Pillar 3 disclosures (unaudited)

Introduction

Hermes GPE LLP ('Hermes GPE' or 'the LLP') presents its Pillar 3 disclosures in accordance with the Capital Requirements Directive ('CRD').

Overview

The CRD requires firms to implement a framework which relates capital to risks and consists of three 'Pillars':

1. Pillar 1 sets out the minimum capital requirements for credit, market and operational risks;
2. Pillar 2 requires firms and supervisors to assess the need for additional capital for risks not adequately covered by Pillar 1 by implementing an Individual Capital Adequacy Assessment Process (ICAAP); and
3. Pillar 3 deals with disclosure requirements and is to complement the minimum capital requirements of Pillar 1 and the risk-based processes of Pillar 2. The disclosures are designed to promote market discipline by providing market participants with information to help them assess a firm's risk exposures and processes.

This Pillar 3 disclosure document is designed to meet the LLP's Pillar 3 obligations and has been approved by its Members and Executive Committee. Given the operations and the complexity of Hermes GPE, the Members do not consider it necessary to make disclosures more frequently than annually, unless there has been material changes to either the business model or the way in which the capital requirements are calculated. The disclosures will be as at the Accounting Reference Date which is currently 31 December.

Scope and application of the requirements

Hermes GPE is the parent firm of a number of subsidiaries and is required to prepare consolidated reporting for prudential purposes. There are no impediments to the prompt transfer of capital between Group entities should the need arise. There are no differences in the basis of consolidation for accounting and prudential purposes.

Risk management

Hermes GPE is authorised and regulated by the Financial Conduct Authority (FCA) and as such is subject to minimum regulatory capital requirements. The LLP is categorised as a BIPRU CPMI firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

Hermes GPE's primary risk exposure is to operational, reputation and business risks related to the possibility of a significant decrease in revenue arising from a decrease in assets under management ('AUM') or assets under advisory ('AUA'). The legal structures of the funds managed by Hermes GPE are long term in nature with binding client commitments and fee revenues for the duration. However, a decrease in AUM or AUA could occur should clients choose to replace Hermes GPE as the manager or advisor of such funds or seek liquidity for their investments.

The Executive Committee of Hermes GPE has limited appetite for accepting operational risk. However, it recognises that no system of internal control can fully mitigate errors, losses or inappropriate activities occurring.

At Hermes GPE, the overall business risk strategy and appetite and the control environment is determined by the Executive Committee. Its philosophy and operating style impacts the way Hermes GPE is managed on a day-to-day basis, including the types of risks accepted. The Executive Committee is responsible for assessing the capital adequacy requirements of the business in line with SEC and FCA regulations and ensuring that sufficient levels of capital are maintained to meet its regulatory requirements and to mitigate the key risks present in both its current business and future strategy and for ensuring that an annual review of internal controls is conducted.

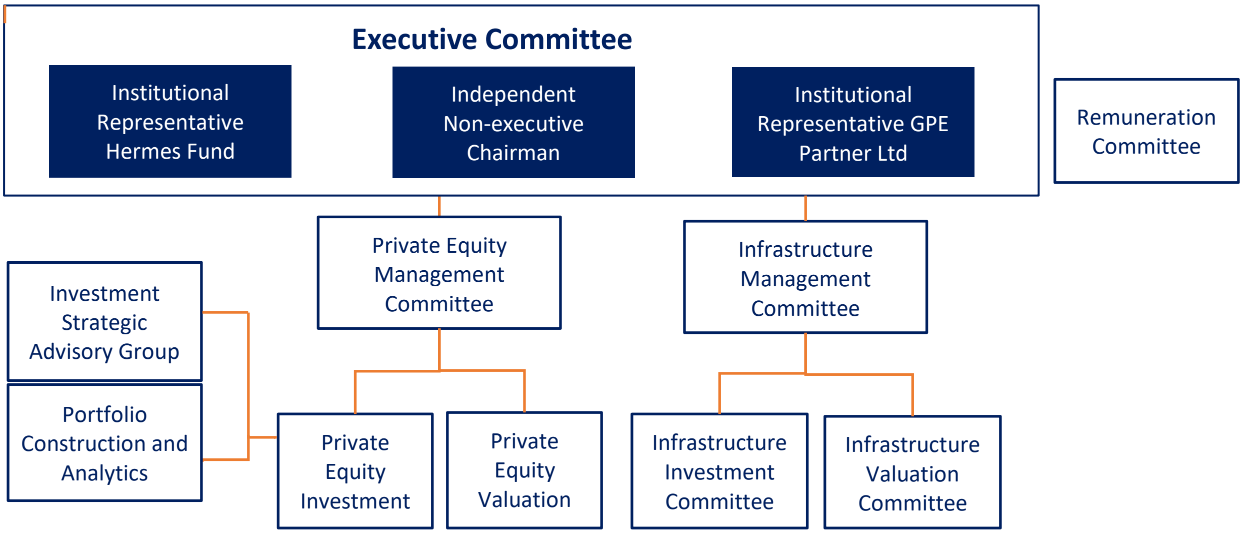
In order to embed risk management throughout the firm, Hermes GPE has a comprehensive risk governance structure, including policies and procedures, management reporting and system controls to identify, mitigate, monitor and control risks. Hermes GPE has adopted a Risk Management Policy which addresses all principal risk areas for the business and the mitigations which the LLP has in place.

