Public Engagement Report

TAKING COVER
Why insurers are playing catch up on climate risk

Engaging with companies on water management

EOS anniversary: Reflecting on 20 years of stewardship

Voting season highlights from Asia and emerging markets

Q3 2024

Federated Hermes
EOS

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Welcome to our Public Engagement Report for Q3 2024. In our cover feature this quarter, we look at how physical risk insurers have struggled to respond to the increasing number of extreme weather events as the climate rapidly changes.

Michael Yamoah, Navishka Pandit and Judi Tseng explore how some flood-prone regions are now seen as too risky to cover, as attempts to ratchet up premiums may be stymied by regulators keen to maintain affordability for businesses and households.

At the other end of the scale, unchecked extraction of water for industrial purposes in regions of water scarcity can create problems for local communities. Joanne Beatty and George Watson explain how we engage with companies on water management to address these concerns, alongside water quality issues.

As EOS at Federated Hermes Limited celebrates its 20th anniversary this year, we surveyed clients, colleagues and EOS alumni to assess how the stewardship landscape has changed, and how it might evolve over the next two decades. Amy D'Eugenio reports on the findings.

Finally, Shoa Hirosato identifies the key trends from the 2024 voting season in developed Asia and emerging markets, assessing progress on board independence and diversity, and climate-related risk.

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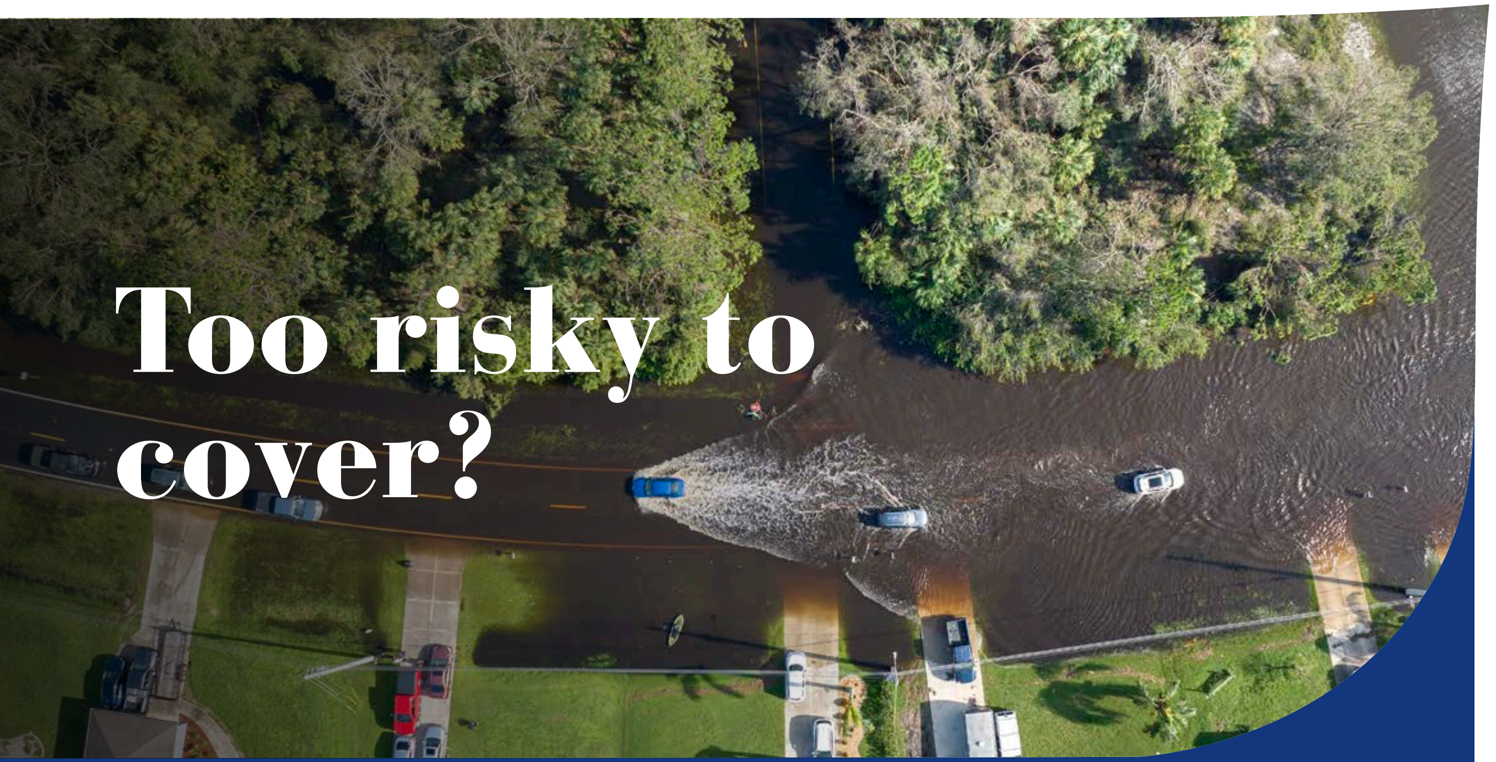

Too risky to cover?

As extreme weather events increase in frequency and severity, insurance losses continue to mount. Some areas exposed to the worst climate risks are now seen as too risky to cover. Michael Yamoah, Navishka Pandit and Judi Tseng assess the implications.

Setting the scene

The increasing number of extreme weather events, from wildfires in Greek tourist resorts to major flooding in Northern Europe, has highlighted the dangers and costs of the climate emergency. Until now, insurers and reinsurers have covered the losses. But some areas of the US are now seen as too risky to cover and attempts by regulators to impose price caps in Louisiana led to insurer insolvencies.[1] Central banks and monetary authorities are concerned that insurers may pose a systemic risk to the economy, given the risk of contagion to the banking system and other businesses in the wake of catastrophic events.[2] If insurers and reinsurers cannot cover the losses, who will?

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For decades, physical risk insurers and reinsurers have priced their premiums using complex probability models informed by past events. In some years, earthquakes and hurricanes might lead to bigger claims than expected, but over the long term, the pricing models would ensure that profits and losses were smoothed out.

Yet the rapidity with which the global climate is changing means that relying on historic weather patterns to model risk is no longer prudent.[3] Insurers are withdrawing from certain markets, because the probability of loss is deemed too high. In other areas, premiums have shot up, squeezing householders and small business owners. And losses from climate-related events continue to climb.

2023 was the hottest year on record,[4] and 2024 looks set to repeat that. The US has had 19 weather or climate-related disasters this year, each with estimated losses of over US$1bn.[5] Germany, Poland and other parts of central and Eastern Europe experienced devastating floods that resulted in fatalities and economic damage running into billions of euros,[6] while in Greece, wildfires threatened Athens for days.[7]

[1] Ninth insurer in Louisiana goes under; here's what it means for 1,500 open claims | Business News | nola.com
[2] Towards macroprudential frameworks for managing climate risk (europa.eu)
[3] The uninsurable world: how the insurance industry fell behind on climate change (ft.com)
[4] https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2024/2023-the-warmest-year-on-record-globally
[5] https://www.ncei.noaa.gov/access/billions/#:~:text=In%202024%20(as%20of%20August,and%202%20winter%20storm%20events.
[6] https://en.wikipedia.org/wiki/2024_Germany_floods
[7] https://www.bbc.co.uk/news/articles/clynz911jpyo

For insurers, attempts to ratchet up the price of premiums may be stymied by regulators keen to maintain affordability for businesses and households.

Apart from the physical damage caused, there are longer-lasting secondary impacts on the tourism-driven economy, as the increased frequency of such events deters future holidaymakers.

For insurers, attempts to ratchet up the price of premiums may be stymied by regulators keen to maintain affordability for businesses and households, as in California in the wake of deadly wildfires.[8] However, this had a negative effect on insurance availability and affordability, as State Farm, one of the largest property and casualty (P&C) insurers in the US, Farmers and Allstate decided not to renew policies or tightened their underwriting standards for California homeowners.[9]

How does insurance work?

Insurers need to quantify risk and predict future events to maintain profitability. This is often done by risk pooling to spread the risk while minimising the cost of premiums for policyholders.

However, the assessment of this risk is dependent on the availability and reliability of data – particularly historical data – to predict the future probability of events. So when data is ambiguous or does not exist, the uncertainty increases. This can lead to a lack of coverage or high excesses in policies – the part of a claim that must be borne by the policyholder. This exposes the insured and uninsured to greater economic losses or higher premiums.

In another scenario, regulatory caps on the price of insurance may hinder the insurer's ability to price the risk accurately. This may improve the availability of insurance in the short term, but ultimately impacts the insurer's financial strength, or encourages insurers to leave the market, reducing consumer choice and concentrating risk with those players that remain.

Top 10 Global Economic Loss Events in 2023

Event	Location	Economic loss (US$bn)	Insured loss (US$bn)
Turkey and Syria Earthquakes	Turkey and Syria	92.4	5.7
China Floods	China	32.2	1.4
Hurricane Otis	Mexico	15.3	2.1
La Plata Basin Drought	Brazil, Argentina, Uruguay	15.3	1.0
US Drought	United States	14.0	6.5
Emilia-Romagna Floods	Italy	9.8	0.6
Severe Convective Storm	United States	6.2	5.0
Severe Convective Storm	Europe	5.8	3.0
Hawaii Wildfires	United States	5.5	3.5
Severe Convective Storm	United States	5.5	4.4
All other events		178.0	84.8
Totals		**380**	**118**

Source: Aon, Climate and Catastrophe Insight Report, 2024

A double-edged exposure

Insurers can lay off part of their underwriting risk to specialist reinsurers such as Swiss Re or Munich Re – if they will take it – but reinsurance premiums are also rising. Balancing this exposure is becoming more difficult for insurers, but it is not the only problem they have to solve. Insurance companies invest the monies they gather from policyholders to offset their liabilities, but these investment portfolios will also be impacted by physical climate-related risk. Transition risks, such as tighter regulations, new policies that favour one sector over another, or changes in consumer preferences, must also be considered.

In this way, climate change affects both sides of the insurer's balance sheet. Insurers that underwrite fossil fuel-related assets, and invest in them, may be among the most exposed. This raises another question – could such a concentration of risk pose a threat to the stability of the global financial system?

A systemic risk

Economic losses and premium increases

Climate-related extreme weather events are already increasing losses for insurers and reinsurers. The average annual loss from natural catastrophes for insurers reached a new high of US$133bn in 2023, according to Verisk.[11] The effect on policyholders is increased premiums or inadequate coverage. Swiss Re estimates a US$183bn increase in annual property insurance premiums by 2040, driven by extreme weather events. And it suggests weather-related property catastrophe losses in key markets such as China, France and the UK could double by 2040, according to a 2021 report.[12]

[8] Researchers reveal a hidden factor in California's insurance crisis: The 'winner's curse' – Berkeley News
[9] Why are State Farm and others leaving California's home insurance market? Answers for beleaguered homeowners – Los Angeles Times (latimes.com)
[10] Understanding the Physical Risks Associated with Climate Change (garp.org)
[11] Insurance Industry Faces Average Annual Natural Catastrophe Losses of $133B, A New High According to Verisk Report (yahoo.com)
[12] Climate risks to add $183bn to property insurance costs by 2040, Swiss Re predicts (ft.com)

Market exits

As reinsurers raise rates, some insurers have had to exit certain markets, leaving businesses and households with the unenviable choice of costly coverage or none at all.[13] US insurers Berkshire Hathaway, Allstate, and Nationwide have told regulators that extreme weather events driven by climate change have prompted them to raise premiums, end certain coverages, or exclude protections for natural disasters.[14] Meanwhile, some American households are deciding to forgo home insurance as they believe that the frequency of disasters is not worth the rising cost of policies.[15] In Australia, half a million properties are expected to become uninsurable by 2030 with 80% of that risk driven by river flooding.[16]

Deepening economic divide

Increases in climate-related catastrophes are likely to affect vulnerable groups and those in low-income areas more. Higher premiums to reflect risks, or market exits by insurers only exacerbate the economic divide, with negative consequences for social cohesion. For example, Louisiana, which has one of the lowest average incomes in the US, is the second most expensive state for property insurance.[17] This compounds the current homeownership affordability crisis faced by many in developed economies, as obtaining home insurance is often a pre-condition for most mortgages.

Rising insurer insolvencies and transmission risk

Insurer insolvencies are also on the rise. In Florida, which is exposed to hurricane risk and rising sea levels, nine property insurers have become insolvent since 2021.[18] In the UK, regulators are advancing new solvency rules for insurers, as the market is the fourth largest in the world with some £2.7tn in assets.[19] Although the attempt to set new rules for insurers is partly driven by concerns related to recent US bank failures and the associated global impacts, physical climate risks compound the urgency because of transmission risk. The fear is that a confluence of climate-related losses could cause a major insurer or reinsurer to fail, triggering a cascade of losses or bankruptcies across the global economy.

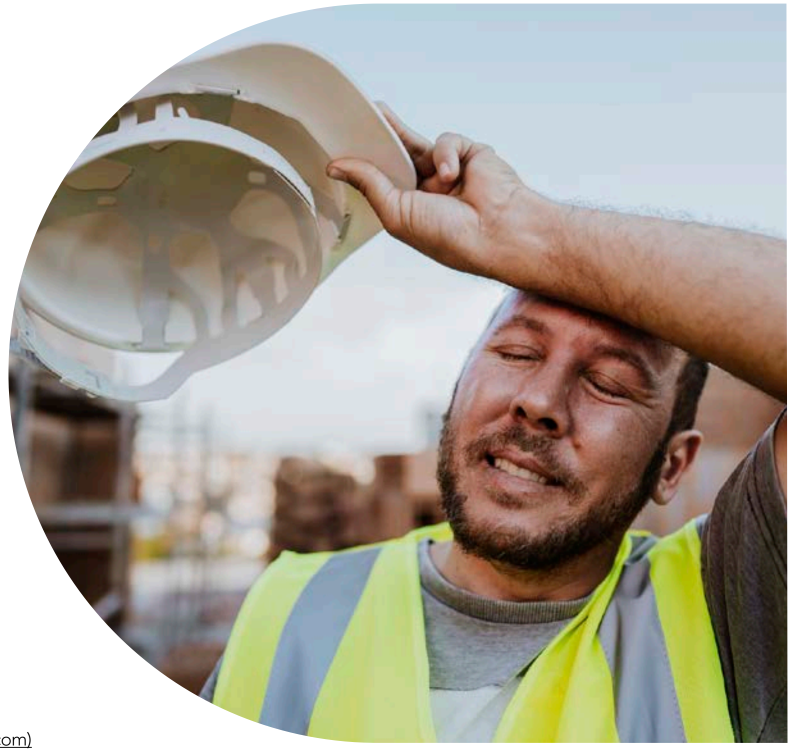
The New York Federal Reserve Bank has already voiced concerns about insurers' exposure to climate risk, noting that it is "a key channel through which climate change risk can threaten broader financial stability."[20] It added that their omission from many regulatory climate stress tests was worrying. Meanwhile, the Bank of England stated that "existing capability and regime gaps create uncertainty over whether banks and insurers are sufficiently capitalised for future climate-related losses."[21]

Other considerations for insurers

The impact of physical climate risks on insurance underwriting goes beyond the obvious P&C segments. The life and health (L&H) segments also face significant challenges. The World Health Organization (WHO) expects deaths from vector-borne diseases to rise, although it acknowledges the challenges of attributing specific increases in morbidity and mortality to global warming.[22] For developed countries, unprecedented temperatures in cities and towns ill-equipped to cope, are leading to more people dying in their overheating homes.

> **Increases in climate-related catastrophes are likely to affect vulnerable groups and those in low-income areas more.**

US Environmental Protection Agency (EPA) data shows that heat-related deaths reached new highs in 2021 and 2022.[23] Similarly, in the UK, 2022's record temperatures caused an all-time high in heat-related deaths.[24] However, individual heat-related deaths may be attributed to heart failure or some other underlying condition that has been exacerbated by excessive heat, so the true cost is currently hidden. While the short-term consequences for L&H insurers have so far been modest, this may change as the severity and frequency of climate events increase.[25]



Our engagement expectations

EOS engages with global insurance companies to understand the climate-related risks and opportunities they face, as well as their strategies for addressing these over different time horizons. We are asking insurers to demonstrate how they embed climate-related considerations into their product design and pricing, as well as their capital adequacy decisions.

As part of our ongoing engagements, we expect insurers and reinsurers to:

1. Improve their climate-related data to enhance their existing models. Insurers should also address concerns related to investable assets by limiting exposures to products that are susceptible to transition climate risk by demonstrating alignment with a low-carbon future. This can be achieved via global standard frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the use of other emerging approaches to measure climate transition risk exposure. In our engagement with MetLife, we have highlighted the importance of assessing the impact of climate on the business and its investable assets. We acknowledge its approach to climate scenario analysis and the steps it is taking to screen investments using ESG considerations.
2. Play a key role in steering their clients' transition via active engagement. For example, the Monetary Authority of Singapore (MAS) has proposed that insurers collect climate-related risk data from their clients. It recommends that insurers place clients with elevated climate-related risks or inadequate mitigation and adaptation strategies under enhanced monitoring, and engage with them further using differentiated strategies, instead of indiscriminately withdrawing coverage.[26] In our engagement with insurer Ping An, we learned that if it declines to underwrite a thermal coal asset because of its coal policy, it will share some transition solutions with the affected client.
3. Galvanise peers to participate in broader national, regional, and global efforts to collectively tackle some of the challenges and gaps in insurance climate-related risk. In our engagement with Reinsurance Group of America (RGA), we sought to understand how it works with the insurance industry to overcome the lack of data or a structured approach for assessing the impact of climate-related risk on the L&H segments. We welcomed its thought leadership publication about the L&H impacts of climate change in South Africa, and asked how this informs its business. It is looking to expand its research scope with its own scenario analyses to other regions. It also participates in industry research and shares its findings internally.
4. Recognise the impact on society, particularly vulnerable groups, and consider how to address the emerging trend of uninsurable markets, given the past value/profit derived from those markets. We have discussed the wider socio-economic impacts of climate change with insurance broker Hub International, which expressed concern over the balance of affordable premiums and the increased likelihood of climate-related natural disasters.
5. Work towards the inclusion of the insurance industry in relevant economic stress tests to minimise systemic risk.

FM

Insurers are exposed to climate risks through their underwriting and their investable assets. FM is one of the largest commercial property insurers in the world and has a unique business model, where risk and premiums are determined through engineering analysis. This analysis also includes a climate risk report.

The company's climate resilience product suite[27] has been recognised for its innovation, winning a 2023 Innovation Award from Business Insurance magazine. The product suite includes a climate risk report, a climate change impact report, a climate reporting aid, and the FM Resilience Index.

[13] Reinsurers defend against rising tide of natural catastrophe losses, for now (moodys.com)
[14] Home insurers cut natural disasters from policies over climate risk – The Washington Post
[15] Americans Are Dropping Their Home Insurance, Claiming the Odds of Disaster Don't Justify the Cost – WSJ
[16] Climate change is causing an insurance crisis in Australia | World Economic Forum (weforum.org)
[17] https://money.com/home-insurance-most-expensive-states-2024/
[18] https://www.milliman.com/en/insight/florida-property-insurance-market-ran-aground
[19] Britain to create new regime to deal with insurance company failures | Reuters
[20] sr1066.pdf (newyorkfed.org)
[21] Bank of England report on climate-related risks and the regulatory capital frameworks | Bank of England
[22] Climate change (who.int)
[23] Climate Change Indicators: Heat-Related Deaths | US EPA
[24] https://www.gov.uk/government/publications/heat-mortality-monitoring-reports/heat-mortality-monitoring-report-2022
[25] Climate Change: What does the future hold for health and life insurers? (genevaassociation.org)

[26] consultation-paper-on-guidelines-on-transition-planning-insurers-1.pdf (mas.gov.sg)
[27] https://www.fm.com/solutions/services-we-provide/climate-products

An unquenchable thirst

Competition for water is already a flashpoint in certain regions, and this is likely to intensify as the world warms and city populations grow. Joanne Beatty and George Watson explain how we engage with companies about their use of water, particularly in areas of scarcity.

Setting the scene

Water is critical for life on earth. It supports biodiversity by sustaining habitats, enables agricultural and industrial processes, and is a critical resource for human consumption and sanitation. But treating water as if it were an infinite resource can drain ancient aquifers dry and reduce rivers to little more than a trickle, hurting communities and farmers downstream. This can create tensions between companies and communities, or even between nation states, like the dispute between the US and Mexico over water from the Rio Grande and the Colorado River.[1]

This article focuses on our engagements with companies about their use and management of water, rather than our discussions with water utilities, where we have engaged on water stress, quality and flood risk, as well as other climate-related topics. Our engagements align with UN Sustainable Development Goal (SDG) 6, clean water and sanitation, and SDG 14, life below water.

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The world's finite freshwater resources are coming under increasing pressure as the planet warms and populations grow. Some 10% of the global population resides in a country with high water stress, while nearly two-thirds of the global population experiences severe water scarcity at least one month of the year.[2] Two billion people do not have access to safe drinking water and 3.6 billion people lack access to safely managed sanitation.[3]

Companies must urgently adopt and accelerate their water stewardship plans to manage and conserve water responsibly. Given the urgency of the global water crisis, EOS is intensifying its engagement on water with companies, pressing them to identify their impacts and dependencies on water and to mitigate related risks, to ensure long-term business success and provide value to investors.

Key water risks

Companies face risks related to water withdrawal, consumption, and discharge. These include physical risks, regulatory risks and reputational risks, which all create financial risk for companies and investors. The sectors most impacted by these risks include food and beverage, apparel, chemicals, mining and industrials companies.

[1] https://theweek.com/environment/us-mexico-rio-grande-water-war
[2] Water Scarcity | UN-Water (unwater.org)
[3] Imminent risk of a global water crisis, warns the UN World Water Development Report 2023 | UNESCO

Physical risks can disrupt a company's supply chain when there are volume issues, such as water scarcity or water flooding, and quality issues such as water pollution. Some 70% of global freshwater is used for agriculture, and crop yields are at risk when there is insufficient water, or an overabundance. Drought and flooding are exacerbated by climate change, and this water variability can impact commodity prices. A food and beverage company can also have a negative impact on water quality by polluting freshwater courses with fertilisers and pesticides, which are high in nitrogen, phosphorus and chemicals.

Companies also face reputational risks if their poor water management has a negative impact on communities or ecosystems. Reputational damage can impact brand value, sales and the share price. Conversely, companies can create opportunities and gain reputational benefits by proactively contributing to improved water security in some regions and working closely with communities and Indigenous Peoples.

Water-related regulatory risks are rising, which can create significant costs for companies. For example, effluent discharge limits can force companies to invest in better water treatment. Also, the new EU rule on the collection, treatment and discharge of urban wastewater introduces a responsibility for manufacturers to remove pollutants from wastewater.[4] This will impact chemical, pharmaceutical or apparel companies that discharge per- and polyfluoroalkyl substances (PFAS), active compounds leading to antimicrobial resistance (AMR), and microplastics or dyes, into urban wastewater. Companies will have to cover the costs of enhanced treatment.

Despite these risks, the Ceres Valuing Water Finance Initiative (VWFI) inaugural benchmark report found that most companies, when setting water stewardship plans and related targets, failed to consider local watershed conditions such as water quality.[5] The VWFI, an investor-led effort to engage 70+ at risk companies with large water footprints, found that company water risk assessments often lack local context. In addition, most companies are failing to adequately assess the water resource impacts resulting from their own activities. As we highlighted in our biodiversity white paper, *Our Commitment to Nature*, ambitious action is also needed to protect ecosystems critical to freshwater supplies.[6]

Our expectations of companies

Our approach to water aims to improve the protection of water systems and is informed by frameworks including the VWFI, the UN Global Compact's CEO Water Mandate and the UN SDGs, covering aspects such as water quantity, water quality, ecosystem protection, access to water and sanitation, board oversight and public policy engagement.

Assessment

We expect companies to conduct water risk assessments across their value chains, to understand their impacts and dependencies on water at the local catchment level. These assessments should identify their key risk areas and serve as a first step towards developing a water stewardship strategy and plan. Companies can work with the available tools and external organisations such as the World Resource Institute and the WWF Water Risk Filter to identify where their operations overlap with high-stress water regions.[7]

Targets on use

Once a company has a comprehensive understanding of its suppliers, operations, and/or regions at high water risk, we expect it to set time-bound, science-based or contextual water targets to address the impacts on water availability and quality across its value chain, and ensure it has no negative impact on water availability in areas where it is scarce. Companies can use the Science Based Targets Network's initial guidance on setting water targets and refer to the CEO Water Mandate and Pacific Institute guide, to help them set effective water targets informed by catchment context. These tools were developed in collaboration with the CDP, the Nature Conservancy, UNEP-DHI, World Resources Institute and the WWF.

Targets on water quality

We expect companies to set water quality targets and ensure they have no negative impact on water quality across their value chain. These targets should include a focus on reducing pollutants of concern. Chemical companies should set targets to reduce PFAS pollution in water, apparel companies should control dyes and microfibres in their effluents, and mining and industrial companies should focus on reducing heavy metals in water.

Governance and stewardship strategy

To successfully reach their targets, we expect companies to develop a water stewardship strategy. This may include policies, sourcing commitments such as procurement standards, and engagement programmes to incentivise suppliers to mitigate water risks and adopt practices that reduce their impacts on water quality and quantity. Companies should consider the human rights impact of water targets in their supply chain and work closely with suppliers to promote responsible water use, and ensure that local communities have access to water.

[4] New EU rules to improve urban wastewater treatment and reuse | News | European Parliament (europa.eu)
[5] Valuing Water Finance Initiative Benchmark: Assessing Company Performance on Corporate Expectations across Four Water-Intensive Industries (ceres.org)
[6] EOS publishes biodiversity paper Our Commitment to Nature | Federated Hermes Limited (hermes-investment.com)
[7] Aqueduct | World Resources Institute (wri.org)

The water stewardship strategy and its implementation should be underpinned by good governance and public policy engagement. The company's board should oversee salient water issues and follow the implementation of water policies. Boards should discuss how water risks and opportunities are integrated in corporate risk management frameworks and decision making. Companies can also use water-related remuneration metrics to incentivise senior executives to reach water targets. Companies should ensure that their public policy engagement and lobbying activities are aligned with sustainable water resource management outcomes.

Reporting

We expect to see transparent, regular reporting on water. We encourage year-on-year disclosures around progress against water targets. Companies should disclose the volumes of water withdrawn and used throughout their supply chain, at the asset level and in their operations. Companies can report on circularity programmes and treatment processes to reduce water use, increase water reuse and decrease wastewater pollution.

Our engagement

EOS engages on water through direct company engagement, collaborative initiatives such as the VWFI, and through our public policy advocacy work. Below, we highlight some of our engagements with sectors exposed to water risks, including food and beverage, apparel, chemicals, mining and industrials companies.

Food and beverage

We successfully engaged with the US fast food restaurant chain Domino's Pizza on water. We encouraged the company to conduct a water risk assessment covering water quality and quantity indicators throughout its entire supply chain, as a first step to setting water targets. After multiple engagements, the company agreed to perform the assessment and presented its findings in our next meeting. The results revealed areas of high-water stress, and we continue to engage with the company on developing targets to reduce its impacts on water availability and quality, and to define a clear strategy to work with suppliers on water.

We also raised the issue of water security and pressed for risk assessments and robust targets and strategies in engagements with Yum! Brands, Hormel Foods, Asahi Group and McDonald's. All four companies have conducted water risk assessments. Asahi has set a goal to identify 100% of its manufacturing sites located in water risk areas by 2030.[8]

We have engaged with agricultural commodity company Cargill on its target of enabling the restoration of 600 billion litres of water in water-stressed regions by 2030,[9] encouraging it to consider setting targets across all of its watersheds. To date the company has restored 9.2 billion litres against its target and continues to take a prioritised approach to watershed selection.[10]

Apparel

We held engagements and sent a letter on water to the UK-based fast fashion company Boohoo, to press for water data collection and the development of water reduction initiatives. In its 2023 sustainability report the company said that it would announce goals on water as well as chemicals, biodiversity and microfibres.[11] We have had constructive discussions with the Swedish apparel company H&M on developing a water strategy in line with its biodiversity strategy and addressing microfibre pollution.

Chemicals and fertilisers

As water is used in most chemical processes, the chemical sector faces the dual challenges of water scarcity and quality, due to the emission of pollutants to fresh and marine water bodies. A strong focus on water stewardship by the sector is expected to reduce water stress on aquatic ecosystems and improve water quality and biodiversity.

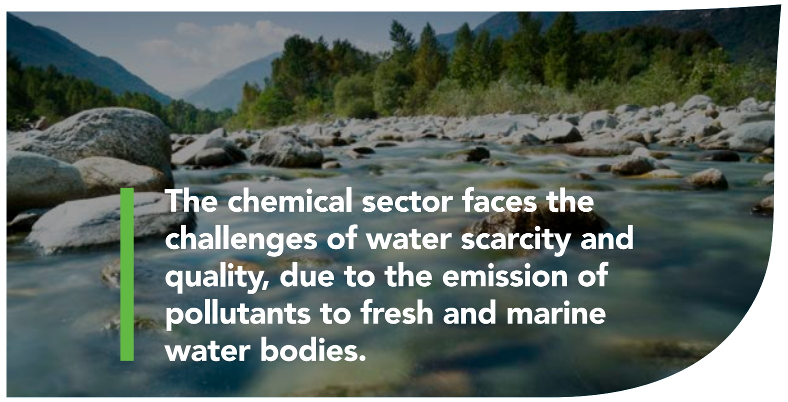
We led a Nature Action 100 collaborative engagement with Dow on biodiversity and water. We welcomed the company's increased focus on water stewardship with the announcement of new ambitious water targets in 2024.

Dow has identified 20 priority water-dependent industrial sites representing around 90% of its water footprint; these were selected on the basis of expected business growth and increasing competition for water.

Dow wants each site to have an holistic water stewardship plan to mitigate the effects of water usage on the environment and local communities. By 2035 the intention is for all of its sites to have water stewardship plans in place. Dow's strategy is designed to support resiliency for its sites and the surrounding natural ecosystems, protecting them from unpredictable conditions such as drought and flooding.

Fertilisers play an important role in meeting global food demand but can also impact water quality. EOS has been discussing water stewardship with fertiliser producer Nutrien since 2019. The company has set a target to reduce its freshwater usage in its operations by 30 million cubic metres by 2030. Additionally, Nutrien has begun to work with a third-party verifier, WAVE, to shift from water management to water stewardship. This process involved WAVE independently verifying Nutrien's stewardship work, with water impact and risk assessments at 23 manufacturing sites and terminals across its North and South American operations.

[8] Environment | Sustainability | ASAHI GROUP HOLDINGS (asahigroup-holdings.com)
[9] 2023-esg-report.pdf (cargill.com)
[10] 2023-esg-report.pdf (cargill.com)
[11] boohoo-sustainabilty-report-jun-2023.pdf (boohooplc.com)



More recently, we have begun to discuss eutrophication with the company. This is when fertilisers leaching into major water bodies create algal blooms that deplete the oxygen levels in the water. The company has told us it is trying to implement the "four Rs" of nutrient stewardship – right place, right time, right amount, right source – to reduce the amount of nutrients that are lost to runoff. We continue to push for more disclosure on the efficacy of this initiative.

Mining

Mining companies are exposed to water scarcity risks, as well as having operational impacts on water quality and local water rights. Water risks for mining companies can be extremely costly, whether this is due to litigation, clean-up costs from contamination, or the need to identify new water sources.

We first raised concerns with miner BHP on water stress in 2014. Water is integral to BHP's business and it recognises that clean water is a basic human right and essential to maintaining healthy ecosystems. The company's water stewardship statement developed in 2019 envisions a water secure world by 2030, consistent with the UN Sustainable Development Goals. The five pillars of BHP's water stewardship strategy involve managing water risks, valuing water in investment and operational decisions by considering all beneficial uses of water, disclosing performance, taking collective action, and innovation through knowledge and technology.

We also engaged with mining company Rio Tinto on water. We encouraged the company to report detailed information on its water risks and impacts. We had a constructive dialogue with the company on reporting its water management practices and asked it to provide site-level information on its water risks and impacts.

In the course of our engagement, the company disclosed asset-level water risk data, covering water risk atlas baseline water stress, water resources, quantity and quality, dewatering and long-term obligations. We continue to engage and encourage the company to provide further detail on its performance at site-level.

Public policy and market best practice

EOS also conducts public policy advocacy on water. We responded to a consultation on the World Health Organization's guidance on wastewater management from antibiotic manufacturing.[12] We raised the need for this framework to support companies in the process of setting targets on limiting active components in wastewater and implementing the correct risk management plans in their operations and supply chains to prevent pollution.

Our recent public policy activities have focused on water quality and chemicals. We wrote in response to the EU Green Taxonomy, calling on the criteria to be truly sustainable to encourage the development of safer "do no harm" alternatives. We said we were concerned that the production and use of harmful chemicals were linked to major financial risks for investors and manufacturing companies, including costs and damages related to regulation, reputation, insurance, and litigation. This is in addition to the fact that they pose a major threat to human health and the environment.

In our role on the Investor Initiative on Hazardous Chemicals Steering Committee we are supporting the development of guidance and market best practices. The goal is to reduce the harmful impacts of hazardous and persistent chemicals on humans and the environment, including water bodies.

Looking forward

Globally, the demand for water is expected to continue to increase. Projections show that the gap between global water demand and supplies of fresh water is expected to reach 40% by 2030.[13] At the same time, the cumulative impacts from pollution and emerging contaminants are threatening the quality of our water resources. In response companies must accelerate their efforts to advance water stewardship strategies and commitments.

We will continue to engage companies directly on our water stewardship expectations and through collaborative engagements such as the VWFI, Nature Action 100 and the 2018 UN PRI engagement on water risks in agricultural supply chains. Our focus will continue to be on sectors and companies facing water security, quality and regulatory risks, including food and beverage, apparel, chemicals, mining and industrials companies. Our engagement will seek progress beyond delivering against operational metrics, encouraging companies to ensure meaningful stewardship of local watershed conditions over the short, medium, and long term.

[12] https://www.who.int/publications/i/item/9789240097254
[13] Freshwater demand will exceed supply 40% by 2030, say experts | World Economic Forum (weforum.org)

A new frontier for stewardship

Stewardship has evolved significantly since EOS began in 2004, maturing into an industry with many more participants, all seeking to drive real-world outcomes. But this has also brought fresh challenges. Amy D'Eugenio reflects on this changing backdrop and looks ahead to the next 20 years.

Setting the scene

Since 2004, EOS has grown from a six-person team with just US$31bn of assets under advice, to a global business serving clients with some $2.1tn of assets under advice as of 30 September 2024, evolving our approach to stewardship to meet fresh challenges and expectations.

To celebrate our 20th anniversary, we conducted a survey of clients, colleagues and EOS alumni to assess what has changed, and how stewardship might evolve over the next 20 years, within the context of a rapidly-changing world.

Stewardship has travelled a long way over the last two decades, and while it has not always been smooth sailing, when done well it has delivered positive outcomes for investors, companies and society as a whole.

At EOS, we have grown from a small, overlay style business with a focus on corporate governance and capital allocation, to a team of over 40 people, covering key business performance themes such as climate change, human capital and human rights.

Our service is still fundamentally about looking after clients' investments in an active way, but it is more sophisticated, with systematic engagement and tracking tools to measure progress and outcomes. This evolution has come against the backdrop of a greater understanding of, and enthusiasm for active ownership, illustrated by the growth in the number of signatories to the Principles for Responsible Investment (PRI). EOS was at the birth of the PRI, helping to draft the principles at our London office. From just 63 signatories in 2006,[1] there are now some 5,296,[2] a remarkable uptake that demonstrates just how mainstream active ownership has become.

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A change in the weather

While good corporate governance remains fundamental to our engagement with companies, the increased frequency and intensity of extreme weather events since 2018 has underscored the importance of other themes, such as climate-related risk. The Paris Agreement on climate change, signed in 2016, marked a turning point, although we have been engaging on the environment since 2006.[3]

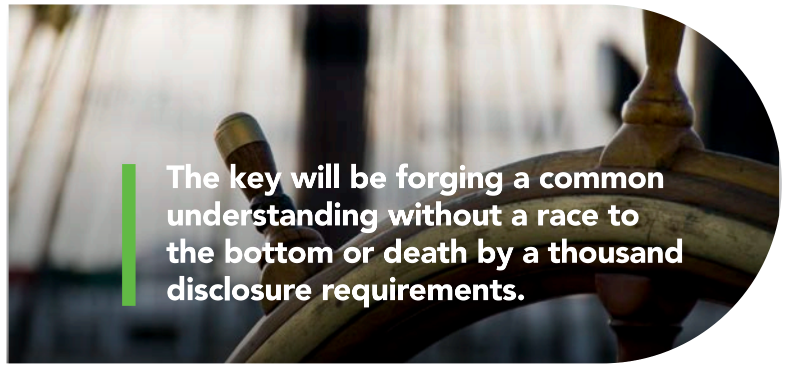
In recent years, we have built out our focus on methane emissions reduction, and in 2024 we won the International Corporate Governance Network's Excellence in Stewardship Award in recognition of this work.[4] The Covid-19 pandemic, the #metoo movement and the death of George Floyd have also brought social issues to the fore.

This widening lens has led to a proliferation of new regulations, frameworks, guidelines and terminology. For the uninitiated, this can feel like plunging into an alphabet soup, with TCFDs, CSRDs and TPIs at every turn. This forest of acronyms is only getting bigger, despite attempts to find interoperability. The key will be forging a common understanding without a race to the bottom or death by a thousand disclosure requirements.

A systematic engagement approach

Mindful of this growing complexity, EOS developed a systematic engagement approach with milestones to measure progress. This has been endorsed by independent academic research,[5] and the companies with which we engage via case studies.[6] At the same time, an ongoing dialogue between asset owners and companies is now a hallmark of many stewardship codes, and many companies see the benefits of this engagement.[7]

But active ownership is not without its challenges. Although these have changed over the years, it is instructive to see how and why. For example, in the early days we were often asked about the 'free rider' effect, meaning that if one owner is engaging with a company, then what would be the point of another doing it too? However, the adoption of stewardship codes in many key markets, fiduciary obligations and beneficiary pressures have all encouraged institutional investors to become more responsible, active owners of their assets. For many, sitting on the sidelines is no longer an option.



The key will be forging a common understanding without a race to the bottom or death by a thousand disclosure requirements.

Another early concern that we often heard related to a fragmented investor base. How could investors engage with all the companies in their portfolios, and how could a company be expected to speak to all its investors?

Within EOS we address this by looking at the size of our client holdings, the materiality of the issue in terms of risk or opportunity, and the feasibility of engagement. The growth of collaborative engagement initiatives around key themes has also helped make things simpler for companies, while investors retain voting and investment decision independence, according to their own policies.

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Stewardship challenges

But what about today's stewardship challenges? In a 2024 survey of our clients, the EOS team and our alumni, we identified some key themes:

1. **Greenwashing, regulation and politics** – Steering investments or running companies is hard enough, without having to worry about greenwashing, greenhushing or the associated litigation. And no matter what side of the debate a stakeholder is on, the effort required to defend one's position consumes valuable resources that could be better spent on activities that drive business and investment performance.
2. **The dangers of box-ticking** – Many of our survey respondents were concerned about the possibility of stewardship becoming transactional, or a box-ticking exercise. This is not surprising given the requirements for KPIs, regulatory reporting, more granular disclosure and increased accountability. In our view, stewardship needs to find its rudder again – by returning to a focus on the success of a business and the relationship between investor and investee. Sensible, co-ordinated regulation and standards can help with that, by encouraging change with a positive real-world impact, not just endlessly reporting or marketing it. That said, we welcome the move to incorporate material metrics and climate-aligned accounting into finance and compliance functions – rigour and accountability are non-negotiable.

[1] About the PRI | PRI Web Page | PRI (unpri.org)
[2] Signatory directory | PRI (unpri.org)
[3] 20 years of HEOS engagements: themes, process, and outcomes. Andreas GF Hoepner, Smurfit Graduate Business School, University College Dublin. Special focus on Nature engagements, co-authored with Diego Guisande.
[4] https://www.hermes-investment.com/uk/en/intermediary/eos-insight/stewardship/eos-at-federated-hermes-wins-icgn-excellence-in-stewardship-award/
[5] ESG Shareholder Engagement and Downside Risk, Andreas GF Hoepner, Ioannis Oikonomou, Zacharias Sautner, Laura T Starks, Xiao Y Zhou, September 2023 Talk is not cheap – The role of interpersonal communication as a success factor of engagements on ESG matters, Prof Dr. Michael Wolff, Dr. Laura Jacobey & Hülgen Cosku, September 2017
[6] Case studies with quotes from companies include Delta Electronics, Seven & i Holdings
[7] Seven & i Holdings

3. **Rapid expansion of new topics** – It was no surprise that a frequently mentioned challenge was the rapid expansion of new topics, and the complexity of the issues being raised. The just transition exemplifies this tension – how can we mitigate the negative impacts of climate change and balance this with short-term societal needs? To ensure that we keep abreast of emerging topics, we carry out a regular horizon scanning exercise, with input from clients.
4. **Cost** – Increasing regulatory requirements, combined with the need for better data and the competition for specialist expertise across the industry, mean that costs continue to climb. At the same time, capacity and resources can get squeezed.

Uncharted waters

Given the extent of the changes we have witnessed over the last two decades, what might the next 20 years bring? As part of our survey, we asked EOS colleagues, clients and alumni about their hopes for the future, and what they wanted to see from stewardship. Overall, people envisaged an approach that delivers financial prosperity and positive real world outcomes. But this will require a level of maturity and growth from all stakeholders, including investors, businesses, policymakers and consumers. The table below highlights some of the key findings from our poll.

A safe harbour

Stewardship allows investors to address systemic economy-wide performance drivers, as well as risk factors that might impact individual investments. In time, we believe that stewardship will be considered an essential, rather than an optional part of investment management. It is simply good business sense for investors to take an active interest in their holdings, particularly if they have a long-term time horizon. As the world continues to warm, the next 20 years will be challenging for all of us, but we hope that stewardship can help portfolios weather the coming storms.

> **Overall, people envisaged an approach that delivers financial prosperity and positive real world outcomes.**

Stewardship in 2044

Responsible wealth creation for investors, employees, retirees, individuals and society as a whole.

Positive real world outcomes, requiring a move away from just box ticking and disclosure. For example through:

Environmental
- A strong recovery of the natural world
- Real decarbonisation

Social
- A reduction in inequality within nations and between nations
- Making real world progress on workforce conditions and inclusion

Systemic
- A transition to doing business while benefitting society and the environment, rather than simply taking from it

Stakeholder maturity

Government
- Policymakers need to use longer time horizons to help companies make strategic decisions for critical transition planning

Investors
- Finding more ways to evidence the materiality of our engagement topics for decision-makers

Consumers
- More consumers and customers making the same demands of the companies that provide their products and services

Source: EOS data.

Key voting season trends from Asia and the emerging markets

Shoa Hirosato
Themes: Climate Change, Human Capital

There were signs of improvement in board gender diversity and independence this voting season, although worrying practices continued in some areas. This led to more recommended votes against, particularly where our thresholds tightened. For example, we saw increasing levels of board independence in India, although our concerns about the quality of independent directors remained. We continued to recommend votes against management for climate change issues, including deforestation and coal exposure, and deployed our new voting policy on low price-to-book valuations in Japan and South Korea. Shoa Hirosato highlights the key developments.

Independence

We continue to push for higher levels of independence to achieve more effective boards at companies in Asia and emerging markets. At Mexico's Cemex, we recommended a vote against the re-election of three directors with long tenures, two of whom had served on the board for over 25 years. We question the independence of long-serving directors as their tenures could indicate over-familiarity and insufficient challenge to management and other board members. In previous engagements and AGMs, we asked for a gradual refresh of the board to bring in new independent directors with skills aligned with the company's strategy, but Cemex did not take appropriate action.

Our concerns are amplified in cases of minority independent boards, such as at Geely Automobile, where we recommended voting against two directors this year due to their long tenures. At Fuji Media, despite the reported composition of outside directors being 41%, we considered board independence to be a mere 5.9%, due to directors being affiliated through cross-shareholdings. This led to us recommending votes against several directors.

In India, we have observed increasing levels of board independence, but our concerns about the quality of independent directors remain. For example, we recommended voting against two directors at Reliance Industries, who were classified as independent by the company. They had indirect connections that raised concerns about their genuine independence, such as one director's firm providing legal services to Reliance Industries.

However, we recommended fewer overall votes against this year due to a lack of board independence. At some companies we supported, rather than applying our usual voting policy, to recognise improvements. For example, at Japanese retailer Seven & i, we did not recommend voting against directors due to deforestation risks, to recognise that the company had committed to improvements and also separated the president and board chair roles, appointing an independent board chair. These developments aligned with discussions in our engagement, and we believe they will enhance board effectiveness.

At Hong Kong life insurance group AIA, we recommended supporting the election of two directors by exception to our policy on independence. Although their tenures exceeded our threshold, we recognised the meaningful steps taken to refresh the board in recent years, leading to improvements in independence and gender diversity.

Committee independence

Compared with last year, we recommended more votes against relating to committee independence across our markets, including in South Korea, Brazil, Mexico, India, Taiwan, and South Africa. In the hope of enhancing the governance functions of board committees, this year we consolidated our minimum expectations for board committees across most of our markets, to fully independent audit committees and majority independent nomination and remuneration committees with no executives as members, and independent chairs.

This led us to recommend votes against the non-independent nomination committee chair and board chair at China Mengniu Dairy, and non-independent audit committee members at Singapore's DBS Group, and India's Bharti Airtel. We also recommended voting against a new director and audit committee member designated as independent at Lotte Fine Chemical in South Korea. In addition to his lack of financial experience, we questioned the degree of his independence considering that his firm provides legal services to the company.

In some cases, however, our engagement insights and substantial improvements at the company override our committee expectations. At Taiwan Semiconductor Manufacturing Company (TSMC), whilst concerns remained about the long tenure of the audit committee chair, we supported his election, recognising that three new independent directors had been proposed for the audit committee. Two of these not only brought valuable experience and perspectives to the audit committee but also improved overall board gender diversity. We also supported the non-independent audit committee chair at Techtronic as we were reassured that a recently appointed independent director would succeed his role in the near future.

At Japanese companies we have been advocating for the transition from traditional two-tier boards with statutory auditors, to boards with legally binding audit, nomination, and remuneration committees. This is to increase the accountability of these committees and the directors within them. To recognise the recent board structure transition at KH Neochem in Japan, which transitioned away from the traditional board type, we recommended support for the audit committee member considered affiliated due to his role at a financial institution, which was a former major lender to the company.

Gender diversity

We still came across instances of all-male boards that gave cause for concern, given the more diverse board perspectives increasingly being acquired by peers. To signal our concerns at Power Grid Corp of India, we recommended voting against the election of a new male non-independent director, in the absence of nomination committee members or the board chair being up for election. At Grupo México, which has historically maintained an all-male board, the company continued to bundle the director elections and failed to disclose information on candidates prior to the AGM, which led us to recommend voting against the slate of directors.

This year we tightened our board gender diversity expectations to 15% in Japan and South Korea. This was to signal our minimum expectation of around two female directors and in anticipation that companies achieve the long-term ambition of 30% women on boards by 2030.

This resulted in more recommendations of votes against for board gender diversity in both markets. This year we recommended voting against the longest tenured independent director at Posco, and against the presidents of Keyence, SoftBank and Omron. We observed progress in the appointment of mostly outsider female directors in Japan due to the government target and increasing investor pressure, but there is still a lack of female executive directors.

We continued to support female directors by exception to our policy where appropriate. At Ping An, we supported two female executives by exception to our independence policy, to maintain board diversity. We also supported a nomination committee member by exception at Techtronic. Although this company did not meet our board gender threshold, it has transitioned from an all-male board in 2020 to appointing two female directors, and aspires to 30% board gender diversity by 2030.

> **We continued to support female directors by exception to our policy where appropriate.**

In general, it was positive to see that all-male boards in Hong Kong were rare this year, as companies listed on the Hong Kong stock exchange will require one female board director by the end of 2024. The bourse is also considering requiring at least one director of a different gender on the nomination committee in its consultation for listing rules and corporate governance code updates, for which we gave feedback.

We were pleased to see progress on board diversity at several companies such as Banco de Chile, where two new female directors have been appointed in the last two years. We also supported the election of two new female auditors at Japanese petroleum and metals conglomerate ENEOS, following additional company information that reinforced their independence case. This year, the company carried out major board refreshment, resulting in nearly double the proportion of female directors, and significant downsizing, improving board effectiveness.

We determine our vote recommendations after assessing the balance of other elements, and in the case of the Mexican bank Banorte, we did not recommend voting against directors, despite it falling below our board gender diversity threshold. This was to recognise positive aspects such as its openness to engagement and the progress it had made in its biodiversity approach.

Climate change, coal and deforestation

Across Asia and the emerging markets, we continued to recommend voting against management for climate change issues, such as at Reliance Industries, Posco and Mitsubishi Corp. We highlighted our concerns regarding coal exposure by recommending voting against relevant items at Agricultural Bank of China, Hindalco Industries and Sasol. The November 2023 AGM of South African energy and chemicals company Sasol had been suspended due to disruption by climate protesters, and was reconvened in January 2024. We recommended voting against the say-on-climate proposal, given its coal exposure and lack of commitment to a phase-out date.

To raise our concerns on deforestation risks, this year we recommended voting against directors at Chilean retailer, Cencosud. We also continued to recommend opposing the relevant directors at the Chinese food company, WH Group. It continues to lag behind peers on addressing deforestation risks in its direct sourcing of palm oil and soy, and in the animal feed supply chain.

Our deforestation watchlist also included financial institutions such as ICICI Bank in India. Following our engagement with the bank, it initiated an assessment of deforestation risks, so we did not recommend opposing for this issue. As an initial step, we expect banks to develop an approach for assessing their exposure to deforestation risks across key sectors in their lending portfolio.

We noted some improvements on climate approaches that led us to recommend support on Ninety One's climate strategy, where previously we had concerns about its coal financing. In addition, we did not recommend voting against directors at Honda Motor, as it disclosed its medium-term emissions reductions target and committed to improving its lobbying disclosures.

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Climate resolutions in Japan

Despite a slight dip from last year's record number of Japanese climate-related shareholder resolutions, there were meaningful developments at Nippon Steel, Toyota Motor, and the three megabanks. In each case, we engaged to express our views, and carefully assessed the wording and intention of the proposals.

We recommended support for three climate-related shareholder proposals filed for the first time at Nippon Steel, all of which won over 20% support. Two resolutions were filed by the shareholder advocacy groups Corporate Action Japan (CAJ) and the Australasian Centre for Corporate Responsibility (ACCR). These asked for short and medium-term emissions reduction targets aligned with the Paris Agreement and covering Scopes 1, 2 and 3 emissions, and disclosures on associated capital expenditure plans.

During engagement, we acknowledged the challenges faced by the steel industry and the regional contexts. However, we said there was room for improvement on Nippon Steel's current medium-term targets in terms of its overseas subsidiary coverage, ambition for Paris Agreement alignment, and the inclusion of Scope 3 emissions material to the steel sector. The second resolution asked the company to embed its emissions reduction targets into its executive remuneration plans – a way to incentivise executive performance towards the delivery of the climate strategy.

The third resolution was filed by Legal & General Investment Management (LGIM) and ACCR, seeking the disclosure of climate lobbying activities and reviewing its alignment with the company's climate goals. We acknowledged that the company had disclosed some detail on its lobbying activities and committed to improvements in response to investor engagement and the shareholder proposal. However, it did not commit to a review of its lobbying activities or taking corrective action if this was misaligned with its 2050 goal, which fell short of our expectations. This proposal received around 27% support, a significant level, given that shareholder proposals in Japan are legally binding.

Toyota received another shareholder resolution related to its climate lobbying disclosures, which attracted around 9% support this year. The company had improved its disclosure by expanding the scope of the analysis, and it committed to improving its transparency and comprehensiveness. However, we recommended support for the proposal, in the hope that it would encourage Toyota to enhance its disclosure in line with investor expectations and narrow the gap between Toyota and some of its international peers.

NGO coalition Market Forces, Rainforest Network, and Kiko Network continued to raise concerns over climate action at the AGMs of the three Japanese megabanks – Mizuho Financial Group, Sumitomo Mitsui Financial Group (SMBC), and Mitsubishi UFJ Financial Group (MUFG). Prior to the AGMs, we co-led Institutional Investors Group on Climate Change collaborative engagements at all three banks, seeking additional insights to inform our final decision to recommend support for all proposals.

The first proposal asked the banks to require the competencies needed to manage climate-related business risks and opportunities in the board director nomination process. This was the first of its kind globally, with all three gaining support of around 25-26%. We consider board-level climate expertise to be extremely valuable for long-term business resilience.

The second proposal sought disclosure of how the banks would assess their fossil fuel sector clients' climate change transition plans for alignment with the 1.5°C goal of the Paris Agreement, and the consequences of clients not producing credible Paris-aligned transition plans. Support ranged from 24% at SMBC to 18% at MUFG. Whilst we recognised some progress at each bank, overall there remains a lack of disclosure around any consequences if client transition plans are found to be misaligned with the banks' climate goals.

Price-to-book voting policy

We introduced a new policy in 2024, to identify and address potential corporate governance concerns in companies where the equity persistently trades at a price-to-book valuation of below one. In the absence of any mitigating factors such as highly regulated sectors,[1] a protracted industry downturn or long-term structural challenges, a price-to-book valuation of below one signals that a company is being assessed by investors as potentially worth more liquidated than if it continues operating. It suggests that the directors, rather than creating value, are destroying it – or are viewed as doing so.

In formulating a global voting policy to address cases where the persistent undervaluation of companies may be the result of corporate governance concerns, we assessed 29 major markets. It became clear that the prevalence of companies with depressed price-to-book valuations was much higher in Japan and South Korea than elsewhere, suggesting there were systemic issues in these markets.

In our engagements with the Tokyo Stock Exchange, Japan's Financial Services Agency, and several major Japanese companies with depressed price-to-book valuations, we saw evidence that Japan had begun to address this problem. The Tokyo Stock Exchange, for example, has been vocal about this issue and requires companies to explain how they will address their undervaluation.

In South Korea, on the other hand, there is no parallel policy. In our engagements, companies usually dismiss our concerns about hoarding cash, arguing for the need to be conservative. Given this context, our new price-to-book voting watchlist included 30 South Korean companies and another 10 companies elsewhere.

For South Korean companies outside those sectors where a persistent low price-to-book valuation might be explained by regulatory or other factors, we considered recommending voting against the re-election of directors.[2] For example, we opposed the re-election of directors at retailer E-Mart, which has not only traded at a persistently depressed valuation, but also fails to meet our expectations for board independence and diversity.

Beyond South Korea and Japan, we raised our concerns on this issue at Molson Coors Beverage, Kraft Heinz, and Vivendi.

Progress report

We were pleased to see continuing improvements in board composition such as levels of independence and gender diversity, especially at leading companies across our markets. According to the Global Gender Gap Report 2024, women accounted for 15.5% of board seats in Japan, and 12.8% in South Korea.[3] We anticipate further improvements following updates to the Hong Kong stock exchange's listing rules and the corporate governance code, and in Brazil's Novo Mercado segment; we gave feedback on all of these. As the quantitative aspects of board composition – the "hardware" – develop, our attention will turn towards more qualitative "software" aspects fundamental to an effective board, such as healthy tension. Therefore, our engagement insights will remain meaningful considerations for our vote recommendations

[1] Highly regulated sectors include the GICS utilities, financials and real estate sectors.
[2] Given the staggered way in which South Korean directors are offered up for re-election, we would not generally oppose the re-election of the whole board in any single year. Also, because of the systemically low board gender diversity in South Korea, the policy excludes female directors.
[3] https://www3.weforum.org/docs/WEF_GGGR_2024.pdf

Company engagement highlights

A selection of short company case studies highlighting areas where we have completed objectives or can demonstrate significant progress.

Overview

Our approach to engagement is holistic and wide-ranging. Discussions range across many key business strategy and risk management areas, including environmental, social and structural governance (ESG) issues. In many cases, there is minimal external pressure on the business to change. Therefore, much of our work is focused on encouraging management to make the necessary improvements.

The majority of our successes stem from our ability to see things from the perspective of the business with which we are engaging. Presenting ESG issues such as board effectiveness or climate change as risks to the company's strategic positioning puts things solidly into context for management. These short company case studies highlight areas where we have completed objectives or can demonstrate significant progress, following several years of engagement.

PG&E

Engagement theme:
Human Rights

Lead engager: Dana Barnes

We began engaging with Pacific Gas and Electric Company (PG&E) in 2016 regarding its progress around updating infrastructure and improving its health and safety performance. The company was flagged as non-compliant with UN Global Compact Principle 1 – Human Rights, due to wildfires in 2017, 2018, and 2019 caused by sparking power lines. One major fire ravaged the town of Paradise, California, killing over 80 people and destroying 14,000 homes. As a result, the company filed for bankruptcy in 2019.

We challenged the company on whether the board was providing sufficient oversight, and expressed concerns about the degree to which safety had been integrated into the organisation's culture following the perceived negligence of environmental and social issues.

In 2022 and 2023, we engaged with PG&E regarding human rights risks, board level oversight, and proactive management of risks. We encouraged the company to consider joining the UN Global Compact and to provide additional disclosures through Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis. We reiterated that this was an expectation for clients.

Outcomes and next steps

During an engagement in 2022, the company said that it had undergone a cultural change after the wildfires and refreshed the entire board. In addition, it had integrated its human rights policy into its workforce, supplier, and community strategies.

PG&E highlighted its wildfire engagement plan and said that it was introducing technology to address the risks that it had not been able to detect. It was also looking to deploy artificial intelligence for its cameras for heightened oversight and the detection of wildfire risks. The company assured us that it continued to engage with communities, and filed monthly data with a regulator around wildfire prevention. These actions were sufficient to improve the company's wildfire risk mitigation, and in 2023 it was downgraded from non-compliant to watchlist.

Associated British Foods

Engagement theme:
Circular economy and waste

Lead engager: Justin Bazalgette

Consumer goods company Associated British Foods (ABF) operates through its grocery, sugar, agriculture, ingredients and retail businesses. We began our engagement with ABF in 2019, encouraging it to review the level of recycled content in the products sold by Primark, its fashion retail subsidiary. ABF stated its long-term aspiration to sell products that were 100% made from recycled or sustainable products. We urged the company to set clear, time-bound targets to increase the proportion of sustainable cotton used in its products, while disclosing the proportion of recycled polyester used.

We engaged in further meetings with ABF between 2020 and 2023. These included asking questions at the Primark ESG event, participating in an investor briefing on sustainability with the CEO, and a live engagement at the EOS March 2023 Client Advisory Council with the group sustainability lead.

Outcomes and next steps

In 2022, we were pleased that ABF had committed to ensuring that all its clothes were made from recycled, or more sustainably sourced materials by 2030. It improved this in 2023 by publicly committing to a target for 100% of its products to

have some recycled, organic or sustainable cotton content by 2027. In addition, it published a glossary identifying what it meant by 'sustainable' for each product type.

In 2023, Primark reported that 46% of its clothes met their sustainable cotton target and it was confident of making progress towards its 2027 target. As a result, we decided to close the engagement. In further conversations on this topic, we will monitor its progress, as well as the level of garment recycling, and its efforts to support customers via repair and reuse to improve circularity.

IQVIA

Engagement theme:
Board composition and structure

Lead engager: Michael Yamoah

We first raised our concern about the board's low overall board diversity in 2021, when it stood at 22% gender diversity, with no disclosure of ethnic/racial diversity. This fell below our expectation of 40% overall board diversity, with a minimum of 20% gender diversity and 10% ethnic/racial diversity.

Over the course of our engagement, we encouraged the company to consider increasing overall board diversity to meet our expectations, to which it was receptive. During a 2022 meeting, we acknowledged the board's appointment of two new directors, including four women, two of whom were racially diverse, bringing overall diversity to 36%. Although we were pleased with the progress, we encouraged further leadership by pursuing an aspirational target of 50% overall diversity.

In 2023, we reiterated our request by writing to the company, saying that we had raised our diversity expectation to a minimum of 40% overall diversity, and ideally 50%, with a 30% expectation for gender diversity.

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Outcomes and next steps

In our 2023 voting guidelines and Engagement Plan letter, we highlighted the formal recognition of our aspirational target of 50% overall board diversity and the inclusion of other demographic characteristics, such as disability, veteran, LGBTQ+, nationality and socio-economic background. In response, the company referenced its proxy statement showing 50% diverse directors with 40% board gender diversity.

During a follow-up meeting, it said that two of its directors shared some of the additional demographic characteristics – one is a Canadian veteran and the other has Latino heritage. The company later indicated to us that its 50% board diversity figure was also supported by a third director who was born in Africa.

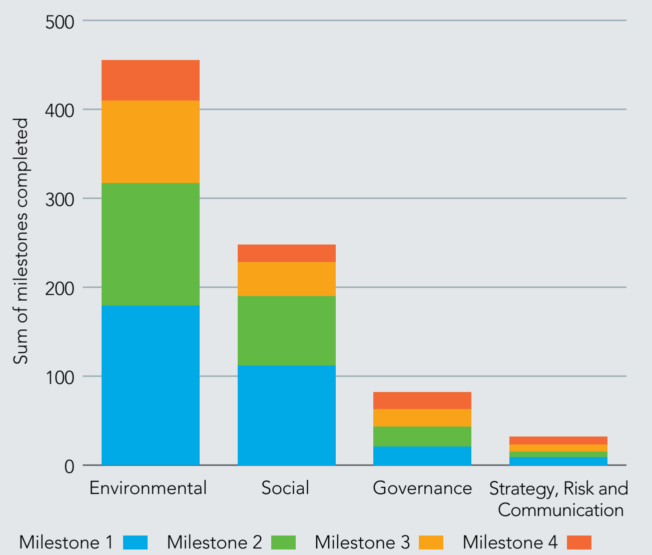
Honda Motor

Engagement theme:
Greenhouse gas emissions reduction

Lead engager: Shoa Hirosato

In a call with automotive company Honda's investor relations representative and the sustainability department in 2022, we raised the importance of a medium-term Scope 3 emissions reduction target. This was to track Honda's progress on meeting its long-term target of net zero by 2050. The company had set a 2030 Scope 3 emissions target for internal reference, but it acknowledged the need for public disclosure given the common feedback from different stakeholders. At the 2023 annual shareholder meeting, we did not recommend voting against the president for climate-related reasons, as Honda had medium-term emissions reduction targets for its Scopes 1 and 2 emissions, but we reiterated our concerns about the lack of medium-term targets for its Scope 3 emissions.

Milestones completed by stage Q1-Q3 2024



Source: EOS data

Outcomes and next steps

In its 2023 ESG data book, Honda published its 2030 targets on CO2 intensity reduction for the use of products (34% for motorcycles, 27.2% for autos, and 28.2% for power products). However, its alignment with a 1.5°C pathway was still unclear. Although Honda has committed to a 1.5°C pathway and stated that its targets are aligned, according to third-party research such as the Transition Pathway Initiative, it is misaligned. We will continue our engagement to clarify the alignment of its targets and critical dependencies under a 1.5°C pathway, and the execution of its climate strategy.

Ardagh Group

Engagement theme:
Health, safety and wellbeing

Lead engager: Joanne Beatty

We initiated our health and safety (H&S) strategy engagement with the packaging company Ardagh in June 2023 with the heads of sustainability for the glass and metal businesses. Whilst the company has a comprehensive sustainability strategy covering three pillars – emissions, ecology and social – the social pillar did not mention H&S as a priority area. Also, Ardagh had not set an H&S-related goal. We asked the company to elevate H&S in its sustainability strategy given the importance to the business.

In response, the company said that safety was managed separately to sustainability but was considered first and foremost across the business. The company has a safety campaign and begins each meeting with the sharing of a safety-first message. Ardagh told us that it appreciated our feedback and would look to incorporate safety into the next iteration of its sustainability report.

Outcomes and next steps

Following our engagement, the company's 2023 sustainability report disclosed an updated sustainability strategy, and we were pleased to see H&S now included in the social pillar with the company focused on maintaining a safe and healthy workplace.

In December 2023, during a meeting with the head of sustainability and investor relations, we asked the company to consider setting a goal to measure progress against its safety programme. Ardagh said that it was committed to limiting recordable accidents at all its facilities, and this commitment was shown by the continued reduction in accidents over the past few years.

CASE STUDY

Sainsbury's

Sainsbury's is the UK's second largest food retailer and we have been engaging with the company since 2008. Following research published by Oxfam on the supply chain human and labour rights risks faced by UK food retailers,[1] we engaged with Sainsbury's to identify and manage these risks.

Our engagement

Oxfam's 2019 report found that UK food retailers were significantly exposed to human and labour rights risks in their supply chains, including unsafe working conditions and living wages. Following the report's publication, we suggested to the company that it should endorse the UN Guiding Principles on Business and Human Rights.

In 2020, we asked it to conduct a human rights impact assessment, established as industry best practice for identifying hidden risks in supply chains. Alongside this, we discussed the effective governance of these issues. In 2022, we welcomed the company's updated sustainability action plan, Plan for Better. After a further iteration in 2023, we requested regular reporting on progress so that we could assess the management of these risks, including via appropriate quantitative impact metrics addressing priority areas such as living wages, forced labour, and grievance mechanisms.

Changes at the company

After endorsing the UN Guiding Principles on Business and Human Rights, the company established sector leadership by conducting a human rights saliency assessment in 2020. At this stage, we also took the chair's readiness to discuss human rights and living wages as a positive measure of progress and commitment.

Informed by its saliency assessment, Sainsbury's translated the areas of greatest concern into its Plan for Better. The company signed up to the IDH Roadmap on Living Wages, a platform to secure living wages in food supply chains. We were pleased to see this industry collaboration, crucial to achieving the critical mass required to effect change throughout complex supply chains.

Sainsbury's subsequently made significant progress on its banana traceability, where the company leads the market with a time-bound commitment to pay a living wage to all workers in its banana supply chain by 2027. In 2022, Sainsbury's set the ambitious goal of paying living wages in all its priority supply chains by 2030.

Sainsbury's also identified priority action areas across all other salient human rights issues in its supply chain, namely forced labour, health and safety, discrimination, and the provision of effective grievance mechanisms. In 2022, the company rolled out its new whistleblowing policy, focusing first on ensuring that its tier one suppliers comply.

The company has also engaged directly with suppliers, supported by initiatives such as Unseen, the Ethical Trading Initiative, and the University of Nottingham's Rights Lab. The last of these will support the regular monitoring of Sainsbury's exposures to risks related to supply chain human rights.

Next steps

The next step for Sainsbury's is to continue rolling out its action plan and to demonstrate its success. Key to this will be identifying industry partners to achieve critical mass on living wages in other priority supply chains, which are more complex than those for bananas and will require greater collaboration to effect change. As an early indication of further progress, the company has been tackling garment and tea supply chains in 2024, including through industry partnerships.

Read more about these issues in the full case study at:

https://www.hermes-investment.com/uk/en/intermediary/eos-insight/stewardship/sainsburys-case-study/

Engagement objectives

Social

- Human rights in the supply chain
- Living wages in the supply chain

8 DECENT WORK AND ECONOMIC GROWTH

Will Farrell
Theme:
Climate Change

[1] https://policy-practice.oxfam.org/resources/workers-rights-in-supermarket-supply-chains-new-evidence-on-the-need-for-action-620877/

Public policy and best practice

EOS contributes to the development of policy and best practice on corporate governance, sustainability and shareholder rights to protect and enhance the value of its clients' investments over the long term.

Overview

We participate in debates on public policy matters to protect and enhance value for our clients by improving shareholder rights and boosting protection for minority shareholders.

This work extends across company law, which in many markets sets a basic foundation for shareholder rights; securities laws, which frame the operation of the markets and ensure that value creation is reflected for shareholders; and codes of best practice for governance and the management of key risks, as well as disclosure.

In addition to this work on a country specific basis, we address regulations with a global remit. Investment institutions are typically absent from public policy debates, even though they can have a profound impact on shareholder value. EOS seeks to fill this gap.

By playing a full role in shaping these standards, we can ensure that they work in the interests of shareholders instead of being moulded to the narrow interests of other market participants, which may differ markedly – particularly those of companies, lawyers and accounting firms, which tend to be more active than investors in these debates.

Investor statement to governments on the climate crisis

Lead engager: Will Farrell

We co-signed the 2024 Global Investor Statement to Governments on the Climate Crisis. The letter called on governments to close the policy gap to delivering the goals of the Paris Agreement. This recognises the importance of a facilitating policy environment to support investors in managing climate-related financial risks and opportunities, and delivering value and returns for their beneficiaries. The letter sought economy-wide policies, sectoral transition strategies, and clear integration of the nature, water, and biodiversity-related challenges related to climate change.

Feedback on FSDA expectations for commercial banks

Lead engager: Joanne Beatty

We provided informal feedback to the Finance Sector Deforestation Action (FSDA) initiative and the Institutional Investors Group on Climate Change (IIGCC) on the draft deforestation investor expectations for commercial banks. Banks can be exposed to deforestation risks through the financial services they provide to companies that produce and/or use products contributing to deforestation within their direct operations or value chains. Banks that fail to address deforestation are exposed to financial risk through various channels, including physical risk, transition risk and failure to align with net zero.

As shareholders in banks, investors have a fiduciary duty to ensure that banks consider and manage deforestation and the associated financial risks. The document sets out investor expectations for banks on eliminating commodity deforestation, conversion and associated human rights abuses in their lending and investment practices. It builds from the general FSDA expectations for companies. The FSDA, supported by the IIGCC secretariat, expects to finalise the document in Q3 2024.

IIGCC Transition Research Working Group meeting

Lead engager: Will Farrell

We met with other members of the Transition Research Working Group of the Institutional Investors Group on Climate Change (IIGCC). We welcomed the publication of the comprehensive methane guidance for the oil and gas sector, to which we had contributed. The transition research team explained that it was considering addressing guidance gaps in how the increasing focus on nature and natural capital relates to climate goals, focusing on asset-level impacts.

We agreed that the interconnectedness of climate change and nature requires a united approach, noting also the increasingly common practice of joint climate and nature reporting from companies. The group also agreed that investors were ill-equipped to fully capture the climate and nature synergies that many climate solutions and opportunities present. We suggested that IIGCC should consider where sub-theme gaps exist, noting that some areas are already well-covered, for example deforestation.

To ensure that this research can support company engagement and stewardship by investors, we asked that research be focused on sectors or subsectors where the issue is typically material for any individual company. We suggested that quantifying the importance of nature to delivering climate goals in these specific areas would support more sophisticated engagement, while also informing prioritisation.

Given the broad universe of guidance on nature available from numerous organisations, we requested that any high-level guidance should defer to existing guidance in the first existence, so that any research is additive and complementary. We noted the need for investors to gain an understanding of the risks faced by companies with large and diversified supply chains, for example agricultural supply chains, where nature solutions will interact with physical climate resilience and adaptation.

Further feedback on changes to the UK's Listing Regime

Lead engager: Richard Adeniyi-Jones

We submitted a further response to the UK Financial Conduct Authority's consultation on changes to the UK's Listing Regime, following the initial consultation period and publication of the finalised changes. We expressed disappointment that our feedback did not appear to have been taken on board, and that the proposed reforms were largely unchanged from the original proposal. In particular, we highlighted the removal of requirements for historical financial information for companies seeking to list and the removal of shareholder votes on related party transactions as having a negative impact on overall shareholder rights and protections.

Letter to the UK minister for energy security and net zero

Lead engager: Will Farrell

We wrote to the new UK minister of state, Sarah Jones MP, at the Department for Business and Trade and the Department for Energy Security and Net Zero. The UK government had previously signed up to the Cement Breakthrough initiative launched at COP28, setting in motion an exercise of reviewing cement decarbonisation policy and suggesting innovative policy levers at future international fora.

Leveraging our significant engagement with cement companies, we highlighted the policy hurdles we have observed holding back the sector's decarbonisation efforts, including a lack of demand-side measures. At the same time, we emphasised the importance of decarbonising the emissions-intensive sector.

We identified three key areas where we encouraged progress. First, we highlighted the regulatory environment as critical to facilitating low-carbon cement, rather than encumbering demand, including through building codes, product standards, and public procurement mechanisms. We said that this should consider the adjacent benefits of decarbonising cement, such as waste reduction and circularity.

Second, we suggested the initiation of lead markets for low-carbon cement, important for overcoming inertia and providing the demand-led signals required for confident investment in decarbonisation, which will be capital intensive. Finally, we encouraged a consideration of lifecycle emissions savings, which would highlight the contributions that decarbonised cement can make to promote long-lasting construction, circularity, and natural capital, all while contributing to the government's housebuilding ambitions.

Engagement and voting

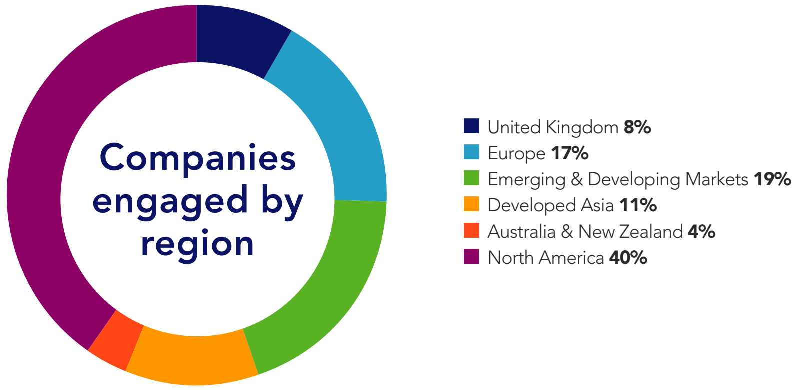
The following pages contain an overview of our engagement activity by region and theme, and our voting recommendations for the last quarter.

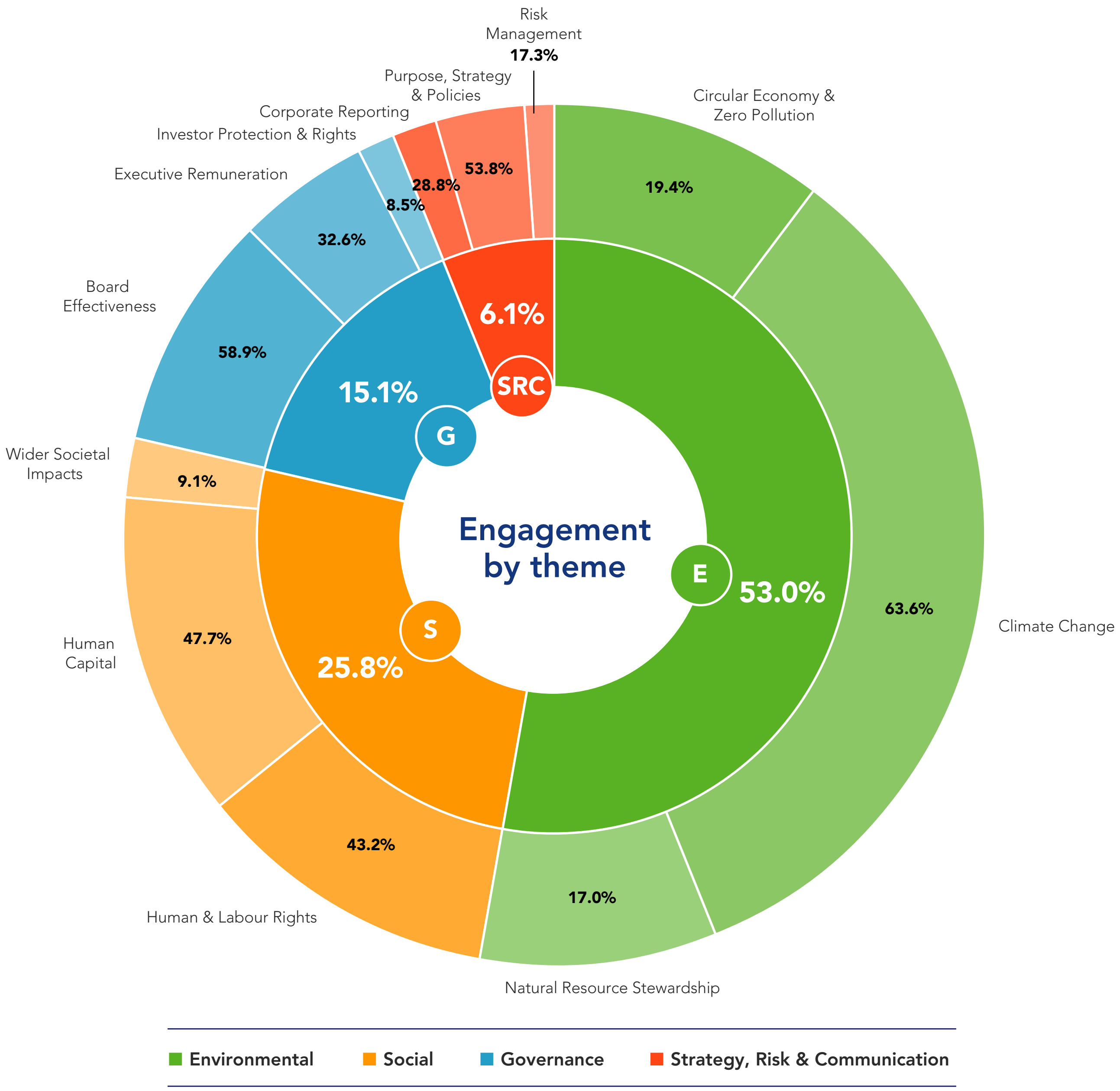
EOS makes voting recommendations for shareholder meetings wherever practicable. We base our recommendations on annual report disclosures, discussions with the company and independent analyses. At larger companies and those where clients have a significant interest, we seek a dialogue before recommending a vote against or an abstention on any resolution.

In most cases where we recommend a vote against at a company in which our clients have a significant holding or interest, we follow up with a letter explaining the concerns of our clients. We maintain records of voting and contact with companies, and we include the company in our main engagement programme if we believe further intervention is merited.

Engagement by region

Over the last quarter we engaged with 307 companies on 854 environmental, social, governance and business strategy issues and objectives. Our holistic approach to engagement means that we typically engage with companies on more than one topic simultaneously.





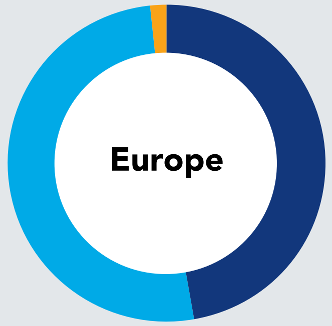
Source: EOS data.

Voting overview

Over the last quarter we made voting recommendations at 1,913 meetings (13,710 resolutions). At 1,044 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 11 meetings and abstaining at 2 meetings. We supported management on all resolutions at the remaining 856 meetings.

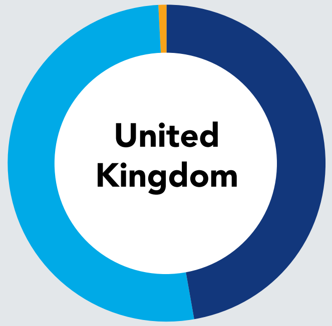
We made voting recommendations at **1,913** meetings (**13,710** resolutions) over the last quarter.

- Total meetings in favour **44.7%**
- Meetings against (or against AND abstain) **54.6%**
- Meetings abstained **0.1%**
- Meetings with management by exception **0.6%**



We made voting recommendations at **146** meetings (**1,467** resolutions) over the last quarter.

- Total meetings in favour **47.3%**
- Meetings against (or against AND abstain) **51.4%**
- Meetings with management by exception **1.4%**



We made voting recommendations at **148** meetings (**2,145** resolutions) over the last quarter.

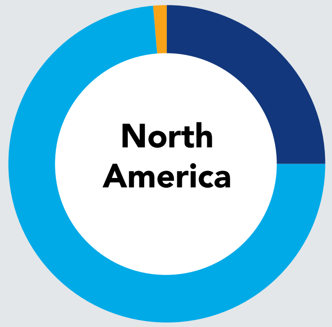
- Total meetings in favour **47.3%**
- Meetings against (or against AND abstain) **52.0%**
- Meetings with management by exception **0.7%**

We made voting recommendations at **1,254** meetings (**7,404** resolutions) over the last quarter.

- Total meetings in favour **46.5%**
- Meetings against (or against AND abstain) **53.0%**
- Meetings abstained **0.2%**
- Meetings with management by exception **0.4%**

We made voting recommendations at **97** meetings (**688** resolutions) over the last quarter.

- Total meetings in favour **55.7%**
- Meetings against (or against AND abstain) **44.3%**



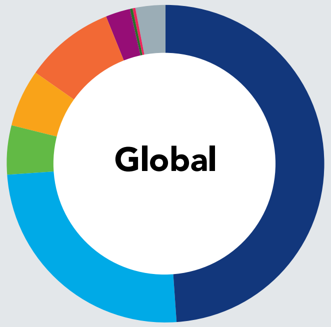
We made voting recommendations at **223** meetings (**1,807** resolutions) over the last quarter.

- Total meetings in favour **25.1%**
- Meetings against (or against AND abstain) **73.5%**
- Meetings with management by exception **1.3%**

We made voting recommendations at **45** meetings (**199** resolutions) over the last quarter.

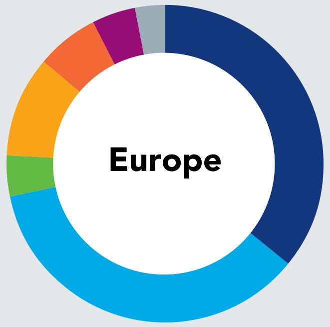
- Total meetings in favour **53.3%**
- Meetings against (or against AND abstain) **46.7%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.



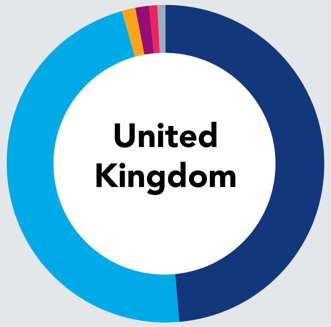
We recommended voting against or abstaining on **2,601** resolutions over the last quarter.

- Board structure **49.1%**
- Remuneration **25.2%**
- Shareholder resolution **5.1%**
- Capital structure and dividends **5.8%**
- Amend articles **9.0%**
- Audit and accounts **2.6%**
- Investment/M&A **0.2%**
- Poison pill/Anti-takeover device **0.1%**
- Other **2.9%**



We recommended voting against or abstaining on **264** resolutions over the last quarter.

- Board structure **35.9%**
- Remuneration **35.9%**
- Shareholder resolution **4.1%**
- Capital structure and dividends **10.4%**
- Amend articles **6.3%**
- Audit and accounts **4.4%**
- Other **3.0%**

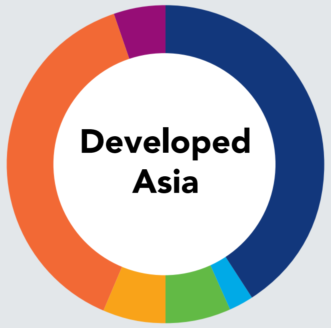


We recommended voting against or abstaining on **180** resolutions over the last quarter.

- Board structure **48.6%**
- Remuneration **47.1%**
- Capital structure and dividends **1.4%**
- Audit and accounts **1.4%**
- Poison pill/Anti-takeover device **0.7%**
- Other **0.7%**

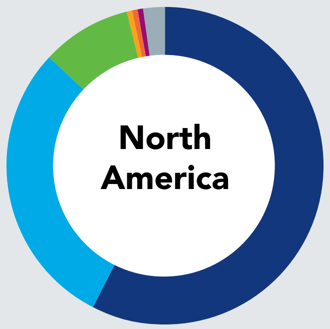
We recommended voting against or abstaining on **1,665** resolutions over the last quarter.

- Board structure **50.9%**
- Remuneration **21.5%**
- Shareholder resolution **4.8%**
- Capital structure and dividends **6.7%**
- Amend articles **9.6%**
- Audit and accounts **2.6%**
- Investment/M&A **0.2%**
- Poison pill/Anti-takeover device **0.1%**
- Other **3.6%**



We recommended voting against or abstaining on **129** resolutions over the last quarter.

- Board structure **40.9%**
- Remuneration **2.6%**
- Shareholder resolution **6.5%**
- Capital structure and dividends **6.5%**
- Amend articles **38.3%**
- Audit and accounts **5.2%**



We recommended voting against or abstaining on **306** resolutions over the last quarter.

- Board structure **57.7%**
- Remuneration **29.6%**
- Shareholder resolution **9.0%**
- Capital structure and dividends **0.6%**
- Amend articles **0.6%**
- Audit and accounts **0.6%**
- Other **2.0%**

We recommended voting against or abstaining on **59** resolutions over the last quarter.

- Board structure **22.5%**
- Remuneration **75.0%**
- Capital structure and dividends **2.5%**

The EOS approach to engagement

EOS at Federated Hermes Limited is a leading stewardship service provider. Our engagement activities enable long-term institutional investors to be more active owners of their equity and fixed income assets.

This is achieved through dialogue with companies on environmental, social and governance issues. We believe this is essential to build a global financial system that aims to deliver improved long-term returns for investors, as well as better outcomes for society.

Our services

Engagement

We engage with companies that form part of the public equity and corporate fixed income holdings of our clients to seek positive change for our clients, the companies and the societies in which they operate.

Voting

We make recommendations that are, where practicable, engagement-led and involve communicating with company management and boards around the vote. This ensures that our rationale is understood by the company and that the recommendations are well-informed and lead to change where necessary.

Public policy and market best practice

Engaging with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and investors can operate more responsibly.

Screening

We help our clients to fulfil their stewardship obligations by monitoring their portfolios to regularly identify companies that are in breach of, or near to breaching, international norms and conventions.

Advisory

We work with our clients to develop their responsible ownership policies, drawing on our extensive experience and expertise to advance their stewardship strategies.

The EOS advantage

- **Relationships and access** – Companies understand that EOS is working on behalf of pension funds and other large institutional investors, so it has significant leverage – representing assets under advice of over US$2.1tn as of 30 September 2024. The team's skills, experience, languages, connections and cultural understanding equip them with the gravitas and credibility to access and maintain constructive relationships with company boards and executive management teams.
- **Client focus** – EOS pools the priorities of like-minded investors, and through consultation and feedback, determines the priorities of its Engagement Plan.
- **Tailored engagement** – EOS develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets. It seeks to address the most material ESG risks and opportunities, through a long-term, constructive, objectives-driven and continuous dialogue at the board and senior executive level, which has proven to be effective over time.

Our Engagement Plan is client-led – we undertake a formal consultation process with multiple client touchpoints each year to ensure it is based on their long-term objectives, covering their highest priority topics.

EOS team

Engagement


Leon Kamhi
Head of Responsibility and EOS


Richard Adeniyi-Jones
Sectors: Consumer Goods, Financial Services, Industrial & Capital Goods


Dana Barnes
Sectors: Oil & Gas, Utilities, Technology


Justin Bazalgette
Sectors: Consumer Goods, Industrial & Capital Goods


Joanne Beatty
Sectors: Chemicals, Industrial & Capital Goods, Transportation


George Clark
Voting and Engagement Support


Emily DeMasi
Sectors: Financial Services, Pharmaceuticals & Healthcare


Bruce Duguid
Head of Stewardship, EOS


Elissa El Moufti
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Will Farrell
Sectors: Utilities, Chemicals, Financial Services


Diana Glassman
Sectors: Oil & Gas, Financial Services, Technology


Jaime Gornsztejn
Sector: Mining & Materials


Tsitsi Griffiths
Sector: Chemicals


Hannah Heuser
Sectors: Oil & Gas, Utilities


Ellie Higgins
Sectors: Utilities, Retail & Consumer Services, Consumer Goods


Shoa Hirosato
Sectors: Financial Services, Transportation, Utilities


Alexis Huang
Sector: Retail and Consumer Services


Lisa Lange
Sector: Transportation


Sonya Likhtman
Sectors: Transportation, Consumer Goods, Financial Services


Earl McKenzie
Voting and Engagement Support


Claire Milhench
Communications & Content


James O'Halloran
Director of Business Management, EOS


Navishka Pandit
Sectors: Financial Services, Technology, Consumer Goods


Xinyu Pei
Sectors: Oil & Gas, Utilities, Mining & Materials


Nick Pelosi
Sectors: Mining & Materials, Financial Services, Technology


Howard Risby
Sectors: Financial Services, Mining & Materials, Oil & Gas


Velika Talyarkhan
Sectors: Utilities, Consumer Goods, Retail & Consumer Services


Ross Teverson
Sectors: Retail & Consumer Services, Technology


Kenny Tsang
Sector: Consumer Goods


Judi Tseng
Sectors: Financial Services, Technology


Mark Turner
Voting and Engagement Support


George Watson
Sectors: Chemicals, Financial Services, Consumer Goods


Haonan Wu
Sectors: Transportation, Chemicals, Retail & Consumer Services, Technology, Utilities


Michael Yamoah
Sectors: Technology, Oil & Gas, Utilities, Financial Services


Ming Yang
Sectors: Consumer Goods, Pharmaceuticals & Healthcare

Client Service and Business Development


Mike Wills
Head of Client Service and Business Development, EOS


Diego Anton
Client Service


Amy D'Eugenio
Sustainability Director


Andrew Glynne-Percy
Communications and Marketing


Alishah Khan
Client Service

Jonathan Lance
Client Service

William Morgan
Client Service

Alice Musto
Client Relations Lead

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Federated Hermes

EOS

Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns and, where possible, to contribute to positive outcomes that benefit the wider world.

Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by five decades of experience
- **Private markets:** private equity, private credit, real estate, infrastructure and natural capital
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of their assets. EOS is based on the premise that companies with informed and involved investors are more likely to achieve superior long-term performance than those without.

For more information, visit **www.hermes-investment.com** or connect with us on social media: