

Compliance

# Conflicts of Interest Policy

June 2026

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**Application**

This policy applies to all permanent employees, contractors and temporary workers within the Federated Hermes Limited Group including but not limited to Hermes GPE LLP, and Hermes Fund Managers Ireland Limited.

Federated Hermes Limited ("FHL") contains companies authorised and regulated by the Financial Conduct Authority ("FCA"). The policy set out in this document complies with applicable FCA rules and requirements.

Companies within the FHL group are regulated by a number of different regulators around the world. Where Regulator rules diverge from the FCA, FHL applies the higher standard for those jurisdictions affected. Our Regulators include the Financial Services Agency in Japan, the Australian Securities & Investment Commission, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) in Germany, Central Bank of Ireland, Comisión Nacional del Mercado de Valores (CNMV) in Spain, the Danish Financial Supervisory Authority, Commissione Nazionale per le Società e la Borsa (CONSOB) in Italy, the Monetary Authority of Singapore, the Securities Exchange Commission in the US, the Dutch Authority for the Financial Markets (AFM) and the Swiss Financial Market Supervisory Authority FINMA.

**Introduction**

Federated Hermes endeavours at all times to act professionally with its clients and their beneficiaries best interests in mind, and take appropriate steps to identify circumstances that may give rise to conflicts of interest entailing a risk of damage to our clients' interests.

Federated Hermes has established appropriate procedures to manage any conflicts of interest identified to prevent damage to client interests.

**What is a "Conflict of Interest"?**

A conflict of interest may arise between Federated Hermes and its clients or between one client and another, or between a Federated Hermes employee and a client.

Examples of conflicts include where Federated Hermes or one of its employees: -

- is likely to make a financial gain (or avoid a loss) at a client's expense.
- is interested in the outcome of the service provided to a client where its interests are distinct from the clients' interests.
- has a financial or other incentive to favour the interests of one client over another.
- receives or will receive from a person an inducement in relation to a service provided to the client, in the form of money, goods or services from a third party in relation to services provided to a client other than standard fees or commissions.

**1. Receipt of confidential information**

Different parts of Federated Hermes may receive confidential or sensitive information in relation to the services they provide to clients. This information is generally provided for a specific purpose e.g., financial monitoring of a business to which the Direct Lending team has made a loan. In some cases, the information could be price sensitive information under Market Abuse Rules. It is important that confidential information is used for the purpose for which it was provided and not disseminated to other groups where it could adversely affect their ability to act independently and in the interests of clients.

**Management/Prevention**

FHL has adopted an information barrier policy designed to prevent the free flow of confidential information from one part of the business to another. An information barrier (enforced through systems, procedures and reporting lines) is established between private markets and public markets investment teams. This is designed to enable all individuals within FHL to act in the best interests of their clients without having their ability to act affected by confidential information provided to another group.

**2. Conflicts of Interest between clients**

These conflicts can arise in several ways. For example, conflicts can arise between clients who receive the same investment service from Federated Hermes. An example would be the method of allocation of an active equity trade between investors in the same strategy where there is a shortfall in the number of shares. Another example relates to the interests of investors in the same investment fund. There could be an information advantage if one group of investors receive early/detailed disclosure in relation to other unitholders.

Another example would be a FHL fund or managed account that investing in another FHL or FHI fund. This could occur where cash held in one FHL fund/segregated account is swept into a FHL or FHI Money Market Fund, as part of cash management where the investment restrictions allow and both funds have an annual management charge. In this case the cash is swept into zero charge management fee class.

Conflicts Arising from the Business in Japan: Federated Hermes Japan (FHJ) operates agency business only between other affiliated companies in Federated Hermes group and their clients. As such, the types of conflict of interest might be limited as FHJ does not directly handle the trading or investment management. However, in most cases, one of the parties in the agreement in which FHJ is acting as an agency is a member of FHL and the other party is a third-party client. As such, there is always conflict of interest between FHL's clients. For example, FHJ might have incentive not to disclose necessary information such as negative performance to the third-party client.

### Management/Prevention

Federated Hermes has adopted policies and procedures designed to prevent these conflicts damaging client interests. In the case of allocation of trades this is usually done on a pro-rata basis. Where this is not the case, there are procedures to validate that the reasons are justifiable. The Product Group has established several procedures to ensure that we do not give differential/preferential information to any of the investors in our Funds. Information about developments likely to affect the liquidity of a fund would be communicated to all investors at the same time so far as is logistically possible.

Where a FHL fund or segregated account invests in another FHL or FHI fund as an investment, such as a Money Market Fund, there will be no double charging of management fees. The FHL or FHI Money Market Fund will not charge a management fee for the investment made by the FHL fund/ segregated account.

In Japan, FHJ has the Policy on Representation of Advertisement, in accordance with the Financial Instruments and Exchange Act ("FIEA") and the Investment Management Association of Japan ("IMAJ") Self-Regulations on Advertisement and Solicitation. Compliance reviews (by utilizing a professional firm) the documents (not limited to the advertisement but also other documents such as a contracts) shared with third party clients (including prospective clients) so that necessary information is provided.

## 3. Personal Conflicts

Federated Hermes have several measures in place to prevent personal conflicts of its staff damaging the interests of clients. Examples of where such conflicts might arise could include an employee receiving a formulaic bonus for selling certain products or services to clients for whom they are not suitable. Another area which could give rise to personal conflicts relates to securities transactions undertaken by staff. e.g., a member of staff trading ahead of client orders. Inducements provided to an individual member of staff such as extravagant entertainment from a counterparty could influence that member of staff to use the services of the counterparty where it would damage the interests of clients.

### Management/Prevention

Federated Hermes has a Code of Ethics which is designed to prevent personal conflicts damaging the interests of clients. Detailed policies and procedures supplement the Code with the intention of appropriately managing personal conflicts.

Federated Hermes ensures that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, a FHL does not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive for staff to recommend a particular product to a client. Remuneration is designed in such a way so as not to create a conflict of interest or incentive that may lead participants to favour their own interests or the firm's interests to the potential detriment of any client. Individual awards consider a wide set of measures including behaviours and are fully discretionary.

FHL has personal account dealing controls which are designed to manage conflicts of interest between staff and clients. All personal account trades must be pre-cleared through Compliance. In addition, FHL has a Gifts & Entertainment Policy designed to prevent damage to client interests. This requires gifts and entertainment to be signed off by an individual's line manager and Compliance.

### Conflict of Interest Log

FHL maintains a log of individual conflicts of interest and the measures taken to prevent or manage those conflicts, including assigning responsibility.

The log is regularly updated and reviewed by senior management at the Risk, Compliance and Financial Crime Committee (RCFC). The management of conflicts are discussed and recommendations for improvements are made if required.

Any new potential conflict of interest that is contentious or unresolved will be escalated to the RCFC for immediate review and guidance on the appropriate actions.

### Reporting to Compliance

Any member of staff who becomes aware of a new conflict of interest must report this to Compliance.

### Disclosure/Declining to Act

Federated Hermes is confident in the policies and procedures it has in place to manage conflicts and prevent them from damaging client interests. However, if in a particular situation Federated Hermes did not feel sufficiently confident that a conflict could be appropriately managed, we would disclose full details to the client concerned before conducting business. In some circumstances this could result in Federated Hermes being unable to act on behalf of that client.

### Policy Approval Process

This policy shall be reviewed and updated where applicable on an annual basis. The policy is owned by the Compliance department and approved by the Risk, Compliance and Financial Crime Committee and the Chief Compliance Officer.

## 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](https://www.hermes-investment.com) or connect with us on social media:

