

A large blue gantry crane stands prominently in the center of the image, its structure silhouetted against a dramatic sky with orange and grey clouds. The crane is situated on a wet, reflective surface, likely a port or industrial yard. In the background, other port infrastructure, including a red container ship and various cranes, are visible under the same sky.

Federated Hermes Infrastructure

TCFD report

December 2024



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Executive summary





Executive summary

Portfolio decarbonisation in numbers

23%

decrease in scope 1 and 2
financed emissions over last
3 years

~40%

of scope 1 and 2 financed
emissions aligned with 1.5°C

>60%

of scope 1 and 2 financed
emissions aligning to 1.5°C
or committed to net zero

~80%

of portfolio by NAV
deploying significant
capex into energy transition

At Federated Hermes Infrastructure, we recognise that climate-related risks and opportunities (CRROs) are complex variables with the potential to significantly erode or enhance returns. We therefore integrate their consideration throughout the investment lifecycle and seek to understand how they interact with key value drivers.

Infrastructure investment is by its nature concerned with large, real assets with a physical footprint where returns are often linked to delivering a reliable, resilient service. Acute and chronic climate hazards potentially threaten delivery of this service. Our investments are often embedded in the currently emissions-intensive economy, potentially resulting in risks to business models as policy and technology bring changes to the operating environment. Managing these risks and opportunities effectively for our investors is core to our fiduciary duty and therefore we have taken an approach aligned with the recommendations of the TCFD.

We continue to evolve and improve our integration of all ESG (Environmental, Social and Governance) factors into the investment process.

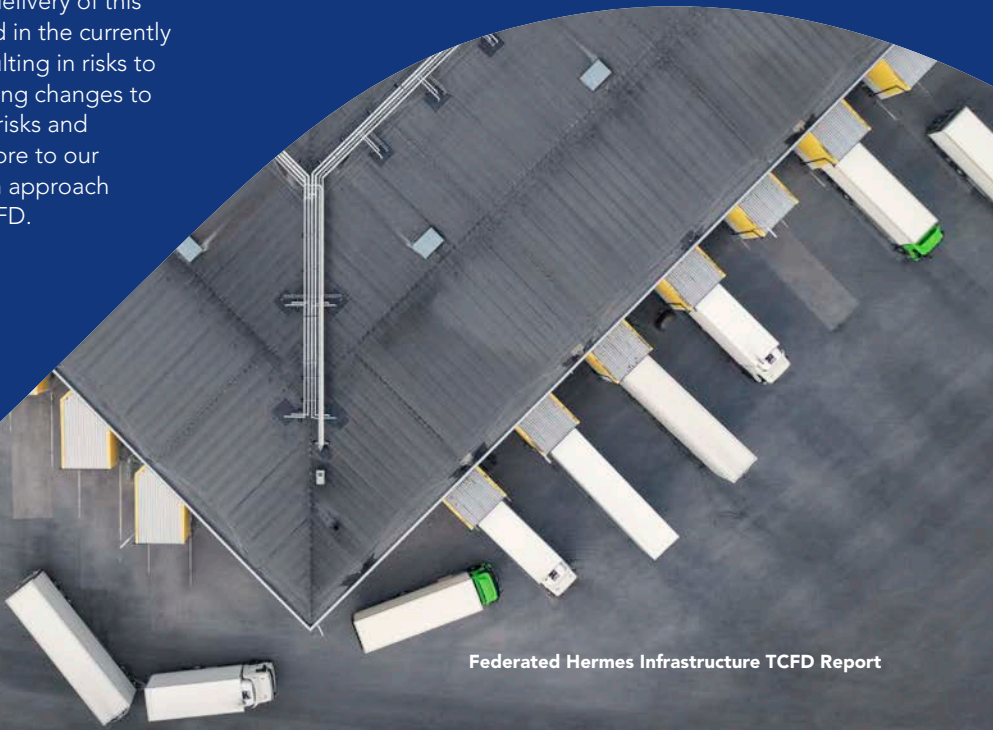
We achieved a score of **97/100**

equating to a 5 star rating in the 2023 Principles for Responsible Investment (PRI) Infrastructure assessment.



We have also been monitoring certain nature-related data for our investments since 2019, and in 2024 we committed to assess the nature-related impacts, dependencies, risks and opportunities for the portfolio by 2026. This will enable greater understanding and integration of the overlap of nature and climate-related risks. Through this approach and our role as a financial institution, we seek to contribute to the transition to a low-carbon and nature-positive economy.

This manager-level Task Force on Climate-related Financial Disclosures (TCFD) report sets out how we incorporate CRROs into our Governance, Strategy, Risk Management, and Metrics and Targets in line with the TCFD guidance, including the additional Guidance for Asset Managers. The objective of this report is to provide an overview of the team's approach to addressing CRROs, following the requirements of an "entity-level report" as denoted in the Financial Conduct Authority's PS21/24 policy statement. Further firm-level climate-related disclosure information can be found in the Federated Hermes Limited [TCFD report](#).





