

Emerging Markets

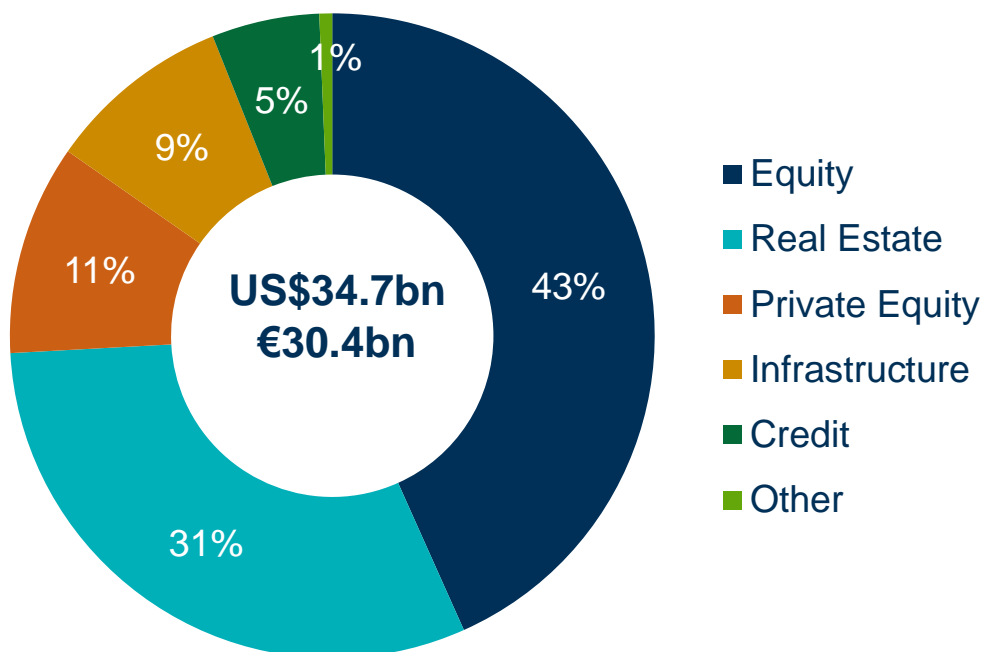
ESG in Emerging Markets

Giornata Nazionale della Previdenza (GNP), Naples

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Hermes Investment Management

We aim to deliver excellent, long term, investment performance – responsibly



- ▶ Owned by the **BT Pension Scheme**
- ▶ A **heritage** which has always provided insight into the needs of long-term investors
- ▶ **Stakeholder** view and approach to investment
- ▶ **Emerging market equities** strategy AUM US\$2,375.6m/€2,084.7m. Strategy inception 1993
 - Concentrated fund
 - High active share 91.26%
 - Turnover 36.7%¹

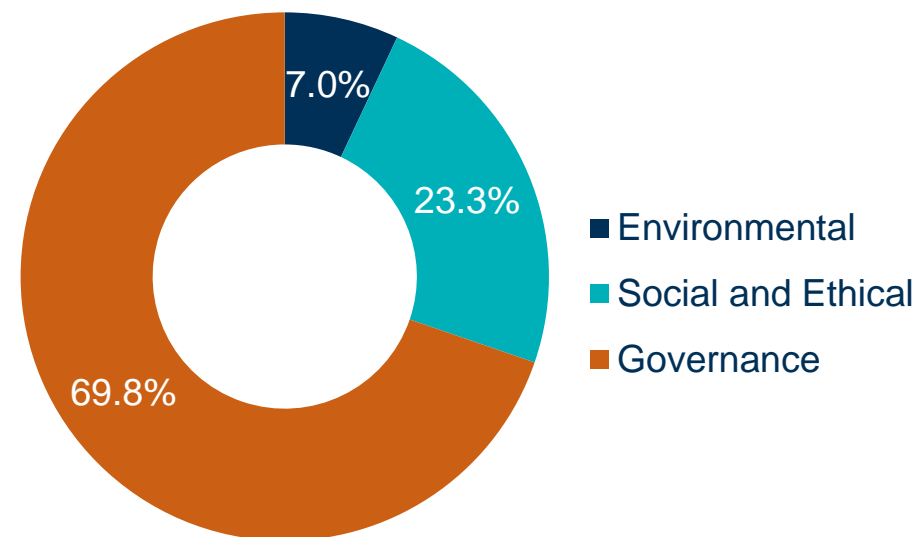
¹ Turnover is an average over one year.

Please note the total AUM figure includes £4.8bn/US\$6.9bn/€6.0bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers Limited ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.2bn/US\$0.3bn/€0.2bn of total group AUM figure represents HFM mandates under advice. Source: Hermes as at 31 March 2016 with the exception of one portfolio totalling £89.7m/US\$128.9m/€113.1m valued as at 31 January 2016.

Hermes EOS

- ▶ Hermes is a founding signatory of the **UN PRI** having co-chaired the committee that drafted the Principles.
- ▶ **A leader** in responsible investment and largest stewardship service provider with over **\$244.1bn** of assets under advice
- ▶ **Engagement** on behalf of **42 institutional clients** in 10 countries
- ▶ Hermes EOS has **26** full-time staff and **6** senior advisors
- ▶ **Integration** of Hermes principles of responsible investing across all the investment teams

ESG issues engaged – 2015¹ (%)



¹ Source Hermes EOS as at 31 December 2015. Shown for representative portfolio.

Our approach to ESG

Incorporate in research process

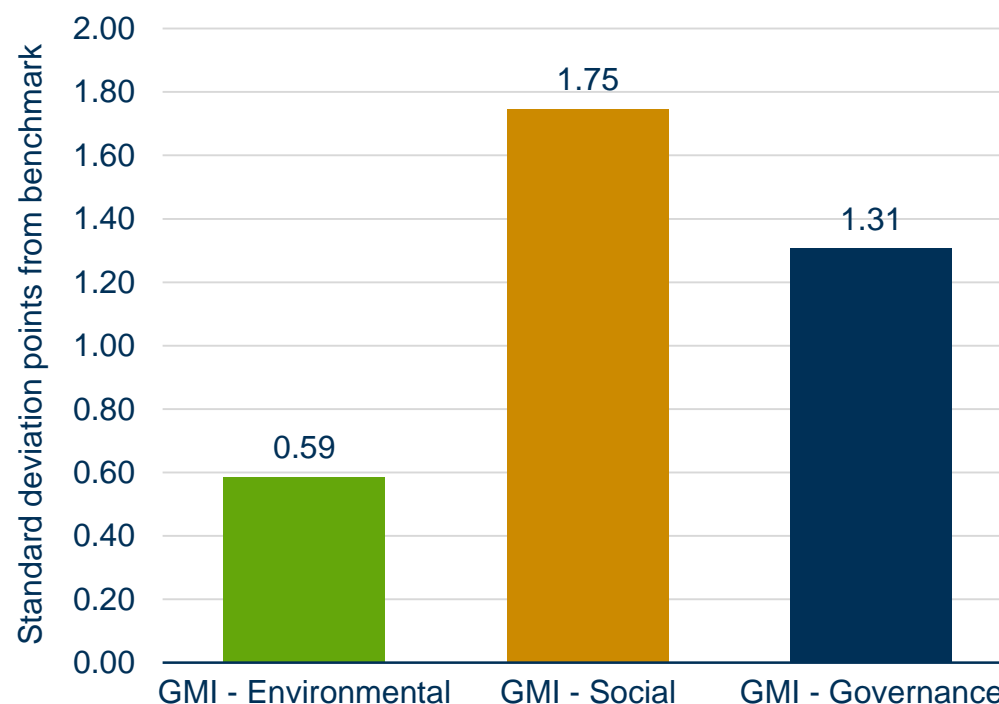
- ▶ Understand management culture
- ▶ Proprietary dashboard uses Hermes EOS database, Sustainalytics and Trucost data
- ▶ Dialogue with EOS specialist

Engage alongside EOS

- ▶ Company level
 - Voting
 - Engagement
- ▶ Public policy (by EOS)
 - Work with legislators, regulators, industry bodies

Walking the walk

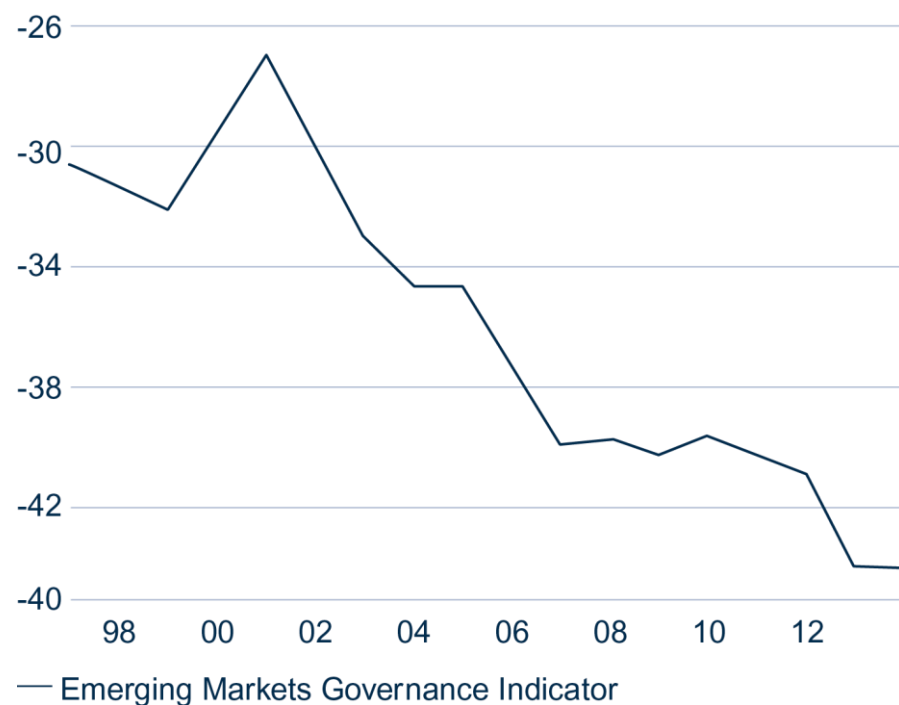
ESG characteristics relative to benchmark – Portfolio Style Skyline™



Source: Style Research as at 31 January 2016. Shown for UCITS portfolio. Past performance is not a reliable indicator of future results.

Why ESG?

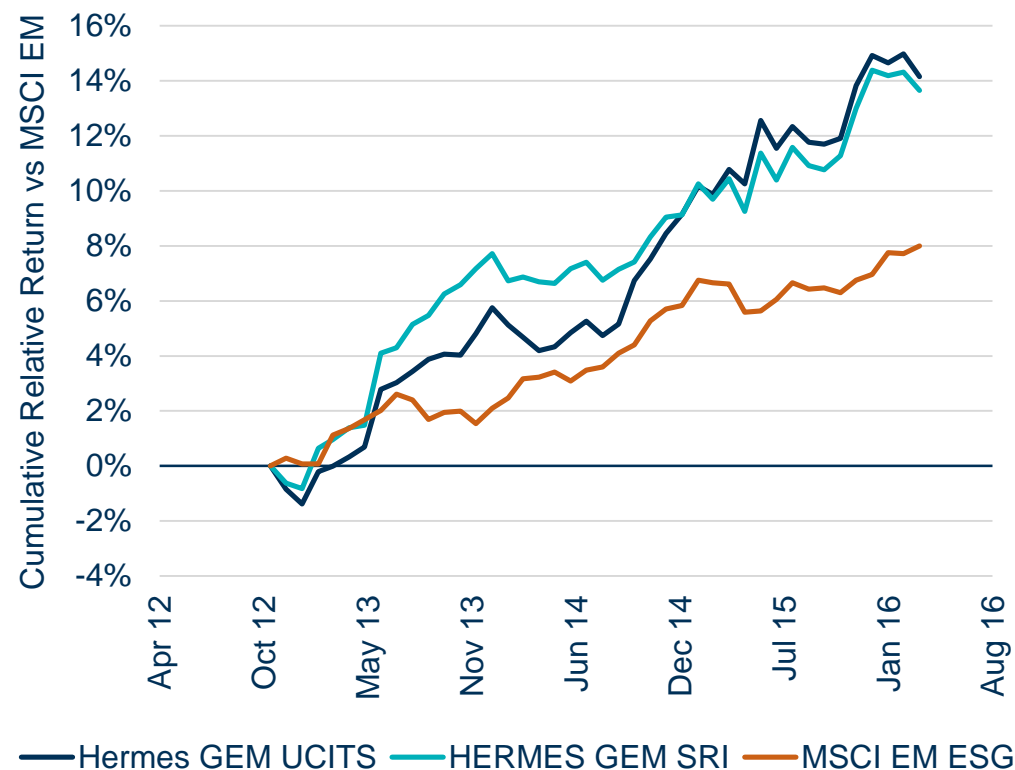
Governance is a key concern in Emerging Markets¹



¹ Includes: China, Brazil, Russia, India, Mexico, Indonesia, Turkey, Malaysia, The Philippines, Thailand and South Africa. Indicator is an equally-weighted average of the following measures: Government effectiveness, voice and accountability, political stability and violence, rule of law and control of corruption.

Source: World Bank and BCA Research as at August 2015.

Doing well by doing good²



² Source: Hermes as at 31 March 2016.

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Hermes Investment Management

Hermes Investment Management is focused on delivering superior, sustainable, risk-adjusted returns – responsibly.

Hermes aims to deliver long-term outperformance through active management. Our investment professionals manage equity, fixed income, real estate and alternative portfolios on behalf of a global clientele of institutions and wholesale investors. We are also one of the market leaders in responsible investment advisory services.

Our investment solutions include:

Private markets

International real estate, UK commercial real estate, UK private rental sector real estate, infrastructure and private equity

High active share equities

Asia, global emerging markets, Europe, US, global, and small and mid cap

Credit

Absolute return credit, global high yield bonds, multi strategy credit, real estate debt and direct lending

Multi asset

Multi asset inflation

Responsible investment services

Corporate engagement, intelligent voting and public policy engagement

Offices

London | New York | Singapore

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