

For professional investors/qualified investors only



Stewardship Quarterly

Q4 2023



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

829
meetings voted

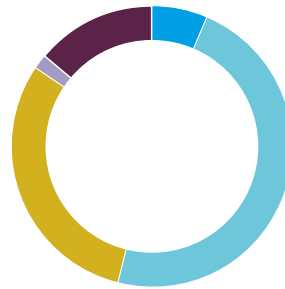
6,138
proposals voted

14.4%
of all proposals
where we voted
against management

41
markets voted in

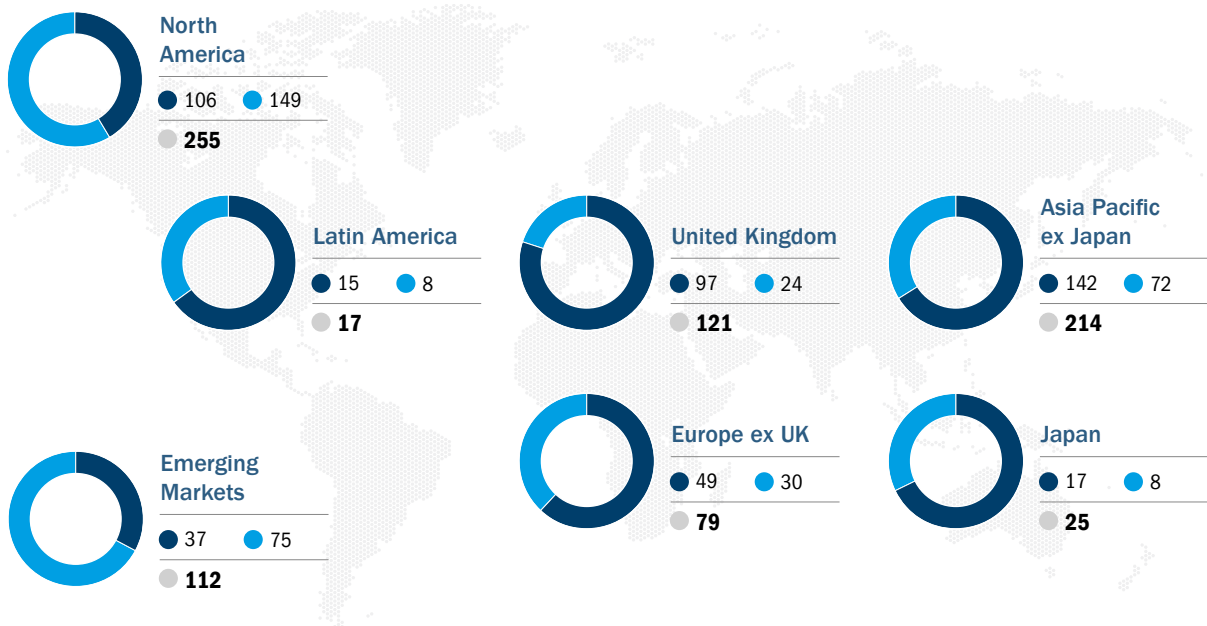
Votes against management by topic:

Capitalisation	57	6.4%
Director related	422	47.6%
Remuneration	270	30.5%
Shareholder	15	1.7%
Other	122	13.8%
Total	886	100.00%



Meetings voted by region

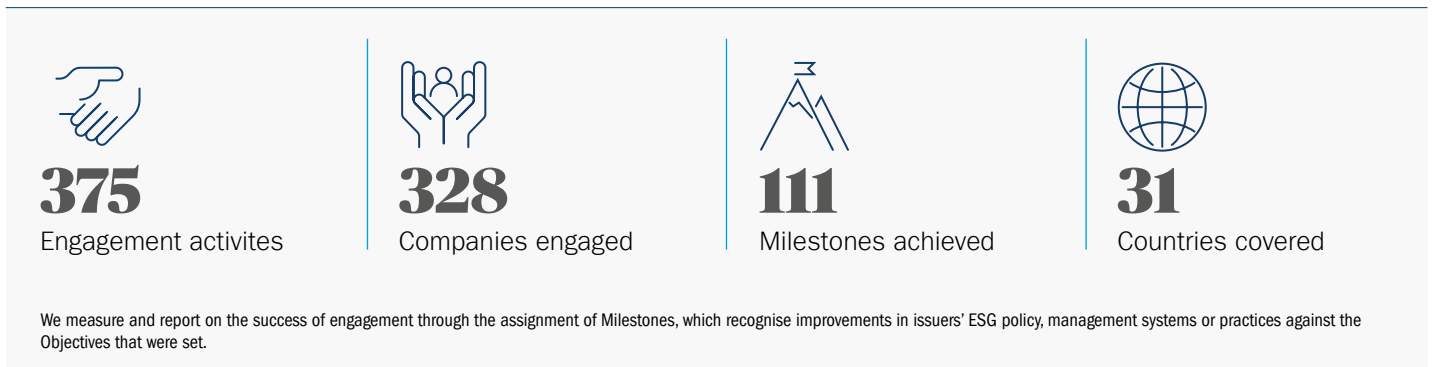
● Support management on all items ● Dissent from at least one item ● Total meetings



All figures subject to rounding.



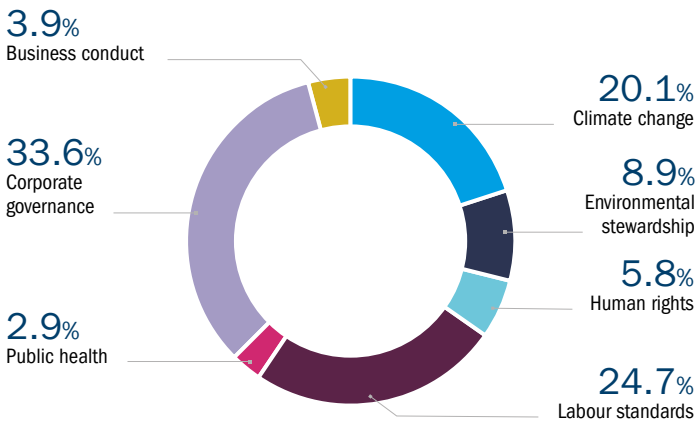
Our engagement activity highlights



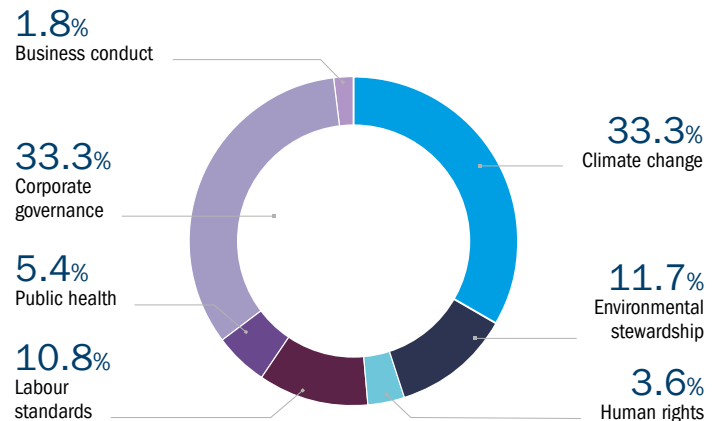
Companies engaged by country



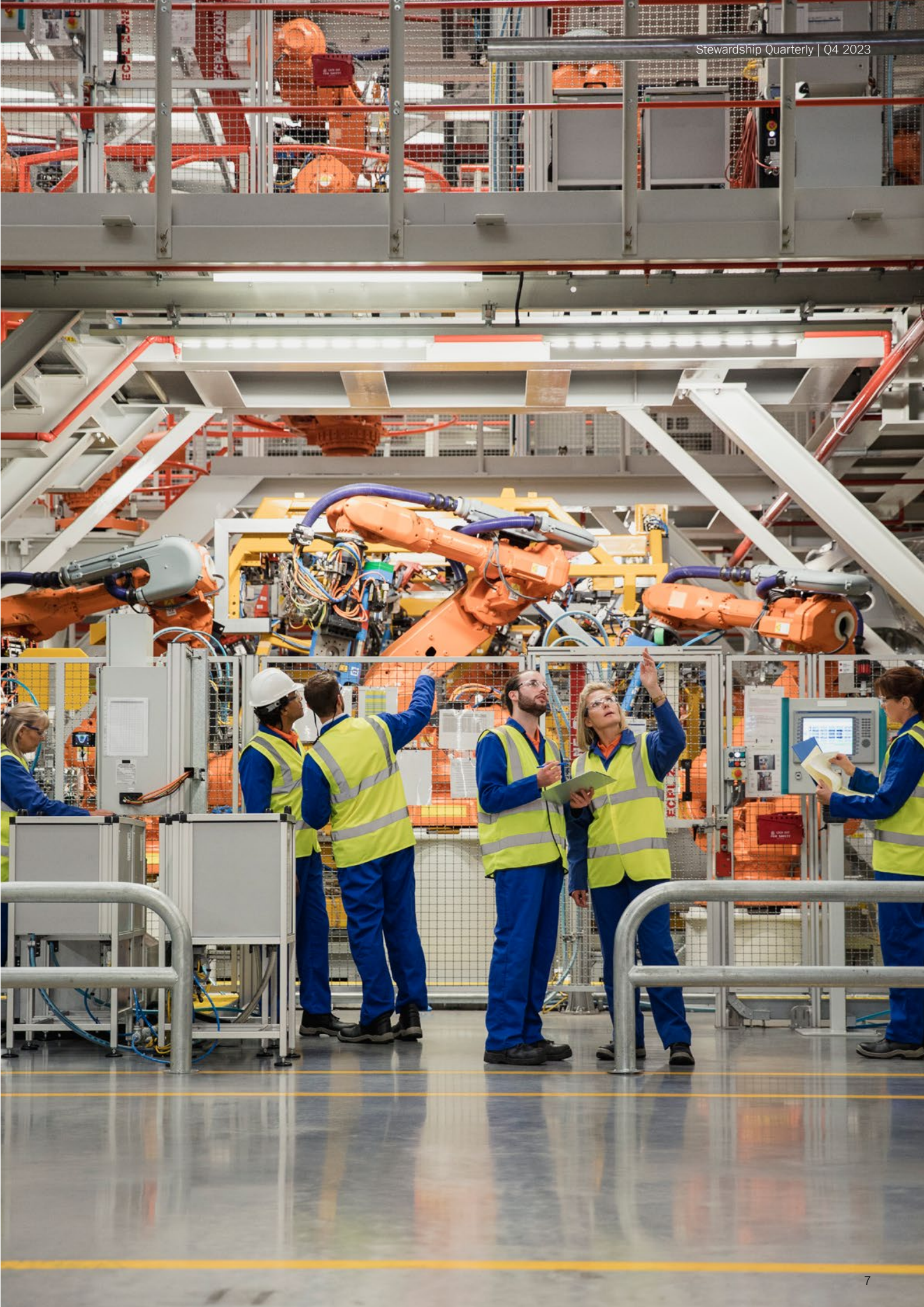
Engagements by theme



Milestones achieved by theme

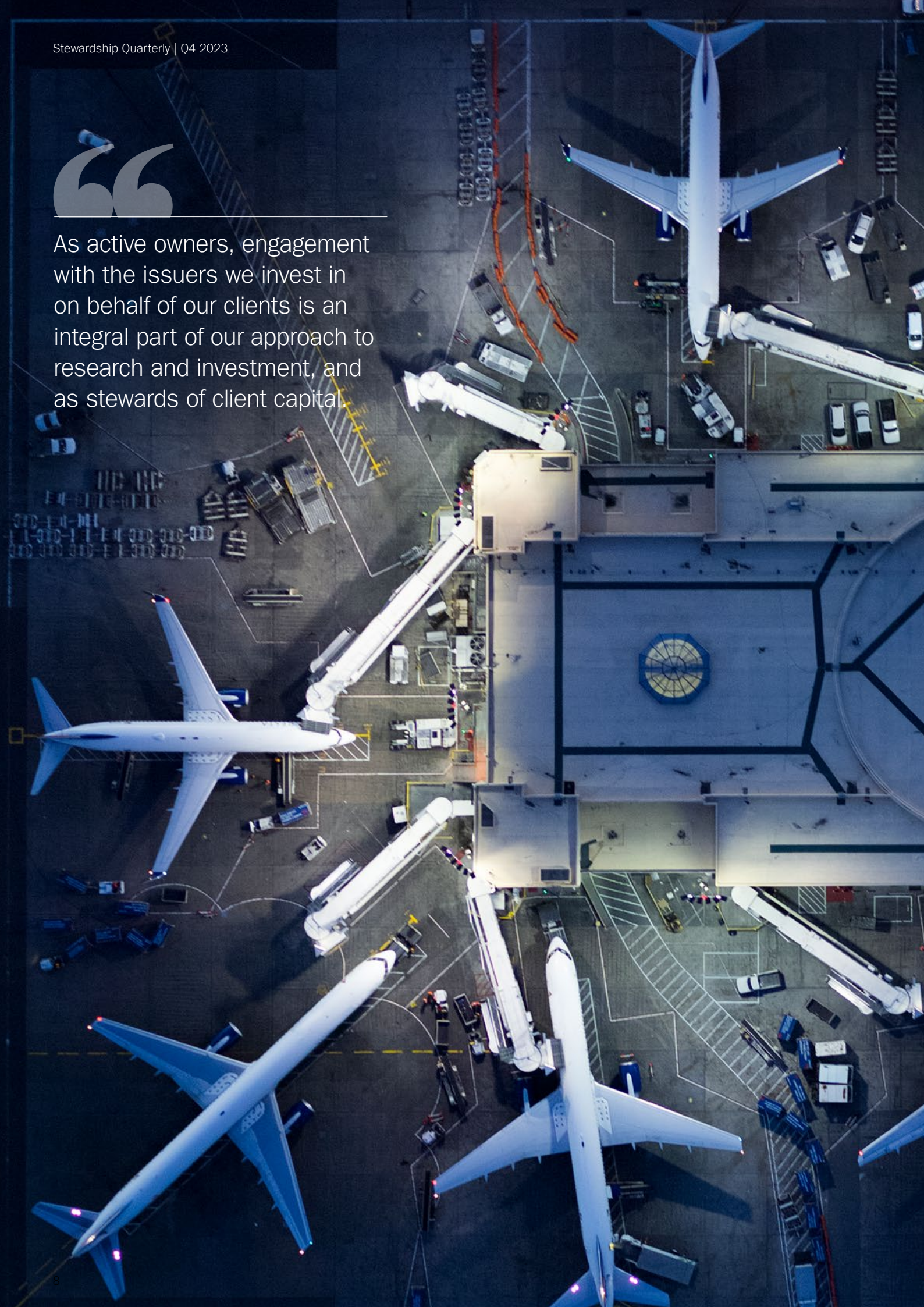


All figures subject to rounding.





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 Q4 2023.

Jet2 Plc



Strengthening SAF and offset strategy

Response to engagement:

Good

Themes:

Climate change

Subthemes:

Energy transition; Net zero strategy



SDG Target(s):

13.2 - Integrate climate change plans into policies and strategies.

Background

Jet2 is a leisure airline and tour operator operating through the UK and Europe, therefore operating in what is well known to be a hard to abate sector given that the aviation industry's decarbonisation levers are not currently financially competitive and often are technically immature. We have historically considered Jet2 to be one of the weaker European airlines on its climate strategy. While the company has historically had good emissions intensity relative to the rest of the industry, it was slow to move on sustainable aviation fuel (SAF), had weak disclosures on its climate transition strategy and had a relatively under-staffed sustainability function in our view.