Governance – We utilise a dual approach with our Head of Infrastructure and Infrastructure Investment Committee (IIC) ultimately responsible for CRRO management, while also embedding our governance and management processes in those of Federated Hermes Limited. This allows us to leverage climate change and sustainability expertise across the firm, including that of EOS at Federated Hermes Limited (EOS).

Strategy – We root our strategy in detailed portfolio and investment opportunity analysis, which includes climate scenario analysis conducted with leading consultancy Environmental Resources Management (ERM) and deep-dive research on identified risk factors such as emissions pricing. From this foundation we integrate CRROs into our active asset management and prioritise adequate oversight of sustainability performance in our board roles. Our engagement principles and sustainability expectations for our investments are derived from a bespoke Infrastructure approach based on the EOS stewardship model.

Risk Management – The integration of CRROs analysis throughout the investment lifecycle starts with assessing prospective investments against a proprietary ESG Materiality Matrix, which then informs the use of targeted due diligence to understand identified risk factors and potential opportunities. If an investment is completed, then the ESG risk assessment informs our post-acquisition 100-day plan and targets sustainable value creation through ongoing asset management.

Metrics and Targets – Our approach to CRROs is guided by our headline target for all investments to be aligned with the 1.5°C goal of the Paris Agreement, which we assess using an internally developed Paris Alignment Test. We track the performance of all investments against this goal and on a set of wider ESG KPIs that we report to our investors. This feedback informs our engagement objectives and strategy for each business. Additionally, in 2024 our Infrastructure Investment Committee approved a commitment to assess nature-related impacts, dependencies, risks and opportunities by 2026 and disclose our findings.

Sustainability through our history

Federated Hermes Inc (Federated Hermes) is a US-listed asset manager established in 1955 and currently managing \$800.5 billion¹, of which almost \$20 billion¹ is managed by the Federated Hermes private markets platform, which began more than 40 years ago with the launch of its alternative investment program.

Established in 2011, Federated Hermes Infrastructure is the infrastructure investment arm of the private markets platform.

Federated Hermes Infrastructure has

\$3.0 billion

of assets under management¹ and a track record investing in hard to access, well-established businesses offering essential services to society

Federated Hermes Limited (FHL), including the private markets platform, acquired by Federated Hermes Inc in 2018, is a global leader in active responsible investment.

Since leading the drafting of the UN PRI in 2006, FHL has had a strong focus on sustainability as an essential factor in long-term wealth creation. In 2021 it joined the Net Zero Asset Managers Initiative and set out a [climate action plan](#) centred on targets for aligning its portfolios with the Paris Agreement. Building on this, it joined the Finance for Biodiversity foundation and has committed to assess nature-related risks and opportunities across portfolios.

FHL leverages its world-leading stewardship service EOS, which advises on \$2.1 trillion in assets¹ for global institutional investors and delivers corporate engagement and proxy voting advice on strategic, risk and ESG issues.

At FHL, ESG and sustainability factors are deeply integrated into the investment and risk management processes and covered by the [Sustainability Risks Policy](#).

We track the performance of all investments against our Paris Alignment target and on a set of wider ESG KPIs that we report to our investors

¹ As of 30 September 2024.



