

Annual Engagement Report

2025

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Executive Summary

Dear reader,

We are pleased to present our fourth Annual Engagement Report. The Investee Engagement Cycle 2025 marked a pivotal milestone in the implementation of our long-term stewardship strategy. The year represented a point of transition from engagement as an ongoing process to engagement as a mechanism capable of delivering clear, outcome-driven conclusions.

Active engagements were maintained with eleven investees, consistent with the prior year, reflecting a deliberate decision to prioritize depth and quality of engagement over expansion. Throughout 2025, engagement activities continued to focus on material ESG risks, with particular emphasis on climate strategy, nature-related risks, financed emissions, and alignment with international sustainability reporting frameworks. Developments in third-party ESG Risk Ratings provided an important complementary input to the assessment of investee progress and informed final engagement outcomes.

More than half of the multi-year engagements reached formal conclusion during the year. Six investees, representing 55% of the engaged universe, were assessed as having successfully met engagement objectives. For these investees, disclosures reached an adequate standard, identified ESG risks were considered appropriately managed, and engagement objectives were fulfilled from a fixed income investor's perspective. In parallel, four investees (36%) demonstrated tangible but incomplete progress and will remain under active engagement into the following year.

Importantly, 2025 also marked the first instance in which an investee was formally assessed as "failed" after three consecutive years of engagement. This determination reflected a persistent lack of willingness to address material sustainability risks, insufficiently credible action plans, and the absence of a realistic pathway toward improvement. As a result, from January 2026 onwards the investee will be removed from the investment universe, existing exposures will be divested, and the active business relationship will be concluded. This outcome underscores the EUROFIMA's commitment to engagement as a tool for change rather than an indefinite process, and demonstrates a clear willingness to escalate where dialogue and engagement fail to deliver meaningful results.

Overall, 2025 confirmed the effectiveness and integrity of our engagement framework. The year demonstrated that sustained, structured engagement can lead to measurable improvements and successful conclusions, while also reaffirming that divestment remains a necessary and credible outcome when engagement objectives are not met.

Kristina Micic

Senior Portfolio Manager
Lead Sustainability Integration

Christoph Pasternak

Chief Executive Officer

Engagement Highlights

The Investee Engagement Cycle 2025 was conducted in the form of active individual engagements with the same eleven investees as in the previous cycle. No new investees were added during the year due to limited internal capacity to onboard additional entities for active engagement. Consequently, the sector and industry classification breakdown remained unchanged from 2024, with the majority of engaged investees continuing to represent the financial sector. With regard to third-party ESG Risk Ratings, developments during 2025 showed an overall more positive trajectory compared to the prior year. More than half of the investees experienced an improvement in their ESG ratings, while nearly 40% recorded no material change or only marginal positive or negative movements. One investee, which already had a low ESG rating at the end of 2024, saw its rating deteriorate further over the course of the year. These ESG rating movements played a significant role in informing final engagement outcomes, particularly in determining whether an investee would exit the engagement cycle on a positive or negative basis or be granted an additional year to demonstrate measurable progress. The focus areas of engagement in 2025 continued to be tailored to each individual investee; however, the most frequently discussed themes included climate strategy, nature-related risks, financed emissions, international sustainability reporting standards, and other related ESG topics.

Number of investees

11

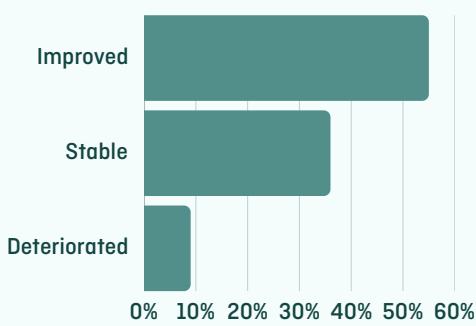
Number of rolled-over*/ new investees

11 / 0

*"Rolled-over" refers to companies from the previous year whose involvement in the engagement process continued into 2025

ESG Risk Rating Evolution*

2025 vs 2024



*Across multiple third-party ESG risk assessments

Investee sub-industry classification



Priority Topics Addressed with Investees in 2025

Climate Strategy

Nature-related risks

Financed Emissions

Double Materiality Assessment

Reporting Standards

Stewardship/Engagement

Results

The year 2025 concluded with a differentiated set of engagement outcomes reflecting varying levels of progress among investees. Based on the assessment of engagement objectives, six investees, representing 55% of the total, were allocated to the “successful” engagement category. Active engagements with these investees were concluded, as engagement objectives were met, relevant disclosures were deemed adequate, and the identified ESG risks were assessed as appropriately managed from the perspective of a fixed income investor.

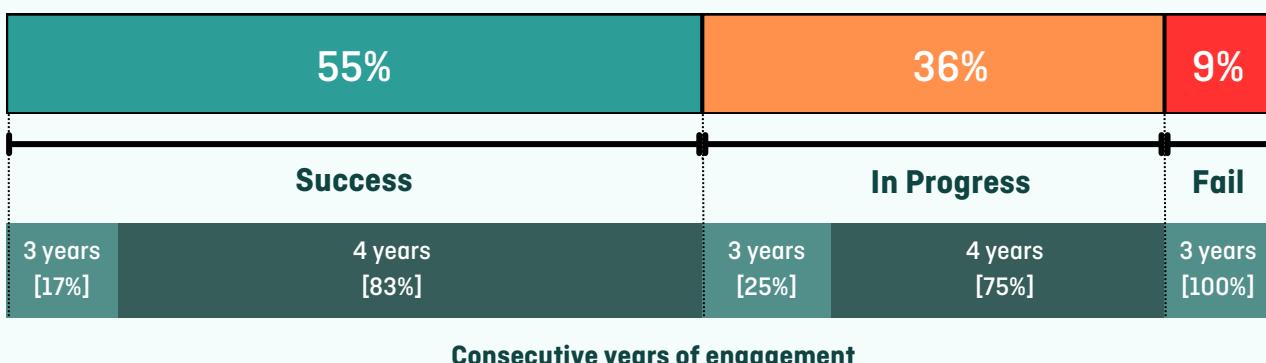
Engagements with four investees, accounting for 36% of the total, were assigned an “in progress” status and will be continued into the following year. While these investees demonstrated measurable progress during the engagement period, certain gaps remained. In particular, some commitments have yet to materialize fully, and several action plans require additional time to translate into tangible outcomes.

One investee, following three consecutive years of engagement, was assessed as unsuccessful. This decision was driven by a continued lack of willingness to address material sustainability risks, the presence of plans that were considered insufficiently credible, and the absence of a clear and realistic timeline for meaningful change.

It is noteworthy that the majority of investees categorized as “successful” required the full four-year engagement period to achieve this outcome, while only one investee demonstrated sufficient consistency and progress to conclude the engagement successfully within three years.

Engagement Cycle Success Rate

% of investees



If an investee company or counterparty actively implemented ESG improvements that are documented and shown to EUROFIMA and/or if the actions taken materialized in an upgrade of the ESG rating and/or if the investee company or counterparty was removed from the UN Global Compact Watchlist, the engagement process is declared as “successful.”

An engagement is considered “in progress” if the engagement process has started, but no measurable improvements have been made. Going through the engagement process in such situations would not preclude EUROFIMA from holding the existing positions or continuing investing in the company or counterparty in question.

An engagement is classified as “failed” if an investee company or counterparty does not intend to engage with EUROFIMA regarding the identified ESG risks or does not answer our requests for dialogue over a year. The existing investments will be held to maturity for failed investee companies and counterparties, but no other positions will be raised. An engagement may also be classified as “failed” where a multi-year engagement has not resulted in meaningful progress or positive change on the part of the investee. In such cases, the investee is completely removed from the investment universe.

NOTE: all ESG engagements between EUROFIMA and investee companies are performed on a confidential basis.

Determinants of Successful Outcome

An analysis of the engagement process highlights several common determinants that contributed to the successful conclusion of multi-year engagements. These factors were consistently observed across investees assessed as "successful" and help explain why engagement objectives were ultimately met.

A first distinguishing factor was the absence of material risk events or controversies throughout the entire engagement period. None of the investees classified as successful experienced significant ESG-related incidents during the course of engagement, not only in 2025 but over the full multi-year timeframe. This stability provided a solid foundation for constructive dialogue and implementation of agreed actions, and it reduced the likelihood that management attention and resources would be diverted toward crisis response rather than long-term risk management.

Secondly, successful outcomes were closely linked to a clear focus on financially material sustainability topics. These investees demonstrated a strong understanding of which ESG issues were most relevant to their business models and risk profiles and prioritized those areas accordingly. For example, investees in the financial sector concentrated on topics such as ESG integration in investment and lending decisions, responsible asset management, business ethics, responsible lending practices, and human capital development. In contrast to a more superficial "box-ticking" approach, these investees avoided placing disproportionate emphasis on popular or highly visible topics that were not materially linked to their core activities or risk exposures. This focus on materiality allowed engagement efforts to translate into meaningful improvements in risk management and disclosures that were relevant from a fixed income investor's perspective.

A third key determinant was the strength of corporate governance and management structures. Successful investees generally exhibited effective and well-functioning Boards, often characterized by appropriate levels of independence and diversity, as well as clear allocation of sustainability-related responsibilities. ESG risks were overseen at senior management and Board level, with defined governance frameworks that embedded sustainability considerations into decision-making processes. In several cases, executive remuneration, including CEO pay, was explicitly linked to the achievement of ESG or sustainability-related objectives, reinforcing accountability and aligning incentives with long-term risk management.

These governance foundations were reflected in a number of concrete developments observed among successful investees. Many published comprehensive climate strategies accompanied by detailed climate-related reports. Importantly, these strategies were integrated into overall business models and strategic planning, rather than presented as standalone aspirational statements. Several investees clearly articulated their net-zero pathways, including interim targets and milestones, providing greater transparency on how climate ambitions would be operationalized over time.

Disclosure quality also played a significant role. Successful investees typically aligned their sustainability reporting with internationally recognized standards such as the Global Reporting Initiative (GRI) and followed established recommendations, including those of the Task Force on Climate-related Financial Disclosures (TCFD) and, increasingly, the Taskforce on Nature-related Financial Disclosures (TNFD). These frameworks help ensure that disclosures are consistent, comparable, and decision-useful, particularly in relation to climate and nature-related risks.

Finally, a notable determinant of success was the willingness of investees to go beyond minimum regulatory requirements. Several demonstrated a proactive approach by implementing forms of self-regulation even in the absence of explicit legal obligations.

Of particular importance for us in 2025 was the growing attention paid to nature-related risks, including impacts and dependencies on biodiversity and ecosystems. The majority of investees with successfully concluded engagements had already published assessments of these risks or had committed to doing so in the near term. This forward-looking approach was viewed positively, as it signals an awareness of emerging risks that may become financially material over time.

Taken together, these determinants illustrate that successful engagement outcomes are driven not by isolated actions, but by a combination of stability, materiality-focused strategies, robust governance, high-quality disclosures, and a proactive mindset toward emerging sustainability risks.



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