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30th September 2024

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

At Federated Hermes Limited ("FHL"), we believe the investment industry can be a powerful force in building resilient companies in resilient economies that create enduring wealth responsibly for investors – and that active stewardship is hugely important to achieve this objective. Our stewardship activities align with the 7 Principles of the Malaysian Code for Institutional Investors and we declare our compliance with the Code.[1]

We believe that responsible investment and active ownership is the best way to sustain long-term outperformance. and contribute to beneficial outcomes for investors and companies, as well as, where possible, society and the environment.

Enduring, responsible wealth creation is our way of ensuring the capital we invest can generate financial outperformance and, where aligned and performance enhancing, environmental and social outcomes.

We view responsibility through three lenses. Acting as a:

- **Responsible Investor** – how we integrate engagement insights and ESG considerations including the delivery of responsible outcomes into our investment decisions.

- **Responsible Owner** – our stewardship activities: engagement, voting, public policy and screening.

- **Responsible Firm** – ensuring we lead by example, be that our commitment to net zero, our approach to diversity, equity and inclusion amongst colleagues and other stakeholders and our charity initiatives and programmes supporting the local community.

We take a holistic approach that integrates material ESG considerations and engagement insights into all of our investment products, something that offers our fund managers an additional vantage point with which to assess an asset's potential to deliver long-term responsible wealth. We firmly believe that our ability to mitigate ESG risks and capture the investment opportunities arising from these considerations is essential to our aim of achieving consistent investment outperformance for our clients.

Our specialist, high-conviction investment teams now manage £39.3bn / €45.3bn / $50.1bn (as at 31 December 2023) of assets across equities, credit, private debt, real estate, infrastructure and private equity.

Through EOS at Federated Hermes Limited ("EOS") – one of the largest stewardship resources of any fund manager in the world – we engage companies on strategic and material ESG concerns to promote investors' long-term performance and fiduciary interests. EOS offers a shared service model, engaging on behalf of both FHL and third-party clients.

EOS provides a platform for like-minded investors, creating a powerful force for positive change. The team works on behalf of long-term global investors who entrust us with the stewardship of approximately £1.2tn / €1.3tn / $1.4tn (as at 31 December 2023) invested in over 10,000 companies worldwide, working collectively in support of shared goals. This pooling of assets increases the influence we can have with companies, which means we can have a more meaningful impact on the issues of most collective importance to our clients.

[1] The declarations in this document apply to Federated Hermes Limited. This includes all funds in the Federated Hermes Investment plc range. Those investment portfolios managed by Hermes Fund Managers Ireland Limited (other than those of Federated Hermes Investment Funds plc) where discretionary investment management has been delegated to Federated Investment Counseling and/or Federated Global Investment Management Corp. are not in scope of this report.

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In February 2020, Federated Investors, Inc. and Hermes Fund Managers Limited formally announced the rebranding of the two companies to "Federated Hermes" (the entity names changing to Federated Hermes, Inc and Federated Hermes Limited, respectively), strengthening our position as a global leader in active, responsible investment. Federated Hermes Limited ("FHL") has been a subsidiary of Federated Hermes, Inc ("FHI") since 1 September 2021. Since Federated acquired Hermes, we have been united by a shared commitment to client-centric responsible investment and long-term business growth.

More information on the topics covered in this statement, including detail on our activities and outcomes, is available in the annual FHL Stewardship Report.

Principle 1: Disclosing Policies on Stewardship

The recognition that investors' interests lie in enduring, responsible wealth creation over the long term cascades a series of decisions and actions that turns an investor into a responsible owner or steward of capital. We believe responsible, active ownership helps create businesses that are much more resilient to exogenous shocks. These firms are more likely to survive over the long term, and in and by doing so create better outcomes for our investors and society. Indeed, we believe this is the best way to sustain long-term outperformance and contribute to beneficial outcomes for investors, companies, society and the environment. This recognition is reflected in our policies.

FHL does not see the integration of ESG and other sustainability information into investment decisions as a separate category of investing. Rather, we believe that material sustainability risks and opportunities should inform all investment decisions. That is why we integrate ESG and other sustainability considerations into all of our products and across all parts of our investment processes, from idea generation and portfolio construction to exit. We have also invested in strong engagement and advocacy capabilities to seek to mitigate sustainability risks in our investments.

We integrate ESG considerations and engagement insights into our investment processes in all of our products, across all asset classes. All investment teams incorporate ESG factors into their investment process by accessing quantitative and qualitative ESG and engagement information using our in-house expertise and proprietary and third-party research and by undertaking their own fundamental research. Research and analysis by all of our investment teams includes an evaluation of performance on strategy, financials, material risk and ESG factors, and the interplay between these elements.

Insights from engagement with company management, boards, subject specialists and other shareholders and stakeholders – including the extent of engagement progress – is a key input into this process and investment decisions at a portfolio and individual asset level. Such engagement is carried out in a co-ordinated manner both by our investment teams and by EOS to maximise the impact of our engagement. These factors influence decisions to invest and are also actively monitored after investment, with the potential to influence decisions to sell an asset or increase the size of our investment. Where concerns arise in relation to one of our existing investments, engagement is often a means to both raise concerns with the company and, where effective, reduce the investment risk and enhance the opportunity from the investment.

Whilst the philosophy and approach is consistent across all our investment teams, each investment team has developed its own methodology and framework for integrating material ESG and engagement insights into its investment process that is compatible with its asset class and investment strategy.

Our stewardship policies

The latest versions of our policies are available on our Policies and Disclosures webpage. We regularly review our policies to ensure they remain effective. The process for doing so depends on the specific policy. Key policies relating to stewardship are:

- Our Sustainability Risks Policy sets out our approach to integrating consideration of sustainability-related risks into our investment process. Our Sustainability Risks Policy is reviewed annually by our Sustainability Regulations and Stewardship Oversight Committee. In 2023, infrastructure and private equity were brought into scope of this policy.

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- Our Engagement Policy sets out the details of how engagement is undertaken across asset classes, including on sustainability-related issues. Our Engagement Policy is reviewed annually by our Sustainability Regulations and Stewardship Oversight Committee. In 2023, infrastructure and private equity were brought into scope of this policy.

- Our Conflicts of Interest Policy is reviewed annually. No material changes were made to this policy in 2023.

- Our Stewardship Conflicts of Interest Policy is reviewed annually by the Sustainability Regulations and Stewardship Oversight Committee to ensure it adequately reflects the types of conflicts that may arise. This means we can ensure that they are appropriately managed and as far as possible, mitigated. No material changes were made to this policy in 2023.[2]

- EOS' Engagement Plan is a key policy for public-markets engagement and covers the next three years. It is updated on an annual basis using a structured horizon scanning exercise which considers extensive feedback from our investment teams and EOS third-party clients, as well as an external scan of industry issues. This ensures that we consider fresh perspectives and continue to identify the key themes which cover our clients' priority areas, ensuring we carry out effective stewardship.

- EOS' Global Voting Guidelines act as a policy which inform EOS' voting recommendations to our investment teams as well to EOS clients who request to receive voting recommendations. The FHL Global Voting Policy and Guidelines, which are aligned with EOS' Global Voting Guidelines, inform the voting decisions made by our investment teams. Our Guidelines are informed by a hierarchy of external and internally developed global and regional best-practice guidelines. This is further supported by public regional voting guidelines, available on our website, which set out our fundamental expectations of the companies our clients invest in. 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. We also have nearly 50 country-level policies. The primary policy-development cycle for EOS voting guidelines is an annual process and runs in conjunction with the policy-review process at ISS,[3] which informs its benchmark research. EOS looks at feedback from clients, evolving best practice in each market, as well as the changes made at ISS in view of resolution-level data for past voting seasons, to consider what additional changes are warranted. Further input is provided by our Engagement Plan, which identifies thematic priorities for engagement. These can often be boosted by enhanced vigilance and potentially escalation through our voting recommendations. EOS completes its major policy changes before the main voting season in each market. Once changes are applied, the policy is monitored to ensure it is having the desired effect and is adjusted further where appropriate. Our Global Voting Policy and Guidelines are approved annually by the Sustainability Regulations and Stewardship Oversight Committee. The regional voting guidelines are approved by the Head of Stewardship and regional team leads and noted by the Sustainability Regulations and Stewardship Oversight Committee.

- Our approach to controversial activities is reviewed at least annually by the Sustainability Regulations and Stewardship Oversight Committee ("SRSOC"). This standard applies across asset classes.

- Our Design Innovation Standards, which were issued in 2021, and our Responsible Property Management Refurbishment guide also help us embed sustainability principles into development, refurbishment and maintenance. This internal guidance is reviewed at least annually or if there is a relevant major legislation change. It is reviewed by our third-party delivery partners where appropriate.

Our expectations of investee companies in terms of corporate governance and sustainability are outlined on our website.

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[2] As HGPE does not hold listed equity of any length of time it is not in scope of the Stewardship Conflicts of Interest Policy.

[3] ISS is a provider of corporate data, analytics and insight. Its services include proxy-voting services.

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Resourcing

All of our staff are responsible for implementing our stewardship approach, although there are several functions within the business that play a particularly significant role:

- **Responsibility Office**. Established in 2014, our dedicated Responsibility Office reports through the Head of Responsibility to FHL's CEO and acts as a hub of expertise and support available to assist every employee in our business to work towards our core purpose of delivering enduring, responsible wealth creation. The Responsibility Office houses EOS (see below), FHL's third party stewardship service provider. It coordinates and supports the integration of our responsibility approach and activities across our strategies, funds and stewardship services. This includes quarterly meetings with each of the investment teams to review their ESG and engagement integration activities, as well as asset and issuer-specific discussions related to ESG and engagement. The Responsibility Office is also responsible for leading our advocacy work, as well as holding each department accountable for ensuring that we act as a responsible company. By doing so, it keeps the interests of clients and their beneficiaries at the centre of what we do. To ensure responsibility is embedded in all of our firm's business decisions, Responsibility Office colleagues are members of our firm's key committees (the key committees which oversee our stewardship approach are described in further detail later in this section). The Head of Responsibility is a member of FHL's Senior Management Team ("SMT").

- **Portfolio managers and investment analysts.** Each of our investment teams has formulated their own responsibility plans that explain how, in the context of their particular strategy and investment universe, they incorporate ESG factors and engagement into their investment process. Each team is responsible for undertaking its own fundamental ESG research and the team members are accountable through the performance appraisal system for their part in delivering on our mission.

- **EOS.** EOS is the stewardship service provided by Hermes Equity Ownership Services Limited, a company incorporated in England & Wales and wholly owned by FHL. Its activities and direction are overseen by a board of directors, comprising members of FHL's SMT and a member of FHI's Executive Committee (aka. Executive Staff). Day-to-day operations are directed by the Head of Responsibility as Chair of EOS, and managed by the Head of Stewardship, and directors of the client and business development team and operational management. EOS also has a Client Advisory Board ("CAB") which contains client representatives who provide insight, advice and guidance on EOS' business strategy and service offering to ensure that the EOS service is and remains a client-focused offering. The EOS team boasts one of the largest stewardship resources of any fund manager in the world. The team is composed of individuals with a diverse mix of backgrounds, skills and perspectives and has been at the forefront of the development and evolution of responsible investment practices globally. The EOS team leads our public markets engagement activity.

- **Risk team.** The Risk team provides independent oversight and challenge to our approach to corporate sustainability and responsible business management – and provides regular reports to the Risk, Compliance and Financial Crime Committee. The team also works closely with both the Compliance team and Responsibility Office to oversee work to ensure that our business continues to authentically and accurately, report on our ESG objectives and activities.

- **Compliance.** Alongside the Risk team, the Compliance team is part of our second line of defence, including in relation to regulatory risk. Within the Compliance team, the compliance advisory function performs regulatory and best-practice horizon scanning using regulatory tracking tools as well as gathering insights through involvement in industry initiatives.

- **Internal audit function.** The Internal Audit team's primary role is to help the Board and executive management to protect the assets, reputation and sustainability of the organisation. The function is responsible for providing independent, objective assurance to management through a systematic and disciplined risk-based audit approach and assessment of the internal control framework.

Governance and oversight

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We have extensive oversight of our responsible investment and stewardship processes, activities and outcomes across our firm – something that is indicative of their importance to our business and how they form a core part of our approach. Accountability for delivering effective stewardship across asset classes is integrated at every level of our governance, including:

- **Board.** We have a well-established governance structure led by the Board of FHL. The Board is responsible for the governance of the organisation and ensuring its effective operation. It also endeavours to consider all stakeholders when establishing objectives and policies. Among the Board's responsibilities is the implementation of the strategy set by our parent company, FHI. The Board is also responsible for overseeing our approach to climate change.

- **Senior Management Team ("SMT").** The SMT is responsible for the day-to-day management of the business and ensuring the objectives agreed with the Board are met. Our CEO leads the development and implementation of our mission and responsibility goals. We believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers to our clients, their stakeholders and, ultimately, society at large – tasks that our CEO actively leads and contributes to. In particular, our CEO is the founder of the 300 Club, an independent forum that challenges the orthodoxy of the investment industry and puts forward approaches to align the industry more closely to the goals of beneficiaries. He is also a founding member of the FCA-PRA Climate Financial Risk Forum, and a member of the Sustainable Markets Initiative and the Integrated Reporting and Connectivity Council (previously the International Integrated Reporting Council).

- **Responsibility Working Group ("RWG").** The RWG is a communication forum made up of senior representatives from across the business and is chaired by our Head of Responsibility. This group discusses a comprehensive range of topics that relate to the delivery of enduring, responsible wealth creation for our clients and beneficiaries, and shares best practice across the organisation.

- **Climate and Nature Working Group ("CNWG").** The CNWG provides feedback and recommendations on climate and nature-related issues to the relevant business functions. Its aim is to inform the development and implementation of a business-wide climate change and nature strategy and risk-management approach, including in relation to our commitments as a member of the Net Zero Asset Managers' Initiative and Finance for Biodiversity Foundation. The CNWG covers our operational, investment and engagement activities, and intends to meet quarterly to receive updates on progress towards our operational, investment and engagement targets. Our Head of Policy & Integration chairs the CNWG and is the climate change and nature coordinator for FHL, leading on implementation and delivery of our respective climate change and nature strategies.

