Public Engagement Report

PLUG AND PLAY
Which automakers will corner the EV market?

Resetting the AMR agenda

Investors grapple with uncertainty in 2025 proxy season

Q2 2025

Federated Hermes EOS

Welcome to our Public Engagement Report for Q2 2025. In our cover feature this quarter, Lisa Lange, Justin Bazalgette and Shoa Hirosato examine the pressures facing car manufacturers, from the threat of US tariffs to regulatory uncertainty over emissions fines. The electrification of private transportation represents a huge opportunity for automakers, if they can get it right.

Although the global pandemic is fading in the rearview mirror, the threat posed by antimicrobial resistance (AMR) continues to grow. At a UN meeting last September, global leaders discussed ways to accelerate efforts to tackle this systemic risk. In our second feature, Ming Yang and Michael Yamoah explain what this means for investors and companies.

Finally, Richard Adeniyi-Jones and Dana Barnes highlight some of the key votes from the North American, European and Australian proxy seasons, including German automaker AGMs, child safety proposals at tech companies, and how US shareholder proposals fared in a changing regulatory landscape.

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Table of contents

Wheels of fortune

The threat of US tariffs has disrupted supply chains for car manufacturers while regulatory uncertainty over emissions fines poses other challenges. Which companies are in pole position to benefit? Lisa Lange, Justin Bazalgette and Shoa Hirosato assess a market in flux.

Setting the scene

With the EU planning to phase out fossil fuel vehicles in 2035, and a significant shift from internal combustion engine (ICE) vehicles to electric vehicles (EVs) already underway in China,[1] car manufacturers are under pressure to improve their EV offering,[2 3 4] or be prepared to compete in more congested ICE markets elsewhere. Either way, market share, profitability and long-term financial value will be affected. EOS's engagement is focused on topics that in our view will help to enhance and protect the long-term value of each auto company.

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Theme: Natural Resource Stewardship

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Theme: Climate Change

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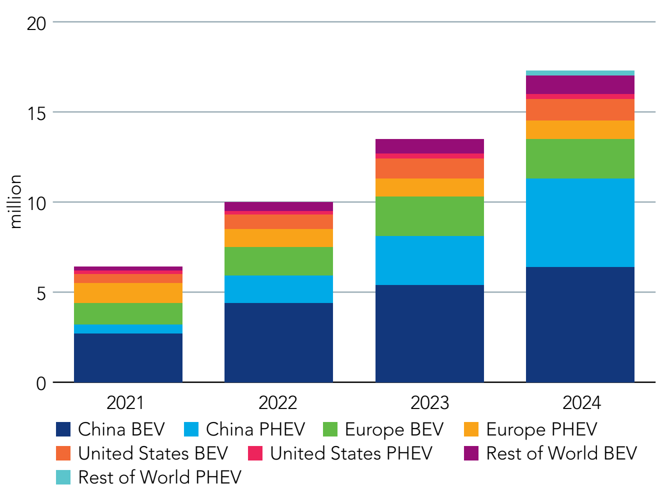
Theme: Climate Change

The electrification of private transportation represents one of the biggest shifts in the history of motoring, but with some car manufacturers lobbying for more time to phase out their ICE models, the adoption of EVs has seen several false dawns. Where governments have provided the right incentives and rolled out charging infrastructure at pace – as in Norway – EV take up has been rapid and widespread.[5]

However, outside certain niche markets, there are still significant headwinds, particularly for legacy automakers. The threat of US tariffs and weaker ICE phase out regulations in key markets have introduced fresh uncertainty for manufacturers, providing a disincentive to launch new EV models. In the UK, for example, the sale of hybrid vehicles will now continue until 2035, versus a previous deadline of 2030, with lower punitive fines for automakers missing targets.[6] Several planned investments in battery factories have also been deferred or cancelled in the UK.

[1] China is driving an electric vehicle revolution. But is it good news for the climate? | Euronews
[2] Agreement reached: Volkswagen AG positions itself competitively for the future | Volkswagen Group
[3] 25,000 jobs at risk at Stellantis plants in Italy - World Socialist Web Site
[4] Mercedes-Benz plans to cut 25% of workforce costs in China by 2027, source says
[5] https://www.bbc.co.uk/news/articles/cg52543v6rmo

Trends in electric car markets



BEV = Battery electric vehicle. PHEV = Plug-in hybrid electric vehicle.

Source: Global EV Outlook 2025, International Energy Agency

US, European and Japanese automakers must compete on EV production costs with their South Korean and Chinese rivals, which are now targeting overseas markets with attractive models at competitive prices.[7] In some cases, these EVs are more affordable and have proven track records.

Although the European Commission is yielding to pressure from European carmakers this year by giving them a three-year window to meet carbon emission targets, and thus avoid crippling fines, this may allow foreign competitors selling EVs into the EU to accelerate away from European players.[8 9 10] Recognising this challenge, the EU is holding strategic talks with companies, to help the sector improve its competitiveness.[11]

There is plenty to play for. While some press coverage has focused on the headwinds experienced by European EV manufacturers and suppliers in 2024, global sales were up more than 20% year-on-year, driven strongly by China.[12] This growth has continued, with Q1 2025 sales up 35% versus Q1 2024. The International Energy Agency (IEA) forecasts that sales of EVs will triple by 2030, with battery and hybrid models accounting for over 50% of cars sold globally.[13]

HOW US TARIFFS ARE RESHAPING THE GLOBAL MARKET FOR ELECTRIC VEHICLES

The threat of punitive tariffs on Chinese EVs sold into the US market, weaker emissions standards, and the possible removal of green tax credits granted under the Inflation Reduction Act could significantly dampen EV demand in the US, leading to increased supply into the EU.

Chinese EV manufacturers are already making substantial inroads into the EU, where higher profit margins allow them to remain competitive despite tariffs. China's BYD outsold Tesla in Europe for the first time in April, amidst a consumer backlash. European manufacturers have focused on exporting high margin, luxury brand ICE cars to China, but this market is shrinking as Chinese consumers turn increasingly to more competitively priced home-grown EV offerings.

Meanwhile, Japanese manufacturers have begun shifting production from tariff-affected markets to sites within the US. For example, Honda, which markets around 80% of its Mexican output to US consumers, is moving production of its flagship Civic model from its Mexican and Japanese factories to its Indiana plant.

[6] EV targets watered down to help tariff-hit UK car industry
[7] The electric vehicle revolution is running out of steam
[8] https://www.reuters.com/business/autos-transportation/eu-propose-giving-automakers-three-years-meet-co2-emission-targets-2025-03-03/
[9] Stellantis Could Make Fewer Gas Cars to Avoid Emissions Fines
[10] Volkswagen Fears Colossal Emissions Fine is Coming
[11] EU to Hold Strategic Talks to Revive Automotive Industry | EV Magazine
[12] Are Global EV Sales Really Slowing Down? | BloombergNEF
[13] IEA bullish on electric vehicle sales in 2024
[14] Chinese carmakers reset European ambitions as EU tariffs bite
[15] China's BYD outsells Tesla in Europe for first time, report says | Reuters
[16] https://jp.reuters.com/business/autos/4KWP5ZPTURLODC7K2XDCTWKZIM-2025-04-16/

Our engagement on EVs and emissions reduction

Which companies have the most robust strategies to capture the growth opportunities in the EV market? One way for investors to assess how committed companies are to electrification is to look at how quickly they plan to cut fleet emissions. To this end, we have encouraged companies in jurisdictions with strong regulatory support, such as the EU and certain Asian markets,[17] to strengthen their EV strategies. This can be achieved by preparing for more ambitious scenarios and setting 1.5°C Paris Agreement-aligned emissions reduction targets to take advantage of climate-related business opportunities.

We also engage on how companies use their influence to lobby for supportive public policy, both directly and through their trade associations,[18] and ask them to make clear how their climate targets and strategies are incorporated into their financial accounts.[19]

In Europe, we have engaged with companies on setting emissions reduction targets and developing an electrification strategy. BMW, Mercedes, Volkswagen, Renault and Stellantis now have externally validated 1.5°C Paris-aligned targets for their Scopes 1 and 2 emissions, and targets of well below 2°C for their Scope 3 emissions. We are engaging with these companies on the business opportunities of adopting a 1.5°C Scope 3 target; this was hampered by a pause in validation by the Science Based Targets initiative (SBTi). Companies are now assessing how to address a shift in SBTi guidance, and indications are that they will submit new targets for Scope 3 when their current validation expires.

BMW, Volkswagen and Mercedes already publish regular reports on their association membership and lobbying activity. Our engagement is now focused on closing the gaps between their current disclosures and the global standard for responsible climate lobbying.[20] We engaged several times in 2024 with Stellantis and Renault on their first public policy advocacy reports, which were published in the first quarter of 2025.

All five companies include a description of their climate assessments and the impact of their climate targets and strategy in their financial statements. The impact has been limited to date, as companies are adapting their manufacturing lines to accommodate all engine variants. This reduces the capital investment required and the risk of redundancy as components such as the chassis are the same.

How Chinese EVs make inroads

Chinese automakers, led by BYD and Geely, have achieved considerable success in the global market due to low-cost battery production and strong domestic demand, which is driven by generous government incentives. In our engagements with BYD, we observed a gap between its EV production and its climate considerations; the company lacks climate targets and disclosure on its strategy, despite the significant positive environmental impact of its products. The company has yet to align its climate-related reporting with international frameworks such as the Task Force on Climate-Related Financial Disclosures to ensure that stakeholders are informed about its climate-related risk management.

[17] Subject to local laws and regulatory requirements
[18] German automotive engagement on climate lobbying | Federated Hermes Limited
[19] Public Engagement Report Q1 2023 | Federated Hermes Limited
[20] 2022_global-standard-responsible-climate-lobbying_APPENDIX.pdf
[21] From Honda to Toyota, Japan's Carmakers Are Losing Ground to China's BYD, Geely
[22] EV shift could pose a big challenge to Japanese economy | Oxford Economics

We also engage with BYD on risk management in its vertically-integrated supply chain due to environmental and human rights concerns. We encourage robust due diligence processes, and transparency. South Korea's Hyundai Motors has also enjoyed success with its EV strategy and responded positively to our engagement on validating targets and improving its climate-related disclosures.

In Japan, we have encouraged 1.5°C-aligned Scope 3 targets and have asked automakers to address disclosure gaps for better transparency. Honda responded positively by disclosing its medium-term emissions intensity targets in 2023. However, despite pioneering vehicle electrification technologies and strong hybrid sales, Japanese automakers face significant challenges due to Chinese competition.[21] Large-scale production of next-generation EVs by Japanese companies is not expected in the short term.

The Japanese auto industry is closely intertwined with the established supply chain for ICE and hybrid vehicles, which complicates the transition to EVs.[22] Toyota plans to leverage its hybrid expertise and adopt a multi-pathway strategy, including hybrids for markets without a developed EV infrastructure, and catering to conservative consumers. Meanwhile, Suzuki has significant market share in India, which has a national net zero goal of 2070. We have encouraged Suzuki to increase its ambitions to align its emissions targets with the goals of the Paris Agreement. We will continue to monitor the development of its alternative low-carbon technologies for rural areas with limited EV infrastructure, where it plans to expand.

In other emerging markets, Chinese competition is increasing where Japanese companies have historically dominated, such as in South-East Asia. Given these challenges, we have focused on transparency in climate policy lobbying, as Japanese automakers are members of influential industry bodies. In recent years some companies have enhanced their climate lobbying disclosures, with Toyota publishing several standalone reports following shareholder action. In our engagements with Toyota, Honda, and Suzuki, we encourage further alignment with the global principles of responsible climate lobbying.

Engagement themes for the automotives sector

Engagement Theme	Drivers of long-term value[23]
Climate Opportunities	• Investing in new EV production lines, worker training, and materials supply networks can impact the value of a company's assets and its capital expenditure. • Investing in intellectual property around EV drivetrains, platform configurations, power, and production methods could impact company assets and R&D expenses. • EVs are experiencing growing penetration rates in major auto markets, albeit at different rates. Automobile manufacturers can harness these tailwinds, but it will require a multi-market strategy that increases the level of difficulty. The growing market will present sales growth opportunities for companies that can effectively navigate the timing of the transitions in their main markets.
Greenhouse Gas Emissions	• Emissions standards and other related regulations may necessitate a shift from existing ICE models to lower emission and non-fossil fuel vehicles. These changes could manifest in the form of required new capital investment, operational cost structure changes, and different product input costs. In addition, a changing product mix and different market expectations could have an impact on the marketability of the product range.
Safe Products and Services	• Automobile safety is highly regulated, and EV products specifically introduce safety elements via their battery packs, with which companies are less experienced. The industry has seen many instances of costly recalls over the years that have long lasting implications for financial health. Addressing product safety issues requires a number of stages. First, the company incurs direct recall/remediation expenses and sales halts, followed by potential regulatory and legal actions that manifest as expenses and liabilities. Finally, as safety is a major consideration for automobile customers, the damage to brand image can have a long and lasting impact on sales volumes.
Employment Terms and Conditions	• Addressing demands for higher wages due to labour market forces, as well as pressures from organised labour, specifically around periods of union formation and collective bargaining negotiation. Attracting and retaining skilled manufacturing workers, and negotiating material increases in wages during collective bargaining, can drive significant changes to operating expenses. • The high prevalence of labour organisation in automobile manufacturing presents the ongoing risk of work stoppages, especially during periods of collective bargaining negotiations. Work stoppages can lead to extended periods of lost sales for automobile manufacturers, which can flow upstream to suppliers.

Source: Federated Hermes.
Table compiled by Luke Fleisch, ESG Analyst, FHI

[23] Non-company specific drivers of long-term value

Engaging on other risks for automakers

While automotive companies are now launching integrated, universal vehicle platforms to accommodate different powertrains and car models for the EV transition, they must also grapple with significant non-climate related challenges, which can also drive long-term value. These include social issues such as supply chain human rights, health and safety, and effective governance. Below we have included some examples of our company engagements on these topics.

Health and safety

Good health and safety practices are important for maintaining worker productivity and efficiency, which drive improved profitability and long-term value. In 2024, we engaged with Stellantis following a fatality at one of its Italian manufacturing sites. We asked the company to confirm how it was assessing the causes of the accident and what actions were being taken to prevent it from happening again. The individual involved was a sub-contractor carrying out maintenance activities on an automated section of the production line.

While the company confirmed that it had reinforced the safety requirements for employees, it was unclear how this training was relayed to sub-contractors and what sort of supervision there was to ensure that safety training was respected. The company assured us that it would investigate these aspects to prevent this type of accident from reoccurring.

Conduct and ethics

Managing conduct and ethical concerns is important for the protection of a company's brand and reputation, which helps to maintain sales and profitability, driving long-term value. Toyota has experienced two significant controversies related to misconduct in quality inspection certifications at its subsidiaries Hino Motors and Daihatsu Motor Co since 2023. In our engagements, we emphasised the importance of transparency and a third-party review throughout the investigation process, which Toyota acknowledged and responded to positively.

We held several meetings to discuss group governance issues, such as assessing oversight of subsidiaries and lessons learned to prevent reoccurrence. We also encouraged the company to strengthen its culture of compliance, and recommended voting against the re-election of Toyota's board chair at the 2024 AGM. The chair's approval rating fell to a record low of 72%, partly due to concerns about the misconduct.

Subsequently, Toyota has made improvements such as separating the certification departments from the production departments for more objective and independent assessments, and setting up a group-wide whistleblowing channel to increase transparency and encourage a speak-up culture. Toyota has also assigned senior staff with experience in corporate culture and labour management to lead Daihatsu.

Supply chain human rights

Ensuring the respect of human rights in supply chains helps protect a company's reputation and can be vital to compliance with local sales laws. This affects a company's brand reputation and sales, driving long-term value. Following a report by Sheffield Hallam University about the risks of forced labour in the Xinjiang region of China and the automotive industry,[24] we engaged with each of the main European vehicle manufacturers. We determined that none of these had direct operations or tier one suppliers in the region, apart from Volkswagen, which had a joint venture there.

Ensuring the respect of human rights in supply chains helps protect a company's reputation.

We engaged intensively with Volkswagen to understand how it was ensuring that there was no use of forced labour in its operations, and to encourage the company to disclose the full details of its due diligence actions. Although it had found no evidence of forced labour, it acknowledged the difficulty of carrying out fully independent audits in the region. In late 2024, Volkswagen confirmed that it had exited the region and sold its interests to SAIC, its joint venture partner.

Board effectiveness

Well-functioning boards are key to implementing strategies effectively and driving long-term value. We have held meetings with the supervisory board chairs at BMW and Mercedes to assess how they are managing the risks associated with the energy transition and the increased focus on supply chain issues. We also look for improved independence and better remuneration policies, as well as boards and executive teams that reflect the composition of the company's workforce and its customer base.

We have encouraged Toyota to increase the number of board directors with industry experience and genuine independence, as we consider several outsider directors to be affiliated to the company. We have met the CEO and raised our concerns about governance. At Suzuki we continue to challenge the CEO's membership in committees to enhance governance functions, as his influence may limit the checks and balances on management.

[24] driving-force-auto-supply-chains-and-uyghur-forced-labour.pdf

Accelerating action on AMR

Antimicrobial resistance (AMR) amplifies the threat of infectious diseases by reducing our ability to treat them effectively. With the UN seeking accelerated action on this systemic risk, Ming Yang and Michael Yamoah explain what this means for investors and companies.

Setting the scene

Antimicrobial resistance (AMR) occurs when bacteria, viruses or fungi mutate, leading to persistent infections, contagion and more severe illness.[1] Over time, bacteria can develop a resistance to antibiotics, making these drugs less effective or ineffective. AMR can increase the risk of medical procedures, leading to prolonged hospital stays, higher healthcare costs, and a loss of economic productivity, affecting the long-term value of healthcare companies.

In response, public policies are limiting the use of antibiotics for human and animal use, affecting the practices and long-term profitability of different pharmaceutical and food-related companies. EOS's engagement is focused on topics that in our view will help to enhance and protect the long-term value of each affected company.

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AMR is a critical global public health concern, but attempts to contain it have fallen short, partly due to weak incentives for pharmaceutical companies to develop new antibiotics, and the overuse of antibiotics in humans and animals. At a UN General Assembly High-Level Meeting in September 2024, global leaders reviewed the progress made on AMR and discussed ways to accelerate efforts to combat this issue.

The meeting resulted in the adoption of an extended Political Declaration. Key commitments included reducing the human deaths associated with AMR by 10% by 2030, securing sustainable financing for national action plans on AMR, developing alternative treatments such as vaccines, and promoting responsible use in animal health.[2]

The High-Level Meeting also emphasised the need for cross-national and cross-industry collaboration in combatting AMR. This presents a pivotal opportunity for governments, investors, and companies to reassess their current practices and strategically plan how they can help to achieve the commitments adopted during the meeting. This collaborative approach is essential for driving meaningful progress.

[1] WHO: Antimicrobial resistance
[2] World leaders commit to decisive action on antimicrobial resistance

A complex risk

Why is AMR so difficult to address? There are several complex factors at play, each of which requires co-ordinated effort and novel solutions to overcome.

- **Overuse, underuse and inappropriate prescriptions:** Antibiotics are often overused or inappropriately used in many countries, particularly in developed markets. They are frequently prescribed for conditions where they are ineffective, such as viral infections like influenza. Antibiotics are also widely used in agriculture - not only to treat and prevent diseases in animals, but also to promote growth by improving feed conversion efficiency. In developing countries, limited diagnostic facilities and a lack of access to the appropriate antibiotics often result in sub-optimal prescribing practices.
- **Bacteria versus antibiotics:** Antibiotics are the primary tool used to combat bacterial infections. However, over time bacteria can develop a resistance to antibiotics through random mutations. Increased antibiotic use leads to a higher risk of resistance, which can be mitigated by avoiding unnecessary consumption. Despite this, new antibiotics are continually needed as bacteria naturally mutate and develop resistance. This creates a dual challenge: reducing antibiotic use to slow the development of resistance while creating new antibiotics, as existing ones lose their effectiveness.
- **The market failure:** The World Health Organization (WHO) classifies antibiotics into three categories based on their importance and appropriate use: Access, Watch, and Reserve.[3] The Reserve group includes the most critical antibiotics - those considered the last line of defence against multi-drug-resistant infections. However, these vital drugs face significant market challenges. High production costs, uncertain future revenues, and the unknown duration of effectiveness, due to their restricted and cautious use, discourage pharmaceutical companies from investing in their development. As a result, many companies prioritise more commercially viable treatments, leaving a critical gap in the antibiotic pipeline.

  Funding challenges throughout drug development have led many companies to sell their antibiotics divisions. By the end of 2018, only two of the 45 new antibiotic candidates in US clinical trials were from major pharmaceutical companies: GSK's gepotidacin[4] and Merck's beta-lactam antibiotics.[5] In 2024, antibiotics accounted for only three of the 50 new drugs approved by the US Food and Drug Administration (FDA), highlighting the lack of investment in this area.[6]
- **Uncontrolled infection:** The boundary between a controllable infection and a runaway infection is not clearly defined. Current medical practice relies on imprecise indicators while more accurate diagnostics remain underused. The impact of AMR is often indirect and difficult to quantify.

The impact on long-term value

Pharmaceutical companies

Traditional antibiotics development has faced diminishing returns due to conservation stewardship, meaning that valuable new antibiotics are held in reserve to prevent resistance, limiting sales volumes.[7] This sometimes creates a paradoxical situation whereby successful products generate less revenue despite their high development costs. It highlights the challenges and unattractiveness of investing in antibiotics. Companies also face uncertain returns due to the expected limited pricing power for any new antibiotics, given that these would still need to compete with existing antibiotics.

Healthcare providers and insurers

The financial performance of hospitals, insurers and healthcare real estate investment trusts (REITs) is already being affected by the increased costs for treating resistant infections, longer hospital stays and higher mortality rates. Additionally, insurers are facing a surge in claims due to extended treatment durations, the use of isolation rooms, and therapies that exceed standard care protocols. The financial impact for healthcare providers manifests in higher operational expenditures without proportionate reimbursement increases, creating margin pressure, with resistant infections increasing costs per patient by 30-53% compared with susceptible infections.[8]

Protein producers and food retailers

Food and agricultural businesses face productivity losses due to untreated or untreatable diseases, poor animal husbandry, and inadequate hygiene. In intensive farming systems, antibiotics are frequently used at scale to prevent disease outbreaks and accelerate growth. However, this routine use fosters the emergence of AMR, creating a serious threat to animal and human health through the transfer of resistant pathogens.

[3] The WHO AWaRe (Access, Watch, Reserve) antibiotic book - Infographics
[4] GSK starts a phase III clinical programme for a potential first-in-class antibiotic, gepotidacin
[5] Antibiotics: past, present and future
[6] 50 new drugs received FDA approval in 2024
[7] Antibiotic reimbursement in a model delinked from sales: a benchmark-based worldwide approach - ScienceDirect
[8] Economic burden of antibiotic resistance in ESKAPE organisms: a systematic review - PubMed

In response, the US FDA has implemented policies that prohibit the use of medically important antibiotics for growth promotion in food-producing animals.[9] Similarly, the European Union's Farm to Fork Strategy has set an ambitious target to reduce overall antibiotic sales for animal use by 50% by 2030, reinforcing the global shift towards more sustainable and responsible antibiotic practices in agriculture.[10] A shift in consumer preferences away from antibiotic-treated products could also impose additional financial pressures on producers and supply chains.

Where animal rearing systems and practices are employed that depend on high levels of antibiotics use, producers face the challenge of rising AMR levels. As antibiotics become increasingly ineffective, production cycles will lengthen, and higher costs will be incurred for preventative measures.[11] This directly impacts inventory turnover and working capital needs.

Unpriced systemic risk

AMR creates an unpriced systemic risk across investment portfolios by undermining the effectiveness of medical infrastructure, as well as agricultural yields. This under-appreciated risk could materially affect long-term asset values and investment performance at individual companies, particularly in the healthcare and food industries, and in the wider economy.

As resistance grows, so too does the potential for widespread disruption across global supply chains. Poor corporate profitability threatens long-term investment returns - AMR is projected to contribute to financial losses of US$3-4bn over the next decade,[12] with economic impacts potentially exceeding 5% of GDP in low and middle-income countries (LMICs) by 2050.[13] Despite these substantial risks, current valuation models rarely account for AMR-related factors, leaving portfolios exposed to underappreciated systemic vulnerabilities.

Our stewardship approach

Our stewardship approach combines public policy engagement and multi-sector corporate engagement. The market failure associated with AMR creates a vicious circle, exacerbating systemic risks. To transform this into a virtuous circle, public-private and cross-sectoral partnerships are crucial. Investors should therefore engage with policymakers directly on three key areas in order to maximise long-term value.

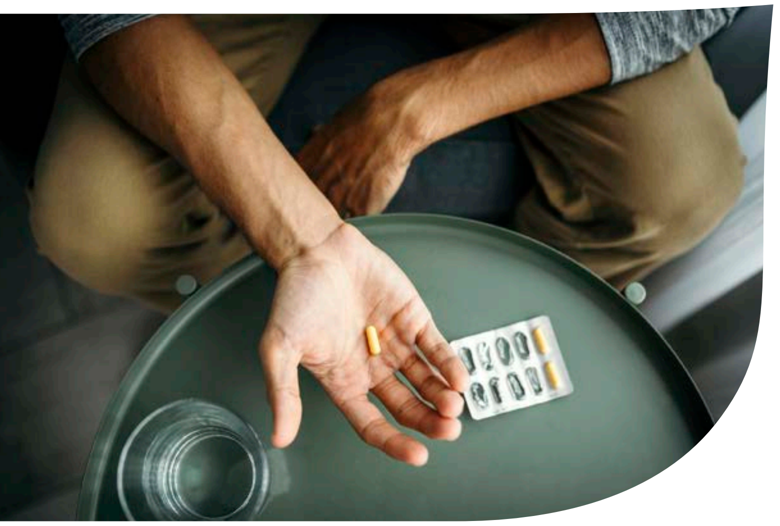
Addressing the human use of antibiotics

- Support evidence-based regulation and promote global standards: consult on or advocate for stricter controls on antibiotic prescriptions, and adopt WHO's Water, Sanitation, and Hygiene (WASH) classifications and antimicrobial guidelines.
- Invest in training and education and strengthen surveillance systems: train healthcare professionals to reduce the overuse and misuse of antibiotics through improved prescribing practices, and monitor antibiotic use and resistance patterns, enabling data-driven policy decisions and early detection of outbreaks.
- Ensure appropriate access by integrating antibiotics into national and international access programmes, helping to guarantee the availability of effective treatments across regions.
- Implement robust infection prevention and control (IPC) measures at all levels of the healthcare system to reduce the need for antibiotics in the first place.

Regulating the use of antibiotics in animals and farms

- Restrict non-therapeutic antibiotic use by phasing out the use of medically important antibiotics for growth promotion and routine disease prevention in livestock and aquaculture.

[9] FDA Policies: Antimicrobial Drugs for Animals | FDA
[10] Combatting antimicrobial resistance on farms thanks to CAP support - European Commission
[11] Economic evaluation of antimicrobial use practices in animal agriculture: a case of poultry farming | JAC-Antimicrobial Resistance | Oxford Academic
[12] Antimicrobial resistance: Impacts, challenges, and future prospects
[13] By 2050, drug-resistant infections could cause global economic damage on par with 2008 financial crisis



- Mandate veterinary oversight to ensure antibiotics are prescribed and administered only when medically necessary, based on proper diagnosis and treatment protocols.
- Promote good animal husbandry and biosecurity practices to reduce reliance on antibiotics by improving animal health through better nutrition, housing, and hygiene.
- Enhance surveillance and reporting systems to monitor antibiotic use and resistance trends in farmed animals, enabling timely interventions and informed policymaking.

Incentivising pharmaceutical innovations

- Create market incentives such as market entry rewards or advanced purchase commitments to make antibiotic development financially viable for pharmaceutical companies.
- Support early-stage research through grants, public-private partnerships, and tax incentives to reduce the cost and risk of R&D.
- Streamline regulatory pathways by simplifying and harmonising approval processes for novel antimicrobials, especially those targeting resistant pathogens.

Companies should also be encouraged to engage in the policymaking process by participating in public consultations on proposed AMR-related policies where relevant, or joining cross-sector and international collaborative initiatives for research and innovation in new antimicrobials. We encourage companies to disclose their lobbying and public policy engagement activities, including their expenditure, and provide annual updates on their progress and any challenges faced.

> **Antimicrobial resistance creates an unpriced systemic risk across investment portfolios by undermining the effectiveness of medical infrastructure, as well as agricultural yields.**

Engaging with companies

The following are areas of engagement applied to companies across different sectors on a tailored, company-specific basis, that are relevant to driving long-term value at each company.

Pharmaceutical companies

Research and development (R&D)

- Strengthen the antibiotics pipeline: review the opportunity to support the discovery and development of novel antimicrobial agents targeting resistant pathogens, where commercially viable.
- Diversify innovation efforts: review the opportunity to invest in alternative therapies as well as preventative vaccines, which can offer more sustainable and resilient revenue models compared with traditional, standalone antibiotics.

Strategies for improved access

- Integrate antibiotics availability into corporate access strategies, particularly in LMICs, where access gaps are most severe.
- Establish clear, measurable access metrics to track progress, ensure accountability, and demonstrate impact, such as availability in national formularies, affordability, and supply chain reliability.

Risk analysis to current pipeline

- Assess the impact of AMR on infectious disease portfolios, including treatments for influenza, malaria, HIV/AIDS, and other high-burden conditions. As resistance trends evolve, the efficacy and commercial viability of these therapies may be compromised.
- Encourage scenario-based risk assessments, such as stress-testing the value of antimicrobial assets under accelerated resistance conditions, to evaluate financial resilience and preparedness.
- Transparency: enhance investor confidence through disclosure of proactive risk management, demonstrating that portfolios are resilient and adaptable in the face of emerging resistance threats.

Waste and pollution management

- Responsible management of waste and wastewater from antibiotic production to prevent environmental contamination, to avoid fines and reputational risks.
- Third-party certifications and standards: consider the BSI Kitemark for Minimised Risk of AMR,[14] to demonstrate compliance and accountability in environmental stewardship.
- Integrate environmental risk mitigation into broader sustainability and ESG strategies, reinforcing a company's commitment to public health and long-term value creation.

[14] BSI Kitemark for AMR: Responsible Antibiotic Manufacturing | BSI

Healthcare providers

Responsible prescribing and diagnostic practices

- Prescription monitoring systems: consider the merits of systems that ensure antimicrobial use is clinically appropriate and aligned with patient care standards.
- Rapid diagnostic technologies: consider deployment of technologies to reduce unnecessary empiric antibiotic use.

Workforce education

- Training and education: consider further training for clinical staff on antimicrobial stewardship principles and evidence-based prescribing.
- Standardise prescribing protocols: consider the merits of further clinical guidelines in the context of local resistance data to ensure consistent, effective treatment.

Financial impact assessment

- Resistant infections tracking: consider tracking the financial impacts of hospital stay duration, cost per case, and reimbursement variations to help quantify the burden of AMR and inform operational strategies.

Protein producers and food retailers

Responsible use of antibiotics across the value chain

- Antibiotic stewardship policies: develop appropriate policies that prioritise targeted, therapeutic use only, and which consider prohibitions on routine or prophylactic antibiotic use.
- Reduction targets for antibiotic use: consider setting measurable and time-bound targets with transparent tracking and publicly disclosing usage data by type and volume.
- Engage supply chains by requiring food retailers to work closely with producers, offering educational resources and technical support to ensure compliance at the farm level.

Transparency and disclosure

- Product segmentation strategies: consider the merits of developing and disclosing strategies to differentiate the animals raised without routine antibiotics, including margin analysis by segment.
- Reporting antibiotic use and production economics: consider reporting on areas such as cost structures between conventional and alternative systems. This transparency supports informed consumer choice and builds investor confidence in the sustainability of supply chains.

> **In our interactions with companies, we aim to elevate discussions on AMR to the board level and advocate for robust governance of these risks.**

Animal welfare and preventative care

- High-welfare husbandry practices: consider the merits of practices such as adequate space, rest, quality feed, and clean water, to reduce disease risk and a reliance on antibiotics.
- Veterinary oversight: develop practices for antibiotic administration, with strict adherence to necessity and dosage guidelines.
- Environmental risk management: monitor and treat wastewater and manure to prevent antimicrobial discharge into ecosystems. Adoption of certified waste treatment standards demonstrates environmental responsibility and helps mitigate AMR risks.

Other sectors

Over the long term, other sectors will face challenges related to AMR. While the current focus should be on the prioritised sectors above, it is crucial to monitor these additional sectors closely to mitigate future risks. For example, health insurers may need to account for AMR-related claims by reassessing coverage risks and adjusting pricing. Water utilities companies should consider focusing on monitoring antibiotic residue discharge and investing in advanced treatment technologies, such as membrane filtration and UV disinfection.

EOS at Federated Hermes Limited has been engaging with companies and policymakers on this issue since 2017. In our interactions with companies, we aim to elevate discussions on AMR to the board level and advocate for robust governance of these risks as we believe this will have a positive effect on each company's financial performance.

In 2020, EOS joined the Investor Action on AMR (IAAMR), a coalition formed by the Access to Medicine Foundation, the FAIRR Initiative, and the UK's Department of Health and Social Care, to mobilise investor efforts to address global AMR. In 2024, EOS signed the IAAMR Public Investor Statement alongside 80 other signatories, urging global leaders and policymakers to renew their efforts, coordinate action, and reaffirm their commitments to combatting AMR at the UN meeting in September of that year.

We also contributed to the World Health Organization's draft guidance on waste and wastewater management in pharmaceutical manufacturing. We recommended mandatory risk assessments at each stage of the production value chain and public disclosure of antibiotic pollution. Increased transparency enables us to gauge whether a company has robust practices in place to manage the risks associated with antibiotic residues entering the environment and the development of AMR.

Additionally, EOS collaborates on AMR engagements through the FAIRR Initiative and works closely with the Access to Medicine Foundation and the AMR Action Fund to explore opportunities for this critical issue.

Case Studies

Adopting the One Health multisectoral approach,15 we engage with agriculture and protein producers, and pharmaceutical companies such as Yum! Brands, Hormel Foods, and Zoetis. We encourage companies to limit their contribution to the spread of AMR by developing viable alternatives to antimicrobial use and assessing the potential business risks associated with high-AMR scenarios. Proactively addressing these risks can unlock commercial opportunities, enhance preparedness for tightening regulations, and reduce long-term operational and compliance costs.

CASE STUDY

Yum! Brands

Yum! Brands faces financially material risks from AMR through its global protein supply chains, especially in poultry and beef. Regulatory efforts to curb antibiotic use in livestock could lead to increased costs and reputational damage if not proactively addressed. Additionally, shifting consumer preferences for antibiotic-free products may impact revenues and brand value.

The company has an opportunity to mitigate this risk by strengthening its antibiotic stewardship policies, enhancing transparency, and expanding antibiotic-free offerings - steps that could support profitability and establish leadership in sustainable food systems.

In 2023, our discussions with the company's sustainability head emphasised the need to reduce antibiotic use in cattle and improve animal welfare. At the 2025 AGM, we recommended support for a shareholder resolution asking the company to comply with WHO guidelines on antimicrobial use throughout its supply chain. We also co-signed a letter to the company on AMR risks as part of the FAIRR collaborative engagement initiative, highlighting the role of restaurants in influencing supply chains and the regulatory risks of inaction.

Over this period, Yum! Brands has committed to eliminating medically important antibiotics in poultry. We continue to engage on its approach to beef where it has committed to a 25% reduction in such use by 2025 for Taco Bell in the US and Canada, which may leave broader supply chains vulnerable.

CASE STUDY

Hormel Foods

Hormel Foods is under increasing scrutiny for its antibiotic use, particularly where practices diverge from WHO guidelines. Shareholders have raised concerns about the financial and public health risks of antimicrobial resistance (AMR), encouraging the company to adopt stricter stewardship aligned with global standards.

While Hormel Foods has made progress through its antibiotic stewardship programme, emphasising management, veterinary oversight, and preventive care, its continued use of medically important antibiotics in some supply chains presents future regulatory risks. By enhancing transparency, aligning with WHO recommendations, and investing in alternative animal health strategies, Hormel can strengthen its supply chain resilience and meet evolving consumer expectations.

Our engagement began in early 2023 with support for a shareholder proposal at its AGM asking the board to adopt WHO guidelines. Later in 2023, we met the company's vice president of animal health and welfare to discuss responsible antibiotic practices and external reporting. We noted the company's elimination of antibiotics for growth promotion and its goal to reduce medically important antibiotics by 10% across all animal protein production.

The company is also working with veterinarians to improve disease diagnosis and manage AMR, especially on non-vertically integrated farms. We continue to engage on the merits of publishing an AMR stewardship policy to formalise its commitments.

Hannah Naumoff
Theme: Natural Resource Stewardship

Proposals fall as shareholders adjust to market sea-change

This year's voting season saw a notable fall in the number of shareholder proposals in the US market, as investors adjusted to a regulatory sea-change. Over in Europe, shareholders remained focused on climate risk and executive pay. By Richard Adeniyi-Jones and Dana Barnes.

Setting the scene

Shareholders and companies grappled with heightened geopolitical tensions and policy uncertainty in the 2025 voting season. In the North American market, we saw a marked reduction in the number of shareholder proposals filed, accompanied by a decline in their quality, as new guidance from regulators, and resource constraints for co-filers, limited the number of proposals making it on to the ballot. In Europe and Australia, environmental topics remained high on the agenda, while governance topics were in focus across all regions.

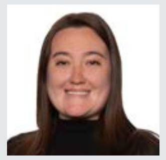
With voting season still underway in some Asian markets, this article focuses on the key themes of the 2025 AGM season in North America, Europe and Australia. We will spotlight some of the key trends from developed Asia and the emerging markets in our Q3 Public Engagement Report.

In the first half of 2025, we made voting recommendations at over 9,680 meetings, versus 10,810 in H1 2024. We made at least one voting recommendation against management at 67% of meetings, versus 72% in H1 2024.

Overall, we recommended votes on 2,441 shareholder resolutions in the first half of 2025, versus 2,476 over the same period in 2024. Some 473 of these were in the US, where we recommended voting against management on 245 proposals or 52%.

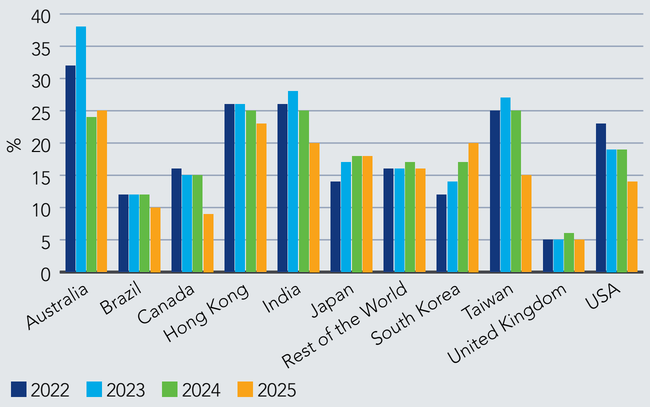
> **In North America, we saw several shareholder proposals relating to AI, with increasingly sophisticated requests and scrutiny of company practices.**

Richard Adeniyi-Jones
Theme co-lead: Executive Remuneration, Human Capital



Dana Barnes
Themes: Climate Change, Wider Societal Impacts

Percentage of proposals voted against management per key market



Source: EOS data; all statistics for H1.

Environmental topics

We consider recommending votes against the re-election of relevant directors at companies where insufficient management of climate-related opportunities and risks is indicated, using region and sector-specific guidelines and various relevant climate risk indicators. We may also recommend support for appropriate shareholder proposals, or a proposal to support a company's climate transition plan (a say-on-climate resolution), where the effect of the proposal would be in the long-term financial interests of the company, in our view.

In the first half of 2025, we recommended voting against the re-election of directors or relevant proposals at 411 companies, up from 250 in H1 2024, due to concerns about insufficient management of climate-related risks and opportunities.

In Europe, we recommended voting against Equinor's advisory management proposal to approve its updated energy transition plan. Our recommendation was based on our view that Equinor's recent relaxation of its climate ambitions would not sufficiently prepare the company to capitalise on the opportunities and mitigate the risks in lower carbon scenarios. In our view, this is not in the long-term financial interests of the company.

Following several years of intensive engagement, we recommended voting for Centrica's revised energy transition plan. In our view, the company's in-depth transition planning, assessment of external dependencies, and advocacy strategy sufficiently reassured us of the readiness of the business to capitalise on climate opportunities and manage commercial risks related to the energy transition.

At Shell, we recommended support for a shareholder resolution requesting more disclosure on the consistency of the company's LNG strategy with its climate goals and long-term resilience. In our view, this could help Shell and its investors gain more insight into the potential risks to the company's LNG expansion strategy. The proposal was supported by just over 20% of shareholders.[1] We also recommended voting against the remuneration report due to concerns about the implementation of the energy transition criteria under the long-term incentive plan.

In Australia, we recommended voting against Santos's climate transition action plan. We have observed a positive direction of travel in Santos's development of its climate transition strategy over the last three years. However, in our view, Santos has yet to meet sector best practices in the management of climate-related financial opportunities and risks, particularly in scenarios aligned with the goals of the Paris Agreement. This includes those practices we have seen at peers that we believe would be in the long-term financial interests of the company.

We recommended support for Rio Tinto's advisory management proposal to approve its climate action plan. Overall, Rio Tinto has maintained the approach that it set out in its 2022 plan, while providing more detail in some important areas. For Scopes 1 and 2 emissions, we assess Rio Tinto's 2030 target as aligned with 1.5°C.

In North America, we supported a shareholder proposal at Amazon requesting additional reporting on the company's value chain emissions, which would cover all product sales. We believed such disclosure would be in the company's long-term financial interests, as it would help to ensure board and management oversight of long-term opportunities and risks related to supply chain emissions, and provide investors with information that could be useful in their decision-making.

Human rights proposals

In North America, we saw several shareholder proposals relating to artificial intelligence (AI), with increasingly sophisticated requests and scrutiny of company practices. Many of these proposals explored the intersections of AI and other topics such as climate change, data privacy, and human capital. Our recently-published EOS Digital Governance Principles[2] expands on these perspectives and helps guide our approach to voting recommendations.

While such proposals were often filed with technology companies on the frontline of AI development, companies in other sectors received them as well. Many Canadian companies received shareholder proposals requesting a commitment to the Canadian government's Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems.

[1] First LNG-focused resolution at oil major backed by fifth of shareholders.

VOTING CASE STUDY

Shareholder proposals at utility companies

For years, North American regulated utilities have grappled with the difficulty of getting their climate-related goals validated by an independent third party. In the context of large, hard-to-predict energy demand increases from data centres and onshoring, different stakeholders would benefit from clarity about how energy needs can be met affordably, quickly and in a way that manages long-term environmental risks to business growth.

Several North American utility companies are engaging with the Electric Power Research Institute (EPRI) to contribute to a regional specific framework to establish and validate emissions reductions targets. A proposal was filed at PPL, Alliant and Ameren asking for an independent evaluation of the science-based alignment of the companies' current short and medium-term targets.

We considered the challenges in finding a suitable independent assessor for these targets, given the available Science-Based Targets initiative's reliance on the global sectoral pathways. These pathways do not currently account for specific North American regional regulatory regimes, and may be commercially unfeasible to adopt, based on a lack of regulatory support for a faster transition.

With growing uncertainty around regulatory support for low-emissions technologies, there is a need for better consideration of these companies' local regulatory context, as their long-term capital allocation plans are fully dependent on regulatory approval.

On balance we found that there was sufficient evidence that these companies were working on developing credible short-to-medium term goals, as well as a need for more time, as the EPRI framework is being developed to qualify as a suitable science-based target evaluation methodology. Therefore, we did not recommend support for these resolutions, but will continue to engage with each company on how it is addressing climate-related opportunities and risks.

Velika Talyarkhan
Themes: Climate Change, Human Capital

Michael Yamoah
Themes: Climate Change, Wider Societal Impacts

We encourage companies to adopt responsible AI principles and adhere to an evolving set of legal and voluntary best practices, while also giving them discretion to decide which best practices are most relevant to their business. Although we generally support the Code, in our view the proposal's request for each company to adhere to the Code rather than have the board undertake a feasibility assessment or due diligence, was considered to be overly prescriptive and not necessarily in the long-term interests of the company.

Several proposals regarding human rights, with an emphasis on product access and affordability, were filed at pharmaceutical companies Gilead Sciences, Johnson & Johnson, and Merck & Co. We note that access and affordability are among the highest financially material sustainability topics for these companies and continue to be contentious issues in the US.

In our view, each company has room to improve on broader human rights practices and their access and affordability strategies, especially in relation to their European counterparts. Adoption of these requests, and impact assessments tailored to these topics, could mitigate legal risks and a societal backlash against companies perceived to be obstructing patients' right to healthcare.

Tax transparency

EOS continues to advocate for increased tax transparency including country-by-country reporting, in line with our Responsible Tax Principles[3] and engagement approach. We believe this is in the interests of companies and investors. In response to the growing demand for greater tax-related transparency, reporting standards and regulatory requirements are emerging.

[2] EOS Digital Governance Principles.
[3] EOS Responsible Tax Principles Doc July 24.

The EU and Australia now require certain multinational companies to file country-by-country report publicly.[4]

However, increased tax transparency regulatory requirements have not fully eliminated the relevance of shareholder proposals seeking greater tax transparency. We believe public disclosure often encourages further board and management scrutiny and provides investors with information that may be useful in their decision making.

This year, we saw tax-related shareholder proposals filed at several North American companies. We recommended support for a shareholder proposal at Merck & Co requesting that it publish a tax transparency report in line with the Global Reporting Initiative's Tax Standard. Further alignment with this standard would support investors' understanding of how the company balances financial efficiency in tax practices with protecting against the risks of reputational damage, and the legal penalties associated with tax avoidance.

Similar to last year, le Mouvement d'éducation et de défense des actionnaires (MÉDAC), a frequent filer of shareholder proposals in the Canadian market, put forward tax-related shareholder proposals at various Canadian banks. As the proposal resolve clause had not fundamentally changed year-on-year, we supported management in recommending a vote against these resolutions. In our view, the country-by-country tax reporting requested would not result in robust outcomes or increased shareholder value. We shared our own expectations on responsible tax reporting with the banks.

Executive pay

We continued to see significant levels of CEO pay and complex structures in various sectors and markets. As part of our engagement and voting recommendations, we emphasised the need for a clear link between pay and performance, as well as a consideration of the broader stakeholder environment when determining executive pay policies.

In Europe, we engaged with Centrica around its proposed remuneration policy, which sought to increase the CEO's salary and restricted share grant. While we acknowledged the material outperformance of the company over the four years since the CEO's appointment, we were not convinced by the rationale or the size of the proposed changes, and ultimately recommended a vote against the proposed policy.

We also engaged with pharmaceutical company GSK ahead of the submission of its proposed remuneration policy. This sought to increase the CEO's salary and maximum long-term incentive award grant, following a new benchmarking approach. After feedback from EOS and investors as part of an extensive consultation process, the company made revisions to its proposed policy, including an ultimate cap on the CEO's salary, which enabled us to recommend support.

Child safety proposals at tech companies

We have seen an increase in the number of child-related shareholder proposals at the largest technology companies over the last three years. This year, Apple and Meta received shareholder proposals asking for a transparency report on their decisions regarding child sex abuse material (CSAM).

Such contextual information could help shareholders evaluate company efforts to reduce the risk of harmful content on their platforms, and the related financial risks. It could also increase management's focus on the issue, to the benefit of long-term shareholder value. We remain concerned that both companies seem to prioritise adult privacy rights over child safety without sufficiently mitigating the harms resulting from this trade-off. We emphasise the need for companies to properly consider the rights of children and the potential impact of their content as part of our Digital Governance Principles.

We recommended support for the shareholder proposals asking for a report on child safety impacts at Alphabet and Meta. In our view, each company has an opportunity to provide the additional metrics needed to assess the effectiveness of their efforts, such as the number of underaged users detected over a given timeframe, or performance targets to help improve management focus.

We also encourage these companies to expand their child safety practices and metrics beyond protection from exploitation, to include a broader array of mental health harms, device addiction, and other emerging issues that more holistically address child safety, health and wellness, as all these could pose risks to the company's performance. Both companies have taken steps in the right direction but investors would benefit from metrics that help assess the effectiveness of those steps.

[4] EU Public country-by-country reporting requirements.

At Siemens Energy, we were concerned about the unusual remuneration policy proposed at the AGM. The company was prevented from paying variable incentives to its executives whilst a federal contract was in place to provide financial support. This support enabled the company to service its substantial backlog of orders, and resulted in a proposed one-off remuneration package. Following engagement with the supervisory board chair, and with a further opportunity for shareholders to vote on the outcome once the related remuneration report is published, we were able to recommend support.

In Australia, we recommended voting against Woodside Energy's remuneration-related items. This was due to concerns about the low CEO shareholding requirement, the complete reliance on total shareholder return (TSR) as a long-term incentive criterion, and the material increase in the CEO's base salary.

Board composition and effectiveness

We seek to ensure that boards are equipped with the right mix of skills and experience to navigate companies through whatever challenges they might face. To this end, in Europe we recommended voting against the discharge of supervisory board members at BMW, in relation to conduct and compliance failings. In Germany the vote to approve the discharge of the supervisory board does not have any legal impact and is more a symbolic vote of confidence.

Earlier this year, the German automaker was found guilty by EU and UK[5] regulators of colluding with several other major car companies to restrict competition over vehicle recycling.[6] All 15 companies admitted their involvement in the cartel and agreed to settle, resulting in fines. While these fines were relatively modest, this was the second time in five years that BMW had been fined over collusion, and it is still under investigation as part of the diesel emissions scandal.

To emphasise our concerns about the supervisory board's oversight of conduct and compliance, we attended the BMW annual shareholder meeting in person and made a statement. We asked the board to publish a full account of its investigation, findings and any actions taken to improve governance and prevent a reoccurrence.

VOTING CASE STUDY

Shareholding requirements at US banks

Well-structured remuneration can be an important ingredient in delivering long-term business success and aligning the interests of management and other stakeholders. One of EOS's remuneration principles is that executive management should make a material long-term investment in the company's share.

Pay packages should enable executives to accrue wealth as ongoing owners and in support of the company's longer-term success, and pay schemes should acknowledge that executive tenures are generally shorter than the timeframes of accountability for their decisions. Bearing this in mind, we take note of a company's CEO shareholding requirements and holding period in retirement.

Over 50% of S&P 500 companies have a minimum shareholding policy whereby CEO shareholdings must be six times base salary, to align the interests of executives with those of shareholders. Over the last four years this has been our minimum expectation for S&P 500 companies, but we have encouraged companies to consider a CEO shareholding requirement of between eight and 10 times base salary.

During the 2024 and 2025 voting seasons, US banks made significant progress on this. Citigroup requires executive officers to hold at least 75% of the net after-tax shares acquired through incentive compensation programmes, which is well in excess of between eight and 10 times base salary. At Goldman Sachs, the CEO shareholding requirement is 10 times. JP Morgan Chase & Co requires a fixed dollar value of shares to be held by the CEO, set at US$75m. In 2024, this represented a CEO shareholding requirement of 50 times base salary.

Navishka Pandit
Theme: Human and Labour Rights

[5] https://www.gov.uk/government/news/car-industry-settles-competition-law-case.
[6] Commission fines car manufacturers and association.

Volkswagen was also found guilty of collusion in the end-of-life recycling cartel,[7] and is embroiled in the diesel emissions scandal, which has cost the company over €30bn in fines and compensation.[8] We recommended voting against the discharge of the supervisory board members who had served the company during the period of cartel-related misconduct. We continue to have concerns about the lack of independence on the supervisory board, which has only one independent member.

We also had concerns about Mercedes-Benz's involvement in the end-of-life vehicle recycling cartel, but this was mitigated by the fact that it had blown the whistle on the scheme, bringing it to the European Commission's attention. As a result, we were able to recommend support for the discharge of its supervisory board members.

Where board composition best practice or listing rule obligations exist in a country, we generally expect companies to adhere to these, or provide an explanation as to why they do not. For example, European refractory supplier RHI Magnesita, a FTSE 250 company, fails to comply with the Financial Conduct Authority's listing rules on board composition. We recommended a vote against the nomination committee chair.

Our UK vote guidelines indicate a vote against the board chair or nomination committee chair if the company is listed on the FTSE 100 and women comprise less than 25% of the executive committee and direct reports. This is the case at Howden Joinery, which is in the bottom 10% of FTSE 100 companies for female representation. We recommended a vote against the board chair.

Similarly, at home improvement company Kingfisher, we recommended voting against the election of the nomination committee chair, who is also the board chair, due to concerns related to female representation within the executive team. The executive team is made up of 11 members, two of which are women (around 19%). This is considered low for a FTSE 100 company.

Proxy contests

At BP, chair Helge Lund was under pressure following a significant reset of the company's strategy in February 2025, when it rowed back on its planned investment in low carbon energy and its climate targets. Lund attracted ire from investors who wanted the company to take a stronger position on climate, and from investors who thought BP should have pivoted back to oil and gas sooner. BP's share price has underperformed its peers since 2020.[9]

We recommended support for the chair, despite this significant investor unrest. While we acknowledged the various concerns, shortly before the AGM, Lund had announced his decision to step down once a successor was found. Given this, we decided that recommending support would offer the best chance of an orderly transition. Almost a quarter of shareholders voted against the chair, an unusually high level of dissent.[10]

There were a handful of proxy contests in North America, where activist shareholders sought to appoint directors to boards in an attempt to influence the direction of travel at target companies. For example, at industrial gas supplier Air Products, we recommended support for three out of the four dissident nominees. We considered them to have credible backgrounds and experience in relevant industries, which would help to add long-term value to the company. These directors were subsequently elected to the board at the AGM.

We also saw a proxy contest at Phillips 66, an integrated refining, midstream, and chemicals company. Elliott Investment Management owned a near 6% stake in Phillips 66, and had called for major changes such as spin offs or asset sales, citing underperformance.[11]

Elliott nominated four directors and proposed annual director resignations, to address a perceived lack of industry expertise on the board. We recommended support for the Elliot nominees based on the proposal to drive more aggressive operational improvements, whereas the management nominees appeared more aligned with the company's current integrated business model strategy. Ultimately the vote was split, and each claimed two seats on the 14-person board.[12]

Auditor tenure

In North America, excessive auditor tenures persisted at certain companies, with no plans to rotate the auditor. In Europe, it is common to rotate the audit firm before its tenure reaches 20 years, and tenures running longer than that can raise questions about independence and conflicts of interest. However, many North American companies maintain that their long-tenured auditors have acquired the necessary experience to audit their complex businesses, and therefore are an asset rather than a risk.

We continued to recommend votes against the audit committee chair and the ratification of the external auditor where the audit firm had been in place consecutively for an excessive period, for example over 100 years, with no review or consideration of auditor rotation. This year we recommended opposing the auditor and audit committee chairs for 57 US companies. including Archer-Daniels-Midland, the Goodyear Tire and Rubber Company, ExxonMobil, and Chevron, all of which have audit firms with tenures over 90 years. We also recommended voting against at Sherwin-Williams, Dow, Deere & Co, and Caterpillar, where auditor tenure is in excess of 100 years. We continue to monitor the risks around such long-tenured auditors.

7 Commission fines car manufacturers and association & Car industry settles competition law case – GOV.UK.
8 Trial of ex-VW boss begins over 'dieselgate' emissions scandal – BBC News.
9 https://www.reuters.com/business/energy/bp-leadership-faces-shareholder-vote-amid-elliott-campaign-climate-ire-2025-04-17/.
10 https://www.theguardian.com/business/2025/apr/17/bp-braces-for-investor-rebellion-at-first-agm-since-climate-strategy-u-turn.
11 https://fortune.com/article/phillips-66-elliott-proxy-battle-split-vote/.
12 Ibid.

VOTING CASE STUDY

Shareholder proposals in North America

Given changing regulatory expectations, and the lawsuits brought against shareholders in the 2024 proxy season, there has been a reduction in the number of shareholder resolutions making it on to US ballots in 2025, with a fall of about 14% in total shareholder proposals across the Russell 3000.[13]

Climate-related proposals seeking 1.5°C alignment or Paris Agreement-aligned targets have become less frequent, given US executive orders relating to increases in coal and oil production, and changing tariffs affecting the supply chains contributing to such goals.

Some companies successfully petitioned the US Securities and Exchange Commission to 'no action' certain shareholder resolutions.[14] For example, Amazon was permitted to 'no action' a freedom of association resolution that had also been filed in 2024,[15] and PepsiCo was successful in blocking a proposal seeking a report on its human rights efforts in its sugar supply chain in India.[16] But some climate change or diversity-related proposals were allowed to go ahead.[17]

Regular filers continued to bring governance-related proposals, focusing on topics such as voting majority requirements and bylaw amendments. Yet a growing number of proposals submitted to the ballot compete with management proposals, and are duplicative in their requests.

For example, US electricity provider Southern Company has submitted a management proposal at seven annual shareholder meetings in the last 12 years, asking to reduce its supermajority vote requirement. This consistently receives a significant level of support from the votes cast at the meeting. However, the utility company has a large retail investor base and these shareholders do not necessarily exercise their right to vote. This has prevented the company from achieving the two-thirds majority vote required to enact the change.

Each year, the company has also received a shareholder proposal requesting the same outcome, which does not receive sufficient support. At the 2025 meeting, the company finally received sufficient investor support for its management proposal, and will be aligning its vote requirements with the shareholder proposal. We had recommended support for the shareholder proposal to adopt a simple majority vote, and for the management proposal to reduce the supermajority vote requirement, as this will enhance shareholder rights.

In 2024, WEC Energy received a shareholder proposal to eliminate its supermajority vote requirements, which received majority support. As a result, in 2025 the company began the process to amend its bylaws to eliminate these requirements. However, the company still received a shareholder proposal on the same topic. We took the view that it was unnecessary to recommend support for this as WEC Energy was already addressing the request.

Dana Barnes
Theme: Executive Remuneration

13 2025 U.S. Proxy Season: Midseason Review.
14 https://www.responsible-investor.com/sec-no-action-rulings-confused-and-contradictory-or-business-as-usual/.
15 ESG round-up: Trump issues executive order on state-level climate and energy laws.
16 Resolution round-up: PepsiCo blocks India supply chain filing.
17 Ibid.

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 improvements that we believe are necessary for the company to achieve improved financial performance, and long-term shareholder value.

The majority of our successes stem from our ability to see things from the perspective of the business with which we are engaging. Presenting 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.

BHP Group

Engagement theme:
Greenhouse gas emissions reduction

Lead engager: Elissa El Moufti

13 CLIMATE ACTION

We have been engaging with mining company BHP on climate since 2008. On this particular topic, we began engagement in 2020, asking the company to develop a Scope 3 emissions reduction programme with measurable targets, in collaboration with key clients, as part of the Climate Action 100+ initiative.[1]

The company outlined its initial plans, which were focused on purchased electricity, diesel replacement in its fleet, and emissions from the use of iron ore and metallurgical coal in steelmaking. It sought our feedback on the development of its framework for Scope 3 emissions reduction. We emphasised the importance of demonstrating that the company's Scope 3 emissions framework was ambitious and would have a significant impact on the value chain.

Over the course of our engagement, the company spoke of the challenges in setting targets that could be underpinned by a reasonable basis. In a meeting with the CEO in 2021, he stated that most Scope 3 emissions came from iron ore and the state of technology in the steel industry at the time made it difficult to set concrete targets.

We followed up in 2022 and 2023 and were pleased to hear that the company was making progress. It reiterated its net-zero commitment for Scope 3 emissions by 2050 for the operational greenhouse gas emissions of its direct suppliers and the shipping of its products. It highlighted the challenges in setting an overall Scope 3 interim emissions target given the technological uncertainty and the timing for its adoption.

Outcomes and next steps

In 2023 BHP expanded on its medium-term (2030) goals, saying it would aim to support industry to develop technologies and pathways capable of 30% emissions intensity reduction in integrated steelmaking, and support 40% emissions intensity reduction of BHP-chartered shipping of BHP products.

The climate team developed a strategy for Scope 3 emissions and monitors progress, while the commercial teams find opportunities to work with customers on emissions reductions. BHP provided detailed explanations of its nine customer partnerships, which make up 20% of global steelmaking production and more than 30% of its sales to customers. It described the challenge in getting partnerships to go beyond a memorandum of understanding. It also highlighted the challenge it is facing in measuring the impact of these partnerships.

For these reasons, it had not set an overall interim Scope 3 target, although it continued to maintain the long-term goal to get to net-zero emissions by 2050 across Scope 1, 2 and 3 emissions. We will continue to engage with BHP on how it can provide evidence of success in its work with customers and set an overall interim Scope 3 greenhouse gas emissions target.

Freeport-McMoRan

Engagement theme:
Indigenous and community rights

Lead engager: Nick Pelosi

10 REDUCED INEQUALITIES | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

In 2017, we asked Freeport-McMoRan to undertake a human rights impact assessment (HRIA) for its PT-FI Grasberg operations in Indonesia. This assessment would help to identify, prevent, mitigate, and account for the adverse effects of the business on human rights in line with the UN Guiding Principles on Business and Human Rights (UNGPs).

This request was a response to reports of adverse human rights impacts on Indigenous and local communities since the opening of the mine, and criticism from the Indonesian Human Rights Commission related to labour rights. We encouraged the company's HRIA to follow the best practices outlined within the UNGPs.

Between 2019 and 2022, we reiterated our request that Freeport-McMoRan undertake a HRIA. The company made progress in 2021, confirming that it had engaged a consultant to conduct the HRIA for its PT-FI Grasberg operations.

The process was delayed due to the Covid-19 pandemic. In 2023, we made additional requests, including asking for stakeholder engagement to be robust and transparent. We followed up with the company on the status of its HRIA in 2024.

Outcomes and next steps

In 2024, Freeport-McMoRan completed the HRIA and published a public summary. According to the third party organisation that undertook the assessment, the results of the HRIA confirmed the overall strength of PT-FI's existing business systems as they relate to human rights. Out of 18 priority areas assessed, eight were considered "aligned to international good practice," seven were considered "managed" and three were considered "basic."

Key recommendations included strengthening management capacity in relation to decision-making, training and knowledge management, and stakeholder engagement; strengthening its current human rights training materials; and implementing a campaign to raise awareness about its Principles of Business Conduct.

In May 2024, we thanked the company for completing the HRIA and carrying out similar assessments at other mines as part of its human rights due diligence. The public summary showed evidence of stakeholder engagement and assessed the effectiveness of grievance mechanisms. It stated that PT-FI was aligned with international best practice on Indigenous Peoples and cultural heritage.

We sought to clarify whether PT-FI was aligned with the specific considerations for Indigenous Peoples' rights within the UN Declaration on the Rights of Indigenous Peoples, including free, prior and informed consent (FPIC). In response, the company said that PT-FI follows its policy on FPIC and maintains agreements and good relations with Indigenous Peoples in the area. PT-FI is also designated as "fully meets" for the Copper Mark requirement for Indigenous Peoples' rights.

[1] When taking part in collaborative engagements with investors and/or their representatives, each party is acting independently, and exercising unilateral decision-making in deciding how to act concerning their investments, in line with applicable rules on antitrust, conflicts of interest and acting in concert. All these actions are considered to deliver enduring, responsible value for our clients.

GSK

Engagement theme: Digital rights and AI

Lead engager: Richard Adeniyi-Jones

We have been engaging with GSK on a range of topics since 2011, including on executive remuneration, drug development pipeline plans and its sustainability strategy. At a meeting in November 2023, we raised the topic of artificial intelligence (AI), seeking to understand how the company views AI and what potential use cases it may have.

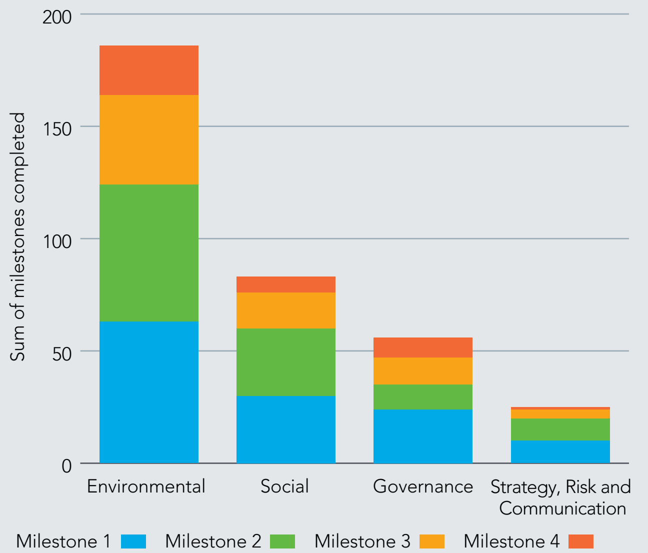
Given the importance of research and innovation to its future growth, we encouraged the company to develop a public position and policy on AI, to demonstrate that it is developing and using AI within a responsible and ethical framework. GSK acknowledged our concerns and said that it would reach out to us as it sought to develop its public position.

At the beginning of 2024, GSK sent us its draft Responsible Use of AI Policy, giving us the opportunity to provide feedback. We gave our thoughts, based on our review of peer disclosures, and shared our own Digital Rights Principles for consideration. The feedback we provided included a request for explicit detail on which board members had oversight of AI use, as well as clarity on what reporting structures and procedures were in place for AI use. The company thanked us for our feedback and stated that it would seek to implement our suggestions where possible.

Outcomes and next steps

In March 2024, GSK confirmed that it had published its Responsible Use of AI Policy on its website. It stated that it was able to implement some of our feedback directly as part of the final policy, such as including explicit detail on which board members had oversight of AI use, as well as clarity on what reporting structures and procedures were in place for AI use. GSK added that it would seek to provide more information on other feedback areas through different methods, such as case studies.

Milestones completed by stage H1 2025



Source: EOS data

Thyssenkrupp

Engagement theme: Talent management

Lead engager: Justin Bazalgette

Thyssenkrupp is an international industrial and technology company employing around 100,000 people across 48 countries. Since October 2023, the business activities have been bundled into five segments, including automotive technology, materials services and marine systems.

In 2022, we met the company to discuss the lack of female representation within its management team. It had set a target that women would account for 16% across all levels of management by 2024/2025. However, we were concerned by the lack of female representation in senior management positions and that a target of 16% was too low.

We asked Thyssenkrupp to set a more ambitious target. We suggested a target of 30% by 2030 but the company thought this was unrealistic given the industry's traditionally low levels of women. This posed a challenge for recruiting female talent, which we acknowledged. However, women already accounted for 30% of leaders at its corporate headquarters.

In 2023, the company increased its target to 17% by 2025/26 but we continued to challenge it to be more ambitious, particularly for its senior management levels.

Outcomes and next steps

In its annual report, Thyssenkrupp confirmed that it had set targets for women to account for 30% or more across its top three management levels by 2026/2027 with a wider target of 17% across company management in its long-term incentive plan. It also confirmed that other companies in the group had adopted targets for the proportion of women on supervisory boards, management boards, and at two management levels below, with a deadline for implementation. With representation levels increasing positively across the company, we have decided to close the engagement and monitor its progress.

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.

Sydney Business School climate solutions seminar

Lead engager: Will Farrell

We delivered a seminar at the Sydney Business School, hosted by the Australian Council of Superannuation Investors (ACSI). Our audience consisted of institutional investors and ASX100 companies. We discussed climate solutions and opportunities, including our global observations of the energy transition.

We reflected on an uncertain policy outlook in several jurisdictions, which, we argued, warrants board and management focus on transition planning as a tool for preparing businesses for a range of energy transition scenarios. We presented our framework for assessing credible transition plans in confronting this policy uncertainty and a disorderly transition. We also made the case for systemic stewardship, showcasing the contribution that such an approach has had in our engagements on methane.

We encouraged participants, especially companies, to consider how transition planning can be an exercise for boards and management teams to critically assess their competitive position and policy or value-chain dependencies in their transition plans. We argued such an exercise can then inform an advocacy and partnership strategy that can unlock commercial climate opportunities for companies in line with their transition plans.

We noted that this would also have the benefit of promoting a policy environment that helps enable the transition and overcomes value-chain coordination challenges in shifting from the current system to one that is decarbonised. This decarbonised system presents physical risk-reduction advantages across the universe of investments held by superannuation funds.

Consultation with ISSB chair on alignment with EU

Lead engager: Justin Bazalgette

We met the chair of the International Sustainability Standards Board (ISSB) with investors at the office of the Investment Company Institute (ICI). We discussed the progress being made on aligning EU sustainability reporting (ESRS) with ISSB standards, particularly under the EU Omnibus 1 initiative designed to simplify sustainability reporting.

The ISSB emphasised its global adoption footprint, with 40 jurisdictions covering 90% of non-US markets, and its push for a unified, investor-relevant sustainability disclosure framework. It confirmed that it has been engaging globally (EU, UK, US, China, Japan) and has called for stronger investor advocacy to ensure market adoption. The ISSB is also enhancing Sustainability Accounting Standards Board (SASB) standards and working with the US Securities and Exchange Commission and the US Chamber of Commerce to align US reporting.

The ISSB confirmed that it was preparing a draft and would be seeking investor input on: the scope and pace of implementation (Scopes 1 and 2 in year one, Scope 3 in year two); jurisdictional carve-outs and transitional reliefs; integrated reporting and assurance; and company scoping and materiality thresholds.

OECD Critical Minerals Conference

Lead engager: Elissa El Moufti

We attended the 2025 Critical Minerals Conference hosted by the OECD in Paris. During the event, we engaged with a range of stakeholders, including companies from our engagement programme in the automotive and mining sectors, NGOs, community representatives, and standard-setting bodies. The conference focused on promoting responsible mining practices across the value chain, with an emphasis on strengthening due diligence as the energy transition accelerates and associated risks become more pronounced. Key topics included environmental concerns, especially nature loss and deforestation, as well as salient human rights risks.

In addition, we participated in a human rights workshop organised by the Business & Human Rights Resource Centre (BHRRC). Together with other stakeholders, we contributed feedback on good practices in the battery value chains. These included robust due diligence processes, comprehensive mine audits, a commitment to free, prior and informed consent (FPIC), and the mitigation of health and safety risks. We will incorporate these insights into our ongoing engagements with companies, with a focus on enhancing due diligence and improving transparency across battery supply chains.

> **We agreed with the foundation on the opportunity for more pharma companies to include access and affordability in their codes of conduct.**

ATMF consultation on 2026 index methodology

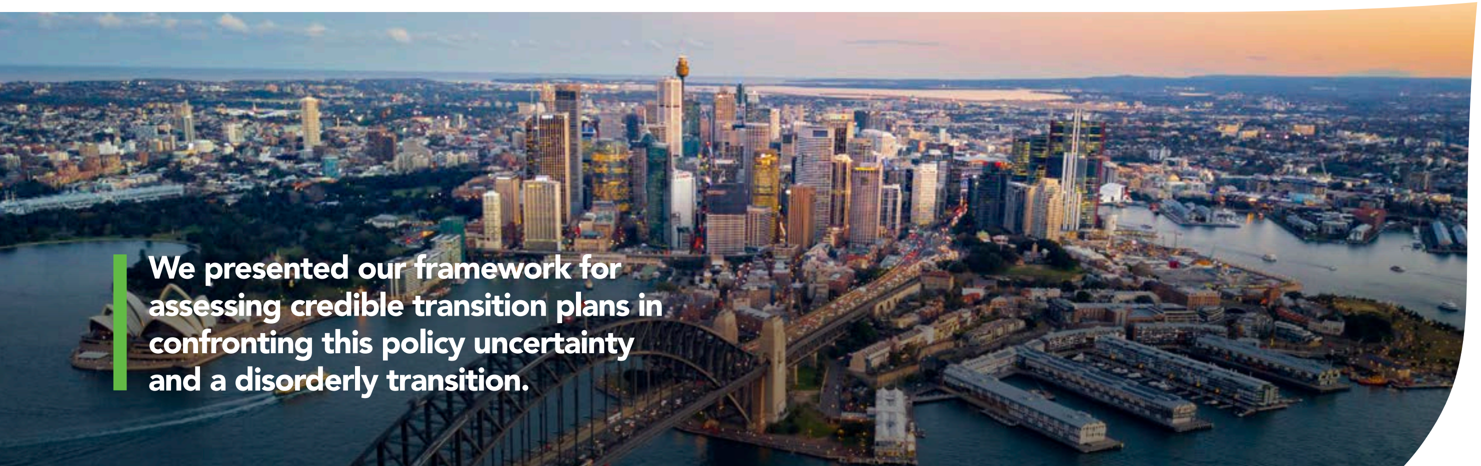
Lead engager: Ellie Higgins

We participated in a consultation interview at the Access to Medicine Foundation's request regarding the methodology for the next iteration of its Access to Medicine Index (ATMI). We welcomed the foundation's emphasis on strong governance of access, and it asked for our viewpoint on the inclusion of access metrics in executive compensation structures. We cautioned that linking these metrics to pay could be ineffective due to their subjectivity and lack of standardisation.

The foundation asked for our opinion on the use of sustainability-linked bonds (SLBs) tied to access goals. We pointed out that climate-linked SLBs required the funds to be invested into climate strategy, whereas many other SLBs do not dictate where the funds should be spent as the related goals are achieved. Given this, we said that access-focused SLBs should be more closely linked to access investments to ensure progress is genuinely accelerated.

We agreed with the foundation on the opportunity for more pharmaceutical companies to include access and affordability in their codes of conduct, as it is often a topic noted in their statements of business purpose and values. We shared leading practice examples of disclosure on grievances raised and remediated at its request.

Finally, we revisited our previous conversation about the potential for the foundation to explore the intersections of artificial intelligence and access strategy for a better understanding of the risks and opportunities present. The foundation confirmed that it had begun discussions on this with companies but was uncertain whether it would be able to work the topic into its methodology in time for the 2026 index.



> **We presented our framework for assessing credible transition plans in confronting this policy uncertainty and a disorderly transition.**

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.

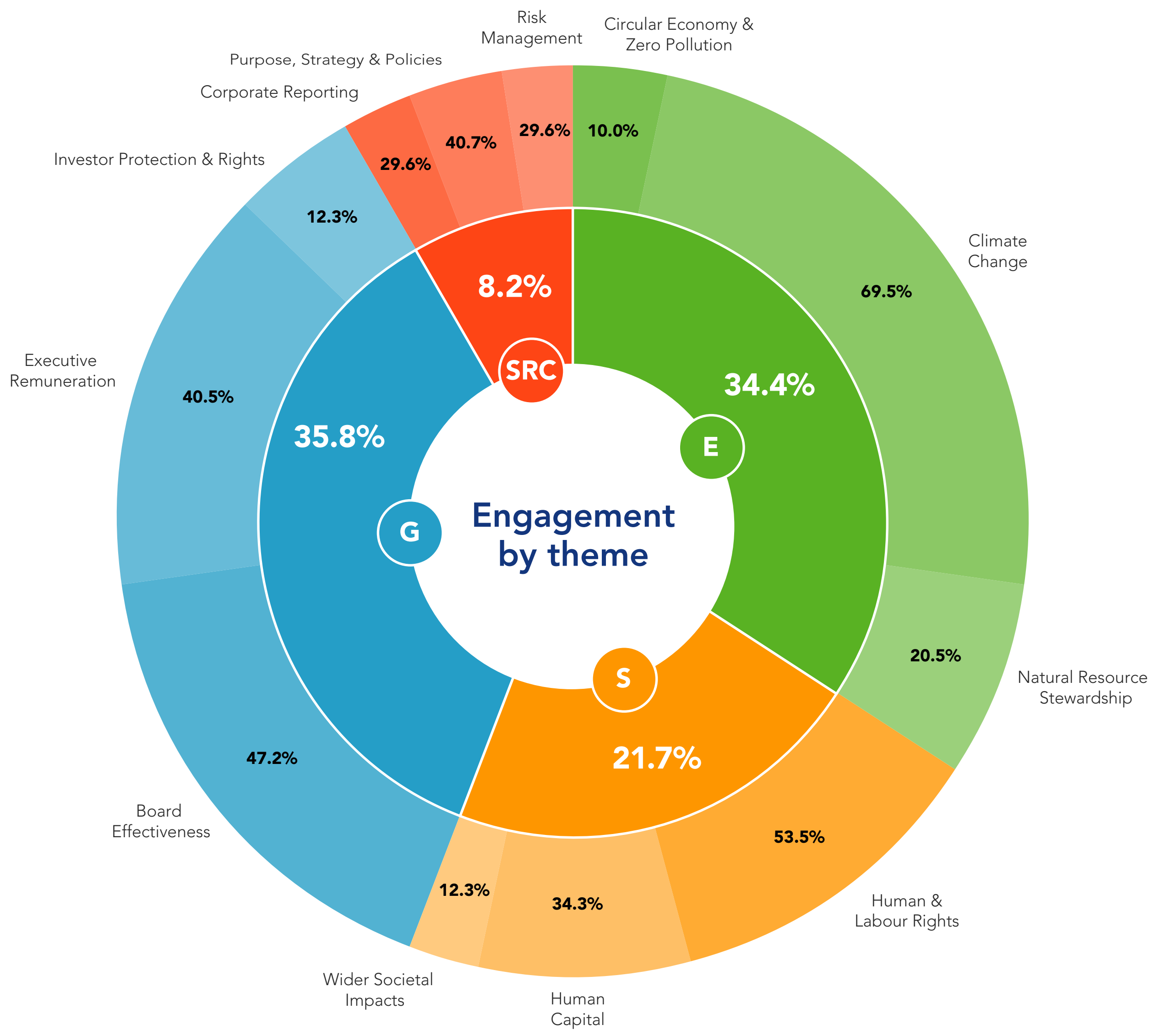
EOS makes voting recommendations for shareholder meetings wherever practicable. We base our recommendations on annual report disclosures, discussions with the company and independent analyses. At larger companies and those where clients have a significant interest, we seek a dialogue before recommending 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 486 companies on 1,657 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.

- United Kingdom **6%**
- Europe **24%**
- Emerging & Developing Markets **17%**
- Developed Asia **12%**
- Australia & New Zealand **3%**
- North America **38%**

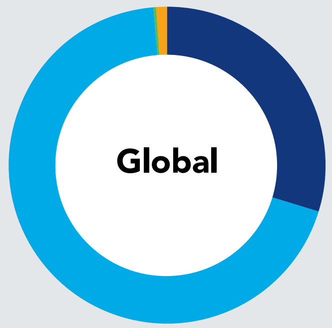


- Environmental
- Social
- Governance
- Strategy, Risk & Communication

Source: EOS data.

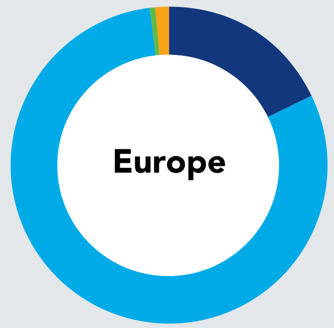
Voting overview

Over the last quarter we made voting recommendations at 7,842 meetings (88,591 resolutions). At 5,407 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 79 meetings and abstaining at 26 meetings. We supported management on all resolutions at the remaining 2,330 meetings.



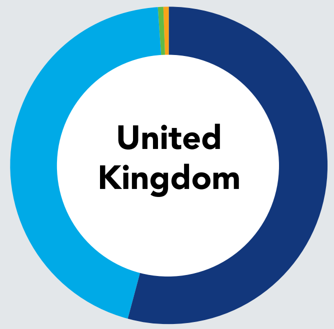
We made voting recommendations at **7,842** meetings (**88,591** resolutions) over the last quarter.

- Total meetings in favour **29.7%**
- Meetings against (or against AND abstain) **68.9%**
- Meetings abstained **0.3%**
- Meetings with management by exception **1.0%**



We made voting recommendations at **1,042** meetings (**18,259** resolutions) over the last quarter.

- Total meetings in favour **18.0%**
- Meetings against (or against AND abstain) **80.2%**
- Meetings abstained **0.5%**
- Meetings with management by exception **1.2%**

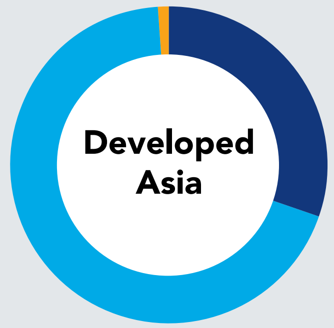


We made voting recommendations at **315** meetings (**5,246** resolutions) over the last quarter.

- Total meetings in favour **54.3%**
- Meetings against (or against AND abstain) **44.8%**
- Meetings abstained **0.6%**
- Meetings with management by exception **0.3%**

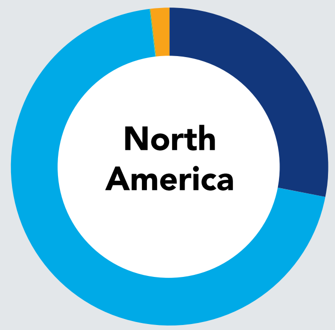
We made voting recommendations at **2,436** meetings (**26,875** resolutions) over the last quarter.

- Total meetings in favour **32.3%**
- Meetings against (or against AND abstain) **66.6%**
- Meetings abstained **0.7%**
- Meetings with management by exception **0.3%**



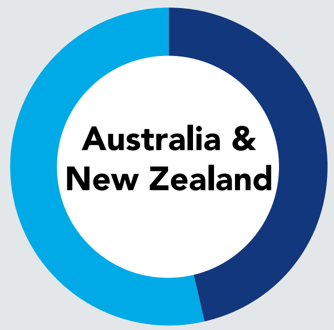
We made voting recommendations at **1,352** meetings (**13,222** resolutions) over the last quarter.

- Total meetings in favour **30.3%**
- Meetings against (or against AND abstain) **68.8%**
- Meetings with management by exception **0.9%**



We made voting recommendations at **2,628** meetings (**24,605** resolutions) over the last quarter.

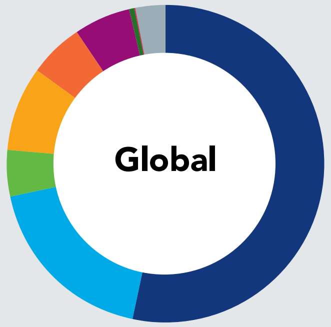
- Total meetings in favour **28.2%**
- Meetings against (or against AND abstain) **70.0%**
- Meetings abstained **0.1%**
- Meetings with management by exception **1.7%**



We made voting recommendations at **69** meetings (**384** resolutions) over the last quarter.

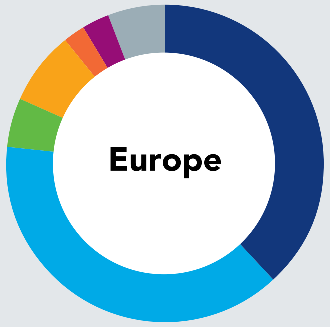
- Total meetings in favour **46.4%**
- Meetings against (or against AND abstain) **53.6%**

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



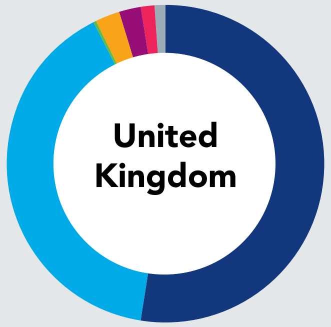
We recommended voting against or abstaining on **15,798** resolutions over the last quarter.

- Board structure **53.5%**
- Remuneration **18.3%**
- Shareholder resolution **4.8%**
- Capital structure and dividends **8.5%**
- Amend articles **5.8%**
- Audit and accounts **5.7%**
- Investment/M&A **0.6%**
- Poison pill/Anti-takeover device **0.1%**
- Other **2.8%**



We recommended voting against or abstaining on **2,550** resolutions over the last quarter.

- Board structure **38.2%**
- Remuneration **38.5%**
- Shareholder resolution **5.0%**
- Capital structure and dividends **7.4%**
- Amend articles **2.2%**
- Audit and accounts **2.9%**
- Other **5.6%**

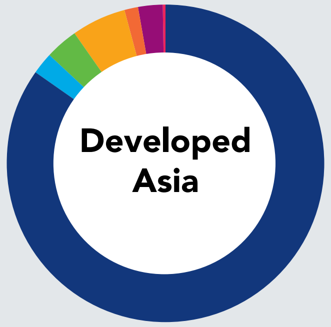


We recommended voting against or abstaining on **457** resolutions over the last quarter.

- Board structure **52.6%**
- Remuneration **40.0%**
- Shareholder resolution **0.4%**
- Capital structure and dividends **2.5%**
- Audit and accounts **2.1%**
- Poison pill/Anti-takeover device **1.4%**
- Other **1.1%**

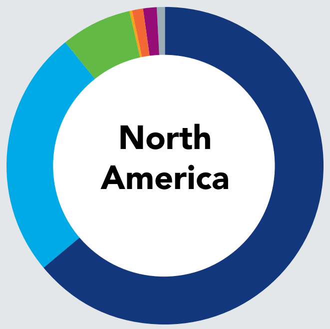
We recommended voting against or abstaining on **5,442** resolutions over the last quarter.

- Board structure **42.8%**
- Remuneration **7.8%**
- Shareholder resolution **4.1%**
- Capital structure and dividends **15.8%**
- Amend articles **12.9%**
- Audit and accounts **11.4%**
- Investment/M&A **1.5%**
- Other **3.8%**



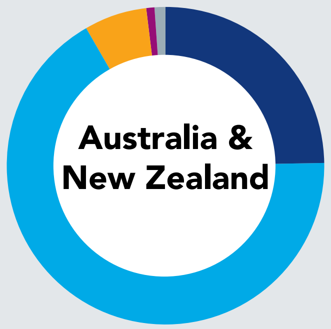
We recommended voting against or abstaining on **2,736** resolutions over the last quarter.

- Board structure **84.6%**
- Remuneration **2.2%**
- Shareholder resolution **3.4%**
- Capital structure and dividends **5.5%**
- Amend articles **1.4%**
- Audit and accounts **2.5%**
- Poison pill/Anti-takeover device **0.2%**



We recommended voting against or abstaining on **4,503** resolutions over the last quarter.

- Board structure **63.9%**
- Remuneration **25.4%**
- Shareholder resolution **7.2%**
- Capital structure and dividends **0.2%**
- Amend articles **1.0%**
- Audit and accounts **1.4%**
- Other **0.8%**



We recommended voting against or abstaining on **111** resolutions over the last quarter.

- Board structure **25.0%**
- Remuneration **66.7%**
- Capital structure and dividends **6.5%**
- Audit and accounts **0.9%**
- Other **0.9%**

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, with the objective of enhancing long-term, enduring business performance.

This is achieved through dialogue with companies and policymakers on governance and strategy, including relevant and material environmental and social issues.

We believe this is essential to support a global financial system that aims to deliver improved long-term returns for investors, and better outcomes for society and the environment.

Our Engagement Plan is client-led. We undertake a formal consultation process with multiple client touchpoints each year to ensure that the Plan is based on their long-term objectives and covers their highest-priority topics.

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

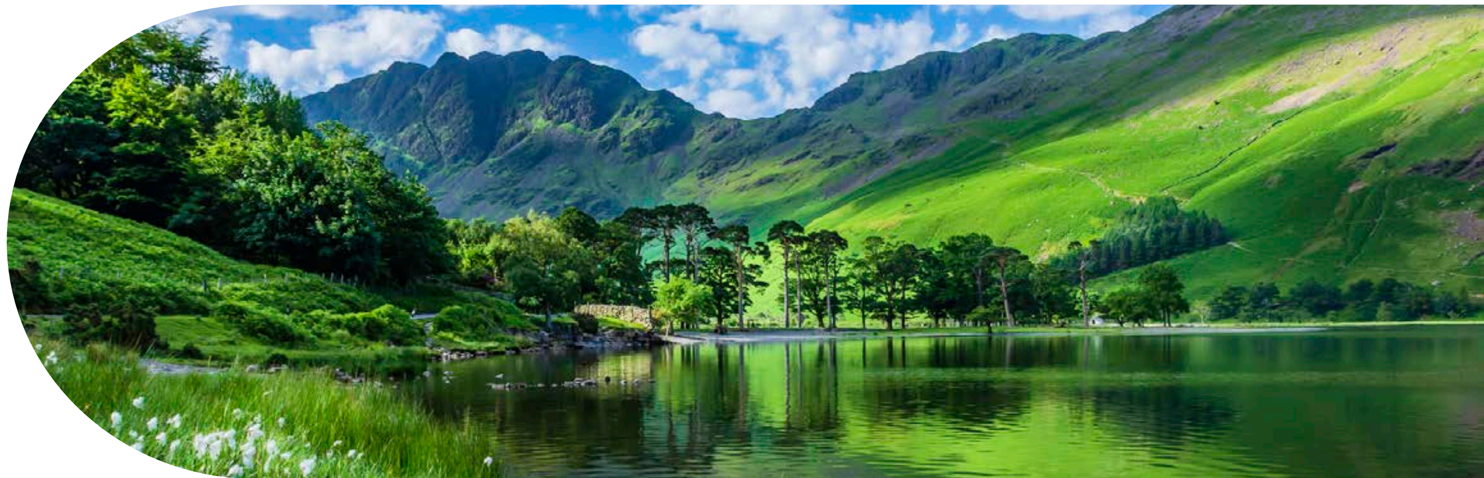
Engaging with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and investors can operate more sustainably.

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.



EOS team

Engagement

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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

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Sectors: Financial Services, Pharmaceuticals & Healthcare

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Head of Stewardship, EOS

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Sectors: Utilities, Chemicals, Financial Services

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Sector: Mining & Materials

Tsitsi Griffiths
Sector: Chemicals

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Sector: Transportation

Sonya Likhtman
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Voting and Engagement Support

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Communications & Content

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Director of Business Management, EOS

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Howard Risby
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Velika Talyarkhan
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Kenny Tsang
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Judi Tseng
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Voting and Engagement Support

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Ming Yang
Sectors: Consumer Goods, Pharmaceuticals & Healthcare

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Head of Client Service and Business Development, EOS

Diego Anton
Client Service

Amy D'Eugenio
Sustainability Director

Alishah Khan
Client Service

Jonathan Lance
Client Service

Alice Musto
Client Relations Lead

Julia Schimmelmann
Client Service

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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 and infrastructure
- **Stewardship:** corporate engagement, proxy voting and 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: