

OUTCOMES
BEYOND
PERFORMANCE

UNGC REPORT

August 2018

For professional investors only

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HERMES
INVESTMENT MANAGEMENT

CHIEF EXECUTIVE STATEMENT

8 August 2018

Hermes Investment Management has been adhering to and promoting with investee companies the spirit and objectives of the UN Global Compact for many years. With our mission of delivering outcomes beyond performance, it is at the heart of what we stand for as an investment and stewardship services firm. We are pleased to submit this report in confirmation of our support of the Ten Principles of the United Nations Global Compact after becoming a signatory in 2017.

Our first Communication on Progress lays out our work in each area of the Global Compact - Human Rights, Labour, Environment and Anti-Corruption – and the outcomes we have seen. We would encourage other organisations to commit to collective action to advance the principles by signing up to the UN Global Compact.

Yours sincerely,



Saker Nusseibeh
CEO
Hermes Investment Management

ABOUT HERMES INVESTMENT MANAGEMENT

Hermes Investment Management is an asset manager with a difference.

Our goal is to help people invest better, retire better and create a better society for all.

Hermes is majority owned by Federated Investors, Inc (Federated), a leading US investment manager with \$379.7 billion in assets under management as of June 30 2018. BTPS retains a minority stake, alongside members of Hermes' management. This relationship offers a strong global platform as both firms share a commitment to delivering client-centric investment returns responsibly.

We offer clients access to a broad range of specialist, high conviction investment teams with a firm-wide total of £35.3 billion assets under management as of 30 June 2018¹. In Hermes EOS, we have one of the industry's leading engagement resources, advising on £346.3 billion of assets as of 30 June 2018.

A MISSION TO DELIVER OUTCOMES BEYOND PERFORMANCE

Our primary purpose is helping beneficiaries retire better by providing world class active investment management and stewardship services. We believe this purpose includes a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial and consider the impact our decisions have on society, the environment and the wider world.

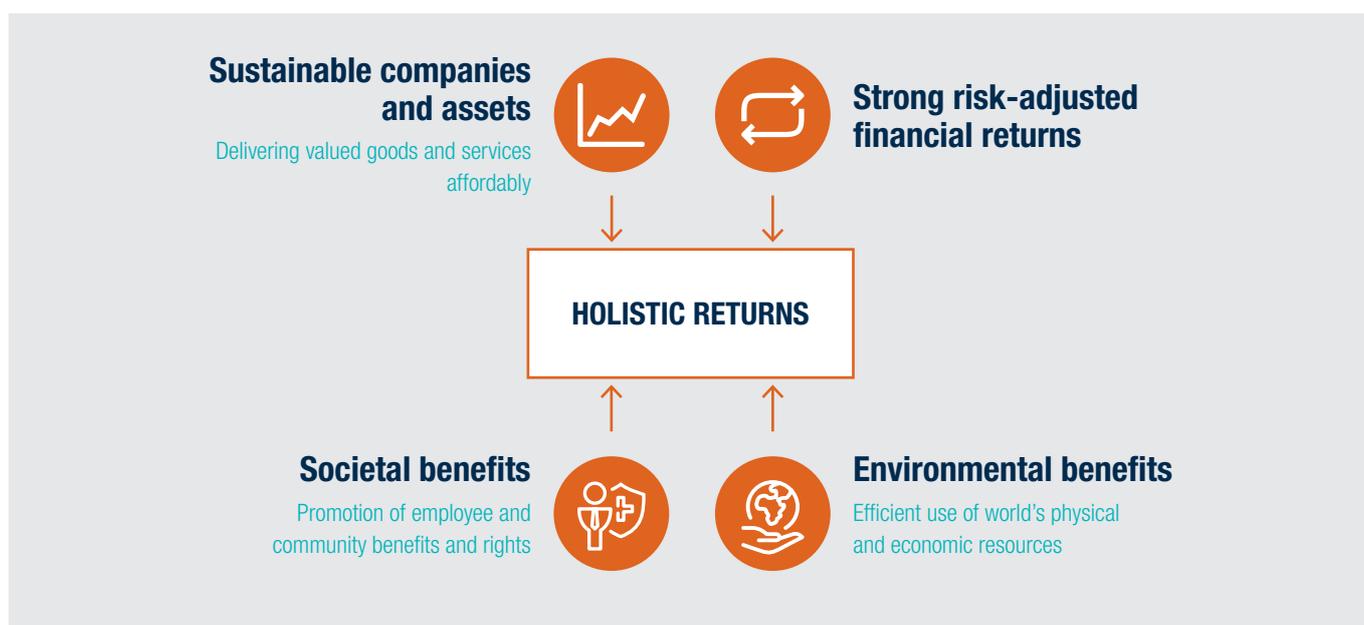
We recognise that as fiduciaries, entrusted with the savings of millions of individuals, we have responsibilities which go beyond those defined in any contract - these are to our clients and their ultimate beneficiaries. We have these responsibilities because our decisions will have impacts on the world in which beneficiaries live and work today as well as the one in which they will retire into tomorrow. Our goal is to help people invest better, retire better and to create a better society for all.

In order to deliver the needs of our pension saving beneficiaries we are cognisant of our commitment to clients to deliver superior risk-adjusted investment returns within the terms of our mandate. We also understand that the way we achieve these financial returns will have a wider impact and will consequentially likely impact upon the real value of their retirement incomes. These factors, while more difficult to quantify and measure, will be significant to beneficiaries' ultimate quality of life and cost of living.

It is this understanding that informs our belief that we have a duty to consider the longer term risks and opportunities when investing. This means extra work in analysing companies; understanding externalities, governance practices, environmental impacts, treatment of workforces and the influence of operations on local communities. It also means using our influence to improve the behaviour of those companies in which we have invested; the operations of the assets that we directly manage, and advocating for systematic improvements to the financial system in which we participate.

Achieving this mission will mean putting the interests of our clients and their ultimate beneficiaries front and centre of all that what we do. This is a commitment that all Hermes employees are committed to and is embodied in our Pledge of Responsibility.

Achieving this mission means putting the interests of our clients and their ultimate beneficiaries front and centre of all that what we do.



¹ Please note the total AUM figure includes £6.2bn/US\$8.2bn/€7.0bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers Limited ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £146.9m/US\$193.9m/€166.1m of total group AUM figure represents HFM mandates under advice. Source: Hermes as at 30 June 2018 with the exception of two portfolios totalling £2.6m/US\$3.7m/€3.0m valued as at 31 May 2018.

We operate by the Federated Code of Business Conduct and Ethics, which requires all business to be conducted in accordance with the highest legal and ethical standards and all staff to adhere to the highest ethical standards at all times in the conduct of their professional and personal affairs.

At Hermes we have a strong culture of responsibility and believe that it is a far wider concept than just shareholder engagement. We believe we should lead by example, and we have therefore created the Hermes Pledge, an expression of our commitment to always act responsibly and transparently. Hermes Pledge makes clear our commitments, obligations and responsibilities as an organisation and as individuals. Hermes is committed, in the way that it interacts with others, to treating everyone fairly, and with dignity and respect. Hermes expects all of its employees to match this commitment throughout their day-to-day work and activities.

Hermes Pledge makes clear our commitments, obligations and responsibilities as an organisation and as individuals.

We have been actively engaging with companies for over 20 years building a compelling story for responsible ownership. Our engagement team, Hermes EOS, is a world leader in stewardship services, helping clients to meet their legal obligations for active stewardship in order to create long-term value for beneficiaries. Hermes EOS represents £346.3 billion in assets under advice (AuA) and engaged with more than 650 companies worldwide in 2017 on over 1,000 environmental, social governance, strategy, risk and communication issues and objectives, as well as making voting recommendations at over 9,500 company meetings. Hermes generally favours engagement over exclusion, as we believe that having a seat at the table gives us greater power to influence than exclusion and divestment. Our team engages in active stewardship on behalf of our clients, voting at AGMs and other shareholder gatherings to achieve our clients' responsible ownership aims and fulfil their fiduciary duty to be active owners. We also screen clients' aggregate holdings for environmental, social and governance (ESG) characteristics. Our Controversial Companies Report highlights to subscribing clients those companies which are considered as being in violation of internationally recognised guidelines, provides insight into the nature of those guideline violations and provides a view on engagement with the company on those guideline violations. The list identifies companies that are either in breach of or likely to breach the UN Global Compact Principles.

The Hermes Pledge

I pledge to fulfil, to the best of my ability and judgment and in accordance with my role, this covenant:

I will act ethically, responsibly and with integrity

I will put the interests of our clients and their beneficiaries first

I will encourage responsible behaviour in the firms in which we invest and on which we engage

I will act with consideration for society and the environment both now and in the future.

I will encourage others to do the same

I will work with industry colleagues and other key stakeholders to develop and improve our industry's contribution to society

I will treat my clients, my colleagues and all other stakeholders with respect and as I would wish to be treated

I will deal with our regulators in an open, co-operative and timely way

I will communicate clearly and honestly with all parties inside and outside our firm

I will manage conflicts of interest fairly between all parties



DELIVERING HOLISTIC RETURNS SPANS FOUR MUTUALLY REINFORCING STRANDS OF ACTIVITY

The scale and focus of our active ownership and investment activities allows us to bring the full force of ESG awareness and engagement to our investment decisions. Not only does successful engagement help appraise the actual level of ESG or other risk, if successful, it helps to mitigate it. In turn, our engagement and investment teams are able to focus on the risks and indeed opportunities which are most relevant and material.

Having a focus on responsible investing, responsible ownership and policy advocacy across all of our strategies, while also behaving responsibly as a firm, is 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.

Four mutually reinforcing strands of activity



ESG-aware investments

We aim to be 'ESG aware' and actively incorporate relevant considerations into our investment processes across all strategies and asset classes.



Active ownership and management

We aim to be active, engaged and responsible owners of those companies and assets in which we are invested and those we directly manage.



Advocating in beneficiaries' interest

We engage with and encourage regulators and standard setters globally to intervene to correct market distortions and ensure that the financial system operates in the interests of its ultimate asset owners.



Behaving as a responsible business

We aim, as a firm, to meet the expectations that we have of others. Each of us individually has a responsibility to lead by example and act ethically and with integrity.

HUMAN RIGHTS PRINCIPLES

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.

Assessment, Policy and Goals

Our [Modern Slavery Statement 2018](#) lays out our approach to tackling modern slavery in detail. It sets out our objective of ensuring that there is no modern slavery or human trafficking in any of our business dealings. It also describes the processes we have put in place to help us achieve this objective, including our Supplier Code of Conduct and supplier due diligence checks. It also includes a case study of our work in the cobalt mining industry, providing an example of how we combine company engagement and advocacy to improve human rights standards.

At Hermes, we are committed to running our business responsibly. Part of this means doing our best to encourage high standards in our supply chain and business. We have a Supplier Code of Conduct, which we would like all our suppliers to follow, and we are putting in place more robust processes to determine which suppliers we will ask to sign the Code, based on the risk and value/size of the relationship for Hermes. We expect new suppliers who are over the £36m turnover threshold to supply us with their Modern Slavery statements. Hermes promotes best practice for Sustainable Procurement and asks suppliers for evidence of their sustainable procurement practices covering the following core areas: environmental, social, economic and governance. When procuring goods, sustainable alternatives must be explored and the most sustainable option available must then be procured, unless the business case prohibits this.

As an active investor, we are defined by our commitment to delivering holistic returns for clients and their beneficiaries considering the social and environment impact of the investments we make alongside the investment return it delivers. This is why we developed the Hermes Responsible Ownership Principles. These principles include expectations around corporate governance, relationships with stakeholders, workers and human rights. Companies are expected to ensure that they respect the human rights of those affected by their operations and their value chains. They should develop plans to identify and manage these human rights risks to minimise adverse and encourage positive human rights outcomes. At the very least, companies should not only obey the law but respect the human rights of those affected by their activities and be open about and prepared to discuss the impact of their activities.

Social & ethical issues are one of the core engagement themes of Hermes EOS. We seek respect for basic human rights including those of indigenous communities; eradication of slave and child labour; provision of fundamental services and protection of privacy; improvements in human capital management including the protection of labour rights and development of a more diverse and inclusive workforce; and the development of an appropriate corporate culture resulting in more ethical conduct, including the elimination of bribery and corruption.

Implementation

Under the terms of the Public Interest Disclosure Act 1998, employees may make a "Protected Disclosure" over certain malpractices without fear of reprisal from their employer but in addition we have a Whistleblowing Policy intended to ensure that Hermes' employees are able to tell us about any wrongdoing at work which has occurred or which they perceive is likely to occur in the future. This policy gives employees the option to raise the matter directly with the Chief Compliance Officer or the regulator.

In managing real estate assets, we believe that good human capital management, including the provision of fair living wages, robust health and safety practices and investment in training and development programmes, is the foundation of a stable and productive workforce and the maintenance of businesses' social licences to operate. We included specific references to the Modern Slavery Act in all of our property management agreements, covering the whole of our managed portfolio, when we renewed them in early 2018. Since September 2016 we have also included a clause specifically relating to the Modern Slavery Act in almost all lease agreements we have entered into. This has now been expanded to construction documents, including project team appointments and construction agreements. All of our construction documents now contain specific mention of the Modern Slavery Act, requiring compliance with all relevant legislation.

We recently joined the Investor Alliance for Human Rights, a collective action platform to engage on human rights established by the ICCR. We also collaborated with the International Bar Association to contribute to the Handbook on Business and Human Rights for lawyers which was launched in September 2017. Dr Christine Chow, Hermes EOS Director, outlined the expectations of investors in relation to business and human rights in an accompanying training podcast for lawyers.

As an example of one of our engagements this year, we raised concerns with an automobile company that they were not compliant with the Modern Slavery Act. As a result the UK subsidiary of the company published its Modern Slavery Statement shortly afterwards.

Measurement of outcomes

We measure our engagement outcomes. In 2017, Hermes EOS engaged on 1,704 issues and objectives. 23% of our engagements included a social or ethical objective. Of this, 28.6% related to human rights. 62 out of 197 social engagement objectives were moved forward at least one milestone during the year. Further information is available in the [Hermes EOS Annual Report 2017](#).

LABOUR PRINCIPLES

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.

This section should be read in combination with our reporting on the Human Rights Principles above, regarding our efforts to eliminate forced, compulsory and child labour.

Assessment, Policy and Goals

An overview of employee rights, responsibilities, policies and benefits is available to all employees in the Hermes Employee Handbook. This includes a formal grievance procedure, available to all employees should problems arise during the course of employment which cannot be resolved on an informal basis.

Hermes recognises that diversity in our workforce is one of our greatest assets and that an inclusive culture allows us to continue to grow as a strong and innovative organisation, delivering excellence for our clients. Hermes is committed to treating everyone with whom we work fairly, and with dignity and respect and providing an environment which is free from harassment and discrimination, as is reinforced in our Equal Opportunities policy. This includes all our employees and staff (present, future and past) together with all of our other stakeholders, clients and service providers.

Hermes has a set of behaviours innate to its culture that contribute to the success of the business. Every employee has a responsibility to act in a way that upholds Hermes Core Behaviours through their day to day activities. Employee end of year performance ratings are based on the extent to which they have demonstrated these behaviours as well as the extent to which they have met their performance objectives.

In addition it is the responsibility of every leader and manager throughout Hermes to create an environment where all of our people can give their best, feel valued and be able to build upon their knowledge and skills. We offer a number of management development programmes in order to train and upskill managers in managing performance and behaviour.

As reported in our [Gender Pay Gap report and in line with our Women in Finance Charter commitments](#), we have measured the proportion of male and female staff, and set ourselves gender diversity targets. In order to set stretching and realistic targets we took a balanced view of our ability to move towards gender parity taking into consideration the rate of natural turnover in the business, future hiring needs and the availability of a diverse talent pool in certain sectors of the industry. Hermes will continue the positive work it has accomplished to date, including widening access to the profession, with the ultimate ambition of achieving gender parity across the whole business.

Since 2012, Hermes has been accredited as a Living Wage employer, affirming its commitment to provide all employees and on-site contracted staff with compensation and benefits at or above the London Living Wage.

It is the policy of Hermes to take all reasonable practical steps to ensure health, safety and welfare at work for all its employees in accordance with general statutory obligations. This includes training First Aiders and Fire Marshalls on each floor. Health and safety training is undertaken as part of the employee induction programme.

As an active investor, we are defined by our commitment to delivering holistic returns, which is why we have established the Hermes Responsible Ownership Principles. These principles include expectations around relationships with stakeholders and, in particular, workers. The Principles state that, 'The workforce is a company's most valuable asset and therefore a critical stakeholder. Companies must develop human capital management strategies and objectives that ensure that everyone in their workforce is treated with dignity and respect and should help each person develop their potential. Companies should use their influence on their suppliers to encourage and, where possible, ensure similar outcomes. Such human capital strategies will help companies to deliver greater value for their shareholders and for the people that work for them.'

Social and ethical issues are one of the core engagement themes of Hermes EOS. We seek respect for basic human rights including those of indigenous communities, eradication of slave and child labour, provision of fundamental services and protection of privacy; improvements in human capital management including the protection of labour rights and development of a more diverse and inclusive workforce; and the development of an appropriate corporate culture resulting in more ethical conduct, including the elimination of bribery and corruption.

Implementation

Hermes offers a range of benefits to support the wellbeing of its employees, including private medical insurance cover, health assessments, an employee assistance programme, financial wellbeing seminars, gym membership discounts and a Cycle to Work scheme.

In June 2018, we hired an Inclusion Partner to join our Human Resources team to ensure specific and appropriate guidance and support across a range of areas and the implementation of an inclusion strategy and programme. As outlined in the Gender Pay Gap report, we have undertaken several commitments to obtain our goal of increasing diversity across the firm, including supporting flexible working where possible and enhanced parental leave; developing a 'returners' programme for staff out on long-term absence such as parental leave; and Unconscious Bias and Employee Relations training for the Executive Committee and all line managers. New joiners complete our Diversity e-learning module within one month of participating in the Induction programme.

Under our Corporate Citizenship programme, we have established Hermes Unity, an employee network which promotes an inclusive culture and allows us to consult with employees. We believe that diversity encompasses not only gender but all of the other protected characteristics as well as other forms of diversity including education, personality differences, experience and skill sets. Unity has led initiatives across a range of issues, including in 2018 the inaugural Hermes Pride week, demonstrating support of inclusion and diversity in the workplace. As described in the human rights section above, if an employee were to have a concern related to labour, the whistleblowing policy would enable them to raise their concerns or seek advice.

All our public markets investment teams have access to our ESG Dashboard and ESG Portfolio Monitor through which information on metrics such as employee turnover, health and safety performance and fatalities are provided. Investment teams supplement this information with company specific research utilising a range of sources to understand a company's approach towards its workforce and any potential impact on, for example, productivity.

We have provided input into a number of best practice initiatives aimed at improving the level of corporate reporting to investors on human capital matters and continue to encourage hard and soft regulation on improved human capital management disclosures. Hermes is an investor signatory of the Workforce Disclosure Initiative, which calls for transparency from companies on how they manage workers in order to improve the quality of jobs in the operations and supply chains of multinational companies. We signed the KnowTheChain investor statement 'Investor Expectations on Addressing Forced Labor in Global Supply Chains', publicly demonstrating support of the UN SDG goal 8.7 to eradicate forced labour.

In 2017, Hermes EOS engaged on 1,704 issues and objectives. 23% of our engagements included a social or ethical objective. Of this, 4% related to diversity, 5.7% to human capital management and 13.4% to labour rights. Further information and examples can be found in the Public Engagement Reports on [our website](#).

Measurement of outcomes

Our Gender Pay Gap report next year will include measurement of our progress over the year. Currently, there is a 30.2% difference between the mean hourly rate of male and female relevant full-pay employees. In line with our Women in Finance Charter Commitments, we also report annually on our targets to increase the percentage of women on our Board, in Senior Management, and across all staff. We are pleased to report that we have recently hit our target ranges for all three categories and, as such, we will be introducing new targets and initiatives to assist us in achieving our ultimate goal of gender parity. In addition, our Inclusion Partner will be working to develop more robust data collection processes which will allow us to analyse data across various employee demographics and diversity strands and report on this to senior management.

In 2019 we will conduct an employee engagement survey which will include diversity demographics and allow us to compare against our previous survey.

We measure our engagement outcomes. 62 out of 197 social engagement objectives were moved forward at least one milestone during the year. Further information is available in the [Hermes EOS Annual Report 2017](#).

ENVIRONMENTAL PRINCIPLES

Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.

Assessment, Policy and Goals

We have a written environmental policy, to demonstrate commitment to conducting our operations in an environmentally responsible manner and govern internal operations. Our Environmental Management System (EMS) group meet quarterly to discuss how to reduce the environmental footprint of our office.

Hermes promotes best practice for Sustainable Procurement and asks suppliers for evidence of their sustainable procurement practices covering the following core areas: environmental, social, economic and governance. When procuring goods, sustainable alternatives must be explored and the most sustainable option available must then be procured, unless the business case prohibits this.

The environment is one of the core engagement themes of Hermes EOS. We seek improved management and disclosure of the risks arising from climate change in support of the goals of the Paris Agreement to limit climate change to below 2°C; sustainable levels of consumption of natural resources including water, land-use and materials, building a circular economy over time; and control of pollution of air, land and water to below harmful levels.

As part of our carbon risk approach, we set specific and measurable targets against which to monitor and measure progress.

Implementation

We hold the ISO 14001 accreditation in our new offices, as we did in our previous offices, which reflects the deliberate steps we took to improve the environmental impact when we fitted them out. We offset our corporate travel and other 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.

Hermes EOS engage extensively on environmental issues. In 2017, overall, Hermes EOS engaged with 659 companies on 1,704 issues and objectives. 21% of our engagements included an environmental objective. Further information and examples can be found in the Public Engagement Reports on [our website](#). 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.

Portfolio managers are aware of the carbon risks in their portfolios, which investments are the largest contributors and what are the associated risks and mitigation strategies. We utilise data from various sources in order to understand a company's exposure to risks arising from climate change. We look in particular at a company's carbon footprint and sensitivity to different climate scenarios. We measure

the carbon footprint of our portfolios to give us a better starting point to assess the best options to manage carbon risk in the context of our funds' specific investment strategies.

We launched the Hermes Carbon Tool in July at a roundtable presentation with journalists from the nationals, trades and wires. The Carbon Tool will help Hermes fund managers and engagers alike to identify carbon risks in investment portfolios and specific companies which are or might become more exposed to carbon risks going forward. The tool also incorporates our stewardship intelligence.

We are members of, among other initiatives, the Portfolio Decarbonisation Coalition, the Climate Action 100+ and the Institutional Investors Group on Climate Change (IIGCC). 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 investment, including through membership of the EU Energy Efficiency Financial Institutions Group and the G20 Energy Efficiency Finance Task Group.

We continue to support the CDP Water Initiative in its move to more streamlined and sector-relevant water reporting and promote market engagement on water stress via the PRI's collaborative engagement initiative. We have also supported the Ellen MacArthur Institute, Green Alliance's Circular Economy Taskforce, the CE100 programme and the Sustainable Palm Oil and Fair Trade Roundtable.

Measurement of outcomes

We have achieved ISO 14001 accreditation in our offices, and as described above we monitor the environmental footprint of our carbon emissions and offset this financially and through volunteering activities with Trees for Cities.

We measure our engagement outcomes. 72 out of 177 environmental engagement objectives were moved forward at least one milestone during the year. Further information is available in the [Hermes EOS Annual Report 2017](#).

During 2017 we identified the most appropriate performance indicators for each asset class. We intend to report annually on our performance against these measures from 2017. In line with our commitments under the Montreal Pledge, we aim to measure the carbon footprint of our investments across all relevant asset classes. In 2017 we measured the carbon footprint of our public equities, credit and real estate assets, representing 80% of our AUM as of June 2017. During 2016/17 we have made good progress in collecting data on the carbon footprint of our infrastructure assets and have initiated a trial approach for our private equity investments. More detailed information about our policy, implementation and measurement of outcomes is available in our November 2017 paper '[The low carbon opportunity – and the risks of missing out.](#)' This paper provides information about our 2016 performance.

We are keen to promote the environmental responsibility of the financial system as a whole, and as a result have worked actively with the informal E3G-led coalition for Sustainable Capital Markets Union initiative over the past 3 years. More recently we have joined the UK Green Finance Initiative and become founding members of the Green Finance Institute steering committee – a public private initiative aiming to promote the greening of the global financial system to manage climate change risks in a precautionary fashion. We also co-chair the UN Positive Impact Initiative, which seeks to co-create commercially viable, impact-based solutions to the Sustainable Development Goals (SDGs).

ANTI-CORRUPTION PRINCIPLES

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Assessment, Policy and Goals

Hermes has a zero-tolerance approach to corruption. We have in place a financial crime policy and procedures that provide an effective control framework within which Hermes complies with a number of authorities, including:

- UK Financial Conduct Authority rules on financial crime, the UK Financial Services and Markets Act 2000, the UK Terrorism Act of 2002 (as amended by the Anti-terrorism, Crime and Security Act 2001), the Proceeds of Crime Act 2002 (PoCA), and the UK Joint Money Laundering Steering Group guidance notes.
- Securities and Exchange Commission (SEC) rules on financial crime, the USA Patriot Act, and the US Bank Secrecy Act.
- Current EU legislation.
- Relevant Singapore regulations and guidelines that relate to AML, including the Corruption, Drug Trafficking & Other Serious Crimes (Confiscation of Benefits) Act, Cap 65A (CDSA), Monetary Authority of Singapore Act, Cap 186 (MAS Act), Monetary Authority of Singapore Regulations (MAS Regulations) and Monetary Authority of Singapore Notices & Guidelines (MAS Notices & Guidelines) – MAS Notice No: SFA04-N02.

In addition to policies on conflicts of interest and outside business interests, Hermes has established a financial crime framework which identifies, mitigates and manages the risks that Hermes faces whereby Hermes products and services might be involved in or used to facilitate financial crime. The Hermes Financial Crime Policy covers a wide range of duties, including:

- Money laundering, fraud, and terrorist financing
- Policy/regulatory environment
- Responsibilities of the Hermes group and designated individuals
- Verifying the identity of clients
- Recordkeeping of identification documentation
- Managing higher risk client relationships
- Sanction and terrorist lists
- How to report suspicious activities

Implementation

Hermes has controls in place to prevent bribery, corruption, tax evasion and fraud. This is managed by our Compliance team. Our Strategic Risk and Compliance Director sits on the Hermes Executive Committee. We also have a Risk and Compliance Committee, currently comprising four Non-Executive Directors.

Checks are carried out for each client in accordance with the risk rating of that particular client. In all cases regardless of risk rating, the names of individuals and/or entities connected with the client are reviewed via the Thomson Reuters Global Screening Tool, which checks the name against all the sanctions and watch lists that have been issued by various regulatory bodies across the world at the point of take-on and on a daily basis thereafter. No monies can be accepted until the client verification checks have been completed.

All new staff members must undergo initial Compliance training within two weeks of joining the firm covering the content of the Financial Crime Policy, and are required to read the policy upon joining the firm. Existing Hermes employees, including senior management, are required to complete Compliance training on an on-going basis. Additional training may be provided depending on the risk associated with specific roles.

Under the terms of the Public Interest Disclosure Act 1998, employees may make a "Protected Disclosure" over certain malpractices without fear of reprisal from their employer but in addition we have a Whistleblowing Policy intended to ensure that Hermes' employees are able to tell us about any wrongdoing at work which has occurred or which they perceive is likely to occur in the future. This policy gives employees the option to raise the matter directly with the Chief Compliance Officer or the regulator. If an employee were to have a concern related to corruption, the whistleblowing policy would enable them to raise their concerns or seek advice.

Measurement of outcomes

Hermes will take appropriate action (including seeking prosecution and notifying relevant regulators) against any person in employment who is involved or assists in committing a financial crime.

Hermes Financial Crime program is subject to independent review by the internal audit function. The results of the review are presented to senior management for review and appropriate action is taken. The last Internal Audit of Compliance was conducted in November and December of 2017, and the report was distributed in December 2017. The Compliance Monitoring team also review our Financial Crime Program as part of their risk based approach monitoring plan. In addition, Compliance provide a report on the Financial Crime Program to senior management on a periodic basis. On an annual basis, our Money Laundering Reporting Officer provides a report to the Board and senior management to demonstrate Hermes has established and maintain effective systems and controls for compliance with applicable financial crime requirements and standards under the regulatory system, and to counter the risk that Hermes might potentially be used to further financial crime.

Major topics considered by the Risk and Compliance Committee during 2017 included approval of the Risk & Compliance Plan and the Compliance Monitoring Plan and consideration of the Money Laundering Reporting Officer's Annual Report and Risk Assessment.

HERMES INVESTMENT MANAGEMENT

We are an asset manager with a difference. We believe that, while our primary purpose is to help savers and beneficiaries by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial – and consider the impact our decisions have on society, the environment and the wider world.

Our goal is to help people invest better, retire better and create a better society for all.

Our investment solutions include:

Private markets

Infrastructure, private debt, private equity, commercial and residential real estate

High active share equities

Asia, global emerging markets, Europe, US, global, and small and mid-cap

Credit

Absolute return, global high yield, multi strategy, global investment grade, unconstrained, real estate debt and direct lending

Multi asset

Multi asset inflation

Stewardship

Active engagement, advocacy, intelligent voting and sustainable development

Offices

London | New York | Singapore

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

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