- **Governance Oversight Committee ("GOC").** The GOC is the formal oversight committee appointed by each of FHL, HIML and HGPE to oversee key business matters, and report, as appropriate, on material matters. The members of the GOC include FHL's Chief Operating Officer (chair), Head of International Decision Support, General Counsel, Chief Regulatory Officer, Chief Compliance Officer, Head of Risk, Head of Office – Ireland, Managing Director – Private Markets, and Head of Product. The GOC receives a quarterly update on the activities of the SRSOC (see below).

- **Sustainability Regulations and Stewardship Oversight Committee ("SRSOC").** The SRSOC is an oversight committee responsible for overseeing the formulation and delivery of our engagement, voting and climate policy. The committee was established by, and is accountable and reports to, the GOC (see above). The members of the SRSOC include the Head of Responsibility (chair), Senior Public and Private Markets Investment Representatives, and representatives from each of our Risk, Compliance and Legal teams. The SRSOC will also receive reports from our Responsibility Office and our stewardship team, EOS.

- **Responsible Property Management ("RPM").** Our real estate team have a formal oversight committee to track their progress against any commitments linked to sustainability. Additionally, the team has a Net Zero working group and an ESG working group with relevant representatives from the business to ensure the decision-making process is inclusive and transparent. External experts are also included in these forums as appropriate to ensure project decisions are made with the help of investment managers, delivery counterparts and the Real Estate ESG team.

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- **Infrastructure Oversight.** The Head of Infrastructure, Infrastructure Investment Committee ("IIC") and the FHL Private Markets Governing Body are ultimately accountable for all sustainability matters related to infrastructure.

- **Private Equity Oversight.** In the Private Equity team, the Private Equity Investment Committee ("IC") is responsible for all investment risks, including climate change risk. A sub-committee of the IC assesses portfolio-level ESG risks including climate change risks quarterly to inform GP engagement. These Committees and the FHL Private Markets Governing Body are ultimately accountable for all sustainability matters related to private equity.

The efficiency of our governance structure is reflected in the outcomes we deliver for clients.

Assurance

In addition to the internal processes of our Risk and Compliance department, our internal audit team and our independent Responsibility Office, Prime Advocates Limited, an independent external assurer, undertook a third limited assurance engagement on the information disclosed as part of the sustainability reporting of FHL in the period from June end 2022 to July 2023 (inclusive). The limited assurance engagement related to our stewardship and ESG integration within our public equities, credit, real estate and infrastructure investment portfolios.[4] The selected subject matter for stewardship & ESG assurance was as follows:

- The scope of FHL stewardship & ESG integration (including EOS engagement) policies and procedures;

- FHL (including EOS engagement) policies and procedures, systems and controls regarding FHL [stewardship and ESG integration] implementation;

- Representations and assertions in FHL reports and financial statements about ESG matters;

- Compliance with regulatory requirements and best practice standards;

- Internal systems, controls and processes for ESG integration; and

- ESG and engagement outputs and reasonable verification.

The assurer's report contained the following conclusion: 'Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that FHL's [stewardship and ESG integration] within its portfolio investment for public equity, public credit, real estate and infrastructure has not been prepared, in all material respects, in accordance with the identified applicable appropriate criteria. We are satisfied, subject to our limited reasonable assurance, that FHL exceeds regulatory requirements and current best practice for [stewardship and ESG integration].' The summary report is available here.

We use these assurance processes, reviews and learnings from our investment and stewardship practices to continue to make improvements to our stewardship approach. This ensures we continue to provide best-practice services for our clients. We made several improvements based on the recommendations of the external assurance provider's last engagement, the results of which we included in our reporting last year. For instance, we obtained new datasets to broaden the ESG integration team's analysis, now perform regular Paris-alignment analysis of the investment teams' portfolios and have a broader, firm-wide project to streamline the consumption of ESG data. We will consider any recommendations of our external assurance provider's third engagement in relation to stewardship and ESG integration during 2024 once their outcomes are made available.

For information on how we engage with regulators to support the stewardship agenda, please see Principle 7.

[4] Private equity were not in scope of the external assurance engagement.

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Further information on our policies, governance, assurance processes and public policy advocacy can be found in our FHL 2023 Stewardship Report.

Principles 2 and 3: Monitoring and Engaging with Investee Companies

How FHL monitors investee companies and assets on relevant matters and identifies engagement opportunities

FHL's investment teams assess and continue to monitor strategy, financials, risk, material ESG factors and the overlaps between these elements throughout the life of a holding.

Sustainability risks may emerge from internal issues (such as governance structures, how the board holds executives accountable, lack of board diversity, or reputational risks arising from health and safety, human rights or environmental violations) or external sources (such as supply chains, regulatory change caused by industry change or inequality). Inadequate sustainability practices of investee companies can lead to, among other things, inefficiencies, operational disruption, litigation and reputational damage. These factors have the potential to adversely affect the value of investments and create more risks for investors.

While the most pressing material risks are those that will crystalise in the short term, we are long-term investors that strive to deliver enduring, responsible wealth creation for our end investors. This means that our definition of materiality is necessarily wider. We believe that a wider range of risks will ultimately become material over a longer timeframe and that we need to engage proactively to mitigate them. ESG issues are prioritised at the sector-level and we look at material areas of concern for each of the sectors and industries, with an overlay of material ESG issues by region. This is done by using both primary and external research, as well as insights from EOS. Relevant ESG issues – whether macroeconomic risks or those specific to that company – are then considered on a company-by-company basis, with implications for both inclusion and weighting in an investment portfolio, as well as engagement. We disclose our approach to managing climate risk and opportunities on an annual basis in our Climate-related Financial Disclosures Report, which is available on our website.

For our public markets strategies, with regards to monitoring strategy, financial, capital structure and material ESG performance and risk, this is done through financial analysis of company reports, attendance of analyst meetings, investor presentations, use of media and third-party research and engagement meetings. Each investment team is responsible for looking at the financial performance, risk and the capital structure of investee companies. When a concern is identified, this will inform engagement and investment decisions. In addition to external research providers, the investment teams and EOS have access to a number of proprietary tools which enable them to pinpoint environmental, social and governance risks at both the company and portfolio level, which may then inform subsequent engagement and investment decisions. For public markets, on social and environmental impact and corporate governance issues in particular the monitoring is informed and supplemented by the engagement and voting recommendations provided by EOS. The investment teams have access to the engagement management database which records the outcomes of EOS engagement meetings, the progress on specific objectives and all voting recommendations EOS makes for Annual General Meetings ("AGM").

We adopt a systematic approach to identifying companies for engagement. We select companies and tailor the intensity of engagement based on the size of our investment, materiality of the risks and issues and feasibility of achieving change through engagement. The investment teams input into the process to ensure that due attention is paid to materiality considerations. We believe that this enables us to most effectively serve our clients' needs by focusing our efforts on where they are needed the most and can have the most impact. We may also engage with a company or asset in response to a newly identified risk or opportunity. For our private market strategies, engagements are prioritised according to the exposure of the portfolios. Material financial, strategic and ESG issues will often form part of engagement with the company prior to investment and once invested. The ESG subject matter expertise of EOS as well as specialist team members within our private market teams, helps the private market strategies to stay abreast of key ESG trends in relevant sectors which informs the investment teams' own engagements with investee companies and assets.

Our real estate business' ESG team has a comprehensive monitoring programme to measure, monitor and report on the ESG performance of real-estate assets, working with property managers, facilities managers and consultants. ESG and engagement information continue to be integrated into the development and monitoring of our real-estate assets after purchase. The team has a series of procedures and tools to assess, monitor and manage social and environmental risks and opportunities in the real-estate portfolio, which informs the objectives of our engagement. The team also engages with our tenants to ensure sustainability initiatives are successfully delivered.

Following the completion of an investment in the private debt strategies, risks – including material ESG risks – are monitored for any changes. Should an ESG risk arise during the life of the investment, the investment team would engage with the relevant party to rectify or improve the issue.

Our private equity team takes a risk-based approach to effectively identify, monitor and manage ESG risks, opportunities and impacts identified across its portfolio. Our private equity team co-invest both directly in a selection of companies alongside other General Partners ("GPs") and indirectly through investing in funds. For direct co-investments, we receive quarterly reports from the GP that include both financial information and qualitative data. These reports often contain ESG information. In addition to this, we often have a quarterly call with the GP where we discuss the reports and any other topics we wish to raise. For fund investments we also receive quarterly reports and are invited to participate in AGMs. In a minority of cases, we are part of the limited partner advisory committee ("LPAC") and hence part of the fund's governance structure. We can raise issues with managers in those forums or bilaterally. Engagement objectives are focused on the assets with higher identified ESG risks.

In our infrastructure team, the asset management team for each investment is responsible for the ongoing monitoring of the investment including annual strategic reviews, the semi-annual valuation process and investor reporting, and engagement at the portfolio company-level, through Board representation on operating or holding companies, as applicable. Post initial acquisition, annual strategic reviews provide a status update of each investment, investment performance to date, key valuation metrics and outlook, and key risks and opportunities, informing our strategy at asset and at portfolio-level. Strategic reviews incorporate an assessment of sustainability risks, opportunities and impacts. Progress against objectives is subject to detailed semi-annual reviews.

At a portfolio level, regular and ongoing monitoring of product-related ESG metrics and analysis is conducted and embedded within the business and second line of defence. Extensive engagement and collaboration between the risk function and the business is required to ensure a consistent interpretation of sustainability risk and common understanding of ESG integration across our product range.

<u>How FHL conducts dialogues with investee companies</u>

FHL has a well-established outcomes-based philosophy that underpins our approach to engagement and stewardship. There are clear and well-established protocols on how to identify engagement objectives, to escalate and to measure an engagement's effectiveness.

In public markets, the majority of dialogues that form FHL's engagement with investee companies are conducted by its stewardship services team EOS. Members of EOS may be joined by relevant portfolio managers or analysts from our investment teams. Our investment teams also regularly discuss salient ESG issues with company management directly. The Responsibility Office ensures that our investment teams and EOS work closely together with a joined-up approach.

EOS has established a detailed public markets Engagement Plan on a rolling three-year basis, with themes ranging from human and labour rights to circular economy and zero pollution. The EOS Engagement Plan was developed to provide clients with a clear articulation of the approach to engagement being carried out acting as a statement of our stewardship priorities and objectives on our clients' behalf.

EOS focuses its stewardship on the issues with greatest potential to deliver enduring, responsible wealth for investors including through positive societal and environmental outcomes. The full taxonomy identifies 12 key themes and 36 related sub-themes for engagement. This breadth of coverage across the whole programme is necessary to reflect the diversity of issues in our global Engagement Plan, which covers all regions and sectors, including those which are most material to the individual companies. The selection of these themes is developed in line with input from the investment teams at FHL, as well as EOS' third-party clients.

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EOS' Engagement Plan is updated on an annual basis using a structured horizon scanning exercise which considers extensive feedback from our investment teams and EOS third-party clients, as well as an external scan of industry issues. This ensures that we consider fresh perspectives and continue to identify the key themes which cover our clients' priority areas, ensuring we carry out effective stewardship.

FHL adopts a systematic approach to identifying companies for engagement. We select companies and tailor the intensity of engagement based on the size of our investment, materiality of the risks and issues, and feasibility of achieving change through engagement.

Our public markets dialogue with investee companies is primarily conducted through in-person meetings, calls, letters or emails, either directly or as part of a collaborative group. 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. The nature and frequency of the dialogue depends on the location of the company, stage of engagement, materiality of the issue and willingness by the company to engage. FHL uses its own relationship to initiate and progress engagements on the majority of cases, whether through the investment teams or EOS. This is in addition to attending meetings facilitated by intermediaries. The majority of dialogues are conducted with the board of directors, executive teams, corporate secretary, subject specialists or investor relations. We escalate the intensity of an engagement activity over time, depending on the nature of the challenges each company faces and the attitude of the board towards our dialogue.

Generally, our engagement activity becomes more active where we believe engagement will lead to an increase in or prevent/limit a decrease in the value of a company over the long term. While we can be robust in our dealings with companies, the aim is to deliver value for clients, not to seek headlines which could undermine the trust that we believe should otherwise exist between a company and its owners. As a result, we generally prefer to conduct engagement privately rather than taking a public route when seeking change at companies. However, on the occasion that we should not be able to achieve success by using our usual methods of conversations behind closed doors, we may escalate our engagement by choosing to speak publicly at the company's AGM to garner additional investor support and add further pressure. When doing so, we would normally notify a company in advance. We may also vote against a resolution or management/the board at a company's AGM. Such choices are carefully considered, as this technique is only used if our usual engagement approach has consistently stalled, and we are not confident that the company is taking any action to address our concerns.

Within private markets, our Real Estate team has an extensive community and occupier engagement programme. The investment team works with our property and asset managers on site to engage with the delivery teams, tenants, occupiers and visitors. Our private debt teams focus on identifying current and potential meaningful ESG risks before investing, due to the difficulty of divesting and the capped upside. Because of the current limitations in third-party data, the teams use more qualitative information – often gained through dialogue with the borrower – as well as information contained in the due-diligence packs. Should an ESG issue arise during the life of the investment, the investment team will seek to engage directly with the borrower. The ESG subject matter expertise of EOS informs the investment teams' own engagements with investee companies and assets.

In private equity, for a small proportion of our assets where the team have some control and/or the ability to influence company decisions directly, we seek to work closely with investee companies to monitor, challenge and improve ESG performance. We engage with the lead GP and management team on a regular cadence (quarterly or yearly, depending on the severity of the risk) to monitor the risk and engage on potential outcomes. However, in almost all cases our team has limited control and/ or ability to influence decisions directly (whether for co-investments or fund investments). In these instances, the team will work closely with the lead GPs to assess, monitor, and seek to improve ESG performance of the underlying investee companies. Where we believe there are significant ESG risks we will ask the lead GP to address these. Whilst we have no formal rights in this situation and the assets are illiquid, we seek to leverage on our relationship with the GP to have a constructive discussion. The GP would then typically engage with the company management.

As an active investor, the infrastructure team engages directly with portfolio companies at all levels, on a range of issues whilst maintaining an appropriate level of executive accountability. We set engagement priorities annually in an integrated approach with wider non-sustainability objectives. Progress against engagement

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priorities is reviewed twice annually. Our infrastructure team is primarily a minority shareholder in operational businesses, at which we engage via the governance structure at multiple direct levels – during day-to-day asset management with operational teams, as board and or committee member and as shareholder. Where we have majority shareholder investments, we may engage directly with Operations and Maintenance ("O&M") providers in the day-to-day running of the assets.

How FHL exercises voting rights and other rights attached to shares

FHL views the exercise of shareholder rights as part of its fiduciary duty and a responsibility of effective stewardship. We are fully cognisant that we, as shareholders, are granted a wide range of rights which both offer us a level of protection and enable us to fulfil effectively our stewardship responsibilities. In particular, we consider the vote as part of the asset and accept that we have a responsibility to exercise this right in a considered fashion.

FHL's voting and engagement are co-integrated as part of its overarching approach to stewardship. As such our voting decisions as well as EOS' voting recommendations to clients are informed by the insights and experience from engagement with the investee company, and the outcomes of voting also inform engagement.

FHL uses the services of EOS to provide voting research and recommendations that inform FHL's exercise of voting rights. As such our voting decisions are primarily based on the EOS Regional Voting Guidelines, Corporate Governance and Remuneration Principles, which inform both EOS' Global Voting Guidelines and FHL's Global Voting Policy and Guidelines. 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. Please refer to the EOS literature section of the FHL website for further information.

Votes are escalated, including to the executive team where needed, where they are especially significant for the company, complex, or where a disagreement or potential conflict of interest arises with the recommendation received from EOS. The investment teams make the final voting decision in line with their fiduciary obligations to clients, based on the voting recommendation provided by EOS. In those limited circumstances where a conflict over our approach to voting (aside from that directed by client specific policies) or engagement arises - including a disagreement on the appropriate voting action – the matter will be logged and escalated for consensus to be reached at the director level.

If the matter cannot be resolved in this way, it is referred to an 'escalation group' whose composition is the same as the SRSOC. The group is guided in reaching its decisions by FHL's mission to deliver enduring, responsible wealth creation, voting policies and other appropriate industry endorsed guidance. If there is no majority view of the group, then the CEO will make a final decision. If such an instance were to occur, it would be documented and reported to FHL's Risk, Compliance and Financial Crime Committee.

FHL may attend AGMs of investee companies or arrange for representation at AGMs by EOS. This can include asking questions or making statements to the board. FHL may also file or co-file shareholder resolutions.

The exercise of all voting rights is based on an evaluation of materiality and an analysis of costs and value.

In the infrastructure team, formal voting responsibility (to the extent applicable) is exercised by infrastructure partners (shareholder consents), appointed board directors (board voting) and appointed committee members (committee voting). The lead investment executive at each asset is responsible for escalating matters which are material to strategy, value or reputation to the infrastructure investment committee on a case-by-case basis. The infrastructure team have representation on the board of directors of most of our portfolio companies. Where we have board representation, board representatives are very frequently asked for approvals at and between board meetings.

Collaborative engagement

We see value in both direct and collaborative engagement, and it is the combination of both which helps us to influence issuers and borrowers and to carry out effective stewardship. Where there are shared objectives – in

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particular the promotion of long-term sustainable value – we use both formal fora and other more informal links to work collaboratively with other investors on a global basis. Such interactions can be ad hoc or ongoing. Crucially, the primary concept of EOS' stewardship service is to provide a mechanism for like-minded asset owners to pool their resources and, in so doing, create a stronger and more effective stewardship voice. 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. As described under Principle 1, we contribute to policy discussions both directly and in collaborative fora and initiatives. We are a member of a number of industry bodies and initiatives around the world, through which we conduct collaborative engagement both on thematic issues and with specific issuers. Examples of our collaborative engagement are included in our Stewardship Report.

Reviewing Effectiveness

In addition to the governance and assurance processes described under Principle 1, to maintain the quality of our public markets engagements, we have established a quality-assurance programme. Day-to-day operations and quality assurance are managed by the EOS & Responsibility leadership team, consisting of the Head of Responsibility; the Head of Stewardship; the Regional Team Leads (North America, Europe and Asia and Emerging Markets); the Head of Policy & Integration; the Head of Client Service & Business Development; the Director of Business Management; and the Sustainability Director. In relation to engagement quality, each year we plan a series of director-led engagement clinics to confirm that engagement is focused on the right objectives and issues and review the proposed approach to engagement.

We set clear and specific objectives within our company engagements to ensure we achieve positive outcomes. An objective is a specific, measurable change defined at the company – an outcome we are seeking to achieve. Each objective is tracked using milestones. Objectives are regularly reviewed until they are completed – when the company has demonstrably implemented the change requested – or discontinued. Objectives may be discontinued if the objective is no longer relevant, or because the engagement is no longer feasible or material. Our four-stage milestone system allows us to track the progress of our engagement, relative to the objectives set for each company. When we set an objective at the start of an engagement, we will also identify recognisable milestones that need to be achieved. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

Reporting

Reporting is critical to demonstrate our activity on our clients' behalf. We therefore continue to build out our suite of high-quality, activity-based, qualitative and quantitative communications to support internal and external stakeholder communications. The annual FHL Stewardship Report set out our stewardship approach, activities and outcomes across asset classes, with a range of case studies on engagement. We regularly publish detailed case studies and periodic reports that cover a range of asset classes, alongside thought pieces, blogs and podcasts on topical and emerging ESG issues. We also make publicly available a quarterly EOS engagement and voting recommendations report covering thematic ESG topics and EOS' annual report, which includes statistics, case studies and public-policy information.

Further information on our engagement approach can be found in our FHL 2023 Stewardship Report.

Principle 4: Managing 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

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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.

FHL employees are also subject to the Federated Hermes Code of Business Conduct and Ethics.

Across the firm we take all reasonable steps to identify conflicts of interest between:

- FHL, including its managers, employees and appointed representatives or any person with a relevant direct or indirect link to them – and our clients; and

- any one client of Federated Hermes and other client

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 SRSOC.

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 of FHL 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

Incorporating sustainability considerations into the investment process

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.

We do not see the integration of ESG factors and engagement insights within investment decisions as a separate category of investing. Instead, we believe material ESG risks and opportunities should inform all investment decisions. That is why we integrate ESG considerations and engagement insights into our investment processes in all of our products, across all asset classes. All investment teams incorporate ESG factors into their investment process by accessing quantitative and qualitative ESG and engagement information using our in-house expertise and proprietary and third-party research and by undertaking their own fundamental research.

As our research has demonstrated, investors do not need to sacrifice returns to invest responsibly. On the contrary, our research shows that companies with good environmental, social and governance performance indicators tend to outperform others over the medium and long term.[5] In the credit space, our research on ESG risk in CDS spreads and sovereign credit further evidence the importance of ESG in investment decisions.[6] For this reason, we aim to ensure that investors' capital is deployed to create wealth sustainably, delivering sustainable growth and helping to build a better society and planet for all – dual perspectives that we believe should not be separated, but considered as one.

We believe there are four mutually reinforcing strands of being a responsible investment manager: ESG-integrated investments; active ownership and management; advocating in beneficiaries' interest; and behaving

[5] FHL, 'Despite headwinds, ESG continues to perform', (July 2022).
[6] FHL, 'Pricing ESG risk in credit markets: reinforcing our conviction', (December 2019)v; FHL,' Pricing ESG risk in sovereign credit', (March 2020).

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as a responsible business. Together, these aim to generate enduring, responsible wealth creation for the end beneficiary investors, encompassing investment returns and their social and environmental impact.

We consider all material investment factors, including those relating to material ESG issues and insights from engagement. A risk is considered material if it ultimately impacts the financial performance of an investment. While the most pressing material risks are those that will crystallise in the short term, we are long-term investors that strive to deliver enduring, responsible wealth creation for our end investors. This means that our definition of materiality is necessarily wider. We believe that a wider range of risks will ultimately become material over a longer timeframe and that we need to engage proactively to mitigate them.

The key medium- to long-term risks – many of which may also present threats over shorter timescales – that we factor into our investment analysis and engagements include climate change, natural resource scarcity, pollution, human rights, human capital and labour rights, conduct, culture and ethics, corporate governance and strategy, risk and communications.

It is the responsibility of our investment teams to effectively integrate relevant and material ESG factors and insights from engagement into their investment processes. The investment teams identify and assess material ESG risks and opportunities at both industry and issuer level, in order to identify areas for deeper analysis that are specific to the issuer. Each investment team integrates this in a bespoke approach that is compatible with their investment process and style, building on the baseline approach for each asset class to identify and mitigate material climate risks. Our fund managers have discretion on all investment decisions. We believe that ownership of this process by our investment teams, with the support of the Responsibility Office, ensures that material ESG factors including climate considerations are fully integrated into investment analysis and decision making rather than considered in a siloed manner.

An ESG issue will rarely be the sole or standalone driver behind any investment decision. Instead, material ESG factors are integrated into fundamental analysis and inform the teams' investment decision making. The impact on the investment decision will vary depending on the mandate of the fund. For a fund that integrates ESG but is not a thematic fund, the presence of ESG risk does not necessarily preclude investment, but rather helps investment teams reach a more holistic view of the risk profile of a company and the actions needed post-investment to mitigate risk.

Investment teams may also identify opportunities in companies that are improving their ESG practices, particularly given our strong engagement capabilities. For our funds with a thematic focus and/or our impact funds, the existence of ESG risks and opportunities and the prospect of creating or increasing positive outcomes will be significant where it is one of the main drivers of investment decisions.

Research and analysis by all of our investment teams includes an evaluation of performance on strategy, financials, material risk and ESG factors, and the interplay between these elements. Insights from engagement with company management, boards, subject specialists and other shareholders and stakeholders – including the extent of engagement progress – is also a key input into this process and investment decisions at a portfolio and individual asset level. Such engagement is carried out in a co-ordinated manner both by our investment teams and by EOS to maximise the impact of our engagement. These factors influence decisions to invest and are also actively monitored after investment, with the potential to influence decisions to sell an asset or increase the size of our investment. Where concerns arise in relation to one of our existing investments, engagement is often a means to both raise concerns with the company and, where effective, reduce the investment risk and enhance the opportunity from the investment.

The ESG Integration team within the Responsibility Office also works very closely with all the investment teams to help identify material ESG issues that are specific to the investment manager's strategy. The ESG Integration team organises sector-level knowledge-share sessions between EOS and the investment teams and also works with the investment teams to develop frameworks which assess the materiality of ESG risks at the company level. Finally, the ESG Integration team obtains data from third-party providers to help analyse ESG related risks and opportunities. Some of these datasets are supplemented in our proprietary tools by insights gleaned from our engagement with the company and are also used by analysts and engagers in their company research and portfolio analysis.

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We encourage our fund managers to use their own expert judgement when considering ESG issues, just as they would with other fundamental investment factors – for example, the strength of a company's structural competitive position or the quality and depth of management.

Climate change continued to be a key priority across our investment teams in 2023, demonstrated by the work of our CNWG. To enhance our work in this area, we have explored scenario analysis in 2023, in partnership with Planetrics. Biodiversity also remained a firm focus during 2023; we continued to assess our exposure to deforestation risk across a range of asset classes in line with our commitment and began to assess our exposure to nature-related risks and opportunities.

Whilst the philosophy and approach is consistent across all our investment teams, each investment team has developed its own methodology and framework for integrating material ESG and engagement insights into its investment process that is compatible with its asset class and investment strategy.

Engaging with companies on disclosure

We believe the purpose of investment is to create enduring wealth responsibly over the long term. Effective stewardship is the principal activity for institutional investors to deliver this for investors. Good governance sets the foundation for managing long-term risks and creating value for stakeholders. We seek robust board oversight and management by companies of the most material long-term drivers of enduring, responsible wealth creation affecting each company, as well as those systemic risks to long-term portfolio growth which cannot easily be mitigated through diversified investment strategies. When material and relevant, these factors should drive improved financial performance of individual companies to the benefit of investors, consistent with the long-term fiduciary interests of our clients, and more sustainable outcomes for society.

The outcomes we seek in our public markets' engagement include:

- **Governance**: effective boards composed of primarily 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; developing a corporate culture that puts customers first and treats its stakeholders including employees and its supply chain fairly; and the establishment and protection of all material investor 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.

As a consequence of responsible governance, we seek specific environmental and social outcomes aligned to the UN's Sustainable Development Goals ("SDGs"), including in relation to:

- **Climate change**: ensuring company strategies and actions are aligned to the goals of the Paris Agreement to pursue efforts to limit climate change to 1.5°C and demonstrating that business models are resilient and can adapt to future climate change.

- **Natural resource stewardship**: protecting, preserving and restoring natural resources and biodiversity by transitioning to sustainable food systems, avoiding anti-microbial resistance and managing water stress to enable more affordable access to food and clean water.

- **Circular economy and zero pollution**: controlling pollution of air, land and water to below harmful levels for humans and other living organisms and building a circular economy that avoids waste.

- **Human and labour rights**: respecting all human and labour-related 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.

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- **Human capital**: improving human capital to achieve a healthy, skilled, and productive workforce inclusive of the full diversity of wider society, with access to fair and equitable pay and benefits, in the context of rapid technological disruption.

- **Wider societal impacts**: ensuring that a company adheres to the highest ethical standards, with zero tolerance of bribery or corruption, responsible payment of taxes and maximising the positive impacts of its products and services while reducing to the extent possible any associated harms.

Whilst disclosure is relevant to all of our engagement themes, we have a dedicated focus on corporate reporting within our strategy, risk and communication theme. Corporate reporting covers all aspects of reporting by companies to their stakeholders, whether financial or nonfinancial information, statutory or voluntary. High-quality, consistent, comparable and decision-useful reporting of company information and data is essential to enable shareholders and other 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 UN SDGs, the International Sustainability Standards Board ("ISSB") standards (which fully incorporate the recommendations of the recently disbanded Task Force on Climate-related Financial Disclosures ("TCFD")), the Global Reporting Initiative ("GRI"), and Taskforce on Nature-related Financial Disclosures framework ("TNFD"), and the Sustainability Accounting Standards Board ("SASB") standards. Further regulatory requirements for enhanced non-financial reporting are expected.

The long-term outcomes we seek in our corporate engagement include: timely, reliable and comprehensive reporting which enables investors and other stakeholders to accurately appraise past performance and future prospects of a company; comprehensive and periodic reporting of all material elements of a company's impact on wider society and the extent to which it meets societal expectations and explains how value is created over the short, medium and long term.

Near-term corporate objectives include: the adoption of prudent accounting standards; ensuring best practices in independence and quality including audit tendering and rotation; sustainability reporting aligned to best practice standards and frameworks such as the ISSB and SASB standards, GRI, CDP and TNFD recommendations; and analysis of how corporate activity is aligned to delivery of the UN SDGs.

In terms of public policy advocacy and influencing market best practice, we continue to 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 World Development Indicators; and encourage the development of standards and frameworks on social issues that are on par with those available for environmental matters.

In private markets, ESG data is often less readily available. As such, the teams are heavily reliant on their due-diligence process and have developed their own frameworks for assessing ESG risks within their investments. More information is available in our Stewardship Report.

Principle 6: Publishing Corporate Governance Policy and Voting Guidelines

Our approach to voting

Investor rights are themselves an asset, and we view the exercise of these rights as part of our fiduciary duty and a responsibility of effective stewardship. For listed equities, our voting and engagement are cointegrated as part of our overarching approach to stewardship. As such, our voting decisions – as well as EOS' recommendations to third-party clients on voting decisions – are informed by the insights and experience of engagement with the investee company. We may attend the AGMs of investee companies or arrange for representation at the AGMs by the EOS team. This can include asking questions or making statements to the board. We may also file or co-file shareholder resolutions. The exercise of all such rights is based on an evaluation of materiality and an analysis of costs and value. EOS engagement professionals go through a training and onboarding process which involves shadowing more experienced colleagues to ensure they

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sufficiently understand the voting policies and how shareholder rights differ according to the markets involved. Senior engagement professionals dedicate time to handling escalated votes and discuss market developments.

EOS' Global Voting Guidelines act as a policy to inform EOS' voting recommendations to our investment teams, as well as to EOS clients who request to receive EOS' voting recommendation service. FHL's Global Voting Policy and Guidelines, which are aligned with EOS' Global Voting Guidelines, inform the voting decisions made by our investment teams. Our Guidelines are informed by a hierarchy of external and internally developed global and regional best practice guidelines. The most important of these are our EOS-developed regional voting guidelines and Corporate Governance Principles, which are available on our website. In 2023, we successfully completed our transition from market level Corporate Governance Principles to an approach centred on three regional Public Vote Guidelines, with the overall goal being to provide companies and clients with a clearer structure for our disclosures. The three regional groupings are 1) UK, Europe and Australia, 2) North America and 3) Asia and Global Emerging Markets (AsiaGEMs). Alongside this, we updated our regional vote policies across 28 global markets. While our previous regional Corporate Governance Principles focused on the high-level principles that guided our vote policies across 28 global markets, our Public Vote Guidelines place a stronger emphasis on the policies themselves, which more directly inform the voting recommendations we issue to our clients. EOS also published a set of Global Corporate Governance Principles to provide more information on what EOS considers to be governance best practices, not limited to issues with direct vote policy implications.

The policy development cycle for our voting guidelines runs annually, in conjunction with the policy review process at ISS, which informs its benchmark research. EOS considers changes made at ISS in view of resolution-level data for past voting seasons in order to consider what additional changes are warranted. This includes integrating feedback from clients and evolving best practice in each market. EOS' Engagement Plan provides further input and identifies thematic priorities for engagement. This can often be boosted by enhanced vigilance and, potentially, escalation through our voting recommendations. EOS completes its major policy changes before the main voting season in each market. Once changes are applied, the policy is monitored to ensure it is having the desired effect and is adjusted further, where appropriate.

Voting rights are exercised with a view to achieving best practice standards of corporate governance and equity stewardship and with the aim to support the delivery of long-term value in our funds. Ultimately our investment teams make all voting decisions, based on EOS recommendations. EOS engagers, who are well versed in the voting policies, make recommendations to our investment teams based on our voting guidelines, as well as any further information that they receive through their research, engagement and specialist knowledge of the company.

While it is difficult to provide a general description, EOS will typically recommend a vote against management when it considers that a vote with management would not serve the best long-term interests of shareholders. For example, this may be either with respect to a proposed remuneration policy or when EOS believes the board does not have the skills to govern the company effectively. There may also be specific instances when a vote in favour of management would be actively detrimental to the company – for example, in the case of a proposed merger or acquisition that does not look to be in the long-term interests of the firm.

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. EOS has a value-add and cost-effective mix of automated and manual voting recommendations, which focuses resources on key topics and companies with significant holdings and/or contentious issues or ongoing engagement objectives. Engagers add insight and value to a specific subset of these meetings – those on EOS' watchlist – by considering the voting recommendation approach in light of the specific company context and the engagement. A shortlist of high priority equity holdings are added to the EOS watchlist each year, based on size of holding and insight into the potential level of complexity of vote. EOS recommendations are applied to FHL's remaining equity holdings and if the investment teams disagree with the proposed recommendation, then EOS will manually review the recommendation. EOS endeavours to engage around the vote with all companies on the watchlist for which it is considering recommending a vote against – this comprises 807 companies, including around 320 in the core engagement programme. EOS will also discuss such cases with the relevant portfolio manager. We receive

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research from ISS, but also have access to our own information on our electronic platform, which captures meeting notes and documentation relevant to the company's engagement history and objectives.

EOS will also engage to identify any further relevant information that might inform the voting recommendation and has regular conversations with our investment teams about the reasons for their views on particular votes. We will vote 'for, by exception' to our voting policy when we judge that we will further the engagement and likely achieve beneficial change by doing so.

Votes are escalated when especially important for the company or particularly complex, or when a disagreement or potential conflict of interest arises with the recommendation received from EOS. For our investment teams, the voting recommendation provided by EOS will inform their assessment, but they will make their final judgement independently. On the rare occasion that there are disagreements between investment teams and/or EOS on the appropriate voting recommendation or decision, the matter is logged and escalated for consensus to be reached at the director level. We expect votes cast by our investment teams to be consistent with the voting recommendations we provide to our stewardship clients, who request to receive voting recommendations. In such cases, the rationale for divergence will be documented. As described in our Stewardship Conflicts of Interest Policy, we have escalation processes in place when there are different views between EOS and our investment teams, or when conflicts of interest arise in the course of fulfilling our commitment to acting as good stewards of those companies in which we invest.

Clients with segregated mandates have the option to carry out the voting themselves, or to benefit from the voting recommendations and decisions of the relevant investment team, based on EOS' recommendations. Underlying clients of our pooled funds are not able to override the investment team's vote or to vote their share separately.

Voting policies

FHL's Global Voting Policy and Guidelines is available on our website. EOS publishes Global Voting Guidelines, Global Corporate Governance Principles. Region-specific vote guidelines are also available to view through the EOS library.

We retain the ability to vote differently to that indicated by our high-level policy when warranted. This is on the basis of particular company circumstances or engagement insights, to best serve the interests of long-term shareholders. If EOS engagers are considering whether to recommend a vote that is not in line with our policy, this will generally be escalated to a more senior team member or otherwise follow an established and agreed precedent that was earlier escalated. In these cases, engagers record in our Engagement Management System that they have consulted a senior engager. When a potential conflict is identified, the matter is escalated in line with our Conflicts of Interest policy.

On occasion, our policy may suggest a vote against management, but engagement insight suggests otherwise – for example, a company may have committed to making a change, with a view to implementing this the following year leading us to vote for, by exception to our policy. These instances are highlighted in our voting disclosures and are within the scope of our overall voting policy.

We aim to vote either in favour or against a resolution and only to abstain in exceptional circumstances, such as when our vote is conflicted, a resolution is to be withdrawn or there is insufficient information upon which to base a decision. We voted 100% of all votable shares.

Voting records

Our voting records are published online in arrears. This ensures that we are transparently accountable, but that our dialogue with companies around voting issues is not compromised. The records include all voting decisions of FHL. These records relate to the voting decisions of the FHL teams on behalf of FHL funds and clients. Information on the voting recommendations made by EOS to EOS voting service clients can be found in the EOS Stewardship Report. Company meetings where we have recommended voting in line with management on all resolutions are condensed. In 2023, we cast votes at 784 meetings involving 8,852 resolutions.

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Use of third parties

We use the services of ISS to provide research on all companies for which EOS makes voting recommendations. EOS leverages and builds on ISS research and infrastructure (including the ISS ProxyExchange platform) and seeks to add value primarily by selectively escalating the most important or difficult voting recommendations (based on the materiality of holdings and the nature of the issues under consideration), engaging with companies and operating voting policies and approaches that more closely align to our views than ISS's benchmark policy.

The recommendations that our investment teams and EOS third-party clients receive are, in the first instance, based on ISS' research using our voting guidelines. This is then overlaid with our intelligent voting approach. Engagers are deployed to add insight and value to a specific subset of these meetings – those on EOS' watchlist – by considering the voting recommendations approach in light of the specific company context and the engagement. As described earlier, our equity holdings are added to the EOS watchlist at the beginning of each year. As a result, the majority of the voting recommendations made to our investment teams are manual. ISS services are monitored by EOS through daily communication, ISS scheduled reports providing oversight of voting performance, regular service meetings, client voting account reconciliation and audit reviews conducted periodically by EOS on automatic voting instructions submitted by ISS across EOS client accounts.

Principle 7: Collaborative Response on Corporate Governance and Sustainability Issues

We believe identifying and responding to market-wide and systemic risks will deliver benefits for the economy, environment and society and will ultimately improve outcomes for clients and beneficiaries. As the world becomes more globalised and interconnected, the ability to transmit risks across geographies can cause further global crises to materialise. To truly address systemic risk, collective and coordinated action will be required to provide systemic solutions. Asset managers, working in conjunction with other stakeholders, must join forces to prevent systemic risk and to ensure a well-functioning financial system.

The key systemic risks we take into consideration across our investment risk, engagement and advocacy work are informed by academic research from the World Economic Forum Global Risks Report and the Centre for Risk Studies at Cambridge University.[7]

We seek to take an integrated systems-based approach and prioritise and respond to the risks that are most likely, impactful and interconnected in nature. We examine the interlinkages between risks, for example, how climate change can drive biodiversity loss, with the potential to impact global food chains, health and wellbeing, social inclusion/unrest and thereby generate financial and economic crises.

We recognise that as investors we have an opportunity and a responsibility to help address market-wide and systemic risks. We engage constructively with regulators and policymakers globally to address environmental, social and other market failures that may prevent the financial system from operating in the best interests of its ultimate asset owners. This includes addressing barriers to responsible investment and stewardship.

We engage constructively with regulators and policymakers globally to address environmental, social and other market issues (including corporate governance) that may prevent the financial system from operating in the best interests of its ultimate asset owners. We often engage directly with regulators and policymakers and aim to be a progressive and constructive voice in the debate. We engage on regulation relating to the investment industry and the assets in which we invest. We contribute to policy discussions both directly and collaboratively. We further advance our engagement activities through both our leading role in global initiatives and membership in various trade associations, which are focused on promoting responsible investment.

We have a dedicated advocacy team within our Responsibility Office. EOS also has a comprehensive programme of engagement with legislators, regulators, industry bodies and other standard setters to help shape capital markets. Our investment teams contribute their expertise through collaboration with the Responsibility Office

[7] This includes: SYSTEMIC RISK: Systemic Solutions for an Increasingly Interconnected World (cam.ac.uk) University of Cambridge and Citi GPS, 'SYSTEMIC RISK: Systemic Solutions for an Increasingly Interconnected World', (April 2021); World Economic Forum, 'Global Risks Report 2024', (January 2024)

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and EOS, as well as direct involvement in external industry initiatives. The result is an advocacy policy that aims to lead rather than follow the policy debate. Given the global nature of our investments, this work spans asset classes and geographies.

Our public policy advocacy can cover a range of themes to help shape capital markets in the interests of our clients and end beneficiaries. We engage on regulation relating to the investment industry and the assets in which we invest. This work may be on a country-specific basis or regulations and codes with a global remit. We identify areas for more in-depth advocacy and engagement where we feel significant change is needed and where we can add value. In 2023 this included climate change, nature and the need for a just transition.

Over the course of 2023, we responded to 37 consultations or proactive equivalents from regulators, policymakers and industry initiatives. In addition to the advocacy work of the Responsibility Office, EOS also had 60 interactions with regulators, standard-setters and other third parties in the pursuit of public policy and market best-practice objectives.

We are a member of many industry bodies and initiatives around the world and are co-founders of a number of them. Through these initiatives we engage with others both within and beyond the investment industry to promote responsible investment, including ways that the industry and our investees can respond to market-wide and systemic issues such as climate change. Colleagues from across the business – including the Responsibility Office, EOS, Risk, and the investment teams – take on advisory roles in many organisations to share our practical expertise.

The annual FHL Stewardship Report includes more detail on our advocacy approach, with case studies on our key advocacy themes. We also make publicly available a quarterly EOS engagement and voting recommendations report covering thematic ESG topics and EOS' annual report, which includes statistics, case studies and public-policy information.