



# Federated Hermes Impact Opportunities Fund

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**Impact Annual Report 2021**

**Federated  
Hermes**  
Limited



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For professional investors only



# 2021 highlights

Using our proprietary Federated Hermes Impact Database, we are able to estimate the total impact of the companies in which we are invested<sup>1</sup>. We present highlights below:

**45.7** million MT of CO<sub>2</sub> avoided, with only **7.7 million MT** released

**79.8** million MWH of clean energy generated

**1.4** billion metres<sup>3</sup> of water saved, vs. **167.4 million metres<sup>3</sup>** consumed

**173.5** million patients treated, and **1.9** million lives extended

**1.2** million tons of waste recycled (through product solutions) plus a further **865k** through recycling programmes in operations

Source: Net Purpose, Federated Hermes Impact calculations. As at August 2022.

## Fund performance, 2021<sup>2</sup>

The Federated Hermes Impact Opportunities Fund returned **3.62%** in 2021<sup>3</sup>, underperforming the MSCI All Country World index which returned 18.22%.

Following a strong performance in 2020, the fund's underperformance in 2021 was largely due to the market rotation; as, with concerns about rising interest rates, we saw a rotation away from some 'growth' areas, such as energy transition where we are exposed, into 'value' areas such as financials and energy where we are underexposed due to their lack of impact case.

In 2021, we engaged with

**68%** of companies in our portfolio.

We voted against management on the following issues...

**45%** board structure

**36%** remuneration

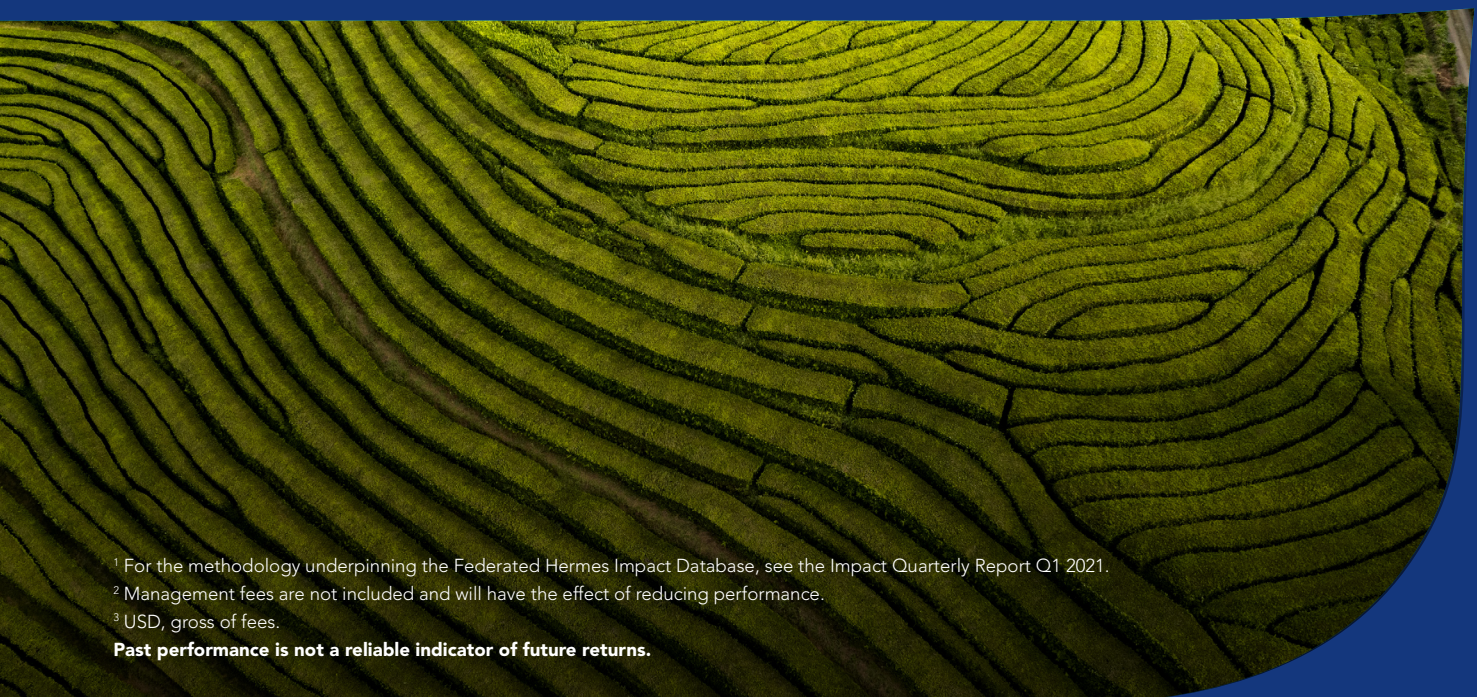
**12%** other

<sup>1</sup> For the methodology underpinning the Federated Hermes Impact Database, see the Impact Quarterly Report Q1 2021.

<sup>2</sup> Management fees are not included and will have the effect of reducing performance.

<sup>3</sup> USD, gross of fees.

**Past performance is not a reliable indicator of future returns.**





# Contents

1. Fund philosophy	2
2. Market and performance review, 2021	5
3. Activity highlights, 2021	7
4. Engagement: driving change	9
5. Case study highlights	13



## SECTION 1

## Fund philosophy

**We aim to outperform the broad global equity market by:**



**Investing in** companies that provide solutions that have a positive impact on people and the planet



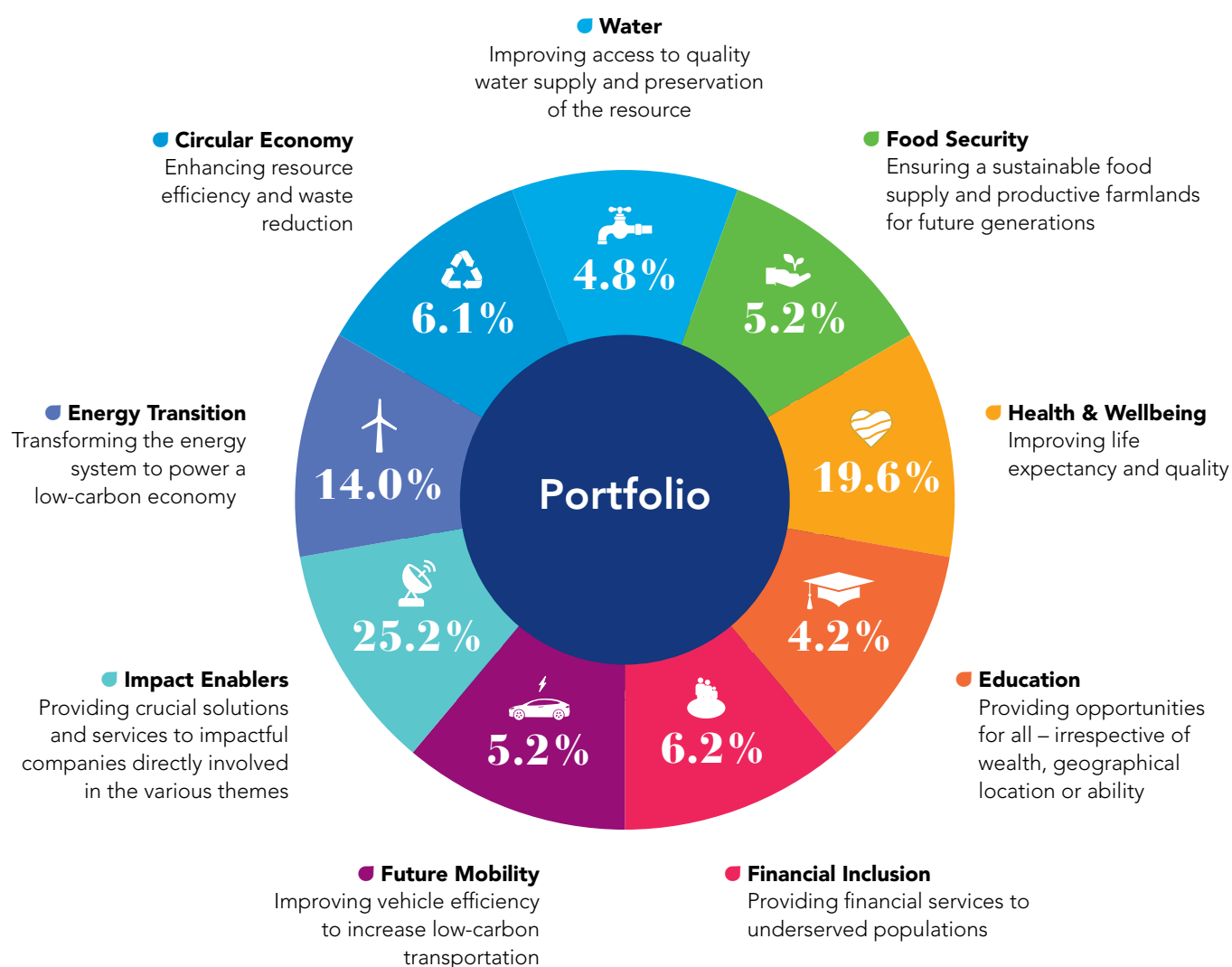
**Identifying** emerging growth opportunities that meet a structural, underserved need



**Taking advantage** of market inefficiencies in pricing long-term change



**A thematic approach:** our holdings fit into one or more of the nine themes that are aligned with the UN Sustainable Development Goals (SDGs).



Source: Federated Hermes as at 31 December 2021. Note: as at 31 December 2021, 5.2% of our exposure was not directly related to any of our nine impact themes, while 2.3% was held as cash.



## Impact performance, 2021

### Total company level impact of stocks held, 2021

Using our proprietary Federated Hermes Impact Database, we are able to present our impact data on an aggregated, cross-company basis. Put simply, it depicts our estimation of the total impact that the companies in which we are invested have delivered in 2021. As aforementioned, our database draws on data from company, sector and impact industry reports<sup>4</sup>.

**45.7m MT**

of CO<sub>2</sub> avoided, with only

**7.7m MT**  
released



Average female manager  
and board representation  
of

**30.7%**

and

**28.6%**

respectively



**36.2m**

people given  
financial access



**\$5.2bn**

SDG enabling R&D funded  
(excluding Healthcare)



**79.8m MWH**

of clean energy  
generated

**1.4bn m<sup>3</sup>**

of water saved vs

**167.4m m<sup>3</sup>**

consumed



**173.5m**

patients treated and

**1.9m**

lives extended



**7.9m**

students educated

**\$6.4bn**

Healthcare R&D funded



**1.2m tons**

of waste recycled  
(through product  
solutions) plus a further

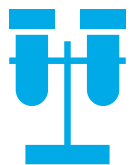


**865k**

through recycling  
programs in  
operations

**17.5k**

life sciences lab budgets  
fully exhausted



**27.9m tons**

of food waste avoided

**12k**

hectares of forest protected



<sup>4</sup>Source: Net Purpose, Federated Hermes Impact calculations. 2021 data, as at August 2022.





## Impact achieved by capital deployed, 2021

As well as producing company-level impact, our database allows us to report on the impact of our fund's assets under management. Put simply, we scale the metrics to demonstrate the impact accomplished through the capital we deploy – \$592m as at 31 December 2021 – on behalf of our clients, thereby reflecting our ownership of each company held in our fund.

# 38k MT

CO<sub>2</sub> avoided, with only

# 4.7k MT

released



Average female manager and board representation of

# 30.7%

and

# 28.6%

respectively\*



# 10k

people given financial access



# \$5.6m

SDG enabling R&D funded (excluding Healthcare)



# 43.9k MWH

of clean energy generated



# 840.9k m³

of water saved vs

# 73.9k m³

consumed



# 225.9k

patients treated and

# 258

lives extended



# 4,566

students educated

# \$3.6m

Healthcare R&D funded



# 1.5k MT

of waste recycled (through product solutions) plus a further



# 0.7k

through recycling programs in operations

# 12

life sciences lab budgets fully exhausted



# 14.2k tons

of food waste avoided

# 9.6

hectares of forest protected



\*This metric is based on an average, and therefore does not change when scaled.  
Source: Net Purpose, Federated Hermes Impact calculations. 2021 data, as at August 2022.





## SECTION 2

## Market performance

Global equity markets experienced volatility during the year, triggered by uncertainty around interest rates, inflation, Covid-19 developments and energy shortages.



Growth stocks, which had led the market in 2020, saw several periods of weakness on the back of concerns about higher interest rates. Value stocks and companies expected to benefit from a post-pandemic reopening generally outperformed during the period.

According to Bloomberg Global Fund data, only 5.4% of funds outperformed both in 2021 and 2020 amid a significant reversal in the market in terms of factor winners and losers<sup>5</sup>. Many healthcare names, for example, which had performed well in 2020, saw subdued performance 2021, in contrast to cyclical commodity-related stocks that significantly outperformed in 2021, having been weak in 2020.

All sectors rose during the period; Energy was the best performing sector, up more than 30% (in US dollar terms), followed by information technology and financials. Meanwhile, consumer discretionary, communication services and utilities were the weakest performers in the period. North America was the best performing region, while Latin America was the weakest.

Performance review<sup>6</sup>

The fund returned 3.62% for the 12 months to the end of 2021 in gross US dollar terms. While we were pleased to have reported a positive absolute return following a very strong 2020, the fund underperformed its broad market benchmark, the MSCI ACWI IMI index, which returned 18.22% (gross US dollar). The underperformance was largely due to market rotation; as, with concerns about rising interest rates, we saw a rotation away from some 'growth' areas, such as energy

transition where we are exposed, into 'value' areas such as financials and energy where we are underexposed due to their lack of impact case.



**Clean energy** was the greatest detractor, five stocks detracted 7.6% from relative performance in the year (Orsted, Ballard Power, Siemens, Hannon Armstrong, Vestas) and this had an impact on performance in financials, industrials and utilities.



**Information Technology (IT)** detracted the most at -3.2% of relative performance.



Meanwhile, **Financials** detracted -2.43% of relative performance.



**Health Care** was positive overall – allocation negative, but stock selection strong.

Given the concentration of the fund, it is unsurprising that in attribution terms, stock selection was the main driver for the fund's relative performance in the period. Stock selection in the industrials and information technology sectors detracted the most from relative performance.




Sector allocation also detracted during the period, particularly due to being underweight in Information Technology, Energy and Financials sectors. Positioning in healthcare was positive overall; while having an overweight position in the sector that underperformed detracted, positive stock selection in the sector more than offset this.




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<sup>5</sup> Bloomberg as at July 31 2022.

<sup>6</sup> Management fees are not included and will have the effect of reducing performance.



