Federated Hermes SDG Engagement Equity

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2022 Annual Report

Federated Hermes
Limited

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Contents

SECTION 1

Introduction

Welcome to our fifth annual report for the Federated Hermes SDG Engagement Equity Strategy.

This report reflects on the achievements of the first five years of the Strategy with a particular focus on the past 12 months.

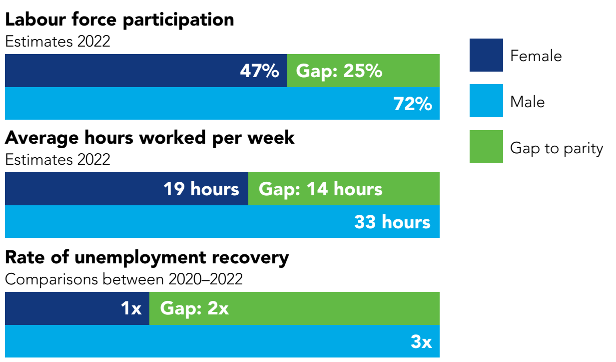
- Outperformance vs. our comparative benchmark in four years out of five*[1]
- Evidential improvement, driven through engagement, in the sustainability performance of our investee companies

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

These achievements are set against the context of the past 12 months which have been eventful, amid ongoing headwinds against sustainable development. As noted in the Gates Foundation's annual 'Goalkeepers report'[2],which measures progress towards the United Nations' Sustainable Development Goals (SDGs), the world is presently on track to achieve almost none of the SDGs by the 2030 target.

While there is plenty to be despondent about, this past year has in many ways reaffirmed our commitment to pursuing change. As we write in our introductory letters to all new holdings, we wish to work with companies in which we invest to encourage them to be bold and imaginative in considering which of the SDGs are most relevant to them and in turn establishing what they can do to contribute towards their delivery. The need is clear, and we believe we are making significant strides forward in terms of initiatives with investee companies across a broad range of the SDGs and their targets.

Figure 1. The economic side effects of Covid-19



Source: The Gates Foundation.

Since the SDG Engagement Equity Strategy launched in late 2017, the global Covid-19 pandemic and its resultant societal impacts have shone a spotlight on the good and the bad of today's world. There is no hiding from the fact that pre-existing inequalities – social and economic – have been exacerbated. Poverty levels have increased for the first time in decades and women have been among the hit hardest by the fallout from the pandemic, pushing 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.

Two themes have dominated the past year:

a) The soaring cost of energy as a result of the war in Ukraine.

b) The heightened politicisation of environmental, social, and corporate governance (ESG) investing in the United States.

In the case of the former, the energy price shock has pushed up inflation, hitting the performance of many sustainable funds which are underweight energy. However, as countries and companies adapt, the initial headwind should ultimately prove a tailwind, accelerating the need for energy security – on both the national and corporate levels. In the US, the Inflation Reduction Act was the most significant piece of climate legislation in the country's history, earmarking about US$369bn in grants, loans and tax credits for the rollout of renewable energy and clean technologies across the US, and in turn influencing climate action across the world. We reflect on the progress made on climate transition across our portfolio holdings later in the report.

While there is no doubt that the opposition to ESG investing by prominent Republican party politicians has generated heated debate, this shift in tone has often felt disconnected from the tenor of our dialogues with US companies. We have continued to be pleased at the receptivity to engagement among our US holdings and more pleased still at the pace of progress being exhibited by many. In our view, now the ESG genie is out of the bottle, there's no going back. This is reflected in the progress made by the US Securities and Exchange Commission (SEC) on ESG disclosure regulation. The original proposals will no doubt get diluted before being finalised, but mandatory Scope 1 and 2 emissions reporting by US companies now looks imminent.

Elsewhere, climate change adaptation began to get more attention this year. As we outlined in our 2022 H1 report, we recognise that companies – regardless of sector, industry and location – need to understand and plan to manage the potential risks to their operations and supply chains.

While we engage on climate matters with almost all the companies in which we invest, we intend to broaden these dialogues more consistently to cover both transition and adaptation risk. Practically speaking, we believe that building climate resilience does not mean reinventing the wheel. It means integrating climate considerations within existing risk management and planning procedures; from setting out corporate strategy, to upgrading the design and operation of assets.

We intend to step up efforts to ensure management has given this matter adequate consideration. The time-horizon – and depth of thought – the management team and board have given this issue tells us much about their risk appetite and the diligence of their climate preparedness.

Similarly, concerns about biodiversity loss gathered momentum last year on the back of the UN Biodiversity Conference (COP15) in December. At COP15, governments

[1] On a gross of fees basis. On a net of fees basis, the Strategy has outperformed the comparative benchmark in three out of the last five years. The benchmark is the MSCI ACWI SMID Cap Index.

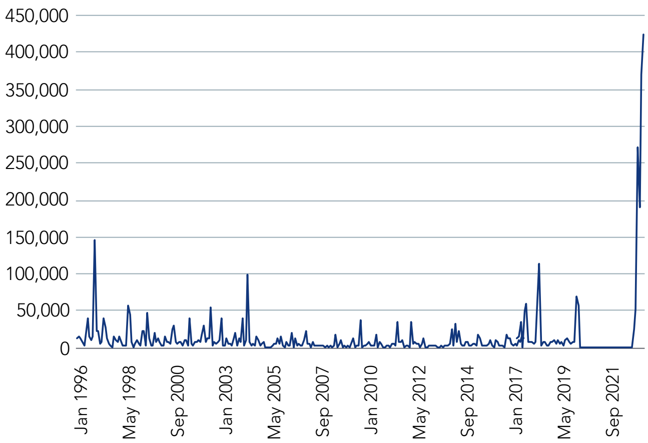
[2] The Gates Foundation, The Future of Progress, 2022 Goalkeepers report

agreed to progressively end at least US$500bn per year in subsidies to businesses such as agriculture and fishing by 2030. The removal of these subsidies should put greater focus on the impact companies have on biodiversity. Furthermore, guided by the adage 'you can't fix what you can't measure', the Taskforce on Nature-related Financial Disclosures (TNFD) is creating a disclosure framework to encourage consistency in global nature-related reporting. Three beta versions of the framework have been released, a fourth version is expected in the spring, with a final recommendation later in 2023.

Finally, as we have discussed in almost every previous report, human capital remains central to most businesses. We have always contended that the most tangible impact companies can make is through the provision of decent employment.

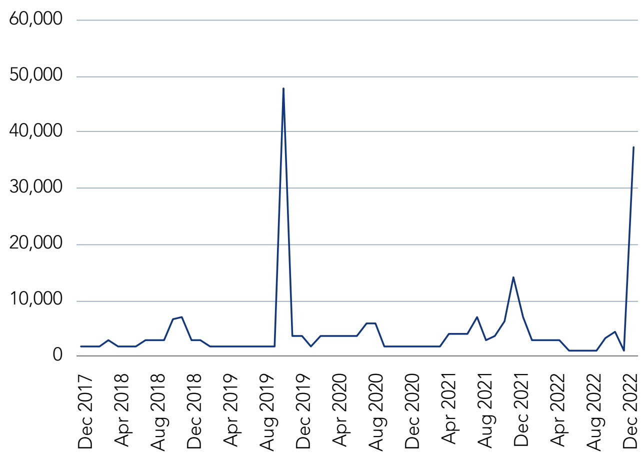
The last year has seen a rise in labour disruption, resulting in staff shortages and strikes. It's clear that high levels of staff turnover can weigh on productivity and saddle companies with increased costs.

Figure 2: UK labour disputes, working days lost due to strike action in the private sector



Source: UK Office for National Statistics.

Figure 3: US non-farm workers on strike



Source: US Bureau of Labor Statistics.

There is ample evidence to demonstrate the relationship between employee satisfaction and performance; a relationship pushed to the fore during periods of economic strife.

The cost-of-living crisis has exacerbated the insecurities felt by many people. There is ample evidence to demonstrate the relationship between employee satisfaction and performance; a relationship pushed to the fore during periods of economic strife. We will return to this theme later in the report and we intend to further increase our engagement on this broad and important issue during 2023.

Reflecting on the past five years we are even more confident today about the positive potential of active capital. By identifying, investing in and engaging with a select number of small- and mid-cap companies globally, we believe that we have, and will be able to continue to, catalyse and accelerate action. Furthermore, we are convinced that this resultant action is good for both the businesses in which we are invested, as well as for wider society.

By identifying, investing in and engaging with a select number of small- and mid-cap companies globally, we believe that we have, and will be able to continue to, catalyse and accelerate action.

Throughout this report we will endeavour to showcase some of the activity undertaken and the outcomes that have been achieved. Progress, of course, remains non-linear and there will, no doubt, be further bumps in the road ahead. The direction of travel is, nonetheless, evidentially positive.

We thank our investors for their faith in us and for allowing us to invest and engage on their behalf.

SECTION 2

Strategy overview

Our core beliefs

Our core beliefs

A number of core investment beliefs underpin our strategy, including that:

Public companies can contribute to and benefit from efforts to achieve the SDGs. Meeting the SDGs will be a primary driver of future economic growth, providing opportunities for firms to boost revenues and earnings. Companies are uniquely positioned to significantly impact lives due to their integral position within communities, direct relationships with employees and connections with suppliers.

The long-term commercial performance of companies is connected with the success of the environments in which they operate and in which their employees and customers live. Firms that fulfil their responsibilities towards society will be rewarded with greater brand loyalty, employee motivation and more innovative products and services.

Investors can influence companies to improve their operations in support of the SDGs, creating a virtuous circle of change, benefiting employees, communities, supply chains and other stakeholder groups. Engaging with companies on the SDGs provides investors with valuable insights into their current levels of sustainability and longer-term commercial risks and opportunities.

What are the SDGs?

In 2015, 193 world leaders agreed to 17 ambitious goals to end poverty, fight inequality and stop climate change by 2030. Underpinning these goals lie 169 targets and 230 indicators. The SDGs in effect provide a sustainability roadmap for the world.

We have assessed that approximately 40% of the 169 targets are relevant for dialogue between investors and corporates.

Every company is affected by, or can contribute to, at least some of these goals – often in so doing, benefiting society and their own business prospects. Companies should therefore be integrating and adapting these goals into specific actions, that are appropriate to them, to make progress and advance society. Attaining these goals means reducing harm and finding ways to generate positive impacts. It requires company boards and management teams to be bold and ambitious.

Identifying impact potential

Although the SDGs were not written for corporates, they are hugely relevant. Companies are uniquely positioned to have an impact on real lives, due to their position within communities, their direct relationships with employees, and their connections with suppliers. No company is an island.

Importantly, we, as investors, can influence companies with regard to what business they do, *and* how they do business.

When identifying companies for inclusion in the Strategy, we consider both how 'engageable' a company is and its scope for making an improved contribution towards the SDGs. Having potential without being 'engageable', or vice versa, is no use.

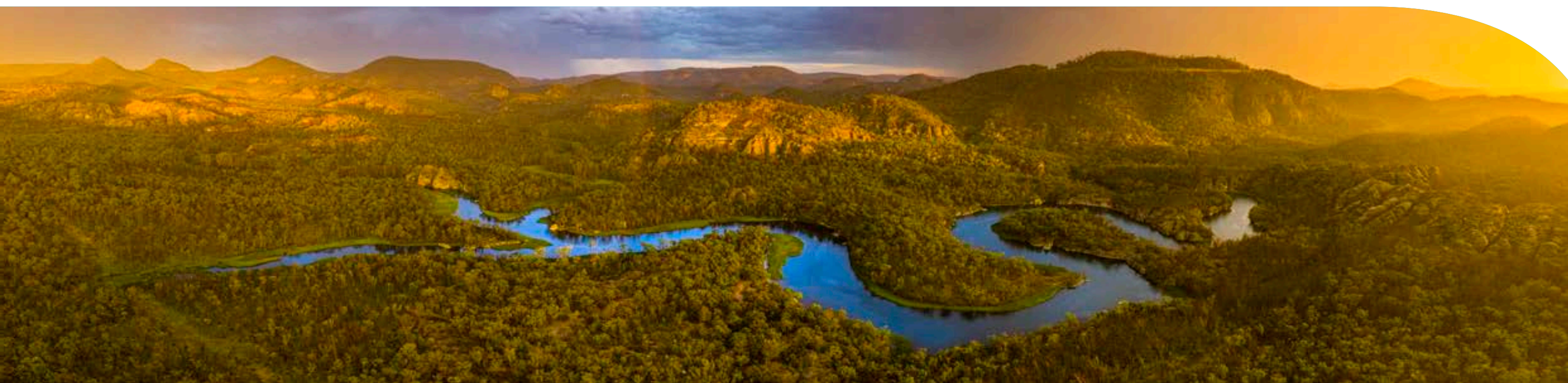
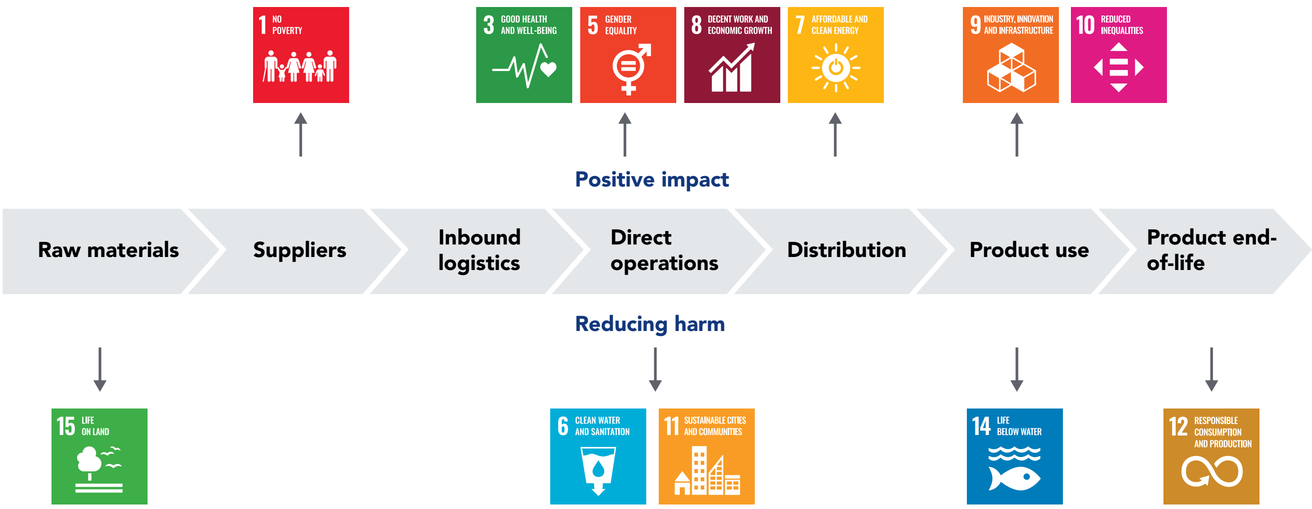


Figure 4: Illustrative company impact towards the UN SDGs



Source: Federated Hermes, as at February 2021.

In considering the potential for that improved contribution, we look at:

- A company's supply chain, including its relationships with and influence over its supply partners.
- The company's direct operations, including its resource efficiency and approach to its workforce.
- The products and services – do they have the potential to reach under-served markets or to develop product offerings supportive of a more circular economy?

While we have to be confident in our engagement thesis before deciding to invest, the reality is that these assessments become more fully formed the more we interact with a company. What we hope to create is a meeting of minds.

Management know their business better than we ever can, and they need to deliver the change and embed the commitment to sustainable practices within the company's culture. Our role is to bring ideas to the table, making connections between companies and other parties, and giving management the confidence to be bold and ambitious.

Role of engagement

By engaging as constructive and patient investors, we can play a critical role in bringing about positive changes within corporates. Our role is to catalyse new ideas, practices and activity; to cajole where necessary and to support companies in their implementation of new approaches.

Engaging as **constructive partners** is necessary to establish management buy-in

True impact necessitates investor **intentionally and additionality** - this involves sharing insights and contacts in a purposeful manner

Meaningful results worth pursuing are those worth waiting for – this necessitates a **long-term view, perseverance and patience**

We believe there are three characteristics for meaningful and impactful investor engagement:

1. Impactful engagement needs to be purposeful and fully integrated into the investment process: informing the decision to buy the stock and allowing active and ongoing portfolio manager involvement.
2. Achieving change means engaging as informed and constructive partners. The success of an engagement is dependent upon speaking to the right person, about the right issue, at the right time. Being able to deploy respected colleagues to speak to company management in their native tongue is very helpful in building relationships. Equally, requests need to develop from a real understanding of a company's particular business model and geographic footprint, rather than being derived from a one-size-fits-all framework.
3. Successful engagement takes time. Substantive, meaningful and sustainable change requires deep corporate buy-in and resource deployment. Given this, the meaningful results worth pursuing are also those worth waiting for.

Our role is to bring ideas to the table, making connections between companies and other parties, and giving management the confidence to be bold and ambitious.

Exclusions

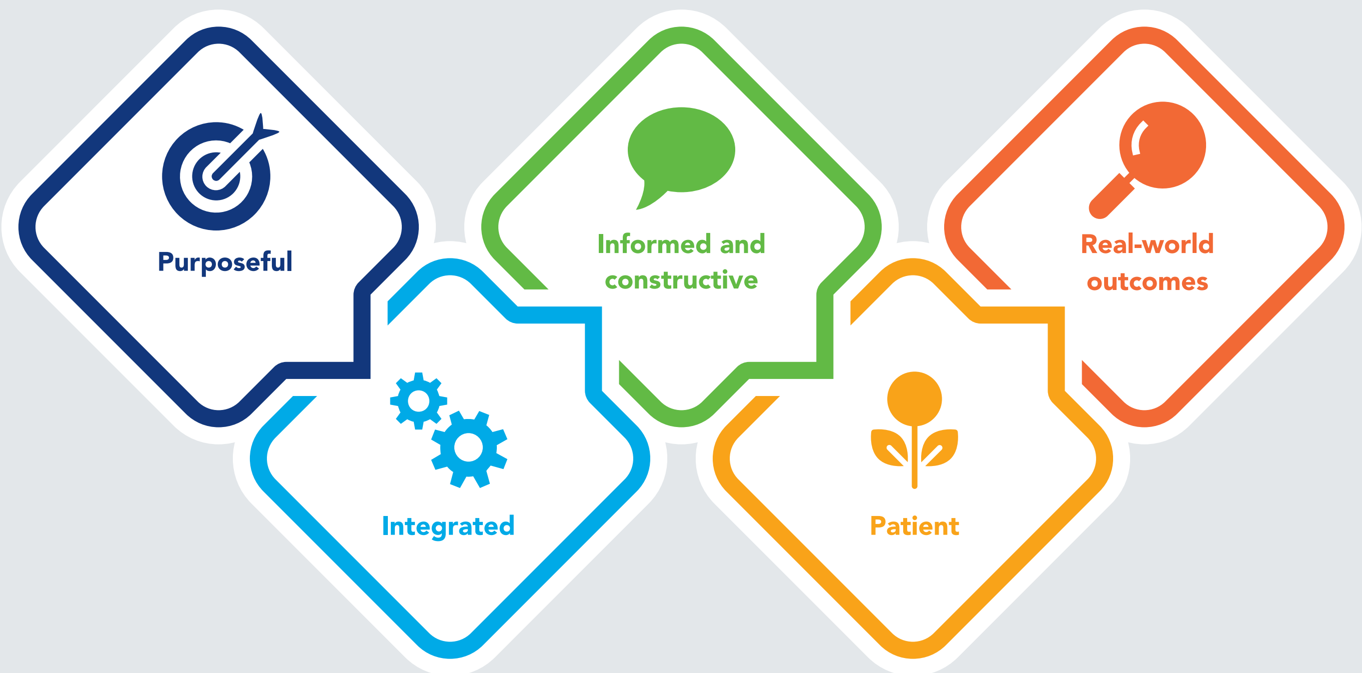
Targeted exclusions

Recognising that certain industries are unlikely to contribute to the SDGs, irrespective of any changes achievable through engagement, the fund explicitly excludes the following from investment consideration:

- Companies that generate over 5% of their revenues from the extraction or exploration of fossil fuels
- Electricity utility companies with a carbon intensity not aligned with a below 1.5 degrees scenario
- Companies that generate revenue from the production of controversial weapons and companies that generate over 5% of their revenues from production of conventional weapons
- Companies that generate 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; and
- Companies that are in contravention of the principles of the UN Global Compact

Successful engagement takes time

Substantive, meaningful and sustainable change requires deep corporate buy-in and resource deployment.



SECTION 3

2022 in numbers: Engagment

53 total companies at period end

98% companies engaged*

155 Total engagement actions

73% of companies with progress on objectives

171 total objectives

44% objectives with progress

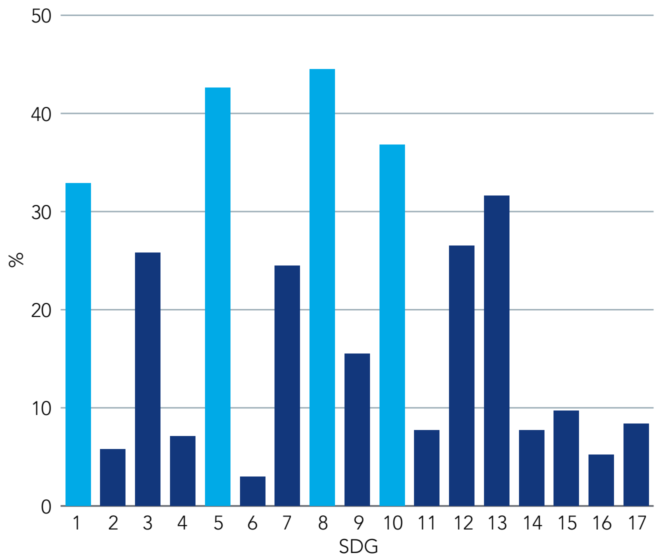
23 Completed objectives

*Un-engaged company was MasterBrands which was spun out of Fortune Brands in December 2022

As can be evidenced below, our engagement has spanned the breadth of the SDGs but with very distinct areas of concentrated focus. Most pertinently, as in past years, the people-focused SDGs such as SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work) and SDG 10 (Reduced Inequalities) have been those most intensively engaged. For most corporates, the provision of decent employment is the most tangible impact opportunity. More pertinently, employment practices are in the gift of management and are therefore more potentially readily influenceable – while accepting that there is often a short-term financial tension between rising personnel expenses and improvements in productivity. Given the context of tight labour markets and shortages of skilled labour there is an evident business case for rethinking human capital practices. At the same time, progress towards eliminating poverty and reducing inequalities has stalled or reversed in the past few years and, as a result, the societal case is growing.

