

Zuger KB

Q1 2025

The purpose of the **reo**® (responsible engagement overlay) service is to engage with companies through constructive interactions about environmental, social and governance (ESG) practices that could have a material impact on financial results. The **reo**® approach focuses on enhancing long-term investment performance by helping companies ensure continuity in business operations and supply chains and maintain their reputation and social licence to operate.

Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
36	29	7	10

Companies engaged by region



Engagement by theme *



Milestones achieved by issue



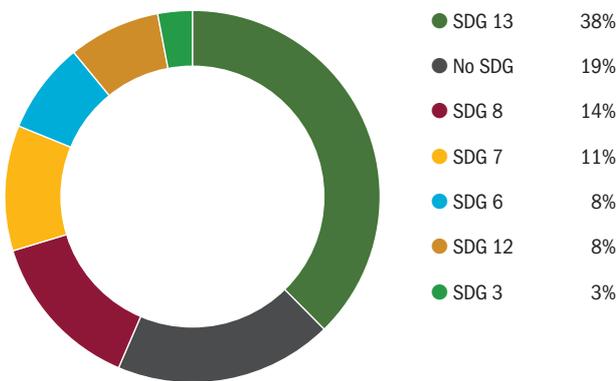
* Companies may have been engaged on more than one issue.

Engagements and Sustainable Development Goals (SDGs)

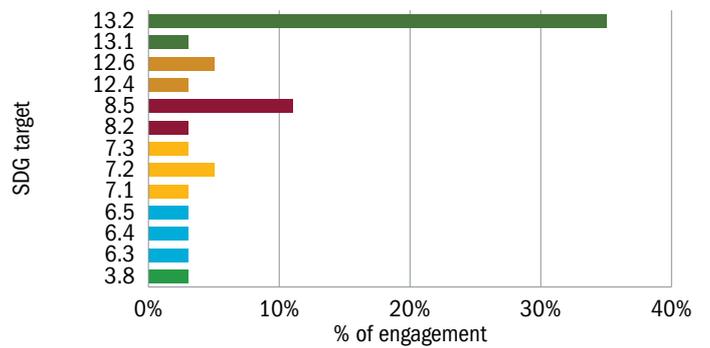
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

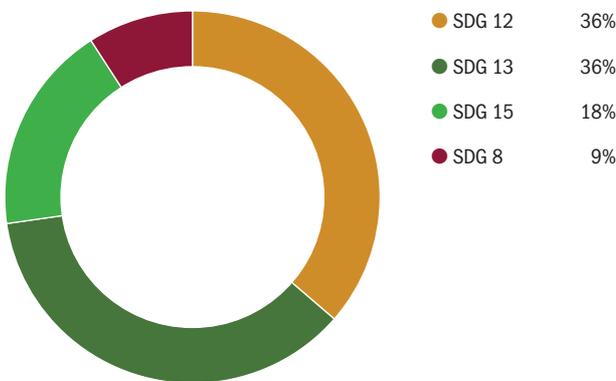
Engagement: SDG level



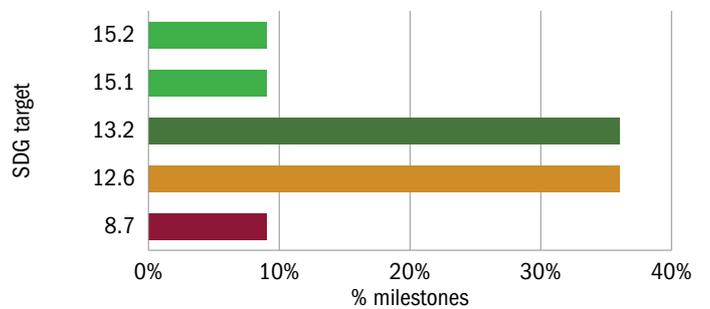
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



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



Engagement case studies

Company: Antofagasta PLC	Mailing Country: Chile	Sector: Materials
Priority Company: -	ESG Risk Rating: 	Response to Prior Engagement: Adequate
Theme: Climate Change	Engagement Case Study Name: Strengthening water resilience through desalination and community engagement	
SDG:	 6.4  12.6	

Background

Antofagasta PLC is a major copper mining company operating in Chile, where water scarcity and community relations are critical operational challenges. With increasing pressure on water resources in Chile, the company's approach to water management and community relations is fundamental to its long-term sustainability and licence to operate. We engaged with the company to understand their strategy for managing these interconnected risks.