Pillar 3 disclosures (unaudited) (continued)

Risk management (continued)

The Executive Committee is ultimately responsible for the oversight of risk management and the governance structure of Hermes GPE is as follows:

Hermes GPE governance committees



The Executive Committee meets at least quarterly and has ultimate responsibility for the management of Hermes GPE. Its responsibilities include strategy, business planning, profit and cash flow projections, regulatory capital management, risk management and control. There are a number of policies that are communicated throughout the business and the Executive Committee has overall responsibility for approving and ensuring compliance with the same.

The Executive Committee is ultimately responsible for the appropriate apportionment of responsibilities to each business area and is kept informed of business activities via interactions with senior professionals and key committees.

The Executive Committee delegates separate responsibility for the day-to-day operation of the Private Equity and Infrastructure businesses to the Private Equity Management Committee and the Infrastructure Management Committee, (together 'the Management Committees' or 'MCs') respectively. Investment decisions are made by stand-alone Investment Committees for each business area comprising the Head of Private Equity or Head of Infrastructure and other specified investment professionals relevant to the business area concerned. The relevant Investment Committee meets as and when required.

In private equity, there is a dedicated portfolio construction and analytics function ('PCA') that makes client vehicle allocation recommendations to the Investment Committee according to a predetermined allocation policy which is reviewed annually. The Investment Committee is further supported in this area by the Hermes GPE Investment Strategy Advisory Group ('ISAG') which comprises private equity investment executives as well as senior independent external advisors including the Independent Non-Executive Chairman of Hermes GPE and the Chair of the Valuation Committee. The ISAG meets semi-annually to formally review overall investment strategies and portfolio construction, particularly in the context of the macroeconomic environment.

For each business area, the Valuation Committee comprises independent individuals whose remuneration is not linked in any way to the value of any of Hermes GPE's investments. The Valuation Committees meet on a quarterly basis.

Pillar 3 disclosures (unaudited) (continued)

Hermes GPE governance committees (continued)

The Remuneration Committee meets as and when required and is responsible for all aspects of remuneration policy and application.

The MCs of Hermes GPE are responsible for identifying risks, establishing controls to mitigate these risks, monitoring these risks to assess if they are being effectively managed and ensuring any errors or breaches are addressed. As Hermes GPE grows, the MCs meet at appropriate intervals to consider the firm's short, medium and long-term resource requirements, including staff numbers and structure, information technology and communications requirements, and the adequacy of office accommodation.

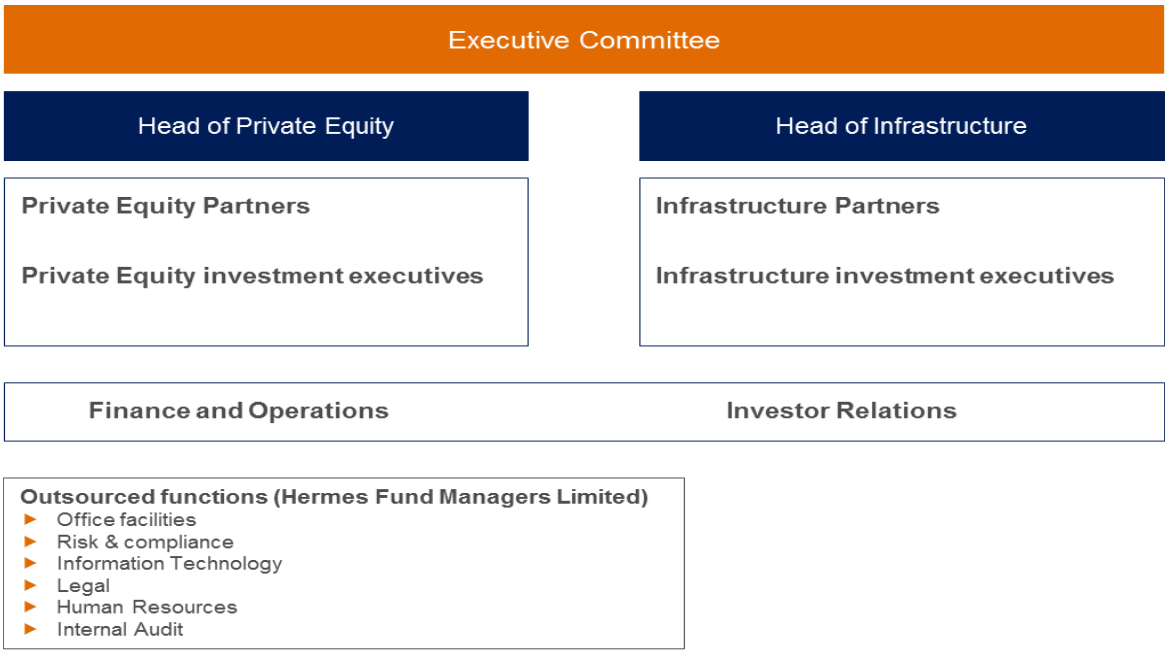
The Strategic Risk and Compliance Director reports to the Executive Committee and helps to ensure Hermes GPE remains compliant with all relevant regulations and for monitoring its compliance with these regulations, client investment restrictions and guidelines via a Compliance Monitoring Programme.

The Strategic Risk and Compliance Director is supported by a team of specialists from Hermes Fund Managers Limited. Together, this team advises and assists Hermes GPE in adhering to regulations and best practice through:

1. Advising the business regarding regulatory developments and changes
2. Providing training on the regulatory environment and related issues
3. Developing and communicating appropriate policies and procedures
4. Implementing a quarterly Compliance Monitoring Programme
5. Undertaking risk based reviews e.g. in respect of errors, breaches and complaints
6. Reviewing Financial Promotions and marketing materials
7. Liaising with local experts outside of the UK where necessary

The Strategic Risk and Compliance Director is responsible for reporting to the authorities any money laundering suspicions. There have been no reports made in the year covered by these Financial Statements.

Hermes GPE's reporting lines help to ensure that key risk and control information is escalated in a timely manner. The following is an overview of these reporting lines.



Pillar 3 disclosures (unaudited) (continued)

Risk assurance

Hermes GPE has been subject to an external International Standard on Assurance Engagements ('ISAE') 3402 and Statement on Standards for Attestation Engagements ('SSAE') 16 Type II review for the year to 31 December 2018. ISAE 3402 is the Assurance Report on Controls at a Service Organisation, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. SSAE 16 is a similar assurance standard issued by the Auditing Standard Board of the American Institute of Certified Public Accountants. The review was undertaken by KPMG LLP who provided the opinion that the control objectives were suitably designed, achieved and operated effectively during the year.

Key risks

The key risks to Hermes GPE are as detailed below. The majority of the risks affecting Hermes GPE can be classified as business or operational risks, where a significant part of capital is assigned. Hermes GPE ensures that appropriate controls are in place to mitigate against these risks which are monitored on a regular basis.

1. Business risk

a. Strategy execution risk
b. Poor investment performance
c. Loss of key client/stakeholder support risk
d. Sales risk

2. Operational risk

a. Employee risk
b. Regulatory/brand risk
c. Operating model risk
d. Outsourcing risk
e. Regulatory/legislative risk
f. Material error/breach risk
g. Cyber/business continuity/data protection risk
h. Conduct and culture risk

3. Market risk

Hermes GPE, as investment manager, acts as agent on behalf of its clients and must manage the inherent market risk in accordance with clients risk appetite and investment parameters. Failure to have appropriate systems in place to manage investments in accordance with client risk appetite and investment parameters represents an operational risk to Hermes GPE. Hermes GPE does not take any principal positions itself and therefore does not incur any market risk in relation to its balance sheet and capital.

However, certain revenues c. 70% are linked to net asset values which in turn are linked to public market multiples and are thus exposed to market movements.

4. Credit risk

Hermes GPE acts as an agent on behalf of its clients and hence does not incur credit risk in respect of market trading activities. However, it is exposed to the credit-worthiness of the banks with whom its own cash is placed. All bank accounts are held with large international credit institutions that are rated a minimum of 'A' or better.