Given the context of tight labour markets and shortages of skilled labour there is an evident business case for rethinking human capital practices.

Figure 5: Percentage of actions touching each SDG in 2022 (People-orientated SDGs highlighted)



Source: Federated Hermes.

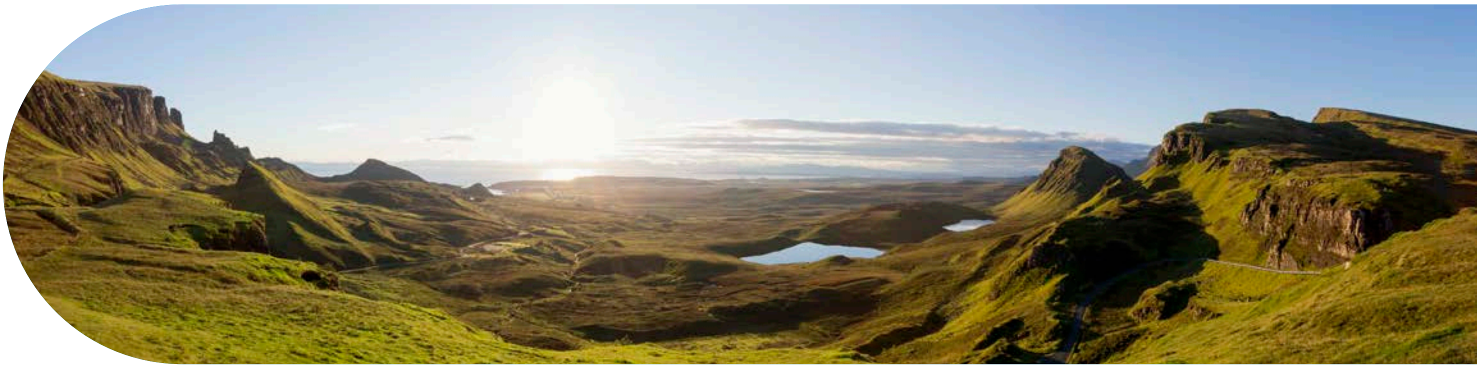
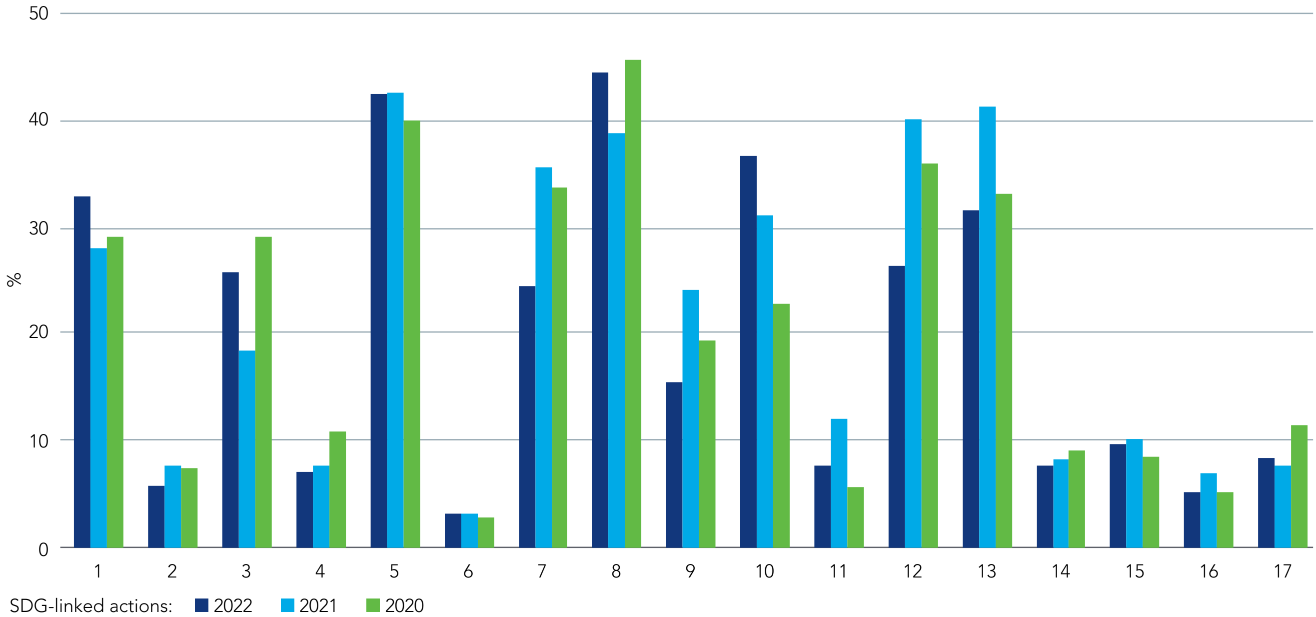
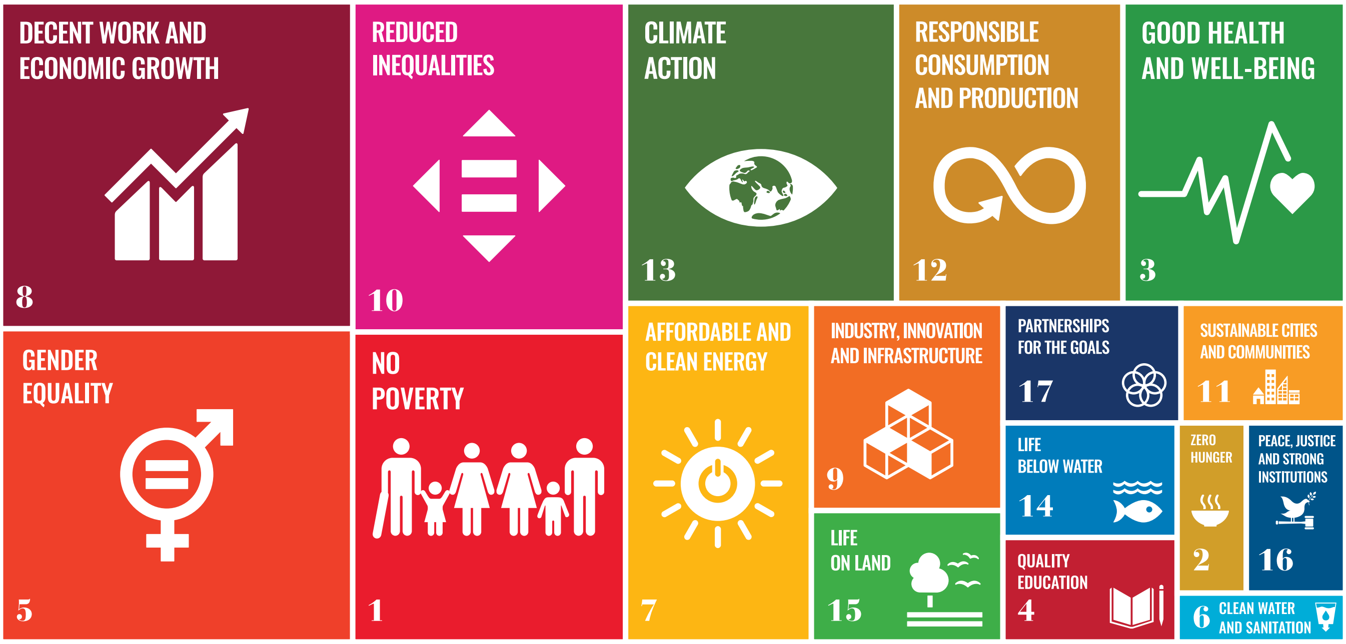


Figure 6: Intensity and consistency of focus (2020-2022)



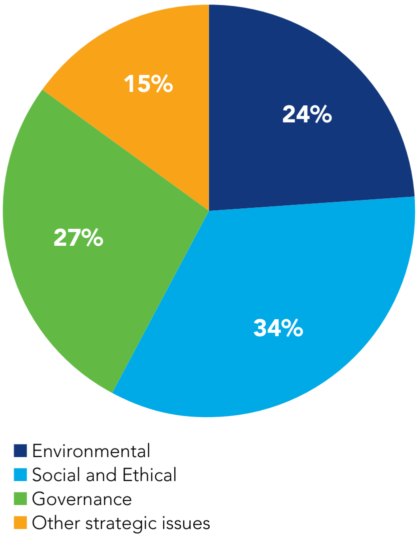
Source: Federated Hermes.

Figure 7: Intensity of engagement actions per SDG (2022)



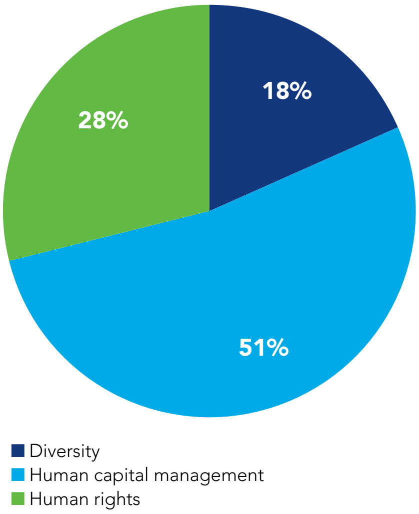
Source: Federated Hermes.

Figure 8: Proportion of engaged issues and objectives (2022)



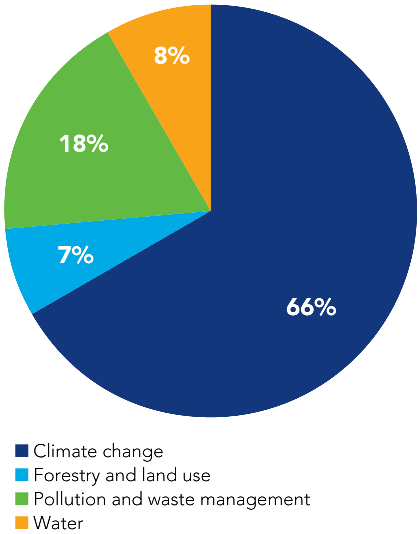
Source: Federated Hermes.

Figure 9: Proportion of social objectives and issues engaged (2022)



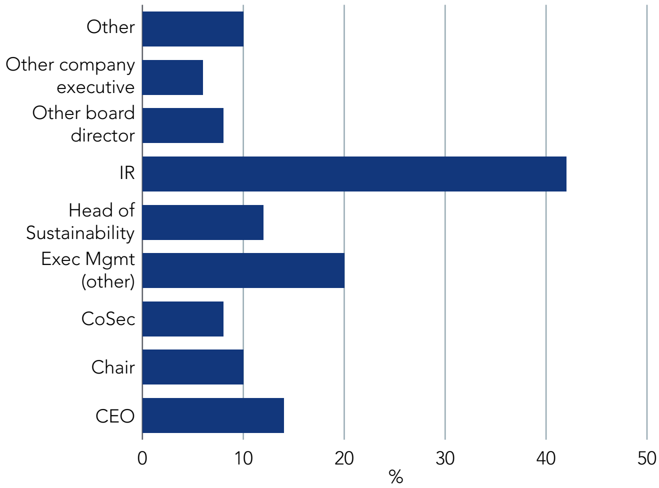
Source: Federated Hermes.

Figure 10: Proportion of environmental objectives and issues engaged (2022)



Source: Federated Hermes.

Figure 11: Actions by seniority level (2022)



Source: Federated Hermes.

Voting in 2022

54 Total meetings voted (represents 100% of meetings)

18 number of meetings where voted against management at least once

33% of meetings where voted against management at least once

637 Total resolutions

4.6% of resolutions opposed

0 shareholder proposals opposed

1 shareholder proposals supported

Voting highlights

Soitec – opposed remuneration policy and election of two directors

- We voted against two directors considered independent by the company (and proxy advisor Institutional Shareholder Services), despite one having substantial ties to a grouping of French insurers, and the other being a former chair of the investment committee of one of Soitec's significant shareholders. With concerns raised with regards to the independence of these two directors, the board's overall independence was called into question and could lead us to take further action at the next AGM. We also voted against the remuneration policy of the new CEO due to concerns over the limited shareholding requirements and lack of disclosures on the company's malus and clawback policy[3]. These concerns were raised against a background of recent governance and succession issues. We discuss this later in the report.

> **With concerns raised with regards to the independence of these two directors, the board's overall independence was called into question and could lead us to take further action at the next AGM.**

Glanbia – opposed remuneration policy

- We conveyed to the board, including the chair and remuneration committee chair in the months leading up to its annual meeting that we did not agree with the transfer of 100% of salary opportunity from the long-term incentive plan to the annual bonus. While we sympathise with the rationale given – namely the board's difficulty in setting sufficiently robust and incentivising long-term targets – we nonetheless consider that the new award opportunity has lower-risk attached, and is therefore of higher value. Our preference, as previously communicated, is not for quantum opportunity to be transferred from the long-term to the short-term but instead for long-term (notionally) performance-linked awards to be replaced with restricted stock with longer-term holding periods.

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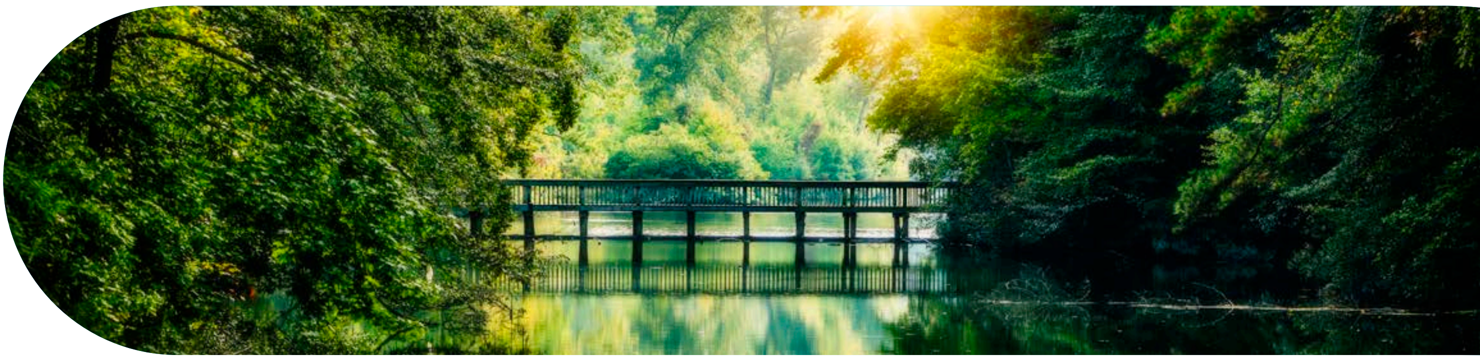


[3] Malus allows the Remuneration Committee to reduce 'at risk' remuneration prior to vesting. A clawback refers to the cancellation of unvested incentives, subject to applicable law, where some or all the performance-based remuneration should not be received.

SECTION 4

2022 highlights

As always, 2022 saw a handful of comings and goings.

We sold out of: Kirby Corp in January (residual holding), Shenzhen International Holdings in February, Huntington Bancshares in July and National Instruments in December.

We invested in the below.

Assurant:

- Assurant is a leading global provider of warranties for major consumer purchases and speciality property solutions. The company protects about 63 million mobile devices, approximately 102 million home appliances and electronics, and about 53 million vehicles. As at the end of 2021 the company had repurposed 116 million mobile devices avoiding significant e-waste generation.
  - Market cap: US$6.7bn
  - Employees (FY22): 13,700 (60% female)
- Engagement focus: A rising number of the total Assurant workforce is comprised of front-line hourly workers for which turnover is close to 30% per annum and starting salaries are at or close to a living wage level. We believe there is potential to realise improvements in the economic and mental wellbeing of this cohort of workers.

Equifax:

- Equifax is one of the three largest consumer credit reporting agencies.
  - Market cap: US$25bn
  - Employees (FY22): 12,541 (44% female)
- Engagement focus: Equifax plays a crucial role in millions of people's lives, enabling them to access credit in order to finance significant life events – from mortgages to education. However, according to the US Federal Reserve, 63 million US adults are either unbanked or underbanked and industry research4 indicates nearly 50 million are 'credit invisible' or 'unscorable'. The difficulties accessing credit perpetuate deep and entrenched inequities. Quite rightly, therefore, a number of the SDG targets focus on the need to improve access to affordable credit and financial services products more generally. We have been pleased to observe the investments that Equifax has made in recent times to establish a breadth of partnerships which provide the company with a range of alternative data sources on US consumers in order to expand thin credit profiles. Nonetheless, we believe there is more potential for Equifax to leverage its data capabilities and expand its consumer offering to broaden access to credit.

Viscofan:

- Viscofan manufactures artificial casings made of cellulose, collagen and plastic for use in the meat industry. As part of the company's new mid-term plan (announced H1 2022) it is aiming to more than triple sales of its vegetarian casings by 2025.
  - Market cap: US$3.1bn
  - Employees (FY21): 5,083 (29% female)
- Engagement focus: Recognising the inherent energy intensity of manufacturing sausage casings, it is pleasing that Viscofan has outlined a decarbonisation plan and even more pleasing that the company is on the front foot with respect to piloting the use of green hydrogen as a substitute for natural gas. We note, however, that the company's targeted 30% reduction in CO_2 emissions intensity will nonetheless still likely result in an increase in absolute emissions per annum by 2030. While we acknowledge that the company's cogeneration plants use less overall energy than conventional boilers, we encourage the company to give thought to recalibrating existing emissions reduction targets and assessing whether such revamped targets can be submitted to the Science-Based Targets initiative[5] for independent validation.

> **While we acknowledge that the company's cogeneration plants use less overall energy than conventional boilers, we encourage the company to give thought to recalibrating existing emissions reduction targets.**

PTC:

- PTC is a computer software and services company. The company's technology is primarily used by manufacturers to design, operate and maintain complex products.
  - Market cap: US$14.5bn
  - Employees (FY21): 6,709 (30% female)
- Engagement focus: There has been consistent under-representative of women and minorities in the tech sector. To address the structural under-representation, industry leaders need to invest in STEM[6] education and promote the industry to young women and others to develop a more gender-balanced pipeline of future employees. Additional positive discriminatory steps could, likewise, redress gaps, more actively promote existing talent and ensure the tone and representation from the top reinforces positive messages. While PTC is in line with industry averages, we believe there is potential to raise ambitions and scale its impact accordingly (as per our experience with outgoing holding US group National Instruments).

[4] Financial Inclusion and Access to Credit, Oliver Wyman, 2022
[5] The Science Based Targets initiative (SBTi) defines and promotes best practices in emissions reductions and net-zero targets in line with climate science.
[6] Science, Technology, Engineering, and Mathematics (STEM).

Regional highlights

Following are a select few engagement updates from across the regions.

North America

Brunswick

Brunswick is the global leader in marine recreation, manufacturing engines, boats and parts and accessories.

- Market cap: ~US$5.5bn
- Employees (FY22): ~18.4k (27% female)

We had three engagement interactions with Brunswick in 2022 in addition to more traditional meetings with management (which included attending their investor event at its boat testing lake in Orlando, Florida). Interactions included calls and meetings with the chief executive officer (CEO), investor relations (IR), general counsel and head of sustainability.

Our two principal, and long-standing, engagement objectives with Brunswick have centred on further raising the bar of its already industry-leading product proposition. Specifically, we have been pressing for the company to a) develop an electric propulsion offering, and, b) to address the end-of-life recyclability challenges associated with their fiberglass vessels.

Boat engines inherently produce pollution and therefore contribute to acidification which harms some sea life (and promotes an overabundance of some organisms). Fibreglass boats at end-of-life are often abandoned resulting in pollution (For example, from used batteries, solvents and used oil), navigational hazards and removal costs

On both counts, 2022 has been a year of significant progress.

After committing in 2021 to developing five new electric propulsion products, Brunswick began to deliver in 2022. The company announced its Avator electric engine concept in February and the offering was formally introduced in the first week of 2023. its new engine offering is the first in a series of electric products to be released during 2023.

In parallel, in early 2022 the company announced an expansion of its partnership with Arkema, to develop a fully recyclable fibreglass boat that integrates a liquid thermoplastic resin on all the vessel's composite parts, core, and adhesives. This is expected to allow for hull and structural components to be fully recycled at end-of-life and be reintroduced into the production processes.

2022 has been a year of significant progress.

Eagle Materials

Eagle Materials is a domestic US manufacturer of cement and gypsum wallboard.

- Market cap: US$5.2bn
- Employees (FY21): 2,200

We had two interactions with Eagle Materials this past year, both of which were meetings with management.

The company is the most efficient listed domestic cement producer in the United States. By dint of the highly energy- and emissions-intensive nature of cement production, the company has consistently represented a large proportion of our Fund's carbon footprint. Despite its relatively efficient process, we have for some time been engaging with the company with respect to the three primary levers for realising further necessary emissions reductions in the production process: i) greater usage of alternative fuels (in particular displacing use of coal); ii) increased clinker substitution; iii) and adoption of carbon capture, utilisation and storage technology.

Corporate disclosures remain patchy – the company's 2021 ESG disclosures were their first for a decade. Nonetheless, progress continues.

On the development and adoption of their alternative fuels roadmap, as of November 2022, four of their facilities are now using alternative fuels (Tyres or biomass, for example). Its other facilities have identified sources for utilisation but are still working through permitting issues and some kiln modifications.

On clinker substitution, having begun production of a lower clinker, Portland Limestone Cement in 2021, this had grown to represent 25% of their production during the second half of 2022 and they are on course for this lower clinker cement to constitute 100% of production by 2025.

Finally, on carbon capture – the most important lever in the cement industry's decarbonisation pathway – Eagle are continuing to collaborate with Chart Industries to test their Cryogenic Carbon Capture technology at its Central Plains facility in Sugar Creek.

Simpson Manufacturing

Simpson, through its Simpson Strong-Tie company, designs, engineers and manufactures wood-to-wood and wood-to-concrete and wood-to-masonry connectors.

- Market cap: ~US$4.1bn
- Employees (FY21): ~4,000 (23% female)

We had four interactions with Simpson during 2022 which included meetings with the chair and outgoing and successor CEO.

