

For Professional Clients and/or Qualified Investors only.

# CT UK Sustainable Equity Fund

## 2022-2023 Annual Outcomes report

“We believe, in a transforming world, investing sustainably is key to creating a better future, and to delivering solid investment returns”

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# Delivering positive sustainable outcomes

The CT UK Sustainable Equity fund has twin objectives of investing in companies that deliver positive sustainable outcomes, while generating long-term financial returns above those of the FTSE All-share index.

The fund is a core offering from our experienced UK equities team and is managed by specialist sustainable equity experts in close co-operation with our dedicated Responsible Investment team.

Since the fund's launch in 2015, the investment philosophy has been to invest in companies with focused competitive advantages, strong sustainability credentials and robust corporate governance, all underpinned by the Columbia Threadneedle approach to active management: bottom-up research and deep engagement with companies.

All companies in the fund deliver real-world, positive impacts: making industrial processes cleaner, safer and more efficient, improving health and hygiene, supporting small to medium-sized enterprises (SMEs), educating, training, and enabling net zero and the energy transition.



Active stock selection and engagement



Net zero aligned and smaller carbon footprint

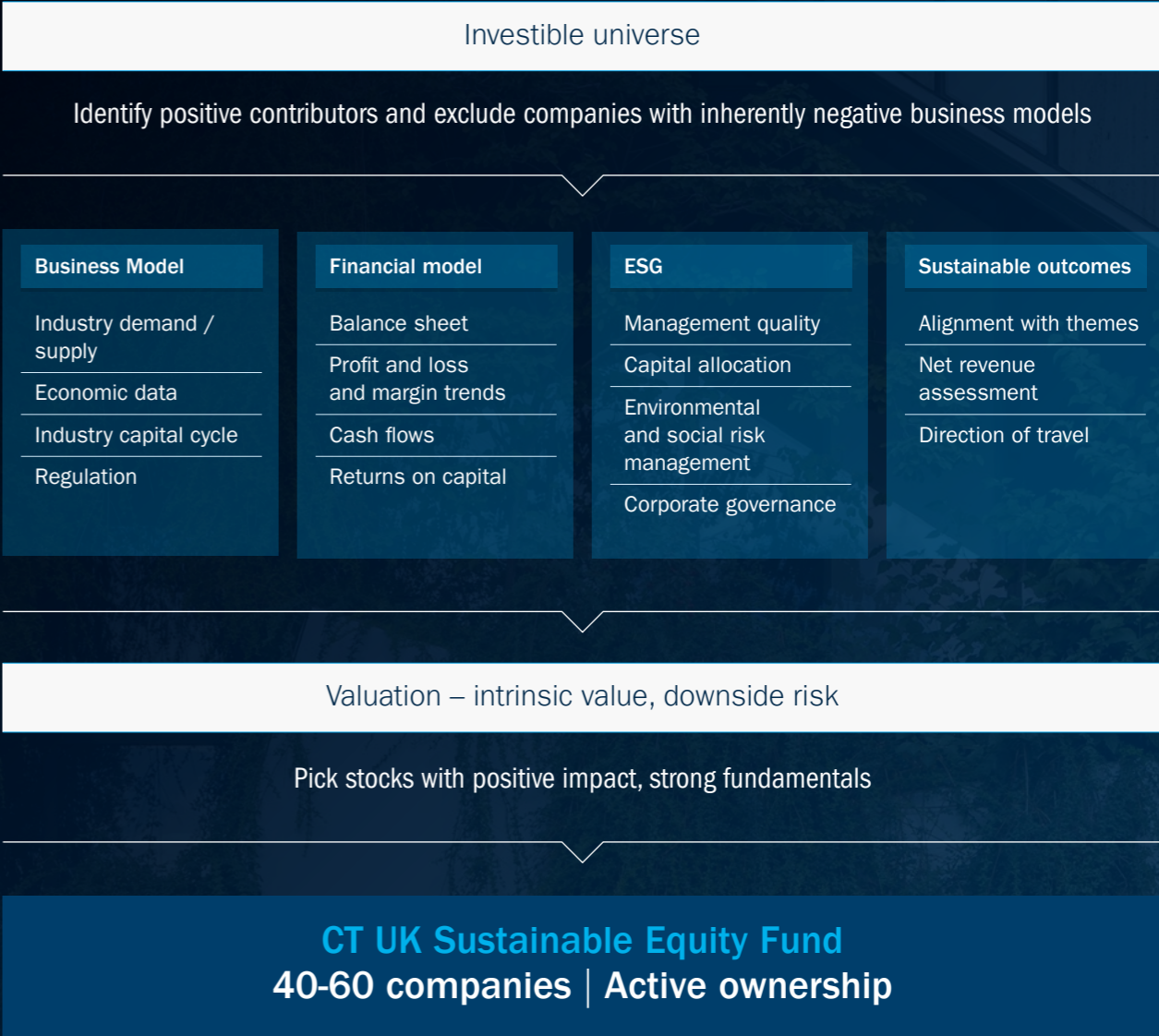


Combining fundamental, ESG and sustainability research



Investing in companies with a positive impact

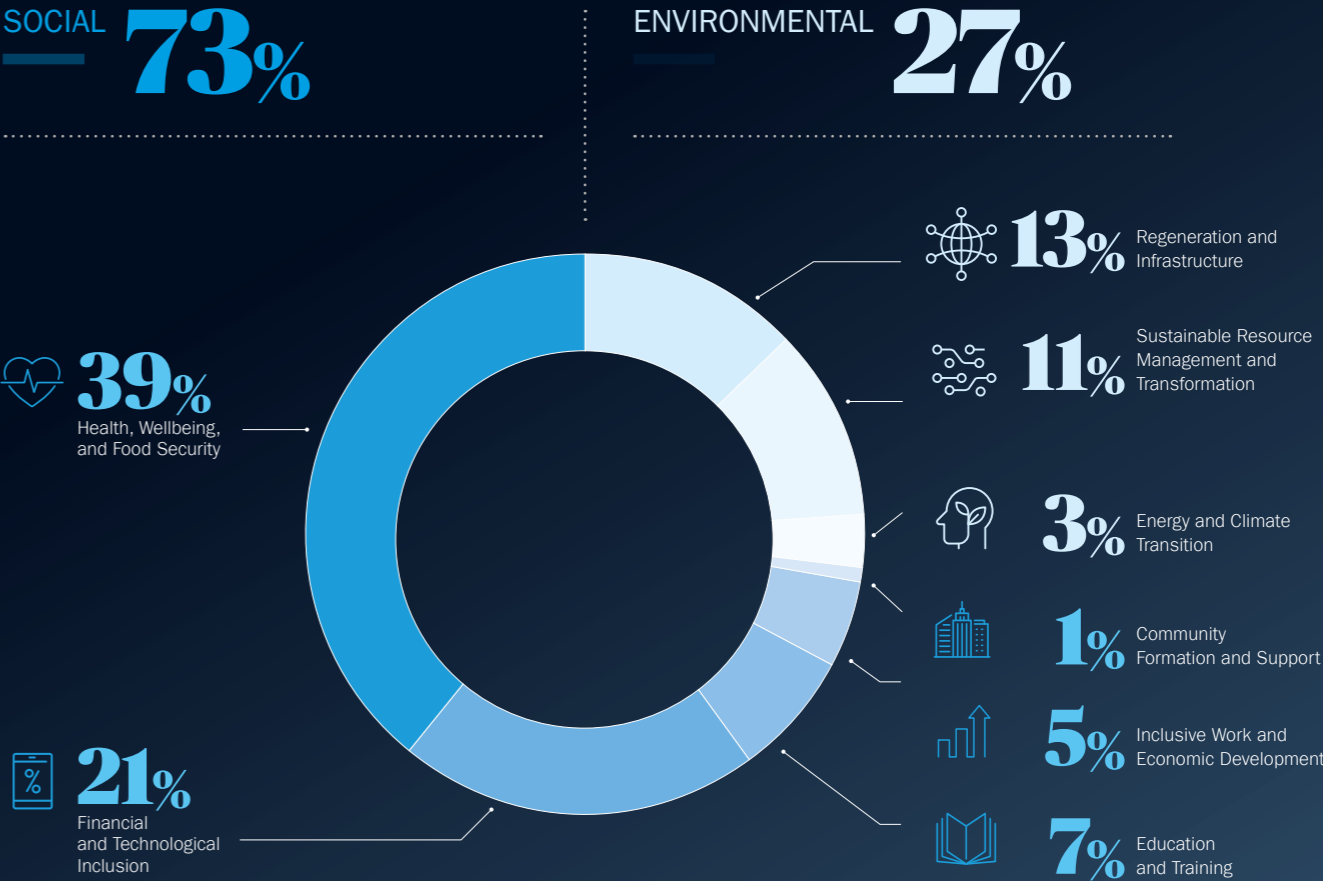
## Stock selection is the main source of alpha



The fund characteristics described above are internal guidelines (rather than limits and controls). They do not form part of the fund's objective and policy and are subject to change without notice in the future.

# Thematic alignment

The CT UK Sustainable Equity fund invests in companies whose products and services have a positive impact on the environment and society across eight sustainable themes



100% of investments positively contribute to the themes

Data as at 30 June 2023

# A focus on real-world impact

A closer look at our themes and some of the companies. The CT UK Sustainable Equity fund invests in companies whose products and services have a positive impact on the environment and society across eight sustainable themes. We believe these themes are providing sustainable, positive impact, and rich investment opportunities.

## Health, Wellbeing and Food Security

**Sustainably nutritious ingredients**

**TATE & LYLE** With a global population of 8 billion projected to reach 10 billion by 2050<sup>1</sup>, it is imperative to find solutions to keep people healthy, well-fed and reduce inequalities. Tate & Lyle has spun off its primary products business to focus on specialty food ingredients, helping feed the world in a sustainable and nutritious way. It's ingredients replace sugar, salt and fat, increase fibre and extend shelf lives.

## Education & Training

**Scientific research**

**RELX** Provision and facilitation of information, research and education is key to improving lives, innovating, and increasing GDP. RELX's Elsevier business is the leading publisher of academic journals, responsible for reviewing, editing, and disseminating 18% of the world's scientific journal articles as well as contributing to 17% of the world's scientific articles<sup>6</sup>.

## Community Formation & Support

**Neighborhood care**

**Totally** Strong and sustainable communities are needed to facilitate economic growth, through social connections and a sense of belonging. Healthcare services, which have been under significant pressure in the UK, are a critical facilitator. Totally supports the NHS in its 111 service, elective surgeries, and urgent care to reduce waiting lists, with a record 7m people<sup>7</sup> waiting for hospital treatment.

## Sustainable Resource Management & Transformation

**Recyclable thread**

**COATS** Global regulation and consumer tastes are driving corporate behaviours, with unsustainable consumption and production driving climate change, biodiversity loss, pollution and waste.<sup>9</sup> Coats pioneered the first globally available 100% recycled polyester sewing threads and is at the forefront of sustainable product innovation for the clothing and footwear industries. It targets all products to be sourced from non-virgin oil by the end of the decade.<sup>10</sup>

## Financial & Technological Inclusion

**Financial inclusion**

**NatWest** Over 1m people in the UK have no access to bank accounts<sup>2</sup>, and 6% have no access to the internet<sup>3</sup>. Improving access can benefit economic growth and social mobility. Among its many activities, including providing 'basic' bank accounts to some of its 19m customers, NatWest helps its customers begin saving for the first time and educates them on financial matters.<sup>4</sup>

## Inclusive Work & Economic Development

**Healthy workspaces**

**Rentokil** Small and medium sized enterprises are key to social development, accounting for as much as 70% of global GDP. To prosper, all businesses must offer products and services in a healthy and hygienic setting. Rentokil is the global leader in pest control services and its Initial Hygiene and Wellbeing business provides a wide range of washroom, clinical waste, and air quality services.

## Regeneration & Infrastructure

**Residential improvements**

**FERGUSON** By 2050, two-thirds of the global population will live in cities<sup>8</sup> which must be built or adapt to minimise negative impacts of a changing climate and scarcer water. Ferguson distributes key products for this, for fire and fabrication, heating, ventilation, air conditioning and plumbing, both for new builds and renovations, residential and commercial. Its products improve resiliency and sustainability of the built environment.

## Energy & Climate Transition

**Renewable energy**

**ceres** In December 2023, the 28th Conference of Parties will review climate progress since the 2015 Paris Accords set binding country-level targets for climate change. Companies must play their role as we transition to a low-carbon, resilient and inclusive economy. Ceres is a leading developer of clean energy technology, partnering global industrial companies to install and integrate power cells with zero CO2, SOX and NOX particulate emissions when used with pure hydrogen.<sup>11</sup>

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# Our net zero commitment

A focus on real-world change through stewardship.

As part of our net zero commitment and as signatories to the net zero asset managers' initiative, we have committed to reaching net zero emissions by 2050 or sooner across our AUM.

We have chosen a methodology that has a dual-focus on reducing emissions while supporting the transition.



## Assessing net zero alignment

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, using stewardship to encourage our Strategy companies to improve their own alignment to a net zero emissions future. We engage with laggard or high-impact companies on climate objectives. We escalate when minimum expectations are not met.



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



We compare the Strategy's overall carbon intensity with a net zero aligned trajectory, based on taking emissions intensity for the Strategy's benchmark<sup>1</sup> in 2019, and applying a 50% reduction by 2030. We use this as a reference pathway to track and monitor progress, but not as a binding target.

Our approach to net zero investing will need to be nimble to adapt as this area of investing rapidly evolves.

<sup>1</sup>The MSCI World Index

## The portfolio has a much lower carbon footprint than its benchmark

Total emissions are 74% less than the benchmark the and intensity is 52% less than the benchmark

The fund has been approved as Net Zero aligned – all investments will be net zero by 2050 through engagement and portfolio targets

	Total Carbon Emissions (tons CO2e/\$m invested)	Weighted Average Carbon Intensity (tons CO2e/\$m sales)
Fund	27.1	48.3
FTSE All Share	105.6	100.4

Source: Columbia Threadneedle Investments, as at 30 June 2023. MSCI ESG Research, as at 30 June 2023.  
Notes: Weights are adjusted to eliminate the impact of cash and any non-corporate issuers. The values shown for Total Carbon Emissions and Carbon Intensity reflect an investment converting the value of the fund into US dollars. Underlying data coverage by MSCI of these points was 92% for the portfolio, 97% for the FTSE All Share benchmark. The values shown for Carbon Emissions, Total Carbon Emissions, and Carbon Intensity reflect an investment converting the value of the fund into US dollars. The values shown for Weighted Average Carbon Intensity are independent of the total value of capital invested. ©2021 MSCI ESG Research LLC. Reproduced by permission. Although Threadneedle UK Sustainable Equity Fund information providers, including without limitation, MSCI ESG Research Inc. and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties or any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

# Delivering positive outcomes



## Health, Wellbeing, and Food Security

**25.6%**  
food waste reduction by food services company 26.3t of CO2 and 4.1m litres of water saved<sup>1</sup>

**4m**  
tonnes of sugar removed from people's diets<sup>2</sup>

**667m**  
people reached through our brand purpose health and wellbeing programmes<sup>3</sup>



## Community Formation & Support

**1.4m**  
NHS 111 calls supported, 2.5m urgent care patients treated<sup>4</sup>

## Health, Wellbeing, and Food Security

**73m**  
people in lower income countries reached and additional 533m doses of parasitic worm infection medication albendazole supplied<sup>5</sup>

**11.2m**  
people reached in access to healthcare programmes<sup>6</sup>

## Sustainable Resource Management & Transformation

**850,000t CO2e**  
avoided by JM products and solutions<sup>7</sup>



## Education & Training

**600,000**  
articles published for the global scientific research community<sup>8</sup>



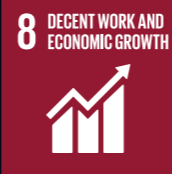
## Inclusive Work & Economic Development

**4.9m**  
customers in 90 countries supported with pest control and hygiene services<sup>9</sup>



## Energy & Climate Transition

**25%**  
more efficient in delivering green hydrogen than competitor technologies<sup>10</sup>



## Financial & Technological Inclusion

**£22b**  
raised in green and sustainable bonds<sup>11</sup>

**25**  
Housing associations and 11,600 SMEs supported by social bonds.<sup>12</sup>

**5,002**  
homes built<sup>13</sup>

## Inclusive Work & Economic Development

**38%**  
of 1,958 UK consultants were the first in their family to attend university<sup>14</sup>



## Energy & Climate Transition

**136,337,175 kg**  
CO2 saved from fuel not burned by using transport management software<sup>15</sup>

**~20,000**

Launch of 'Better World' range of ~20,000 industrial components<sup>16</sup>

## Financial & Technological Inclusion

**4.6m**  
people improve digital skills and 1m small businesses<sup>17</sup>

## Regeneration & Infrastructure

**35%**  
energy savings and reduced water usage from efficient mining equipment<sup>18</sup>

## Sustainable Resource Management & Transformation

**60%**  
of lifetime emissions saved by thermal processing<sup>19</sup>



## Financial & Technological Inclusion

**17.1m**  
life policies in force to help close the \$1.8tn health insurance protection gap in Asia



## Regeneration & Infrastructure

**18,079**  
homes delivered<sup>20 21 22</sup>



## Sustainable Resource Management & Transformation

**204,074**  
Yield benefits = land savings equivalent to 204,074 football pitches<sup>23</sup>

# 2022/23

saw our companies deliver strong outcomes to support a healthier and more sustainable future.

Source: Individual company reports, as at June 2023

# Experienced and resourced



**Sonal Sagar**  
**Portfolio Manager**

Sonal Sagar is a fund manager on the UK equities team with responsibility for researching UK companies in the insurance, leisure, healthcare and chemicals sectors. She is the lead manager of the CT UK Sustainable Equity Fund as well as lead portfolio manager on a number of institutional and core mandates, in addition to the CT UK Institutional Fund. Prior to this, Sonal worked at Jefferies International latterly covering European Aerospace & Defence and before this European Pharmaceuticals. Before Jefferies she was at Nomura International as an analyst in Equity Capital Markets. Sonal holds the Chartered Financial Analyst designation and a BSc in Economics, Politics and International Studies from the University of Warwick.



**Michael Hamblett**  
**Equities Analyst**

Michael Hamblett is an analyst in the UK equities team. Michael joined Columbia Threadneedle Investments in 2015 and has been leading the integration of responsible investment research and stewardship activities across the desk. He works alongside the portfolio manager on sustainability research for the CT UK Sustainable Equity Fund. Previously, Michael was a member of the Responsible Investment team within our fundamental research function. Prior to joining the company, Michael worked as a corporate governance analyst at UBS Global Asset Management with responsibility for ESG analysis on equities and proxy voting activities. Michael holds a BSc (Hons) in Economics from the University of Liverpool. He also holds the Fundamentals of Sustainability Accounting credential from the Sustainability Accounting Standards Board, the Investment Management Certificate, and is a CFA charterholder.

We have 45+ professionals in our responsible investment team who work closely with over 250 global research analysts to strengthen our research and investment capability.



Source: Columbia Threadneedle Investments, as at 30 June 2023.

## Contact us

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