Pillar 3 disclosures (unaudited) (continued)

5. Conduct risk

In order for Hermes GPE to achieve its strategic business objectives, including sales and profitability targets, it is essential that we do our business in the right way and drive positives outcomes for clients.

Therefore, Hermes GPE has implemented a robust Conduct Risk Framework in order to meet the regulatory standards expected by the Financial Conduct Authority as well as to meet the Firm's internal standards.

Conduct risk is defined as the risk that Hermes GPE, or individuals representing Hermes GPE, behaves in a manner inconsistent and detrimental with the interests of its clients or which may adversely affect the integrity of financial markets.

Client detriment may jeopardise Hermes GPE's ability to achieve its strategic objectives. To ensure that our clients' interests are being taken into account in all of our business decisions, Conduct risk is recognised as a key principal risk at Hermes GPE.

Whilst client outcomes are at the forefront of Hermes GPE's decision-making, the Conduct Risk Framework will enable the firm to evidence the client focussed culture running throughout the business.

The Conduct Risk Framework also serves as an indicator of a strong risk culture and provides Management with assurance that a robust client and risk culture is in place.

Individual Capital Adequacy Assessment Process ("ICAAP")

Risk management and capital management subject to continuous and ongoing review within Hermes GPE.

Hermes GPE completes an ICAAP report on an annual basis, and more frequently if significant changes arise. It regularly considers and reviews the ICAAP as part of the decision making processes of the Executive Committee. This process is an ongoing assessment of Hermes GPE's risks, how they are mitigated and how much current and future capital is necessary having considered the mitigating factors. The ICAAP is formally challenged and approved by the Executive Committee.

Capital resources and capital requirement

Pillar 1 capital has been calculated as £3.1 million in line with 25% of the Fixed Overhead Requirement. Pillar 2 capital has been calculated as £3.1 million. Whilst the regulatory capital requirement for Hermes GPE is calculated as £3.1 million in line with its Pillar 2 capital, it is the intention of the LLP to hold a minimum of £4.0 million of Member's capital at all times.

	£m
Fixed Overhead Requirement (FOR)	3.1
Pillar 1 total (FOR highest)	3.1
Pillar 2 total	3.1
ICAAP capital requirement	3.1
Current Member's capital	4.0
Surplus	0.9

Stress and scenario testing has been undertaken in order to evaluate the robustness of Hermes GPE's regulatory capital against a variety of events. In all cases, Hermes GPE is shown to be in a surplus situation when factoring in management actions throughout the three-year period tested. Some scenarios are, of course, too extreme to hold capital against and would be impossible for the business to recover from. For example, a fundamental breach of legal or regulatory requirements leading to a loss of licence, or alternatively, a major fraud not covered by insurance. In such scenarios listed, Hermes GPE would look to enter an orderly wind down process over a period of twelve months. Capital required for a wind down scenario has been calculated as £1.1 million.

Pillar 3 disclosures (unaudited) (continued)

UK financial reporting council's Stewardship Code

FCA COBS Rule 2.2.3R requires FCA authorised firms to disclose whether they conform to the requirements of the UK Financial Reporting Council's Stewardship Code (the ‘Code’). Adherence to the Code is voluntary. Hermes GPE pursues several investment strategies within the private markets arena. While the Firm supports the principles of the Code, it does not consider it appropriate to conform to the Code at this time.

Remuneration Code disclosure

Hermes GPE is subject to the FCA Rules on remuneration. The FCA’s Remuneration Code covers an individual's total remuneration, fixed and variable.

Hermes GPE's policy is designed to ensure that it complies with the Remuneration Code and that its compensation arrangements:

1. Are consistent with and promote sound and effective risk management
2. Do not encourage excessive risk taking
3. Include measures to avoid conflicts of interest
4. Are in line with the LLP's business strategy, objectives, values and long-term interests

Hermes GPE is required to disclose certain information, on at least an annual basis, regarding its Remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. This disclosure is made in accordance with Hermes GPE's size, internal organisation and the nature, scope and complexity of its activities. It is a tier four firm according to the proportionality principle of the FCA.

Remuneration policy

The Hermes GPE Remuneration Committee is responsible for all remuneration policy and decision making unless otherwise noted herein.

The Hermes GPE Remuneration Committee (‘RemCom’) consists of the independent Non-Executive Chairman, and a representative from the Institutional Member, Hermes Fund Managers Limited. The Heads of Private Equity and Infrastructure may be requested to attend each RemCom meeting. Such attendees may speak but not vote and shall absent themselves from any part of a meeting which considers their own individual position. The Heads of Private Equity and Infrastructure are responsible for presenting to and for making recommendations to the RemCom.

The RemCom meets on an ad-hoc basis but at least once a year, as required. Reward and compensation schemes are designed to attract, motivate and reward employees to contribute to the business strategy, objectives, values and long-term interests. Also, to align investment professionals' rewards with investors' returns.

Employees are rewarded with base salaries, discretionary bonuses and Carried Interest or Performance Fee interests.

Remuneration policy statement

The following Remuneration Policy Statement (‘RPS’) is produced and published in accordance with the requirements of the FCA Remuneration Code.

Pillar 3 disclosures (unaudited) (continued)

Remuneration policy statement (continued)

Firm name	FRN	Business type	AIFMD No. of Code Staff	BIPRU No. of Code Staff
Hermes GPE LLP	511314	Investment management	14	12

Contact details of who you should contact regarding Hermes GPE's compliance with the Remuneration Code:

Name: Karen Sands

Title: Chief Financial Officer

Email: karen.sands@hermesgpe.com

Hermes GPE's performance year runs from 1 January 2018 to 31 December 2018. This Remuneration Policy Statement is in respect to the year 2018.

Reward schemes

The following provides a high level description of schemes in place to reward Hermes GPE's Code Staff for performance.

Discretionary bonus scheme

The purpose of the discretionary bonus scheme is to reward employees for their contribution to the performance of the business as measured against their objectives.

A proportion of the business' operating profits are set aside for distribution to employees, with relative awards being at the discretion of the Remuneration Committee following a detailed appraisal process. Discretionary bonuses are paid out in cash annually.

Carried interest

The purpose of the carried interest schemes are to align the longer term rewards of employees with the level of returns experienced by investors in the funds managed by Hermes GPE, incentivising the executives to generate strong performance for investors.

These schemes are set up to provide the major share of performance reward for the relevant senior professionals. The majority of Code Staff and certain other professionals participate. A separate carried interest scheme is established for each fund at inception. The principal participants in each scheme will be those closely associated with the investment decisions generating the fund's return. Typically, the investment fund partnership will award a fixed profit distribution (for example 5% or 10%) to a partnership whose partners are the participating executives. Each executive has a partnership share in that profit distribution. The fund generates an internal rate of return over a period of some years and should that return exceed a set hurdle rate, then a profit distribution will be made to the partnership and on to the professionals. A fund typically takes five to seven years to mature before carried interest becomes payable where performance is based on cash returns. The performance period is the life of the fund, for each fund. Multiple funds can exist at any one time. The terms of the schemes are embedded in the limited partnership agreements or investment management agreements to which the investors are party.

Pillar 3 disclosures (unaudited) (continued)

Remuneration Code Staff

In selecting Hermes GPE's Code Staff, FCA Guidance has been followed. All employees registered who exert a significant influence over the business have been classified as Code Staff. The total number of Remuneration Code Staff that have been identified for this performance year is fourteen. The number of Code Staff likely to rely on the guidance set out in SYSC 19A.3.34G (and further developed in General Guidance on proportionality) is zero.

All Code Staff have been written to, explaining the implications of being classed as 'Code Staff' and have been given the name of a Human Resources advisor to contact with any questions that they may have.

Remuneration Code principles

Principle 1 – Risk management and risk tolerance

Hermes GPE ensures that its remuneration practices promote sound and effective risk management and do not encourage risk-taking that exceeds the firm's levels of tolerated risk.

Discretionary bonuses are based on the profitability of the business which is not highly correlated to short-term investment performance but to the addition of funds and investor commitments to those funds. All new funds and business development activities are approved by the Executive Committee of Hermes GPE.

Carried interest schemes are linked to long-term performance, reducing the risk of excessive risk taking in any one year to influence rewards.

Fund documentation and/or investment management agreements set out certain investment restrictions, as agreed with investors.

Hermes GPE has a strong governance culture with a number of Executive Committee members that are not involved in the day to day operations of the business.

Principle 2 – Supporting business strategy, objectives, values and long-term, objectivism interests

Hermes GPE ensures that its remuneration policies are in line with its business strategy, values and long-term interests. Remuneration policies are designed to attract, retain, motivate and reward employees to contribute to the business strategy, objectives, values and long-term interests.

1. The aggregate level of Discretionary Bonuses are linked to profitability.
2. Individual amounts awarded are based on a rigorous appraisal of individual contribution to the overall business strategy, objectives, values and long-term interests.
3. Carried Interest is linked to long term performance and the business' track record, which is required to attract additional investors' capital to grow the business.

Principle 3 – Avoiding conflicts of interest

Hermes GPE ensures that its remuneration policies avoid conflicts of interest. Hermes GPE follows a 'Conflicts of Interest Policy', which outlines the steps that its advisors have taken to identify and mitigate the types of conflict of interests that exist, or may exist. Hermes GPE has a Remuneration Committee which is made up of representatives of one Institutional Member, Hermes Fund Managers Limited, and its independent Non-Executive Chairman. The members of the Remuneration Committee do not have a vested interest in the amounts being paid to any employees and do not participate in any of the Hermes GPE incentive schemes. All schemes and awards are approved at the Remuneration Committee's discretion.

Pillar 3 disclosures (unaudited) (continued)

Remuneration Code principles (continued)

Principle 4 – Governance

Hermes GPE has a Remuneration Committee established within the UK.

Hermes GPE ensures that remuneration decisions take into account the implications for risk and risk management of the firm. All Remuneration Committee members are members of the Executive Committee. Hence, all Remuneration Committee members are apprised of the risk factors of Hermes GPE and can take these into account in their remuneration decision making.

Hermes GPE ensures that the long-term interests of partners, investors and other stakeholders are taken into account. Remuneration policies are designed to attract, retain, motivate and reward employees to contribute to the business strategy, objectives, values and long-term interests. They are also designed to align investment professionals' rewards with investors' returns. The Remuneration Committee takes stakeholder interests into account in its decision making and investors are required to sign up to carried interest schemes as part of the legal agreements governing the funds. All schemes and individual awards are entirely at the discretion of the Remuneration Committee. The Remuneration Committee has exercised its discretion in the last three years and has both increased and reduced individual awards that were recommended.

Principle 5 – Control functions

Hermes GPE ensures its employees engaged in control functions are independent from the business units that they oversee, have appropriate authority, and are remunerated adequately to be independent of the performance of the business areas they control. The individual performing the roles of Strategic Risk and Compliance Director and MLRO is remunerated by Hermes Fund Managers Limited.

Principle 6 – Remuneration and capital

Hermes GPE ensures that the firm's total variable remuneration does not limit its ability to strengthen its capital base. Total variable remuneration payable from the partnership is set annually as a percentage of profits and this amount is included in the firm's business plan, budget and management accounts. These documents are taken into consideration when the Executive Committee reviews the ICAAP.

Principle 7 – Exceptional government intervention

This section does not apply to Hermes GPE.

Principle 8 – Profit-based measurement and risk adjustment

Hermes GPE does not have any reward schemes that separately reward Code Staff.

Principle 9 – Pension policy

Hermes GPE does not have any discretionary pension benefits.

Principle 10 – Personal investment strategies

Hermes GPE ensures that its employees undertake not to use personal hedging strategies to undermine the risk alignment effects embedded in their remuneration arrangements.

Recent and future carried interest schemes and awards include specific language to procure that no personal hedging strategies will be undertaken and that breach of this undertaking will require forfeit of any such deferred remuneration.

Pillar 3 disclosures (unaudited) (continued)

Remuneration Code principles (continued)

Principle 11 – Avoidance of the Remuneration Code

Hermes GPE ensures that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the Code as all variable remuneration is paid through vehicles or methods that are approved by the Remuneration Committee as listed above. The financial control environment, accounting and banking controls and audit procedures ensure that policy is adhered to.

Principle 12 – Remuneration structures

Hermes GPE has a rigorous appraisal process which incorporates objective setting at the beginning of the year and a performance rating at the end of the year to reflect individual contribution. All relevant managers and peers are consulted. The Remuneration Committee is presented with all individual performance ratings alongside bonus recommendations that reflect an individual's relative performance within market benchmark ranges. Hermes GPE has not needed to buy out deferred bonuses to date but would use appropriate methodology to determine the value and vesting of any award bought out. No retention awards have been offered to any Code Staff employees in the last 12 months. For payments related to early termination, Hermes GPE has ensured that any exceptional or non-standard termination payments to staff in the last performance year have been compliant with the Code.

Principle 13 – Disclosure

Disclosure of this RPS is being made via the Hermes GPE website available from 1 April 2019.