Hermes GPE LLP ("HGPE")

MIFIDPRU 8 Disclosure

Reporting Period: 01 January 2022 to 31 December 2022

Based on Financial Data as at 31 December 2022

Contents

1. Overview 3

2. Governance Arrangements 4

3. Risk Management Framework 5

4. Capital Adequacy 10

5. Remuneration Policies and Practices 13

1. Overview

1.1 Introduction

Hermes GPE LLP ("HGPE" or "the Firm") is a specialist investor in global private markets and manages £9.3bn of capital for leading global pension funds and institutional investors. The HGPE platform comprises two distinct businesses, one investing in private equity and the other in infrastructure. Both the private equity and infrastructure businesses are headquartered in London with the private equity business having additional offices in New York and Singapore. There has been no significant change in the LLP's principal activities during the year.

Federated Hermes, Inc. ("Federated Hermes"), a leading investment manager that is publicly listed on the New York Stock Exchange, is the ultimate parent undertaking of HGPE. Federated Hermes is also the ultimate parent undertaking of Federated Hermes Limited ("FHL") of which HGPE is a subsidiary. HGPE forms part of the group headed by FHL (the 'FHL Group').

HGPE is authorised and regulated by the Financial Conduct Authority ("FCA") and is subject to rules made by the FCA (the "FCA Rules"). The FCA Rules require firms to ensure they maintain adequate financial resources and to take reasonable care to organise and control their affairs responsibly and effectively, with adequate risk management systems. Those principles are supplemented by detailed requirements, which for HGPE include those under the Investment Firms Prudential Regime ("IFPR").

1.2 Purpose and Frequency of Disclosure

This IFPR report sets out the disclosures for HGPE as a non-small and non-interconnected ('Non-SNI') MIFIDPRU investment firm based on financial data as at 31 December 2022. Unless otherwise stated, the financial information and related disclosures are based on financial data as at, and for the year ending, 31 December 2022 and on the Internal Capital Adequacy and Risk Assessment ("ICARA") based on that data, which was finalised as at 1 September 2022. It has also been produced solely for the purposes of satisfying the IFPR disclosure requirements.

The disclosures are not subject to audit and do not constitute any form of audited financial statement. Therefore, the information set out should not be relied upon in making judgments about the Firm.

Frequency of Disclosure

The Firm will review and publish the IFPR disclosures annually on the date on which it publishes its annual financial statements for the prior financial year[1] and will consider making more frequent public disclosures where particular circumstances warrant it. For instance, in the event that a major change to HGPE's business model (e.g. M&A) has taken place. Each year's financial statements are drawn up in respect of the period to the prior 31 December.

This document can be accessed on the Firm's website at Policies & Disclosures

1.3 UK Consolidation Group

HGPE is part of a larger group of companies that are required to be treated as a consolidated group for the purposes of prudential supervision under MIFIDPRU (the "UK Consolidation Group"). The UK Consolidation Group consists of a number of regulated and non-regulated entities that are structured under two parent undertakings, Federated Holdings (UK) II Limited and Federated Holdings (UK) Limited. Each parent undertaking is a private limited company incorporated under the laws of England and Wales.

[1] In line with MiFIDPRU 8.1.10R

1.4 Recent Significant Changes

The governing body of HGPE is the Executive Committee ("ExCo"). There were no significant changes to the HGPE ExCo during 2022.

A revised LLP agreement was signed, effective from 1 January 2023, in terms of which the HGPE ExCo was disbanded and replaced with a new Governing Body. The membership of the Governing Body comprises: Chief Regulatory Officer and Head of Government Affairs (Chair), Managing Director - Private Markets, President, Administration of Federated Services Company, and Vice Chairman of Federated Hermes, Inc. In addition to overseeing the operations of HGPE and being responsible for strategy and decision-making, the Governing Body will also sit as the Remuneration Committee for HGPE when required.

2. Governance Arrangements

2.1 Board of Directors and Governance Committees

At 31 December 2022, the HGPE ExCo comprised: two institutional Members, a Chairman appointed by the institutional members, the Managing Director - Private Markets and the Chief Investment Officer and Head of Private Equity; as well as the Head of Infrastructure, the Chief Operating Officer, and the Chief Regulatory Officer & Head of Government Affairs. The table below details the HGPE ExCo members and their role within the wider FHL organisation, where appropriate:

HGPE ExCo members
K. Davies, Chief Risk and Compliance Officer (Resigned 21 September 2022. New Chief Regulatory Officer & Head of Government Affairs appointed in January 2023)
S.McGoohan, Managing Director - Private Markets (Chair)
G.J.Ceresino, Vice Chairman, Federated Hermes, Inc. (Institutional Member, Federated Hermes Inc and FHL)
T.Zierden, President, Administration, Federated Services Company (Institutional Member, Federated Hermes Inc and FHL)
P.Gale, Chief Investment Officer and Head of Private Equity
P.Noble, Head of Infrastructure
K.Sands, Chief Operating Officer

Given HGPE forms part of the FHL Group which manages its operations on a group-level basis, much of HGPE's activities are covered by FHL's Group policies and oversight. FHL has a group-wide Risk Management Framework ("RMF") in place for which the FHL Board has ultimate responsibility. Refer to FHL's 2022 corporate annual report for further details.

Number of Directorships

The following table sets out the directorships held by the members of the HGPE ExCo It excludes directorships held in organisations which do not pursue predominantly commercial objectives (e.g. charitable organisations) and directorships of entities within the FHL Group.

