

OUTCOMES
BEYOND
PERFORMANCE

MODERN SLAVERY STATEMENT

May 2019

For professional investors only

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HERMES
INVESTMENT MANAGEMENT

1. HERMES INVESTMENT MANAGEMENT – MODERN SLAVERY STATEMENT

At Hermes, we are committed to running our business responsibly. We endeavour to uphold high ethical principles and to respect human rights. It also means doing our best to encourage high standards in our supply chain and business. In this context, we have used the requirements introduced by the Modern Slavery Act 2015 (the “Act”) as an opportunity to review the way in which we operate our own business, together with the way in which we interact with others, including our clients and suppliers. We have also considered the area where we have the ability to make the most impact – our investments. Our objective is to ensure that there is no modern slavery or human trafficking in any of our business dealings.

2. ABOUT HERMES INVESTMENT MANAGEMENT

We are an asset manager with a difference. We believe that, while our primary purpose is helping beneficiaries retire better by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial and consider the impact our decisions have on society, the environment and the wider world. Our goal is to help people invest better, retire better and create a better society for all.

We always strive to meet our legal and regulatory responsibilities, conducting our business with the highest standards of integrity and honesty, and we expect all employees to maintain the same standards. We consider any failure to achieve these standards as a serious matter.

Hermes Investment Management is majority owned by Federated Investors, Inc (Federated), a leading US investment manager with \$459.9 billion assets under management (as at 31st December 2018). BT Pension Scheme retains a minority stake, alongside members of Hermes’ management. This relationship offers a strong global platform as both firms share a commitment to delivering client-centric investment returns. This Modern Slavery Statement is made by Hermes Fund Managers Limited on behalf of itself and its subsidiaries making up the Hermes Investment Management group, including its joint venture Hermes GPE LLP.

3. OUR BUSINESS & SUPPLY CHAIN

The Hermes group currently employs around 450 permanent staff and around 50 contractors, principally based in London. We outsource certain functions to service providers, and in some cases this involves employees of our service providers working onsite in our offices. We also use a number of professional services firms including lawyers and accountants, and we enter into contracts with firms to receive brokerage services. Additionally, we purchase a variety of products, including stationery, IT hardware, and corporate branded merchandise (including clothing). We do not operate in any of the sectors identified by the International Labour Organisation as high-risk for modern slavery but we recognise that some of our suppliers do, most notably in the manufacturing sector.

We are a signatory of the UN Global Compact, and completed our first Communication on Progress in August 2018. This included reporting on our policies and actions in relation to the Principles 1 and 2 of the UN Global Compact, which relate to human rights.

a Hermes culture and behaviours

Hermes’ Code of Ethics sets forth certain minimum expectations that Hermes has for all employees. Employees are expected to conduct the firm’s business in full compliance with both the letter and the spirit of the law and any other policies and procedures that may be applicable to them. This includes the Act.

At Hermes we have a strong culture of responsibility and believe that it is a far wider concept than just shareholder engagement. We believe we should lead by example, and we have therefore created the Hermes Pledge, an expression of our commitment to always act responsibly and transparently. The Hermes Pledge (see Appendix 1), makes clear our commitments, obligations and responsibilities as an organisation and as individuals. Hermes is committed, in the way that it interacts with others, to treating everyone fairly, and with dignity and respect. Hermes expects all of its employees to match this commitment throughout their day-to-day work and activities.

We have also articulated a set of behaviours innate to our culture that contribute to the success of the business. For example, one of these core behaviours is ‘Building positive relationships’, defined as ‘has a positive impact on others and builds positive business relationships internally and externally’. An example of how this might be demonstrated is ‘Takes the time to build business relationships with a wide range of people. Is open, honest and authentic. Acts ethically and with integrity.’ Every employee has a responsibility to act in a way that upholds Hermes’ core behaviours through their day-to-day activities. End of year performance ratings are based on the extent to which employees have demonstrated these behaviours as well as the extent to which they have met their performance objectives.

The Code of Ethics, Hermes Pledge and Hermes behaviours support our efforts to ensure we act as a transparent, responsible and ethical business. We believe this will help us to identify and hopefully prevent instances of human exploitation in our business dealings.

b Protecting employees

Background checks are conducted on all new members of staff to ensure they have the right to live and work in the UK.

Hermes encourages open communication, in keeping with the [Hermes Pledge](#), and regards integrity as a central part of Hermes’ beliefs. Hermes encourages employees to bring any concerns to the attention of their immediate supervisor or manager. To that effect, Hermes has a Whistleblowing policy in accordance with the Public Interest Disclosure Act 1998 (PIDA) – also referred to as ‘The Whistleblowers’ Act’ in the UK and the Whistleblower program in the US – which stipulates that employees are legally protected from dismissal or unfavourable treatment by their employers as a result of raising concerns. Examples of the type of concern which could be raised are internal fraud or breach of regulatory obligations (e.g. market abuse). Employees may also report such matters directly to the Strategic Risk and Compliance Director or Hermes’ Chairman. However, Hermes recognises the difficulty in reporting through internal channels and that employees may prefer to remain anonymous. To that effect, Hermes also provides several secure, anonymous reporting routes via a hotline and online reporting.

Since 2012, Hermes has been accredited as a Living Wage employer, affirming its commitment to provide all employees and on-site contracted staff with compensation and benefits at or above the

London Living Wage. As an accredited employer, Hermes ensures that all employees are paid at a minimum the London Living Wage which is an hourly rate, set independently every year. As part of its accreditation as a London Living Wage employer, Hermes also contractually requires its service providers who have staff working onsite in Hermes' London office to pay the London Living Wage or more. This ensures that all employees and contractors can meet the costs of living in London.

c Procurement & Suppliers

At Hermes, we are committed to running our business responsibly. Part of this means doing our best to encourage high standards in our supply chain and business. We have a Supplier Code of Conduct, available on our website, which we would like all our suppliers to follow. We are in the process of asking our most material suppliers (by spend) to sign our Supplier Code of Conduct or provide an appropriate alternative policy of their own. We will seek to engage with relevant stakeholders with the aim of resolving any issues identified. We expect new suppliers who are over the £36m turnover threshold to supply us with their Modern Slavery statements. Please see Appendix 2 for the relevant section of our Supplier Code of Conduct.

Like many of our peers, our supply chain is large and complex, with multiple layers. We have considered how our business operations may be affected by modern slavery issues. All new suppliers are reviewed by the Finance team on a case by case basis, including undertaking due diligence and asking for evidence of sustainable procurement policies. All suppliers are also now screened by our Compliance team as part of the onboarding process against the various sanctions lists using Thomson Reuters Global Screening Tool. In addition to screening against sanctions, suppliers are also screened against law enforcement, regulatory enforcement, politically exposed persons and adverse media. Suppliers' details are saved in the system for ongoing screening, which is repeated periodically throughout the relationship with them. Additional checks are conducted on all suppliers based in the UK with bank accounts in another country as part of our financial crime prevention procedures.

In order to comply with regulations to which we as an investment management business are subject, Hermes undertakes enhanced oversight of certain service providers that are deemed to be material outsourcings. This includes Hermes carrying out regular onsite due diligence visits to its material suppliers. In 2018, Hermes added modern slavery to the scope of issues to be examined as part of such due diligence visits, including asking suppliers what steps they take to identify areas of their business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps taken to assess and manage that risk.

Hermes promotes best practice for Sustainable Procurement and asks suppliers for evidence of their sustainable procurement practices covering the following core areas: environmental, social, economic and governance. When procuring goods, sustainable alternatives must be explored and the most sustainable option available must then be procured, unless the business case prohibits this.

4. OUR INVESTMENT ACTIVITIES

As a leading investment management house, we invest in a vast range of public and private market investments across the globe. Although the Modern Slavery Act does not, strictly speaking, require us to consider our investments for the purposes of this Statement, our position as an investor gives us an opportunity to exert influence over other businesses and it is a responsibility that we recognise and which is encouraged by the OECD.

d Responsible Investment – Investing to improve retirement and help create a better society

We recognise that as fiduciaries, entrusted with the savings of millions of individuals, we have responsibilities which go beyond those defined in any contract – these are to our clients and their ultimate beneficiaries, and also to the financial community and broader society in which we operate. We have these responsibilities because our activities will have impacts on the world in which our beneficiaries live and work today as well as the one in which they will retire into tomorrow.

As an active investor, we are defined by our commitment to delivering holistic returns, which is why we have established the [Hermes Responsible Ownership Principles](#). These principles include expectations around relationships with stakeholders, workers and human rights. Companies are expected to ensure that they respect the human rights of those affected by their operations and their value chains. They should develop plans to identify and manage these human rights risks to minimise adverse and encourage positive human rights outcomes. At the very least, companies should not only obey the law but respect the human rights of those affected by their activities and be open about and prepared to discuss the impact of their activities.

With our past and future aims firmly based around a long-term and responsible approach, our structure provides the benefit of access to a broad range of dedicated, high conviction investment teams, combined with an established and robust operating platform. Our engagement team, Hermes EOS, enable institutional asset owners around the world to meet their fiduciary responsibilities and become active owners of public and private companies.

Hermes is an investor signatory of the Workforce Disclosure Initiative, which calls for transparency from companies on how they manage workers in order to improve the quality of jobs in the operations and supply chains of multinational companies.

e Real Estate Contracts and Leases

In managing real estate assets, we believe that good human capital management, including the provision of fair living wages, robust health and safety practices and investment in training and development programmes, is the foundation of a stable and productive workforce and the maintenance of businesses' social licences to operate. We included specific references to the Modern Slavery Act in all of our property management agreements, covering the whole of our managed portfolio, when we renewed them in early 2018. Since September 2016 we have also included a clause specifically relating to the Modern Slavery Act in almost all new lease agreements we have entered into. This has now been expanded to construction documents, including project team appointments and construction agreements. All of our construction documents now contain specific mention of the Modern Slavery Act, requiring compliance with all relevant legislation.

5. OUR STEWARDSHIP AND ENGAGEMENT PRACTICES

We have been actively engaging with companies for over 20 years building a compelling story for responsible ownership. Our engagement team, Hermes EOS, is a world leader in stewardship services, helping clients to meet their legal obligations for active stewardship in order to create long-term value for beneficiaries. Hermes EOS represents £389.4bn / €433.9bn / \$496bn billion in assets under advice (AuA) as at December 2018 and engaged with 746 companies worldwide in 2018 on 2,084 identified environmental, social, governance, strategy, risk and communication issues and objectives, as well as voting shares at over 10,359 company meetings.

Hermes EOS engage with the companies in which we and our third party clients invest on a regular basis on sustainability, governance, environmental and social concerns. This includes a focus on enhancing human rights. We encourage companies to apply the UN Guiding Principles and to use appropriate technology to create a more transparent supply chain. Hermes generally favours engagement over exclusion, as we believe that having a seat at the table gives us greater power to influence than exclusion and divestment. Following our engagement on managing human rights and modern slavery risks in the supply chain, a large retailer responded to our request to disclose its supplier audit findings in 2018. It now publishes the percentage of high risk Tier 1 suppliers with critical non-conformances to international human rights standards, along with the percentage of these cases where remedial action was implemented within a defined time period. We were pleased as this reflects the company's commitment to discovering and reporting human rights issues in its supply chain.

Our team engages in active stewardship on behalf of our clients, voting at AGMs and other shareholder gatherings to achieve our clients' responsible ownership aims and fulfil their fiduciary duty to be active owners. They also screen clients' aggregate holdings for environmental, social and governance (ESG) characteristics. Our Controversial Companies Report highlights to subscribing clients those companies which are considered as being in violation of internationally recognised guidelines, provides insight into the nature of those guideline violations and provides a view on engagement with the company on those guideline violations. The list identifies companies that are either in breach of or likely to breach the UN Global Compact Principles. This includes principles relating to human rights and labour, in particular UN Global Compact Principle 4: 'the elimination of all forms of forced and compulsory labour'. The report also highlights for each company where we are engaging on these issues.

We have engaged more broadly on human rights, both with individual companies and with wider policy discussions. Hermes signed the Behind the Barcode Investor Statement in November 2018, co-ordinated by Oxfam, which included a commitment to continue engaging retailers on human rights and gender and economic inequality. We also joined the Investor Alliance for Human Rights in July 2018, a collective action platform to engage on human rights that will enable us to collaborate with other investors in response to human rights issues. An international law firm invited us to present our expectations of what companies should disclose in response to the

Modern Slavery Act and the French duty of care regulations. We focused on due diligence processes, which we view as the fundamental first steps that most companies still need to undertake.

Hermes EOS works with legislators, regulators, industry bodies and other standard-setters to help shape capital markets worldwide to further our clients' responsible investment objectives. Hermes EOS strives to lead the debate on stewardship across the world, helping to ensure sustainable economies that work for long term social and environmental benefit. An example of Hermes EOS' engagement on human rights with the construction company VINCI is included in Appendix 3.

6. TRAINING

We regard training as fundamental to raising awareness of these issues. A copy of our latest Modern Slavery Statement is available to all members of staff, and included in all new staff joiner packs.

As a financial services firm, we provide anti-money laundering, terrorist financing and bribery training to all new members of staff across the firm. We will also consider appropriate internal training for our investment teams to help them identify red flags when assessing investment opportunities. We have introduced information on the Act and an overview of our Modern Slavery Statement into the Compliance training for all of our new starters.

7. IDENTIFICATION AND MEASUREMENT OF OUR SUCCESS

By encouraging our staff to speak up if they have concerns about working conditions and by asking our suppliers to agree to the Code we hope to be equipped to identify issues of modern slavery and human trafficking, if they occur. In line with Hermes' investment philosophy, if we do identify issues, we will not automatically withdraw from the relationship or investment. We will seek to engage with relevant stakeholders, with the aim of resolving the issue. We will take a similar approach to engaging with any suppliers where we have concerns in order to encourage full compliance with the Modern Slavery Act.



Saker Nusseibeh, Chief Executive Officer

This Modern Slavery Statement was approved by the board of directors of Hermes Fund Managers Limited on 1 May 2019.

APPENDIX 1

Hermes Pledge

I pledge to fulfil, to the best of my ability and judgment and in accordance with my role, this covenant:

- I will act ethically, responsibly and with integrity
- I will put the interests of our clients and their beneficiaries first
- I will encourage responsible behaviour in the firms in which we invest and on which we engage
- I will act with consideration for society and the environment both now and in the future.
- I will encourage others to do the same
- I will work with industry colleagues and other key stakeholders to develop and improve our industry's contribution to society
- I will treat my clients, my colleagues and all other stakeholders with respect and as I would wish to be treated
- I will deal with our regulators in an open, co-operative and timely way
- I will communicate clearly and honestly with all parties inside and outside our firm
- I will manage conflicts of interest fairly between all parties

APPENDIX 2 – EXTRACT FROM HERMES SUPPLIER CODE OF CONDUCT

Hermes is committed to strict observance of all laws and regulations, and to the pursuit of honest and fair corporate activities that conform to the norms accepted by society. We aim to provide safe, reliable and efficient services whilst acting fairly and professionally. These values contained within our Modern Slavery Statement underpin our business and the way in which it operates. We consider that these values are wholly in line with our obligations under the Modern Slavery Act 2015 (the "Act"). We have compiled the Hermes Supplier Code of Conduct (the "Code") to achieve our goal of living up to this commitment. It lays down the standards of compliance that we expect and demand of those who supply us to ensure that we live up to our high standards. The term "Supplier" encompasses any kind of contractor, supplier or business partner.

We expect our Suppliers to:

- Comply with all applicable anti-slavery and human trafficking laws, statutes, regulations and codes from time to time in force including but not limited to the Act.
- Not engage in any activity, practice or conduct that would constitute an offence under sections 1, 2 or 4 of the Act if such activity, practice or conduct were carried out in the UK.
- Obtain assurances from their direct subcontractors and suppliers that they are complying with all applicable anti-slavery and human trafficking laws, statutes, regulations and codes from time to time in force including but not limited to the Act and inform Hermes promptly in the event that they find any non-compliance within their supply chain.

Specific examples of actions that our Suppliers must take in order to comply with all relevant legislation include but are not limited to:

- Not using slave labour, illegal child labour, forced, bonded or compulsory labour;
- Ensuring that terms of employment are voluntary
- Ensuring that the workplace is free from discrimination or physical or verbal harassment
- Following local laws in respect of health and safety, minimum age requirements, wages, overtime, working hours and the fair treatment of workers.
- Hermes encourages its Suppliers to comply with this Code. The signing of this Code is a commitment from the Supplier to Hermes that they will supply goods and/or services in accordance with this Code.

APPENDIX 3 – HERMES EOS CASE STUDY

VINCI is an engineering and construction group with two business segments: concessions, which mainly focuses on toll roads and airports, and contracting, split across activities related to construction, roads and energy.

Background

According to the International Labour Organisation (ILO)¹, construction is one of the industries most likely to have forced labour practices. To give an example, in Qatar, large construction projects were initiated in 2010 after the country won the bid to host the 2022 FIFA World Cup. In 2014 the ILO filed a complaint concerning Qatar's non-observance of the 1930 Forced Labour Convention and the 1947 Labour Inspection Convention. As VINCI had been involved in the Qatari construction sector for many years, through Qatari Diar VINCI Construction (QDVC) – a joint venture with the real estate arm of Qatar's sovereign wealth fund – it was therefore identified as one of the companies exposed to a high risk of complicity with regard to potential labour and human rights abuses.

Our engagement

In 2014, we wrote to the chair/CEO of VINCI to raise our concerns about the alleged violations of human rights and labour standards with regard to migrant workers in Qatar. We also had a number of meetings with the chair/CEO, the sustainability team, and the director of social innovation and human rights. As part of our engagement with VINCI, we asked the company to review its policies and improve its practices in these areas. We also highlighted the importance for the company to demonstrate leadership within the industry and to improve its communication about how it meets its duty to respect human rights in order to keep its social licence to operate.

Changes at the company

VINCI created a global task force of human rights directors, appointed an independent third-party firm to conduct a human rights impact assessment and organised a workshop on modern slavery at the subsidiary level of the business. This work led to the publication of a guide on human rights in 2017, with a more comprehensive version of this publication for employees most likely to have to manage human rights and modern slavery risks in the course of a project. In 2017, VINCI also signed an agreement² with QDVC and the union federation BWI. The agreement covers the human rights of QDVC workers employed in the country and includes due diligence on its sub-contractors. This agreement is the first of its kind in Qatar between a union federation and a Qatari company. In an acknowledgement of the important steps taken by the government of Qatar regarding the labour standards for migrant labour, in November 2017 the ILO closed its complaint against Qatar. The ILO started a three-year cooperation programme with the State of Qatar in April 2018 in order to improve working conditions and labour rights in the country, and QDVC was selected to conduct a year-long pilot project with the ILO on fair recruitment between Bangladesh and Qatar. This will involve an independent audit of the recruitment and employment practices of the company and its supply chain; an impact assessment study of the positive effects on the workforce; and a series of workshops to share good practice with the rest of the sector.

We believe that VINCI's efforts to improve its standards are commendable. However, business-related human rights abuses are endemic within the global economy. For any business, therefore, preventing and addressing human rights violations is an ongoing process, which requires continuous improvement.

1 https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_575479.pdf

2 [https://www.vinci.com/commun/communiqués.nsf/04438CA8C4A62422C12581DF00384D96/\\$file/accord-cadre-En.pdf](https://www.vinci.com/commun/communiqués.nsf/04438CA8C4A62422C12581DF00384D96/$file/accord-cadre-En.pdf)

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Our goal is to help people invest better, retire better and create a better society for all.

Our investment solutions include:

Private markets

Infrastructure, private debt, private equity, commercial and residential real estate

High active share equities

Asia, global emerging markets, Europe, US, global, small and mid-cap and impact

Credit

Absolute return, global high yield, multi strategy, global investment grade, unconstrained, real estate debt and direct lending

Stewardship

Active engagement, advocacy, intelligent voting and sustainable development

Offices

London | Denmark | Dublin | Frankfurt | New York | Singapore

For more information, visit www.hermes-investment.com or connect with us on social media:

