Shropshire County Council

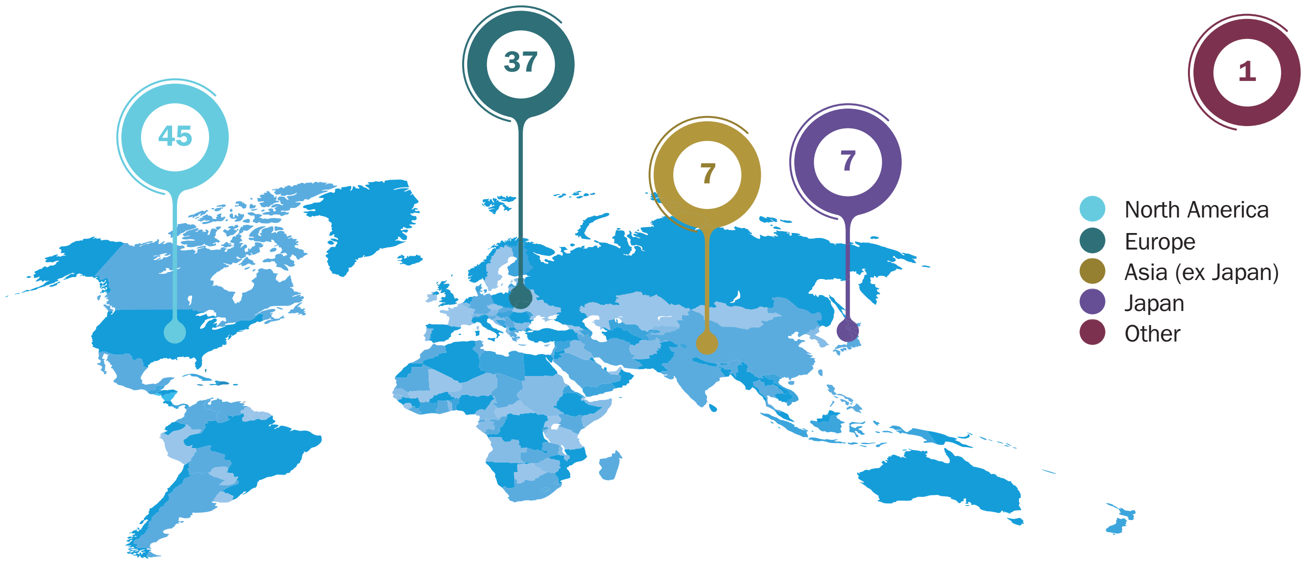
Q2 2024

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.

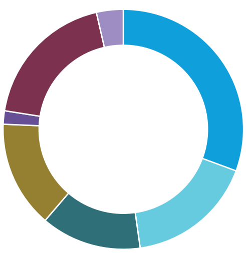
Companies engaged this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
114	97	17	19

Companies engaged by region

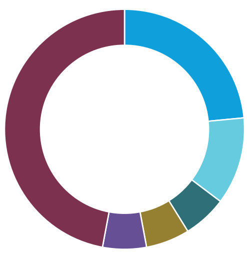


Engagement by theme *



Climate Change	68
Environmental Stewardship	38
Human Rights	30
Labour Standards	32
Public Health	4
Corporate Governance	42
Business Conduct	8

Milestones achieved by theme



Climate Change	4
Environmental Stewardship	2
Human Rights	1
Labour Standards	1
Public Health	1
Corporate Governance	8

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

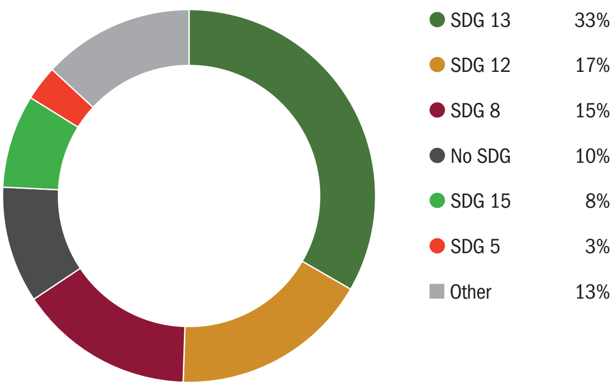
COLUMBIA THREADNEEDLE INVESTMENTS

Engagements and Sustainable Development Goals (SDGs)

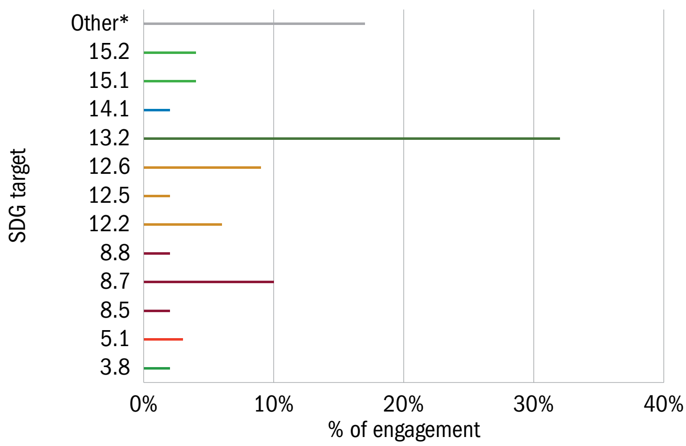
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

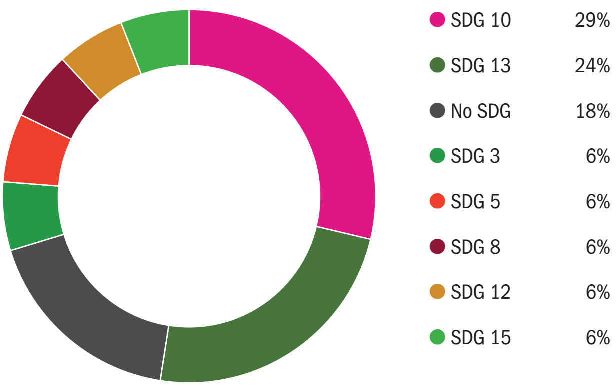
Engagement: SDG level



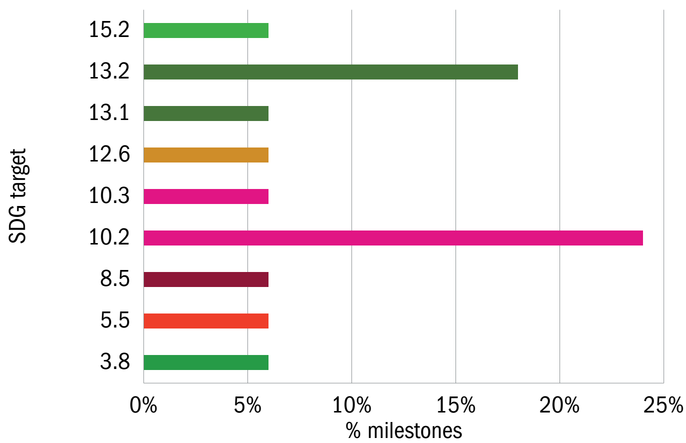
Engagement: SDG target level



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

Engagement case studies

Company: Koninklijke Philips NV	**Mailing Country:** Netherlands	**Sector:** Health Care
Priority Company: ✔	**ESG Risk Rating:**	**Response to Prior Engagement:** Good
Theme: Labour Standards, Public Health, Corporate Governance	**Engagement Case Study Name:** A focus on human capital management and the quantification of access to health	
SDG: 3.8	8.5	16.7

Background

Philips is a Dutch healthcare conglomerate which offers a range of products across different business divisions: diagnosis and treatment, connected care and personal health. Building on previous engagements, we met with Philips' Head of Sustainability and IR to discuss the 2024 proxy, human capital management and Philips' access to healthcare methodology.

Action

We followed up on earlier conversations on human capital management as employee morale and satisfaction has been negatively impacted by the ongoing corporate re-organization. We believe that recent news that ASML is exploring further expansion in the Eindhoven tech-hub area in Netherlands is a direct risk to Philips human capital, as technical staff at Philips could be enticed to ASML. We therefore believe that retention should be a priority for Philips Executive leadership. Philips seemed confident in their current focus on creating a culture of responsibility and maintaining high quality standards while ensuring a positive and supportive culture. We reiterated our concerns on Philips' access to health methodology which calculates how many lives the company has improved through its products. Philips aims to improve the lives of > 1 billion people. In comparison, Siemens Healthineers' access to health strategy strives for '260 million patient touchpoints' which we believe is a more realistic target. Against a backdrop of increased regulatory focus on ESG claims and greenwashing, we stated our concerns that the lives improved claim opens the company up for greenwashing claims. Philips acknowledged our concerns while also sharing the challenges inherent to measuring health impacts, something the wider industry also struggles with, as there is no universal metric and data can be sparse. While there is no guarantee that Philips will change this framing, we were encouraged by their reception of our concerns. We will continue the dialogue on measuring health impacts.

Verdict

We have always been appreciative of Philip's openness to our feedback, their reflections and insightful answers. We shared our Human Capital Framework after the call, and have also been asked to participate in the company's stakeholder consultations on its 2030 supplier sustainability targets. Having had a number of extensive conversations with Philips, we have been increasingly confident in Philips' actions to effectively re-organize the business, learn from the past and begin restoring its market position. Effective human capital management will depend on execution, but the Executive Leadership team appears to be fully aware of this. We will continue to follow Philips' reorganization with great interest.

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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:** YELLOW	**Response to Prior Engagement:** Good
Theme: Climate Change, Environmental Stewardship	**Engagement Case Study Name:** Addressing environmental stewardship: emissions, recycling and PFAS management	
SDG: 13 Climate Action 13.2; 12 Responsible Consumption and Production 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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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
SDG3	3.9	Reduce deaths and illnesses from pollution and contamination
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
SDG6	6.5	Implement water resource management at all levels
SDG6	6.6	Protect and restore water-related ecosystems
SDG7	7.2	Substantially increase the global share of renewable energy
SDG8	8.2	Achieve greater productivity through innovation.
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
SDG11	11.2	Provide access to safe and affordable transport systems
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
SDG13	13.a	Address climate change mitigation for developing countries
SDG14	14.1	Prevent and reduce marine pollution of all kinds
SDG15	15.1	Ensure sustainable usage of terrestrial freshwater ecosystems

Appendix (continued)

SDG	Target	Target Summary
SDG15	15.2	Promote the implementation of sustainable management of forests
SDG16	16.6	Develop effective, accountable and transparent institutions
SDG16	16.7	Ensure responsive and inclusive decision-making at all levels
SDG16	16.b	Promote non-discrimination laws for sustainable development