

## New Zealand Crown Financial Institutions:

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

Q3 2025

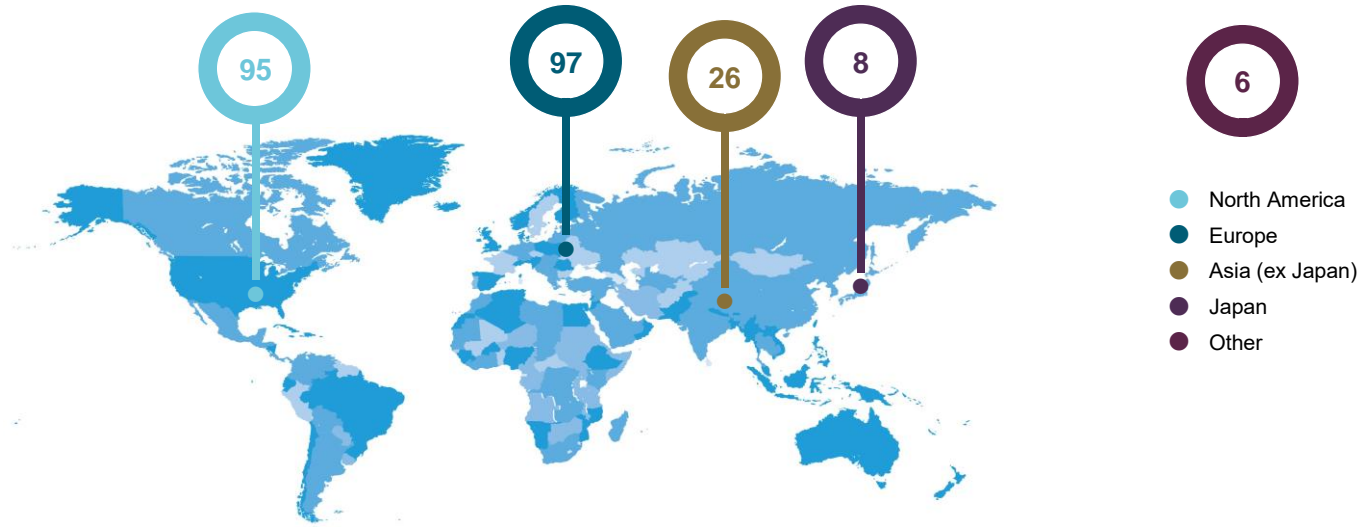
\*Companies represented in this report may not be held by each Crown Financial Institution.

The purpose of the *reo*<sup>®</sup> (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*<sup>®</sup> 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.

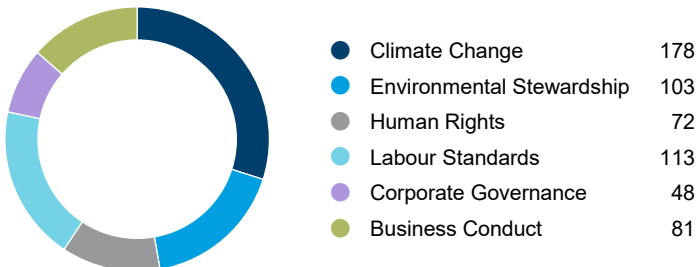
### Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
344	232	48	31

