Excellence. Responsibility. Innovation.

Hermes EOS

2016

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 2016. 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 and ethical, corporate governance, strategy, risk and communication matters. Alongside this, on behalf of our clients we have continued to engage with policy-makers, regulators and standard-setters to help improve the overall market context for long-term investment.

This report highlights an engagement case study relevant to each corporate 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.

Contents

*Hermes EOS' 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 private dialogues with senior directors, we have notified the company of our intention to publish them. You can also find more case studies on our website at https://www.hermes-investment.com/uki/solutions/stewardship/hermes-eos-case-studies/

What is Hermes EOS?

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

Pooling the resources of other like-minded funds creates a strong and representative shareholder voice and makes our company engagements more effective. We currently act on behalf of 42 clients and £261.3/€306.1/$322.9 billion* in assets under advice.

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

The depth and breadth of this resource reflects our philosophy that stewardship activities require an integrated and skilled approach. Intervention at senior management and board director level should be carried out by individuals with the right skills, experience and credibility. Making realistic and realisable demands of companies, informed by significant hands-on experience of business management and strategy-setting is critical to the success of our engagements.

We have extensive experience of implementing the Principles for Responsible Investment (PRI) and various stewardship codes. Our former CEO led the committee that drew up the original principles, and we are actively 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 our clients' investments and safeguard their reputations. 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[1] set out our fundamental expectations of companies in which our clients invest. These cover transparency and communications, business strategy, financial structure, governance and management of social, ethical 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, 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, 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, which 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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1 https://www.hermes-investment.com/wp-content/uploads/2015/09/the-hermes-ownership-principles.pdf

* as of 31 December 2016

Engagement activity by region 2016

In 2016, we engaged with 562 companies on 1,408 environmental, social and ethical, governance, strategy, risk and communication issues and objectives. Our holistic approach to engagement means that we typically engage with companies on more than one topic simultaneously.

Global

We engaged with **562** companies over the last year.

- Environmental **18.3%**
- Social and ethical **22.0%**
- Governance **43.7%**
- Strategy, risk and communication **16.1%**

Australia and New Zealand

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

- Environmental **33.3%**
- Social and ethical **16.7%**
- Governance **33.3%**
- Strategy, risk and communication **16.7%**

Developed Asia

We engaged with **80** companies over the last year.

- Environmental **11.5%**
- Social and ethical **23.0%**
- Governance **45.2%**
- Strategy, risk and communication **20.4%**

Emerging and Frontier Markets

We engaged with **88** companies over the last year.

- Environmental **28.7%**
- Social and ethical **24.6%**
- Governance **25.4%**
- Strategy, risk and communication **21.3%**

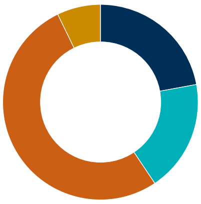
Europe

We engaged with **105** companies over the last year.

- Environmental **11.9%**
- Social and ethical **23.0%**
- Governance **46.4%**
- Strategy, risk and communication **18.7%**

North America

We engaged with **180** companies over the last year.



- Environmental **22.1%**
- Social and ethical **18.5%**
- Governance **52.2%**
- Strategy, risk and communication **7.2%**

United Kingdom

We engaged with **104** companies over the last year.

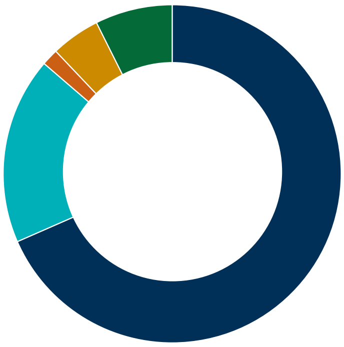
- Environmental **16.5%**
- Social and ethical **22.6%**
- Governance **44.8%**
- Strategy, risk and communication **16.1%**

Engagement activity by theme

A summary of the 1,408 issues and objectives on which we engaged with companies in 2016 is shown below.

Environmental

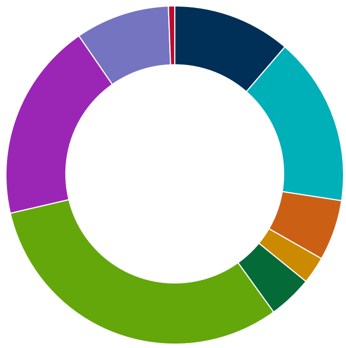
Environmental topics featured in **18.3%** of our engagements over the last year.



- Climate change **68.5%**
- Environmental policy and strategy **17.9%**
- Forestry and land use **1.6%**
- Pollution and waste management **4.7%**
- Water **7.4%**

Social and ethical

Social topics featured in **22.0%** of our engagements over the last year.



- Bribery and corruption **11.3%**
- Conduct and culture **16.1%**
- Cyber security **5.8%**
- Diversity **2.6%**
- Human capital management **4.2%**
- Human rights **31.3%**
- Labour rights **19.0%**
- Supply chain management **9.0%**
- Tax **0.6%**

Governance

Governance topics featured in **43.7%** of our engagements over the last year.

- Board diversity, skills and experience **22.0%**
- Board independence **21.0%**
- Executive remuneration **32.8%**
- Shareholder protection and rights **16.7%**
- Succession planning **7.5%**

Strategy, risk and communication

Strategy, risk and communication topics featured in **16.1%** of our engagements over the last year.

- Audit and accounting **4.4%**
- Business strategy **37.6%**
- Integrated reporting and other disclosure **22.6%**
- Risk management **35.4%**

Engagement progress in 2016

We had engagements with 300 companies regarding 867 separate engagement objectives using our proprietary milestone system.

In this section we provide an overview of our global engagement activities.

Global engagement activity

Ongoing company engagement by region (300)

Developed Asia **52**
Emerging and Frontier Markets **44**
Europe **63**
North America **87**
UK **54**

Engagement objectives by theme (867)

Environmental **175**
Social and ethical **198**
Governance **348**
Strategy, risk and communication **146**

Approximately 40% of the engagement objectives focused on governance issues. In many cases, achieving success in board change is necessary to deliver beneficial change on environmental, social, governance, strategy, risk and communication matters.

Engagement methodology and progress in 2016

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

Milestone 1 Concern raised with company at the appropriate level

Milestone 2 Acknowledgement of the issue

Milestone 3 Development of a credible strategy/Set stretching targets 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 in the past year.

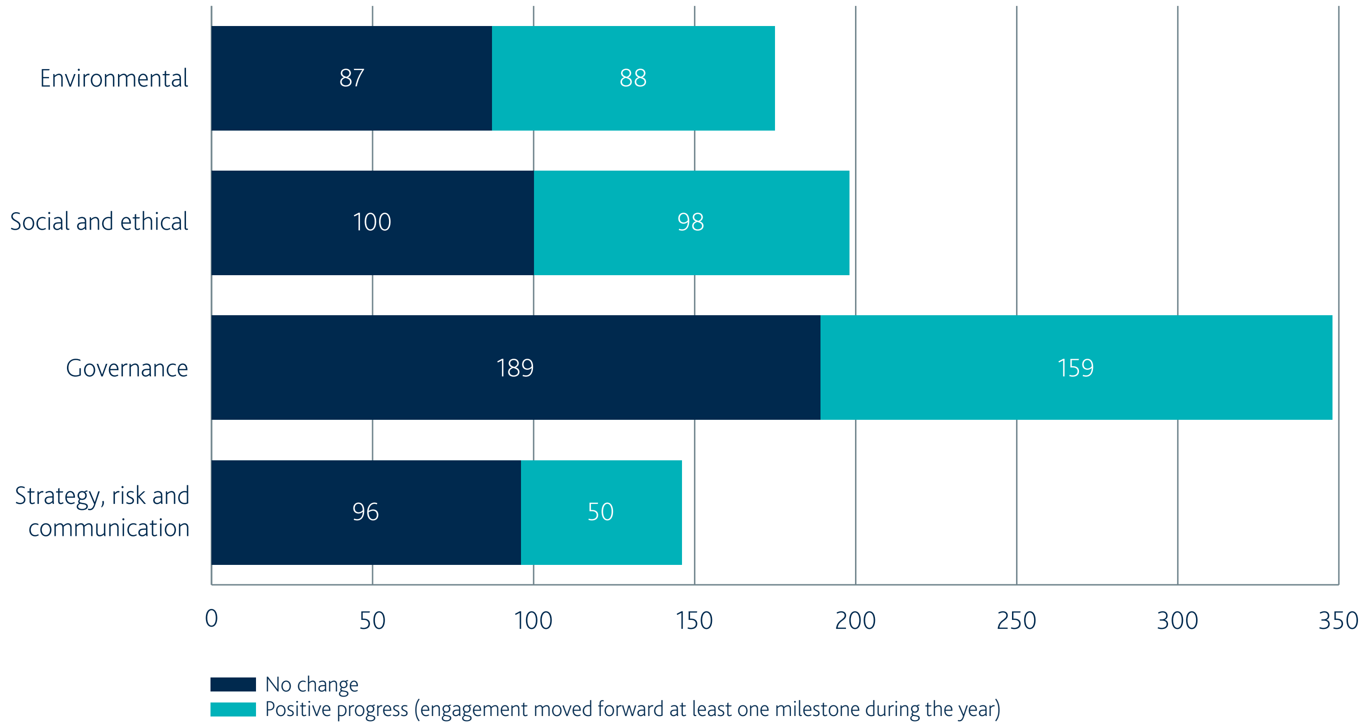
Milestone status of engagement

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	175	23	23	65	36	12	16
Social and ethical	198	12	16	63	73	21	13
Governance	348	13	60	91	95	47	42
Strategy, risk and communication	146	5	22	45	52	10	12
Total engagements	**867**	**53**	**121**	**264**	**256**	**90**	**83**

Engagement progress in 2016

We made solid progress in delivering engagement objectives across regions and themes. At least one milestone was moved forward for about 46% 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: Environmental progress

In 2016, 20% of our engagements included an environmental objective. In this section, we summarise some of the major environmental themes which we engaged on during the year and provide a case study illustrating a successful outcome of an engagement on environmental concerns.

Status of environmental engagement objectives

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

Theme	Total engagement objectives	Engagement objective status				Completed engagement objectives	
		Objective set	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Discontinued
Environmental	175	23	23	65	36	12	16

Company engagement

In the aftermath of the 2015 Paris Agreement on climate change, we pushed for **enhanced disclosure of climate-related risks** and sought greater transparency on stress-testing and portfolio resilience in a range of carbon-constrained scenarios at companies where the issue is particularly material.

As part of the Aiming for A coalition of investors, we presented resolutions at the AGMs of mining companies Anglo American, Glencore and Rio Tinto, seeking enhanced disclosure of their approach to climate change risks. The resolutions received overwhelming support of 96-99% at their respective AGMs. Positively, all three companies committed to further action on climate change risks and we continued to engage with them throughout the year. The shareholder resolution we co-filed at oil major Chevron meanwhile received support of 41%, the highest support ever for a proposal of its type in the company's history. The company responded to the remarks we made at the AGM and showed support for the proposal and the commitment made by its CEO at the AGM by assembling an internal working group to examine what type of information it might provide. However, to maintain pressure we already refiled the shareholder proposal for the company's 2017 AGM.

In a similar context, we engaged with automotive companies globally on their adherence to **emissions standards** and their commitment towards sustainable drivetrain technologies. We spoke at the AGM of Volkswagen where we supported shareholder resolutions seeking the appointment of a special auditor to investigate the role and potential liability of board members in the company's emissions scandal. The motion to appoint a special investigator was filed by lawyers at the regional court at the end of 2016.

We discussed **product risk management** with several companies, including Bayer, BASF and Syngenta. The three companies spoke at our roundtable on bee welfare. The willingness to participate in the debate showed an increased awareness of the issue and indicated their preparedness to find answers. The roundtable concluded that, as the decline in bees cannot be attributed to a single cause, efforts must be multi-fold and involve all key stakeholders. This includes for producers of pesticides to make pollinators part of their business model.

We continued to push for the production of **sustainable palm oil** in all countries of operations and were pleased with some of the progress made by the companies concerned.

Furthermore, we engaged with companies on **water management**, specifically in relation to water stress, pollution, use, regulation and excess water. We were pleased to note that a number of companies have been making progress in heightening their awareness of water risks and developing solutions.

Public policy and best practice

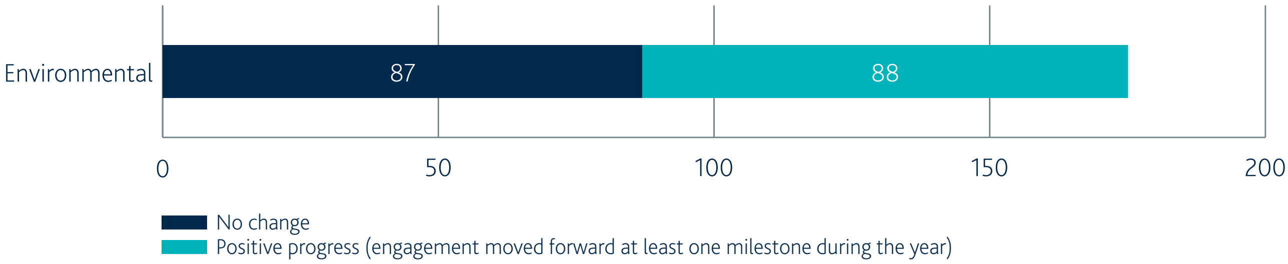
We attended the first session of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. We also provided informal feedback on the emerging draft guidelines for **climate-related financial disclosures** by companies. We highlighted the need for scenario-planning to include a qualitative description of the potential impacts of low-carbon scenarios, as well as a quantitative assessment of the value at risk. In addition, we responded to the consultation by IPIECA, the global oil and gas industry's trade association for environmental and social issues, on climate change reporting.

We were honoured to be invited to the signing ceremony of the **2015 Paris climate change agreement** at the UN building in New York. It was a testament to the commitment of our clients and the work that we have done in fighting the risks to the value of their portfolios from climate change that we were part of the small non-state delegation invited to witness the beginning of the agreement being put into formal legal effect.

Also relating to emissions, we presented the **Investor Expectations of Automotive Companies report** to the board of the Institutional Investors Group on Climate Change, institutional investors and automotive companies. As the lead author of this investor guide, we called on automotive companies to have long-term strategies in place that rest on resilient business models and take into account likely upcoming climate change regulation, significant shifts in demand and competition from high tech companies working on developing autonomous and sustainable vehicles. We also introduced the new guide at a roundtable discussion of the GEAR 2030 High Level Group on Automotive Industry in Brussels.

We co-signed a letter, co-ordinated by an investor group from the Principles for Responsible Investment, to policy-makers with jurisdiction over much of the region to encourage greater **regulation of exploration and production in the Arctic**.

Progress against environmental objectives



Case study: Total

A Q&A with Natacha Dimitrijevic of Hermes EOS about French oil major Total

Q: Why is Hermes EOS engaging with Total?

A: As part of our engagement on climate change, we have been contributing to the Aiming for A coalition of investors, which has been seeking to enhance the management and reporting of climate change risk by extractive companies. In 2014, the group focused on oil and gas companies such as BP and Shell, where investors widely backed resolutions calling for enhanced disclosure on climate change risks. In 2015, the coalition decided to expand its engagement programme to the US and Europe.

As one of the largest publicly traded integrated international oil and gas companies, with operations in over 130 countries, French oil major Total naturally fell into the remit of the programme.

We have been engaging with Total for over a decade, focusing on governance, social and ethical, as well as environmental, issues. Building on this established dialogue and mutual trust, we requested in early 2015 that the company publish the findings of an evaluation of its portfolio under different climate change, oil and gas demand and carbon policy scenarios. Total demonstrated its commitment to tackling climate change by publicly supporting a price on carbon, alongside a number of other oil majors. The Paris agreement on climate change at the end of 2015 provided further impetus to public policy and corporate action on climate change.

Q: What did you do in your engagement with the company?

A: In the run-up to the Paris negotiations and during the summit itself, we had a significant number of meetings with Total's top management, including its CEO. In view of the company's hesitancy to welcome a shareholder resolution and our constructive ongoing dialogue, we decided to request a statement from the board committing to publicly and consistently disclose its climate strategy in a 2°C scenario.

To illustrate that this request was a priority for a number of institutional investors, we gathered a coalition of investors to co-sign a letter to the board. We were pleased that 24 of the company's institutional shareholders, representing over $6 trillion in assets under management, supported this private letter, lending significant weight to our engagement.

Q: What have you been able to achieve?

A: In March 2016, we welcomed a formal response from the combined chair/CEO to the signatories of the letter and, importantly, a public statement from Total's board of directors, which committed the company to report in line with our suggestions and on par with the requirements of Aiming for A.

The quality and openness of our dialogue with Total over the past year had preceded this decision, meaning that the company had already begun to work on our request, formalising and expanding its existing information for publication. As a result, Total was able to launch its climate strategy report at its AGM only a couple of months later. This was a great achievement for Total and a major success for us.

At the AGM, we welcomed the publication of the report and highlighted publicly Total's responsiveness and the work it had undertaken on climate change to date. In addition to our clients, 10 other institutional investors with over $3 trillion in assets under management supported our public statement, in which we also outlined the company's remaining challenges in relation to strategy and lobbying. In his main speech at the AGM, the chair welcomed our approach and inputs. Moreover, his strategic presentation demonstrated Total's integration of climate change risks and opportunities and highlighted its commitment to align itself to an energy pathway consistent with the international goal of limiting the increase in average global temperature as a result of climate change to 2°C.

In follow-up meetings with the chair, we gained further insights into the strategic direction of the company regarding the integration of climate change in its business. A deep dive into the newly published report with Total's head of climate enabled us to review its detailed content, the milestones, progresses and gaps towards the ambitious goal set by the board. We are looking forward to the financial reporting of the company's gas, renewables and power units designed to develop its low-carbon business.

As we are continuing the dialogue, in a discussion with the chair/CEO following Total's investors' day in September 2016, we commended the company's consistent integrated approach to climate change in a presentation to mainstream investors. While the chair/CEO believes that the perception of climate change as a risk is changing globally, he also highlighted the need for visible support from investors.

Social and ethical: Engagement progress

In 2016, 23% of our engagements included a social and ethical objective. In this section, we summarise some of the major social and ethical themes we engaged on during the year and provide a case study illustrating a successful outcome to an engagement on social and ethical matters.

Status of social and ethical engagement objectives

The table below describes which milestones have been achieved during their 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	198	12	16	63	73	21	13

Company engagement

Given the introduction of legislation on modern slavery in the US and the UK in 2015, engagements on **human rights** made up a large part of our social engagements in 2016. We pressed companies to engage with the communities living in proximity to their operations and build good relationships with them, including in disputed territories such as Western Sahara. We also sought to establish better relations between companies and labour unions.

Following the embroilments of G4S in several high-profile custodial and detention service controversies and as part of our engagement on the application of its human rights policy, we visited two UK prisons run by the company. We were also able to visit the Chengdu site of Hon Hai Precision Industry with its fully automated production line where we saw evidence of improving working conditions at the company.

In addition, we called on Asian suppliers and manufacturers, as well as various automotive companies, to step up their management of **child labour** issues in their global supply chains.

We encouraged companies to collaborate with the **Access to Medicine** (ATM) Foundation and disclose their programmes to the foundation so that they could be ranked in the ATM Index. As an investor representative, we believe that embedding ATM in corporate strategies across the value chain, from research and development to manufacturing and distribution, is key to the sustainability of business models. Overall, we saw progress in the implementation of ATM strategies at the companies in our engagement programme.

We engaged with companies to ensure that they are transparent and have measures in place to avoid human and labour rights abuses in their **supply chains**, including at their second and third tier suppliers. We pushed for oversight of sustainability risks in supply chains by companies and their boards through ambitious targets and tracking of progress at the group level. In this context, we also encouraged companies to adopt the UN Guiding Principles on Business and Human Rights Reporting Framework to effectively communicate how they manage their human rights impacts.

In the wake of high-profile breaches and theft of customer data, **cyber security** remained one of the top concerns for companies. We pressed companies to put in place prevention and mitigation processes in relation to cyber risk and to have technology expertise on their boards.

As **bribery and corruption** continue to be threats to long-term shareholder value, we addressed anti-bribery and corruption measures with several companies.

Public policy and best practice

In our series of dinners with non-executive directors and clients, we discussed **cyber risk** with representatives from various sectors. We also contributed to an advisory committee meeting by the Principles for Responsible Investment to develop a collaborative engagement programme on cyber security. Our engagement has indicated that there is room for better guidance from governments and regulatory bodies to help companies respond effectively to cyber security risks.

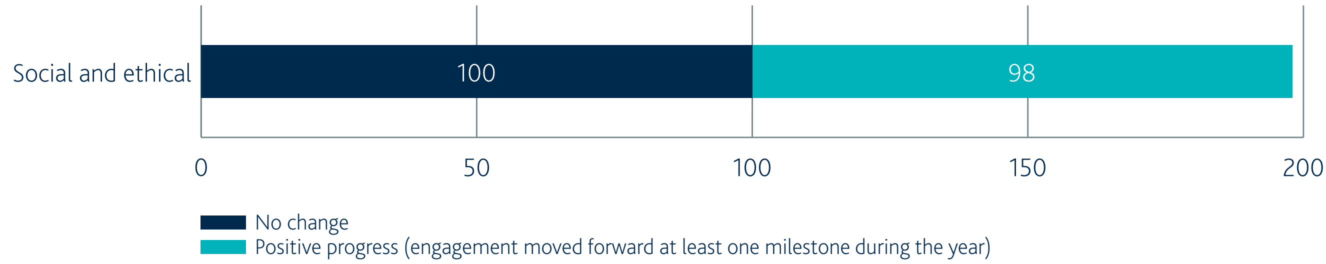
We made progress in our collaborative engagement with the Electronic Industry Citizenship Coalition (EICC) on the ethical sourcing of raw minerals. The EICC aims for its new working group, initially composed of key technology and electronics companies from the US, to address **human rights issues in the electronics supply chain**. While the working group can focus on a range of minerals, we were pleased that following recommendations from the group, cobalt from the Democratic Republic of Congo is one of the minerals it is likely to prioritise.

As part of the collaborative engagement on **palm oil** led by the Principles for Responsible Investment, we met indigenous representatives and community leaders from tropical forests in Indonesia, Colombia, Peru and Liberia.

We also attended an event for the launch of the latest **ATM index**. Encouragingly, the ATM Foundation has strengthened its business rationale following input from us and others. The new index reflects the maturity of the issue by increasing the weight of performance as opposed to policy and the public sharing by companies of best practice. We also commended the future inclusion of cancer as a disease in its scope. While we understand that the foundation needs to remain focused on the key diseases impacting poor countries, with a strong focus on infectious diseases, we had encouraged a more encompassing scope in chronic illnesses, which we believe are a growing concern in these geographies.

In collaboration with other investors and the Farm Animal Investment Risk and Return network, we signed letters to several companies in the restaurant and fast-food sector calling on them to implement appropriate timelines to phase out the routine, preventative **use of medically important antibiotics in their livestock supply chains**.

Progress against social and ethical objectives



Case study: G4S

A Q&A with Leon Kamhi, Head of Responsibility at Hermes Investment Management, and Maxine Wille of Hermes EOS about UK security company G4S

Q: Why is Hermes EOS engaging with the company?

A: G4S is a global security company, specialising in the provision of security products, services and solutions. With a history built on mergers and acquisitions, operations in over 100 countries and as the world's second-largest employer with over 610,000 employees, our engagement has focused on the challenges of managing a group of such a size.

A regular in newspaper headlines over the last few years, the company's reputation had taken a hit through its implication in several high-profile incidents. This included the electronic tagging scandal at the London 2012 Olympics and allegations of inmate abuse at G4S-run custodial and detention facilities. The incidents aggravated our concerns about group-wide risk oversight and management, effectiveness of internal controls, as well as broader corporate culture.

Q: What did your engagement with the company entail?

A: We believe that G4S' previous federal business structure had been a key factor in causing the incidents to occur. The company's past focus on acquisitive growth and flag-planting has created a security conglomerate, not an integrated company. Our concerns about its acquisitive growth became particularly worrying in the wake of G4S' attempted acquisition of Danish cleaning company ISS, an acquisition which would have gone far beyond its previously stated expansion plan of focusing on smaller ones in emerging markets.

From then onwards, we engaged heavily on all levels. We met the company's CEO, chair, chair of the corporate social responsibility committee, as well as non-executive directors. Health and safety performance and employee behaviour were crucial issues that we discussed extensively with the company. We pushed for the centralisation of controls, standards and processes to guarantee effective performance and risk management within the business units.

In light of the company's embroilment in several custodial and detention service controversies, which most notably culminated in the company's exiting of young offenders work in the UK, we also visited two G4S-run prisons in the country to gain more insight into its operations on the ground. These were largely reassuring, with G4S making significant efforts to ensure constructive relationships between its officers and the prisoners through its focus on prisoner rehabilitation. However, from a resourcing and security point of view, we still have material concerns about the sustainability of the UK prison industry as a whole.

Q: What progress has the company made?

A: We have seen positive changes at G4S. An important catalyst for this change was the appointment of its new CEO. The new CEO has recognised the need for cultural transformation through the consolidation of the company's business structure. We have welcomed the centralisation of key processes such as major contracts, procurement and recruitment of business unit executive teams since he took over.

G4S has also realised that health and safety is an important focus of this cultural transformation. It has taken steps to fortify its practices through increased managerial accountability and awareness. These measures, together with its strengthened human rights framework, should help to prevent incidents in the future.

Moreover, acquisitive growth is no longer the company's main focus. The strategic emphasis is now on organic, sustainable growth and a portfolio rationalisation programme, which has already led the company to dispose of 25 its business units, with more underway.

Contract discipline also has been strengthened as part of the leadership's commitment to centralisation. A crucial aspect of this improved discipline has been the explicit consideration of reputational risks. Positively, and in contrast to earlier meetings with the company, the new CEO was able to give examples where he put cultural alignment before purely commercial interest. We are also encouraged by the company's development of a centralised system for analysing the key performance indicators, including on health and safety for its contracts.

With many of its initiatives still in their early stages, G4S still has a long way to go, something which it has openly admitted. Ultimately, however, we are encouraged by the progress made under the new leadership and believe that many of the necessary foundations for safer operations have been laid.

Governance: Engagement progress

In 2016, 40% of our engagements included a governance objective. In this section, we summarise some of the major governance themes we engaged on during the year and provide a case study illustrating the successful outcome of an engagement.

Status of governance engagement objectives

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

Theme	Total engagement objectives	Engagement objective status				Completed engagement objectives	
		Objective set	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Discontinued
Governance	348	13	60	91	95	47	42

Company engagement

Remuneration played a large part in our corporate governance engagements in 2016, reflecting our concerns about the pay policies and reports of companies, particularly in the UK. **Executive pay plans** have become unnecessarily complex and difficult to understand. They are also often misaligned with the interests of long-term shareholders and the performance of companies, which has been reflected in questionable outcomes on pay. We therefore pushed for a simplification of the pay structures at companies. We also encouraged remuneration committees to take a more robust view on pay and make use of discretion, as well as take into account a wider set of metrics, beyond a mere focus on total shareholder return. We followed up our engagements on pay with votes at the AGMs of companies – almost 24% of the resolutions we opposed globally were motivated by concerns about executive remuneration. Encouragingly, in a number of cases companies committed to reforming their executive remuneration policies with input from major institutional shareholders, which we had strongly pushed for.

We pressed companies to have the optimal **board composition and structure** in place. Ideally, we want to see a diversified board in the broadest sense possible, encompassing gender, age, ethnicity, experience, background and skills. To assess the composition of company boards, we encouraged regular board evaluation, internally as well as externally. We also pushed for stronger powers of lead independent directors, particular where the roles of chair and CEO are combined.

Particular at companies in Asia, we sought greater **independence on boards**. In the US, we co-filed a shareholder proposal at Wells Fargo in partnership with three other institutional investors calling for a change in its by-laws to require an independent non-executive board chair to ensure enhanced oversight following the bank's customer accounts controversy. At least partly as a result of the pressure from our shareholder proposal, the board subsequently agreed to adopt the by-law amendments proposed in our resolution.

We also continued to engage on the protection of the **rights of minority shareholders**. We were pleased that a coalition we put together to respond to what we perceived as a breach of minority shareholder rights proved strong, with over 15 institutional investors participating in a meeting with the independent director of a company who was removed from the risk and control committee over miscellaneous allegations. An agreement between the independent director and the company was reached only hours before our meeting with its chair, including the commitment to reconsider the director returning to the committee. At some emerging markets companies, we successfully pushed companies to **disclose their board nominees** in advance of their AGMs.

Public policy and best practice

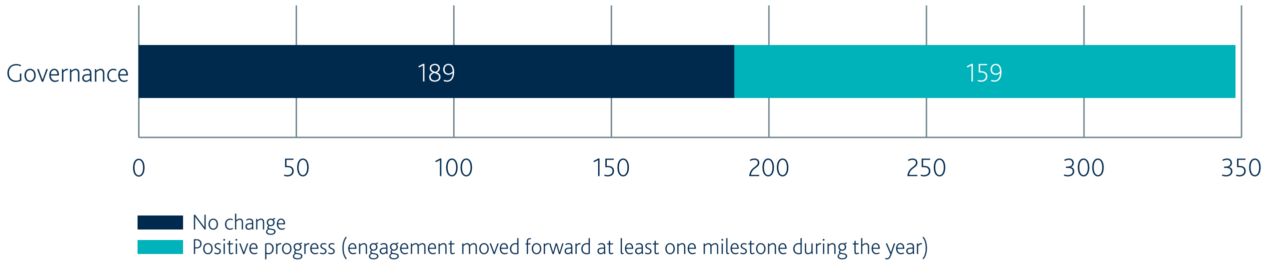
We published the Remuneration Principles: Clarifying Expectations paper[1] calling on large publicly listed companies to overhaul **executive remuneration** structures so that they better align management with the interests of their long-term shareholders and factor in issues of fairness. In the paper, we focused on greater simplification of pay, in other words fixed versus variable pay, as well as appropriate metrics and the accountability of remuneration committees. We suggested that the chairs of company boards should write annually to employees to explain the basis for the CEO's awarded pay for the year, while the company should publish and comment on the ratio of CEO to median worker pay using internal and external comparisons.

In the UK, we provided evidence to the select committee of the House of Commons that leads its work on **corporate governance reform**. In our evidence, which was based on the written response we had provided, we outlined our proposals on executive remuneration and showed our support for a rethinking of the composition of boards. We explained how simpler and less leveraged pay packages could increase transparency and lower the average payout. While we welcomed the proposals made in the UK government's green paper on corporate governance reform, we highlighted the importance of stewardship for remuneration committees and investors. Equally positive was the government's exploration of different ways to give stakeholders and employees a stronger voice in the decision-making of the board.

We successfully launched the **Guiding Principles for the Dialogue between Investors and German Supervisory Boards**. Together with an audit firm, we had led this groundbreaking initiative which tackles to what extent non-executive directors in a two-tier board system can engage in dialogue with investors. The eight principles guide key aspects of the dialogue, such as participants, content and its format. Key to its success was the involvement and support of a number of chairs of Germany's largest companies. Importantly, our recommendations were taken into account by the proposal for the new German Corporate Governance Code. We responded jointly with two large pension funds to the consultation on the amendments to the code.

1 https://www.hermes-investment.com/ukw/wp-content/uploads/sites/80/2016/12/Hermes_Remuneration_Principles_2016.pdf

Progress against governance objectives



Case study: Petroleo Brasileiro

A Q&A with Jaime Gornsztejn of Hermes EOS about oil and gas company Petroleo Brasileiro (Petrobras)

Q: Why is Hermes EOS engaging with the company?

A: With the second largest market capitalisation on the country's BM&F Bovespa stock exchange, Petrobras is an important company for the Brazilian economy in general and for the capital markets in particular. Although the Brazilian Treasury holds the majority of the voting shares, the company has almost 300,000 minority shareholders, individual and institutional, domestic and international.

An ongoing investigation, which began in 2009, has revealed a massive corruption scandal at the company, accusing politically appointed senior executives of extracting bribes from suppliers and contractors and channelling the proceeds to politicians.

The conflict of interest of the government in its roles as a controlling shareholder and policy-maker and the lack of appropriate mechanisms to manage that conflict have been a major concern. This was reflected, among other issues, in the company's pricing policy, which led to losses for its minority shareholders. For many years, Petrobras had been used by the government to keep inflation under control, by buying petrol at the international price and selling it domestically for less.

In 2012, we started engaging with the company on board composition, pressing for the nomination of independent directors for the two board seats reserved for minority shareholders. At that time, government-related shareholders, such as state-controlled pension funds, dominated the election, which prevented minority shareholders from nominating and electing truly independent directors. At the company's 2013 AGM, as a result of our intensive engagement, we and a group of international investors managed to nominate two independent candidates who were elected to the board.

Q: How have you engaged with the company?

A: Although the company was receptive to our engagement on sustainability issues, such as health and safety and environmental risk management, the dialogue on corporate governance has been challenging. In particular because until 2014, apart from the two independent directors elected in 2013, the board comprised mostly government ministers and officials.

We continued to engage on board composition and, together with a group of international investors, nominated two independent candidates who were elected at the respective 2014, 2015 and 2016 AGMs.

As the investigation on corruption at the company intensified, the government decided to nominate independent directors instead of government officials at the 2015 AGM. Additionally, a process of strengthening the corporate governance framework started with the appointment of a chief compliance officer.

The company became open to establishing a dialogue with minority shareholders, which allowed us to deepen our engagement on best practice in corporate governance and business integrity.

Q: What progress has the company made?

A: Petrobras has significantly improved its corporate governance. Our engagement on board nomination, in collaboration with a group of investors, has been successful at four consecutive AGMs. A robust compliance and culture change programme is underway and we have been monitoring its progress, providing feedback and sharing best practice.

Furthermore, a nomination policy has been developed, setting up stringent integrity requirements for board and senior management appointments.

We have been supporting the governance strengthening measures proposed by the board to the shareholders so that they become part of the articles of association and therefore will be less subject to political interference.

Q: What are the next steps in your engagement?

A: We are pleased with the progress made and the company's willingness to engage with us. We will continue to monitor and provide feedback on its compliance programme and new governance improvements.

Additionally, we will continue to engage with the company on health and safety and the management of climate change risks.

Strategy, risk and communication: Engagement progress

In 2016, 17% 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 the successful outcome to 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 their 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	146	5	22	45	52	10	12

Company engagement

We engaged with many companies on their business strategies, risk management, integrated reporting and other disclosure.

In Japan, we engaged heavily on **cross-shareholdings**, the practice of which allows large listed Japanese companies to own shares in each other. In our view, cross-shareholdings are not an efficient use of capital and potentially contribute to poor governance at investee companies. The main reason why companies have cross-shareholdings in other companies is to maintain or strengthen relationships with their business partners and suppliers and ensure preferential treatment, for example in sourcing and distribution. This also means that companies with cross-shareholdings tend to support the management of the investee companies instead of exercising their voting rights appropriately to hold management to account. We asked companies to start reducing or to continue cutting the number of their cross-shareholdings.

We continued to encourage companies to produce **integrated reports** to take into account equally their financial and material environmental, social and governance risks. We also requested companies to set and report on sustainability targets. In addition, we urged for more disclosure on audits, including reporting on the non-audit fees paid to auditors. We engaged with several companies in different jurisdictions on the composition of their audit committee to ensure that they mainly consist of independent and non-executive board members.

In relation to **risk management**, we paid particular attention to the management of joint venture operations and pushed companies to improve the governance and oversight of their joint ventures to avoid accidents and controversies.

Again in 2016, the **relationships** we have built as a result of our stewardship efforts were reflected by the speakers at our Client Advisory Councils. They included WPP CEO Sir Martin Sorrell and Tony Hayward, the chair of Glencore and former CEO of BP.

Public policy and best practice

At the launch of the **Brazilian Stewardship Code**, we spoke about our experience in stewardship and formally signed up to the code. The code was drafted by a working group of members of the Association of Capital Market Investors AMEC, of which we were the only non-resident member. The process had included the benchmarking of stewardship codes, interviews with the International Corporate Governance Network (ICGN), the Financial Reporting Council, local and international asset managers and asset owners and a public consultation. We believe that the new code will be instrumental in developing a stewardship culture in the Brazilian market and were pleased by the attendance of some major local asset managers at the launch.

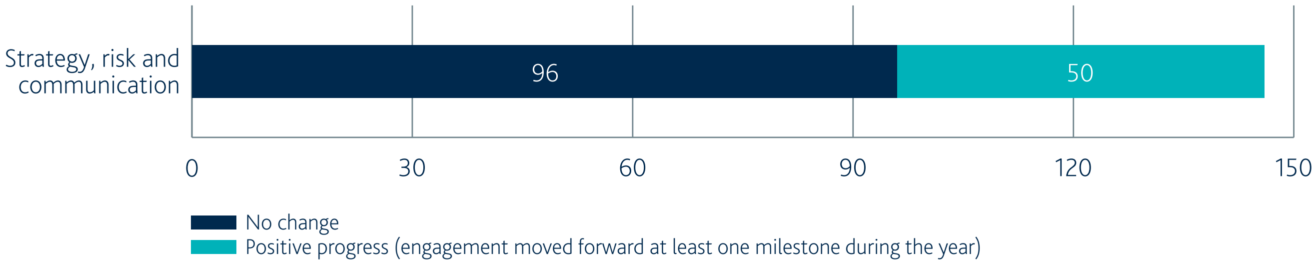
We responded to the ICGN's consultation on a **global stewardship code** and one of our main suggestions was taken on board. We welcomed the creation of a global code for investors seeking to implement their stewardship policies in markets without such codes or across multiple markets with differing stewardship codes. Brazil's version, for example, is aligned with the ICGN's global code.

Stewardship codes or guidance were also introduced in Hong Kong, Singapore, South Korea and Taiwan, whose development we had long advocated and contributed to.

Along with other investors, we wrote to leaders of the US Senate Banking Committee strongly opposing legislation in the House of Representatives that would tighten the **regulation of proxy advisory firms** to the detriment of institutional investors. One of the most concerning elements of the proposed legislation required that proxy advisory firms provide companies with advance copies of their recommendations and most elements of the research informing their reports, thus allowing companies to review and lobby the firms to change their recommendations.

We participated in the consultation by the Public Company Accounting Oversight Board regarding its new proposal for the **auditor reporting standard**. We welcomed the proposal, which would retain the pass/fail opinion of the existing auditor's report but make significant changes to it, including the communication of critical audit matters arising from the audit and new elements relating to auditor independence and tenure. The report is the primary means by which the auditor communicates information regarding the audit of the financial statements to investors and other financial users. However, in its existing design, it conveys almost no information obtained and evaluated by the auditor as part of the audit. Instead, the report features boilerplate language which largely remains the same regardless of the risks a particular company might deal with or the specific problems that auditors encountered in performing the audit. The new proposal would enhance the form and content of the auditor's report, by making it more relevant and informative to investors and other financial statement users.

Progress against strategy, risk and communication objectives



Case study: Sony

A Q&A with Sachi Suzuki of Hermes EOS about Japanese technology company Sony

Q: Why did Hermes EOS decide to engage with the company?

A: We were concerned about the poor performance of some of Sony's businesses. Its consumer electronics – historically the core of the company's business – was struggling due to tough competition. TVs, PCs and mobile phones appeared particularly unprofitable.

While other business segments such as music, pictures and financial services were doing well, overall performance of the company was dragged down by the poor performance of its consumer electronics.

Q: What did the engagement entail?

A: Through a number of meetings in London and Tokyo, we raised concerns about the prolonged poor performance of Sony's consumer electronics and encouraged it to fundamentally review the portfolio of its businesses.

We challenged its ability, despite its premium brand image, to compete with other players from Korea and China, particularly in emerging markets. We also requested a more detailed breakdown of performance within the different segments because it was not clear to us exactly which products were more profit-generating or loss-making than others. After establishing regular dialogue with the company, we were able to meet and share our views with the independent chair of the company's remuneration committee. Shareholder meetings with remuneration committee chairs or directors remain uncommon in Japan to date.

We also wrote to the board of directors seeking further clarification on the areas the company intends to focus on and met its CEO in London. A new strategy was subsequently announced by the CEO.

Q: What success has the engagement had?

A: Sony addressed the poor performance of some of its business segments and started to develop plans to focus more on its premium products and services, including high-end TV and digital still cameras, as well as network services for game contents.

The company also increased the frequency of its communications with shareholders, including those from its CEO and CFO. We consider this a best practice example among Japanese companies.

Positively, Sony also provided more detailed disclosure on the performances of its segments. The company announced the sale of its PC business in early 2014, as well as the decision to separate its TV business as a subsidiary in order to increase its accountability. In early 2015, we welcomed additional clarity which Sony provided at its corporate strategy meeting by classifying its business divisions in three categories, according to their strengths, financial performances and investment opportunities.

Furthermore, the company has been making steady improvements in its business portfolio. This included the restructuring of its TV and mobile phone businesses and the swift sale of some of its divisions, such as PCs and batteries. We are pleased with the notable improvements in profitability and accountability to shareholders.

Public policy work

During 2016, on behalf of our clients, we formally responded to **28** consultations, or a proactive equivalent to this, and held **242** 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	7	82
Developed Asia	4	48
Emerging and Frontier Markets	1	28
Europe	3	16
North America	9	15
UK	4	53
Total	**28**	**242**

*for example a letter in absence of regulatory reform

Our key activities and achievements were:

Global

- Together with the CEO of the **Access to Nutrition** index, which assesses the performance of companies in relation to obesity and malnutrition, we hosted a side event at the PRI in Person event in Singapore to explain the purpose, methodology and 2016 results of this ranking. We also outlined our plan, developed together with a small group of other investors, to launch a joint engagement with the companies included in the index.

- We participated in the launch of the **Corporate Human Rights Benchmark** which will rank the top 500 companies globally on the management and disclosure of their human rights risks. This complements a number of other initiatives seeking to drive transparency and better performance on social issues, such as the UK's Modern Slavery Act, the UN Guiding Principles on Business and Human Rights Reporting Framework and the EU non-financial reporting directive.

- We signed a letter prepared by the Institutional Investors Group on Climate Change, the Principles for Responsible Investment, the CDP initiative and other investor institutions calling on G20 leaders to accelerate **implementation of the 2015 Paris Agreement**.

- We took part in a multi-stakeholder roundtable regarding the payment of **living wages in global supply chains**. There was consensus that progress in this area has been slow and we expressed interest in a collaborative initiative with other investors to address the challenges at an industry level.

- In our dialogue with the **Sustainable Stock Exchanges Initiative**, we explored how we could support it. One opportunity for us is to help to ensure that Asian stock exchanges, particularly those in China, Japan, Hong Kong and Singapore join the initiative. Another is involvement in the development and promotion of standardised guidelines for sustainability reporting, building on the voluntary guidelines already created by more than 20 stock exchanges.

Developed Asia

- Japan's Ministry of Environment invited us to trial its new **environmental reporting tool**. We welcomed the project, which we hope will promote dialogue between companies and investors and add to the growing momentum of responsible investment in Japan.

- We discussed the support that the Hong Kong Stock Exchange will provide to the 1,800 companies listed there following the introduction of the **ESG comply-or-explain reporting requirements** in 2017.

- We firmly endorsed the proposal by the Singapore Exchange to move the **sustainability reporting** by companies from a voluntary to a comply-or-explain basis. However, in our consultation response, we questioned its rationale for prioritising anti-corruption and diversity over other ESG factors in reporting. We also stated that we want to see oversight of ESG reporting by management boards.

- We took part in a panel discussion at the first annual forum of the **Taiwanese Institute of Directors**. We were pleased that, following many years of our engagement with local regulators and market participants, a local stewardship code was launched in June 2016. Building on the comments of the stock exchange's president, who introduced the code, we outlined what stewardship means for investors.

Emerging and Frontier Markets

- We participated in an expert forum hosted by the Securities and Exchange Board of India (SEBI) and the OECD on the effective implementation of **board evaluation in India**. Existing regulation requires all listed companies to undergo board evaluations and, with the 2015 revised OCED corporate governance principles, guidelines were added regarding the protection of minority shareholders and stewardship expectations of institutional shareholders. We expressed our views on the usefulness of high-quality board evaluations and described how we analyse evaluation outcomes as part of our engagement with companies.

- We participated in a panel session at the launch of the **Corporate Governance Scorecard**, a multi-stage project led by the International Finance Corporation and the Bombay Stock Exchange. The scorecard is based on the OECD's corporate governance principles, such as shareholder rights, stakeholder engagement, disclosure and transparency and board responsibilities. The disclosure-based approach enables companies to score themselves against best practices, with a tilt that addresses governance characteristics specific to the Indian market, such as related party royalties, the influence of family or founder-controlled shareholders and CSR efficacy.

- We participated in the launch of the first report of the **Institutional Investor Council in Malaysia**, of which we are a member. The report, to which we had contributed, takes stock of international and local stewardship guidance and practice and sets out future key priorities for the development of the role of institutional investors in the governance of investee companies. We also provided final input into the council's main project for 2016, a practical corporate governance toolkit for companies, investors and regulators.

- We signed a joint investor statement on the third anniversary of the collapse of the Rana Plaza building in Bangladesh, which had led to the deaths of over 1,000 apparel workers in 2013. The statement addressed companies that are members of the Alliance for Bangladesh Worker Safety, as well as some of the signatories to the Bangladesh Accord on Fire and Building Safety. While acknowledging the positive steps taken towards improving the **safety of workers**, the statement highlighted investor concerns about the lack of significant progress in addressing systemic issues and called for further actions from international brands.

Europe

- Subsequent to our response to the Afep-Medef consultation on the update for the **French corporate governance code**, we met the business association Afep to follow up and discuss the lobbying of French companies on the country's say-on-pay law. Positively, our messages appeared to have been heard, especially in relation to our desire for stronger language requesting the lead director to be independent in the event of a combined chair/CEO or dominant shareholder, as well as our requests for simpler pay structures and better justifications of remuneration policies and payouts.

- Following our engagement activities and investor collaboration efforts to tackle the seafood controversies in Thailand and elsewhere, we were asked to join the **Seafood Peer Group** set up by NGO Solidaridad in the Netherlands. The organisation's seafood trade intelligence portal aims to systematically disclose performance and compliance information on the traceability, as well as social and environmental sustainability of seafood buyers and suppliers to make the industry more transparent. We were asked to review the tool, its metrics and functionalities to ensure its usability.

- We responded to the **Swiss government's consultation on its climate policy post-2020**. We suggested that it support the 2015 Paris Agreement on climate change and encourage all other stakeholders in the country to contribute to the achievement of the objectives specified in the agreement.

North America

- We attended the launch of the **Climate Investments partnership** by the Oil and Gas Climate Initiative (OGCI). The OGCI announced a joint commitment to invest $1 billion over the next 10 years collectively, in addition to each member company's own expenditure, into climate related technology. The initiative will focus on minimising methane emissions in the gas value chain and carbon capture, use and storage. It will also examine energy efficiency in the industrial and transportation sectors.

- We lent our support to a bill being introduced in the US Congress that takes aim at the lack of transparency in relation to **corporate ownership in the US**. This includes convoluted ownership structures, opaque reporting and complex transactions, which can compromise good governance and raise red flags for investors. The bipartisan Incorporation Transparency and Law Enforcement Assistance Act would require US companies to disclose the individuals who own or control the businesses they incorporate.

- We co-signed the investor statement on climate change supporting the announcement by the US and Canadian governments to work together to reduce **methane emissions in the oil and gas industry** by 40-45% in the next decade. Target-setting like this is an important public policy initiative to tackle fugitive methane. We also participated in the launch of the guide to engagement on methane in the oil and gas industry by the Principles for Responsible Investment and the Environmental Defense Fund, to which we had contributed.

- We submitted our response to the consultation by the US Securities and Exchange Commission (SEC) on **non-financial disclosure** by companies. We noted that shareholders also require information that enables them to decide whether to engage, as well as buy or sell, particularly as an increasing proportion of institutional and retail investors use passive investment vehicles and seek to view companies through long-term lenses.

- Encouragingly, the Canadian Coalition for Good Governance presented to its public policy committee a proposal to develop a **stewardship code**. As a participant on this committee, we expect to be able to contribute to the process.

- We co-signed an investor letter to the US SEC to support its proposed rules for the implementation of the Dodd-Frank Act in relation to improving the **transparency of payments made to governments by the extractives sector**. If implemented unamended, the rules will further strengthen global transparency and reduce the scope for corruption.

- We supported the concept of a **universal proxy** at shareholder meetings when we responded to a consultation by the US Securities and Exchange Commission on the issue. We argued that this is a fundamental shareholder right, enabling shareholders to vote in favour of or against director candidates regardless of whether they are on the board's or a dissident shareholder's slate. This would result in less confrontational proxy contests and a more accurate expression of the wishes of shareholders.

United Kingdom

- We spoke on a panel with the head of the UK's Serious Fraud Office (SFO), as well as representatives from Transparency International and a mining company at the UK's chapter of the UN Global Compact roundtable on **anti-corruption**. We encouraged the move by the SFO to start more serious investigations into alleged corruption, expecting more prosecutions. We also reminded the audience, which comprised mainly UK companies, that our experience of working with companies that had been at the centre of enforcement action is that those that did not previously have good systems and controls in place now do so as a result of the SFO's or other enforcement actions. We also talked about the importance of setting ethical standards and expectations and described how these benefitted organisations that worked hard on embedding their values.

- We spoke about **corporate reporting** practices at the annual conference of the Quoted Companies Alliance. We highlighted that while investors understand the resource constraints facing smaller companies, they also rely more heavily on their annual reporting than that of larger companies, given the more limited analyst coverage. This therefore presents smaller companies with a significant opportunity.

- We responded to a consultation on UK board **succession planning** by the country's Financial Reporting Council (FRC). We agreed with the premise of the FRC's discussion paper that planning for succession of board members, particularly the CEO and chair, is crucial to a company's long-term success. We also explained that it is important to distinguish between three types of succession planning, namely contingency planning for the sudden departure of key personnel, medium-term planning for the anticipated orderly replacement of existing personnel and longer-term planning for the future shape of the organisation in line with its strategy.

Report written and produced by Nina Röhrbein

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

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

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

Overview

In 2016, we made voting recommendations at 9,286 meetings around the world, analysing 92,725 resolutions in accordance with voting policies. At 4,425 of those meetings, we recommended opposing one or more resolutions, while at 36 meetings, we recommended abstaining. We recommended voting with management by exception at 24 meetings and supported management on all resolutions at 4,801 meetings.

Global

We made voting recommendations at **9,286** meetings (**92,725** resolutions) over the last year.

- Total meetings in favour **51.7%**
- Meetings against (or against AND abstain) **47.7%**
- Meetings abstained **0.4%**
- Meetings with management by exception **0.3%**

Australia and New Zealand

We made voting recommendations at **290** meetings (**1,404** resolutions) over the last year.

- Total meetings in favour **58.3%**
- Meetings against (or against AND abstain) **41.4%**
- Meetings abstained **0.3%**

Developed Asia

We made voting recommendations at **1,826** meetings (**17,587** resolutions) over the last year.

- Total meetings in favour **43.4%**
- Meetings against (or against AND abstain) **56.2%**
- Meetings with management by exception **0.4%**

Emerging and Frontier Markets

We made voting recommendations at **2,368** meetings (**20,771** resolutions) over the last year.

- Total meetings in favour **43.6%**
- Meetings against (or against AND abstain) **56.2%**
- Meetings abstained **0.1%**

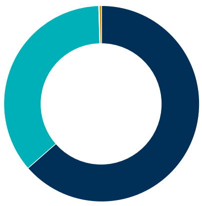
Europe

We made voting recommendations at **1,216** meetings (**16,526** resolutions) over the last year.

- Total meetings in favour **41.4%**
- Meetings against (or against AND abstain) **57.6%**
- Meetings abstained **1.0%**
- Meetings with management by exception **0.1%**

North America

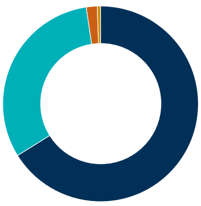
We made voting recommendations at **2,647** meetings (**24,271** resolutions) over the last year.



- Total meetings in favour **63.6%**
- Meetings against (or against AND abstain) **35.9%**
- Meetings abstained **0.1%**
- Meetings with management by exception **0.4%**

United Kingdom

We made voting recommendations at **939** meetings (**12,166** resolutions) over the last year.



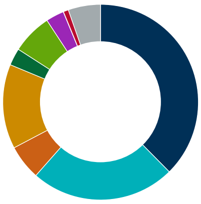
- Total meetings in favour **66.1%**
- Meetings against (or against AND abstain) **31.5%**
- Meetings abstained **1.8%**
- Meetings with management by exception **0.5%**

Voting by issue

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

Global

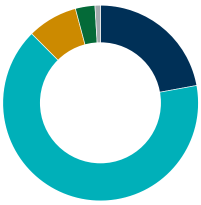
We recommended voting against or abstaining on **10,331** resolutions over the last year.



- Board structure **37.6%**
- Remuneration **23.9%**
- Shareholder resolution **5.8%**
- Capital structure and dividends **14.0%**
- Amend articles **2.8%**
- Audit and accounts **6.7%**
- Governance **3.0%**
- Poison pill/Anti-takeover device **0.8%**
- Other **5.4%**

Australia and New Zealand

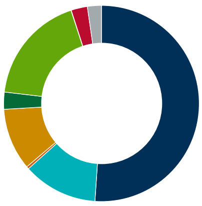
We recommended voting against or abstaining on **217** resolutions over the last year.



- Board structure **22.1%**
- Remuneration **65.4%**
- Capital structure and dividends **8.3%**
- Amend articles **3.2%**
- Other **0.9%**

Developed Asia

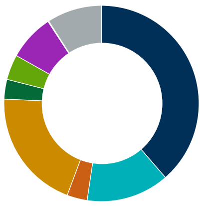
We recommended voting against or abstaining on **2,162** resolutions over the last year.



- Board structure **51.1%**
- Remuneration **12.3%**
- Shareholder resolution **0.4%**
- Capital structure and dividends **10.2%**
- Amend articles **2.8%**
- Audit and accounts **18.1%**
- Poison pill/Anti-takeover device **2.7%**
- Other **2.3%**

Emerging and Frontier Markets

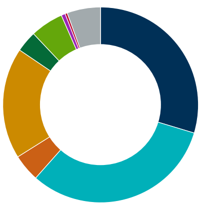
We recommended voting against or abstaining on **3,485** resolutions over the last year.



- Board structure **38.6%**
- Remuneration **13.7%**
- Shareholder resolution **3.4%**
- Capital structure and dividends **20.0%**
- Amend articles **3.2%**
- Audit and accounts **4.2%**
- Governance **7.6%**
- Investment/M&A **0.1%**
- Poison pill/Anti-takeover device **0.1%**
- Other **9.1%**

Europe

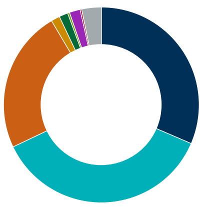
We recommended voting against or abstaining on **2,435** resolutions over the last year.



- Board structure **29.7%**
- Remuneration **31.9%**
- Shareholder resolution **4.5%**
- Capital structure and dividends **18.4%**
- Amend articles **3.5%**
- Audit and accounts **5.5%**
- Governance **0.7%**
- Poison pill/Anti-takeover device **0.4%**
- Other **5.5%**

North America

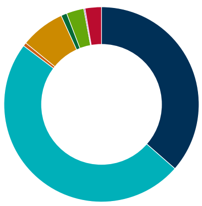
We recommended voting against or abstaining on **1,516** resolutions over the last year.



- Board structure **31.5%**
- Remuneration **36.5%**
- Shareholder resolution **23.5%**
- Capital structure and dividends **1.5%**
- Amend articles **1.5%**
- Audit and accounts **0.3%**
- Governance **1.8%**
- Poison pill/Anti-takeover device **0.3%**
- Other **3.2%**

United Kingdom

We recommended voting against or abstaining on **516** resolutions over the last year.



- Board structure **36.4%**
- Remuneration **48.8%**
- Shareholder resolution **0.6%**
- Capital structure and dividends **7.4%**
- Amend articles **1.0%**
- Audit and accounts **2.9%**
- Governance **0.2%**
- Poison pill/Anti-takeover device **2.7%**

Important information

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