

POLICY OUTREACH, COMPANY ENGAGEMENT

Q3 2025



> INTRODUCTION

Investors in companies have an important shared responsibility in holding the board to account for the management of the business.

On behalf of our clients we are active in voting on matters put to shareholders, and we closely monitor investee companies and engage on issues of concern relating to corporate governance, capital structure and strategy. We do this because we believe that poor governance can adversely affect the returns for investors and, equally, good stewardship can lead to better returns over the long term.

As long-term investors, we also take an interest in the broader market environment in which companies operate. Where we perceive problems, and believe we can catalyse positive change, we will reach out to policy-makers and other key market participants to promote reform. Our objective is to shape the regulatory and market environment to support more sustainable economic growth.

Given the emphasis we place on responsible and active ownership, we aim to communicate openly with our clients and other interested parties about our activities. This report offers a window into our recent company engagement, policy outreach and voting activities.

› POLICY AND COMPANY ENGAGEMENT

Our engagement work with companies and in the broader market aims to address governance failures, strategic challenges and other market imperfections, with a view to protecting and enhancing shareholder value. We are pleased to share with you some of our engagements from the last quarter. If you wish to delve into more detail, you will find links to further analysis and presentations below.

MARKET OUTREACH: OUR RESPONSE TO THE PRA CONSULTATION ON CLIMATE RISK

This quarter marked an important milestone in our engagement with the UK's Prudential Regulation Authority's (PRA's), as we voiced our support for its updated [Supervisory Statement](#) on climate risk management for banks and insurers.

We welcomed the new explicit expectation for banks to incorporate climate risks into financial statements, with careful attention to physical and transition impacts in credit loss assumptions. A call for banks to do more to ensure prudent accounting in the face of rising climate risks was at the heart of our joint investor letter to the PRA in January 2024, signed by 21 institutional investors. This is foundational to an effective capital adequacy regime.

More broadly, in [our consultation response](#) to the PRA, we welcomed proposed enhancements to climate scenario analysis, and called for greater transparency to investors from climate stress-testing for capital adequacy. We also urged the PRA to extend its scope to include off-balance sheet activities and to reinforce the role of auditors.

Strengthening the regulatory capital framework to account for climate risks is vital to help safeguard financial stability and, thus, we will continue to press regulators and banks to take a precautionary forward-looking approach in building system resilience.

MARKET OUTREACH: SCRUTINY OF EQUINOR'S CLIMATE CLAIMS

Over the years, we have become increasingly concerned by the disconnect between corporate climate pledges and the lack of demonstrable results in terms of moving the world onto a safer temperature pathway. Misrepresentations of action are dangerous where they drive complacency and thus undermine more robust efforts to counter the dangers of climate change.

A particular area of concern is the oil and gas sector where companies often continue to claim that their strategies are aligned with the Paris Climate Agreement or net zero, while at the same time continuing to invest vast sums into new fossil fuel reserve and infrastructure development, which have lives that would take production well beyond the half century.

This quarter, therefore, we coordinated a collective investor [letter](#) representing \$1.3 trillion in assets to Norway's Financial Supervisory Authority (FSA) urging a review of Equinor ASA's climate disclosures. We raised concerns that Equinor's claims of alignment with the Paris Agreement and a 1.5°C pathway may be misleading and thus result in misinformed investment and voting decisions by investors. This is especially true for its largest shareholder, the Norwegian State, which has pledged to ensure that all its companies adhere to the Paris Agreement. Our letter challenged Equinor's Paris-alignment claims given its \$10bn annual fossil fuel investments and lack of Scope 3 reduction plans before 2050, diverging from 1.5°C pathways set by the IPCC and IEA.

Given the 67% shareholding of the State in Equinor, a Paris Agreement signatory, additional questions may be raised on what action it should take. A recent International Court of Justice opinion further underlines governments' duties under international law to fulfil their climate commitments.

As noted above, Equinor is not alone: most European oil and gas companies make similar claims of Paris alignment. Misleading claims of climate leadership harm both investors and the public by fostering complacency and increasing long-term systemic risks. We will continue to urge regulators like Norway's FSA to act.

ETHICAL AI SEMINAR SUMMARY

Following the first iteration in December 2023, we hosted our second hybrid investor seminar on Shaping Corporate Accountability on Ethical AI in early September.

The event explored key risks in AI and investor engagement, beginning with a fireside chat with Vasilios Mavroudis and Markus Anderjung on emerging risks, prevention, and risk management, followed by a panel with Luda Svistunova, Lucy Lerner, Georgina Chiu, Juan Salazar, and Dan Neale on stewardship, evolving expectations, and accelerating corporate progress.

Key takeaways included:

- The balance of risk and opportunity will hinge on whether current AI investment builds resilient, safe systems or instead fuels bias and harm.
- Improved disclosure, comparability, and measurable safety metrics are top investor priorities.

> POLICY AND COMPANY ENGAGEMENT – CONTINUED

- Strong governance frameworks and Human Rights Impact Assessments are viewed as essential tools for accountability.
- Voting, escalation, collective engagement, and systemic advocacy remain critical levers to drive change.

COMPANY ENGAGEMENT: KIMBERLY CLARK

Founded in 1872 and based in Texas, Kimberly-Clark is a global leader in hygiene and personal care. Its iconic brands, including Huggies, Kleenex, and Kotex, are sold in more than 175 countries.

In July, we joined a Nature Action 100+ call to review the company's sustainability progress, focusing on climate goals and reducing unsustainable fibre inputs and plastics. We welcomed progress in reducing reliance on natural fibre and sourcing certified forest products, but improvements on plastics were less evident.

Our main concern is that Kimberly-Clark's plastics reduction target is misleading, as it allows the company to offset increased plastic use with waste collected for reuse—an approach that does not reduce the amount of new plastics entering circulation. In a follow-up call, we urged the company to set a comprehensive plastics reduction target covering all plastics, not just virgin materials, and to identify products suitable for reuse.

We will continue to engage and look for stronger commitments in future disclosures.

COMPANY ENGAGEMENT: AMAZON

In August, we received Amazon's response to the collective Ethical AI letter sent in June through the WBA's Ethical AI Collective Impact Coalition. The company reported meaningful progress in four areas.

Human Rights Impact Assessments (HRIAs): Completed across 10 business units, with evidence of remediation such as data licensing agreements with The New York Times and Condé Nast to strengthen intellectual property protections.

Frontier Model Safety Framework (FMSF): A detailed framework outlining governance, tools, and safeguards for AI model safety and security.

EU Digital Services Act (DSA) Reports: Published for AWS, Twitch, and Amazon EU Store, providing transparency on illegal and harmful content management, reporting mechanisms, and enforcement actions.

EU AI Act Commitment: Signed the Code of Practice, signalling commitment to a harmonised compliance approach and reduced regulatory uncertainty.

We welcomed this progress and will follow up with Amazon to seek clarification on selected points.

COMPANY ENGAGEMENT: UNITEDHEALTH GROUP

In early 2025, UnitedHealth faced rising healthcare costs, criticism over denied claims, a DOJ fraud probe, and regulatory changes weakening the Medical Loss Ratio.

Earnings fell, guidance was withdrawn in April, and CEO Andrew Witty resigned, with former CEO Stephen Hemsley returning on a \$60 million three-year option grant. We also flagged concerns in the 2024 10-K, where \$3.3 billion in asset sale gains were used to boost operational earnings, raising questions of accounting manipulation.

This quarter, we engaged senior representatives on financial reporting and executive pay; while they defended their approach under US GAAP and Hemsley's award as performance-based, explanations lacked clarity. They pledged improved transparency, and we will follow up in our post-proxy letter.

COMPANY ENGAGEMENT: KEYENCE

Founded in 1974, Keyence is a Japan-based leader in factory automation and sensing technology. In our June letter, we raised governance concerns, focusing on:

Profit distribution: Despite strong free cash flow and a \$3 billion cash balance, shareholder returns remain modest.

Share split: With shares at JPY 57,030 (~\$400), a split could improve accessibility for retail investors and boost liquidity.

This quarter, we met with Corporate Planning and IR to discuss the following:

- They defended retaining cash for growth, including acquisitions, but acknowledged investor questions and agreed to share our views with leadership.
- They may consider improving acquisition disclosure within a sensitivity framework.
- On a stock split, they were open but noncommittal, citing their 2019 experience.
- While no milestone was reached, the discussion strengthened engagement, and we will continue the dialogue.

Further details are available upon request.

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