

For professional investors/qualified investors only



# Stewardship Quarterly

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Q3 2023







# Welcome

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Our report outlines our global active ownership (engagement and voting) activity during the quarter, including a selection of engagement case studies.

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).

Where appropriate, 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

821

meetings voted

9,234

proposals voted

12.4%

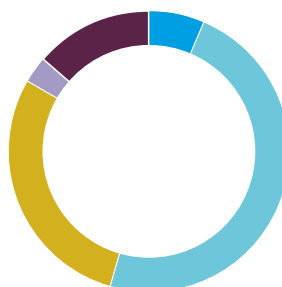
of all proposals  
where we voted  
against management

54

markets voted in

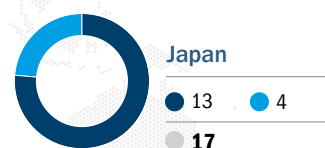
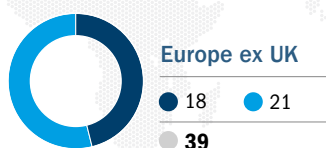
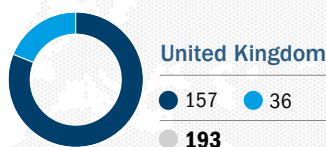
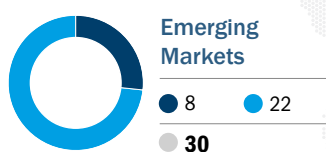
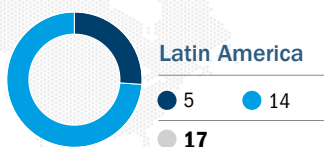
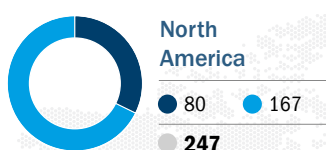
## Votes against management by topic:

Capitalisation	76	6.60%
Director related	550	48.00%
Remuneration	330	28.80%
Shareholder	35	3.10%
Other	155	13.50%
<b>Total</b>	<b>1145</b>	<b>100.00%</b>



## Meetings voted by region

● Support management on all items    ● Dissent from at least one item    ● Total meetings



All figures subject to rounding.

This data applies to all Columbia Threadneedle Investments (excluding **reo**<sup>®</sup>) accounts globally.





# Our engagement activity highlights



**206**

Engagement activities



**161**

Companies engaged



**26**

Milestones achieved



**29**

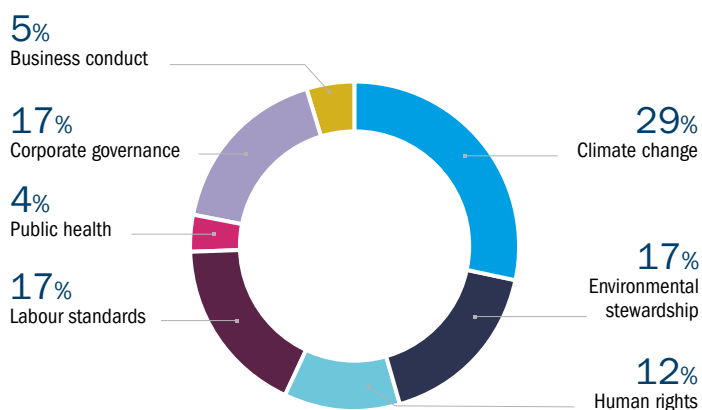
Countries covered

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.

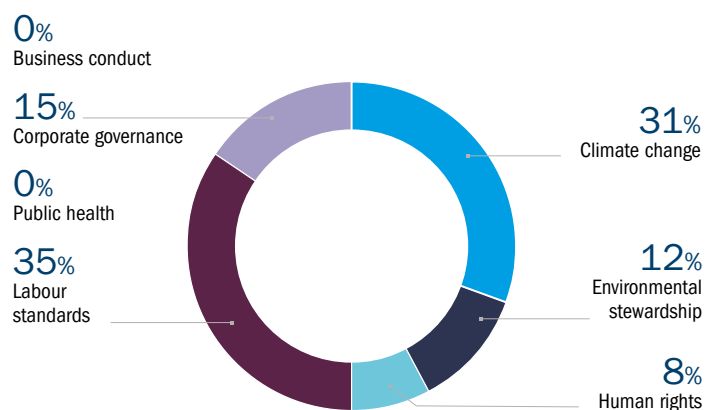
## Companies engaged by country



## Engagements by theme



## Milestones achieved by theme



All figures subject to rounding.

This data covers the Active Ownership team engagements using the global policy across all holdings.









As active owners, 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.





# Engagement case studies

## Discover in-depth examples of our engagement with companies during Q3 2023.

Engagement can supplement gaps in our data and help us gain a better understanding of how ESG risks and opportunities are managed. We seek information and improvement around ESG practices that we believe generate and sustain long-term investor value.



### Fresenius SE & Co. KGaA Restructuring – enhanced ESG oversight to be expected

#### Response to engagement:

Good

#### Themes:

Human rights; Labour Standards; Public health; Corporate Governance

#### Subthemes:

Human Rights Due Diligence; Human Capital Management; Product quality and Safety; ESG Oversight; Remuneration



#### SDG Target(s):

3.8 Access to medicines and health-care;  
8.5 Achieve full and productive employment for all;  
16.6 Develop effective, accountable and transparent institutions

animal welfare. The Fresenius sustainability department has struggled for a long time to be effective with limited resources and a fragmented business structure, with little group level target setting and oversight. There has been a relative lack of centralised management information, including the absence of a single human resources database. This has resulted in implications for business strategy setting and oversight. From our discussions with the company, we believe that progress should be forthcoming as the business structure is being simplified. The group is on a clear path to quantified ESG-related KPIs for material issues of medical quality/patient satisfaction and employee engagement being embedded in performance incentive plans. Fresenius also explained that they are now aligning corporate strategy around a newly articulated central mission of “advancing patient care”.

#### Background

Fresenius SE & Co. is a German healthcare group that has historically operated four specialised business segments. In an effort to improve oversight and control, the company is currently being restructured which will include the deconsolidation of its business segments focused on service provision and dialysis. Our engagement focus has been on ensuring the restructuring process results in a more sustainable business model that embeds enhanced oversight of the material ESG issues into corporate strategy.

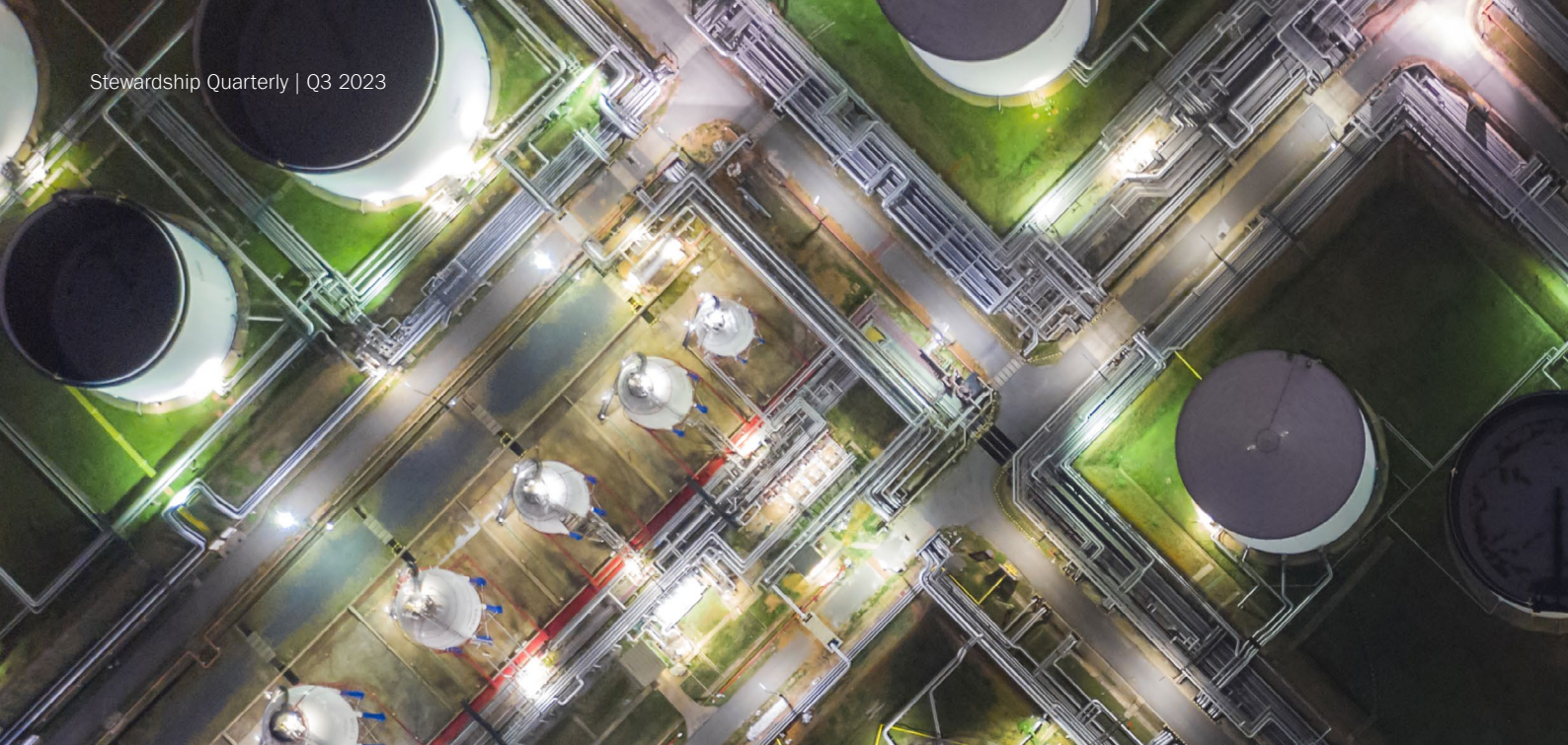
#### Action

We met with the company's sustainability leads to discuss the company's restructuring process and the impact this will have on key ESG topics such as product quality and

#### Verdict

The operational challenge of organisational change will still dominate resourcing for the coming months, but for the first time there is broad agreement of goals and direction across the Management and Supervisory Boards. We look forward to more granular data and targets being published in due course and will revisit progress in the coming months.





## Brenntag SE Weighing up the merits of an activist investor's board challenge

### Response to engagement:

Good

### Theme:

Corporate Governance

### Subthemes:

Board Effectiveness

### SDG Target(s):

Engagement not aligned to any of the SDGs.

cycles added to entrenchment of directors and impacted shareholders' abilities to hold directors accountable.

Brenntag refuted these concerns, stating that they are already investigating splitting the business but are currently formulating the best method of doing so. In addition, they explained that they are already aware of the preference for shorter election cycles, reducing the election cycle to 4 years as a result. They are reluctant to reduce it further due to concerns that directors' focus will inevitably shift to re-election rather than focusing on the business.

Based on our analysis and discussions, we believe that a change of directors at this stage could prove disruptive to the board's operations given the current experience levels of the directors, however we also believe that there is merit in shortening the election cycle.

### Background

Brenntag SE sells and distributes industrial and specialty chemicals. The company also develops and prepares specific chemical compounds and offer analysis services. Most recently the company has been engaging with PrimeStone, an activist investor who put forward counter proposals ahead of the AGM to challenge two directors and shorten directors' tenure from 5 years to 2 years. We engaged with both Brenntag and the activist investor to inform our vote on this material issue from a governance perspective.

### Action

Our meeting with PrimeStone provided more clarity on the directors' skills and competencies as well as the concerns that PrimeStone had with the corporate governance of the supervisory board. PrimeStone stated their belief that the company would unlock more value for shareholders if the business was split in to its two core operations. They also stated that the 5-year election

### Verdict

We chose to abstain on the vote against the current directors and voted for the inbound directors and shortening of election cycles. The result of the AGM was significant dissent on the 2 directors up for re-election with both directors receiving over 35% of votes against their re-election. We will continue to monitor developments at the company towards more effective corporate governance.




**RioTinto**

## Rio Tinto Meeting climate commitments – A rocky road ahead

### Response to engagement:

Good

### Theme:

Climate change

### Subthemes:

Net Zero Strategy



### SDG Target(s):

13.2 Integrate climate change plans into policies and strategies

engaged with Rio on its reaction to this policy, as well as its preparedness for any future punitive measures. According to the Investor Relations team, the company were aware of the risks to the aluminium refineries and had planned for this eventuality. As a result, we encouraged the company to provide better scenario analyses and risk assessments to investors around the potential for further regulatory shifts in any of the countries it operates refineries in, as the actions taken by the company did not indicate that Rio had embedded this potential write-down risk into its climate strategy and financial planning. We also gauged Rio's confidence in achieving its 2030 targets – while the company continues to appear confident in our view, more details are expected at an upcoming capital markets day in December.

### Background

Rio Tinto (Rio) is the world's second largest metals and mining company. It announced in July that it is unlikely to achieve its 2025 climate targets; largely due to the scope 1 and 2 emissions from its Australian Aluminium refineries, stating that the target could only be reached if it 'resorted' to buying carbon credits. As a result, we engaged with Rio on this recent announcement, aiming to understand the barriers the company had identified and any plans to address them.

### Action

Rio Tinto has been hit hard by the revisions to the Australian 'safeguarding mechanism' which taxes the country's largest industrial sites (i.e. those that emit more than 100,000 tons of direct (scope 1) carbon dioxide emissions annually). In July, Rio reported a US\$1.2bn write down of its Australian aluminium refiners due to the mechanism's new rules. We

### Verdict

Rio is being transparent about its current struggles with net-zero, which we commend. However, we are keen to see clearer evidence of it aligning its financial accounts and risks with its net-zero strategy. We will continue to engage with Rio on its decarbonisation target and have already reached out to set up a follow up conversation on its offsetting strategy – now Rio's last resort for achieving its 2025 targets.



# Access our insights


Learn more about the key ESG trends and developments and the insights that are driving our stewardship agenda.

Discover a selection of our Q3 2023 publications:



## ESG Viewpoint: A deep dive on Japan's low carbon transition

**Quick view:** Japan's decarbonisation journey – we're engaging companies on climate-related risks

 Download the [viewpoint](#)



## Thematic Insight: The energy transition – transformative on a global scale

**Quick view:** We discuss the barriers to a successful energy transition and the opportunities for investors

 Download the [update](#)



## Thematic Insight: Forever chemicals: in everything everywhere


**Quick view:** As concerns about pollution rise, further regulations are being brought in. The US is focusing on clean-up, while Europe is aiming to phase-out PFAS.

 Download the [update](#)

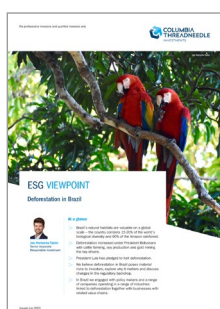


## ESG Quick View: El Niño: a taste of climate risks to come?

**Quick view:** Understanding what a company's preparation for El Niño says about its climate risk preparedness.


 Download the [viewpoint](#)

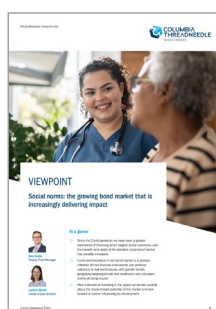




## ESG Viewpoint: Deforestation in Brazil

**Quick view:** Quick view: We travelled to Brazil to deepen our understanding of key issues around deforestation and to encourage reform.

 Download the [viewpoint](#)



## ESG Viewpoint: Social norms: the growing bond market that is increasingly delivering impact

**Quick view:** The growth in the breadth and depth of the social bond market is impressive, but there's still more to come.

 Download the [insight](#)



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