

HESTA Super Fund

H1 | 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 January to 30 June 2014. It covers statistics on intensive engagements with companies over the past two quarters. The report also provides statistical reports on share voting on HESTA's behalf for the first 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.

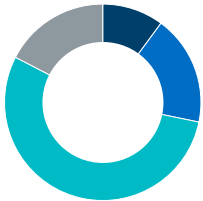
HESTA Super Fund

Engagement by region

Over the first half of this year we engaged with 238 companies held in the HESTA Super Fund portfolios on a range of 562 social, environmental and governance issues.

Global

We engaged with 238 companies over the first half of this year.



- Environmental 10.1%
- Social and ethical 18.1%
- Governance 54.3%
- Strategy and risk 17.4%

Australia and New Zealand

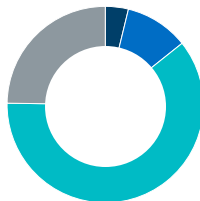
We engaged with seven companies over the first half of this year.



- Environmental 25.0%
- Social and ethical 29.2%
- Governance 45.8%

Developed Asia

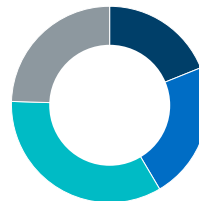
We engaged with 47 companies over the first half of this year.



- Environmental 3.8%
- Social and ethical 10.5%
- Governance 61.0%
- Strategy and risk 24.8%

Emerging and Frontier Markets

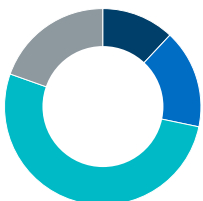
We engaged with 22 companies over the first half of this year.



- Environmental 18.9%
- Social and ethical 22.6%
- Governance 34.0%
- Strategy and risk 24.5%

Europe

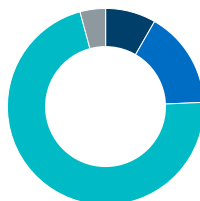
We engaged with 44 companies over the first half of this year.



- Environmental 12.0%
- Social and ethical 16.3%
- Governance 52.2%
- Strategy and risk 19.6%

North America

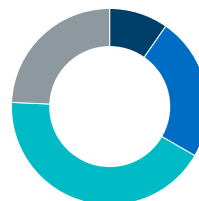
We engaged with 80 companies over the first half of this year.



- Environmental 8.3%
- Social and ethical 16.0%
- Governance 71.5%
- Strategy and risk 4.2%

UK

We engaged with 38 companies over the first half of this year.



- Environmental 9.7%
- Social and ethical 23.6%
- Governance 42.4%
- Strategy and risk 24.3%

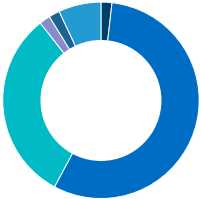
HESTA Super Fund

Engagement by issue

Over the first half of this year we engaged with 238 companies held in the HESTA Super Fund portfolios on a range of 562 social, environmental and governance issues.

Environmental

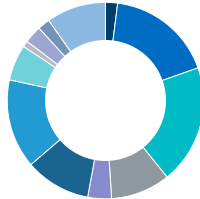
Environmental issues featured in 10.1% of our engagements over the first half of this year.



- Biodiversity 1.8%
- Climate change/carbon intensity 56.1%
- Environmental management 31.6%
- Oil sands 1.8%
- Waste 1.8%
- Water stress 7.0%

Social and ethical

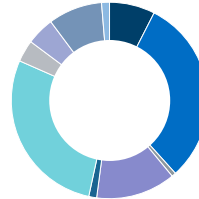
Social issues featured in 18.1% of our engagements over the first half of this year.



- Access to medicine 2.0%
- Bribery and corruption 17.6%
- Community relations 19.6%
- Corporate culture 9.8%
- Customer relations 3.9%
- Employee relations 10.8%
- Health and safety 14.7%
- Licence to operate 5.9%
- Munitions manufacture 1.0%
- Operations in troubled regions 2.9%
- Political risk management 2.0%
- Supply chain management 9.8%

Governance

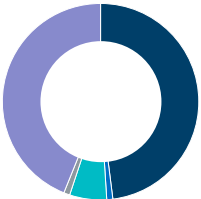
Governance issues featured in 54.3% of our engagements over the first half of this year.



- Accounting or auditing issues 7.5%
- Board structure 30.8%
- Conflicts of interest 0.7%
- Other governance 13.1%
- Poison pill 1.3%
- Remuneration 28.2%
- Separation of chair/CEO 3.6%
- Shareholder communications 4.6%
- Succession planning 8.9%
- Voting rights - not 1 share 1 vote 1.3%

Strategy and risk

Strategy and risk issues featured in 17.4% of our engagements over the first half of this year.



- Business strategy 48.0%
- Capital structure 1.0%
- Reputational risk 6.1%
- Returns to shareholders 1.0%
- Risk management 43.9%

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.

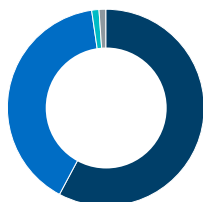
We seek to inform companies where we vote against or abstain on any resolution, usually following up such votes with a letter. We maintain a database of voting and contact with companies and, if we believe further intervention is merited, we include the company in our main engagement programme.

HESTA Super Fund

Over the first half of this year we voted at 1,774 meetings (22,523 resolutions). At 707 of those meetings we opposed one or more resolutions. We voted with management by exception at 20 meetings and we abstained at 21 meetings. We supported management on all resolutions at the remaining 1,026 meetings.

Global

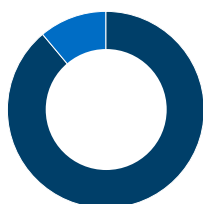
We voted at 1,774 meetings (22,523 resolutions) over the first half of this year.



- Total meetings voted in favour **57.8%**
- Meetings where voted against (or voted against AND abstained) **39.9%**
- Meetings where abstained **1.2%**
- Meetings where voted with management by exception **1.1%**

Australia and New Zealand

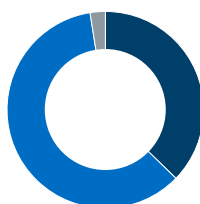
We voted at nine meetings (53 resolutions) over the first half of this year.



- Total meetings voted in favour **88.9%**
- Meetings where voted against (or voted against AND abstained) **11.1%**

Developed Asia

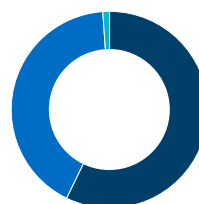
We voted at 448 meetings (5,144 resolutions) over the first half of this year.



- Total meetings voted in favour **37.3%**
- Meetings where voted against (or voted against AND abstained) **60.3%**
- Meetings where voted with management by exception **2.5%**

Emerging and Frontier Markets

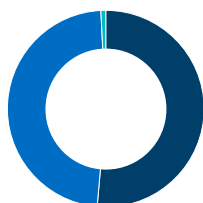
We voted at 187 meetings (2,110 resolutions) over the first half of this year.



- Total meetings voted in favour **57.2%**
- Meetings where voted against (or voted against AND abstained) **41.7%**
- Meetings where abstained **1.1%**

Europe

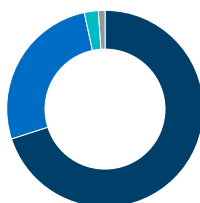
We voted at 366 meetings (5,505 resolutions) over the first half of this year.



- Total meetings voted in favour **51.4%**
- Meetings where voted against (or voted against AND abstained) **47.8%**
- Meetings where abstained **0.8%**

North America

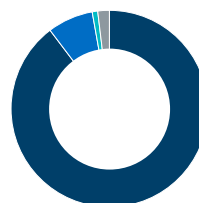
We voted at 658 meetings (7,825 resolutions) over the first half of this year.



- Total meetings voted in favour **70.1%**
- Meetings where voted against (or voted against AND abstained) **26.6%**
- Meetings where abstained **2.3%**
- Meetings where voted with management by exception **1.1%**

UK

We voted at 106 meetings (1,886 resolutions) over the first half of this year.



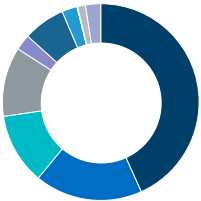
- Total meetings voted in favour **89.6%**
- Meetings where voted against (or voted against AND abstained) **7.5%**
- Meetings where abstained **0.9%**
- Meetings where voted with management by exception **1.9%**

HESTA Super Fund

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

Global

We voted against or abstained on 1,751 resolutions over the first half of this year.



- Board structure 43.2%
- Remuneration 17.7%
- Shareholder resolution 11.7%
- Capital structure and dividends 11.4%
- Amend articles 2.6%
- Audit and accounts 6.9%
- Governance 2.5%
- Investment/M&A 0.1%
- Poison pill/anti-takeover device 1.3%
- Other 2.5%

Australia and New Zealand

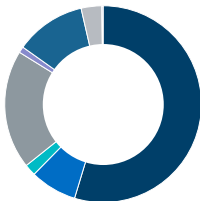
We voted against or abstained on one resolution over the first half of this year.



- Board structure 100.0%

Developed Asia

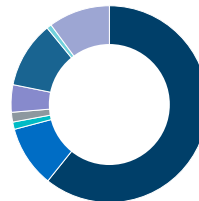
We voted against or abstained on 588 resolutions over the first half of this year.



- Board structure 54.8%
- Remuneration 7.7%
- Shareholder resolution 1.9%
- Capital structure and dividends 19.6%
- Amend articles 1.0%
- Audit and accounts 11.6%
- Poison pill/anti-takeover device 3.4%
- Other 0.2%

Emerging and Frontier Markets

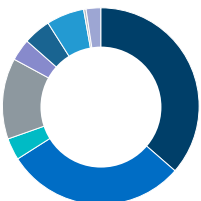
We voted against or abstained on 247 resolutions over the first half of this year.



- Board structure 60.7%
- Remuneration 10.1%
- Shareholder resolution 1.2%
- Capital structure and dividends 1.6%
- Amend articles 4.5%
- Audit and accounts 10.9%
- Investment/M&A 0.8%
- Other 10.1%

Europe

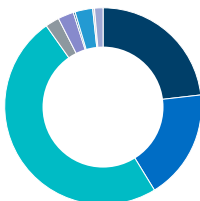
We voted against or abstained on 550 resolutions over the first half of this year.



- Board structure 36.4%
- Remuneration 29.6%
- Shareholder resolution 3.6%
- Capital structure and dividends 13.3%
- Amend articles 3.6%
- Audit and accounts 4.5%
- Governance 6.2%
- Poison pill/anti-takeover device 0.4%
- Other 2.4%

North America

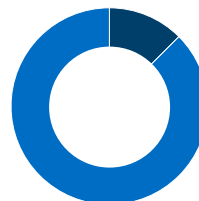
We voted against or abstained on 349 resolutions over the first half of this year.



- Board structure 23.2%
- Remuneration 18.1%
- Shareholder resolution 49.0%
- Capital structure and dividends 2.3%
- Amend articles 2.6%
- Audit and accounts 0.3%
- Governance 2.9%
- Poison pill/anti-takeover device 0.3%
- Other 1.4%

UK

We voted against or abstained on 16 resolutions over the first half of this year.



- Board structure 12.5%
- Remuneration 87.5%