

# **Best Practice Principles for Providers of Shareholder Voting Research & Analysis**

Compliance Statement

EOS at Federated Hermes

June 2024

---

## Contents

Introduction.....	3
Principle One: Service Quality.....	4
Approach.....	4
Employee qualifications and training.....	4
Research methodology and policy.....	5
Translation from principles to market-specific policies.....	7
Escalation process.....	9
Quality.....	10
Client customisation.....	11
Policy development cycle.....	11
Feedback management and complaints.....	12
Timeliness.....	13
Client and supplier understanding.....	13
Client disclosure facilitation.....	13
Principle Two: Conflicts-of-Interest Management.....	14
Potential conflicts of interest.....	14
Conflicts of interest EOS does not have.....	16
Recording and escalation.....	16
Conflicts of interest approach in practice.....	17
Principle Three: Communications Policy.....	18
Dialogue with issuers, shareholder proponents and other stakeholders.....	18
Dialogue with media and the public.....	18
Complaints to the BPPG and BPP OC.....	19
Appendix: Changes to EOS practices and disclosures vs. 2023.....	19

## Introduction

EOS at Federated Hermes is pleased to provide its updated compliance statement in respect of the Best Practice Principles for Providers of Shareholder Voting Research & Analysis (the Principles), in support of its aims to establish standards for service providers in the industry and in line with the requirements of the amended EU Shareholder Rights Directive as transposed into UK law.

EOS helps long-term institutional investors around the world to meet their fiduciary responsibilities and become more active owners of public companies.

EOS provides a platform for like-minded investors to pool resources, creating a powerful force for positive change. We work on behalf of long-term global investors who entrust us with the stewardship of approximately £1.42tn / \$1.8tn / €1.66tn of assets (as at 31<sup>st</sup> March 2024) invested in over 18,000 companies worldwide. EOS at Federated Hermes is a subsidiary of Federated Hermes Limited but does not itself manage investments.

Our diverse and multilingual team of engagement and voting specialists monitors the investments of our clients in companies and intervenes where necessary with the aim of improving long-term performance and sustainability. Our team comprises experienced professionals who have the expertise, language skills and cultural knowledge to deliver real beneficial change at the companies its clients invest in.

Our activities are based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without. Our services support the promotion of long-term corporate value in financial markets.

For many of our clients, we provide voting recommendations as part of our services. EOS' voting recommendation services are provided in conjunction with Institutional Shareholder Services Inc. (ISS), itself a founding signatory of the Principles.

In this compliance statement, we explain our approach to delivering our service and how we comply with the Principles. As we deliver our voting recommendation service in collaboration with ISS, this document may be read in conjunction with ISS' own compliance statement under the Principles.

---

## Principle One: Service Quality

### Approach

EOS' approach is aimed at achieving beneficial change at companies with the ultimate aim of protecting long-term shareholder value.

During 2023, EOS delivered voting recommendations covering 12,963 shareholder meetings, involving over 128,101 resolutions. Our voting recommendation service operates as an add-on to our engagement service which is our primary offering. We do not offer voting recommendations as a standalone service.

As a client of ISS ourselves, we do not seek to independently replicate the full range of research it conducts on our behalf. EOS leverages and builds upon ISS research and infrastructure (including the ISS ProxyExchange platform), seeking to add value primarily through selective escalation of the most important or difficult voting decisions, engagement with companies and operating voting policies and approaches that more closely align to our clients' views than ISS' benchmark policy.

The recommendations our clients receive are, in the first instance, based on ISS' research administered through either EOS' relevant voting guidelines and/or those of our clients. We seek to intelligently deploy our engagers to add insight and value to a specific subset of these meetings, by considering the voting approach in light of the engagement undertaken. This is done through consideration of materiality of holdings and the nature of the issues under consideration.

Meetings for companies identified in the EOS engagement programme are assigned to their designated engagement owner, to ensure each meeting is covered by the best-suited person with the deepest knowledge of the relevant company. The EOS engagement programme is a universe of companies (approximately 300) identified for focused engagement on an ongoing basis on a range of ESG, financial and strategic issues. It is selected based on factors including the aggregate size of clients' holdings and the materiality of ESG risks and opportunities. Meetings for companies that do not form part of the EOS engagement programme are assigned to engagement professionals with country expertise.

EOS provides voting recommendations to clients, but clients retain full discretion over their final voting decision at all times. Clients are encouraged and empowered to contact EOS for further background on voting recommendations.

### Employee qualifications and training

EOS undertakes a skills gap analysis of the wider team with reference to the thematic and sectoral issues we cover, to ensure we have the right mix of professionals who can best represent EOS and our clients' views in our stewardship services. We have intentionally built a diverse team of experienced and international voting and engagement professionals who have the expertise, language skills and cultural knowledge to work to deliver real beneficial change at companies.

Our engagement team currently includes 29 full-time employees, supported by 4 full-time employees in the EOS voting and engagement support team (VEST). EOS does not regularly employ part-time, seasonal employees (although it may occasionally do so, for example, to cover staff absences due to parental leave) as its voting service is an extension of its year-round engagement service, which is permanently resourced.

Ongoing efforts are made to reduce the number of unnecessary manual vote reviews undertaken by engagers, primarily through voting policy refinement. In certain cases, rather than have ISS automatically trigger engager review, our policy instead details clear-cut instructions prompting an automated recommendation. These improvements involve careful analysis to ensure we are not overlooking impactful information which might otherwise lead us to a different recommendation via manual review. As a result of these efforts, it has become less necessary to proactively monitor and re-distribute votes to prevent engagers from being overburdened

during AGM season. However, the mechanisms to redistribute votes are still fit for purpose. Engagers will from time-to-time flag when other unrelated tasks need to take priority.

As noted elsewhere, EOS leverages research reports produced by ISS so the task for engagers is to assess the research, engage with issuers as appropriate and finalise voting recommendations to clients. The time required per vote can therefore vary greatly depending on the issues identified. This requires a dynamic approach to workload monitoring and management oversight, rather than a set model based on average time to write research reports for each vote.

The EOS team, which as at 31 March 2024 is 57% female (2023: 52%) and 43% male (2023: 48%) , draws on a number of skill sets, with our senior engagers coming from a range of backgrounds including, but not limited to, corporate law, investment management, international development banking, investment research, corporate strategy, and management consulting.

The combination of our ability to engage in the local language and an understanding of local culture and business practice are critical to the success of our engagement work. Within our team we have nationals from 20 countries and fluency in 16 languages. The team's skills, experience, languages, connections and cultural understanding equip them with the gravitas and credibility to access and maintain constructive relationships with company boards. The depth and breadth of this resource reflects our philosophy that stewardship activities require an integrated and skilled approach. Intervention at senior management and board director level should be carried out by individuals with the right skills, experience and credibility.

Our engagement professionals collaborate in teams covering themes, sectors and regions. This ensures we have experts who can educate the wider team on developments and best practice in their respective areas. Each engager is responsible for engagement, voting recommendations and ESG analysis, focussing on the combination of regions, sectors and themes to which they have been appointed.

Our team is primarily based in the UK and the US – London staff generally cover engagement in Europe, Asia and emerging markets and our Pittsburgh and New York staff generally cover engagement in North America. Our professionals travel to undertake engagements in person where possible at company headquarters. We also have a number of senior advisers who provide us with additional resource and expertise specific to some local markets.

Our engagement professionals are generally on permanent contracts rather than brought in as a temporary resource for the voting season. Each engagement professional who joins the team goes through a training and onboarding process which involves formal training sessions and educational modules, as well as shadowing more experienced colleagues to ensure sufficient understanding of the voting policies in the markets involved. Senior engagement professionals dedicate a significant portion of their time to handle escalated votes and discuss market developments.

Engagers retain a portion of their personal objectives dedicated to training and development throughout their time at EOS. Such training might relate to the content of a particular ESG topic, provided by peers or external experts; be focused on the delivery of best practice stewardship, such as training on particular tools/resources, or the development of key skills; or other aspects of personal and professional development.

## **Research methodology and policy**

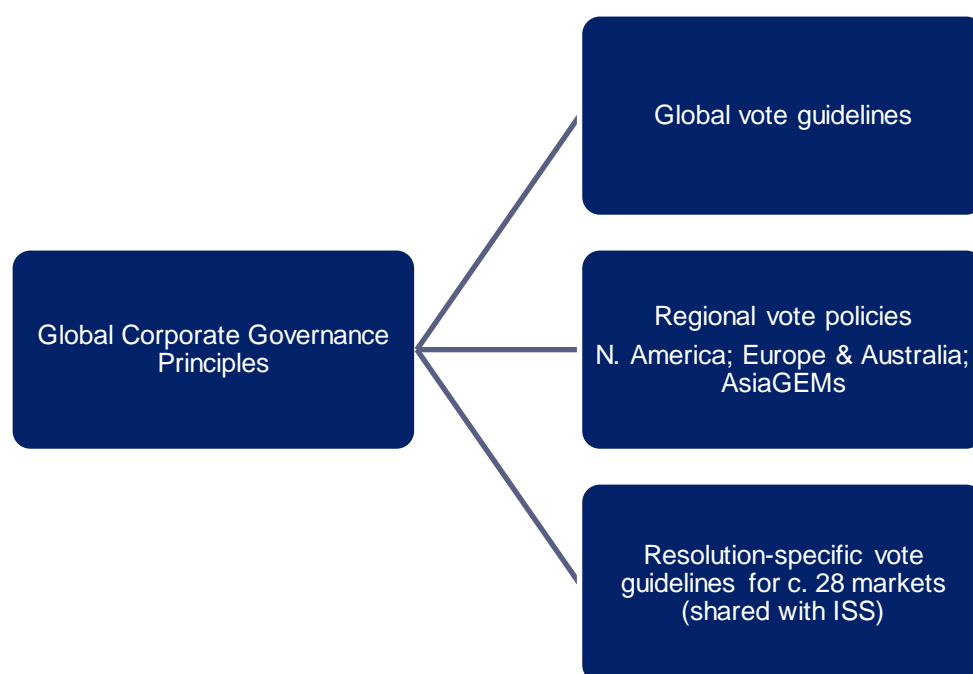
EOS offers voting recommendations for company meetings on behalf of its proxy voting clients in line with agreed contracts (service agreements). The service agreement with each client will detail whether recommendations are based on the EOS voting guidelines or a custom client policy.

EOS' global proxy voting guidelines<sup>1</sup> (Global guidelines) inform our recommendations to proxy voting clients. These explicitly reference a range of governance, as well as environmental and social factors and aim to harness voting rights as an asset to be deployed in support of achieving engagement outcomes.

Our Guidelines are informed by a hierarchy of external and internally-developed global and regional best practice guidelines; principally:

- EOS Global Corporate Governance Principles<sup>2</sup>
- EOS Regional vote policies: Europe and Australia<sup>3</sup>, North America<sup>4</sup>, Asia and Global Emerging Markets<sup>5</sup>
- Resolution-specific voting guidelines for approximately 28 individual markets (which are shared with ISS)

Figure 1 EOS Public and Internal Vote Policy documentation (2024)



These documents set out our fundamental expectations of companies in which our clients invest, including regarding business strategy, communications, financial structure, governance and the management of social and environmental risks. These documents also provide further explanation of how EOS views pertinent topics (such as executive remuneration and director over-boarding), and how this feeds into EOS' own voting policy approach. These approaches may differ from other service providers, and are informed by EOS' own experience and approaches over time, as well as stakeholder feedback which is collected annually (see 'Policy development cycle' on page 11 for more info).

They articulate the EOS house position on key ESG issues and are informed by relevant external local market standards such as best practice national corporate governance codes, as well as international sources such as the Organisation for Economic Co-operation and Development Principles for Corporate Governance, as well as the collective views of our clients, which are expressed more fully in our annually-

<sup>1</sup> [fheos-corporate-global-voting-guidelines-2024.pdf \(hermes-investment.com\)](#)

<sup>2</sup> [fheos-corporate-global-corporate-governance-principles-2024.pdf \(hermes-investment.com\)](#)

<sup>3</sup> [fheos-regional-vote-guidelines-auraus-02-2024.pdf \(hermes-investment.com\)](#)

<sup>4</sup> [fheos-regional-vote-guidelines-noram-02-2024.pdf \(hermes-investment.com\)](#)

<sup>5</sup> [fheos-regional-vote-guidelines-asiagems-02-2024.pdf \(hermes-investment.com\)](#)

refreshed EOS Engagement Plan<sup>6</sup>. Our Global guidelines do not seek to repeat all of the expectations articulated in the EOS Regional vote policies, Global or Market Corporate Governance Principles, or EOS Engagement Plan, but rather outline how these expectations translate into specific voting policies on issues put to shareholder votes at annual meetings.

Given the significant variation across markets, the Global guidelines do not seek to provide an exhaustive list of EOS' policies on all voting matters but rather sets out our broad position on a number of key topics with global applicability. The Regional vote policies for our 3 primary operating regions provide more specific policies and guidance of how EOS views pertinent topics, tailored to the nuances of each region.

## **Translation from principles to market-specific policies and final voting recommendations**

Our Global Vote Guidelines and Regional vote policies are translated into resolution-specific guidelines for each market which are then shared with ISS, so it can conduct its initial research in this context. We indicate in this guidance, in detail for each applicable market and each proposal type, which voting recommendations we are expecting ISS' interpretation of our policy to output, as well as the accompanying rationales where this involves voting recommendations that go against management. We may also indicate under which circumstances we would expect a proposal to be brought to our attention by means of a "refer". In such cases ISS' research will not provide an initial voting recommendation, and EOS engagement professionals will resolve the recommendation.

Please see Figure 1 above for an illustration of how our public and internal vote documentation is structured.

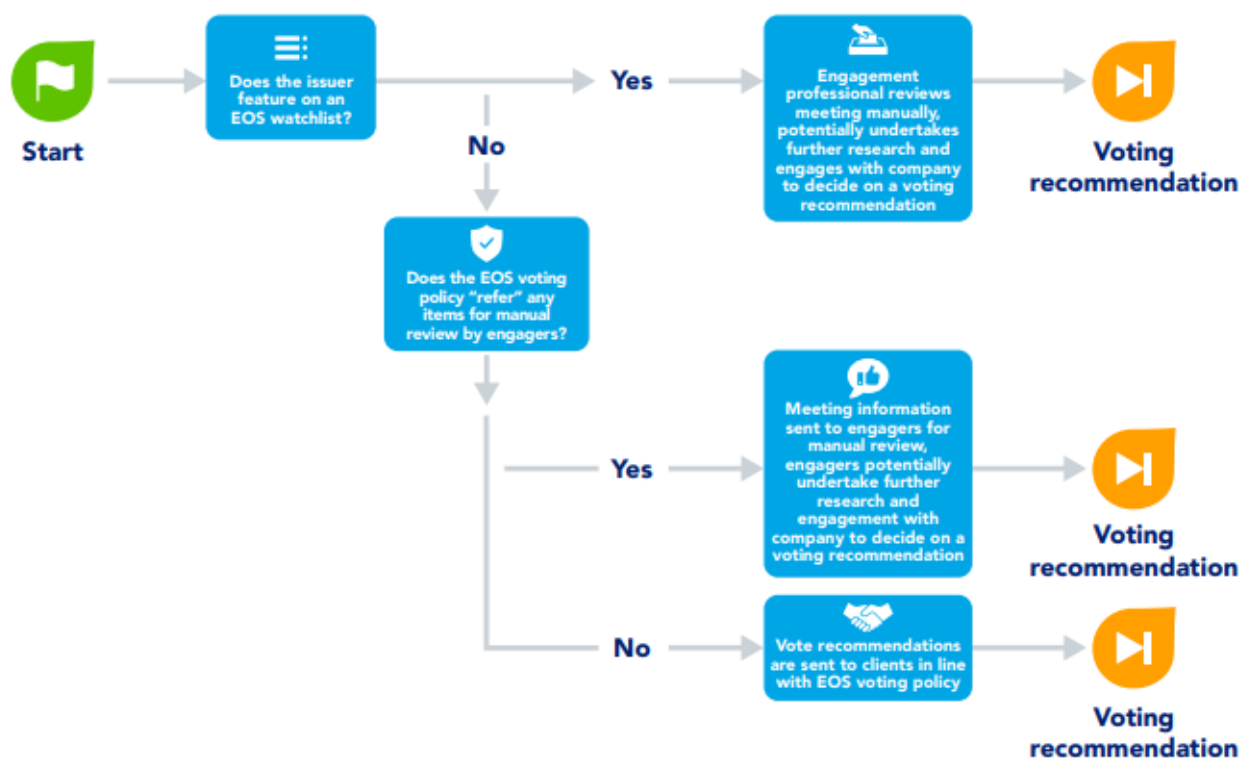
Our approach is to focus engagement resource on those meetings of greatest interest and materiality to its clients. Each year, a list is compiled of the highest priority companies for which our engagers will manually review each agenda item before making vote recommendations. These are known as watchlist companies, comprising our engagement programme companies plus companies of particular interest/sensitivity or where our clients represent significant holdings (in absolute terms or as a percentage of the company's voting rights). The voting watchlist represents a majority of our voting clients' assets by value.

In general, non-watchlist companies have their voting recommendations issued as per ISS' research conducted in line with EOS' (or the client's) policy guidelines without further manual intervention on the part of EOS, except for meetings with a refer recommendation as detailed above.

The following flow chart explains how this works in practice:

---

<sup>6</sup> [EOS Engagement Plan 2024-2026 \(hermes-investment.com\)](https://hermes-investment.com)



### EOS research process

The engagement professionals are aided by reference to company materials such as annual reports, proxy statements, the ISS benchmark research, as well as EOS engagement and voting history (as recorded on our proprietary engagement management system). EOS also draws on other sources such as collaborative engagement networks, national and international media, as well as a number of external research providers. This can include a range of quantitative indicators such as benchmark scores under the CA100+ benchmark, the Transition Pathway Initiative and Forest 500 report, as well as qualitative reports relating to management quality and performance appraisals.

EOS proprietary data on the engagement management system, which is typically qualitative, may include, for example, insights gained from company engagement as to progress against various targets or planned developments which may inform EOS' view on a particular vote. EOS also monitors the progress of its engagements with companies through a milestone system accompanied by momentum indicators.

EOS applies this range of qualitative and quantitative data when making a judgement as to how to recommend votes. Typically, quantitative data is used to determine whether a company's performance meets a particular policy threshold, such as a minimum level of board diversity, maximum ratio of variable to fixed pay or minimum climate change risk score by reference to an authoritative benchmark. However, qualitative factors including the responsiveness and momentum of engagement and quality of management experienced in engagement can become factors which cause EOS to support a resolution 'For by exception' to its usual policy. Meanwhile, a certain number of director votes are informed by reference to our judgement of good governance using a range of more qualitative inputs.

An example of this would be our voting on director elections related to companies with indicators of high climate governance risks. We would consider recommending a vote against the most relevant responsible director in circumstances in which one or more of the following indicators are met:



- Companies identified as lacking comprehensive medium-term greenhouse gas emissions reduction targets and/or TCFD reporting by the Climate Action 100+ (CA100+) Net Zero benchmark.<sup>7</sup>
- Companies identified as failing to appropriately reflect, or demonstrate consideration of, material climate-related risks in their financial statements by the CA100+ Net Zero benchmark or other sources.<sup>8</sup>
- Any company scoring below Level 3 on the Transition Pathway Initiative (TPI) Management Quality Score<sup>9</sup>. Companies in the oil and gas, coal mining, electric utilities, diversified mining or automotive sectors, and/or European, UK, Australian or New Zealand companies scoring below Level 4 will also be flagged.
- Banks without a medium-term target for reducing emissions associated with its financing activities and/or those that do not recognise climate-related risks as a key risk category or explain the exclusion.<sup>10</sup>
- Companies included on the Global Coal Exit List<sup>11</sup> without Paris-aligned<sup>12</sup> coal phase-out plans<sup>13</sup> and those listed as expanding coal-related infrastructure.
- Companies insufficiently managing deforestation-related risks. We will review companies scoring very poorly on the Forest 500 assessment.

We alert those companies which appear to meet one or more of these criteria of our concern and request a response. If we receive a response and our engagement is positive, we will consider voting 'For, by exception' to our policy. We also consider any updates to data feeds (for example, changes to TPI scores or indications that a company has a valid reason to challenge the indicator, based on latest information). We review our voting guidelines and methodologies for appraising compliance with these as part of our annual review of voting guidelines as described below.

## Timeliness

We review ISS' timeliness, platform availability and other key indicators against our Service Level Agreement. EOS personnel liaise with their counterparts at ISS on a regular basis, informally and formally to conduct oversight, including a formal service review each year. In addition, EOS personnel are able to raise issues with research provision (e.g. factual errors, misinterpretation of EOS voting policy) with ISS in order to address any problems through direct contact with nominated members of the ISS client relationship team.

EOS maintains records of conversations it has had with companies, including material engagement objectives and company progress against this, and other stakeholders in our proprietary engagement management system. Notes pertaining to these conversations are provided to clients. Clients also retain the ability to access ISS benchmark research and the EOS policy research conducted by ISS, to assess these inputs and sources.

Clients are alerted via email of our voting recommendations, plus further updates which may be prompted by correction of material factual errors or revisions to research, analysis or voting recommendations after research publication, including where engagement has caused us to revise a voting recommendation.

## Escalation process

EOS operates an escalation process that ensures high-impact votes receive the appropriate attention and scrutiny.

<sup>7</sup> Companies scoring 'No' on Indicator 3 (medium term targets) and/or 'No' or 'Partial' on indicator 10.1 (TCFD reporting) [Net Zero Company Benchmark | Climate Action 100+](#)

<sup>8</sup> We will begin by assessing this for companies in the EOS active engagement programme but will likely expand this to more companies in the coming years.

<sup>9</sup> [Tool – Transition Pathway Initiative](#)

<sup>10</sup> Banks scoring 'No' on indicator 2.1.b (medium-term targets) and/or 'No' on indicator 8.1.a (climate risk reporting) [Banking Tool - Transition Pathway Initiative](#)

<sup>11</sup> [Home | Global Coal Exit List](#)

<sup>12</sup> 2030 in OECD countries and 2040 in the rest of the world

<sup>13</sup> Companies considered to be primarily focused on coal mining with limited opportunity for diversification will not be captured unless they are identified as expanding coal-related infrastructure.

For votes which require escalation, engagement professionals will, in the first instance, escalate to a discussion with a senior engager if they are uncertain about the voting recommendation. If unresolved, the recommendation is then escalated to a discussion with an EOS director, especially where a voting recommendation is either potentially controversial or difficult to make. Colleagues are encouraged to escalate any votes where they believe it would be appropriate to have additional oversight on the recommendation. Escalated votes are recorded on our engagement management system, as are votes which may be considered 'significant' (for example, at a company where there is significant media coverage in the current year or a history of escalated engagement).

Input from issuers is sought as part of engagers' decision-making process regarding votes on the EOS watchlist, and this input is therefore included for consideration in escalation discussions. Issuers may often disagree with EOS' vote recommendations and/or underlying policy positions, which EOS considers to be inevitable given the range of views that exist on different issues. Issuers can however make formal complaints should they believe proper process has not been followed (see section on Feedback management and complaints).

## Quality

In addition to escalation, client feedback and post-season reviews, additional measures are in place to support the quality of voting recommendations. A daily process prioritises meetings which are due to be researched and assigns the meeting to the most appropriate professional. The process also identifies those meetings that are approaching their deadlines to enable timely escalation and resolution. We further ensure that workloads are appropriately balanced, particularly throughout AGM season so that each meeting receives the right amount of attention and engagement professionals are not overburdened. Engagement professionals receive an end-of-day overview of their recommendations, to enable review the proposals supported and opposed, as well as the accompanying rationales. This provides a prompt to review recommendations submitted and if necessary to make any correction on the same day they were input, prior to distribution to clients.

Historically our voting process was assured by our external auditors in accordance with Guidance AAF 01/06<sup>14</sup>. However within the revised AAF 01/20 standard, proxy voting controls were no longer in scope. This year, operational voting processes will be assured by an independent third-party assurer as part of a wider assurance programme covering voting and engagement-related processes. This will assess internal controls to ensure client ballots have been instructed prior to deadline, and that any errors have been reported. Each day where an overdue vote is flagged, we consider this as a control measure. The votes are tracked through to resolution by the EOS VEST team. This ensures we promptly make a vote recommendation and then alert clients manually via email as the automated alerts may not reach all clients before their relevant ultimate vote deadlines on the ISS platform.

Should the control fail, and EOS is deemed responsible for the late recommendation, it is disclosed internally to the Risk and Compliance department. If an error has led to a late and subsequently rejected recommendation, VEST investigates and reviews the controls and processes involved. If necessary, we make appropriate changes to prevent reoccurrence. For a few randomly selected days throughout the year, our auditors ask us to show evidence that we have followed the process.

We review the voting recommendation outcomes each year to determine what tweaks to the policies or voting approach might be required. An additional quality control process has been rolled out in order to support this. Ex-post 'spot checks' of individual engagers' vote recommendations are conducted in order to ensure proper process was followed, and to confirm that final recommendations were either in-line with the EOS policy or justified where they deviated (for example, on the basis of insights received through company engagement). This occurs at a rate of one vote per engager, per quarter, and is intended to complement ex-

---

<sup>14</sup> [Standards and guidance | Assurance | ICAEW](#)

ante escalation process which identifies potentially controversial or nuanced votes for further discussion and scrutiny, before final recommendations are made.

Due to our downstream position from ISS in the voting recommendation process cycle, we benefit from ISS' quality control processes on the information it has received, and the research provided to us. Occasionally we may spot errors or inconsistencies in ISS-provided research and/or the application of our policy which we raise with our designated contact to be resolved. Inaccuracies in ISS' initial research or further updates to publicly available information may lead to EOS and its clients receiving revised research from ISS and for EOS to revise its recommendations. Clients are informed where new recommendations are issued. As our engagement professionals make their recommendations, they will further triangulate where necessary using their contacts with companies, company materials and other sources to help ensure the accuracy of information received.

## Client customisation

Most EOS clients subscribe to the EOS voting guidelines as they value a like-minded and cost-effective approach to stewardship and agree with our methodology, expertise and track record. We offer a range of solutions that enable clients to further tailor our voting services to their needs.

We encourage clients to make full use of the alerting and reporting functionality of our voting platform to ensure they stay apprised of votes that are of interest and make it as easy as possible for clients to instruct votes that differ from our initial recommendations. Certain clients have defined bespoke client policies. These are operated at an additional cost (which may depend on the complexity and scope of the deviations requested). Clients who subscribe to a custom policy still have access to the standard EOS voting recommendations as well as our engagement insights. All clients of our voting recommendation service also have access to the ISS benchmark voting recommendations and associated research.

## Policy development cycle

The primary policy development cycle for EOS voting guidelines is an annual process, which runs 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 to consider what additional changes are warranted. This includes integrating feedback from clients, as well as evolving best practice in each market. A further input is provided by our Engagement Plan, which identifies thematic priorities for engagement, which can often be boosted by enhanced vigilance and potentially escalation through our voting recommendations.

EOS has developed an annual process for reviewing its priority engagement and voting issues across corporate governance, environmental and social themes. This includes systematically reviewing client priorities (via a formal client survey, as well as various small and larger group client meeting fora) as well as internal evaluation of trends in areas such as materiality of different corporate sustainability issues and voting and engagement patterns. National and global regulatory developments are also taken into account, as well as relevant external standards and research. For example, the formulation of our climate voting policy integrates frameworks such as the Transition Pathway Initiative (TPI) Management Quality Score and the Climate Action 100+ (CA100+) benchmark. Engagement responses and feedback received from issuers provides an additional input to the formulation of our approach.

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 adjusted further where appropriate.

## Feedback management and complaints

### Clients

EOS' client advisory board and client advisory council provide regular feedback on our performance and are an opportunity for clients to raise any concerns about our service. In addition to these mechanisms, clients are prompted to provide feedback each quarter and are offered the opportunity to participate in engagement meetings (including those around a vote) where appropriate. We encourage clients to exchange thoughts with us about individual votes as we find this helps us to feed into our thinking and foster alignment with client interests. Clients' ability to connect with our engagement professionals about individual companies is a key differentiator of our service offering.

While we aim to offer the best service possible, we do recognise that there may be occasions where we will receive a complaint. We are committed to resolving complaints through a robust, documented procedure.

### Issuers

As noted elsewhere, EOS engagers will seek to engage with issuers on the voting watchlist to inform them of any concerns and likely recommendations against management and will consider their views in reaching a final decision, including invoking the internal escalation process as needed. As part of this process, engagers will seek to clarify relevant facts and correct any potential factual errors. Issuers may often disagree with EOS' vote recommendations and/or underlying policy position, which EOS considers to be inevitable given the range of views held on different issues. EOS does seek to understand issuers' views both in vote season and through its ongoing engagement activities and such insights are factored in to its policy review cycle and updates to its Engagement Plan as appropriate.

Issuers are able to make a formal complaint where they believe that proper process has not been followed regarding voting recommendations. This should be directed via the same process as for clients (see following section: Complaints Process).

Further, issuers who wish to make a complaint about any signatory of the Best Practice Principles Group (BPPG) on the basis that they believe the signatory has breached one or more of the best practice principles may do so, following the BPPG complaints process. More information can be found here: [Complaints & Feedback | Best Practice Principles for Shareholder Voting Research \(bppgrp.info\)](https://www.bppgrp.info). Should issuers be dissatisfied and wish to escalate concerns further, they may directly contact the Best Practice Principles Oversight Committee of the BBPG (BPP OC) by emailing [oversightchair@bppgrp.info](mailto:oversightchair@bppgrp.info).

### Complaints process

All formal complaints should in the first instance be made in writing to the Chief Compliance Officer and copied to the Company Secretary to the Adviser at Sixth Floor, 150 Cheapside, London EC2V 6ET.

The complaints handling procedure is applicable to all entities within Federated Hermes Limited, including associated undertakings and joint venture arrangements where Federated Hermes Limited has a controlling interest and to all members of staff across Federated Hermes Limited.

Principles:

The general principles governing the firm's policy are:

- **Complaint awareness:** Requirement to provide appropriate information to inform all clients of our complaint handling process.
- **Complaint handling:** Requirement to provide a written acknowledgement to the complainant within five working days of receiving their complaint and to seek to attempt to resolve all complaints within eight weeks of receipt.
- **Root cause analysis:** Business areas with complaint handling responsibility must have processes to carry out effective root cause analysis.

## Timeliness

Our process aims to provide voting recommendations at the earliest possible opportunity once all the relevant materials (including the provisional EOS voting guideline recommendations published by ISS) are made available and relevant engagement has taken place. Recommendations should be issued no later than one working day prior to our earliest custodian-confirmed cut-off. In some cases, we are unable to do so, primarily due to the availability of source information and research. On average, our recommendations are available 8 days prior to the cut-off. We make reasonable efforts to chase up outstanding research and challenge conservative deadlines set by custodians. We encourage engagement professionals to contact companies in good time. We issue client alerts to promptly notify clients of recommendations. From time to time, companies will contact us with feedback regarding our voting recommendation which we pass on to the relevant engagement professional to consider. Where time allows, this may trigger additional engagement or a revised voting recommendation which is then relayed to clients promptly.

## Client and supplier understanding

EOS seeks always to act in its clients' best interests. Accordingly, EOS takes all reasonable steps to identify conflicts of interest and 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. To this end we have established a conflicts of interest approach which is detailed further under the section addressing Principle Two.

The service agreement between EOS and each client clarifies responsibilities and limitations of our service, including reliance on external parties and the constraints on timeliness indicated above. There are further limitations to our service such as:

### Share blocking process

We apply a precautionary principle to ballots involving share blocking. To avoid affecting our clients' ability to trade, we ask each client to nominate an authorised person to approve such votes before the cut-off date. Once a vote is authorised, the underlying shares may be blocked and remain unavailable for trading until after the meeting date.

### Special requirements and Powers of Attorney

We support clients by passing on special requirements without undue delay where we are made aware of them. Our clients are responsible for ensuring valid powers of attorney are in place, and an annual reminder is provided to clients.

### Bondholder meetings and private/unlisted companies

Bondholder meetings and meetings of private/unlisted companies are not within the scope of our voting recommendation service. Where we are made aware of such events, we bring these to the attention of our clients as a prompt for them to make arrangements (typically via their managers) to instruct these events.

## Client disclosure facilitation

We recognise that institutional investors may be subject to disclosure requirements of the use of our services. We support clients, upon their request, with disclosure relating to their discharge of stewardship responsibilities. Many voting clients will disclose their voting behaviour on their own website, and we provide vote disclosure files for this purpose as standard at no extra cost. We further assist PRI signatory clients with inputs they can use to support their own reporting.

## Principle Two: Conflicts-of-Interest Management<sup>15</sup>

EOS seeks always to act in its clients' best interests. Accordingly, the firm takes all reasonable steps to identify actual or potential conflicts of interest and 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. We are proud to have a strong culture of responsibility and we aspire both to maintain and further foster this client-focussed culture.

EOS does not offer consultancy services to issuers which may be subject to our engagement or voting recommendations. Our clients are like-minded long-term investors which encourages alignment of EOS' interests with its clients. When onboarding prospects, we consider this alignment and we will not conduct business with clients whose values and philosophy are fundamentally at odds with our guiding purpose.

Federated Hermes has a policy regarding its Code of Business Conduct and Ethics, which is part of the mandatory Compliance induction process and annual refresher training. This policy covers various aspects of conduct including managing conflicts of interest and applies to all employees across the group, including at EOS.

Further, the Federated Hermes Pledge expresses the commitment of each member of staff to always put the interests of our clients and their beneficiaries first and in so doing manage conflicts of interest fairly between all affected parties. We also seek to align with international good practice on managing and reporting conflicts of interest.

Across the firm we take all reasonable steps to identify conflicts of interest between: Federated Hermes, including its managers, employees and appointed representatives or any person with a relevant direct or indirect link to them, and our clients as a body; or any one client of Federated Hermes and the client body.

### Potential conflicts of interest

#### Employee share trading

Federated Hermes Limited has a personal account dealing policy that covers personal trading within the firm, which applies to all employees including all EOS team members.

Compliance approval is required for all relevant trades. All employees must seek pre-clearance through the Compliance Platform. All reportable instruments must be held for a minimum of 60 days. Employees also provide an initial holdings report within seven days of joining, an annual holdings report and must submit a contract note within seven days of a trade approval through the Compliance Platform. Transactions in Federated Hermes, Inc stocks on margin, short selling, short-term basis of less than six months and during the 'blackout' period are not permitted.

#### Ownership

One potential conflict which has been identified for the group relates to our ownership structure. EOS is owned by Federated Hermes Limited which in turn is owned by Federated Hermes Inc.. We have internal procedures to regulate the processes and restrict the flow of information among, and within, business units so that activities are carried out with the appropriate level of independence.

EOS' policy is not to provide vote recommendations for any publicly-listed investment trusts or funds owned by Federated Hermes Inc. or Federated Hermes Inc. itself, but rather to pass through the ISS benchmark recommendations to clients, to avoid any potential conflicts.

<sup>15</sup> This section draws on the Stewardship Conflicts of Interest Policy from Federated Hermes Limited which is published on our website: [Policies & disclosures | Federated Hermes Limited \(hermes-investment.com\)](https://www.federatedhermes.com/policies-and-disclosures)

## Clients and prospects

EOS provides services not only to Federated Hermes, but also to other institutional investors, including pension funds sponsored by corporations, governments and other organisations, as well as fund manager clients. These services include voting and engagement with companies in which Federated Hermes' clients are equity shareholders and/or bond investors.

As a result, the following real or perceived conflicts may arise:

- We may provide voting recommendations pertaining to a company which is the sponsor of one of our pension fund clients or is a company within the same group as one of our clients or prospects
- We may provide voting recommendations with respect to a corporate transaction, the outcome of which would benefit one client or prospect more than another
- We may engage with and provide voting recommendations relating to a company in which certain clients or prospects are equity holders and others are bond holders
- We may hold meetings with companies for the dual purpose of delivering both our fund management and stewardship services
- We may otherwise act on behalf of clients who have differing interests in the outcome of our activities

Where we provide voting recommendations relating to sponsors of, or in the same group as our clients, we are careful to protect and pursue the interests of all of our clients by seeking to enhance or protect the long-term value of the companies concerned. In the first instance, we make clear to all pension fund clients with corporate sponsors that we will treat their sponsoring parent or associated companies in the same way as any other company. In addition, we ensure that in such situations the relevant client relationship director or manager within Federated Hermes Limited including EOS, is not making the voting recommendation to clients. This same approach would hold true with respect to any engagement with a company with whom we, our owners or our clients, have a strong commercial relationship, including suppliers.

We are a relatively small firm, and engagers are exposed to clients on a frequent basis. It is not practicable for us to fully segregate our voting recommendation service from the client servicing function, and engagers will generally be aware of the identity of our clients and their sponsors (who may be subjects of our voting recommendation). We do make efforts to avoid inadvertent influence or bias from sponsoring companies by following our standard engagement and voting protocols – including escalating manual votes relating to sponsoring companies, and only communicating voting recommendations to the client once they are final.

EOS has a process in place to identify actual or potential conflicts of interests and business relationships that may influence the preparation of our research, advice or voting recommendations, which utilises several stages of assessment and escalation, as well as multiple members of both the EOS team and the broader Federated Hermes Limited senior management team. In such instances we provide clients with a client alert detailing the relationship as well as steps taken to eliminate, mitigate or manage the actual/ potential conflicts of interests at the same time as delivering the voting recommendation. Clients may further be provided with a copy of the research provided by a non-conflicted proxy advisor, to aid transparency.

We would acknowledge situations where we become aware that one of our clients is a shareholder proponent or a party to a proxy contest and seek to inform clients with an alert.

Voting recommendations are made and provided by our stewardship team in line with client-agreed policies. We have well-established publicly disclosed voting principles and based upon these and the judgements reached through engagement with individual companies we provide voting recommendations to our stewardship voting clients.

There may be occasions where one of our clients seeks to influence the voting advice we give to other institutional clients. In such circumstances there would be director-level involvement and an objective judgement reached based upon what we believe to be in the best long-term interest of our clients as a body. All clients retain full discretion over their final voting decision. Clients, and internal investment teams, may at times have different immediate interests in the outcome of certain corporate activities, most notably, in the result of a takeover bid involving two public companies.

When making our recommendations on such transactions, we consider a range of factors in the context of seeking to protect and promote long-term, sustainable value. These include: consistency with strategy; risks and opportunities (the key risks and opportunities and the extent to which these appear to have been managed); conflicts of interest; and price. We may make different recommendations to holders on each side of the transaction depending on what we believe best serves their long-term interests. There may also be instances where certain clients have holdings on both sides of the transaction and may have conflicting interests.

Where appropriate, input from FHL investment team colleagues will be considered alongside other inputs, with EOS retaining discretion over the final recommendation, in line with the long-term interests of EOS clients. We make clear to our clients that we will at times seek input from investment team colleagues as one of several inputs and will communicate to clients where this has been done for a particular transaction, together with any potential conflict of interest. As with all voting recommendations, clients retain the final decision on voting. On the rare occasion that an FHL investment team and EOS disagree on the appropriate voting action, the matter is logged and escalated as described in the next section.

Our policies seek to avoid any potential conflicts for individual Federated Hermes staff members arising from engagements with companies in which they have personal investments or some material personal relationship with a relevant individual. When any staff member recognises a potential conflict of interest with a company in which they are engaging, he or she must raise this with their line manager. Any such instances are recorded and escalated as described in the next section. Where a staff member has a significant personal connection with a company – such as having been employed by the company within the last 12 months, or being related to an employee of the company in a position of influence – he or she is required to make this known and is not permitted to be involved in any relevant stewardship activities, including making voting recommendations.

## **Conflicts of interest EOS does not have**

EOS does not offer consultancy services to issuers which may be subject to our engagement or voting recommendations.

## **Recording and escalation**

We maintain a register of instances of conflicts or potential conflicts as they arise. In those limited circumstances where a conflict over our approach to voting recommendations (aside from that directed by client-specific policies) arises which is not able to be resolved, an EOS director in the manner set out above will escalate it to an escalation group which reports to an independent sub-committee of the board of Federated Hermes Limited. The escalation group comprises the Heads of Investment, Responsibility, Client Relations (observer role), the Chief Regulatory Officer and Head of Government Affairs and a Director from the Legal team. The group is guided in reaching its decisions by our mission to deliver responsible wealth creation, in line with the EOS Engagement Plan and related voting guidelines and other appropriate industry-endorsed guidance. If there is no majority view of the group, then the CEO of Federated Hermes Limited will make a final decision. All such instances would be documented and reported to the risk, compliance & financial crime executive – an independent sub-committee of the board of Federated Hermes Limited. It is expected that votes cast by the investment teams of Federated Hermes Limited would be consistent with the voting recommendations we provide to EOS' voting service clients other than in limited circumstances.



We review the Stewardship Conflicts of Interest Policy<sup>16</sup> annually to ensure it adequately reflects the types of conflicts that may arise so that we can ensure that they are appropriately managed and as far as is possible, mitigated. The Policy is publicly available on our website.

### **Conflicts of interest approach in practice**

Our policy on conflicts may be best understood by considering its impact in practice. Our EOS conflicts of interest register contains a description of stewardship conflicts, what mitigation procedure and controls were put in place, whether it was then reported to the escalation group if necessary and any follow-up actions and conclusions. It is reviewed by senior management on a regular basis. The following are conflicts which we identified and managed in 2023:

#### **Voting recommendation difference with an investment team**

EOS' initial voting recommendation for a company was against the remuneration report due to a notable increase in pay opportunity for the CEO, in excess of EOS' typical policy limits. The relevant investment team of Federated Hermes Limited indicated that it would prefer to support the increase. The investment team made the case that the company had historically demonstrated restraint in its pay awards, and had not previously granted awards which exceeded EOS' typical policy limits. The decision was escalated to an EOS director. After reviewing the arguments and relevant data, the decision was taken to support the pay increase to the CEO. However, this was conditional on the company not seeking to make further pay increases in subsequent years. The investment team agreed to this condition, and EOS communicated its position to the company at the time of the AGM.

#### **Potential conflict due to peer company**

EOS gave vote recommendations for the agenda items at the 2023 AGM of a financial services company. The company is a peer of Federated Hermes Limited, and was proposing a 'say on climate' resolution at its AGM. The initial voting recommendation was to support the proposal. In order to ensure that EOS was applying the same approach to a peer as it would to other companies, the voting recommendation was escalated to an EOS director and then to the Head of Stewardship. The analysis of the recommendation was found to be consistent with the approach taken at other companies, and so the initial recommendation of support was maintained.

---

<sup>16</sup> [Stewardship conflicts of interest policy \(hermes-investment.com\)](https://www.federatedhermes.com/stewardship-conflicts-of-interest-policy)

## Principle Three: Communications Policy

### Dialogue with issuers, shareholder proponents and other stakeholders

EOS actively seeks dialogue with issuers, shareholder proponents and other stakeholders – this is a key feature of our approach. We communicate the outcomes of these dialogues to clients through our client reporting portal, EOSi, as well as through our regular alerting and reporting.

We do not proactively furnish all issuers with our voting recommendations ahead of the meeting. Our team is not resourced to be able to commit to this and voting recommendations are primarily provided for the benefit of our clients. Where we vote or recommend voting against or abstaining on management resolutions or support shareholder resolutions opposed by management, we normally contact companies within our engagement programme or in which our clients have a significant stake (watchlist companies), before the meeting. Any resultant dialogue helps us to take a fully informed view and can lead us to change our intended vote or voting recommendation. If in our final recommendations we oppose management recommendations on any matter, we will endeavour to inform these companies of our reasons. EOS' client recommendations are provided confidentially to our clients as part of our engagement and voting service and so are not systematically disclosed. However, the day after the relevant meeting date, Federated Hermes Limited discloses its voting decisions, which are generally aligned to those of EOS recommendations on relevant holdings, save in certain circumstances explained under our response to Principle Two: Conflicts of Interest. These are made public through its corporate website<sup>17</sup> and EOS encourages its voting clients to publicly disclose their final voting decisions in line with international best practice.

Stewardship activities are exercised with the aim of influencing the company's behaviour. However, these activities are not carried out with the intention to obtain non-public information, nor is information obtained intended to manipulate the market.

In the case that material non-public information is obtained through stewardship activities, our compliance department is informed and an information barrier is created for insiders until the information is publicly disseminated. During the application of the information barrier, stewardship professionals are not allowed to act upon or share the non-public material information. The EOS proprietary engagement management system, requires that engagement professionals certify that they have either not received any inside information whilst conducting each engagement interaction or that they have received inside information and followed the applicable compliance procedure.

### Dialogue with media and the public

We generally prefer not to take a public route when seeking change at companies. In our experience, working constructively with boards and management in private is most effective in achieving positive change.

However, on some occasions, when we think it is helpful, we may use the media and other public forums to drive change. If we speak to the media, our comments should come as no surprise to the company because we have either already made the same points to the company or our position on major issues is well-known through the principles and policies we have publicly set out. This activity is subject to our corporate communications policy and designated engagement professionals receive targeted training to manage media contact, including managing risks including those related to defamation, market abuse, and material non-public information. Our policy is to provide our voting recommendations to clients before disseminating recommendations to a wider audience in the rare cases where we would seek to publish these ahead of a meeting.

<sup>17</sup> <https://www.hermes-investment.com/uk/en/institutions/proxy-voting-dashboard/>

## Complaints to the BPPG and BPP OC

As discussed earlier in the report, if stakeholders wish to make a formal complaint relating to the activity of a signatory to the BPPG, they can follow the escalation process outlined as part of the BPP OC's Annual Report. More detail can be found on pages 58-67 of the 2023 BPP OC Annual Report<sup>18</sup>.

## Appendix: Changes to EOS practices and disclosures vs. 2023

For reference, this table summarises changes to EOS practices and/or disclosures since its previous BPP compliance statement (June 2023) and the rationale for these, including whether/how these relate to feedback provided by the BPP Oversight Committee on its previous statement.

Change	Rationale
Statistics tracking (across document) <ul style="list-style-type: none"> <li>Information on prior year data to enable any material shifts to be monitored</li> </ul>	Suggested in feedback by the BPP Oversight Committee.
Updates to Research Capacity and Staff numbers and workload (page 5)	In response to feedback by BPPG Oversight Committee requesting more information on how we ensure staff resource can cope with the peaks of AGM voting season.
Updates to EOS' public vote documentation (page 6) <ul style="list-style-type: none"> <li>Consolidation of policies into three Regional Voting Guidelines for major regions (Europe, North America and AsiaGEMs) as signalled in 2023</li> </ul>	Changes intended to clarify and improve public documentation, in particular, to provide more specific information on vote guidelines for issuers.
Updates to how EOS applies details of its voting policy (page 6) <ul style="list-style-type: none"> <li>Specific reference to how EOS integrates its own approach on pertinent topics as part of its voting policy (e.g. overboarding, executive remuneration)</li> </ul>	Suggested in feedback by the BPP Oversight Committee.
Updates to EOS Global Proxy Voting Guidelines (page 7)	Small changes following annual policy review process.
Updates to the research process (p.8) <ul style="list-style-type: none"> <li>A further explanation of how a range of quantitative and qualitative data are each considered.</li> <li>How different ESG drivers are weighed up</li> <li>How errors in reporting are taken on board</li> </ul>	Suggested in feedback by the BPP Oversight Committee.

<sup>18</sup> [2023\\_BPP-OC-Annual-Report-FINAL.pdf \(bpggrp.info\)](#)

Added disclosure of factors which contribute to vote policy development and renewal (page 10)	Suggested in feedback provided by BPP Oversight Committee relating to ESG methodology.
Reference made to BPP OC complaints procedure for issuers (page 11) and all stakeholders (page 17)	Suggested in feedback provided by the BPP Oversight Committee.
Clearer description of how Federated Hermes' policies on share trading and compliance monitoring are applicable to EOS team (page 13)	Suggested in feedback provided by BPP Oversight Committee.
Establishment of quality control 'spot check' process of votes (page 13)	Improvement identified by EOS' ongoing internal reviews and audit recommendations
Further expansion on how conflicts of interest process is sufficiently robust by expansion of stages and personnel involved (page 14)	Suggested in feedback provided by the BPP Oversight Committee.
Conflicts of interest in practice: new examples provided from 2023 (page 16)	Providing up to date disclosures and following feedback from the BPP Oversight Committee that examples in previous statement were outdated.