

# Engagement Policy

June 2025

## Introduction

The policy sets out the approach to engagement and voting which applies to investment portfolios managed by Hermes Investment Management Limited ("HIML"), Hermes GPE LLP ("HGPE") and Hermes Alternative Investment Management Limited ("HAIML"). This policy also applies to investment portfolios managed by Hermes Fund Managers Ireland Limited ("HFML") where discretionary investment management has been delegated to HIML and/or HGPE and to all sub-funds of Federated Hermes Investment Funds plc. HIML, HGPE, HAIML and, to the extent this Policy is applicable to it, HFML are collectively referred to as "Federated Hermes" in this document.

For those investment portfolios managed by HFML where discretionary investment management has been delegated to Federated MDTA LLC, engagement insights are not incorporated into the investment process, given their fully quantitative investment approach.

We currently do not systematically or formally engage with our sovereign investments. Our investment teams may engage in dialogue with sovereigns if deemed appropriate and/or necessary.

Federated Hermes will comply with the letter and spirit of the EU Shareholder Rights Directive II and other relevant rules including the UK Conduct of Business Sourcebook rules and UK 2020 Stewardship Code.

Federated Hermes honours its responsibility as a fiduciary for investors and their beneficiaries and seeks always to act in their best interests. Federated Hermes undertakes stewardship and long-term engagement to exercise active ownership of investee companies and assets on behalf of investors, and to deliver our purpose of helping investors achieve their financial objectives. For Federated Hermes, stewardship is both a responsibility and an input to achieving responsible wealth over the long-term.

Federated Hermes takes a comprehensive approach to stewardship, engaging globally with investees and key stakeholders, in particular policy makers and regulators.

Our public markets engagement is carried out in a co-ordinated manner by our investment teams and by our in-house stewardship service provider EOS at Federated Hermes Limited ("EOS") to maximise the impact of our engagement.

Federated Hermes benefits from the long engagement history and established relationships of EOS and our investment teams in relation to both Federated Hermes investee companies and its broader investable universe, including direct assets.

The implementation of this policy is reported publicly on an annual basis. Federated Hermes provides additional reporting on its stewardship and engagement to its clients.

## Definitions

**Responsible investing** is an active approach to managing assets in the long-term financial interests of investors in which:

- due diligence considerations include both traditional performance metrics and relevant and material sustainability metrics including those relating to governance, environmental and social factors in order to provide a more expansive and deeper understanding of an issuer and the drivers of its value;
- responsibilities of ownership, including investee engagement and voting proxies in the best interest of shareholders as well as ongoing due diligence during the ownership phase, are undertaken with care and commitment.

**Active ownership** is the use of the rights and position of ownership through active engagement to influence the activities or behaviour of investee companies to further the long-term interests of investors. This consists of objective-driven dialogue seeking positive and lasting change in the governance, purpose, strategy, and operations and its relationship with key stakeholders including that of the environment and society.

**Engagement** is a purposeful, long-term dialogue between a company and its shareholders that aims to change or influence the way in which a company is run, in order to enhance the value of the firm, including where relevant and material, positive environmental and social outcomes.

**Sustainability risks** are risks which could prevent an investee's business model and performance from being sustainable (i.e., enduring). These are likely to include environmental, social or governance events or conditions that, should they occur, could cause actual or potential material negative impact on the value of the investment in the short, medium, or long term.

**ESG risks** are those risks pertaining to environmental, social and governance considerations. Whilst sustainability risks may be broader, for the purposes of this paper we have used the terms 'sustainability' and 'ESG' interchangeably.

**ESG integration** is the process in which relevant and material Environmental, Social and Governance factors are incorporated into the investment analysis in a manner that is complementary and additive to the fundamental research and analysis process.

**Active fundamental** strategies use in-depth discretionary research and analysis of securities to inform investment decisions. Portfolio managers and analysts conduct qualitative and quantitative analysis of individual companies, industries, and macroeconomic trends. They often meet with company management, assess financial statements, and evaluate competitive positioning to form investment theses.

**Active quantitative** strategies use a systematic model and data-driven analysis of securities to inform investment decisions. They use mathematical models and large datasets to identify patterns, forecast returns, and manage risk. Human discretion is limited to model design and oversight, not individual security selection.

## Our approach to engagement

As an active investment manager, we have concluded that successfully creating wealth responsibly requires a long-term approach to investment. We believe there are four mutually reinforcing strands of being a responsible investment manager: ESG-integrated investments; active ownership and management; advocating in beneficiaries' interest; and behaving as a responsible business. Together, these aim to generate responsible wealth creation for the end beneficiary investors, encompassing investment returns and their social and environmental impact.

- As responsible investors, we embrace high-active-share investing. We take a holistic approach that integrates material environmental, social and governance ("ESG") considerations alongside traditional fundamental performance factors into all of our investment products. For our active fundamental and private markets strategies, we are also able to integrate engagement insights into our investment process, something that offers our fund managers an additional vantage point with which to assess an asset's potential to deliver enduring wealth responsibly for investors. We firmly believe that our ability to mitigate ESG risks and capture the investment opportunities arising from these considerations is essential to our aim of achieving consistent investment outperformance for our clients.
- Acting as responsible owners of the assets we manage on behalf of our clients; we actively engage through dialogue with companies including on sustainability issues where they are relevant and material. We believe this is essential to build a global financial system that can deliver enduring, responsible wealth creation: improved risk adjusted long-term returns for investors including through better, more sustainable outcomes for society and the environment. Consistent with our aim to generate enduring, responsible wealth for the end beneficiary investor, our engagement is outcomes driven. We may modify or tailor our approach to engagement with companies on certain topics in line with local law and regulation in the relevant jurisdiction

## How Federated Hermes integrates engagement in its investment strategy

This section of the policy applies to our active fundamental and private markets products only. Our active quantitative products do not integrate engagement insights into their respective investment strategies.

We integrate material sustainability considerations and engagement insights into our investment processes across all asset classes. This enables us to develop a more comprehensive view of both the risk and opportunities a company is exposed to and to factor this into valuations and investment decisions.

Research and analysis by our investment teams includes an evaluation of performance on strategy, financials, material risk and ESG factors, and the interplay between these elements. Insights from engagement with company management, boards, subject specialists and other shareholders and

stakeholders – including the extent of engagement progress – is also a key input into this process and investment decisions at a portfolio and individual asset level. Such engagement is carried out in a co-ordinated manner both by our investment teams and by EOS to maximise the impact of our engagement. The public equities and fixed income teams have access to the reports on shareholder engagement carried out by EOS with investee companies and the broader investable universe and may take such information into account when making investment decisions.

Active ownership is an important pillar of our investment approach. Engagements can deliver useful investment insights (although engagers and analysts must always seek to avoid acquiring any inside information). The voting recommendations and engagement activities of our stewardship team can promote positive change within companies, unlocking hidden value and also providing a forward-looking view of sustainability and broader performance that can lead to opportunities.

In **private markets**, depending on the ownership structure of the individual investments, as a responsible steward, we will either directly manage or engage with the asset to create enduring, responsible wealth, or in the case of our **private equity team** we may engage with lead General Partners ("GPs").<sup>1</sup> ESG analysis and engagement insights are considered as part of the analysis of each potential investment. Engagement can be an important source of information about a company or asset prior to investment given the lack of publicly available data in such asset classes. ESG factors are also actively monitored after investment and where concerns arise in relation to one of our existing investments, engagement is often a means to both raise concerns with the company and seek to reduce the risk. The subject matter experts in the EOS team support the private markets teams in their engagement efforts through their sectoral and thematic ESG and sustainability expertise.

All our investment activity is supported by our Risk team and Responsibility Office, which operate and function independently from the investment teams, and with separate, independent reporting lines to the Governance Oversight Committee ("GOC"). Regular meetings are held with the investment teams to ensure proper coordination and integration of material ESG factors and – for our active fundamental and private markets products – engagement insights. The Risk team has also been effective in providing a second line of risk management as new issues emerge.

## How FederatedHermes monitors investee companies and assets on relevant matters and identifies engagement opportunities

The investment teams monitor performance and risk of investees in terms of strategy, financials, risk, material ESG factors and the overlaps between these throughout the life of the investment.

While the most pressing material risks are those that will crystallise in the short term, we are long-term investors that

<sup>1</sup> Our private equity team co-invest both directly in a selection of companies alongside other General Partners ("GPs") and indirectly through fund investments.

strive to deliver wealth creation responsibly for our end investors. This means that our definition of materiality is necessarily wider. We believe that a wider range of risks will ultimately become material over a longer timeframe and that we need to engage proactively to mitigate them.

Sustainability issues are prioritised at the sector level and we look at material areas of concern for each of the sectors and industries, with an overlay of material ESG issues by region. How this is conducted will vary by team. We disclose our approach to managing climate risk and opportunities on an annual basis in our Climate-related Financial Disclosures Report, which is available on our [Policies & Disclosures page](#).

For strategies that are able to overlay qualitative information in their investment process, this is done by using both primary and external research, as well as insights from EOS. Relevant sustainability issues – whether macroeconomic risks or those specific to that company – are then considered on a company-by-company basis, with implications for both inclusion and weighting in an investment portfolio, as well as engagement.

For our **public markets active fundamental** strategies, with regards to monitoring strategy, financial, capital structure and material ESG performance and risk, this is done through analysis of company reports, broker interactions, meetings with management, use of media and third-party research, engagement meetings, and interaction with and monitoring of peers, competitors, customers and suppliers. Each investment team is responsible for looking at the financial performance, risk and the capital structure of investee companies. When a concern is identified, this will inform engagement and investment decisions.

In addition to external research providers, the investment teams and EOS have access to a number of proprietary resources which enable them to pinpoint environmental, social and governance risks at both the company and portfolio level, which may then inform subsequent engagement and investment decisions. For public markets, on social and environmental impact and corporate governance issues in particular the monitoring is informed and supplemented by the engagement and voting recommendations provided by EOS. The investment teams have access to the engagement management database which records the outcomes of EOS engagement meetings, the progress on specific objectives and all voting recommendations EOS makes for Annual General Meetings (“AGMs”).

For our **public markets active quantitative** strategies, the respective quantitative model constructs the portfolio by considering fundamental and relevant ESG factors—including evidence of controversies relating to corporate governance, labour rights, staff remuneration, and tax compliance.

For all of our **public markets** strategies, we adopt a systematic approach to identifying companies for engagement. We select companies and tailor the intensity of engagement based on the size of our investment, materiality of the risks and issues and feasibility of achieving change through engagement. The investment teams’ input into the process to ensure that due attention is paid to materiality considerations. We believe that this enables us to most effectively serve our clients’ needs by focusing our efforts on

where they are needed the most and can have the most impact. We may also engage with a company or asset in response to a newly identified risk or opportunity.

For our **private market** strategies, engagements are prioritised according to the exposure of the portfolios. Material financial, strategic and ESG issues will often form part of engagement with the company prior to investment and once invested. The ESG subject matter expertise of EOS as well as specialist team members within our private market teams, helps the private market strategies to stay abreast of key sustainability trends in relevant sectors which informs the investment teams’ own engagements with investee companies and assets.

Our **real estate business’** ESG team has a comprehensive monitoring programme to measure, monitor and report on the ESG performance of real estate assets, working with the internal investment team, property management teams and ESG consultants. ESG and engagement information continue to be integrated into the development and monitoring of our real estate assets after purchase. The team has a series of procedures and tools to assess, monitor and manage social and environmental risks and opportunities in the real estate portfolio, which informs the objectives of our engagement. The team also engages with various tenants to explore their sustainability ambitions and explain our ESG targets.

In our **infrastructure team**, the asset management team for each investment is responsible for the ongoing monitoring of the investment including annual strategic reviews, the semi-annual valuation process and investor reporting, and engagement at the portfolio company-level, through Board representation on operating or holding companies, as applicable. Post initial acquisition, annual strategic reviews provide a status update of each investment, investment performance to date, key valuation metrics and outlook, and key risks and opportunities, informing our strategy at asset and at portfolio-level. Strategic reviews incorporate an assessment of sustainability risks, opportunities and impacts. Progress against objectives is subject to detailed semi-annual reviews.

Our **private equity team** takes a risk-based approach to effectively identify, monitor and manage ESG risks, opportunities and impacts identified across its portfolio. Our private equity team co-invest both directly in a selection of companies alongside other GPs and indirectly through investing in funds. For direct co-investments, we receive quarterly reports from the GP that include both financial information and qualitative data. These reports often contain ESG information. In addition to this, we often have a quarterly call with the GP where we discuss the reports and any other topics we wish to raise. For fund investments we also receive quarterly reports and are invited to participate in AGMs. In a minority of cases we are part of the limited partner advisory committee (“LPAC”) and hence part of the fund’s governance structure. We can raise issues with managers in those forums or bilaterally. Engagement objectives are focused on the assets with higher identified ESG risks.

Following the completion of an investment in the **private debt strategies**, risks – including material ESG risks – are

monitored for any changes. Should a material ESG-related issue arise during the life of the investment, the investment team would engage with the relevant party to devise a strategy to mitigate or rectify the issue.

### How Federated Hermes conducts dialogues with investee companies

Federated Hermes has a well-established outcomes-based philosophy that underpins our approach to engagement and stewardship. There are clear and well-established protocols on how to identify engagement objectives, to escalate and to measure an engagement's effectiveness.

In **public markets**, the majority of dialogues that form Federated Hermes' engagement with investee companies identified for focused engagement are conducted by its stewardship services team, EOS. Members of EOS may be joined by relevant portfolio managers or analysts from our investment teams. Our investment teams also regularly discuss salient sustainability issues with company management directly. The Responsibility Office ensures that our investment teams and EOS work closely together with a joined-up approach.

Federated Hermes adopts a systematic approach to identifying companies for engagement. We select companies and tailor the intensity of engagement based on the size of our investment, materiality of the risks and issues, and feasibility of achieving change through engagement.

Dialogue with investee companies is conducted through meetings, calls, letters or emails, either directly or as part of a collaborative group. The nature and frequency of the dialogue depends on the location of the company, stage of engagement, materiality of the issue and willingness by the company to engage. Federated Hermes uses its own relationship to initiate and progress engagements on the majority of cases, whether through the investment teams or EOS. This is in addition to attending meetings facilitated by intermediaries. The majority of dialogues are conducted with the board of directors, executive teams, corporate secretary, subject specialists or investor relations.

We escalate the intensity of an engagement activity over time, depending on the nature of the challenges each company faces and the attitude of the board towards our dialogue.

Generally, our engagement activity becomes more active where we believe engagement will lead to an increase in or prevent/limit a decrease in the value of a company over the long term. While we can be robust in our dealings with companies, the aim is to deliver value for clients, not to seek headlines which could undermine the trust that we believe should otherwise exist between a company and its owners. As a result, we generally prefer to conduct engagement privately rather than taking a public route when seeking change at companies. However, on the occasion that we should not be able to achieve success by using our usual methods of conversations behind closed doors, we may escalate our engagement by choosing to speak publicly at the company's annual shareholder meeting (to garner additional investor support and add further pressure). When doing so,

we would normally notify a company in advance. We may also vote against a resolution or management/the board at a company's annual shareholder meeting. Such choices are carefully considered, as this technique is only used if our usual engagement approach has consistently stalled, and we are not confident that the company is taking any action to address our concerns.

Within private markets, our **real estate team** has an extensive community and occupier engagement programme. The investment team works with our property and asset managers on site to engage with the delivery teams, tenants, occupiers and visitors.

As an active investor, the **infrastructure team** engages directly with portfolio companies at all levels, on a range of issues whilst maintaining an appropriate level of executive accountability. We set engagement priorities annually in an integrated approach with wider non-sustainability objectives. Progress against engagement priorities is reviewed regularly. Our infrastructure team is primarily a minority shareholder in operational businesses, at which we engage via the governance structure at multiple direct levels – during day-to-day asset management with operational teams, as board and or committee member and as shareholder. Where we have majority shareholder investments, we may engage directly with Operations and Maintenance ("O&M") providers in the day-to-day running of the assets.

In **private equity**, for a small proportion of our assets where the team have some control and/or the ability to influence company decisions directly, we seek to work closely with investee companies to monitor, challenge and improve performance. We engage with the lead GP and management team on a regular cadence (quarterly or yearly, depending on the severity of the risk) to monitor the risk and engage on potential outcomes. However, in almost all cases our team has limited control and/or ability to influence decisions directly (whether for co-investments or fund investments). In these instances, the team will work closely with the lead GPs to assess, monitor, and seek to improve performance of the underlying investee companies. Where we believe there are significant ESG risks we will ask the lead GP to address these. Whilst we have no formal rights in this situation and the assets are illiquid, we seek to leverage on our relationship with the GP to have a constructive discussion. The GP would then typically engage with the company management.

Our **private debt teams** focus on identifying current and potential meaningful ESG risks before investing, due to the difficulty of divesting and the capped upside. Because of the current limitations in third-party data, the teams use more qualitative information – often gained through dialogue with the borrower – as well as information contained in the due diligence packs. However, the direct lending team, where relevant and appropriate, will seek to include requirements for ESG-related reporting for key ESG data points for a borrower or ESG-related undertakings to progress changes at the borrower in the loan documentation. Should an ESG issue arise during the life of the investment, the investment team will seek to engage directly with the borrower. The ESG subject matter expertise of EOS informs the investment teams' own engagements with investee companies and assets.

## How Federated Hermes exercises voting rights and other rights attached to shares

Federated Hermes views the exercise of shareholder rights as part of its fiduciary duty and a responsibility of effective stewardship. We are fully cognisant that we, as shareholders, are granted a wide range of rights which both offer us a level of protection and enable us to fulfil effectively our stewardship responsibilities. In particular, we consider the vote as part of the asset and accept that we have a responsibility to exercise this right in a considered fashion.

Federated Hermes' voting and engagement are co-integrated as part of its overarching approach to stewardship. As such our voting decisions as well as EOS' voting recommendations to clients are informed by the insights and experience from engagement with the investee company, and the outcomes of voting also inform engagement.

Federated Hermes uses the services of EOS to provide voting research and recommendations that inform Federated Hermes' exercise of voting rights. As such our voting decisions are primarily based on the EOS Regional Voting Guidelines, Corporate Governance and Remuneration Principles, which inform both EOS' Global Voting Guidelines and Federated Hermes' Global Voting Policy and Guidelines. Please refer to the EOS literature section of the Federated Hermes website for further information.

Votes are escalated, including to the executive team where needed, where they are especially significant for the company, complex, or where a disagreement or potential conflict of interest arises with the recommendation received from EOS. The investment teams make the final voting decision in line with their fiduciary obligations to clients, based on the voting recommendation provided by EOS. In those limited circumstances where a conflict over our approach to voting (aside from that directed by client specific policies) or engagement arises -including a disagreement on the appropriate voting action – the matter will be logged and escalated for consensus to be reached at the director level.

If the matter cannot be resolved in this way, it is referred to an 'escalation group' whose composition is the same as the Sustainability Regulations and Stewardship Oversight Committee ("SRSOC"). The group is guided in reaching its decisions by Federated Hermes' mission to deliver enduring, responsible wealth creation, voting policies and other appropriate industry endorsed guidance. If there is no majority view of the group, then the CEO will make a final decision. If such an instance were to occur, it would be documented and reported to Federated Hermes' Risk, Compliance and Financial Crime Committee.

Federated Hermes may attend AGMs of investee companies or arrange for representation at AGMs by EOS. This can include asking questions or making statements to the board. Federated Hermes may also file or co-file shareholder resolutions.

The exercise of all voting rights is based on an evaluation of materiality and an analysis of costs and value.

In the **infrastructure team**, formal voting responsibility (to the extent applicable) is exercised by asset management leads

(shareholder consents), appointed board directors (board voting) and appointed committee members (committee voting). The asset management lead at each asset is responsible for escalating matters which are material to strategy, value or reputation to the infrastructure investment committee on a case-by-case basis. The infrastructure team have representation on the board of directors of most of our portfolio companies. Where we have board representation, board representatives are asked for approvals at and between board meetings.

## How Federated Hermes cooperates with other investors

Federated Hermes sees value in both direct and collaborative engagement, and it is the combination of both which leads to the most influence and effective stewardship. Federated Hermes may collaborate with other investors when this may be beneficial for the engagement and influencing the actions and governance of investees. We seek collaboration where interests are aligned, and the objectives are based on material issues. Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert.

## How Federated Hermes communicates with relevant stakeholders of the investee companies

In order to succeed in the long run, we believe that companies will need to effectively manage relationships with key stakeholders. Our stewardship activities may include discussions with relevant stakeholders of investee companies, such as industry bodies, policymakers, regulators, customer groups, employee groups and civil society organisations.

All of our activities are supplemented by our belief in transparency, and our public reporting may also be of value to relevant stakeholders.

## How Federated Hermes manages actual and potential conflicts of interests in relation to the firm's engagement

We actively identify, report and mitigate conflicts of interest in our engagement activities. When any staff member recognises a potential conflict of interest with a company in which they are engaging, they must raise this with their line manager. Potential conflicts of interest may arise in relation to engagement or voting relating to a holding in our own shareholders Federated Hermes, Inc. or clients or the sponsors of pension fund clients.

We have internal procedures to regulate the processes and restrict the flow of information among, and within, business units so that activities are carried out with the appropriate level of independence.

In our engagements with companies which are the sponsors of, or in the same group as, our clients, we are careful to protect and pursue the interests of all of our clients by seeking to enhance or protect the long-term value of the companies concerned. In the first instance, we make clear to all pension fund clients with corporate sponsors that we will treat their

sponsoring companies in the same way as any other company. In addition, we ensure that in such situations the relevant client relationship director or manager within Federated Hermes, including EOS, is not leading the engagement or making the voting recommendation to clients or our investment teams. This same approach would hold true with respect to any engagement with a company with whom we, our owners or our clients, have a strong commercial relationship, including suppliers. If we become aware of potential conflicts, they are disclosed, if necessary, to the company concerned to enable them to be managed effectively. We also have policies that seek to avoid any potential conflicts for individual staff members of Federated Hermes that arise from engagements with companies in which individuals have personal investments or some material personal relationship with a relevant individual. Where a staff member has a personal connection with a company, they are required to make this known and they are not involved in any relevant engagement activities.

EOS is fully owned by Federated Hermes Limited. The Head of Responsibility of Federated Hermes Limited, who leads EOS, reports to the CEO of Federated Hermes Limited. Any conflict which may arise between clients of the EOS service and other clients of Federated Hermes will be addressed in a similar way to conflicts between any of our clients.

Please refer to the Federated Hermes Stewardship Conflicts of Interest Policy, available on our [website](#), for further detail.

Our **real estate business** has formal procedures to deal with conflicts of interest. Where there are any potential conflicts of interests related to the allocation of real estate investments between client portfolios, the allocation decision will be approved by the FHL CEO of our real estate business and the rationale for the allocation set out in the papers presented to the investment executive for formal approval. Any other type of potential conflict of interest would be reported to and dealt with by our real estate Board, or the appointments committee for matters relating to our Federated Hermes Property Unity Trust ("FHPUT") fund.

### Further information

Annual reporting on our engagement and voting activities is available on the [Policies & Disclosures page](#) of our website, as well as under the [Insights](#) section.

Please refer to the [EOS literature section](#) on the Federated Hermes website as Federated Hermes' appointed stewardship services provider for further information on our stewardship approach and activities.

## 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.

## Our investment and stewardship capabilities:

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

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

