

Q2 | Public Engagement Report 2014

Genetically modified crops -
a sustainable business?



This report contains a summary of the responsible ownership activities undertaken by Hermes EOS on behalf of its clients. It covers significant themes that have informed some of Hermes EOS' intensive engagements with companies in Q2 2014. The report also provides information on its voting recommendations and the steps Hermes EOS has taken to promote global best practices, improvements in public policy and collaborative work with other shareholders.

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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 and private companies. Hermes EOS' team of engagement and voting specialists monitors its clients' investments in companies and intervenes where necessary with the aim of improving their performance. Hermes EOS' 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.

Through pooling resource with other like-minded funds to create a strong and representative shareholder voice, our joint company engagements are more effective. We currently act on behalf of 41 clients and £108.6 billion* assets under advice.

Hermes has the largest stewardship resource of any fund manager in the world. Our 26-person team includes industry executives, senior strategists, corporate governance and climate change experts, fund managers and lawyers.

The depth and breadth of this resource reflects our philosophy that ownership 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 and with 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.

Hermes EOS has extensive experience of implementing the Principles for Responsible Investment (PRI) and other stewardship codes. Its chief executive Colin Melvin chaired the committee that drew up the original principles and we are actively engaged in a variety of workstreams through the PRI clearinghouse. This insight enables Hermes EOS to help signatories in meeting the challenges of effective PRI implementation.

How does Hermes EOS work?

Our corporate, public policy and best practice engagement programmes aim to enhance and protect the value of our clients' investments and safeguard their reputations. We measure and monitor progress on all engagements, setting clear objectives and specific milestones. 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 set out our basic expectations of companies in which our clients invest. These cover business strategy, communications, financial structure, governance and management of social, ethical and environmental risks. The Principles and their regional iterations guide our intervention with companies throughout the world. Our approach is pragmatic and company and market specific, taking into account individual company circumstances.

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 intervention. Some engagements involve one or two meetings over a period of months, others are more complex and entail multiple meetings with different board members over several years.

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

While we are robust in our dealings with companies, the aim is to deliver value for clients, not to seek headlines through campaigns, which can often 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 will 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 press.

For these reasons, this public report does not contain specific details of our interactions with companies. Rather it explains some of the most important issues relevant to responsible owners and outlines Hermes EOS' activities in these areas.

We would be delighted to discuss Hermes EOS with you in greater detail.

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* as at 30 June 2014

Hermes EOS team

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Management



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ESG Integration



Bram Houtenbos
Operations



Amy Lunn
Head of Business and
Client Development



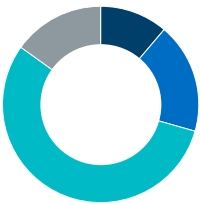
Nina Röhrbein
Reporting

Engagement by region

Over the last quarter we engaged with 219 companies on 490 social, environmental, business strategy and governance issues. Hermes EOS' holistic approach to engagement means that we typically engage with companies on more than one issue simultaneously. The engagements included in these figures are in addition to our discussions with companies around voting matters.

Global

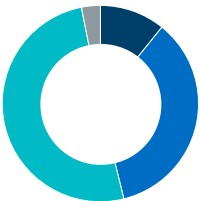
We engaged with 219 companies over the last quarter.



- Environmental 11.2%
- Social and ethical 18.2%
- Governance 55.5%
- Strategy and risk 15.1%

Australia and New Zealand

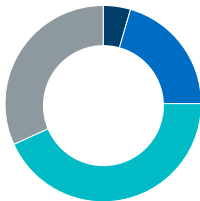
We engaged with 15 companies over the last quarter.



- Environmental 10.8%
- Social and ethical 35.4%
- Governance 50.8%
- Strategy and risk 3.1%

Developed Asia

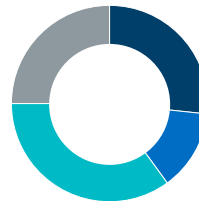
We engaged with 19 companies over the last quarter.



- Environmental 4.5%
- Social and ethical 20.5%
- Governance 43.2%
- Strategy and risk 31.8%

Emerging and Frontier Markets

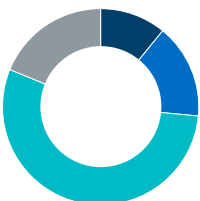
We engaged with 24 companies over the last quarter.



- Environmental 26.7%
- Social and ethical 13.3%
- Governance 35.0%
- Strategy and risk 25.0%

Europe

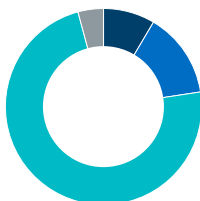
We engaged with 35 companies over the last quarter.



- Environmental 10.9%
- Social and ethical 15.6%
- Governance 54.7%
- Strategy and risk 18.8%

North America

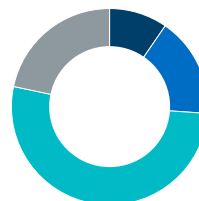
We engaged with 85 companies over the last quarter.



- Environmental 8.5%
- Social and ethical 14.1%
- Governance 73.2%
- Strategy and risk 4.2%

UK

We engaged with 41 companies over the last quarter.



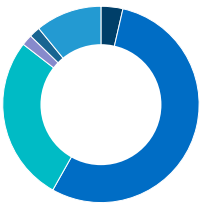
- Environmental 9.6%
- Social and ethical 16.5%
- Governance 52.2%
- Strategy and risk 21.7%

Engagement by issue

A summary of the 490 issues on which we engaged with companies over the last quarter is shown below.

Environmental

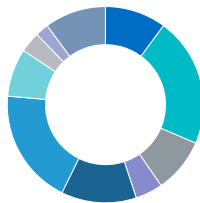
Environmental issues featured in 11.2% of our engagements over the last quarter.



- Biodiversity 3.6%
- Climate change/carbon intensity 54.5%
- Environmental management 27.3%
- Oil sands 1.8%
- Waste 1.8%
- Water stress 10.9%

Social and ethical

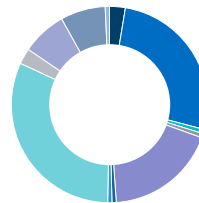
Social issues featured in 18.2% of our engagements over the last quarter.



- Bribery and corruption 10.1%
- Community relations 21.3%
- Corporate culture 9.0%
- Customer relations 4.5%
- Employee relations 12.4%
- Health and safety 19.1%
- Licence to operate 7.9%
- Operations in troubled regions 3.4%
- Political risk management 2.2%
- Supply chain management 10.1%

Governance

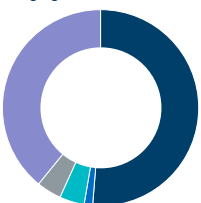
Governance issues featured in 55.5% of our engagements over the last quarter.



- Accounting or auditing issues 2.6%
- Board structure 26.5%
- Committee structure 0.7%
- Conflicts of interest 0.7%
- Other governance 18.4%
- Poison pill 0.7%
- Related-party transactions 0.7%
- Remuneration 31.6%
- Separation of chair/CEO 2.6%
- Shareholder communications 7.4%
- Succession planning 7.4%
- Voting rights – not 1 share 1 vote 0.7%

Strategy and risk

Strategy and risk issues featured in 15.1% of our engagements over the last quarter.



- Business strategy 51.4%
- Capital structure 1.4%
- Reputational risk 4.1%
- Returns to shareholders 4.1%
- Risk management 39.2%



Controversial crops – Engaging in the business of genetic modification (GM)

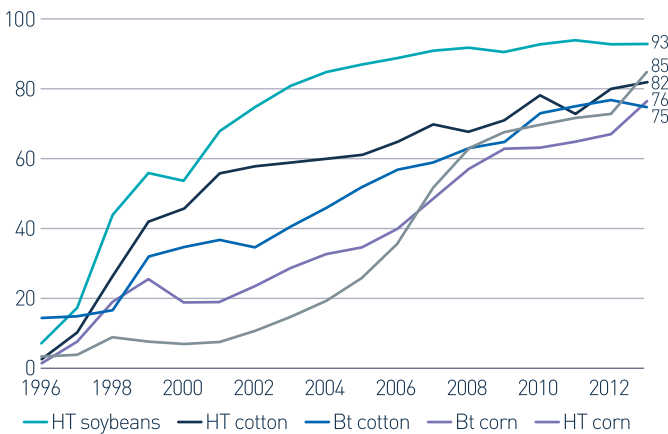
Companies operating in the GM space often have to deal with significant business risks and a negative public image.

Setting the scene

The rise in global population is accompanied by an increased demand for energy, water and food. According to agricultural companies, crop yields will have to rise to cope with the growing pressures on food production, particularly in emerging markets. For some, one way to address this potential future food shortfall has been to grow genetically modified (GM) crops, which became commercially available in 1996. Today, adoption of these crops by US and emerging market farmers is widespread and US consumers eat – often unaware – many products derived from GM crops. According to the US Department of Agriculture, GM soybeans accounted for 93% of all US soybean acres planted in 2013, while all GM varieties of corn and cotton made up 90% of the respective crop growth.

Despite the rapid increase in the adoption of genetically modified (GM) crops by US and emerging markets farmers – mainly corn, soybean and cotton – questions persist about their economic and environmental impacts and potential risks across the value chain. Effective engagement with companies in the GM space requires an understanding of some key considerations.

Adoption of GM crops in the US 1996–2013 (% of planted acres)



Data for each crop category include varieties with both HT and Bt (stacked) traits. Sources: USDA, Economic Research Service using data from Fernandez-Comejo and McBride (2002) for the years 1996-99 and USDA, National Agricultural Statistics Service, June Agricultural Survey for the years 2000-13. GM crops: Bt (Bacillus thuringiensis) crops, HT (herbicide-tolerant). Source: US Department of Agriculture

enforcement can be under the influence of corruption. In addition, GM companies have been accused of benefiting from land-grabbing as large-scale plots of land are taken by governments, companies or individuals and sold off to them.

Monsanto has been alleged to sell types of seeds that create a dependency. Because the company owns patents on the GM strains of seeds, farmers are not allowed to resell them but are forced to buy new seeds every year, while traditionally, farmers save their best seeds for next year's planting. The company has even launched legal actions against farmers who the company claims have used their seeds without permission. The dependency grows with farmers having to rely on the seeds' accompanying pesticides.

Companies justify the additional costs of patented GM seeds by claiming they make weed and pest management easier for farmers. However, an increasing number of reports about weed and insect resistance to the chemicals that are sold to be used on them have emerged. The inherent pipeline risk means that companies continuously need to work on developing the next product.

Seed patenting and monopolies harbour the danger of making farmers and other food producers essentially dependent on the few companies dominating the space. With a handful of companies vying for control of the GM business and by extension also controlling a significant proportion of the world's food supply, aggressive marketing practices increase the risk of tougher regulations, which could lead to the loss of the license to operate or falling sales due to a bad reputation.

Apart from regulators, another force that cannot be underestimated is consumer power. Popular and political opposition, for example, forced BASF's Amflora GM potatoes out of the EU even before Europe's General Court annulled the EU Commission's decision authorising it in 2013. Similarly, protests from consumer groups and Greenpeace led to the withdrawal of the Butterfinger bar containing GM maize from direct sales in Germany in 1999.

Uncompetitive behaviour

Agro-chemical companies often have links to governments. US firm Monsanto, for example, has been revealed as one of the biggest lobbyists of the US government via OpenSecrets.org. In emerging markets, meanwhile, the advance of GM crops is, in our opinion, often based on deals struck in countries with weak laws and where law

While we do not oppose the development of GM technology, we are not sure there is sufficient research into its long-term effects. We also believe that many of the lobbying and marketing practices employed by companies in the sector are deeply questionable.

Bees

The possibility of cross-pollination between GM and traditional crops also lingers over the GM business although it remains difficult to prove.

More significantly, the pesticides sold by some players in the GM space have been linked to a decline in pollination by bees. Pesticide neonicotinoid was developed for use with GM crops and has been effective in keeping pests away. However, exposure to the insecticide has been suspected of contributing to the death of endangered honey bees, which are crucial for the pollination of crops, fruit and vegetables.

For that reason, the European Food Security Authority (EFSA) suspended the sale and use of neonicotinoid pesticide products in 2013. Companies like Bayer, BASF and Syngenta have been affected by the temporary ban – to be in place between 2014 and 2016 – and even begun legal proceedings against the EU.

Bayer estimates the potential financial impact of the suspension to be approximately €80 million, which is about 3% of the sales of its CropScience business unit. Syngenta anticipates a similar impact. We have yet to establish the impact on BASF but suspect that due to its diverse business portfolio the ban may only slightly dent its profits.

Trees

But genetic engineering is not just a concern relating to crops and food production. A pulp and paper producer we engage with is considering planting GM trees which have been associated with more intensive use of herbicide, thus leading to a negative impact on the local ecosystem and the loss of topsoil. At present, the company's products sell into Europe and North America based on their certification by the Forest Stewardship Council (FSC). However, in our conversation with the FSC we found out that the organisation is adamant that it will not certify GM trees. For the company in question this could lead to a potential loss of consumer exports and damage to its reputation. However, the pulp and paper producer says it is working closely with the FSC where it sits on the board.

The company's positioning on GM is that biotech is central to the company's future business because of two core characteristics of GM trees – more wood density and a 20% improvement in yield in its test plantations over the past seven years.

The yield debate

One argument has always been that GM crops yield more.

A 2014 report by the US Department of Agriculture stated that the adoption of GM *Bacillus thuringiensis* (Bt) crops increases yields by mitigating yield losses due to insects. However, empirical evidence regarding the effect of herbicide-tolerant (HT) crops on yields is mixed. It says that planting Bt cotton and corn seeds is associated with higher net yield at times of high pest pressure but adds that the extent to which HT adoption affects net returns is mixed and depends primarily on the reduction of weed control costs and the increase in seed costs.

Research papers such as '*Failure to Yield: Evaluating the Performance of Genetically Engineered Crops*' by the Union of Concerned Scientists (USC) have shown that the intrinsic yield of GM crops for food and feed has failed to increase. It found that HT soybeans and corn have

not increased yields any more than conventional methods that rely on commonly available herbicides. Instead the report attributed the intrinsic rise in yields of corn and soybeans during the 20th century to successes in traditional breeding and agro-ecological farming methods, such as more extensive crop rotations, a larger variety of crops as opposed to the monocultures prevalent among GM crops and longer rotations, which can cut losses from insect pests and disease. In addition, the report says, genetic engineering has delivered only minimal gains in operational yield, which is yield obtained under actual conditions where plants are subject to pests, drought stress and other environmental factors.

Our engagement

We have engaged with several players in the GM market. As well as seeking to address allegations of unethical and opaque marketing and overly aggressive sales methods, we have questioned companies on their long-term vision on GM and urged them to enhance their sustainability performance and reporting, including the disclosure of their risk management, to improve their perception by customers and other stakeholders, especially as some US states are considering following in the EU's footsteps by introducing compulsory labelling of GM products.

One company reacted to investor questioning about its risk profile and risk management practices by beginning to publish an integrated report in 2014 to which we provided significant input. At another company, we addressed the responsible marketing, handling and distribution of a hazardous pesticide that is banned in several countries. We urged it to put in place a convincing life cycle risk assessment of its products, from conception and procurement to disposal. We also highlighted the importance of a clear commitment to develop products with lower toxicity and expressed our disappointment at its decision to avoid the GM crops debate in the EU, leaving in our opinion the company's reputation and its licence to operate damaged.

Due to the polarisation of the debate and persistence of companies to hold onto their respective business units, engagement on GM has been difficult. However, we will continue to push the companies in the business for better marketing practices, improved risk management and the disclosure thereof.

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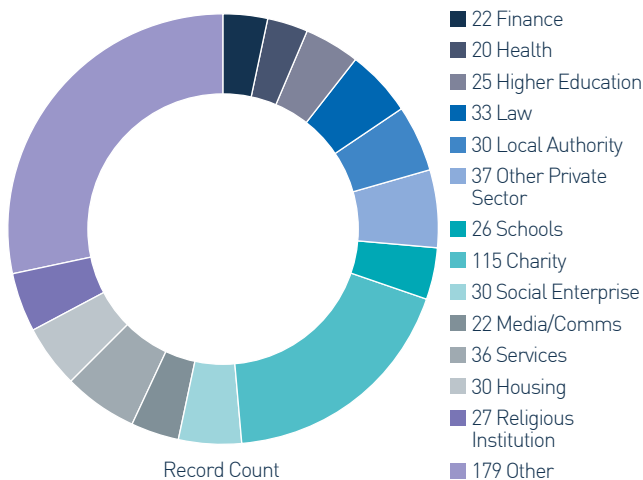
Working to live – Promoting the living wage

As the minimum wage tends to play catch-up with the rising costs of living, in developed markets a debate is seeking to set the living wage as standard. A fair living wage is also starting to be promoted in emerging markets.

Setting the scene

Much of Hermes EOS' engagement on remuneration has centred on the salaries of CEOs and other executives. However, with the gap between the top and the bottom earners ever widening, at the other end of the scale, wages play a more crucial role. The vast majority of countries have some form of minimum wage legislation. While wages are decided by collective bargaining agreements in some countries, others such as the UK have introduced minimum wages to protect vulnerable workers at a time when union membership is declining. However, the concept of the minimum wage is coming under increasing scrutiny as it is not rising in line with the costs of living. Low pay is a growing problem, and apart from poverty, is closely associated with other social disadvantages such as poor health, substandard housing and personal debt. Therefore, responsible investment charity ShareAction and other organisations have called for companies to adopt the living wage, which is the minimum hourly wage necessary for housing, food and other basic needs for an individual and his or her family. Living wage rates are based on a minimum income standards methodology and take account of real living costs for essential goods and services in a given year. For London, the living wage currently stands at £8.80 per hour. Outside the city, it has been calculated as £7.65 per hour. Both figures are substantially above the national minimum wage of £6.31 an hour.

Accredited living wage employers by industry in the UK



Source: Living Wage Foundation

Campaign

UK responsible investment charity ShareAction has been campaigning for the living wage to be permanently embedded in the country's private sector, beginning with the FTSE 100 companies on the London Stock Exchange. It aims to secure the support of major investors such as pension funds and fund managers, as well as mobilise the public, because it believes the investment industry has significant influence on corporate behaviour and is well-positioned to encourage commitment to living wage standards.

Dispelled myths

But according to popular opinion, paying the living wage comes at a cost, such as a large increase in expenditure or a reduction in the number of available jobs. However, moving a UK full-time worker from national minimum wage to the living wage costs just £2,500 a year, according to ShareAction. In addition, various research has found that paying the living wage is not generally linked to job losses or worker displacement, particularly as the living wage is a voluntary commitment. Instead, the evidence points to increased productivity – albeit often statistically insignificant – as a result of lower staff turnover, reduced absenteeism and better worker motivation and commitment after the introduction of the living wage. In addition, increased cost pressures often drive companies to seek efficiency and cost savings elsewhere, such as reorganisation of workflows.

Reputational benefits to companies paying the living wage are also significant and help to attract new business and customers and to recruit staff to professional roles, according to the Queen Mary's University of London. Furthermore, paying the living wage may boost the economy. Research from the Staffordshire Business School, for example, concluded that for every extra £1 per hour paid to a low-paid worker, £1.63 is re-injected into the local economy.

Living wage employer KPMG reported a 40% drop in staff turnover for the cleaning facility services team supporting its business, as well as an enhanced quality of the service provided. In addition, the cost of delivering its facility management services across the contract has fallen since 2006, when the wage was first introduced.

Support

Together with other long-term investors, Hermes Fund Managers, Hermes EOS' parent, has publicly called on UK-listed companies to embed social sustainability in their business by paying employees and contracted staff the living wage.

We welcome ShareAction's campaign as it highlights important issues for companies, including the fair treatment of their low-paid staff and those in their supply chain, as well as wider issues in relation to human resources management.

However, while the living wage debate is a useful one to have, we must also acknowledge the different ways companies reward their lowest-paid staff. One major UK retailer, for example, offers its staff membership of one of the last few defined benefit pension schemes in the country, while many others provide additional benefits, such as staff discounts. In addition, we believe concerns about the minimum wage also have to be addressed by policy intervention. Some companies we engage with have indicated that they believe in the living wage but have yet to seek accreditation.

Frontrunner

While living wage concerns in developed countries predominantly exist in the catering, cleaning and retail sectors, in emerging markets they can be found across the supply chain. The safety of production facilities, health and safety and working conditions today tend to be included in the due diligence of supply chain companies.

However, the living wage has yet to be explicitly addressed. One notable exception to this is a large European clothing retailer we are engaging with. The company has a long history in sustainability and workers' rights, starting with its 1997 Code of Conduct, which specifies the conditions factories need to comply with to produce for the retailer.

After experiencing labour strikes in Cambodia, the retailer recognised the problems with the minimum wage and began collaborating with the governments in its supplier countries of Bangladesh, Cambodia, China, India and Turkey to advocate annual wage revision and enforce labour legislation protecting the freedom of association.

The company has also embarked on a fair living wage project, starting with its strategic garment suppliers – around 750 factory units producing around 60% of its products – who are in countries paying less than the living wage. Its goal is for all of its strategic suppliers to pay fair living wages by 2018, affecting around 850,000 textile workers.

Starting from this year, the company will develop its pricing method to ensure the true cost of labour. By doing this, it aims to ensure paying a price which enables its suppliers to pay their textile workers a fair living wage and reduce overtime. It also plans to improve its purchasing plans to reduce its suppliers' production peaks and enable them to better prepare the right capacity in their factories. The living wage roadmap and targets will be reflected in its updated Code of Conduct. In addition, the company will provide textile workers at its supplier factories with access to education and skill enhancement and transparently reports on its efforts.

What is clear from such an example is the 'tone from the top,' which determines company culture and a desire to create a sustainable business model, which is aligned with the thinking of long-term investors.

Learnings

Our engagement with this retailer has provided us with a broad understanding of the challenges and opportunities of implementing a fair living wage. Where a legal minimum wage or the systems to define it are insufficient, we will continue to engage with the retailer to ensure that individual factories can pay living wages to their workers without putting their business at risk. This will involve monitoring its roadmap and employee overtime, which remains a common issue in many supplier factories.

Although to date the living wage has not been a key issue of our engagements and its implementation remains challenging – especially for retailers with thin margins and foreign-owned employers opposed to unionisation even in their domestic markets – we will take what we have learnt from our dialogue with this frontrunner to its peers to encourage them to consider setting stretching targets too.

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Creating accountability – The new Shareholder Rights Directive

Hermes EOS reflects on the proposals of the updated EU Shareholder Rights Directive.

Hermes EOS has long promoted the importance of long-term investors behaving as active owners within the financial system and therefore welcomes the proposed enhancements to the Directive.

We fully support the aims of the Directive to introduce more accountability and transparency into the market and to encourage more long-term thinking within investment strategies. We are pleased about the European Commission's [Commission] endorsement of active ownership and shareholder engagement. The Directive has correctly identified a number of tools to empower shareholders, particularly in the introduction of a binding vote on remuneration for listed companies and the vote on related party transactions. Important to its success will be addressing a number of practical implementation challenges that are inherent in its current recommendations.

Key elements of the proposal include stronger transparency requirements for institutional investors and asset managers on their investment and engagement policies and a framework to make the identification of and the exercising of voting rights – particularly cross-border – by shareholders easier. Proxy advisers will have to be more transparent on the methodologies used to prepare their voting recommendations and on their management of conflicts of interests.

Setting the scene

In its efforts to tackle short-termism and encourage a sustainable financial system post-crisis, the European Commission [Commission] has sought to strengthen shareholder rights and encourage institutional investors to become active owners and long-term providers of capital. With that in mind and to make companies more accountable to investors and stakeholders, it began revising the existing Shareholder Rights Directive, which has been in place since 2007. The proposed Shareholder Rights Directive [the Directive] is the culmination of the three public consultations that were undertaken, namely the 2010 Green Paper on Corporate Governance in Financial Institutions, the 2011 Green Paper on the EU Corporate Governance Framework and the 2013 Green Paper on the Long-term Financing of the EU Economy. Other legislative steps such as the new Company Law Directive, the proposed Single-Member Companies Directive, the Capital Requirements Directive IV and the Commission's Recommendation on the Quality of Corporate Governance Reporting accompany the Directive and have furthered the debate on a sustainable financial system. Following the submission of responses to its proposal, the new draft Directive will be submitted to the European Council and Parliament for consideration and final adoption. The new Directive then needs to be implemented into the individual laws of all EU member states.

Investor responsibilities

The proposed Directive requires institutional investors and asset managers to disclose how they take the long-term interests of their beneficiaries into account in their investment strategies. As such, it supports the creation of engagement policies by shareholders and the disclosure thereof.

Shareholder engagement by asset owners can involve monitoring companies, establishing dialogue with companies to constructively challenge boards and promoting better governance. It also involves exercising their shareholder rights, such as voting.

Institutional investors are required to disclose to the public how their equity investment strategy is aligned with the profile and duration of their liabilities and how it contributes to the medium and long-term performance of their assets. Controversially, where an asset manager invests on behalf of an institutional investor, the investor needs to disclose whether and to what extent it incentivises the asset manager to align its investment strategy and decisions with its profile, and how it evaluates the asset manager's performance. In turn, asset managers are obliged to disclose biannually how their investment strategy complies with that arrangement.

In our exchanges with other shareholders, it became clear that the biggest concerns on the proposal centre on the disclosure obligations, in particular those of asset manager contracts. There are questions about the potential sensitivity of such contractual information and whether such a move will fulfil the objective of driving more long-term thinking in the market and reduce pressure on companies to meet short-term targets. Disclosure on asset manager contracts should in our view be at the investment policy level and also include relevant contract terms that are not market sensitive.

Company responsibilities

Recognising that far too often the incentives for directors running a company are misaligned with those of the owners and that out of all 28 EU member states, only 15 require disclosure of the remuneration policy and only 13 give shareholders a say-on-pay, the proposed Directive also addresses remuneration. The proposal will increase transparency on pay and give shareholders the right to approve the remuneration policy of company directors – which includes the maximum amount of remuneration – every three years and the right to vote annually on the remuneration report in an attempt to spur companies to make a conscious decision about their pay packages.

The remuneration policy needs to explain how the pay conditions of employees were taken into account when setting the policy by disclosing the ratio between the average remuneration of directors and the average remuneration of full-time employees of the company other than directors and why this ratio is considered appropriate.

We firmly believe that remuneration policies should be regularly submitted to a shareholder vote. However, the strict ratio requirements – while appropriate to disclose – will need to be interpreted in context by shareholders to avoid blanket conclusions being drawn on company pay policies.

Related party transactions disclosure and vote at AGM

Related party transactions are transactions between a company and its management, directors, controlling shareholders or companies of the same group. As they can enable the related party to acquire value belonging to the company, they are able to cause prejudice to the company and its minority shareholders. By demanding transparency and an independent third party valuation for important transactions involving 1% of companies' assets, the proposed Directive aims to introduce adequate safeguards for the protection of shareholders' interests, particularly those of minorities, which we wholeheartedly support. It will also give shareholders a right to vote on the most important related party transactions involving more than 5% of companies' assets, enabling them to reject transactions that are not in their interest and thereby allowing them to exercise more control over management.

Transparency for proxy advisers

While proxy voting is a practical way to cast ballots for shareholder meetings, particularly for investors with globally diversified holdings, several intermediaries – such as registrars, custodians and proxy agents – need to process the voting instruction before it reaches a company's meeting. This means the tracking and meaningful disclosure of votes is difficult and votes can get lost or be cast incorrectly.

The Directive has stepped in with a section requiring issuers to confirm the receipt of all the expected votes and their origin. In turn, the intermediaries are expected to transmit the voting information from the shareholder to the company and confirm the vote to the shareholder, thereby introducing greater accountability and transparency. Shareholders could therefore be certain that their votes have effectively been cast, including across borders. The identification will also allow listed companies to communicate directly and proactively engage with their shareholders.

Proxy advisers meanwhile will be required to disclose certain information about the ways in which they prepare voting recommendations.

Moving to successful implementation

Good corporate governance ensures that companies and their management operate within a framework of checks and balances and are accountable to their owners and to society at large, thus contributing to their long-term sustainability. We also believe that better governed companies are less likely to underperform.

Although the various stewardship codes and frameworks such as the Principles for Responsible Investment (PRI) have already paved the way for active ownership, we, like many others in the market, are pleased about the spirit of the Directive as it sets a standard for effective engagement and gives a strong incentive to companies to listen to shareholders. Any difficulties with its implementation are most likely to result from practicalities, particularly in relation to the complexity of the voting chain. This needs to be addressed. Some of the definitions used in the proposed Directive also need clarification. A careful implementation of the Directive into national law is required to empower shareholders to actively exercise their rights and responsibilities as company owners.

Furthermore, we encourage the Commission to provide a clearer stance on whether institutional investors can comply with their new obligations by participating in existing initiatives for shareholder engagement, such as the PRI and the International Corporate Governance Network's Model Mandate. A clarification of the Commission's view on existing self-regulation instruments and stewardship codes would also contribute towards creating a more coherent framework for active ownership.

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Silver linings – Engagement in Russia

With remnants of history hanging over the country, our engagements in Russia are some of the most challenging but offer much potential.

Investors are attracted to Russian companies by the potential of high returns and good dividend payouts, believing the risk-reward ratio is in their favour. However, while investment risk is to be expected in any jurisdiction, there is merit in understanding the specific challenges inherent to the Russian market.

State ownership

The most defining feature of Russian companies is their ownership structure. To date, ownership tends to be concentrated on a few individuals and the state. Despite an ongoing ambitious privatisation programme, according to KPMG, the state-owned enterprise sector in Russia accounted for about half of the country's GDP in 2013.

The high degree of state ownership and influence of oligarchs as well as the structure of the board of directors – which includes management representatives that are not members of the collective executive body – can undermine the rights of other shareholders. It also means that communications with and disclosure to shareholders is lagging those in other emerging markets. It can lead to strong misalignments between the interests of the company's majority owners and minority shareholders. Remuneration, for example, is often high and not linked to performance targets. The state ownership also creates an issue around succession planning.

Furthermore, the country has incurred regular allegations of institutionalised fraud, corruption and bribery, which has led to lawsuits by some of the affected parties. Despite the government's creation of a committee on corruption, we have yet to see a significant shift in anti-corruption policy and practice, especially in the extractives sector.

All these issues appear to have an impact on the share prices of Russian companies, which to date continue to trade at a discount compared to global equity markets. The political and economic

Setting the scene

Before the Iron Curtain came down more than two decades ago, the ongoings in the former Soviet Union tended to be shrouded in mystery. The capital market idea was absent as the state decided the fate of companies. However, after a well-publicised attempt at Glasnost – the policy calling for increased openness and transparency – the fall of the Berlin wall and the collapse of the Union, capitalism arrived in Russia. To quench the thirst for new capital inflows, international shareholders were brought in to complement dominant majority shareholders and state ownership. In addition, many Russian companies began to list in markets outside of Russia.

risk resulting from EU and US sanctions imposed on Russia over its ongoing conflict with Ukraine equally pose a threat to a company's value.

The struggle to recognise corporate governance or other environmental and social matters as material issues is reflected in the absence of Russian signatories to the UN-backed Principles for Responsible Investment.

Silver linings

However, an evolution of corporate governance is – albeit very slowly – beginning to get underway.

One of the biggest silver linings on the horizon is the new Corporate Governance Code, which Russia's Central Bank adopted in March 2014. It reflects the changes that have been made to Russian and international law since Russia's 2002 Code of Corporate Conduct. The Corporate Governance Code is expected to play a crucial role in improving governance and fostering relationships between international shareholders and Russian companies. An independent monitoring committee consisting of Russian and international investors, consultants and corporate governance experts is set to ensure the integration of the changes in a company's corporate governance policies.

However, as less than 20% of Russian companies fully implemented the recommendations of the Code of Corporate Conduct, we remain positively cautious. In our engagement with one company, we were pleased to hear that it has started a board evaluation process and is revising its governance practices in order to implement the new governance code.

Secondly, in order to meet the provisions of the new code, the new listing requirements of the Moscow Stock Exchange demand a better governance structure from issuers. To be included in the top

quotation list at the Moscow Stock Exchange, at least 20% of overall members and no fewer than three directors on an issuer's board must be independent. Issuers' boards are also obliged to create audit, personnel and remuneration committees comprising a majority of independent directors.

Furthermore, the 2013 reforms to the country's Civil Code, the aim to promote Moscow as a financial centre, the increasing number of independent directors as well as two bodies – the Investor Protection Association and the Russian Institute of Directors – are also likely to encourage improved governance. The rising number of Russian companies listing at international exchanges is expected to contribute to enhanced governance, as these exchanges are likely to have stricter governance-related listing rules in place. Similarly, the increasing number of partnerships between Western and Russian oil companies could also lead to higher expectations for improvements.

Influence

One of our key challenges as representatives of minority shareholders is influencing companies with concentrated ownership structures. Governance standards operating on a comply-or-explain basis only tend to work well where companies seek and consider shareholder views but are less likely to succeed where the board is inaccessible or unresponsive to shareholder concerns.

In our dialogue with Russian companies, we have focused on the board balance, seeking strong independent directors in order to ensure that minority shareholder rights are respected and paid particular attention to related party transactions. We have tried to find ways of working with block shareholders, for example, by encouraging them to recognise that we have aligned interests and want the company to succeed in the longer term.

But to date, our direct engagement with Russian companies has reaped mixed results. Successes such as being granted access to executives, site visits and the acknowledgement of our recommendations were at times followed by a general unresponsiveness and a lack of tangible progress.

Recognising those difficulties and the fact that the main drivers of corporate governance have been through legislation, pressure from export partners, opportunities for EU grants and competition, much of our engagement work in Russia has involved speaking to regulators. We worked, for example, with the Moscow Stock Exchange to provide input into the Corporate Governance Code. As a result we have also been invited to join the independent monitoring committee. To exert pressure in our voting, we tend to split our votes to re-elect one but not the other director and always support the appropriate independent directors.

We have seen tangible examples of the materiality of governance and sustainability risks. A number of key investors sold their holdings in Russian stocks such as mining company Norilsk Nickel when the company became the battleground between two oligarchs vying for control of the business. As minority shareholders, the investors were unable to influence the dispute. Norilsk was also blacklisted by many European pension funds due to its lagging health and safety practices.

We are pleased however that the company recently seems to have turned a corner, particularly with regard to shareholder access and risk management. Investor pressure around the above-mentioned issues in conjunction with changes at the executive level may have contributed to this. We were able to meet with the company vice chair

for the first time to discuss governance and sustainability issues after previously meeting the CFO and other senior executives. This is a rare occurrence in Russia where company boards are usually beyond investors' reach.

At its investor day in May 2014, the company's CEO highlighted the importance of improving health and safety at the company and his interest in maintaining a solid relationship with the company's key institutional shareholders. He described the company's governance review programme, which includes board evaluation, succession planning and board training, signalling a shift in company behaviour for the better. The company has also overhauled its executive board, adding directors with international and mining expertise. In addition, its revised shareholder structure has eased the conflict between the two oligarch shareholders. Overall, this looks rather promising but remains in stark contrast to the majority of the Russian market.

Environmental policies

While corporate governance is gradually being addressed, environmental matters have to date largely been neglected, mainly because the concept of their materiality is still disconnected from the mainstream investment community. But with many Russian companies operating in the extractives – oil, gas and mining – sector, governance and self-regulation is also key when it comes to the environment, particularly as many Russian companies have incurred fines as a result of the severe impacts of their operations to the environment. However, the level of fines under Russian law is often lower than the costs of adhering to environmental regulations and can be used as a political tool. In our engagement with Russian companies, we have focused on risk management, especially as some companies seek to drill in the Arctic or are moving to unconventional such as shale oil.

One of the companies we engage with started to put in place an environmental management system and started a programme aimed at gradually decreasing air emissions at one of its two principal sites, which is a positive signal and an improvement on its earlier practices.

Despite hurdles such as poor shareholder access and setbacks, we will continue to engage with companies according to Hermes EOS' Corporate Governance Principles for Russia. (www.hermes.co.uk/eos) The various initiatives introduced with regard to governance and a steady understanding of the materiality of sustainability risks offer us a glimmer of hope for the future.

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Engagement on strategy

Many of the most successful engagements undertaken by Hermes EOS combine discussions of business strategy and structural governance issues.

Overview

Hermes EOS adopts an holistic approach to engagement, combining discussions on business strategy and risk management, including social, environmental and ethical risks, with structural governance issues. Our engagements seek to challenge and support corporate management in their approach to the long-term future of the businesses they run, often when there is minimal outside pressure for change. We are generally most successful when we engage from a business perspective and present environmental, social and governance issues as risks to the company's strategic positioning. Companies may benefit from new perspectives on the board and from promoting fresh thinking at the head of the company. An independent chair or change of CEO is frequently the key to improving performance and creating long-term value for shareholders.

Examples of recent engagements

Escalation at AGM

Despite progress in a number of areas, including transparency, compliance management and related disclosures, non-compliance incidents continued to occur at an Asian telecommunications company, which give us cause for concern. We also continued to question the composition of the board of directors. Following intensive dialogue over 18 months, we succeeded in gaining a meeting with the chair of the audit committee the day after the AGM, which is highly unusual in the regional context. However, we still felt it was necessary to escalate our concerns to the board of directors at the AGM. This intervention made an impression and we were pleased that our first attendance at an AGM in Asia brought additional momentum to our engagement. In the meeting with the chair of the audit committee and another independent non-executive director, our proposals on board evaluation, compliance systems and management audit, benchmarking with leading compliance systems, better disclosure of policies and more extensive reporting on the remedial actions taken were positively received. The company committed to discussing these issues at the next nomination and audit committee meetings. We followed up with a letter, reiterating our understanding of the discussion we had and our expectations going forward.

Board composition

In April 2014, we met senior executives of an emerging markets IT company to review its progress and encourage further action. The company had made significant headway on the employee relations issues that had initially triggered our intensive engagement, with only working hours remaining the outstanding issue, according to an independent audit and recommendations by the Fair Labor Association. However, as a one-to-one meeting with its chair/CEO did not – in spite of numerous requests – materialise, we decided to attend the company's AGM in June.

Our collaborative effort with eight other institutional investors involved a joint statement and questions at the AGM, where we obtained some reassurances on all of our engagement objectives with the company. We were particularly pleased with the response to our

request for more transparency and better communication on long-term objectives, corporate strategy and the business model. Our questions around the board's composition, its leadership and oversight role, and implicitly the chair's succession, seemed to lead to some reflection on these issues although they remain to be fully discussed and answered in a private conversation. It was reassuring to see that the chair seems passionate about human capital management in the context of the company's business model and appears to be on top of the issue. Overall, we were pleased with the impact of our collaborative intervention, especially as it was the first time we used an AGM in Asia to escalate an engagement in this manner, and believe we laid the foundation for making progress on all of the objectives set. Most importantly, the chair and the rest of the board of directors directly heard about significant concerns from a group of major institutional investors and appear ready to engage on these.

Shareholder access

In a meeting with senior executives to discuss our votes at its recent AGM, a European utility committed to arranging a meeting with the current chair/CEO. This represents a significant win for us, as traditionally chairs and board members in the country remain out of reach for minority shareholders. We continued to urge the company to separate the roles of chair and CEO, particularly in the absence of a lead independent director, and raised concerns about the large size of the board, which currently stands at 18. However, we did acknowledge the significant reduction in board size since 2002 when – following a merger – the board comprised 25 directors.

We discussed the dividends for long-term shareholders proposed and adopted at the recent AGM. The amendment of the by-laws goes against the one-share one-vote principle and creates different classes of shareholders. While the idea of rewarding long-term shareholders may sound promising, the current shareholding requirement of only two years is not long-term by any means, particular in an industry where projects take many years to generate a return. In fact, the measure encourages short-termism and creates different classes of investors at the expense of stable long-term shareholders. We also raised concerns about the remuneration package of the chair/CEO which, through inclusion of certain performance units, could lead to

a potential 41% increase in pay. The company stressed that this is the first year it proposed a say-on-pay and admitted there are areas where more clarity is needed. It will strive to improve this ahead of the next AGM.

Board refreshment

We welcomed the appointment of two new directors with environmental experience, which added to the board refreshment and completed one of our engagement objectives at this US extractives company. However, the company has not followed up its promised meetings on health and safety and security, which is why we requested a dialogue on this as well as on governance matters when writing to the company about our voting decisions. We voted in favour of the say-on-pay resolution by exception only because the reforms to future executive pay arrangements came at the significant cost of a large grant of shares to the CEO without performance conditions. We seek to push forward our outstanding engagement objectives with the company.

Performance metrics

Our meeting with the chair of a UK retailer ahead of the company's AGM positively reflected a substantial change in tone compared to previous years. In the face of changing consumer behaviours, the rise of discount retailers and some much needed investment in the business and development of its multi-channel platform, the company's trading performance has been weak with continued loss

of revenues and market share. We challenged the chair on how the board is able to separate economic issues from those more related to the management of the business. In addition, we highlighted the importance of setting out the metrics that the board uses to assess the success of the company's strategy during its turnaround in order to give shareholders confidence that management is performing in line with the board's expectations, thereby also allowing for more accountability should industry standard metrics not be appropriate. The chair agreed with our concerns and stated that the company intends to provide such data at its half-year results this year. With regard to the succession planning for the CFO, who recently announced his resignation from the business, we heard about the skills and backgrounds the chair is looking for in his replacement, which we expect to be an external, experienced appointment. Although the chair was eager to point out the current CEO's loyalty to the business, we also touched on the CEO's succession and how the board looks to develop a management cadre below board level. We discussed a number of initiatives the chair has introduced to help the non-executive directors get closer to the business and the skills he would like to bring to the board over the coming years. We will continue to press for a greater understanding of how the board measures strategic success through this difficult period for the company to be able to hold it more accountable for performance.

Engagements on strategy and governance issues





Public policy and best practice

Protecting and enhancing value by promoting better regulations

Hermes EOS contributes to the development of policy and best practice on corporate governance, corporate responsibility and shareholder rights to protect and enhance the value of its clients' shareholdings over the longer term.

Highlights

Audit quality

We met several partners from PwC to discuss audit quality. We provided feedback on our views on the quality of auditor reporting in the UK under the new ISA 700 reporting regime, which was introduced in June 2013. In addition, we gained some valuable insights into materiality thresholds and how they are set, as well as other views that an auditor takes into account to assess the materiality of particular items. We talked through the enhanced audit reports produced as a result of ISA 700 and highlighted that we hope to see auditors become bolder in expressing their subjective opinions, judgements and conclusions in the future. We will press more widely for the continued development of best practice in these disclosures. We also agreed to follow up with a series of meetings, including some that will take a more sector-specific approach to inform our engagement programmes.

Carbon policies

We attended a workshop on carbon policies and stranded assets, with panellists from Carbon Tracker, the International Energy Agency (IEA), the OECD Roundtable on Sustainable Development and the director general on climate from the European Commission. Carbon Tracker introduced its latest research, which aims to explain the implications of lower demand, price and emissions scenarios. The IEA highlighted that the key battleground in the fight against climate change over the next two decades will be electricity and electrification. It was concluded that if climate policy were to tighten significantly in the future, the oil and gas industry could still have a viable long-term future if carbon capture and storage technology developed commercial scale over the next two decades. According to the OECD, the right policy signals and institutional set-up could help achieve the complete elimination

Overview

We actively participate in debates on public policy matters to protect and enhance value for our clients by improving shareholder rights and boosting protection for minority shareholders.

This work extends across company law, which in many markets sets a basic foundation for shareholder rights, securities laws, which frame the operation of the markets and ensure that value creation is reflected in value for shareholders, and developing codes of best practice for governance, management of key risks and disclosure. In addition to this work on a country-specific basis, we address regulations with a global remit, which are currently in the areas of accounting and auditing standards. Investment institutions are typically absent from public policy debates even though they can have a profound impact on shareholder value. Hermes EOS seeks to fill this gap. By playing a full role in shaping these standards we can ensure that they work in the interests of shareholders rather than being moulded to the narrow interests of other market participants – particularly companies, lawyers and accounting firms, which tend to be more active than investors in these debates – whose interests may be markedly different.

of emissions to the atmosphere from the combustion of fossil fuels in the second half of the century. Three key policy signals and institutional arrangements in this respect are i) more widespread carbon pricing, ii) the removal of fossil-fuel subsidies and iii) the right market design for a low-carbon economy. The European Commission gave an update on the commission's 2030 climate and energy package, explaining that a new framework beyond 2020 is now required to provide investors with clear ground rules.

Malaysian Stewardship Code

We spoke at the launch of the Malaysian Code for Institutional Investors, which was held at the Securities Commission in Kuala Lumpur and attended by board members and senior executives of three of the country's largest asset owners. In the six months leading up to the launch, we had been in close contact with the working group that developed the code through written feedback on its consultation and meetings with senior executives of the Minority Shareholder Watchdog Group and the Securities Commission. We were pleased that many of our suggestions were incorporated in the code and delighted to sign up to it. We used the opportunity of our intervention to emphasise that stewardship is about addressing principal-agent conflicts in the investment chain, with the objective of optimising long-term returns for beneficiaries.

We also explained our definition of the term engagement with the help of some examples from our recent work across Asia. In addition, we spent some time outlining different ways of undertaking engagement work, including platform sharing solutions such as Hermes EOS. From some of the interventions, it was evident that there is still some scepticism about stewardship in Malaysia. We lent our support to the work done over the last year and offered our advice and input into the code's implementation.

Other work in this quarter included

Promoting best practice

- Around 75 locally-listed companies and over 100 participants attended a Hermes EOS-organised, CDP and Trucost-partnered event in Hong Kong. We used the event to promote an understanding of the key areas where companies ought to improve their environmental and social management, as ESG is a relatively new area for many Hong Kong-listed companies, which currently report on sustainability on a voluntary basis.
- We co-signed a letter to the US Securities and Exchange Commission regarding the proposed amendments to Section 1504 of the Dodd Frank Act, which focuses on transparency and disclosure. The purpose of the letter is to encourage the SEC to ensure an appropriate mandatory reporting standard in the extractives sector that is complementary to the Extractives Industries Transparency Initiative, aligned with equivalent standards in the EU and Canada and designed to deliver the benefits from enhancing fiscal transparency and accountability in resource-dependent emerging nations.
- Along with other members of the Company Reporting and Auditing Group, we met representatives of the Financial Reporting Council on their consultation proposals about changes to the UK Corporate Governance Code regarding going concern. This has proved to be a contentious topic among a number of stakeholders, with the proposals now in their third iteration. We expressed our view that we must not forget that the onus is on users of accounts to read these disclosures and that, where we see these falling short of what we expect from such a fundamental area of judgement, we should hold management to account.
- We are pleased with the progress on corporate governance regulations following a series of meetings with senior executives from the Taiwan Stock Exchange. The stock exchange provided us with an update on the corporate governance department's roadmap and allowed us to share our views on priorities. We encouraged the development of a stewardship code in Taiwan, as local institutional investors seem to be disengaged from the efforts of improving the governance of domestic companies.
- We continued our involvement with the Principles for Responsible Investment vote confirmation working group, which strives to improve transparency in the proxy voting chain. Tracing the voting instruction to its final destination and providing confirmation that the ballot has been received and cast at general meetings is not routine and fraught with difficulty. We believe that improved transparency in the voting chain is likely to contribute to increased accountability and boost vote participation.
- Hermes EOS responded to a public consultation by the Ministry of Economy, Trade and Industry's project on building favourable relationships between companies and investors – known as the Ito review – regarding the competitiveness and incentives for sustainable growth in Japan. We largely agree with the points and key messages expressed in the Ito review's interim report. We also took this opportunity to share our thoughts on board effectiveness and the skills and competencies of outside directors.
- Following the OECD Russia Corporate Governance Roundtable in October 2013 and the launch of Russia's new Corporate Governance Code in March 2014, we were invited to join an international independent monitoring committee to champion the interests of minority investors and monitor the implementation of the code. The committee, which is under the aegis of the Russian Central Bank, is composed of international and Russian institutional investors

and consultants and aims to facilitate constructive dialogue and shareholder engagement with issuers and the regulator, where such practice has been largely absent.

- We attended a seminar on the UK banking reform's next steps. The conclusions were that (1) that ring-fencing was a political solution for a previous problem and that the level rather than the price of credit creation needs to be addressed, (2) the UK banking system remains consolidated and uncompetitive yet the emergence of digital technologies could positively disrupt the industry, (3) there is a significant need to professionalise the industry and its workers, and (4) that there is a need for the banking industry to take leadership in setting the conduct standards within which it should operate.
- We participated in the latest meeting of the Shareholder Director Exchange (SDX) working group, which discussed the progress of the SDX Protocol for better engagement between directors and investors in US companies. We were pleased to note some good progress, such as a US bank publicly endorsing the Protocol in its proxy statement.
- We were pleased to learn that the main objectives of a project carried out by Institutional Shareholder Services are to adopt a corporate governance code and strengthen the role of institutional investors in the Chinese market. This reflects what we strongly called for during our meetings with the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange in September 2013.

Public policy

- Reacting to our consultation response, the International Corporate Governance Network made significant changes to its Global Governance Principles. There is now a better balance between the principles for companies and investors, the overriding corporate objective has been re-introduced and references to other ICGN Guidelines will be added.
- We attended the Quoted Companies Alliance Corporate Governance Expert Panel, to which we have been an active contributor for many years. We discussed upcoming EU consultations on the Shareholders Rights Directive and money laundering, whose outcomes will affect small, mid- and large-sized companies and will comment on the panel's proposed submissions. We also provided extensive feedback on the draft Audit Committee Guide for Small and Mid-size Quoted Companies. Our suggestions were welcomed by the panel and will be incorporated into the draft.
- We hosted a Eurosif working group meeting to determine the organisation's position on key points of the EU Commission's proposed new Shareholder Rights Directive. The prevalent viewpoint among the investor group attending the event was that while the proposal is written in the right spirit, there are some practical difficulties arising out of specific suggestions, in particular the disclosure obligation of institutional investments.

Working with other shareholders

- We co-signed an investor letter to support the inclusion of a transparency in supply chains clause in the newly drafted UK Modern Slavery Bill 2014. As the current bill lacks such clause, the new one marks a significant and historic step forward and we feel this legislative change is essential to help reduce risks in supply chains for investors.
- We participated in a call with other members of the Asian Corporate Governance Association. Following our co-signing of a letter to Korean companies requesting that they provide audited financial statements ahead of their AGMs, we were pleased to learn that many of them have done so this year.

Hermes EOS votes at general meetings wherever practicable. We take a graduated approach and base our decisions on annual report disclosures, discussions with the company and independent analysis. At larger companies or those where clients have a significant stake, we seek to have dialogue ahead of voting against or abstaining on any resolution.

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



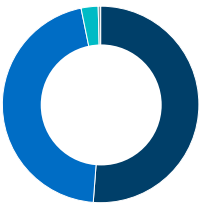
Hermes votes at company meetings all over the world, wherever its clients own shares.

Overview

Over the last quarter we voted at 6,737 meetings (70,258 resolutions). At 3,071 of those meetings we opposed one or more resolutions. We voted with management by exception at 26 meetings and we abstained at 189 meetings. We supported management on all resolutions at the remaining 3,451 meetings.

Global

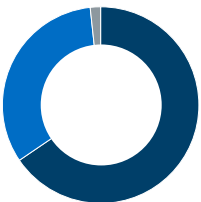
We voted at 6,737 meetings (70,258 resolutions) over the quarter.



- Total meetings voted in favour **51.2%**
- Meetings where voted against (or voted against AND abstained) **45.6%**
- Meetings where abstained **2.8%**
- Meetings where voted with management by exception **0.4%**

Australia and New Zealand

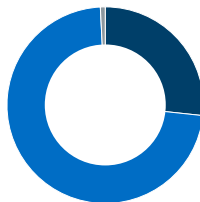
We voted at 58 meetings (268 resolutions) over the quarter.



- Total meetings voted in favour **65.5%**
- Meetings where voted against (or voted against AND abstained) **32.8%**
- Meetings where voted with management by exception **1.7%**

Developed Asia

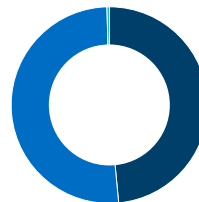
We voted at 1,087 meetings (18,034 resolutions) over the quarter.



- Total meetings voted in favour **26.7%**
- Meetings where voted against (or voted against AND abstained) **72.5%**
- Meetings where voted with management by exception **0.8%**

Emerging and Frontier Markets

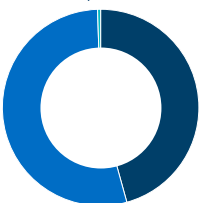
We voted at 934 meetings (9,240 resolutions) over the quarter.



- Total meetings voted in favour **48.5%**
- Meetings where voted against (or voted against AND abstained) **51.1%**
- Meetings where abstained **0.4%**

Europe

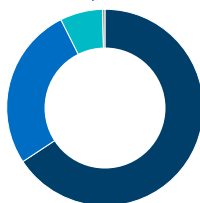
We voted at 979 meetings (13,069 resolutions) over the quarter.



- Total meetings voted in favour **45.7%**
- Meetings where voted against (or voted against AND abstained) **53.8%**
- Meetings where abstained **0.5%**

North America

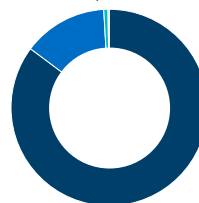
We voted at 2,521 meetings (23,434 resolutions) over the quarter.



- Total meetings voted in favour **65.8%**
- Meetings where voted against (or voted against AND abstained) **26.9%**
- Meetings where abstained **7.0%**
- Meetings where voted with management by exception **0.4%**

UK

We voted at 438 meetings (6,213 resolutions) over the quarter.



- Total meetings voted in favour **85.2%**
- Meetings where voted against (or voted against AND abstained) **13.9%**
- Meetings where abstained **0.7%**
- Meetings where voted with management by exception **0.2%**



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