

A close-up, blue-tinted photograph of a microscope's objective lens and stage. The lens is positioned over a circular stage with a grid pattern. The lighting is dramatic, highlighting the metallic surfaces and the fine details of the microscope's components.

# Responsible Investment Engagement Policy

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January 2024

## Purpose

This Responsible Investment Engagement Policy is drafted and reviewed in accordance with regulatory requirements, including those set out by Shareholder Directive, Directive (EU) 2017/828, outlining our approach to and implementation of engagement by our Active Ownership<sup>1</sup> team. The policy applies globally to all Columbia Threadneedle Investments<sup>2</sup> client accounts to the extent agreed upon or permissible. It also outlines our approach to engagement on behalf of **reo**<sup>3</sup> clients.

At Columbia Threadneedle Investments we strive to be responsible stewards of our clients' assets, , allocating their capital within our framework of robust research and good governance.

We embrace our role as active investors to encourage positive change both for our managed assets and **reo**<sup>3</sup> clients. We dynamically interact with issuers to enhance their long-term viability, performance, and sustainability to create value for our clients as well as society.

Targeted Responsible Investment (RI) engagement with issuers is an important part of our investment approach. Active ownership enhances insights, encourages change, and helps create future value. In addition, we believe that engagement on environmental, social, and governance issues can have a positive impact on corporate performance and investment returns, as well as on society or the environment.

## Engagement definition

We define engagement for the purposes of this policy as having constructive dialogue with issuers on environmental, social and governance (ESG) risks that could have a material negative impact on their businesses and, where necessary, encouraging improvement in ESG management practices. Our purpose with engagement is to support long-term investment returns 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 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).

Our engagements focus on financial performance, sustainability risks and opportunities, operational excellence, capital allocation policies and managerial incentives, among other topics. Collaboration across asset classes and thematic and sectoral disciplines ensures an informed approach. Our engagement programme is structured around seven high level themes:

- Climate change
- Environmental stewardship, including biodiversity
- Labour standards
- Human rights
- Public health
- Business conduct
- Corporate governance.

Underlying each theme is a range of subthemes to help focus our engagement. We monitor the outcomes of our engagement and report on our progress to our clients and through public reporting.

Engagement under this policy may cover listed equities; corporate credit; Sovereign, Supranational and Agency (SSA) issuers; private equity; real estate; infrastructure; collateralized loan obligations; asset backed securities; municipal bonds; and commodities. For **reo**<sup>3</sup> clients engagement under this policy covers listed equities, and corporate (financial and non-financial) credit. In each case this engagement activity is reinforced by the broader public policy engagement undertaken for all our clients

The engagement programme's scope is reviewed annually.

<sup>1</sup> Active ownership is the use of the rights and position of ownership to encourage change in the activities or behaviour of issuers; it includes engagement and proxy voting activities. Active ownership can be applied differently in each asset class.

<sup>2</sup> Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies that together make up the asset management business of Ameriprise Financial, Inc. Individual client mandates or jurisdictional regulatory requirements may require a variation in approach. Any such variation in approach overrides this document as necessary.

<sup>3</sup> **reo**<sup>3</sup> is a pooled service that allows investors to receive engagement, and proxy voting where selected, on equity and corporate bond holdings, independent from portfolio management services received either from third party asset managers or Columbia Threadneedle Investments.

## Commitments and related policies

In encouraging issuers to move towards best practice in managing ESG risks, we make reference to international codes and standards where relevant, such as the International Labour Organization (ILO) Core Conventions, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the UN Global Compact, the Paris Agreement, the Taskforce on Climate-related Financial Disclosures, the Taskforce on Nature-related Financial Disclosures, and national corporate governance principles and codes of business best practice<sup>4</sup>. Our key expectations on good practice are outlined in our corporate governance guidelines<sup>5</sup>, and environmental and social practices statements.

## Policy and engagement programme implementation

Our engagement programme is executed through close collaboration by our Active Ownership Analysts, comprised of experienced engagement and voting specialists, with Fundamental Research Analysts and portfolio managers.

