

Zuger KB

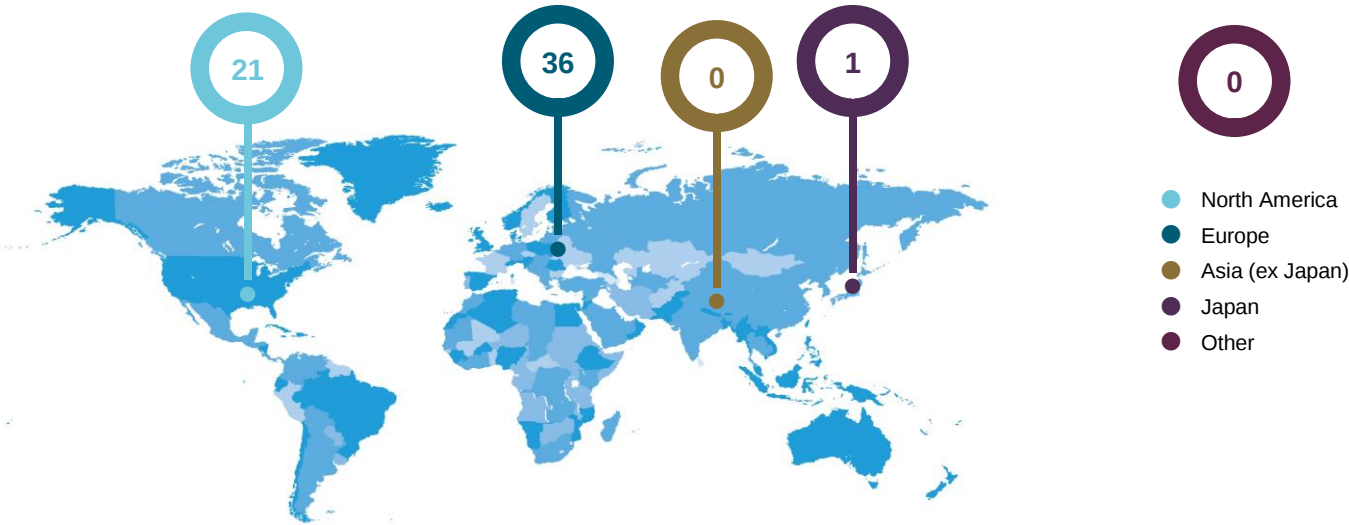
Q3 2025

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
90	58	11	12

Companies engaged by region



Engagement by theme



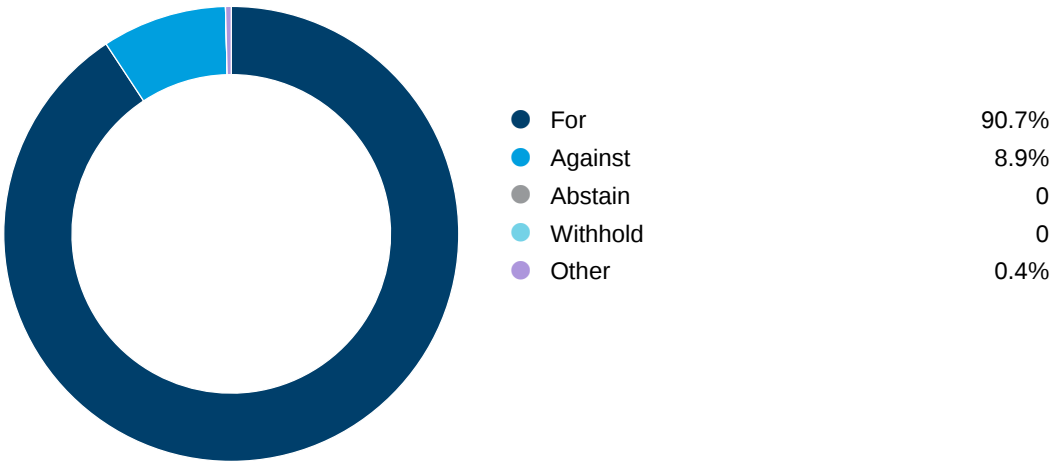
Milestones achieved by theme



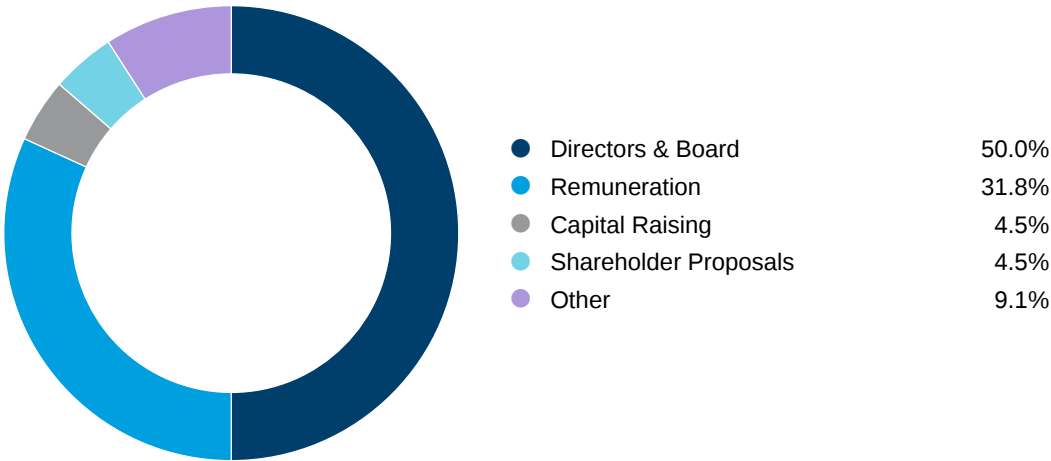
Share voting results¹

Company meetings voted	14
Items voted	248

Items voted



Votes against and abstentions by category



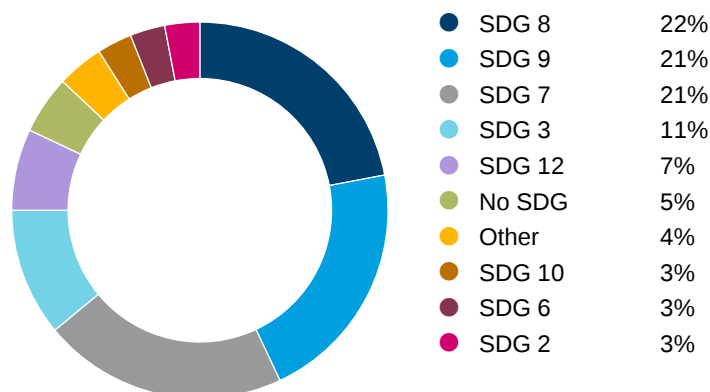
¹This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where 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 uninstructed.

Engagements and Sustainable Development Goals (SDGs)

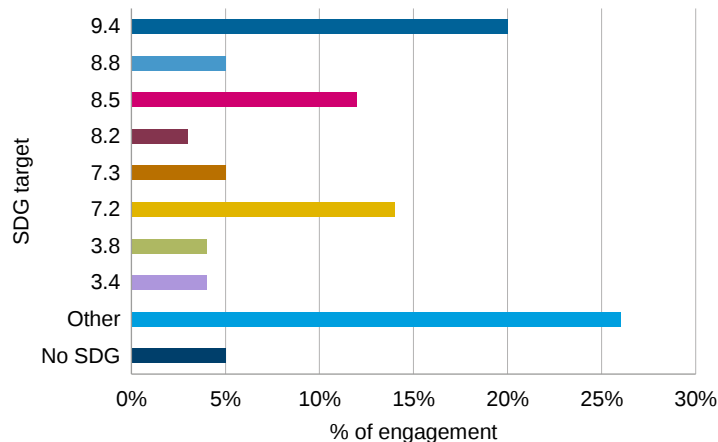
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

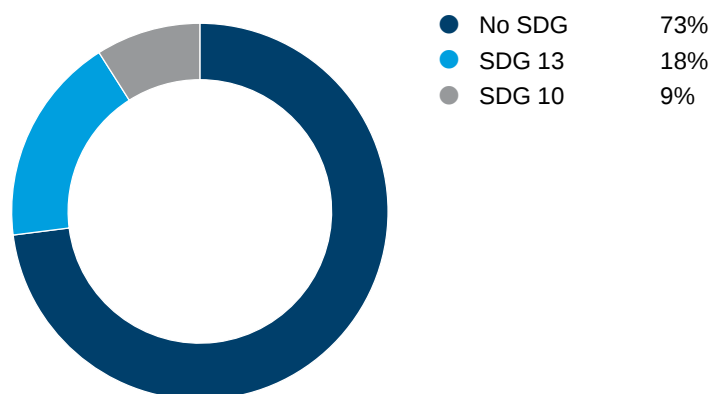
Engagement: SDG level



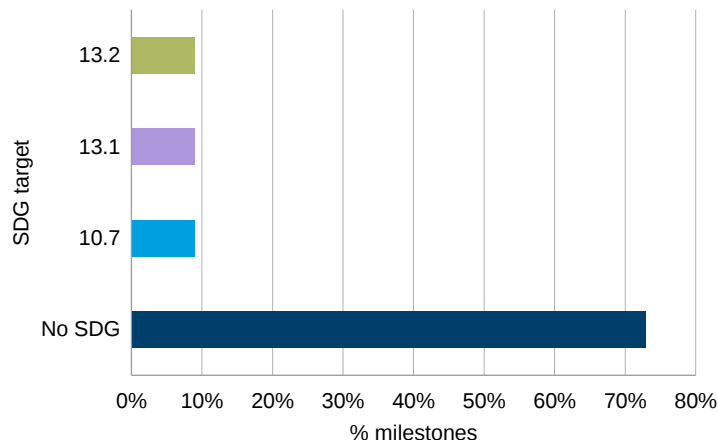
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



Engagement case studies

Company: Coca-Cola Co

Mailing country: United States

Sector: Consumer Staples

Priority company: ✓

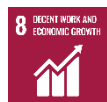
ESG risk rating: ●

Response to prior engagement: Adequate

Theme: Labour Standards

Engagement case study name: Cultural transformation driving execution excellence across global markets

SDG:



8.5

Background

The Coca-Cola Company operates globally with 600,000 employees across its bottling network and corporate operations, managing \$30 billion brands in 200+ countries. Under CEO Quincey's leadership, the company has undertaken a significant cultural transformation addressing what he viewed as their greatest risk: "mis-execution and a culture that fails to support growth." To combat complacency, Quincey cites the founder's mantra that "the future belongs to the discontented". The transformation has shifted Coca-Cola from a hierarchical structure to a more nimble organization, notably through a compensation structure that prioritizes total performance over individual metrics. Their operational framework creates clear delineation between corporate (brand management) and bottlers (market execution), having strategically reduced bottling partners from 10,000 to 200 for scale advantages while maintaining local responsiveness.

Action

We engaged with Coca-Cola to understand how their cultural framework enables execution excellence across diverse markets. The company reinforces their culture through an approach that aids knowledge sharing between regions such as rotating high-talent employees between markets, sharing data between bottling partners, and creating systems for using successful local initiatives globally. They encourage employees to take on new challenges every 2-3 years, and executives gain broad geographic experience. This supports a "company first" mindset where over-performing units reinvest in marketing rather than retaining profit. Their "progress over perfection" approach has delivered concrete results, including AI implementation scaled from pilot markets to eight global operations and new product launches designed to appeal to Gen Z consumers. Cultural adaptability was shown when Turkey's strategy to combat boycotts was rapidly deployed to address similar challenges in Mexico.

Verdict

Coca-Cola's systematic cultural transformation creates sustainable competitive advantage through measurable structural changes rather than vague corporate values. Their balanced approach to global consistency and local adaptation, combined with demonstrated ability to rapidly share and implement best practices across markets, positions them well to maintain their long-term growth algorithm of 5 – 6% revenue growth despite increasingly complex market dynamics. The clear alignment between incentives, operational structure, and strategic priorities creates a framework that enables consistent execution while fostering innovation and adaptability.

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



Second quartile



Third quartile



Bottom quartile

Engagement case studies

Company: Eli Lilly & Co		Mailing country: United States	Sector: Health Care
Priority company: ✓		ESG risk rating: ●	Response to prior engagement: Good
Theme: Human Rights; Business Conduct		Engagement case study name: Leading preventative health transformation through GLP-1 platform strategy	
SDG:	3 BETTER HEALTH AND WELL-BEING  3.4		

Background

Eli Lilly is one of the world's largest pharmaceutical companies with leading positions in diabetes care and emerging dominance in obesity treatment through GLP-1 therapies. The company is strategically positioned at the forefront of preventative health transformation through comprehensive GLP-1 expansion. They developed a thoughtful portfolio approach with complementary assets for different patient groups: Orforglipron for weight maintenance, Tirzepatide (Zepbound/Mounjaro) for standard obesity treatment, and Retatrutide for significant weight loss. Orforglipron achieved 12.4% weight loss in Type 2 diabetes patients, deemed clinically meaningful, with Phase 3 now advancing. Their multi-product strategy enables lifecycle management and sustained preventative care models. Management emphasized commitment to healthcare accessibility through innovative pricing while pursuing expanded applications beyond weight loss including obstructive sleep apnea and pain management.

Action

We engaged to evaluate their GLP-1 strategy within preventative health transformation themes. Lilly Direct operates at \$350-500 price points compared to typical retail prices exceeding \$1,000, demonstrating strategy to work outside traditional distribution and improve affordability for uninsured patients. Their UK/EU pricing aims to create better US market parity while maintaining value-based approaches. They pursue obesity and diabetes indications simultaneously, recognizing interconnected metabolic conditions and comprehensive prevention importance. They are also exploring expanded applications indicating broad potential to achieve healthier outcomes. Management expects regulatory filings to advance through 2025-2026, with patient segmentation supporting different therapeutic approaches. It was good to note that their "price to value" approach aligns with sustainable pricing power for preventative therapeutics.