It was a momentous year for Simpson featuring a CEO change and its largest ever acquisition (ETANCO). After 32 years with the company, including 11 as CEO, outgoing CEO Karen Colonias is leaving big shoes to fill. Having questioned the CEO succession process in numerous meetings we have been pleased to observe that this process has been handled seamlessly, with Mike Olosky (who has been COO since 2020) assuming the role of CEO from January this year.

Last year also saw enhanced ESG disclosures provided by the company. It was particularly pleasing to see the disclosure of an employee turnover figure and associated discussion around employee satisfaction. It was something we had requested and discussed with the company on multiple occasions. More pertinently, a near-40% reduction in the company's accident rate over the period 2018-21 illustrates an ongoing focus towards its workforce. While employee turnover rose in FY21, it remains modest compared to the wider industry at 17% and, furthermore, the company is aiming to reduce its turnover rate further to 12%. we continue to engage with the company on how this target might be achieved.

On environmental topics, we welcomed the company disclosure of its Scope 1 and 2 emissions for the first time, confirming, as expected, that these are modest on an absolute and relative basis. Nonetheless, we continue to encourage the company to commit to operational net zero and to begin to map out measures to reduce its Scope 3 emissions which represent a significant majority of the company's total carbon footprint.

Europe

Glanbia

Glanbia is an international dairy, consumer foods, and nutritional products company and is owner of the brands Optimum Nutrition and Slim Fast among others.

- Market cap: ~US$3.4bn
- Employees (FY21): 8,071 (48% female)

We had 13 interactions with Glanbia in 2022, making it our most intensive engagement of the year. Meetings spanned the company chair, management team, human resources (HR) and sustainability directors as well as other interested parties.

Approximately 90% of Glanbia's total emissions footprint is associated with its dairy supply chain, making it a central theme of our dialogue with the company over the last few years. Engagement has expanded beyond the company to encompass the US dairy industry more broadly – and, to that end, we were pleased to attend and present to the US dairy Industry at its conference in spring 2022.

> **We had 13 interactions with Glanbia in 2022, making it our most intensive engagement of the year.**

Glanbia continues to progress in its ambitions. In November it upgraded its emissions reduction targets to align with a 1.5-degree pathway. The new targets now encompass a 50% reduction in operational emissions by 2030 and a 25% reduction in Scope 3 emissions intensity over the same period. On this latter important aspect, the company has now mapped 100% of its supplier farms and is in the process of developing, in partnership with suppliers, a detailed roadmap.

Beyond emissions, on other environmental matters, 2022 saw the company establish a new target to further reduce its freshwater use by 10% by 2025 (vs. 2021). More notably still the company completed a reformatting of its famous Optimum Nutrition black tub so that is now fully recyclable. We have introduced the company to others in the packaging space as it develops plans to achieve 100% recyclable, reusable or compostable packaging by 2030.

On the key issue of human capital management, we were pleased to see that, following our request, the company undertook an analysis of the salary rates of its US hourly production staff. It found that 87% of employees were paid above a Living Wage (as per the Massachusetts Institute of Technology's Living Wage Calculator). We continue to engage with the company to redress the identified gap.

Soitec

Soitec designs and manufactures specialist SOI (Silicon on Insulation) semiconductors that have highly favourable power and efficiency characteristics for use in mobile telephony, cloud computing and IoT (Internet of Things) applications. The company was founded 25 years ago in Grenoble's high-tech ecosystem and now has a presence throughout the world.

- Market cap: ~US$5.4bn
- Employees (FY22): ~2,000 (34% female)

We had six engagement interactions with Soitec in 2022 in addition to more traditional meetings with management. Interactions included calls and meetings with the Chair, outgoing and new CEO, IR, general counsel and HR director in addition to visiting the company's principal location.

A CEO succession communication in January 2022 triggered revelations of wider governance concerns, following the leak of an internal letter from executives raising concerns around governance. While the communication around the CEO succession process was initially not well managed, to its credit the company responded quickly and was very open to dialogue during the period.

Following governance fallout in January we spoke with the Chair, CEO and others and were pleased that the company acknowledged the need for a review of governance practices and the involvement of an independent third party in such a review. The subsequent review proposed, among other things, the appointment of two new independent directors and the establishment of a lead independent director.

These positive developments resulted in the company-identified board independence level rising from 42% to 58%. Nonetheless, we continue to note that certain behavioural elements of the executive's leaked critique remain unacknowledged (at least explicitly). We also continue to have concerns over the real independence of certain individuals. On that basis, while the changes are incrementally positive, we will still be seeking further reassurance about governance in practice.

In parallel and further to a spontaneous week-long strike in June 2022, we engaged with the company on its relationships with its unions and engagement with its employees. We had previously spoken with the company in Q4 2021 and had been left reassured at that juncture. We were therefore surprised by the news of the strike. We put these concerns to the company, which acknowledged that the doubling of headcount in the past five years had resulted in an exhausted workforce. There was also acknowledgement that insufficient progress had been made on the issues raised the previous year around work conditions, specifically moving employee relations from the site level to team level.

The company's pay and benefits practices are already generous (both in absolute and relative terms) and its levels of workforce diversity are industry leading. While it was disappointing that strike action was deemed necessary, the end-outcome is likely to be a positive one. When we touched again on this matter in a meeting with the full management team later in the year, the company was comfortable that it was able to hire the people it needed and that the attrition rate was under control.

We will return to these dialogues during 2023 and seek further reassurance that governance is robust, and that employee wellbeing (both physical and mental) is being adequately safeguarded during a period of ongoing demand growth.

LATAM and Asia (including Japan)

Ansell

1 NO POVERTY · 3 GOOD HEALTH AND WELL-BEING · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 15 LIFE ON LAND

Ansell is a leading manufacturer of industrial and medical gloves and other latex products.

- Market cap: ~US$2.5bn
- Employees (FY22): 14,158 (49% female)

We had 10 engagement interactions with Ansell in 2022 in addition to more traditional meetings with management. Interactions spanned calls with the Chair and CEO, IR, General Counsel and Head of Sustainability in addition to visiting the company's headquarters.

Our primary topic of engagement remains the labour conditions in its single-use glove supply chain (which is 80% outsourced). Several single-use Malaysian glove manufacturers have been subject to import bans from the US as a result of evidence of modern slavery since the beginning of 2020 – a number of which were suppliers to Ansell.

In response to the greater focus on labour standards, Ansell committed last year to ensuring that no fees are levied for recruitment and the company has revamped its supplier management framework. As of November 2022, US$30m of recruitment fees have been compensated to migrant workers across 98% of its Malaysian suppliers. The company also further committed this year to supplementing its supplier due diligence with unannounced audits and use of forced labour assessments.

We have the clear impression from our dialogue that the company is now taking a much more hands-on, proactive approach to oversight of its suppliers. It will be reducing its supplier list and developing more strategic alliances with trusted suppliers. In addition, in the coming years, the company will be insourcing a proportion of its currently outsourced manufacturing. The outcome of this shift in approach should be to reduce the risk of human rights abuses occurring in its name. Ansell will also have greater ability to ensure that decent work conditions are being provided and labour standards adhered to.

Ansell was also one of seven founding members of the Responsible Glove Alliance in 2022. This is testament to the company's desire to take a leadership role across its industry and that it recognises that there is a need for cross-industry action to address the sector's pervasive forced labour issues.

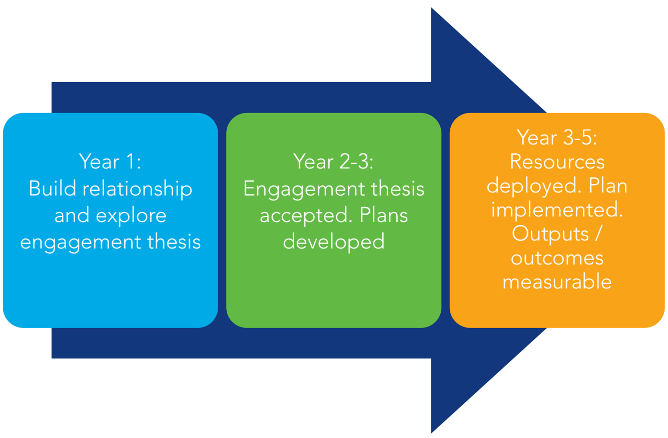
SECTION 5

Change over time – the truer test

While it's important to outline our activity over the year, a key question will always be: how effective has all this activity been? We have long contended that effective engagement takes time. In simple terms, a period of three years is a reasonable minimum period to expect to begin to see improvements manifest.

In previous annual reports, we have been able to evidence meaningful improvements for companies held over a multi-year period across various proxy measures for sustainability performance, such as ESG ratings, carbon intensity and Glassdoor ratings. Moreover, the longer the duration of our engagement, the greater the scale of improvement.

Figure 12: Engagement over time



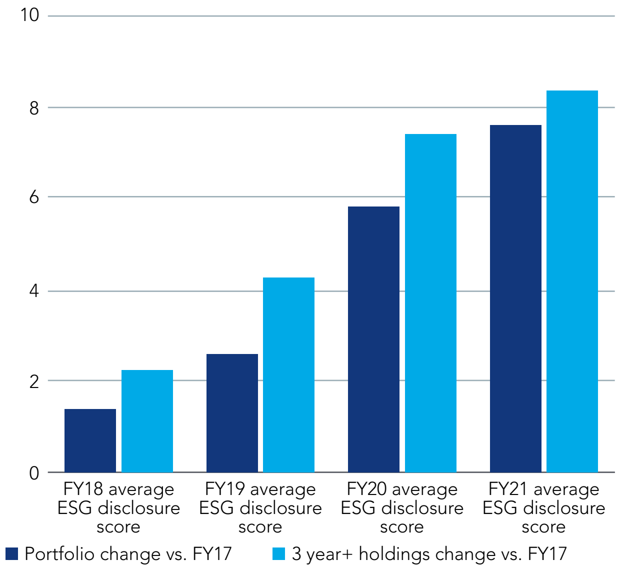
We have repeated this analysis over 2022, as outlined below:

1. ESG disclosures

The crudest proxy for enhanced commitment to sustainability is the improvement in the associated disclosures provided to the market by the companies we hold. As can be seen from the chart below, there has been a larger improvement in ESG disclosures by those companies we have held over a multiple-year period than has been the case purely for the portfolio as a whole over the period (i.e. including more recent holdings where there has been less time to effect change).

> **What is pleasing to observe is that across the three ratings it is evident that the ESG ratings of long-held and, therefore, long-engaged holdings have, over time, improved.**

Figure 13: Percentage improvements in average Bloomberg ESG disclosure score



Source: Bloomberg ESG disclosure scores as at December 2022.

2. ESG ratings

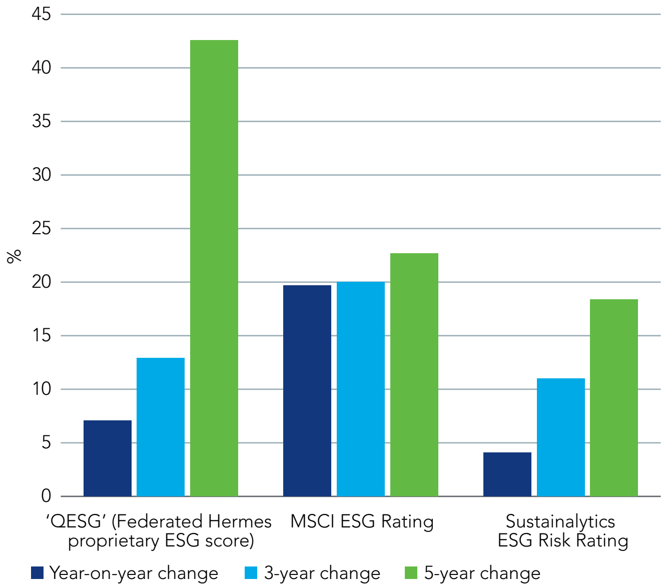
Only slightly less crude a proxy than ESG disclosures are ESG ratings. Within the Fund we make no use of ESG ratings within the investment process itself. We believe ratings are too simplistic a measure of a company's sustainability practices and riven with biases – geographic, industry and market cap. That said, we do think it fair to assume that the trend in the ratings is instructive. One would hope and expect that companies improving (material) sustainability practices will in turn be reflected within the ESG ratings provided by the big two firms (MSCI and Sustainalytics).

The table below displays the average change in the ratings from the two cited ESG ratings providers as well as that from our own internal proprietary ESG rating (the 'QESG' score). For each period we look only at those names that have featured in the portfolio consistently throughout.

What is pleasing to observe is that across the three ratings it is evident that the ESG ratings of long-held and, therefore, long-engaged holdings have, over time, improved. More pertinently for this discussion, we can also see that the magnitude of the improvement is greater the longer the holding period.

Strategy average scores	Year-on-year change	Three-year change	Five-year change
'QESG' (Federated Hermes proprietary ESG score)	+7.1%	+12.9%	+42.6%
MSCI ESG Rating	+19.7%	+20%	+22.7%
Sustainalytics ESG Risk Rating	+4.1%	+11%	+18.4%

Figure 14: ESG ratings improvement over time



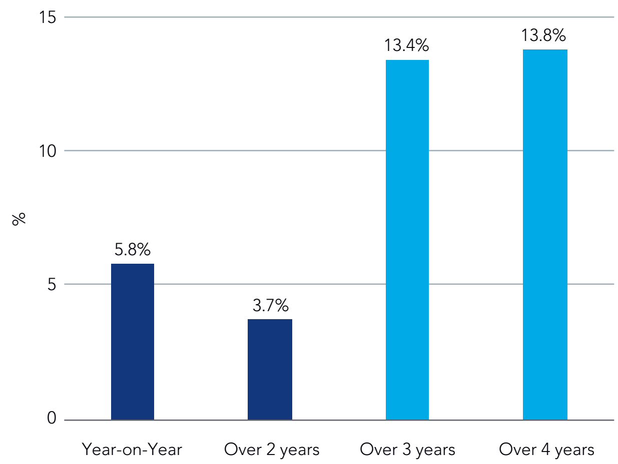
Source: Federated Hermes/MSCI/Sustainalytics.

3. Glassdoor ratings

In light of the paucity of data, in particular with regard to social metrics, we utilise Glassdoor reviews as a proxy for the overall employee satisfaction within companies. We recognise that this measure is open to manipulation or distortion. That said, we believe Glassdoor reviews offer a useful and, on the whole, transparent window into a company's culture, and that both the absolute rating and the trend in the rating offers meaningful insight into improving or deteriorating employee morale.

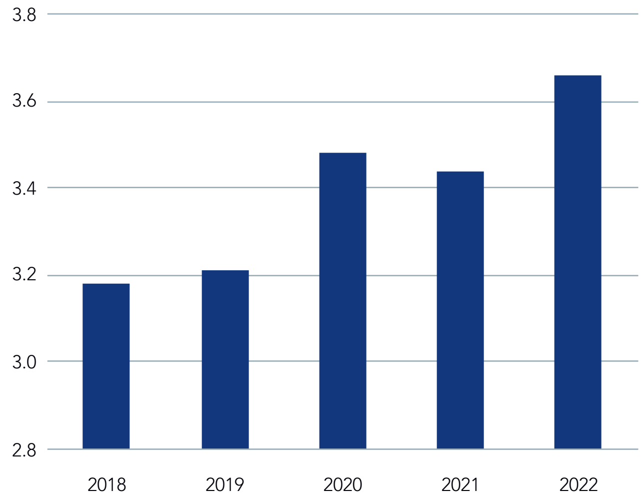
In the figure below we illustrate the average change in the overall Glassdoor rating (0-5* rating) of the companies in our portfolio which we have held for more than three years. Encouragingly, it shows that the longer we have invested in (and engaged with) companies the greater the improvement in apparent employee satisfaction. The steady improvement in these ratings during the period of uncertainty workers have been navigating over the last few years is particularly heartening.

Figure 15: Change in overall Glassdoor ratings for holdings after more than three years



Source: Glassdoor.

Figure 16: Overall Glassdoor ratings of portfolio holdings



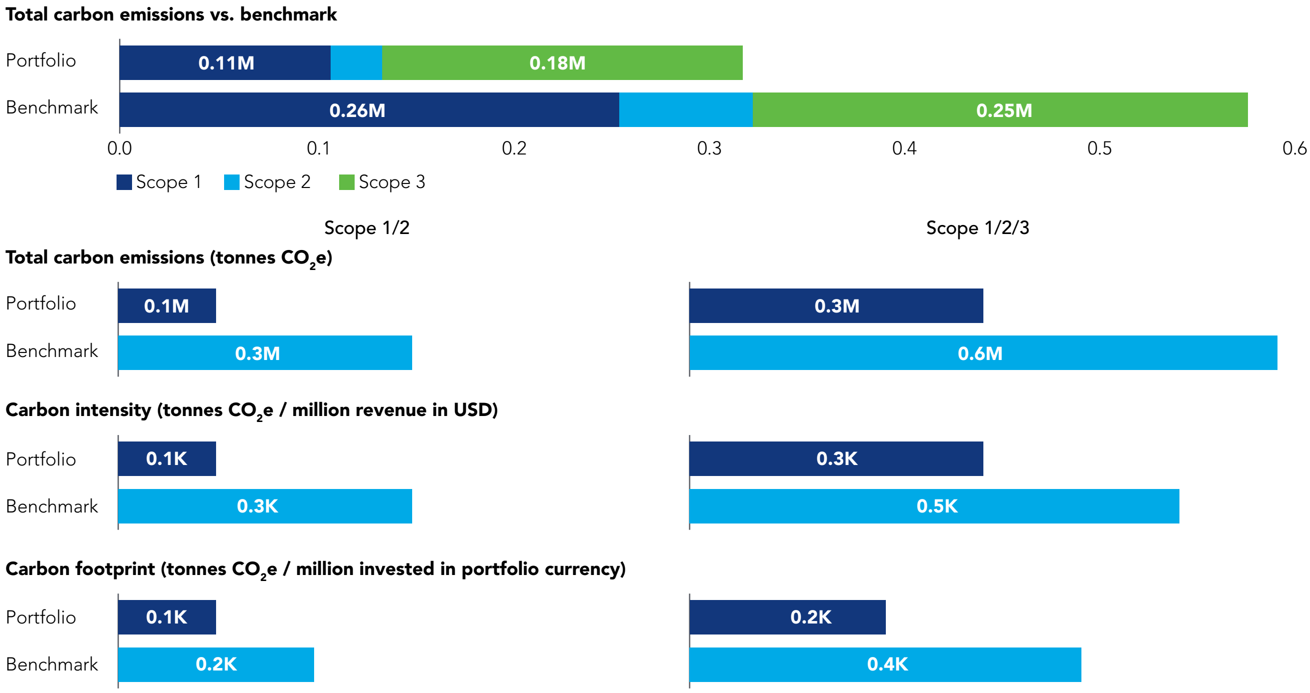
Source: Glassdoor as at December 2022.

4. Carbon footprint

Decades after 'climate change' entered the popular vernacular, countries and industries have, in earnest, been making bolder commitments to cut their carbon footprints. While there is a long way to go, and the need has never been more urgent, there is nonetheless some room for optimism.

With respect to our portfolio, the Strategy's carbon footprint at the end of 2022 is illustrated below. As can be seen, the Strategy's footprint compares favourably against the benchmark in terms of absolute emissions, emissions intensity and owned emissions.

Figure 17: SDG Engagement Equity carbon footprint (2022)



Source: Federated Hermes carbon tool for portfolio as at December 2022, utilising data from Trucost.

Climate data

It is important to insert a number of caveats around the quality of climate data.

Firstly the 2022 footprint is based on 58% of companies reporting data; 20% is estimated and 19% is modelled (by Trucost). The reported data itself speaks in essence only to Scope 1 and 2 emissions. As readers will no doubt understand, Scope 3 emissions are much less frequently understood by companies let alone disclosed, and, where disclosed rarely cover the full spectrum of relevant emissions. A further issue relates to the timeliness of the processing of reported data by service providers which often results in a significant lag in data feeding through to such footprint analyses.

In the below further analyses we have restricted multi-year comparisons to those companies for which there is reported data or at least estimated emissions – e.g. the company discloses some emissions data but likely not for the full scope of its business operations. To that end we avoid including changes which are due only to a shift from modelled to estimated or reported data rather than any change in efficiency by the company itself. We have also restricted comparisons to Scopes 1 and 2 emissions given the much greater reliance upon modelling for Scope 3 emissions and the greater degree of accountability that companies have for managing their direct operational emissions efficiently.

Change

As an engagement Strategy, a company's carbon footprint at the outset of our investment is less relevant than the change in emitted carbon emissions among holdings with which we have been engaging.

Pleasingly, as can be seen from the below, where we have looked at those holdings which we have held, and thus engaged, over a multi-year period (over three years), we have realised meaningful improvements. The average change in the carbon intensity of our long-term holdings (tonnes of Scope 1 and 2 Greenhouse Gas emissions (GHGe) per US$m revenue) has reduced by nearly 41% over the five-year period.

Figure 18: Average change in carbon intensity

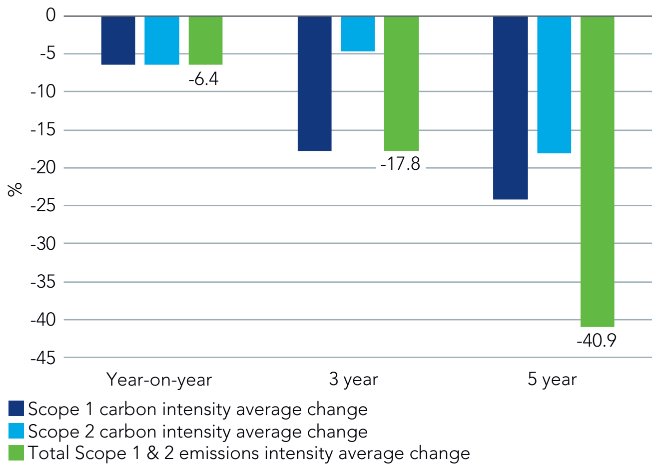
	Year-on-year	Three-year	Five-year
Scope 1 carbon intensity average change	-6.4%	-17.8%	-24.2%
Scope 2 carbon intensity average change	-6.4%	-4.7%	-18.1%
Total Scope 1+2 emissions intensity average change	-6.4%	-17.8%	-40.9%

Source: Trucost data.

The average change in the carbon intensity of our long-term holdings has reduced by nearly

41% over the five-year period

Figure 19: Average change in carbon intensity



Source: Federated Hermes/Trucost.

Focusing in and looking ahead

Looking ahead and considering only existing explicit emissions reduction targets set out publicly by our holdings (as of the end of 2022), **our analysis suggests a further 32% absolute reduction in Scope 1 and 2 emissions over the period through to 2030**[7]. This is positive, but also indicative of the need to continue to push for further raising of ambitions in some cases.

By our estimates, Scope 3 emissions represent approximately 82% of the Strategy's total emissions footprint. In that context, while reductions in operational emissions among holdings is important, it is self-evident that individual corporate actions are insufficient. Instead, value chains need to work collaboratively in order to realise something closer to a net-zero scenario.

Furthermore, the Strategy's emissions (Scopes 1 and 2, and Scopes 1, 2 and 3) are, in practice, highly concentrated with just a few holdings representing the vast bulk of the total emissions footprint.

Considering just Scopes 1 and 2, one name represents more than half of the Strategy's total emissions (Alliant) and two combined companies represent two-thirds of the total emissions (Alliant and Eagle Materials). Considering Scope 3, one company, DCC, suddenly jumps to the top of our emitters league table on that basis – the emissions in this instance associated with the usage of their products (automotive fuel and residential heating fuel). In the cases of all the names mentioned, substantial progress towards decarbonisation has been made. While there is a long road ahead for each of them, their paths have been mapped out.

Alliant Energy

Alliant, a US electric utility is targeting:

- By 2030: reducing CO_2 emissions by 50% vs. 2005 levels.
  - To date it has reduced its CO_2 emissions by 28%.
- By 2040: eliminating all coal from its generation base.
  - To date it has retired 1,100MW of coal with a further 1,300MW to be retired. Coal generating capacity will have shifted from 29% to 9% over the period 2020-25.
- By 2050: Achieving Net Zero CO_2 emissions from their electricity generation.
  - The company will have added 1,500MW of solar capacity by 2025 (vs. 2020) and renewables as a share of total generating capacity will have shifted from 23% to 42% by 2025.

DCC

In 2022, fuel distributor DCC announced a new energy transition strategy. The Dublin-based group expects there will be a modest shift in fuel mix distributed through to 2030 with overall fuel-related profits declining substantially as a percentage of total group profits (54% to 29%).

DCC is committed to net zero (including Scope 3 emissions) by 2050 or sooner and is aiming for Scope 3 emissions to decline 15% by 2030, which suggests that fuels-related total group Scope 3 emissions intensity will reduce approximately 45%.

The above supplements operational emissions reduction goals of a 20% reduction in Scope 1 and 2 emissions by 2025 and 50% by 2030 (both vs. 2019 baseline).

- The company has achieved a 13% reduction in Scope 1 and 2 greenhouse gas intensity during the period FY 2018-2021.

This information does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

Federated Hermes – firm level

At the firm level, Federated Hermes Limited has committed to achieving net zero by 2050. Additionally, as we strive to reduce our portfolio emissions, we have set the following goals. In public markets, we are aiming to align:

- 25% of AUM and financed emissions to 1.5 degrees by 2025
- 50% of AUM and financed emissions to 1.5 degrees by 2027
- 80% of AUM and financed emissions to 1.5 degrees by 2030

To achieve the above goals we, as a firm, will be reducing our financed emissions by asking our investee companies to set credible targets and strategies validated by the latest climate science. This has, of course, been a common theme of engagements in this Strategy.

The development of an in-house Paris-alignment methodology has allowed us to more robustly assess the extent to which a company's climate change ambitions are credible and in line with the Paris-alignment goals. With many more of our holdings intending to set or upgrade reduction targets over the coming year we expect actual reductions to be much greater that currently forecast. We will provide more detailed reporting on the alignment of our holdings in our 2023 H1 report.

[7] Team analysis utilising data from company filings, Bloomberg and CDP submissions

SECTION 6

Annual portfolio impact[8]

In collaboration with Net Purpose, a leading London-based impact measurement company, we present below impact data on an aggregated, cross-company basis. These figures are our estimates of the total impact that the companies in which we were invested at year-end 2022 delivered in FY21. In parallel, and more saliently, we present the change in the aggregated calculated impact for those holdings that we have held for three or more years (which is the change in the metrics during the period FY19-21). The impact calculations draw on data from company, sector and industry reports combined with analysis of academic research and other credible sources.

The changes in certain metrics result from a mixture of specific individual company initiatives, advancements in impact estimations and improvements in company disclosures.

The impact calculations draw on data from company, sector and industry reports combined with analysis of academic research and other credible sources.

Aggregate calculated company level impact of stocks held in FY 22

37.5m MTs
of CO_2 emissions avoided with **22.6 MT** released (Scopes 1, 2 and 3)

CO_2

40.6%
reduction in absolute (operational) emissions for names held for 3 years over (FY '19-22)

19 MWH
of clean energy generated

15% increase for names held for 3 years (FY '19-22)

40.9 MT of waste generated with **748.8k MT waste recycled**

41.7%
% increase in waste recycled for names held for 3 years (FY '19-22)

1bn m³
of water used with **23m m³ water saved**

43%
increase in water saved for names held for 3 years (FY '19-22)

49.9m
patients treated and **231,603 lives extended**

38.3% female representation in workforces

24% female representation in management and **30.4%** at board

26.9% increase in female board representation and **35.9% increase in female manager representation** and **16.1% for female workforce representation** for names held for 3 years (FY '19-22)

76k
underserved people or small businesses given financial access

6.2%
increase for names held for 3 years (FY '19-22)

[8] Source: Federated Hermes Impact calculations, Net Purpose, drawing on FY'22 data.
[9] https://openknowledge.worldbank.org/handle/10986/16979

Credicorp

- **SDG 8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small-and medium-sized enterprises, including through access to financial services.
- **SDG 9.3:** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Credicorp is the largest bank in Peru.

SMEs and MSMEs (Micro-, Small and Medium-sized Enterprises) are a key part of the growth of developing economies. They account for almost half of formal employment and are the engine of job creation. However, they face significant funding gaps. Studies have shown that increasing access to finance to underserved businesses can increase turnover and job creation[9].

With our partners at Net Purpose, we have estimated the indirect job creation as a result of loans provided to MSMEs.

Credicorp in FY21:

- US$5.4bn – loan value to previously excluded MSMEs.
- 44,202 indirectly jobs supported.

Alliant

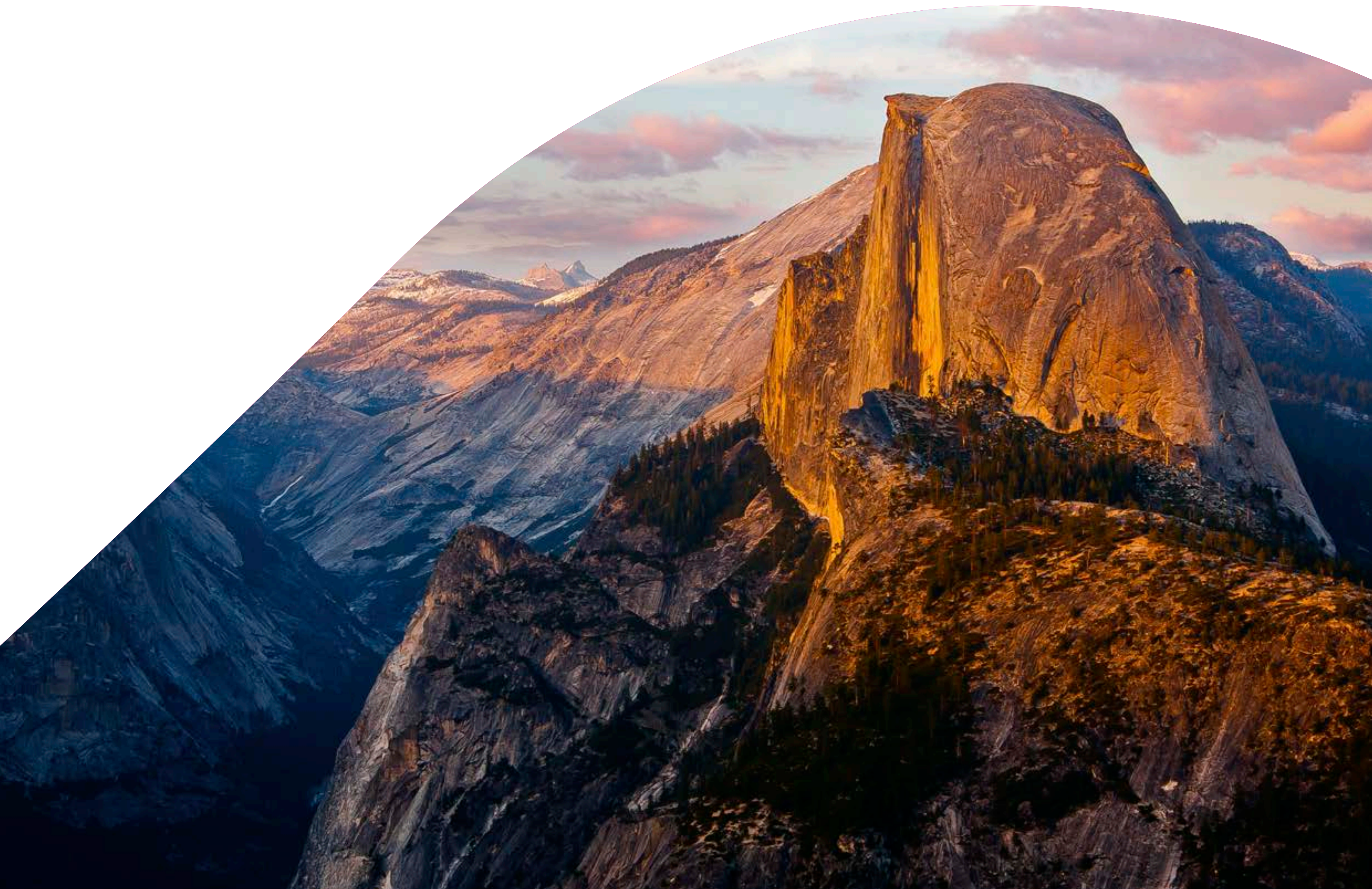
- **SDG 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
- **SDG 3.9:** By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

Alliant is an electric utility company headquartered in Wisconsin.

Fossil fuel combustion triggers climate change due to greenhouse gas emissions and harms human health with air pollution. It is imperative to decarbonise the energy sector in order to mitigate runaway climate change. Clean energy generation also reduces energy-related air pollution, leading to increased lifespan, healthier lives, and more productive workers.

In our impact calculations with our partner Net Purpose, we have estimated both the metric tons of CO_2 equivalent avoided as a result of the development of renewable energy capacity as well as the health impacts which result.

> **Fossil fuel combustion triggers climate change due to greenhouse gas emissions and harms human health with air pollution. It is imperative to decarbonise the energy sector in order to mitigate runaway climate change.**



FY22:

- 1,7,82MW of installed wind power
- 5,230,989MWh renewable electricity produced
  - 1,740,925 MT CO_2 equivalent avoided
  - 1,638.52 MT of Sulphur dioxide (SO_2)avoided
  - 62.31 MT of PM2.5[10] avoided
  - 9,984.72 sick days avoided
  - 99.85 lives extended

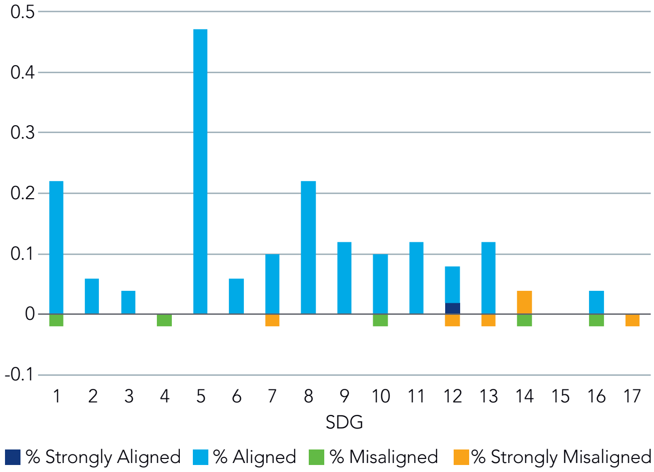
This information does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

Illustrative SDG alignment

The SDG Engagement Equity Strategy is geared towards supporting attainment of the SDGs through engagement with investee companies. Through our engagement we anticipate catalysing and accelerating improvements in a company's overall sustainability performance and, therefore, alignment with the aspirations of the SDGs. Our engagement focus spans a company's supply chain, direct operations and product and service offering. By dint of this holistic view, it is difficult to measure and quantify a company's overall SDG alignment. It is much easier, though still fraught with complexity, to measure a company's revenue alignment. Solely relying on this lens can, however, miss huge positive and negative impacts generated by a company – for example through the provision of decent employment to targeted disadvantaged populations or conversely through the exacerbation of labour rights abuses among upstream suppliers.

The below figures are derived from MSCI's SDG Alignment Tool. The tool seeks to account for all SDG-aligned revenues while taking account of the impact of companies' operations as well. For each SDG, a company's contribution is weighed in the balance so that, based on its net scores, companies can be assessed as 'Strongly Aligned', 'Aligned', 'Neutral', 'Misaligned' or 'Strongly Misaligned'. The chart below illustrates the percentage of companies in the portfolio at year-end which are considered 'Aligned' or 'Misaligned' by MSCI (we have filtered out those companies considered 'Neutral').

Figure 20: Net SDG alignment of portfolio per SDG



Source: MSCI SDG Alignment Tool.

Our conclusions from this SDG alignment assessment are:

- The majority of the portfolio is considered 'Neutral' with respect to its alignment to the SDGs. This suggests significant further SDG upside potential can be realised.
- There are only a handful of companies considered 'Misaligned'. Two of those cited by MSCI are Aptar and Nifco by dint of their reliance on plastics in the manufacture of their products. In the case of Aptar specifically, we are content that the company is making significant strides towards moving towards a more circular model having nearly doubled the proportion of its products that are recyclable, reusable or compostable in recent years.
- The other strongly 'Misaligned' company highlighted is DCC which, as we noted earlier in the report, has this year set out a comprehensive strategy to pivot the business away from a fossil fuel-dominated earnings base towards clean energy products and services.
- The most 'Aligned' portfolio company highlighted by MSCI in the analysis is Merlin Properties on the basis of its more than 90% sustainability certified properties. We would concur with the assertion that Merlin is 'Strongly Aligned' with the SDGs on a number of aspects. The company is targeting an 88% reduction in its carbon intensity over the period 2018 to 2028. Via its Project Sun, it is installing solar generation across 100% of its operationally-controlled assets. Moreover, it will be the first real estate company to reduce lease prices if net-zero operations are duly credited and certified by tenants.

[10] Particulate matter 2.5 (PM2.5), refers to tiny particles or droplets in the air that are two and one half microns or less in width.

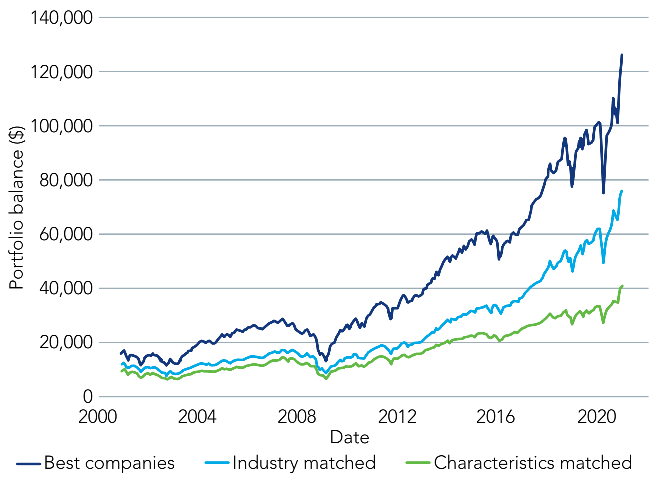
SECTION 7

SDG 4 (and SDGs 5, 8 and 10) – Human capital and the need for its horizontal and vertical development

In economic terms, a company's workforce can be thought of as a stock of human capital rented from society. Unlike a physical asset, the workforce is (typically) not bound to an employer. In exchange for pay and certain benefits, workers provide their labour. In the best of cases, where that labour generates growth the workforce shares in the spoils of that growth through enhancements to pay and conditions.

In order to maximise this symbiotic relationship between workforce, growth and sharing of spoils, it is necessary to create an engaged and motivated workforce. There is ample evidence to support the contention that a highly satisfied workforce is good for business success. Interestingly, that evidence is strongest during periods of economic strife – something that companies should pay heed to as we navigate the current period of high inflation.

Figure 21: Long-term outperformance of the '100 Best Companies to Work For'

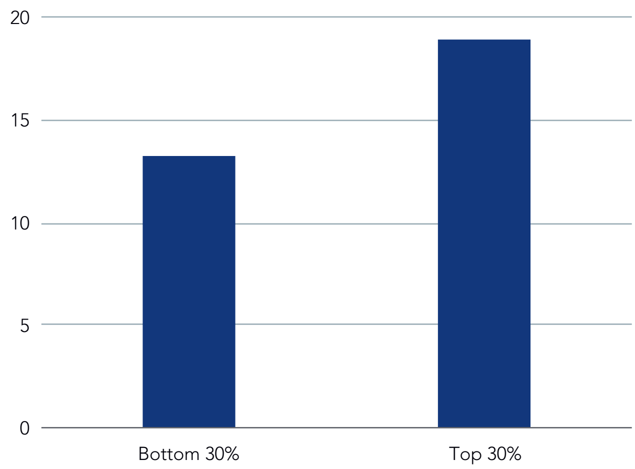


Source: Hamid Boustanifar and Young Dae Kang, Employee Satisfaction and Long-run Stock Returns, 1984-2020, Oct 2021.

In PwC's 2017 CEO Survey

77% of CEOs indicated that availability of talent was a threat to their business

Figure 22: Median forward P/E for top and bottom 30% of Glassdoor 'culture' scores in the Russell 3000 index.



Source: Federated Hermes analysis of Glassdoor data, December 2022

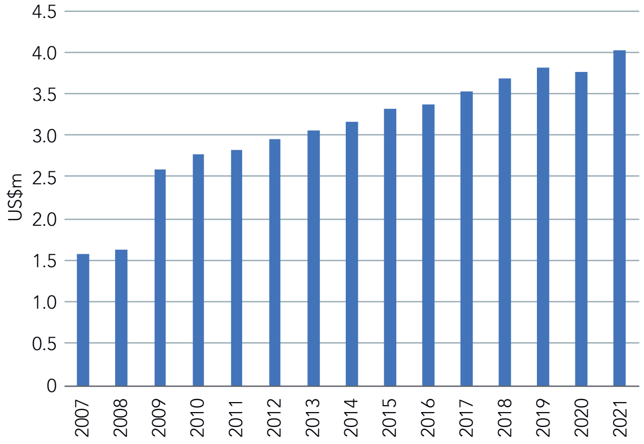
However, as cited by investment brokerage firm Jefferies[11], a 2021 Gallup survey of 57,000 full- and part-time employees observed that just 34% of employees were 'engaged'. Jefferies rightly comment that investors would not tolerate another company asset operating at 34% capacity.

Skills gaps

In PwC's 2017 CEO Survey[12], 77% of CEOs indicated that availability of talent was a top threat to their business and 67% stated they have a responsibility to reskill their workforce[13]. Since then, businesses and societies have been hit with multiple shocks. It was no surprise, therefore, to see pandemics and health crises as CEOs number one concern in 2021[14], however, more of a surprise was that just 28% reported availability of key skills as being a key concern. This despite, the demand for skilled workers being greater than ever[15], while availability is in short supply. The US Chamber of Commerce found that of hiring managers, 74% agree that there is a skills gap in the current labour market with 61% of organisations citing as a priority the need to maintain or improve education and workforce partnerships.

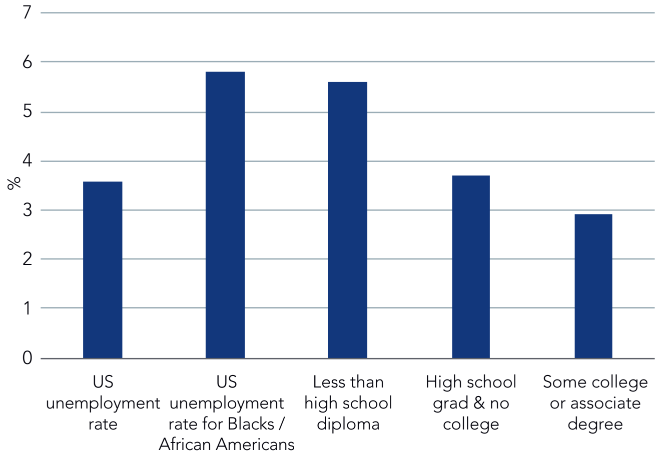
[11] Jefferies, May 2022, 10 Insights We Have Learned About Human Capital and Corporate Culture.
[12] 2017 CEO Survey, PwC.
[13] The Lost Workforce: Upskills for the Future, World Government Summit 2019, PwC.
[14] 2021 CEO Survey, PwC.
[15] Hiring in the Modern Talent Marketplace, February 2020, Center for Education and Workforce, US Chamber of Commerce.

Figure 23: Total IT spend



Source: OECD / PwC

Figure 24: US unemployment rate by educational attainment



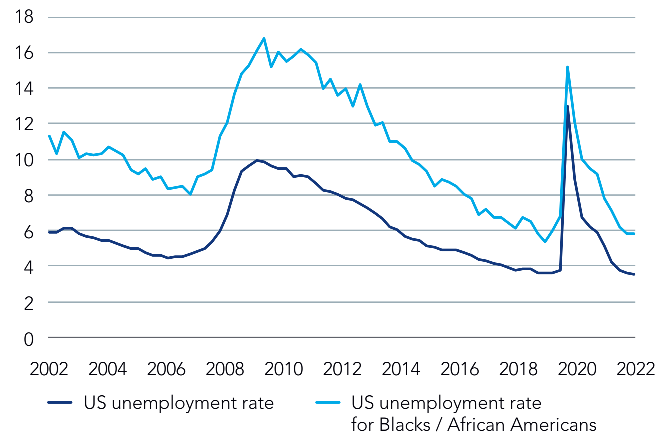
Source: BLS, data to 30/09/2022.

Indeed, according to the Organisation for Economic Co-operation and Development (OECD), 30% of jobs fall into this category because of automation[16]. Covid-19 has made the skills gap broader. Worldwide IT spend is growing, and companies are struggling to find the right talent or retain them.

On the other hand, employees themselves are similarly anxious about the widening skills gap, with 46% of those surveyed concerned that their current skill set will become irrelevant by 2024[17] and just 34% of workers feeling supported by their organisation's skill development opportunities[18]. They are instead choosing to leave and join companies focused on upskilling, re-skilling, and offering a continuous learning path[19].

As a 2020 Brookings paper argues[20], there is a misconception that 'low wage' is synonymous with 'low skill', this in turn devalues workers and makes low wages a self-fulfilling prophecy. But it also means that those employers currently seeking 11 million workers (US job openings as of end of 2022) are often looking in the wrong place. Many of the skills they seek are available in the population of job seekers or within their current workforce. Workers at every stage of their careers learn transferable skills through experience and on-the-job training – and these skills often have considerable overlap with the skills required for higher-wage roles. Opening new pathways to enable those in work (or seeking work) but without college or university degrees to unleash their full potential will go a long way to enabling greater social mobility and employment mobility. This is important for reducing societal inequalities across multiple dimensions. In the US, for example, educational attainment levels are lower for African Americans and subsequently employment levels and average incomes are similarly below national averages exacerbating and perpetuating long-running inequalities.

Figure 25: US unemployment rate – total vs. Blacks / African Americans



Source: BLS, data through to 30/09/2022.

OECD data[21] further shows that around four in ten highly-educated adults participate in formal or on-the-job training, while just two out of ten people with 'low' levels of education do likewise. Workers with 'low' skills are also less likely to participate in such training and more likely to work in sectors being transformed by automation and digitalisation – the very sectors where workers will need to develop new skills now and in the future.

The pandemic has also had an impact, with lockdowns reducing the number of hours spent in on-the-job training by nearly 20%. As we move into the recovery, it is vital to encourage a lifelong learning approach.

[16] M. Arntz,T. Gregory and U. Zierahn, 'The Risk of Automation for Jobs in OECD Countries: A Comparative Analysis', OECD Social, Employment and Migration Working Papers, No. 189, OECD Publishing, Paris, 2016 [online] accessed August 2018 https://doi.org/10.1787/5jlz9h56dvq7-en
[17] Degreed, State of Skills Report, 2020, https://get.degreed.com/state-of-skills-report
[18] ibid
[19] ibid
[20] The labor market doesn't have a 'skills gap'—it has an opportunity gap (brookings.edu).
[21] https://oecd.org/coronavirus/en/data-insights/boosting-lifelong-learning-for-all

Horizontal mobility

When there is a loose labour market there is low incentive to invest in the development of this stock of 'capital' given that an employer can find necessary skills in the market. As the labour markets tighten – common across many developed markets as the labour market ages and skills needed in the economy shift rapidly – this ability to simply skill up through hiring is diminished. For this reason – as well as the more prosaic observation that it's better to improve existing assets than take a punt on 'new' – companies should give more attention to investments in upskilling their workforces supporting horizontal mobility. In so doing, they stand to benefit from: a) more engaged workers who feel more valued and have more to give and are more inclined to give, b) fewer skills gaps as existing employees are able to be redeployed across organisations, moving from legacy business segments into new growing businesses with different skills needs; and, c) a more productive workforce. At the same time, society benefits too as the stock of human capital appreciates in value.

Vertical mobility

Vertical mobility is needed too. This means developing the pipeline of talent. Many countries and sectors are experiencing a persistent gap between the skills they need and those available in the active labour market. At the same time, many industries are under-represented by women, ethnic minorities and other demographics (including non-degree holders) – they are arguably only fishing in a small pool. As a result they are failing to utilise the full array of inputs available and risk developing their product propositions through too narrow a lens.

There are pools of human capital in society which have the potential to contribute positively to organisations but are currently underutilised across the industries and countries. In addition to the aforementioned points in respect to formal educational attainment, we can think here about ex-offenders, neurodiversity and persons with disabilities. Each of these groups of individuals are often overlooked for employment purposes, perhaps because of stigma, perhaps because of additional on-boarding or accommodation needs. The result, however, is a cost to society but also an opportunity cost for companies.

Vertical mobility extends beyond bringing into the labour force those currently too often left out. It means greater equality of opportunity internally too. We know full well that even in those companies or industries where there is a good level of representation of society at the total workforce level, this representation narrows and peters out quickly as you look further up the organisation. The simplest illustration is that of women who constituted 34% of the workforce of tech companies in the S&P 500 in FY21 but 25% of management teams and just 7% of the CEOs. Similarly, according to the Kapor Center for Social Impact[22], 20% of computer science graduates are Black or Latino or Hispanic, but they make up only 10% of the technology workforce and 2% of venture-backed start-up founders.

More work is evidently needed to provide equitable career ladders to ensure that representation at the top mirrors that at the bottom and the total mirrors that of wider society. This needs to span hiring pipelines as well as support for underrepresented talent once in employment.

Figure 26: Routes to greater social mobility

There are many opportunities for lifelong learning available at the click of a button, so why is it that many employers still report a 'skills gap' when looking for talented members of the workforce?

Key to all the aspects of the horizontal and vertical mobility described above is a company's willingness to invest in its people – both those it employs today and those it desires to employ tomorrow. Today, however, company reporting around this aspect of investment in their workforce is near universally absent. Beyond the intuitive, there is evidence[23] of a meaningful return on investment in training and development, notably Jack Welch, former chief executive of General Electric, suggested the return was infinite.

Disclosure of spend on employee training in FY21	
Russell 3000	2.2%
S&P 500	8.2%
FTSE 100	14%

Source: Bloomberg.

[22] The Leaky Tech Pipeline: A Comprehensive Framework for Understanding and Addressing the Lack of Diversity across the Tech Ecosystem, 2018
[23] How Training Engagement Can Boost Your Bottom Line – eLearning Industry.

John Wiley & Sons – ongoing engagement around role in facilitating more diversity in access to knowledge and professions

In 2020 global education and research provider John Wiley & Sons acquired Mthree (later renamed Edge). Wiley is a global leader in research and education, unlocking human potential by enabling discovery, powering education, and shaping workforces. For more than 200 years, Wiley has fuelled the world's knowledge ecosystem. Today, its high-impact content, platforms, and services help researchers, learners, institutions, and corporations achieve their goals in an ever-changing world.

Mthree sources, trains, and prepares aspiring students and professionals to meet the skill needs of today's tech careers, and then places them with some of the world's largest financial institutions, technology companies, and government agencies. Mthree also works with its clients to retrain and retain existing employees so they can continue to meet the changing demands of today's technology landscape.

Given the skills shortfall and significant under-representation of women and minorities, every tech company is looking for diverse hires. Wiley Edge helps them tackle this. While many companies can often rule out graduates from non-elite universities, Wiley rules them in. It works with a broad range of institutions – going beyond the traditional elite schools. The company noted in its 2021 diversity report that **61% of businesses either exclusively hire or prefer to hire from top universities. This limits their talent sourcing to institutions where just 4% of the population is black.**

The company's 2021 Diversity in Tech Reports noted that 68% of US businesses feel there is a lack of diversity in their workforce but are unsure how to address it. Conversely, more than one-third of 18-24-year-olds in the UK and closer to 40% of 18–28-year-olds in the US indicated they were never given information about tech careers at school or college.

By helping under-represented groups excel in jobs they might not have chosen unaided, organisations gain new thinking, new ideas, and new ways of solving problems. The company's alumni population are 31% female and 51% Black, Asian and minority ethnic. Equally importantly, one of the most popular briefs the company receives from clients involves helping non-technical people transition into technical roles. They open up a whole new demographic, from age to education. To this end, they have the potential to play an important role in helping companies and societies meet growing emerging skills gaps.

This information does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

Our asks for companies are to:

1. Assess, measure and report on the skills gaps in their organisations and plans for meeting these needs.
2. Assess the adequacy and equitability of their existing training and development programmes and scope for enhancing reskilling initiatives.
3. Report on the investments made in the skills and training of their workforce and disaggregate this by seniority, gender, age and other dimensions of diversity.
4. Utilise racial and diversity audits to identify disparities and gaps across organisations and among pipelines; and in turn, develop strategies to target training towards underrepresented groups.
5. Measure and report on hiring rates and internal promotion rates disaggregated by diversity characteristics.

Conclusion

By investing in their workforces, companies can boost morale and motivation as well as plugging growing skills gaps. Training up existing employees is often more efficient and more effective than replacing them. While this horizontal mobility is essential, there is nonetheless likely still a gap to fill. To that end, companies should broaden their recruitment efforts by fishing in a different pond. Recognising and capitalising on the potential of all. Diversity in all dimensions from gender and ethnicity to age, physical abilities, education and socioeconomic background (among others) enables companies (and societies) to make better use of the resources that society provides them and can, therefore, improve the wellbeing of society as a whole.

The company's 2021 Diversity in Tech Reports noted that

68% of US businesses feel there is a lack of diversity in their workforce

SECTION 8

SDG Annual Report 2022 – Investment Commentary

At the start of 2022, just as everything looked to be getting back to normal after the pandemic, we had the invasion of Ukraine, rising inflation and the end of ultra-low interest rates. What a year it turned out to be, with the unusual combination of falls in both bonds and equities.

The effect of these factors came to bear on the fund in a number of ways. The market was very skittish about inflation early in the year when it was concerned that significant price rises put through by businesses in 2021 would not be repeatable in 2022. This impacted the share prices of a number of our packaging and materials holdings in the first quarter, but reassuring comments when these companies' reported results meant that these losses were recouped in the second quarter.

Also contributing in the second quarter were our Information Technology (IT) holdings, which held up well in a falling market. While it was good to see our IT holdings outperform after their underperformance in 2020, the net effect was still weighed to the negative as the outperformance of the sector versus the market was substantial in 2020, whereas there were other sectors as well as IT, such as Consumer Discretionary, making significant falls in 2022. The market is a hard taskmaster!

The Fund lost some ground in the third quarter as a rising interest rate environment had an impact on our holdings in housing and real estate. The fourth quarter, however, was rather better, as it often is; the Fund has a factor exposure that shows a strong tilt towards Quality, which typically shows through in a high ROE (Return on Equity), high returns and earnings stability and low gearing. While Quality, somewhat surprisingly, underperformed for 2022 as a whole (trumped by, on a relative basis, a very strong result by Value) it had a good run towards the end of the year and the Fund ended ahead of the market for the year.

For the year overall, the UCITS Fund's obligatory zero weighting to Energy cost the fund 240bps of relative performance as Energy was only sector showing a positive return for the year, and a substantial one at that. While the Fund does have some indirect exposure to the oil price (through our Swiss holding Burckhardt which makes compressors), it could not make up for the effect of having no direct exposure. The US version of the Strategy did better, by virtue of being able to have some Energy exposure.

At a stock level, Samsonite was the stand-out holding in the year, rising 35% and contributing 100bp to relative performance. Clearly a beneficiary of reopening, we had maintained and added to the holding during Covid-19 and reaped the reward this year. The position was trimmed towards the end of the year to right-size the holding.

Wex and Varun Beverages were also strong performers. Wex, a payments business in the IT sector, has some oil price exposure via its vehicle fleet operations and also benefitted from recovery in its travel and healthcare divisions. The share price of Varun Beverages, Pepsi's main bottling partner in India, reflected its earnings growth as it expands regionally in the country and adds new products.

Techtronic Industries detracted the most from performance, with the shares falling more than 40% and costing 100bp or relative performance. As the owner of Milwaukee Power Tools, it had been a Covid-19 beneficiary, so had less support in 2022. While the share price fall is significant, it was not out of line with other higher quality names in Consumer Discretionary, a sector that fell 25% overall in the year. Even with the fall, it has been a substantial contributor since inception and continues to take market share from rivals. The position was topped up twice in the year.

Molten Ventures and Simpson Manufacturing also detracted from performance, despite the Molten holding being kept relatively small. As a European technology venture capital investor, its performance was inevitably impacted by the downturn in technology stocks and, in addition, by the sentiment towards the shares that resulted in a large discount to NAV (Net Asset Value). Underlying holdings have seen write-downs, but we believe the stock is oversold and we topped up the holding. Simpson, a producer of building products, was weak alongside other housing-related stocks in the US.

Techtronic Industries detracted the most from performance, with the shares falling more than **40%** and costing **100bp** or relative performance.

The Fund retains a natural overweight to Industrial and Materials (with commensurate underweight in Financials and IT), which reflects its mandate to pursue SDG-related enhancements to businesses and, therefore, we gravitate to the more physical and human capital ('blue collar' more than white) intensive parts of the market. We remain very comfortable with this from an investment perspective given the outperformance potential of those sectors.

Now that much of the excess of the market in recent years has been excised, 2022 saw the dramatic unwinding of a long build-up from the effect of artificially low interest rates. As a result, the investment backdrop for active, bottom up, investors has in our view meaningfully improved. Some parts of the market are still quite expensive, but the sharp rise in interest rates has reduced excess pricing in Quality (a contributor to its underperformance this year), which has added to our conviction as to the market opportunity in 2023.

SECTION 9

Case studies

The following case study was published in Q4 2022

ENGAGEMENT COMMENTARY:
SSP Group

In a nutshell

London-headquartered SSP is the world's second-largest travel concession caterer. The company operates about 2,700 units across 36 countries and approximately one third of its revenue comes from outside Europe and the UK. SSP's units are a mix of franchise partner brands such as Starbucks or their own proprietary brands such as Upper Crust. The company's units are predominantly found in airports (60%) and railway stations.

$1.65bn

market capitalisation (Nov '22)

21,091

employees (end of 2021) of which 53% are female

Headline progress

The company has moved markedly on both governance and sustainability over the last few years. The board has been heavily refreshed and governance practices have matured as the company has grown. From near zero sustainability reporting and limited internal initiatives in 2017, the company has established a comprehensive sustainability strategy which includes meaningful measurable targets across relevant topics.

Notable targets set by the company in December 2021 include:

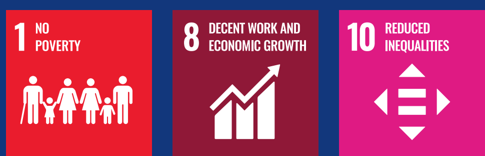
- By 2040, achieve net zero carbon emissions (Scopes 1, 2 and 3) and set science-based targets in line with a 1.5°C scenario within 12 months.
- By 2025, ensure all packaging of own-brand products is recyclable, reusable or compostable.
- By 2025, all divisions globally to have partnerships with food poverty charities and local charities.
- By 2025 at least 30% of the meals offered by own brands to be plant based and/or vegetarian.
- By 2025, source for SSP own brands 100% sustainably sourced palm oil (for the top 50 products in each country) and 100% sustainably sourced tea, coffee, hot chocolate and fish, with further categories to follow.
- By 2025, 33% of the company's Executive Committee and their direct reports will be women.

Investment case

- Recovery in domestic rail and international leisure air travel.
- Promising pipeline of growth opportunities. Strong brands and reputation should enable more contract wins.
- Track record on cost management, positions company well in an inflationary environment.

Theory of change

Given the breadth of the company's global operations, we believe SSP is well placed to have a tangible impact on thousands of people through its direct and indirect employment and on the environment through its sourcing of key ingredients and serving of food and drink daily to customers. Our primary impact thesis centres around three strands:



1. At the inception of the SDG Engagement Equity Strategy in December 2017, the company employed more than 35,000 typically low-paid people worldwide. This number reduced to 21,000 during the pandemic, but has since bounced back as operations have resumed.

a) In recognition of the disproportionately high rates of unemployment among certain demographics, such as ex-offenders, refugees and persons with disabilities, we argued that the company should provide employment opportunities (in partnership with third parties) to targeted disadvantaged groups. The impact of such initiatives would be to expand SSP's own recruitment pool and enhance employee morale while providing individuals with a direct route out of poverty.

b) Offering living wage contracts in response to tenders, the company can ensure that workers are afforded at least a living wage. In so doing, SSP can enhance workers' economic resilience and address inequalities while also reducing employee turnover.

2. According to the charity WRAP[1], in hospitality 18% of food purchased is wasted and food waste is responsible for 10% of all greenhouse gas emissions[2]. SSP has long focused on avoiding waste generation in food production, however, surplus food inventory is unavoidable. By establishing partnerships, the company can redistribute surplus food products and in so doing avoid unnecessary waste generation.

3. Finally, as a food and drink retailer serving millions of customers on an annual basis, we have contended that the company is well placed to influence consumers' purchasing decisions. By moving beyond the offering of choice to a position whereby they actively seek to influence choices, SSP can nudge consumers towards healthier eating decisions which are also environmentally beneficial.

Practice of change

The company listed on the London Stock Exchange back in 2014 and has expanded rapidly in the years since.

- In the period of our investment (December 2017 onwards) we have had in excess of 25 interactions.

During our engagement there have been two changes in CEO and a change in chair which in part accelerated and in part slowed progress. Kate Swann, who had been CEO from 2013 and through to its listing, departed in 2019 to be succeeded by Simon Smith. As the headwinds from Covid-19 hit, Smith navigated the business through the pandemic and supported the enhanced focus on sustainability and people (beyond the expense line) but departed in 2021, lured away by private equity. Patrick Coveney arrived as CEO in March 2022 having previously led Greencore, where he oversaw an ambitious sustainability strategy.

Our engagement has included conversations on corporate governance, as well as environmental and social issues, with a consistent focus on SSP's people strategy.

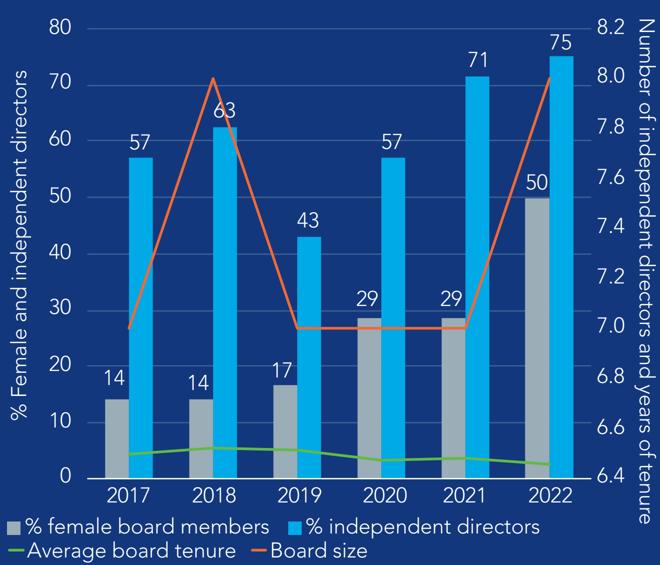
Our dialogues have extended from the chair through to executive management and below. Our engagement has included conversations on corporate governance, as well as environmental and social issues, with a consistent focus on SSP's people strategy.

Governance

In the early period of our engagement with SSP, conversations around governance matters were a priority as the company sought to evolve its governance structures and processes to reflect the maturity of the business. The process around succession planning and retention of key personnel has also been an obvious focus. Positively, in recent years there has been significant refreshment of the board which now features high levels of independence, industry expertise and diversity.

We were pleased to actively input into the company's revised remuneration policy for its executive directors, the end result of which was a shift away from a traditional long-term incentive plan to a restricted shares plan. The new pay structure we believe better aligns executive interests with those of long-term shareholders and closely mirrors the Federated Hermes Remuneration Principles as set out in 2016.

Figure 1: Improving board independence and diversity



Source: company filings.

[1] WRAP, UK progress against Courtauld 2025 targets and UN SDG Goal 12.3, 2020.
[2] Too Good To Go Impact Report, 2021.

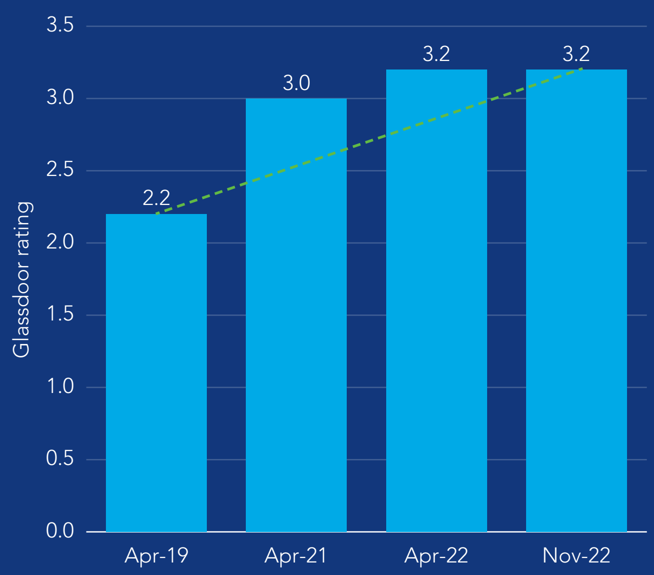
People

The rising cost of living presents a significant challenge to living standards after a period of social and economic uncertainty resulting from the Covid-19 pandemic and near double-digit inflation. SSP's workforce has been in the crosshairs of these two headwinds. The company's operations in effect went into to hibernation during the early period of the pandemic with tens of thousands of employees put on furlough and thousands more made redundant. While operations continue to reopen as international travel returns, SSP's front-line employees are now grappling with higher costs of living.

Having questioned the company's approach towards human capital management in multiple conversations we have been particularly pleased to note that management have consistently given more attention to staff wellbeing resulting in a reviewed and relaunched People Strategy in 2021.

In early 2018 we pointed out to management the company's relatively low rating on Glassdoor (employee review site) and suggested that they were likely incurring unnecessary costs as a result of a higher-than-necessary level of employee turnover as a result of an apparently demoralised workforce. Pleasingly, a few years on and despite a significant period of uncertainty for their employee base, the company's Glassdoor ratings have markedly trended upwards. This trend is further borne out by the company's own inaugural engagement surveys by which, the company notes, they have been pleasantly surprised at both the response rate and sentiment. This should lend itself to lower turnover levels and higher levels of customer service while also being supportive of employee wellbeing.

Figure 2: SSP overall Glassdoor rating



Source: Glassdoor.

Opportunity employment

Some SSP country HR teams have partnerships with local organisations to offer career opportunities to people from deprived communities. For example, in Singapore the company works with the Corporation of Rehabilitative Enterprises and aims to provide permanent jobs to ex-offenders each year. SSP America is an employment partner with Southwest Autism Research & Resource Center to increase employment opportunities for adults with autism spectrum disorder. We have regularly highlighted these initiatives as illustrative of the group's potential to scale their impact through employment. We continue to engage on this topic and will signpost to other corporates which have implemented such initiatives with meaningful beneficial results.

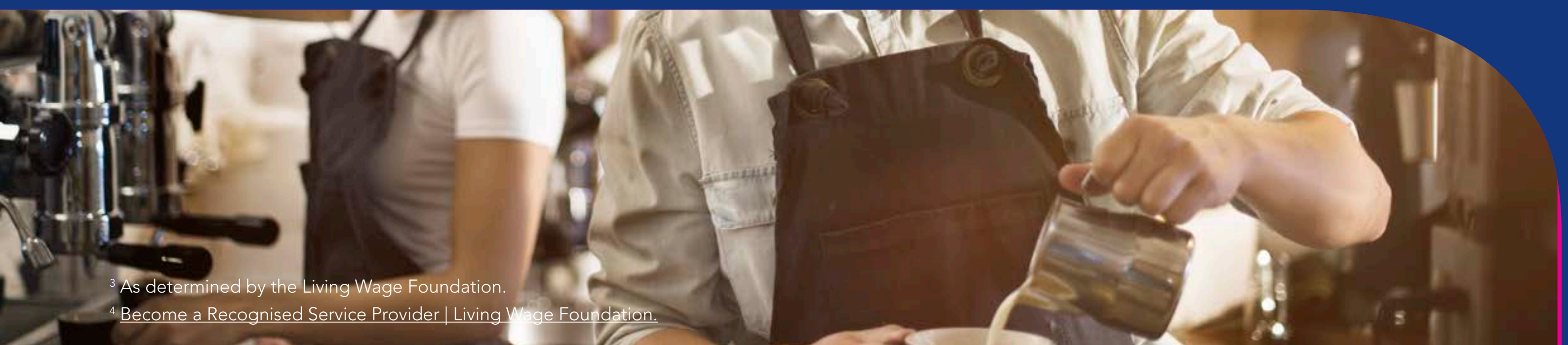
Wages

As a people-centric business, the company has long been, understandably, very cognisant of and sensitive to the impact of labour cost inflation. Despite investments in technology and automation – accelerated by the pandemic – continuing to raise productivity levels, the business will unavoidably remain a people-centric business (labour costs as a percentage of sales were 42% in 2021 and approx. 29% in 2019, pre-pandemic).

As part of the company's new People Strategy, SSP has committed to keeping pay and benefits under review alongside creating clearer career frameworks in order to both attract and retain employees.

As a people-centric business, the company has long been, understandably, very cognisant of and sensitive to the impact of labour cost inflation.

Nonetheless, it is likely that many thousands of the company's front-line workers are presently paid below a living wage[3]. In a slim margin business where SSP is competing for contract wins against other operators it is incumbent upon those awarding the contracts to match a commitment to affording employees working in the retail outlets a living wage. To that end, we have consistently cited the Living Wage Foundation's Recognised Service Provider (RSP) accreditation[4] as a model for adoption. RSPs commit to always offer a Living Wage bid alongside every market rate bid to all prospective and current clients. It ensures the client always has the choice to implement the Living Wage at the point of tender and there is a pathway towards the Living Wage for the provider in place. We continue to explore this mechanism with the company.



[3] As determined by the Living Wage Foundation.
[4] Become a Recognised Service Provider | Living Wage Foundation.

*Assuming 60% of the company's UK workforce are paid the national living wage (effectively the national minimum wage for people over 23[5]), the additional cost (based on FY 2022 costs) of moving that workforce to a living wage (as defined by the Living Wage Foundation) would be approximately £17m. This is equivalent to roughly 20% of the EBITDA for their UK business for FY22. If that cost inflation was applied across the group then that would equate to 33% of group EBITDA. Hence the need for the RSP model.

Waste and healthier menus

By reducing food waste, recycling and introducing and promoting more vegetarian or plant-based meals to its menus, SSP will be able to reduce emissions in their value chain. We have had multiple conversations with the company on these themes including making introductions to third parties and sharing insights from across the market.

The company has committed to net-zero emissions across Scopes 1, 2 and 3, by 2040 and is working to establish science-based targets during FY 2022. As part of its sustainability strategy, published in December 2021, the company has outlined plans to reduce, reuse and recycle packaging (all own brand packaging will be reusable, recyclable or compostable by 2025). We have had and are continuing to have discussions around innovations in the market which are supportive of SSP's recycling efforts, for example initiatives around cup recycling.

By reducing food waste, recycling and introducing and promoting more vegetarian or plant-based meals to its menus, SSP will be able to reduce emissions in their value chain.

Pertinently, given our thesis around the opportunity to prevent food waste arising from unsold products, the company has made a commitment that by the end of this year (2022) all of its divisions will work with one or more partners (e.g. Too Good to Go) to reduce food waste at its rail units. Where food remains unsold, the group is working with charity partners to ensure food is directed to those in need. By 2025, redirection to charity partnerships will be established across the group.

- In 2021, 279 units in 10 countries used the 'Too Good to Go' app and sold more than 56,000 bags which resulted in over 56 tonnes of food being saved from disposal and a saving of more than 142 tonnes of CO_2.
- As of H1 2022: 'Too Good To Go' is now live across more than 400 SSP units in ten markets.

[5] Calculations based on NLW in 2022 before announcements of sizable uplift in 2023.

It has committed by 2025, to introduce food and drink items that support healthier lifestyle choices including wellness brands; lower-calorie, plant-based and/or vegetarian meal options; and non-dairy milk alternatives.

Healthier menus

Finally, having noted and conveyed early in our dialogues with the management that we believed the company had a responsibility to its consumers that extended beyond the offering of choice, we were pleased that the company also recognised this in late 2021.

At least

30%

of meals offered by SSP own brands will be plant-based and/or vegetarian by 2025.

It has committed by 2025, to introduce food and drink items that support healthier lifestyle choices including wellness brands; lower-calorie, plant-based and/or vegetarian meal options; and non-dairy milk alternatives. At least 30% of meals offered by SSP own brands will be plant-based and/or vegetarian by 2025.

Next steps

In conclusion, we commend SSP on the progress it has made to date. Nonetheless, we continue to engage with the company on the themes discussed above recognising that while goals have been set, there remains a long way to go to deliver upon these aspirations. We are hopeful of seeing the positive momentum maintained during 2023 and beyond.

This information does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

The following case study was published in Q2 2022

ENGAGEMENT COMMENTARY: AMN Healthcare

In a nutshell

AMN is the leading healthcare staffing company in the United States. Its core business is the placement of nurses and allied health professionals on temporary assignments at hospitals and healthcare facilities throughout the US.

$3.8bn market capitalisation (May '22)

$3.9bn revenue (FY21)

3,800 employees (end of 2021) of which 65% are women (56% in management)

Headline progress

The company has publicly recognised its unique ability to lead the healthcare industry on the issue of gender pay and is supporting initiatives to broaden the diversity of healthcare professionals. To this end, it has repeatedly highlighted the scale of the pay discrepancy problem and begun to explore meaningful actions that can be taken to address it.

Investment case

- Leading US healthcare staffing provider, benefiting from aging population and accelerating shortage of healthcare professionals.
- Established position in managed service provision enabling further share gains.
- Inorganic expansion opportunities.

Theory of change

According to the US Department of Labour[1], women earn less than men in almost every occupation. This is no different in the space of healthcare, indeed, the pay gap is marked. In this setting however, it is exacerbating an already significant and growing staffing shortage, which, combined with already high levels of turnover (approximately 33% per annum)[2] risks impinging upon the ability to deliver quality healthcare. If hospitals are not able to recruit enough staff (or are excessively reliant on temporary staff) they may be forced to turn away patients, or operate with inadequate staffing levels, resulting in poorer quality of care, and further driving up turnover among existing staff.

In the United States, like most developed nations, there is an aging population which is putting strain on the healthcare system. This is coupled with a structural shortage of nurses and doctors.

- Nearly half of Registered Nurses (RNs) are aged over 50 (the average age of a nurse is 47.9 years old)[3] and are typically beginning to retire from patient-facing roles in their early 50s. Over the past decade, data from the US Bureau of Labour Statistics (BLS) and Census Bureau, illustrates that the growth rate of registered nurses has been outstripped by the growth of the senior citizen population. This mismatch is set to grow wider in the coming decade[4].
- A report released by the Association of American Medical Colleges in June 2021 projected a shortage of up to 124,000 physicians by 2034[5].

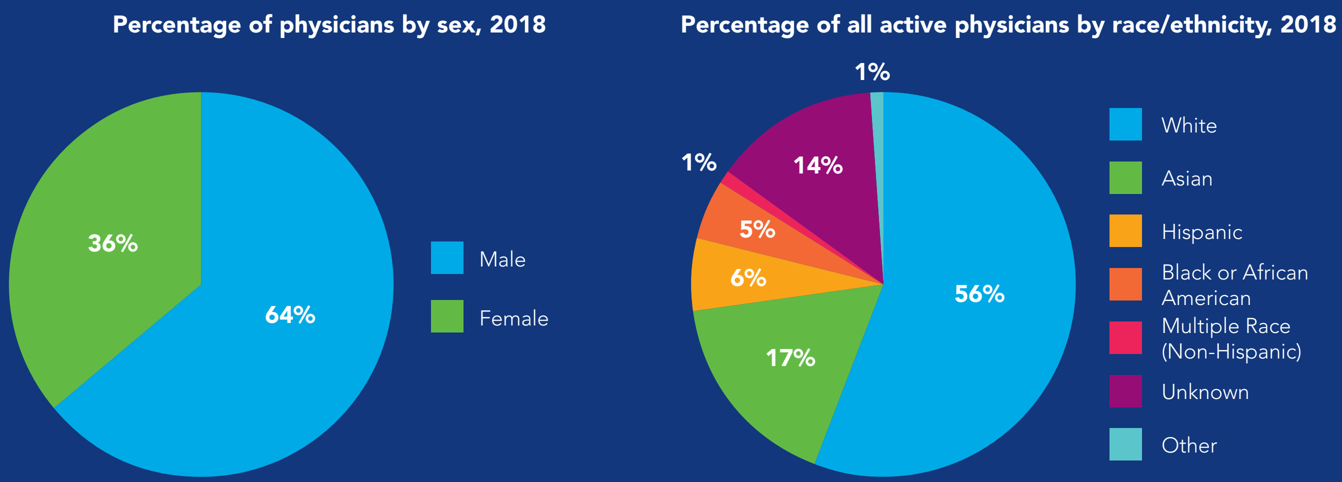
[1] 5 Facts About the State of the Gender Pay Gap | U.S. Department of Labor Blog (dol.gov)
[2] AMN Investor Presentation, January 2021
[3] Nurses by the Numbers – 2020NurseandMidwife
[4] William Blair, The Nursing Shortage Issue A Deep Dive Into Our Long-Term Proprietary Model of Nurse Availability in the U.S. 2022
[5] The Complexities of Physician Supply and Demand: Projections From 2019 to 2034 | AAMC

This staffing shortage is exacerbated by three phenomena.

1. A lack of diversity:

Low levels of diversity. Within physician ranks just 11% are Black, Hispanic, and Native American. The gender mix has improved, but the proportion of active female physicians stands at just 36%.

Figure 1: The healthcare profession is held back by a limited diversity



Source: Association of American Medical Colleges

Similarly, nurses from underrepresented minority (URM) backgrounds represent less than 20% of the registered RN workforce. Men account for a little over 9%.

Worryingly, the 2019 AMN Healthcare Leadership Diversity survey noted only 43% of organisations making diversity a primary recruiting focus. The concern is that an organisation's lack of diversity is often tied to inadequate recruitment rather than an empty pipeline.

2. Pay inequity

There is substantial evidence of a significant gender pay differential across the healthcare professions in the US.

In the case of nurses, the 2020 Nurse Salary Research Report[6] found female RNs make 90 cents for every dollar earned by men in the same roles.

With respect to physicians, in 2018, Merritt Hawkins, an AMN Healthcare subsidiary, completed a survey that revealed male physicians are paid approximately 50% more than their female counterparts in the State of Maryland. Even when corrected for hours worked, this gap remained at close to 40%. A further study in 2022 found that this gap continues to persist[7].

Worryingly, the 2019 AMN Healthcare Leadership Diversity survey noted only

43% of organisations making diversity a primary recruiting focus.

In other research[8] Merritt Hawkins found that approximately three-quarters of female physicians cite discrimination as being detrimental to their morale and career satisfaction and 32% of those are considering early retirement – further impacting the already sizable staffing shortfall.

Given a growing shortage of physicians, patients can ill afford the early retirement of female doctors. While unjustifiable in of itself, when gender discrimination is diminishing the overall supply of physicians, it is also a serious matter for the maintenance of the public health system.

The 2020 Nurse Salary Research Report found female registered nurses make

90 cents for every dollar earned by men in the same roles.

[6] https://wp.nurse.com/wp-content/uploads/2020/11/Salary_Survey-2020_v13_B2C.pdf
[7] Merritt Hawkins, 2022 survey of Maryland physician compensation
[8] Merritt Hawkins' 2019 Survey of Women in Medicine

3. Covid-induced burnout

In pre-pandemic 2019, the rate of physician burnout was already hitting new highs – with 77.8% reporting some level of professional burnout – a rate nearly twice as high as those experienced by workers in other fields[9].

AMN's 2021 survey of registered nurses[10] had some sobering insights. Based on the responses of 6,562 registered nurses, it found:

- As a result of the pandemic, 63% of nurses felt emotionally drained, and 56% felt burnt out most days.
- Nearly one-quarter of nurses – 23% – said it was somewhat likely or extremely likely they would leave the field of nursing because of Covid-19, reflecting the high level of frustration and distress among many nurses practicing during the pandemic.

This growing staffing shortfall puts increasing pressure on hospital budgets. Nurse spend is approximately 25% of a typical hospital budget and labour more broadly is approximately 50%[11]. The cost of turnover can have a profound impact on the already diminishing hospital margin and needs to be managed.

- The average cost of replacing a nurse is $38-50k[12].
- The average cost of replacing a physician staff member who leaves their facility is between 1.5-5x average salary ($300k and $1m)[13].

As a result of the pandemic,
63% of nurses felt emotionally drained, and
56% felt burnt out most days.

Role for AMN

As the largest healthcare staffing company in North America AMN is well situated to impact upon each of the three issues identified above. The unjustifiable pay disparity that exists between male and female physicians and male and female nurses and the significant under supply of physicians and nurses, including from non-white populations, are structural and cannot be resolved by AMN alone. That said, the company can certainly take a leadership position. It can catalyse action. It can accelerate change. And it can inspire, cajole and influence action elsewhere.

Nurse spend is approximately
25% of a typical hospital budget and labour more broadly is approximately
50%

Practice of change

Over the period of our investment we have met extensively with management and board members to discuss issues of interest and have been encouraged at the progress made.

- Approximately 20 interactions since the beginning of 2018 – spanning meetings with the chair and CEO through to other members of management.

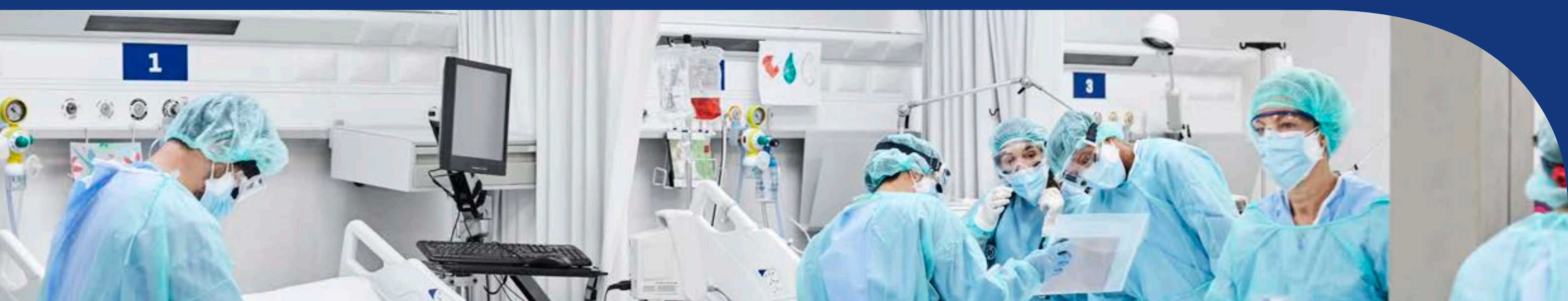
We have consistently found the company to be receptive to shareholder engagement. On governance matters, the company has typically responded to any suggestions on improvements to practices and policies in quick order.

- We suggested improvements to proxy access, the company in turn made such changes.
- We suggested a need to focus on board refreshment and diversity – the board subsequently appointed four new independent directors in three years (three of whom were female and/or people of colour) and female representation is now over 50%.
- We more recently raised the matter of incorporation of sustainability metrics within executive compensation and diversity goals are now to be factored into the executive directors' cash incentive plan.

We have been especially pleased by the recognition that management and the board have given to their ability to take a leadership role in the industry to redress the problems discussed.

The Merritt Hawkins' surveys in 2018 and 2022 (see box) have been important in shining a spotlight on the problem. That the implication of this pay disparity was reinforced in other surveys means we have continued to keep a focus on this topic. We would like to see AMN maintain this focus and, to the extent that it is practicable, work with its client base to further highlight the pervasive nature of pay inequity and its implications for staffing levels and motivation.

[9] www.merritthawkins.com/uploadedFiles/MerrittHawkins/Content/News_and_Insights/Articles/AMN-Headspace-White-Paper-2021%20Final.pdf
[10] AMN, Nursing and the Nation: Extreme Challenges, Extraordinary Impact, 2021
[11] American Hospital Association, Cost of Caring report, 2022
[12] The High Cost of Nurse Turnover – University of New Mexico (unm.edu)
[13] How much physician burnout is costing your organization | American Medical Association (ama-assn.org) and Meritt Hawkins, 2021 Review of Physician and Advanced Practitioner Recruiting Incentives



We continue to believe there is a significant role for AMN to play, working with its clients, and the wider industry, to promote equitable recruitment practices. While on the supply side it is also well positioned to provide coaching, mentoring and support to female physicians at earlier stages of their career, recognising that the pay disparities start early and grow wider.

With respect to diversity, there is a need to both redress biases among recruiting parties (e.g. hospitals) and to expand the diversity of those entering the profession. With respect to the latter, AMN has donated more than $700,000 to Nursing Organisations over the past year to support initiatives directed towards this goal. This is welcome and we encourage further programmatic partnerships to build on this financial support.

While we continue to engage with AMN around its role in highlighting and redressing problems in the wider industry, it is pleasing to note that the company is walking the talk at home. This is important if AMN is to retain credibility to advocate for wider change. As of January 2022, 67% of its workforce is female, 60% of team leaders are female, 36% of the workforce is comprised of people of colour as are 25% of people in leadership roles.

AMN has donated more than

$700,000

to Nursing Organisations over the past year to support initiatives directed towards this goal.

Next steps

We will continue to engage with AMN around the topics set out in this note. While we have been heartened by an evident commitment to playing a leadership role in redressing the problems identified, there is no doubt that the causes are deep rooted. An ongoing and concerted effort is therefore needed and wider recognition of those problems will be key going forward.

AMN's long-serving CEO Susan Salka is to retire during 2022. The outgoing CEO has steered the company successfully for many years, taking the business from $700m of revenue to more than $4bn today. She has been regularly recognised as one of the most influential individuals in the healthcare industry and therefore leaves big shoes to fill, however, we are confident and hopeful that there is substantial bench-strength within the firm and the commitment towards wider societal goals is firmly embedded within the corporate culture. In that context, we look forward to engaging with Susan's successor to ensure that momentum around this agenda is retained and built upon in the period to come.

[14] Holistic: the view that the parts of something are intimately interconnected and explicable only by reference to the whole.

AMN addresses United Nations (UN) Sustainable Development Goals

In 2018, Merritt Hawkins, an AMN company, released research that demonstrated the scale of pay inequality among physicians in the state of Maryland. The report found that, even when controlled for hours worked, female physicians earned 37% less than their male counterparts. Unfortunately, these findings are not confined to physicians, as female nurses make 10% less than their male counterparts, according to data from the Bureau of Labour Statistics. The pay discrepancy in nursing exists even though women outnumber men ten to one in the profession.

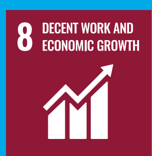
Recognising our unique ability to lead the healthcare industry on this issue, AMN is working to not only highlight the scale of the pay discrepancy problem, but also to take action to address it.

Encouraged by an investment community that values holistic[14] financial returns, such as Federated Hermes, AMN is seeking ways to generate positive changes for three UN Sustainable Development Goals.

The UN Sustainable Development Goals are 17 calls to action that seek to promote global prosperity while addressing a range of social and environmental needs such as education, health, and climate change.

SDG Goal 3 – Good Health and Well-Being, which seeks to substantially increase the recruitment, development, training and retention of the healthcare workforce in lesser developed countries.

SDG Goal 5 – Gender Equality, which seeks to ensure women's full and effective participation and equal opportunities at all levels of decision-making in political, economic, and public life.



SDG Goal 8 – Decent Work and Economic Growth, which seeks to achieve full and productive employment for everyone and equal pay for work of equal value by 2030.

SECTION 10
Transformation chain

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-22 (or since inception if subsequent to 2018)	Three pillars of SDG-aligned engagement: Supply chain focus	Direct operations focus	Products and services focus	Headline progress	Long-term impact Long-term corporate outputs that are aligned with delivery of the SDGs
AALBERTS NV	Dutch supplier of piping, valves, fitting and other hydronic flow control equipment for the building technology end-markets, as well as surface coating, specialised heat treatment services and advanced mechatronics for niche industrial end-markets. **Employees:** 14,402 **Sales (US$m):** 3,524	Products are on the whole closely tied to supporting 'green' buildings (buildings c.40% of energy consumption) and cleaner transportation, if combined with carbon neutral production then could contend to be carbon positive. In addition, as a global business, generate a greater social impact through employment practices.	23	✓	✓	✓	• The company is targeting 70% of positively SDG contributing revenues by 2026. • 23% reduction in emissions intensity during period 2018-21. Targetting a 30% reduction in GHGe by 2026 (vs. 2018) – equates to a c.43% intensity reduction. Also committed to net zero before 2050. • 25% improvement in accident rates during the perid FY18-21. Living wage assessment undertaken and partnerships establised with Dutch employee insurance agency and others to provide employment opportunities to disadvantaged.	1 No poverty; 5 Gender equality; 7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 13 Climate action
ALLIANT ENERGY	An integrated utility company supplying electricity and natural gas to retail (residential, commercial and industrial) and wholesale customers in the US. Serves customers in the States of Illinois, Iowa, Minnesota, and Wisconsin. **Employees:** 3,313 **Sales (US$m):** 3,669	Investment in renewables generating capacity should result in reduced carbon and particulates emissions (and sig. reduced operating expenses), a greener economy in Wisconsin and Iowa and in time more affordable energy for local residents too.	15		✓	✓	• Published first energy transition targets in 2018. Subsequently announced the building of 1GW of solar capacity in Wisconsin and 400MW of solar in Iowa. Updated transition targets in 2020. Now aiming to be ex-coal by 2040 and have carbon neutral generation by 2050. • More than 5-fold increase in installed renewable generation during period 2017-24. Now the 3rd largest regulated owner of wind power in US. • Arrears management initaitive to support customers in arrears. Over 10k customers enrolled on programme and as of Oct '22, $4.6m written off.	1 No poverty; 7 Affordable and clean energy; 10 Reduced inequalities
AMN HEALTHCARE	Leading US healthcare staffing company. Places nurses and allied health professionals on temporary assignments at hospitals and healthcare facilities throughout the US. **Employees:** 3,800 **Sales (US$m):** 3,984	Occupying healthcare's frontline, physicians and nurses play a pivotal role in delivering culturally competent care. However, of active physicians, just 11% are Black, Hispanic, and Native American. Furthermore, there exists a c.40% gender pay gap among physicians in US healthcare which is simply unjust and contributes to the understandable feeling of discrimination and resultant high turnover of female physicians which in turn exacerbates growing physician shortfall. AMN is well positioned to help redress and in so doing improve equality and US healthcare outcomes.	21			✓	• Cited in 2019 sustainability report as the catalyst for AMN committing to take an industry leadership role regarding diversity and the gender pay gap. • Merritt Hawkins continues to shine a spotlight on the scale of the problem with latest research in Q1 2022 demonstrating little to no industry progress made. • Committed to setting SBTs by 2024 and operational neutrality by same date.	3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 17 Partnerships for the goals
ANSELL LTD	Leading global provider of personal protective equipment, in particular rubber gloves. 90% of manufacturing footprint is in APAC and within the region the majority of manufacturing, direct and sourced is within Malaysia and Sri Lanka **Employees:** 14,158 **Sales:** 1,952	With c.90% of their manufacturing footprint in APAC and the majority of manufacturing of which (and related sourcing) within Malaysia and Sri Lanka the company well placed to ensure that employees – both direct and indirect – are provided safe working conditions, free from abuse and afforded a decent income.	14	✓	✓	✓	• Developed a new Supplier Management Framework (Framework) in FY21, expanded further with commitments in '22 to adopt unannounced audits and Forced Labor audits • In '21 committed to no recruitment fees. As of November 2022 $30m of recruitment fees have been compensated to migrant workers across 98% of their Malaysian suppliers. • Adopting a more proactive approach to suppliers, shifting to more strategic relationships and moving from 80% outsourced to c. 50% outsourced • Undertook Living Wage gap analysis in 2021. Identified small gaps which will be resolved during FY23 • Became a founding member of the newly formed Responsible Glove Alliance in Q1 2022 • Committed in July '22 to being net zero by 2040 with an interim target of a 42% reduction in Scopes 1 and 2 GHGe by 2030 (vs. 2020) with Scope 3 targets to come	1 No poverty; 8 Decent work and economic growth; 10 Reduced inequalities; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 15 Life on land

				Three pillars of SDG-aligned engagement:				
Name	**Who**	**Why – primary engagement thesis**	**What – number of engagement interactions 2018-22 (or since inception if subsequent to 2018)**	**Supply chain focus**	**Direct operations focus**	**Products and services focus**	**Headline progress**	**Long-term impact** Long-term corporate outputs that are aligned with delivery of the SDGs
APTARGROUP INC	Global manufacturer of pumps, dispensing closures and aerosol valves serving consumer goods and pharmaceutical end markets. **Employees:** 13,000 **Sales:** 3,227	While food and beverage is a small proportion of the business, bottle caps are among the top five most littered items on beaches. For both F&B and its large beauty business, Aptar is well positioned to develop more recyclable solutions while at the same time make greater usage of recycled content to improve the environmental performance of packaging.	20	✓	✓	✓	• In 2020 committed to Science Based Tagets for emissions reductions: targeting by 2030 a 28% reduction in Scopes 1 and 2 GHGe by 2030 (vs. 2019) and Scope 3 by 14%. These targets were exceeded in FY21 and are being recalibrated. • Had targeted 75% of sites to be run on renewables by 2023 – surpassed this in '20 with 85% and at 96% renewable elec by end of '21. • Company committed to 100% recyclable, reusable or compostable products in their non-pharma business by 2025. Moved from 35% in '19 to 65% in '20, but dropped to 56% in '21 due to product mix shift. • Targeting incorporation of 10% post-consumer resin (PCR) content within its beauty and home and food and beverage segments by 2025 – scaling beyond largely dependent on Pure Cycle • Accident rates have seen marked fall in period 18-21: 55% in TRIR and 58% in LTIFR • Living wage assessment undertaken in '22 with Fair Wage Network (whom we'd signposted) – identified gaps in three markets (US, Mexico and Brazil).	1 No Poverty; 5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 12 Responsible Consumption and Production; 14 Life Below Water; 17 Partnerships for the Goals
ASSURANT INC	Serving customers worldwide offering mobile device solutions, extended service contracts and vehicle protection, as well as lender-placed homeowners insurance. **Employees:** 14,100 **Sales (US$m):** 10,188	A relatively large employer of hourly workers in North America with base salaries at or below a Living Wage – opportunity therefore to improve the livelihoods of through a commitment to living wages, in so doing realising an improvement in economic and mental wellbeing of workforce. In addition have refurbished over 100m mobile phones and have an opportunity to expand this e-waste avoidance impact still further.	2		✓		• Initial conversation in Q4 '22 – focused on pay and benefits of hourly workers (company moved to $15 floor in '21).	1 No Poverty; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities
BREEDON GROUP PL	UK & Ireland manufacturer of construction materials. Offers asphalt, ready-mixed concrete, surfacing and contracting, cement, and concrete products. **Employees:** 3,457 **Sales (US$m):** 1,696	Cement manufacturing is inherently carbon intensive, however, there are opportunities to improve the environmental efficiency of production including through usage of alternative fuels, reducing clinker content and collaboration around carbon capture and storage development and in so doing reduce aggregate emissions.	5		✓	✓	• Breedon made a commitment to 2050 carbon neutrality • As of Nov' '21 are targeting a 30% reduction in gross carbon intensity per tonne of cement by 2030 vs. 2015 (takes them from 0.7 to c.0.6 t/t • Targeting 50% of concrete and asphalt sales from products with enhanced sustainability attributes by 2030 • 6% reduction in group carbon intensity '21 vs. '20 • 9% reduction in accident rates '19-'21	7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 12 Responsible Consumption and Production; 13 Climate Action; 15 Life on Land
BRUNSWICK CORP	Leading manufacturer of marine engines, boats and parts and accessories. Principal operations are in the US. **Employees:** 18,582 **Sales (US$m):** 5,846	As the undisputed global leader have the opportunity to continue to raise standards across the industry. In particular, given end-of-life challenges with fiberglass vessels there is the opportunity to take a leadership role in identifying viable and scalable solution and in so doing reduce instances of discarded vessels and improve material resource efficiency.	21	✓	✓	✓	• 22% improvement in carbon int FY18-21 • 2021 committed to launching 5 electric engines across 4 boat segments across 2022/23 – Avator electric engine concept launched in Feb '22 • In '20 committed to 50% renewable electricty usage by 2030 and advanced on this in '21 to commit to Scope 2 net zero by 2035 • 15k diesel generators to be installed across established base by 2024, saving 12m tonnes of co_2e p.a. • Prototype of fully recyclable fiberglass vessel launched in '22 via collaboration with Arkema • 38% reduction in accident rates 18-21	5 Gender Equality; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 17 Partnerships for the Goals

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-22 (or since inception if subsequent to 2018)	Three pillars of SDG-aligned engagement: Supply chain focus	Direct operations focus	Products and services focus	Headline progress	Long-term impact Long-term corporate outputs that are aligned with delivery of the SDGs
BURCKHARDT COMPRESSION	Manufacturer of reciprocating processors for chemical, industries and transportation markets. **Employees:** 2,732 **Sales (US$m):** 708	As a compressor manufacturer can support and enable an acceleration of cleaner energy, including hydrogen capability. In addition, through their servicing capability have the ability to repurpose, repair and optimise existing assets, improve energy efficiency and improving lifetime emissions impact of compresor systems.	10		✓	✓	• In '21, ~9% of total order intake of their systems division was for new energy applications (e.g. green H2 projects) and 10% for transitional fuels (e.g. dual fuel LNG and grey H2). Are targeting 40% energy transition supportive projects by 2027 • Targeting a 50% reduction in GHG intensity by 2027 vs. '22 which corresponds to a 22% absolute emissions reduction	3 Good health and well-being; 7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 12 Responsible consumption and production; 13 Climate action
CLEAN HARBORS	Provides a variety of environmental remediation and industrial waste management services. Services include treatment and disposal of hazardous and non-hazardous solid and liquid waste, surface remediation, groundwater restoration, and waste packaging, as well as analytical testing and consulting. Serves customers in the US. **Employees:** 20,000 **Sales (US$m):** 3,806	Investment in pay, benefits and training of trucking employee base has potential to improve their physical, economic and mental wellbeing while reducing unncessary and costly turnover. Additionally, as the 24th largest fleet operator in North America, opportunity and need to upgrade vehicles to reduce direct emissions.	16		✓	✓	• Increased investment into pay and benefits of their workforce during perod '18-20 of $75m resulted in significant reduction in turnover reduction • Accident rate on course to be down 45% 2018-22 • Targeting 10% alt. fuels in fleet by 2030 • Third-party study confirmed in Q4 2022 that their incinerators are 99.999% effective at destroying PFAS chemicals	1 No poverty; 5 Gender equality; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 13 Climate action
COOPER COS INC	Leader provider of speciality healthcare products including contact lenses for the vision market and diagnostic products, surgical instruments and accessories for gynecologists and obstreticians. **Employees:** 14,000 **Sales (US$m):** 3,308	While long-acting reversible contraceptive usage in North America has been steadily growing there remains clear potential to expand awareness and utilisation, in so doing reducing rates of unplanned pregnancies and supporting gender equality. Seperately, as a global contact lens producer, there is a need and opportunity to develop alternative packaging solutions to reduce waste generation impact.	23		✓	✓	• Cooper invested an extra $5m in sales and marketing for ParaGard in 2020. • Partnered with Plastic Bank to launch first net plastic neutral contact lens (with Clariti 1 day) in 2021. Initiative expanded to 27 countries in '22. In '23 expanding initative to cover Biofinity familty of products and MiSight 1 days – has prevented more than 100m plastic bottles entering oceans. • GHG intensity up 26% during '19-'21.	3 Good health and well-being; 5 Gender equality; 10 Reduced inequalities; 12 Responsible consumption and production; 14 Life below water
CREDICORP LTD	Largest bank in Peru, also operates in nearby countries such as Colombia and Ecuador. Provides a full range of financial services including commercial banking, corporate finance, brokerage services, asset management, trust and insurance. **Employees:** 36,358 **Sales (US$m):** 5,019	Given disproportionately high rates of unbanked within Peru (12.7 million unbanked people in Peru) – the rates are higher in rural areas and among the female population – Credicorp as the largest bank in the country and operator of the largest microfinance business in the region is well placed to increase access to finance and financial inclusion, in turn supporting economic development and reducing inequalities.	27			✓	• Adopted GRI/SASB reporting in 2021 and joined UNGC in 2022. Impact measurement methodology being deployed in 2023 • As a result of their digital platform, Yape, >2.2m people have been included in the financial system during the period May 2020-Q3 2022. • 22k women accessed a loan through Credio Mujer in the period Jan-Sep '22 • During '22 (Jan-Sep) 22k women accessed a loan through Credito Mujer	1 No poverty; 3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 13 Climate action; 16 Peace, justice and strong institutions
DCC PLC	International sales, marketing and support services group operating across three divisions: energy, healthcare and technology – the former comprises 69% of profit as of FY22. **Employees:** 14,506 **Sales (US$m):** 24,229	As a large distributor of fuel the group is well positioned to support industry and fleet operators to switch towards cleaner fuels and in time to clean fuels, thereby reducing aggregate carbon and particulate emissions.	10	✓	✓	✓	• New energy transition strategy outlined in May '22. Implication being a modest shift in fuel mix to 2030 with fuel-related profit declining substantially as a % of total group (c.>55% to c. 30%). Related Scope 3 emissions to decline 15%. • Targetting a 20% reduction in Scopes 1 & 2 GHG emissions by 2025 and 50% by 2030 (vs. 2019) and net zero by 2050 – extended to include Scope 3 emissions in May '22 • 13% reduction in emissions intensity during period '18-'21 • 13% reduction in accident rates during period '18-'21	1 No poverty; 3 Good health and well-being; 7 Affordable and clean energy; 8 Decent work and economic growth; 13 Climate action

Three pillars of SDG-aligned engagement:

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-22 (or since inception if subsequent to 2018)	Supply chain focus	Direct operations focus	Products and services focus	Headline progress	Long-term impact Long-term corporate outputs that are aligned with delivery of the SDGs
EAGLE MATERIALS	Domestic US producer of cement, gypsum wallboard and recycled paperboard. Products are used in the construction of homes, commercial and industrial buildings, and governmental buildings across the US. **Employees:** 2,000 **Sales (US$m):** 1,862	Cement manufacturing is inherently carbon intensive, however, there are opportunities to improve the environmental efficiency of production including through usage of alternative fuels, reducing clinker content and collaboration around carbon capture and storage development and in so doing reduce aggregate emissions.	16		✓	✓	• ESG disclosures provided in May 2021 (first such disclosures in a decade) – covers high-level strategy to achieve net zero by 2050 as well as evidencing improving environmental and social performance over past decade • Confirmed partnership with Chart Industries in Oct '21 to test their Carbon Capture technology. • New lower clinker content cement launched in 2020 – will be 100% of production by '25 • 0.73 co$_2$e/ton cement in 2021 represents 12% intensity reduction vs. FY18	7 Affordable and clean energy; 8 Decent work and economic growth; 12 Responsible consumption and production; 13 Climate action
EQUIFAX INC	One of the big 3 consumer credit reporting agencies. **Employees:** 13,000 **Sales (US$m):** 4,924	With >60m US consumers un- or underbanked and c50m 'invisible' or 'unscorable' to credit raters there is a real need for credit ratings firms to develop and deploy solutions, making use of alternative data, to facilitate access to credit for populations and in so doing reducing inequalities.	2			✓	• Engagement initiated in Q4 '22 with more in-depth dialogue scheduled for Q1 '23.	8 Decent work and economic growth; 10 Reduced inequalities
FORTUNE BRANDS INNOVATION	Company most well known for its home plumbing products but offering extends to composite decking, doors and security devices. **Employees:** 12,000 **Sales (US$m):** 7,656	As a leading manufacturer of home plumbling offerings, the company is well placed to support the realisation of necessary signficant residential water savings via more water-efficient product and leaks detection devices.	19		✓	✓	• Plubling brand Moen's 2020's stated mission incuded commitment to preserving 1tr gallons of water over the decade 2020-30 – annual water savings up c. 25% vs. 2018 • From 2021, all their kitchen fauctets have moved to a lower water-flow rate (1.5 g/pm) – beyond regulatory requirement. • From 2021 near 100% of all Moen and House of Rohl lavatory faucets are WaterSense labelled and c.80% of Moen and 100% of HoR showers are similarly • Climate strategy developed in 2021. Targetting a 30% absolute reduction in Scopes 1 and 2 GHG emissions by 2030 (vs. 2020). Achieved a 35% reduction in carbon intensity FY20-21	6 Clean water and sanitation; 7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 10 Reduced inequalities
GLANBIA PLC	An international dairy, consumer foods, and nutritional products company. Conducts operations primarily in Ireland, the UK and US. **Employees:** 8,075 **Sales (US$m):** 4,693	With the vast majority (c.90%) of the group's total emissions footprint associated with those arising at its dairy farm suppliers, the company is well placed to work collaboratively with the US dairy industry and suppliers to bring about lower emissions and more environmentally resilient farming practices and in so doing reducing aggregate GHG emissions.	39	✓	✓	✓	• Committed to SBTs (& net zero by 2050). Moved their targeted absolute reduction in Scopes 1 & 2 GHGe from 30% to 50% by 2030 (vs. 2018) and 100% renewables by 2028. This combines with a 25% GHG intensity reduction in their dairy supply chain. On this latter aspect they have now mapped 100% of their supplier farms and are developing a detailed roadmap. • Committed to all consumer packaging materials being 100% recyclable, reusable, or compostable by 2030 with their famous ON black tub becoming 100% recyclable in Nov '22. • Undertook living wage analysis for US hourly production staff in October '22 – overall 87% of hourly employees paid above a living wage.	1 No poverty; 2 Zero hunger; 3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 12 Responsible consumption and production; 13 Climate action; 15 Life on land
HARWORTH GROUP	Engaged in brownfield land regeneration and subsequent development of employment and residential areas. **Employees:** 80 **Sales (US$m):** 151	As a dedicated brown-field large scale redeveloper the company has the capability to dramatically improve economic growth in more relatively deprived regions, creating jobs and providing affordable housing and sustainable communities.	16			✓	• The bottom 20% of most deprived areas comprise 20% of HWG's commercial floor space, 20% of jobs they've created, and 22% of new homes built. • Some of their most developed sites have seen the deprivation ranking of their local area improve greatly over the last few years.	1 No poverty; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 11 Sustainable cities and communities; 12 Responsible consumption and production; 15 Life on land
HORIBA LTD	Manufacturer of measuring instruments and analysers for scientific, medical, environmental and auto engine analysis. **Employees:** 8,205 **Sales (US$m):** 2,044	Market leader in auto emissions testing provides ability to keep raising cross-industry performance. Has the potential to foster greater gender diversity within talent pipeline and enhance its own reputation in the process.	14		✓		• Established a gender diversity target year for 20% female decision makers by 2021 – has since been extended to 2023 due to slow progress (currently 11.4%; it was 7.5% when the target was set).	3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 12 Responsible consumption and production; 17 Partnerships for the goals

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-22 (or since inception if subsequent to 2018)	Three pillars of SDG-aligned engagement: Supply chain focus	Direct operations focus	Products and services focus	Headline progress	Long-term impact Long-term corporate outputs that are aligned with delivery of the SDGs
HUHTAMAKI OYJ	Manufactures consumer packaging products. Produces disposable food service and tableware products as well as containers for fresh meats, fruits, among others; and makes the containers of paper, molded fibers, and plastics. Manufactures in many countries and sells worldwide. **Employees:** 19,564 **Sales (US$m):** 4,228	As a manufacturer of flexible and fiber packaging for food & beverage items the company is well positioned to develop solutions which are more recyclable, have a reduced material intensity (i.e. greater usage of recycled, renewable and sustainable content) and in so doing reducing the environmental impact of single-use plastics.	26	✓	✓	✓	• Carbon neutral production and 100% renewable electricity usage among 2030 targets • Science Based Targets include absolute Scopes 1 & 2 GHGe reduction targets by 27.5% vs. 2030 and to reduce their absolute Scope 3 GHG emissions from end-of-life treatment of sold products by 13.5% • Committed to designing all products to be recyclable, compostable or reusable by 2030 – 71% of products recyclable, compostable or reusable as of end of '21 (73% of rev) • 35% reduction in accident rates '20-21 • Collaborating with Stora Enso and others on a paper cup recycling initiative – the Cup Collective – which aims to recycle and capture the value of used paper cups on an industrial scale. The Cup Collective aims to recycle half a billion paper cups in the first two years.	1 No poverty; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 12 Responsible consumption and production; 13 Climate action; 14 Life below water; 15 Life on land
IMCD NV	Distributor and supplier of speciality chemicals and food ingredients. **Employees:** 3,489 **Sales (US$m):** 4,063	As a large scale chemicals distributor the company is well positioned to interface with both customers and suppliers and accelerate the transition towards 'green' chemicals thereby reducing environmental impacts.	11			✓	• In first sustainability report, published Sep '19, confirmed creation of "Sustainable Solutions" product category (as we had requested). At end of FY19 committed to establishing revenue metric • Operationally have goal to deliver 15% reduction in GHGe per operating EBITDA by 2024 vs. 2019: halved FY19-21. Have reduced GHG intensity per sales 54% FY17-21	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production
LKQ CORP	Provider of alternative collision replacement parts, recycled engines, components and parts for the repair of automobiles. **Employees:** 46,000 **Sales (US$m):** 13,089	A large global business with a large, relatively modestly paid workforce. Opportunity to enhance their employee proposition, upgrade their fleet while scaling material recycling efforts.	12		✓		• Committed in June 2022 to a 30% emissions intensity reduction by 2030 vs. 2021 and net zero by 2050 • In 2021, acquired Green Bean Battery, a hybrid battery reconditioner and installer. • Employee turnover up to 38% (in NA) in 21 and 22 but are targetting 25-30% and have several initiatives to drive higher engagement and retention. • Partnering in 2022 with PNC to roll out their PNC Earned-It income advance benefit to their hourly worker population	1 No poverty; 3 Good health and well-being; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 12 Responsible consumption and production
MAPLETREE INDUST	Singapore-focused real-estate investment rust with a large and diversified portfolio of industrial properties and more recently US data centers. **Employees:** 192 **Sales (US$m):** 452	Potential via refurbishment requirements and tenant contracts to drive improved env. performance of commercial properties and US data centers (data centers to comprise two-thirds of assets by 2025). Data centers uses an >200 TWh of energy p.a. >1% of gl elec demand and while becoming more energy eff each year, the efficiency gains are not keeping pace with aggregate demand.	19			✓	• Energy and water reduction metrics are included within management incentive plans and the company has set 2030 targets for building electricity and emissions intensity reductions vs. 2020 (15% and 17% respectively). • 42% reduction in emissions intensity during period '20-'22 and 45% reduction in water intensity • Green clauses are from 2023 being introduced into high-tech and business park leases and the company is accelerating its build out of solar panels on its flatted factor roofs so improvements should be seen in coming years.	5 Gender equality; 7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 13 Climate action
MASTERBRAND	Wood kitchen cabinets manufacturer serving customers in North America. **Employees:** 14,000 **Sales (US$m):** 3,300	As a large purchaser of timber for manufacturing of cabinets, have the opportunity to raise proportion of certified timber sourced, enhance tracability, reducing deforestation risk and ultimately aiming for forest positive impact.	0 (company only formed in December '22 – spun out of Fortune Brands)	✓	✓		• Engagement to commence in 2023	1 No poverty; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 15 Life on land

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MARR SPA	Italian food distributor supplying hotels, restaurants and canteens. **Employees:** 917 **Sales (US$m):** 1,680	Opportunities for reducing Scope 3 green house gas emissions through an enhanced focus on local producers and collaborating with outsourced distribution partners to upgrade fleet.	7	✓	✓		• In 2020 embarked on a process of strengthening its approach to sustainability. Inaugural sustainability report published in Q4 2021 • Committed in Q4 2021 to 100% renewables usage by 2025 • Committed to no palm oil in own brand products and cocoa and coffee with Rainforest Alliance or Fairtrade certificates or equivalent certification by the end of 2025	2 Zero hunger; 7 Affordable and clean energy; 12 Responsible consumption and production; 13 Climate action; 14 Life below water
MERLIN PROPERTIE	Spanish real estate trust managing office, logistics, retail assets. **Employees:** 239 **Sales (US$m):** 768	Given scope of their assets they have a significant opportunity to improve the resource and energy efficiency of properties while expanding their own-generation of clean energy.	6			✓	• 91% of their Gross Leasable Area (GLA) now sustainability certified in FY21 (vs. 61% in 2018) – goal is 96% of the portfolio certified • Pathway to net zero established in April '22: comprises 85% reduction in Scopes 1 & 2 GHG emissions by 2028 (vs. '18) and carbon neutral using offsets from '22. • Targeting 100% renewables, including onsite generation at 100% of operating assets by 2030 (vs. 0% in 2018). • Embodied carbon being assessed in all new developments. Merlin will be first real-estate company to reduce lease price (50bps) if net zero operations are duly credited and certified by tenants. • Partnering with Edged Energy to build 4 ultra-efficient (triple net-zero) data centres	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
MOLTEN VENTURES	UK listed venture capital firm investing in high-growth technology companies. **Employees:** 46 **Sales (US$m):** 480	An indirect opportunity to engage with multiple early-stage technology companies to press for operational excellence while also supporting provision of capital towards impactful and disruptive companies.	4		✓	✓	• In Sep 21 moved from AIM to the main UK market • Committed to 10-15 investee company ESG engagements in FY22 – ultimately they engaged 27 holdings • For FY23 targeting engagement with 50% of primary investments to establish GHG Scopes 1 and 2 baseline and assist with reduction plans. • For FY23 targeting implementation by 80-100% of directly held companies of i) parental policy, ii) health and well-being policy	5 Gender equality; 12 Responsible consumption and production
NIFCO INC	Japanese manufacturer of plastic components for autombiles, serving OEMs globally. **Employees:** 10,193 **Sales (US$m):** 2,527	As a large manufacturer has the capability to invest in its workforce to provide decent work and in so doing improve the wellbeing of its global employees.	16	✓	✓		• Have appointed an outside female director • Established paid leave target of 80% – at 76.8% in FY19 vs. 70% in FY17 • Established female manager ratio target of 8% – as of 2021 at 5%	5 Gender equality; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 13 Climate action
NISSAN CHEMICAL	Japanese manufacturer of chemical products, mainly producing and selling melamine, sulfuric acid, nitric acid and more. **Employees:** 2,737 **Sales (US$m):** 1,852	Given low levels of gender diversity the company can take a leadership role in addressing the significant gender gap through pipeline initiatives, signalling and other targeted initaitives.	13		✓		• Significant sustainability disclosure advancements in FY22 – now includes emisisons reporting across Scopes 1-3 • 5% reduction in emissions intensity 2018-21. Targeting a 30% emissions reduction by 2030 vs. 2018 – would equate to a c. 60%+ reduction in intensity. • Appointed first female director in FY21. • Targetting 13% women in 'professional' category by 2025 (vs. 10% in 2020 and 11.1% in FY21)	5 Gender equality; 7 Affordable and clean energy; 13 Climate action

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OPEN HOUSE GROUP	Japanese homebuilder. Engages in brokerage of single-family homes and land, planning and development and sales of condominiums. **Employees:** 4,493 **Sales (US$m):** 7,699	The building use phase accounts for more than 80% of a Japanese residential building's life cycle GHG emission. Opportunity to support the Japanese government's declared a target of achieving virtually zero greenhouse gas emissions by 2050, rapidly accelerating decarbonization efforts in Japan.	20	✓	✓	✓	• Two new female directors appointed in Dec 2020 • Established new target to increase female manager ratio to 10% (from 6.3% in Sep 2020) by Sep 2025 • Female workforce ratio 22% in FY20 vs. 16% in FY18 and women were 30% of new graduate hires vs. 15% in 2018 • Targeting a 46% reduction in Scopes 1 and 2 GHG emissions by 2030 vs. 2018 and net zero by 2050 • Despite targeting 50% net zero homes by 2020, as of 2021 delivery is 0% and the target shifted back to 2025	5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 13 Climate Action
PTC INC	US technology company helping industrial companies to accelerate digital transformations, establishing a digital thread that spans a product lifecycle. **Employees:** 6,503 **Sales (US$m):** 1,933	Long standing and persistent under-representation of women and ethnic minorities within the technology sector. While PTC's own representation levels are in line with industry averages we believe there is an opportunity for them to raise ambitions and invest in pipeline initaitives to raise diversity in their pipeline and ultimately within and through their organisation.	1* (initiated in Q4 2022)		✓		• Engagement to commence in 2023	5 Gender Equality; 8 Decent Work and Economic Growth
REINSURANCE GROU	US based life reinsurer serving customers globally. **Employees:** 3,500 **Sales (US$m):** 16,658	While a life reinsurer the company is a product developer in Asian markets and thus well positioned to work with partners to bring products to market which redress the savings gap in those markets and in so doing providing greater financial protection.	17			✓	• Company has been actively involved in product development conversations with primary insurers in the markets in past 24 months • ESG metrics have been integrated into compensation at all levels • The company launched its statement of business purpose – "to make financial protection accessible to all	1 No Poverty; 3 Good Health and Well-Being; 5 Gender Equality; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 12 Responsible Consumption and Production
RETAIL OPPORTUNI	US West-coast real estate investment trust managing necessity-based community and neighbourhood shopping centers. **Employees:** 68 **Sales (US$m):** 284	With c. 50% of their footprint residing in areas of extreme water-stress the company has the opportunity to invest in water-savings measures to reduce the water usage of their shopping centres. Similarly, there is signfiicant potential to drive energy improvements, reducing the absolute emissions profile of their shopping centres.	19			✓	• Inaugural sustainability policy in 2020. A more developed inaugural ESG report subsequently published in Jan '21 and KPIs published in Dec '21 – includes targets for annual energy and emissions reductions through to 2025. • ESG milestones incorporated into CEO's annual bonus scorecard from 2020 awards • Significant board refreshment during the period 2021-22 – two very long-tenured directors retired and three new, younger, female directors appointed.	6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 12 Responsible Consumption and Production; 13 Climate Action
RPM INTL INC	Manufactures, markets, and sells various specialty chemical product lines. Product lines include specialty paints, protective coatings and roofing systems, sealants and adhesives, focusing on the maintenance needs of both the industrial and consumer markets **Employees:** 16,751 **Sales (US$m):** 6,7008	Given the breadth of their product portfolio the company has the potential to allocate greater capital towards the development and promotion of more sustainable products and in so doing reducing the negative lifecycle impacts of their products while expanding the positive impacts of products associated with material lifetime extension. Elswhere, the company is well positioned to expand opportunity employment initaitives, providing decent work and reducing inequalities.	21	✓	✓	✓	• Building a Better World program established with remit across products, people and processes and includes an oversight committee formed by management. • Now targeting a 20% improvement in emissions intensity (per tonne of production) by 2025 vs. 2021. However, intimates only holding absolute emissions close to flat over the period. Scope 3 emissions gap remains. • Through subsidiary's (Tremco) program, training to targeted groups, including ex-offenders whom upon release have a guarantee employment opportuntiies within a pay range of $16-23 ph. Signalled to us desire to scale initiative further as pandemic headwind abates. • Company estimates that they achieved a 40% improvement in their emissions intensity over the period 2015-21	1 No Poverty; 4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land

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SAMSONITE INTL	Designer and manufacturer of suitcases, bags and accessories. **Employees:** 9,100 **Sales (US$m):** 2,021	With a large majority of the group's manufacturing outsourced, predominantly to China, SE Asia and India, the company has the ability to work with supply chain partners to improve the livelihoods of those producing their goods. In addition, by incorporating greater usage of recycled materials they have the potential to improve their aggregate resource efficiency.	28	✓	✓	✓	• Committed to being carbon neutral across operations by 2025. 29% improvement in emissions intensity during period FY17-21 • Committed to gender balance across senior leadership by 2025 (20% female management as of 2021) • 2x more products sold with recycled material since 2019 (62% of new US products have such attributes)	1 NO POVERTY; 5 GENDER EQUALITY; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
SILICON LABS	Designs, develops and markets mixed-signal integrated circuits, microcontrollers, wireless connectivity devices and sensor products. **Employees:** 1,667 **Sales (US$m):** 721	As a progressive technology company they have the potential to take a leadership role and collaborate with peers and partners to improve upon the persistent under-representation of women and ethnic minorities within the technology industry.	18		✓		• Included 10% weighting to diversity, equity and inclusion metrics within executive's compensation in FY22 • 22% reduction in emissions intensity during period 2018-21	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
SIMPSON MFG	Through its Simpson Strong-Tie company designs, engineers and manufactures wood-to-wood, wood-to-concrete and wood-to-masonry connectors. **Employees:** 3,971 **Sales (US$m):** 1,573	Opportunities to improve the economic, physical and mental well-being of their hourly production staff while also advocating for more resilient building standards.	18	✓	✓		• Inaugural sustainability report published in 2020 • 39% improvement in accident rates during period '18-21 • Employee turnover metrics disclosed and while spiked in FY21 (17%) remain moderate and company has publicly set a target of bringing turnover down to 12%	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
SOITEC	Manufactures microelectronic and speciality electronics used in the production of semiconductors. Its Smart Cut process modifies silicon to allow for more speed and less consumption power. **Employees:** 1,847 **Sales (US$m):** 1,003	Women are under-represented within technology sector. While the issue is salient vis a vis the manufacturing point in the value chain the company has approximately 1/3 female representation but is expanding significantly its own fabrication in both France and Singapore and thus have the opportunity to aim for 50% representation across the group. In addition, opportunities to colleaborate with value chain partners to reduce the water intensity of the manufacturing process.	8		✓		• In Jan '21 the company committed to Science Based Targets which comprise a 25% reduction in Scopes 1 and 2 GHGe by 2026 and a 35% reduction in Scope 3 emissions intensity • Targetting 40% females in workforce by 2025 (34% in FY22 and 19% in management) • Governance fallout in Jan '22 post botched communication of CEO succession. In response governence review resulted in 2 new iNEDs and committee refresh	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
SSP GROUP PLC	Global concessions caterer. Offers food, beverage and other offerings at airports and railways stations within the UK, Europe, Asia and North America. **Employees:** 29,048 **Sales (US$m):** 2,797	The group has a multitude of opportunities to create a positive impact (or avoid exacerbating negative impacts) via the provision of decent work opportunities including the paying of a living wage to individuals towards the bottom-of-the-pyramid provides the potential to improve economic and mental wellbeing of thousands.	25	✓	✓	✓	• In 2022 committed to net zero carbon emissions (across Scopes 1, 2 and 3) by 2040. Achieved a 22% reduction in emissions intensity FY17-22 • Removing all unnecessary single-use plastic packaging and moving all packaging of own-brand products to be recyclable, reusable or compostable by 2025. 80% of single-use plastic packaging eliminated by end of '22 and 85% of own brand packaging now recyclable, reusable or compostable	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 15 LIFE ON LAND

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STERIS PLC	Provider of infection – primarily sterilisers and washers – and other procedural products and services to healthcare and pharmaceutical settings. **Employees:** 16,422 **Sales (US$m):** 4,585	As a gobal leader in sterlisation there is the potential to help redress the challenges of hospital acquired infections in particular the significantly higher rates of HAIs in middle-income countries.	17		✓	✓	• Accident rate has halved during the period FY19-22	3, 5, 6, 8, 11, 12, 17
TECHNOGYM SPA	Designs, manufactures and sells premium fitness equipment worldwide. **Employees:** 2,155 **Sales (US$m):** 721	As a company with a strong commitment to wellness and responsible business there is an opportunity to work collaboratively with management to scale up and accelerate efforts, including with respect to their refurbished product offering – in so doing improving resource efficiency.	6			✓	• Company has acknowledged the potential to grow their re-purposed second-hand equipment sales from approx. 5% of turnover towards 10% over coming years	3, 7, 8, 12, 17
TECHTRONIC IND	Designs, manufacturers and markets power tools, hand tools, outdoor power equipment and floodcare products. **Employees:** 51,426 **Sales (US$m):** 13,203	Given the need for cobalt in their pioneering Lithium ion batteries they have the potential to ensure their industry leading reputation is reflected in their procurement practices and in so doing that human rights abuses are avoided with through market share gains generating a positive environmental impact by dint of their electification of the power tools market.	28	✓	✓	✓	• Have adopted a new and comprehensive cobalt specific sourcing policy • In 2022 committed to a 60% absolute reduction in Scopes 1 and 2 emissions by 2030 (vs. 2021). Achieved a 29% reduction in emissions intensity during period '19-21 • In 2021, introduced first female board member	5, 7, 8, 9, 12, 13
TRELLEBORG-B	Manufactures and distributes industrial products. Primarily produces noise supression and anti-vibration systems and agricultural tyres. **Employees:** 21,230 **Sales (US$m):** 2,774	There are many environmental and social challenges associated with natural rubber sourcing. By collaborating with larger peers and focusing limited resources where most effective there is the opportunity to mitigate the risk of deforestation and ensure a dignified life for those millions of small holders at the bottom of the value chain.	19	✓	✓		• Established Science Based Targets in 2021 comprising a 50% reduction in GHG intensity by 2025 and operational neutrality by 2035 ('25 target = c30% absolute reduction) • Accident rate down 36% during period FY18-21 • Joined Global Platform for Sustainable Natural Rubber in 2021 • Will set targets for the coming years for reducing fossil-based raw materials and increase bio-based and recycled materials.	1, 3, 7, 8, 10, 12, 15, 17
VARUN BEVERAGES	Produces and distributes beverages through India and nearby countries, primarily on behalf of PepsiCo. **Employees:** 7,965 **Sales (US$m):** 1,169	As a large distributor of carbonated drinks throughout India the company has the need and opportunity to reduce its significant water footprint and reduce the impact from its plastic products by enhancing product recyclability.	8	✓	✓	✓	• In FY21 committed to 100% recycling of PET bottles by 2023 via direct collection from end-users. CY21 saw 70% recycled vs. 66% in CY20 and 36% in 2019 • Water risk assessment identified eight of its sites are either in water stressed areas or require significant water usage – representing approximately 50% of total production.	1, 2, 3, 6, 8, 10, 12, 15

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VISCOFAN	Global manufacturer of sausage casings from cellulose, collagen and plastic. **Employees:** 5,083 **Sales (US$m):** 1,146	The company exhbits above peer average energy, waste and water intensities, illustrating an opportuntiy to realise signficant environmental efficiencies. New sustainability targets commit to a 30% green house gas intensity reduction and a 10% water intensity reduction, however, these are modest and do not result in absolute reductions and thus do not stack up to the scale of change needed.	1* (initiated in H2 2022)		✓	✓	• Engagement to commence in 2023	2, 6, 7, 8, 12, 13
VISTRY GROUP PLC	A top UK housebuilder and leader in partnership housing. **Employees:** 3,143 **Sales (US$m):** 3,245	As a leading UK housebuilder they have the potential to deliver, at scale, affordable homes (at high quality) and successfully adapt and transition to net zero home delivery while providing meaningful training and employment opportunties.	10	✓	✓	✓	• Living Wage accreditation attained in 2021 • Science Based Targets comprise a 42% reduction in absolute Scopes 1 & 2 GHGe by 2030 vs. 2021 and a 48% reduction in scope 3 GHGe per sqm of completed housing over the same period. • Net zero roadmap published Sep '21 • 54 net zero carbon homes delivered in 2021 • Launched academies in '19 and targeting 550 'learners' passing through academies per annum by 2025	1, 4, 7, 8, 10, 11, 13
WEST PHARMACEUT	Applies value-added services to the process of bringing new drug therapies and healthcare products to the market primarily through manufacture of packaging components. **Employees:** 16,065 **Sales (US$m):** 2,832	As a global leading contract manufacturer for drug packaging and dispensing the company is involved in the early stages of the design process and thus well positioned to support and drive innovation around drug delivery mechanisms which address challenges among particular cohorts domestically and internationally.	17		✓	✓	• 46% improvement in emissions intensity over period FY17-21. Similarly a 43% reduction in water intensity over the same period. • Accident rate down 13% FY17-21	3, 5, 7, 8, 12, 13, 17
WEX INC	Payments processing and information company, in particular offers fuel cards to commercial fleet operators. **Employees:** 4,800 **Sales (US$m):** 1,851	As a large fleet cards operator the company has the potential to play a role in supporting aggregate fleet emissions reductions through telematics and supporting fleet operators with their transition to EVs.	18			✓	• Inaugural ESG report in 2021 and '22 version much improved. Oversight for ESG has been established at the board level • Sep '21 announced partnership with Charge Point to ease integration of EVs into commercial fleets • 58% reduction in internal data center energy use during period '19-21 • Targeting gender parity in leadership roles and a 50% increase in employees of colour in the US in leadership roles	5, 7, 8, 13
WILEY JOHN&SON-A	Specialises in scientific, technical, and medical books and journals, as well as professional and consumer books and subscription services, and provides textbooks and educational materials. **Employees:** 9,500 **Sales (US$m):** 2,083	Education is the premise of progress, in every society, in every family. Broadening access to academic research a positive while more broadening access (absolute and relative sense) to training can redress a lack of diversity in STEM sectors and help fill growing skills gaps.	16			✓	• Signed the UN Global Compact and the SDG Publishers Compact in H1 2021 • In the years 19-22, Open Access share of research publishing revenue has moved from <6% to c33%.	4, 5, 12

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WINTRUST FINL	Provider of community-based banking services in various suburbs of Chicago, Illinois and nearby regions. **Employees:** 5,239 **Sales (US$m):** 2,208	Large Chicago bank has the potential to support access to credit among the region's SMEs and access to savings among the lower-income populations.	11		✓	✓	• High touch banking evidenced by continually growing branch footprint. Remain focused on brick-and-mortar branch expansion. • "Outstanding" CRA rating for 13 of 15 banks.	1 No Poverty; 5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 13 Climate Action
WOODWARD INC	Designs, manufactuers and services energy control systems and components for aircraft and industrial engines and turbines. **Employees:** 8,300 **Sales (US$m):** 2,383	A a large employer of blue-collar labour and user of energy and resources there is clear potential to improve livelihoods and resource efficiency.	9		✓	✓	• Committed in March '22 to a 25% operational emissions reduction by 2030 and carbon neutrality by 2050 • 34% reduction in accident rates during period '18-20	5 Gender Equality; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production
YAOKO CO LTD	Operates local supermarkets and drugstores in Saitama Prefecture. Handles fresh food products, daily-use sundry products and other various goods in local area. **Employees:** 16,944 **Sales (US$m):** 4,578	A breadth of isues to grapple with and take leadership position on spanning from their agricultural supply through to the packaging usage associated with their food and beverage offerings.	16	✓	✓		• Created female-only deputy store manager positions – the positions the company is aiming to promote women within • 80% reduction in plastic bag usage since introduction of fee • Paid leave rate up to 36.4% in FY20 vs. 20% in FY18	2 Zero Hunger; 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land

Rolling year performance (%)

Composite rolling year performance

	31/12/2021 to 31/12/2022	31/12/2020 to 31/12/2021	31/12/2019 to 31/12/2020	31/12/2018 to 31/12/2019	31/12/2017 to 31/12/2018
Federated Hermes SDG Engagement Equity (%)	-18.12	18.82	8.39	27.40	-11.56

Source: Federated Hermes as at 31 December 2022. Composite inception date: 1 January 2018. Returns are in USD gross of fees. The information shown is supplemental to the GIPS® compliant composite report provided in the Appendix.

Past performance is not a reliable indicator of future results.

Schedule of Rates of Return and Statistics

Composite: **Federated Hermes SDG Engagement Equity**

Index: **MSCI AC World SMID (net)**

Periods ending: **31-Dec-22**

	Returns (%)		
	Composite Gross Return	Benchmark	Composite Net Return
Q4 22	12.83	11.11	12.62
1 Year	(18.12)	(18.72)	(18.74)
3 Years (Annlzd)	1.78	3.00	0.92
5 Years (Annlzd)	3.51	3.38	2.59
Jan-18 – Dec-22 (Annlzd)^^	3.51	3.38	2.59

Annual Returns (%)									
Year	Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr Std Dev	*Benchmark 3-Yr Std Dev	Number of Portfolios	**Dispersion	Composite Assets (mil)	Firm Assets (bil)
2018	(11.56)	(12.40)	(13.80)	N/A	N/A	<5	N/A	308.7	32.0
2019	27.40	26.19	25.37	N/A	N/A	<5	N/A	605.3	40.2
2020	8.39	7.36	15.67	20.93	21.44	<5	N/A	1,389.4	585.7
2021	18.82	17.81	16.24	19.99	20.14	<5	N/A	2,259.4	634.2
2022	(18.12)	(18.74)	(18.72)	22.79	22.89	<5	N/A	1,501.8	627.4

^^Represents composite inception period. See below for additional notes to the schedule of rates of return and statistics

*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.
**Standard deviation is calculated using gross returns. Standard deviation is not applicable (N/A) for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

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