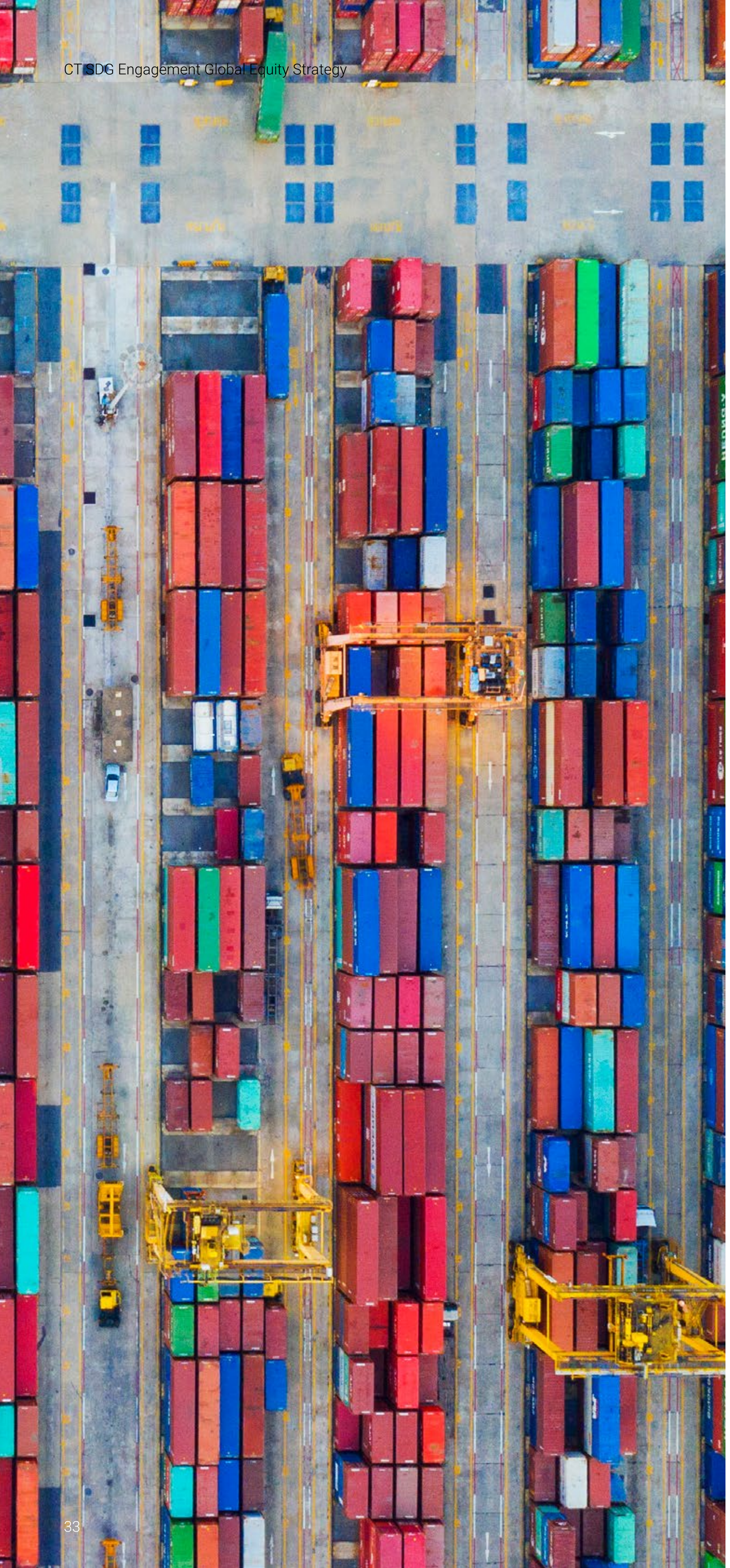
Rather than simply mapping how companies align with the 17 goals, our model considers the underlying targets, giving us a far more granular view of companies' alignment.

Our model uses revenue data from FactSet, and we overlay our methodology on top. We analyse the individual revenue streams of portfolio holdings and identify whether the products and services in those business segments have links to the SDG targets. We map the revenue lines to the targets as positive, neutral, or negative.



Source: Columbia Threadneedle Investments, as at 31st March 2024, designed for illustrative purposes, subject to change.





Assessing our alignment at 31 March 2024 (fiscal year end)

20%

positive alignment with SDG 3 – Good Health and Well-being.

3 GOOD HEALTH AND WELL-BEING

Examples that align with target 3.8 – access to medicines and healthcare:

ICON is a clinical research organisation that provides outsourced consulting and outsourced development and commercialisation services to pharmaceutical, biotechnology, medical device and government and public health organisations.

Encompass Health provides inpatient rehabilitation for a range of neurological and orthopaedic conditions, such as strokes, brain injuries and hip fractures.

Insulet develops, manufactures and sells its continuous insulin delivery system, for people with insulin-dependent diabetes.

22%

positive alignment with SDG 8 – Decent Work and Economic Growth.

8 DECENT WORK AND ECONOMIC GROWTH

Examples that align with target 8.2 – achieve greater productivity through innovation:

Cognex provides machine vision products and solutions used in manufacturing automation.

Descartes provides technology solutions for logistics and supply chain management.

NetApp provides unified data storage, integrated data services, and cloud operations solutions to improve data infrastructure.

14%

neutral alignment with the SDGs.

Our SDG mapping methodology still has some limitations that can prevent us from recognising all the ways in which companies contribute to the SDGs. Examples where we have assigned neutral mappings to the SDGs include:

Most business lines of e-commerce company **ZOZO**, which operates internet shopping websites.

Clothing company **Kontoor Brands**.

Tractor Supply Company, which operates retail stores for recreational farmers and ranchers in the US.

0.2%

negative alignment with the SDGs.

Our analysis also identifies 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. Whilst the Strategy screens remove many such companies, we did still identify some small negative links. Similar to last year, this includes ComfortDelGro's car rental business, which negatively aligns with SDG target 13.2 – integrate climate change plans into policies and strategies.

SDG revenue alignment breakdown

Positive alignment:	**85%**
SDG 2: Zero Hunger	**4.9%**
2.1 End hunger and ensure access to safe and nutritious food	2.7%
2.4 Implement climate-resilient and sustainable food production	2.2%
SDG 3: Good Health and Wellbeing	**20.2%**
3.3 End AIDS, TB, malaria and other water-borne and communicable diseases	2.0%
3.6 Halve deaths and injuries from road traffic accidents	0.8%
3.8 Access to medicines and health-care	15.4%
3.9 Reduce deaths and illnesses from pollution	2.0%
SDG 6: Clean Water & Sanitation	**6.8%**
6.1 Achieve universal access to safe & affordable drinking water	0.1%
6.3 Improve water quality by reducing pollutio	0.8%
6.4 Increase water-use efficiency to address water scarcity	5.9%
SDG 7: Affordable and Clean Energy	**2.8%**
7.3 Double the global rate of improvement in energy efficiency	2.8%
SDG 8: Decent Work and Economic Growth	**22.1%**
8.2 Achieve greater productivity through innovation	13.6%
8.10 Increase access to finance	8.5%
SDG 9: Industry, Innovation and Infrastructure	**10.7%**
9.1 Develop resilient and sustainable infrastructure	3.2%
9.3 Increase access to finance for SME's	3.6%
9.4 Upgrade and retrofit industries to increase sustainability	3.8%
SDG 11: Sustainable Cities and Communities	**4.7%**
11.2 Provide access to safe and affordable transport systems	1.4%
11.6 Reduce the negative environmental externalities of cities	3.3%
SDG 12: Responsible Consumption and Production	**6.4%**
12.3 Halve global food waste at the production and consumer level	2.4%
12.4 Manage chemical usage and waste throughout their life cycle	1.2%
12.5 Reduce waste through prevention, reduction, recycling and reuse	2.8%
SDGs <2% positively aligned	**6%**
Neutral alignment	**14%**
Negative alignment	**0.2%**
SDGs <2% negatively aligned	0.2%
Cash	**1%**

Our Strategy at a glance

Discover our Strategy holdings and weights, as at 31st March 2024.

	Strategy weight
NetApp	3.7%
Smurfit Kappa	3.4%
Bank Mandiri	3.1%
Veolia	3.0%
Xylem	3.0%
Halma	2.9%
Acuity Brands	2.9%
Idex	2.9%
ICON	2.8%
WEX	2.8%
Kerry Group	2.8%
Waste Connections	2.7%
Cognex	2.7%
Shimadzu	2.6%
A.O. Smith	2.6%

	Strategy weight
Rotork	2.6%
Tractor Supply Company	2.5%
Mohawk Industries	2.5%
Wolters Kluwer	2.4%
Steris	2.4%
DNB	2.4%
Zebra Technologies	2.4%
Kontoor Brands	2.4%
Hoya	2.2%
Cholamandalam Investment & Finance	2.1%
Lastertec	2.1%
Cooper Companies	2.1%
Unicharm	2.0%
Japan Exchange Group	1.9%
Kubota	1.9%

	Strategy weight
Mettler-Toledo	1.9%
Encompass Health	1.8%
Tecan Group	1.8%
ZOZO	1.7%
ComfortDelGro	1.6%
Insulet	1.6%
Descartes	1.6%
Kasikornbank	1.6%
Clicks Group	1.5%
Makita	1.3%
Aptiv	1.3%
Americold Realty Trust	1.3%
Mowi	1.2%
Genus	0.7%
Cash	1.3%

Source: Columbia Threadneedle Investments, State Street, as at 31-Mar-24

Engagement progress profiles

Each fiscal year, we work together with our Responsible Investment analysts to engage each investee company in the Strategy. Discover an overview of this engagement during the reporting period of 1st April 2023 to 31st March 2024.

A.O. Smith

Industrials, United States, 2.6% 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 a discussion in early 2024, A.O. Smith's Head of ESG reported that key focus areas for the company include setting longer-term greenhouse gas reduction targets beyond 2025, though cost-effective abatement potential is declining, necessitating capital investment tradeoffs. Other priorities include improving energy efficiency and expanding ESG disclosures (including CDP, TCFD and SEC preparations), while also making preparations to integrate climate into data collection systems. Regional expansion plans in India and China also consider efficiency and sourcing emissions, but we think that watching how expansion impacts the ESG strategy is important. More US investors are taking interest in the company's ESG performance. Overall, A.O. Smith are at the start of their ESG journey and lag peers on disclosure – and we will continue to engage on improving their outward facing ESG story.

Acuity Brands

Industrials, United States, 2.9% 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.	In early 2024 we spoke to the CFO, Governance SVP and IR representative of Acuity Brands about the company's new Earthlight report, its recently approved SBTi target, and its disclosure around D&I. Acuity have made great progress on their ambition and disclosure since we started engaging with the company. In particular the company's climate strategy is strong, as its products lend themselves naturally (more efficient lighting) to increased regulatory pressures for efficient housing. We encouraged the company to report in line with the TCFD, to better explain this risk/opportunity lens. We also encouraged the company to set clear D&I targets for increasing people of colour and women in leadership roles.

Milestones achieved: 1

13 CLIMATE ACTION

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

In November 2023, Acuity reported in their EarthLight report that they have had their climate targets approved SBTI. We have previously engaged with the company on setting an SBTi target as part of its climate strategy.

Americold Realty Trust

Real Estate, United States, 1.3% 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.	During FY24, we spoke with the Inevestor Relations and ESG teams about Americold's climate change strategy. The company is lagging peers in disclosure; however, it has made significant improvements in its ESG strategy since its public listing five years ago. The company has submitted a letter of intent to the SBTi; however, it is unsure if it will fully commit to SBTi targets, or pursue its own 'pragmatic option'. We expressed a preference for SBTI targets, as it is the gold standard. Regardless, Americold state they will publish their first GHG emissions targets in FY24. We also expressed a concern that it has not yet committed to expanding its ESG initiatives to joint ventures. Management state that they will consider this.

Aptiv

Consumer discretionary, Ireland, 1.3% 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.	We had two calls with Aptiv in FY24. We met the CEO and CFO in person in New York, to discuss the firm's decarbonisation and sustainable sourcing approach. We encouraged the company to set a clear target for reducing its upstream Scope 3 emissions. This will be a clear requirement for Aptiv to fulfill its commitment to set a science-based target, and is increasingly a focus area for OEM customers. We also asked the company to outline a more evolved strategy for reducing emissions in its upstream supply chain, and encouraged Aptiv to strengthen its TCFD reporting. We saw good improvements in Aptiv's TCFD reporting, with quantified risk disclosures in its CDP report. However, Aptiv has not yet produced a detailed climate transition strategy that meets our expectations, and we continue to look for improvement on sustainable sourcing management systems and circular economy.

Our approach to conducting engagement is to use constructive, confidential dialogue, typically interacting one-to-one with companies and building a relationship of trust.

Bank Mandiri

Financials, Indonesia, 3.1% weight

Company description	Engagement summary
A leading Indonesian 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 six times during FY24, which included two calls with the company's Head of ESG. Gaining access to the Head of ESG for engagement dialogue has been a posiitve development during the year, and we have now started to see some engagement progress and have recorded several milestones. Climate risk management has been an area of engagement. The company initially confirmed that they have now measured the emissions associated with their lending and investment activities, and disclosed to the 2023 CDP climate questionnaire for the first time in FY24. Following a request for further clarity on diversity, the company confirmed that they have set a target to enhance senior management gender diversity to 30%. They have also enhanced their environment and social due diligence process, now publishing much clearer standalone sectoral E&S policies for 12 sectors. Despite this, as a state-owned enterprise, their progress appears to largely be driven by regulation. We have thereofore looked to share our broader engagement Objectives and have conversations with the Board of Commissioners. We will continue to focus on this approach, and look to encourage the company to disclose more information on their strategy to reduce financed emissions.

Milestones achieved: 9

SDG target 5.5 – Ensure full equality of opportunity for women, including at leadership levels ★★

The company confirmed in writing that they had set a target to enhance senior management gender diversity to 30%. This is an important step for the company to enhance decision-making at senior management level and to promote diversity throughout the organization. We have engaged with Bank Mandiri several times on this topic.

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

★★★

The company have provided significantly improved E&S due diligence disclosures and enhanced their process for conducting this due diligence. In their latest sustainability report, they highlight that they have expanded their sectoral E&S credit policies to 7 new sectors, now covering a total of 12 sectors. They have also significantly increased the level of disclosure in these policies, providing more detail on the scope of clients and activities included in the policy, more granularity on the specific E&S criteria that they assess for each sector and whether these are requirements or encouraged. They have also enhanced the disclosure of the process for conducting this due diligence. We have engaged a number of times with the company on their E&S due diligence, with an initial focus on the palm oil and coal policies. Most recently we re-iterated our engagement Objectives to the company highlighting that we would like to see more detail disclosure of their E&S due diligence process and policies.

★★

The company's latest 2023 sustainability report represents a significant improvement on previous reports. The latest report is well aligned with the GRI standards, SASB, and in particular this report is more aligned with the TCFD recommendations. This alignment was less obvious in previous sustainability reporting. We have engaged several times with the company on the need to enhance their ESG reporting and more closely align with international standards.

★

For the first time, Bank Mandiri have responded to the CDP climate questionnaire. This is positive as we have been engaging with BMRI on this issue for several years. We initially engaged with the company in October 2020, where they highlighted that they were looking into this. We engaged several times on this issue, as part of our broader climate risk management engagement. This is another milestone towards enhanced climate risk management, and we are expecting them to disclose financed emissions in their next sustainability report in Q1 2024.

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

★★★

Bank Mandiri have disclosed the absolute financed emissions associated with their lending activities, broken down by sector and also by financing activity/asset class. This shift to go beyond operations and include financing is an important step in managing climate risk, and is an area we have engaged with the company on several times. They highlight that this covers 44% of their loan book and that this is aligned with the Partnership for Carbon Accounting Financials (PCAF) methodology.

