

New Zealand Crown Financial Institutions:

Q1 2025

New Zealand Superannuation Fund
Accident Compensation Corporation
Government Superannuation Fund
National Provident Fund

*Companies represented in this report may not be held by each Crown Financial Institution.

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
82	70	20	16

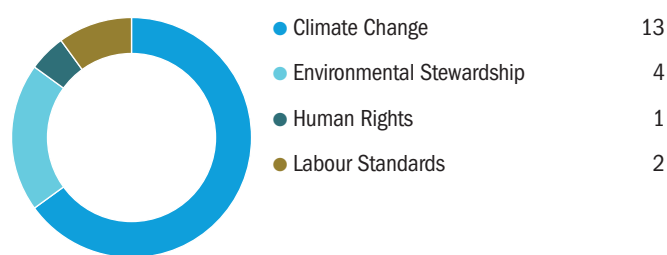
Companies engaged by region



Engagement by theme *



Milestones achieved by theme



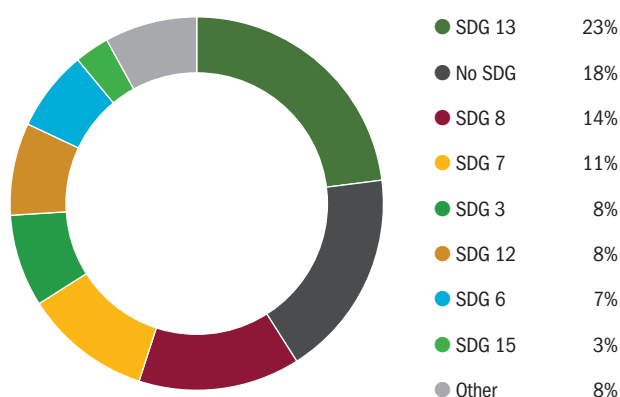
* Companies may have been engaged on more than one issue.

Engagements and Sustainable Development Goals (SDGs)

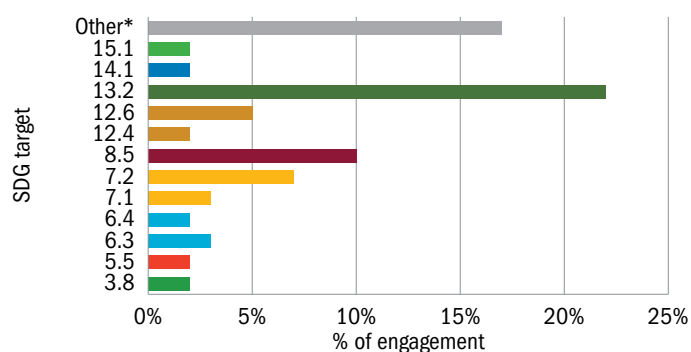
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy.

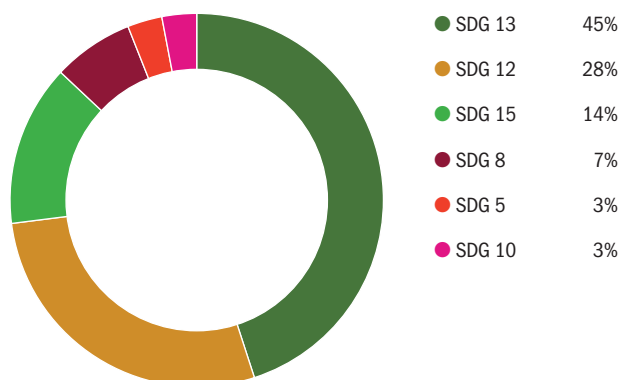
Engagement: SDG level



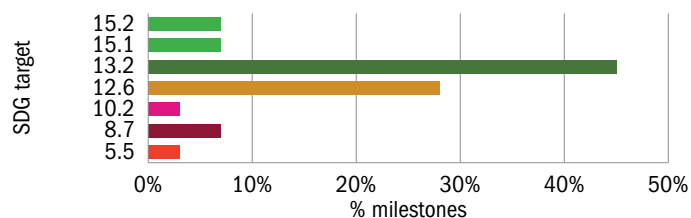
Engagement: SDG target level



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.

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Engagement case studies

Company: Lowe's Cos Inc	Mailing Country: United States	Sector: Consumer Discretionary
Priority Company: ✓	ESG Risk Rating: <div></div>	Response to Prior Engagement: Adequate
Theme: Corporate Governance	Engagement Case Study Name: Proactive board succession planning and skills alignment	

Background

Lowe's Companies Inc is one of North America's largest home improvement retailers. As the company faces evolving business challenges, including digital transformation and changing consumer behaviours, the composition and effectiveness of its board becomes increasingly important to support effective business execution. We engaged with the company to understand their approach to board refreshment and how they ensure board capabilities align with strategic needs.

Action

We engaged with management regarding their corporate governance and board refreshment processes. The company has added two new directors in 2024: Navdeep Gupta and Lawrence Simkins. This proactive refreshment was implemented ahead of anticipated retirements, as two current directors approach the mandatory retirement age of 75. The company utilized professional search firms to screen candidates and align skills with strategic needs. Mr. Gupta, a sitting CFO, brings extensive retail finance and management experience, while Mr. Simkins contributes valuable e-commerce expertise. The board demonstrates a structured approach to succession planning, conducting annual reviews of skills alignment with strategy. The use of professional search firms and focus on specific expertise areas indicates a robust director selection process. The company emphasized that they look at the alignment of skills to strategy on a yearly basis, ensuring the board maintains relevant expertise as business needs evolve.

Verdict

Lowe's demonstrates strong governance practices through its proactive approach to board succession planning and skills assessment. The addition of directors with specific expertise in retail finance and e-commerce shows thoughtful consideration of future business needs. The company's use of professional search firms and regular skills alignment reviews indicates a mature governance framework. We will continue to monitor the company's approach to board refreshment through the integration of new directors and the effectiveness of the board's strategic oversight.

