



Viewpoint

Charting a course through the changing responsible investment landscape



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At a glance

- Attitudes towards responsible investment (RI) continue to shift. We witnessed a significant upswing in the early 2020s followed by a period of substantial challenge.
- Despite headwinds sustainability remains a major macroeconomic trend. Navigating a diverse global landscape requires understanding of increased complexity and regional variations.
- Columbia Threadneedle's approach is anchored around two pillars – the incorporation of material sustainability risks/opportunities into analysis and the provision of dedicated sustainability funds and solutions.
- Deep understanding of market dynamics and research into related themes position us to help clients navigate the fast-evolving RI roadmap.



Navigating an evolving landscape

In the decades since the origins of responsible investment (RI), we have witnessed many shifts in market attitudes, but none quite as dramatic as in recent years. The early 2020s marked the most significant upswing in momentum to date, followed by a period where RI has faced substantial challenge.

The surge in interest was propelled by broader political and social catalysts: amongst them, the 2021 Glasgow climate summit, which sparked a wave of new Net Zero commitments; and the COVID-19 pandemic, which underscored the importance of public health, and highlighted humanity's interconnectedness and vulnerability. The period also saw introduction of a range of new sustainability regulations, particularly in Europe and Asia.

However, several challenges have emerged since this time. Regulators have responded to instances of greenwashing by implementing stricter scrutiny, making companies and investors more cautious in their claims. Organisations have expressed mounting concerns about the costs of complying with regulations, especially in Europe. And we have seen a growing divergence between different regions of the world in regulatory and political approaches.

These changes have influenced corporate and investor attitudes. Some companies have scaled back their sustainability targets, particularly where these had outpaced government policies, and others have adjusted their communications to respond to the political climate.

However, this recalibration doesn't signal the end of RI. Sustainability remains a major macroeconomic trend. Companies continue to pursue initiatives where they demonstrate clear financial and commercial benefits, and sustainability-linked regulation continues to move forward in many parts of the world. With a more diverse global landscape, however, navigating the increasing complexity and regional variations in policy requires a sophisticated understanding of the underlying value drivers.

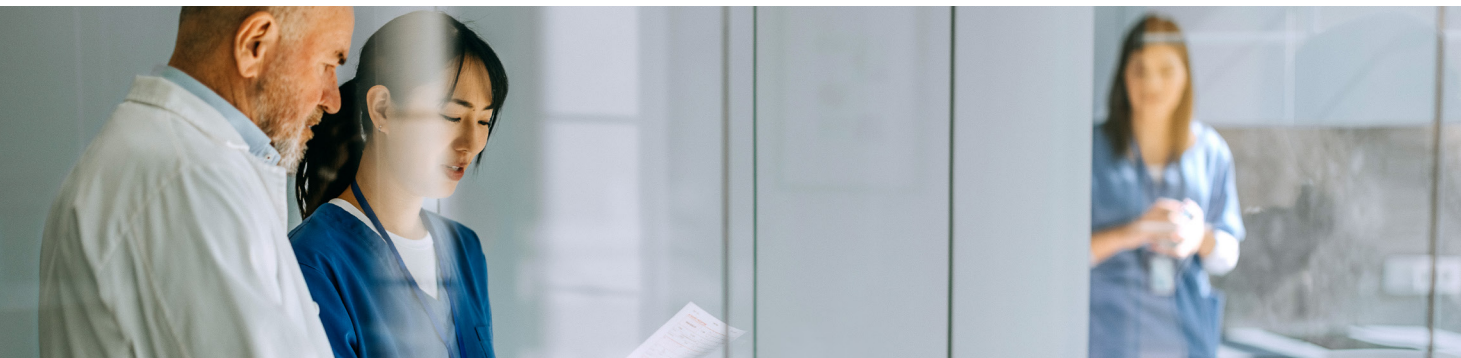
Columbia Threadneedle's approach to these challenges reflects our decades of experience in RI. Our commitment transcends market cycles, steering a steady path based on two fundamental pillars: incorporating material sustainability risks and opportunities into our investments; and providing dedicated sustainability funds and solutions.

■ **Incorporating material sustainability risks and opportunities:** We see companies' interconnectedness with people and planet as foundational to long-term business growth. The firm leverages its Research team and broader responsible investment expertise to identify material sustainability themes, and engage purposefully with companies. The box gives examples of how we are implementing this in practice.

■ **Providing dedicated sustainability funds and solutions:** We maintain and develop funds, mandates and solutions for clients with a range of sustainability requirements. This includes \$60 billion in mandates and funds with specific sustainability objectives, and the reo engagement overlay service, with \$591 billion in assets under engagement (as at March 2025).

Our steady approach, grounded in decades of experience and a deep understanding of market dynamics, positions us to help clients navigate the changing RI roadmap, whilst always maintaining our focus on long-term performance.

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Case studies: how research on sustainability topics supports our investment process



PFAS regulation and market implications

Concerns regarding the public health and environmental impacts of PFAS (per- and polyfluoroalkyl substances) are increasing, with a growing number of countries implementing restrictions. Global markets for testing, remediation and treatment are projected to reach \$30-50bn by 2030. This transition creates both challenges and opportunities across multiple industries as companies adapt.

We conducted analysis across the PFAS value chain to assess investment implications, including:

- Evaluating potential market sizes for testing and instruments, remediation, waste and water treatment under different regulatory scenarios
- Analyzing relevant companies' exposure and positioning, considering end markets, geographies and capabilities
- Supplementing analysis through expert consultations and discussions with management to understand companies' responses

This analysis enabled us to develop risk and opportunity ratings for companies across multiple sectors, identifying those best positioned to navigate the evolving regulatory landscape while highlighting key risks and catalysts to monitor in collaboration with our fundamental analysts.



Electrification of passenger vehicles

Around 20% of passenger cars sold in 2024 were electric vehicles (EVs). By 2030, over half of sales in China and Europe are projected to be EVs. The EV transition represents a fundamental shift in the auto industry that will reshape competitive dynamics and company valuations. Legacy automakers face existential risks if they fail to successfully navigate this transition, while those that succeed could capture significant value.

We conducted a **comprehensive analysis of three key EV transition drivers**: technologies and cost reduction potential; policy support; and competition from Chinese automakers. This included:

- Identifying and quantifying 16 cost reduction levers that automakers are using to reduce EV upfront costs and appraise how advanced ten automakers are on capitalising on these levers.
- Building a database tracking approximately 300 automaker deals related to critical minerals, battery offtake agreements and production plans to appraise the quality of automakers' EV supply chain, and their ability to be able to flex their EV production to meet different demand scenarios.
- Appraising EV subsidies and tax support across the 20 largest auto markets, focusing on the impacts of potential Inflation Reduction Act phase-out and EU fleet emission fines.



Electrification of passenger vehicles (continued)

- Reviewing the overseas expansion plans of Chinese automakers and tariff barriers to identify threatened markets and likely entry strategies.

The analysis has enabled us to identify the automakers which are best and worst positioned for different EV transition scenarios, and to launch ratings on 10 automakers that are shared with relevant investment desks. Several funds used this analysis to refine their allocations across the auto sector.

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Food System Transformation: Health Impacts on Food Markets

The global food system is experiencing pressure to transform as mounting evidence links ultra-processed foods to deteriorating public health outcomes. This shift is driven by converging macro forces: rising healthcare costs; regulations implementing stricter nutritional standards; consumer demand for cleaner and more functional food options; and the growing recognition of food's role in preventative healthcare. These factors are creating material financial implications for food manufacturers, retailers, and ingredient companies as they navigate a changing marketplace.

We built a framework to assess health transformation risk across the food value chain. This involved:

- Analysing portfolio exposure to ultra-processed foods and regulatory vulnerabilities, using nutrient profiles and clean label metrics
- Assessing company reformulation strategies and innovation pipelines, particularly in key markets like Europe and North America. We combined health regulatory data with corporate transition readiness metrics (R&D investment, innovation pipelines) to support this analysis, as well as evaluating consumer preference trends in health-conscious segments

The analysis enabled us to develop forward-looking exposure ratings on major food manufacturers' vulnerability to health-driven transformation, and to proactively develop our views on food industry risks, by highlighting key regulatory and consumer catalysts that will accelerate the shift toward "food as medicine".

Get to know the author



Claudia Wearmouth, Global Head of Responsible Investment

Claudia is Managing Director and Global Head of Responsible Investment. She joined Columbia Threadneedle through the acquisition of BMO GAM (EMEA) in 2021, having previously been with BMO GAM and F&C Asset Management since 2007. Claudia leads the Responsible Investment Team, advocating the four strands of our RI approach: ESG Integration, Active Ownership, Thought Leadership and Fund & Solutions. Claudia previously spent five years at a start-up charity called New Philanthropy Capital where she focused on analysing the impact of charitable giving and advising high net-worths and corporates on their charitable giving strategies. Claudia graduated in 2001 from Durham University with a BA in Economics.

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