

# Global Voting Policy & Guidelines

## Glossary of Abbreviations and Terms

Abbreviation/term	Definition
Federated Hermes Limited ("FHL")	This refers to the companies within the Federated Hermes Limited group. Voting is only carried out by regulated entities within the group that are authorised to do so.
General Policy	Refers to Federated Hermes Limited's regulated entities that are authorised to vote and covers the policy of voting for proposals that the Advisor believes will (a) improve the management of a company, (b) increase the rights or preferences of the voted securities or (c) increase the chance that a premium offer would be made for the company or for the voted securities. This policy does not apply to Hermes GPE LLP.
Standard Voting Instructions	Specific instructions, based on the General Policy, supplied to the proxy voting service by the Advisor to enable the proxy voting service to implement automated proxy voting.
Investment Advisor	As defined in Section 2(a) of the Investment Company Act of 1940.
Significant Business Relationship	Includes: (a) any company for which an Advisor manages any investments of the company, any plan sponsored by the company or any affiliated person of the company; (b) any investment company for which an Advisor acts as an investment advisor and any affiliated person of such an investment company and; (c) any company that has another form of significant business relationship with an affiliated person of the Advisor as determined by the Committee.
Interested Company	A company that is a proponent, opponent, or the subject of a proxy vote, and which to the knowledge of the Committee has a significant business relationship with the Advisor.

## Introduction

This document sets out the Global Voting Policy and Guidelines of the Federated Hermes Limited ("Federated Hermes") business. It covers all investment advisors, excluding Hermes GPE LLP, which form part of Federated Hermes Limited, including Hermes Investment Management Limited ("HIML") and Hermes Alternative Investment Management Limited ("HAIML"). HIML and HAIML are authorised and regulated by the Financial Conduct Authority ("FCA"). The policy set out in this document complies with applicable FCA rules and requirements.

This policy describes the global proxy voting policies, practices and procedures in order to comply with global regulations including the US Securities Exchange Commission ("SEC") Rule 206(4)-6 under the Investment Advisor's Act of 1940 (the "Advisor's Act") and other regulations including the FCA Handbook and the Shareholder Rights Directive.

## Governing Policy

HIML (a registered Investment Advisor with the SEC, "Advisor") has adopted the following proxy voting policies and procedures (the "Policies and Procedures") in compliance with Rule 206(4)-6 under the Advisor's Act. These Policies and Procedures shall also apply to any investment company registered under the Investment Company Act of 1940 (the "1940 Act") for which an Advisor serves as an "investment advisor" (as defined in Section 2(a)(20) of the 1940 Act), provided that the Board of Directors or Trustees of such investment company has delegated to the Advisor authority to vote the investment company's proxies, subject to the Board's oversight and receipt of regular reports. These Policies and Procedures are also followed by Federated Hermes more broadly in their asset management activities.

## General Policy

Unless otherwise directed by a client or the Board of Directors or Trustees of an investment company, it is the policy of the Advisor to cast proxy votes at shareholder meetings for the securities in which voting rights are held as of a record date ("Company Meetings"). The Advisor will cast proxy votes in favour of management proposals and shareholder proposals that the Advisor anticipates will enhance the long-term value of the securities being voted. Generally, this will mean voting for proposals that the Advisor believes will (a) improve the management of a company, (b) increase the rights or preferences of the voted securities or (c) increase the chance that a premium offer would be made for the company or for the voted securities. This approach to voting proxy proposals will be referred to hereafter as the General Policy. Nothing in the General Policy shall be deemed to limit the securities that the Advisor may purchase or hold on behalf of the fund/account shareholders ("Underlying Shareholders").

## Application to Specific Proposals

The following examples illustrate how the General Policy may apply to management proposals and shareholder proposals submitted for approval or ratification by holders of the company's voting securities. However, whether the Advisor

supports or opposes a proposal will always depend on the specific circumstances described in the proxy statement and other available information.

The Advisor seeks to vote consistently on different issues in accordance with the stated policies and guidelines. However, recognising the limitations of any policy to anticipate all potential scenarios, the Advisor uses discretion when voting, taking account of the specific circumstances described in the proxy statement and other company disclosure. All proxy voting decisions are informed by the Advisor's ongoing engagement with the management and directors of the company concerned. These engagements provide important context and alongside a judgement as to the company's direction of travel towards best practice (as communicated by the Advisor's General Policy) will influence the final voting decision of the Advisor.

The Advisor seeks to inform companies of any votes against management, together with the reasons why.

Voting guidelines and decisions differ across regional markets, as appropriate to the local context. The Advisor publishes regional Corporate Governance Principles, which guide their engagement and voting recommendations in different markets, on their website. They may vote contrary to the voting guidelines should they judge that it is in the best long-term interests of the value of the securities to do so.

## Voting Guidelines

### Principles

- 1 No abstention:** Federated Hermes aims to vote either in favour or against a resolution and only to abstain in exceptional circumstances such as where our vote is conflicted, a resolution is to be withdrawn, or there is insufficient information upon which to base a decision.
- 2 Support for management:** Federated Hermes seeks to be supportive of boards and to vote in favour of proposals unless there is a good reason not to do so in accordance with its voting policies, global or regional governance standards or otherwise to protect long-term shareholder interests.
- 3 Consistency of voting:** To provide companies with clear guidance of our expectations, Federated Hermes seeks to take a consistent position on issues and reflect this in our voting, in accordance with our stated policies and guidelines. However, recognising the limitations of any policy to anticipate all potential scenarios, Federated Hermes reserves the right to use our discretion when voting and to vote in line with the outcome which Federated Hermes believes will best serve our clients' long-term interests, taking into account market and company-specific circumstances and our engagement with companies, where relevant.
- 4 Engagement:** For a defined set of high priority companies (watchlist companies) we will endeavor to engage prior to voting against a resolution if there is a reasonable prospect that this will either generate further information to enable a better quality of voting decision or to change the approach taken by the company. We will

also seek to inform such companies of any votes against management, together with the reasons why. For non-watchlist companies, we will inform companies on a best efforts basis.

## Board and directors

- 5 Board independence:** We expect boards to meet minimum standards of independence to be able to hold management to account and may vote against the election of directors whose appointment would cause independence to fall below these standards, and/or against the chair of the board where we have serious concerns. We set minimum standards at a market level but, as a general guide, we expect at least half of the board directors to be independent in companies with a dispersed ownership structure, and at least one third to be independent in controlled companies. In judging a director's independence, our considerations include, but are not limited to, length of tenure, concurrent service with other board members, whether they represent a significant shareholder, and whether they have any direct, material relationship with the company, other directors or its executives, including receiving any remuneration beyond director fees. Our expectations may exceed the minimum standards set by regulation or best practice codes in some markets.
- 6 Board committees:** Where separate committees are established to oversee remuneration, audit, nomination and other topics – which we expect at most large companies – we may vote against chairs or members where we have concerns about independence, skills, attendance or over-commitment, or the matters overseen by the committee.
- 7 Board diversity:** In recognition of the value that diversity of thought, skills and attributes brings to board oversight and in line with our aspiration that board members, together with all levels of management, should broadly reflect the diversity of society, we will consider voting against relevant directors, including the chair, where we consider board diversity – in terms of gender, ethnicity, age, functional and geographic experience, tenure, and other characteristics – to be below minimum thresholds. Some thresholds, such as gender diversity, are defined at a market level; others, such as skills and experience, are more globally consistent. Our expectations may exceed the minimum standards set by regulation or best practice codes in some markets.
- 8 Director election:** We will generally support the election of directors unless there are specific concerns relating to issues such as board independence and composition; a director's skills, experience or suitability for the role; a director's attendance or ability to commit time to the role; or governance or other failures which a director has oversight of or involvement in – at this or another company.
- 9 Director attendance:** We may vote against directors who miss a substantial number of meetings – as a guideline, 25% or more – without sufficient explanation.
- 10 Director commitments:** We will consider voting against a director who appears over-committed to other duties, with the guideline of having no more than five directorships. When considering this issue, we take into account a

number of factors, including the size and complexity of roles, with certain industries such as banking (due to its business model and regulatory complexity) and multi-site operating companies such as international mining (due to the need for site visits) requiring more time commitment. As a broad guideline, we consider a chair role equivalent to two directorships and an executive role equivalent to four directorships. A chair should not hold another executive role and an executive should hold no more than one non-executive role, except for cases where serving as a shareholder representative on boards is an explicit part of an executive's responsibilities. At complex companies, committee chair roles, in particular the chair of the audit and risk committee, may be considered more burdensome than a typical non-executive directorship. A significant post at a civil society organisation or in public life would normally also count as equivalent to a directorship, whether executive, non-executive or a chair role..

## Compensation

We set market-specific voting policies on remuneration with reference to our Remuneration Principles, and according to local market practice. Our broad guidelines are:

- 11 Alignment to long-term value:** We will consider opposing incentive arrangements that do not align to the creation of long-term value for shareholders and other stakeholders including, for example, those which disproportionately focus on short-term growth of share price or total shareholder returns.
- 12 Executive shareholdings:** We support executive management making material, long-term investment in the company's shares and may oppose remuneration proposals and reports where shareholding requirements or actual executive shareholdings are insufficient. As a general guideline, we support the aim that executives hold at least 500% of salary in shares and no less than 200%, with varying minimum thresholds based on regional pay practices.
- 13 Complexity:** We will consider voting against overly complex incentive arrangements which are difficult for investors and others to readily understand. An important factor in assessing complexity is the number of different components that comprise the whole remuneration package.
- 14 Variable to fixed pay:** We will consider voting against proposed incentive schemes or pay awards where we consider the ratio of variable pay relative to fixed pay to be too high, as part of our long-term desire to see far simpler pay schemes, based on majority fixed pay and long-term share ownership. We set varying maximum thresholds for variable pay to reflect regional pay practices.
- 15 Justification for high pay:** We will consider voting against pay proposals which appear excessive in the context of wider industry pay practices or where executive pay is raised significantly above inflation or that of the workforce average without a convincing justification.
- 16 Discretion:** We expect boards and remuneration committees to apply discretion to ensure pay outcomes are aligned with performance and the wider experience of shareholders and may oppose remuneration reports and the election of relevant directors where this is not the case.

**17 Disclosure:** We will generally vote against remuneration reporting where disclosure is insufficient to understand the approach to incentive arrangements and how pay outcomes have been achieved, or where disclosure otherwise falls below expected market practice.

## Audit

**18 Ratification of external auditors:** We will generally oppose the ratification of external auditors and/or the payment of audit fees where we have concerns, including those relating to audit quality or independence, or controversies involving the audit partner or firm.

## Protection of shareholder rights

**19 Limitation of shareholder rights:** We will generally vote against any limitation on shareholder rights or the transfer of authority from shareholders to directors and only support proposals which enhance shareholder rights or maximise shareholder value.

**20 Related-party transactions:** We will generally only support related-party transactions (RPTs) which are made on terms equivalent to those that would prevail in an arm's length transaction, together with good supporting evidence. We expect RPTs to be overseen and reviewed by independent board directors with annual disclosure of significant RPTs.

**21 Differential voting rights:** We will generally vote against the authorisation of stock with differential voting rights if the issuance of such stock would adversely affect the voting rights of existing shareholders.

**22 Anti-takeover proposals:** We will generally vote against anti-takeover proposals or other 'poison pill' arrangements including the authority to grant shares which may be used in such a manner.

**23 Poll voting:** We will generally support proposals to adopt mandatory voting by poll and full disclosure of voting outcomes, together with proposals to adopt confidential voting and independent vote tabulation practices.

**24 Authorities to allot shares:** We will generally vote against unusual or excessive authorities to increase issued share capital.

**25 Rights issues:** We generally support rights issues, provided that shareholder approval is obtained for any rights issue for any significant amount of capital (greater than 10% of share capital).

**26 Market purchase of ordinary shares (share buybacks):** We will generally support proposals for a general authority to buy back shares provided these meet local governance standards. We may not support this authority where it exceeds a period of 18 months, where the potential effect of the buyback programme on executive remuneration is not made sufficiently clear, or where we oppose the strategy for long-term capital allocation.

**27 Bundled resolutions:** We will generally vote against a resolution relating to capital decisions, where the resolution has bundled more than one decision into a single resolution, denying investors the opportunity to make separate voting decisions on separate issues.

**28 Virtual/electronic general meetings:** We will generally vote against proposals allowing for the conveying of virtual-only shareholder meetings, unless such arrangements are a temporary solution in response to restrictions on in-person gatherings, such as in response to the Coronavirus pandemic. We may accept meetings to be convened in a 'hybrid' format – where shareholders have the option to join the meeting via an online platform or to join in person, provided all shareholder rights are protected or enhanced.

## Commercial transactions

**29 Commercial transactions:** When considering our voting on a commercial transaction, we consider a range of factors in the context of seeking to protect and promote long-term, sustainable value. These include: price; consistency with strategy; risks and opportunities (the key risks and opportunities and the extent to which these appear to have been managed); and conflicts of interest. The underlying expectation is that due process is followed, with information made available to all shareholders.

## Shareholder resolutions

**30 Shareholder resolutions:** We support the selective use of shareholder resolutions as a useful tool for communicating investor concerns and priorities or the assertion of shareholder rights, and as a supplement to or escalation of direct engagement with companies. We consider such resolutions on a case-by-case basis. When considering whether or not to support resolutions, we consider factors including whether the proposal promotes long-term shareholders' interests; what the company is already doing or has committed to do; the nature and motivations of the filers, if known; and what potential impacts – positive and negative – the proposal could have on the company if implemented.

## Climate change

**31 Climate change:** We will consider voting against the chair, and other relevant directors or resolutions, at companies where we consider a company's response to the risks and opportunities presented by climate change to be insufficient or its activities and reporting, including its financial statements, to be materially misaligned with the goals of the Paris Agreement. This is informed by a range of indicators, including the Transition Pathway Initiative assessment and the Climate Action 100+ Benchmark.

**32 Climate transition plans:** On votes on climate transition plans, we will assess proposals against key criteria of (i) alignment to the Paris Goals and achieving 1.5C; (ii) the quality of the plan to deliver this; and (iii) the commitment of the company to achieving its stated goals.

## Human Rights

**33 Human rights:** Where we have significant concerns about a company's actions relating to human rights, we will consider voting against relevant directors, the discharge of management or other relevant resolutions. This is informed by a range of indicators, such as a failure to comply with legislation or internationally-recognised

guidance (such as the UN Guiding Principles for Business and Human Rights), or evidence that a company has caused or contributed to egregious, adverse human rights impacts or controversies and has failed to provide appropriate remedy.

### **Cost/Benefit Analysis**

Notwithstanding the foregoing policies and practices, the Advisor shall not vote any proxy if it is determined that the consequences or costs of voting outweigh the potential benefit to the Underlying Shareholders. For example, if a foreign market requires shareholders voting proxies to retain the voted shares until the meeting date (thereby rendering the shares illiquid), the Advisor will not vote proxies for such shares. In addition, the Advisor shall not be obligated to incur any expense to send a representative to a shareholder meeting or to translate proxy materials into English.

### **Securities Lending Recall**

The Advisor will not have the right to vote on securities while they are on loan. The Advisor does not currently engage in securities lending.

### **Governance Committee**

The Advisor has established a Governance Committee (the "Committee") consisting of the following permanent voting members (unless noted otherwise):

- Head of Responsibility (chair)
- Head of Investment
- Head of International Client Group (non-voting)
- Chief Regulatory Officer and Head of Government Affairs
- Managing Director Private Markets
- Legal representative

### **Advisor's Conflicts of Interest**

The Advisor seeks always to act in the clients' best interests and take all reasonable steps to identify conflicts of interest and maintain and operate arrangements to minimise the possibility of such conflicts giving rise to a material risk of damage to the interests of clients. In fulfilling their commitments to being good stewards of those companies in which client assets are invested through engagement and voting, the Advisor may encounter potential conflicts of interest. The Advisor has adopted a Stewardship Conflicts of Interest Policy designed to ensure that such conflicts are identified and mitigated, and that proxies are voted in a manner that enhances the long-term value of the companies concerned rather than the interests of the Advisor, EOS at Federated Hermes ("EOS") or any affiliates. This Policy is available on the Advisor's website.

When any Advisor or employee recognises a conflict of interest he or she must raise it with their line manager. Among other conflicts, staff are required to identify conflicts of interest arising

from engagements with companies in which (i) the Advisor or their affiliates have a significant business relationship; (ii) individuals, including portfolio managers or EOS engagers, have a material personal relationship or outside business interest with the company or its representatives; and (iii) the Advisor's clients (including the clients of EOS) or prospective clients have a material interest where a staff member has a personal connection with a company, in which case he or she must declare it and will not be involved in any relevant engagement activities or voting recommendations.

A register of conflicts is maintained by the Advisor. In those circumstances where a conflict exists or there is a different opinion between different staff members, the vote recommendation will be escalated to the Committee for a decision. Where the Committee does not agree, the CEO of the Federated Hermes Limited will adjudicate. All such instances determined by the Governance Committee or adjudicated by the CEO due to the existence of a conflict will be reported to the Risk, Compliance & Financial Crime Committee of Federated Hermes Limited and, in the case of votes cast on behalf of a 1940 Act registered investment company, to the Board of that Company at least annually.

### **Use of EOS at Federated Hermes**

The Advisor will make use of Federated Hermes' dedicated stewardship team, EOS, in carrying out their responsibilities under this Policy. EOS will assist with engagement with investee companies and provide voting recommendations to the Advisor. EOS Voting and Engagement Support Team will be responsible for the operation and administration of the proxy voting services.

### **Employment of Proxy Voting Services**

The Advisor has hired EOS to obtain, vote and record proxies in accordance with the directions of the Advisor. Where the Advisor has a Standard Voting Instruction they have supplied the proxy voting service with general instructions (the "Standard Voting Instructions") that represent decisions made by the Advisor's personnel in order to vote common proxy proposals. As the Advisor believes that a shareholder vote is equivalent to an investment decision, the Advisor retains the right to modify the Standard Voting Instructions at any time or to vote contrary to them at any time in order to cast proxy votes in a manner that the Advisor believes is: (i) in the best interests of the Advisor's clients (including shareholders of the funds advised by the Advisor), and (ii) will enhance the long-term value of the securities being voted. Refer to the General Policy described above. The proxy voting service may vote any proxy as directed in the Standard Voting Instructions without further direction from the Advisor. The EOS Stewardship team and Voting and Engagement Support team follow Proxy Voting Procedures to ensure proxy votes are cast in a timely manner for all securities that are held on behalf of the funds and account shareholders.



## Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns and, where possible, to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes Investment Management are now undertaken by Federated Hermes Limited (or one of its subsidiaries). We still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important strategies from the entire group.

## Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

For more information, visit [www.hermes-investment.com](http://www.hermes-investment.com) or connect with us on social media:

