

Stewardship services



EOS at Federated Hermes

EOS at Federated Hermes is a leading stewardship service provider. Our engagement activities enable long-term institutional investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues. We believe this is essential to build a global financial system that delivers improved long-term returns for investors, as well as better, more sustainable outcomes for society.

1,245
companies engaged in 2020



Recommendations made for
11,759
meetings in 2020



Our services



Voting

We offer an intelligent voting recommendation service, covering listed equity holdings in all markets and indices. Our recommendations are engagement-led where possible and tailored to the individual company's circumstances, with clients retaining the ability to vote how they wish. A dynamic three tier framework guides our recommendations – country specific policies, our EOS regional corporate governance principles and overarching global voting guidelines. These ensure we take into account regional differences, cultural norms and the relevant stage of the stewardship journey, so our rationale is understood by the company and leads to change where necessary.



Public Policy

We engage with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and investors can operate more sustainably. In addition, we often engage collectively through industry collaborations such as the PRI and Climate Action 100+, enabling us to further increase our leverage by joining forces with like-minded investors to make an impact.



Engagement

Proactive and reactive engagement with companies in our clients' portfolios using a constructive, objectives-driven and continuous dialogue on ESG issues is at the heart of what we do. Our strategies are informed by our deep knowledge across themes, sectors and regions to ensure that our engagement is tailored and on the most financially material factors affecting the long-term sustainability of companies.



Screening

Our quarterly screening tool monitors our clients' portfolios to identify companies that violate or are at risk of violating commonly accepted international norms and standards, including: UN Global Compact Principles; Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises; UN Guiding Principles on Business and Human Rights; as well as relevant involvement in controversial weapons. This enables our clients to see where there may be risks in their portfolio, and review company responses to these based on our engagement insights where possible. This information is typically used as an input into exclusion processes.



Advisory

We help our clients to meet stewardship regulations and work with them to develop their responsible ownership policies, drawing on our extensive expertise and proprietary tools to advance their stewardship strategies.

The EOS advantage

- Relationships and access**
Companies understand that EOS is working on behalf of pension funds and other large institutional investors, so it has significant leverage – representing assets under advice of US\$1.3tn¹. The team’s skills, experience, languages, connections and cultural understanding equip them with the gravitas and credibility to access and maintain constructive relationships with company boards.
- Client focus**
EOS pools the priorities of like-minded investors and, through consultation and feedback, this helps determine the priorities of its Engagement Plan.
- Tailored engagement**
EOS develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets. It seeks to address the most material ESG risks and opportunities, through long-term, constructive, objectives-driven and continuous dialogue at the board and senior executive level, which has proven to be effective over time.

US\$1.3tn¹

Assets under advice

How do we seek change? – Objectives and Issues

An objective is a specific, measurable change we are seeking a company to achieve, and it is tracked using milestones. An objective is regularly reviewed until the company has implemented the change requested or it is discontinued. An objective may be discontinued if, for example, it is no longer feasible or material. We may engage with a company on multiple objectives at any one time. Each objective relates to a single theme and sub-theme.

An issue is a topic we have raised with a company in engagement, but it may be of lower materiality or related to the annual shareholder meeting, for example.

Measuring progress – Milestones

Our four-stage proprietary milestone system allows us to track the progress of our engagement, relative to the objectives set for each company. When we set an objective, we also identify the milestones that need to be achieved. Progress is assessed regularly and evaluated against the original engagement proposal.



Engagement methodology

A systematic and transparent approach



Our Engagement Plan is a tacit agreement between us and our clients about our approach to engagement, identifying 12 key themes and 36 related sub-themes for the next three years. We find this breadth of coverage is necessary so that we can address the most material issues relevant to the companies we engage with.

Equipping our clients with communication tools

EOS recognises that timely communication is key for our clients to manage their own responsible investment activities and communicate with their beneficiaries and stakeholders. We are constantly evolving our diverse suite of client reporting and value-add services to assist with this. Highlights include:

- Our confidential client portal which provides 24/7 access to our engagement activity database and the ability to set alerts for companies of interest.
- Quantitative and qualitative reports on a monthly, quarterly or annual basis with company updates and statistics on our work.
- Invitations to client-only events, calls and company engagement meetings to seek feedback, and facilitate updates, education and networking.
- Regular public case studies which verify our engagement impact with companies and blog posts on key industry topics.

¹ As of 31 December 2020. Our clients together manage approximately \$242tn assets as of 01 May 2020.

Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns, and to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new strategies from the entire group.

Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of their assets. EOS is based on the premise that companies with informed and involved investors are more likely to achieve superior long-term performance than those without.

For more information, visit www.hermes-investment.com or connect with us on social media:



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