

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: **Federated Hermes Multi Strategy Credit Fund**
 Legal entity identifier: **5493003YC2GCCKGNU693**

Environmental and/or social characteristics

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?



Yes



No



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



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**: ____%



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 10% 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**



What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes investment in issuers exhibiting the following characteristics:

- *reduced ESG risks;*
- *a willingness to engage on any material ESG issues; and*
- *limited to no revenue generated from excluded sectors.*

No specific index has been designated as a reference benchmark for the purpose of attaining the above characteristics

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The following sustainability indicators are used for the purpose of measuring the attainment of the environmental or social characteristics promoted by the Fund:

- *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, and Board Gender Diversity; and*
- *Engagement Activity: as a % of the AUM in the portfolio and as a % of progress made against the objective milestones set by the Investment Manager and EOS.*

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The objective of the sustainable investments investments that the Fund partially intends to make are: (i) is either to further the attainment of at least one or more of the 17 United Nations Sustainable Development Goals; (ii) or to contribute to reducing the environmental and social impacts of the products/services that the company provides through processes which mitigate the impacts of such products or services on the environment or to stakeholders including, but not limited to employees, communities, supply chain employees or customers.

Sustainable investments will contribute via:

- *the relevant investee companies providing products or services that have a goal of solving environmental or social challenges we face as a society; and/or*
- *the relevant investee companies investing in reducing their environmental and social impacts and/or re-positioning their business to a more sustainable model. to provide products/services that has a positive impact on the environment and the wider society. This can be achieved by, for example investing in clean technology, divesting from fossil fuels to invest more in renewables.*

The investments underlying this Fund do not take into account the EU criteria for environmentally sustainable economic activities, as defined under the Taxonomy Regulation (EU) 2020/852.

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

The Investment Manager's assessment of sustainable investments includes identifying where issuers may cause significant harm through the products and services that they offer, but also through their entire value chain. The assessment includes:

- (i) *taking into account all adverse impact indicators and other relevant ESG indicators through the Investment Managers proprietary ESG Scoring Model (as detailed below) to identify if an issuer has any sustainability risks;*
- (ii) *screening for contraventions of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as detailed below;*
- (iii) *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 an issuer is deemed to do significant harm to any sustainable objective, the investment in the issuer will not be considered a sustainable investment.

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.

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 proprietary ESG scoring model (the "ESG Scoring Model" – see further detail below), 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? Details:

Using a mix of qualitative and quantitative assessments based on available data, the Investment Manager seeks to identify any issuers 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 issuers.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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



Yes

As part of the investment strategy, the Investment Manager considers whether issuers exhibit any principal adverse impacts on sustainability factors by: (i) evaluating the results from the ESG Scoring Model; and (ii) evaluating the underlying principal adverse impact and other sustainability indicators used as part of the ESG Scoring Model. Evaluating both the results from and the underlying indicators used by the ESG Scoring Model enables the Investment Manager to ensure that all relevant information is accurately captured and that the portfolio is not exposed to any sustainability risks not otherwise identified by the ESG Scoring Model. 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"); third party providers, where available, such as ISS, CDP, MSCI, Sustainalytics and Trucost amongst others; and issuers' own disclosures.

Where sustainability risks are identified, the Investment Manager may elect not to continue with the investment, or may identify the issuer as a candidate for engagement, with the aim of reducing underperformance which may arise from poor ESG behaviours whilst also encouraging issuers 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 uses an active approach to seek risk-adjusted returns through analysis of individual corporate and/or government issuers. The strategy seeks companies which will generate a high level of income across a broad range of geographic regions and industries, which also have good or improving ESG exposure. The Investment Manager further incorporates ESG factors aimed at the promotion of the environmental and social characteristics, through the following processes:

ESG Integration: The Investment Manager incorporates analysis that assesses the ESG characteristics of an issuer into its investment process. The Investment Manager achieves this by using its ESG Scoring Model to score a country or a company's ESG behaviours, assigning an ESG score on a scale of 1 to 5. The ESG Scoring Model considers environmental and social characteristics including (but not limited to) the management of environmental risks (such as impact on climate change and natural resource use) and social risks (such as human & labour rights and human capital management). This ESG Scoring Model favours issuers with low environmental and social risks and issuers which comply with the Investment Manager's policy on good governance practices, outlined further below. As such, the Fund will have a higher percentage of investments scoring 3 or lower. The Investment Manager may invest in issuers with a poor ESG score, where the issuer has shown a desire to improve its ESG behaviours. The Investment Manager will not invest in new issuers with an ESG score of 5 from the investment universe. These scores are not static and therefore could be downgraded. In circumstances where an issuer's score is downgraded to a 5, the Investment Manager will seek to disinvest.

Engagement: The Fund leverages quantitative and qualitative engagement insights generated by the Investment Manager and EOS through its range of active ownership services. Where sustainability risks are identified, the Investment Manager will work with EOS to engage with issuers to address those risks. Engagement occurs through meetings with management and exercising voting rights. Engagement seeks develop a plan to address the issue and deliver positive change within set time periods. Where there is engagement with an issuer, a four-step milestone approach will be implemented to: (i) raise the issue at the appropriate level within the issuer; (ii) confirm that the issuer accepts that the issue must be addressed; (iii) develop a plan to address the issue; and (iv) implement the plan satisfactorily. Where an issuer is not receptive to engagement on any sustainability risks, or makes insufficient progress in addressing them over time, it may result in divestment from that issuer.

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 Controversial Weapons, Conventional Weapons, tobacco, gambling unconventional oil sands 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 each of the environmental or social characteristics promoted by this financial product?

- The percentage of ESG-analysed issuers in the Fund will always be between 90%-100%.
- The Investment Manager will not invest in new issuers with an ESG score of 5 (scores are evaluated on an on-going basis and can fluctuate).
- The Investment Manager will exclude investment in the following companies (based on information available to the Investment Manager on these companies):
 - 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 10% of their revenues from production of Conventional Weapons;

- *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 10% of their revenues from gambling products; and*
- *companies that generate over 5% of their revenues from the extraction of unconventional oil sands.*

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

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable.

● **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 an issuer by reference to its policy on good governance and through the use of the Investment Manager's proprietary ESG Scoring Model, 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, an issuer's management structure, employee relations, staff remuneration and compliance with applicable tax rules.

An issuer 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 issuer'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 issuer'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 issuer to address enhancements to the issuer'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.

An issuer 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>

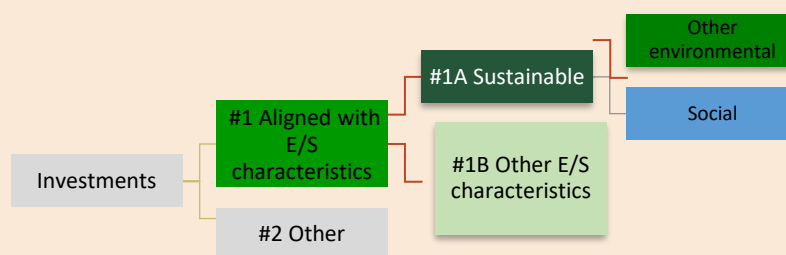
Good governance
practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation planned for this financial product

Asset allocation

describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes a minimum of 80% of the Fund's investments will be in issuers who meet the characteristics promoted by the Fund and can evidence good governance practices in accordance with the Investment Manager's policy on good governance, as outlined above.

#2 Other includes the remaining investments of the Fund, which may be held for efficient portfolio management and cash management purposes and are neither aligned with the environmental or social characteristics, nor qualify as sustainable investments. These investments include cash and money market instruments, as well as FDI to gain exposure, manage exposure or alter exposure to the interest rate, credit and inflation markets and may generate long or short exposures through the use of FDIs.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives. A minimum of 10% of the Fund's investments will be in sustainable investments as outlined above
- The sub-category **#1B Other E/S characteristics** covers the remainder of this category, which will be investments aligned with the environmental or social characteristics but do not qualify as sustainable investments.

● How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The investment manager may utilise credit default swaps to gain exposure to an issuer's capital structure, where they deem this the most efficient way of doing so. As such these derivatives act as corporate exposure and contribute to the attainment of the environmental and social characteristics in the same way as holding a corporate bond.

The Fund may also utilise FDIs, such as CDS at an index level, Futures, Forward Currency Exchange Contracts, Options (such as credit/index Options (to include CDSI), equity index Options and Options on CDS and equity Options) and for direct investment and/or efficient portfolio management purposes. The Fund may also enter Swaps such as currency Swaps for currency hedging purposes and Credit Default Swaps. FDIs will be used for purposes such as assisting cash flow management, for cost effectiveness and for gaining or hedging exposure to certain markets and securities, such as the bonds described in the preceding section, in a quicker and/or more efficient manner. These FDIs may be dealt in on an exchange traded or OTC basis. These instruments do not contribute to the attainment of the environmental and social characteristics.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.




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

The investments underlying this Fund do not take into account the EU criteria for environmentally sustainable economic activities, as defined under the Taxonomy Regulation (EU) 2020/852. As such the Fund will have a minimum of 0% Taxonomy-alignment.

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

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.

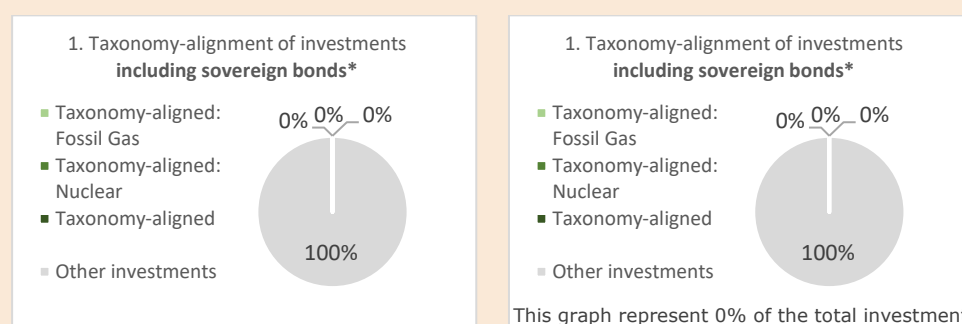
 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

☐ Yes:

☐ 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?

Not Applicable



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 10% in sustainable investments, due to the proposed dynamic allocation between environmentally and socially sustainable investments, respectively, a minimum of 0% of the investments underlying this Fund will be invested in sustainable investments with an environmental objective that is not aligned with the Taxonomy.



What is the minimum share of socially sustainable investments?

While the Fund commits to a minimum of 10% in sustainable investments, due to the proposed dynamic allocation between environmentally and socially sustainable investments, respectively, a minimum of 0% of the investments underlying this Fund will be invested in sustainable investments with a social objective.



¹ 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.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Investments included under “#2 Other” may be held for efficient portfolio management and cash management purposes and are neither aligned with the environmental or social characteristics, nor qualify as sustainable investments. These investments include cash and money market instruments, as well as FDI to gain exposure, manage exposure or alter exposure to the interest rate, credit and inflation markets and may generate long or short exposures through the use of FDIs. There are no minimum safeguards for these investments.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
Not Applicable
- **How does the designated index differ from a relevant broad market index?**
Not Applicable
- **Where can the methodology used for the calculation of the designated index be found?**
Not Applicable



Where can I find more product specific information online?

More product-specific information can be found on the website:

More product specific information can be found via:
<https://www.hermes-investment.com/products>