OUTCOMES BEYOND PERFORMANCE

2018

Annual Voting and Engagement Report

HERMES EOS

www.hermes-investment.com

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 2018. 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, 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-insights/

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 have £389.4/€433.9/$496 billion[1] in assets under advice.

Hermes has one of the largest stewardship resources of any fund manager in the world. Our 33-person team includes industry executives, scientists, consultants, 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[2] 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:

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This report has been written and edited by Claire Milhench, Communications & Content Manager, Hermes EOS.

[1] as of 31 December 2018

[2] https://www.hermes-investment.com/ukw/stewardship/eos-literature/

Engagement activity by region 2018

In 2018, we engaged with 746 companies on 2,084 environmental, social, governance, strategy, risk and communication issues and objectives[3]. Our holistic approach to engagement means that we typically engage with companies on more than one topic simultaneously.

Global

We engaged with **746** companies over the last year.

- Environmental **21.6%**
- Social and ethical **18.8%**
- Governance **40.5%**
- Strategy, risk and communication **19.0%**

Australia and New Zealand

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

- Environmental **44.4%**
- Social and ethical **22.2%**
- Governance **11.1%**
- Strategy, risk and communication **22.2%**

Developed Asia

We engaged with **114** companies over the last year.

- Environmental **18.1%**
- Social and ethical **19.9%**
- Governance **38.8%**
- Strategy, risk and communication **23.1%**

Emerging Markets

We engaged with **77** companies over the last year.

- Environmental **24.1%**
- Social and ethical **21.9%**
- Governance **30.8%**
- Strategy, risk and communication **23.2%**

Europe

We engaged with **143** companies over the last year.

- Environmental **19.8%**
- Social and ethical **17.3%**
- Governance **42.4%**
- Strategy, risk and communication **20.5%**

North America

We engaged with **233** companies over the last year.

- Environmental **25.5%**
- Social and ethical **18.1%**
- Governance **40.4%**
- Strategy, risk and communication **16.0%**

United Kingdom

We engaged with **172** companies over the last year.

- Environmental **19.0%**
- Social and ethical **18.5%**
- Governance **46.6%**
- Strategy, risk and communication **15.9%**

[3] 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 2,084 issues and objectives on which we engaged with companies in 2018 is shown below.

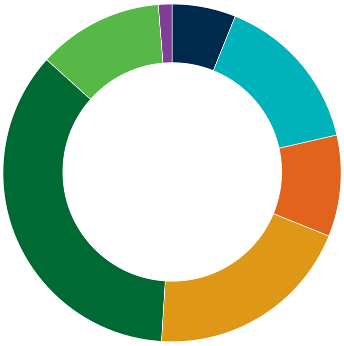
Environmental

Environmental topics featured in **21.6%** of our engagements over the last year.

- Climate change **68.3%**
- Forestry and land use **2.2%**
- Pollution and waste management **10.2%**
- Supply chain management **12.2%**
- Water **7.1%**

Social and ethical

Social topics featured in **18.8%** of our engagements over the last year.



- Bribery and corruption **6.1%**
- Conduct and culture **15.3%**
- Diversity **9.7%**
- Human capital management **19.9%**
- Human rights **35.7%**
- Labour rights **12.0%**
- Tax **1.3%**

Governance

Governance topics featured in **40.5%** of our engagements over the last year.

- Board diversity, skills and experience **23.1%**
- Board independence **16.7%**
- Executive remuneration **37.9%**
- Shareholder protection and rights **15.9%**
- Succession planning **6.5%**

Strategy, risk and communication

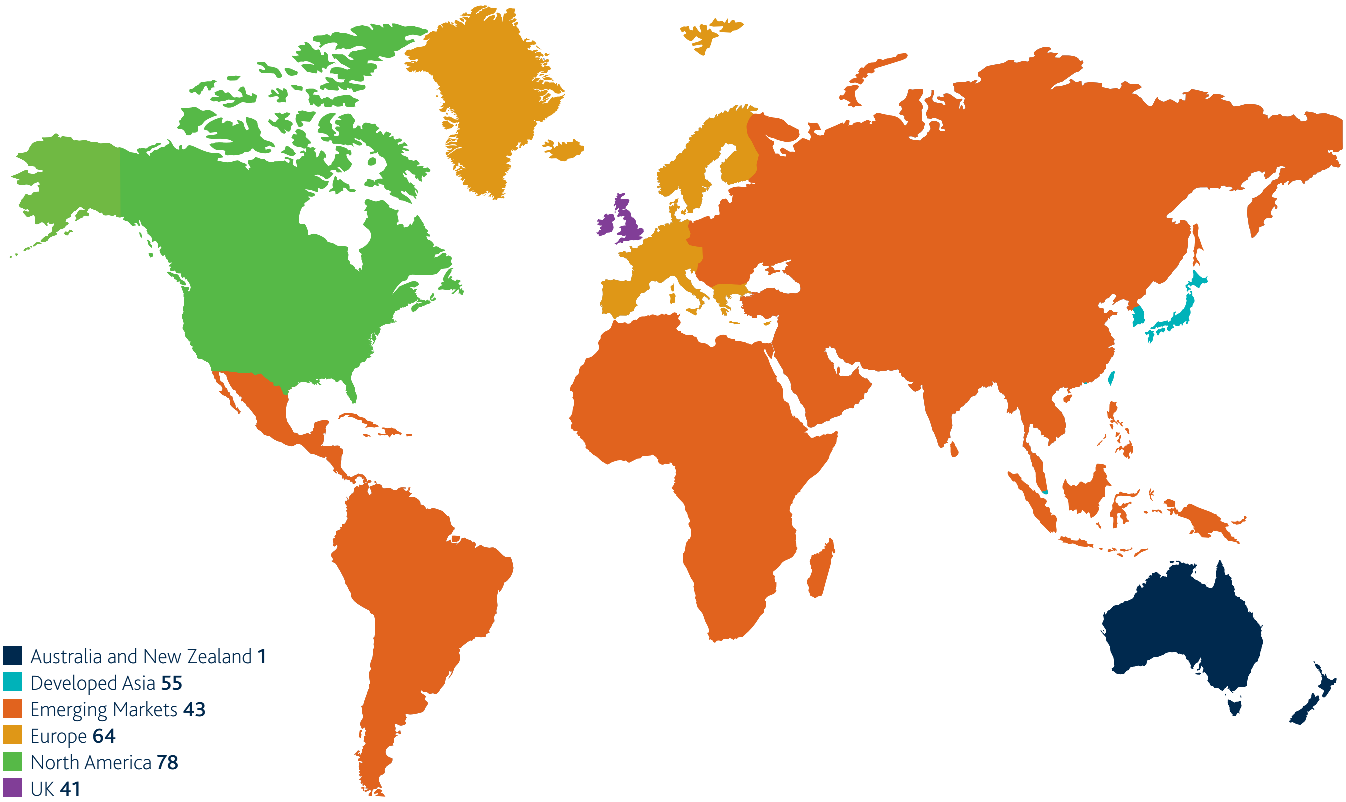
Strategy, risk and communication topics featured in **19.0%** of our engagements over the last year.

- Audit and accounting **4.3%**
- Business strategy **39.6%**
- Cyber security **8.1%**
- Integrated reporting and other disclosure **26.3%**
- Risk management **21.7%**

Engagement with companies on objectives in 2018

We engaged with 282 companies on engagement objectives using our proprietary milestone system.

Companies engaged on objectives



- Australia and New Zealand **1**
- Developed Asia **55**
- Emerging Markets **43**
- Europe **64**
- North America **78**
- UK **41**

Objectives engaged by theme

- Environmental **27.3%**
- Social and ethical **22.6%**
- Governance **30.8%**
- Strategy, risk and communication **19.3%**

Approximately 31% of our engagement objectives focused on governance. In many cases, achieving board or other governance changes is necessary to deliver beneficial change on other matters.

Engagement methodology and progress in 2018

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 the 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.

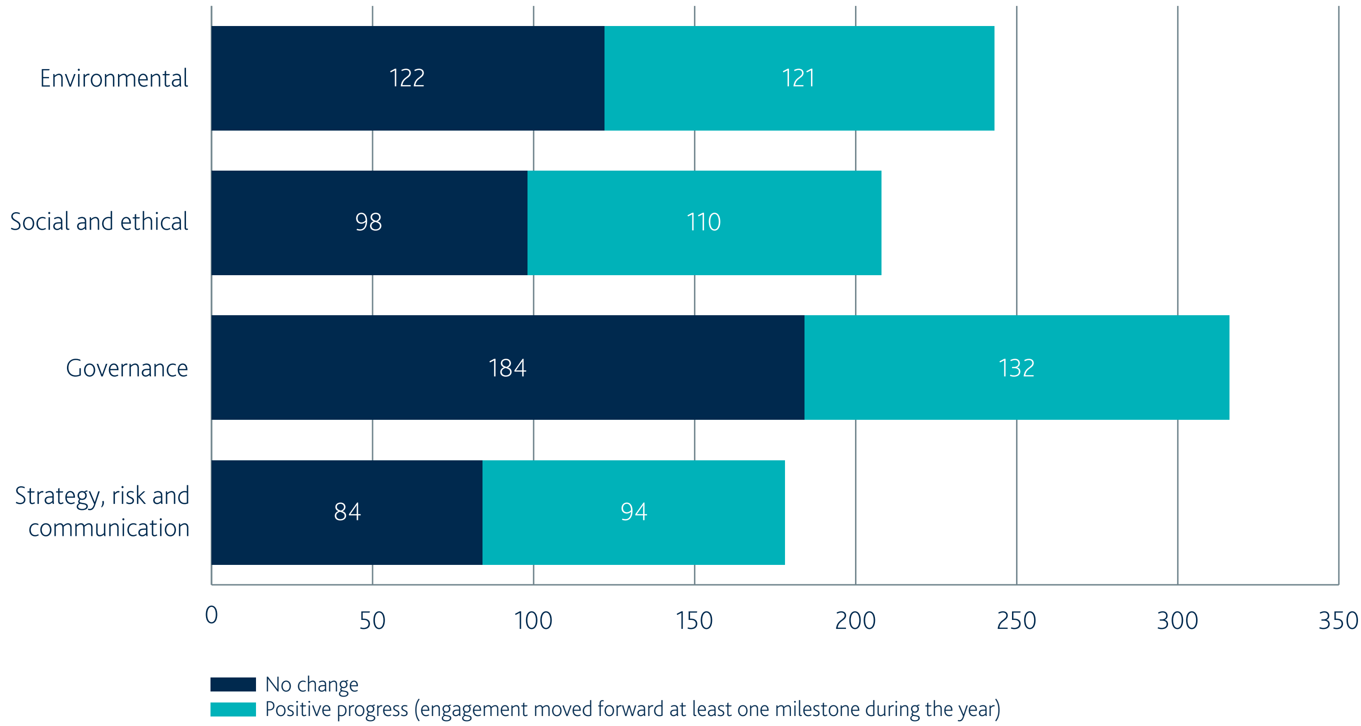
Milestone status of engagement

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	243	30	54	76	49	23	11
Social and ethical	208	7	49	62	45	21	24
Governance	316	13	45	96	71	48	43
Strategy, risk and communication	178	14	31	58	35	26	14
Total engagements	**945**	**64**	**179**	**292**	**200**	**118**	**92**

Engagement progress in 2018

We made solid progress in delivering engagement objectives across regions and themes. At least one milestone was moved forward for about 48% 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 2018, 26% of our engagements included an environmental objective. In this section, we summarise some of the major environmental themes 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	243	30	54	76	49	23	11

Engagement with companies

Climate change remained at the heart of our engagement with companies on environmental issues, and in 2018 we took a role as lead or co-lead engager for 27 companies in **Climate Action 100+ (CA100+)**. This collaborative initiative, which has attracted investors with some $32 trillion in assets, targets over 100 of the world's largest corporate greenhouse gas emitters. The aim is to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate change risk and opportunities.

One of the most notable achievements to date is that following pressure from the CA100+ leads, oil major Royal Dutch Shell said it would set **carbon emissions targets** for the next three-to-five year period, in addition to its long-term ambitions to reduce its carbon intensity. Also, subject to a shareholder vote in 2020, it will link these targets with the long-term incentive plans of senior executives, the first energy company to do so. As a supporting CA100+ investor, Hermes EOS had called on the company to set short-to-medium-term targets in a statement at the company's 2018 AGM in the Netherlands. This followed years of intensive engagement with the company around emission reduction targets.

Other oil and gas companies have taken steps to improve their reporting in this area. In Asia, Sinopec developed a green enterprise action plan with specific targets and improved disclosure of its greenhouse gas emissions. We had first raised our concerns about the company's lack of information on its climate change strategy and risk mitigation measures with senior executives back in 2014, and regularly checked on its progress, providing encouragement and guidance.

For the first time, Brazil's Petrobras made the transition to a low carbon economy a strategic priority in its 2018-22 business plan. The company said that our presentation to the board and the engagements that followed were important in raising awareness about climate change risks and opportunities.

With miner Vale we pressed for progress on the implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In response, the company highlighted an internal **carbon pricing methodology** that was being finalised, the assessment of capital expenditure requirements to mitigate the physical risk of climate change, and the development of medium and long-term science-based carbon targets. Vale acknowledged our concerns about the delay in publishing a climate change position document and promised to do so by Q1 2019. Following the collapse of the company's tailings dam near Brumadinho in January 2019, which killed over a hundred people and caused severe environmental damage, we pressed for a thorough independent investigation. We will continue to engage with Vale on this.

We challenged several **car manufacturers** over their apparent lobbying against tougher emissions standards in Europe, which seemed opposed to achieving the goals of the Paris Agreement, and raised the prospect of shareholder resolutions to ensure transparency of lobbying. We also encouraged car manufacturers to develop detailed strategies for the transition to the widespread take-up of electric vehicles.

In the **financial services** sector, our engagement saw an improvement in climate change strategies and policies in line with the goals of the Paris Agreement at Allianz, Banco Santander, Bank of America, HSBC and Wells Fargo. Standard Chartered, HSBC and Allianz are also restricting lending to coal and other high carbon sources either entirely or subject to limited exceptions.

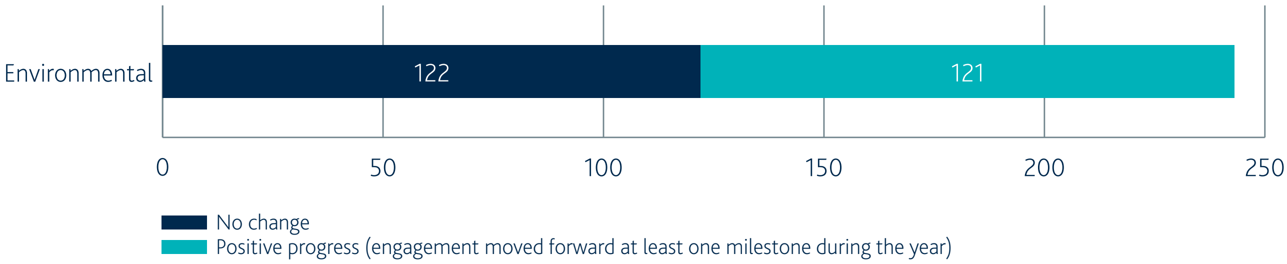
We also engaged with companies in the mining, utilities and consumer goods sectors on **water risk management**. In response to concerns raised in our engagements, BHP published a comprehensive water stewardship strategy and report covering individual assets, while British American Tobacco demonstrated best practices in water management in its tobacco supply chain, including use of trickle feed systems.

Public policy and best practice

As co-lead for the **European utilities sector** within Climate Action 100+ we helped to establish a five-year strategy outlining investor expectations for the sector. As part of this strategy, we co-led the composition of a letter from investors to European energy utilities, published in the Financial Times. This called on the industry to set out plans for the transition to a low-carbon economy and ensure alignment of their business model to the goals of the Paris Agreement. The letter was backed by investors collectively representing $11.5 trillion.

Together with 25 other investors, we signed a declaration on reducing **plastic pollution** by non-governmental organisation As You Sow, which promotes corporate accountability through shareholder action. The signatories have formed a plastic solutions investor alliance to engage with companies within the consumer goods sector on the threat posed by plastic pollution and the associated corporate brand risk. We also joined an Investor Forum initiative focused on improving the handling of micro plastic pellets in the supply chain by engaging with standard-setting bodies.

Progress against environmental objectives



Case study: Anglo American

A Q&A with Andy Jones from Hermes EOS about multinational mining company Anglo American.

Q: Why are you engaging with this company?

A: As a major extractives business Anglo American is one of the world's largest emitting companies of greenhouse gases[1]. It has a significant impact on the local environment through air pollution, and land and water use. To operate in a low carbon world and contribute to the UN's sustainable development goals, the mining sector needs to define and deliver a new way of operating with minimal negative environmental impact.

Q: What did the engagement entail?

A: Our engagement with the company on its environmental impact intensified in early 2016 around a successful resolution co-led by Hermes EOS. This asked the company to publish a stretching climate-related target and undertake further analysis and disclosure of the resilience of its business to low-carbon scenarios. At the annual general meeting (AGM) that year the chair agreed to take action on setting carbon targets following the completion of the business restructuring, once the shape of the new portfolio was known. We returned to the AGM in 2017 to again urge the company to set and publish greenhouse gas reduction (GHG) targets and advance its understanding of climate risk.

We have continued to engage regularly, both independently and as the co-lead for the company under the Climate Action 100+ (CA100+) collaborative investor initiative. We have seen the company's commitment and ambition on climate change continue to grow. We have seen an increase in external engagement to gain industry expert input and collaboration on external initiatives that seek a more sustainable and low carbon path for the industry[2].

Q: What progress has the company made?

A: At its sustainability day in March 2018 the company launched a strengthened approach to climate change including a longer-range climate target to reduce net GHG emissions by 30% by 2030, based on 2016 levels. In April 2018 we led a delegation of investors to the AGM on behalf of CA100+ with questions and encouragement on long-term climate strategy, risk analysis, emissions relating to the use of the company's products and its approach to policy advocacy. In response to our questions the chair confirmed the 2030 target was stretching and employed a science-based methodology and that the company aims to 'be in a position to start operations' at a carbon-neutral mine by 2030.

We continue to engage with the company on enhanced disclosure on climate-related financial risks, and have agreed to meet a set of relevant senior management representatives early in 2019 once the company's first detailed report on climate scenarios has been published. We also await the publication of the results of the company's review of the alignment of its climate policy with industry associations.

[1] Based on scope 1, 2 and 3 carbon and carbon equivalent emissions data, as compiled and modelled by CDP

[2] In particular, the ICMM and Transition Pathway Initiative

Social: Engagement highlights

In 2018, 22% 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	208	7	49	62	45	21	24

Engagement with companies

Human rights work remained a priority for Hermes EOS and our clients in 2018. The UN Guiding Principles on Business and Human Rights provide a global standard for addressing the risk of adverse human rights impacts linked to business activity and offer a framework for our engagement with companies in this area. The ability and commitment to respect and remedy human rights issues reflect the strength of a company's culture and risk management. For many companies, human rights issues reside less in their own operations and more in their supply chain, or potentially in the use of their products. In 2018 we engaged with a number of **technology companies** on the issue of child labour in the cobalt supply chain, including Sony, which updated its supplier code of conduct. In line with our engagement, Apple now monitors on-the-ground community activities in its supply chain using on-site audit agents who provide information on health and safety and the age of workers.

Within the **metals and mining sector**, we completed an objective at Chile's Antofagasta on greater **community engagement** to minimise disputes and complaints. The company has now established a multi-stakeholder committee at key sites and integrated community representatives into social project decision-making and environmental monitoring, to protect local rights when developing mining projects.

We encouraged **food and beverages** companies to demonstrate better performance on **nutrition**, and following our engagement Whitbread made significant progress. It set sugar and salt reduction targets aligned with Public Health England guidance, reformulated products across its food and drink range, introduced healthier options and clearer nutritional labelling and established more responsible advertising practices.

In the area of **human capital management**, we completed an objective at Suzuki Motor on improved workers' rights, following a period of industrial unrest. We also progressed discussions with Hyundai Motor about its management of unions and recurrent labour strikes. At Alphabet's Google we requested diversity targets following slow progress, with the company experiencing a staff walk-out over perceived poor diversity and conduct practices.

We continued to press companies such as retailers Tesco and Amazon on the payment of a **living wage** and asked a number of companies, including Intercontinental Hotels, for improved reporting on human capital management and participation in the **Workforce Disclosure Initiative**.

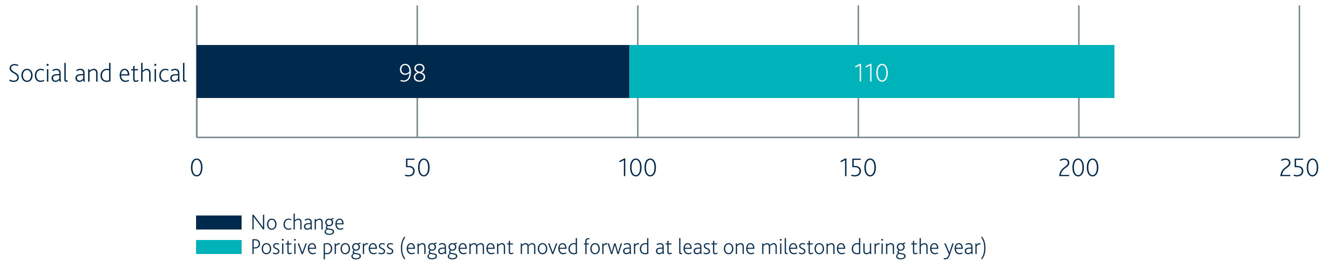
Corporate culture and business ethics remained at the forefront of our engagements. Building a positive and ethical culture should help to avoid problems such as mis-selling, poor treatment of customers, business compliance issues, misleading reporting, aggressive tax planning strategies and bribery and corruption. These practices can damage stakeholder relationships and brand reputation, and lead to legal liabilities and financial costs. At Volkswagen's annual general meeting (AGM) we reinforced our public call for a systematic and independent review of the company's culture. For more than a decade we have questioned the governance structures of this German car manufacturer in our engagements, undertaking intensive, board-level dialogue. We also challenged Danske Bank over the lessons learned from its recent money laundering scandal, demanding an independent inquiry. Following our engagement, Samsung and Heineken put in place improved **anti-bribery and corruption** systems.

Public policy and best practice

We provided input to the **United Nations Working Group on Business and Human Rights** for the 2018 report on corporate human rights due diligence, published in October. Challenges include meaningful reporting and measuring of performance, and the prevalent framing of human rights as a risk issue. We also attended the **Principles for Responsible Investment roundtable on human rights in the extractive sector**, where we exchanged views with companies, investors, non-government organisations and industry associations. We discussed the challenges associated with risk identification, and monitoring and tracking the effectiveness of remediation and training. In addition, we considered how companies and investors manage and mitigate human rights controversies and allegations.

We continued to push for improved **gender diversity** at board level and a reduction of the gender pay gap. In the UK, we agreed to act on the recommendations of the **Hampton-Alexander Review**, an independent review body that aims to increase the number of women on FTSE 350 boards and leadership teams. We focused on companies that have no, or a low level of gender diversity on their boards or in their leadership teams. FTSE 100 companies should aim for a minimum of 33% female representation across their executive committees and in direct reports to the committees by 2020, as per the review.

Progress against social and ethical objectives



Case study: VINCI

A Q&A with Pauline Lecoursonnois from Hermes EOS about French engineering and construction group VINCI. The group has two business segments: concessions, which mainly focuses on toll roads and airports, and contracting, split across activities related to construction, roads and energy.

Q: Why are you engaging with this company?
A: According to the International Labour Organisation (ILO)[1], construction is one of the industries most likely to have forced labour practices. To give an example, in Qatar, large construction projects were initiated in 2010 after the country won the bid to host the 2022 FIFA World Cup. In 2014 the ILO filed a complaint concerning Qatar's non-observance of the 1930 Forced Labour Convention and the 1947 Labour Inspection Convention. As VINCI had been involved in the Qatari construction sector for many years, through Qatari Diar VINCI Construction (QDVC) – a joint venture with the real estate arm of Qatar's sovereign wealth fund – it was therefore identified as one of the companies exposed to a high risk of complicity with regard to potential labour and human rights abuses.

Q: What did the engagement entail?
A: In 2014, we wrote to the chair/CEO of VINCI to raise our concerns about the alleged violations of human rights and labour standards with regard to migrant workers in Qatar. In subsequent years, we had a number of meetings with the chair/CEO, the sustainability team, and the director of social innovation and human rights. As part of our engagement with VINCI, we asked the company to review its policies and improve its practices in these areas. We highlighted the importance for the company to demonstrate leadership within the industry and to improve its communication about how it meets its duty to respect human rights in order to keep its social licence to operate.

Q: What changes did the company make?
A: VINCI created a global task force of human resources directors, appointed an independent third-party firm to conduct a human rights impact assessment and organised a workshop on modern slavery at the subsidiary level of the business. This work led to the publication of a guide on human rights in 2017, with a more comprehensive version of this publication for employees most likely to have to manage human rights and modern slavery risks in the course of a project.

In 2017, VINCI also signed an agreement[2] with QDVC and the union federation BWI. The agreement covers the human rights of QDVC workers employed in the country and includes due diligence on its sub-contractors. This agreement was the first of its kind in Qatar between a union federation and a Qatari company. In an acknowledgement of the important steps taken by the government of Qatar regarding the labour standards for migrant labour, in November 2017 the ILO closed its complaint against Qatar.

The ILO started a three-year cooperation programme with the State of Qatar in April 2018 to improve working conditions and labour rights in the country, and QDVC was selected to conduct a year-long pilot project with the ILO on fair recruitment between Bangladesh and Qatar. This involves an independent audit of the recruitment and employment practices of the company and its supply chain; an impact assessment study of the positive effects on the workforce; and a series of workshops to share good practice with the rest of the sector.

We believe that VINCI's efforts to improve its standards are commendable. However, business-related human rights abuses are endemic within the global economy. For any business, therefore, preventing and addressing human rights violations is an ongoing process, which requires continuous improvement.

[1] https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_575479.pdf
[2] https://www.vinci.com/commun/communiques.nsf/04438CA8C4A62422C12581DF00384D96/$file/Accord-cadre-En.pdf

Governance: Engagement highlights

In 2018, 33% 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	316	13	45	96	71	48	43

Engagement with companies

Our governance engagement objectives are focused on three main areas – **board composition and effectiveness**, executive remuneration, and shareholder rights. With regard to board composition, we made progress on improving diversity in several markets with Panasonic appointing its first ever non-Japanese director to the board, in line with our request. Sony also appointed a second female director and a third non-Japanese director, while Samsung Electronics announced the appointment of three independent directors – one woman and two men with relevant industry and international experience. This followed our engagement on the composition and effectiveness of Samsung's board, where we explained that the lack of diversity and relevant skills could limit the board's ability to oversee a complex and expanding business.

Building materials company Cemex replaced a member of the founding family with a director who brings experience from important markets outside Mexico. Further female directors were appointed at natural resources players Glencore and Rio Tinto, achieving our minimum diversity targets. This followed our recommendations in 2017 to vote against the re-election of the chair and the chair of the nominations committee at Glencore and against the re-election of the chair at Rio Tinto due to a lack of board diversity.

When considering **executive remuneration**, we believe that pay structures and outcomes are a critical tool for aligning the activities of management with a company's purpose, strategy and performance. Despite efforts to control the tension between executives' interests and those of other stakeholders, we believe executive pay in a number of markets has become complex and excessive, while arguably failing to align with or motivate performance. However, we made progress in the UK where our engagement helped to reduce the historically excessive pay at WPP further upon the appointment of a new CEO. Global biotech group Shire, which has since been overtaken by Takeda, reacted positively to our engagement with a simpler policy, and BAE Systems simplified its remuneration scheme by removing share options, resulting in lower overall pay.

In France, oil producer Total committed to putting robust carbon emissions performance indicators in its remuneration policy, in line with investor expectations. In Japan, Sony made progress towards integrating sustainability metrics into executive pay. And in the US, we significantly stepped up our voting activity, recommending against 74% of 'say-on-pay' proposals, up from 32% in 2017.

On **shareholder rights**, we welcomed further progress in proxy access following our engagement at aerospace and defence company Lockheed Martin and US energy infrastructure company Kinder Morgan.

Public policy and best practice

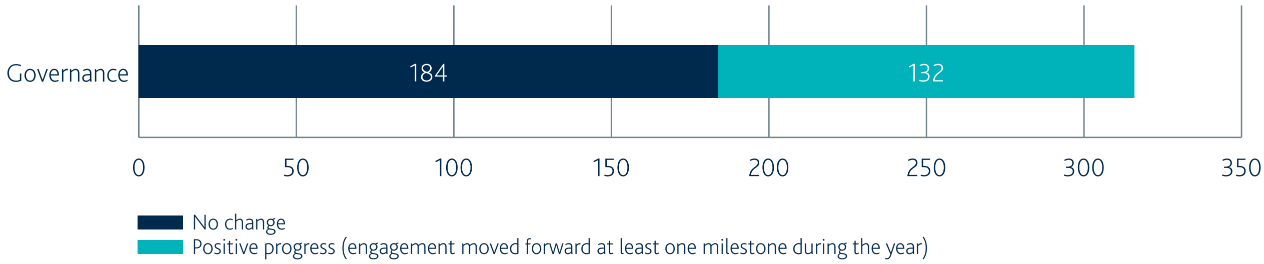
We contributed to the development of improved market pay practices, giving oral evidence to the **UK Business Energy and Industrial Strategy (BEIS) parliamentary committee** to inform its inquiry into fair pay, specifically **executive pay**. We reiterated our support for simpler pay structures that incentivise long-term strategic value, noting that many pay schemes remain excessively complex. This often results in pay awards that are difficult to justify. We followed up with a letter outlining our views on where further regulatory or legislative intervention could be beneficial. We stated our preference for restricted shares schemes but noted that prescribing specific structures for remuneration could be problematic.

We continued to engage with stock exchanges and regulators on enforcing listing rules and promoting a framework that protects shareholder rights and encourages active ownership. For example, we provided comments on a public consultation by **Japan's Financial Services Agency (FSA)** regarding proposed changes to **disclosure rules**. We firmly welcomed the proposal to enhance corporate disclosure on executive remuneration. We also supported the proposed increase in the number of strategic shareholdings that companies are required to disclose from the current 30 to 60. The FSA subsequently implemented both of these proposals.

We welcomed the public consultation on the revision of the **French corporate governance code**, the AFEP-Medef Code, published by France's two main business federations. We suggested that some provisions for the revised code could be more forceful, especially those relating to the independence of lead directors and board access. We also conveyed our concerns about the opacity of the governance of the authority in charge of regulating the code, which is sponsored by companies.

We submitted a response to a Governance Institute of Australia survey, regarding the framework for **shareholder resolutions**. We believe that the ability to bring resolutions at a company meeting is an important shareholder right. In Australia shareholders cannot bring a resolution without first seeking an amendment to a company's constitution, through a special resolution that can only be passed with a 75% vote in favour.

Progress against governance objectives



Case study: Nissan Motor

A Q&A with Sachi Suzuki from Hermes EOS about Japanese automobile manufacturer Nissan Motor.

Q: Why are you engaging with this company?

A: Some of Nissan's governance practices raised significant concerns. For many years Carlos Ghosn had served as joint chair and chief executive officer (CEO) at Nissan, while also holding the combined chair and CEO position at French car manufacturer Renault, which has a 44% stake in Nissan. Nissan's board also lacked independence. Of its nine directors, eight were Nissan company executives and the only outside director was a former Renault senior executive. The concentration of power at the top of the company underlined the need for a more independent board, capable of holding management to account and succession planning. We also noted that Mr Ghosn's remuneration was remarkably higher than that of his peers in Japan, and that very little explanation was provided about this.

Q: What did the engagement entail?

A: We have engaged with the company through multiple channels, including meetings, calls and letters to the board. We highlighted the importance of adding independent directors to the board and sought clarity on succession planning. We also asked the company to provide more details on the executive remuneration scheme.

Although Nissan did acknowledge our concerns, it was often unclear whether the company was prepared to change the existing governance structure. It was not until a meeting with a senior executive in 2014 that we first felt confident that Nissan was seriously considering appointing independent directors. We were therefore disappointed by the lack of progress on this in subsequent years, despite the fact that Japan's Corporate Governance Code, which was introduced in 2015, requires at least two independent directors. We also encountered some difficulties in maintaining a dialogue with the company on these issues. Our concerns were exacerbated when Mr Ghosn was appointed chair of Mitsubishi Motors, following its partial acquisition by Nissan in 2016. We led a group of investors in writing to the board and senior management in late 2016. Shortly before the 2017 AGM, we published a statement that repeated our remaining concerns.

Q: What progress has the company made?

A: In early 2017, Nissan announced that Mr Ghosn would step down as its CEO and focus on the role of chair, and a new CEO was appointed. In 2018, the company appointed two independent directors, including the first ever female director. During a call with a senior executive shortly after the announcement, he provided further details on the candidates' backgrounds. Both candidates were elected at the June AGM, with more than 99% support from shareholders.

A few months later in November, Mr Ghosn was arrested in Japan on allegations of under-reporting his earnings and misusing company funds for personal benefit. Mr Ghosn has denied the charges of financial misconduct. His arrest was triggered by an internal whistleblower, according to the company. Mr Ghosn was dismissed as chair of Nissan in November, and in January he resigned from his position as chair and CEO at Renault. Renault now has a separate chair and CEO.

In a call with Nissan shortly after the arrest of Mr Ghosn, we highlighted the importance of establishing independent remuneration and nomination committees (which are not required under Japanese law). We also encouraged Nissan to consider appointing an independent chair.

In December 2018, Nissan established the Special Committee for Improving Governance, aiming to find the root causes of executive misconduct and provide recommendations for improving the company's governance by the end of March 2019. The Committee is comprised of four independent members and three independent outside directors. In February 2019, Nissan announced an extraordinary meeting of shareholders to be held in April 2019 with the aim of discharging directors Carlos Ghosn and Greg Kelly and appointing Renault chair Jean-Dominique Senard as director.

We will continue to engage on governance matters while seeking greater overall board independence, in line with our engagements with other large Japanese companies.

Strategy, risk and communication: Engagement highlights

In 2018, 19% 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	178	14	31	58	35	26	14

Engagement with companies

The pressure on companies to set the right **strategy** continues to increase with the proliferation of disruptive technologies such as artificial intelligence, and the increasing pace of innovation. Through our engagements we have encouraged companies to implement strategies that serve a corporate purpose and deliver long-term value and positive societal outcomes. To this end, we facilitated a discussion with financial services group ING to encourage the company to issue a forward-looking statement of business purpose, highlighting the board's view on material stakeholders, and which could be used as an exemplar by other organisations.

In the **automotive sector**, we requested clearer articulation of business strategies and the disclosure of intermediate sales targets for electric and hybrid vehicles at BMW, Daimler, Suzuki and Hyundai Motor, with some encouraging responses. This included an announcement by Volkswagen that it would invest almost $50 billion by 2023 on developing electric cars, autonomous vehicles and new mobility services.

An understanding of risks is vital to the effective management of a company. High-profile business failures, such as the collapse of two iron ore tailings dams in Brazil, the Deepwater Horizon drilling rig explosion at BP's Macondo prospect, and the 2008 global financial crisis, have increased the attention paid to **risk management** processes. In addition, digital technology is increasingly critical to a company's operations, giving rise to heightened cybersecurity risks.

Following our engagement challenging its data security, Spanish IT provider Amadeus improved its cyber risk management with the establishment of distributed data centres that are more resilient to cyberattacks and in-house data analytics to detect unusual user behaviour. We also worked with Chinese e-commerce and internet companies Baidu, JD.com and NetEase to improve their disclosure on EU **General Data Protection Regulation** compliance.

At Samsung Electronics, following a number of mobile phone handset fires, we welcomed the establishment of a risk management council to address **product safety**, under a board-level committee. Samsung has been one of our more intensive engagements with board level dialogue, and we continue to engage with the company on issues such as health and safety management.

On the **corporate reporting** side, we encouraged companies to create and publish integrated reports. With intangible assets accounting for a greater proportion of corporate value, investors require more integrated reporting on these, combined with assessments of a company's impact on society and the environment. In response to our engagement, French water- and waste-management company Veolia Environnement and Zurich Insurance published integrated reports. Veolia's included the reporting of its water risks and stewardship. However, we continued engaging the company to improve its water risk management.

Public policy and best practice

In collaboration with the law firm DLA Piper and two supply chain experts, we launched a discussion paper on 'Managing risks in mining and metals supply chain: blockchain and emerging technology' in November to share investor stewardship on this issue. We also supported the Organisation for Economic Co-operation and Development **cobalt supply chain** working group and the Principles for Responsible Investment (PRI) cobalt working group, as a member of its advisory board.

We continued to promote the creation and enhancement of **stewardship codes** to raise standards across the global investment industry, and expressed our thoughts on a draft consultation paper on the development of the UK Stewardship Code. We believe that institutional investors have a duty to deliver holistic returns to their clients, and ultimately to their underlying beneficiaries. However, they can only fulfil this duty by acting as stewards of the companies and assets in which they are invested. Therefore, we welcomed the news that the Financial Reporting Council (FRC) plans to consult on many of the points we suggested in our submission. For example, it is proposing to introduce wording on the purpose of asset owners and asset managers, and to focus on the outcomes of stewardship activities.

We also participated in several AMEC (Associação de Investidores no Mercado de Capitais) stewardship working group calls, and presented our revised **corporate governance principles** for the Brazilian market. We highlighted our expectations for board composition, diversity, independence and the importance of engagement between boards and investors. We also explained our remuneration principles based on long-term shareholdings by executives. The association encouraged other members to start engaging with companies in preparation for the 2019 voting season.

We provided an initial response to the UK Competition and Markets Authority's invitation to comment on its review of **the audit market**. We outlined our concerns about audit quality and independence, and highlighted possible solutions, including increased scrutiny and transparency of the audit process, plus greater competition.

Progress against strategy, risk and communication objectives

Case study: Reckitt Benckiser (RB)

A Q&A with Roland Bosch from Hermes EOS about global household and personal care company Reckitt Benckiser.

Q: Why are you engaging with this company?

A: Reckitt Benckiser (RB) has generated significant shareholder value over the past decade, in particular under the watch of the outgoing chief executive officer, who assumed his role at the end of 2011.

This value creation should not, however, come at the expense of strong risk oversight and sustainable business practices. An overly narrow focus on shareholder interests and profitability (as also reflected in RB's executive remuneration framework) may lead to increased risk taking and neglect of the 'non-financial' impacts of corporate activities such as ethical conduct and consumer safety.

In 2011, humidifier sanitiser products, developed and sold by RB's Korean subsidiary Oxy RB, were linked to lung injuries and deaths, beyond having a significant financial and reputational impact.

Q: What did the engagement entail?

A: In our engagement with company directors – which has been intensified in the past three years through a series of meetings – we repeatedly challenged the board on its strategy, risk oversight and executive remuneration framework.

At the 2017 AGM, our discomfort with board risk oversight was expressed in a vote recommendation against the re-election of the audit committee chair – who subsequently received a high level of dissent by shareholders (31% of votes against). We also raised our concerns about the narrow remuneration performance conditions, encouraging the board to consider a broader range of metrics – preferably to include a risk-adjusted return on capital given the acquisitive nature of the company.

Shortly after, we met RB's new chief safety, quality and compliance officer and the chair of the newly established corporate responsibility, sustainability, ethics and compliance committee to monitor progress made in establishing more proactive product stewardship.

Q: What changes did the company make?

A: The company's learnings from South Korea have led to the creation of a dedicated safety, quality and compliance function, together with a board sub-committee to provide the necessary oversight. In 2018, the company hosted its first investor governance event, where the new chair, committee chairs, and sustainability executives provided further insight on RB's strategy, risk oversight and sustainability objectives. Encouragingly, the directors have acknowledged the need to embed a culture of responsibility throughout the organisation and have added responsibility as one of its core values. In addition, RB has separated out sustainability to become more integrated with broader business teams under a new operational leadership.

Furthermore, the executive remuneration framework, which has received a high level of dissent in recent years, is now under review with the potential inclusion of additional performance metrics (beyond earnings per share). Notwithstanding the market leading shareholding requirement for executives, the pay structure remains highly leveraged and an overall review of quantum of pay remains important.

We will seek further meetings with the company directors, including the chair of the sustainability committee and the newly appointed head of sustainability, to assess the execution of the more stakeholder-oriented strategy and existence of robust board oversight. This will include pushing for an ambitious, more granular sustainability agenda and an improved culture of ethical and responsible conduct. We will also consult on the new remuneration policy, which shareholders will vote on at the 2019 AGM.

Public policy work

During 2018, on behalf of our clients, we formally responded to **35** consultations, or a proactive equivalent to this*, and held **196** 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	9	66
Developed Asia	9	36
Emerging Markets	2	23
Europe	2	13
North America	6	12
UK	7	46
Total	**35**	**196**

*for example a letter in absence of regulatory reform

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

Global

International Council on Mining and Metals

- We welcomed an initiative from the International Council on Mining and Metals (ICMM) to review and update the **performance expectations** underpinning its 10 Principles. We provided a detailed response on the proposed text. The revision is an opportunity to raise standards on sustainable and responsible metals and mining, not least as some ICMM members have exceeded current expectations – for example on conservation and tax transparency. In our view members should be in a position to accept a higher set of standards than those set in 2015.

Workforce Disclosure Initiative pilot report

- As a member of the steering group and as an early investor signatory, we were pleased to attend the launch of the Workforce Disclosure Initiative (WDI) pilot report. The WDI has brought together institutional investors and other key stakeholders to create relevant and comparable **workforce reporting** for listed companies, in order to drive corporate social responsibility and underpin long-term performance. The WDI is backed by 96 investors with over $10 trillion in assets under management and a total of 34 companies contributed to the pilot survey. The findings will help refine reporting standards and increase awareness of the challenges companies may face in putting together meaningful disclosure of human capital information. Subsequently, the WDI awarded us its 'Transparency Champion' accolade, in recognition of our support.

Roundtable on Sustainable Palm Oil (RSPO)

- We provided comments on the RSPO's proposed **new set of principles** and criteria for sustainable palm oil production. We strongly recommended that the RSPO adhere to the definition of 'high forest cover' countries provided by the High Carbon Stock Approach Steering Group, rather than adopting its own definition, which we believe is weaker. We also requested improvements to some of the human and labour rights criteria, including no confiscation of identification documents under any circumstances; stricter requirements for paying living wages; and not allowing child labour, even on family-owned farms. In addition, we highlighted that the RSPO should aim for higher standards than the minimum required by local or international laws.

Developed Asia

Tokyo Stock Exchange, Japan

- We provided comments to the Tokyo Stock Exchange (TSE) on the revision of Japan's **Corporate Governance Code**. We welcomed the proposed amendments, which are more explicit about the reduction of cross-shareholdings, but pressed for enhanced disclosure of these too. We also proposed that the TSE's definition of independent directors, referenced in the corporate governance code, should be tightened. In particular, it does not make any reference to shareholders, resulting in a number of companies designating directors representing significant shareholders as independent. In addition, we suggested a clearer definition of the role of the chair.

Governance and disclosure in South Korea

- At a meeting with the **Korea Exchange**, we discussed governance and disclosure improvements for companies with controlling shareholders. We also pressed the Exchange for transparency on dividend policy. The draft guidance recommends that companies disclose their dividend policy, payout ratio and yield for the last three years, and whether the company makes quarterly dividends or not. In addition, we asked for more disclosure on related party transactions (RPTs). The draft guidance recommends that companies explain internal control systems for RPTs. As the current corporate governance principles do not include RPTs, this is a significant step towards better disclosure on this issue.

Emerging Markets

Latin American Roundtable on Corporate Governance

- The Organisation for Economic Cooperation and Development (OECD) invited us to participate in the Latin American Roundtable on Corporate Governance in Buenos Aires. We provided an institutional investor's perspective on the challenges facing equity markets in Latin America, particularly in terms of **board composition and effectiveness**, the lack of engagement between boards and investors, and the quality of reporting. We expressed our concern about how board members are often selected, ie without a process that ensures the alignment of the candidate's skills with the company's strategy. We emphasised the importance of developing a culture of stewardship in the region and highlighted the example of the Brazilian Stewardship Code. The OECD survey identified that companies consider their reporting to be of high quality, whereas investors consider that this is one of the main areas for improvement. We commented that many companies consider the publication of raw data as sufficient demonstration of transparency. However we expect the board and the management to provide a narrative on the company's performance – a view that was supported by various regulators attending the event.

OECD-Southeast Asia Corporate Governance Initiative

- We were the only institutional investor invited to talk about our stewardship experience with policymakers at the OECD-Southeast Asia Corporate Governance Initiative event. At the launch of the OECD **Myanmar corporate governance programme**, we explained why institutional investors believe corporate governance is important to long-term value creation, financial stability, sustainability and inclusive growth. In Myanmar, the corporate governance programme will focus on building the infrastructure, including capacity building for companies, accountants and lawyers. We urged that, if it was to introduce comply-or-explain as a corporate governance standard, it should consider providing more guidance on high-quality explanations so that corporate governance does not become a tick box exercise for companies.

Principles for Responsible Investment (PRI) workshop

- At a PRI signatories workshop, we discussed challenges in implementing responsible investment and **stewardship in China**. The main topics included theme identification, data limitations on carbon foot-printing, database construction, the construction of ESG investment decision-making tools, and proxy voting support needed. We also discussed the risks of portfolio tilting in favour of companies that are good at disclosure rather than managing their material ESG issues well in practice. We emphasised that disclosure reflects data input rather than an analytical outcome; in other words, it shows how well a company understands its operations.

Europe

Die Frauenquote seminar, Germany

- During a panel discussion on **gender diversity** in Frankfurt, we explained our global voting and engagement approach and shared our concerns about the lack of progress at management board level in Germany. While the legal 30% gender quota for supervisory boards now ensures there is an appropriate gender balance, the regulatory regime for the management board and senior executive roles has failed to deliver any real progress. Many listed companies do not have any female management board members and disappointingly, have set themselves a 0% quota target. As we believe that increased gender diversity at all levels of companies will add value to investments, we explained we are considering how to focus the attention of German boards on the important issue of management board diversity. We are contemplating a revision of our German Corporate Governance Principles and, as shareholders do not elect the management board, may decide to use voting rights on other AGM matters to encourage more progress.

Comisión Nacional del Mercado de Valores (CNMV)

- We met with the CNMV, the Spanish government agency responsible for regulating the securities market, to discuss Spain's transposition of the amended **Shareholder Rights Directive** (SRD). An initial public consultation was issued in Spain, which ran until 12 July 2018. We understand that the SRD is currently low on the agenda for the new government. It was proposed that we also meet with the Treasury, which is leading the drafting of the transposition text. We provided our view on why the SRD is an opportunity for the country, companies and investors, and what needs to be specified in the text to make it effective.

North America

Interfaith Center on Corporate Responsibility

- Our US public policy activity included signing the Interfaith Center on Corporate Responsibility's (ICCR's) **statement on firearms**. The statement sets out best practice guidelines for gun manufacturers, retailers and other companies. The ICCR agreed that in its engagement with companies, it would refer to our suggestion that they should publish their firearms policies. We believe this would enable stakeholders to understand how companies are managing the risks that firearms pose to employees, customers and others, and could encourage better practice more widely.

Ceres

- In a meeting with Ceres, the North American collaborative shareholder initiative, we received an update on **climate change engagement** with US companies in the utilities sector. We learned that a number of companies have now significantly improved disclosure of their management of climate change, including setting 2030 carbon reduction targets. We noted the urgency of taking action as the goal of limiting the rise in global temperature to a maximum of two degrees Celsius may otherwise soon be out of reach. This may entail more forceful stewardship, which is likely to focus on requesting companies not to invest in higher risk areas. Ceres thanked us and our clients for our support and we agreed to maintain close contact, as we work together to formulate potential shareholder resolutions for 2019.

United Kingdom

Internet safety

- We exchanged views with the UK Prime Minister's special representative on internet safety and the shadow minister for the digital economy on the roles and responsibilities of internet and social media companies. We discussed managing the risk of disinformation and how this may create conflicts in relation to legislation on data privacy.

Plastic pellets

- The British Retail Consortium has committed to including plastic pellet loss prevention measures in its newly revised standards, in response to a letter we co-signed with a number of other companies. We met with the Investor Forum to discuss the best approach to compel more industry standards bodies such as the International Organisation for Standardisation, the British Standards Institute and the European Committee for Standardisation to make similar revisions. Best practice for preventing **plastic pellet loss** is for companies involved in the production, logistics and manufacturing of plastic products to implement pellet management guidelines outlined in Operation Clean Sweep, an international industry initiative.

Roundtable on corporate reporting

- We hosted a roundtable with investors to discuss a paper published by the Institute of Chartered Accountants of Scotland (ICAS). The paper, to which we had contributed, proposes a better reporting structure against which directors' stewardship can be assessed. As there appears to be a high degree of overlap with the needs of signatories to the investor statement published by the International Integrated Reporting Council in 2017, the discussion also addressed how these needs can be met. In 2019, we will continue our work on corporate reporting through various thought leadership initiatives, for example via the **Financial Reporting Council** advisory group on the Future of Corporate Reporting.

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 a 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.

Overview

In 2018, we made voting recommendations on 105,486 resolutions at 10,359 meetings. At 6,268 of those meetings, we recommended opposing one or more resolutions, while at 60 meetings, we recommended abstaining. We recommended voting with management by exception at 41 meetings and supported management on all resolutions at 3,990 meetings.

Global

We made voting recommendations at **10,359** meetings (**105,486** resolutions) over the last year.

- Total meetings in favour **38.5%**
- Meetings against (or against AND abstain) **60.5%**
- Meetings abstained **0.6%**
- Meetings with management by exception **0.4%**

Australia and New Zealand

We made voting recommendations at **320** meetings (**1,666** resolutions) over the last year.

- Total meetings in favour **39.4%**
- Meetings against (or against AND abstain) **60.0%**
- Meetings abstained **0.3%**
- Meetings with management by exception **0.3%**

Developed Asia

We made voting recommendations at **2,271** meetings (**20,140** resolutions) over the last year.

- Total meetings in favour **47.2%**
- Meetings against (or against AND abstain) **52.3%**
- Meetings with management by exception **0.4%**

Emerging Markets

We made voting recommendations at **3,160** meetings (**29,110** resolutions) over the last year.

- Total meetings in favour **40.3%**
- Meetings against (or against AND abstain) **59.1%**
- Meetings abstained **0.6%**
- Meetings with management by exception **0.1%**

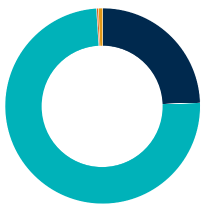
Europe

We made voting recommendations at **1,413** meetings (**19,480** resolutions) over the last year.

- Total meetings in favour **37.0%**
- Meetings against (or against AND abstain) **61.2%**
- Meetings abstained **1.3%**
- Meetings with management by exception **0.4%**

North America

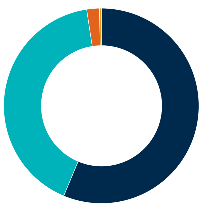
We made voting recommendations at **2,524** meetings (**25,505** resolutions) over the last year.



- Total meetings in favour **24.5%**
- Meetings against (or against AND abstain) **74.5%**
- Meetings abstained **0.3%**
- Meetings with management by exception **0.7%**

United Kingdom

We made voting recommendations at **671** meetings (**9,585** resolutions) over the last year.



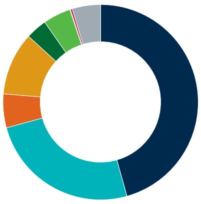
- Total meetings in favour **56.3%**
- Meetings against (or against AND abstain) **41.3%**
- Meetings abstained **2.1%**
- Meetings with management by exception **0.3%**

Voting by issue

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

Global

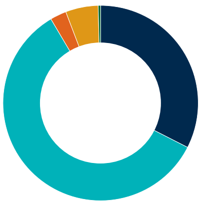
We recommended voting against or abstaining on **16,379** resolutions over the last year.



- Board structure **45.6%**
- Remuneration **25.1%**
- Shareholder resolution **5.6%**
- Capital structure and dividends **10.4%**
- Amendment of articles **3.5%**
- Audit and accounts **4.6%**
- Investment/M&A **0.1%**
- Poison pill/Anti-takeover device **0.3%**
- Other **4.7%**

Australia and New Zealand

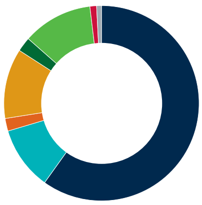
We recommended voting against or abstaining on **480** resolutions over the last year.



- Board structure **32.5%**
- Remuneration **59.0%**
- Shareholder resolution **2.7%**
- Capital structure and dividends **5.4%**
- Amendment of articles **0.4%**

Developed Asia

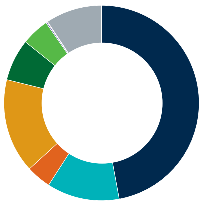
We recommended voting against or abstaining on **2,378** resolutions over the last year.



- Board structure **59.9%**
- Remuneration **10.5%**
- Shareholder resolution **2.1%**
- Capital structure and dividends **11.6%**
- Amendment of articles **2.4%**
- Audit and accounts **11.6%**
- Poison pill/Anti-takeover device **1.1%**
- Other **0.8%**

Emerging Markets

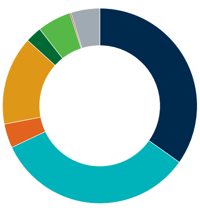
We recommended voting against or abstaining on **5,790** resolutions over the last year.



- Board structure **47.0%**
- Remuneration **12.0%**
- Shareholder resolution **4.1%**
- Capital structure and dividends **15.6%**
- Amendment of articles **6.9%**
- Audit and accounts **4.6%**
- Investment/M&A **0.2%**
- Poison pill/Anti-takeover device **0.1%**
- Other **9.3%**

Europe

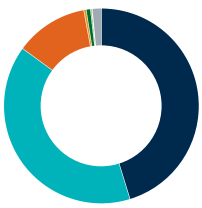
We recommended voting against or abstaining on **3,078** resolutions over the last year.



- Board structure **34.8%**
- Remuneration **33.2%**
- Shareholder resolution **4.0%**
- Capital structure and dividends **14.7%**
- Amendment of articles **2.7%**
- Audit and accounts **5.6%**
- Poison pill/Anti-takeover device **0.2%**
- Other **4.8%**

North America

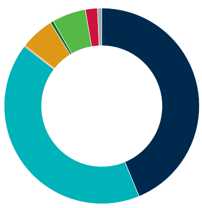
We recommended voting against or abstaining on **4,096** resolutions over the last year.



- Board structure **45.3%**
- Remuneration **39.8%**
- Shareholder resolution **12.1%**
- Capital structure and dividends **0.4%**
- Amendment of articles **0.7%**
- Audit and accounts **0.2%**
- Poison pill/Anti-takeover device **0.1%**
- Other **1.5%**

United Kingdom

We recommended voting against or abstaining on **557** resolutions over the last year.



- Board structure **43.8%**
- Remuneration **41.7%**
- Shareholder resolution **0.2%**
- Capital structure and dividends **5.6%**
- Amendment of articles **0.5%**
- Audit and accounts **5.6%**
- Poison pill/Anti-takeover device **2.0%**
- Other **0.7%**

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EOS

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