

Ageas Pensões

Q1 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
135	109	20	18

Companies engaged by region



Engagement by theme **



Milestones achieved by theme



* **reo**[®] is currently applied to €1.08tn / £960bn / US\$1.16tn* as at 31 December 2022.

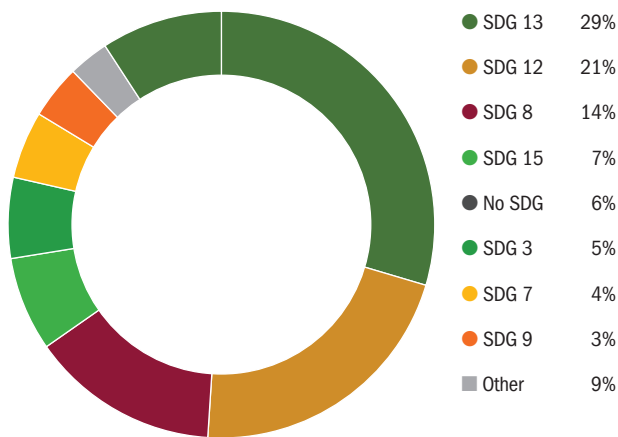
** Companies may have been engaged on more than one issue.

Engagements and Sustainable Development Goals (SDGs)

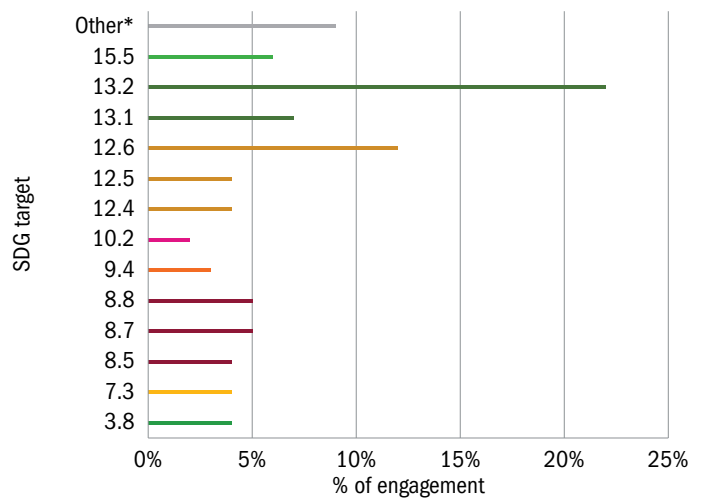
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

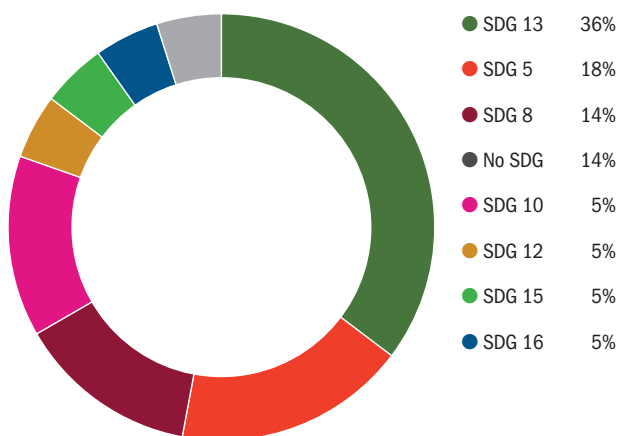
Engagement: SDG level



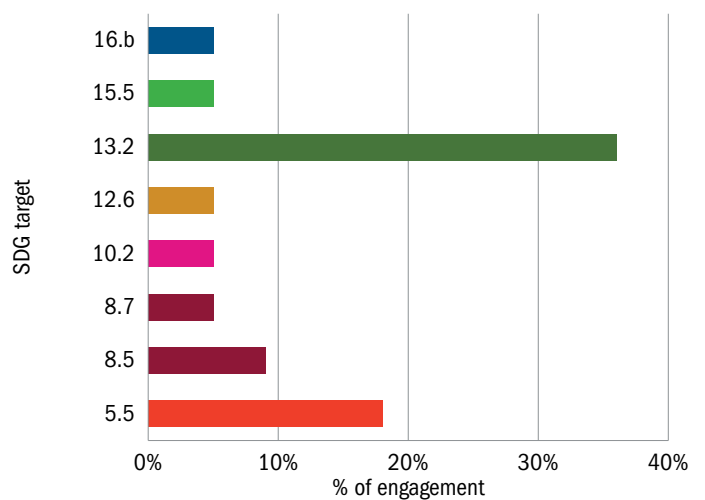
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



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

Engagement case studies

Company: Umicore SA

Country: Belgium

Sector: Materials

Priority Company: -

ESG Risk Rating:

Response to engagement: Adequate

Theme: Climate Change, Environmental Stewardship, Labour Standards

Issue: Improving environmental impacts and health & safety

SDG:

 6.4	 13.2	 8.8	 12.5
---	--	---	--

Background

Umicore is a leading auto catalysts manufacturer for emissions controls in the light and heavy-duty vehicle industry, aiming to position itself as a producer of battery materials for electric vehicles, stationary storage and portable electronics. It also has significant refining and metal recycling capabilities and is especially proficient in Platinum Group Metals (PGM) refining. Under Umicore’s 2030 RISE project (its new strategic plan designed to accelerate value creative growth launched in 2022), the company expects to further build on its leadership position within clean mobility materials and recycling. This growth will come with increased stress of key environmental and social concerns associated with these activities – notably around water usage, waste management and employee health and safety. Indeed, recycling can be a dirty business, as highlighted by past problems around lead pollution at Umicore’s Hoboken site – specialised in recycling batteries through extraction of precious metals such as silver, gold and platinum.

Action

We had a call with Umicore’s ESG Director to discuss how the company is dealing with its material ESG issues against a backdrop of planned expansive growth. On the environmental side, the company has had their 2030 emissions reduction targets approved by SBTi, including an intensity-based scope 3 target. Whilst we pushed for an absolute target to be set, Umicore felt that this is not currently viable under the current growth strategy. Umicore launched a dedicated water stewardship programme last year. We used this call as an opportunity to better understand the work carried out to date, and what to expect for the year ahead. The company has identified its first two sites where it sees potential water issues (both in Belgium) – and are hopeful of setting some quantitative targets – e.g. relating to water use/re-use/levels drawn/intensity – later this year. Umicore admitted that waste management continues to be an issue. The largest portion of waste is at its Hoboken site, focused on recycling activities, where half of the input mix is secondary materials. Any hazardous waste that cannot be recycled is disposed of in line with regulatory requirements. Positively, the company confirmed that it is looking into ways to best report on these recycling activities and ultimately hopes to set recycling targets in the future.

Verdict

Umicore is well aware of its environmental and social impacts, and is refreshingly honest in its assessment of where it currently stands. Whilst there is undoubtedly still work to be done to mitigate and minimise these impacts, we are extremely encouraged with the steps the company is taking to address them. We look forward to developments around its water stewardship programme later this year and expect to see site level targets for its “at-risk” sites. We also expect to see the company continue to develop its safety practices and protocol in a bid to see a fall in Lost Time Accidents in the next reporting cycle after a rise in 2022.

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: CoreCivic Inc

Country: United States

Sector: Industrials

Priority Company: -

ESG Risk Rating:

Response to engagement: Adequate

Theme: Human Rights, Labour Standards

Issue: Human Rights Due Diligence, Forced Labour

SDG:



16.b



12.6

Background

CoreCivic is one of the largest private prison and detention centre operators in the United States. They have faced a host of allegations over many years, relating to the poor treatment of detainees in its facilities resulting in accusations of breaching the principles of the UN Global Compact. Our record of the allegations against the Company extends back to 2014 when a report on a four-year investigation stated several detainees had died while in custody after management refused or failed to provide adequate medical care. In 2018, the U.S. Commission on Civil Rights asked Congress for an investigation in to forced labour concerns in relation to the company’s Voluntary Work Program where detainees may work up to 8 hours per day and paid as little as \$1. As recently as 2022, CoreCivic has continued to face scrutiny in the press and the threat of legal action against executives about the program. They have also faced scrutiny relating to officer safety and allegations of discriminatory practices. In 2021, the Company was subject to a shareholder proposal to conduct a racial equity audit, to which they quickly agreed and commissioned an independent report.

Action

We have engaged CoreCivic on its approach to human rights risk management since 2015, both independently and as part of collaborative investor groups, including asking for better disclosure of the framework and metrics used to assess the effectiveness of its human rights risk mitigation efforts. In reporting on specific grievances raised by inmates, we noted the high proportion of reports against correctional officers. The Company defended its facility culture and highlighted its efforts to continue to strengthen its commitment to human rights. Given the high proportion of employee grievances raised about disciplinary actions, we questioned whether oversight mechanisms were effective or even contributed to employee discontent and untoward actions against detainees. The Company admit that facility staff may not always act appropriately, despite oversight and safeguards in place. We also discussed inmate and officer safety - whilst the Company discloses employee work related injuries, we encouraged the disclosure of the same for detainees. With regard to the voluntary work program, the Company maintains that it is a government initiative with all payment terms set by the government - despite wording to the contrary in the government’s standard policy.

Verdict

Whilst there is a long way to go to gain comfort on the Company’s human rights risk mitigation practices, their efforts to provide ESG reporting, conduct human rights risk assessments and engage with stakeholders is viewed favourably. That said, continued allegations relating to poor detainee conditions, detainee fatalities and other human rights abuses persist, calling in to question the effectiveness of the Company’s approach. The continued negative press has impacted the Company’s social licence to operate, making it a target for stakeholder backlash. Additionally, there has been a negative impact on their ability to access investment capital in recent years as a number of investment banks have publicly committed to ending their financing relationships with the private prison industry.

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
SDG2	2.1	End hunger and ensure access to safe and nutritious food
SDG2	2.2	End all forms of malnutrition, particularly for children and women
SDG3	3.3	End AIDS, TB, malaria and other water-borne and communicable diseases
SDG3	3.4	Reduce mortality from non-communicable diseases and promote mental health
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
SDG6	6.5	Implement water resource management at all levels
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
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
SDG11	11.4	Strengthen efforts to safeguard the world's natural heritage
SDG12	12.2	Sustainably manage and make efficient use of natural resources
SDG12	12.4	Manage chemical usage and waste throughout their life cycle
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
SDG14	14.4	Regulate harvesting and end overfishing to restore fish stocks

Appendix (continued)



SDG	Target	Target Summary
SDG15	15.1	Ensure sustainable usage of terrestrial freshwater ecosystems
SDG15	15.2	Promote the implementation of sustainable management of forests
SDG15	15.5	Take urgent action to reduce degradation of natural habitats
SDG16	16.6	Develop effective, accountable and transparent institutions
SDG16	16.b	Promote non-discrimination laws for sustainable development

© 2023 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.