

Federated Hermes Limited Internal Audit Charter

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1 Purpose

Internal Audit provides independent and objective assurance to the Federated Hermes Limited ("FHL") Audit Committee ("AC") and senior management that risks across the entities comprising FHL and its subsidiaries (collectively the 'Group') are being managed effectively and that the key controls are appropriate for the achievement of business objectives.

2 Objectives

Internal Audit's primary role is to assist the FHL Board (the "Board") and its Committees, Senior Managers (under the SMCR), and Management to protect the assets, reputation and sustainability of the organisation.

Internal Audit performs risk-based audits to provide reasonable assurance that risks are being adequately identified and controlled within the Board approved risk appetite; and provide challenge to Senior Managers / Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit will not be restricted from examining any aspect of the Group in the delivery of its mandate.

Specifically, Internal Audit will assess:

- the effectiveness and outcomes of risk management, internal controls and governance processes, including:
 - the framework for, and effectiveness of, risk management;
 - the organisation's risk and controls culture; and
 - whether financial and operational controls are appropriate and are consistently applied;
- the effectiveness of internal controls for the safeguarding of assets;
- the reliability and integrity of management information;
- the process and controls supporting strategic and operational decision making;
- the modelling and management of the organisation's capital and liquidity risk
- key corporate events to determine if these are sufficiently high risk to warrant internal audit involvement.
- the adequacy of processes to ensure compliance with applicable laws and regulations;
- the setting of, and adherence to, risk appetite; and
- the risk of poor customer treatment, giving rise to conduct or reputational risk.

A secondary, but still important, objective is to provide assurance that the Group resources are being used both economically and efficiently.

In pursuing these objectives, Internal Audit will:

- promote openness and transparency in the reporting of risk exposures and financial, operational and compliance issues and incidents;
- promote the timely and efficient resolution of issues;
- maintain a professional, structured risk-based audit methodology, which satisfies the requirements of the AC, the FCA, other regulators and external auditors;
- maintain effective communication channels across the Group and demonstrate a good working knowledge of their activities; and
- give due regard, when recommending actions to Management, to both the cost of their implementation and the likely benefits.

In addition, while maintaining strict standards in relation to Independence and Objectivity, Internal Audit may undertake advisory consultancy services such as counsel and control advice. These services will be agreed with the business in writing.

Finally, Internal Audit will be responsible for testing the design and operating effectiveness of internal controls over the Group financial reporting deemed to be in scope for the annual Sarbanes Oxley Act (SOx) 404 assessment required for the consolidated financial statements of Federated Hermes, Inc. ("FHI"). This assessment will be coordinated by the FHI Internal Audit Department and will include the reporting of results to the FHI Audit Committee.

3 Authority

Internal Audit derives its authority from the AC. The Board, its Committees and Senior Managers / Management should set the right 'tone at the top' to ensure support for, and acceptance of, Internal Audit at all levels of the organisation.

Internal Audit is authorised to:

- have unrestricted access to the Board and AC. The Head of Internal Audit is authorised to call a meeting with the Chair of the Board and the Chair of the AC at any time. At least once each year, the Head of Internal Audit will have a private session with the AC;
- attend and observe all or part of Senior Management Team meetings and other key management and decision-making fora;
- have unrestricted access to all functions, property, records and staff of the Group; and
- allocate resources and apply such techniques as may be required to fulfil the requirements of the annual plan and any additional audit activities that may be agreed.

The AC will review and concur in the appointment, replacement or dismissal of the Head of Internal Audit. The Chair of the AC is responsible for recommending the remuneration of the Head of Internal Audit to the Remuneration Committee. The remuneration of the Head of Internal Audit and Internal Audit staff will be structured in a manner such that it avoids conflicts of interest, does not impair their independence and objectivity and will not be directly or exclusively linked to the short-term performance of the Group. In addition, the Chair of the AC is accountable for setting the objectives of the Head of Internal Audit and appraising his/her performance. It would be expected that the objectives and appraisal take into account the views of the Chief Executive. This appraisal will consider the independence, objectivity and tenure of the Head of Internal Audit.

4 Accountabilities and Responsibilities

The Head of Internal Audit is accountable and responsible for:

- 1) Preparing the Audit Plan. The Audit Plan is to be prepared at least annually on a risk basis and will consider the adequacy of Internal Audit resources.
 - In setting its scope, Internal Audit will: (i) form its own judgement on how best to segment the audit universe given the structure and risk profile of the Group, and its scope will include information presented to the Board and its Committees; and (ii) take into account business strategy and form an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assess how effectively these risks are being managed. Internal Audit's independent view will be informed, but not determined, by the views of management and the Group Risk function. In setting its priorities and deciding where to carry out more detailed work, Internal Audit will focus on the areas where it considers risk to be higher.
 - Internal Audit will make a risk-based decision as to which areas within its scope should be included in the audit plan; it does not necessarily have to cover all of the potential scope areas every year. Internal Audit's judgement on the areas to be covered in the audit plan and on the frequency and method of audit cycle coverage, will be subject to approval by the AC.
 - Where relevant, Internal Audit will assess not only the process followed by the organisation's first and second lines of defence, but also the quality of their work.
 - Internal Audit will exercise informed judgement as to the extent it is appropriate to take account of relevant work undertaken by others, such as Risk, Compliance or Finance, in either its risk assessment or in the determination of the level of audit testing of the activities under review.
- 2) submitting the Audit Plan and any subsequent material changes for review and approval by the AC. If urgent significant changes are required to be approved, approval will be sought from the Chair of the AC and subsequent approval by the AC at the next formal meeting will be sought. The relevant components of the Audit Plan will be shared with the Hermes Fund Managers Ireland Limited ('HF MIL') Audit Committee;
- 3) carrying out the approved plan and providing information on the status and results of the Audit Plan to the AC, and where relevant the HF MIL Audit Committee, on a regular basis;
- 4) reporting regularly to the AC, and where relevant the HF MIL Audit Committee on significant audit findings, overall ratings and significant, previously reported issues that have not been resolved within a reasonable timeframe. Internal Audit's reports will identify owners, accountabilities and timescales for each management action;
- 5) at least annually, making an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation including whether the organisation's risk appetite framework is being adhered to, together with an analysis of themes and trends emerging from Internal Audit work and their impact on the organisation's risk profile and reporting conclusions to the AC;
- 6) ensuring that the Internal Audit team has the skills and experience, including technical subject matter expertise, commensurate with the scale of operations and risks of the organisation. This may entail training, recruitment, secondment from other parts of the organisation or co-sourcing with external third parties;
- 7) providing the AC with a regular assessment of the skills required to conduct the work needed, and whether the Internal Audit budget is sufficient to recruit and retain staff or procure other resources with the expertise, experience and objectivity necessary to provide effective challenge throughout the organisation and to Management;
- 8) liaising with the external auditors on a regular basis to ensure there is effective communication and collaboration;
- 9) liaising with the FHI Internal Audit team on a regular basis to ensure there is effective communication and collaboration;
- 10) conducting unplanned assignments on significant areas of risk, subject to approval of the AC (these may include M&A activity, significant business projects etc., which may be conducted in 'real time');
- 11) liaising with the second line of defence functions to ensure effective communication and collaboration on perceived risks when planning conducting audit work;

12) liaising fully and transparently with regulators and meeting with them when requested to provide independent opinions on any areas of focus they may have within the Group

13) working closely with management to provide a superior, professional Internal Audit service at all times.

Management responsibilities:

It is the responsibility of Management to: (i) identify, understand and manage risks effectively, including taking appropriate and timely action in response to Internal Audit findings; and (ii) maintain a sound system of internal controls. The existence of an Internal Audit function does not in any way relieve Management of these responsibilities.

5 Independence

The Head of Internal Audit reports functionally to the Chair of the AC and administratively to the Chief Executive Officer of FHL and operates at all times with independence and objectivity.

To preserve both the perception and reality of its independence and objectivity, Internal Audit will not:

- be responsible for establishing business policies and procedures;
- be responsible for the implementation of corrective measures;
- allow members of Internal Audit who are seconded, or undertake consultancy assignments to be involved in subsequent control design audits of the areas involved;
- delegate their judgement on audit matters to others, unless otherwise agreed with the AC; nor
- have any direct authority over, or responsibility for, any system, procedure, or activity, which they may be responsible for auditing or reviewing.

Should any conflict or impairment be known or arise, these will be escalated and reported to the Chair of the AC with safeguards implemented to limit impairments to independence and objectivity.

6 Confidentiality

Internal Audit will ensure that confidentiality is maintained over all information and records obtained in carrying out audits.

7 Professional Standards

Internal Audit conforms to the Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors as outlined in CIIA FS Code and the International Professional Practices Framework (IPPF) published by IIA Global.

The Head of Internal Audit is responsible for ensuring that all audit work is performed with proficiency and professionalism, including the application of sufficient knowledge, skills and competence to perform audits effectively.

Members of Internal Audit will be given the appropriate training and development necessary to ensure they have the capability to meet their responsibilities.

Internal Audit is committed to continual improvement. To support this, there will be: (i) an annual review to assess conformance with the Institute of Internal Auditors Standards and the Code of Ethics as referenced above, and to identify actions for improvement; (ii) at least once every five years, an external review of Internal Audit against relevant professional standards and benchmarks. and (iii) periodic internal quality assurance reviews performed to ensure on-going compliance.

The Head of IA will formally confirm conformance with the Charter as part of its annual report to the AC.

8 Performance Criteria

The performance of Internal Audit will be assessed against the following criteria:

- meeting deadlines for deliverables;
- meeting agreed scope and timetables
- meeting resource budgets;
- the quality of both audit findings and the actions agreed with senior management;
- the follow-up and reporting of business implementation of audit actions,
- the outcomes from feedback obtained from auditees; and
- the results of any external reviews of the performance of Internal Audit.

Federated Hermes

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