Top 3 contributors	Primary Impact theme	
<b>Kingspan</b>		Performed well following the release of strong earnings with a positive outlook with regards to pricing power (see the case study in this report).
<b>Straumann</b>		Shares rose following the announcement of earnings which showed strong sales momentum.
<b>Novo Nordisk</b>		Share price strength during the year due to the announcement of earnings that beat expectations, with strong demand for its new obesity drug.

Top 3 detractors	Primary Impact theme	
<b>Teladoc</b>		Rotation out of growth businesses and its announcement of earnings which missed expectations.
<b>Orsted</b>		Shares fell alongside other renewable energy providers, partly due to market expectations of rising rates putting pressure on valuations, and partly because of price competition from large oil companies trying to grow renewable exposure.
<b>Ballard Power Systems</b>		Underperformed alongside weakness in long-dated growth stocks and clean energy, despite announcing several new contract wins over the year.









## SECTION 3

## Activity highlights

The fund remains a high conviction portfolio focused on bottom-up stock selection of truly impactful companies. Market volatility provided opportunities to buy several new holdings at attractive valuations, including Aecom, Block, AbCellera and Valeo.



Portfolio additions	Impact theme	
<b>Aecom</b>	 Energy Transition	A global infrastructure consulting company, providing market-leading professional services in key water sectors, transportation design and green design, and construction management.
<b>Block</b> (previously named Square)	 Financial Inclusion	Provides an ecosystem of payment and software tools that enable small- and medium-size businesses, helping to streamline payment processes and complete transactions faster.
<b>AbCellera</b>	 Impact Enablers	A growth stage contract research organisation (CRO) that has used leading technology to create an end-to-end antibody drug discovery platform. This platform enables faster and more accurate discovery of antibodies which in turn can improve medicines and find solutions for unmet needs.
<b>Valeo</b>	 Future Mobility	Auto component maker well positioned in the hybrid and electric car and autonomous vehicle markets.







A number of holdings were sold during the period to fund purchases including the four highlighted above.

Positions offloaded	Impact theme	
<b>LivaNova</b>	 Health and Wellbeing	The medical technology company was sold due to concerns about the company's ongoing impact and business case. We sold the holding when activist involvement helped the share price rise to an attractive exit level.
<b>CSL</b>	 Health and Wellbeing	This plasma therapies business was sold as we believed that the Australian-listed company's share price had risen to a level where the risk-reward profile was less attractive than opportunities elsewhere.
<b>Emergent BioSolutions</b>	 Health and Wellbeing	We sold due to concerns around the outlook for its contract manufacturing business, following issues in vaccination production, as well as the threat of generic competition for Narcan entering the market, which accounts for more than 20% of sales.
<b>Hella</b>	 Future Mobility	Manufacturer of auto parts was sold after the company was bought by European competitor Faurecia.

The fund continues to be actively managed, and throughout the period we trimmed positions that had performed particularly well and topped up positions elsewhere as appropriate. Our investment process maintains a long-term view, focused on holding a concentrated list of companies where we have conviction.

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### A long-term outlook

As impact investors, we are looking for companies that provide solutions to the world's most pressing needs, as well as investing in megatrends that align with the UN Sustainable Development Goals (SDGs).

There are two main characteristics of the fund: first, it has a growth tilt as our businesses are exposed to scalable and durable sources of demand, and second, we do not have exposure to energy, metals and mining sectors and a substantial underweight to the financial sector – particularly with no exposure to banking stocks which profit from rising interest rates and practices such as stock lending and short selling.



## SECTION 4

Engagement:  
driving change

Federated Hermes Limited has long stood at the forefront of responsible investing; catalysing corporate governance reform since our 1983 inception and engaging internationally from 1996 onwards, we have always championed investors' interests.



In 2004, EOS at Federated Hermes (EOS) was created to meet the needs of investors with a strong commitment to stewardship – a commitment consistent with our mission to generate sustainable wealth creation. In 2005, EOS led the committee that drafted the Principles for Responsible Investment (PRI).

**Today, EOS has one of the largest stewardship resources of any fund manager in the world, with a diverse team that engages globally on social, environmental, governance and strategic issues.**

Today, EOS has one of the largest stewardship resources of any fund manager in the world, with a diverse team that engages globally on social, environmental, governance and strategic issues. The team primarily focus on board-level interactions and represent \$1.5tn in assets (as at 30 June 2022).

Within the Impact Opportunities team, we consider engagement an exceptionally important feedback tool, and an opportunity to help drive positive change within and alongside businesses. As a result, active engagement and voting form a core part of our investment process, and we aim to engage alongside EOS wherever relevant to our portfolio holdings.