Action

We met with the CFO and IR team to discuss water management and community relations. The company is implementing a significant \$2 billion desalination project at its Los Pelambres mine, aiming to achieve 90% decoupling from continental water sources by 2027. This investment demonstrates a strategic approach to reducing dependence on scarce local water resources. The company emphasized that community engagement is critical for permitting processes, particularly regarding water rights. Their approach includes annual public consultations and collaborative project portfolio selection, focusing on enabling solutions by bringing together communities and government stakeholders.

Verdict

Antofagasta understands the interconnected nature of water and community risk, implementing concrete measures to address both challenges. The substantial investment in desalination infrastructure shows the materiality of reducing environmental impact and securing water rights. The company's recognition that water rights and community acceptance are crucial factors in permitting processes reflects a realistic assessment of operational risks. We will continue to monitor the progress of their water stewardship and community engagement initiatives, particularly regarding the implementation timeline and effectiveness of their stakeholder engagement approach.

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: Apple Inc	Mailing Country: United States	Sector: Information Technology
Priority Company: -	ESG Risk Rating: 	Response to Prior Engagement: Good
Theme: Business Conduct	Engagement Case Study Name: Strengthening AI governance and privacy protection in technology innovation	
SDG:  12.6		

Background

Apple Inc is one of the world's leading technology companies, with increasing focus on artificial intelligence integration across its products and services. As AI technology becomes more prevalent in consumer technology, concerns about data privacy, ethical AI development, and responsible innovation have grown. We engaged with the company to understand their governance framework for AI development, particularly regarding their partnership with OpenAI and their approach to protecting user privacy while advancing AI capabilities.

Action

We engaged with management to discuss their AI data sourcing and governance framework. The company has implemented robust privacy protections in their OpenAI partnership, by for example including IP masking mechanisms. Apple emphasized that their integration with OpenAI includes specific privacy safeguards, with users having control over their data usage. Additionally, The company has established a system allowing web publishers to block AI training data collection through their crawlers, similar to existing ad-blocking mechanisms. Individual users also have the ability to object to the processing of their personal data for AI model training. Regarding governance structure, while the company is considering codifying responsible AI principles explicitly in their board committee charters, they currently maintain regular audit committee oversight of AI development and implementation. The company also provides updates to the board on charitable donations and regulatory developments, demonstrating a comprehensive approach to governance in our view.

Verdict

Apple demonstrates a thoughtful approach to AI governance and data privacy protection, with clear mechanisms for user control and transparency. Their implementation of opt-out systems for both publishers and individuals shows commitment to responsible AI development. While formal codification of AI principles in board charters remains under consideration, their current governance framework appears robust. We will continue to monitor the evolution of their AI governance structure and engage on the potential formalization of responsible AI principles in board charters. The company's balanced approach to innovation and privacy protection provides a strong foundation for sustainable AI development.

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
SDG3	3.8	Access to medicines and health-care
SDG6	6.3	Improve water quality by reducing pollution
SDG6	6.4	Increase water-use efficiency to address water scarcity
SDG6	6.5	Implement water resource management at all levels
SDG7	7.1	Ensure universal access to modern energy services
SDG7	7.2	Substantially increase the global share of renewable energy
SDG7	7.3	Double the global rate of improvement in energy efficiency
SDG8	8.2	Achieve greater productivity through innovation.
SDG8	8.5	Achieve full and productive employment for all
SDG8	8.7	Eradicate forced labour, modern slavery & human trafficking
SDG12	12.4	Manage chemical usage and waste throughout their life cycle
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
SDG15	15.1	Ensure sustainable usage of terrestrial freshwater ecosystems
SDG15	15.2	Promote the implementation of sustainable management of forests

© 2025 Columbia Threadneedle Investments. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. For professional investors only. Financial promotions are issued for marketing and information purposes; in the United Kingdom by Columbia Threadneedle Management Limited, which is authorised and regulated by the Financial Conduct Authority; in the EEA by Columbia Threadneedle Netherlands B.V., which is regulated by the Dutch Authority for the Financial Markets (AFM); and in Switzerland by Columbia Threadneedle Management (Swiss) GmbH, acting as representative office of Columbia Threadneedle Management Limited. In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it. 228126 (07/22). This item is approved for use in the following countries; AT, AU, DK, FR, DE, NL, PT, CH, UK, US, NZ, CA, KR.