

Gender Pay Report



March 2020

**Federated
Hermes** 
International

www.hermes-investment.com
For professional investors only

The Federated Hermes Pledge

I pledge to fulfill, 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 first, consistent with our fiduciary responsibilities.

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

I will act with consideration for our community 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 dignity and 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.

2019 was an exciting year for the International business of Federated Hermes' (formally Hermes Investment Management) diversity and inclusion agenda. We formally launched our Inclusion Strategy at the end of 2018 and in 2019 we began work on several of the actions outlined in our three-year plan. As part of our plan, we have established an Inclusion Committee consisting of senior role models across the business who are advocates for the Inclusion Strategy and driving change. In addition, we are delighted to have already made progress against our Women in Finance Charter targets, bringing our firm-wide figure up to 42%, and are therefore currently on track to achieve our targets by 2021. This can be attributed to attracting female talent at our senior management levels. You can read more about these initiatives in the 'Our Plan' section below.

Despite all this good work, our Gender Pay Gap remains above the expected levels. While some of this can be attributed to the pay-out of our long-term incentive plan (LTIP) following our acquisition by Federated Investors, Inc., the main cause is having too few women in senior roles.

We will continue to progress our plan by focusing on the attraction, retention, and development of women at the International business of Federated Hermes to create a positive impact firm-wide and we remain committed to ensuring this is seen as a priority.

Saker Nusseibeh, CBE
CEO, International,
Federated Hermes, Inc.



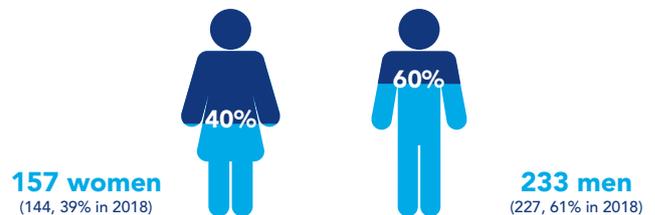
Our figures

The International business of Federated Hermes' approach to pay is gender neutral, with both male and female staff paid fairly for the work that they undertake. Further to this, Federated Hermes regularly evaluates its pay to ensure that all staff are compensated fairly.

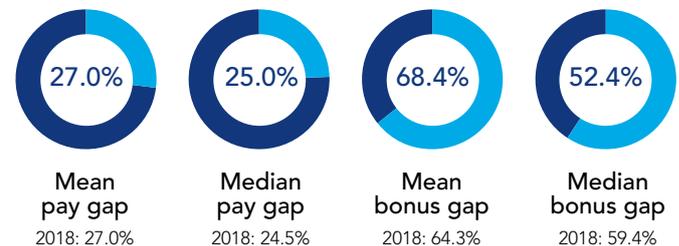
Defining the Gender Pay Gap

The Gender Pay Gap measures the difference in average pay between men and women's earnings across an organisation by expressing women's pay as a percentage of men's pay. This is not the same as equal pay which refers to men and women receiving equal pay for equal work. The Bonus Pay Gap includes cash bonuses plus any proceeds on exercise of long-term incentive plans paid over the previous 12 months, including those paid out in 2018 following our acquisition by Federated Investors, Inc.

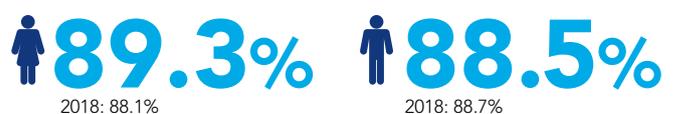
Total workforce as at April 2019



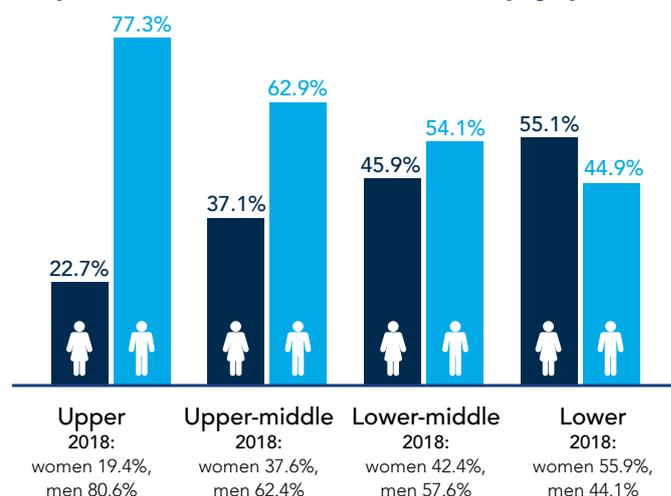
Gender pay and bonus gaps



Percentage of men and women receiving a bonus



Proportion of women and men in each pay quartile



Causes

Our analysis has shown that our pay and bonus gaps are largely driven by the following factors:

- **Long Term Incentive Plan (LTIP)** – Upon Federated Investors, Inc. acquisition of a majority stake in Hermes effective 1 July 2018 (and prior to their rebrand to Federated Hermes, Inc), both the Long-Term Incentive Plan (LTIP) and the Bonus Deferral Plan vested earlier than their due date as per the scheme rules. This led to a one-off payment in 2018 included in our Gender Pay figures. These would have been otherwise paid equally over the remaining years under the plan. If we remove the effect of LTIP pay-outs from our figures, our mean bonus gap drops from 68.4% to 62.7%.
- **Under-representation of women in senior roles** – We know and can see evidence from our pay quartiles that we have more men in our senior and, therefore, more highly paid roles. While this is an industry-wide issue, it shows we need to do more to attract and develop our female talent into more senior roles.
- **The effect of part-time working** – The regulations require bonus (but not pay) calculations to be based on the actual hours worked, without taking into account pro-rating for part-time working. A greater percentage of our part-time workforce are women (74%), and while we absolutely welcome part-time and all forms of flexible working through our Agile Working Policy, we know this means we need to do more to encourage men to take advantage of the policy and promote a family-friendly and flexible culture for all.

Our Plan

Our mission is to continue to foster, develop and promote a culture of inclusion which celebrates all forms of diversity, enables our employees to maximise their potential, and encourages innovation and creativity, to ensure we are an employer of choice, support our wider Responsibility aims, and deliver the best holistic returns for our clients and wider society.

We are committed to treating everyone fairly and with dignity and respect. This includes all our employees (past, present and future) together with all other stakeholders, clients and service providers.

Progress

In addition to our ongoing and business as usual work supporting diversity in all forms, over the past year we have made progress in the following areas:

- **Employee engagement** – Conducted inclusion focus groups and an employee engagement survey to understand our strengths and areas for development.
- **Inclusion committee** – Established an inclusion committee, comprised of senior members of the firm, responsible for driving the Inclusion strategy and holding ExCo accountable.

- **Inclusive leadership training** – Piloted inclusive leadership training for all Executive Directors followed by a further rollout to all line managers.
- **Policy review** – The Hermes Fund Managers Limited Board reviewed and approved improvements to the Family Friendly Policy which will be rolled out in 2020, in order to enhance Federated Hermes ability to be an employer of first choice.
- **Agile working** – Relunched our flexible working policy as agile working to promote a greater agile working culture throughout the firm.
- **Inclusive recruitment** – Developed an inclusive recruitment programme which focuses on steps hiring managers can take to minimise bias in the recruitment process. In addition, we refreshed our recruitment preferred supplier list to ensure we are working with agencies that value diversity and inclusion.
- **Women in Finance Charter targets** – the International business of Federated Hermes is fully committed to supporting the Women in Finance Charter and its objective of attaining gender balance across all levels of financial services. Having achieved our original 2018 targets which we set in 2016, we are now aiming for new 2021 targets as detailed below.

	2021 Target	Sept 2019	Sept 2018	Sept 2017	Sept 2016
Firm-wide	45%	42%	40%	39%	34%
Board	35%	31%	31%	29%	37%
Senior management	35%	31%	28%	23%	24%

Next steps

Over the next year, we plan on focusing on the following actions and initiatives, driven from the feedback obtained through our employee engagement survey (referenced above):

- **Performance and remuneration processes** – Examining our performance and remuneration processes for unconscious bias and identifying improvements which promote a more inclusive process.
- **Talent pipelines and development** – Creating talent pipelines which focus on the development and support we offer our people.
- **Data collection** – Developing more extensive and robust data collection processes so that we can analyse data across the employee lifecycle and set measurable objectives.
- **Recruitment training and targeted recruitment schemes** – Educating hiring managers on how to make our recruitment processes more inclusive and expanding our access to diverse talent.
- **Respect training** – Launching to all staff to improve our working culture through increasing awareness and understanding of different personality styles and employee's wellbeing.



Saker Nusseibeh
Chief Executive Officer

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 now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new 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:

