

IQAM Invest

Q1 2024

The purpose of the **reo**[®] (responsible engagement overlay) service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**[®] approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
60	52	15	14

Companies engaged by region



Engagement by theme *



Milestones achieved by theme

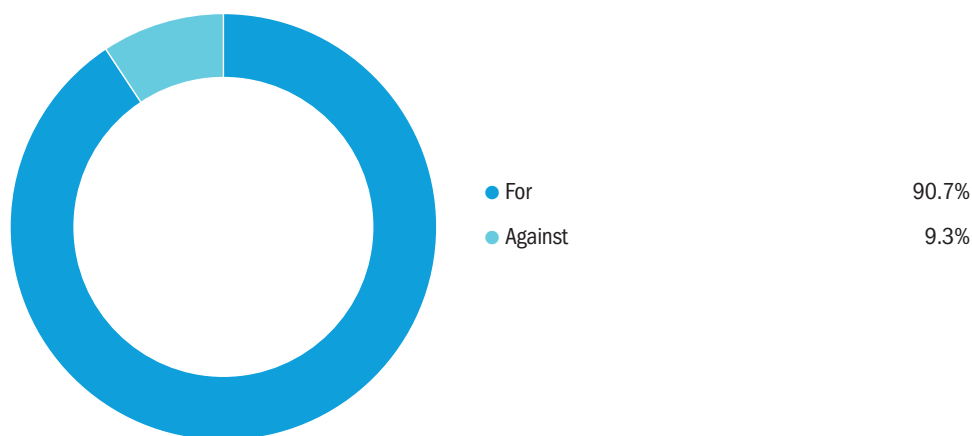


* Companies may have been engaged on more than one issue.

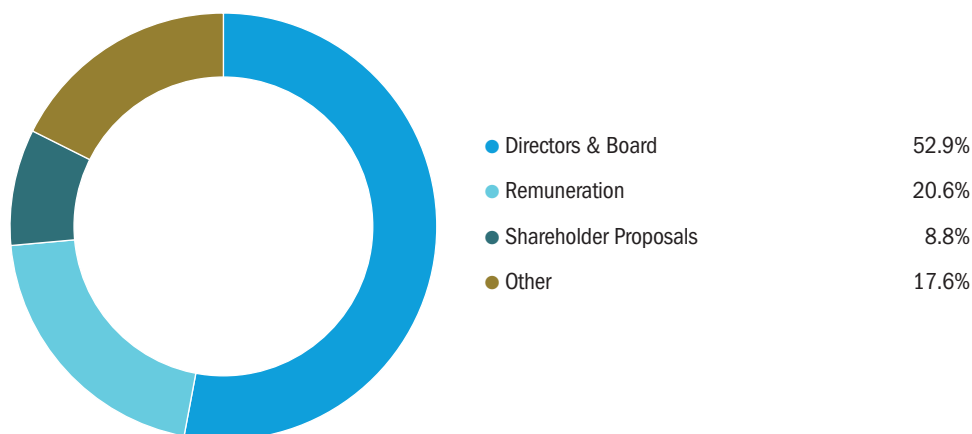
Share voting results **

Company meetings voted	40
Items voted	386

Items voted



Votes against and abstentions by category



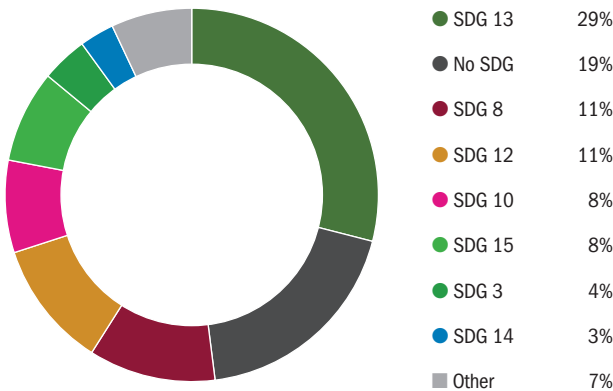
** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstructed.

Engagements and Sustainable Development Goals (SDGs)

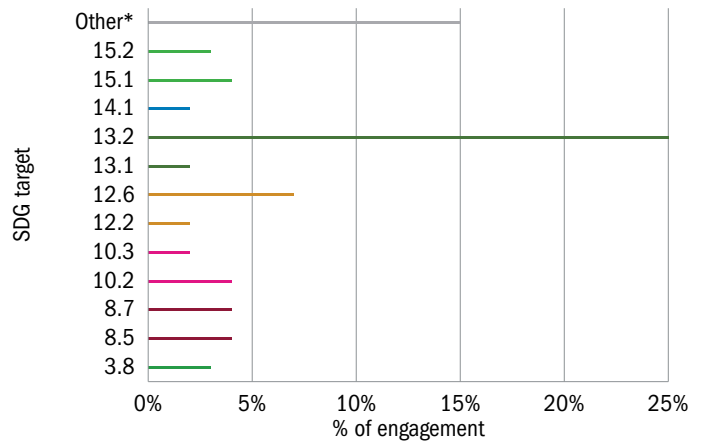
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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

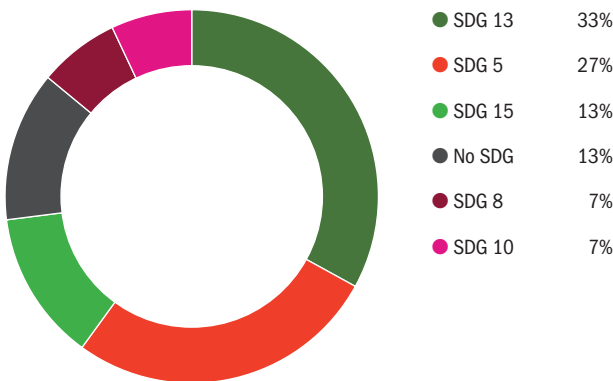
Engagement: SDG level



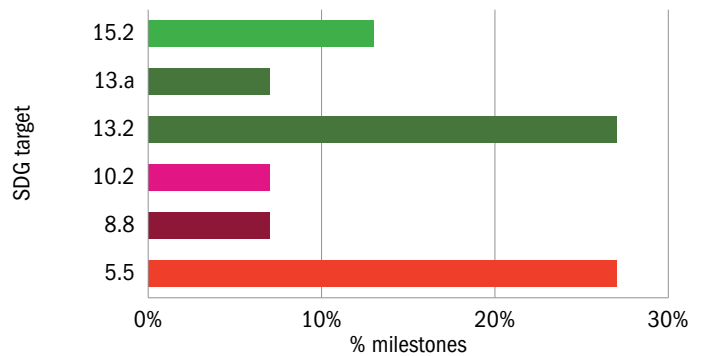
Engagement: SDG target level



Milestone: SDG level





Milestone: SDG target level



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



Engagement case studies

Company: Amazon.com Inc	Mailing Country: United States	Sector: Consumer Discretionary
Priority Company: ✓	ESG Risk Rating: 	Response to Prior Engagement: Poor
Theme: Human Rights	Engagement Case Study Name: Still reluctant to shed light on Responsible AI	
SDG:  10.3		

Background

Amazon is a leading online retailer and web service provider that offers a range of products and services to customers from electronic devices, media content and on-demand technology services. The company is part of our Responsible Governance of Artificial Intelligence (AI) project as it uses AI across its operations from personalised product recommendations, Alexa voice shopping, powered search to optimization in the warehouse. It's encouraging the company has also outlined AI opportunities particularly how it is using AI to advance its sustainability goals from reducing packaging use to identifying damaged items to prevent waste.

Action

We had an in-person meeting to discuss the company's approach to Responsible AI in further detail. We gained further insight to the Board's oversight and scope of responsibilities with respect to Responsible AI. The whole Board is well aware of the interest in Responsible AI and the Nominating Governance committee has oversight of the topic. It was encouraging to note that a few members of the Board including the Lead Independent Director has policy experience which helps with monitoring policies and regulations around Responsible AI. While there is no specific Responsible AI committee as the company has various different use cases, there is a group of people from different disciplines (including the Legal department) who provide their insight and views on the topic. The company also states that it conducts risk assessments, although it did not elaborate further, stating that nothing is currently publicly disclosed. We encouraged enhanced disclosure in order to support investors in understanding the company's approach more fully. We learnt that these risk assessments or 'vulnerability' mechanisms are not limited to cybersecurity and are designed to cover broader ethical issues, although no specifics were divulged. Amazon has not disclosed any safety issues but asserts that it is an iterative process and the company is conducting a significant amount of testing.

Verdict

Amazon has made progress with its public commitments to Responsible AI such as the White House Voluntary AI commitments signed in 2023. It has a Responsible AI policy and model scorecards that is limited to Amazon Web Services but we are optimistic that there will be more disclosure on the operationalization of Responsible AI principles beyond this division. This is important to enhance wider customer trust and adoption to scale AI. We also encouraged publication of further information on its human rights impact assessment process on Responsible AI, and the consideration of quantitative impact measurements to demonstrate how its use of AI can drive sustainable outcomes. We will continue to monitor progress on its Responsible AI framework and process.

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: Analog Devices Inc

Mailing Country: United States

Sector: Information Technology

Priority Company: ✓

ESG Risk Rating:

Response to Prior Engagement: Good

Theme: Corporate Governance

Engagement Case Study Name: Compensation improvements enhance pay for performance link

Background

Analog Devices Inc (Analog) is a multinational semiconductor company that designs and manufactures analog, mixed signal, and Digital Signal Processor (DSP) integrated circuits used for data conversion, signal processing, and power management. It is headquartered in Wilmington, Massachusetts and has customers globally across industries, including communications, automotive, and consumer electronics. Ahead of Analog’s 2024 AGM, we had a meeting to continue our dialogue from last year on executive compensation and discuss the changes made by the company.

Action

We have met with Analog Devices annually the past few years, either off-season or prior to the company’s AGM, to discuss ESG topics. Executive compensation has been a focus in the past year, having met with the compensation committee chair in 2023, and following up with the head of total rewards in March 2024 to understand Analog’s compensation philosophy and provide our views on best practice. The company stressed that attracting and retaining talent was important, and that tying compensation to performance with rigorous metrics was an area of focus. During our discussions ahead of the 2024 AGM, they highlighted positive changes to the executive compensation program, including an increase to the target payout under the total shareholder return metric of the long-term incentive plan to the 55th percentile and an increase in the percentage of performance-based grants to the CEO. In our view, both of these changes better align CEO and other named executive officers to Analog’s performance and strategy execution and illustrated that the company had been responsive to our earlier feedback.

Verdict

We welcomed the opportunity to engage with Analog and were encouraged by the changes made to executive compensation. We felt that through our conversations, the company proved responsive to our feedback and was able to comprehensively articulate their compensation philosophy and how it was reflected throughout their organization.

ESG Risk Rating:

Rating of a company’s ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

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Appendix



SDG	Target	Target Summary
SDG1	1.1	Eradicate poverty and ensure a living wage for all
SDG2	2.1	End hunger and ensure access to safe and nutritious food
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	6.4	Increase water-use efficiency to address water scarcity
SDG6	6.5	Implement water resource management at all levels
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
SDG10	10.2	Empower and promote inclusivity for all
SDG10	10.3	Ensure equal opportunity and legislation for all
SDG10	10.a	Implement the WTO's special rights provisions
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
SDG13	13.3	Improve education & the capacity for climate change mitigation
SDG13	13.a	Address climate change mitigation for developing countries
SDG14	14.1	Prevent and reduce marine pollution of all kinds
SDG14	14.4	Regulate harvesting and end overfishing to restore fish stocks
SDG15	15.1	Ensure sustainable usage of terrestrial freshwater ecosystems
SDG15	15.2	Promote the implementation of sustainable management of forests

Appendix (continued)



SDG	Target	Target Summary
■ SDG16	16.5	Reduce corruption and bribery in all their forms

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