New Zealand Crown Financial Institutions:

New Zealand Superannuation Fund
Accident Compensation Corporation
Government Superannuation Fund
National Provident Fund

*Companies represented in this report may not be held by each Crown Financial Institution.

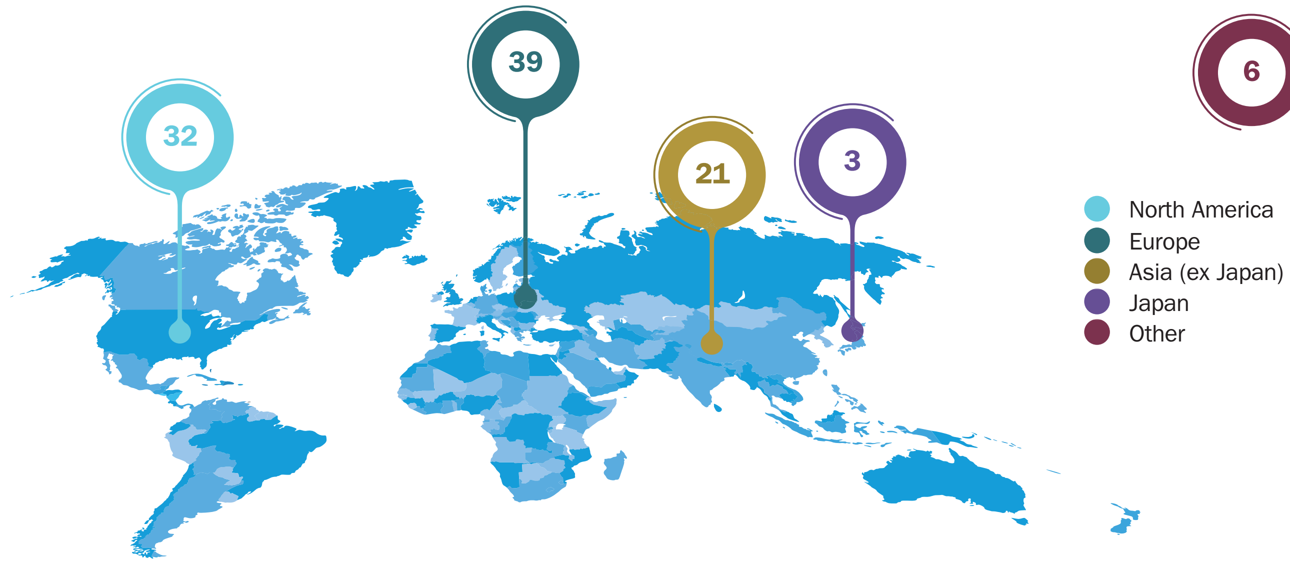
Q3 2023

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.

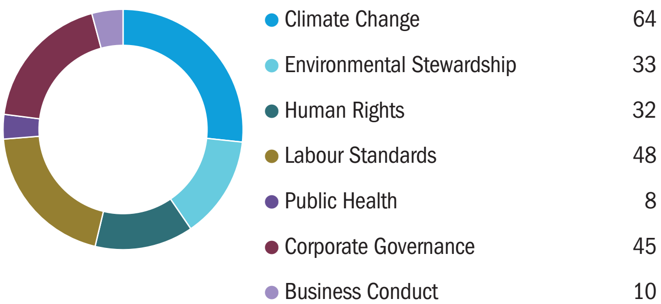
Engagement this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
132	101	19	23

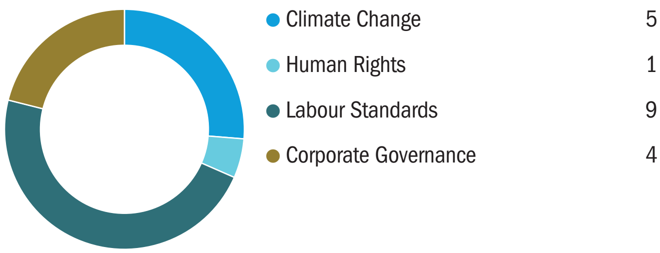
Companies engaged by region



Engagement by theme *



Milestones achieved by theme



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

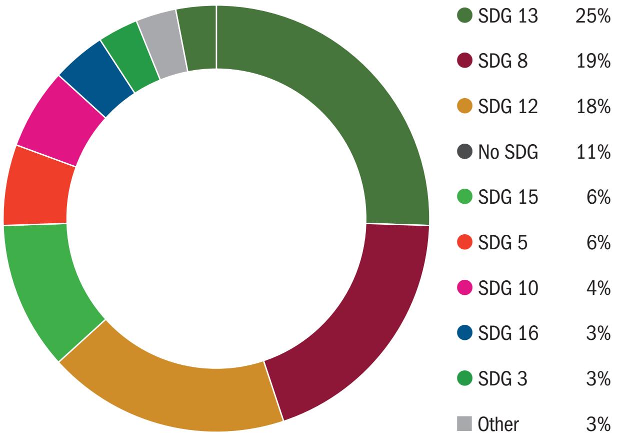
COLUMBIA THREADNEEDLE INVESTMENTS

Engagements and Sustainable Development Goals (SDGs)

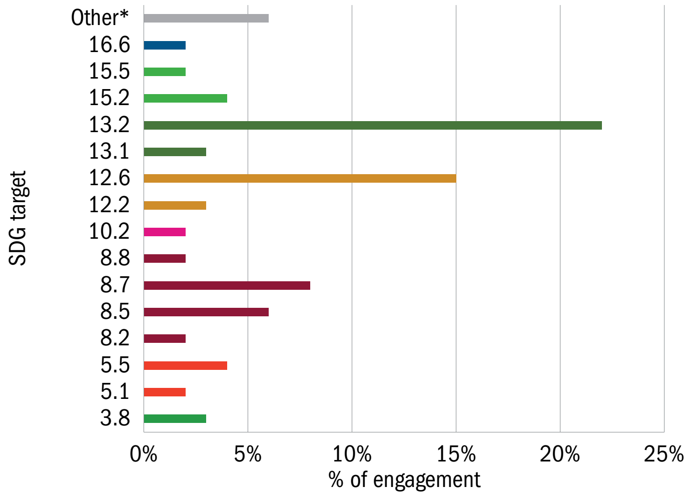
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

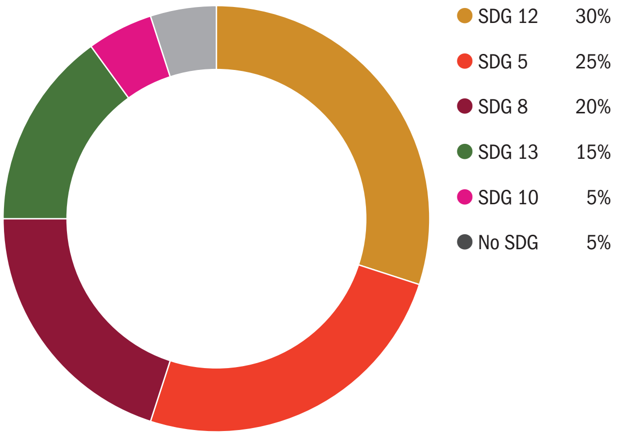
Engagement: SDG level



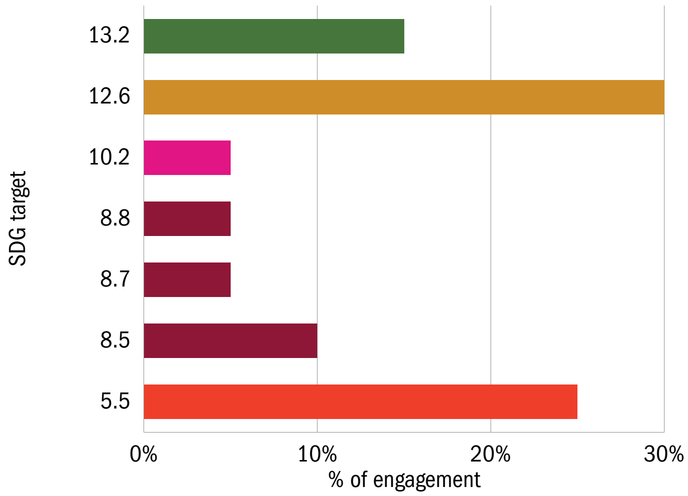
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



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

Engagement case studies

Company: General Mills Inc	**Country:** United States	**Sector:** Consumer Staples
Priority Company: -	**ESG Risk Rating:** GREEN	**Response to engagement:** Adequate
Theme: Corporate Governance	**Issue:** Capital Structure and Shareholder Rights	

Background

General Mills is an American based food manufacturer. Over the years, our engagements with the company have led to positive improvements in environmental stewardship, in particular on water management and plastics packaging. Most recently we have focused on Governance topics – at its 2023 Annual General Meeting, General Mills tabled a management proposal to allow shareholders holding 25% of common stock to request a special meeting. This was shortly followed by a shareholder proposal of a 10% threshold.

Action

We engaged with the company to discuss the management proposal and implications for shareholder rights. We highlighted that given the company's by-laws currently do not allow shareholders the right to call a meeting, we view this proposal as a positive step. However, we inquired about the considerations the company took in determining the 25% threshold and underscored that it would be unlikely for shareholders to reach such a high percentage, given the more passive investment strategies of their largest institutional investor shareholders.

Verdict

We view special meetings as a positive shareholder right, allowing shareholders displeased with the company or the board to request a meeting to enact change. While our view is that 10% is a more suitable threshold than 25%, we believe that General Mills opening this avenue to shareholders is nonetheless a positive development. As such, we chose to support both the management and shareholder proposals, thereby underscoring the suitability of the 10% threshold. Both proposals passed, with management receiving c71% support and the proponent receiving c60%. In these circumstances, we anticipate the Board adopting the 10% threshold, leading to a significant step forward in shareholders rights at General Mills.

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: Johnson & Johnson	**Country:** United States	**Sector:** Health Care
Priority Company: -	**ESG Risk Rating:**	**Response to engagement:** Good
Theme: Public Health, Corporate Governance, Business Conduct	**Issue:** Engaging with Johnson & Johnson on the value of transparency	
SDG: 3.8, 12.2		

Background

Pharmaceutical giant Johnson & Johnson (J&J) has been grappling in recent years with more than 38,000 lawsuits alleging that its talc products, including Johnson's Baby Powder, can contain asbestos and caused cancers including ovarian cancer and mesothelioma. J&J has attempted to resolve this litigation, offering $8.9 billion to end all current and future lawsuits alleging that talc causes cancer. The company's Senior Director of Sustainability and Engagement as well as the Company Secretary attended an in -person investor meeting in London to address investor concerns and queries regarding litigation, drug pricing, and ESG metrics.

Action

A key theme of the engagement was transparency. Regarding the lawsuits, we encouraged increased transparency and communication around changes in corporate practices and processes implemented to mitigate current and future harm. In relation to drug pricing, we acknowledge that companies such as J&J must strike a balance between expensive drug discovery and development processes and setting final drug prices. While noting the complexities involved, we urged the company to create more transparency (where feasible) on price increases in order to understand how these align with input costs and added patient value. Along with other investors, we recommended increased clarity around ESG metrics, such as how they are implemented and how they align with the company's ESG materiality assessment. J&J stated that while they currently only have qualitative ESG metrics, they are cognisant of differences in regional regulations and sentiment around ESG targets and disclosures which they must take into consideration when considering disclosure.

Verdict

In our view, J&J displayed a willingness to listen to our recommendations and we anticipate increased disclosure from the company as a result. We will continue our dialogue with the company on access to medicine and litigation in the next quarter, as well as discussing board renumeration and climate disclosure.

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: Rio Tinto Ltd	**Country:** Australia	**Sector:** Materials
Priority Company: -	**ESG Risk Rating:**	**Response to engagement:** Good
Theme: Climate Change	**Issue:** Meeting climate commitments – A rocky road ahead	
SDG: 13.2		

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 Tinto on this recent announcement, aiming to understand the barriers that 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 (ie 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 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 actually 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.

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 its last resort for achieving its 2025 targets.

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

Appendix

SDG	Target	Target Summary
SDG1	1.4	Ensure equal rights to resources and basic services
SDG3	3.8	Access to medicines and health-care
SDG5	5.1	End all forms of discrimination against women and girls
SDG5	5.5	Ensure full equality of opportunity for women, including at leadership levels
SDG6	6.3	Improve water quality by reducing pollution
SDG6	6.4	Increase water-use efficiency to address water scarcity
SDG7	7.3	Double the global rate of improvement in energy efficiency
SDG8	8.2	Achieve greater productivity through innovation.
SDG8	8.3	Promote development-oriented policies
SDG8	8.5	Achieve full and productive employment for all
SDG8	8.6	Reduce the proportion of youth not in employment or education
SDG8	8.7	Eradicate forced labour, modern slavery & human trafficking
SDG8	8.8	Protect and promote safe working environments for all workers
SDG9	9.1	Develop resilient and sustainable infrastructure
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG10	10.2	Empower and promote inclusivity for all
SDG10	10.3	Ensure equal opportunity and legislation for all
SDG10	10.7	Facilitate safe migration through managed policies
SDG10	10.a	Implement the WTO's special rights provisions
SDG12	12.2	Sustainably manage and make efficient use of natural resources
SDG12	12.5	Reduce waste through prevention, reduction, recycling and reuse
SDG12	12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting
SDG13	13.1	Strengthen adaptive capacity to climate-related events
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

Appendix (continued)

SDG	Target	Target Summary
SDG15	15.5	Take urgent action to reduce degradation of natural habitats
SDG16	16.5	Reduce corruption and bribery in all their forms
SDG16	16.6	Develop effective, accountable and transparent institutions
SDG16	16.10	Ensure public access to information and protect fundamental freedoms