Governance



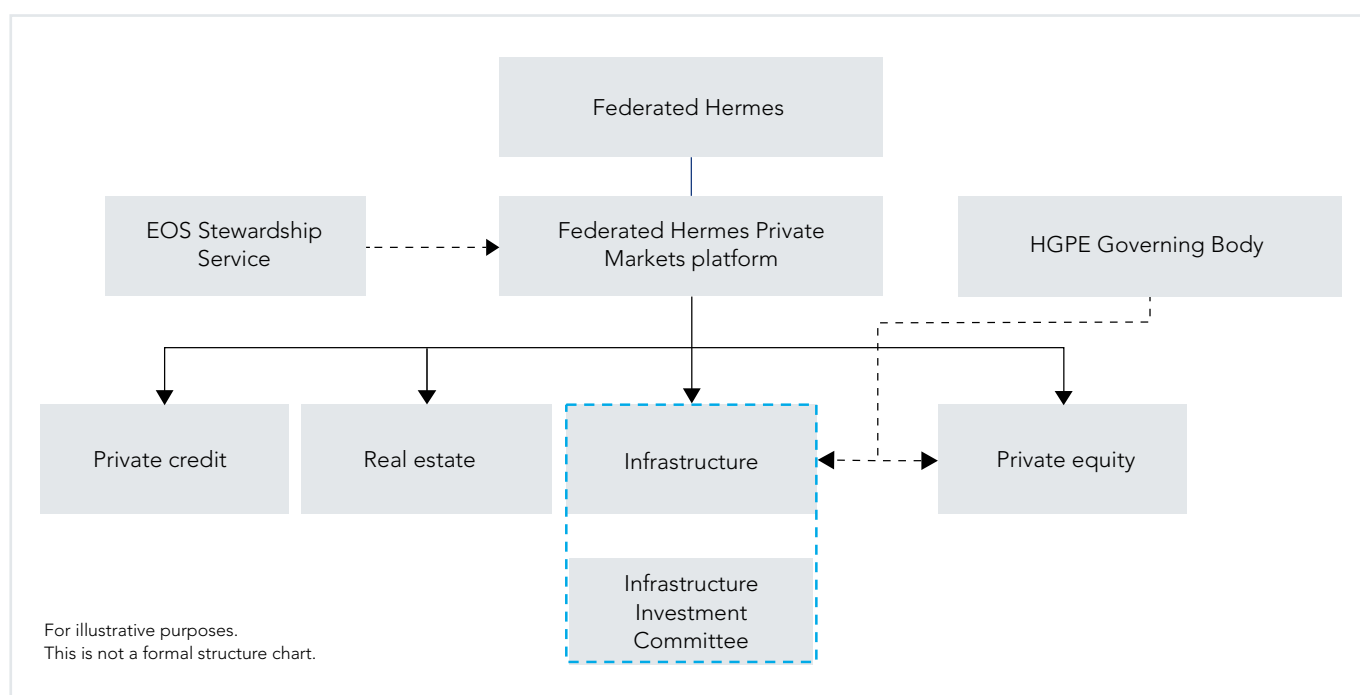
Governance

2.1 Governance Structure

For an overview of the firm-level governance structure please refer to the latest FHL [TCFD report](#).

We implement a [Sustainability Risks Policy](#), which systemises the assessment and management of ESG risks and opportunities over the investment lifecycle (see Strategy section for more information). The implementation of our climate and sustainability approach is a collective responsibility among all employees within the Infrastructure team.

Our climate-related governance framework, illustrated in Figure 1, outlines how we efficiently fulfil our Sustainability Risks Policy and stewardship duties, encompassing responsibilities related to climate change as well as risks and opportunities associated with nature. The following sections describe this governance structure in further detail including how, as part of the Federated Hermes Private Markets platform, Infrastructure benefits from additional FHL governance resources.



2.2 Board level

HGPE Governing Body

Governance of CRROs for Infrastructure is ultimately the responsibility of the HGPE Governing Body (GB). The GB is constituted by the CEO of FHL, Managing Director for Private Markets, a senior member of Federated Hermes and the Chief Regulatory Officer for FHL. It has overall responsibility for all Infrastructure business activities, overseeing the governance and operational performance of Infrastructure and Private Equity within the Private Markets platform.

Governance of CRROs for Infrastructure is ultimately the responsibility of the HGPE Governing Body

2.3 Management level

Infrastructure Investment Committee

Sustainability is fully integrated into our investment lifecycle, including ongoing asset management. The identification, consideration and mitigation of sustainability and climate matters at an operational level within Infrastructure are the responsibility of the Head of Infrastructure and the IIC. The IIC meets monthly with all team members invited to attend.

The IIC oversees the implementation of our Sustainability Risks Policy. Within its role, the IIC considers any CRROs that have, or may have, a material impact on an investment or have potential reputational impact to the business or our clients. In addition, investment professionals within the team are responsible for continuous monitoring and management of ESG matters, including material risks and opportunities and their progress is reported to the IIC and, if required, elevated to the GB.



2.4 Firm-level support

We leverage the governance structures and extensive internal expertise of FHL. For example, we have access to leading sustainability experts in EOS, a world-leading stewardship service provider advising on more than \$2.1tn of assets for global institutional investors.

Infrastructure is represented at several internal working groups including the Responsibility Working Group (RWG) and the Climate and Nature Working Group (CNWG). The RWG is made up of senior representatives from across the business and is chaired by the FHL Head of Responsibility. The CNWG provides recommendations to teams across the business to inform the development of strategies to manage climate- and nature-related risks and opportunities.

FHL working groups and sustainability-related policies are overseen by a Governance Oversight Committee and Sustainability, Regulations and Stewardship Oversight Committee respectively. For more detail on these firm-level governance structures, please refer to the FHL [TCFD report](#).

2.5 Portfolio company governance

In addition to our internal governance, we also contribute to the governance structures at the portfolio companies in which we are invested.

We actively engage with our portfolio companies on the topic of climate change to ensure that their strategies and business plans are resilient and aligned with our fund mandates. As a primarily direct equity shareholder, we interact directly with companies at all levels:



Board – we engage with executive teams and board members, including co-shareholders.



Committees – we have membership of board committees across sustainability, safety, remuneration, audit and risk.



Management and sustainability functions – we work closely with management teams of portfolio companies and their sustainability functions and experts.



Wider stakeholders – engagement with regulators, policymakers and the wider industry of both financial institutions and portfolio company sectors



Strategy



Strategy

Our investment strategies primarily involve taking direct equity stakes with governance rights in high-quality infrastructure businesses. This provides the foundation to exercise disproportionate influence through active asset management and a focus on driving value-add initiatives to optimise performance or further de-risk investments. Enhancing sustainability performance is one of the key levers through which we achieve this.

Underpinning our active ownership approach is the EOS stewardship model (see below), adopted in 2022. We have adapted this taxonomy of material sustainability engagement themes into detailed, infrastructure-specific sustainability expectations for portfolio companies. This guides our engagement approach and the setting of bespoke engagement objectives for each investment. Progress against engagement objectives is monitored and reported to investors quarterly.

We have adapted this taxonomy of material sustainability engagement themes into detailed, infrastructure-specific sustainability expectations for portfolio companies.

EOS stewardship model

Governance foundation

Investor protection and rights

Board effectiveness and ethical culture

Governance processes

Purpose, strategy and policies

Risk management

Executive remuneration

Corporate reporting

Environmental outcomes

Climate change action

Natural resource stewardship

Circular economy and zero pollution

Wider societal impacts

Human capital

Human and labour rights

Social outcomes

Sustainable wealth creation

3.1 Processes for identifying and assessing risk and opportunities

We invest in real assets that may be exposed to both physical climate events and be connected to industrial activities that are currently emissions intensive. Climate is considered our highest priority sustainability engagement topic in the above taxonomy.

In 2021, we conducted a physical and transition climate risk and opportunity assessment of our portfolio with leading consultancy, ERM, that produced insight into the CRROs across our portfolio. We updated the results of this assessment in 2024 with ERM performing a review of the previous analysis, using up-to-date data from the latest climate scenarios.



Evolution of our ESG approach for Infrastructure

2011 – Federated Hermes Infrastructure is founded and becomes a signatory (as part of HGPE) to the United Nations Principles for Responsible Investment.

2017-18 – Invited to join GRESB Infrastructure Benchmark Committee EMEA. First collation of portfolio ESG KPIs, including greenhouse gas emissions.

2019-2020 – Published our first Responsible Investment Report. Our flagship fund was ranked 2nd out of 20 European Unlisted Diversified Funds by GRESB. Started to intensify the integration of ESG factors through joining the board-level sustainability committees of Cadent Gas and Viridor.

2021 – Partnered with ERM to assess CRROs to the portfolio. Founded and became chair of the Safety and Sustainability Committee at Scandlines.

2022-2023 – Conducted deep dive research to understand the portfolio's exposure to GHG emissions pricing. Joined the Sustainability Steering Committee at Eurostar. Scored 97/100 in the most recent PRI Infrastructure assessment.

2024 – Produced our first Infrastructure TCFD report and a product-level TCFD report for our flagship fund, Federated Hermes Diversified Infrastructure Fund.



The portfolio screening assessment in 2021 provided data on climate-related trends relevant to each of our portfolio companies. The assessment considered the significance of climate indicators, including specific physical climate hazards and low carbon economy transition trends, across short-, medium- and long-term timeframes. The identified indicators were rated on a scale of 'low' to 'high' in terms of their potential significance to each portfolio company. The climate indicator data was then combined with these exposure ratings to develop a company-specific score for each CRRO. For physical risks, indicator data was used at a selection of locations representing the key operations of the companies, whilst for the transition risks and opportunities, country-level data was used.

Scenarios were selected for Infrastructure's portfolio companies to provide a comparative view of possible CRROs under different decarbonisation and global warming trajectories. In the assessment, scenarios from the Intergovernmental Panel on Climate Change (IPCC), and International Energy Agency (IEA) were used (see Table 1).

In 2024, the climate data from the 2021 assessment was reviewed against up-to-date scenarios to understand if there are likely to be material changes to the CRROs identified and where key changes in scenario trends lay.

A summary of the results of these scenario analysis exercises is detailed in section 3.2.

TABLE 1. SCENARIOS AND TIME HORIZONS

Scenario	High Carbon		Low Carbon	
Physical	RCP 8.5 (2021 assessment)	This high emissions scenario follows a 'business as usual' scenario, seeing emissions increasing year on year out to the end of century and reach around three times today's CO ₂ e emissions by 2100.	RCP 4.5 (2021 assessment)	This scenario assumes implementation of emissions management and mitigation policies and is most aligned to the current commitments under the Paris Agreement.
Time horizons: 2030 and 2050	SSP5-8.5 (2024 review)		SSP1-2.6 (2024 review)	
Transition	IEA Stated Policies Scenario (STEPS)*	This scenario reflects current policy settings based on a sector-by-sector and country-by-country assessment of the energy-related policies that are in place, as well as those that are under development. The scenario also considers currently planned manufacturing capacities for clean energy technologies.	IEA Sustainable Development Scenario (SDS) (2021 assessment)	This scenario assumes that climate policies are introduced immediately and become gradually more stringent. Carbon removal technology deployment is relatively low. Net-zero CO ₂ emissions are achieved after 2070.
Time horizons: 2025, 2030, 2040 and 2050	(2021 assessment and 2024 review)		IEA Announced Pledges Scenario (2024 review)	

*Where indicators were not available in the 2024 IEA Stated Policies scenario, indicators from the NGFS scenarios were used.

In 2023, to enhance our evaluation of transition risks identified by the scenario analysis, together with ERM, we completed a detailed assessment of the risks and opportunities posed specifically by increased regulatory carbon pricing. Carbon pricing has the potential to impose direct and rising costs on some infrastructure investments with an impact for valuations. However, we found the applicability of carbon pricing to investments and the materiality and channel of its impact to be complex and asset-specific. Certain investments were potentially at greater risk of increased regulatory carbon pricing, and therefore developments in relevant jurisdictions should be monitored. The risks associated with carbon pricing will continue to be assessed throughout the investment lifecycle in the context of the wider approach to CRROs.





