



# EOS ENGAGEMENT PLAN

2020-2022

Public version



# EOS – OUR APPROACH TO ENGAGEMENT

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.

## Our services



### Engagement

With companies that form part of the public equity and corporate fixed income holdings of our clients to seek positive change for our clients, the companies and the societies in which they operate.

### Public policy

Engaging 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.

### Voting

We make recommendations that are, where practicable, engagement-led and involve communicating with company management and boards around the vote. This ensures that our rationale is understood by the company and that the recommendations are well-informed and lead to change where necessary.

### Screening

We help our clients to fulfil their stewardship obligations by monitoring their portfolios to regularly identify companies that are in breach of, or near to breaching, international norms and conventions.

### Advisory

We work with our clients to develop their responsible ownership policies, drawing on our extensive experience and expertise 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\$877 billion as of 31 December 2019. 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.

## EOS focuses its stewardship on the issues with the greatest potential for long-term positive outcomes for investors and their beneficiaries.

### Stewardship outcomes

We believe the purpose of investment is to create wealth sustainably over the long term. Our engagement is therefore focused on ensuring companies are responsibly-governed and well managed to deliver more sustainable long-term value as well as improving the lives of employees, promoting diversity and supporting communities, while contributing to wider society by paying taxes and safeguarding the environment and health. These factors can drive improved financial performance<sup>1</sup>.

Specific environmental and social outcomes, aligned to the UN's Sustainable Development Goals (SDGs) that we seek include:

- **Climate change:** ensuring company strategies and actions are aligned to the goals of the Paris Agreement to limit climate change to well below 2°C and, ideally to 1.5°C.
- **Natural resources:** building a circular economy to achieve sustainable levels of consumption to ensure affordable access to food, clean water and critical natural resources.
- **Pollution:** controlling pollution of air, land and water to below harmful levels for humans and other living organisms.
- **Human rights:** respect for all human rights linked to a company's operations, products and supply chains, including through the provision of affordable essential goods and services to help reduce poverty.
- **Human capital and labour rights:** improving human capital and safeguarding labour rights to achieve a healthy, skilled and productive workforce inclusive of the full diversity of wider society.
- **Conduct, culture and ethics:** developing a corporate culture that puts customers first and treats material stakeholders fairly to help build a strong, more equal society.

To enable delivery of these outcomes, we seek robust governance and management by companies of the most material long-term drivers of wealth creation, from both a company value and societal outcome perspective, including:

- **Corporate governance** – encompassing strongly-functioning boards composed of independent individuals representing the diversity of stakeholders the company serves; the alignment of executive remuneration with the creation of long-term value while paying strictly no more than is necessary; and the establishment and protection of all material shareholder rights.
- **Strategy, risk and communications** – the clear articulation of a company's purpose in order to deliver long-term value to all stakeholders, supported by a sustainable business model and strategy that addresses the needs of its different stakeholders; robust risk management practices to protect long-term value; and transparent, timely disclosures of reliable information sufficient for investors and wider stakeholders to make informed decisions on long-term investment.

Achieving sustainable wealth creation requires investors to become active owners, fulfilling their stewardship responsibilities by:

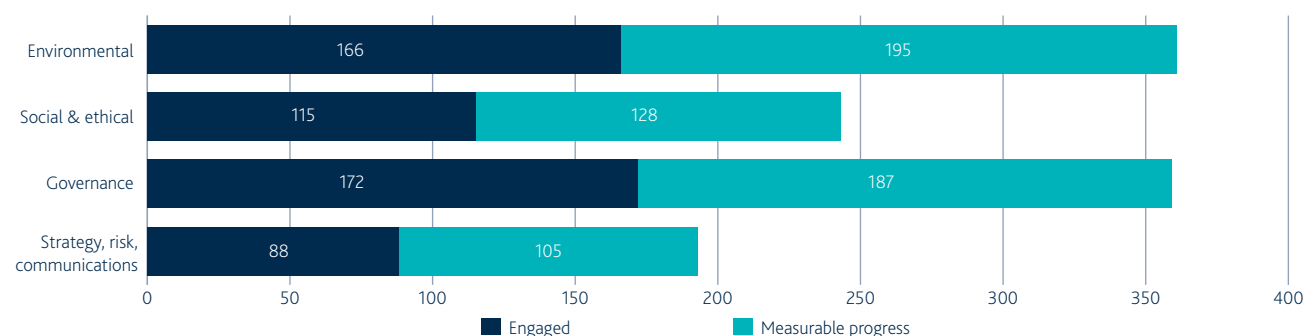
- Monitoring companies' performance and identifying the most material issues to be escalated for action
- Engaging companies in pursuit of meaningful objectives, measuring and reporting on outcomes
- Exercising shareholder rights including voting on all relevant shareholdings
- Integrating stewardship into investment decisions
- Advocating for necessary changes in public policy and market best practice.

Where effective, investors should also work collectively in pursuit of shared objectives to improve outcomes for all.

### Engagement progress in 2019

During 2019, we engaged with 1,043 companies (2018: 746), covering 2,854 identified objectives or issues (2018: 2,084), and we made progress on 53% of all objectives contained within our engagement plan (2018: 48%). Please see page 6 for an explanation of how the composition of our engagement plan has changed.

	# of companies engaged	# of issues and objectives engaged	# of objectives engaged	# of objectives completed	% of objectives with progress
Engagement programme	366	1676	782	88	51%
Other companies	677	1178	181	16	60%
<b>Grand Total</b>	<b>1043</b>	<b>2854</b>	<b>963</b>	<b>104</b>	<b>53%</b>



### Corporate engagement objectives and progress 2019

In addition to 1,545 (2018: 2,193) interactions (including meetings, phone calls and letters) with companies we also had 190 (2018: 231) interactions with regulators, standard-setters and other third parties in the pursuit of public policy and market best practice objectives.

<sup>1</sup> An example in the academic literature serves Chava (2014): "Environmental Externalities and Cost of Capital", Management Science, 60(9), 2111-2380. <<https://pubsonline.informs.org/doi/10.1287/mnsc.2013.1863>> Further practitioner examples are the research studies by Hermes Investment Management: "Pricing ESG risks in credit markets" and "Pricing ESG risk in sovereign credit" which are available at [www.hermes-investment.com](http://www.hermes-investment.com)

## THE ENGAGEMENT PLAN'S SUPPORT FOR THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN's 2030 agenda for sustainable development sets out 17 goals and 169 underlying targets, providing a blueprint for shared prosperity in a sustainable world. The goals call for action by all countries to promote prosperity, economic growth and address social needs while also protecting the natural environment and have been adopted by all UN member states. Our view is that the long-term success of businesses and the success of the SDGs are inextricably linked. The SDGs help create a more sustainable economy in which businesses can thrive. Similarly, the contribution of businesses seizing market opportunities in line with the goals, is vital to delivering the economic growth necessary to achieve them.

Our stewardship work has always focused on improving the sustainability of companies in order to boost long-term wealth creation and achieve positive outcomes for society. We therefore believe that all of our engagement work is aligned to delivery of the SDGs either directly or indirectly. The SDGs provide a common purpose and language for investors and companies to work together on agreed societal objectives aligned to some of the world's biggest challenges.

The goals also provide a clear timeframe in which change needs to take place, helping to set targets and create a greater sense of urgency. This allows us to have more robust engagement discussions with companies which encompass not only their operations, but also opportunities to achieve positive change along the entire value chain, from upstream supply through to down-stream distribution. The goals help to raise the profile of social topics, in addition to well-known environmental issues such as climate change or pollution. As every company is an employer of people, this provides an engine for advancing development agendas in socioeconomic areas such as equality, education, training, lifting people out of poverty and improving health and wellbeing.

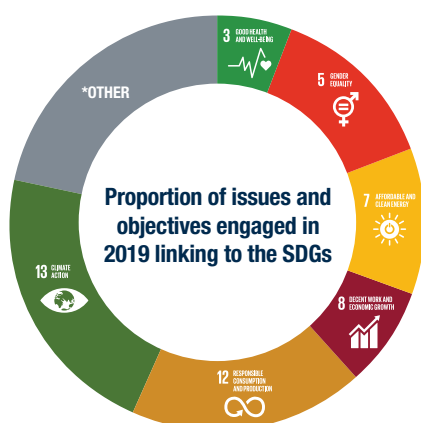
There is no universally accepted standard or benchmark for reporting on the SDGs, therefore, we have developed our own approach in alignment with our engagement plan.

This attributes a direct link between one of our engagement themes and an SDG if we believe our engagement objective directly supports at least one of the UN's targets underpinning the relevant goal. It

does not include in our reporting the many engagements which would more indirectly support the ambition of other SDGs, such as improving environmental risk management systems or to corporate governance more broadly. The chart below illustrates the number of engagement objectives and issues on which we have engaged in the last year, which we believe are directly linked to an SDG (noting that one objective may directly link to more than one SDG).

Here are some examples of our engagement in support of the SDGs:

- **SDG 3 Good health and wellbeing:** we engage across the pharmaceutical and healthcare sector on access to medicines and healthcare to support this goal.
- **SDG 5 Gender equality:** we engage to improve gender equality and increase female representation across all levels of organisations, in particular at board and executive leadership levels.
- **SDG 7 Affordable and clean energy:** much of our work under the climate change theme supports this goal, in particular, efforts to increase plans to invest in or purchase renewable energy.
- **SDG 8 Decent work and economic growth:** our engagement on human capital management and human rights in the supply chain support this goal, particularly by addressing equal pay, labour rights and health and safety concerns.
- **SDG 12 Responsible consumption:** work to improve energy or natural resource efficiency, including efforts to build a circular economy, support this goal.
- **SDG 13 Climate action:** all our engagement under the climate change theme, in support of action aligned to the goals of the Paris Agreement, supports this goal.
- **SDG 16 Peace, justice and strong institutions:** engagements on human rights which aim to protect fundamental freedoms, reduce bribery and corruption and eliminate child and forced labour support this goal.



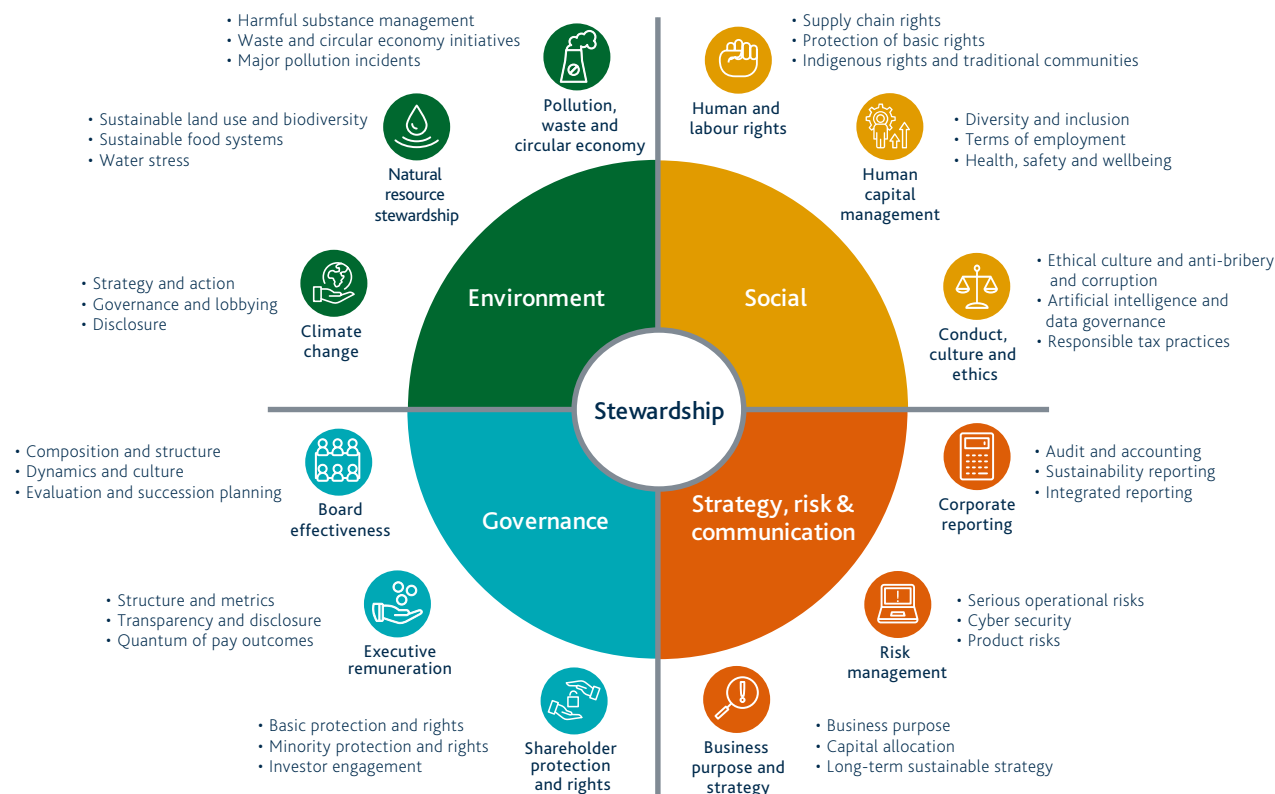
# 1,323

of the issues and objectives engaged in 2019 were linked to one or more of the SDGs

\* This represents the proportion of issues and objectives assigned to the remaining SDGs.



## Engagement themes for 2020-22



The following are the themes we address in our engagement plan, covering environmental, social, corporate governance, and strategy, risk management and communication issues. We include a summary of the long-term outcomes we seek and examples of the near-term corporate objectives we pursue at individual companies and, more broadly, to improve public policy and market best practice. These example objectives are indicative of those set at individual companies, but each would be prioritised and tailored to the circumstances of the company.

## Environmental themes

### Climate change

Climate change continues to be the biggest single issue of concern for long-term investors. Global emissions must reduce to net-zero by 2050 to limit climate change to well below 2°C and, ideally to 1.5°C. Yet currently the world's economy is on track to deliver approximately 3°C, leading to the declaration of a climate emergency, with only around a decade in which to take the necessary action to avoid the worst of the impacts which threaten societal welfare and stability. The required pace of transition brings many risks, as well as opportunities to traditional business models through new forms of competition. This is already affecting many sectors including the energy sector with coal-based utilities being replaced by renewables; the shift from diesel to hybrid and electric vehicles; and the transition to more sustainable sources of food.

### Corporate engagement

Long-term outcomes we seek include all companies to have a business model consistent with net-zero emissions and an effective transition plan to achieve this by 2050.

Near-term corporate objectives include: development of a strategy consistent with the goals of the Paris Agreement, including that each new material capex investment is consistent with the Paris goals; science-based emissions reduction targets for Scope 1 and 2 emissions and Scope

3 emissions (where a methodology exists, or the equivalent ambition); a public policy position supportive of the Paris goals and alignment of both direct and indirect lobbying activity by member industry associations.

### Public policy and best practice

We support the Climate Action 100+ investor collaboration by acting as the engagement lead for a considerable number of the top systemically important emitting companies, and using escalated engagement techniques including raising issues at annual shareholder meetings and supporting shareholder resolutions which support positive change. We also support effective policy making aligned to the goals of the Paris Agreement, including through adoption by national governments of net-zero greenhouse gas reduction targets.



### Natural resource stewardship

Natural resources and biodiversity are key to the survival of life on earth. Effective governance and management of resources have become increasingly challenging in the face of the changing climate, livelihoods and market pressures. For example, the rate of Amazon deforestation increased by 25% between Q2 2018 and Q2 2019, and around one million animal and plant species are now threatened with extinction. Meanwhile increasing global population and rising wealth are driving higher food consumption and a shift towards increased consumption of animal-based proteins such as meat and fish which have high negative environmental impacts. According to the UN World Water Development Report 2016, 45% of global GDP, 52% of the world's population and 40% of grain production could be at risk due to water stress by 2050.

### Corporate engagement

Long-term outcomes we seek include: no net loss and the long-term rehabilitation of all land forms such as tropical forests; sustainable food systems, including supply and demand that supports a growing global population with a healthy diet; and access to clean water for all.



Near-term corporate objectives include: encouraging companies to set strategies for high impact feedstock such as soy or palm oil from sustainable sources; development of a long-term sustainable food sourcing strategy including diversification from animal to plant based protein to meet shifting consumer preferences; and ambitious strategies to manage water use, especially in water stressed areas to maintain operational resilience and a social licence to operate.

### Public policy and best practice

We will continue to support the evolution of the CDP water initiative in its move towards more streamlined and sector-relevant water reporting. We will continue engagement collaboration with the FAIRR network on sustainable use of antibiotics within animal farming and protein diversification. We will support and help develop robust and trustworthy sustainable agriculture-related accreditation standards such as the Roundtable on Sustainable Palm Oil and Fair Trade.



## Pollution, waste and circular economy

Environmentally harmful pollution and waste, whether from operations, supply chains or products is inconsistent with a long-term sustainable business model. Investor concerns, reflecting the threat of fines and loss of social licence, as well as the harm done to wider society and investments including: air pollution, the leakage of single-use plastics into the ocean and catastrophic oil spills or tailings dam leaks is rising. Meanwhile, there is increasing opportunity for business models that reduce harm to others (such as waste recycling firms or new low-impact substitute products).

### Corporate engagement

Long-term outcomes we seek include: the prevention of contamination of the environment by harmful substances; the establishment of fully circular business models which capture all materials, leading to zero waste; and the avoidance of all industrial disasters such as oil spills, nuclear accidents and dam failures.

Near-term corporate objectives include: development and implementation of best practice strategies for harmful substance management or catastrophic spills; development of closed loop strategies to reduce net consumption of materials through smart product design and innovation; and the use of substitute materials that can be easily recycled or reused and have lower environmental impacts.

### Public policy and best practice

We will seek to improve investor engagement on plastics by: consolidating investor expectations for each of the plastics and packaging manufacturers, consumer goods and retail sectors; encouraging sign up to the Ellen MacArthur Foundation New Plastics Economy Global Commitment; and encourage mining companies to follow best practice tailings management and other pollution controls of the International Council on Mining and Metals.

## Social themes



## Conduct, culture and ethics

We expect every company to aspire to the highest ethical standards and to go beyond legal compliance. Conduct, culture and ethics underpin how companies conduct business and interrelate with their stakeholders. This has a profound effect on vital aspects of corporate life including: corporate purpose, board and management performance, health and safety, human capital, diversity and inclusion and the approach to taxation policy and practice. The trend of digitalisation has created big data which is now combined with powerful computing capacity and machine learning techniques, commonly referred to as artificial intelligence now requires oversight to ensure ethical outcomes. In addition, companies should adopt responsible tax practices to preserve their reputation and social licence to operate.

### Corporate engagement

Long-term outcomes we seek include: corporate decision making taken through an ethical lens, with an end to corporate bribery and corruption; the ethical use of data; and fair tax paid, putting an end to tax arbitrage and aggressive tax avoidance.

Near-term corporate objectives include: a public statement and board responsibility to aspire to the highest ethical standards; disclosure of principles for the effective management of artificial intelligence, together with a clear action plan to implement policies on data ethics, security and privacy issues; and a policy commitment to pay tax in each country in line with the spirit and intention of the law.

### Public policy and best practice

We support the development of market best practices recommended by reputable corporate ethics organisations such as the Institute of Business Ethics and anti-bribery and corruption organisations such as Transparency International. We will continue to advocate public policy efforts at an international level and individual country levels to achieve greater tax transparency.



## Human capital management

In a knowledge economy where intangible assets such as human capital are estimated to comprise on average more than 50% of a company's market value (according to EY's Embankment Project for Inclusive Capitalism), it is vital that companies look beyond physical assets to understand the sources of long-term value. The launch of the UN SDGs brings additional leverage through three goals focused on the pursuit of gender equality, reduced inequalities and decent work and economic growth. Important aspects of successful human capital management include: diversity, inclusion and full representation of workers; fair wages, incentives and benefits; and health, safety and wellbeing.

### Corporate engagement

The long-term outcomes we seek are: equal representation and inclusion throughout the organisation across all dimensions of diversity; fair wages and benefits paid so all employees can afford a decent standard of living; and zero serious work injuries.

Near-term corporate objectives include: a strategy and action plan to close the gender pay gap; the implementation of a minimum real living wage across operations and the supply chain or evidence of an equivalent total reward package similarly valued by employees; and development and implementation of a human capital management strategy for the promotion of best practice physical and mental wellbeing in the workplace.

### Public policy and best practice

We support government backed initiatives to increase the diversity of executive management, such as via the local chapter of the 30% Club, with a focus on developing markets. We will also support stakeholder collaboration to define useful standards, through active contribution to initiatives such as the Workforce Disclosure Initiative and the US Human Capital Management Coalition.



## Human and labour rights

Respect for human and labour rights is a priority on the investor agenda as it underpins a company's wider corporate culture, business ethics and enterprise risk management, all of which affect the creation and preservation of long-term value. All companies have responsibility to respect all salient human rights which can include child and slave labour, discrimination, access to basic needs such as food, water, health and safety.

### Corporate engagement

The long-term outcomes we seek include: no company causing or contributing to human or labour rights abuses whether in their own operations or supply chain and effective remedy is provided in case of any harms; access for all people to basic human needs such as affordable

nutritious food and healthcare; and full respect for the human rights of all indigenous people including those living in high risk zones such as occupied territories.

Near-term corporate objectives include: the development of a business model aligned to the elimination of human and labour rights abuses including modern slavery; development of food product formulations that can support a balanced diet; and the adoption of human rights policies and procedures in line with UN Guiding Principles on Business and Human Rights.

### Public policy and best practice

We will support the development of a definition and publication of a living wage across different geographies/supply chains; help promote best practices in responsible raw materials sourcing across exposed supply chains such as consumer goods and electronics, including in cobalt supply chains via the Organisation for Economic Co-operation and Development and the Responsible Business Alliance; and contribute to the development of the Investor Alliance for Human Rights' Toolkit on the Investor Responsibility to Respect Human Rights.

## Corporate governance themes



### Board effectiveness

There is considerable evidence that the performance of the board is vital to the long-term success of a company, with a range of factors contributing to this. Boards should be composed of directors with technical skills aligned with the strategic needs and direction of the company and a diversity of perspectives (including across gender, age, ethnicity, nationality, background, skills and experience) to improve decision-making. Equally important is that boards contain enough independent directors to challenge management and that directors are able to dedicate sufficient time to fulfil their duties.

Board effectiveness also requires robust supporting structures and processes, such as a proper induction upon appointment and ongoing training, a separate chair and CEO with clearly defined responsibilities, and effective committees with accurate, timely and clear information. An effective board should also be involved in constructive dialogue with its shareholders, the workforce and other key stakeholders. It should also be subject to regular independent evaluation.

### Corporate engagement

The long-term outcomes we seek include: a diverse board composition aligned to the strategic needs of the company, reflective of the diversity of the stakeholders it serves; meaningful participation of all members and evaluation of board effectiveness; and structured succession planning in place.

Near-term corporate objectives include: the appointment of additional directors to achieve at least 30% female directors in developed markets, and at least one woman in markets still at the beginning of this transition such as Japan; additional independent directors appointed to achieve at least 50% independence at dispersed ownership companies and 30% in concentrated ownership companies; and improved disclosure on aspects of a board's "software" (rather than "hardware") including the allocation of time to strategic versus operational matters and the number of meetings of non-executives or independent-only directors.

### Public policy and best practice

We will continue to support initiatives to promote board gender diversity, including initiation of local chapters of the 30% club.



### Executive remuneration

Pay structures are a critical tool for aligning the activities of management with a company's purpose, strategy and performance. In some markets we believe that compensation structures and practices are generally not fit for purpose, with some recent practices, such as introducing structures to gear the majority of pay towards performance-based pay, may have been well-intentioned but have proved ineffective with unintended consequences such as escalating quantum and encouraging short-termism or financial engineering. We therefore wish to see simpler, more transparent pay schemes with the reduction of variable, performance-based elements in pay, replacing these with higher fixed pay, paid primarily in shares held for the long term.

### Corporate engagement

The long-term outcomes we seek include simple pay schemes that incentivise the delivery of long-term sustainable value; and fair levels of pay that clearly align with performance and can be justified to employees, investors and other stakeholders.

Near-term corporate objectives include: alignment of incentive plans to the strategic drivers of long-term value, rather than over-reliance on relatively short-term measures such as total shareholder returns or earnings; simple pay structures, seeking at most two forms of concurrent variable pay schemes; full disclosure of pay structures, including metrics and potential award size; and clear and timely reporting of targets, performance and pay outcomes, enabling investors to judge the appropriateness of awards.

### Public policy and best practice

In the US and UK, we will work with groups such as the US Council for Institutional Investors and the UK Corporate Governance Forum to set best practice guidelines for higher shareholdings, reduced variable pay and the adoption of restricted stock models. In continental Europe, we will encourage higher shareholdings and greater disclosure of pay structures and outcomes. In developed Asia and emerging markets, we will focus on strengthening disclosure requirements.



### Shareholder protection and rights

Protecting and enhancing shareholder rights is critical to the long-term success of companies, as it ensures that companies remain accountable to long-term investors, rather than becoming ownerless. Shareholders exercise control over the future direction of a company through rights such as the ability to propose candidates for election to the board, sometimes referred to as proxy access; or proposing shareholder resolutions (whether advisory or legally binding). It is also important to protect minority rights of investors, through measures such as: the avoidance of poison pill arrangements that limit potential changes of control; the elimination of strategic cross-shareholdings between companies (common in Japan); and avoiding dual or multi-class share structures with unequal voting rights.

### Corporate engagement

The long-term outcomes we seek include: the protection of basic shareholder rights to ensure confidence to invest capital over long time periods with good returns; the protection of minority shareholder rights to ensure confidence to invest in companies controlled by larger shareholders; and effective investor engagement to influence companies to act in the interests of long-term investors.

Near-term corporate objectives include: the removal of anti-takeover (poison pill) arrangements; the reduction or elimination of strategic shareholdings by Japanese companies; and the collapse of multi-class share structures, typically at times of major change such as a change of control of ownership or major capital raising.

### Public policy and best practice

We will continue to: resist proposals to allow premium listings of multiple class shares at various stock exchanges around the world; press Japanese regulators for tighter disclosure requirements on cross-shareholdings; resist proposals by the US Securities and Exchange Commission to regulate proxy advice in a way that could impact the independence of such research; and challenge attempts in the US to raise the threshold by which shareholders can file shareholder proposals.

## Strategy, risk and communication themes



### Business purpose and strategy

It is our belief that companies can only create and preserve long-term value if they profitably provide goods and services that meet societal needs without causing material harms. To achieve this, we expect companies to be guided by a purpose that serves not only shareholders, but also other stakeholders, society and the environment. A company's long-term strategy should explain how its purpose will be achieved and the business model for creating value with measurable targets and indicators which are aligned to the SDGs and UN Paris Agreement.

### Corporate engagement

The long-term outcomes we seek include a business purpose that meets the needs of society in a profitable way; and a long-term strategy, business model and capital allocation to support this.

Near-term corporate objectives include a published statement of business purpose which meets the needs of society profitably, together with a statement of how this impacts material stakeholders; and clearly justified capital allocation plans supportive of the business purpose and long-term strategy.

### Public policy and best practice

We will support: the statement of purpose campaign for boards to disclose a short statement of business purpose with an outline of its impact on material stakeholders; the Chief Executives for Corporate Purpose; and the FCLTGlobal (Future of Capital in the Long Term) initiative.



### Corporate reporting

Corporate reporting covers all aspects of reporting by companies to their stakeholders, whether financial or non-financial information, statutory or voluntary. Transparent reporting is essential to enable shareholders and wider stakeholders to understand and assess the companies in which they have an interest and to measure performance over time. Over the last decade, we have seen an increase in voluntary and mandatory reporting frameworks such as the guidelines of the Taskforce on Climate-related Financial Disclosures. Further regulatory requirements for enhanced non-financial reporting are expected.

### Corporate engagement

The long-term outcomes we seek include: timely, reliable and comprehensive reporting which enables investors and other stakeholders to accurately appraise past performance and future prospects of a company; comprehensive reporting of all material elements of a company's impact on wider society; company explanations through integrated reporting on how value is created over time.

Near-term corporate objectives include: the adoption of prudent accounting standards; ensuring best practices in audit tendering and rotation; sustainability reporting aligned to best practice frameworks such as the Global Reporting Initiative and Sustainability Accounting Standards Board; and analysis of how corporate activity is aligned to delivery of the SDGs.

### Public policy and best practice

We will support the development and adoption of standardised reporting frameworks applicable to the most material long-term value areas, with particular emphasis on human capital, such as through the Workforce Disclosure initiative.



### Risk management

The management of risk is essential to creating and preserving sustainable long-term value. High-profile business failures (such as an oil spill, a dam collapse and the global financial crisis) have increased the attention to risk management by companies and their shareholders.

A board and management team must first articulate to investors the level of risk appetite, and then monitor and manage risks within this boundary. Management has the responsibility to implement an effective risk management framework, designed to identify, assess and manage the company's strategic, operational, compliance (including legal and regulatory risks) and financial risks. We focus on management frameworks to avoid and, if necessary, remediate operational risks which include: serious operational risks (including catastrophic risks); product risks; and as digital technology is increasingly critical to a company's operations – cyber security risks in various forms.

### Corporate engagement

The long-term outcomes we seek include: the avoidance of all serious operational and product-related risks which threaten human lives, the environment and corporate value; and IT systems and processes which are resilient to cyber attacks.

Near-term corporate objectives include: implementation of a plan to avoid catastrophic risks including the necessary investment to upgrade plant, machinery or infrastructure; and board oversight to identify and then disclose potential product or cyber security risks, together with mitigation plans to help minimise their impact.

### Public policy and best practice

We will continue to support the PRI's collaborative initiative on cyber security.





## 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 solutions include:

**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 public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

## Contact information

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