★★

Bank Mandiri's latest sustainability report includes significantly enhanced disclosure of the process for conducting climate stress testing of their loan book, as well as their climate scenario analysis. This includes the process for conducting this, the scenarios used, and the implementation of these to assess potential transitions and physical climate risks. The bank also disclose how they have assessed flood and forest fire risk in Indonesia, but provide less info on how they are using this assessment. This is an important part of effective climate risk management, and we have engaged with the bank a number of times on this.

★★

Following engagement, the company clarified wording in their previous sustainability report. The wording highlighted that they would look to measure scope 3 emissions from the 'logistics of lending over Rp100 billion. They confirmed that they have committed to measure and disclose the emissions associated with their lending and investment activities between 2023 and 2025. Financed emissions disclosure is an important climate risk metric. We have engaged with the company several times requesting this disclosure.

★

In their latest sustainability report, for the first time the company have highlighted that the have committed to achieve net zero in their financing by 2060, aligned with the government of Indonesia's timeline. This represents an important step in their climate risk management and efforts to support Indonesia's decarbonisation efforts. We have engaged several times with the company on their climate risk management, including to expand this to cover financed emissions.

SDG target 15.2 – Promote the implementation of sustainable management of forests ★★

In their latest sustainability report, Bank Mandiri provides significantly more detail on their sectoral lending policies, including for the plantation/palm oil sector. They have introduced a much more detailed, standalone policy for the sector, which among other things explicitly highlights that prospective debtors are required to meet a range of critieria, including 'Having internal policies related to Zero-Deforestation, No Exploitation (NDPE) which include land clearing, preservation of High Conservation Value (NKT) areas, and Peatland'. We have had a several discussions with the company regarding their palm oil lending policy, seeking to encourage the company to have 100% of their clients covered by a certification scheme, as well as to require clients to have a no deforestation, no peat, and no exploitation (NDPE) policy.

Cholamandalam Investment and Finance

Financials, India, 2.1% weight

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.	As the company remains in the early stages of its sustainability reporting, we have focused our engagement Objectives on suppring them in their initial ESG disclosures, seeking alignment with global standards. During FY23, we had encouraged further disclosure on gender diversity across the organisation and efforts to improve this, as well as more detail on their approach to EV financing and financial inclusion. The company had highlighted that they would include further ESG disclosures in their next sustainability report. During FY24, we initially waited for this further disclosure, to understand the progress the company had made and to determine further areas for engagement. However this does not seem to have been published. In August 2023, we had one further engagement with senior management of the company, where we encouraged further information on their efforts to promote financial inclusion and literacy, gender diversity disclosures, and climate risk management. We continue to wait for the company to publish their next sustainability report, and will follow-up to gain more information on the progress of this. Our engagement Objectives for the next fiscal year will remain the same, as the company continues to enhance their disclosure and management of sustainability.

Clicks Group

Consumer staples, South Africa, 1.5% 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 met with the Investor Relations team in person in March 2024, to discuss diversity, access to healthcare, sustainable packaging and regulation. We were particularly pleased to learn that the company now has 450 outlets acting as pickup points for state-sponsored medicine, has increased its range of free medical services, and has entered into new partnership with health trains. Clicks Group also seem to have increased their membership in recycling organisations, and we also note that the board is no longer flagged as potentially entrenched by MSCI.

Cognex

Information technology, United States, 2.7% 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.	During FY24 we engaged Cognex's Investor Relations team on human capital, circular economy, climate risk and supply chain management. We were pleased to learn the company has increased disclosure on workforce demographics by gender, and is close to publishing an ethnicity breakdown too. We encouraged the company to formalise an end-of-life programme for their higher-volume products. Cognex is actively trying to mitigate physical risks given the potential for significant disruption. On its supply chain, the company has a team that conducts audits based on its customer requirements on an annual or bi-annual basis. If suppliers fail and audit, they get retested within six months.

Milestones achieved: 1

SDG target 5.5 – Ensure full equality of opportunity for women, including at leadership levels

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

★

Cognex has increased their disclosure on workforce demographics, reporting the breakdown of the percentage of its global workforce and the percentage of global management by gender. This information is critical to understand the company's workforce dynamics, and to track and monitor the progress of the company's diversity, equity and inclusion initiatives. We previously engaged with the company to encourage disclosure of these metrics in line with SASB standards.

ComfortDelGro

Industrials, Singapore, 1.6% weight

Company description	Engagement summary
Provider of land transportation 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 had two calls with ComfortDelGro in FY24, and we followed up both calls with additional emails to reiterate our asks and provide good practice examples. The company made good progress on our target for it to disclose quantitative scenario analysis, with a significant step forward in its 2023 TCFD report. ComfortDelGro has also strengthened its safety reporting this year, providing a greater array of metrics covering driver safety, but continues to undereport on passenger safety compared to peers. We continue to see ComfortDelGro as a sector leader on the climate transition, but would like the company to disclose more detail on future CapEx allocations to the transition, and enhance its disclosures on passenger safety.

Milestones achieved: 1

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

We have engaged with ComfortDelGro since 2022 to conduct enhanced climate scenario analysis and disclose on the financial implications of climate change for its business. We were pleased to see ComfortDelGro publish an updated TCFD report which see a dramatic improvement in the company's scenario analysis. Our engagement will now focus on how the company will incorporate the outputs from this process into its corporate strategy.

Cooper Companies

New investment in fiscal 2024

Health care, United States, 2.1% weight

Company description	Engagement summary
A medical device company that operates through two business units – CooperVision and CooperSurgical. The former produces contact lenses while the latter provides products and services focused on women's health and fertility solutions.	We initiated a position in Cooper Companies in January 2024, and had our first call with Investor Relations and their sustainability lead at the very end of March 2024. During the call we introduced our proposed engagement agenda. We asked for consistency around annual sustainability reports; more context and detail around their waste management strategy; regular publication of their materiality matrix; and to reveal more about their access strategy for developing markets.

Descartes

Information technology, Canada, 1.6% 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 sent Descartes' Investor Relations team an email outlining our ESG questions regarding its ESG strategy and focus for 2024, and disclosing in line with SASB/GRI. We also asked about the company's approach to human capital management – particularly employee engagement feedback and metrics, whether it has formalised career developing and training and human capital metrics such as turnover, hiring and promotion rates. On diversity & inclusion, we asked about setting gender diversity targets, disclosure of gender diversity by role type and whether it has conducted gender pay gap assessments.

DNB

Financials, Norway, 2.4% 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.	During FY24, we engaged DNB three times, with a focus on their climate risk management and their broader E&S risk management. We have seen positive progress from the company, publishing their first climate transition plan in October. This significantly enhanced their climate risk management and introduced financed emissions targets for a number of additional sectors, including oil and gas, commercial real estate, shipping and steel, among other sectors. This was particularly positive to see after engagement with the company in the previous year, where we explicitly engaged with them to encourage alignment of their previous climate targets with industry best practices, including the using the PCAF methodology to measure their sectoral financed emissions targets and encouraging more granularity on the methodology for setting these sectoral targets. In the upcoming year, we will look to continue to encourage the company to enhance their climate strategy, including by conducting a climate risk stress test of their loan book, and to encourage them to play a more active role in supporting the transition for some of the hard-to-abate sectors that they lend to. We will also seek for the company to review their E&S risk credit guidelines, particularly in relation to the forestry and fisheries sectors.

Encompass Health

Health care, United States, 1.8% weight

Company description	Engagement summary
A key provider of post-acute healthcare services in the United States. It runs inpatient rehabilitation facilities as well as home health and hospice services. Encompass Health is well positioned to benefit from shifting healthcare provision trends among an aging US demographic.	We spoke with Encompass' General Counsel and Chief Investor Relations. We asked whether the company would consider conducting a double materiality assessment, to give more structure to its ESG strategy, to which the answer was no. The company confirmed they will update their sustainability disclosures in the next few months. We iterated it is normal practice to release an annual sustainability report and the company stated it will take this into consideration. We commended the company's disclosure on DEI, in particular the comparison between its workforce diversity and the communities they serve. Overall, Encompass' staff matches the demographics it serves, which we think is very good. The company also shared that they will disclose their first EEO-1 form this year. This is something we have engaged the company on in previous conversations and we congratulated them on this step. The company also shared that its employee engagement results have significantly outperformed the healthcare benchmark. We finally discussed how Encompass aims to reduce its environmental impact. They shared a number of initiatives they are undertaking to increase energy efficiency, recycling and reducing waste. Overall, Encompass does not think their business is as impactful as 'acute care' hospitals and therefore they do not consider it a priority. While we acknowledge the difference between their rehabilitation business and acute care hospitalization, we do believe there are meaningful steps the company can take to further reduce emissions and waste, especially given they build new facilities on a yearly basis. This will remain a focus point for next conversations with Encompass.

Genus

Health care, United Kingdom, 0.7% 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.	We engaged with the Global Head of Rewards via video conference in late 2023. We discussed the changes in remuneration that had been implemented on the hiring of the new US- based CEO, where the largest portion of company revenue is generated. The new CEO has received a 7% increase on pay with a share buyout of his prior company options. This was following the application of the same remuneration policy as with the prior CEO. The pay of the new CEO is in line with the companies FTSE 250 peer and US divisional leads. The benchmarking process was understandable and in line with expectations. While the share buy out is notable, it will remain an important part of retention long-term as the CEO develops a track record in the US. A notable increase in base pay went to the CFO with the receipt of a 15% increase. This was due to the additional roles that the CFO has taken on since the old CEO's departure. The CFO is now the only UK-based executive director and has taken on additional roles that the prior CEO had retained due to their prior position as FD for the company. Overall it was a positive conversation, but we believe the US/UK pay disparity will remain a challenge for UK listed multinationals to navigate.

Halma

Information technology, United Kingdom, 2.9% 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 engaged the Chief Sustainability Officer on supply chain transparency, Scope 3 emissions, human capital and DEI. On the supply chain, Halma has struggled to implement ECOVADIS across its operating companies due to the lack of purchasing power among its suppliers. It currently does not mandate ESG due diligence among its suppliers aside from modern slavery. However, the company does engage with an external party to understand the risk areas of its supply chain including the country and product risk profile. On Scope 3 emissions, Halma has set the baseline and will be requesting decarbonisation plans from its companies. It is expects to have 8-10 plans by FY25 representing around 70% of its emissions. On human capital, the company is rolling out Workday in the next few months. It expects to have human capital in a usable format for FY25 such as comparative data points over a few years.

Hoya

Health care, Japan, 2.2% 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.	In FY24, we spoke with Hoya twice, of which one time in-person at our office. Hoya updated its emissions reduction targets and aims to reduce absolute Scope 1 and 2 emissions by 2030. The company is working on calculating Scope 3 emissions after which they want to work with the Science-Based Targets Initiative to set science-based reduction targets for its entire value chain. In 2023, their CDP score improved from from C to B. Hoya re-iterated it has recycling targets at each division and we shared that if this makes sense to the company given the diverse nature of the business, we don't see the need for a group-wide target. The company has seen an increase in whistle-blower complaints which it explained by the harassment culture that is still prevalent in Japanese corporate culture. The company is working hard to train and educate employees on this issue. Hoya is no longer included in the Know the Chain benchmark and Corporate Human Rights Benchmark. As both benchmarks provided useful elements to assess supply chain and human rights risks, the company shared they now feel a bit left on their own. The company's sustainability team consists of 4 people and the Chief Sustainability Officer. Therefore, resources available to assess human rights due diligence are limited. We agreed with the company to have a dedicated conversation about this with the Chief Sustainability Officer and share our experience on this topic to help the company move forward.

Milestones achieved: 1

13 CLIMATE ACTION

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

Hoya has improved its previous emissions reduction target (16% reduction per unit of sales by 2025 from a 2019-baseline) by setting a 2030 and 2040 goal in terms of absolute reduction. In its first TCFD Report, the company states its aim for a near 60% reduction of Scope 1 and 2 emissions by 2030 and a near 100% reduction by 2040. We consider Hoya's new absolute reduction targets to be a significant improvement compared to the previous intensity targets. After its initial target was announced in 2021, we continued engaging the company because we found its target unambitious.

ICON

Health care, Ireland, 2.8% 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.	We met with the company twice during FY24 – once in person in the US in June 2023, and once via video call in March 2024. In June 2023, we reiterated our recommendation for disclosure of a full breakdown of Scope 3 carbon emissions, over and above those from business travel. ICON were receptive to this and noted that this is underway, but that it is a considerable amount of work and they indicated that they are attuned to the quality of the data. We briefly discussed diversity in clinical trials during the meeting but it was clear that the company is already doing some good work in this area. In October 2023, we attended ICON's diversity in clinical trials webinar. Whilst not an SDG engagement, attendance at this webinar gave us a good insight into the role ICON has as a contract research organization (CRO) in diversity planning and collaborating with sponsors and other CROs. In March 2024, we had a call with four ICON representatives, including its Head of Diversity in Clinical Trials and Sustainability Manager, to discuss diversity in clinical trials, scope 3 emissions, and ethnic diversity in management at ICON. The company's strategy for diversity in clinical trials seems pretty well developed, and we have since concluded that our additionality via shareholder engagement is limited. ICON are seeing a strong increase in requests for clinical trial studies on underserved populations in the US given emerging regulation, and it seems like they are trying to see how they could broaden this to their other locations worldwide. Scope 3 emissions disclosures are still a work-in-progress, with the company working through data. On employee ethnic diversity at ICON, they have some programmes in place at the company to improve diversity, bit this will continue to be a topic of engagement into FY2025.

Milestones achieved: 1

8 DECENT WORK AND ECONOMIC GROWTH

SDG target 8.5 – Achieve full and productive employment for all ★

In its 2022 ESG Report, ICON published more information about its employee engagement. 78% of its workforce responded to the annual survey in 2022. ICON shared some numbers on different questions, for instance whether employees feel respected or whether they have opportunities for learning and development. They also report on the different tools for employee engagement and some of the improvements employees expect from the company. We have engaged ICON on sharing this information to get a better understanding of its workforce management and employee satisfaction as to identify potential risks and opportunities in its capital management strategy.

Idex

Industrials, United States, 2.9% weight

New investment in fiscal 2024

Company description	Engagement summary
An applied solutions company that specialises in fluid and metering technologies, health and science technologies, dispensing equipment, fire, safety and other products.	We engaged Investor Relations on sustainability topics in late 2023. IDEX is starting its journey on ESG, and states that its business model (a diverse collection of companies, run in a bottom-up-style) makes designing useful and pragmatic ESG strategies difficult. We highlighted examples of other decentralised models where net zero strategies have been applied, and encouraged the company to explore group-level targets. We have agreed to set up a follow-up conversation with the new Head of Sustainability to discuss climate change and social supply chain audits in more detail.

Insulet

Health care, United States, 1.6% weight

New investment in fiscal 2024

Company description	Engagement summary
A medical device company primarily engaged in the development, manufacture and sale of its continuous insulin delivery systems for people with insulin-dependent diabetes.	We initiated a position in Insulet in February 2024, and had our first operations and engagement call in March 2024. During this call, we highlighted to Insulet two key areas of our focus for engagement: waste management via takeback programmes, and supply chain monitoring and disclosures. We asked for more detail on supply chain risk assessments and traceability, and on its pilot pod takeback programme in Massachussetts. We also asked if the company had considered the SBTi as we note it has signed up to the TCFD. Our questions were fairly introductory but the company was appreciative of our questions and we agreed to circle back and hold our next meeting post their planned publication of their Sustainability Report in May 2024.

We engage at different levels within companies depending on the nature of our Objectives, including with the board, executive management, investor relations, sustainability leadership, and operational specialists.

Japan Exchange Group

Financials, Japan, 1.9% 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 engaged the company twice during FY24, including an in-person meeting with the CEO. During this meeting, we discussed the JPX's, and in particular the Tokyo Stock Exchange's, recent efforts to enhance the capital efficiency through their request for listed companies to disclose how management are taking into account the cost of capital in the decision-making. We also discussed the company's efforts to enhance gender diversity through changes to the listing rules, as well as their own operational gender diversity. After this meeting, and following engagement with JPX and the TSE in 2022 on gender diversity in regard to their listing rules, it was positive to see that in July 2023, JPX announced revisions to the listing rules for companies on the TSE prime-market to strive to have at least one female director by 2025 and to aim to increase the ratio of female directors to at least 30% by 2030. We will look to continue to engage with the JPX on this issue; in particular, we will look to focus on their own operational gender diversity at board and executive-level, in order to lead the market by example. In addition, we will also look to engage with the company to encourage them to better identify the role they can play in support the Japanese government's carbon neutrality commitment and green transformation policy.

Milestones achieved: 1

5 GENDER EQUALITY

SDG target 5.5 – Ensure full equality of opportunity for women, including at leadership levels ★★

In 2023, JPX announced revisions to the listing rules for companies on the TSE prime market to strive to have at least one female director by 2025 and to aim to increase the ratio of female directors to at least 30% by 2030. This is an area that we have historically engaged with the company on, including collaboratively through the ACGA, as well as through individual dialogues. This is a positive step in enhancing the gender diversity of corporate Japan.

Kasikornbank

Financials, Thailand, 1.6% 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 have had four engagements in the past fiscal year where we have discussed ESG issues with the company. These have included an in-person meeting with the CEO and CFO on their broader strategy and performance, where we also raised a number of ESG topics including financial inclusion and their management of physical climate risks. We also provided detailed input into their materiality assessment and sustainability survey, providing an opportunity to reiterate a number of the SDG Objectives. In particular, we have encouraged the company to provide more transparency on the financed emissions 'glidepaths' they have set to reduce financed emissions for the oil and gas, coal and power generation sectors. With growing climate-related prudential regulation from the Bank of Thailand, we have also encouraged the company to enhance their climate risk management, including better management of physical climate risks. We have seen some positive progress here, with an expansion of their financed emissions 'glidepaths' to two new sectors: cement and aluminium. They also appear to have strengthened their E&S risk management, with more detail sector-specific E&S credit policies. The bank has made less progress on financial inclusion, as their risk appetite for this lending segment has reduced and they look to rationalise their loan book. We will look to pick this up towards the end of the year and into next, once they have completed this process. In the year ahead, we will also look to engage on their corporate governance and the incentives in place for their management team, including on in relation to ESG issues.

Milestones achieved: 4

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

The company have published Scope 3 category 15 financed emissions disclosures aligned with the Partnership for Carbon Accounting Financials (the global partnership of financial institutions developing a harmonized approach to emissions disclosure). This is an important first step in the bank's management of climate-related transition risks related to their lending decisions. In 2022, we engaged with the company three times on climate risk management, including two calls and one collaborative letter.

13 CLIMATE ACTION

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

In an important step in improving climate risk management, the company has formulated a sector decarbonisation strategy for power utilities, oil and gas and coal, all of which account for 43% of portfolio emissions. This strategy includes 'glidepaths' to reduce financed emissions, and a plan to engage with clients in these sectors. The glidepaths are aligned with IEA Sustainable Development Scenario. We have engaged with the company multiples times on climate risk management, including two calls and one collaborative letter.

SDG target 13.a – Address climate change mitigation for developing countries ★★

In their latest sustainability report 2023, KBank highlighted that they had expanded their financed emissions glidepaths and sector decarbonisation pathways to cover two additional sectors: cement and aluminium. This expands the % of their total loan book financed emissions now covered by such glidepaths, although details on the specific goals remain limited. We have engaged with the company on this issue, including through in-person meetings and following up over email.

15 LIFE ON LAND

SDG target 15.2 – Promote the implementation of sustainable management of forests ★★

In their latest sustainability report and updates, the company has provided additional disclosures on their process for E&S risk management, with more detail on their sector specific E&S credit guidelines, including for agriculture. We welcome the disclosure of a far more comprehensive policy on their website with additional granularity on the criteria that they assess companies on. We have engaged historically on their E&S risk management process, particularly as it relates to the agriculture sector.

Kerry Group

Consumer staples, Ireland, 2.8% 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 the company on its progress on social and environmental issues in raw material supply chains, climate risk and plastics targets. On labour standards and human rights, the company continues to enrol suppliers in high-risk countries in regular audits. We believe that while this is a good start, it risks overlooking risk hotspots in low-risk countries and that the model should be further refined. A human rights impact assessment currently being undertaken will hopefully provide a more granular view. Kerry Group relies on certification for environmental standards of raw materials, but where those are not in place, also exploring local initiatives with suppliers and NGOs. The company is progressing towards making all plastic packaging reusable, recyclable, or compostable by 2025, and is currently at 70%. While there is not an explicit target to increased recycled materials, Kerry Group is committed to reducing virgin plastic by 25% by 2025. On climate risk, it has conducted a more detailed study which did not contain any material changes to the previous outcome. The next assessment is planned for 2024, using a 1.5-degree scenario. We also provided input into the company's double materiality survey.

Kontoor Brands

Consumer discretionary, United States, 2.4% 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.	We held one engagement with Kontoor Brands in fiscal 2024 (formal email). As background, the company seems to be issuing sustainability report annually now. We note alignment of climate targets with SBTi pathways. They have developed a programme specific to materials used to enhance traceability and contribute towards increased due diligence. They have also developed a more holistic chemical management program that bans use of PFAS and encourages suppliers to phase out of chemicals of concern. We reached out to the company in March 2024 to request engagement on human rights due diligence efforts, work around eliminating forced labour in the supply chains, raw material traceability, improvement of climate and water related disclosures; the engagement meeting took place in April 2024.

Kubota

Industrials, Japan, 1.9% 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.	We spoke to Kubota's Investment Relations and Sustainability teams twice in the Strategy's fifth fiscal year about its approach to human capital management, supply chain due diligence and climate risks and resilience. On human capital management, we continued our conversation on the employee survey, which scored low in 2023. Kubota stated that a lot of the employees expressed a need for more development, management communication and developing better career opportunities. The company is working on this feedback, by for example encouraging departmental and division heads to speak more closely with their own team members. On supply chain due diligence, Kubota ask suppliers about human rights and environmental due diligence, but concede that they are not yet at a stage to ask for supplier improvement, thought they state they are working on this. We also encouraged clearer disclsoure on forward-looking climate risk, as Kubota operate in vulnerable markets, and agreed to send examples of best practice disclosure as well as our own thought leadership on the topic.

Lasertec

Information technology, Japan, 2.1% weight

New investment in fiscal 2024 ✓

Company description	Engagement summary
A company focused on the design, manufacture ans sales of semiconductor-related devices.	We had an engagement call with the company in December 2023. The company just started its ESG journey and is planning to publish an ESG report and climate medium-term target in the coming months. We encouraged the company to start thinking about strategy to address Scope 3 emissions while working on collecting the data from suppliers. As most of the production is outsourced, we encouraged the company to work with its suppliers on emissions management and human rights due diligence. The company has set targets to improve the gender diversity ratio, but stated that it is difficult to hire female engineers, especially if they are required to work overseas for more than 1 year. We encouraged the company to improve disclosure of workforce and occupational health and safety information, as well as enhancing the advertisement of sexual harassment policy internally. On board gender diversity, we explained our voting policy of having at least 13.5% gender diversity on the board and suggested the company to give us a timeline to bring up the percentage to avoid a vote against directors. We will continue engaging with the company on ESG disclosure, climate targets and gender diversity ratio on the board.

Makita

Industrials, Japan, 1.3% 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.	We spoke to Makita twice in FY24. In conversation with Investment Relations, we learned that Makita's board is focusing its ESG efforts on developing low-carbon and efficient products to address labour shortages and environmental concerns. Makita reviews talent management annually, empowering overseas managers while exposing Japanese talent abroad to diversify thinking. Addressing Scope 3 emissions with suppliers is challenging, though the cordless transition helps; Makita encourages disclosure. Consumer marketing touts climate benefits and battery recycling programmes differ across regions. We briefly talked about battery recycling, a topic we aim to cover in more detail in our next conversation.

Milestones achieved: 1

SDG target 10.2 – Empower and promote inclusivity for all

We have been engaging with Makita on improving their board gender diversity and, as of the 2023 AGM, the company added their first woman to the board. More Japanese companies are adding women to the board; the number of boards with at least one woman director rose to just over 63% as of June 2022, up from nearly 53% in 2021. While Makita's board gender diversity sits at 6.7%, below our expectation of 13.5% for this market, we view the addition of a woman to the board for the first time as a positive step. We will continue to engage with them on this topic.

Mettler-Toledo International

Health care, United States, 1.9% 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.	In FY24, we spoke with Mettler-Toledo's Head of Sustainability for the first time. We continue to consider Mettler-Toledo as a leader with regards to its climate change strategy and related disclosures. The company received SBTi approval on its Scope 1, 2 and 3 emissions reduction targets and is so far steadily progressing towards the targets. The company also provided an update on the ongoing work on lifecycle management, product sustainability and packaging and we shared our interest in learning more about the Supplier Sustainability Days. The main focus of our call was on human capital management, DEI, and supplier/human rights due diligence. We were very pleased to see information on the company's employee engagement results, which we previously engaged the company on and for which we logged a milestone. On DEI, the company is not considering publishing ethnicity data, unless this becomes a regulatory requirement. The company also dropped its DEI targets on female representation in management and Board positions. Mettler wants to move away from quota and shift focus to DEI training and diverse candidate pools in recruitments processes. We appreciate the internal and external pressures the company faces on (publicly) committing to DEI targets but stressed that this is a worrying development and that initial quotas have proven to be a catalyst for more diversity and representation throughout the workforce. With regards to human rights and supplier due diligence we stressed the relevance of having more insight into their supplier due diligence, especially because the company has a large and diverse supplier base with a large proportion in high- risk countries such as China. Overall, we considered this a very insightful call but it has highlighted once again that Mettler is performing better on the environmental side than the social side.

Milestones achieved: 1

SDG target 8.5 – Achieve full and productive employment for all

Mettler-Toledo disclosed high-level employee engagement results in the 2023 Corporate Responsibility Report. We have engaged the company on this because this gives us more information about the company's successful execution of human capital management.

Mohawk Industries

Consumer discretionary, United States, 2.5% 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.	Engagement with Mohawk Industries in in FY24 focused on human rights. The company is conducting an internal review of operational processes, particularly in relation to procurement teams focused on sourcing PVC. Here, the company is looking to strengthen its oversight practices by making expectations for chain of custody documentation more stringent – in line with US customs requirements and increasing the number of onsite audits conducted, where applicable. We continue to encourage better disclosure and implementation of a holistic approach to human rights due diligence. With regard to chemical management and circularity efforts, the company maintains a product-specific focus where it is better able to evidence the sustainability credentials through certifications. Mohawk Industries admitted that they are some way off from having a holistic approach in these areas, across all product ranges. A key milestone will be deciding on the appropriate international standards to disclose against, particularly in terms of chemical management. As for their circularity efforts, they will continue to focus on customer-oriented solutions related to reuse and recycling of waste.

Milestones achieved: 1

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

The company strengthened the wording in it's human rights policy to include the respect for internationally recognised human rights principles- including the UN Guiding Principles for Business on Human Rights. This is a positive step forward and was part of our engagement program with the Company throughout 2022.

Mowi

Consumer staples, Norway, 1.2% 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 engaged the company three times during FY24, spanning topics such as feed sustainability, nature risks, climate and working conditions. Progress is being made on its 2025 plastics targets and it is encouraging that the TNFD LEAP process is being used to more clearly identify nature impacts, and that there is an active discussion on how to move beyond enabling plastic circularity to more actively support it. The use of a supplier management database has improved oversight of working conditions and other supply chain risks, though more supplier engagement is needed to identify risks. Feed sustainability controversies around the industry as a whole weigh on the company despite what appears to be strong oversight, and more stakeholder engagement could be needed to ensure its processes are well understood. Climate targets have been refreshed and submitted to the SBTi for science-based validation and align with a 1.5-degree outcome and include land-use emissions targets.

NetApp

Information technology, United States, 3.7% 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.	We had four engagement meetings with NetApp over the course of FY24 across a spectrum of ESG topics including climate, e-waste, cybersecurity and human capital. Whilst setting science-based emissions reduction target has been pushed back due to methodology changes, we were encouraged that NetApp joined the CDP supply chain programme as part of its supplier engagement strategy. We recommended the company track and disclose metrics to measure the progress of its supplier engagement strategy. The company also mentioned moving towards scorecard metrics and incentivisation in the future. On cybersecurity, NetApp has a clear cybersecurity governance process that includes reporting to the audit committee twice a year and to the entire board once a year. It is confident that its inherent capabilities of solutions to prevent ransomware attacks is an advantage compared to its competitors. We encouraged the company to enhance transparency about its framework for responding to incidents. On human capital management, it is clear the company has increased its efforts to attract talent through partnerships, diverse hiring slates and also retain talent through career growth and horizontal mobility initiatives. It is capturing diversity metrics such as turnover, hiring, promotion rates by gender/ethnicity but is reluctant to disclose, this is similar for forward looking diversity goals.

Rotork plc

Industrials, United Kingdom, 2.6% 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.	We spoke to Rotork three times in FY24, including with the CEO and CFO. Technologies like electrifying natural gas process controllers are growing to reduce methane emissions in the oil & gas industry, with major companies having committed to near zero emissions by 2030. Key decarbonisation trends Rotork sees in oil & gas are electrifying wellheads and reducing methane emissions through electric actuators. Decarbonisation opportunities for Rotork in power generation include offshore wind power and AC to DC conversion for wind turbines. While small currently, Rotork is focused on decarbonisation products in its water and power division, which is now two-thirds water and one-third power, reflecting declines in coal power but growth in water. The risk of reduced EPA methane emissions support under a Trump administration remains one to monitor, though major oil & gas companies will likely continue their decarbonisation focus. We asked for better transparency on the decarbonisation trends in the business, as it is currently hard to understand its revenue from 'green' transition.

Shimadzu

Information technology, Japan, 2.6% 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 had a call with Shimadzu's Investor Relations team to discuss a range of ESG topics, including their corporate governance, human capital management and supply chain due diligence. We also discussed the company's efforts to enhance their internal risk management and controls, following the Shimadzu Medical Systems controversy around allegations of fraudulent devices in its x-ray machines. The company has provided more disclosure on how they are meeting the recommendations of the external investigation that took place. They are looking to shift to a series of regional control companies, who will provide oversight of the subsidiaries in those markets. These companies will be responsible for risk management and internal audit going forward. The company have started to conduct a third-party board evaluation which is positive. We encouraged the company to conduct supply chain due diligence; however, they still appear to be focusing on a supplier 'self assessment' approach – although this has now expanded to suppliers beyond Japan. While good progress has been made, supply chain due diligence as well as their progress on senior management gender diversity targets, remain focus areas.

Milestones achieved: 1

SDG target 9.1 – Develop resilient and sustainable infrastructure

Shimadzu has strengthened its ethics/compliance system, this includes requiring questionnaires conducted by external experts to assess ethics and compliance in the organisation. Shimadzu stated that outside of its group companies in Japan, 49 companies responded (90% response rate). In 2023, it also established auditing organisations at each of its regional corporate head offices outside Japan and details its first and second line of defense to ensure information from subsidiaries is fed up to headquarters efficiently. We previously spoke with the company on strengthening its audit mechanisms and change management systems in light of a controversy related to product quality.

Smurfit Kappa

Materials, Ireland, 3.4% 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.	In FY24 we met with Smurfit Kappa's Chief Sustainability Officer twice, and followed up with additional detailed guidance and recommendations over email. Our engagement was slightly disrupted this year by the announcement that Smurfit would acquire Westrock. In general we think this acquisition enhances the ability of Smurfit Kappa to drive environmental impact, as Smurfit has a much better record of reducing emissions and environmental impacts than Westrock. We achieved one milestone with Smurfit Kappa in the past year. The company improved its disclosures on climate risk in its annual disclosure, including more details on its scenario analysis and improvements in the detail provided on its net zero transition plan. These have been focus areas for our engagement over the past two years, and we were pleased to see Smurfit acting on our guidance. Moving forward, our engagement agenda will shift towards driving Smurfit to tighten the environmental management of Westrock's asset base.

Milestones achieved: 1

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

Improved its disclosures on climate risk in its annual disclosure, including more details on its scenario analysis and improvements in the detail provided on its net zero transition plan. These have been focus areas for our engagement over the past two years, and we will continue to advocate for further improvements moving forward.

Steris

Health care, United States, 2.4% 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.	In FY24, we spoke with the new Head of ESG for the first time. Steris had published its first ESG Factsheet and while lacking in detail, we did acknowledge the significant step forward this represented for the company. Steris shared that it is prioritising preparations for the upcoming CSRD, which will start to apply for Steris in FY2025. The company is evaluating TCFD disclosure as well as SBTi targets, but stressed that the focus will be on preparing for CSRD disclosure. Finally, the company shared more about its DEI efforts and that they focus on trainings on unconscious bias, harassment and Employee Resource Groups. The company also shared that parental leave in the US has doubled from 2 to 4 weeks, which we were pleased to hear about. We encouraged Steris to set DEI targets as this will help the company to make consistent progress on DEI. We thought this call was insightful and we consider it a significant step in the positive direction that we were able to speak with the head of ESG.

Milestones achieved: 1

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

Steris published their first ESG Factsheet. While lacking in much detail, we acknowledge the significant step forward that this factsheet represents for the company. It includes disclosure on a number of key ESG topics: – DEI: the company includes a table on the director and associate level gender divide and a table on the directors and employees by race (US only). However, this table only distinguishes between white and minority demographics, so we plan to continue to encourage the company to provide a full breakdown of its workforce. – Scope 1 and 2 emissions: Steris has been disclosing to CDP for a number of years but this is the first time they now publicly disclose Scope 1 and 2 emissions. – Steris has included information on turnover rates and employee engagement, a disclosure we have encouraged in a number of engagement interactions. – The company has also included a SASB reporting table on product safety, ethical marketing and business ethics, key material issues in this industry. We welcome this step and will continue to engage with the company to refine their disclosures further.

Tecan Group

Health care, Switzerland, 1.8% 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.	In FY24, we spoke with Tecan's Associate Director Corporate Communications and Sustainability and Head of Corporate Communications. We commended the company for submitting Scope 1, 2 and 3 reduction targets to the SBTi, which were approved by the SBTi a few months after our conversation. We also discussed t Tecan's waste initiatives. Current waste reduction efforts are on racks and trays, and Tecan has begun prioritising reducing waste rather than reusing products due to hygienic considerations. Furthermore, we considered it very positive to hear that sustainability is integrated into the R&D product design as early as possible, and that the company has invited employees to submit ideas around sustainable initiatives as well. They also aim to improve disclosures on responsible sourcing. We aldo discussed the company's first submission to the Workforce Disclosure Initiative (WDI) in 2022, for which it received a 60% score. This is good for a first submission and exceeded Tecan's own expectations. The company considered it a useful exercise, particularly because it prepared them for their GRI reporting. We considered this a very constructive conversation and have encouraged the company to be more transparent about its waste initiatives and pipette waste.

Tractor Supply Company

Consumer discretionary, United States, 2.5% 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.	We held one engagement with Tractor Supply in fiscal 2024 (formal email).The company has made some progress around living wages in direct operations and discussed the implementation of a progressive wage scale across the supply chain in their earnings call. We will continue engagement around living wage gap analysis across their supply chain and encourage responsible purchasing practices to support this. There is some disclosure around results of social and security audits at supplier factories – however, we want to discuss how this is extended beyond Tier 1 suppliers and what root-cause analysis is conducted for effective remediation. We reached out to the company with questions on its net zero strategy and social supply chain management in March 2024, and received a response back from the company in April 2024.

Milestones achieved: 1

SDG target 8.5 – Achieve full and productive employment for all ★

The company now pays an average hourly wage of $16.87 across all direct operations, which is above the minimum wage. We have engaged on this topic, encouraging the company to move toward at least a $15 minimum p/h wage for all direct employees.

Unicharm

Consumer staples, Japan, 2.0% 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.	During FY24, we engaged Unicharm on the circularity of pulp-based products, deforestation risk management, and climate change strategy. The company will test the business model of its diaper recycling technology through a pilot project with a city on Japan's Kyushu Island. The technology itself is described as commercially viable, but cost-effective collection hinges on collaboration with local authorities. The pilot will commence within two years and outcomes will inform the roadmap towards a target of recycling operations in ten cities by 2030. The company has a target of full traceability for forest-derived raw materials by 2030, but details of the strategy to get there were scarce aside from reassurances that suppliers have guaranteed deforestation risk is managed. Encouragingly, it is considering a sharpening of GHG emissions targets to align with a 1.5-degree pathway. However, the proportion of renewable energy is still low in some markets and management stated that any gaps to fulfil the 2030 Scope 2 decarbonisation target might require carbon credits.

Veolia Environment

Utilities, France, 3.0% weight

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.	During FY24, we continued our engagement with Veolia from the previous year. This focused on the key aspects of their decarbonisation strategy, including for further disclosure of their coal phase-out plans and increased ambition in their landfill methane capture targets, as well in regards to their efforts to enhance waste recycling and promote a more circular economy. We engaged with the company three times during FY24 – two meetings with the company and a response to the company's ESG consultation, where we reiterated the SDG Objectives. At the end of FY24, the company provided significant updates on the progress of their 2020-2023 Impact 2023 strategy, while also launching their updated strategy 'GreenUp 2024-2027' strategy. These updates showed strong progress on the KPIs they had set in 2020, as well as several milestones against the engagement Objectives that we had set. For example, they set a Scope 3 emissions reduction target, set more ambitious scope 1 and 2 targets and a more ambitious methane landfill capture target. One area where we saw less progress was on their plastic recycling efforts, where they did not meet their Impact 2023 KPI. This will be an area we will continue to focus on in the coming year.

Milestones achieved: 5

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

★★★

The company published their new sustainability strategy, alongside a first stand-alone climate report. The climate report provided significantly enhanced disclosure of the breakdown of their emissions by Scope and category, as well as by business unit. Within this, they disclose the key levers that they will use to meet their emissions targets within each Scope and business unit, as well as disclosing some information on the CapEx they will allocate to meet this. This is a significant improvement on previous disclosures, and provides strong reassurance over their climate strategy. We have engaged with the company on this, requesting additional disclosure on a call with the company and then also by following up over email.

★★★

In Veolia's new climate report, published in February, they announced for the first time a Scope 3 target seeking to reduce Scope 3 emissions by 30% by 2023 vs 2021 baseline. This target covers 67% of their Scope 3 emissions. They also highlight that in December 2023, they have submitted these for verification with the SBTi. We engaged with the company on this issue, explicitly asking and encourage them to set Scope 3 emissions targets. This is a very important part of their climate risk management from our perspective.

★★

In their latest climate report and GreenUp 2024-2027 strategy, the company highlighted that they had met their previous methane capture target, now at 57% captured vs 55% by 2023 target. They also set a new aim to achieve an overall methane capture rate of 80% by 2032, including a number of more granular country-level targets for Australia, LatAm and Hong Kong. This is a positive part of their broader climate strategy, and an area that we have engaged with the company on.

★★

In their new climate report, Veolia provide significantly improved disclosure of their approach to phasing out coal. The 2030 coal phase-out data for Europe plants remains, but they have now disclosed asset-by-asset timelines for each of their coal assets across Germany, Poland and Czech Republic, and disclosed the CapEx spend that they will allocate to each of these to support end of life and decommissioning. They also provide more detail on the China coal-fired combined heat plant, highlighting that while a phase-out remains uncertain given their contract with the local government, they have set a emissions intensity reduction target of 35% by 2032 for these assets. We have explicitly engaged on this topic through meeting, and then follow-up over email to request this disclosure.

★★

As part of their new GreenUp Strategy 2024 to 2027 Veolia updated the ambition of their Scope 1 and 2 emissions targets. Previous targets were seeking 40% Scope 1 and 2 emissions reduction by 2034, and have updated these 50% reductions by 2032. They highlight that they have submitted these targets to the SBTi for verification, aiming for verification by H2 2024. We spoke with Veolia at the start of 2023 to understand whether they would consider more ambitious emissions reduction targets. This is an important part of their climate risk management.

Waste Connections

Industrials, United States/Canada, 2.7% 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.	On climate risk we had an interesting conversation about El Nino, as Kubota foresee an impact of El Nino in the markets it operates in 2024. However, it sees this as an inevitable outcome of weather, and do not seem to have any clear resilience measures in place. Expanding this to longer-term climate trends, Kubota insist that its products (particularly in the regenerative and precision agriculture space) can contribute to better farming practices, particularly in water-stressed regions. We encouraged clearer disclosure on forward looking climate risk, as Kubota operate in vulnerable markets. We agreed to send some examples of best practice disclosure on physical risk as well as our writing on the topic.

Milestones achieved: 2

SDG target 5.5 – Ensure full equality of opportunity for women, including at leadership levels ★

The company appointed another female to the board, taking them to 30% female representation in line with our expectations. We voted against a director at their May 2022 AGM as they did not have sufficient gender diversity on their board at that time.

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

The Company has committed to set SBTi emissions reduction targets. This will bring more credibility to Waste Connections' decarbonisation strategy. We have engaged the Company to engage with SBTi on its emissions management program since 2021.

WEX

Information technology, United States, 2.8% weight

Company description	Engagement summary
Provides innovative software solutions aimed at simplifying complex business payment systems, ranging from fleet management and corporate payments, to health and benefits plans.	We had a dialogue with WEX's Investor Relations team to discuss human capital management, DEI and impact metrics. We were encouraged by the company's new disclosures on its employee engagement survey results and voluntary turnover. We suggested further detail on topics identified through the survey that could be improved on. The Chief Diversity & Inclusion officer has been focused on staffing; the company has internal targets around interviewing and hiring. The company was open to our recommendations on greater disclosure on human capital and DEI metrics. We also encouraged conducting a gender/ethnicity pay gap assessment. On impact metrics, the company sees an opportunity regarding environmental innovation with the growth of the electric vehicle market in the future. Currently, its fleets of 19 million vehicles are gasoline/diesel powered, but it sees potential for greater sustainability impact reporting for its customers to show their investors. Similarly, on the healthcare front, it states there could be potential to report on its software driving uptake of benefits, but limitations around personal data collection could limit this.

Milestones achieved: 2

SDG target 8.5 – Achieve full and productive employment for all ★

WEX increased transparency on the results of its employee engagement survey. We had previously spoken to the company to encourage more granular detail including the areas which it performs well on. We have engaged Wex on sharing this information to get a better understanding of its workforce management and employee satisfaction as to identify potential risks and opportunities in its human capital management strategy.

SDG target 10.2 – Empower and promote inclusivity for all ★

Wex has created new professional development opportunities to help cultivate diverse internal talent. It has partnered with McKinsey's Connected Leaders Academy to select a cohort of high performing ethnically diverse individuals to participate. The company mentioned it struggled previously given its location does not have a very ethnically diverse profile, however, these formal programs will help to strengthen the diverse senior talent pipeline within the organisation. We had previous recommended the company implement formal targeted programs to advance ethnic minorities in the workplace.

We continue to believe that the SDGs represent the clearest, simplest, and universal roadmap for creating a more sustainable world.

Wolters Kluwer

Industrials, The Netherlands, 2.4% 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.	Following our dialogue with Wolters Kluwer, we were pleased that the company published its commitment to Responsible AI in its latest annual report and the key principles it incorporates. We spoke to Wolter Kluwers' Investment Relations team on Responsible AI given the upcoming EU AI Act. At the time, the company reiterated that it does have a Responsible AI framework and principles which have been improved and formalised but remains internal. It has been developed by a range of technology and legal experts. It mentioned the priority at the moment is on the Corporate Sustainability Reporting Directive. Although there is not yet timing on the publication, the executive Board has been kept in the loop. The Digital eXperience Group already follows these principles, but the company did not provide specific examples of how it operationlises its principles. The company continues to monitor the US and EU regulation on AI, its products are not in the high-risk category. Nonetheless, the company emphasised that both Customers and stakeholders want transparent and explainable AI.

Milestones achieved: 1

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

The company published a commitment to responsible artificial intelligence 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.

Xylem

Industrials, United States, 3.0% 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.	In early 2024, We spoke to the Chief Sustainability Officer post its merger with Evoqua, which has increased the companies exposure to industrial customers. Xylem is working to integrate Evoqua's sustainability efforts to match its own ambitious targets, though there is still work to do, particularly on supply chains. It is leveraging growing customer demand, partnerships with utilities, and regulatory tailwinds to drive innovation and resilience in water infrastructure, however, it is not yet clear how exactly they can benefit from increased US infrastrtucre (and IRA) spending. Xylem are also investing in WASH initiatives, targeting access to WASH for 20M people by 2030. Xylem state that though social initiatives don't necessarily drive short-term returns, their benefits in recruitment, social impact, and potential commercial opportunities make them strategically valuable over a longer time horizon.

Zebra Technologies

Information technology, United States, 2.4% 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 were encouraged the company has set circular economy targets to measure the success of its circular economy strategy. We had a meeting with the company's Head of Sustainability on climate, circular economy, human capital and diversity, equity and inclusion. The company published its inaugural sustainability report in 2023 and it is still nascent on its sustainability disclosure journey. The company's challenging business environment this year has slowed the progress on achieving its circular economy targets and furthering public disclosure on human capital metrics. Nonetheless, we have had a positive dialogue with the company who demonstrated its continued focus on its material ESG priorities including resource conservation, climate change and human capital. We encouraged the company to disclose further human capital metrics such as results from employee engagement survey to help show the positive trend of its human capital measures. We also encouraged formalised programmes to build up the internal diverse talent pipeline, as the company's disclosure mainly focuses on initiatives for diverse hiring.

Milestones achieved: 1

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG target 12.5 – Reduce waste through prevention, reduction, recycling and reuse ★★

Zebra Technologies has set circular economy targets, it has committed to achieving 1 million circular economy devices by year end 2024 through various initiatives including buyback, certified refurbished sales/rentals and recycling. We had previously spoken to the company to encourage the company to set targets for its circular economy initiatives to get a better understanding of its e-waste management and how it measures the success of its circular economy strategy.

ZOZO

Consumer discretionary, Japan, 1.7% weight

New investment in fiscal 2024 ✓

Company description	Engagement summary
An e-commerce business that operates shopping websites.	We engaged ZOZO in late 2023 on various environmental and social issues. While the company seemed hesitant conduct in-depth due diligence, considering one of the they are one of the only online aggregators of fashion brands in Japan, we believe they have the potential to use their influence to develop strong relationships with vendors and encourage sustainability within supply chains. The company showed interest in using the HIGG Index to gain environmental and social data from suppliers. We believe there is scope for improved practices around liaising with key suppliers and the development of a sustainabiltiy labelling programme. On the climate front, ZOZO had committed to send targets to SBTi by end of 2023 – we will monitor progress here. Their decarbonisation plan has good foundations, with focus on switching to renewables and efficiencies in transport and logistics.

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