3.2 Climate-related risks and opportunities (CRROs)

Our main CRROs are summarised in the table below, informed by the scenario analysis described in section 3.1 and our processes for determining material CRROs as described in the Risk Management section. Table 2 includes information on risk or opportunity type, a description of their potential impact and the timeframe over which their impact is expected.

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TABLE 2. CLIMATE-RELATED RISKS AND OPPORTUNITIES

Risk or Opportunity	Description of Risks and Opportunities	Time Horizon
Transition Risks	Portfolio companies within highly carbon intensive sectors which do not or cannot take action to transition to a lower carbon economy may experience revenue impacts, potentially resulting in a reduction in returns. For example, as policies designed to reduce natural gas supply and demand are enacted, demand for gas network infrastructure may decrease.	Short, medium and long-term
	Similarly, the actions taken to transition assets to remain competitive or meet regulatory requirements may have capital and operational expenditure requirements that affect returns. For instance, external pressures to electrify vehicle fleets and decarbonise key input materials, such as steel and cement, may lead to higher costs for infrastructure businesses that are investing in growth.	
	The portfolio companies subject to emissions pricing mechanisms may experience increased costs, for instance through the purchase of emissions trading permits within emissions trading systems or through the payment of carbon taxes.	Short, medium and long-term
Physical Risks	Acute weather events can cause business interruption leading to loss of revenue and subsequent reduction in returns from infrastructure businesses. For instance, flooding on rail tracks leading to service disruptions for rail portfolio companies.	Medium and long-term
	Similarly, acute events can cause damage to a business' physical infrastructure resulting in increased capital costs and subsequent reduction in returns. For example, increased frequency and severity of storms could damage port infrastructure, such as cranes and vehicles.	
	Chronic risks such as heatwaves can cause business interruption, especially for investments which are not incorporating sufficient resilience to adapt to climate change. For example, infrastructure businesses which rely on temperature sensitive equipment may experience increased failures in the future, roads may become heat damaged, rail tracks may buckle and there may be a decrease in workforce productivity, particularly for personnel working outdoors. This can all lead to delays in operations, increased costs, and subsequent reduction in returns.	Medium and long-term
Transition Opportunities	Increased demand for, and therefore revenues from, sustainable products and services may offer an opportunity for portfolio companies that offer these. For example, our energy-from-waste investments and water utilities investments which can produce biogas could increase revenue by capitalising on the increasing demand for non-fossil fuel energy projected in Europe.	Short, medium and long-term
	Contingent participation in a future market for negative emissions may arise as an opportunity for our energy-from-waste investment that could generate emissions-negative energy through carbon capture technology and therefore may produce carbon-removal credits.	Medium and long-term
	In the future, it is likely that businesses which are providing services in line with a low-carbon economy, such as renewable energy and rail, will experience reputational benefits as political, societal, and economic actors regard them as an integral part of the transition. Investment in these businesses will help to support regional and national decarbonisation goals.	Short, medium and long-term





3.3 The impact for strategy and financial planning

As described above, we consider CRROs in our investment process and recognise the importance of our role in the transition to a lower carbon economy. As such, we have set a target for all our portfolio to be aligned with the 1.5°C goal of the Paris Agreement by 2025 through targeting emissions reductions aligned with a science-based, 1.5°C-aligned pathway.

To help achieve this target, we engage with our portfolio companies to ensure their long-term business plan factors in CRROs. Under our approach, based on the EOS stewardship model, we use the results of our scenario analysis to help set priority focus areas and objectives for engagement. These are reviewed at least annually as risks evolve throughout holding periods. In some cases, we directly input into and oversee areas of our portfolio companies' mitigation and adaptation strategies as seen in the case study below.

Through engaging to achieve our target for all our portfolio to be aligned with the

1.5°C goal of the Paris Agreement by 2025



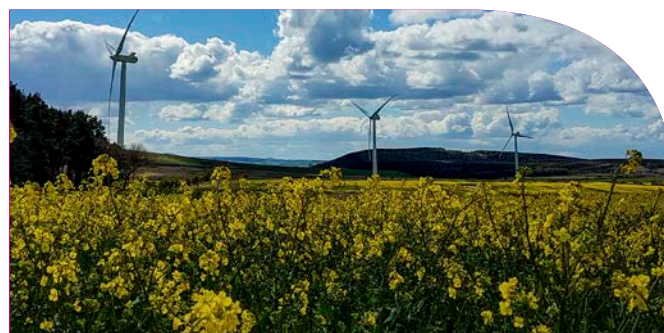
Scandlines

As one of three shareholders in Scandlines, we have worked closely with the business and participated in extensive sustainability and climate change discussions since our acquisition in 2018. Part of our role was to ratify and test the €80m investment case for constructing one of the world's first electric freight ferries, which has now been approved and is under construction. The new ferry will have zero direct emissions and will use 25% less energy to operate compared to the existing fleet. Our input and oversight into this process enabled Scandlines to strategically reduce their climate impact and negate the risks posed by transitioning to a lower carbon economy. By supporting our portfolio companies in this way, we can enhance our resilience to climate related risks and capitalise on opportunities.

3.4 Portfolio resilience

We are committed to building our resilience against climate-related risks and establishing processes to capitalise on opportunities. Through our ongoing active asset management and engagement, we are working to continue improving the resilience of portfolio companies. An example of this is highlighted in the case study below. Through engaging to achieve our target for all our portfolio to be aligned with the 1.5°C goal of the Paris Agreement by 2025 we also expect to further insulate the portfolio from transition risk through preparing portfolio companies to decarbonise in line with national targets.

For example, we have supported Viridor, the largest energy-from-waste company in the UK, in preparing to deploy carbon capture and storage technology at one of its facilities, which will be the first of its kind globally. In 2024, the company announced it had progressed the project through agreeing a statement of principles with the UK Government's Department for Energy Security and Net Zero, which when operational will materially improve the company's resilience to transition risks and reduce its absolute emissions. Through combining this technology with its use of biogenic waste, Viridor aims to be a net negative emissions business by 2045.



Fallago Rig

In 2021, we set an objective that a physical climate risk assessment be undertaken for the Fallago Rig windfarm and that the board oversees the ongoing management and mitigation of any material findings. We engaged with the Asset Environmental Officer of our co-shareholder and Operations and Maintenance provider, EDF Renewables, and working with them we undertook a bottom-up physical climate risk assessment of the wind farm leveraging EDF's proprietary Climate Change Risk Assessment. Whilst no severe risks were identified, flooding emerged as the main physical risk to which access tracks are particularly vulnerable. As part of the assessment, current adaptations were reviewed, and further adaptations recommended. Following the assessment, "Physical Climate Risk" was included in the company's risk register, presented to the Board of Directors on a quarterly basis.



Risk management



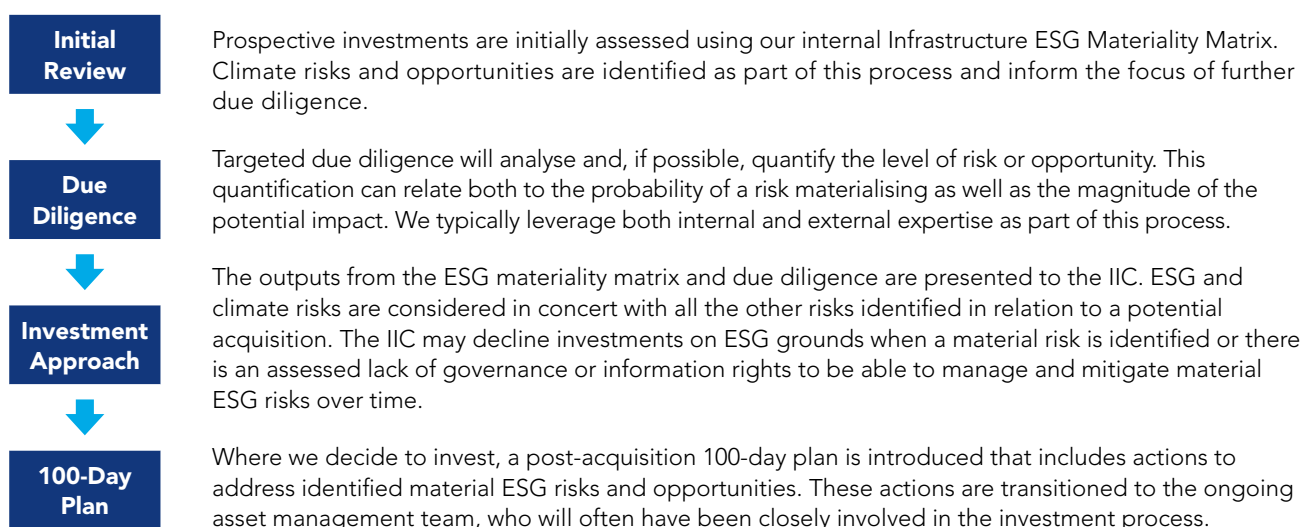
Risk management

The following sections detail the consideration of climate within our investment strategies and portfolio company engagement. For more information on the risk management processes at the FHL level please see the FHL TCFD report.

4.1 How CRROs are factored into investment strategies

We have a framework in place to identify key risks and opportunities, introduce mitigations, and implement monitoring programmes over the investment lifecycle. Climate considerations are integrated into each of the four stages of our investment process as described in Figure 3: initial review; due diligence; investment approvals; 100-day plan.

FIGURE 3 INVESTMENT PROCESS



4.2 Engagement with our portfolio companies

As described in section 3, the EOS stewardship model underpins our approach with our engagement on CRROs beginning with ensuring that robust governance foundations are in place at portfolio companies.

We encourage the integration of sustainability considerations into those governance processes, including company strategies, risk registers, remuneration, and reporting to produce enhanced CRRO management and positive environmental outcomes.

Our active management of ESG factors, including climate, is integrated into our risk management approach, and is supported by a three-tiered monitoring and measurement system, as described in Figure 4.

At the highest level this comprises annual strategic portfolio company reviews that consider financial and sustainability topics and inform objective setting and engagement priorities. Consistent portfolio KPIs are set to permit the monitoring of progress across our funds. The data provides portfolio level trends and benchmarking, as well as monitoring against our portfolio level targets.

