

OUTCOMES
BEYOND
PERFORMANCE}



GENDER PAY REPORT

March 2018

For professional investors only

www.hermes-investment.com


HERMES
INVESTMENT MANAGEMENT

The 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



It is astounding that 100 years ago women in the UK received the right to vote, yet there is still a gender pay gap. However, I firmly believe that 2018 will be a seminal year for the industry. Diversity Initiatives such as the Women in Finance Charter and Gender Pay Gap reporting show the uncomfortable truth that the investment industry is still heavily dominated by males at a senior level. While the gaps are huge, and Hermes is sadly no exception, I see some encouraging signs of movement. In the same way that ESG integration was a fringe activity five years' ago that has now become central to winning business. Whilst closing the gender pay gap in our industry will take time, I believe 2018 will mark the start of an industry-wide commitment to greater diversity by taking meaningful, measurable and visible steps that deliver long-term change.



Harriet Steel
Board Director,
Head of Business Development

ABOUT HERMES INVESTMENT MANAGEMENT

At Hermes Investment Management, we have a strong culture of responsibility, established long before it became fashionable in the industry. It is ingrained in our corporate DNA, and informs the way in which we behave as a firm and as individuals. Hermes was a founding signatory of the Women in Finance Charter and supports all forms of change that encourage a more diverse population across the business, and in particular the benefits of having a diversity of experience amongst senior 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 are committed to treating everyone fairly, and with dignity and respect. This includes all our employees (past, present and future) together with all of our other stakeholders, clients and service providers. Hermes expects all of its employees to match this commitment throughout their day-to-day work and activities.

At Hermes we have a strong culture of responsibility, established long before it became fashionable in the industry. It is ingrained in our corporate DNA, and informs the way in which we behave as a firm and as individuals. We believe we should lead by example, which is why we established the Hermes Pledge in 2015. To this end, we encourage all our employees to sign our pledge, which appears on the facing page.

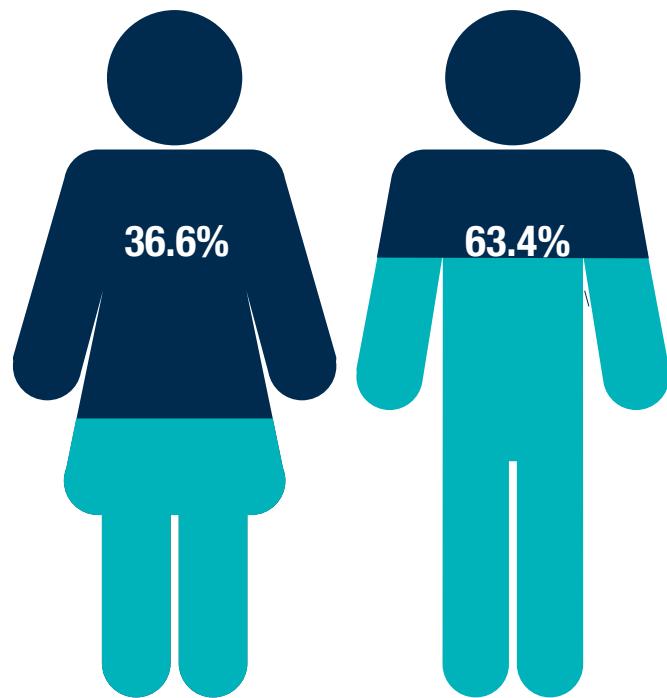
We do not tolerate any form of discrimination and expect and require that all employees are treated fairly, irrespective of any individual characteristics which are not relevant to their work. We strongly believe that diversity and an inclusive culture allows us to continue to grow as a strong and innovative organisation, delivering excellence for our clients responsibly.

DEFINING THE GENDER PAY GAP

The UK Government Equalities Office has introduced reporting regulation requiring employers with 250 or more employees to disclose annually on their Gender Pay Gap. The Gender Pay Gap is based on an hourly pay rate for each relevant employee, reflecting base salary and certain allowances. The Bonus Pay Gap includes cash bonus plus any proceeds on exercise of long-term incentive plans paid over the previous 12 months.

HERMES GENDER PAY GAP BREAKDOWN*

Total workforce as at April 2017



Female employees: **129**

Male employees: **223**

Difference between the mean hourly rate of male and female relevant full-pay employees



Difference between the median hourly rate of pay of male and female relevant full-pay employees



Difference between the mean bonus pay paid to male and female relevant employees



Difference between the median bonus paid to male and female relevant employees



The proportions of male and female relevant employees that were paid bonus pay

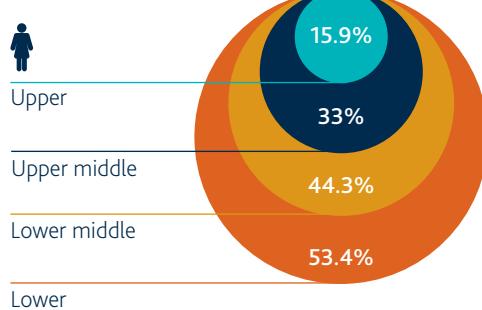
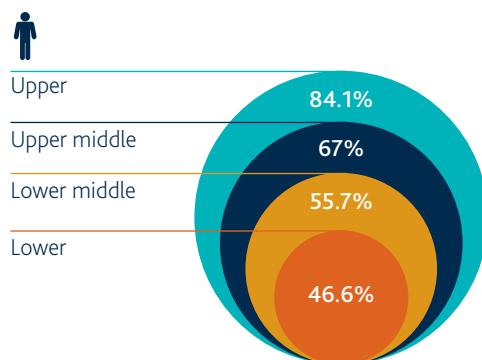


*Based on the Government's methodology

EXECUTIVE SUMMARY

- Our approach to pay is gender neutral, with both male and female staff paid fairly for the work that they undertake. Further to this, we regularly evaluate our pay to ensure all staff are compensated fairly.
- We recognise that to close our Gender Pay Gap of 30.2% we need to increase senior female representation across the firm, in particular in Investment and Business Development.
- As a result of the Women in Finance Charter, we have set firm-wide targets for Hermes and there has been progress with an increase in female employees of more than 4%, demonstrating that our efforts to date are having a positive impact on the gender diversity across the business.
- We are taking a number of actions to support attainment of our target goals.

The proportion of male and female full pay relevant employees according to quartile pay bands



Our approach to pay is gender neutral, with both male and female staff paid fairly for the work that they undertake. Further to this, we regularly evaluate our pay to ensure all staff are compensated fairly. Hermes staff are judged equally on their technical performance and their performance against the 'Hermes Behaviours Framework'. It is the responsibility of every leader and manager throughout Hermes to create an environment where all our people can give their best, feel valued and be able to build upon their knowledge and skills. All staff are asked to adhere to the values of transparency and responsibility which are part of the Hermes Pledge. Demonstration of these behaviours forms a significant input into determining annual incentive awards. We believe that this approach encourages all employees to deliver high levels of performance and demonstrate behaviours that are in line with our corporate values, thus aligning the interests of management with other stakeholders and supporting diversity.

We recognise that to close our Gender Pay Gap of 30.2% we need to increase senior female representation across the firm, in particular in Investment and Business Development.

Historically asset management has been male dominated, due to a lack of females following professions requiring STEM (science, technology, engineering and mathematics) subjects, resulting in talent pool challenges and fewer females available for senior positions. While our Gender Pay Gap is likely to be on par with the rest of the asset management industry, it is simply not good enough. We need to work to change this imbalance across Hermes as well as the rest of the industry. Companies like ours need to widen the pool of people from which we recruit, encourage the brightest into the industry irrespective of their specific qualifications and create an environment that enables them to flourish and contribute over the long-term.

BUILDING DIVERSITY

Actions in which Hermes is taking to support attainment of this goal and improvements in the employee tenure include the following:

1. TARGETS

As part of the Women in Finance Charter, we have set firm-wide targets for Hermes and there has been progress with an increase in female employees of more than 4%, demonstrating that our efforts to date are having a positive impact on the gender diversity across the business. In some areas, progress is slower than we would like due to the heavy gender bias within some areas of our industry. These will take time to address, as they require a large increase in the number of women entering investment management.

In order to set realistic company targets we took a balanced and realistic view of our ability to move toward a complete equilibrium, taking into consideration the rate of natural turnover in the business, future hiring needs and the availability of a diverse talent pool in certain sectors of the industry. Hermes will continue the positive work it has accomplished to date with the ultimate ambition of achieving gender parity across the whole business.

Firm-wide

35-50%		2018 target range
38%		Hermes as at August 17

Board

30-50%		2018 target range
29%		Hermes as at August 17

Senior Management Level

25-40%		2018 target range
23%		Hermes as at August 17

2. TRANSPARENCY

We will go above and beyond statutory reporting requirements to disclose annually our gender demographics at:

- a Board level
- b Senior management level
- c Across the firm

3. RECRUITMENT

- a We are recruiting a Diversity and Inclusion (D&I) Manager to join our Human Resource team to ensure specific and appropriate guidance and support across a range of areas and the implementation of developmental programmes.
- b We are undertaking to work with executive search firms that have demonstrated their commitment to gender diversity ensuring that where possible, at least 30% of long-list candidates are women.
- c We have continued commitment to identify a diverse range of internal candidates for any succession plan and internal roles.
- d We will be establishing a talent recruitment programme focussed on recruiting a diverse pool of candidates from industries outside of financial services.

4. FLEXIBLE WORKING

- a We will support staff to work flexibly wherever possible and practical. We offer enhanced maternity and paternity leave and encourage staff to consider shared parental leave.
- b We also provide paid 'Family Leave' to help staff deal with difficult family related circumstances such as caring for a sick child.
- c We are developing a 'returners' programme for staff who have been out on long-term absence, maternity, parental or adoption leave.
- d We continue to review market best practice on an ongoing basis in order to identify and assess opportunities to introduce new/updated family-friendly, health and well-being policies that attract, support and retain a diverse workforce.

5. TRAINING, CAREER AND PERFORMANCE MANAGEMENT

- a The ExCo and all line managers have attended Unconscious Bias and Employee Relations training to understand and mitigate decision-making risks. We are now rolling this out to all staff.
- b All line managers have attended Employment Risk Awareness training, which includes a specific module on Diversity.
- c New joiners complete our Diversity e-learning module within one month of participating in the Induction programme.

6. MEMBERSHIPS AND ASSOCIATIONS

a Women in Finance Charter

We are committed to supporting the Women in Finance Charter, as well as supporting all forms of change that encourage a more diverse population across its business. We recognise the value a diverse workforce brings to the business and in particular the benefits of having a diversity of experience amongst senior management. Our gender diversity targets and initiatives that we have committed to under the charter can be viewed on our website at <https://www.hermes-investment.com/ukw/women-finance-charter/>.

b 30% Club

We are a member of the 30% Club, and believe that gender balance on boards not only encourages better leadership and governance, but diversity further contributes to better all-round board performance, and ultimately increased corporate performance for both companies and their shareholders.

c City Parents

Hermes is a member of City Parents, supporting City professionals who have a shared interest in balancing home/family life with a progressive career through networking, events, seminars, coaching and mentoring.

7. CULTURE

Culture is an integral part of our business, which is why we have a number of policies and procedures in place to ensure we act as a transparent, responsible and ethical business.

a Local community

We are continuing to support the development and employability of females from a young age and from less privileged backgrounds in order to build the aggregate pipeline for talent through our support for local mentoring schemes and other similar community initiatives.

b Hermes Pledge

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 makes clear our commitments, obligations and responsibilities as an organisation and as individuals. As part of the Pledge, staff agree to act ethically, responsibly and with integrity; to put the interests of our clients and their beneficiaries first, to treat clients, colleagues and all other stakeholders with respect and as they would wish to be treated.

c Hermes Behaviours

Hermes has articulated a set of behaviours innate to its culture that contribute to the success of the business. 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 technical performance objectives.

d Women's Network

We are establishing a Women's Network, led by senior women from across the business, to engage, communicate with and support female members of staff.

e Mentoring

We will support all levels of staff across the organisation who express interest in or would benefit from a mentor as part of their future development.

f The Female Voice

Hermes has participated in 'The Female Voice' project with students from Tower Hamlets College, Hermes' local further education college. A range of Hermes staff spoke directly and openly about the realities of working in finance, culminating in a one-day conference and series of workshops.

g Hermes Unity

We are committed to treating everyone with whom we work fairly and with dignity and respect. Under our Corporate Citizenship programme, we have established Hermes Unity, which promotes an inclusive culture, offering a wide range of events, allowing all members of staff to develop individually and collectively as an organisation.

We confirm that the content contained in this response is accurate as at the stated dates.



Saker Nusseibeh,
Chief Executive



Harriet Steel,
Board Director & Head of Business Development