

reo[®] engagement report

Shropshire County Council
– 1st Quarter 2024

Enabling stewardship
for over 20 years

Contents

Introduction	5
Engagement in Review	6
Water risk in the lithium triangle – engaging with miners on sustainable water practices and community relations	7
Bad business ethics is bad for business	7
Addressing AI risks and opportunities	8
Refreshing boards to improve effectiveness	8
Disclosure – a key tool in assessing climate ambition	9
Stewardship Codes	10
Priority Companies and Your Fund	11
Engagements and Your Fund: Red rated	12
Engagements and Your Fund: Orange rated	13
Engagements and Your Fund: Yellow rated	14
Engagements and Your Fund: Green rated	16
Engagements and Your Fund: Unrated	18
Engagement Objective Progress Tracker	19
Environmental	27
Engagement case studies	27
Engagement projects	31
Milestones and Your Fund	35
Milestones in detail	36
Social	43
Engagement case studies	43
Engagement projects	46
Milestones and Your Fund	47
Milestones in detail	48
Governance	50
Engagement case studies	50
Milestones and Your Fund	53
Milestones in detail	54
Appendix: Viewpoints	55

A woman with dark hair tied back, wearing a bright green long-sleeved polo shirt and blue safety glasses, is smiling as she sorts through clear plastic bottles in a large white bag. She is wearing black gloves. The background shows a warehouse setting with high shelves and industrial lighting.

“Responsible investment is an ethos that sits central to our investment capabilities and processes. Its position together with the emphasis we place on innovation in this area allows us offer a wide range of dedicated ESG solutions to meet a host of client needs.”

Richard Watts, Global Chief Investment Officer



Introduction

The purpose of our **reo**® service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. Our depth of expertise, industry knowledge and significant scale gives us the opportunity to talk directly with key company decision makers and bring about positive change. The **reo**® approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

This report sets out detailed information about how we have engaged with companies on your behalf over 2024. In addition, the report details outcomes from engagement recorded as milestones and case studies. Furthermore, to provide a required level of transparency for clients, we include an engagement progress tracker section which provides detail on the engagement objective, the status of that engagement and whether the company is responsive to our engagement efforts on that particular issue.

120
engagements

27
milestones

103
companies engaged

17
countries covered

Engagement in Review

The intense focus on research and engagement seen in the last quarter of 2023 has continued in the first quarter of 2024, with engagement activity encompassing over 380 issuers having taken place in Q1. Over 30% of the year's priority issuers have been engaged on topics across the ESG risk spectrum. Active dialogue has also begun covering themes for 6 of the 10 thematic projects for 2024, including coal phase out, sustainable food systems and deforestation. Given the vital role that sound corporate governance plays in the running of an effective business, we touched on this theme in over 160 engagements, diving into issues such as board oversight, gender diversity, succession planning and the nominations process including skills assessment for new directors. We also engaged with regulators on the topic of governance, a case in point being our meetings with Taiwanese securities market regulators to discuss issues including the prohibition placed on foreign investors to cast live votes and the permitting of legal entities to be elected as company directors. The financially material issue of business ethics was also addressed - poor practices, bribery and corruption scandals and controversies, for example relating to responsible marketing and sales, can weigh on company performance long after the root cause is addressed. We engaged with companies in the European telecoms, media and technology sectors specifically to discuss these issues. In particular in our discussion with Publicis on responsible marketing, we were pleased to note that the company is proactively striving to become an industry leader in standard setting to address this challenging and complex topic following its \$350 million settlement for claims around its involvement in marketing of drugs during the opioid crisis.

A key topic in the quarter from an environmental perspective has been engaging with companies on their approach to mitigating water stress – an issue that poses a significant risk to manufacturers, particularly in drought-prone regions where local communities are already suffering from acute water scarcity. With lithium being a key mineral in the global transition to electric vehicles, we engaged to understand how major lithium miners were implementing effective responsible water management, both in their operational use and in protecting local communities.

Finally, when considering regulation, the EU took a noteworthy step in being the first region globally to approve legislation on AI, shining an even brighter spotlight on the topic of Responsible AI. We have been engaging with issuers on this topic for many years from both a risk and opportunities perspective and continued to do so in Q1. Responsible AI is still in its infancy, and we will continue to examine its potential for positive innovation while ensuring effective guardrails are constructed as the technology and its uses continues to evolve.

Water risk in the lithium triangle – engaging with miners on sustainable water practices and community relations

Water stress poses a pressing risk to lithium miners operating in drought-prone regions, like the “lithium triangle” spanning Chile, Argentina, and Bolivia. Prolonged drought and resource pressures are already driving acute water stress in local communities. Climate projections show the region becoming even warmer and drier, exacerbating water scarcity issues. As the world transitions to electric vehicles and demand for lithium surges, responsible water management will be critical.

We engaged over a series of four calls with two major lithium miners, **Arcadium Lithium (Arcadium)** and **Albemarle**. Both have recently been involved in controversies related to water withdrawal and impact on their operating sites (Albemarle in Chile and Arcadium in Argentina). Our goal was to better understand how increasing regional water stress could impact their operations and expansion plans, and what Albemarle and Arcadium are doing to maintain sustainable practices and protect the local community.

For miners the main operational risk is the potential withdrawal of current - or lack of approval of new - water licences. Risk to water licencing stems from both environmental and social pressures. Our conversations reveal that for both Albemarle and Arcadium the main pressure is currently social - although over-extraction remains a concern, the main threat the miners face is negative public perception and strained community relations. This is a finding corroborated by third-party auditing of Albemarle’s Chilean operation, finding that while freshwater withdrawal is significantly below the government’s limits, the perception of water use in the community is negative. With local populations already suffering from acute water scarcity, any additional stress from mining operations can become a flashpoint. In our view, even the most sustainable operations will face heightened scrutiny in water-stressed regions.

This illustrates the importance of maintaining robust community engagement for miners operating in drought-prone areas. Where community relations are stressed, legal and regulatory challenges frequently follow, regardless of actual water usage rates. We believe that miners who proactively invest in their communities will gain a strategic advantage in securing licenses to expand production – as such we stressed to both Arcadium and Albemarle the value in conducting transparent social and environmental auditing, such as through the Initiative for Responsible Mining Assurance (IRMA) certification scheme.

Bad business ethics is bad for business

We consider business ethics to be a financially material issue and an integral part of companies’ social license to operate. There are many key elements encompassed within this topic from responsible marketing and sales to bribery and corruption, and during this quarter, we engaged with companies in the TMT sector specifically to discuss these.

We engaged with **Publicis** following a \$350 million settlement for claims around involvement in marketing of drugs during the opioid crisis. We believe that the company is taking this topic seriously with board level oversight and more frequent discussions being held internally on responsible marketing. It already has processes in place to review new business and clients as well as monitor ongoing clients. While responsible marketing is challenging and complex, it is clear the company is proactively working on ways to move ahead of the industry through developing its own responsible marketing standard and key performance indicators to demonstrate assurance and efforts beyond legal compliance.

Companies’ proactive response to government investigations also plays a key part in mitigating their financial and reputational risks. With this in mind, we engaged with **SAP** following a \$222 million settlement on US bribery charges in seven countries. The US Department of Justice spoke very highly of SAP’s compliance with the investigation and awarded the company a 40% reduction in the penalty. Following the incident, we were encouraged to note that the company has strengthened its compliance culture, improved the oversight of subsidiaries in high-risk areas, increased its compliance communication and training and moved its whistleblowing mechanism externally.

Our engagements with companies focussed on a “lesson learned” approach to ensure they took adequate remediation measures and strengthened the existing process to ensure that similar incidents and fines do not happen again. We will continue to monitor and engage with companies that are responding to controversies as well as proactively engaging with our broader investee companies to fortify and maintain a robust approach to business ethics.

Addressing AI risks and opportunities

In March 2024, the European Union gave final approval to the first legislative proposal on AI globally, categorising AI systems into four tiers of risk. This significant step forward in the regulation of AI has brought greater attention to the topic of Responsible AI. We engaged with **Amazon** and were encouraged by the operationalisation of Responsible AI in its Amazon Web Services division. However, we encouraged further disclosure on other divisions and its risk assessment process to support investors in understanding the company's approach more fully.

Continuing this theme, we also spoke with **MercadoLibre**, a Latin American e-commerce business. While the company lacks public disclosure on its Responsible AI approach, it is clear that the company is focusing on the topic internally, with a cross functional central AI unit team that is responsible for setting internal rules and overseeing AI governance. We were encouraged by its high level discussion on how it tracks and monitors gender and ethnicity bias among its AI-based scoring systems for consumers' credit lines.

We also engaged with **SAP SE** which outlined its AI governance process and the responsibilities of its internal steering committee and external advisory council. The onus of AI ethics falls with the developer. We view it as positive to incorporate ethics in the design of AI tools. The development teams conduct risk assessments, and they are reviewed by the steering committee. It highlighted that it had one or two use cases of AI that it assessed as potentially being harmful (therefore the company did not go forward with them) which involved concerns around data protection and bias of consumers.

In light of the opportunities AI presents to a range of companies, we also engaged to understand the upside potential of AI from solving complex problems to driving efficiency gains. We engaged with **Riken Keiki**, a Japanese gas detection and measurement equipment company who discussed the potential use of AI to improve performance in its gas detectors. In addition, we spoke with **NSD Co Ltd**, a system services and real estate rental business who is using generative AI to automate its programming processes, enabling the company to expand the amount of work it can do.

Responsible AI is still in its infancy as AI experts, scientists, governments and other stakeholders continue to grapple with how to safeguard AI risks while ensuring that innovation is not compromised. We will continue to engage with companies on the topic to inform our research and engagement approach.

Refreshing boards to improve effectiveness

During this quarter, we engaged with over 27 US companies regarding board effectiveness. There are many key elements encompassed within this topic, including consistent board refreshment, which encourages strong board composition and oversight, and shareholder responsiveness. Board refreshment is an integral part of ensuring overall board effectiveness, as thoughtful refreshment ensures an appropriate mix of backgrounds, experience, and skills as companies grow and evolve. Board refreshment isn't a one-and-done or flip of the switch process; it takes many years and significant planning. We have seen many companies undergo board refreshment over the past few years, and during our engagements we expect companies to explain board dynamics, what skills and backgrounds they are prioritizing, and how they manage their talent pipeline.

For example, we engaged with **NetApp** around their ongoing board refreshment. Similar to many other companies, they find former CEO experience valuable, and we were encouraged to note that they continue to prioritize diversity, not just in experience but also in gender and ethnicity.

Appropriate shareholder responsiveness is also key to board effectiveness. Responsive boards conduct engagement both before a meeting and during the off-season to understand shareholders' points of view. Where a company has received significant dissent on a proposal, or support of a shareholder proposal, we expect companies to engage with shareholders directly on those topics. For example, we engaged with **Lumentum** to discuss the outcome at their previous AGM, where the say-on-pay item did not receive majority support. The company wanted to understand our compensation expectations, communicate broader investor feedback they had received, and explain their focus and potential changes for 2024.

Our engagements with US companies on board effectiveness highlight how crucial companies view the role of the board and the continued focus companies place on ensuring a strong, empowered board with the appropriate range of skills and background is in place. We will continue to support companies in bolstering the skills and effectiveness of their board.

Disclosure – a key tool in assessing climate ambition

In Q1, we engaged with multiple companies across the oil & gas, utilities, and coal value chain on material ESG issues, particularly around climate change strategy and emissions reductions. Some key focus areas of engagement centered around emissions disclosure, target setting, and decarbonization strategy.

We engaged **ExxonMobil** on its climate strategy and investments in low-carbon solutions, discussing its plans for its carbon capture and storage business, and assessing potential customer demand and economic viability. With **Occidental Petroleum**, we discussed its plans for direct air capture - a key element in achieving its ambitious net zero emissions targets. We also engaged with European utilities such as **RWE**, and **Veolia** on their coal phase-out plans, emissions reduction targets, and overall decarbonization strategies, focusing our asks specifically on enhanced disclosure around decarbonization levers, allocation of capital expenditures, and more granular coal phase-out timelines.

More broadly in light of the importance of disclosure in understanding a company’s approach to transition and mitigation, we also provided recommendations regarding disclosure, emphasizing the importance of transparency for investors to assess credibility of net zero commitments. Where relevant going forward, we will continue to encourage urgent, ambitious action from energy companies to decarbonize.

Stewardship Codes

Stewardship codes can help investors define and discharge their ownership and governance responsibilities. Recent years have seen the emergence and growth of stewardship codes globally. While codes occasionally take the form of binding regulation, more often they involve voluntary standards. Below is an overview of countries which have adopted stewardship codes or an equivalent.



Public policy submissions this quarter

South Korea Month: January Issue: Corporate governance and capital management Initiative: Asian Corporate Governance Association (ACGA) works towards the implementation of effective corporate governance practices throughout Asia Our position: We participated in a collaborative engagement through ACGA with the Chair of the Board of Samsung Electronics to discuss the Board's priorities on oversight, the inclusion of more independent directors, and how the Group Chair contributed to the company.	UK Month: February Issue: Incentivisation of UK water utilities Initiative: The Investor Forum supports stewardship activities and collaboration among institutional investors in UK equities Our position: We participated in a small group meeting with Ofwat to discuss the performance incentives for UK water utilities, including indicators related to serious pollution incidents, biodiversity, and water quality. We also discussed and share views on their approach to the upcoming reviews of company proposed 5-year business plans.	UK Month: February Issue: Shareholder rights Initiative: International Corporate Governance Network (ICGN) focuses on achieving high corporate governance standards and investor stewardship Our position: We co-signed an investor statement alongside 52 asset managers and asset owners raising concerns with changes to UK Corporate Governance standards and shareholder protections as we seek to uphold the highest standards of corporate governance in the UK.	Taiwan Month: March Issue: Corporate governance and shareholder rights protection Initiative: Taiwan Stock Exchange (TWSE) and the Financial Supervisory Commission (FSC – the securities markets regulator in Taiwan) Our position: We engaged with the regulators on governance issues including the prohibition placed on foreign investors to cast live votes, the lack of election integrity in the cumulative voting system and the permitting of legal entities to be elected as company directors, as well as the delay of ESG report publication.
--	---	--	---

Priority Companies and Your Fund

The table below highlights the companies on our annual priority engagement list with which we have engaged on your behalf in 2024 and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. For full details of our engagements with companies please refer to the online **reo**® client portal.

				Themes engaged						
Name	Sector	ESG Rating	Response to engagement	Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Amazon.com Inc	Consumer Discretionary		Good							
Analog Devices Inc	Information Technology		Good							
Barclays PLC	Financials		Good							
Citigroup Inc	Financials		Good							
CRH PLC	Materials		Good							
Deutsche Bank AG	Financials		Good							
Freeport-McMoRan Inc	Materials		Good							
Koninklijke Philips NV	Health Care		Good							
Lowe's Cos Inc	Consumer Discretionary		Good							
LVMH Moët Hennessy Louis Vuitton SE	Consumer Discretionary		Adequate							
Mercedes-Benz Group AG	Consumer Discretionary		Good							
Shell PLC	Energy		Good							
Tesla Inc	Consumer Discretionary		Good							
Volkswagen AG	Consumer Discretionary		Good							
Wells Fargo & Co	Financials		Good							

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagements and Your Fund: Red rated

The table below highlights the companies with which we have engaged on your behalf in 2024 and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	Themes engaged						
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Amazon.com Inc	United States	Consumer Discretionary	✓			●	●			
Cloudflare Inc	United States	Information Technology							●	
Intuitive Surgical Inc	United States	Health Care							●	
Koninklijke Philips NV	Netherlands	Health Care	✓				●	●		
Liberty Broadband Corp	United States	Consumer Discretionary							●	
Makita Corp	Japan	Industrials		●					●	
Meta Platforms Inc	United States	Information Technology				●		●		
Volkswagen AG	Germany	Consumer Discretionary	✓	●		●	●			
Wells Fargo & Co	United States	Financials	✓		●		●			

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagements and Your Fund: **Orange** rated

The table below highlights the companies with which we have engaged on your behalf in 2024 and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	Themes engaged							
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct	
A O Smith Corp	United States	Industrials		●					●		
Aflac Inc	United States	Financials							●	●	
Bank Mandiri Persero Tbk PT	Indonesia	Financials							●		
Deutsche Post AG	Germany	Industrials		●							
General Motors Co	United States	Consumer Discretionary		●	●	●	●				
Larsen & Toubro Ltd	India	Industrials							●		
Lennar Corp	United States	Consumer Discretionary		●							
MercadoLibre Inc	Uruguay	Information Technology		●			●		●	●	
Ralph Lauren Corp	United States	Consumer Discretionary			●	●					
Schaeffler AG	Germany	Consumer Discretionary		●	●						
Stellantis NV	Netherlands	Consumer Discretionary		●							
Tesla Inc	United States	Consumer Discretionary	✓		●	●	●				
Toyota Motor Corp	Japan	Consumer Discretionary		●	●		●		●		
Walmart Inc	United States	Consumer Staples					●		●		

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagements and Your Fund: Yellow rated

The table below highlights the companies with which we have engaged on your behalf in 2024 and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	Themes engaged						
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Air Liquide SA	France	Materials								
Albemarle Corp	United States	Materials								
Align Technology Inc	United States	Health Care								
Apple Inc	United States	Information Technology								
Arcadium Lithium PLC	United Kingdom	Materials								
Bank of America Corp	United States	Financials								
Bayer AG	Germany	Health Care								
BYD Co Ltd	China	Consumer Discretionary								
Citigroup Inc	United States	Financials	✓							
Dover Corp	United States	Industrials								
Electricite de France SA	France	Utilities								
Freeport-McMoRan Inc	United States	Materials	✓							
Glencore PLC	Switzerland	Materials								
Lockheed Martin Corp	United States	Industrials								
LVMH Moet Hennessy Louis Vuitton SE	France	Consumer Discretionary	✓							
Mercedes-Benz Group AG	Germany	Consumer Discretionary	✓							
Nestle SA	Switzerland	Consumer Staples								
Occidental Petroleum Corp	United States	Energy								
OSB Group PLC	United Kingdom	Financials								
Prologis Inc	United States	Real Estate								
Sanofi SA	France	Health Care								
Severn Trent PLC	United Kingdom	Utilities								
Take-Two Interactive Software Inc	United States	Information Technology								
Treasury Wine Estates Ltd	Australia	Consumer Staples								
Vinci SA	France	Industrials								

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Name	Country	Sector	Priority Company	Themes engaged						
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Visa Inc	United States	Information Technology								
Vodafone Group PLC	United Kingdom	Communication Services								
Zebra Technologies Corp	United States	Information Technology								

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

Engagements and Your Fund: **Green rated**

The table below highlights the companies with which we have engaged on your behalf in 2024 and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	Themes engaged						
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Alimentation Couche-Tard Inc	Canada	Consumer Staples		●						
Amgen Inc	United States	Health Care						●	●	
Analog Devices Inc	United States	Information Technology	✓			●			●	
Applied Materials Inc	United States	Information Technology		●			●			●
AXA SA	France	Financials		●			●			●
Barclays PLC	United Kingdom	Financials	✓	●						
Bayerische Motoren Werke AG	Germany	Consumer Discretionary		●	●	●				
BHP Group Ltd	Australia	Materials		●						
Broadcom Inc	United States	Information Technology							●	
Cigna Group/The	United States	Health Care					●	●	●	
CNH Industrial NV	United Kingdom	Industrials							●	
Contemporary Amperex Technology Co Ltd	China	Industrials		●						
CRH PLC	Ireland	Materials	✓	●	●				●	
Daikin Industries Ltd	Japan	Industrials		●						
Deutsche Bank AG	Germany	Financials	✓				●		●	
Edenred SE	France	Information Technology							●	●
Electronic Arts Inc	United States	Information Technology					●		●	
Equinor ASA	Norway	Energy		●						
EssilorLuxottica SA	France	Health Care							●	
GSK PLC	United Kingdom	Health Care		●	●			●	●	
Halma PLC	United Kingdom	Information Technology		●			●			
Holcim AG	Switzerland	Materials		●						
Hoya Corp	Japan	Health Care		●	●	●	●			
HSBC Holdings PLC	United Kingdom	Financials		●						
ICON PLC	Ireland	Health Care							●	

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Name	Country	Sector	Priority Company	Themes engaged						
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
IQVIA Holdings Inc	United States	Health Care						●		
Land Securities Group PLC	United Kingdom	Real Estate							●	
Legal & General Group PLC	United Kingdom	Financials							●	
Linde PLC	United States	Materials		●					●	
Lonza Group AG	Switzerland	Health Care		●					●	
Lowe's Cos Inc	United States	Consumer Discretionary	✓		●	●	●		●	
Mitsui & Co Ltd	Japan	Industrials		●		●			●	
Mowi ASA	Norway	Consumer Staples		●	●					
National Grid PLC	United Kingdom	Utilities		●			●			
NatWest Group PLC	United Kingdom	Financials		●					●	●
NetApp Inc	United States	Information Technology		●	●		●		●	
Nintendo Co Ltd	Japan	Information Technology							●	
Phoenix Group Holdings PLC	United Kingdom	Financials							●	
PulteGroup Inc	United States	Consumer Discretionary		●					●	
Quanta Services Inc	United States	Industrials		●			●		●	
RB Global Inc	United States	Industrials							●	
Rentokil Initial PLC	United Kingdom	Industrials							●	
Samsung Electronics Co Ltd	South Korea	Information Technology			●				●	
SAP SE	Germany	Information Technology			●	●				●
Shell PLC	United Kingdom	Energy	✓	●			●		●	
Starbucks Corp	United States	Consumer Discretionary					●			
Tesco PLC	United Kingdom	Consumer Staples		●	●		●	●		
Unilever PLC	United Kingdom	Consumer Staples							●	
Xylem Inc/NY	United States	Industrials		●	●					

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Governance

Social

Environmental

Introduction

Engagements and Your Fund: Unrated

The table below highlights the companies with which we have engaged on your behalf in 2024 and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	Themes engaged						
				Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
Corebridge Financial Inc	United States	Financials							●	
MSCI Inc	United States	Financials							●	
Spotify Technology SA	Sweden	Information Technology							●	

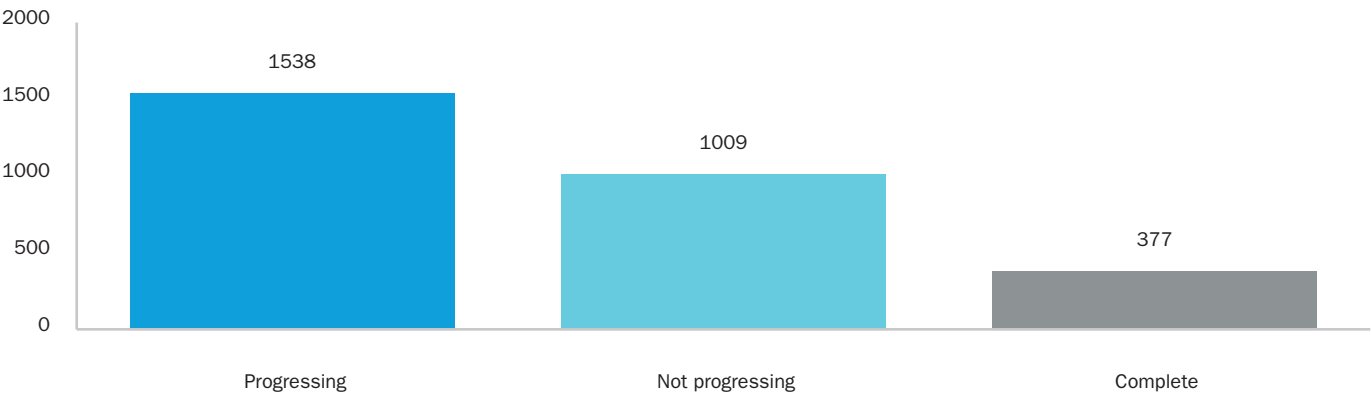
ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagement Objective Progress Tracker

This section of the report provides an overview on the status of all engagement objectives. The table reports on the status for each live engagement objective per priority company in your portfolio and provides an assessment of whether the engagement objective is progressing in a reasonable manner. For full details of our engagements with companies please refer to the online **reo**® partner portal.

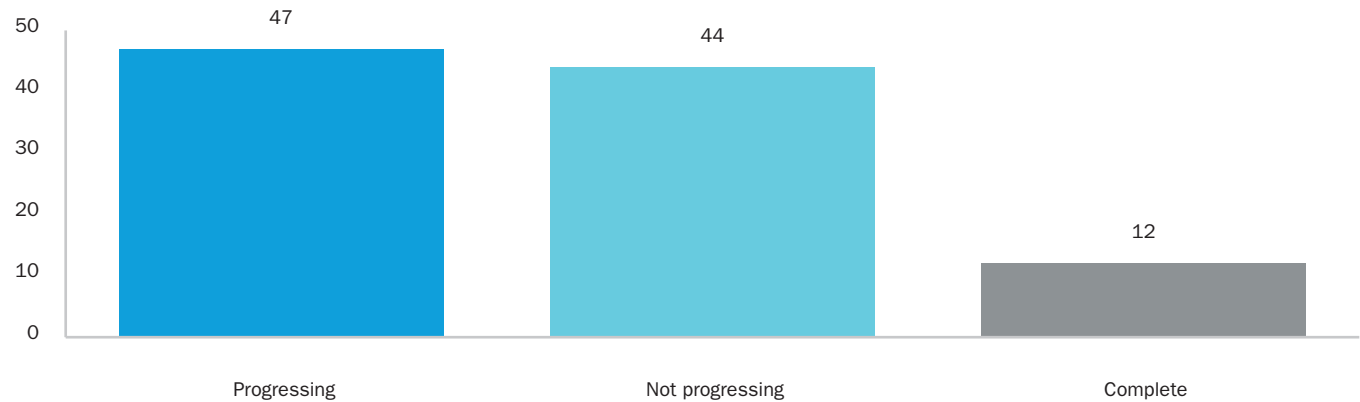
All Engagement Objectives and their progress



Source: Columbia Threadneedle Investments

The above chart outlines the status for all engagement objectives*

Quarterly Engagement Objectives and their progress



Source: Columbia Threadneedle Investments

The above chart outlines the status for all engagement objectives on companies in your portfolio that have been updated this quarter.

* Engagement Objectives active since inception Jan-20

Name	Engagement Objective Name	Status	
Alibaba Group Holding Ltd	Published updated ESG report		
	Improve human capital management strategy		
	No executive sits on the nomination committee		
	Update the 2014 Corporate Governance Guidelines		
Amazon.com Inc	Implement human rights policy		
	Human capital management		
	Monitor facial recognition technology to detect algorithmic bias		
	Conduct client due diligence for purchase of facial recognition technology		
	Workforce Disclosure Initiative participation		
	Increase access to board of directors for engagement		
	Strengthen human rights policies and due diligence efforts		
	Enhanced social disclosure		
	Strengthen and Disclose Responsible AI approach		
	Demonstrate effective grievance mechanisms are in place and access to remedies		
	Disclose accuracy of facial recognition technology		
	Carbon emissions management		
	Enhanced senior management and workforce diversity		
	Public commitment to ethical AI		
Analog Devices Inc	Conduct gender and ethnicity pay gap assessment		
	Tie ESG metrics to executive compensation		
	Improve reporting on supplier audits		
	Conduct human rights due diligence assessment		
	Improve reporting on grievance mechanism metrics		
Barclays PLC	Link executive pay to ESG metrics		

Key

- Engagement suspended
- Set/Not yet engaged
- Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern
- Evidence of issuer change - Milestone
- Progressing
- Not progressing

	Consult on executive pay		
	Understand board functioning during lockdown		
	Understand positioning on the shareholder resolution		
	Set ambitious climate strategy		
	Update Human Rights Policy		
	Consideration of biodiversity in its risk management		
	Improve ESG and climate target disclosure		
	Strengthen human rights program		
Chevron Corp	Strengthen Paris-aligned short and medium term targets		
	Increase CapEx for low carbon transition		
	Improve disclosures on offsetting and CCS strategy		
	Set biodiversity targets and improve disclosure		
	Improve alignment of executive compensation		
	Improve disclosures on climate lobbying		
	Improve disclosures around human rights assessments		
	Improve disclosures around engagement with indigenous populations		
Citigroup Inc	Enhance climate risk management		
	Workforce Disclosure Initiative participation		
Costco Wholesale Corp	Disclose to the CDP initiative		
	Payment of living wage		
	Enhance "social" disclosure		
	Engagement on human rights due diligence and disclosure		
	Alternative protein strategy		
	Workforce Disclosure Initiative participation		
CRH PLC	Pension contributions		
	Become living wage employer		

Key

- Engagement suspended Set/Not yet engaged Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern Evidence of issuer change - Milestone
- Progressing Not progressing

	Extend physical risk assessment to 100% of group level revenue		
	Disclose biodiversity strategy and targets		
	Capex aligned with 1.5C		
	Physical risk disclosure		
	Biomass procurement policy		
Deutsche Bank AG	Workforce Disclosure Initiative participation		
	Enhanced corporate diversity		
Freeport-McMoRan Inc	Set scope 3 emissions target		
	Publish biodiversity strategy		
	Set targets on water consumption		
	Improve disclosure on Indonesian operations		
	Letter to encourage support on the new global tailings standard body		
Fresenius SE & Co KGaA	Enhanced corporate diversity		
	Workforce Disclosure Initiative participation		
	Integrate AMR into environmental risk management strategy		
	Enhance human rights supply chain due diligence efforts		
	Enhance disclosure on measures to mitigate product safety and quality risks		
	Increase transparency about environmental initiatives in manufacturing		
	Use a scorecard system to assess key suppliers' sustainability performance		
	Set quantitative access-related targets		
	Disclose examples of human rights issues uncovered by audits		
	Participation in the Workforce Disclosure Initiative's 2022 survey		
HDFC Bank Ltd	Improve digital expertise at board level		
	Strengthen approach to climate change management		

Key

- Engagement suspended
- Set/Not yet engaged
- Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern
- Evidence of issuer change - Milestone
- Progressing
- Not progressing

Lasertec Corp	Increase representation of women in the workforce		
	Improve board gender diversity		
	Publish first standalone ESG report		
	Disclose climate targets		
	Develop a policy or grievance mechanism on sexual harassment		
	Establish process to engage with suppliers to manage its Scope 3 emissions		
	Enhance disclosure of human capital metrics.		
	Understand supply chain due diligence process including publishing audit results		
	Establish formal programmes to advance women in management roles and in hiring		
	Improve board gender diversity above 13.5%		
Lowe's Cos Inc	Conduct social supply chain audit and improve H&S disclosure		
	Disclose Human Rights Due Diligence Framework		
	Human Rights Risk Assessment		
	Improve health and safety performance		
LVMH Moët Hennessy Louis Vuitton SE	Publish gender/racial pay gap information		
	Realise Living Wages in direct operations and supply chain		
	Disclose human rights policy		
Mercedes-Benz Group AG	Disclose living wage policy		
	Enhanced corporate diversity		
	Strengthen management of deforestation risks from leather & rubber sourcing		
	Disclose approach to human rights due diligence		
	Workforce Disclosure Initiative participation		
	Publish climate lobbying disclosures		

Key

- Engagement suspended
- Set/Not yet engaged
- Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern
- Evidence of issuer change - Milestone
- Progressing
- Not progressing

	Publish review of association memberships and their alignment with Paris		
	Strengthen climate risk management		
	Strengthen approach to upstream Scope 3 emissions		
	Enhance alignment of capital allocation process with climate commitments		
Microchip Technology Inc	Increase board gender diversity		
PACCAR Inc	Publish net zero CapEx plan		
PPG Industries Inc	Reducing plastic waste		
	Enhancing product stewardship		
	Setting Net Zero GHG emissions target across entire value chain		
Procter & Gamble Co/The	Strengthening human rights due diligence		
	Develop biodiversity strategy		
	Develop a strategy to address plastic pollution		
Reliance Industries Ltd	Separate CEO and Chairman		
	Incorporate climate-related goals in management remuneration plans		
	Set up and disclose air and carbon emissions reduction targets		
	Enhance climate-related skills at board and management level		
	Improve climate-related disclosures		
	Appoint new independent directors		
	Improve board independence		
	Disclose climate-related lobbying		
	Set biodiversity net gain target and improve biodiversity performance		
	Strengthen decarbonisation roadmap		
	Align CAPEX with climate goals		
Ross Stores Inc	Develop human rights due diligence framework		

Key

- Engagement suspended
- Set/Not yet engaged
- Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern
- Evidence of issuer change - Milestone
- Progressing
- Not progressing

Shell PLC	Develop strategy for net zero emissions by 2050		
	Become living wage employer		
	Improve TCFD disclosures		
	Strengthen community relations approaches and disclosures		
	Improve disclosures on offsetting and CCS strategy		
	Improve biodiversity disclosure and set targets		
	Nigeria: improve bribery and corruption prevention		
	A revised decarbonisation strategy given the court order and the new IEA net zer		
	Clarify and strengthen the climate elements in remuneration		
	Improve GHG targets to align with 1.5C		
Southern Water Services Finance Ltd	Disclose information about any AMR-related work being undertaken		
	Disclose in line with TCFD		
	Improve performance on sewage overflows		
	Disclose on CapEx committed to sewage overflow		
Taiwan Semiconductor Manufacturing Co Ltd	Improve approach to gender diversity		
	Set science-based emissions reduction target		
	Develop and share CEO succession plans		
	Improve remuneration disclosure		
	A comprehensive plan to achieve its 60% replacement water rate by 2030		
	Disclose a feasible plan to achieve 100% renewable energy by 2040		
	Successfully find or develop an alternative substance of FPAs.		
Tesla Inc	Workforce Disclosure Initiative participation		
	Enhanced human rights due diligence		
	Commitment to social dialogue, and freedom of association		

Key

- Engagement suspended Set/Not yet engaged Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern Evidence of issuer change - Milestone
- Progressing Not progressing

	Improve Board diversity and independence		
	Improve climate disclosures		
	Improve diversity, equity and inclusion disclosures		
	Conduct an independent review of labour management		
Volkswagen AG	Enhanced corporate diversity		
	Workforce Disclosure Initiative participation		
	Strengthen climate lobbying disclosures		
	Strengthen approach on human rights due diligence		
	Align Scope 3 targets with 1.5 degree trajectory		
	Disclose detailed decarbonisation strategy and capital expenditure plans		
	Publish climate lobbying report		
Waste Connections Inc	Improve independence of key committee		
	Improve climate disclosure by participating in the CDP		
	Improve disclosure of sustainability performance		
	Set SBTi emissions reduction targets		
	Participation in the Workforce Disclosure Initiative		
	Commit to set science based emissions reduction targets		
Wells Fargo & Co	Enhance disclosure on company culture and regulatory compliance		
	Establish appropriately aligned compensation for new CEO		
	Improve disclosure on diversity and pay-equity within the business		
	Workforce Disclosure Initiative participation		

Key

- Engagement suspended
- Set/Not yet engaged
- Expectation/concern raised with issuer
- Issuer committed to consider expectation/concern
- Evidence of issuer change - Milestone
- Progressing
- Not progressing

Engagement case studies

CRH PLC
Confidential (Held)

Mailing Country: Ireland	Sector: Materials	Priority Company: ✓
ESG Risk Rating: ●	Response to Prior Engagement: Good	Theme: Climate Change; Corporate Governance
Engagement Case Study Name: Preparing for leadership transition while advancing sustainability strategy		
13 CLIMATE ACTION 13.2		

Background

CRH is the leading provider of building materials solutions. It has transitioned to a US primary listing on the New York Stock Exchange after receiving overwhelming shareholder approval, as North America accounts for approximately 75% of Group EBITDA and the US is expected to be a key driver of future growth given economic expansion, population growth, and significant construction needs. According to CRH, the US listing will bring increased commercial, operational and acquisition opportunities. We reached out to speak to the Board Chair to understand what this pivot means for the company's ESG strategy, in particular its ambitions on climate change and decarbonisation.

Action

We engaged with the company's Board Chair ahead of its 2023 AGM to discuss latest developments, including its recent primary listing change from London to New York. We also briefly spoke to the CFO on the implications of the re-listing in a separate meeting. Key topics included CEO succession planning, growth strategy and capital allocation priorities. We also discussed the company's climate solutions business, which develops water and energy efficiency products. On succession planning, the Chair explained this remains a key focus area for the Board with the current CEO's contract expiring in 2024, although renewal is likely. On M&A, the company will continue to focus on value-enhancing deals, particularly in the US, expecting the US to account for 75-80% of total business (vs 65% currently). Regarding innovation, the Chair highlighted a \$250 million corporate venturing fund targeting areas like AI for leak detection in water infrastructure. This signals the importance of climate solutions and emerging technologies. However, it is yet not clear how CRH will maintain its ambitious climate strategy, particularly in the US where legislated carbon taxation burden is lower.

Verdict

We were encouraged by the constructive dialogue on the leadership transition and growth strategy. Succession planning to maintain the company's operational excellence will be important. We also welcome the focus on new climate solutions, which we will monitor and engage further on from a sustainability perspective. Overall, our dialogue with CRH have been positive, outlining Board priorities as CRH continues expanding its US presence.

ESG Risk Rating:	Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc. Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●
Response to engagement:	Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.
(Not held) (Held)	This mark indicates whether the company is held in client's portfolio

Stellantis NV

Public (Held)

Mailing Country: Netherlands

Sector: Consumer Discretionary

Priority Company: X

ESG Risk Rating: ●

Response to Prior Engagement: Good

Theme: Climate Change

Engagement Case Study Name: Material progress towards climate aligned lobbying activities

13.2

Background

Stellantis are one of the largest automakers in the world, with a presence in over 130 countries and over 300,000 employees. Stellantis was formed in 2021 by a merger between the Italian-American conglomerate Fiat Chrysler Automobiles (FCA) and the French PSA Group. Stellantis has been slow to provide investors with more transparency on its positioning on public policies, and its lobbying on climate related policies directly and through industry associations. Many peers have published lobbying reports, including Volkswagen, General Motors, Ford, Mercedes, BMW, Volvo and Toyota. This lack of transparency is especially concerning given the mixed record that the company has on its lobbying around vehicle emissions standards in the US, UK and EU.

Action

We have engaged FCA and PSA bilaterally and through CA100+ on this topic since 2019, and began engaging Stellantis on this topic in 2022. In 2022, together with the other CA100+ co-leads, we spoke to Stellantis' Heads of Public Affairs, Head of CSR and investor relations representatives to discuss the company's approach to climate lobbying. We reiterated that progress on climate lobbying was a priority in a call with investor relations in 2023, and provided the company with further guidance on what we considered to be good practice. In March 2024 we had another collaborative call with Stellantis' head of European public affairs and IR, where we asked for the company to establish and disclose a monitoring and review process to ensure that all of its direct and indirect climate change lobbying activities are consistent with its proclaimed climate targets. Stellantis recognised that it had work to do to on its lobbying disclosures compared to peers, and committed to evaluating the steps that it could take to improve disclosure.

Verdict

In mid-March the company sent us a letter signed by the CFO in which it committed to provide investors with an initial work plan for its lobbying disclosures by the end of June, with a view to preparing an initial disclosure by the end of 2024. This is a positive step, and shows that the company is proactive and open to productive conversations with investors. We will continue to work with the company on its work plan, and to ensure that Stellantis' disclosures align with the best practices outlined in the Global Standard on Responsible Climate Lobbying.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Exxon Mobil Corp
Confidential (Not held)

Mailing Country: United States	Sector: Energy	Priority Company: ✓
ESG Risk Rating: ●	Response to Prior Engagement: Good	Theme: Climate Change
Engagement Case Study Name: Positive strides in energy transition strategy but approach remains conservative		
13 CLIMATE ACTION  13.2		

Background

As one of the world’s largest oil and gas majors, we have engaged ExxonMobil (Exxon) for many years, encouraging a more proactive and transparent approach to the energy transition. It now has emissions reduction targets for 2030, and plans to invest over \$20 billion in low carbon solutions through to 2027. However, the business remains primarily focused on fossil fuels, particularly following the \$60bn acquisition of Pioneer Natural Resources, the Texas-based exploration & production company - and compared with European peers, its diversification into cleaner energies is modest.

Action

We met with Exxon’s Chief Financial Officer in London and discussed her views on the company’s Low Carbon Solutions business. We discussed the competitiveness of low carbon projects, the role of policy support – particularly the Inflation Reduction Act – progress on carbon capture and storage (CCS), and plans for lithium production. Exxon’s acquisition of CCS specialist Denbury has significantly increased its capacity; it believes its scale to be an advantage as it gains industrial customers. The lithium business also appears promising, with the company stating that it believes the low environmental footprint of its operation will give it a competitive edge in this area as demand expands with the roll-out of electric vehicles. However, material earnings from these businesses still remain some distance into the future. We also asked about Exxon’s decision to take court action against the two co-filers of a shareholder resolution on climate change (the ‘Follow This’ resolution), rather than taking the usual path of applying to the SEC to disallow it. Exxon told us that their motivation is to challenge the current stance of the SEC on such resolutions, which has become more accommodating, and it wants this to be a test case to force a change in approach.

Verdict

Exxon is on track to achieve its Scope 1 & 2 emissions targets, and has made significant improvements in its disclosure and - following investor engagement – also on reporting on its energy transition strategy. Its strength in large project implementation positions the company well to capitalise on those low-carbon opportunities it has identified. Yet the scale of capex in these areas is dwarfed by the capital put into both organic and inorganic growth in its core oil and gas business. In our view, despite the improvements, the company’s transition strategy remains unambitious relative to peers in Europe in particular.

ESG Risk Rating:	Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc. Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●
Response to engagement:	Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.
(Not held) (Held)	This mark indicates whether the company is held in client’s portfolio

Koninklijke Philips NV

Public (Held)

Mailing Country: Netherlands

Sector: Health Care

Priority Company: ✓

ESG Risk Rating: ●

Response to Prior Engagement: Good

Theme: Climate Change; Labour Standards; Public Health

Engagement Case Study Name: Corporate ESG Targets on Track but Employee Morale Still an Issue



Background

Philips is a Dutch healthcare conglomerate which offers a range of products across different business divisions: diagnosis and treatment, connected care and personal health. The company is still working to recover from the global recall of Philips Respironics and Respiratory Care Devices linked to potential health risks in 2021 which resulted in a loss of two-thirds of its value and multiple lawsuits. Philips invited us to a one-on-one meeting as part of their most recent ESG roadshow in order to update us on the latest ESG developments following the release of their 2023 Annual Report.

Action

We were encouraged to note that Philips is on track to achieve its 2025 ESG targets and has already exceeded its target to use 75% renewable energy in its operations by 2025, having reached 78% in 2023. In its 2023 double materiality assessment, Philips' most financially material topic was product responsibility and safety, which is not surprising in light of the global recall which continues to negatively impact the company's reputation. Philips shared that internal research concluded that approximately 70% of historic issues around product safety and quality partly originated in the design phase. This insight is helping them in redesigning the R&D process, a tangible example of lessons learned as a result of the recall that we welcome. Finally, we noted that the 2023 employee engagement outcomes had worsened slightly as employees have generally been less favourable about the company (73% vs 77% in 2022) and more explicitly unfavourable (10% vs 8% in 2022). However, Philips believes employee favourability will begin to improve with the progression of its corporate re-organisation. We will be monitoring this metric with interest going forward.

Verdict

We continue to appreciate Philips' transparency around the product recall and their actions to recover from it. Their progress on renewable energy is commendable, nonetheless, our concerns remain regarding employee engagement outcomes which are directly linked to the company's re-organization as a result of the recall and financial losses. We will continue our conversations with the company on how they aim to address this point given the uncertainty that the re-organisation has caused.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Engagement projects

This section reports on priority engagement projects where we have made progress in 2024. For full details of our engagements with companies in these projects please refer to the online **reo**® client portal.

Project: Deforestation

Category: Environmental

Project Objective

Deforestation is a major driver of the twin crises of biodiversity loss and climate change. The destruction and fragmentation of forests is the biggest driver of extinctions across the world, and the deforestation and forest degradation contribute up to 15% of the carbon dioxide emissions caused by human activity. This is primarily linked to the production of commodities including palm oil, soy, cattle products, timber, cocoa, coffee and rubber. We have developed a bespoke tool to appraise the quality of deforestation management of issuers involved in soft commodity value chains. We combine datasets from sources including Forest 500, CDP Forests, ZSL SPOTT, Forests & Finance and MSCI to identify holdings with material exposure to deforestation impact and risk with poor quality management. Through our analysis we have discovered that the most common criteria which issuers fail against are on targets and traceability. We ask issuers to commit to no conversion of natural ecosystems and or zero deforestation, and to trace at least 90% of the total production/consumption volume of all high-risk commodities down to the relevant production site or processing facility level. We will also engage issuers on policy and procedures, certification, due diligence, indigenous and smallholder support and risk assessments.

Progress Summary

Through the deforestation project we are engaging a set of companies that we have identified as being material drivers of deforestation impacts with sub-standard deforestation management systems. We aim for these companies to commit to no conversion of natural ecosystems and/or zero deforestation, and to strengthen traceability to be able to trace at least 90% of the total production/consumption volume of all high-risk commodities such as cattle products, rubber and palm oil down to the relevant production site or processing facility level. So far in Q1 we have engaged seven companies as part of this project. Notable takeaways from individual company calls were that Adient disclosed in its sustainability report that last year it engaged with 100% of both controlled and directed tier 1 leather suppliers in relation to deforestation. The company also progressed towards our engagement ask of strengthening its supplier expectations on deforestation. We will continue engaging with the company to further strengthen its management of deforestation risks, but these are welcome improvements. Banco do Brasil was also noteworthy for having enhanced their sustainability disclosures and climate risk management, meeting the central banks climate stress testing and broader climate risk management regulation. Their environmental and social due diligence efforts to ensure no deforestation and no negative human rights or indigenous rights impacts appear robust, but there remains some areas we would welcome more clarity such as a clearer view on how the Bank will utilise new state and national deforestation traceability systems. Looking ahead, we have been contributing to the annual planning of the Investor Policy Dialogue on Deforestation initiative (IPDD). At Columbia Threadneedle Investments within the Brazil IPDD working group we will be leading on engagements with the Ministry of Management, subnational governments and Brazilian finance entities. The key focus of these engagements will be around traceability and access to deforestation data that allows Brazil to effectively implement its Forest Code. Within the Consumer Country IPDD working group we will be leading on engagements with various UK government stakeholders, EU Directors for international partnerships and environment, and the German Ministry for the Environment and Nature (BMU).

Project: Sustainable Critical Mineral Supply Chains

Category: Environmental

Project Objective

The energy transition requires substantial amounts of metals such as copper, nickel, cobalt, aluminium, lithium, rare earth elements (REEs) as well as steel with lower embodied carbon. This could result in mismatches between supply and demand for several of these transition metals, with cross value chain collaboration needed to invest in supply, improve efficiency and substitute where possible. There are also substantial social risks associated with the mining and refining of these minerals. In this project we intend to engage both the demand side (automakers and utilities) as well as the supply side (mining) to evaluate the consistency in their identification of minerals that may become supply constrained over different timeframes. On the demand side we intend to explore whether automotive and utilities companies have secured sufficient supply of the metals they need to deliver the energy transition they are targeting. We will also evaluate the ability of companies to substitute or increase the efficiency with which they use minerals that may be supply constrained, and to conduct due diligence of their critical mineral suppliers to minimise social impacts and risks. On the supply side, our aim is to engage mining companies on their plans to expand the production of minerals that will be critical to the energy transition while minimising impacts on local communities and indigenous populations.

Progress Summary

Our critical minerals project aims to engage both the demand side (automakers and utilities) as well as the supply side (mining) to evaluate the consistency in their identification of minerals that may become supply constrained over different timeframes. On the demand side we are exploring whether automotive and utilities companies have secured sufficient critical mineral supply to deliver the energy transition, and evaluating their due diligence of their critical mineral suppliers to minimise social impacts and risks. On the supply side, our aim is to engage mining companies on their plans to expand the responsible production of minerals that will be critical to the energy transition. In Q1 we have engaged 11 companies as part of this project - BMW, Mercedes, General Motors, Toyota, Stellantis, Freeport-McMoRan, Barrick Gold, Arcadium Lithium, Albemarle, Glencore and Rio Tinto. There is a divide between the miners and automakers concerning mining sustainability standards. BMW and Mercedes are particularly adamant that they will only enter direct offtake agreements from mines that are certified against the Initiative for Responsible Mining Assurance (IRMA) standard. Miners like Glencore argue that this standard is overly complex and arduous, while Albemarle and Arcadium – both of who's main commodity is lithium (direct supply to battery applications) – are more open to applying a rigorous standard. We are also seeing a divide among the automakers in their eagerness to enter direct mineral offtake agreements. BMW and Mercedes are taking a more cautious approach and have only entered a handful of upstream contracts, while General Motors and Stellantis have entered dozens of agreements including making several direct investments. Companies which are slower moving could be more exposed to sourcing constraints and fluctuating prices. Particularly notable takeaways from individual company calls were: General Motors informed us it has now locked in its critical mineral needs through 2025, and has about 50% of its supply for 2025-2030 secured. It plans to direct source 75% of minerals by 2030. BMW has relatively low volumes of lithium, nickel and cobalt secured through direct offtake agreements with miners compared to other auto peers (e.g. c9% lithium supply compared to 25-75% for other OEMs). Toyota has weaker environmental and social risk management of its purchased minerals than Western OEMs – it only requires weaker Responsible Mining Initiative (RMI) certification rather than more advanced IRMA standard. Glencore is reluctant to pursue IRMA certification, as demand is not high enough yet.

For some critical metals like copper they see limited potential for greenfield expansion due to a lack of social and environmental licence. For Q2 we will focus on expanding the scope of our engagement activities to include utility companies and consolidating our sense of best practice for automakers, utilities and miners.

Project: Coal phase-out 2.0

Category: Environmental

Project Objective

Throughout 2021-22 we focused on engaging with issuers in key countries on the importance of phasing out thermal coal (coal hereafter) in the energy system. Now that the key countries involved have all set net zero targets and are starting to implement energy transition policies we are focusing on engagement with issuers facing the greatest transition risks due to them still planning on expanding coal mining or power capacity or earning over 30% of their revenue from coal. Additionally, issuers with a high proportion of revenue from thermal coal must develop pathways for responsibly phasing out their coal assets and identifying alternative ways of returning value to shareholders. Issuers will also be encouraged to develop plans for a just transition.

Progress Summary

The coal phase-out 2.0 project looks to continue our previous engagement efforts with both utilities and miners to understand the transition risks associated with the phase-out of thermal coal for power generation as governments across the world bring forward their phase-out dates. The second phase of this project seeks to focus on companies across Asia which generate significant electricity and revenue from thermal coal, with a total list of 30 companies targeted for engagement throughout the year. Companies are employing a range of approaches in order to phase-out thermal coal-fired generation. These include focusing on a managed phase-out to decommission thermal coal-fired power plants, a focus on retrofitting or conversion of thermal coal units to alternative generation technologies, or even selling their thermal coal assets. During Q1, we have conducted 9 engagements with 5 Asian utilities which have focused on their decarbonisation efforts, including how they are managing the phase-out of thermal coal. We have engaged 4 Japanese utilities: Electric Power Development (J-Power), Chubu Electric Power, Kansai Electric Power, and Tokyo Electric Power (TEPCO). Several of these utilities are looking to phase-out inefficient thermal coal-fired power through retrofitting and converting existing coal units with ‘advanced coal technologies’, including the co-firing of ammonia and the reliance on carbon capture, utilisation and storage while J-Power is exploring the use of integrated coal gasification. Several research organisations, such as Bloomberg New Energy Finance (BNEF) highlighted significant concerns over the costs, efficiencies, and importantly the lifecycle emissions reduction potential of these technologies. We have engaged with these companies seeking to understand how they manage these risks and for further disclosure of the outcomes of their feasibility studies on these technologies. While we have seen disclosure of these companies’ decarbonisation strategies improve through the course of our engagement, disclosure of the emissions reduction potential and feasibility of these ‘advanced coal technologies’ remains limited. Many of these utilities are also looking to increase the co-firing of biomass, creating some additional ESG risks. For example, in January a fire broke out at a thermal coal plant owned by JERA, the thermal generation joint venture between Chubu Electric and TEPCO, partly caused by increased dust from biomass wood fibre, raising health & safety concerns. This also raises questions on the sourcing of this biomass, and we have asked these utilities to consider developing public sustainable biomass sourcing policies. We will continue to follow up on the development of these policies. More broadly going forwards, we will look to engage a wider set of Asian utilities on the impact of increasing nuclear generation on the utilisation and economics of thermal coal generation, and the implications for their coal phase-out plans. We will also look to engage with some mining companies on the implications of the thermal coal phase-out on their operations and workforce.

Project: Sustainable food system

Category: Environmental; Social

Project Objective

The food and beverage industry is facing a number of social and environmental risks, while needing to provide food for a growing population. We aim to take a system approach to challenges including addressing plastic pollution, reducing GHG emissions, managing water stress and soil depletion, securing working conditions in operations and supply chains, and eliminating deforestation in raw material sourcing.

Progress Summary

The project aims to deepen analysis of and identify best practice in the approaches taken by the food and beverage industry in mitigating key social and environmental risks stemming from their operations such as nature impacts and dependencies, working conditions, food nutrition and public health. This quarter we focused our attention on nature impacts and dependencies in the food system, engaging with corporates and experts as well as further developing our engagement framework. We also undertook internal presentations to investment teams to discuss the importance of consideration of nature capital degradation in long-term investment analysis and company engagement. From engagement with Nestle we recognised that some aspects of reducing climate and nature impacts are increasingly being seen as competitive advantages, for example insights into interventions aimed at reducing GHG emissions from dairy farming - including specific measures targeting enteric methane from cows - were considered too commercially sensitive to disclose at this stage. As part of this project, we also conducted site visits to increase our practical understanding of food production and provide further context in company engagements. At Leckford Farm in Hampshire, we listened to experts and farmers working directly to implement regenerative practices for nutrient circularity, soil quality, and water retention. A discussion on government incentives and the role of customer commitments provided practical examples of the economic and financial challenges the farming sector is facing and consequently the need for changing purchasing practices on the part of food producers and retailers. This point was underscored during our recent visit to Cranswick's poultry processing site. The company has relatively long contracts, typically between five and ten years with suppliers which can then leverage this projected income as collateral to secure bank financing for a range of projects, including for improved sustainability measures. A key conclusion was the challenge facing companies in identifying effective and scalable metrics for natural capital risks while avoiding drowning in data. We will take these insights into Q2 as we increase the intensity of engagement targeting US and European food and beverage producers and retailers.

Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in 2024 and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online **reo**® client portal.

					Themes engaged						
Name	Country	Sector	Priority Company	ESG Rating	Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
★★★★											
Bank Mandiri Persero Tbk PT	Indonesia	Financials		🟡	🟢	🟡					
Barclays PLC	United Kingdom	Financials	✔	🟢	🟢						
Freeport-McMoRan Inc	United States	Materials	✔	🟡		🟡					
HSBC Holdings PLC	United Kingdom	Financials		🟢	🟢						
Norfolk Southern Corp	United States	Industrials		🟡	🟢						
★★★★											
Bank Mandiri Persero Tbk PT	Indonesia	Financials		🟡	🟢	🟡					
Barclays PLC	United Kingdom	Financials	✔	🟢		🟡					
DBS Group Holdings Ltd	Singapore	Financials		🟡	🟢						
Lonza Group AG	Switzerland	Health Care		🟢	🟢						
Stellantis NV	Netherlands	Consumer Discretionary		🟡	🟢						
★											
Bank Mandiri Persero Tbk PT	Indonesia	Financials		🟡	🟢						
Bank Rakyat Indonesia Persero Tbk PT	Indonesia	Financials		🟡		🟡					
Toyota Motor Corp	Japan	Consumer Discretionary		🟡	🟢						

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Milestones in detail

Bank Mandiri Persero Tbk PT

Country: Indonesia	Sector: Financials	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★
 13.2		

Milestone Detail:

Bank Mandiri have disclosed the absolute financed emissions associated with their lending activities, this is broken down by sector and also by financing activity/asset class. This shift to go beyond operations and include financing is an important step in managing climate risk, and is an area we have engaged with the company on several times. They highlight that this covers 44% of their loan book and that this is aligned with the Partnership for Carbon Accounting Financials (PCAF) methodology.

Bank Mandiri Persero Tbk PT

Country: Indonesia	Sector: Financials	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Environmental Stewardship	Milestone Rating: ★★
 12.6		

Milestone Detail:

The company have provided significantly improved E&S due diligence disclosures and enhanced their process for conducting this due diligence. In their latest sustainability report, they highlight that they have expanded their sectoral E&S credit policies to 7 new sectors, now covering a total of 12 sectors. They have also significantly increased the level of disclosure in these policies, providing more detail on the scope of clients and activities included in the policy, more granularity on the specific E&S criteria that they assess for each sector and whether these are requirements or encouraged. They have also enhanced the disclosure of the process for conducting this due diligence. We have engaged a number of times with the company on their E&S due diligence, with an initial focus on the palm oil and coal policies. Most recently we re-iterated our engagement objectives to the company highlighting that we would like to see more detail disclosure of their E&S due diligence process and policies.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Barclays PLC

Country: United Kingdom	Sector: Financials	Priority Company: ✓
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★
13CLIMATE ACTION  13.2		

Milestone Detail:

The company provide significantly enhanced climate risk management in their latest climate updates. The company introduced additional financed emissions targets for agriculture, commercial real estate, and aviation. They also provided updates to their residential real estate target. The company became the first UK bank to publish a transition finance framework. They also updated their climate change statement introducing restrictions and tightened conditions for financing to the oil and gas sector. This is significant as Barclays have lagged in this specific area and faced reputational risks as a result. We have engaged several times with Barclays on their climate risk management, including as a co-lead investor through the IIGCC bank working group.

Freeport-McMoRan Inc

Country: United States	Sector: Materials	Priority Company: ✓
ESG Risk Rating: ●	Milestone Theme: Environmental Stewardship	Milestone Rating: ★★
15LIFE ON LAND  15.1		

Milestone Detail:

As part of its International Council on Mining and Metals (ICMM) membership, FCX has committed to being nature positive by 2030. This is a topic we have engaged on with FCX on several occasions and are pleased to see it now has a 2030 target in place. We will continue to engage on the execution of this strategy.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

HSBC Holdings PLC

Country: United Kingdom	Sector: Financials	Priority Company: ×
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★☆☆
13CLIMATE ACTION  13.2		

Milestone Detail:

In January 2024, HSBC become the first UK bank to publish a climate transition plan, aligned with the UK Government Treasury’s Transition Plan Taskforce guidelines for banks. This was a comprehensive report, providing more detail on their decarbonisation strategy and climate risks management. Through this, they were one of the first banks to set facilitated emissions reduction targets for the oil and gas sector and the utilities sector, including these within their broader financed emissions targets for these sectors. We have engaged with the company several times on their climate risk management and strategy.

Norfolk Southern Corp

Country: United States	Sector: Industrials	Priority Company: ×
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★☆☆
13CLIMATE ACTION  13.2		

Milestone Detail:

Norfolk Southern Corporation released its inaugural Climate Transition Plan. This document outlines how the company will look to achieve its climate targets, as well as including a detailed assessment of the risks that the company faces under different climate scenarios. We are pleased that the company has published this document, as this has been one of our key engagement asks.

ESG Risk Rating: Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Bank Mandiri Persero Tbk PT

Country: Indonesia	Sector: Financials	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★
13CLIMATE ACTION 13.2		

Milestone Detail:

Bank Mandiri's latest sustainability report includes significantly enhanced disclosure of the process for conducting climate stress testing of their loan book, as well as their climate scenario analysis. This includes the process for conducting this, the scenarios used, and the implementation of these to assess potential transitions and physical climate risks. The bank also disclose how they have assessed flood and forest fire risk in Indonesia, but provide less info on how they are using this assessment. This is an important part of effective climate risk management, and we have engaged with the bank a number of times on this.

Bank Mandiri Persero Tbk PT

Country: Indonesia	Sector: Financials	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Environmental Stewardship	Milestone Rating: ★★
15LIFE ON LAND 15.2		

Milestone Detail:

In their latest sustainability report, Bank Mandiri provides significantly more detail on their sectoral lending policies, including for the plantation/palm oil sector. They have introduced a much more detailed, standalone policy for the sector, which among other things explicitly highlights that prospective debtors are required to meet a range of criteria, including 'Having internal policies related to Zero-Deforestation, No Exploitation (NDPE) which include land clearing, preservation of High Conservation Value (NKT) areas, and Peatland'. We have had a several discussions with the company regarding their palm oil lending policy, seeking to encourage the company to have 100% of their clients covered by a certification scheme, as well as to require clients to have a no deforestation, no peat, and no exploitation (NDPE) policy.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Bank Mandiri Persero Tbk PT

Country: Indonesia

Sector: Financials

Priority Company: ✕

ESG Risk Rating: ●

Milestone Theme: Environmental Stewardship

Milestone Rating: ★★



12.6

Milestone Detail:

The company's latest 2023 sustainability report represents a significant improvement on previous reports. The latest report is well aligned with the GRI standards, SASB, and in particular this report is more aligned with the TCFD recommendations. This alignment was less obvious in previous sustainability reporting. We have engaged several times with the company on the need to enhance their ESG reporting and more closely align with international standards.

Barclays PLC

Country: United Kingdom

Sector: Financials

Priority Company: ✓

ESG Risk Rating: ●

Milestone Theme: Environmental Stewardship

Milestone Rating: ★★



15.2

Milestone Detail:

Barclay's latest annual report highlights continued progress on their efforts to enhance their approach to biodiversity risk management with a comprehensive update to their forestry and agricultural commodities statement, with significantly enhanced criteria for the sector regarding deforestation. They have also started to pilot the TNFD framework and assessment for certain sectors, and have actively contributed to the TNFD consultation. We have previously discussed this topic with them through meetings, and followed up with them to share our biodiversity best practices and findings from engagement with other banks.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

DBS Group Holdings Ltd

Country: Singapore	Sector: Financials	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★
13 CLIMATE ACTION  13.2		

Milestone Detail:

DBS updated their thermal coal financing policy, providing more transparency on the revenue thresholds applied and explicitly highlighting a goal of the policy to support the early retirement of coal in Asia. We have previously engaged with the company regarding their thermal coal policy, particularly regarding transparency over their revenue thresholds that they apply and the rationale for these, as well as their involvement and views on the managed phase-out and early retirement of thermal coal. These previous thresholds appeared very lenient, but the company’s updated thermal coal policy provides more context that they will not finance expansion of thermal coal and the thresholds are designed to enable them to support the managed phase-out. They appear to be the first bank to have explicitly highlighted this within their coal policy.

Lonza Group AG

Country: Switzerland	Sector: Health Care	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★
13 CLIMATE ACTION  13.2		

Milestone Detail:

Lonza announced in July 2023 that it had submitted a letter of commitment to the Science-Based Targets initiative (SBTi) with plans to reduce absolute scope 1 and 2 GHG emissions by more than 40% by the end of 2030 (from a 2021 base year). This is a positive development, as it will enable the avoidance of an upwards emissions trajectory as the business grows. Prior to this, we had encouraged the company to publicly disclose their absolute emissions reduction targets and commit to the SBTi to have their reduction targets externally verified.

ESG Risk Rating: Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Stellantis NV

Country: Netherlands	Sector: Consumer Discretionary	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Climate Change	Milestone Rating: ★★

13 CLIMATE ACTION



13.2

Milestone Detail:

The company has committed to provide investors with an initial work plan for its lobbying disclosures by the end of June, with a view to preparing an initial disclosure by the end of 2024. We have engaged together with other investors in the Climate Action 100+ initiative on Stellantis improving its climate lobbying activities since 2022. In recent months we have had concentrated sessions with IR and the head of public affairs on this topic, and we flagged to Stellantis that it was one of the only European automakers not to be completing this kind of disclosure.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagement case studies

Amazon.com Inc
Public (Held)

Mailing Country: United States	Sector: Consumer Discretionary	Priority Company: ✓
ESG Risk Rating: ●	Response to Prior Engagement: Poor	Theme: Human Rights
Engagement Case Study Name: Still reluctant to shed light on Responsible AI		



Background

Amazon is a leading online retailer and web service provider that offers a range of products and services to customers from electronic devices, media content and on-demand technology services. The company is part of our Responsible Governance of Artificial Intelligence (AI) project as it uses AI across its operations from personalised product recommendations, Alexa voice shopping, powered search to optimization in the warehouse. It’s encouraging the company has also outlined AI opportunities particularly how it is using AI to advance its sustainability goals from reducing packaging use to identifying damaged items to prevent waste.

Action

We had an in-person meeting to discuss the company’s approach to Responsible AI in further detail. We gained further insight to the Board’s oversight and scope of responsibilities with respect to Responsible AI. The whole Board is well aware of the interest in Responsible AI and the Nominating Governance committee has oversight of the topic. It was encouraging to note that a few members of the Board including the Lead Independent Director has policy experience which helps with monitoring policies and regulations around Responsible AI. While there is no specific Responsible AI committee as the company has various different use cases, there is a group of people from different disciplines (including the Legal department) who provide their insight and views on the topic. The company also states that it conducts risk assessments, although it did not elaborate further, stating that nothing is currently publicly disclosed. We encouraged enhanced disclosure in order to support investors in understanding the company’s approach more fully. We learnt that these risk assessments or ‘vulnerability’ mechanisms are not limited to cybersecurity and are designed to cover broader ethical issues, although no specifics were divulged. Amazon has not disclosed any safety issues but asserts that it is an iterative process and the company is conducting a significant amount of testing.

Verdict

Amazon has made progress with its public commitments to Responsible AI such as the White House Voluntary AI commitments signed in 2023. It has a Responsible AI policy and model scorecards that is limited to Amazon Web Services but we are optimistic that there will be more disclosure on the operationalization of Responsible AI principles beyond this division. This is important to enhance wider customer trust and adoption to scale AI. We also encouraged publication of further information on its human rights impact assessment process on Responsible AI, and the consideration of quantitative impact measurements to demonstrate how its use of AI can drive sustainable outcomes. We will continue to monitor progress on its Responsible AI framework and process.

ESG Risk Rating:	Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc. Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●
Response to engagement:	Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.
(Not held) (Held)	This mark indicates whether the company is held in client’s portfolio

Inner Mongolia Yili Industrial Group Co Ltd

Public (Not held)

Mailing Country: China

Sector: Consumer Staples

Priority Company: ✓

ESG Risk Rating: ●

Response to Prior Engagement: Good

Theme: Labour Standards

Engagement Case Study Name: Solid progress towards more effective supply chain due diligence



8.7

Background

Yili is a global producer mainly of dairy products based in Hohhot, in China's Inner Mongolia province. It sources raw milk primarily from suppliers on the Chinese mainland. We engaged to assess the oversight of supply chain labour standards and advocate for increased robustness. The agriculture sector is at high risk of labour exploitation due to its informal and fragmented nature and low visibility. In addition, China is itself considered a high-risk area. Yili is a signatory to the UN Global Compact, but is lacking disclosure on how it operationalises the Principles. A clear due diligence program to identify materials risks, implement monitoring, and prepare to proactively support suppliers would provide safeguards and transparency on expectations relating to labour standards.

Action

We wrote to the company in 2022 to advocate for disclosure of its supplier labour standards requirements, a robust due diligence process, and mechanisms that can provide remedy in case of breaches of human or labour rights. The initial response was formulaic and did little to address the issues raised. In 2023 we continued to ask for disclosure and progress towards supply chain monitoring, providing examples by peers and our publicly available Viewpoint on due diligence. In the January 2024 call, we were able to meet the new sustainability director who has demonstrably strengthened the company's know-how. It also demonstrates how long-term and supportive engagement can provide access to operational specialists which can deepen our understanding. We learnt that Yili had joined Sedex, a respected supply chain transparency platform, and started labour standards audits at key suppliers. Internally, the sustainability team had increased its engagement with the sourcing team and started looking at reducing supplier numbers which could increase monitoring effectiveness.

Verdict

Looking back to the response to our 2022 letter asking for disclosure of policy and due diligence, Yili has come a long way both in terms of action taken and the richness of dialogue. Drawing upon direct supply chain experience on our team, we could discuss practical approaches and support the process towards identifying a workable way forward. Joining the Sedex platform is not a panacea, but still a very important step towards formalising supply chain monitoring and continuing the learning process. While we hope to see more public disclosure on policy and outcomes, we believe the monitoring now commenced will lead to greater confidence in what is achievable for suppliers in the short-term.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Response to engagement:

Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.

(Not held) (Held)

This mark indicates whether the company is held in client's portfolio

Koninklijke Philips NV
Public (Held)

Mailing Country: Netherlands		Sector: Health Care	Priority Company: ✓	
ESG Risk Rating: ●		Response to Prior Engagement: Good	Theme: Climate Change; Labour Standards; Public Health	
Engagement Case Study Name: Corporate ESG Targets on Track but Employee Morale Still an Issue				
7 AFFORDABLE AND CLEAN ENERGY  7.2	8 DECENT WORK AND ECONOMIC GROWTH  8.5	3 GOOD HEALTH AND WELL-BEING  3.8		

Background

Philips is a Dutch healthcare conglomerate which offers a range of products across different business divisions: diagnosis and treatment, connected care and personal health. The company is still working to recover from the global recall of Philips Respironics and Respiratory Care Devices linked to potential health risks in 2021 which resulted in a loss of two-thirds of its value and multiple lawsuits. Philips invited us to a one-on-one meeting as part of their most recent ESG roadshow in order to update us on the latest ESG developments following the release of their 2023 Annual Report.

Action

We were encouraged to note that Philips is on track to achieve its 2025 ESG targets and has already exceeded its target to use 75% renewable energy in its operations by 2025, having reached 78% in 2023. In its 2023 double materiality assessment, Philips’ most financially material topic was product responsibility and safety, which is not surprising in light of the global recall which continues to negatively impact the company’s reputation. Philips shared that internal research concluded that approximately 70% of historic issues around product safety and quality partly originated in the design phase. This insight is helping them in redesigning the R&D process, a tangible example of lessons learned as a result of the recall that we welcome. Finally, we noted that the 2023 employee engagement outcomes had worsened slightly as employees have generally been less favourable about the company (73% vs 77% in 2022) and more explicitly unfavourable (10% vs 8% in 2022). However, Philips believes employee favourability will begin to improve with the progression of its corporate re-organisation. We will be monitoring this metric with interest going forward.

Verdict

We continue to appreciate Philips’ transparency around the product recall and their actions to recover from it. Their progress on renewable energy is commendable, nonetheless, our concerns remain regarding employee engagement outcomes which are directly linked to the company’s re-organization as a result of the recall and financial losses. We will continue our conversations with the company on how they aim to address this point given the uncertainty that the re-organisation has caused.

ESG Risk Rating:	Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc. Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●
Response to engagement:	Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.
(Not held) (Held)	This mark indicates whether the company is held in client’s portfolio

Engagement projects

This section reports on priority engagement projects where we have made progress in 2024. For full details of our engagements with companies in these projects please refer to the online **reo**® client portal.

Project: Sustainable food system

Category: Environmental; Social

Project Objective

The food and beverage industry is facing a number of social and environmental risks, while needing to provide food for a growing population. We aim to take a system approach to challenges including addressing plastic pollution, reducing GHG emissions, managing water stress and soil depletion, securing working conditions in operations and supply chains, and eliminating deforestation in raw material sourcing.

Progress Summary

The project aims to deepen analysis of and identify best practice in the approaches taken by the food and beverage industry in mitigating key social and environmental risks stemming from their operations such as nature impacts and dependencies, working conditions, food nutrition and public health. This quarter we focused our attention on nature impacts and dependencies in the food system, engaging with corporates and experts as well as further developing our engagement framework. We also undertook internal presentations to investment teams to discuss the importance of consideration of nature capital degradation in long-term investment analysis and company engagement. From engagement with Nestle we recognised that some aspects of reducing climate and nature impacts are increasingly being seen as competitive advantages, for example insights into interventions aimed at reducing GHG emissions from dairy farming - including specific measures targeting enteric methane from cows - were considered too commercially sensitive to disclose at this stage. As part of this project, we also conducted site visits to increase our practical understanding of food production and provide further context in company engagements. At Leckford Farm in Hampshire, we listened to experts and farmers working directly to implement regenerative practices for nutrient circularity, soil quality, and water retention. A discussion on government incentives and the role of customer commitments provided practical examples of the economic and financial challenges the farming sector is facing and consequently the need for changing purchasing practices on the part of food producers and retailers. This point was underscored during our recent visit to Cranswick's poultry processing site. The company has relatively long contracts, typically between five and ten years with suppliers which can then leverage this projected income as collateral to secure bank financing for a range of projects, including for improved sustainability measures. A key conclusion was the challenge facing companies in identifying effective and scalable metrics for natural capital risks while avoiding drowning in data. We will take these insights into Q2 as we increase the intensity of engagement targeting US and European food and beverage producers and retailers.

Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in 2024 and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	ESG Rating	Themes engaged						
					Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
★ ★											
Barclays PLC	United Kingdom	Financials	✓	🟢			🟡				
Japan Exchange Group Inc	Japan	Financials		🟡				🟡			
Starbucks Corp	United States	Consumer Discretionary		🟢				🟡			
★											
Amazon.com Inc	United States	Consumer Discretionary	✓	🔴				🟡			
Koninklijke KPN NV	Netherlands	Telecommunication Services		🟢				🟡			
Tractor Supply Co	United States	Consumer Discretionary		🟢				🟡			

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Milestones in detail

Barclays PLC

Country: United Kingdom	Sector: Financials	Priority Company: ✓
ESG Risk Rating: ●	Milestone Theme: Human Rights	Milestone Rating: ★★
8 DECENT WORK AND ECONOMIC GROWTH  8.7		

Milestone Detail:

The company's latest disclosure highlight good improvements on their approach to human rights due diligence. In 2023 they have conducted a human rights saliency assessment for their corporate and investment bank, highlight key human rights risks for this business, have used this to inform the Feb 2024 updates to their human rights statement, and have a developed a work programme for future areas to enhance their human rights approach. This include plans to extend saliency assessment to all areas of the bank, exploring further approaches to provide access to remedy, and enhancing their human rights due diligence process. This remains an important topic to minimise human rights impacts of their activities. We have engaged with the bank on human rights, seeking for them to update their HR statement and enhance their due diligence.

Japan Exchange Group Inc

Country: Japan	Sector: Financials	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Labour Standards	Milestone Rating: ★★
5 GENDER EQUALITY  5.5		

Milestone Detail:

In 2023, JPX announced revisions to the listing rules for companies on the TSE prime market to strive to have at least one female director by 2025 and to aim to increase the ratio of female directors to at least 30% by 2030. This is an area that we have historically engaged with the company on, including collaboratively through the ACGA, as well as through individual dialogues. This is a positive step in enhancing the gender diversity of corporate Japan.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Starbucks Corp

Country: United States	Sector: Consumer Discretionary	Priority Company: X
ESG Risk Rating: ●	Milestone Theme: Labour Standards	Milestone Rating: ★★
8 DECENT WORK AND ECONOMIC GROWTH  8.8		

Milestone Detail:

The company has agreed to start discussions with the Workers United labour union to develop a framework designed to achieve both collective bargaining agreements for represented stores and partners, and the resolution of litigation between the union and the company. Furthermore, the company has reversed its position on benefits for unionised partners to include them equally, including credit card tipping. While we recognise that this is just a first step, we believe that it is a critical and meaningful change of approach to industrial relations. We have engaged the company multiple times on this issue since early 2022, including speaking with the chief executive, supporting a shareholder proposal requesting an independent assessment of the company's adherence to freedom of association, and in the run-up to the halted proxy contest.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagement case studies

CRH PLC

Confidential (Held)

Mailing Country: Ireland	Sector: Materials	Priority Company: ✓
ESG Risk Rating: ●	Response to Prior Engagement: Good	Theme: Climate Change; Corporate Governance
Engagement Case Study Name: Preparing for leadership transition while advancing sustainability strategy		



13.2

Background

CRH is the leading provider of building materials solutions. It has transitioned to a US primary listing on the New York Stock Exchange after receiving overwhelming shareholder approval, as North America accounts for approximately 75% of Group EBITDA and the US is expected to be a key driver of future growth given economic expansion, population growth, and significant construction needs. According to CRH, the US listing will bring increased commercial, operational and acquisition opportunities. We reached out to speak to the Board Chair to understand what this pivot means for the company's ESG strategy, in particular its ambitions on climate change and decarbonisation.

Action

We engaged with the company's Board Chair ahead of its 2023 AGM to discuss latest developments, including its recent primary listing change from London to New York. We also briefly spoke to the CFO on the implications of the re-listing in a separate meeting. Key topics included CEO succession planning, growth strategy and capital allocation priorities. We also discussed the company's climate solutions business, which develops water and energy efficiency products. On succession planning, the Chair explained this remains a key focus area for the Board with the current CEO's contract expiring in 2024, although renewal is likely. On M&A, the company will continue to focus on value-enhancing deals, particularly in the US, expecting the US to account for 75-80% of total business (vs 65% currently). Regarding innovation, the Chair highlighted a \$250 million corporate venturing fund targeting areas like AI for leak detection in water infrastructure. This signals the importance of climate solutions and emerging technologies. However, it is yet not clear how CRH will maintain its ambitious climate strategy, particularly in the US where legislated carbon taxation burden is lower.

Verdict

We were encouraged by the constructive dialogue on the leadership transition and growth strategy. Succession planning to maintain the company's operational excellence will be important. We also welcome the focus on new climate solutions, which we will monitor and engage further on from a sustainability perspective. Overall, our dialogue with CRH have been positive, outlining Board priorities as CRH continues expanding its US presence.

ESG Risk Rating:	Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc. Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●
Response to engagement:	Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.
(Not held) (Held)	This mark indicates whether the company is held in client's portfolio

Unilever PLC
Confidential (Held)

Mailing Country: United Kingdom	Sector: Consumer Staples	Priority Company: X
ESG Risk Rating: ●	Response to Prior Engagement: Good	Theme: Corporate Governance
Engagement Case Study Name: Response to shareholder revolt on remuneration		

Background

Unilever is one of the world’s largest consumer goods companies. It has one of the most established brands across 190 countries in 4.4million retail stores and a turnover of €59.6bn (2023). At the company’s AGM last year, 68% of shareholders who voted opposed the company’s remuneration report. This was primarily down to the level of the incoming CEO’s salary being set at a significantly higher level than his predecessor.

Action

At the AGM we abstained on the remuneration vote and sought change in the company’s approach to remuneration through subsequent engagement. During engagement, the company highlighted that it has listened to investor concerns and took action by freezing the CEO’s salary for two years. We also discussed pay benchmarking and the mix of companies used by the company to compare pay levels. The company highlighted the addition of luxury groups to emphasise the importance of brand recognition as a competitive feature. In addition, beverage companies were also seen as a comparator given Unilever also operates within a fast-moving consumer sector and there is broad overlap. Lastly, the company explained that these companies operated in the same space when competing for talent. In feeding back on the performance metrics governing incentive schemes, we were mostly supportive, emphasising the focus on returns and cash flow measures. We also discussed the simplification in the sustainability measures being used, including net zero and living wage. The company informed us that these measures will be an integral part of the strategy and long-term performance of the business.

Verdict

Overall, we welcomed the changes by the company to address shareholder concerns. However, a key determinant of our support at future AGMs will be the robustness of the performance conditions attached to these schemes, which we will monitor alongside the company’s overall execution of strategy. We look forward to further details being disclosed in this area.

ESG Risk Rating:	Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc. Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●
Response to engagement:	Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.
(Not held) (Held)	This mark indicates whether the company is held in client’s portfolio

Analog Devices Inc
Public (Held)

Mailing Country: United States	Sector: Information Technology	Priority Company: ✓
ESG Risk Rating: ●	Response to Prior Engagement: Good	Theme: Corporate Governance
Engagement Case Study Name: Compensation improvements enhance pay for performance link		

Background

Analog Devices Inc (Analog) is a multinational semiconductor company that designs and manufactures analog, mixed signal, and Digital Signal Processor (DSP) integrated circuits used for data conversion, signal processing, and power management. It is headquartered in Wilmington, Massachusetts and has customers globally across industries, including communications, automotive, and consumer electronics. Ahead of Analog’s 2024 AGM, we had a meeting to continue our dialogue from last year on executive compensation and discuss the changes made by the company.

Action

We have met with Analog Devices annually the past few years, either off-season or prior to the company’s AGM, to discuss ESG topics. Executive compensation has been a focus in the past year, having met with the compensation committee chair in 2023, and following up with the head of total rewards in March 2024 to understand Analog’s compensation philosophy and provide our views on best practice. The company stressed that attracting and retaining talent was important, and that tying compensation to performance with rigorous metrics was an area of focus. During our discussions ahead of the 2024 AGM, they highlighted positive changes to the executive compensation program, including an increase to the target payout under the total shareholder return metric of the long-term incentive plan to the 55th percentile and an increase in the percentage of performance-based grants to the CEO. In our view, both of these changes better align CEO and other named executive officers to Analog’s performance and strategy execution and illustrated that the company had been responsive to our earlier feedback.

Verdict

We welcomed the opportunity to engage with Analog and were encouraged by the changes made to executive compensation. We felt that through our conversations, the company proved responsive to our feedback and was able to comprehensively articulate their compensation philosophy and how it was reflected throughout their organization.

ESG Risk Rating:	Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc. Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●
Response to engagement:	Our assessment of how constructively the company is responding to our engagement. The ratings are Good/Adequate/Poor.
(Not held) (Held)	This mark indicates whether the company is held in client’s portfolio

Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in 2024 and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online **reo**® client portal.

Name	Country	Sector	Priority Company	ESG Rating	Themes engaged						
					Climate Change	Environmental Stewardship	Human Rights	Labour Standards	Public Health	Corporate Governance	Business Conduct
★ ★											
Canon Inc	Japan	Information Technology		●							●
★											
Applied Materials Inc	United States	Information Technology		●							●
Microchip Technology Inc	United States	Information Technology	✓	●							●
Nintendo Co Ltd	Japan	Information Technology		●							●
Waste Connections Inc	Canada	Industrials	✓	●							●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Milestones in detail

Canon Inc

Country: Japan	Sector: Information Technology	Priority Company: ✕
ESG Risk Rating: ●	Milestone Theme: Corporate Governance	Milestone Rating: ★★
5 GENDER EQUALITY 5.5		

Milestone Detail:

Company improved its board gender diversity from 0% to 10%. We engaged with the company at the end of 2022 through a letter and explained our minimum expectation of gender diversity ratio on the board is 13.5%. The company announced in September 2023 that it will add its first female director after the March 2024 AGM. It will bring the gender diversity ratio from 0% to 10%. We will continue actively monitoring the gender diversity ratio in the future given it is still below our expectations.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Appendix: Viewpoints

October



Interpreting climate data for investment portfolios
Quick view: Climate change and the energy transition will impact the long-term performance of investment portfolios. Here we look at how investors should interpret climate data for managing investment portfolios.

<https://bit.ly/4ap4lIT>

November



Investing in a Just Transition
Quick view: It's essential we consider the social dimension as we transition to a low carbon world. We explore the investment implications of a Just Transition.

<https://bit.ly/3PloqO3>

January



Diversity in clinical trials
Quick view: Despite a clear scientific and commercial imperative, a significant gap between patient and trial populations persists. We explain why diversity in clinical trials matters to investors and explore our engagement with companies.

<https://bit.ly/3U3XQI2>

Appendix: Viewpoints

March



The cost of gender disparity in Asian companies

Quick view: We've been engaging with 26 of Asia's most influential companies on this topic.

<https://bit.ly/43law4y>



The skills factor: greening the workforce to deliver net zero

Quick view: As we move towards net zero, the number of people with skills useful in transforming the economy is growing more slowly than the job vacancies requiring these skills. What might this mean for various sectors critical to the transition?

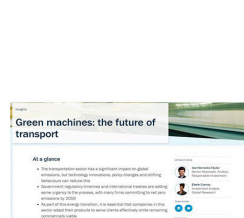
<https://bit.ly/3U3MUUT>



A brief review of the 2023 US proxy season and what to expect in 2024

Quick view: 2023 saw a record number of shareholder proposals going to a vote but what can we expect in 2024? And what will be the impact of artificial intelligence on boardrooms and businesses? Read more in our latest ESG Viewpoint.

<https://bit.ly/49oE3I0>



Green machines: the future of transport

Quick view: The transportation sector has a significant impact on global emissions, but technology innovations, policy changes and shifting behaviours can reduce this. How are the different modes progressing?

<https://bit.ly/430suCt>



Emerging responsible investment trends in Asia

Quick view: The appetite for responsible investing is growing in Asia, as regulations evolve and client demand increases.

<https://bit.ly/4cKfK8l>

Contact us

Institutional business

☎ +44 (0)20 7011 4444

✉ institutional.enquiries@columbiathreadneedle.com

💻 columbiathreadneedle.com

Telephone calls may be recorded.

 Follow us on LinkedIn



© 2023 Columbia Threadneedle Investments. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. For professional investors only. Financial promotions are issued for marketing and information purposes; in the United Kingdom by Columbia Threadneedle Management Limited, which is authorised and regulated by the Financial Conduct Authority; in the EEA by Columbia Threadneedle Netherlands B.V., which is regulated by the Dutch Authority for the Financial Markets (AFM); and in Switzerland by Columbia Threadneedle Management (Swiss) GmbH, acting as representative office of Columbia Threadneedle Management Limited. In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it. 228126 (07/22). This item is approved for use in the following countries; AT, AU, DK, FR, DE, NL, PT, CH, UK, US, NZ, CA, KR.