Member of the HGPE ExCo	Number of directorships *(excluding excepted appointments)*
Chief Risk and Compliance Officer (Resigned 21 September 2022. New Chief Regulatory Officer & Head of Government Affairs appointed in January 2023)	1
Managing Director - Private Markets	0
Vice Chairman, Federated Hermes, Inc.	0
President, Administration, Federated Services Company	0
Chief Investment Officer and Head of Private Equity	2
Head of Infrastructure	2
Chief Operating Officer	0

2.2 Culture and Diversity

Culture is a strategic priority of the FHL and subsidiary Boards, which recognises the importance in the way the Firm conducts business. Alongside FHL's code of business conduct and ethics, the culture framework includes principles and values that define how business should be conducted in order to achieve strategic objectives and support FHL's long-term resiliency and sustainability. Its components also promote sound risk management by requiring a focus on longer-term goals and sustainability, the avoidance of excessive risk taking and emphasising acceptable behaviours, in which all employees play a key role and are responsible for.

Diversity Policy

FHL has a statement relating to diversity on its Board. The statement's objectives are both to satisfy the legal and regulatory requirements relevant to issues of diversity, and to demonstrate FHL's commitment to promoting Board diversity. The statement recognises that diversity leads to a broader range of experience, knowledge, skills and values, and that this will help to enhance the functioning of the Board and reduce risks from 'group-think', facilitating constructive challenge and sound decision making. The statement also states that the Board will ensure that individuals are selected, promoted and otherwise treated according to their relevant individual abilities and merits. The statement notes that one of the factors that FHL designated members and its Board take into account when considering appointments is whether the Board is diverse with respect to education, professional background, socio-economic background and the Equality Act 2010 Protected Characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation) There are no numerical targets in the statement relating to diverse Board members for subsidiary Boards, however, targets do exist for the FHL Board.

Further information regarding FHL's DE&I approach can be found on FHL's website at Diversity, equity and inclusion.

3. Risk Management Framework

3.1 System of Risk Governance

As noted above, for the year ended 31 December 2022, as the first year of implementation of MIFIDPRU, the Risk Management Framework ('RMF') applied is derived from the FHL RMF which is approved by the FHL Board ("the Board"). For future disclosures and ICARA process, HGPE will be further developing their RMF tailored towards their own specific business operations and risks.

FHL, and its subsidiaries, have in place a system of governance that promotes and embeds 1) a clear ownership of risk; 2) processes that link risk management to business objectives; and 3) proactive Boards and Senior Management Team ("SMT") who provide oversight of risks. Mechanisms and methodologies to review, discuss and communicate risks are in place together with risk policies and standards to enable risks to be identified, measured and assessed, managed and controlled, monitored and reported.

Risk governance arrangements are based on the 'three lines of defence' model, comprising risk taking and management (1LOD), risk control and oversight (2LOD), and independent assurance (3LOD).

First line of defence (risk taking and management) - *The Governing Body, Management and Investment Committees, and HGPE Finance, Legal, Tax, Business Development Functions, and FHL IT and HR Functions*.

- Identify, own, manage and report risks;
- Execute business plan and strategy;
- Establish and maintain controls;
- Stress/scenario modelling;
- Operate within systems and controls; and
- Ongoing self-assessment of control environment effectiveness.

Second line of defence (risk control and oversight) – *The Governing Body, Chief Regulatory Officer & Head of Government Affairs and FHL Risk, Compliance and Financial Crime Compliance Functions*

- Owner of the Risk Management Framework;
- Stress/scenario setting and oversight;
- Regulatory liaison;
- Advice and guidance;
- Risk, Compliance and Financial Crime monitoring and assurance activities; and
- Risk, Compliance and Financial Crime reporting

Third line of defence (independent assurance) – *FHL Audit Director and FHL Internal Audit Function*

- Independent assurance of first line of defence and second line of defence; and
- Independent thematic reviews and risk and controls assessment.

The Governing Body meets at least quarterly and has ultimate responsibility for the management of HGPE. Its responsibilities include strategy, business planning, risk management and control, and the oversight and approval of the ICARA process and these disclosures on at least an annual basis. There are a number of policies that are communicated throughout the business and the Governing Body has overall responsibility for approving and ensuring compliance with those policies..

Although HGPE is not required to establish a risk committee under MIFIDPRU 7.3.1, the Governing Body is assisted in the performance of its responsibilities with respect to the oversight and management of risk by a number of designated sub-committees that act under and subject to the overall authority of the Governing Body.

The committees supporting the Governing Body comprise the following:

- **The Remuneration Committee**. Responsible for all aspects of remuneration policy, together with any staff termination decisions and the approval of termination payments in excess of contractual provisions and/or custom or practice.

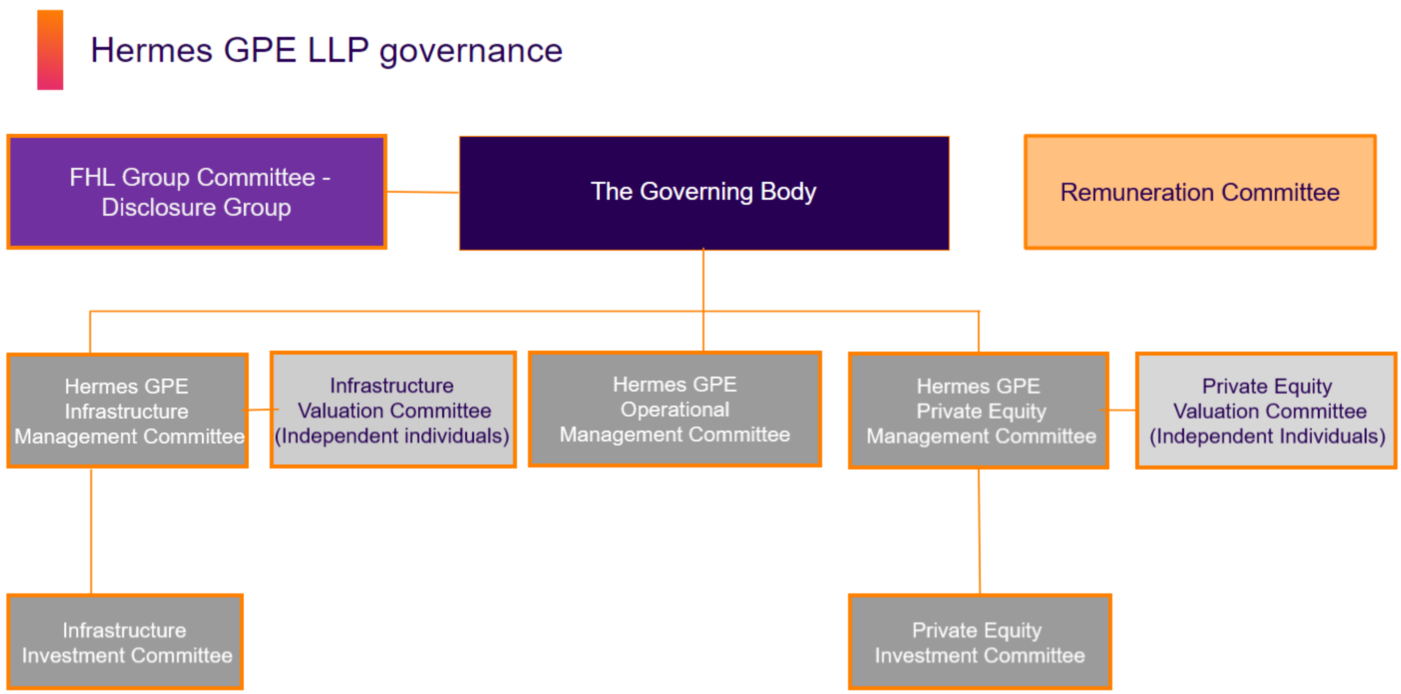
- **The Disclosure Group**. An FHL Group committee which assists the Governing Body in the assessment of whether any material developments or issues have occurred which would be likely to impact the financial statements at a consolidated Federated Hermes, Inc. level and are responsible for producing a report on the same for the Federated Disclosure Committee meeting.

- **Valuation Committees**. Private Equity and Infrastructure Valuation committees meet on a quarterly basis and comprise of independent individuals whose remuneration is not linked in any way to the value of investments.

- **Management Committees**. Private Equity and Infrastructure management committees are established to support the Governing Body with the day to day running of the business.

- **Investment Committees.** Private Equity and Infrastructure investment committees are established to discuss investment opportunities and make investment decisions.

• **Operational Management Committee**. Responsible for aiming to ensure that HGPE carries out its operations in accordance with all applicable laws and regulations and all relevant codes and best practice guidelines. It also aims to ensure that HGPE's operations are carried on in accordance with its contractual obligations and in compliance with the operations business plan which supports the Private Equity and Infrastructure business plans.



HGPE's exposure to its key risk drivers is monitored and managed by FHL's Risk, Compliance and Financial Crime functions, who are responsible for reviewing, assessing, providing oversight and reporting across the Firm's risk exposures and regulatory compliance.

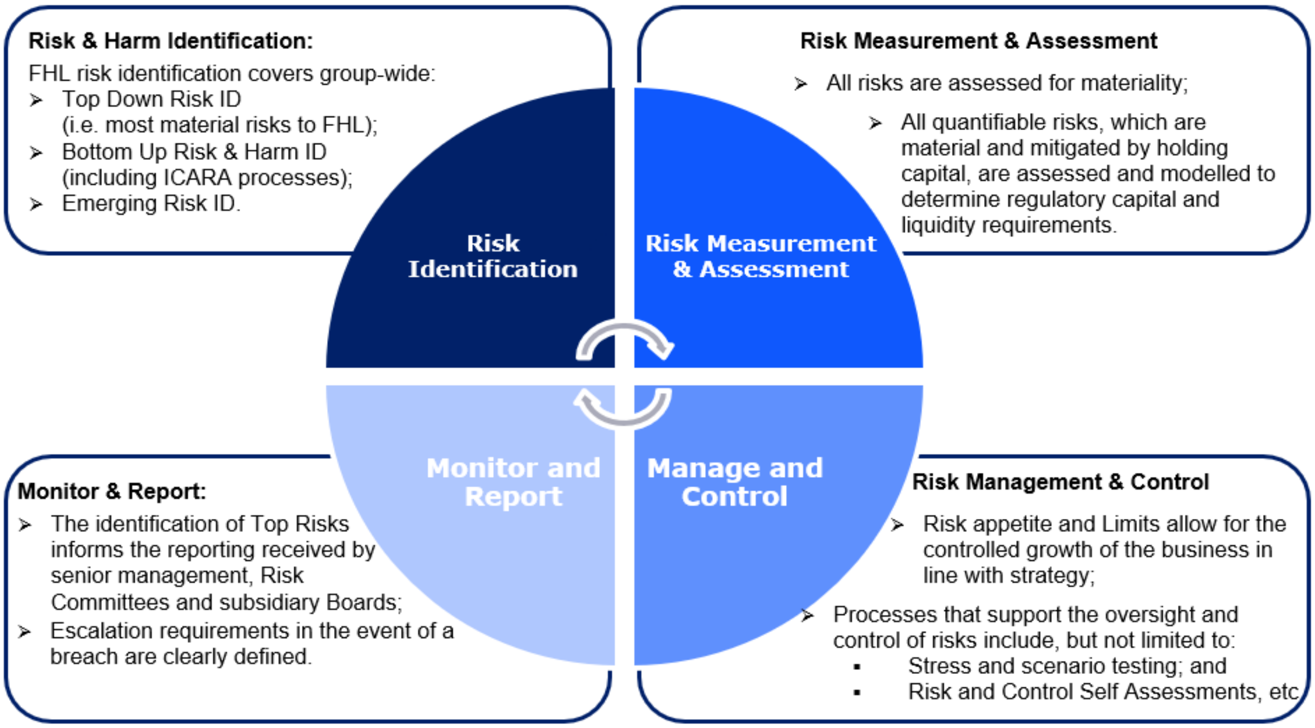
The FHL Risk function, which was under the responsibility of the Chief Risk & Compliance Officer until 21 September 2022 (and followed by the Chief Regulatory Officer & Head of Government Affairs), is charged with oversight, review and supervision of the identification, measurement, management, reporting and monitoring of risk to which HGPE is exposed, including ensuring appropriate risk management processes exist so that all key risks are identified, assessed and appropriately managed by the SMT and the HGPE Governing Body. The Risk, Compliance and Financial Crime functions make up the second line of defence ("2LOD"), are established at senior management level, have adequate authority and responsibility to fulfil their functions and are independent of the first line of defence ("1LOD").

Risk's control and oversight responsibilities include:

- Assisting the Governing Body to formulate and implement the Risk Appetite Framework, RMF, risk mitigation plans, risk policies, risk reporting and risk identification processes;
- Reviewing and assessing the risk-taking activities of the 1LOD, where appropriate; and
- Conducting risk assurance reviews and/or deep dives in key risk areas, where appropriate.

A number of core risk policies and standards/frameworks support the RMF to enable risks to the Firm be identified, measured/assessed, managed, monitored and reported. The HGPE Governing Body supported by the specialised risk forums are ultimately responsible for the management and supervision of HGPE. In order to support this, the HGPE Governing Body applies FHL Group's RMF which is owned by the FHL Board. This details the Firm's risk governance, risk management processes and risk appetite. FHL's risk governance comprises the FHL and subsidiary Boards' organisational structures, reporting relationships, delegation of authority, roles and responsibilities, and risk policies that have been established to make decisions and control activities on risk-related matters.

The RMF sets out the overall approach to manage the internal and external risks to which the Firm is currently exposed or may be exposed in the future. It specifies the methodologies employed to identify, assess, monitor, manage and report risk on a continuous basis, which forms the basis of the Firm's core risk management processes as shown in the schematic below.



3.2 Risk Appetite

The FHL Group has been, and will continue to be, cautious with regard to risk taking. Both the FHL and HGPE Governing Body believe that the governance arrangements and controls that it has put in place will reduce the likelihood of adverse outcomes and material risks crystallising. This is based on the strong risk management culture and corporate governance practices in place across the FHL Group, including:

- A robust RMF with clear accountabilities for people and committees/forums and a strong culture for risk management across the three lines of defence;
- Segregation of duties in terms of roles and functions and reporting lines;
- Appropriate governance to provide effective and appropriate oversight and challenge of risks;
- Clear and effective systems and controls;
- Clear and effective documented policies and procedures;
- Independent Risk Management, Compliance and Internal Audit functions;
- Identification and reporting of material risks;
- Setting of clear risk tolerances, where appropriate;
- Identification and management of conflicts of interests; and
- Timely and accurate management information supplied to management.

Historically, risk appetite has been determined at the FHL Group level, as this has traditionally been the way in which risk has been managed in practice. As a result, the risk appetite for HGPE was derived from FHL Group's Risk Appetite Framework ("RAF"). HGPE's financial and non-financial risk appetite, Limits, Triggers and Key Risk Indicators were recalibrated from FHL's RAF, such that they align with HGPE's risk strategy, business activities and long-term objectives.

3.3 Potential for Harm and Mitigation

Financial Risks: Market, Credit and Liquidity

- *Market Risk:* Market risk is the risk that the value of HGPE's assets or liabilities will fluctuate as a result of movements in factors such as valuations, interest rates and foreign exchange ("FX") rates. Given HGPE does not trade on its own account, it does not have any significant market risk exposure. The main source of market risk is certain budgeted revenues, which are linked to Net Asset Values (NAVs) of underlying funds and are influenced by a number of external factors. To mitigate this market risk, HGPE offers a diversified and broad product range which provides clients with solutions tailored to a variety of market conditions and serves to diversify individual market dependencies.
- *Credit/Counterparty risk:* Counterparty risk, a type of credit risk, is the probability that a counterparty to a transaction defaults on its contractual obligation(s) causing the other counterparty to suffer a loss. HGPE acts as agent on behalf of its clients in dealing with market counterparties, and as such does not incur any credit risk to its own balance sheet or Own Funds in relation to market trading activities. However, HGPE is exposed to credit risk relating to its own cash, specifically exposure to banks where deposits are held and into which accounts fees from clients are received. HGPE's credit risk is mitigated through the monitoring of exposure to individual counterparties and their creditworthiness. HGPE will only hold deposits with highly rated counterparties of at least an A rating.
- *Liquidity risk:* HGPE's liquidity risk arises from the need to have sufficient liquid assets to meet financial obligations as they fall due, considered under both business-as-usual and stressed conditions. Liquidity risk is managed at the Governing Body level. HGPE has a liquidity strategy, policy, management and governance process which is applicable to its business. HGPE's liquidity risk management strategy is to identify, assess, manage, and control liquidity risk appropriately. This strategy ensures that all foreseeable financial commitments can be met as they fall due, and that, if necessary, access to funding is available and cost-effective. HGPE maintains a portfolio of highly liquid assets comprising cash held in current accounts and money market funds, both of which have daily liquidity. This enables the Firm to respond quickly and effectively to meet commitments, both expected and unforeseen. The level of liquidity is monitored to ensure that it always falls above the highest of the Firm's liquidity requirements.

Non-Financial Risks: Operational and Regulatory

With respect to non-financial risks, HGPE's key risks include operational and regulatory risks, namely:

- *Operational risks:* Operational risk is the risk of loss (or unintended gain) arising from inadequate or failed internal processes, personnel or systems, or from external events. This may arise from employee error, model error, system failures, fraud or other events which disrupt business processes or have a detrimental impact to clients. Therefore, in the course of doing business, HGPE is exposed to operational risks which could arise from a combination of inadequate or failed internal and external processes (e.g. inadequate product design, data protection breaches, third-party disruption etc.), IT/systems issues or human error – all of which create a challenging operating environment. HGPE manages its operational risk exposures via a number of risk management processes and policies. Namely, the risk and control self-assessments ("RCSAs"), continued application of business continuity procedures and disaster recovery testing, well defined risk event notification process, scenario analysis, comprehensive non-financial risk appetite framework and adhering to a number of FHL Group policies (e.g. operational, outsourcing and supplier risk, information security, data protection and Financial Crime etc);
- *Regulatory risks:* Regulatory risk refers to the potential impact of changes in regulations, laws or policies on the operations, profitability and reputation of the Firm. HGPE operates under evolving requirements set out by diverse regulatory, legal and tax regimes which may impact the Firm or the way in which it conducts business. This covers a broad range of risks including changes in government policy and legislation, and new regulations. In addition to the

risks arising from regulatory change, the breadth of regulatory arrangements presents the risk that regulatory requirements are not fully met and could result in significant regulatory or governance breaches (e.g. failure in AML controls resulting in fines). FHL Group and HGPE manage and control regulatory risk exposures through FHL's ongoing engagement with national regulators, government policy teams and international standard setters; and compliance oversight to ensure HGPE's adherence with FHL Compliance policies, in-force regulations and management of new regulatory developments. Furthermore, the first line of defence regulatory change team assists HGPE in proactively adapting and complying with regulatory developments;

Refer to FHL's 2022 Corporate Annual Report for further detail on risk mitigation.

With respect to the possible harm to Firm, Client or Market, the most notable harm is that to the Firm, whereby, non-financial risk events could result in a material expense to HGPE if the Firm is required to invest heavily in redeeming its reputation in the market, restoring clients back to their correct financial position, and investing in its systems and controls to reduce the likelihood of a repeat event.

4. Capital Adequacy

4.1 Own Funds Resources

The figures in this section are based on the Firm's most recent audited financial position as at 31 December 2022.

As at 31 December 2022, the Firm held own funds of £8.9m, entirely made up of Common Equity Tier 1 ('CET 1') capital, and includes members' capital and audited profit and loss reserves, satisfying all criteria for a CET 1 instrument in accordance with IFPR. As at 31 December 2022, the Firm's own funds requirement is £5.1m with an own funds surplus of £3.8m. The Governing Body has concluded that the Firm is well capitalised and holds significant levels of liquidity.

The composition and features of the Firm's own funds are described in the table below, which also provides a reconciliation with the balance sheet in the Firm's audited financial statements as at 31 December 2022.

Composition of regulatory own funds			
	Item	**Amount (£'000)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**8,912**	Total Members' interests
2	**TIER 1 CAPITAL**	**8,912**	Total Members' interests
3	**COMMON EQUITY TIER 1 CAPITAL**	**8,912**	Total Members' interests
4	Fully paid up capital instruments	5,000	Members' capital classified as equity
5	Share premium	-	
6	Retained earnings	3,912	Members' other interests – reserves classified as equity
7	Accumulated other comprehensive income	-	
8	Other reserves	-	n/a
9	Adjustments to CET1 due to prudential filters	-	n/a

Composition of regulatory own funds			
10	Other funds	-	n/a
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	n/a
19	CET1: Other capital elements, deductions and adjustments	-	n/a
20	**ADDITIONAL TIER 1 CAPITAL**	-	n/a
21	Fully paid up, directly issued capital instruments	-	n/a
22	Share premium	-	n/a
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	n/a
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	n/a
25	**TIER 2 CAPITAL**	-	n/a
26	Fully paid up, directly issued capital instruments	-	n/a
27	Share premium	-	n/a
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	n/a
29	Tier 2: Other capital elements, deductions and adjustments	-	n/a

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published /audited financial statements £'000	**Under regulatory scope of consolidation**	**Cross- reference to template OF1**
		As at period end	**As at period end**	

Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*

1	Tangible fixed assets	1,320	n/a	
2	Investments in subsidiaries	160	n/a	
3	Debtors falling due in more than one year	560	n/a	
4	Debtors falling due within one year	6,494	n/a	
5	Cash and cash equivalents	13,816	n/a	
6	**Total Assets**	**22,350**	n/a	

Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*

7	Creditors falling due within one year	10,602	n/a	
8	Creditors falling due after more than one year	2,597	n/a	
9	Provisions for liabilities and charges	239	n/a	
10	**Total Liabilities**	**13,438**	n/a	
	Members' Interests			
11	Members' capital classified as equity	5,000	n/a	**Item 4**
12	Member' other interests – reserves classified as equity	3,912	n/a	**Item 6**
13	**Total Members' interests**	**8,912**	n/a	**Item 1**

Own Funds: main features of own instruments issued by the firm

Members capital classified as equity

The capital in the Capital Account of each of the Economic Members of the LLP is intended by the Members to be treated by the FCA as regulatory own funds and as eligible capital instruments. No Member shall be entitled at any time to withdraw or shall be repaid their capital contribution unless: a new or existing Member contributes an amount in aggregate which shall ensure that the LLP can satisfy the relevant FCA minimum regulatory own funds requirement; the LLP is wound up or placed into liquidation; or the LLP ceases to be authorised by the FCA. Based on the above, members' capital is classified as equity.

4.2 Own Funds Requirements

It is HGPE's policy to maintain sufficient own funds to meet its own funds requirement and ongoing working capital requirements. This enables the Firm to mitigate potential future risk exposures that may arise in pursuit of achieving its strategic objectives. HGPE's financial position as at 31 December 2022 results in an own funds requirement of £5.1m.

Under the Overall Financial Adequacy Rule, the Firm is required to maintain own funds in excess of the higher of:

(a) Its permanent minimum capital requirement;
(b) The higher of its fixed overheads requirement and the amount required to effect an orderly wind down of the Firm; and
(c) Its K-factor requirement plus any amounts required to mitigate the risk of harm arising as a result of the Firm's ongoing operations.

HGPE's fixed overhead requirement, as at 31 December 2022, was £5.1m.

HGPE's K-factor requirement is the sum of all applicable individual K-factors. However, as at the reference date, 31 December 2022, the only applicable K-factor was K-AUM, which was calculated as £1.2m.

Own Funds requirement at 31 December 2022	Total £'000
K-AUM, K-CMH and K-ASA	1,184
K-DTF and K-COH	-

Own Funds requirement at 31 December 2022	Total £'000
K-NPR, K-CMG, K-TCD and K-CON	-
Total K-factor requirement	**1,184**
Fixed overhead requirement	**5,097**
Own Funds requirement at 31 December 2022	**5,097**

4.3 Internal Capital Adequacy and Risk Assessment (ICARA)

The Governing Body has, through the ICARA process, considered the level of own funds and liquid resources that the Firm needs to hold to remain financially viable throughout the economic cycle to:

- Address any material potential harm that may result from ongoing activities, and
- To ensure that the Firm's business could be wound down in an orderly manner, minimising harm to clients and to other market participants. This is known as the overall financial adequacy rule.

In addressing this rule, the Firm has considered what the residual harm is when severe financial and non-financial scenarios posing harm crystallise by assessing how effective the mitigating controls are likely to be in reducing or eradicating the inherent harm.

In the Firm's first-year approach to the ICARA, its process in this regard has leveraged Federated Hermes' RCSA framework to identify the material non-financial risks. That framework is composed of non-financial risks that relate to different processes, business activities and systems that spans across FHL and HGPE. As part of the Firm's assessment of its compliance with the overall financial adequacy rule, the Firm's Risk function identified which risks and potential harms from the RCSA framework relate to the Firm and should be assessed in its harm assessment. Management and Governing Body have concluded that the identified scenarios are reflective of the activities of the Firm and provide a suitably robust assessment of relevant harms in connection with the overall financial adequacy rule, as it applies to the Firm. As part of the complete assessment of potential harms, the Firm has also separately identified potential financial/balance sheet harms resulting from market risk (i.e. the risk that the value of assets and liabilities will fluctuate, for example as a result of changes in foreign exchange rates) and credit risk (i.e. the risk of loss arising from the default of a counterparty).

The Firm assessed in detail the cost of an orderly wind down of its operations and cancellation of its regulatory permissions as part of its ICARA. For this purpose, the Firm has assumed that the event that causes the firm to wind down is severe, and that it would take a period of 16 months to undertake an orderly wind down given the organisational structure and client base at HGPE, and as such that the impact on the Firm's cash flow would be over a 16 month period. Impact on the Firm's cash flow has been assessed based on anticipated revenues, cost savings, incurred costs of winding down the business and other costs. Assumptions have been made for the purpose of calculating the wind-down costs. These include an expectation that all revenue streams would be heavily impacted from the first month, whilst all expenses would continue to be paid in that month and would remain broadly unchanged during months two and three but would decline after that to a point where only fixed costs were being met and discretionary expenditure ceases. The Firm's approach also assumes that fund-related expenditure would decline in line with fund income as redemption requests are satisfied, and that fixed costs would be further reduced after month three as some contracts could be terminated at that stage

The ICARA is seen as a business-as-usual process within the Firm, with the Governing Body involved in ongoing discussions and challenge. The Firm will formally review its ICARA process on an annual basis, or more frequently should a material change in the Firm's business model or operating model arise.

5. Remuneration Policies and Practices

5.1 Summary of the Firm's Approach to Remuneration for all Staff

Participation in any incentive plan is discretionary and individual participation is based on their contribution to both financial and non-financial measures. Financial measures include profitability, liquidity, capital adequacy and margin. Non-financial measures include demonstration of corporate behaviours, and successfully delivering agreed objectives which are used to adjust the overall discretionary bonus awarded up or down. In addition to individual contribution, consideration is given to group performance, compliance with regulatory requirements, team performance and market factors. Variable compensation driven by financial performance is reviewed against behaviours (conduct, risk and compliance) and non-financial criteria (both current and future) to assess whether these remain appropriate.

Below sets out a high-level description of our approach to measuring the performance of individuals including both financial and non-financial metrics, and explains how this assessment influences an individual's remuneration:

- The Performance Management Process requires all managers to review the performance and behaviours of their employees and to assign a rating to reflect their contribution throughout the year. The rating scale is 1-4 for performance and A-D for behaviour; A1 being highest. Both performance and behaviour are equally weighted;
- All roles are benchmarked against the market to ensure that their remuneration is comparable; and
- A rigorous review is undertaken to ensure a strong correlation between positive assessments and positive remuneration outcomes; and negative assessments and negative remuneration outcomes.

Throughout the different remuneration processes, there are layers of signoff and review, which include the Governing Body and Remuneration Committee ("RemCo"). The elements of compensation support the objectives – balancing risk with reward; and these discussions are underpinned by a robust assessment process; which is done on an individual, team and company-wide basis.

5.2 Summary of the Objectives of the Firm's Financial Incentives

HGPE ensures that remuneration policies are in line with business strategy, objectives, values and long-term interests on the following basis:

- To encourage employees to deliver on the business' purpose of sustainable wealth creation that enriches investors, society, and the environment
- To be aligned with business strategy, objectives, values and the long-term interests of the LLP and its clients as reflected in the FHL Pledge;
- To provide competitive total remuneration potential, designed to attract, retain, motivate and reward employees to deliver outstanding long-term performance and corporate behaviours;
- To promote sound and effective risk management;
- To ensure remuneration is linked to investment, business and personal performance and corporate behaviours for all employees, and where appropriate measured over the short, medium and long term;
- To differentiate and reward strong performance and demonstration of behaviours and to proactively manage poor performance and behaviours not aligned to our values;
- To deliver reward programmes which are transparent, simple to administer and affordable; and
- To deliver compensation and benefit strategies which have the oversight and approval of the Remuneration Committee.

Employees are eligible to receive remuneration in the following methods:

Fixed Remuneration

Fixed remuneration applies to all employees and includes salary, retirement and other benefits. The LLP aims to provide competitive fixed pay at a level that reflects market compensation for the role and supports the recruitment and retention of talented people required to deliver the business strategy. Retirement and other corporate benefits apply to all employees.

Variable Remuneration

Discretionary Annual Cash Bonus: The aim of the discretionary bonus scheme is to focus participants (all employees employed by 1 October in the given performance year, unless previously agreed) on the in-year results that need to be achieved to meet the business annual objectives in the context of the agreed strategy and demonstration of corporate behaviours.

Long-Term Incentive Plan (LTIP): The Long Term Incentive Plan offers selected employees the chance to acquire beneficial ownership of ordinary shares in Federated Hermes. The aim of the LTIP is to align these employees with the long-term interest of our clients and shareholder and incentivise the delivery of Federated Hermes, Inc's. long-term strategy. Awards under this scheme fully vest after five years and pay-out in full after a further 3 years. LTIP awards are subject to malus and clawback.

Carried Interest: There are funds/products managed by the LLP which incorporate carried interest plans. These arrangements allow for the LLP and individual employees to participate in the financial gain of an underlying fund or product based on financial metrics documented in the relevant fund agreements. Such plans are present to increase the long term alignment between the fund investor, the LLP and the individuals responsible for the management of the fund.

Other Forms of Remuneration

The following components of remuneration, all variable in nature, are awarded only in particular, circumstances:

Guaranteed Variable Remuneration: In limited and exceptional circumstances and generally only in the first year of employment, reliant on the LLP having a sound capital base and where permitted under MIFIFDPRU, the LLP may agree to make an award of guaranteed variable remuneration in line with the Code.

Replacement awards: Replacement awards (or buy-outs) are not the LLP's standard compensation practice; however, on the occasions where a replacement award is considered, the LLP will take steps to determine an appropriate amount. Replacement awards have the same and no more generous terms (including in relation to the amounts and vesting schedule) than the previous employer and they are subject to malus and clawback.

Retention awards: Retention awards are used in limited and exceptional circumstances, reliant on the LLP having a sound capital base and where permitted by the Code. Retention awards are paid at a specified time, as agreed prior to the issue of any award, and are subject to meeting the specified retention criteria and are subject to malus and clawback.

Severance pay: If any individual's employment contract is terminated early, when making any payment in severance of that contract, the RemCo is mindful that such payment reflects performance achieved over time and that it does not reward failure or misconduct. Any payments in the event of termination takes account of the individual circumstances, including the reason for termination, any contractual obligations (notice period) and the rules of the applicable incentive plan and pension scheme rules. Benefits may also be provided in connection with termination of employment and may include but are not limited to, outplacement and legal fees and payments in respect of accrued holiday. The RemCo retains discretion to alter the provisions contained in the relevant plan rules on a case-by-case basis, following a review of the circumstances to ensure fairness. Under certain circumstances, it may be appropriate to enter into a legally binding agreement when an individual's employment is terminated.

The RemCo has oversight over all other forms of remuneration in accordance with the RemCo Terms of Reference.

5.3 Summary of the Decision-Making Procedures and Governance Surrounding the Development of the Remuneration Policies and Practices

The RemCo is formed by the Chair who is an Executive of Federated Hermes, one Executive of FHL and the Chief Investment Officer – Private Equity who are appointed in line with business needs. The Managing Director - Private Markets is a permanent attendee and non-voting member.

5.4 Types of Staff Identified as Material Risk Takers

Material Risk Takers may be employed by or considered employees of other entities, including other entities within the Group.

HGPE maintains a separate framework for the identification of MRTs which is reviewed annually. Broadly MRTs can be interpreted to mean:

- Members of the Governing Body and Senior Management (ExCo)
- Employees responsible for risk management and compliance functions
- Employees whose professional activities can exert material influence on the risk profile of the LLP.

HGPE has undertaken a comprehensive review to identify those persons which it considers to be MRTs for the purposes of the Code. In doing so, consideration has been given to all employees who have a material impact on HGPE's risk profile, including any employee who performs a significant influence function, or a Senior Manager Function under the Senior Managers & Certification Regime ("SMCR") for HGPE, senior managers, and other risk takers. In seeking to identify MRTs, consideration has also been given to those employees that might exercise significant influence in relation to any material risks identified in HGPE's ICARA. This includes voting members of key risk and investment committees.

Once the list is established, it is reviewed by the Chief Regulatory Officer & Head of Government Affairs following which it is presented to RemCo for approval showing changes to the previous year. 10 employees were identified and notified of their status in 2022.

5.5 Key Characteristics of HGPE's Remuneration Policies and Practices

We ensure that remuneration decisions take into account the implications for risk and risk management of the firm, on the following basis.

The Heads of Legal, Risk & Compliance and Internal Audit provide the Risk & Compliance and the Audit Committees with regular updates on any errors or breaches that may have occurred throughout the performance period. At the end of the period, the Control Functions are re-engaged by HR to ensure that any errors or breaches have been taken into account for making remuneration decisions. Where appropriate, a report of errors or breaches is provided to the RemCo for consideration in remuneration proposals. Variable pay awards (excluding carried interest) are conditional on the LLP achieving sustainable and risk-adjusted (including ex-ante and ex-post adjustments) performance and therefore are subject to forfeiture or reduction at the LLP's discretion. Carried interest is inherently aligned to the risk profile and performance of the fund and outcomes for investors and is subject to malus and clawback where it is awarded to MRTs.

The RemCo has the ability to apply discretion to adjust the bonus pool and any individual payments including those paid out in individual incentive schemes. The RemCo challenges bonus recommendations and is empowered and charged to approve or not approve recommendations put before them.

Malus and clawback apply to all variable pay awards including carried interest and guaranteed variable remuneration. The RemCo will consider the application of malus and / or clawback in situations where the individual has i) participated in or was responsible for conduct which resulted in significant losses to the firm; and/or ii) failed to meet appropriate standards of fitness and propriety.

Malus will be applied when, as a minimum:

- There is reasonable evidence of employee misbehaviour or material error
- The firm or the relevant business unit suffers a material downturn in its financial performance; or
- The firm or the relevant business unit suffers a material failure of risk management.

Clawback will be applied in cases of fraud or other conduct with intent or gross negligence which lead to significant losses. Clawback or malus (as appropriate) applies for a minimum of 3 years from the date the award is granted or the RemCo becomes aware of any conduct or circumstances that the RemCo determines make it appropriate to make an adjustment to an award.

Prescribed quantitative disclosures under MiFIDPRU8.6.8R

Certain quantitative information regarding remuneration paid to HGPE's employees in respect of the performance year from 1 January 2022 to 31 December 2022 is set out below.

All amounts are in pounds sterling.

As at 31 December 2022, HPGE had 10 Material Risk Takers, assessed on an individual firm basis, as identified pursuant to SYSC 19G.5 for the purposes of applicable remuneration rules.

Table 1 - Quantitative disclosure under MiFIDPRU8.6.8R(2)

Total amount remuneration paid to the entire staff of HGPE	**£20,308,638.00**
Of which:	
Total fixed remuneration	**£9,745,155.00**
Total variable remuneration	**£10,563,483.00**

Table 2 – Quantitative disclosure under MiFIDPRU8.6.8R(4)

I	**Total amount of remuneration paid to senior management**	£7,811,828.00
	Of which:	
	Total fixed remuneration	£2,347,779.00
	Total variable remuneration	£5,464,049.00
II	**Total amount of remuneration paid to other MRTs**	£4,620,110.00
	Of which:	
	Total fixed remuneration	£2,292,677.00
	Total variable remuneration	£2,327,434.00
III	**Total amount of remuneration paid to other staff**	£7,876,700.00
	Of which:	
	Total fixed remuneration	£5,104,700.00
	Total variable remuneration	£2,772,000.00

Table 2 - Quantitative disclosure under MiFIDPRU8.6.8R(5)

I	**Total amount of guaranteed variable remuneration paid to:**	0.00
	Senior management	0.00
	Other MRTs	0.00
	Number of beneficiaries	0.00
II	**Total amount of severance payments paid to:**	
	Senior management	0.00
	Other MRTs	0.00
	Number of beneficiaries	0.00
III	**Amount of the highest severance payment paid to an individual MRT**	0.00

No guaranteed variable remuneration or severance payments have been made to employees of HGPE during the 2022 performance year.