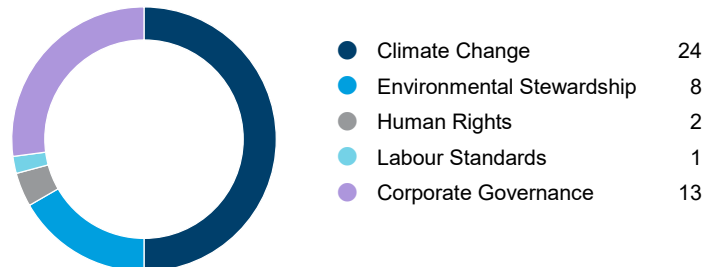
### Companies engaged by region



### Engagement by theme



### Milestones achieved by theme

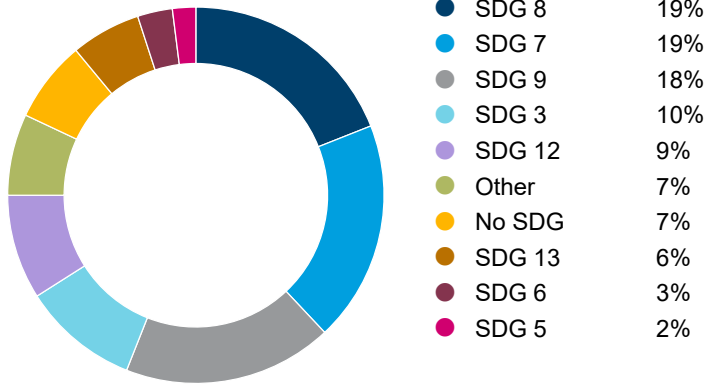


## Engagements and Sustainable Development Goals (SDGs)

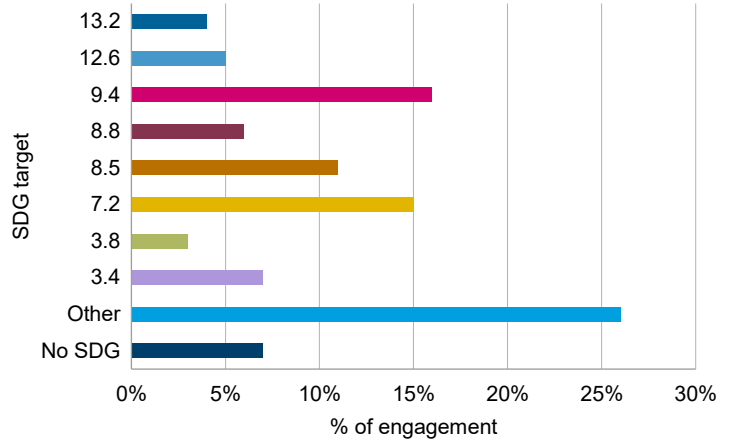
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

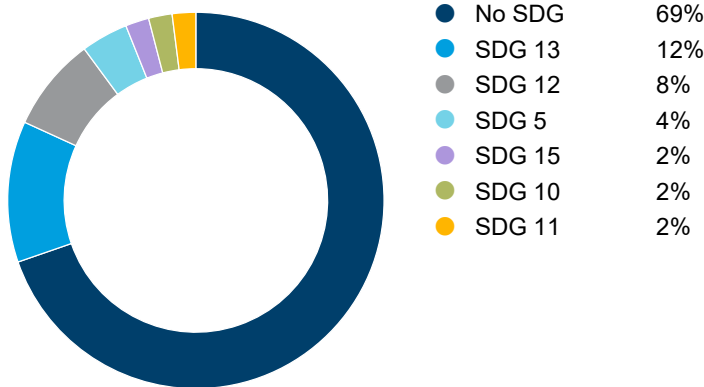
### Engagement: SDG level



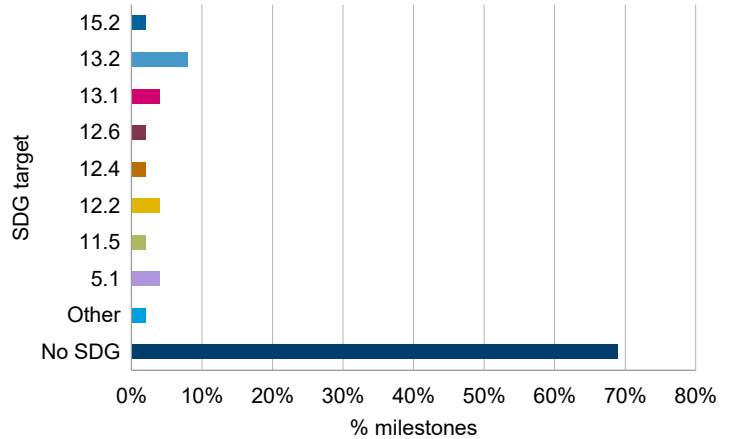
### Engagement: SDG target level



### 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:**



3.4

### 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.

**ESG Risk Rating:**

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● Top quartile ● Second quartile ● Third quartile ● Bottom quartile

## Engagement case studies

**Company:** GE HealthCare Technologies Inc

**Mailing country:** United States

**Sector:** Health Care

**Priority company:** ✓

**ESG risk rating:** ●

**Response to prior engagement:** Adequate

**Theme:** Human Rights; Business Conduct

**Engagement case study name:** AI-driven transformation delivering superior economics in medical imaging

**SDG:**



**3.8**

### Background

GE HealthCare is one of the world's leading medical technology companies providing medical imaging, monitoring, biomanufacturing, and cell/gene therapy technologies. The company is strategically positioned at the forefront of AI transformation in medical imaging, with the CFO confirming that margin growth is largely on the back of AI. This validates the economics of AI integration and demonstrates how AI capabilities has contributed to competitive wins. The company implemented a comprehensive four-tiered AI strategy across hardware-attached AI, hospital support/workflow AI, product development acceleration AI, and back-office operations. Their productivity focus centers on enhancing hospital operations, with AIR Recon DL reducing 60-minute MRI exams to 40 minutes, allowing hospitals to serve more patients with existing equipment. This addresses critical healthcare resource constraints while delivering measurable ROI improvements, with hospitals willing to pay premium pricing for productivity gains.

### Action

We engaged with GE HealthCare to assess their AI strategy depth and evaluate financial materiality of AI investments. Their modular development uses a series of building blocks for accelerating innovation, suggesting platform-based strategy enabling rapid deployment of new AI capabilities. AI technologies are integrated directly into imaging equipment, delivering better and faster imaging while commanding superior margins. The company is launching Photon Counting CT (pending regulatory approval), expected to deliver better spectral and spatial resolution. Their strong order backlog of nearly \$2 billion (up 34% year-over-year) includes significant AI-enhanced platform awards supporting continued revenue growth. Manufacturing flexibility and robust supply chain enable scaling AI-enhanced products as volumes ramp up.

### Verdict

GE HealthCare's AI strategy demonstrates how systematic technology integration creates sustainable competitive advantage and superior financial performance. Their comprehensive approach positions them well to capitalize on healthcare transformation trends while delivering measurable value to customers through improved patient outcomes, enhanced operational efficiency, and reduced healthcare delivery costs.

**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:** KBC Group NV

**Mailing country:** Belgium

**Sector:** Financials

**Priority company:** ✓

**ESG risk rating:** ●

**Response to prior engagement:** Good

**Theme:** Labour Standards

**Engagement case study name:** PEARL+ cultural framework driving competitive advantage in European banking

**SDG:**  8.10

### Background

KBC Group is a leading European bank-insurance group operating across Belgium, Czech Republic, and Bulgaria, serving over 11 million customers through integrated banking and insurance services. The company's relative outperformance in EU banking stems from their distinctive PEARL+ cultural framework, introduced by their CEO in 2012 and providing competitive advantage by balancing local autonomy with group-wide collaboration. The framework consists of Performance, Empowerment, Accountability, Responsiveness, Local embeddedness, and Plus (ie group-wide collaboration). When first introduced, investors didn't understand its relevance but it later proved to be the right approach. Despite its age, PEARL+ remains central to KBC's identity and continues to drive operational effectiveness across their markets.

### Action

We engaged to understand how PEARL+ contributes to relative outperformance in EU banking. The culture is systematically reinforced through representation from all countries in the executive committee, KBC University training for new general managers emphasizing people skills over technical expertise, and comprehensive onboarding covering PEARL+. Career mobility is strongly encouraged, with employees typically changing roles every five years. Their "Stipple" platform is an internal skills matching system where employees score their skills and can be matched to opportunities. Regarding demographic strategy, KBC is developing pension products for small and medium enterprises addressing Belgium's aging population while targeting wealth conversion opportunities in Central Europe. In Eastern Europe, they focus on attracting younger customers through digital solutions. Their technological integration includes implementing "Kate," their AI-powered operational system described as the brain for the company, with all employees completing mandatory courses on AI and sustainability.

### Verdict


KBC's PEARL+ framework demonstrates how systematic cultural implementation can drive sustained competitive advantage. Their balanced approach to decentralization with unified values, combined with strategic demographic positioning across diverse markets, positions them well for continued outperformance in European banking.

**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

<b>Company:</b> SITC International Holdings Co Ltd	<b>Mailing country:</b> Hong Kong	<b>Sector:</b> Industrials
<b>Priority company:</b> ✓	<b>ESG risk rating:</b> ●	<b>Response to prior engagement:</b> Poor
<b>Theme:</b> Climate Change; Environmental Stewardship	<b>Engagement case study name:</b> Measured decarbonization approach balances compliance with technology risk	
<b>SDG:</b>	 7.2	

### Background

SITC International Holdings (SITC) is a leading container shipping company in Asia, specializing in intra-Asia trade routes with a focus on smaller vessel operations. The company is taking a measured approach to decarbonization with a 2050 net-zero target, having already achieved 17% emissions reduction since 2017 primarily through fleet modernization with a current average ship age of 8.4 years. SITC believes their current decarbonization achievements already comply with International Maritime Organization (IMO) requirements through 2030, giving them 5-10 years to transition to liquefied natural gas (LNG) or other alternative fuels. Unlike competitors like COSCO which operates 40 LNG vessels, SITC has taken a cautious stance on LNG adoption, citing concerns about consistent LNG fuel supply availability in ports they service due to their smaller vessels operating model.

### Action

We engaged with SITC to understand their decarbonization strategy and approach to meeting regulatory requirements in the shipping sector. SITC employs detailed energy efficiency KPIs for each vessel with incentives tied to performance, focusing on emissions, energy consumption and fill rates, providing a comprehensive operational approach to emissions reduction beyond technological solutions. The company utilizes internal carbon pricing mechanisms based on 40% of European Union Emissions Trading System pricing. Their emission reduction strategy focuses on vessel retrofits to improve engine efficiency and redesign ship shapes to reduce energy consumption, claiming new ships achieve 30% efficiency improvements over older vessels. The company expects IMO carbon pricing efforts will proceed despite US opposition and anticipates China's emissions trading system will eventually expand to include shipping.

### Verdict

SITC's cautious approach to alternative fuels reflects the economic challenges with servicing the smaller ports they serve with alternate fuels. We will continue to encourage SITC to step forward its efforts to build up its ship and port infrastructure to prepare to use alternative fuels, in preparation for advancing Chinese and IMO regulation.

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

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

#### 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

## 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
SDG5	5.1	End all forms of discrimination against women and girls
SDG7	7.2	Substantially increase the global share of renewable energy
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
SDG11	11.5	Reduce social and economic losses caused by disasters
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	12.6	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	15.2	Promote the implementation of sustainable management of forests

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