

Zuger KB

Q4 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.

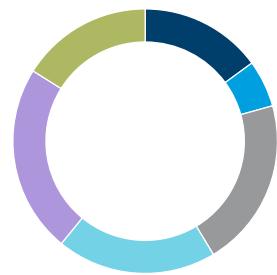
Companies engaged this quarter

| Engagement | Companies Engaged | Milestones achieved | Countries covered |
|------------|-------------------|---------------------|-------------------|
| 54 | 37 | 6 | 9 |

Companies engaged by region

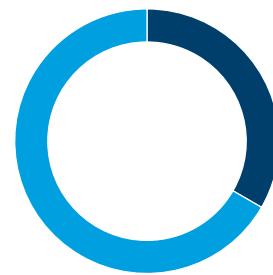


Engagement by theme



| | |
|---------------------------|----|
| Climate Change | 13 |
| Environmental Stewardship | 5 |
| Human Rights | 18 |
| Labour Standards | 17 |
| Corporate Governance | 20 |
| Business Conduct | 14 |

Milestones achieved by theme

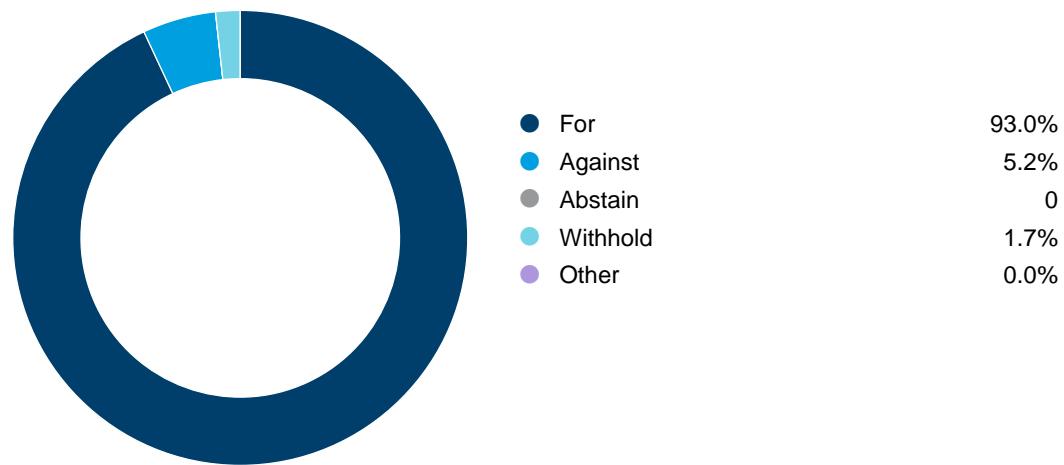


| | |
|----------------------|---|
| Climate Change | 2 |
| Corporate Governance | 4 |

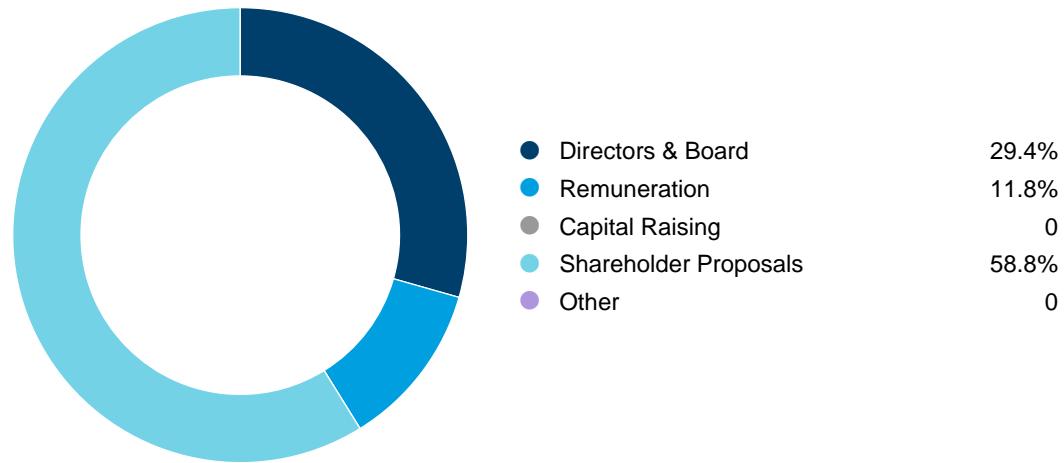
Share voting results¹

| | |
|------------------------|-----|
| Company meetings voted | 19 |
| Items voted | 230 |

