

Zuger KB

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
57	45	8	10

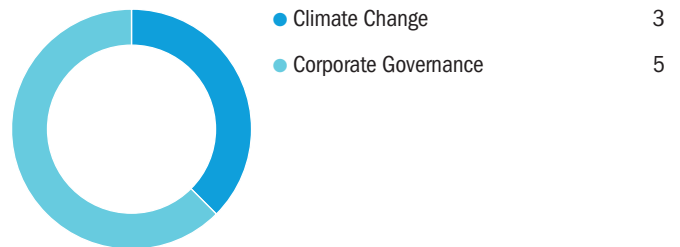
Companies engaged by region



Engagement by theme *



Milestones achieved by issue

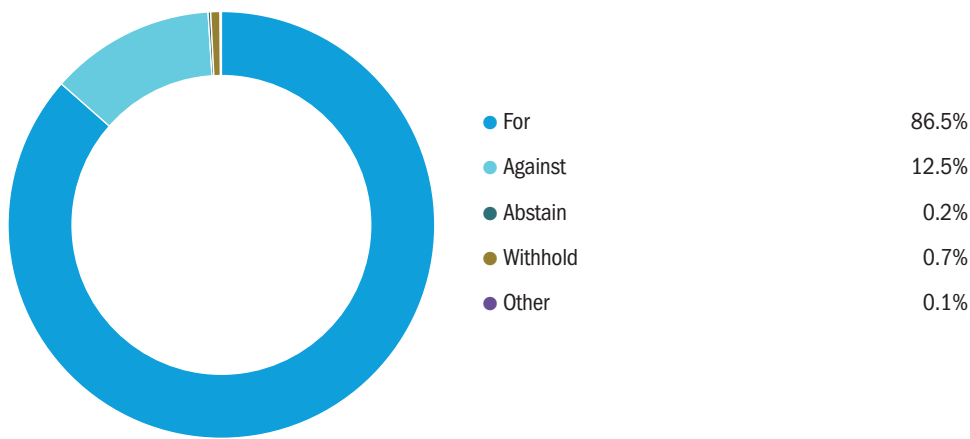


* Companies may have been engaged on more than one issue.

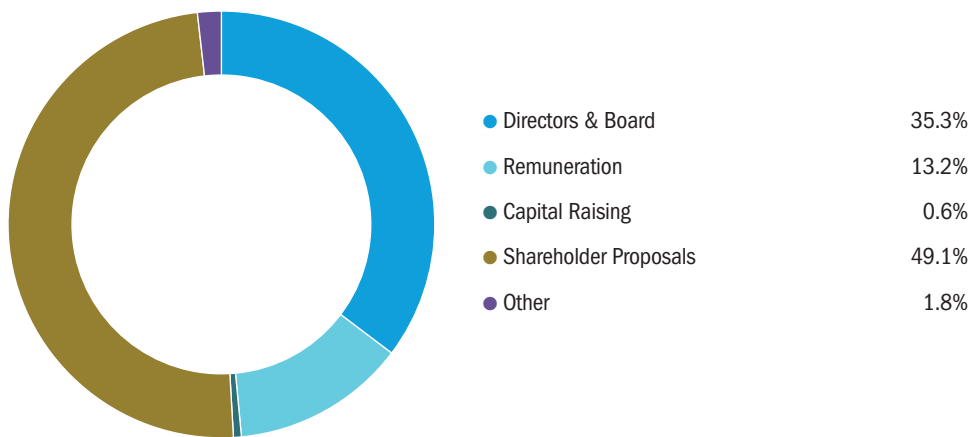
Share voting results **

Company meetings voted	99
Items voted	1,643

Items voted



Votes against and abstentions by category



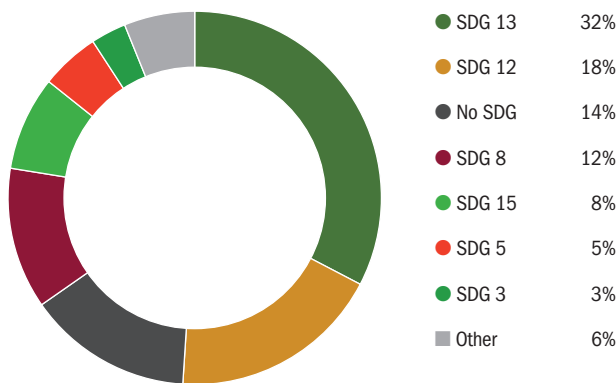
** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where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

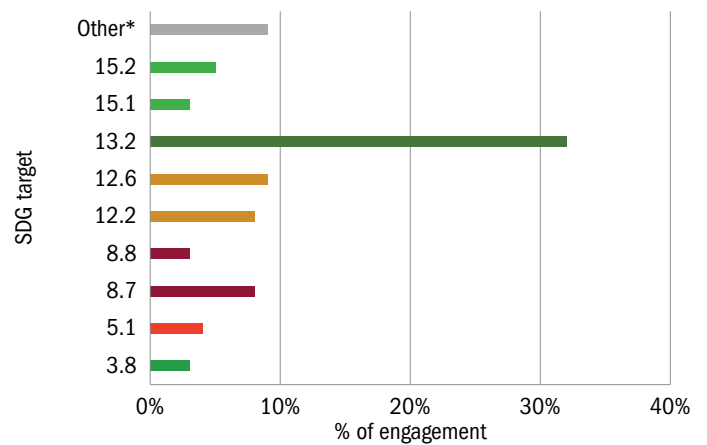
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

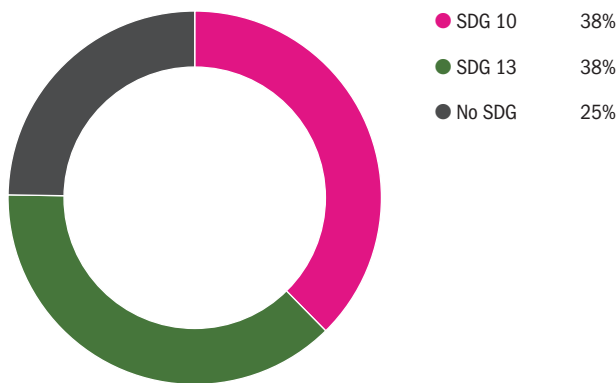
Engagement: SDG level



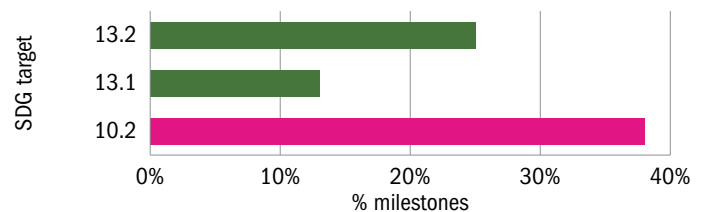
Engagement: SDG target level



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: Good

Theme: Labour Standards

Engagement Case Study Name: Standing firm in the face of multiple shareholder proposals

SDG:  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

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	6.1	Achieve universal access to safe & affordable drinking water
SDG7	7.2	Substantially increase the global share of renewable energy
SDG8	8.2	Achieve greater productivity through innovation.
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
SDG11	11.5	Reduce social and economic losses caused by disasters
SDG12	12.2	Sustainably manage and make efficient use of natural resources
SDG12	12.5	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
SDG14	14.1	Prevent and reduce marine pollution of all kinds
SDG15	15.1	Ensure sustainable usage of terrestrial freshwater ecosystems
SDG15	15.2	Promote the implementation of sustainable management of forests
SDG16	16.b	Promote non-discrimination laws for sustainable development

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