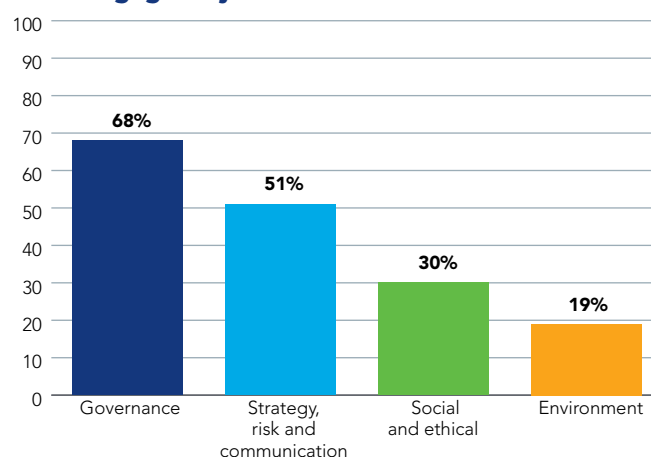
## Our four-stage milestone system



## Engagement highlights

**68%** of companies were engaged.

## AUM engaged by theme



We also made progress on

**61%** of Engagement Objectives in the 12-month period.

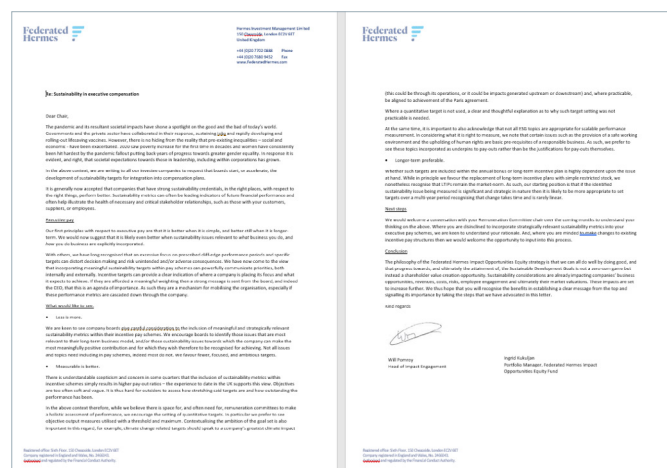
Source : Federated Hermes, as at 30 June 2022.



## Sustainability in executive compensation

To continue our agenda of encouraging best practices at investee companies and increased positive impact, in September 2021 we wrote to every company in our portfolio to request that boards start, or accelerate, the development of sustainability targets for integration into compensation plans (see below).

### Executive compensation letter



Source: Federated Hermes, September 2021.

The letter explained that the pandemic, and its resultant societal impacts, had shone a spotlight on the good and the bad of today's world. Governments and the private sector worked together, sustaining jobs and rapidly developing and rolling-out lifesaving vaccines. However, there is no hiding from the reality that pre-existing inequalities – social and economic – have been exacerbated. Absolute poverty levels have increased for the first time in decades<sup>7</sup> and women have consistently been hit hardest by the fallout from the pandemic, rolling back years of progress towards greater gender equality. In response, it is evident, and right, that societal expectations towards those in leadership, including within corporations, has grown.

It is now generally accepted that companies that have strong sustainability credentials, in the right places, with respect to the right things, perform better. Sustainability metrics can often be leading indicators of future financial performance and often help illustrate the health of necessary and critical stakeholder relationships, such as those with customers, suppliers, or employees.

The letter was a great way of opening further engagement with companies, and we have been pleased to have many responses noting the benefits of, as well as the need, to do more. With the help of EOS, our experienced engagement team, we are able to provide examples of best practices within industries and suggest measurable targets that can be used.

We have already had many follow up conversations with investee companies regarding the matter and will continue to engage with them on this, as well as any other relevant matters, in 2022.

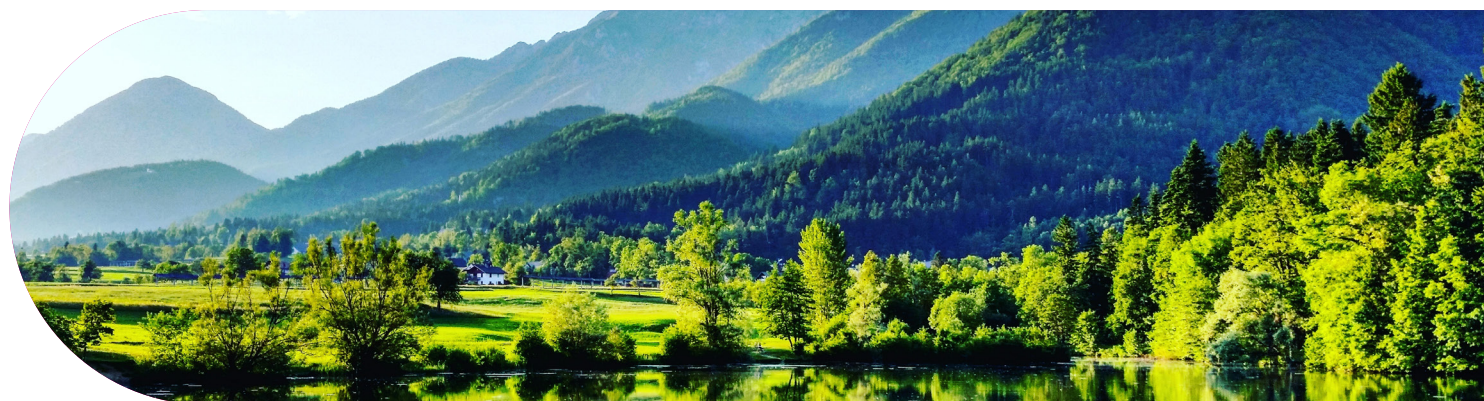
## Biodiversity: a stewardship priority

**We are helping to advocate for a greater appreciation of our reliance on nature and the need for companies to understand their impacts, both positive and negative.**

We are all dependent on the common goods provided by nature – such as clean air and water, fertile soils, pollination and favourable climatic conditions. Yet to date, the value of biodiversity and these 'ecosystem services' has been largely unacknowledged by companies and their investors. This is despite the fact that ecosystem collapse poses systemic risks to the global economy and society as a whole.