Items voted



Votes against and abstentions by category



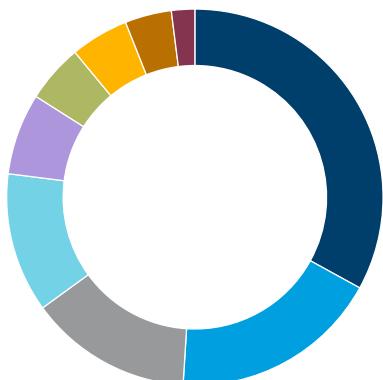
¹This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where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

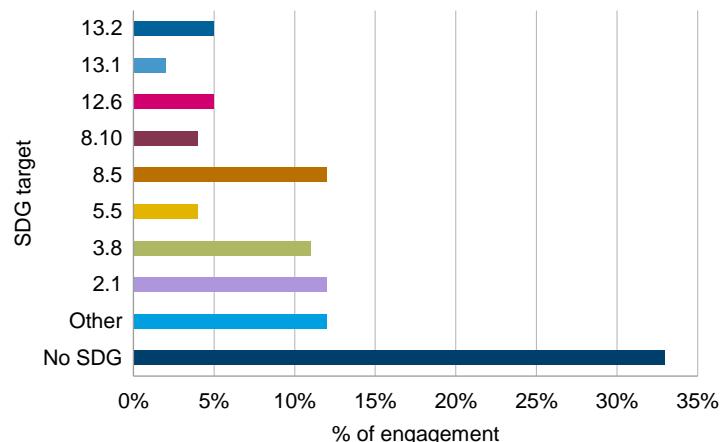
We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

Engagement: SDG level

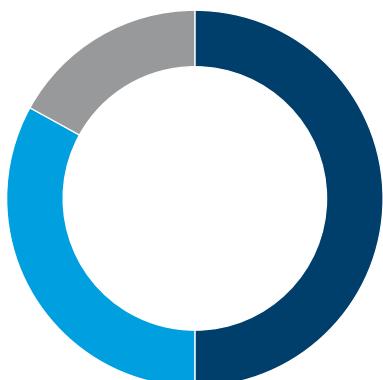


| | |
|--------|-----|
| No SDG | 33% |
| SDG 8 | 18% |
| SDG 2 | 14% |
| SDG 3 | 12% |
| SDG 13 | 7% |
| SDG 5 | 5% |
| SDG 12 | 5% |
| SDG 7 | 4% |
| SDG 16 | 2% |

Engagement: SDG target level

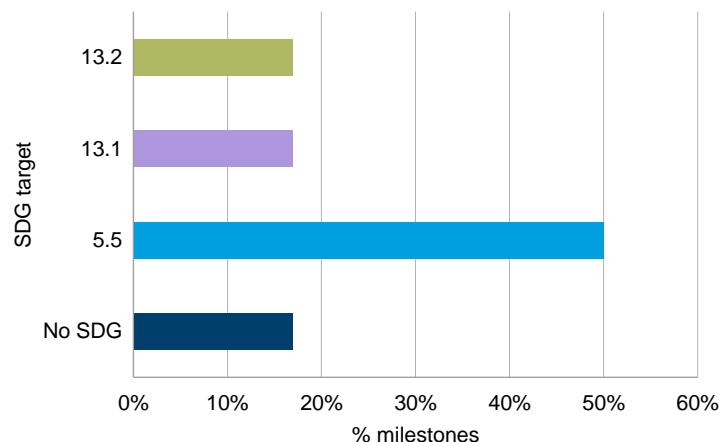


Milestone: SDG level



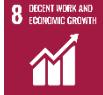
| | |
|--------|-----|
| SDG 5 | 50% |
| SDG 13 | 33% |
| No SDG | 17% |

Milestone: SDG target level



Source: Columbia Threadneedle Investments

Engagement case studies

| | | |
|--|---|---|
| Company: Amazon.com Inc | Mailing country: United States | Sector: Consumer Discretionary |
| Priority company: ✓ | ESG risk rating: ● | Response to prior engagement: Good |
| Theme: Human Rights; Labour Standards | Engagement case study name: Amazon's Labour Standards and Community Engagement in their Supply Chain | |
| SDG: | 6  6.6 | 8  8.8 |

Background

Amazon's scale makes its labour practices and community impact a focal point for stakeholders. Public concerns around warehouse working conditions, repetitive strain injuries, and the social implications of automation are often raised. AWS's rapid expansion also raises questions about water use, energy demand, and local community engagement. Against this backdrop, engagement is critical to assess alignment with international labour standards and responsible infrastructure development. We aimed to evaluate workforce wellbeing in high-volume fulfilment centres and assess how Amazon manages community relations in areas affected by its data centres.

Action

We visited the Dartford, UK fulfilment centre. It processes c6 million packages weekly with c2,500 staff, all full-time and with corporate-equivalent benefits, flexible shift options, and stretch breaks. Cross-training mitigates repetitive strain injuries, and health & safety incidents are logged. Employee voice mechanisms include HR kiosks, an app, and peer feedback boards. Recognition systems support promotion pathways but are not financially incentivised. Accessibility features for staff and targeted areas to gather staff feedback were noted. Robotics integration has reduced manual strain and are generally well received, though repetitive strain injuries still occur. Regarding its community engagement approach for AWS infrastructure, Amazon conducts hyper-local risk assessments and partners with community leaders to address water and energy challenges. Examples include utility investments in Mississippi, leak detection technology in Mexico, and irrigation efficiency projects in Spain. Engagement focuses on educating communities about electrification impacts, communicating economic benefits, and embedding social license into strategy. Amazon engages across federal, state, and city levels to anticipate regulatory shifts.

Verdict

Amazon demonstrates strong operational transparency and proactive workforce practices, including health & safety protocols, cross-training, and employee voice mechanisms. Robotics adoption appears to enhance job design rather than displace labour, though monitoring repetitive strain injuries remains critical. Community engagement reflects a strategic approach, with tangible investments and upstream solutions to mitigate water and energy impacts. We will continue engagement to track workforce transition programs as automation scales and validate community impact outcomes in high-growth regions.

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

For illustrative purposes only. The mention of any stocks or securities is not a recommendation to deal.

Engagement case studies

| | | |
|---|--|---|
| Company: Mercedes-Benz Group AG | Mailing country: Germany | Sector: Consumer Discretionary |
| Priority company: ✓ | ESG risk rating: ● | Response to prior engagement: Good |
| Theme: Climate Change; Environmental Stewardship | Engagement case study name: Strategic EV adjustment balancing regional realities with decarbonization goals | |
| SDG: 9  9.4 | | |

Background

Mercedes-Benz Group AG is a German multinational vehicle manufacturer. The company has significantly adjusted its electrification strategy, abandoning the previous 2030 "all-electric" target in favour of a more measured 50% EV share by 2030, with full electrification potentially by 2035. Mercedes acknowledges regional adoption disparities with the US expected at only 40-50% by 2030 compared to Europe and Asia. Management explained their "tactical flexibility" approach for combustion engines while strategically preparing for an all-electric future, with electrified high-tech combustion engines expected to remain in their portfolio until well into the 2030s to align with varying regional infrastructure and consumer demand patterns. Mercedes faces significant challenges with their ACC battery joint venture, recording a EUR350 million impairment in 2024.

Action

We engaged with the sustainability team to understand their revised EV strategy, cost reduction initiatives, and investment plans as they navigate complex transition to electrification across different regional markets. It was good to note Mercedes achieved significant progress in battery cost reduction with 30% per kWh improvement on their MMA platform through chemistry changes, though margin parity between EVs and ICE vehicles isn't expected until 2030. The company also detailed their new all-electric CLA launching in Q2 2025, delivering 790+ km range and 320 km charging capability within 10 minutes.

Verdict

We see that Mercedes continues to progress on its EV strategy, though view the company as behind peers such as BMW. In particular, we continue to have concerns around Mercedes' battery strategy and see that the company is behind peers in moving towards a zonal architecture. We continue to encourage stronger upstream value chain emissions management and raise our concerns around how Mercedes can mitigate ACC's weakness as a strategic battery supplier.

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

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Appendix



| SDG | Target | Target Summary |
|-------|--------|---|
| SDG2 | 2.1 | End hunger and ensure access to safe and nutritious food |
| SDG3 | 3.8 | Access to medicines and health-care |
| SDG5 | 5.5 | Ensure full equality of opportunity for women, including at leadership levels |
| SDG8 | 8.5 | Achieve full and productive employment for all |
| SDG8 | 8.10 | Increase access to finance |
| 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 |

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