ESG Materiality Newsletter

H1 2024

Olivia Lankester
Director, Responsible Investing & Sustainability – Global Emerging Markets

Federated Hermes Limited

www.hermes-investment.com
For professional investors only

Introduction

Welcome to our **Global Emerging Markets (GEMs) ESG Materiality** commentary – a bi-annual publication that demonstrates our engagement activity with portfolio companies and showcases holdings helping to create positive impacts in line with the UN's Sustainable Development Goals (SDGs)[1].

In the latest issue, we provide an update on our voting and engagement activity over the last 12 months and shine the spotlight on **South Korea's 'Corporate Value Up' Programme**, which seeks to improve corporate governance in the country.

We also take a more detailed look at the process of engagement and the overall impact of the GEMs Strategy, both in terms of its contribution to the SDGs and in delivering positive outcomes.

Lastly, we profile two companies in the portfolio that are making an important contribution to the global net-zero transition – **Epiroc** and **Localiza RentaCar**.

Our vision for responsible long-term investing in emerging market equities

At a glance

- We aim to select quality companies, benefitting from structural growth drivers and trading at attractive valuations, run by management teams that are willing to confront sustainability challenges.
- We avoid sectors we consider to be unsustainable in the long term and will not invest in companies facing material ESG risks without a credible mitigation strategy.
- We seek to improve sustainability performance through engagement as a means of future proofing the business from medium- to long-term risks, taking into account the specific characteristics of emerging markets as well as contributions to the SDGs.
- We maintain a low-carbon footprint and prioritise climate engagements with holdings with higher emissions and/or climate-related risks.

Portfolio snapshot

Over the last 12 months we engaged with companies representing **80%** of AUM, made progress with **51%** of objectives, and voted at **100** meetings.[2]

The companies we invested in delivered:

GHG Emissions (Scope 1/2/3) **80%** lower than the benchmark

25m tonnes of CO_2 avoided.

430m litres of water saved.

GHG Emissions (Scope 1/2/3) **136m** tonnes of conventional material avoided.

Health Care treatments for **2.5m** people.

Financial services for **207m** previously excluded people.

An average of **22%** & **36%**
female board representation and female workforce participation.

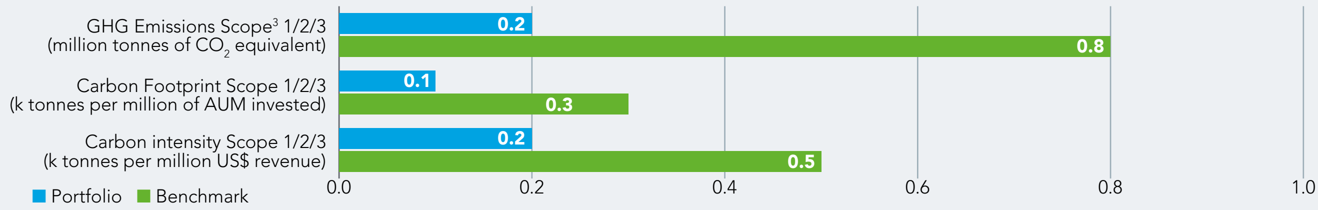
Average employee turnover of **16.7%**

[1] **Sustainable Development Goals (SDGs):** The SDGs are a set of 17 interconnected goals that were 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.

[2] Federated Hermes as at 31 May 2024. Portfolio snapshot impact data has been calculated in partnership with our impact measurement partner, Net Purpose (see page 10 for details).

Our portfolio's carbon footprint, Q2 2024

Federated Hermes GEMs Equity Strategy vs. MSCI EM benchmark



Source: Federated Hermes as at 31 May 2024. The benchmark is MSCI Emerging Markets index.

We maintained a low carbon footprint versus the benchmark (see above) and prioritised engagement with companies with higher emissions and those that are identified as exposed to higher physical and transition risks in our climate risk framework. An outline of our climate risk framework is set out in our GEMs ESG Materiality, H2 2023 report, including the high-level screen of physical and transition risks at portfolio level.

In the first half of 2024 we developed a tool to facilitate further deep-dive analysis into potentially higher risk holdings, which we are currently applying. The outcomes will be shared in our next report (H2 2024), including profiles on specific names. As at 31 May 2024, we engaged on environmental issues with companies responsible for 78% of our financed emissions.

We have seen progress in efforts to reach net-zero targets as outlined by the Paris Agreement across the GEMs Strategy with 61% of AUM aligned, aligning or committed to net zero (see Figure 1) but continued engagement is necessary to deliver on our firmwide commitment to reach net zero by 2050.[3]

Figure 1: GEMs Strategy net zero alignment

Category	% AUM	% emissions Scope 1, 2 and 3	Definition
Aligned	15%	3%	A coherent ambition to reduce emissions in line with the 1.5°C target by 2050
Aligning	7%	3%	An ambition to reduce emissions sufficiently to align with 2°C or lower or have committed to align to 1.5°C.
Committed to net zero	39%	41%	Publicly announced a net zero ambition to reduce emissions by 2050 or sooner.
Not aligned	35%	51%	None of the above
Not scored	4%	2%	
TOTAL	100%	100%	

Source: Federated Hermes 30 April 2024.

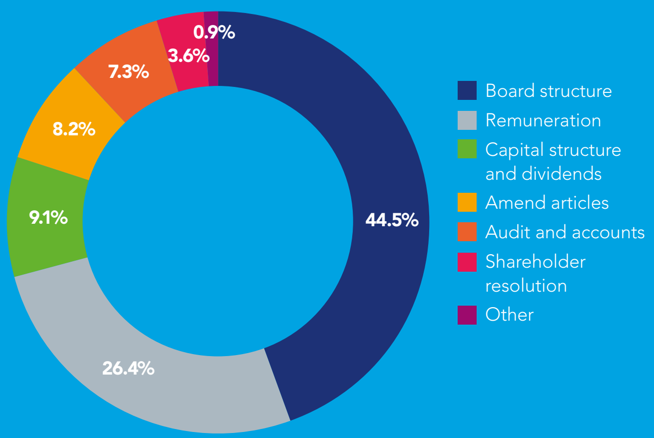
[3] Scope emissions: Scope 1, Scope 2, and Scope 3 is a classification system for greenhouse gas (GHG) emissions a firm creates through its operations, energy usage, and the wider value chain.
[4] FHL's net zero commitment is as follows: 25% alignment of financed emissions and AUM by 2025; 50% by 2027; 80% by 2030. FHL categorises companies by levels of alignment, drawing on mix of external data and its own proprietary tools.

Governance & Voting

The GEMs Equity team has continued with efforts to improve board diversity and independence across various markets, through engagement and voting at company meetings, while also putting the spotlight on capital allocation. The effective use of capital by senior management is key to long-term shareholder value and has remained a focus of our engagements in 2024 to date.

In the GEMs Equity Strategy, we voted against management on at least one issue at 39.8% of all meetings over the last 12 months, with the majority of these votes against related to board structure (44.5%) including at **Pidilite**, **NARI Technology**, **SBI Life**, **ICICI Bank**, **Power Grid** and **WEG**, all of which fell short of our expectations on board independence and/or diversity (**see Figure 2**). At **WEG**, we voted against the bundled election of directors on the basis that only one of the seven candidates is genuinely independent. The other candidate classified by the company as independent has been serving on the board for 12 years and their independence may be compromised.

Figure 2: Breakdown of votes against management in last 12 months (per issue)



Source: Federated Hermes June 2024.

We always take into consideration qualitative and contextual factors in our voting decisions including whether the company is showing progress on governance factors. For example, at **Bharat Forge**, while the company has yet to meet expectations on board composition, we voted for the re-election of the deputy managing director in recognition of his exceptional leadership and on the basis that the company is planning improvements in board independence and diversity over the coming year.

At **Tencent**, we voted for a non-independent director despite him sitting on the audit committee on the basis that, as a shareholder representative with no commercial ties to the company, his interests are closely aligned with other minority shareholders; but we voted against share issuance with pre-emptive rights due to failure to disclose the maximum discount rate. At **TSMC**, we voted for the chair of its audit committee despite his long tenure due to progress in appointing two new independent directors to the audit committee who should help to ensure independent oversight.

At **Samsung Electronics**, while we were disappointed by the lack of international corporate experience on the ballot, we recognise the obstacles that South Korean companies face in recruiting international directors due to strict over-boarding rules. We therefore voted for the two new independent directors who bring relevant skills from financial services regulation and AI/robotics.

Meanwhile, **South Korea's 'Corporate Value-Up Programme'** has created ripples and raised investor expectations that the so-called 'Korea discount' may be reversed. While we await further details from the Seoul government, the emphasis on voluntary actions, coupled with the opposition Democratic Party's strong performance in April's parliamentary elections, may mean that the impact of the programme is somewhat muted. The GEMs Strategy has generally avoided companies that trade 'below book' yet is nevertheless engaging with companies on setting less conservative shareholder returns policies and encouraging them to articulate their approach more clearly to shareholders (with regards to dividends, buy-backs and M&A).

Outside of South Korea, we have entered into dialogue with **AIA Group** and **China Overseas Property Holdings** on the use of share buybacks.

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

South Korea's 'Corporate Value-Up Programme' – cause for optimism?

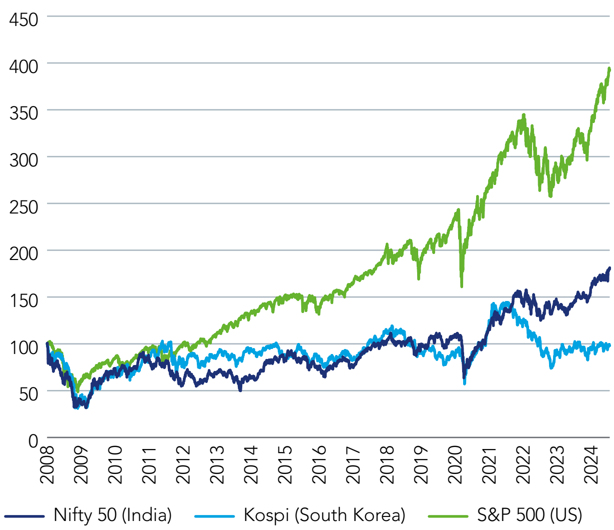
Vivek Bhutoria, Co-Portfolio Manager

The South Korean stock market has long been characterised by domestic companies trading at lower price-to-earnings multiples than their global peers (**see Figure 3**). As a mature economy, South Korea is less likely to grow at high rates seen elsewhere in emerging markets. It is one of the reasons behind the so-called 'Korea discount', along with the cyclical nature of many sectors in South Korea. However, another crucial factor behind the low valuations is the poor corporate governance in the country.

The dominance of *'chaebols'* – large, family-owned business conglomerates – has contributed to limited protection for minority shareholders and, as a result, lower equity valuations. In addition to complex shareholding and ownership structures, other concerns include:

- Sizeable balances of shares sometimes held in treasury;
- Directors having no legal fiduciary duty to company shareholders;
- A lack of tag-along rights for minority investors around takeovers, resulting in minority shareholders being more vulnerable.

Figure 3: South Korean equities lag other markets



Past performance is not a reliable indicator of future performance.

Source: Bloomberg as at 25 June 2024. Rebased to 100. Returns in US dollars. For South Korea, the KOSPI was used, for India the NIFTY 50 and for the US the S&P 500 Index.

The South Korean stock market has long been characterised by domestic companies trading at lower price-to-earnings multiples than their global peers.

Tax policies have also played a role. Punitive inheritance taxes incentivise companies to suppress valuations during intergenerational wealth transfers, negatively affecting minority shareholders once again.

Two important sectors where valuations have been particularly depressed are financial services and autos, while a number of conglomerates – such as **LG Chem** and **Samsung C&T** – are plagued by weak corporate governance set-ups, which unnerve investors.

The Seoul government's new 'Corporate Value-Up Programme', announced in February, aims to address this issue and reduce the 'Korea discount'. Japan's benchmark Nikkei 225 Index hit its highest ever level this year, partly due to the country's corporate governance reforms, and South Korean politicians and regulators are keen to replicate Japan's success. The Corporate Value-Up Programme includes guidelines for voluntary corporate value disclosures, tax incentives, and benefits for companies that enhance their corporate value.

A South Korean Value-Up Index is set to launch this year, showcasing companies that have proven profitability or potential for value enhancement. The Stewardship Code, meanwhile, is set to be revised to ensure institutional investors consider value enhancement initiatives. Such changes are welcome and well-intended, but meaningful corporate governance reforms in the country still face strident opposition from powerful controlling shareholders.

The government under President Yoon Suk Yeol does not have a majority in the National Assembly and, in the face of robust opposition, may struggle to pass any significant laws.

However, retail investors now make up one third of the market which should provide further bipartisan support for reforms that seek to boost shareholder value. Activist investors, meanwhile, are becoming more prevalent.

Further details on the Corporate Value-Up Programme are expected in the second half of the year, which we will be watching closely. Previous attempts to level the playing field between South Korea's conglomerate owners and minority investors did not result in significant change so there rightly remains plenty of scepticism.

However, given that Japan's reforms took over a decade to facilitate significant change, South Korea's reforms should not be expected to happen overnight but should be considered an important starting point for long-term improvements.

Although this is a positive development and we have stocks that will benefit from the programme, our investment thesis is not reliant on it. We continue to focus on companies that have a solid underlying business as well as superior quality metrics in key parameters that should continue to increase their intrinsic value. Therefore, any upside from Value-Up will be an added optionality for the portfolio.

We also continue to engage with companies on corporate governance issues. Earlier this year, we wrote to all of our South Korean holdings to encourage them to establish (and disclose) more investor-friendly policies covering dividends, the use of share buy-backs and approach to mergers and acquisitions (M&A). We also used the opportunity to request that companies provide shareholders with the opportunity to vote on significant related-party transactions and, in some cases, to flag the need for more international corporate experience on boards, including at **Samsung Electronics**, **LG Chem** and **Hansol Chemicals**.