Action

We began engaging the company in 2022 to strengthen its approach to climate risk management. We have since had eight engagements with the company, requesting that it strengthens its SAF strategy, disclose more detail on its climate transition

plan, enhance its carbon offset procurement criteria and begin disclosing to CDP. We had been sceptical of Jet2's willingness to move on these points, as the company had little sustainability personnel, and we did not view many of our calls with the CFO as especially productive. However, in Q4 we had a call with both the CFO and the new Head of Sustainability that indicated a real step change in the company's amenability to listen to investor asks on this topic. Jet2 confirmed that they would begin disclosing to CDP Climate next year, and outlined to us a clear short, medium and long term SAF strategy that was well thought out and presented a compelling picture from our perspective. Jet2 also listened to our concerns on the quality of carbon offsets that it is procuring, and we had a series of productive follow up email interactions with the Head of Sustainability on this topic to clarify our asks.

Verdict

We are encouraged by Jet2's progress, and now consider the company to be somewhere in the middle of the European airline pack on the climate transition. There are still significant areas for the company to improve on – and at the moment most of the commitments we have heard from the company have been verbal rather than formally provided in publications or press releases. In particular, we continue to encourage the company to diversify its SAF supply base, enhance the detail of its climate transition strategy, and enact a high quality carbon offset procurement approach. We will continue to engage with Jet2 in 2024.



ArcelorMittal



Engaging with ArcelorMittal after the deadly fire triggered nationalisation of Kazakhstani assets

Response to engagement:
Good

Theme:
Human rights; Labour Standards

Subthemes:
Occupational health and safety



SDG Target(s):
Engagement not aligned to any of the SDGs.

Background

ArcelorMittal is the second largest steel-producer globally, with manufacturing facilities in 16 countries and customers in 155. 46 of ArcelorMittal's (MT) employees were killed in a fire at its Kostenko coal mine in Kazakhstan which was triggered by a methane-gas explosion on October 28th, 2023. The explosion is the most severe industrial accident in Kazakhstan's independent history and triggered the nationalization of all MT's assets in the country, consisting of 8 coal mines, 4 iron ore mines and 1 steel plant.

Action

MT reached out to us following the accident to explain the remediation actions taken, and to outline what went wrong along with the lessons learnt. We have previously spoken to the company about its chequered safety record in Kazakhstan, as there have been consistent indications that the company is not handling occupational safety effectively for example with 14 fatalities in 2022 and 4 fatalities before October 2023. MT quickly outlined

the remediation steps taken after the accident, including providing immediate support for families, such as a payment equivalent to a 10-year salary, payment for children's education up to the age of 23 and repayment of all personal loans of the families impacted. Regarding what went wrong, MT highlighted the 'complex' geology of the region as well as the 'risk-taking culture' as exacerbating risks. We challenged the company on this, as these are in no ways risks that we believe should have been outside of MT's due diligence and safety reviews – as it stands, we view these two explanations as inadequate at justifying what went wrong, particularly considering the scale of the accident and the endemic safety issues in the region. We requested evidence of how MT will ensure that its 33,000 employees- who are now being transferred to a nationalized company - will not be exposed to even worse work conditions. The company state they want to ensure a good legacy for MT in the region, however this will be a challenge, with the Prime Minister of Kazakhstan stating on the day of the disaster that MT is the "worst" investor in Kazakhstan's independent history.

Verdict

We are disappointed by the explanations provided by MT on what went wrong, particularly considering the safety record in the region which should have provided ample warning of the need for significant improvement on safety monitoring and procedures. MT state more information will be provided after the ongoing third-party audit of the whole company's safety practices is published, due in mid-2024. We will re-engage the company on safety after its publication.

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Sendas Distribuidora S.A.



Engaging for long-term board effectiveness

Response to engagement:

Good

Theme:

Corporate Governance

Subthemes:

Board effectiveness; Remuneration; Capital Allocation; Strategy and Execution

SDG Target(s):

13.2 Integrate climate change plans into policies and strategies

5 times with the company in 2023, with 3 meetings with representatives across the company, including investor relations, sustainability teams, the CFO, and members of the new board. The company has been executing on a strategy of store expansion and conversions, leading to increased debt-levels, but will soon start to focus on deleveraging – we have sought enhancements in their remuneration structure to reflect this, in particular the inclusion of performance metrics associated with their deleveraging efforts, as well as broader simplification of aspects of their short-term incentive scheme. We also met with members of the sustainability team to discuss their ESG strategy, in particular their human capital management and decarbonisation efforts.

Background

Sendas Distribuidora (Assai) is one of the leading cash-and-carry food distribution and retail businesses in Brazil. The company were previously a wholly-owned subsidiary of Companhia Brasileira de Distribuição (GPA), however in March 2021 was spun-off and publicly listed on both the Brazilian stock exchange, and the NYSE. The previous controlling shareholder of GPA, Casino Group, maintained a 41.3% stake in the company. Then in late 2022 and early 2023, Casino Group announced a series of secondary offerings, reducing their stake to 11.7%. This was accompanied by significant change in the board structure, including the nomination of a new independent Chairman.

Action

As a result of these corporate actions, we engaged with the company on a range of governance topics, in particular their remuneration structure. We have engaged

Verdict

The company have been very responsive to our requests for engagement following their AGM in April, and were proactive in reaching out to us to set up a meeting to discuss their remuneration structure with several of the new board members. Following our initial conversations, an improved interim remuneration structure was put to a shareholder vote at an EGM in July, which we supported in light of the conversations we had. Following a letter we wrote to the CEO and Chairman in Q4, we will look to assess whether our views are taken into consideration by the new board and incorporated into the remuneration structure ahead of the 2024 AGM.

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 Q4 2023 publications:



ESG Viewpoint: Greater clarity and a focus on financial outcomes

Quick view: What's in store for responsible investing from here? We explain why environmental, social and governance factors matter, highlight the importance of meeting defined client needs and discuss our active ownership efforts in 2024.

[Download the viewpoint](#)



ESG Viewpoint: 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.

[Download the viewpoint](#)



Thematic Insight: Chopping and changes: what are the implications of the EU's Deforestation Regulation?

Quick view: The EU's Deforestation Regulation will make us as investors think about company risks and opportunities and is under discussion with our equity and fixed income teams.

[Download the thematic insight](#)



ESG Viewpoint: Sustainable Development Goals: A framework for investors

Quick view: In 2023, we have reached the halfway point – and a coordinated effort is needed to get the goals on track ahead of 2030.

[Download the viewpoint](#)



Thematic Insight: Managing the Human Capital Transition

Quick view: Human capital, although often overlooked by investors, is a significant component of the forces driving performance. Businesses investing in human capital are likely to derive a competitive advantage.

[Download the insight](#)



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✉ clientsupport@columbiathreadneedle.com

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