EOS Engagement Plan

2025-27

Public version

Federated Hermes
EOS

www.hermes-investment.com
For professional investors only

EOS – Our approach to engagement

EOS at Federated Hermes Limited is a leading stewardship service provider. Our engagement activities enable long-term institutional investors to be more active owners of their equity and fixed income assets, with the objective of enhancing long-term, enduring business performance. This is done through dialogue with companies and policymakers on governance, business purpose and strategy including relevant and material environmental and social issues.

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

Informed by the overall goal of maximising enduring value over the long term in clients' portfolios, EOS' company and policy engagement objectives complement each other by aiming to enhance performance of individual holdings whilst addressing systemic risks to the economy which are likely to affect long-term returns for broadly diversified asset owners.

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

Our services

Engagement

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

Voting

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

Public policy and market best practice

We engage with legislators, regulators, industry bodies and other best practice standard-setters to shape capital markets and the environment where companies and investors can operate more sustainably.

Screening

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

Advisory

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

The EOS advantage

- **Relationships and access** – Companies understand that EOS is working on behalf of pension funds and other large institutional investors, enabling access and influence reflective of representing total assets under advice of over US$2.1tn as of 30 September 2024. The team's skills, experience, languages, connections and cultural understanding help the team to gain access and maintain constructive relationships with company boards, executive management teams and senior policymakers.
- **Client focus** – EOS pools the priorities of like-minded investors and, through consultation and feedback, determines the priorities of its Engagement Plan. EOS' overriding aim on behalf of clients is to deliver tangible and beneficial outcomes supported by purposeful governance and pertinent disclosures.
- **Tailored engagement** – EOS develops engagement strategies specific to each company and policymaker, informed by a deep understanding across sectors, themes and markets. It seeks to address the most material business and systemic economic risks and opportunities, including environmental, social and governance issues, through a long-term, constructive, objectives-driven and continuous dialogue at the board and senior executive level, which has proven to be effective over time.

EOS focuses its stewardship on the issues with the greatest potential to deliver long-term enduring wealth for investors, including through positive societal and environmental outcomes.

Stewardship outcomes

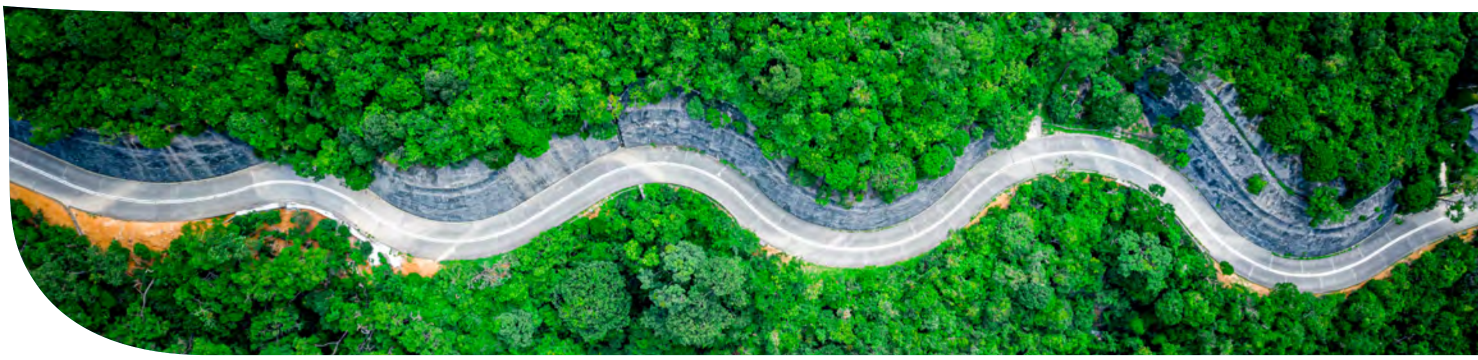
We believe the purpose of investment is to create lasting wealth for investors. Effective stewardship is a critical approach for institutional investors to use to influence the enhancement of the fundamental long-term value of investments.

Good governance across the value chain – including asset owner, asset manager, company and other market participants – sets the foundation for managing long-term risks and creating value for stakeholders. We seek robust board oversight and management by companies of the most material long-term drivers of enduring wealth creation affecting each company, as well as those systemic risks to the economy which are likely to affect long-term returns for broadly diversified asset owners. When material and relevant, we believe these factors should drive improved financial performance of individual companies to the benefit of investors and their end beneficiaries,[1] consistent with the long-term fiduciary interests of our clients, and reduced systemic risks to the wider economy and portfolio returns.

The outcomes we seek include:

Governance – effective boards overseeing strategy and management to deliver responsible long-term value creation, composed of primarily independent individuals and appropriately representing the diversity of stakeholders the company serves; 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 communications – the clear articulation of a company's purpose to deliver long-term value to all stakeholders, supported by a sustainable business model and strategy that addresses the needs of its different stakeholders; 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.



[1] See, e.g., Whelan, Atz, Van Holt & Clark (2021): "ESG and Financial Performance", The NYU Stern Center for Sustainable Business or Chava (2014): "Environmental Externalities and Cost of Capital", Management Science, 60(9), 2111- 2380. Further research on engagement impact can be found in Hoepner, Oikonomou, Sautner, Starks & Zhou (2024): "ESG shareholder engagement and downside risk", Review of Finance, 28(2), 483-510. Further practitioner examples are the research studies by Hermes Investment Management: "Pricing ESG risks in credit markets", "Pricing ESG risk in sovereign credit" and "ESG investing – a social uprising", which are available at www.hermes-investment.com.

The implementation of long-term sustainable strategies, subject to commercial feasibility and underpinned by responsible governance, can help achieve outcomes aligned to delivery of the UN's Sustainable Development Goals, including:

Climate change: Limiting greenhouse gas emissions, where possible, 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: in addition to limiting climate change to safe levels, protecting, preserving, and restoring natural resources and biodiversity by transitioning to sustainable food systems, avoiding anti-microbial resistance and managing water stress to enable more affordable access to food and clean water.

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

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

Human capital: improving human capital to achieve a healthy, skilled, and productive workforce inclusive of the diversity of wider society, with access to equitable pay and benefits, in the context of rapid technological disruption.

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.

Achieving long-term enduring wealth creation requires investors to become active owners, fulfilling their stewardship responsibilities by:

- Monitoring companies' performance and identifying the most material issues to be escalated for action.
- Engaging companies in pursuit of meaningful objectives, measuring and reporting on outcomes.
- Exercising shareholder rights, including voting on all relevant shareholdings.
- Integrating stewardship insights into investment decisions.
- Advocating for necessary changes in public policy and market best practices.

Where effective and efficient, investors should also consider working collectively to achieve shared objectives, subject to observing all legal and regulatory requirements.

We seek specific environmental and social outcomes aligned to the delivery of long-term value and the UN's Sustainable Development Goals.

Our engagement plan

Our engagement is focused on ensuring companies are responsibly governed and well managed to deliver enduring long-term value and improve employees lives, promoting inclusion and innovation and supporting communities.

Our focus of engagement for 2025

2024 continued to deliver extreme weather events with record heatwaves, droughts, wildfires, storms and severe flooding worldwide, reinforcing the urgent need to limit climate change to 1.5°C. Meanwhile, Artificial Intelligence (AI) is becoming increasingly a mainstream business tool, offering tremendous productivity opportunities but increasing energy demand, threatening individual jobs and introducing new business risks such as unintended bias.

Geopolitical instability continued, with war ongoing between Russia and Ukraine and conflict in the Middle East. While inflation concerns eased, low real wage growth has left an ongoing sense of a high ‘cost of living’. Most pertinent to EOS’ work are potential repercussions from the politicisation of ESG and broader ‘culture wars’. Against this backdrop, 2024 also saw half the world’s population going to the polls, including changes in administration in the US, UK and India. This is likely to herald new approaches to tackling mega-trends such as climate change, the risks to nature & biodiversity, digitisation/AI, and new policy responses to ease the cost of living and reduce geopolitical conflict. Given the rising risks and opportunities for companies associated with a broad range of environmental and social economy drivers, the importance of good governance and responsive strategy is as high as ever.

> **While inflation concerns eased, low real wage growth has left an ongoing sense of a high ‘cost of living’.**

Therefore we will continue to engage companies and their boards to navigate these and other sustainability-related trends firmly in line with their fiduciary responsibilities and those of our clients, as well as with policy-makers and standard-setters to ensure associated risks and opportunities are well-regulated in line with international best practices.

Over the next year, we will continue our focus on the most material drivers of long-term durable wealth creation, with a focus on four priority themes:

Board effectiveness: To enhance the quality of board performance, which is foundational to good corporate decision-making, we will 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 will continue our focus on seeking improvements in board skills and experience through dimensions of diversity, including improvements to ethnic diversity building on the progress of gender diversity, with the goal to achieve representation reflective of the diversity of the stakeholders the company aspires to serve. We remain committed to improving a board’s “software” relating to how it functions, in addition to its “hardware” relating to its composition and structure. Key to this is ensuring boards are assessing their combined technical expertise, knowledge and experience to match the upcoming challenges, such as investment in the transition, cybersecurity, artificial intelligence and the evolving legislative landscape. The board should continuously monitor and assess the prevailing company culture to ensure it is in line with the company’s purpose, strategy and values.

[2] Governments and business must double down on climate action | World Economic Forum

Climate change: The emphasis of our engagement remains focused on companies having a strategy and greenhouse gas emissions reduction targets aligned, so far as possible, to the goals of the Paris Agreement, to limit climate change to below 2°C and pursue efforts towards 1.5°C and take advantage of the opportunities where commercially feasible. The importance of taking action was reinforced by the Alliance of CEO Climate Leaders ahead of COP29, highlighting the alliance's progress in reducing emissions by 10% while delivering aggregate growth revenue of 18% between 2019 and 2022.[2] We will evaluate the credibility of transition plans, including their acknowledgement of key policy, technology and market dependencies. Specific areas of focus will include engagement with high methane emitting sectors and standard setters to ensure best practices in methane management; the technology sector to take action to mitigate emissions associated with the high energy demand for AI-related services; all relevant sectors to build resilience to physical climate risks; and work towards a 'just transition' for employees and communities. We will continue to support best practice standards via the Institutional Investor Group on Climate Change (IIGCC).

Human and labour rights: We encourage companies to acknowledge the likelihood that human and labour rights impacts are present within some operations and supply chains and demonstrate appropriate board- and executive-level governance in order to minimise operational disruption, potential legal disputes and maintain their brand value and social license to operate. We will further focus on protecting indigenous and community rights and human rights in high-risk regions such as disputed territories or areas of conflict. We also continue our emphasis on supply chain rights with an elevated risk of forced labour, unsafe working conditions, and other adverse human rights impacts. We are increasing the focus on the protection of digital rights in the virtual world, such as challenges to the right to data privacy and the right to freedom of expression and protection from unfair biases, which the use of AI may amplify. More than a decade after the implementation of the UN Guiding Principles (UNGPs) on Business and Human Rights,[3] we seek compliance as a norm and consider recommending votes against directors of companies where material breaches are not being adequately remediated or if the company lags on human rights benchmarks. As companies transition to a low-carbon economy, we encourage them to plan for a 'just transition' that considers the impact on human and labour rights both inside the company and in the surrounding value chain. We will engage to ensure companies implement the requirements of the new EU legislation, such as the Corporate Supply Chain Due Diligence Directive and the AI Act.

We are increasing the focus on the protection of digital rights in the virtual world, such as challenges to the right to data privacy and the right to freedom of expression and protection from unfair biases.

Human capital: Amid anxiety about a 'just transition' to a low carbon economy, negative AI impacts from redundancies and potential bias in hiring and continuing issues around the cost of living driving renewed interest in collective bargaining, we are intensifying our engagement on upskilling and reskilling workers. Furthermore, we will maintain our focus on inclusion and representation, asking companies to develop a strategy and action plan to close the ethnic pay gap, ensuring equal pay for equal work and achieve merit-based proportionate ethnic and gender representation at all levels. We will also challenge companies to consider an expanded range of inclusion metrics beyond representation, including those related to engagement and a sense of belonging, upskilling and advancement, and pay gaps[4] for different groups and to report on workforce changes and wider employee engagement. Our engagement on health and safety is extending to mitigating climate-related risks in the workplace (such as heat stress) and continuing to focus on mental wellbeing and actions to halt continuing incidences of sexual harassment. This approach will necessarily consider regional issues in order to navigate the weaponisation of diversity issues in some areas of the world.

In addition to the above priority themes, we will continue to intensify engagement on two rapidly evolving topics in 2024 and beyond as follows:

Nature and biodiversity: We seek companies to address marine and terrestrial biodiversity loss across their value chains, in line with the COP15 mission to halt and reverse biodiversity loss by 2030. COP16 made historic strides in recognizing the role of indigenous and local communities in biodiversity conservation, but challenges remained in securing the necessary funding and monitoring mechanisms to achieve global biodiversity targets. Given the high impacts and dependencies of the food system on biodiversity and ecosystem services, the retailing and production of food will remain a priority, as well as other sectors with significant impacts, such as mining and agrochemicals. We encourage companies to reduce their impacts on biodiversity across the value chain, following the mitigation hierarchy, and aim for a net-positive impact

[3] OHCHR | UNGPs next 10 years project
[4] Race, Gender, and LGBTQ+ wage gaps are real – and they end up costing us all | DiversityJobs.com

on biodiversity as best practice. Depending on the specific company context, engagement will cover deforestation, water stress, regenerative agriculture, infectious diseases and antimicrobial resistance (AMR), sustainable proteins and chemical runoff management. As we outlined in our white paper on biodiversity, published in February 2021,[5] we encourage companies to identify, assess and measure their impacts and dependencies on biodiversity and ecosystem services, in line with the 2023 Taskforce on Nature-related Financial Disclosures (TNFD)[6] recommendations and then develop strategies and targets to address the most material risks. We will continue to establish and work with investor coalitions such as the Rainforest Alliance,[7] SPRING[8] and NA100[9] to bring added weight to engagements with affected companies.

Digital rights and AI: We will continue to engage companies on our Digital Rights Principles[10] outlining responsible development and deployment of AI. These will be updated in 2025 to consider the rapidly changing thinking around the technology and reflect the latest concerns, issues and opportunities. Digital products and services can play a critical role in strengthening human rights but have also brought unanticipated harms and new challenges. We will engage companies on negative societal impacts, including problematic content on social media, reinforcement of unintended bias, and health and safety impacts on children and youth. We encourage companies to balance freedom of expression with obligations to remove problematic content and take actions to respect privacy rights online. How they take responsibility for ensuring appropriate controls are in place is becoming critical, particularly with increasing levels of concern over the use of social media to spread misinformation and disinformation, driving a lack of trust in traditional media outlets. Cyber security and concerns over the use and impact of AI are also rising on the agenda. While the accelerating deployment of AI is creating new opportunities for companies, it also brings with it the potential for workforce disruption, regulatory infraction or reputational damage, and we will be engaging with companies on how they mitigate these risks.

The above represent particular priorities in the years ahead. However, we maintain a comprehensive engagement plan covering a broad range of other themes, including **responsible tax practices**, increasing resource efficiency through the **circular economy**, reducing harmful **pollution,** and seeking positive **wider societal outcomes** through increased corporate responsibility.

Measuring progress – Milestones

Our four-stage milestone system allows us to track the progress of our engagement, relative to the objectives set for each company. When we set an objective, we also identify the milestones that need to be achieved. Progress is assessed regularly and evaluated against the original engagement proposal.

[5] Our commitment to nature | Federated Hermes Limited
[6] The Taskforce on Nature-related Financial Disclosures
[7] About | Rainforest Alliance (rainforest-alliance.org)
[8] PRI | Spring (unpri.org)
[9] Nature Action 100 – Supporting greater corporate ambition and action on tackling nature and biodiversity loss
[10] EOS Digital Rights Principles

The Engagement Plan's support for the UN Sustainable Development Goals

The UN's 2030 agenda for sustainable development sets out 17 goals and 169 underlying targets, providing a blueprint for a sustainable world. The goals call for action by all countries to promote prosperity and economic growth and address social needs while also protecting the natural environment and have been adopted by all UN member states. Our view is that businesses' long-term success and the SDGs' success are inextricably linked. The SDGs help create a more sustainable economy in which businesses can thrive. Similarly, the contribution of businesses seizing market opportunities in line with the goals is vital to delivering the economic growth necessary to achieve them.

Our stewardship work has always focused on improving company sustainability, boosting long-term wealth creation, and achieving positive outcomes for society. Therefore, we believe that all of our engagement work is aligned with the delivery of the SDGs, either directly or indirectly.

Although work is being done to develop global sustainability reporting standards, there is currently no universally accepted standard or benchmark for reporting on the SDGs. Therefore, we have developed our own approach in alignment with our Engagement Plan.

This attributes a direct link between one of our engagement themes and an SDG if we believe our engagement objective at a company directly supports at least one of the UN's targets underpinning the relevant goal or is aligned with the spirit of the goal. It does not include in our reporting the many engagements which would more indirectly support the ambition of other SDGs or corporate governance more broadly.

Here are some examples of our engagement in support of the SDGs:

- **SDG 3 Good health and wellbeing:** We engage across the pharmaceutical and healthcare sector on access to medicines and healthcare to support this goal and focus on how companies support their employees' health, safety, and mental well-being.
- **SDG 5 Gender equality:** We work to increase female representation across all levels of organisations, particularly at the board and executive leadership levels.
- **SDG 7 Affordable and clean energy:** Much of our work under the climate change theme supports this goal, particularly efforts to increase plans to invest in or purchase renewable energy.
- **SDG 8 Decent work and economic growth:** We engage in human capital management and human rights in the supply chain to support this goal, particularly by addressing equal pay, labour rights, and health and safety concerns.
- **SDG 10 Reduced inequalities:** We support this goal through inclusion and innovation in the workplace to improve employee engagement and the representation of disadvantaged and marginalised populations, particularly in management positions.
- **SDG 12 Responsible consumption:** To support this goal, we engage in improving energy or natural resource efficiency, including efforts to build a circular economy.
- **SDG 13 Climate action:** : Our engagement supports action aligned to the goals of the Paris Agreement.
- **SDG 14 & 15 Life below water and on land:** Our focus on natural resource stewardship is primarily oriented toward conserving and restoring the natural balance of ecosystems that support life on earth.
- **SDG 16 Peace, justice and strong institutions:** Engagements on human rights which aim to protect fundamental freedoms, ensure equal access to justice, and reduce bribery and corruption support this goal.

Engagement themes over the last 12 months

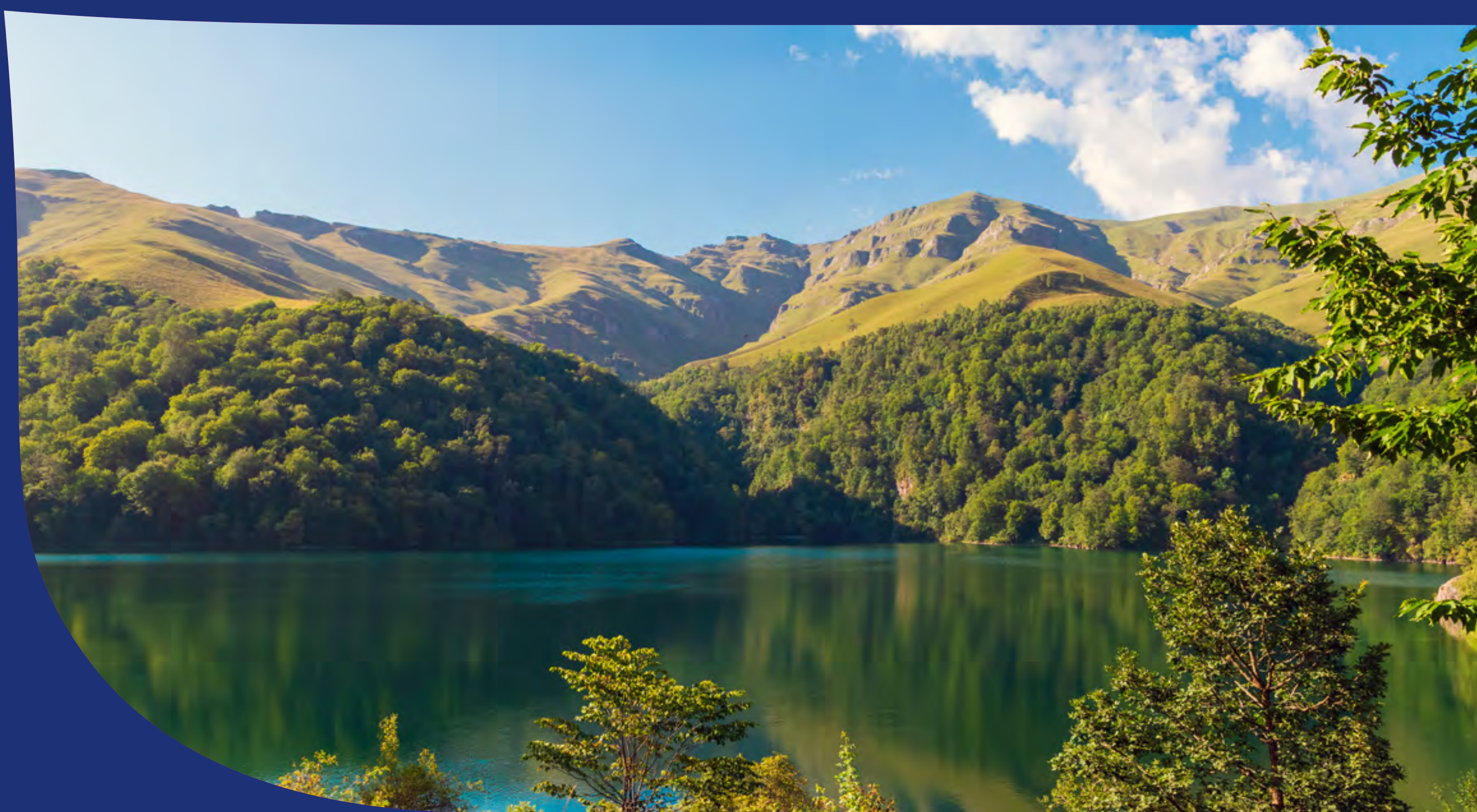
The chart below illustrates the number of engagement objectives and issues on which we have engaged in the last 12 months, which we believe are directly linked to an SDG (noting that one objective/issue often links to more than one SDG).

2,813 of the issues and objectives engaged in 2024 were linked to one or more of the SDGs.

Number of SDGs linked to issues and objectives engaged in the last 12 months

SDG	Theme	Number
13 Climate action	Climate action	1,012
12 Responsible consumption and production	Responsible consumption and production	951
7 Affordable and clean energy	Affordable and clean energy	667
8 Decent work and economic growth	Decent work and economic growth	492
5 Gender equality	Gender equality	295
10 Reduced inequalities	Reduce inequalities	269
15 Life on land	Life on land	251
16 Peace, justice and strong institutions	Peace, justice and strong institutions	228
3 Good health and well-being	Good health and well-being	187
6 Clean water and sanitation	Clean water and sanitation	189
2 Zero hunger	Zero hunger	151
11 Sustainable cities and communities	Sustainable cities and communities	140
14 Life below water	Life below water	132
1 No poverty	No poverty	99
9 Industry, innovation and infrastructure	Industry, innovation and infrastructure	113
17 Partnerships for the goals	Partnerships for the goals	38
4 Quality education	Quality education	14

[11] 12 month rolling data to 30 November 2024.



Federated Hermes

EOS

Federated Hermes

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

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

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

Our investment and stewardship capabilities:

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

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

SAI GLOBAL
ISO 14001
Environmental