This latter issue is particularly relevant in South Korea where independent directors on boards often come from academic backgrounds rather than an international corporate pool – an issue exacerbated by the stringent over-boarding rules in South Korea which prohibit directors from sitting on more than three boards at one time.

Extract of letter to South Korean holding

'We note that your dividend payout ratio has been below 20% for the last five years. While we appreciate the need for investments in future growth, we believe that this is overly conservative, particularly in an upcycle, and out of step with best practice as evidenced by global peers. We encourage you to revisit this as soon as possible and set out your future approach to capital allocation in a 'Shareholder Returns Policy' covering dividends, buy-backs, treasury shares and M&A in particular.'

Some companies are already taking action as a result of Value-Up and engagement from minority shareholders. For example, **KB Financial** has increased its shareholder returns, predominantly via buy-backs and treasury share cancellations, as well as allowing a potential increase in dividend payouts over the longer term.

> **Independent directors on South Korean boards often lack international corporate experience, constrained further by stringent over-boarding rules limiting directors to three boards at a time.**

Engagement approach and impact

Materiality focus

Our approach to engagement is informed by our evaluation of the most material issues at that company. Our role is to challenge management to think differently about sustainability issues, providing expert insight and acting as informed and constructive partners. This is particularly important in relation to EM companies, which typically have few investors enquiring about ESG strategy and performance. Engagement, therefore, can be a critical factor in a company's sustainability journey.

The success of an engagement often depends on speaking to the right person, about the right issue, at the right time, in the local language if needed. It needs to be based on a real understanding of the company's business model and geographical footprint and it can take time to see substantive results. That said, we are willing to divest where change is not forthcoming and have done so several times over the last few years.

Monitoring engagement

We set clear and specific objectives within our company engagements to ensure we achieve positive outcomes. An objective is a measurable change or an outcome we are seeking to achieve. Each objective is tracked using milestones (see below). Objectives are regularly reviewed until they are completed. An example of an objective could be: "Development of a strategy consistent with the goals of the Paris Agreement, including setting science-based emissions reduction targets for operating emissions (Scopes 1 and 2 emissions)."[4]

- **Milestone 1**
  Raising Concerns
  Our concern is raised with the company at the appropriate level.

- **Milestone 2**
  Acknowledging Concerns
  The company acknowledges the issue as a serious investor concern, worthy of a response.

- **Milestone 3**
  Planning
  The company develops a credible strategy to achieve the objective, or stretching targets are set to address the concern.

- **Milestone 4**
  Implementing
  The company implements a strategy or measures to address the concern

The last 12 months in numbers (GEMs Equity core strategy)

We had
157 engagements with **46** companies

We engaged
80% of AUM

We pursued
92 objectives for change as follows:

42 environmental
29 social
21 governance (including strategy, risk and communication)

We made progress on
49 objectives (**51%**)

Our most engaged SDGs:

5 GENDER EQUALITY — **27** objectives/issues

7 AFFORDABLE AND CLEAN ENERGY — **28** objectives/issues

8 DECENT WORK AND ECONOMIC GROWTH — **40** objectives/issues

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — **46** objectives/issues

13 CLIMATE ACTION — **53** objectives/issues

[4] In some cases, where we are monitoring performance or raising awareness of an ESG topic rather than pursuing a specific objective, we log this as an 'issue' rather than an 'objective'. This can be more appropriate if the issue is of lower materiality or where we are still in the process of identifying what precise type of change we want to see at a company

	Engagement objective or issue	Theme	Progress update (Momentum[5]/Status)
Bharat Forge	Measure Scope 3 emissions and make a plan to reduce emissions.	GHG Emissions Reduction SDGs 12, 13	Start date: Q4 2022 While the company had set carbon neutrality targets for its own operations, we were concerned about the lack of Scope 3 reporting and targets. The company initially shared its plans to begin supplier assessments then, in 2024, it set targets to reduce Scope 3 by 30% by 2030 versus 2019 – a welcome move given the significance of its Scope 3 emissions.
Falabella	Enhance human rights due diligence and actions to address employee turnover.	Human rights due diligence, employee well-being SDG 5, 8	Start date: Q3 2023 We initiated engagement to encourage continued development of the company's human rights due diligence strategy, and to improve the representation of women in leadership. As Falabella is a significant employer in its sector in Chile we have also encouraged the company to look for opportunities to improve turnover and develop strategies to increase pay above minimum wage where relevant. Finally the company has an ambitious Scope 1 and 2 emissions strategy in place, and we are engaging on how this ambition will be managed alongside expansions, as well as how its Scope 3 strategy is developed. As a new engagement, we are currently providing input and monitoring progress.
Delta Electronics	Explain how the net-zero transition will be funded and implemented.	GHG Emissions Reduction SDGs 12, 13	Start date: Q4 2021 Recognising Delta's leadership as one of the first 100 companies globally to achieve SBTi targets validation, we asked the company to disclose more detail on its implementation plans and funding mechanisms. The ESG report (published in August 2023) explained how it incentivises reductions and raises funds through an internal pricing mechanism, giving us greater assurance about the plan.
Bank Rakyat Indonesia (BRI)	Update palm oil lending criteria to meet best practice standards and closely monitor borrowers.	Deforestation, bio-diversity SDG 12, 15	Start date: Q4 2018 Over the course of this long-standing engagement, the company has strengthened its approach, requiring a minimum of ISPO certification for all borrowers and monitoring compliance as part of the annual audit by credit teams. It has stopped short of requiring RSPO (the highest standard) on the grounds that most of its borrowers are not exporting to Europe and it is therefore seen as cost prohibitive. We continue to encourage the company to influence its borrowers to apply the strictest criteria. BRI also announced requirements for its pulp and paper borrowers which we welcomed and continue to engage on.
Alibaba Group	Develop and disclose a human capital management strategy and key metrics.	Health, Safety & Wellbeing SDGs 5, 8	Start date: Q2 2021 The company had been the subject of some allegations and controversies related to employee wellbeing, including a so-called '996' working culture. By Q3 2023, company progress included improved disclosures on key metrics (turnover rates, training hours, gender) and improved sexual harassment reporting mechanisms alongside some enhanced benefits for employees.
AIA Group	Update the company SBTi commitment to align with 1.5 degrees pathway.	GHG Emissions Reduction SDG 12, 13	Start date: Q1 2022. The company initially committed to set science-based targets aligned to a well-below-2°C pathway and to reach net-zero emissions by 2050. After many interactions, the company upgraded its commitment and set near-term targets validated as 1.5 degrees aligned by the SBTi.
Press Metal Aluminium Holdings	Measure and disclose material Scope 3 carbon emissions.	GHG Emissions Reduction SDG 12, 13	Start date: Q1 2021 As a low-carbon aluminium smelter, driven largely by hydro-power, Press Metal already has leadership credentials in ESG but had not yet disclosed its Scope 3 emissions or set targets. Our engagement has focused on emissions reductions in the company's supply chain. One challenging area is the alumina supply chain which is currently dependent on coal power. In Q1 2024, the company confirmed that it is seeking Aluminium Stewardship Initiative (ASI) certification for its full value chain and is working with suppliers on emissions reduction targets. While this could be a long process, we welcome the intention and continue to engage.
Freeport-McMoRan	Discontinue the issuance of share options to executives and senior management that are capable of vesting within three years.	Pay Design & Transparency	Start date: Q2 2019 We started to raise this issue with the Company Secretary in 2019. We prefer share awards to options because they create ownership from day one and are better aligned with the interests of long-term shareholders. In 2023, the company stopped issuing share options to executives.

