EQ Investors: Stewardship plan 2025

eQ investors

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Introduction

We are responsible stewards of our clients' capital

1. The aim of our stewardship activity is to protect our clients' interests, the value of their investments, and enhance the investable opportunities. We also apply stewardship activities to improve the sustainability outcomes of our clients' investments, as we believe that supporting a more equitable and sustainable world is aligned with our long-term fiduciary duty to clients.
2. Taking an active approach to stewardship is a core part of our service to our clients and complements how we manage investments.
3. Our tools and methods for engagement reflect the most appropriate yet effective approach given EQ's investments are predominantly managed through the selection of externally managed collective investment vehicles (funds). Our stewardship strategy is updated annually.

Stewardship strategy: Five key components

1. Ensuring fund manager stewardship ambition
2. Engage on flags that emerge from portfolio monitoring
3. Engage proactively on strategic themes that add value
4. Collaboratively engaging with other investors on companies
5. AGM Activisim, asking questions directly to boards

Asset manager-level

We go beyond the fund. Asset managers need to improve their processes across all their investments and points of influence

Focus 1: *Push asset managers to use their stewardship influence to drive positive change with ambition*

Why?

- Less shareholder resolutions pass every year
- Asset managers are hiding behind non-disclosure or opaque summaries
- A lack of escalatory action means that engagement has "no teeth"
- Asset managers are not acting as responsible long-term stewards of capital

→ We have a voting monitoring project to help differentiate ambition and effectiveness

Focus 2: Lift the net-zero targets and implementation strategies of asset managers to align with best practice

Why?

- Net zero commitments are plentiful but incomparable
- Net zero strategies don't cover all assets
- Stewardship is not always aligned with commitments
- Science-based targets are the gold standard

→ We engage on net-zero commitments and disclosure, including by collaboration with peers

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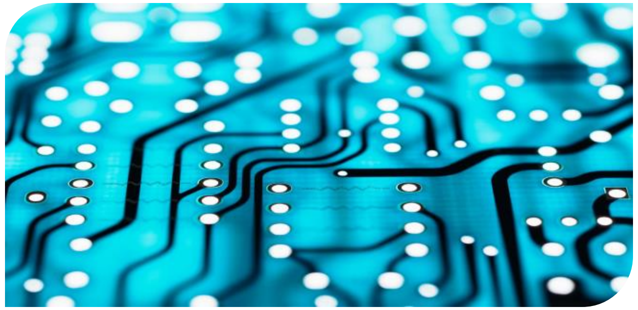
Our strategic themes

Themes add value, are financially material, relevant to our holdings and client views

Climate change

Artificial Intelligence



Biodiversity risks

Human rights & Modern Slavery

Healthy nutrition

Access to medicine

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Strategic engagement: Theme 1 (I)

Climate change – Financials

Why?

Banks have a strategic role in climate change by how they service clients across brown and green industries and businesses.

Financed and facilitated emissions represent the carbon emissions associated with the activities and projects funded by banks through lending, market making and underwriting. As economies move toward net-zero targets, these emissions expose banks to significant transition risks, including regulatory changes, shifting market dynamics, and reputational damage. If banks continue to finance carbon-intensive sectors without clear decarbonisation strategies, they face the risk of stranded assets, declining loan values, and reduced profitability as clients in high-emission industries become less viable. Furthermore, increased regulatory scrutiny on climate disclosures and commitments can lead to penalties or stricter capital requirements for banks that fail to manage their climate-related risks.

Fund manager engagement

Climate risk mitigation for financials

Banks have a strong influence on the world we live in tomorrow through lending and underwriting activities. We engage with fund managers to encourage more robust evaluating and engaging of banks climate policies both in terms of decarbonisation and green financing.

This is the third year of engaging on this topic. We have a clear set of best practices which we want all relevant managers to adhere to, building the basis for ongoing engagement.

Collaborative engagement groups that allow EQ direct access to the underlying companies

ShareAction’ bank group

Example companies engaged:

HSBC

standard chartered

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Strategic engagement: Theme 1 (II)

Climate change –Physical Risk

Why?

Physical climate risks stem from the tangible effects of climate change, such as extreme weather events, rising sea levels, droughts, and heatwaves, which can disrupt supply chains, damage infrastructure, and increase costs for companies.

Physical climate risk can directly impact the financial performance, operations, and long-term viability of companies across all sectors. Companies exposed to frequent weather disruptions may face higher insurance premiums, operational downtime, and capital expenditures for repairs or adaptation measures. Industries reliant on natural resources, such as agriculture and energy, are particularly vulnerable to these risks, leading to potential revenue losses.

Fund manager engagement

Physical risk mitigation across key regions and sectors

We engage with fund managers to improve how physical risks are integrated into their decision making, engage where risks are present, and build resources/tools developed to do so.

This is the second year of engaging on this topic. We have a clear set of best practices which we want all relevant managers to adhere to, building the basis for ongoing engagement.

Collaborative engagement groups that allow EQ direct access to the underlying companies

Climate Action 100+

Example companies engaged:

Carrefour

RioTinto

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Strategic engagement: Theme 2

Biodiversity risks

Why?

Biodiversity is declining at rapid rates, and the health of ecosystems directly underpins economic activity and business performance. Industries such as agriculture, forestry, mining, pharmaceuticals, and tourism rely heavily on natural resources and ecosystem services like pollination, clean water, and fertile soils. Biodiversity loss threatens these services, increasing costs, reducing productivity, and exposing companies to operational and supply chain risks. Additionally, regulatory and reputational risks are growing as governments, investors, and consumers demand stronger action to protect biodiversity. Companies that fail to address their impact on ecosystems may face stricter regulations, restricted market access, lower access to resources, or damage to brand value, which can affect long-term profitability.

Fund manager engagement

Biodiversity risk mitigation in high-priority sectors

Best practices in biodiversity risk identification and management have significantly evolved over the last year, with the launch of the Taskforce for Nature-related Financial Disclosures (TNFD), and the wider application of the ENCORE framework by financial institutions. We engage with fund managers investing in higher-risk companies to help prevent biodiversity risks from materialising.

This is the third year of engaging on this topic. We have a clear set of best practices which we want all relevant managers to adhere to, building the basis for ongoing engagement.

Collaborative engagement groups that allow EQ direct access to the underlying companies

spring

A PRI stewardship initiative for nature

Example companies engaged:

bradesco

reckitt

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Strategic engagement: Theme 3

Human rights & Modern Slavery

Why?

Human rights abuses include forced labour, child labour, unsafe working conditions, and disregard for community rights. Managing these risks is harder in globalised supply chains where oversight is challenging, particularly in regions with weak labour protections

However, when uncovered, human rights abuses can significantly impact a company's reputation, operational continuity, and financial performance. Unmanaged human rights risks signal poor governance and expose companies to long-term financial liabilities, including lawsuits and regulatory fines as laws like the EU Corporate Sustainability Due Diligence Directive become stricter. Boycotts from consumers and investors often follows allegations. Furthermore, consumers increasingly favour companies with ethical supply chains, affecting market share and brand value.

Fund manager engagement

Human rights risk mitigation in key supply chains

Instilling preventative approaches to protect from human rights abuses is key, moving beyond controversy screening. We engage with fund managers with green technology, semiconductor or mining exposure to push for greater transparency and assessment of supply chains. We also focus on large employers where this topic is particularly pertinent.

This is the second year of engaging on this topic. We have a clear set of best practices, which we want all relevant managers to adhere to, building the basis for ongoing engagement. Research from the following independent organisations help us:

World Benchmarking Alliance

KNOWTHECHAIN

End slavery hidden in supply chains
The CCLA Modern Slavery UK Benchmark 2024 is available now
CCLA

Collaborative engagement groups that allow EQ direct access to the underlying companies

Stewart Investors

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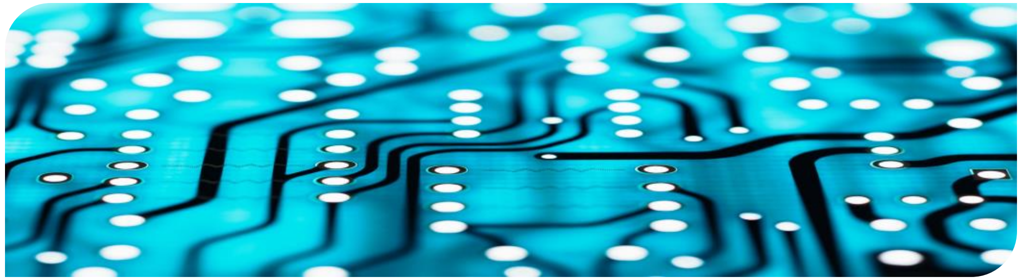
Strategic engagement: Theme 4

Ethical AI

Why?

There is a rush for companies across all sectors to make use of artificial intelligence (AI) to improve efficiencies.

However, the rapid deployment of artificial intelligence (AI) systems without adequate governance and oversight can result in unforeseen consequences. If AI systems are biased, lack transparency, or are used in ways that harm individuals or society, companies face legal, operational, and reputational risks. This is particularly material for industries like finance, customer service, healthcare, and recruitment, where AI decisions have direct consequences on individuals. Additionally, public backlash against unethical AI practices can erode consumer trust and brand value, reducing revenue. Investors must also consider the risk of stranded investments in AI systems that become unusable due to future regulatory requirements or public disapproval.



Fund manager engagement

Establishing strong AI governance for companies utilising AI

It's crucial to establish a strong set of ethical AI principes and ensure that they are operationalised in the business to mitigate against potential negative human rights outcomes. We engage with fund managers with exposure to companies utilising AI to help prevent these risk materialising.

This is the third year of engaging on this topic. We have a clear set of best practices, which we want all relevant managers to adhere to, building the basis for ongoing engagement

Collaborative engagement groups that allow EQ direct access to the underlying companies

World Benchmarking Alliance

Example companies engaged:

BT

intel

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Strategic engagement: Theme 5

Access to medicine

Why?

While healthcare companies are responsible for researching and developing treatments that help address needs of patients globally, there is disparity between how these businesses work on equal access to these.

Access to medicine is a financially material area for healthcare companies. Companies that fail to ensure equitable access to essential medicines or clinical trials risk facing reputational damage, and loss of market share, particularly in emerging markets where unmet medical needs are significant. Increasing access to medicine also addresses societal challenges which if untreated have global knock-on effects on migration, productivity and demographics. Emerging market inclusion also opens up new revenue streams, builds trust with governments and communities, and strengthens a company's social license to operate.

Fund manager engagement

Improving access to medicine to meet global health needs

Global health challenges remain a persistent issue. We engage with fund managers with healthcare exposure to encourage greater practices when it comes to ensure fair access to medicines and medical R&D needed globally.

This is the second year of engaging on this topic. Utilising the findings of the Access to medicine Index 2024, we will encourage fund managers to engage on shortcoming within their holdings.

Collaborative engagement groups that allow EQ direct access to the underlying companies

access to medicine FOUNDATION

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Strategic engagement: Theme 6

Healthy foods and consumer health

Why?

Food and beverage manufacturers and retailers have a strong influence on public health, including the obesity crisis. However, many do not provide sufficient disclosure on the nutritional profile against scientific and government-endorsed methodologies, nor do they develop strategies that align with public health responsibilities.

Growing awareness of the links between diet and health, combined with regulatory pressures and shifting preferences, is driving changes in market dynamics. Companies that fail to adapt risk losing market share or become subject to regulatory restrictions that they are not prepared, which may impact their financial performance. Companies with a focus on healthy options are better positioned to capture growth opportunities and enhance brand loyalty. Moreover, poor nutritional offerings can contribute to broader societal costs like obesity and chronic diseases, prompting tighter regulation and taxes on unhealthy products, which could erode profit margins.

Fund manager engagement

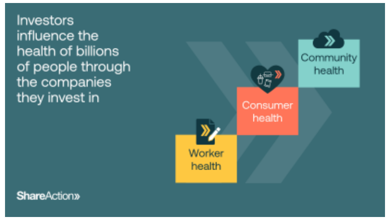
Support investor pushes to enhance nutrition disclosure and sales targets

Public health is significantly under-engaged across the asset management industry. We aim to push fund managers assess risks from unhealthy foods & beverages and to join collaborative efforts to push companies to mitigate negative impacts.

We have engaged on this issue with companies and fund managers for 5 years.

Collaborative engagement groups that allow EQ direct access to the underlying companies

ACCESS TO NUTRITION INITIATIVE



Example companies engaged:

Nestlé, TESCO, Coca-Cola, Unilever, Certified B Corporation

Ongoing engagement activity through AGMs

investors

EQ uses AGM attendance to engage on number of topics

EQ's annual AGM attendance

We align with a number of sustainable outcomes, depending on the identified weakness of the target company. Last year that included:

- Climate plans
- Renewable energy targets
- Living wages
- Renumeration links to sustainability achievements
- Ethnicity and gender paygaps

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