EOS at Federated Hermes Global Voting Guidelines

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This document articulates EOS at Federated Hermes ("EOS") global proxy voting guidelines which inform our recommendations to proxy voting clients. It explicitly references environmental, social and governance (ESG) factors and aims to harness voting rights as an asset to be deployed in support of achieving engagement outcomes.

Our Guidelines are informed by a hierarchy of external and internally-developed global and regional best practice guidelines (see Appendix 1); principally, our EOS-developed global corporate governance principles and regional vote guidelines[1], which set out our fundamental expectations of companies in which our clients invest, including regarding business strategy, communications, financial structure, governance and the management of social and environmental risks. These principles articulate the EOS house position on key ESG issues and are informed by external local market standards, including the Organisation for Economic Co-operation and Development Principles for Corporate Governance and national corporate governance codes, as well as the views of our clients, which are expressed more fully in our annually-refreshed Engagement Plan[2].

This document does not seek to repeat all of the expectations articulated in our regional vote guidelines, but rather outlines how these expectations translate into specific voting policies on issues put to shareholder votes at annual meetings. Given the significant variation across markets, this global voting policy does not seek to provide an exhaustive list of EOS' policies on all voting matters but rather sets out our broad position on a number of key topics with global applicability.

Principles

1. **No abstention:** EOS aims to recommend voting either in favour or against a resolution and only to abstain in exceptional circumstances such as where our vote is conflicted, a resolution is to be withdrawn, or there is insufficient information upon which to base a decision.
2. **Support for management:** EOS seeks to be supportive of boards and to recommend votes in favour of proposals unless there is a good reason not to do so in accordance with its voting policies, global or regional governance standards or otherwise to protect long-term shareholder interests.
3. **Consistency of voting:** To provide companies with clear guidance of our expectations, EOS seeks to take a consistent position on issues and reflect this in our voting recommendations, in accordance with our stated policies and guidelines. However, recognising the limitations of any policy to anticipate all potential scenarios, EOS reserves the right to use our discretion when recommending votes and to recommend in line with the outcome which EOS believes will

[1] For the latest list of EOS Corporate Governance principles in our key markets, please see: https://www.hermes-investment.com/stewardship/eos-library/

[2] https://www.hermes-investment.com/ukw/wp-content/uploads/2020/02/eos-engagement-plan-2020-2022_public.pdf

best serve our clients' long-term interests, taking into account market and company-specific circumstances and our engagement with companies, where relevant.

4. **Engagement:** For a defined set of high priority companies (watchlist companies) we will endeavour to engage prior to recommending voting against a resolution if there is a reasonable prospect that this will either generate further information to enable a better quality of voting decision or to change the approach taken by the company. We will also seek to inform such companies of any recommended votes against management, together with the reasons why. For non-watchlist companies, we will inform companies on a best-efforts basis.

Global Voting Policy

Board and directors

1. **Board independence**: We expect boards to meet minimum standards of independence to be able to hold management to account and may recommend voting against the election of directors whose appointment would cause independence to fall below these standards, and/or against the chair of the board where we have serious concerns. We set minimum standards at a market level but, as a general guide, we expect at least half of the board directors to be independent in companies with a dispersed ownership structure, and at least one third to be independent in controlled companies. In judging a director's independence, our considerations include, but are not limited to, length of tenure, concurrent service with other board members, whether they represent a significant shareholder, and whether they have any direct, material relationship with the company, other directors or its executives, including receiving any remuneration beyond director fees. Our expectations may exceed the minimum standards set by regulation or best practice codes in some markets.
2. **Board committees**: Where separate committees are established to oversee remuneration, audit, nomination and other topics, we may recommend voting against chairs or members where we have concerns about independence, skills, the director's attendance or ability to commit to the role, or the matters overseen by the committee.
3. **Board diversity**: In recognition of the value that diversity of thought, skills and attributes brings to board oversight we will consider recommending voting against relevant directors, including the chair, where we consider board diversity – in terms of gender, ethnicity, age, functional and geographic experience, tenure, and other characteristics – to be below minimum thresholds. Some thresholds, such as gender or ethnic diversity, are defined at a market level; others, such as skills and experience, are more globally consistent. Our expectations may exceed the minimum standards set by regulation or best practice codes in some markets.
4. **Director election**: We will generally recommend supporting the election of directors unless there are specific concerns relating to issues such as board independence and composition; a director's skills, experience or suitability for the role; a director's attendance or ability to commit time to the role; or governance or other failures which a director has oversight of or involvement in – at this or another company.
5. **Director attendance**: We may recommend voting against directors who miss a substantial number of meetings – as a guideline, 25% or more – without sufficient explanation.
6. **Director commitments**: We will consider recommending voting against a director who appears over-committed to other duties, with the guideline of having no more than five directorships. When considering this issue, we take into account a number of factors, including the size and complexity of roles, with certain industries such as banking (due to its business model and regulatory complexity) and multi-site operating companies such as international

mining (due to the need for site visits) requiring more time commitment. As a broad guideline, we consider a chair role equivalent to two non-executive directorships and an executive role equivalent to four non-executive directorships. A chair should not hold another executive role and an executive should hold no more than one non-executive role, except for cases where serving as a shareholder representative on boards is an explicit part of an executive's responsibilities. At complex companies, committee chair roles, in particular the chair of the audit and risk committee, may be considered more burdensome than a typical non-executive directorship. A significant post at a civil society organisation or in public life would normally also count as equivalent to a directorship, whether executive, non-executive or a chair role.

Remuneration

We set market-specific voting policies on remuneration with reference to our Remuneration Principles[3], and according to local market practice. Our broad guidelines are:

7. **Alignment to long-term value**: We will consider opposing incentive arrangements that do not align to the creation of long-term value for shareholders and other stakeholders including, for example, those which disproportionally focus on short-term growth of share price or total shareholder returns.
8. **Executive shareholdings**: We support executive management making material, long-term investment in the company's shares and may oppose remuneration proposals and reports where shareholding requirements or actual executive shareholdings are insufficient. As a general guideline, we support the aim that executives hold at least 500% of salary in shares and no less than 200%, with varying minimum thresholds based on regional pay practices.
9. **Complexity**: We will consider voting against overly complex incentive arrangements which are difficult for investors and others to readily understand. An important factor in assessing complexity is the number of different components that comprise the whole remuneration package.
10. **Variable to fixed pay**: We will consider voting against proposed incentive schemes or pay awards where we consider the ratio of variable pay relative to fixed pay to be too high, as part of our long-term desire to see simpler pay schemes, based on majority fixed pay and long-term share ownership. We set varying maximum thresholds for variable pay to reflect regional pay practices.
11. **Justification for high pay**: We will consider voting against pay proposals which appear excessive in the context of wider industry pay practices or where executive pay is raised significantly above inflation or that of the workforce average without a convincing justification.
12. **Discretion**: We expect boards and remuneration committees to apply discretion to ensure pay outcomes are aligned with performance and the wider experience of shareholders and may oppose remuneration reports and the election of relevant directors where this is not the case.
13. **Disclosure**: We will generally recommend voting against remuneration reporting where disclosure is insufficient to understand the approach to incentive arrangements and how pay outcomes have been achieved, or where disclosure otherwise falls below expected market practice.

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1. [3] https://www.hermes-investment.com/wp-content/uploads/2018/10/remuneration-principles-clarifying-expectations.pdf

Audit

14. **Ratification of external auditors:** We will generally oppose the ratification of external auditors and/or the payment of audit fees where we have concerns, including those relating to audit quality or independence, or controversies involving the audit partner or firm.

Protection of shareholder rights

15. **Limitation of shareholder rights**: We will generally recommend voting against any limitation on shareholder rights or the transfer of authority from shareholders to directors and only support proposals which enhance shareholder rights or maximise shareholder value.
16. **Related-party transactions**: We will generally only support related-party transactions (RPTs) which are made on terms equivalent to those that would prevail in an arm's length transaction, together with good supporting evidence. We expect RPTs to be overseen and reviewed by independent board directors with annual disclosure of significant RPTs.
17. **Differential voting rights**: We will generally recommend voting against the authorisation of stock with differential voting rights if the issuance of such stock would adversely affect the voting rights of existing shareholders.
18. **Anti-takeover proposals**: We will generally recommend voting against anti-takeover proposals or other 'poison pill' arrangements including the authority to grant shares which may be used in such a manner.
19. **Poll voting**: We will generally support proposals to adopt mandatory voting by poll and full disclosure of voting outcomes, together with proposals to adopt confidential voting and independent vote tabulation practices.
20. **Authorities to allot shares**: We will generally recommend voting against unusual or excessive authorities to increase issued share capital.
21. **Rights issues**: We generally support rights issues, provided that shareholder approval is obtained for any rights issue for any significant amount of capital (greater than 10% of share capital).
22. **Market purchase of ordinary shares (share buybacks)**: We will generally support proposals for a general authority to buy back shares provided these meet local governance standards. We may not support this authority where it exceeds a period of 18 months, where the potential effect of the buyback programme on executive remuneration is not made sufficiently clear, or where we oppose the strategy for long-term capital allocation.
23. **Bundled resolutions**: We will generally recommend voting against a resolution relating to capital decisions, where the resolution has bundled more than one decision into a single resolution, denying investors the opportunity to make separate voting decisions on separate issues.
24. **Virtual/electronic general meetings**: We will generally recommend voting against proposals allowing for the conveying of virtual-only shareholder meetings, unless such arrangements a temporary solution in response to restrictions on in-person gatherings. We may accept meetings to be convened in a 'hybrid' format – where shareholders have the option to join the meeting via an online platform or to join in person, provided all shareholder rights are protected or enhanced.

Commercial transactions

25. **Commercial transactions:** When considering our voting recommendation on a commercial transaction, we consider a range of factors in the context of seeking to protect and promote long-term value. These include: consistency with strategy; risks and opportunities (the key risks and opportunities and the extent to which these appear to have been managed); and conflicts of interest. The underlying expectation is that due process is followed, with information made available to all shareholders.

Shareholder resolutions

26. **Shareholder resolutions:** We support the selective use of shareholder resolutions as a useful tool for communicating investor concerns and priorities or the assertion of shareholder rights, and as a supplement to or escalation of direct engagement with companies. We consider such resolutions on a case-by-case basis. When considering whether or not to support resolutions, we consider factors which help ensure that the proposal promotes long-term shareholders' interests, including: what the company is already doing or has committed to do; the nature and motivations of the filers, if known; and what potential impacts – positive and negative – the proposal could have on the company if implemented.

Climate change

27. **Climate change:** We will consider recommending voting against the chair, and other relevant directors or resolutions, at companies where we consider a company's response to the risks and opportunities presented by climate change to be materially misaligned with the goals of the Paris Agreement.
28. **Climate transition plans**: On votes on climate transition plans, we will assess proposals against key criteria of (i) alignment to the Paris Goals and achieving 1.5C; (ii) the quality of the plan to deliver this; and (iii) the commitment of the company to achieving its stated goals.

Human rights

29. **Human rights**: Where we have significant concerns about a company's actions relating to human rights, we will consider voting against relevant directors, the discharge of management or other relevant resolutions. Our assessment is informed by a range of indicators, such as a failure to comply with legislation or internationally-recognised guidance (such as the UN Guiding Principles for Business and Human Rights), or evidence that a company has caused or contributed to egregious, adverse human rights impacts or controversies and has failed to provide appropriate remedy.

Appendix 1

Since governance conventions differ across global markets, EOS has found it necessary to tailor its approach to local market conditions when making voting recommendations for its proxy voting client holdings. EOS applies local market conventions as a final overlay in the voting decision-making process.

Where possible, EOS has built its regional vote guidelines on top of a suitable local market standard. These local market standards are listed below.

Country	Associated Local Market Standards
Australia	The ASX Corporate Governance Principles[4]
Brazil	Brazilian Corporate Governance Code[5]
Canada	The Canadian Coalition for Good Governance[6]
Mainland China & Hong Kong	The Code of Corporate Governance for Listed Companies[7] The Corporate Governance Code[8]
Denmark	Committee on Corporate Governance Recommendations for corporate governance[9]
France	Corporate Governance Code of Listed Corporations[10]
Germany	The German Corporate Governance Code[11]
India	2013 Companies Act[12]
Italy	The Italian Corporate Governance Code[13]
Japan	The Asian Corporate Governance Association's "White Paper on Corporate

[4] http://www.asx.com.au/governance/corporate-governance.htm

[5] http://www.ibri.com.br/Upload/Arquivos/novidades/3877_GT_Interagentes_Brazilian_Corporate_Governance_Code_Listed_Companies.pdf

[6] https://ccgg.ca/

[7] http://www.csrc.gov.cn/pub/csrc_en/laws/rfdm/DepartmentRules/201804/P020180427400732459560.pdf

[8] https://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/documents/appendix_14.pdf

[9] https://corporategovernance.dk/sites/default/files/190911_recommendations_version_260819.pdf

[10] http://www.afep.com/uploads/medias/documents/Corporate_Governance_Code_of_Listed_Corporations_November_2015.pdf

[11] http://www.dcgk.de//files/dcgk/usercontent/en/download/code/170214_Code.pdf

[12] http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf

[13] http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015engclean.en.pdf

	Governance in Japan"[14]
Mexico	The Code of Best Practices in Corporate Governance[15]
The Netherlands	Dutch Corporate Governance Code[16]
Russia	The Federal Commission for the Securities Markets' "Code of Corporate Conduct", and the OECD's "White Paper on Corporate Governance in Russia"[17]
South Africa	King Code of Corporate Governance[18]
South Korea	Act on Corporate Governance of Financial Institutions[19]
Spain	The Comisión Nacional del Mercado de Valores' "Unified Good Governance Code of Listed Companies"[20]
Sweden	The Swedish Code of Corporate Governance[21]
Switzerland	The Swiss Code of Best Practice for Corporate Governance[22]
Taiwan	Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies[23]
United Kingdom	The UK Corporate Governance Code[24]

Implementation

EOS provides voting recommendations to our clients in collaboration with Institutional Shareholder Services Inc. (ISS), leveraging its primary research and infrastructure (including the ISS ProxyExchange platform) to provide recommendations on approximately 10,000 shareholder meetings annually. EOS provides voting recommendations to clients, but clients retain full discretion over their final voting decision and are able to elect to override EOS' recommendation. Clients are encouraged and empowered to contact EOS for further background on voting recommendations.

[14] http://www.jpx.co.jp/english/equities/listing/cg/tvdivq0000008jdy-att/20150513.pdf

[15] http://www.oecd.org/corporate/ca/corporategovernanceprinciples/42098080.pdf

[16] https://www.mccg.nl/

[17] http://www.ecgi.org/codes/documents/final_code_english.pdf

[18] http://www.ecgi.org/codes/documents/king3.pdf

[19] http://www.lexology.com/library/detail.aspx?g=b68b7615-e9b3-412c-8a33-66f424c8a11f

[20] http://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/Codigo_unificado_Ing_04en.pdf

[21] http://www.corporategovernanceboard.se/UserFiles/Archive/496/The_Swedish_Corporate_Governance_Code_1_December_2016.pdf

[22] https://www.economiesuisse.ch/sites/default/files/publications/economiesuisse_swisscode_e_web.pdf

[23] http://eng.selaw.com.tw/LawArticle.aspx?LawID=FL020553&ModifyDate=1071212

[24] https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf

Federated Hermes

We seek to intelligently deploy EOS engagement professionals to ensure we are able to provide wide coverage, while prioritising those meetings requiring more detailed analysis – for example, where our clients have material holdings, or where decisions cannot be readily reached through the application of a voting policy.

The majority of recommendations made in in accordance with market-specific EOS custom voting policies are implemented by ISS based on its primary research. These custom policies are devised by EOS analysts to reflect our voting guidelines and principles and are reviewed at least annually to reflect developments in our and our clients' views and in market practice. These policies define circumstances in which votes should be escalated to an engagement professional, through the application of a refer recommendation by ISS. ISS will also refer any proposals that cannot be readily resolved through application of our custom policy. The engager then reviews the proposals, conducting further research and engaging with the company as relevant, before making a recommendation.

We have defined a sub-set of issuers (the 'watchlist') where voting recommendations are always reviewed by an engagement professional, and with which we seek to engage wherever practicable. Watchlist companies are those that we consider to be inherently material – for example, due to the aggregate size of our clients' holdings, the presence of material ESG risks, or because they are included in the core EOS engagement programme. Companies in the engagement programme are those we seek to engage with regularly on a wide set of ESG topics and are themselves selected based on factors including the aggregate size of client holdings and the materiality of ESG risks and opportunities.