## Engagement identification, prioritization, and process

### Bottom-up: priority issuers

We identify and prioritize issuers for engagement based on the following:

- Assessment of impact of ESG risk and opportunity factors now and in the future, including financial materiality of risk issues in accordance with SASB Standards<sup>6</sup>
- Investment teams' and Fundamental Analysts' judgement and expertise,
- Previous engagement track record
- The significance, probability of occurrence, and severity of adverse sustainability impacts, including their potentially irremediable character, scale (gravity), scope and character (noting whether remedial action is possible);
- Assessment of likelihood of success for engagement;
- Level of exposure, typically based on size of holding across both managed client assets and **reo**<sup>®</sup> client assets; and
- Overall preferences<sup>7</sup> of managed clients or **reo**<sup>®</sup> clients as may be provided to us

Additional considerations may be brought in depending on the issue under engagement, such as specialist data sources to identify issuers subject to a specific risk we are focusing on. This includes engagement projects (see below), and our Net Zero climate change engagement, which is prioritized according to a set of factors including financed emissions intensity and the quality of climate strategy.

We set specific engagement objectives ("Objectives") and track progress against these to assess achievements ("Milestones") and determine next steps. When we open discussions with individual issuers, we aim to clearly communicate our Objectives – including timelines, and desired outcomes.

### Top-down: engagement projects

On an annual basis, the Active Ownership team conducts a high-level assessment of a wide range of current and emerging ESG issues and their potential impacts on long-term investment returns, the economy, environment, and society. The results of this assessment determine the specific ESG issues on which we will focus our engagement activities going forward. Project-based engagements on specific issues normally run for two to three years and are concluded by a final assessment of progress.

### Event-driven engagement

Part of our engagement happens in reaction to scheduled events such as annual general meetings, where we would outline shareholder expectations, and request changes to an issuer's operations, governance structure or strategic approaches. Engagement activity may also occur in response to unscheduled and controversial events, such as scandals or major environmental disasters linked to corporate operations. Our event-driven engagement also occurs in reaction to potential issuer breaches of global standards, such as the OECD guidelines for multinational enterprises or the UN Global Compact.

### Engagement for specific mandates, fund strategy, or regulatory requirements<sup>8</sup>

Individual client mandates, fund strategies or jurisdictional regulatory requirements may require a dedicated approach to engagement that is different to the approach outlined above. This will be outlined in client mandate documentation and/or fund/strategy-specific investment policies.

<sup>4</sup> For a full, current list, please see our [Stewardship Report](#).

<sup>5</sup> Columbia Threadneedle Investments Corporate Governance Guidelines can be found [here](#).

<sup>6</sup> Sustainability Accounting Standards Board <https://www.sasb.org/>

<sup>7</sup> Including annual **reo**<sup>®</sup> client consultation on company and thematic priorities, bespoke engagement requests or dedicated engagement mandates

<sup>8</sup> This does not apply to **reo**<sup>®</sup> clients given the nature and scope of the service.

## Conducting engagement

Our preferred approach to conducting engagement is to use constructive, confidential dialogue, typically interacting one-to-one with issuers and building a relationship of trust over time as long-term investors. When it is more effective to take a collaborative approach to bring about change, we may form or join coalitions with other investors, non-governmental organisations (NGOs) or industry groups, whilst ensuring that we adhere to all applicable anti-trust competition legal and regulatory requirements and any other applicable limitations when doing so. We have an internal Addendum to the RI Engagement Policy on collaborative engagement, detailing further requirements.

Speaking with a unified voice can allow investors to communicate their concerns more effectively, whilst gaining power and legitimacy from the perspective of corporate management. Furthermore, collaborations can help build knowledge and skills whilst enhancing engagement efficiency. We are a member of several investor coalitions actively pursuing collaborative engagements<sup>9</sup>. We engage at different levels within issuers depending on the nature of our Objectives, including with the board, executive management, investor relations, sustainability leadership, and operational specialists.

### Public policy engagement

We recognise that action by governments or regulatory intervention is also often needed to create a level playing field and achieve meaningful results. To that end, we aspire to play an active role in public policy development through engagement with policymakers and regulators. We seek to bring a constructive investor voice to standard settings, and we believe that policy and regulatory change is often the catalyst for improved corporate behaviour.

## Escalation

If issuers do not demonstrate progress on matters that we believe are in our clients' best long-term economic interests, we may consider further escalation.

In considering engagement escalation strategies, we will make a case-by-case assessment of progress against our Objectives and how issuers respond to our engagement. Assessments take place at quarter end when Active Ownership analysts

assess progress against the Objectives we have set for each issuer we engage with. We also assess annually all issuers' responsiveness to engagement undertaken in the previous full year. Both data points feed into the escalation decision.

Escalation activity takes place in collaboration with other investment to ensure agreement on the need for escalation and alignment on avenues to pursue departments within Columbia Threadneedle Investments.

As stewards of our clients' investments, we have at our disposal several different options for escalation, which include:

- **Collaborative engagement<sup>10</sup>:** While we generally prefer to engage issuers in private to enable honest, open, and frank discussions to take place, collaboration with other investors or stakeholders, might be an impactful engagement or escalation strategy. Given ownership of an issuer is often dispersed, for a stakeholder's voice to have weight it may require collaborative engagement to address issues effectively at the issuer or industry level. We support dialogue amongst investors and collaborative engagement where this contributes to the creation and protection of stakeholder value.
- **Public statements:** For both equity and corporate credit escalation issuing a public statement outlining disagreement with management's approach and formulating ESG best practices and expectations is an additional escalation option.
- **Filing shareholder resolutions:** Filing an equity or bondholder resolution can be a key rallying point of an engagement campaign to change issuers' behaviour. Examples might include improving board accountability, executive pay practices, ESG-related disclosure, climate change action or employee welfare.
- **Annual General Meetings (AGMs):** Requesting a shareholder meeting or intervening at an AGM offer the opportunity for direct, public dialogue with boards and top executives. Interventions at AGMs can also trigger further dialogue with an issuer, paving the way to more in-depth engagement on an issue.
- **Proxy voting:** Voting against management on key resolutions sends a clear signal to issuers and can help with further engagement efforts.
- **Partial or complete divestment<sup>11</sup>:** Re-weighting a position to reflect the investment risk of poor ESG practices or selling a holding outright can be a powerful signal of dissatisfaction in response to inadequate progress against Objectives.

<sup>9</sup> These memberships and initiatives may change over time and the current list is disclosed in the annual Stewardship Report available [here](#).

<sup>10</sup> Collaborative engagement is not exclusively used for escalation purposes but can also be used as standard engagement with other investors.

<sup>11</sup> This does not apply to *reo* clients given the nature and scope of the service. *reo* clients may choose to take this path themselves in response to our assessment of inadequate progress against engagement Objectives.

## Tracking engagement progress

Objectives, Engagement Activity and Milestones are tracked and monitored for ESG-focused engagements. All engagement is tracked in a company-wide database and accessible to all research analysts and portfolio managers.

The database allows us to produce engagement activity reports for internal use, clients, or the general public, e.g. our Stewardship Report.

We measure and report on the success of engagement through the assignment of “Milestones”, which recognize improvements in issuers’ ESG policy, management systems or practices against the Objectives that were set. Milestones are ascribed using a three-star rating system, with three stars indicating the most material changes of significant ESG impact and one star reflecting smaller, incremental change to ESG practices along a pathway for the issuer, or across a broader context, for the relevant industry as a whole.

Active Ownership analysts also assign an annual “Responsiveness Rating” to issuers engaged.

## Transparency

Clear accountability and transparent communication are key elements of our Responsible Investment engagement programme. We report periodically on the number of engagements, the number of successful engagement outcomes,

as well as our public policy engagement, reflecting our full sphere of influence. We do this via quarterly and annual stewardship reports that we make publicly available on our website<sup>12</sup>. We also publish research and thought leadership pieces on specific engagement activities and ESG topics; and ESG profile and impact reports for a number of funds that contain information on engagement. These are all available on our website.

## Conflicts of interest

Although we seek to act in the best interests of our managed asset and **reo**® clients, we recognize that certain conflicts of interest may arise due to our engagement activities contemplated by this policy. Our approach to identify, prevent, and/ or manage potential conflicts to ensure we serve our clients’ best interests is guided by various conflicts of interest policies in place across Columbia Threadneedle Investments including specifically around conflicts arising in respect of Active Ownership – Engagement<sup>13</sup>.


## Governance of the Responsible Investment Engagement Policy


The Responsible Investment Engagement Policy is reviewed annually by the Responsible Investment team, the General Counsel’s Organisation (GCO) and other relevant stakeholders, including Investments. The internal governance committees approve any updates to policy and its underlying principles and processes.

<sup>12</sup> Stewardship Reports can be found [here](#).

<sup>13</sup> See Conflicts of Interest Addendum – [Active Ownership: Engagement](#)

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