

# Execution Policy

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## GLOSSARY OF ABBREVIATIONS AND TERMS

Abbreviation/term	Definition
<b>FCA</b>	Financial Conduct Authority.
<b>Federated Hermes</b>	Federated Hermes Limited ("Federated Hermes") contains companies authorised and regulated by the Financial Conduct Authority ("FCA"). The investment management companies operating under the name Federated Hermes are; Hermes Investment Management Limited (HIML); Hermes Alternative Investment Management Limited (HAIML); and Hermes GPE LLP (Hermes GPE).
<b>MiFID</b>	Markets in Financial Instruments Directive (MiFID).
<b>OMS</b>	The Order Management System for processing client orders. Federated Hermes Limited uses Thinkfolio
<b>MTFs</b>	Multilateral Trading Facilities.
<b>SI</b>	Systematic Internaliser.

## INTRODUCTION

This document sets out the Execution Policy and approach to providing best execution to our clients, as required by the Markets in Financial Instruments Directive (MiFID) and the FCA.

MiFID requires Federated Hermes to take all sufficient steps to obtain the best possible results for clients when executing orders, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and/or any other relevant order execution consideration, whether we are executing orders on behalf of clients or placing orders with, or passing orders to, others for execution.

Based on information provided by the client as part of their investment management agreement, Federated Hermes shall take reasonable steps to ensure that a decision to trade is suitable for the client's portfolio. At all times Federated Hermes will act in the best interests of clients when executing orders.

This policy provides an overview of Federated Hermes' approach to achieving the best possible results for clients when executing orders.

## EXECUTION POLICY

### Best execution obligation

Federated Hermes will act in the best interests of clients and seek best execution when placing orders on behalf of clients. Federated Hermes has in place this Policy and procedures which are designed to obtain the best possible execution result on a consistent basis for clients, taking into account the financial instrument and the nature of the order. Federated Hermes only executes orders on behalf of Professional Investors.

### Federated Hermes' Central Dealing Desk

Federated Hermes uses the Central Dealing Desk model to ensure a separation of duties. Portfolio managers are responsible for the investment decision to trade which is then routed to the Central Dealing Desk for execution. The Central

Dealing Desk is made up of a team of experienced dealers with a wide knowledge of the markets and instruments Federated Hermes deals in. It is their job to focus on achieving the best possible execution of trades on behalf of clients. Orders transmitted to the Central Dealing Desk are passed to third parties to execute in the relevant financial markets.

For equity investment teams the Central Dealing Desk operates a hybrid dealing model using both an internal dealing desk and an outsourced external dealing desk operated by CF Global Trading UK Limited ('CF Global'). CF Global execute orders for portfolios managed by Federated Hermes' Global Emerging Markets and Asia ex-Japan equity teams as this provides local market coverage for markets which operate outside of standard UK business hours. CF Global execute orders in alignment with this Policy. Federated Hermes has oversight over and monitors the quality of execution of all CF Global trades. Where circumstances necessitate, trading on behalf of other funds can be routed via CFG with Federated Hermes approved brokers.

### Trading factors

Federated Hermes take into consideration a range of different factors when determining how to obtain the best possible result. These factors are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. For further information on the relative importance of the execution factors please see below.

Trading factor	Description
<b>Price</b>	For most liquid instruments, the price paid for the financial instrument will merit a high relative importance in obtaining the best possible result. However, in some circumstances other execution factors are more important than price in obtaining the best possible result.
<b>Likelihood of Execution</b>	In some instances, Federated Hermes' ability to actually execute the order will be the primary factor to be considered. Where, for example, the instrument is illiquid (i.e. rarely traded) or the size of the order is prohibitive, the policy will ensure that our ability to carry out the order takes precedence over other factors.
<b>Order Size</b>	The best price in a market is usually represented by the opportunity to trade in a particular size (i.e. number of shares, units, contracts etc.) which may not match the size of the client's order. Where the order is bigger than the typical quoted size, then the part of the order executed over and above the threshold may only be available at a less favourable price. This may require Federated Hermes to execute orders over the course of a day, or a number of days, with the overall order execution being expressed as an average price of all the individual executions on any given day.
<b>Costs</b>	Where explicit charges (such as exchange fees or settlement/custody costs) would make the overall consideration of the execution prohibitive (e.g. due to the cost of many small trades on an order book) then this may become the most important factor.  Implicit charges such as those factored into a pricing spread may also be a consideration.
<b>Speed of Execution</b>	The speed of execution may be an important factor for some types of orders. Speed will be a high priority for an order in liquid (i.e. frequently traded) shares in a fast-moving market.
<b>Nature of the Order</b>	Federated Hermes will take into account any other factor relevant to the order that it believes warrants consideration in terms of how that order should be executed. For example this could be simply whether it is a buy or sell order or the order has price limits.
<b>Any other relevant order execution factor</b>	Quality of settlement and risks associated with a broker could be an example of another consideration when placing an order.

## Factor weights

When assessing the best result the weights given to each trading factor are dynamic and may depend upon several variables, for example:

- The characteristics of the client
- The objectives, investment policy and risks specific to the portfolio
- The characteristics of the client order
- The characteristics of the financial instruments that are the subject of that order
- The characteristics of the execution venues to which that order can be directed

Appendix 1 provides an overview of the primary factors typically considered by Federated Hermes' Central Dealing Desk when executing orders for different types of financial instruments. Whilst these are the most typical factors considered any of the factors could apply to a specific order.

## Execution venues

An execution venue is where an order is transmitted to by the Central Dealing Desk for execution. The execution venue selected for a trade will take into account the financial

instrument and relevant trading factors. For each financial instrument in which we execute orders, the venues that we consider enable us on a consistent basis to obtain best execution are listed in Appendix 2.

We regularly assess the execution venues available and may add or delete venues in accordance with our obligation to provide the best possible execution result on a consistent basis. Federated Hermes may invest in an instrument that trades outside of a regulated market or Multilateral Trading Facility.

The venue selection for an order is impacted by an analysis of the trading factors relevant to the order and qualitative factors attributable to each venue. These qualitative selection factors for venues include:

- Ability to source natural liquidity
- Execution coverage/service
- Execution consultancy and market structure analysis
- Operational efficiency
- Product development and innovation
- Transparency and analysis tools

## Methods of execution

Federated Hermes uses a variety of methods to execute orders. The most appropriate method for an order is selected to achieve best execution at the time.

Method	Description
<b>Direct Market Access</b>	Trades can be executed using third party technology and exchange memberships to access liquidity.
<b>Algorithmic Trading</b>	We may place orders with brokers who use algorithmic trading tools to access liquidity.
<b>Direct Instruction</b>	Trade instructions can be communicated either by voice or electronic message.
<b>Request for Quote</b>	Trades can be executed using either voice or electronic communication after third party quotes have been put into competition.
<b>Programme trades</b>	Programme trades may be used to trade a slice of a portfolio. Typically these trades are used to manage investor subscriptions and redemptions.
<b>Hourly FX Fixing</b>	A published and transparent FX market fixing price. This takes place hourly.

## Liquidity Sources

Federated Hermes uses a variety of liquidity sources to transact. The most appropriate method for an order is selected to achieve best execution at the time.

Source	Description
<b>Lit</b>	Visible order book liquidity from available exchanges.
<b>Dark</b>	Invisible liquidity from available exchanges.
<b>Auctions</b>	Periodic Auctions – Liquidity from short duration auctions run periodically over the course of the day on a lit exchange order book. Open/Close Auctions – Liquidity from open/close auctions at the start and end of continuous Lit book market trading.
<b>Systematic Internalisers</b>	A systematic internaliser is an investment firm providing liquidity on an organised, systematic, frequent, and substantive basis on its own account when executing client orders.
<b>Large in Scale</b>	A large in scale waiver is offered to liquidity in the dark over a certain size, allowing trading to continue for blocks once the dark volume caps have been reached. Large in scale orders benefit from a pre-transparency waiver that is designed to protect large orders from adverse market impact and to avoid abrupt price movements that can cause market distortion.
<b>Conditional Blocks</b>	Order negotiation and execution platforms that allow market participants to trade blocks without revealing them to the wider market.
<b>Off Exchange (OTC)</b>	Most Fixed Income investments are executed off exchange where executions are transacted with the counterparty directly.
<b>Placings</b>	Block liquidity available from either primary or secondary market issuance.
<b>Hourly FX Fixing</b>	Transparent FX liquidity in which we can participate hourly.

## Cross trades

If a client's portfolio allows cross trading and if the parameters of orders between separate clients match they may be transacted with each other. The buyer and the seller benefit by having a reduced market impact and reduced costs.

## Following specific instructions from a client

Whenever there is a specific instruction from a client Federated Hermes will execute the order in line with the specific instruction. Federated Hermes will take all sufficient steps to obtain the best possible result but may be constrained by the client's instructions. This may impact the quality of execution.

## Aggregation of client orders

When multiple portfolios wish to trade in the same financial instrument at the same time, these orders may be aggregated together as a block trade to help achieve the best possible execution result for all clients. Orders will only be aggregated together if the order parameters match and there are no client restrictions on aggregating orders. Federated Hermes will ensure that orders are executed promptly and allocated in a fair manner on behalf of all investors.

## Management of execution costs

For equity trades Federated Hermes negotiate execution commission rates with executing venues to achieve a quality of service that will help achieve best execution. Federated Hermes monitor and benchmark these rates against industry surveys and market intelligence. Further negotiation may take place on larger trades where we may be able to obtain improved rates. For credit trades a separate commission is not paid as it is embedded within the bid/offer spread.

## Cash Management

Where appropriate and relevant Federated Hermes will invest available cash on behalf of clients. Facilities used for cash management purposes will be subject to a value-assessment to ensure we are seeking a competitive yield for clients.

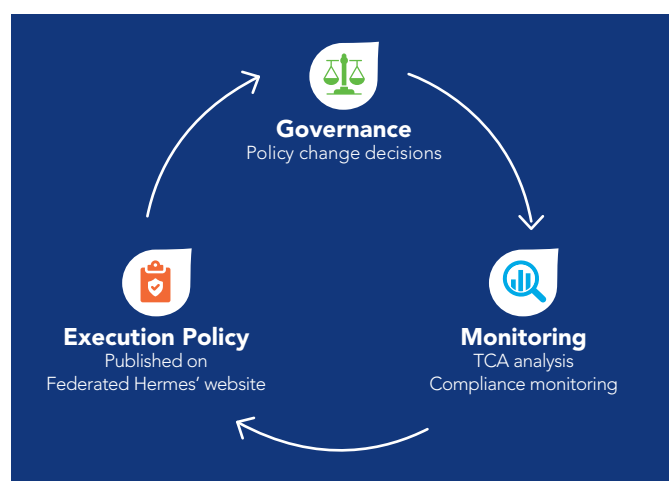
## Monitoring and review

Federated Hermes monitors the effectiveness of execution arrangements and this Policy on a regular basis. As part of the monitoring third party transaction cost analysis is used to monitor the effectiveness of Federated Hermes trading against the market. Additional monitoring is undertaken by the Federated Hermes Compliance department.

Federated Hermes uses transaction cost analysis to review and improve the quality and methods of execution.

As part of the monitoring and review process Federated Hermes will look at enhancing this Policy when appropriate. Changes may be made due to the results of the monitoring identifying appropriate changes to trading practices or due to developments within the trading environment. Figure 1 demonstrates the constant monitoring, governance and policy development process:

**Figure 1 – Monitoring and review Execution Policy**



This Policy is reviewed regularly at part of the above process and at a minimum annually. The Policy is available publicly and published on the Federated Hermes' website <https://www.hermes-investment.com/policies>

### Counterparty approval process

Trading venue approvals are subject to a formal process, owned by the independent Risk department, assessing ownership, terms of business and financial adequacy of the counterparties Federated Hermes trades with. Once approved each Counterparty is subject to regular reviews. Selection can only be made from the pre-authorized list of Federated Hermes eligible counterparties. Clients may also request restrictions on the counterparties that can be used for their segregated account.

### Conflicts of Interest

Fair treatment of clients in the execution of orders and allocation of trades is achieved by the use of standard allocation defaults on Federated Hermes' OMS and by following Federated Hermes Allocation & Aggregation Policy. This ensures that similar client mandates are managed fairly.

The OMS is also used to enforce a stop list of securities in which Federated Hermes is in receipt of price sensitive information.

There is a segregation of duty between fund managers and dealers. Fund managers are responsible for requesting orders and dealers are responsible for seeking the best possible results when placing orders.

Federated Hermes does not trade on its own investments alongside client orders. All trades are conducted to target best execution.

Federated Hermes pays for all of its own investment research.

Federated Hermes does not own any associate companies through whom it could conduct securities dealings.

**Figure 2 – Governance**



### Governance

Federated Hermes has a governance structure to oversee execution arrangements. The Federated Hermes Portfolio Review Committee (PRC) is responsible for overseeing Federated Hermes' best execution arrangements. The Chair of PRC is the Head of Investment.

Federated Hermes has a Best Execution Committee. This monitors execution and reports quarterly to the Portfolio Review Committee.

Members of PRC include the Head of Investment, Head of Compliance, Head of Risk, Head of the Central Dealing Team and representatives of the Investment Office, who provide investment risk oversight of Federated Hermes' investment teams. Any issues or enhancements identified are discussed and this Policy is updated to reflect new trading practices when required. The PRC will refer any material issues to Federated Hermes' Executive Committee and the Risk & Compliance Committee if necessary.

The Risk department is responsible for the approval and monitoring of counterparties. The Counterparty Credit Group have oversight of the approved list of counterparties.



## APPENDICES

### Appendix 1 – Appendix of instruments v factors

The following table provides a breakdown of the primary trading factors considered by Federated Hermes' Central Dealing Desk when placing an order on behalf of a client and are subject to change.

The primary factors will vary for different types of asset classes and financial instruments. Whilst these are the most consistent factors considered they may vary dependent on investment limits and market conditions at the time of a specific order. Any of the following trading factors may apply: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

Asset class	Primary factors
<b>Equity</b>	(i) Price (ii) Size
<b>Fixed</b>	(i) Price (ii) Size (iii) Likelihood of Execution
<b>Yield</b>	(i) Price (ii) Size (iii) Likelihood of Execution
<b>Cash</b>	(i) Price (ii) Size
<b>Deposit</b>	(i) Price
<b>FX</b>	(i) Price. We execute FX in the nearest hourly available market Fix. If a benchmark is missed due to unforeseen circumstances, executions are conducted in a timely fashion.
<b>Futures</b>	(i) Price (ii) Likelihood of Execution and Settlement
<b>Exchange Traded Option</b>	(i) Price (ii) Size
<b>Swap</b>	(i) Price (ii) Likelihood of Execution and Settlement
<b>Swaption</b>	(i) Price (ii) Likelihood of Execution and Settlement

The primary execution factors in the table are subject to change.

## Appendix 2 – Execution venues

Federated Hermes uses the following execution venues when obtaining best execution as defined by MiFID. This list is not exhaustive and will be subject to change and will be updated from time to time. Federated Hermes may also use other venues where it deems appropriate in accordance with this Policy to achieve the best possible execution results.

Asset class	Execution venue		
<b>Equity</b>	ABG Sundal Collier Holdings ASA	Jane Street Group LLC	
	Banco BTG Pactual SA	Jefferies Group LLC	
	Bank of America	JonesTrading	
	Bank of Montreal	JPMorgan Chase	
	Barclays PLC	KBC Group NV	
	Berenberg Bank Joh. Berenberg, Gossler & Co	Kepler Cheuvreux	
	BNP Paribas	Korea Investment Holdings Co., Ltd	
	Bradesco	Liquidnet Holdings, Inc.	
	Cantor Fitzgerald LP	Mitsubishi UFJ Financial Group Inc	
	China International Capital Corporation Ltd	Mizuho Financial Group Inc	
	CITIC Securities	MM Warburg & Co (AG & Co) KGaA	
	Citigroup Inc	Morgan Stanley & Co	
	Close Brothers Group plc	NatWest Group plc	
	Commerzbank AG	Nomura Holdings, Inc.	
	Daiwa Securities Group, Inc.	Nordea Bank AB	
	Danske Bank A/S	Nplus1 Group	
	Deutsche Bank AG	Numis Corporation Plc	
	DnB Bank Group	Oddo & Cie	
	EFG Hermes Holding Company	Panmure Gordon & Co plc	
	Goldman Sachs Group Inc	Royal Bank of Canada	
	Goodbody	Samsung Securities Co. Ltd	
	HSBC Holdings plc	Santander Group	
	ING Bank NV	Stifel Financial Corp	
	Investec Group	UBS AG	
	Itaú Unibanco Holding S.A.	Viet Capital Securities Joint Stock Company	
	J&E Davy	Virtu Financial	
	<b>Fixed</b>	Baird Financial Group, Inc.	MarketAxess Holdings Inc
		Bank of America	Mitsubishi UFJ Financial Group Inc
		Bank of Nova Scotia	Mizuho Financial Group Inc
		Barclays PLC	Morgan Stanley & Co
		BNP Paribas	Natixis
		Cantor Fitzgerald LP	NatWest Group plc
CIMB Group		Nomura Holdings, Inc.	
Citigroup Inc		Oddo & Cie	
Commerzbank AG		Oppenheimer Holdings	
Credit Agricole		Royal Bank of Canada	
Danske Bank A/S		Santander Group	
Deutsche Bank AG		Seaport Global Holdings LLC	
Flow Traders N.V.		Societe Generale	
Goldman Sachs Group Inc		Standard Chartered Plc	
HSBC Holdings plc		State Street Corporation	
Investec Group		Stifel Financial Corp	
Jane Street Group LLC		SumRidge Partners Holdings LLC	
Jefferies Group LLC		Tradeweb Markets LLC	
JPMorgan Chase		UBS AG	
Liquidnet Holdings, Inc.		Wells Fargo Bank, NA	
Lloyds Group			
<b>Yield</b>	Bank of America	ING Bank NV	
	Barclays PLC	JPMorgan Chase	
	BNP Paribas	Lloyds Group	
	Citigroup Inc	NatWest Group plc	
	Commonwealth Bank of Australia	Northern Trust Corp	
	Credit Agricole	Societe Generale	
HSBC Holdings plc	UBS AG		
<b>Cash</b>	Bank of America	JPMorgan Chase	
	Barclays PLC	Lloyds Group	
	BNP Paribas	Lombard Odier & Cie	
	Citigroup Inc	Macquarie Group	
	Commonwealth Bank of Australia	Morgan Stanley & Co	
	Credit Agricole	NatWest Group plc	
	Danske Bank A/S	Royal Bank of Canada	
	Goldman Sachs Group Inc	Societe Generale	
	HSBC Holdings plc	State Street Corporation	

Asset class	Execution venue	
<b>Deposit</b>	Bank of America Barclays PLC BNP Paribas Citigroup Inc Commonwealth Bank of Australia Credit Agricole HSBC Holdings plc ING Bank NV	JPMorgan Chase Lloyds Group NatWest Group plc Northern Trust Corp Royal Bank of Canada Societe Generale UBS AG
<b>FX</b>	Barclays PLC Commonwealth Bank of Australia Danske Bank A/S HSBC Holdings plc JPMorgan Chase	Lloyds Group Northern Trust Corp Royal Bank of Canada State Street Corporation
<b>Future</b>	Bank of America Barclays PLC BNP Paribas Citigroup Inc Goldman Sachs Group Inc JPMorgan Chase	Lombard Odier & Cie Morgan Stanley & Co NatWest Group plc Societe Generale UBS AG
<b>Exchange traded option</b>	Bank of America Barclays PLC BNP Paribas Citigroup Inc Goldman Sachs Group Inc JPMorgan Chase	Lombard Odier & Cie Morgan Stanley & Co NatWest Group plc Societe Generale UBS AG
<b>Swap</b>	Bank of America Barclays PLC BNP Paribas Citigroup Inc Deutsche Bank AG	Goldman Sachs Group Inc JPMorgan Chase Morgan Stanley & Co Societe Generale
<b>Swaption</b>	Bank of America Barclays PLC BNP Paribas Citigroup Inc	Goldman Sachs Group Inc JPMorgan Chase Morgan Stanley & Co Societe Generale

## Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns and, where possible, to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes Investment Management are now undertaken by Federated Hermes Limited (or one of its subsidiaries). We still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important strategies from the entire group.

## Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

For more information, visit [www.hermes-investment.com](http://www.hermes-investment.com) or connect with us on social media:

