



# RI TRANSPARENCY REPORT

## 2013/14

Hermes Fund Managers Limited



UNEP Finance Initiative  
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

## PRI disclaimer

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# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	🔒	n/a							✓
OA 07	Governance, management structures and RI processes	-	n/a							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	-	n/a	✓						
OA 14	Allocation of assets to environmental and social themed areas	-	n/a	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	-	n/a		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	🔒	n/a	✓						
FI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
FI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	✓	Public	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Private		✓					
FI 20	Engagement with government issuers	✓	Public		✓					

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	✓	Public	✓			✓		✓	
PR 07	Formal commitments to RI	✓	Public				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Public		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

# Hermes Fund Managers Limited

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

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## Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

☒ Fund management

% of assets under management (AUM) in ranges

☐ <10%

☐ 10-50%

☒ >50%

☒ Fund of funds, manager of managers, sub-advised products

% of assets under management (AUM) in ranges

☒ <10%

☐ 10-50%

☐ >50%

☐ Other, specify

☐ Execution and advisory only services

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

United Kingdom

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

☐ 1

☒ 2-5

☐ 6-10

☐ >10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

437

OO 03

Mandatory

Descriptive

General

**OO 03.1**

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☒ Yes

**OO 03.2**

List your subsidiaries that are separate PRI signatories and indicate if you would like to report their RI activities in your organisation's consolidated report.

Name of PRI signatory subsidiary	RI implementation reported here on a consolidated basis
Hermes GPE LLP	<input type="radio"/> Yes <input checked="" type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No

☐ No

**OO 03.3**

Additional information. [Optional]

Hermes GPE LLP is a joint venture between Hermes Fund Managers and GPE Limited.  
Hermes GPE is an independent entity and not part of the Hermes group.

**OO 04**

**Mandatory**

**Gateway/Peering**

**General**

**OO 04.1**

Indicate the year end date for your reporting year.

31/12/2013

**OO 04.2**

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		26	281	770	102
Currency	GBP				
Assets in USD		40	933	808	196

**OO 04.3** Indicate the level of detail you would like to provide about your asset class mix.

- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- ☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 04.4** Additional information. [Optional]

Please note the total AuM figure includes £3.4bn of assets managed or under an advisory agreement by Hermes GPE LLP (HGPE), a joint venture between Hermes Fund Managers (Hermes) and GPE Limited. HGPE is an independent entity and not part of the Hermes group. £0.4bn of total group AuM figure represents Hermes' mandates under advice. Source: Hermes as at 31 December 2013.

**OO 06**

**Mandatory**

**Descriptive**

**General**

**OO 06.1** To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☒ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	22.83	0
Fixed income – corporate	2	0
Fixed income – government	30.49	0
Fixed income – other	0	0
Private debt	0	0
Private equity	13.11	0
Property	21.87	0
Infrastructure	0	0
Commodities	3.76	0

Hedge funds	5.94	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

☐ Publish our asset class mix as broad ranges

☐ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08.2	Additional information. [Optional]
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Breakdown does not include emerging market exposure in global portfolios.

OO 09	Voluntary	Descriptive	General
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**OO 09.1**

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

Hermes Fund Managers (Hermes) is a long-established investment management firm focused on delivering superior and sustainable risk-adjusted returns for our clients - responsibly. We manage £26.3bn in assets across specialist equities, fixed income, real estate and alternatives. Hermes Equity Ownership Services (Hermes EOS) is one of the largest equity stewardship businesses globally, with £98bn assets under advice.

Hermes believes in Excellence, Responsibility and Innovation.

**Excellence**

We aspire to excellence in everything we do. This manifests itself most visibly in our investment performance, as more than 82% of our strategies outperformed their benchmark since inception to 31 December 2013. We will only offer our clients products that we believe have a strong investment thesis and can deliver sustainable alpha

**Responsibility**

A strong culture of responsibility is ingrained in our DNA, and we have always sought positive engagement with the firms in which we invest. We also believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers.

**Innovation**

We have the entrepreneurial culture to identify forward-looking products to meet clients' current and future needs, along with the resources and speed-to-market mentality to develop them rapidly.

Hermes is a unique organisation, as it is owned by and the principal manager of the BT Pension Scheme. This alignment with one of the UK's largest corporate pension schemes means that Hermes always values the delivery of long-term outperformance for its clients over short-term profitability.

## Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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**OO 10.1**

Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

<b>OO 10.3</b>	Additional information. [Optional]
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Engagement with companies on ESG issues and proxy voting is undertaken by Hermes Equity Ownership Services.

<b>OO 11</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>General</b>
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<b>OO 11.1</b>	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.
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- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☐ Private equity
- ☒ Property
- ☐ Commodities
- ☐ Hedge funds
- ☐ None of the above

<b>OO 12</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>General</b>
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<b>OO 12.1</b>	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.
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**Core modules**

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

**RI implementation directly or via service providers**

Direct - Listed Equity incorporation
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- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership
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- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income
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- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government

	Direct - Other asset classes with dedicated modules
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☒ Property

**Closing module**

☒ Closing module

**Note:** Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

# Hermes Fund Managers Limited

## Reported Information

## Public version

## Overarching Approach

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

☒ Yes

☐ No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

Hermes' business is built to deliver sustainable risk-adjusted alpha to our clients over the long term. We achieve this through a responsible investment approach that aligns us with the needs of long-term investors and has broader benefits to society. Developed over 30 years through our institutional relationship with the BT Pension Scheme and embedded throughout the organisation, our approach is two-fold: in addition to acting as a 'Responsible Investor' - that is, a good steward of the assets we invest in - we are also focused on being a 'Responsible Manager', taking seriously our fiduciary responsibilities to our clients.

#### **Being a Responsible Investor means:**

*Awareness of Environmental, Social and Economic Sustainability:* Environmental and social issues can impact asset value and risk, as well as having broader societal impact. We seek to integrate the insights and outputs of stewardship activities within asset allocation and investment processes to assist in unlocking investor value.

*Reliance on strong Governance, Strategy and Culture:* We believe companies will ultimately perform better when led by boards with an appropriate mix of capabilities, a culture of constructive debate and which are independent of the management of the company. We believe that the promotion of such enhances the creation of long-term stakeholder value and we aim to instil this through proactive engagement across all companies in which we invest.

The above points are supported by the following resources:

- Monthly and quarterly meetings between our portfolio managers, the Hermes Investment Office and Hermes Equity Ownership Service, where ESG issues relevant to the specific funds - whether at the level of individual holdings or the broader market - can be raised by any of the parties and extensively discussed.
- Portfolio managers can utilise the resources and expertise of Hermes EOS to raise relevant ESG issues with the companies in their portfolio or universe and to provide the portfolio managers with ESG-relevant research.
- Portfolio managers use Hermes' proprietary ESG Dashboard, which contains a wealth of quantitative ESG information on the securities in their universe, along with qualitative information from Hermes EOS.
- We can also offer our clients specific ESG funds, or the capability to select or screen defined universes of stocks by bespoke ESG factors on a mandate basis.

*Our approach to Public Policy and Best Practice:* We seek to influence the adoption of what we believe is appropriate public policy and best practice, engaging with governments and regulators. Through various channels we have established these long-standing relationships, which can potentially be utilised in the interest of protecting and enhancing long-term value on behalf of our clients. Senior Hermes figures meet frequently with politicians, regulators, industry peers and influencers to discuss such issues, both privately and in public fora.

#### **Being a Responsible Manager Means:**

*Transparency:* The Investment Office acts in the interest of clients and works as an independent portfolio oversight body across all investment boutiques. Combining traditional fiduciary values with modern analytical techniques, it monitors fund positioning, risk and performance across the investment products. The Investment Office helps to ensure the delivery of sustainable risk-adjusted alpha to clients. The Investment Office aims to identify the principal risks in the portfolio and the drivers of performance (both positive and negative). In addition, the group monitor adherence to stated investment process and changes in decision making methodology and efficacy. Our investment teams are committed to being fully

transparent on all of our client's portfolios, actively keeping them informed of developments within them.

*Taking a long-term approach, aligning us with our clients' interests:* We have always been a long-term investor, having been established to support the management of one of the largest UK pension funds. Thus we have an embedded philosophy of managing risk from a client perspective, and incentivising managers on a long-term performance basis, with co-investment a theme. Holding equity in their boutique helps to align investment managers with clients' interests.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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☒ Yes

OA 02.2	Provide a URL to your responsible investment policy.
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	URL
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[http://www.hermes.co.uk/Portals/0/Hermes\\_Corporate\\_Ownership\\_Principles\\_non-US.pdf](http://www.hermes.co.uk/Portals/0/Hermes_Corporate_Ownership_Principles_non-US.pdf)

☐ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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☒ Yes

☐ Yes, all

☒ Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
Hermes EOS policy documents	<a href="http://www.hermes.co.uk/eos/en-gb/literature/policydocuments.aspx">http://www.hermes.co.uk/eos/en-gb/literature/policydocuments.aspx</a>
Hermes Real Estate RPI reports	<a href="http://www.hermes.co.uk/realestate/en-gb/literature.aspx">http://www.hermes.co.uk/realestate/en-gb/literature.aspx</a>

☐ No

OA 03	Mandatory	Core Assessed	PRI 1,2
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**OA 03.1**

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**OA 03.3**

Additional information. [Optional]

Hermes as a business is guided by a responsible asset management approach that aligns us to the needs of long-term investor. Developed over 30 years through our institutional relationship with the BT Pension Scheme and embedded throughout the organisation, our approach is two-fold. In addition to acting as a responsible investor (i.e. a good steward of the assets in which we invest), we are also focused on being a responsible manager, taking seriously our fiduciary responsibilities to our clients.

Proxy voting is undertaken by Hermes Equity Ownership Services on behalf of Hermes' clients and Hermes' investment teams.

Hermes has in place asset class-specific guidelines in place for certain strategies, as well as general principles and behavioural standards that inform all investment teams.

**OA 04**

Mandatory

Core Assessed

General

**OA 04.1**

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

- ☐ Yes  
☒ No

<b>OA 04.3</b>	Additional information. [Optional]
----------------	------------------------------------

Hermes has in place a Conflicts of Interest policy that captures the major conflicts an investment manager may encounter and applies to those conflicts of interest that may give rise to a material risk of damage to the interests of a client. Conflicts of interest may arise between Hermes and a client, two or more clients within a Hermes investment product, or Hermes' employees and a client. Our policy provides information designed to enable employees to understand the measures we take to safeguard clients' interests.

## Objectives and strategies

<b>OA 05</b>	<b>Mandatory</b>	<b>Gateway/Core Assessed</b>	<b>General</b>
--------------	------------------	------------------------------	----------------

<b>OA 05.1</b>	Indicate if your organisation sets objectives for its responsible investment activities.
----------------	--

- ☐ Yes  
☒ No

<b>OA 05.4</b>	Additional information. [Optional]
----------------	------------------------------------

Hermes is committed to delivering long-term risk-adjusted performance responsibly. While Hermes does not set objectives for our responsible investment activities, Hermes has defined a set of behaviours innate to our culture that contribute to the success of our business. Every employee has a responsibility to act in a way that upholds Hermes' core behaviours through their day-to-day behaviours. End-of-year performance ratings are based on the extent to which an employee has demonstrated these behaviours, in addition to the extent to which they have met their performance objectives.

## Governance and human resources

<b>OA 08</b>	<b>Mandatory</b>	<b>Gateway/Core Assessed</b>	<b>General</b>
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<b>OA 08.1</b>	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
----------------	---

## Roles present in your organisation

- ☒ Board members or trustees
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other Chief-level staff or head of department, specify
- ☒ Portfolio managers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ External managers or service providers
- ☐ Other role, specify
- ☐ Other role, specify

**OA 08.2**

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

29

**OA 08.3**

Additional information. [Optional]

Hermes EOS employs 23 full-time staff and six senior advisors. Three investment teams also count ESG specialists among their number.

## Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
-------	-----------	---------------	---------

OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.
---------	---

☒ Yes

OA 10.2	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
---------	---

**Select all that apply**

☒ Asian Corporate Governance Association

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Hermes has been an active member since 2002 and continues to contribute to policy work and engagement.

- ☐ Association for Sustainable & Responsible Investment in Asia
- ☐ Australian Council of Superannuation Investors
- ☒ CDP Climate Change

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Hermes has been contributing data to the CDP survey.

- ☐ CDP Forests
- ☒ CDP Water

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

☒ CFA Institute Centre for Financial Market Integrity

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

☒ Council of Institutional Investors (CII)

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Hermes was one of the first non-US investors to join the group. Tim Goodman (Hermes EOS) sits on the Advisory Council, and Hermes EOS participates in a number of its members' activities, in particular collaborative engagement.

☒ Eumedion

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced



Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Hermes has been an active member of Eumedion since 2005 and was its first non-domestic members. We participate in its investment committee meetings, providing input into its engagement programmes and projects. In 2009, Colin Melvin, CEO of Hermes EOS, became a board member.

Henk Marius (Hermes EOS) sits on the Legal Committee, and Natacha Dimitrijevic sits on the investment committee.

☒ Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic  
☐ Moderate  
☐ Advanced

☐ Global Investors Governance Network (GIGN)

☒ Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic  
☒ Moderate  
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Tatiana Bosteels (Hermes Real Estate) sits on the advisory board. We submit all our directly-managed funds to the survey and strongly encourage our JV fund to respond.

☒ Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Hermes joined IIGCC in 2006 and is an active member of its public policy, climate risk and corporate working groups. Tatiana Bosteels is the chair of the Property Working Group.

- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Natacha Dimitrijevic and Hans Hirt sit on the shareholder rights committee; Hans also sits on the remuneration committee. Jennifer Walmsley (Hermes EOS) sits on the scholarship committee

- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Hermes was a founding signatory. Colin Melvin sits on the Advisory Council Chair Search Committee.

- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

UKSIF

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☐ Basic  
☒ Moderate  
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Victoria Barron (Hermes EOS) sits on the analyst committee.

- ☐ Shareholder Association for Research and Education (Share)  
☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Leon Kamhi, an executive director of Hermes EOS, chairs the investment commission and is a member of the steering committee. Tatiana Bosteels co-chairs the property working group within the investment commission.

- ☐ United Nations Global Compact  
☒ Other collaborative organisation/initiative, specify

Assogestioni (Italy)

Your organisation's role in the initiative during the reporting year (see definitions)
--

- ☒ Basic  
☐ Moderate  
☐ Advanced  
☒ Other collaborative organisation/initiative, specify  
 Canadian Coalition of Good Governance (CCGG)

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☒ Basic  
☐ Moderate  
☐ Advanced

☒ Other collaborative organisation/initiative, specify

Corporate Reporting Users' Forum (Europe)

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☒ Basic  
☐ Moderate  
☐ Advanced

☒ Other collaborative organisation/initiative, specify

Council of Institutional Investors (USA)

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☒ Basic  
☐ Moderate  
☐ Advanced

☐ No

<b>OA 10.3</b>	Additional information. [Optional]
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Hermes EOS is also an active participant in Dansif (Denmark), DSW (German Shareholder Association), European Investors' Working Group, Eurosif (Europe), FIR (French Social Investment Forum), Forest Footprint Disclosure Project, International Corporate Governance Network (ICGN), International Investors Group on Climate Change (IIGCC), KOSIF (Korea), National Association of Pension Funds (UK) and UN Environment Finance Initiative (UNEP FI).

<b>OA 11</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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<b>OA 11.1</b>	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

**OA 11.2**

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☒ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☒ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☐ Other, specify

☐ No

Our CEO, Saker Nusseibeh, has been involved in a number of larger initiatives which have had various 'non-public' meetings associated with them:

- The CFA Future of Finance initiative, where Mr Nusseibeh is on the Advisory Council
- The BIS Steering Panel for Models and Metrics Research, part of the government's follow up to the Kay Review
- The Blueprint for Better Business initiative. Mr Nusseibeh has a lot of input on the initiative and participated in their conference as below

Mr Nusseibeh has also participated in a number of events with themes around responsible investment:

- Spoke at NAPF Edinburgh on the theme of 'pension funds as responsible owners'
- Spoke at Future of Financial Services Summit on restoring trust in financial services
- Was a panellist at a CFA Professionalism event on 'Conflicts of interest - transparency, management and mitigation'
- Participated in a Guardian Sustainable Business event (a meeting to steer their editorial agenda)
- Was a panellist at the CBCEW Blueprint for Better Business conference on 'Are investors incentivised to serve society?'
- Spoke to students of the London Business School on Responsible Investing
- Participated in a Guardian Sustainable Business event (a meeting to steer the newspaper's editorial agenda)

2014 activities include:

- Participated in a Guardian Finance Roundtable Discussion on 'How can we move towards a sustainable financial system?'
- Participated in the Business in the Community Leadership Summit, which focused on how business leaders need to ensure the wider responsibilities of business are understood within their organisation
- CFA Middle East travelling conference addressing the core topic of transparency and fairness in financial markets

Hermes is an active participant in public policy discussions and supports the 300 Club, founded and chaired by Mr Nusseibeh, as an independent forum for discussion and debate about the responsibilities of the industry.

Hermes has also produced a thought piece on ESG investing: 'Does it just make you feel good, or is it actually good for your portfolio?' The Hermes Real Estate team also produces an annual responsible property investment report and has written a paper on 'RPI: Defining the Challenge' and produced a responsible property development guide.

Hermes EOS has also has participated in a number of events and engaged in activities to promote responsible investment:

- Colin Melvin, CEO of Hermes EOS, participated in a panel discussion on 'Doing business in Africa today: understanding the current political, economic and social landscape' at the PRI in Person Annual Event
- Commented on the Law Commission's consultation on the Fiduciary Duties of Investment Intermediaries

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☒ Yes

☒ Yes, individually

☐ Yes, in collaboration with others

OA 12.2	Select the methods you have used.
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☐ Endorsed written submissions to governments, regulators or standard-setters developed by others

☐ Drafted your own written submissions to governments, regulators or standard-setters

☐ Participated in face-to-face meetings with government members or officials to discuss policy

☒ Other, specify

See OA 12.3.

OA 12.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☒ Yes, publicly available

	provide URL
--	-------------

<http://www.hermes.co.uk/eos/en-gb/literature/publicpolicyconsultations.aspx>

☐ No

☐ No

## Innovation

OA 18	Voluntary	Descriptive	General
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**OA 18.1**

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

Developed over the past two years by the Hermes Global Equities team, in conjunction with Hermes EOS, the ESG Dashboard is Hermes' bespoke company report for collating and viewing data on the most important ESG issues. Companies are evaluated relative to their industry and regional peers. The report also contains links to supporting qualitative research from Hermes EOS and the other data providers.

During 2013, there were several key improvements to the Dashboard:

- Hermes EOS' engagement and voting data was added, highlighting engagement objectives and progress on these issues.
- Sustainalytics' ESG data was added to the report to complement the existing external providers (Trucost, FactSet and Bloomberg).
- The geographical coverage has been expanded to include emerging markets and small and mid cap, where possible.

## Assurance of responses

**OA 19****Voluntary****Additional Assessed****General****OA 19.1**

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes

**OA 19.2**

Indicate who has reviewed, validated and/or assured your reported information.

- ☐ Reviewed by Board, CEO, CIO or Investment Committee
- ☒ Validated by internal audit or compliance function
- ☒ Assured by an external independent provider, specify name

**OA 19.3**

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

Hermes was subject to an AAF audit during 2013, which scrutinised the controls in place around its activities on behalf of clients. Hermes EOS and Hermes' investment teams are also subject to regular reviews by Hermes' internal audit team and are part of the regular compliance monitoring programme. The team also undergoes a quarterly risk/control attestation process and six-monthly risk assessment review with the risk team.

☐ No



# Hermes Fund Managers Limited

## Reported Information

### Public version

#### Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

LEI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

### Strategies

☐ Passive

☒ Active – quantitative (quant)

% of internally managed listed equities

☒ <10%

**Report on your strategies that represent <10% of listed equities**

☐ Yes

☒ No

☐ 10-50%

☐ >50%

☒ Active – fundamental and other active strategies

% of internally managed listed equities

☐ <10%

☐ 10-50%

☒ >50%

LEI 02

Voluntary

Descriptive

PRI 1

We are increasingly aware of a higher consciousness within the investment community about sustainability and societal issues. ESG data is becoming more standardised and is available to a wider audience. Within Hermes we benefit from the additional expertise of Hermes Equity Ownership Services (Hermes EOS), a specialist and dedicated in-house ESG advisory team. Their large team of ESG analysts vote at shareholders meetings and seek to promote change in companies through discussion on targeted ESG risks. The Hermes Global Equities team also has its own ESG specialist in portfolio manager Louise Dudley, who has been with Hermes since 2009, initially working in Hermes EOS, and the Hermes Global Emerging Markets team includes portfolio manager Elena Tedesco, with Hermes since 2002, initially as part of Hermes EOS.

The Hermes Global Equities team has observed a longer-term trend towards investors favouring companies that are well managed with a greater level of transparency. In response to this, the team developed a number of tools, including the ESG Dashboard, the QESG score (proprietary ESG rating) and the Portfolio ESG Monitor, which are available for use by portfolio managers across Hermes. These tools highlight potential high-risk behaviour from an ESG perspective within companies, at which point Hermes EOS can be consulted further as required.

### **ESG Dashboard**

The ESG Dashboard integrates Hermes EOS's proprietary ESG research with data from a range of external providers (Sustainalytics, Trucost, FactSet and Bloomberg). The Dashboard allows all Hermes investment teams to access the key ESG-related information on any stock in their investment universe. The amalgamation of the different sources allows stocks to be assessed across many metrics. The Dashboard also highlights industry-specific key performance indicators related to social, ethical and environmental factors.

### **QESG Score**

The QESG score, which appears on the ESG Dashboard, was built utilising the expertise of Hermes EOS. The score identifies stocks with positive ESG characteristics and/or stocks demonstrating positive ESG change. Proprietary data generated internally is included, as well as best-of-breed ESG data sources (detailed above). The QESG score was built from a conceptual standpoint and is tilted towards governance factors, which have been shown to add greater shareholder value and capitalise on the belief that well-managed companies will outperform over the long term.

### **Portfolio ESG Monitor**

Most recently has been the development of the Portfolio ESG Monitor, which reports on ESG characteristics of portfolio stocks (both in absolute and benchmark-relative terms) including voting and engagement data from Hermes EOS. The monitor also highlights companies with potential controversies and ESG concerns. The tool acts to promote discussion on thematic ESG risks as well as identifying the best and the worst companies according to various ESG metrics. By thoroughly rating companies on these extra-financial criteria, businesses (and investment managers) can be steered towards greater consideration of the ESG issues. This incentive is complemented by direct dialogue with businesses that is made possible through Hermes EOS.

### **Strategy specific**

All investment teams at Hermes have access to the tools described above and a dedicated point of contact within Hermes EOS to help integrate ESG issues into their analysis. The following four strategies have taken the integration to a greater level:

Hermes Global Equities team runs three Global Equity strategies:

- Hermes Global Equity Core: utilises the ESG Dashboard and the QESG Score as part of the

subjective analysis on each potential new investment and meets regularly with Hermes EOS to discuss existing holdings

- Hermes Global Equity Screened ESG: utilises the ESG Dashboard, QESG Score and the relationship with Hermes EOS as described above, as well as imposing exclusions based on sustainability as requested by the client mandate
- Hermes Global Equities ESG: as well as the resources used for subjective analysis with the Core strategy, this newer strategy includes the QESG Score as part of the stock selection process

Hermes Emerging Markets team manages an ESG-specific portfolio. The core of the proposition lay on two pillars: inclusion of ESG considerations in the research process to guide portfolio construction, and best-in-class engagement at company and country level.

## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.		

#### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div>
	90

- ☒ Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div>
	5

- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☒ No incorporation strategies applied

Percentage of active listed equity to which no incorporation strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> <div>5</div>
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#### Total actively managed listed equities

100%

#### LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

Research on ESG risks undertaken by Hermes Global Equities team has revealed the performance benefit of avoiding companies with below-average, or worsening, ESG credentials. ESG risk is an important factor to consider as part of mitigating financial risk, being aware of any reputational risks as well as a moral obligation to invest responsibly.

#### LEI 03.3

If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

Hermes Global Equity Screened ESG utilises the ESG Dashboard, QESG Score and the relationship with Hermes EOS as described above, as well as imposing exclusions based on sustainability as requested by the client mandate.

Hermes Emerging Markets team manages an ESG-specific portfolio. The core of the proposition lay on two pillars: inclusion of ESG considerations in the research process to guide portfolio construction, and best-in-class engagement at company and country level.

LEI 04	Voluntary	Additional Assessed	PRI 1
LEI 04.1	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.		

#### Type of ESG information

☒ Raw ESG company data

#### Indicate who provides this information

☒ ESG research provider

☐ Sell-side

☒ In-house – specialised ESG analyst or team

☐ In-house – analyst or portfolio manager

☒ Company-related analysis or ratings

#### Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

**Indicate who provides this information**

- ☒ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Country-related analysis or ratings

**Indicate who provides this information**

- ☐ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Screened stock list

**Indicate who provides this information**

- ☐ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Issue-specific analysis or ratings

**Indicate who provides this information**

- ☐ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Other, specify

Portfolio-specific analysis or ratings

**Indicate who provides this information**

- ☐ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager

<b>LEI 04.2</b>	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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All Hermes portfolio managers have access to the ESG Dashboard, which integrates proprietary in-house data from Hermes EOS with data from a range of external providers, including Sustainalytics, Bloomberg Trucost and FactSet.

Hermes EOS analysts also provide bespoke qualitative analysis on companies, countries and sectors on request. In addition to the sources above, Hermes EOS use BoardEx and Regnan as data providers.

<b>LEI 04.3</b>	Indicate if you incentivise brokers to provide ESG research.
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- ☐ Yes  
☒ No

<b>LEI 05</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>LEI 05.1</b>	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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- ☒ Engagement
- ☒ We have a systematic process to ensure the information is made available.
  - ☐ We occasionally make this information available.
  - ☐ We do not make this information available.
- ☒ (Proxy) voting
- ☒ We have a systematic process to ensure the information is made available.
  - ☐ We occasionally make this information available.
  - ☐ We do not make this information available.

<b>LEI 05.2</b>	Additional information. [Optional]
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All Hermes' investment teams are able to access key ESG-related information on any stock in their investment universe via the ESG Dashboard, as well as on a portfolio level from the Portfolio ESG Monitor, which is run on a quarterly basis.

## (A) Implementation: Screening

<b>LEI 06</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 06.1</b>	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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Type of screening

☒ Negative/exclusionary screening

**Screened by**

- ☒ Product
- ☒ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

	Description
--	-------------

Hermes Global Equity ESG Screened strategy excludes companies:

- Identified by Hermes EOS as involved in controversial weapons
- On Hermes EOS's Controversial Companies Report where engagement is deemed unfeasible
- Generating >10% of revenue from gambling, tobacco, logging, nuclear energy or armaments

The strategy can also be customised to exclude certain risks as per the client's mandate.

- ☐ Positive/best-in-class screening
- ☐ Norms-based screening

<b>LEI 06.2</b>	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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In the Hermes Global Equity ESG Screened strategy, the negative screening is client prescribed. The list is reviewed and confirmed on a quarterly basis with the client. The screening takes places in addition to the integration of ESG risks within the investment decision that is enabled by the ESG Dashboard.

<b>LEI 07</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**LEI 07.1**

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☒ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

**LEI 07.2**

Additional information. [Optional]

Hermes EOS does not make decisions on whether to exclude/include companies, but makes recommendations about the perceived severity of issues and whether the company is a candidate for engagement. Content in the Hermes EOS Controversial Companies Report and associated recommendations are reviewed by someone other than the analyst author prior to it being sent out to clients, including Hermes and BTPS.

**LEI 08**

Voluntary

Additional Assessed

PRI 1

**LEI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached

- ☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
  - ☒ Systematic
  - ☐ Occassional
- ☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☐ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

**LEI 08.2**

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

Pre-trade compliance checks of portfolio parameters, counterparty limits or other guidelines are undertaken through thinkFolio, which ensures that any potential breaches are flagged immediately and investigated accordingly. thinkFolio is also coded to ensure that any trade in a prohibited counterparty or jurisdiction is prevented before execution. All restrictions in thinkFolio are initiated and updated by a strict rule summary process, which cannot be altered by portfolio managers.

Portfolio risk limits (as agreed with clients), counterparty limits or other guidelines are coded into our order management and trading system, thinkFolio, prior to investment. Our Compliance team runs a daily post-trade breach report in thinkFolio which shows when investment guideline limits have been exceeded, irrespective of whether the 'breach' has occurred as a result of market movements or a corporate action.

When an actual reportable breach has occurred, Compliance immediately reports the issue to both the client relationship manager and the portfolio manager/investment team for corrective action to be taken. Compliance will also inform the Risk department that a breach has occurred. A member of the Risk team will ensure that a breaches and error form is completed within 24 hours by the portfolio manager. This form contains full details about what type of mandate breach occurred, value of the breach and all remedial action. In particular, any financial impact is established as soon as possible. The Breaches Log, which records all breaches and trading errors over the month, is then reviewed by the monthly Executive Committee, Audit Committee and Central Executive. Any significant trends identified will then form the basis of firm-wide procedures to prevent reoccurrence of the problem.

Generally, losses resulting from an error or breach of contractual or regulatory obligations made by Hermes, or an external party that Hermes contracts with, will not be borne by a client.

## (C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1
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The QESG score, Hermes' proprietary ESG rating, can be used to determine whether companies with favourable or improving ESG characteristics have tended to outperform. Preliminary analysis shows that the QESG score has added value to our stock-selection process. Hermes Global Equities found that governance risk was the strongest contributor to returns, driving a 30 basis point outperformance each month between the best and worst-performing stocks between 31 December 2008 and 28 December 2013.

The same trend is not seen, however, when assessing companies on environmental or social issues. As yet we do not see any evidence that companies with favourable environmental or social characteristics outperform their peers in the short term.

The governance assessment is a measure of a company's quality, however the factor is not correlated to many of the traditional measures of quality.

#### **Hermes Global Equities**

The Hermes Global Equities team has integrated the proprietary quantitative assessment of governance into the analysis of company quality for all strategies, whether labelled ESG or not. This Quality metric is combined with a large number of fundamental, economically-justified factors contained in the team's multi-factor Alpha Model.

All stocks ideas are subjected to a sense check to identify any non-quantifiable events and check the inputs into the Alpha Score and QESG score. This includes use of the ESG Dashboard as well as the knowledge of 23 in-house ESG experts in Hermes EOS (who also alert the team to any ESG issues affecting stocks which are included in the portfolio and provide further ESG analysis on request).

Hermes Global Equities ESG strategy, in addition to the sense check detailed above, incorporates the QESG score at the point of portfolio construction.

#### **Hermes Global Emerging Markets**

The core of our Emerging Markets ESG proposition lays on two pillars: A) inclusion of ESG considerations in our research process to guide portfolio construction and B) best-in-class engagement at company and country level.

The strategy actively incorporates ESG factors when assessing the valuation, risks and catalysts of a country or a stock. To determine whether to invest in a certain stock and to assess any impact on discount rates, the team considers elements such as shareholder structure, risk of abuse of minorities' rights, sustainability of the business model, carbon emissions, exposure to workers' strikes and community protests, among other ESG factors.

After generating a potential investment candidate idea from screening the investable universe, a qualitative assessment of a company's business model, ESG issues, risks and catalysts is made by the investment team. In addition, where available the team considers quantitative ESG scores, including the 'Trucost carbon ratings' and/or the CDLI score and underlying data from the Carbon Disclosure Project.

The overall positioning of the Portfolio is measured versus the benchmark considering ESG factors as part of our monthly risk assessment which uses, among other things, the 'Trucost carbon rating service', RiskMetrics Social Responsibility factor, and RiskMetrics Corporate Governance factor.

The team might invest in companies with ESG issues (provided that they pass the client's

negative screens against tobacco, weapons and oppressive regimes) as long as 1) the risks are fully reflected in the current value of the shares ('the stock is way too cheap vs. the probability of the risks') and 2) Hermes undertakes to engage at company and/or country level to address such ESG issues.

### Hermes Sourcecap

Hermes Sourcecap is an advocate of the principles of responsible asset management and includes responsible investment as an integrated part of the investment process, as consideration of these factors is an important element of identifying successful companies over the long term. For us, responsible is not about adopting an arbitrary moral position, as we represent many different clients, but understanding how companies handle the environmental, social and governance issues they encounter in the normal course of running their businesses.

In simplest terms, we believe good governance and responsibility toward the environment and society are congruent with good and sustainable profitability, and to the benefit of all stakeholders in the business. Put another way, when a company chooses to negate their responsibility toward society and the environment, in most instances they end up incurring some form of monetary penalty, whether explicit or less obviously through the loss of business or competitiveness. By assimilating the awareness of these factors into the research process we gain a better understanding of the risks, as well as the opportunities, for the companies in which we consider investing.

### Small & Mid Cap

As part of the strategy's assessment of quality and its approach to risk management, risks associated with a company's approach to ESG issues are actively assessed. The team uses Hermes' proprietary ESG Dashboard, which contains a wide range of ESG factors and ranks companies on their behaviour versus peers. The strategy is therefore ESG aware, but not ESG constrained.

A positive ESG stance is considered favourable to an investment case, but it is just one of several factors considered when deciding whether or not to make an investment. To be clear, the team would not invest in a business which exhibited very positive ESG characteristics if the strategic position of the business was not strong. Conversely, the team would be very unlikely to invest in a company which had a poor governance record even if it exhibited clear competitive advantages. However, such a black and white distinction is rarely necessary, as businesses which exhibit positive ESG characteristics are naturally favoured by the team.

In addition to looking at companies' ESG profiles when considering them as a new investment, the team also has a quarterly meeting with Hermes EOS where updates are given on each holding in terms of voting records and any potential red flags there may be with respect to ESG principles. While pre mid-2011 holdings may not have a qualitative narrative ESG report, they have nevertheless fallen under the umbrella of this quarterly review.

LEI 11	Mandatory	Core Assessed	PRI 1
LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.		

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 12	Voluntary	Descriptive	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 12.2	Describe how ESG information is held and used by your portfolio managers.
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- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

LEI 13	Voluntary	Additional Assessed	PRI 1
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<b>LEI 13.1</b>	Indicate into which aspects of investment analysis you integrate ESG information.
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- ☐ (Macro) economic analysis
- ☒ Industry analysis
- ☐ Systematically
- ☒ Occasionally
- ☒ Analysis of company strategy and quality of management
- ☒ Systematically
- ☐ Occasionally
- ☒ Idea generation
- ☒ Systematically
- ☐ Occasionally
- ☒ Portfolio construction
- ☒ Systematically
- ☐ Occasionally
- ☐ Fair value/fundamental analysis
- ☐ Other, specify

<b>LEI 13.3</b>	Additional information.
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In the Hermes Global Equities ESG strategy, ESG considerations are systematically integrated in portfolio construction and idea generation through the integration of the QESG score.

## Outputs and outcomes

<b>LEI 15</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 15.1</b>	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
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- ☒ Screening

	Specify the percentage reduction
--	----------------------------------

	%
--	---

6

- ☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

- ☐ Reduce or prioritise the investment universe
- ☐ Overweight/underweight at sector level
- ☒ Overweight/underweight at stock level
- ☒ Buy/sell decisions
- ☐ Other, specify

LEI 16	Voluntary	Descriptive	PRI 1
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LEI 16.1

Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

b) Reduced funds' risk or volatility

Screening	Integration of ESG issues
<input type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input checked="" type="radio"/> No	<input type="radio"/> No

c) Improved funds' ESG performance

Screening	Integration of ESG issues
<input checked="" type="radio"/> Yes	<input checked="" type="radio"/> Yes
<input type="radio"/> No	<input type="radio"/> No

<b>LEI 16.2</b>	Describe how you are able to determine these outcomes and your actual performance.
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The QESG score, the team's proprietary ESG rating, can be used to determine whether companies with favourable or improving ESG characteristics have tended to outperform. Preliminary analysis shows that the QESG score has added value to our stock-selection process. Hermes Global Equities found that governance risk was the strongest contributor to returns, driving a 30 basis point outperformance each month between the best and worst-performing stocks between 31 December 2008 and 31 December 2013.

The same trend is not seen, however, when assessing companies on environmental or social issues. As yet we do not see any evidence that companies with favourable environmental or social characteristics outperform their peers in the short term.

The governance assessment is a measure of a company's quality, however the factor is not correlated to many of the traditional measures of quality therefore we believe this to be an additional source of performance.

ESG performance can be determined in many ways. The Portfolio ESG Monitor gives Hermes' managers the opportunity to look at a portfolio level and at a company level.

<b>LEI 17</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>LEI 17.1</b>	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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☒ ESG issue 1

ESG issue and explanation
Following conversations with Hermes EOS after their engagement with Prudential, the Global Equities team determined that the governance risk from the company had increased significantly.
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
The team decided to halve the active exposure proposed by the model, and reduce the position by approximately 0.2% to below 0.4%. Given the continued strong performance of the stock the valuation looks less attractive and it is likely that the model will soon recommend removing the position entirely.

☒ ESG issue 2



	ESG issue and explanation
<p>American Electric Power: this US Utility was highlighted as a buy in late 2012 due to its attractive valuation relative to peers, positive investor sentiment and high quality (assessed using the Alpha model). However, the Global Equities team's ESG Dashboard highlighted a potential environmental risk.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>The team investigated the risk and found the company had recently been named on a list of America's largest polluting companies. The team discussed the company and its peers with Hermes EOS. It was concluded that the pollution was proportional to the company's size, and on a size-adjusted basis it was no worse than peers. Further, Hermes EOS confirmed that the company has extremely strong reporting standards and has a better standard of governance than many of its peers.</p> <p>The decision was made to invest.</p>	

☒ ESG issue 3

ESG issue and explanation
<p>Eagle Materials: this US cement manufacturer/distributor has experienced rapid growth over the last two years, and in March 2013 it was highlighted as a buy based on its strong sentiment, growth and profitability characteristics. However, ESG data for the company was scarce - it did not feature in the databases of several major providers. In general terms, companies with missing ESG data are ranked unfavourably as this often signifies a lack of attention on ESG issues or an unwillingness to disclose data.</p>
ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>
Impact on investment decision or performance
<p>Hermes EOS was aware of the company and able to give the team further information: the company only recently entered the large cap space after its stellar growth in 2012 and was now facing increased standards of disclosure. Eagle had shown a willingness to disclose data, and Hermes EOS was not aware of any issues other than the company needing to "grow up" to meet the standards of a large cap stock.</p> <p>The decision was made to invest, but to continue to monitor to ensure standards are met. Since investing the QESG score, our measure of a company's ESG strength, has increased significantly, a very positive sign.</p>

☐ ESG issue 4

☐ ESG issue 5

## Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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**LEI 18.1** Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- ☐ We disclose it publicly
- ☒ We disclose it to clients and/or beneficiaries only

**LEI 18.3** Indicate the information your organisation proactively discloses to clients/beneficiaries regarding your approach to ESG incorporation.

- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

**LEI  
18.4**

Indicate how frequently you typically report this information.

- ☒ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

**LEI 18.5**

Additional information. [Optional]

Hermes EOS was aware of the company and able to give the team further information: the company only recently entered the large cap space after its stellar growth in 2012 and was now facing increased standards of disclosure. Eagle had shown a willingness to disclose data, and Hermes EOS was not aware of any issues other than the company needing to "grow up" to meet the standards of a large cap stock.

The decision was made to invest, but to continue to monitor to ensure standards are met. Since investing the QESG score, our measure of a company's ESG strength, has increased significantly, a very positive sign.

# Hermes Fund Managers Limited

## Reported Information

### Public version

#### Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Engagement

### Overview

LEA 01	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

Hermes is parent company to one of the largest equity stewardship businesses globally, Hermes Equity Ownership Services (Hermes EOS), and we believe that engagement involves collaboration between the owners and managers of a company, with each having an important but clearly defined role. Our understanding of the appropriate roles of investors and companies is outlined in the Hermes Responsible Ownership Principles, which outlines our expectations of companies and companies' expectations of us.

Implicit in our approach to responsible investment the overarching objective to address two fundamental weaknesses in capital markets: the principal-agent dilemma, where in the absence of necessary controls, managers risk putting their interests above those of the company's beneficial owners; and short-termism, where market forces and incentive structures can result in long-term value creation being sacrificed to quarterly earnings pressures. ESG issues are symptoms of these fundamental weaknesses, and both companies and their owners have a role in helping to limit them in the interests of more effective, long-term capital markets that contribute to sustainable economic growth.

Because of this underlying philosophy, we are conscious always of the need to respond to the specific circumstances of the company. Hermes EOS considers what will best ensure value creation and protection against ESG risks. Engagement and voting activities are on a continuum - the goal of both is to positively influence the company's approach to long-term value creation. Our experience is that we can be most influential and effective in each area by using the knowledge gained in one to inform decision-making in the other. We are clear that voting-related discussions and letter-writing - a regular follow-up to votes against management to reinforce the call for change - are essential but do not in themselves amount to effective engagement. Engagement for us is dialogue at board or senior management level with a pre-defined set of objectives intended to mitigate ESG risk and is typically driven by our screening for problem companies and our analysis of those companies' ESG issues.

Engagement interactions are sought at board and senior management level, liaising with other investors as appropriate. Work is carried out by a multinational team drawn from the major investment regions around the world. All corporate engagement work is sought to be complementary to and integrated with public policy and best practice engagement and voting work.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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<b>LEA 02.1</b>	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
<b>Individual/Internal staff engagements</b>	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
<b>Collaborative engagements</b>	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via collaborative engagements
<b>Service provider engagements</b>	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

<b>LEA 02.2</b>	Additional information. [Optional]
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See LEA 1.1 for further information on the engagement service undertaken by Hermes EOS.

## Process

### Process for engagements run internally

<b>LEA 03</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>LEA 03.1</b>	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.
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☉ Yes

**LEA  
03.2**

Describe how you identify and prioritise engagements.

The selection of companies for dialogue and engagement is underpinned by clients' common and specific policies. We also welcome clients' input on themes, sectors or individual companies for engagement.

To select companies we use a broad range of research and data, undertake a screen of our clients' portfolio companies to assess where i) they materially contravene our clients' Responsible Investment policies; and ii) they may be exposed to material risks associated with environmental, social, corporate governance and strategic issues. We integrate into this assessment both the size of our clients' holdings and the number of clients that hold the relevant company.

Following this screen, we carry out a feasibility assessment. Building on their engagement experience, our regional teams assess the likelihood of being able to positively influence the companies. This assessment includes consideration of the nature of the issue; whether we have an existing relationship with the company or individual Board members; the size of our clients' holdings; the presence of like-minded investors on the share registry; etc. We generally do not engage with companies where we do not foresee the possibility of success.

☐ No

**LEA 04****Mandatory****Core Assessed****PRI 2****LEA  
04.1**

Indicate if you define specific objectives for your engagement activities.

☒ Yes

- ☒ Yes, for all engagement activities
- ☐ Yes, for the majority of engagement activities
- ☐ Yes, for a minority of engagement activities

☐ No

**LEA  
04.2**

Indicate if you monitor the actions that companies take following your engagements.

☒ Yes

- ☒ Yes, in all cases
- ☐ Yes, in the majority of cases
- ☐ Yes, in the minority of cases

**LEA  
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

We believe it is important to measure the success of our engagements in two ways: progress towards an engagement objective, and successful achievement of the objective.

For each company with which we engage, Hermes EOS puts in place both a series of formal engagement objectives (generally 2-4 objectives per company) and, for each of these objectives, a system of 'milestones' for monitoring progress towards the objective. This is used not only for monitoring our own progress in engagements but also for reporting annually to clients on progress in engagement with companies in their portfolios.

We use a Salesforce-based software system that we have customized for managing our engagement activities. This includes a clear articulation of the engagement objective, the background to engagement, a range of company-specific information (including client holdings, voting rights, etc.). The Salesforce database also enables us to maintain a clear record of our activities and progress consistent with our four-step milestone approach. Managers are able to generate summary "dashboards" on each staff member and region in order to provide oversight and accountability for the engagement work. Our Milestone structure for recording and tracking progress on engagements consists of:

- Raise the issue at the appropriate level
- Confirmation that the company accepts the issue must be addressed
- The company has developed a plan to address the issue
- The plan has been implemented satisfactorily

☐ No

**General processes for all three groups of engagers**

LEA 09	Voluntary	Additional Assessed	PRI 1,2
<b>LEA 09.1</b>	Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.		

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No



LEA 09.2	Additional information.
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Hermes' ESG Dashboard integrates Hermes EOS's proprietary ESG research with data from a range of external providers (Sustainalytics, Trucost, FactSet and Bloomberg). The Dashboard allows all Hermes investment teams to access the key ESG-related information on any stock in their investment universe.

The Portfolio ESG Monitor reports on ESG characteristics of portfolio stocks (both in absolute and benchmark-relative terms), including voting and engagement data from Hermes EOS.

All investment teams at Hermes have access to the tools described above and a dedicated point of contact within Hermes EOS to help integrate ESG issues into their analysis.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of companies you engage with.
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Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA 10.2	Additional information. [Optional]
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Regular reporting provides full disclosure on the number of engagements undertaken.

## Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1	Indicate the number of companies with which your organisation engaged during the reporting year.
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	<b>Number of companies engaged</b> (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	143

**LEA 11.2**

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

**LEA 12**

**Voluntary**

**Additional Assessed**

**PRI 2**

**LEA 12.1**

Indicate if your engagements in the reporting year covered E, S and/or G issues.

Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

**LEA 12.2**

Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Environmental only

14

% Social only

20

% Corporate Governance only

46

**100%**

<b>LEA 12.3</b>	Additional information.
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Hermes EOS tracks engagement issue coverage on a per topic basis and includes a fourth category of "Strategy and risk". Therefore the four percentage values for our service provider represent the proportion of topics engaged that are classified as environmental, social and ethical, governance, and strategy and risk respectively. It is a deliberate feature of Hermes EOS's approach to engagement that conversations with companies are holistic in nature and therefore cover a range of ESG/strategic matters where appropriate.

<b>LEA 13</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 13.1</b>	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
-----------------	--

☒ Yes

<b>LEA 13.2</b>	Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.
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	<b>Number of company changes or commitments to change</b>
Individual / Internal staff engagements	33

☐ No

<b>LEA 14</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 2</b>
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<b>LEA 14.1</b>	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Governance: board structure
Conducted by	<input checked="" type="checkbox"/> Individual / Internal
Objectives	To improve corporate governance standards worldwide, in particular to manage risk effectively. A good board structure is essential to this. Company boards should comprise independent members who are equipped with the right skills. Ideally each board member will enhance the diversity of the board, be it by gender, ethnicity, nationality, background or skill sets. Regular board refreshment - the avoidance of long tenures - and succession planning are also crucial.
Scope and Process	Long-standing engagements with companies have given Hermes EOS access to executive and non-executive board members of companies that were reluctant to engage in the past. Hermes EOS's good relationships with companies proved fruitful for the continuation of dialogue on board structure and recruitment processes. Companies explained the rationale behind their current board structure before Hermes EOS suggested improvements where applicable. Sometimes Hermes EOS also drew on the support of other institutional investors - or filed shareholder proposals in the US to seek proxy access or appoint an independent chair - to meet its objectives. Hermes EOS also engaged with the relevant regulatory bodies in different jurisdictions on board structures.
Outcomes	Hermes EOS's engagement in 2013 helped facilitate new board appointments, including independent non-executive directors where previously absent, to protect the rights of minority shareholders, additions to the supervisory board, more balance in leadership structures where the role of CEO and chair were combined, and enhanced the duties of independent lead directors. Hermes EOS also suggested that a process of formal board evaluation be instigated and regularly undertaken where this was not previously done. It particularly welcomed appointments of individuals that enhanced the diversity and skill set of the boards.

☒ Add Example 2

Topic or ESG issue	Social and ethical - community relations
Conducted by	<input checked="" type="checkbox"/> Individual / Internal
Objectives	To protect local community rights and maintain of licence to operate. To ensure companies have a good relationship with communities and operate according to the principle of free, prior and informed consent.
Scope and Process	Hermes EOS engaged with companies which, via their holdings in a consortium of a dam project, have been associated with the violation of indigenous rights. Much of the criticism relates to the lack of consultation with indigenous populations in the various licensing phases of the dam and the disregard for the irreversible impacts on the environment, which in turn will severely affect local populations. The only solution to fully respect the rights of the indigenous population would be not to build the dam. A few decades back, following local and global protests the project was indeed abandoned. However, it was resumed and, given that the consortium of owners includes the state, it seems unlikely that it will not proceed now. Hermes EOS engaged with the companies concerned on their relationships with local communities, particularly challenging the management of social issues during the initial phases of the project. It discussed the impact on the local population including the relocation of thousands of people. While one company claims that the project would displace 16,000 people, some NGOs put the number at 40,000.
Outcomes	One company assured Hermes EOS about the measures being taken by the consortium to work with the local communities, saying that it is providing for the displaced families and is significantly improving their living conditions. The company also welcomed Hermes EOS' comments although it suggested media coverage had been one-sided. As a result of its engagement with a second company in the consortium, Hermes EOS was the first investor to be invited to visit the site. During the site visit, Hermes EOS tested that the company's policies were being put into practice, and visited an education project in a local village, which was founded by the company and its foundation. The company also shared an internal document with Hermes EOS which described in detail its work with indigenous populations. The evidence suggested that its management of community relations with the indigenous population was impressive but was not reflected in its reporting. As a result of Hermes EOS feeding back its observations, the company committed to improve its disclosure on community issues further.

☒ Add Example 3

Topic or ESG issue	Environmental - disaster preparedness
Conducted by	<input checked="" type="checkbox"/> Individual / Internal
Objectives	To ensure effective environmental risk management by companies including the achievement of best practice standards and the investment in - where economically appropriate - best practice technologies, specifically on preparedness for disasters, such as oil spills.
Scope and Process	Hermes EOS raised concerns with several oil and gas companies on their environmental risk management in response to oil spills, particularly in the aftermath of the Gulf of Mexico oil spill. Hermes EOS pressed for greater disclosure of the measures companies had put into place, such as systems to oversee and monitor contractors, suppliers and partners to ensure the highest global operating standards are applied across all geographies.
Outcomes	Companies were open to discussing with Hermes EOS their environmental risk management and disaster preparedness. In some cases, companies had not previously held these types of discussions with investors. Hermes EOS highlighted those companies which it believes are demonstrating the highest global standards and a strong commitment to best practice in this area as examples to the laggards in the industry and recommended the leaders share their experiences with the laggards.

☒ Add Example 4

Topic or ESG issue	Remuneration and in-house developed principles
Conducted by	<input checked="" type="checkbox"/> Individual / Internal
Objectives	To ensure executive pay structures take proper account of risk. To encourage companies to implement executive remuneration structures which properly reflect long-term performance and align management interests with those of investors.
Scope and Process	Hermes EOS engaged with companies across sectors on remuneration in 2013, frequently using the Remuneration principles for building and reinforcing long-term business success it developed in collaboration with the National Association of Pension Funds (NAPF), the BT Pension Scheme Management, RPMI Railpen Investments and the Universities Superannuation Scheme, as a basis. After reviewing the performance criteria and targets of companies, Hermes EOS challenged how schemes had been structured and asked probing questions about how they would be implemented. Hermes EOS also engaged with regulators and industry bodies to seek to achieve its objectives as outlined above.
Outcomes	Several companies from around the world significantly improved their remuneration plans as a result of Hermes EOS' engagement, resulting in greater alignment of executives' interests to those of shareholders. Among those improvements were the adoption of clawback provisions to recoup pay for inappropriate practices, the linking of remuneration metrics to a company's strategic goals, caps on bonuses, share-based plans with longer performance periods and improved disclosure on remuneration practices overall.

- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

## Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
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LEA 15.1	Indicate whether your organisation proactively discloses information on its engagements.
----------	--

- ☒ We disclose it publicly

	please provide URL
--	--------------------

<http://www.hermes.co.uk/eos/en-gb/literature/engagementandvotingreports.aspx>

**LEA  
15.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

**LEA  
15.3**

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

**Engagement information disclosed**

- ☐ Details of the selections, priorities and specific goals of engagement
- ☒ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☒ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☒ Outcomes that have been achieved from the engagement
- ☐ Other information

**LEA  
15.4**

Indicate how frequently you typically report engagements information.

- ☐ Disclosed continuously (prior and post engagements)
- ☒ Disclosed quarterly
- ☐ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify

☐ No

☐ We disclose it to clients and/or beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

**(Proxy) voting and shareholder resolutions**

**Overview**

**LEA 16**

**Voluntary**

**Descriptive**

**PRI 2**



**LEA  
16.1**

Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

Proxy voting of shares is undertaken by Hermes Equity Ownership Services (EOS) on behalf of clients and the different Hermes boutiques.

Hermes EOS uses ProxyExchange, the third-party electronic proxy voting platform operated by ISS. EOS also subscribes to ISS's voting research, which it uses as an input to its voting decisions, alongside research issued by other best in class providers.

In terms of process, EOS undertakes detailed research into the particular circumstances of each company and the items on the general meeting agenda prior to voting its clients' shares. This includes a careful analysis of the company's annual report, meeting agenda, and any other publicly available information to identify particular issues of concern. Our extensive database of company contacts, which includes 10 years of details of all communications with companies, is also key to the decision-making process. All of the other inputs - from advisory agencies, brokerages, portfolio managers, news flow and elsewhere - are then considered in arriving at our voting decisions.

We believe that a flexible 'comply or explain' approach to voting is appropriate for most companies. However, to be effective, such an approach requires significant resources at the appropriate level. Our voting recommendations and actions are made by and for experienced and business-oriented investors in order to support companies' sustainability and long-term performance. We believe that the EOS team is well placed to research and make judgments as to the degree to which companies can reasonably comply with local best practice and where exceptions are appropriate.

In cases where we feel it appropriate to vote against management, we will always discuss the issue directly with the company. The aim of this contact, usually by telephone, is to establish the facts and circumstances surrounding the issue and check our interpretation of the resolution.

Where we continue to have concerns after our discussions with the company, we will seek to modify the company's position to allow us to support the motion. This may involve a particular commitment or a modification or withdrawal of the resolution. Where we believe that this is not going to happen, or where we have long-standing unresolved concerns about a particular company, we will recommend a vote against.

Where we vote against the recommendations of company management, we contact the company on our clients' behalf, generally in writing, after the meeting to inform them of the decision and the reasons for it. This communication is designed to provide reinforcement of the discussions surrounding the vote and give clear guidance as to our clients' position.

Where we have long-standing concerns which may affect the company's long-term prospects, it will be considered as a candidate for company-specific engagement.

**Process****LEA 17****Mandatory****Descriptive****PRI 2****LEA  
17.1**

Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

	Approach
--	----------

☒ We use our own research or voting team and make our own voting decisions without the use of service providers.

	Based primarily on
--	--------------------

- ☐ our own voting policy
- ☒ our clients requests or policy
- ☐ other, explain

☐ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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- ☐ Yes
- ☒ No

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
----------	---

- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

## Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
--------	-----------	---------------	-------

LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
----------	---

- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

100

Specify the basis on which this percentage is calculated

- ☐ of the total number of ballot items on which you could have issued instructions  
☒ of the total number of company meetings at which you could have voted  
☐ of the total value of your listed equity holdings on which you could have voted  
☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

**LEA 23.1** Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

- ☒ Yes, we track this information

**LEA 23.2** Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	<div> <div></div> <div>%</div> </div> 92.97
Against (opposing) management proposals	<div> <div></div> <div>%</div> </div> 6.66
Abstentions	<div> <div></div> <div>%</div> </div> 0.37

100%

- ☐ No, we do not track this information

LEA 24	Voluntary	Descriptive	PRI 2
--------	-----------	-------------	-------

**LEA 24.1** Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

- ☒ Yes

**LEA 24.2** Indicate the number of ESG shareholder resolutions you filed or co-filed.

Total number
--------------

6

<b>LEA 24.3</b>	Indicate what percentage of these ESG shareholder resolutions.
---------------------	--

Went to vote	<div><div></div></div> % 66.7
Were withdrawn due to changes at company and/or negotiations with the company	<div><div></div></div> % 33.3
Were withdrawn for other reasons	<div><div></div></div> % 0

	Total
--	-------

100%

<b>LEA 24.4</b>	Of the ESG shareholder resolutions that you filed or co-filed and that were put to vote (i.e. not withdrawn) how many received:
---------------------	---

	>50% approval
--	---------------

0

	50-20% approval
--	-----------------

6

	<20% approval
--	---------------

0

**LEA  
24.5**

Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.

Further background on approach to the filing of shareholder resolutions can be found in our responses to section LEA 16. Below we have listed details of shareholder proposals that were filed by Hermes EOS on sustainability and governance topics and put to a vote:

**International Business Machines Corporation**

The engagement with the company focused on a need to improve independent board oversight, and a shareholder proposal was filed, led by Hermes EOS, which garnered the support of 43% of the vote.

**JPMorgan Chase & Co.**

Amid significant concerns about board oversight and leadership resulting in numerous regulatory and legal challenges, Hermes EOS filed a shareholder proposal seeking the appointment of an independent chairman.

**The Walt Disney Company**

Hermes EOS filed a shareholder proposal requesting shareholders be granted proxy access, or the ability to nominate candidates for election to the board. The resolution was filed to support an existing engagement with the company which seeks to enhance board accountability following concerns about executive compensation, board responsiveness and independent oversight. The proposal went to a vote and was supported by 42% of shareholders.

**Wal-Mart Stores, Inc.**

In order to support improved independent board oversight, a resolution was proposed to appoint an independent chair. The background to the engagement features material concerns about bribery and corruption at international divisions, as well as continuing issues regarding labour rights and strategy.

Hermes EOS is not always in a position to disclose details of shareholder proposal discussions relating to resolutions which do not go to a shareholder vote. However in order to withdraw a proposal we expect a company to engage in constructive dialogue and take steps which materially address all or part of our underlying concerns. In 2013 the following proposal(s) were filed and either withdrawn or not put to a vote: Amgen Inc and Verizon Communications Inc.

☐ No

LEA 25	Voluntary	Descriptive	PRI 2
<b>LEA 25.1</b>	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.		

☒ Add Example 1

Topic or ESG issue	Remuneration
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Companies should design and implement remuneration policies that align the interests of management with the interests of shareholders and incentivise executives to maximise long-term value.
Scope and Process	<p>A vote against management in relation to remuneration may indicate that the remuneration report proposed by management does not demonstrate sufficient alignment with shareholder interests. This may be due to lack of sufficient performance metrics or may indicate that the quantum put forward by the company is excessive in view of the company's performance. Remuneration has been a key theme for the engagement work of Hermes EOS, and this is supported by its voting-related discussions with companies. In 2013, Hermes EOS engaged with a number of companies where it identified a misalignment between executive compensation and shareholder interests. In some cases, Hermes EOS agreed to vote with management 'by exception' on the understanding that management was moving in the right direction. Hermes EOS then followed up with these companies. Hermes EOS also spoke to those where they recommended voting against the remuneration scheme put forward by management to outline their concerns and agree an acceptable way forward.</p>
Outcomes	<p>Voting activity relating to remuneration during 2013 both supported and built on Hermes EOS's engagement dialogue with companies. Using its milestone approach for measuring progress in engagements, a number of conversations Hermes EOS had with companies around the vote led to governance changes at companies. Other conversations around the vote contributed toward continuing engagements with companies where the required change is still outstanding.</p>

☒ Add Example 2

Topic or ESG issue	Board structure
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Boards should comprise individuals with an appropriate and diverse range of competencies, knowledge and experiences to effectively carry out their duties.
Scope and Process	<p>Ideally boards should be led by an independent non-executive chair. Boards should establish and maintain an appropriate corporate culture, be representative of all shareholders including minorities, and should assume responsibility for remuneration policies and oversee the risk management function. Board structure is a significant feature for engagement at our service provider Hermes EOS. Very often getting the board right is the first step in addressing other social or environmental issues that the company may be exposed to. Hermes EOS regards the vote against as an annual health check and often a vote against will precipitate further engagement with the company. Equally, the vote may be used in such a way as to support ongoing engagements on board structure. Consistent with its intelligent voting approach, Hermes EOS endeavours to contact companies wherever possible when it recommends a vote against. Sometimes this contact enables Hermes EOS to vote with management 'by exception.' Subsequent to the vote, Hermes EOS follows up with companies, wherever possible, to explain the rationale for voting against and what changes it would like to see.</p>
Outcomes	<p>Voting activity on resolutions relating to board structure during 2013 both supported and built on Hermes EOS's engagement dialogue with companies. Using its milestone approach to measure progress in engagements, Hermes EOS can demonstrate that a number of conversations with companies around the vote led to governance changes with companies. Other conversations around the vote contributed towards continuing engagements with companies where the required change is still outstanding.</p>

☒ Add Example 3

Topic or ESG issue	Capital structure
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Companies should have an efficient capital structure which will minimise the long-term cost of capital.
Scope and Process	Consistent with its intelligent voting approach, in instances of material holdings or otherwise high-profile companies, Hermes EOS endeavoured to contact companies wherever possible when it recommended a vote against. Sometimes this contact enabled Hermes EOS to vote 'with management by exception.' Subsequent to the vote, Hermes EOS follows up with companies wherever possible to explain the rationale for voting against and what changes it would like to see.
Outcomes	Voting activity in relation to capital structure during 2013 both supported and built on engagements with companies on this issue. Using Hermes EOS' milestone approach to measure progress in engagements, a number of conversations with companies around the vote led to governance changes with companies. Other conversations around the vote contributed towards continuing engagements at companies where the required change is still outstanding.

- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

## Communication

LEA 26

Mandatory

Core Assessed

PRI 2,6

LEA  
26.1

Indicate if your organisation proactively discloses information on your voting activities.

- ☒ We disclose it publicly

provide URL

<http://www.hermes.co.uk/eos/en-gb/literature/engagementandvotingreports.aspx>



**LEA  
26.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

**LEA  
26.3**

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

**LEA  
26.4**

Indicate how frequently you typically report voting information.

- ☐ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☒ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

# Hermes Fund Managers Limited

## Reported Information

### Public version

#### Direct - Fixed Income

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – corporate

### Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - corporate

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

Fixed income – government

### Strategies

- ☒ Passive

Percentage of internally managed fixed income - government

- ☒ <10%

**Report on your strategies that represents <10% of government fixed income**

- ☐ Yes
- ☒ No

- ☐ 10-50%
- ☐ >50%

- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - government

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

FI 02	Mandatory to Report Voluntary to Disclose	Peering	General
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FI 02.1	Provide a breakdown of your internally managed fixed income investments by credit quality.
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Credit quality	Fixed Income - Corporate	Fixed Income - Government
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

FI 02.2	Provide a breakdown of your fixed income investments between primary and secondary market.
---------	--

Market	Fixed Income - Corporate	Fixed Income - Government
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

## ESG incorporation in actively managed fixed income

FI 03	Voluntary	Descriptive	PRI 1
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FI 03.1	Provide a brief overview of how you incorporate ESG issues in fixed income investments.
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## Fixed Income - Corporate

At the core of the team's investment process is the assessment and pricing of risk. It follows, therefore, that with changes to either valuations or credit risks (e.g. a change in score by an analyst), they are compelled to implement or unwind a trade. Because the market is dynamic, they actively manage based on changes in either credit/ESG risks or valuations.

The team seeks out valuation anomalies across currencies, through the capital structure and among available debt instruments. Where they see valuation anomalies based on credit or ESG risks, they seek to implement a trade that reflects the analysts' views, which then may be modified predicated on security technicals and portfolio character.

In collaboration with Hermes Equity Ownership Services and the Hermes Global Equities team, in 2013 the team formally introduced the consideration of ESG factors in their investment process. Just as they assign scores that reflect their assessment of credit risk and valuation, they now assign scores to reflect their view of ESG risks. Their assessment of ESG risks considers the extent to which poor ESG activity or policy can damage enterprise value, which is clearly negative for both creditors and owners. Like the credit and value scores, the ESG score is shown on the cover of the credit tear sheet, which provides a snapshot of a company's business fundamentals and captures relative value among peers and within its own debt securities. ESG risks are ranked as low, medium and high; in addition, space has been carved out on the tear sheet for the analyst to describe his specific concerns. The fundamental question is whether the team is being compensated for any risks to the enterprise value of a business and thus to the value of its bonds.

## Fixed Income - Government

Our investment boutiques incorporate ESG issues into their investment analysis and decision making process, through our focus on systematically integrating Responsible Asset Management across all of Hermes' asset classes for all clients and fund structures.

While ESG considerations are typically more consistently applied to quoted equities and, to a large extent to Real Estate, we are actively building upon ways to apply ESG factors to Fixed Income mandates. Our approach to building capacity in this respect is supported by senior management at Hermes Fund Managers, by both the CEO and the Head of Investment.

## Fixed Income - Corporate

### Implementation processes

FI 04

Mandatory

Gateway/Core Assessed

PRI 1

FI 04.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.

**ESG incorporation strategy** (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)

100 %

- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed fixed income - corporate

100%

FI 04.2

Describe your primary reasons for choosing a particular incorporation strategy.

ESG risks are considered during the research process as such risks have the potential to impact the enterprise value of a company, which in turn influences its creditworthiness. As a basic concept, poorly governed companies are less likely to respect their stakeholders, including bondholders. Each company under analysis by the team is assigned an ESG score as part of the research process.

FI 05

Voluntary

Additional Assessed

PRI 1

FI 05.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

**Type of ESG information**

- ☒ Raw ESG company data

Describe who provides this information.

Information is sourced from company accounts, Bloomberg and Hermes' proprietary ESG Dashboard

☒ Issuer-related analysis or ratings

Describe who provides this information.

Offering memoranda, ratings agencies, company filings

☒ Sector-related analysis or ratings

Describe who provides this information.

ESG Dashboard, rating agencies, company filings, sell-side research

☒ Country-related analysis or ratings

Describe who provides this information.

ESG Dashboard, sell-side research

☐ Screened bond list

☒ Issue-specific analysis or ratings

Describe who provides this information.

Offering memoranda

☐ Other, specify

FI 05.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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Hermes Credit uses primary sources including a company's financial statements and news announcements, as well as their own engagements with a company to assess ESG risks. They also use Hermes' proprietary ESG Dashboard and ESG data from Bloomberg as a secondary source of information. Together these provide a complete overview of a the ESG risks a company faces.

## (C) Implementation: Integration of ESG factors

FI 10	Voluntary	Descriptive	PRI 1
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FI 10.1	Describe how you integrate ESG issues into investment decision-making processes.
---------	--

At the core of the team's investment process is the assessment and pricing of risk. It follows, therefore, that with changes to either valuations or credit, they are compelled to implement or unwind a trade. Because the market is dynamic, they actively manage based on changes in either credit/ESG risks or valuations.

The team seeks out valuation anomalies across currencies, through the capital structure and among available debt instruments. Where they see valuation anomalies based on credit or ESG risks, they seek to implement a trade that reflects the analysts' views, which then may be modified predicated on security technicals and portfolio character.

In 2013 the team introduced an ESG score on its 'tear sheet', which provides a snapshot of a company's business fundamentals and captures relative value among peers and within its own debt securities. ESG risks are ranked as low, medium and high, and there is space for analysts to make comments around risks. The fundamental question is whether the team is being compensated for any risks to the enterprise value of a business and thus to the value of its bonds.

ESG risks are considered during the research process as such risks have the potential to impact the enterprise value of a company, which in turn influences its creditworthiness. As a basic concept, poorly governed companies are less likely to respect their stakeholders, including bondholders. Each company under analysis by the team is assigned an ESG score as part of the research process.

Hermes Credit uses primary sources including a company's financial statements and news announcements, as well as their own engagements with a company to assess ESG risks. They also use Hermes' proprietary ESG Dashboard and ESG data from Bloomberg as a secondary source of information. Together these provide a complete overview of a the ESG risks a company faces.

FI 11	Mandatory	Core Assessed	PRI 1
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**FI 11.1**

Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

**FI 11.2**

Additional information. [Optional]

The Hermes Credit team assesses ESG risks during the research process as such risks have the potential to impact the enterprise value of a company. Corporate governance is the primary consideration: poorly governed companies are less likely to respect their stakeholders, including bondholders. The team assesses the extent to which a company is transparent in its dialogue with investors and other stakeholders.

Environmental issues are also considered. For example, companies with poor environmental records are generally riskier, and the team seeks to ensure that they are compensated for taking those risks.

**FI 12**
**Voluntary**
**Descriptive**
**PRI 1**
**FI 12.1**

Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

<b>FI 12.2</b>	Describe how ESG information is held and used by your portfolio managers.
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- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify

<b>FI 12.3</b>	Additional information.
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The ESG Dashboard integrates Hermes EOS's proprietary ESG research with data from a range of external providers, including Sustainalytics, Trucost, FactSet and Bloomberg. The Dashboard allows all Hermes investment teams to access key ESG-related information on any stock in their investment universe. The amalgamation of the different sources allows stocks to be assessed across many metrics. The Dashboard also highlights industry-specific key performance indicators related to social, ethical and environmental factors.

The Hermes Credit team documents their analysis of a company's ESG risks in both the tear sheet, described previously, as well as their own management information tools and research notes. Their research process and conclusions are thoroughly documented for audit purposes and can be consulted at any point to explain an investment decision.

## Fixed income - Government

<b>FI 13</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>FI 13.1</b>	Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments.
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☒ Yes

<b>FI 13.2</b>	Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making.
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- ☒ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☐ >90%

<b>FI 13.3</b>	Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers.
----------------	--

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

#### FI 13.4

Describe your approach to incorporating ESG issues in government fixed income investments. [Optional]

Hermes Fund Managers and its clients believe that responsible asset management is a concept that should be applied to all asset classes and should not be, as it is too often, restricted to investments in equities. The following is a statement of our views as to an appropriate approach to responsible investment in the sovereign debt asset class:

- We consider the long-term risks of sovereigns' ability to pay
- We conduct our own sovereign credit research as a supplement to agencies
- We seek to engage with sovereign issuers where possible
- We work with clients to consider any possible exclusion or ESG screening
- We demonstrate thought leadership and support proper functioning markets

There is growing interest in responsible investment and in environmental, social and governance (ESG) factors among long-term asset owners - not least given the increasing support for and acceptance of the Principles for Responsible Investment (PRI). We welcome this interest and believe that sovereign debt is an asset class well placed to deliver the long-term returns that asset owners need while managing the long-term risk factors that may impact those returns. We are pleased to play a role in the development of a responsible investment approach in the asset class.

The scope for active ownership has a lower profile in fixed income, and thus responsible investment has tended to play less of a role in fixed income than in equities. Nonetheless, asset owners that focus on long-term time horizons and expect their fund managers to do the same will increasingly expect investment decision-making to integrate long-term factors such as ESG matters where these can be applied.

☐ No

As investors in global government and inflation-linked bonds we seek to live up to the following broad principles:

We consider the long-term risks of sovereigns' abilities to remain solvent and to fund coupons on bonds, as well as their ability to meet redemptions from a broad perspective. We factor such risks into investment decision-making by:

- Investing in sovereign bonds conscious of the reliability of relevant economic statistics, in particular the levels of government debt and deficits
- Investing conscious of risks within the governmental and legal structures that might benefit or impact a government's long-term ability to fund coupons and redemptions. This could refer to the robustness of the tax collection process or a weak political decision-making process that could impair measures to keep deficits under control
- Investing conscious of demographic and other social pressures which might benefit or impact a government's long-term ability to fund coupons and redemptions, also taking potential long-term climate change impacts into consideration

Where the ratings of credit agencies are relevant to investment decision making, we ensure that as a team we have our own sovereign credit research capability:

- We conduct our own credit research on sovereigns as a supplement to rating agencies to ensure an independent view and to reduce binary impacts of rating agency decisions
- Credit research should place a high emphasis on the levels of debt and budget deficits of countries, with particular importance on researching countries where debt dynamics are perceived to be deteriorating and unsustainable

We seek to engage with sovereign issuers, to the extent possible:

- We engage directly with the departments of governments which are responsible for issuing bonds, such as the Debt Management Office (DMO) in the UK
- We maintain ongoing informal dialogue with government bond issuing departments and monetary officials
- Where possible, we meet with treasury departments at a higher level
- We seek to engage with other entities, such as the IMF in terms of the economic outlook, or the World Bank in an issuing capacity
- Given that bond investors are likely to be most influential as a collective force, we seek involvement with organisations including the Investment Management Association (IMA) and National Association of Pension Funds (NAPF) to raise any potential issues and concerns with governments and relevant officials

We work closely with clients to consider any possible exclusion and/or ESG screening

- We maintain close contact with clients that may wish to consider any screening or exclusion criteria of certain government issuers from their benchmark and/or investment universe
- Where clients may wish to exclude or reduce exposure to particular governments, we work closely with clients to develop a bespoke benchmark that may exclude or tilt the strategic weight of a country away from the market capitalisation weight

We demonstrate thought leadership and seek to support the maintenance of appropriate and fit-for-purpose market functioning and regulation, including actively considering systemic risks:

- Demonstrate thought leadership by publishing research pieces highlighting government bond markets or strategies that may be of long-term benefit to clients
- Participate in relevant regulatory discussions as appropriate
- Avoid contributing to the possible destabilisation of markets through excessive use of

- particular instruments (such as sovereign CDS)
- Avoid concentration of assets in markets that are or may become illiquid

## Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
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<b>FI 15.1</b>	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
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### Fixed Income - Corporate

- ☒ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☐ Other, specify

### Fixed Income - Government

- ☒ Narrow down or prioritise the investment universe
- ☐ Buy / sell / weight decisions
- ☐ Other, specify

<b>FI 15.2</b>	Additional information.
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Companies that receive a high score for perceived ESG risks may not be deemed suitable investments and thus may be removed from the universe or de-prioritised as a potential investment.

FI 16	Voluntary	Descriptive	PRI 1
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<b>FI 16.1</b>	Indicate if you believe (by applicable strategy) that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.
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### Fixed Income - Corporate

a) Impacted funds' financial performance

	<b>Integration of ESG issues</b>	
	<input checked="" type="radio"/> Yes	
	<input type="radio"/> No	

b) Reduced funds' risk or volatility

		<b>Integration of ESG issues</b>	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

c) Improved funds' ESG performance
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		<b>Integration of ESG issues</b>	
		<input checked="" type="radio"/> Yes <input type="radio"/> No	

**Fixed Income - Government**

a) Impacted funds' financial performance
--

<b>ESG incorporation (for actively managed funds)</b>	
<input type="radio"/> Yes <input checked="" type="radio"/> No	

b) Reduced funds' risk or volatility
--------------------------------------

<b>ESG incorporation (for actively managed funds)</b>	
<input checked="" type="radio"/> Yes <input type="radio"/> No	

c) Improved funds' ESG performance
------------------------------------

<b>ESG incorporation (for actively managed funds)</b>	
<input type="radio"/> Yes <input checked="" type="radio"/> No	

<b>FI 16.2</b>	Describe how you are able to determine these outcomes and your actual performance.
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The Hermes Credit team believes that incorporating the analysis of ESG risks in their investment process has had a positive impact on the performance of their funds, as well as reduced the level of risk in the funds. This can be evidenced by the performance of a given security before and after an investment decision has been made: i.e. by buying low and selling high.

FI 17	Voluntary	Descriptive	PRI 1
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FI 17.1	Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.
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☒ ESG issue 1

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate	
<input type="checkbox"/> Government	
	ESG issue and explanation
	Responsible asset management
	ESG incorporation strategy applied
<input type="checkbox"/> Screening	
<input type="checkbox"/> Thematic	
<input checked="" type="checkbox"/> Integration	
<input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
	In the case of Dish, a US satellite broadcaster, the "Medium" ESG risk score contributed to the underweight position in the name. This was predicated on a dual-share class structure that allocates significant control to the entrepreneur who established the company; he has been noticeably energetic in unpredictable corporate activity that has led to increased indebtedness of the business.

☒ ESG issue 2

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
Responsible asset management	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
Concerns about corporate governance at ThyssenKrupp led the analyst to assign a "High" risk ESG score. Although the family foundation owns a minority economic stake, it controls the company through its controlling share class. Recent inappropriate activities reinforced to the analyst the unpredictability of corporate activities. This score and opinion led directly to an underweight position in the name.	

☐ ESG issue 3

☐ ESG issue 4

☐ ESG issue 5

## Communication

FI 18

Mandatory

Core Assessed

PRI 2,6

FI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.

- ☐ We disclose it publicly  
☒ We disclose it to clients/beneficiaries only

FI 18.3

Indicate the information your organisation proactively discloses to clients/beneficiaries regarding your approach to ESG incorporation.

- ☐ Broad approach to ESG incorporation  
☒ Detailed explanation of ESG incorporation strategy used



<b>FI 18.4</b>	Indicate how frequently you typically report this information.
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- ☒ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

<b>FI 18.5</b>	Additional information. [Optional]
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We see responsible management as key to keeping our clients informed and thus promote full transparency by promoting open and direct dialogue with our clients. We offer clients reports in accordance with Hermes' best practice, providing quarterly reports detailing performance attribution as standard and monthly reports where required. The team is always available to clients to discuss any aspects of performance, the investment process, or any other issues.

## Engagement in fixed income investments

### Fixed Income - Government

FI 20	Voluntary	Descriptive	PRI 2
<b>FI 20.1</b>	Indicate if you engage with government issuers such as government departments (national or local), agencies and other entities in order to influence their approach to ESG issues that may affect creditworthiness.		

☒ Yes

**FI 20.2**

Please describe your organisation's approach to engagement in government fixed income.

Hermes Global Government and Inflation Bonds team engages with public entities, with, for example, the head of the team attending the UK Debt Management Office (DMO) meetings where the largest investors are consulted on aspects of gilt issuance policy. The head of the team also maintains regular informal dialogue with the Head of the DMO and attends annual meetings with the UK Treasury.

As part of our research and consultative approach, the head of the team has visited the Canadian, Swedish and Japanese Government debt offices ahead of investing.

Hermes' Chief Economist attends the Bank of England Monetary Policy Economists Roundtable meeting every six months, providing candid feedback to officials, and he maintains informal dialogue with several Bank of England monetary officials.

Members of the team regularly attend and contribute to bond conferences and seminars, with speakers from various finance agencies, such as the German Finance Agency. Members of the team are also members of industry bodies such as the CFA and UKSIP.

☐ No

# Hermes Fund Managers Limited

## Reported Information

### Public version

#### Direct - Property

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

### Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2

Indicate the level of ownership you typically hold in your property investments.

- ☒ a majority stake (>50%)  
☐ a 50% stake  
☐ a significant minority stake (between 10-50%)  
☐ a limited minority stake (<10%)  
☐ a mix of ownership stakes

☒ Debt investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Debt investments	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10%

**Total 100%**

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 02.1

Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed via third-party property managers appointed by you	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
<b>Total</b>	<b>100%</b>

**PR 02.2** Additional information. [Optional]

Hermes Real Estate has built a best-in-class asset management capability, led by David Price as Director, Head of Asset Management, and supported by several experienced asset managers. This capability allows the team to control decision making and drive client performance. They are responsible for the day-to-day asset management of the properties, including executing business plans and managing the value creation and value protection of the assets. The asset managers are responsible for driving performance, ensuring that lease renewals are actioned in a timely manner, vacancies are let, refurbishments carried out, the property strategy meets the needs of the target tenants and implementation of our environmental and health and safety programme.

All day-to-day property management, including rent and debt collection, is dealt with by external property management agents. The performance of property manager agents, and any other agents appointed for work on activities such as rent reviews, lease renewals, transactions property maintenance, health and safety issues, and environmental issues are closely monitored by our internal asset managers.

PR 03	Voluntary	Descriptive	General
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**PR 03.1** Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input checked="" type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input checked="" type="radio"/> Mixed use <input type="radio"/> Other, specify

PR 04	Voluntary	Descriptive	PRI 1-6
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PR 04.1	Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.
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At Hermes Real Estate we have a clear understanding of the challenges and opportunities that come with responsible property investment. In line with our fiduciary responsibilities to our clients, we focus on protecting our investors' interests in the long term.

Sustainability has become an investment risk one cannot ignore, and the management of risks associated with sustainability issues is firmly embedded within our investment process. We thus have a clear strategy implemented across all our asset management practices focused on areas that will affect returns and help mitigate long-term sustainability risks to our portfolios: anticipating policy changes, explicit risk assessments of new acquisitions and of the obsolescence of existing portfolios. This includes strategy, acquisitions and sales, development and refurbishment, active management, community and tenant engagement and supply chain management.

Hermes is seen as an industry leader in responsible asset management and has developed the Principles of Responsible Property Investment, which focus on effective environmental management, a key component of our real estate management proposition.

**PR 04.2**

Provide a brief overview of your organisation's approach to responsible investment in property where you hold debt.

Hermes Real Estate launched a new debt fund in late 2013. We have incorporated our direct investment RPI processes and tools into our debt investment procedures.

**PR 05****Mandatory****Core Assessed****PRI 1-6****PR 05.1**

Indicate if your organisation has a Responsible Property Investment (RPI) policy.

☒ Yes

**PR 05.2**

Provide a URL if your RPI policy is publicly available. [Optional]

<http://www.hermes.co.uk/realestate/en-gb/overview/responsiblepropertyinvestment.aspx>

☐ No

## Fundraising of property funds

**PR 06****Mandatory****Core Assessed****PRI  
1,4,6****PR 06.1**

Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

☒ Yes

**PR 06.2**

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

☒ Policy and commitment to responsible investment

☒ Always

☐ In a majority of cases

☐ In a minority of cases

☒ Approach to ESG issues in pre-investment processes

☒ Always

☐ In a majority of cases

☐ In a minority of cases

☒ Approach to ESG issues in post-investment processes

☒ Always

☐ In a majority of cases

☐ In a minority of cases

**PR 06.3**

Describe how your organisation refers to responsible investment for property funds in fund placement documents (PPMs or similar). [Optional]

The information memorandum for our flagship property fund, the Hermes Property Unit Trust, states: 'The Trust Manager has in place RPI practices and procedures that touch on all aspects of the ownership of the Trust's investment portfolio. When assets are acquired their RPI credentials are screened and when brought into the portfolio each asset becomes a part of the wider monitoring and review that applies to all property investments held by the Trust.'

A similar level of RPI information is included in our PPM documents.

☐ No

**PR 07****Voluntary****Additional Assessed****PRI 4****PR 07.1**

Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment in property when requested by clients.

- ☒ We always make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a majority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a minority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ We do not make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ Our clients do not request us to make formal commitments to responsible investment in property

**PR 07.2**

Additional information.

Formal commitments to responsible investment procedures and tools are made in our investment strategy and procedures. They are integrated across the document as they are integrated across the investment and asset management processes.

## Pre-investment (selection)

**PR 08****Mandatory****Gateway****PRI 1****PR 08.1**

Indicate if your organisation typically incorporates ESG issues when selecting property investments.

- ☒ Yes



**PR 08.2**

Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]

RPI is part and parcel of the investment strategy for Hermes Real Estate's portfolios, and we make it a key component in our working practices. In our transaction process we use a number of procedures and tools developed internally and through our sector engagement programme:

- Sustainability due diligence for new acquisitions
- Regulatory risk assessment of standing portfolios
- Active engagement on Hermes Real Estate's indirect and international investments

☐ No

**PR 09****Voluntary****Descriptive****PRI 1,4****PR 09.1**

Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.

☒ Internal staff

☒ Specify role

Head of RPI and Sustainability

☒ Specify role

Head of Strategy

☐ Specify role

☒ External resources

☒ Environmental advisors

☐ Social advisors

☐ Corporate governance advisors

☒ Regulatory and/or legal advisors

☐ Other, specify type of advisors/roles

☐ No use of internal or external advice on ESG issues

**PR 10****Mandatory****Core Assessed****PRI 1,3****PR 10.1**

Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.

**ESG issues**

☒ Environmental

List up to three typical examples of environmental issues

Building sustainability characteristics: envelop and building systems

Energy performance certificates

Flood risks

☒ Social

List up to three typical examples of social issues

Health and safety records

Disability access

Community engagement

☒ Governance

List up to three typical examples of governance issues

Green lease clauses

Occupier engagement

PR 11	Voluntary	Additional Assessed	PRI 1,3
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**PR 11.1** Indicate what type of ESG information your organisation typically considers during your property investment selection process.

- ☒ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☒ Benchmarks/ratings against similar property asset
- ☒ Country level data/benchmarks
- ☒ Data aligned with established property reporting standards, industry codes and certifications
- ☐ International initiatives, declarations or standards
- ☐ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

**PR 11.2** Additional information.

We collect data from the seller, as well performing our own building survey and environmental survey; both surveys include an RPI questionnaire. We compare building data that is available from the benchmark we use for our directly-managed properties.

PR 12	Voluntary	Additional Assessed	PRI 1
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<b>PR 12.1</b>	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☐ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

## Selection, appointment and monitoring third-party property managers

<b>PR 13</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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<b>PR 13.1</b>	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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☒ Yes

<b>PR 13.2</b>	Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.
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- ☒ Selection process of property managers incorporated ESG issues
  - ☒ For all third party property managers
  - ☐ For a majority of property managers
  - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
  - ☒ For all third party property managers
  - ☐ For a majority of property managers
  - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
  - ☒ For all third party property managers
  - ☐ For a majority of property managers
  - ☐ For a minority of property managers

<b>PR 13.3</b>	Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]
----------------	---

RPI indicators and requirements are included in the property managers' review process and in the property managers' agreements, with clear monitoring and reporting procedures.

**PR 13.4**

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

Our third-party property managers have responsibility for delivering our responsible property management programme and our health and safety programmes. This includes energy and utility management processes, waste management, community and tenant engagement, planned and preventive maintenance, and sustainable refurbishment.

☐ No

## Post-investment (monitoring and active ownership)

### Overview

**PR 14**

**Mandatory**

**Gateway**

**PRI 2**

**PR 14.1**

Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.

☒ Yes

**PR 14.2**

Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.

- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☒ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

**PR 14.3**

Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]

Over the years, focus on RPI has demanded fresh thinking and new ways of working. Hermes Real Estate has thus created a range of dedicated tools and procedures that cover all aspects of our operations

Our responsible asset and property management programme integrates the following RPI procedures and tools:

- Minimum sustainability requirements for refurbishments and developments
- Dedicated responsible property management guidelines for Hermes Real Estate's directly managed assets
- Strategic and operational sustainability benchmarking of Hermes Real Estate's funds
- Active data management systems for utilities and waste
- Ongoing monitoring of performance with continuous feedback between property managers, asset managers and sustainability experts
- Stringent risk and safety requirements and supporting tools
- Community and occupier engagement programmes

Hermes Real Estate has been monitoring its sustainability performance for its directly managed assets since 2006.

We have reduced landlord-controlled (excluding occupier consumption where metering allows) absolute carbon emissions by 27% between 2006 and 2012. We have seen overall reductions in carbon intensity measured as kgCO<sub>2</sub>e / m<sup>2</sup> of net lettable area for landlord controlled energy. Our offices have collectively reduced total Hermes-obtained energy between 2006 and 2012 by 65%; if we take occupier consumption into account, our CO<sub>2</sub> emissions have reduced by 51%. In our shopping centre assets, despite an increase in energy intensity over the most recent 12 months, this sub-sector is 5% less energy intensive than in 2006. Because this is based on the standing portfolio, the changes are measured through a combination of efficiency improvements at existing properties as well as through the introduction of large and relatively more energy-intensive enclosed new assets within the shopping centre portfolio (Castle Court, Royal Victoria Place and The Friary).

We have not sent waste direct to landfill since 2010, and of the proportion of waste segregated onsite for recycling, as well as a quantity of the waste recovered at the MRFs (offsite recovery), the combined performance was at 69% and 76% in 2011 and 2012 respectively.

Through our focused management approach involving monthly meetings with property managers, the completion ratio for risk and safety requirements is 99.4%.

☐ No

Hermes is seen as an industry leader in responsible asset management and has a dedicated professional, Tatiana Bosteels, who is Head of Responsible Property Investment & Sustainability. In addition, the Head of Strategy and two asset managers act as champions of sustainability matters in each one of our products. Hermes Real Estate also has a dedicated external consulting team, Carbon Credential Energy Services, which supports our responsible property management programme. The tenets of this programme are included in the contracts of each one of our external property managers.

## Property monitoring and management

PR 15	Mandatory	Core Assessed	PRI 2,3
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PR 15.1	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
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- ☐ >90% of property assets
- ☒ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 15.2	Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.
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### ESG issues

☒ Environmental

List up to three example targets per issue
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Energy and water consumption

Waste management

Minimum sustainability refurbishment requirements

☒ Social

List up to three example targets per issue
--

Health and safety performance

Transport action plan

Community engagement

☒ Governance

List up to three example targets per issue

Tenant engagement

Green lease clauses

☐ We do not set and/or monitor against targets

PR 16	Voluntary	Additional Assessed	PRI 2
<b>PR 16.1</b>	List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.		

☒ Add certification scheme, rating and benchmark 1

Specify	Energy performance certificates
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input checked="" type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets  (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 2

Specify	GRESB
Proportion of property assets these apply to	<input checked="" type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets  (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 3

Specify	IPD Eco-PAS
Proportion of property assets these apply to	<input checked="" type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets  (in terms of number of property assets)

<b>PR 16.2</b>	Additional information.
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JLL BBP building environmental performance benchmark: applies to 51-90% of property assets

BREEAM: applies to <10% of property assets

## Property developments and refurbishments

<b>PR 17</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 2</b>
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<b>PR 17.1</b>	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
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- ☐ >90% of active developments and refurbishments
- ☐ 51-90% of active developments and refurbishments
- ☒ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

<b>PR 17.2</b>	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.
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- ☒ Minimum environmental site selection requirements
- ☒ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☒ Minimum water efficiency requirements
- ☒ Minimum energy efficiency requirements
- ☒ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☒ Construction contractors comply with sustainability guidelines
- ☒ Other, specify

Operational energy performance; site contamination; transport plan; biodiversity

<b>PR 17.3</b>	Additional information. [Optional]
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We have responsible property development and refurbishment guides, which include minimum requirements for projects of a certain size.

## Occupier engagement



PR 18	Mandatory	Core Assessed	PRI 2
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PR 18.1	Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.
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- ☐ >90% of occupiers
- ☐ 51-90% of occupiers
- ☒ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2	Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.
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- ☒ Distribute a sustainability guide to occupiers
- ☒ Organise occupier events focused on increasing sustainability awareness
- ☐ Deliver training on energy and water efficiency
- ☐ Deliver training on waste minimisation
- ☒ Provide feedback on energy and water consumption and/or waste generation
- ☒ Provide feedback on waste generation
- ☐ Carry out occupier satisfaction surveys
- ☐ Other, specify

PR 19	Voluntary	Additional Assessed	PRI 2
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PR 19.1	Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.
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- ☐ >90% of leases or MoUs
- ☐ 51-90% of leases or MoUs
- ☐ 10-50% of leases or MoUs
- ☒ <10% of leases or MoUs
- ☐ 0% of leases or MoUs
- ☐ N/A, no leases or MoUs were signed during the reporting year

(in terms of number of leases or MoUs)

PR 19.2	Additional information.
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We have developed green lease clauses as part of our standard lease since 2008. We aim to negotiate these clauses in all new leases, however the refusal by tenant to include them does not stop the lease going forward.

Our green lease clauses are publicly available on our website.

## Community engagement

PR 20	Voluntary	Additional Assessed	PRI 2
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### PR 20.1

Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.

- ☐ >90% of property assets
- ☒ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

### PR 20.2

Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.

- ☒ ESG education programmes for the community
- ☒ ESG enhancement programmes for public spaces
- ☒ Research and networking activities focusing on ESG issues
- ☒ Employment creation in communities
- ☒ Supporting charities and community groups
- ☒ Other, specify

Retail skills development

### PR 20.3

Additional information.

We monitor our community engagement programme once a year through our community engagement tool, which also provides support to our property managers on minimum and additional community engagement activities.

## Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
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### PR 21.1

Indicate whether your organisation measures how your approach to ESG issues in property investments has affected financial and/or ESG performance.

Financial performance

- ☒ We measure how ESG issues affect financial performance

**PR 21.2**

Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your property investments' financial performance.

We have worked with IPD and RICS to develop IPD Eco-Pas, a tool we use to measure the risk to our portfolio. We also do internal risk assessments and have started looking at the impact of sustainability regulatory risks on our discounted cash flow models.

☐ We do not measure how ESG issues affect financial performance

ESG performance

☒ We measure changes in ESG performance

**PR 21.3**

Describe the measures your organisation uses to assess the impact of your activities on your property investments' ESG performance.

Our responsible property management programme has a comprehensive monitoring programme to measure, monitor and report our ESG performance. The results are published annually in our RPI report, available to the public.

☐ We do not measure changes in ESG performance

**PR 22****Voluntary****Descriptive****PRI 1,3****PR 22.1**

Provide examples of ESG issues that affected your property investments during the reporting year.

☒ Add Example 1

ESG issue	Energy Performance Certificate rating
Types of properties affected	Offices
Impact (or potential impact) on investment	Long-term risk to investment performance
Activities undertaken to influence the investment and the outcomes	Reduced acquisition value

☐ Add Example 2

☐ Add Example 3

☐ Add Example 4

☐ Add Example 5

## Communication

PR 23

Mandatory

Core Assessed

PRI 6

PR 23.1

Indicate if your organisation proactively discloses ESG information on your property investments.

☒ Disclose publicly

provide URL

[http://www.hermes.co.uk/rpi\\_report\\_13/index.htm](http://www.hermes.co.uk/rpi_report_13/index.htm)

provide URL

<http://www.hermes.co.uk/realestate/en-gb/literature.aspx>

PR 23.2

Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.

- ☒ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)
- ☐ Other property reporting standards, specify
- ☐ No property specific reporting standards are used

PR 23.3

Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.

- ☐ Yes
- ☒ No

PR 23.4

Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.

Public

- ☒ ESG information on how you select property investments
- ☒ ESG information on how you monitor and manage property investments
- ☒ Information on your property investments' ESG performance
- ☐ Other, specify

Clients/beneficiaries

- ☒ ESG information on how you select property investments
- ☒ ESG information on how you monitor and manage property investments
- ☒ Information on your property investments' ESG performance
- ☐ Other, specify

PR 23.5

Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.

Public	Clients/beneficiaries
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Semi annually <input checked="" type="radio"/> Annually <input type="radio"/> Every two years or less frequently <input type="radio"/> Ad-hoc, specify	<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Semi annually <input type="radio"/> Annually <input type="radio"/> Every two years or less frequently <input type="radio"/> Ad-hoc, specify

  

<b>PR 23.6</b>	Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries. [Optional]
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We make our annual report available online and disseminate our RPI programme and performance at a number of events and conferences as part of our sector engagement programme.

- ☐ Disclose to clients/beneficiaries only
- ☐ No proactive disclosure to the public or to clients/beneficiaries