

# Activities & Outcomes Report 2025

April 2026

**Federated  
Hermes**   
EOS

[www.hermes-investment.com](http://www.hermes-investment.com)  
For professional investors only

## Introductory statement

EOS at Federated Hermes Limited (EOS, formerly Hermes EOS) is a leading stewardship service provider with a purpose to promote the long-term performance and fiduciary interests of its global institutional investor clients. Our engagement activities enable investors to be more active owners of their assets, through dialogue with companies on long term financially material issues. Our services were created specifically to meet the needs of investors that have a strong commitment to stewardship, consistent with our vision to contribute to a more enduring form of capitalism.

**The team works on behalf of long-term global investors who entrust us with the stewardship of approximately £1.8tn / €2.0tn / \$2.4tn (as at 31 December 2025) invested in over 25,000 listed equity, corporate debt and money market holdings worldwide, working in support of shared goals.**

Our team, as detailed in our Policy & Context Report, has been strategically built to implement this vision and deeply embed these behaviours into our culture. We use a constructive, objectives-driven, financially connected and continuous dialogue, developing engagement strategies specific to each company based on its individual circumstances. Our understanding is also informed by a range of research and our deep knowledge across themes, sectors and regions. We are committed to delivering outcomes that enrich investors, the economy, society and the environment over the long term.

As an engagement service provider, we will only be reporting against Principles 1 and 4.

### Purpose and strategy

Effective stewardship is a hugely important activity for institutional investors to create enduring, wealth, responsibly for clients and their investors. Our engagement is therefore focused on ensuring that companies are responsibly governed and well managed to deliver enduring, long-term value responsibly, as well as improving the lives of employees, promoting diversity and supporting communities.

Companies should do this while contributing to wider society by paying taxes and safeguarding the environment and health. When material and relevant, these factors will drive improved financial performance by companies to the benefit of investors.

At a time of great change, both technological and geopolitical, it is important for our stewardship team to engage with companies to help them navigate the best pathway to create enduring wealth, responsibly. This is particularly important in the face of concerns about the integration of sustainability-related issues into corporate and investment strategies.

**Having long pioneered a responsible investment and ownership approach, we have demonstrated the value of engaging with companies on their strategy, including material sustainability-related topics, to release value for shareholders and stakeholders.**

### EOS engagement strategy

Our stewardship is focused on providing improved long-term risk-adjusted financial returns on investment and better, more enduring outcomes for society and the environment.

Our engagement is focused on the themes of most importance to our clients. We undertake a formal consultation process with clients to create a comprehensive forward-looking [Engagement Plan](#). This is updated on an annual basis and acts as a guide for our engagement activity. The Plan summarises the long-term outcomes that we seek to achieve on behalf of our clients and covers a three-year period, as we plan our engagement objectives according to this timescale.

The Plan is based on clients' long-term objectives, and we consult with clients through regular dialogue and annual surveys, to ensure that we are covering the topics of most importance and financial relevance to them. Our clients provide their views at our twice-yearly client meetings. These have a recurring agenda slot where our thoughts for changes to, and progress on, the Plan are shared with an open floor. Any collaboration is done in line with applicable rules and regulations on antitrust, conflicts of interest and acting in concert. Each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.

We aim to strategically engage on the most financially material risks and opportunities. We select approximately 300 companies for our [Engagement Plan](#) to focus our proactive engagement efforts by screening our clients' aggregate holdings. We factor in the holding size, the materiality of risks/issues we identify through our screening, and the feasibility of engagement. This may be in response to a client request, on voting or ad hoc issues, or for companies violating, or at risk of violating, international norms, as identified by our screening tool.

### Our services

Engagement with companies is at the heart of what we do. We offer an integrated approach to stewardship that also includes providing a voting service, portfolio screening, public policy and market best practice work and advisory services, as we believe effective stewardship is supported by a combination of these tools to achieve positive change and risk management.



### Our client base

EOS represents a large client base of institutional investors around the world, advising on their assets of US\$2.4tn (as at 31 December 2025), comprised of equity, debt and money market holdings. Established formally in 2004, we have a long track record of working with a variety of client types in 13 different countries, including: Australia, Belgium, Canada, Denmark, Germany, Ireland, Japan, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States, who have a range of underlying stakeholders and beneficiaries. A large portion of our client base is made up of asset owners (pension funds, foundations, sovereign wealth funds) and the rest comprises non-asset owner clients, including investment consultants, asset, wealth and fiduciary managers.

We place an emphasis on understanding our client profiles and ensuring that we onboard like-minded clients with long term investment horizons. As a result, we have a strong understanding of the regional nuances and requirements of our client base, and the ability to adapt our service to cater to these needs.



# Principle 1

Signatories communicate with clients to understand their objectives and deliver services to support their stewardship.

## How our services best support our clients' stewardship

We offer a shared service model that provides a platform for likeminded investors to pool resources, creating a powerful force for positive change. Companies understand that EOS is working on behalf of large institutional investors, representing assets under advice of US\$2.4tn,<sup>1</sup> which gives us significant leverage to exercise more effective stewardship on behalf of our clients while also making engagement with investors more efficient for companies.

EOS is a trusted brand, and most of our engagement is conducted behind closed doors, which is how we achieve the biggest impact on our clients' behalf. We use a constructive, financially material, objectives-driven and continuous dialogue, developing engagement strategies specific to each company based on their individual circumstances. Our understanding is also informed by research and our deep knowledge across themes, sectors and regions, with dedicated team specialists.

## Understanding clients needs

### A tailored approach

Our [Engagement Plan](#) represents agreement between EOS and our clients about our approach to, and the substance of, our engagement. Later in this section we refer to our key themes and related sub-themes for the next three years. Through many client touchpoints – including regular dialogue, annual surveys and bi annual client meetings – client input drives our Engagement Plan to ensure that it reflects their priorities and those of their underlying beneficiaries.

Using our Engagement Plan, we align our engagement strategies with our engagement approach for the next three years. This results in us setting SMART objectives focused on the most financially material factors affecting the long-term health of companies. We consult with clients through a structured dialogue to confirm that we are addressing the topics of greatest importance and financial relevance to them.

Some of the things we consider when looking at materiality are:

- How relevant is the issue to the company's viability and financial statements?
- What is the likelihood of the risk occurring, and if it did, what would the financial impact be?
- Are there sector implications for this engagement that mean we would consider the company a target as either a best/worst practice within a sector or a theme?

<sup>1</sup> As at 31 December 2025.

## Screening and engagement

We monitor our clients' listed equity and corporate debt holdings – a universe of around 25,000 companies – and formally screen these holdings on a quarterly basis to identify companies in their portfolios that contravene the 10 UN Global Compact Principles (UNGC) or are at risk of doing so. We also screen for companies engaged in the production, distribution or maintenance of controversial weapons, and those with infringements on trade and arms embargoes. Companies deemed in breach of the UNGC, those assessed as 'non-compliant', are included in the EOS engagement programme and engaged for the life of the controversy.

Some highlights of our engagement activity in 2025 are as follows:

### Voting service provided for:



## Access and intensity

**73** companies in our core programme featured engagements with the **CEO or chair**

We engaged with companies in our core programme in 2025 on average



Source: EOS data

## Delivering services tailored to client requirements

### An integrated service offering

By placing engagement with companies at the heart of what we do, our other stewardship services, which include providing voting policy implementation, portfolio screening, public policy, market best practice and advisory services, are strengthened by being combined with this engagement insight.

Under Section 2 of our Policy & Context Report, we highlighted in detail the systems, processes, research and analysis that support us in the delivery of each of our services. This integrated approach to stewardship puts us in a better position to achieve positive change on behalf of our clients. We believe this demonstrates that our offering has breadth and depth, while clients are able to take a combination of services to suit their requirements as they change over time.

### Client focus themes

Each year we undertake a formal survey of our client base to identify their priority areas for engagement, so that we can align our activities with their interests. We combine the results from the survey with feedback from other ongoing client touchpoints to determine which engagement themes to focus on. This feeds into our [Engagement Plan](#).

The Engagement Plan is updated on an annual basis and outlines our objectives for a three-year period to be carried out on behalf of clients. The Plan incorporates our clients' common and specific objectives, building on their feedback and input, plus changes in the market and the regulatory environments in different countries and sectors. Based on this, over 2026 we will continue our focus on the most financially connected drivers of long-term shareholder value creation, with a focus on four priority themes while varying our approach depending on the local legal and regulatory requirements in the relevant jurisdictions.

- **Board effectiveness:** In 2025 to enhance the quality of board performance, which is foundational to good corporate decision-making and durable financial returns, we continue to look to boards to set their risk appetite to be aligned with the company's strategic goals, including profitable growth. Whilst avoiding a box-ticking approach, we seek improvements to a board's "software" relating to how it functions, in addition to its "hardware" relating to its composition and structure. The board should continuously assess the prevailing company culture to ensure alignment with purpose, strategy and returns on capital employed.
- **Energy transition and extreme weather:** We support companies having a pragmatic approach to climate and targets. These actions can reshape capital allocation, seize opportunities to drive revenue growth and mitigate costs associated with risks from the energy transition. Where commercially feasible and subject to local laws and regulations we seek Green House Gas targets aligned, so far as possible, to the long-term global goals of the Paris Agreement. We continue to evaluate the credibility of transition plans and encourage disclosure of key policies, innovation, capital expenditures and market dependencies. Our areas of focus will include engagement with high-

emitting industries associated with the AI ecosystem, and all relevant sectors navigating the energy transition and extreme weather, to build resilience to physical climate risks.

- **Human and labour rights:** With rising levels of conflict around the globe, we will continue to focus on protecting human rights in high-risk regions, helping companies to reduce liabilities and costs from operational and financial risks. We will also maintain our emphasis on supply chain rights where there is an elevated risk of forced labour, unsafe working conditions, and value chain financial vulnerabilities. We are increasing our focus on the protection of human rights and related obligations in the virtual world. This includes challenges to data privacy rights and the right to freedom of expression, and protection from unfair biases, which the use of AI may amplify, in order to enhance compliance, reduce costs and improve cashflow.
- **Human capital:** Our engagement focuses on upskilling and reskilling workers remains, given the likely disruption to jobs through the deployment of Artificial Intelligence (AI), robotics and the ongoing energy transition. We will also maintain our focus on talent management, asking companies to achieve merit hiring practices that avoid discrimination, and to consider an expanded range of metrics of engagement and belonging, boosting productivity and agility, and future-proofing profitability. Our health and safety engagement now encompasses new areas, including managing heat-stress, psychological safety, and mental wellbeing, as well as actions to halt continuing incidences of sexual harassment.

### Thought leaders and work on emerging themes

Our like-minded clients are often already very sophisticated in their own approach to stewardship, and our services add to this. They seek value from our thought leadership and our identification of new and emerging themes of importance to tackle.

In addition to the four priority themes that we identified for our updated [Engagement Plan](#) above, we will continue to intensify engagement on three rapidly evolving topics in 2026 and beyond as follows:

- **Geopolitics:** Whilst investors can and should engage with companies on their supply chain resilience, target markets and operational risk, influencing international political outcomes at a policy level is outside the remit of investor stewardship. The focus should be on mitigating individual investment risk without pursuing political agendas.
- **Climate transition:** Investors can engage with governments, regulators and standard setters to encourage measures that will facilitate profitable investments in the transition by companies, whilst benefitting the end consumer through energy security and affordability. Time-bound policies focused on infrastructure development, blended finance, sector-specific subsidies, workforce retraining, and carbon pricing could all provide companies with the impetus to take investment risk. Once renewable solutions are established, market forces will sustain profitable growth. Investors can also encourage companies to collaborate across sectors on the development of best practices.

<sup>2</sup> All engagement on this topic is subject to careful consideration to ensure that it is aligned to client objectives and directions, as well as fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients.

- **Artificial Intelligence (AI):** The adoption of AI is accelerating, which will make some industries obsolete and transform others. AI will reshape jobs and the customer experience, while raising societal concerns around data privacy and consumer rights. Investors will benefit from engaging with policymakers and sector associations as well as companies, to develop economic models that safeguard consumer, employee and citizen rights as industries rapidly evolve.

## Integration of client views and feedback into our approach

One of our key differentiators is our client-led approach. As mentioned earlier and in Section C of our Policy & Context Disclosure, we have many touchpoints for clients to provide their input to shape and influence the service we offer, in a structured way. We also have an established formal feedback loop for clients, which ties the touchpoints together with our other structures and processes, to ensure that we remain a client-driven stewardship service provider. Some of the key touchpoints are:

- **Annual Engagement Plan, client service and communications survey** – We strongly encourage our clients to complete this annual survey where we seek views on the content of our Engagement Plan and the allocation of engagement resource. We also seek feedback on client service, reporting and communications.
- **Client meetings** – At our bi-annual client meetings, our Head of Stewardship hosts a session, discussing our progress against the Engagement Plan and our draft approach going forward. In addition, in individual meetings, clients have an opportunity to offer alternative or additional ideas and expertise, ask questions and give feedback on the direction they would like our engagement to take.
- **Dedicated client relationship managers (CRMs)** – Each client is assigned a dedicated client relationship manager (CRM) who understands the market and the challenges faced by similar clients, and who can help the client to make the most of the tools and service we provide. CRMs maintain ongoing dialogue and help clients maximise the value of our services.

We also conduct relationship reviews across the client base to determine client satisfaction both individually, but also collectively. We use the insight to continuously develop the business to ensure that it is fit for current and future client needs.

## Communicating with clients

### Timely, transparent and responsive communication

EOS recognises that clients require timely information to manage their own responsible investment activities and communicate with their beneficiaries and stakeholders. We are constantly evolving our diverse suite of client reporting and value-add services to assist with this. Highlights include:

- Our online client portal was built so that clients can access high-level, as well as company-specific, engagement activity 24/7. It also includes an online library of relevant documents and client communications. Continuous development features heavily, with recent improvements

including packaging of publicly available third-party assessments, clearly marked escalation indicators, momentum indicators and better access to data. We work closely with clients, requesting their feedback on enhancements and consulting with them periodically throughout the process.

- Quantitative and qualitative reports are provided on a monthly, quarterly or annual basis with company updates and statistics on our work. Our client portal offers the functionality to extract engagement data on a dynamic basis.
- On an ad-hoc, regular basis, market insights on key industry topics and company case studies on our engagements are published on the Insights page of the firm's website and communicated to clients. Our process around case study development ensures that we send our drafts to the companies for a fact-check, verifying the engagement impact we have described and adding credibility to the stewardship outcomes we are achieving on behalf of our clients. In 2025, we issued around 100 case studies and over 50 other materials, covering a range of themes, markets and companies, which can be used by our clients to communicate with their internal and external stakeholders.
- On an ad hoc basis, clients are sent invitations to join client-only events, such as educational calls, training sessions and opportunities to seek feedback. In 2025, topics covered included climate solutions, critical minerals and COP30 reflections.
- Clients are invited to join engagement meetings and upcoming meetings on a sustainable and appropriate basis.

Some of our reporting is confidential, but we also produce materials that can be used publicly to communicate with our clients' beneficiaries and other external stakeholders.

## Consideration of clients' views and feedback

Our services and the way in which our clients express their views and give feedback have developed over a number of years. Our Engagement Plan, which was originally driven by clients seeking a systemic and systematic approach to engagement, remains central to this. This formal written agreement reflects client stewardship priorities, market changes and regulatory developments.

## How client feedback has shaped our engagement and reporting

### Outcomes-based reporting

In 2023, we received feedback from clients that EOS' reporting needed more focus on outcomes. Since then, and with ongoing input from clients, we have developed three solutions to implement this feedback.

- **Outcomes statements:** Since January 2025, all completed objectives and accompanying case studies have a clear, tailored outcome statement. These statements are as descriptive as possible, varying by theme and company.
- **Objectives implementation monitoring system:** We have introduced a traffic light RAG system on the client portal, enabling clients to monitor outcomes after objectives are completed.



- **EOS Outcomes & Impact Report:** In Q1 2026, we published the first EOS Outcomes & Impact Report, focused on a key theme looking at improvements observed across Engagement Plan companies over the past five years, and linking these to real economy impact.

**Controversial Company Report (CCR)**

The primary product of our screening service, the Controversial Company Report (CCR), has been also redeveloped in response to client feedback in recent times, further evidencing how client feedback shapes our services.

Clients sought more oversight beyond the UN Global Compact breaches made by companies in their holdings, expanding CCR to reference additional international principles and guidelines. For example, we now flag companies in our clients’ aggregate holdings universe that have severe negative impacts on people, society and the environment along themes defined by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The report delivered to clients provides a record for each company and is provided with a corresponding link to the client portal, making it easier for clients to get more context about ongoing engagements against the controversies flagged.

In addition to the CCR, EOS is also able to facilitate a series of pass-through reports from its screening partner on companies involved in controversial products such as tobacco and oil sands extraction, and a screening report on countries and organisations assessed as in breach of UN/EU sanctions.

**The effectiveness of our communication with clients**

**Communication through reporting and the client portal**

Earlier examples under this Principle demonstrate that we have diverse reporting to cater to different client needs. Our confidential client portal was built in response to client feedback and a need for a window into our engagement activities and outcomes. However, over time, by gathering feedback via our many client touchpoints, clients’ needs have become increasingly sophisticated.

Based on client feedback, we introduced new functionality to enhance the user experience. The portal allows clients to more easily view the activity undertaken on their behalf, and to track

the progress we are making in our engagements. It also offers an enhanced search facility, data extracts to support clients own bespoke reporting requirements, easier access to publicly available third-party information and more recently more detail around escalation and discontinued engagements.

**Communicating our progress at companies**

Our four-stage milestone system which we pioneered in 2009, allows us to track the progress of our engagement, relative to the objectives set for each company.

When we set an objective at the start of an engagement, we will also identify recognisable milestones that need to be achieved. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.



Below we include a graphic of the headline engagement progress we made in 2025. We communicate which milestone each objective is at through our client portal, which provides 24/7 access to engagement insights for clients. We have enhanced how we express this information to clients as part of the client portal redevelopment.

Client feedback has confirmed that public case studies provide an engaging way of communicating our progress to our clients. Case studies are typically written about objectives that have moved milestones, demonstrating our satisfaction that the company has achieved or is on the way to achieving the goal.

In 2025, we have emphasised the real-world outcomes achieved from the engagement in the case studies and are now systematically recording outcomes where we can robustly

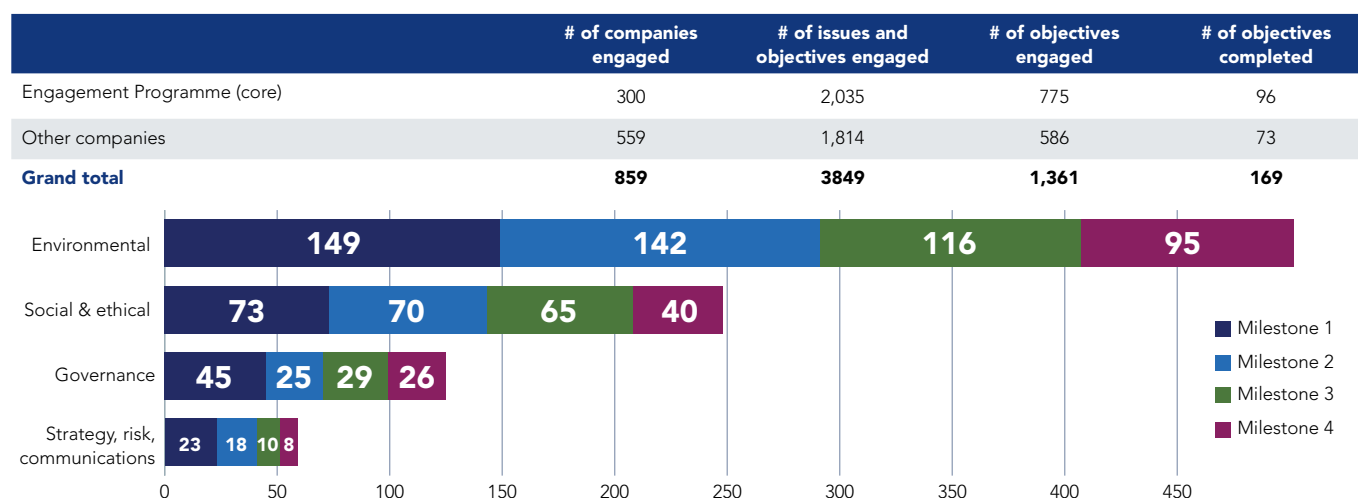
measure them. Responses from our client survey consistently demonstrate that clients highly value this output as it helps them to communicate with their external stakeholders.

Often there is a need for more succinct summaries of case studies for clients to use in their reporting. In response to this, we produce many short-form case studies and have updated the structure to provide a clearer focus on engagement actions and outcomes. During 2025, we produced 17 standalone full-length case studies and 90 short company updates, all are sent to the companies to be fact-checked. Some of these appeared in our [Public Engagement Reports](#).

## An assessment of how effective we have been in serving the best interests of our clients

### Overview of our service for clients during 2025

Throughout this report, we seek to demonstrate that the outcomes of our stewardship are in the best interests of our clients. We believe that as an integral part of investing for the long term, this delivers enduring, long-term growth responsibly and helps to build a better world. The table and graphic below demonstrate that during 2025, we engaged with 859 companies, covering 3,849 identified objectives or issues, and 711 objectives advanced by at least one milestone within our engagement programme, on behalf of our clients.



Our engagement activity in 2025 reflects a similar number to 2024 with reference to the number of issues and objectives that we discussed with companies. Some 64% of assets under advice were engaged in 2025 versus 67% in 2024. Our engagement with companies equates to 60% of the value of the MSCI ACWI All Cap index.

Over the course of 2025, FHL and EOS responded to 40 consultations or proactive equivalents from regulators, policymakers and industry initiatives. We have a number of governance structures and processes in place that help us in the assessment of serving the best interests of our clients, which we explain in more detail under Section B of our Policy & Context Disclosure.

### Using reporting and case studies as an assessment of our effectiveness in serving our clients

Earlier in this section, we outline the range of qualitative and quantitative reporting we provide for our clients. This includes company case studies of our engagements, some of which we publish on the Insights<sup>3</sup> page of our firm’s website. In 2025, we produced over 100 standalone case studies throughout our client only and public reporting.

We believe that our case studies are one of the best ways to demonstrate our impact, and we make these readily available in our EOSi portal for clients, and publicly in reports and standalone case studies. Some summarised examples are included in Principle 4. The Insights page of the firm’s website, as well as our EOS Library<sup>4</sup> pages, provide examples of our other public reporting.

We recognise that clients have varying needs with regard to how they are required to report on outcomes and communicate with their beneficiaries and stakeholders. We have established a dedicated client focus group, which allows us to discuss potential changes with a select number of clients who represent the client base, and to think about ways to continually evolve this in their best interests.

We believe in the value of in person and onsite engagement to build a strong understanding of companies. In 2025, we engaged in-person in countries including the UK, United States, Japan, China, Hong Kong, Australia and across Europe. On our priority themes, we saw good progress against our Engagement Plan’s objectives, with some notable highlights detailed later in the report.

<sup>3</sup>EOS Insights

<sup>4</sup>EOS Library

## Principle 4

Engagement service providers engage on behalf of their clients to maintain or enhance the value of assets.

In 2025, artificial intelligence (AI) moved firmly into the mainstream of business operations, with over half of global enterprises using AI tools to drive productivity gains while introducing new risks related to energy demand, job displacement, bias, data privacy and cyberattacks. Geopolitical instability persisted, with the Russia-Ukraine war entering its fourth year and conflicts across the Middle East driving higher defence spending and renewed scrutiny of the ethical and sustainability profile of defence investments. The energy transition continued, with renewables accounting for 38% of global energy supply growth<sup>5</sup> and global EV sales approaching 20% of all car sales.<sup>6</sup> Extreme weather events continued at an unprecedented scale, reinforcing the need for companies and governments to invest in climate physical risk resilience.

Businesses faced a challenging tariff landscape, with average effective tariffs increasing from 2.4% to 11-12%.<sup>7</sup> While inflationary pressures eased in certain markets, real wage growth remained sluggish, and consumers continued to face a high cost-of-living. Given the rising risks and opportunities associated with technological, environmental and societal megatrends, investor protections, strong governance, and an adaptive corporate strategy are more important than ever.

### How we select and prioritise issues for engagement

We prioritise engagement based on long term financial materiality, client priorities, systemic and market wide risks, and our structured horizon scanning process. Our stewardship work is therefore focused on the issues with the greatest potential for long-term positive outcomes for investors and their beneficiaries.

Generally, our work is embodied in a response to systemic risks but interlinked to this are market-wide risks that we must consider. The full taxonomy identifies key themes and related

sub-themes for engagement, which could be considered systemic risks. This breadth of coverage across the whole programme is necessary to reflect the diversity of issues in our global Engagement Plan,<sup>8</sup> which covers all regions and sectors, including those that are most material to the individual companies.

To help select these themes we conduct a structured horizon scanning exercise, which takes into account extensive formal and informal feedback from our clients from our many touchpoints (the annual survey, one-to-one meetings and sharing of draft plans, as detailed in Principle 1), an external scan of industry issues, and internal input from a survey. This ensures that we continue to identify key themes and risks to address that reflect our clients' priorities and those in wider society as part of our fiduciary duty.

**Our Engagement Plan now integrates the Financial Connectivity™ platform into the prioritisation of engagement topics for each sector. This informs our selection of the more financially material engagement topics for individual companies.**

We aim to strategically engage on the most financially material risks and opportunities. We select approximately 300 companies for our Engagement Plan to focus our proactive engagement efforts by screening our clients' aggregate holdings. We look at the holding size, the materiality of risks/issues we identify through our screening, and the feasibility of engagement. This may be in response to a client request, on voting or ad hoc issues, or for companies violating, or at risk of violating, international norms, as identified by our screening tool.

<sup>5</sup> WEF, "How far advanced is the energy transition?" (July 2025)

<sup>6</sup> IEA, "Global Energy Review: Key Findings"

<sup>7</sup> The Budget Lab, "Short-Run Effects of 2025 Tariffs So Far" (September 2025)

<sup>8</sup> EOS Library



### Engagement themes for 2026-2028



Looking further into the detail, our work maintains its focus on the most material themes, reflective of our client priorities and what we have identified as having the greatest systemic risk to clients’ portfolios. Specific environmental and social outcomes that we seek include:

**Climate change:**<sup>9</sup> Limiting greenhouse gas emissions, where possible and consistent with local law and regulation, in line with the goals of the Paris Agreement to limit climate change to below 2°C and pursue efforts towards 1.5°C while building resilience to the future physical risks of climate change.

**Natural resource stewardship:** The sustainable use, protection, preservation, and restoration of natural resources and biodiversity.

**Circular economy and zero pollution:** Building a more circular economy that avoids waste and controlling pollution of air, land and water to below harmful levels for humans and other living organisms.

**Human and labour rights:** Respecting all human and labour-related rights linked to a company’s operations, products and supply chains.

**Human capital:** Promoting human capital management to achieve a healthy, skilled, and productive workforce.

**Wider societal impacts:** Challenging companies and governments to adhere to the highest ethical standards, with zero tolerance of bribery or corruption, responsible approaches to the payment of taxes and seeking positive impacts from products and services while reducing to the extent possible any associated harms.

To enable delivery of these outcomes, we seek robust governance and management by companies of the most material long-term drivers of wealth creation, from both a company value and societal outcome perspective, including:

**Governance:** Effective boards overseeing strategy and management to deliver responsible long-term value creation, composed of primarily independent individuals with the required range of skills and

<sup>9</sup> Any engagement on the topic of climate change is subject to careful consideration to ensure that it is aligned to client objectives and directions, as well as fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients.

experience; the alignment of executive remuneration with the creation of long-term value while paying no more than is necessary to attract, maintain and motivate talent; developing a corporate culture that puts customers first and treats its stakeholders including employees and its supply chain fairly; and the establishment and protection of all material minority investor rights.

**Strategy, risk and communication:** The clear articulation of a company’s purpose to deliver long-term value to its customers, wider stakeholders and shareholders, supported by a competitive and sustainable business model and strategy; robust risk management practices to protect long-term value; and transparent, timely disclosures of reliable information sufficient for investors and wider stakeholders to make informed decisions on long-term investment.



companies and policymakers on governance, business purpose and strategy, including relevant and material environmental and social issues.

By doing so, we seek positive change for our clients, the companies, and the economies in which they operate, while supporting a global financial system that seeks to deliver improved long-term returns and better outcomes for society and the environment.

This purpose is further reinforced and evidenced by the case studies and examples included in this report.

**Addressing systemic risks through engagement**

We carry out a horizon scanning exercise every year to look for emerging themes, with an in-depth review every three years. This year’s review included recent academic reports such as the World Economic Forum Global Risks Report<sup>10</sup> and the Centre for Risk Studies at Cambridge University<sup>11</sup> to ascertain and update the key systemic risks to take into consideration across our engagement work. We looked at the most important systemic risks that were highlighted, examined how they were interlinked, and often have cascading effects, and overlaid these with the focus areas in our Engagement Plan. For example, the three big causal systemic risks illustrated in the diagram below – biodiversity loss, climate change and antimicrobial risk – which have cascading causal effects, are important themes in our Engagement Plan.

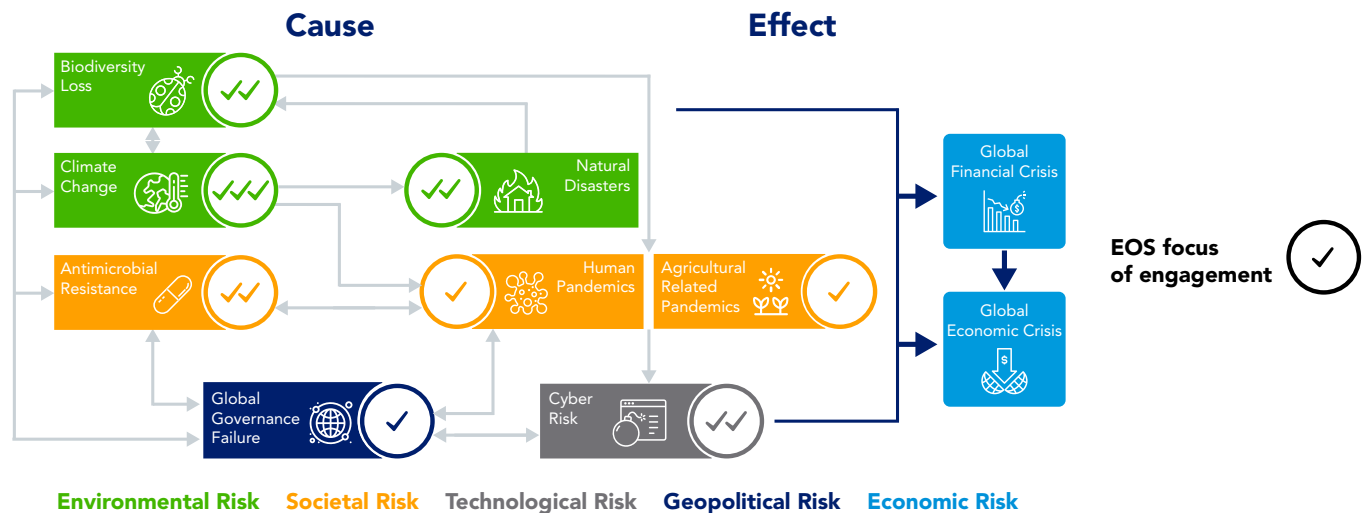
**Purpose of our engagement**

Our engagement aims to enable long-term institutional investors to be more active owners of their equity and fixed income assets, with the objective of enhancing long-term, enduring business performance through dialogue with

**How we engage**

Our dialogue with companies is primarily conducted through in-person meetings, calls, letters or emails. The nature and frequency of the dialogue depend on the location of the company, stage of engagement, severity of the issue and willingness of the company to engage.

We use a constructive, objectives-driven, financially connected and continuous dialogue, developing engagement strategies specific to each company based on its individual circumstances. Our understanding is also informed by a range of research and our deep knowledge across themes, sectors and regions.



<sup>10</sup> WEF, “Global Risks Report 2025”

<sup>11</sup> Judge Business School, “Systemic Risk: Systemic solutions for an Increasingly Interconnected World” (2021)

As evidenced by research, effective engagement that delivers value, demands a specific skill set that goes far beyond written activity or interaction with lower-level company representatives. Change is brought about by access at the board level gained by engagement professionals who have industry or professional experience, gravitas and specialist skills at challenging senior decision makers.<sup>12</sup>

Therefore many dialogues are conducted with the board of directors (primarily the chair, lead independent director and chairs of board committees), corporate secretary, subject specialists or investor relations. Occasionally the dialogue is with executive teams, although only where we believe the concern justifies their time and attention. We also engage up and down the supply chain, using a systems-level technique – as demonstrated through our work on methane reduction, for which EOS won an ICGN award.<sup>13</sup>

### Alignment with the SDGs

In addition, the United Nations (UN) identified systemic risks and developed these into 17 Sustainable Development Goals (SDGs), adopted in 2015 as a global call to end poverty, protect the planet and ensure that everyone enjoys peace and prosperity by 2030. Our view is that the long-term success of businesses and the success of the SDGs are inextricably linked. We believe that all of our engagement and advocacy work is aligned to the delivery of the SDGs either directly or indirectly, enhancing our response to systemic risks. The chart below illustrates the number of engagement objectives and issues on which we have engaged in the last year, which we believe are directly linked to an SDG (noting that one objective may directly link to more than one SDG).

## Supporting the UN Sustainable Development Goals

This illustrates the number of engagement objectives and issues on which we have engaged in 2025, which we believe are directly linked to an SDG (noting that one objective or issue may link directly to more than one SDG).

### Proportion of issues and objectives engaged in 2025 linking to the SDGs



**2,597** of the issues and objectives engaged in 2025 were linked to one or more of the SDGs

Source: EOS data

<sup>12</sup> Wolff, Jacobey & Coskun, "Research Report: Talk is not cheap - The role of interpersonal communication as a success factor of engagements on ESG matters" (September 2017)

<sup>13</sup> FHL, "EOS at Federated Hermes wins ICGN Excellence in Stewardship Award" (July 2024)

## A spotlight on our approach to climate change

Engagement is a crucial element of our approach to managing climate change risks and opportunities – and climate is a specific engagement focus in EOS' public markets engagement programme. Where consistent with local law and applicable requirements, EOS aims for companies to have a business model consistent with achieving net-zero emissions and an effective transition plan to deliver this in line with the Paris Agreement ambition of 1.5°C. All engagement is subject to careful consideration to ensure that it is aligned to client objectives and directions, as well as fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients.

Responding to client input and internal and external research, we increased our focus on requesting that companies publish climate transition plans aligned with the goals of the Paris Agreement. We also developed internal capabilities for the assessment of transition plans, which we see as providing insights to investment teams and for engagement on the credibility of company plans to navigate the energy transition.

We also engage companies to ensure that their direct and indirect climate-related policy engagement is consistent with their strategy, climate ambitions, and the Paris Agreement. Climate change and the energy transition will also have significant impacts on society and therefore companies must explicitly consider how their actions, or lack of, on climate change will negatively impact stakeholders. Companies should seek to mitigate the social impacts of transition plans to streamline their delivery, manage core business risks, and contribute to a just transition. In 2025, we enhanced our dialogue with companies, regulators, and industry bodies on how best to catalyse climate opportunities related to surging AI power demand, including clean energy contracting, grid optimisation, methane abatement in supply chains, and management of related water and affordability issues.

We also engage companies on their exposure and vulnerability to the physical impacts of climate change. Each company must prepare for the chronic and acute climate change impacts that are already materialising. Climate change will continue to impact operations, supply chains and customers, with a long-term temperature increase of at least 1.5°C inevitable and higher increases likely. In 2025, we elevated our engagements on food and beverage companies' agricultural supply chains and how they are managing disparate physical risks, including the role of nature to foster resilience.

## Climate-related risk and the 2025 voting season

In line with investor fiduciary duties, and when in line with local legal and applicable requirements, implementing clients' voting policies leads to votes against directors at companies identified as falling behind peers in managing climate-related opportunities and risks, using various region and sector-specific climate risk indicators and team analysis. In 2025, client voting policies resulted in votes against the re-election of directors or relevant proposals at 297 companies due to concerns about insufficient management of climate-related risks and opportunities.

## Climate-related and other environmental shareholder proposals

Across Europe, Australia, and Asia, applying clients voting policies led to a varied approach to climate-related voting based on companies' transition readiness and risk management. In Europe, following several years of engagement, Centrica's revised energy transition plan was supported, as its detailed transition planning, assessment of external dependencies, and advocacy strategy demonstrated sufficient readiness to capture climate-related opportunities and manage commercial risks. At Shell, our clients voting policies led to support of a shareholder resolution seeking greater disclosure on how the company's LNG strategy aligns with its climate goals, which we believe could provide valuable insight into risks associated with its LNG expansion; the proposal received just over 20% shareholder support.

In contrast, applying clients' policies resulted in voting against Santos's climate transition action plan in Australia, acknowledging improvements yet concluding the company still falls short of sector best practice, particularly in Paris-aligned scenarios. In Asia and emerging markets, we continued to raise concerns about inadequate climate-risk management, with clients' voting policies leading to votes against 168 companies in China and Hong Kong, up from 55 last year, although emerging regulatory requirements have improved climate disclosures. Clients policies led to opposition to the re-election of directors at companies with coal expansion or exposure, such as Manila Electric Company, Hokuriku Electric Power Company, and JSW Steel, due to the undue financial risks this may pose.

To address deforestation concerns, there were votes against the re-election of relevant directors at more companies in Japan, such as Meiji Holdings, and Kikkoman. Following our meeting with WH Group in Hong Kong, there remained concern about its ongoing supply chain deforestation risks, and as such clients' voting policies resulted in voting against the vice chair's election.



## CASE STUDY

## Centrica



**Centrica, a British integrated energy company, delivers energy services to households via its retail brands, including British Gas – the UK’s second largest gas and electricity utility – and Bord Gáis Energy in Ireland. The company also produces and stores energy through its stake in the UK’s nuclear fleet, a portfolio of renewable, storage and flexible assets, Spirit Energy (a gas production business), and the Rough gas storage facility. Centrica is also engaged in the trading of energy, including through its LNG shipping business.**

Technological change, innovation, and the energy transition challenge the company’s traditional business model of fossil fuel-driven electricity generation, natural gas retail and storage, and gas boiler installation and maintenance. At the same time, the transition presents a considerable commercial opportunity for Centrica to lead in low-carbon solutions, reshape its service offerings, and accelerate progress towards a more sustainable energy system.

### Our engagement

In 2021, we began engaging Centrica as company co-lead under the Climate Action 100+ collaborative engagement initiative, focusing on the company’s energy transition strategy. The UK had announced its target for a net zero power grid by 2035, but uncertainty remained over how heat would be decarbonised to achieve the UK’s wider net zero by 2050 commitment. This raised questions around how the company would deliver its targets, with implications for capital expenditure and long-term growth.

Centrica had established a target to reduce its customer emissions intensity (electricity and gas sales) by 28% by 2030 versus 2019.<sup>14</sup> Over the next few years, we met several times with the CEO, the chair, the head of environment, the head of strategy, the company secretary, and technical experts from the company. We asked Centrica to consider whether this target was sufficiently ambitious to remain competitive, including evaluating the compatibility of this plan with the Paris Agreement goal of 1.5°C and the commercial opportunities that this presents.

In 2024, the company invited us and an investor to participate in a series of technical engagements with Centrica’s head of environment and sustainability strategy teams to allow an exchange of views on strategic opportunities for the energy transition. These covered how Centrica would address its gas-fired electricity generation, commercial levers for low carbon heat provision, its LNG growth strategy and its public policy advocacy strategy.

### Changes at the company

In 2025, Centrica published its updated climate transition plan. It brought forward its Scope 1 and 2 emissions net zero commitment to 2040 from 2045, while retaining its 2050 net zero commitment for customer Scope 3 emissions, currently primarily attributable to the use of natural gas for domestic and commercial heating.

For the customer emissions intensity associated with electricity and heat, the company retained its target to reduce this figure by 28% by 2030 versus 2019, while also referencing a new ‘stretch’ goal to reduce the customer emissions intensity by 40% by 2030, recognising that this would be required to deliver a 1.5°C-aligned pathway.<sup>15</sup>

Supplementing these targets, Centrica has identified and quantified individual decarbonisation levers across electricity, heat electrification, and gas distribution, guiding investors on the strategic positioning of the business. The plan brings clarity to the roles for heat electrification versus hydrogen solutions, and each lever is complemented by an articulation of the company’s policy dependencies, as well as proactive advocacy actions identified to promote an enabling external environment. Over 50% of its future capex over the period from 2023 to 2028 is classified as ‘green’ by the company.

### Next steps

We plan to continue engaging with Centrica on the implementation of its transition plan, including how energy transition implications will be addressed by the LNG shipping business and how the company will remain agile against a backdrop of policy uncertainty. We also aim to continue engaging on succession planning and board effectiveness as the company seeks to replenish its balance sheet through significant planned greenfield capital expenditure.



**Will Farrell**  
Theme co-lead:  
Climate Change

<sup>14</sup> Centrica’s Climate Transition Plan

<sup>15</sup> Emissions and Targets

## Human rights engagements in high-risk regions

A strong commitment to protecting human rights is crucial for responsible business development and materially linked to long-term wealth creation for companies. Without this, companies may lay themselves open to legal and financial penalties, operational disruption, and stakeholder backlash, harming their social licence to operate and ability to deliver value for their investors.

Certain geographies carry heightened human rights risks and therefore require enhanced due diligence and consideration from companies. EOS does not have a fixed definition of high-risk regions, but we consider factors such as the presence of conflict and the degree of legal protection in place for workers.

In 2020, EOS outlined our engagement approach for human rights in high-risk regions. Since then, we have seen the invasion of Ukraine by Russia in 2022, and major conflicts in the Middle East. Meanwhile, the proportion of global land mass impacted by conflict has increased by 65% since 2021.<sup>16</sup>

Our engagement remains apolitical and is guided by the expectation that all companies should operate in alignment with the UN Guiding Principles on Business and Human Rights (UNGPs). Our underlying approach and commitment to the UNGPs has been relatively unchanged, but we may emphasise certain aspects on a case-by-case basis depending on the region in question and the nature of a company's involvement. More information on our approach can be found in our [2024 EOS Annual Review](#).

## Human rights proposals

In North America, we observed a rise in shareholder proposals related to artificial intelligence (AI), marked by more sophisticated requests and greater scrutiny of corporate practices. Many of these proposals examined how AI intersects with climate change, data privacy, and human capital, aligning with the perspectives outlined in our recently published [EOS Digital Governance Principles](#). While technology companies were frequent targets, firms in other sectors, particularly in Canada, also received proposals requesting commitments to the government's Voluntary Code of Conduct for responsible generative AI. We encourage companies to adopt responsible AI principles and follow evolving legal and voluntary best practices, but we viewed requests for outright adherence to the Code, without board-level feasibility assessments or due diligence, as overly prescriptive and not necessarily in the long-term interests of companies.

Applying clients' voting policies resulted in support for shareholder proposals at Alphabet and Meta seeking reports on child safety impacts. Concern remains that both companies prioritise adult privacy rights over child safety without adequately mitigating the resulting harms. In our view, they each have an opportunity to provide stronger metrics to assess the effectiveness of their efforts, such as data on underaged users detected over time or performance targets designed to enhance management focus.

<sup>16</sup> Political Risk Outlook, 'Global conflict zones grow by two thirds since 2021, topping 6 million km<sup>2</sup>' (November 2024)

<sup>17</sup> Reuters, 'China's BYD outsells Tesla in Europe for first time, report says' (May 2025)

<sup>18</sup> Jato, 'BYD outsells Tesla in Europe for the first time as registrations surge in April' (May 2025)

<sup>19</sup> BBC News, 'Brazil sues China carmaker BYD over 'slave-like' conditions' (May 2025)

<sup>20</sup> BBC News, 'Brazil shuts BYD factory site over 'slavery' conditions' (December 2024)



## CASE STUDY

BYD

### Engagement theme: Human rights

BYD is a leading Chinese electric vehicle (EV) manufacturer, seeking to build market share in key European territories. In April 2025 it outsold Tesla in Europe for the first time, following a consumer backlash against the US EV manufacturer.<sup>17,18</sup> However, in May 2025, Brazilian prosecutors brought a lawsuit against BYD over labour conditions at a factory construction site.<sup>19</sup>

The case highlighted the severe risks of inadequate human rights oversight in global supply chains. According to media reports, a Brazilian labour department surprise inspection in late 2024 allegedly revealed poor conditions for over 100 Chinese workers at BYD's EV plant construction site in Bahia, Brazil.<sup>20</sup> The lawsuit filed in May alleged human trafficking and forced labour and sought damages of approximately US\$45m. The incident delayed the plant launch and disrupted BYD's South American expansion, while raising reputational concerns globally.

We have engaged with BYD on this matter since January 2025, pressing for stronger governance and risk management. While BYD has terminated its contractor, repatriated workers, and formed a compliance committee, we consider these steps to be reactive, exposing gaps in board-level oversight.

The case underscores financially material risks, such as legal penalties and associated compensation, which increase costs. Other risks include operational delays and reputational harm, potentially deterring prospective buyers, reducing sales and revenue. This is harmful to profitability and can also deter investors. We continue to advocate for systematic improvements, including third-party audits, greater local expertise, and robust oversight, to prevent a recurrence at other overseas manufacturing premises, and protect long-term value.

(Published March 2026)

## Public Policy & Market Best Practice

We engage on public policy and market best practice with the aim of protecting and enhancing value for our clients by improving shareholder rights and shaping the wider regulatory framework in which investment and stewardship take place. This is achieved through engagements and meetings with government officials, financial regulators, stock exchanges, industry associations, and other key parties. It also includes participating in public consultations. This work may be on a country-specific basis or regulations and codes with a global remit.

Our engagers work with the public policy and advocacy sub-team within the FHL Responsibility Office to ensure our public policy work is well-informed, relevant and impactful.

Public policy and market best practice interactions are recorded in our engagement management system against the relevant third-party institution with which we are in contact. We focused on and increased public policy and market best practice objectives to improve how we monitor the success of our work in this area.

In 2025, we increased the emphasis on our public policy and market best practice work. The FHL Responsibility Office conducted a review to ensure that our public policy and market best practice engagement activities continue to focus on the risks and opportunities which are a) the most material for our investments or our clients b) possible to address through changes to public policy or developments in market best practice and c) feasible to change. This review included inputs from EOS engagers and investment teams (public and private markets), reviewing client feedback, assessing material issues for the sectors to which our clients have the highest exposure and assessing key systemic risks, informed by the work of the World Economic Forum's Global Risks Report.

The results of the review were largely in line with our existing priorities, with climate change and natural resource stewardship emerging as high priorities for public policy engagement given the systemic nature of these risks and the scale of potential impacts on investment. The information in this section explains further how these risks relate to our investments and our approach to risk management (with more general information on our risk management approach for our investments under Principle 1). Sustainable finance regulation and corporate reporting are also priority areas to ensure that EOS and the FHL teams have the necessary reliable data to inform their decision making. It was also identified that public policy has struggled to keep pace with rapid innovation and the adoption of new technologies in areas such as AI and the energy transition. As such, our 2026-28 Engagement Plan, we will increase our efforts to coordinate our company engagement work with our complementary and supportive public policy and market best practice activities.

## Our contribution to industry initiatives

In 2025, we continued to advocate for a number of changes to public policy and market best practice, aligned with the themes upon which we engage, as set out in our Engagement Plan. Below, we have provided a summary of some of our activities in 2025. To allow us to keep abreast of investor concerns and emerging issues as they arise and to promote stewardship, we are active participants in a number of collaborative industry bodies and initiatives around the world<sup>21</sup> (see box).

### Key stewardship initiatives

We are an active participant in the following:

- Climate Action 100+
- Principles for Responsible Investment: founding member and chair of the drafting committee that created the PRI in 2006.
- PRI Advance & PRI Spring
- Nature Action 100
- Finance Sector Deforestation Action<sup>22</sup>
- Asian Corporate Governance Association
- FAIRR Investor Action on AMR initiative
- Investors and Indigenous Peoples Working Group
- Investor Alliance for Human Rights
- International Corporate Governance Network
- Institutional Investors Group on Climate Change
- US Council of Institutional Investors (CII)
- Ceres Valuing Water Finance Initiative
- 30% Club

Source: EOS data

<sup>21</sup> Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert, and all of these actions are understood to deliver enduring, responsible value for our clients. Furthermore, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.

<sup>22</sup> The FSDA sunset at the end of 2025 and we will continue our membership at the newly founded Deforestation Investor Group (DIG).

Examples of our public policy and advocacy work from 2025 include:

## Climate change

### COP30: From climate ambition to implementation

**Ten years on from 2015's landmark Paris Agreement, expectations were high for the Amazon-based COP30 to deliver concrete steps for multilateral climate action against a fractured geopolitical backdrop.**

Held at the inflection point between the UN's decade of ambition (2015-2025) and the decade of implementation (2025-2035), it was hoped that participants would be able to agree a road map for a global transition away from fossil fuels.

#### Our key messages for policymakers:

- **Bridge ambition and implementation** – Translate national climate goals into investable projects and predictable frameworks that attract long-term capital, particularly policy-backed, strategic sector transition plans.
- **Enable and reward credible and resilient transitions** – Focus regulation and incentives on measurable progress and real-world impact that deliver on citizens' core needs and incentivise growth in line with planetary boundaries, not just targets.
- **Scale blended finance** – Combine public and private funding to de-risk transition and nature-positive investment, particularly in emerging markets, including through strategic deployment through sector transition planning.
- **Protect forests and biodiversity** – Embed deforestation-free and nature-positive criteria in national transition plans and finance frameworks.
- **Agree adaptation funding and measurement models** – Integrate the Global Goal on Adaptation (GGA) adopted at COP28 into transition planning through clear measurement and funding models, resolving the prisoner's dilemma of who pays for adaptation across the private and public sectors.
- **Deliver a just and inclusive transition** – Ensure that climate and nature policies create economic and social benefits for communities and maintain their democratic consent, especially in emerging markets.

Our delegation to COP30 engaged with policymakers, industry, and civil society in the Blue Zone – the official negotiating area in Belém under UN jurisdiction – and the summit's side events, which were spread between Belém and São Paulo. The core positions for which we advocated were: translating national commitments into investable sector transition plans; scaling blended finance; protecting forests and biodiversity; agreeing adaptation funding; and delivering a just transition that ensures transition policies meet citizens' core needs.

#### What was achieved at COP30?

The UN's latest emissions gap report<sup>23</sup> states that the world is likely facing a global temperature rise of 2.8°C this century, well-above the Paris Agreement goal. Adaptation to the physical impacts of climate change was therefore a priority topic at this COP, concluding the Baku Adaptation Roadmap and emphasising the role of scaling international climate finance into adaptation. The final COP30 agreement ultimately saw countries call for "efforts to at least triple adaptation finance" by 2035.

While the language falls short of the binding commitments sought by developing nations, including small island states, the agreement secures adaptation finance as a key topic for subsequent COPs. Alongside progress on mitigation finance following on from the Baku to Belém Roadmap, this raises prospects for blended finance instruments to play a more significant role as a catalyst for mobilising and scaling private finance behind climate and nature opportunities, especially in emerging markets.

#### Where next?

COP31 will be hosted by Turkey and presided over by Australia. We expect that the funding of mitigation and adaptation mechanisms will be the centrepiece of international negotiations, while the nature and just transition workstreams will require continued development. Extending our focus on sector transition plans in 2025, we also expect Australia to elevate the focus of sector transition planning in its pre-COP31 roadshow of countries, in a bid to respond to the call for investable NDCs.

**For more information on our attendance at and reflections on COP30, please see the [latest EOS Annual Review](#).**

<sup>23</sup> UNEP, "Emissions Gap Report 2025" (November 2025)

## Nature

### Resumed COP16 Session

We attended the resumed session of COP16 in our capacity as co-chair of the Finance for Biodiversity Foundation's policy advocacy working group. Ahead of the session, we called on governments to:

- Adopt a resource mobilisation strategy that includes concrete actions to enable the alignment of financial flows and close the nature funding gap.
- Secure a robust monitoring framework with meaningful indicators to create accountability and track government progress on implementing the Global Biodiversity Framework (GBF) targets.

We followed the negotiations on the resource mobilisation strategy and the monitoring framework. We also engaged directly with several negotiators, including those from Switzerland, the UK, and Norway, during the course of the session in Rome to exchange views. The resource mobilisation strategy and the monitoring framework were adopted following three days of resumed COP16 negotiations in Rome.

### TNFD Discussion Paper on Nature Transition Plans

FHL and EOS jointly submitted a consultation response to the Taskforce for Nature-related Financial Disclosures (TNFD) discussion paper on nature transition plans. We strongly recommended that the TNFD's overall approach should focus on integrated nature-climate transition plans, rather than exclusively nature transition plans, and that the TNFD should develop guidance related to this. We provided recommendations to clarify and enhance provisions related to the disclosure of relevant activities by financial institutions.

We also suggested a greater emphasis on the inclusion of engagement around human rights and just transition, and how and when that might be facilitated during the development of transition plans. We recommended more robust discussion around governance and disclosure regarding nature-related lobbying. Finally, we recommended emphasising that biodiversity credits should only be used as a last resort, and expressed our support for aligning with guidance from the International Advisory Panel on Biodiversity Credits. Following the consultation, the TNFD published its Guidance on Nature in Transition Plans,<sup>24</sup> which encourages integrated climate and nature transition plans.

### Deep-seabed mining joint statement

In July 2025, a group of 40 financial institutions, including FHL, reissued a joint statement urging governments to protect the ocean and to not go ahead with deep-seabed mining until the environmental, social, and economic risks are comprehensively understood, and alternatives to deep-sea minerals have been fully explored.

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

### Escalating our engagement at the appropriate time

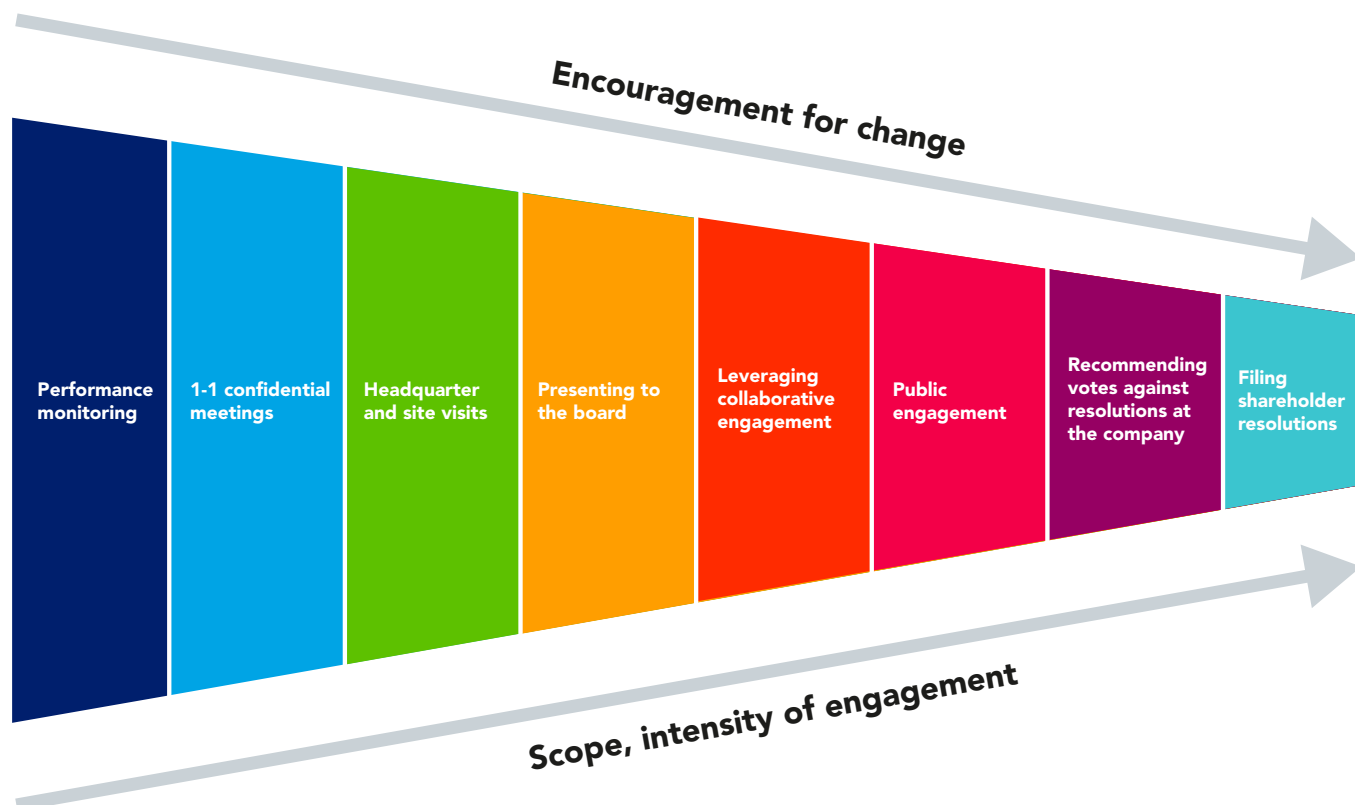
While we can be effective in our interactions with companies, the aim is to deliver value for clients, not to seek headlines that could undermine the trust that would otherwise exist between a company and its owners. As a result, we generally prefer to conduct engagement privately, rather than taking a public route when seeking change at companies. In our experience, working constructively with boards and management in private is the most effective way to achieve positive change as it allows us to build trusted relationships with companies, which results in more open and frank discussions. It also helps to protect our clients so that their positions will not be misrepresented in the media, allowing us to contribute to them fulfilling their duties under the Stewardship Code in a responsible way.

However, where we are unable to achieve success through our usual method of holding conversations behind closed doors, we may escalate our engagement by speaking publicly at the company's annual shareholder meeting, to garner additional support from investors or other shareholder representatives. When doing so, we would normally notify a company in advance. We may also separately implement the clients' voting policy against a resolution or management/the board at a company's shareholder meeting. We consider this carefully as we only want to use this technique if our usual engagement has consistently stalled, and we are not confident that the company is taking any action to address our concerns. Given the assets we represent, this sends a strong signal to the company and can help to progress our dialogue with it.

Similarly, we have demonstrated a willingness to use the full range of rights that we have at our disposal, including the tabling of resolutions at shareholder meetings or collaborating with others to co-file shareholder resolutions when necessary.<sup>25</sup> We identify the following engagement tools at our disposal to escalate engagement over time. The graphic on the page below demonstrates how different tools are selected as the scope or intensity of the engagement increases in tandem with encouragement for change at the company.

<sup>24</sup> TNFD, "Guidance on nature in transition plans" (November 2025)

<sup>25</sup> Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert, and all of these actions are understood to deliver enduring, responsible value for our clients. Furthermore, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.



## CASE STUDY

## BASF

**This summary example demonstrates the intensification of an engagement over several years, using a selection of engagement tools, including collaborative engagement and detailed site visits.**

BASF is a chemicals company headquartered in Germany. As members of the collaborative engagement of the Investor Initiative on Hazardous Chemicals, we wrote to the CEO of BASF to highlight our concern that manufacturers and users of per- and polyfluoroalkyl substances (PFAS, also known as persistent chemicals or forever chemicals) could be exposed to possible liability and insurance risks, which could result in costs for the company.

To help the company demonstrate actions aligned to the protection and enhancement of long-term shareholder value, we asked the company to be more transparent about the type and volume of hazardous substances, including PFAS that they produce, publish a time-bound phaseout plan of products that are, or contain persistent chemicals and develop safer alternatives.

We engaged regularly throughout 2023 and 2024 including at a capital markets day in Germany in September 2024. In March 2025, we visited the

company's Ludwigshafen site together with representatives of our stewardship clients. We met several laboratory scientists, including those identifying solutions to avoid the PFAS in the transfer of intermediate products. We also had a focussed meeting with the individual in charge of the Chemicals Strategy for Sustainability.

#### **Changes, potential outcomes and next steps:<sup>26</sup>**

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

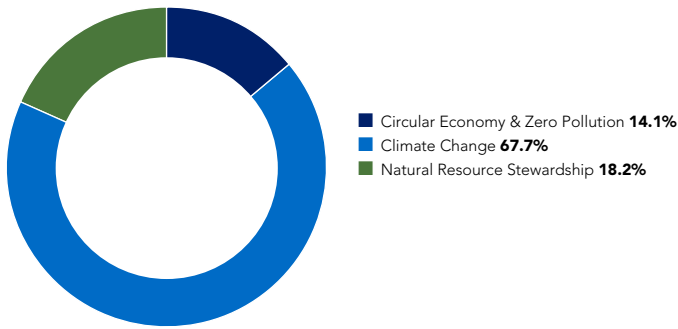
<sup>26</sup> Potential outcomes stated above are not intended to be a forecast of future performance, which will depend on a range of factors which cannot be guaranteed. These may include factors such as wider business performance in the context of dependencies such as developments in public policy, technology and market demand. Any quantified potential outcomes are based on the company's disclosed targets and other assumptions as referenced in this document.

### Outcomes of our engagement

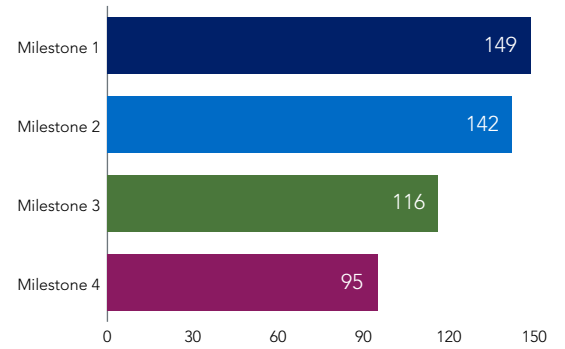
The effectiveness of our governance structures and processes is similarly demonstrated through the milestone progress made against each of our environmental, social, governance or strategy, risk and communication objectives.

## Environmental

Environmental topics comprised 40% of our engagements in 2025.



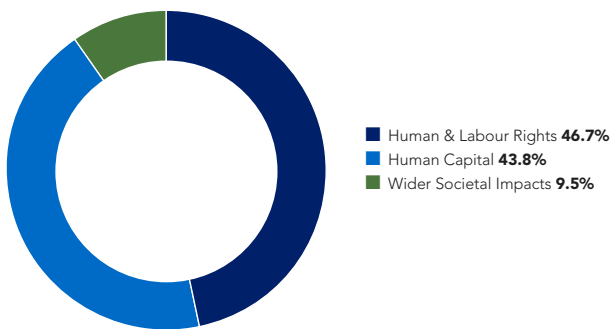
Progress against environmental objectives



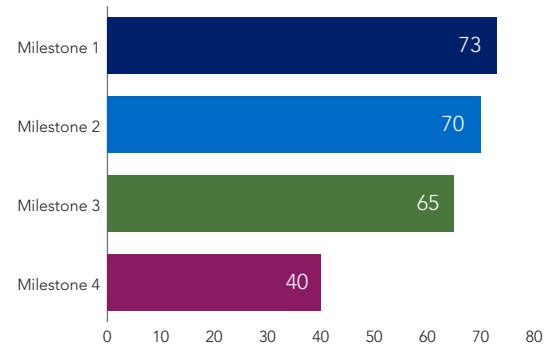
Source: EOS data

## Social

Social topics comprised 25% of our engagements in 2025.



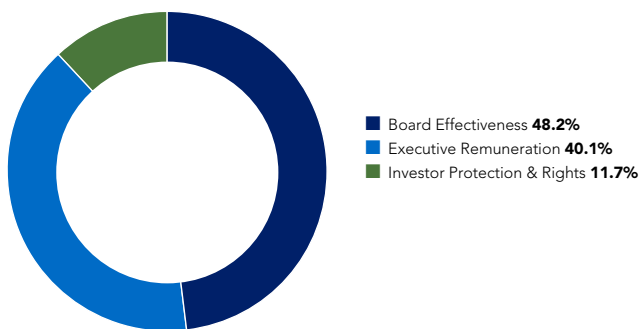
Progress against social objectives



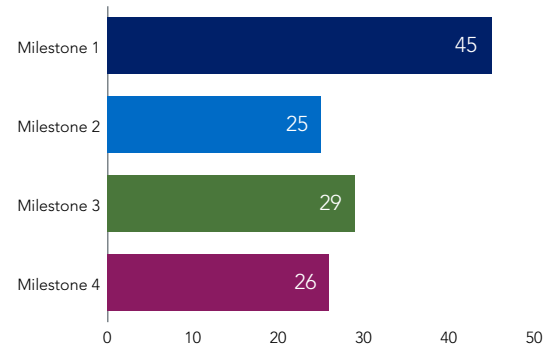
Source: EOS data

## Governance

Governance topics comprised 25% of our engagements in 2025.



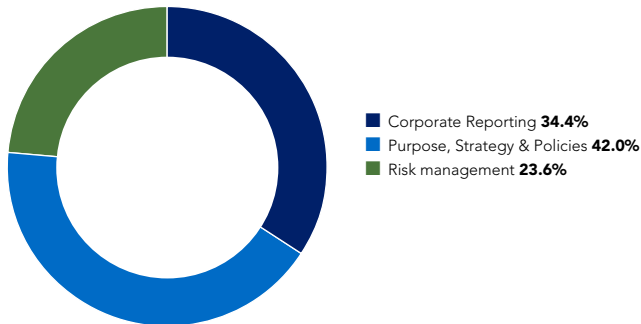
Progress against governance objectives



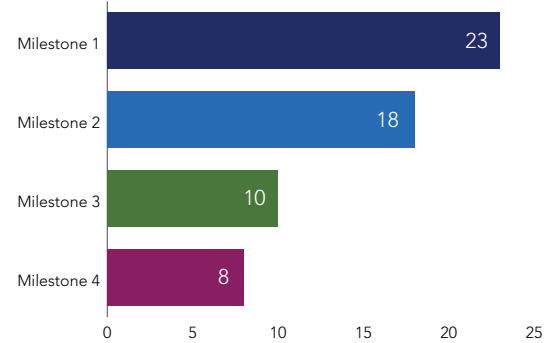
Source: EOS data

## Strategy, risk and communication

Strategy, risk and communication topics comprised 9% of our engagements in 2025.



Progress against strategy, risk and communication objectives



Source: EOS data



### CASE STUDY

## Tesco

### Engagement Theme: Biodiversity & nature

Tesco is the UK’s largest supermarket chain with a market share of 28.4%.<sup>28</sup> The company primarily sources and retails food and beverage products and, therefore, identifies security of supply as a principal risk for the business. Agricultural supply chains are dependent on nature and ecosystem services to support their productivity, resilience, and competitiveness, with impacts on the company’s profitability and revenues.

Between 2021 and 2025, we met regularly with the company’s sustainability leaders and the board chair. We engaged the company on identifying, assessing, and measuring its impacts and dependencies on nature in its agricultural supply chain, including any risks and opportunities. We suggested that the company develop a strategy to address these risks and opportunities via the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

### Changes, potential outcomes and next steps:<sup>29</sup>

In 2025, the company demonstrated progress in its adoption of the recommendations of the TNFD.<sup>30</sup> The company followed the locate, evaluate, assess, and prepare (LEAP) process to assess its impacts and dependencies on

nature in its high-risk commodity supply chains. It subsequently announced strategic actions to mitigate nature risks and shore up supply chain resilience. These actions include direct interventions to protect nature in key UK sourcing landscapes, support for the scaling of agricultural innovations, and advocacy on the public policies that would enable its supplier farms to commit to longer-term investments in nature.

As downward pressures on yields from climate change and nature loss intensify, the company’s strategic actions to protect and enhance nature could help enhance agricultural supply chain resilience, for example helping to reduce business interruptions and limit commodity price risk exposure. In turn, this could protect the business from disruption-related costs and lost revenues, contributing to long-term profitability.

We will continue to engage the company on demonstrating how its nature strategy enhances its resilience to physical climate risks and to ensure this strategy is fully integrated with and governed alongside the company’s broader actions to mitigate security of supply risks.

(Published December 2025)

<sup>28</sup> As of August 2025. [Grocery Market Share](#).

<sup>29</sup> Potential outcomes stated above are not intended to be a forecast of future performance, which will depend on a range of factors which cannot be guaranteed. These may include factors such as wider business performance in the context of dependencies such as developments in public policy, technology and market demand. Any quantified potential outcomes are based on the company’s disclosed targets and other assumptions as referenced in this document.

<sup>30</sup> [Tesco Annual Report 2025](#)



## CASE STUDY

## ServiceNow

**Engagement theme: CEO shareholding requirement**

ServiceNow is a leading enterprise software company, with a market cap exceeding \$170bn. We began engaging with the company in 2022 to strengthen its executive compensation framework, specifically advocating for an increase in the CEO shareholding requirement, which had remained at three times base salary – below market norms. Our objective was to promote stronger alignment between leadership incentives and long-term shareholder interests. Research shows that higher executive shareholding requirements can be financially material, as they reduce short-term risk-taking, enhance accountability, and signal commitment to sustainable value creation.

In Q2 2023 and Q2 2024, we reiterated our request during proxy discussions, including with the lead independent director, emphasising that a more robust shareholding requirement would better reflect governance best practices and investor expectations. The company acknowledged our feedback.

**Changes, potential outcomes and next steps:<sup>31</sup>**

In 2024, the company introduced a long-term incentive plan with a three-year cliff vesting structure, marking a shift toward longer-term alignment. We acknowledged this and continued to encourage an increase in the CEO shareholding requirement.

The company's 2025 proxy included an increase in the CEO shareholding requirement from three times base salary to six times. During Q2 2025 engagement, the company confirmed that the new policy was intended to further align leadership interests with those of its shareholders and to reflect market and best practice. The company also recognised EOS's role in its compensation journey.

The increase in CEO shareholding requirement to six times base salary strengthens long-term alignment between executive incentives and shareholder value. In turn, this should drive positive outcomes including reduced short-term risk-taking, enhance accountability, and better align management actions to sustainable value creation in the interests of long-term shareholders.

Moving forward, we plan to continue engaging on broader adoption of long-term alignment mechanisms, including in performance-based equity. Additionally, we will advocate for a further increase in the CEO shareholding requirement to eight-ten times base salary, in line with leading governance standards.

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<sup>31</sup> Potential outcomes stated above are not intended to be a forecast of future performance, which will depend on a range of factors which cannot be guaranteed. These may include factors such as wider business performance in the context of dependencies such as developments in public policy, technology and market demand. Any quantified potential outcomes are based on the company's disclosed targets and other assumptions as referenced in this document.



## CASE STUDY

## Telefónica

**Engagement theme: Board effectiveness**

Telefónica is a global telecommunications operator networks (fixed and mobile) provider. We started engaging on board gender diversity in 2017 when female representation on the board was at 18%. Increased diversity is a driver of innovation and competitive advantage in the telecommunication sector which can support stronger cash flows and financial performance. The company's board had recognised this and approved a global policy on diversity and inclusion. In 2018, we had an in-person meeting with the company at its headquarters in Madrid to discuss the initiatives being undertaken to increase diversity in the board and across the organisation. Despite the company's policy there had been little progress on board diversity, and we informed the company that we would like to see a credible plan to increase female representation on the supervisory board. We met regularly with the company to discuss progress on board diversity, including in October 2025 with the company's Director of Labour Relations and Diversity.

**Changes, potential outcomes and next steps:<sup>32</sup>**

In subsequent years, the company increased its gender diversity on the board. In 2019, this increased to 29%, then 33% in 2021, and reached 40% in December 2023. Despite a number of changes on the board in 2025, including the appointment of a new Lead Independent Director (LID), the company has conclusively maintained its 40%2 female representation at board level. The changes should increase the diversity of views on the board, and consequently the quality of debate, as well as support the company to achieve stronger financial performance such as improved revenues and profit margins by promoting diversity and innovation within the wider workforce. Telefónica has said it would next focus on increasing gender diversity at senior leadership and it stated that it is on track to reach its targets for 2027 and 2030. We plan to continue monitoring the company's progress on gender diversity across all levels of the organisation.

(Published December 2025)

We are always looking for ways to evolve our reporting suite for clients, in response to their feedback. Our internal reporting and governance group considers this feedback, and the considerations have also been fed into our process for the ongoing development of the client portal. In response to this, we have helped our clients consider how they can best meet evolving stewardship obligations in different markets, including by adapting our reporting offering to provide them with specific guidance documents.

We have also given clients more clarity around our rationale for discontinuing objectives, by providing an explanation according to a range of scenarios. We identify the following as reasons why an objective may be discontinued:

- **Company unresponsive:** the company has not been responsive to our engagement, and we do not believe it worthwhile to dedicate further stewardship resource, having considered the effort required to achieve change, the probability of achieving change and the materiality of the issue.
- **Company disagreed:** the company has expressed its disagreement with our engagement proposals, and we do not believe it worthwhile to dedicate further stewardship resource, having considered the effort required to achieve change, the probability of achieving change and the materiality of the issue.

- **No longer relevant/material:** the original objective is no longer considered sufficiently material or relevant. This could be due to a change in the company's business profile (such as divestment of a business unit of concern) or if engagement reveals that the original concern is of lower materiality than originally anticipated.
- **Restarted as new objective/issue:** engagement reveals that the original objective should be materially changed – for example, split into two separate and related objectives or combined with another objective.

Explaining scenarios where engagement has stalled – that is, instances where engagement is moving slowly or a company refuses to make changes – is more challenging. This is because we conduct the majority of our engagements behind closed doors and we are cognisant of the relationships we have built with companies, as well as our future engagements with them. For these reasons, we provide anonymised case study examples. We have included an example of discontinued objectives which have been anonymised.

<sup>32</sup> Potential outcomes stated above are not intended to be a forecast of future performance, which will depend on a range of factors which cannot be guaranteed. These may include factors such as wider business performance in the context of dependencies such as developments in public policy, technology and market demand. Any quantified potential outcomes are based on the company's disclosed targets and other assumptions as referenced in this document.



CASE STUDY

## Discontinued objective, executive remuneration

### Engagement theme: Board effectiveness

Since 2018, we have suggested reforms to executive remuneration at the company that we believe could improve accountability to and alignment with long-term shareholders. Specifically, we asked the company to disclose stock ownership guidelines for the CEO; strengthen its claw-back policies to include misconduct and reputational harm; and implement policies that limit or prohibit share pledging by executives. We consistently relayed this feedback during say on pay votes, which the company puts forth in three-year increments, and in our annual feedback on director elections.

### Changes, potential outcomes and next steps:<sup>33</sup>

As of 2025, the company discloses stock ownership requirements for directors, but they do not include minimum shareholding requirements for the CEO.<sup>34</sup> The company views these requirements as unnecessary considering its existing culture of share ownership, and that all named executive officers are underpaid relative to the market.

The company's claw-back policy appears in line with standard practice and permits it to recover equity and cash bonuses from current and former named executive officers and other members of senior management if they engage in fraud or intentional misconduct that causes or contributes to a restatement of its financial statements, however, it does not mention reputational harm.<sup>35</sup>

The company remains without policies that implement limits on share pledging by executives. The company views these policies as unnecessary given that executives have not pledged any shares. We discontinued this objective but plan to continue to engage with the company on executive remuneration and other governance matters to ensure alignment with long-term value creation to shareholders.

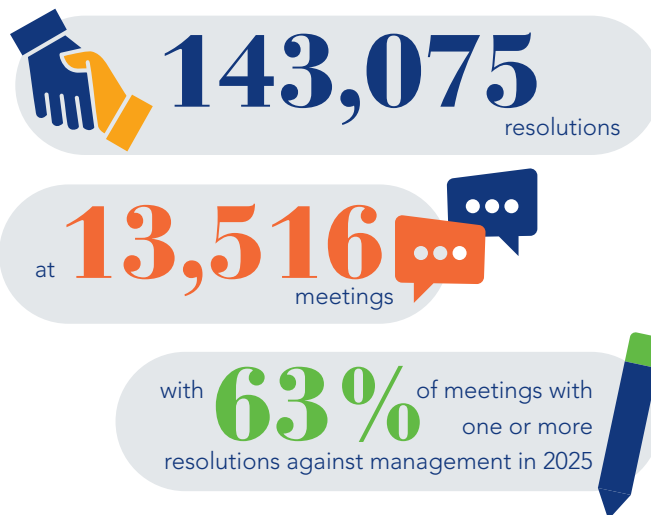
(Published December 2025)

### Voting policy implementation

In advance of the voting season, based on their individual requirements, we provided each client with a detailed overview of our expectations, noteworthy AGMs/ballots. We also held a high-level introduction via an EOSi Question Time call (specific sessions then held with clients on designated topics). Clients are encouraged to provide us with feedback on our approach to implementing their voting policy and we may make tweaks to our policy where appropriate.

Clients' global voting policy guidelines, as mentioned in Section C of our Policy & Context Disclosure, inform the policies we offer to implement to our clients and are updated annually. Some of the updates made to the voting guidelines in 2025 included: introducing a voting guideline to identify and address potential corporate governance and capital efficiency concerns in companies where the equity persistently trades at a price-to-book valuation of below one; increasing board diversity expectations across Asia and Global Emerging Markets; aligning European Market guidelines with the EU Diversity Directive; addressing company reincorporation actions in North America, and further enhancing the approach to voting on climate and natural resource stewardship topics.

### Voting recommendations made on:



Source: EOS data

<sup>33</sup> Potential outcomes stated above are not intended to be a forecast of future performance, which will depend on a range of factors which cannot be guaranteed. These may include factors such as wider business performance in the context of dependencies such as developments in public policy, technology and market demand. Any quantified potential outcomes are based on the company's disclosed targets and other assumptions as referenced in this document.

<sup>34</sup> Amazon 2025 Proxy Statement, pg 3

<sup>35</sup> Amazon 2025 Proxy Statement, pg 95



## VOTING CASE STUDIES

### The Walt Disney Company

Over several years, we have raised concerns in engagement meetings with The Walt Disney Company about the high pay quantum and discussed an increase in the company's minimum stock ownership and holding requirements. In previous years we have voted against the say-on-pay agenda item due to ongoing concerns that the pay structure is not sufficiently long term in nature to align with long-term shareholders' interests. In 2025, we voted against the compensation committee chair due to these concerns. The resolution received 89% support.

### Blue Zone Holdings

At Japanese supermarket chain Blue Zone Holdings,<sup>36</sup> we escalated concerns in 2024 about the lack of progress on gender diversity, which led to a meeting with the company's female director. Following this engagement, the company updated its diversity targets, developed a pipeline strategy, demonstrating meaningful progress. An additional female

director was also appointed in the following AGM which indicated that diversity was considered in director nomination processes. In light of her active role in advancing these initiatives, implementing clients' voting policies resulted in support of the long tenured female director by exception to our policy, despite her tenure reaching 10 years by the 2025 AGM. This exceeded the nine year independence guideline. This received 99% support.

### Shell

At British oil and gas producer Shell, a shareholder resolution requesting more disclosure on the consistency of the company's LNG (liquefied natural gas) strategy with its climate goals and long-term resilience was supported. This could help Shell and its investors gain more insight into the potential risks to the company's LNG expansion strategy. The proposal was supported by just over 20% of shareholders.



<sup>36</sup> The company recently renamed. Previously known as Yaoko.

## Appendix

### Alignment with the Japanese Stewardship Code (2025 revision)

This table maps EOS' UK Stewardship Code submission (Policy & Context Disclosure and annual Activities & Outcomes Report, read together as a combined submission) to the principles of Japan's Stewardship Code (FSA).

<p><b>Principle 1:</b> Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities and publicly disclose it.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section A (Organisation &amp; Stewardship Approach); Section C (Engagement Plan; Voting Guidelines; Reporting Processes).</p> <p><b>Activities &amp; Outcomes Report:</b> Principle 1 (Client Dialogue; Service Delivery; Feedback Integration/Reporting Enhancement).</p>
<p><b>Principle 2:</b> Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section C (Conflict of Interest policies review); Section D (Conflicts of Interest).</p>
<p><b>Principle 3:</b> Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section A (Engagement Strategy); Section B (Governance &amp; Resources); Section C (Milestones &amp; Engagement Processes).</p> <p><b>Activities &amp; Outcomes Report:</b> Principle 1 (Screening &amp; Monitoring); Principle 4 (Issue Prioritisation).</p>
<p><b>Principle 4:</b> Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section A (Engagement Model).</p> <p><b>Activities &amp; Outcomes Report:</b> Principle 4 (Engagement Methods; Escalation; Outcomes &amp; Case Studies).</p>
<p><b>Principle 5:</b> Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section B (Systems); Section C (Voting Guidelines).</p> <p><b>Activities &amp; Outcomes Report:</b> Principle 4 (Voting Activity; Voting Case Studies).</p>
<p><b>Principle 6:</b> Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section C (Reporting).</p> <p><b>Activities &amp; Outcomes Report:</b> Principle 1 (Reporting Suite; Portal Enhancements; Outcomes Statements); Principle 4 (Case studies).</p>
<p><b>Principle 7:</b> To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section A (Services Provided); Section B (Oversight; Systems/Technology); Section C (Assurance).</p> <p><b>Activities &amp; Outcomes Report:</b> Principle 1 (Screening service/ CCR redevelopment); Principle 4 (Public policy &amp; market best practice).</p>
<p><b>Principle 8:</b> Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.</p>	<p><b>Policy &amp; Context Disclosure:</b> Section A (Services Provided); Section B (Oversight; Systems/Technology); Section C (Assurance).</p> <p><b>Activities &amp; Outcomes Report:</b> Principle 1 (Screening service/ CCR redevelopment); Principle 4 (Public policy &amp; market best practice).</p>

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