

For professional investors/qualified investors only



Stewardship Quarterly

Q3 2024

Welcome

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

911
meetings voted

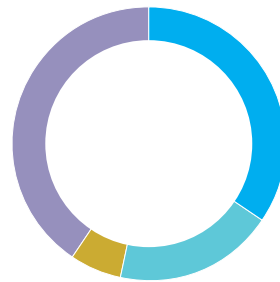
7,858
proposals voted

10.3%
of all proposals where
we voted against man-
agement

41
markets voted in

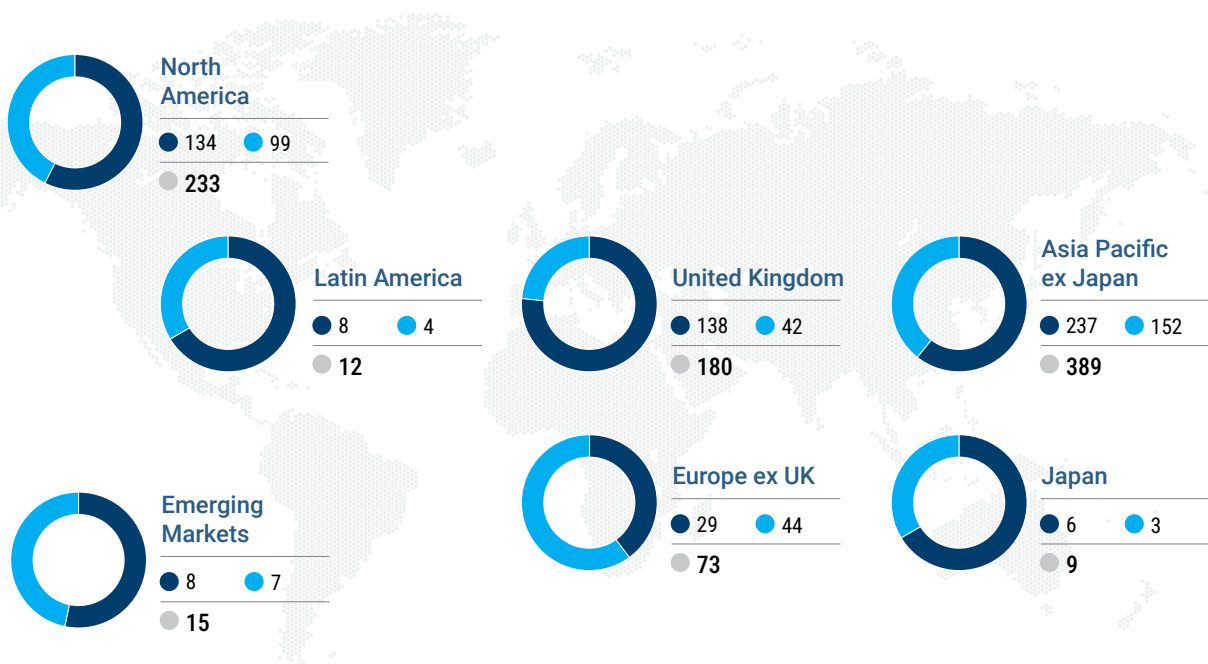
Votes against management by topic:

Director	3713	34.50%
Remuneration	1472	19.04%
Capitalisation	477	6.06%
Other	4502	40.2%
Total	10164	100%



Meetings voted by region

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

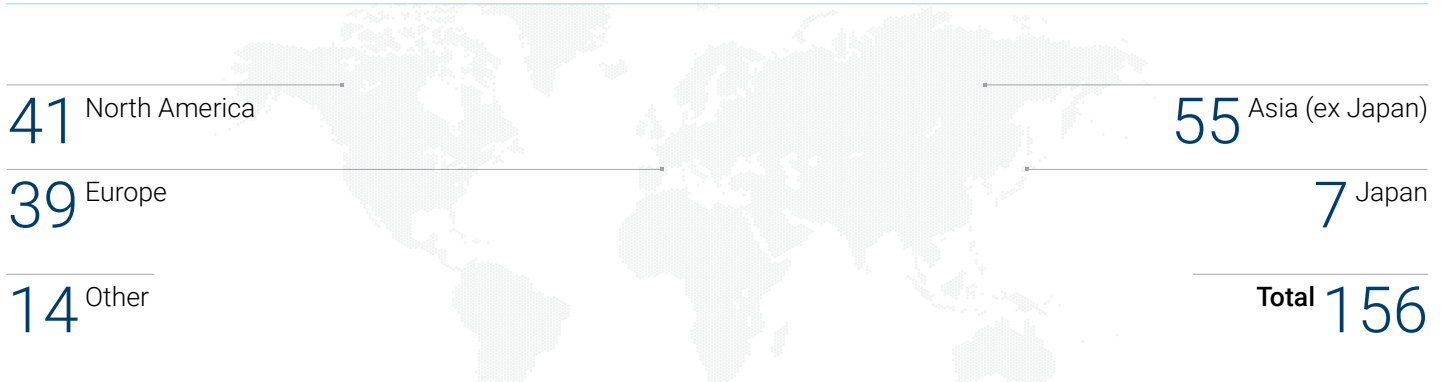


This data applies to all Columbia Threadneedle Investments (excluding **reo**) accounts globally. Source: Columbia Threadneedle Investments, 30 September 2024.

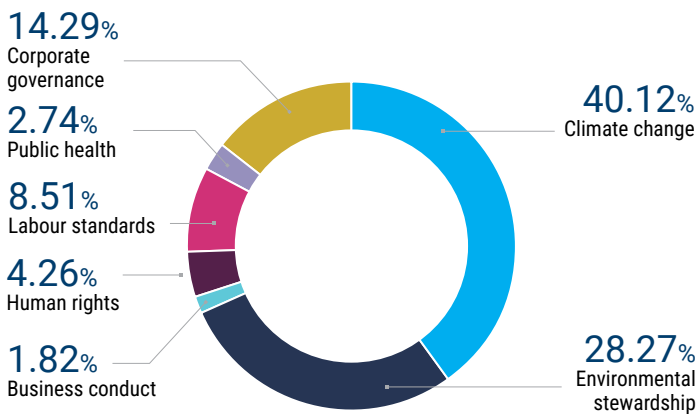
Our engagement activity highlights



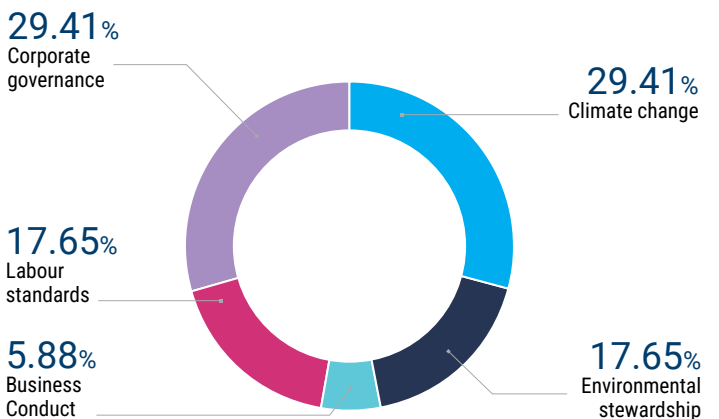
Companies engaged by country



Engagements by theme



Milestones achieved by theme

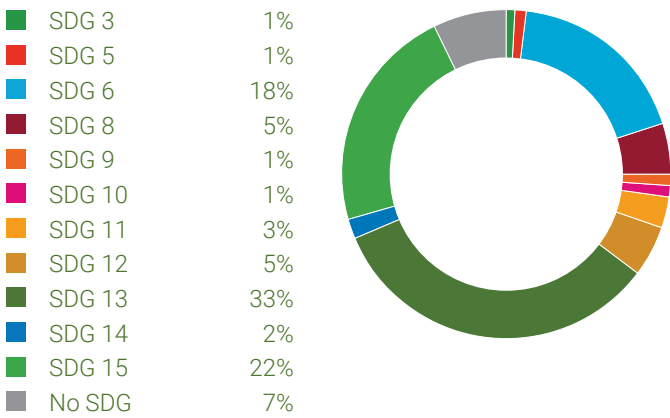


All figures subject to rounding. This data covers the Active Ownership team engagements using the global policy across all holdings. Source: Columbia Threadneedle Investments, 30 September 2024.

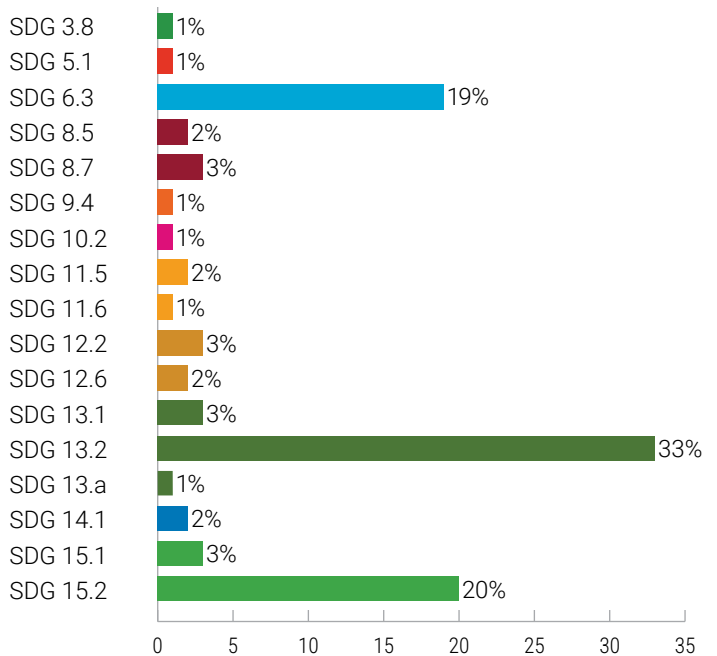
Engagements and Sustainable Development Goals (SDGs)

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve.

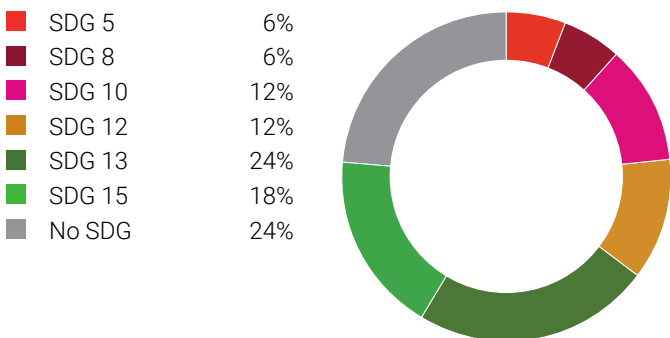
Engagement: SDG level



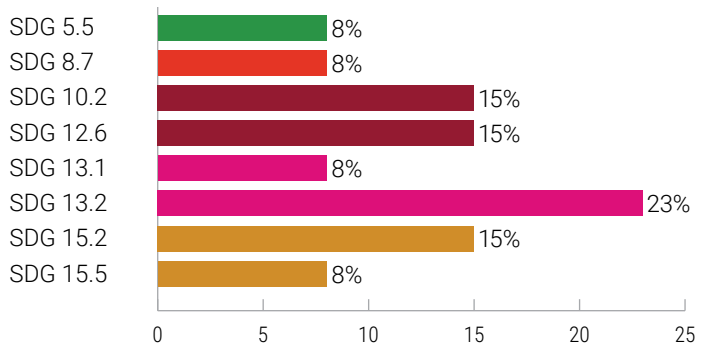
Engagement: SDG target level



Milestones: SDG level



Milestones: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.
 This data covers the Active Ownership team engagements using the global policy across all holdings.
 Source: Columbia Threadneedle Investments, 30 September 2024.

SDG engagement appendix

Below is the full list of SDG targets that we engaged on or recorded Milestones for during Q3 2024.

 <p>SDG 3.8 Access to medicines and health-care</p>	 <p>SDG 12.2 Sustainably manage and make efficient use of natural resources</p>
 <p>SDG 5.1 End all forms of discrimination against women and girls</p>	 <p>SDG 12.6 Encourage companies to adopt sustainable practices and enhance ESG reporting</p>
 <p>SDG 5.5 Ensure full equality of opportunity for women, including at leadership levels</p>	 <p>SDG 13.1 Strengthen adaptive capacity to climate-related events</p>
 <p>SDG 6.3 Improve water quality by reducing pollution</p>	 <p>SDG 13.2 Integrate climate change plans into policies and strategies</p>
 <p>SDG 8.5 Achieve full and productive employment for all</p>	 <p>SDG 13.a Address climate change mitigation for developing countries</p>
 <p>SDG 8.7 Eradicate forced labour, modern slavery & human trafficking</p>	 <p>SDG 14.1 Prevent and reduce marine pollution of all kinds</p>
 <p>SDG 9.4 Upgrade and retrofit industries to increase sustainability</p>	 <p>SDG 15.1 Ensure sustainable usage of terrestrial freshwater ecosystems</p>
 <p>SDG 10.2 Empower and promote inclusivity for all</p>	 <p>SDG 15.2 Promote the implementation of sustainable management of forests</p>
 <p>SDG 11.5 Reduce social and economic losses caused by disasters</p>	 <p>SDG 15.5 Take urgent action to reduce degradation of natural habitats</p>
 <p>SDG 11.6 Reduce the negative environmental externalities of cities</p>	



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 2024.

DP World Ltd



DP World strengthens climate targets, more required on biodiversity

Response to engagement:
Good

Themes:
Environmental Stewardship, Climate Change

Subthemes:
Biodiversity, Net Zero Strategy



SDG Target(s):
13.2 – Integrate climate change plans into policies and strategies;
15.5 – Take urgent action to reduce degradation of natural habitats

Background

DP World is a global ports and logistics company. It has a substantial emissions footprint, but we believe its potential climate mitigation impact is magnified by its ability to support the decarbonisation of its shipping customers. DP World has an adequate approach to climate management in our view, but we felt that the company's targets could be strengthened, and that additional detail on its CapEx planning and primary decarbonisation levers would increase investor confidence in its strategy. In addition, DP World operates and develops port assets which can have substantial impact on biodiversity, yet ranked towards the bottom of its peer group in our analysis with limited ability to appraise and control its biodiversity impacts.

Action

We have been engaging DP World intensively over the past two years to seek improvements in its climate and biodiversity management, engaging with the company 17 times on these topics since the start of 2022. In 2024 DP World updated its short-term decarbonisation target for 2030 to align with the 1.5 degree guidance issued by SBTi, and set a Scope 3 target for the first time. In addition, the company has specifically taken onboard our advice on biodiversity and has commissioned a consultant to identify priority impacts and dependencies across its asset base. This will enable the company to start aligning with the Taskforce of Nature-related Financial Disclosures (TNFD) and to identify priority sites for additional focus.

Verdict

We are pleased by this step forward in DP World's climate ambition following multiple engagements specifically encouraging aligning its targets with SBTi and setting a Scope 3 target. We continue to encourage the company to quantify the rough contribution that each of its primary decarbonisation levers will make to its 2030 target and to disclose CapEx by decarbonisation lever. On biodiversity, we think this assessment exercise is an important foundational step, but encourage the company to quickly progress to gathering primary data and establishing a portfolio of biodiversity KPIs and targets to appraise its operational impact.



Costco Wholesale Corp



A holistic approach to sustainability risks

Response to engagement:
Good

Theme:
Environmental Stewardship, Human Rights, Corporate Governance

Subthemes:
Climate Change, Deforestation, Labor Standards, Board Oversight



SDG Target(s):
8.7 – Eradicate forced labour, modern slavery & human trafficking;
13.3 – Improve education & the capacity for climate change mitigation;
15.2 – Promote the implementation of sustainable management of forests

Background

Costco is an American multinational corporation operating in over 800 locations. As a major retailer with a global supply chain, Costco faces various environmental and social risks, including climate change, deforestation, and labour rights issues. We engaged with the company to understand its strategies for mitigating these risks and ensuring responsible business practices.

Action

We spoke with Costco’s investor relations directors about how the company manages social and environmental risks in its operations and supply chain. The discussion covered topics such as climate risk assessment, supply chain monitoring, and board oversight of sustainability issues. Costco highlighted

its comprehensive supply chain risk assessment and monitoring processes, which involve internal teams and third-party auditors taking a risk-based approach. The company is involved in initiatives addressing modern slavery in various industries and has implemented additional age verification measures following recent cases of child labour in the US market. Finally, we also discussed Costco’s efforts to integrate sustainability aspects into purchasing practices, such as collecting greenhouse gas data from suppliers, addressing deforestation and human rights issues, and improving traceability in commodity supply chains.

Verdict

Costco’s sustainability program appears well-tailored to the risks it faces, with a holistic approach to managing environmental and social issues across its operations and supply chain. However, we encouraged the company to provide additional reporting on the relative investments and contribution of energy efficiency measures in its climate transition plan. While the board receives briefings from the sustainability director, we suggested further exploring ways to strengthen board oversight and exposure to sustainability issues. Overall, we believe that the company is responding well to risks but we would encourage further integration into purchasing practices and a focus on identifying nature-specific metrics.



Alibaba Group



A fully independent Nominating and Corporate Governance Committee

Response to engagement:
Good

Theme:
Governance

Subthemes:
Nomination and Succession Planning

Background

Alibaba Group is the second largest e-commerce retailer in the world. We have concerns that its governing structure allows Alibaba Partnership to appoint a simple majority of members to the Board. By controlling the Partnership, the founder (Jack Ma) can control the Board while only holding as little as 4% of shares in the company. According to the company's Articles, the Nominating and Corporate Governance Committee only has the right to nominate the rest of the candidate seats on the Board. Hong Kong Stock Exchange (HKEX) deemed Alibaba as having unequal weighted voting rights and barred Alibaba from IPO in 2013. However, after Alibaba raised US\$ 25 billion on the New York Exchange, HKEX changed its own listing rules and welcomed a secondary listing in 2019.

Action

Both the founders, Jack Ma and Joe Tsai, have been involved with the nominating committee since listing with their committee memberships also allowing them to influence the nomination of independent directors on the board.

We expect to see a nomination committee without any founding member's interference to ensure a certain degree of Bboard independence. Therefore, we have been engaging with Alibaba on director nomination rights since November 2022. We raised this concern with ACGA's investor group focused on Alibaba, and also mentioned our expectation of having a fully independent nomination committee to Alibaba in September 2023. Many minority shareholders' and proxy advisors have also expressed reservations related to Joe Tsai's nomination committee involvement.

Verdict

Joe Tsai, the current executive chair, stepped down from the nomination committee after the recent AGM in August, with the result that the committee is now fully independent. Despite his departure from the committee, we still have concerns about the Partnership's ability to appoint up to a simple majority of Board members, and will continue to engage on this point. Alibaba has also recently successfully upgraded the secondary listing status in Hong Kong to a primary listing, but it was able to acquire exemptions from HKEX which prohibits other shareholders from proposing new director's for election or existing director's be dismissed. We will continue to advocate for shareholder's rights and monitor this development.

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 2024 publications:



ESG Viewpoint: Nature Positive commitments: separating the green from greenwash

Quick view: We outline six attributes of a good Nature Positive commitment and assess how a range of companies are stacking up.

 [Download the **viewpoint insight**](#)



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