Verdict

Eli Lilly's comprehensive multi-product approach to metabolic disease prevention positions them as a leader in healthcare transformation. Their platform strategy for sustained preventative care and innovative market access approaches demonstrate effective management of both clinical and commercial opportunities in the evolving healthcare landscape.

Engagement case studies

Company: Neste Oyj		Mailing country: Finland	Sector: Energy
Priority company: ✓		ESG risk rating: ●	Response to prior engagement: Good
Theme: Climate Change; Environmental Stewardship		Engagement case study name: Leading European SAF market expansion amid competitive pressures	
SDG:	9 INDUSTRIAL INNOVATION AND INFRASTRUCTURE  9.4		

Background

Neste Corporation (Neste) is a Finnish oil refining and marketing company and a leading producer of Sustainable Aviation Fuel (SAF) and renewable diesel globally. The company faces increasing competitive pressure in the SAF and renewable diesel markets with industry overcapacity driving margin compression across their core business segments. However, regulatory tailwinds are emerging with the European Union's Renewable Energy Directive III implementation and higher US renewable volume obligations for 2026/27 supporting demand growth in key markets. The company has shifted focus from the US to European markets following US regulatory changes disadvantaging imports, with c70% of volumes now sold in Europe. Their flexible production capability allows switching between renewable diesel and SAF to optimize margins depending on market conditions. The company's competitive advantage lies in feedstock pre-treatment capabilities and direct used cooking oil sourcing relationships that enable processing of lower-quality, less expensive oil that competitors cannot utilize as effectively.

Action

We engaged to understand their strategy in the increasingly competitive SAF market and assess their feedstock sourcing approach. Neste's sustainability due diligence involves comprehensive supplier audits and feedstock chemical screens ensuring compliance with evolving regulatory requirements. The company has implemented rigorous sustainability frameworks ensuring all biofuels comply with European Union criteria through ISCC EU and ISCC PLUS certifications, which evaluate carbon footprint, forest preservation, land use, and human rights considerations. They have completely ceased palm oil supplies and are increasing circular feedstocks to more than 75% for biofuel production, prioritizing food industry waste while avoiding first-generation biomass that competes with food consumption.

Verdict

Neste's strong feedstock sustainability practices and flexible production capabilities position them well for regulatory compliance and market recovery. Their European market focus and superior pre-treatment technologies provide competitive advantages as the SAF market matures globally.

Engagement case studies

Company: TotalEnergies SE		Mailing country: France	Sector: Energy
Priority company: ✓		ESG risk rating: ●	Response to prior engagement: Good
Theme: Climate Change; Environmental Stewardship		Engagement case study name: Leading European SAF market transformation through refinery conversion	
SDG:	 7.2		

Background

TotalEnergies is a French multinational integrated energy company positioning itself as a leader in the European Sustainable Aviation Fuel (SAF) market with ambitious production targets of 500,000+ tons annually by 2028, exceeding the 6% EU blending mandate for 2030. They are executing comprehensive refinery conversions across France, Belgium, and Germany. Their strategic partnership with Air France-KLM for 1.5 million metric tons over ten years demonstrates strong commercial traction. The company leverages both dedicated biorefinery production and coprocessing capabilities, maximizing existing infrastructure. However, they face margin pressure from weak petrochemicals and oversupplied European biofuels markets, with SAF sales increasing 80% quarter-over-quarter despite industry-wide oversupply compressing margins.

Action

We engaged with TotalEnergies to understand their SAF strategy responding to EU regulatory mandates and airline decarbonization demand. The company implements rigorous sustainability frameworks ensuring biofuels comply with EU criteria through certifications evaluating carbon footprint, forest preservation, land use, and human rights. TotalEnergies ceased palm oil supplies and increased circular feedstocks to 75%+ for biofuel production, prioritizing food industry waste while avoiding first-generation biomass competing with food consumption. The company aligns their SAF strategy with progressive European blending mandates: 2% in 2025, 6% in 2030, 20% in 2035, and 34% in 2040. It is noteworthy that TotalEnergies has formed partnerships with aerospace groups including Airbus and Safran while increasing R&D through their Solaize research center to address feedstock challenges and explore e-fuels.

Verdict

TotalEnergies' comprehensive refinery conversion strategy and strong sustainability practices position them well for European SAF market leadership. We will continue to engage TotalEnergies on their strategy to grow into SAF segments beyond Hydroprocessed Esters and Fatty Acids (HEFA) which we expect to be supply constrained in the medium term.

Appendix



SDG	Target	Target Summary
SDG3	3.4	Reduce mortality from non-communicable diseases and promote mental health
SDG3	3.8	Access to medicines and health-care
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	8.8	Protect and promote safe working environments for all workers
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG10	10.7	Facilitate safe migration through managed policies
SDG13	13.1	Strengthen adaptive capacity to climate-related events
SDG13	13.2	Integrate climate change plans into policies and strategies

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