# IQAM Invest

## Q4 2024

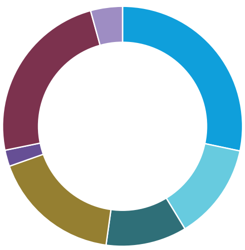
The purpose of the ***reo***® (responsible engagement overlay) service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The ***reo***® approach focuses on enhancing long-term investment performance by 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 |
|---|---|---|---|
| 23 | 20 | 1 | 9 |

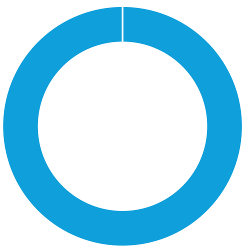
### Companies engaged by region


### Engagement by theme *



| | |
|---|---|
| Climate Change | 13 |
| Environmental Stewardship | 6 |
| Human Rights | 5 |
| Labour Standards | 8 |
| Public Health | 1 |
| Corporate Governance | 11 |
| Business Conduct | 2 |

### Milestones achieved by theme



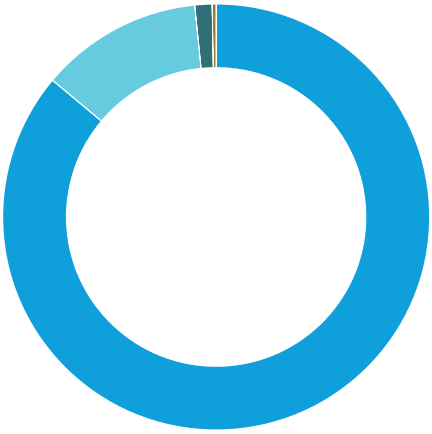
| | |
|---|---|
| Corporate Governance | 1 |

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

## Share voting results **

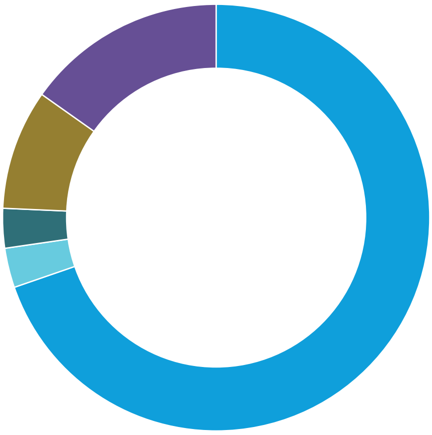
| | |
|---|---|
| Company meetings voted | 37 |
| Items voted | 317 |

## Items voted



| | |
|---|---|
| For | 86.1% |
| Against | 12.3% |
| Withhold | 1.3% |
| Other | 0.3% |

## Votes against and abstentions by category



| | |
|---|---|
| Directors & Board | 69.7% |
| Remuneration | 3.0% |
| Capital Raising | 3.0% |
| Shareholder Proposals | 9.1% |
| Other | 15.2% |

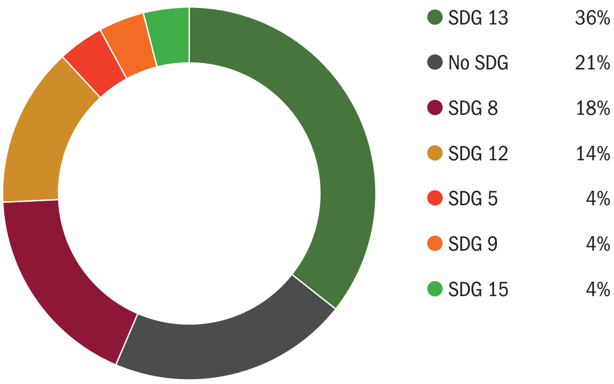
** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where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

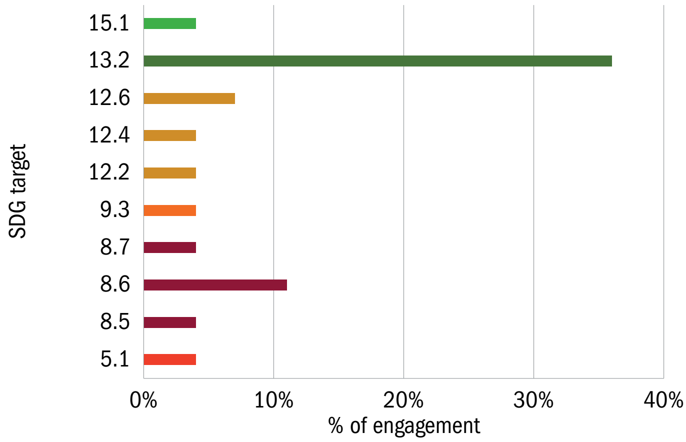
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

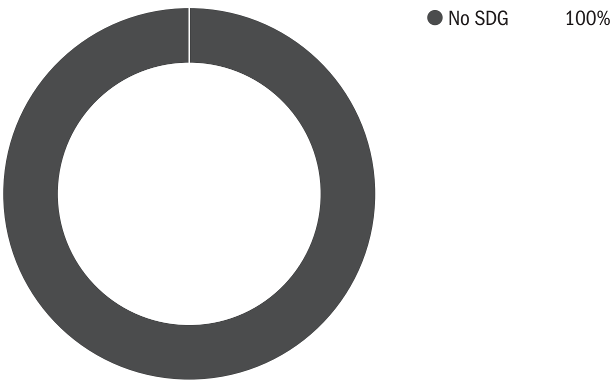
### Engagement: SDG level




### 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:** Alibaba Group Holding Ltd

**Mailing Country:** China

**Sector:** Information Technology

**Priority Company:** ✔

**ESG Risk Rating:**

**Response to Prior Engagement:** Good

**Theme:** Climate Change, Human Rights, Corporate Governance

**Engagement Case Study Name:** Enhancing climate resilience and data governance practices

**SDG:** 13.2 8.7

### Background

Alibaba Group is the world's second largest e-commerce retailer. We spoke to the Head of ESG to discuss their climate strategy, physical risk impact assessment, impact of AI on jobs, and human rights due diligence. We were encouraged by the company's targets and initiatives around key emission drivers - i.e., their e-commerce, logistics, and cloud business. However, we sought more clarity on Alibaba's approach to assessing and mitigating physical and data privacy risks in its data centers and its supply chain risk management practices.

### Action

On climate strategy, Alibaba highlighted initiatives such as the use of recyclable packaging, piloting sustainable aviation fuel for international cargo delivery, energy-efficient hardware/software, and liquid immersion cooling to reduce energy consumption. The company is also sourcing c39% of its energy needs from clean energy as part of its carbon neutrality strategy. Regarding physical risks, Alibaba discloses water usage efficiency by site for its self-operated data centers and conducts thorough risk assessments while carefully siting data centers to protect against acute weather events. It also addresses water scarcity through air cooling. With regards to data privacy, we were encouraged by the company's recent update of its supplier code of conduct obligating supplier to comply with internal data protection guidelines. We believe disclosure on data security breaches would be key to assess the effectiveness of their strategy. Finally, we discussed Alibaba's human rights due diligence in its supply chain. The company highlighted its updated supplier ESG Code of Conduct signed by 14,000 suppliers, mapping and disclosure of Tier 1 suppliers, and increased audits (now at 30% of suppliers) to verify labour practices, recruitment, fair wages, safety, and business ethics.

### Verdict

Alibaba's climate strategy and initiatives are commendable, but we would encourage greater transparency on physical risk mitigation strategies for water-stressed regions in particular. We encouraged Alibaba to publish a site-wide water risk map and mitigation strategies adopted to adequately estimate investment risk. The company's human rights due diligence efforts are progressing, but disclosing audit findings and remediation actions would enhance transparency. Overall, Alibaba demonstrates a commitment to addressing material ESG issues, but we believe ongoing engagement is necessary to drive further improvements and transparency.

**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:** Amazon.com Inc

**Mailing Country:** United States

**Sector:** Consumer Discretionary

**Priority Company:** ✔

**ESG Risk Rating:**

**Response to Prior Engagement:** Good

**Theme:** Climate Change, Environmental Stewardship, Human Rights, Labour Standards

**Engagement Case Study Name:** Amazon's approach to energy management, water and human capital management

**SDG:** 8.7 13.2

### 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. As a leading e-commerce and cloud computing company, Amazon faces various environmental and social risks across its operations and supply chain. We met with ESG Engagement Specialists to discuss their views on the impact of potential trade policies, their human capital strategy, and their water and energy strategy for Amazon Web Services (AWS) data centres.

### Action

Regarding potential import tariffs on Chinese goods in the US, Amazon believes that compliance would primarily lie with third-party sellers in their supply chain, potentially affecting supply chain resilience to some extent. On human capital management, Amazon has implemented several feedback channels and robotics to improve working conditions in fulfilment centres. However, we encouraged the company to identify and disclose metrics to assess the effectiveness of these measures, such as tracking and resolving material grievances. In relation to AWS data centres, Amazon considers siting decisions aligned with customer expectations and resource availability. On energy management, the company works on the principle of additionality (i.e. it aims to add renewable and clean power capacity where it is most impactful and cost-effective and offset that against energy usage) versus 24/7 matching of energy usage to renewable energy generated on the local grid. Amazon has also built a water risk dashboard based on assessments in order to prioritize regions for greater water saving and recycling intervention.

### Verdict

We are encouraged by Amazon's long-term net-zero and water-positive goals, as well as its efforts to improve working conditions and human capital management. However, we believe these commitments should be validated by interim, publicly disclosed targets in order to more effectively assess progress. Amazon's approach to energy and water management for AWS data centres is commendable. We intend to continue our engagements in order to drive further transparency and accountability on material ESG issues across the company's operations and supply chain.

**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:** GREEN | **Response to Prior Engagement:** Good |
| **Theme:** Corporate Governance | **Engagement Case Study Name:** A proactive approach to remuneration and talent management | |

### 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. We engaged with several operational specialists at the company to discuss proposed changes to their remuneration policy, such as annual short term incentive measurements, more challenging short term incentive targets, and reduction of maximum payout. These changes were in response to investor feedback received earlier in the year after shareholder dissent at the previous AGM.

### Action

We discussed these proposals during our engagement and appreciated the company's responsiveness to investor feedback as the improvements made to the remuneration practices are a positive step in our view. We provided additional feedback to improve their remuneration policy further, such as changes to the vesting schedule and change-in-control provisions. We also discussed the company's succession planning processes, which signaled a strong awareness of risk management and capitalizing on opportunities.

### Verdict

Analog's proactive approach to addressing investor concerns and implementing changes to its remuneration policy demonstrates a commitment to good corporate governance practices. The company's responsiveness to investor feedback and willingness to engage on remuneration and succession planning issues are positive developments. However, we believe that ongoing engagement may be necessary to monitor the implementation of the proposed changes and ensure alignment with best practices in executive compensation and talent management.

**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:** Waste Connections Inc | **Mailing Country:** Canada | **Sector:** Industrials |
| **Priority Company:** ✔ | **ESG Risk Rating:** ORANGE | **Response to Prior Engagement:** Good |
| **Theme:** Environmental Stewardship, Human Rights, Labour Standards | **Engagement Case Study Name:** A strong focus on human capital management pays off | |
| **SDG:** 8.6, 12.2 | | |

### Background

Waste Connections (WCN) is the third-largest waste manager in the US, with a large presence in rural America. As a leading provider of waste management services, Waste Connections faces various environmental and social risks related to its operations and the transition to a circular economy. We spoke with the Investor Relations team to discuss key issues within their latest sustainability report, with a focus on human capital management and environmental stewardship.

### Action

Regarding human capital management, Waste Connections attributed a significant decline in voluntary staff turnover rates to its efforts in embracing diversity, increasing technology adoption for health and safety, enhancing training and development programs, and maintaining a culture of servant leadership. The company also credited its margin expansion in the year to this significantly reduced turnover as it resulted in lower recruitment, training, and accident-related costs, as well as increased staff retention. We view this as a robust strategy with the ability to counter staff shortage risks in the medium to long run, while also leading the way for greater integration of technology into operations to complement manual labour and improve waste collection, recycling and treatment rates. We will continue to encourage an evaluation of gender pay gap and other metrics to strengthen this strategy. Regarding environmental strategy, Waste Connections highlighted its focus on new growth areas such as renewable natural gas and recycling. It is interesting to note that the company's human capital management strategy – which is supplemented by increased technology use - is seen as key to its growth in these new revenue generating avenues.

### Verdict

Waste Connections' comprehensive approach to human capital management, including diversity initiatives, technology adoption, and training programs, has yielded positive results in reducing voluntary turnover and improving operational efficiency. The company's focus on renewable energy opportunities, such as renewable natural gas and recycling, aligns with the transition to a circular economy. We will aim to continue engagement in order to encourage further transparency and target-setting in these areas, as well as to assess the company's progress in managing environmental and social risks across its operations.

**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

## Appendix


| SDG | Target | Target Summary |
|---|---|---|
| SDG5 | 5.1 | End all forms of discrimination against women and girls |
| SDG8 | 8.5 | Achieve full and productive employment for all |
| SDG8 | 8.6 | Reduce the proportion of youth not in employment or education |
| SDG8 | 8.7 | Eradicate forced labour, modern slavery & human trafficking |
| SDG9 | 9.3 | Increase access to finance for SME's |
| 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 | 13.2 | Integrate climate change plans into policies and strategies |
| SDG15 | 15.1 | Ensure sustainable usage of terrestrial freshwater ecosystems |