SDG Engagement Equity

Hamish Galpin
Lead Manager

Will Pomroy
Lead Engager

2024 H1 Report

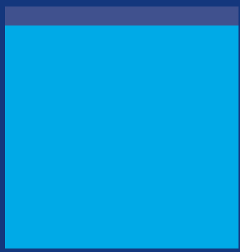
Federated Hermes Limited

www.hermes-investment.com
For professional investors only

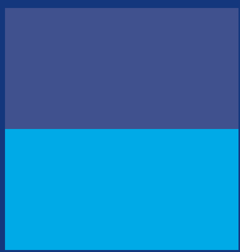
Federated Hermes SDG Engagement Equity H1 2024 highlights

91 **Engagement actions** carried out in H1 2024

92% of portfolio companies were engaged



50% of companies made progress with objectives



Purposeful engagement is arguably the principal mechanism through which investors can have an influence with their investee companies.

In H1 2024, our engagements were focused proportionately:

54% social issues and objectives

23% environmental issues and objectives

17% governance issues and objectives

6% other strategic issues and objectives

The most intensively engaged Sustainable Development Goals (SDGs) were:

8 DECENT WORK AND ECONOMIC GROWTH **67%** of engagement actions

13 CLIMATE ACTION **24%** of engagement actions

5 GENDER EQUALITY **23%** of engagement actions

3 GOOD HEALTH AND WELL-BEING **21%** of engagement actions

While sentiment may ebb and flow over time, there is no doubt that the future will be green – by necessity.

Total meetings voted: **45**

Number of meetings voted against management on at least one resolution: **33%**

Source: Federated Hermes, as at 30 June 2024.

Contents

The information in this report does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

Engagement introduction H1 2024

Will Pomroy Lead Engager

Rumours about the death of ESG have been grossly exaggerated

In 2019, the Business Roundtable, an association of America's leading companies' CEOs, radically redefined its statement of the Purpose of a Corporation to include a "fundamental commitment to all our stakeholders" – which included everyone from customers, employees, suppliers and communities to shareholders. It was signed by 181 CEOs.

Fast forward five years. In 2024 we have seen a large US oil and gas company sue its own shareholders; while several other large global companies have made a public virtue of reversing, diluting or ditching previously established ESG targets.

Meanwhile, environmental, social and governance (ESG) fund flows have plateaued (reversing in the US while staying modestly positive in Europe, according to Morningstar[1]). A number of articles have suggested the ESG trend has run its course.

On top of this, the United Nations (UN) Sustainable Development Goal 2024 report sets out how progress on nearly half of the SDG targets are showing minimal or moderate progress, and progress on over one third has stalled or gone in reverse.[2]

Just **17%** of the SDG targets are on track at the half-way stage

It is certainly true that anti-ESG sentiment has heightened scrutiny of companies and investors alike. Moreover, some of the scepticism is deserved. It has, in many ways, encouraged an awakening and a maturing of the market – a development which should ultimately be welcomed.

As responsible investors, it's important that all the sustainability claims we make are credible and we focus on the issues that matter. The same should be expected of companies. In practice, the ESG topics that were material to long-term value creation back in 2018 are likely to be even more material in 2024.

The values that the 'ESG' acronym stands for – such as being a good steward to the planet, treating employees equitably, ensuring supply chains operate ethically, and making sure boards oversee their responsibilities properly – remain deeply important to consumers, shareholders and regulators alike.

While sentiment may ebb and flow over time, there is no doubt that the future will be green – by necessity. To get there, substantial investments will need to be made and many manufacturing processes and product designs will require an overhaul.

While sentiment may ebb and flow over time, there is no doubt that the future will be green – by necessity.

1 Global Sustainable Fund Flows: Q2 2024, Morningstar.
2 The Sustainable Development Goals Report, 2024.

In some instances, the technologies needed to decarbonise are readily available, but significantly faster rates of deployment are required.

In other cases, such technologies are not commercially viable at the present time and will require cross-industry collaboration to trial, develop and scale. In both scenarios, a concerted focus is required today if we are to effectively utilise these technologies tomorrow.

Similarly, while diversity, equity and inclusion (DEI) topics have become politically contentious in some parts of the world, the reality remains: populations in developed markets are ageing and skills gaps are growing.

In the meantime, the Covid-19 pandemic and subsequent cost-of-living crisis have exacerbated a range of pre-existing social inequalities.

In light of these many challenges, the need has grown for companies to:

a) maximise the pool of talent they recruit from, and

b) invest in the development of the talent at their disposal.

In an economy increasingly dominated by intangible value, it's important to remember that human capital remains one of the few appreciating assets available to any company.

The UN SDG progress report cited earlier should sound alarm bells – and we should collectively hear and respond to them.

The wider ESG industry may be experiencing something of a collective hangover, but we remain undistracted. Our focus remains consistent: to deliver on our dual objectives of strong investor returns and positive impact. Moreover, we remain more convinced than ever that these dual objectives are not competing, and are mutually supportive.

Building on progress

We thank our investors for entrusting us with their capital. We strongly believe in the benefits of active investment, both in the sense of actively choosing where to invest and in the sense of being actively engaged with those companies in which we do invest.

To re-orientate our economies, we believe it is necessary to work with a wide range of companies. Change is not straightforward, it takes time, and it is rarely linear. However, through ambition and perseverance, we are confident we can collectively play our part.

Through this report we provide colour on the ongoing, mostly constructive, dialogues we have been having with our investee companies. We hope you enjoy reading our activity overview for H1 2024 and welcome feedback as we seek to raise our own ambitions as well as those of the companies in which we invest.

> **We thank our investors for entrusting us with their capital. We strongly believe in the benefits of active investment, both in the sense of actively choosing where to invest and in the sense of being actively engaged with those companies in which we do invest**

Investment commentary H1 2024

Hamish Galpin Lead Manager

The Strategy returned 0.22% in the first half, underperforming the benchmark[3] which rose 2.83%. Performance has been markedly different in each quarter, with phases closely aligned with quarter-end dates.[4]

The first quarter started with the market in an optimistic mode driven by the expectation of rate cuts. It benefited a number of our holdings, notably US cement and plasterboard maker Eagle Materials, UK housebuilder Vistry, and US life and health insurance provider Reinsurance Group of America.

The big underperformer in the quarter was French semiconductor material supplier Soitec, which, like many of its peers, struggled with excess inventories in its forward supply chain.

In the second quarter, expectations that rates would not drop as much as had been expected – or not even drop at all – caused a marked shift in sentiment.

Consumer Discretionary, Industrials and Real Estate all struggled, and, given that a number of our larger holdings are in these sectors, this shift affected the Strategy.

Exposure to housing-related companies was a notable contributor. Our Consumer Discretionary holdings include Vistry and Japanese housebuilder Open House; industrials include US conglomerate Fortune Brands and US building products group Simpson Manufacturing. Overall, the Strategy underperformed by 462bps in the second quarter.

Looking at the first half as a whole, the Strategy underperformed its benchmark by 261bps. Outperformance by the Consumer Staples stocks, such as Japanese supermarket group Yaoko, a long-term holding, more or less offset the underperformance by Consumer Discretionary stocks.

It was Information Technology sector holdings that hit performance the most – led by Soitec in Q1 – as well as US semiconductor group Silicon Labs, which experienced the same supply chain issues, and Japanese precision equipment manufacture Horiba (which gave up some of the gains that saw its share price double between November 2023 and March 2024).

We are well aware that the Strategy has interest rate exposure and is pro-cyclical – i.e. that it is positively exposed to falling rates, given its structural overweight to Industrials and Materials (and corresponding underweight in Information Technology and Financials).

This is the area where we have the most work to do in terms of engagement; it also helps differentiate us from many other sustainability-led strategies.

However, the scope of this exposure – as reflected in Q2's performance – is greater than it has been in the past, or so it seems.

We think this is due to the increased sensitivity of the market overall to interest rate movements, rather than to any change to the characteristics of the portfolio.

The holdings that contributed to performance are all long-term holdings for the Strategy. (We had hoped that the end of artificially low interest rates would bring more rationality back to the market, but that now seems a rather optimistic hope!)

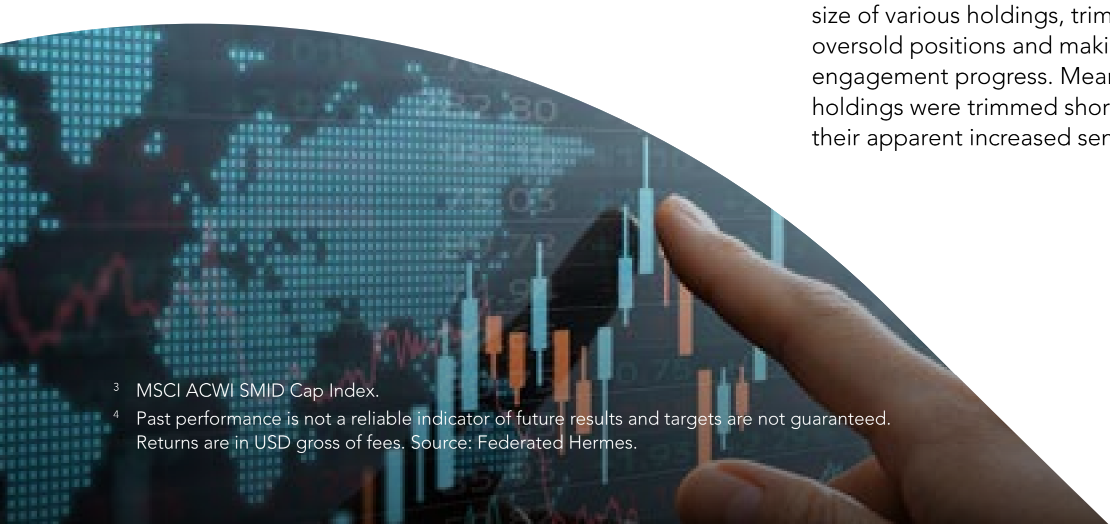
While the underperformance in Q2 is material, it is of an order of magnitude that we have seen in the past (albeit in 2012 in the Global Small Cap Equity Strategy, which the team also manages.)

Fortunately, at the time of writing this report (August 2024), and with the prospect of a US rate cut this year looking ever more likely, we have recovered more than half that H1 underperformance.

Activity in the quarter was limited to one disposal and various adjustments to the portfolio. We sold out of US utility Alliant – after playing a role in accelerating its decarbonisation drive – and had less engagement work to do once it had achieved its targets.

We also supported medical glove maker Ansell in its fundraising efforts ahead of the purchase of US multinational Kimberly-Clark's personal protective equipment (PPE) business. It was a key strategic acquisition for the company.

Additional activity during the quarter focused on tweaking the size of various holdings, trimming outperformers, adding to oversold positions and making adjustments based on engagement progress. Meanwhile, a few consumer-exposed holdings were trimmed shortly after the quarter-end in light of their apparent increased sensitivity to rates.



3 MSCI ACWI SMID Cap Index.

4 Past performance is not a reliable indicator of future results and targets are not guaranteed. Returns are in USD gross of fees. Source: Federated Hermes.

Climate transition and engagement

The scale of the challenge posed by climate change is now well documented. We know that last year was by far the warmest on record[5] and the UK Met Office forecasts the global temperature for 2024 to be potentially warmer still[6].

Meeting the goals of the 2015 Paris Agreement requires a complete transformation of the economy, radically reducing global greenhouse gas (GHG) emissions. It is an enormous and expensive task, putting the climate at the forefront of economic models – and therefore, investment outcomes – in the decades ahead. The targets set out by the Paris Agreement cannot be met unless investors play their part in enabling and incentivising change.

> **The targets set out by the Paris Agreement cannot be met unless investors play their part in enabling and incentivising change.**

Role of investors

More than 325 asset managers representing over US$57tn of assets have signed up to the Net Zero Asset Managers Initiative – and Federated Hermes Limited is among them[7]. Within public equities, investors can adopt varying approaches:

i) Ditching 'emitters' and investing in companies that generate 'green' revenues.

ii) Shifting investments from higher- to lower-emitting companies within sectors.

iii) Engaging with portfolio companies to catalyse and accelerate implementation of decarbonisation strategies.

In the first two approaches listed above, the investors' emissions – in terms of their carbon footprint – should reduce, but overall real-world emissions will remain unchanged.

In the third approach listed, portfolio emissions may be higher for longer, but real-world emissions should over time reduce.

One can characterise low emissions portfolios as meaning that, at best, the investor will have a clean portfolio in a dirty planet.

The first set of approaches, where portfolios are tilted towards sectors with relatively lower emissions, may be fully de-linked from real-world decarbonisation. There is a risk that with portfolio carbon footprint metrics gaining more attention, we reward actions that ultimately make little real difference.

- Many sectors that are currently high emitters are crucial to enabling the green transition.
- Most real economy emissions reductions will come from currently high-emitting companies.

We need to get our hands dirty

There is self-evidently a significant need for primary capital allocation to support the growth and scaling of innovative technologies. In the case of public equities, there is a benefit to lowering the cost of capital for such companies, however, in many situations the additionality delivered through secondary market investing may be questionable.

Purposeful engagement is arguably the principal mechanism through which investors can have an influence with their investee companies. This still has caveats, namely:

a) Recognising that not all companies and industries will be receptive to engagement. Many of the highest emitting sectors will still exist, and likely remain vitally important, in a net-zero economy. Others will not. Therefore, engagement should not be used as a fig leaf to enable 'investing as usual'.

b) Success requires a combination of pragmatism, patience and perseverance. Change worth seeking is worth waiting for. Change, however, typically requires capital expenditure and results will not be immediate. Patience and support are needed.

c) What matters most are the emissions reductions rather than the establishment of policies and targets. That is not to suggest that the latter are unimportant. Targets frame the decarbonisation strategy and enable accountability. However, we should avoid focusing disproportionately on form over substance.

The IEA's Tracking Clean Energy Progress report[8] assesses the progress towards the Net-Zero-Emissions-by-2050 scenario across 50 components. Of these, it suggests only solar PV, electric vehicles and lighting in buildings is on track. Furthermore, the reports note that industries such as chemicals and cement are off-track as is transport and the development and adoption of low-emission fuels.

