Public Engagement Report

OUT OF RANGE
Why cattle farming and the demand for soy is pushing the Amazon to tipping point

Calling companies to account for climate risk

Tackling sexual harassment and discrimination at work

Q1 2023

Federated Hermes
EOS

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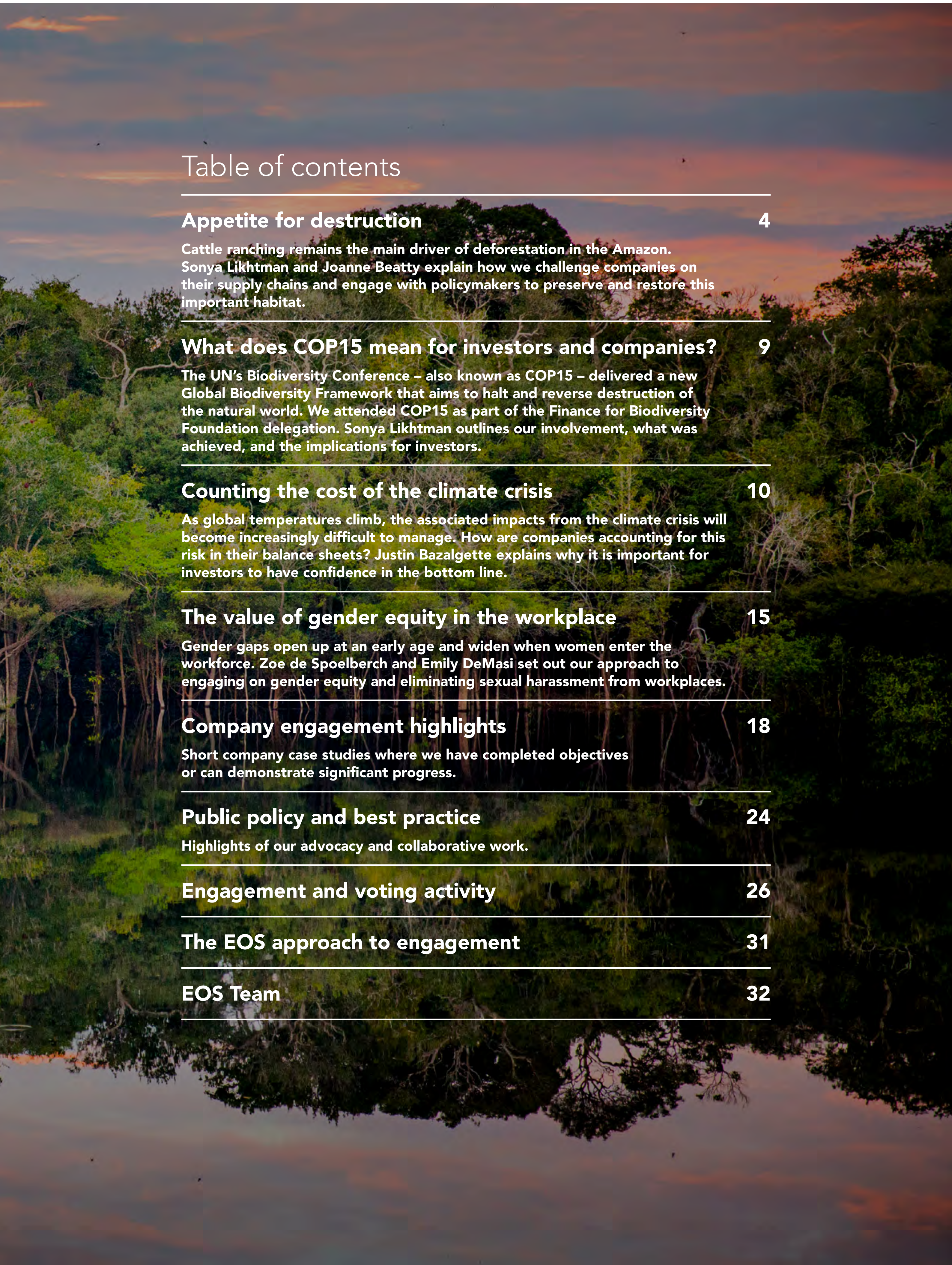
Welcome to our Public Engagement Report for Q1 2023. In our cover feature this quarter, we examine the impact that cattle ranching is having on the Amazon rainforest, with land cleared for grazing or the production of soy for animal feed. Commodity-driven deforestation poses significant risks to companies and their investors, exacerbating climate change and biodiversity loss. Sonya Likhtman and Joanne Beatty explain how we engage with companies on the sourcing of beef and soy, to eliminate deforestation from their supply chains.

In our gender equity article, we look at how sexual harassment and discrimination at work can lead to litigation, fines or settlements, and damage a company's reputation. But firms that nurture and retain their female workforce by developing inclusive and safe cultures are likely to reap the benefit with happy, productive employees. Zoe de Spoelberch and Emily DeMasi examine how companies can address this issue.

Finally, with the 2023 voting season underway, Justin Bazalgette explains why investors will be paying close attention to how companies account for climate risk in their balance sheets. There is often a disconnect between bold net-zero pledges and the business-as-usual reporting still found in some company accounts. Over the past year we have stepped up our engagements with companies to highlight this issue.

Our regular sections include our company engagement case studies and public policy highlights. Also, we continue our sustainable food systems series with an article on plastic packaging and food waste.

Claire Milhench
Associate Director – Communications & Content



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Appetite for destruction

Cattle ranching remains the main driver of deforestation in the Amazon, with land cleared for grazing or the production of soy for animal feed. Sonya Likhtman and Joanne Beatty explain how we challenge companies on their supply chains and engage with policymakers to preserve and restore this important habitat.

Setting the scene

The Amazon rainforest represents nearly a third of all the tropical rainforest remaining on Earth. But deforestation increased under Brazil's Bolsonaro government, partly due to the weakening of policies and limited law enforcement.[1] Over 70% of this deforestation is thought to be accounted for by cattle ranching, with land cleared for grazing.[2] The production of soybeans, primarily for animal feed, is also a significant contributor to deforestation and the associated biodiversity loss. Clearing and burning the Amazon rainforest destroys vital habitats and releases carbon dioxide back into the atmosphere, fuelling global heating. Studies have shown that large ecosystems, such as the Amazon rainforest, may collapse quickly once critical tipping points are reached.

In recent years, scientists, environmentalists and Indigenous peoples have become increasingly alarmed by the unprecedented destruction of the Amazon rainforest, particularly in Brazil. Following Luiz Inácio Lula da Silva's narrow defeat of Jair Bolsonaro in Brazil's October presidential elections, the new government immediately pledged to reverse this damage.

It faces a considerable challenge given the scale of the deforestation by loggers, cattle barons and illegal miners, so much so that scientists fear the Amazon is close to a critical tipping point.[3,4] If this is passed, large parts of the rainforest could become savannah, making it even more difficult to reverse global heating.

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[1] https://news.mongabay.com/2022/12/despite-11-drop-in-2022-amazon-deforestation-rate-has-soared-under-bolsonaro/#:~:text=Bolsonaro's%20four%2Dyear%20term%20ends,measurements%20by%20satellite%20imagery%20began
[2] https://ourworldindata.org/drivers-of-deforestation
[3] https://www.theguardian.com/world/2022/dec/05/lula-brazil-amazon-rainforest-deforestation
[4] https://www.the-scientist.com/news-opinion/amazon-rainforest-nearing-savannah-tipping-point-69782

Why does the Amazon play such a critical role in regulating the planet's temperature?

Forests absorb carbon dioxide from the atmosphere, providing a valuable carbon store, and produce oxygen during photosynthesis. The Amazon rainforest does this on an immense scale, which is why it is often referred to as the lungs of the planet. It is also one of the most biodiverse ecosystems on Earth, providing abundant ecosystem services that sustain our economies and societies.

The Amazon rainforest at a glance

Crosses eight countries and one overseas territory in South America, representing an area approximately **28** times the size of the UK

Covers **1%** of the world's surface but contains **10%** of known wildlife species

A new species of plant or animal is discovered on average every **3** days

Approximately **76bn** tonnes of carbon are stored in the Amazon rainforest

Over **400** different indigenous groups are thought to live in the Amazon rainforest

Source: WWF

Cattle ranchers have been responsible for clearing great swathes of virgin rainforest in Brazil in recent years. According to the World Resources Institute, over 40% of the global tropical primary forest loss in 2021 occurred in Brazil, a total of 1.5 million hectares.[5] This was attributed to forest fires and agricultural expansion, with deforestation for pasture accounting for just over half of the country's total tree cover loss area between 2001 and 2015.[6]

Although 70% of this occurred in the Amazon, another 20% was cleared in the Cerrado. This is a vast region of tropical savannah identified by the WWF as one of Earth's most biodiverse places and critically important for protecting the global climate.[7] The WWF says that just 14 global agriculture companies have the power to save the Cerrado by ending deforestation and conversion in their supply chains by 2025.[8,9] Over the years EOS has engaged on deforestation with close to half of these global agricultural companies.

Cattle ranchers have been responsible for clearing great swathes of virgin rainforest in Brazil in recent years.

[5] The Latest Analysis on Global Forests & Tree Cover Loss | Global Forest Review (wri.org)
[6] Deforestation Linked to Agriculture | Global Forest Review (wri.org)
[7] https://www.worldwildlife.org/pages/save-the-cerrado-our-climate-depends-on-it
[8] Save the Cerrado: Our climate depends on it | Pages | WWF (worldwildlife.org)
[9] Agriculture Sector Roadmap to 1.5 degrees C

Risks posed by deforestation

Commodity-driven deforestation poses significant risks to companies and their investors. These risks can be summarised as follows:

1 Reputational risk

Supermarkets in the UK have come under pressure from consumers, NGOs and investors to address deforestation in animal feed supply chains. In some cases, they responded by ending relationships with suppliers that had links to deforestation in the Amazon rainforest.[10]

2 Regulatory risk

A new EU law would require commodities placed in the EU market to be deforestation-free, produced in accordance with the laws in the country of origin, and covered by a due diligence statement.[11] In the UK, under the Environment Act 2021, large companies that source commodities are expected to conduct due diligence to ensure their products are free from illegal deforestation and conversion.[12]

> **Supermarkets in the UK have come under pressure from consumers, NGOs and investors to address deforestation in animal feed supply chains.**

3 Physical risk

Deforestation exacerbates climate change and biodiversity loss, causing more frequent and severe physical climate change impacts and creating risks to the provision of ecosystem services such as water and climate regulation. In addition, many companies are dependent on products derived from the Amazon rainforest, such as pharmaceuticals and cosmetics.

4 Systemic risk

Transgressing any of the safe planetary boundaries, especially those for biodiversity loss and climate change, greatly increases the risk that the earth will shift irrevocably away from the stable state that has characterised the last 11,000 years.[13]

Our engagement approach

Investors have a critical role to play in halting and reversing deforestation, especially through engagement with companies and capital allocation. Federated Hermes Limited (FHL) signed the *Commitment on Eliminating Agricultural Commodity-Driven Deforestation* ahead of COP26 in Glasgow. The commitment focuses on increasing engagement and due diligence to reduce exposure to deforestation in portfolios.

A collaborative initiative called Finance Sector Deforestation Action (FSDA) has been launched to support investors in delivering against this commitment. It uses data from Forest 500 and Global Canopy to help identify those companies at risk of having links to deforestation. EOS is supporting these efforts through collaborative engagements with over 30 focus companies.

For example, following the FSDA letter that we sent to Yum! Brands, which operates fast food chains such as KFC and Pizza Hut, we met the company's chief sustainability officer together with other FSDA coalition members. We pushed for Yum! Brands to increase commodity traceability in its supply chain.

The company said that all its beef was sourced locally for its restaurants and that less than 2% was sourced from Brazil, which supplies Brazilian restaurants. It underlined the challenge of achieving traceability in its soy supply chain but said it had made efforts to map this, and had joined the UK Soy Roundtable. It was good to hear that the company was conscious of emerging deforestation-related regulatory risks, especially in European markets.

We expect companies that source or produce soy, beef and leather, which are commonly linked to deforestation in the Amazon rainforest, to commit to deforestation-free and conversion-free production and sourcing by 2025. The commitment should cover all commodities, regions and suppliers, including indirect suppliers. We also encourage a commitment to achieving full traceability of commodities to source, across all tiers of the supply chain, in order to demonstrate that the company's value chain is deforestation and conversion-free. There should also be an explicit commitment to respect human rights.

[10] Tesco suspends supply from deforestation farms in wake of recent report – Grocery Gazette – Latest Grocery Industry News

[11] https://www.europarl.europa.eu/news/en/press-room/20221205IPR60607/deal-on-new-law-to-ensure-products-causing-deforestation-are-not-sold-in-the-eu

[12] https://www.iisd.org/articles/policy-analysis/deforestation-overview-eu-british-proposals#:~:text=The%20UK%20Environment%20Act%202021,compliance%20with%20relevant%20local%20laws

[13] Planetary boundaries: Guiding human development on a changing planet | Science

Companies should focus on the implementation of the commitment by articulating a clear strategy for how their operations and supply chain will become deforestation and conversion-free. This includes setting clear expectations for suppliers and creating mechanisms to enforce them. Ongoing due diligence and monitoring of suppliers and operations will be critical for effective implementation. Equally, ongoing collaboration will be necessary to tackle this complex issue.

For example, in an October 2022 call with the head of sustainability at JBS, we reiterated our concern about controversies related to the acquisition of cattle raised on deforested land. JBS confirmed the company's target of achieving 100% full traceability of the supply chain by 2025. Currently, 36% of all cattle acquired by JBS can be fully traced.

The company highlighted its engagement with smaller farmers in its supply chain and its provision of technical assistance. Approximately 3,000 small farmers that had been excluded from its list of approved suppliers were reinstated after engaging with JBS and implementing the recommendations made by the company's technical assistance team.

We continue to engage with companies that are exposed to deforestation risks. Our vote policy also includes a deforestation dimension, which targets companies that are lagging on disclosure and risk management. In 2022, we expanded the policy to look at poor performing financial institutions, as well as companies. In 2022 we recommended opposing directors on the Archer-Daniels Midland board due to concerns that the company had not taken adequate climate and deforestation risk mitigation measures. The company is one of the world's largest agribusiness traders in soft commodities including soy (see case studies).

CASE STUDIES

Agri-commodity traders and processors: Cargill, Bunge and Archer-Daniels Midland

We have engaged with Cargill, a global soft commodities trader, Bunge, a US agribusiness and food company, and Archer-Daniels Midland, a food processing and commodities trading company, which are all on the FSDA list. The three are also signatories to the Agriculture Sector Roadmap to 1.5°C, outlined in a joint statement agreed at COP26 by 13 of the world's largest agri-commodity traders and processors.[14] The statement commits the signatories to developing a shared roadmap for supply chain action, consistent with a 1.5°C pathway.[15]

The roadmap aims to reduce emissions from land-use change in the cattle, palm oil and soy sectors through three pillars. These are: to accelerate supply chain action to reduce emissions; to drive transformation of commodity producing landscapes; and to support forest positive sector transformation.

Although the roadmap was hailed for its collaboration by the sector, critics argued that it did not meet its primary aim of defining enhanced action in line with a 1.5°C pathway, as there was no plan to eliminate land use change quickly enough or broadly enough. This was particularly the case for the soy sector, according to the Accountability Framework Initiative.[16]

Cargill

As a signatory to the roadmap, in November 2022 Cargill announced it would eliminate deforestation in its supply chain in the Amazon, Cerrado and Gran Chaco biomes by 2025.[17] As part of the FSDA initiative, we sent Cargill a letter asking for a meeting to discuss our expectations of company action towards eliminating deforestation and its progress.

In December 2022 we joined an FSDA collaborative engagement with the company.

Bunge

Bunge complies with the Amazon Soybean Moratorium, a multi-stakeholder initiative that forbids the purchase of soy grown on land in the Amazon biome after 2008. The Moratorium has resulted in a reduction in soy-driven forest loss. Bunge continues to observe the Moratorium and reports on its progress annually.

In a November 2022 call with the company, Bunge was confident it would achieve its commitment on deforestation, having already reached 64% traceability for indirect sourcing. It had taken a collaborative approach with peers to engage smaller suppliers, the aim being to have all sellers engaged. It will stop engaging with those sellers who are not on board by 2025 and it is unlikely those suppliers will be in the company's supply chain. In February 2023, it stated that it had achieved 80% traceability and monitoring of soybeans from its indirect supply chain in the Brazilian Cerrado.[18]

[14] https://www.tropicalforestalliance.org/assets/Agriculture-Sector-Roadmap-November-2022-v2.pdf
[15] Agricultural Commodity Companies Corporate Statement of Purpose – UN Climate Change Conference (COP26) at the SEC – Glasgow 2021 (ukcop26.org)
[16] https://accountability-framework.org/commodity-traders-must-take-action-beyond-the-agriculture-sector-roadmap-to-achieve-a-true-1-5c-pathway/
[17] https://www.cargill.com/doc/1432219233265/2022-esg-report-all.pdf
[18] https://www.bunge.com/news/bunge-announces-increased-monitoring-soybeans-its-indirect-supply-chain-brazil

In December 2022 we joined an FSDA collaborative engagement with the company. Bunge welcomed investor commitments to ending deforestation, saying that this support had helped the sector enormously, and its own leadership on the topic. Having compared the FSDA commitment with its own actions, the company said it was aligned.

We also discussed Bunge's involvement in developing the Agriculture Sector Roadmap to 1.5°C. We spoke about the growing pressure on the no deforestation cut-off date of 2025, which creates the risk of more rapid deforestation in the years running up to 2025. We highlighted policies that encourage the adoption of a retrospective date of 2020. But Bunge said that to adopt this, it would be forced to exclude certain suppliers, and it would not do this unless there was a mainstream (sector-wide) commitment.

Nevertheless, Bunge develops and provides multiple programmes and incentives to its suppliers that discourage native vegetation conversion. These include the use of technology tools providing information on open clearing zones and preferential financing and certification programmes for farmers who meet certain criteria. It also works with industry partners to advance collective impact projects, such as through the Soft Commodities Forum, and through Abiove. We welcomed the progress on Bunge's vegetation restoration efforts with farmers.

Archer-Daniels Midland (ADM)

During 2022's Earth Week, ADM committed to achieving 100% deforestation-free global supply chains by 2025, five years earlier than its previous 2030 target. In a subsequent engagement in August 2022 with the chief sustainability officer and investor relations representative, ADM again highlighted its accelerated no deforestation goal. This has been supported by advancements in technology, combining satellite technology with farmer updates. By the end of 2022 it had achieved its 100% traceability goals in direct and indirect soy supply chains in Brazil, Paraguay and Argentina.

Given that industry targets for zero deforestation were missed in 2020 (although ADM itself did not have a 2020 goal), we asked the company in a Q1 2023 engagement how confident it was that it could meet its new 2025 target. It was confident that the current timeline was possible due to satellite imagery developments, which can show forest clearing in real time. We encouraged the company to remain focused on traceability and supply chain due diligence.

We pointed out that the current targets for sustainable agriculture are not sufficiently ambitious, as they are focused on a small proportion of wheat in the US. We encouraged ADM to scale up its targets and its approach, extending this to other regions and commodities. We also asked the company to provide more clarity on how it encourages farmers to transition to regenerative agriculture, and how it tracks the outcomes on carbon, water, biodiversity and other indicators.

In March 2023 ADM disclosed further details about its regenerative agriculture initiative. It has engaged 1.2 million acres in regenerative agriculture practices and announced a seven-year agreement with PepsiCo to engage a further two million acres, amongst other partnerships. Finally, we asked ADM to develop an overarching strategy on biodiversity and take leadership in this area, including by assessing and disclosing its impacts and dependencies in line with the upcoming Taskforce on Nature-related Financial Disclosures.

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Outlook for 2023 and beyond

A change of government policy in Brazil, regulatory developments in the UK and EU, and renewed industry focus on deforestation offer some hope for protecting one of the world's most biodiverse ecosystems. However, the 2025 zero deforestation goals are now relatively near-term and there is still significant work ahead to deliver on these commitments. Investors must hold companies to account for delivering on the tight timeline, and ongoing collaboration between stakeholders will remain important.

With the Kunming-Montreal Global Biodiversity Framework now agreed, countries must get to work on translating the framework into targets and policies at the national level. Investors and companies should keep abreast of emerging regulatory developments, such as biodiversity disclosure requirements. The final version of the Taskforce on Nature-related Financial Disclosures (TNFD) is due in Q3 2023 and expected to strengthen company disclosure on biodiversity risks and opportunities.

We will continue to engage on deforestation and biodiversity loss directly with companies and through collaborative initiatives such as the FSDA. Biodiversity has rightly shot up the investor agenda; looking ahead, it will be critical to maintain the momentum and focus on halting and reversing biodiversity loss in this decade.

What does COP15 mean for investors and companies?

The UN's Biodiversity Conference – also known as COP15 – delivered a new Global Biodiversity Framework that aims to halt and reverse destruction of the natural world. We attended COP15 as part of the Finance for Biodiversity Foundation delegation. Sonya Likhtman outlines our involvement, what was achieved, and the implications for investors.

What was agreed at COP15?

The Kunming-Montreal Global Biodiversity Framework (GBF) features four goals for 2050 and 23 action-oriented targets to stimulate action up to 2030. Highlights include a commitment to effectively conserve and manage at least 30% of land and oceans and a pledge to restore at least 30% of degraded ecosystems. There are targets to halve global food waste, address the risk from pesticides and highly hazardous chemicals, and implement nature-based solutions to align climate and biodiversity action. Important finance-related targets for 2030 include phasing out or reforming subsidies that are harmful to biodiversity by at least US$500bn per annum and mobilising at least $200bn annually from public and private sources for biodiversity-related funding.

The reaction to the Kunming-Montreal agreement was broadly positive, although some experts pointed to the need for more numerical targets and specificity in some areas. The Aichi targets that were in place from 2010 to 2020 were almost completely missed.[1] However, with greater awareness of the systemic risk posed by biodiversity loss, it is likely that there will be heightened scrutiny for the newly agreed framework.

How did we participate?

Federated Hermes Limited (FHL) was at COP15 as part of the Finance for Biodiversity Foundation delegation. We actively participated in COP15 in our capacity as co-chair of the Public Policy Advocacy working group within the Foundation. For a year and a half leading up to COP15, the Public Policy Advocacy working group followed the negotiations, engaged bilaterally with member states, and provided suggestions for the draft text. We developed three position papers ahead of each round of negotiations to explain the position and rationale behind the text suggestions.

The core goal was to ensure that the GBF captured and emphasised the important role that the private finance sector must play in halting and reversing biodiversity loss. We advocated for the framework to require the alignment of public and private financial flows with biodiversity goals and targets. This language signals the need for financial institutions to reduce financial flows that are currently harming biodiversity, and increase flows that can support nature protection and restoration, especially through stewardship and capital allocation.

What are the implications for investors and engagement?

Parts of the framework that reference private finance closely mirror the position we advocated for through the Finance for Biodiversity Foundation. Goal D and Target 14 require the alignment of financial flows with both the 2030 targets and the 2050 vision, which secures a focus on implementation in the short, medium and long term.

Target 15 requires governments to ensure that large companies and financial institutions assess and disclose their risks, impacts and dependencies on biodiversity throughout their operations, value chains and portfolios. This closely reflects the expectation we set in our white paper, *Our Commitment to Nature*,[2] for companies to assess, measure and disclose their impacts and dependencies on nature throughout their operations and supply chains. The Taskforce on Nature-related Financial Disclosures (TNFD) framework is due to be completed in the third quarter of 2023, which will enable companies and financial institutions to produce more standardised and relevant nature-related disclosure.

The GBF references other areas that are relevant to companies and investors, which will support our ongoing engagement efforts on topics such as deforestation, climate change and the circular economy. The framework also recognises the important role of Indigenous communities.

The Kunming-Montreal agreement is an important step, but it is just the starting point. All eyes must now turn towards effective implementation of the GBF at the national level. Countries are required to submit their National Biodiversity Strategies and Action Plans (NBSAPs) ahead of COP16, which will take place in Turkey in 2024. All stakeholders, including the financial sector, have a significant amount of work to do to successfully implement the full scope of GBF goals and targets.

[1] https://www.theguardian.com/environment/2020/sep/15/every-global-target-to-stem-destruction-of-nature-by-2020-missed-un-report-aoe

[2] https://www.hermes-investment.com/uk/en/intermediary/eos-insight/stewardship/our-commitment-to-nature/

Counting the cost of the climate crisis

As global temperatures climb, the associated impacts from the climate crisis will become increasingly difficult – and more costly – to manage. How are companies accounting for this risk in their balance sheets? Justin Bazalgette explains why it is important for investors to have confidence in the bottom line.

Setting the scene

In September 2020, investor groups representing over US$100tn issued an open letter to companies on accounting standards.[1] It called on them and their auditors to fully reflect the effects of climate change commitments made by the company in their declared results. They asked for compliance with new guidance from the International Accounting Standards Board (IASB) on the need to reflect climate-related risks in financial reports.[2] The International Auditing and Assurance Standards Board also made it clear that climate must be included as part of audit.[3]

However, although the six largest accountancy firms have committed to embracing the materiality of climate change for audit purposes,[4] investors remain concerned that companies continue to understate the effects of climate-related risks.[5] There is also a lack of clarity in how companies and auditors have included climate in drawing up and assessing the accounts. This could result in major write downs of assets as – faced with the devastating impacts of global warming – policymakers scramble to accelerate the low carbon transition.

Oil and gas companies secure funding for new projects on the basis of projected future earnings and an assessment of the value of their existing reserves. These assumptions are also critical in telling investors about the future viability of a business.

Is it worth going ahead with a major North Sea oil development, for example? What price might the future barrels of oil produced ultimately retail at? Can the banks funding the investment be confident these funds will be repaid in full? Or might those assets be impaired or even 'stranded' as governments are forced to respond to catastrophic climate breakdown, and the investment written down?

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[1] Investor groups call on companies to reflect climate-related risks in financial reporting | News and press | PRI (unpri.org)
[2] in-brief-climate-change-nick-anderson.pdf (ifrs.org)
[3] IAASB Issues Staff Audit Practice Alert on Climate-Related Risks | IFAC
[4] Six largest accountancy firms commit to embracing materiality of climate change for audit purposes (responsible-investor.com)
[5] Investors tell Big-4 auditors they risk AGM rebellion over climate accounting | Reuters

These dilemmas are of particular concern to investors in fossil fuel companies, but few industries can consider themselves wholly insulated from the effects of the low carbon transition or the physical risks of climate change. Aside from more frequent extreme weather events, we could see belated and drastic policy responses from governments, input shortages caused by failed harvests or marine biome collapse, and rising sea levels.

It is for these reasons that investor groups and standard-setters have called on companies to follow best practice guidelines and fully reflect climate-related risks in their financial statements. That means companies should disclose how climate change and decarbonisation commitments are being captured in their accounting assumptions and judgements. Are their accounts aligned with a 1.5°C world, as set out in the Paris Agreement? Will the company be materially impacted by climate change risks?

The aim is to challenge the disconnect between a company making bold net-zero pledges and the business-as-usual reporting still found in some company accounts. Here, the assumptions made around climate may not be transparent and it will not be clear what climate scenario has been used, how it has been assessed in the accounts, and what impact it had on the assumptions made to finalise the accounts.

Why are some companies reluctant to disclose this information? The main argument used by companies is that the information is not materially impacting their accounts. But if they do not provide transparency on the assumptions made to come to this conclusion, investors are left with high levels of uncertainty. The challenge from investors and regulators is that the judgement should be made on what is material to stakeholders. This is particularly pertinent for the biggest carbon emitters, which have to take the most action to meet their net-zero pledges.

Flying blind

Investors and their representatives have come together within Climate Action 100+ (CA100+) to review disclosures by the world's biggest carbon-emitting companies and to engage with company management. The aim is to press for sufficient information to confirm that appropriate financial adjustments have been made in the accounts to support the delivery of the company's climate commitments. However, over the past two years none of the CA100+ assessed companies have provided sufficient information to pass this test, leaving investors at risk of "flying blind", as one report has put it.[6]

What is assessed?

The Climate Accounting and Audit Alignment Assessments carried out by the Carbon Tracker Initiative assess three main areas:

1. The audited financial statements demonstrate how material climate-related matters are incorporated, the quantitative climate-related assumptions and estimates, and that these are consistent with the company's other reporting.
2. The audit report demonstrates how the auditor has assessed the material impacts of climate-related matters and identifies inconsistencies between the financial statements and the company's other reporting.
3. The audited financial statements are based on achieving the Paris Agreement goal of limiting global warming to no more than 1.5°C, or include a sensitivity analysis on the potential implications.

How does climate risk impact a company's financial health?

Investors are concerned about the potential financial implications arising from climate-related and other emerging risks, which include:

- asset impairment, including goodwill
- changes in the useful life of assets
- changes in the fair valuation of assets
- effects on impairment calculations because of increased costs or reduced demand
- changes in provisions for onerous contracts because of increased costs or reduced demand
- changes in provisions and contingent liabilities arising from fines and penalties
- changes in expected credit losses for loans and other financial assets
- investment in the business infrastructure to ensure that the company's business model is robust enough to withstand the potential physical manifestations of climate change, along with appropriate sensitivity analysis.

[6] Still Flying Blind: The Absence of Climate Risk in Financial Reporting – Carbon Tracker Initiative

Investors need this information to assess the economic resilience of a business to climate change and the energy transition. Without it they have less chance of understanding whether management is properly preparing the company for this transition. This impacts the quality of their investment decision-making and increases the risk that capital will be misallocated, with poorer outcomes for underlying beneficiaries.

To get to net zero by 2050 to support a 1.5°C Paris-aligned pathway, companies will need to make significant changes to their current business models, potentially impacting their financial statements. For example, electricity utilities will need to phase out coal and gas-fired power stations and convert to renewable energy, impacting asset lifespans and requiring significant investment in new infrastructure. The automotive industry will need to convert its manufacturing lines – into which it has invested significant amounts of capital – from internal combustion engine models to hybrid and all-electric models. While the precise timing of this will be based on customer sales and tightening policy frameworks in specific markets, the trajectory is clear.

Industrial companies in the construction and chemical sectors will need to assess the impact of switching to renewable fuels and how to significantly reduce the carbon emissions of their operations and their supply chains. Oil and gas companies, which have historically included the future potential value of undeveloped oil fields in their overall reserve calculations, could face significant write downs in low carbon scenarios. Many companies in this sector are planning significant changes to their business models over time.

Investors also want to know how carbon pricing has been handled and what levels have been included. A sensitivity analysis is important to assess the resilience of a company's business model. Often there is only scant mention of what has been assessed, how this has been handled in the accounts, and what the impact has been.

Roles and responsibilities

There are clear and distinct responsibilities that apply to a company's board and its auditors. While these will differ somewhat by jurisdiction, these are summarised at a high level below:

- Companies are responsible for stating which components of their climate strategy, commitments and targets have been included in their financial statements, and how these have been dealt with. They should include a sensitivity analysis where there is a lack of certainty about the outcome.
- Auditors are responsible for confirming how they have assessed the company's approach to climate and for identifying any areas of concern or risk. They should specify any feedback given to the company on the improvements they have recommended.

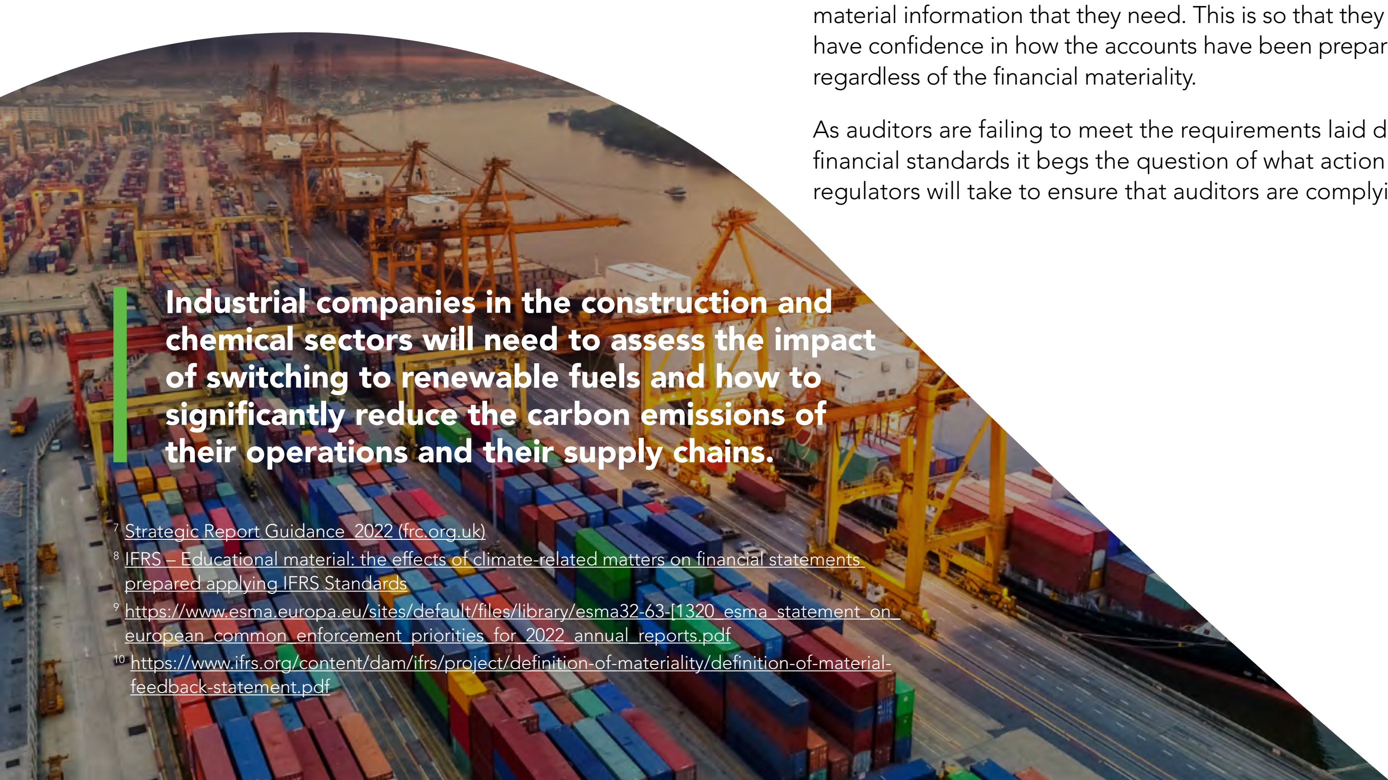
Materiality

The International Accounting Standards Board defines information as material if "omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."[10]

The role of auditors

Investors rely heavily on the independence of auditors and on regulators to ensure that company accounts reflect the assumptions that have been included, clearly and transparently. While regulators have provided clear guidance[7,8,9] for when and how auditors should include information relating to climate impacts on company accounts, companies and auditors will often state that the climate commitments have not yet had a financially material impact. However, investors argue that understanding how climate change risks and opportunities are being dealt with at the world's biggest carbon emitters is material information that they need. This is so that they can have confidence in how the accounts have been prepared, regardless of the financial materiality.

As auditors are failing to meet the requirements laid down in financial standards it begs the question of what action regulators will take to ensure that auditors are complying.



Industrial companies in the construction and chemical sectors will need to assess the impact of switching to renewable fuels and how to significantly reduce the carbon emissions of their operations and their supply chains.

[7] Strategic Report Guidance_2022 (frc.org.uk)
[8] IFRS – Educational material: the effects of climate-related matters on financial statements prepared applying IFRS Standards
[9] https://www.esma.europa.eu/sites/default/files/library/esma32-63-[1320_esma_statement_on_european_common_enforcement_priorities_for_2022_annual_reports.pdf
[10] https://www.ifrs.org/content/dam/ifrs/project/definition-of-materiality/definition-of-material-feedback-statement.pdf

Auditor oversight of a company's approach to this issue is critical. While there can be differences by jurisdiction, in general, integrated statutory or regulated reporting requires the auditor to evaluate the statements made in the report and to confirm that in their view there is no misalignment. Some companies provide separate climate reports, which can offer additional and useful information for investors. However, if these are not included in auditors' assessment of the accounts, it can lead to uncertainty about the full alignment of a company's climate commitments.

EOS has worked with the Institutional Investors Group on Climate Change (IIGCC) to help build a coalition of support for a set of Investor Expectations for Paris-aligned Accounts.[11] Published in November 2020, these ask companies to:

- commit to supporting a 1.5°C Paris-aligned future, meeting net zero at least by 2050, and setting targets validated by the Science Based Targets initiative;
- ensure that lobbying and advocacy through a company's membership of associations and institutions support its own net-zero commitments; and
- ensure that these commitments are aligned with a company's financial statements and are the basis for the preparation of their accounts.

Within the CA100+ group of companies, we have seen good progress on commitments and targets, with 75% setting net-zero targets,[12] 92% with board oversight and 91% aligned with the Task Force for Climate-related Financial Disclosures. Although there is still more that needs to be done, companies have also started to provide better information on lobbying and advocacy, aligning how they represent their stated climate commitments in public and use their influence to support actions to limit climate change. However, the majority of companies still score poorly against the Climate-Aligned Accounting benchmark.[13] In the latest report, no company met the requirements in all areas and only nine out of 152 assessed had partial alignment, including BP, Glencore, and Rio Tinto.

Our engagement approach

Over the past year we have stepped up our engagements with companies to highlight this issue, outlining our concerns and challenging companies through the board chair and audit chair. We seek clarity on what the critical accounting assumptions are, how climate risks are factored in, and the sensitivity analysis used for a 1.5°C pathway. In the auditors' report, we want to see details about how climate risks were examined.

For example, we have been engaging with one of the world's biggest emitters, cement company CRH, challenging it to provide more transparency. While the management team has made good commitments to reduce the company's carbon impact, and CRH aspires to reach net zero by 2050, these commitments are not yet supported by details.

We need to see more granularity around the assumptions and estimates used, as currently it is not possible to confirm how the company concluded that there was no material effect from its climate commitments on its financial statements. Although the auditor mentioned climate as a key accounting matter in the 2020 annual accounts, this was absent in 2021, leaving investors confused about how the company and the auditor were treating the issue.

[11] https://www.iigcc.org/download/investor-expectations-for-paris-aligned-accounts/?wpdmdl=4001&masterkey=5fabc4d15595d
[12] CA-100-Progress-Update-2022-FINAL-2.pdf (climateaction100.org)
[13] October-2022-Benchmark-interim-assessments_public-summary_Final_13Oct22.pdf (climateaction100.org)

We also spoke to the new lead independent director of French food company Danone. We recognised the progress the company had made in achieving Science Based Targets initiative validation for its 1.5°C emissions reduction targets, and in setting a specific target for forest, land and agriculture.[14] We said that Danone should ensure that these commitments were clearly reflected in its accounts, so that investors could see how they had been assessed.

As participants in CA100+, we led discussions with German car manufacturers BMW, Volkswagen and Mercedes in advance of the publication of their accounts, to reinforce the expectations made in writing by CA100+. We also wanted to help the companies understand where their previous accounts were not aligned with investor expectations.

Engagement with oil and gas companies such as Shell and BP on climate disclosures in financial statements has taken place over a longer period, resulting in market-leading levels of disclosure. However, we want to see further improvements, such as details of the quantitative carbon prices used in impairment testing, and disclosure of the estimated future accounting impacts of the costs associated with the use of negative emissions technologies, such as offsets, or carbon capture and storage.

With a few exceptions, we have similar questions for the majority of the CA100+ companies with which we engage. We have asked these companies to work with their auditors and to close the gaps in line with investor demands. Failure to do so could result in investors expressing their disapproval at annual shareholder meetings by voting against a company's audit committee chair, its auditor, the audit report, or all three.

In terms of our own voting recommendations, we make companies aware that continued failure to comply with financial regulations may result in us recommending a vote against the audit committee chair, or the other directors responsible for setting out how the accounts should be drawn up.[15,16] Where auditors have not indicated how they have assessed the accounts from a climate point of view, this could result in a recommendation to vote against either the reappointment of the auditor or the approval of the financial accounts, if there is serious doubt about whether they truly reflect the financial outcome of the company's climate commitments.

Engagement with oil and gas companies such as Shell and BP on climate disclosures in financial statements has taken place over a longer period, resulting in market-leading levels of disclosure.

We have also highlighted to regulators and audit companies the seriousness of an inadequate treatment of material climate-related issues in company financial reporting, and the importance of their role in helping to ensure alignment. In November 2022 we supported the sending of letters to auditors, copied to the UK's Financial Reporting Council (FRC), outlining investors' growing concerns, and confirming their expectations of the auditor's role. We followed up with each auditor to understand their position, and participated in roundtable discussions with the FRC's chair, to ensure our concerns were properly understood.

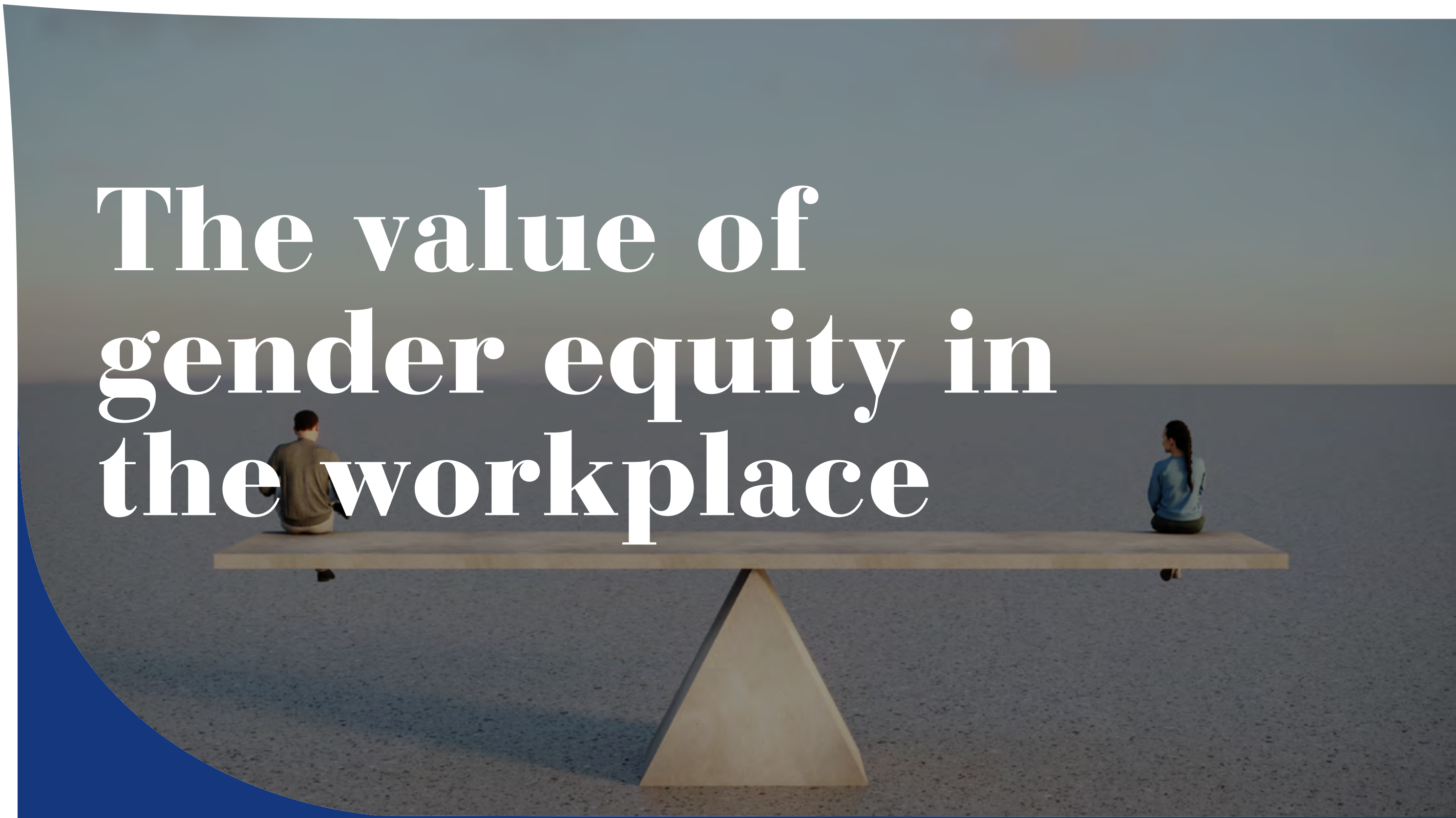
Outlook

Looking ahead to the rest of 2023, we will focus our engagement on those companies that have already been contacted through CA100+, highlighting investor expectations on this topic. For the remaining CA100+ companies, we will confirm where we see material gaps, and what our expectations for improvement are for the coming year.

We will continue to challenge the main audit companies to meet the requirements of relevant financial regulators, as well as asking regulators to crack down on auditors that are failing to deliver against their obligations.

Our ultimate goal is to ensure that investors can have confidence that companies and their auditors are taking their climate commitments seriously. In our view, this is critical for long-term sustainable wealth creation.

[14] https://www.danone.com/impact/planet/climate-actions.html
[15] fheos-corporate-global-voting-guidelines-2022.pdf (hermes-investment.com)
[16] eos-europe-australia-public-vote-guidelines-2023.pdf (hermes-investment.com)



The value of gender equity in the workplace

Gender gaps open up at an early age and widen when women enter the workforce. Zoe de Spoelberch and Emily DeMasi set out our approach to engaging on gender equity and eliminating sexual harassment from workplaces.

Setting the scene

Gender gaps around the world reflect underlying societal issues that impact women at all stages of life, from the wages earned at work, and the way women are treated by the justice system, to the pervasive everyday sexism highlighted by the #MeToo movement. Women of colour experience this more acutely, being exposed to multiple inequalities, including gender and racial wage gaps, occupational segregation, and a disproportionate burden of the costs associated with caregiving.[1]

At work, women may be subjected to sexual harassment and discrimination, which can lead to litigation, settlements and reputational damage for the company. Conversely, companies that strive to nurture and retain their female workforce by developing inclusive and safe cultures, alongside parental leave, paid sick leave and menopause support, are likely to reap the benefit with happy, productive employees. This is why gender equity, and its intersection with racial inequality, constitutes an important pillar of our human capital engagement theme.

In many areas of life, girls and women are frequently put at a disadvantage to their male counterparts. Over the course of their careers, women on average earn less than men, despite having the same qualifications, or better. The World Economic Forum estimates that globally, women are paid 68.1% of what men earn for the same job.[2] Traditional gender expectations mean that on average women still shoulder the majority of family caring responsibilities within mixed-sex couples, even when both partners are in professional or higher-earning roles.

But pay is only part of the story – despite over four decades having passed since women entered the workforce in large numbers, they may still face sexual harassment and discrimination. This can result in large compensatory pay-outs when companies fail to rectify the problem.

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[1] The Impact of Gender and Racial Inequality On Women Workers | U.S. Department of Labor (dol.gov)
[2] WEF_GGGR_2022.pdf (weforum.org)

For example, allegations of sexual misconduct and gender pay inequity at US video game company Activision Blizzard led to the law courts and multi-million dollar settlements with regulators.[3,4] The case, which shone a spotlight on the male-dominated game development and software industry, demonstrated the risks to companies that fail to address employee complaints of discrimination and sexual harassment satisfactorily.

Other high-profile cases that have come to light in recent years include the 2020 finding by the Australian Human Rights Commission that 74% of women in the mining industry had experienced some form of sexual harassment.[5,6] Women working in isolated 'fly-in, fly-out' camps were particularly vulnerable. And in early 2023 a McDonald's franchise owner agreed to pay nearly US$2m to resolve a sexual harassment lawsuit filed by the US Equal Employment Opportunity Commission.[7]

This underscores how companies that fail to satisfactorily address complaints about sexual harassment or discrimination may incur serious reputational damage, litigation risk and share price falls. They also risk losing talented female employees, and may face difficulties in recruiting their replacements. Conversely, businesses that create a culture of inclusion and respect among employees, respond to harassment effectively, provide support for women throughout their careers, and ensure gender pay parity should benefit from higher productivity, a strong talent pipeline, and the diversity of thought that leads to better business outcomes.

Other high-profile cases that have come to light in recent years include the 2020 finding by the Australian Human Rights Commission that

74% of women in the mining industry had experienced some form of sexual harassment.

Our expectations of companies on sexual harassment

1 Strategy and effectiveness

We expect companies to have effective strategies and monitoring systems in place to help prevent and remedy any sexual discrimination, harassment or bullying and to create safe and inclusive cultures.

Increasing female representation, especially in leadership positions, can help to prevent sexual harassment. We expect companies to increase the percentage of women across all workforce levels with the aim of reaching gender balance. This ambition should be accompanied by a strategy to make working processes and activities suitable for women, such as ensuring that equipment is operable by women.

Our expectations are reflected in our voting policies – we recommend votes against board directors at companies where we have concerns about the lack of women on the board. We take our expectations one step further in European and American markets, where we recommend votes against directors at companies with no women at the executive committee level.

As signatories of the 30% Club, we expect large companies in the UK and US to have a minimum of 30% female board representation. Additionally, boards should have at least one director from an underrepresented racial/ethnic group. We also encourage other forms of diversity. We will consider recommending votes against the chairs of companies that fail to meet these expectations.

2 Conduct, culture and ethics

We expect companies to have adequate governance in place as well as anti-discrimination and anti-harassment policies, and to deliver training on preventing workplace harassment. Companies should also review their recruitment practices.

We expect management to set a respectful tone and to develop a collective understanding of expected workplace behaviours and processes. This should support a 'speak up' culture for all employees to raise their concerns openly. At the board level, we seek disclosure on preventing and managing incidents and the risks of sexual harassment, and on how discrimination is part of directors' responsibilities. We expect sexual harassment to be treated as a health and safety risk.

Companies should create a safe and inclusive physical environment for all workers by ensuring the availability of safe facilities and proper surveillance. They should limit any factors that may increase the risk of sexual harassment occurring, such as employee alcohol consumption.

[3] https://www.theguardian.com/technology/2022/mar/29/activision-blizzard-sexual-harassment-lawsuit-eeoc-settlement
[4] https://www.forbes.com/sites/tylerroush/2023/02/03/activision-blizzard-will-pay-sec-35-million-to-settle-claims-over-its-workplace-misconduct-disclosures/?sh=37880065642d
[5] https://www.theguardian.com/australia-news/2022/jun/23/predatory-sexual-behaviour-rife-in-wa-mining-industry-report-finds
[6] https://www.mining.com/web/what-is-australia-doing-about-sexual-harassment-in-mining-camps/
[7] https://www.eeoc.gov/newsroom/mcdonalds-franchise-pay-nearly-2-million-settle-eeoc-sexual-harassment-lawsuit
[8] Where White Men Rule: How the Secretive System of Forced Arbitration Hurts Women and Minorities | AAJ (justice.org)

Companies should be wary of tying employees to forced arbitration clauses in work contracts that constrain their right to go to court if they witness or experience misconduct in the workplace. This is because of the systemic inequities that persist within arbitration itself.[8]

3 Monitoring and reporting

Where sexual harassment does occur, we expect companies to provide external relief for workers and credible transparency around the remediation process. The company should make grievance reporting mechanisms available and accessible to workers, and escalate grievances appropriately. It should identify and assess the risk, learn from this and other past experiences, be transparent about sexual harassment and discrimination, and review existing workplace practices to prevent such events from reoccurring.

We expect companies to be transparent about sexual harassment and discrimination and encourage regular measuring and reporting of the risks of such incidents. We also encourage them to provide robust quantitative and qualitative information regarding sexual harassment in their workforces on an annual basis, and to commit to seeking employee sentiment and feedback via regular surveys.

Company engagement examples

Our engagement on gender equity, sexual harassment and discrimination spans different continents and industries. For example, we strengthened our engagement on sexual harassment at Australian mining companies BHP and Rio Tinto, following the report from Australia's Human Rights Commission exposing the pervasiveness of the problem.[10]

We welcomed Rio Tinto's commissioning of an independent review of its workplace culture to understand, prevent and respond to harmful behaviours across its global operations. The results were published on the company's website in an in-depth report.[11] We met Rio Tinto's chief people officer to challenge the company on the findings, underlining our concerns for the uncovered sexual harassment incidents.

Rio Tinto provided assurance that it was training its leaders to lead with values and that it was improving facilities for women, with three executive committee members responsible for overseeing the sexual harassment strategy. We urged the company to disclose the findings from its employee survey to give us reassurance that sexual harassment case numbers were falling. The company welcomed this feedback and said it would consider this for its next survey in 2024.

> **We welcomed Rio Tinto's commissioning of an independent review of its workplace culture to understand, prevent and respond to harmful behaviours across its global operations.**

Similarly, we intensified our engagement with BHP, where we spoke to the chair of the remuneration committee about preventing sexual harassment. We were pleased to hear that the company had taken steps to eliminate the risk of sexual harassment, by creating a sexual harassment support line, holding sexual harassment awareness training, increasing security at mine sites and linking executives' remuneration to progress in the elimination of sexual harassment.

BHP also takes preventive measures such as reducing the consumption of alcohol, which we welcome. And it is trying to make mine equipment more suitable for use by women, by redesigning vehicles for example. We pressed the company to be transparent and to disclose the results of its employee engagement survey. We also encouraged it to explain in its reporting how the findings from its internal review have shaped its strategy.

Our engagement on sexual harassment escalated to voting action at Activision Blizzard. At the company's 2022 annual shareholder meeting, we recommended support for two shareholder proposals that – if adopted - could help Activision Blizzard to improve its management of human capital, human rights and the associated risks following sexual harassment and discrimination allegations. One of the proposals asked for a report on the company's efforts to prevent abuse, harassment and discrimination. Shareholders showed strong support for this, with approximately 67% voting in favour of implementation.[12]

Looking ahead

In 2023 we will continue to engage companies on the identification, escalation, and remediation of sexual harassment incidents and discrimination in the workplace. Our focus will be on sectors where women have been underrepresented, including financial services, technology, oil and gas, and mining.

We will seek to go beyond basic metrics such as the gender pay gap and workforce composition to include metrics around retention and promotion. We will also ask for regular pulse surveys that can assess the culture of gender equity – including questions around feelings of safety, support and inclusion. Until companies create environments where women can equally succeed, they will continue to fall short on gender equity commitments.

[9] https://www.ft.com/content/96160847-af3f-44b6-8129-1e39a73a28d3
[10] https://humanrights.gov.au/our-work/sex-discrimination/publications/respectwork-sexual-harassment-national-inquiry-report-2020
[11] https://www.riotinto.com/-/media/Content/Documents/Sustainability/People/RT-Everyday-respect-report.pdf
[12] https://www.cnbc.com/2022/06/21/activision-blizzard-shareholders-approve-proposal-for-report-on-abuse.html

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 areas, including business strategy and risk management, which includes environmental, social, and ethical risks. Structural governance issues are a priority too. In many cases, there is minimal external pressure on the business to change. Much of our work, therefore, is focused on encouraging management to make necessary improvements.

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

DexCom

Engagement theme:
Access to healthcare

Lead engager: Michael Yamoah

As diabetes, particularly Type 2 diabetes, continues to spread into more vulnerable regions of the world, access to life-saving products outside the US and most European countries is critical for reducing the prevalence of chronic disease worldwide. During our visit to the company's headquarters in Q2 2019, we met the investor relations team and corporate secretary and urged the company to start thinking about how it could address the diabetes burden by expanding access to its products outside the US.

The company acknowledged the value of our proposition but indicated that it did not currently have the capacity to scale up its products to meet global demand. It also expressed concerns about the cost barrier to market-access expansion, and the limitations around production volumes. Following the site visit, we provided examples of our views on best practices in sustainability reporting on access to healthcare. We had further engagement meetings - in 2020 with the head of corporate affairs, and in 2021 with the investor relations team - to advance discussions on access to healthcare.

Outcomes and next steps

Since our engagement, the company has taken material steps to improve its market access strategy beyond the core developed markets. In an engagement in Q4 2020, the head of corporate affairs outlined key elements of the company's strategy for expanding market access to its continuous glucose monitoring (CGM) products. The company also noted in its 2021 sustainability report that facilitating access to its CGM systems was a core element of its sustainability strategy. It had obtained marketing authorisation for its CGM technology in more than 40 countries and planned to expand into regions lacking access to similar technology.

In a Q2 2021 call with the CFO, he emphasised the company's focus on expanding access and finding ways to reduce prices. DexCom asserted that it wanted to develop products that could impact a broader, diverse population. Its CGM technology was highlighted for this reason in the Journal of the American Medical Association (JAMA) in June 2021.

We welcome these steps, which demonstrate the company's commitment to achieving market access beyond core markets. We will monitor progress against this strategy while continuing to engage with the company on gender diversity in the development of AI-assisted technology.

Repsol

Engagement theme: Board composition

Lead engager: Owen Tutt

We started engaging with Repsol on its board composition in 2018. In a meeting with its CEO, we advised Repsol that it should have greater diversity in the backgrounds of its board members, and for their skills and experience to be in line with the company's strategy to transition to renewable energy. In a call with the company's director of corporate governance in 2019, we probed again whether it was considering reviewing the experience and skills of its board.

In a subsequent meeting with the CFO in 2020, we sought to improve our understanding of the board expertise and dynamics, and how it was steering and overseeing the long-term strategy of the business. In a meeting with the chair in 2021, he explained the challenges of the energy transition and explained that the board would evolve to reflect the company's commitment to low-carbon investments. We followed up in a meeting with Repsol's diversity and culture manager in 2022 and asked Repsol if its board had sufficient experience in renewable energies.

Outcomes and next steps

Following our call with the company's director of corporate governance in 2019, we were pleased to hear that Repsol would publish a skills matrix for its board members, along with the results of a board assessment, in its next corporate governance report. In 2021, we were pleased to see Repsol appoint a board director with experience in energy transition and renewable hydrogen production. This non-executive director now sits on the sustainability committee.

In 2022 we were pleased to hear that Repsol considers the strategic direction and the challenges of the company when selecting board members, and believes that all their current skills and experiences are appropriate given the company's strategic plan. The board evaluation in the company's 2021 corporate governance report indicated that 71% of its board had skills in sustainability. We also welcomed the associated action plan, which stated that the company agreed to develop the directors' training in aspects relating to the energy transition.

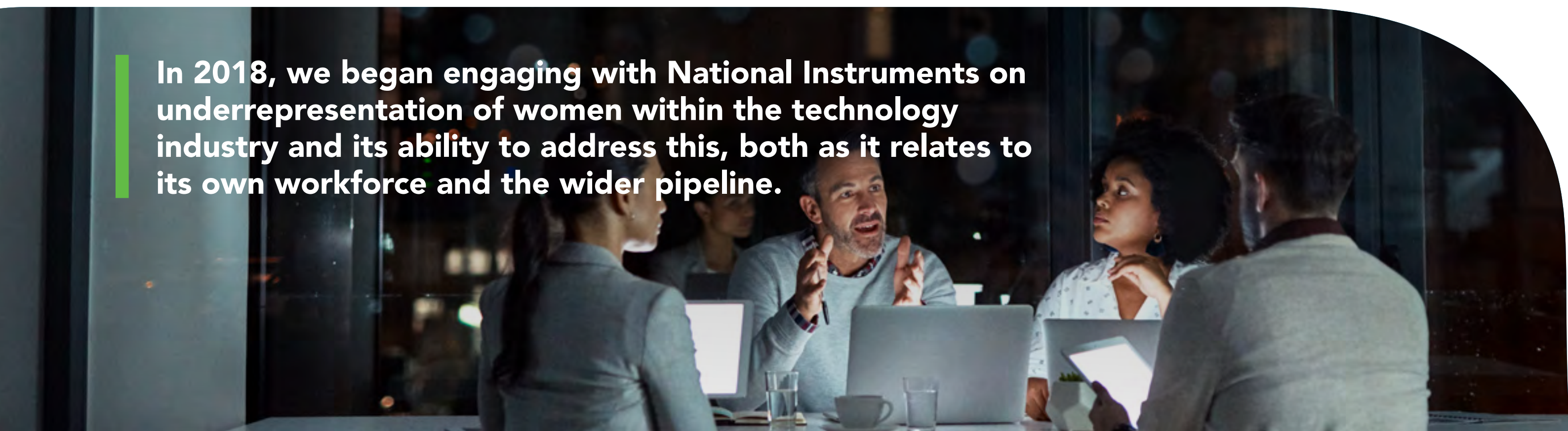
National Instruments

Engagement theme: Support female empowerment

Lead engager: Michael Yamoah

In 2018, we began engaging with National Instruments on underrepresentation of women within the technology industry and its ability to address this, both in relation to its own workforce and the wider pipeline. In a meeting with investor relations and the chief accounting officer in Q1 2019, we encouraged the company to set workforce diversity targets, articulate a strategy for achieving them, and disclose diversity data on the company's website so that investors could more easily track progress.

We had a positive follow-up meeting in Q2 2019 with the chief financial officer, head of human resources and others at the company's headquarters. We discussed the value of increasing board gender and ethnic diversity as a way of signalling the importance of this agenda. The company agreed to relay our feedback to the board. Although we found its activities around women and STEM (science, technology, engineering and mathematics) to be strategic and detailed, its external reporting failed to represent the comprehensiveness of its efforts.



In 2018, we began engaging with National Instruments on underrepresentation of women within the technology industry and its ability to address this, both as it relates to its own workforce and the wider pipeline.

In a Q1 2020 email to the company, we outlined the role that technology companies should play in enabling bolder actions on diversity and inclusion, encouraging it to take a more public leadership position on this matter. In Q3 2021, we met the chief people officer to discuss this further.

Outcomes and next steps

After an additional woman joined the board in 2020 the board's gender diversity doubled to 25%. The company released its inaugural corporate impact strategy report in Q1 2021, with an emphasis on the STEM pipeline, a target of 50% women by 2030, and a commitment to invest US$3.4m in STEM education over the next four years, targeting underrepresented or economically-disadvantaged students.

In Q3 2021, at the meeting with the chief people officer, chief legal officer and others, we learned that the company tracks pay equity across gender and race, with monthly reviews. We welcome this progress but continue to engage on increasing board diversity in line with our minimum expectation of 30% as this strong signal from the top supports its wider workforce ambition.

Stora Enso

Engagement theme:
Emissions reduction targets

Lead engager: Lisa Lange

Stora Enso is an integrated paper, packaging and forest products company based in Finland. We first raised concerns about the company's carbon footprint in Q2 2017, which it acknowledged, sharing its plans to develop a methodology to improve the calculation of its emissions. In Q4 2017, we were pleased to see Stora Enso become the first forest products company to set science-based targets aligned with well below 2°C.

We continued to press for more ambitious climate targets aligned with 1.5°C in meetings with the head of sustainability in 2018 and again in 2021. We challenged the slow progress on Scopes 1 and 2 emissions reductions, although the company was able to demonstrate an improvement in its emissions intensity.

In Q4 2017, we were pleased to see Stora Enso become the first forest products company to set science-based targets aligned with well below **2°C.**

Outcomes and next steps

As of Q4 2021, the company has updated its previous targets by aligning them with a 1.5°C scenario, including a 50% reduction in Scopes 1, 2 and 3 emissions by 2030 with a 2019 baseline, which we welcomed. These targets have been validated by the Science Based Targets initiative (SBTi). We continue to engage on biodiversity impact, advocating for setting interim targets and performance indicators as part of Stora Enso's 2050 goal to reach 100% regenerative products and solutions.

Viatris

Engagement theme:
Executive clawbacks for exposure to opioid-related risks

Lead engager: Michael Yamoah

Prior to the merger of Upjohn and Mylan to form Viatris, we contacted Mylan in Q2 2019 as supporters of the Investors for Opioid Accountability (IOA) initiative, raising concerns related to the company's role in promoting opioids. Given the importance of this issue, we co-presented a shareholder proposal to the board and shareholders on behalf of the IOA at the 2019 annual shareholders' meeting.

The proposal encouraged Mylan to adopt a more robust clawback policy that provided for the recoupment of senior executive incentive pay in the event of misconduct. We asserted that its current policy was insufficient as it was only triggered in narrow circumstances. We were pleased that the proposal received majority support at the meeting as this was an important step in defining expectations, deterring misconduct, and promoting accountability.

In Q3 2021, we engaged with senior leaders of the combined company, including the heads of corporate affairs, corporate social responsibility, capital markets and investor relations to address the adoption of a clawback policy that aligns with long-term shareholder interest.

Outcomes and next steps

In our Q3 2021 meeting, we were pleased to hear how the company's clawback policy ensures that it can clawback some or all of the bonus and equity incentive compensation in the event of financial restatements or misconduct involving material violations of law or company policy. Viatris also has other policies, including its Code of Business Conduct and Ethics, empowering the company to take a full range of disciplinary responses for any violations.

The board and compensation committee are not otherwise constrained from seeking to clawback or deny compensation to any member of the executive team in response to any breach of duties or ethics. We are satisfied that the clawback policy now enables more robust accountability over opioid-related risks, fulfilling the engagement objective.

BBVA

Engagement theme:
Embedding sustainable banking into corporate strategy

Lead engager: Owen Tutt

BBVA is a bank headquartered in Spain with operations in Europe, South America, Mexico and Turkey. The bank has made sustainability a core pillar of its business for many years, but at our initial engagement meeting on the topic in 2015, we assessed that it could benefit from greater integration of corporate responsibility and sustainability into its strategy and process. The bank acknowledged our concerns in 2016 and agreed to further the dialogue.

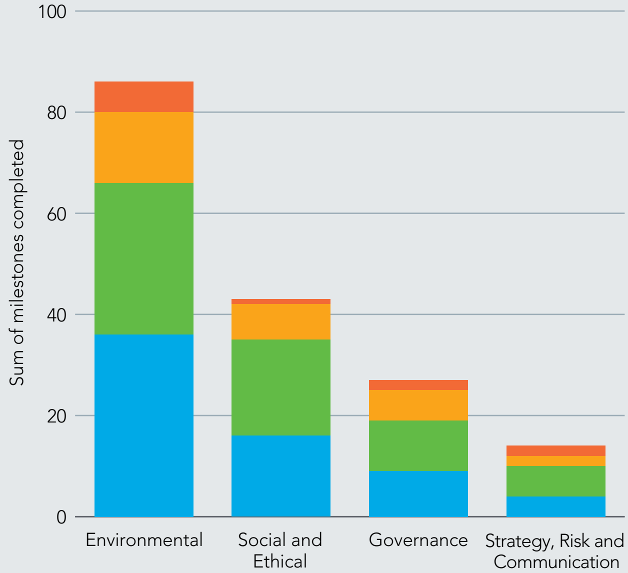
We met regularly to discuss sustainable finance over the following years, including with the head of sustainability and the head of responsible business. In Q3 2022, we met with the newly-appointed global head of sustainability and global head of sustainability strategy to discuss the future direction and implementation of a strategy that now had sustainability at its core.

Outcomes and next steps

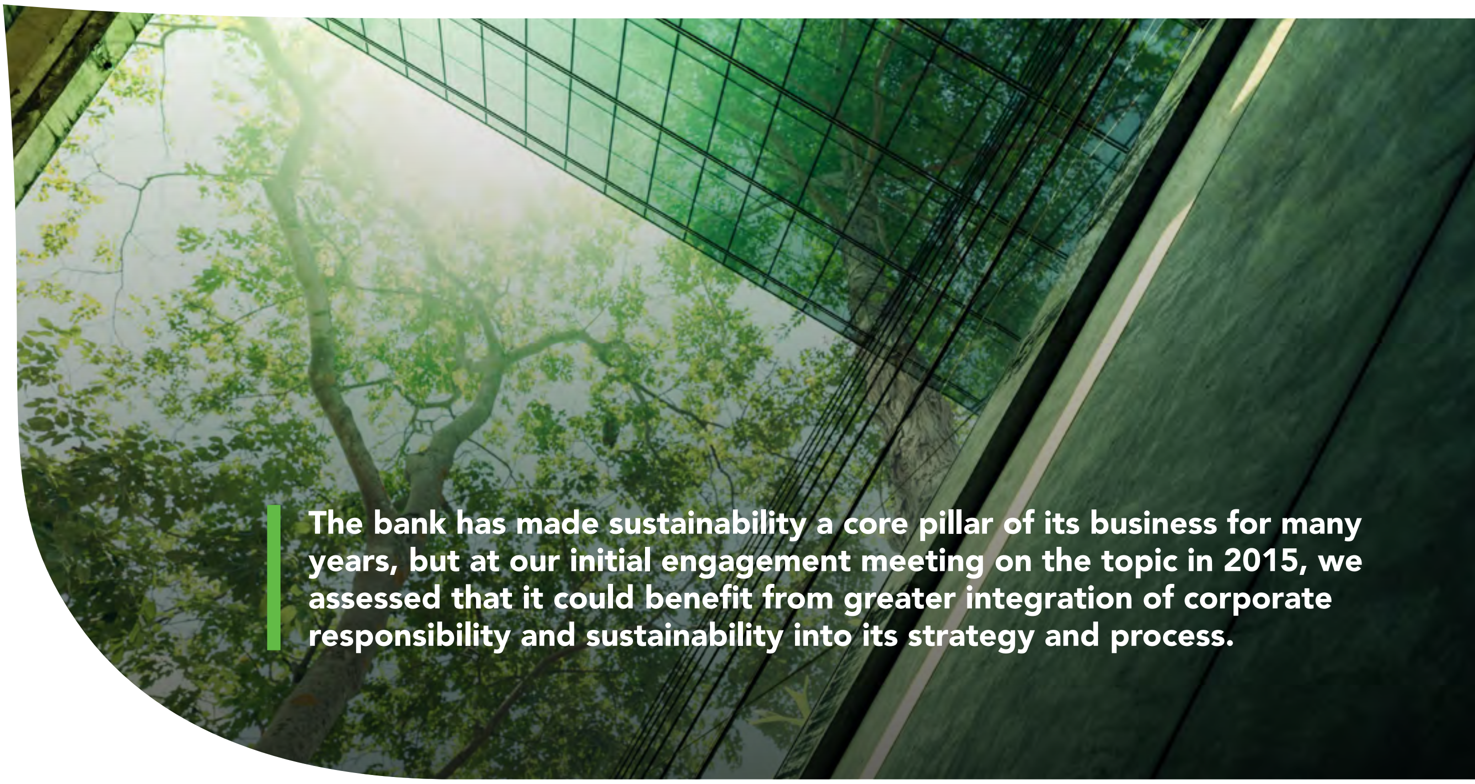
In 2021, the bank made significant progress in integrating sustainability into its business by making sustainability a core business unit and appointing a global head of sustainability who reports directly to the CEO and chair. Following a meeting with the global head of sustainability, we were satisfied with the priority placed on sustainability as a core element of the business and the governance structures created to be effective in this area - for example, the cross-reporting of business unit heads to the head of sustainability.

We also welcomed ambitious interim portfolio decarbonisation targets set under the Net-Zero Banking Alliance and the commitment to achieving net-zero emissions, including those associated with financing, by 2050. We will continue to engage with the bank to reinforce the approach to identifying and mitigating the risks of doing business that is misaligned with the bank's sustainability goals, and to maintain a high standard for definitions of sustainable finance.

Milestones completed by stage, Q1 2023



Source: EOS data



CASE STUDY

Colgate-Palmolive

Colgate-Palmolive is a US multinational consumer products company that specialises in the production, distribution and provision of household, healthcare, personal care and veterinary products.

Our engagement

In 2019, as the lead engager for the company within CA100+, we had a call to introduce the initiative. We shared the initiative's goals, including strong climate change governance, action to limit global warming to well below 2°C, and disclosure in line with the TCFD framework. Later in 2019, we encouraged the company to consider linking its 2025 sustainability targets to executive compensation to drive greater accountability and to provide greater disclosure on physical climate risks.

We continued to engage with the company over 2019-2022, in EOS-exclusive and CA100+ engagements. In an EOS-exclusive meeting with investor relations and the chief sustainability officer we encouraged Colgate to report against the recommendations of the TCFD as a way of disclosing its strategy for managing climate-related risks and opportunities. The company explained that it was using the framework internally but was not ready to commit to public TCFD reporting.

We submitted a statement at the company's 2021 annual meeting urging the board and senior management to engage in a proactive dialogue with EOS and CA100+. We asked the chair when we could expect climate-related disclosures aligned with the TCFD framework and urged the company to set short- and medium-term targets to support its commitment to achieving net zero by 2040, covering all scopes of emissions across the company's value chain.[1]

In December 2021, during an EOS-led group call with CA100+, we again encouraged a public TCFD-aligned report. The company had initiated discussions with a third party to conduct a scenario analysis and committed to formalising the link between its climate strategy and executive compensation. In a meeting with CA100+ in Q4 2021, we were pleased to learn that the company was working towards publishing its first TCFD report.

Changes at the company

The company published its inaugural TCFD report in April 2022, outlining the company's strategy for managing climate-related risks and opportunities. We appreciate this increased transparency and believe the company will benefit from aligning its disclosure with the full recommendations of the TCFD.

The report highlighted key areas of progress, including the formation of an ESG Reporting Task Force, to address the increasing demands for additional ESG disclosure from its stakeholders, and a Water Security Task Force.

We submitted a statement at the company's 2021 annual meeting urging the board and senior management to engage in a proactive dialogue with EOS and CA100+.

We look forward to Colgate's updated Climate Action & Net Zero Carbon roadmap, which aligns with its 1.5°C commitment. Colgate's climate strategy addresses five key areas: supply chain engagement, net zero carbon operations, sustainable products and consumers, business resilience, and society and nature, and is externally aligned with the Science Based Targets initiative.

Next steps

We continue to engage the company on disclosing the results of 1.5°C, 2.0°C and 4.0°C scenario analyses, with a focus on the potential impacts to the business under each scenario, as well as more information on its strategy for reducing its Scope 3 emissions to net zero by 2050.

Engagement objectives:

Environmental:

– TCFD Reporting

13 CLIMATE ACTION

Emily DeMasi
Sector co-lead: Financial Services

[1] https://www.colgatepalmolive.com/en-us/who-we-are/stories/climate-action-commitment

BLOG SPOTLIGHT

Lifting the lid on packaging and food waste

In the seventh article in our Insights series on the social and environmental impacts of the global food system, Lisa Lange examines the problem with plastic food packaging and highlights some positive engagement outcomes.

Plastic packaging has a key role to play in the global food system, protecting perishable items and extending the shelf life of fresh produce. However, this is exacerbating the problem of plastic pollution, with progress to reduce plastic waste driven mainly by recycling, rather than the elimination of single-use plastic.

Our expectations of companies

Following the publication of our *Investor Expectations for Global Plastics Challenges*[2] in 2020, we have seen increased awareness of plastic pollution risks at the companies in our engagement programme, including food retailers and producers. Our engagement activity has highlighted the importance of looking at plastics pollution in the context of companies' wider strategies and business models, and assessing the unintended negative consequences of alternatives.

We want companies to demonstrate that they have considered the impact of their packaging strategies on their carbon emissions and the unintended consequences of switching materials or changing packaging designs.

Waste not, want not

Packaging plays a key role in reducing food waste and its associated greenhouse gas emissions. However, a recent study published by climate action NGO WRAP[3] showed that fruit and vegetables wrapped in single-use plastic packaging did not prevent food waste, as it forced individuals to buy food in larger packages, which they did not always consume.

Consequently, companies need to consider the trade-offs between different types of packaging, or going without packaging for certain food items. If the shelf life is shortened due to a reduction in packaging, this needs to be addressed by making changes to the food supply chain.

Our engagement approach

We have engaged with retailers and grocers on setting plastic reduction targets since late 2018, followed by more detailed discussions on packaging strategy. For example, we urged Walmart, Coca-Cola and General Mills to disclose their plastics footprint and set a reduction target for plastics. We have seen progress at Coca-Cola, with the company adding a virgin plastic reduction goal to its suite of 'world without waste' goals.

We also engaged with Nestlé on setting a plastics reduction target. It committed to reaching 100% recyclable or reusable packaging, and reducing the use of virgin plastics by a third by 2025. We still see scope for development, specifically in the setting of a quantified target on the use of recycled content in its materials.

Through engagement, we have learned that some companies need to focus on developing a comprehensive strategy for packaging, such as that demonstrated by UK retailer Tesco. The company is auditing every product it sells against a hierarchy of remove, reduce, reuse and recycle, across all packaging materials, pushing its suppliers to maximise the opportunities at each stage.

We have also engaged with Huhtamaki, a beverage and food manufacturer, to expand its commitment for all product developments to be 100% recyclable, reusable or compostable by 2030. In 2022, the company began to disclose the percentage of its products considered recyclable.

Also, we have begun engaging with companies about reducing food waste, such as food and beverage outlet operator SSP on repurposing post-production surplus stock. We will continue to engage with companies to find adequate solutions for packaging that strike a balance between reducing food waste and ensuring that no packaging pollutes the environment.

Read the EOS Insights article in full at:

https://www.hermes-investment.com/uk/en/intermediary/eos-insight/stewardship/lifting-the-lid-on-packaging-and-food-waste/

Lisa Lange
Theme lead: Circular Economy & Zero Pollution

[2] Investor expectations for global plastics challenges | Federated Hermes Limited (hermes-investment.com)

[3] Plastic packaging increases fresh food waste, study finds | Food waste | The Guardian

Public policy and best practice

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

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.

CII panel on digital rights and Big Tech

Lead engager: Nick Pelosi

We hosted a panel on 'Digital Rights and Big Tech in the US Fiduciary Context' at the Spring 2023 Council of Institutional Investors (CII) Conference. We invited speakers from IBM, Trinity Church Wall Street, and EqualAI to join us on the panel, which discussed how fiduciaries can exert greater oversight of technology risks. We also heard company and investor perspectives on navigating complex digital rights issues.

We presented the EOS Digital Rights Principles and shared our priority engagement objectives for the technology sector. IBM spoke about its privacy statement, Principles for Trust and Transparency, and its case study on the Responsible Use of Technology, and how these are reflected in its deployment of artificial intelligence (AI).

> **We presented the EOS Digital Rights Principles and shared our priority engagement objectives for the technology sector.**

Trinity Church Wall Street explained how, from the perspective of an asset owner, paying attention to these topics falls in line with fiduciary duty. As a non-profit, EqualAI discussed its initiatives to reduce unconscious bias in AI as well as emerging regulatory trends relevant to investors. Digital rights were an overarching theme of discussion across the conference, although our panel was the only event that featured a company perspective on the topic.

ShareAction Chemicals Working Group Roundtable

Lead engager: Joanne Beatty

We participated in a working group on climate action in the chemicals industry. ShareAction is focused on electrification, the use of renewable energy, and decoupling fossil fuels from feedstocks. Companies are strengthening targets and including Scope 3 emissions, but ShareAction wants to see further progress on pilot electrification and feedstocks.

ShareAction aimed to send letters to companies in Q1 to drive another round of engagement in Q1 and Q2. It also wanted to gauge the level of interest in investors asking questions at companies' annual meetings. We stressed the importance of consistent ongoing action and pressure on these companies to drive positive outcomes.

FAIRR Public Policy Working Group meeting

Lead engager: Zoe de Spoelberch

We participated in FAIRR's quarterly public policy working group to discuss updates from COP27 on climate and COP15 on biodiversity, along with other nature and biodiversity-related news from the US. We welcomed the Food and Agriculture Organization's announcement that it would launch a 1.5°C agriculture roadmap for food and beverage companies. We also welcomed the nature disclosure target agreed at COP15, calling on companies to disclose their risks, dependencies and impacts on biodiversity.

We were disappointed to hear that the Pasteur Act, which had aimed to address antimicrobial resistance and support the creation of antibiotic pipelines, was not passed in the US. We raised concerns about the lobbying in the US pushing to exempt livestock from the Environmental Protection Agency's Clean Air Act regulation. We discussed the importance of livestock being covered by this act given that 60% of methane emissions come from the animal farming sector.

UTA is developing emissions reduction technology with the goal of creating transparent models for accurate greenhouse gas accounting across oil and gas operations.

Ceres Permian Basin Workstream

Lead engager: Dana Barnes

We were an active inaugural participant at a Permian Basin workstream led by Ceres in collaboration with the University of Texas at Austin (UTA) and the Cynthia & George Mitchell Foundation (CGMF). It was attended by Cheniere, Chevron, Kinder Morgan, the Environmental Defense Fund (EDF), the Energy Infrastructure Council (EIC) and Engie, among others. EOS was the primary investor representative in this cross-sector workstream. We urged a focus on methane emissions reductions and financially material outcomes.

UTA is developing emissions reduction technology with the goal of creating transparent models for accurate greenhouse gas accounting across oil and gas operations. This tool is beneficial for investors and their representatives as it would allow us to compare companies with different equivalent models.

The workstream will look at how to disseminate information across all the Permian Basin operators. The outcome of these workstreams will be financially material as the reduction of methane benefits companies, investors, and stakeholders, as well as having an impact on climate change. This workstream will take place monthly.

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We welcomed the Food and Agriculture Organization's announcement that it would launch a

1.5°C agriculture roadmap for food and beverage companies.

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.

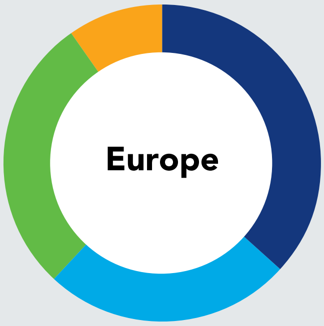
In most cases where we recommend a vote against at a company in which our clients have a significant holding or interest, we follow up with a letter explaining the concerns of our clients. We maintain records of voting and contact with companies, and we include the company in our main engagement programme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

Engagement by region

Over the last quarter we engaged with 427 companies on 1,456 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.

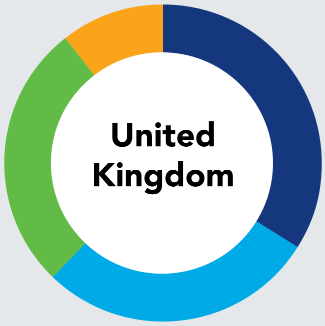
We engaged with 427 companies over the last quarter.

- Environmental **36.0%**
- Social and Ethical **28.1%**
- Governance **25.0%**
- Strategy, Risk and Communication **10.9%**



We engaged with 96 companies over the last quarter.

- Environmental **36.8%**
- Social and Ethical **25.2%**
- Governance **28.5%**
- Strategy, Risk and Communication **9.5%**



We engaged with 31 companies over the last quarter.

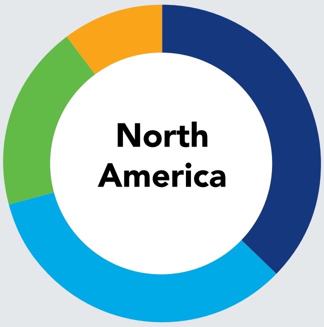
- Environmental **34.0%**
- Social and Ethical **28.3%**
- Governance **27.4%**
- Strategy, Risk and Communication **10.4%**

We engaged with 52 companies over the last quarter.

- Environmental **35.6%**
- Social and Ethical **21.1%**
- Governance **26.8%**
- Strategy, Risk and Communication **16.5%**

We engaged with 40 companies over the last quarter.

- Environmental **30.4%**
- Social and Ethical **23.9%**
- Governance **35.9%**
- Strategy, Risk and Communication **9.8%**



We engaged with 196 companies over the last quarter.

- Environmental **37.3%**
- Social and Ethical **33.7%**
- Governance **19.0%**
- Strategy, Risk and Communication **10.1%**

We engaged with 12 companies over the last quarter.

- Environmental **44.1%**
- Social and Ethical **17.6%**
- Governance **23.5%**
- Strategy, Risk and Communication **14.7%**

Engagement by theme

A summary of the 1,456 issues and objectives on which we engaged with companies over the last quarter is shown below.

Environmental topics featured in 36.0% of our engagements over the last quarter.

- Climate Change **74.0%**
- Forestry and Land Use **8.8%**
- Pollution and Waste Management **11.6%**
- Supply Chain Management **2.1%**
- Water **3.4%**

Social and Ethical topics featured in 28.1% of our engagements over the last quarter.

- Bribery and Corruption **1.5%**
- Conduct and Culture **4.2%**
- Diversity **16.9%**
- Human Capital Management **37.4%**
- Human Rights **32.3%**
- Labour Rights **6.4%**
- Tax **1.5%**

Governance topics featured in 25.0% of our engagements over the last quarter.

- Board Diversity, Skills and Experience **25.3%**
- Board Independence **13.7%**
- Executive Remuneration **40.1%**
- Shareholder Protection and Rights **17.0%**
- Succession Planning **3.8%**

Strategy, Risk and Communication topics featured in 10.9% of our engagements over the last quarter.

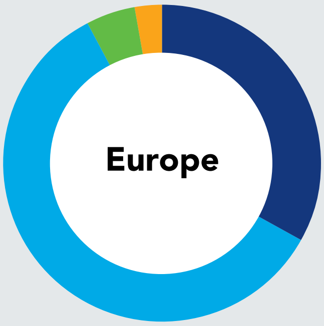
- Audit and Accounting **17.6%**
- Business Strategy **39.0%**
- Cyber Security **2.5%**
- Integrated Reporting and Other Disclosure **22.6%**
- Risk Management **18.2%**

Voting overview

Over the last quarter we made voting recommendations at 1,915 meetings (17,914 resolutions). At 1,013 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 26 meetings and abstaining at 32 meetings. We supported management on all resolutions at the remaining 844 meetings.

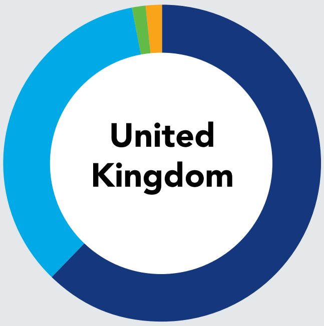
We made voting recommendations at **1,915** meetings (**17,914** resolutions) over the last quarter.

- Total meetings in favour **44.1%**
- Meetings against (or against AND abstain) **52.9%**
- Meetings abstained **1.7%**
- Meetings with management by exception **1.4%**



We made voting recommendations at **305** meetings (**5,376** resolutions) over the last quarter.

- Total meetings in favour **33.1%**
- Meetings against (or against AND abstain) **59.3%**
- Meetings abstained **4.9%**
- Meetings with management by exception **2.6%**

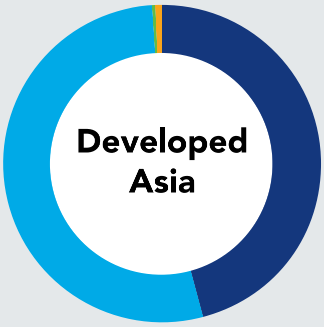


We made voting recommendations at **69** meetings (**1,001** resolutions) over the last quarter.

- Total meetings in favour **62.3%**
- Meetings against (or against AND abstain) **34.8%**
- Meetings abstained **1.4%**
- Meetings with management by exception **1.4%**

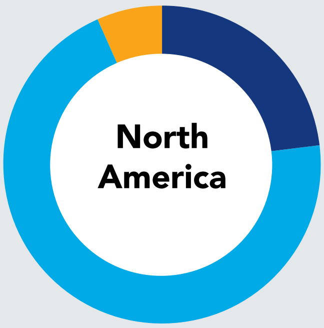
We made voting recommendations at **827** meetings (**5,501** resolutions) over the last quarter.

- Total meetings in favour **49.1%**
- Meetings against (or against AND abstain) **49.1%**
- Meetings abstained **1.3%**
- Meetings with management by exception **0.5%**



We made voting recommendations at **527** meetings (**4,145** resolutions) over the last quarter.

- Total meetings in favour **45.9%**
- Meetings against (or against AND abstain) **53.3%**
- Meetings abstained **0.2%**
- Meetings with management by exception **0.6%**



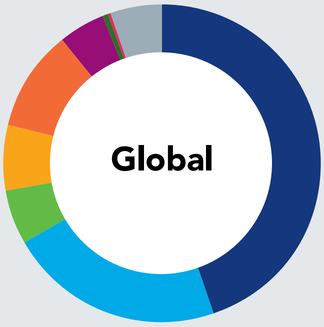
We made voting recommendations at **155** meetings (**1,707** resolutions) over the last quarter.

- Total meetings in favour **23.2%**
- Meetings against (or against AND abstain) **70.3%**
- Meetings with management by exception **6.5%**

We made voting recommendations at **32** meetings (**184** resolutions) over the last quarter.

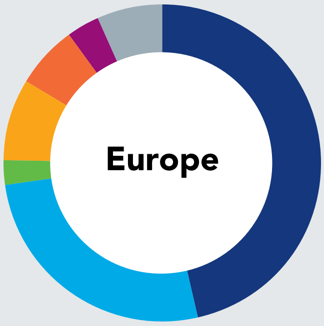
- Total meetings in favour **50.0%**
- Meetings against (or against AND abstain) **37.5%**
- Meetings abstained **12.5%**

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



We recommended voting against or abstaining on **3,114** resolutions over the last quarter.

- Board structure **44.8%**
- Remuneration **21.9%**
- Shareholder resolution **5.7%**
- Capital structure and dividends **6.5%**
- Amend articles **10.4%**
- Audit and accounts **4.6%**
- Investment/M&A **0.7%**
- Poison pill/Anti-takeover device **0.2%**
- Other **5.1%**



We recommended voting against or abstaining on **856** resolutions over the last quarter.

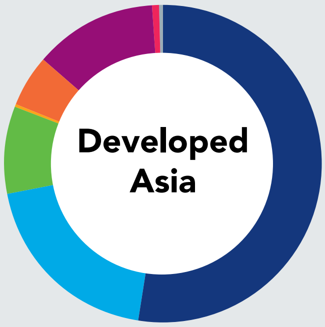
- Board structure **46.4%**
- Remuneration **26.4%**
- Shareholder resolution **2.5%**
- Capital structure and dividends **8.5%**
- Amend articles **6.2%**
- Audit and accounts **3.5%**
- Other **6.5%**

We recommended voting against or abstaining on **60** resolutions over the last quarter.

- Board structure **20.0%**
- Remuneration **41.7%**
- Shareholder resolution **21.7%**
- Capital structure and dividends **5.0%**
- Amend articles **5.0%**
- Audit and accounts **3.3%**
- Poison pill/Anti-takeover device **3.3%**

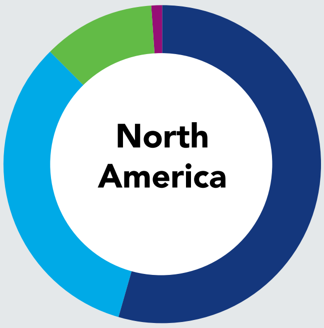
We recommended voting against or abstaining on **1,216** resolutions over the last quarter.

- Board structure **39.8%**
- Remuneration **15.0%**
- Shareholder resolution **4.3%**
- Capital structure and dividends **9.0%**
- Amend articles **19.2%**
- Audit and accounts **2.5%**
- Investment/M&A **1.8%**
- Poison pill/Anti-takeover device **0.1%**
- Other **8.4%**



We recommended voting against or abstaining on **621** resolutions over the last quarter.

- Board structure **52.5%**
- Remuneration **19.5%**
- Shareholder resolution **8.9%**
- Capital structure and dividends **0.3%**
- Amend articles **5.3%**
- Audit and accounts **12.6%**
- Poison pill/Anti-takeover device **0.6%**
- Other **0.3%**



We recommended voting against or abstaining on **310** resolutions over the last quarter.

- Board structure **54.5%**
- Remuneration **33.2%**
- Shareholder resolution **11.3%**
- Audit and accounts **1.0%**

We recommended voting against or abstaining on **51** resolutions over the last quarter.

- Board structure **15.7%**
- Remuneration **47.1%**
- Capital structure and dividends **31.4%**
- Amend articles **5.9%**

The EOS approach to engagement

EOS at Federated Hermes is a leading stewardship service provider. Our engagement activities enable long-term institutional investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues.

We believe this is essential to build a global financial system that delivers improved long-term returns for investors, as well as better, more sustainable outcomes for society.

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

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.

Public policy

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.

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.

Screening

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

Advisory

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

The EOS advantage

- **Relationships and access** – Companies understand that EOS is working on behalf of pension funds and other large institutional investors, so it has significant leverage – representing assets under advice of US$1.3tn as of 31 March 2023. The team's skills, experience, languages, connections and cultural understanding equip them with the gravitas and credibility to access and maintain constructive relationships with company boards.
- **Client focus** – EOS pools the priorities of like-minded investors, and through consultation and feedback, determines the priorities of its Engagement Plan.
- **Tailored engagement** – EOS develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets. It seeks to address the most material ESG risks and opportunities, through a long-term, constructive, objectives-driven and continuous dialogue at the board and senior executive level, which has proven to be effective over time

EOS team

Engagement

Leon Kamhi
Head of Responsibility and EOS

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

Dana Barnes
Sectors: Oil & Gas, Utilities

Justin Bazalgette
Sectors: Financial Services, Industrial & Capital Goods

Joanne Beatty
Sector lead: Chemicals, Industrial & Capital Goods

George Clark
Voting and Engagement Support

Emily DeMasi
Sector co-lead: Financial Services

Zoe de Spoelberch
Sector co-lead: Retail & Consumer Services

Bruce Duguid
Head of Stewardship, EOS

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

Diana Glassman
Sector lead: Oil & Gas
Sector co-lead: Technology

Jaime Gornsztejn
Sector co-lead: Mining & Materials

Shoa Hirosato
Sectors: Financial Services, Transportation, Utilities

Lisa Lange
Sector lead: Transportation

Pauline Lecoursonnois
Sector co-lead: Pharmaceuticals & Healthcare

Emma Ledoux
Sectors: Consumer Goods, Retail & Consumer Services, Technology

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
Themes: Circular Economy, Human Capital, Human Rights

Xinyu Pei
Sector: Oil & Gas

Nick Pelosi
Sector co-lead: Mining & Materials

Jaagrit Randhawa
Sectors: Consumer Goods, Pharmaceuticals & Healthcare, Technology

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

Velika Talyarkhan
Sector lead: Utilities

Ross Teverson
Sectors: Retail & Consumer Services, Technology


Kenny Tsang
Sector co-lead: Consumer Goods


Judi Tseng
Sectors: Financial Services, Technology


Mark Turner
Voting and Engagement Support


Owen Tutt
Sectors: Chemicals, Oil & Gas, Utilities


Amy Wilson
Sector co-lead: Retail and Consumer Services


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


Michael Yamoah
Sector co-lead: Technology

Client Service and Business Development


Alexandra Danielsson
Head of Client Service and Business Development, EOS


Amy D'Eugenio
Sustainability Director


Andrew Glynne-Percy
Communications and Marketing


Alishah Khan
Client Service


Jonathan Lance
Client Service


William Morgan
Client Service


Alice Musto
Client Service


Mike Wills
Client Service

Federated Hermes

EOS

Federated Hermes

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

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

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

All activities previously carried out by Hermes Investment Management are now undertaken by Federated Hermes Limited (or one of its subsidiaries). We still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important strategies from the entire group.

Our investment and stewardship capabilities:

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

Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of 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.hermes-investment.com** or connect with us on social media: