

Hermes Investment Management Limited

MIFIDPRU 8 DISCLOSURES REPORT 2026

Reporting Period: 01 January 2025 to 31 December 2025

Based on Financial Data as of 31 December 2025

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1. Overview

1.1 Introduction

Hermes Investment Management Limited's ("HIML" or the "Firm") principal activity is investment management. The Firm's primary purpose is helping beneficiaries invest and retire better by providing world-class active investment management services and the Firm is guided by its conviction that responsible investment is the best way to create long-term sustainable wealth for our clients. HIML also acts as the sub-delegated investment manager for a number of the Federated Hermes Limited ("FHL") Group entities; notably, Hermes Fund Managers Ireland Limited ("HFMI") and to a lesser extent Hermes Real Estate Investment Management Limited and Hermes Alternative Investment Management Limited.

Federated Hermes, Inc. ("Federated Hermes"), a leading investment manager that is publicly listed on the New York Stock Exchange, is the ultimate parent undertaking of HIML. Federated Hermes is also the ultimate parent undertaking of Federated Hermes Limited ("FHL") of which HIML is a subsidiary (together with other relevant subsidiaries of FHL, comprising the "FHL Group").

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

1.2 Purpose and Frequency of Disclosure

This document discloses certain information regarding the Firm's financial resources, risk exposures, and related processes and arrangements. These disclosures are required by the FCA's Investment Firms Prudential Regime ("IFPR") as set out in the Prudential sourcebook for MiFID Investment Firms within the FCA Rules ("MIFIDPRU").

This IFPR report sets out the disclosures for HIML, a "MIFIDPRU investment firm" that is a non-small and non-interconnected ('Non-SNI') firm, based on financial data as of 31 December 2025. Unless otherwise stated, the financial information and related disclosures are based on financial data as at, and for the year ending, 31 December 2025 and on the Internal Capital Adequacy and Risk Assessment ("ICARA") based on financial data as at and for the year ending 31 December 2024 which was finalised as of September 2025. It has been produced solely for the purposes of satisfying the IFPR disclosure requirements. The disclosures are not subject to audit and do not constitute any form of audited financial statement. Therefore, the information set out should not be relied upon in making judgments about the Firm.

Frequency of Disclosure

The Firm will review and publish the IFPR disclosures annually on the date on which it publishes its annual financial statements for the prior financial year¹ and will consider making more frequent public disclosures where particular circumstances warrant it. This may apply in the event that a major change to HIML's business model has taken place. Each year's financial statements are made in respect of the period to the prior 31 December.

This document can be accessed on the Firm's website under Policies & Disclosures:
<https://www.hermes-investment.com>

1.3 UK Consolidation Group

HIML is part of a larger group of companies that are required to be treated as a consolidated group for the purposes of prudential supervision under MIFIDPRU (the "UK Consolidation Group"). The UK Consolidation Group consists of several regulated and non-regulated entities that are structured under a parent undertaking, Federated Holdings (UK) II Limited. The parent undertaking is a private limited company incorporated under the laws of England and Wales. The disclosures set out in this report are made on a solo basis for HIML.

1.4 Recent Significant Changes

There have been no significant changes to the principal activities conducted by HIML during 2025.

¹ In line with MiFIDPRU 8.1.10R

2. Governance Arrangements

2.1 Board of Directors

The HIML Board of Directors (the "HIML Board") has ultimate responsibility for the management of HIML. Its responsibilities include, amongst other things, strategy, business planning, risk management and control, oversight and monitoring of investment performance, and overseeing delegated functions. The HIML Board meets at least quarterly. The HIML Board will also review and approve, at least annually, the ICARA process and the disclosures set out herein.

The table below details the members of the HIML Board and their role within the wider Federated Hermes Group, as well as the directorships held. It excludes directorships held in organisations which do not pursue predominantly commercial objectives (e.g. charitable organisations) and directorships of entities within Federated Hermes.

Board of Directors Members	Number of directorships <i>(Excluding excepted appointments)</i>	Directorships of Federated Hermes funds
Saker Nusseibeh CBE, Chief Executive Officer FHL	0	0
Greg Dulski, Chief Regulatory Officer and Head of Government Affairs FHL	0	10
Rich Novak, Principal Accounting Officer FHI	0	0

Changes to HIML Board of Directors members

Directors
Rich Novak, Principal Accounting Officer FHI (Appointed 28 May 2025)
Chris Taylor, Chief Executive Officer Real Estate (Resigned 09 June 2025)

2.2 Governance Committees

HIML (as well as FHL and certain other subsidiaries within the FHL Group) have delegated authority to the Governance Oversight Committee (a committee of FHL), which in turn has established a series of sub-committees. The committees supporting the HIML Board include the following:

- *Governance Oversight Committee* - This Federated Hermes Limited Committee is authorised to oversee the key business activities of HIML including overseeing the work of HIML's departments, business units and senior personnel, and overseeing HIML's compliance with applicable law and regulation. The Governance Oversight Committee refers or escalates material matters and decisions to the Governing Body.
- *Remuneration Assurance Committee* - The remit of this Federated Hermes Limited Committee is to ensure remuneration arrangements and decisions for HIML are consistent with the approach to remuneration across the Federated Hermes group, to oversee the remuneration arrangements of HIML, and to provide assistance to the Board to enable it to satisfy applicable regulatory requirements under the FCA Rules.
- *Risk, Compliance & Financial Crime Committee* - Federated Hermes Limited has established this committee and sub-committees to support the wider group, including HIML. Together, they have an active role in ensuring that risks are managed in accordance with the Firm's Risk Management Policy.
- *Product Oversight Committee* - This Federated Hermes Limited Committee is authorised to oversee HIML's compliance with regulatory requirements relating to its products, focussed on product and distribution governance. This includes undertaking periodic reviews of products on an ongoing basis, overseeing regular assessments of value of the UK authorised funds managed by HIML, and supporting compliance with regulatory product and distribution oversight obligations. The Product Oversight Committee will escalate relevant product and distribution matters to the Governance Oversight Committee and Board as appropriate.
- *Liquidity & Valuations Committee* - This Federated Hermes Limited Committee is authorised to oversee and make decisions regarding the valuation of the portfolios managed by HIML. The committee assists the Board in overseeing HIML's adherence to valuation policies, addressing emergency valuation situations such as the fair value of investments, aiding in formulating valuation methodologies and policies, oversight of pricing vendors, and evaluating portfolio investments.

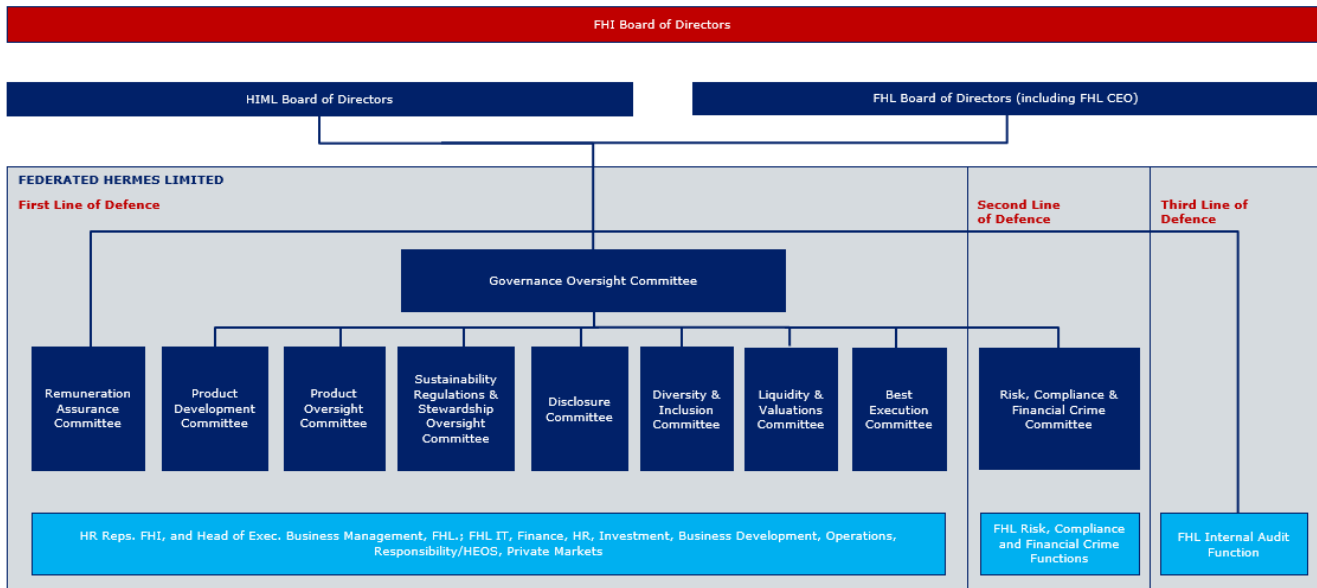
The HIML Board and committees are supported by other functions within the Federated Hermes group. These include four units whose purpose is to assist the Board in carrying out its oversight duties. These units are:

- *Legal* - Responsible for overseeing legal and regulatory matters for funds and business and the primary liaison with outside counsel.

- **Compliance** - Responsible for monitoring all investment activities, for compliance with fund investment policies, legal regulations, corporate policies and procedures and for liaising with regulators.
- **Internal Audit** - Responsible for evaluating and testing the effectiveness of internal controls, and the business process adherence to corporate policies and procedures.
- **Risk** - Responsible for identifying and monitoring risk and overseeing risk mitigation.

These units each report regularly to the HIML Board regarding matters within their responsibility. Any material breaches or significant issues are promptly brought to the attention of the HIML Board.

The table below shows the FHL governance committee structure.



2.3 Culture and Diversity

Culture is a strategic priority of the FHL Group, including HIML, which recognises its importance in the way that the FHL Group does business. It shapes the firm-wide values (as reflected in [Federated Hermes Pledge](#)) that are used to prioritise risk management awareness, behaviours and practices. Risk culture is a subset of the broader organisational culture of the FHL Group and is reflected in the values and behaviours the business displays when managing risk. These include a series of guiding principles that govern the day-to-day conduct of all its people and organisations acting on its behalf, supported by specific risk related policies which require the FHL Group to act in a responsible manner.

Diversity Statement

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

Further information regarding FHL's Diversity and Inclusion approach can be found on FHL's website at Diversity and Inclusion.

3. Risk Management Framework

3.1 System of Risk Governance

The FHL Risk Management Framework ("RMF"), details the risk governance, risk management processes and risk appetite that apply to FHL and its FCA regulated subsidiaries including HIML. The HIML Board has adopted the relevant RMF processes and procedures as summarised herein.

Effective risk management is fundamental in the execution of FHL's strategy. The firm's approach to risk management must be both well embedded and rigorous; and, as the economic and political environment in which FHL operates continues to change, should be sufficiently broad and dynamic to respond to these changes.

FHL has in place a system of governance that promotes and embeds:

- 1) clear ownership of risk;
- 2) processes that link risk management to business objectives; and
- 3) proactive subsidiary boards/governing bodies, governance committees and a Senior Management Team ("SMT") who provide oversight of risks.

Mechanisms and methodologies to review, discuss and communicate risks are in place together with risk policies and operating standards to enable risks to FHL and its subsidiaries to 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 the FHL Group and the relevant subsidiary (including HIML) risk appetite and approach towards risk-taking.

FHL's risk governance arrangements are based on the 'three lines of defence' ("LOD") model, comprising business unit risk taking and management (1LOD), risk control and oversight (2LOD), and independent assurance (3LOD). The aggregate FHL-level exposure to its key risk drivers is monitored and managed by FHL's Risk, Compliance and Financial Crime function, which is responsible for reviewing, assessing, providing oversight and reporting on FHL's, and its subsidiaries, risk exposure and risk appetite positions.

Primary responsibility for ensuring effective control and monitoring of risk lies with the first line business units.

3.2 Risk Management Framework

Risk Management Principles

The risk management principles defining the risk and control governance within the FHL Group (including HIML) are as follows:

- Organisational structure – FHL maintains an appropriate and transparent organisational structure with clear allocation of responsibilities and delegated authorities.
- Three Lines of Defence Model – FHL’s approach to risk management is consistent with the ‘three lines of defence’ model, which aims to ensure that the appropriate segregation of duties, oversight and challenge occurs on material decision making.
- Risk Appetite Framework – Following approvals from the Governance Oversight Committee (“GOC”) and Risk, Compliance and Financial Crime Committee (“RCFC”), the HIML Board will review and approve the Risk Appetite Framework (including the risk appetite trigger limits). This is discussed further in Section 4.
- Risk Management Cycle – FHL operates an effective risk management cycle to identify, measure, manage, respond, monitor and report on risks on an on-going basis.
- Policies and Procedures – FHL maintains policies and procedures to facilitate the implementation and monitoring of the requirements in the RMF and meet internal, legal and regulatory requirements for risk management across the business.
- Risk Culture – FHL has a risk culture that promotes appropriate conduct and deploys adequate and appropriate training, skills and resources in respect of risk management.

Risk and Harms Identification

FHL’s Risk Taxonomy² applies to FHL and its subsidiaries (including HIML) and is aligned with the parent company’s (Federated Hermes, Inc.) taxonomy incorporated into the FHI RMF. The taxonomy comprises of a list of the principal risks the business faces, categorised into specific risk categories. It is the foundation of FHL’s RMF - as it facilitates the consistent and comprehensive identification, management and reporting of risks across the business, and supports the aggregation of risks and identification of common risk trends (e.g. in the recording and assessment of risk events). It also forms the consistent structure to which risk appetite frameworks and risk policies are set and developed. Based on the foundation of the Risk Taxonomy, FHL’s risk and harm identification comprises of three key processes:

1. **Top-Down Risk Identification:** FHL’s risk identification takes place throughout the year and includes processes such as the ICARA, and the horizon-scanning performed as part of FHL’s emerging risk management process.
2. **Bottom-Up Risk and Harm Identification:** Risks inherent in daily operations and strategic pursuits are identified as part of the Risk and Control Self-Assessment (“RCSA”) process, which provides the bottom-up foundation for risk identification and assessment in all areas of the business. Risk exposures and the effectiveness of mitigating controls are periodically assessed and any material risk issues arising are regularly examined and reported through risk reporting

² Last updated in 2025 to more accurately reflect the risks that the business currently faces and to align with FHI’s Global Risk Framework.

and management information. The bottom-up process of risk identification is performed by the business functions annually who identify, assess and document risks, with appropriate coordination and challenge from the FHL Risk function.

Themes, risks and issues identified bottom up through business function level RCSAs have an escalation route up (via Risk MI reporting produced for the RCFC and the GOC) in order to provide visibility of potential newly emerging threats or connected risks that may require consideration and management action.

Furthermore, the risk and harms assessment (which is a core input into the ICARA process for HIML) considers sources of harm identified for HIML. The harms assessment will develop in line with the risk identification and RCSA processes in order to ensure consistency and will inform management's approach to determining the own funds and liquidity required to mitigate the risk of harm.

3. **Emerging Risk Identification:** In order to reinforce the identification of risks and harms posed by FHL, the identification of risks benefits from horizon scanning to identify emerging risks. Whilst the impact and potential likelihood of such risks impacting FHL may be difficult to quantify due to their emerging nature, it is important to consider them and determine whether these need to be monitored and whether mitigation measures potentially need to be prepared.

Material Risk and Harms

Financial risk: Market, Credit and Liquidity

Market risk is the risk of losses arising from fluctuations in the value of assets or liabilities as a result of movements in factors such as market prices, interest rates and foreign exchange ("FX") rates, or an issuer's credit worthiness. HIML does not trade on its own account, and therefore does not have significant market risk exposure. The potential for harm includes HIML's exposure to market risk from changes in FX rates where income and/or expenses are denominated in a foreign currency. HIML is also indirectly exposed because the income it earns is dependent on the value of assets under management, which is subject to market fluctuations.

Credit risk (also known as default risk) is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. It may arise from a counterparty failing to settle an open or unsettled transaction (counterparty credit risk) or where the entity issuing an instrument defaults on repayment (issuer credit risk). The potential for harm arises principally from the possibility that a credit event or settlement issue may negatively impact the value of clients' portfolios, which could result in the loss of clients, difficulties in attracting new clients and reputational damage.

In relation to HIML (rather than portfolios under management), **liquidity risk** is the risk that the Firm may be unable to meet short-term financial demands. Liquidity issues may impact the ability to conduct day-to-day operations. This is not considered to give rise to a material potential for harm in relation to HIML as its financial position is healthy and its anticipated requirement for liquid resources, even in a wind-down scenario, is more than covered by cash held and revenues that would continue to be received.

Non-financial risk: Operational, Regulatory and Reputational

As an asset manager, HIML is exposed to operational risk. **Operational risk** is the risk of loss resulting from inadequate or failed internal processes or information technology systems, or from people or service providers, or from external events. The potential for harm is that operational risk may impact the ability of HIML to carry on its business and may ultimately lead to the loss of clients.

Concentration risk refers to the risk that may arise where the business of a firm is exposed to dependencies that are not diversified. The potential for harm is that where there is concentration, there may be a risk of contagion if an issue arises (e.g. a product whose client base is concentrated in a small number of large clients may be susceptible to disruption if one or more clients redeem). To mitigate this risk, the activities of large clients invested in particular investment strategies managed by HIML is monitored on a continuous basis.

Business risk is the risk that HIML will have lower than anticipated profits or experience losses. The potential for harm is that business risk may impact the long-term viability of the business. In relation to the business risks associated with investment decisions, the Firm mitigates business risk by ensuring investment decisions are taken by experienced investment professionals within a systems and controls environment addressing risk, compliance and other matters, and subject to oversight by control functions, senior management and ultimately the HIML Board. Significant redemptions are escalated to senior management and relevant functions, as are any complaints and material feedback from clients and counterparties. Senior management directly oversee the Firm's business and are empowered to take action if required.

The FHL RCSA process currently identifies risks and ties them into the risk taxonomy from which the related risk appetite statements are driven along with an assessment of how those risks may manifest themselves in terms of harm to the FHL Group, clients and the market. The key sources of operational, regulatory and reputational risks affecting HIML, which currently form the basis of the non-financial risk and harm scenario capital calculations include:

- Inadequate or failed internal and external processes, IT/Systems issues or human error (e.g., trading/FX and pricing errors, data protection breaches, third-party disruption, inadequate change management).
- Significant regulatory or governance breaches (e.g., failure of Financial Crime and Fraud controls).
- Reputational impacts driven by actions, communication or behaviours which are not aligned to our corporate values (i.e., the Federated Hermes Pledge) or our approach to sustainability (e.g. not acting in accordance with public sustainability disclosures).

Arrangements to Mitigate Material Risks and Harms

Financial risk mitigants

As noted above, the main source of **market risk** for HIML is its exposure to market risk from changes in FX rates where income and/or expenses are denominated in a foreign currency, and the indirect exposure to market fluctuations. To mitigate this, HIML has robust systems and controls in

place to monitor market risk. Investment portfolios are closely monitored and reviewed, with appropriate escalation procedures in place.

Regarding **credit risk**, HIML has in place a prudent internal credit quality assessment procedure. Issuers and counterparties are subject to initial and ongoing reviews, and HIML ensures that there is no mechanistic reliance on external credit ratings. FHL Group and the Firm manage and control credit risk exposures according to the FHL Group’s counterparty risk appetite.

In relation to **liquidity risk**, HIML closely monitors the liquidity of its capital resources, as well as operational performance and fee revenues and expenses in order to anticipate requirements for liquid assets. The Firm has procedures in place to ensure it has sufficient liquid resources, including for a wind-down scenario.

Non-financial risk mitigants

In mitigating **operational risk**, HIML has in place robust policies and procedures. The operating infrastructure is subject to ongoing oversight by control functions, including the Risk, and Internal Audit functions, and ultimately by the HIML Board. HIML carefully monitors its operating environment, including the activities of outsourced services providers.

For **concentration risk** the activities of large clients invested in particular investment strategies managed by HIML is monitored on a continuous basis.

In relation to the **business risks** associated with investment decisions, the Firm mitigates business risk by ensuring investment decisions are taken by experienced investment professionals within a systems and controls environment addressing risk, compliance and other matters, and subject to oversight by control functions, senior management and ultimately the HIML Board. Significant redemptions are escalated to senior management and relevant functions, as are any complaints and material feedback from clients and counterparties. Senior management directly oversee the Firm’s business and are empowered to take action if required.

The table below summarises the main non-financial risks and associated risk mitigants in place within the business:

Level 1 Risks	Level 2 Risks	Level 3 Risks	Mitigants
Operational Risk	Technology / Information Security Risk	Technology Risk	The Firm relies on robust technology and skilled professionals to maintain its infrastructure, complemented by IT investments. Regularly tested disaster recovery plans, contingency plans and cyber penetration testing contribute to this resilience. For enhanced technological and information security control, the Firm maintains service level agreements with relevant third-party providers. A global data governance framework is established and extended across all critical data domains. Comprehensive training, a network of stewards, and data owners ensure efficient oversight. Iterative
		Information Security & Data Security Risk	
		Data Quality Risk	

Level 1 Risks	Level 2 Risks	Level 3 Risks	Mitigants
			improvements have been identified through annual data maturity assessments and are demonstrating a year-on-year increase in maturity levels.
	Operating Model Risk	Supply Chain Risk	The Firm conducts thorough due diligence on third parties, including sanction and media screening, before entering into arrangements. A Supplier Review Group, chaired by the Head of Risk, oversees supplier performance and risks arising from suppliers.
		Internal Process Risk	Standardised process documentation (e.g. policies, procedures and operating standards) is implemented across the business where appropriate. Along with regular process monitoring and automation where required. Training of employees and leveraging technology ensures adherence to best practices and enhances operational resilience.
		Resiliency Risk	The Firm maintains a robust resiliency framework through the implementation of business continuity standards and the oversight from an Incident Management Team of senior managers. A business continuity platform aids the conducting of comprehensive business impact assessments and acts as a repository for all business continuity plans for all the Firm’s office locations. Employee contact details are recorded to facilitate critical communication during disruption via a specific communication platform, reinforcing the Firm’s ability to swiftly respond and ensure safety. Annual cycle of disaster and recovery testing, testing of contingency plans, building evacuations, communication tests and a Health & Safety committee, led by Facilities, which oversees adherence to protocols to operational continuity and employee safety.
		Transformation / Change Risk	The Firm employs a structured change management process that emphasises the need from strong project management governance, communication, stakeholder engagement and impact assessments. Monitoring, reporting mechanisms, and cross-functional collaboration ensures alignment and minimises disruption. Strong leadership oversight and FHL Risk engagement in material programmes guarantees that transformation efforts are guided by well-defined

Level 1 Risks	Level 2 Risks	Level 3 Risks	Mitigants
			strategies, reducing potential negative impacts and enhancing the success of change initiatives.
Regulatory, Legal & Governance Risk	Regulatory, Legal & Governance Risk	Regulatory Conduct Risk	The compliance function has an Advisory team which has regular updates with the business to be able to identify business changes which could have a regulatory impact and monitors regulatory developments to ensure regulatory change affecting the business is appropriately captured.
		Product Governance Risk	
		Legal, Governance & Tax Risk	The Compliance monitoring team look to test either on a periodic basis or thematically that the business is meeting its regulatory obligations. Either of these could identify conduct risk. A comprehensive regulatory conduct risk policy strengthens the identification of conduct risk. As part of the framework, we have a Product Oversight Committee responsible for overseeing the products including Product Governance, Consumer Duty compliance and distribution oversight obligations to ensure we are meeting client outcomes. This Committee provides management information to the RCFC and ultimately up to the governing bodies.
		Other Regulatory Risk	
Brand & Corporate	Reputational & Sustainability Risk	External Financial Crime Risk	Internal fraud controls are robust and involve the segregation of roles, payment oversight, independent approvals and senior management vigilance. Automated and manual pre-trade and post-trade checks are conducted. Effective processes manage and mitigate internal and external crime risks. The fraud management risk assessment process has seen further development within the financial crime business risk assessment, and where risk events have been identified their control effectiveness has been assessed. Additionally, there is a standalone Fraud Management Policy which articulates the Fraud Control Framework.
		Internal Financial Crime Risk	

Level 1 Risks	Level 2 Risks	Level 3 Risks	Mitigants
Sustainability Risk	Climate Risk	Climate Risk	<p>term value. The Responsibility Office champions the Firm’s commitment to responsible business practices, ensuring clients and their beneficiaries remain the focal point. The Firm has implemented UK SDR and EU SFDR, including compliance processes for ongoing monitoring to ensure any operational and reputation risks associated with non-compliance with sustainability regulation are identified and mitigated. Moreover, the Firm is committed to actively addressing climate risk and broader sustainability concerns in its investment, stewardship and its other business activities. Comprehensive assessments are conducted of individual investment desks, including the consideration of how climate and other sustainability risks and opportunities are integrated into investment decisions and stewardship activity. Collaborative efforts between the Responsibility Office, Investment, Risk, Compliance, Legal and Client teams and the Sustainability Regulations & Stewardship Oversight Committee ensure the Firm proactively identifies, addresses and mitigates potential risks, thus safeguarding its reputation as a responsible Firm.</p>
	ESG risk	ESG risk	
Human Resource Risk	People Resource Risk	Key Person Risk	<p>The Firm maintains competitive remuneration and retention policies, including deferred benefits for key employees, while emphasising succession planning and tailored development plans for future talent. Career growth, accountability and learning resources support all employees.</p>
		Culture & Wellbeing Risk	<p>Employee Network Groups are voluntary, employee-led groups which support our aim to foster a diverse, equitable and inclusive workplace.</p>

4. Approach to Setting Risk Appetite

Central to FHL's risk management strategy is the Risk Appetite Framework ("RAF"), which is a core set of statements that outline how much risk a firm is willing to take to achieve its strategic objectives. This approach recognizes that effective risk management extends beyond mitigating risks and threats, it leverages calculated risk taking to seize opportunities and drive growth, while staying resilient in a changing business environment.

The RAF maintains a common structure and principles that are consistently applied across relevant entities within the FHL Group. By establishing a shared foundation FHL can ensure each FHL Group entity, including HIML, adheres to the same risk culture, share a common understanding of risk tolerances, and collaborate effectively in managing risks. This aims to ensure a robust risk governance model that includes:

- **Common sources of risk** that are relevant to each FHL Group entity, ensures a comprehensive view of potential risks faced by the FHL Group as a whole. This shared understanding will enable the relevant Boards or Governing Bodies to take a proactive approach towards risk identification, assessment, and mitigation.
- **Consistent tolerance levels** (low, limited, or moderate appetite) and definitions of Limits, Triggers and Key Risk Indicators will streamline FHL Risk's risk monitoring and reporting processes. By utilizing a uniform language and approach, FHL Risk will enhance transparency and facilitate effective communication at all levels of the FHL Group, enabling timely action when risk thresholds are exceeded.
- **Common qualitative risk appetite statements** is a critical element of this approach. These statements express the relevant Boards' or Governing Bodies' willingness to take on specific risk types in pursuit of their strategic objectives and fosters a consistent risk culture across each FHL Group entity. The shared understanding of risk tolerances will enable the Boards/Governing Bodies to make well-informed decisions within established risk boundaries.
- **Aligned key risk indicators for shared business services** will allow for a standardized assessment of risk exposure in these critical areas. By monitoring and reporting on these indicators consistently across each relevant FHL Group entity, we will enhance risk oversight and identify potential interdependencies more effectively.

Overall, the implementation of a common risk appetite framework represents an essential milestone in our journey towards holistic risk governance. By embracing this approach, we cultivate a culture of risk awareness, collaboration, and responsibility, empowering our subsidiaries to navigate uncertainties and pursue growth with confidence.

In addition to standardizing the approach for shared business services, our approach encompasses the flexibility to set specific KRIs tailored to the unique strategies and risk profiles of relevant entities within the FHL Group. Recognizing that entities operate in distinct markets and pursue different business objectives, aligning KRIs with their strategic and commercial priorities is imperative. This tailored approach ensures that risk indicators are meaningful, relevant, and impactful, enabling the relevant Board/Governing Body to effectively address their specific risk landscape.

5. Capital Adequacy

5.1 Own Funds Resources

The figures in this section are based on the Firm's most recent audited financial position as of 31 December 2025.

As of 31 December 2025, the Firm held own funds of £111.7m, entirely made up of Common Equity Tier 1 (CET 1) capital, other reserves and audited retained earnings. CET 1 capital consists of fully issued ordinary shares, satisfying all criteria for a CET 1 instrument in accordance with IFPR. As of 31 December 2025, the Firm's own funds requirement is £22.8m with an own funds surplus of £88.9m. The Board has concluded that the Firm is well capitalised and holds significant levels of liquidity.

The composition and features of the Firm's own funds are described in the table below, which also provides a reconciliation with the balance sheet in the Firm's audited financial statements as of 31 December 2025.

Composition of regulatory own funds			
	Item	Amount (£'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	111,695	
2	TIER 1 CAPITAL	111,695	
3	COMMON EQUITY TIER 1 CAPITAL	111,695	
4	Fully paid up capital instruments	116,437	Note 15
5	Share premium	-	
6	Retained (losses)	(12,913)	Statement of Changes in Equity
7	Accumulated other comprehensive income	-	
8	Other reserves	8,171	Statement of Changes in Equity

9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	
20	ADDITIONAL TIER 1 CAPITAL	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	TIER 2 CAPITAL	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

			Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements	
		a	b	c
		Balance sheet as in published /audited financial statements	Under regulatory	Cross- reference to template OF1

		£'000	scope of consolidation	
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investments	1,624	n/a	
2	Debtors - amounts falling due within one year	162,493	n/a	
3	Cash at bank	65,553	n/a	
	Total Assets	229,669		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors - amounts falling due within one year	93,947	n/a	
2	Creditors - amounts falling due after more than one year	5,400	n/a	
	Total Liabilities	99,347		
	Shareholders' Equity			

1	Called up share capital	116,437	n/a	Item 4
2	Profit and loss account	5,622	n/a	Item 6
3	Other reserves	8,263	n/a	Item 8
1				
1	Total Shareholders' equity	130,322		

5.2 Own Funds Requirements

It is HIML's policy to maintain sufficient own funds to meet its own funds requirement and ongoing working capital requirements. This enables the Firm to mitigate potential future risk exposures that may arise in pursuit of achieving its strategic objectives. HIML's financial position as of 31 December 2025 results in an own funds requirement of £22.6m.

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

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

HIML's fixed overhead requirement, as of 31 December 2025, was £22.6m.

HIML's K-factor requirement is the sum of all applicable individual K-factors. However, as at the reference date, 31 December 2025, the only applicable K-factors were K-AUM and K-DTF. K-AUM was calculated as of 31 December 2025 as £1.9m. K-DTF was also calculated as of 31 December 2025 as £0.1m.

Own Funds requirements on 31 December 2025	Total £'000
K-AUM, K-CMH and K-ASA	1,940
K-DTF and K-COH	111

Own Funds requirements on 31 December 2025	Total £'000
K-NPR, K-CMG, K-TCD and K-CON	
Total K-factor requirement	2,051
Fixed overhead requirement	22,625

5.3 Internal Capital Adequacy and Risk Assessment (ICARA)

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

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

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

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

A recovery plan has also been completed and in the event of a stressed scenario, the Chief Regulatory Officer & Head of Government Affairs, along with other appropriate SMT stakeholders, are collectively responsible for identifying the appropriate recovery actions. Once approval for the recovery action is confirmed by the GOC, the governance process is escalated to the HIML Board for final approval before implementation. Recovery planning helps to ensure that, if necessary, the Firm can take appropriate action to restore own funds and/or liquid resources to avoid breaching threshold requirements.

The Firm assessed in detail the cost of an orderly wind down of its operations and the cancellation of its regulatory permissions as part of its ICARA process. A comprehensive Group and Firm level wind-down plan was prepared which would enable HIML to cease its regulated activities and achieve

cancellation of its regulatory permissions in ways that minimalised the adverse impact on stakeholders. For this purpose, the Firm has assumed that the event that causes the Firm to wind down is so severe that the Firm must initiate an immediate wind down of its operations, assumed 1 January. To undertake an orderly wind down, an 18-month period has been modelled; this reflects the complex organisational structure and client base at Federated Hermes. Impact on the Firm's cash flow and own funds has been assessed based on anticipated revenues, cost savings, incurred costs of winding down the business and other costs. Assumptions have been made for the purpose of calculating the wind-down costs, and these have been agreed by a firm-wide forum of key stakeholders. Appropriate triggers have been identified which would lead to Board consideration of activating the wind down plan, which are continually monitored.

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

6. Remuneration Policies and Practices

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

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

Our Federated Hermes Core Behaviours define the expected actions and attitudes that align to the Federated Hermes Pledge – a commitment underpinning Federated Hermes' values. During the annual performance review cycle, all staff are assessed in accordance with the Behaviour Framework. The framework assesses staff against six Core Behaviours: Relationships, Delivery, Drive, Communication, Adaptability, and Leadership.

Staff are assigned a Behaviour rating for each of the six Core Behaviours. The four Behaviour ratings are: Strong, Capable, Developing, and Does Not Demonstrate.

A rigorous review is undertaken to ensure a strong correlation between positive assessments and positive remuneration outcomes, and negative assessments and negative remuneration outcomes.

Throughout the different remuneration processes, there are layers of signoff and review, which include the FHL SMT, Executives of Federated Hermes, Inc., and the Remuneration Assurance Committee, as appropriate. The elements of compensation support the objectives – balancing risk with reward; and these discussions are underpinned by a robust assessment process; which is done on an individual, team and Firm-wide basis.

In relation to compliance with the applicable regulatory requirements on remuneration ("Remuneration Requirements"), this Policy details how the FHL Group applies Remuneration Requirements for certain categories of staff whose professional activities have or may have a material impact on the risk profile of the relevant entities and the assets they manage.

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

FHL, on behalf of the HIML, ensure remuneration policies are in line with business strategy, objectives, values and long-term interests on the following basis:

- To encourage employees to deliver on the business' purpose of sustainable wealth creation that enriches investors, society, and the environment.

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

Employees are eligible to receive remuneration in the following methods:

Fixed Remuneration

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

Variable Remuneration

Discretionary Annual Cash Bonus: The aim of the discretionary bonus scheme is to focus participants (all employees employed by 1 October in the given performance year, unless previously agreed) on the in-year results that need to be achieved to meet the business annual objectives in the context of the agreed strategy and demonstration of corporate behaviours. The scheme has a co-investment/deferral structure. The level of deferral is dependent on the quantum of the bonus; all participants are subject to the same deferral policy. The award vests in equal tranches over three years. The deferred element is notionally co-invested such that it tracks the performance of certain funds. Investment Professionals are required to notionally co-invest between 50% to 100% of their deferred bonus against the funds they manage thereby aligning their interests to those of the shareholders and investors. They have the option to invest up to 50% in a basket of funds managed by FHL. Non-investment Professionals notionally co-invest 100% of their deferred bonus into a basket of funds managed by FHL.

There is a separate co-investment scheme for eligible Sales staff that vest on a three-year cliff and is 100% invested into the basket of funds managed by FHL.

Bonus Restricted Stock Program (BRS): Only the FHL CEO is eligible to participate in the BRS. A portion of the FHL CEO's deferred bonus is paid in the form of restricted shares of FHI Class B Common Stock.

Stock Incentive Plan: The Stock Incentive Plan offers selected employees, including the FHL CEO, the chance to acquire beneficial ownership of Class B Common Stock in FHI. The aim of the Stock Incentive Plan is to align these employees with the long-term interest of our clients and shareholder and incentivise the delivery of the FHL's long-term strategy. Awards under this scheme fully vest after five years and pay-out in full after a further three years. Stock Incentive Plan awards are subject to malus and clawback.

Other Forms of Remuneration

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

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

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

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

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

6.3 Governance on Remuneration Matters

Remuneration policies and practices are regularly reviewed by the FHL Remuneration Assurance Committee to ensure plans are designed to motivate and retain high calibre executive directors, senior management, and employees.

6.4 Types of Staff Identified as Material Risk Takers

Material Risk Takers may be employed by or considered employees of other entities, including other entities within the FHL Group. FHL, on behalf of the Firm, maintains a separate framework for the identification of MRTs which is reviewed annually. Broadly MRTs can be interpreted to mean:

- Members of the Board.
- Senior Management (SMT).
- Employees responsible for risk management and compliance functions.
- Employees whose professional activities can exert material influence on the risk profile of the Firm.

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

Once the list is established, it is reviewed by the Chief Regulatory Officer & Head of Government Affairs following which it is presented to FHL SMT for approval showing changes to the previous year. 43 employees were identified and notified of their status in 2025.

6.5 Key Characteristics of HIML's Remuneration Policies and Practices

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

The Heads of Legal, Risk & Compliance and Internal Audit provide the FHL SMT and Executives of FHI updates on any errors or breaches that may have occurred throughout the performance period. At the end of the period, the Control Functions are re-engaged by HR to ensure that any errors or breaches have been considered for making remuneration decisions. Where appropriate, a report of errors or breaches is provided to the FHL SMT and Executives of FHI for consideration in remuneration proposals. Variable pay awards are conditional on FHL and the Firm achieving sustainable and risk-adjusted (including ex-ante and ex-post adjustments) performance and therefore are subject to forfeiture or reduction at FHL's discretion.

The Executives of FHI have the ability to apply discretion to adjust the bonus pool and any individual payments including those paid out in individual incentive schemes. The Executives of FHI challenge bonus recommendations and are empowered and charged to approve or not approve recommendations put before them.

Malus and clawback apply to all variable pay awards and guaranteed variable remuneration. The FHL SMT and Executives of FHI will consider the application of malus and / or clawback in situations where the individual has:

- i) participated in or was responsible for conduct which resulted in significant losses to the Firm; and/or
- ii) failed to meet appropriate standards of fitness and propriety.

Malus will be applied when, as a minimum:

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

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

Prescribed Quantitative Disclosures Under MiFIDPRU8.6.8R

Certain quantitative information regarding remuneration paid to the Firm's MRTs in respect of the performance year from 1 January 2025 to 31 December 2025 is set out below.

All amounts are in pounds sterling.

As of 31 December 2025, the Firm had 43 Material Risk Takers, assessed on an individual firm basis, as identified pursuant to SYSC 19G.5 for the purposes of applicable remuneration rules.

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

Total amount remuneration paid to the entire staff of HIML	GBP 41,852,508
Of which:	
Total fixed remuneration	GBP 26,331,557
Total variable remuneration	GBP 15,520,951

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

I	Total amount of remuneration paid to senior management	GBP 4,068,247
	Of which:	

	Total fixed remuneration	GBP 1,678,874
	Total variable remuneration	GBP 2,389,373
II	Total amount of remuneration paid to other MRTs	GBP 7,236,607
	Of which:	
	Total fixed remuneration	GBP 2,516,567
	Total variable remuneration	GBP 4,720,040
III	Total amount of remuneration paid to other staff	GBP 30,547,654
	Of which:	
	Total fixed remuneration	GBP 22,136,116
	Total variable remuneration	GBP 8,411,538

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

I	Total amount of guaranteed variable remuneration paid to:	GBP 138,788
	Senior management	GBP 0
	Other MRTs	GBP 0
	Other Staff	GBP 138,788
	Number of beneficiaries	8
II	Total amount of severance payments paid to:	GBP 457,441
	Senior management	GBP 0
	Other MRTs	GBP 205,525
	Other Staff	GBP 251,916
	Number of beneficiaries	12

III	Amount of the highest severance payment paid to an individual MRT	GBP 150,125
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Two severance payments were made to MRTs of HIML during the 2025 performance year.