Biodiversity is now a stewardship priority. We encourage companies to commit to having a net-positive impact on biodiversity throughout their operations and supply chains. The mechanisms to achieve this goal will vary by company and sector, but strategies may include ensuring that there is no deforestation in their value chains, supporting farmers in transitioning to regenerative agriculture, and investing in nature-based solutions to address the dual challenges of climate change and biodiversity loss.

Reducing the corporate pressures on biodiversity, such as land-use change, climate change and pollution, will be critical. Equally, innovation across operations, supply chains and products will be necessary to deliver the ambitious goal of having a net-positive impact on biodiversity at the organisational level. This goal should be accompanied by strong governance, effective measurement, an impactful strategy, and regular disclosure.



<sup>7</sup> Poverty trends: global, regional and national – Development Initiatives (devinit.org)



## THEMATIC FOCUS:

## Financial inclusion

- Globally, an estimated 1.7 billion people are unbanked<sup>1</sup>
- More than 40% of global assets are uninsured<sup>1</sup>
- Foreign workers sending money home lose approximately 7% in remittance fees<sup>2</sup>

**What exactly is financial inclusion?**

- Commonly defined as the access to products and services people need to manage their money, at a reasonable cost, while having the understanding to use them appropriately.
- Services include transactions and payments, savings, pensions, investments, credit and insurance.
- Financial services provide opportunity and security for individuals and businesses.

**Commonly defined as the access to products and services people need to manage their money, at a reasonable cost, while having the understanding to use them appropriately.**

**Why is financial inclusion so important now?**

It is increasingly understood that absolute levels of poverty are far from the only issue affecting the world's poor. Almost a third of adults globally (about 1.7 billion people) remain unbanked.<sup>1</sup> Many more are unable to access financial services at economical prices, like loans, payment services and insurance. Being excluded from the formal financial economy can often create a vicious circle, trapping people in a cycle of debt.

**The impact of the Covid-19 pandemic**

According to the World Bank, global extreme poverty worsened in 2020 for the first time in a generation, with about 120 million additional people joining the ranks of the poor worldwide<sup>3</sup>.

<sup>1</sup> World Bank Group, Findex report, 'The Unbanked' (2017)

<sup>2</sup> World Economy, 'Sending Money Home: Transaction Cost and Remittances to Developing Countries' (January 2021)

<sup>3</sup> World Bank Group, 'Understanding Poverty' (October 2021)





## UN Sustainable Development Goals (SDGs) positively impacted by financial inclusion



### The benefits of financial inclusion

Financial inclusion is an almost uniquely powerful theme in terms of the number of areas it touches. The UN has linked financial inclusion to progress in relation to 13 of its 17 Sustainable Development Goals (SDGs). Financial inclusion:



#### Reduces income inequality

International Monetary Fund (IMF) studies show a strong association between extending traditional financial services to low-income households and reducing income inequality. The data shows that the largest reduction in income inequality comes when women are given increased access to finance.<sup>4</sup>



#### Fosters gender equality & political stability

Bolstering financial inclusion can improve gender equality and help build stronger institutions which, in turn, improves political stability. This minimises conflict and creates more just societies.



#### Improves access to clean water, affordable energy

Access to formal financial services can indirectly improve access to clean water and sanitation, affordable energy and quality education.



#### Creates economic opportunity

As well as bringing up to 1.7 billion people into the financial system, greater financial inclusion has the potential to generate 95 million jobs and boost global GDP by a massive \$3.7tn come 2025.<sup>5</sup>

<sup>4</sup> International Monetary Fund (IMF) – Women in Finance: A Case for Closing Gaps (imf.org) – September 2018.

<sup>5</sup> International Monetary Fund (IMF) – Finance and Inequality (imf.org) – January 2020.





**UK company, Kingspan, is a leader in high performance insulation. With five business divisions making up the complete building envelope<sup>8</sup>, the company seeks to reduce the carbon emissions associated with inefficient buildings.**



**Impact theme:** Impact Enabler

On occasions when there is controversy around a company that we own, our first step is to engage. Engagement allows us to understand all the relevant information and make an objective and considered decision. In reference to Kingspan, this was our course of action. Following on from engagement in 2020, we had a subsequent call in March 2021 and have spoken multiple times since. Our main focus was on the two main issues that emerged from the inquiry: the inadequate certification of its Kooltherm K15 product between 2005 and 2014, and the cultural issues of part of its UK insulation boards business.

### 2021 impact measurement highlights

CO<sub>2</sub> avoided =

**2.4m MT**

CO<sub>2</sub> emitted =

**5.0 MT**

Female board =

**27%**

Waste recycled =

**42.2k MT**

Source: Net Purpose, Federated Hermes Impact calculations, as at August 2022. We have chosen to highlight what we believe to be the largest impact metrics for each company; please note, not all impact metrics are relevant to all companies. Our calculation methodology is described in detail in our Q1 2021 report.

The company announced management changes in December 2020 (its Insulation Board MD stepped down and a new head of compliance and certification was employed, reporting directly to the CEO). Alongside the departure of the MD, around eight individuals working in the insulation boards division also left the company. At the full-year 2020 results in February 2021, the company announced several initiatives to address the issues that emerged and to prevent anything similar happening again. These include:

- Compliance and governance review
- Wide-ranging process changes
- Governance and management changes
- New code of conduct
- Integrity and traceability of product information
- Reassurance and engagement on legacy testing issues
- Action on legacy projects
- Fire safety R&D
- Independent lawyers hired to review and make recommendations to UK insulation business
- A €30m annual provision for remediation (claims have been minimal so far)

**The company announced management changes in December 2020 (its Insulation Board MD stepped down and a new head of compliance and certification was employed, reporting directly to the CEO).**

Our investment case is predicated on what we believe to be positively differentiated operations and product offerings – its use of recycled materials, increased renewable energy and completion of ocean clean-ups we believe displays the company's drive to help create positive impact in this space. This alongside the increased efficiency of its products can provide vital impact towards helping reduce the large amount of CO<sub>2</sub> emissions created due to inefficient buildings. Governance and social issues which are not engageable would lead us to disinvest, but our view at present is that the issue is not within the current business, and we are focused on using engagement to ensure this is the case, and to encourage positive change where required.

**Our investment case is predicated on what we believe to be positively differentiated operations and product offerings – its use of recycled materials, increased renewable energy and completion of ocean clean-ups we believe displays the company's drive to help create positive impact in this space.**

<sup>8</sup> These divisions are insulation, insulated panels, light and air, data and flooring, water and energy.



**We have recently had two further engagements with Kingspan. On a call with the company ahead of the AGM, we discussed changes to its remuneration policy and its 'say on climate' proposal – the first from an Irish company.**

We have recently had two further engagements with Kingspan. On a call with the company ahead of the AGM, we discussed changes to its remuneration policy and its 'say on climate' proposal – the first from an Irish company. On pay, the company is proposing to increase the size of the remuneration package to align more with a FTSE 100 company. We advised that we would have expected to see a corresponding increase to minimum shareholding requirements, which remain at 200% of salary (compared to the 400% we expect for a FTSE 100 CEO). We also challenged the duplication of earning per share (EPS) across the long-term incentive plan (LTIP) and bonus schemes. We advised that we were still conducting analysis of its climate plan and followed up with some clarification questions regarding its Scope 3 emissions, as well as to ask whether the board will consider increasing shareholding requirements and removing duplication of EPS across variable pay schemes. We were pleased with the company's willingness to engage on this as well as previous matters.

We also wrote to the company to confirm that we were supportive of its efforts around climate resolution, on the basis that it has robust and ambitious 2030 targets for its Scope 1, 2 and 3 emissions. While it does not yet have a time-bound net-zero target for Scope 3, it confirmed that

this is its aim, and we supported its rationale for focusing on near-term activities that will drive change among its supply chain, although noting that, in time, we will want to see a firm target for net zero for Scope 3 emissions, which constitute a material portion of its emissions. We were not supportive of its proposed remuneration policy due to a notable increase in quantum of variable pay schemes without a corresponding increase to shareholding requirements, and the duplication of the earnings per share (EPS) metric across both schemes. On this point we shall continue to seek change. We continue to see evidence that the company is trying to progress its positive impact through its supply of insulation, as well as reducing negative externalities such as by utilising recycled materials and increasing use of clean energy for operations.

### Fast facts

- Kingspan is a leader in helping to decarbonise buildings. The superior thermal properties of its products versus competitors can reduce total emissions from heating and cooling residential, commercial or industrial buildings.
- The company has set science based emissions reduction targets, and its recently revised 'planet passionate' commitments continues to set ambitious thresholds (50% supply-chain carbon reduction by 2030).
- Product design is a material advantage and the company compares well with peers. Both in thermal properties, as well as in lifespan (30-year life-span vs ~eight years for competitor products). It uses recycled ocean plastic as an input in its insulation materials, one of many aspects of product impact.

**We continue to see evidence that the company is trying to progress its positive impact through its supply of insulation, as well as reducing negative externalities such as by utilising recycled materials and increasing use of clean energy for operations.**





We publish two investment case studies from the Impact Opportunities portfolio each quarter. Please find two included here: AbCellera (originally published in Q1 2022) and Brambles (published in Q4 2021).



**AbCellera is transforming access to drug discovery technology through its innovative, end-to-end platform for single-cell screening.**



**Impact theme:** Impact Enabler

The Covid-19 pandemic presented an opportunity for many biotechnology companies to prove themselves. None more so than our holding, AbCellera, a start-up whose unique approach to drug discovery was instrumental in the US government's Covid-19 response.

With leading IP in micro-fluidics and single-cell sequencing, AbCellera's platform allows pharmaceutical companies to access 'nature's database of antibodies'. In short, the company enables the development of new drugs and other treatments through a partnership model that is both profitable and scalable. This has enormous positive impact potential – AbCellera is essentially democratising drug discovery. By working with a network of third parties, the company is enabling access to transformational technology, which should in turn increase the competitiveness of the drug landscape, enable faster time to the market for new drugs, and drive down treatment costs for patients.

Note: As this stock was added since December 2020, impact measurement highlights are not yet available.

## Removing the common roadblocks in drugs development

Manufacturing any kind of drug or treatment is not an easy process.

For starters, the cost and likelihood of getting a drug to market is enough to deter even the most eager of emerging biopharma companies – \$1.4bn is the average investment required, with 96% of candidates destined to fail. In short, using AbCellera's platform means these companies are granted access to expertise and equipment they might not otherwise be able to afford.

## With leading IP in micro-fluidics and single-cell sequencing, AbCellera's platform allows pharmaceutical companies to access 'nature's database of antibodies'.

Then, there is the fact that AbCellera's platform is end-to-end, neatly packaging together all process steps under the company's proprietary artificial intelligence (AI) engine, Celium. Leveraging AI means the platform not only offers convenience, but a user experience that is constantly evolving. Every time the platform is used, it creates data to optimise its discovery capabilities and attract more programmes. And AbCellera is streets ahead of the competition here – no other company has the same level of data or customer insight.

## Then, there is the fact that AbCellera's platform is end-to-end, neatly packaging together all process steps under the company's proprietary artificial intelligence (AI) engine, Celium.

## 2021 impact highlights

Healthcare R&D funded =

**\$19m**

(2020: \$20m, 2019: £12m, 2018: £9m)

No. of patients treated =

**622,744**

(2020: 377,256)

No. of lives extended =

**7,366**

(2020: 4,462)

Source: Net Purpose, Federated Hermes Impact calculations, as at August 2022.





## CASE STUDY

### Brambles

With a pool of over 300 million pallets, Brambles Limited is working with customers to optimise their entire supply chain, while reducing costs and improving operational efficiency.

**Impact theme:** Circular economy



Wooden pallets have long been regarded a supply chain staple, and yet they aren't exactly environmentally friendly. They require the felling of trees that might otherwise absorb carbon dioxide from the atmosphere, contribute to landfills and perpetuate a supply chain model in which everything is disposable.

It follows, then, that for the logistics sector to become more sustainable, timber consumption needs to be reduced. And it is in this area that our holding, Brambles Limited, is providing innovative solutions. Brambles owns a fleet of reusable pallets, crates and containers that it charges customers to use. What's more, the company operates an extensive network of service centres to repair, maintain and clean pallets, thus reducing unnecessary transportation. The upshot is greater customer satisfaction and a reduced carbon footprint.

**At present, single-use, 'white wood' pallets have a market share of approximately 50%.**

If this servicing network differentiates Brambles from competitors, so, too, does the company's commitment to sustainability. At present, single-use, 'white wood' pallets have a market share of approximately 50%. Against this backdrop, Brambles' pooled pallets saved at least 1.76 million trees from being felled in 2020, preserving 2.6k hectares of forest<sup>9</sup>. Brambles are now trialling recycled plastic pallets which, if successful, could prevent another 4.5k hectares of forest being felled per annum.<sup>10</sup>

Brambles also have clearly defined targets around sustainability, which they monitor and report against. This includes the company's Zero Harm Charter and 'Forest Positive' Pledge. The latter commits to planting two trees for every one felled, while increasing chain of custody (CoC) certification on timber from 68% to 100% by 2025.<sup>11</sup>

### 2021 impact measurement highlights:

**2.4m MT**  
of CO<sub>2</sub> avoided with  
**255.5k MT**  
emitted



**316.4k m<sup>3</sup>**  
of water saved vs.  
**325.6k m<sup>3</sup>**  
consumed

**141.8k tons**  
of waste recycled (through product solutions) plus  
a further  
**82.5k tons**  
through recycling programs in operations

**32%** female manager representation

**5.2k** hectares of forest restored  
or conserved

Source: Federated Hermes Impact Calculations, Net Purpose, as at August 2022.

<sup>9</sup> Brambles, 'FY20 Results Presentation'.

<sup>10</sup> Brambles, 'FY20 Results Presentation'.

<sup>11</sup> Brambles, '2025 Sustainability Targets'. Chain of custody (CoC) certification from forest to end-user ensures that materials and products have been checked at every stage of processing to ensure they are from a certified, sustainable source.

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Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns, and to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new strategies from the entire group.

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- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

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