



# 2023

Annual Report on  
Responsible Investing

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# Message from our CEO

**Across the markets, 2023 was a strange year. Equity indices broadly recorded strong gains despite some marked sentiment swings and huge valuation disparities between top performers and the rest of the market – a trend that was most pronounced in the US.**

The mood music hasn't changed materially in early 2024. Markets powered ahead over the first quarter against a backdrop of mostly negative news headlines.

With multiple elections in developed economies scheduled over the next year, regrettably ESG has become a political football in some countries, leading to dampened enthusiasm and governments rolling back on climate policy targets.

Meanwhile, some investment firms are also backtracking on responsible investing commitments, including important collaborative engagement alliances such as Climate Action 100+ (which we continue to support). Some firms relatively new to ESG have clearly overpromised in marketing their sustainability capabilities, leaving them in an uncomfortable position and potential regulatory spotlight.

## A principled approach that delivers results

Against this backdrop, our commitment to responsible investment is undiminished. Companies that position themselves to benefit from the shift to a more sustainable global economy will be the long-term winners. That smart, future-focused approach to investing is how we have managed portfolios for decades.

We continue to see growth in assets under management. Our clients and distribution partners recognise the value of strategies delivering a solution to climate-related challenges, while crucially also delivering alpha.

**We see strong momentum in institutional investor interest in mandates linked to solutions providers to climate and environmental concerns.**

Most significantly, we see strong momentum in institutional investor interest in mandates linked to solutions providers to climate and environmental concerns. That includes increasing recognition that biodiversity loss, long flagged as an issue of concern by scientists, is an important factor to consider in investment analysis and portfolio construction.

## The ongoing evolution of responsible investing

The responsible investing agenda will continue to evolve and mature. At KBI Global Investors, we have consistently held that we're early in a multi-decade and cross-generational shift to a more sustainable global economy.



**We're also committed to longer-term initiatives to encourage more graduates and school leavers to consider careers in sustainable finance.**

We welcome investors, their advisors and regulators taking a more rigorous and precise approach to assessing the sustainability credentials of asset managers. This raising of the bar is a critical positive development.

## Shaping the future of sustainable finance

As our business grows, we strive to develop our talent pool within the firm. Over the past year, we have maintained our programme of educating employees on responsible investing. This training is continually evolving.

We're also committed to longer-term initiatives to encourage more graduates and school leavers to consider careers in sustainable finance.

Together with our industry association, the Irish Association of Investment Managers, we have developed an initiative to introduce secondary school students to investment management, with KBI employees presenting an introduction to sustainable investing. And to further mentor the next generation, we have taken on interns from graduate programmes in Irish universities.

For the first time, we took part in a summer work placement programme for school leavers from Dublin's disadvantaged north east inner city in 2023. This programme aims to introduce these young people to career paths outside their existing network, which otherwise may be difficult for them to access.

Discover more on our proactive education and training initiatives as well as a full overview of our responsible investing programme in this report. And get in touch with us at any time to discuss how to achieve alpha through our refined approach to responsible investing.



**Sean Hawkshaw**  
Chief Executive  
Officer



# 2023

KBI Global Investors  
Continued To Lead on  
Responsible Investing

## Key Milestones and Developments in 2023



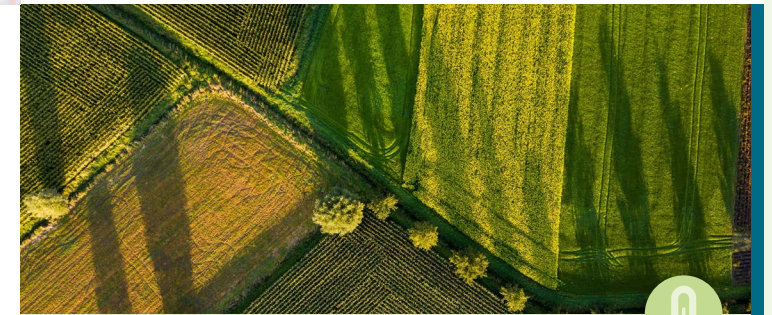
### PRI's Assessment Report

For the seventh year running, we achieved the maximum possible rating in the PRI's Assessment Report for 2023 for all relevant modules.

### CDP Climate Score

Our firm is on track to meet our operation emissions reduction targets, following an audit of our emissions and a 2023 CDP climate change score of B.

B



### Climate Action 100+

We continue to support Climate Action 100+, the initiative to ensure global corporate greenhouse gas emitters act on climate change.

KBI Global Investors is also a member of the Climate Action 100+ North America thematic working group on climate accounting.

Moreover, we're part of the lead investor group engaging with three companies to reduce greenhouse gases in line with the Paris Agreement.

### Voting

In line with Climate Action 100+ goals, we voted against management and supported climate-related resolutions at the annual meetings of 24 companies. We also circulated our first proxy memo in relation to the shareholder resolution at Marathon Petroleum Corporation, asking the company for an audited report on asset retirement obligations.



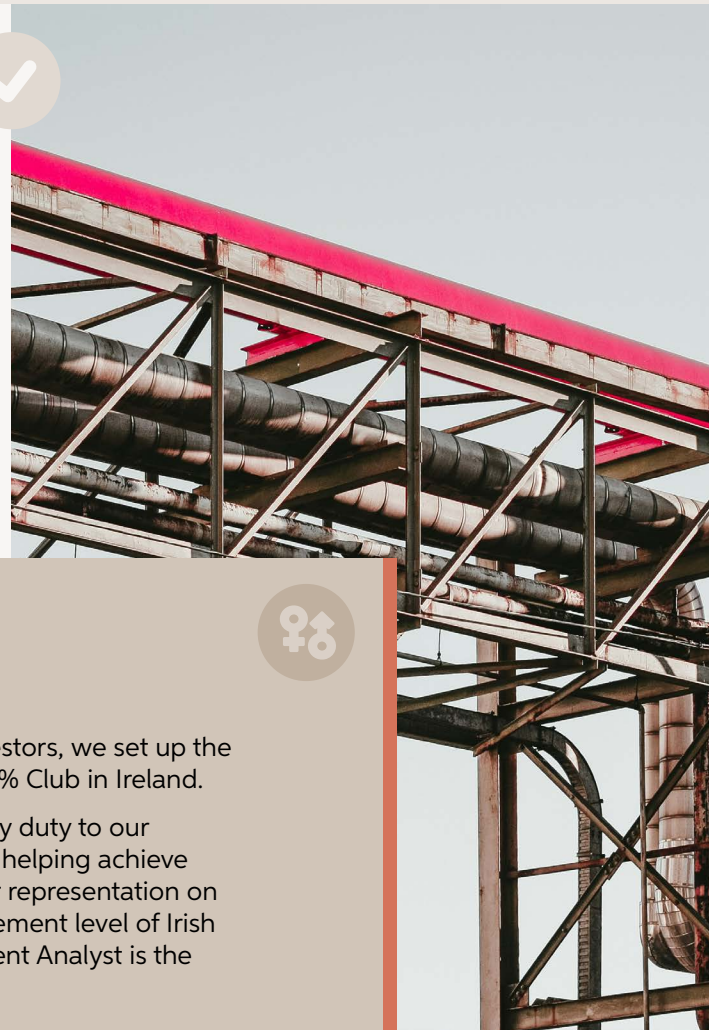


# Driving Sustainable Change and Supporting Diversity

## Eligibility

Our Responsible Investing Committee determined that if a company's revenues come from business activities harmful to the environment or society, it would not be eligible for inclusion in our natural resources universe.

