Article 10 Sustainability Disclosures

Article 9 – Sustainable Global Equity Fund

Federated Hermes Limited

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Summary

This statement is published by Hermes Fund Manager Ireland Limited, which has delegated investment management of the Federated Hermes Investment Funds plc to Hermes Investment Managers Limited (the "Investment Manager") an FCA-authorised entity. The following document meets requirements under the EU Sustainable Finance Disclosure Regulation (SFDR), specifically Article 10(1) of Regulation (EU) 2019/2088 and Articles 38 to 49 of the Commission Delegated Regulation (EU) 2022/1288.

In accordance with Article 10 of SFDR, financial market participants shall publish and maintain summary information on a public website regarding financial products which promote environmental or social characteristics or which have sustainable investment as their objective. The purpose of this disclosure is to provide transparency on the Fund's environmental or social characteristics and objectives, sustainable investments and the methodologies that are used to assess, measure and monitor these characteristics within the investment strategy.

The Federated Hermes Sustainable Global Equity Fund (the "Fund") is an Article 9 fund which has sustainable investment as its objective.

The sustainable investment objective of the Fund is to have a reduced environmental footprint compared to the Benchmark.

The Investment Manager aims to invest in companies within a thematic framework closely aligned with the UN Sustainable Development Goals based on the environmental and social objectives of:

- Environmental Preservation,
- Efficient Production and Resource Usage,
- Health and Wellbeing, and
- Social Inclusion.

In order to assess whether investments cause significant harm to any sustainable investment objective, the Investment Manager conducts a sustainability assessment for each investment, as further detailed below, which includes identifying where companies may cause significant harm through the products and services that they offer, but also through their entire value chain. The Investment Manager's assessment of sustainable investments also includes:

(i) taking into account all mandatory principal adverse impact indicators

(ii) using a mix of qualitative and quantitative assessments based on available data to screen out any issuers which are in contravention of the minimum safeguards; and

(iii) identifying, through the use of third party data, any severe controversies

The Investment Manager seeks to achieve a better environmental footprint compared to the benchmark, the MSCI All Country World Index, after the removal of the lowest 20% of securities within the benchmark from an ESG score perspective. The Investment Manager aims to achieve this by investing in companies within a thematic framework closely aligned with the UN Sustainable Development Goals based on environmental and social objectives. The Investment Manager seeks to invest in companies that can demonstrate a contribution to a more sustainable future, not just through the products and services that they offer, but also through their entire value chain.

A minimum of 90% of the portfolio will be invested in companies who contribute to the sustainable investment objective through their contribution to one or more of the nine environmental or social investment themes. Those investments will also evidence good governance practice in accordance with the Investment Manager's policy on good governance and do no significant harm to any other environmental or social objectives within the meaning of the SFDR. The portfolio is further split with a minimum of 30% in the environmental investment themes and 30% in the social investment themes.

The Investment Manager is responsible for ensuring all material sustainability risks are identified as part of the research process. The Responsibility Office (RO) oversees the investment manager's approach to ESG integration to ensure it is in line with the firm and fund level commitments.

The Investment Manager uses a variety of different sources to obtain ESG data including from a wide variety of 3rd party data providers, publicly available information, directly sourced from the company and any insights from our stewardship team, EOS at Federated Hermes. Limitations include lack of reported data, especially in the Emerging markets, 'SMID' (small and mid-capitalisation companies) and private companies.

The MSCI All Country World Index is used as a reference for comparing the environmental footprint of the Fund compared to the benchmark. The index is also used to compare the weighted average ESG rating of the Fund against the benchmark once the lowest scoring 20% of companies have been eliminated. The reference benchmark is not continuously aligned with the sustainable investment objective of the Fund. It is used as a comparator for financial, ESG and sustainability performance only.

No significant harm to the sustainable investment objective

The Investment Manager conducts a sustainability assessment for each investment, as further detailed below, which includes identifying where companies may cause significant harm through the products and services that they offer, but also through their entire value chain. The assessment includes;

(i) taking into account all mandatory principal adverse impact indicators and uses those indicators which are deemed relevant to the Fund in the Investment Manager's sustainability assessment, in order to determine current and potential adverse impacts on sustainability factors and to avoid investment in issuers deemed to do significant harm;

(ii) using a mix of qualitative and quantitative assessments based on available data to screen out any issuers which are in contravention of the minimum safeguards – The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (including the ILO Declaration Fundamental Principles and Rights at Work, the eight Fundamental conventions of the ILO and the International Bill of Human Rights); and

(iii) identifying, through the use of third party data, of any severe controversies and that, at the time of investment, the issuer is taking remedial action to prevent the event occurring in the future.

The Investment Manager may carry out a more detailed assessment of any issuer which operates in an industry or sector that could be considered more harmful with a view to ensuring that either the practices the issuer has in place limit the amount of harm or that the issuer is being engaged on that topic.

Where an issuer is deemed to do significant harm to any sustainable objective, the Investment Manager will not invest, thereby ensuring the investments do not cause significant harm to any environmental or social investment objective.

Sustainable investment objective of the financial product

The sustainable investment objective of the Fund is to have a reduced environmental footprint compared to the Benchmark.

The Investment Manager aims to invest in companies within a thematic framework closely aligned with the UN Sustainable Development Goals based on the environmental and social objectives of:

- Environmental Preservation,
- Efficient Production and Resource Usage,
- Health and Wellbeing, and
- Social Inclusion.

The MSCI All Country World Index is used as a reference for comparing the environmental footprint of the Fund compared to the benchmark. The index is also used to compare the weighted average ESG rating of the Fund against the benchmark once the lowest scoring 20% of companies have been eliminated.

The Fund may make sustainable investments in issuers which contribute to the environmental objectives of Climate Change Mitigation and Climate Change Adaption as defined under the Taxonomy Regulation (EU) 2020/852

Investment strategy

The Investment Manager seeks to achieve a better environmental footprint compared to the benchmark, the MSCI All Country World Index, after the removal of the lowest 20% of securities within the benchmark from an ESG score perspective. The Investment Manager aims to achieve this by investing in companies within a thematic framework closely aligned with the UN Sustainable Development Goals based on environmental and social objectives, as detailed above;

The Investment Manager seeks to invest in companies that can demonstrate a contribution to a more sustainable future, not just through the products and services that they offer, but also through their entire value chain. The Investment Manager conducts a sustainability assessment designed to identify companies as 'impactful', 'leaders' or 'improvers'. The sustainability assessment is predicated on three primary considerations:

(i) The Fundamentals of the business model: the Investment Manager seeks to understand historic financial metrics and competitive dynamics and, in conjunction with the thematic framework, identify those who are capable of sustaining strong growth over the long-term. Alongside this, the Investment Manager seeks to identify companies which are bringing value to society, rather than drawing from it.

(ii) ESG Metrics: the Investment Manager considers how well companies manage environmental, social and governance factors (including how companies limit their emissions, how they ensure product safety, how they manage diversity in the workforce and how their board is structured). When looking at the ESG profile of a company, consideration will be given to key quantitative metrics such as corporate transparency, approach to materiality (being those ESG topics that could have meaningful financial consequences), and the effect of products and services on broader society.

(iii) Product Impact: involves a thematic analysis whereby the Investment Manager will seek to understand the broader benefit or cost of each company. As well as looking at companies which "do no significant harm", the Investment Manager also looks beyond this and, where appropriate, the portfolio will actively target those companies seeking to improve their effect on people and the planet through their products or services. This can be summarised as (i) companies that avoid harm, (ii) companies that provide benefits to all stakeholders and (iii) companies that contribute to solutions. The belief is that following this thematic approach to idea generation and focussing on companies which meet the 'sustainable leader' criteria facilitates the Fund's goal to achieve superior long-term returns.

Engagement: Where sustainability risks are identified, the Investment Manager works either directly or with the in-house stewardship team, EOS to engage with companies to mitigate those risks and promote good practices. Engagement occurs through meetings with company boards and management and through the exercise of voting rights. Engagement seeks to identify measurable objectives to deliver positive change within set time periods. Where there is engagement with a company, specific targets and timelines are set in relation to that engagement, these targets will differ at an individual company engagement level. Where a company is not receptive to engagement on any sustainability risks, or makes insufficient progress in addressing them over time, it will result in divestment from that company.

Exclusions: The Investment Manager does not invest in companies involved in specified activities where those activities contribute to company revenues above prescribed revenue thresholds. Excluded activities include fossil fuels, electricity utilities not aligned with a 2 degree scenario, Controversial weapons, conventional weapons, nuclear power, tobacco, gambling, adult entertainment, alcohol, GMO crop production and companies in contravention of the principles of the UN Global Compact.

As part of the investment strategy, the Investment Manager assesses the corporate governance of a company by reference to its policy on good governance and through the use of the Investment Manager's proprietary corporate governance tool and qualitative analysis, including insights from its own research and EOS. In considering good governance, the Investment Manager will assess, among other things, a company's management structure, employee relations, staff remuneration and compliance with applicable tax rules.

A company is considered to be following good governance practices if the factors set forth above, and any other factors determined to be material by the Investment Manager, (i) meet any one of the following criteria:

- the company's corporate governance is in line with the best practices as defined by EOS in the Responsible Ownership Principles and Regional Corporate Governance Principles documents; or
- the company's corporate governance is determined to be in-line with peers both in industry and/or region, taking into account the size of the company; or
- the Investment Manager and/or EOS is engaging with the company to address enhancements to the company's governance practices, as further detailed above

or, (ii) when viewed collectively, are determined by the Investment Manager to adequately meet the criteria set forth above.

A company is presumed not to be following good governance practices if there have been abuses of power or severe controversies involving the relevant company, which have not been mitigated through subsequent demonstrative actions.

Proportion of investments

A minimum of 90% of the portfolio will be invested in companies who contribute to the sustainable investment objective through their contribution to one or more of the nine environmental or social investment themes. Those investments will also evidence good governance practice in accordance with the Investment Manager's policy on good governance and do no significant harm to any other environmental or social objectives within the meaning of the SFDR. The portfolio is further split with a minimum of 30% in the environmental investment themes and 30% in the social investment themes.

The Fund may make sustainable investments in companies which contribute to the environmental objectives of Climate Change Mitigation and Climate Change Adaption and the protection and restoration of biodiversity and ecosystems as defined under the Taxonomy Regulation (EU) 2020/852 ("Taxonomy"). A minimum of 2% of the Fund's investments will be aligned with the environmental objectives under the Taxonomy Regulation. The "do no significant harm" principle applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities.

The remaining investments in the Fund, which do not qualify as sustainable investments and may be held for efficient portfolio management and cash management purposes. This includes derivatives to gain exposure to equities and/or equity related securities and/or Eligible CIS and/or gain exposure to financial indices, hold cash and/or invest in money market collective investment schemes (to, for example, equitise cash).

Monitoring of the sustainable investment objective

The investment Manager is responsible for ensuring all material sustainability risks are identified as part of the research process. This is then presented to the investment committee prior to any investment decision. The Responsibility Office (RO) oversees the investment manager's approach to ESG integration to ensure it is in line with the firm and fund level commitments. The RO meets with the investment team on a quarterly basis to review holdings are in line with the Fund's commitments. The RO also assesses the team on their approach to ESG and stewardship integration via an ESG integration matrix. The Portfolio Review Committee (PRC) and the Customer Outcomes Group (COG) monitor the strategies to ensure they are performing in line with their objectives and guidelines outlined in its legal documentation. These committees have representation from across the business including the Chief Investment Officer, Head of Responsibility and Compliance. The second line oversight responsibility lies with Compliance Monitoring, who will undertake a periodic review to assess whether the fund is meeting SFDR regulations.

Methodologies for sustainable investment objective

The Investment Manager is responsible for ensuring all material sustainability risks are identified as part of the research process. RO meets with the investment team on a quarterly basis to discuss portfolio holdings; the investment team here outline the ESG considerations considered for the flagged names. Spot checks are also conducted by RO on their research notes to ensure ESG and stewardship insights are captured and considered appropriately. The customer outcomes group monitor whether the Fund continues to meet its objectives. The Fund reports against its objective at least on an annual basis; a number of these indicators are either automated and made available at both company and portfolio level or calculated and made available to the business by the investment team. A pre-trade control is in place to ensure the Investment Manager confirms the ESG analysis has been completed.

Data sources and processing

The Investment Manager uses variety of different sources to obtain ESG data including proprietary analysis from the dedicated stewardship team, EOS at Federated Hermes ("EOS") and third party providers such as ISS, CDP, MSCI, Sustainalytics and Trucost amongst others.

All data is either accessed via a 3rd party data platform or consumed into our responsibility database. Responsibility on data accuracy and any data accessed via a 3rd party platform is delegated to the respective data provider. Any data that is processed within our database are checked via a tolerance report that looks to check any material changes in the data month on month.

Estimated data varies by the dataset and dependent on the coverage of the data provider.

Limitations to methodologies and data

Limitations include lack of reported data, especially in the Emerging markets, 'SMID' (small and mid-capitalisation companies) and private companies. We also find that some estimated data is not always reflective of the companies ESG performance. Often data can be backward looking therefore, not an indication of future performance of a company. Hence, we always use quantitative data as a starting point which is then overlaid by the qualitative assessment undertaken by our investment teams. The insights they gain through their interaction with the company and their own analysis limits the effect of poor/lack of data in the investment process.

Due diligence

Alongside the due diligence described in answers above, ultimately the investment manager is responsible for contextualising the data available and supplementing it with the insights available through its interaction with the company and/or engagement. Engagement is in itself a form of additional due diligence, enabling us to establish a clearer picture of the practices and impacts of a company beyond the information available in corporate publications. Our Responsibility Office is tasked with monitoring and overseeing every investment team's approach to integrating ESG and engagement insights into their investment decisions and the monitoring of investees.

Engagement Policies

The following policy outlines our approach to engagement: **https://www.hermes-investment.com/uploads/2022/10/29c32e7cd1aabd19aecd0e22d1ef6f39/fhl-corporate-engagement-policy-06-2022.pdf**

Attainment of the Sustainable Investment Objective

The MSCI All Country World Index is used as a reference for comparing the environmental footprint of the Fund compared to the benchmark. The index is also used to compare the weighted average ESG rating of the Fund against the benchmark once the lowest scoring 20% of companies have been eliminated.

The MSCI All Country Index is a broad market index that does not take into account any sustainability criteria. The reference benchmark is therefore not continuously aligned with the sustainable investment objective of the Fund. It is used as a comparator for financial, ESG and sustainability performance only.

Federated Hermes
Limited

Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns, and to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes Investment Management are now undertaken by Federated Hermes Limited (or one of its subsidiaries). We still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important strategies from the entire group

Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

For more information, visit **www.hermes-investment.com** or connect with us on social media:

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