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Engagement case studies

Company: Mowi ASA

Mailing Country: Norway

Sector: Consumer Staples

Priority Company: -

ESG Risk Rating: 

Response to Prior Engagement: Good

Theme: Climate Change

Engagement Case Study Name: Adapting salmon farming operations to increasing climate risks

SDG:



13.1



14.2

Background

Mowi ASA is a leading global seafood company and the world's largest producer of Atlantic salmon. The company faces increasing challenges from climate change impacts on its operations, including more frequent extreme weather events and changing marine conditions. The winter of 2023/24 proved particularly challenging due to cold temperatures, the largest eruption of string jellyfish in 20 years, and reduced efficacy of winter sore vaccines. These events highlighted the growing vulnerability of aquaculture operations to climate-related risks and the need for adaptive strategies.

Action

We engaged with the CFO to discuss the company's approach to climate resilience and adaptation strategies. The discussion revealed that while technology improvements have been implemented, these have largely been offset by increasingly challenging biological conditions, resulting in relatively flat mortality rates across the industry. Mowi has invested in several mitigation strategies, including larger smolt production facilities, lice lasers, and improved vaccines. Post-smolt production has emerged as a particularly effective solution, as it reduces the time salmon spend in catchment pens at sea from two summers to one, which lowers the risk of sea lice which proliferate in warmer water. The company is also developing submerged pen technology, though they lag behind competitors like Leroy in this area. These pens, which can be submerged to 30-meter depths, effectively address sea lice issues despite slightly slower growth rates due to colder water temperatures. The company noted that while individual events are uncertain, there is a growing risk that adverse weather conditions could simultaneously impact multiple geographic areas.

Verdict

Mowi shows awareness of increasing climate-related risks and is implementing technological solutions to address these. The focus on post-smolt production and investment in submerged pens shows a practical approach to adaptation, though Mowi could be more proactive in some areas of tech innovation. Mowi seems to be becoming more structurally exposed to climate risk, with the possibility of bad weather impacting many areas simultaneously presenting a significant concern. While current mitigation strategies show promise, particularly in maintaining production volumes despite climate pressures, we will continue to monitor how technology improvements can offset risks from worsening climate conditions and engage on strengthening its resilience strategies.

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Engagement case studies

Company: Quest Diagnostics Inc	Mailing Country: United States	Sector: Health Care
Priority Company: -	ESG Risk Rating: <div></div>	Response to Prior Engagement:
Theme: Human Rights	Engagement Case Study Name: Advancing healthcare accessibility through digital innovation and consumer-focus	
SDG: <div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div> 3.8		

Background

Quest Diagnostics Inc (Quest) is a leading provider of diagnostic testing services in the United States, with coverage of approximately 90% of insured lives through 2,000 patient service centres. The company has been expanding beyond traditional physician and hospital-based services to embrace direct-to-consumer testing and digital health solutions. Following the COVID-19 pandemic, which accelerated the adoption of alternative healthcare delivery models, Quest has been strategically positioning itself in the growing consumer wellness market while implementing AI technologies to enhance diagnostic capabilities.

Action

We engaged with members of IR and corporate responsibility to discuss their consumer wellness and AI implementation strategy. The company's direct-to-consumer (DTC) testing segment has shown robust growth, achieving a 40% year-over-year increase to reach \$60 million in 2024, excluding COVID-19 testing. Quest has leveraged COVID-19 profits to revamp its consumer-initiated testing platform and has expanded its test menu to 135 options. The company is also making significant strides in AI integration, particularly in cancer diagnosis and microbiology. Their Memphis facility serves as a hub for digital pathology, utilizing AI tools to enhance diagnostic accuracy and improve productivity. The company has implemented a board-level AI governance framework to manage risks associated with AI and data security. In terms of corporate wellness services, Quest offers comprehensive programs including pre-employment screening, wellness events, and has partnered with third party to provide mental health services, with 13,000 employees and dependents enrolled and 17,500 appointments completed in 2024.

Verdict

Quest demonstrates strong strategic positioning in healthcare prevention and early detection. Their successful expansion into direct-to-consumer testing, coupled with thoughtful AI integration and robust governance frameworks, shows an innovative approach to healthcare delivery. Quest's strong market coverage and growing DTC business indicate effective execution of their consumer wellness strategy. While the employer wellness segment faces challenges due to remote work trends, Quest's comprehensive approach to corporate wellness services and mental health support shows adaptability to market shifts. We will continue to monitor progress in scaling its DTC business and implementing AI technologies while maintaining appropriate risk management protocols.

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Top quartile:	<div>GREEN</div>	Second quartile:	<div>YELLOW</div>	Third quartile:	<div>ORANGE</div>
				Bottom quartile:	<div>RED</div>

Appendix



SDG	Target	Target Summary
SDG2	2.1	End hunger and ensure access to safe and nutritious food
SDG2	2.4	Implement climate-resilient and sustainable food production
SDG3	3.4	Reduce mortality from non-communicable diseases and promote mental health
SDG3	3.5	Increase the prevention and treatment of substance abuse
SDG3	3.6	Halve deaths and injuries from road traffic accidents
SDG3	3.7	Ensure global access to sexual and reproductive health-care
SDG3	3.8	Access to medicines and health-care
SDG3	3.9	Reduce deaths and illnesses from pollution and contamination
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	7.1	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	8.3	Promote development-oriented policies
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
SDG10	10.2	Empower and promote inclusivity for all
SDG11	11.6	Reduce the negative environmental externalities of cities
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
SDG14	14.1	Prevent and reduce marine pollution of all kinds

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

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