



Viewpoint

Our approach to system-level stewardship



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As a research-intensive active manager, we engage with companies to deepen our understanding of their current business performance and future fundamental growth drivers, including material sustainability and governance issues. Through sharing our views as an informed investor, we seek to encourage companies to undertake robust management of these issues, with the ultimate objective of underpinning long-term resilient investment returns.

But companies do not operate in isolation from the environment they operate in. Social and environmental drivers – people and planet – are shaped by forces often beyond a company's direct control, including regulation, geopolitics and technology. The performance of our portfolios is also dependent on the macroeconomic environment in which we invest, which will be

fundamentally impacted by sustainability challenges such as climate change.

Understanding this interconnectedness is core to our research philosophy and approach (Figure 1), and also influences how we see the role of stewardship.

Figure 1

PLANET

The source of natural resources and recipient of industrial impacts, requiring responsible stewardship and sustainable management

PEOPLE

Society's stakeholders who both consume goods/services and earn income through employment, forming the foundation of economic activity

REGULATORS

Authorities who shape market behaviour and corporate accountability through policy frameworks that balance societal, environmental, and economic interests

CAPITAL MARKETS

The dynamic systems where capital flows connect investors, companies, and opportunities, reflecting both risks and potential

CORPORATIONS

Organisations that fulfil societal needs while managing environmental impacts, creating value through the responsible use of resources



Columbia Threadneedle: A strategic partner at the intersection of these elements, helping clients navigate the complex relationships between people, planet, markets and corporate performance

What is system-level stewardship?

Stewardship at a system level means looking beyond one-on-one dialogue with issuers, and incorporating engagement with wider stakeholders including policymakers, regulators, standard-setters and industry networks. It recognises that company performance is shaped not only by their own actions, but by the context they operate within.

Whilst public policy engagement has long been part of responsible investment approaches, the focus on understanding and engaging on system-level risk has intensified over the recent past, driven by the accelerating pace of global environmental and geopolitical change, and by increasing awareness of the limits of company-level engagement¹.

¹ See, for instance, "Systemic Risks: A framework for portfolio resilience" (UKSIF, May 2025) and "Realigning Stewardship: Delivering sustainable value through stewardship" (Investment Association, February 2026)

Why conduct system-level stewardship?

We see system-level stewardship as something which is not a separate activity but which is embedded in our investment process, and that supports our delivery of investment and client goals.

We identify three distinct areas of system-level dialogue that provide value, as set out in Figure 2.

Figure 2

Enhancing our research and stewardship

- Long-term company performance is shaped by factors beyond their immediate control, such as the policy environment
- Engaging policymakers and other stakeholders helps us understand the risk and opportunity landscape, supporting our investment analysis
- We may feed back views on effective policy design, based on insights from company engagement and analysis

Building strong market standards

- Strong market standards, such as listing rules and corporate governance codes, are critical in creating stable conditions for investment
- We can play a constructive role in shaping standards by sharing our perspective as an active long-term investor

Supporting sustainable products and asset classes

- Credible best-practice standards and regulations support the integrity of sustainability products and asset classes
- As an investor with a deep history in this area, we can offer our knowhow in creating and evolving these standards
- For labelled bonds we also engage directly with sovereign and corporate issuers, to set out our expectations



Enhancing our research and stewardship

Speaking with policymakers and regulators helps to deepen our understanding of the policy landscape, and to assess the quality of companies' strategic response to material sustainability business drivers.

Our dialogue with multiple companies across a sector also means that we build a picture of common obstacles to achieving sustainability goals, which may include the policy landscape. As investors, we can then feed back our views on effective policy

design to decision-makers in governments or regulatory bodies, which can help create a more supportive policy environment for companies to operate in, supporting stable long-term performance.

Figure 3 gives an example, where our engagement with European banks led us to speak with policymakers on physical risk management.

Figure 3

Case study: Engagement with UK mortgage lenders leads us to engage with policymakers on the future of flood protection

1 Context

- Engagement with European banks and building societies revealed well-developed energy transition policies, but less robust physical risk management
- This represents potentially mispriced risk and future credit loss exposure

2 Action

- Engaged one-on-one with Defra policymakers on the future of UK floods policy and the pooled insurance scheme, Flood Re
- Joined a Climate Financial Risk Forum meeting bringing together investors, insurers, banks and policymakers on floods policy
- Shared our view that long-term flood risk may be underestimated by UK financial institutions

3 Outcomes

- We continue to seek opportunities to engage UK policymakers and regulators, focusing on proposed new Flood Performance Certificates, which we believe could improve understanding of true levels of risk

Building strong market standards

As investors, we rely on regulators to set basic minimum standards in areas like corporate governance and disclosure. These standards are critical in order to create orderly markets, where investors can trust the information they are given.

We can feed in our views on what type of standards support us as long-term active investors, particularly where regulators

are considering changes and are keen to seek investor input through consultation processes.

Figure 4 gives an example of how we fed into work to enhance corporate governance standards in Hong Kong.

Figure 4

Case study: Supporting reforms to Hong Kong's Corporate Governance Standards

1 Context

- Hong Kong listed companies have historically faced structural governance weaknesses, including entrenched directors, overboarding, and weaker independence standards compared with neighbouring markets
- Hong Kong's regulator proposed enhancements to the Listing Rules and Corporate Governance Code to address these issues

2 Action

- Responded to the consultation, providing investor perspectives based on our engagement and voting experience
- Our submission broadly supported HKEX's proposals to tighten independence expectations, cap independent non-executive director (INED) tenure at nine years and limit overboarding to six listed-company directorships

3 Outcomes

- HKEX adopted the key governance reforms we supported, including caps on independent non-executive director (INED) overboarding and tenure, stronger board evaluation and skills-matrix disclosures, enhanced diversity, risk-control and dividend-policy reporting, and mandatory director training
- The main rules, which impact the entire market, took effect from July 2025

Supporting sustainable products and asset classes

With several decades of experience in running sustainability strategies, we now have over \$50bn² in assets under management with specific ESG and sustainability objectives, designed to meet clients' goals.

We are active in supporting the kind of robust market standards for these type of products and asset classes which are essential to their credibility. Key areas for us here include standards on

transition finance, as well as on labelled bonds such as green and transition bonds, where we may engage directly with sovereign issuers to set out our expectations.

Figure 5 gives an example of engagement with the UK and Japanese governments on labelled bond issuance, and how that relates to wider dialogue on each country's climate strategy.

Figure 5

Case study: Engagement with UK and Japanese governments to encourage labelled bond best practice and discuss climate policy

1 Context

- We engage with sovereign issuers to discuss our views on best practice in labelled bond issuance
- Best practice includes linking use of proceeds to key sustainability topics facing the country
- In this way, engagement on green or transition bonds opens the door to a discussion about broader climate policies

2 Action

- In 2025 and 2026 we engaged with the UK and Japanese governments
- We discussed how Japan views its transition bonds as signalling support for new technologies
- In the UK, we compared green gilts' use of proceeds to areas identified by the Climate Change Committee as needing progress
- In both cases, we also discussed what we would find useful in impact reporting

3 Outcomes

- In a subsequent meeting with Japan, we were pleased to see improvements in impact reporting, and shared further ideas
- We will continue to monitor how these governments and others tie labelled bonds to their climate policies, and the quality and usefulness of impact reporting

In summary

System-level stewardship is part of how we seek to understand the wider factors that can affect companies, markets and investments, and to develop and build markets. By engaging across different parts of the system, we can deepen our understanding of systemic risks and, where possible, contribute to how these are managed.

² As at 30 June 2026

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