Portfolio company-level objectives are developed to ensure close engagement and monitoring on material, company-specific risks, opportunities, and impacts. We consider the transparency and consistency of ESG data to be a fundamental part of our engagement that allows us to accurately monitor and assess ESG performance and impacts.

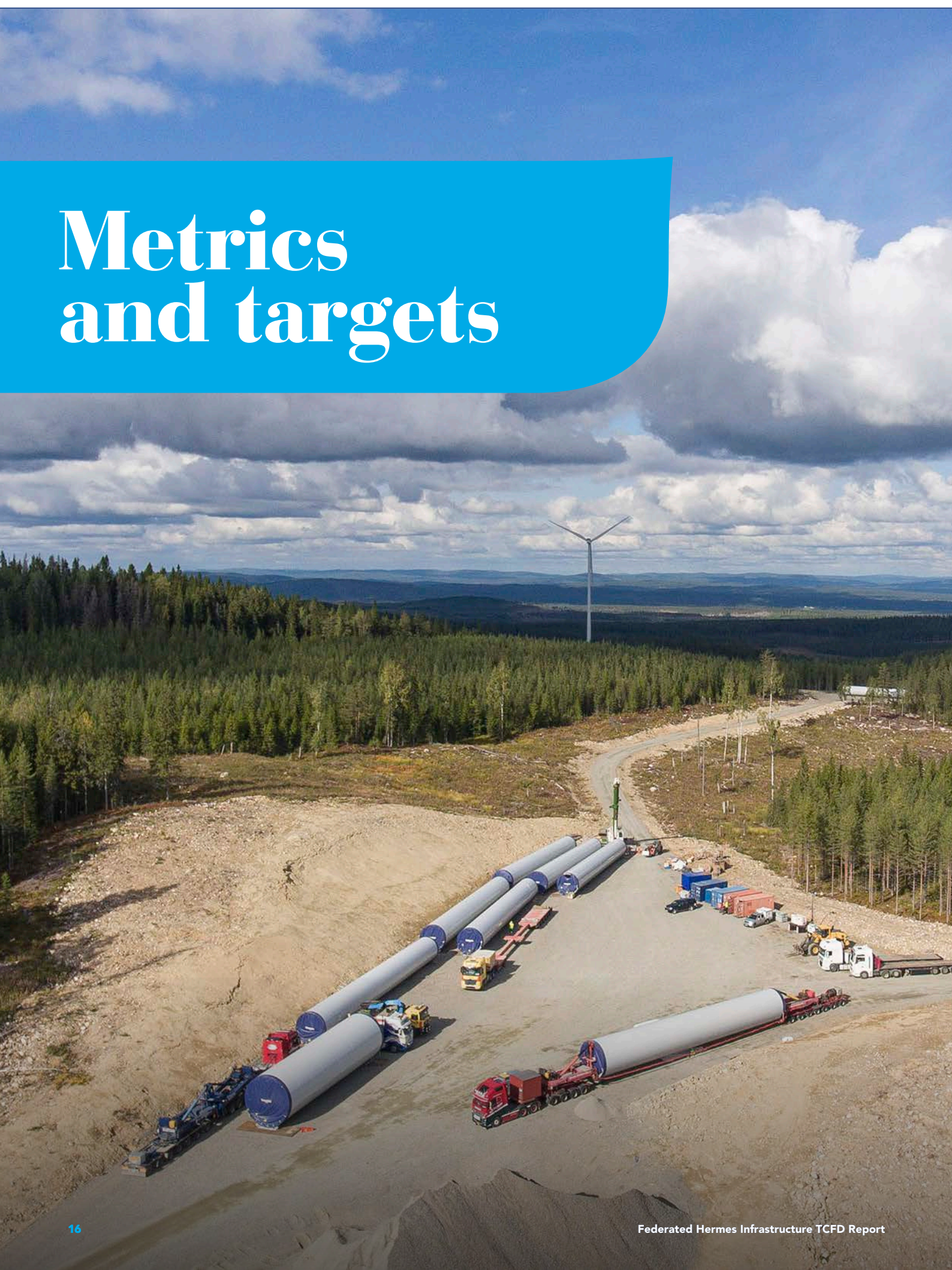
Owing to the very regular nature of our engagement with portfolio companies, we track engagement for a standalone quarter in order to provide a snapshot into our ESG engagement activities. In Q4 2023, over 25% of our engagement actions related to CRROs, Paris-alignment or natural resource stewardship.

FIGURE 4





Metrics and targets





Metrics and targets

This section focuses on metrics and targets relating to portfolio companies, rather than the operational emissions of the team, because these are the most relevant for the CRROs the portfolio is exposed to. Metrics to assess climate-related performance.

5.1 Metrics to assess climate-related performance

We collect ESG and climate related KPIs from each of our portfolio companies, including Scope 1, 2, and 3 emissions annually. This is used to track the weighted average carbon intensity (WACI) of the portfolio (see Table 4).

Additional metrics we track include water consumption, biodiversity initiatives, deforestation exposure and mitigation, waste diverted from landfill.

5.2 Remuneration policies

Remuneration for the Infrastructure team is designed in line with the HGPE Remuneration Policy, which places an emphasis on rewarding and incentivising the delivery of sustainable wealth creation. While there is not a component directly linked to sustainability performance, the implementation of Infrastructure's approach to sustainability and climate-related risk and opportunity management is factored into annual bonus and long-term incentive outcomes. For portfolio companies, we engage with management teams to understand whether executive remuneration is linked to sustainability outcomes, and this is tracked as part of our annual ESG data collection.

5.3 Targets for managing CRROs

In line with our wider net zero ambitions, we adopted an Infrastructure portfolio level target in 2022 for all portfolio companies to be aligned with the Paris Agreement's 1.5°C goal by 2025. We focus on ensuring that portfolio companies have long-term net zero targets for 2050 or sooner and near-term targets aligned with a science-based, 1.5°C-aligned pathway demonstrated, for example, by validation by the SBTi.

We undertake a Paris Alignment test for our portfolio companies, which assesses their level of alignment as a key performance indicator to track progress. The results of the latest assessment, in Q3 2024, are shown in Table 3.

TABLE 3. PORTFOLIO COMPANY ALIGNMENT WITH THE PARIS AGREEMENT

Alignment Status	Definition	Number of companies in this alignment category	Percentage of total Scope 1-2 financed emissions in each category
Aligned to 1.5°C	Company has demonstrated a coherent ambition to reduce emissions to align with 1.5°C. SBTi validated target is preferred. Company must perform substantially in line with targets on a 3-year rolling average basis.	3	38%
Aligning to 1.5°C	Company has announced an ambition to reduce emissions to align with 2°C or lower or has committed to align with 1.5°C. SBTi validated target or commitment is recommended.	1	1%
Committed to Net Zero	Company has publicly announced a net zero ambition to reduce emissions by 2050 or sooner.	5	61%
Not aligned	No net zero commitment and level of ambition for emissions reduction is deemed inadequate to align with 2°C or lower.	1	<1%
Unscored (no data)	Company has no ambition to reduce emissions, or some ambition to reduce emissions but there is no data or methodology available to assess this ambition relative to a temperature outcome.	1	<1%



5.4 Emissions Data

By Net Asset Value (NAV), we have 99% coverage of Scope 1 and 2 emissions reported by December 2023 and this reported data was used to calculate the weighted average carbon intensity (WACI) below. When calculating our portfolio's emissions, we use gross figures and do not include 'avoided' emissions from renewable energy generation.

By Net Asset Value (NAV), we have

99%

coverage of Scope 1 and 2 emissions reported by December 2023

Steady gross emissions and WACI reductions have occurred since 2021 as seen in Table 4, showing the positive progress made across our portfolio. We continue to support our portfolio companies to establish targets and reduce emissions further in line with the Paris Agreement and UK carbon budgets.



TABLE 4. WEIGHTED AVERAGE CARBON INTENSITY FOR FEDERATED HERMES INFRASTRUCTURE'S INVESTMENTS

Metric	Unit	2022	2023	Annual change (%)
Weighted average carbon intensity for Infrastructure (Scopes 1 & 2)	tCO ₂ e/£mn revenue	463	398	14%



Conclusion and next steps





Conclusion and next steps

We recognise the criticality of contributing to the low carbon transition. In our stewardship of infrastructure investments, we continue to actively engage with our portfolio to help reduce their emissions in line with the Paris Agreement. Acknowledging our efforts in addressing climate change, we recognize the significance of understanding the potential consequences of climate-related risks and opportunities, managing the portfolio's exposure to these and mitigating risks where necessary.

We have made strong progress in understanding our exposure to climate-related risks and opportunities, expanding our climate-related governance processes, and making climate-related commitments.

We have included nature-related risks in our portfolio KPI tracking since 2019. Going forward we are increasing our focus on nature and its overlap with climate-related risks and opportunities. In 2024 our IIC approved a commitment to assess nature-related impacts, dependencies, risks and opportunities by 2026 and disclose our findings. This is in support of our firm-level commitments under the Finance for Biodiversity initiative.²

TABLE 5: ENVIRONMENTAL KEY PERFORMANCE INDICATORS

Performance indicator	FHDIF
% of financed emissions with an emissions target	99%
% of financed emissions with renewable energy consumption >75% of total consumption	58%
% of NAV in companies with >90% of waste diverted from landfill	79%
% NAV with biodiversity enhancement initiatives	53%
% NAV with declining environmental incidents vs last year.	100%

² For more information please see the FHL TCFD report.

Important Information

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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.

Federated Hermes Private Markets

With a Private Markets track record spanning four decades, we have developed capabilities that bring investors closer to the companies, assets, communities and environments in which they invest.

Through a combination of heritage and innovation, we seek to connect investors to the industry's leading Private Markets opportunities in pursuit of delivering relevant, resilient investment returns over the long term.

Since our first Private Markets investment in 1983, our close connections, partnership mindset and deep understanding of client needs continue to define our client-focused approach across the asset classes and capabilities.

Private Equity | Private Credit | Real Estate | Infrastructure

Closely Connected

For enhanced outcomes

For more information, visit www.federatedhermes.com/private-markets or connect with us on social media:  