

HESTA Super Fund

H2 | 2014

**International Company Engagement and Share
Voting Report**

1. INTRODUCTION

This report contains a summary of the responsible ownership activities undertaken by Hermes EOS on behalf of HESTA Super Fund from 1 July to 31 of December 2014. It covers statistics on intensive engagements with companies over the past two quarters. The report also provides statistical reports on share voting and a detailed overview of how votes were executed on HESTA's behalf for the second half of 2014.

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2. ENGAGEMENT

Hermes undertakes engagement with companies, usually at Board or at least senior management level within the company, with the aim of improving environmental, social and governance (ESG) performance and/or disclosure.

Hermes escalates the intensity of its involvement with companies on behalf of HESTA over time depending on the nature of the challenges they face and the attitude of the board towards our intervention. Some engagements involve one or two meetings over a period of months, while others are more complex and entail multiple meetings over several years. EOS aims to engage with companies behind closed doors at senior management or board level and a majority of our engagements remain confidential. Only in very rare cases we may take a more public approach and speak at company general meetings to express our views, or otherwise use public avenues.

All engagements undertaken by Hermes are subject to a rigorous initial assessment and ongoing review process to ensure that the team is focusing its efforts where the most value can potentially be added. The aim always is to change behaviours and approaches at companies to add value for long-term shareholders.

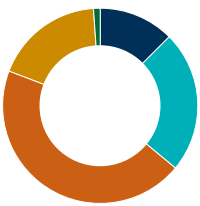
HESTA Super Fund

Engagement by region

Over the second half of the year we engaged with **214** companies held in the HESTA Super Fund portfolios on a range of **558** social, environmental and governance issues.

Global

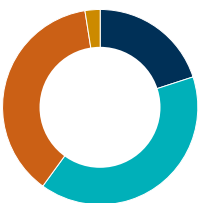
We engaged with **214** companies over the second half of the year.



- Environmental 12.5%
- Social and ethical 23.5%
- Governance 44.8%
- Strategy and risk 18.1%
- Stewardship 1.1%

Australia and New Zealand

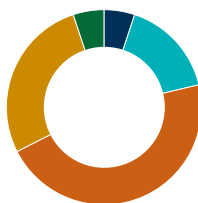
We engaged with **10** companies over the second half of the year.



- Environmental 20.0%
- Social and ethical 40.0%
- Governance 37.5%
- Strategy and risk 2.5%

Developed Asia

We engaged with **47** companies over the second half of the year.



- Environmental 5.1%
- Social and ethical 16.2%
- Governance 46.2%
- Strategy and risk 27.4%
- Stewardship 5.1%

Emerging and Frontier Markets

We engaged with **16** companies over the second half of the year.



- Environmental 22.4%
- Social and ethical 28.6%
- Governance 22.4%
- Strategy and risk 26.5%

Europe

We engaged with **38** companies over the second half of the year.



- Environmental 14.3%
- Social and ethical 22.0%
- Governance 45.1%
- Strategy and risk 18.7%

North America

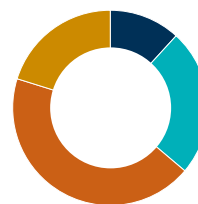
We engaged with **64** companies over the second half of the year.



- Environmental 12.7%
- Social and ethical 23.2%
- Governance 54.2%
- Strategy and risk 9.9%

United Kingdom

We engaged with **39** companies over the second half of the year.



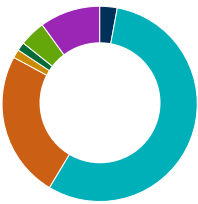
- Environmental 11.8%
- Social and ethical 24.4%
- Governance 43.7%
- Strategy and risk 20.2%

Engagement by issue

Over the second half of the year we engaged with **214** companies held in the HESTA Super Fund portfolios on a range of **558** social, environmental and governance issues.

Environmental

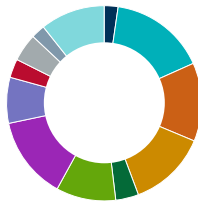
Environmental issues featured in **12.5%** of our engagements over the second half of the year.



- Biodiversity **2.9%**
- Climate change/carbon intensity **55.7%**
- Environmental management **24.3%**
- Forestry **1.4%**
- Oil sands **1.4%**
- Waste **4.3%**
- Water stress **10.0%**

Social and ethical

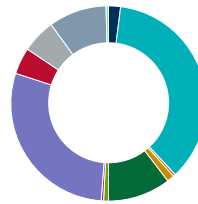
Social issues featured in **23.5%** of our engagements over the second half of the year.



- Access to medicine **2.3%**
- Bribery and corruption **16.0%**
- Community relations **13.0%**
- Corporate culture **13.0%**
- Customer relations **3.8%**
- Employee relations **9.9%**
- Health and safety **13.7%**
- Licence to operate **7.6%**
- Munitions manufacture **3.1%**
- Operations in troubled regions **4.6%**
- Political risk management **2.3%**
- Supply chain management **10.7%**

Governance

Governance issues featured in **44.8%** of our engagements over the second half of the year.



- Accounting or auditing issues **2.0%**
- Board structure **36.0%**
- Committee structure **0.4%**
- Conflicts of interest **1.2%**
- Other governance **10.4%**
- Poison pill **0.8%**
- Related-party transactions **0.4%**
- Remuneration **28.8%**
- Separation of chair/CEO **4.4%**
- Shareholder communications **5.6%**
- Succession planning **9.6%**
- Voting rights – not 1 share 1 vote **0.4%**

Strategy and risk

Strategy and risk issues featured in **18.1%** of our engagements over the second half of the year.



- Business strategy **40.6%**
- Capital structure **3.0%**
- Reputational risk **1.0%**
- Returns to shareholders **2.0%**
- Risk management **53.5%**

Stewardship

Stewardship issues featured in **11%** of our engagements over the second half of the year.



- Reporting/disclosure **66.7%**
- Stewardship code **33.3%**

3. VOTING

Hermes votes on behalf of HESTA at general meetings wherever practicable. We take a graduated approach and base our decisions on annual report disclosures, discussions with the company and independent analyses. In some jurisdictions share voting may be more challenging due to regulatory intervention. In blocking markets for example, shares will be unavailable for trading if voting rights are executed ahead of the company meeting. We believe that this is a disadvantage for investors and EOS is participating in a number of shareholder initiatives to remove share blocking wherever possible.

We seek to inform companies where we vote against or abstain on any resolution, usually following up such votes with a letter. We maintain a database of voting and contact with companies and, if we believe further intervention is merited, we include the company in our main engagement programme.

HESTA Super Fund

Over the second half of the year we voted at **387** meetings (**3,646** resolutions). At **129** of those meetings we opposed one or more resolutions. We voted with management by exception at **seven** meetings and we abstained at **one** meeting. We supported management on all resolutions at the remaining **250** meetings.

Global

We voted at **387** meetings (**3,646** resolutions) over the second half of the year.



- Total meetings voted in favour **64.6%**
- Meetings where voted against (or voted against AND abstained) **33.3%**
- Meetings where abstained **0.3%**
- Meetings where voted with management by exception **1.8%**

Australia and New Zealand

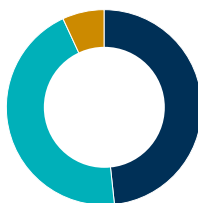
We voted at **35** meetings (**215** resolutions) over the second half of the year.



- Total meetings voted in favour **88.6%**
- Meetings where voted against (or voted against AND abstained) **11.4%**

Developed Asia

We voted at **29** meetings (**213** resolutions) over the second half of the year.



- Total meetings voted in favour **48.3%**
- Meetings where voted against (or voted against AND abstained) **44.8%**
- Meetings where voted with management by exception **6.9%**

Emerging and Frontier Markets

We voted at **97** meetings (**835** resolutions) over the second half of the year.



- Total meetings voted in favour **64.9%**
- Meetings where voted against (or voted against AND abstained) **35.1%**

Europe

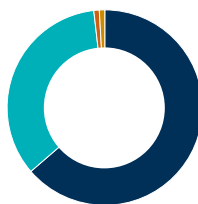
We voted at **67** meetings (**624** resolutions) over the second half of the year.



- Total meetings voted in favour **47.8%**
- Meetings where voted against (or voted against AND abstained) **52.2%**

North America

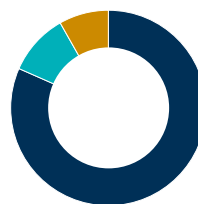
We voted at **110** meetings (**1,004** resolutions) over the second half of the year.



- Total meetings voted in favour **63.6%**
- Meetings where voted against (or voted against AND abstained) **34.5%**
- Meetings where abstained **0.9%**
- Meetings where voted with management by exception **0.9%**

United Kingdom

We voted at **49** meetings (**755** resolutions) over the second half of the year.

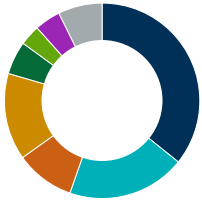


- Total meetings voted in favour **81.6%**
- Meetings where voted against (or voted against AND abstained) **10.2%**
- Meetings where voted with management by exception **8.2%**

The issues on which we voted against management or abstained on resolutions are shown below.

Global

We voted against or abstained on **327** resolutions over the second half of the year.



- Board structure **35.8%**
- Remuneration **19.6%**
- Shareholder resolution **9.8%**
- Capital structure and dividends **14.4%**
- Amend articles **5.5%**
- Audit and accounts **3.4%**
- Governance **4.3%**
- Other **7.3%**

Australia and New Zealand

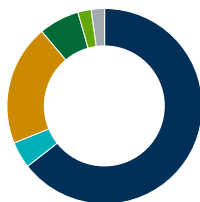
We voted against or abstained on **five** resolutions over the second half of the year.



- Remuneration **80.0%**
- Shareholder resolution **20.0%**

Developed Asia

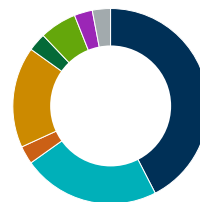
We voted against or abstained on **45** resolutions over the second half of the year.



- Board structure **64.4%**
- Remuneration **4.4%**
- Capital structure and dividends **20.0%**
- Amend articles **6.7%**
- Audit and accounts **2.2%**
- Other **2.2%**

Emerging and Frontier Markets

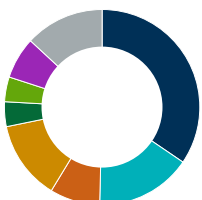
We voted against or abstained on **66** resolutions over the second half of the year.



- Board structure **42.4%**
- Remuneration **22.7%**
- Shareholder resolution **3.0%**
- Capital structure and dividends **16.7%**
- Amend articles **3.0%**
- Audit and accounts **6.1%**
- Governance **3.0%**
- Other **3.0%**

Europe

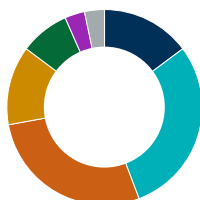
We voted against or abstained on **145** resolutions over the second half of the year.



- Board structure **34.5%**
- Remuneration **15.9%**
- Shareholder resolution **8.3%**
- Capital structure and dividends **13.1%**
- Amend articles **4.1%**
- Audit and accounts **4.1%**
- Governance **6.9%**
- Other **13.1%**

North America

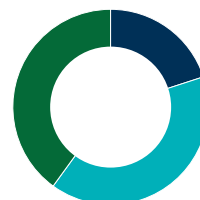
We voted against or abstained on **61** resolutions over the second half of the year.



- Board structure **14.8%**
- Remuneration **29.5%**
- Shareholder resolution **27.9%**
- Capital structure and dividends **13.1%**
- Amend articles **8.2%**
- Governance **3.3%**
- Other **3.3%**

United Kingdom

We voted against or abstained on **five** resolutions over the second half of the year.



- Board structure **20.0%**
- Remuneration **40.0%**
- Amend articles **40.0%**