

Zuger KB

Q3 2024

The purpose of the **reo**[®] (responsible engagement overlay) service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**[®] approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
17	15	1	9

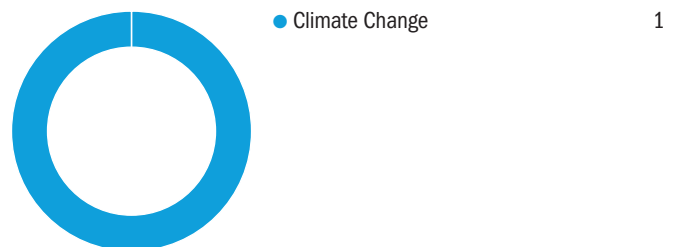
Companies engaged by region



Engagement by theme *



Milestones achieved by issue

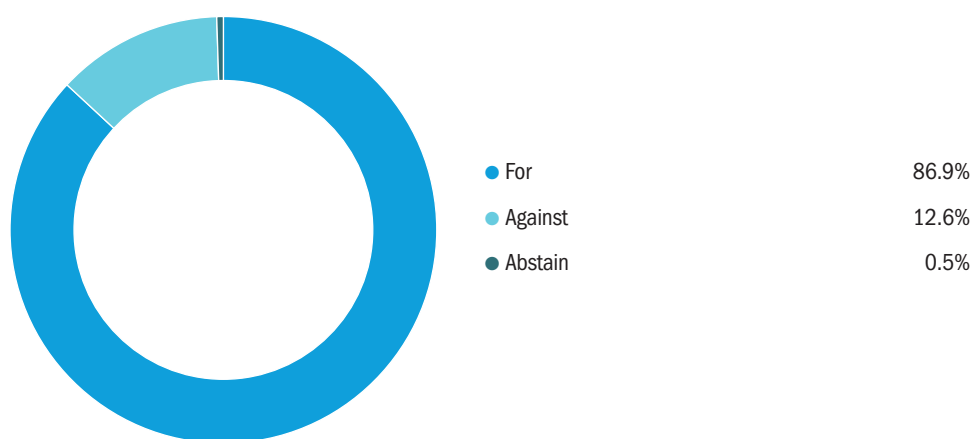


* Companies may have been engaged on more than one issue.

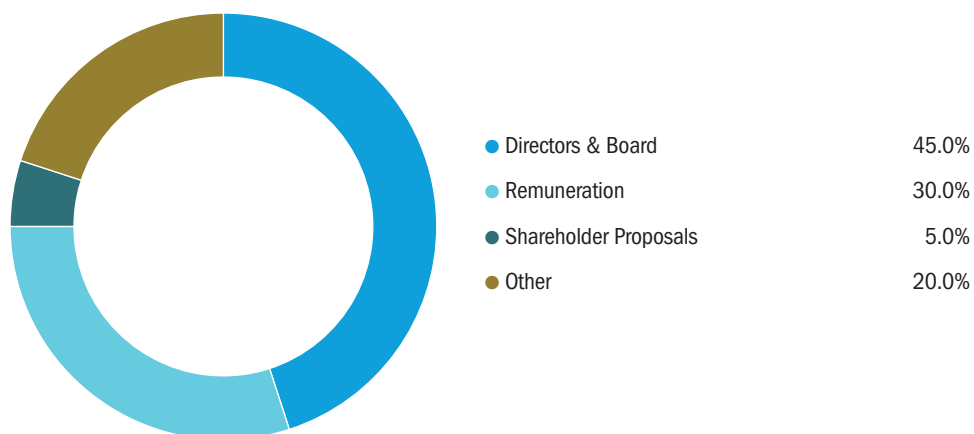
Share voting results **

Company meetings voted	12
Items voted	199

Items voted



Votes against and abstentions by category



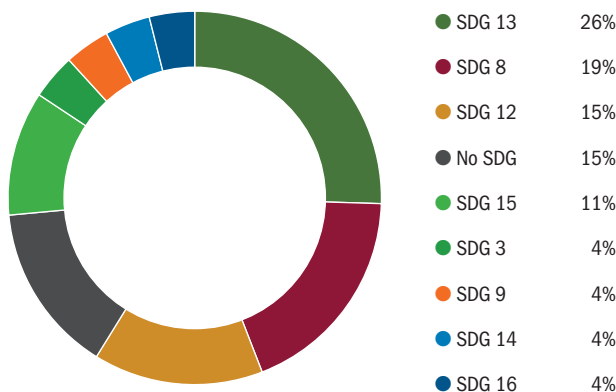
** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstruted.

Engagements and Sustainable Development Goals (SDGs)

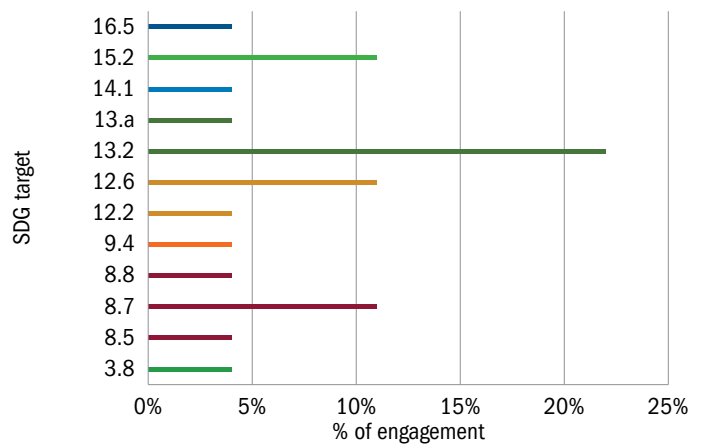
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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 higher impact.

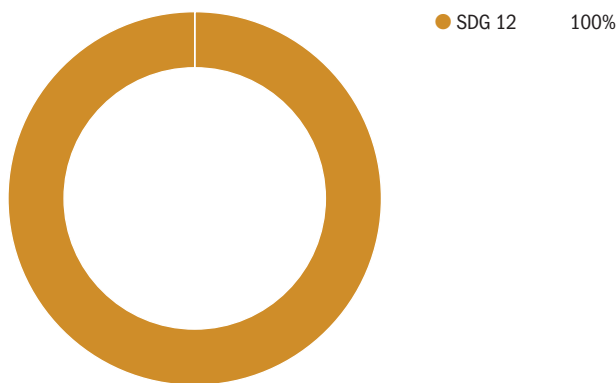
Engagement: SDG level



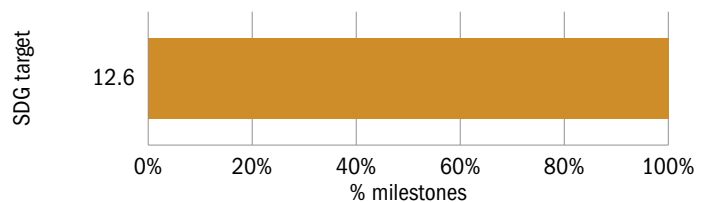
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.



Engagement case studies

Company: Costco Wholesale Corp

Mailing Country: United States

Sector: Consumer Staples

Priority Company: ✓

ESG Risk Rating:

Response to Prior Engagement: Poor

Theme: Environmental Stewardship, Human Rights, Corporate Governance

Engagement Case Study Name: A holistic approach to sustainability risks

SDG:

	13.3		15.2		8.7
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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 standards 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 U.S. 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.

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagement case studies

Company: Procter & Gamble Co/The

Mailing Country: United States

Sector: Consumer Staples

Priority Company: ✓

ESG Risk Rating:

Response to Prior Engagement: Good

Theme: Environmental Stewardship

Engagement Case Study Name: Innovations in sustainable product design, but questions remain

SDG:  13.3  14.1  15.2

Background

Procter & Gamble (P&G) is a multinational consumer goods company specializing in a wide range of personal health, personal care and hygiene products. As a leading consumer goods company, P&G faces significant environmental challenges, including climate change, plastic waste, and deforestation risks in its supply chain. We engaged with the company to understand its strategies for addressing these issues and promoting sustainable practices.

Action

We attended P&G's ESG investor update, led by the CEO, CFO, sustainability, and legal leads, to review progress on a range of material topics, including plastics, deforestation, and climate change. The company presented examples of embedding sustainability into product design, such as dissolving facial tissues and low-temperature, dry detergent pods, which can help reduce energy, water use, and greenhouse gas emissions during use. P&G also discussed its efforts to address plastic waste, including conducting a life-cycle assessment of its plastics sourcing and finding considerable advantages for recycled materials. However, the company acknowledged challenges in securing sufficient volumes of recycled materials. On deforestation, P&G stated that it is engaging with suppliers and is confident in complying with the new European Union deforestation regulation, although specific details were not provided.

Verdict

It was positive to note that product development is providing a range of improvements through substitution and light-weighting, contributing to reducing environmental impacts. However, we have concerns over the effectiveness and scalability, particularly regarding securing sufficient recycled plastic feedstock and assessing nature impacts from plastic pollution. For a company highly exposed to deforestation risk, we would have welcomed more detail on its assessment of coming regulation. While the company update was welcome, we plan to engage on the details of its strategies and progress in addressing these critical environmental issues. Nonetheless, P&G demonstrates a commitment to sustainable product design and responsible sourcing practices.

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Appendix



SDG	Target	Target Summary
SDG3	3.8	Access to medicines and health-care
SDG8	8.5	Achieve full and productive employment for all
SDG8	8.7	Eradicate forced labour, modern slavery & human trafficking
SDG8	8.8	Protect and promote safe working environments for all workers
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG12	12.2	Sustainably manage and make efficient use of natural resources
SDG12	12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting
SDG13	13.2	Integrate climate change plans into policies and strategies
SDG13	13.a	Address climate change mitigation for developing countries
SDG14	14.1	Prevent and reduce marine pollution of all kinds
SDG15	15.2	Promote the implementation of sustainable management of forests
SDG16	16.5	Reduce corruption and bribery in all their forms

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