

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FEDERATED HERMES LIMITED**  
**(FORMERLY HERMES FUND MANAGERS LIMITED)**

**31 DECEMBER 2022**

**Registered No: 1661776**

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## **FEDERATED HERMES LIMITED**

### **COMPANY INFORMATION**

#### **Directors**

D Stewart\* (Chairman)  
S A Nusseibeh CBE  
S James\* (resigned 21 September 2022)  
H Steel (resigned 6 December 2022)  
P Purewal\* (resigned 21 September 2022)  
G Ceresino (resigned 21 September 2022)  
D Cunningham  
T Donahue  
J Fisher (resigned 21 September 2022)  
J E Lambesis  
R Novak (resigned 21 September 2022)  
T W Zierden III (resigned 21 September 2022)

\*Non-Executive Director

#### **Company Secretary**

K Thompson (resigned 31 May 2022, a new Secretary has not been appointed as at 31 December 2022)

#### **Registered number**

1661776

#### **Registered office**

Sixth floor  
150 Cheapside  
London  
EC2V 6ET  
England

#### **Independent auditors**

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

#### **Principal bankers**

HSBC  
8 Canada Square  
London  
E14 5HQ

## FEDERATED HERMES LIMITED

### Important information

This Annual Report discusses the business, financial results and risk factors of Federated Hermes Limited (formerly Hermes Fund Managers Limited), together with its consolidated subsidiaries, and for the purposes of this report will be referred to as "FHL" or "the Group". This report does not constitute the consolidated business, financial results and risk factors of FHL's parent, Federated Hermes, Inc. ("FHI"). Accordingly, unless the context clearly requires otherwise, or unless specifically specified otherwise, references in this Annual Report and Financial Statements to "our", "the Board," "Senior Management Team" ("SMT"), "CEO", Board committees, directors, officers, employees, service providers, agents, performance, plans, or similar expressions should be construed as referring to "FHL", "FHL's Board", "FHL's SMT", "FHL's CEO" and Board committees, directors, officers, employees, service providers, agents, plans, etc. of FHL (rather than FHL's owner, Federated Hermes, Inc.). For the purposes of this report, any reference to 'headcount', 'employees' or 'staff' are measured by full time equivalents ("FTE") rather than individual persons. For information regarding Federated Hermes, Inc.'s consolidated business, financial results, and risk factors, as well as other information, please see Federated Hermes, Inc.'s most recent Annual Report on Form 10-K for the year ended 31 December 2022 which is available at:

<https://www.federatedinvestors.com/about/investor-relations/annual-report.do>.

For the purposes of this report, Hermes GPE LLP will be referred to as "HGPE" and MEPC Limited referred to as "MEPC".

On 1 April 2022, the Company changed its name from Hermes Fund Managers Limited to Federated Hermes Limited.

On 4 October 2022, the Company's Articles of Association were amended to reflect the wholly-owned status of the Company and remove provisions relating to previous shareholders. Following this amendment, a review of the governance arrangements was carried out, which resulted in the restructure of the Board's governance processes to align with those of FHI.

### Forward-looking statements

Certain statements in this report constitute forward-looking statements, which involve known and unknown risks, uncertainties, and other factors that may cause the actual results, levels of activity, performance or achievements of FHL, or industry results, to be materially different from any forecast results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are typically identified by words or phrases such as "trend", "potential", "opportunity", "believe", "expect", "anticipate", "current", "intention", "estimate", "position", "projection", "assume", "continue", "remain", "maintain", "sustain", "seek", "achieve", and similar expressions, or future or conditional verbs such as "will", "would", "should", "could", "may" and similar expressions.

FHL's business and financial results are subject to business, operational and financial risks. Past performance is not a guarantee of future results. Both risks and mitigants are discussed on pages 16 to 17. As a result, no assurance can be given as to future results, levels of activity, performance or achievements, and neither FHL nor any other person assumes responsibility for the accuracy and completeness of such statements in the future.



## FEDERATED HERMES LIMITED

### STRATEGIC REPORT

#### OUR BUSINESS AND STRATEGY

FHL is a market leader in active investment and sustainability, offering specialised investment capabilities and pioneering stewardship services to investors around the world.

Our investment strategies are focused on achieving the financial goals of clients and end investors, while supporting positive change in society and environmental preservation. We manage investment funds, segregated mandates, co-investment partnerships and sub-advisory accounts for a range of clients, including pension funds, discretionary wealth managers, private banks, official institutions and distribution platforms. By pioneering global stewardship, developing innovative Environment, Social and Governance ("ESG") strategies and advocating for a financial system that works for all, FHL has been at the forefront of investment and sustainability since 1983. With industry-leading investment, stewardship and advocacy experts, we aim to deliver sustainable wealth creation that enriches investors, benefits society and preserves the environment – for current generations and those to come. This combined offering is delivered by 542 investment and stewardship professionals working at ten locations worldwide.

On 1 July 2018, Federated Hermes, Inc. (formerly Federated Investors, Inc.) acquired a majority stake in the ordinary share capital of FHL from the BT Pension Scheme ("BTPS"). From this date, FHL became a subsidiary of FHI. On 31 August 2021, FHI acquired, from BTPS, its remaining stake in FHL. On 14 March 2022, those employees awarded restricted stock units in FHL, under the FHL long-term incentive plan, an equity-settled share-based payment scheme, exchanged these awards for FHI Class B Common Stock under our parent's Stock Incentive Plan. Following this exchange, FHL became a 100% owned subsidiary of FHI.

Our growth strategy is driven by an intense focus on delivering sustainable wealth creation. That means we aim to provide strong risk-adjusted investment performance for clients and positive outcomes for society and the environment. We seek enduring business growth and profitability, and to make a positive impact as a leader in investment and sustainability. These objectives are firmly aligned with the interests of our clients, the companies we invest in and engage with, and the societies in which they operate.

Our growth framework is therefore focused on areas where:



There is enduring appeal from long-term investors.



We have a differentiated approach to the way we manage assets.



We can offer access to co-investment, segregated mandates, joint venture and pooled opportunities in private markets alongside leading institutional investors.



We enhance performance by integrating ESG factors and stewardship into our public and private markets strategies. Going further, to fulfil mandates or product objectives, we invest in and engage with assets so they generate growth by addressing enduring social and environmental needs.

Within this framework, we ensure our strategic decisions are aligned with at least one of our five growth pillars:

1

**Active Equity**  
Raising assets is our high-conviction, high-active-share public-equity strategies.

2

**Fixed Income**  
Broadening our range of benchmarked, unconstrained and multi-asset fixed income capabilities.

3

**Liquidity Solutions**  
Leveraging the liquidity-solutions expertise of our parent company, which is a cash management pioneer and money market leader.

4

**Private Markets**  
Providing access to private-market investment opportunities in the infrastructure, private equity, private debt and real estate sectors through a range of segregated, pooled and joint-venture structures.

5

**Investment Stewardship**  
Expanding our market-leading stewardship services and ESG-integrated investment propositions by offering clients a range of thematic sustainable and impact investment strategies.

**FEDERATED HERMES LIMITED****STRATEGIC REPORT (continued)****OUR YEAR IN BRIEF**

Our mission is to deliver sustainable wealth creation that enriches investors, society and the environment over the long term. We understand that how we invest and engage affects the real value of the savings and future incomes of our clients, their customers and beneficiaries – and the world in which they live, will retire into and pass on to future generations.

OBJECTIVES	MEASURE	2022	2021	VARIANCE
<b>DELIVERING SUSTAINABLE WEALTH CREATION</b>	Percentage of investment strategies with a one, three and five-year track record to beat their benchmark <sup>1</sup>	One year: 22.9% Three year: 32.3% Five year: 45.8%	One year: 48.6% Three year: 60.0% Five year: 54.2%	
	Assets under stewardship <sup>2</sup>	£1.14tn	£1.21tn	
<b>EMPLOYEE ALIGNMENT</b>	Employee turnover	12%	11%	
	Female employees (firm-wide)	47%	41%	
<b>DELIVERING A SUSTAINABLE AND PROFITABLE FIRM</b>	Assets under management and advice <sup>3</sup>	£40.3bn	£44.5bn	
	Statutory revenue <sup>4</sup>	£204.6m	£222.9m	
	Statutory operating profit	£0.7m	£16.9m	

1 – Performance is calculated using published benchmarks for strategies. If a strategy does not have an official benchmark a performance target is used. A representative portfolio for each strategy has been used where appropriate. Performance figures provided do not include HGPE strategies.

2 - Assets under stewardship relate to Hermes Equity Ownership Services Limited ("EOS"). All figures as of 31 December.

3 - The movement in assets under management and advice is explained in more detail on page 9. All figures as of 31 December.

4 - Statutory revenue represents the result as calculated in accordance with United Kingdom Generally Accepted Accounting Principles. Statutory revenue throughout the report relates to net Group revenue as shown in the profit and loss account.

**FEDERATED HERMES LIMITED****STRATEGIC REPORT (continued)****INVESTMENT PERFORMANCE****Investment performance in 2022 and since inception**

With active management, strengthened by best-in-class ESG integration and stewardship in public and private markets, we aim to deliver the positive, risk-adjusted long-term performance and positive outcomes our clients seek.

**FHL's Funds Outperformance vs Benchmark**

<b>Strategy</b>	<b>1 year</b>	<b>3 year</b>	<b>5 year</b>	<b>Inception &lt; 1 year</b>
<b>Equity</b>				
Asia ex-Japan	10.9%	2.2%	0.5%	
Asia ex-Japan Unconstrained	9.6%	2.6%	(0.2%)	
Asia ex-Japan Constrained	11.0%	2.2%	0.6%	
Asia Pacific ex-Japan	7.0%			
China Equity <sup>3</sup>				4.0%
Global Emerging Markets	(3.8%)	(0.9%)	0.2%	
Global Emerging Markets SMID	(11.0%)	(4.5%)		
Global Emerging Markets ESG	(2.9%)	(0.5%)	0.3%	
Global Emerging Markets ex China <sup>4</sup>				(0.7%)
Global Equity ESG	(5.4%)	(0.7%)	(0.7%)	
Global Equity Low Carbon	(4.5%)	(0.7%)	(0.6%)	
Global Equity	(0.4%)	(0.1%)	(0.9%)	
Global Equity Screened ESG	(1.2%)	0.4%	(0.1%)	
Global Equity Australia Balanced	(2.8%)	(0.8%)		
Global Equity Developed ex NA	(1.7%)	1.5%		
Global Equity Ethical	(4.6%)	(1.2%)		
Sustainable Global Equity	(2.1%)			
Biodiversity Equity <sup>5</sup>				(9.4%)
Europe ex-UK	(4.7%)	2.9%	1.9%	
Sustainable Europe	(8.2%)	1.6%	1.1%	
Sustainable Europe ex UK	(10.4%)			
US SMID	2.7%	(1.0%)	(0.2%)	
SDG Engagement Equity	(0.0%)	(2.0%)	(0.8%)	
Global Small Cap	(5.5%)	(3.0%)	(1.7%)	
World ex US	(9.2%)	(3.2%)	(1.7%)	
Impact Opportunities	(12.5%)	(5.7%)	(1.8%)	
<b>Fixed Income</b>				
Global High Yield	0.8%	(0.5%)	0.1%	
Global High Yield Hedged to USD	0.3%	0.1%		
Global High Yield Dev Countries Custom EUR Unhedged	(2.0%)			
Global High Yield Dev Countries Hedged to USD	(1.1%)	(1.0%)	(0.3%)	
Global High Yield Dev Countries Hedged to CAD	0.5%	(0.8%)		
Global High Yield Dev Countries Hedged to EUR	0.1%	0.2%		
Multi Strategy <sup>1</sup>	(9.8%)	(1.2%)	1.4%	
Absolute Return <sup>1</sup>	(4.9%)	(0.7%)	1.4%	
Ethical Absolute Return <sup>1,6</sup>				(2.2%)
Absolute Return Hedged to GBP <sup>1</sup>	(5.7%)	(1.5%)		
Unconstrained <sup>1</sup>	(12.2%)	0.4%		
Unconstrained Credit Hedged to CAD <sup>1</sup>	(12.0%)			
Short Duration	(2.4%)	(2.3%)	(1.1%)	
SDG Engagement High Yield	1.4%	0.4%		
SDG Engagement High Yield Dev Countries <sup>7</sup>				1.8%
Climate Change High Yield	(1.3%)			
Climate Change Absolute Return <sup>1</sup>	(7.7%)			



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UK Direct Lending <sup>2</sup>	3.4%	3.3%	3.8%	
European Direct Lending <sup>2</sup>	3.0%	3.2%		
European Direct Lending II <sup>2</sup>	5.3%			
Real Estate Debt <sup>2</sup>	5.4%	4.6%	3.8%	
<b>Real Estate</b>				
UK Core Real Estate	5.8%	1.8%	1.6%	
International Real Estate	(0.5%)	(2.3%)	(3.3%)	
Federated Hermes Property Unit Trust	(0.1%)	(0.3%)	0.2%	

<sup>1</sup> Net absolute returns

<sup>2</sup> IRR net absolute returns estimated to end December 2022

<sup>3</sup> Strategy in existence less than 1 year (inception 1st August 2022)

<sup>4</sup> Strategy in existence less than 1 year (inception 1st October 2022)

<sup>5</sup> Strategy in existence less than 1 year (inception 1st April 2022)

<sup>6</sup> Strategy in existence less than 1 year (inception 1st August 2022)

<sup>7</sup> Strategy in existence less than 1 year (inception 1st September 2022)

*Past performance is no guarantee of future results*

HGPE LLP generates revenues primarily from investment management and investment advisory services, as well as provision of fund administration and operator services. In addition, the LLP is entitled to carried interest which forms part of revenue. Carried interest represents the LLP's share of profits earned as a result of the realised investment performance of funds, co-investments, and direct investments. The Group also generates investment returns from co-investment in certain Hermes GPE managed funds.

**OUTLOOK**

In our baseline scenario, global growth will continue to slow in 2023, reflecting a continuation of the themes that dominated 2022, notably; high levels of inflation and the resulting tightening of monetary policy, and the Russian invasion of Ukraine, which will weigh heavily on the economic outlook for years to come, particularly in Europe. The faster-than-expected reopening of the Chinese economy is expected to improve Asian markets, benefiting two of our key strategies: Global Emerging Markets and Asia ex-Japan.

Despite the continued pressure on global markets, the Group has witnessed a positive start to 2023. At the end of February 2023, assets under management had increased by £1.0bn since 31 December 2022, with net inflows accounting for £0.4bn of this increase. As an active investment manager, we are well placed to navigate this challenging investment environment and create sustainable wealth for our clients.

## **FEDERATED HERMES LIMITED**

### **STRATEGIC REPORT (continued)**

#### **FINANCIAL REVIEW**

Group operating profit decreased by £16.2m to £0.7m in 2022 as net revenue decreased by 8.2% [£18.3m], from £222.9m in 2021 to £204.6 in 2022. The fall in revenues was offset in part by a £2.1m reduction in administrative expenses to £203.9m (2021: £206.0m). The Group recognised a loss on non-operating activity of £8.1m in the year, driven by foreign exchange losses and unrealised losses on investments. As a result, FHL generated a loss before tax of £7.4m for the year (2021: profit of £19.2m).

The reduction in revenue was due to a decrease in the Group's assets under management ("AUM"), which fell by £4.2bn from £44.5bn at 31 December 2021 to £40.3bn at 31 December 2022. £2.6bn of which was a result of the significant deterioration in global markets in 2022. The ongoing conflict in Ukraine, record high inflation and China's zero-COVID-19 policy adversely impacted the global markets, and equity markets in particular. These factors, coupled with a strengthening dollar and a tightening of monetary policy, impacted our flagship Global Emerging Markets Strategy, which witnessed a £2.3bn fall in AUM resulting in a year-on-year reduction in management fees of £26.7m. Furthermore, performance fee revenues decreased £4.4m in the year, a result of the challenging investment environment.

The Group ended the year with net outflows of £1.6bn compounding the fall in management fee revenues. The Group witnessed £20.1bn of outflows in 2022, however the Group successfully generated inflows of £16.1bn, with a further £2.4bn of assets transferred from FHI (further details can be found on page 9).

Administrative costs fell by 1% [£2.1m] in the year. Staff costs fell by £7.9m in the year primarily as a result of lower bonus spend, which fell from £63.5m in 2021 to £52.8m in 2022. The key drivers for this reduction were a decrease in the discretionary pool to reflect the worsening market conditions; a reduction in the value of deferred bonuses which are linked to the performance of Group funds; and a lower charge in relation to the Group's long-term incentive plan. The reduction in staff costs was offset in part by a £5.9m increase in non-staff costs; notable increases included marketing spend, market data services and administration fees. The increase in these costs was a combination of increased activity coupled with inflation. The increase in market data services was primarily a result of a weakened pound sterling as our key suppliers invoice in US dollars.

#### **Financial position**

Management believes the Group has both the financial strength and capital resources to support and execute its strategic plans. The Board and executive leadership remain focused on growing and developing our core business and continuing to increase assets and revenues.

The Group's net asset position as at 31 December 2022 was £162.1m, down from £190.3m at the same date in 2021. This decrease in net assets is due to the payment of a £24.9m dividend in February 2022 coupled with the loss generated in the year. Cash balances at 31 December 2022 decreased to £105.3m (2021: £143.8m), reflecting the aforementioned dividend and the acquisition of additional seed investments. There were no other notable changes to the Group's asset base.



**FEDERATED HERMES LIMITED****STRATEGIC REPORT (continued)****FINANCIAL REVIEW (continued)****Regulatory capital**

The Group has Tier 1 own funds of £131.7m (2021: £152.6m), which is £91.6m (2021: £94.8m) above the Financial Conduct Authority's capital requirement for the Group as at 31 December 2022 of £40.1m (2021: £57.8m). Further details of the Group's approach to capital adequacy can be found on the FHL website: <https://www.hermes-investment.com/ukw/about-us/policies-and-disclosures/>

On 1 January 2022, the new Investment Firms Prudential Regime ('IFPR') came into force. The new rules pertaining to the capital requirement have not materially impacted the Group's operations. The FHL Group forms part of a wider FCA regulatory consolidation group, headed by Federated Holdings (UK) II Limited. This regulatory consolidation group remains both adequately capitalised and liquid.

**Tax governance**

The Group strives to act as a responsible global corporate taxpayer in compliance with applicable tax law and regulations, seeking to minimise the risk of uncertainty or disputes in tax matters. The Group seeks to comply with its tax filing, tax reporting and tax payment obligations in line with statutory timelines. Where appropriate, external advisers are engaged prior to the initiation of new activities or operations or in areas of complexity or uncertainty, in an effort to ensure that applicable tax rules are identified and followed. An important part of the governance process is the maintenance of a constructive and transparent relationship with HMRC. The tax risk of the Group entities is managed by the SMT and the Board of FHL. Review of the key tax risks are performed on an ongoing basis and, where there is a material issue, matters are escalated to the respective Board and/or Risk and Compliance Executive.

The Group falls within the scope of the Senior Accounting Officer ("SAO") regime and has appointed a SAO to ensure the Group establishes and maintains appropriate tax accounting arrangements to allow tax liabilities to be calculated accurately in all material respects.

The Group does not tolerate tax evasion, nor does the Group tolerate the facilitation of tax evasion by any person(s) acting on the Group's behalf.

**Assets Under Management and Sub-Advice (in £bn)**

At 1 January 2022	<b>44.5</b>
Inflows	16.1
Outflows	(20.1)
Transfer from FHI*	2.4
Net flow	(1.6)
Market movement	(2.6)
At 31 December 2022	<b>40.3</b>

\*From 1 January 2022, Hermes Fund Managers Ireland Limited, a subsidiary of FHL, acts as the investment manager of the Federated Hermes International Funds plc, Federated Unit Trust, Federated Hermes Alternative Funds ICAV and Federated Hermes Funds ICAV. Prior to this, Federated International Management Limited, a fellow FHI group entity acted as investment manager.

**FEDERATED HERMES LIMITED****STRATEGIC REPORT (continued)****SECTION 172 STATEMENT – STAKEHOLDER ENGAGEMENT**

Section 172 of the Companies Act 2006 requires Directors to act in a way that they believe in good faith promotes the success of the Company for the benefit of its members. In doing so, Directors should have regard to the likely consequences of decisions in the long term, the interest of employees, the need to foster relationship with suppliers, customers and other stakeholders, the impact of the entity's operations on the community and the environment, while maintaining a reputation for high standards of business conduct.

The Directors have considered each of the requirements under Section 172 and believe them to be consistent with our commitment to treat all stakeholders fairly. FHL's goal is to deliver sustainable wealth creation: investments that enrich investors, society, and the environment for the long term. Among the Board's responsibilities is the formulation of our business purpose, including helping clients achieve better risk-adjusted returns and, where possible, contribute to positive societal and environmental outcomes in the wider world. Naturally this includes consideration of how the decisions we make as a business impact all of our stakeholders.

<b>Stakeholders</b>	<b>Why they are important to us and how we engage</b>	<b>Key topics of engagement and outcomes in 2022</b>
<b>Clients and beneficiaries</b>	<p>As a responsible investment firm, we have an obligation to lead the field in demonstrating that we provide clients with value for money by acting with integrity as skilled investors and good stewards of capital.</p> <p>We aim to create sustainable wealth for our investors. This requires us to understand and put the needs of our clients and their beneficiaries first. It informs our investment processes, stewardship activities and public-policy work. To do this we build close relationships with clients to better understand their financial needs and broader objectives and concerns.</p> <p>Fair treatment of clients is central to our approach, and a key consideration for our governance bodies, including the oversight of the creation and lifecycle of our investment products. A robust policy framework supports this work, including</p>	<p>We published multiple thought pieces on investment and sustainability, including: UK sustainable finance regulation; the continuing impact of the pandemic on companies; and the impact of climate change on particular sectors and market trends. We held regular webinars for our clients across all our key strategies to apprise them of market trends, portfolio performance and attribution, as well as our outlook and resulting positioning. Furthermore, we held regular client conferences and seminars, including the EOS' biannual Client Advisory Council.</p> <p>During 2022, the upgraded Company website was launched, which migrated and merged the legacy Hermes websites and the sustainability hub to an improved and combined Federated Hermes web platform. We established the Federated Hermes Academy, an education hub developed by our experts for our clients and prospective clients seeking to understand responsible investing and how the integration of environmental, social and governance and stewardship can help create long-term wealth sustainably. We ran three</p>



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	a conflicts of interest policy and product development and review procedures.	CPD accredited seminars in 2022 as part of our Academy.
<b>Suppliers</b>	<p>Like many businesses, we use external service providers and suppliers to supplement our own infrastructure and operations. This enables us to provide a higher quality of service to our clients and meet regulatory requirements. The Group retains responsibility for the performance of our third-party suppliers. We are committed to observance of all laws and regulations, including the Modern Slavery Act, and to the pursuit of honest and fair corporate activities that conform to the norms accepted by society. It is essential for all product and service providers to adhere to our Supplier Code of Conduct so that we can live up to this commitment.</p>	<p>We have continued to maintain high standards of due diligence for our suppliers. We have also continued to work closely with a number of IT suppliers to enhance our remote working environment.</p> <p>Our suppliers are tiered into four categories. The four categories are: (1) material outsourcing, (2) key and critical providers, (3) business essential and (4) one-off and non-critical suppliers. This enables us to prioritise resources for the management of our category 1 and 2 suppliers. These suppliers are managed and overseen by a subgroup of the Risk and Compliance function that includes Procurement, Risk and Legal that provide a proactive approach to supplier management. We have continued to maintain high standards of due diligence for our suppliers both on inception and monitoring risks.</p> <p>An update to our supplier code of conduct has been implemented to include detailed wording on environment and social obligations.</p> <p>In 2022, the average number of days to settle supplier invoices was 37; this exceeded our standard payment terms of 30 days. We shall endeavour to improve this metric in 2023.</p>
<b>People</b>	<p>Our people's wellbeing and development are central to the ongoing success of our business. Staff are aligned to our mission of delivering sustainable wealth creation for clients and beneficiaries in a number of ways, including: receiving market-aligned remuneration and benefits; receiving ongoing training and development support; and being encouraged to be collaborative and innovative</p>	<p>In 2022, the development of the DEI agenda continued to be a priority for the business, in addition to providing support and resources that focused on employee wellbeing. Some of the initiatives in 2022 included:</p> <p>Employee engagement survey We continued to run the Workday Peakon employee engagement surveys quarterly, which enables employee feedback to be converted into insights that leaders can put to work, to create more responsive,</p>

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	<p>through behavioural criteria in our performance management framework.</p> <p>We recognise that diversity, equity and inclusion ("DEI") are key to developing a wide-ranging outlook to meet client needs. DEI initiatives are promoted through the staff Employee Resource Group (UNITY) and supported by the seven Employee Networks and the Inclusion Committee which reports into SMT. Moreover, we have talent development initiatives such as mentoring; coaching; unconscious bias training; mindfulness and financial wellbeing education.</p>	<p>fulfilling, and productive workplaces.</p> <p><b>Employee Network Groups</b> We now have seven Employee Network Groups, which are employee-led and are critical in driving the DEI agenda. They cover a range of topics in relation to the DEI Strategy and Action Plans, notably raising awareness of Mental Health and Wellness, Gender issues (both male and female), and Disability awareness. Collectively, these help to promote a culture of belonging.</p> <p><b>Investment Trainee programme</b> Following the success of our Investment Trainee programme, we had new intake of trainees in September 2022. The scheme encourages school and college leavers from under-represented communities to explore employment opportunities within the asset management industry. Over the next 12 months they will rotate around the teams and will be completing their CFA exams. With the successful interns starting an 18-month apprenticeship whilst studying the Investment Advice Diploma qualification.</p> <p>We have committed again this year to support #10,000BlackInterns. We have also expanded our internship offering further this year to now support Change 100, through Leonard Cheshire, who aim to kickstart careers of disabled university students and graduates.</p> <p>Other initiatives that ran through the year included events that focused on men's and women's health, International Women's/Men's Week, Disability Awareness, the Winter Wellness Programme, and the Positive Action Programme.</p>
<b>Society and the environment</b>	<p>As a Group, we strive to make a difference by delivering sustainable wealth creation enriching investors, society and the environment.</p>	<p>We have continued our stewardship and ESG integration across asset classes, and policy advocacy to promote responsible investment practices and business conduct on a</p>

**FEDERATED HERMES LIMITED**

	<p>We aim to achieve this through our unique approach: a fusion of high-active-share investment, best-in-class ESG analysis and effective stewardship, with integration overseen by our Responsibility Office.</p> <p>Focusing on our own actions as a business, we seek to minimise the environmental impact of our operations, positively impact the communities in which we are based and benefit wider society. Pursuing these aims, we work with several environmental and community organisations and charities.</p>	<p>range of environmental and social issues this year.</p> <p>Please see the SECR statement on page 19 for details of our Scope 1 and 2 emissions.</p> <p>Highlights of our community engagement activities and charitable donations included:</p> <ul style="list-style-type: none"> <li>• For our Charity of the Year we partnered with The Childhood Trust, a charity that is dedicated to alleviating the impact of poverty on children and young people living in London. Our donation support has generated over £80,000 funded projects for the Trust. Funded projects include The Baytree Centre, Spring Community Hub, Be Enriched Elements and Shepherds Bush Children's Centre.</li> <li>• For our longer-term response to the COVID-19 challenges, we are supporting and committing to a three-year partnership with the East End Community Life Chances Campaign. The Life Chances Campaign aims to create a £5m Life Chances Fund for grassroots organisations supporting the most vulnerable to recover from the pandemic crisis and create lasting change. Our involvement started in October 2021.</li> <li>• In response to the Black Lives Matter movement, we have continued with a second-year donation to Urban Synergy, an early intervention mentoring charity that helps hundreds of young people between 11-18 years of age reach their full potential. With FHL's support, Urban Synergy has reached a record high of over 6,500 young people this year and offered more than</li> </ul>
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**FEDERATED HERMES LIMITED**

		<p>3,200 hours of work experience to them.</p> <ul style="list-style-type: none"> <li>• We also donated to 'Treedom' for the second year. With this donation, Treedom has assigned 1,680 trees to be planted across the world on our behalf.</li> <li>• Staff members took part in volunteering days; we increased the frequency of the employability workshops for young adults, technology sessions for the elderly and gardening and tree planting projects.</li> </ul>
<b>Regulators and policy makers</b>	<p>Regulators have a legitimate interest in how we treat our clients and run our business. We believe that our clients' interests are best served when we engage constructively with regulators. Proactive engagement on regulation and policy governing responsible approaches to investment is also key to delivering sustainable wealth creation.</p> <p>Our Head of Policy &amp; Advocacy works with staff across the firm to ensure these engagements are well informed, relevant and impactful. Using the skills and experience within our business to work constructively with policymakers, we aim to lead rather than follow policy debates.</p> <p>We engage with regulators and policymakers through a variety of means – bilaterally, alongside fellow investors and through collective initiatives. Day-to-day regulatory and legal activities are managed by our Compliance and Legal</p>	<p>We have engaged with a wide range of regulators and policy makers this year, including: the Financial Conduct Authority ("FCA") regarding our views on UK sustainable finance regulation and our involvement in the UK Climate Financial Risk Forum; the UK Transition Plan Taskforce on just transition elements of net zero strategies; the US State Department and First Mover Coalition on decarbonising heavy industry and scaling new technology; the Commonwealth Heads of Government Meeting ("CHOGM") leaders on carbon markets, blended finance and attracting more capital for developing economies; and the UK Department for Business, Energy and Industrial Strategy ("BEIS") on climate-related topics.</p>

**FEDERATED HERMES LIMITED**

	teams.	
<b>Shareholder</b>	<p>We rely on the support and engagement of our shareholder in order to deliver sustainable wealth creation for clients and beneficiaries, and to achieve our strategic objectives and growth plans.</p>	<p>Although most of the decisions considered by the Board in the past year were routine in nature, a key decision taken by the Board, and supported by our parent company, was to amend the Articles of Association. This was necessary to ensure that the Articles reflect the now wholly owned status of the Company and removed provisions relating to previous shareholders. Subsequently, the Board's governance processes were restructured to align with those of FHI. The Board will continue to consider matters of a strategic nature to ensure alignment to the overall Federated Hermes strategic objectives.</p> <p>As an unregulated firm, the parent Company does not directly provide investment services to clients, however, the Board receives regular reports from its regulated subsidiaries which enable it to assess that strategic and stakeholder objectives are being met and FCA regulatory compliance is being fully maintained. During the year the Board received management reports on issues concerning customers, the environment, communities, suppliers, employees and regulators. Most direct stakeholder engagement tend to happen at an operational level and the outcomes are taken into account in management actions and proposals.</p>

## FEDERATED HERMES LIMITED

### STRATEGIC REPORT (continued)

#### RISK MANAGEMENT

FHL has 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 the SMT 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 FHL be identified, measured and assessed, managed and controlled, monitored and reported. Material risks are retained selectively when it is considered that there is value in doing so, and where it is consistent with FHL's risk appetite and approach towards risk-taking.

The Risk Management Framework ("RMF"), which is owned by the FHL Board, details the firm's risk governance, risk management processes and risk appetite. FHL's risk governance comprises the FHL Board and its regulated 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.

FHL's 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"). The aggregate exposure to its key risk drivers is monitored and managed by FHL's Risk, Compliance and Financial Crime functions, which are responsible for reviewing, assessing, providing oversight and reporting across the firm's risk exposures and regulatory compliance.

Culture is a strategic priority of the FHL Board, which recognises the importance in the way the firm conducts business. Alongside the firm's code of business conduct and ethics, FHL's culture framework includes principles and values that define how business should be conducted in order to achieve the firm's strategic objectives and support the firm'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.

Throughout 2022, the Risk function has continued to review and update its policies and processes for alignment with the business' longer-term strategy, operating model changes and evolving regulatory requirements. This included the development of the regulatory conduct risk and reputational risk policies; as well as enhancements to its operational resilience framework and revised risk management processes and procedures to support its UK regulated subsidiaries transition to the Internal Capital and Risk Assessment regime. To continue strengthening the RMF, development work is also ongoing to establish a 2LOD Sustainability and ESG (including climate risk management) policy in line with new and evolving sustainability regulation and transformation risk framework in 2023.

A process is in place to support the identification of emerging and principal risks and this combines both top-down and bottom-up views of risks at the level of FHL. However, others may be more thematic in nature such as assessing and monitoring specific geopolitical risks or implementation of new regulation. These risks, which are not exhaustive, include:

- Strategic and business environment risks that could impact FHL achieving its strategic objectives. As part of the emerging risk process, geopolitical risks were a key focus area in 2022, and continue to be, due to the conflict in Ukraine;
- Financial risks including but not limited to investment performance and client risks that could impact on revenue generation;

## **FEDERATED HERMES LIMITED**

### **STRATEGIC REPORT (continued)**

#### **RISK MANAGEMENT (continued)**

- Operational risks, which encompass a number of sub-risk categories such as:
  - Transformation and change and FHLs ability to deliver strategic, regulatory and business-as-usual change initiatives;
  - Technology risks including information and cyber security given the increasing threat landscape and sophistication of cyberattacks;
  - Supply chain risks beyond traditional outsourced relationships; and
  - People risks which includes resource strain, challenge to attract and retain talent and risks relating to diversity, equity and inclusion.

Approved by order of the Board of Directors and signed on behalf of the Board:



**S A Nusseibeh, CBE**  
Chief Executive Officer  
21 March 2023

## **FEDERATED HERMES LIMITED**

### **DIRECTORS' REPORT**

Secretary: K Thompson (resigned 31 May 2022, a new Secretary has not been appointed as at 31 December 2022)  
Registered Office: Sixth Floor, 150 Cheapside, London, England, EC2V 6ET  
Registered Number: 1661776

The FHL Directors present their report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2022. The Directors who served during the year are listed on page 2.

### **RESULTS AND DIVIDEND**

The results for the year are shown in the Consolidated Profit and Loss Account. Given the significant deterioration in global markets, the Directors are broadly satisfied with the Group's performance in the year and consider that FHL is well placed to take advantage of future opportunities. The overall performance of the Group is explained in the Financial Review section of the Strategic Report on page 8. Further, the Group's principal risks and uncertainties are disclosed in the Risk Management section and key fund performance is provided in the Investment Performance section of the Strategic Report.

On 13 January 2022, the Directors approved a dividend of £0.303856 per share (£24.9m) to be paid to shareholders on 4 February 2022. The Board does not recommend the payment of a dividend in relation to the year ended 31 December 2022.

### **GOING CONCERN**

Having made all reasonable enquiries and having regard to the nature of the Group and its activities, FHL's Directors are satisfied at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approving this annual report.

As part of their enquiries, FHL's Directors have reviewed the adequacy of both the Group's regulatory capital and liquidity positions. The Directors have also taken account of the potential impact on the Group of the continued inflation-induced recession and continue to have a high degree of confidence that the Group will return to profitability and generate cash on a timely basis to enable it to manage its liabilities. Further details of this assessment are provided in note 1c of the financial statements on page 38.

However, in the event that FHL has insufficient liquidity to meet its financial obligations, FHL has committed to provide financial support to the Group for 12 months from the signing of this annual report.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.



**FEDERATED HERMES LIMITED****DIRECTORS' REPORT (continued)****FINANCIAL INSTRUMENTS**

The Group has financial instruments including debtors, creditors, investments and cash. These mostly arise from the Group's operations. The Group has a policy of identifying and controlling the financial risks associated with such instruments. These risks include credit risk, liquidity risk, interest rate risk and market risk. Bearing in mind the nature of the exposure to financial instruments within the Group and the limited risks associated with them, FHL's Directors are satisfied that there is adequate control of the risks. Note 27 presents further information on the Group's financial risk management objectives and strategy.

**DIRECTORS' INDEMNITIES**

Qualifying third-party indemnity provisions, which were made during the year for the benefit of FHL's Directors, remain in force at the date of this report.

**EQUAL OPPORTUNITIES POLICY**

FHL is committed to diversity, equity and inclusion. Applications for employment are always fully considered, regardless of gender, marital status, sexual orientation, age, disability, ethnicity or national origin, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to provide reasonable accommodations so that their employment with the Group continues and that appropriate training is given, or any other reasonable arrangements are made. The Group aims to ensure that employees are treated on the basis of their merits, abilities and potential regardless of gender, marital status, age, disability, sexual orientation, ethnicity or national origin.

**STREAMLINED ENERGY AND CARBON REPORTING STATEMENT**

This Streamlined Energy and Carbon Reporting ("SECR") statement gives FHL's annual energy consumption and greenhouse gas ("GHG") emissions for the financial year 1 January 2022 to the 31 December 2022 with a comparative for 2021. Emissions disclosed relate to activities for which the Group is responsible for in the UK across their leased assets, and includes: combustion of gas from building operations where metered information is available, and emissions from the purchase of electricity by the Group for its own use.

**Methodology and Data Tables**

FHL has used the main requirements of the GHG Protocol Corporate Standard (revised edition) as a basis to report GHG emissions. Data was gathered at site level to compile the carbon footprint.

The International Energy Agency ("IEA") Conversion Factors for GHG Company Reporting have been used to convert activity data into tCO<sub>2</sub>e emissions. Actual data was prioritised for reporting, however in instances where this was not available, consumption data was estimated using the following methods: Average daily consumption for any unknown period within the same reporting year; substituting actual consumption for known periods in place of those missing; apportioning building level consumption data based on the company's leased floor area; or the 2021 CIBSE Guide F Benchmarks where no data was available (using the associated asset type's benchmark and multiplying this by the occupied floor area of the assets).

**FEDERATED HERMES LIMITED****DIRECTORS' REPORT (continued)****STREAMLINED ENERGY AND CARBON REPORTING STATEMENT (continued)**

FHL has reviewed its reporting scope for SECR, and has elected to report on the mandatory requirements for large companies per the SECR guidance.

**TABLE 1: FHL's UNDERLYING ENERGY CONSUMPTION IN THE UK FOR 2022 AND 2021**

<b>Consumption Source (kWh)</b>	<b>01/01/2022 – 31/12/2022</b>	<b>01/01/2021 – 31/12/2021</b>
Natural Gas	37,538	38,757
Electricity	831,806	769,142
<b>Total Energy</b>	<b>869,345</b>	<b>807,899</b>

**TABLE 2: FHL's GHG EMISSIONS IN THE UK FOR 2022 AND 2021**

<b>Greenhouse Gas (GHG) Emissions Scopes (tCO<sub>2</sub>e)</b>	<b>01/01/2022 – 31/12/2022</b>	<b>01/01/2021 – 31/12/2021</b>
Scope 1 - Direct combustion of fuel from operation of properties (no business travel in company-owned cars)	14.19	14.65
Scope 2 - Electricity purchased for landlord shared services and own use	189.24	188.44
<b>Scopes 1 + 2 - Mandatory carbon footprint disclosure</b>	<b>203.42</b>	<b>203.09</b>
Scope 3 - Category 6: Fuel purchased for business travel	N/A	N/A
<b>Scopes 1 + 2 + 3 - Voluntary carbon footprint disclosure</b>	<b>203.42</b>	<b>203.09</b>

*1 Emissions factors – IEA (for Scope 1 natural gas and location-based Scope 2). There is a significant time-lag in the availability of IEA factors – 2022 factors will not be published until late 2023. Therefore all 2022 consumption data are converted using the factors actually arising in 2018.*

In 2022, Scope 1 and 2 emissions have increased when compared against 2021 emissions. With more staff returning to the offices in 2022, electricity consumption in particular has risen across multiple sites. Total consumption has increased by less than 1% reflecting the additional energy saving measures offsetting our increased usage.

**Emissions Intensity Ratio**

FHL's chosen intensity ratio of GHG emissions per £million revenue is reported below in Table 3, as suggested in the SECR guidance.

**FEDERATED HERMES LIMITED****DIRECTORS' REPORT (continued)****STREAMLINED ENERGY AND CARBON REPORTING STATEMENT (continued)**TABLE 3: FHL's CHOSEN INTENSITY RATIO FOR 2022 AND 2021

<b>GHG Emissions Intensity Ratio</b>	<b>01/01/2022 – 31/12/2022</b>	<b>01/01/2021 – 31/12/2021</b>
GHG emissions per £million revenue	0.99	0.91

Whilst GHG emissions remained almost identical between 2021 and 2022, revenue in 2022 was lower than that of 2021, which explains the increase in FHL's GHG emissions intensity.

**2022 Energy Efficiency Actions**

- In 2022, FHL achieved a successful ISO14001 surveillance audit on its Energy Management System (EMS) at 150 Cheapside, London in order to maintain its ISO14001 certification.
- Further energy savings opportunities at 150 Cheapside have been investigated and planned for 2023 to drive additional energy reductions.
- Despite the impacts of the COVID-19 pandemic resulting in significant changes to office occupancy and operation, the Company has continued to maintain and achieve its target of a 5% reduction in operational energy consumption against a 2019 baseline. Future targets will be set based on 2022 consumption data, which is deemed to be comparable to 2019 in terms of the business' operations.
- The Company achieved an operational waste generation intensity of 234kg per full time equivalent employee (kg/FTE), and a recycling rate of 79% of total waste. This surpassed the Company's targets of <400kg/FTE waste generated, and >70% recycling rate, both of which were also maintained in 2022.

**DONATIONS**

FHL supported a number of charities in the year by donating £84,863 in 2022 (2021: £54,240). No political donations were made in the current or prior year.

**SUBSEQUENT EVENTS**

On 13 March 2023, the Board of HGPE resolved that HGPE employees will vacate their office at 33 Gutter Lane, London and join their colleagues in FHL's head office at 150 Cheapside, London. The Gutter Lane lease has a break clause in March 2024 and therefore the period from the date of vacation to the break clause will be regarded as an onerous lease; the cost of which will be taken through the profit and loss account in 2023. The current best estimate of this onerous rental lease is approximately £0.8m.

There were no other subsequent events material to the financial statements from the balance sheet date, 31 December 2022, to the date of approval of the financial statements, 21 March 2023.



## **FEDERATED HERMES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **AUDITOR**

Ernst & Young LLP will be deemed to be reappointed at the end of the next period for appointing independent auditors as defined in Section 485(2) of the Companies Act 2006.

#### **STATEMENT ON DISCLOSURE OF INFORMATION TO THE AUDITOR**

FHL's Directors, having made enquiries to fellow Directors, can state that:

- so far as they are aware, there is no relevant audit information of which FHL's independent auditor is unaware; and
- they have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that FHL's independent auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

This report was approved by order of FHL's Board and signed on behalf of FHL's Board by:



**S A Nusseibeh, CBE**  
Chief Executive Officer

21 March 2023

## **FEDERATED HERMES LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

FHL's Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, FHL's Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law, FHL's Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, FHL's Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

FHL's Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

FHL's Directors are responsible for the maintenance and integrity of the corporate and financial information, including any publicly available information. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **FEDERATED HERMES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FEDERATED HERMES LIMITED**

#### **Opinion**

We have audited the financial statements of Federated Hermes Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and the Company cash flow statement and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## **FEDERATED HERMES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FEDERATED HERMES LIMITED (continued)**

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is

## FEDERATED HERMES LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FEDERATED HERMES LIMITED (continued)

#### Responsibilities of Directors (continued)

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and determined that the most significant are those that relate to the reporting framework, United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland', the Companies Act 2006 and relevant tax compliance regulations.
- We understood how the Group is complying with those frameworks by making enquiries of management, including the Head of Legal, Group Finance Director, Head of Financial Crime Compliance and Internal Audit. We corroborated our understanding through our review of board minutes, and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's and Parent Company's financial statements to material misstatement, including how fraud might occur by meeting with directors and management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by directors and management. We identified fraud and management override risks in relation to revenue recognition (including rebates).



## FEDERATED HERMES LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FEDERATED HERMES LIMITED (continued)

#### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)*

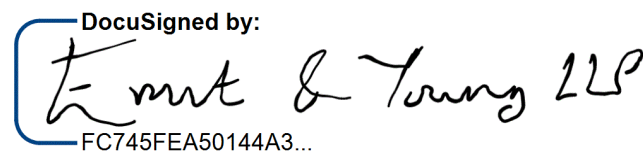
In response to this risk we have: understood the movement of revenue and the drivers, such as the change in number of funds, market performance, and fee rates; tested the effectiveness of the controls operated by management in order to prevent errors in the calculation of the revenue; and on a sample basis validated that fees have been correctly calculated by reperforming calculations including agreeing inputs into fee calculations to external support.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management; and focused substantive testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
FC745FEA50144A3...

Matthew Price (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

21 March 2023



**FEDERATED HERMES LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Group revenue</b>	3	223,517	233,052
Fee and commission expenses	3	(18,910)	(10,198)
<b>Net group revenue</b>		<u>204,607</u>	<u>222,854</u>
Administrative expenses	4	(203,884)	(205,978)
<b>Group operating profit</b>		<u>723</u>	<u>16,876</u>
Net (loss)/ gain on investments and foreign exchange	5	<u>(9,870)</u>	<u>2,239</u>
<b>(Loss)/ profit on ordinary activities before interest and taxation</b>		<b>(9,147)</b>	<b>19,115</b>
Interest receivable and similar income	6	<u>1,745</u>	<u>84</u>
<b>(Loss)/ profit on ordinary activities before taxation</b>	7	<b>(7,402)</b>	<b>19,199</b>
Tax credit/ (charge)	10	<u>6,027</u>	<u>(222)</u>
<b>(Loss)/ profit on ordinary activities after taxation</b>		<u><b>(1,375)</b></u>	<u><b>18,977</b></u>
(Loss)/ profit on ordinary activities after taxation attributable to:			
Controlling interest - FHL		(2,790)	17,600
Non-controlling interest - HCL	22	<u>1,415</u>	<u>1,377</u>
		<b>(1,375)</b>	<b>18,977</b>

All of the results are derived from continuing operations.

The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.

**FEDERATED HERMES LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>(Loss)/ profit for the financial year</b>	<b>(1,375)</b>	<b>18,977</b>
<b>Other comprehensive expense</b>		
Loss arising from re-translation of foreign currency denominated subsidiaries	(563)	(514)
<b>Total comprehensive income</b>	<b>(1,938)</b>	<b>18,463</b>
<b>Total comprehensive income for the year attributable to:</b>		
Equity shareholders of the Company	(3,353)	17,086
Non-controlling interest	1,415	1,377
<b>Total comprehensive income</b>	<b>(1,938)</b>	<b>18,463</b>

The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.

**FEDERATED HERMES LIMITED****COMPANY BALANCE SHEET AS AT 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Tangible assets	13	4,523	5,767
Investments	14	111,361	86,258
Debtors – amounts due after one year	15	23,985	17,570
		<u>139,869</u>	<u>109,595</u>
<b>Current assets</b>			
Debtors	15	110,330	64,307
Financial assets – forward contracts	19	388	-
Cash at bank	25	4,756	97,650
		<u>115,474</u>	<u>161,957</u>
<b>Current liabilities</b>			
Creditors – amounts due within one year	16	(154,405)	(118,769)
Financial liabilities – forward contracts	19	-	(1,215)
<b>Net current assets</b>		<u>(38,931)</u>	<u>41,973</u>
<b>Total assets less current liabilities</b>		100,938	151,568
Creditors – amounts due after more than one year	16	(5,024)	(7,107)
Provisions for liabilities	17	(2,319)	(2,167)
<b>Net assets</b>		<u>93,595</u>	<u>142,294</u>
<b>Capital and reserves</b>			
Called up share capital	20	83,592	83,592
Other reserves		15,009	16,945
Profit and loss account		(5,006)	41,757
<b>Shareholders' funds</b>		<u>93,595</u>	<u>142,294</u>

The Company's loss after tax for the year amounted to £21,825,174 (2021 profit: £21,349,038).

These financial statements were approved by the FHL Board and authorised for issue on 21 March 2023. The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.

Signed on behalf of the FHL Board of Directors by:



S A Nusseibeh, CBE – Director

Registered company number: 1661776



**FEDERATED HERMES LIMITED****CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022**

	<b>Notes</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Intangible assets</b>			
Goodwill	12	1,141	1,303
Intangible assets	12	16,960	20,357
		<u>18,101</u>	<u>21,660</u>
<b>Fixed assets</b>			
Tangible assets	13	6,328	7,490
Investments	14	47,099	39,739
Debtors – amounts after one year	15	29,494	24,108
		<u>82,921</u>	<u>71,337</u>
<b>Current assets</b>			
Debtors	15	48,153	55,720
Financial assets – forward contracts	19	388	-
Cash at bank	25	105,258	143,798
		<u>153,799</u>	<u>199,518</u>
<b>Current liabilities</b>			
Creditors – amounts due within one year	16	(75,365)	(83,576)
Financial liabilities – forward contracts	19	-	(1,215)
		<u>78,434</u>	<u>114,727</u>
<b>Net current assets</b>			
		<u>179,456</u>	<u>207,724</u>
<b>Total assets less current liabilities</b>			
Creditors – amounts due after more than one year	16	(14,833)	(14,880)
Provisions for liabilities	17	(2,558)	(2,503)
		<u>162,065</u>	<u>190,341</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	20	83,592	83,592
Other reserves		26,585	26,840
Profit and loss account		47,948	76,239
Non-controlling interest		3,940	3,670
		<u>162,065</u>	<u>190,341</u>
<b>Shareholders' funds</b>			
		<u>162,065</u>	<u>190,341</u>

These financial statements were approved by the FHL Board and authorised for issue on 21 March 2023. The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.

Signed on behalf of the FHL Board of Directors:

S A Nusseibeh, CBE – Director

  
Registered company number: 1661776

**FEDERATED HERMES LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Non- controlling interest £'000	Total £'000
<b>At 1 January 2022</b>		<b>83,592</b>	<b>26,840</b>	<b>76,239</b>	<b>3,670</b>	<b>190,341</b>
Loss for the year		-	-	(2,790)	1,415	(1,375)
Loss arising from re-translation of foreign currency denominated subsidiaries		-	-	(563)	-	(563)
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>(3,353)</b>	<b>1,415</b>	<b>(1,938)</b>
Costs attributable to awards made under the Group's long-term incentive plan	21	-	(255)	-	-	(255)
Amounts distributed to non-controlling interest		-	-	-	(1,145)	(1,145)
Dividend paid during the year				(24,938)		(24,938)
<b>At 31 December 2022</b>		<b>83,592</b>	<b>26,585</b>	<b>47,948</b>	<b>3,940</b>	<b>162,065</b>

The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.

**FEDERATED HERMES LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Non- controlling interest £'000	Total £'000
At 1 January 2021		83,592	19,550	59,153	3,881	166,176
Profit for the year		-	-	17,600	1,377	18,977
Loss arising from re-translation of foreign currency denominated subsidiaries		-	-	(514)	-	(514)
<b>Total comprehensive profit</b>		-	-	<b>17,086</b>	<b>1,377</b>	<b>18,463</b>
Costs attributable to awards made under the Group's long-term incentive plan	21	-	7,290	-	-	7,290
Amounts distributed to non-controlling interest		-	-	-	(1,588)	(1,588)
<b>At 31 December 2021</b>		<b>83,592</b>	<b>26,840</b>	<b>76,239</b>	<b>3,670</b>	<b>190,341</b>

The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.



**FEDERATED HERMES LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Notes</b>	<b>Called up share capital £'000</b>	<b>Other reserves £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 1 January 2022		<b>83,592</b>	<b>16,945</b>	<b>41,757</b>	<b>142,294</b>
Loss for the year		-	-	(21,825)	(21,825)
Costs attributable to awards made under the Group's long-term incentive plan		-	(1,936)	-	(1,936)
Dividend		-		(24,938)	(24,938)
<b>At 31 December 2022</b>		<b>83,592</b>	<b>15,009</b>	<b>(5,006)</b>	<b>93,595</b>

**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>Notes</b>	<b>Called up share capital £'000</b>	<b>Other reserves £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 1 January 2021		83,592	12,473	20,408	116,473
Profit for the year		-	-	21,349	21,349
Costs attributable to awards made under the Group's long-term incentive plan		-	4,472	-	4,472
<b>At 31 December 2021</b>		<b>83,592</b>	<b>16,945</b>	<b>41,757</b>	<b>142,294</b>

The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.

**FEDERATED HERMES LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Notes</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Net cash from operating activities</b>	24	4,559	36,991
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed asset investments		7,534	4,206
Purchase of fixed asset investments		(20,020)	(8,874)
Interest received on cash and cash equivalents		869	84
Distribution to HGPE Capital Limited		(1,145)	(1,588)
Dividends paid to shareholders		(24,938)	-
Dividends received from investment		874	-
Proceeds from sale of tangible asset investments		94	-
Purchase of tangible fixed assets		(750)	(695)
<b>Net cash flows used in investing activities</b>		<b>(37,482)</b>	<b>(6,868)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	25	<b>(32,923)</b>	<b>30,123</b>
Cash and cash equivalents at beginning of year	25	143,798	114,080
Effect of foreign exchange rate changes		(5,617)	(405)
<b>Cash and cash equivalents at end of year</b>	25	<b>105,258</b>	<b>143,798</b>

The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.

**FEDERATED HERMES LIMITED****COMPANY CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Notes</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Net cash (used in)/ from operating activities</b>	24	(8,748)	14,721
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed asset investments		7,143	4,149
Purchase of fixed asset investments		(19,451)	(8,518)
Investment in subsidiaries		(30,011)	(232)
Proceeds for sale of subsidiaries		504	-
Interest income received		446	-
Dividend paid to shareholders		(24,938)	-
Dividends received from subsidiaries		4,407	19,607
Dividends received from investments		106	-
Purchase of tangible fixed assets		(152)	(580)
<b>Net cash flows (used in)/ from investing activities</b>		(61,946)	14,426
<b>Net (decrease)/ increase in cash and cash equivalents</b>	25	(70,694)	29,147
Cash and cash equivalents at beginning of year	25	97,650	69,993
Effect of foreign exchange rate changes		(22,200)	(1,490)
<b>Cash and cash equivalents at end of year</b>	25	4,756	97,650

The notes to these financial statements on pages 37 to 72 are an integral part of these financial statements.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards. The principal accounting policies are summarised below. They have all been applied consistently throughout both the current year and the preceding year.

**a) General information and basis of accounting**

The financial statements are prepared on the going concern basis as described in the Directors' Report. FHL is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office of the Company is given on page 2. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 4 to 17.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of both the Group and the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated and Company financial statements are presented in pounds sterling and rounded to the nearest thousand.

**b) Basis of consolidation**

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. Business combinations are accounted for under the purchase method. The results of subsidiaries acquired or sold are consolidated for the period from, or to, the date on which control passed to or from the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The Group has taken exemption from preparing a Company-only profit and loss account in line with the Companies Act 2006.

Hermes Assured Limited ("HAL") and Hermes Investments (North America) Limited ("HINAL"), two wholly owned subsidiaries, are exempt from the requirements of the Companies Act relating to the audit of individual accounts for the year ended 31 December 2022 by virtue of Section 479A of the Companies Act 2006. HAL's principal activity is to receive residual income related to its legacy business of providing index-tracking investment products, which is sporadic in nature; while HINAL is not an operating entity and acts as a holding company for its investment in Hermes Stewardship North America, Inc.

In the case of the consolidated financial statements, foreign operations are retranslated using the net investment method. The results of these foreign operations that have a functional currency which is different to the Group are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****c) Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Strategic Report further describes the financial and liquidity position of the Group; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

As at 31 December 2022, the Group held cash of £105.3m (2021: £143.8m) and net current assets of £78.4m (2021: £114.7m). The reduction in net assets is primarily a result of a £24.9m dividend paid in February 2022. While AUM has decreased by £4.2bn to £40.3bn in the year, it should be noted that just £1.6bn of this reduction was due to net outflows. As such, the Group will continue to generate management fee income on the clients they retained including the new business won in the year. Further details of the Group's AUM can be found on page 9 of the Strategic Report.

Furthermore, the Group had surplus regulatory capital / own funds of £91.6m (2021: £94.8m) and no external borrowings. The Directors consider that the Group's AUM provide a strong base from which to generate future revenues and the Group's existing financial resources provide a level of protection from which to withstand significant market stress.

The Directors have also considered the Group's liquidity as part of their going concern assessment. As noted above, the Group holds £105.3m of cash and cash equivalents at 31 December 2022; this equates to eight months of the Group's fixed overheads.

Historically, the Group prepared a consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report, however, following the implementation of the Investment Firms Prudential Regime on 1 January 2022, FHL now prepares individual solo entity Internal Capital Adequacy and Risk Assessment ("ICARA") reports for each of its regulated subsidiaries. The Directors believe that the new regulatory regime ensures that appropriate level of own funds are held at the regulated entity level resulting in even greater resilience. As part of the ICARA process, the Directors reviewed the adequacy of the own funds and solvency position under six severe yet plausible scenarios. In addition, reverse stress testing analysis was conducted to determine the levels to which the assets under management would need to fall in order for the surplus own funds and cash liquidity to be exhausted.

Following this review, whilst certain of the more severe stressed scenarios considered by the Directors may impact the Group's profitability in the short term, the Group's existing significant own funds surplus and cash positions provide the Directors with a high degree of confidence that the Group will be able to continue to meet its liabilities for at least 12 months from the date the financial statements are approved.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****c) Going concern (continued)**

However, in the event that FHL has insufficient liquidity to meet its financial obligations, FHL has committed to provide financial support to the Group for 12 months from the signing of this annual report.

With this in mind, having made all reasonable enquiries and having respect to the nature of the Group and the commitment of support from the parent company, the Directors are satisfied at the time of approving the financial statements, that there is a reasonable expectation that FHL has adequate resources to continue in operational existence for 12 months following the approval of this annual report. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

**d) Revenue**

Revenue is recognised on an accruals basis. Revenue from the supply of services represents the value of services provided under contracts and is recorded at the fair value of the consideration received or receivable net of VAT and rebates. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

To the extent that fees are recognised in advance of billing they are included as accrued income. Where rebates remain payable at year end these amounts are recorded as part of creditors due within one year.

Revenue includes performance fees that are calculated based upon rolling performance periods of up to three years. Performance fees are recognised in the year the performance period ends and the fee has crystallised. A fee has crystallised when the contractual conditions have been satisfied, an amount of revenue can be reliably measured and it is probable that the economic benefits will flow to the Group.

Commissions and related fees are payable to third parties for ongoing services under distribution agreements and are charged to the profit and loss account on an accrual basis over the period in which the services are expected to be provided. To the extent that fees and commissions are recognised in advance of billing from third parties, they are included as accrued expense.

**e) Carried Interest**

Carried interest is accrued on profits generated by certain funds managed by HGPE, a subsidiary of FHL, on behalf of third parties. The recognition of carried interest takes relevant performance hurdles into consideration, assuming all investments were realised at the prevailing book value. Carried interest is only paid or received when the relevant performance hurdles are met on a cash basis and the accrual is discounted to reflect expected payment periods.

Carried interest receivable or received may be subject to clawback provisions if the performance of the fund deteriorates in the period following carried interest being paid.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****e) Carried Interest (continued)**

The Group will only accrue carried interest where the risk of reversal is highly unlikely. The Group will typically not recognise carried interest until towards the end of the relevant vehicle's life cycle and any carried interest received will be recognised on the balance sheet as deferred income until such time that the risk of clawback is remote.

**f) Other income**

Other income is recognised on an accruals basis. Other income primarily comprises development management fees generated through MEPC, a subsidiary of FHL.

**g) Goodwill**

Goodwill represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired in a business combination. Goodwill arising in respect of acquisitions is capitalised in the year in which it arises and amortised over its useful life with a full year's charge for amortisation in the year of acquisition. All amortisation costs are recognised in the profit and loss account.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ("CGU") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis. An impairment loss recognised for goodwill will not be reversed in a subsequent period.

**h) Intangible assets**

Intangible assets arise when the Group acquires a business and its fair value exceeds the value of the net tangible assets acquired. This premium reflects additional value that the Group determines to be attached to the acquired business' identifiable assets. These intangible assets are measured on initial recognition at cost. Following initial recognition, these assets are measured at cost less accumulated amortisation and any provision for impairment (see policy 'k' for details).

**i) Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

All financial assets and liabilities are initially measured at fair value adjusted for transaction costs, except for those financial assets classified as at fair value through profit or loss, for which transaction costs are immediately charged to profit or loss.

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****1. ACCOUNTING POLICIES (continued)****i) Financial instruments (continued)**

consideration expected to be paid or received and, in the case of receivables, net of impairment.

Derivatives are classified as financial assets at fair value through profit or loss and are re-measured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately.

Debtor and creditor balances are classified as basic financial instruments and initially recognised at the transaction price and subsequently measured at amortised cost less provision for impairment.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

**j) Investments**

Investments in subsidiaries are measured at cost less impairment. The impairment policy is shown below in policy (k). The Group does not have regulatory permissions to trade on its own account, however the Group can hold investments in its own funds for the purpose of providing seed capital and hedging of deferred bonuses. These investments are classified as being held at fair value through profit or loss. Both unrealised gains or losses arising on the revaluation of these investments, and realised gains and losses on the disposal of these investments are recognised in the profit or loss account.

**Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market (Level 1). When quoted prices are unavailable, other market observable inputs provide evidence of fair value (Level 2). If the market is not active, unobservable inputs may be used where the fair value is estimated by using a valuation technique (Level 3). Please refer to Note 14 for further details of the Group's investments.

**k) Impairment**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****k) Impairment (continued)****Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Where indicators exist for a decrease in impairment loss, the prior impairment loss is assessed for indications of reversal. For all assets other than goodwill and intangible assets (see below), if and only if the reasons for the impairment loss have ceased to apply, an impairment loss shall be reversed in a subsequent period.

An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The reversal of an impairment is recognised in the profit and loss account.

**Financial assets**

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date. Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is assessed to determine whether a reversal can be objectively related to an event occurring after the impairment was recognised.

An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**Goodwill and intangible assets**

Both goodwill and intangible assets are carried at amortised cost. If objective evidence exists that determines the carrying value exceeds its fair value, then an impairment is recognised immediately through the profit and loss account and this cannot be reversed.

**l) Business combinations**

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of assets transferred, liabilities incurred, and any equity instruments issued by the Group. The fair value of an acquisition is calculated by recognising the identifiable assets and liabilities acquired at the acquisition date.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****l) Business combinations (continued)**

The consideration includes the fair value of any liability resulting from contingent or deferred consideration arrangements. Contingent or deferred consideration will be recognised at fair value at the acquisition date, with any subsequent changes to the fair value taken through the Group's profit and loss account. The Group recognises any non-controlling interest at the fair value of the proportionate share of the identifiable net assets.

**m) Foreign exchange**

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are presented within the profit and loss account.

Exchange differences arising on translation of the opening net assets and results of foreign operations are reported in other comprehensive income and accumulated in equity.

**n) Tangible fixed assets**

Tangible fixed assets are stated at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful economic lives of the assets and is recognised in the profit and loss account. The estimated useful economic lives are as follows:

Fixtures, fittings and equipment	- One to five years
Leasehold improvements	- Period of the lease

All tangible assets are depreciated from the point of acquisition to the point of disposal.

**o) Administrative expenses**

Administrative expenses include the Group's overhead costs such as staff costs, administration fees, market data services, marketing and IT costs. Expenses are recognised on an accruals basis.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****p) Operating leases**

Rental expenses in respect of operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Rental income of the Group in respect of sub-leases that are classified as operating leases is recognised in the profit and loss account on a straight-line basis over the period of the lease.

**q) Pension benefits**

The Company operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year and is recognised on an accruals basis. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

**r) Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****s) Bonus costs**

Bonus costs are recognised on an accruals basis. Deferred bonuses subject to co-investment arrangements are accrued on a straight-line basis over the period to vesting.

**t) Share based payments**

The long-term incentive plan ("LTIP") awards restricted stock units of Class B Common Stock of the Company's parent, FHI, to senior management and is designed to encourage profitable growth. The LTIP is an equity-settled share-based payment scheme. The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. As FHI is listed on the New York Stock Exchange, a fair value of the award exists at the grant date. In valuing equity-settled transactions, no account is taken of any vesting conditions other than conditions linked to the price of the shares of FHI (market conditions) and non-vesting conditions.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and FHL management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. No expense is recognised for awards that are not expected to vest.

**u) Provisions**

Provisions are recognised when the Group has a contingent or present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligation is a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate of obligations can be reliably measured.

**v) Dividends**

Dividends are recognised when they have been declared and approved by the Board of FHL. Intra-Group dividends from the underlying subsidiary entities to the parent are recognised in the accounting period in which the dividends are declared and approved.

**w) Interest income**

The Group earns income as a result of holding its excess cash on deposit. Interest on cash and cash equivalents is recognised on an accruals basis using the effective interest method.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****1. ACCOUNTING POLICIES (continued)****x) Cash and cash equivalents**

Cash and cash equivalents comprise deposits held with banks and other short-term highly liquid investments, notably investments in money market funds. The Group's policy pertaining to interest recognised on cash and cash equivalents can be found above, in policy (w).

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The reported results of the Group are sensitive to the accounting policies, judgements and estimates that underlie the preparation of its financial statements. UK company law requires the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent.

The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated. The only key area of estimation uncertainty at the year-end that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Deferred tax assets

The ability of the Group to recognise a deferred tax asset in relation to taxable losses brought forward from prior years and current year losses is limited to the extent that it is probable that the Group will generate sufficient taxable profits in the future against which these losses can be offset. The Directors have prepared a profit forecast that provides their best estimate of the extent of profits that will be generated by the Group in the foreseeable future. The forecast adopts management's best estimate of the revenue and cost drivers that will impact the Group's future profitability. This estimation drives the value of the deferred tax asset recognised by the Group in respect of carried forward losses, in particular the amount of the asset recognised at 19% or 25%. Based upon management's best estimate, it is expected that the deferred tax asset with respect of taxable losses will be fully utilised in the next four to seven years. Please refer to Note 10 for further details.

Intangible assets – HGPE

The Group holds intangible assets as a result of the consolidation of HGPE in April 2020. The intangible assets primarily comprise investment management contracts, whose initial fair value was determined by a third-party specialist.

At each reporting date, the Group applies judgment as to whether any indication of impairment exists. In arriving at this judgement, both qualitative and quantitative factors are considered. As per policy 1k, an impairment exists if the carrying value of these assets is greater than the estimated recoverable amount. If an impairment exists, the intangible asset will be written down to the estimated recoverable amount.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Intangible assets – HGPE (continued)

The estimated recoverable amount as at 31 December 2022, has been determined using a discounted cash flow model. Key estimates include the discount rate and the assumptions underpinning the forecast.

**3. REVENUE**

Revenue comprises the value of services provided in the United Kingdom by the Group exclusive of VAT and is analysed by activity as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net management fees	201,883	210,453
Stewardship fees	12,947	12,315
Performance fees	853	5,333
Carried interest	1,972	1,648
Other fee income	5,862	3,303
Total Group revenue	<b>223,517</b>	<b>233,052</b>

Fees and commission expenses are paid to third parties for ongoing services under distribution agreements and are charged to the consolidated profit and loss account over the period in which the services are expected to be provided. In 2022, the amount of fees and commissions recognised in the income statement were £18,910,262 (2021: £10,197,717).

**4. ADMINISTRATIVE EXPENSES**

The largest administrative expense is staff cost. The other administrative expenses category includes certain significant costs as administration fees, marketing and IT costs.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs	124,527	130,851
Other administrative expenses	79,357	75,127
	<b>203,884</b>	<b>205,978</b>

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****5. NET (LOSS) / GAIN ON INVESTMENTS AND FOREIGN EXCHANGE**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net realised (loss)/gain on closed forward contracts	(12,864)	3,211
Net unrealised gain/(loss) on open forward contracts	1,603	(4,964)
Unrealised (loss)/gains on fixed asset investment	(6,176)	2,943
Profit on sale of fixed asset investment	1,050	460
Short-term and long-term capital gains	-	113
Net gain on foreign exchange	6,517	476
	<b>(9,870)</b>	<b>2,239</b>

**6. FINANCE INCOME**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest receivable in respect of:</b>		
Interest in relation to cash and cash equivalents	869	84
Dividend income	876	-
	<b>1,745</b>	<b>84</b>

**7. (LOSS)/ PROFIT ON OPERATING ACTIVITIES**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>(Loss)/ profit on operating activities stated after charging:</b>		
Depreciation on tangible fixed assets (Note 13)	1,855	1,734
Amortisation of intangible assets and goodwill (Note 12)	3,559	3,521
Rental charges under operating leases	4,531	4,047
<b>Auditor's remuneration:</b>		
Audit fees - Subsidiaries	455	407
- Company	110	110
	<b>565</b>	<b>517</b>
<b>Non-audit fees:</b>		
Other assurance services*	175	140
Tax compliance	-	454
<b>Total fees payable to the Group's auditor</b>	<b>740</b>	<b>1,111</b>

\*Other assurance services in the current and prior year included: assurance over the AAF 01/06 Assurance Report and Client Money and Custody Asset ("CASS") audits.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****8. STAFF NUMBERS AND COSTS**

<b>Average number of persons employed by the Group in the year:</b>	<b>2022</b>	<b>2021</b>
Investment management	115	113
Stewardship	49	53
Business development	90	89
Administration	196	197
MEPC	25	23
HGPE	73	68
	<b>548</b>	<b>543</b>

At the year ended 31 December 2022 the Group employed 542 full time employees.

<b>Staff costs during the year in respect of these directors and employees were:</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Wages and salaries	104,445	111,739
Social security costs	12,165	13,121
Pension costs	5,570	5,442
Redundancy payments	2,347	549
	<b>124,527</b>	<b>130,851</b>

**9. DIRECTORS' REMUNERATION AND TRANSACTIONS**

<b>Directors' remuneration (including Non-Executive Directors)</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Emoluments	3,481	3,552
Company contributions to money purchase pension schemes	35	36
	<b>3,516</b>	<b>3,588</b>

The Group operates a bonus deferral scheme whereby a portion of bonuses awarded in respect of the year are deferred. The full value of deferred awards granted to FHL's Executive Directors in respect of the year was £660,000 (2021: £909,000), although they will only become payable after the FHL Executive Directors satisfy future service conditions.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****9. DIRECTORS' REMUNERATION AND TRANSACTIONS (continued)**

The annual cost attributable to these deferred awards is included in total remuneration disclosed above.

The directors appointed by Federated Hermes, Inc. are not remunerated by the Group but by Federated Hermes, Inc.

<b>The number of FHL Directors who:</b>	<b>2022 No.</b>	<b>2021 No.</b>
Are members of a money purchase pension scheme	1	2
<b>Remuneration of the highest paid FHL director:</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Emoluments	1,974	1,700
Company contributions to money purchase pension schemes	18	18
	<b>1,992</b>	<b>1,718</b>

Of the emolument balance above £660,000 (2021: £349,000) is deferred over a period of up to three years.

Details of transactions with FHL's Directors and key management personnel during the year are disclosed in Note 28.

## FEDERATED HERMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)

## 10. TAX ON PROFIT ON ORDINARY ACTIVITIES

a)	Analysis of tax (credit)/ charge for the year	2022 £'000	2021 £'000
<b>Amounts recognised in profit or loss</b>			
<i>Current tax:</i>			
	UK corporation tax at 19% (2021: 19%)	(145)	1,801
	Foreign tax	268	110
	Adjustment in respect of prior periods	(26)	(13)
	<b>Total current tax charge</b>	<b>97</b>	<b>1,898</b>
<i>Deferred tax:</i>			
	Timing differences, origination and reversal	(3,867)	1,660
	Adjustment in respect of prior periods	74	(344)
	Corporation tax rate change	(2,331)	(2,992)
	<b>Total deferred tax</b>	<b>(6,124)</b>	<b>(1,676)</b>
	<b>Tax (credit)/ charge on profit on ordinary activities</b>	<b>(6,027)</b>	<b>222</b>

## b) Reconciliation of tax (credit)/ charge

The tax charge for the year differs from that resulting from applying the average rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
(Loss)/ profit on ordinary activities before tax but after deducting non-controlling interest	(8,817)	17,822
(Loss)/ profit on ordinary activities multiplied by the average rate of corporation tax in the UK of 19% (2021: 19%)	(1,675)	3,386
<i>Effects of:</i>		
Non-deductible expenses / (non-taxable income)	390	328
Non-taxable income from non-controlling interest	(1,780)	(110)
Adjustments in respect of prior periods	48	(357)
Effect of differences to tax rates	(2,331)	(2,992)
Difference in tax rates for foreign jurisdiction	(34)	(33)
Deferred tax recognised	(645)	-
<b>Current tax (credit)/ charge for the year</b>	<b>(6,027)</b>	<b>222</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022

(continued)

## 10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The UK corporation tax rate is 19%. The Group had an effective tax rate of minus 81.4% (2021: 1.2%) mainly due to an increase in trading and capital losses, which resulted in an increase in DTA. The capital losses mainly arose due to the disposal of Hermes European Equities Limited (see Note 14).

## c) Deferred tax position

	2022 Provided £'000	2021 Provided £'000
<b>The Group</b>		
Deferred tax (asset)/ liability:		
Fixed asset timing difference	(1,349)	(1,742)
Tax losses	(16,273)	(8,816)
Bonus and share based timing differences	(8,426)	(10,793)
Unpaid pension contributions	(166)	(209)
Unrealised gains/ (losses) on seed investments	(203)	465
Short-term timing differences	(264)	(107)
Deferred tax asset	<u>(26,680)</u>	<u>(21,202)</u>
Deferred tax liability on intangible assets	<u>4,233</u>	<u>4,825</u>
<b>The Company</b>		
Deferred tax (asset)/ liability:		
Fixed asset timing differences	(1,338)	(1,737)
Tax losses	(16,272)	(8,816)
Bonus and share based timing differences	(3,862)	(5,326)
Unpaid pension contributions	(166)	(209)
Unrealised gains/ (losses) on seed investments	(203)	465
Short-term timing differences	(278)	(215)
	<u>(21,940)</u>	<u>(15,838)</u>

Trading losses of £26,513,816 (2021: £26,638,352) have not been recognised as deferred tax assets as it is not probable that the Group will be able to recover those assets within the foreseeable future. The Group currently forecasts that the deferred tax asset will unwind by approximately £10.8m in the next 12 months. During the year, legislation was enacted such that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 19% and 25% rate. This resulted in an increase in the deferred tax asset of £2.3m.

The Company has a potential deferred tax asset in respect of future partnership distributions, however, there remains sufficient uncertainty as to when this asset would be utilised. As such, no deferred tax asset has been recognised.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****11. (LOSS)/ PROFIT ATTRIBUTABLE TO THE COMPANY**

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income for the Company is presented as part of these financial statements. The Company's loss after tax for the year amounted to £21,825,174 (2021 profit: £21,349,038).

**12. INTANGIBLE ASSETS**

	<b>Goodwill MEPC</b>	<b>Acquired Intangible Asset MEPC</b>	<b>Acquired Intangible Asset HGPE</b>	<b>Total Acquired Intangible Assets</b>
<b>The Group</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost:</b>				
At 1 January 2022	<b>1,629</b>	5,500	21,154	<b>26,654</b>
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At 31 December 2022</b>	<b>1,629</b>	5,500	21,154	<b>26,654</b>
<b>Accumulated depreciation:</b>				
At 1 January 2022	<b>326</b>	2,250	4,047	<b>6,297</b>
Charge for the year	<b>162</b>	1,125	2,272	<b>3,397</b>
Disposals	-	-	-	-
<b>At 31 December 2022</b>	<b>488</b>	3,375	6,319	<b>9,694</b>
<b>Net book value:</b>				
<b>At 31 December 2022</b>	<b>1,141</b>	2,125	14,835	<b>16,960</b>
At 31 December 2021	1,303	3,250	17,107	20,357

All intangible assets and goodwill were recognised in 2020 and are amortised over their useful economic lives on a straight-line basis. The table on the following page details the initial useful economic life of each of the assets recognised:

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****12. INTANGIBLE ASSETS (continued)**

<b>Intangible Asset</b>	<b>Initial Useful Economic Life</b>
<u>MEPC:</u>	
Goodwill	10 years
Intangible asset – trade name	20 years
Intangible asset – contracts*	Between 4 and 6 years
<u>HGPE:</u>	
Intangible asset – trade name	2 years
Intangible asset – contracts – private equity	9 years
Intangible asset – contracts – infrastructure	11 years

\*Seven MEPC customer contracts were acquired and reviewed as part of the purchase price accounting and a useful economic life ("UEL") of between four and six years was attributed to each contract. The weighted average UEL of these contracts is five years.

At each reporting date, the Group applies judgement to determine whether objective evidence exists, that indicates that the carrying value of goodwill and acquired intangible assets exceeds its recoverable amount.

The recoverable amount of the goodwill (MEPC) and acquired intangible assets (MEPC and HGPE) was determined using a discounted cash flow model. The financial information underpinning this model was the SMT approved five-year plan; with the key assumption being the discount rate of 17.5%. Senior Management determined that the most appropriate discount rate was the Weighted Average Cost of Capital ("WACC") used by FHL as part of their annual impairment assessment of FHL. The results of these calculations indicate that no evidence of impairment existed as at 31 December 2022.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****13. TANGIBLE FIXED ASSETS**

<b>The Group</b>	<b>Leasehold improvements and fixtures &amp; fittings £'000</b>	<b>Hardware, software and equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 1 January 2022	11,059	10,375	21,434
Additions	578	172	750
Disposals	-	(94)	(94)
<b>At 31 December 2022</b>	<b>11,637</b>	<b>10,453</b>	<b>22,090</b>
<b>Accumulated depreciation:</b>			
At 1 January 2022	4,418	9,526	13,944
Charge for the year	1,342	513	1,855
Disposals	-	(37)	(37)
<b>At 31 December 2022</b>	<b>5,760</b>	<b>10,002</b>	<b>15,762</b>
<b>Net book value:</b>			
<b>At 31 December 2022</b>	<b>5,877</b>	<b>451</b>	<b>6,328</b>
At 31 December 2021	6,641	849	7,490

Included within the net book value of leasehold improvements is an amount of £1,395,026 (2021: £1,336,398) relating to the Company's estimate of the costs of restoring the London office, 150 Cheapside, to its original state at the end of the lease. The increase in the year is due to an uplift in the dilapidation provision as at 31 December 2022. Please see Note 17 for further details.

## FEDERATED HERMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)

## 13. TANGIBLE FIXED ASSETS (continued)

The Company	Leasehold improvements and fixtures & fittings £'000	Hardware, software and equipment £'000	Total £'000
<b>Cost:</b>			
At 1 January 2022	9,074	10,190	19,264
Additions	152	-	152
<b>At 31 December 2022</b>	<b>9,226</b>	<b>10,190</b>	<b>19,416</b>
<b>Accumulated depreciation:</b>			
At 1 January 2022	4,162	9,335	13,497
Charge for the year	1,060	336	1,396
<b>At 31 December 2022</b>	<b>5,222</b>	<b>9,671</b>	<b>14,893</b>
<b>Net book value:</b>			
<b>At 31 December 2022</b>	<b>4,004</b>	<b>519</b>	<b>4,523</b>
At 31 December 2021	4,912	855	5,767

## 14. FIXED ASSET INVESTMENTS

The Group	Level 1 Investments £'000	Level 3 Investments £'000	Total £'000
At 1 January 2022	34,442	5,297	39,739
Additions	17,910	2,110	20,020
Movement in fair value	(6,357)	181	(6,176)
Realised gains	823	227	1,050
Disposals	(6,745)	(789)	(7,534)
<b>At 31 December 2022</b>	<b>40,073</b>	<b>7,026</b>	<b>47,099</b>



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****14. FIXED ASSET INVESTMENTS (continued)**

Investments held at 31 December 2022 include both Level 1 and Level 3 investments. For Level 1 investments, a publicly quoted price is available and these investments are measured at fair value through profit and loss. Level 1 investments include hedging investments in relation to deferred bonuses and seed capital in investment funds with published prices. At 31 December 2022, the Group held Level 1 investments totalling £40,073,797 (2021: £34,442,000).

Level 3 investments include seed capital in two private markets credit funds and HGPE's co-investments in their underlying funds. There is no readily available market price for these investments.

- The seed investments in the credit funds have been measured at fair value through profit and loss, however with no readily available observable market data, the cost of the investment is the most appropriate fair value. Any change in the fair value of these investments is a result of foreign exchange translation as the underlying investments are denominated in euro.
- HGPE has relied on valuations of the underlying investments approved by the separate Independent Private Equity and Infrastructure Valuation Committees (the 'ValCos') as at 30 September 2022 and adjusted based on the best available information at the year-end. This methodology is the accepted industry practice, with reference to the International Private Equity and Venture Capital Valuation guidelines 2022 ('IPEV guidelines 2022').

At 31 December 2022, the Group held Level 3 investments totalling £7,025,450 (2021: £5,297,000).

## FEDERATED HERMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)

## 14. FIXED ASSET INVESTMENTS (continued)

	Investment in Subsidiaries £'000	Level 1&3 Investments £'000	Total £'000
<b>The Company</b>			
<b>Cost / fair value:</b>			
At 1 January 2022	49,320	37,294	86,614
Additions	30,011	19,451	49,462
Realised gains	-	823	823
Movement in fair value	-	(6,176)	(6,176)
Disposals	(11,863)	(7,143)	(19,006)
<b>At 31 December 2022</b>	<b>67,468</b>	<b>44,249</b>	<b>111,717</b>
<b>Provision for impairment:</b>			
At 1 January 2022	356	-	356
<b>At 31 December 2022</b>	<b>356</b>	<b>-</b>	<b>356</b>
<b>Carrying value:</b>			
At 31 December 2022	<b>67,112</b>	<b>44,249</b>	<b>111,361</b>
At 31 December 2021	48,984	37,294	86,258

On 2 August 2022, FHL acquired an additional 30m ordinary shares at par value of £1 per share in Hermes Investment Management Limited ("HIML"). All shares issued were acquired by FHL and therefore HIML continues to be a 100% owned subsidiary.

On 16 August 2022, Hermes European Equities Limited ("HEEL"), a subsidiary of FHL was dissolved. The dissolution of HEEL resulted in a loss on disposal of £11,354,000.

The provision for impairment relates to FHL's equity investment in two of its subsidiaries, Hermes Equity Ownership Services Limited and Hermes Investments (North America) Limited; resulting from the uncertain timing as to when FHL will earn a return from these investments.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****15. DEBTORS**

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Due within one year:</b>				
Amounts due from subsidiaries	-	101,696	-	54,777
Amounts due from parent	179	177	250	250
Trade debtors	12,294	156	3,785	165
Other debtors	640	295	1,308	997
Corporation tax recoverable	988	3,336	-	2,076
Prepayments and accrued income	34,052	4,670	50,377	6,042
	<b>48,153</b>	<b>110,330</b>	<b>55,720</b>	<b>64,307</b>
<b>Due after one year:</b>				
Deferred tax	26,680	21,940	21,202	15,838
Other debtors	2,814	2,045	2,906	1,732
	<b>29,494</b>	<b>23,985</b>	<b>24,108</b>	<b>17,570</b>

Other debtors due after one year primarily comprise a deposit of \$2.3m / £1.9m lodged with the U.S. Internal Revenue Service ("IRS") in 2019. This deposit is interest bearing and callable on demand. The deposit paid to the IRS relates to the application submitted by Federated Hermes Investment Funds Plc. regarding a historical US withholding tax obligation (see Note 23).

Other debtors also comprise prepaid assets greater than one year of £0.1m and HGPE accrued revenue greater than one year of £0.6m. The accrued revenue greater than one year arises from two of HGPE's infrastructure funds which are not in a position to settle management fees until such point as the underlying assets are sold.

## FEDERATED HERMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)

## 16. CREDITORS

	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
<b>Amounts falling due within one year:</b>				
Amounts due to parent	716	575	402	345
Amounts due to subsidiaries	-	125,651	-	86,158
Other creditors	1,439	799	5,133	5,499
Corporation tax payable	-	-	330	-
Deferred income	437	81	144	144
Accruals	72,773	27,299	77,567	26,623
	<b>75,365</b>	<b>154,405</b>	<b>83,576</b>	<b>118,769</b>

	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
<b>Amounts falling due after more than one year:</b>				
Other creditors	663	663	834	834
Accruals	11,973	4,048	13,733	5,960
Deferred income	2,197	313	313	313
	<b>14,833</b>	<b>5,024</b>	<b>14,880</b>	<b>7,107</b>

Other creditors falling due after more than one year includes an unfunded retirement benefit with respect to two retired former staff members. The fair value of this liability as at 31 December 2022 was £663,000 (2021: £834,000).



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****17. PROVISIONS**

	<b>Group</b>	<b>Company</b>
	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Dilapidation provision</b>		
At 1 January	2,503	2,167
Charged to the profit and loss	55	152
At 31 December	<b>2,558</b>	<b>2,319</b>

A dilapidation provision, in respect of the work that will need to be carried out on termination of the Group's existing lease arrangements to restore both its premises at 150 Cheapside, London and 33 Gutter Lane, London, to their original condition was recognised in 2017 and 2019 respectively. At 31 December 2022, both provisions were revised following advice from a third-party specialist.

**18. PENSION COMMITMENTS**

The Group operates a defined contribution scheme. Under this scheme, the Group's annual contribution and obligation to an employee's pension is measured as, and limited to, a specific percentage of salary. Contributions to the defined contribution scheme in the year amounted to £5,569,753 (2021: £5,442,153).

**19. FINANCIAL INSTRUMENTS**

The carrying value of the Group's financial assets are summarised below:

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
		<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>			
<b>Measured at fair value through profit or loss</b>			
Fixed asset listed and unlisted investments	14	47,099	39,739
Foreign exchange forward derivative contracts	19	388	-
<b>Measured at amortised cost</b>			
Cash and cash equivalents	25	105,258	143,798
Trade and other debtors excluding deferred tax	15	50,967	58,626
		<b>203,712</b>	<b>242,163</b>

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****19. FINANCIAL INSTRUMENTS (Continued)**

A large proportion of the Group's revenue is US dollar denominated, while its cost base is primarily pound sterling denominated. The Company enters into forward contracts selling US dollars for pounds sterling on a quarterly basis. The Company does not apply hedge accounting.

The following table reflects the fair value of those open forward contracts at the balance sheet date 31 December 2022:

**Asset position as at 31 December 2022**

<b>Sell</b>		<b>Buy</b>		<b>Settlement date</b>	<b>Fair value in £'000</b>
USD '000	27,903	GBP '000	21,400	31/03/2023	(1,571)
USD '000	23,125	GBP '000	19,300	30/06/2023	296
USD '000	30,379	GBP '000	26,600	29/09/2023	1,663
			<b>67,300</b>	<b>Fair value</b>	<b>388</b>

The carrying value of the Group's financial liabilities are summarised below:

	<b>Notes</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Financial liabilities</b>			
<b>Measured at fair value through profit or loss</b>			
Foreign exchange forward derivative contracts	19	-	1,215
<b>Measured at amortised cost:</b>			
Measured at undiscounted amount payable:			
Trade and other creditors (excluding deferred income)	16	87,564	97,999
		<b>87,564</b>	<b>99,214</b>

The following table reflects the fair value of the open forward contracts at the balance sheet date 31 December 2021.

**Liability position as at 31 December 2021**

<b>Sell</b>		<b>Buy</b>		<b>Settlement date</b>	<b>Fair value in £'000</b>
USD '000	31,122	GBP '000	22,600	31/03/2022	(380)
USD '000	31,889	GBP '000	23,000	30/06/2022	(563)
USD '000	32,821	GBP '000	24,000	30/09/2022	(272)
			<b>69,600</b>	<b>Fair value</b>	<b>(1,215)</b>

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****20. CALLED UP SHARE CAPITAL**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Issued and fully paid ordinary shares of £1 each	83,592	83,592
	<b>83,592</b>	<b>83,592</b>

**21. LONG-TERM INCENTIVE PLAN**

Following the acquisition by Federated Hermes, Inc. on 1 July 2018, an LTIP was established. The LTIP awarded restricted stock units ("RSUs") of up to 10.5% of the equity of FHL to senior management; its purpose being to encourage profitable growth. The RSUs were split into two pools – Pool A and Pool B. The two pools had different vesting periods (detailed below the table).

On 14 March 2022, those employees awarded restricted stock units in FHL under the LTIP exchanged these awards for FHI Class B Common Stock. Following this exchange, FHL became a 100% owned subsidiary of FHI.

In determining the fair value of FHL in order to complete this exchange in award, a third-party valuation was carried out as at 31 December 2021. The FHL RSUs were exchanged for FHI Class B Common Stock at its closing market price on Friday 11 March 2022.

Year Granted	Number of FHL RSUs held at 1 January 2022	Number of FHL RSUs forfeited	Number of FHI RSUs disposed	Number of FHL RSUs exchanged for FHI Class B Common Stock	Number of FHI Class B Common Stock received in exchange for FHL RSUs	Number of FHI Class B Common Stock awarded	Number of FHI Class B Common Stock forfeited	Number of FHI Class B Common Stock disposed	Number of FHI Class B Common Stock held at 31 December 2022
2018 - Pool A	4,506,677	(133,482)	(422,103)	(3,951,092)	742,543	0	(73,835)	(125,008)	543,700
2018 - Pool B	1,549,234	(38,369)	(363,627)	(1,147,238)	215,610	0	0	(142,810)	72,800
2019	624,000	(90,000)	0	(534,000)	100,357	0	0	(8,793)	91,564
2020	544,100	(113,450)	0	(430,650)	80,947	0	0	0	80,947
2021	232,027	0	0	(232,027)	43,609	0	(9,397)	0	34,212
2022	0	0	0	0	0	157,500	0	(5,000)	152,500

The vested awards are available for sale from the two pools as follows:

- Pool A: 6<sup>th</sup> Anniversary (33.3%), 7<sup>th</sup> Anniversary (33.3%), 8<sup>th</sup> Anniversary (33.3%) of the grant date.
- Pool B: 4<sup>th</sup> Anniversary (50%), 5<sup>th</sup> Anniversary (50%) of the grant date.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****21. LONG-TERM INCENTIVE PLAN (continued)**

None of the outstanding awards were exercisable as of 31 December 2022. The total amount recognised as at 31 December 2022 in relation to these awards was £3,278,000 (2021: £7,290,000).

**22. NON-CONTROLLING INTEREST**

Non-controlling interest relates to HGPE Capital Limited ("HCL"), a subsidiary of Federated Hermes, Inc. and a minority shareholder of HGPE. HCL is entitled to a 22.5% economic share in the profits arising from HGPE and this is represented by the non-controlling interest included in this consolidated set of financial statements.

**23. FINANCIAL COMMITMENTS****Operating lease commitments and contractual obligations**

As at 31 December 2022, the Group's and Company's total future minimum lease payments under non-cancellable operating leases were as follows:

	<b>The Group</b>	<b>The Company</b>	<b>The Group</b>	<b>The Company</b>
	<b>Land and Buildings</b>	<b>Land and Buildings</b>	<b>Land and Buildings</b>	<b>Land and Buildings</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within one year	4,585	3,384	4,428	3,384
Between one– five years	15,190	13,536	16,005	13,536
After five years	9,703	9,587	13,238	12,972
	<b>29,478</b>	<b>26,507</b>	<b>33,671</b>	<b>29,892</b>

Operating leases with respect to land and buildings primarily relate to the London offices at 150 Cheapside and 33 Gutter Lane. Office space has also been leased by the Group in Dublin, Copenhagen, Frankfurt, Pittsburgh, New York, Singapore, Madrid, Sydney and Tokyo.

**Contingent Liabilities**

During the year the Company gave guarantees under Section 479C of the Companies Act 2006 to two wholly owned subsidiary undertakings: Hermes Assured Limited and Hermes Investments (North America) Limited. As such, both subsidiaries are exempt from the requirements of the Companies Act relating to the audit of individual accounts for the year ended 31 December 2022 by virtue of Section 479A of the Companies Act 2006.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****23. FINANCIAL COMMITMENTS (continued)****Contingent Liabilities (continued)**

As previously disclosed in each of the Group's Annual Report since 2019, Federated Hermes Investment Fund plc ("FHIF"), a FHL-managed fund, claimed a reduced rate of withholding tax on US dividends from 1 January 2013 up to 1 March 2018. An external advisor has been corresponding with the United States' Internal Revenue Service ("IRS") in respect of the issue on behalf of FHL/FHIF.

Following further discussions with the external advisor, the Directors remain optimistic of a favourable outcome. Accordingly, the existence of any obligations at 31 December 2022, is considered to be less than probable and no provision for any potential liability has been made in these financial statements.

In the event that the IRS deems that FHIF is required to make any payment relating to retrospective taxes, FHL has provided a guarantee to reimburse two of FHIF's sub-funds for taxes suffered.

Notwithstanding this, the Company has professional indemnity insurance which may be available to cover the material amount of any potential claim. As part of the application to the IRS submitted in September 2019, the Company and FHIF lodged a deposit with the IRS in respect of the withholding tax under discussion (see Note 15).

**24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating profit/ (loss)	723	4,378	16,876	(1,432)
Bank charges	(75)	(20)	(57)	(19)
Depreciation	1,818	1,396	1,734	1,397
Amortisation	3,559	-	3,684	-
Share based payments	(255)	(1,936)	7,290	4,472
Increase in provisions	55	152	286	259
Impairment of subsidiary	-	-	-	250
Decrease/ (increase) in debtors	6,591	1,699	894	(1,686)
(Decrease)/ increase in creditors	(7,447)	(14,315)	7,937	13,109
Tax paid	(410)	(102)	(1,653)	(1,629)
<b>Net cash generated/ (used) in operating activities</b>	<b>4,559</b>	<b>(8,748)</b>	<b>36,991</b>	<b>14,721</b>

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022**  
**(continued)****25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net funds at beginning of year	143,798	97,650	114,080	69,993
(Decrease)/ increase in cash in the year	(32,923)	(70,694)	30,123	29,147
Effect of foreign exchange rate changes	(5,617)	(22,200)	(405)	(1,490)
Net funds at end of year	<b>105,258</b>	<b>4,756</b>	<b>143,798</b>	<b>97,650</b>

**26. ADDITIONAL INFORMATION OF PRINCIPAL SUBSIDIARIES**

The Company and the Group have investments in the following subsidiary undertakings that principally affect the results and net assets of the Group.

<b>SUBSIDIARY UNDERTAKINGS</b>	<b>ACTIVITY</b>	<b>REGISTERED ADDRESS</b>
Hermes Investment Management Limited <sup>1</sup>	Investment management	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Real Estate Investment Management Limited	Investment management	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Private Equity Limited	Inactive	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Alternative Investment Management Limited <sup>1</sup>	Investment management	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Equity Ownership Services Limited	Stewardship and corporate governance	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Assured Limited <sup>3</sup>	Investment management	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Investments (North America) Limited <sup>3</sup>	Investment management	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Stewardship North America, Inc.	Stewardship and corporate governance	1001 Liberty Avenue, Pittsburgh, PA 15222, USA
Hermes Global Funds GP Limited	Inactive	c/o Walkers Corporate Services Limited, 87 Rory Street, George Town, Grand Cayman, KY1-9005, Cayman Islands
Hermes Pension Fund Management Limited	Inactive	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Secretariat Limited	Inactive	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Sourcecap Limited	Inactive	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes GP Limited	Inactive	Sixth Floor, 150 Cheapside, London, EC2V 6ET

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****26. ADDITIONAL INFORMATION OF PRINCIPAL SUBSIDIARIES (continued)**

Hermes Private Debt (Lux) I GP S.à.r.l.	Investment management	51 Avenue J F Kennedy, Kirchberg, L1855, Luxembourg
Hermes Private Debt (Lux) II GP S.à.r.l.	Investment management	51 Avenue J F Kennedy, Kirchberg, L1855, Luxembourg
Hermes Fund Managers Ireland Limited <sup>2</sup>	Investment management	The Wilde 53 Merrion Square, Dublin 2, Ireland
Hermes BPK Co-Investment Trustee Limited	Inactive	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Hermes Seoul GP, S.à.r.l.	Investment management	Airport Centre Luxembourg 5, Heienhaff, L1736, Luxembourg
Hermes GPE LLP <sup>1</sup>	Investment management	33 Gutter Lane, London, EC2V 8AS
Federated Investors Australia Services Limited	Investment management	Level 36, 1 Macquarie Place, Sydney, Australia
Federated Hermes Japan Limited	Investment management	4F Tekko Building, 1-8-2 Marunouchi Chiyoda-ku, Tokyo, Japan
MEPC Limited	Development and Asset Management	99 Park Drive, Milton Park, Oxfordshire, OX14 4RY
Federated Hermes European Direct Lending Fund II GP, S.à.r.l.	Investment management	15, Boulevard F.W. Raiffeisen, L-2411 Luxembourg

<sup>1</sup> Regulated by the Financial Conduct Authority<sup>2</sup> Regulated by the Central Bank of Ireland<sup>3</sup> Exempt from statutory audit by virtue of Section 479A of the Companies Act 2006

With the exception of HGPE which is part owned by our parent company, all other subsidiary undertakings disclosed above are wholly-owned subsidiaries. All active subsidiaries disclosed above have been consolidated in these financial statements.

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND STRATEGY**

The Group's activities expose it to a number of financial risks. The use of financial derivatives is governed by the Group's policies approved by the FHL Board, which provides written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

The principal financial risk exposures of the Company and the Group at the balance sheet date relate to credit, liquidity, interest rate and market risks. The Group has in place a system of controls and processes to mitigate the risks identified.

**Credit Risk**

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the entity, a consequence of both investment transactions within the funds and transactions within Group entities is the involvement of counterparties, particularly brokers. A process is in place to assess the suitability of counterparties. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. At 31 December 2022, the Group and the Company's financial assets exposed to credit risk amounted to the following:

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND STRATEGY (continued)****Financial assets**

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group £'000</b>	<b>Company £'000</b>	<b>Group £'000</b>	<b>Company £'000</b>
Cash at bank	105,258	4,756	143,798	97,650
Forward foreign exchange contracts	388	388	-	-
Owed by subsidiaries	-	101,696	-	55,027
Trade debtors and accrued income	18,056	4,818	44,470	166
Owed by parent	179	177	250	250
Other debtors	4,442	5,676	4,214	3,073
	<b>128,323</b>	<b>117,511</b>	<b>192,732</b>	<b>156,166</b>

Cash at bank is held in current accounts or placed on deposit in highly-rated liquid money-market funds or with highly-rated counterparties. Bankruptcy or insolvency of bank counterparties may cause the Company's rights with respect to the cash held by the banks to be delayed or limited. Bank credit ratings are high and are monitored by management with reference to reputable rating agencies such as Standard & Poor's, Moody's or Fitch. If the banks' financial positions were to materially deteriorate then cash holdings would be moved to other banks.

Bankruptcy or insolvency of the counterparty may cause delays in obtaining the amounts owed, or the Group may have limited rights in respect of the amounts owed. The Group manages its risk by dealing with reputable counterparties offering a low risk of default. The financial position of the counterparties is regularly reviewed. At year end, there were trade debtors totalling £496,085 that were more than 90 days past due (2021: £511,000). At the time of signing the annual report, £8,915 remains outstanding.



**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND STRATEGY (continued)****Liquidity Risk**

Liquidity risk arises as a result of the possibility that the Company may not have sufficient cash funds to meet its liabilities as they fall due.

Below is a maturity analysis of the Group's and the Company's undiscounted liabilities at the balance sheet date:

Financial liabilities	Maturity	2022 Group	2022 Company	2021 Group	2021 Company
		£'000	£'000	£'000	£'000
Owed to parent	On demand	716	575	402	345
Owed to subsidiaries	On demand	-	125,651	-	86,158
Other creditors	On demand	1,439	799	5,599	5,499
Accruals	On demand	72,773	27,299	77,431	26,623
Accruals	>12 months	11,973	4,048	13,733	5,959
Other creditors	>12 months	663	663	834	834
		<b>87,564</b>	<b>159,035</b>	<b>97,999</b>	<b>125,418</b>

The Company's liquidity risk relates to its cash dealings with clients, day-to-day trading activity, the funding of operational expenses and meeting solvency requirements as determined by the regulator (Financial Conduct Authority). The maintenance of liquidity is reported and monitored by senior management on a regular basis.

**Interest Rate Risk**

While not the primary focus of the Group, the nature of the business gives rise to large cash balances being held and consequently potentially significant interest receipts. The FHL Finance department aims to mitigate the interest rate risk by continually monitoring the cash position of the Group and seeks the optimal level of cash to place on deposit given the Group's liquidity requirements.

**Sensitivity Analysis**

If the average rate of interest was 2% higher during the year based upon the average cash position, an additional £2.2m of interest would have been earned (2021: £2.3m). A decrease in the average rate of interest would have an equal and opposite impact.

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND STRATEGY (continued)****Market Risk**

Market risk is the possibility for the Group to experience losses due to factors that affect the overall performance of the financial markets in which the Group is involved.

**Foreign Exchange Exposure**

One key factor is foreign currency exchange risk as the Group receives income and incurs expenses in foreign currencies, primarily US dollars, while its cost base is primarily denominated in pound sterling. In order to mitigate this exposure, the Company therefore enters currency forward contracts and each quarter sells US dollars to buy pound sterling (see Note 19 for further disclosures). The Group has £76.95m of foreign currency exposure on the balance sheet at 31 December 2022 of which £46.6m is US dollar denominated.

If the US dollar strengthened against pound sterling by 2%, this would result in a gain of £0.9m, while a weakening would have an equal opposite impact (2021: £0.8m). This analysis does not take account of the forward contracts in place.

**Investments**

Assets measured at fair value through profit and loss include hedging investments in relation to deferred bonuses and seed capital (see Note 14) which are subject to market price risk. The Group's exposure to market price risk as at 31 December 2022 is £47.1m.

If the price of these investments weakened by 10%, this would result in a loss of £4.7m, while an increase in the value of these investments would have an equal opposite impact.

**28. RELATED PARTY TRANSACTIONS****(a) General information and disclosure exemptions****Subsidiaries**

The Company prepares Group accounts into which its subsidiaries are consolidated. The Company has not disclosed related party transactions with wholly owned subsidiaries as it is taking advantage of the exemption in FRS 102.

**(b) Related-party transactions**

The following transactions occurred during the year with related parties:

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****28. RELATED PARTY TRANSACTIONS (continued)***Federated Hermes, Inc.*

Stewardship fees and distribution fees of £2,556,477 (2021: £1,945,361) were recognised in relation to stewardship services of which £1,320,665 remained due to the Group at 31 December 2022 (31 December 2021: £667,705). Sub-delegation fees paid to an FHL affiliate company totalled £1,697,556 (2021: nil) of which £152,357 remained payable at 31 December 2022 (31 December 2021: nil). Federated Hermes (UK) LLP, a UK domiciled subsidiary of Federated Hermes, Inc. has sub-let office space in the FHL head office at 150 Cheapside at a fee of £324,456 in 2022 (2021: £324,456). Hermes Stewardship North America, Inc. has sub-let office space in the Federated Hermes, Inc. head office at a fee of £38,261 (2021: £37,619). Other shared services between FHL and Federated Hermes, Inc. totalled a net expense to FHL of £2,329,481 in the year (2021: £531,321).

*HGPE*

Profit distributions of £3,284,996 were received by the Company from HGPE during the year (2021: £10,877,963). There was no capital contribution in the year (2021: £nil)

Net recharge from HGPE to the Company totalled £667,000 during the year (2021: £506,000). A net amount was due to HGPE from the Company totalling £304,464 at year-end (2021: £227,587).

The amounts outstanding above for Federated Hermes, Inc. and HGPE are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The following transactions occurred during the year with other related parties:

*Directors' transactions*

There were no Directors' transactions to note in either 2022 or 2021.

**Other related-party transactions**

The key management personnel are the FHL Executive Directors and the Senior Management Team.

The total remuneration for key management personnel for the period totalled £9,212,675 (2021: £6,788,000), being remuneration disclosed in Note 9 of £3,515,728 (2021: £3,588,000) and remuneration provided to other key management personnel of £5,696,947 (2021: £3,200,000).

**FEDERATED HERMES LIMITED****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2022  
(continued)****28. RELATED PARTY TRANSACTIONS (continued)***HGPE related party transactions with HGPE Key Management*

The key management personnel are defined as per the FCA SMCR regime. Total remuneration paid to key management personnel was £6,306,085 in the year (2021: £5,627,000). In addition to this, an amount of £4,712,977 (2021: £2,300,000) was distributed to key management personnel during the year by funds managed by the LLP.

**29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

Federated Hermes, Inc. is the Group's ultimate parent undertaking and controlling party, it is also the parent of the largest group for which group financial statements are prepared.

The accounts of Federated Hermes, Inc. can be obtained at its Registered Office at 1001 Liberty Avenue, Pittsburgh, PA 15222-3779, United States of America.

The accounts of FHL can be obtained at its Registered Office, Sixth Floor, 150 Cheapside, London, England, EC2V 6ET.

**30. SUBSEQUENT EVENTS**

On 13 March 2023, the Board of HGPE resolved that HGPE employees will vacate their office at 33 Gutter Lane, London and join their colleagues in FHL's head office at 150 Cheapside, London. The Gutter Lane lease has a break clause in March 2024 and therefore the period from the date of vacation to the break clause will be regarded as an onerous lease; the cost of which will be taken through the profit and loss account. The current best estimate of this onerous rental lease is approximately £0.8m.

There were no other subsequent events material to the financial statements from the balance sheet date, 31 December 2022, to the date of approval of the financial statements, 21 March 2023.