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Promising: an impressive 83% of all power capacity added over 2022 was renewable. Source: iStock.

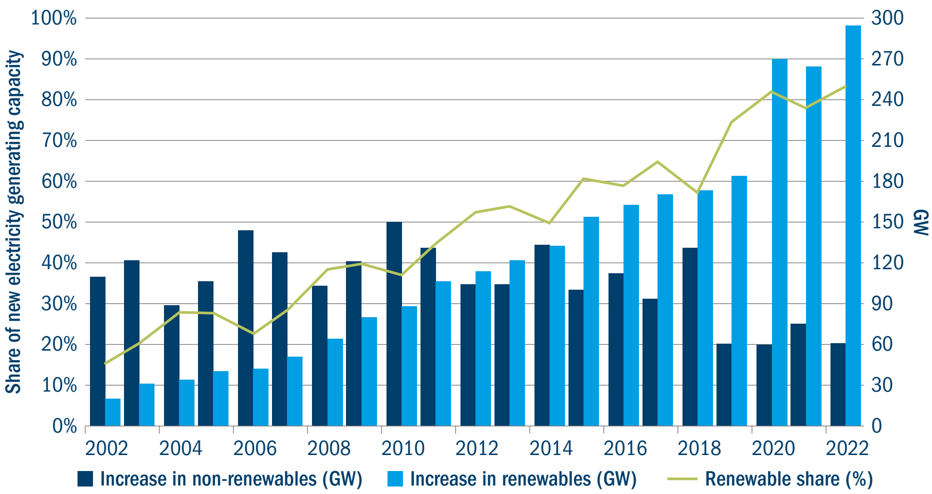
I recently read Stolen Focus by Johann Hari, in which he lays out multiple reasons why the world is no longer able to focus. One chapter raises an interesting prospect – is this "stolen focus" part of the reason for the world's slow response to the climate crisis? Digital platforms spreading erroneous climate claims have hindered progress by dividing public opinion, and without public pressure, policy action has been underwhelming.

The book highlights the ozone layer threat of the 1980s as an example of how effectively we once reacted to environmental emergencies. In 1974 scientists published research showing that chemicals from everyday products like aerosols and refrigerators were destroying the Earth's ozone layer,[1] exposing the planet to more powerful ultraviolet rays. In 1985 scientists discovered a hole in the ozone layer over Antarctica which proved that the problem was greater than originally predicted. This led to swift action to ban the chemicals that were responsible for its deterioration – chlorofluorocarbons or CFCs. By 1987, just two years after the hole was discovered, an international treaty was signed that cut the use of CFCs in half and three years later the use of CFCs was banned altogether. Today, CFCs are outlawed by 197 countries, with the ozone layer slowly recovering as a result.

Now, scientists have once again raised the alarm delivering a "final warning" on the climate crisis. In March, the Intergovernmental Panel on Climate Change (IPCC), which is made up of the world's leading climate scientists, released the final instalment of a six-part climate report which took hundreds of scientists eight years to compile.[2] It revealed the daunting emission cuts needed if we have any chance of limiting global temperature rises to 1.5C – the threshold beyond which damage to the climate will rapidly become irreversible. To keep within this limit overall greenhouse gas emissions need to be reduced by at least 43% by 2030 versus 2019 levels, and by at least 60% by 2035,[3] with critical action required across all sectors. To achieve these cuts in such a short period will require the collective actions of a united, focused world.

Although governments have been slow to respond to the warnings from climate scientists over the past three decades, there have been promising recent developments. The International Renewable Energy Agency (IRENA) reported in March that global renewable energy capacity grew by a record 9.6% in 2022 to 3,372GW, led by Asia. An impressive 83% of all power capacity added over 2022 was produced by renewables (Figure 1).In the UK, renewable and nuclear power sources generated more than 60% of Britain's electricity over the winter period, helping the country save £15 billion in energy costs.[4]

Figure 1: renewable share of annual power capacity expansion



Source: IRENA, Renewable capacity statistics 2023, 20 March 2023.

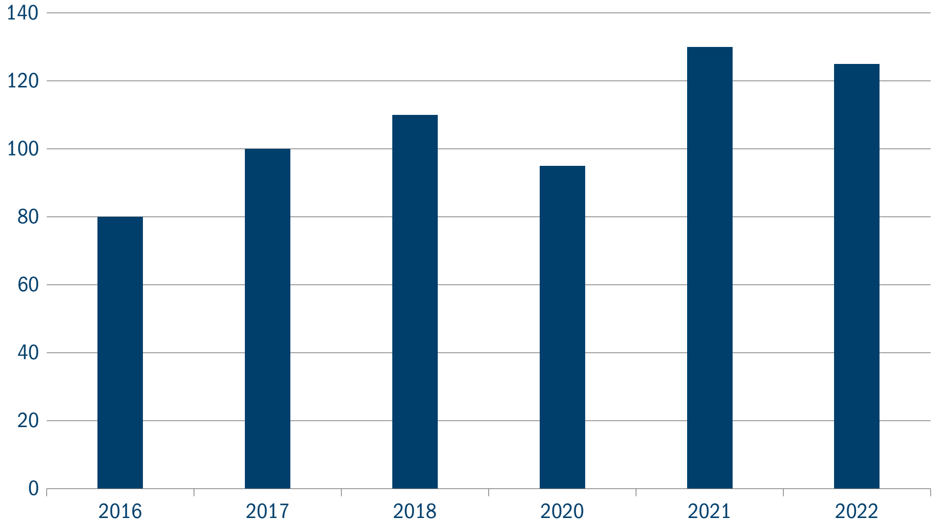
In March, the European Commission finally presented detailed legislation to support its Green Deal Net Zero Industry Act, Europe's response to the US Inflation Reduction Act (IRA). The financial incentives offered by the latter meant Europe faced the risk of green capital investment being diverted to the US. The Green Deal, along with the RePowerEU proposal, now aim to offer similar financial incentives. Europe, like the US, is also looking to reduce its reliance on China in green supply chains, with a target of at least 40% of clean energy equipment being sourced locally. If implemented, this legislation, alongside the IRA, will provide a substantial boost for global clean technology investment, with the US and Europe potentially closing China's strong green technology lead.[5]

So, perhaps there is hope that the world can tackle the climate crisis as effectively as it did when faced with the threat of a disappearing ozone layer. But time is running out.

Back in the markets there was a crisis of a different type over Q1: a financial one triggered by the collapse of Silicon Valley Bank. It is thought that banks, especially smaller US banks, will tighten their lending to protect their capital, supporting the US Federal Reserve's quest to slow the economy. As a result, expectations around future Fed interest rates dropped, which triggered a rotation out of value, cyclical sectors like banks and energy into growth stocks, namely technology-related sectors. Tech also benefitted from cost-cutting initiatives and the potential boost to sales from generative artificial intelligence. This benefited the Columbia Threadneedle Sustainable Outcomes Global Equity (SOGE) strategy which has had an 8.2% return over Q1 and outperformed the MSCI ACWI benchmark by 3.4%.

> Perhaps there is hope that the world can tackle the climate crisis as effectively as it did when faced with the threat of a disappearing ozone layer

Figure 2: years to close overall global gender pay gap, based on progress each year



Source: World Economic Forum, Global Gender gap reports, 2016-2022.

Glacial progress means women still have to mind the pay gap

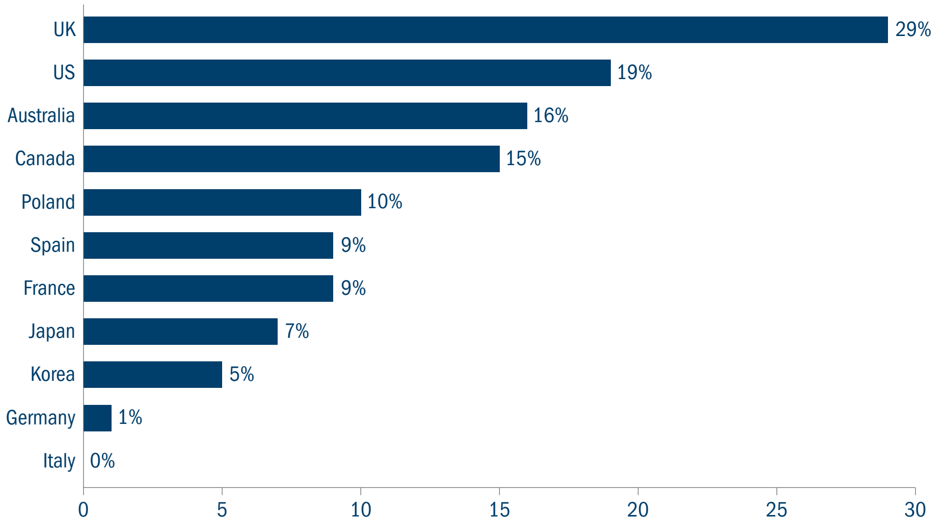
International Women's Day, which is on 8 March every year, is a day for the world to focus on key issues that face women – one of which is continued inequality in the workplace. Although the gender pay gap is slightly improved compared with 2021, at the current rate of progress it will take 132 years for women to reach pay parity with men (Figure 2).

Recent years have not been good for women. First, the Covid-19 pandemic set back female workforce participation rates, with women taking on most of the childcare burden when nurseries and schools shut. And with the current cost-of-living crisis, women are less likely than men to receive pay rises that keep up with inflation[6] while also facing soaring childcare costs.

The availability of affordable, quality childcare is vital to ensure women are both retained and progress in the workplace. In the UK, the Pregnant Then Screwed charity found that three-quarters of mothers who pay for childcare say it no longer makes financial sense for them to work. UK nursery fees have risen by a fifth since 2017, significantly outpacing inflation.[7] This "motherhood penalty" is the biggest driver of the gender pay gap in the UK.

The US faces similar pressure with childcare inflation at 214% over the past three decades versus the average family income rising by only 143%.[8] In fact, the UK and US have among the highest childcare costs in the world due to their governments providing little financial support – resulting in families covering a higher proportion of childcare expenses (Figure 3).

Figure 3: childcare costs – net expenses for a couple as a share of average wages, 2021



Source: OECD, 2021. Assumes a couple with two children aged two and three using full-time centre-based childcare.

Point of discussion: a boardroom diversity target does little to address the reasons why fewer women than men progress through corporate ranks. Source: iStock.

But there is also a severe shortage of quality childcare, with demand far outstripping supply. In the UK there was an 87% rise in nurseries shutting down in 2022 as the industry faced chronic labour shortages and high running costs.[9]

Aside from governments, corporates also have a critical role in supporting an inclusive workforce. Setting a boardroom diversity target does little to address the underlying reasons for why fewer women than men stay and progress through corporate ranks, nor why women are underrepresented in high-paying occupations. A more inclusive workplace culture and equitable work policies – such as paid parental leave, childcare and flexible work options – are vital if women are to progress through corporate ranks. In the US, childcare benefits are the second-highest reason parents stay in their jobs after health insurance.[10]

Having a more diverse workforce makes good financial sense too. It gives corporates greater access to skills and talent, while women bring more diverse ideas and perspectives to help drive top-line growth. Higher female participation also supports stronger economic growth – an economy cannot operate at its full potential if half of its population cannot fully contribute to it.

In SOGE we own Bright Horizons,[11] which partners with employers in the US to provide on-site childcare centre,s as well as running full service childcare centres across the UK, Netherlands and Australia. It now operates more than 1,000 pre-school centres globally as well as providing back-up childcare and elder care services to support workers. Its services are critical to its customers' ability to attract and retain a more diverse workforce.

[1] The blanket of gas between 10 and 50 kilometres above the earth's surface that protects the planet from the sun's UV rays.
[2] The Guardian, Scientists deliver 'final warning' on climate crisis: act now or it's too late, 20 March 2023.
[3] IPCC, The evidence is clear: the time for action is now. We can halve emissions by 2030, 4 April 2022.
[4] RenewableUK, Generation statistics for the period 1 November 2022 to 28 February 2023.
[5] European Commission, Net-Zero Industry Act: Making the EU the home of clean technologies manufacturing and green jobs, 22 March 2023.
[6] US Bureau of Labour statistics (BLS), due to higher female participation rates in sectors with pay rises lagging inflation such as the education sector.
[7] https://pregnantthenscrewed.com/three-quarters-of-mothers-who-pay-for-childcare-say-that-it-does-not-make-financial-sense-for-them-to-work/
[8] US Bureau of Labour statistics (BLS) consumer price index
[9] National Day Nurseries Association's analysis – April-December 2022.
[10] KinderCare Confidence Report, 2023.
[11] The mention of any specific shares or bonds should not be taken as a recommendation to deal.

Q1 2023 CTSOGE strategy new company purchases[9]

Company	Sustainable Category	Sustainability in practice
CSL™	Leader MSCI A Health, Wellbeing & Food Security	CSL develops biotherapies that help save and improve lives, as well as vaccines that protect them. With strong research and development and acquisitions in complementary therapeutic areas, CSL has a robust pipeline of product launches to further promote positive health outcomes for the world. Its dual-price approach also promotes access to immunoglobulins (proteins in plasma cells that help fight infection) for global populations.

[9] Mention of specific stocks is not a recommendation to deal.

Q1 2023 company engagement highlights

Company	Sustainable Category	
novo nordisk® 17 March 2023	Leader MSCI AAA Health, Wellbeing & Food Security	**Meeting with Katrine Dibona, VP Global Public Affairs and Sustainability, and Daniel Bohsen, Head of IR** We engaged with Novo Nordisk following recent negative UK press articles accusing the company of unethical marketing and encouraging off-label use of its obesity treatment Wegovy. Novo remains committed to ensuring its diabetes and obesity drugs are used in approved indications only. It is not involved in off-label promotion and is working with local governments to discourage the off-label use of diabetes drug Ozempic. It noted the strong safety record of its diabetes drugs after 15 years on the market, and the company continues to evaluate the safety of all its products. We were also concerned by Novo's two-year suspension by the Association of the British Pharmaceutical Industry (ABPI), which means it now needs government or third--party approval of marketing materials but can still sell its products. The ABPI suspension was related to an isolated case of obesity education and promotional activities for Saxenda in 2019, which did not properly disclose Novo's sponsorship. Novo said it remains fully committed to ABPI standards. Novo also ranks low in the access to medicine index – 19 out of 20 – which is of concern. Novo noted that this is largely due to its low research and development ranking as it does not have an infectious disease focus – the index does not recognise obesity as a disease. Novo does offer access and affordability to those patients covered by its drug with around 90% of insured patients paying just $1.5 a day for insulin. In March it also cut its US insulin list prices by 75%.
NEXTera ENERGY 30 March 2023	Contributor MSCI AA Energy & Climate Transition	**Meeting with Kirk Crews, CFO** We engaged with Nextera to seek more detail around its ambitious decarbonisation target for absolute zero emissions (not using carbon offsets, ie "real zero") by no later than 2045[10] for its regulated utility in Florida. It believes it can achieve this target using existing clean technology – contrary to some of the concerns that the world is unable to decarbonise this way. It plans to invest in 92GW of new solar capacity,[11] 50GW of new battery capacity and 16GW of green hydrogen capacity to replace natural gas energy generation. It noted that the US Inflation Reduction Act has significantly improved the economics of doing so through the use of carbon-free power-production tax credits (PTCs). Management did however note that it is not enough to simply invest in energy capacity; to provide a reliable, clean energy grid requires careful planning. Unlike natural gas generation, solar energy generation needs to be distributed across the Florida state to ensure access to its key power source – sunshine. This also requires investment in transmission and distribution networks of around $14-$16 billion between now and 2025 to connect this distributed power.

[10] "Real Zero" emissions goal for no later than 2045 as long as there is no incremental cost to customers relative to alternatives – efforts to do so are supported by cost-effective technology advancements and constructive government policies and incentives with investments acceptable to the Florida regulator.
[11] To put this in context, 1GW can power roughly 750 000 homes.

Threadneedle Global Equity Sustainable Outcomes Composite

GIPS Report: Columbia Threadneedle Investments EMEA APAC

Reporting Currency: USD

Statement of Performance Results

Calendar Year	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)	Composite 3-Yr St Dev (%)	Index 3-Yr St Dev (%)	Internal Dispersion (%)	Number of Portfolios	Total Composite Assets (mil.)	Total Firm Assets (bil.)
2022	-22.56	-23.07	-17.96	20.18	19.86	N.A.	≤ 5	139.1	114.9
2021	19.21	18.45	19.04	14.52	16.83	N.A.	≤ 5	177.7	161.3
2020	28.12	27.30	16.82	N.A.	N.A.	N.A.	≤ 5	1.5	149.8
2019	33.17	32.32	27.30	N.A.	N.A.	N.A.	≤ 5	1.2	140.5

