

# Public Engagement Report



**CURRENTS OF CHANGE**  
How will the High Seas  
Treaty impact companies  
and investors?

AI's insatiable appetite for energy

Key voting season trends from  
Asia and emerging markets

**Q3 2025**

Welcome to our Public Engagement Report for Q3 2025. In our cover feature this quarter, Ming Yang, Xinyu Pei and Shoa Hirosato take an in-depth look at the implications of the High Seas Treaty, expected to enter into force in January.

We engage on ocean-related topics such as food security, nature and biodiversity, and climate mitigation across relevant sectors including retail and consumer goods, oil and gas, transportation, chemicals and financial services. How might these sectors be impacted by the implementation of the treaty and how can companies take advantage of new opportunities?

In our second feature, Velika Talyarkhan and Michael Yamoah explain why the rapid expansion of AI datacentres is placing increasing demands on electricity providers and energy grids. They set out the challenges, and how we engage with companies in the utilities, technology, and oil and gas infrastructure sectors to address these issues.

Finally, Shoa Hirosato highlights some of the key trends from this year's voting season across developed Asia and emerging markets, with updates on board independence, climate disclosure in China, and South Korea's Value-Up programme.



**Claire Milhench**  
Associate Director – Communications & Content

## Table of contents

<b>Ocean pledges create waves of opportunity</b>	<b>4</b>
At a UN ocean conference in June, dozens of countries promised to ratify the High Seas Treaty to bring it into force. The aim is to protect marine life by curbing overfishing, and ensure that the ocean is managed sustainably. What are the implications for companies and investors? By Ming Yang, Shoa Hirosato and Xinyu Pei.	
<b>AI's insatiable appetite for energy</b>	<b>9</b>
The rapid expansion of AI datacentres is placing increasing demands on electricity providers and energy grids. Velika Talyarkhan and Michael Yamoah examine the challenges for governments and companies.	
<b>Key voting season trends from Asia and the emerging markets</b>	<b>12</b>
Across Asia this year we saw notable improvements in board independence, and in South Korea and Japan there was a rise in minority shareholders seeking better corporate governance. Shoa Hirosato highlights the key developments.	
<b>Company engagement highlights</b>	<b>16</b>
Short company case studies where we have completed objectives or can demonstrate significant progress.	
<b>Public policy and best practice</b>	<b>19</b>
Highlights of our advocacy and collaborative work.	
<b>Engagement and voting activity</b>	<b>21</b>
<b>The EOS approach to engagement</b>	<b>25</b>
<b>EOS Team</b>	<b>26</b>



# Ocean pledges create waves of opportunity

At a UN ocean conference in June, dozens of countries promised to ratify the High Seas Treaty to bring it into force. The aim is to protect marine life by curbing overfishing, and ensure that the ocean is managed sustainably. What are the implications for companies and investors? By Ming Yang, Shoa Hirosato and Xinyu Pei.

## Setting the scene

Overfishing, plastic pollution and global heating pose serious threats to the long-term health of the oceans, potentially jeopardising future food security. UN Sustainable Development Goal (SDG) 14, life below water, is the least funded SDG, with an estimated \$175bn needed annually to support conservation and sustainable solutions. But only \$30bn has been invested since 2010, a significant funding gap.<sup>1</sup> This can be a strategic opportunity for investors and companies.


For further information, please contact:



**Ming Yang**  
Theme: Natural Resource Stewardship



**Shoa Hirosato**  
Theme: Climate Change



**Xinyu Pei**  
Themes: Climate Change, Natural Resource Stewardship

In June, governments, investors, companies and NGOs met in Nice, France at the third UN Ocean Conference (UNOC). The goal was to address the unchecked exploitation of marine resources by encouraging countries to ratify the High Seas Treaty. This agreement to put 30% of the ocean into protected areas was signed two years ago, but needs ratification by at least 60 countries to enter into force.

The event was successful in encouraging more governments to act, with 60 now having ratified, meaning that the treaty will legally enter into force on 17 January 2026.<sup>2</sup> The goal is to ensure that target three of the Global Biodiversity Framework is met – to conserve at least 30% of marine and coastal areas by 2030.<sup>3</sup> With only five years to go, and little progress to date, further action and investment is urgently needed.

To support this goal, and identify funding and solutions, the adjacent Blue Economy and Finance Forum was held in Monaco, which Federated Hermes Limited attended. Policymakers, investors and experts exchanged ideas to address resource depletion, ocean acidification and pollution.

<sup>1</sup> Fast-growing trillion-dollar ocean economy goes beyond fishing and shipping | UN Trade and Development (UNCTAD)  
<sup>2</sup> The High Seas Treaty: A 20-Year Push to Protect International Waters | World Resources Institute  
<sup>3</sup> 2030 Targets (with Guidance Notes)

We engage on these topics with companies in sectors such as retail and consumer goods, oil and gas, transportation, chemicals and financial services. Better management of the ocean-related risks and opportunities that these companies are exposed to through their value chains will support business resilience and long-term value for investors. Below, we set out our stewardship approach across several key engagement themes for ocean health.

## Food security

In 2022, global seafood production reached approximately 223 million tonnes, a 123% increase since 1990, generating an estimated US\$472bn in revenue.<sup>4</sup> Seafood consumption is projected to rise to 21.2 kg per capita globally by 2032,<sup>5</sup> fuelled by population growth, rising incomes, and the increasing demand for protein-rich foods, making it a critical component of global food security and nutrition.

## Retail and consumer goods: seafood traceability

Seafood is among the most illegally produced commodities globally, with an estimated 20% of wild-caught fish linked to illegal, unreported, and unregulated (IUU) fishing.<sup>6</sup> This undermines fish stock sustainability, deprives governments of tax revenues, and can be associated with human rights violations.<sup>7</sup> For companies, exposure to IUU products in their supply chains increases the risk of trade restrictions and reputational damage, especially in stricter markets such as the EU.

Overfishing is also one of the greatest threats to ocean biodiversity. Extracting fish at rates faster than populations can replenish, leads to the degradation and destabilisation of marine ecosystems, and threatens endangered species.<sup>8</sup> Addressing overfishing is essential for the long-term viability of seafood as a sustainable food source, and to avoid higher future operational costs.



## Ongoing engagement: Mitsubishi Corp

Mitsubishi Corporation, a Japanese trading house, operates seafood-focused subsidiaries. In collaboration with the FAIRR Initiative, our engagement has centred on improving traceability across Mitsubishi's seafood supply chain to manage environmental and social risks such as IUU fishing, overfishing, habitat degradation, and human rights. It is estimated that traceability systems could cost as little as 1% of seafood revenue, yet boost profitability by up to 60%.<sup>9</sup>

Following the first phase of engagements in 2024, the company released its seafood procurement policy in 2025, clearly acknowledging seafood-specific risks. We are encouraging the company to go beyond this by enhancing the scope and implementation of its commitments, further strengthening transparency and traceability.

## Nature and biodiversity

Ocean pollutants pose a severe threat to marine ecosystems and impact human health through the food system. A UN process to develop a legally binding instrument to address plastic pollution, known as the Global Plastics Treaty, was initiated in 2022. The treaty aims to tackle plastic pollution across the life cycle, emphasising upstream production and downstream recycling.

Since 2023, we have advocated for an ambitious treaty through various initiatives.<sup>10</sup> However, the sixth round of talks, which took place in Geneva in August 2025, collapsed after countries failed to reach a consensus between those wanting to curb plastic production and those pushing for an emphasis on recycling.<sup>11,12</sup>



<sup>4</sup> Tracing Risk and Opportunity: The Critical Need for Traceability in Today's Seafood Supply Chains | FAIRR  
<sup>5</sup> [https://www.oecd.org/en/publications/oecd-fao-agricultural-outlook-2023-2032\\_08801ab7-en/full-report/fish\\_7d2a0a74.html#chapter-d1e23996-142ccbce5e](https://www.oecd.org/en/publications/oecd-fao-agricultural-outlook-2023-2032_08801ab7-en/full-report/fish_7d2a0a74.html#chapter-d1e23996-142ccbce5e)  
<sup>6</sup> Illegal-Unreported-and-Unregulated-Fishing-and-Associated-Drivers.pdf  
<sup>7</sup> Summary\_Illegal-Unreported-and-Unregulated-Fishing-and-Associated-Drivers.pdf  
<sup>8</sup> InfluenceMap Oceans Under Threat  
<sup>9</sup> How to Trace USD600 Billion  
<sup>10</sup> Stemming the plastics tide | Federated Hermes Limited  
<sup>11</sup> UN Environment Programme: Talks on global plastic pollution treaty adjourn without consensus  
<sup>12</sup> Global plastic talks collapse as countries remain deeply divided | BBC

### Retail and consumer goods: downstream plastics pollution

We have a long-standing record of engaging retailers and consumer goods companies on plastic reduction targets. Nestlé, for example, has committed to 100% recyclable or reusable packaging and a one-third reduction in virgin plastic use by 2025. It has also signed the European Plastics Pact, pledging to cut virgin plastic in products and packaging by at least 20%, boost recycling capacity in Europe by 25%, and use at least 30% recycled plastics in packaging.<sup>13</sup>

### Oil and gas: upstream plastics pollution

In response to potential regulatory changes and the associated financial implications for upstream producers, we have evolved our approach by intensifying engagements in this sector.<sup>14</sup> We engage with China's Sinopec, one of the top single-use plastic producers and carbon emitters.<sup>15</sup>

Since 2024, we have engaged on the resilience of Sinopec's business strategy and raised concerns about the long-term financial risks from the potential shift in demand for plastics. We have encouraged Sinopec to conduct risk assessments using plastics scenario analysis, improve transparency on plastics disclosure, and develop robust strategies.

### Industrials: non-plastic pollution

Companies face increasing regulatory penalties and reputational damage for mismanaging non-plastic pollution, especially in the chemicals, shipping, and tourism sectors.<sup>16</sup> Chemical pollution can lead to oxygen-depleted dead zones that disrupt marine life. Spills and operational discharges from the oil and gas industry have had catastrophic impacts. Ships may release ballast water containing invasive species and pollutants, which degrade biodiversity, threaten fisheries, and undermine ocean ecosystem services.



We engage with companies to manage contamination from hazardous pollutants.<sup>17</sup> This includes comprehensive catastrophic risk management strategies for major incidents such as oil spills, mining tailings failures, and nuclear contamination.

For example, we engaged with Metallurgical Corp of China on the environmental and human rights impacts stemming from the discharge of tailings waste into marine waters off Papua New Guinea. We recommended opposing the board director reports at the 2022 and 2023 AGMs due to a lack of transparency and risk management on these issues.

Companies face increasing regulatory penalties and reputational damage for mismanaging non-plastic pollution, especially in the chemicals, shipping, and tourism sectors.



### Deep-sea mining

The rising demand for critical minerals for the energy transition and batteries has prompted some companies and governments to consider mining the seabed, but this is a contentious topic. Negotiations on international regulation for deep-sea mining (DSM) by the UN's International Seabed Authority (ISA) resumed in July 2025.

Understanding of the long-term impacts of DSM is limited as less than 1% of the deep sea has been explored.<sup>18</sup> DSM may release carbon stored in the seabed and cause biodiversity loss with uncertain recovery timelines.<sup>19</sup> It also poses the risk of pollution and habitat destruction, threatening fisheries and livelihoods.<sup>20</sup>

In response, 40 financial institutions, including Federated Hermes Limited, signed a joint statement led by the Finance for Biodiversity Foundation, urging governments not to proceed with DSM until its risks are fully understood and alternatives have been explored.<sup>21</sup>

We have engaged with several automotive companies on DSM, including recommending support for shareholder resolutions calling for a moratorium commitment.<sup>22</sup> As older electric vehicles reach the end of their life, a secondary supply of critical minerals is emerging. Circularity presents an opportunity to mitigate DSM risks, so we are expanding our engagement with companies in the consumer electronics and home appliance sectors. This includes Dell Technologies, Haier Smart Home, and Delta Electronics, with discussions focusing on recycling, critical mineral recovery, and supply chain diversification.

### Climate mitigation

The ocean plays a vital role in regulating the climate, absorbing approximately 30% of the carbon dioxide emitted into the atmosphere each year.<sup>23</sup> However, recent studies showed that Greenland's glaciers and Arctic ice sheets are melting faster than anticipated, disrupting major ocean currents such as the Gulf Stream.<sup>24</sup> This disruption is slowing the ocean's ability to absorb carbon, compounding climate change.

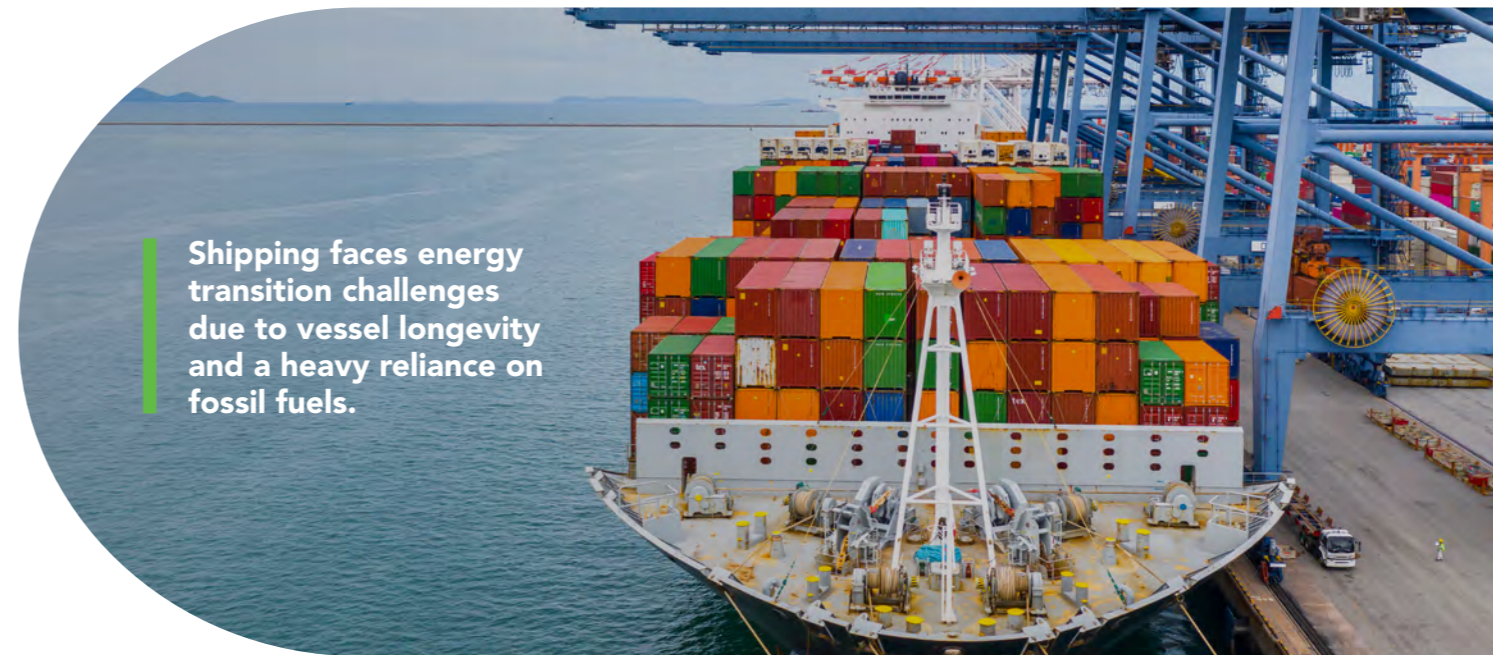
### Transportation: shipping and alternative fuel

Shipping is responsible for around 3% of global greenhouse gas emissions.<sup>25</sup> The sector faces energy transition challenges due to vessel longevity and a heavy reliance on fossil fuels.<sup>26</sup> Planning for climate risk and capturing opportunities has been central to our engagements with the shipping sector.

### Ongoing engagement: Maersk

We have engaged with Maersk on climate since 2011. In 2024, we welcomed its 2040 net-zero target and Science Based Targets initiative 1.5°C pathway validation. Its energy transition strategy includes alternative fuels and efficiency measures to meet its goals and support ocean health. By 2030, it aims to power 25% of its ocean cargo with green fuels such as methanol, biomethane, and biodiesel. Maersk has committed to using only second-generation biofuels, such as those derived from waste. We continue to encourage greater accountability and transparency in its alternative fuel strategy.

Shipping faces energy transition challenges due to vessel longevity and a heavy reliance on fossil fuels.



<sup>18</sup> Seabed 2030 announces millions of square kilometers of new seafloor data on World Hydrography Day — Seabed 2030

<sup>19</sup> Deep Sea Mining and the Green Transition

<sup>20</sup> wwf-report—analysis-of-the-implications-of-deep-seabed-mining-for-the-global-biodiv.pdf

<sup>21</sup> Global Financial Institutions Statement to Governments on Deep-Seabed Mining

<sup>22</sup> EOS Public Engagement Report

<sup>23</sup> Quantifying the Ocean Carbon Sink | News | National Centers for Environmental Information (NCEI)

<sup>24</sup> Trees and land absorbed almost no CO2 last year. Is nature's carbon sink failing? | Oceans | The Guardian

<sup>25</sup> International shipping and emissions - POST

<sup>26</sup> Review of Maritime Transport 2023 | UN Trade and Development (UNCTAD)

<sup>13</sup> Nestlé signs the European Plastics Pact | Nestlé

<sup>14</sup> Stemming the plastics tide | Federated Hermes Limited

<sup>15</sup> Plastic Waste Makers Index 2023

<sup>16</sup> DuPont Settlement Signals Upstream Accountability in PFAS Litigation – Goldberg Segalla

<sup>17</sup> Deep dive: Hazardous chemicals and their impact on oceans | Federated Hermes Limited



In our recent engagement, Orsted reaffirmed its commitment to green energy and ambitious science-based targets.

**Financial services: ocean financing**

Financial institutions can help to close the ocean funding gap and establish guardrails for ocean activities. They also continue to influence sectors such as offshore and Arctic drilling, which can adversely impact fragile ecosystems. A comprehensive risk assessment of Arctic development could help to mitigate financial and operational risks for producers and investors, while reducing emissions and protecting ecosystems.

**Ongoing engagements: Japanese banks**

We have engaged with three major Japanese banks, Sumitomo Mitsui Financial Group (SMFG), Mitsubishi UFJ Financial Group (MUFG), and Mizuho Financial Group, on their financing policies and approaches to mitigating financial risks. Many European peers, including Deutsche Bank, BNP Paribas and HSBC have already phased out financing for new or specific categories of Arctic drilling.

In 2025, following the Japanese bank exits from the Net-Zero Banking Alliance (NZBA), we met with these banks to discuss our concerns. All three banks apply enhanced due diligence processes when evaluating Arctic oil and gas projects. However, we encourage clarification of their respective risk appetites and strengthened policies and practices around unconventional drilling.

**Utilities: renewable opportunities**

The global offshore wind market is projected to grow from 83GW in 2024 to over 441GW by 2034,<sup>27</sup> reflecting its scalability and strategic importance. The estimated value of fully scaled offshore wind energy between 2020 and 2050 ranges from US\$252bn to \$6.8tn.<sup>28</sup> Offshore wind offers benefits beyond clean energy generation: its associated underwater infrastructure can support seaweed cultivation, creating underwater forests that sequester carbon and provide critical habitats for marine life. Additionally, these developments may establish de facto no-trawl zones, helping to protect and restore seafloor ecosystems.

**Ongoing engagement: Orsted**

We have engaged with Orsted, a leader in offshore wind, since 2018. To date, Orsted has installed 9.9GW of offshore wind capacity globally and aims to scale this to 20-22GW by 2030.<sup>29</sup> In our recent engagement, Orsted reaffirmed its commitment to green energy and ambitious science-based targets. It has measured its marine biodiversity impacts and has issued a blue bond to support ocean health initiatives. This includes the BioReef project in partnership with WWF to restore biogenic reefs in the Dutch North Sea,<sup>30</sup> and a three-year research project on fish migration patterns and how they interact with offshore wind farms.

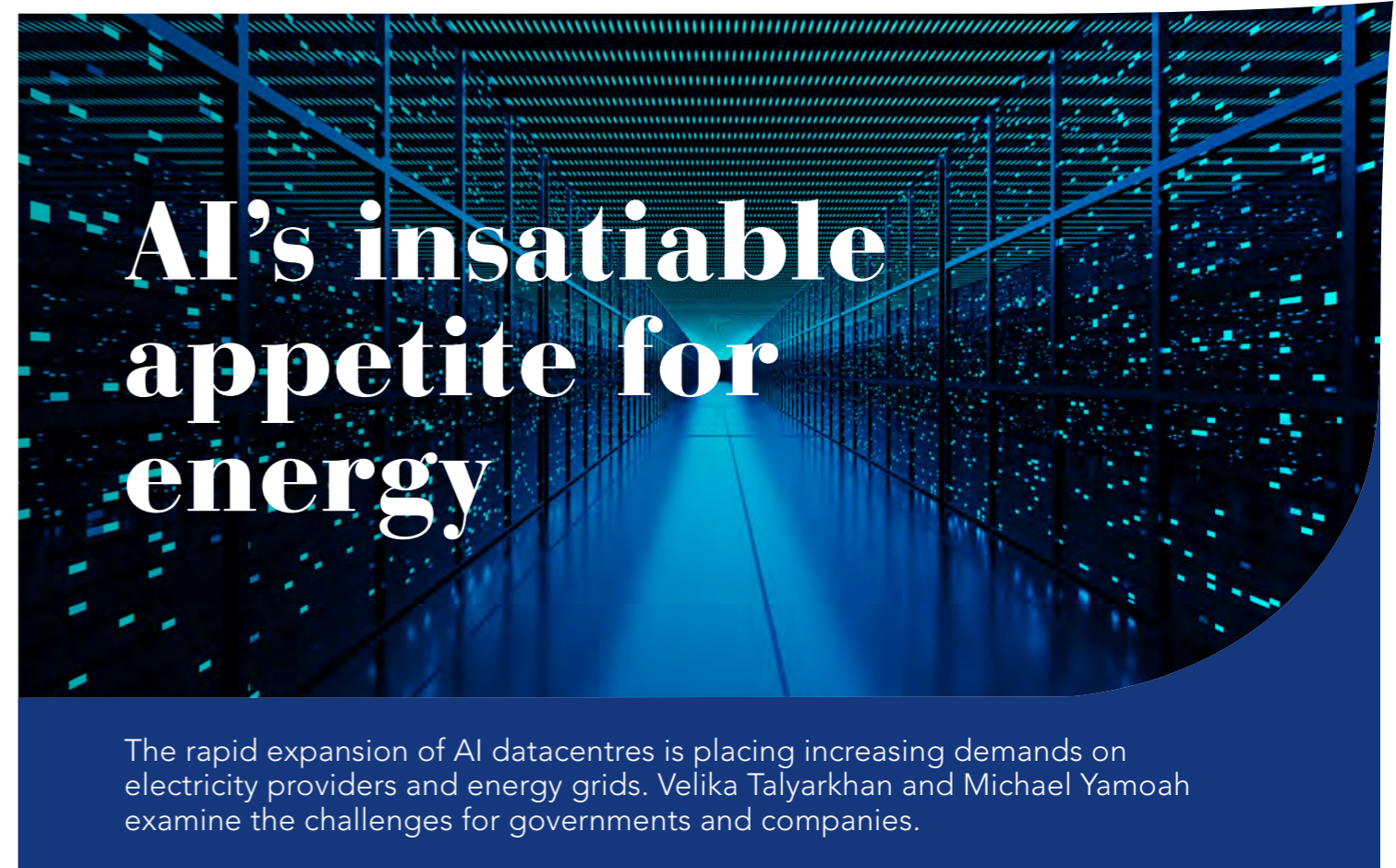
**Outlook**

The ocean represents a vast and largely untapped economic opportunity, yet it remains under threat from unchecked human activity. Nature has a remarkable ability to regenerate; protecting even small areas can revitalise ecosystems. Robust policies and regulatory frameworks are essential to safeguard the health of the ocean while unlocking its full value.

At the global level, international organisations must maintain strong momentum in advocating for the High Seas Treaty to safeguard ocean biodiversity. The upcoming COP30 in Brazil offers another opportunity to advance the dialogue on ocean protection and mobilise critical investments. Financial instruments such as blue bonds and blended finance are gaining attention.

Ocean health is essential for long-term business resilience and value creation. We encourage companies across relevant sectors to strengthen their understanding of ocean-related risks and opportunities, and to elevate their focus on their value chain impacts and dependencies on marine ecosystems.

<sup>27</sup> GOWR25.pdf  
<sup>28</sup> Transitioning the blue economy | Standard Chartered  
<sup>29</sup> Our Offshore Wind Farms in the United Kingdom | Ørsted  
<sup>30</sup> Ørsted and WWF embark on marine restoration project in the Danish North Sea



# AI's insatiable appetite for energy

The rapid expansion of AI datacentres is placing increasing demands on electricity providers and energy grids. Velika Talyarkhan and Michael Yamoah examine the challenges for governments and companies.

**Setting the scene**

**The rapid adoption of artificial intelligence (AI) across various sectors has prompted a similar growth in datacentres. But these huge computational hubs are energy hungry, putting a strain on local energy supplies, and other users' energy security. For electricity utilities trying to serve all customers, and national and regional grids trying to balance loads, there are systemic challenges to address. However, innovative design, sustainable practices, and strong board oversight can help mitigate risks and build responsible, resilient infrastructure for a rapidly digitising world.**

**Accurate forecasting is crucial for energy utilities, which must consider how rising demand may fundamentally reshape grid infrastructure requirements.**

For further information, please contact:



**Velika Talyarkhan**  
**Themes: Climate Change, Human Capital**



**Michael Yamoah**  
**Themes: Wider Societal Impacts, Risk Management**

Generative AI models have been hailed as a breakthrough in computing, promising efficiencies across a roster of industries. But these efficiencies will come at a cost – AI models require vast datacentres churning billions of data sets to train and run their computations. That consumes energy and water, which is required to cool the servers. How will these needs be met, without disadvantaging others or putting the stability of energy supplies at risk?

Trying to predict how much energy will be needed is difficult. The International Energy Agency estimates that electricity use by datacentres could double by 2030, while others expect it to grow by over 165%.<sup>1</sup> This variation in forecasting is due to uncertainty about how quickly AI will be adopted, and how efficient it will become, as new technologies such as Nvidia's energy saving systems<sup>2</sup> develop.

But accurate forecasting is crucial for energy utilities, which must consider how rising demand may fundamentally reshape grid infrastructure requirements. Datacentre energy consumption may also impact their capital allocation strategies. Another challenge for planners is that AI innovation cycles typically span two to three years, while power assets last 20 to 40 years. This raises the risk of asset stranding or financial

<sup>1</sup> AI to drive 165% increase in data center power demand by 2030 | Goldman Sachs  
<sup>2</sup> Nvidia stakes new startup that flips script on data center power

underperformance, as efficiency gains may make infrastructure surplus to requirements at times. It also adds complexity to electricity system planning and renewable energy integration strategies.

Governments have already begun to wrestle with these challenges, mindful of the dangers of widespread grid outages, such as that which hit Spain and Portugal in April 2025.<sup>3</sup> China is seeking increased supply via investment in renewable energy alongside centralised efficiency mandates.<sup>4</sup> Europe has opted for regulatory-driven efficiency and transparency standards<sup>5</sup> while Japan has prioritised 'green'-aligned operators for new datacentres.<sup>6</sup> India requires energy-efficient models and computing solutions, but has avoided strict regulation.<sup>7</sup> Singapore replaced its moratorium on new datacentres with strict efficiency conditions.<sup>8</sup>

### Increased energy and water usage

Datacentres' massive electricity consumption may be met through on-grid or off-grid electricity generation. The latter gives companies more control over security of supply, particularly in regions with grid constraints or instability.

The vast quantity of water required by datacentres to cool their servers and storage units is another critical concern, especially in areas of water scarcity. The average datacentre uses 300,000 gallons of water a day, equivalent to water use in 1,000 homes.<sup>9</sup> The industry is responding to this concern with closed loop cooling systems that eliminate water waste from evaporation,

and advanced cooling strategies that avoid water use entirely. While operators such as Amazon can achieve high water usage effectiveness (WUE) through scale,<sup>10</sup> challenges remain, including hidden water use from electricity generation.<sup>11</sup>

In the US, local opposition to new datacentres has stalled **\$64bn** in projects, partly due to concerns about health risks.

Datacentres are often located in low-income communities, mainly due to lower land acquisition costs, favourable zoning, tax incentives, and access to inexpensive electricity and water. However, these facilities typically offer limited long-term employment opportunities beyond the initial construction phase.<sup>12</sup>

In the US, local opposition to new datacentres has stalled \$64bn in projects, partly due to concerns about health risks.<sup>13,14</sup> These issues are often worsened by poor community engagement, lack of transparency, higher energy prices and unequal environmental burdens, especially for disadvantaged communities. Solving these challenges will require a chain of efficiency improvements. For AI datacentres, this will help to cut costs, attract investment, reduce regulatory risk, and stay competitive in a resource-limited world.<sup>15</sup>



The average datacentre uses  
**300,000**  
gallons of water a day,  
equivalent to water use in  
**1,000** homes.

<sup>3</sup> Spain's government blames huge blackout on grid regulator and private firms | BBC  
<sup>4</sup> Explainer: How China is managing the rising energy demand from data centres – Carbon Brief  
<sup>5</sup> EU Energy Efficiency Directive and its impact on Data Centres  
<sup>6</sup> Government Regulations and Sustainability Initiatives, energy consumption and carbon emissions  
<sup>7</sup> IndiaAI Mission (2024): Empowering Innovation, Infrastructure, & Inclusive Growth through AI | IMPRI  
<sup>8</sup> Singapore to free up 300MW for data centres  
<sup>9</sup> Water usage by AI data centers raises supply concerns and How We Use Water | US EPA

## Our stewardship approach

**As AI and data infrastructure scale rapidly, their environmental and social impacts, particularly around energy, water, and land use, are becoming increasingly material to long-term investment outcomes. These risks can affect asset performance through regulation, resource scarcity, and reputational exposure. Engaging with these issues helps investors anticipate disruption, protect value, and support more resilient systems that benefit investment portfolios and the communities they touch.**

**Below, we have identified various actions that may be appropriate for different companies, which we aim to discuss when engaging with them.**

### Tech companies and datacentre operators

- To improve the opportunity for increased energy efficiency, which can help to cut costs, improve security of energy supply, and contribute to higher profit margins over time, consider measures such as adopting energy-saving AI chips and facilities, and forming partnerships, like that of Nvidia-Emerald AI. Where companies are leasing datacentre services, they should include efficiency expectations in tenders and contracts.
- For tech firms using natural gas-powered electricity supplies, they may seek to build or partner with operationally efficient facilities and energy supplies, including to avoid gas leaks (methane), which can help to improve the all-round financial performance and resilience of the asset.
- Seek to drive water efficiency, which can help to reduce costs and contribute to more profitable operations; for example by measuring and reporting water use efficiency (WUE) sources, quantifying water consumption per AI task, and accounting for indirect water use beyond cooling systems.

- Strengthen board oversight: align capital spending with utility asset lifecycles to avoid the risk of stranded or financially underperforming assets.
- Disclose broader datacentre risks: engage communities early, assess social and environmental impacts, and plan for circularity from build to decommissioning.

### Utilities

- Companies should seek to disclose their infrastructure plans using verified demand data to prevent overbuilding. In the US, speculative requests outnumber actual builds by between five and 10 times.<sup>16</sup>
- Align infrastructure with community needs to prevent rising costs and energy affordability issues. Use flexible contracts and planning tools, such as cancellation clauses and staged commitments, to manage demand shifts and avoid the risk of stranded assets.
- Consider the opportunity to diversify energy supplies across a broad mix of sources, including new technologies such as renewables combined with battery storage, in order to improve the security of energy supply and reduce long-term costs.

### Oil and gas infrastructure

- As some oil and gas companies reposition themselves as utility-like providers through off-grid power generation, maintaining strong capital discipline is essential to avoid a risk of asset stranding and low returns on the capital employed.
- Seek the business opportunity of reducing natural gas leaks in order to save costs and improve profitability when supplying energy to datacentre customers.

### Engaging with companies

In 2024 and 2025, EOS deepened its engagement with energy and tech companies to address AI-driven power demand. In the US, we have spoken to utilities such as Dominion Energy about the business benefits of developing a broad energy mix, including renewables, battery storage, natural gas, and small modular reactors (SMRs), which combined, can reduce cost volatility and support customer reliability and affordability. In the UK, we have engaged with National Grid about how it manages AI-related congestion risks in the electricity grid, to smooth out future revenues and profitability.

We have also engaged with the oil and gas industry, including producers ExxonMobil, Chevron, and ConocoPhillips, infrastructure operator the Williams Company, and EQT.

In these discussions, we have highlighted the business benefits of ensuring strong capital discipline when developing new energy supply infrastructure, as well as the opportunity to reduce methane leakage, saving costs and improving profitability when supplying energy to datacentre projects.

We have spoken to technology companies such as Alphabet about how it is implementing supply chain best practices to help manage security of supply and business resilience as it grows its energy demands. This includes the opportunity to reduce costs in its supply chain through improved methane leak management.

In Asia, we have engaged with companies such as the Hong Kong Stock Exchange, which has been looking for ways to manage energy efficiency in its datacentres.

<sup>16</sup> A fraction of proposed data centers will get built. Utilities are wising up. | Utility Dive

### Key voting season trends from Asia and the emerging markets



**Shoa Hirosato**  
Theme: Climate Change

Across Asia, we saw notable improvements in board independence. Female representation on boards also improved, helped by regulations in markets such as China. In South Korea and Japan there was a rise in minority shareholders seeking corporate governance improvements. In South Korea, this increased shareholder activism is being helped by the government's Value-Up programme and a greater focus on directors' fiduciary duties. This programme was introduced in 2024 with the aim of reducing the so-called Korea Discount, where a company's shares trade at lower valuations than their regional peers.

#### Board independence

This year, we reduced our recommended votes against directors across all relevant markets due to a lack of board independence by around 25% versus 2024, indicating improvements in board independence. We recommended voting against fewer directors on independence grounds in markets such as Japan, Hong Kong, China, Taiwan, and South Korea. In India, following the Companies Act 2013 regulation limiting independent directors to two five-year terms, many long-serving directors retired or stepped down in 2024, which contributed to enhanced board independence across Indian companies.



Across markets in this region, while board structures continue to evolve, we are scrutinising the quality of independent directors to enhance board independence. For example, we recommended voting against two long-tenured directors at AIA Group as overfamiliarity was potentially compromising their independence. We also continue to seek meetings with independent directors to strengthen the overall dialogue about genuine board independence and effectiveness.

We updated our policy this year to recommend votes against nomination committee chairs regardless of independence status, to hold them accountable for improving board independence. We did so at property developer AP Thailand, and Adani Ports and Special Economic Zone.

Across most markets, we also generally advocate for fully independent audit committees and majority-independent nomination and remuneration committees, all chaired by independent directors and excluding executive members. This year, we updated our policy to recommend votes against CEOs serving on board committees, as seen at the Philippines-headquartered Bloomerry Resorts. We are concerned that their influence may potentially weaken committee functions.

#### Board diversity

We consolidated our board structure expectations in this region to 20% female representation for lagging markets and 30% for all others, in line with our aspiration of achieving 30% female board representation by 2030. This year, we raised our gender diversity thresholds for markets such as Japan, South Korea, and Brazil. This led to an approximately 20% increase in our total recommended votes against directors.

### The Hong Kong Stock Exchange introduced new requirements effective from 1 July 2025, banning single gender boards.

We maintained our practice of supporting female directors by exception to our policy where appropriate, to encourage board diversity in markets that lag others in their region. At Japanese supermarket chain Yaoko Co, we supported the long-tenured female director for her active role in advancing diversity initiatives. At Chinese real estate company KE Holdings, we supported a director following recent engagement, as the company committed to improving board gender diversity in future election cycles.

Regulatory developments also played a role. The Hong Kong Stock Exchange (HKEX) introduced new requirements effective from 1 July 2025, banning single gender boards. At Chinese social media company Weibo, we recommended



supporting an executive by exception, given HKEX's ban on single-gender boards, as she was the only female director.

#### Environmental risks

We continued to raise concerns about the inadequate management of climate-related risks and opportunities across markets in these regions. In China and Hong Kong, we recommended votes against 185 companies on climate-related grounds, a significant increase from 55 companies last year.

Despite a rise in recommended votes against, regulatory developments in the region prompted improved climate disclosures, allowing us to override some flagged votes. Hong Kong's stock exchange now requires companies to report climate-related information using the Task Force on Climate-related Financial Disclosures framework, starting in 2025 with reports expected in 2026. In China, the government and major stock exchanges also introduced new climate reporting standards based on global guidelines, with the first reports due in April 2026.

In cases of coal expansion or exposure, which we believe may introduce undue financial risks to the company based on various criteria, we recommended votes against the re-election of relevant directors at 44 meetings. This was similar to the previous year, and included companies such as Manila Electric Company, Hokuriku Electric Power Company, and JSW Steel.

To address deforestation concerns, we recommended votes against the re-election of relevant directors at 20 meetings, up from 17 last year, capturing more companies in Japan such as Meiji Holdings, and Kikkoman. Following our meeting with WH Group in Hong Kong, we remained concerned about its ongoing supply chain deforestation risks, and therefore recommended voting against the vice chair's election.

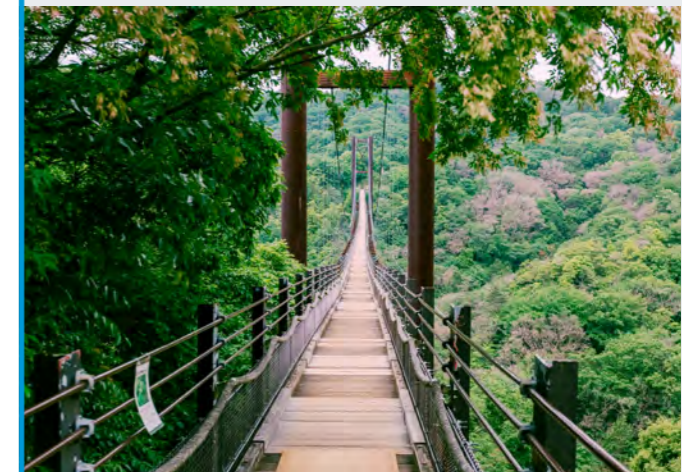
Shareholder proposals on environmental topics in our markets were once again concentrated in Japan, with filing levels similar to 2024. We supported all climate-related proposals at three major banks, three trading houses, and one utility company, calling for greater transparency on climate transition plans and oversight of climate-related financial risks. The proposals aimed to accelerate the disclosure of critical information for investors to assess the alignment of the company's transition plan with the goals of the Paris Agreement, and sought more transparency on risk controls.

### Shareholder proposals on environmental topics in our markets were once again concentrated in Japan, with filing levels similar to 2024.

#### Price-to-book voting policy

The 2025 proxy season in South Korea saw an increased regulatory focus on directors' fiduciary duties and rising minority shareholder activism following the government's Value-Up programme, introduced in 2024. We were committed to improving governance standards, and engaged extensively with South Korean companies ahead of their AGMs. This included an in-person meeting with Shinhan Financial Group covering fiduciary duty, shareholder returns, and treasury share cancellations.

In 2024, we introduced a global proxy voting policy focusing on companies with a persistent price-to-book ratio (PBR) below one. The policy reflects our concerns that a low valuation often signals inadequate corporate governance, a lack of fiduciary duty, and misalignment between controlling and minority shareholders. While the policy applies globally, our voting implications have been most profound in South Korea, where the influence from the chaebols and the Korea discount underscore the lack of minority shareholder protection and ineffective boards. This leads to persistent undervaluation and governance-related concerns among investors.



We continued our PBR policy in 2025, recommending votes against income allocation at companies such as Samsung C&T, construction equipment manufacturer Doosan Bobcat, and conglomerate GS Holdings. We also recommended votes against the CEO of KPX Chemical, and directors at SK Inc and beverage company Lotte Chilsung, due to weak governance and a failure to uphold shareholder interests.

### Governance shareholder proposals in South Korea

Shareholder activism continued to rise in South Korea, with a significant increase in the shareholder proposals that we evaluated, up from 25 in 2024 to 153 in 2025. Most of these were related to governance and capital efficiency.

In line with our PBR policy, we recommended support for a shareholder proposal at steelmaker KISCO Holdings covering the dividend payout, the formation of a value-up plan, and a revised remuneration cap. We also supported a shareholder proposal at electronics company Solum on the cancellation of treasury shares, and a proposal for the disclosure of a value-up plan at discount store chain Emart.

We recommended support for 44 shareholder proposals, a higher number overall, compared with 19 last year. But the proportion that we recommended supporting declined from 76% in 2024 to 29% in 2025. This significant fall was primarily due to proposals being submitted by retail investors with insufficient justification. We subjected each of these governance-related proposals to greater scrutiny.

We recommended opposing most proposals at semiconductor manufacturer DB HiTek for this reason, but recommended support for three shareholder resolutions that promoted a more efficient capital



structure and enhanced shareholder rights. Minority shareholders also proposed the introduction of cumulative voting at metal smelter Korea Zinc, to help focus support on selected independent directors.

Following South Korea's Commercial Code amendment in July and the ongoing discussions around the cancellation of treasury shares, we anticipate continued shareholder activism, with a focus on fiduciary duty and capital allocation.

### Governance shareholder proposals in Japan

A record number of shareholder proposals were filed in Japan this year, mainly on governance and capital allocation. We evaluated 16% more proposals than last year and recommended support for 92 (or about a third of those submitted), up from 67 last year. Some activist proposals shifted from a focus on short-term actions, such as buybacks, to long-term governance and strategy, although we were cautious about supporting proposals that we believed would be ineffective.

### **We recommended supporting resolutions for majority independent boards at Toyota Industries, food company Yakult Honsha, and appliances manufacturer Rinnai.**

Governance-related shareholder proposals emphasised board independence and minority shareholder rights. We recommended supporting resolutions for majority independent boards at Toyota Industries, food company Yakult Honsha, and appliances manufacturer Rinnai. Notably, some proposals addressed parent-subsidary listings, focusing on minority shareholder concerns and long-term value, and encouraging delistings or privatisations. At Nissan Motors, we recommended support for a proposal to disclose the company's review of subsidiary management, promoting transparency and accountability.

Other proposals focused on capital efficiency, such as increased dividends, buybacks, treasury share cancellations, and clearer business portfolio planning. Linked to this, we continued to encourage companies to reduce their cross-shareholdings (also known as allegiant shareholdings) with other Japanese companies. We tightened our voting threshold from 10% to 5% of net assets held in cross-shareholdings in 2025, resulting in votes recommended against presidents and company chairs at around 51% of shareholder meetings, up from 34% in 2024. The continued reduction of these shareholdings and the related "stable shareholder" base, has allowed investors to scrutinise board effectiveness, business strategy, and capital allocation.

### Key issues in Latin America

We continued to use cumulative voting in Brazil to strategically support minority shareholder candidates, as seen at Klabin and Petrobras, where shareholder-nominated candidates were elected again this year. At paper and pulp company Klabin, the board remains dominated by family members, limiting the effectiveness of independent directors. We recommended support for the adoption of cumulative voting and to concentrate the votes on one incumbent independent candidate. This was due to our satisfaction with her performance and for continuity purposes.

At Petrobras, we recommended a vote against the controlling shareholder's proposed director slate. Instead, we recommended support for cumulative voting, and to concentrate votes on the two candidates nominated by minority shareholders. No shareholder candidates were put forward at Brazilian miner Vale, as it had a structured nomination process and effective stakeholder engagement.



For Mexico, ISS reported that unbundled director elections now account for a record 58% of company shareholder elections,<sup>1</sup> the highest in recent years, with Cemex leading by example in 2022. Conversely, in Brazil, the unbundling of director elections fell to 25% in 2025 from 41% in 2019. We recommended voting against the bundled director elections at meat packer JBS, due to the presence of two controlling family members, who had admitted to corrupt practices.<sup>2</sup>

The consultation process for the proposed Novo Mercado rules in Brazil, which has spanned over a year and involved engagement with 190 listed companies, investors, and stakeholders across three rounds of consultation, ended in disappointment. Out of 25 governance-related changes, including updates to board composition, independence criteria, gender representation, time commitment limits, audit committee structure, and disclosure practices, not a single proposal passed.

### **In Brazil, we are engaging with companies to encourage them to voluntarily adopt the key governance reforms proposed under the Novo Mercado consultation.**

Only eight companies supported the changes, falling far short of the two-thirds approval required under the Novo Mercado rules. Key proposals included formalising audit committees in company articles, increasing the minimum threshold of independent directors from 20% to 30%, and improving transparency around regulatory warnings. We engaged with companies such as WEG and Suzano, urging voluntary adoption of best practices.

### Progress report

We welcomed improvements in board independence across Asia and emerging markets, and to climate disclosure in China. We will continue to drive further progress through engagement and vote recommendations. We remain committed to advocating for higher standards in board diversity, the structure and independence of board committees, and oversight of climate risks and opportunities in this region.

In Brazil, we are engaging with companies to encourage them to voluntarily adopt the key governance reforms proposed under the Novo Mercado consultation. In South Korea and Japan, we will continue to cautiously evaluate shareholder proposals amid rising shareholder activism. Across all markets, we aim to deepen our dialogue with board members and regulators to encourage continued enhancements in governance practices.

<sup>1</sup> ISS 2025 Global Proxy Season Wrap-up Note

<sup>2</sup> Scandal-hit Batista brothers back at helm at JBS after board reinstatement | The Groccer



# 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.**

**The majority of our successes stem from our ability to see things from the perspective of the business with which we are engaging. Presenting issues such as board effectiveness or 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.**

## Air Liquide

**Engagement theme: Climate lobbying**  
**Lead engager: Will Farrell**



We have been engaging with France's Air Liquide on climate-aligned lobbying since 2022. In that year, the company made a public commitment to lobby only in support of the Paris Agreement and to review 16 industry associations to determine any misalignment.

As a participating member of Climate Action 100+ (CA100+),<sup>1</sup> we provided feedback on the alignment report in line with the global standard for responsible climate lobbying. We shared our view that the report did not provide sufficient assurance to investors that the company was taking the necessary steps to lobby only in support of the Paris Agreement.

We urged Air Liquide to disclose the criteria it used for selecting the 16 associations; to extend its review to include all its industry associations including those found to be controversial; and to disclose its own policy positions on key climate topics in different markets. We also asked for a more detailed explanation concerning its conclusion that the positions of the 16 trade associations all aligned with the Paris Agreement and Air Liquide's own climate policy.

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

Throughout 2023 and early 2024, we continued to encourage the company to undertake a fuller and more robust alignment review and also discussed the action that it takes where areas of misalignment are identified. Air Liquide argued that it sees itself as influential in its associations and able to drive positive change, so we asked it to properly publicise these positive positions.

## Outcomes and next steps

In 2024, the company published an expanded review of the alignment of its industry associations' lobbying activities with the Paris Agreement. While the review did not explicitly refer to limiting warming to 1.5°C, we were pleased to see direct reference to the Paris Agreement, an expanded coverage of associations (including those of concern to LobbyMap), greater detail of the specific policy positions that the company deems to be Paris-aligned by focus area, and clear steps identified to rectify misalignment.

## American Electric Power

**Engagement theme: Business purpose**  
**Lead engager: Velika Talyarkhan**

We first raised the need for the board to publish a statement of its business purpose with the company in a Climate Action 100+ collaborative call<sup>2</sup> with the CEO in June 2020. In November 2020, we followed up by inviting the lead independent director (LID) to join the Enacting Purpose Initiative steering group, but he was unable to do so. In November 2021, we spoke to the LID, who was receptive to our request for a board-led statement of business purpose. We challenged the company to demonstrate examples of enacting its purpose.

American Electric appointed a new LID in 2022, and we met her to continue our dialogue on business purpose. We were pleased to hear the company reaffirm its commitment to its purpose on the call, and it discussed its relevance to stakeholders such as regulators, customers, employees, and investors. We encouraged the LID to articulate this publicly.



<sup>2</sup> When taking part in collaborative engagements with investors and/or their representatives, each party is acting independently, and exercising unilateral decision-making in deciding how to act concerning their investments, in line with applicable rules on antitrust, conflicts of interest and acting in concert. All these actions are considered to deliver enduring, responsible value for our clients.

## Outcomes and next steps

We welcomed the inclusion of a narrative on the importance of a sustainable growth strategy to help the company achieve its purpose in a joint statement from the board chair and corporate governance committee chair in the company's 2024 sustainability report. This was echoed in a statement by the interim CEO and president, which was also included in the report.

Both statements included clear articulations of the company's purpose and lists of key stakeholders. The CEO's statement also noted that the company's main challenge was to balance the increasing demand for clean energy with the need to maintain a resource portfolio capable of supporting its rapid growth. We will continue to engage with American Electric on executing its climate strategy in a manner consistent with its stated business purpose.

## Tesco

**Engagement theme: Circular economy and waste**  
**Lead engager: Will Farrell**



We have been engaging with UK supermarket chain Tesco on its overall approach to managing plastic waste since 2018. With its peers setting plastic reduction targets, we asked Tesco to do the same. In 2019, we noted the company's audit of every product against its packaging hierarchy (remove, reduce, reuse, and finally recycle) and the broadening of this approach to branded products. While this progress was encouraging, we remained concerned by the absence of targets.

In 2021, Tesco's chair joined our Client Advisory Council for a live engagement, where we again challenged the company's approach to plastic reduction. The chair said that the company sets annual internal targets to remove an absolute number of pieces of plastic, but he acknowledged the absence of a longer-term target on reducing the plastic footprint as a proportion of packaging, and agreed to revisit the question of target-setting internally.

At a meeting with the head of packaging in 2023, we asked the company to set clear targets on reducing plastic as a proportion of its total packaging footprint. The company said that it remained committed to removing and reducing plastics, including via its traffic light assessments, but that the policy landscape was uncertain, resulting in the company focusing on advocacy rather than target-setting.

## Outcomes and next steps

In 2019, we learned that subsequent reporting would disclose the proportion of products with plastic packaging removed, but we are yet to see this. While the company discloses its total plastic footprint, this appears to oscillate between years, and so we are unable to properly assess the impact of Tesco's

reduction efforts. Coupled with the absence of targets, we do not have visibility over Tesco's longer-term commitment to maximising plastic removal and reduction opportunities.

However, having learned that the uncertain policy landscape is not supporting ambitious action across the industry, as highlighted by the UK Plastics Pact, we are cautious to conclude that Tesco is not effectively managing plastic-related risks. Indeed, this macro context means that several of its peers are not on track to achieve their targets. We are reassured that Tesco has led meaningful progress for the industry, including convening industry players to develop a red/amber/green (RAG) preferred materials framework. This has established a hierarchy of packaging materials based on their compatibility with a circular economy.

The regulatory landscape is expected to become more demanding in coming years, including under the UN Plastics Treaty. We will continue to engage with Tesco to ensure maximum preparedness for stringent regulation and to mitigate the company's adverse impacts. To unlock progress, we are encouraging the company to publicly align its proactive advocacy with ambitious policy on plastic reduction, supported by targets related to the RAG framework to support transparency and accountability.

**Adani Enterprises**

**Engagement theme:**  
Biodiversity and sustainable food systems

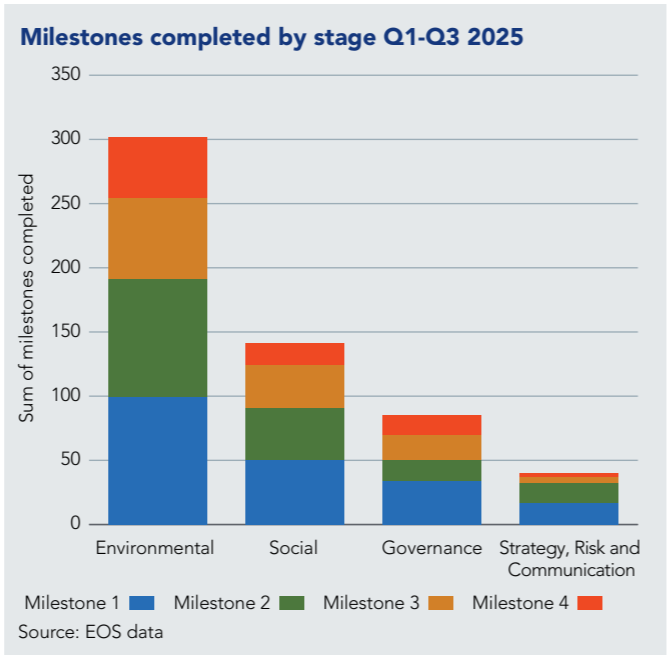
**Lead engager:** Xinyu Pei



India's Adani Enterprises Ltd (Adani) has been linked to negative environmental impacts and indigenous community protests at the Carmichael coal mine project developed by its subsidiary, Bravus Mining and Resources (formerly Adani Mining), in Australia's Galilee Basin. Media reports raised concerns about the mining project, alleging that the habitats of the endangered black-throated finch<sup>3</sup> and koalas<sup>4</sup> were being impacted, with groundwater quality at risk.<sup>5</sup> The project also faced protests from the local indigenous community.



<sup>3</sup> Buried Queensland government report found Adani plan to protect black-throated finch was 'superficial' | The Guardian  
<sup>4</sup> Adani admits breaching environmental conditions for Carmichael coalmine | The Guardian  
<sup>5</sup> Drop in aquifer levels near Adani mine sparks concern for sacred wetlands



Although the company applied an environmental management system certified to ISO 14001 at most of its operational sites, the reputational risks remained high when we engaged in 2023 and 2024. In its 2022 sustainability report, Adani had acknowledged biodiversity as a material concern, committed to no net loss, and published a biodiversity policy. We wrote to the company to ascertain how it implements this policy. We also sought to understand the remediation and mitigation plan it had in place regarding the Carmichael coal mine controversy.

In a call with the head of ESG at Adani and the ESG lead at Bravus Mining and Resources in 2024, the company explained its environmental management plan for water, land, and biodiversity. It uses different third-party auditors to conduct environmental assessments and collect water samples to ensure that groundwater quality and local wetlands are not negatively impacted.

**Outcomes and next steps**

In a letter to the head of investor relations and ESG, we noted the update to the Sustainalytics screening, whereby Adani was upgraded from "non-compliant" to "watchlist" as of 2024. This came after the company acted to conduct periodic biodiversity assessments, committed to a no net loss to biodiversity goal, and published a range of management plans for the Carmichael site.

We asked the company to continue this positive direction of travel, by implementing the management plan for biodiversity, water, and indigenous rights across all countries and subsidiaries with operations. It should also remain vigilant to reduce the risk of reoccurrence. We will continue to monitor the company's controversy ratings, alongside any remaining remediations.

# Public policy and best practice

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

**Overview**

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

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

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

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

**Joint statement on deep-seabed mining**

**Lead engager: Sonya Likhtman**

In July, a group of 40 financial institutions, including Federated Hermes Limited, reissued a joint statement urging governments to protect the ocean and to not go ahead with deep-seabed mining until the environmental, social, and economic risks are comprehensively understood, and alternatives to deep-sea minerals have been fully explored.

The signatories reissued the statement ahead of the 30th International Seabed Authority (ISA) Assembly on 21-25 July 2025. The statement was initially published in 2023 and, since then, the position of the signatories has not changed. The ISA Assembly closed without approving a mining code, effectively ensuring a pause on deep-seabed mining activities, marking significant progress for sustainable ocean stewardship. The outcome follows mounting global concerns about the environmental, social, and economic risks of exploiting seabed ecosystems.

**IIGCC and PRI accounts and audit meeting**

**Lead engager: Justin Bazalgette**

We met with the Institutional Investors Group on Climate Change (IIGCC) and the Principles for Responsible Investment (PRI) along with the working group on accounts and audit.

During the meeting we discussed how to maximise the impact of the International Accounting Standards Board (IASB)'s decision in October to publish a number of illustrative examples on reporting uncertainties in financial statements.

This initiative is intended to help companies and auditors to provide appropriate climate-related information in the financial statements.

We agreed to encourage investors to contact Climate Action 100+ companies directly to raise the issue and to seek clarification of how companies will respond in their next set of accounts. In addition, we agreed to informally contact the big four accountants, UK and European auditor bodies, as well as regulators. We believe it will be helpful to understand how these bodies will respond and will encourage them to prepare to follow the examples in the next annual reporting cycle.

### Investor roundtables on human capital disclosures

#### Lead engagers: Tsitsi Griffiths and Velika Talyarkhan

We participated in two roundtables hosted by the International Sustainability Standards Board (ISSB) to provide investor feedback on human capital disclosures. We highlighted the importance of standardised metrics for investors to understand: the cost of the workforce; the effectiveness of upskilling programmes; and the impact of artificial intelligence and the energy transition on the workforce. We suggested that a standalone human capital disclosure requirement would provide better information than the current general ISSB sustainability framework.

### Meeting with Ceres on banking and physical climate risks

#### Lead engager: Will Farrell

We met with Ceres, a non-profit sustainability advocacy organisation, to discuss its expanding work on adaptation and resilience, in particular for the banking sector. We provided our views on the sector's exposure to physical climate risks and the unique risks and opportunities for local banks with regionalised and concentrated exposures. This includes, for example, those with large agriculture and mortgage books.

We encouraged work to support investors and banks in developing the capabilities to assess, map, and monitor

loan-book physical climate risks, including how these quantitatively impact expected credit losses. We suggested that banks with agricultural loan books have an opportunity to finance on-farm natural capital investment, which can also provide the double dividend of improving farm resilience to physical climate risks, mitigating credit risks.

We also discussed the role of insurance and suggested that future work could focus on the role of banks in monitoring insurance levels post origination. This could help to manage the consequences of more extreme "tail" physical climate risks impacting some areas, for example coastal areas most acutely vulnerable to rising sea levels.

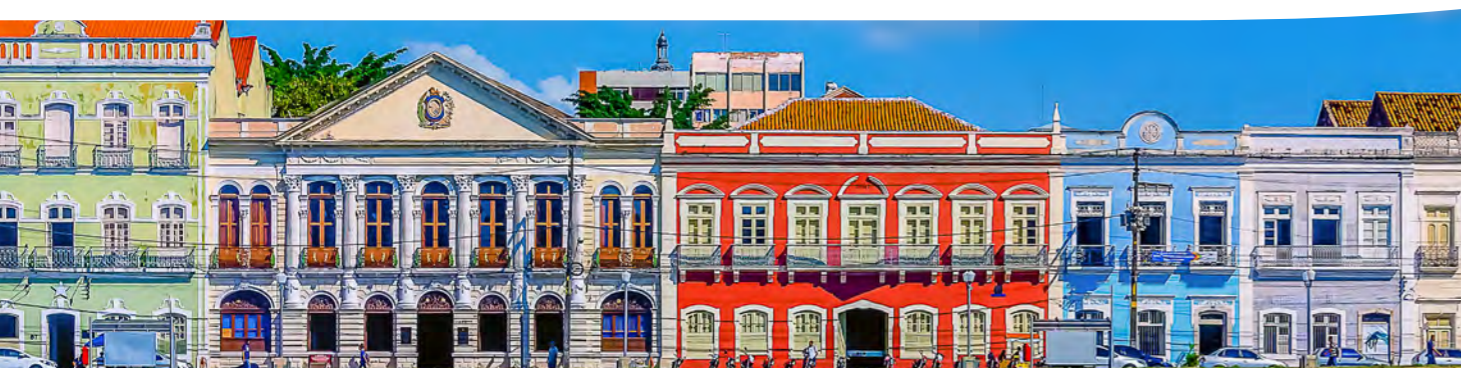
### Meeting on updates to the Novo Mercado listing rules

#### Lead engager: Jaime Gornsztejn

We met with members of AMEC (the Brazilian Association of Capital Markets Investors) and the CEO of ABRASCA (the Brazilian Association of Listed Companies) to discuss the recent rejection of the proposal to update the Novo Mercado listing rules. These rules outline a set of governance standards for listed companies. The update includes proposals such as mandatory statutory audit committees and increased requirements around board independence.

The CEO of ABRASCA expressed a concern shared among its member companies about the way the B3 stock exchange had conducted the Novo Mercado revision process, noting that that the perception among ABRASCA members was that the new listing rules would increase B3's regulatory power. On this occasion, ABRASCA member companies decided to reject all proposals to send a clear message.

We expressed our disappointment with the outcome of the revision and explained that it damaged the reputation of the Brazilian equities capital market. We discussed the possibility of AMEC and ABRASCA jointly presenting to B3 a proposal for the Novo Mercado reform, inverting the usual procedure initiated by B3. We agreed to continue the discussions but as general elections are scheduled in Brazil in 2026, speedy progress is unlikely.



**We expressed our disappointment with the outcome of the revision and explained that it damaged the reputation of the Brazilian equities capital market.**

# Engagement and voting

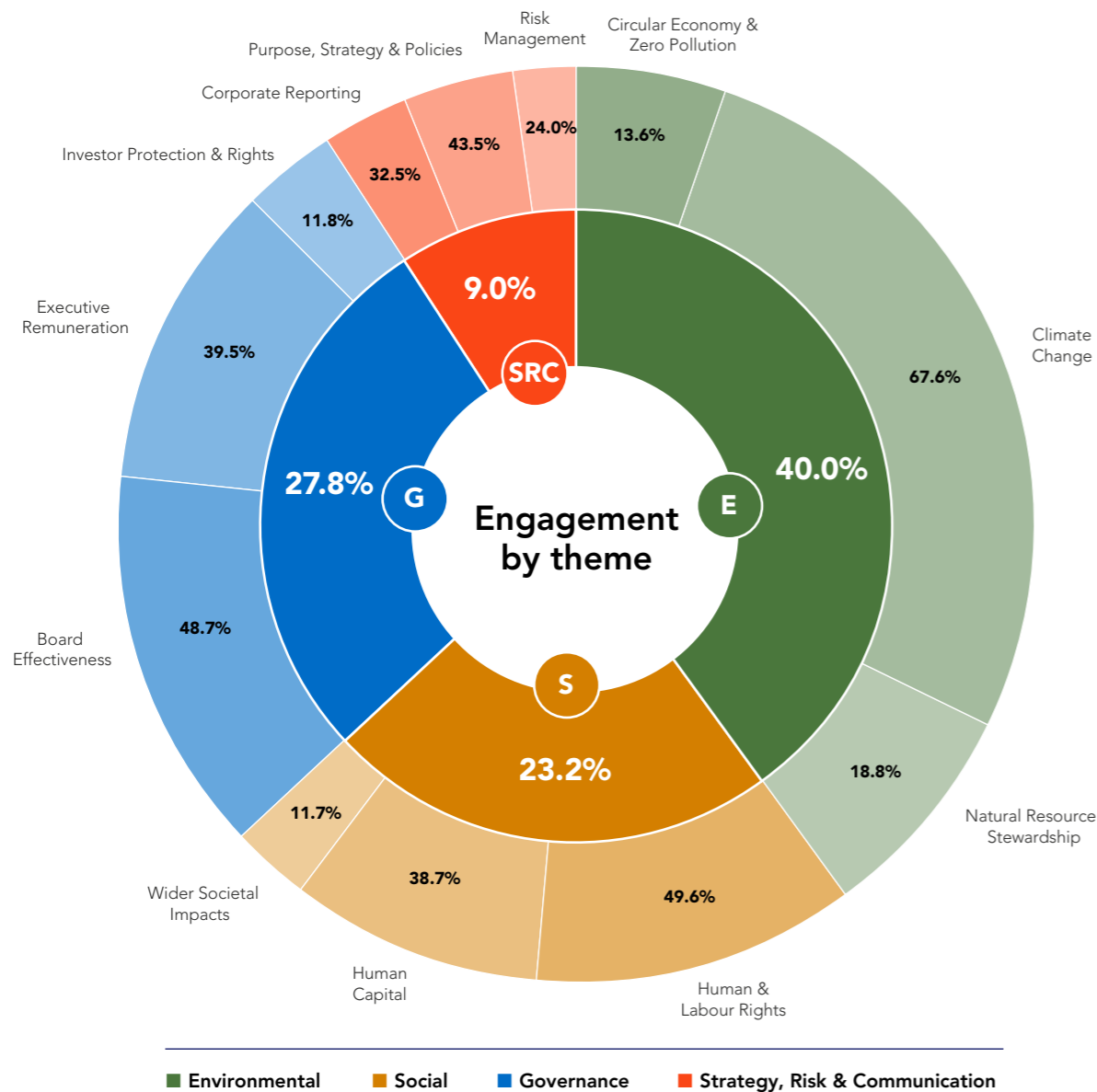
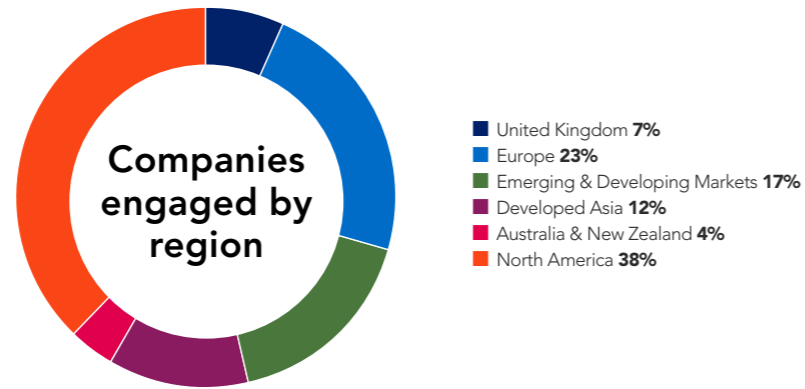
The following pages contain an overview of our engagement activity by region and theme, and our voting recommendations for the last quarter.

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

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

### Engagement by region

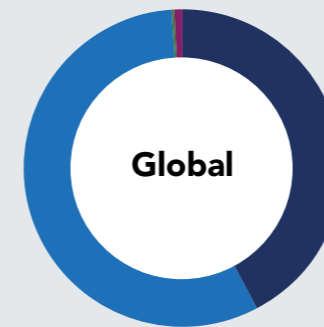
Over the last quarter we engaged with 738 companies on 3,020 environmental, social, governance and business strategy issues and objectives. Our holistic approach to engagement means that we typically engage with companies on more than one topic simultaneously.



Source: EOS data.

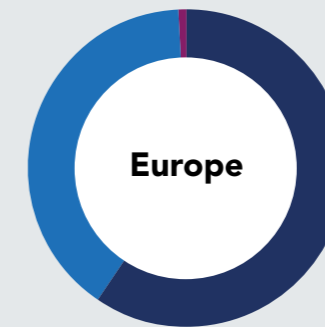
### Voting overview

Over the last quarter we made voting recommendations at 1,770 meetings (13,918 resolutions). At 1,004 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 14 meetings and abstaining at 3 meetings. We supported management on all resolutions at the remaining 749 meetings.



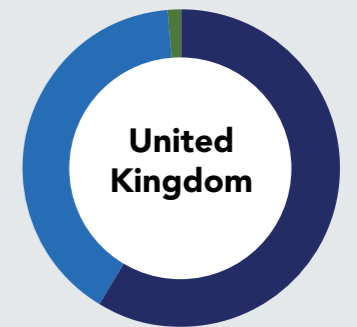
We made voting recommendations at **1,770 meetings (13,918 resolutions)** over the last quarter.

- Total meetings in favour **42.3%**
- Meetings against (or against AND abstain) **56.7%**
- Meetings with management by exception **0.8%**
- Meetings abstained **0.2%**



We made voting recommendations at **131 meetings (1,334 resolutions)** over the last quarter.

- Total meetings in favour **59.5%**
- Meetings against (or against AND abstain) **39.7%**
- Meetings with management by exception **0.8%**



We made voting recommendations at **153 meetings (2,117 resolutions)** over the last quarter.

- Total meetings in favour **58.8%**
- Meetings against (or against AND abstain) **39.9%**
- Meetings with management by exception **1.3%**



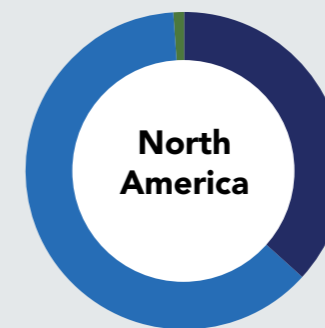
We made voting recommendations at **1,117 meetings (7,982 resolutions)** over the last quarter.

- Total meetings in favour **36.9%**
- Meetings against (or against AND abstain) **62.0%**
- Meetings with management by exception **0.8%**
- Meetings abstained **0.3%**



We made voting recommendations at **94 meetings (588 resolutions)** over the last quarter.

- Total meetings in favour **57.4%**
- Meetings against (or against AND abstain) **42.6%**



We made voting recommendations at **215 meetings (1,609 resolutions)** over the last quarter.

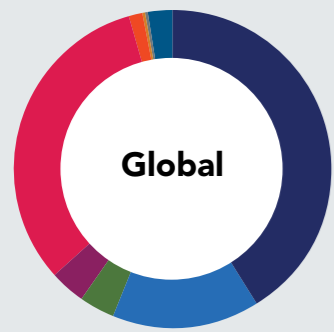
- Total meetings in favour **36.7%**
- Meetings against (or against AND abstain) **62.3%**
- Meetings with management by exception **0.9%**



We made voting recommendations at **60 meetings (288 resolutions)** over the last quarter.

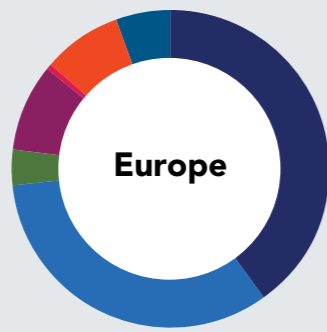
- Total meetings in favour **56.7%**
- Meetings against (or against AND abstain) **43.3%**

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



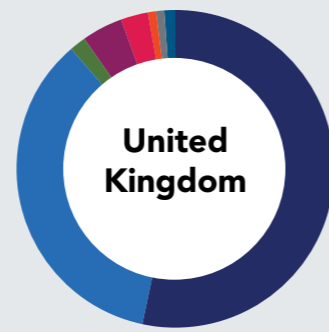
We recommended voting against or abstaining on **3,097** resolutions over the last quarter.

- Board structure **41.3%**
- Remuneration **15.1%**
- Shareholder resolution **3.5%**
- Capital structure and dividends **3.7%**
- Amend articles **32.3%**
- Audit and accounts **1.5%**
- Investment/M&A **0.1%**
- Poison pill/Anti-takeover device **0.1%**
- Other **2.4%**



We recommended voting against or abstaining on **202** resolutions over the last quarter.

- Board structure **40.2%**
- Remuneration **33.2%**
- Shareholder resolution **3.8%**
- Capital structure and dividends **8.7%**
- Amend articles **0.5%**
- Audit and accounts **8.2%**
- Other **5.4%**



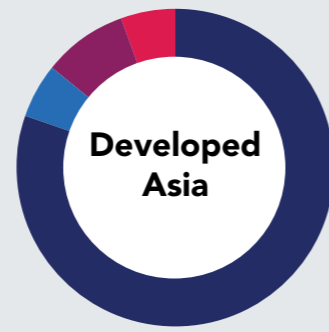
We recommended voting against or abstaining on **194** resolutions over the last quarter.

- Board structure **53.4%**
- Remuneration **35.3%**
- Shareholder resolution **1.7%**
- Capital structure and dividends **4.3%**
- Amend articles **2.6%**
- Audit and accounts **0.9%**
- Poison pill/Anti-takeover device **0.9%**
- Other **0.9%**



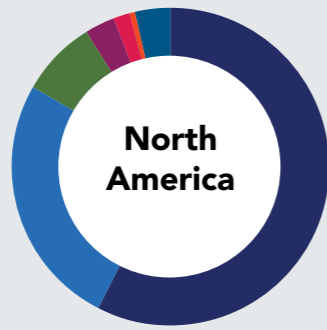
We recommended voting against or abstaining on **2,185** resolutions over the last quarter.

- Board structure **38.1%**
- Remuneration **10.0%**
- Shareholder resolution **3.4%**
- Capital structure and dividends **3.3%**
- Amend articles **41.6%**
- Audit and accounts **1.2%**
- Investment/M&A **0.1%**
- Other **2.3%**



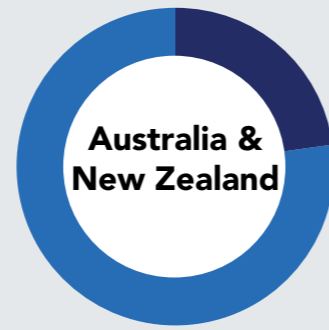
We recommended voting against or abstaining on **142** resolutions over the last quarter.

- Board structure **80.4%**
- Remuneration **5.4%**
- Capital structure and dividends **8.7%**
- Amend articles **5.4%**



We recommended voting against or abstaining on **309** resolutions over the last quarter.

- Board structure **57.5%**
- Remuneration **25.9%**
- Shareholder resolution **7.7%**
- Capital structure and dividends **3.2%**
- Amend articles **1.6%**
- Audit and accounts **0.4%**
- Other **3.6%**



We recommended voting against or abstaining on **67** resolutions over the last quarter.

- Board structure **22.9%**
- Remuneration **77.1%**

# The EOS approach to engagement

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

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

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

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

## Our services



## Engagement

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

## Voting

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

## Public policy and market best practice

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

## Screening

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

## Advisory

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



# EOS team

## Engagement



**Leon Kamhi**  
Head of Responsibility and EOS




**Dana Barnes**  
Sectors: Oil & Gas, Utilities, Technology



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



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



**George Clark**  
Voting and Engagement Support



**Emily DeMasi**  
Sectors: Financial Services, Pharmaceuticals & Healthcare



**Bruce Duguid**  
Head of Stewardship, EOS



**Elissa El Moufti**  
Sectors: Financial Services, Mining & Materials, Oil & Gas



**Will Farrell**  
Sectors: Utilities, Chemicals, Financial Services



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



**Trey Goff**  
Sectors: Retail & Consumer Services, Transportation



**Jaime Gornzstejn**  
Sector: Mining & Materials



**Tsitsi Griffiths**  
Sector: Chemicals



**Hannah Heuser**  
Sectors: Oil & Gas, Utilities



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



**Shoa Hirotsato**  
Sectors: Financial Services, Transportation, Utilities



**Alexis Huang**  
Sector: Retail and Consumer Services



**Lisa Lange**  
Sector: Transportation



**Sonya Likhtman**  
Sectors: Transportation, Consumer Goods, Financial Services



**Earl McKenzie**  
Voting and Engagement Support



**Claire Milhench**  
Communications & Content



**James O'Halloran**  
Director of Business Management, EOS



**Navishka Pandit**  
Sectors: Financial Services, Technology, Consumer Goods



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



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



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



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



**Ross Teverson**  
Sectors: Retail & Consumer Services, Technology



**Kenny Tsang**  
Sector: Consumer Goods



**Judi Tseng**  
Sectors: Financial Services, Technology



**Mark Turner**  
Voting and Engagement Support



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



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



**Ming Yang**  
Sectors: Consumer Goods, Pharmaceuticals & Healthcare

## Client Service and Business Development



**Mike Wills**  
Head of Client Service and Business Development, EOS



**Diego Anton**  
Client Service



**Amy D'Eugenio**  
Sustainability Director



**Alishah Khan**  
Client Service



**Jonathan Lance**  
Client Service



**Alice Musto**  
Client Relations Lead



**Julia Schimmelmann**  
Client Service

**For professional investors only.** This is a marketing communication. Hermes Equity Ownership Services ("EOS") does not carry out any regulated activities. This document is for information purposes only. It pays no regard to any specific investment objectives, financial situation or particular needs of any specific recipient. EOS and Hermes Stewardship North America Inc. ("HSNA") do not provide investment advice and no action should be taken or omitted to be taken in reliance upon information in this document. Any opinions expressed may change. This document may include a list of clients. Please note that inclusion on this list should not be construed as an endorsement of EOS' or HSNA's services. EOS has its registered office at Sixth Floor, 150 Cheapside, London EC2V 6ET. HSNA's principal office is at 1001 Liberty Avenue, Pittsburgh, PA 15222-3779. Telephone calls will be recorded for training and monitoring purposes.

## Federated Hermes

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

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

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

### Our investment and stewardship capabilities:

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

### Why EOS?

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

For more information, visit [www.hermes-investment.com](http://www.hermes-investment.com) or connect with us on social media:

