

Public Engagement Report

THE DISTANCE BETWEEN US
Crisis management for a global pandemic



This report contains a summary of the stewardship activities undertaken by EOS on behalf of its clients. It covers significant themes that have informed some of our intensive engagements with companies in Q2 2020. The report also provides information on voting recommendations and the steps we have taken to promote global best practices, improvements in public policy and collaborative work with other long-term investors and their representatives.

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This report has been written and edited by Claire Milhench, Communications & Content Manager, EOS

Engagement by region

Over the last quarter we engaged with 750 companies on 1,875 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 750 companies over the last quarter.

- Environmental 19.8%
- Social and Ethical 13.1%
- Governance 51.6%
- Strategy, Risk and Communication 15.5%



We engaged with 159 companies over the last quarter.

- Environmental 18.2%
- Social and Ethical 10.8%
- Governance 54.4%
- Strategy, Risk and Communication 16.6%



We engaged with 101 companies over the last quarter.

- Environmental 18.4%
- Social and Ethical 11.1%
- Governance 50.9%
- Strategy, Risk and Communication 19.7%



We engaged with 119 companies over the last quarter.

- Environmental 23.1%
- Social and Ethical 12.1%
- Governance 49.5%
- Strategy, Risk and Communication 15.3%



We engaged with 84 companies over the last quarter.

- Environmental 22.3%
- Social and Ethical 15.7%
- Governance 43.8%
- Strategy, Risk and Communication 18.2%



We engaged with 277 companies over the last quarter.

- Environmental 18.7%
- Social and Ethical 14.8%
- Governance 53.4%
- Strategy, Risk and Communication 13.1%



We engaged with 10 companies over the last quarter.

- Environmental 23.1%
- Governance 76.9%

Engagement by theme

A summary of the 1,875 issues and objectives on which we engaged with companies over the last quarter is shown below.



Environmental topics featured in 20% of our engagements over the last quarter.

- Climate Change **81.9%**
- Forestry and Land Use **4.6%**
- Pollution and Waste Management **7.3%**
- Supply Chain Management **3.2%**
- Water **3.0%**



Social and Ethical topics featured in 13% of our engagements over the last quarter.

- Bribery and Corruption **4.1%**
- Conduct and Culture **17.5%**
- Diversity **20.7%**
- Human Capital Management **26.8%**
- Human Rights **24.0%**
- Labour Rights **6.5%**
- Tax **0.4%**



Governance topics featured in 52% of our engagements over the last quarter.

- Board Diversity, Skills and Experience **24.4%**
- Board Independence **12.3%**
- Executive Remuneration **45.6%**
- Shareholder Protection and Rights **14.5%**
- Succession Planning **3.2%**



Strategy, Risk and Communication topics featured in 16% of our engagements over the last quarter.

- Audit and Accounting **7.2%**
- Business Strategy **31.6%**
- Cyber Security **6.5%**
- Integrated Reporting and Other Disclosure **17.9%**
- Risk Management **36.8%**

Lessons from the lockdown: engaging through a pandemic

Government lockdowns to contain the coronavirus pandemic have severely tested companies and individuals around the globe, with potentially long-lasting repercussions for the economy and society as a whole. How have we adjusted our engagement to reflect this harsh new reality, and what lessons should companies learn to be better prepared for future crises? By Claire Milhench.

Setting the scene

The Covid-19 pandemic is a global public health crisis that has disrupted schooling, manufacturing supply chains, construction, travel, retail and many other aspects of daily life. The global economy is on course for its worst fall in GDP since the Great Depression of the 1930s¹, with many companies announcing furlough schemes or redundancies. We have tailored our approach to engagement during the crisis, recognising the unprecedented challenges facing companies. As some countries exit lockdown, we believe businesses that pay the closest attention to their stakeholders, while supporting the efforts of governments and wider society, will emerge from the crisis the strongest.

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The global pandemic has had a devastating impact on all walks of life, with high streets shuttered, financial districts empty, and cultural venues silent. The death toll is still rising, and companies have been forced to make difficult choices as they battle for survival.

However, academic research by Harvard Business School and State Street Associates² has suggested that those companies perceived more positively by the public due to the way they respond to the pandemic have exhibited higher institutional investor money flows and less negative returns than their competitors. This illustrates that there is not necessarily a trade off between doing the right thing and making returns. In fact, those companies that look after employees, customers and suppliers in the bad times are likely to emerge from a crisis stronger and more resilient.

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¹ <https://www.bbc.co.uk/news/business-51706225>

² Corporate resilience and response during COVID-19, April 2020, by Alex Cheema-Fox, Bridget R. LaPerla, George Serafeim and Hui (Stacie) Wang

Conversely, consider the behaviour of some airlines and travel companies, which have refused to refund customers for cancelled flights and hotel bookings. Customers will remember which companies treated them poorly and will be far less likely to use them in the future. Regulators may decide to fine some companies and take others to court. Companies are risking long-term damage to their reputations – and ultimately their business models – by putting short-term gains over long-term sustainability.

Customers will remember which companies treated them poorly and will be far less likely to use them in the future.

Of course, companies in certain sectors face unenviable choices – they may have to choose between laying off workers or going out of business. For example, in May, engine manufacturer Rolls-Royce announced 9,000 job cuts after the pandemic curbed international air travel.³ However, companies that lay off workers after taking government hand-outs are being closely scrutinised by investors and the public. Some criticism has been levelled at those that have benefited via taxpayer-funded bailouts or furlough schemes, particularly if they spent their pre-crisis years splurging on share buybacks.⁴ This has prompted some beneficiaries of state support, such as US restaurant chain Shake Shack and Swedish furniture store Ikea, to say they will pay back government loans or the salaries of furloughed workers paid by the state.

In May, engine manufacturer
Rolls-Royce announced

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international air travel



Throughout the crisis we have asked companies how they are making difficult decisions in relation to their employees, supply chains, customers and other stakeholders. If a company can demonstrate it remained true to its corporate purpose through the crisis, this will enhance its social licence to operate.

This could mean a pharmaceutical company participating in collaborative research to aid the development of a vaccine or an effective treatment for Covid-19, a clothing manufacturer making masks or gowns for healthcare workers, or supermarkets offering priority delivery slots to medically vulnerable people. A considerate, compassionate approach will help companies to avoid accusations of being exploitative or insensitive, which could prove damaging to reputation and brand value. If a company focuses on what it can do to help, it is likely to thrive during and after the pandemic.⁵

Our engagement approach in the crisis

In the early days of the pandemic, our focus was on the operational and financial resilience of companies and, critically, their treatment of employees, suppliers and customers. These short-term factors underpinned whether a company was able to survive the pandemic:

Board functionality

We looked at whether company boards were taking a proactive role in crisis management, maintaining close communication with the executive management team to understand and anticipate the impact.

Business continuity

Could the company operate remotely? How resilient was its IT infrastructure? How long could this be sustained?

Employees and contractors

How did the company protect the physical and mental health of its employees? Was there paid leave for sickness or those self-isolating, and flexibility for workers who had to care for others? We also encouraged a responsible approach to the use of government furlough schemes, and fairness between executive and staff pay.

Customers

Has the company prioritised key workers and vulnerable customers? Has it paid refunds promptly? Did it refrain from price gouging on sought after items such as hand sanitiser and face masks?

Supply chain

We have encouraged companies to show fairness to their suppliers through their payment terms, and not leave them high and dry. Companies should reassess just-in-time supply chains, which are often inadequate when customers are panic buying.

Cashflow and funding

How financially resilient is the company – what do the stress tests look like? How much cash does it have on the balance sheet? Should the company suspend the payment of dividends or cancel planned share buybacks?

We summarised our concerns in our first open letter to chairs and CEOs, dated 15 April.⁶

As the crisis evolves, our engagement is looking at the lessons learned and the post-crisis response. We have therefore shifted our attention towards sustainability-focused risk management, to address how a company can become more resilient to future crises. This means adjusting the focus of our work for the second half of the year, recognising that the world now looks very different from 2019.

³ <https://www.bbc.co.uk/news/business-52723107>

⁴ <https://www.ft.com/content/ae732940-9048-11ea-bc44-dbf6756c871a>

⁵ <https://www.ft.com/content/7ef426a8-964f-11ea-af4b-499244625ac4?emailId=5ec79c4a42bf170004400b3d&segmentId=a8cbd258-1d42-1845-7b82-00376a04c08f>

⁶ <https://www.hermes-investment.com/ukw/eos-insight/eos/stewardship-during-and-after-the-pandemic/>



Business purpose and stakeholder management

We recommend that boards consider establishing a clear business purpose statement to guide ethical behaviour. This has become even more pertinent during the pandemic when some companies have behaved poorly, attracting negative publicity and public condemnation. Companies should ask themselves what they want to be remembered for at this time and modify their behaviour if necessary. This is critical in a time of crisis, when difficult trade-offs are required between achieving shorter-term financial returns and maintaining strong relationships with key stakeholders.

For example, Gilead Sciences had to backtrack after it secured "orphan drug" status for its remdesivir anti-viral drug, seen as a promising potential treatment for Covid-19. Orphan drug status granted it years of market exclusivity, prompting widespread criticism and allegations of profiteering.⁷

We pushed the company to improve its response to the pandemic, seeking greater clarity on how it would produce a drug at volume at low or no margin as cost calculations can be very opaque. We also encouraged the company to provide a global response, not just focus on the US.



When panic buying emptied supermarket shelves as countries went into lockdown, some retailers responded quickly, effectively and fairly.

We expect drug companies to find ways to minimise drug prices and expand their possible markets as a result. They can do this by exploring ideas such as sharing intellectual property and adopting differential pricing within markets to reflect the customer's ability to pay.

Swiss pharmaceutical company Roche attracted criticism⁸ after Dutch laboratories could not obtain from Roche sufficient supplies of a particular liquid, used in testing for Covid-19. Roche has a dominant position in the Dutch market and was perceived as standing in the way of solutions to scale up capacity, out of commercial interest.

After receiving a disappointing answer from the company about this, we co-signed an investor letter to the CEO. This called on the company to do whatever was necessary to make enough testing capacity available in the Netherlands. Later that day, Roche published a statement indicating that it would now share with the Dutch government the composition and recipe of the sought after liquid. In close collaboration with the government, the company said it would search for parties able to produce the liquid safely and reliably.



Employees and culture

Some sectors have been put under greater strain than others during the pandemic, with key workers in supermarkets, retail pharmacies, the logistics sector and caring professions in the frontline. For the companies in these sectors, we ask how have they protected their employees while also ensuring they are able to increase capacity and meet demand for their services? Do employees trust management to make the right calls as to their safety, and prioritise their needs appropriately versus those of customers, suppliers and shareholders?

For example, when panic buying emptied supermarket shelves as countries went into lockdown, some retailers responded quickly, effectively and fairly. There was an urgent need to address shortages and ensure produce got to key workers in health services and the extremely vulnerable.



CASE STUDY

Tesco



We have engaged with UK supermarket Tesco on governance and culture in the wake of an accounting scandal in 2014.⁹ It now has a markedly different culture and robust processes governing risk management, including for financial reporting and audit. We discussed how this had been reflected in its response to the coronavirus pandemic in our most recent engagements with the chair of the audit committee and the chief people officer.

Pandemic risk was on the company's radar and was rapidly escalated, with a swift operational response. It increased available delivery slots from around 590,000 when the UK lockdown was imposed in March to one million by the end of April. Likewise, efforts to rebuild trust with stakeholders, including employees, have resulted in an engaged and motivated workforce that has enabled the company's response. To support the increased capacity and provide cover for employees who are isolating, Tesco has employed around 50,000 temporary staff, including 4,000 new drivers and 12,000 new pickers, and has begun paying a 10% bonus on the hourly rate to employees.¹⁰



Amy Wilson
Sector lead: Retail

⁷ <https://uk.reuters.com/article/us-health-coronavirus-gilead-sciences/gilead-asks-fda-to-take-back-lucrative-orphan-drug-status-on-possible-coronavirus-treatment-idUKKBN21C3MG>

⁸ <https://www.ftm.nl/artikelen/roche-releases-recipe-after-public-pressure-while-european-commission-considers-intervention-due-to-coronavirus-test>

⁹ <https://www.ft.com/content/2ff76972-1388-11e7-80f4-13e067d5072c>

¹⁰ <https://www.tescopl.com/news/2020/tesco-serves-more-than-one-million-online-grocery-orders-in-a-week/>



Financial risk management and future investment

Many companies are under severe financial strain given government-imposed lockdowns, and some high street retailers, restaurant chains and arts venues have already folded or are close to bankruptcy. There is always an obligation on directors to assess a company's solvency and business viability over the short-to-medium term, and this is particularly pertinent given the uncertainty around the duration of the pandemic, and when business activity might return to normal. For example, it is not clear when international air travel will return to near pre-pandemic levels, or when office workers will be able to cease working from home and go back to city centre financial districts.

To ensure its survival, a company may consider postponing investment plans, shoring up its balance sheet debt-to-equity ratio, or cutting dividends. If it needs to raise capital, we would want to see this done fairly, with respect to pre-emption rights.

For example, at the request of the UK financial regulator, global bank HSBC cancelled the fourth interim dividend payment of 2019. It also deferred a decision on any future shareholder distributions to the end of 2020. This was a difficult decision for HSBC, given that approximately 40% of its shareholder base is made up of retail investors, primarily in Hong Kong and the UK, and many rely on the dividend as a stable source of income.¹¹



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Sustainable risk management

It is important that companies learn the key lessons from the pandemic, so they take a more sustainable approach to risk management over the longer term. Boards should assess whether management processes have been effective and review the potential for other black swan events. What were the consequences of company behaviour before and during the crisis? Have the lessons learned across the business been logged? What sort of horizon-scanning, scenario planning and stress-testing systems does the company have in place?

Businesses should also be prepared to include sustainability and ESG considerations as inputs for a more advanced form of risk management, for example around climate change mitigation risk.



CASE STUDY

Associated British Foods



In the midst of the pandemic, we had a candid conversation with the company's CFO to discuss risk management. This was part of a series of conversations with the company to gain a better understanding of its approach to risk management.

We were encouraged to hear that the board has had a positive experience with the increased use of video conferencing during the pandemic and is considering using this to increase communication at other levels. The company has used the crisis as an opportunity to increase engagement with employees through "town halls", providing greater access to the CEO and ensuring that the tone from the top focusing on company values is highlighted.

ABF is also planning to include reverse stress tests in its risk management going forward. The external board evaluation, which was postponed to 2021 due to the coronavirus, will also look into the crisis response to determine whether improvements can be made.



Lisa Lange
Theme lead: Pollution, Waste and the Circular Economy

¹¹ <https://www.bloomberg.com/news/articles/2020-04-06/dividend-suspension-puts-hsbc-at-risk-of-losing-core-investors>

We continue our work in this area, asking companies to reflect on what they have done during the pandemic, and revisiting the role of corporate purpose in crisis management.

Beyond the pandemic - a sustainable recovery?

As countries plan for a post-pandemic recovery, companies, policymakers and society as a whole should reflect on the factors behind the crisis. This may mean reassessing business models, energy and transport infrastructure, and economic systems that fail to align with the goals of the Paris Agreement on climate change.

In the first instance, companies should not be surprised if governments regulate to insulate society from future pandemics. Areas that could significantly impact companies include enhancements to employment law, and health and safety regulations. Business activities that threaten future health and wellbeing, including intensive animal farming with its links to anti-microbial resistance, and infections transmitted from animals to humans, could face new controls.

Governments and regulators will face public pressure to seek recompense from businesses that benefited from government support.

As with the banking crisis, executive remuneration will come under intense scrutiny in 2021 specifically with regard to awards made during the market lows in 2020.¹² In a recession with high unemployment, the tolerance of inequality by key stakeholders and wider society will be much lower. Governments and regulators will face public pressure to seek recompense from businesses that benefited from government support. This is likely to be all the more acute where there are questionable corporate behaviours around tax, for example.

We may see governments attaching climate-friendly conditions to state subsidies and bailouts for airlines or fossil fuel producers, rapidly scaling up investment in electric vehicle charging points¹³, and introducing safe cycling routes for cities, as in Milan, Mexico City and London. People who have lost their jobs due to company failures in the pandemic could be helped to reskill to support the roll out of green infrastructure. This might include loft insulation and solar panels on roofs, or tree planting and other liveable streets initiatives.

Some countries are likely to pivot to a low-carbon economy faster than others – witness Spain's ambitious new climate law¹⁴, which proposes a ban on all new coal, oil and gas projects with immediate effect - but all companies should be prepared for change. This is particularly the case for those whose business models are likely to be heavily impacted by the inevitable policy response from governments to address the climate crisis.



We may see governments attaching climate-friendly conditions to state subsidies and bailouts for airlines or fossil fuel producers ... and introducing safe cycling routes for cities.

¹² <https://www.ft.com/content/f6f61677-745a-4afc-b3de-3c68fd45a50e>

¹³ <https://www.hermes-investment.com/ukw/insight/macroeconomics-risk/building-back-better-why-climate-action-is-key-to-a-resilient-recovery/>

¹⁴ <https://www.powerengineeringint.com/emissions-environment/spains-new-climate-law-to-ban-new-coal-oil-and-gas-projects/>

Human rights engagement in high-risk contexts

When companies operate in high-risk environments, they have a greater responsibility to minimise adverse human rights impacts. We have evolved our engagement approach in response to client demand for more detailed guidance on this area.

Setting the scene

Human rights is one of our key engagement themes, with clients particularly concerned about human rights abuses in high-risk contexts, such as conflict zones. To guide our engagements in these complex and challenging situations, we have evolved our methodology in conjunction with clients, including through a workshop in late 2019. This was co-led by Anna Triponel, a business and human rights adviser, who played a key role in the development of the UN Guiding Principles on Business and Human Rights. Our engagement approach is apolitical, while distinguishing between those situations that contravene international law and those that do not.

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Human rights are a priority issue for investors as they underpin a company's wider corporate culture, business ethics and enterprise risk management. All these affect a company's reputation and the ability to create and preserve value over the long term. The risk of involvement in human rights abuses is higher for companies when they are operating in occupied territories, disputed areas and other high-risk environments.

In recent years we have seen high profile cases such as the deaths of migrant workers constructing stadia for the 2022 football World Cup in Qatar¹ and a phosphate-related dispute in Western Sahara.

Companies at the centre of a media storm may suffer a consumer backlash or a boycott, triggering a fall in the share price, and over the longer term may struggle to rebuild trust with investors, particularly if there are regulatory or governance implications.

¹ <https://www.theguardian.com/global-development/2019/oct/02/revealed-hundreds-of-migrant-workers-dying-of-heat-stress-in-qatar-each-year>

Changes in the law are encouraging investors to take a more proactive stance on this issue, with the introduction of the UK Modern Slavery Act, the French Duty of Care Law and the Dutch child labour due diligence law. These have set new minimum levels of obligation on companies to identify and report how they manage the risk of human rights violations. The EU is also working on proposed mandatory human rights due diligence legislation.

In April, the UK Supreme Court ruled that local pension schemes were free to make investment decisions that went against foreign or defence policy – meaning that they could boycott or divest from companies on the grounds that they trade products from occupied territories.²

In addition, under the UN Guiding Principles (UNGPs) on Business and Human Rights, companies are unable to point to deficiencies in a country's approach to human rights to explain deficiencies in their own. Indeed, the responsibility to respect human rights exists independently of a state's ability or willingness to fulfil their own obligations.

The West Bank



We have developed specific human rights guidance for engagement in the West Bank, while maintaining a politically neutral stance.

Over the past few years, international focus on company and investor activity in the Israeli settlements has intensified. This increased scrutiny has prompted a number of companies to withdraw from the West Bank, often in the midst of boycotting campaigns. Similarly, several large institutional investors have divested from companies operating in the West Bank.

Increased scrutiny has prompted a number of companies to withdraw from the West Bank, often in the midst of boycotting campaigns.

The greater the risk of severe human rights impacts, the greater the expectation that the company's human rights due diligence will be robust.

There are additional expectations under the UNGPs for companies operating in high-risk circumstances, as well as for their investors. In such situations, companies have a greater responsibility to ensure that adverse human rights impacts are minimised, and where appropriate, that remediation is provided. Also, in some of these circumstances, international humanitarian law will apply, and may specifically prohibit the company's activities. The greater the risk of severe human rights impacts, the greater the expectation that the company's human rights due diligence will be robust.

Given the seriousness and complexity of these issues, we have evolved detailed guidance for engaging in high-risk contexts to improve and refine our approach. Our additional expectations of companies in high-risk settings are set out below.



Governance

In addition to having a robust human rights policy, companies must have processes in place to include top-level management in relevant human rights work. This may include elevating the responsibility for human rights due diligence to executive-level management or enhancing the visibility of this process and the findings to executive management and the board.

So that this governance structure is effective, it is important to ensure that top-level management, plus all relevant line managers and personnel, have a full understanding of the applicable international humanitarian law standards.



Assessing risks and stakeholder engagement

The more complex the situation and its implications for human rights, the stronger the case for companies to draw on independent expert advice. In high-risk circumstances, a company's stakeholder engagement strategies need to be more robust.

Our approach reflects the guidance for companies provided by the UN Working Group on Business and Human Rights, which is as follows:

- Increase the frequency of human rights impact assessments where relevant, eg where the operating context may change rapidly
- Conduct expanded high-level and operational consultations with credible, independent experts, including from governments, civil society, national human rights institutions and relevant multi-stakeholder initiatives.
- Seek formal advice and guidance from the enterprise's home state
- Seek advice from international organisations and mechanisms.

²<https://www.ft.com/content/00c619b2-59f9-4354-967a-620a1d7019ee?emailId=5eabec222e551f00045aca00&segmentId=b24b7365-3058-3306-740e-9e444834a62>

 CASE STUDY

Vinci



We engaged extensively with French construction and concessions group Vinci after it was identified as one of the companies exposed to a high risk of complicity with regard to potential labour and human rights abuses in Qatar.³

Following our engagement, Vinci made a number of changes, including creating a global task force of human rights directors, appointing an independent third-party firm to conduct a human rights impact assessment, and organising a workshop on modern slavery at the subsidiary level of the business.

In 2017, Vinci signed an agreement with QDVC, its joint venture with the real estate arm of Qatar's sovereign wealth fund, and the union federation BWI. The agreement covers the human rights of QDVC workers employed in the country and includes due diligence on its sub-contractors. This agreement was the first of its kind in Qatar between a union federation and a Qatari company.



Pauline Lecoursonnois
Sector lead:
Consumer Goods

 **Acting on risks and collective leverage**

In higher risk environments, it is more important for companies to consider carefully how to build and exercise leverage with business partners and stakeholders to prevent and mitigate adverse human rights impacts.

The UN Working Group on Business and Human Rights suggests the following actions for companies:

- Formally integrate human rights principles into all business contracts relevant to operations in the conflict-affected area
- Exercise extreme caution in all business activities and relationships involving acquisition of assets in conflict zones
- Increase attention to persons at heightened risk of vulnerability in specific situations and given specific operating environments.

³<https://www.hermes-investment.com/ukw/eos-insight/eos/vinci/>

⁴<https://old.danwatch.dk/en/undersogelse/businessonoccupiedterritory/>

 CASE STUDY

The European vehicle and machinery manufacturer



In January 2017, a European vehicle and construction equipment manufacturer was included in the Business on Occupied Territory report by NGO Danwatch.⁴ According to the report, through a subsidiary the company supplied armoured buses to the Egged bus lines in the occupied West Bank.

We sought clarification on how the company and its subsidiaries identified, monitored and mitigated human rights risks in their operations in disputed territories. In response, it explained that it sold bus chassis, not complete buses, to a distributor in Israel who then resold to local customers, including the Israeli bus builder mentioned in the NGO report. As it only held a minority stake in this entity, the company's view was that it had no decisive power over the situation. The company also said it could not materially influence the bus operator mentioned in the report as this came under the local transport authorities.

In a subsequent meeting, we raised the issue again. Encouragingly, the company's executives had undertaken a fact-finding trip to Israel to visit the West Bank and meet human rights NGOs and Israeli organisations to gain a deeper understanding of the situation. In a later call, the company said that human rights controversies involving the use of its equipment were related to products bought indirectly or in the secondary market. It conducts due diligence when selecting a local distributor, which is responsible for applying the responsible sales standards to the end user. The company highlighted that often the distributor's customer is not the end user, but rather a sub-contractor.

We acknowledged that when there are many degrees of separation between the company and the end user, its leverage to influence the end-user's behaviour is significantly reduced. However, we urged the company to learn lessons from recent controversies to increase its leverage.

Engagers:
Jaime Gornsztejn
Emma Berntman



Legal compliance

In line with the UNGPs we expect companies to treat the risk of causing or contributing to gross human rights abuses as a legal compliance issue. Companies are expected to treat this risk as they would the risk of involvement in a serious crime.



Formal reporting and transparency

Engagers expect a robust level of transparency from companies, so they can assess the management of severe human rights impacts. Where a company's operations or value chains pose this risk, the company should report formally on how it addresses this. The UN Working Group on Business and Human Rights suggests that companies operating in high-risk environments require formal human rights reporting from all project partners.



Disengagement

Companies should always be reviewing the human rights outcomes of disengaging from a controversial activity versus continuing to operate in a high-risk context. Where a company has not contributed to an adverse human rights impact, but that impact is nevertheless directly linked to its operations, products or services through a business relationship with another entity, the appropriate action depends on a number of factors.

These include the company's leverage over the entity concerned, how crucial the relationship is to the company, the severity of the abuse, and whether terminating the relationship would have adverse human rights consequences. The more complex the situation and its implications for human rights, the stronger the case for the company to draw on independent expert advice in deciding how to respond. If the company is unable to increase its leverage, it should consider ending the relationship.

It is important to note that the UNGPs expect investors to consider divestment in certain situations. EOS does not provide investment advice, but its clients can consider any progress made under engagement when making their own decisions. Generally the more severe the adverse impact, the more quickly an investor will need to see change before it takes a decision on whether it should end the relationship.

Our engagement in 2020

We have engaged with several companies in the engagement programme on this topic, including General Mills, Vinci, Siemens Gamesa, PayPal, Cemex and HeidelbergCement. We are aware that this issue is high on the agenda for a number of investors and we are stepping up our engagement accordingly.



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CASE STUDY

Nutrien



Over several years we engaged with the two largest buyers of Western Sahara phosphate – the Canadian companies Agrium and Potash Corp – regarding human rights in the disputed territory. The two companies subsequently merged to form Nutrien.

Following engagement by ourselves and institutional investors, in January 2018 the CEO announced that the Agrium part of the business would stop buying phosphate rock from Western Sahara by the end of that year. The company acknowledged this was partly due to pressure from shareholders. We asked about the Potash side of the business and received a confirmation that it would also cease to import phosphate from outside North America by the end of 2018.

In 2019 the company confirmed that the sourcing of phosphate from Morocco's OCP Group, a phosphate rock miner, had ended, adding that the cost advantages in sourcing from the region had been eroded.



Claire Gavini
Theme lead:
Human Rights



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

A voting season like no other

The 2020 voting season saw many companies in the US and Europe opt for virtual shareholder meetings against the backdrop of a global pandemic – this worked well in some cases, less so in others. How did investors ensure their concerns about climate change, pay and diversity were addressed?

Setting the scene

Virtual shareholder meetings posed fresh challenges for investors seeking answers from companies, but the roster of shareholder resolutions was as full as ever. We again saw a raft of climate change proposals, with banks in focus for their financing of fossil fuels. Diversity and inclusion remained high on investors' agenda as momentum for female representation on boards continued. There were also renewed calls to address societal injustice and institutional racism following the police killing of George Floyd in Minneapolis in late May, reinforcing the urgency of the work needed on ethnic diversity.

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Sector lead: Retail
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Companies and investors went into the 2020 voting season reeling from the impact of the Covid-19 pandemic. This deadly virus has caused huge disruption to companies globally, within their own operations and their supply chains. Some businesses suffered a dramatic drop in revenues and were forced to lay off or furlough staff or make significant changes to the way in which they operated. Oil companies saw prices plummet into negative territory as demand collapsed, while some businesses sought government support and suspended dividend payments.

Given the unique challenges faced by companies as economic activity nosedived, we reviewed our voting policies ahead of the annual shareholder meeting season. The aim was to strike a balance between advancing our long-term engagement agenda while supporting the efforts that companies were making to manage through the pandemic.

This meant that in some circumstances, we were more supportive of the re-election of those directors who we believed were critical to short-term crisis management, such as board and committee chairs, while continuing to communicate our longer-term governance concerns.

We also developed guidelines for recommending votes on special topics related to the crisis, including changes to annual shareholder meeting arrangements, dividends and buybacks, share issuance and executive pay. These were developed with input from our clients.

In the first half of 2020 we recommended voting at

7,976 meetings, versus **7,767** in 2019

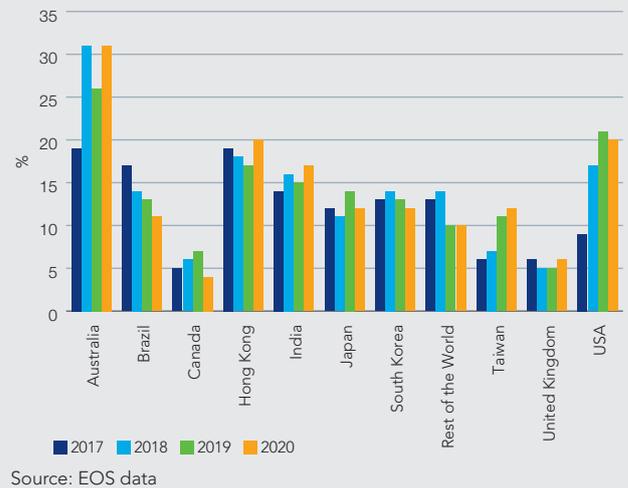
Despite delays and changes to meeting arrangements, the season was as busy as ever. In the first half of 2020 we recommended voting at 7,976¹ meetings, versus 7,767 in 2019. We made at least one voting recommendation against management at 61% of meetings, down from 64% in the first half of 2019. We 'attended' and asked questions at 22 shareholder meetings, including Deutsche Bank, BP, Google owner Alphabet, Novartis, Amazon and Facebook, up from nine in 2019. We made statements for nine companies and asked live questions at six meetings, submitting questions in advance for others.

We recommended votes on almost 2,294 shareholder resolutions in the first half of 2020. Some 420 of these were in the US, where we recommended against management on 264 proposals or 64%.

We were one of four lead filers of a proposal at Alphabet, calling for the board to establish a committee to oversee human rights risks at the company, which we consider to be material and currently inadequately overseen by the board. This is an action we collaborated on with others, following a private letter sent to the company in November 2019. This was signed by over 80 institutional investors, representing nearly \$10 trillion in assets under management and advice. The letter asked for a dialogue on these issues, which was denied.

The company's share structure meant the proposal was very unlikely to pass, with approximately 53% of the company's voting shares controlled by executives and board members. However, it received approximately 45% of the independent votes, which we considered a very positive outcome, in support of our ongoing engagement.

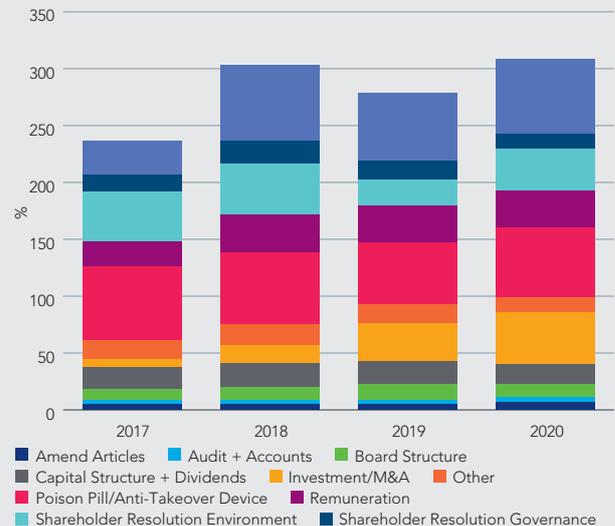
Percentage of proposals voted against management per key market in H1



Source: EOS data

Oil companies saw prices plummet into negative territory as demand collapsed, while some businesses sought government support and suspended dividend payments.

Proportion of resolution type with recommended votes against management in H1



Source: EOS data

¹All data relating to voting recommendations for the 2020 AGM season is from 1 January 2020 to 30 June 2020. Year-on-year comparisons cover the same period.

Revised voting guidelines and special circumstances related to the pandemic



Re-election of chairs and committee chairs

Recognising the critical role of leadership in periods of crisis management, we revised our voting guidelines to recommend 'for, by exception' rather than 'against' the re-election of chairs and committee chairs where we had concerns about issues such as a lack of diversity or independence. We continued to communicate our concerns and expectations for change and made clear any allowances were temporary. Where we had serious or urgent concerns, we opposed as normal. For example, we opposed the chair of the sustainability committee at miner and commodities trader Glencore due to safety and climate concerns, and at steel manufacturer ArcelorMittal for safety and diversity concerns.



Re-election of directors based on climate change concerns

We use the Transition Pathway Initiative (TPI) management scoring pathway to assess the management of climate change risks and opportunities for larger and more exposed companies. We take an engagement-led approach to understand the reasons for poor management scores and whether a company will commit to making progress. Where we do not receive satisfactory responses, we may recommend voting against the re-election of the chair or other relevant committee chairs.

Recognising that the climate crisis is also an urgent and critical issue, generally we did not amend our usual approach. So far this year, we have recommended votes against directors at over 30 companies due to concerns about climate change risk management. This includes companies where we remained concerned about the low level of ambition following engagement, such as at Yanzhou Coal Mining, Apache and China Shenhua Energy, plus companies that failed to respond to our letter.

However, for companies with indications of imminent and severe financial distress (such as in the airline and shipping sectors), or where we believed there was a reasonable prospect of positive engagement on climate change over the longer term, we considered amending our voting recommendation to 'for, by exception', with clear communication of our expectations for change. We took this approach at Ovintiv, Diamondback Energy, Berkshire Hathaway, Ameren Corp and Lufthansa, among others.

We take an engagement-led approach to understand the reasons for poor management scores and whether a company will commit to making progress.



Changes to shareholder meetings

While we were open to companies postponing meetings or converting them to virtual or hybrid meetings as an urgent measure, we said that every effort must be made to ensure shareholders could continue to exercise their rights, including asking board members questions.

While there were positive examples, like Deutsche Bank, we also saw some troubling practices, such as in Switzerland, where large companies did not provide any mechanism for a Q&A, and in the UK, where some companies held meetings behind closed doors, with no broadcast. One example was Barclays, where we raised our concerns about the impact on shareholder rights with the company secretary. In the US, we were disappointed that pharmaceutical company AbbVie ended its virtual meeting after less than half an hour, choosing not to address the question we had submitted on the grounds that it had run out of time.

Human capital management

The pandemic has had a significant impact on employees with up to a quarter of some workforces put on furlough. In the US, we led engagement with four companies – Exelon, American Express, Lockheed Martin and Medtronic – on behalf of the Human Capital Management Coalition.

We wrote to their boards ahead of their shareholder meetings asking that they address five key topics relating to business continuity and workforce management in response to the Covid-19 pandemic. We asked two questions on this topic at the Exelon meeting, with the company providing assurances that employee pay would not be affected, and that it had implemented health screenings.

We sought to understand the implications of the pandemic for the wellbeing of the company's employees, patients and its communities.

We led a similar engagement with AbbVie, writing to the board on behalf of the Investors for Opioid and Pharmaceutical Accountability (IOPA) initiative. We sought to understand the implications of the pandemic for the wellbeing of the company's employees, patients and its communities, as well as its business and supply chain continuity plan and pandemic planning, given the important role that pharmaceutical manufacturers play in discovering and supplying treatments.

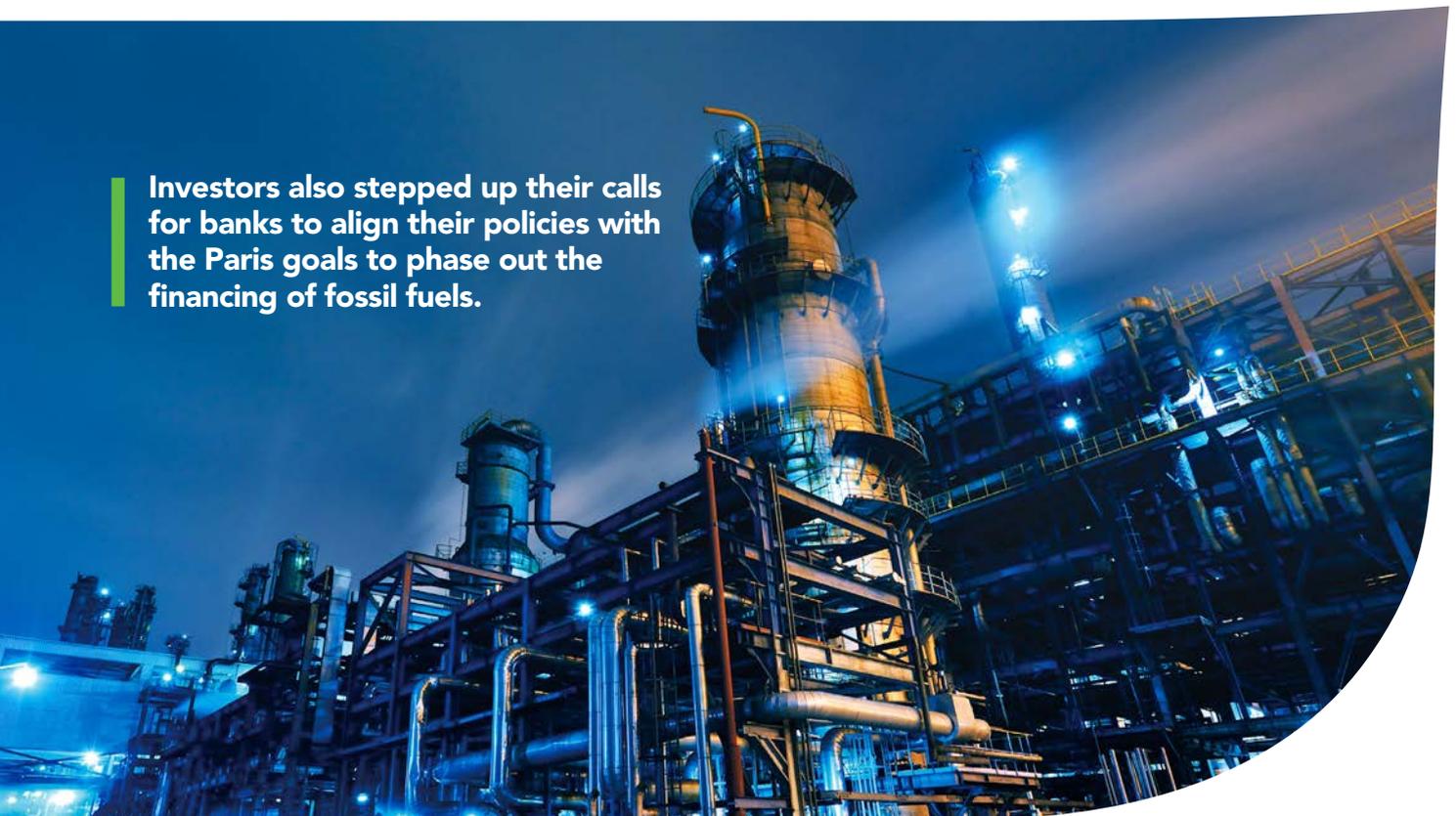
Climate change

The severity of the Covid-19 pandemic and the causal links between habitat destruction, the wildlife trade and global heating, and novel infectious diseases, underlined the importance of companies aligning their strategies and greenhouse gas emissions with the goals of the Paris Agreement. The collapse in demand for fossil fuels as more people worked from home under lockdown and planes were grounded reinvigorated investor demands to accelerate the transition to a low-carbon economy. The pandemic was seen as a warning from nature and a way to galvanise efforts to "Build Back Better".²

As part of our engagement on climate change, including our role in the Climate Action 100+ (CA100+) collaborative engagement initiative, we raised questions at the annual general meetings (AGMs) of Anglo American, Rolls-Royce, Repsol, Centrica, LyondellBasell, BP and Eni.

Overall, there was a slight reduction in climate change shareholder resolutions across all sectors this season, although there were some high profile examples. In France, oil and gas company Total issued a joint statement in collaboration with CA100+ and on which we had co-led negotiations, setting out its ambition to get to net-zero emissions by 2050 in Europe. This followed a long dialogue with the lead investors of CA100+. We also issued a statement, along with approximately 25 investors, for consideration at Total's AGM to welcome the company's commitment and to request confirmation that Total would provide regular updates to investors.

Investors also stepped up their calls for banks to align their policies with the Paris goals to phase out the financing of fossil fuels.



² <http://www.oecd.org/coronavirus/policy-responses/building-back-better-a-sustainable-resilient-recovery-after-covid-19-52b869f5/>

BP reduced the long-term oil and gas price assumptions used in its financial statements, incurring substantial estimated impairments of



\$13-17.5bn

Meanwhile, in another significant step for an oil major, BP reduced the long-term oil and gas price assumptions used in its financial statements, incurring substantial estimated impairments of \$13-17.5bn. This is equivalent to 13-17% of 2019 net assets. The move followed questions we put at the AGM on behalf of our clients and as co-lead for CA100+, asking the company to reconsider its assumptions for Paris-consistent investment. It also built on engagement over the last year to seek alignment of accounting assumptions with the goals of the Paris Agreement.

In Australia, shareholder resolutions asking for targets in line with the goals of the Paris Agreement at two of the country's largest oil and gas players, Woodside Petroleum and Santos, garnered record levels of support from institutional investors for an NGO-filed shareholder resolution - more than 50% at Woodside and 47% at Santos.

In the US, 54% of refiner Phillips 66's shareholders supported a resolution to report on the public health risks of expanding petrochemical operations and investments in areas increasingly prone to climate change-induced storms, flooding, and rising sea levels. Some 46% of Chevron and 24% of Exxon shareholders supported similar proposals.

Investors also stepped up their calls for banks to align their policies with the Paris goals to phase out the financing of fossil fuels. At Barclays there were two climate-related resolutions, one backed by the company and the other by ShareAction, a charity that advocates for responsible investment. The company-backed resolution passed with almost unanimous support and committed the bank to aligning its financing activities with the Paris Agreement and achieving net-zero emissions by 2050. ShareAction's resolution went further, calling for a "phase out" of financing for fossil fuels and utility companies that are not aligned with the Paris climate goals, rather than a transition, and was supported by 24% of the investor base.³ The company-backed resolution followed intensive engagement by investors and their representatives, including EOS.

Another shareholder proposal that called on the bank to further disclose its fossil fuel lending activities attracted almost 50% support, including from EOS, despite opposition from the JPMorgan board.

Another significant victory for investors took place at JPMorgan Chase & Co, where the bank responded to pressure from shareholders and their representatives, including EOS, by announcing that its lead independent director would step down from his role and be replaced by the end of September. The individual, at 81 and beyond retirement age, is a former CEO of ExxonMobil with a controversial track record as a climate change denier, and he had become a lightning rod for shareholder dissent. Another shareholder proposal that called on the bank to further disclose its fossil fuel lending activities attracted almost 50% support, including from EOS, despite opposition from the JPMorgan board.

Finally, Mizuho Financial Group became the first Japanese bank to attract a climate-related shareholder resolution. This called on Mizuho to disclose a strategy, metrics and targets aligned with the Paris Agreement, given its continued financing of high carbon-related sectors. We recommended supporting, in line with our ongoing engagement. Although the shareholder proposal did not pass, it received a notable 34% of support. Japanese utility Hokkaido Electric also received a climate shareholder proposal to increase the renewable grid connection, which we supported.

In France, oil and gas company Total issued a joint statement in collaboration with

CA100+



and on which we had co-led negotiations, setting out its ambition to get to net-zero emissions by

2050

in Europe.

Executive remuneration

Compensation is always a contentious issue and, against the backdrop of the coronavirus, decisions on how to reward executives were thrown into sharp relief. We believe CEOs and boards should lead from the front in these unprecedented times and 'share the pain' felt by other stakeholders, including employees, customers, suppliers and the public. This is particularly important where companies are making use of government – and ultimately, tax-payer funded – support; where there are workforce pay cuts or job losses; or where the company is otherwise distressed.

We looked for appropriate reductions to salaries and incentive pay and for boards to use their judgement to ensure executives were not being unduly insulated from the impacts of the crisis where others were not. We opposed pay proposals where we did not believe appropriate adjustments had already been made, such as at JPMorgan Chase & Co, Disney and Delta Airlines.

³ <https://shareaction.org/24-of-shareholders-voice-dissent-at-barclays-current-fossil-fuel-support/>

This will continue to be a focus for the next three years and more, as we review decisions taken on the vesting of incentive schemes set in 2020. For many companies this will be a bigger test of board judgement than temporary decisions to cut salaries.

We continued to make the case for switching to simpler pay schemes based on long-term time-restricted stock, as the crisis exposed the limitations of schemes reliant on stock options or 'performance-based' schemes for which boards struggled to set meaningful targets.

Underpinning this, we applied our normal voting policy guidelines that seek to address excessive pay and problematic pay structures around the world. Overall, we were broadly consistent with 2019, recommending a vote against 33% of pay proposals.

In the US, we opposed 80% of say-on-pay proposals versus 82% in 2019, including at McDonald's due to concerns about the excessive severance package awarded to the former CEO and the lack of a robust 'clawback' policy; at Tyson Foods where we continue to oppose high pay and the use of short-term stock options; and at Facebook, due to concerns about high pay and the lack of shareholding requirements for executives.

Meanwhile, in the UK, where approximately 75% of FTSE 350 companies proposed new remuneration policies, we opposed 50% of policy proposals for concerns including an excessive variable pay opportunity (as at GSK, AstraZeneca and Royal Dutch Shell), insufficient share ownership guidelines (Intercontinental Hotels Group) or insufficient action to align executive pension contributions with those available to the workforce (J Sainsbury). We also opposed the remuneration report and remuneration committee chair at Ocado, due to concerns about excessive pay, including a controversial incentive scheme that generates very high pay awards for executives.

In Asia and emerging markets, the quantum of pay tends to be lower and the opportunities to vote on pay at annual meetings are fewer. Executives' compensation is often undisclosed at an individual level in Japan, South Korea and

Taiwan, unless their respective compensation exceeds the regulatory threshold. Fixed pay often contributes a significant portion of pay.

We supported a bonus proposal at Takeda although the amount was significant compared with its Japanese peers, as we welcomed a detailed remuneration policy that the company disclosed following our engagement, and the introduction of a clawback policy. This followed a shareholder proposal on the topic in 2019, which did not pass but gained significant support.

We are seeing more Chinese state and non-state companies introducing or proposing amendments to share incentive schemes, giving us the opportunity to share our expectations and push for better practices. For example, at Hikvision, we opposed changes to performance hurdles due to concerns over the risk of manipulation. We are pleased to see that more A-share companies listed in mainland China are issuing time-restricted stock, instead of share options, aligned with the improvements we have been advocating.

We are seeing more Chinese state and non-state companies introducing or proposing amendments to share incentive schemes, giving us the opportunity to share our expectations and push for better practices.

In Brazil, we recommended a vote for the remuneration proposal at Vale, by exception to our policy. Having suspended incentive pay in 2019 in the aftermath of the Brumadinho tailings dam collapse, the board sought to resume awards to new executives not involved in the event. Although we remain concerned about the uncertainty regarding the liabilities resulting from the disaster, we acknowledge the work done by the new management team to reform the corporate culture and rebuild trust with stakeholders. The proposal also brought several improvements that we have been pressing for, such as alignment of variable pay to long-term strategic goals, and a shareholding requirement for the CEO.

We also opposed the remuneration report and remuneration committee chair at Ocado, due to concerns about excessive pay, including a controversial incentive scheme that generates very high pay awards for executives.





Board composition and diversity

Given the importance of a stable board for effective crisis management, we considered voting in favour of chairs or committee chairs where we had concerns about poor gender diversity or board or committee independence, unless these were serious or urgent concerns. For example, at Morrisons and UniQure, we had concerns about persistent poor board gender diversity. And at Ocado Group we had concerns about board independence and potential conflicts of interest arising from the company secretary also being an executive director, an unusual arrangement for a FTSE 100 company.

We continued recommending votes normally on other director elections and relevant proposals (such as shareholder proposals calling for an independent chair). In total, we recommended voting against 1,063 proposals for concerns relating to board or committee independence, versus 1,484 in 2019; against 1,423 for diversity concerns, versus 1,409 in 2019; and against 257 for over-commitment concerns versus 302 in 2019.

In the UK, where the Hampton-Alexander Review established 2020 targets for 33% female representation on boards and in leadership roles, we opposed 22 proposals for concerns about insufficient gender diversity at board level and below, versus 37 in 2019, even given our moderated approach in light of coronavirus. We continued to target laggard FTSE 100 companies with all-male executive committees, including Rolls-Royce, where we supported the chair by exception to our policy given the context of the pandemic. We also received assurances in engagement that diversity is a strategic priority for the business, although we continue to push for more ambitious targets and more rapid change.

We will be ramping up voting action on ethnic diversity in 2021, having signalled this in our Corporate Governance Principles and engagement for several years, as equivalent targets from the Parker Review come into force for boards to include at least one black or minority ethnic member.

In the US, we opposed 737 proposals for insufficient gender and ethnic diversity, including at Amazon, IBM and Facebook.

In Asia, following Tencent's appointment of its first woman to the board last year, Nintendo appointed its first female director in its 130-year history. Softbank Group and Suzuki Motor followed, in line with our engagement. We achieved this through consistent engagement over multiple years and, although it remains a work in progress, we expect more companies to step up to our diversity expectations in the coming years.

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737



proposals for insufficient gender and ethnic diversity, including at Amazon, IBM and Facebook.

We have set our gender diversity standards in China and Hong Kong on a par with the US, while in Japan we introduced a higher threshold for Topix 100 companies this year and will continue to oppose companies with no women on the board. This year, we opposed the combined chair and CEO of Canon, as well as nomination committee chairs at AIA, Galaxy Entertainment Group, Mizuho Financial Group, Hyundai Motor and China Mobile after engagement revealed no concrete plans for improvements to their male-dominated boards.

Voting on ethnic diversity

Protests around the globe driven by the Black Lives Matter movement have renewed concerns about poor representation of ethnic minorities in business and the role that companies play in perpetuating systemic racism. Although ethnic diversity has been part of our voting policy in the US and is included in the expectations we

communicate to companies across all markets, we recognise that we need to do more to push for urgent change on this global challenge. We are reviewing our engagement objectives and expectations of companies, and how we can strengthen our voting policies in support of these for 2021.

Engagement on strategy

Business strategy and structural governance issues are at the heart of many of our most successful engagements.

Overview

Our approach to engagement is holistic and wide-ranging. Discussions range across many key areas, including business strategy and risk management, which covers environmental, social and ethical risks. Structural governance issues are a priority too. We challenge and support management on the running of the company and management's approach to ensuring the company's long-term future. 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 environmental, social and governance issues as risks to the company's strategic positioning puts things solidly into context for management. The issues may also present opportunities. For instance, businesses may benefit from fresh thinking at board level. These short company updates highlight areas where we have completed objectives or can demonstrate significant progress, following several years of engagement.

Company engagement updates

Sanofi - Remuneration

Lead engager: Claire Gavini

As part of our ongoing dialogue on executive remuneration with French pharmaceutical company Sanofi, we raised our concerns about stock options in 2018, in a call with the head of governance. We were concerned by the complexity of the remuneration structure for the CEO, as stock options were awarded on top of performance shares, and the three-year vesting period - the time before shares become unconditionally owned by an employee - was not sufficiently long-term oriented. In 2019, ahead of the annual shareholder meeting, we reiterated our concerns and recommended voting against the remuneration policy for the CEO, as well as the remuneration report due to various remuneration-related concerns including the award of stock options. We explained that we do not support stock options as they encourage unnecessary risk-taking and we shared our remuneration principles.

During the company's governance roadshow in the first quarter of 2020, we were pleased to hear that adjustments were made to the CEO remuneration policy and that the CEO is no longer awarded stock options. In Sanofi's 2019 Annual Report, the company mentioned that the board had listened to feedback from some shareholders who had concerns about stock options, given their dilutive effect and potential unintended consequences. We continue to engage on other aspects of the executive remuneration such as the total shareholder return vesting and disclosure, and antimicrobial resistance.

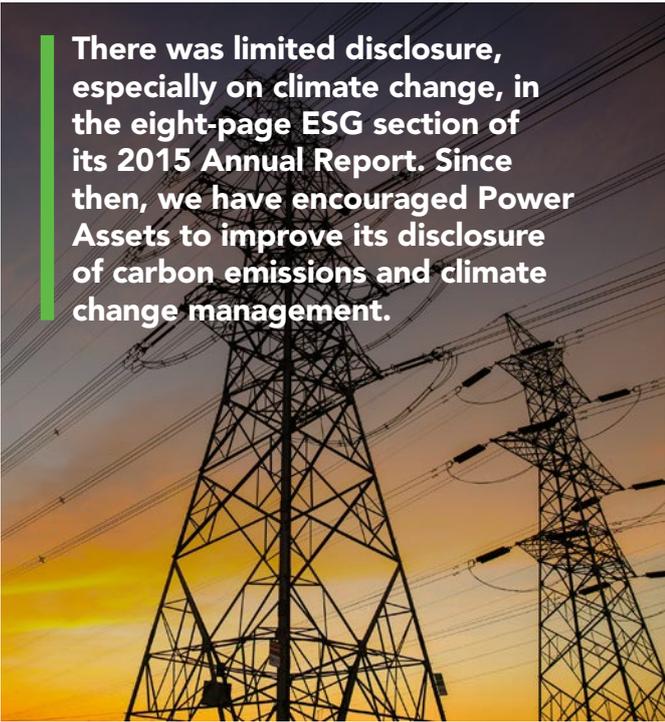
Fujifilm – Board structure and risk

Lead engager: Sachi Suzuki

We began our engagement on board structure and risk management in 2017, following allegations of accounting fraud at the New Zealand subsidiary of Fuji Xerox. Japanese photography company Fujifilm Holdings held 75% of this entity at the time before acquiring the remaining 25% in 2019. In our meeting at the company's headquarters with senior executives in June 2017, we raised concerns about the board's oversight of its subsidiaries and the effectiveness of its risk management of overseas subsidiaries.

In subsequent years, the company reduced the size of its board and increased the number of independent directors, while also improving board diversity. It sent top executives to the subsidiary in question to strengthen its governance and integrated the accounting division within the group as well as the internal audit function, creating a reasonably robust board and governance structure. The senior executives visited our offices in London in November 2018, when we welcomed the new whistleblowing system, which allowed all group employees to report via a third party to the holding company. It confirmed that the new system had contributed to an increase in the number of reports particularly from overseas subsidiaries, allowing for timelier alerts and responses.

In our call in April 2020, Fujifilm told us of a new digital forensic system, which has proven effective in preventing rule breaches. The new system has allowed for a better understanding of compliance risks and trends and the sharing of this information with relevant departments has strengthened the co-operation in control activities. We continue to engage on other issues including strategic shareholdings, TCFD reporting, management of the cobalt supply chain, and artificial intelligence and data governance.



There was limited disclosure, especially on climate change, in the eight-page ESG section of its 2015 Annual Report. Since then, we have encouraged Power Assets to improve its disclosure of carbon emissions and climate change management.

Power Assets – ESG disclosure and reporting

Lead engager: Janet Wong

We started engaging with Hong Kong electric utility company Power Assets on improving its ESG disclosure and reporting in 2016. There was limited disclosure, especially on climate change, in the eight-page ESG section of its 2015 Annual Report. Since then, we have encouraged it to improve its disclosure of carbon emissions and climate change management. In August the same year, as part of a collaborative engagement through the PRI, we engaged with the senior business manager and company secretary of the parent company to encourage the disclosure of Scope 1 and 2 emissions at a minimum. During 2018 and 2020, we had five calls or meetings with the chief financial officer and executive director in London and Hong Kong, as well as letter exchanges with the CEO to encourage the disclosure of climate change management.

Following our engagement, Power Assets disclosed group-level Scope 1 and 2 emissions and environmental key performance indicators for the first time in its 2017 Annual Report. It also covered pollutant emissions including energy and water consumption and waste generation in particular. The year after, the chair dedicated a section on combatting climate change in the company's results announcement. In its latest 2019 Annual Report, it integrated climate change with risk management.

We are pleased with the company's integration of climate change disclosure in its results announcements and annual reports. We will continue to engage on setting meaningful quantitative targets to decarbonise its portfolio to align with the Paris Agreement.

Pfizer – Board diversity

Lead engager: Katie Frame

We first raised our concerns about the low levels of gender diversity on the board at US pharmaceutical company Pfizer with the corporate secretary in 2018. After the 2018 annual shareholder meeting there were two women on the board, just 17% of the total. Although gender is just one of the factors to consider in determining diversity, studies have shown that higher gender diversity on a board has a causal relationship with reduced financial risk, higher investment in research and development, and more efficient innovation processes.

When we raised our concerns, the company said that board gender diversity was a priority but it was difficult to find the right female talent as it was targeting current or former CEOs, and candidates with scientific or technology expertise. We reiterated our view that the company should look beyond this narrow talent pool to candidates with more diverse backgrounds. We continued to engage on this ahead of the 2019 annual shareholder meeting as the board had appointed a new male director.

We were pleased that in early 2020 the company appointed two additional female directors with diverse backgrounds in science and education, and civil society. We continue to engage on broader diversity and inclusion in the executive team and throughout the organisation, as well as on climate change, antimicrobial resistance, executive compensation and lobbying.

Danone – TCFD reporting

Lead engager: Claire Gavini

As part of our ongoing dialogue on climate change with European food company Danone through the Climate Action 100+ initiative, we asked the company to publicly support the Task Force on Climate-related Financial Disclosures (TCFD) and align its reporting to the framework. We first raised our request in correspondence sent in November 2018. We reiterated our position during meetings with the senior executive responsible for nature and the water cycle on multiple occasions in the first and third quarters of 2019 and in a meeting with the lead independent director in the fourth quarter of 2019. During the latter meeting, we obtained reassurance that the company was considering its official support for the TCFD in 2020.

During a meeting in the first quarter of 2020 with the vice president for nature and the water cycle, we were pleased to hear that Danone had given its official support. We also welcomed the new TCFD equivalence grid, showing the reconciliation between Danone's disclosure and the TCFD recommendations, in its 2019 universal registration document. We separately welcomed the strengthened commitment made in September 2019 through the signature of the Business Ambition for 1.5°C pledge. We continue to engage on other aspects of climate change such as setting intermediate targets and enhanced disclosure on carbon sequestration in soil, which is a key area of Danone's climate strategy.

NTT DoCoMo – Board composition

Lead engager: Sachi Suzuki

We started our engagement with this Japanese mobile phone operator in 2012, raising concerns about a lack of independence on the board. All but one of the 13 directors were company executives and the only non-executive director was from Nippon Telegraph and Telephone, which owns over 66% of NTT DoCoMo's issued capital. We highlighted the need to have sufficient independence on the board to protect the interests of minority shareholders.

We welcomed the appointment of the first independent director in 2013, with whom we met in person in 2014, gaining assurance about his strong calibre. We continued to press for higher board independence after the company appointed a second independent director in 2016. We had a number of calls and meetings, including a meeting with the CEO at our London office. In 2019, we expressed our disappointment at the slow pace of change through our voting recommendations. Therefore, we welcome the recent change to the board structure, which saw a reduction in the number of executive directors and an increase in the number of independent directors, significantly improving overall board independence. We will continue to engage on other issues such as audit committee independence, cross-shareholdings and AI governance.

Petrobras – Water stewardship

Lead engager: Jaime Gornsztejn

In a meeting with the sustainability team at Brazilian oil producer Petrobras in the first quarter of 2016, we asked the company to respond to the CDP questionnaire on water as we had concerns about the insufficient disclosure of water management. The sustainability team confirmed that the data necessary to respond to the questionnaire was measured by the company. We reiterated our request in a letter to the head of investor relations and were pleased that Petrobras submitted its first response in 2017. It was graded "B", but the company chose not to make its response available to investors, as it was its first disclosure.

In subsequent years, Petrobras has consistently responded to the CDP, ranking between "A-" and "B", but the response is still not open. We have discussed the possibility of publishing the questionnaire, but the company has chosen not to, as its peers also submit closed responses. Although its full response is not public, Petrobras complements its CDP score with a chapter on water management in its sustainability report, with relevant disclosure of metrics and a management strategy, allowing stakeholders to assess its performance in this area.



During a meeting in the first quarter of 2020 with the vice president for nature and the water cycle, we were pleased to hear that Danone had given its official support.

Veolia Environnement – Board composition

Lead engager: Claire Gavini

We raised our concerns about the excessive size of the board at French water and waste management company Veolia Environnement, and the low level of independence, for the first time in 2008, and then in 2010 and 2011 with several of the company's representatives. We reiterated our concerns in 2016 in a meeting with the lead independent director, where we welcomed the ongoing refreshment of the board but explained that we did not support the appointment of non-voting directors on the board (censeurs). We continued our dialogue in 2017 and 2018. In a meeting with the lead independent director in 2020, we noted the significant reduction in the size of the board – from 19 members in 2007 to 13 in 2020.

We were also pleased to see that the board no longer includes non-voting directors. The independence level increased from 31% in 2010 to 62% in 2020, according to ISS data. We continue to engage on other governance topics including the separation of the roles of chair and CEO, and on climate reporting.

In a meeting with the lead independent director in 2020, we noted the significant reduction in the size of the board – from 19 members in 2007 to 13 in 2020.



CASE STUDY

Fast Retailing: Managing human rights risks

In 2016 EOS began face-to-face meetings with Fast Retailing's director of investor relations, who reports directly to the CEO. We recommended that this Japanese fashion retailer improve its investor communication and publish a sustainability policy.

We suggested it become a signatory of the UN Global Compact and respond to the CDP climate change questionnaire. We also voiced concerns about labour risks at its Chinese suppliers and the lack of disclosure on its supply chain management. This came in response to reports of excessive working hours at one of its factories in China, a subsidiary of a Japanese fabric supplier, Toray Industries. We also recommended a more engaged and diverse board.

We also voiced concerns about labour risks at its Chinese suppliers and the lack of disclosure on its supply chain management.

The company accepted our suggestion that it respond to the CDP questionnaire and started implementing a group sustainability policy in 2017. In 2018 it became a signatory of the UN Global Compact and publicly committed to setting a science-based target for greenhouse gas emissions in 2019. Regarding working hours, in 2018 and 2019, the company disclosed progress reports relating to the suppliers in question, where it achieved its weekly target of no more than 60 hours for July-December 2018. In 2019, it also announced its plan to partner with the International Labour Organization.

Regarding the board structure, the company established a nomination and remuneration advisory committee in 2019 and made progress on diversity including through a partnership with UN Women. We continue to engage with the company to improve its board structure. We also have concerns about the founding family's influence, with two of the CEO's sons on the board.

Read our engagement case studies in full at <https://www.hermes-investment.com/ukw/eos-insight/case-study/fast-retailing-case-study/>



Masaru Arai
Senior Adviser



Cobalt mining in the DRC – reflections from the ground

Dangerous working conditions and human rights violations are among the risks faced by cobalt miners in the Democratic Republic of the Congo (DRC). Late last year, engager Marcus Wilert joined an OECD delegation to the DRC to see the conditions first-hand, meeting local stakeholders and visiting mining sites and a trading centre.

More than half of the world's cobalt is mined in the DRC. While the majority of cobalt is extracted through large-scale mining (LSM), artisanal-scale mining (ASM) – carried out manually with handheld tools – represents 20-30% of the output. However, there is a close connection between the two. Their proximity and the intermingling of materials at the refiner level is a challenge for any company that wants to source cobalt responsibly.

Joining the OECD delegation to Kolwezi in southern DRC, we visited sites where formalised artisanal mining has been implemented with access control and continuous monitoring of working conditions, creating significant improvements. Considering the risks and negative publicity associated with ASM operations, it can be tempting for companies to adopt LSM-only sourcing policies, but these are unlikely to be effective. Artisanal mining represents an important source of income for impoverished communities, which exclusion would likely exacerbate.

Large-scale mining poses different risks. Tax avoidance, money laundering and corruption, and use of excessive force by security forces have been reported. The implication is that comprehensive due diligence is needed.

Several initiatives to improve conditions exist, including the Responsible Mining Initiative and the Global Battery Alliance. As the only investor representative present at a roundtable convened by the OECD with a wide range of stakeholders along the value chain, we were able to share our perspective on how investors can support improvements.

The local environment is also changing. Initiatives by the DRC government, such as a new trading centre, have the potential to create fairer trading conditions and increase traceability. We believe companies should:

- Continue mapping supply chains to identify risks in both ASM and LSM operations and how to engage for improvements.
- Conduct comprehensive, risk-based due diligence to assess community impact with a lens to identify differences in vulnerability, eg for women.
- Play an active role in collaborative initiatives that include local partners to formalise ASM operations. Companies should not de-risk by excluding ASM from their supply chains.

Read the EOS Insights article in full at

<https://www.hermes-investment.com/ukw/eos-insight/eos/cobalt-mining-in-the-drc-reflections-from-the-ground/>



Marcus Wilert

Sectors:
Transportation, Retail, Financial Services, Technology

Companies engaged on strategic and/or governance objectives and issues this quarter:

Global
671

 United Kingdom 95	 North America 248	 Developed Asia 72
 Emerging Markets 101	 Europe 145	 Australia and New Zealand 10

 CASE STUDY

CTBC: Enhancing board effectiveness

Over a period starting in the mid-2000s, CTBC, one of the largest financial institutions in Taiwan, saw several controversies related to alleged legal and regulatory breaches by now-former staff. The company launched a campaign to restructure its board and its overall corporate governance as early as 2007.

EOS began its engagement with CTBC in February 2017. We agreed a critical focus should be ensuring an appropriate governance structure, with the separation of powers and stringent checks and balances. In January 2018, we engaged with the chief compliance officer and corporate secretary, focusing on ways to support the company's drive to strengthen board effectiveness.

In April 2018, CTBC established an ethics and integrity committee and published the committee charter online. In May 2018, the company reported that it had been researching best practices for governance, especially with regard to independent board evaluations, and that plans were underway to enhance director training.

In May 2019, we met with CTBC's insurance subsidiary's chief financial officer and chief strategy officer to discuss the company's plans to adopt additional cybersecurity and technology training for the board. Throughout 2019, we engaged with the company seven times in total.

As of Q2 2019, the new director onboarding process includes mandatory training on anti-money laundering and embezzlement, and board members now participate in a variety of courses on topics such as digital banking, fintech, US federal regulatory compliance, TCFD and fair dealing.

The company published board evaluation guidelines in September 2019. In addition to annual board performance evaluations, an external and independent professional institution or a panel of external experts and scholars will evaluate board performance at least once every three years. We aim to deepen our discussion on human capital management across the firm, including the board's gender diversity and nomination process. We have also begun engagement on the responsible use of AI.

Read our engagement case studies in full at <https://www.hermes-investment.com/ukw/eos-insight/eos/ctbc-case-study/>



Christine Chow
Team lead: Greater China
Sector lead: Technology



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.

IIGCC session on best practice for collaborative engagement

Lead engager: Bruce Duguid

At this quarterly update for the Institutional Investors Group on Climate Change's (IIGCC's) corporate engagement programme, we led a short session on best practice for effective collaborative engagement as part of Climate Action 100+. We made four key points: the value of having clear engagement objectives; the need for long-range planning to ensure sufficient time to consider escalation techniques and request senior level meetings; the need to prepare for escalation, such as making a public statement at an annual shareholders' meeting, sending an open letter to the board or filing a shareholder resolution; and the value of working closely as a team. Different sector teams are now plotting a strategy and identifying which companies could be ready for a shareholder resolution and we will help to shape this agenda given our leadership role in Climate Action 100+.

Response to Japan's FEFTA consultation

Lead engager: Sachi Suzuki

We provided comments on the draft rules and regulations for the Foreign Exchange and Foreign Trade Act (FEFTA), which was amended late last year. We continued to highlight our concerns about the amended Act, which now requires foreign investors to file a prior notification when acquiring as little as a 1% stake in a Japanese company in one of many designated

sectors. Asset managers are exempted from this requirement as long as they agree not to nominate themselves or closely related people to the board of a company, or to propose at a shareholder meeting the sale or transfer of a business in a designated area.

We reiterated that these conditions limit shareholder rights and go against the promotion of stewardship, to which the government has devoted a great deal of effort in recent years. We also raised concerns about additional requirements for sovereign wealth funds and public pension funds, including the need for them to sign a memorandum of understanding with the Ministry of Finance in order to be accredited. They also need to file a prior notification if they plan to make a proposal in writing to the board of a company in a core sector.

We provided comments on the draft rules and regulations for the Foreign Exchange and Foreign Trade Act (FEFTA), which was amended late last year.

HKEX consultation on corporate weighted voting rights

Lead engager: Janet Wong

We submitted a response to the Hong Kong Stock Exchange's (HKEX's) consultation on the corporate weighted voting rights structure (CWVR). We do not support any expansion of the existing weighted voting rights (WVR) regime. We questioned whether it was appropriate to introduce CWVR, as investors have increasingly voiced concerns about the entrenchment of risks and the lack of accountability under the individual WVR structure.

We also raised concerns about related party transactions, financial disclosure and corporate governance exemptions for qualifying exchanges, which are not discussed in the consultation paper. To facilitate effective stewardship activities, we encouraged the exchange to collaborate with the Hong Kong Securities Futures Commission to revise the Principles of Responsible Ownership - the stewardship code in Hong Kong.

Investor Expectations for Global Plastics Challenges paper

Lead engager: Lisa Lange

We published our *Investor Expectations for Global Plastics Challenges* paper on Earth Day 2020. This set out investor concerns that a failure to account for the negative impacts of single-use plastic packaging has led to numerous interlinked challenges – from acute environmental pollution and potential human health impacts, to substantial greenhouse gas emissions across plastics value chains. We believe that the linear, take-make-waste model for plastics has become unacceptable and companies reliant on this model will face substantial new commercial risks in coming years.

In the document, we outlined our expectations for companies to move from treating single-use plastic as an externalised risk, to developing strategies that consider it as a resource requiring responsible management and value preservation – in partnership with suppliers, customers, processors and regulators. The paper was cited by the *Financial Times* in its Moral Money section.

UK Investment Association remuneration and share schemes committee

Lead engager: Amy Wilson

We discussed the various steps taken by companies in response to the coronavirus. A bill was put through the UK parliament to allow companies to hold virtual annual shareholder meetings, on a temporary basis. Although not specifically set out in the bill, companies were encouraged (including through best practice guidance) to ensure shareholders could still ask questions and exercise their rights as normally as possible.

So far, the Investment Association (IA) and other members have not seen examples of bad practice, although companies are taking different approaches. There have been some complaints from retail investors about companies holding the vote and then giving presentations, rather than enabling shareholders to hear the presentations and then decide how they want to vote.

We had a lengthy discussion about approaches to executive pay in the crisis. We were pleased that some of the core principles we have advocated for are being echoed by the IA and other members. These include that boards should use judgement to show restraint and ensure pay outcomes look appropriate; that executives should not be insulated where other stakeholders are not; and that the wider stakeholder experience must be considered.

Various complex questions have emerged from companies as to whether certain adjustments to pay arrangements are acceptable to investors. We strongly argued that these complexities demonstrate the flaws of current models, which cannot account for all eventualities, and that they should consider switching to simpler models such as long-term restricted stock. We also said that boards should exercise restraint and focus on the long term, rather than fiddling with details of pay schemes to ensure executives receive certain levels of pay.

The IA is likely to produce some updates to its guidance later in the year, to which we will continue to contribute. There was general agreement that some companies may be underestimating the reputational risks of making the wrong decisions on executive pay, particularly in view of rising unemployment and the public recognition of the value of 'key workers' who are often low paid.

We discussed the various steps taken by companies in response to the coronavirus.

Voting

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.

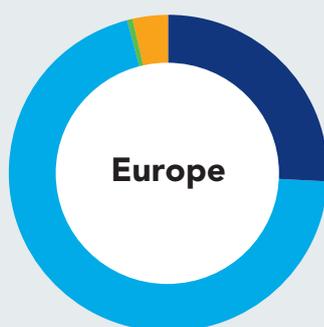
Voting overview

Over the last quarter we made voting recommendations at 6,365 meetings (78,762 resolutions). At 4,036 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 282 meetings and abstaining at 40 meetings. We supported management on all resolutions at the remaining 2,007 meetings.



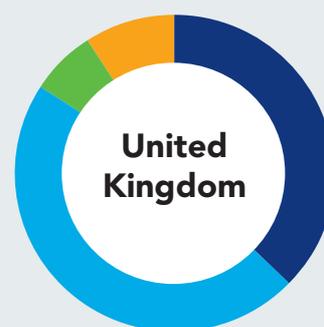
We made voting recommendations at **6,365** meetings (**78,762** resolutions) over the last quarter.

- Total meetings in favour **31.5%**
- Meetings against (or against AND abstain) **63.4%**
- Meetings abstained **0.6%**
- Meetings with management by exception **4.4%**



We made voting recommendations at **887** meetings (**15,118** resolutions) over the last quarter.

- Total meetings in favour **25.9%**
- Meetings against (or against AND abstain) **70.1%**
- Meetings abstained **0.6%**
- Meetings with management by exception **3.4%**



We made voting recommendations at **347** meetings (**5,894** resolutions) over the last quarter.

- Total meetings in favour **37.5%**
- Meetings against (or against AND abstain) **46.7%**
- Meetings abstained **6.9%**
- Meetings with management by exception **8.9%**



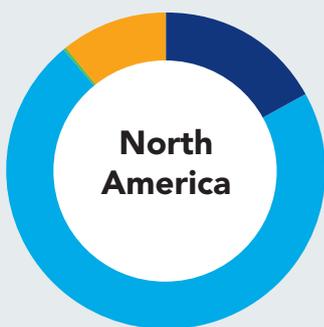
We made voting recommendations at **2,101** meetings (**24,987** resolutions) over the last quarter.

- Total meetings in favour **39.9%**
- Meetings against (or against AND abstain) **58.6%**
- Meetings abstained **0.4%**
- Meetings with management by exception **1.1%**



We made voting recommendations at **1,244** meetings (**12,901** resolutions) over the last quarter.

- Total meetings in favour **39.9%**
- Meetings against (or against AND abstain) **59.0%**
- Meetings with management by exception **1.1%**



We made voting recommendations at **1,740** meetings (**19,587** resolutions) over the last quarter.

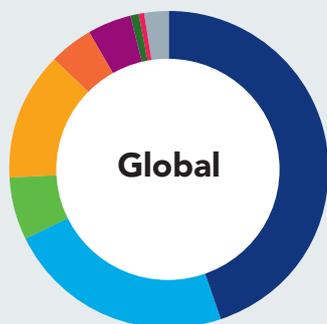
- Total meetings in favour **17.1%**
- Meetings against (or against AND abstain) **72.2%**
- Meetings abstained **0.1%**
- Meetings with management by exception **10.6%**



We made voting recommendations at **46** meetings (**275** resolutions) over the last quarter.

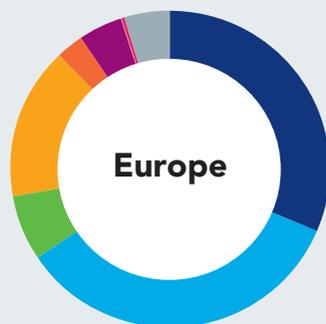
- Total meetings in favour **32.6%**
- Meetings against (or against AND abstain) **67.4%**

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



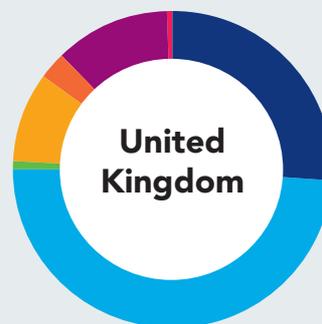
We recommended voting against or abstaining on **12,237** resolutions over the last quarter.

- Board structure **44.9%**
- Remuneration **23.1%**
- Shareholder resolution **6.3%**
- Capital structure and dividends **13.2%**
- Amend Articles **4.4%**
- Audit and Accounts **4.4%**
- Investment/MandA **0.8%**
- Poison Pill/Anti-Takeover Device **0.4%**
- Other **2.5%**



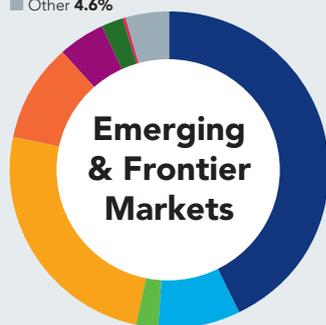
We recommended voting against or abstaining on **2,394** resolutions over the last quarter.

- Board structure **31.5%**
- Remuneration **34.2%**
- Shareholder resolution **6.6%**
- Capital structure and dividends **15.6%**
- Amend Articles **2.8%**
- Audit and Accounts **4.4%**
- Poison Pill/Anti-Takeover Device **0.3%**
- Other **4.6%**



We recommended voting against or abstaining on **397** resolutions over the last quarter.

- Board structure **26.4%**
- Remuneration **48.9%**
- Shareholder resolution **0.8%**
- Capital structure and dividends **9.1%**
- Amend Articles **2.8%**
- Audit and Accounts **11.8%**
- Poison Pill/Anti-Takeover Device **0.3%**



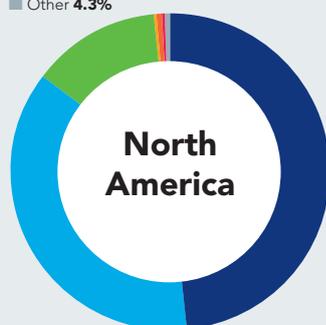
We recommended voting against or abstaining on **4,073** resolutions over the last quarter.

- Board structure **42.9%**
- Remuneration **8.4%**
- Shareholder resolution **2.3%**
- Capital structure and dividends **25.1%**
- Amend Articles **10.1%**
- Audit and Accounts **4.6%**
- Investment/MandA **2.3%**
- Poison Pill/Anti-Takeover Device **0.1%**
- Other **4.3%**



We recommended voting against or abstaining on **1,757** resolutions over the last quarter.

- Board structure **66.5%**
- Remuneration **6.1%**
- Shareholder resolution **2.2%**
- Capital structure and dividends **10.3%**
- Amend Articles **1.7%**
- Audit and Accounts **11.3%**
- Poison Pill/Anti-Takeover Device **1.8%**



We recommended voting against or abstaining on **3,537** resolutions over the last quarter.

- Board structure **48.5%**
- Remuneration **37.1%**
- Shareholder resolution **13.1%**
- Capital structure and dividends **0.1%**
- Amend Articles **0.6%**
- Audit and Accounts **0.1%**
- Poison Pill/Anti-Takeover Device **0.1%**
- Other **0.5%**



We recommended voting against or abstaining on **79** resolutions over the last quarter.

- Board structure **7.6%**
- Remuneration **64.6%**
- Shareholder resolution **20.3%**
- Capital structure and dividends **7.6%**

About EOS

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.



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\$1.06 trillion as of 31 March 2020. 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.

Engagements in this report

All of our engagements are subject to a rigorous initial assessment and ongoing review process to ensure that we focus our efforts where they can add most value for our clients. While we can be robust in our dealings with companies, the aim is to deliver value for clients, not to seek headlines through campaigns which could undermine the trust that would otherwise exist between a company and its owners. We are honest and open with companies about the nature of our discussions and aim to keep these private.

Not only has this proven to be the most effective way to bring about change, it also provides protection to our clients so that their positions will not be misrepresented in the media.

For these reasons, this public report contains few specific details of our interactions with companies. Instead, it explains some of the most important issues relevant to responsible owners and outlines our activities in these areas.

EOS team

Engagement



Dr Hans-Christoph Hirt
Executive Director,
Head of EOS



Joanne Beatty
Sectors: Transportation,
Consumer Goods,
Industrial & Capital Goods



Dr Emma Berntman
Sectors: Retail,
Pharmaceuticals
& Healthcare



Roland Bosch
Sector lead: Financial
Services



Hanah Chang
Themes: Climate Change,
Natural Resource
Stewardship



Dr Christine Chow
Team lead:
Greater China
Sector lead: Technology



George Clark
Voting and Engagement
Support



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Sectors: Retail, Financial
Services, Pharmaceuticals
& Healthcare



Bruce Duguid
Executive Director, Head
of Stewardship, EOS



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Pharmaceuticals &
Healthcare,
Technology Software



Claire Gavini
Sector: Consumer Goods



Gage Giunta
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Industrial & Capital Goods



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Oil & Gas, Technology



Tim Goodman
Sectors: Oil & Gas,
Technology Software



Jaime Gornsztejn
Team lead: Emerging
Markets (ex-China)
Sector lead: Industrials &
Capital Goods



Bram Houtenbos
Voting and Engagement
Support



Laura Jernegan
Sectors: Retail, Financial
Services, Oil & Gas



Andy Jones
Team lead: Continental
Europe; Sector lead:
Mining & Materials



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Financial Services,
Consumer Goods



Pauline Lecoursonnois
Sector lead: Consumer
Goods



Kimberley Lewis
Sector lead:
Pharmaceuticals
& Healthcare



Sonya Likhman
Sectors: Retail, Mining &
Materials, Pharmaceuticals
& Healthcare



Claire Milhench
Communications
& Content



Ian Munroe
Voting and Engagement
Support



James O'Halloran
Director of Business
Management, EOS



Nick Pelosi
Sectors: Financial Services,
Industrial & Capital
Goods, Mining &
Materials, Utilities



Marija Rompani
Sector lead: Chemicals



Hannah Shoemith
Sectors: Transportation,
Retail, Financial Services,
Technology



Nick Spooner
Sector lead: Oil & Gas,
Utilities



Sachi Suzuki
Team lead: Emerging
Markets (ex-China)
Sector lead:
Transportation



Sarah Swartz
Sectors: Consumer
Goods, Retail,
Pharmaceuticals &
Healthcare, Utilities



Velika Talyarkhan
Sectors: Consumer Goods,
Retail, Industrial & Capital
Goods, Transportation,
Utilities



Marcus Wilert
Sectors: Transportation,
Retail, Financial Services,
Technology



Amy Wilson
Team lead: UK and
Australia
Sector lead: Retail



Janet Wong
Sectors: Financial Services,
Technology



Haonan Wu
Themes: Conduct, Culture
& Ethics, Human Rights



Tim Youmans
Team lead: North America
Sectors: Financial Services,
Industrials & Capital Goods,
Technology

Client Service and Business Development



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



Marwa Curran
Client Service



Alexandra Danielsson
Client Service



Rochelle Giugni
Client Service and
Business
Development



Charlotte Judge
Communications
& Marketing



Alice Musto
Client Service

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:



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