European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on February 19, 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;

- Signatories are solely responsible for the answers to the questions, and should state this in their response.

Statement of Commitment

Complete/modify the below section accordingly

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Federated Hermes. We have been involved in SRI since 1983 and welcome the European SRI Transparency Code.

This is our first statement of commitment and covers the period 1st July 2022 to 30th June 2023. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code

Federated Hermes Limited is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Federated Hermes Limited meets the full recommendations of the European SRI Transparency Code.

7th July 2022

Eurosif classification of Sustainable and Responsible Investment[1] strategies

Sustainability Themed Investment: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This

1 Sustainable and responsible investment (”SRI”) is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances[2]. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

Contents

1. List of funds covered by the Code

Name of the fund(s): Federated Hermes Impact Opportunities Equity Fund					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	**Asset class**	**Exclusions standards and norms**	**Fund capital as at 31 December**	**Other labels**	**Links to relevant documents**
☐Best-in-Class Investment section ☒ Engagement & Voting ☐ ESG Integration ☐ Exclusions ☒ Impact Investing ☐ Norms-Based Screening ☐ Leading to exclusions ☐ Leading to risk management analysis/engagement ☐ Sustainability Themed	**Passively managed** ☐Passive investing – core benchmark: specify the index tracking ☐Passive investing – ESG/SRI benchmark: specify the index tracking **Actively managed** ☐ Shares in a euro area country ☐ Shares in an EU country ☒ International shares ☐Bonds and other debt securities denominated in euro ☐ International bonds and other debt securities ☐Monetary assets ☐ Short-term monetary assets ☐ Structured funds	☒ Contro-versial weapons ☒ Alcohol ☒ Tobacco ☐ Arms ☒ Nuclear power ☐ Human rights ☐ Labour rights ☒ Gambling ☒ Porno-graphy ☐ Animal testing ☐ Conflict minerals ☐ Biodiversity ☐ Deforestation ☐ CO2 intensive (including coal) ☐ Genetic engineering ☐ Other (please specify) ☒ Global Compact ☐ OECD Guidelines for MNCs ☐ ILO Conventions	To be filled out with a number of AuM EUR 407.4million as at 31st March 2022	☐ French SRI label ☐ French TEEC label ☐ French CIES label ☐ Luxflag Label ☐ FNG Label ☐ Austrian Ecolabel ☐ Other (please specify)	- (KIID?) - Prospectus -Management report -Financial and non-financial reporting -Corporate presentations - Other (please specify)

		☒ Other (please specify) **GMO crop production; electricity utility companies with a carbon intensity that are not aligned with a below 2 degrees scenario; companies that generate over 5% of their revenues from the extraction or exploration of fossil fuels or from the use of fossil fuels for electricity generation.**			

2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund(s)

Hermes Fund Managers Ireland Limited is the manager and delegates this to Hermes Investment Management Limited. Both of these entities are wholly owned by Hermes Fund Managers Limited, which is a subsidiary of Federated Hermes PLC. Website link for Federated Hermes PLC is as follows:

https://www.federatedhermes.com/
https://sustainability.hermes-investment.com/uk/en/intermediary/

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Ever since the Federated Hermes Limited was created in 1983, our purpose has been to provide Sustainable Wealth Creation: generating wealth through investments that enrich investors, society and the environment over the long term. From day one through to today, this purpose drives everything we do.

We believe that through a combination of high-active-share investing, best-in-class ESG integration, and effective stewardship, which is clearly defined and overseen by our dedicated and innovative Responsibility Office, we will be able to produce excellent long-term investment performance, while improving the lives of many. Since 1983, we have aimed to generate sustainable outcomes for investors through our unique investment approach:

We pursue this goal through a holistic approach to investing that incorporates environmental, social and governance considerations into all of our investment products. We believe that our ability to mitigate ESG risks and capture investment opportunities arising from these considerations is essential to achieving consistent investment outperformance for our clients.

Further details of our approach to sustainability can be found on our website at: Home | Sustainability | Federated Hermes (International) (hermes-investment.com)

2.3. How does the company formalise its sustainable investment process?

Policies & Disclosures | Federated Hermes (International) (hermes-investment.com)

In line with good corporate governance practice, the Federated Hermes Limited' board sets the company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives and reviews and holds management accountable for performance within a framework of prudent and effective controls, which enables risk to be assessed and managed. The board also sets the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

While the responsibility for implementing our approach resides with all personnel, we have a number of structures, teams and governance processes that ensure that, across the firm, we discharge our responsibilities in a consistent and effective manner.

Investment Office and Portfolio Review Committee. Our Investment Office, which reports directly to our CEO, acts as an independent oversight body across all our investment teams. A key element of this is the monthly Portfolio Review Committee, which monitors in detail the performance and risk within each fund and strategy and challenges investment teams.

Responsibility Working Group. Constituted of senior representatives from across the business and chaired by our Head of Responsibility, who reports directly to our CEO, it is charged with reviewing and recommending policy for decision by our Executive Committee in respect of all matters pertaining to the delivery of holistic returns.

Dedicated Responsibility Office. Ensures that responsibility is embedded throughout the business. This extends to Federated Hermes Limited' approach to its own governance and practices, as well as the integration of engagement and ESG factors into investment strategies and processes.

ESG Policy Our responsible investment approach has been expressed through a number of policy guidelines and principles, both at the corporate level and by our stewardship and investment teams. These include our Responsible Ownership Principles, which seek to create a common understanding between boards, managers and owners of the proper goals of a public company; and Delivering Holistic Returns, which explains our strategy and approach to acting as a responsible investor, stewardship practitioner and firm.. Complementing these global principles, we have also developed specific corporate governance guidelines for 22 major countries. These guidelines take into account the regulatory and legal context of a country as well as corporate governance best practice.

- Responsible Ownership Principles:

  https://www.hermes-investment.com/wp-content/uploads/2018/10/final-responsible-ownership-principles-2018.pdf

- Delivering Holistic Returns

  https://www.hermes-investment.com/ukw/wp-content/uploads/2019/10/hermes-delivering-holistic-returns-2019.pdf

- Regional corporate governance guidelines:

  https://www.hermes-investment.com/ukw/stewardship/eos-literature/

The Responsible Ownership Principles sets out our expectations for the companies we invest in on our clients' behalf and covers the below points:

- Transparency and communication
- Corporate culture
- Strategy
- Financial disciplines, structure and risk management
- Stakeholders, environmental and social issues
- Governance

By being explicit about appropriate expectations, we aim to create a better framework for communication and dialogue between boards and management on the one hand, and shareholders on the other hand. This can contribute to better management of companies and ultimately the sustainable creation of wealth for their shareholders. The Principles were updated in 2010 to include lessons from the financial crisis.

Furthermore, we publish our Global Voting Guidelines and Engagement Policy on our website:

https://www.hermes-investment.com/ukw/wp-content/uploads/2021/03/ifh-corporate-global-voting-policy-and-guidelines-03-2021.pdf

https://www.hermes-investment.com/ukw/wp-content/uploads/2021/04/fhi-corporate-engagement-policy-03-2021.pdf

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?[3]

We recognise that ESG integration necessitates different considerations at various stages in the investment process, alongside other financial factors. In particular, it puts great store in drawing on its strong stewardship capabilities, through which it identifies specific risks within its investments and engages to mitigate them.

Each investment team has formulated their own ESG integration plan that explains how, in the context of their particular strategy and investment universe, they incorporate ESG factors within their investment process. In general, investment teams supplement their own fundamental financial analysis with information provided through a range of proprietary ESG tools, qualitative analysis and the insights gleaned through company engagement. Of particular note are the firm's ESG Dashboard, QESG Score and the Portfolio Snapshot, which are used to identify ESG risks and opportunities and to guide security selection. We use these tools across all of our public market investments.

- ESG Dashboard. The ESG Dashboard centralises engagement data and information from EOS, including controversy insights and voting activity, as well as from CDP, MSCI, Sustainalytics, Trucost, FactSet and Bloomberg. It helps the investment teams to discern the source and magnitude of the risk and compare companies against peers by sector, region or globally using customisable ESG-specific and industry-specific criteria.

  This amalgamation of the different sources allows companies to be assessed across many metrics and highlights industry-specific key performance indicators. The Dashboard, however, only provides an overview. Analysts supplement this with their own fundamental analysis, which is supported by regular interaction with the engagement team.

- QESG Score. we base our QESG Score – a company's relative ranking based on its ESG risk management and the trend in its exposure to these risks – on engagement data from EOS, as well as data from CDP, MSCI, Sustainalytics, Trucost, FactSet and Bloomberg. This data includes indicators of impact, energy efficiency, fatalities, health and safety, controversies etc., and the scoring weighs governance performance more than environmental or social performance.

- Portfolio Snapshot. The Portfolio Snapshot helps the investment team to view ESG risk exposure across the entire portfolio and to report on the ESG features of each security in both absolute and benchmark-relative terms. Particularly as it pertains to risk management, we believe that identifying change in ESG exposure is equally as important as determining the absolute level of risk and, as such, the Portfolio Snapshot allows us to identify the strongest and weakest ESG performers against a variety of ESG metrics and to regularly assess changes in ESG criteria.

[3] Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

We also maintain a Controversial Company Report, which highlights any company governance concerns or breaches of human and labour rights and international conventions.

Carbon risk

In recognition of the growing risk posed by climate change, as well as the opportunities inherent in the transition towards a less carbon-intensive world, we have developed tools to enable to our fund managers and engagement analysts to form a holistic view of a company and their portfolios. Investment teams can see in real-time and in detail the level and intensity of carbon risk across their portfolios, which portfolio companies are the greatest emitters, and where to target engagement activity. They are also be able to see the progress of their ongoing engagement towards mitigating the risk and a range of valuation implications. The ability to test 'what-if' scenarios ensures they remain mindful of the impact their investee companies have on the world around them, in addition to the opportunity or risk of the investment.

We are committed to engaging with all of the highest emitting companies across each of our public markets portfolios in order to drive up disclosure levels, promote scenario testing and ensure operations are as energy efficient as is practicable. Additionally, we have actively managed down the energy efficiency of our real-estate assets for many years with detailed disclosures provided annually of performance against targets. We are members of, among other initiatives, the Portfolio Decarbonisation Coalition, the Aiming for A coalition of investors and the Institutional Investors Group on Climate Change. In our public policy engagement with the UK and European governments we call for a clear policy framework to enable the scaling up of low carbon and energy efficiency investments. In addition to our ISO 14001 accreditation and in continuation of our corporate citizenship policy, we offset our own carbon emissions by partnering with Trees for Cities. We publish our carbon risk management strategy on an annual basis and in support of the FSB Taskforce for Climate- Related Financial Disclosures (TCFD) recommendations will be enhancing the level of relevant public disclosures we provide as a firm.

EOS at Federated Hermes

The investment teams also benefit from the expertise of our specialist in-house stewardship team, EOS at Federated Hermes (EOS), which was established in 2004 and boasts one of the largest stewardship resources globally, composed of an effective group of highly and diversely skilled, multi-national professionals, all committed to influencing leading businesses on governance and sustainability matters. EOS alerts investment teams to any ESG issues affecting companies in their portfolios and votes at the general assembly meetings. This enables the investment teams to incorporate corporate social performance and responsibility considerations into their investment process in a seamless, complementary and risk-aware manner, and further strengthens the alignment and transparency with our clients.

As mentioned above, we aim to be ESG aware and actively incorporate relevant considerations into our investment process across **all strategies and asset classes**. Having a focus on each of responsible investing, responsible ownership and policy advocacy across all of our strategies, while also behaving responsibly as a firm, is, we believe, integral to delivering holistic returns. Behaving as a responsible business ourselves is critical to giving us the credibility with which to be able to fulfil these ambitions.

2.5 How many employees are directly involved in the company's sustainable investment activity?

Federated Hermes Limited has a number of dedicated teams and personnel across the business that contribute to achieving our goal of integrating responsibility into everything that we do. As at 31 March 2022, this totals 70 personnel.

While the responsibility for implementation resides with all personnel, the integration programme is overseen by a dedicated Responsibility Office, independent from the investment teams, which includes the Head of Responsibility and seven additional members that are responsible for coordination and execution. The Head of Responsibility reports to our CEO and meets monthly with the Executive Committee to report on implementation progress.

Each of our investment teams meet formally with the Head of Responsibility on a quarterly basis to discuss progress in their integration activities. The Head of Responsibility also liaises closely with product development, business development and other relevant teams to develop and implement a comprehensive programme to ensure our responsibility approach and activities are integrated seamlessly in our funds and stewardship services.

EOS at Federated Hermes (EOS) is our independent, dedicated team of leading governance and engagement experts. Established over 16 years ago, EOS helps provide the necessary analysis and active ownership of companies on behalf of our investment teams and external asset owners. They represent over $1.2trn of assets for which they provide proxy votes, policy submissions and discussions, and aim to improve sustainability practices at companies. EOS also provides our investment teams with detailed research on ESG factors that they can assimilate into their research on individual companies.

The investment teams hold monthly meetings with EOS to have an in-depth discussion of their engagement aims and progress, which helps the investment teams understand the challenges, opportunities and risks of a company, sector or theme from an ESG perspective. This is in addition to the informal discussions between EOS and the investment teams on existing or potential investments that takes place daily. These discussions play a very useful role in helping confirm an investment idea from a subjective standpoint.

Furthermore, investment teams have dedicated ESG specialists. For example, the Global Equities team has its own ESG specialist in portfolio manager Louise Dudley, who has been with the company since 2009, initially working in EOS. We also have two dedicated engagement resources within our investment teams. Will Pomroy is the lead engager for the SDG Engagement Equity strategy and Aaron Hay is lead engager for the SDG Engagement High Yield Credit strategy. The engagement activity for these strategies – from engagement plan, identification of SDG opportunities, company analysis, setting SDG-related objectives to plan execution, monitoring and reporting – is overseen by the respective dedicated lead engager.

2.5. Is the company involved in any RI initiatives?

Yes. At Federated Hermes Limited we believe it is our responsibility to lead and participate in discussion and debate about the fiduciary responsibilities of institutional investors to their clients, their stakeholders and ultimately, society at large. In a similar vein we have a proud history of leading thinking around corporate governance and the purpose and responsibilities of companies and their directors towards both their shareholders and wider stakeholders. Ultimately, it is our belief that the financial system should operate in the interests of its ultimate beneficiaries.

That is why, in addition to the thought-leadership work we do directly as a firm, we actively contribute to a wide variety of investor associations and collaborative initiatives. Of particular importance is the Principles for Responsible Investment (PRI), for which we chaired the drafting committee and were a founding signatory. In addition, our Chief Executive founded the 300 Club in 2011, an independent group of leading investment professionals from across the globe, in order to respond to an urgent need to raise uncomfortable and fundamental questions about the very foundations of the investment industry and investing. In addition to relevant trade associations, we have supplied below a list of the key bodies that Federated Hermes Limited is actively involved with.

300 Club *Founder of in 2011 and chaired until 2014* *Provide pro bono support and coordination*	International Integrated Reporting Council *Council Member since 2011*
Aiming for A Investor Coalition *Member since 2015*	International Corporate Governance Network *Board Governance Committee member* *Shareholder Responsibilities Committee member*
Banking Standards Board *Board member since 2015*	Institutional Investors Group on Climate Change: *Chair of property working group* *Member of policy working group*
Better Buildings Partnership *Member since 2008*	InvestEurope, representing Europe's PE, VC and infrastructure sectors *Member of Reporting and Valuation Committee*
British Property Federation *Board member and former president*	Principles for Responsible Investment *Founding signatory in 2006* *Member of various Advisory Committees*
CDP *Investment member since inception 2015*	Sustainability Accounting Standards Board *Member since 2019*
CFA - Future of Finance Advisory Council *Since 2013*	UK Investor Forum *Since inception in 2016*
Council of Institutional Investors *Member of Corporate Governance Advisory Council*	UK Sustainable Investment and Finance Association *Since 2012*
Eumedion *Member of their Investment Committee*	UN Environment Finance Initiative *Global Steering Committee Member* *Member of UNEP FI Investment Committee*
Global Infrastructure Investors Association (GIIA) *Member since 2016*	UN Global Compact *Joined in 2017*
Global Real Estate Sustainability Benchmark (GRESB) *Member of Real Estate Advisory Board since 2011*	Willis Tower Watson's Thinking Ahead Institute (TAI) *Members since 2016*

General Initiatives	**Environmental/Climate Initiatives**	**Social Initiatives**	**Governance Initiatives**
☐ ECCR – Ecumenical Council for Corporate Responsibility ☐ EFAMA RI WG ☐ European Commission's High-Level	☐ CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) ☐ Climate Bond Initiative ☐ Green Bond Principles	☐ Access to Medicine Foundation ☐ Access to Nutrition Foundation	☐ ICGN – International Corporate Governance Network ☐ Other (please specify)

Expert Group on Sustainable Finance ☐ ICCR – Interfaith Center on Corporate Responsibility ☐ National Asset Manager Association (RI Group) ☐ PRI - Principles For Responsible Investment ☐ SIFs - Sustainable Investment Fora ☐ Other (please specify)	☐ IIGCC – Institutional Investors Group on Climate Change ☐ Montreal Carbon pledge ☐ Paris Pledge for Action ☐ Portfolio Decarbonization Coalition ☐ Other (please specify)	☐ Accord on Fire and Building Safety in Bangladesh ☐ Other (please specify)	

2.6. What is the total number of SRI assets under the company's management?

At Federated Hermes Limited we aim to be ESG and impact aware and actively incorporate relevant considerations into our investment processes across all strategies and asset classes. As at 31 March 2022, our specialist, high conviction investment teams manage £42.0bn ($57.9bn / €49.3bn) across equities, credit, infrastructure, private equity, private debt and real estate.

A full range of our funds can be found at the below link:
https://www.hermes-investment.com/ukw/products/

3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The investment objective of the fund is to generate attractive long-term capital appreciation, outperforming equity markets over the long term, through the selection of companies that provide an innovative solution to unmet needs in society, thereby delivering positive social and environmental impacts alongside attractive financial returns.

The Impact Opportunities team considers ESG matters as part of their fundamental analysis of all companies. The analysis feeds into their allocation decisions, which are focused on risk-adjusted returns. This extra integration enables the team to incorporate ESG considerations into their bottom-up investment process in a seamless, complementary and risk-aware manner, and further strengthens the alignment and transparency with our clients. Additionally, our investments are aligned with nine impact themes that are linked with the 169 targets underlying the 17 SDGs, from resource efficiency, financial inclusion and education to impact-enabling innovations. Our impact themes are the result of careful, continuous research into the global sustainability challenges we face and the unmet needs these create. We believe that these unmet needs provide tremendous growth opportunities for companies able to provide disruptive solutions through innovative and cost-effective products and services. The themes are regularly discussed within the team, but also take output from EOS and our Responsibility Office, as well as experts on sustainability from our Real Estate, Infrastructure and Private Equity teams. These are supplemented by a wide network of relationships with external organizations focused on impact and research providers.

The fund is the natural extension of our longstanding commitment to responsible investing and our leading work in stewardship through EOS at Federated Hermes and offers a way to meaningfully support delivery on the widely agreed UN Sustainable Development Goals (SDGs) for 2030.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Internal

The Impact & Sustainable Investing team is led by Ingrid Kukuljan, Head of Impact & Sustainable Investing. Martin Todd is co-portfolio manager for the strategy and is jointly responsible alongside Ingrid for all investment decisions. Jordan Patel is a senior analyst who provides company-specific and thematic research, including analysis of SDG-related themes for incorporation into investment appraisals. Tej Sthankiya, also a senior analyst, recently joined the team and has similar responsibilities to Jordan. Tom Firmin, who joined the team from the European Equities team, is an analyst covering all sectors and themes. Touiti Marie-Bornand joined the team most recently as an analyst and will also cover all sectors and themes.

All members of Impact & Sustainable Investing team undertake company research and contribute investment ideas to the portfolios managed by the team.
The team is further supported by Paul Dalton, Investment Associate Director, who supports the team for client-related activities; and Will Pomroy, Head of Impact Engagement – Equities, who provides insights into engagement strategy in alignment with the UN SDGs.

The Impact team leverages the research conducted by 100+ investment professionals across the international business, and there is a significant crossover of holdings within the portfolio across our specialist equities strategies.

The origination of the idea may come from an emergent impact or sustainability theme or a company-specific insight. The vast majority of the exchange of ideas is done in open and continuous dialogue between the portfolio managers, utilising the significant resource of our global, European, US, emerging markets and Asia ex-Japan equities teams, and vigorous debate on new ideas and existing holdings is actively encouraged.

The investment approach involves a thorough investigation of each company and their operating environment, in order to be able to reflect on the long-term investment horizon. Each new name has to be approved by Ingrid Kukuljan and Martin Todd. This sets a deliberately high barrier to entry of new names into the portfolio.

The team can rely on excellent internal ESG research tools developed over the years by the Global Equities team and EOS:

- The ESG Dashboard ensures that all companies (subject to the availability of the data) can be compared against their peers on a sector, regional or global basis with respect to a range of ESG considerations.

- The QESG Score identifies stocks with positive ESG characteristics and/or stocks demonstrating positive change. Proprietary data generated internally, as well as best-of-breed ESG data sources as detailed above. The QESG Score processes these data sources through a model created by the Global Equities team, leveraging their modelling expertise, with an emphasis on the trend in ESG performance. In late 2017, the Global Equities team updated the ESG Dashboard with the addition of individual metrics. These changes, which reflect recent developments within ESG investing and the availability of information, include the alignment with the UN SDGs which will decompose a company's revenue across the 17 SDGs.
- All teams also use the Portfolio ESG Snapshot, which offers a portfolio perspective on ESG exposures. This tool reports on ESG characteristics of portfolio holdings both in absolute and benchmark-relative terms and includes voting and engagement data from EOS.
- The Carbon Tool allows fund managers to assess their fund's carbon performance, carbon risk, and corresponding engagements with investee companies in a comprehensive manner. The carbon tool assesses and integrates the following four key elements, making it a cutting-edge approach in evaluating the impact that investment funds have on the environment.

The team works alongside our stewardship team, EOS, who directly advise companies on how best to report on their sustainability performance.

External

- The team supplements proprietary data with external research from providers including Trucost, MSCI Research and Sustainalytics to identify stocks that could potentially have an attractive impact profile. The team looks at revenue thresholds and capital expenditure in sustainable products and services. They also use more traditional ESG screens to make sure companies not only have a potentially attractive exposure to the UN SDGs, but also operate in a sustainable way and reduce negative externalities that may undermine their mission.
- We manage our voting via a partnership with proxy advisory firm ISS. We benefit from the additional research and vote processing service ISS provide. The research received is, however, only one of several inputs we utilise in reaching a judgement and making voting recommendations to clients.
- Data is also sourced from CDP, WRI, Factset and the World Bank.

3.3. What ESG criteria are taken into account by the fund(s)?

The team scrutinises each investment candidate thoroughly to make sure it is in line with their core belief of focusing on companies that provide solutions to sustainable development challenges. This UN SDG alignment is an essential condition for companies to make it onto the watch list. This starts with an assessment of whether the company qualifies for at least one of the Impact team's nine investible impact themes. Within these themes, each company's impact has to be linked to at least one UN SDG. While the Goals are a useful intellectual framework, creating investment themes linked to the 169 detailed sub-goals of the SDGs illustrates the breadth of opportunity that impact investing represents.

The investable themes the team has developed are:

■ **Energy transition**: Transforming the energy system to power a low-carbon economy

■ **Circular economy**: Enhancing resource efficiency and waste reduction

■ **Water**: Improving access to quality supply and preservation of the resource

■ **Health and wellbeing**: Improving life expectancy and quality

■ **Education**: Providing opportunities for all – irrespective of wealth, geographical location or ability

■ **Financial inclusion**: Providing financial services to underserved populations

■ **Future mobility**: Improving vehicle efficiency to increase low-carbon transportation

■ **Food security**: Ensuring a sustainable food supply and productive farmlands for future generations

■ **Impact enablers**: Providing crucial solutions and services to impactful companies directly involved in the various themes

The team uses a thematic approach when looking for new ideas. By identifying megatrends that require impactful solutions, we can unearth companies that are exposed to structural growth opportunities. Examples of such megatrends would include the reduction of vehicle emissions to help fight climate change, and diabetes as a very high growth chronic disease within non-communicable diseases. Exposure to a structural trend is important, but further analysis is required. The team then tries to understand better the company's impacts through a more balanced inquiry through four key impact dimensions: nature, intentionality, additionality, and balance.

This is a vital part of the process as it creates a framework that ensures the objective assessment of whether or not a company is defined as a positive impact company, and therefore, eligible for our investment universe. More importantly, it sets a high barrier to entry and ensures the strategy genuinely meets its central purpose of having a positive impact, through investing only in companies that provide products and services that help attain the UN SDGs at the centre of their business proposition, differentiating it from traditional ESG strategies in the process.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?[4]

Climate change is a key consideration for the fund. The investment process is built on the SDGs, which themselves have climate change mitigation and adaptation as key topics, across multiple SDGs. Two of our investment themes, Energy Transition and Future Mobility, are directly related to climate change mitigation and adaptation. For instance, two of the companies in our portfolio, Orsted and Siemens Gamesa, are at the forefront of decarbonisation of electricity systems through the increased penetration of wind energy, and in particular, offshore wind.

Other themes also have relevance; for instance, water systems are both a significant contributor to climate change – through energy use needed for the transport and treatment of water – and are also particularly exposed to the impacts of climate change – through extreme weather events leading to increased frequency of storm waters in utilities networks, droughts putting strains on treatment capacity, etc. Impact Enablers, another of our themes, also has some contributors to climate mitigation and adaptation, most notably, through energy efficiency gains.

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[4] Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code): https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697

Of course, the investment strategy is, by design, not invested in the major contributors to climate change, which the team would not invest in. This means that we believe that our portfolio carries little business model transition risk, and in particular very little stranded asset risk. As a result, the carbon footprint of the portfolio, relative to a reference global equity index, will score very well.

Any scenario for limiting global warming to 2 degrees Celsius, or the goal of 1.5 degrees since the latest UNFCCC Conference of Parties, would require a significant acceleration in investments in wind energy, increased adoption of electric vehicles, a step up in energy efficiency measures, and a move towards more recycling of materials. The team believes that they have built the Impact Opportunities portfolio to significantly benefit from such measures, because several of the companies in which we invest provide the solutions needed to transition to a low-carbon economy.

Beyond product contributions, climate change carries significant physical risks to companies' assets. This is an area that remains difficult to assess clearly, although our Responsibility team has started to develop tools to understand those risks better. We have a proprietary portfolio carbon footprinting tool, built using both Trucost data and our own estimation models, and using our own portfolio analytics. This tool gives the scope 1, 2 and 3 carbon intensity of the portfolio, scaled both by assets and by revenues; provides an analysis of trends; provides an analysis of outliers that may deserve further review and/or engagement. We have also developed a tool using geographical asset location data, overlaid with physical climate risk maps such as sea level rise, storms, droughts, water stress and landslides; although this tool is still in development, and that asset location data availability is limited, this is showing promising early results.

Climate change adaptation and mitigation is also a theme of some of our engagements. For instance, we have been engaging with Bank Rakyat Indonesia, a leading microfinance institution, to encourage them to take a leading position in palm oil financing by implementing strong procedures to ensure compliance of their lending to principles set out by the Roundtable on Sustainable Palm Oil, and in particular, limiting deforestation exposure to a minimum.

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3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

Idea generation is the lifeblood of the investment process and starts with the wider listed equity universe, represented by the MSCI ACWI Investable Market Index (IMI). This is a very comprehensive benchmark, with over 8,900 constituents, across 23 developed-market and 27 emerging-market countries.

Our strategy narrows down this initial universe to those that meet our liquidity criteria (equivalent to 1% of portfolio NAV in terms of average daily liquidity), which equates to over 5,000 companies.

The Fund excludes from the universe the following companies:

- Companies that generate over 5% of their revenues from the extraction or exploration of fossil fuels or from the use of fossil fuels for electricity generation;
- Electricity utility companies with a carbon intensity that are not aligned with a below 2 degrees scenario;
- Companies that generate revenue from the production of controversial weapons and companies that generate over 5% of their revenues from production of conventional weapons;
- Companies that generate over 5% of their revenues from nuclear power;
- Companies that generate revenues from the production of tobacco products and companies that receive over 10% of their revenues from tobacco distribution;
- Companies that generate over 2% of their revenues from gambling products;
- Companies that generate over 2% of their revenues from adult entertainment products
- Companies that generate over 2% of their revenues from the production of alcohol and companies that receive over 5% of their revenues from alcohol distribution; and
- Companies that generate over 5% of their revenue from GMO crop production.

In addition, the fund excludes companies that are in contravention of the principles of the UN Global Compact.

Given their investment experience and research across a number of databases, the team has found there is no simple way of screening a universe to identify attractive companies providing a meaningful way of getting exposure to the UN SDGs. While the quality of ESG data is continuously improving, both in breadth and in depth, impact data remains a nascent field. Some ESG datasets do provide data that can be used in an impact process – such as trends in carbon emissions, community spending, and women in the workforce – but the majority focus on companies' operations as opposed to how their products and services contribute to delivering solutions to unmet needs.

The team therefore seeks to build a watchlist of companies it believes could be potential candidates for inclusion in the strategy via its three-part idea generation process:

- Thematic Research: The team conducts research on its investible themes – energy transition, water, circular economy, future mobility, education, financial inclusion, health and wellbeing, food security and impact enablers – to better understand the dynamics in social and environmental unmet needs over the long term and how market-based solutions may be attractive. It also enables them to develop frameworks for how to best identify, assess and measure impacts, and discover companies that are best positioned to benefit from these structural growth trends.
- Company meetings. The team takes time to meet companies to better understand their business. They not only try to meet with senior management, but also with operational management and the board of directors, to get a more rounded,

objective view. The team will also meet with other companies in the industry to understand competitors, suppliers and customers; regular attendance at investment conferences is part of this process.

- Investment teams and EOS. The team discusses impact and sustainability ideas and themes on a regular basis with experts from our other equity teams, as well as our private market teams. This is further supplemented by access to a range of external research providers.

EOS directly advises companies on how best to report on their sustainability performance. The team supplements our proprietary data with external research from providers including Trucost, MSCI and Sustainalytics to identify stocks that could potentially have an attractive impact profile. The team looks at revenue thresholds and capital expenditure in sustainable products and services. They also use more traditional ESG screens to make sure companies not only have a potentially attractive exposure to the UN SDGs, but also operate in a sustainable way and reduce negative externalities that may undermine their mission.

Impact assessment

The team scrutinises each investment candidate thoroughly to make sure it is in line with their core belief of focusing on companies that provide solutions to sustainable development challenges. This UN SDG alignment is an essential condition for companies to make it onto the watch list.

This starts with an assessment of whether the company qualifies for at least one of the investible impact themes. Within these themes, each company's impact has to be linked to at least one UN SDG. While the Goals are a useful intellectual framework, creating investment themes linked to the 169 detailed sub-goals of the SDGs illustrates the breadth of opportunity that impact investing represents.

The team uses a thematic approach when looking for new ideas. By identifying megatrends that require impactful solutions, we can unearth companies that are exposed to structural growth opportunities. Examples of such megatrends would include the reduction of vehicle emissions to help fight climate change, and diabetes as a very high growth chronic disease within noncommunicable diseases. Exposure to a structural trend is important, but further analysis is required. The team then tries to understand better the company's impacts through a more balanced inquiry through four key impact dimensions: nature, intentionality, additionality, and balance.

This is a vital part of the process as it creates a framework that ensures the objective assessment of whether or not a company is defined as a positive impact company, and therefore, eligible for our investment universe.

More importantly, it sets a high barrier to entry and ensures the strategy genuinely meets its central purpose of having a positive impact, through investing only in companies that provide products and services that help attain the UN SDGs at the centre of their business proposition, differentiating it from traditional ESG strategies in the process.

Having great ESG credentials or being a thought-leader in sustainability is not enough. A company's products must have a positive impact. Not only that, the product must be central to the company's existence; a large utility may invest significantly in renewable energy, for example, but as a proportion of its overall income it would be less significant and, therefore not a core component of its business. However, a company which has placed wind power at the centre of its business strategy, would meet these criteria. It is also important to understand how the product has a positive impact beyond what would have otherwise occurred. This has a clear link with innovation, but also extends to services that have the potential to improve society.

We recognise, however, that no company is perfect and no matter how mission-driven the company is or how much additionality its products enable, it is crucial that we understand the risks. In particular, we need to weigh the negatives against the positives and then ascertain whether the company is taking steps to improve these areas of weakness.
Once the team have gained sufficient comfort that each hurdle has been negotiated, the company can go through a more traditional assessment.

In addition, the ESG Dashboard and QESG score (described in 2.4), which is our quantitative assessment of a company's ESG characteristics take into consideration the most important KPIs relevant to the industry that the company operates in.

3.6. <u>How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?</u>

Continuously. All stocks are bought on a long-term basis, as the impact and financial opportunity identified in the investment thesis will likely take time to play out. To ensure that downside risk is managed, the team monitors the progress of the company in achieving its goal as part of an important feedback loop. The original impact thesis is also revisited regularly to assess whether the opportunity still exists and to what extent, if at all, the financial impact has changed.

The assumptions driving the valuation forecasts are also reviewed on an ongoing basis and the team member covering a specific holding will constantly monitor news flows on the stock and the industry it operates within.

In addition, we monitor the ESG risks that the portfolio is exposed to, as we believe this is a good risk mitigation exercise; companies that fail to take their responsibilities to the ESG factors seriously are often punished with a substantial fine. In the first instance, we use the proprietary ESG Dashboard along with conversations with our colleagues in EOS to assess individual stocks. At the portfolio level, the Portfolio Snapshot Monitor offers a portfolio-level perspective on ESG exposures. This tool reports on the ESG characteristics of portfolio holdings and highlights companies with potential controversies as well as information captured by EOS. Controversies are managed on a case-by-case basis and we would typically engage with a company prior to taking a decision on divesting.

4. Investment process

4.1. <u>How are the results of the ESG research integrated into portfolio construction?</u>

Bottom-up stock selection drives the portfolio construction process and is the dominant risk in the portfolio. The position size of holdings within the portfolio is determined by the conviction levels that the team has in individual stocks and the absolute risks associated with them.

The focus on finding purposeful companies driving long-term growth from addressing unmet needs in society dictates an unconstrained approach to building portfolios. The team's strategy, therefore, is to make absolute investment decisions first and to consider the risk first and foremost to derive from the companies selected. In a high conviction portfolio, every position in the portfolio is purchased to have a positive impact on future performance rather than merely to help control relative risk.

Building conviction in a company takes time and requires a clear understanding of both the absolute risks and rewards in the stock to ensure that these are skewed heavily in favour of returns. The risk budget, therefore, is allocated only to stocks where there is a clear insight into how future growth will be achieving a sustainable impact on society and the planet. The opportunity that we are structurally benefitting from is the systematic inability of the market to value long-term, emerging growth opportunities.

4.2. <u>How are the criteria specific to climate change integrated into portfolio construction?</u>

The strategy targets a collection of 20-50 stocks held with high conviction. Each stock should offer exciting long-term growth potential as a result of a clear purpose that addresses unmet needs in society, bought at attractive valuations. Please refer to question 3.4 for details of how the team incorporates climate change risks.

4.3. <u>How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?</u>

Not applicable. 100% of the portfolio undergoes an ESG analysis.

4.4. <u>Has the ESG evaluation or investment process changed in the last 12 months?</u>

No, neither the ESG evaluation process nor investment process have changed within the last 12 months.

4.5. <u>Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?</u>

Yes. Every security in portfolio must be aligned with at least one UN SDG, resulting in a portfolio that is highly focused on the pursuit of social goals.

4.6. <u>Does (do) the fund(s) engage in securities lending activities?</u>

The fund does not engage in securities lending activities.

4.7. Does (do) the fund(s) use derivative instruments?

The fund does not use derivatives.

4.8. Does (do) the fund(s) invest in mutual funds?

The fund does not invest in mutual funds.

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?[5]

Our Investment Office, which has an independent reporting line to the CEO, acts in clients' interests by ensuring that investment teams stay true to their processes and by addressing any loss of alpha. It has overall responsibility for the consistency of performance across all teams. In particular, it runs a monthly Portfolio Review Committee (PRC), with members of the Senior Management Group, that reviews performance and risk, including engagement and the quality of each fund's ESG and engagement integration.

Our Responsibility Office, which also reports into the CEO and works in close partnership with the Investment Office, reports at least quarterly to ExCo in order to receive instruction on particular decisions, as well as providing progress updates on the comprehensive Responsibility plan that we have developed.

Progress on ESG and engagement integration is communicated to, and discussed by, the board on a regular basis. It forms part of the CEO's report each board meeting, and the Head of Responsibility provides regular updates. There are also specific items of discussion at board level, for example the approach to, and disclosure of, executive remuneration at the firm. Any pertinent stewardship activity is communicated to the board in advance for its consideration. The board itself reports on progress in engagement and ESG integration in the annual report. Additionally, the board receives weekly news and quarterly and annual client reports on stewardship progress and activity. Responsibility also forms part of a new board member's induction process.

Each of our investment teams has their fund-specific approach to ESG and engagement integration, which takes account of their particular strategy, investment universe and investment approach. Through the use of our proprietary Portfolio Snapshot we are able to observe the aggregate ESG risk across our portfolios in both absolute and benchmark-relative terms, subject to the availability of data and company disclosures. Investment teams are able to break these measures down into the constituent environmental, social or governance risks and view the ESG metrics for each portfolio company with the best and worst performers identified.

[5] Reference to Article 173 of the French TECV Act

Further, we track the engagement being carried out to address the material ESG and other risks identified, and the progress made. As an example, this portfolio-level view enables investment managers and the Responsibility Office to be aware of the estimated level of carbon in their portfolios, including which investments are the largest contributors to a portfolio's carbon footprint. The Carbon Tool provides portfolio managers, as well as the Responsibility Office, with not only an overview of the funds' carbon risks, but also the engagement work that is being conducted by EOS and the investment teams to mitigate the carbon risks that are inherent in a fund. This is done by tracking the environmental engagements conducted by EOS. An understanding of the exposure to carbon risks and the associated engagement work to mitigate those risks provides a good starting point to assess the best investment and engagement choices to manage this risk in the context of a portfolio's particular performance and risk objectives as agreed with the client. Progress by each investment team is formally reviewed by the Responsibility Office on a quarterly basis and by the Portfolio Review Committee twice yearly.

The Responsibility Office has also developed 'responsibility accountabilities' for each of the business areas, which are reviewed on at least an annual basis. Recommended actions are agreed with the teams and tracked to ensure progress. The findings from the review are shared with the RWG and ExCo.

6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

The team has created a proprietary Impact Database, which enables us to quantify the impact of companies held within our portfolio. The Database also provides a clear framework for us to assess companies on our watchlist. Assessing the impact of companies at such a granular level with quantifiable outcomes allows us to achieve two important objectives. First, it allows us as investors to trace and account for each investment, providing a means through which we can monitor a company and ensure its impact intentionality as a business. Secondly, it provides our clients with a quantifiable indication of how their capital allocation is helping achieve positive impact, as aligned to the 17 UN Sustainable Development Goals. The end result means we are able to report to our clients on the overall impact of our portfolio, as well as the impact of individual holdings.

6.2. What ESG indicators are used by the fund(s)?[6]

We have developed a framework for measuring and monitoring companies' impact once we have invested in them. It is composed of two sets of indicators: the first is theme-specific and based on the widely-accepted, standardized IRIS metrics developed by the Global Impact Investing Network (GIIN). This set of indicators will provide consistency across themes; the metrics measure the impact of all companies within one investment theme, thus allowing for aggregation at the theme level. For example, for companies that fall under their 'education' theme, the team would measure the total number of students enrolled.

[6] Reference to Article 173 of the French TECV Act

The other set of metrics are company-specific, tailored to each individual company's business model. They will therefore vary on a company-by-company basis, allowing the team to capture the portfolio companies' idiosyncratic impacts. For example, a metric for a higher education provider might include the average percentage increase in the income of its students post-graduation. Finally, the team's qualitative impact measurement will link all these quantitative outcome metrics to the impact created for people and the planet, by means of formulating a theory of change.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Reporting is an important aspect of impact as it allows investors to monitor the delivery of impact solutions and monitor any issue with negative externalities or unintended negative impacts that may arise. Reporting brings rigour and integrity to the investment process.

Our reporting will emphasise both quantitative and qualitative aspects of delivering impact, with a mélange of data at the portfolio, theme and company level and case studies of specific companies. On a quarterly basis we will produce a report which displays the thematic breakdown of the fund, insights into a relevant theme and case studies that give details of the investment and impact case of a few holdings. https://www.hermes-investment.com/ukw/insight/equities/impact-quarterly-report-q1-2021/

On an annual basis we also report impact metrics for the fund. Impact measurement is conducted by the Impact team as their ongoing assessment of each company. The database focuses on over 20 carefully chosen impact metrics, which have been grouped into 11 relevant themes and can be used to capture the impact of all the companies in which we invest. The impact metrics that are employed for each company will vary depending on their industry, products and operations. Our aim is to use the most relevant metrics to assess a company's impact, with these metrics categorised as either 'operations-based' or 'solutions- based'. Assessing the impact of companies in such depth means we can provide our clients with a clear view of the positive impact their investment is helping achieve.

6.4. Does the fund management company publish the results of its voting and engagement policies?[7]

As mentioned above, EOS produces quarterly public engagement reports, which are distributed to clients and available to view on our website. These reports give a detailed insight and analysis of the stewardship activities undertaken by EOS during the previous quarter, including their results. We also publish on an annual basis details of voting activity.

Engagement Report: https://www.hermes-investment.com/ukw/eos-insight/eos/public-engagement-report-q1-2021/

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[7] Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

[Sustainability-related Disclosures (hermes-investment.com)]