In early 2024, we added fossil fuel-related activities to our exclusions, and now exclude companies that get more than a specific maximum percentage of revenues from the exploration and production of oil and gas (conventional and/or unconventional).



## Greenfin Label

KBI Global Investors retained the Greenfin label for a multi-thematic mandate.

The label was first awarded in 2022 after a review of the quality and transparency of the fund's environmental characteristics, and its contribution to the energy and ecological transition and the fight against climate change.



## Consultations

Our firm responded to Institutional Shareholder Services (ISS) and MSCI ESG Research on their annual policies consultation.

In 2023, there was a particular focus on climate and diversity. ISS decided not to incorporate these changes to its annual benchmark and specialty policy updates.

As a result, we co-led a meeting and advised ISS to expand the scope of its climate-focused companies beyond Climate Action 100+, increase board climate accountability and incorporate climate risk as a critical audit matter.



## ISR French Public Label

We also retained the ISR French public label for one of our water funds.

First awarded in 2021, this label aims to identify investment funds with a socially responsible investment methodology and measurable and concrete results.



## 30% Club

Together with two other Irish investors, we set up the Investor Group initiative of the 30% Club in Ireland.

As asset managers with a fiduciary duty to our beneficiaries, we're committed to helping achieve and maintain at least 30% gender representation on the boards and executive management level of Irish companies. Our ESG & Engagement Analyst is the co-chair of the initiative.



2°

## Climate Scenario Analysis

Using the Paris Aligned Capital Transition Assessment tool provided by the Rocky Mountain Institute and the PRI, we conducted climate change scenario testing on all of our strategies.

## Sustainability-Related Disclosures

The European Union Regulation on sustainability-related disclosures in the financial services sector ("SFDR") is now in effect, with most of our assets under management designated as Article 8 and Article 9.

Find more information  
[www.kbiglobalinvestors.com/eu-sustainable-finance-disclosures2](http://www.kbiglobalinvestors.com/eu-sustainable-finance-disclosures2)



## SDG Scores

We released the 2023 Revenue Aligned SDG Scores, measuring the impact of our Natural Resource portfolios and how the portfolios' revenues align with the United Nations Sustainable Development Goals (SDGs).





## Focus on Staff Training and Certification



### Certification

Teams continued studying PRI Academy responsible investing training courses. Most employees (and almost all investment and client-facing staff) have completed at least one course.

About ten percent have obtained the CFA Certificate in ESG Investing qualification and one staff member has completed the CFA UK Certificate in Climate and Investing.



### New Team Member

Another investment analyst joined our Natural Resources team.



### Training

We introduced a staff sustainability training programme – provided by Vyra, an Irish environmental sustainability education platform – on biodiversity, waste management, transport and energy sustainability.

Staff also completed training on:

- the European Union Sustainable Finance Disclosure Regulations
- EU Taxonomy
- Sustainable Finance Disclosure Regulation (SFDR) disclosure requirements and reporting.



### Carbon Offsets

To reduce the impact of our firm's carbon footprint, we offset our travel related carbon emissions via the 'Reforestation of degraded land by MTPL' in India.

Through reforestation activities, the project sequesters carbon of degraded land owned by small and poor tribes/farmers who do not have the capability of plantation without financial support and technical guidance.

It stretches around 15 hectares across three states in India: Odisha, Andhra Pradesh and Chhattisgarh.

The project is classed as an 'Afforestation (carbon removal)' project with the Verified Carbon Standard (A Verra Standard).

Find more information here <https://tinyurl.com/bdfynfvy>



# Commitment & Governance

## Long-standing Firm-wide Commitment to Responsible Investing

KBI Global Investors is committed to Responsible Investing (RI) issues and has managed strategies with a Responsible Investment focus for more than three decades. Establishing in 1980, the firm is headquartered in Dublin, Ireland, with a representative sales office in Boston, US.

Responsible Investing came about partly because of our original Irish client base which required a faith-based approach to investing. We implemented negative screens into our process in the mid-1980s to incorporate ethical criteria such as humanitarian and animal welfare issues.

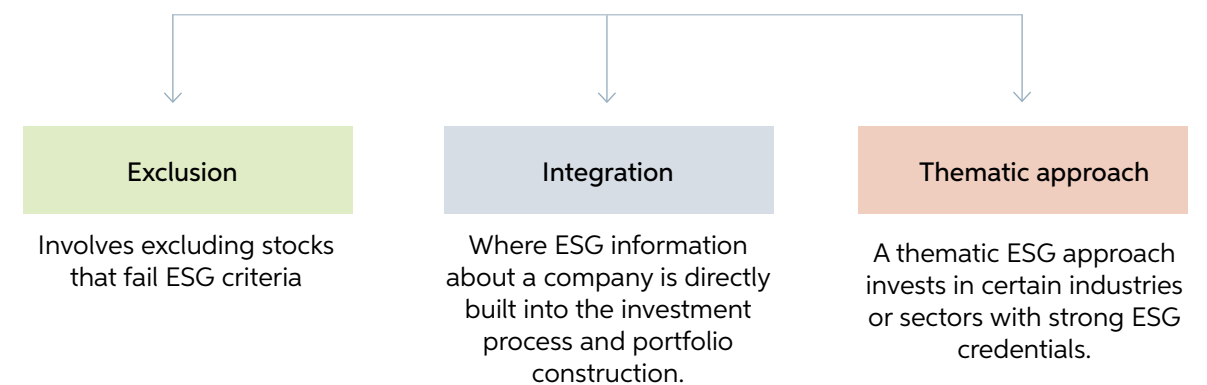
Today, our investment process has evolved from the simple negative screens used for our original faith-based clients to a fully integrated, decisive commitment to RI, serving endowments, foundations, and institutional investors across the globe.

### Why responsible investing matters

Firstly, we implement RI principles because we believe the use of environmental, social, and governance (ESG) factors enhances the risk and return of investments.

Secondly, RI principles in investment management can help achieve ESG goals and are in the best interests of long-term investors.

### RI CAN BE INCORPORATED IN THE INVESTMENT PROCESS IN THREE WAYS



Our two product suites – Natural Resources and Global Equities – use exclusion and integration, while our Natural Resources strategies also apply a thematic approach.



## Our Net Zero Commitment

We have been a signatory to the Net Zero Asset Managers Initiative since 2021 – a joint project of IIGCC, the PRI, CERES and others outlining how investment managers can help achieve the Paris Agreement goals. We are committed to achieving interim targets by 2030 and reaching net zero by 2050 or sooner.

Action needs to start now, however, if that target is to be reached. The United Nations Environment Programme (UNEP) published an assessment in 2019 outlining the planet's needs to reduce its emissions by 7.6% per annum over the period to 2030 to achieve the 1.5°C Paris Agreement target.<sup>1</sup>

While the 7.6% reduction target set by the UN covers the period to 2030, we believe a five-year period, rather than a ten-year period, would be a better timeframe for our objectives. Therefore, our current commitment is to reduce the carbon intensity of 100% of our assets under management (AUM):


- by 7.6% per annum on average
- over the period from end 2019 to end 2024
- encompassing Scope 1 and 2 emissions for now, but with a view to including Scope 3 emissions (both upstream and downstream) when data availability and quality has improved.

Our initial target disclosure was approved by the Net Zero Asset Managers Initiative and may be found at [www.netzeroassetmanagers.org/signatories/kbi-global-investors/](http://www.netzeroassetmanagers.org/signatories/kbi-global-investors/)

### Our 2023 carbon audit

We carried out an audit of our operations' carbon emissions (as distinct from our investments) and have reported our data to CDP since 2021.

Our target is to reduce Scope 1, Scope 2 and upstream Scope 3 emissions by employee by 30% in 2024, relative to the base year 2019. In 2023, we scored a B on the CDP climate change questionnaire.



**We are pleased to report that (as of end 2023) we are well on track to meet our net zero target for our own operations and for our investments.**



# Our Responsible Investing Committee

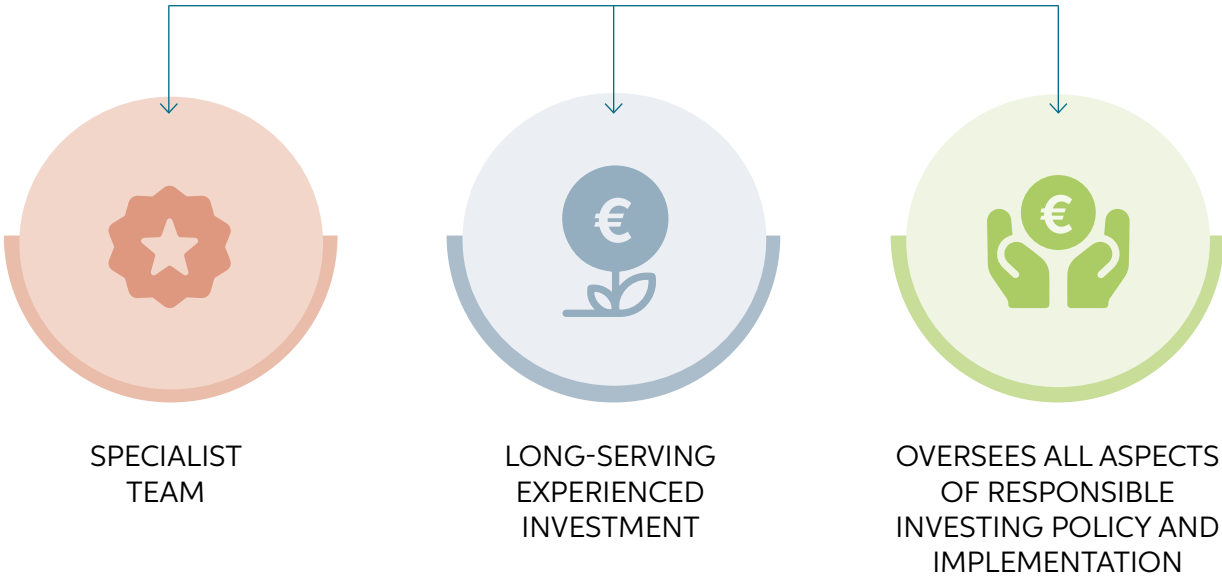
Our Responsible Investing Committee is responsible for all aspects of RI, including:

- Philosophy
- Policies
- Operational issues relating to the implementation of RI factors across existing products
- Selection of relevant service providers
- Development of new RI products
- Proxy voting
- Engagement
- Liaison with external RI organisations and groups

It is co-chaired by two executive directors of the firm: Chief Investment Officer, Noel O'Halloran and Head of Business Development, Geoff Blake.

The Committee is made up of senior staff members, including our Head of Compliance & Risk, who is also an executive director of the firm, our head of Responsible Investing, and various senior product specialists.

While the Committee and its co-chairs have ultimate responsibility within the terms of reference, we have designated ownership for tasks to ensure efficiency, compliance and ownership.



## Key Staff

	Experience - years	In firm - years
 <b>Noel O'Halloran</b> Chief Investment Officer	36	32
 <b>Geoff Blake</b> Head of Business Development	29	29
 <b>Eoin Fahy</b> Head of Responsible Investing	35	35
 <b>Derval Murray</b> Head of Compliance & Risk	25	23
 <b>Matt Sheldon</b> Senior Portfolio Manager	22	13
 <b>Niall Murphy</b> Senior Vice President – Business Development & Client Services, Europe	32	32
 <b>Michael Gray</b> Head of Middle Office	34	34
 <b>Peter Fox</b> Senior Vice President – Business Development & Client Services, North America	25	25
 <b>Jeanne Chow Collins</b> ESG & Engagement Analyst	23	10
 <b>James Collery</b> Senior Portfolio Manager	23	23



## UNPRI and other Responsible Investing organisations

We have been signatories to the United Nations Principles for Responsible Investment (UNPRI) since 2007.

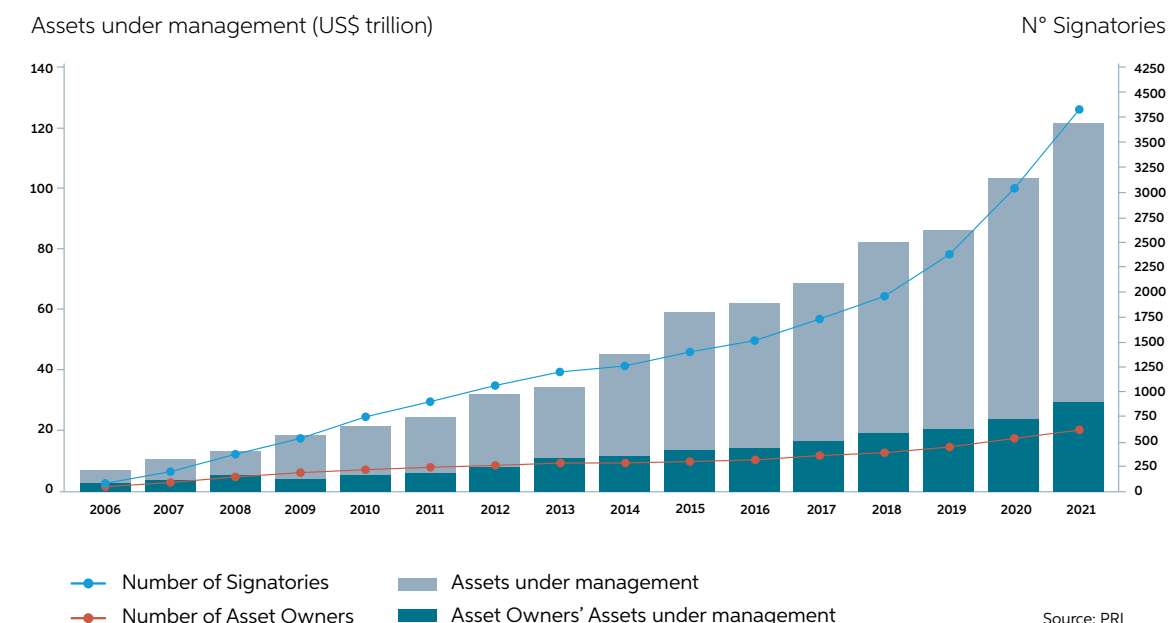
As a signatory, we fully subscribe to the six Principles below. We submit a detailed Transparency Report to the UNPRI annually setting out our compliance with the principles, which is available on the UNPRI website.

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.

The PRI carries out an annual assessment of our RI activities, and we are proud to have achieved the **highest possible rating** in the three modules we were assessed on.<sup>1</sup>

<sup>1</sup> The full PRI assessment of our firm is available to clients on request. The PRI is the world's leading proponent of responsible investment. More details on the PRI are available at [www.unpri.org/about-us/about-the-pri](http://www.unpri.org/about-us/about-the-pri).

KBI has achieved maximum possible rating from PRI. Member since 2007



Max rating is five stars	2023 Rating	KBI Score	Median Score
Policy, Governance & Strategy	*****	100%	58%
Direct listed equity - active quantitative	*****	96%	65%
Direct listed equity - active fundamental	*****	96%	71%
Confidence building measures.	*****	100%	80%

We also participate in, are signatories to, or formally support several other RI organisations and initiatives, including:



Investor Network on Climate Risk and Sustainability

Carbon Disclosure Project

Decarbonisation Initiative

Advance Initiative for Human Rights and Social Issues



# Equality, Diversity and Inclusion

Our Equality, Diversity and Inclusion (EDI) Committee, a sub-committee of our Executive Committee develops and embeds our equality, diversity and inclusion framework within the firm.

The EDI Committee aims to foster an inclusive culture, with frequent staff engagement, to ensure all voices are heard and promote diversity through a thoughtful recruitment process and frequent staff engagement.

We also seek to understand EDI data as an organisation, monitoring our progress and identifying areas of improvement.

As investors, we play an important role in advancing EDI efforts across society. That is why we engage with companies on diversity at board level, and this work is further enhanced by our proxy voting policy.

The Irish Centre for Diversity awarded us the Silver accreditation in 2021, 2022 and 2023. The Investors in Diversity EDI mark offers a clear and structured framework for transforming culture.

Along with implementing several EDI policies and processes in 2023, we:

- Reviewed our recruitment and retention processes
- Enhanced our job application procedure with an EDI lens
- Made further changes to leave policies and flexible working.

We also have new EDI-focused procedures when dealing with new suppliers or service providers.

Staff engagement continues to be key in raising awareness around EDI. To this end, in 2023 we introduced:

- Training on mental health in the workplace, neurodiversity and unconscious bias
- An updated staff annual review template for EDI issues
- An EDI section on our staff website
- EDI calendar and events with staff
- Surveyed staff to identify key further areas requiring action.

## Pushing for Progress

### OUR WORK IN THE COMMUNITY

Our Summer Work Placement Programme, in partnership with Basis. Point and Business in the Community in Ireland, aims to level the playing field for young people from disadvantaged areas.

We also ran summer internships for college students and participated in the Savvy Teen Academy initiative for secondary school students, organised by the Irish Association of Investment Managers Diversity and Inclusion and Education Committee.

We are signatories of the CEO Action for Diversity & Inclusion and The Belonging Pledge and believe racial equity belongs in the investment process.

We are also members of

- The Irish Association of Investment Managers EDI Committee
- 100 Women in Finance.

June 2023



KBI was one of the three lead investors to launch the 30% Club Ireland Investor Group Initiative and co-chairs the Group.





# Active Ownership

## Proxy Voting

The firm is committed to active ownership, and our policy is to vote on all securities that we are entitled to vote on behalf of our client portfolios. A proxy voting policy is in place, published on our website, and reviewed annually.<sup>2</sup>

We employ the services of Institutional Shareholder Services (ISS) - the leading proxy voting services provider that offers voting recommendations based on a pre-agreed set of principles. Those principles align with our corporate governance philosophies and investment objectives with our proxy voting activities.

Vote recommendations use ESG risk indicators to identify moderate to severe ESG risk factors at public companies and holds board members accountable for failure to sufficiently oversee, manage, or guard against material ESG risks.

Those risk indicators cover several topics, including:

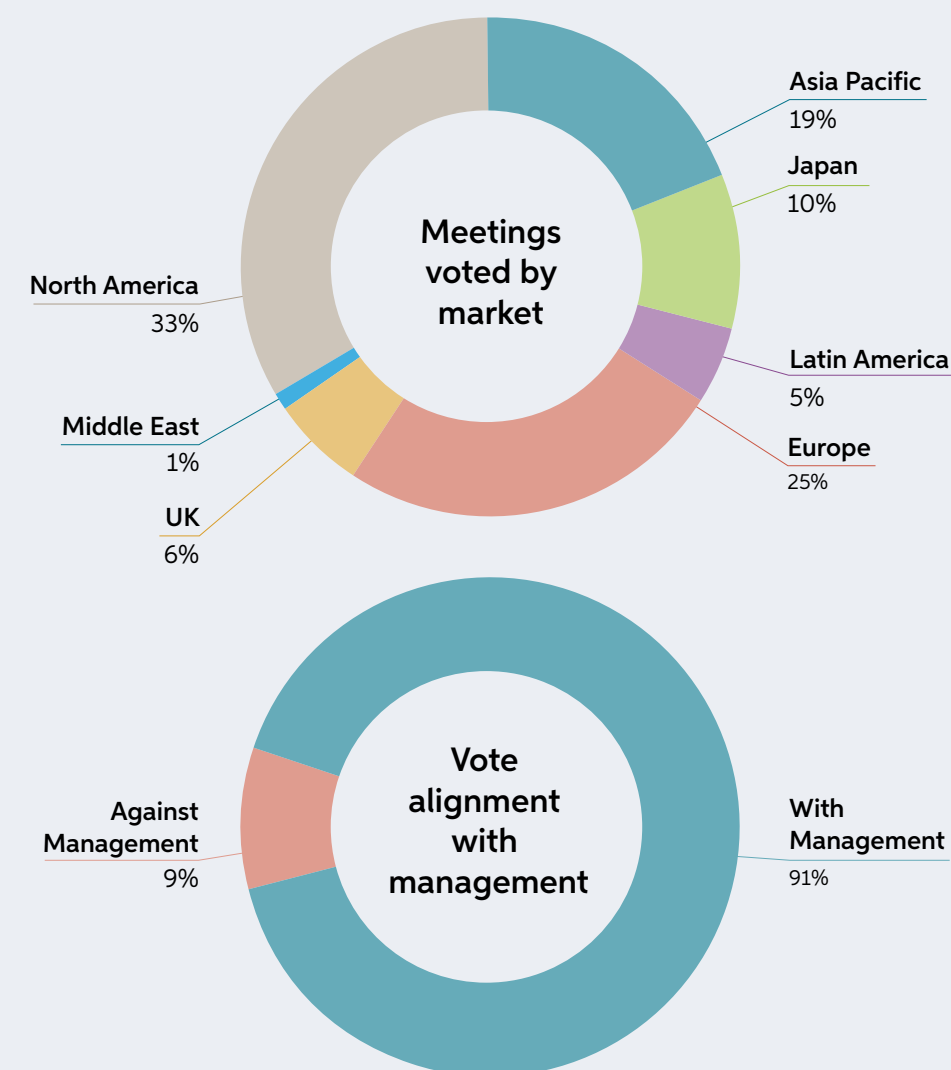
- The environment, biodiversity, human rights and impacts of business activities on local communities
- Labour rights and supply chain risks
- Consumer product safety
- Bribery and corruption
- Governance and risk oversight failures.

The guidelines generally support shareholder proposals that promote greater disclosure and transparency within corporate environmental and social policies and sustainable business practices reporting.

In 2023, we voted at 859 meetings worldwide for all our strategies. We voted against management in 9.1% of 11,066 proposals.

We disclose our full proxy voting record on our website with details of all votes, including our voting rationale, [www.kbiglobalinvestors.com/proxy-voting/](http://www.kbiglobalinvestors.com/proxy-voting/)

<sup>2</sup> Conflict of interest: Please note that, in line with the firm's regulatory requirements, the firm has identified potential conflicts of interest related to Responsible Investing and ESG. These potential conflicts have been specifically highlighted in the firm's Conflicts of Interest Policy and Conflicts of Interest Log. To mitigate any actual or potential conflicts that could arise, the firm will evaluate all the circumstances involved and implement appropriate preventative measures, including making relevant disclosures to our clients where needed. Our management and Compliance team will keep the potential for conflicts to arise under constant review. Further information is available upon request.



### KEY VOTING STATISTICS

**859**  
annual general  
meetings  
2022: 932 MEETINGS

**86%**  
votes supporting  
environmental  
shareholder resolutions  
2022: 62%

**9%**  
votes against  
management  
2022: 8.1%

**78%**  
votes supporting  
social shareholder  
resolutions  
2022: 72%



# 2023

## Significant voting examples

### Marathon Petroleum Corporation

We circulated a proxy memo in relation to the shareholder resolution asking the company for an audited report on asset retirement obligations (AROs). We believe AROs could present a material risk to investors in the energy transition.

The disclosure was designed to provide useful insight as investors assess long-term value. It is consistent with US GAAP, information related to AROs (also known as decommissioning) is reported by peers, and the disclosure of information is consistent with Taskforce on Climate Related Financial Disclosures (TCFD) guidance and has strong investor support.

The shareholder resolution and proxy memo was flagged by Climate Action 100+ <sup>1</sup> and received 23% support.

### Imperial Oil

The firm voted against management in favour of the shareholder resolution to adopt an absolute greenhouse gas reduction target. This will enable shareholders to better analyse emissions performance and the effectiveness of any mitigation efforts.

We also voted against management in favour of the shareholder resolution to report on the impact of the energy transition on asset retirement obligations. This would give shareholders insight into the company's decarbonisation strategy and capital allocation alignment.

We pre-declared our voting intentions on the PRI's Resolution Database.

### California Water Service Group

We voted against management in favour of the shareholder resolution to adopt GHG emissions reduction targets aligned with the Paris Agreement goal, as shareholders would benefit from the company adopting more ambitious climate targets.

This would also help the company align with regulatory expectations in California and Hawaii to be carbon-neutral by 2045.

### BorgWarner Inc

We supported a shareholder proposal to vote against management recommendations for a report on just transition.

Shareholders can benefit from additional disclosure on the potential social impacts transitioning to a low carbon economy may have on the company and its operations, by being better able to assess the company's efforts to manage and mitigate those risks.

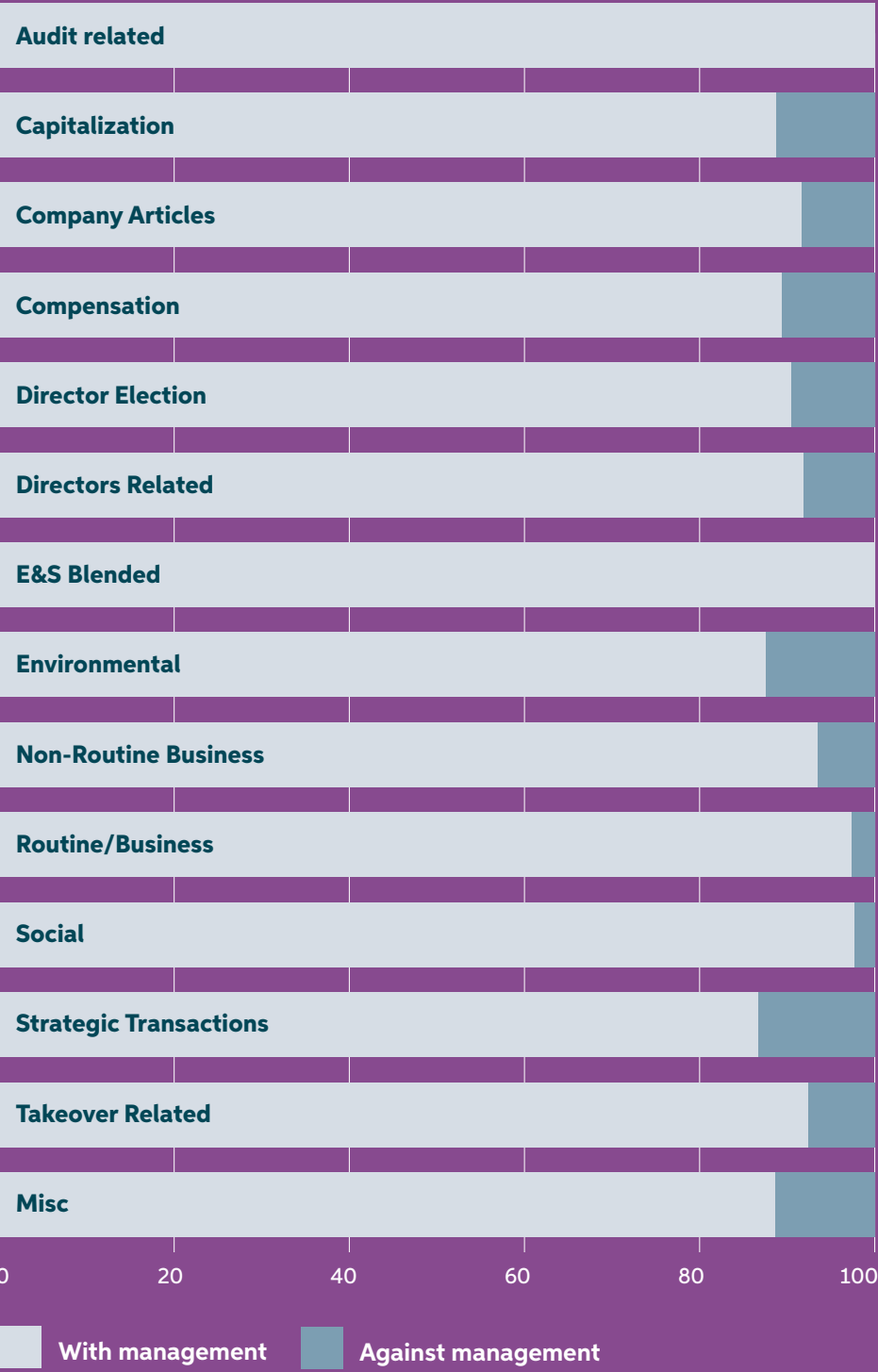
<sup>1</sup> [www.climateaction100.org/approach/proxy-season/](https://www.climateaction100.org/approach/proxy-season/)



Voting against directors

<div>13</div> <div>CLIMATE ACTION</div> <div></div>	<div>Climate change related</div> <div>Rio Tinto, Dow Inc, Anglo America Plc, Marathon Petroleum, Vale, Woodside Energy, Imperial Oil, Valero Energy, Kinder Morgan.</div>
<div>5</div> <div>GENDER EQUALITY</div> <div></div>	<div>Gender/racial diversity</div> <div>We voted against one or more board members of the following companies due to a lack of gender/racial diversity on the board:</div> <div><div><div>Carlsberg</div><div>SKF AB</div><div>Neste Corp</div><div>Swisscom</div><div>Canon Inc</div><div>Swiss Re</div><div>Stellantis</div><div>Geberit</div><div>Nestle</div><div>Henkel AG</div><div>ING Groep</div><div>Chemical Works of Gedeon Richter</div><div>Fibra Uno Administracion SA de CV</div><div>MOL Hungarian Oil &amp; Gas</div><div>UCB</div><div>Imperial Oil</div><div>Metso Outotec Oyj</div><div>Jardine Matheson Holdings</div><div>KBC Group</div><div>Kuehne + Nagel International</div><div>BMW</div><div>SAP</div><div>BIM Birlesik Magazalar</div><div>Power Corporation of Canada</div><div>E.ON SE</div><div>Orange SA</div></div><div><div>Bechtle AG</div><div>D'leteren Group</div><div>JDE Peet's NV</div><div>Evonik Industries</div><div>Fubon Financial Holding</div><div>Sonova Holding</div><div>Zhongsheng Group Holdings</div><div>Nien Made Enterprise</div><div>West Holdings</div><div>Fresenius Medical Care</div><div>Power Grid Corporation of India</div><div>Kainos Group</div><div>Kelsian Group</div><div>Orsted</div><div>ABB</div><div>Baywa</div><div>Landis+Gyr Group</div><div>Adecoagro</div><div>Cadeler</div><div>Greencoat Renewables</div><div>Kingspan,</div><div>SIIC Environment Holdings</div><div>K+S</div><div>E.on</div><div>Aalberts</div><div>International Public Partnerships</div><div>Origin Enterprises</div></div></div>

