IQAM Invest

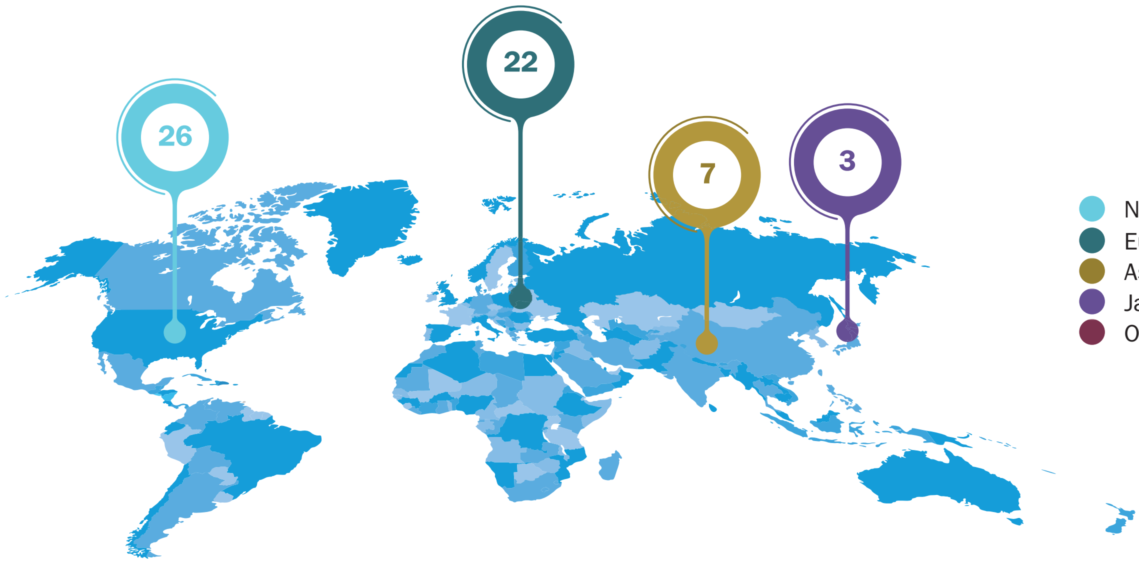
Q2 2024

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.

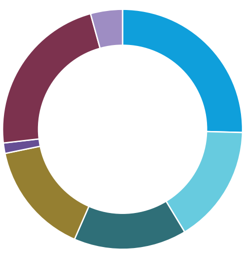
Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
70	58	13	16

Companies engaged by region



Engagement by theme *



Climate Change	35
Environmental Stewardship	22
Human Rights	21
Labour Standards	21
Public Health	2
Corporate Governance	31
Business Conduct	6

Milestones achieved by theme

Climate Change	1
Human Rights	1
Labour Standards	2
Corporate Governance	9

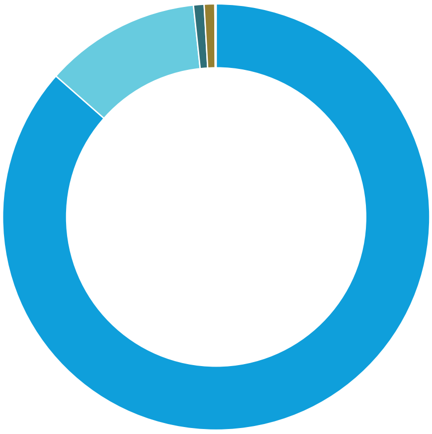
* Companies may have been engaged on more than one issue.

COLUMBIA THREADNEEDLE INVESTMENTS

Share voting results **

Company meetings voted	300
Items voted	3837

Items voted



For	86.5%
Against	11.8%
Abstain	0.8%
Withhold	0.8%
Other	0.1%

Votes against and abstentions by category

Directors & Board	57.8%
Remuneration	10.4%
Capital Raising	5.1%
Shareholder Proposals	26.7%

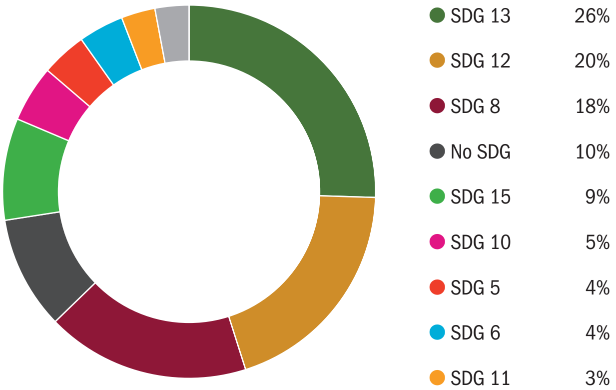
** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where 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)

