



GEMs ESG Materiality, H1 2025:

Examining biodiversity risk

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Introduction

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

In the latest issue, we provide an update on our voting and engagement activity over the last 12 months, while also shining the spotlight on the **GEMs biodiversity risk framework**.

To illustrate our approach to biodiversity risk in more detail, we outline our assessment for **Press Metal Aluminium**, the Malaysian aluminium smelter known for its low carbon product yet with operations in close proximity to environmentally sensitive areas.

We also provide an update on our latest impact data and include a summary of recent engagements including with **Clicks Group, BYD** and **KEC International**.

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

At a glance

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

Portfolio snapshot

Over the last 12 months we engaged with companies representing **86.9%** of AUM, and made progress with **29%** of objectives

We had **161** engagements with **58** companies

We made progress on

31 objectives

We pursued **106** objectives for change as follows:

50 environmental

27 social

29 governance (including strategy, risk and communication)

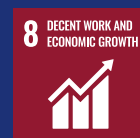
Our most engaged SDGs:



29 objectives/issues²



42 objectives/issues



45 objectives/issues



51 objectives/issues



58 objectives/issues

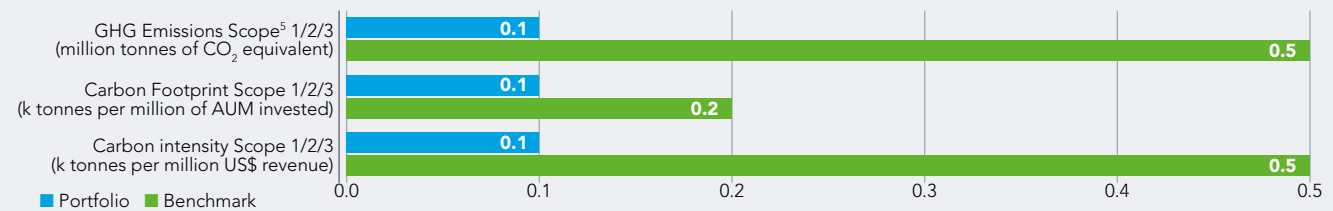
¹ Sustainable Development Goals (SDGs): The SDGs are a set of 17 interconnected goals that were adopted by all UN member states in 2015. They are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere, by 2030.

² In some cases, where we are monitoring performance or raising awareness of an ESG topic rather than pursuing a specific objective, we log this as an 'issue' rather than an 'objective'. This can be more appropriate if the issue is of lower materiality or where we are still in the process of identifying what precise type of change we want to see at a company.

Figure 1:

Our portfolio's carbon footprint, Q1 2025

Federated Hermes GEMs Equity Strategy vs. MSCI EM benchmark



Source: Federated Hermes as at 30 April 2025. The benchmark is MSCI Emerging Markets index. Scope 3 is upstream only.

We maintained a low carbon footprint versus the benchmark (see above) and prioritised engagement with companies with higher emissions and those that are identified as exposed to higher physical and transition risks in our climate risk framework.

We have seen progress in efforts to reach net-zero targets as outlined by the Paris Agreement across the GEMs Equity Strategy with 59.5% of AUM aligned, aligning or committed to net zero (see Figure 1), but continued engagement is necessary to deliver on our firmwide commitment to reach net zero by 2050 (Scopes 1, 2 and 3).

We maintained a low carbon footprint versus the benchmark and prioritised engagement with companies with higher emissions

Figure 1: GEMs Strategy net zero alignment

Category	% AUM	% emissions Scope 1, 2 and 3	Definition
Aligned	21.1%	6.0%	A coherent ambition to reduce emissions in line with the 1.5°C target by 2050
Aligning	4.4%	1.1%	An ambition to reduce emissions sufficiently to align with 2°C or lower or have committed to align to 1.5°C.
Committed to net zero	34.0%	49.2%	Publicly announced a net zero ambition to reduce emissions by 2050 or sooner.
Not aligned	36.1%	37.6%	None of the above
Not scored	4.4%	6.1%	
TOTAL	100%	100%	

Source: Federated Hermes 31 March 2025.

Our impact

The companies we invested in delivered:³

Greenhouse gas (GHG) emissions (Scope 1/2/3):

73% lower than the benchmark

104 million tonnes of CO₂ avoided

1,530 million litres of water saved

Circular economy:

169 thousand tonnes of conventional material production avoided

Health care treatments for

4.17 million people

Financial services for

238 million previously excluded people

An average of

23.70% female board representation and
36.52% female workforce participation

Average employee turnover of

17.46%

³ Federated Hermes GEMs Equity core Strategy holdings as at 30 April 2025. Portfolio snapshot impact data has been calculated in partnership with our impact measurement partner, Net Purpose. Data is as per latest available data at time of writing.

	Engagement objective or issue	Theme	Progress update (momentum ⁴ /status)
Clicks Group	Set science-based emissions reduction targets	GHG emissions reduction SDGs 12, 13	Start date: Q4 2022 After stalled progress on increasing its ambitions, Clicks recently introduced a climate target to reduce Scope 1, 2 and 3 absolute emissions by 4% every year. They have transparently engaged with us on the details of this target; how it will interact with Clicks' renewables and energy intensity targets; and the strategies for achievement, including key challenges. We have welcomed this signal of progress on climate strategy and have noted a more open dialogue on climate-related issues with investors.
Samsung Electronics	Set science-based emission reduction targets for its Device Solutions (DS) division.	GHG emissions reduction SDGs 12, 13	Start date: Q1 2024 We recently introduced a specific objective for Samsung to set an interim target for its Device Solutions (DS) division – focused on semiconductors – which accounts for more than 90% of operational emissions. There is a lack of sector-specific standards/guidance for doing so, and the sector's rapid expansion adds additional challenges. However, Samsung has been liaising with the Semiconductor Climate Consortium (SCC) which is trying to address this problem. The company shared that the SCC are hoping to release some initial target guidelines this year, and this guidance will hopefully be enough to enable Samsung to set an interim reduction target. Meanwhile the company continues to pursue Scope 1 reductions and renewables expansion.
Suzuki Motor Corp	Set science-based emissions reduction targets	GHG emissions reduction SDGs 12, 13	Start date: Q2 2023 Suzuki has set a well-to-wheel emissions reduction target for automobiles, its largest contributor to Scope 3 emissions. However it does not publish baseline and/or current performance information, and the baseline year of FY 2010 is earlier than suggested by leading target-setting guidance. As such we are unable to assess its Paris alignment. ⁵ The company has power train ratio targets in place for FY 2030 in each key geography and recently updated its net zero (Scope 1 and 2) target to 2050 rather than 2070; both are welcome developments. However, while the current penetration of hybrid electric vehicles (HEVs) in Japan and Europe is strong, its key market is India where power train transitions are expected to be slower. We continue to encourage the company to increase transparency over its climate strategy and targets to enable us to assess its overall credibility and progress.
Tencent	Shareholder rights	Investor protection and rights	Start date: Q2 2017 In 2017 we raised our concerns regarding the company's efforts to seek approval for general share issuance with no specified discount, as large issuances of shares at an unspecified discount risk disadvantaging minority shareholders. The company acknowledged the need to improve practices in this area but, after a review, the board decided to continue seeking approval for up to 20% general share issuance. We continued to raise our concerns in subsequent meetings with the company between 2017 and 2025. At the 2023 AGM, it reduced the limit of share issuance to 10%. In 2024 the company assured us that it would comply with the Hong Kong listing rule stipulating a 20% maximum discount. These developments in 2023 and 2024, and the fact that the company has not issued discounted shares to the disadvantage of minority shareholders in the past, lead us to believe that potential risks to minority shareholder value from share issuance have reduced.
BYD	Sustainability transparency	Corporate reporting SDG 12	Start date: Q3 2024 Last year we discussed the issue of ESG disclosure quality with the company, requesting that it has its ESG reporting prepared by professionals and verified by a third party going forward. In the latest ESG report, the company has disclosed information in accordance with this recommendation. British Standards Institution (BSI) independent assurance has been conducted, covering data on emissions, energy consumption, and materiality assessment. We continue to engage with BYD on wider ESG performance metrics including climate targets and group-wide health and safety certifications.
DiDi	Driver safety and wellbeing	Human Capital SDGs 3, 8	Start date: Q2 2025 DiDi has various initiatives in place to support driver safety and wellbeing, including income security. However, there is a lack of transparency around outcomes, for example, the disclosure of health and safety metrics. Executive remuneration appears connected to safety, but it is not clear which metrics are used. We raised these issues with the company and it shared important insights regarding restrictions on data sharing in certain markets and the difficulty in benchmarking driver earnings against peers. However, we discussed the viability of beginning to disclose health and safety data in less sensitive markets. The company also indicated that fees earned by DiDi drivers are competitive in order to attract drivers and are typically well above the local minimum wage. We welcomed this transparent discussion with DiDi and its openness to listen to our feedback and will continue to engage on this topic.

⁴ Green = Strong momentum with objective met or we expect to meet in the near future. Yellow = Good progress but engagement continuing or recently initiated. Red = engagement stalling.

⁵ Paris alignment refers to aligning financial flows and investments with the goals of the Paris Agreement, specifically aiming to limit global warming to well below 2 degrees Celsius, and pursuing efforts to limit it to 1.5 degrees Celsius above pre-industrial levels. This involves ensuring that activities, projects, and investments support recipient countries' low-emission, climate-resilient development pathways.

	Engagement objective or issue	Theme	Progress update (momentum'/status)
Samvardhana Motherson International	Set science-based emission reduction targets and Scope 3 emissions disclosure	GHG emissions reduction SDGs 12, 13	Start date: Q3 2022 In 2022, we encouraged the company to set interim targets and disclose Scope 3 emissions, following its 'Net Zero 2040' (Scope 1 and 2) commitment. In 2023 and 2024 we fed back that the company's plan for a 'milestone review' of its operational emissions in 2030 was insufficient in our view; and discussed the importance of ensuring the climate transition plans of each division are sufficiently ambitious. In 2023, Scope 3 emissions were disclosed for the first time. In 2024, the company committed to an interim Scope 1 and 2 target of a 50% reduction by 2030 (FY 2023 baseline). The company has also made improvements on Scope 3 accuracy and is developing a Scope 3 strategy. These developments will help the company to understand and manage its climate risks and opportunities.
KEC International	Board Effectiveness	Board independence and diversity SDG 5	Start date: Q2 2023 Since May 2023 we have discussed concerns over board composition with the company, including independence, diversity and committee independence. As at May 2023 independence was 36%, and women accounted for only 9% of the board. The company acknowledged our concerns early on and explained that some board terms would end in 2024, after which there would be some refreshment. At the 2023 annual shareholder meeting the CEO was the only director up for election. However, in 2024 the company undertook a significant board refreshment by adding four new independent directors, reaching 70% board independence and 20% female representation. The audit, nomination and compensation committees also became fully independent. We believe that these changes should improve the quality of debate and discussion on the board, strengthening risk management and oversight.

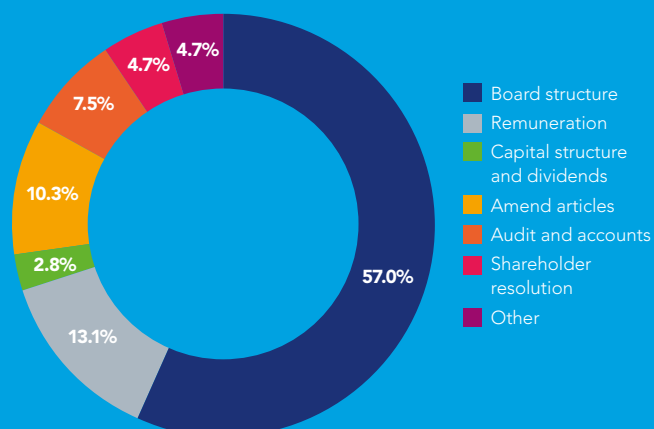
This information does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

Governance & Voting

The GEMs Equity team has continued with efforts to improve board diversity and independence across various markets, through engagement and voting at company meetings, while also focusing on capital allocation and remuneration. The effective use of capital by senior management is key to long-term shareholder value and has remained a focus of our engagements in 2025.

In the GEMs Equity Strategy, we voted against management on at least one issue at 31.2% of all meetings over the last 12 months, with the majority of these votes against related to board structure (57%) including at **AIA Group**, **Bumrungrad International Hospital**, **China Overseas Property** and **Suzuki Motor Corp** all of which fell short of our expectations on board independence and/or diversity (see Figure 2).

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



Source: Federated Hermes as at 30 April 2025.

At **AIA Group**, we voted against two directors. Our concerns related to the length of their tenures, in addition to concerns about gender diversity on the board. However, we supported the election of George Yeo based on the company's strong rationale about his valuable contribution. Overall, we think there is scope for some board refreshment to strengthen independent thought and oversight.

We consider qualitative and contextual factors in our voting decisions including company progress on governance factors. For example, at **Pidilite**, we voted in favour of the ex-CEO joining the board despite not meeting our independence expectations, given the value and continuity he can potentially contribute and in recognition of broader board refreshment over the past 18 months, including three new independent directors.

We were pleased to see significant progress at **KEC International**, the Indian engineering and construction company, following engagement with them since 2023 (see engagement highlights above). Board independence in India has improved in recent years, following guidance from the Securities and Exchange Board of India (SEBI) and we expect the company's improved independence on paper to be reflected in genuine independence in practice, with a healthy level of challenge and debate at the board level.

In **South Korea**, we continued to monitor the progress of the country's 'Corporate Value-Up Programme' which seeks to address the so-called 'Korea discount'⁶ amid the political upheaval following the impeachment of former president Yoon Suk Yeol.

The election of a new government, led by President Lee Jae-Myung, in the 3 June election, should lead to further announcements with regard to the 'Value-Up' programme.

On 3 July, South Korea's parliament passed a revision to the Commercial Act to expand the fiduciary duty of board members to protect the interests of minority shareholders and try to boost the country's corporate market valuations.

While we are cautiously optimistic about the direction of travel, we need to see how these reform efforts play out before we can fully evaluate any potential impact on our investments.

It is noteworthy that a number of South Korean companies (for example **Samsung Electronics**) delayed making announcements related to the 'Value-Up' programme until after the election.

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

⁶ The 'Korea discount' refers to the tendency for South Korean companies to trade at lower price-to-earnings multiples than global peers, even when considering factors like earnings and book value.

Our impact

In collaboration with Net Purpose, we present the following impact data on a weighted and aggregated basis. These figures are our estimates of the impact of the companies we were invested in as at 30 April 2025 (per latest available data at the time of writing). In parallel, we present the year-on-year (YoY) percentage change in the total weighted impact of the current portfolio as well as the three-year percentage change in total weighted impact of the portfolio, when considering

consistent holdings only⁷ (i.e. those holdings that we have held for three or more years). The impact calculations draw on data from company, sector and industry reports combined with analysis of academic research and other credible sources. Since the estimates are based on company-reported data, and we apply a cautious approach to impact attribution, it is possible we could underestimate our calculations in some instances.⁸

Figure 3: Impact data on a weighted and aggregated basis

		Total company aggregated impact	Three-year holds: % three year change in aggregated impact*	Total weighted impact	YoY% change in total weighted impact**
Climate change	CO ₂ avoided (MT)	104,119,075	140.63%	91,500	45.76%
	% of energy or electricity consumed, renewable	26.83%	16.62%	26.83%	20.85%
Water	Total water consumed or withdrawn (m ³)	299,091,138	20.81%	188,076	11.15%
	Water saved (m ³)	1,530,500,000	20.45%	34,658,367	7.84%
Circular economy	Operational waste recycled %	55.30%	2.26%	55.30%	-8.64%
	Conventional material production avoided (MT)	168,662	380.86%	60	67.81%
Decent work	Employee turnover	17.46%	5.05%	17.46%	-4.89%
	Incident rate***	8,345	5.30%	9	29.27%
Gender equality	% female board representation	23.70%	27.88%	23.70%	6.44%
	% female senior managers	23%	10.19%	23%	4.70%
	% female employees	36.52%	0.04%	36.52%	-0.69%
Health & well-being	Number of patients treated	4,174,277	60.38%	33,642	0.85%
Financial & economic inclusion	Number of customers previously excluded	238,272,181	38.84%	162,357	23.13%
	Jobs supported – indirect	197,816,709	35.16%	128,777	31.39%

Source: Net Purpose.

*Impact is 'weighted' according to size of the GEMs Equity holding. Data is for the latest year where data is available, typically 2024. Where data is not yet available for 2024, the prior year figure is used.

**YoY% change in the portfolio weighted impact of the current portfolio (April 2025).

***An incident rate, or Total Recordable Incident Rate (TRIR), is a metric used to compare a company's safety performance against a national average for the same industry.



⁷ The change in the metrics between April 2022 and April 2025, depending on reporting cycles and latest available data.

⁸ This is particularly the case in relation to financial inclusion where a number of our names are not disclosing sufficient detail to enable us to include their impact contributions. It is also the case for 'green metals', such as copper and aluminium, both of which are critical to the net-zero transition due to the need of these metals for electrification yet, due to methodological constraints, it is currently challenging to attribute 'avoided emissions' to them.

GEMs Equity: an approach to biodiversity

Introduction

- Biodiversity is a rarely-considered yet essential driver of economic growth, with an estimated 50% of the world's GDP potentially at risk as a result of our profound dependence on the natural world.^{9,10}
- It is particularly important in emerging markets with high dependency on 'provisioning services' – especially agriculture – and 'regulating services' for environmental stability.
- Meanwhile, emerging markets are especially vulnerable to biodiversity loss, driven by high rates of 'land use change'¹¹, heightened exposure to physical climate risks, high levels of pollution and overexploitation of resources.
- Biodiversity loss exposes businesses to increased **physical**, **operational** and **supply chain** risks – such as the potential higher costs of raw materials (due to soil degradation, and the loss of natural pollinators).
- Around the world, regulations are being implemented to address these issues that could prove costly for companies that are not prepared.
- The GEMs Equity biodiversity risk framework identifies companies that might have a greater dependency or impact on biodiversity for more rigorous analysis and engagement.

What is driving biodiversity loss globally?

There are five key pressures driving biodiversity loss (with the top two accounting for more than 50% of biodiversity loss):

1. **Land use and sea use change** mainly driven by the world's increasing demand for food (38% of earth's land now devoted to agriculture)¹²
2. **Over exploitation of natural resources** such as unsustainable logging.
3. **Overexploitation of ocean resources** threatening the viability of sustainable marine populations, posing a serious threat to future food sources.

4. **Climate change** which has altered marine, terrestrial and freshwater ecosystems globally and has led to the loss of local species.
5. **Pollution of soil, water and air** are major causes of biodiversity loss and ecosystem change.

The spread of invasive species that arrive through global trade or tourism can also disrupt the balance of ecosystems by competing for food.¹³

Why is it important in emerging markets (EM)?

- 15 of the world's 17 'megadiverse countries' are in EM (Brazil, China, Colombia, Democratic Republic of the Congo, Ecuador, India, Indonesia, Madagascar, Malaysia, Mexico, Papua New Guinea, Peru, Philippines, South Africa and Venezuela).
- EM has numerous biodiversity hotspots with species unique to those locations that are at risk from extinction.
- EM economies are particularly dependent on agriculture as a source of employment, GDP and food security.

EM is also particularly vulnerable to biodiversity loss because of its higher exposure to the physical risks of climate change, land use change and deforestation (for example, palm oil cultivation in Indonesia and Malaysia; or soy and beef farming in Latin America).

In addition, EM is highly vulnerable to plastics pollution (more than 60% of the world's mismanaged plastic waste is in Asia) and water stress (EM has a high proportion of people living in water stressed areas).

More generally, higher levels of pollution across EM affect ecosystems, which has a negative impact on biodiversity.

The 'Living Planet Index'¹⁴ shows that average species population sizes (a key measure of biodiversity) globally declined by 73% between 1970 and 2020 (see Figure 4 below). Yet declines were highest in EM with Asia Pacific witnessing a 60% decline and Latin America suffering a shocking 95% decrease over the same time period.

⁹ Biodiversity loss poses a fundamental risk to the global economy | World Economic Forum

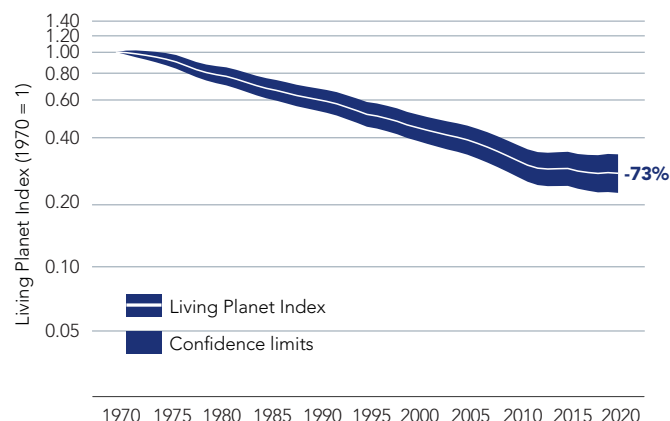
¹⁰ The World Economic Forum's Global Risk Report 2025 ranked "biodiversity loss and ecosystem collapse" as the second most significant risk over the next ten years. Global Risks Report 2025 | World Economic Forum

¹¹ Land use change refers to the alteration of land cover by humans, shifting its purpose from one type to another, such as converting farmland into residential areas or forests into agricultural land.

¹² CACEIS - Why biodiversity matters - The Pensions Management Institute (pensions-pmi.org.uk)

¹³ According to the United Nations Environmental Programme, more than one million plants, animals and other living things face the threat of extinction because of our impact on the world's ecosystems. In its most recent *Invasive Alien Species Report*, the UN noted that humans have introduced more than 37,000 invasive species, many harmful, into biomes around the world. These intruders have been a major factor in 60% of all extinctions, costing the global economy more than US\$423bn annually.

¹⁴ The Living Planet Index (LPI) tracks changes in the relative abundance of wild vertebrate species populations over time. [2024-living-planet-report-a-system-in-peril.pdf](#) (page 24)

Figure 4: Average species population sizes

Source: [Living Planet Report 2024 | WWF](#)

Why does this matter for investors?

Biodiversity loss exposes companies to increased **physical**, **operational** and **supply chain** risks.

Natural regulatory functions – the ability of ecosystems to maintain stability and balance – can be undermined by extreme heat and excessive flooding. The resulting soil degradation, and decline of natural pollinators, can lead to higher costs of raw materials and disrupted supply chains.

Such scenarios raise the possibility of increased **regulatory risk** as authorities impose more stringent controls around water use, pollution and the circular economy. As a result, companies risk losing their **license to operate** if they fail to address the negative impacts of their operations.

GEMs Equity biodiversity assessment framework

The GEMs Equity team has developed a biodiversity assessment framework to evaluate the level of risk (and opportunity) in the Strategy. It draws on the ENCORE tool¹⁵ to map our exposure to biodiversity risk, identifying companies with high impacts (or 'pressures') on biodiversity and high dependencies on various ecosystems. It uses the GICs industry classifications.

See the GEMs Equity biodiversity impacts analysis (Figure 5) and heatmap Figure 6.¹⁶

The analysis shows us that the Strategy is **more exposed to impacts/pressures rather than dependencies**. The most significant potential impact is via **pollution** (air, soil and water) followed by **disturbances** (eg. noise and light).

The Strategy's most significant dependency is 'cultural services'¹⁷ followed by regulation and maintenance services (in particular, water supply, purification and flow regulation).

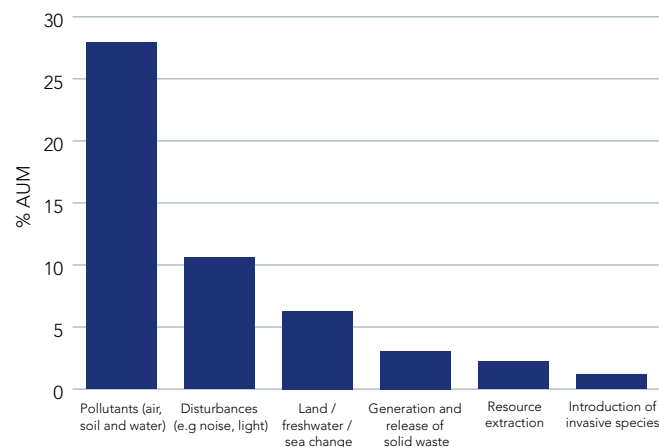
¹⁵ ENCORE is tool which allows financial institutions to map their material impacts and dependencies on nature.

¹⁶ ENCORE does not currently take into account the impact of financial services via loan or investment portfolios so these do not attract high impact or dependency ratings. ENCORE

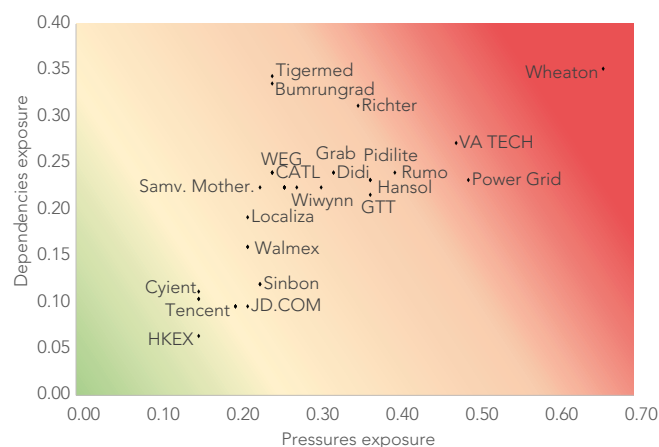
¹⁷ Cultural services include education, scientific and research services, recreation services, visual amenities and spiritual services provided by nature.

¹⁸ As at 31 March 2025 holdings. Full scale is 0-1 on each axis, above graphic is a magnified view with some company names highlighted.

¹⁹ [Biodiversity Intactness Index | Natural History Museum](#)

Figure 5: Percentage of AUM with 'high' or 'very high' impacts (by pressure type)

Source: Federated [Hermes/ENCORE](#)

Figure 6: GEMs Equity biodiversity heatmap¹⁸

Source: Federated [Hermes/ENCORE](#)

We have also evaluated GEMs Equity's exposure to biodiversity risk via a **proximity analysis** – identifying the companies in close proximity to areas of high biodiversity value or intactness.¹⁹ The following holdings were flagged by this analysis: Pidilite, WEG, SAMIL, Wheaton and Press Metal Aluminum (held in Global Emerging Markets ex-China Equity).

Deep dives and engagement

Our next step is to undertake a more detailed analysis of the risks and opportunities at these more exposed companies – and use engagement to mitigate these risks.

As part of this approach, we evaluate how effectively the company is managing key asset exposures, taking into account management systems, policies and processes as well as outcome metrics. The 'residual risk' is then assessed.

In H1 2025, we focused on **Press Metal Aluminium** and **Wheaton Precious Metals**. We found that Press Metal has relatively mature systems in place to mitigate biodiversity risk – albeit with room for improvement in some areas (see case study below). At Wheaton, as a mine streaming business, the focus is on evaluating its due diligence processes for underlying mines. We are in the process of engaging on this topic and will provide an update in future materiality reports.



Background

Press Metal operates six smelting sites and five of these sites are inside or near (within 50km) a protected area or Key Biodiversity Area (KBA) across Malaysia and China.²⁰

The higher risk impact areas we have identified for Press Metal relate to **water use**, **pollution** and **waste**. The results of our assessment results are shown in Figure 7 below. While there remain areas for improvement, our evaluation is that Press Metal is effectively mitigating its risks and has **low** to **medium residual risk** in relation to these impact areas. Further assessment results below.

Figure 7: Press Metal Aluminium biodiversity risk assessment

Impact area	Evaluation metric considered	Residual risk ²¹
Water	<ul style="list-style-type: none"> Water intensity low vs. peers Water management systems assessed as mature Zero exposure to high water stressed locations 	Low
Non GHG emissions	<ul style="list-style-type: none"> KPIs for air emissions of total particulate matter (TPM), sulphur dioxide (SO) and hydrogen fluoride (HF) more stringent than regulatory thresholds in Malaysia Environment management systems: ISO14001 for all facilities Real time monitoring of emissions Zero incidence of regulatory non-compliance 	Medium
Waste	<ul style="list-style-type: none"> Waste reduction targets – Zero landfill waste by 2030 target, with a short-term target of diverting 95% of waste by 2026. (93.2% of all waste diverted in 2023) Research into achieving 100% waste diversion by ensuring repurposing of waste is economically viable Hazardous waste management – 85% diverted from landfill FY 2023 – Six incidents of non-compliance with waste storage and labelling, resulting in fines totalling RM12,000 Corrective actions include enhancing the storage area with better categorisation for prevention 	Medium
Soil pollutants	<ul style="list-style-type: none"> Aluminium dross and spent potlining (SPL) are main by-products Aluminium dross recovery rate: 42% in 2023 Spent potlining (SPL) repurposing: current rate at 160% (due to some SPL being stored) 	Medium
Water pollutants	<ul style="list-style-type: none"> Of the six facilities, four have a closed-loop system that minimises water discharge The two remaining treat any wastewater in alignment with local regulations before it is discharged into the environment Zero incidents of non-compliance with effluent discharge regulations over recent years 	Medium

GEMs Equity summary and next steps

The first half of 2025 has seen continued progress from GEMs Equity holdings which have been responsive to engagement and share our vision that sustainability is an integral part of long-term value creation. It is encouraging we have not seen any significant back-peddling by GEMs companies in the wake of US President Donald Trump's withdrawal from the Paris Agreement in January this year.

GEMs companies generally view sustainability as integral to their long-term success, irrespective of political headwinds and continue to see ESG performance as essential in their efforts to 'win' in Europe and other markets. We remain positive about opportunities for quality and growth companies that show positive ESG momentum.

The GEMs Equity Strategy will continue to:

- Assess the climate and biodiversity risks that our holdings face, with in-depth research into higher-risk names.
- Prioritise engagement with companies to future proof against medium- and long-term risks, particularly focusing on higher emitters in the portfolio.
- Evaluate our impact across a range of outcome metrics including CO₂ avoided, water saved and jobs created.

The next ESG Materiality report (H2 2025) will include an update on our approach to climate engagement and provide an analysis of the semiconductor industry, in addition to other topics.

***Press Metal Aluminum is held in Global Emerging Markets ex-China Equity**

²⁰ IBAT | The world's most authoritative biodiversity data

²¹ Press Metal was evaluated as having a high potential impact in these areas (water, waste etc.). Residual risk is our qualitative assessment of the risk that remains after considering company actions and performance

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

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

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