

IQAM Invest

Q4 2023

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.

Engagement this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
77	68	26	12

Companies engaged by region



Engagement by theme *



Milestones achieved by theme

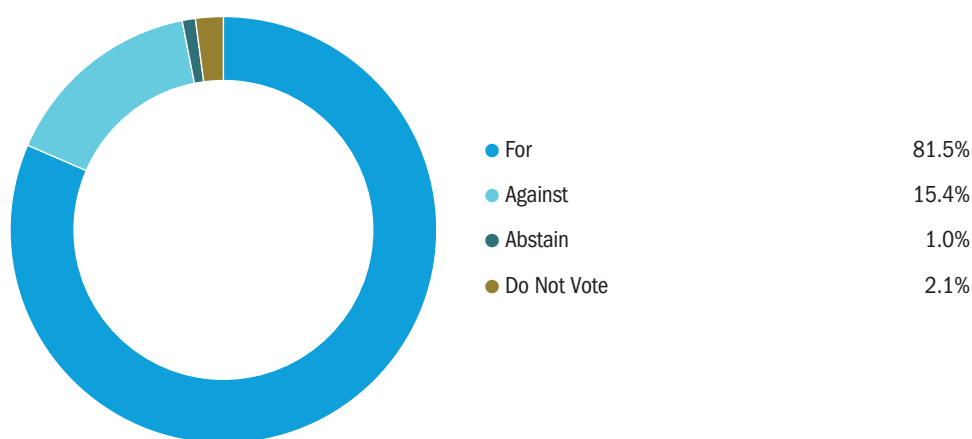


* Companies may have been engaged on more than one issue.

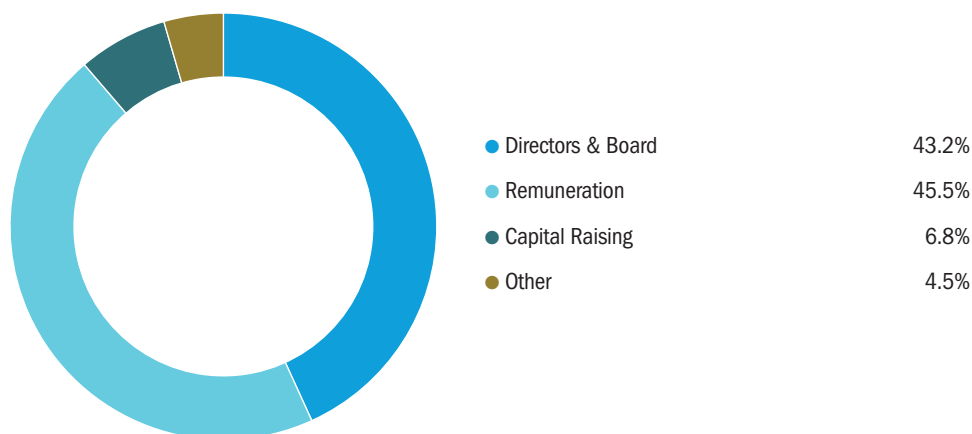
Share voting results **

Company meetings voted	39
Items voted	286

Items voted



Votes against and abstentions by category



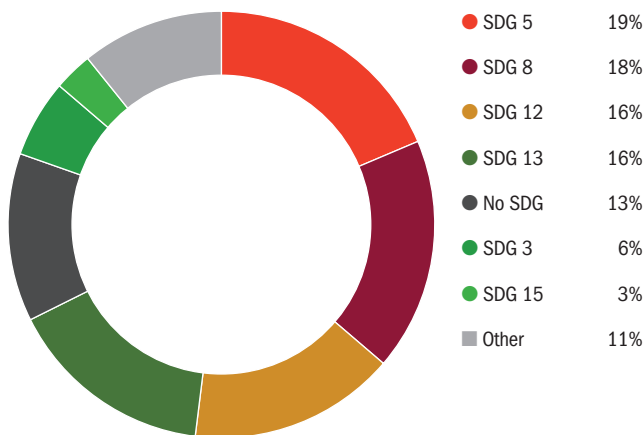
** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where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

Engagements and Sustainable Development Goals (SDGs)

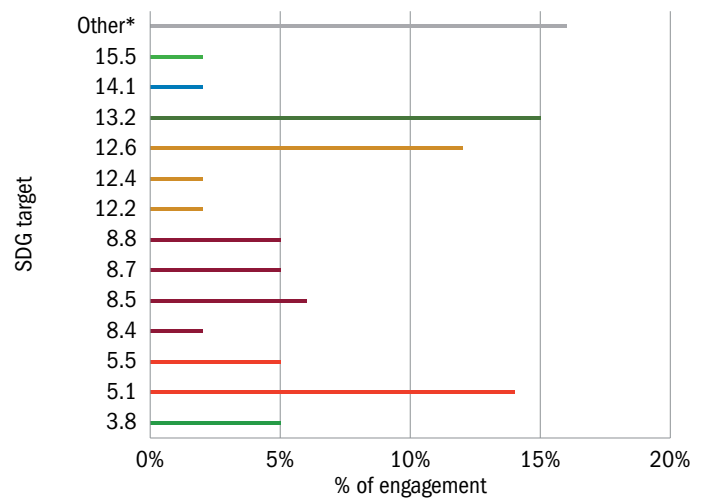
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

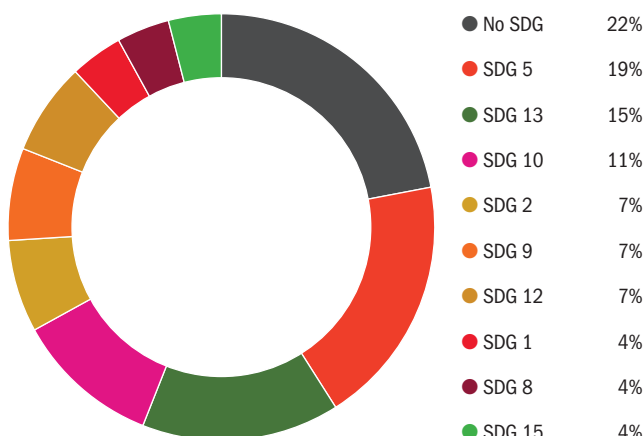
Engagement: SDG level



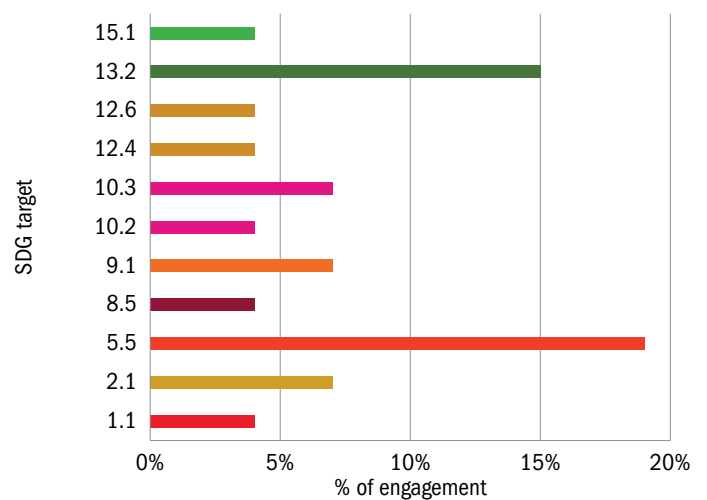
Engagement: SDG target level



Milestone: SDG level





Milestone: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.

Engagement case studies

Company: Adobe Inc	Country: United States	Sector: Information Technology
Priority Company: -	ESG Risk Rating: 	Response to engagement: Good
Theme: Human Rights	Issue: Adobe’s leading approach to Responsible AI	
SDG:  10.3		

Background

Adobe is one of the largest software companies in the world, offering a suite of products and services used by creative professionals, businesses, and customers to create, manage, measure, optimise content and experiences. Artificial Intelligence (AI) is embedded in many of its offerings and has the power to drive greater innovation and monetization opportunities. With this in mind, their approach to Responsible AI was high on our engagement agenda.

Action

We held a dialogue with Adobe's Investor Relations and General Counsel to learn more about the company's approach to Responsible AI. We asked about the company's governance approach as well as requesting further details on its impact assessment. We also discussed areas of biggest potential risks and how the company approaches mitigating them. Several years ago, Adobe formed an AI ethics governance committee which is responsible for conducting an AI ethics review every time an AI feature is proposed. It involves identifying potential harm and bias and multiple tests to minimize and eliminate these risks where possible. In order to measure the success of its efforts to mitigate AI bias or harm, the company tracks the percentage of outputs that are categorised as harmful. Adobe provided context about its Firefly tool (its generative machine learning model used in the field of design) which is trained solely on its licensed assets in order to reduce copyright related risks. It also mentioned that a wide variety of teams are involved in the oversight of testing to ensure diversity of perspectives are taken into account. Beyond social issues, the risks on the environmental side in relation to AI are believed to be more nascent. Nonetheless, the topic is addressed at the Board level when considering the potential impact on its net zero commitment.

Verdict

Overall, it is clear the company has been ahead of the curve on Responsible AI which presents a revenue opportunity, competitive advantage, and the opportunity for proactive risk mitigation. We were encouraged by the constructive dialogue, using the opportunity to better understand Adobe's leading approach. We will take some of these findings and outcomes into our internal Responsible AI assessment framework as Responsible AI remains a key topic for 2024. Engagements such as these are key for us to continuously evolve our understanding of how companies are thinking about Responsible AI and to learn and share good practices as we encourage industry-wide improvement.

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
SDG1	1.1	Eradicate poverty and ensure a living wage for all
SDG2	2.1	End hunger and ensure access to safe and nutritious food
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	6.3	Improve water quality by reducing pollution
SDG6	6.4	Increase water-use efficiency to address water scarcity
SDG7	7.2	Substantially increase the global share of renewable energy
SDG8	8.3	Promote development-oriented policies
SDG8	8.4	Improve resource efficiency and prevent environmental degradation
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
SDG9	9.1	Develop resilient and sustainable infrastructure
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG9	9.c	Ensure universal and affordable access to ICT
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
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	12.5	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

Appendix (continued)



SDG	Target	Target Summary
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	16.5	Reduce corruption and bribery in all their forms
SDG16	16.6	Develop effective, accountable and transparent institutions

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