

For professional investors/qualified investors only

Stewardship Quarterly

Q1 2023



Welcome

Hello and welcome to our Stewardship Quarterly – the first in our new format as we continue to integrate and combine complementary strengths to create a global responsible investment capability.

Our report outlines our active ownership (engagement and voting) activity during the quarter, including a selection of engagement case studies. We also signpost our latest responsible investment thought leadership available on our website.

Targeted Environmental, Social and Governance (ESG) engagement with issuers is an important part of our investment approach as active investors and responsible stewards of our clients' assets. Consistent with client expectations, our primary driver for engagement is to support long-term value creation by mitigating risk, capitalising on opportunities linked to ESG factors, and reducing any material negative impact that our investment decisions could have on these factors. We believe that, by engaging in this way, we can play a part in building a more sustainable and resilient global economy by encouraging issuers to improve their ESG practices. This can also help drive positive impacts for the environment and society that are in line with the achievement of the United Nations Sustainable Development Goals (SDGs).

We seek to exercise voting rights on our clients' behalf at all shareholder meetings associated with the holdings of the investment mandates we manage.

This provides the opportunity to express our preferences acting for our clients on relevant aspects of an issuer's business and to promote good practice, or express our concerns identified through research and engagement, including when escalation becomes necessary.

Proxy voting in review

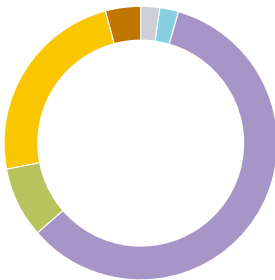
842 meetings voted

8,855 proposals voted

15% of all proposals
where we voted against
management

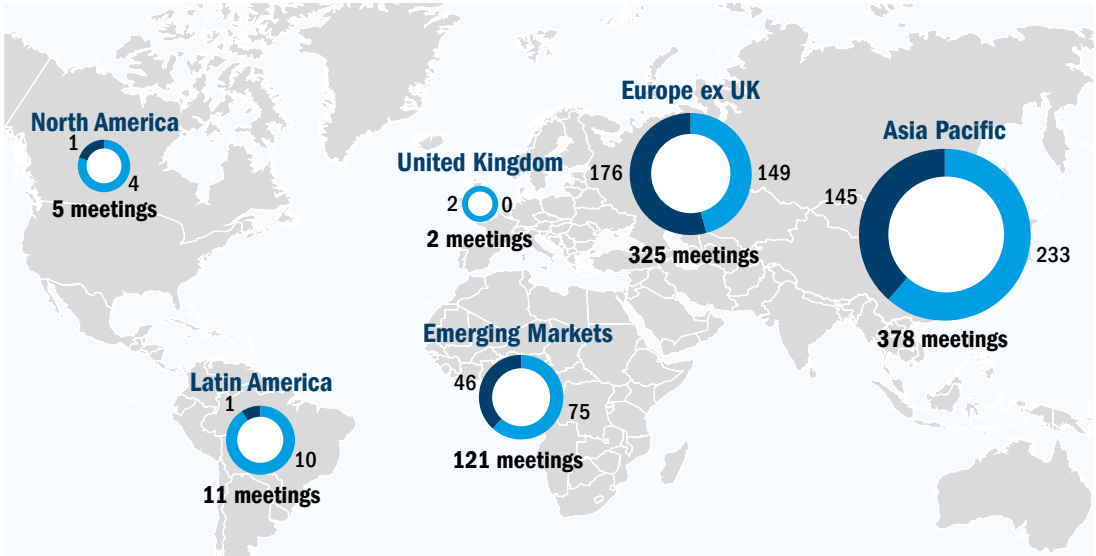
Votes against management by topic:

Audit Related	2%
Capital Related	2%
Director Related	59%
Other	9%
Remuneration related	24%
Shareholder	4%



44 markets voted in

Meetings voted by region



● Support Management on all items ● Dissent from at least one item

All figures subject to rounding.



Our engagement activity highlights



356

Engagements



285

Companies engaged



53

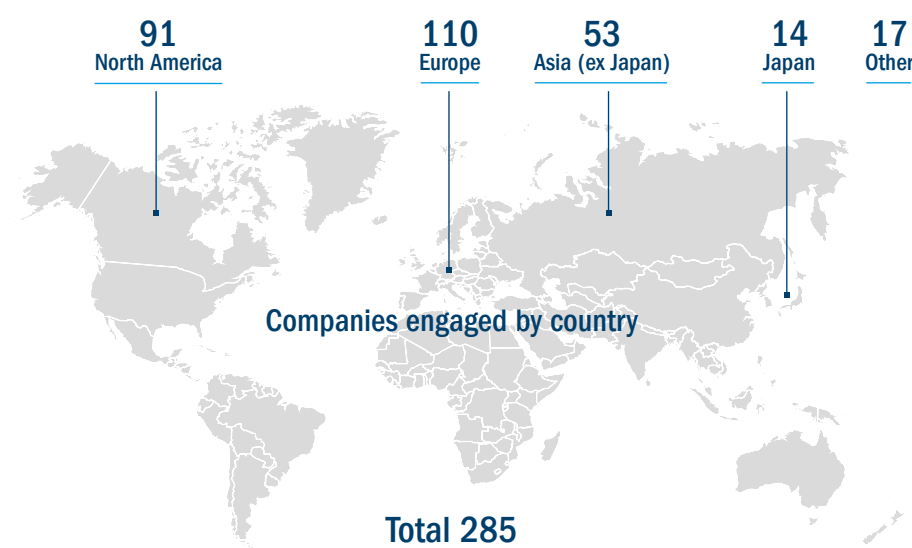
Milestones achieved



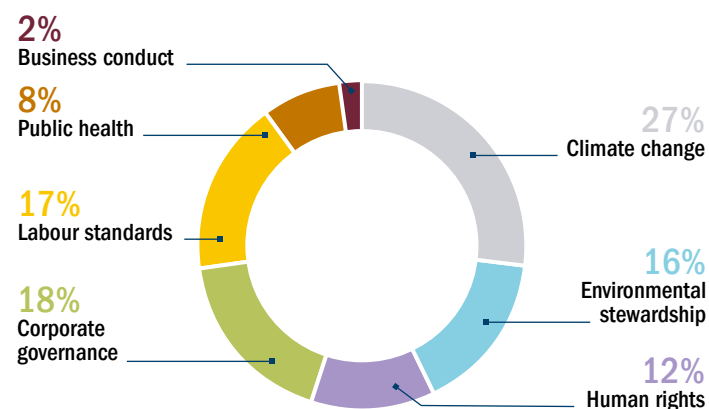
36

Countries covered

We measure and report on the success of engagement through the assignment of Milestones, which recognise improvements in issuers' ESG policy, management systems or practices against the Objectives that were set.

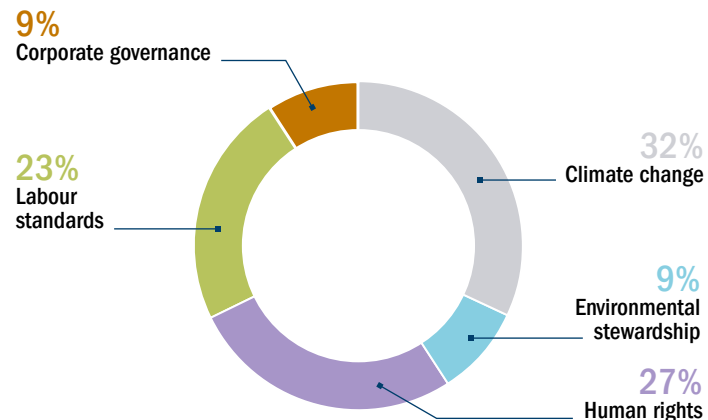


Engagements by theme



All figures subject to rounding.

Milestones achieved by theme



Engagement case studies

Discover in-depth examples of our engagement with companies during Q1 2023.



Improving environmental impacts and health & safety

Response to engagement:
Good

Theme:
Climate Change, Environmental Stewardship and Labour Standards

Subtheme(s):
Emissions management, Natural Resources – Water, Sustainable Waste Management, Occupational Health and Safety



SDG Target(s): 13.2, 6.4, 12.5, 8.8

Background

Umicore is a leading auto catalysts manufacturer for emissions controls in the light and heavy-duty vehicle industry and aims to position itself as a producer of battery materials for electric vehicles, stationary storage and portable electronics. It also has significant refining and metal recycling capabilities and is especially proficient in Platinum Group Metals (PGM) refining.

Under Umicore’s 2030 RISE project (its new strategic plan designed to accelerate value creative growth launched in 2022), the company expects to further build on its leadership position within clean mobility materials and recycling. This growth will come with increased stress of key environmental and social concerns associated with these activities – notably around water usage, waste management and employee health and safety. Indeed, recycling can be a dirty business, as highlighted by past problems around lead pollution at Umicore’s Hoboken site – specialised in recycling batteries through extraction of precious metals such as silver, gold and platinum.

Action

We had a call with Umicore’s ESG Director to discuss how the company is dealing with its material ESG issues against a backdrop of planned expansive growth.

On the environmental side, the company has had their 2030 emissions reduction targets approved by Science Based Targets

initiative (SBTi), including an intensity-based scope 3 target. Whilst we pushed for an absolute target to be set, Umicore felt that this is not currently viable under the current growth strategy. We also discussed details of its strategy to minimise scope 3 impacts – focussed on purchased materials. Umicore launched a dedicated water stewardship programme last year. We used this call as an opportunity to better understand the work carried out to date, and what to expect for the year ahead. The company has identified its first two sites where it sees potential water issues (both in Belgium) – and are hopeful of setting some quantitative targets – e.g. relating to water use/re-use/levels drawn/intensity – later this year.

Umicore admitted that waste management continues to be a thorn in its side, with total waste figures continuing to rise. The largest portion of this is at its Hoboken site, focused on recycling activities, where half of the input mix is secondary materials. As one would expect, any hazardous waste that cannot be recycled is disposed of in line with regulatory requirements. Positively, the company confirmed that it is looking into ways to best report on these recycling activities and ultimately hopes to set recycling targets in the future.

Verdict

Umicore is well aware of its environmental and social impacts, and is refreshingly honest in its assessment of where it currently stands. Whilst there is undoubtedly still work to be done to mitigate and minimise these impacts, we are extremely encouraged with the steps the company is taking to address them. We look forward to developments around its water stewardship programme later this year and expect to see site level targets for its “at-risk” sites. We also expect to see the company continue to develop its safety practices and protocol in a bid to see a fall in Lost Time Accidents in the next reporting cycle after a rise in 2022.

“As active owners, proactive engagement with the issuers we invest in on behalf of our clients is an integral part of our approach to research and investment, and as stewards of client capital.



Disney’s wildest ride

Response to engagement:
Good

Theme:
Corporate Governance

Subtheme(s):
Business Conduct, Succession Planning

SDG(s):
N/A

SDG Target(s):
N/A

Background

The Walt Disney Company is an international household name; from its global parks to its film titles and streaming services, a vast number of people use their services. But with that reputation comes increased scrutiny from, well, everyone. As the backlash against ESG continues apace in the US, Disney has been hit from all sides.

After the 2022 AGM, Disney employees staged walkouts to protest the slow response of former CEO Bob Chapek to Florida’s ‘Don’t Say Gay’ bill. Later that year, Ron DeSantis, the governor of Florida, restructured the Reedy Creek Improvement District in an attempt to strip Disney of its control of the area after its belated opposition to the bill. And catching up to current events, newly reinstated CEO Bob Iger has called Governor DeSantis’ attempts to control the company ‘anti-business’ and ‘anti-Florida.’

To add to the turmoil, in the past six months, Disney has experienced both executive and board-level turnover, with Bob Chapek stepping down as CEO and Bob Iger returning to fill the position. Former Chair of the Board Susan Arnold has also stepped down, with Mark Parker taking up her role. Against this backdrop, we have been engaging with Disney to better understand their approach to succession planning and political expenditures.

Action

We met with Disney nearly every quarter over the past year to discuss a variety of ESG topics, but one that kept re-surfacing was around political expenditure transparency. Given the company is one of Florida’s biggest “heavy hitters”, we wanted to better understand how Disney oversees and discloses political expenditures and discuss areas for improvement, especially in light of the current environment in the US. The company highlighted recent improvements, including providing more information on trade association payments, disclosure on the primary purpose of each trade membership, and that they have prohibited trade associations from using dues to make contributions to political candidates. Disney also stressed their board-level oversight of the lobbying process.

Ahead of the 2023 AGM, succession planning was another core area of focus for us. Given the recent high-profile turnover at the company, we spoke with them to better understand Disney’s succession planning for both executives and the board. They provided additional information around their process, and we were reassured by the CEO succession planning experience of newly appointed Chair Mark Parker and by his level of engagement with the executive team.

Verdict

Disney has shown a consistent willingness to engage and has actively solicited shareholder feedback from us. They have taken our suggestions on board and actioned demonstrable improvements in their lobbying disclosure. Additionally, their succession planning also provided us with comfort that Disney is focused on key elements for management of their long-term business and strategy.



The road to an ambitious ESG strategy, access to medicine commitments and culture focus

Response to engagement:
Good

Theme:
Public Health

Subtheme(s):
Access to Medicine, Corporate Governance



SDG Target(s): 3.8

Background

When Moderna was valued at a lofty \$7.9bn at its IPO in 2018, it represented a significant leap of faith by investors in a company yet to turn a profit or bring a product to market. Then the pandemic transformed Moderna into a household name, with their mRNA technology platform at the right point at the right time to seize the Covid-19 vaccine opportunity. Now less than 5 years on from the IPO and worth nearly \$60bn, the company has had to mature exceptionally fast. Going into the pandemic, Moderna had limited formalisation of its approach to material ESG issues, but now transitioning from the high-pressure pandemic phase, the company has developed and presented an ambitious ESG strategy, and committed to transparency in implementing it. Focus issues for Moderna include implementing a comprehensive global health strategy, an approach to human capital management that embeds a strong culture in a rapidly growing business (headcount +500% since IPO), and a commitment to reaching net zero emissions using the Science Based Targets Initiative (SBTi) by 2030. Equitable access to the Covid-19 vaccine has been a priority issue for investors, with Moderna facing a high-profile shareholder proposal at the 2022 AGM (receiving 24% support) calling for an intellectual property transfer to promote vaccine production in low and middle income (LMIC) countries. However, Moderna has been open about the challenges of delivering vaccine effectively in LMICs, and has put progressive access measures in place including updating contracting to reprioritise supply away from ‘first come first served’, committing not to enforce patents in 92 low and middle income countries, opening the mRNA technology platform to research partners, and investing in a new manufacturing base in Kenya to capacity build in the African market. On human capital management, the ‘Moderna Mindset’ approach attempts to build a constructive culture that is inclusive, purpose-led and dynamic.

Action

During the pandemic phase, we engaged Moderna as part of a collaboration on their vaccine access strategy, encouraging a constructive relationship with GAVI (a public-private global health partnership) over participation in the COVAX initiative (an initiative working to ensure access to Covid-19 vaccines globally), which saw Moderna ultimately deliver 650m doses. At that time Moderna was reluctant to engage in detail on the topic with shareholders. Over the last year that picture has changed as resource has been built and the ESG strategy has been formally presented, with the first ESG report published in 2022 and an event for shareholders diving into detail hosted in November. We engaged Moderna individually at the time of the 2022 AGM and had the opportunity to learn more of the reality around their vaccine access strategy, and understood the direction of travel. Our engagement from here will be focused on tracking implementation of the different elements of their ESG strategy, and encouraging progress on addressing gaps. Indeed, we next spoke with Moderna in early 2023 on a wide range of ESG topics, and in May we visited the company’s office in Cambridge, Massachusetts to discuss diversity in clinical trials and its modern slavery statement.

Verdict

While Moderna showed limited willingness to engage openly with investors during the earlier stages of the pandemic, the past year has seen considerable progress. Moderna has formalised and presented a comprehensive strategy on material ESG topics, and shown a willingness for transparency on gaps and implementation. On access to medicine, we are confident that their programme now shows genuinely innovative leadership on the issue. Moderna continues to grow fast and is keeping many different plates spinning, and while there is thoughtful effort being made to put appropriate systems, goals, and oversight structures in place to support this, there will almost inevitably be some balls dropped. We will continue to engage to encourage and monitor progress.



Discover a selection of our Q1 2023 publications:



ESG Viewpoint Net Zero – Best Practice and Engagement Approach

Quick view: Climate change is a priority issue for Columbia Threadneedle, and we have a comprehensive approach to managing risk and identifying opportunities, as set out in our TCFD report¹. A key pillar of our strategy is our net zero commitment.

Download the [viewpoint](#)



ESG Viewpoint – Banking on biodiversity

Quick view: Biodiversity loss – why it is material and relevant for banks

Download the [viewpoint](#)



ESG Viewpoint – Putting the brakes on Fast Fashion

Quick view: Fast Fashion – “clothes that are made and sold cheaply, so that people can buy new clothes often”²

Download the [viewpoint](#)


¹Climate Change Report_TCFD_Nov22.pdf (columbiathreadneedle.com)
²Cambridge Dictionary – <https://dictionary.cambridge.org/dictionary/english/fast-fashion>

Access our insights cont.



ESG Viewpoint – Evaluating ESG progress at South Korean companies


Quick view: ESG standards in South Korea have been a concern for international investors for some time. The market continues to lag other countries in the region, both from a regulatory standpoint and from expected company practice, especially as other countries improve their ESG standards.

 Download the [viewpoint](#)





Thematic insights

Quick view: Investment implications: the US Inflation. Reduction Act is a wake-up call for the EU

 Download the [viewpoint](#)

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