Annualized Trailing Performance as of December 31, 2022

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	-22.56	-23.07	-17.96
Inception	12.03	11.31	9.78

Inception Date: December 31, 2018

1. Columbia Threadneedle Investments EMEA APAC 'the Firm' claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Columbia Threadneedle Investments EMEA APAC has been independently verified by Ernst & Young LLP for the periods 1st January 2000 to 31st December 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
2. The 'Firm' is defined as all portfolios managed by Columbia Threadneedle Investments EMEA APAC (prior to 1 January 2021, the firm was known as Threadneedle Asset Management) which includes Threadneedle Asset Management Limited, (TAML), Threadneedle International Limited, (TINTL), Threadneedle Investments Singapore (Pte.) Limited, (TIS), and Threadneedle Management Luxembourg S.A. (TMLSA), excluding directly invested property portfolios. The firm definition was expanded in 2015 to include portfolios managed by then newly established affiliates of Threadneedle Asset Management in Singapore. TAML & TINTL are authorised and regulated in the UK by the Financial Conduct Authority (FCA). TINTL is also registered as an investment adviser with the U.S. Securities and Exchange Commission and as a Commodities Trading Advisor with the U.S. Commodity Futures Trading Commission. TIS is regulated in Singapore by the Monetary Authority of Singapore. TMLSA is authorised and regulated in Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). On 1 July 2020, Threadneedle Asset Management Malaysia Sdn. Bhd (TAMM) was removed from the firm. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. Beginning 30 March 2015, the Columbia and Threadneedle group of companies, which includes multiple separate and distinct GIPS-compliant firms, began using the global offering brand Columbia Threadneedle Investments.
3. A concentrated global equity strategy with a focus on high quality companies that seeks to deliver both positive sustainable outcomes, in accordance with the UN Sustainable Development Goals (SDGs), and superior financial returns. Derivatives are not allowed. The composite was created November 30, 2018.
4. The gross-of-fees returns are time-weighted rates of return with cash flows at the end of the day. Returns reflect the reinvestment of dividends and other earnings and are net of commissions and other transaction costs. Composite returns are calculated by using underlying portfolio beginning of period weights and monthly returns. Periodic returns are geometrically linked to produce longer period returns. Net of fee returns are calculated by deducting the representative fee from the monthly gross return. Prior to 30th Sept 2022 the gross returns were calculated using daily authorised global close valuations with cash flows at start of the day, and were shown before management and custodian fees but after the deduction of trading expenses. Policies for valuing investments, calculating performance, and preparing GIPS Reports, as well as the list of composite descriptions, list of pooled fund descriptions for limited distribution pooled funds, and the list of broad distribution pooled funds are available upon request.
5. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns represented within the composite for the full year. Dispersion is only shown in instances where there are six or more portfolios throughout the entire reporting period. The Standard Deviation will not be presented unless there is 36 months of monthly return data available.
6. The three year annualised ex-post standard deviation measures the variability of the gross-of-fees composite and benchmark returns over the preceding 36 month period.
7. The following fee schedule represents the current representative fee schedule for institutional clients seeking investment management services in the designated strategy: 0.65% on the first £50m; 0.6% on the next £100m; 0.55% on the next £350m; 0.5% thereafter. Gross of fee performance information does not reflect the deduction of management fees. The following statement demonstrates, with a hypothetical example, the compound effect fees have on investment return: If a portfolio's annual rate of return is 10% for 5 years and the annual management fee is 65 basis points, the gross total 5-year return would be 61.1% and the 5-year return net of fees would be 55.9%.
8. The benchmark for this strategy is the MSCI AC World Index. The MSCI AC World Index is designed to provide a broad measure of equity-market performance throughout the world and is comprised of stocks from 23 developed countries and 24 emerging markets Index returns reflect the reinvestment of dividends and other earnings and are not covered by the report of the independent verifiers.
9. Past performance is no guarantee of future results and there is the possibility of loss of value. There can be no assurance that an investment objective will be met or that return expectations will be achieved. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods.
10. The percentage of non-fee-paying assets in the composite as of the end of 2020 and 2019 were 100% and 100% respectively. By the end of 2021 it was 0%.
11. Prior to 31st March 2022 the composite was known as Threadneedle Global Sustainable Equity Composite. This was a name change only.

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

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