Public Engagement Report

GREEN FOR GROWTH
Can Europe's sustainability ambitions drive performance?

Assessing board culture and dynamics

Proposals dip in 2026 voting season

Q2 2026

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Welcome to our Public Engagement Report for Q2 2026. In our cover feature this quarter, Howard Risby examines the argument that Europe's sustainability ambitions have impacted the region's competitiveness.

Europe has experienced weak growth over two decades, with companies facing different regulations, tax regimes, and standards across member states. Critics of the EU's green agenda argue that this has increased costs, but could leaning further into sustainability become a driver of competitiveness?

In our second feature, Diana Glassman and Jaime Gornsztejn explore board culture and dynamics, an important element of board effectiveness. Since our 2020 white paper on this topic, we have developed our approach to assessing the quality of board dynamics, as corporate scandals have revealed fresh insights into board weaknesses.

Finally, Dana Barnes and Elissa El Moufti highlight some of the key votes from the North American, European and Australian proxy seasons, including shareholder resolutions related to human rights in high-risk regions, datacentre energy demand and AI deployment.

Claire Milhench
Assistant Vice President – Senior Content Creation Manager

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Sustainability can drive European competitiveness

European competitiveness is increasingly in the spotlight, but after decades of underperformance is a turning point in sight? Howard Risby examines the argument that Europe's sustainability ambitions have impacted the region's competitiveness and assesses how sustainability may provide an edge in future.

Setting the scene

Economic competitiveness is the ability of a country or region to achieve high productivity, so that it can deliver strong, rising living standards. Sustainable economic competitiveness is being able to deliver this productivity in a way that does not erode the environmental, social, and institutional foundations on which future prosperity depends. This includes elements such as natural capital and social cohesion.

> **By setting the rules that companies operating in Europe must follow, European regulators can shape the environment that global firms must operate within. This gives European companies a first-mover advantage.**

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Howard Risby
Theme: Climate Change

Europe has a competitiveness problem. It has experienced weak growth over two decades, lagging the US, and increasingly Asian markets too.[1] Capital, labour and skills are often locked into low-growth industries. Europe also lags in terms of developing new industries, and technological and digital innovation, especially in relation to AI and biotech.

There are many underlying reasons for this. Europe has a partially harmonised political system, but the single capital market remains incomplete in several ways. Companies face different regulations, tax regimes, and standards across member states. Consequently, scaling a business across Europe is more burdensome and costly than scaling it within the US or China.

Historically, there has been under-investment in research and development (R&D), venture capital and emerging technologies, partly caused by a conservative approach to capital at risk. This has made it harder to scale innovation despite Europe having strong research and start-ups. Fast-growing firms often relocate to the US for funding, talent or regulatory clarity.

High energy costs have added to the challenge, especially since the 2022 disruption to the energy markets caused by Russia's invasion of Ukraine. This means that energy-intensive industries such as chemicals, steel and automotives face declining competitiveness. An ageing population increases the welfare burden.

[1] Cumulative GDP growth since the Global Financial Crisis (2008–2023) United States: 87%, European Union: 13-15%, China 280% to 290% An investment strategy to keep the European Green Deal on track (https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN).

Europe's sustainability ambitions

Europe has also led the way on sustainability. The European Climate Law, supported by the Green Deal and the Fit for 55 legislative package, targets climate neutrality by 2050. The Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive aim to increase transparency on sustainability performance to drive market-wide standards. Similar standards are being developed in the UK.

Europe has positioned renewables and efficiency as a driver of industrial, security and climate policy. Renewables accounted for nearly half the electricity generated in the UK and EU in 2025, driven mainly by wind and solar. Europe is also focused on circularity and reducing resource dependency.

Europe is pursuing an ambitious decarbonisation agenda for transport, with a focus on electric vehicles (EVs), alternative fuels and the inclusion of aviation and shipping under carbon pricing. Rail produces less than 1% of EU transport emissions but carries around 17% of freight and some 6% of passengers.[2]

This policy has been reinforced by comparatively high environmental awareness. Sustainability is a focus for consumers, although cost of living pressures are driving more green fatigue. But European countries also spend a significantly higher share of their GDP on social protection than most of their global peers. Across Europe there are high standards for worker protection, social security, work-life balance, and access to healthcare.

Does sustainability help or hinder competitiveness?

Is there a link between Europe's lack of competitiveness and its ambition on sustainability? Has the sustainability ambition contributed to the lack of competitiveness? Or could leaning further into sustainability become a driver of competitiveness?

Some argue that Europe's sustainability agenda has increased costs, harming competitiveness. Carbon pricing has internalised previously unpriced environmental costs, raising short-term costs for emissions-intensive activities, while

[2] https://www.mdpi.com/2624-6511/9/4/64

energy prices have remained elevated due to a continued reliance on fossil fuels, grid constraints and system inflexibility. Compliance and permitting costs often apply in Europe before equivalent measures exist elsewhere. Permitting delays – at least partly driven by environmental constraints – can slow development. Grid bottlenecks, not helped by an insufficiently agile regulatory and policy framework, can also deter growth as Europe adapts to the energy transition.

Europe also tends to regulate on sustainability before markets reach scale. For example, rules for emerging areas such as hydrogen, circular materials, and product traceability have been introduced before technologies are commercially mature. This approach can slow innovation and deter risk-taking and investment. There are also some arguments that welfare protections limit the ability of company to adapt quickly and grow.

However, other evidence suggests that Europe has benefited from its sustainability ambition. By setting the rules that companies operating in Europe must follow, European regulators can shape the environment that global firms must operate within. This gives European companies a first-mover advantage.

Sustainability can also reduce economic and geopolitical risk. By cutting reliance on imported fossil fuels, improving energy efficiency, and promoting the circular use of materials, Europe is insulating its economy from volatile commodity prices and supply-chain shocks, such as the Strait of Hormuz crisis. Early transition lowers the risk of stranded assets and a disorderly transition, providing a more predictable long-term investment horizon. Finally, strong worker protections and social safety nets help maintain public support for structural change, reducing political instability. Over time, this can support innovation and competitiveness.

Is Europe approaching sustainable competitiveness?

There is some evidence that over the long term, Europe's sustainability ambitions will reinforce, rather than hinder, competitiveness. Much of the focus over the last decade has been on driving sustainability standards through regulation. However, Europe's approach is now shifting from green regulation to its green industrial strategy. Initiatives such as the Clean Industrial Deal (2025), the Net-Zero Industry Act (2024) and the Critical Raw Materials Act (2024) seek to align decarbonisation objectives with competitiveness, affordability and scale. Meanwhile, the UK is adding a growth component to its carbon budget delivery plan.

There are also signs that clean tech at scale is becoming economically viable in Europe. Renewables are now cost competitive with fossil fuels and over the long term, renewables offer the prospect of lower cost energy.[3]

Capital constraints may be easing. Large-scale EU green bond issuance under NextGenerationEU, the expansion of the Innovation Fund, stronger involvement by the European Investment Bank, and renewed political momentum behind a Capital Markets Union (CMU) indicate an increased willingness to mobilise finance at scale.

Support for start-ups is also improving. The 2025 EU Startup and Scaleup Strategy and the 2026 European Innovation Act and Scaleup Europe Fund aim to close the investment gap and remove legal barriers. There is also growing evidence that renewables deployment, energy efficiency, and green technologies can support productivity and long-term growth in advanced economies.[4]

The role of investors and EOS's engagement

Over a longer time horizon, Europe's sustainability ambitions have the potential to translate into a competitive advantage. Long-term investors therefore have a vested interest in ensuring that Europe succeeds in delivering the transition needed to fulfil this ambition. Companies in Europe need to adapt to take advantage of the opportunities presented by the transition. But for this to happen, the societal, political and economic systems in which companies operate also need to transition.

Many European companies are already transitioning to more sustainable operating models, presenting opportunities for investors. Companies that are not yet sustainable, but have the potential to become so, also present an opportunity for investors, but only if they succeed in transitioning. However, credible transitions rarely happen smoothly or in isolation – they require structured pressure, guidance and accountability. Investors have a key role to play in this evolution.

Investor stewardship can help to strengthen European companies' transition plans through ongoing oversight,

dialogue and challenge. Stewardship helps companies understand investors' perspectives, reducing the financial and execution risks from transitioning. Strong stewardship can also improve the visibility of the progress being made in the transition by encouraging companies to report on their own activities. Positive outcomes can attract additional capital, reinforcing a cycle of investment, stewardship and improvement – all of which can drive competitiveness at the company level, and across the region.

This philosophy underpins EOS's company engagement model. For example, in engagement with the German auto manufacturers, we asked them to include in their financial statements how they are seizing the opportunities and mitigating the risks associated with the sector-wide transition to electric vehicles. Making this link in the financial statements helps investors assess the investment case at these companies.

In the fossil fuel sector, we have engaged with TotalEnergies on its energy transition strategy, seeking robust governance to ensure capital discipline, strong emissions performance to underpin efficiency and competitiveness measures, and the capturing of transition opportunities through the delivery of a profitable low-carbon energy business. The company has performed strongly, with the highest return on average capital employed of its direct peers over the period 2022-25.[5]

At Engie we have engaged for many years on improving its energy transition strategy. This has been well-received by markets, driving its outperformance over peers with its delivery of an accretive renewables and battery storage pipeline. This is reflected in the over 90% share price growth since 2021, allocating 70% of its capex to renewables and energy solutions in this period.[6]

Company-level stewardship can also increase the transparency of the challenges that companies and investors face in transitioning. Many challenges cannot be addressed by companies alone and require collaboration with policymakers, financial services, research and technology providers, and civil society to overcome these challenges. This creates the need for systemic stewardship by investors.

[3] The cost gap between European and global production from solar, batteries and heat pumps is narrowing, and any cost premium is offset by increased stability and resilience. Reshoring Solar Manufacturing to Europe - SolarPower Europe. The falling cost gap between EU and Chinese batteries | T&E.
[4] https://www.sustainabilityperformances.eu/wp-content/uploads/2025/05/D5.2-SPES-Working-Paper-on-Green-technology-and-productivity_def.pdf; https://wiiw.ac.at/the-impact-of-green-technologies-on-gdp-and-employment-in-the-eu-dlp-6918.pdf
[5] TotalEnergies - 2025 Results & 2026 Objectives presentation - Transcript.
[6] Bloomberg (March 2026); Vision stratégique | Groupe | ENGIE; past performance is not a reliable indicator of future performance.

Solving the policy puzzle

Systemic stewardship aims to address system-wide issues that affect the long-term performance of the whole economy, not just individual companies. This is especially relevant for Europe given its ambition to drive sustainability and competitiveness across the region. Europe is particularly well suited to systemic stewardship. It has a large base of investors that are broadly diversified across the economy and aligned with long-term economic performance rather than short-term company outperformance. European policymakers regularly consult investors on regulation design and request feedback on its market impact.

EOS has a long track record of systemic engagement with a focus on addressing sustainability issues and supporting competitiveness across Europe. In 2025, the EOS team undertook over 160 public policy and market best practice actions with European-based organisations, across a range of issues, always anchored within the context of Europe's sustainable competitiveness ambitions.

We have engaged on Europe's sustainable finance architecture – the framework intended to support investment in funds and companies to aid the transition. This includes engaging at EuroFi on sustainable competitiveness and the revised Sustainable Finance Disclosure Regulations (SFDR) (see box) and through Eumedion, to advocate for enhanced support for start-up and scale-up finance for European companies.

> **EOS has a long track record of systemic engagement with a focus on addressing sustainability issues and supporting competitiveness across Europe.**

We have also focused on sectoral transition plans. Building on our work with the UK Transition Finance Council on a finance playbook for sectoral transition plans, which seeks to mobilise transition finance to boost the UK's competitiveness, we engaged MEPs on how this approach could be rolled out across Europe.

Other activities include advocating for the EU sustainability reporting and due diligence regimes (CSRD and CSDDD) to have a clearer focus on value creation and information that is useful for investors. We have also engaged extensively with European policymakers and standard setters on how climate is incorporated into company accounts and audit reports, aiming to provide investors with the necessary information to understand companies' exposure to climate risk.

Our engagement on governance standards in the region also supports sustainable competitiveness. Maintaining shareholder rights and access helps to provide a strong governance foundation, which supports the investor stewardship that is critical for navigating a credible transition. To this end, we are participating in consultations on the revised Shareholder Rights Directive. We are also engaging with the German Investment Funds Association (BVI) on improving board independence and remuneration practices in German companies.

EOS at EuroFi

EOS attended the 2025 Eurofi meeting in Copenhagen and the online 2026 Eurofi event hosted by Cyprus. This was held online due to unrest across the Middle East.

Eurofi is a Paris-based European think tank and trade association for financial services, which offers a platform for dialogue between EU economic and financial policymakers and senior financial sector leaders. It focuses on EU and international financial regulation, macro-financial policy, capital markets, banking, insurance, digital finance, and sustainable finance.

The Eurofi events provide the opportunity for face-to-face meetings with policymakers across the region. In Copenhagen we held 22 separate meetings with MEPs, European Commission representatives, financial regulators and other organisations including the Bank of England and the Network for Greening the Financial System.

Our engagements and panel discussions focused on topics relevant for driving sustainable competitiveness across the region, including the development of sectoral transition roadmaps, nature-related risk frameworks, sustainability disclosure requirements, stewardship codes and climate stress testing.

At the Cyprus event we participated in a panel, saying that the revised Sustainable Finance Disclosure Regulations should focus on recognising investor stewardship as a key component supporting Europe's transition to a more sustainable, competitive economy.

Outlook

It is too early to say whether Europe will succeed in achieving its ambitions to transition the region to deliver competitiveness and sustainability. This will depend on the ability of politicians to create the necessary policy, social, and financial incentives to transition against an uncertain geopolitical backdrop. But the role of investors is clear, and the benefits to be accrued from transitioning are extensive. EOS will continue to advocate on behalf of our clients – at both the company and systemic levels – for this transition.

Assessing board culture and dynamics

There is no blueprint for an effective board, but engagement between investors and board directors can offer a way to assess how well a board is functioning. Diana Glassman and Jaime Gornsztejn explain how we have evolved our approach to assessing board culture.

Setting the scene

Boards contain inherent biases that can be acknowledged and mitigated but not eliminated. Getting this aspect of governance right makes it more likely that material risks and opportunities will be well managed. It follows that an effective board is best placed to secure a company's long-term success.

We explored board culture in our April 2020 white paper, *Guiding Principles for an Effective Board*. Since then, we have developed our approach to assessing the quality of board dynamics, as major corporate scandals have continued to reveal fresh insights into board weaknesses.

For further information, please contact:

Diana Glassman
Themes: Board Effectiveness, Human Capital

Jaime Gornsztejn
Theme: Board Effectiveness

In recent years there has been an industry-wide push for more standardised disclosure related to governance. Investors can now see how many board meetings were held, how many meetings each director attended, and other easily quantifiable aspects.

Unfortunately, such disclosures can also create a risk of governance by numbers, with a focus on aspects that are not the most important contributors to board effectiveness. Board culture, the degree of engagement from individual directors, and the quality of relationships are also vital aspects that should not be ignored just because they are difficult to quantify.

Weaknesses in board-level culture, including impaired information flow, weak escalation norms, lack of independent oversight, and blurred accountability, can translate into financially material investor losses or below market returns. These weaknesses may be driven by low trust, a lack of openness or poor psychological safety within the boardroom.

For example, at Wells Fargo, the board may have been overly deferential to a strong chair/CEO,[1] taking too long to detect and respond to various misconduct signals[2,3] and hold management accountable[4] for a cross-selling scandal that an investigative reporter identified as early as 2013.[5]

1 A Closer Look at the Wells Fargo Scandal – Yale University Press.
2 Lessons From Wells Fargo – Markkula Center for Applied Ethics.
3 Here's How Wells Fargo's Board Of Directors Just Failed Customers.
4 HHRG-116-BA00-20200311-SD003.pdf (page 5).
5 wells fargo settlement background.

Multiple scandals[6,7] during the 2010s resulted in fines and remediation running into billions of dollars[8] and a multi-year Federal Reserve asset cap[9,10] that was only lifted in 2025.[11]

At aircraft manufacturer Boeing, production pressures and management influence over safety expertise and regulatory scrutiny weakened oversight[12] of critical engineering and risk decisions.[13] This may have contributed to the 737 MAX accidents, in which two aircraft crashed with the loss of 346 lives.[14] The estimated costs have run into the billions, including fines and compensation to the families of those who died,[15] with a significant erosion in the company's market value.[16]

At Volkswagen, systematic emissions manipulation was allowed to persist uncorrected[17] in what would become known as the Dieselgate scandal. This led to over €30bn in fines, settlements, and remediation,[18] while €25bn was wiped off the company's market value over two days.[19]

Even where impacts have unfolded more gradually, weaknesses within board culture have proved financially material. At Brazil's Petrobras, politicised boards with weak independence and fiduciary accountability presided over governance failures that culminated in Operation Lava Jato (Car Wash).[20] This was an investigation into allegations that Petrobras executives had accepted bribes from construction firms in return for awarding them contracts at inflated prices.[21] Billions were wiped off the market capitalisation at the peak of the scandal, while huge penalty payments to regulators and class action lawsuit settlements followed.[22]

These scandals demonstrate the financial impacts of poor governance. Boards that fail to allow real challenge of dominant personalities, or that lack the skills to steer a company through the challenges it faces, may find themselves unable to grapple with deep-seated cultural problems. Unaddressed issues that manifest themselves as major compliance or public safety crises may lead to unplanned cash outlays in the form of fines, legal fees, and remediation expenses. Further, revenues can be immediately halted, or curtailed in future periods, via the company's loss of its licence to operate, acute brand damage, and explicit market restrictions.

Our engagement approach

In 2020, we published our white paper, *Guiding Principles for an Effective Board*, laying out five principles that underpin effective boards. These cover genuine independence and representation, the role of the chair, how the board allocates its time, the board's relationship with the CEO, and a commitment to continuous improvement.

These dimensions cannot be assessed through governance 'hardware' indicators alone – such as board structure, formal roles, committee arrangements, or independence metrics. They must be evaluated through a diagnostic lens that considers qualitative 'software' elements. These include culture, behaviours, relationships and decision-making dynamics, that determine whether the board's structures work in practice.

Identifying strengths or weaknesses in the application of each of the five principles can lead to practical engagement objectives around board evaluation, succession planning, establishing a lead independent director role or disclosure of a board skills matrix. We have also been able to evolve and refine our approach using insights from our board engagements, particularly around the software aspects of board culture.

6 https://en.wikipedia.org/wiki/Wells_Fargo_cross-selling_scandal#2023_allegations.
7 https://en.wikipedia.org/wiki/Wells_Fargo#Lawsuits,_fines,_and_controversies.
8 Wells Fargo to pay $3.7 billion for illegal conduct that harmed customers | Reuters.
9 Here's What the Wells Fargo Cross-Selling Scandal Means for the Bank's Growth – NBC Bay Area.
10 https://www.thebanker.com/content/d7cb5e79-850b-460c-9084-033dba2ab72f.
11 Wells Fargo's Asset Cap Is Lifted – What Happens Next? | Banking Advice | U.S. News.
12 Boeing testimony: Board of directors didn't react to 737 MAX crashes - CBS News.
13 https://www.theguardian.com/business/2020/mar/06/boeing-culture-concealment-fatal-737-max-crashes-report.
14 https://en.wikipedia.org/wiki/Boeing_737_MAX_groundings#:~:text=The%20Boeing%20737%20MAX%20passenger,a%20dangerous%20in%2Dflight%20incident.&text=346%20total%3A,on%20Lion%20Air%20Flight%20610.
15 https://en.wikipedia.org/wiki/Boeing_737_MAX_groundings#Financial_and_economic_effects.
16 https://edition.cnn.com/2020/11/17/business/boeing-737-max-grounding-cost/index.html.
17 https://www.theguardian.com/business/2015/dec/10/volkswagen-emissions-scandal-systematic-failures-hans-dieter-potsch.
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20 https://en.wikipedia.org/wiki/Operation_Car_Wash.
21 https://www.bbc.co.uk/news/world-latin-america-35810578.
22 https://www.hklaw.com/en/insights/publications/2018/10/petrobras-agrees-to-pay-more-than-18-billion-for-f.

Board culture as a high-performance team sport

Serving on a company's board can be compared to a team sport. Some teams have a better collective decision-making culture, which allows them to outperform, while others have sub-optimal dynamics, or are more dysfunctional. We engage to assess whether boards are fostering a healthy culture of critical thinking and collaborative decision-making that best serves long-term shareholder needs, rather than just rubber-stamping the decisions of the CEO, chair or lead independent director (LID).

We also try to evaluate if the board is shaping strategy and risk oversight through informed and psychologically-safe dialogue with a team of directors that is constantly improving itself. To increase our visibility into the cultural dynamics impacting decision-making quality, we have translated our five principles into a board effectiveness diagnostic tool that relies on interpreting non-quantifiable information that only skilled engagement can elicit.

The board's leader – the chair, or the lead independent director (LID) in the case of a combined chair and CEO – plays a pivotal role in shaping board culture. But directors tell us that the chair or LID can sometimes be the problem. A recent PWC and Stanford Leading Edge Stewardship paper[23] found that 75% of companies lacked refreshment mechanisms for chairs or lead directors.

To ascertain whether a chair or LID is fostering genuinely robust debate, we probe how the board avoids anchoring discussions around the chair or LID's views, if contributions from all directors are sought, and how dissenting or different perspectives are voiced. We ask about who is involved in setting the agenda and whether this prioritises the most important forward-looking strategy, risk and business resilience items, or if the group focuses primarily on backward-looking compliance and operational issues. We may incorporate perspectives from colleagues on other boards to build up our picture over time.

We look for evidence of genuine independence and diversity of thought at the individual and team level. For example, we ask about pre-existing social and business relationships among directors that do not appear in required disclosures but could impact boardroom decision-making. For clues on whether individual directors can take unpopular positions, we ask about examples of past personal courage.

[23] pwc-and-stanford-effective-board-leadership-9-8.pdf.

Match fit?

We aim to form a view on whether the board's collective perspective is fit for purpose by enquiring how it is addressing potential skills gaps. These might include technology change management, organisational and workforce transformation, geopolitical perspectives and industry-specific risks. Conversely, we may ask about a potential overabundance of one or another skill, background, or characteristic. This may be the case at long-tenured boards comprised largely of CEOs and financial experts whose experiences may be rooted in past eras. Their responses help us to gauge their potential blind spots and any proclivity to groupthink.

We encourage an average board tenure of less than 10 years as this is an indicator of refreshment with the skills and perspectives best suited for forward-looking strategy and risk assessment. However, we also examine internal power dynamics and the participation of newer versus longer-tenured directors. We ask about the onboarding process, as this is critical in enabling all directors to contribute to decision-making as soon as possible.

Strength and balance

A strong relationship between the board, and the company's CEO and management, is a delicate balance of review and challenge, underpinned by trust and transparency. To gauge the relationship's strength and balance, especially when the chair is also the CEO and/or the founder, who may have enhanced voting rights, we ask for examples of when the board challenged the CEO and how the CEO responded.

For example, at one Asian company, the founder is the chair, CEO and the main shareholder. We have engaged with an independent director to discuss the board's effectiveness given these circumstances. We also raised our concerns about potential conflicts of interest in transactions undertaken by the chair, such as his pledging of company shares to raise debt for personal projects, a co-investment programme whereby the chair, in a personal capacity, co-invests with the company's funds, and the loans made by the company to the chair. We asked what the independent directors were doing to constructively challenge the chair's view and risk appetite.

Drawing on the US National Association of Corporate Directors (NACD) "nose in, fingers out" oversight philosophy,[24] we ask how directors build visibility into company operations while empowering management to execute. As information may be carefully filtered when trust is broken, leading to poor decisions, we ask how often the CEO is willing to share bad news, and how the board and management team behave in such situations.

We enquire about the frequency, breadth, and depth of board-management interactions, the board's ability to access a range of employees, director site visits, and the type of information that the board receives. We also look at how the board perceives its oversight scope, and how it may be changing over time to encompass emerging risks, human capital, and technology strategy, including AI.

Talent management

Good sports teams embrace continuous improvement, as do effective boards. We strongly encourage a third-party perspective in a board's annual assessment, as this can provide a more robust and objective view. We engage to distinguish between those boards approaching these as tick box exercises, and those gaining real value from them. We ask about the providers of third-party board evaluations, how and why they were selected, and if they have complete leeway to interview all the directors and offer candid feedback.

In the US, we have encouraged boards to expand their scope to include human capital oversight and to consider human capital management skillsets during refreshment. We believe that better oversight of talent management, encompassing workforce recruitment, training and progression, engagement, and culture, can help to enhance future shareholder value.

[24] Inside the Board–CEO Dynamic: Trust, Alignment, and 2026 Governance

Latin American boards

In some Latin American countries, we see specific problems with boards that need to be addressed.

At state-controlled Brazilian oil company Petrobras, we have supported the election of genuinely independent directors using instruments provided by the Companies Act. This includes cumulative voting and requesting a separate election for the board seat allocated to minority shareholders, to ensure their interests are represented at the board level.

In Mexico, most company boards have practices that raise concerns about their effectiveness, such as oversized boards, excessively long tenures, a lack of genuine independence, an insufficient range of skills, or insufficient diversity of background.

At Cemex, we engaged on the development of a board evaluation framework to help identify areas of improvement. The board composition has shown some slow progress since the first self-assessment in 2024. Two new board members were nominated, including one woman, but there are still three directors with excessively long tenures.

Twin-tracks persist in 2026 vote season

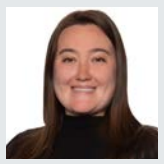
US regulatory changes led to proposals being withdrawn, negotiated, or excluded rather than going to a vote, sustaining the low volumes seen in 2025. But in Europe, investor focus remained on climate and board composition. By Dana Barnes and Elissa El Moufti.

Setting the scene

This year's proxy season saw fewer proposals reaching US ballots, amidst a greater emphasis on negotiation, regulation, and strategic engagement. Governance was reasserted as the central focus in North American and European markets, while support for environmental and social proposals continued to soften, especially in the US. Voting outcomes have become less predictable as investors in both regions are moving towards company-specific decisions, elevating the importance of disclosure quality and company responsiveness.

With voting season still underway in some Asian markets, this article focuses on the key themes of the 2026 AGM season in North America, Europe and Australia. We will spotlight some of the key trends from developed Asia and the emerging markets in the upcoming Q3 Public Engagement Report.

For further information, please contact:



Dana Barnes
Themes: Investor Protection & Rights, Wider Societal Impacts

Elissa El Moufti
Theme: Climate Change

In the first half of 2026, we implemented our clients' vote policies at over 9,500 meetings, versus 9,700 in H1 2025. Our clients' policies resulted in votes against management at 68% of meetings, versus 67% in H1 2025.

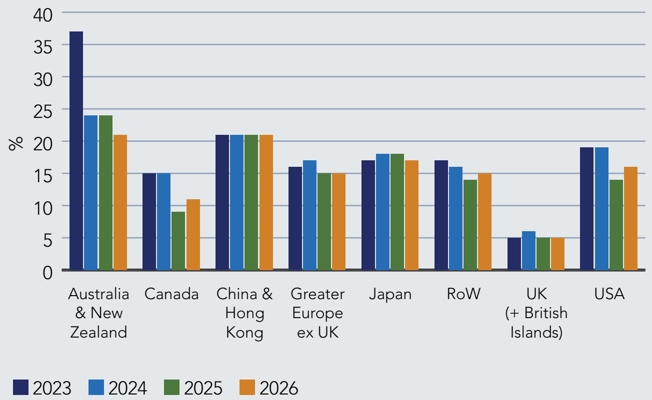
Overall, votes were implemented on 1,983 shareholder resolutions in the first half of 2026, versus 2,480 over the same period in 2025. Some 404 of these resolutions were in the US, where our clients' vote policies supported 226 proposals or 56%.

Environmental topics

Votes against the re-election of relevant directors may be considered at companies where there is evidence of insufficient management of environmental opportunities and risks. We apply region and sector-specific guidelines and various relevant climate risk indicators based on each client's policy. Support for shareholder proposals is considered where appropriate, including proposals to support a company's climate transition plan, where the expected outcome of the proposal would align with the long-term financial interests of the company, such as at Schneider Electric.

In the first half of 2026, our clients' policies indicated votes against the re-election of directors or relevant proposals at 1,734 meetings, down from 1,937 in H1 2025, due to concerns about insufficient management of financially material climate-related risks and opportunities. For example, in Europe, our clients' policies indicated voting against the discharge of a supervisory board member at German utility company RWE.

Percentage of proposals voted against management per key market



Source: EOS data; all statistics for H1.

This reflected concern over RWE's limited progress in incorporating climate-related considerations into its financial accounts and audit. This impacts investors' ability to appraise the company's long-term commercial opportunities and risks.

But at Norwegian energy company Equinor, our clients' policies prompted opposition to all shareholder proposals seeking disclosures in areas where Equinor already provides sufficient, useful information. Many of the shareholder proposals were overly prescriptive and sought to make decisions that may not have been in the best interests of the company and shareholders over the long term.

At Nordea and Danske Bank, we saw several climate-related shareholder proposals relating to the banks' exposures and policies on fossil fuels. Whilst our clients' policies generally support credible transition planning across the sector, the proposals were considered overly prescriptive and may have gone beyond Paris Agreement-aligned scenarios.

In Australia, we applied voting against the remuneration items at Woodside Energy in line with our clients' policies, due to concerns related to the company's transition planning and associated capital discipline. Woodside had introduced a return on average capital employed metric to the long-term incentives, but this appeared to be insufficiently stretching, furthering capital discipline concerns, and possibly leading to long-term financial under-performance.

We applied our clients' policies in support of the Australasian Centre for Corporate Responsibility's shareholder proposal at BP, which sought a report on how BP applies a disciplined approach to capital allocation for new oil and gas projects. We considered the request proportionate and useful for investors, as it would improve transparency on cost competitiveness, execution risks and value creation. This would support effective shareholder feedback to the company during a time of increased upstream investment and significant capital reallocation.

At BP, our clients' policies indicated a vote against the revocation of two previous shareholder-approved climate resolutions. This was due to concerns that their revocation would reduce transparency of BP's long-term financial resilience, transition strategy, and capital allocation, to the detriment of long-term value creation. At the AGM, over 50% of shareholders voted against BP's plans to scrap its existing climate reporting, and its resolution to replace in-person annual shareholder meetings with virtual-only events.[1]

Our clients' vote policies prompted support for a shareholder proposal at US company Tyson Foods seeking improved disclosure on the steps it is taking to address the environmental and human health harms from the waste lagoons in its owned facilities and pork supply chain. Waste lagoons are large storage facilities for manure. The analysis could help Tyson Foods to avoid potential litigation, reputational and financial risks, thereby reducing costs.

Our clients' policies also led to support for a shareholder proposal at Archer-Daniels-Midland (ADM), which asked ADM to incorporate pesticide use data reporting into its regenerative agriculture programme disclosures. As ADM scales this programme, further analysis could provide useful insights for the company and its investors, enabling identification of commercial opportunities and avoidance of risks. A holistic approach to the agricultural transition could also strengthen supply chain resilience.

Support was also indicated for a shareholder proposal at Home Depot, encouraging the retailer to conduct and disclose a biodiversity impact assessment. This assessment could provide Home Depot and its investors with useful information and contribute to improved governance and accountability for environmental opportunities and risks. Over the longer term, this might drive new revenue lines and reduce costs.

[1] https://www.theguardian.com/uk-news/2026/apr/23/bp-board-suffers-triple-climate-rebellion-from-shareholders.

We continued to apply votes against directors or other relevant items in line with our clients' vote policies at companies considered to be exposed to financially material deforestation risks, and lagging their peers in terms of the associated management and disclosure. For example, votes against were indicated at Kewpie and Minerva due to concerns about the management of deforestation-related risks in the supply chain. Insufficient management of such risks could lead to fines, loss of revenues and reputational harm.

Human rights in high-risk regions

Our clients believe that a company's human rights strategy is of critical importance for its licence to operate, its impact on people's lives, and its ability to create and preserve long-term holistic value. Regulatory expectations concerning human rights are increasing, with the introduction of the EU's Corporate Sustainability Due Diligence Directive and the US Uyghur Forced Labor Prevention Act. Operational and reputational risks stemming from poor management of this issue persist, which may cause business disruption, litigation or other financial impacts.

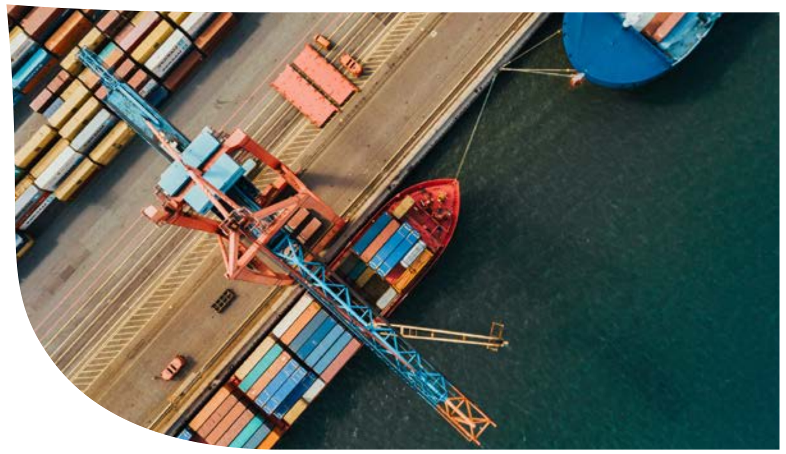
Taking all this into consideration, our clients' human rights voting policy indicates votes against directors if there is sufficient evidence that a company has caused or contributed to egregious, adverse human rights impacts or controversies and has failed to provide the appropriate remedy. We applied the human rights voting policy at a total of 15 companies in the first half of 2026. This included at Starbucks, Amazon, Expedia, Johnson & Johnson and Meta Platforms.

A wide range of US companies received shareholder proposals related to human rights in high-risk regions, but the technology sector was in focus, including names such as Microsoft, Meta Platforms, Intel, PayPal, Palantir, Booking and Alphabet. Support for such proposals was determined on a case-by-case basis, as some were overly prescriptive or lacked clear financial relevance. However, we continue to engage with companies on effectively managing human rights issues that are material to their business, including those in high-risk geographies.

> **We continue to engage with companies on effectively managing human rights issues that are material to their business, including those in high-risk geographies.**

In Europe, our clients' policies prompted support for a shareholder resolution related to heightened human rights due diligence in high-risk logistics and military-related cargo at Danish shipping line AP Møller-Mærsk. While the company has established relevant policies around enhanced due diligence, its disclosures remain high-level and lack sufficient detail on how these policies are implemented, or how their effectiveness is assessed.

This limits investor insight into how due diligence is operationalised, including when business is escalated or declined, and how controls evolve in response to heightened risks. As a result, it is difficult to fully assess the company's exposure to legal, regulatory, operational, and reputational risks that could have material financial implications for the company and investors. Greater transparency on the application and



review of due diligence processes – in line with the proposals' requests – would therefore support a clearer understanding of how these risks are being managed over the long term.

We also saw a rise in proposals relating to US immigration policies. Tyson Foods, Walmart, and Alphabet received proposals about the potential impacts on their workforce and operations, while Home Depot and Lowe's received data privacy proposals. Palantir and Thomson Reuters received proposals about how their products are used by US Immigration and Customs Enforcement (ICE). Again, we applied a case-by-case approach and will continue to monitor this emerging area.

In the case of Walmart, effective human capital management is critical given the high turnover costs in the retail sector. As Walmart is the largest private sector employer in the US, we noted that it may be uniquely exposed to the workforce impacts and costs anticipated from immigration policy changes. These challenges may also extend to the company's supply chain and lead to operational disruption, especially considering its exposure to other high-risk sectors such as agriculture and transportation. In line with our clients' vote policies, we applied support for the proposal, as investors may benefit from more robust disclosure on Walmart's risk management strategy for ongoing and long-term changes in immigration policies.

Datacentre energy demand

Datacentre growth and the related surge in energy demand have increased scrutiny around how companies are engaging with communities on water and land-use impacts, as well as protecting rate payers from increased energy costs. Additionally, investors want to see clear disclosure that energy companies will not be exposed to stranded asset risk if demand is not realised. Large US utilities, including the Southern Company, received shareholder proposals asking them to provide additional clarity on how they are ensuring they are protected against such risks.

Tech companies Alphabet, Amazon, and Meta received shareholder proposals seeking reports on how they will meet their environmental goals and commitments given the rapidly growing energy demand from AI and datacentres. Following review, and in line with our clients' vote policies and shareholder interests, we concluded that these proposals merited support as there is room for improvement in their disclosures to help investors assess that their actions are aligned with long-term shareholder value creation.

VOTING CASE STUDY

Digital rights shareholder proposals

Artificial intelligence (AI) and digital governance-related proposals continued to feature at shareholder meetings across a swathe of sectors, against a backdrop of growing unease about AI's potential social harms. The EOS Digital Governance Principles were used as the basis for evaluating such proposals, in line with our clients' voting policies.

This prompted support for a proposal asking Meta to provide shareholders with a better basis for assessing the potential risks to the company from its use of external data in the development and training of its AI technology. Our clients' vote policies also indicated support for a shareholder proposal asking Walmart to prepare a report on the principles governing how the retailer is seeking to address and measure the social implications of the growing adoption of advanced technologies, including AI and automation, for its workforce. Conversely, in line with clients' policies, a vote against a shareholder proposal asking IBM to report on its methods to eliminate bias from its AI models was warranted, following a review of IBM's practices and insights gained from our past dialogues.

Shareholder proposals on AI deployment were also filed at some financial services companies. The largest Canadian banks received shareholder proposals seeking reports on their use of "human first" AI in high-level decision-making, as well as in risk assessment and the granting of loans. Our clients' policies indicated voting in favour of these proposals, given their broad nature and the banks' actions to date in improving disclosure. The proposals were also consistent with the EOS Digital Governance Principles, in which we encourage companies to adopt responsible AI principles and adhere to an evolving set of legal and voluntary best practices, while also giving them the discretion to decide which best practices are most relevant to their business.

Our engagement on AI and digital governance is not limited to companies that receive shareholder proposals. We also assess board competence on AI as part of a broader board effectiveness evaluation that includes a review of committee charters and director expertise.

Nick Pelosi
Theme: Human and Labour Rights

Executive pay

In Germany, we continued to see several structural pay concerns. In this market, many companies rely on relative total shareholder return as a primary long-term incentive metric, with designs that allow vesting below median performance or full vesting at the median. This effectively rewards underperformance granting full payouts for merely matching peers rather than outperforming them. We also continued to observe comparatively low shareholding requirements for executives, particularly when compared with the UK and other European markets, limiting alignment between management and long-term shareholder interests.

In addition, executives' pension contributions are often significantly higher than those available to the wider workforce. This raises concerns around the company not paying only what is necessary, and the potential impact of such differentials on employee motivation and productivity. These issues – individually or in combination – prompted votes against the remuneration report or policy at several German companies, including Allianz, Lufthansa, Heidelberg Materials, Adidas and BASF.

In the UK, companies continue to shift towards time-restricted share plans or hybrid structures that combine performance and time-based elements. This approach may be justified for companies with significant exposure to global markets, particularly the US, where talent attraction and retention are key considerations. But for others, the rationale is less persuasive.

We noted an increase in variable pay packages at several banks, including Barclays, NatWest, and Standard Chartered. The variable pay threshold in our clients' vote policies is generally higher than in previous years, and we continue to encourage clear, measurable targets and a high level of transparency within remuneration policies. For pay at these banks, support was warranted, given the specific circumstances and the rationales provided.

In contrast, our clients' vote policies indicated voting against the remuneration arrangements of Reckitt Benckiser and Unilever. In Unilever's case, consideration of its recent portfolio simplification, and peer comparisons delivering stronger financial performance, meant it could not demonstrate a clear alignment between pay and performance.

In the US, we noted a higher prevalence of special awards this year. These awards can sometimes signal weaknesses in the pay structure, while in certain circumstances can help to incentivise alignment with long-term value creation and support the retention of key talent. These were considerations in our engagements with, and application of our clients' vote policies for, companies such as UnitedHealth, Thermo Fisher Scientific, Warner Bros. Discovery, Adobe, American Electric Power, and Quanta Services.

The evolving regulatory landscape in the US prompted compensation committees to re-evaluate the inclusion of non-financial metrics in compensation plans, and this was also a focus for anti-ESG proponents. Shareholder proposals regarding the inclusion of sustainability performance metrics in remuneration were filed at Docusign, Gilead Sciences, the Allstate Company, Dominion Energy, Verizon, and Best Buy. Some companies have recently removed non-financial performance metrics from their pay structures, including Coca-Cola and Apple.

Board effectiveness and composition

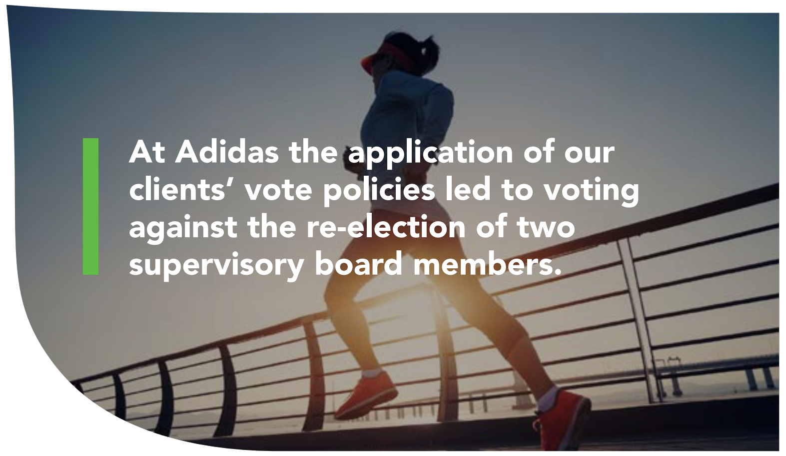
We increased our focus on board skills and overall board effectiveness during the 2026 proxy season, wanting to ensure that boards are equipped to oversee emerging cybersecurity and AI risks.

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. In line with the UK Financial Conduct Authority's listing rules on gender diversity, the UK vote guidelines adopted by our clients indicate voting against the board chair or nomination committee chair if women comprise less than 40% of the board. In 2026, this was the case at Avon Technologies, RHI Magnesita and Rentokil Initial.

One of the biggest votes of the UK AGM season was at BP, where our clients' policies indicated voting against the chair Albert Manifold, due to broad governance concerns. In January 2026, Dutch non-profit Follow This, together with several institutional investors, had filed a shareholder resolution asking BP to disclose how it would create shareholder value under scenarios of declining oil and gas demand. Although BP initially said that the resolution met filing thresholds, it was later excluded from the AGM agenda.[2,3]

One of the biggest votes of the UK AGM season was at BP, where our clients' policies indicated voting against the chair.

This unprecedented move by a FTSE 100 company raised concerns about the potential erosion of shareholder rights. While the board stated that the decision was collective, the chair was seen as ultimately responsible. Manifold also declined multiple requests for engagement on climate, strategy, and governance, via Climate Action 100+, the Investor Forum, and directly, reinforcing our governance concerns. About 18% of investors opposed Manifold at the AGM,[4] reflecting widespread disenchantment with BP's approach to the meeting, and Manifold was subsequently removed from his role.[5]



At Adidas the application of our clients' vote policies led to voting against the re-election of two supervisory board members.

In the EU, our clients' policies indicate votes against supervisory board members if gender representation falls below market expectations. For example, at Adidas the application of our clients' vote policies led to voting against the re-election of two supervisory board members. This reflected concerns regarding board composition and effectiveness, including insufficient gender representation at board level, and a director's time commitments.

In the EU, our clients' policies indicate votes against supervisory board members if gender representation falls below market expectations.

Our clients' policies also indicated voting against the discharge of the chair at Volkswagen. This reflected concerns over extended tenure, limited independence, insufficient board refreshment, lack of diversity and weak succession planning. These factors were viewed as constraining the board's ability to provide effective oversight.

[2] Follow This threatens BP with legal action over shareholder proposal exclusion.
[3] https://www.ft.com/content/12203331-b4ff-4e58-a23d-65f2e136a54e?syn-25a6b1a6=1.
[4] Investors reject BP's plans to retire climate proposals and shift to virtual AGMs.
[5] https://www.theguardian.com/business/2026/may/26/bp-chair-albert-manifold-ian-tyler.

Independence concerns at the committee level led to votes against the supervisory board chairs at Heidelberg Materials and BMW, as non-independent supervisory board chairs head key committees where independence is considered essential for robust oversight and governance.

We attended BMW's AGM and made a statement, noting that the management board continues to be comprised of just one woman and six men. While recognising the progress BMW has made in increasing the proportion of women in leadership roles over recent years, we challenged the ambition of the new management diversity target. We asked how the board intends to demonstrate leadership on gender diversity and ensure that the company attracts and retains diverse talent.

We attended BMW's AGM and made a statement, noting that the management board continues to be comprised of just one woman and six men.

The chair responded that, while appointments are driven primarily by qualifications, it expects the female talent pipeline to continue to strengthen. We also raised concerns about corporate culture, compliance and accountability in light of past misconduct cases. We encouraged clearer communication from the supervisory board on lessons learned, accountability and measures taken to prevent recurrence, including greater transparency on investigations and improved presentation of whistleblowing data.

At BASF, our clients' policies prompted a vote against the election of Mark Garrett to the supervisory board. BASF had not adequately explained how the board's composition and expertise was sufficiently diverse to oversee its global strategy, including its continued expansion into China, following the early retirement of a director with expertise in this area.

Auditor tenure

In the US market, it is common for large companies to retain the same audit firm for multiple decades, whereas in European markets, auditor rotation every 20 years is mandated. Investor concerns around US audit independence and quality remain, as extended auditor tenure may lead to over-familiarity and reduced professional scepticism, even with the US's mandatory five-year lead audit partner rotation.

We also raised concerns about corporate culture, compliance and accountability in light of past misconduct cases.

In the first half of 2026, our clients' vote policies prompted 52 votes against auditor ratification at Coca-Cola, Wells Fargo and the Goodyear Tire & Rubber Company for excessive auditor tenure. Support was granted for long-tenured auditors by exception to our clients' policies in cases where we noted material improvements in companies' related disclosures and practices, such as at Johnson & Johnson and Pfizer.

VOTING CASE STUDY

Redomiciling to Texas

ExxonMobil's 2026 proposal to redomicile from New Jersey to Texas came amid increased investor scrutiny of US reincorporations, particularly following high-profile moves such as Tesla's switch from Delaware to Texas.[6] Dana Barnes and Diana Glassman explore the reasons behind this trend.

The Delaware exit, or "DExit", has raised concerns among investors about the potential erosion of shareholder protections, as Delaware has traditionally been viewed as the gold standard for corporate governance due to its extensive case law, specialised courts, and predictable legal outcomes.

Texas, by contrast, has positioned itself as a more business-friendly jurisdiction, with recent legal reforms designed to reduce litigation risk, increase board protections, and provide a more statute-driven framework for resolving disputes. While some have argued that this may weaken shareholder rights, supporters point to the development of a dedicated Texas Business Court and modernised corporate statues as evidence of an increasingly robust governance framework.

In ExxonMobil's case, the proposal differs somewhat from recent DExits, as the company is not leaving Delaware, but New Jersey. The company stated that shareholder rights under Texas law are comparable to those in New Jersey. It added that aligning its legal domicile with its operational headquarters in Texas will provide efficiencies and a more supportive regulatory environment, as Texas is very familiar with oil and gas operations. The proposal highlighted the need for a careful evaluation of state-level governance regimes, particularly in an evolving landscape where jurisdictional competition may influence the balance between shareholder rights and management flexibility.

Our clients' vote policies prompted voting against the resolution based on uncertainty around how shareholder protections would be maintained in practice. However, the proposal passed with over 70% support.[7] Time will tell whether the move will deliver a clear commercial benefit, and if this drives more companies to switch domicile.

[6] https://www.bloomberg.com/news/newsletters/2024-06-14/bloomberg-evening-briefing-elon-musk-moves-tesla-incorporation-to-texas.
[7] https://www.reuters.com/business/energy/exxon-wins-shareholder-backing-texas-move-defeats-retail-voting-proposal-2026-05-27/.

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 impetus for 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.

Most 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 human rights 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.

BASF

Engagement theme: Circular economy and zero pollution

Lead engager: Lisa Lange

BASF is a chemicals company headquartered in Germany. As participants in the Investor Initiative on Hazardous Chemicals, we wrote to the CEO of BASF to highlight our concern that manufacturers and users of per- and polyfluoroalkyl substances (PFAS) could be exposed to liabilities and insurance risks, potentially incurring costs. PFAS are also known as persistent chemicals or forever chemicals.

To help BASF demonstrate actions aligned with the protection and enhancement of long-term shareholder value, we asked it to be more transparent about the type and volume of hazardous substances, including PFAS, that it produces. We also asked it to publish a time-bound phase out plan of products that are, or contain, persistent chemicals and to develop safer alternatives.

We engaged regularly throughout 2023 and 2024, including at a capital markets day in Germany in September 2024. In March 2025, we visited the company's Ludwigshafen site together with representatives of our stewardship clients. We met several laboratory scientists, including those identifying solutions to avoid PFAS in the transfer of intermediate products. We also had a focused meeting with the individual in charge of the chemicals strategy for sustainability.

Changes at the company and next steps

In 2025, BASF published a position statement on PFAS that provided more clarity for investors. BASF confirmed that it had undertaken an internal review which found that only a limited number of products contained PFAS; all these products will be phased out within five years. This phase out is part of its TripleS methodology, which aims to increase the sales of sustainable products. However, BASF said that its agricultural solutions division's active ingredients (including pesticides) were not in scope for this phase-out, as these fall under sector-specific regulations that require separate risk assessments and approvals.

BASF stated that it will implement alternatives in industrial applications and infrastructure, where feasible and safe, and that it is engaging with other stakeholders to increase knowledge on PFAS waste handling in industrial settings. If BASF can deliver on its commitment to phase out products that contain PFAS within five years it should reduce its potential exposure to legal risks and any associated costs.

Berkshire Hathaway

Engagement theme: Board effectiveness, succession and stability

Lead engager: Joanne Beatty

For several years we have expressed concern regarding the diminishing independence of the Berkshire Hathaway board, given its nonagenarian combined chair/CEO, Warren Buffett. While the board has appointed Susan Decker as the lead independent director (LID) to help balance the combined CEO/chair role, the LID does not represent the board in communications with shareholders and other stakeholders.

In our view, this falls short of expectations that, where there is a non-independent chair, the LID should be accessible to, and engage with, significant long-term shareholders when a reasonable request to do so is made. We have also consistently advocated for greater clarity and disclosure regarding the company's succession strategy for Buffett.

At the company's 2023 annual meeting, Buffet praised vice chair, Greg Abel for "doing all the work". In 2024, we wrote to the company expressing appreciation for the chair's remarks in the annual letter and proxy regarding succession planning. Although Abel had been identified as the CEO nominee in 2024, the company at that time had yet to issue a formal statement or timeline outlining the succession process.[1]

Changes at the company and next steps

At the 2025 annual shareholder meeting, the board confirmed its intention to separate the roles of chair and CEO, with Abel set to assume the role of CEO effective from 1 January 2026. Warren Buffett will remain as executive chair for the time being, but we understand that preparations are underway for his son Howard Buffett to eventually assume the role of non-executive chair.

By ensuring leadership continuity and organisational stability through the succession plan, in our view the company has helped to safeguard Berkshire Hathaway's legacy, culture and long-term success. We will continue to monitor the transition and implementation of the succession plan, including the retention of the LID.

Credicorp

Engagement theme: Climate change

Lead engager: Jaime Gornsztejn

Credicorp is a financial services group in Peru serving Peruvian and other South American economies. Peru, Brazil and Mexico have announced national policies and goals to reduce greenhouse gas emissions. These are likely to present new opportunities and potentially some risks to different categories of lending.

A successful strategy could access new growth areas, such as renewable energy financing, while carefully pricing credit risks related to the energy transition. If unmanaged, these could impact loan credit quality, affecting profitability and long-term shareholder value.

We have been engaging with Credicorp on its assessment and disclosure of indicators relating to its relevant and material financing risks for the energy transition. The main challenge for banks is obtaining reliable data from their corporate clients and investee companies. We have engaged with the chair and the CEO, explaining our view of the importance of identifying opportunities and risks, and managing exposures.

[1] Warren Buffett's annual letter to shareholders, 2024.

Changes at the company and next steps

In 2024, the company increased the information available relating to its financing risks and opportunities relevant to the energy transition. This included identifying and reporting on risk indicators at its subsidiaries Prima AFP, Pacifico Seguros, BCP and BCP Bolivia. The assessment focused on companies from high-emitting sectors, which present greater opportunities and risks, such as cement, electricity generation, agriculture, mining and steelmaking.

Credicorp is progressing with the assessment of its portfolio, expanding the coverage to other high-emitting sectors. The assessment and disclosure of risk indicators relevant to the energy transition should support the identification and management of financial opportunities and risks to the bank through the energy transition. This includes identifying emerging market opportunities and reducing the risk of impaired loans.

CIBC

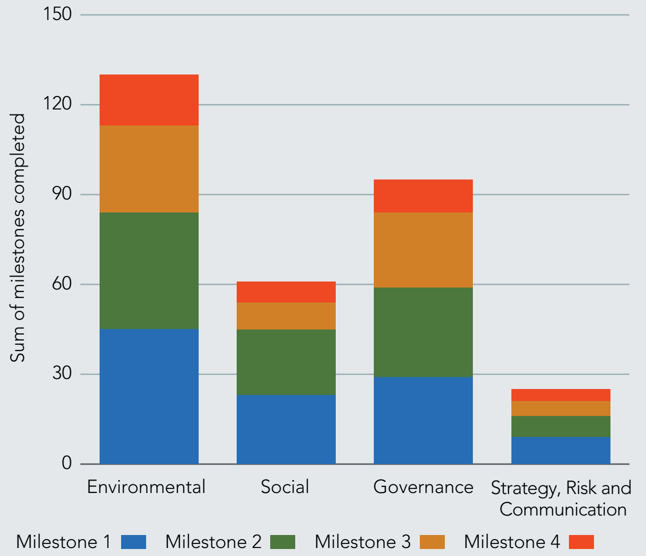
Engagement theme: Digital rights

Lead engager: Nick Pelosi

As the financial services industry increases its investments in artificial intelligence (AI), we are monitoring implementation to ensure that banks have robust board oversight. Since 2020, we have engaged with Canadian Imperial Bank of Commerce (CIBC) on publishing trustworthy AI principles, demonstrating that it is developing and using AI within a responsible framework.

We first discussed AI during a meeting with senior leaders in 2020. In 2021, the bank discussed an early version of its trustworthy AI principles during an investor day event. Afterwards, we emailed the bank to ask if its AI principles would be finalised and published. In 2023, we raised the possibility of bias in algorithms and datasets. At a later meeting, the bank indicated that its future reporting would include its trustworthy AI principles.

Milestones completed by stage H1 2026



Source: EOS data

Changes at the company and next steps

In 2024, CIBC published its Trustworthy AI Commitment, based on six principles of accountability, transparency, fairness, reliability, privacy, and security. The commitment explains the bank's approach to board oversight and AI governance.

In 2025, CIBC became the first major Canadian bank to sign the Canadian government's Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems. By publishing its Trustworthy AI Commitment and signing the Voluntary Code of Conduct, in our view the bank is better positioned to capture AI-related opportunities, while mitigating the risks of unintended harms that could result in litigation, fines, or lost business opportunities.

Public policy and best practice

EOS contributes to the development of policy and best practice on corporate governance, sustainability and shareholder rights, seeking 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.

Roundtable on the future of Europe's energy transition

Lead engager: Will Farrell

We hosted a roundtable on the future of Europe's energy transition, chaired by the World Climate Foundation and State of Green Denmark. We were joined by the Danish Climate Ambassador, as well as other policymakers, financial institutions, and companies. The roundtable discussed the economic opportunities of the transition, reviewing the latest research from BloombergNEF, and how these can best be accessed, especially as the implementation agenda gains pace.

Several participants advocated for the energy security and resilience benefits of the transition, including energy affordability, and supportive policies. We echoed these comments but added that Europe has a more fundamental industrial competitiveness weakness, driven by high energy prices. Therefore, governments re-engaging with industrial strategy development is an opportunity to advocate for the energy transition, including the electrification of industry. This can be a primary lever for Europe to reassert its economic competitiveness, by shifting its dependence on insecure and often expensive fossil fuels and establishing technological leadership in key electrification opportunities.

We also advocated for closer engagement between governments, industry, and financial institutions to define how these energy transition opportunities can be catalysed, including through sector transition plans.

Response to UK consultation on children's online safety

Lead engager: Ross Teverson

We responded to the UK government's consultation 'Growing up in the online world: a national conversation,' contributing investor perspectives on children's online safety, platform design and regulatory effectiveness. Our submission emphasised that, while digital services can deliver positive experiences for children when aligned with children's rights, current business models and design choices can create material risks that warrant stronger, more coherent intervention.

From a regulatory and risk management perspective, we supported the introduction of a statutory minimum age of access for social media, with a preference for a threshold of either 15 or 16, while cautioning against blunt bans that may displace children to less regulated services. We encouraged the pursuit of regulatory consistency across jurisdictions to support effective enforcement and reduce compliance burdens for companies operating globally. We also advocated for raising the digital age of consent to 16, highlighting improved data protection, reduced profiling of minors and lower long-term regulatory and litigation risk for firms.

We strongly supported age restrictions on high-risk functionalities (including livestreaming, stranger interaction and disappearing content) and on persuasive design features that drive compulsive use. We emphasised "safety-by-design" and child-safe AI principles, particularly for AI chatbots, recommending feature-level restrictions rather than outright exclusion, to preserve educational benefits while mitigating emerging risks.

Panel and open discussion at BSR online investor meeting

Lead engager: Ming Yang

We spoke on a panel and participated in an open discussion facilitated by the Biopharma Sustainability Roundtable (BSR), alongside approximately 35 attendees from pharmaceutical companies and investors. We outlined our key engagement priorities for the sector, including human capital management, access to medicines, digital rights and the implications of AI, as well as nature-related risks with a focus on antimicrobial resistance (AMR).

We highlighted the structural market failure on AMR, noting the high costs and low revenues associated with antibiotics R&D, limited market incentives and challenges in demonstrating short-term financial materiality. Nevertheless, we emphasised the systemic importance of antibiotics for modern medicine and the relevance of AMR for long-term institutional investors.

We encouraged companies to engage in public policy advocacy to support a level playing field and improved incentives, noting potential opportunities linked to the forthcoming UN independent panel on AMR. We also stressed the need for collaborative action, highlighted relevant international initiatives, and reiterated our role as a critical friend in raising board-level awareness. Companies in attendance included GSK, Novartis, Pfizer, Sanofi, Jazz and Takeda.

Feedback on Finance for Biodiversity's guidance for metals and mining

Lead engager: Elissa El Moufti

We provided detailed feedback on the Finance for Biodiversity's draft guidance for the metals and mining sector. We focused on strengthening coherence, financial materiality and practical expectations for companies and investors. We encouraged a more consistent narrative across the document by reinforcing that biodiversity considerations should be integrated throughout the full mining lifecycle, from exploration to closure.

We also highlighted the need for a more explicit systems-based approach, given the links between biodiversity, water and pollution. We recommended strengthening the articulation of financial materiality across the guidance. We emphasised that weak management of nature-related risks can result in higher operating costs, regulatory challenges, reputational damage and supply constraints, while robust management can mitigate risk, reduce volatility and support long-term value creation.

In reviewing the recommended company actions, we supported the emphasis on stakeholder engagement but advised that engagement with local communities on water rights, aligned with free, prior and informed consent principles, should be positioned as a basic or intermediate expectation, particularly at the pre-development stage. We also proposed enhancements to investor engagement questions.

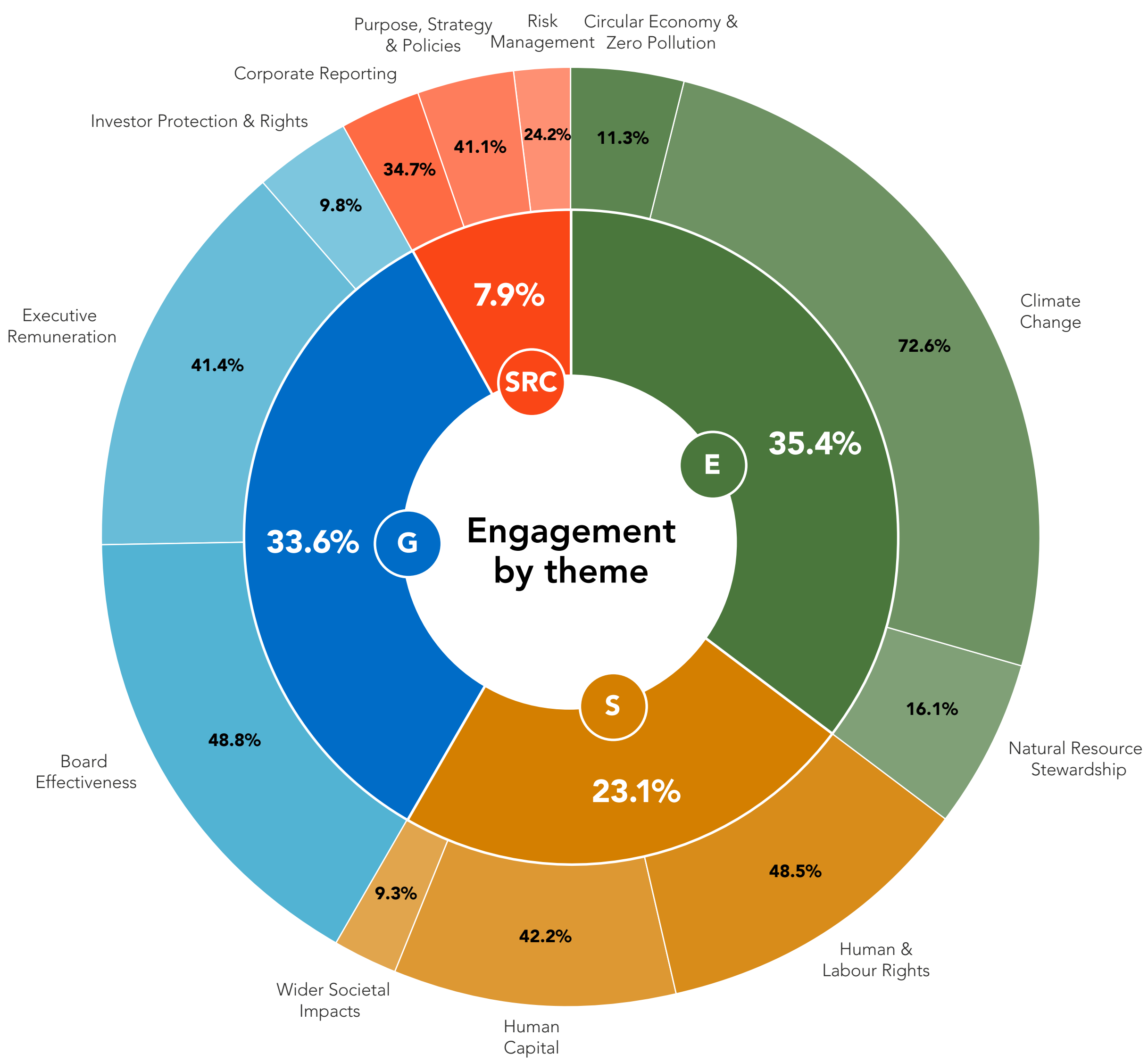
This included stronger expectations on applying the mitigation hierarchy and achieving no net loss or net gain outcomes, improved assessment of nature dependencies and the use of natural capital approaches, and a more forward-looking view on water risk. We encouraged greater transparency in water data, integration of nature-based solutions, and clearer recognition of water as a human rights issue within governance frameworks. Overall, we believe these refinements would improve the practical use of the guidance and strengthen its alignment with environmental outcomes and financial performance.

Engagement and voting

Engagement by region

Over the last quarter we engaged with 449 companies on 1,579 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 **5.3%**
- Europe **22.9%**
- Emerging & Developing Markets **14.3%**
- Developed Asia **11.4%**
- Australia & New Zealand **2.2%**
- North America **43.9%**

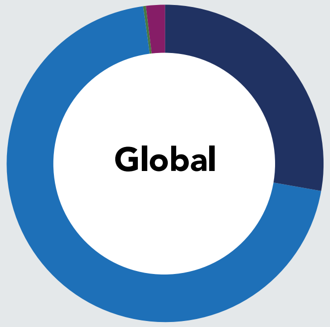


Environmental | Social | Governance | Strategy, Risk & Communication

Source: EOS data.

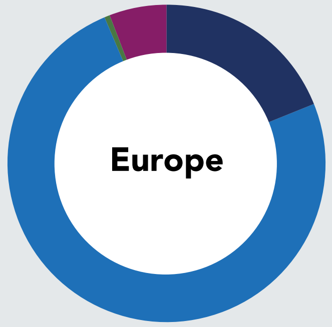
Voting overview

Over the last quarter we implemented our clients' vote policies at 7,595 meetings (82,971 resolutions). Votes were instructed opposing one or more resolutions at 5,318 meetings, supporting management by exception at 139 meetings, abstaining at 20 meetings and supporting management on all resolutions at the remaining 2,118 meetings.



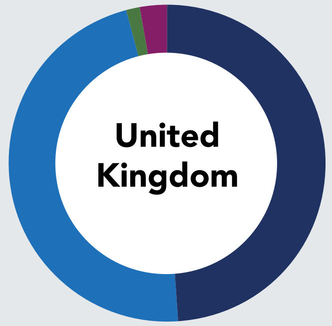
Votes were instructed at **7,595** meetings (**82,971** resolutions) over the last quarter.

- Total meetings in favour **27.9%**
- Meetings against (or against AND abstain) **70.0%**
- Meetings abstained **0.3%**
- Meetings with management by exception **1.8%**



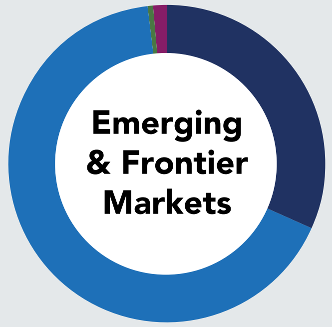
Votes were instructed at **1,009** meetings (**17,708** resolutions) over the last quarter.

- Total meetings in favour **18.9%**
- Meetings against (or against AND abstain) **74.8%**
- Meetings abstained **0.6%**
- Meetings with management by exception **5.6%**



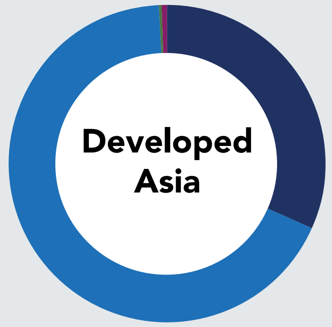
Votes were instructed at **313** meetings (**5,088** resolutions) over the last quarter.

- Total meetings in favour **49.2%**
- Meetings against (or against AND abstain) **47.0%**
- Meetings abstained **1.3%**
- Meetings with management by exception **2.6%**



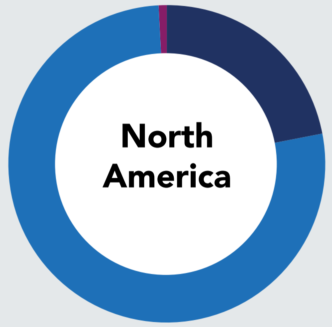
Votes were instructed at **2,412** meetings (**24,438** resolutions) over the last quarter.

- Total meetings in favour **31.8%**
- Meetings against (or against AND abstain) **66.5%**
- Meetings abstained **0.4%**
- Meetings with management by exception **1.3%**



Votes were instructed at **1,282** meetings (**12,047** resolutions) over the last quarter.

- Total meetings in favour **31.7%**
- Meetings against (or against AND abstain) **67.6%**
- Meetings abstained **0.1%**
- Meetings with management by exception **0.5%**



Votes were instructed at **2,483** meetings (**23,174** resolutions) over the last quarter.

- Total meetings in favour **22.2%**
- Meetings against (or against AND abstain) **77.2%**
- Meetings with management by exception **0.7%**

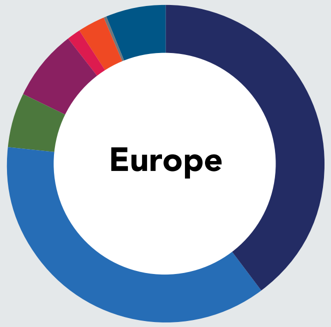
Votes were instructed at **96** meetings (**516** resolutions) over the last quarter.

- Total meetings in favour **50.0%**
- Meetings against (or against AND abstain) **22.9%**
- Meetings with management by exception **27.1%**

The issues on which votes were instructed against management or abstaining on resolutions are shown below.

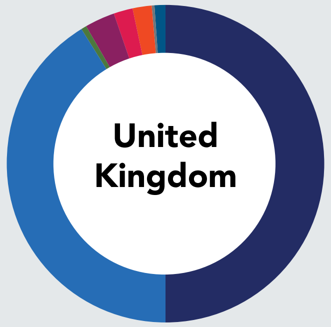
Votes were instructed against or abstaining on **15,232** resolutions over the last quarter.

- Board structure **54.3%**
- Remuneration **19.4%**
- Shareholder resolution **5.5%**
- Capital structure and dividends **8.5%**
- Amend articles **4.4%**
- Audit and accounts **4.2%**
- Investment/M&A **0.6%**
- Poison pill/Anti-takeover device **0.1%**
- Other **3.0%**



Votes were instructed against or abstaining on **2,429** resolutions over the last quarter.

- Board structure **39.8%**
- Remuneration **37.0%**
- Shareholder resolution **5.6%**
- Capital structure and dividends **7.2%**
- Amend articles **1.5%**
- Audit and accounts **2.7%**
- Poison pill/Anti-takeover device **0.1%**
- Other **6.1%**

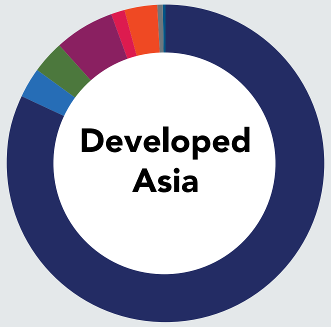


Votes were instructed against or abstaining on **533** resolutions over the last quarter.

- Board structure **50.1%**
- Remuneration **41.3%**
- Shareholder resolution **0.6%**
- Capital structure and dividends **2.9%**
- Amend articles **2.0%**
- Audit and accounts **2.0%**
- Poison pill/Anti-takeover device **0.3%**
- Other **0.9%**

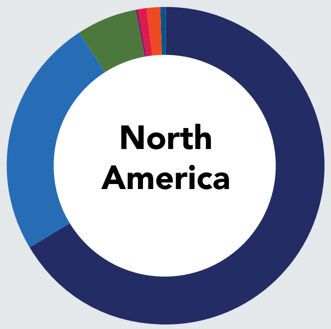
Votes were instructed against or abstaining on **5,074** resolutions over the last quarter.

- Board structure **41.3%**
- Remuneration **10.3%**
- Shareholder resolution **6.5%**
- Capital structure and dividends **17.0%**
- Amend articles **10.5%**
- Audit and accounts **8.0%**
- Investment/M&A **1.7%**
- Poison pill/Anti-takeover device **0.1%**
- Other **4.6%**



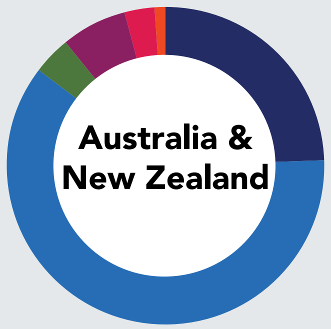
Votes were instructed against or abstaining on **2,440** resolutions over the last quarter.

- Board structure **82.3%**
- Remuneration **3.0%**
- Shareholder resolution **3.2%**
- Capital structure and dividends **6.2%**
- Amend articles **1.4%**
- Audit and accounts **3.3%**
- Poison pill/Anti-takeover device **0.6%**
- Other **0.1%**



Votes were instructed against or abstaining on **4,613** resolutions over the last quarter.

- Board structure **66.5%**
- Remuneration **24.6%**
- Shareholder resolution **6.1%**
- Capital structure and dividends **0.3%**
- Amend articles **0.9%**
- Audit and accounts **1.2%**
- Other **0.5%**



Votes were instructed against or abstaining on **145** resolutions over the last quarter.

- Board structure **24.5%**
- Remuneration **60.8%**
- Shareholder resolution **3.9%**
- Capital structure and dividends **6.9%**
- Amend articles **2.9%**
- Audit and accounts **1.0%**

Voting figures are representative of activity undertaken across all client policies.

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 maximising shareholder value over the long term, in our clients' portfolios.

Our company and policy engagement objectives complement each other by seeking to enhance the performance of individual holdings, whilst addressing systemic opportunities and risks to the economy that are likely to affect long-term returns for broadly diversified asset owners.

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 in our clients' portfolios using a constructive, objectives-driven and continuous dialogue. Our strategies are informed by our deep knowledge across themes, sectors and regions. We seek to ensure that our engagement is tailored and focused on financially material factors.

Voting

We offer an intelligent voting service, covering listed equity holdings in all markets and indices. Each EOS client adopts a voting policy that represents their own beliefs and supports their investment objectives. Each EOS client acts independently when exercising their voting rights. EOS takes an engagement-led approach, where possible, when implementing each client's voting policy. Votes are tailored to the individual company's circumstances, with clients retaining the ability to vote how they wish.

A dynamic three-tier framework guides the implementation of each of our clients' voting policies – country-specific policies, our EOS regional corporate governance principles, and our overarching global voting guidelines. These ensure that our clients' votes account for regional differences, cultural norms and the relevant stage of the stewardship journey, so that the rationale for each vote is understood by the company.

Public policy and market best practice

We engage 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. In addition, we often contribute to industry collaborations such as the PRI, enabling us to increase the reach of our work on behalf of clients.

Screening

Our quarterly screening tool monitors our clients' portfolios to identify companies that violate, or are at risk of violating, commonly accepted international norms and standards. This enables our clients to see where risks may arise in their portfolios, and to review any company responses to these based on our engagement insights where possible.

Advisory

We help our clients to meet stewardship regulations, and work with them to develop their responsible ownership policies, drawing on our extensive expertise and proprietary tools, to advance their stewardship strategies.

EOS team

Engagement


Leon Kamhi
Head of Responsibility and EOS


Dana Barnes
Sectors: Chemicals, Oil & Gas, Utilities


Justin Bazalgette
Sectors: Consumer Goods, Industrial & Capital Goods, Transportation


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


George Clark
Voting and Engagement Support


George Daglish
Sectors: Chemicals, Oil & Gas, Utilities


Emily DeMasi
Sectors: Financial Services, Pharmaceuticals & Healthcare


Bruce Duguid
Head of Stewardship, EOS


Elissa El Moufti
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Sectors: Utilities, Chemicals, Financial Services


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Sectors: Technology, Oil & Gas, Financial Services


Trey Goff
Sectors: Retail & Consumer Services, Financial Services, Technology


Jaime Gornsztejn
Sector: Mining & Materials


Tsitsi Griffiths
Sector: Chemicals, Oil & Gas


Hannah Heuser
Sectors: Mining & Materials, Transport, Financial Services, Industrial & Capital Goods


Ellie Higgins
Sectors: Pharmaceuticals & Healthcare, Defence, Retail & Consumer Services


Shoa Hirosato
Sectors: Transportation, Financial Services, Utilities


Lisa Lange
Sector: Pharmaceuticals & Healthcare, Consumer Goods


Sonya Likhtman
Sectors: Transportation, Consumer Goods, Financial Services


Earl McKenzie
Voting and Engagement Support


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James O'Halloran
Director of Business Management, EOS


Navishka Pandit
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Xinyu Pei
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Velika Talyarkhan
Sectors: Utilities, Consumer Goods, Retail & Consumer Services


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Sectors: Retail & Consumer Services, Technology


Kenny Tsang
Sector: Consumer Goods, Retail & Consumer Services, Technology


Judi Tseng
Sectors: Financial Services, Technology


Mark Turner
Voting and Engagement Support


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


Michael Yamoah
Sectors: Technology, Oil & Gas, Utilities, Pharmaceuticals


Ming Yang
Sectors: Consumer Goods, Pharmaceuticals & Healthcare

Client Service and Business Development


Mike Wills
Director of Business Development & Client Management


Amy D'Eugenio
Sustainability Director


Jonathan Lance
Client Service


Alice Musto
Client Relationship Lead


Julia Schimmelmann
Client Service


Carina Pennati
Client Service

Federated Hermes

EOS

Federated Hermes

Federated Hermes is a 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 public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

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

SAI GLOBAL
ISO 14001
Environmental