

Zuger KB

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.

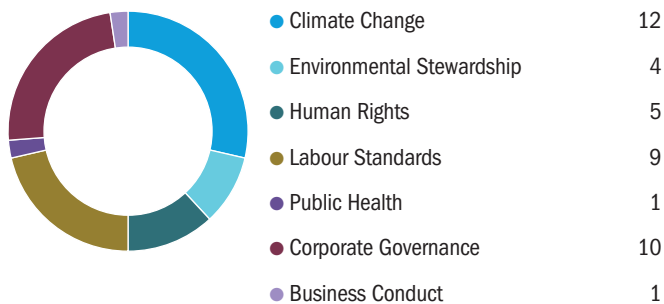
Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
24	21	2	9

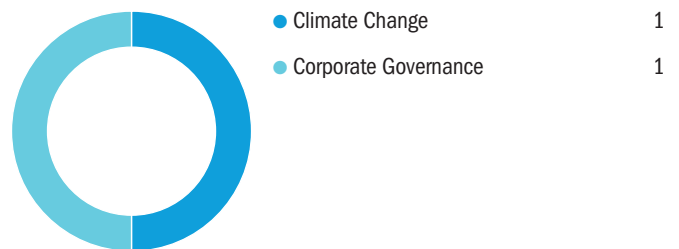
Companies engaged by region



Engagement by theme *



Milestones achieved by issue

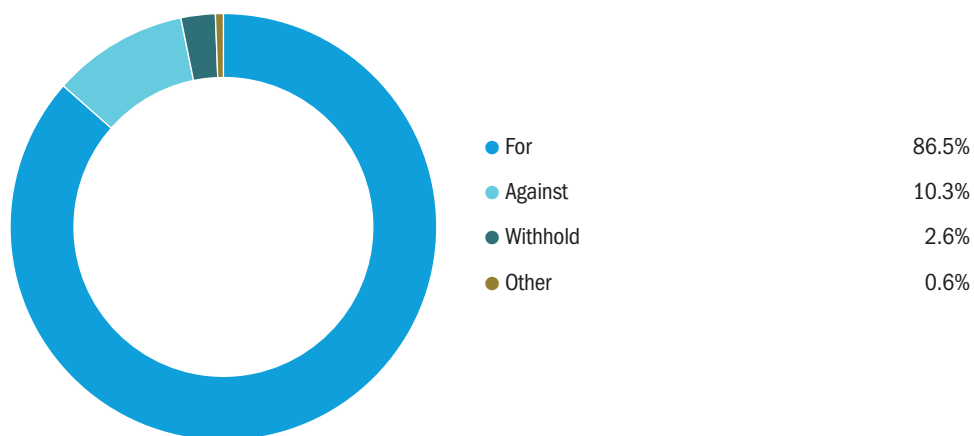


* Companies may have been engaged on more than one issue.

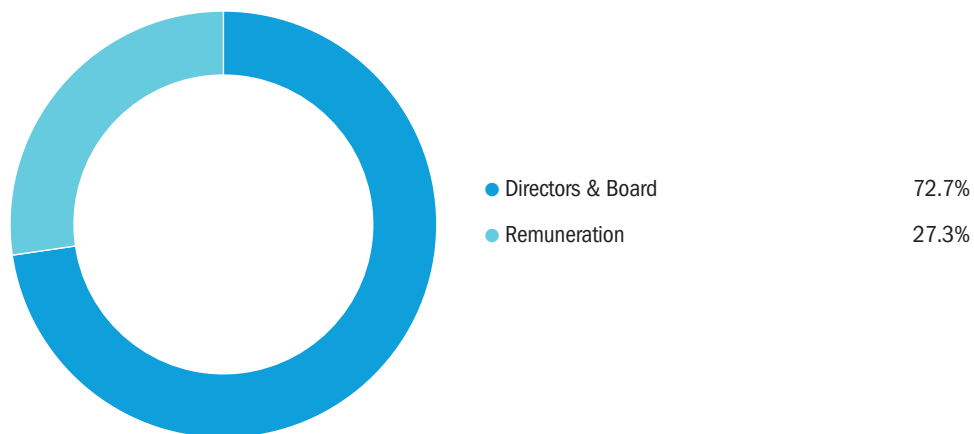
Share voting results **

Company meetings voted	12
Items voted	156

Items voted



Votes against and abstentions by category



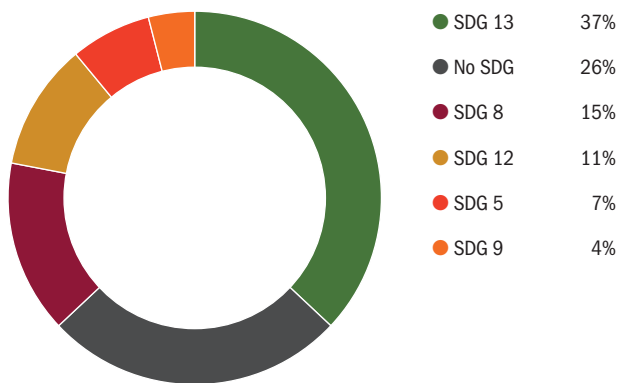
** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where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

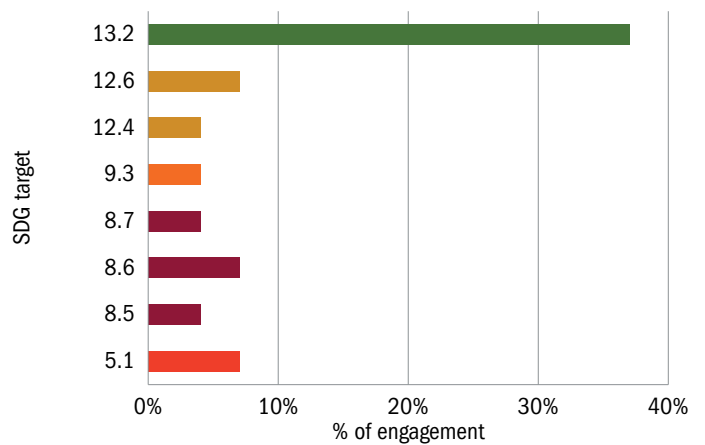
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

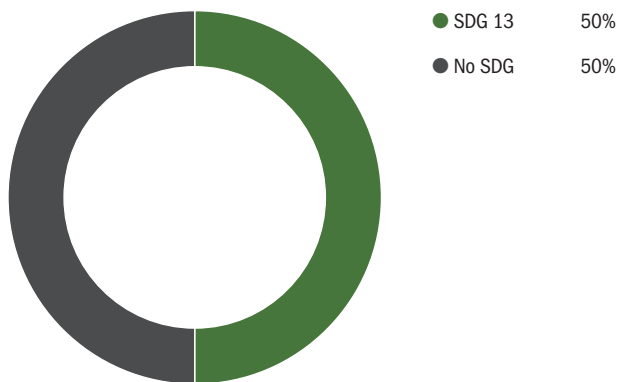
Engagement: SDG level



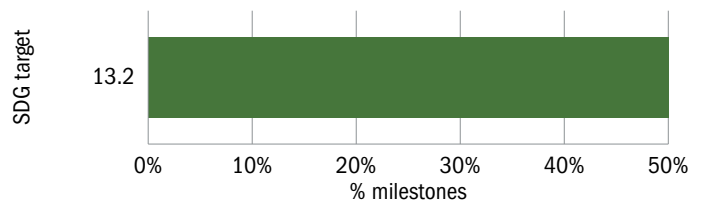
Engagement: SDG target level



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: 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:

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: 

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	12.4	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

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