KBI Votes on Management Proposals




Source: KBI Global Investors and ISS for the year 2023

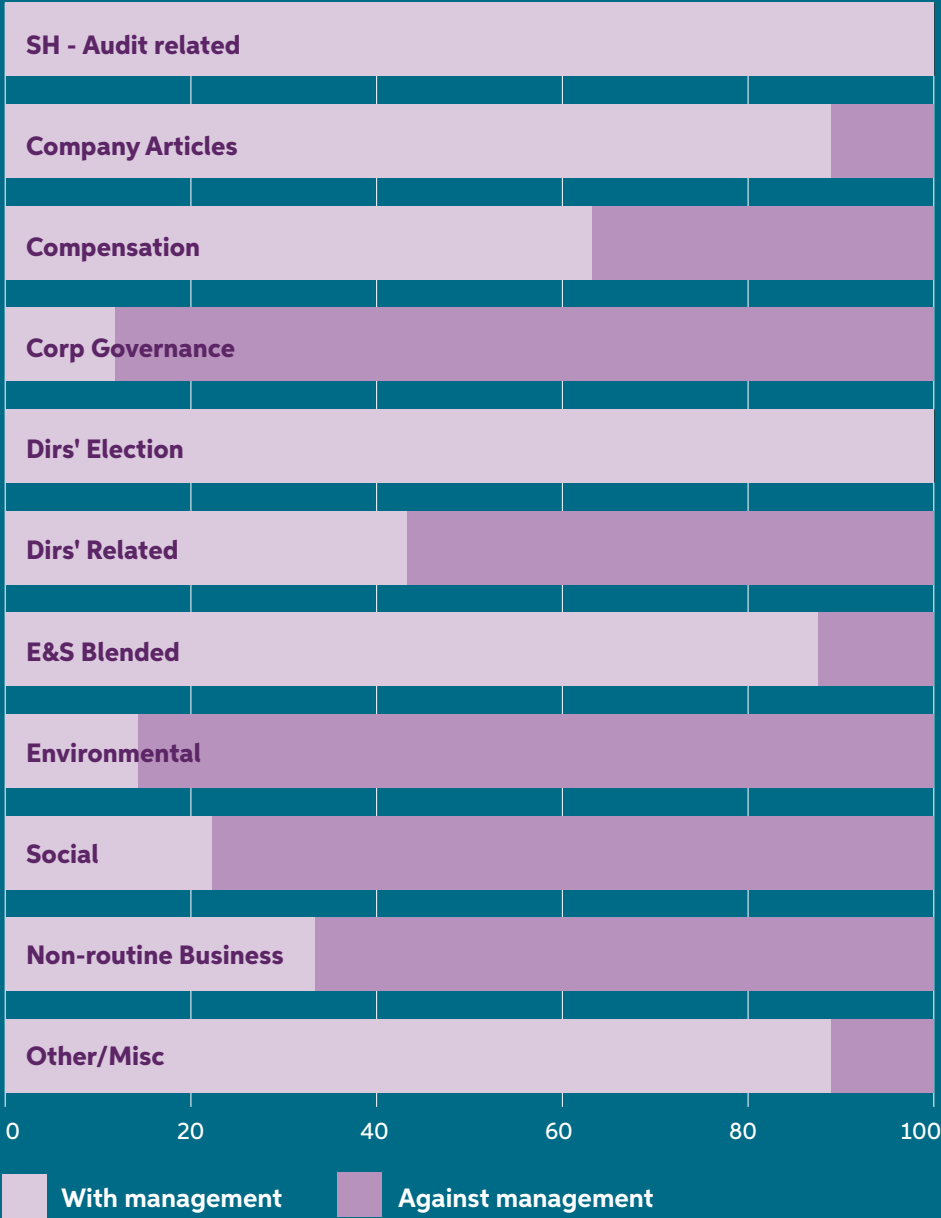


Voting on shareholder proposals

We also supported the shareholder proposals shown below, and voted against management on 44% of all shareholder proposals. Shareholder proposals are initiatives put forward by shareholders, usually requesting management to take action on particular issues.

	<b>Efforts to reduce plastic use</b> Dow Inc, The Kroger Co SDG
	<b>Human rights assessment/standards/policies</b> Carlsberg, Starbucks, Citigroup, Ford Motor Company, Microsoft
	<b>Heath and access to medicine</b> Merck & Co, Pfizer, Gilead Sciences
	<b>Lobbying payments and political contributions</b> Hewlett Packard, HCA Healthcare, Goldman Sachs Group, Cigna Group, Pfizer, Home Depot, Comcast Corporation, Mastercard Incorporated
 	<b>Employment diversity, equity, and inclusion report/gender/ethnic pay gap</b> Goldman Sachs Group, The Kroger Co, Badger Meter, Valero Energy, AT&T, Comcast, Expeditors International of Washington, Inc., UPS, Oracle
	<b>Require independent board chair</b> Dow, Citigroup, IBM, Goldman Sachs, Bristol-Myers Squibb, Gilead Sciences, Cummins, AT&T, Merck, The Interpublic Group of Companies

KBI Votes on Shareholder Proposals



Source: KBI Global Investors and ISS for the year 2023

## Engagement focus and priorities

There are many reasons for commencing engagement, including but not limited to:

- concerns around board structure and governance
- excessive or inappropriately structured executive compensation
- management's intention or ability to deliver shareholder expectations
- disclosure of environmental information
- breaches of best practice concerning stakeholder management.

While any of these factors may lead to engagement, however, we have decided to prioritise climate and diversity when liaising with companies.



We prioritise engagement with companies that do not meet the minimum expectations of reporting carbon emissions to CDP and reporting climate-related financial disclosures using the TCFD framework.

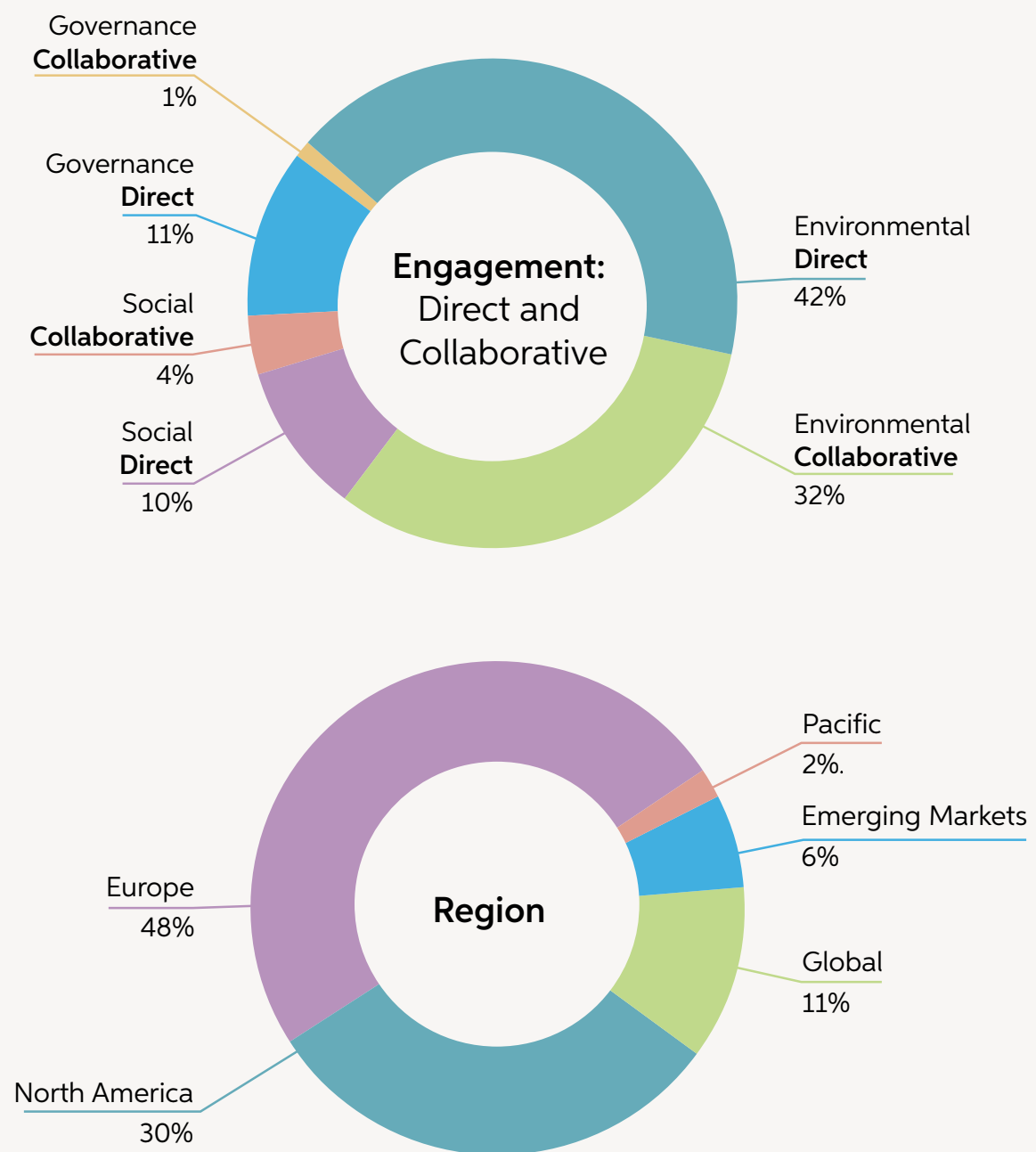
Furthermore, we expect large-cap companies in carbon-intensive sectors to have a formal net zero target and prioritise engagement with those who do not.

We prioritise diversity at board and senior management levels.

Our voting policy supports our engagement priorities, which focus on board accountability in terms of climate and diversity at board and senior management levels.

We participate in collaborative engagements based on materiality and strategic priorities our Responsible Investing Committee set. As a specialist boutique asset manager with focused resources, we endeavour to leverage relationships to engage in collective engagement when appropriate, and we have been involved in a number of initiatives.

In 2023, we engaged on 101 issues with 64 companies. We were involved with the leading investor groups for collaborative engagement with 26 companies, and on 11 issues, along with a much larger number of companies as part of group collaborative engagements where we were not among the leading investor group.



Sources: KBI Global Investors 2023



# Case studies

How we engaged with corporate leaders in 2023

## ENVIRONMENT

**RWE:**  
Emissions reduction,  
capital expenditure and  
climate scenario analysis

We have previously discussed a lack of short and medium-term emission target reductions with RWE’s Head of Sustainability and Head of Investor Relations. The company revised its targets in Nov 2023 to reduce its Scope 1 and 2 emissions by 70% by 2030, and Scope 3 emissions by 40% in 2030. It is seeking SBTi approval for a 1.5 degree scenario.

We discussed capital expenditure plans and whether those are aligned to 1.5°C - aligned scenario. The company previously said the percentage of its capex in EU taxonomy climate solutions will grow to 90% by 2030. At the end of 2023, RWE had already exceeded this target with 95% of capital expenditure EU taxonomy aligned.

Next, we asked about RWE’s climate scenario analysis and the company acknowledged it has a gap in its scenario analysis of its asset disclosure. Therefore, we suggested it include key assumptions and variables used, and the key risks and opportunities, when it publicly reports on its climate scenario analysis.



**Northland Power:**  
Boosting biodiversity

We met with Northland Power’s CEO and encouraged the company to commit to net-positive biodiversity for all its projects by 2030.

We suggested it collaborate with local conservation and environmental groups to help it achieve its target. To date, it has not done any work on coral reef conservation, so we advised it does this and discloses its findings.

**Pennon Group:**  
Addressing sewage spillage

We have discussed sewage spills with the Pennon Group since 2022. When we met with its CEO and CFO, we asked the company to identify solutions and projects as soon as possible to address its sewage spillage problems. In October, it released a draft business plan identifying credible projects and spending in fiscal year March 2024.

## SOCIAL

**Sunrun:**  
Planning for net zero  
and much more

We met with Sunrun’s Head of Investor Relations to discuss governance and its AGM, Net Zero targets, SBTi and Scope 3 emissions, responsible mineral sourcing and supplier standards and solar module recycling.

We suggested the company reports its environmental and water data to the CDP to benefit from the CDP member supplier data, especially with its SBTi commitment. We also discussed its gender pay pledge and reporting on the gender/racial/ethnic gaps throughout its organisation.

## GOVERNANCE

**Kurita Water:**  
Moving to more balanced  
governance

Since 2021, we’ve discussed Kurita Water’s ESG strategy and targets with its corporate social responsibility staff.

To improve its governance, we suggested the company increase its external directors, include more women on the board and raise its target for women in management. We also raised these issues with one of the Kurita directors. The company announced plans to change its board composition in 2023.

In 2024:

- the majority of the board members are independent, external directors
- the CEO/Chair roles are separated
- board gender diversity increased to 25%
- a board member with international experience was added.

## COLLABORATIVE ENGAGEMENT

Our collaborative engagement efforts during 2023 were primarily, though not exclusively, focused on climate change issues. We also became formal endorsers of the PRI's Advance, a stewardship initiative for human rights and social issues, and Spring, a stewardship initiative for nature.

We are a founding participant of Nature Action 100, an investor-led initiative to address nature loss and biodiversity decline. We also participate in the investor group engaging with Bunge, a North American-based global agribusiness and food company, and Smurfit Kappa, an Irish corrugated and paper-based packaging company.

### Climate Accounting and Audit

#### Audit committee chairs of carbon-intensive companies

As part of our collaborative engagement with auditors and audit committees, we wrote to the audit committee chair at several carbon-intensive companies and copied other members of the company's audit committee, as well as the lead audit partner.

- We reiterated our expectations that directors consider material climate risks in financial statements. We also underlined boards should expect increasing votes against the reappointment of audit committee members and auditors where expectations continue not to be met.
- Companies included: Anglo American, BASF, BHP, BMW, CRH, Daimler, Enel, Eon, Iberdrola, OMV, Repsol, Rio Tinto, Saint-Gobain, TotalEnergies SE, Volkswagen (via Porsche).

### Just Transition, Mining, Plastics and disclosure

#### World Benchmarking Alliance:

We signed the Investor Statement for a Just Transition, asking 100 oil and gas companies for climate change commitment and actions.

#### Global Investor Commission on Mining

**2030:** We formally supported the Global Investor Commission on Mining 2030, which seeks to ensure mining serves as a force for sustainable growth and low-carbon transition rather than a source of conflict.

#### CDP Mandatory Plastics Corporate

**Disclosure:** We endorsed CDP's open letter to governments, calling for robust mandatory disclosure text in the Global Plastics Treaty. Comprehensive data on plastic impacts, risks and opportunities matters to investors.

#### CDP Europe:

We signed the CDP's open letter asking for EU sustainability reporting standards, essential to delivering comparable data needed to finance the 1.5-degree goal. The European Commission adopted the EU Sustainability Reporting Standards (ESRS) in July 2023.

#### CDP Science-Based Targets (SBT)

##### Campaign:

We participated in the CDP SBT Campaign, asking 2,100 high-impact companies to commit to and set 1.5°C-aligned Science-Based Targets.

### Proxy advisor working groups

We signed an IIGCC European coordinated letter asking ISS to provide a specialty net zero policy for the 2024 proxy season. We also suggested it further integrates climate into its proxy voting recommendations more robustly and consistently based on its Benchmark Policy.

In 2023, we also co-led a North American engagement asking ISS to expand the scope of its climate-focused companies beyond Climate Action 100+, increase board climate accountability, and incorporate climate risk as a Critical Audit Matter. We met with ISS to discuss climate accounting and audit.

### Sector engagement

The chemicals sector has been largely untouched by shareholder engagement, as most investors focus on the energy and transport sectors. ShareAction produced a report in 2021 outlining how the chemicals sector can achieve zero emissions by 2050.

Following our lead engagement effort on LyondellBasell (see below), we joined this collaborative engagement effort. We asked the companies about emissions targets and their decarbonisation strategy for feedstocks and energy consumption.

We met with 12 companies in 2023, focusing on setting Scope 3 emissions reduction targets.





## COLLABORATIVE ENGAGEMENT AS PART OF CLIMATE ACTION 100+

### Enel SpA

As part of Climate Action 100+, we have been part of the lead group of investors engaging with this large Italian gas and electricity manufacturer and distributor since 2019.

We have had many discussions with the company on its phase-out of coal generation, investment in renewables, Scope 3 emissions and targets.

In 2021, Enel made several climate-related announcements at its Capital Markets Day, including bringing its net-zero emissions commitment across all scopes forward by 10 years to 2040. It was the first company to meet all the indicator criteria in the third assessment of the Climate Action 100+ Net Zero benchmark in October 2022.

In 2023, however, Enel's result dropped from 'Yes, meets all Criteria' to 'Partial, meets some criteria' for some of the Climate Action 100+ Net Zero benchmark indicators due to the enhancement of the criteria. The group of lead investors in the engagement team followed up with the company with our list of priorities for 2024.

This included:

- board-level governance on climate-related issues
- business strategy for the shift from fossil fuel-generated activities to renewables
- the continued commitment of the new management at the company.

We also asked for its coal phase-out timetable and about climate lobbying at an EU and Italian government and industry association level.

### LyondellBassell Industries N.V.

We joined the lead investor engagement group of Climate Action 100+ to engage with this commodity chemicals company. From 2019 to 2023, we met with its:

- Head of Investor Relations
- Head of Research & Development, Technology & Sustainability
- Head of Global Sustainability
- Board chairman
- New CEO.

Following multiple calls and meetings over several years, we have seen considerable progress on various issues, including:

- TCFD disclosures
- the adoption of a Scope 3 emissions target for the first time (a reduction of 30% from 2020 to 2030)
- improved ambition for Scope 1 and Scope 2 2030 emissions (target strengthened to a cut of 42% from previous 30%).

In 2023, we discussed the progression of its decarbonisation pathway and asked about the status of its refining business in Texas and its intention to divest from the Australian polypropylene business. The company has benefited from the US IRA and received EU funding for investments in Germany.

The group also had a long discussion on its strategy to focus on solutions and technical feasibility. We discussed capital expenditure and internal carbon pricing, as well as its thinking on Just Transition with the closure of its refining business in Texas.

### Marathon Petroleum Corporation

We joined the lead group of Climate Action 100+ investors in April 2023 to engage with this North American petroleum refineries company. We also circulated a proxy memo about a shareholder resolution asking the company for an audited report on asset retirement obligations (AROs).

### CA100+ North America accounting working group

We joined the Climate Action 100+ accounting disclosures thematic working group. We also joined the engagement campaign asking for meetings with the audit committees of several North American oil and gas companies to discuss climate transition risk in preparing of financial reports.



## Exclusions

As a house policy, KBI excludes any companies:

- involved with the production or sale of anti-personnel mines and cluster bombs, chemical, biological and depleted uranium weapons
- which repeatedly or seriously violates one or more of the 10 principles of the Global Compact.

In 2023, we added nuclear weapons and unconventional oil and gas to our house exclusion policy.

As of the end of December 2023, we excluded 1,789 companies (2022: 969 companies) in all portfolios.

The breakdown is as follows:

- **Controversial weapons:**  
**144 companies**  
(2022: 142 companies)
- **Nuclear weapons:**  
**14 companies**  
(2022: 8 companies)
- **Global Compact breaches:**  
**488 companies** (2022: 35 companies)
- **Coal: 821 companies**  
(2022: 566 companies)
- **Unconventional oil and gas:**  
**151 companies** (2022: 54 companies)
- **Tobacco:**  
**85 companies**  
(2022: 80 companies).

Our Integris Global, Eurozone and Emerging Market Equity strategies also exclude companies with material connections to certain controversial industries, such as fossil fuels, gambling and civilian firearms.

These portfolios also exclude companies with the worst overall ESG score (CCC) as calculated by an independent external ESG research company, MSCI ESG Research.

At the end of December 2023, we excluded 491 additional companies from the investible universe of these portfolios due to this ESG exclusion policy.

Our Natural Resource strategies invest in companies providing solutions to sustainability challenges related to providing food, energy and water, as well as the impact of climate change.

The strategies exclude companies with material connections to certain controversial industries, such as fracking, private prisons and weapons, and have a more restrictive revenue threshold for coal extraction and power generation.

At the end of December 2023, 210 listed companies did not meet the criteria of our proprietary investment universe of our Natural Resource strategies.

Our policy is to facilitate clients who wish to exclude investment in certain companies or sectors, on a separate account basis, using either lists of securities supplied by the client or using negative screens based on MSCI ESG Research inputs.

## Disclaimers

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### Impact or Engagement:

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**For more information:** Please refer to the **SFDR disclosures** on the website <https://www.kbiglobalinvestors.com/eu-sustainable-finance-disclosures2/>





Headquarters  
3rd Floor, 2 Harbourmaster Place  
IFSC, Dublin 1  
D01 X5P3  
Ireland

Website: [www.kbiglobalinvestors.com](http://www.kbiglobalinvestors.com)  
Tel: +353 1 438 4400  
Email: [info@kbgj.com](mailto:info@kbgj.com)