

OUTCOMES  
BEYOND  
PERFORMANCE



2017

Annual Voting and Engagement Report



In the following pages, we are pleased to report on the engagement, voting and public policy work carried out by Hermes EOS on behalf of its clients during 2017. Our efforts to protect and enhance the value of client investments cover a wide range of issues. We have worked with companies around the world to address the key risks and challenges that they face, including environmental, social, governance, strategy, risk and communication matters. Alongside this, on behalf of our clients we have continued to engage with policy-makers, regulators and standard-setters to help improve the overall market context for long-term investments.

This report highlights an engagement case study relevant to each engagement theme.\* We also provide systematic information on our engagement progress against the objective milestones we have set for companies in our core engagement programme.

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\*Our usual policy is to keep engagements confidential while they are in progress. When the case studies included in this report feature private actions by Hermes EOS, such as dialogue with senior directors, we have notified the company of our intention to publish them. You can find more case studies on our website at <https://www.hermes-investment.com/ukw/stewardship/eos-case-studies/>

## What is Hermes EOS?

Hermes EOS helps long-term institutional investors around the world to meet their fiduciary responsibilities and become active owners of public companies. Our team of engagement and voting specialists monitors the investments of our clients in companies and intervenes where necessary with the aim of improving performance and sustainability. Our activities are based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

Pooling the resources of other like-minded funds creates a strong and representative shareholder voice and makes our company engagements more effective. We currently act on behalf of 42 clients and £336.2/€378.7/\$454.7 billion<sup>1</sup> in assets under advice.

Hermes has one of the largest stewardship resources of any fund manager in the world. Our 26-person team includes industry executives, senior strategists, corporate governance and climate change experts, accountants, ex-fund managers, former bankers and lawyers. The depth and breadth of this resource reflects our philosophy that stewardship activities require an integrated and skilled approach. Intervention at senior management and board director level should be carried out by individuals with the right skills, experience and credibility. Making realistic and realisable demands of companies, informed by significant hands-on experience of business management and strategy-setting, is critical to the success of our engagements.

We have extensive experience of implementing the Principles for Responsible Investment (PRI) and various stewardship codes. Our former CEO led the committee that drew up the original principles, and we are engaged in a variety of workstreams through the PRI Collaboration Platform. This insight enables us to help signatories in meeting the challenges of effective PRI implementation.

## How does Hermes EOS work?

Our company, public policy and best practice engagement programmes aim to enhance and protect the value of the investments of our clients and safeguard their reputation. We measure and monitor progress on all engagements, setting clear objectives and specific milestones for our most intensive engagements. In selecting companies for engagement, we take account of their environmental, social and governance risks, their ability to create long-term shareholder value and the prospects for engagement success.

The Hermes Responsible Ownership Principles<sup>2</sup> set out our fundamental expectations of companies in which our clients invest. These cover business strategy, communications, financial structure, governance and the management of social and environmental risks. The engagement programme we have agreed with our clients, as well as the Principles and their regional iterations, guide our intervention with companies throughout the world. Our approach is pragmatic, as well as company- and market-specific, taking into account the circumstances of each company.

We escalate the intensity of our engagement with companies over time, depending on the nature of the challenges they face and the attitude of the board towards our dialogue. Some engagements involve one or two meetings over a period of months, while others are more complex and entail multiple meetings with different board members over several years.

At any one time around 400 companies are included in our core engagement programme. All of our engagements are undertaken subject to a rigorous initial assessment and ongoing review process to ensure that we focus our efforts where they can add most value for our clients.

While we can be robust in our dealings with companies, the aim is to deliver value for clients, not to seek headlines through campaigns that could undermine the trust that would otherwise exist between a company and its owners. We are honest and open with companies about the nature of our discussions and aim to keep these private. Not only has this proven to be the most effective way to bring about change, it also acts as a protection to our clients so that their positions will not be misrepresented in the media.

We would be delighted to discuss Hermes EOS with you in greater detail. For further information please contact:  
Head of EOS Dr Hans-Christoph Hirt on +44 (0)207 680 2826

<sup>1</sup> as of 31 December 2017

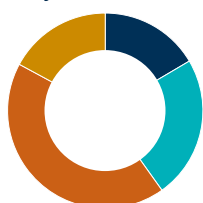
<sup>2</sup> <https://www.hermes-investment.com/ukw/stewardship/eos-literature/>

## Engagement activity by region 2017

In 2017, we engaged with 659 companies on 1,704 environmental, social, governance, strategy, risk and communication issues and objectives<sup>3</sup>. Our holistic approach to engagement means that we typically engage with companies on more than one topic simultaneously.

### Global

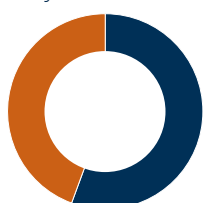
We engaged with **659** companies over the last year.



- Environmental 16.5%
- Social and ethical 23.6%
- Governance 42.7%
- Strategy, risk and communication 17.1%

### Australia and New Zealand

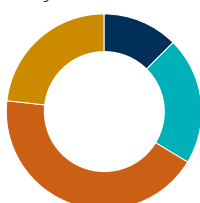
We engaged with **eight** companies over the last year.



- Environmental 55.6%
- Governance 44.4%

### Developed Asia

We engaged with **97** companies over the last year.



- Environmental 12.5%
- Social and ethical 21.1%
- Governance 43.1%
- Strategy, risk and communication 23.2%

### Emerging Markets

We engaged with **83** companies over the last year.



- Environmental 20.6%
- Social and ethical 23.3%
- Governance 32.7%
- Strategy, risk and communication 23.3%

### Europe

We engaged with **116** companies over the last year.



- Environmental 10.4%
- Social and ethical 24.8%
- Governance 43.2%
- Strategy, risk and communication 21.6%

### North America

We engaged with **213** companies over the last year.



- Environmental 23.4%
- Social and ethical 26.1%
- Governance 41.6%
- Strategy, risk and communication 8.9%

### United Kingdom

We engaged with **142** companies over the last year.



- Environmental 13.5%
- Social and ethical 22.0%
- Governance 50.2%
- Strategy, risk and communication 14.4%

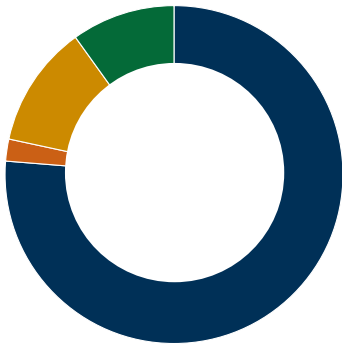
<sup>3</sup> We structure our engagements using objectives and issues. Objectives are specific changes, which we look to achieve through engagement. Objectives are signposted with milestones that measure a company's progress towards implementing the desired change. Progressing objectives is an intensive effort and an objective can take several years to complete. By contrast, issues are open-ended and may be more appropriate where engagement is less intensive. This includes instances where we are gaining insights into best practice at better-run companies or following up on changes that are being or have already been implemented.

## Engagement activity by theme

A summary of the 1,704 issues and objectives on which we engaged with companies in 2017 is shown below.

### Environmental

Environmental topics featured in **16.5%** of our engagements over the last year.



- Climate change **76.2%**
- Forestry and land use **2.1%**
- Pollution and waste management **11.7%**
- Water **9.9%**

### Social and ethical

Social topics featured in **23.6%** of our engagements over the last year.



- Bribery and corruption **8.5%**
- Conduct and culture **16.9%**
- Cyber security **6.5%**
- Diversity **4.5%**
- Human capital management **5.7%**
- Human rights **28.6%**
- Labour rights **13.4%**
- Supply chain management **10.9%**
- Tax **5.0%**

### Governance

Governance topics featured in **42.7%** of our engagements over the last year.



- Board diversity, skills and experience **24.7%**
- Board independence **19.0%**
- Executive remuneration **33.4%**
- Shareholder protection and rights **15.7%**
- Succession planning **7.3%**

### Strategy, risk and communication

Strategy, risk and communication topics featured in **17.1%** of our engagements over the last year.

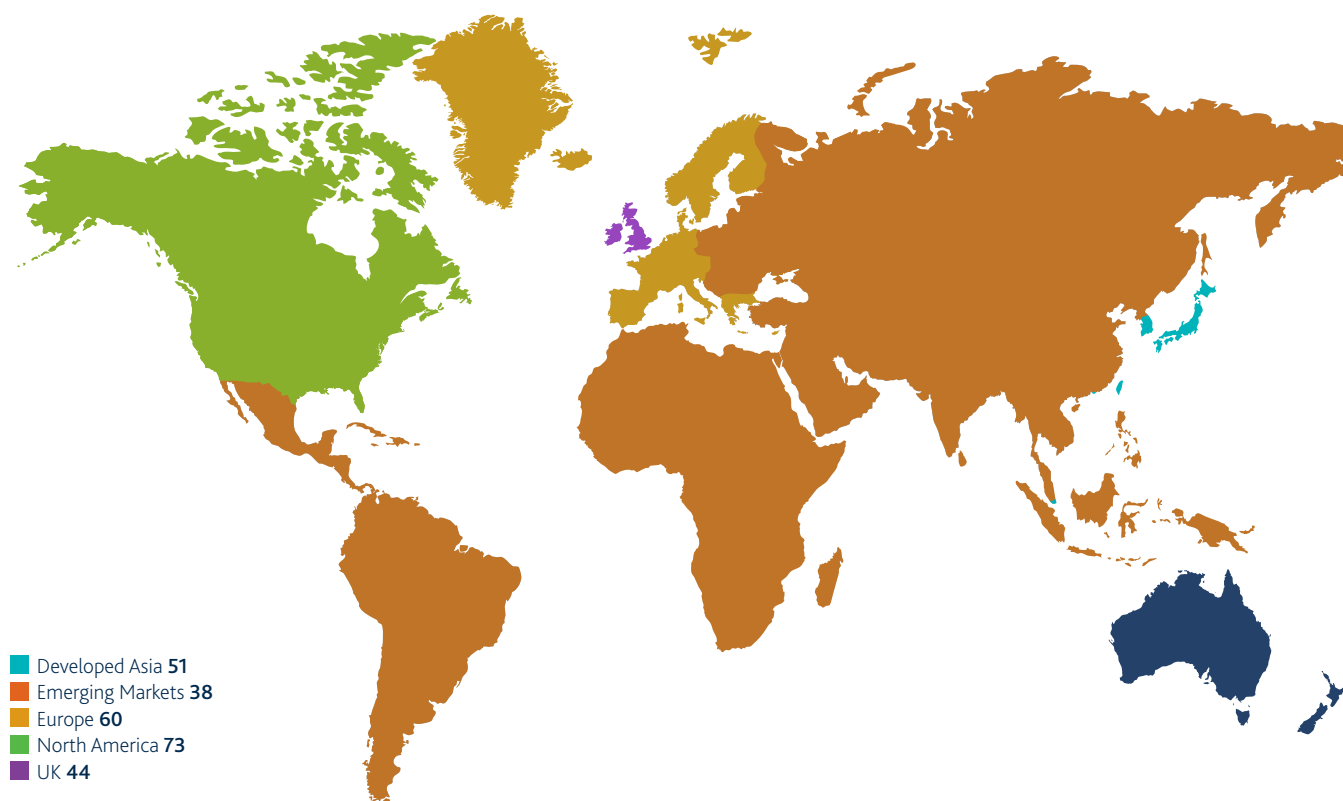


- Audit and accounting **8.6%**
- Business strategy **39.0%**
- Integrated reporting and other disclosure **20.5%**
- Risk management **31.8%**

## Engagement with companies on objectives in 2017

We engaged with 266 companies on engagement objectives using our proprietary milestone system.

### Companies engaged on objectives



### Objectives engaged by theme



Approximately 40% of our engagement objectives focused on governance. In many cases, achieving board change is necessary to deliver beneficial change on other matters.

## Engagement methodology and progress in 2017

Our proprietary milestone system allows us to track progress in our engagements relative to the objectives set at the beginning of our interactions with companies. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. They can broadly be defined as follows:

**Milestone 1** Concern raised with company at the appropriate level

**Milestone 2** Acknowledgement of the issue

**Milestone 3** Development of a credible strategy/Stretching targets set to address the concern

**Milestone 4** Implementation of a strategy or measures to address the concern

The information below sets out the status of these engagements relative to our engagement objectives and our progress over the past year.

## Milestone status of engagement

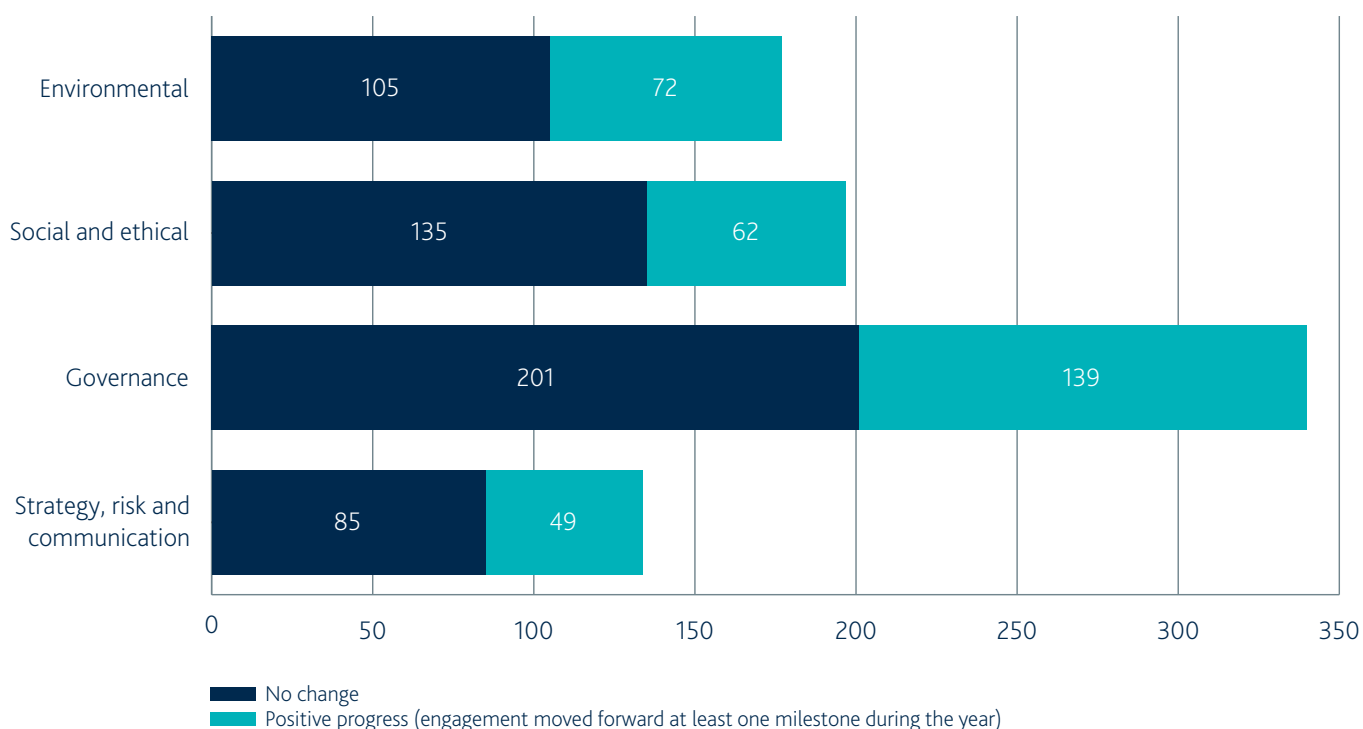
The chart below shows the milestone status of our engagement objectives by theme.

Theme	Total engagement objectives	Engagement objective status				Completed engagement objectives	
		Objective set	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Discontinued
Environmental	177	19	35	56	34	13	20
Social and ethical	197	15	25	61	69	10	17
Governance	340	25	58	110	80	44	23
Strategy, risk and communication	134	2	12	45	42	18	15
<b>Total engagements</b>	<b>848</b>	<b>61</b>	<b>130</b>	<b>272</b>	<b>225</b>	<b>85</b>	<b>75</b>



## Engagement progress in 2017

We made solid progress in delivering engagement objectives across regions and themes. At least one milestone was moved forward for about 38% of our objectives during the year. The following chart describes how much progress has been made in achieving the milestones set for each engagement.



## Environmental: Engagement highlights

In 2017, 21% of our engagements included an environmental objective. In this section, we summarise some of the major environmental themes which we engaged on during the year and provide a case study illustrating a successful outcome of an engagement on environmental concerns.

### Status of environmental engagement objectives

The table below describes which milestones have been achieved during the respective engagements.

Theme	Total engagement objectives	Engagement objective status				Completed engagement objectives	
		Objective set	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Discontinued
Environmental	177	19	35	56	34	13	20

### Engagement with companies

We have long been pressing companies to undertake low-carbon scenario analyses and report in their annual reports and financial filings on the resilience of their portfolios of assets to the effects of climate change, such as the stranding of assets, and their preparation for this. In 2017, we encouraged companies in sectors to which climate change is a particularly material threat to follow the **recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)** in their reporting on the risks and opportunities they face from climate change. Positively, several companies made a commitment to start reporting against the recommendations.

We were also pleased to see many companies – for the first time – set **greenhouse gas emission reduction targets**, in line with our engagements, such as Glencore. The 2017 AGM season marked the first year of new climate change risk reporting requirements for mining companies Anglo American, Glencore and Rio Tinto, following the passing of shareholder resolutions the year before requesting further disclosure of carbon-risk reporting and management. The resolution prompted Rio Tinto to publish its approach to managing climate change risks. Anglo American meanwhile published its energy efficiency targets and included greenhouse gas reduction targets in its executive remuneration scorecard.

As the **automotive industry** has a crucial role to play in cutting emissions and other pollutants, in line with tighter environmental regulations, we encouraged car manufacturers to develop a sound roadmap for sustainable vehicle models, set out a strategy designed to reduce fleet emissions and publicly back policies that support emissions reduction over time. Part of this was an engagement trip with our clients to see one of BMW's largest production plants near Munich to find out how the car manufacturer is performing with regard to the electrification of its fleet.

A representative from oil major **ExxonMobil** presented on the company's climate change strategy at our Client Advisory Council in November 2017, demonstrating that the company is realising that it has to engage on the management of climate change risks and is aware of us as an important collective voice. It also promised to publish a climate change risk report before its 2018 AGM.

Complementing our efforts on climate change, we engaged with companies in the mining, utilities, consumer goods and retail sectors

on their **water risk management**, including the risks they are indirectly exposed to through their suppliers. We pushed for the development of best practice water management systems, which implies the introduction of controls and targets at existing and future water-stressed sites. We therefore welcomed analyses of water risks by several companies and the updated flood response plan of a utility.

Furthermore, we encouraged more **resource efficiency** with regard to water and metals in the consumer goods, technology and automotive sectors, as well as the reduced use of other resources, such as packaging, and improved recycling rates.

We also increased our engagements on **green finance** with financial service institutions. In particular we want to know how banks and insurance companies take into account a company's environmental performance, including on pollution and waste management, and natural capital analysis in their lending, financing and underwriting decisions. We pushed several of the largest banks in the US to set or increase their climate change lending and financing targets.

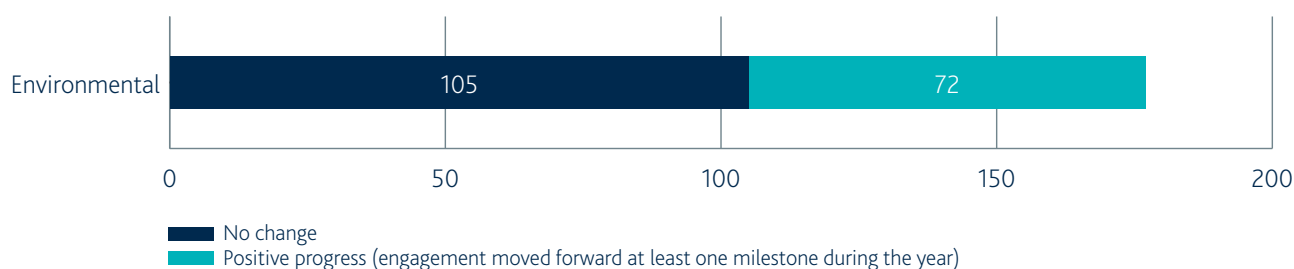
### Public policy and best practice

As part of a coalition of institutional investors with close to \$2 trillion in assets under management, we signed a letter to 62 of the world's largest banks, encouraging them to back the **TCFD recommendations** and provide more robust disclosure of the climate change-related risks and opportunities facing them. We also responded to the consultation on the TCFD proposals.

We identified the goals and priorities of **Climate Action 100+** – a globally coordinated engagement initiative focused on the top 100 most strategically important greenhouse gas emitters – with other core members of the corporate engagement group of the Institutional Investors Group on Climate Change. In addition to driving a significant number of the European engagements, we volunteered to lead the dialogue with several high carbon-emitting companies in Russia and other parts of the world, as well as to help with the engagements at some Asian companies.

We contributed to a guide to engagement on **methane** in the oil and gas industry published by the Principles for Responsible Investment and the Environmental Defense Fund. We also held a meeting at the conference of the Council of Institutional Investors on **methane reduction** in the US oil and gas industry.

## Progress against environmental objectives



### Case study: Chevron



#### A Q&A with Tim Goodman from Hermes EOS about US oil and gas company Chevron

##### Q: Why are you engaging with the company?

A: As one of the supermajor oil and gas companies, Chevron is exposed to industry-wide risks, such as human rights, community relations, health, safety and environmental issues.

Climate change is most important to many stakeholders. The oil and gas industry emits a lot of greenhouse gas emissions and its products are one of the largest contributors to climate change.

##### Q: What did your engagement entail?

A: The 2010 Deepwater Horizon oil spill in the Gulf of Mexico was a turning point for the industry. We were of the opinion that the entire oil and gas industry may have been running its operations with too much risk. We therefore intensified our engagement with the quoted oil majors, the largest independent exploration and production companies and oil service companies. As a leading oil major, Chevron was one of the important companies in this strategic engagement, which comprised correspondence, numerous meetings and other dialogue, in which we sought to assure ourselves that the company is at the forefront of reviewing and, if necessary, improving its practices.

In 2009, we visited the company's headquarters in Nigeria to discuss local human rights issues. Our human rights engagement also included many meetings with the company, NGOs and an exchange of correspondence with the Ecuadorian Ambassador to the US. We also met a delegation of Ecuadorian tribal leaders in 2012 to listen to their concerns about pollution in that country caused by Texaco, which Chevron had acquired in 2001.

More recently, our engagement focus has been on climate change. In 2016, we co-filed a shareholder proposal with Wespeth Investments, requesting that Chevron publish a report on its

management of climate change risks, including the impact of a 2°C scenario on its business. We spoke at the company's 2016 AGM where the proposal received the backing of 41% of shareholders.

In 2017, we withdrew a similar proposal we had co-filed with Wespeth and a number of other institutional investors.

##### Q: What progress has the company made?

A: The company has been able to demonstrate that its health, safety and environmental practices have been extensively reviewed as a result of the Deepwater Horizon disaster. The record of Chevron and much of the industry is improving, as judged from publicly available data and our engagements. Nevertheless, we continue to encourage Chevron not to let up on its risk management efforts as memories of the accident fade.

Chevron proved in the US courts that much of the case against it in Ecuador had been corruptly developed by the plaintiffs' attorney. While litigation continues elsewhere, we are reassured that the company is aware of the importance of protecting the human rights of those most affected by its activities. However, we continue to keep a close eye on the company's and indeed the industry's performance in relation to human rights.

We welcomed the publication of the company's first climate change report in advance of its 2017 AGM, in response to the request made in our 2016 shareholder proposal. While it did not meet in full what we requested in the shareholder proposal, we believe from further discussions with the company that it will build on this when it publishes its next report in 2018. This allowed us to withdraw our shareholder proposal before the 2017 AGM, and we have not filed another for its 2018 meeting.

We would like to see the company go further in its reporting on climate change risk, in particular to demonstrate that it is preparing for the possibility of a much more rapid transition to a low-carbon economy than it currently thinks is likely.

However, we are pleased that Chevron has made progress on all the main threads of our engagement over the past few years, during which it has always been willing to discuss any issue with us. We look forward to further progress under its new CEO.

## Social: Engagement highlights

In 2017, 23% of our engagements included a social objective. In this section, we summarise some of the major social themes we engaged on during the year and provide a case study illustrating a successful outcome of an engagement on social matters.

### Status of social and ethical engagement objectives

The table below describes which milestones have been achieved during the respective engagements.

Theme	Total engagement objectives	Engagement objective status				Completed engagement objectives	
		Objective set	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Discontinued
Social and ethical	197	15	25	61	69	10	17

### Engagement with companies

Diversity was a focus of our engagements in 2017, at the board level and across the wider company. We firmly backed gender diversity as the most straightforward and visible entry point to encourage a strengthening of the board and source talent from beyond the traditional pool of candidates, thus facilitating greater **diversity** overall. In the UK, we opposed the election of nomination committee or board chairs where the proposed board composition fell significantly short of the 2015 target set by the Lord Davies review of a quarter of the directors of FTSE100 companies being women and where companies could not demonstrate credible plans to achieve the goal of 33% women directors by 2020. In line with this, we recommended voting against the re-election of the chair of the nominations committee of Rio Tinto. We also opposed the election of the nomination chairs and/or chairs of Antofagasta, Glencore and RSA Insurance because of a lack of board diversity. In the US, we supported shareholder proposals seeking greater diversity.

In support of the UN Sustainable Development Goals, we engaged heavily on **human and labour rights**. Throughout 2017, we had dialogue with the banks that contributed to the financing of the Dakota Access Pipeline, such as Citigroup, to ensure that they have learned the human rights lessons from the lack of effective due diligence undertaken prior to the construction of the controversial project, in particular the reported failure to adequately consult local tribes or provide them with the opportunity to express or withhold free, prior and informed consent. Encouragingly, several banks subsequently made commitments to review and update their policies, which means that future projects will undergo more demanding due diligence before any financing is approved.

**Bribery and corruption** threaten the long-term sustainability of companies by increasing their reputational, legal and operational risks and costs and potentially destroying shareholder value, which is why we advocate a zero tolerance approach to these crimes. We supported a shareholder resolution put forward by Brazilian Development Bank BNDES at meat-processing company JBS, which entered guilty plea agreements in relation to corruption with Brazilian and US authorities. We initially raised concerns about the generic wording of the resolution that could prevent it from gaining support from minority shareholders. The bank used our input, including the suggestion of a special audit to be undertaken, to improve the draft resolution seeking to approve measures to protect the company's rights in relation to seeking compensation for the losses incurred. This allowed us to support it. The court, however, suspended the EGM.

We discussed the overuse of **antibiotics** in animal farming and antimicrobial resistance with consumer goods and retail, as well as pharmaceutical, companies and called for standalone antibiotics policies.

We also pushed for companies to have in place **responsible supply chain management** in relation to conflict minerals and cobalt to ensure their supply chains are free from human rights violations and saw some improved disclosure on cobalt supply chains.

### Public policy and best practice

We supported the recommendations on the **ethnic diversity of UK boards** made by the Parker Review. We pressed for the disclosure of a more all-encompassing strategy by companies on diversity to give ethnicity equal consideration alongside gender and other relevant aspects to foster deeper organisational buy-in and drive change.

At the **human capital management** level, we joined the steering committee of the Workforce Disclosure Initiative, which explores pay gaps and voluntary disclosures of information, as well as other efforts to enhance the diversity at the senior management and board level, such as processes, training, incentives, mentoring and networking.

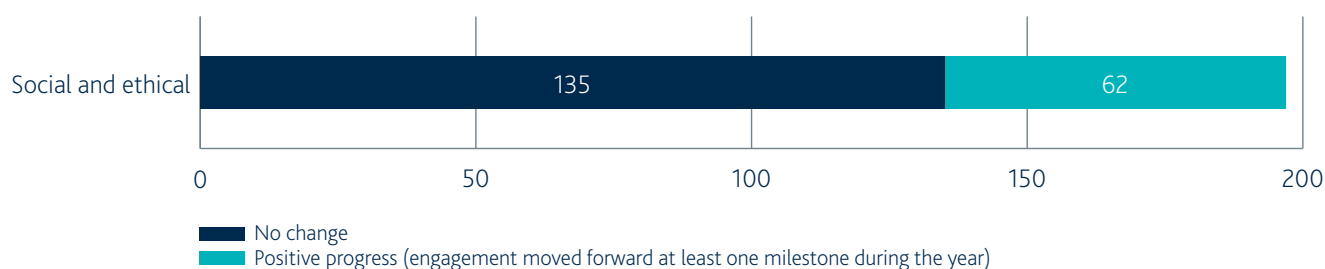
We co-signed the investor statement on the **Dakota Access Pipeline**, seeking an equitable resolution of the concerns of the Native American tribe which did not provide its free, prior and informed consent to the construction of one section of the pipeline. After signing the investor statement, which sought to put pressure on the banks financing the project, we were invited to a small, private investor briefing with the chair of the Standing Rock Sioux Tribe.

We discussed the allegations of misconduct in its South African business in relation to the **corruption scandal** involving the Gupta family with representatives of KPMG UK and South Africa.

We also signed the Global Investor Statement on **Antibiotic Stewardship** by the Farm Animal Investment Risk & Return initiative, which seeks to phase out the routine non-therapeutic use of antibiotics in livestock production.

Furthermore, we spoke at the conference of the **Responsible Minerals Initiative**, which focused on the conflict-free sourcing of raw materials in the supply chain of the electronics and other sectors. We argued that respecting the human rights of those within the supply chains of companies reduces reputational and legal risks, while enhancing the resilience of businesses.

## Progress against social and ethical objectives



### Case study: Uni-President Enterprises



#### A Q&A with Christine Chow from Hermes EOS about Taiwan-based food conglomerate Uni-President Enterprises

##### Q: Why did you begin to engage with the company?

**A:** Our engagement with Uni-President Enterprises was triggered by the 2011 food contamination scandal involving plasticiser, which led to a large-scale recall of affected products and significant damage to the company's reputation. We wanted to ensure that the company adopts the necessary structures, systems and processes to improve food safety.

##### Q: What did your engagement entail?

**A:** Following dialogue with the company and a site visit to its headquarters in June 2014, we saw significant improvements in its food safety management. After our visit, the company set up a new structure to connect all the sustainability initiatives in its various departments, incorporating the recommendations we had made regarding the disclosure of its efforts. Unfortunately, a further major incident involving tainted oil in the company's supply chain was discovered in November 2014. Despite our disappointment about this, we were supportive of the cultural change that management wanted to implement across the company. We recommended more granular reporting on the improvements it has made in relation to food safety and encouraged the continued use of infographics to better demonstrate the processes in place to the public.

We were also concerned about the lack of transparency regarding the director nominations process and the insufficient number of independent directors on the company's board. We therefore strongly pushed for a strengthening of the board through the nomination of independent directors and better disclosure of the process involved.

In February 2017, we paid a visit to the company's new food safety centre. In accordance with international best practices of hygiene and safety, the testing facilities were kept separate from each

other. The number of specialist and segregated laboratories focus on food sample testing for veterinary drugs, pesticides, pollutants, adulterants, additives, lipids, heavy metals and antimicrobial substances. We also discussed the company's efforts in relation to water and food waste management.

We subsequently recommended the company align its business objectives with the UN Sustainable Development Goals to help focus its actions on group-wide material environmental, social and governance risks and opportunities. We discussed the efforts made by other companies in the areas of water management, the circular economy, as well as with regard to health and well-being, that the company could possibly adopt.

##### Q: What were the outcomes of your engagement?

**A:** The company reacted to the concerns we raised. At its AGM in June 2013, it put forward three independent directors for election by shareholders and set up an independent audit committee. While the extent and timeliness of the disclosures regarding its director elections could be enhanced to bring it further in line with international best practice, the company has adopted the market standard nomination system, enabling us to conclude our engagement on board issues.

Since then, the company has also notably improved the quality of its reporting on food safety management, the effectiveness of its risk management and the oversight over its suppliers. An incentive scheme with four levels of risk alerts was introduced to encourage internal reporting of any identified food safety issues. Rewards are given to employees who raise food safety concerns. These incentives have been supported by management, which has been crucial in ensuring a company-wide change in culture and behaviour. In addition, the company has begun to look at ways to improve its water management capabilities and has started to review best practices in the industry.

We particularly welcomed that the company set up a corporate social responsibility (CSR) working group in 2017. It is designed to bring together the sustainability efforts of the different business units within the company. The group reports directly to the president and its work is approved by the board of directors.

We will follow up on the work of the group once the sustainability agenda and priorities have been decided.

## Governance: Engagement highlights

In 2017, 40% of our engagements included a governance objective. In this section, we summarise some of the major governance themes we engaged on during the year and provide a case study illustrating the successful outcome of an engagement on governance concerns.

### Status of governance engagement objectives

The table below describes which milestones have been achieved during the respective engagements.

Theme	Total engagement objectives	Engagement objective status				Completed engagement objectives	
		Objective set	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Discontinued
Governance	340	25	58	110	80	44	23

### Engagement with companies

Encouragingly, companies in some markets appear to have listened to the concerns of shareholders on **remuneration**, and so in 2017 we saw some progress, for example a simplification of previously highly complex pay structures and reductions in variable pay. Nevertheless, we opposed pay proposals at a number of companies due to excessive quantum and variable pay, insufficient disclosure of performance targets, a lack of stretching targets, misalignment between pay and performance and over-complexity. We recommended voting against the remuneration policy of UK tobacco company Imperial Brands, for example, because of a significant increase in the maximum opportunity under the variable remuneration plan without accompanying higher performance targets. Following consultations with shareholders, including ourselves, the company announced the withdrawal of the proposal to adopt the new remuneration policy.

Another focus of our engagements on governance was **board composition**. We pushed for companies globally to hold external board evaluations to assess the skill sets of their boards. We advocate a separate chair/CEO and therefore welcomed the announcement by US healthcare company McKesson that its board decided to split the chair/CEO position upon the retirement of the incumbent CEO. We had engaged with the company on this and made clear our intention to support a shareholder proposal calling for a separation of the two roles. Equally encouraging was that the combined chair/CEO of Japanese car manufacturer Nissan decided to step down as CEO, as we had engaged with the company on its CEO succession planning and the concentration of power in the individual for some time. We recommended companies appoint a lead independent director with powers equivalent to those of an independent chair, who could act as a contact point, especially if they are family- or state-dominated or where the roles of chair and CEO are combined. At Spanish bank Banco Bilbao Vizcaya Argentaria and US electricity generator Duke Energy, we welcomed the strengthening of the role of their lead independent directors.

We also continued to push for **access to the board** at companies. We started to engage with family-controlled conglomerates, such as CK Hutchison and Jardine Matheson, and were successful in gaining access to their board directors, which had been difficult to achieve in the past.

In Japan, we called on companies to reduce their **cross-shareholdings**, as the practice promotes the unequal treatment of shareholders. Those who hold shares for strategic purposes, for example to secure a contract, may receive benefits, while other shareholders, including

institutional and retail investors, do not. This could contribute to sustaining poor governance practices and blocking attempts by other investors to improve governance at the investee companies.

We engaged with companies with dual-class share structures in an attempt to enhance the **rights of minority shareholders**, increase transparency, as well as push for effective boards and investor dialogue. We took a stance through our voting recommendations at the AGMs of companies, for example, by opposing the election of the chair of the governance committee at US media company Twenty-First Century Fox. Encouragingly however, in Brazil some headed in the opposite direction. We supported the proposals submitted to the AGMs of mining company Vale and paper and pulp company Suzano Papel e Celulose to convert their non-voting into voting shares and to amend their articles of association to incorporate the requirements of the Novo Mercado, the B3 stock exchange segment with higher corporate governance standards.

### Public policy and best practice

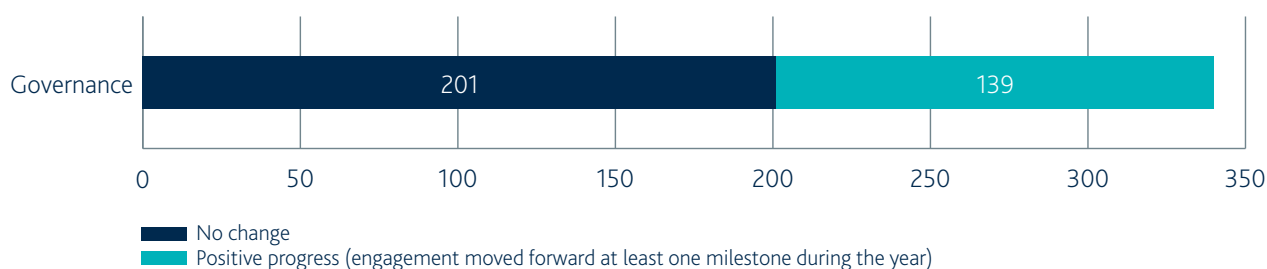
In our view, adherence to the principle of one-share one-vote is a prerequisite for effective stewardship. We therefore made clear that we are not supportive of the introduction of **dual-class share structures and different listing standards** in the consultation responses to the Hong Kong and Singapore stock exchanges, as well as to the UK's Financial Conduct Authority. As part of a panel at the conference of the Council of Institutional Investors, we questioned the regulatory inconsistency in pushing investors for better stewardship at the same time as allowing deviation from the one-share one-vote principle.

In a meeting with the Financial Services Agency (FSA) of Japan, we raised concerns about the lack of transparency of **cross-shareholdings** by companies in the country. We followed up with a letter, which was backed by several large global investors, encouraging the FSA to strengthen the disclosure requirements for cross-shareholdings. In our response to the consultation on the amendments to Japan's stewardship code, we cautioned that the influence of institutional investors and ultimately the impact of the stewardship code may be limited without a swift and substantial reduction in cross-shareholdings.

We outlined concerns about **executive remuneration** practices and set out our expectations about policies and pay packages at a conference for senior company representatives in Germany.

We also spoke at the launch event of the implementation guidelines for **Brazil's Stewardship Code** at the B3 stock exchange in São Paulo.

## Progress against governance objectives



### Case study: Credit Suisse



#### A Q&A with Roland Bosch from Hermes EOS about Swiss financial services company Credit Suisse

##### Q: Why have you been engaging with the company?

A: We have engaged with Credit Suisse on conduct, risk management and executive remuneration. We have also challenged the execution of its strategic plan, which is largely based on cost reduction, the extensive restructuring of its investment banking activities and a strengthening of its capital position.

Ahead of the company's 2017 AGM, our emphasis shifted to its remuneration framework. Despite another year of losses – driven by reaching a settlement with the US Department of Justice relating to its legacy residential mortgage-backed securities business conducted until 2007 under a different executive board – the short-term executive incentive award paid out 80% on average in 2016. This was largely a result of the decision of the remuneration committee to apply discretion to the calculation of the capital adequacy metrics.

##### Q: What did the engagement entail?

A: In a meeting with the company's remuneration committee, we challenged its proposed decision on remuneration, in particular the 2016 short-term variable pay awards of the executive board. We also questioned the staff retention issues in its investment

bank division, which have contributed to significant upward adjustments in the variable incentive pools.

As a result of a meeting with the company's remuneration committee, we recommended voting against the approval of the remuneration report and the retrospective binding vote to approve the short-term variable pay of the executive board.

##### Q: What changes did the company make?

A: Shortly after our meeting with the company's remuneration committee, in which we had raised concerns about the variable remuneration awards of the executive board, Credit Suisse issued an impromptu public statement.

In letters to its shareholders, the chair and CEO explained that the executives had decided to propose to the board that total variable pay – comprising of long-term incentive awards for 2017 and short-term incentive awards for 2016 as previously granted to them by the board – be reduced by 40%. In addition, the board decided to maintain total board remuneration at the level of 2016, with no incremental increase in 2017 as proposed earlier to the AGM.

The company also acknowledged our concern that the significant conduct fines had not been appropriately reflected in the originally proposed executive remuneration.

##### Q: What are the next steps in your engagement?

A: We will continue our engagement with the remuneration committee, including its new chair, to ensure a robust remuneration framework is in place and that outcomes are better aligned with the interests of the company's long-term shareholders.

## Strategy, risk and communication: Engagement highlights

In 2017, 16% of our engagements included a strategy, risk and communication objective. In this section, we summarise some of the major strategy, risk and communication themes we engaged on during the year and provide a case study illustrating some positive outcomes of an engagement on strategy and risk issues.

### Status of strategy, risk and communication engagement objectives

The table below describes which milestones have been achieved during the respective engagements.

Theme	Total engagement objectives	Engagement objective status				Completed engagement objectives	
		Objective set	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Discontinued
Strategy, risk and communication	134	2	12	45	42	18	15

### Engagement with companies

We engaged with companies on **cyber security** and data privacy, in particular their preparedness for any cyber breaches and new data-related regulation, and were reassured by the measures taken by some. We spoke at the AGM of China Mobile where the CEO and two executive board directors in response to our questions acknowledged the need to appoint additional directors to strengthen the board's expertise on cyber security.

In addition, we continued to encourage the companies in our engagement programme to create and publish **integrated reports**, in line with the International Integrated Reporting Framework, and were pleased to see progress. We commended materials company Cemex for the publication of its first integrated report, which sets a benchmark in the Mexican market. We had encouraged it to adopt the integrated reporting framework and provided examples of best practice.

Encouragingly, we saw the implementation of the UN Sustainable Development Goals in the strategies of some companies. We discussed **business strategy** with several car manufacturers and pressed for a clearer explanation of their sustainable vehicles strategies and disclosure of intermediate sales targets for electric vehicles for the next five to 10 years. As part of our client engagement trip to Germany, we visited chemical company BASF to tour its facilities and discuss its sustainability strategy.

Furthermore, we engaged on **risk oversight** with companies, including in relation to their joint ventures.

### Public policy and best practice

In a presentation to senior staff at the Central Bank of Russia (CBR), we called for the development of a **stewardship code** in the country and shared examples of best practice from other emerging markets. We had been invited by the CBR to give a presentation on the role of institutional investors in promoting good corporate governance at their investee companies. Similarly to other emerging markets, there has been little stewardship activity to date by institutional investors in Russia. We highlighted the fiduciary duty of asset owners and managers to be responsible investors in order to preserve and enhance the long-term value of their investments. We outlined our approach to stewardship, including on engagement and voting, and described the developments in emerging markets such as South Africa, Malaysia, Hong Kong and Brazil. Encouragingly, the CBR said that Russia plans

to develop a stewardship culture too and asked us to deliver a second presentation as it builds its internal capacity, which we agreed to do.

We became a signatory to the **Framework for US Stewardship and Governance**, the country's version of a stewardship and governance code. We aim to participate in the periodic review of the framework based on our extensive involvement with the development of stewardship codes globally to help it gain traction among investors and companies and increase the rigour of what are at present undemanding standards.

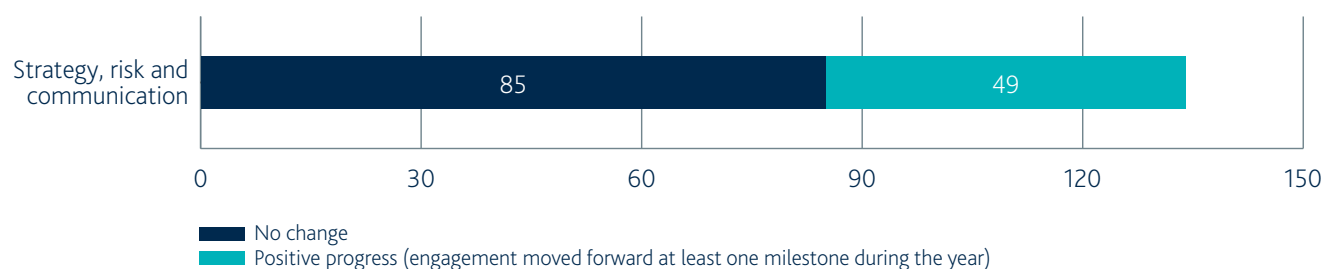
We participated in a roundtable, which was coordinated by the Centre for the Understanding of Sustainable Prosperity, to inform the subsequent deliberations of the European Commission's High-Level Expert Group on Sustainable Finance (HLEG) on **fiduciary duty**. The HLEG had been tasked by the president of the European Commission with proposing the necessary changes to legislation in order to reframe and clarify the fiduciary duties of financial institutions across the EU. The roundtable discussed the quality of advice provided to trustees, the need to be more explicit that the duty extends to stewardship and the merit of promoting the interests of beneficiaries irrespective of their expressed preferences, such as tackling climate change. We encouraged the participants to think practically and focus on removing existing impediments to the ability of investors to fulfil their fiduciary duty, such as the market practice of measuring and reporting short-term relative investment returns and poor governance standards across the asset owner and management industry.

The US Securities and Exchange Commission (SEC) gave final approval to the **auditor's report regulation**, as proposed by the Public Company Accounting Oversight Board (PCAOB) in 2016. In our consultation response to the PCAOB, we had advocated for significant changes to the existing auditor's report, including the communication of critical audit matters arising from the audit and new elements relating to auditor independence and tenure. Overall, the approved changes will enhance the form and content of the auditor's report by making it more relevant and informative to investors and other users of financial statements.

Failure to pay a sustainable rate of **tax** can lead to a liability for future shareholders if there is a requirement to pay back-dated tax or a share price correction. In addition, this exposes businesses to significant reputational risk. We therefore engaged on responsible tax practices with a number of companies in 2017.



## Progress against strategy, risk and communication objectives



### Case study: Volkswagen



A Q&A with Dr Hans-Christoph Hirt and Dr Michael Viehs from Hermes EOS about German car manufacturer Volkswagen

#### Q: Why are you engaging with the company?

A: Volkswagen has a highly concentrated ownership structure of its ordinary voting shares. Representatives of its major shareholders, the Porsche and Piëch families, the Qatar Investment Authority and the State of Lower Saxony, dominate its supervisory board.

A period of growth under the reign of two former CEOs ensured that Volkswagen has become one of the largest car manufacturers in the world. However, we have always had concerns about the company's governance and culture, which we believe contributed to the emissions scandal of 2015 and caused its share price to drop by more than 40%. Although the stock price had recovered its losses as of the end of 2017, significant governance concerns remain.

#### Q: What did your engagement entail?

A: For more than a decade, we questioned the governance structures of Volkswagen in our engagements and sought to change the composition of the company's supervisory board by appointing more independent directors with the relevant expertise. We recommended voting against the discharge – a vote of confidence – of some members of the supervisory board most years between 2007 and 2017 and against the executive remuneration system in 2010 because, in our view, it did not incentivise executives to adopt a sustainable, long-term strategic approach.

After the emissions scandal broke, we escalated our engagement with Volkswagen and attended the AGMs in 2016 and 2017 to share our concerns about its governance, culture and remuneration in public. We also filed a shareholder proposal at the 2016 AGM calling for the appointment of a special auditor to investigate the underlying reasons for the emissions scandal.

Since the breaking of the emissions scandal, we have met the chair of the supervisory board and various members of the executive management team multiple times, also around the 2017 AGM. We were the only foreign investor to present our governance concerns to members of the presiding committee of the supervisory board at the company's headquarters. In 2017, we also met the deputy chair of the supervisory board, an employee representative, to discuss our concerns with him.

#### Q: What has been the outcome of your engagement with regard to the role of the supervisory board?

A: We were pleased to recognise that, since September 2015, the supervisory board has opened up to an enhanced dialogue with investors on governance and executive remuneration. In our view, the access to the chair indicates that the supervisory board is taking investor concerns more seriously than in the past, also in relation to its own composition. The good access we have to the company's board was reflected in the opportunity we had to present to members of the presiding committee of the supervisory board. Encouragingly, the supervisory board representatives from the State of Lower Saxony have also reached out to us to continue the discussion about governance.

Although we recommended voting against the company's remuneration system in 2017 – due to a lack of published challenging performance targets – our engagement efforts on remuneration with the chair of the supervisory board over the last two years has contributed to a general improvement of the transparency and structure on pay. These are some steps in the right direction but much more needs to be done.

#### Q: What are the next steps?

A: While we have welcomed the company's appointment of an executive for integrity and legal affairs and the actions the company has taken following the emissions scandal, we will continue to press for an external evaluation of the company's supervisory board and culture to restore investor trust. We need to see tangible evidence of a changing culture.

We also expect the company to appoint more independent members to its supervisory board who have the necessary skills and expertise to support it in the transition of the automotive industry to a low-carbon economy.

## Public policy work

During 2017, on behalf of our clients, we formally responded to **26** consultations, or a proactive equivalent to this\*, and held **210** discussions to press our views with the relevant regulators and stakeholders. The breakdown of these was:

Region	Consultations or proactive equivalent*	Meetings and discussions
Global	6	82
Developed Asia	7	36
Emerging Markets	0	17
Europe	1	16
North America	7	13
UK	5	46
<b>Total</b>	<b>26</b>	<b>210</b>

\*for example a letter in absence of regulatory reform

### Our key policy activities and achievements in the year also included:

#### Global

- Our engagement with the **Electronic Industry Citizenship Coalition** (EICC) has been making progress. Apart from launching new initiatives on the ethical sourcing of raw materials, the EICC announced at a stakeholder outreach meeting that it would go beyond the conflict minerals mandated by the Dodd-Frank Act in the US – tin, tungsten, tantalum and gold – to include cobalt from the Democratic Republic of Congo. The EICC has also started to engage with the OECD and the China Chamber of Commerce of Metals, Minerals and Chemicals Importers on how to align initiatives.
- As the only representative from the investor community, we discussed the next phase of **supply chain audit** approaches at a conference hosted by the International Council on Mining and Metals. Since the conference of members of the Electronic Industry Citizenship Coalition in January 2017, we have been pushing decentralised ledgers that could potentially increase the efficiency and transparency of the conflict minerals supply chain, which is why we were pleased about the progressive discussions.
- We signed the letter prepared on behalf of institutional investors to the intergovernmental meetings of the G7 and G20, requesting that governments continue to implement the **2015 Paris Agreement on climate change**, which is in the interests of long-term investors. In particular, the letter requested governments to support the implementation of nationally determined contributions and climate plans to 2050 to achieve the goals of that agreement, drive investment to facilitate the transition to a low-carbon world by aligning climate change-related policies, phase out fossil fuel subsidies and include carbon pricing where appropriate. It also called on them to support climate change-related financial reporting frameworks, including the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

#### Developed Asia

- Together with the CIO of Japan's Government Pension Fund, we spoke at a panel about global trends in responsible investment and ownership at the **Asian Leadership Conference** in Seoul. The event was headlined by former US President Obama whose speech covered a wide range of Asian-specific and global leadership challenges, such as climate change. We explained one of the key drivers behind responsible investment, namely the greater focus on the interests of the ultimate beneficiaries, and highlighted challenges in the investment chain.
- We welcomed the launch of the **fiduciary duty roadmap for Japan** by the Principles for Responsible Investment and the UNEP

Finance Initiative, to which we contributed with our experience from our stewardship activities in Japan. The document provides recommendations on stewardship and engagement, corporate governance and disclosure. We were particularly pleased to see the issue of cross-shareholdings highlighted as a key challenge to corporate governance in the country, as well as the difficulties for investors to engage collaboratively, in line with our input.

- We supported an investor statement to welcome the inquiry into creating a **Modern Slavery Act in Australia** by the joint standing committee on foreign affairs, defence and trade of the parliament of Australia. The statement was co-ordinated by the Principles for Responsible Investment and supported by investors with \$2.17 trillion in assets under management. It encouraged the act to include requirements such as board level commitments on modern slavery statements and annual public reporting, consistent with the UK Modern Slavery Act. In addition, it called for disclosure of the efforts by companies to map their supply chains to undertake due diligence and the establishment of a central repository of statements to enable investors and other stakeholders to access the disclosure with ease.
- We hosted a roundtable on the proliferation and implementation of **stewardship codes and principles in Asia** at which the CEO of Stewardship Asia and the managing director of the International Corporate Governance Network presented. The roundtable addressed whether investor stewardship is appropriate in Asian economies where companies are often controlled by large shareholders and cultures and regulations differ significantly. We agreed that accommodating regulation plays a major role in the success of stewardship, for example with regard to investor collaboration.
- We participated in the first meeting of the **working group on Japan of the International Corporate Governance Network (ICGN)**, highlighting non-executive director dialogue, cross-shareholdings and collective engagement as key issues that could be tackled by guidance produced by the ICGN in collaboration with investors, companies and key regulators.

#### Emerging Markets

- We provided the investor perspective on the environmental performance disclosure of companies at the **CDP training seminar in Beijing**, as part of our collaboration with the initiative in China. Our connections with companies have supported the expansion of this training, as the number of attendees at the event has grown from two in 2016 to over 20 company representatives in 2017. We were pleased to see that companies, especially those from the energy,

chemicals, consumer and financial services sectors, have increased their resources to improve the disclosure of their environmental performance and set objectives in line with global best practice.

- We spoke at **China's first responsible investment forum**, which was hosted by the asset management association of the China Securities Regulatory Commission. Keynotes from director-generals from the National Social Security Fund and Development Research Centre of the State Council sent a strong message of the Chinese government's commitment to responsible investing, from ESG assessments to impact investments. Encouragingly, the chair of the China Association for Public Companies advocated the involvement of boards in the sustainability strategy of their companies to promote ESG awareness and implementation.
- In a meeting with the deputy CEO of the **Shanghai Stock Exchange**, we outlined best practice in relation to board refreshments, director nominations and stakeholder engagements. We criticised the lack of coherent standards and meaningful content in the ESG reports of A-share companies and encouraged them to provide reports in English.

## Europe

- We reviewed a letter from institutional investors to the institutions of the EU concerning the tripartite negotiations on the **Energy Union Package**. We supported many of the proposals, including a long-term decarbonisation goal for 2050 and an ambitious and binding energy efficiency target, as, in our view, these are the most economic forms of decarbonisation. However, we commented that capacity payments for some types of fossil fuel power are likely to be necessary to accommodate an increasing proportion of intermittent renewables on the grid. We also suggested sending a clear signal about the demise of coal from a fixed date such as 2030 to provide clarity on the value of investing in any further coal-related capital expenditure.
- We pushed for independent external board evaluations and promoted some of our ideas to reform **executive remuneration** at a high level corporate governance roundtable in Germany. During sessions on board composition and effectiveness, we highlighted the importance of investor dialogue with board members, in particular non-executive directors, in assessing the quality of the board. We also pointed out the importance of simplicity in executive pay packages.
- We responded to the consultation of Afep-Medef on the revision of the **French corporate governance code** and met both associations to explain our viewpoints. Our recommendations for simple, specific and transparent remuneration policies, accompanied by a narrative in a dedicated report, have been taken on board, as has our suggestion for the appointment of a lead independent director.
- We explained the concept of **investor stewardship** and regulatory challenges to dialogue between non-executive directors (NEDs) and investors in Germany to a large group of supervisory board members. We highlighted the advantages of dialogue between investors and NEDs, such as a better understanding of and an enhanced scope to adopt company-specific governance arrangements.

## North America

- We participated in the discussion of the inaugural **CEO Investor Forum** in New York. The forum was hosted by the Strategic Investor Initiative (SII) of CEO-coalition CECP and brought together a large number of the CEOs of major US-listed companies, as well as long-term orientated institutional investors. Its purpose is to expand the focus of traditional investor presentations to include topics that demonstrate a strategy capable of creating long-term value and

facilitate dialogue between CEOs and investors on related issues. We subsequently joined the advisory board of the SII and participated in the second CEO Investor Forum.

- In response to the US President's executive order to repeal section 1502 of the Dodd-Frank Act, which requires US companies to report on how they manage the risk of **conflict minerals** in their value chains, we signed an investor statement to protest against the repeal. The enactment of this rule has helped to improve the management of difficult supply chains and human rights risks, particularly in the Democratic Republic of Congo. Serious abuses of human rights still occur in conflict mineral supply chains and the repeal of the law may result in fewer efforts to resolve them.
- We co-signed a petition to the US Securities and Exchange Commission to change its disclosure rules for companies so that they are required to provide more information and metrics on **human capital management**.
- We participated in a conference on the extractives industry convened by the International Petroleum Industry Environmental Conservation Association and the International Council on Mining and Metals on the **UN Sustainable Development Goals**. While some important developments were discussed by company representatives in relation to the goals, there is still much to do in both industries on many of the complex issues they face.
- We signalled our opposition to the passage of the **US Choice Act 2017** by writing to the chair and the ranking member of the House of Representatives' Committee on Financial Services, endorsing the letter that the Council of Institutional Investors (CII) had sent to them both. We also co-signed a letter from the CII to selected members of the House of Representatives. Among the counter-reforms contained in the draft legislation were plans to make it more difficult to file shareholder proposals, greater regulatory requirements on proxy advisory firms, restrictions on voting in contested director elections, as well as reductions in the rights of shareholders to an advisory vote on pay and in the ability of the Securities and Exchange Committee to carry out its regulatory functions.

## United Kingdom

- We attended a meeting of the UK All-Party Parliamentary Corporate Responsibility Group to discuss the efforts of UK authorities to tackle **bribery and corruption** globally and the role responsible businesses can play to support this.
- We presented our expectations of **executive remuneration** in the UK, in line with our Remuneration Principles, to a group of senior reward executives of FTSE 100 companies. The response indicated that many companies could be supportive of our proposals. In particular, there was interest in moving towards more radical, simplified and less leveraged models of executive pay based on lower variable and more fixed pay in the form of restricted shares
- At a roundtable on the **living wage**, we spoke about the approach of long-term investors to the payment of the living wage by companies to their employees. We highlighted the business benefits, including the human capital advantages this can bring through increased retention, higher productivity and reduced reputational risk.
- In a meeting with the Financial Reporting Council on the **UK Stewardship Code**, we argued that now is the time to identify best practice in voting and engagement and encourage investors to consider undertaking stewardship activities that are demonstrably effective.

Report written and produced by Nina Röhrbein

Hermes EOS makes voting recommendations at general meetings wherever practicable. We take a graduated approach and base our recommendations on annual report disclosures, discussions with the company and independent analyses. At larger companies and those where clients have significant interest, we seek to have dialogue before recommending a vote against or abstention on any resolution.

In most cases of a vote against at a company in which our clients have a significant holding or interest, we follow up with a letter explaining the concerns of our clients. We maintain records of voting and contact with companies, and we include the company in our main engagement programme if we believe further intervention is merited.



Hermes EOS makes voting recommendations at companies all over the world, wherever its clients own shares.

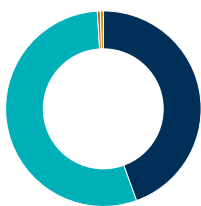
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## Overview

In 2017, we made voting recommendations on 100,591 resolutions at 9,538 meetings. At 5,200 of those meetings, we recommended opposing one or more resolutions, while at 44 meetings, we recommended abstaining. We recommended voting with management by exception at 47 meetings and supported management on all resolutions at 4,247 meetings.

### Global

We made voting recommendations at **9,538** meetings (**100,591** resolutions) over the last year.



- Total meetings in favour **44.5%**
- Meetings against (or against AND abstain) **54.5%**
- Meetings abstained **0.5%**
- Meetings with management by exception **0.5%**

### Australia and New Zealand

We made voting recommendations at **298** meetings (**1,580** resolutions) over the last year.



- Total meetings in favour **55.0%**
- Meetings against (or against AND abstain) **45.0%**
- Meetings abstained **0.1%**
- Meetings with management by exception **0.5%**

### Developed Asia

We made voting recommendations at **1,916** meetings (**18,373** resolutions) over the last year.



- Total meetings in favour **41.0%**
- Meetings against (or against AND abstain) **58.5%**
- Meetings abstained **0.1%**
- Meetings with management by exception **0.5%**

### Emerging Markets

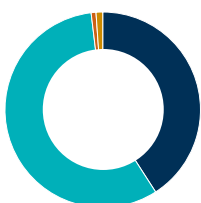
We made voting recommendations at **2,526** meetings (**22,823** resolutions) over the last year.



- Total meetings in favour **41.6%**
- Meetings against (or against AND abstain) **57.7%**
- Meetings abstained **0.4%**
- Meetings with management by exception **0.2%**

### Europe

We made voting recommendations at **1,336** meetings (**18,434** resolutions) over the last year.



- Total meetings in favour **40.9%**
- Meetings against (or against AND abstain) **57.2%**
- Meetings abstained **0.8%**
- Meetings with management by exception **1.1%**

### North America

We made voting recommendations at **2,630** meetings (**27,471** resolutions) over the last year.



- Total meetings in favour **47.0%**
- Meetings against (or against AND abstain) **52.4%**
- Meetings abstained **0.2%**
- Meetings with management by exception **0.3%**

### United Kingdom

We made voting recommendations at **832** meetings (**11,910** resolutions) over the last year.



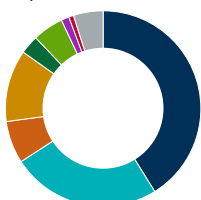
- Total meetings in favour **55.6%**
- Meetings against (or against AND abstain) **41.6%**
- Meetings abstained **1.8%**
- Meetings with management by exception **1.0%**

## Voting by issue

The resolutions where we recommended voting against management or abstaining are shown below.

### Global

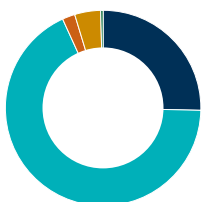
We recommended voting against or abstaining on 12,652 resolutions over the last year.



- Board structure 41.1%
- Remuneration 24.7%
- Shareholder resolution 7.0%
- Capital structure and dividends 11.9%
- Amendment of articles 3.1%
- Audit and accounts 5.1%
- Governance 1.3%
- Poison pill/Anti-takeover device 0.8%
- Other 4.9%

### Australia and New Zealand

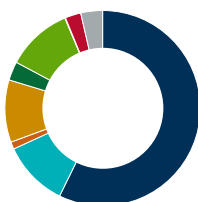
We recommended voting against or abstaining on 280 resolutions over the last year.



- Board structure 25.4%
- Remuneration 67.9%
- Shareholder resolution 2.1%
- Capital structure and dividends 4.3%
- Amendment of articles 0.4%

### Developed Asia

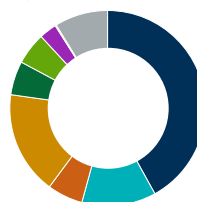
We recommended voting against or abstaining on 2,350 resolutions over the last year.



- Board structure 57.2%
- Remuneration 10.9%
- Shareholder resolution 1.2%
- Capital structure and dividends 10.3%
- Amendment of articles 3.1%
- Audit and accounts 10.9%
- Governance 0.1%
- Poison pill/Anti-takeover device 2.6%
- Other 3.6%

### Emerging Markets

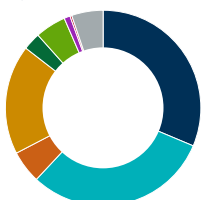
We recommended voting against or abstaining on 4,023 resolutions over the last year.



- Board structure 42.0%
- Remuneration 12.3%
- Shareholder resolution 5.9%
- Capital structure and dividends 17.1%
- Amendment of articles 5.6%
- Audit and accounts 5.3%
- Governance 2.9%
- Investment/M&A 0.1%
- Poison pill/Anti-takeover device 0.1%
- Other 8.8%

### Europe

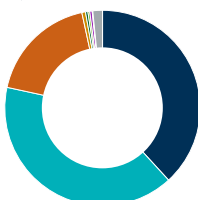
We recommended voting against or abstaining on 2,802 resolutions over the last year.



- Board structure 31.3%
- Remuneration 30.6%
- Shareholder resolution 5.4%
- Capital structure and dividends 18.1%
- Amendment of articles 2.9%
- Audit and accounts 5.1%
- Governance 1.0%
- Poison pill/Anti-takeover device 0.3%
- Other 5.2%

### North America

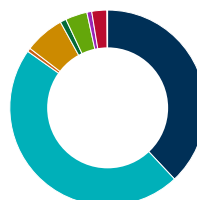
We recommended voting against or abstaining on 2,483 resolutions over the last year.



- Board structure 38.2%
- Remuneration 40.2%
- Shareholder resolution 18.2%
- Capital structure and dividends 0.6%
- Amendment of articles 0.4%
- Audit and accounts 0.3%
- Governance 0.4%
- Poison pill/Anti-takeover device 0.1%
- Other 1.6%

### United Kingdom

We recommended voting against or abstaining on 714 resolutions over the last year.



- Board structure 38.0%
- Remuneration 46.8%
- Shareholder resolution 0.6%
- Capital structure and dividends 6.6%
- Amendment of articles 1.0%
- Audit and accounts 3.6%
- Governance 0.8%
- Poison pill/Anti-takeover device 2.5%
- Other 0.1%





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