

Supplement

# **Federated Hermes Sustainable Europe ex-UK Equity Fund**

a sub-fund of Federated Hermes Investment  
Funds public limited company, an umbrella fund  
with segregated liability between sub-funds

Investment Manager – Hermes Investment Management Limited

The date of this Supplement No. 10 is 15 August 2023

**This Supplement contains information relating to the Fund. This Supplement forms part of and should be read in conjunction with the prospectus of the Company dated 15 August 2023 as may be amended or updated from time to time (the “Prospectus”).**

**Investors should refer to the annex to this Supplement regarding the Fund’s sustainable investment objective.**

Funds of the Company in existence as at the date of this Supplement are set out in the Global Supplement.

Unless the context requires otherwise, capitalised terms used in this Supplement shall have the meaning attributed to them in the Prospectus.

If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, or other financial adviser.

The Directors of the Company, whose names appear under the heading “Management and Administration” in the Prospectus, accept responsibility for the information contained in the Prospectus and in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of the information.

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## Profile of a Typical Investor

The Fund may be suitable for investors seeking capital growth over at least a three to five-year time horizon who understand and accept the associated level of risk attached to the Fund. For more information please refer to the section entitled "Risk Factors".

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

## Investment Objective and Policies

### Investment Objective

The investment objectives of the Fund are to: (i) achieve long-term capital growth over a rolling five-year period; and (ii) have a reduced environmental footprint compared to the Benchmark (as defined below).

### Investment Policy

The Fund is an Article 9 fund for the purpose of Regulation (EU) 2019/2088 of the European Parliament and the Council on sustainability-related disclosures in the financial services sector (SFDR). A minimum of 2% of the Fund's investments will be aligned with the environmental objectives of climate change mitigation and climate change adaptation under the Taxonomy Regulation, as more particularly described in the annex to this Supplement.

The Fund will seek to achieve its objective by investing at least 80% in a diversified portfolio of equity securities and equity-related securities of, or related to companies in, or companies that derive substantial revenues from, the developed and emerging European market region, but excluding the United Kingdom. These companies will be listed and/or traded on a Regulated Market worldwide.

In aiming to achieve superior long-term returns (i.e. returns that are superior in the sense that they provide positive benefit to the environment and society as well as long-term returns), the Investment Manager will also exclude investment in the following companies (based on information available to the Investment Manager on these companies)

- Companies that generate over 5% of their revenues from the extraction or exploration of fossil fuels or from the use of fossil fuels for electricity generation;
- Electricity utility companies with a carbon intensity not aligned with a below 1.5 degrees scenario;
- Companies that generate over 0% of their revenues from the manufacture of Controversial Weapons or by providing either an essential and/or tailor-made product or service to the manufacturers of Controversial Weapons and companies that generate over 5% of their revenues from production of conventional weapons;
- Companies that generate over 5% of their revenues from nuclear power;
- Companies that generate over 0% of their revenues from the production of tobacco products and companies that receive over 5% of their revenues from tobacco distribution;
- Companies that generate over 2% of their revenues from gambling products;
- Companies that generate over 2% of their revenues from adult entertainment products;
- Companies that generate over 2% of their revenues from the production of alcohol and companies that receive over 5% of their revenues from alcohol distribution; and
- Companies that generate over 5% of their revenues from GMO crop production.

In addition, the Investment Manager excludes companies that are in contravention of the principles of the UN Global Compact.

## Investment Strategy

A high conviction (i.e. taking large positions in small number of stocks), actively managed portfolio using a disciplined bottom-up stock selection process, within a thematic framework. The Investment Manager will seek to invest in companies with accelerating levels of income and cash flow that can demonstrate sustainable growth over the long term. Independent research is undertaken in order to identify companies and generally, the Investment Manager focuses on entities with a free market capitalisation of EUR1 billion or more.

The Fund aims to reduce the environmental footprint in comparison to the Benchmark and this is measured (using available third party data relating to the carbon, waste and direct water metrics detailed below) by comparing the following characteristics of the European companies in respect of which the Fund holds equity with the Benchmark: (i) total carbon emissions normalised by the market value of the portfolio, expressed in tons CO<sub>2</sub> per \$ million invested; (ii) the total waste (landfill, nuclear and incinerated) for a portfolio normalised by the market value of the portfolio, tonnes per \$ million invested; and (iii) the total water used (direct cooling, direct processed and purchased) normalised by the market value of the portfolio, m<sup>3</sup> per \$ million invested.

The opportunity that this strategy targets is investment in European companies identified as 'sustainable leaders' in order to capture the growth of such companies, which can compound over time. Our definition of a 'sustainable leader' is predicated on three primary considerations and we consider these as part of a bottom-up process. Firstly, business model; the Investment Manager seeks to understand historic financial metrics and competitive dynamics (using Porter's Five Forces analysis will be used to identify a company's competitive advantage and the effect on the company's position in the market. The Five Forces consider how suppliers, buyers, market entrants, substitute products and competitor rivalry affect the profitability of a company) and, in conjunction with our thematic analysis outlined below, identify those who are capable of sustaining strong growth over the long-term.

Secondly, the Investment Manager considers how well companies manage environmental, social and governance ("ESG") factors. ESG includes environmental items (such as how companies limit their emissions), social issues (such as how they manage diversity in the workforce) and governance (such as how the board is structured). The Investment Manager assesses the ESG characteristics of a company by considering ESG research and scores from a wide variety of sources such as proprietary analysis from EOS at Federated Hermes and third party providers such as ISS, CDP, MSCI, Sustainalytics and S&P Global Trucost amongst others. The Investment Manager believes that quantitative ESG data must be complemented by a fundamental bottom-up review of ESG issues, leveraging its knowledge of and direct contact and engagement with companies. The Investment Manager's approach to ESG integration in its investment analysis draws upon both internal and external sources where an ESG score is assigned to each company within its investment universe. The percentage of ESG-analysed companies in the fund will always be between 90%-100%. As a result of the consideration of ESG factors, the Fund's weighted average ESG rating will be better than the weighted ESG rating of the Benchmark after eliminating the worst 20% of securities.

Our third consideration involves a thematic analysis whereby we seek to understand the broader benefit or cost of each company. As well as looking at European companies which do no significant harm, the Investment Manager also looks beyond this and, where appropriate, the

portfolio will actively target those companies seeking to improve their effect on people and the planet through their products or services. This can be summarised as: (i) companies that avoid harm (i.e. companies that do not cause harm to the environment or society); (ii) companies that provide benefits to all stakeholders (i.e. companies that provide benefits to its shareholders, customers and the wider community); and (iii) companies that contribute to solutions (i.e. companies that provide solutions to environmental or social issues, such as public health and welfare). The belief is that following this thematic approach to idea generation and focussing on companies which meet the 'sustainable leader' criteria facilitates the Fund's goal to achieve superior long-term returns.

The Fund's market exposure (which is exposure to the categories of Investments outlined below, and excludes cash held by the Fund) may vary in time and will typically range between 95%-100% for long positions and 0% for short positions of the Net Asset Value of the Fund, depending on the Investment Manager's analysis of the prevailing market conditions and considered in light of the investment objective of the Fund. These ranges are not limits and the actual exposures may from time to time fall outside these estimated ranges.

The Fund is actively managed by the Investment Manager in accordance with the criteria set out in this Supplement and will seek to achieve its objective to provide capital growth over a rolling period of five years on an active basis, without reference to a benchmark. The Company shall use the MSCI Europe ex UK Index (the "**Benchmark**") for performance comparisons with the Fund on certain marketing materials (e.g. fund fact-sheets, investor reports, shareholder presentations etc), as deemed appropriate. The Benchmark is a free float adjusted market capitalisation weighted benchmark that is designed to measure the performance of shares in large and mid-sized companies, denominated in various currencies, which are listed in developed markets across Europe (excluding the United Kingdom). As at the date of this Supplement, the Investment Manager has determined that this Benchmark may be used for such purposes.

In addition, the Fund will seek to achieve its investment objective to have a reduced environmental footprint compared to the Benchmark. The Investment Manager may (but is under no obligation to) invest in component securities of the Benchmark that meet the "sustainable leader" criteria set out above as well as in securities anticipated to enter or exit this Benchmark. The selection of securities remains at the entire discretion of the Investment Manager so the Fund's portfolio may include securities which are not part of the Benchmark. However, the Fund's portfolio composition will not be constrained in any way by the content of this Benchmark and the Benchmark is not aligned with the Fund's sustainable investment objective. For the avoidance of doubt the Fund's objective is not to track the performance of an index or benchmark. The Fund does not charge any performance fees and, accordingly, no fees are paid to the Investment Manager on the basis of outperformance of the Benchmark.

## Categories of Investments

With the exception of permitted investments in unlisted securities, Eligible CIS, FDIs, cash and cash equivalents (for example, overnight deposits for efficient portfolio management purposes as detailed below), Investments of the Fund will be listed or traded on a Regulated Market.

**Equity:** The Fund may invest in a diversified portfolio of equity securities (such as ordinary shares, preference shares and/or rights) and equity-related securities (such as GDRs and ADRs) of, or related to companies in, or that derive substantial revenues from, the developed and emerging Europe market region. Investment in or exposure to such securities will be on a long-

only basis. The Fund will continuously invest at least 66.67% of its net assets in equity assets as defined in sec. 2 para. 8 of the German Investment Tax Act (2018).

**Eligible CIS:** The Fund may acquire units/shares of Eligible CIS, including exchange-traded funds and other sub-funds of the Company, where such Eligible CIS satisfy the requirements of the Central Bank. Investment in or exposure to such schemes will be on a long-only basis.

## Methods of Access and Efficient Portfolio Management

The Fund may gain exposure to the aforementioned equity and/or equity related securities and/or Eligible CIS through the use of FDIs and/or through investment in Convertible Debt Securities. A decision to use FDIs may be made for reasons such as efficiency (i.e. it may be cheaper to gain exposure to an underlying Investment than to purchase the Investment directly).

FDIs may also be used for efficient portfolio management purposes (for example, to assist in cash flow management, for cost effectiveness and for gaining exposure to certain markets and securities in a quicker and/or more efficient manner). The FDIs that may be used by the Fund for such purposes include Warrants, Futures and Forward Currency Exchange Contracts.

For efficient portfolio management purposes the Fund may invest in and/or gain exposure to financial indices, hold cash and/or invest in money market collective investment schemes (to, for example, equitise cash) subject to the conditions and limits of the Central Bank. Please see the section headed "Investment in FDIs and Efficient Portfolio Management" in the Prospectus for more information.

Any indices to which exposure is achieved will be in line with the investment strategy of the Fund. If utilised, details of the financial indices in which the Fund invests and/or gains exposure to will be found via [Federated Hermes / Financial Indices](#).

For the avoidance of doubt, the Fund does not enter into repurchase and reverse repurchase agreements and/or engage in stock lending.

## Cash Management

The Fund's use of FDIs may result in it holding a portion of its Net Asset Value in cash or collateral holdings and in such circumstances the Fund may seek to implement an effective cash management policy. In pursuit of this policy the Fund may invest in collective investment schemes and money market instruments (such as short-dated government-backed securities, floating-rate notes, commercial paper, certificates of deposit, call accounts, treasury bills and treasury notes) and FDIs (of the type noted above).

## Leverage and Global Exposure

The Fund may be leveraged up to 10% of its Net Asset Value. That is, the total exposure (defined as the NAV of the UCITS and its global exposure) associated with the investments of the Fund, including investments in FDIs, may amount to 110% of the Net Asset Value of the Fund. The Fund's global exposure will be calculated using the commitment approach.



## Currency Hedging Policy

The Fund may enter into transactions for the purposes of hedging the currency exposure in accordance with the sections entitled "Hedging at Portfolio Level" and "Hedging at Share Class Level against Base Currency" in the Prospectus.

## Risk Factors

Potential investors and Shareholders are referred to the section of the Prospectus entitled “Risk Factors”. Regard should be had to the risks outlined under the heading “General Risk Factors” as each of these risk factors will be relevant in the context of an investment in the Fund.

In addition, investors should specifically refer to the following risks that appear under the heading “Fund Specific Risk Factors”, as these relate to risks arising as a result of the Fund’s Investments and/or portfolio management techniques:

<b>Risk</b>	<b>Prospectus page reference</b>
Sustainability Risk	27
Depository Receipts Risk	34
Emerging Markets Risk	35
Equity Risk	37
Futures Risk	40
Small and Mid-Cap Companies Risk	44
Warrants Risk	46

## Dealing Information

<b>Dealing Deadline</b>	9.30 am (Irish time) on the relevant Dealing Day.
<b>Valuation</b>	The Valuation Point will be 12 noon (Irish time) on each Dealing Day. The value of instruments or securities which are quoted, listed or dealt in on a Regulated Market shall (save in certain specific cases) be the last traded price on such Regulated Market as at the Valuation Point, or the latest mid-market price as at the Valuation Point when no last traded price is available.
<b>Income Equalisation</b>	The Fund operates Income Equalisation.
<b>Timing of Payment for Subscriptions</b>	Payment must be received by the Administrator by close of business on the third Business Day following the applicable Dealing Day.
<b>Timing of Payment for Redemptions</b>	Redemption proceeds will be paid on the third Business Day following the relevant Dealing Day.
<b>Administrator's Fee</b>	Up to 0.04% of the Net Asset Value of the Fund accrued and calculated daily and payable monthly in arrears. The Fund will also pay other costs to the Administrator such as transfer agency charges and transaction fees. Details are set out in the Prospectus in the section entitled "Fees and Expenses".
<b>Depositary's Fee</b>	The Fund will bear transaction and custody charges which are calculated on the basis of the assets held. The Fund will also pay a depositary fee of up to 0.0110% of its Net Asset Value to the Depositary. The Fund will also pay other costs to the Depositary such as out-of-pocket expenses and sub-custodial fees and expenses. Details are set out in the Prospectus in the section entitled "Fees and Expenses".
<b>Other Fees and Expenses</b>	The Fund shall bear its attributable proportion of the organisational and operating expenses of the Company (including any establishment expenses). Details of these and of other fees and expenses relating to the Company are set out in the Prospectus in the section entitled "Fees and Expenses".
<b>Compulsory Redemption Threshold</b>	All the Shares of the Fund may be compulsorily redeemed at the discretion of the Directors if, after the first anniversary of the first issue of Shares of the Fund, the Net Asset Value of the Fund falls below GBP100,000,000 for any period of time.

## Share Class Information

### Fees

Class	Management Fee (Max)
A	1.50%
F	0.75%
I	0.75%
K	0.60%
L	0.60%
M	0.45%
P	0.75%
R	1.50%
T*	0.00%
W	0.50%
X	0.25%
Z**	0.00%

\*Shareholders in the Class T Shares will be subject to a fee with regard to their investment in the Fund based on the Client Agreement between them and the Investment Manager or its affiliate. This fee will not exceed 1% per annum of the value of the Shareholder's holding in the Fund. The Investment Manager (or its affiliate, if relevant) reserves the right to repurchase the entire holding of Shares of any Shareholder (deducting any amount owed for unpaid investment management fees), if the relevant Client Agreement is terminated for any reason whatsoever.

\*\*Shareholders in the Class Z Shares will be subject to a fee with regard to their investment in the Fund based on the Client Agreement between them and the Investment Manager or its affiliate. This fee will not exceed 3% per annum of the value of the Shareholder's holding in the Fund. The Investment Manager (or its affiliate, if relevant) reserves the right to repurchase the entire holding of Shares of any Shareholder (deducting any amount owed for unpaid investment management fees), if the relevant Client Agreement is terminated for any reason whatsoever.

Notwithstanding what is disclosed in the Prospectus, please note that for operational reasons fractions of the Class A, Class I and Class K Shares in issue will be calculated to three decimal places. The Net Asset Value of each Class A, Class I and Class K Shares will be determined by dividing the Net Asset Value attributable to the class by the number of Shares of the Share Class and rounding the result to four decimal places in the normal way as described in the Prospectus.

### Minimum Transactions

Class	Minimum Initial Subscription Amount	Minimum Subsequent Subscription Amount	Minimum Holding Amount	Minimum Redemption Amount
A	USD 1,000	No minimum	USD 1,000	No minimum
F	GBP 100,000	No minimum	GBP 100,000	No minimum
I	USD 1,000,000	No minimum	USD 1,000,000	No minimum
K	USD 100,000,000	No minimum	USD 100,000,000	No minimum
L	GBP 100,000,000	No minimum	GBP 100,000,000	No minimum
M	GBP 200,000,000	No minimum	GBP 200,000,000	No minimum
P	GBP 400,000	No minimum	GBP 400,000	No minimum
R	EUR 1,000	No minimum	EUR 1,000	No minimum
T	GBP 1,000	No minimum	GBP 1,000	No minimum
W	GBP 1,000	No minimum	GBP 1,000	No minimum
X	GBP 10,000,000	No minimum	GBP 10,000,000	No minimum
Z	Per Client Agreement	Per Client Agreement	Per Client Agreement	Per Client Agreement

The above amounts can be paid in the currency stated or its foreign currency equivalent.

## Capacity Management

The Directors may, at their absolute discretion, impose capacity management related constraints on the Fund. Please see the section headed "Capacity Management" in the Prospectus for more information. Details about whether the Fund is currently under capacity management constraints will be published on the Manager's website: [www.hermes-investment.com/capacity-management](http://www.hermes-investment.com/capacity-management).

## Initial Offer of Shares

As more particularly described in the Prospectus, the Company offers 17 Classes of Shares with various distribution policies, distribution frequencies, hedging policies and currencies in each Class.

The table below sets out details of the Classes of Shares in the Fund approved by the Central Bank, and the Classes which are available for purchase as at the date of this Supplement. Unless otherwise indicated by (\*), the currency available in each Class of Shares set out below are available in hedged and unhedged versions.

Currency	Accumulating	Distributing Annually	Distributing Semi Annually	Distributing Quarterly	Distributing Monthly	Distributing Quarterly**	Distributing Monthly**
GBP	<b>A</b>	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>A4</b>	<b>A5</b>	<b>A6</b>
EUR*	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
USD							
CHF							
SEK							
NOK							
DKK							
HKD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
SGD							
AUD							
CNH							
CAD							
JPY							
GBP	<b>F</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>	<b>F5</b>	<b>F6</b>
EUR*	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
USD							
CHF							
SEK							
NOK							
DKK							
HKD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
SGD							
AUD							
CNH							
CAD							
JPY							
GBP	<b>I</b>	<b>I1</b>	<b>I2</b>	<b>I3</b>	<b>I4</b>	<b>I5</b>	<b>I6</b>
EUR*	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
USD							
CHF							
SEK							
NOK							

DKK							
HKD							
SGD							
AUD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
CNH							
CAD							
JPY							
GBP	<b>K</b>	<b>K1</b>	<b>K2</b>	<b>K3</b>	<b>K4</b>	<b>K5</b>	<b>K6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD							
SGD							
AUD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
CNH							
CAD							
JPY							
GBP	<b>L</b>	<b>L1</b>	<b>L2</b>	<b>L3</b>	<b>L4</b>	<b>L5</b>	<b>L6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD							
SGD							
AUD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
CNH							
CAD							
JPY							
GBP	<b>M</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
SGD							

AUD							
CNH							
CAD							
JPY							
GBP	<b>P</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P4</b>	<b>P5</b>	<b>P6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD							
SGD							
AUD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
CNH							
CAD							
JPY							
GBP	<b>R</b>	<b>R1</b>	<b>R2</b>	<b>R3</b>	<b>R4</b>	<b>R5</b>	<b>R6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD							
SGD							
AUD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
CNH							
CAD							
JPY							
GBP	<b>T</b>		<b>T2</b>				
EUR*	Unhedged		Unhedged				
USD	Hedged		Hedged				
GBP	<b>W</b>	<b>W1</b>	<b>W2</b>	<b>W3</b>	<b>W4</b>	<b>W5</b>	<b>W6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD							
SGD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged



AUD							
CNH							
CAD							
JPY							
GBP	<b>X</b>	<b>X1</b>	<b>X2</b>	<b>X3</b>	<b>X4</b>	<b>X5</b>	<b>X6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD							
SGD							
AUD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
CNH							
CAD							
JPY							
GBP	<b>Z</b>	<b>Z1</b>	<b>Z2</b>	<b>Z3</b>	<b>Z4</b>	<b>Z5</b>	<b>Z6</b>
EUR*							
USD							
CHF	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged	Unhedged
SEK							
NOK							
DKK							
HKD							
SGD							
AUD	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged	Hedged
CNH							
CAD							
JPY							

\*Hedged EUR Shares are not available.

\*\* Certain Fees and Expenses are charged against Capital

The Fund is no longer accepting subscriptions.

The Initial Offer Price per Share Class shall be determined by reference to the currency denomination of the Share Class and is as follows:

GBP	EUR	USD	CHF	SEK	NOK	DKK	HKD	SGD	AUD	CNH	CAD	JPY
1	2	2	2	20	20	10	20	3	3	10	2	200

The base currency of the Fund is Euro.

**Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852**

**Product name:** Federated Hermes Sustainable Europe ex-UK Equity Fund

**Legal entity identifier:** 213800UPG8JP1O8WG561

## Sustainable investment objective

### Does this financial product have a sustainable investment objective?



**Yes**



It will make a minimum of **sustainable investments with an environmental objective: 30%**



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective: 30%**



**No**



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What is the sustainable investment objective of this financial product?

*The sustainable investment objective of the Fund is to have a reduced environmental footprint compared to the Benchmark.*

*The Investment Manager aims to invest in companies within a thematic framework closely aligned with the UN Sustainable Development Goals based on the environmental and social objectives of:*

- *Environmental Preservation,*
- *Efficient Production and Resource Usage,*
- *Health and Wellbeing, and*
- *Social Inclusion.*

*The MSCI Europe ex UK Index is used as a reference for comparing the environmental footprint of the Fund compared to the benchmark. The index is also used to compare the weighted average ESG rating of the Fund against the benchmark once the lowest scoring 20% of companies have been eliminated.*

The Fund may make sustainable investments in issuers which contribute to the environmental objectives of Climate Change Mitigation and Climate Change Adaptation as defined under the Taxonomy Regulation (EU) 2020/852

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

### ● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

The Investment Manager seeks to achieve the Fund's sustainable investment objective to deliver a reduced environmental footprint relative to the Benchmark by measuring:

- total carbon emissions normalised by the market value of the portfolio, expressed in tons CO<sub>2</sub> per \$ million invested;
- the total waste (landfill, nuclear and incinerated) for a portfolio normalised by the market value of the portfolio, tonnes per \$ million invested; and
- the total water used (cooling, processed and purchased) normalised by the market value of the portfolio, m<sup>3</sup> per \$ million invested.

The Investment Manager further assesses the following indicators as part of the investment strategy:

- Environmental Indicators: GHG Emissions, Carbon Footprint, GHG Intensity, Exposure to Fossil Fuels, Energy Production from Non-Renewables;
- Social Indicators: Violation of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises, Board Gender Diversity and Investment in Controversial Weapons;
- Engagement Activity: as a % of the AUM in the portfolio and as a % of progress made against the objective milestones set by the Investment Team and EOS; and
- % of AUM contributing to each UN SDGs.

### ● **How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**

The Investment Manager conducts a sustainability assessment for each investment, as further detailed below, which includes identifying where companies may cause significant harm through the products and services that they offer, but also through their entire value chain. The assessment includes;

- taking into account all adverse impact indicators and other relevant ESG indicators through the Investment Managers sustainability assessment to identify if a company has any sustainability risks;
- screening for contraventions of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as detailed below;
- identification, through the use of third party data, of any severe controversies and that, at the time of investment, the issuer is taking remedial action to prevent the event occurring in the future.

The Investment Manager may carry out a more detailed assessment of any issuer which operates in an industry or sector that could be considered more harmful with a view to ensuring that either the practices the issuer has in place limit the amount of harm or that the issuer is being engaged on that topic.

Where a company is deemed to do significant harm to any sustainable objective, the Investment Manager will not invest, thereby ensuring the investments do not cause significant harm to any environmental or social investment objective.

### — **How have the indicators for adverse impacts on sustainability factors been taken into account?**

The Investment Manager takes into account all mandatory principal adverse impact indicators and uses those indicators which are deemed relevant to the Fund in the Investment Manager's

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

sustainability assessment, in order to determine current and potential adverse impacts on sustainability factors and to avoid investment in issuers deemed to do significant harm.

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

*Using a mix of qualitative and quantitative assessments based on available data, the Investment Manager seeks to identify any companies which are in contravention of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (including the ILO Declaration Fundamental Principles and Rights at Work, the eight Fundamental conventions of the ILO and the International Bill of Human Rights) and does not invest in these companies.*



## Does this financial product consider principal adverse impacts on sustainability factors?



Yes

*As part of the investment strategy, the Investment Manager considers whether companies exhibit any principal adverse impacts on sustainability factors. The consideration of the principal adverse impacts of sustainability factors are identified through a proprietary framework which considers the sustainability risks and opportunities for each company, and uses the breadth and depth of the Investment Manager's engagement data to put this analysis in context. The Investment Manager uses a range of sources to consider the principal adverse impacts on sustainability factors including proprietary analysis from EOS at Federated Hermes ("EOS") and third party providers such as ISS, CDP, MSCI, Sustainalytics and Trucost amongst others.*

*Where sustainability risks are identified the company is identified as a candidate for engagement, with the aim of reducing underperformance which may arise from poor ESG behaviours while also encouraging companies to act responsibly and improve sustainability.*

*Relevant information on principal adverse impacts on sustainability factors will be disclosed in due course in the Fund's annual report.*



No



## What investment strategy does this financial product follow?

*The Investment Manager seeks to achieve a better environmental footprint compared to the benchmark, the MSCI Europe ex UK Index, after the removal of the lowest 20% of securities within the benchmark from an ESG score perspective. The Investment Manager aims to invest in companies within a thematic framework closely aligned with the UN Sustainable Development Goals based on the environmental and social objectives of;*

- *environmental preservation,*
- *efficient production and resource usage,*
- *health and wellbeing, and*
- *social inclusion.*

*The Investment Manager seeks to invest in companies that can demonstrate a contribution to a more sustainable future, not just through the products and services that they offer, but also through their entire value chain. The Investment Manager aims to achieve the sustainable objective by conducting a sustainability assessment designed to identify companies as 'sustainable leaders'. This is predicated on three primary considerations:*

- The Fundamentals of the business model: the Investment Manager seeks to understand historic financial metrics and competitive dynamics and, in conjunction with the thematic framework, identify those who are capable of sustaining strong growth over the long-term.*

- (ii) *ESG Metrics: the Investment Manager considers how well companies manage environmental, social and governance factors (including how companies limit their emissions, how they manage diversity in the workforce and how their board is structured). This assessment process uses both quantitative and qualitative techniques, using a range of proprietary tools. When looking at the ESG profile of a company, consideration will be given to key quantitative metrics such as corporate transparency, approach to materiality (being those ESG topics that could have meaningful financial consequences), and the effect of products and services on broader society.*
- (iii) *Product Impact: involves a thematic analysis whereby the Investment Manager will seek to understand the broader benefit or cost of each company. As well as looking at companies which “do no significant harm”, the Investment Manager also looks beyond this and, where appropriate, the portfolio will actively target those companies seeking to improve their effect on people and the planet through their products or services. This can be summarised as (i) companies that avoid harm, (ii) companies that provide benefits to all stakeholders and (iii) companies that contribute to solutions. The belief is that following this thematic approach to idea generation and focussing on companies which meet the ‘sustainable leader’ criteria facilitates the Fund’s goal to achieve superior long-term returns.*

Engagement: Where material ESG risks are identified, the Investment Manager works either directly or with the in-house stewardship team, EOS at Federated Hermes (“EOS”), to engage with companies to mitigate those risks and promote good practices. Engagement occurs through meetings with company boards & management and through exercising voting rights. Engagement seeks to identify measurable objectives to deliver positive change within set time periods. Where there is engagement with a company, specific targets and timelines are set in relation to that engagement, these targets will differ at an individual company engagement level. Where a company is not receptive to engagement on material ESG risks, or makes insufficient progress in addressing them over time, it may result in divestment from that company.

Exclusions: The Investment Manager will not invest in companies involved in specified activities where those activities contribute to company revenues above prescribed revenue thresholds (see below for further detailed information). Excluded activities include fossil fuels, electricity utilities not aligned with a 1.5 degree scenario, Controversial Weapons, conventional weapons, nuclear power, tobacco, gambling, adult entertainment, alcohol, GMO crop production and companies in contravention of the principles of the UN Global Compact.

### ● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The Investment Manager will select investments to seek to achieve the following binding criteria:

- The percentage of ESG-analysed companies in the Fund will always be between 90%-100%.
- Achievement of a better weighted average ESG score compared to the benchmark (after the removal of the lowest 20% of securities within the benchmark from an ESG score perspective).

The Investment Manager will not invest in companies which meet the following criteria (based on information available to the Investment Manager on these companies):

- Companies that generate over 5% of their revenues from the extraction or exploration of fossil fuels or from the use of fossil Fuels for electricity generation;
- Electricity utility companies with a carbon intensity that are not aligned with a below 1.5 degree scenario
- Companies that generate over 0% of their revenues from the production of Controversial Weapons and companies that generate over 5% of their revenues from production of conventional weapons;
- Companies that generate over 5% of their revenues from nuclear power;
- Companies that generate over 0% of their revenues from the production of tobacco products and companies that receive over 10% of their revenues from tobacco distribution;
- Companies that generate over 2% of their revenues from gambling products;

- Companies that generate over 2% of their revenues from adult entertainment products
- Companies that generate over 2% of their revenues from the production of alcohol and companies that receive over 5% of their revenues from alcohol distribution; and
- Companies that generate over 5% of their revenues from GMO crop production.

In addition, the Investment Manager excludes companies that are in contravention of the principles of the UN Global Compact.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

### ● **What is the policy to assess good governance practices of the investee companies?**

As part of the investment strategy, the Investment Manager assesses the corporate governance of a company by reference to its policy on good governance and through the use of the Investment Manager's proprietary corporate governance tool and qualitative analysis, including insights from its own research and EOS. In considering good governance, the Investment Manager will assess, among other things, a company's management structure, employee relations, staff remuneration and compliance with applicable tax rules.

A company is considered to be following good governance practices if the factors set forth above, and any other factors determined to be material by the Investment Manager, (i) meet any one of the following criteria:

- the company's corporate governance is in line with the best practices as defined by EOS in the Responsible Ownership Principles and Regional Corporate Governance Principles documents; or
- the company's corporate governance is determined to be in-line with peers both in industry and/or region, taking into account the size of the issuer and how that may affect the governance of the issuer in the long-term, or
- the Investment Manager and/or EOS is engaging with the company to address enhancements to the company's governance practices, as further detailed in the section of this annex titled "What investment strategy does this financial product follow?"

or, (ii) when viewed collectively, are determined by the Investment Manager to adequately meet the criteria set forth above.

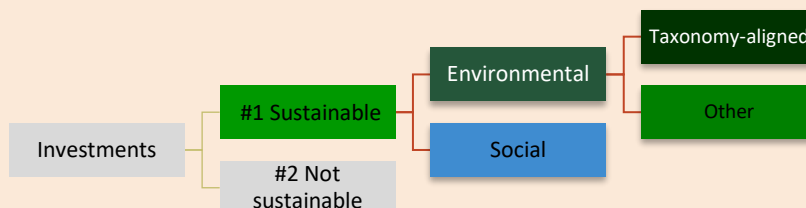
A company is presumed not to be following good governance practices if there have been abuses of power or severe controversies involving the relevant company, which have not been mitigated through subsequent demonstrative actions.

Further information on the Investment Manager's good governance policy and the EOS Responsible Ownership Principles and Regional Corporate Governance Principles can be found at <http://www.hermes-investment.com/sustainability-related-disclosures>



## What is the asset allocation and the minimum share of sustainable investments?

**Asset allocation** describes the share of investments in specific assets.



**#1 Sustainable** covers sustainable investments with environmental or social objectives. A minimum of 90% of the portfolio will be invested in companies who contribute to the sustainable investment objective through their contribution to one or more of the four environmental or social investment themes. Those investments will also evidence good governance practice in accordance with the Investment Manager's policy on good governance and do no significant harm to any other environmental or social objectives within the meaning of the SFDR. The portfolio is further split with a minimum of 30% in the environmental investment themes and 30% in the social investment themes.

**#2 Not sustainable** includes the remaining investments in the Fund, which do not qualify as sustainable investments and may be held for efficient portfolio management and cash management purposes. This includes derivatives to gain exposure to equities and/or equity related securities and/or Eligible CIS and/or gain exposure to financial indices, hold cash and/or invest in money market collective investment schemes (to, for example, equitise cash).

### ● How does the use of derivatives attain the sustainable investment objective?

*The use of derivatives does not contribute to the attainment of the Fund's sustainable objective. The Fund may use derivatives to gain exposure to equities and/or equity related securities and/or Eligible CIS. The decision to utilise these instruments may be made for reasons such as efficiency (i.e. it may be cheaper to gain exposure to an underlying investment than to purchase the investment directly). They may also be used for efficient portfolio management purposes (for example, to assist in cash flow management, for cost effectiveness and for gaining exposure to certain markets and securities in a quicker and/or more efficient manner).*



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

*The Fund may make sustainable investments in companies which contribute to the environmental objectives of Climate Change Mitigation and Climate Change Adaption and the protection and restoration of biodiversity and ecosystems as defined under the Taxonomy Regulation (EU) 2020/852 ("Taxonomy"). A minimum of 2% of the Fund's investments will be aligned with the environmental objectives under the Taxonomy Regulation. The "do no significant harm" principle applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities.*

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?


Yes:


<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.




**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.


 are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



In fossil gas

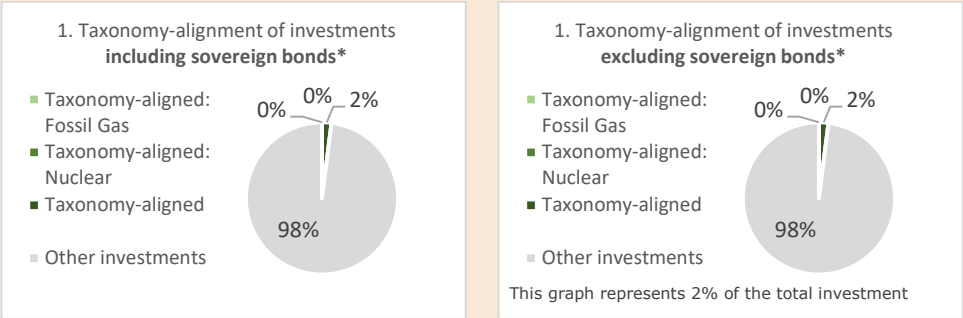


In nuclear energy



No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\*For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

A minimum of 1% of the Fund’s investments will be aligned with the transitional and enabling activities under the Taxonomy Regulation.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

While the Fund commits to a minimum of 90% in sustainable investments, due to the proposed dynamic allocation between environmentally and socially sustainable investments, respectively, a minimum of 30% of the investments underlying this Fund will be invested in sustainable investments with an environmental objective that is not aligned with the EU taxonomy.



**What is the minimum share of sustainable investments with a social objective?**

While the Fund commits to a minimum of 90% in sustainable investments, due to the proposed dynamic allocation between environmentally and socially sustainable investments, respectively, a minimum of 30% of the investments underlying this Fund will be invested in sustainable investments with a social objective.



**What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

Investments which do not contribute to the Fund’s sustainable objective will only be held for efficient portfolio management and cash management purposes. The Fund may invest in derivatives to gain exposure to equities and/or equity related securities and/or Eligible CIS and/or gain exposure to financial indices, hold cash and/or invest in money market collective investment schemes (to, for example, equitise cash) subject to the conditions and limits of the Central Bank of Ireland. There are no minimum environmental and social safeguards for these investments.



## Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

*Yes. The MSCI Europe ex UK Index is used as a reference for comparing the environmental footprint of the Fund compared to the benchmark. The index is also used to compare the weighted average ESG rating of the Fund against the benchmark once the lowest scoring 20% of companies have been eliminated.*

- **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**

*The MSCI Europe ex UK Index is a broad market index that does not take into account any sustainability criteria and is therefore not continuously aligned with the sustainable investment objective of the Fund. It is used as a comparator to evidence whether the Fund's sustainable objective is being achieved relative to a relevant broad market index.*

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

*The methodology of the strategy and the index are not aligned, the index serves as a comparator for financial, ESG and sustainability performance only.*

- **How does the designated index differ from a relevant broad market index?**

*The designated index does not differ from a broad market index.*

- **Where can the methodology used for the calculation of the designated index be found?**

*Further information relating to the designated index can be found at <https://www.msci.com>*

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.



## Where can I find more product specific information online?

*More product specific information can be found via:*

*<https://www.hermes-investment.com/products>*