Federated Hermes SDG Engagement High Yield Credit

Annual Report 2023

March 2024

Federated Hermes
Limited

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Contents

SDG Engagement High Yield Credit

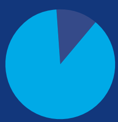
The year in numbers

In 2023 we had
422 engagements with
114 companies

We engaged
100% of the companies we continue to hold

We are pursuing
296 objectives for change

We completed
21 objectives



We made progress on
145 objectives in 2023

Source: Federated Hermes as at 31 December 2023

Our most important SDGs:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — **118 objectives**

8 DECENT WORK AND ECONOMIC GROWTH — **49 objectives**

13 CLIMATE ACTION — **76 objectives**

5 GENDER EQUALITY — **43 objectives**

10 REDUCED INEQUALITIES — **54 objectives**

7 AFFORDABLE AND CLEAN ENERGY — **33 objectives**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — **51 objectives**

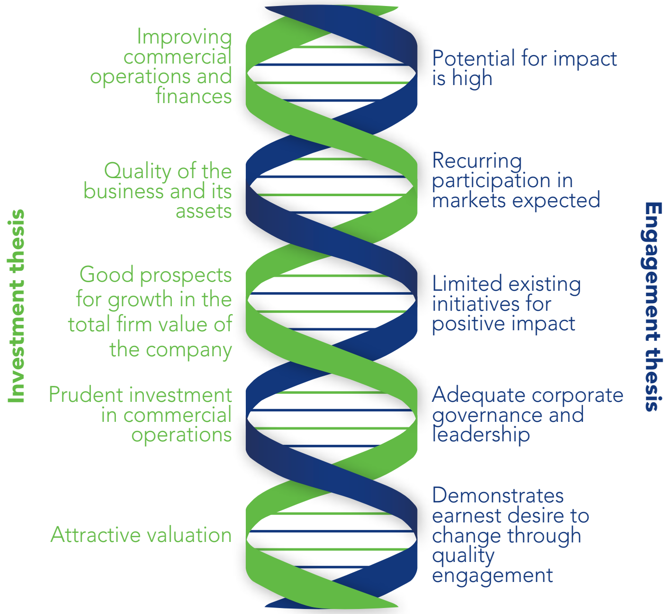
	Metric[1]	Total aggregated impact FY22	% change in holdings held over three years[2]
Climate change	Total GHG emissions emitted (tCO_2e scopes 1 + 2)	515,957,277	-9.7%
	CO_2e avoided (tCO_2e)	154,993,790	11.5%
	% of energy or electricity consumed, renewable	49%	7.7%pt
Water	Total water consumed or withdrawn (m^3)	1,030,549,201	-13.1%
Waste	Operational waste generated (Metric Tonnes)	70,305,093	12.5%
	Operational waste recycled or re-used (Metric Tonnes)	51,190,171	-7.7%
	Conventional material production avoided (Metric Tonnes)	117,885,551	-1.6%
Decent work	Employee turnover	15%	3.1%pt
Gender equality	% female board representation	33%	4.1%pt
	% female senior manager representation	28%	2.6%pt
	% female employees	37%	0.4%pt
Health & wellbeing	# patients treated	31,732,523	1.1%
	# lives extended	315,381	12.3%
Financial inclusion	# underserved people provided bank accounts	5,412,865	52.5%

[1] Source: Net Purpose, 31 December 2023.
[2] % change represents change over the course of the three years the holding has been held by the strategy.

The SDG Engagement High Yield Strategy

The SDG Engagement High Yield Credit (SDGHY) strategy seeks to deliver on colinear objectives: strong financial performance for investors, and future, positive social and environmental impact that contributes to achieving the United Nations' Sustainable Development Goals (SDGs).[3]

Figure 1. Investing with co-linear objectives



Source: Federated Hermes, as at 30 June 2021.

We believe an investor's financial stake-holding allows, if not obliges, them to engage in constructive dialogue with companies. Turning engagement into meaningful change takes time, so we require companies to be survivors in a levered universe. Within the global hard currency, high yield market, we favour companies with:

- A recurring presence in capital markets
- A stable investor base
- An ethos of transparency in disclosures and reporting
- The necessary credit strength to participate in long-term dialogue. (As opposed to companies in financial stress that do not have the bandwidth to focus on sustainability.)

In the four years the strategy has been running we have built strong relationships with companies all around the world, in sectors that are key to achieving the SDGs. Our approach to engagement is company-first, rather than topic-first, meaning that our priority is to build a trusted partnership with the companies in which we invest, and then to engage on multiple SDG-relevant topics simultaneously. We do not set out to engage on particular SDGs, instead we select the most relevant SDGs based on the company. This is because, in our view, effective engagement can only be achieved once we are positioned as a 'critical friend' of the company. This requires skill, patience and detailed knowledge of each business in which we invest. In this way, every engagement is unique and bespoke.

Measuring our progress and impact using milestones and objectives

Establishing a causal link between engagement efforts and real world outcomes is difficult in most situations. There are occasions when a company directly credits our intervention for actions it has taken, but we often need to rely on other measures of success. We use a four-stage milestone system to track the progress of our engagements relative to the objectives set for each company. When we set an objective, we also identify the milestones that need to be achieved. Progress is regularly assessed and evaluated against the original engagement proposal.

> **When we set an objective, we also identify the milestones that need to be achieved. Progress is regularly assessed and evaluated against the original engagement proposal.**

[3] **Sustainable Development Goals (SDGs):** The SDGs are a set of 17 interconnected goals adopted by all UN member states in 2015. They are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere, by 2030.

Figure 2. Engagement milestone system

Source: Federated Hermes.

Why proxy and voting-based engagement matters for fixed income investors

Throughout this paper, readers will see references to equity-style engagement actions and activity, such as proxy season. In sustainability, the interests of shareholders and creditors are aligned. As such, where relevant, we engage and act on the behalf of all financial stakeholders. We see this as a more effective path to creating positive change since it allows us to wield more influence than would otherwise be the case.

Our approach to engagement is company-first, rather than topic-first, meaning that our priority is to build a trusted partnership with the companies in which we invest, and then to engage on multiple SDG-relevant topics simultaneously.

Investment review

Mitch Reznick, CFA®
Head of Sustainable Fixed Income

Nachu Chockalingam, CFA®
Senior Credit Portfolio Manager

Fraser Lundie, CFA®
Head of Fixed Income – Public Markets

Since inception the Strategy has returned 16.27% in US$ terms, gross of fees, which was 3.25% ahead of its benchmark index for the period. In FY 2023, our Strategy returned 11.24% in US$ terms, gross of fees. (Past performance is not a reliable indicator of future returns.)[4]

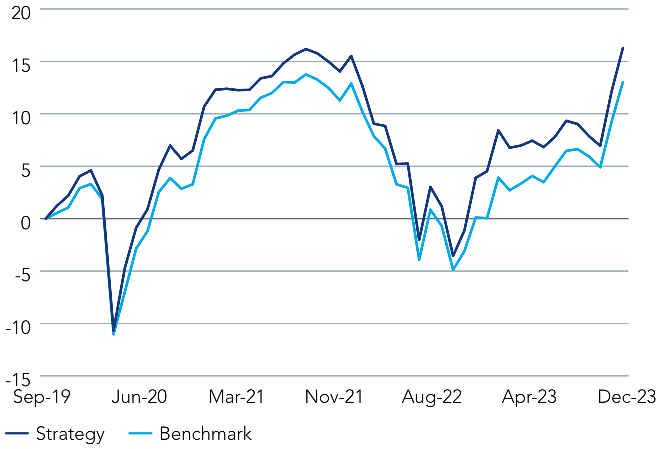
Risk assets had a strong end to 2023 as many developed market central banks around the world indicated that their rate hiking cycles were approaching the end and that possible rate cuts could happen as early as H124. Most of the stimulus for this argument came from the US Federal Reserve.

The market is still facing many headwinds, however, and, as a result of our concerns on some softness appearing in corporate fundamentals in the upcoming months we took the opportunity to rotate out of some of the more cyclical and/or subordinated risk positions to increase the defensiveness of the strategy towards the end of the year.

There is an important need, we believe, to balance the outlook for fundamentals and technicals this year – the former likely weaker and the latter staying strong as issuers delay the need for refinancing and as other markets take share away from high yield (e.g. private credit).

This will likely mean, bar any material systemic shock, that any extreme market weaknesses are dampened in length and severity. This strategy is not exposed to the stressed/distressed element of high yield where we believe more pain will be felt and where we expect to see more defaults and restructurings.

Figure 3. The SDG Engagement High Yield Credit Strategy versus its benchmark since inception (%)



Rolling year performance (%)

	31/12/2022 to 31/12/2023	31/12/2021 to 31/12/2022	31/12/2020 to 31/12/2021	31/12/2019 to 31/12/2020
SDG Engagement High Yield Credit	11.24	-9.51	2.87	7.94

Source: Federated Hermes as at 31 December 2023. Performance shown is the Federated Hermes Ltd SDG Engagement High Yield Credit Hedged to US$ strategy. In US$, gross of fees. Inception date: 30 September 2019. Benchmark: ICE BofAML Global High Yield Constrained Index hedged to US$. Data is supplemental to the GIPS® report that can be found in the appendix. **Past performance is not a reliable indicator of future returns.**

The Strategy's benchmark spreads were largely rangebound throughout the whole of 2023, reaching a peak of c.550bps in March 2023 in the midst of the regional banking crisis and the demise of Credit Suisse to tights of c.380bps at the end of the year as rates volatility and economic data became more constructive.

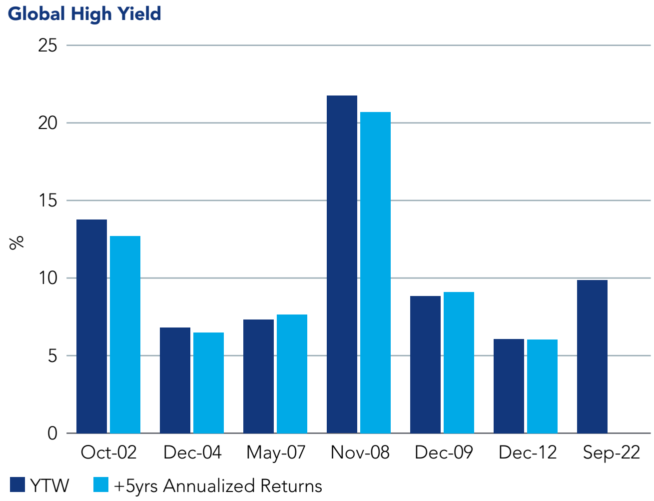
All-in yields for the asset class though were elevated and continue to remain high relative to history. Our analysis indicates that the entry yield is a good predictor of future returns for high yield (as can be seen in Figure 4 below).

Turning to our ambitions regarding the impact potential of the Strategy, both our credit analysts and our engagement specialists had a fruitful year, with many engagement successes. As well as providing crucial portfolio-positioning insight, the team supporting the strategy drove over 422 engagement actions in 2023.

Risk assets had a strong end to 2023 as many developed market central banks around the world indicated that their rate hiking cycles were approaching the end and that possible rate cuts could happen as early as H124.

[4] Source: Federated Hermes as at 31 December 2023. Performance shown is the Federated Hermes Ltd SDG Engagement High Yield Credit Hedged to US$ strategy. In US$, gross of fees. Inception date: 30 September 2019. Benchmark: ICE BofAML Global High Yield Constrained Index hedged to US$. Data is supplemental to the GIPS® report that can be found in the appendix.

Figure 4: High yield returns and yield over five years (%)



Source: Bloomberg as at 31 December 2023. **Past performance is not a reliable indicator of future returns.**

Figure 5: Global high yield spreads in 2023 (bps)

Source: Bloomberg 31 December 2023, HW0C Govt OAS. **Past performance is not a reliable indicator of future returns.**

Figure 6: All-in-yields for high yield, 2018-2023

Source: Bloomberg 31 December 2023, HW0C Yield to worst.
Past performance is not a reliable indicator of future returns.

Since inception the Strategy has returned

16.27%

in US$ terms, gross of fees, which was 3.25% ahead of its benchmark index for the period.

We strongly believe that a wide range of companies in our Strategy have the potential to benefit society and the natural environment – their key challenge is in the progressive development of clean, future-resilient and more equitable next-generation industries and value chains. In short, it is the job of many of these companies to provide the building blocks for economies and essentials for everyday life and employment. Their value chains must be transformed if we are to meet the aims of a cross-section of environmentally- and socially-focused SDGs.

While we had numerous engagement successes in 2023 (with many of the Strategy's holdings making meaningful operational and management changes to address key SDG issues such as climate change, social inclusion etc.), this was not the case for all holdings. In those where we failed to see the engagement progress we would have liked, we have downgraded their scores and either diluted our holdings in them or exited them completely. We have included an example below.

Toll Brothers

We downgraded Toll Brothers to an SDG 5 and exited the position towards the end of Q4 2023. Toll Brothers had been in the strategy since shortly after inception and the engagement initially appeared positive. The company had improved diversity on the board and was developing an ESG report. However, the engagement deteriorated over subsequent years, as the company became less responsive to our engagement approach. This was compounded by a lack of progress on our key engagement topics, including ESG reporting, and the company fell further behind its peers. At the end of 2023, it was no longer responsive to engagement, despite multiple attempts of contact.

Engagement review

Jake Goodman, CFA®[5]
Lead Engager, SFI

Bertie Nicholson[6,7]
Sustainability & Engagement Manager, SFI

Sophie Demare[7]
Sustainability & Engagement Assistant Manager, SFI

Elisa Hirn
Sustainability & Engagement Associate, SFI

We are pleased that the team, once again, achieved its aim of engaging with 100% of the companies in the strategy[8]. It has reached this target each calendar year since inception. Four full years of engaging has seen our relationships with companies deepen and mature so that we are now setting the next generation of objectives as the first ones are completed.

Converting potential to realised impacts

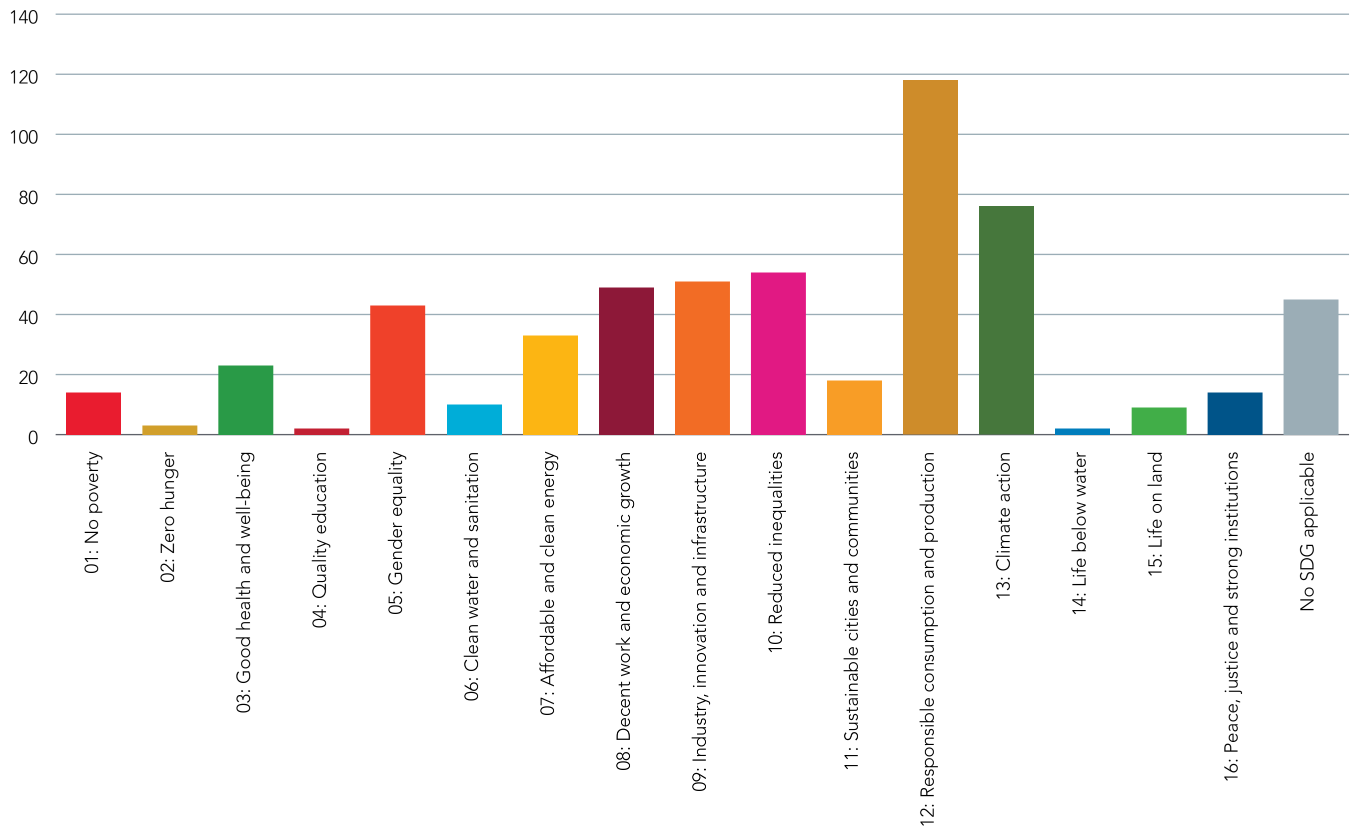
When assessing the impact potential of a company, we look at the impact that would be achieved through changing a particular aspect of its operations, i.e. the delta of change.

The change we seek becomes an 'objective', and any given company might have multiple engagement objectives running concurrently. The chart below shows a breakdown of all the objectives we have running across all companies held in the strategy (as of 31/12/2023).

SDG 12, responsible consumption and production, remains the most relevant goal to our engagement. This is because it contains several sub-goals that are crucial to our work. For example, SDG 12.6 asks companies to publish sustainability information and SDG 12.2 aims for sustainable use of natural resources. In the remaining sections of this report we go into detail on the most relevant SDGs.

The distribution of SDGs has stayed relatively stable since the inception of the strategy, however, the number of objectives has increased steadily year-on-year as we build productive relationships with each company and expand our view of its impact potential.

Figure 7: Number of objectives per SDG



Source: Federated Hermes, one year to 31 December 2023.

[5] CFA® is a trademark owned by the CFA Institute.

[6] CFA UK Level 4 Certificate in Climate and Investing.

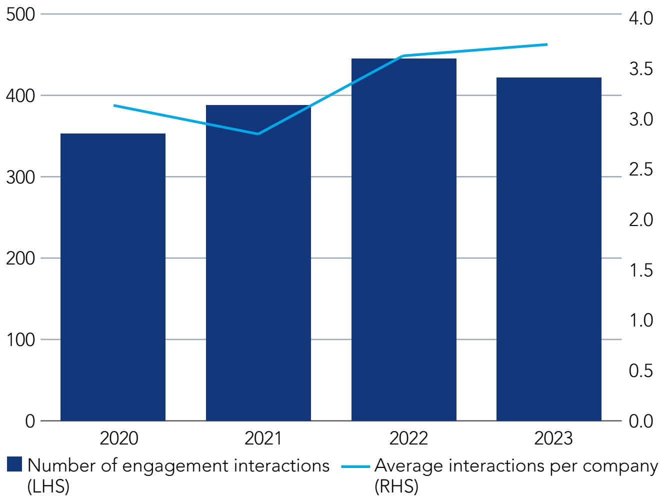
[7] CFA UK Level 4 Certificate in ESG Investing.

[8] Lagardère was not engaged in 2023. In September 2023, the company announced its intention to redeem the bonds that we held in the Strategy, at which point we stopped engaging. However the redemption process did not conclude until January 2024. As a result the bonds were still owned at year end even though no engagement took place with this company.

Activity

One of the ways we measure engagement activity is the total number of interactions we have with companies. This is partly a result of the intensity required by our current objectives, partly how readily we can access a company, and partly how many companies are held: more companies equals more engagement. We saw a slight dip in the number of engagement interactions compared to 2022 which brought our activity down to the more normalised level seen in 2021. However, the number of interactions we have with each company has increased for the last two years. We use all methods of engagement available to us, including face-to-face meetings, writing letters to the board, video calls and collaborating with other investors. Overall, there is about a 50/50 split between written and verbal engagement.

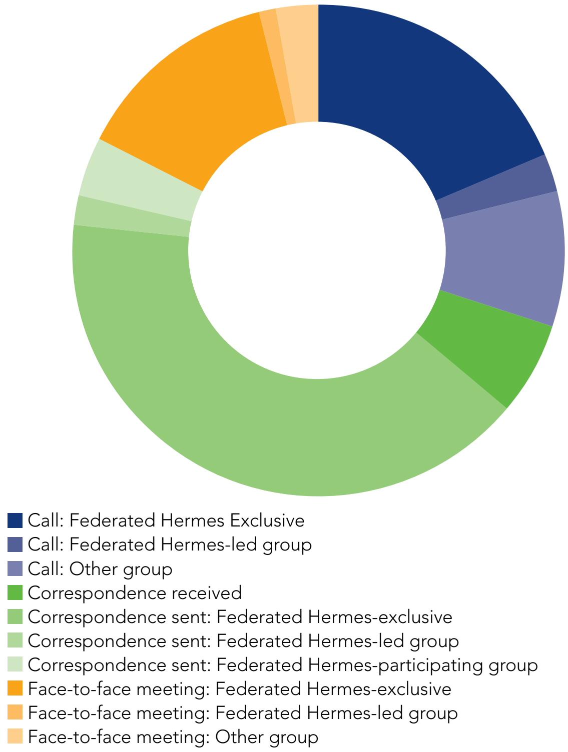
Figure 8: Number and type of engagements



Source: Federated Hermes, one year to 31 December 2023.

Globally, progress against many of the most vital SDGs is trending in the opposite direction.

Figure 9: Types of engagement



Source: Federated Hermes, one year to 31 December 2023.

SDG Impact

2023 marked the halfway point between the launch of the Sustainable Development Goals in 2015 and the stated deadline for achieving them, 2030. António Guterres, Secretary-General of the United Nations, gave a dismal summary in response to the UN's review of progress, stating that "the world is far off track"[9].

Indeed, many of the most vital SDGs are trending in the opposite direction, including on climate change, food security, biodiversity and sustainable growth. It was also a year marked by new setbacks in humanity's collective efforts for a more sustainable world; new wars, the hottest year on record and numerous natural disasters[10].

But there were also signs of progress. The World Health Organization officially declared the end of the COVID-19 pandemic. Greenhouse gas emissions in the USA declined by 1.9% despite GDP growth of 2.4%, putting the country back on a downward emissions trajectory after two years of increases[11]. At the 28th COP, nearly 200 countries agreed to transition away from fossil fuels, which the UN hailed as the beginning of the end for the fossil fuel era[12]. In Brazil, data from the national space agency showed that deforestation in the Amazon had slowed 34% compared to the previous year[13]. There were also several breakthroughs in medicine, including for malaria, Alzheimer's and cancer.

In the following sections we report on the changes that have occurred across the portfolio according to the engagement objectives set for each company. We have also selected Key Performance Indicators for each SDG that show how performance has changed for the portfolio. All data is from Net Purpose, as of 2022, which is the most recent year for which data is available. Data is only included for companies which have been held in the strategy for three years and report data for all of those three years.

[9] Times Of Crisis, Times Of Change. Science For Accelerating Transformations To Sustainable Development.
[10] Copernicus: 2023 is the hottest year on record, with global temperatures close to the 1.5°C limit.
[11] Bloomberg: 'US Greenhouse Gas Emissions Fell in 2023 After Rising for Two Years', 10 January 2024.
[12] COP28 Agreement Signals "Beginning of the End" of the Fossil Fuel Era | UNFCCC.
[13] Deforestation in Brazil's Amazon drops 34% in first half 2023 | Reuters.

The companies named in the following sections do not represent all of the securities held in the portfolio and it should not be assumed that they were or will be profitable. This information does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG 12 – Ensure sustainable consumption and production patterns

Targets and indicators in SDG 12 are among the most material for our strategy – and for impact from companies. The building blocks of SDG 12 – such as efficient use of resources, sustainable waste management and sound use of chemicals – are relevant to companies making physical goods or generating energy. SDG 12.6 even targets corporate sustainability reporting, a driver of engagement efforts to surface quantified ESG and impact metrics.

The key goals within SDG 12:

- 12.2: Achieve the sustainable management and efficient use of natural resources.
- 12.4: Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle.
- 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Figure 10: Progress on engagement objectives linked to SDG 12

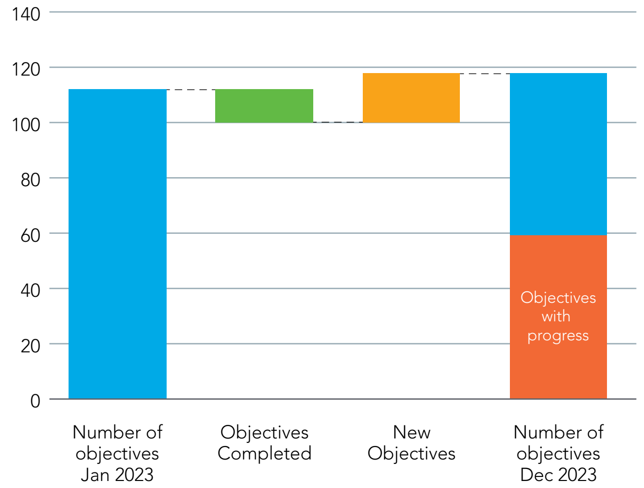
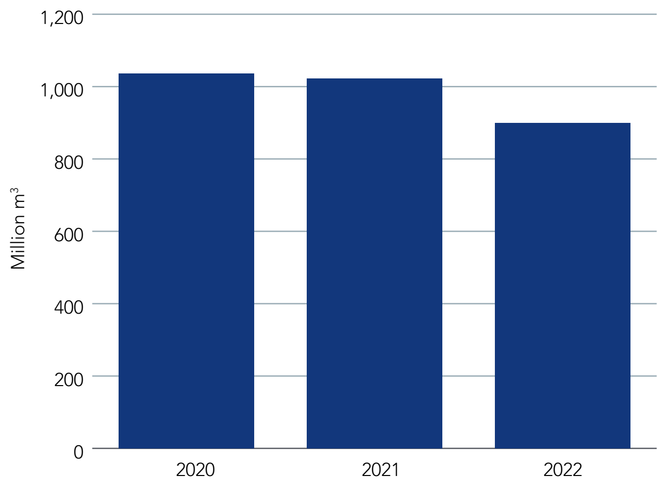
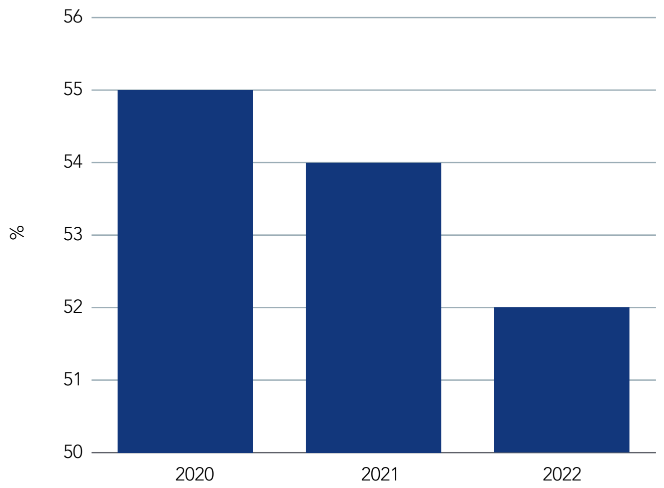


Figure 11: Total water consumed or withdrawn has decreased 13.1% between 2020 and 2022



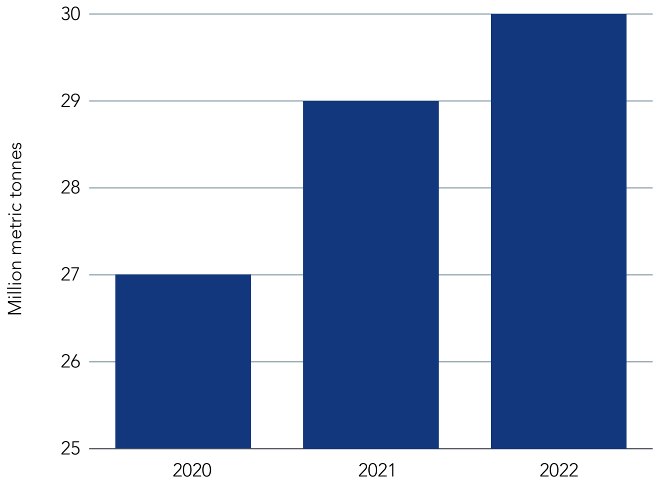
Based on reported data from 51 companies. Only includes companies that were held in the Strategy from 2021 to 2023 and disclose data for all three periods.

Figure 12: Average operational waste recycled has reduced 3%pt between 2020 and 2022



Based on reported data from 21 companies. Only includes companies that were held in the Strategy from 2021 to 2023 and disclose data for all three periods.

Figure 13: Total operational waste generated increased 13% between 2020 and 2022



Based on reported data from 44 companies. Only includes companies that were held in the Strategy from 2021 to 2023 and disclose data for all three periods.

Company	Engagement objective	Progress update	Status
Energias de Portugal (EDP) 12.6	Conduct comprehensive climate change risk assessment and TCFD[14] report	EDP is responsible for significant electricity generating and transmission infrastructure exposed to changing climate-related risks. When we set this objective in 2020, the company had implemented and disclosed against 33% of TCFD recommendations. However, we wanted it to go further by implementing all recommendations. We engaged on this issue four times and saw steady progress over the next three years. The company's 2020 report disclosed against 67% of the TFCD recommendations and this increased to 80% the following year. EDP's 2022 Integrated Report is now considered a strong example of TCFD good practice, with full disclosure on each area outlined in the recommendations, including analysis of climate risks and opportunities, as well as scenario analyses for assets.	Objective completed, Q1 2023
Sealed Air 12.5	Report year-over-year progress on commitments to adopting circular economy[15] principles	The company, which specialises in food packaging, committed to making all of its products 100% recyclable and to use at least 50% recycled content by 2025. The latter goal is more challenging as it relies on a base of suppliers which can source and supply the right types of recycled feedstocks and plastics to ensure manufacturing feasibility and product quality. We wanted the company to provide annual reporting on reaching its goals to inform investors how its business is shifting to adapt to regulatory concerns and circular economy principles. As this objective is essential to Sealed Air's future commercial success, it was addressed in 10 engagements over four years, including in four collaborative engagements with the Principles for Responsible Investment (PRI)[16] Plastics Working Group. In May 2023, the company informed us it has made significant progress towards both targets. It now discloses its progress towards circularity targets annually and has adopted Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) indicators in reporting, to allow for better peer comparison.	Objective completed, Q2 2023
Anglo American 12.2 9.4 6.4	Demonstrate leadership in sustainable water catchment management	As a mining company operating in a resource-intensive industry, it is crucial for Anglo American to prioritise the sustainable management of natural resources. We set this objective in Q1 2017 and have engaged on it seven times with the company. It has since set a long-term goal to operate waterless mines in water-scarce catchments, and has also set 2030 targets for water abstraction reduction. At its sustainability progress update in 2023, the company disclosed that water usage had decreased by 26% in the previous year relative to 2015 due to the increase in water reuse and recycling in the Amandelbult and Venetia mines. The company is also working on commercialising a desalination water solution in Los Bronces as a response to prolonged droughts in Chile. Following the introduction of a target and performance improvements, we have advanced our objective. In Q3 2023, the company updated us on progress in implementing the Global Industry Standard on Tailings Management (GISTM). This involved bringing 12 tailings storage facilities (TSFs) classified as high potential consequence categories into conformance with this industry standard. We will continue to monitor the company's storage facilities alignment with GISTM, and the next milestone could be completed if the company demonstrates continued, evidence-based leadership in the efficient and sustainable management of water risks at the catchment level.	Completed milestone 2, Q2 2023

[14] **TCFD:** The Taskforce on Climate-Related Financial Disclosures is an organisation that was established to develop a set of voluntary climate-related financial risk disclosures. These disclosures would ideally be adopted by companies which would help inform investors and other members of the public about the risks they face related to climate change.

[15] **Circular economy:** A circular economy is a type of economic system or model that minimises waste and pollution, maximises resource efficiency and reuse, and designs products and services to last longer or be recycled.

[16] **Principles for Responsible Investment (UNPRI or PRI):** A United Nations-supported initiative aimed at encouraging the adoption of six aspirational principles that incorporate environmental, social and corporate governance factors into investment practices across asset classes.

SDG 13 – Climate Action and SDG 7 – Clean Energy

Climate change as a systemic risk is relevant to virtually all sectors. However, despite the moniker of 'Climate Action,' most targets within SDG 13 are geared towards policymakers at subnational, national and supranational levels. Meanwhile, there is one crucial indicator that measures progress towards SDG 13.2: Total greenhouse gas emissions per year. We are conservative in making the link between our objectives and SDG 13, reserving it for situations when we are directly seeking reduced greenhouse gas emissions.

SDG 7 overtly focuses on the global adoption of clean energy sources, research and development, energy efficiency and infrastructure. We thus focus on how utilities are deploying renewables and displacing high-carbon power generation; how 'legacy hydrocarbon' energy firms are decarbonising operations in the near term and investigating or investing in transition and renewable fuels.

Technologies and shifting value chains

For investees outside the energy and utilities sectors, we ask them to create demand by planning for and adopting renewables, and investigating how hard-to-abate uses of energy can be upgraded, adapted or replaced in the future. SDGs 7, 12 and 13 have highly compatible co-benefits within their respective targets.

The key goals within SDG 7 and 13:

- 7.1: Ensure universal access to affordable, reliable and modern energy services.
- 7.2: Increase substantially the share of renewable energy in the global energy mix.
- 7.3: Double the global rate of improvement in energy efficiency.
- 7.b: Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries.
- 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- 13.2: Integrate climate change measures into national policies, strategies and planning. For companies, its key indicator is 13.2.2, total greenhouse gas emissions per year.

We are conservative in making the link between our objectives and SDG 13, reserving it for situations when we are directly seeking reduced greenhouse gas emissions.

For investees outside the energy and utilities sectors, we ask them to create demand by planning for and adopting renewables, and investigating how hard-to-abate uses of energy can be upgraded, adapted or replaced in the future.

Figure 14: Progress on engagement objectives linked to SDG 7 and 13

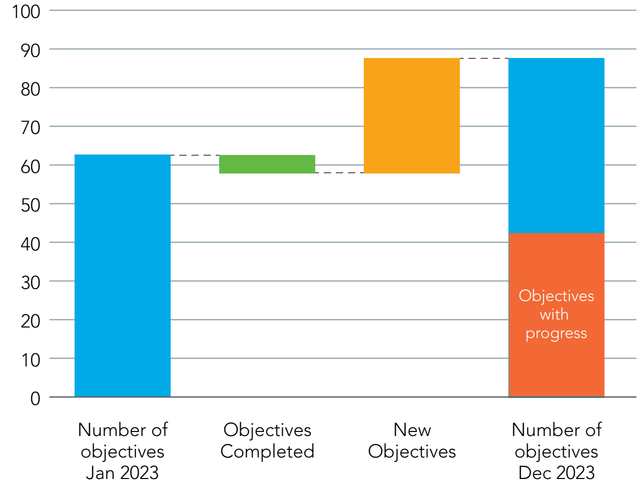
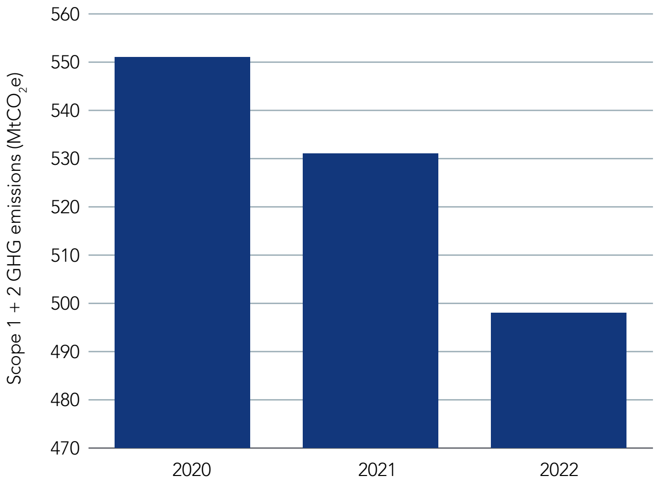
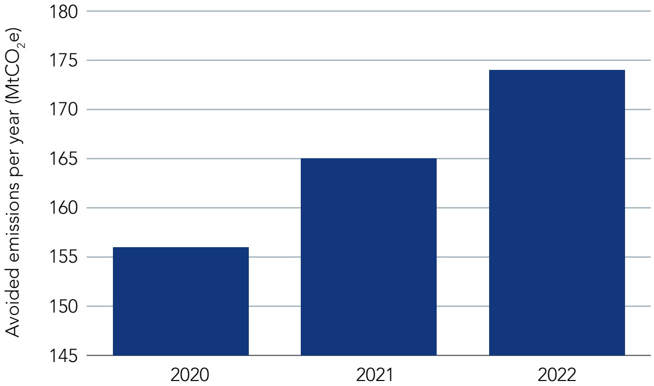


Figure 15: Total scope 1 + 2 GHG emissions for the portfolio decreased 9.7% between 2020 and 2022



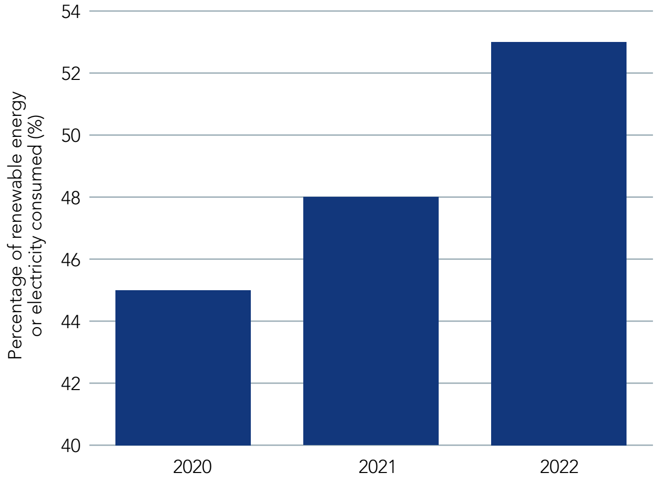
Based on reported data from 71 companies. Only includes companies that were held in the Strategy from 2021 to 2023 and disclose scope 1 and 2 emissions for all three periods.

Figure 16: CO_2e avoided increased 11.5% between 2020 and 2022



Based on estimated data for 31 companies. Only includes companies that were held in the Strategy from 2021 to 2023 and for which estimated data is available for all three periods. This metric is an estimated value of Greenhouse Gas (GHG) emissions avoided by the company's products and services, measured in carbon dioxide equivalent units (CO_2e). It is calculated by Net Purpose using reported data, scientific evidence and/or a defined theory of change for specific products and services.

Figure 17: The average percentage of renewable electricity or energy consumed has increased 7.7%pt between 2020 and 2022



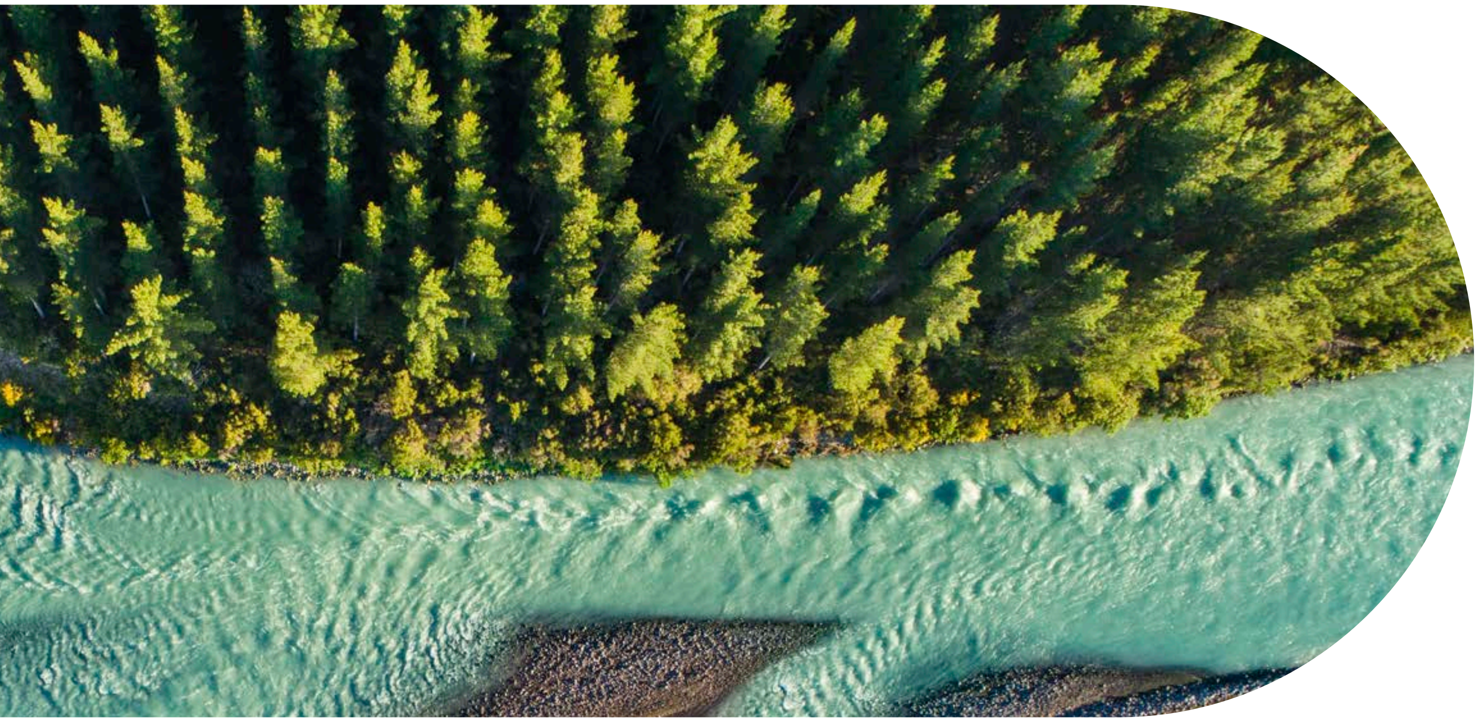
Based on reported data from 41 companies. Only includes companies that were held in the Strategy from 2021 to 2023 and disclose data for all three periods.

Company	Engagement objective	Progress update	Status
Orbia 13.2	Set a climate change target validated by the Science-Based Target initiative (SBTi)[17]	We first engaged Orbia, a global chemicals company, on science-based targets in 2020 when it was in the process of validating the accuracy of Scope 1 and 2 data and assessing how to collect Scope 3 data. At the time it said it aimed to publish an emissions reduction target by the end of 2020, and we advocated a science-based approach. We met again in 2021, when a new CEO was appointed, to assess whether a change in leadership would impact Orbia's sustainability ambitions. We were pleased to hear the CEO had committed to continuing the journey, and that ESG metrics would be included in remuneration. Shortly thereafter, we met to review Orbia's climate-related work in detail. It confirmed it would publish a new climate-change target for Scope 1 and 2 emissions imminently and that it would indeed seek SBTi verification. We praised this ambition, but recommended the target be expanded to include Scope 3. At this point, the company informed us it was still in the process of collecting Scope 3 data. Orbia's next sustainability disclosure was published in May 2021 and included a highly ambitious target to reduce Scopes 1 and 2 by 47% by 2030. In January 2023, Orbia then announced its targets, which now included a scope 3 target, which had been verified by the SBTi as aligned with a 1.5°C trajectory. We subsequently met to discuss a roadmap for achieving its new targets.	Objective completed, Q1 2023
Gerdau 13.2	Set climate change targets consistent with a 'well-below-2°C' scenario	We first engaged steel producer Gerdau on its initial target-setting in 2022. The Transition Pathway Initiative (TPI)[18] updated its methodology, and it now appears Gerdau is far under the emissions intensity required to align with a 1.5°C pathway. To confirm this, however, it will need to revise its target of 0.83 tonnes of CO_2-equivalent emissions per tonne of steel produced, to 0.79 tonnes. In addition, it will need to extend its current targets from 2031 to at least 2035. In a 2023 engagement, the company agreed with our assessment, and confirmed it is aiming to close all management gaps identified by the TPI to achieve a Level-4 recognition. The company is waiting for the publication of the new SBTi 1.5°C methodology before deciding its next step; further goal refinement should allow us to complete this objective.	Completed Milestone 3, Q1 2023
Phoenix Group 13.2	Set absolute coal production threshold as part of investments exclusion policy	Phoenix Group, a provider of financial services, has outlined a threshold level for the exclusion of companies that generate revenues from thermal coal. These exclusions are based on a proportional measure. Currently, companies that produce over 20% of revenues from thermal coal are excluded, with a potential waiver for companies whose production is between 20%-30% if they have reduction targets approved by the SBTi. However, we note that best practice in the field is to have both a relative and absolute threshold (e.g., over 20% of revenues generated from thermal coal or producing over 20 million tons of coal annually), in order to properly account for large, diversified companies. Noting this as an area for improvement, we set an objective in Q2 2023 for Phoenix Group to set an absolute coal production threshold as part of its investments exclusion policy. We engaged with the company on this topic in Q3 2023, during which it acknowledged our request, and said it was in the process of reviewing its investments exclusions policy, with future updates impending. Following this update, we were able to advance our objective.	Completed, Milestone 2, Q3 2023

[17] **The Science Based Targets initiative (SBTi):** Established in 2015, the SBTi is designed to help companies to set greenhouse gas (GHG) emission reduction targets in line with climate science. The initiative defines and promotes best practices in emissions reductions and includes a team of experts to provide companies with independent assessment and validation of their targets.

[18] **The Transition Pathway Initiative (TPI):** A global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, it assesses companies' preparedness for the transition to a low-carbon economy, supporting efforts to address climate change.

Company	Engagement objective	Progress update	Status
Smurfit Kappa 7.1 7.b 12.2	Reduce coal use in the company's energy mix and provide detail on how remaining coal use will be phased out	Over the course of five engagements since late 2021 with paper and packaging specialist Smurfit Kappa, we suggested the company consider setting a timeframe to eliminate coal-generated energy from its energy mix. During our Q2 2023 engagement, we discussed the company's biomass investment in Colombia at length; we agree that this commitment will notably reduce coal usage across the entire company's footprint. However, we do not believe the company is yet in a position to set an end date covering 100% of operations, so we suggested it may need to contemplate how to define a coal exit policy which is 'ex-Colombia', given the reliance of that country on coal-fired energy. We believe this approach may offer investors reassurance that a coal exit plan is in place for all markets where this is feasible, which we believe is the case in virtually all other locations. We also noted coal in the fuel mix had declined to 4% from the 6% reported in 2020-21. If the company is able to publish an exit date for operations outside of Colombia and continue its downward coal-use trajectory, we may be able to complete this objective.	Completed Milestone 3, Q1 2023
Brookfield Renewables 7.2 7.3	Set ambitious and detailed net-zero goals for all of its assets	In Q2 2022, when we set this objective, energy generator Brookfield Renewables disclosed a comprehensive decarbonisation strategy for its renewable assets but provided very little dialogue on its carbon-intensive assets. While these are less significant in capacity, they are more harmful to the environment – and, because of this, we want to see the company provide more transparency and develop a strategy for the decarbonisation of these assets as well. This should include a roadmap to achieving net zero by 2050, but ideally sooner. This objective has been addressed in two engagements with Brookfield Renewables so far, where we have highlighted the importance of providing more detail on the decarbonisation of its carbon-intensive assets. The company has since shared plans for more detailed disclosures on these assets, which has enabled us to advance to the next milestone. To complete Milestone 3, the company would need to confirm that 100% of its carbon-intensive assets have greenhouse gas emissions reduction targets for the medium- and long-term that are aligned to the Paris Agreement.[19]	Completed, Milestone 2, Q2 2023



[19] **Paris Agreement:** The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2° Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5° Celsius.

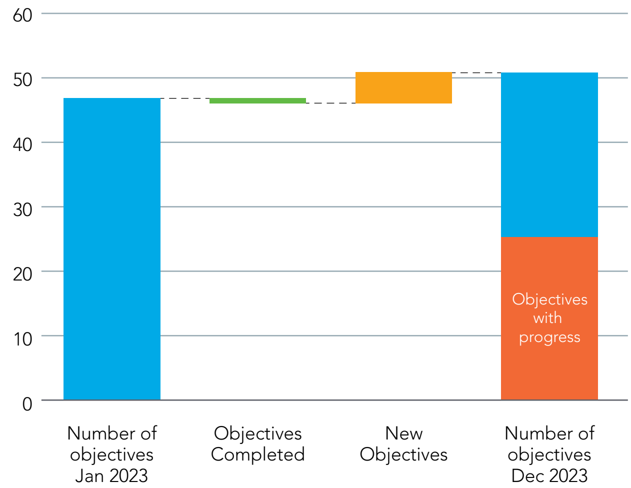
SDG 9 – Industry, Innovation and Infrastructure

SDG 9 includes a bevy of targets and indicators for material positive impact across much of our portfolio; it frequently complements the co-beneficial targets and indicators within SDGs 7, 12 and 13. Our engagement and objectives for positive impact on SDG 9 span banking, telecommunications, basic materials, energy, industrials and packaging sectors.

Key goals within SDG 9:

- 9.2: Promote inclusive and sustainable industrialisation.
- 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.
- 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.
- 9.c: Significantly increase access to information and communications technology and strive to provide universal and affordable access to the internet in the world's least developed countries.

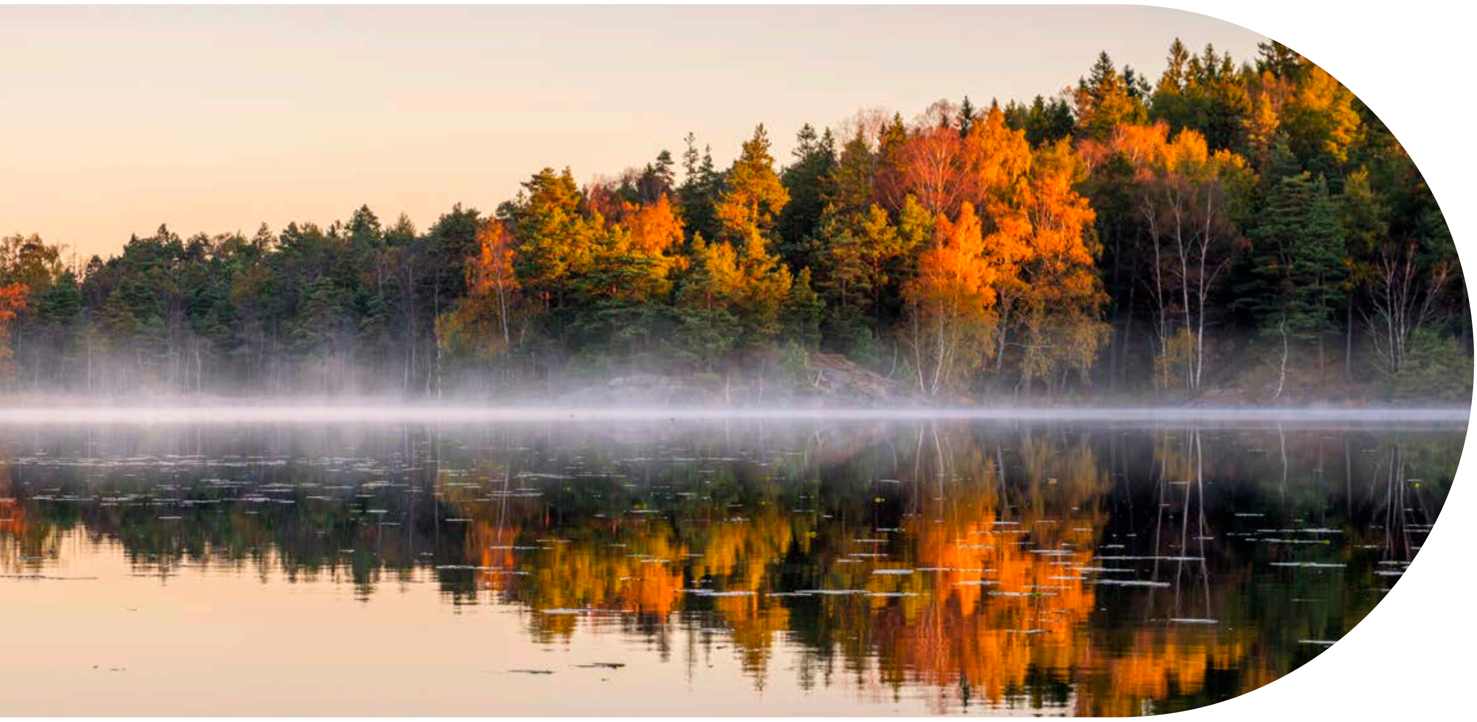
Figure 18: Progress on objectives linked to SDG 9

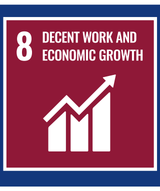


Company	Engagement objective	Progress update	Status
Crown Holdings 9.4 12.5 12.6	Develop an innovative loan model to influence national recycling rates	Transitioning to a circular economy model will require a series of technological advancements and innovations to help retain and reuse waste material. In Q4 2020, Crown Holdings, a packaging company, announced it would offer grants to improve sustainable recycling infrastructure, which is currently still in its early stages. Seeing the positive impact potential in this initiative, we set an objective in Q2 2022 for Crown Holdings to scale this initiative with industry collaboration to improve sustainable recycling infrastructure globally. In turn, we believe this could influence wider national recycling rates and help achieve a circular economy. We have engaged Crown Holdings on this topic four times and it has since provided an update on its 'can capture' grants initiative[20]. Here, it said current grants have greatly exceeded expected impact and that it would be issuing additional grants at recycling sorting facilities. Thanks to progress made, we were able to advance our objective. To achieve the next milestone, we would like to see evidence that the programme has helped improve infrastructure in three or more markets.	Completed Milestone 2 Q2 2023
Canpack 9.4 12.5 12.6	Develop circular economy disclosures	Canpack has an innovative waste aluminium recollection business model in place which it currently deploys in some of its eastern European markets. This business model directly improves local recycling rates and helps the company to reduce its own footprint, while contributing to the shift to a more circular economy. Our objective is for the company to spread this model to wider markets and to report in detail about this model and its successes, supporting qualitative descriptions with hard data on aluminium collected and recycled. Since setting this objective in Q3 2022, we engaged with Canpack three times. The company immediately agreed that it would be beneficial to share more details on these activities. In Q3 2023, the company published its Sustainability Report which included data on recycling initiatives in which it participates, as well as on its own collection facilities, which allowed us to advance the objective. We will be able to complete this objective if the company demonstrates it has expanded recollection facilities beyond eastern Europe and provides detailed data on the amount of recycled material these facilities are collecting.	Milestone 3 completed in Q3 2023

[20] AMP and Crown fund can capture grants – The Metal Packager.

Company	Engagement objective	Progress update	Status
SIG Group 9.4	Collection and recycling transparency and strategy	An issue identified in the aseptic packaging market is the difficulty to recycle products following their use. The multiple layers of materials that give cartons their preservative property do not separate easily. We have engaged with SIG Group on recycling across five engagements since our first meeting in 2020. In Q4 2023, the company shared its involvement in advancing recycling technology that enable high recovery rates for mixed-material packaging. We used this as a trigger to set an objective for the company to increase the transparency of its recycling activities and introduce regional collection targets. We have shared with the company our expectations for sustainability reporting and will provide feedback on the next report in 2024.	New Objective in Q4 2023





SDG 8 – Decent work

Our engagement on decent job creation and safe and fairly-compensated working conditions spans full value-chains for most companies in the business of both products and services, and this directly connects to SDG 8, to promote inclusive and sustainable economic growth, full and productive employment and decent work for all.

Key goals within SDG 8:

- 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.
- 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
- 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
- 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Figure 19: Progress on engagement objectives linked to SDG 8

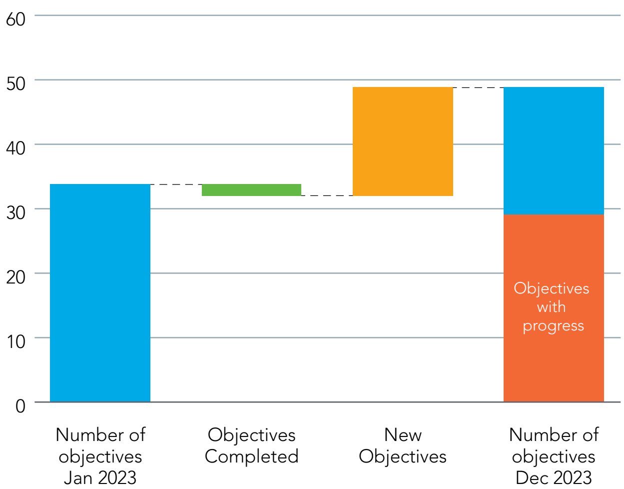
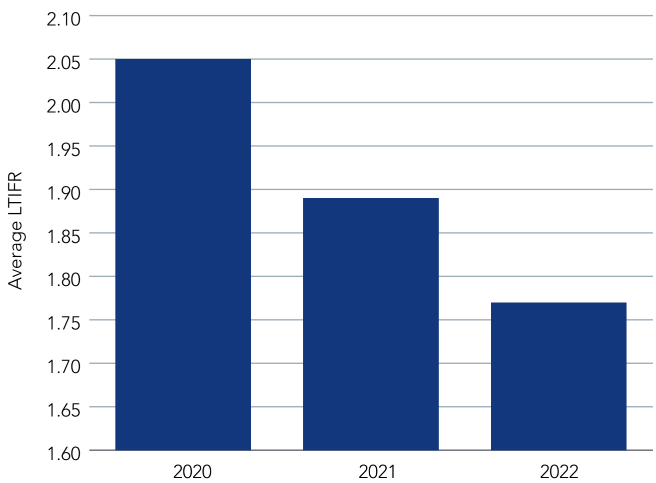


Figure 20: The average lost time injury frequency rate (LTIFR) decreased 13.7% between 2020 and 2022



Based on reported data from 28 companies. Only includes companies held in the Strategy from 2021 to 2023 which disclose LTIFR for all three periods. LTFIR is the reported number of incidents that resulted in lost time per 1,000,000 hours worked.

Our engagement on decent job creation and safe and fairly-compensated working conditions spans full value-chains for most companies in the business of both products and services.

Company	Engagement objective	Progress update	Status
Ardagh 8.8	Elevated health and safety in Ardagh's sustainability strategy	In Q2 2023, we set an objective for Ardagh, a metal and glass packaging business, to include health and safety as a key focus within the social element of its sustainability strategy. We are aware that the company takes health and safety seriously but believe it is important for this to be reflected in reporting and to be supported by a clear strategy to maintain high standards. We raised this topic with Ardagh in Q2 2023, at which point the company's position was to manage health and safety separately to sustainability even though it was considered a top priority across the business. Ardagh acknowledged our feedback on the importance of the topic's inclusion in its sustainability strategy and, in Q4 2023, it released its most recent sustainability report which incorporated this feedback. Health and safety is now included within the social pillar of the company's sustainability strategy. We met with the company later in the same quarter to share our appreciation for its responsiveness in addressing our concerns and ask about next steps such as setting goals aligned to industry standards for health and safety performance.	Objective completed, Q4 2023
Orbia 8.8	Demonstrate a track record of improving workplace safety	In the recent past, chemicals company Orbia faced serious health and safety challenges, including the deaths of contractors since 2015. When we first engaged on this topic in 2020, it appeared the situation had stabilised, but we wanted to see several additional years of positive downward trends in accidents, injuries and fatalities to demonstrate long-term success in protecting the health of the company's employees, many of whom work in developing regions and high-risk settings. During engagement, Orbia acknowledged problems with worker and contractor safety and indicated that its corporate culture and strategies have shifted in response to unacceptable problems. We monitored the company's disclosures closely in addition to engaging on how it could enact change. Data from 2020 showed an increase in the Total Recordable Injury Rate (TRIR), reversing five years of reductions. However, in 2021 and 2022, Orbia returned to its trend of improvement in TRIR. No fatalities occurred in 2022 compared to two in 2021 and one in 2020. The company has a target to bring the TRIR rate down to 0.2 by 2025 which still requires significant work from a 2022 rate of 0.56. However, it appears to have now achieved a safety culture transformation that has elevated the importance of this issue among its workforce. We are happy to complete the objective, but need to continue monitoring its progress towards the 2025 TRIR goal, even though the 2022 result is 70% better than its industry benchmark.	Objective completed, Q2 2023
EDP 8.7 8.8	Develop human and labour rights strategy	It is important for companies in the utilities sector to have clear human and labour rights policies due to the well-documented human rights risks present in the supply chains of renewable energy components. To help mitigate such risks in EDP's supply chains, we would like to see the company use external audits for all tier-1 suppliers and to provide greater transparency on how it is engaging its suppliers. As part of a collaborative engagement in Q4 2023 with Advance, led by the PRI[21], we provided the company with feedback on its human rights disclosures, highlighting the need for greater transparency and an action plan to help mitigate any risks identified. The company was receptive to our feedback, saying it would look to incorporate this into its next integrated report. Further developments will be made to its strategy on human rights over a longer period, with the company suggesting a two-year timeframe.	Completed Milestone 2, Q4 2023

[21] Advance is a collaborative scheme, led by the Principles for Responsible Investment initiative, where institutional investors seek to advance human rights and positive outcomes for people through investor stewardship (PRI | Advance (unpri.org)).

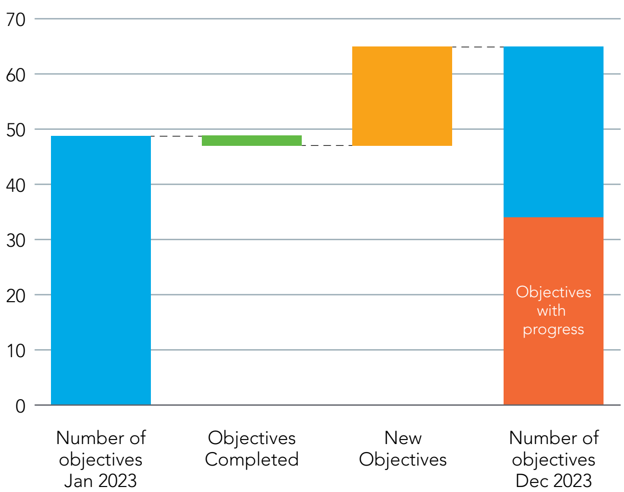
SDG 5 – Gender Equality and SDG 10 – Reduced Inequality

Diversity, equity and inclusion links directly to multiple SDGs, but SDG 10 features direct targets and indicators on closing inequality gaps and ending discrimination; SDG 5 focuses specifically on gender equality. In engagement, we are focused on how companies can positively impact regional or community-specific inequality gaps within workforces and management teams, how they influence this in supply chains, and how more diverse boards can provide robust oversight with broader skillsets and points of view. Companies, through workforces of hundreds or thousands of employees, directly act on social inequalities in the way they recruit, manage, develop and retain human capital, even if wider barriers can often remain at the national level.

Key goals within SDG 5 and 10:

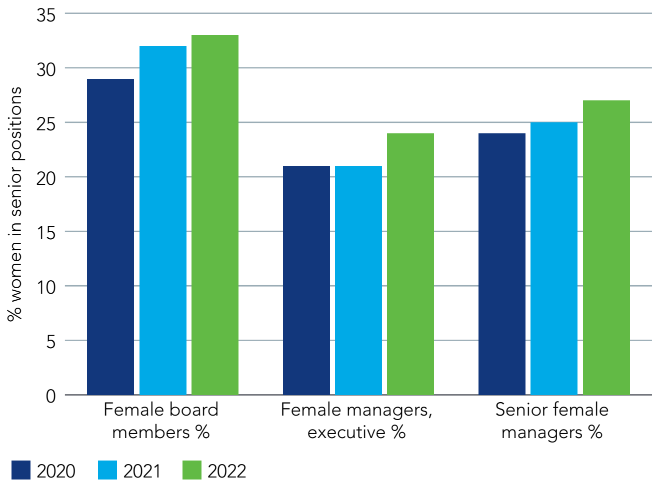
- 5.1: End all forms of discrimination against all women and girls everywhere.
- 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
- 10.1: By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.
- 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Figure 21: Progress on engagement objectives linked to SDG 5 and 10



Companies, through workforces of hundreds or thousands of employees, directly act on social inequalities in the way they recruit, manage, develop and retain human capital, even if wider barriers can often remain at the national level.

Figure 22: The average female representation at the senior levels of companies



The average percentage of women directors increased by 4.1%pt, executives increased 2.4%pt, and senior managers increased 2.6%pt from 2020 through to 2022. Based on reported data. Only includes companies that were held in the Strategy from 2021 to 2023 and disclose data for all three periods.

We are focused on how companies can positively impact regional or community-specific inequality gaps within workforces and management teams, how they influence this in supply chains, and how more diverse boards can provide robust oversight with broader skillsets and points of view.

Company	Engagement objective	Progress update	Status
Swiss Re 5.1 5.5 10.2	Meet our minimum expectations for board-level gender diversity	When we started the objective, gender diversity on the board of this reinsurer had hovered around the 20% level since at least 2014. Our aim was for the company to reach our minimum expectations of 30% by adding another female director. Swiss Re achieved this at the 2018 annual shareholder meeting, but progress was short-lived: dipping back to 22% the following year. We had good access to the board throughout this engagement and the company recognised the need to change. We engaged nine times on this topic and the company showed steady progress on diversity more broadly. Data showed its gender pay gap improving and it introduced promotion ratio targets into management's compensation to focus on increasing the number of women at the executive and senior management level. Further, it published a paper on improving women's representation in leadership positions in the wider re/insurance industry. In 2022 the board of directors formally committed to reach female representation at board level of 30% or more by the 2023 meeting. We were pleased to see this commitment play out the following year, which completed our objective.	Objective completed, Q1 2023
IQVIA 5.1 5.5 10.2	Meet our minimum expectations for board-level gender diversity	In 2021, pharmaceutical services company IQVIA had only 22% gender diversity on its board and no apparent ethnic/racial diversity. This fell below our expectations for companies listed in the S&P 500. For companies of this size and profile, our expectations are for at least 40% combined gender and ethnic board diversity, with at least 30% gender and 10% ethnic/racial diversity. We set an objective for IQVIA to improve board diversity to a level that meets our expectations within a three-year timeframe and, over the course of seven engagements, provided feedback on this issue, highlighting the benefits of having strong gender, ethnic and also skill diversity on the board. In Q2 2023, the company noted that its most recent proxy statement consisted of 50% diverse directors in total and 40% in terms of gender diversity following new appointments over the course of our engagement with the company.	Objective completed, Q2 2023
General Motors 5.1 5.5 10.2	Transparent strategy, goals and disclosure for workforce diversity	In Q3 2021, when we set this objective for the automaker General Motors, the company had recently appointed a chief diversity officer and had begun developing its diversity strategy. This included introducing inclusion-based behaviour in managers and key leaders. We asked the company to provide more diversity metrics and key strategies and goals for internal talent development and external recruitment to begin to 'move the needle' on progression throughout the company. We held three engagements with General Motors on this topic, providing feedback and sharing our expectations which were positively received. We subsequently noticed progress on diversity reporting in the company's 2022 ESG report and have advanced this objective to Milestone 4. Further engagement is required to understand if the company is willing to publish its aspirations externally, or if its internal targets for leaders and executives continue to translate into year-over-year improvements in diversity.	Completed Milestone 3, Q3 2023

Seeds of change: Engaging on deforestation

The primary SDG related to deforestation is SDG 15 Life on Land. In particular, SDG 15.2 aims to halt deforestation and restore degraded forests. However it also has links to SDG 13 Climate Change and SDG 12 Responsible Consumption and Production.

Improvements in data collection and satellite technology, regulatory developments, and shifting consumer and investor expectations have brought the issue of deforestation to the fore. There is increasing recognition that halting and reversing tropical deforestation will be essential if we are to avoid the consequences of severe climate change and biodiversity loss. The agreement of the Kunming-Montreal Global Biodiversity Framework[22] in December 2022 and the publication of the Taskforce on Nature-related Financial Disclosures (TNFD)[23] recommendations in September 2023 have further focused investor and corporate attention on deforestation and biodiversity loss as critical issues to address alongside climate change. We have stepped up our engagement focus on deforestation, with companies in high-risk sectors already showing some promising signs.

Pulp & paper

The pulp & paper sector accounts for 13-15% of global wood consumption[24]. Many companies in the sector own their own forests to secure a continuous supply of timber, though this is still often supplemented with external wood supplies. As a result, companies have the responsibility to both sustainably manage their own forests, and ensure their suppliers do the same.

Certifications such as those awarded by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) provide independent assurance of responsible management. However, smaller suppliers often lack the resources to obtain these certifications. Companies must therefore combine expectations around certification with thorough due diligence processes and transparent reporting to ensure their products are free from environmental harm.

Federated Hermes Limited signed the financial sector commitment to eliminate commodity-driven deforestation in 2021 at COP26 in Glasgow, alongside over 30 financial institutions representing a total of US$8.7tn. Engagement will be a key tool for achieving this, both directly and through collaborative engagement initiatives such as the Finance Sector Deforestation Action (FSDA).

Company	Engagement objective	Progress update	Status
Suzano	Biodiversity, land use and community impact strategy execution	Pulp manufacturer Suzano announced its long-term biodiversity strategy in 2021. We established an objective for the company to demonstrate meaningful evidence on biodiversity restoration, land use and social impact outcomes in its reporting to show how the strategy is making a genuine impact. In 2022, it introduced a target to restore ecological connective corridors in three focus biome areas, covering 500,000 hectares, to contribute to biodiversity restoration to a total of 4 million hectares to be conserved overall. This goal covers land well beyond the company's own land holdings and is to be achieved through partnership with others in the industry. The company reported early progress against this and other key biodiversity objectives in 2023, but more progress is needed to advance to complete Milestone 3.	Milestone 2 completed in Q3 2023

[22] The Kunming-Montreal Global Biodiversity Framework consists of a set of global targets to be achieved by 2030 and beyond to safeguard and sustainably use biodiversity.

[23] The Taskforce on Nature-related Financial Disclosures (TNFD) is a market-led, science-based, and government-backed initiative providing organizations with the tools to act on evolving nature-related issues.

[24] 'Pulp and Paper', published by WWF in 2024.

Food retail

Food retailers are facing increasing pressures from customers to ensure their product ranges are verified as deforestation-free as a result of shifting preferences. New regulatory requirements are adding to the pressure. The EU's Deforestation Regulation is one such example, mandating verified deforestation-free origins for a defined list of high-risk products. Compliance will require changes to procurement processes and more information gathering on vast networks of indirect suppliers, bringing new challenges and costs.[25]

According to Forest 500[26], many retailers have taken initial steps to address some high-risk commodities, such as palm oil. However, very few have commitments on beef, which remains the largest driver of tropical deforestation globally[27]. Furthermore, while some commitments have been made, reporting progress on these commitments requires improvement.[28]

Company	Engagement objective	Progress update	Status
Marks & Spencer	Zero deforestation, conversion and biodiversity loss commitments and strategy	Retailer Marks & Spencer has established targets to eliminate deforestation from its palm oil and soy supply chains by 2026. Our objective is for the company to achieve these targets by going beyond reliance on sustainable certification to direct visibility of these high-risk supply chains. We raised this during an engagement in Q2 2023, and learned that soy presents a larger challenge for the company than palm oil, where it already demonstrates strong leadership. As most of its meat is procured in the UK and Ireland, deforestation risks for these products are predominantly driven by internationally sourced soy used in animal feed Marks & Spencer provided further detail on its efforts across its leather supply chain (where soy is also prevalent in feed for cattle) in a follow-up letter, and said it was considering a commitment to a deforestation- and conversion-free leather supply chain by 2030. To achieve Milestone 3, we want to see progress against the company's stated commitments, as well as any new commitments made in the meantime, in its 2024-25 disclosures.	Milestone 2 completed Q2 2023

Banks

Banks that fail to take action to eliminate deforestation from their lending portfolios could open up the possibility of significant financial losses and threaten financial stability overall[29]. It is therefore imperative for banks to take action to identify deforestation risks across their portfolios, establish strong policies to prevent investments linked to deforestation, engage with and support clients to tackle deforestation across their operations and supply chains, and capture opportunities to invest in nature-based solutions.

Early progress is emerging across the sector. This includes the establishment of policies requiring sustainable certification from customers active in high-risk commodity sectors within a specified time frame. However, most banks are yet to make over-arching and timely commitments to eliminating deforestation from their portfolios.

Company	Engagement objective	Progress update	Status
Rabobank	TNFD strategy	As a key lender to the Dutch food and agriculture sector, Rabobank faces especially high deforestation risk compared to its more diversified banking peers. We therefore want the bank to assess its loan portfolio's biodiversity impacts and dependencies, and use this to produce a strategy to limit its negative impacts on nature, based on the recommendations of the TNFD. To complete this objective, the bank must clearly indicate how biodiversity considerations are integrated into key decision-making processes to limit exposure to deforestation risk. We raised this request with the bank during a Q4 2023 engagement, and learned that the bank is looking into the TNFD as a framework for future action. While we acknowledged that the bank already published its impact and dependencies assessment in its 2022 disclosures, we highlighted the importance of target-setting to further drive the agenda. Further, to complete Milestone 2, we want to see an indication that the bank is considering how the insights of these assessments would be integrated into key decision-making processes.	Milestone 1 completed Q4 2023

The above does not represent all of the securities held in the portfolio and it should not be assumed that the above securities were or will be profitable. This information does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

[25] 'Food companies under pressure to source deforestation-free products under new EU law', published by ING Think in 2023.
[26] Forest 500 is a global ranking of the most influential companies and financial institutions linked to tropical deforestation and human rights abuses.
[27] 'What are the biggest drivers of tropical deforestation?', published by WWF in 2018.
[28] 'Tackling the deforestation on supermarket shelves', published by Forest 500 in 2022.
[29] 'Statement on nature-related financial risks', published by the Network for Greening the Financial System in 2022.

Appendix: GIPs performance data

Schedule of Rates of Return and Statistics

Composite: **Federated Hermes SDG Engagement High Yield Credit Hedged to USD**

Index: **ICE BofA Global High Yield Constrained (USD Hdgd)**

Periods ending: **31 December 2023**

	Returns (%)		
	Composite Gross Return	Benchmark	Composite Net Return
Q4 23	7.78	6.68	7.61
1 Year	11.24	12.97	10.52
3 Years (Annlzd)	1.17	1.04	0.51
Oct-19 – Dec-23 (Annlzd)^^	3.61	2.92	2.94

Annual Returns (%)									
Year	Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr St Dev	*Benchmark 3-Yr St Dev	No of Portfolios	**Dispersion	Composite Assets (Million)	Firm Assets (billion)
2019	4.04	3.87	2.90	N/A	N/A	<5	N/A	276.3	40.2
2020	7.94	7.23	6.48	N/A	N/A	<5	N/A	680.6	585.7
2021	2.87	2.20	3.04	N/A	N/A	<5	N/A	1,855.3	634.2
2022	(9.51)	(10.10)	(11.38)	12.00	11.19	<5	N/A	918.0	627.4
2023	11.24	10.52	12.97	8.63	7.81	<5	N/A	1,369.8	720.0

^^^^Represents composite inception period. See page 2 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)

The composite includes all discretionary portfolios following the SDG Engagement Global High Yield Credit Hedged to USD strategy run by the Federated Hermes Global Credit team (London Office) and has an inception date of 1 October 2019. The objective of the strategy is to exceed the return of the benchmark over a rolling five-year period whilst delivering positive societal impact aligned to the United Nations Sustainable Development Goals ("UN SDGs"). The strategy may invest in a broad range of assets, either directly or through the use of derivatives, (including, but not limited to, equities, equity-related securities, Eligible CIS and/or financial indices, futures, options, swaps, debt, fx and money markets). The strategy through its investments in FDIs may be leveraged. The composite's benchmark is the ICE BofA Global High Yield Constrained Hedged to USD Index, which is designed to measure the debt market performance of global high yield debt. The benchmark contains primarily USD and EUR issues. The Index is rebalanced on the last calendar day of the month and the return is calculated on a total return basis. This composite was created in November 2019. Performance shown for 2019 is for a partial period starting 1 October 2019. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Hermes has been independently verified for the period of January 1, 1992, through September 30, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The management fee schedule for this strategy is 0.65% per annum. Gross of fees returns have been calculated gross of management/custodial fees and net of reclaimable withholding taxes, but after all trading commissions.

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