

ESG Dashboard

Enabling ESG integration across our investment teams

Responsible investing is part of our heritage. It is entrenched in our investment decisions: we believe that environmental, social and governance (ESG) integration is a vital component of an effective long-term investment strategy.

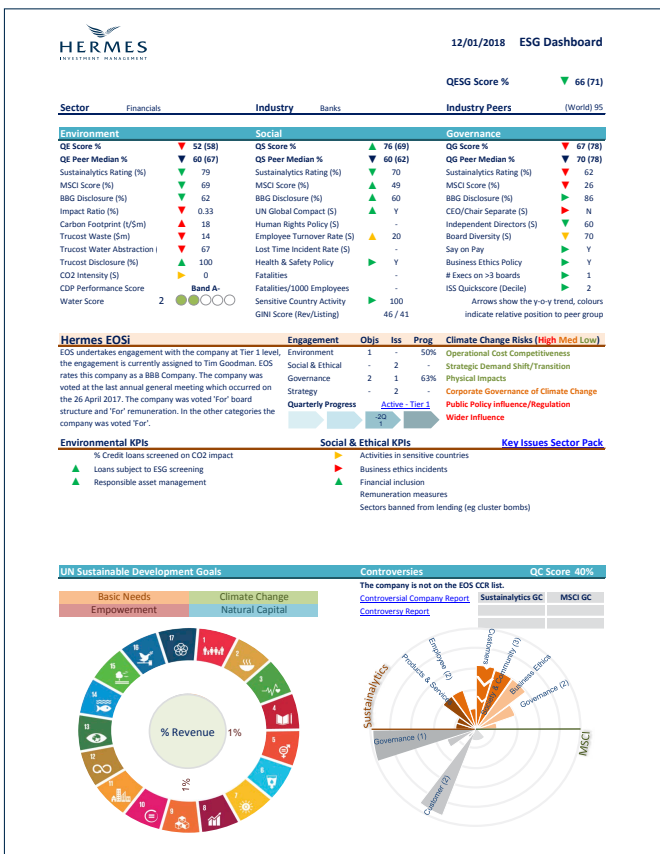
Our focus on ESG considerations is illustrated well through our bespoke analytical tool, the ESG Dashboard, which collates and views stock-specific data on important ESG risks.

The ESG Dashboard was developed by Hermes Global Equities in conjunction with leading responsible investment and engagement

specialists, Hermes EOS. It is used by investment teams across Hermes, enabling analysts and portfolio managers to easily incorporate ESG analysis into their stock-picking processes and, importantly, to flag stock-specific sustainability risks.

The Dashboard provides a concise digest of the ever-increasing amount of data on ESG risks. As well as incorporating a wide range of research from leading providers – Sustainalytics, Trucost, Bloomberg, MSCI, FactSet, ISS and CDP – the report includes proprietary information from Hermes EOS on voting and engagement.

The expertise of Hermes EOS has also helped define the key performance indicators or risk factors on which each company is measured. These are either generic, such as board structure, or sector specific, focusing on the major risks by industry – such as CO₂ emissions and fleet consumption for the automobiles industry, paper sourcing for media and energy efficiency for airlines.



For illustrative purposes only



A clearer view of the Hermes ESG Dashboard is provided below. This is for illustrative purposes only.



12/01/2018 ESG Dashboard

QESG Score % ▼ 66 (71)

Sector Financials Industry Banks Industry Peers (World) 95

Environment		Social		Governance	
QE Score %	▼ 52 (58)	QS Score %	▲ 76 (69)	QG Score %	▼ 67 (78)
QE Peer Median %	▼ 60 (67)	QS Peer Median %	▼ 60 (62)	QG Peer Median %	▼ 70 (78)
Sustainalytics Rating (%)	▼ 79	Sustainalytics Rating (%)	▼ 70	Sustainalytics Rating (%)	▼ 62
MSCI Score (%)	▼ 69	MSCI Score (%)	▲ 49	MSCI Score (%)	▼ 26
BBG Disclosure (%)	▼ 62	BBG Disclosure (%)	▲ 60	BBG Disclosure (%)	▶ 86
Impact Ratio (%)	▼ 0.33	UN Global Compact (S)	▲ Y	CEO/Chair Separate (S)	▶ N
Carbon Footprint (t/\$m)	▲ 18	Human Rights Policy (S)	-	Independent Directors (S)	▼ 60
Trucost Waste (\$m)	▼ 14	Employee Turnover Rate (S)	▲ 20	Board Diversity (S)	▼ 70
Trucost Water Abstraction	▼ 67	Lost Time Incident Rate (S)	-	Say on Pay	▶ Y
Trucost Disclosure (%)	▲ 100	Health & Safety Policy	▶ Y	Business Ethics Policy	▶ Y
CO2 Intensity (S)	▶ 0	Fatalities	-	# Execs on >3 boards	▶ 1
CDP Performance Score	Band A-	Fatalities/1000 Employees	-	ISS Quickscore (Decile)	▶ 2
Water Score	2 ● ● ○ ○ ○	Sensitive Country Activity	▶ 100	Arrows show the y-o-y trend, colours indicate relative position to peer group	
		GINI Score (Rev/Listing)	46 / 41		

Hermes EOSi	Engagement	Objs	Iss	Prog	Climate Change Risks (High Med Low)
EOS undertakes engagement with the company at Tier 1 level, the engagement is currently assigned to Tim Goodman. EOS rates this company as a BBB Company. The company was voted at the last annual general meeting which occurred on the 26 April 2017. The company was voted 'For' board structure and 'For' remuneration. In the other categories the company was voted 'For'.	Environment	1	-	50%	Operational Cost Competitiveness
	Social & Ethical	-	2	-	Strategic Demand Shift/Transition
	Governance	2	1	63%	Physical Impacts
	Strategy	-	2	-	Corporate Governance of Climate Change
	Quarterly Progress	Active - Tier 1			Public Policy influence/Regulation
		Wider Influence			

Environmental KPIs	Social & Ethical KPIs	Key Issues Sector Pack
▲ % Credit loans screened on CO2 impact	▶ Activities in sensitive countries	
▲ Loans subject to ESG screening	▶ Business ethics incidents	
▲ Responsible asset management	▲ Financial inclusion	
	Remuneration measures	
	Sectors banned from lending (eg cluster bombs)	

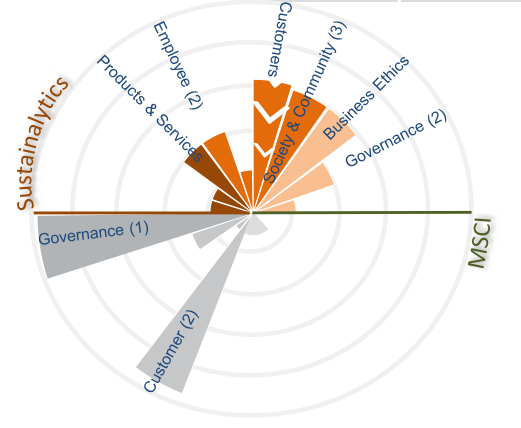
UN Sustainable Development Goals Controversies QC Score 40%

Basic Needs	Climate Change
Empowerment	Natural Capital



The company is not on the EOS CCR list.

Controversial Company Report	Sustainalytics GC	MSCI GC
Controversy Report		



The UN Sustainable Development Goals (SDG) metric decomposes a company's revenue across the 17 goals. The Dashboard uses the SDGs as a framework to identify a company's specific focus, highlighting its reliance on green revenue sources, such as renewable energy or transformative technologies, or social themes, such as nutrition, sanitation or social finance.

The Dashboard therefore identifies forward-thinking companies that are aligned with SDGs and delivering positive environmental and social impacts. The risk radar shows ESG controversies and issues. The larger the segment, the more severe the issue. For example, according to Sustainalytics, Category 4 and 5 are deemed severe issues and they have high reputational impacts.

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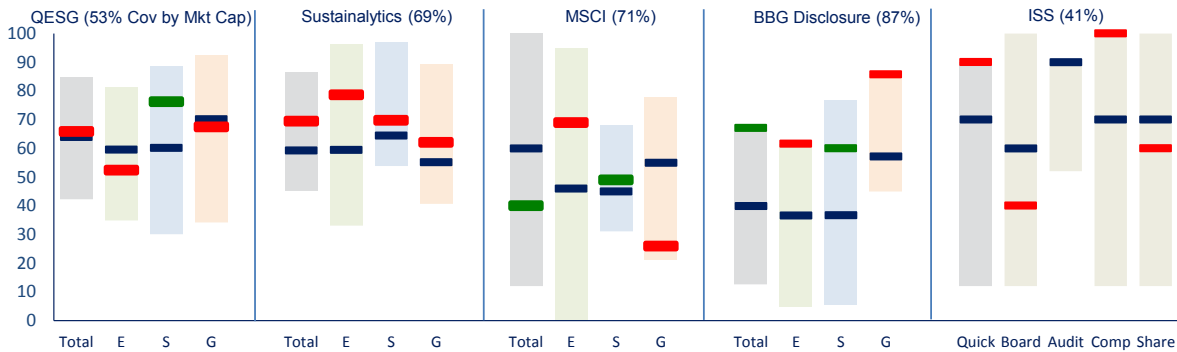
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12/01/2018 ESG Dashboard

Vendor Comparison

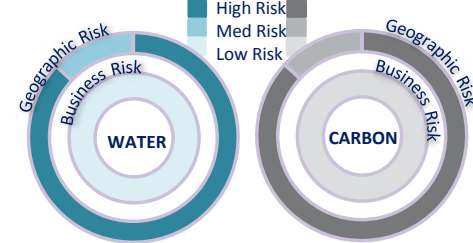
The shaded column indicates the range of values for the industry peers. The blue bar is the median value of the peers. The green/red/yellow bar is the current company value. The colour shows the annual trend: positive, negative, or only current year data is available (respectively).



Product Involvement

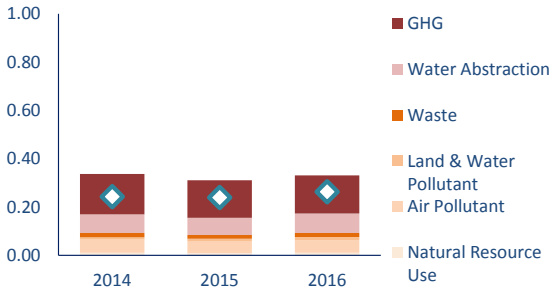
- Adult - No Involvement
- Alcohol - No Involvement
- Animal - No Involvement
- Arctic - No Involvement
- Cont Weaps - No Involvement
- Firearms - No Involvement
- Fur - No Involvement
- Gambling - No Involvement
- GMO - No Involvement
- Military - No Involvement
- Nuclear - No Involvement
- Oil Sands - No Involvement
- Palm Oil - No Involvement
- Pesticides - No Involvement
- Coal - No Involvement
- Tobacco - No Involvement

Geographic and Business Risk



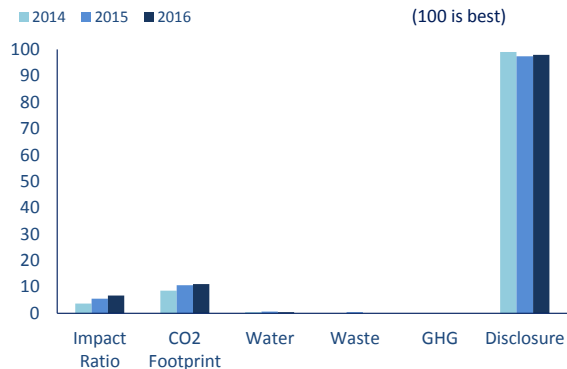
Trucost Impact Ratio

Total direct and indirect environmental costs per unit revenue. A higher impact ratio (a higher environmental intensity) means a company is more exposed to environmental costs.



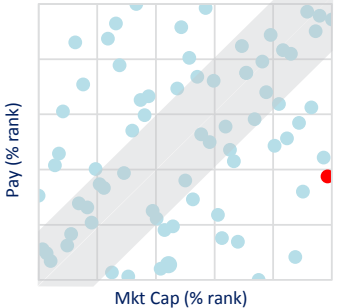
Trucost Percentile

Percentile rank of company in each of the charted categories. (100 is best)



Remuneration

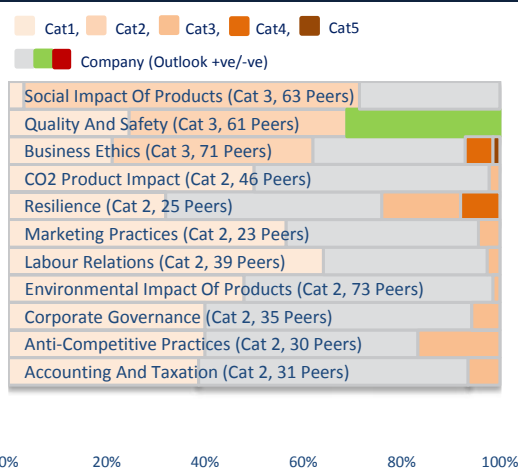
- CEO Pay: 2,188,132
- Median Pay: 2,742,076
- Golden Hello: No
- Golden Parachute: No
- Severance Vesting: Yes
- Ownership Category: Indexed Stock



QESG Score

- Industry Range
- Company
- Median

Peer Group Controversies



Geographic and business risk metric: The environmental impact lenses show the percentage of a company's assets at high, medium or low-risk based on water and carbon by business and geographical grouping.

The QESG scoring mechanism pits companies directly against the KPIs of the industries to which they are exposed.

The remuneration metric identifies companies that are not aligned to the Hermes Remuneration Principles. It also highlights areas for improvement in a company's incentive structure thanks to greater transparency and regulation on remuneration data.

Source: Hermes as at January 2018.

The QESG Score: a pivotal ranking

A valuable component of the Dashboard is the QESG score, a ranking applied to each company, based on the information collated. This score is used to systematically direct the capability towards companies with an attractive ESG profile.

Not only does this score capture how well a company manages ESG risk, but also the trend in this exposure. We have observed that changes in a company's approach to ESG risk may be as important to its share price performance as its current exposure.

The QESG score can act as an early indicator of changing ESG risks, thereby alerting analysts and portfolio managers to potential issues and opportunities. In such situations, our investment teams can interrogate the elements of a company's ESG risk management through the Dashboard's hyperlinks to analytical reports, and if desired follow up with our in-house experts at Hermes EOS. Moreover, forward-looking metrics available on the Dashboard, such as a company's revenue exposure to the SDGs provide a view of future ESG risks.

The QESG Score is used in the stock-selection process of our ESG-focused global equity solution.

Key features of the ESG Dashboard

Since its inception in 2010, the ESG Dashboard has enhanced our ESG analysis. It has also been subject to a number of improvements, reflecting recent developments within ESG investing and the availability of more information. The latest version of the Dashboard was released in January 2018.

Proprietary input

The Dashboard draws on the insights of Hermes EOS, which advises on proxy votes and engages company directors and executives about ESG risks that concern shareholders. It can also highlight company-specific risks through the Controversy Indicator employed by Hermes EOS. This provides an information advantage: proprietary insights into engagement progress and forward-looking views of the ESG risk exposures of companies, compared to the retrospective analysis of external data vendors.

Best-of-breed data

Rather than using just one or two commercial providers of data, the ESG Dashboard incorporates research from more than 10 different vendors with specialist areas of focus. ISS, for instance, ranks each company for its adherence to global governance standards, and CDP helps inform our judgments about which companies are leaders or laggards on carbon intensity. The MSCI ESG database is also connected to the Dashboard. Data from MSCI provides broad coverage of ESG matters and offers a different perspective on each company compared to other data providers. This helps our investment teams fully understand the materiality of these ESG risks.

Quantitative and qualitative data from our vendors are complemented by engagement insights from Hermes EOS, which provide an in-depth view of how companies are responding to ESG risks.

Customisable peer group

Investment teams are able to evaluate a company's ESG risks relative to other companies in their investable universe, regionally or by market capitalisation. Industry peer groups are used to ensure that the metrics applied are relevant.

Forward-looking

One of the most salient insights to a company's ESG profile comes from how it is changing over time. However, the majority of ESG metrics are backward-looking as the underlying data supplied by vendors is generally updated on a monthly basis. This is where the ESG Dashboard differs: it gauges both the current level and the degree of change in ESG risk. The Dashboard includes a number of forward-looking metrics, such as a company's revenue exposure to the SDGs, exposure to regions experiencing water stress, and to those countries with extreme inequality, which may highlight future risks to their operations and customer base.

Moreover, the insights from Hermes EOS create a powerful force for positive change. Specifically, engagements with companies provide an information advantage, which is a crucial component of our forward-looking approach.

QESG Score

The QESG Score assesses a company's ESG metrics compared to its peers and, crucially, how its ESG profile is changing. It pits companies directly against the KPIs of the industries to which they are exposed. The Dashboard also presents any KPIs which could represent a weakness for the business, thereby alerting investors to any red flags or issues worthy of corporate engagement.

We also use raw data metrics, where available, and apply our experience to assess materiality. This is a crucial part of our investment approach, as it identifies value and opportunity from ESG signals.

Moreover, the Dashboard provides the tools needed to interrogate the QESG Score. The use of new and enhanced data sources means that companies undergo a rigorous examination to identify ESG risks. This additional data also helps our investment teams ensure that companies' business models are fit for purpose.

Using the ESG Dashboard

The ESG Dashboard forms an important part of the qualitative analysis performed by our investment teams. For example, Hermes Global Equities uses it to identify ESG risks within companies and determine the materiality of these risks. Any change in the level of ESG risk and progress on current engagements are key factors that could influence an investment decision.

The governance component of the QESG Score is integrated into the team's stock-selection process for all of its strategies, enhancing its analysis of these risks. Environmental and social considerations continue to be assessed as part of the fundamental due diligence on companies. This approach ensures that ESG analysis is integrated into the team's investment decisions – from idea generation to portfolio construction and monitoring.

Across the business, the Dashboard ensures that our investment analysts and portfolio managers are ESG-aware and can monitor company specific risks. The Dashboard provides a systematic framework, enabling a sharper analysis of the available information.

Accessible through Bloomberg, the Dashboard has helped our teams integrate ESG research into investment decisions and foster dialogue with Hermes EOS about shareholder votes and engagements. This promotes company-wide discussions about material ESG considerations.

Hermes EOS: Engaging on ESG

Established in 2004, Hermes EOS is one of the leading providers of corporate engagement, intelligent voting, portfolio screening, public policy engagement and advisory services. It aims to create a powerful force for positive change on behalf of a growing client base of international investors.

Crucially, the team's engagement approach is to establish constructive partnerships with companies in order to deliver better outcomes for them and their investors. Discussions often take place in the local language and at the highest level, for example with the chair or the senior independent director.

The services provided by Hermes EOS help asset owners add long-term value to their investments and manage risks by engaging with companies and policymakers on ESG and strategic issues.

HERMES INVESTMENT MANAGEMENT

We are an asset manager with a difference. We believe that, while our primary purpose is to help savers and beneficiaries by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial – and consider the impact our decisions have on society, the environment and the wider world.

Our goal is to help people invest better, retire better and create a better society for all.

Our investment solutions include:

Private markets

Infrastructure, private debt, private equity, commercial and residential real estate

High active share equities

Asia, global emerging markets, Europe, US, global, and small and mid cap

Credit

Absolute return, global high yield, multi strategy, global investment grade, real estate debt and direct lending

Multi asset

Multi asset inflation

Stewardship

Active engagement, advocacy, intelligent voting and sustainable development

Offices

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