

PRIME ADVOCATES

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To the Board of Directors of
Hermes Fund Managers Limited
(International business of Federated Hermes)
150 Cheapside
London
EC2V 6ET

Date: 20th December 2021

Independent Assurance Report

We have undertaken a limited assurance engagement (the “**Assurance**”) on the information disclosed as part of the sustainability reporting of Hermes Fund Managers Limited [the international business of Federated Hermes] (the “**Firm**” or “**IFH**”) in the period from June 2020 to July 2021 (inclusive). The limited assurance engagement related only to IFH’s stewardship and ESG integration (“**S-ESG Integration**”) within its listed equities, credit, real estate* and infrastructure** investment portfolios. The full form of the assurance report has been presented to IFH.

Assurance Summary: S-ESG Integration

Overall: Meets/Exceeds ✓ / ◆	Scope of conceptual stewardship & ESG application	Processes, procedures and implementation
Equity (listed)	✓ / ◆	◆
Credit (listed)	✓ / ◆	◆
Real Estate	◆	◆
Infrastructure	✓ / ◆	✓ / ◆

✗ Fail ✓ Meet ◆ Exceed

Selected subject matter for stewardship & ESG assurance:

- IFH engagement and ESG integration policies and procedures.
- IFH (including EOS) engagement policies and procedures re IFH S-ESG Integration.
- Representations and assertions in IFH reports, financial statements about ESG matters.
- Compliance with Regulatory requirements and best practice standards.
- IFH internal guidance documents and general control policies and procedures in connection with S-ESG Integration.
- Internal systems, controls and processes for ESG integration.
- ESG and engagement outputs.

Assurance criteria

The assurance criteria we used were divided into the three categories:

- i) compliance with applicable ESG regulatory requirements, including but not limited to the EU Sustainable Finance Disclosure Regulation, EU Shareholder Rights Directive II, the UK Stewardship Code 2020, Alternative Investment Fund Managers' Directive amendment EU 231/2103 and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013;
- ii) adherence to leading voluntary codes of practice identified by Prime Advocates, such as the UN Principles for Responsible Investment (PRI), the Task Force on Climate-Related Financial Disclosures, UN Global Compact, the Global Reporting Initiative and the Global Real Estate Sustainability Benchmark etc.; and
- iii) assessment criteria derived from our own proprietary ESG methodology.

The criteria used to evaluate and assure the subject matter, mirrors IFH's methodology, was designed for the sole purpose of carrying out an effective Assurance engagement of Hermes Fund Managers Limited and may therefore not be suitable for any other purpose.

Key assurance procedures:

- Review of the key documentation related to the subject matter detailed above to determine if IFH fails, matches or exceeds S-ESG Integration regulatory requirements and best practice.
- Assessment of the adequacy of ESG processes, procedures and oversight at a theoretical level.
- Review of the documentation of the systems and processes for compiling, analysing, and aggregating sustainability data and testing such documentation on a sample basis.
- Review of material and proportionally aligned ESG topics to the IFH relevant portfolios, against key issues raised in stakeholder dialogues, areas of performance covered in external diligence media reports and best practice sustainability reports.
- Interviews with senior management and other professionals regarding the firm's sustainability strategy.
- Interviews with professionals responsible for implementing the firm's stewardship and ESG integration and developing and updating its systems for measuring and monitoring ESG data [e.g., Carbon Intelligence, EOS engager questionnaires and interviews].
- Assessment of the implementation of stewardship and ESG processes, procedures and oversight.
- Assessment of the risks of material misstatements in the subject matter with regard to the applicable criteria.
- Composition of independent conclusions based on the results of our assessment.
- Presentation of the report to the Directors of Hermes Fund Managers Limited.

Limitations of the engagement

Our engagement was limited to the information presented related to the S-ESG Integration for IFH's portfolio investments in Equity, Credit, Real Estate & Infrastructure, as listed above. We have not assessed the following ESG information disclosed by IFH and such data is outside of scope for the Assurance:

- IFH Responsible Firm data (e.g. factors on employee rewards, remuneration, diversity and inclusion, IFH responsible pledge);
- Sectors related to REITS and PE multi asset classes;
- Client Mandates with specific policies relevant to IFH fund offerings and stewardship services; and
- EOS/ IFH stewardship services other than in connection with engagement services applied for IFH's ESG integration across its investments.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than for, a full reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an unlimited reasonable assurance engagement. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of management

The management of IFH is responsible for the preparation of presented ESG data in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the ESG data/ reports/ statements that is free from material misstatement, whether due to fraud or error.

Professional standards, independence and competence

We undertook limited assurance on selected material performance indicators in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000 (Revised)) for IFH ESG integration and engagement via EOS Stewardship. In accordance with ISAE 3000 (Revised), we reviewed the processes, systems and competencies used to compile the areas upon which we provide assurance. Identification and confirmation of IFH implementation processes re: S-ESG Integration and controls: ISAE3000 & AA1000AS assuring processes IFH used to identify, assess and tackle ESG issues arising from IFH's operations (including: determination of ESG criteria & evaluation [above theoretical statements/ policies], assessment in value of IFH's processes to obtain accurate information relating to material topics, evaluation criteria, internal learning and applications, controls/ checks, oversight levels and escalation for non-performance [senior/ ultimately board level] & reviews to improvement).

As a regulated UK law firm specialising in social finance/ impact finance and as a ESG advisory boutique, we applied robust and reasoned analytical and due diligence methods. We complied with Prime Advocates' independence policies, which address and in certain cases exceed the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants in a role as independent auditors. Therefore, we are precluded (and prevent individuals with conflicts from part-taking in preparation of this Report) from taking financial, commercial, governance and ownership positions which materially affect (or maybe perceived to affect) the assurer's independence and impartiality. Prime Advocates has confirmed to the directors of IFH that it has maintained appropriate independence and objectivity throughout the preceding year (June 2020 – end July 2021 inclusive) and no prohibited services or activities impair Prime Advocates' independence and objectivity.

Prime Advocates' assurance report does not include testing of source data especially standardised 3rd party data providers' data (unless specifically identified as undertaken) or the operating effectiveness of processes and internal controls above the requirements for effective Prime Advocates ESG Assurance.

Our responsibility

In our role as an evaluator of the data provided to us by IFH, we are responsible for the evaluation of the subject matter against the criteria as devised by us. Based on a consideration of risks and materiality we have undertaken procedures to seek to obtain sufficient appropriate evidence. The procedures selected depend solely on our judgment.

Our responsibility as an assurance practitioner is to independently express a limited assurance conclusion on the information disclosed and reported on the subject matter based on the procedures we have performed and the evidence we have obtained. In accordance with ISAE 3000 (Revised), we are responsible for planning and performing the engagement in a way that allows us to obtain limited assurance about whether the report is free from material misstatement.

In accordance with the engagement agreement, our duty of care for this engagement only extends to the Board of Directors of Hermes Fund Managers Limited. The Board of Directors is the sole intended audience of this report and as such the information contained within it may not be relevant or useful for any other party.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that IFH's S-ESG Integration within its portfolio investment for Equity, Credit, Real Estate and Infrastructure has not been prepared, in all material respects, in accordance with the identified applicable appropriate criteria. We are satisfied, subject to our limited reasonable assurance, that IFH **Exceeds** regulatory requirements and current best practice for S-ESG Integration.

Key findings

Whilst we were satisfied with the Firm's performance in the round, we identified the following areas of attainment and areas for improvement:

Areas of attainment/ excellence:

- IFH holistic ESG data driven approach, pervasively applied across all investments and strategy types. [All]
- Expert internal senior ESG expertise of the Responsible Working Group/ Responsibility Office applied across all asset classes to varying degrees. [All]
- Leverage of the market leading EOS stewardship engagement service, adding information, active management, oversight controls and ESG issue engagement power. [All]. Use of EOS engagement methodology for better engagement in IFH Infrastructure. [Infrastructure]
- IFH legacy and leading industry position. Utilisation of IFH's market leading Public Policy/ Advocacy teams allow IFH to influence and innovate on ESG themes, progressing the market and assisting their portfolio's S-ESG Integration. [All]
- IFH is out-performing best practice on management of ESG integration and the collection and disclosure of quantitative ESG data across its investments. [Real Estate]

Areas for improvement:

- Added quantitative ESG metric disclosure of IFH goals and actions relevant to portfolios (for increased accountability and optimisation) (e.g., Carbon / Scope 2 commitments or Net Zero positioning). [Equity/ Credit/ Real Estate/ Infrastructure]
- Alternative additional ESG data criteria tool. [Equity / Credit].
- Bespoke data capture questionnaires and frequent material ESG data points allowing for strategic S-ESG Integration management and reporting. [Infrastructure]
- Detailed stage by stage Net Zero action plan roll-out and implementation. [Real Estate]

* Operating via IFH subsidiary: Federated Hermes Real Estate Investment Management Limited

**Operating via IFH affiliate and Federated Hermes Inc. subsidiary: Hermes GPE LLP

A handwritten signature in black ink, appearing to be 'Andrew', is placed on a light gray rectangular background.

Lead Assurer
On behalf of **Prime Advocates Limited**