27th September 2024

Statement of Compliance with the Malaysian Code for Institutional Investors (MCCI) for the year 2023

EOS at Federated Hermes Limited (EOS, formerly Hermes EOS) is a subsidiary of Federated Hermes Limited (FHL) and a leading stewardship service provider with a purpose to promote the long-term performance and fiduciary interests of its global institutional investor clients and their underlying beneficiaries. Our engagement activities enable investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance (ESG) issues.

At EOS we believe the investment industry can play a powerful role in creating enduring, responsible wealth for investors and in building a better world – and at EOS, we believe active stewardship is an important way to achieve this.

As a service provider, we contribute to asset managers and asset owners fulfilling their duties under the UK Stewardship Code. Offering a shared service platform and a dedicated stewardship team, we pool our clients' assets to increase our influence with companies[1]. This leverage means we can have a more meaningful impact on the issues of most importance to our clients.

Our stewardship activities align with the 7 Principles of the Malaysian Code for Institutional Investors and we declare our compliance with the Code.

Principle 1: Disclosing Policies on Stewardship

Our policies on stewardship and our expectations of investee companies in terms of corporate governance and sustainability are outlined on our website - EOS Stewardship | Federated Hermes Limited (hermes-investment.com) and in our EOS Engagement Plan. Further information on our voting, engagement and monitoring activities can be found in our EOS 2023 Stewardship Report. We do not outsource our stewardship activities.

Principles 2 and 3: Monitoring and Engaging Investee Companies

We monitor our clients' listed equity and corporate debt holdings, which in practice is a universe of around 20,000 companies. We formally screen these holdings on a quarterly basis to identify companies in their portfolios that contravene the 10 Principles of the UN Global Compact (UNGC) or are at risk of doing so. We also screen for companies engaged in the production, distribution or maintenance of controversial weapons, and those with infringements on trade and arms embargoes. Companies deemed in breach of the UNGC Principles, those assessed as 'non-compliant', are included in the EOS Engagement Programme and engaged for the life of the controversy.

The EOS Engagement Plan, published annually on company website, outlines our engagement strategy and priority areas for engagement and is set over a three-year period, which broadly reflects the time it takes that we believe it takes to achieve material change at companies. Its contents are reviewed every year to ensure it is up to date and reflects client priorities. A summary of engagement activities and highlights are reported quarterly in our Public Engagement Reports and Annual Reviews.

A lot of our engagements are longer-term efforts, and we carry out a continuous dialogue with companies. Our engagement team conducts thorough research and assessment into each company to ensure that the nature of our engagement is accurate, allowing us to build quality, trusting relationships with these companies on our clients' behalf.

Effective engagement that delivers value demands a specific skillset that goes far beyond written activity or interaction with lower-level company representatives. Change is brought about by access at board level gained by engagement professionals who have industry or professional experience, gravitas, and the specialist skills to

[1] Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert. Indeed, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.

challenge senior decisionmakers. We believe that to create the most change, engagement needs to be focused on board-level and executive staff. As a result, our engagement with companies typically involves a number of face-to-face meetings with board members, primarily the chair, lead independent director and chairs of board committees, as well as executives.

EOS offers voting recommendations for company meetings on behalf of its proxy voting clients, informed by our Global Voting Guidelines. The Guidelines are informed by a hierarchy of externally and internally-developed global and regional best practice guidelines – our regional vote policies and corporate governance principles and country-level engagement and voting priorities. They are updated on an annual basis, taking into account developments in global and local markets, alignment with country-level corporate governance codes, including the Malaysian Code on Corporate Governance, as well as client feedback. They explicitly reference ESG factors and aim to harness voting rights as an asset to be deployed in support of achieving engagement outcomes. We endeavour to engage around the vote with all the companies on our watchlist. We will also engage to identify any further relevant information that might inform our voting recommendation and have regular conversations with in-house and external asset managers about the reasons for their views on particular votes. The integration of engagement with our process around our voting recommendations is a powerful tool to achieve engagement outcomes.

This approach to promote effective stewardship is also supported by literature on stewardship suggesting that engagement is most effective if it occurs at the right level and with the appropriate resources.

Our experience suggests that a systematic engagement approach, combined with tried and tested methods of escalation such as collaboration or shareholder meeting interventions, is needed to accelerate change at companies, such as those failing to prepare for the low-carbon transition. We identify the engagement tools on p.14 of our Stewardship Report at our disposal to escalate engagement over time. The graphic demonstrates how different tools are selected as the scope or intensity of the engagement increases in tandem with pressure for change at the company. Our approach is in line with the seven principles outlined in the latest Malaysian Code for Institutional Investors.

Principle 4: Managing Conflicts of Interest

While the investment management/fund advisory companies of FHL and our parent company, FHI, are also clients of EOS, we have clear policies in place to identify, manage and mitigate potential conflicts of interest.

Our public Conflicts of Interest Policy sets out our commitment to act professionally at all times. We commit to keeping the best interests of our clients and their beneficiaries in mind and to take appropriate steps to identify circumstances that may give rise to conflicts of interest with a risk of damage to our clients' interests. It includes examples of conflicts of interest – such as the receipt of confidential information, conflicts of interest between clients, personal conflicts and conflicts between our business and clients – and the appropriate procedures we have established to manage any conflicts of interest identified and to prevent damage to client interests. Due to the importance of stewardship to our business, we have also developed a specific Stewardship Conflicts of Interest policy. We acknowledge our position as a fiduciary for our clients and their beneficiaries and seek always to act in their best interests. Accordingly, we take all reasonable steps to identify actual or potential conflicts of interest. We also maintain and operate arrangements to minimise the possibility of such conflicts giving rise to a material risk of damage to the interests of our clients.

Equity and bond engagement: Where there are rare conflicts such as when a company is failing, and its very survival is in doubt, the interests of bond and shareholders can diverge as they compete over what remains for investors. Our Stewardship Conflicts of Interest Policy is followed in such rare situations. If a potential conflict of interest is identified, the issue is escalated first to a line manager and then to the escalation group if the conflict cannot be resolved. If a potential conflict materialises, the joint equity-credit engagement is restricted to those objectives that are not affected.

Collaborative engagement: We consider initiatives on the basis of factors including effectiveness, feasibility, alignment, benefits to the end user and reputation. Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert. Indeed, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration

Voting: EOS uses ISS to provide research on all the companies for which it provides voting recommendations, which comes to over 13,000 meetings a year. The recommendations that FHL's investment teams and EOS third-party clients receive are, in the first instance, based on ISS's research using our voting guidelines. Any voting recommendation is carried out in line with applicable rules on conflicts of interest. Votes are escalated when especially important for a company or particularly complex, or when a disagreement or potential conflict of interest arises with the recommendation received from EOS.

We maintain a register of potential conflicts of interest and the controls to mitigate them. In those limited circumstances where a conflict over our approach to providing voting recommendations (aside from that directed by EOS third-party client-specific policies) or engagement arises which is not able to be resolved in the manner set out above, the matter is referred to an escalation group whose composition is the same as our Governance Committee.

In addition to the broader measures set out above, staff members must flag to their line managers any potential conflict of interest they recognise with a company they are engaging with. We also have policies that seek to avoid any potential conflicts for individual staff members that arise from engagements with companies in which individuals have personal investments or some material personal relationship with a relevant individual. Where a staff member has a personal connection with a company, they are required to make this known and they are not involved in any relevant engagement activities.

Principle 5: Incorporating Sustainability Considerations

At FHL, we believe responsible investment requires integration of material E, S and G factors in the investment process alongside material traditional performance factors and active ownership of assets through stewardship.

In EOS, our stewardship is focused on seeking to provide improved long term risk-adjusted returns oWe aim to strategically engage on the most financially material ESG risks, reflective of our client priorities and what we have identified as having the greatest systemic risk, alongside the quality of relevant company disclosures. Our latest research has confirmed the importance of environmental metrics as a performance indicator, as poorly ranked companies tend to significantly underperform over the long term[2]. This reinforces our aim to generate sustainable wealth creation for the end beneficiary investor, encompassing both investment returns and their social and environmental impact. Specific environmental and social outcomes aligned to the UN's Sustainable Development Goals ("SDGs") that we seek include:

- Environmental: climate change, natural resource stewardship, circular economy and zero pollution

- Social: human and labour rights, human rights, wider societal impacts

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:

- Governance: board effectiveness, executive remuneration, and investor protection and rights

- Strategy, risk & communication: risk management, corporate reporting, and purpose, strategy and policies

Principle 6: Publishing Corporate Governance Policy and Voting Guidelines

EOS uses ISS to provide research on all the companies for which it provides voting recommendations, which comes to over 13,000 meetings a year. The recommendations that our investment teams and EOS third-party clients receive are, in the first instance, based on ISS's research using our voting guidelines. This is then overlaid with our intelligent voting approach.

The EOS voting guidelines are developed through an annual process, which runs in conjunction with the policy review process at ISS informing its benchmark research. We look at feedback from clients, the evolving best practice in each market, and the changes made at ISS in view of the resolution-level data for past voting seasons, to consider what additional changes are warranted. Further input is provided by our Engagement Plan, which identifies the thematic priorities for engagement. These can often be boosted by enhanced vigilance, and potentially escalated through our voting recommendations.

[2] ESG Shareholder Engagement and Downside Risk by Andreas G. F. Hoepner, Ioannis Oikonomou, Zacharias Sautner, Laura T. Starks, Xiaoyan Zhou :: SSRN

EOS completes its major policy changes before the main voting season in each market. Once the changes are applied, the policy is monitored to ensure that it is having the desired effect and adjusted further where appropriate. Our Global Voting Guidelines are approved annually by the governance committee. We publish Global Voting Guidelines and Global Corporate Governance Principles annually. Region-specific vote guidelines and market-specific engagement and voting priorities are also available to view through the EOS library.

Information on the voting recommendations made by EOS to EOS voting service clients can be found in the EOS Stewardship Report.

Principle 7: Collaborative Response on Corporate Governance and Sustainability Issues

EOS engages on public policy and market best practice with the aim of protecting and enhancing value for our clients by improving shareholder rights and shaping the wider regulatory framework in which investment and stewardship take place. This is achieved through engagements and meetings with government officials, financial regulators, stock exchanges, industry associations, and other key parties. It also includes participating in public consultations – our clients have the opportunity to endorse and co-sign our written responses through our process of sharing our drafts with them ahead of submission. Public policy and market best practice interactions are recorded in our engagement management system against the relevant third-party institution with which we are in contact. We introduced public policy and market best practice objectives to improve how we monitor the success of our work in this area.

We have advocated for a number of changes to public policy and market best practice, aligned with the themes upon which we engage, as set out in our Engagement Plan. To allow us to keep abreast of investor concerns and emerging issues as they arise and to promote stewardship, we are active participants in a number of collaborative industry bodies and initiatives around the world. Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert. Indeed, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration. Our public policy approach and focus is supported by EOS' annual horizon scanning exercise, to identify key themes and risks to address that reflect our clients' priorities and those in wider society as part of our fiduciary duty.

A list of key industry initiatives is available on p.40 of our Stewardship Report. In 2023, EOS made 31 public policy consultation responses or proactive equivalents such as a letter and held 90 discussions with relevant regulators and stakeholders.