[5] NOAA's National Centers for Environmental Information (NCEI).
[6] 2024: First chance of 1.5 °C year – Met Office.
[7] **The Net Zero Asset Managers initiative** is an international group of asset managers committed, to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. The Net Zero Asset Managers initatve – An internatonal group of asset managers commited to supportng the goal of net zero greenhouse gas emissions.
[8] Tracking Clean Energy Progress 2023 – Analysis – IEA.

Our approach – higher emissions today for lower emissions tomorrow

By selecting companies that are higher emitters today, but that can improve, we set out not only to drive emissions reductions in the Strategy over time, but to create change in the real world.

Investors' net-zero commitments need to be met, and it is clear that shifting to low-emissions portfolios will only pay lip-service to the ultimate goal of real-world emissions reductions. Working with the higher emitters is, in our view, a far more effective way to bring about the change we need.

Reflecting on the need to focus investment stewardship towards those parts of the economy that have the greatest need to accelerate development of decarbonisation strategies, the Federated Hermes SDG Engagement Equity Strategy has been structurally overweight energy intensive industries since inception.

We also recognise, however, that engagement with certain sectors by itself is unlikely to result in meaningful change – and real progress is more likely to derive from regulatory amendments and shifts in customer demand.

- **As of July 2024, the Strategy is meaningfully overweight Industrials and Materials.**

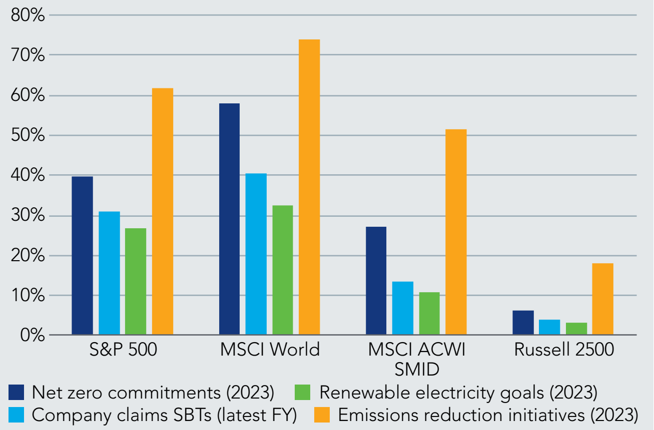
We are looking for companies that have an ongoing role in a low-carbon economy, but which can benefit from engagement to embolden and accelerate their green transition as well as enhance their efforts to communicate their strategy – and the execution thereof – to the market.

We believe that, through our engagement, we can help expedite emissions reductions, and that this will enhance the resilience – and sustainable future success – of the investee companies.

Focusing on SMIDs

In addition to focusing on higher emitting industries, the Strategy is also SMID-focused because this area of the market has the greatest potential for improvement. As evidenced below, fewer small- and mid-cap (SMID) companies set net-zero goals than larger companies. The US, in particular, offers unique improvement opportunities and it is no surprise that the Strategy's principal emitter[9] is a US cement company.

Figure 1: Corporate climate target setting[10]



Source: Bloomberg, July 2024.

CASE STUDY

Eagle Materials

Eagle Materials is the second-largest domestic-only US cement producer – producing approximately 6% of total US clinker[11] capacity[12].

The issue

Cement is the key ingredient in concrete, which is the world's most common building material. It is also the most used material in the world after water. Unfortunately, however, cement manufacturing is inherently carbon intensive.

According to the IEA, the sector will need to reduce annual CO_2 intensity by 4% through to 2030 if it is to get on track with the Net-Zero-Emissions-by-2050 (NZE) scenario. Measures to reduce emissions include the reduction of the clinker-to-cement ratio through the adoption of supplementary cement materials (SCMs), the adoption of low-carbon fuels, and the capture of residual CO_2 emissions.

The engagement

We have engaged with Eagle's management more than 20 times since 2018. The company has not, as yet, set science-based emissions reduction targets and those targets it has set are, we believe, far too conservative. However, Eagle is taking steps to reduce its clinker content, including scaling supply of low-carbon supplementary cementitious material. Likewise, it is allocating capital to improve the efficiency of its plants. This includes the US$430m announced in May 2024 for its Wyoming based plant which will bring about a 20% reduction in carbon intensity during production. Finally, the company is collaborating with Chart Industries (in which we are also invested) to pilot its Cryogenic Carbon Capture technology – a technology that has the potential to reduce emitted carbon emissions by 90-99%[13].

Outlook

Eagle Materials has taken a number of positive steps, but a marked improvement is still required – in terms of its own production and across the industry at large – if this essential commodity is to support rather than hinder national and global efforts to achieve net-zero emissions.

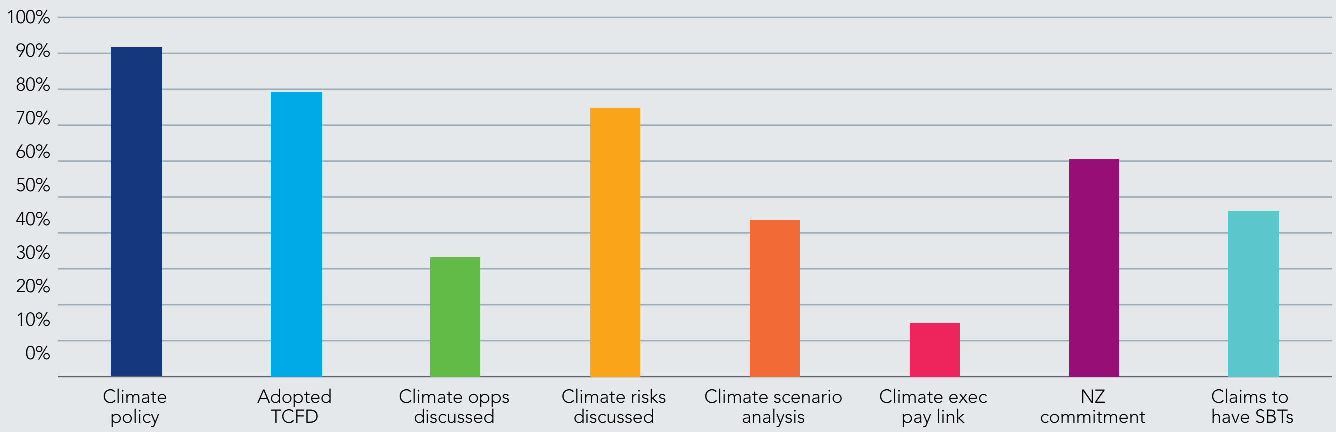
[9] On a scope 1 and 2 basis.
[10] Data obtained from Bloomberg, July 2024 for the periods stipulated.
[11] **Clinker** is the backbone of cement production. It is essentially a mix of limestone and minerals that have been heated in a kiln and have been transformed by this heat.
[12] Company reports.
[13] Eagle Materials press release.

Progress

Pleasingly, when looking at our portfolio today[14], we can reflect on the progress made with many of our more carbon intensive holdings. Equally, we are very cognisant that much more needs to be achieved. For this reason, our climate-orientated engagement focus with these holdings will remain a priority and our expectations of them will increase.

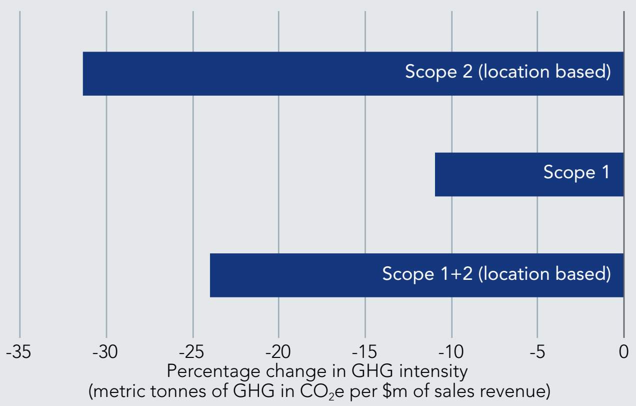
In addition, reflecting on the progress made with some businesses, we continue to look for fresh investment opportunities which present the twin potential for generating investment returns and meaningful emissions reductions – the latter over the long-run reinforcing the potential for the former.

Figure 2: Proportion of portfolio companies today meeting various expectations



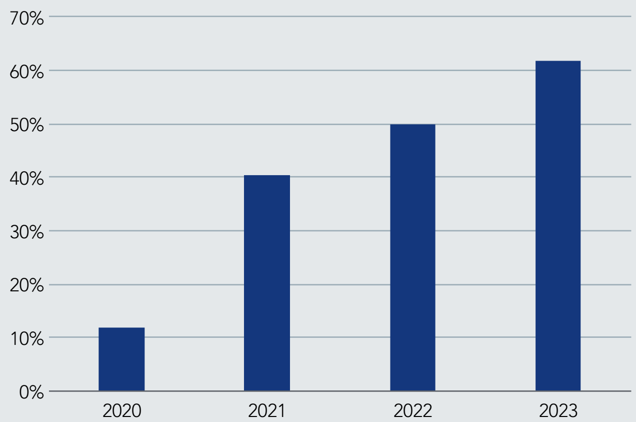
Source: Company reports/Federated Hermes.

Figure 3: SDG Engagement Equity – median three-year GHG intensity reduction



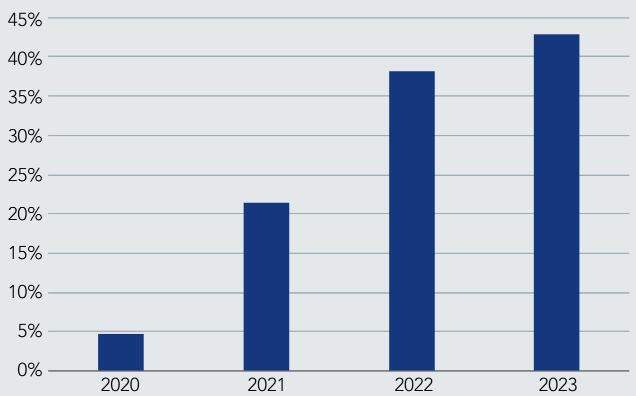
Source: Company reports/Federated Hermes.

Figure 4: Net-zero targets among names held three-plus years



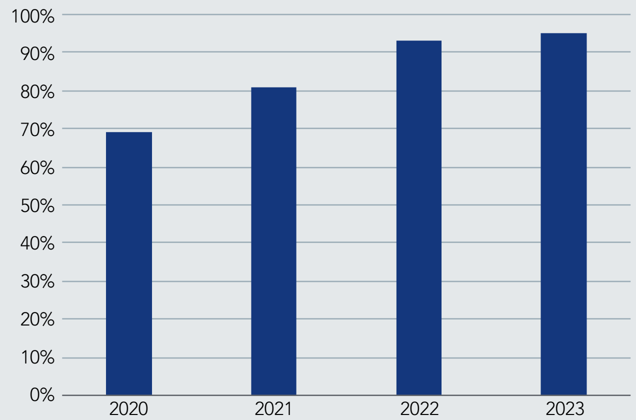
Source: Company reports/Federated Hermes.

Figure 5: Science-based targets among names held three-plus years



Source: Company reports/Federated Hermes.

Figure 6: Climate policy among names held three-plus years



Source: Company reports/Federated Hermes.

[14] Data obtained from Bloomberg, July 2024.

Mental health-focused engagement

Lucy Revill Engagement Manager

The context

The Covid-19 pandemic, the cost-of-living crisis, and an increase in economic uncertainty – coupled with limited mental health support – have led to a rise in mental health problems in many countries around the world.

As we highlighted in our 2023 H1 report, there is a compelling argument that company management should prioritise employee mental health on an economic basis – as well as a moral one.[15]

In England alone, the financial loss linked to mental health is estimated to exceed £110bn every year because of factors such as staff turnover, presenteeism[16], economic inactivity and sickness absence.[17]

In contrast, recent research suggests that companies with a more supportive work culture can outperform a comparative benchmark by 2-5% over a 20-year period.[18]

Here, legislation has a role to play. In France, a law introduced in 2017 gives employees the 'right to disconnect' from their job and ignore work-related emails and calls outside office hours. In the UK, the new Labour government plans to introduce similar guidelines as part of efforts to improve workers' rights.

Meanwhile, through our engagement, we seek to encourage practices that promote employee wellbeing and contribute to a positive workplace culture.

The benchmark

Back in 2023, we pledged to ask management about mental health in the workplace. Since then, we have researched evidence-led initiatives, undertaken an extensive benchmarking exercise and commenced engagement with companies where employee mental health is material.

Our initial review of company disclosures indicated that the most common practices included provision of employee assistance programmes (EAPs), counselling services, stress management training and measures to promote a healthy lifestyle. However, research from the University of Oxford suggests that the benefit of such measures may be limited.[19]

In early 2024, we undertook two benchmarking exercises across all of the companies in the Strategy, using an external benchmark methodology as a baseline. Following this, we developed our own evidence-based benchmark, which narrowed down the criteria, and focused on the companies where we felt the challenges related to mental health could be particularly material (companies which rely on frontline workers, for example).

We also reviewed annual reports and websites to find out how many of the companies met some or all of the following criteria.

- Existence of visible leadership at the highest level (through a statement or actions by the CEO);
- Whether the company had an EAP so employees have access to employer-funded counselling;
- Whether the company has line manager training on mental health (or mental health first aider training);
- Whether the company measures, or has some kind of KPI system in place, to assess the progress of its wellbeing programme;
- Whether the company has a specific mental health policy;
- Existence of documented acknowledgement of a link between financial wellbeing and mental health.
- Whether an organisation can do more than simply conduct an engagement survey to measure culture and engage with employees from a top-down level.

We chose these criteria – with their emphasis on organisational change – with care. This is because workplace mental health interventions often seek change at the individual behavioural level, despite formal recommendations[20] and evidence supporting the effectiveness of organisational change and work redesign on improving worker wellbeing.[21]

15 Evidence from Deloitte shows for every £1 put into mental health by employers, there is a £5 return on investment. Deloitte (2022), 'Mental health and employers: the case for investment – pandemic and beyond', online at www2.deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-ukmental-health-report-2022.pdf

16 **Presenteeism** refers to the lost productivity that occurs when employees are not fully functioning in the workplace because of an illness, injury, or other condition. Even though the employee may be physically at work, they may not be able to fully perform their duties and are more likely to make mistakes on the job.

17 Federico Cardoso and Zoe McHayle (2024), 'The economic and cost of mental ill health: review of methodology and update of calculations.' Online at https://www.centreformentalhealth.org.uk/publications/the-economic-and-social-costs-of-mental-ill-health/www.centreformentalhealth.org.uk/wp-content/uploads/2024/03/CentreforMH_TheEconomicSocialCostsofMentalIllHealth-1.pdf

18 Edmans, Alex, 'Grow the Pie', Cambridge University Press (2020).

19 Flemming, William J. 'Employee well-being outcomes from individual-level mental health interventions: Cross-sectional evidence from the United Kingdom', Industrial Relations Journal, Vol 5, Issue 2, pp 162-182, (2024) online at https://onlinelibrary.wiley.com/doi/10.1111/irj.12418, retrieved 20 June 2024.

> **Many of the management teams we have spoken to have made it clear that employee mental health has become a priority.**

Hence, our benchmark compared only evidence-backed initiatives that focused on changing the workplace and culture, and excluded those initiated by a worker themselves (such as stress training or meditation apps).

Subsequently we wrote to approximately half of our investee companies – which we assessed as having higher risk regarding workplace mental health for employees, setting out our engagement thesis.

The response

As of H1 2024, we have had an 80%[22] response rate, indicating a readiness to talk about mental health. While some companies responded with a summary of their existing programmes, many others sought out a constructive dialogue with us on the topic.

This year we have had dozens of conversations with management at investee companies, allowing us to develop further insights and helping us build a more detailed picture – which we have used to update our benchmark.

It's reassuring to witness the curiosity and enthusiasm many of our holdings have for this topic. Companies offered top senior leaders to speak to us, such as the CEOs from Chart Industries, Burckhardt Compression and Aalberts and the chief human resources and people officers from Aptar, Breedon and PTC. It is clear that many companies are doing more than simply paying lip service to the issue, and are making changes that meaningfully affect employees.

We believe that emotional resilience is closely linked to other issues that the SDG Engagement Equity Strategy continues to raise – such as paying a living wage.

At the end of the day, there's no point in offering employees' wellbeing benefits if they are working in a poor environment or are under constant work-induced stress.

It is one of the reasons we suggested to Finnish food packing group Huhtamaki that it look into offering income advance schemes to its workers (as other holdings have done). The benefit enables an employee to access a portion of their pay cheque for the upcoming month in advance to help address any short-term financial pressures, without affecting their credit file. The benefit helps many employees avoid relying on high-interest credit. According to research, users of this benefit reduce their reliance on credit and debt products while employers see a reduced number of leavers and an increase in employee engagement.[23]

The benefit has been introduced at a number of our holdings and executives have expressed their surprise to us at the higher-than-expected uptake, indicating the economic challenges that many employees are facing.

Future focus

At the conclusion of this calendar year, we will review the results of the benchmark and analyse the information our engagements have uncovered. We will also assess whether there has been a step change since the commencement of our engagement. We acknowledge, however, that investor engagement is not a quick fix, and our work will not stop there.

We intend to keep building on this theme and establish practicable asks borne out of reasonable expectations, as well as geographic realities.

We will also look in more detail at a company's employee value proposition, including the relative generosity of the benefits it offers. For example, how much paid annual leave is taken in Japan or made available in the US? Is paid parental leave available and is it taken? We will also deepen our discussions with management to indicate our support for organisational-level initiatives such as improvements in management practices, scheduling changes or available staff resources.

We have been encouraged by the strong start to this engagement theme. Many of the management teams we have spoken to have made it clear that employee mental health has become a priority. Nonetheless, we are aware that we are at the beginning of a process and we look forward to drawing further conclusions in the 2024 annual report.

[20] National Institute for Health and Care Excellence (NICE). (2022). Mental wellbeing at work (NICE Guideline NG212).

[21] Fox, K. E., Johnson, S. T., Berkman, L. F., Sianoja, M., Soh, Y., Kubzansky, L. D., & Kelly, E. L. (2022). Organisational- and group-level workplace interventions and their effect on multiple domains of worker well-being: A systematic review. Work & Stress, 36(1), 30–59.

[22] While we also wrote to other companies outside our portfolio, this number is specific to SDG Engagement strategy holdings.

[23] Wage Stream White Paper, 'Unlocking the Pay Cycle Wagestream' (2023), https://wagestream.com/en/resources/financial-wellbeing-research-whitepaper-unlocking-the-pay-cycle, retrieved on 8 August 2024.

Engagement in numbers

2024 H1 engagement overview

Total companies at period end
48

Engaged companies
44

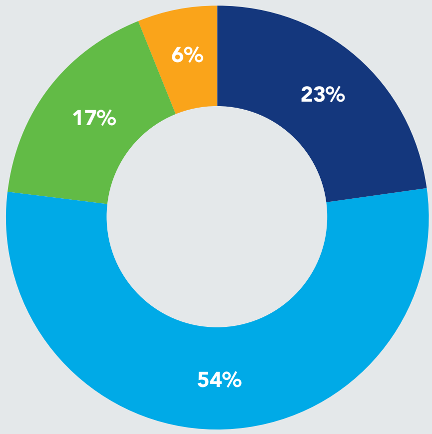
% companies engaged
92%

Total engagement actions
91

% of companies with progress on objectives
50%

% objectives with progress
24%

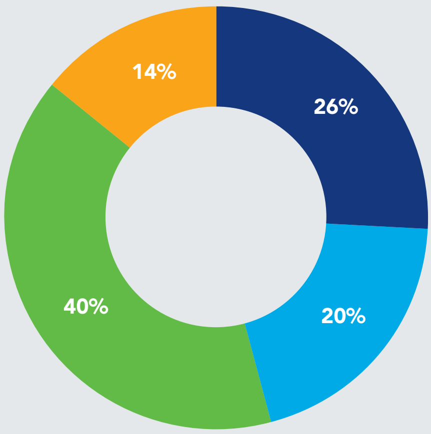
Figure 7: Proportion of engagement actions (H1 2024)



Environmental Social Governance Other strategic issues

Source: Federated Hermes, as at 30 June 2024.

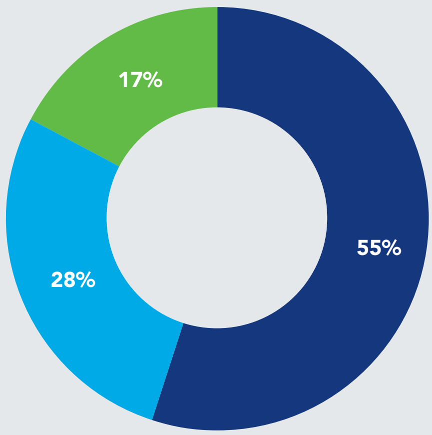
Figure 8: Split of social objectives and issues engaged (H1 2024)



DEI and innovation Employment terms and conditions
Health, safety and wellbeing Human and labour rights

Source: Federated Hermes, as at 30 June 2024.

Figure 9: Split of environmental objectives and issues engaged (H1 2024)



Climate change Circular economy Natural resource stewardship

Source: Federated Hermes, as at 30 June 2024.

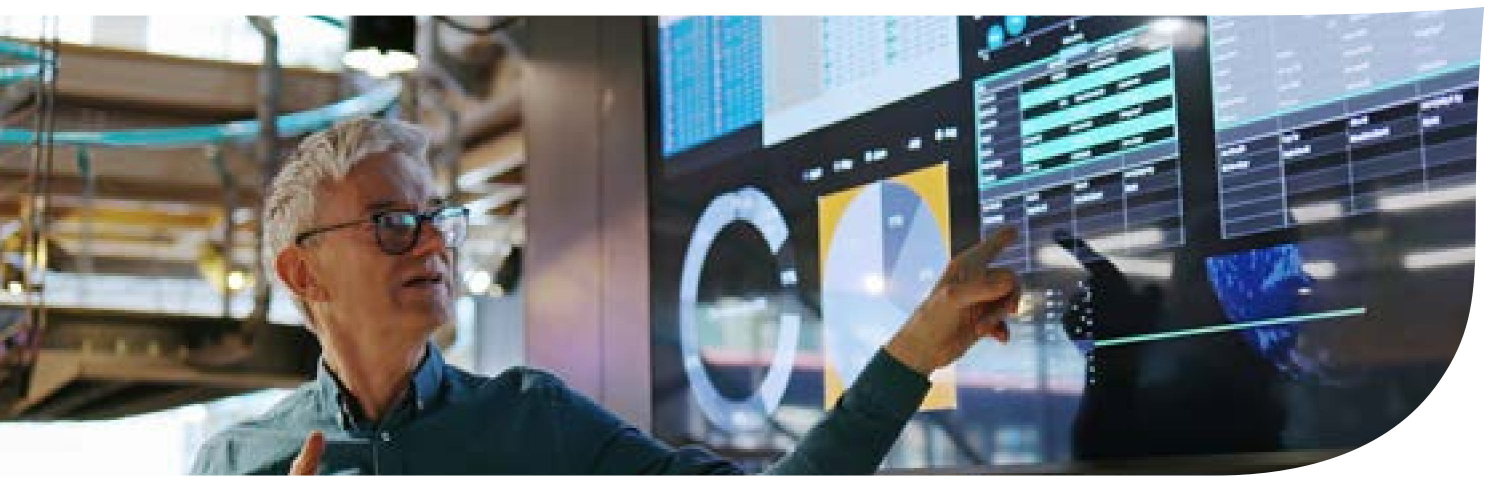
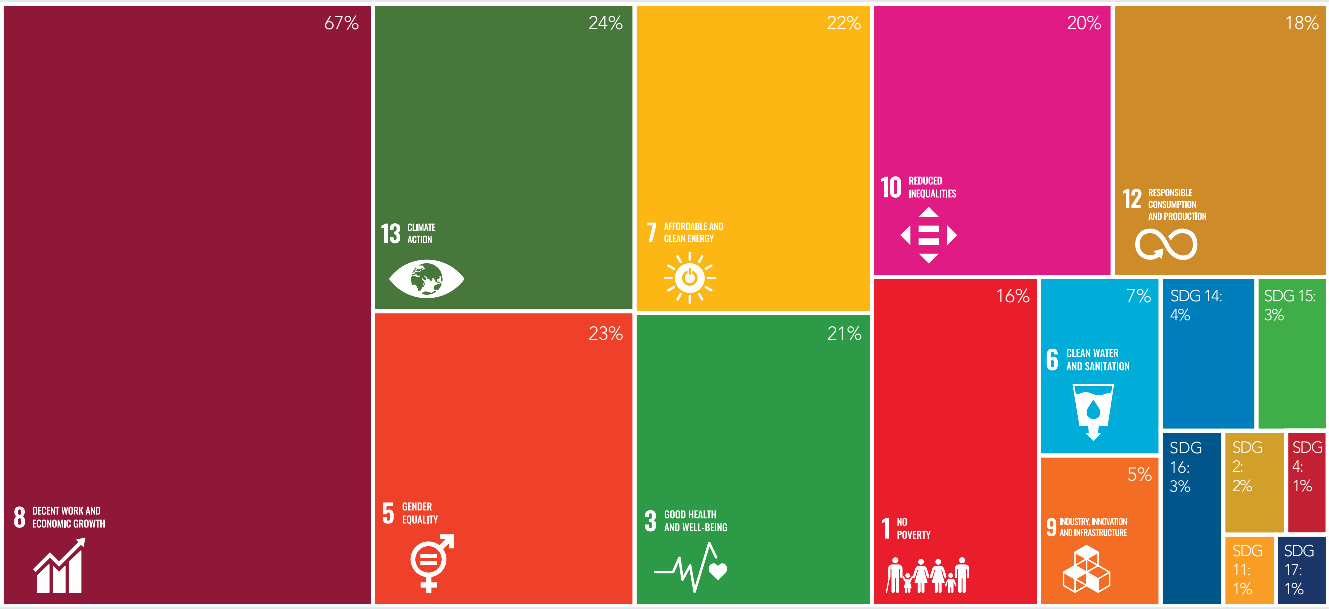


Figure 10: Percentage of actions touching each SDG in H1 2024



Source: Federated Hermes, as at 30 June 2024.

Voting

Across the SDG Engagement Equity Strategy during H1 2024:

- There were 45 company general meetings.
- Federated Hermes voted against management on at least one resolution at 33% of these meetings.

Voting highlight

At the 2024 AGM of UK housebuilder Vistry Group, we voted against the re-election of the CEO Greg Fitzgerald (20.7% opposition) as well as the election as director of Usman Nabi.

As we explained in our 2023 annual report, we have been concerned at the deterioration in governance at Vistry over the last 18 months. During that period several experienced independent non-executive directors resigned or retired from the board – including the outgoing chairman Ralph Findlay. At the same time, the influence of a small group of large US shareholders has been significant. In early 2024 it was further announced that CEO Greg Fitzgerald was to become joint CEO and Chair at the AGM adding to concerns we have about board oversight and good corporate governance.

We engaged with the CEO in the run up to the AGM and have had further engagements since then. We have welcomed the frank and candid dialogue. A senior independent director has been appointed with clear terms of reference and we will engage with him later in the year. We also expect further non-executive director appointments. In the meantime, the business continues to perform very well, illustrating that our concern is not with the strategy but the risk of insufficient oversight during a period of significant change.

Selected engagement highlights

Europe

Trelleborg (Swedish engineering group)

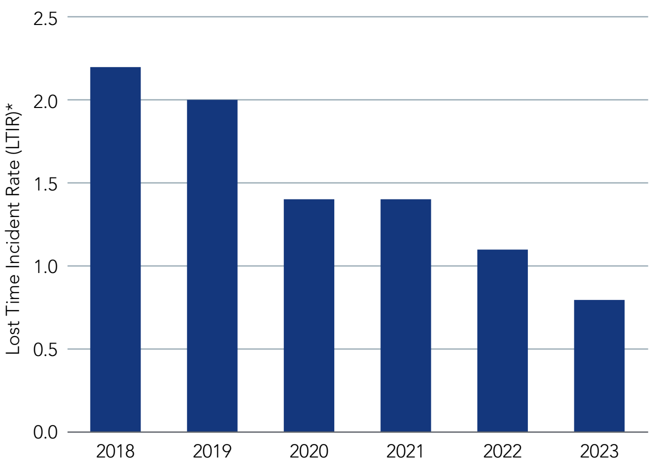
After selling its agricultural tyres business, Trelleborg's carbon emissions have significantly reduced, and it has met its 2025 emissions reduction target two years early. In turn, the company has established new emission reduction targets – **halving its Scope 1 and 2 emissions by 2030 and reducing its Scope 3 emissions by 25% over the same period.**

Our engagement initially focused on the human rights risks associated with the company's natural rubber sourcing. Since the divestiture of its agricultural tyres business, Trelleborg's primary sustainability risks have shifted towards its upstream Scope 3 GHG emissions, in particular its oil-based input material.

As a result, our engagement focus has shifted. We are now urging the company to invest adequately into its research and development regarding recycled and bio-based materials – this will necessitate close collaboration with suppliers to identify scalable solutions. To that end, it is positive to note the company has a target for **25% recycled or bio-based raw materials by 2030.**

Human capital remains a core focus of our engagement. In recognition of the evolving footprint of the business, we have been discussing pay and conditions at the company's newly-acquired subsidiary Minnesota Rubber & Plastics. We have also been asking the company to focus on workplace mental health as part of its wider health and safety programme reflecting the need for improved, standardised policies in this area. Trelleborg's management continues to be receptive to engagement and we anticipate a levelling up of human capital management practices, in particular health and safety, at the newly-acquired operations.

Figure 11: Trelleborg lost time incident rate[24]



*LTIR: Number of incidents resulting in lost time from work (per 200,000 hours worked or per 100 employees) assuming 40 hour work week and 50 weeks per year. Source: Company reports.

Burckhardt Compression (Swiss industrial compressor manufacturer)

Burckhardt employs approximately 3,300 people – across Switzerland, India, the US, South Korea and China.

The company has expanded its footprint in recent years – particularly in China and India – and we have focused our engagement on their human capital practices in these regions, and questioned whether it is doing enough to support employee wellbeing.

As outlined earlier in this report, wellbeing is a key topic for our engagements in 2024. We wrote to Burckhardt's CEO asking about the company's approach to promoting and safeguarding workplace mental health.[25] The letter led to a meeting with Burckhardt's CEO who has been open and responsive on this issue.

We discussed how employee wellbeing should be prioritised on a global and regional level and how it can contribute to reduced staff turnover. In addition, we discussed how differing cultural attitudes towards wellbeing can necessitate varying approaches to the subject, depending on the region.

Burckhardt is in the process of developing its strategy around staff wellbeing and has welcomed our input. It has pledged to consider line manager training; incorporate grassroots committees sponsored by senior leadership; and to ensure its existing programmes are more visible in its reporting.

In the meantime, the company has increased sales of 'green' compressor systems. 'New energy' applications – including for green hydrogen projects and solar panel applications – contributed more than a quarter of system sales in FY 2023.[26]

In addition, the company has fleshed out its target to double its 'revamp and repair' services activity by 2027. It has launched BC Activate, a tailored programme to enhance the sustainability and reliability of all compressor systems, including other brand compressors.

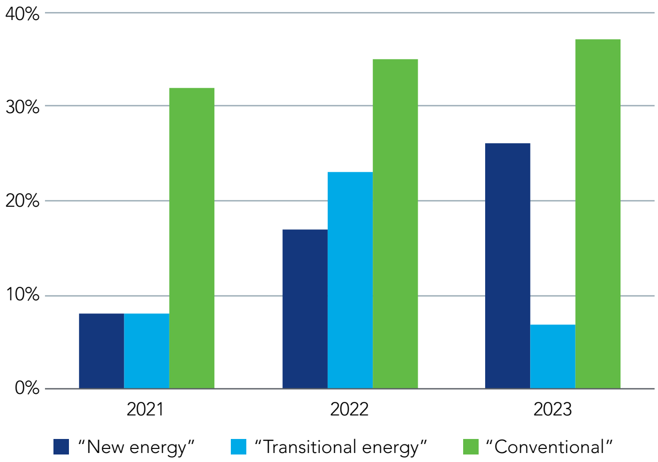
As **99% of compressors' GHG emissions occur in the use-phase**, this should help its customers achieve their own sustainability targets and reduce their carbon footprint.

[24] **Lost Time Incident Rate:** number of incidents resulting in lost time from work, per 200,000 hours worked or per 100 employees, assuming employees work 40 hours per week and 50 weeks per year.

[25] Evidence from Deloitte shows for every £1 put into mental health by employers, there is a £5 return on investment. Deloitte (2022), 'Mental health and employers: the case for investment –pandemic and beyond', online at www2.deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-ukmental-health-report-2022.pdf

[26] Company reports.

Figure 12: Burckhardt 'green' compressor system revenue



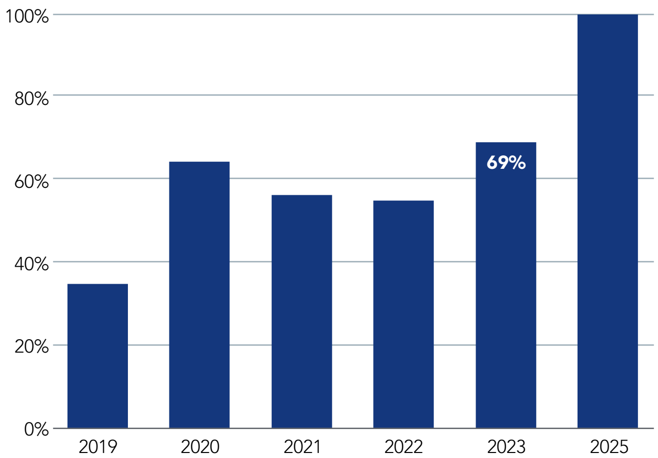
Source: Company reports.

United States

AptarGroup (US consumer and pharmaceutical packaging group)

Aptar manufactures and sells consumer dispensing products for a range of sectors. The company has long championed the need for the packaging industry to move beyond the 'make, use and dispose' practices that continue to be common. Aptar has set itself a target to ensure 100% of its packaging is recyclable, compostable or reusable by 2025.

Figure 13: Aptar: increasing propotion of its products that are recyclable, reusable or compostable



Source: Company reports.

In 2023, more than 69% of Aptar's (non-pharma) products were recyclable, reusable or compostable. Subsequent product innovations – such as the fully recyclable mono-material pump and its SimpliCycle recyclable valve– should significantly increase this percentage in 2024.

While Aptar's progress is laudable, the pace of progress across industry as a whole has been much slower.

Many of Aptar's largest customers had also set 100% recyclability targets, which have subsequently proven to be unrealistic. A number of high-profile consumer goods companies have reset their sustainable packaging targets this year. Unilever, for example, is now aiming for a 30% reduction in virgin plastic usage by 2026, and has pushed back its target date for when 100% of its packaging will be recyclable, compostable or reusable to 2030 (for rigid solutions) and 2035 (for flexibles).

While the pace of progress on addressing plastic pollution has not met previous hopes, the United Nations is expected to deliver a legally-binding agreement on plastics pollution by the end of 2024. This global plastics treaty, we hope, will reinvigorate a wider focus on this agenda.

Japan

Yaoko (Japanese supermarket group)

In November 2023, we wrote to Yaoko's president and reiterated our concerns about the lack of progress in improving gender diversity at the company.

As an example, we noted that the number of female managers had not increased over the previous four years (remaining at about 6.5%).

In response, Yaoko arranged a meeting with the company's sole female independent director (Asako Saito). She agreed that progress had been limited amid various challenges. However, she assured us that the company has stepped up its focus on diversity and human capital management. She added that she was pushing the board to set clearer goals and interim objectives in this area, which aligned with the requests in our letter.

Yaoko has subsequently raised its target for the number of female managers in its organisation and is now aiming for 20% female managers by 2030 (doubling its previous target) and is looking to increase its male childcare leave uptake to 85% (from 13% in 2022). These positive steps are welcome.

Rolling year performance (%)

Composite rolling year performance

	30/06/2023 to 30/06/2024	30/06/2022 to 30/06/2023	30/06/2021 to 30/06/2022	30/06/2020 to 30/06/2021	30/06/2019 to 30/06/2020
Federated Hermes SDG Engagement Equity (%)	8.57	17.40	-16.51	40.11	-7.81

Source: Federated Hermes as at 30 June 2024. Composite inception date: 1 January 2018. Returns are in USD gross of fees. The information shown is supplemental to the GIPS® compliant composite report provided in the Appendix.

Past performance is not a reliable indicator of future results.

GIPs Composite

Composite:
Federated Hermes SDG Engagement Equity

Index:
MSCI AC World SMID (net)

Periods ending
30/06/24

Annualised returns (%)

	Composite gross return	Index	Composite net return
Q2 24	-6.68	-2.06	-6.85
YTD	0.22	2.83	-0.16
1 Year	8.57	10.71	7.76
3 Years (Annlzd)	2.10	-0.34	1.33
5 Years (Annlzd)	6.57	7.07	5.69
Jan-18 - Jun-24 (Annlzd)^^	5.81	5.42	4.91

Annual returns (%)

	Composite gross return	Composite net return	Benchmark return	*Composite 3-Yr St Dev	*Benchmark 3-Yr St Dev	Number of Portfolios	**Dispersion	Composite Assets (mil)	Firm Assets (bil)
2018	-11.56	-12.40	-13.80	N/A	N/A	<5	N/A	308.7	32.0
2019	27.40	26.19	25.37	N/A	N/A	<5	N/A	605.3	40.2
2020	8.39	7.36	15.67	20.93	21.44	<5	N/A	1,389.4	585.7
2021	18.82	17.81	16.24	19.99	20.14	<5	N/A	2,259.4	634.2
2022	-18.12	-18.74	-18.72	22.79	22.89	<5	N/A	1,501.8	627.4
2023	21.26	20.35	16.02	18.83	17.80	<5	N/A	1,551.9	720.0

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

*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.

**Standard deviation is calculated using gross returns. Standard deviation is not applicable (N/A) for any period if fewer than five accounts are in the composite for that period.

The composite includes all discretionary portfolios following the SDG Engagement Equity strategy run by the Federated Hermes Small & Mid Cap Equity team (London Office) and has an inception date of 1 January 2018. The objective of the strategy is to provide long-term capital appreciation alongside delivering positive societal impact aligned to the United Nations Sustainable Development Goals (the "UN SDGs"). The benchmark is the MSCI AC World SMID (net) Index, which is designed to measure the equity market performance of all countries and covers all large and mid-market capitalization securities. The benchmark is market-cap weighted and rebalanced on a quarterly basis. The return is calculated on a total return basis net of withholding tax. This composite was created in February 2018. 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 March 31, 2024. 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 0.95% 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.

Federated Hermes is a global, independent, multi-strategy investment management firm. For GIPS® purposes, Federated Hermes is defined to include the assets of registered investment companies that are advised or sub-advised by the various Federated Hermes advisory companies. Effective September 30, 2020, for GIPS® purposes the name of the firm was officially changed to Federated Hermes. Firm assets on this report exclude assets affiliated with Hermes GPE and the advisory-only, model-based assets that may be included in other reports providing total firm assets. Interest income and dividends are recognized on an accrual basis. Returns include the reinvestment of all income. All market values and performance information are valued in USD unless currency is denoted in composite description. Annual composite dispersion is measured and presented using the asset weighted standard deviation of the gross returns of all of the portfolios included in the composite over the entire year. See the composite description language for a discussion on appropriate fees currently applied to calculate composite performance. Net composite results are based off model fees using the stated fee schedule. In addition, further fee information can be obtained from the firm's respective Forms ADV Part 2 Brochure Item 5. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS® reports, as well as a complete list and description of the firm's composites and pooled funds is available upon request. Past performance is not indicative of future results. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.

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.

Investing in smaller/medium sized companies may carry higher risks than investing in larger companies.

The Strategy has environmental and/or social characteristics and so may perform differently to other strategies, as its exposures reflect its sustainability criteria.

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. Whilst Federated Hermes has attempted to ensure the accuracy of the data it is reporting, it makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information reported. The data contained in this document is for informational purposes only, and should not be relied upon to make investment decisions. Federated Hermes shall not be liable for any loss or damage resulting from the use of any information contained on these pages. 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"), Federated Hermes Japan Ltd ("FHJL") and Federated Hermes (UK) LLP ("FHUK"). FHUK, 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. FHUK, 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 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 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 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 Canada: HIML is not registered in Canada as a dealer, adviser or investment fund manager under applicable Canadian securities laws. Except for the provinces of Alberta, British Columbia, Ontario, Quebec and Nova Scotia, HIML does not engage in the business of, and none of its activities should be construed as holding itself out as engaging in the business of, advising anyone in any Canadian jurisdiction with respect to investing in, buying or selling securities. In the provinces of Alberta, British Columbia, Ontario, Quebec and Nova Scotia, HIML relies on the international adviser registration exemption pursuant to section 8.26 of National Instrument 31-103– Registration Requirements, Exemptions and Ongoing Registrant Obligations. Prior to carrying on any investment advisory or portfolio management services for a client located in a Canadian jurisdiction other than Alberta, British Columbia, Ontario, Quebec or Nova Scotia, HIML will first need to take certain steps to either obtain the appropriate registration or rely on an available exemption from registration.

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 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).

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 Saudi Arabia: The document is provided at your request. This document is only available to (i) Authorised Persons, (ii) Exempt Persons or (iii) institutions. The strategy is not registered in Saudi Arabia

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).

BD014421. 0017697 08/24.

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.

Our investment and stewardship capabilities:

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

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

SAI GLOBAL
ISO 14001
Environmental