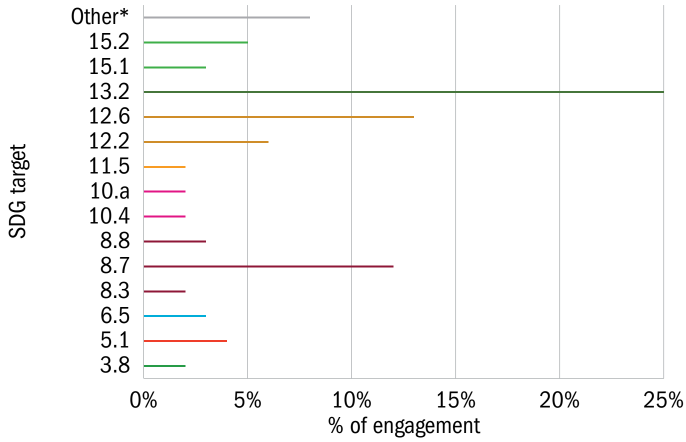
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

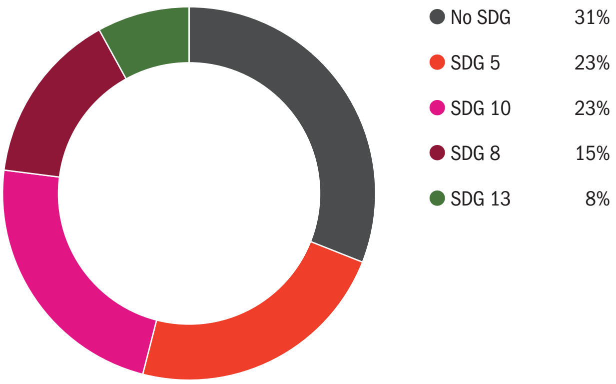
Engagement: SDG level



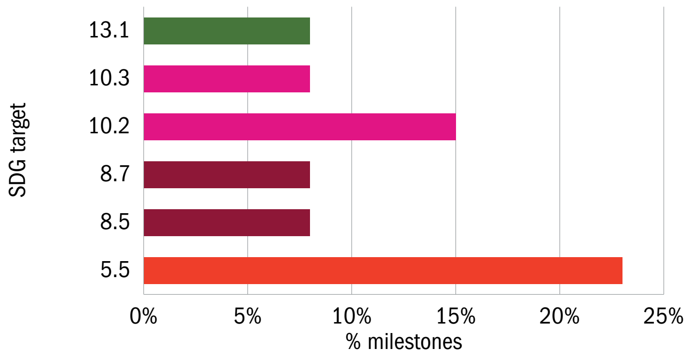
Engagement: SDG target level



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:** Good
Theme: Labour Standards	**Engagement Case Study Name:** Standing firm in the face of multiple shareholder proposals	
SDG: 8 DECENT WORK AND ECONOMIC GROWTH 8.8		

Background

Amazon is a technology company engaged in e-commerce, cloud computing, online advertising, digital streaming, and artificial intelligence. The company has continued to face numerous shareholder proposals, receiving 14 shareholder proposals on its ballot across the environmental, social and governance spectrum during the 2024 AGM. These covered topics such as Scope 3 emissions and plastic use to repeated shareholder proposals on freedom of association and working conditions. Half of the proposals had also been filed in previous ballots.

Action

Ahead of the AGM, we had a constructive dialogue with the Head of ESG engagement regarding pertinent proposals on the ballot. On working conditions, we were pleased to see the improvements in injury rates and increased investments in health and safety. However, the company continues to face allegations around the misrepresentation of its injury data. The company clarified that prior to data submission to the regulator, it conducts audits to reduce the risk of false reporting. Given continued allegations and investigations, shareholders would benefit from independent audits to ensure the integrity of the data. On customer due diligence, the company reiterated its robust human rights due diligence programme and its compliance with the UN Guiding Principles. Amazon states that it conducts risk assessments at both a product and enterprise level. But while we note that the company enforced a ban on the sale of its facial recognition technology, to police departments, Amazon is still exposed to reputational and regulatory risks from the potential misuse of the software. We believe shareholders would benefit from further disclosure of how it conducts customer due diligence for its facial recognition software. On plastics, we are encouraged by the company's improved disclosure and did not support the proposal to report on efforts to reduce plastics this year. While we think it could be beneficial to publish time-bound goals for plastics reduction, we understand that customers and other stakeholders are able to monitor the company's improvements through its disclosure on the percentage of its plastic packaging in its annual reporting.

Verdict

The company's stance remains unchanged that independent reviews for freedom of association and working conditions would not be beneficial given that its current standards are very high, and the company would not place itself at risk of penalties by reporting incorrect data in an SEC filing. Nonetheless, given the continued high-profile controversies related to this, we reiterated that independent reviews would help to alleviate investors' concerns on these material labour issues which impact its c1.5 million employees and appear annually on the ballot. As a result, we supported the shareholder proposals on freedom of association, working conditions and customer due diligence. Despite these proposals not passing, these topics will continue to be focus areas for engagement with the company going forward.

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: Smurfit Kappa Group PLC	**Mailing Country:** Ireland	**Sector:** Materials
Priority Company: ✔	**ESG Risk Rating:**	**Response to Prior Engagement:** Good
Theme: Environmental Stewardship	**Engagement Case Study Name:** Strengthening its approach to biodiversity management	
SDG: 15.1		

Background

Smurfit Kappa Group is an Ireland-based supplier of paper-based packaging. The company is vertically integrated, spanning forestry assets (mainly in Colombia), mills and plants, and is one of the largest paper and board producers in the world with a capacity of 8.3 million tonnes per annum. Smurfit is also merging with US company Westrock, which will further increase its size. Smurfit's impacts on nature are driven primarily by its owned forestry and mill assets, and its sourcing of third party produced pulp and paper. Smurfit generally performs towards the top of its peer group on environmental management, but we identified specific room for improvement on its management of operational biodiversity impacts and disclosure of nature-related risks.

Action

We have engaged Smurfit Kappa bilaterally on this topic for the past two years. Our focus has been on encouraging the company to strengthen its collection of operational biodiversity data, and to explore setting quantitative targets. Specifically, we have been encouraging the company to explore using environmental DNA (eDNA) assessments to more efficiently gather real time data on species distributions within its forestry assets, and have connected the company with different eDNA providers in the past. We advised the company to consider establishing a portfolio of biodiversity KPIs and targets to appraise its operational impact, providing examples of peer best practice. We have also been working with Smurfit to explore how the company could adopt a Taskforce for Nature-related Financial Disclosures (TNFD) approach to identify and assess its exposure to financially material nature-related risks such as pests, disease and nature-related regulation. Smurfit recognised that it has more work to do to on its operational biodiversity management compared to peers, and is currently working to onboard an eDNA provider.

Verdict

We have been encouraged by the openness of Smurfit's Chief Sustainability Officer to take on-board our suggestions, particularly around eDNA and approaches to promoting residual biodiversity in pine/eucalyptus plantations. This is a busy year for Smurfit due to the Westrock merger, but we believe that if the company's approach to operational biodiversity is improved, this will pay dividends in light of the expected significant increase to the company's forestry asset base post-merger (given Westrock has extensive Brazilian forestry assets). We will continue to work with the company on its approach, and expect to see a marked step forward in practice by its next set of disclosures in 2025.

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Engagement case studies

Company: Taiwan Semiconductor Manufacturing Co Ltd	**Mailing Country:** Taiwan	**Sector:** Information Technology
Priority Company: ✔	**ESG Risk Rating:** GREEN	**Response to Prior Engagement:** Adequate
Theme: Corporate Governance	**Engagement Case Study Name:** Disappointing steps backward in corporate governance	

Background

TSMC is the largest independent semiconductor foundries and the second most valuable semiconductor company in the world. We have concerns around their governance structures and policies. For example, TSMC initiated a key 2018 Company Act amendment in Taiwan to push for more frequent cash dividend payout from annually to quarterly. While we welcome timelier returns to shareholders, this development also removes the shareholder's right to vote on the cash dividend at AGMs. We have already seen the first foreign shareholder proposal filed in Taiwan to contest this amendment. In addition, before the founder Morris Chang stepped down in 2018, he introduced a robust corporate governance legacy as part of his succession plan – separating the CEO and Chair roles –a rare and welcome development in a market with many family-run businesses. However in December 2023, Chairman Dr. Mark Liu suddenly announced his retirement, leaving Dr C.C. Wei holding both CEO and Chair roles after the June 2024 AGM.

Action

We voted against all the proposals that remove shareholder's rights to vote on cash dividend in Taiwan. We engaged with TSMC in person in 2023 to express concerns about this amendment and encourage it to support the development of better corporate governance structures with the regulators. TSMC acknowledged its influence on amending the law, but it asked us to engage with the regulators instead. We also asked we asked the company for a meeting after the announcement of Dr Liu's retirement plan. This meeting was to further understand its succession plan and the arrangement of combining the CEO and Chair roles. However, we were disappointed to note that the company was only willing to communicate via email, providing very limited information and not committing to improve.

Verdict

In our view, corporate governance risks are increasing at TSMC with one person holding both the highest executive and supervisory roles possibly compromising the board quality and increasing key person risk. We expect TSMC to justify why the roles are combined and how it can ensure a proper balance of authority for shareholders' interests at the board level. Moreover, as one the most valuable companies in the world, we believe investors increasingly will need to pay attention to the decline in corporate governance standards at this company while pursuing higher stock performance.

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Engagement case studies

Company: Waste Connections Inc	**Mailing Country:** Canada	**Sector:** Industrials
Priority Company: ✔	**ESG Risk Rating:**	**Response to Prior Engagement:** Good
Theme: Climate Change, Environmental Stewardship	**Engagement Case Study Name:** Addressing environmental stewardship: emissions, recycling and PFAS management	
SDG: 13.2; 12.5, 12.4		

Background

Waste Connections (WCN) is the third-largest waste manager in the US, with a large presence in rural America. It has a key role in enabling a circular economy and mitigating environmental impacts like emissions and plastic pollution. In light of these environmental risks, we engaged with the VP of Engineering & Sustainability to discuss Waste Connections' net zero strategy, recycling initiatives, and approach to managing PFAS exposure.

Action

We were keen to assess the company's emissions management strategy, including their view on expanding their Renewable Natural Gas(RNG) processing capabilities. We were interested to discover that the company is exploring technologies to better model and capture fugitive emissions from landfills. It is also spending aggressively on RNG facilities for enhanced biogas generation. Additionally, we discussed earnings opportunities available from recycling, as well as PFAS related regulations which are expected to be enforced in the US. While WCN's lack of ambition on recycling may prove to be a missed earnings opportunity, we still expect some focus here with enhanced recycling goals due to previous targets not having factored in the increased use of recycling robots or developments at new recycling facilities. In light of this, more quantitative data on its emissions reduction roadmap as well as recycling efforts would be welcome. Finally, WCN intends to process at least 50% of its leachate (ie contaminated water in solid waste landfills) on site which is likely to position them well given pending legislation on wastewater and the Comprehensive Environmental Response Compensation and Liability Act. It is encouraging to note that they are also partnering with wastewater treatment plants and vendors on the use of foam fractionation technology in order to improve PFAS management. We believe this is a potential commercial opportunity for the company and will monitor its progress.

Verdict

In our view, an ambitious environmental strategy could benefit WCN in meeting their public climate and recycling commitments as well as developing new revenue streams. WCN expects to achieve its climate targets through enhanced modelling, the capturing of fugitive emissions, and the electrification of their fleet. RNG facilities are also expected to enhance revenues & generate carbon offsets. Their expansion of their recycling offering is currently muted, but we will continue to encourage greater ambition , especially once US Extended Producer Responsibility regulations are enforced. WCN is unique in setting targets on leachate treatment on-site – we will monitor progress on this with great interest.

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Appendix

SDG	Target	Target Summary
SDG3	3.8	Access to medicines and health-care
SDG5	5.1	End all forms of discrimination against women and girls
SDG5	5.5	Ensure full equality of opportunity for women, including at leadership levels
SDG6	6.3	Improve water quality by reducing pollution
SDG6	6.5	Implement water resource management at all levels
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
SDG10	10.3	Ensure equal opportunity and legislation for all
SDG10	10.4	Adopt policies to progressively achieve greater equality
SDG10	10.a	Implement the WTO's special rights provisions
SDG11	11.5	Reduce social and economic losses caused by disasters
SDG11	11.6	Reduce the negative environmental externalities of cities
SDG12	12.2	Sustainably manage and make efficient use of natural resources
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
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.b	Promote non-discrimination laws for sustainable development