Public Engagement Report

THE RISING TIDE
Expectations for the COP26 climate summit

China and the battle to curb emissions

The energy transition and gender equality in Japan

AMR: A growing public health threat

Key takeaways from the emerging markets voting season

Federated Hermes
EOS

Welcome to our Public Engagement Report for Q3 2021. In this issue we take a more in-depth look at the climate crisis ahead of COP26.

In our opening article, Bruce Duguid, our head of stewardship, explains what's at stake at the UN's climate summit, and what we want to see from policymakers. Haonan Wu then highlights the climate challenge for China, while Sachi Suzuki examines how we are engaging with companies to accelerate the energy transition in Japan.

In addition to the focus on climate, Dr Emma Berntman sets out why antimicrobial resistance is a growing public health threat, and what animal health companies and food producers can do to address this. And Hannah Shoesmith highlights some of the key issues to come out of the voting season across Asia and other emerging markets.

Our regular sections include our company engagement case studies and public policy highlights, which give an update on our activities promoting global best practices. Our engagement statistics and voting recommendations have been collected together in an expanded data section towards the back.

Claire Milhench
Communications & Content Manager, EOS

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Running out of time

As world leaders descend on Glasgow for COP26, Bruce Duguid, head of stewardship at EOS, explains what's at stake, what we want to see from policymakers, and how we will engage for net zero.

The UN's postponed climate talks – COP26 – will finally go ahead in Scotland at the start of November, following the starkest warning yet from the Intergovernmental Panel on Climate Change (IPCC). This particular COP is considered pivotal as it marks the first formal five-year review of emissions reduction commitments since the Paris Agreement was signed in 2015 – albeit one year late, due to the pandemic. Currently these commitments, called Nationally Determined Contributions or NDCs, fall far short of where we need to be, and we are running out of time in which to address this.

The IPCC's latest report on climate, published on 9 August 2021[1], called for drastic action. It warned that this is the last decade in which we have a chance of achieving the original Paris Agreement goal of limiting global temperature rises to 1.5°C. With wildfires raging across southern Europe and the US this summer, and devastating floods in northern Europe and China, the evidence was undeniable.

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[1] https://www.ipcc.ch/report/ar6/wg1/

What we want to see

Countries must commit to more ambitious NDCs to reduce emissions in line with 1.5°C. To limit global heating to this level, we need to cut global emissions by 40-60% from today's baseline by 2030. Published NDCs indicate that global emissions would barely fall by 2030 compared with today's levels. The NDCs also need to cater for both the short-to-medium term up to 2030 and the period beyond, and need to be underpinned by a detailed roadmap. This should include specific policies – such as carbon pricing – impacting consumer and company behaviours, and the promotion and implementation of green solutions by sector.

Developed nations should not only meet but go beyond the pledge of

$100bn

Developed nations should also not only meet but go beyond the pledge of $100bn per annum dedicated to bringing people out of energy poverty and helping developing nations with the climate transition. We also believe it is crucial that Article 6 of the Paris Agreement is watertight, to support the Paris Agreement rather than damaging its credibility. This is the Article allowing those nations that underachieve against their NDC targets to use over-achievement by other nations to meet the goals, via international carbon markets.

Over the last two years, we have advocated for a number of changes to public policy and market best practice, including asking governments to commit to more ambitious climate targets. We also asked the International Energy Agency to produce a 1.5°C scenario, which was published in May 2021, and have advocated for mandatory TCFD disclosures for companies, through engagement with the US Securities and Exchange Commission, the European Union and the UK government.

To complement our advocacy for more ambitious and rapid public policy commitments, Federated Hermes is hosting a two-day conference, 'Further, Faster', in Glasgow from 4-5 November 2021. This event will identify actionable objectives to tackle the linked emergencies of climate change, the degradation of nature, and intolerable social injustice. EOS is leading discussions on climate change action; the protection of nature, including biodiversity and our expectations of COP 15; and a case study on the fast fashion industry, illustrating how unsustainable environmental and social issues need to be tackled together.

Our stewardship ambition for net zero

Since the Paris Agreement was finalised, we have engaged with companies around the globe, urging them to put in place strategies that are consistent with the Paris goals, alongside goals and targets aligned with a 1.5°C pathway.

In July this year, the international business of Federated Hermes committed to being a net-zero investor under the Net Zero Asset Managers Initiative and many other EOS clients are similarly committed, some as members of the Net-Zero Asset Owners Alliance. Many signatories are using the Net-Zero Investment Framework (NZIF) to support development of their strategy, which makes clear that stewardship has to be the primary means through which to achieve change in the real economy, with selective divestment seen as a last resort option. With investors representing almost $50tn of assets now committed to net zero, there is considerable pressure on companies to change their strategies to align with 1.5°C.

Next year we will target vital sectors such as food and agriculture.

In 2020 we saw a tripling in the number of companies with a net-zero commitment. However, data from the Climate Action 100+ benchmark shows that while 52% of 159 of the world's biggest emitting companies have a net-zero goal, only 20% have short and medium-term targets covering a majority of their emissions, and only 7% have targets that are actually aligned to 1.5°C. Given this worrying outlook and the limited time left for companies to take the necessary actions, EOS plans to intensify its engagement on climate change.

We aim to take companies up a ladder of ambition, starting with an initial commitment to net-zero emissions by 2050 or sooner. This should be followed by putting in place short, medium and long-term targets aligned with 1.5°C, underpinned by a comprehensive strategy, with capital expenditure aligned to the Paris goals and good disclosures of progress, in line with the TCFD recommendations. The final step is for companies to become 'Aligned' by demonstrating good progress against these targets. Ultimately this should lead to a portfolio of net-zero companies, ideally by 2030 or sooner.

There are other important elements for engagement that will support these core objectives. These include demonstrable board oversight of climate change, with executive remuneration aligned to delivering net-zero goals, no political lobbying contrary to the Paris Agreement goals, and ensuring a Just Transition for employees and other stakeholders.

Escalating engagement

We believe that escalation of engagement will be increasingly important to ensure that companies make the necessary changes at the pace required. Collaborating with other investors is also critical to driving change. EOS is a significant supporter of the collaborative initiative Climate Action 100+ (CA100+), leading or co-leading engagement at over 25 companies across all regions.

We have been at the forefront in using escalated engagement techniques, including:

- Helping to lead the drafting of, and co-filing, the first and only CA100+ resolution in Europe at BP's annual shareholder meeting in 2019, which resulted in a significant shift in strategy towards becoming a net-zero company.
- Co-filing a resolution at Berkshire Hathaway in 2021 demanding improved climate reporting, which gained support from a near-60% majority of the independent vote.
- Recommending a vote against the election of the responsible director for climate change at over 100 laggard companies in this year's voting season; this included not supporting four 'Say on Climate' votes at major companies due to material misalignment with the Paris goals.
- Making statements at nine annual shareholder meetings in 2021 and asking live questions at six; this included moving a collective statement at Total's meeting in our role as CA100+ co-lead and leading a delegation of eight institutional investors at LyondellBasell's meeting in our role as CA100+ lead. This involved the use of a legal mechanism under Dutch law to require a discussion on climate change at the chemicals company's shareholder meeting.

New areas of focus for next year

In previous years engagement has mainly focused on the biggest emitting sectors such as oil and gas, utilities and steel. Next year we will widen this to include vital sectors such as food and agriculture, the apparel industry and its supply chain, and banks, which need to align their lending portfolios to 1.5°C, in step with investors.

As we await the outcome of COP26, the investor community is increasingly demonstrating that it is the most progressive force for rapid action on climate change. Stewardship sits at the heart of driving this change, including advocating for supportive policy action, and we look forward to playing our role on behalf of clients to meet the Paris goals.

China's long and winding road to net zero

China is thought to account for over a quarter of global greenhouse gas emissions, and Paris Agreement alignment will be vital if global heating is to be kept within safe planetary boundaries. Haonan Wu examines the challenge.

Setting the scene

China's economic and social development follows the Five Year Plan (FYP) model, developed by the central government. This approach was introduced in the 1950s and covers China's economic ambitions and societal goals for the next five years. The current FYP outlines an aim to become a "moderately developed" economy, while enhancing environmental protection and the green economy.

It focuses on domestic structural reforms to expand China's internal economy, limiting China's reliance on foreign countries, but sees China continuing to develop its Belt and Road Initiative. This is a colossal infrastructure project to build trade links and grow economies, similar to the historic Silk Road. The plan also sets targets for innovation and the improvement of the wellbeing and health of China's population through social investments.

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In the run up to the UN's COP26 climate talks, China's President Xi Jinping pledged that China would stop building new coal-fired power projects abroad – a significant commitment as China has been one of the biggest public financiers of new coal plants both overseas, and at home.[1]

China is the world's second largest economy, and is thought to be the largest greenhouse gas emitter. The Rhodium Group estimates that China was responsible for 27% of global greenhouse gas emissions in 2019[2], with coal-fired power generation still accounting for around 50% of its energy mix.

China has only committed to achieving carbon neutrality by 2060, rather than 2050, while aiming for carbon emissions to peak before 2030.[3] However, at the UN General Assembly in 2020, President Xi emphasised China's commitment to the Paris Agreement and low carbon development, increasing its nationally determined contributions (NDC)[4] to target a carbon intensity reduction of at least 65% by 2030.

The fourteenth FYP, released in March 2021, updated China's climate target for the next five years, aiming to boost China's share of non-fossil fuel sources in its energy mix. With the inclusion of nuclear and hydropower, this is expected to increase to around 20% by the end of 2025, and there is a separate commitment to install 1,200GW of wind and solar capacity by 2030. Following the first joint announcement by the US and China on addressing climate change in 2014, a renewed statement in 2021 committed them to "work together and with other parties to strengthen implementation of the Paris Agreement". This is welcome momentum.

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27%

of global greenhouse gas emissions in **2019,** according to Rhodium Group estimates.

Keeping the coal fires burning

However, the latest FYP contained references to the development of coal with an emphasis on "clean and efficient utilisation" for energy security and self-sufficiency purposes. China is still building more than 800 coal-fired power plants according to the Global Coal Exit List developed by Urgewald[5], a database that identifies which companies are still developing new coal assets. The International Energy Agency's latest report setting out a roadmap to Net Zero by 2050[6] indicates that to achieve this goal globally, the development of any new coal plants must be halted from 2021. In another worrying sign, China's latest FYP lacked a clear coal consumption cap, a feature that had been included in the thirteenth FYP.

As the cost of renewable energy continues to decline and China's utilisation rates of coal-fired power plants fall, the existing coal asset base will become less economic to operate. Some estimates suggest that the Levelised Cost of Electricity (LCOE) for renewable energy and batteries is already comparable to the cost of operating coal-fired power plants in China. A report[7] from the Tsinghua University's Institute of Climate Change and Sustainable Development on China's low carbon development strategy also indicates that China needs to generate 90% of its electricity from non-fossil fuels and less than 5% from coal to achieve net-zero emissions under a 1.5-degree scenario by 2050.

According to its statements and the FYP, China is committed to tackling climate change and developing its economy in alignment with the Paris Agreement. However, the FYP falls short of a commitment to realistically limit global warming to 1.5°C by 2050 and is focused mostly on carbon emissions reduction, with only occasional mention of other key greenhouse gases such as methane.

It is certainly ambitious for China to achieve net zero by 2050 but it is not an impossible task, given its track record of rapid installation of solar and wind capacity in recent years. To actually deliver on its commitment to the Paris Agreement,

We are engaging with Chinese and Hong Kong companies on establishing targets and plans for reducing greenhouse gas emissions in line with the Paris Agreement.

China's power and heavy industry sectors must adopt a decarbonisation strategy immediately and limit the use of coal. We hope that sector-specific energy plans due to be published later this year will include detailed descriptions of decarbonisation pathways.

Our engagement approach

In 2021 China's Securities Regulatory Commission (CSRC) released new guidelines recognising the importance of ESG issues and related disclosures. In their annual reports, companies must now disclose their environmental impacts, and the inclusion of any reductions in carbon emissions is encouraged. With China focusing on rural revitalisation to lift the population out of poverty, the FYP mentions improving the country's employment policy and healthcare system, alongside a focus on reforestation and modernising the agricultural sector.

We are engaging with Chinese and Hong Kong companies on establishing targets and plans for reducing greenhouse gas emissions in line with the Paris Agreement. For example, we have engaged with Geely Automobile, encouraging it to align its reporting and underlying processes with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Geely took our suggestions on board and referenced the four pillars of the TCFD in its 2019 sustainability report, published in April 2020.

Another example is electricity company Power Assets, which we encouraged to improve its disclosure of carbon emissions and climate change management. Following our engagement, Power Assets disclosed group-level Scopes 1 and 2 emissions and environmental key performance indicators. It also integrated climate change with risk management.

As part of the collaborative initiative Climate Action 100+, we co-lead engagement with the Chinese oil and gas companies PetroChina, CNOOC and Sinopec, to ensure that net-zero commitments and decarbonisation strategies are aligned with the Paris Agreement. We are also part of the Asia Investor Group on Climate Change (AIGCC) and participate in its Asian Utilities Engagement Program (see box overleaf).

[1] President Xi declares end to Chinese support for new coal power abroad (climatechangenews.com)
[2] China's Greenhouse Gas Emissions Exceeded the Developed World for the First Time in 2019 | Rhodium Group (rhg.com)
[3] https://eciu.net/netzerotracker
[4] https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1817098.shtml
[5] https://coalexit.org/
[6] https://www.iea.org/news/pathway-to-critical-and-formidable-goal-of-net-zero-emissions-by-2050-is-narrow-but-brings-huge-benefits
[7] https://mp.weixin.qq.com/s/S_8ajdq963YL7X3sRJSWGg

AIGCC Asian Utilities Engagement Program launched

The Asia Investor Group on Climate Change (AIGCC), of which we are a member, has launched a new programme to engage Asia's systemically important electric utilities on cutting emissions, strengthening disclosure and improving governance of climate-related risks.

The AIGCC aims to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. Its Asian Utilities Engagement Program was formed in June with 13 investors and stewardship service providers, including EOS, to increase the effectiveness of climate engagement with five companies. These are China Resources Power Holdings, Hong Kong's CLP Holdings, Japan's Chubu Electric Power Company and Electric Power Development Company (J-Power), and Malaysia's Tenaga Nasional Berhad.

These companies were selected because they produce substantial greenhouse gas emissions, have large coal-fired power capacity, or have a strategic role to play in driving the net-zero emissions transition. Together, these companies emitted approximately 285 million tonnes of CO2 in 2019, equivalent to the national emissions of a country like Spain. Another issue is that Asian coal-fired power plants have an average age of just 13 years, but the average economic lifespan can be 40 years.

EOS is co-leading the engagement with Chubu Electric Power and is a collaborator on the J-Power engagement. We will seek greenhouse gas emissions reductions from these companies in a way that is aligned with the Paris Agreement. For example, we will ask them to set clear decarbonisation strategies with short-, medium- and long-term action plans including a timetable to phase out coal-based emissions in line with 1.5°C temperature scenarios.

Other focus areas for discussion in the initiative's shared agenda include asking for a strong governance framework that clearly articulates a board's accountability and oversight of climate change risks and opportunities, and enhanced corporate disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

The initiative is intended to complement and run in parallel with Climate Action 100+ (CA100+), so Asian electric utility companies that are currently the focus of CA100+ were excluded from consideration.

As part of our engagements with global steel manufacturers and mining companies, we have asked them to reduce carbon emissions along their value chains.

We have included a climate change voting policy in our Corporate Governance Principles for Mainland China and Hong Kong, and we communicate our expectations with companies identified as climate change mitigation laggards.

Recognising the contribution that coal-fired power plants make to global heating, we have joined the Powering Past Coal Alliance (PPCA), a coalition working to advance the transition from unabated coal power generation to clean energy. This year we intensified our focus, writing to companies identified by the Global Coal Exit List, warning that if we were not able to gain sufficient information to understand the company's approach to climate change risk management, we would recommend a vote against the re-election of appropriate board members in line with our voting policy on coal.

As part of our engagements with global steel manufacturers and mining companies, we have asked them to reduce carbon emissions along their value chains. Miner BHP has agreed a five-year partnership with China Baowu with the intention of investing up to $35m and sharing technical knowledge to help the steel industry decarbonise. BHP has also committed to reducing its Scopes 1 and 2 emissions by at least 30% by 2030 relative to 2020. The target is science-based and aligned with the company's ambition to be carbon neutral by 2050. We are increasing our focus in China to reduce coal supply chain emissions, including Scope 3 emissions.

The road ahead

China's rapid economic development has come at the cost of the environment over the last two decades. However, in the "Two Mountains" theory often quoted by President Xi, clear waters and green mountains are seen as invaluable assets, and long-term growth should be twinned with environmental protection.

The FYP makes this clear by dedicating a whole chapter to green development and accelerating the low carbon transition. We will continue to engage with Chinese companies and policymakers to ensure this commitment is realised, encouraging a faster phase-out of coal and a reduction of carbon emissions so that global heating is kept within safe parameters.

Playing catch up – the challenge for Japan

Japan has been a notable laggard in two critical areas – climate change and gender equality, while serious governance issues at Toshiba have heightened investor concern. How are we engaging with Japanese companies and policymakers to accelerate the energy transition and support women in the workplace?

Setting the scene

In late October 2020, Japan's Prime Minister Yoshihide Suga set a target[1] for carbon neutrality by 2050. However, Japan is struggling to phase-out coal-fired power plants and ramp up its renewable energy capacity, while the financing of coal-fired power stations overseas by Japan's banks has attracted investor ire.

Meanwhile, Japan was ranked 121st in the Gender Gap Index in 2020, the worst performance among developed nations. It also ranked 131st in terms of the proportion of women in senior and leadership positions, well below the world average, while ranking poorly in terms of the gender pay gap.

All eyes were on Japan this summer as Tokyo hosted the Olympic and Paralympic games. The host nation had blotted its copy book in the run up to the games following sexist comments from Japan's Tokyo Olympics chief Yoshiro Mori and the Summer Games creative director, showing how far Japan still needed to go to address gender equality. However, in a sign of changing sentiment, both men resigned in the wake of widespread condemnation from Japanese companies and the media, and Mori was replaced by a woman.

Poor progress on gender equality is just one of the challenges facing Japan. It also has an uphill battle to align with the Paris Agreement, due to its reliance on coal-fired power, while the governance scandal at Toshiba has highlighted the outdated thinking and practices that still predominate at some boards.

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[1] https://www.theguardian.com/world/2020/oct/26/japan-will-become-carbon-neutral-by-2050-pm-pledges

Challenges facing Japan

Gender equality

Women are underrepresented in the Japanese labour force, particularly at senior levels. The lack of day-care facilities, as well as cultural stereotypes that place a greater burden on mothers, have forced many women to lower their ambitions. Nearly half of women quit their jobs after having their first child. Another problem is that many companies have a non-career track and a career track, the latter requiring a willingness to relocate regularly. This tends to sideline women as it makes it difficult for both husbands and wives to develop their careers, and many women still choose the non-career track. This has contributed to the slow change in male-dominant working practices, despite the government's commitment to hiring and promoting more female employees. This has a significant opportunity cost for companies, the economy and wider society.

Climate change

With most nuclear power plants still offline in the wake of the Fukushima disaster, and strong opposition to restarting them, Japan relies heavily on coal. The draft 2021 Sixth Basic Energy Plan says that inefficient coal-fired power stations will be shut down. However, the plan retains coal as a core energy generator by supporting coal projects that use mixed combustion with ammonia for power generation, accounting for 19% of the energy mix in 2030. This will not be compatible with a 1.5°C pathway.

The country has little renewable energy capacity to draw upon instead. The current target, setting out the country's energy mix to 2030, envisages renewables accounting for at least 36-38% of the power generated. But such targets will need to be revised upwards if the country is to meet its carbon neutral goal and the Paris goals. Push back is expected from the utility sector, which has argued that coal is required in the short term to ensure a stable electricity supply.

Women are underrepresented in the Japanese labour force, particularly at senior levels.

Governance/shareholder protection

Corporate Japan has a fractious relationship with minority and overseas shareholders, and this was illustrated once again by the recent scandal at Toshiba. An independent report into whether Toshiba's 2020 shareholder meeting was conducted in a fair and impartial manner alleged that Toshiba's management had "worked closely" with Japan's Ministry of Economy, Trade and Industry (METI) to exert "undue influence on some shareholders".[2,3] The individuals said to be involved denied the allegations. Shareholders and their representatives, including EOS, had pushed for the report and at the 2021 annual meeting, Toshiba's chair was ousted, a significant development for investor stewardship in Japan.

Our engagement approach

Gender equality

We have accelerated our engagement with Japanese companies on equality and diversity in recent years and in 2019 we started to incorporate this into our voting policy for Japan. We initially recommended voting against companies where there were no women among the directors or statutory auditors[4]. We would recommend a vote against the chair of the nomination committee if this individual was known, and target the chair or president if the company did not have a nomination committee or identify the chair of the committee.

In 2020, we raised our expectations for TOPIX 100 companies, wanting to see women account for at least 10% of board members. This was in line with the target set by the 30% Club Japan Investor Group, which we joined shortly after its launch in 2019. The first female directors were appointed in 2020 at many companies including Nintendo[5], SoftBank Group[6] and Suzuki Motor[7], following our engagements and escalations through voting in the previous year.

In 2021, we tightened our policy to recommend a vote against responsible directors at companies with no female directors, not counting statutory auditors as they do not have voting rights at board meetings. Our threshold for TOPIX 100 companies is 10%. Appointing just one woman is not sufficient – companies should be developing talent pipelines, with supportive policies to help women progress.

In addition to board diversity, we have engaged on gender diversity in management roles and the wider workforce. While encouraging companies to set targets on the proportion of women managers and other metrics for gender equality, we also focus our engagements in the following practical areas, to encourage companies to make the changes necessary.

Mid-career hires

Increasing female mid-career hires will help companies to improve their gender diversity particularly at middle management and more senior levels so that women who have taken career breaks can return to the workforce more easily. We encourage companies to invest more in this area and set specific targets, particularly around the intake of female candidates. Financial services group Orix has made a large number of mid-career hires, accounting for about 60% of its total new hires.

[2] Probe finds Toshiba colluded with government | Financial Times (ft.com)
[3] https://www.reuters.com/world/asia-pacific/independent-probe-says-toshiba-agm-last-year-was-not-fairly-managed-2021-06-10/
[4] The majority of Japanese companies have a two-tier board system with a board of directors and a board of statutory auditors.
[5] https://www.hermes-investment.com/uki/eos-insight/eos/nintendo-case-study/.
[6] https://www.hermes-investment.com/uki/wp-content/uploads/2021/04/public-engagement-report-q1-2021-spreads.pdf.
[7] https://www.hermes-investment.com/ukw/wp-content/uploads/2020/10/eos-public-engagement-report-q3-2020-spreads.pdf.

Relocation culture

Japanese companies typically rotate employees between different jobs and departments to train 'generalists', often involving relocations to different parts of the country or overseas. Such a system may have worked in the past when most women stopped working after getting married or starting a family, and were able to follow their husbands, but it is unsustainable in today's world where many women wish to develop their own careers.

We have urged companies to review this approach and switch to a modern working style. Hiring local talent instead of sending people around the country would also help to create jobs in smaller cities. NTT Group recently announced a plan to allow employees to choose where they work and abolish relocations, as part of a comprehensive management reform. We have engaged with many companies on this including Sony, Seven & I Holdings and Yaoko.

Paternity leave

Although Japan offers one of the most generous paternity leaves in the world[8], only a small percentage of men take this, and there have been reports of harassment of men who do.[9] Companies should put more effort into changing their culture and the perceptions around taking parental leave, as well as setting targets for the paternity leave take-up rate. We have engaged with Honda, which has set a target to increase the percentage of men taking childcare leave to at least 30% by 2025. Mitsubishi UFG Financial Group (MUFG) offers 10 days of paid leave as parental leave and encourages male employees to take an additional 10 days of annual leave.

Working style/culture

Long working hours and a presenteeism culture can also prevent women's progression. We expect companies to implement measures to significantly improve work-life balance for all employees, by setting ambitious targets on reduced overtime and annual leave take-up, and being accountable for achieving them. This may require fundamental cultural change.

For example, Honda has implemented various measures to systematically encourage employees to use all their annual leave entitlement. As a result, a high percentage of annual leave take-up has been achieved, helped by its strong trade union. It also has set every Wednesday and every other Friday as 'no overtime day', to reduce working hours.

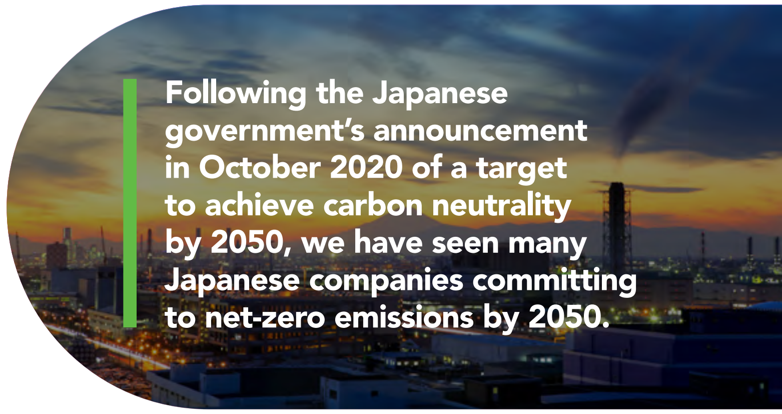
Pipeline challenges

We engage with companies on supporting girls to take up science and engineering degrees, as technology and manufacturing make up a significant part of Japan's economy. Toyota runs programmes to support female engineers, including loans to undergraduate and postgraduate students, which do not need to be repaid if the recipient joins one of its supporting companies. Half the amount needs to be repaid if the recipient joins another manufacturer. It is also important to educate male-dominated management about the importance of diversity and inclusion, and unconscious biases.

Climate change and the energy transition

Following the Japanese government's announcement in October 2020 of a target to achieve carbon neutrality by 2050, we have seen many Japanese companies committing to net-zero emissions by 2050. While this is the right goal for many companies, some sectors may need to achieve net zero sooner (such as utilities by 2040). Also, emissions must fall rapidly in line with science-based targets and the goal of reducing global emissions by 50% by 2030.

In addition to our company engagements, since 2019 we have incorporated various metrics into our global voting policies to measure how well companies are addressing climate change. We have written to the chairs of companies scoring below a Transition Pathway Initiative Level 3 management rating (Level 4 for companies with a high exposure to fossil fuels), planning to recommend a vote against them if our engagement does not give us assurance about their management of climate-related risks. In 2021, we introduced additional criteria, where we would consider recommending voting against the chairs of companies deemed to be expanding their coal exposure, or with high deforestation risks.



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Shareholder proposals

Japan saw its first climate-related shareholder proposal in 2020, filed at Mizuho Financial Group. We supported the proposal, which attracted significant support, including from proxy advisers ISS and Glass Lewis. In the 2021 voting season, two similar proposals were filed at MUFG and Sumitomo Corp, asking the companies to align their business strategies with the Paris goals. These companies were targeted for their significant exposure to coal. We accelerated our engagements with them, while also having discussions with the NGOs who filed the proposals, before recommending support for both and publicly expressing this.

The proposal at Sumitomo received 20% support, including from EOS, despite a lack of support from Glass Lewis, while the one at MUFG received 23% support without support from either Glass Lewis or ISS. This showed the high level of interest from shareholders. The success of these proposals and the increased shareholder engagement have not only accelerated change at the target companies, but have also impacted other Japanese companies, particularly industry peers.

[8] Are the world's richest countries family friendly?: Policy in the OECD and EU (unicef-irc.org)
[9] Japanese man sues Asics, saying he was punished for taking paternity leave | Japan | The Guardian

Collaborative engagements and industry initiatives

We are currently co-leading the collaborative engagement with MUFG as part of the Institutional Investors Group on Climate Change's Net Zero Investor Expectations for Banks initiative. This sets out how banks should demonstrate alignment with the goals of the Paris Agreement. The expectations cover three key areas: the action banks should take to align their financing activities with the Paris goals; steps to strengthen governance to ensure delivery of net zero commitments; and disclosure to demonstrate implementation. An assessment framework for the sector will be developed in partnership with the Transition Pathway Initiative (TPI) to facilitate company and investor dialogue.

The expectations cover three key areas: the action banks should take to align their financing activities with the Paris goals; steps to strengthen governance to ensure delivery of net zero commitments; and disclosure to demonstrate implementation.

In early July 2021, Mizuho became the first Japanese bank to join the Partnership for Carbon Accounting Financials (PCAF), a global, industry-led initiative that enables financial institutions to measure and disclose the indirect greenhouse gas emissions of their loans and investments. We have engaged with Mizuho about its financing of new coal-fired power stations, and this was an encouraging step. Following support from 34% of shareholders for the climate change resolution at its 2020 shareholder meeting, Mizuho announced an earlier target of ending coal-fired power plant financing, bringing it forward by 10 years to 2040. However, we continue to engage on this topic in pursuit of Paris alignment.

EOS is also co-leading the engagement with Japan's Chubu Electric Power as part of the AIGCC's Asian Utilities Engagement Program (see page 8) and is a collaborator on the J-Power engagement. These companies need to set clear decarbonisation strategies, to phase out their coal-fired power stations and align with Paris.

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CASE STUDY

Inpex

EOS began engaging on climate change with Japanese energy company Inpex in early 2017, when we challenged it to clearly articulate its long-term strategy, addressing climate change issues and stranded assets. Inpex develops upstream oil and gas projects so the transition to a low carbon economy is particularly material. Nearly 20% of the company is held by Japan's Ministry of Economy, Trade and Industry, which we believe might make it more difficult for the company's strategy to deviate from the government's energy policy.

We continued to engage in 2018 and 2019, when we again shared our view that the company's target to increase renewable energy to 10% of its portfolio by 2040 appeared unambitious. In a call with the company in early 2020, we reiterated that it should set a more stretching target than that of reducing greenhouse gas emissions by 28% by 2030 from a 2013 baseline. We also challenged the company to set a net-zero goal by 2050, in line with its global peers.

We continued to engage in **2018** and **2019**, when we again shared our view that the company's target to increase renewable energy to

10% of its portfolio by **2040** appeared unambitious.

Inpex has improved its disclosure on climate change in recent years, with more detailed scenario analyses. In a meeting with the company in early 2021, we welcomed the announcement of a 2050 target to achieve net-zero emissions for Scopes 1 and 2, with additional targets on methane and flaring. It also has plans to promote carbon capture and storage, a hydrogen business, carbon recycling and renewable energy. We said that we would like to see an ambitious target for Scope 3 emissions, and encouraged it to set a 2030 target to reduce absolute emissions, as the current 2030 target is to reduce carbon intensity. We continue to engage with Inpex on this and its capital expenditure plans, as well as increasing renewable energy in its portfolio.

Governance/shareholder protection

The recent governance scandal at Toshiba and the ousting of the board chair may encourage a change in attitude at Japanese companies towards minority shareholders. EOS has engaged with Toshiba for many years on its governance practices, particularly following the accounting scandal in 2015.

We wrote to the board in September 2020 to express our concerns about the 2020 shareholder meeting and requested an independent investigation. We reiterated our message at a subsequent meeting with three independent directors, including the audit committee chair, in October 2020. We then supported the shareholder proposal at the special shareholder meeting in early 2021 to seek an independent investigation into the operation of the 2020 annual shareholder meeting.

At the subsequent 2021 annual shareholder meeting, which was held in the wake of the damning report into the conduct of the 2020 meeting, we recommended votes against the chair, the CEO and the incumbent members of the board. This was due to the board's failure to hold management to account or to protect shareholder interests. We were also concerned by the investigation's finding that the audit committee had failed to fully perform its function.

The aim was to send a strong message that far-reaching reform and a fundamental change of culture at Toshiba's board were necessary in order to regain investor confidence.

Two audit committee members, including the chair, stepped down, along with two senior executives, but we believed the whole board should be held accountable. Therefore we recommended voting against all seven incumbent directors who were standing for re-election. The aim was to send a strong message that far-reaching reform and a fundamental change of culture at Toshiba's board were necessary in order to regain investor confidence. We continue to engage with the company on proposals for further board candidates and will consider escalating our votes if we are not satisfied with the new members and their role.

We have also accelerated our engagement on cross-shareholdings in recent years, highlighting the impact on governance practices and pressing for a significant reduction. In 2020, we started to recommend voting against the non-executive directors who represent each company's cross-shareholding partners. From 2022, we plan to recommend a vote against the top executives of those companies with a substantial amount of these holdings.

Outlook

In the coming months we will continue to press for better governance practice, which we believe underpins and drives the management of other key issues. We will strengthen our voting policy and support appropriate shareholder proposals to this end.

We will also advocate for enhanced gender diversity on boards and across the workforce, making specific recommendations as we have outlined. To address the climate crisis, we will leverage collaborative engagements with the companies and regulators that we believe hold the key to accelerating the transition.

Key trends from the emerging markets voting season

Hannah Shoesmith
Theme co-lead: Human Rights

As the European and North American voting seasons were drawing to a close this year, those in many Asian and emerging markets were still in full swing. Hannah Shoesmith identifies the key trends.

Independence

In many regions we were concerned about overall board independence and shareholder rights. Many companies with which we engage are family-owned and controlled, or the state holds a significant stake. As with any listed company, it is important to have in place a well-functioning board to hold management to account and provide effective dialogue with minority shareholders. We see too many long-tenured independent non-executive directors serving concurrent terms on the board, as well as too many executives.

This led us to recommend voting against a director at South Korea's LG Chem due to a lack of overall board independence and at Kuala Lumpur Kepong due to concerns about a director's long tenure, which had an impact on overall board independence and his role as nomination committee chair. At ASE Technology we recommended a vote against all executive directors (except the CEO and CFO) due to a lack of independence on the board (23%).

At TSMC we recommended voting against an independent director who has been on the board for over 19 years and chairs the audit committee. And at Alibaba, although we were pleased to see independence meet the 50% requirement for the first time since we started to engage on this topic, we recommended voting against an executive director due to his membership of the nomination, governance and compensation committees.

Gender diversity

This year we saw some progress on board gender diversity, such as in India and South Korea, but it remains a concern across markets. In China, Hong Kong and Taiwan, we regularly see all-male boards. We expanded our approach of recommending a vote against board chairs or nomination committee chairs if up for election, to include any new male director if these two options were not possible (unless independence was a concern and the new male director improved that).

> **In China, Hong Kong and Taiwan, we regularly see all-male boards.**

As a result of this policy, we recommended voting against a new male director due to concerns about the all-male board at China Mengniu Dairy Company and against directors at Techtronic Industries, Samsonite and Bharat Forge due to low gender diversity. For Hong Kong companies as a whole up to 30 June 2021 we made 347 recommendations against management due to diversity concerns, versus 333 for full year 2020.

Climate change

As we highlighted in the Q2 Public Engagement Report, 2021 can be seen as a tipping point for investor engagement and voting on climate change. Japan is currently the only market in Asia where we have witnessed and supported shareholder resolutions on climate change (see page 11). Whilst these resolutions are not yet as common in other Asian or emerging markets, our climate change voting policy meant that we recommended voting against companies that scored below level 3 on the Transition Pathway Initiative. This often means not recognising the risk of climate to the business, not disclosing Scopes 1 and 2 emissions, and not having greenhouse gas emissions reduction targets.

Companies were also captured by our policy to recommend a vote against a responsible director for climate change due to their continued coal expansion in parts of Asia and a lack of disclosure on their approach to mitigating deforestation risks. For example, we recommended voting against directors at Jardine Matheson Holdings, Anhui Conch Cement Company, and PetroChina Company due to their climate policy, and against Yakult Honsha, Li Ning Company, and WH Group due to deforestation concerns. We recommended voting against directors at Yanzhou Coal Mining Company, Manila Electric Company, and First Pacific Company due to their coal expansion plans.

Remuneration in India

Executive remuneration was a hot topic for the 2021 annual shareholder meeting season in India. It appears that many Indian companies are seeking to follow US models of pay, which can lead to excessive quantum and short-termism, rather than long-term sustainable value generation. We challenged cases of excessive quantum versus the median pay for employees, as well as the lack of metrics and performance hurdles in other cases.

We recommended voting against items related to executive pay at HCL Technologies for these reasons, but were pleased that the company was responsive in our engagement call and we hope to see improvements next year. We also recommended voting against the CEO compensation proposal at Oracle Financial Services Software, due to insufficient disclosure of the pay package. At Hero Motocorp, we recommended voting against the executive remuneration due to poor disclosure, the CEO's seat on the remuneration committee, and the CEO pay being 800 times more than the employee median pay. We expressed these concerns during an engagement call, and the CFO was responsive to our feedback, meaning we are cautiously optimistic for some improvement next year.

Brazil vote counting controversies

In Brazil, the complexity of the voting system and the proxy card template led to complaints by shareholders that their votes were not counted properly during the 2021 season. According to the relevant legislation, requests for the adoption of cumulative voting and board candidate nominations can be made up until a couple of days before the shareholder meeting. Because of this, the proxy card is structured as a decision tree in which shareholders are asked to cast their votes under different hypotheses, such as support for new candidates that may be nominated just before the meeting.

> **In 2021 there were controversies at the shareholder meetings of major Brazilian companies about mistakes in submitting and processing the proxy cards along the voting chain.**

In 2021 there were controversies at the shareholder meetings of major Brazilian companies, including Petrobras and Vale, about mistakes in submitting and processing the proxy cards along the voting chain, causing some votes to be cancelled. These controversies undermine the credibility of the capital markets and the ability of investors to influence their investee companies by voting.

A working group comprising Brazil's stock exchange, the Association of Capital Markets Investors (AMEC), and the listed companies association (ABRASCA), among other key stakeholders, was formed to propose improvements to the voting system. We have given input through AMEC and in public speaking engagements highlighting, among other proposals, the establishment of a record date for the requesting of cumulative voting or the nomination of board candidates, reducing the complexity of the proxy card.

Progress report

We were pleased to see some pockets of progress, such as some South Korean companies appointing their first female board director (Hyundai Motor and Posco), and minimum expectations such as one-third board independence becoming more widespread.

However, there is plenty of room for improvement and our voting policies will be strengthened to this end. For example, we will target independence by applying limits to tenure for independent non-executive directors. We will target diversity by expanding our voting options in more markets next year. This means we will recommend a vote against the nomination committee chair or board chair, but if those options are not available, we will seek to target any new male director up for election.

Battling the superbugs

Antimicrobial resistance (AMR) is growing, although the risk too often goes unmanaged or ignored. Yet the ramifications for public health are huge. Dr Emma Berntman explores how we are engaging with companies on this vital issue.

Setting the scene

AMR develops when microorganisms are exposed to antimicrobial treatments. In the case of bacterial infections, treating humans and animals with antibiotics triggers a natural selection process that creates survival benefits for any bacteria carrying specific genes that make the bacteria resistant to the antibiotic used.

Today, 70%[1] of all bacteria carry at least one "resistance gene" and bacteria are fast becoming multi-resistant on a global scale. When bacteria are resistant to all available classes of antibiotics, we will have no viable treatment options for bacterial infections that are treatable today.

The pandemic has helped highlight the importance of being prepared for emerging public health threats. But although antibiotics are the bedrock of modern medicine, widespread misuse in animal farming is helping to create dangerous superbugs. The threat is not as immediately obvious as a viral pandemic, but AMR has the power to return us to the Victorian era, where surviving even simple surgery could become a lottery.

Already, some 700,000 people die every year from AMR and this number is expected to increase to 10 million annual deaths globally by 2050[2]. This would be higher than the mortality caused by cancer and diabetes combined. The World Bank estimates that AMR could result in a 3.8% loss in global GDP, an impact comparable to that of the 2008 financial crisis, and potentially costing the global community $100tn by 2050[3]. If current antibiotic practices continue, the likelihood of the world entering and remaining in the post-antibiotic era is high.

Misuse and overuse of antibiotics within industrial animal farming is recognised as a leading cause of the rise in AMR. An estimated 70%[4] of medically important antibiotics are sold for use in animals rather than people. Good animal welfare practices require that animals with bacterial infections are treated with antibiotics.

For further information please contact:

Emma Berntman
Theme lead: Natural Resource Stewardship
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[1] https://www.fda.gov/drugs/information-consumers-and-patients-drugs/battle-bugs-fighting-antibiotic-resistance
[2] https://amr-review.org/sites/default/files/AMR%20Review%20Paper%20-%20Tackling%20a%20crisis%20for%20the%20health%20and%20wealth%20of%20nations_1.pdf
[3] https://documents1.worldbank.org/curated/en/323311493396993758/pdf/final-report.pdf
[4] https://www.fda.gov/media/84881/download
[5] https://www.fairr.org/research/animal-health/

However, animals are predominately given antibiotics for non-therapeutic purposes such as growth promotion and preventative treatment of groups of healthy animals – so-called prophylactic use.

Animal health practices

To help shed more light on this issue, EOS contributed to the latest report from the FAIRR initiative, a collaborative investor network that raises awareness of the ESG risks and opportunities inherent in intensive livestock production. *Feeding Resistance: Antimicrobial Stewardship in the Animal Health Industry*[5] explores the current practices of the 10 largest publicly-listed players in the animal health industry and the actions required to ensure resilience of the companies' product portfolios and good AMR stewardship.

The report's key findings were that:

- The opaque antibiotic manufacturing supply chain and lack of external oversight are allowing antibiotic residues in effluence to enter the environment at concentrations that increase the risk of AMR developing. The risk of poor manufacturing practices is exacerbated by the lack of global standards, as well as inadequate local regulation to restrict antibiotic concentrations in manufacturing effluence.
- Among the companies assessed, certain sales and marketing practices were found to promote misuse and overuse of antibiotics, indicating a troubling lack of integration of good AMR stewardship practices within wider business strategies. For example, robust labelling is key to ensuring responsible use of antimicrobials and deterring their use for growth promotion or prophylaxis, as well as ensuring the proper disposal or return of products so they are not released into the environment. This is particularly egregious in emerging markets as regulatory oversight of antibiotic use tends to be inadequate and this is where industrial farming practices are growing.
- Positively, regulation governing antibiotics is becoming more robust around the globe and consumers are increasingly demanding sustainably and ethically-produced animal protein products, as well as animal protein alternatives. In response to this, animal protein producers are exploring preventative treatments and alternatives to antibiotics. Animal health companies are to a varying degree diversifying their product portfolios by investing in R&D for vaccines, probiotics, prebiotics and other treatments to protect animal health.
- Finally, some of the companies have AMR stewardship initiatives in place, mainly in emerging markets, to support good animal farming practices and the responsible use of antibiotics via the education of veterinarians and farmers. However, the sector is also seen to actively support lobbying, which seeks to undermine tightening AMR regulation.

Our engagement approach

When engaging with animal health companies, investors and their representatives should press for them to credibly demonstrate their understanding of the material risks and opportunities linked to AMR, and their preparedness to meet these across their full value chain of manufacturing, sales, marketing, R&D and AMR stewardship.

A challenge for investors is the lack of transparency, and determining how well sales, marketing and lobbying practices promote responsible antibiotic use. We expect companies to carry out a risk analysis to identify high-risk versus low-risk antibiotic manufacturers in their supply chain and have mechanisms in place to ensure that effluence from all manufacturing sites is effectively treated.

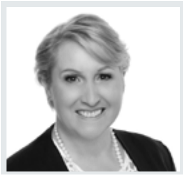
CASE STUDY

Tyson Foods

We have engaged with this US supplier of poultry, beef and pork, asking the company to create and disclose its progress against a clear global policy on antimicrobial resistance (AMR), for all protein lines. Tyson Foods has a "no antibiotics ever"[6] stance for chicken for some, but not all, of its brands and it has indicated its desire to make its messaging clearer. In its 2020 sustainability report, the company disclosed that it had completed its first global animal welfare assessment.

During a meeting with its sustainability and global impact team in August 2021, we urged the company to articulate how it views the risk that AMR poses to its business and encouraged additional disclosure on the scope of animals treated without antibiotics versus those treated with antibiotics along traditional lines. Tyson Foods is seeing increased demand for zero antibiotic use from customers, and in line with our request that the company establish a global AMR policy we encouraged it to demonstrate international suppliers' compliance with the policy, particularly in countries with less stringent antibiotic use standards.

Velika Talyarkhan
Theme lead: Executive Remuneration



Joanne Beatty
Theme lead: Corporate Reporting

[6] https://w ww.tysonfoods.com/news/viewpoints/antibiotic-use

We ask companies to provide public disclosure of antibiotic policies banning the use of antibiotics for growth promotion purposes and restricting the preventative use of medically important antibiotics.

Companies should also have policies and practices in place, across all their markets, ensuring that label indications, package sizes and promotional strategies do not promote the use of medically important antibiotics for growth promotion or routine preventative treatment. Rather, they should lead to reductions in the overuse and misuse of antibiotics. Companies that do not ensure that AMR stewardship is fully integrated into their business strategy run the risk of being perceived as greenwashing when the disconnect between stewardship activities and wider business practices becomes apparent.

We engage with companies across the animal protein value chain including protein producers, animal health companies, consumer goods companies, retailers and restaurants to ensure that responsible antibiotic practices are put in place. We ask companies to provide public disclosure of antibiotic policies banning the use of antibiotics for growth promotion purposes and restricting the preventative use of medically important antibiotics. Time-bound reduction targets should be made public and transition plans for antibiotic replacements introduced.

A challenge for investors is the lack of transparency, and determining how well sales, marketing and lobbying practices promote responsible antibiotic use.

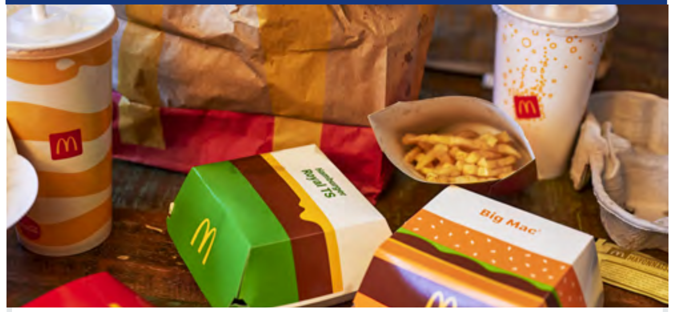
At a minimum, animal health companies should remove growth promotion indications on labels and the highest priority critically important antibiotics (HPCIA) from their portfolios, and ensure they have guidelines for responsible marketing at global best practice levels, regardless of local regulation.

Loss of efficacy of antibiotics is a material business risk for any company dependent on an animal rearing system that relies on antibiotics. Protein portfolio diversification into sustainable non-animal proteins would increase companies' resilience in light of this challenge, while meeting growing consumer demand for alternatives to meat. Also, any new classes of antibiotics that are developed are now unlikely to be made available for use in animals, which raises additional questions around the long-term feasibility of current industrial farming practices.

As a signatory to FAIRR, we have engaged on the key issues and practices of the animal health industry including protein diversification with some of the world's largest protein producers and retailers including Mondelez, Carrefour, Conagra Brands, Costco, Tesco, Nestle, Walmart and Marks & Spencer. Where companies are unwilling to act at the required pace, investor collaborations, AMR shareholder proposals and voting recommendations are all important escalation tools that can be used to hold companies and boards to account.

CASE STUDY

McDonald's



We began engaging with fast food chain McDonald's on AMR in its chicken supply chain in 2017 and have focused on its progress in eliminating the highest-priority critically important antibiotics (HPCIAs). The company has led with the development of antibiotic-use policies and has eliminated HPCIAs in its chicken supply chain in Australia, Brazil, Canada, Europe, Japan, South Korea and the US. Its goal is to eliminate HPCIAs from all chicken served by 2027.

McDonald's has published a beef policy and it is working to develop policies for antibiotic use in its pork supply chain. We have questioned how the company will continue to expand the scope of its antibiotic-use policies including specifying clear targets and timelines for implementation and increased disclosure for greater transparency on progress. We have also asked how the company audits suppliers against its commitments.

We recommended support for a shareholder proposal at the 2021 annual shareholder meeting, related to the use of antibiotics. While we recognise that the company has led on the development of antibiotic-use policies, we believe that enhanced disclosure on the implementation, scope and impact of its existing policies for its chicken and beef/dairy supply chains, as well as a greater understanding of the economic impact of the overuse of antibiotics as the proposal specified, would aid in accelerating progress.

Joanne Beatty
Theme lead: Corporate Reporting

CASE STUDY

Cargill

Cargill is a global soft commodities producer, which was chosen by the US Agency for International Development (USAID) to lead its TRANSFORM programme[7]. This aims to improve livestock management and combat the threat of zoonotic diseases to both human and animal health, and reduce the risk of AMR. The company supports the responsible use of human antibiotics in food production and has committed not to use the highest-priority critically important antibiotics (HPCIAs)[8].

We met the company's lead for the TRANSFORM project in July 2021, to discuss this in more detail. Through the Cargill Health Technologies (CHT) division, the company said it had taken a holistic approach focused on optimising an animal's gut microbiome and leveraging its natural biology to maximise immune system strength, thereby reducing the need for antibiotic intervention. CHT's product portfolio is focused on alternatives to antibiotic use including prebiotics, probiotics and post-biotics.

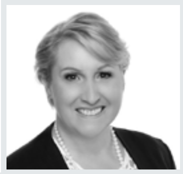
In conjunction with its consortia partners Ausvet, Heifer and the International Poultry Council, Cargill has developed a detailed project plan and metrics to measure TRANSFORM's impact from 2021 to 2026. Beginning in 2022, Cargill will conduct nutrition and immune health trials on dairy, poultry, shrimp and swine operations in four countries throughout Asia and Africa to improve the understanding of, and quantify, the role that holistic animal nutrition can play in reducing the threats of zoonotic diseases to human health.

The company remains committed to further reducing the use of human antibiotics in food production. We welcomed the company's involvement in the international consortium for antibiotic stewardship in agriculture and the United Nations Foundations antimicrobial resistance industry group.

Growth promotion

Cargill confirmed that it has eliminated antibiotics for growth promotion in all turkey production and has eliminated the use of antibiotics for broiler chicken growth in North America, Europe and Asia. It is working to extend this to Latin America. While Cargill continues to judiciously use antibiotics for therapeutic use, it is striving to avoid the use of antibiotics for prophylactic use through programmes focused on optimising animal health and hygiene to minimise disease risk.

In response to our question regarding the treatments and practices that are most effective in reducing antibiotic use, the company identified farm management, biosecurity systems and animal health and nutrition. The challenges to adoption by farmers for some of these approaches include cost, confusion regarding the number of available health and nutrition products, and the demonstration of measurable benefits. Cargill is hoping that the TRANSFORM project will provide the data and information to demonstrate positive outcomes. We will monitor Cargill's involvement in the project and encourage the company to further eliminate antibiotic use across all product lines.



Joanne Beatty
Theme lead: Corporate Reporting

[7] https://www.cargill.com/2021/usaidtransform
[8] Antibiotics - Cargill's view | Cargill

CASE STUDY

JBS

JBS is a Brazilian food supplier, which buys and processes animals in various countries. In early January, we raised our concerns with the company about its policy on the use of antibiotics, seeking clarification on how preventative use is defined. We have also asked about its stance on using antibiotics for growth promotion and have highlighted the importance of transparent and reliable data.

In a subsequent call with the company later that month, JBS said that it was responsible for supplying animals, feed, vaccines and medicines, technical assistance and transport to its contracted farms. The farms are forbidden from using any medicines or vaccines, unless supplied and authorised by JBS. It emphasised that it has control of the process and full traceability of the use of antibiotics. JBS also outlined its animal welfare policy and highlighted that better living conditions, such as increased space and ventilation, helped to reduce the need for antibiotics.

> **In early January, we raised our concerns with the company about its policy on the use of antibiotics, seeking clarification on how preventative use is defined.**

We asked whether the company had a goal to reduce the use of antibiotics. It said that it was judicious in their use, but ultimately this was driven by customer demand, as there was an increased production cost when antibiotics were not used. It gave the example of the premium "Da Granja" product line, which is antibiotics-free. We urged JBS to improve the transparency on its use of antibiotics, including the publication of a policy statement and the disclosure of usage data.

Jaime Gornsztejn
Sector lead: Industrial and Capital Goods

Public policy

A long-term sustainable food system is fundamental to the future of our society. Governments, companies and investors need to ensure that negative externalities, such as AMR, are removed from the agricultural practices that will feed our growing population. In addition to our continued engagement with companies on AMR, we have participated in a consultation with the Sustainability Accounting Standards Board (SASB) on early-stage research on the sustainability and business implications of AMR.

> **Governments, companies and investors need to ensure that negative externalities, such as AMR, are removed from the agricultural practices that will feed our growing population.**

We also provided input to the development of a One Health Priority Research Agenda on AMR, which is a tripartite collaboration between the World Health Organization, the Food and Agricultural Organization of the United Nations, and the World Organisation for Animal Health.

BLOG SPOTLIGHT

You can read more about our work with food producers and their supply chains in our new series of EOS Insights focusing on the environmental and social impacts of the global food system.

In the opening article From farm to fork, we set the scene by highlighting some of the key issues and challenges:

https://www.hermes-investment.com/ukw/eos-insight/eos/from-farm-to-fork-key-challenges-for-global-food-systems/

In part two, Nature's larder, Sonya Likhtman looks at how biodiversity underpins farming and food production:

https://www.hermes-investment.com/ukw/eos-insight/eos/natures-larder-why-food-producers-must-safeguard-biodiversity/

In the third article, Net zero on the menu, Joanne Beatty and Emma Berntman examine the impact of dietary choices and plant-based menu options:

https://www.hermes-investment.com/ukw/eos-insight/eos/net-zero-on-the-menu/

Company engagement highlights

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

Overview

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

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

Toronto-Dominion Bank

Engagement theme: Climate change
Lead engager: Emily DeMasi

We initiated engagement with Toronto-Dominion Bank on leveraging the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as the foundation for its climate change strategy in Q4 2018. This built on a previous year of engagement that had included meetings with the chair, corporate secretary and outgoing chief environmental officer. The bank released its first TCFD report the following year, covering 2018, but in our opinion, substantial gaps in its strategy were evident.

In a Q4 2020 meeting with the corporate secretary, investor relations and ESG teams, we reviewed its 2019 TCFD report, but remained discouraged by the lack of robust scenario analysis. By request, we sent a formal letter following the meeting that outlined our feedback and expectations for its 2020 TCFD report. Our feedback was well received and consistent with the bank's strategic direction.

In Q1 2021, we met with the company again after the release of its new climate action plan and 2020 TCFD report, which reflected a number of our recommendations. These included a target of net zero by 2050, joining the Partnership for Carbon Accounting Financials, and a commitment to engage with and support its clients through the climate transition, substantively addressing the recommendations of the TCFD framework. We are encouraged by the bank's leadership and will continue to engage on financing restriction policies and criteria for the withdrawal of financing to activities that are misaligned with the goals of the Paris Agreement.

Intel

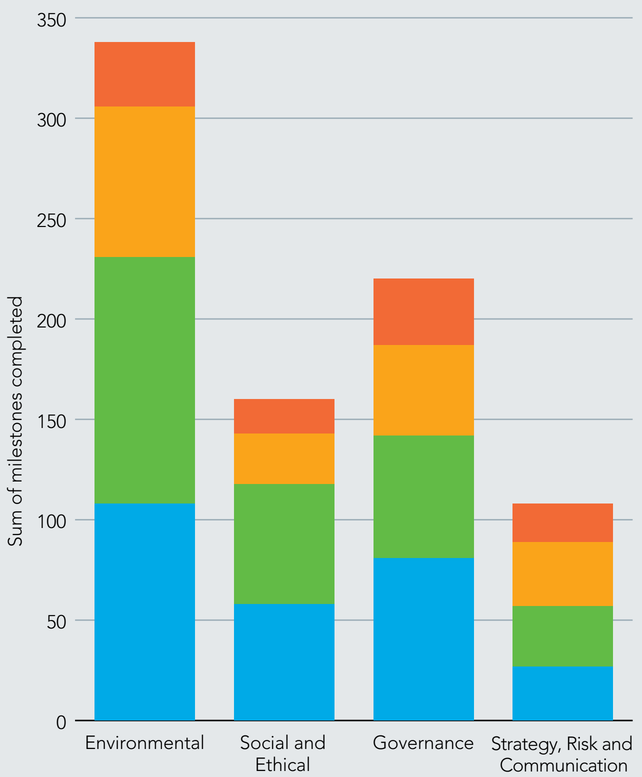
Engagement theme: Remuneration

Lead engager: Diana Glassman

As part of our ongoing engagement with Intel, the computer component manufacturer, we first raised concerns about the need to better align executive compensation with sustainable value creation and the interests of long-term shareholders in 2019, in a meeting with the director of executive compensation and chief governance counsel. We expressed our expectation that the company should increase the share ownership obligations of the CEO to 10 times base salary, from eight times, and prohibit the use of options. We believe compensation in shares better aligns management interests with those of shareholders, as options are intrinsically more geared to short-term changes in the share price than the issuance of shares, and can therefore more easily drive the wrong behaviour from management.

Subsequently, we recommended voting against the say-on-pay item at the annual meeting. We expressed our concerns again ahead of the 2020 annual meeting, also noting concerns about the high quantum of the CEO's pay, with insufficient justification of how such above-market pay enhanced long-term shareholder value. Ahead of the 2021 annual meeting, we were pleased that the company implemented changes to executive compensation in line with the expectations we had articulated. Additionally, the company has demonstrated an openness and responsiveness to shareholder engagement. While we remain concerned about the ongoing practice of excessive quantum and above-market pay at the company, and still recommended a vote against executive pay in 2021, we have shared this feedback in an engagement with the board chair and will continue to engage with the company on this issue.

Milestones completed by stage, Q1-Q3 2021



Milestone 1 Milestone 2 Milestone 3 Milestone 4

Source: EOS data

Burberry

Engagement theme: Board diversity

Lead engager: Lisa Lange

Ahead of Burberry's 2021 shareholder meeting, we gained assurance that the company has sufficiently refreshed its board and appointed candidates to achieve a balance of skills and diversity of perspectives. We first raised the need for board refreshment with the chair in 2014, which was acknowledged by him in 2015. In September 2017 and January 2018, two new non-executive directors, including one woman, joined the board. One addressed a skills gap in the US luxury market and the other on remuneration. Furthermore, the company appointed a new chair in May 2018.

At this time, the company demonstrated in its annual report that five directors had digital and media expertise. However, we saw a need for greater knowledge in key areas such as the Asian markets. At the 2019 shareholder meeting, two long-serving non-executive directors stepped down. Two new non-executive directors were subsequently appointed on 1 October and 1 November 2019.

Our engagement also touched on the company being highlighted as a laggard by the Parker Review, but it has since appointed a black director. In our conversation with a board member ahead of the 2021 shareholder meeting, we gained assurance that another board member had demonstrated particular expertise in marketing luxury brands in Asia. Furthermore, a new director with a strong sustainability background has been appointed with experience of integrating sustainability into business strategy and setting sustainability targets in the supply chain, in line with our expectations.

Zoetis

Engagement theme: Board diversity

Lead engager: Emily DeMasi

We initiated engagement on increasing the representation of women on animal health company Zoetis's board of directors in our first in-person engagement with the company in Q3 2018. It acknowledged our concerns. We raised the issue again when we sent our voting recommendations ahead of the company's 2019 annual meeting, explaining that a board comprised of only 18% female directors fell below our expectations as per our corporate governance guidelines.

During a call in Q2 2019, the company was pleased to share that a woman with extensive experience at the company, including as a senior leader for the company's US operations, business development and strategy, had been named CEO-elect. She assumed the role in Q1 2020. In Q4 2020, a highly regarded black woman was appointed to the board as an independent director. As of the end of 2020, women comprised 33% of the company's directors and when accounting for ethnically diverse directors as well, the company's overall board diversity was 42%.

We continue to engage the company on its workforce-level diversity programmes, including the achievement of its diversity and inclusion goals, which target increasing representation by gender and ethnicity across multiple levels of the organisation by 2025.

CASE STUDY

Siemens Energy

EOS engaged with Siemens AG on climate-related issues prior to the spin-out of Siemens Energy AG as a new entity in September 2020. Following the spin-out, we started engaging with the new entity, which became the focus of Climate Action 100+ (CA100+) engagement.

We attended the shareholder meeting in February 2021 and asked questions focused on measures to align the energy sector with the Paris Agreement and to address the climate emergency. We urged the company to set science-based targets that cover Scope 3 emissions. We also asked what processes the company has in place to ensure that the activities and positions of external membership bodies are aligned with its own on climate change.

Siemens Energy AG announced its science-based target on 22 April 2021, in line with our engagement. This covers the company's target to become climate-neutral by 2030 (Scopes 1 and 2). Following our request for targets to cover Scope 3 emissions, the company announced that by 2030, greenhouse gas emissions of products in the gas and power segment (Scope 3) are to be cut by just under a third (27.5%) over a lifetime, versus 2019. In 2020, the company also committed to not engage in new business with coal-fired power plants.

In 2021 the Science-Based Targets initiative confirmed that Siemens Energy AG's CO2 reductions contribute to limiting global warming to 1.5°C in line with the Paris Agreement. EOS continues to lead the CA100+ engagement, focusing on transparency around lobbying practices. We also engage with the company on audit committee independence.

Read the engagement case study in full and watch the video about our engagement history with Siemens AG at:

https://www.hermes-investment.com/ukw/eos-insight/eos/siemens-energy-case-study/

Engagement objectives:

Environmental:

- Science-based carbon emissions reduction targets

Sustainable Development Goal:

13 CLIMATE ACTION

Lisa Lange
Theme lead: Pollution, Waste and Circular Economy

FANUC

Engagement theme: Covid-19 response

Lead engager: Haonan Wu

The impact of Covid-19 on robotics company FANUC's supply chain was raised in Q1 2020 with the CEO. It told us that its Covid-19 taskforce, headed by the CEO, was established in February to gather information and tackle the impact. The company followed the guidelines released by the Japanese government to reduce social contact by 70-80%. It also implemented working from home, safety shielding and social distancing measures. The supply chain faced some issues in China, but the supplier's factories had resumed regular operation by the end of Q1 2020.

In our engagement call in December 2020, the CFO said that Covid-19 had had a minimal impact. On its website, the company has disclosed its policy and measures to tackle the impact. It has established a disaster response team to oversee the supply chain, identify challenges in procurement and work with a second supplier to avoid delays. The company has also changed its recruitment activities, offering medical examinations to new joiners. We continue to engage on other ESG issues including climate change and gender diversity.

Public policy and best practice

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

Overview

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

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

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

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

Investor expectations for the banking sector on climate

Lead engager: Pauline Lecoursonnois

At the beginning of 2020, we joined a working group together with two other members of the Institutional Investors Group on Climate Change (IIGCC) on the alignment of the banking sector with the goals of the Paris Agreement. Our aim was to co-author a paper setting out investor expectations with a focus on three areas: the actions banks should take to align their financing activities with the Paris goals and the achievement of net zero emissions; steps to strengthen the governance of their climate strategy; and disclosure to demonstrate implementation.

After seeking feedback from peers and other stakeholders, the paper was officially launched by the IIGCC in April 2021[1]. It was supported by 35 investors and their representatives, who collectively represent $11tn in assets under management or advice. Participants sent a courtesy letter to 27 banks for the attention of the chair and/or CEO and lead independent director, with a copy of the paper. These banks were selected on the basis that they represent the largest fossil fuel financiers and are designated as globally systemically important.

Subsequently, the group initiated collaborative engagements with these banks. EOS leads or co-leads the dialogue with eight banks and takes an active participating role with five other banks. To guide these engagements, an assessment framework is being developed in partnership with the Transition Pathway Initiative.

[1] https://www.iigcc.org/resource/investor-expectations-for-the-banking-sector/

Contribution to the pre-COP15 discussions

Lead engager: Sonya Likhtman

We contributed to the pre-COP15 discussions on the Global Biodiversity Framework (GBF) on behalf of the 28 financial institutions that are currently part of the Finance for Biodiversity Foundation. World governments discussed the GBF and suggested improvements to the current draft in virtual sessions. We made an intervention in the session focused on the targets that are most relevant to business. We emphasised that the framework needs to be more ambitious in order to halt and reverse biodiversity loss in this decade. We explained that there is a growing recognition within the financial sector of the significant and systemic risk that biodiversity loss poses to the global economy.

Given that the financial sector must contribute to delivering the GBF, we suggested that it should be explicitly referenced within either target 14 or target 15. We also stressed that the framework should require the alignment of public and private financial flows with the goals and targets of the GBF. Finally, we asked governments to create an enabling regulatory environment so that the financial and private sectors can address biodiversity-related risks and opportunities. We were pleased that our proposal received support from the EU on behalf of its 27 member states.

Advancing sustainable capitalism through corporate purpose

Lead engager: Joanne Beatty

EOS is helping to accelerate best practice purpose governance globally through its involvement in the Enacting Purpose Initiative (EPI).[2] The EPI is a multi-institutional partnership between Federated Hermes, the University of Oxford, the University of California Berkeley, BCG BrightHouse, the British Academy, and over 65 board members, global investors, and asset owners.

The EPI's second report was published in July, focusing on the US. In the report: *Directors and investors: building on common ground to advance sustainable capitalism*,[3] market participants share their insights on the value of corporate purpose and how to leverage purpose to address societal and environmental issues.

It builds on the EPI's initial report, *Enacting purpose within the modern corporation: a framework for board directors*,[4] which convened 30 business leaders from organisations and institutions in the UK and continental Europe. The second report sets out how to define and measure purpose and includes case studies and best practice examples to assist boards in taking ownership of corporate purpose.

EOS will use the outputs of this work to deepen its discussions with companies on how they can practically enact purpose and move beyond high-level statements and alignment with culture, to embed corporate and societal sustainability in their strategy and capital allocation.

Discussion with Club 21e Siècle on data study

Lead engager: Pauline Lecoursonnois

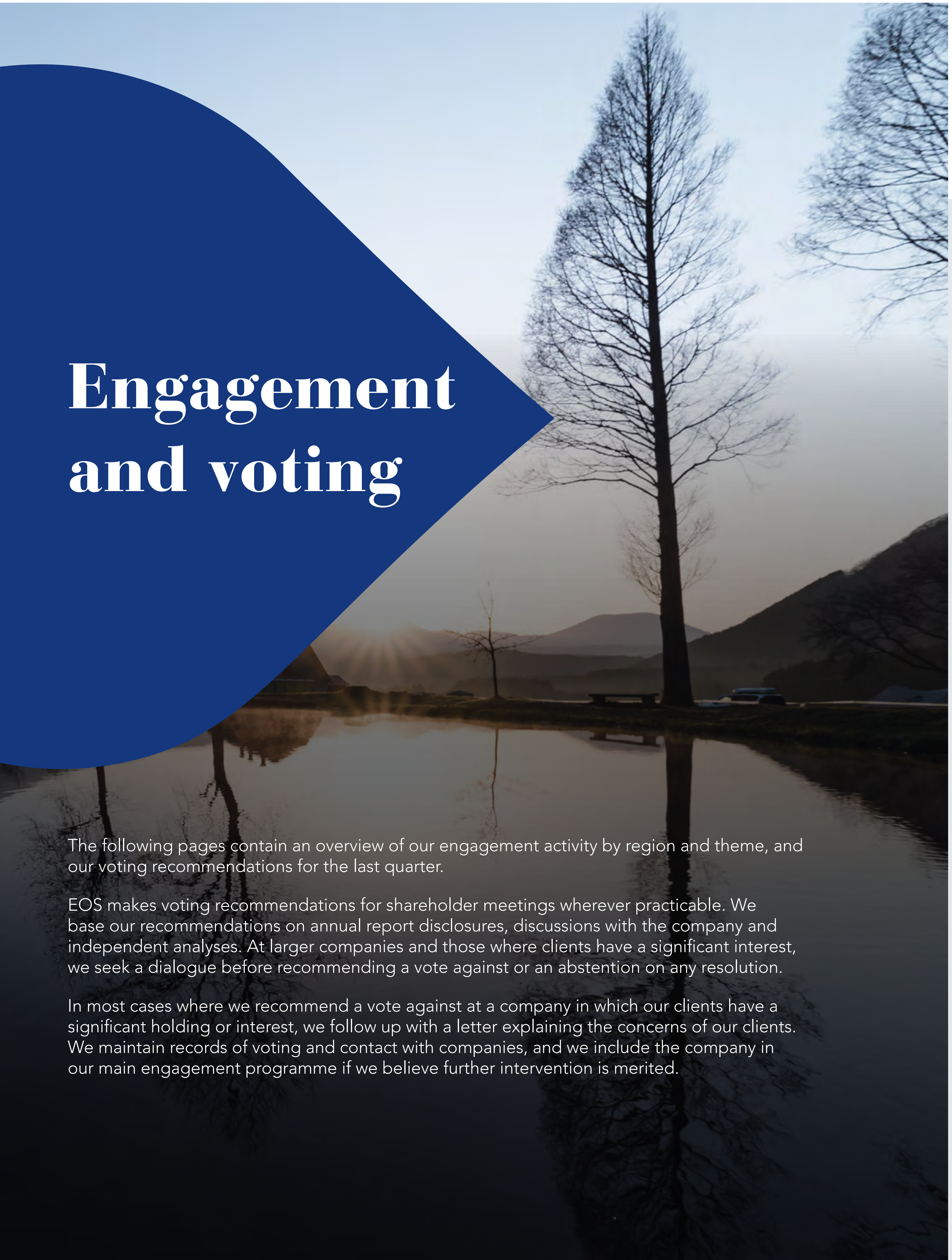
In France the processing and collection of personal information such as the racial/ethnic origin of an individual, their sexual orientation or gender identity is prohibited. This can make it more challenging for companies to fully address this business imperative. However, there are tools that French companies can lawfully use to measure their efforts on diversity and inclusion. The Club 21e Siècle has developed a tool that is based on self-declaration to measure the representation and inclusion of people with a diversity of origins and socio-economic backgrounds. Consultancy firm McKinsey provides analytical support for this tool.

We met representatives of Club 21e Siècle to discuss the results of its first study, in which it invited a dozen CAC40 companies to participate, with a focus on the executive committee and their direct reports. Ten companies responded positively to the invitation, with several others indicating that they would participate in the second iteration. Key takeaways from the study include evidence of some social mobility, that international profiles bring diversity of socio-economic backgrounds too, and that many individuals with diverse origins inherited from one of their grandparents identify themselves as not diverse.

Two studies will be conducted by the University of Lille in partnership with the Club 21e Siècle. The first one is on the diversity of socio-economic backgrounds within founders of French start-up companies. The second is on the diversity of top management at SBF120 companies and the link with economic performance. The Club 21e Siècle is looking at mechanisms to publicly recognise the participation of companies and we shared best practice examples such as the Workforce Disclosure Initiative, the Race at Work Charter, the 40:40 Vision and the Living Wage Foundation.

We discussed the organisation of a roundtable for French SIF members to raise awareness amongst French investors and to add it to their engagement agenda. Panel members will include a company that participated in the study, the Club 21e Siècle and an academic. We will continue to integrate this work into our engagement with French companies.

[2] https://enactingpurpose.org/
[3] http://enactingpurpose.org/assets/enacting-purpose-initiative---eu-report-august-2020.pdf
[4] http://enactingpurpose.org/assets/epi-report-final.pdf



Engagement and voting

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

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

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

Engagement by region

Over the last quarter we engaged with 268 companies on 784 environmental, social, governance and business strategy issues and objectives. Our holistic approach to engagement means that we typically engage with companies on more than one topic simultaneously.

We engaged with 268 companies over the last quarter.

- Environmental **32.5%**
- Social and Ethical **20.7%**
- Governance **30.2%**
- Strategy, Risk and Communication **16.6%**

We engaged with 51 companies over the last quarter.

- Environmental **32.9%**
- Social and Ethical **19.9%**
- Governance **28.1%**
- Strategy, Risk and Communication **19.2%**

We engaged with 36 companies over the last quarter.

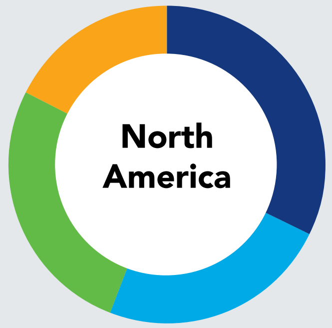
- Environmental **32.3%**
- Social and Ethical **20.4%**
- Governance **35.5%**
- Strategy, Risk and Communication **11.8%**

We engaged with 49 companies over the last quarter.

- Environmental **30.3%**
- Social and Ethical **12.3%**
- Governance **39.3%**
- Strategy, Risk and Communication **18.0%**

We engaged with 30 companies over the last quarter.

- Environmental **35.0%**
- Social and Ethical **26.3%**
- Governance **28.8%**
- Strategy, Risk and Communication **10.0%**



We engaged with 98 companies over the last quarter.

- Environmental **32.3%**
- Social and Ethical **23.6%**
- Governance **26.6%**
- Strategy, Risk and Communication **17.5%**

We engaged with 4 companies over the last quarter.

- Environmental **41.7%**
- Governance **33.3%**
- Strategy, Risk and Communication **25.0%**

Engagement by theme

A summary of the 784 issues and objectives on which we engaged with companies over the last quarter is shown below.

Environmental topics featured in 42% of our engagements over the last quarter.

- Climate Change **77.6%**
- Forestry and Land Use **6.7%**
- Pollution and Waste Management **9.4%**
- Supply Chain Management **2.4%**
- Water **3.9%**

Social and Ethical topics featured in 20% of our engagements over the last quarter.

- Bribery and Corruption **1.2%**
- Conduct and Culture **7.4%**
- Diversity **26.5%**
- Human Capital Management **17.9%**
- Human Rights **42.6%**
- Labour Rights **4.3%**

Governance topics featured in 25% of our engagements over the last quarter.

- Board Diversity, Skills and Experience **23.2%**
- Board Independence **14.8%**
- Executive Remuneration **48.1%**
- Shareholder Protection and Rights **9.7%**
- Succession Planning **4.2%**

Strategy, Risk and Communication topics featured in 13% of our engagements over the last quarter.

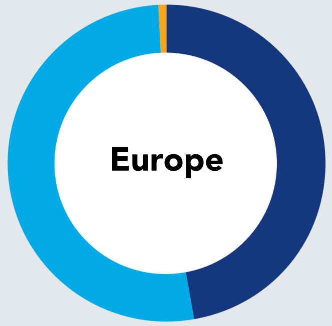
- Audit and Accounting **5.4%**
- Business Strategy **36.2%**
- Cyber Security **6.2%**
- Integrated Reporting and Other Disclosure **26.2%**
- Risk Management **26.2%**

Voting overview

Over the last quarter we made voting recommendations at 1,899 meetings (14,436 resolutions). At 946 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 15 meetings and abstaining at 7 meetings. We supported management on all resolutions at the remaining 931 meetings.

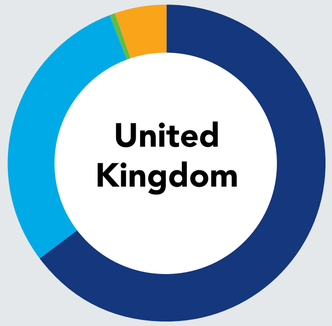
We made voting recommendations at **1,899** meetings (**14,436** resolutions) over the last quarter.

- Total meetings in favour **49.0%**
- Meetings against (or against AND abstain) **49.8%**
- Meetings abstained **0.4%**
- Meetings with management by exception **0.8%**



We made voting recommendations at **148** meetings (**1,549** resolutions) over the last quarter.

- Total meetings in favour **47.3%**
- Meetings against (or against AND abstain) **52.0%**
- Meetings with management by exception **0.7%**



We made voting recommendations at **174** meetings (**2,470** resolutions) over the last quarter.

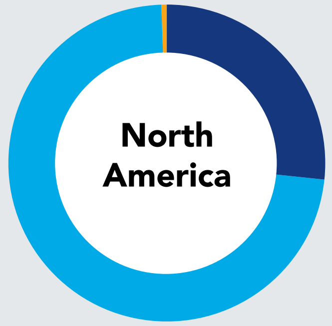
- Total meetings in favour **64.9%**
- Meetings against (or against AND abstain) **29.3%**
- Meetings abstained **0.6%**
- Meetings with management by exception **5.2%**

We made voting recommendations at **1,132** meetings (**7,283** resolutions) over the last quarter.

- Total meetings in favour **51.9%**
- Meetings against (or against AND abstain) **47.5%**
- Meetings abstained **0.4%**
- Meetings with management by exception **0.3%**

We made voting recommendations at **120** meetings (**920** resolutions) over the last quarter.

- Total meetings in favour **54.2%**
- Meetings against (or against AND abstain) **45.0%**
- Meetings with management by exception **0.8%**



We made voting recommendations at **280** meetings (**2,005** resolutions) over the last quarter.

- Total meetings in favour **26.8%**
- Meetings against (or against AND abstain) **72.9%**
- Meetings with management by exception **0.4%**

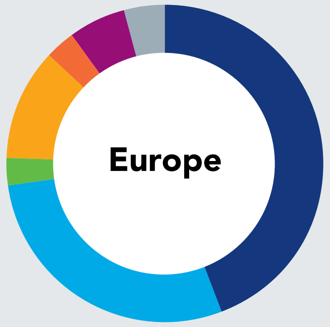
We made voting recommendations at **45** meetings (**209** resolutions) over the last quarter.

- Total meetings in favour **46.7%**
- Meetings against (or against AND abstain) **48.9%**
- Meetings abstained **4.4%**

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

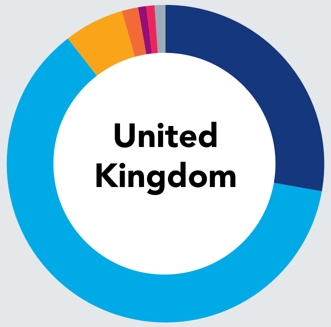
We recommended voting against or abstaining on **2,567** resolutions over the last quarter.

- Board structure **46.5%**
- Remuneration **28.3%**
- Shareholder resolution **2.0%**
- Capital structure and dividends **8.2%**
- Amend Articles **9.5%**
- Audit and Accounts **2.5%**
- Investment/MandA **0.4%**
- Poison Pill/Anti-Takeover Device **0.2%**
- Other **2.5%**



We recommended voting against or abstaining on **269** resolutions over the last quarter.

- Board structure **44.2%**
- Remuneration **28.6%**
- Shareholder resolution **3.0%**
- Capital structure and dividends **11.2%**
- Amend Articles **3.0%**
- Audit and Accounts **5.9%**
- Other **4.1%**

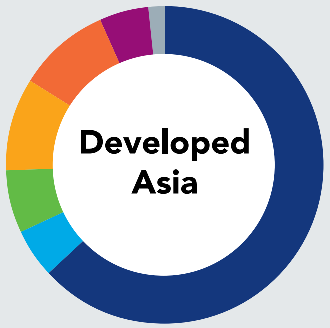


We recommended voting against or abstaining on **115** resolutions over the last quarter.

- Board structure **27.8%**
- Remuneration **61.7%**
- Capital structure and dividends **6.1%**
- Amend Articles **1.7%**
- Audit and Accounts **0.9%**
- Poison Pill/Anti-Takeover Device **0.9%**
- Other **0.9%**

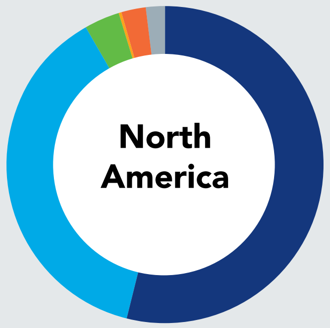
We recommended voting against or abstaining on **1,508** resolutions over the last quarter.

- Board structure **44.6%**
- Remuneration **24.6%**
- Shareholder resolution **1.1%**
- Capital structure and dividends **9.7%**
- Amend Articles **13.8%**
- Audit and Accounts **2.7%**
- Investment/MandA **0.7%**
- Poison Pill/Anti-Takeover Device **0.2%**
- Other **2.7%**



We recommended voting against or abstaining on **138** resolutions over the last quarter.

- Board structure **63.0%**
- Remuneration **5.1%**
- Shareholder resolution **6.5%**
- Capital structure and dividends **9.4%**
- Amend Articles **9.4%**
- Audit and Accounts **5.1%**
- Other **1.4%**



We recommended voting against or abstaining on **488** resolutions over the last quarter.

- Board structure **53.9%**
- Remuneration **37.9%**
- Shareholder resolution **3.5%**
- Capital structure and dividends **0.4%**
- Amend Articles **2.5%**
- Other **1.8%**

We recommended voting against or abstaining on **49** resolutions over the last quarter.

- Board structure **38.8%**
- Remuneration **30.6%**
- Shareholder resolution **4.1%**
- Capital structure and dividends **22.4%**
- Amend Articles **2.0%**
- Audit and Accounts **2.0%**

The EOS approach to engagement

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

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

Our services

Engagement

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

Public policy

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

Voting

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

Screening

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

Advisory

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

The EOS advantage

- **Relationships and access** – Companies understand that EOS is working on behalf of pension funds and other large institutional investors, so it has significant leverage – representing assets under advice of US$1.75tn as at 30 June 2021. The team's skills, experience, languages, connections and cultural understanding equip them with the gravitas and credibility to access and maintain constructive relationships with company boards.
- **Client focus** – EOS pools the priorities of like-minded investors, and through consultation and feedback, determines the priorities of its Engagement Plan.
- **Tailored engagement** – EOS develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets. It seeks to address the most material ESG risks and opportunities, through a long-term, constructive, objectives-driven and continuous dialogue at the board and senior executive level, which has proven to be effective over time

EOS team

Engagement

Dr Hans-Christoph Hirt
Head of EOS

Joanne Beatty
Sector lead: Chemicals

Dr Emma Berntman
Sectors: Retail, Pharmaceuticals & Healthcare

Roland Bosch
Sector co-lead: Financial Services

Hanah Chang
Sectors: Transportation, Financial Services, Technology Hardware

George Clark
Voting and Engagement Support

Miguel CuUnjieng
Sectors: Financial Services, Oil & Gas, Technology

Emily DeMasi
Sector co-lead: Financial Services

Zoe de Spoelberch
Sectors: Consumer Goods, Financial Services, Oil & Gas

Bruce Duguid
Head of Stewardship, EOS

Yu-Ting Fu
Sector: Financial Services

Gage Giunta
Sectors: Financial Services, Oil & Gas, Technology

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

Tim Goodman
Sectors: Oil & Gas, Technology Software

Jaime Gornsztejn
Sector lead: Industrial & Capital Goods

Younes Hassar
Voting and Engagement Support

Laura Jernegan
Sectors: Financial Services, Pharmaceuticals & Healthcare

Andy Jones
Sector co-lead: Mining & Materials

Lisa Lange
Sectors: Transportation, Financial Services, Consumer Goods

Pauline Lecoursonnois
Sector lead: Consumer Goods

Sonya Likhtman
Sectors: Consumer Goods, Retail, Mining & Materials

Earl McKenzie
Voting and Engagement Support

Claire Milhench
Communications & Content

Ian Munroe
Voting and Engagement Support

James O'Halloran
Director of Business Management, EOS

Nick Pelosi
Sector co-lead: Mining & Materials

Hannah Shoesmith
Sector co-lead: Technology Software

Sachi Suzuki
Sector lead: Transportation

Sarah Swartz
Sectors: Chemicals, Consumer Goods, Utilities

Velika Talyarkhan
Sector co-lead: Technology Software

Kenny Tsang
Theme: Human Rights

Owen Tutt
Theme: Climate change

Amy Wilson
Sector lead: Retail

Haonan Wu
Sectors: Transportation, Chemicals, Technology, Utilities

Michael Yamoah
Sectors: Technology, Retail, Consumer Goods, Pharmaceuticals & Healthcare

Tim Youmans
Sectors: Financial Services, Industrial & Capital Goods, Technology

Client Service and Business Development

Amy D'Eugenio
Head of Client Service and Business Development, EOS

Moyo Akinluyi
Client Service

Diego Anton
Client Service

Alexandra Danielsson
Client Service

Rochelle Giugni
Client Service and Business Development

Charlotte Judge
Communications & Marketing

William Morgan
Client Service

Alice Musto
Client Service

Mike Wills
Client Service

Federated Hermes
EOS

Federated Hermes

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

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

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

All activities previously carried out by Hermes now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new strategies from the entire group.

Our investment and stewardship capabilities:

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

Why EOS?

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

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