Colchester®
GLOBAL INVESTORS

ESG Engagement Report

30 June 2023

Introduction

Last year will be remembered as one of recovery for the global economy from the COVID-19 pandemic and central banks attempting to combat persistent inflation. Reflecting on ESG considerations, higher inflation resulted in a "cost of living" crisis, being reflected in the "S", which is still visible currently with public sector strikes in the UK and social unrest in France and elsewhere.

Over the course of the year, more global ESG regulations came into effect. The European Sustainable Finance Disclosure Regulation (SFDR) and other directives from regulators aimed to provide guidance to financial institutions as to how to ensure compliance whilst avoiding greenwashing. Whilst ESG and sustainability matters have been broadly embraced in Europe, a number of anti-ESG bills were issued in the United States illustrating a diverging stance across the globe.

Turning to the "E", the Russia/Ukraine war has potentially delayed energy transition efforts as policies, in particular in Europe, have become more tilted towards energy security. Despite COP27 having perhaps been perceived as less fruitful than many had hoped, we are encouraged by the G20's third Environment and Climate Sustainability Working Group (ECSWG) Meeting in Mumbai in May 2023. The three priorities of the summit were: arresting land degradation, promoting circular economy, and giving impetus to the "blue" economy, with a commitment to facilitate tangible outcomes through a consensus-driven approach.

Where from here...

We are awaiting **COP28** in November 2023 in Dubai for a renewed global decarbonisation effort, especially after increased climate-related disasters such as devastating floods across parts of Asia and various states of the US, and heatwaves across Asia, Europe and the USA, which have not only significant economic implications but also claim many lives. Tackling climate change is essential via **climate finance**, which is expected to advance further with improved carbon markets, new innovative financial products, as well as continued growth in the sustainable or ESG bond market, as issuers need to tap private investors to facilitate their future transitions. With COP28 formally acknowledging the interconnectivity of climate change with nature and biodiversity, this emphasises the "Paris moment for nature" marked by the 15th Conference of the Parties **(COP15)** of the UN Convention on Biological Diversity (CBD) in December 2022. COP15 agreed to adopt the global biodiversity framework and, with its "30 x 30" agenda aiming to protect 30% of land and sea by 2030, we would expect more focus around data disclosures, filling the data gap with more decision-useful data sets and an increased emphasis on nature-based solutions.

This might also lead to more **ESG regulation** in addition to what's already on its way. Whilst the EU has pioneered regulations on deforestation-free supply chains, the UK and other jurisdictions will continue with further implementation of the rules and are expected to release their ESG regulations in due course. Investors hoping for a more harmonised and standardised regulatory landscape are likely to witness increased fragmentation. To avoid the proliferation of sovereign frameworks, Colchester has joined forces with global investor networks, asset managers, and asset owners to develop the **Assessing Sovereign Climate-related Opportunities and Risks (ASCOR)** framework.

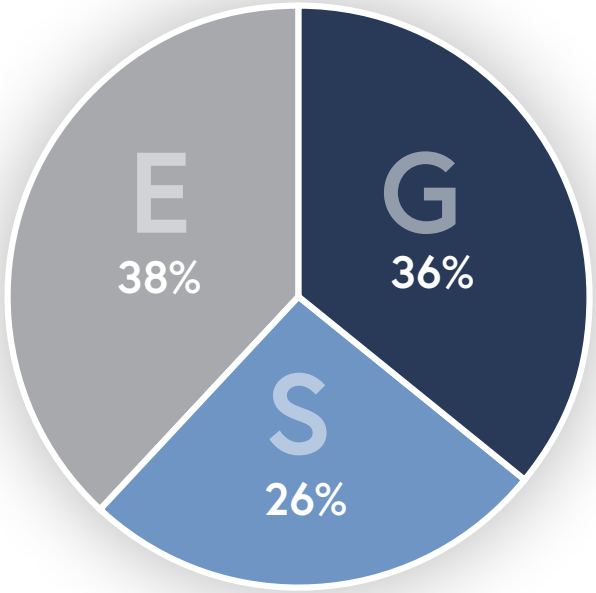
Summary of Engagements: H1 2023[1]

39 Engagements and 57 Issues

51% of engagements with Government Officials

44% of engagements are Industry-level collaborations

5% of engagements are with non-Issuer Stakeholders



H1 2023 Engagement Report highlights

Country engagement examples for Norway, South Korea, Indonesia, Colombia, Kenya and Sri Lanka.

A progress update on the ASCOR Project and

Our other collaborations with industry-level peers

[1] Engagement period ending 30th June 2023

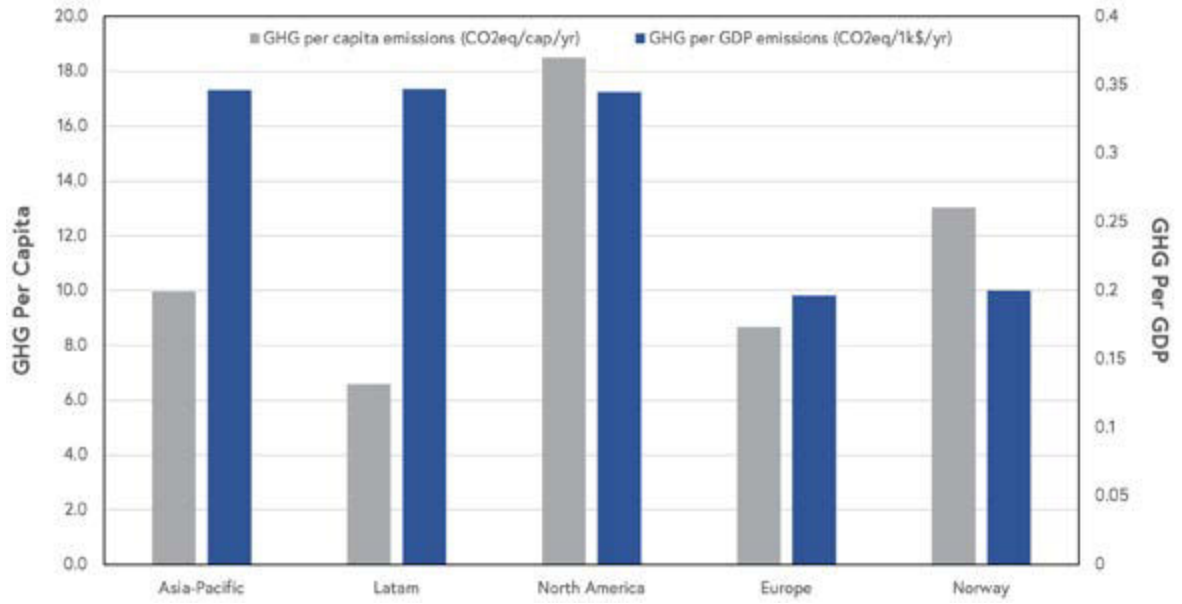
Global Bond Strategy Engagements

Norway

In November 2022, Norway updated its National Determined Contribution (NDC) under the Paris Agreement goals. It slightly strengthened its greenhouse gas emission (GHG) target to a reduction of at least 55% (previously 50%) below 1990 levels which is aligned with the European Union's FIT 55 target. However, the country's GHG emission levels are largely unchanged compared to 1990 and, between 2020 and 2021, GHG emission only fell by 0.8%. At this rate, Norway will miss its 2030 target suggesting further policies and measures are needed.

Norway is an energy rich country and net energy exporter. Oil and gas revenues support the financing of the Government Pension Fund Global and thereby act as a fiscal buffer. The fund stood at 1.2 trillion USD or circa 350% of GDP at the end of 2022 with a framework that permits it to spend no more than 3% per annum to support government budgets whilst preserving its real value for future generations. Norway also has abundance of hydropower and is in an enviable position with respect to clean energy transition. Electricity is almost entirely derived from renewable sources with hydropower accounting for 88% and wind energy at just over 10% of total generation. Looking more broadly at Norway's domestic energy mix, the share of renewables accounts for 72% and is second in the world behind Iceland. Both countries are considered two of the "greenest" countries in the world. That being said, over a quarter of Norway's energy mix remains in non-renewables and contributes to GHG emissions. Furthermore, GHG emission intensity is often measured relative to GDP which can favour wealthier countries such as Norway as shown in Chart 1. A more equitable single measure could be GHG per capita. On this metric, Norway would appear to have more work to do, at least to get closer to European averages.

Chart 1: Greenhouse Gas Emissions (GHG): Per Capita vs Per GDP (Mton of CO_2 eq)



Source: Emission Database Greenhouse Gas Atmospheric Research (EDGAR), 2021

We engaged with a Senior Climate Advisor to the Norway's Ministry of Climate and Environment to discuss how Norway's Climate Action Plan 2021-2030 may achieve emission targets. The plan focuses on emission reduction from sectors not covered under the European Union Emission Trading System (ETS). These sectors include Transport, Building, Waste and Agriculture which account for around half of Norway's total emissions. More specifically, the plan aims to reduce emissions by 45% from 2005 levels from these sectors by 2030. We discussed the main policy initiatives targeting a reduction in GHG emissions. These are focused on GHG taxation, regulatory measures, and the development of new technologies and initiatives to promote research and innovation.

The key taxation policy initiative involves a further upward adjustment of the national carbon price. While Norway is already amongst the highest in Europe, the policy proposal gradually increases the carbon rate from €84 to €200 by 2030, thus more than doubling the rate. In other areas, fossil fuel cars are subject to CO_2 tax, and road use tax on gasoline and diesel, whilst the use of zero-emission vehicles is heavily subsidised. From a legislation perspective, regulation and various Acts have been introduced such as prohibiting the use of mineral oil for heating and the landfilling of biodegradable waste under the Pollution Control Act. The increase in taxation and regulation should provide an incentive to reduce GHG emissions through immediate action and investment in research and development. Given Norway's electricity generation is already zero emission, the remaining reduction in emissions, which is expected to be more challenging should come from improving technology in areas such as Carbon Capture and Storage (CCS). For example, phase one of the Longship project is expected to be operational in 2024 with storage capacity of up to 1.5 million tonnes of CO_2 per year. This is critical if Norway is to meet it longer term targets.

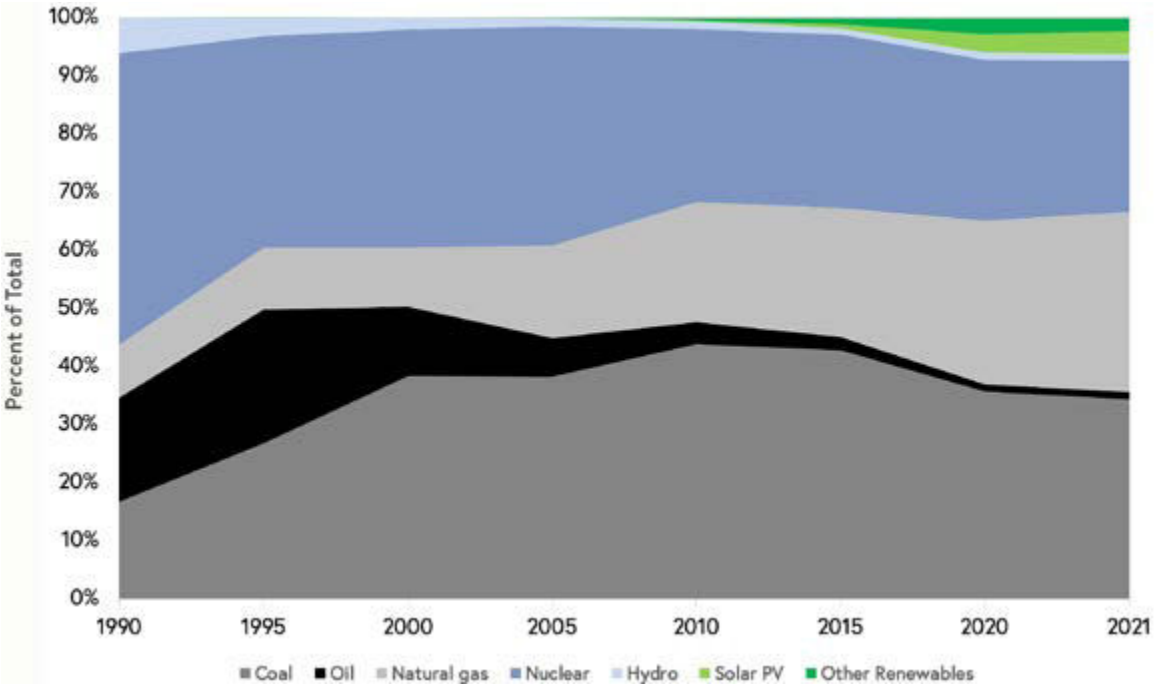
Electricity demand is expected to increase as more sectors turn to electrification and will form a central role in Norway's clean energy transition with policies that leverage its renewable based electricity system to decarbonise as well as maintain its capacity to export electricity to neighbouring countries. New technologies and innovation in CCS, and perhaps a greater share of wind-generated electricity in the system, should enable further progress towards meeting its emission targets by 2030 and beyond. For decades the petroleum industry has played a critical role in the Norwegian economy and the financing of its Sovereign Wealth Fund. However, Norway needs to plan for a scenario where global demand for fossil fuel falls quicker than expected as countries commit to net zero targets. Despite the potential fall in future fossil fuel revenues, Norway's prudent fiscal framework should continue to support strong government balance sheets and underpin its solid external position. Taking this together with their clear and strategic climate action plan, Colchester maintains the highest financial stability score of +4 for Norway.

South Korea

In 2021 the South Korean government passed into law the Carbon Neutral Green Growth Framework Act that committed the country to achieving carbon neutrality by 2050. This will be a significant challenge for the country as Korea has a large industrial base and has so far been a laggard in reducing carbon emissions. According to a 2021 report by the International Energy Agency (IEA), Korea's power and industrial sectors are the major contributors to annual national emissions at 37% and 36% respectively. As one journalist told us on our recent visit, "the government was starting to become embarrassed by their lack of progress." By passing the Carbon Neutral Act it was hoped that the authorities would be galvanised to push progress.

If the country is to achieve the carbon neutral target, then electricity generation is going to be crucial in pushing this forward. We visited Korea Electric Power Corporation (KEPCO), who are the largest electricity generator in the country, with around 90% of total production. It is over 51% government owned. The breakdown of Korea's electricity mix is shown in Chart 2.

Chart 2: South Korea Electricity Generation Mix



Source: IEA. Data from 1990 to 2021

Currently the country generates very little from renewables and instead relies on fossil fuels for nearly 70% of electricity generation. The country has a sizeable nuclear generation capacity at 26% and is adding to this with two nuclear power stations under construction and two others approved for future construction. There are also plans to try to extend the life of some of the current reactors that are operating in the country. By 2050, KEPCO aims to have shut down all coal and gas fired plants in the country; there are currently 58 coal fired plants in the country. Although nuclear generation will increase, there are plans to build large offshore wind farms on both the east and west coasts of the country where the weather is suitable for large scale wind power generation.

Looking forward, the company told us that one of the biggest challenges will be the steady provision of electricity when renewable sources have periods of low effectiveness. To combat this, the company is looking to increase the hydro power they generate on the mountainous eastern side of the country. When there is excess electricity in the country it will be used to pump water up the mountains where it will be stored in reservoirs. This water will then be released to power turbines that generate electricity when it is needed. The company believes that this extra hydro power should be able to supply electricity to the grid to ensure a constant flow of power. With these plans in place KEPCO estimates that they will have to double the amount of electricity they produce by 2050 as home heating and vehicles convert to electricity in order to hit the net zero target.

Given that KEPCO is majority government owned, and we believe that there will be future transition costs, there is likely to be an impact on Korea's fiscal position. At the same time this could be a great opportunity to develop and export new and even more cost-effective technologies in the future especially given the country's manufacturing prowess. Even though Korea has lagged other countries in its efforts to reduce carbon emissions, we have been encouraged by the steps they are now taking.

We also recognise Korea's late start in moving to net zero and hence it will need to achieve results faster than other countries. Whilst there will be transition costs, South Korea's net debt stands only at 24% of GDP, therefore we believe the country is well placed to shoulder these costs. Furthermore, we will keep checking with KEPCO on their planned green bond issuance program for private funding purposes, which will also reduce funding pressures on the government's balance sheet. Bringing this all together we are keeping South Korea's financial stability score at 0 and will continue to monitor their progress in meeting their international pledges, commitments and the possible fiscal implications.

Emerging Markets Strategy Engagements

Philippines

During our country visit to the Philippines, we engaged with various stakeholders about reform in the financial sector that have the potential to open the domestic bond market up to more foreign investment. Increased inward capital flow is likely to provide greater resources for the government, thereby allowing it to invest more in the delivery of health, education and other social services, as well as infrastructure that enhances the future growth potential of the country. Colchester also engaged with a leading index provider prior to the visit to discuss index inclusion, the possibility of inclusion in other indices, appropriate benchmark weights, and other constraints that impact upon the Philippine bond market. Our key concerns include:

1) Poor liquidity in selected maturity buckets in the absence of auction supply.
2) Withholding tax of 20%, above its regional peers.
3) Lack of an existing repo market, representing higher funding costs.

Our discussions with the authorities emphasised the importance of how a deepening of the Philippines' capital markets could significantly contribute to addressing their developmental challenges in the years to come.

During our meeting with issuer stakeholders, we were encouraged by their motivation towards working on a comprehensive proposal of a tax reform programme to redesign financial sector taxation to make it simpler, fairer, and more efficient, as well as regionally competitive. The design refers to the Passive Income and Financial Intermediary Taxation Act[2] and complements the earlier passed Tax Reform for Acceleration and Inclusion Act. Amongst other issues, it would reduce the withholding tax from 20% to 15%. Whilst a step in the right direction that brings the Philippines closer to a number of its regional peers, the tax is likely to continue to inhibit foreign investor participation in the market.

The authorities recognise the need for these changes to attract more foreign investors, as they currently represent a mere 2% of the total local currency government bonds outstanding. A more liquid government bond market will also provide the environment for a more reliable pricing benchmark for corporate bonds. This would help in the development of private debt markets, in financing infrastructure, and in the transition to a lower carbon economy. Therefore, if the implementation is successful, this would not only make the Philippines more competitive in attracting capital and investments but would also likely lead to inclusion in additional indices, in turn further increasing government bond liquidity. Lastly, whilst onshore banks are the main repo participants, foreign financial institutions find the negotiation of the Global Master Repurchase Agreement with the provisions required by the Money Market Association of the Philippines rules challenging. The authorities and market participants believe that liquidity would improve if more foreign banks would be active in this space.

In conclusion, we found the feedback from the authorities encouraging and equally they appreciated our thoughts which again fed back into the index provider's consultations and led to the ongoing "watch" list for future local currency index inclusion.

[2] Package 4: Passive Income and Financial Intermediary Taxation Act (PIFITA) | Comprehensive Tax Reform Program • #TaxReformNow (dof.gov.ph)

Colombia

When Gustavo Petro became Colombia's president in August 2022, pension system reform became one of his priorities. Colombia's pension system comprises a pay-as-you-go (PAYG) public system and a private defined-contribution (DC) system. Workers can contribute to either system or both, with the flexibility to switch every five years until ten years before retirement age.

The PAYG system relies on contributions from workers and employers, paying benefits based on service years and the average wage of contributors. However, it is regressive, favouring high-income workers over low-income workers.

The DC system depends on contributions from workers and employers, providing benefits based on individual account accumulations. While more progressive than the PAYG system, it carries the risk of retirees not having sufficient retirement funds.

Despite the system's apparent accessibility, issues persist:

- The participation rate is low, with only about one in three workers contributing to a pension due to informality in the economy, low wages, and lack of awareness.
- The PAYG system has been running a deficit for years, primarily due to the low participation rate, aging population, and low economic growth. The government has had to transfer significant sums from the general budget to sustain it. Colombian pension fund assets amount to approximately USD72bn, with 50% invested abroad. Domestically, 38% are invested in Colombian government bonds (Coltes), resulting in domestic pension funds owning 25% of the outstanding government debt[3].
- We engaged with the President of Asofondos Colombia, the association representing private pension fund providers, to discuss pension fund reform and express our concerns.

While President Petro's final reform proposals were yet to be presented to Congress at the time of our meeting, they were expected to include:

- Ending competition: The proposal aims to eliminate competition between the PAYG and DC systems by mandating all workers to contribute solely to the public PAYG system. This change seeks to improve the participation rate.
- Increasing PAYG share: The proposal suggests raising the contribution share allocated to the PAYG system from the current 60% to 90%. This adjustment aims to reduce the PAYG system's deficit and enhance long-term sustainability.
- Providing elderly subsidies: The proposal plans to grant a subsidy equal to half a minimum wage to all elderly individuals, irrespective of their pension contributions. This measure ensures a minimum income for all retirees.

While increasing pension participation rates and guaranteeing minimum incomes for the elderly are desirable, the current proposals raise economic risks. Restricting contributions to PAYG would divert savings towards the elderly subsidy, resulting in fewer funds available for Coltes investments. Additionally, the number of recipients for the elderly subsidy is projected to rise from 3 million to 9 million by 2050. This implies reduced funds for purchasing government bonds to cover budget deficits and increased expenditures in the coming decades. Lower savings would also limit investments in the Colombian economy, potentially widening the current account deficit that has persisted for over a decade.

The implications of the pension reform are complex and are influenced by various factors, however it is evident that the reform will significantly impact Colombia's economy in the short and long term. While no immediate changes to our Financial Stability Score of -2 resulted from this engagement, we continue to watch how the final pension reform proposals take shape.

[3] Source: Colombian Ministry of Finance. Data as at end 2022.

Frontier Markets Strategy Engagements

Kenya

In 2023 Kenya experienced its worst drought in 40 years, as a result of which the agricultural sector shrank by 1.6% on the year owing to poor crops as well as low livestock production, taking Kenya's real GDP growth for the year down to 4.8% from 7.6% a year earlier. Moreover, the International Rescue Committee projected the drought to have put over 5 million Kenyan people in acute levels of food insecurity, which is a 43% increase on the previous year. The Horn of Africa has now faced six successive failed rainy seasons, with continued risks of drought projected for the future. Whilst Kenya has a well-diversified economy, agriculture continues to be the backbone of its economy accounting for over a quarter of the country's GDP with three-quarters of the population relying on agriculture to some extent.

In meeting with Kenya's Minister of Finance, Mr Njuguna Ndung'u, our discussion focused on areas of policy that were deemed of paramount importance under the current administration. Notably, in recognising that the consistent drought effect has essentially reversed decades of efforts at poverty reduction, President Ruto's government has identified two key policy issues for the immediate future: namely food security and climate change. In pursuing the issue of food security, the Kenyan authorities are looking to safeguard the situation through tackling the problem of water scarcity, a challenge faced by Kenya for some time, but has been deteriorating on the back of climate change. In this regard, Mr Ndung'u touched on the current administration's solution to the problem being in the form of Water Purchase Agreements (WPA). In this regard, Kenya adopts a Public-Private Partnership (PPP) framework allowing private firms to build dams and drill water in large-scale to sell back to the state-owned agencies which would in turn supply the water to the Kenyan population equitably.

According to President Ruto, addressing the risk of food insecurity through the Public-Private Partnership framework will enable the country to increase access to water (from 60% to 80% of the population) within a decade as opposed to the piecemeal approach if solely under the government's responsibility. According to a WPA and Projects pipeline presentation prepared by the PPP Directorate and Ministry of Water, Sanitation & Irrigation, there are currently seven projects under development with an estimated cost of USD 2.4bn. More specifically, looking at the potable water projects, these would potentially service 16.5 million people in total, a significant number out of a total population of around 53 million.

Kenya has been a pioneer in Africa, as well as globally, in addressing climate change through the enactment of law to guide national climate action. In this regard, both the Climate Change Act (2016) and the National Climate Change Action Plan (2018-2022) have provided continuous guidance for the development of a climate resilient future for the country. Moreover, Kenya re-submitted its Nationally Determined Contribution (NDC) in December 2020 revising its commitment to abate greenhouse gas emissions by 32% relative to business-as-usual scenario, previously at 30%, with the same ambitious target date of 2030.

Our future communications with Kenya will centre around the progress being made on the matter of food security as well as overall progress and challenges faced in meeting their Nationally Determined Contributions. Whilst Water Purchase Agreements are an effective tool to alleviate the fiscal burden of dealing with an immediate threat faced by the country, we will need to monitor the implementation and outcomes over the near term and have not made adjustments to our Financial Stability Score at this point in time, which currently stands at -6.

Sri Lanka

Instability was a particular issue in 2022, culminating in mass protests and the resignation of the then president, Gotabaya Rajapaksa. Chronic economic mismanagement resulted in the country's first sovereign default and ultimately a new bailout from the IMF. Policy missteps led to a rapid deterioration of the fiscal balance and the country's foreign currency reserves. Significant borrowing and loose spending in recent years (largely funded by central bank money creation) exacerbated this, substantially impacting the country's debt servicing abilities. Very high inflation followed, hurting the value of the rupee and hence their ability to import essential goods such as food and fuel. All of this on the back of the COVID pandemic and recent global inflation has had severe consequences for the economy. This turmoil was very harmful for the population, bringing the need for improvements in social measures into keen focus, in addition to the restoration of stable governance.

To enhance our understanding of the situation we engaged with various country stakeholders. Meetings were held with some governmental institutions, including the Ministry of Finance, the Central Bank, and the IMF. Discussions focused heavily on the ongoing negotiations with the IMF and the country's creditors, regarding the debt restructuring and fiscal/policy reforms. Successful implementation of various economic policy reforms is recognised to be paramount for a meaningful recovery. Encouraging steps are being taken to instil economic prudence, such as much-needed tax reform including improving administration/collection; new taxes on property and inheritance, and increasing VAT back to pre-COVID levels. Efforts to reduce the fiscal burden from certain large State-owned Enterprises (SOEs) (such as the national airline and power infrastructure) are also in-scope for both efficiency improvements as well as privatisation; a bill was due to be approved by the cabinet by the end of Q2, but discussions are still ongoing at the time of writing. Representatives from the Central Bank assured us that they will be significantly reducing their purchases of government debt in addition to relaxing currency intervention, which should help to reduce inflationary pressure. Moreover, they have followed a relatively conventional interest rate policy, tightening progressively over the past 18 months in line with their peers. As for social support, one of the IMF targets is quarterly increases in spending on social welfare as a percentage of GDP, up to 0.6% by the end of the year (the initial target of 0.1% by the end of Q1 has been achieved).

Another important focus of the reforms is corruption mitigation. As seen below in the latest Worldwide Governance Indicators (WGI) from the World Bank, Sri Lanka has deteriorated in some of the measures over the past two decades, especially in terms of regulation and corruption. Similarly, a look at the Heritage Foundation's Index of Economic Freedom indicates that Sri Lanka's overall score sits towards the bottom of our Frontier Markets universe:

Chart 3: Worldwide Governance Indicators

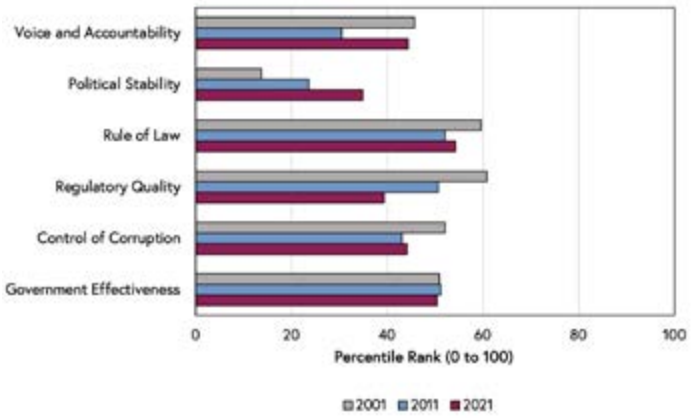


Chart 3 source (LHS): World Bank. Data as at 2021.

Chart 4: Index of Economic Freedom

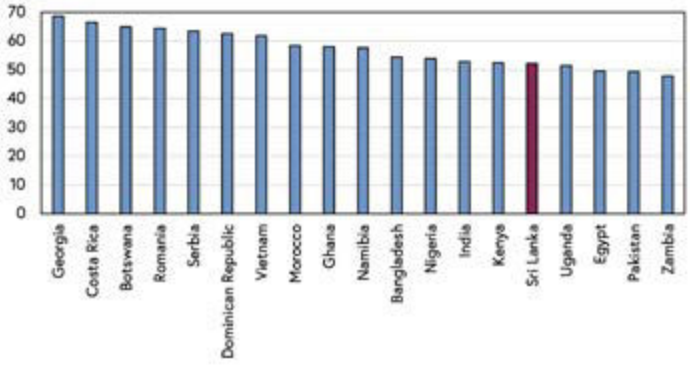


Chart 4 source (RHS): Heritage Foundation. Data as at 2023.

We spoke to a local representative from Fitch who explained that the government plans to base new anticorruption legislation on that used in Singapore, following standards enshrined in the UN's Convention Against Corruption. There are allegations of high-profile corruption against previous administrations, casting some doubt on the government's commitment. Moreover, Transparency International have expressed concerns over aspects of the bill, including the negative impact on whistleblowing. Nevertheless, the new administration has agreed to reform in principle as part of the IMF programme. It was anticipated that the new legislation would have worked its way through parliament by the end of Q2, but it has yet to be enacted.

Overall, a degree of scepticism is warranted, given that this is the 17th IMF programme for Sri Lanka. Despite this, officials appeared to grasp the seriousness of the situation, given the suffering of the Sri Lankan people last year and the resulting political unrest. The reforms put forward both on the fiscal and monetary side appear sensible, but it is up to the authorities to meaningfully deliver. However, previous IMF programmes have seen reasonable reforms be implemented (such as VAT increases), only to be removed shortly thereafter to ensure short-term political support; hence, the upcoming general election by the end of 2024 poses some risk. We are encouraged by some of the progress made and will continue to monitor the situation and will re-engage with the authorities as needed. In the meantime, we maintain the lowest financial stability score on our scale of -8.

Industry Collaboration

During the first half of the year Colchester continued its collaboration with industry partners to share and encourage best practices in ESG integration.

Amongst the main achievements was the launch of the public consultation of the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) framework. Claudia Gollmeier, Managing Director (Singapore) & Senior Investment Officer is acting co-chair of the ASCOR project. This true global industry collaborative initiative includes international investor networks, asset managers, and asset owners. The aim of the initiative is to develop a robust consistent framework within which every sovereign debt issuer can be assessed. The framework analyses emission pathways, climate policies and transition finance opportunities as shown in the table below:

Performance of countries on managing climate change		Financing countries' climate risks and opportunities
Pillar 1: Emission pathways (EP)	**Pillar 2:** Climate policies (CP)	**Pillar 3:** Opportunities to finance the transition (OFT)
EP 1: Emission trends	CP 1: Mitigation	OFT 1: Financing to mitigate
EP 2: 2030 targets	CP 2: Adaptation	OFT 2: Financing to adapt
EP 3: Net zero targets	CP 3: Just transition	OFT 3: Financing to harness opportunities

The public consultation process which was undertaken at the end of Q1 2023 will help in shaping the framework further and ensures that is fit for purpose.

Feedback from the consultation to the framework and indicators above received includes:

1) Strong support for the principle of fairness and the recognition of common but differentiated responsibilities[4];
2) Prioritising indicators that enable governments to showcase their progress; and,
3) Reducing the number of climate performance indicators without compromising its purposes and value add.

The academic partner London School of Economics (LSE)/TPI is to incorporate this feedback during Q2 and Q3 of 2023 and conduct an assessment of 25 pilot countries. The 25 countries chosen to be included in this initial assessment cover nearly 70% of global greenhouse gas emissions and comprise large portions of major sovereign bond indices. In particular, they cover over 80% of both the FTSE World Government Bond Index and the Bloomberg Global Treasury Index, over 60% of the J.P. Morgan Government Bond Index-Emerging Markets (GBI EM) Global Diversified and, some 50% of the FTSE Frontier Emerging Markets Government Bond Index.

The results are to be shared initially with the respective sovereign issuers for their feedback, and it is hoped the final results will then be made available more broadly in Q4, 2023.

[4] As reported by the United Nations Framework convention on climate change (UNFCCC)'s principle of international environmental law establishing that all countries are responsible for addressing global environmental destruction but yet don't have equal responsibility.

Elsewhere we remain supporters of the Investors Policy Dialogue on Deforestation (IPDD) which is a collaborative investor initiative engaging with various Indonesian and Brazilian stakeholders on the issue of deforestation.

In Brazil, since President Lula da Silva (Lula) took office in 1st January 2023, a number of steps as well as environmental policies have been implemented. Amongst these are the unfreezing of the Amazon Fund, proposed transversal environmental policy across government ministries as well as the new Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAm). Apart from that President Lula also pledged for Brazil to reach zero deforestation by 2030 and Brazil will host COP30 in 2025.

Turning to Indonesia's Investor Working Group, it only started its journey in January 2021, and aims to collaborate with government authorities and financial market regulators to promote good social and environmental governance and to reduce financial risks arising from deforestation and land degradation. The group will continue its educational support for the financial sector and supports the government in ensuring its climate targets are met.

The table below displays our full list of ongoing Industry Initiatives and Collaborations.

Industry Initiatives/ Collaborations	Acronym	Description
Principles for Responsible Investment	PRI	Colchester is a signatory to the PRI, a UN-supported network of investors that works to promote sustainable investment through the incorporation of environmental, social and governance considerations.
Task Force on Climate- related Financial Disclosures	TCFD	Colchester is a supporter of TCFD since May 2019 and we have been providing status reports of our progress in our annual Sustainability Reports.
Transition Pathway Initiative	TPI	Colchester is a supporter of TPI – a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. However, as a sovereign only asset manager, we are a research funding partner to develop a sovereign climate assessment framework via the ASCOR project.
Emerging Market Investors Alliance	EMIA	Colchester is a member of the Alliance, a not-for-profit organisation that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. We are a member of the steering committee of the carbon transition initiative.
Green Bond Transparency Platform	GBTP	Colchester is a supporter to the GBTP led by the Inter-American Development Bank (IDB) and IDB Invest. IDB Invest is an innovative digital tool that brings greater transparency to the green bond market in Latin America and the Caribbean. GBTP supports the harmonisation and standardisation of green bond reporting, boosting investors' confidence that the proceeds from bond issuances are being spent on green projects whose impact are adequately measured.
Assessing Sovereign Climate-Related Opportunities and Risks Project	ASCOR	The project goal is to develop an assessment framework that enables the current and future climate change governance and performance of sovereigns to be fairly and appropriately measured, monitored and compared.

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