

Veeva Systems Inc.

- A leader in cloud-based software for global life sciences
- Founded in 2007
- 4,500 employees



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How Federated Hermes' Kaufmann team incorporates ESG

The Federated Hermes Kaufmann team seeks secular growth opportunities that transcend short-term business cycles. Identifying these qualities requires scrupulous first-hand research and in-depth knowledge of industries, companies, the competitive landscape and long-term trends. Understanding and evaluating ESG risks and opportunities provides another tool to uncover potential long-term structural risks as well as mispriced securities. We believe engagement with a company's board and senior leadership helps us better understand how a company's ESG-related attributes could impact its business results over time. Key to this effort is ongoing collaboration with EOS at Federated Hermes, the firm's dedicated engagement and stewardship division.

Investment thesis: Veeva Systems Inc.

Founder and CEO Peter Gassner launched Veeva with the belief that industry-specific cloud solutions offered the best means of addressing the substantial operating challenges and regulatory requirements of life sciences companies, initially targeting the highly regulated pharmaceutical industry. In 2010, Veeva became the first company to introduce a cloud-based customer relationship management (CRM) app, providing life sciences companies with the productivity benefits of cloud-based architecture for their most critical business functions. More recently, amid the challenges of the Covid-19 pandemic, Veeva enabled its customers to communicate in the field via video in an effective and compliant manner.

Before investing in Veeva's 2013 initial public offering (IPO), the Kaufmann team recognized the company's leadership potential in the fast-growing Software-as-a-Service industry. Veeva's innovative management, competitive position and robust balance sheet signaled a company with the capacity to rapidly expand.

Today, Veeva Systems is the leading vendor of CRM software for the global life sciences industry. It has broadened its array of mission-critical solutions with a full suite of products directed toward conducting clinical trials and filing regulatory submissions globally, and which now includes comprehensive data analytics. Beyond the life sciences industry,

Veeva now serves other regulated industries including consumer packaged goods, chemicals and cosmetics, supporting their essential quality initiatives.

ESG factors specific to the firm and its sector

A growing social risk in the Technology sector is human capital management. Early on, Veeva had a well-articulated inclusion strategy and a commitment to diversity. Its culture was built around a set of core values, reinforced daily through the sharing of best-practice examples referred to as "care, notice, act." The company also had in place a merit-based recruitment approach. But while Veeva conducted employee training with input from ethnic and community network groups, it had not yet set specific targets for improving diversity.

As Veeva moves increasingly into data storage and analytics, ESG governance-related principles of data security and privacy have come to the forefront. Veeva's management demonstrated strong commitment and practices in terms of how it collects, uses, shares and processes both client and de-identified industry data. As a global organization, the company abides by all applicable global data privacy laws, each of which focuses on transparency and trust.

Proprietary ESG assessment: Engagement

EOS began its engagement with Veeva in the summer of 2019. During a meeting with the corporate secretary and the senior director of investor relations, EOS discussed the company's strategy regarding diversity and

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inclusion. Although it had an impressive record of developing recent university graduates, Veeva's overall human capital management was lacking in regard to progress in diversity. Management was receptive to EOS' engagement, acknowledging the importance of an inclusive organizational culture in driving employee development, retention and long-term performance.

In advance of Veeva's June 2020 annual meeting, EOS engagers communicated their concerns about governance structures including a lack of proxy access, a classified board and an inability for shareholders to call a special meeting. The stewardship team shared EOS' U.S. Corporate Governance Principles, which outlined a range of expectations for the coming year, including on issues such as business purpose, human capital management, diversity and inclusion, and executive compensation.

On the governance front, Veeva announced the formation of a board committee to explore becoming a Delaware Public Benefit Corporation (PBC) in September 2020. The CEO noted that a [Harvard Business Review](#) article co-authored by EOS Lead-North America Tim Youmans informed Veeva in its due diligence process about this conversion. Through shareholder outreach, Veeva became convinced that long-term shareholder benefits would be derived from this conversion. In the lead-up to the proxy and a special shareholder meeting in Jan. 2021, the EOS engagement team continued to interact with Veeva on business purpose and the PBC conversion.

While the CEO holds a substantial number of high-vote shares, he wanted a substantial proportion of minority shareholders to support the conversion. Noting that a majority of shareholders needed more education on the long-term value benefits of becoming a PBC, the company believed that early engagement with EOS helped shape its messaging to the investment community. Once informed, shareholders were supportive, leading the board to accelerate its timeline for PBC conversion.

Next steps

On February 1, 2021, Veeva became the first publicly traded company (and the largest ever) to convert to a PBC. The Kaufmann team incorporated unique ESG insights from EOS in assessing Veeva's conversion to a PBC by positively valuing its commitment to the key stakeholders of customers, employees and community, as well as to gender diversity in management and on the board. EOS looks forward to reviewing the 2022 PBC-required purpose attainment report to see how the company is progressing on its strategic actions and capital allocation in support of long-term value creation. The EOS team continues to engage with Veeva on business purpose, data privacy and security and capital allocation.



ESG factors may be considered in the investment analysis process in a manner that is complementary to and enhances the fundamental research and analysis process. Certain ESG factors may help identify business and operational risks or opportunities and add a contextual dimension to the overall evaluation of a security. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers ESG factors will result in performance better than or equal to products that do not consider such factors.

As of 12/31/21, Veeva Systems Inc., was 1.92% of the Federated Hermes Kaufmann Fund portfolio.

The holdings percentages are based on net assets at the close of business on the date above and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

Investing in IPOs involves special risks such as limited liquidity and increased volatility.

Small company stocks may be less liquid and subject to greater price volatility than large company stocks.

International investing involves special risks including currency risk, increased volatility, political risks and differences in auditing and other financial standards.

Current and future portfolio holdings are subject to risk.

Mutual funds are subject to risks and fluctuate in value.

The ratings assigned are one consideration among others as part of the security selection process.

The qualitative analysis described does not automatically result in including or excluding specific securities but is used as an additional input to improve portfolio risk/return characteristics.

The ratings assigned do not represent an assessment of the fund itself.

Investors should carefully consider the Federated Hermes Kaufmann Fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or view the prospectus provided on this website. Please carefully read the summary prospectus or prospectus before investing.

For current fund performance visit [FederatedInvestors.com](https://www.federatedinvestors.com).