Public Engagement Report



MADE IN CHINA
Four big engagement themes from the Five-Year Plan

Seeking adaptations for physical climate risk

Key voting season trends from Asia and emerging markets

Q3 2026

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Welcome to our Public Engagement Report for Q3 2026. In our cover feature this quarter, Kenny Tsang and Xinyu Pei identify some of the key aspects of China's latest Five-Year Plan and explain how this will inform our engagement activity.

The reach of this plan extends well beyond China's borders, given the country's outsized role in the global economy with its influence on technology, supply chains and energy consumption. For us, the five-year planning cycle offers a useful lens for assessing how durable China's commitments are likely to be.

In our second feature, Hannah Heuser reflects on rising economic losses as climate impacts intensify. The four record-breaking heatwaves of the European summer exposed how unprepared its cities, schools, homes, railways and workplaces are for a rapidly changing climate. In her article, she explains how climate adaptation requires co-ordinated action as systemic physical risk cannot be addressed at the individual asset level.

Finally, Shoa Hirosato highlights some of the key trends from the voting season across Asia and global emerging markets. These include improvements in board independence and gender representation, progress in South Korea in the wake of reforms, and record numbers of governance proposals in Japan.



Claire Milhench
Assistant Vice President – Senior Content Creation Manager

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China's next big transition

China has adopted its 15th Five-Year Plan, providing a structural backbone for the economy and society until 2030 as it manages the energy transition. Xinyu Pei and Kenny Tsang explain how this will inform our engagement across key themes such as climate, AI and critical minerals.

Setting the scene

Once every five years, China sets out a blueprint to guide its economic and social development for the next half-decade. The reach of this plan extends well beyond its borders, given the country's outsized role in the global economy, with its influence on technology, supply chains and energy consumption. We use the Five-Year Plan to inform our public policy advocacy and engagement priorities across greater China. Our work has never taken place in isolation from this regulatory and policy landscape, and the five-year planning cycle offers a useful lens for assessing how durable China's commitments are likely to be.

For further information, please contact:



Kenny Tsang
Themes: Climate Change, Human and Labour Rights



Xinyu Pei
Themes: Climate Change, Circular Economy & Pollution

In recent years, we have seen a retreat from sustainability-related targets and ambitions in certain markets. But China has continued to issue national targets and policy updates to support its longer-term development goals. It reached its latest milestone in March 2026, when the National People's Congress adopted the 15th Five-Year Plan (FYP) 2026-2030, covering areas such as climate, nature, AI and capital markets.[1]

China's relevance to global portfolios has broadened beyond its position as the world's largest manufacturing hub. In addition to producing low-cost consumer products to export, it is a leader in renewable energy products such as solar panels, solar cells, wind components and EV batteries. Despite this, it remains the world's biggest carbon emitter[2] by some margin, with its heavy reliance on coal[3] and energy intensive industries such as cement, chemicals and metals.[4]

China is still building coal-fired power plants, with applications for new plants hitting a record high in 2025 as developers rushed to gain approval before an expected tightening in climate policy.[5] This came in November 2025, when China submitted its nationally determined contribution (NDC) under the Paris Agreement, aiming to cut net greenhouse gas emissions by 7%-10% from peak levels by 2035.[6] This was the first time that China had committed to an absolute, economy-wide reduction in greenhouse gas emissions, rather than an intensity-based target alone.

Climate goals and carbon neutrality

The 15th FYP targets a 17% reduction in carbon intensity over the period,[7] and introduces a carbon governance framework, including project carbon assessments and product carbon footprint standards. Our engagement discussions with Chinese oil and gas companies suggest that policymakers are trying to manage climate ambitions and energy security, which are sometimes in conflict. Disruptions to the global oil and gas markets caused by Western sanctions on Russian oil companies, the US ousting of president Nicolás Maduro in Venezuela, and Iran's blockade of the Strait of Hormuz, have heightened concerns over China's dependence on fuel imports, and its supply chain resilience.[8,9]

Greater use of recycled materials can help to reduce a company's reliance on virgin raw materials, potentially mitigating its exposure to commodity price volatility, supply chain disruptions and resource scarcity.

In response, coal has been repositioned by central government as a "transitional" fuel to ensure energy system stability, while renewables, energy storage and transmission infrastructure scale up. The continued coal expansion is a red flag for many responsible investors, but the 15th FYP indicates support for renewable energy, energy storage, grid modernisation and electrification.

It also calls for strengthened monitoring and control of methane emissions. This builds on China's 2023 Methane Emission Control Action Plan,[10] which targeted the energy, agriculture and waste sectors. The plan included methane monitoring, reporting and verification, improved methane management in oil and gas operations, and reductions in agricultural methane intensity.[11]

This provides a supportive policy backdrop for our engagement with Chinese companies on emissions, climate resilience and transition planning. In 2024, we won the International Corporate Governance Network (ICGN) Excellence in Stewardship Award for our pioneering systemic engagement approach to reducing methane emissions.[12] In China, we see methane engagement opportunities across oil and gas, utilities and agriculture. For example, our engagement with Beijing Enterprises Holdings preceded changes at the company on methane target setting and detection.

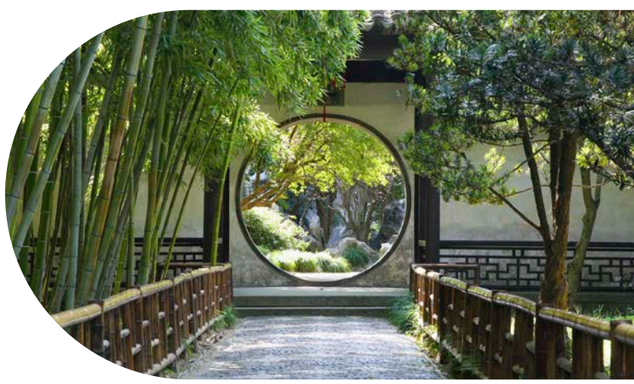
Improved methane management can be financially material for companies. Methane is both a potent greenhouse gas and a fuel. Reducing leaks can therefore improve operational efficiency and preserve revenue, while strengthening companies' preparedness for tightening regulations, disclosure requirements and carbon pricing mechanisms. As China develops its carbon governance framework and expands climate-related reporting expectations, companies that proactively address methane emissions may be better positioned to manage transition risks, maintain access to capital and enhance long-term shareholder value.

Circularity

The circular economy has become a standalone national priority for the first time under the FYP. In July 2026, China's National Development and Reform Commission (NDRC) published a plan to improve recycling and resource efficiency, with the goal of building a world-leading circular economy by 2035.

The plan is closely linked to China's major clean energy industries, where much infrastructure is now reaching the end of its first lifecycle. Earlier policies encouraged the recycling of used batteries, solar panels and wind-turbine components. For end-of-life EV recycling, regulatory priorities include mandatory battery traceability, extended producer responsibility, and vehicle scrappage requirements. We have discussed this with Chinese car manufacturers such as BYD and Geely.

From a financial materiality perspective, circularity is increasingly linked to long-term business resilience. Greater use of recycled materials can help to reduce a company's reliance on virgin raw materials, potentially mitigating its exposure to commodity price volatility, supply chain disruptions and resource scarcity. As competition for critical minerals intensifies, companies with robust recycling and resource recovery capabilities may be better positioned to manage input costs, strengthening supply security and supporting long-term value creation.



1 China's 15th Five-Year Plan
2 https://www.worldometers.info/co2-emissions/co2-emissions-by-country/
3 https://interactive.carbonbrief.org/the-carbon-brief-profile-china/index.html#fossil-fuels
4 https://climateactiontracker.org/countries/china/
5 https://www.carbonbrief.org/rush-for-new-coal-in-china-hits-record-high-in-2025-as-climate-deadline-looms
6 Xi announces China's 2035 Nationally Determined Contributions to beef up climate response
7 China issues action plan for carbon peaking during 15th Five-Year Plan period
8 https://www.energypolicy.columbia.edu/where-china-gets-its-oil-crude-imports-in-2025-reveal-stockpiling-and-changing-fortunes-of-certain-suppliers-including-those-sanctioned/
9 https://www.visualcapitalist.com/mapped-where-china-gets-its-oil/
10 China releases methane emission control action plan - Global Times
11 The Methane Mitigation Opportunities in China's 15th Five-Year Plan for Building a New Energy System - Institute For Governance & Sustainable Development
12 2024 Achievement Awards Awardees | ICGN



AI, datacentres and workforce impacts

The 15th FYP elevates AI development to a national strategic priority alongside biotechnology, quantum science and new energy. It identifies three pillars: infrastructure, such as computing power, algorithms/models and data supply; the deployment of applications across industries; and risk management and governance. The latter includes stronger laws and ethics rules, algorithm registration and transparency requirements, full lifecycle risk management, and new liability rules for AI-generated content.

In early 2026, China introduced trial measures to shift AI ethics from a voluntary practice to a compliance requirement. Companies using AI had to establish an ethics committee and oversee key AI risks. These priorities aligned closely with our EOS Digital Governance Principles,[13] which cover the environmental footprint of AI datacentres, ethical AI and risk governance, the impact of AI on the workforce, and data privacy and security concerns.

We have engaged with Baidu on AI governance and digital rights since 2019, when we first encouraged it to develop and publish principles on how it uses AI and addresses ethical concerns. Baidu established a technology ethics committee in November 2023 and published its AI ethics measures in August 2024. We suggested to Baidu that it could also define explicit no-go areas, meaning AI use cases it considers too high-risk to pursue. With Tencent, we have asked for evidence of risk governance in practice. The company cited an AI-based filtering system that vets new products and features before launch.

We continue to seek oversight by a dedicated child-safety function rather than general AI governance structures. With child online safety regulations from China,[14] the UK,[15] the EU,[16] and Australia[17] in place, and others in the pipeline, robust AI governance is increasingly significant for companies. Weak governance can expose companies to higher compliance costs, product delays, legal liabilities, regulatory sanctions and reputational damage, while failures in privacy, safety or content oversight can undermine user trust and platform growth. Conversely, robust AI governance can help companies manage operational and regulatory risks, support responsible innovation, strengthen customer and stakeholder confidence, and protect long-term shareholder value.

In 2024, China's Ministry of Industry and Information Technology, the NDRC, and two other central bureaux jointly issued an action plan for the green development of datacentres. This required datacentres to increase their share of renewable energy use by 10% year-on-year. We engage with Chinese technology companies on the environmental footprint of AI datacentres, seeking clearer disclosure on energy, water and carbon. Improvements in energy efficiency and renewable energy procurement may help companies manage operating costs, respond to evolving regulations and support the long-term resilience of their digital infrastructure.

For example, we have encouraged Tencent to extend its renewable energy commitments and zero-waste certification to its leased facilities as well as its own datacentres. Tencent said it is sharing learnings from owned to leased sites, while also disclosing a growing reliance on offsets. We have engaged with Alibaba, encouraging it to clarify its definition of clean electricity given the inclusion of nuclear power, and to embed energy-intensity awareness at the model, hardware and firm level. Alibaba cited its Qwen large language model family as evidence of progress, noting that newer versions match or exceed prior performance using a fraction of the training compute.

The FYP also recognises the social risks of the AI transition, chiefly labour market disruption, seeking a coordinated policy response. We ask companies to demonstrate how they are managing the impacts of AI on their own workforce and wider society. For example, we asked Tencent whether AI adoption was leading to redundancies. The company cited redeployment into higher-value work rather than job losses.

With Baidu, we have discussed the wider societal impacts of its Apollo driverless taxi service since 2024. We have since encouraged the company to disclose its upskilling initiatives for its own employees and wider society. In 2025, it enhanced its disclosure on a just transition, but we are seeking more details about talent management, anticipated skillset changes, and how hiring and retraining strategies will adapt.



[13] EOS Digital Governance Principles
[14] China releases regulations to protect minors in cyberspace
[15] Online Safety Act - GOV.UK
[16] The Digital Services Act | Shaping Europe's digital future
[17] Online Safety Act 2021 - Federal Register of Legislation

Critical minerals

Surging demand for electric vehicles, energy storage, AI and datacentres is fuelling a global scramble for critical minerals. China dominates critical minerals processing, and the 15th FYP emphasises critical minerals as an enabler of economic security, advanced manufacturing, the energy transition and technological self-reliance.

Priorities include strengthening China's mineral supply chain security, enhancing the development and use of strategic mineral resources, maintaining its competitive advantage in rare earths and other critical materials, and supporting related industries. This provides a supportive policy backdrop for our stewardship efforts on responsible sourcing, supply chain labour rights due diligence and supply chain transparency.

We have engaged on critical minerals from a human rights perspective since 2017, initially focusing on responsible cobalt sourcing. Since then, we have developed our dialogue with companies in the technology hardware and equipment, transportation and mining sectors.

For example, in our engagement with Hon Hai Precision Industry (Foxconn), we encouraged the company to strengthen its disclosure on how it identifies Conflict-Affected and High-Risk Areas (CAHRAs), including the criteria and tools used to trigger enhanced due diligence. We also highlighted the importance of clear board and executive oversight of critical minerals risks, supported by robust governance and accountability frameworks.

In our engagement with EV manufacturer BYD, we have sought greater transparency on supply chain management and human rights risk management, even before the alleged forced labour incidents in Brazil[18] and Hungary.[19] Our discussions focused on the traceability of vehicle components, including for batteries, the identification of suppliers and sub-suppliers operating in high-risk regions, labour rights auditing practices, and approaches to remediation where issues were identified.

Responsible sourcing of critical minerals is increasingly financially material for companies and investors. Weak supply chain oversight can expose companies to operational disruptions, regulatory investigations, legal liabilities and reputational damage, as governments and customers place greater emphasis on human rights due diligence in the critical minerals supply chain. Conversely, stronger supply chain governance and traceability may help companies maintain market access, strengthen customer relationships and enhance the resilience of their supply chains, supporting long-term value creation.

Corporate governance reforms



Chinese regulators have sought to align listed companies' governance and disclosure practices with the broader sustainability agenda. This has gained momentum in the wake of other reforms across Asia and is cemented in the FYP.

While China's 15th FYP does not adopt a shareholder-centric governance model in the Western sense, it places greater emphasis on governance structures, transparency, accountability and regulatory oversight. But engagement on governance in China still requires an approach that reflects local market characteristics.

For example, independent directors for state-owned enterprises operate within a distinct governance framework. Currently, they are evaluated against performance indicators established at the government level. The China Association for Public Companies (CAPCO) provides training for these directors and promotes governance standards with KPIs. Independent directors are now increasingly expected to provide constructive challenge to management, and to seek external assessments where internal reviews may not fully reflect underlying risks or governance concerns.

Overall, given the limited use of shareholder proposals in China, we focus on company and public policy engagements to strengthen board effectiveness through greater board and committee independence, increased board representation and separation of the chair and CEO roles.

Outlook

The 15th FYP signposts the policy priorities likely to influence company behaviour, capital allocation and regulatory developments in China over the next five years. Many of the plan's themes, including climate change and the energy transition, critical minerals and AI governance, are already reflected in our engagement programme. While the extent and pace of implementation may vary, the plan sends a strong policy signal for companies and stakeholders to advance these agendas. We will engage with companies, regulators and industry bodies to encourage stronger governance, greater transparency and more effective management of related risks and opportunities.

[18] https://www.bbc.co.uk/news/articles/c3v5n7w55kpo
[19] https://www.theguardian.com/global-development/2026/may/12/china-first-electric-car-plant-europe-allegations-worker-abuse



Adapting to a changing climate

As climate impacts intensify, economic adaptation measures must keep pace. Hannah Heuser explains how physical risks are proliferating across supply chains, key infrastructure and financial systems, and how unlocking climate adaptation opportunities will require co-ordinated action.

Setting the scene

Europe's blisteringly hot summer of 2026 exposed how unprepared its cities, schools, homes, railways and workplaces are for a rapidly heating world. At least 35,000 excess deaths were recorded during Europe's four record-breaking heatwaves, with the final death toll expected to be far higher.[1] To date, governments and companies have focused mainly on climate adaptation for flooding, but heat presents its own intractable challenges.

Crops fail, workplace productivity losses climb, hospitals and electricity grids are overwhelmed, and wildfires threaten homes and businesses. Supply chains come under strain as rail tracks buckle and overhead wires sag in the heat, while river levels drop. How can companies, investors, governments and banks work together to finance the adaptations that economies need to be resilient, productive and better insulated from climate-related losses?

For further information, please contact:



Hannah Heuser
Theme: Climate Change

Build a flood barrier, harden a substation, reinforce a warehouse, update business continuity plans. For much of the past decade, climate resilience has been treated as a technical problem to be optimised at the edge of the balance sheet, seeking to avoid the worst direct business interruptions from extreme weather events. But with current climate trajectories implying average global warming of around 2.6°C[2] this century, such extreme events are no longer rare disruptions.

The intense northern hemisphere summer has exposed the limitations of treating adaptation as a company-by-company exercise. Individual businesses can and should protect the assets they own. Yet many of the most material vulnerabilities now sit in the systems they rely on but do not control – agricultural landscapes, transport corridors, river basins, power networks, ports, and the communities that keep value chains functioning.

Take a supermarket – its biggest vulnerability to climate change is not whether its car parks will flood, but whether its shelves are empty when agricultural supply chains are upended by chronic adverse weather events. Recent UK cucumber shortages offered a visible example of this dynamic, as extreme heat affected supply from key growing regions.[3] Europe's record June 2026 heatwave is estimated to have destroyed around nine million tonnes of grain and cost farmers €2bn in lost revenue, contributing to the smallest expected EU and UK grain harvest since 2018.[4]

Over time, production may shift to new regions and farmers can adapt by changing crop varieties, planting dates and farming practices. However, these adjustments have limits. Research suggests these measures may offset only around a third of climate-related yield losses by the end of the century.[5]

Agriculture has always been exposed to weather variability, but the scale and trajectory of losses are becoming more material. Adverse weather already causes more than €28bn of estimated losses each year across EU agriculture, equivalent to around 6% of annual crop and livestock production.[6] Worsening climate change could increase average annual crop losses by as much as 66% by 2050 without stronger action.[7] Only 20-30% of climate-related farm losses are insured.[8] The implications extend beyond agriculture. Losses at the farm level can cascade into food prices, input costs, retailer margins, trade balances and political stability.

The blind spot in current resilience strategies

Two key questions arise – who pays for value chain resilience? And how can investors and companies capture the value creation opportunities from addressing systemic physical risks?

Most resilience strategies still begin with what companies own or directly finance. Flood maps focus on factories. Heat models focus on warehouses and offices. Yet the most consequential vulnerabilities will increasingly manifest between assets, within shared systems that underpin economic activity.

For investors, this creates a parallel problem. Exposure is no longer defined simply by portfolio composition. Systemic physical risk, unlike idiosyncratic risks, cannot be easily diversified away when multiple holdings depend on the same climate-exposed systems. A food retailer, a logistics company, a utility, a bank and an insurer may sit in different sectors, but share exposure to the same drought-prone agricultural region, flood-exposed transport corridor or stressed power grid. The result is a rising correlation of losses across sectors and geographies – precisely the problem that financial markets are least equipped to absorb.

The trend in insured catastrophe losses is upward, even if individual years fluctuate. Swiss Re estimates that such losses have grown at around 5-7% a year in real terms since 1996.[9] On that trajectory, insured losses could reach around US$186bn by 2030, with much higher outcomes possible in peak-loss years.[10] The significance lies less in the size of any single year's number and more in how these costs are transmitted. Damage in one area triggers losses across many others.



Agriculture has always been exposed to weather variability, but the scale and trajectory of losses are becoming more material.

When protection gaps become credit gaps

Insurance is an early-warning system for where adaptation is falling behind. As climate and nature-related losses increase, traditional insurance systems are being stretched beyond their design limits. Climate change is altering the frequency, severity and correlation of hazards in ways that historical models were not designed to capture. In some markets, this makes risk harder to price. In others, rising losses are pushing premiums higher, reducing coverage or prompting insurers to retreat from the most exposed areas altogether. California offers a warning signal, with several major home insurers reducing or halting new underwriting as wildfire risk has intensified.[11]

The result is a widening protection gap – a growing share of losses that are uninsured or only partly insured. Swiss Re estimates that almost three quarters of global natural catastrophe exposure remains uninsured.[12] These uninsured losses are ultimately absorbed by households, companies, farmers, governments and lenders. This affects company performance through reduced economic activity and higher societal cost burdens, ultimately impacting investors' underlying portfolios, reducing returns on investment.

As assets become harder to insure, they also become harder to finance. Lenders rely on insurance to protect collateral and manage downside risk. When coverage is withdrawn or becomes prohibitively expensive, credit conditions tighten, valuations adjust, and capital retreats, often from the regions that most need the investment to adapt.

Regulatory frameworks can reinforce this dynamic. Higher capital requirements for uninsured exposures increase the cost of lending and redirect capital elsewhere. What begins as a physical climate shock can translate into a credit shock, with real-economy consequences.

1 At least 35,000 excess deaths recorded in Europe's back-to-back heatwaves | Extreme heat | The Guardian
2 https://climateactiontracker.org/documents/1417/CAT_2025-11-13_GlobalUpdate_COP30_0Q7kE2L.pdf
3 Heatwaves across Europe cause cucumber shortage and empty shelves
4 Food price fears after Europe's heatwave destroys estimated €2bn of crops | Farming | The Guardian
5 Impacts of climate change on global agriculture accounting for adaptation | Nature
6 https://www.fi-compass.eu/sites/default/files/publications/EAFRD_AGRI_Insurance_Risk_MA.pdf
7 Ibid
8 European agriculture faces growing climate risks that EU can help counter, new study finds
9 Nat Cat sigma 1/2026 | Swiss Re
10 Ibid
11 California's home insurance crisis spreads beyond wildfire country | Stanford Report
12 Natural catastrophes | Swiss Re

Adaptation as an economic opportunity

Adaptation is too often framed as a defensive cost. However, it can also be seen as a largely untapped economic opportunity. As physical risks rise, demand will grow for resilient infrastructure, climate analytics, redesigned insurance products, and investment vehicles focused on preventing losses rather than repeatedly financing recovery.

The problem is not a lack of need, but misaligned incentives. Many of the most effective adaptation measures deliver benefits across entire regions and value chains. No single company can justify the cost, even though many depend on the outcome. This leads to chronic underinvestment in the interventions needed to reduce systemic risk.

The scale of unmet need is substantial. The UN Environment Programme (UNEP) estimates the adaptation finance gap at US$187bn-$359bn a year, compared with international public adaptation finance flows to developing countries of US$26bn in 2023.[13] Even achieving the COP26 Glasgow goal of doubling adaptation finance would close only around 5% of the gap. While institutional investors may have capital available, many adaptation opportunities remain unattractive, given that they are too small, too fragmented or unprofitable.

Those companies and investors who can solve this conundrum will reap the dividends from accessing such opportunities. Food producers, for example, can support resilience in sourcing regions through supply-chain finance mechanisms that enable regenerative agriculture, water efficiency or soil-health improvements. Insurers and investors can help by structuring products that reward risk reduction before losses occur, rather than repricing risk after the fact.

Such innovation has some way to go, but public policies will be critical in accessing the greatest economic opportunities. Blended finance instruments, mutual structures, risk-sharing mechanisms and public-private partnerships can help to make systemic resilience measures investable. This would allow insurers, companies and public authorities to co-invest in interventions that can reduce losses across an entire value chain or region.

Why nature matters

Degraded natural ecosystems amplify physical risks – unhealthy soils fail to retain water, deforestation worsens flooding, damage to coral reefs increases storm surges.

Conversely, nature-based adaptation can act as resilience infrastructure, with wetlands that attenuate floods, restored catchments that stabilise water flows, healthier soils that hold moisture through drought, and coastal ecosystems that buffer storm surges. These benefits are undervalued because they do not always appear cleanly in financial statements or underwriting models, making them a potentially overlooked source of future value creation. That makes nature one of the largest opportunities in adaptation, and one of the hardest to finance at scale.

The opportunity lies in making these system-level benefits visible and investable. If companies, insurers, lenders and public authorities can identify who benefits from reduced losses, improved productivity or lower credit, they can begin to structure financing models that reward prevention.

What must change to scale systemic adaptation

Moving from isolated resilience measures to value-chain resilience requires a fundamental shift in how responsibility and adaptation investment structures are understood. Treating adaptation as an individual corporate responsibility almost guarantees underinvestment in shared systems, particularly as disruptions become more frequent and costly.

We saw this in the discussions we convened at the 2026 London Climate Action Week, which brought together senior executives from banks, insurers and reinsurers, institutional investors, and policy experts, including the UK government. Who pays for systemic adaptation and resilience – and how – was the key question.

The discussion reinforced the need for policy and investment mechanisms that can match the shared nature of the benefits. Blended finance, mutual approaches and aggregation models all have a role to play, but they need clearer policy direction, stronger incentives and credible pipelines of resilience projects to scale.



Nature-based adaptation can act as resilience infrastructure, with wetlands that attenuate floods and coastal ecosystems that buffer storm surges.

Acknowledging these market challenges and policy challenges, we engaged with European policymakers on the European Commission's emerging resilience framework. We emphasised that the focus must extend beyond local hazards and individual assets to systemic and cascading risks that spread through food, water, energy, transport, insurance and financial systems.

We advocated for clearer frameworks for risk ownership, stronger incentives for resilience-by-design, and financing structures that can crowd in investment for measures whose benefits are shared across regions and value chains. It also means recognising climate adaptation – particularly measures that strengthen natural and physical systems as core economic infrastructure – as essential for productivity, insurability and long-term stability.

These discussions point to the same conclusion – companies cannot build value-chain resilience alone, investors cannot diversify away systemic physical risk, and policymakers cannot expect adaptation to scale without stronger public-private coordination. Unlocking adaptation opportunities will depend on aligning policy, finance and corporate action around systemic resilience.

[13] Adaptation Gap Report 2025 | UNEP - UN Environment Programme



We emphasised that the focus must extend beyond local hazards and individual assets to systemic and cascading risks that spread through food, water, energy, transport, insurance and financial systems.

Bridging the finance gap

Financial institutions could move beyond observing and pricing risk. Banks, insurers and investors are uniquely positioned to shape outcomes not only by directing capital towards activities that reduce systemic exposure, but also through active engagement with the companies, sectors and systems they finance. Stewardship, lending conditions and underwriting relationships can influence how resilience is planned and delivered across value chains. This means innovating and developing financing and insurance approaches that prioritise prevention and long-term stability, rather than merely repricing risk once losses have occurred. When finance operates in this way, it becomes a driver of adaptation rather than a late-stage responder to failure.

This is also how we are approaching systemic stewardship in practice. We are engaging individual actors whose decisions shape the resilience of wider systems, while recognising that no single company can solve the challenge alone. At UK supermarket chain Tesco, we have engaged on the integration of climate and nature-related risks into enterprise risk management, particularly where these risks affect security of supply. With Zurich Insurance, we have encouraged a move from asset-level risk assessments towards a more systemic-level approach to adaptation, including solutions that enhance value-chain resilience, unlock capital through partnerships and reduce protection gaps across markets. And at Australia & New Zealand Banking Group, we are engaging on how physical climate risks are integrated into mortgage and agribusiness loan-book analysis, and how these risks inform collateral assessment, loan pricing and credit decisions. The aim is to ensure that finance supports resilience in exposed sectors and regions, rather than simply withdrawing as risks become harder to insure or price.

The cost of physical climate impacts will rise. The choice is whether societies continue to pay repeatedly for disruption, or invest in resilience. When policy frameworks, financial incentives and corporate action reinforce each other, adaptation shifts from a fragmented reactive effort to a co-ordinated economic strategy for long-term stability. In a world where climate impacts are transmitted through interconnected systems, resilience can only be built collectively – or not at all.



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Key voting season trends from Asia and the emerging markets



Shoa Hirosato
Themes: Corporate Governance, Natural Resources Stewardship

In the first half of 2026, we implemented our clients' vote policies at around 4,300 meetings across Asia and global emerging markets (GEMs), versus 4,600 in H1 2025. Our clients' policies resulted in votes against management at 63% of meetings, broadly consistent with 62% in H1 2025.

We noted improvements in gender representation on boards in China and Japan, where regulatory changes are spurring momentum. We have engaged with companies in both markets, encouraging internal promotion of senior-level female executives, to cultivate a broader pipeline of future female directors.

In South Korea, we assessed the way that companies amended their articles to incorporate changes to the commercial code, as some tried to defeat the purpose of the reforms through defensive measures. Activist investors continued to target South Korea and Japan with proposals to improve governance, shareholder value and capital efficiency.

Board independence

Independence thresholds in our clients' policies rose in several Asian and emerging markets in 2026, reflecting the notable improvements in board independence we have seen in recent years. This led to an increase in the percentage of meetings with a vote against management on independence grounds, to 24.5% in 2026, from around 22.5% in 2025. The impact was most pronounced where our clients' policy thresholds tightened, such as in Thailand and Malaysia, where board independence thresholds increased from 33% to 50%.



To reflect the recent updates in Japan's corporate governance code, our clients' policies were updated for companies with a parent company or controlling shareholder, requiring a higher proportion of independent directors. Votes against were applied for this reason at online retailer Zozo and Rakuten Bank. We provided feedback to Japan's Financial Services Agency and the Tokyo Stock Exchange during consultation phases on the corporate governance code revisions, advocating for greater board independence.

> **Across markets, we want to see directors showing genuinely independent behaviour, not just meeting the criteria for independence on paper.**

We also observed improvements in board independence levels in Brazil and Mexico, which meant a lower percentage of meetings with votes against for this reason.

Across markets, we want to see directors showing genuinely independent behaviour, not just meeting the criteria for independence on paper. This is especially important in India given the high proportion of companies led by controlling shareholders (known as promoters in India). At government-owned Oil & Natural Gas Corp, we applied a vote against a non-independent member of the nomination committee in line with our clients' policies. This was due to concerns about the low level of independence on the board, amongst other factors.

Board diversity

Board gender representation remains a stewardship priority, as diverse boards can strengthen long-term board effectiveness. Many of these markets lag developed markets due to cultural factors that have constrained the talent pool for female directors. Our clients' policy thresholds were unchanged between 2025 and 2026, allowing companies time to improve. The percentage of meetings with a vote against management on gender diversity grounds fell slightly across all Asia GEMs markets to around 22% in 2026 from around 23% in 2025.

In Japan, which we still consider a laggard in this area, regulatory efforts are driving positive momentum. A government target for 30% senior female representation by 2030, supported by the Tokyo Stock Exchange's listing guidance,[1] means that some 48% of Japanese companies now have multiple female directors, according to ISS data.[2]

[1] https://www.jpx.co.jp/english/rules-participants/public-comment/detail/d1/p6b22i00000032f2-att/p6b22i00000032h6.pdf
[2] ISS STOXX Governance, *2026 Asian Proxy Seasons Review Note: Key Trends & Regional Insights*, June 2026



> **In most Asia GEMs markets, we encourage companies to achieve fully independent audit committees, and majority independent nomination and remuneration committees, without executive membership.**

In China, some leading companies, such as CK Hutchison, have started to achieve female board representation of 30% or above. Hong Kong's comply-or-explain requirement for listed companies to have at least one female director on the nomination committee is also driving progress. However, where companies still do not meet our clients' policy thresholds, votes against are applied, as at Sinopec.

In India, female board representation has risen to just over 20%, but the candidate pool remains concentrated and progress has stalled. Our clients' policies indicated votes against a non-independent nomination committee member at automotive components company Samvardhana Motherson International for falling below minimum board gender diversity guidelines. At natural gas company GAIL, we applied votes against four directors in line with our clients' policies. There were no independent or female directors, which is likely to limit the independence and diversity of thought on the board.

Board committee composition

There was a rise in voting against due to concerns about committee independence, to 11.7% of meetings in 2026 from 10.1% in 2025, after our clients' policies tightened. This trend was most notable in China, Hong Kong and South Korea, where many board committees include non-independent directors.

In Mainland China and Hong Kong, board committees at state-owned and founder-led companies often include executives or representatives of controlling shareholders.

We engage with these companies to strengthen committee-level independence. However, progress can sometimes be challenging, as our expectation of fully independent audit committees goes beyond the regulatory requirements.

In most Asia GEMs markets, we encourage companies to achieve fully independent audit committees, and majority independent nomination and remuneration committees, without executive membership. Greater committee independence can provide robust oversight, and reduces conflicts of interest in key governance decisions.

Directors' time commitments

Given concerns about excessive commitments impairing a director's ability to perform their duties effectively, our clients' policies were strengthened to apply a maximum of four directorships held outside the same corporate group. This led to an increase in the votes applied against to 3.5% of meetings in 2026, up from around 1.8% of meetings in 2025. It was particularly notable in Hong Kong where some individuals have held up to 20 directorships.

Our clients' policies for Hong Kong go beyond the stock exchange's cap of six listed company directorships for independent non-executive directors, effective from 2025. At Hong Kong-listed China Mengniu Dairy Company, our clients' policies indicated voting against an independent director serving on the boards of five publicly-listed companies.

> **In Mainland China and Hong Kong, board committees at state-owned and founder-led companies often include executives or representatives of controlling shareholders.**



South Korean Commercial Code Reforms



Commercial code reforms enacted in 2025 significantly impacted South Korea's 2026 AGM season, as companies amended their articles of incorporation to reflect the updated legal framework. Investor scrutiny focused on the quality of this implementation and whether companies had adopted the measures in good faith.

The 2025 Commercial Act amendment removed the ability for large listed companies with assets of KRW2tn or more to opt out of cumulative voting through the articles of incorporation, with effect from 10 September 2026. Cumulative voting gives shareholders votes equal to the number of directors being elected, enabling minority shareholders to concentrate votes on preferred candidates.

Some companies introduced defensive measures that risked diluting this minority shareholder protection. Our clients' policies led to votes against article amendments at Samsung Electronics and GS Holdings, where management proposed a change of wording for director terms from a fixed three years to "up to three years". This flexibility would allow companies to stagger board elections so that only a limited number of seats would be contested at each AGM. This would undermine cumulative voting, which depends on multiple seats being elected simultaneously for minority shareholders to concentrate votes effectively.

While most of these proposals passed with the support of controlling shareholders, in our engagements with relevant companies we plan to encourage the preservation of minority shareholder rights and monitor how companies implement their new articles in subsequent AGMs.

Treasury shares

The reforms also introduced mandatory treasury share cancellation requirements. Some companies responded by seeking approval for alternative uses of treasury shares, potentially circumventing the intention of the cancellation mandate. We continued to monitor relevant agenda items, particularly where companies sought a flexible, generic authority which we view as inconsistent with the purpose of the reforms.

Price-to-book and capital efficiency

We continued to apply the global price-to-book voting policy to address persistent valuation discounts that may be attributable to poor governance. In 2026 this led to votes against at 15 companies in South Korea. Where we found insufficient progress, with the lack of a clear "value up" programme and shareholder return policy, including adequate capital allocation, our clients' policies indicated votes against directors. In some cases, this also led to votes against the remuneration or shareholder return policies, to address underlying capital efficiency concerns.

At five companies, despite their ongoing undervaluation, credible value-up plans were in place, which meant that support for the board was warranted in line with our clients' policies. Companies supported due to their price-to-book progress included semiconductor company SK Square, HD Korea Shipbuilding & Offshore Engineering, and construction equipment manufacturer Doosan Bobcat.

Governance shareholder proposals

In South Korea, activist investors continued to file targeted proposals focused on governance and shareholder value. Our clients' policies indicated higher support for these proposals versus 2025, reflecting stronger alignment between the proposal objectives and our clients' voting policies. This included support for shareholder-nominated directors at metal smelter Korea Zinc and DB Insurance.

In Japan, the volume of proposals declined, but a record number were filed by activist institutional investors focused on governance and capital efficiency. In June 2026 alone, more than 60 out of around 90 companies received proposals involving activists, according to ISS data.[3] Our clients' policies indicated lower support for these year-on-year, due to proactive company responses that addressed the underlying concerns, as well as some overly prescriptive proposals.



Our clients' policies indicated support for proposals seeking the pre-AGM disclosure of annual securities reports, such as at security company Secom, and food manufacturers Yakult and Meiji Holdings. Support was also warranted for proposals seeking majority outsider boards at spring producer NHK Spring, belt and rubber products manufacturer Nitta Corp, and food manufacturer Toyo Suisan Kaisha, in line with our clients' policies.

Key issues in Latin America

Unbundling of individual director elections allows shareholders to vote on each candidate separately, strengthening director accountability and shareholders' ability to challenge underperforming directors. In Mexico, board unbundling has progressed in the last three years, with most large companies now disclosing individual director candidates and applying unbundling to board elections.

This has been driven by sustained engagement and companies working towards global standards. In 2026, our clients' policies supported the individual elections of disclosed director candidates at companies where the support was warranted, including at Fomento Económico Mexicano (FEMSA) and Grupo Financiero Banorte. Our clients' policies indicated votes against at bundled elections involving undisclosed candidates, including at Grupo México.

In Brazil, we noted that shareholder proposals continued to be concentrated around minority shareholders nominating board candidates through cumulative voting. The support rate rose by around 13%, with our clients' policies indicating support for shareholder-nominated directors at Petrobras, miner Vale, pulp and paper company Klabin, and Itaú Unibanco.



Environmental and social issues

Across Asia GEMs, environmental and social shareholder proposals arise almost exclusively at Japanese AGMs. In 2026, the volume of climate-related shareholder proposals fell as several climate NGOs shifted strategy, targeting "vote no" campaigns against directors at major banks and trading houses instead.

Our clients' vote policies already contained criteria for board director re-election based on indicators of the management quality of environmental opportunities and risks. These criteria indicated votes against at trading house Sumitomo Corp due to concerns related to the management of risks associated with coal exposure. One institutional filer submitted a proposal at J-Power but later withdrew it, after the company responded with improved climate-related disclosures.

> **Across Asia GEMs, environmental and social shareholder proposals arise almost exclusively at Japanese AGMs.**

Social proposals are usually fewer in number across the region, but following whistleblower allegations and third-party research into potential risks tied to palm oil and pulp sourcing at chemical and consumer goods company Kao Corp, an activist investor requested an extraordinary shareholder meeting.[4] Our clients' policies prompted support for a proposal at Kao seeking an independent review of the company's supplier practices and examining supply chain environmental and social risk management. We also continued to implement clients' vote policies on deforestation, climate change and human rights.

Progress report

We welcomed continued improvements in board independence and gender diversity across these markets. We remain committed to advocating for higher standards in committee independence, time commitment limits and overall board effectiveness. In South Korea, we will continue to monitor the implementation of commercial code reforms, engaging with companies to ensure that cumulative voting and treasury share requirements are upheld in substance rather than circumvented through defensive measures.

In South Korea, Japan and Brazil, we will cautiously evaluate shareholder proposals amid rising shareholder activism, applying support for those proposals aligned with long-term shareholder value while remaining alert to overly prescriptive requests, in line with our clients' policies. Across all markets, we aim to deepen our dialogue with board members and regulators to encourage continued enhancements in governance practices.

[3] ISS STOXX Governance, *2026 Asian Proxy Seasons Review Note: Key Trends & Regional Insights*, June 2026

[4] https://www.businesswire.com/news/home/20260304061690/en/Oasis-Requests-an-Extraordinary-General-Meeting-to-Protect-Kao



Company engagement highlights

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

Overview

Our approach to engagement is holistic and wide-ranging. Discussions range across many key business strategy and risk management areas, including environmental, social and structural governance (ESG) issues. In many cases, there is minimal external impetus for the business to change. Therefore, much of our work is focused on encouraging management to make improvements that we believe are necessary for the company to achieve improved financial performance, and long-term shareholder value.

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

Agnico Eagle Mines

Engagement theme: Physical climate risk
Lead engager: Nick Pelosi

Canada's Agnico Eagle Mines engages in the exploration and production of gold, operating several mines in Canada, Australia, Finland and Mexico. As climate change takes effect, scientific models anticipate an increase in the frequency and intensity of adverse weather. If not properly anticipated and mitigated, this threatens to impact the balance sheet value of physical assets, resulting in reduced profitability and impacting long-term shareholder value.

In 2022, we began engaging with Agnico to assess its exposure and identify the material impacts of climate-related physical risks. The company aligned its sustainability report with the Task Force on Climate-related Financial Disclosures (TCFD) framework for the first time, but the report did not include a scenario analysis of physical risks. In 2023, we had a follow up discussion in which we encouraged Agnico to disclose a plan to mitigate these risks and ensure operational resilience.

Changes at the company and next steps

In 2024, Agnico Eagle Mines updated its sustainability report to include a scenario analysis of physical risks. The disclosure included a table showing which of its assets are exposed to different dimensions of physical risks, with a summary of the mitigation measures. During a meeting in our office, the



company said that it had not yet experienced any material financial impacts from physical risks, but it was building larger infrastructure to accommodate the risk of bigger storms. We will continue to monitor Agnico's disclosure on physical risk, especially when it acquires new businesses or enters new regions.

Compass

Engagement theme: Circular economy and waste reduction
Lead engager: Justin Bazalgette

Since 2019, we have engaged with Compass, a food services provider, on encouraging steps towards eliminating single-use plastics across its global operations, where it is commercially viable to do so. This should enhance long-term value by reducing waste costs, mitigating regulatory risk, attracting sustainability-driven contracts, and supporting access to green financing.

Initial discussions with the group safety and sustainability director prioritised plastics within the company's sustainability strategy. In 2020, the issue was raised at Compass's AGM and in meetings with sourcing and ethics leads. In 2021 we put questions to the CEO and head of sustainability regarding embedding the strategy into its evolving ESG framework. Between 2022 and 2025, our dialogue continued with senior ESG and investor relations teams, focusing on internal waste tracking, pilot programmes, and policy clarity.

Changes at the company and next steps

Over the engagement period, Compass replaced PVC cling film with reusable containers and polyurethane alternatives, saving an estimated 31 tonnes in single-use plastics between 2022 and 2024.[1] It also teamed up with Notpla to source seaweed-based biodegradable packaging.[2]

In 2025, Compass confirmed its full compliance with the EU's Single-Use Plastics Directive, reinforcing its ESG credentials. However, Compass determined that a group-wide commitment to eliminating single-use plastics was not yet feasible, reflecting challenges in tracking global usage across a decentralised business.

Although Compass cannot quantify the total group impact, these initiatives are expected to reduce waste management costs, support compliance with tightening regulations, and strengthen competitive positioning by appealing to sustainability-conscious clients. These measures collectively enhance long-term resilience and stakeholder confidence.

We will continue to engage with the company to encourage improved disclosure, policy formalisation, and further progress on plastics reduction to secure financial and sustainability benefits.

Eni

Engagement theme: Indigenous and community rights
Lead engager: Will Farrell

Eni is one of Europe's largest integrated energy companies operating across more than 60 countries. The company is exposed to human rights risks related to the impact of its large-scale energy projects on local communities. For example, in 2017, members of the Ikebiri community of Nigeria alleged that their livelihoods had been damaged by the 2010 bursting of an oil pipeline, operated by the majority Eni-owned Nigerian Agip Oil Company (NAOC).[3]

Such cases can present additional liabilities, legal and remediation costs, and delays to projects that might otherwise enhance revenues and profitability. Between 2022 and 2025, we met regularly with the company's investor relations team and human rights experts. We engaged Eni on developing its grievance mechanism to reduce grievances over time and increase the proportion of grievances resolved.

1 https://www.foodbuy.co.uk/news/we-ve-helped-our-largest-client-save-31-tonnes-of-pvc-plastic-usage-the-equivalent-of-over-5-200-miles/
2 Reusable Solutions | Compass Group
3 Eni lawsuit (re oil spill in Nigeria) - Business and Human Rights Centre

Changes at the company and next steps

In 2023, Eni extended its grievance mechanism to new businesses, including its agri-feedstock unit. The company subsequently updated its human rights saliency assessment, finding 13 main human rights-related issues. To manage these, Eni adopted risk-based models that allowed it to assess the operating context of its projects, evaluate site-specific human rights risks, and adopt appropriate prevention and management measures. These efforts were expected to contribute towards the mitigation and resolution of grievances.

The company reduced the number of grievances it received to 61 in 2024 from 141 in 2022, although this could have been aided by the divestment of NAOC in 2024.[4,5] We also observed a small improvement in the grievance resolution rate to 56% in 2024 from 43% in 2022.[6]

Eni's improved saliency assessment and mitigation actions could strengthen the company's processes to identify, mitigate, and manage human rights risks. This could reduce the frequency and severity of grievances, supporting its social licence to operate and facilitating more timely project delivery, with positive implications for revenues and profitability.

Roche

Engagement theme: Sustainability transparency

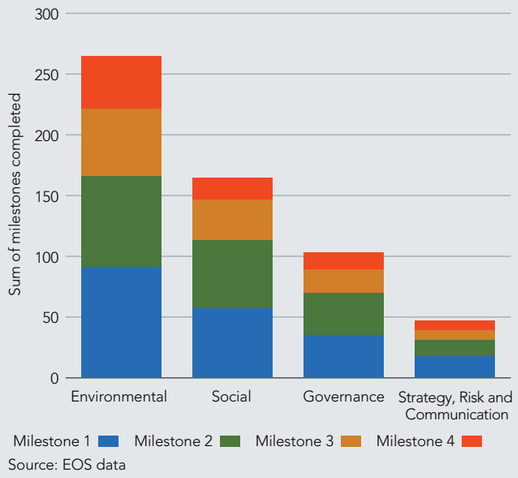
Lead engager: Lisa Lange

Switzerland's Roche is one of the world's largest pharmaceutical companies. Its 2019 annual report identified some material sustainability topics, but they lacked specific goals and were not clearly integrated into the business strategy. We started engaging with Roche to see if it could articulate how managing sustainability risks and opportunities might support the business strategy, driving revenues and long-term shareholder value creation.



The changes should help Roche to improve its risk management and take advantage of opportunities arising from the sustainability agenda.

Milestones completed by stage Q1-Q3 2026



Source: EOS data

In a meeting with the head of sustainability and chief compliance officer, the company acknowledged the need to improve the integration of sustainability within the business strategy. We continued to encourage greater disclosures on the integration of sustainability and business strategy in each reporting cycle.

Changes at the company and next steps

Over the last five years, Roche has made improvements in articulating its sustainability priorities and the link to its business strategy. In 2023, the new CEO placed more emphasis on sustainability, and responsibility for sustainability was moved into the strategy function, reporting into a new head of strategy on the enlarged corporate executive committee.

The 2024 annual report included a sustainability strategy with more clearly defined priorities and alignment with business objectives. This covered science-based climate targets, which increase Roche's resilience against the financial impact of climate change, and targets on access to healthcare in less developed markets, which represent a strategic revenue creating opportunity for the company. During a site visit in Switzerland in October 2025, Roche said that it was on track to reach its goal of doubling the number of patients reached by its core pharmaceutical therapies in low- and middle-income countries by 2026.

The changes should help Roche to improve its risk management and take advantage of opportunities arising from the sustainability agenda, leading to stronger revenue performance and long-term profitable value-creation strategies.

[4] Eni's Annual Report 2024
[5] Eni: Sale of NAOC to Oando completed
[6] Eni's Annual Reports, 2022 and 2024



Public policy and best practice

EOS contributes to the development of policy and best practice on corporate governance, sustainability and shareholder rights, seeking 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.

Response to TISFD consultation

Lead engager: Velika Talyarkhan

Objective

Influence the development of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) Framework for robust disclosure that enables more consistent, comparable reporting on financially material social risks, opportunities, and long-term value creation.

Activity

We responded to the TISFD Framework consultation, acknowledging its recognition of social issues as financially material and its alignment with established sustainability reporting frameworks. We supported the focus on dependencies on people and society, system-level risks, workforce transition and the implications of artificial intelligence. We encouraged stronger links between social topics, financial materiality and enterprise value creation, including closer alignment with International Sustainability Standards Board (ISSB) concepts. We also recommended the development of standardised quantitative metrics, sector-specific guidance and greater interoperability with existing frameworks. We provided feedback on value-chain impacts, worker voice, scenario analysis and practical implementation examples.

Outcome

The TISFD will review consultation feedback to inform future iterations of the framework. Our submission contributed perspectives on enhancing the comparability, usefulness and financial relevance of social disclosures.



Panel on EU ETS organised by MEP

Lead engager: Hannah Heuser

Objective

To advocate for a robust, credible and predictable EU Emissions Trading System (ETS) that supports emissions reductions, investment certainty and long-term economic resilience.

Activity

We participated in a panel discussion hosted by a Member of the European Parliament, Michael Bloss, on the future of the EU ETS alongside representatives from academia, a think tank and industry. We highlighted the importance of carbon pricing in managing climate-related risks and supporting investment decisions, stressing the need for a transparent and stable policy framework. We supported the European Commission's proposed ETS reforms, greater alignment with the EU's 2040 climate objectives, and safeguards around proposed flexibilities. We also welcomed measures to support the industrial transition and competitiveness, while noting that wider challenges require complementary policies, including affordable clean energy, infrastructure and targeted technology support.

Outcome

Policymakers and stakeholders heard that there was investor support for the proposed reforms and for maintaining a strong, predictable ETS within a broader policy framework that supports investment and competitiveness.

Meeting with COP30 CEO on deforestation

Lead engager: Will Farrell

Objective

Encourage the COP30 presidency to develop a global deforestation roadmap that converts the 2030 deforestation goal into investable, country-led implementation plans. This should be supported by aligned policy frameworks, financial regulation, agricultural incentives and blended finance mechanisms that mobilise private capital for forest conservation and sustainable land use.

Activity

We joined an Institutional Investors Group on Climate Change (IIGCC) and UN Principles for Responsible Investment (PRI) investor roundtable with the CEO of COP30. We discussed the forthcoming global deforestation roadmap and the finance sector's role in delivering the 2030 deforestation goal. We noted the presidency's focus on supply chains, trade policy, regulation, incentives and financing mechanisms, including the Tropical Forest Forever Facility and blended finance. We encouraged stronger alignment between public policy, financial regulation and banking incentives to support agricultural productivity and resilience, and to reduce pressure on forests. This could be through local banking channels, appropriate capital requirements, and finance for degraded land recovery.

Outcome

The presidency confirmed that the roadmap will address subsidies, regulation, incentives, financing mechanisms and enabling conditions. It responded positively to our suggestions on complementary financial instruments, agricultural finance conditions, supply chains and degraded land recovery. The discussion reinforced growing investor engagement and a focus on practical implementation ahead of COP31.

Scottish fishing port and vessel visit

Lead engager: Ming Yang

Objective

To deepen our understanding of fisheries management, seafood traceability, market dynamics and sustainability practices through engagement with the Peterhead Port Authority and fishing industry participants.

Activity

We met the Peterhead Port Authority as part of the FAIRR seafood traceability initiative, and visited a fishing vessel. Our discussions covered quota management, catch reporting, monitoring processes, certification disclosure, and supply chain traceability. We also talked to fishermen about fishing practices, bycatch management, gear requirements and crew incentives.

Outcome

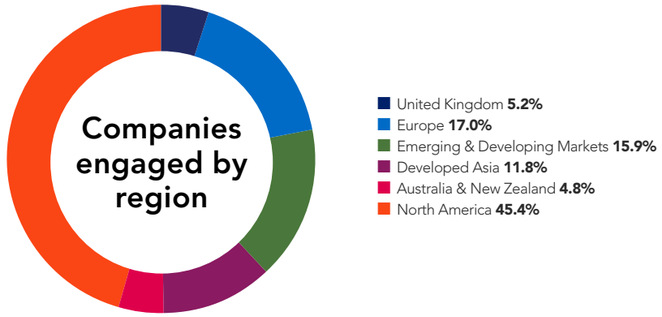
We gained insights into how quota systems influence supply, pricing, livelihoods and access to finance, as well as the governance mechanisms supporting transparency and accountability. The visit highlighted the commercial importance of sustainability certifications in securing market access and price premiums and provided assurance on traceability and bycatch rates. We also observed responsible gear management and circular approaches to reducing waste, with unsold catch redirected into fishmeal, fish oil and other industrial applications.

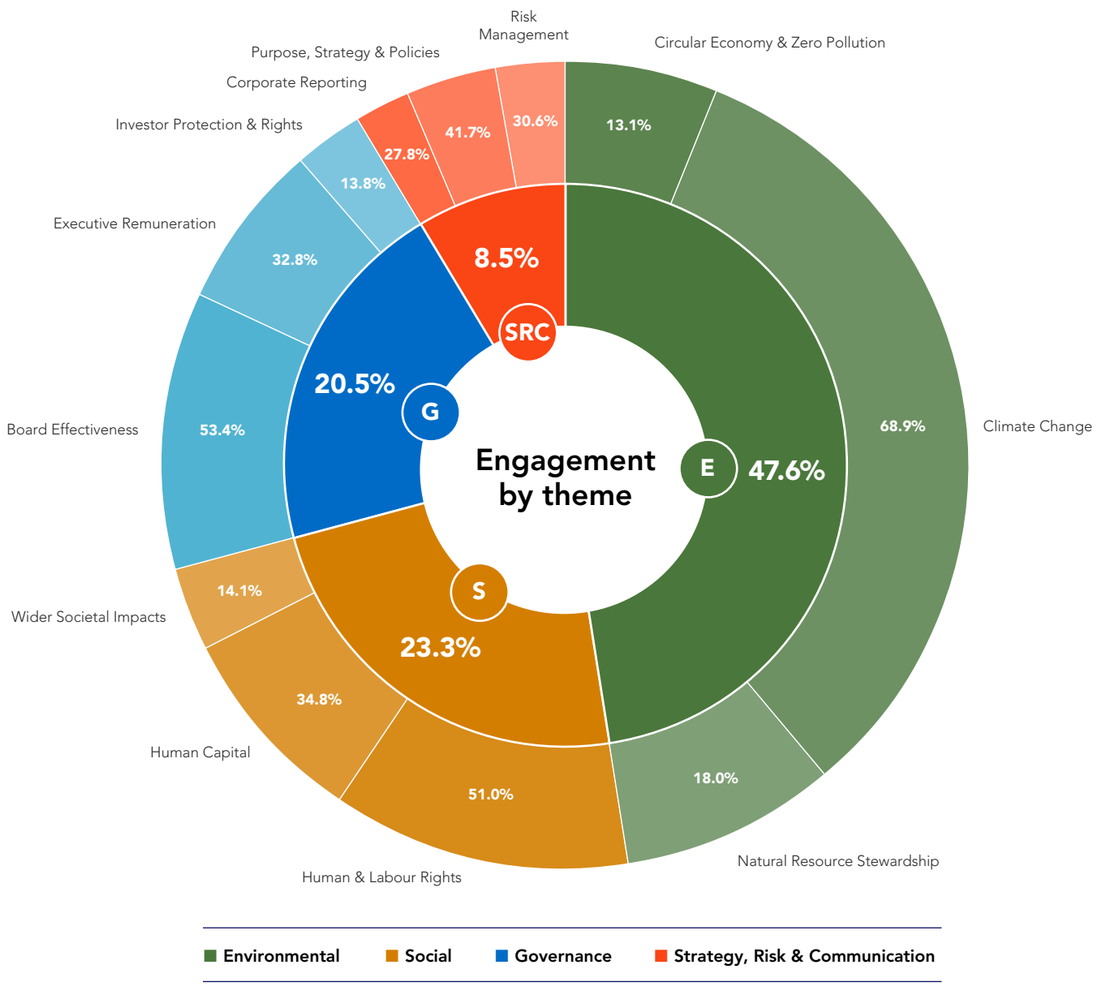


Engagement and voting

Engagement by region

Over the last quarter we engaged with 271 companies on 850 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.

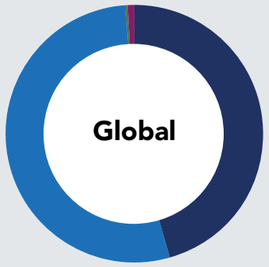




Source: EOS data.

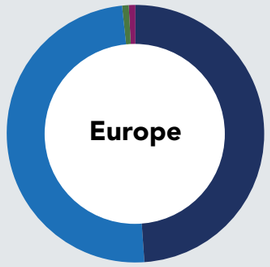
Voting overview

Over the last quarter we implemented our clients' vote policies at 1,752 meetings (12,684 resolutions). Votes were instructed opposing one or more resolutions at 940 meetings, supporting management by exception at 8 meetings, abstaining at 4 meetings and supporting management on all resolutions at the remaining 800 meetings.



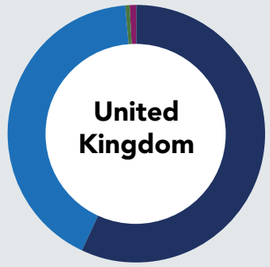
Votes were instructed at **1,752** meetings (**12,684** resolutions) over the last quarter.

- Total meetings in favour **45.7%**
- Meetings against (or against AND abstain) **53.7%**
- Meetings abstained **0.2%**
- Meetings with management by exception **0.5%**



Votes were instructed at **141** meetings (**1,429** resolutions) over the last quarter.

- Total meetings in favour **48.9%**
- Meetings against (or against AND abstain) **49.6%**
- Meetings abstained **0.7%**
- Meetings with management by exception **0.7%**



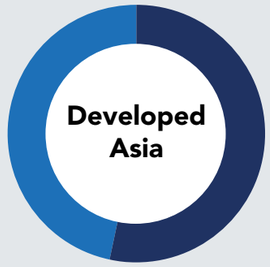
Votes were instructed at **158** meetings (**2,182** resolutions) over the last quarter.

- Total meetings in favour **57.0%**
- Meetings against (or against AND abstain) **41.8%**
- Meetings abstained **0.6%**
- Meetings with management by exception **0.6%**



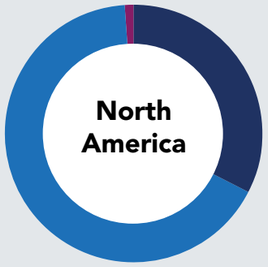
Votes were instructed at **1,111** meetings (**6,702** resolutions) over the last quarter.

- Total meetings in favour **45.0%**
- Meetings against (or against AND abstain) **54.5%**
- Meetings abstained **0.2%**
- Meetings with management by exception **0.4%**



Votes were instructed at **101** meetings (**613** resolutions) over the last quarter.

- Total meetings in favour **53.5%**
- Meetings against (or against AND abstain) **46.5%**



Votes were instructed at **202** meetings (**1,557** resolutions) over the last quarter.

- Total meetings in favour **32.7%**
- Meetings against (or against AND abstain) **66.3%**
- Meetings with management by exception **1.0%**



Votes were instructed at **39** meetings (**201** resolutions) over the last quarter.

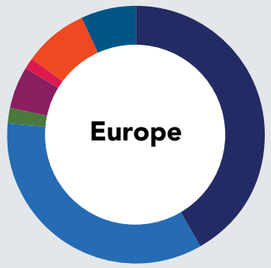
- Total meetings in favour **53.8%**
- Meetings against (or against AND abstain) **46.2%**

The issues on which votes were instructed against management or abstaining on resolutions are shown below.



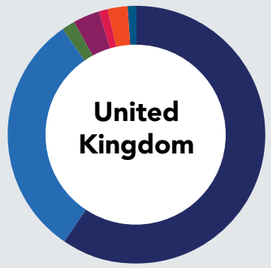
Votes were instructed against or abstaining on **2,382** resolutions over the last quarter.

- Board structure **49.1%**
- Remuneration **26.0%**
- Shareholder resolution **3.3%**
- Capital structure and dividends **5.9%**
- Amend articles **7.6%**
- Audit and accounts **3.5%**
- Investment/M&A **0.3%**
- Poison pill/Anti-takeover device **0.1%**
- Other **4.2%**



Votes were instructed against or abstaining on **208** resolutions over the last quarter.

- Board structure **41.8%**
- Remuneration **34.6%**
- Shareholder resolution **1.9%**
- Capital structure and dividends **5.3%**
- Amend articles **1.4%**
- Audit and accounts **8.2%**
- Other **6.7%**



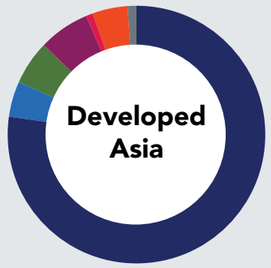
Votes were instructed against or abstaining on **165** resolutions over the last quarter.

- Board structure **59.8%**
- Remuneration **30.8%**
- Shareholder resolution **1.7%**
- Capital structure and dividends **3.4%**
- Amend articles **0.9%**
- Audit and accounts **2.6%**
- Other **0.9%**



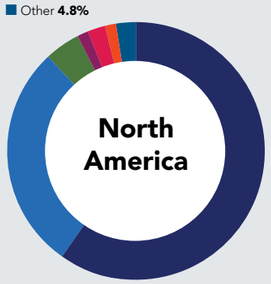
Votes were instructed against or abstaining on **1,552** resolutions over the last quarter.

- Board structure **46.5%**
- Remuneration **24.3%**
- Shareholder resolution **3.3%**
- Capital structure and dividends **6.9%**
- Amend articles **10.5%**
- Audit and accounts **3.2%**
- Investment/M&A **0.5%**
- Poison pill/Anti-takeover device **0.1%**
- Other **4.8%**



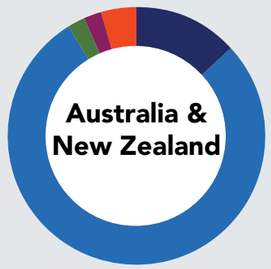
Votes were instructed against or abstaining on **113** resolutions over the last quarter.

- Board structure **77.3%**
- Remuneration **4.5%**
- Shareholder resolution **5.5%**
- Capital structure and dividends **6.4%**
- Amend articles **0.9%**
- Audit and accounts **4.5%**
- Poison pill/Anti-takeover device **0.9%**



Votes were instructed against or abstaining on **299** resolutions over the last quarter.

- Board structure **60.1%**
- Remuneration **28.2%**
- Shareholder resolution **4.4%**
- Capital structure and dividends **1.5%**
- Amend articles **2.2%**
- Audit and accounts **1.5%**
- Other **2.2%**



Votes were instructed against or abstaining on **46** resolutions over the last quarter.

- Board structure **13.3%**
- Remuneration **77.8%**
- Shareholder resolution **2.2%**
- Capital structure and dividends **2.2%**
- Audit and accounts **4.4%**

Voting figures are representative of activity undertaken across all client policies.



The EOS approach to engagement

EOS at Federated Hermes Limited is a leading stewardship service provider. Our engagement activities enable long-term institutional investors to be more active owners of their equity and fixed income assets, with the objective of maximising shareholder value over the long term, in our clients' portfolios.

Our company and policy engagement objectives complement each other by seeking to enhance the performance of individual holdings, whilst addressing systemic opportunities and risks to the economy that are likely to affect long-term returns for broadly diversified asset owners.

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

Our services



Engagement

We engage with companies in our clients' portfolios using a constructive, objectives-driven and continuous dialogue. Our strategies are informed by our deep knowledge across themes, sectors and regions. We seek to ensure that our engagement is tailored and focused on financially material factors.



Voting

We offer an intelligent voting service, covering listed equity holdings in all markets and indices. Each EOS client adopts a voting policy that represents their own beliefs and supports their investment objectives. Each EOS client acts independently when exercising their voting rights. EOS takes an engagement-led approach, where possible, when implementing each client's voting policy. Votes are tailored to the individual company's circumstances, with clients retaining the ability to vote how they wish.

A dynamic three-tier framework guides the implementation of each of our clients' voting policies – country-specific policies, our EOS regional corporate governance principles, and our overarching global voting guidelines. These ensure that our clients' votes account for regional differences, cultural norms and the relevant stage of the stewardship journey, so that the rationale for each vote is understood by the company.

Public policy and market best practice

We engage 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. In addition, we often contribute to industry collaborations such as the PRI, enabling us to increase the reach of our work on behalf of clients.

Screening

Our quarterly screening tool monitors our clients' portfolios to identify companies that violate, or are at risk of violating, commonly accepted international norms and standards. This enables our clients to see where risks may arise in their portfolios, and to review any company responses to these based on our engagement insights where possible.

Advisory

We help our clients to meet stewardship regulations, and work with them to develop their responsible ownership policies, drawing on our extensive expertise and proprietary tools, to advance their stewardship strategies.

EOS team

Engagement



Leon Kamhi
Head of Responsibility and EOS



Dana Barnes
Sectors: Chemicals, Oil & Gas, Utilities



Justin Bazalgette
Sectors: Consumer Goods, Industrial & Capital Goods, Transportation



Joanne Beatty
Sectors: Chemicals, Defence, Industrial & Capital Goods, Transportation



George Clark
Voting and Engagement Support



George Daglish
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Emily DeMasi
Sectors: Financial Services, Pharmaceuticals & Healthcare



Bruce Duguid
Head of Stewardship, EOS



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



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Sectors: Utilities, Chemicals, Financial Services



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



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Sector: Mining & Materials



Tsitsi Griffiths
Sector: Chemicals, Oil & Gas



Hannah Heuser
Sectors: Mining & Materials, Transport, Financial Services, Industrial & Capital Goods



Ellie Higgins
Sectors: Pharmaceuticals & Healthcare, Defence, Retail & Consumer Services



Shoa Hirosato
Sectors: Transportation, Financial Services, Utilities



Lisa Lange
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Velika Talyarkhan
Sectors: Utilities, Consumer Goods, Retail & Consumer Services



Ross Teverson
Sectors: Retail & Consumer Services, Technology



Kenny Tsang
Sector: Consumer Goods, Retail & Consumer Services, Technology



Mark Turner
Voting and Engagement Support



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Michael Yamoah
Sectors: Technology, Oil & Gas, Utilities, Pharmaceuticals



Ming Yang
Sectors: Consumer Goods, Pharmaceuticals & Healthcare

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Amy D'Eugenio
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Client Service



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Alice Musto
Client Relationship Lead



Julia Schimmelmann
Client Service

Carina Pennati
Client Service

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Federated Hermes

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Federated Hermes

Federated Hermes is a leader in active, responsible investing.

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

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

Our investment and stewardship capabilities:

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

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.federatedhermes.com** or connect with us on social media:

SAI GLOBAL
ISO 14001
Environmental