



Your success. Our priority.

# Sustainability in a post-COVID world

For professional investors only

4 May 2021



# Columbia Threadneedle Sustainable themes

## Our sustainable themes mapped to SDGs

### Social



Health, Wellbeing & Food Security



Community Formation & Support



Inclusive Work & Economic Development



Education & Training



Financial & Technological Inclusion



### Environment



Energy & Climate Transition



Regeneration & Infrastructure



Sustainable Resource Management & Transformation



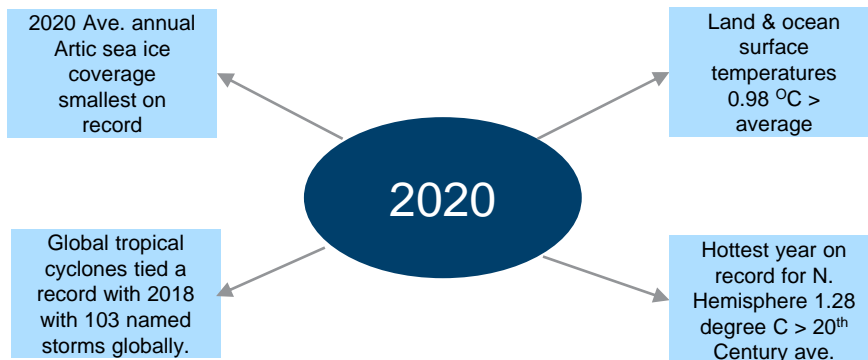
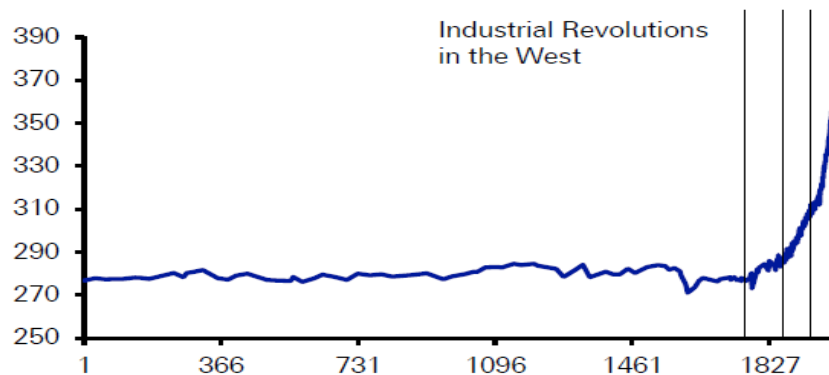
- The **17 UN Sustainable Development Goals (SDGs)** represent a catalyst for change, creating new investment opportunities
- Our **eight Columbia Threadneedle sustainable themes** draw on these SDGs and encompass a range of social and environmental outcomes
- The COVID-19 pandemic has heightened the importance of investing for sustainable outcomes. More than ever we need to direct investment towards those companies providing solutions to some of the world's biggest challenges, many of which have been worsened by the pandemic.
- We believe investment based on these themes can deliver not just **impact** for investors but **solid financial returns**

# Energy and climate transition

## Decarbonisation: Both challenge and opportunity



### The amount of carbon dioxide in the atmosphere (CO<sub>2</sub>, parts per million by volume)



### The challenge:

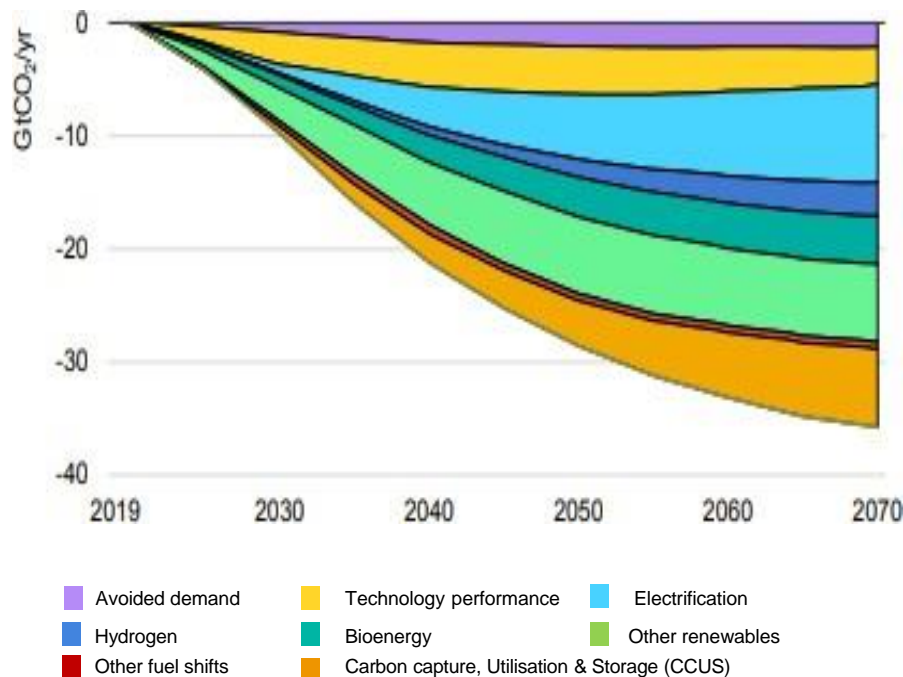
- Globally the energy system emits ~35 billion tonnes of CO<sub>2</sub> per annum leading to record levels of carbon dioxide in the atmosphere.
- Global warming has seen the world's seven warmest years all occurring since 2014.
- Environmental impacts of climate change include rising sea levels, ocean acidification, desertification, increased frequency and intensity of natural disasters and biodiversity loss.
- Governments and corporates globally have to adopt net zero carbon emission targets to mitigate economic and social devastation from climate change.
- COVID related shutdowns led to 2020 global emissions dropping 4.4% with the associated severe economic hit.
- But we need to cut emissions by 7.6% every single year to align with the Paris climate agreement target of 1.5 degrees Celsius warming.
- To achieve net zero we need a complete re-wiring of our economies.

# Energy and climate transition

## Decarbonisation: Both challenge and opportunity



### Global energy CO<sub>2</sub> emissions reduction drivers in IEA's Sustainable Development Scenario



### The opportunity:

- To achieve net zero requires a “green” transition across energy, mobility, housing, agriculture and heavy industries
- The OECD estimates that >US\$6 trillion investments per annum are needed by 2030 to transition to a sustainable, low carbon world
- The energy sector is one of the low hanging fruits to achieve decarbonisation targets contributing ~40% of global emissions
- New technology and innovation are also crucial to achieve net zero targets including advancements in battery, green hydrogen and carbon capture technologies.
- The huge investment over the next decade in the “Green” economy and infrastructure will in turn support job creation and post-COVID recovery.

# Energy and climate transition

## A “green” recovery



### Countries commitments towards net zero materially increased in 2020 covering 60% of global GHG

|           | Countries Climate Targets |                 |                                     |        |      |
|-----------|---------------------------|-----------------|-------------------------------------|--------|------|
|           | % global emissions        | Net-Zero Target | Interim Emissions Reduction Targets |        |      |
|           |                           |                 | Year                                | Target | Year |
| UK        | 1%                        | 2050            | -78%                                | 2035   | 1990 |
| EU        | 8%                        | 2050            | -55%                                | 2030   | 1990 |
| US        | 15%                       | 2050            | -50%                                | 2030   | 2005 |
| Japan     | 3%                        | 2050            | -46%                                | 2030   | 2013 |
| Canada    | 2%                        | 2050            | -40%                                | 2030   | 2005 |
| China     | 30%                       | 2060            | peak emissions                      | 2030   | 2005 |
| Australia | 1.5%                      | n.a             | -26%                                | 2030   | 2005 |
| India     | 7%                        | n.a             | -33%                                | 2030   | 2005 |

Ordered by level of ambition. In blue countries that announced most recent new targets

### US\$921 billionn in green stimulus approved to date

By country



Source: BNEF, as at February 2021.

Note: figures only include green stimulus that has been officially approved.

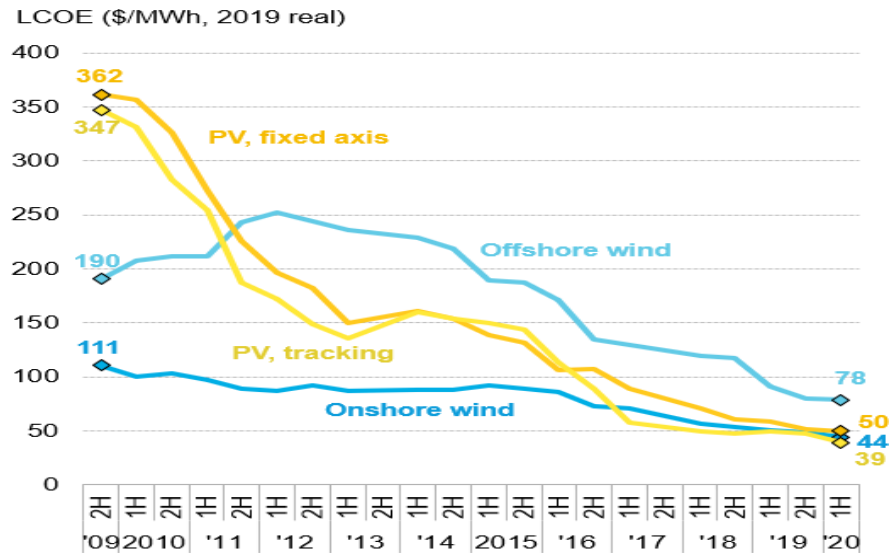
- The COVID pandemic has demonstrated humankind’s fragility, accentuating the urgency for climate change action
- 2020 saw an acceleration in the adoption of net zero targets by governments around the world:
  - China announced the goal to become carbon neutral by 2060
  - Post Biden’s election, US re-joined the Paris Agreement and announced a new target for 50% carbon emissions reduction by 2030 and net zero by 2050
  - COP26 will be focused on raising global decarbonisation ambition levels
- In the race to net zero, countries have announced green stimulus packages:
  - EU: €1.0 trillion Green Deal
  - UK: £12 billion Green Industrial Revolution Plan
  - US: Biden’s \$2.25 trillion infrastructure plan – “Build back Better”
- Green investment priorities include renewables, green hydrogen, electric vehicles and buildings renovation



# Energy and climate transition

## Impact through transition

### Renewable costs have fallen rapidly and now < fossil



- Transitioning to renewables makes both environmental and economic sense:
  - The cost of renewables is falling rapidly and in most countries is now more economical than coal and nuclear
  - Battery efficiency improvements and cost declines further support the transition to renewable power.
  - Regulation around fossil fuels is growing
- We need large corporates like “Big Oil” to accelerate green investments if decarbonisation targets are to be met:
  - Intentionality is key to capture future sustainable leaders
- Nextera – Largest developer and operator of renewables in the US:
  - Generate more wind and solar energy than any company in the world
  - Part of M&A strategy is to shut down inefficient coal power of acquired companies

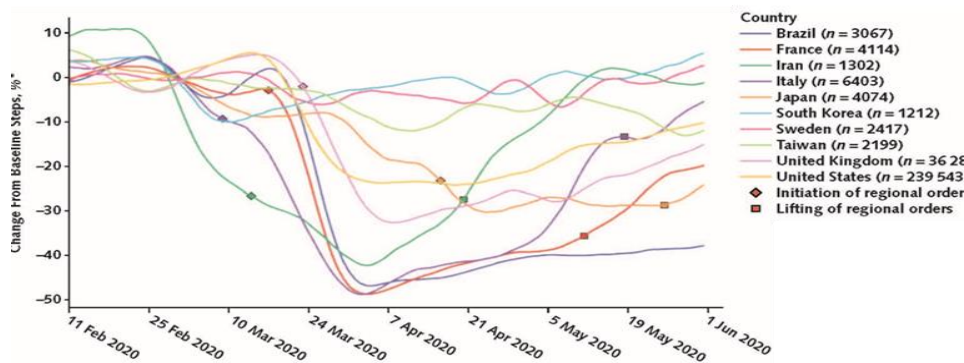
Source: BofAML Global Research, LCOE is levelized cost of energy; Barclays Research, and IPCC, October 2020. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

# Health and wellbeing

## Even more relevant post-COVID

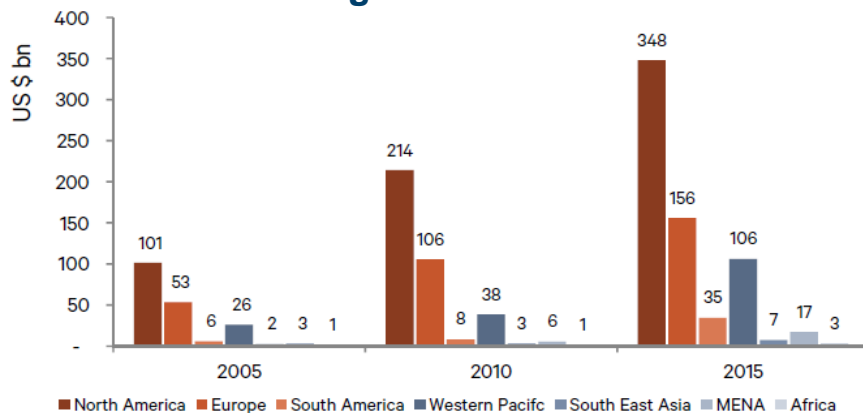


### Slowdown in physical activity



Source: Tison, et al, Annals of Internal Medicine, 29 June 2020

### Health costs relating to diabetes



Source: Berenberg, as at 2016.

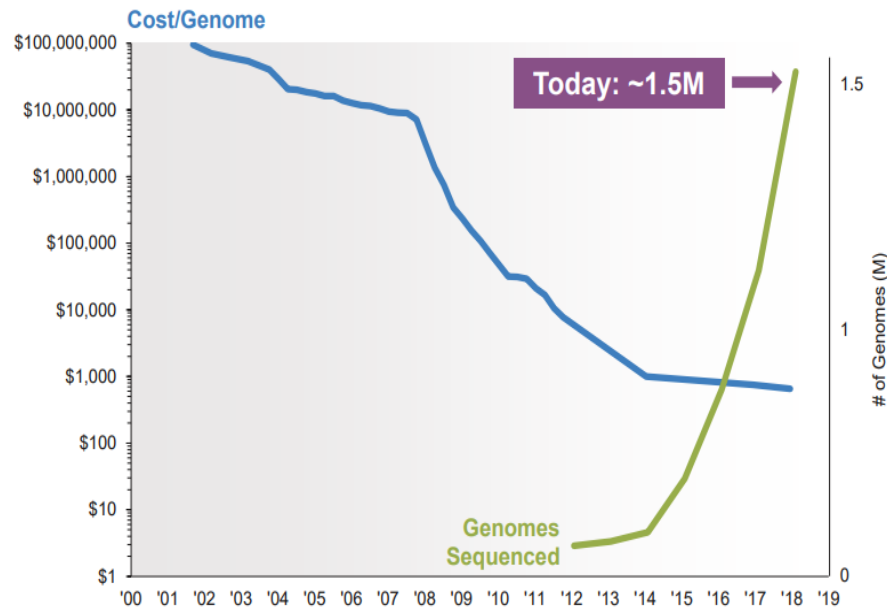
- COVID has highlighted the importance of strong healthcare systems
- But it's not just about increasing spend in healthcare – improving the health of populations is key to reducing the burden on global healthcare systems.
- Pressure to continue to grow due to ageing populations and the rise of lifestyle related diseases
  - According to the WHO worldwide obesity is up approximately 3x since 1975
  - Food and exercise habits have shifted, raising the prospect of increases in non-communicable diseases like diabetes and heart disease
- COVID has resulted in government action to support public health
  - UK has introduced an extensive new obesity strategy
  - Mexico has restricted sales of soft drinks and confectionery to youth

1. See e.g <https://runrepeat.com/quarantine-15-weight-gain-study>; <https://www.mdpi.com/2072-6643/12/7/2016/html>.

# Health and wellbeing

## Healthcare Innovation a key part of the solution

### Falling cost of genetic sequencing



“Improve human health by unlocking the power of the genome”

- COVID-19 highlighted the extraordinary innovation in healthcare today
  - Historically took more than 10 years on average to develop a vaccine – Moderna developed one ready for testing in 42 days
  - Diagnostics and testing have played a key role in the pandemic
  - Telemedicine and remote monitoring have enabled safe patient care
- Advances in healthcare innovation helps to improve both outcomes for patients and reduce the cost burden for governments
- Illumina – leader in clinical genomics
  - Their next-generation genome sequencing technology results in more effective healthcare e.g. sequencing a tumour can improve efficacy of cancer therapy for patients.
  - Played key role in sequencing COVID virus enabling the development of vaccines and PCR-based tests and identifying new strains and transmission tracking.

Source: Illumina company data and presentation 2019. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

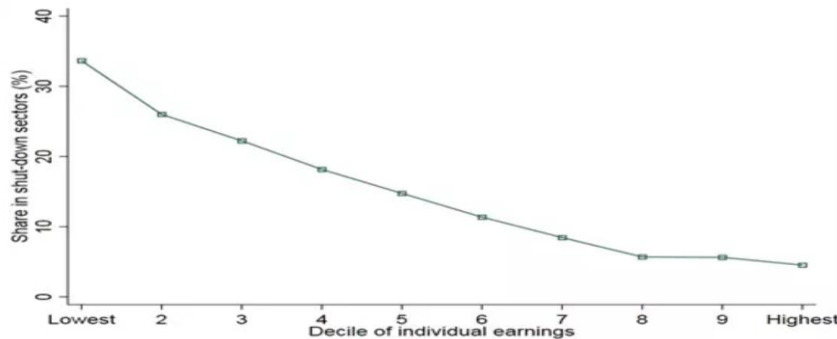


# A more inclusive world

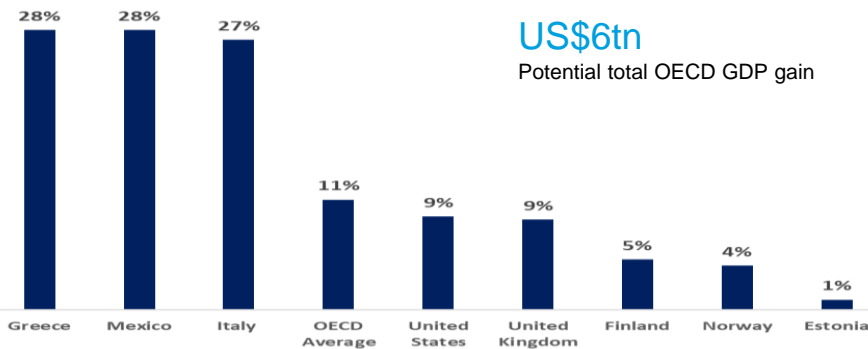
## Education, work and equality



### Share of employees in shut-down sectors by individual earnings in the United States



### Gains from increasing the female employment rate across the OECD to match Sweden's at 72% (highest in OECD)



- COVID highlighted and worsened social inequalities globally as people in lower income communities disproportionately affected.
  - A recent survey of 37 countries indicates that 3 in 4 households suffered declining income since the start of the pandemic, with 82% of poorer households affected.
- The rise of “S” in ESG – Company treatment of employees, suppliers and customers under increased scrutiny during pandemic
- Addressing social inequality a key part of economic recovery programmes
- More inclusive education and work reduces inequality and supports economic growth:
  - One extra year of education associated with 1.4 percentage point drop in the Gini coefficient
  - Women working to full potential to unlock up to US\$28 trillion in annual global GDP by 2025

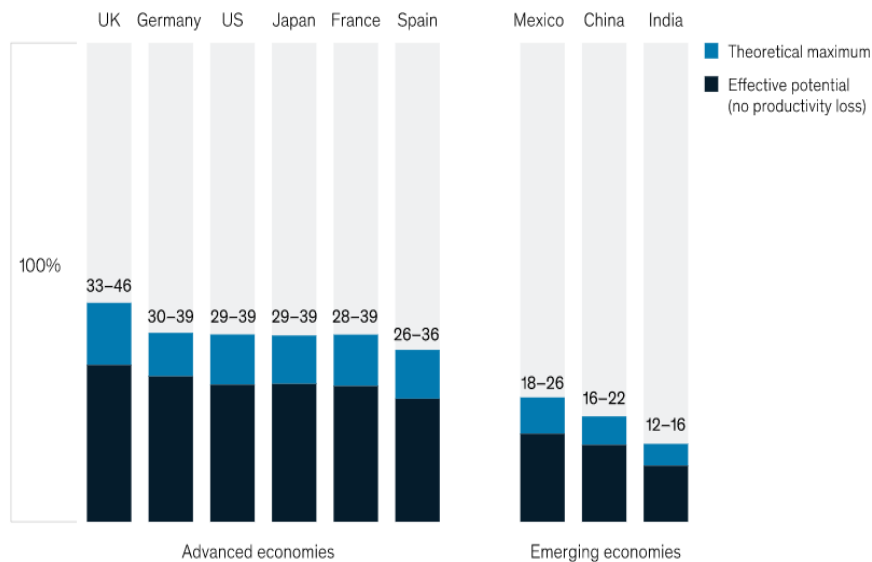
Sources: PwC analysis, UNICEF; OECD; McKinsey; World Economic Forum, 2020. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

# A more inclusive world

## A new way of working and learning



### Potential share of time spent working remotely by country %



Note: The theoretical maximum includes all activities not requiring physical presence on-site; the effective potential includes only those activities that can be done remotely without any loss of effectiveness. Model based on more than 2,000 activities across more than 800 occupations.  
Source: McKinsey Global Institute analysis



- Technology platforms played a key role in supporting the economy through the pandemic
- The rise of remote working and learning
  - Cloud adoption soared through the pandemic as companies and learning institutions were forced to move online
  - Microsoft Teams reached 115 million daily active users as of the 28 October 2020 and has been pivotal to schools and businesses alike
- Technology helped to support small businesses which were disproportionately impacted by the pandemic
- Intuit – financial management software developer
  - US government used Intuit’s platform to help small businesses
  - Intuit launched free tools for small businesses to access financial aid programmes during the COVID crisis.
  - As at 31 July 2020, had helped make just over US\$1.2 billion of approved small business loans available to customers in the U.S. helping 37,000 small businesses

Source: McKinsey Global Institute, as at November 2020. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

# What does this mean for investors?



- The world is changing with COVID accelerating a lot of this change both for society and the environment.
- Companies that contribute to sustainable outcomes by offering solutions to meet these changing demands should enjoy superior growth, returns and wider competitive moats in the long term versus peers who are misaligned.
- We believe that investing for sustainable outcomes can deliver **BOTH** impact and strong financial returns for our investors.

# Biography

## PAULINE GRANGE Portfolio Manager



Pauline Grange joined the company in 2007 as a portfolio manager within the Global Equities team. She is the lead portfolio manager of Threadneedle World Equity fund and deputy portfolio manager of the Columbia Select Global Equity fund and the Threadneedle (Lux) Global Focus Fund. She also heads the telecommunications and utilities sector research team and is the deputy head of the technology sector research team.

Before joining the company, Pauline was a global equity portfolio manager for Investec Asset Management.

Pauline holds a Bachelor of Business Science (Honours) in Finance from the University of Cape Town and also holds the Chartered Financial Analyst designation.

**Company start date:** 2007

**Industry start date:** 2000

# Biography

## JESSICA WILLIAMS

Portfolio Analyst, Responsible Investment | Global Research



Jess Williams is an Analyst in the Responsible Investment research team at Columbia Threadneedle Investments where she covers the energy transition theme as well as supporting a number of specialist responsible investment strategies.

Prior to joining the firm, Jess worked at S&P Global Ratings, where she developed sustainable finance products and published research on ESG-related topics. Prior to this, Jess worked on the Global Innovation Lab for Climate Finance at the Climate Policy Initiative in Venice and completed internships at both Inflection Point Capital Management and the CDP (formerly Carbon Disclosure Project).

Jess has an MSc in Environmental Technology and a BSc in Biology, both from Imperial College, London, and has completed CFA Level 1 and 2.

**Company start date:** 2018

**Industry start date:** 2014

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