[5] Green = Strong momentum with objective met or substantially met. Yellow = Good progress but engagement continuing or recently initiated. Red = engagement stalling.

	Engagement objective or issue	Theme	Progress update (Momentum[5]/Status)
Freeport-McMoRan	To undertake a human rights impact assessment at the Grasberg mine in Indonesia.	Human rights SDG 5, 8, 16	Start date: Q3 2021 Freeport has faced on-going controversy related to alleged historic human rights abuses at its Indonesian mine – a JV with the Indonesian government. We asked the company to undertake a human rights impact assessment of the mine as part of strengthening its human rights due diligence. This was initiated in 2022 and completed in early 2024 by independent consultants, involving extensive consultation with stakeholders including local community representatives. The disclosed summary indicates that Freeport-McMoRan meets international best practice standards in key areas yet three areas for improvements were identified: gender, training and on-going stakeholder consultation. Freeport has committed to addressing these areas over the next few years.
Dabur	To establish a circular economy strategy	SDG 12	Start date: 2022 As a leading Indian consumer products company, Dabur is a significant user of plastic. Through our engagement, we encouraged it to set targets for reducing use of virgin materials in its packaging, in line with local and global peers. Unfortunately while the company seemed open to engagement, it was not proactive in addressing the material issues (both this objective and several others) we raised. We saw this as indicative of a wider failure of management and subsequently sold out of the stock.
NARI Technology	Establish a board-governed ESG platform that allows board members to discuss, define, and track ESG strategies and goals.	Board & Management Effectiveness SDG 16	Start date: Q1 2023 Through our engagement with the Board Secretary, we became aware that the board lacks a formal mechanism to oversee ESG strategy. We recommended an ESG committee at board level and shared examples of ESG governance at other companies. NARI since set up an ESG committee to embed ESG practices into its board processes.
Samsonite	Establish circular economy targets	Circular economy SDG 12	Start date: Q2 2021 The circular economy is clearly an important priority for Samsonite, and it has increased the percentage of products that use recycled or sustainable materials YoY but has yet to set an overall contextual target (eg. for the reduction in the use of virgin materials). We continue to engage on this.

[5] Green = Strong momentum with objective met or substantially met. Yellow = Good progress but engagement continuing or recently initiated. Red = engagement stalling.

Our Impact

In collaboration with **Net Purpose**, a leading London-based impact measurement company, we present the following impact data on a weighted and aggregated basis. These figures are our estimates of the impact of the companies we were invested in as at 30 April 2024 for FY 2023 (or the latest year for which data is available). In parallel, we present the year-on-year (YoY) percentage change in the aggregated impact for the portfolio and for those holdings that we have held for three or more years[6]. The impact calculations draw on data from company, sector and industry reports combined with analysis of academic research and other credible sources. We provide more contextual analysis for several key metrics (CO_2 avoided, conventional material production avoided, indirect job creation).

Since the estimates are based on company reported data, and we apply a cautious approach to impact attribution, there is likely to be an under-estimation in some cases. This is particularly the case in relation to financial inclusion where a number of our names are not disclosing sufficient detail to enable us to include their impact contributions. It is also the case for 'green metals', such as copper and aluminium, both of which are critical to the net-zero transition due to the need of these metals for electrification yet, due to methodological constraints, it is currently challenging to attribute 'avoided emissions' to them. We are engaging to encourage more disclosure by companies, while reviewing how attribution methodologies could reflect impacts more holistically.

		Total company aggregated impact	Total weighted impact[7]	YoY %[8]	Three-year holds: % three-year change[9]
Climate change	CO_2 avoided (MT)	24,600,167	89,427	8.3%	-44.97%[10]
	% of energy or electricity consumed, renewable	21.9%	21.9%	23%	23.6%
Water	Total water consumed or withdrawn (m^3)	576,542,835	1,649,532	16.7%	18.1%
	Water saved (m^3)	430,000,474	410,689	-33.3%	20.5%
Circular economy	Operational waste recycled %	57.6%	57.6%	2.1%	-2.8%
	Conventional material production avoided (MT)	136,032	393	66.6%	221.25%
Decent work	Employee turnover	16.7%	16.7%	-3.7%	-0.6%
	Incident rate[11]	9,185	27	-4.23%	-13.2%
Gender equality	% female board representation	22.3%	22.3%	13%	24.39%
	% senior manager representation	21%	21%	-0.4%	0.1%
	% female employees	36.2%	36.2%	0.6%	0.63%
Health & well-being	Number of patients treated	2,500,000	30,919	106.6%	60.2%
Financial & economic inclusion	Number of customers previously excluded	207,092,922	236,500	35.1%	40.1%
	Jobs supported – indirect	168,862, 531	263,901	10.2%	41.51%

6 The change in the metrics during the periods 2021-23 or 2020-22 depending on reporting cycles and latest available data.
7 Impact is 'weighted' according to size of the GEMs holding. Data is for the latest year where data is available, typically 2023. Where data is not yet available for 2023, Net Purpose calculates an estimated figure based on assumptions regarding growth, product sales etc.
8 YoY% change is the portfolio level change, reflecting any changes to portfolio composition.
9 Companies which do not disclose data for a particular metric are not included in the three-year change % figures.
10 99% of this decline in 'CO_2 avoided' is driven by our investment in Dutch tech investor Prosus which saw a significant decline in its re-commerce product sales between 2019 and 2021. Re-commerce sales contribute to 'CO_2 avoided' since they lead to reduced overall consumption (such as raw materials and energy for manufacturing).
11 An incident rate, or Total Recordable Incident Rate (TRIR), is a metric used to compare a company's safety performance against a national average for the same industry.

CO_2 emissions avoided

7 AFFORDABLE AND CLEAN ENERGY

SDG 7 Target 7.3 – by year 2030, double the global rate of improvement in energy efficiency

24.6 million tonnes of CO_2 avoided in 2023

This is a measure of the emissions avoided by products that reduce emissions released over the lifecycle of a product versus a conventional or less energy efficient product. On an aggregated level, the companies held in the GEMs Strategy in 2023 delivered over 24.6 million tonnes of avoided CO_2 emissions, an 8% increase YoY. There was a notable 45% decline in CO_2 avoided from companies held over three years driven almost exclusively by the steep drop in Dutch tech investor Prosus's re-commerce sales between 2019-2021 (see footnote 10).

Companies that made a strong positive impact in terms of CO_2 avoided include:

- **Delta Electronics** – designs and manufactures electric technologies that have significant potential to reduce final energy demand (due to higher efficiency versus fossil fuel-based alternatives) as well as allowing for a shift to renewable energy sources (eg. LEDs, EV DC chargers, and PV inverters, among others).
- **Samvardhana Motherson International (SAMIL)** contributes to avoided emissions through its sales of auto components which are essential for EV powertrains such as certain high voltage wiring harnesses and battery management solutions.[12]
- **Epiroc** (see case study adjacent) delivered avoided emissions through its electrical mining equipment.
- **Samsung Electronics** contributed an estimated 443,028 of CO_2 avoided through the sale of EPEAT certified smart phones in US and corresponding energy savings of these smartphones.[13] We have engaged Samsung on its Scope 3 emissions, encouraging it to set a target and to continue to work on reducing the carbon emissions of the use-phase of its products.

Other names with a significant impact include **LG Chem** (through its batteries business), **BYD** (through its EV products) and **Rumo** (given the CO_2 savings delivered by rail transport versus road haulage).

CASE STUDY

Epiroc

Focus on Epiroc

Stockholm-headquartered Epiroc manufactures industrial vehicles and equipment used in mining and construction projects. Electric mining trucks have been shown to greatly reduce GHG emissions over the vehicle's lifecycle, especially when powered by a low-carbon electricity mix, to greatly improve safety in underground mining operations, and to reduce ventilation and maintenance costs.

The company has been making battery electric mining vehicles for several years and continues to expand its offering. It also provides a battery conversion service to replace diesel engines in existing equipment with an electric battery system. Furthermore, it offers a suite of automation products which have been shown to improve both efficiency and safety onsite.

Epiroc continues to innovate and improve the productivity and safety of its products, as well as decreasing energy usage and cutting carbon emissions. The company views consulting with the wider industry as vital to achieving its goals, both with customers and suppliers to assess the use case, practical implementation and return on investment of more sustainable technologies.

The company is pursuing an ambitious strategy to require a 50% reduction of CO_2 equivalent emissions from relevant suppliers by 2030, which is encouraging wider decarbonisation across the industry. Epiroc is partnering with key suppliers to communicate its expectations and has already received positive responses. It recently entered into its first fossil-free steel agreement.

Epiroc recognises the importance of a circular economy model towards achieving global climate ambitions and reducing the environmental impact of the mining industry and has integrated a circular economy philosophy throughout its processes. As the company's equipment is often business-critical and used in harsh environments, the use of both consumables and spare parts is high.

As a result, the company provides mid-life upgrades and retrofitting services and focuses on enhancing product durability to reduce the use of virgin materials and increase product lifecycles without sacrificing efficiency.

Epiroc has industry-leading, SBTi-approved Scope 1, 2 and 3 decarbonisation targets in place and is already demonstrating material progress in achieving them (in addition to specific sub-category targets). Each target has a clear and detailed strategy for achievement, transparent progress reporting, and internal and external accountability processes in place, including annual KPIs for progress.

[12] Estimations of products and services are limited to the first year when the products and services were sold. Future emissions avoided over the lifetime of the products are not included, nor are the emissions avoided due to the products sold in previous years and still in use. This is based on the aggregate impact of the companies in the portfolio; the weighted impacts of the GEMs holdings are shown on page 10.

[13] Note that this most likely under-estimates the impact since it only accounts for US sales due to lack of data regarding energy saving properties of smart phones in other markets.

Conventional material production avoided

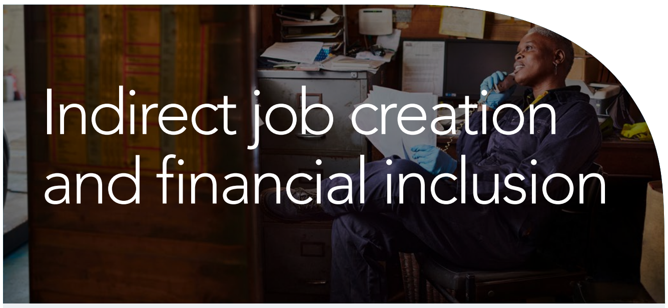
Target 12.5 – By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

136MT conventional materials avoided[14]

This is a measure of the material production avoided through circular measures including increasing use of sustainable materials (eg. recycled plastics, bioplastics), re-use initiatives and reducing overall material footprint for a given product. This is particularly pertinent given the increasing crisis in plastic waste (353 million tonnes in 2019 with only 9% being recycled) with resulting leaking into the rivers and oceans, causing harm to ecosystems and human health.[15] Plastics also cause other types of damage across their life cycle, including greenhouse gas (GHG) emissions caused by the use of fossil fuel feedstock, which accounts for 3.4% of global GHG emissions. Increasing the share of recycled plastic in production decreases the need for primary plastic and reduces GHG emissions.

The increased positive impact over three years was driven primarily by **Samsung Electronics** which raised the percentage of recycled resin used in its products from 4.3% in 2020 to 13.9% in 2022. It was also driven by **Samsonite** which increased its sales from products made (at least in part) by recycled materials to circa 34% of net sales in 2023 (up from 23% in 2022). We have actively engaged with Samsonite on this issue (see 'Engagement' section above) and continue to push for near-and mid-term targets to ensure the progress continues.

> **Increasing the share of recycled plastic in production decreases the need for primary plastic and reduces GHG emissions**



Indirect job creation and financial inclusion

Target 8.10 – Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Target 1.4 – By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources.

169m (indirect) jobs created

207m financial services for previously excluded people[16]

Small and medium-sized enterprises (SMEs) are a key driver of growth in emerging markets. They account for almost half of formal employment and contribute up to 40% of national income (GDP), even before informal SMEs are included.[17] However, SMEs face a huge funding gap. The International Finance Corporation previously estimated that the unmet demand for financing in the Micro, Small and Medium Enterprise (MSME) segment is worth US$5.2tn (of which micro finance gap is US$718.8bn).[18] Banks and other financial service companies that can provide loans that are tailored to SMEs have a crucial role to play in the growth of those businesses and in supporting local communities.

The aggregate impact of the names held over the last 12 months is calculated as 169 million jobs created and 207 million previously excluded people accessing financial services.[19] This is driven by Bank Rakayat Indonesia (BRI), ICICI Bank and Grupo Financiero Banorte.[19] BRI is a micro-finance provider in Indonesia, which is improving the lives of the poor and vulnerable segments in society by providing essential funding for micro-enterprises. While loan disbursement is now slowing down, in 2023, it reached almost 176 million previously under-served customers; and loans to MSME companies made up over 80% of the bank's total loan book.

[14] This is based on the aggregate impact of the companies in the portfolio; the weighted impacts of the GEMs holdings are shown on page 10.
[15] OECD (2022), Global Plastics Outlook: Economic Drivers, Environmental Impacts and Policy Options, OECD Publishing, Paris, https://doi.org/10.1787/de747aef-en. Pages 21 and 23. Tekman, M. B. , Walther, B. A. , Peter, C. , Gutow, L. and Bergmann, M. (2022): Impacts of plastic pollution in the oceans on marine species, biodiversity and ecosystems, 1–221, WWF Germany, Berlin. Pages 4 and 38.
[16] This is based on the aggregate impact of the companies in the portfolio; the weighted impacts of the GEMs holdings are shown on page 10.
[17] World Bank, April 2023. Small and Medium Enterprises (SMEs) Finance, Improving SMEs access to finance and finding innovative solutions to unlock sources of capital. World Bank SME Finance.
[18] International Finance Corporation (IFC). 2017. MSME Finance Gap, Assessment of the Shortfalls and Opportunities in Finance MSME in Emerging Markets.
[19] These calculations by Net Purpose are informed by academic studies that identify a correlation between MSME financing and job creation. In particular, a study by the International Finance Corporation which provides cross-country analysis estimates that USD1 million dollars in loans to SMEs in developing countries is associated with the creation of 16.3 additional permanent jobs on average over two years, compared to SMEs with no access to financing. On average, this is equivalent to 8.15 additional permanent jobs per year. Small Business, Big Growth, How investing in SMEs creates jobs (IFC March 2021).

CASE STUDY BY HAYLEY MCGUINNESS

Localiza

Headlines

- Localiza is a large Brazilian car-rental agency. Its fleet is made up of approximately 95% flex-fuel vehicles, which can be powered by gasoline and/or biofuels.
- The scientific consensus is that biofuels are significantly less emissions-intensive than the petrol/diesel alternative.
- While electric vehicles (EVs) offer a long-term pathway for the decarbonisation of passenger vehicles, biofuels offer a sustainable alternative in the short- and medium-term, as the EV industry increases penetration rates.
- Localiza is contributing to a sustainable transition for the road transport sector, particularly as Brazil is uniquely positioned to utilise this technology whereas other economies face barriers of entry to do so.

Flex-fuel vehicles: A lower carbon road transport technology

Flex-fuel vehicles can be powered by gasoline and/or biofuels. This allows consumers to opt for less emissions-intensive biofuels when refuelling their vehicle, which traditional car models do not allow.

The scientific consensus is that biofuels are significantly less emissions-intensive than the petrol/diesel alternative. For example, the US Office of Energy Efficiency and Renewable Energy found US corn ethanol has 44-52% lower GHG emissions than gasoline.[20]

Brazil is a leader in ethanol production and is encouraging its use in transport. The government mandates that gasoline sold in the country has a minimum blend of 27% ethanol. Consumers have the option of refuelling with this gasoline blend, 100% ethanol, or a blend of both at the pump. It is estimated that ethanol accounts for about 45% of consumption in flex-fuel cars in Brazil[21] – and flex-fuel vehicles account for 84.5% of auto sales in Brazil (June 2023).[22]

The government mandates that gasoline sold in the country has a minimum blend of **27%** ethanol.

In terms of air pollution, Brazil's sizable ethanol friendly flex-fuel fleet of vehicles allow it to produce a fraction of the roadway pollution of other countries its size.

Brazil's tailpipe emissions per capita are less than most developed economies and other large middle-income nations like Russia or Mexico. A flex-fuel Brazilian car made in 2020 will emit 16.7 tons of carbon dioxide over the course of its life, a fraction of the roughly 40-50 tons produced by traditional combustion engine cars in other major economies.

Comparison to electrification

While biofuels are superior to fossil fuels on emissions performance in this context, there is less consensus over the comparative 'well-to-wheel' emissions of an internal combustion engine (ICE) vehicle assumed to run on 100% biofuels for its lifetime, versus the 'well-to-wheel' emissions of an electric vehicle (EV). It remains an under-researched area, because of differing variables. Key considerations for EVs include battery production emissions intensity and grid emissions intensity during recharging. For biofuels, meanwhile, land-use change and deforestation risk, and food production conflict are important factors.

It is widely accepted that EVs offer a long-term pathway for the decarbonisation of passenger and light-duty vehicles around the world. However, in Brazil, biofuels offer a sustainable alternative in the short- and medium-term – supporting the decarbonisation of the country's road transport sector – as the EV industry slowly increases penetration rates (the uptake of EVs in Brazil face the challenges of limited infrastructure and high costs).

EVs comprise less than 0.5% of the market in Brazil as at June 2023[23]. EVs are not manufactured domestically and cost roughly twice the amount of the most affordable flex-fuel vehicle. Political lobbying, meanwhile, is firmly in favour of pro-ethanol policies.

It's worth adding that two of China's biggest carmakers are establishing operations to sell hybrid electric/flex-fuel models into the Brazilian market. This development may boost EV penetration rates and infrastructure development, while still accommodating the local flex-fuel preference.

[20] https://www.energy.gov/eere/bioenergy/articles/ethanol-vs-petroleum-based-fuel-carbon-emissions.
[21] IEA Advanced Motor Fuels Annual Report 2022 Brazil.
[22] Souza, D et al, Brazil's all-powerful sugar industry is souring the country on EVs, July 19 2023, Bloomberg.
[23] Souza, D et al, Brazil's all-powerful sugar industry is souring the country on EVs, July 19 2023, Bloomberg.

OUR VIEW

Localiza is a large Brazilian car-rental agency and its fleet is made up of approximately 95% flex-fuel vehicles. It reflects the wider market in Brazil, where approximately 85% of total auto sales are flex-fuel vehicles[24].

Localiza achieves a higher percentage of ethanol consumption in the operation of its fleet (70-80%) compared to the market average of 42-48%[25]. One reason is that its customers are incentivised to refuel using 100% ethanol when returning the vehicles, because it is generally cheaper.

Localiza's business model involves replacing rental vehicles every one to three years and selling used vehicles into the second-hand market.

The vehicles are originally purchased new from the original equipment manufacturers (OEM) and their quick resale should contribute to more affordable access of the latest and most efficient models across the Brazilian market.

While recognising Localiza's overall contribution to Brazil's decarbonisation through its flex-fuel fleet, we are encouraging the company to set its own net-zero targets. Localiza has joined the UN Net Zero Ambition Programme and is working on formal targets.

Localiza's business model involves replacing rental vehicles every one to three years and selling used vehicles into the second-hand market.

GEMs summary and next steps

The first half of 2024 has seen encouraging progress from GEMs equity holdings which have been responsive to engagement and share our vision that sustainability is an integral part of long-term value creation.

While the path is not always linear, many of these companies are aligning to net-zero targets and contributing to positive outcomes aligned with the UN Sustainable Development Goals (SDGs).

As we move into the second half of the year, a number of new governments are forming in important emerging economies following elections in India, Mexico and South Africa. While future policy direction will become clearer in the coming months, we remain positive about opportunities for quality and growth companies that show positive ESG momentum.

The GEMs Equity Strategy will continue to:

- Assess the physical and climate risks that our holdings face, with in-depth research into higher-risk names.
- Prioritise engagement with companies to future proof against medium- and long-term risks, particularly focusing on higher emitters in the portfolio.
- Evaluate our impact across a range of outcome metrics including CO_2 avoided, water saved and jobs created.

The next ESG Materiality report (2H 2024) will provide a detailed update on the climate risk assessments we are undertaking alongside an overview of our engagements and impacts.

As we move into the second half of the year, we remain positive about opportunities for quality and growth companies that show positive ESG momentum.

[24] IEA Advanced Motor Fuels Annual Report 2022 Brazil .
[25] Souza, D et al, Brazil's all-powerful sugar industry is souring the country on EVs, July 19 2023, Bloomberg.

The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Any investments overseas may be affected by currency exchange rates. Past performance is not a reliable indicator of future results and targets are not guaranteed.

Investments in emerging markets tend to be more volatile than those in mature markets and the value of an investment can move sharply down or up.

For professional investors only. This is a marketing communication. It does not constitute a solicitation or offer to any person to buy or sell any related securities, financial instruments or financial products. No action should be taken or omitted to be taken based on this document. Tax treatment depends on personal circumstances and may change. This document is not advice on legal, taxation or investment matters so investors must rely on their own examination of such matters or seek advice. Before making any investment (new or continuous), please consult a professional and/or investment adviser as to its suitability. Any opinions expressed may change. All figures, unless otherwise indicated, are sourced from Federated Hermes. All performance includes reinvestment of dividends and other earnings. Please consider all strategy characteristics when investing and not just ESG characteristics.

Federated Hermes refers to Federated Hermes Limited ("Federated Hermes"). The main entities operating under Federated Hermes are: Hermes Investment Management Limited ("HIML"); Hermes Fund Managers Ireland Limited ("HFMIL"); Hermes Alternative Investment Management Limited ("HAIML"); Hermes Real Estate Investment Management Limited ("HREIML"); Hermes Equity Ownership Services Limited ("EOS"); Hermes Stewardship North America Inc. ("HSNA"); Hermes GPE LLP ("Hermes GPE"); Hermes GPE (USA) Inc. ("Hermes GPE USA"), Hermes GPE (Singapore) Pte. Ltd ("HGPE Singapore"), Federated Investors Australia Services Pty Ltd. ("FIAS") and Federated Hermes Japan Ltd ("FHJL"). HIML, HAIML and Hermes GPE are each authorised and regulated by the Financial Conduct Authority. HAIML and HIML carry out regulated activities associated with HREIML. HIML, Hermes GPE and Hermes GPE USA are each a registered investment adviser with the United States Securities and Exchange Commission ("SEC") and HAIML and HFMIL are each an exempt reporting adviser. HGPE Singapore is regulated by the Monetary Authority of Singapore. FHJL is regulated by Japan Financial Services Agency. FIAS holds an Australian Financial Services Licence. HFMIL is authorised and regulated by the Central Bank of Ireland. HREIML, EOS and HSNA are unregulated and do not engage in regulated activity.

In the European Economic Area ("EAA") this document is distributed by HFMIL. Contracts with potential investors based in the EEA for a segregated account will be contracted with HFMIL.

Issued and approved by Hermes Investment Management Limited which is authorised and regulated by the Financial Conduct Authority. Registered address: Sixth Floor, 150 Cheapside, London EC2V 6ET. Telephone calls may be recorded for training and monitoring purposes. Potential investors in the United Kingdom are advised that compensation may not be available under the United Kingdom Financial Services Compensation Scheme.

In Australia: This Strategy Document relates to potential offer of financial products or investment opportunities in Australia (Investment opportunities). Both Hermes Investment Management Ltd (HIML) and Federated Investors Australia Services Ltd. ACN 161 230 637 (FIAS) are the distributors of the Investment opportunities. HIML does not hold an Australian financial services licence (AFS licence) under the Corporations Act 2001 (Cth) ("Corporations Act"). HIML operates under the relevant class order relief from the Australian Securities and Investments Commission (ASIC) while FIAS holds an AFS licence (Licence Number – 433831).

The offer of Investment opportunities only made in circumstances under which no disclosure is required under Chapter 6D and Part 7.9 of the Corporations Act. Nothing in this Strategy Document is, or purports to be, an offer to a person to whom disclosure would be required under Chapter 6D or Part 7.9 of the Corporations Act.

This Strategy Document is not a disclosure document under Chapter 6D of the Corporations Act or a product disclosure statement for the purposes of Part 7.9 of the Corporations Act. This Strategy Document has not been and will not be lodged with ASIC and does not contain all the information that a disclosure document or a product disclosure statement is required to contain. The distribution of this Strategy Document in Australia has not been authorised by ASIC or any other regulatory authority in Australia. In addition, the Fund is not a registered managed investment scheme, as defined in the Corporations Act.

This Strategy Document is provided for general information purposes only and is not intended to constitute, and does not constitute, the provision of any financial product advice or recommendation and must not be relied upon as such. This Strategy Document is not intended to influence a person in making a decision in relation to a particular financial product or class of financial products, or an interest in a particular financial product or class of financial products.

This Strategy Document has been prepared without taking account of your objectives, financial situation or needs and you should obtain independent professional financial advice that considers your circumstances before making any financial or investment decisions.

In Argentina: These materials and the information contained herein does not constitute and is not intended to constitute an offer and accordingly should not be construed as such. The products or services referenced in these materials may not be licensed in all jurisdictions, and unless otherwise indicated, no regulator or government authority has reviewed these materials, or the merits of the products and services referenced herein. These materials and the information contained herein has been made available in accordance with the restrictions and/or limitations implemented by any applicable laws and regulations. These materials are directed at and intended for institutional investors (as such term is defined in each jurisdiction in which these materials are being marketed). These materials are provided on a confidential basis for informational purposes only and may not be reproduced in any form. Before acting on any information in these materials, prospective investors should inform themselves of and observe all applicable laws, rules and regulations of any relevant jurisdictions and obtain independent advice if required. These materials are for the use of the named addressee only and should not be given, forwarded or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

In Bahrain: This document has not been approved by the Central Bank of Bahrain which takes no responsibility for its contents. No offer to the public to purchase the strategies will be made in the Kingdom of Bahrain and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

In Brazil: The strategies may not be offered or sold to the public in Brazil. Accordingly, the strategies have not been nor will be registered with the Brazilian Securities Commission – CVM nor have they been submitted to the foregoing agency for approval. Documents relating to the strategies, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of strategies is not a public offering of securities in Brazil, nor used in connection with any offer for subscription or sale of securities to the public in Brazil.

In Brunei: This document is intended for distribution only to specific classes of investors as specified in the Order and must not, therefore, be delivered to, or relied on by, a retail client. The Autoriti Monetari Brunei Darussalam is not responsible for reviewing any documents in connection with these strategies. Prospective purchasers of the strategy should conduct their own due diligence.

In Chile: Federated Hermes is not registered or licensed in Chile to provide managed account services and is not subject to the supervision of the Comisión para el Mercado Financiero of Chile ("CMF"). The managed account services may not be publicly offered or sold in Chile.

In China: This document does not constitute a public offer of the strategies in the People's Republic of China (the "PRC"). The strategies are not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the strategies or any beneficial interest therein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

In Colombia: This document does not have the purpose or the effect of initiating, directly or indirectly, the purchase of a product or the rendering of a service by Federated Hermes ("investment adviser") to Colombian residents. The investment adviser´s products and/or services may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia. The investment adviser has not received authorisation of licensing from the Financial Superintendency of Colombia or any other governmental authority in Colombia to market or sell its financial products or services in Colombia. By receiving this document, each recipient resident in Colombia acknowledges and agrees that such recipient has contacted the investment adviser at its own initiative and not as a result of any promotion or publicity by the investment adviser or any of its representatives. Colombian residents acknowledge and represent that (1) the receipt of this presentation does not constitute a solicitation from the investment adviser for its financial products and/or services, and (2) they are not receiving from the investment adviser any direct or indirect promotion or marketing of financial products and/or services.

In Hong Kong: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. The strategies are not authorised under Section 104 of the Securities and Futures Ordinance of Hong Kong by the Securities and Futures Commission of Hong Kong. Accordingly, the distribution of this document, and the placement of interests in Hong Kong, is restricted. This document may only be distributed, circulated or issued to persons who are professional investors under the Securities and Futures Ordinance and any rules made under that Ordinance or as otherwise permitted by the Securities and Futures Ordinance.

In Israel: This document has not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute "an offer to the public" under sections 15 and 15a of the Israel Securities Law, 5728-1968 ("the Securities Law") or section 25 of the Joint Investment Trusts Law, 5754-1994 ("the Joint Investment Trusts Law "), as applicable. The strategies are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum ("the Addendum") to the Securities Law, ("Sophisticated Investors") namely joint investment funds or mutual trust funds, provident funds, insurance companies, banking corporations (purchasing strategies for themselves or for clients who are Sophisticated Investors), portfolio managers (purchasing strategies for themselves or for clients who are Sophisticated Investors), investment advisors or investment marketers (purchasing strategies for themselves), members of the Tel-Aviv Stock Exchange (purchasing strategies for themselves or for clients who are Sophisticated Investors), underwriters (purchasing strategies for themselves), venture capital funds engaging mainly in the capital market, an entity which is wholly-owned by Sophisticated Investors, corporations, (other than formed for the specific purpose of an acquisition pursuant to an offer),with a shareholder's equity in excess of NIS 50 million, and individuals in respect of whom the terms of item 9 in the Schedule to the Investment Advice Law hold true investing for their own account, each as defined in the said Addendum, as amended from time to time, and who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority. This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases strategies is purchasing such strategies for its own benefit and account and not with the aim or intention of distributing or offering such strategies to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing strategies for another party which is a Sophisticated Investor). Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. As a prerequisite to the receipt of a copy of this document a recipient may be required by the Issuer to provide confirmation that it is a Sophisticated Investor purchasing strategies for its own account or, where applicable, for other Sophisticated Investors. This document does not constitute an offer to sell or solicitation of an offer to buy any securities other than the strategies offered hereby, nor does it constitute an offer to sell to or solicitation of an offer to buy from any person or persons in any state or other jurisdiction in which such offer or solicitation would be unlawful, or in which the person making such offer or solicitation is not qualified to do so, or to a person or persons to whom it is unlawful to make such offer or solicitation.

In Japan: Federated Hermes Japan Ltd is registered as a Financial Instruments Business Operator in Japan (Registration Number: Director General of the Kanto Local Finance Bureau (Kinsho) No. 3327), and conducting the Investment Advisory and Agency Business as defined in Article 28 (3) of the Financial Instruments and Exchange Act (FIEA). Federated Hermes Japan Ltd is acting as agent or intermediary for the conclusion of investment advisory contracts or discretionary investment contracts between affiliated companies within the Federated Hermes group and Japanese licensed discretionary investment managers, trust banks and other Japanese financial institutions. Federated Hermes Japan Ltd is a member of Japan Investment Advisers Association (JIAA). Reference to Federated Hermes in this material is not limited to Federated Hermes Japan Ltd, but includes group affiliates.

In Kuwait: This document is not for general circulation to the public in Kuwait. The strategies have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the strategies in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the strategies is being made in Kuwait, and no agreement relating to the sale of the strategies will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the strategies in Kuwait.

In The Sultanate of Oman: The information contained in this document neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued by Decision No.1/2009). Additionally, this document is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

In Peru: All content in this presentation is for information or general use only. The information contained in this presentation is referential and may not be construed as an offer, invitation or recommendation, nor should be taken as a basis to take (or stop taking) any decision. This presentation has been prepared on the basis of public information that is subject to change. This information may not be construed as services provided by Federated Hermes, Inc. within Peru without having the corresponding banking or similar license according to the applicable regulation.

In South Africa: This document is not intended and does not constitute an offer, invitation, or solicitation by any person to members of the public to invest. This document is not an offer in terms of Chapter 4 of the Companies Act, 2008. Accordingly this document does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

In South Korea: Hermes Investment Management Limited is not making any representation with respect to the eligibility of any recipients of this document to acquire the strategies therein under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The strategies have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the strategies may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

In Spain: This document is issued by Hermes Fund Managers Ireland Limited, Branch in Spain, with Fiscal Identity Number W0074815B, registered in the Mercantile Registry of Madrid, – Volume 40448, Book 0, Sheet 16, Section 8, Page M-718259, first registration, with domicile at Paseo de la Castellana 18, 7° planta, 28046 Madrid – Spain, and registered in the Comisión Nacional del Mercado de Valores with official registration number 36.

In Thailand: The document has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the strategies will be made in Thailand and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

In United Arab Emirates (Excluding Dubai International Financial Centre and Abu Dhabi Global Market): This document, and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates and accordingly should not be construed as such. The strategies are only being offered to a limited number of sophisticated investors in the UAE who (a) are willing and able to conduct an independent investigation of the risks involved in an investment in such strategies, and (b) upon their specific request. The strategies have not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE. The document is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in the UAE and any enquiries regarding the strategies should be made to Hermes Investment Management Limited in London.

In Uruguay: These materials and the information contained herein does not constitute and is not intended to constitute an offer and accordingly should not be construed as such. The products or services referenced in these materials may not be licensed in all jurisdictions, and unless otherwise indicated, no regulator or government authority has reviewed these materials, or the merits of the products and services referenced herein. These materials and the information contained herein has been made available in accordance with the restrictions and/or limitations implemented by any applicable laws and regulations. These materials are directed at and intended for institutional investors (as such term is defined in each jurisdiction in which these materials are being marketed). These materials are provided on a confidential basis for informational purposes only and may not be reproduced in any form. Before acting on any information in these materials, prospective investors should inform themselves of and observe all applicable laws, rules and regulations of any relevant jurisdictions and obtain independent advice if required. These materials are for the use of the named addressee only and should not be given, forwarded or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof).

BD014142 0017462 07/24

Federated Hermes
Limited

Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

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

All activities previously carried out by Hermes Investment Management are now undertaken by Federated Hermes Limited (or one of its subsidiaries). We still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important strategies from the entire group.

Our investment and stewardship capabilities:

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

For more information, visit **www.hermes-investment.com** or connect with us on social media: