



# Federated Hermes SDG Engagement High Yield Credit

**H1 2025 report**  
September 2025

**Federated  
Hermes**   
**Limited**

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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.



# SDG Engagement High Yield Credit: H1 2025 highlights

## The year in numbers

In the first half of 2025 we had

**221** engagements with  
**102** companies

We engaged

**75%** of the companies we continue to hold

We completed

**13** objectives

We made progress on

**21%** of objectives

We continue to pursue

**314** objectives for change

Source: Federated Hermes as at 30 June 2025

## Our most important SDGs:



**110**  
objectives



**89**  
objectives



**70**  
objectives



**41**  
objectives



**26**  
objectives



**21**  
objectives



## Investment review



**Nachu Chockalingam, CFA®**  
Head of London Credit



**Mitch Reznick, CFA®**  
Group Head of Fixed Income – London

Since inception, the Strategy has returned 4.80% (annualised) in US dollar terms, gross of fees, which is 36bps ahead of its benchmark index for the period. In H1 2025, the Strategy returned 4.65% in US dollar terms, gross of fees.

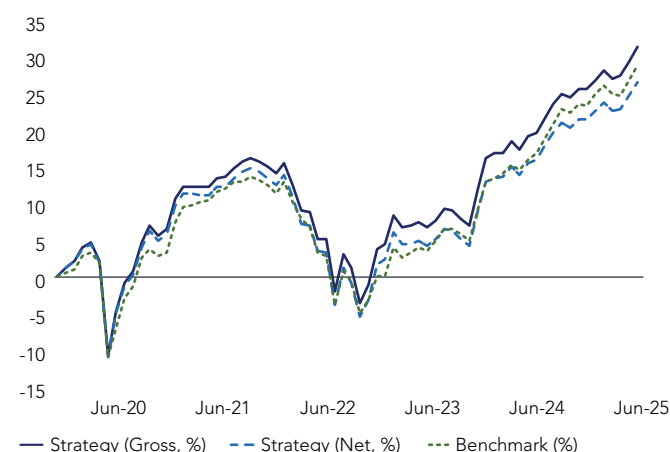
The first half of 2025 was a strong period for risk assets, despite a short-lived wobble following 'Liberation Day' in April. We are mindful that during the second half of this year, credit conditions are likely to face stronger headwinds driven by increased tariffs, US policy uncertainty and elevated geopolitical risk.

European assets outperformed in the first half, driven by a trend of de-dollarisation amongst investors and better prospects for European growth given Germany's new fiscal spending plan. The compression in growth forecasts between Europe and the US was notable in this period and very different to what most investors expected at the start of the year.

Over the first half of 2025, we actively managed risk and positioning across the Strategy, capitalising on the continuation of strong credit market technicals, where demand continues to outpace supply. We also saw decompression in spreads as some poorly-capitalised, left-tail high yield companies entered stress. We chose to actively manage our regional exposures during this period, benefiting from the more positive tone in Europe versus the US.

The technical picture in high yield remains solid, despite tight spreads, as investors seeking yield continue to find the asset class attractive. This is in no small part due to high yield becoming more defensive from a rating perspective and its increasingly lower duration. Fundamentals also, by and large, remain solid but there are a few cyclical sectors where weakness has emerged and credit metrics are, in our view, looking elevated for the current point in the cycle e.g. automobiles, chemicals, building materials.

**Figure 1:** The SDG Engagement High Yield Credit Strategy versus its benchmark since inception (%)



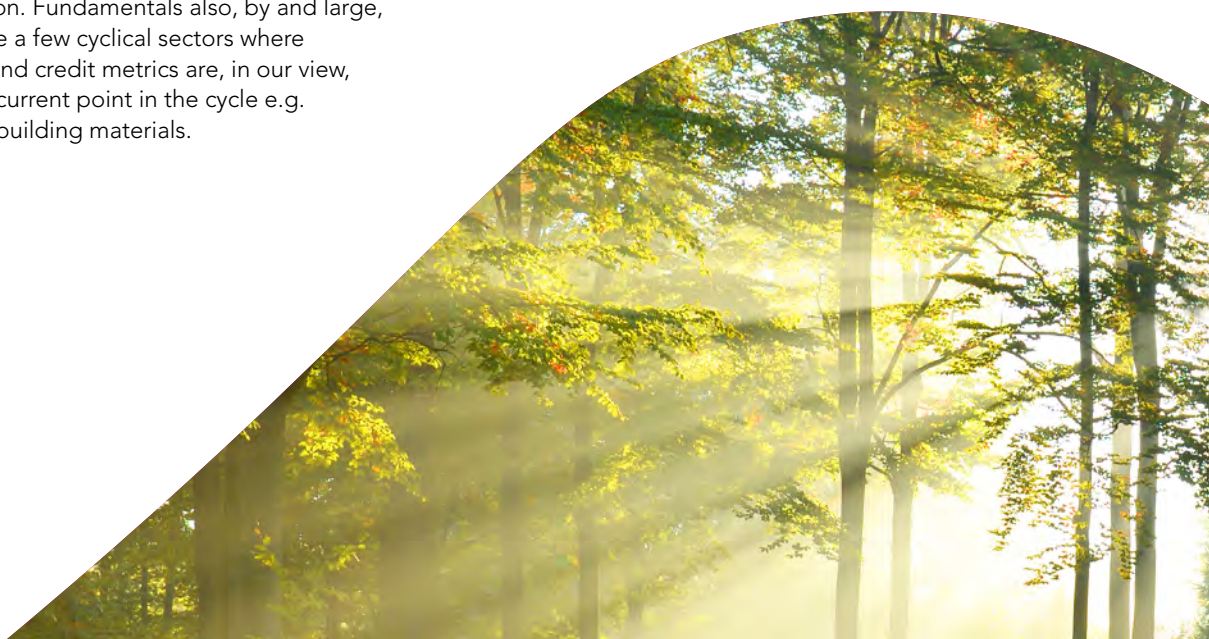
**Rolling year performance (%)**

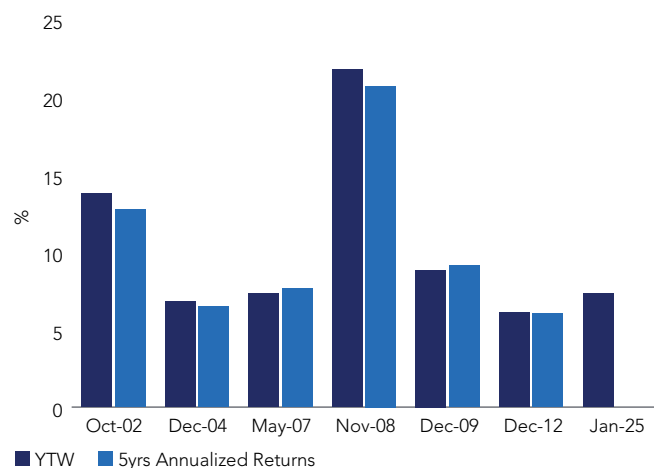
	31/12/2023 to 31/12/2024	31/12/2022 to 31/12/2023	31/12/2021 to 31/12/2022	31/12/2020 to 31/12/2021	31/12/2019 to 31/12/2020
SDG Engagement HY Credit Strategy	8.06	11.24	-9.51	2.87	7.04

Source: Federated Hermes as at 30 June 2025. Performance shown is the Federated Hermes Ltd SDG Engagement High Yield Credit Hedged to US\$ strategy. In US\$, gross of fees. Inception date: 30 September 2019. Benchmark: ICE BofAML Global High Yield Constrained Index hedged to US\$. Data is supplemental to the GIPS® report that can be found in the appendix. **Past performance is not a reliable indicator of future returns.**

The Strategy's benchmark spreads saw a very sharp sell-off in April, moving from sub-300bp to 450bp very quickly following the 'Liberation Day' announcement, before retracing as tariff extensions and negotiations between the US and other countries took place. We ended the first half with some of the tightest spreads the asset class has ever seen, but when adjusted for its shorter duration, spreads may not be as tight as first thought.

All-in yield for the asset class continues to be elevated and remains high on a historical basis. Our analysis indicates that the entry yield can be a good predictor of future returns for high yield.



**Figure 2:** High yield returns and yield over five years (%)


Source: ICE Bond Indices, Federated Hermes. Data as at 20 January 2025.  
**Past performance is not a reliable indicator of future returns.**

**Figure 3:** Global high yield spreads in H1 2025 (bps)


Source: Bloomberg as at 30 June 2025, HWOC Govt OAS. **Past performance is not a reliable indicator of future returns.**

**Figure 4:** All-in-yields for high yield from 2021 to 30th June 2025 (%)


Source: Bloomberg 30 June 2025. HWOC Yield to worst.

**Past performance is not a reliable indicator of future returns.**

Both our credit and sustainability analysts had a fruitful first half of the year, with many engagement successes. The team supporting the Strategy drove 221 engagement actions in the first half of 2025, as well as providing crucial portfolio positioning insight.

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

The first half of 2025 saw a number of successful engagement outcomes, and many of the Strategy's holdings made meaningful operational and management changes to address key SDG issues such as climate change and social inclusion.



## Engagement review



**Jake Goodman, CFA**  
Senior Sustainability Investment Analyst

2025 has been a tumultuous year for responsible investment, to put it mildly. I've been working in this industry for eight years, and in sustainability for 14 years, and never has the pace of news been this rapid or uncertain. So, coming up for air halfway through the year, it feels slightly anticlimactic to say that things are not really that different.

The main developments have been: the new guidance from the United States Securities and Exchange Commission (SEC) on 13D and 13G filings; SEC bulletin on 'no action' requests; the proposed regulation of proxy advisors; the SEC deciding to no longer defend its rules requiring companies to disclose climate-related risks and greenhouse gas emissions; the executive order seeking to end diversity, equity and inclusion (DEI) programmes in the US; and finally the (expected) limitation on considering non-pecuniary factors for Employee Retirement Income Security Act (ERISA) plans.

One thing immediately apparent from this list is the US focus. Around 32% of the strategy is invested in US companies (versus 54% for the benchmark as at 30 June 2025), so our engagement work must be cognisant of the new environment. Of course, a disturbance in the world's largest capital market sends ripples across the globe. In Europe, one of the most anticipated new sustainability-focused pieces of legislation, the Corporate Sustainability Reporting Directive (CSRD), had barely celebrated its second month of life before the Commission proposed delaying and simplifying the directives. This was welcomed and dismayed in equal measure. For investors, it would have unleashed significantly more standardised ESG information. Companies had spent two years expanding their reporting teams and investing in new IT systems to deal with the sheer amount of data that needed to be collected, and it seems (incidentally) that audit firms did well out of the increased amount of information to check. All sides now await the final Omnibus package.

In practice, the way we conducted engagement was always on the right side of where the new rules landed, and so, in most cases, this has only caused us to check our calibration.

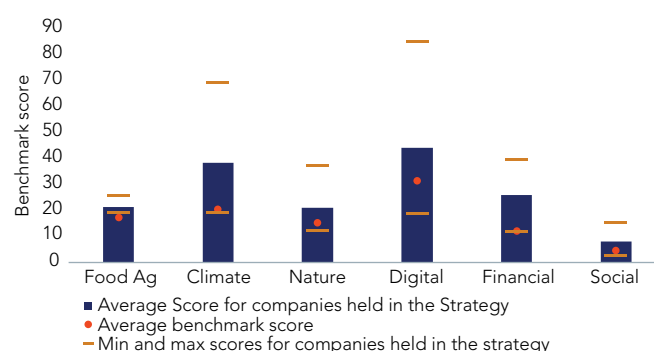
Our engagement has always been about fiduciary duty – we are active investors and active stewards of the capital entrusted to us. Having a proactive dialogue with the companies in which we choose to invest teaches us things that can't be understood by simply listening to earnings calls and reading annual reports. It also allows our voices to be heard by the management teams who are ultimately responsible for the actions that drive the success of the investment.

The sustainable finance industry remains buoyant, at least in fixed income, with European sustainable fixed income funds seeing positive inflows for Q1 (US\$10.1bn) and Q2 (US\$12.8bn), according to Morningstar data.<sup>1</sup> Meanwhile in the US, Q2 marked a small negative outflow after nine consecutive quarters of inflows.

The first half of the year also saw us change the name of the Fund to adapt to the European Securities and Markets Authority's (ESMA's) new naming rules.<sup>2</sup> Keeping the SDG label would have required the strategy to adopt additional exclusions, which we decided would have hampered our ability to engage in certain sectors. In particular, we have a handful of highly selective engagements with companies producing or transporting gas that would have had to be sold if the Paris-Aligned Benchmark exclusions were adopted. We are cautious about engaging here, and have always been meaningfully underweight the sector, however, even under the International Energy Association's (IEA's) net zero scenario there is a small amount of gas remaining in 2050. Our approach is to select the producers that we believe will survive that transition. The new name reflects the primary focus of this strategy – engagement.

Despite the removal of 'SDG' from the fund name, we still see the SDGs as the best framework for articulating and framing the potential contribution of each company to solving the world's most pressing challenges. The World Benchmarking Alliance maintains a list of the most influential companies from around the world that hold the key to achieving the SDGs. The SDG2000 list comprises companies which collectively generate US\$36.5tn in revenue and employ 97 million people across 85 countries. Of the 136 issuers held in the Strategy, 65 are named in the SDG2000 list. On all six of the applicable benchmarks, the companies held in the Strategy score above average (Figure 5).

**Figure 5: Portfolio holdings named in the SDG2000 list<sup>3</sup>**



Source: Federated Hermes, the World Benchmarking Alliance, as at 30 June 2025.

<sup>1</sup> Morningstar Global Sustainable Fund Flows: Q2 2025 in Review

<sup>2</sup> The SDG Engagement High Yield Credit Fund changed its name to the Global High Yield Credit Engagement Fund on 24 April 2025. Federated Hermes Global High Yield Credit Engagement forms part of the SDG Engagement High Yield Credit Strategy.

<sup>3</sup> The average score for companies held in the strategy compared to all companies scored as part of each of the seven system transformation benchmarks conducted by the World Benchmarking Alliance. The Urban Benchmark is excluded because none of the 67 companies assessed are held in this strategy.



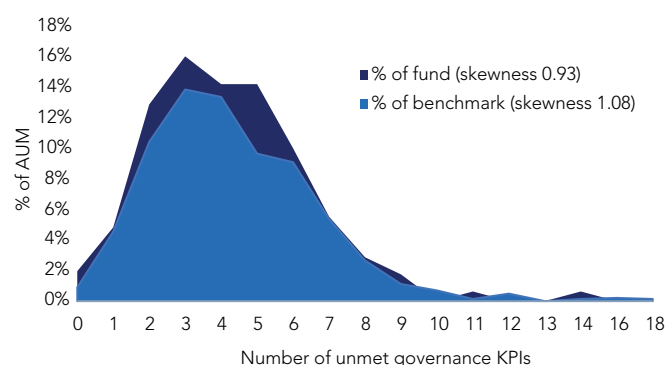
**Despite the removal of 'SDG' from the fund name, we still see the SDGs as the best framework for articulating and framing the potential contribution of each company to solving the world's most pressing challenges.**

### Minimum governance strength

We have always maintained that sound corporate governance is a prerequisite for successful engagement. A company with underdeveloped governance structures is unlikely to have evolved to the point where it can start focussing on sustainability. Weak checks and balances can also lead to governance controversies that take priority over sustainability work.

One of the many ways we assess governance is through the use of a proprietary tool that measures companies according to 25 indicators. Figure 6 shows the number of unmet indicators for companies held in the Strategy and benchmark and highlights a clear skew towards better-governed companies for the Strategy.

**Figure 6.** Number of governance KPIs not met<sup>4</sup>



Source: Federated Hermes corporate governance portfolio dashboard as at 30 June 2025.

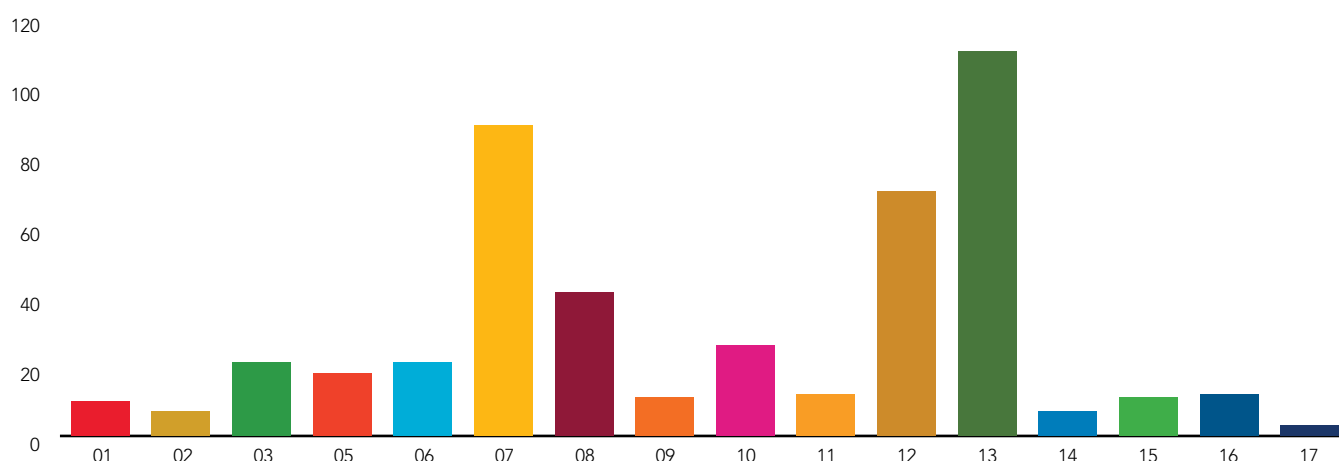
**A company with underdeveloped governance structures is unlikely to have evolved to the point where it can start focussing on sustainability.**

### Converting potential to realised impacts

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

The change we seek becomes an 'objective', and any given company might have multiple engagement objectives running concurrently. Figure 7 shows a breakdown of all the objectives we have running across all companies held in the strategy.

**Figure 7:** Number of live objectives per SDG



Source: Federated Hermes, as at 30 June 2025.

Sustainability and engagement data refers to the The Global High Yield Credit Engagement Fund, which is used as a representative portfolio for the strategy.

<sup>4</sup> For example, 16% of the fund flags for three unmet governance indicators. A higher number of unmet indicators implies worse governance.

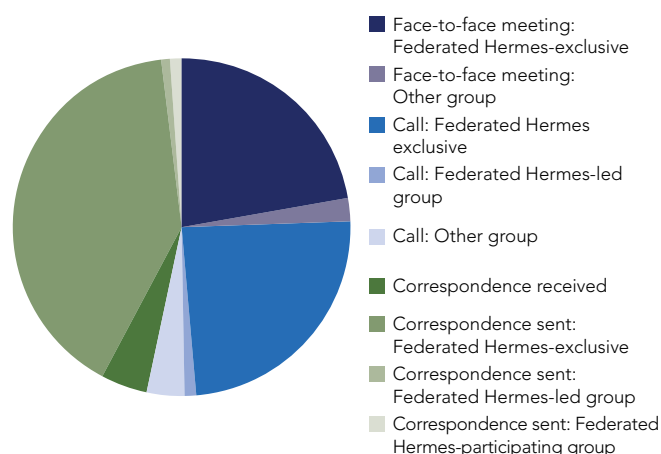
SDG 13, climate action, was the most prevalent area of engagement in H1 2025. This is because we consider the transition and physical risks stemming from climate change to be highly relevant for the majority of companies in our portfolio. Since SDG 13.2.2 specifically targets a reduction in global greenhouse gas (GHG) emissions, SDG 13 is the tag we add to an objective when we believe that initiatives addressing climate change would produce a meaningful impact on absolute emissions, and where the laws and regulations in the relevant jurisdiction permit us to do so. SDGs 7 and 9 are also particularly relevant to climate-related objectives.

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

### Activity

One of the ways we measure engagement activity is the total number of interactions we have with companies. This is partly a result of the intensity required by our current objectives, partly how readily we can access a company, and partly how many companies we hold. We target 'quality over quantity' in our engagement: more actions do not necessarily contribute to improved engagement outcomes. We use all methods of engagement available to us, including face-to-face meetings, writing letters to the board, video calls, and working with other investors. Overall, there is about a 50/50 split between written and verbal engagement.

**Figure 8:** Methods of engagement in H1 2025



Source: Federated Hermes, six months to 30 June 2025.

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





## Engagement highlights

### The Sustainable Fixed Income Team



**Jake Goodman, CFA®**  
Senior Sustainability Investment Analyst



**Helena Wolenski,**  
Sustainability Investment Analyst



**Sarah Swartz,**  
Senior Sustainability Investment Analyst



**Elisa Hirn,**  
Sustainability Investment Analyst



**Bertie Nicholson,<sup>5,6</sup>**  
Sustainability Investment Analyst



**Brittany Bell,**  
Sustainability Investment Analyst

In the following sections, we report on the changes that have occurred across the portfolio according to the engagement objectives set for each company.

Company	Engagement Objective	Progress update	Status
<b>Veolia</b>	Net zero strategy	<p>2023 marked the start of an intensive engagement between Veolia and members of the Net Zero Engagement Initiative (NZEI).<sup>7</sup> This culminated with the <u>publication of a joint statement</u> in June 2025 that recognised the mutually beneficial engagement relationship.</p> <p>The starting point was a letter sent to Veolia in March 2023, seeking confirmation of the management of climate-related financial risks and transition planning and asking to discuss the company's alignment with the Paris Agreement.</p> <p>What followed was a highly active two-year engagement combining numerous closed group discussion with NZEI, meetings at Veolia's headquarters and email exchanges. The company presented its draft strategy to the investor group so that feedback could be incorporated prior to finalisation.</p> <p>In February 2024, Veolia published its net zero strategy. The final strategy is a comprehensive and detailed plan covering most of the main sources of emissions and accompanying timelines for reducing those emissions. It includes targets for a 50% reduction in Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions by 2032.<sup>8</sup> It includes all the key asks of the investor group, including, pedagogical explanations of emissions sources, a breakdown for each business unit, emissions trajectory and contributing levers, disclosures on coal in Central and Eastern Europe (CEE) and China, and related climate governance. Since publication, the targets have been validated by SBTi<sup>9</sup> and the strategy has been assessed by Moody's under its transition plan methodology.</p>	<div> <div>7</div> <div>12</div> <div>13</div> </div> <div>Objective completed, Q2 2025.</div>

<sup>5</sup> CFA UK Level 4 Certificate in Climate and Investing





<sup>6</sup> CFA UK Level 4 Certificate in ESG Investing

<sup>7</sup> The Net Zero Engagement initiative (NZEI) is an investor-led initiative aimed at helping members align more of their individual investment portfolios with a net-zero pathway using corporate engagement. Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert. Indeed, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.

<sup>8</sup> Scope emissions: Scope 1, Scope 2, and Scope 3 is a classification system for greenhouse gas (GHG) emissions a firm creates through its operations, energy usage, and the wider value chain.

- Scope 1 emissions – All direct emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.
- Scope 2 emissions – Indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.
- Scope 3 emissions – All other indirect emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.

<sup>9</sup> Established in 2015, the Science Based Targets initiative (SBTi) is designed to help companies to set greenhouse gas (GHG) emission reduction targets in line with climate science. The initiative defines and promotes best practices in emissions reductions and includes a team of experts to provide companies with independent assessment and validation of their targets.

Company	Engagement Objective	Progress update	Status
<b>Alpha Bank</b> 12 13	TCFD-aligned reporting	<p>The bank's reporting on sustainability, and on climate specifically, has significantly developed over the last few years. When we began engaging the bank on the topic, we raised the prospect of best-practice Task Force on Climate-related Financial Disclosures- (TCFD) aligned reporting and were told it was considering partial alignment in its 2022 report. We were pleased to see the bank eventually publish a first TCFD report that followed all recommended disclosure components. We have engaged with the bank on its reporting during several meetings since then, namely on its risk policies, its financed emissions, and client assessments and engagement. Its most recent TCFD- and Corporate Sustainability Reporting Directive- (CSRD) aligned report in March 2025 offers more transparency on the impacts, risks, and opportunities of climate change and other environmental topics, across different time horizons. Since the beginning of our engagement, the bank has also provided more information on how it assesses clients on ESG within its loan origination process. We continue to encourage the bank to disclose examples of questions in client due diligence, and assessment outcomes broken down on a sector-level.</p>	 Objective completed, Q1 2025.
<b>NatWest</b> 7 13	Successful execution of climate, enterprise & purpose strategy	<p>Since the beginning of the year, we have had three in-person meetings with the bank's sustainability team and board directors. We have discussed the bank's sustainable finance strategy at length, in light of strong progress against its target which has a deadline set for this year. We questioned the bank on what targets could be most effective beyond 2025 and were encouraged by its approach to break them down by sub-sector where it believes it can have the most impact, with a focus on green financing. In a separate meeting, the director recognised both the risks of stranded assets and the opportunities in sustainable finance, noting strong board support for the committee developing the new targets.</p> <p>We have explored the bank's Green, Social, and Sustainability (GSS) bond program. The bank continues to see interest in green mortgages and retrofit financing, particularly as supplements to existing propositions. Social bonds are also gaining traction despite challenges in defining target groups, such as women entrepreneurs. We raised the issue of additionality – ensuring bonds go beyond existing lending activity. We welcomed the bank's broader residential mortgage offerings and learnt about the limited demand for products which support lower-income households. This highlights the need for additional policy support. The bank agreed it could better communicate its approach to encouraging a just transition, particularly at the regional level.</p>	 Milestone 3 completed Q1 2025. Engagement ongoing.
<b>Sealed Air</b> 3 6 12	Increase transparency on per- and polyfluoroalkyl substances (PFAS)	<p>Per- and polyfluoroalkyl substances (PFAS)<sup>10</sup> are widely used in packaging due to their reinforcing properties. However, there are significant health and environmental risks associated with PFAS. This means increased regulatory scrutiny and litigation risk for companies using them. Our objective is for the company to assess its processes and products for the use of PFAS and develop a disclosure plan detailing levels across its product lines. This can help reduce associated health and environmental risks, as well as exposure to reputational, regulatory, and legal risks.</p> <p>We first engaged with the company in 2024, to understand how it tracks the use of PFAS. It explained that food packaging regulations are the main barrier to eliminating PFAS from its products, but that it is dedicating more resources to address the issue. We met again this year, requesting an update on its research into alternatives in its food packaging materials. While the company could not share specific innovations, it confirmed completion of a PFAS assessment, and we were pleased to hear that they are no longer used in its US food packaging. It also intends to eliminate these substances from processes in food packaging in other regions by the end of 2026 and to disclose levels to comply with Canadian regulations. We will continue to engage the company to ensure it delivers on these commitments and improves transparency further.</p>	 Milestone 2 completed Q2 2025. Engagement ongoing.
<b>LKQ</b> 7 13	Vehicle fleet strategy	<p>LKQ, a US auto parts company runs a fleet consisting of thousands of vehicles used for transport and salvage operations. These vehicles mostly run on diesel and petrol and we believe the company has an opportunity to reduce costs by gradually replacing older vehicles with those that have lower fuel costs. For example, battery powered or hybrid engines.</p> <p>We have engaged on this topic since 2021, exploring the company's thinking around investments in alternative fuelled vehicles and usage. The company explained then that it was investigating the shift from an owned-fleet to leased-fleet model which would help it to transition the fleet at a greater pace. In follow-up discussions over the years, the company acknowledged the need to develop a group-wide approach to this topic.</p> <p>In 2024, we met with the company while it was in the process of reviewing its ESG strategy. We highlighted that its current strategy may not sufficiently reflect the ambition needed to improve the vehicle fleet. At the same time, we encouraged the company to make further progress in working with suppliers. In its 2024 sustainability report, published in 2025, we were pleased to see the company lay out a sustainability roadmap that included replacing some of the fleet with vehicles with lower fuel costs. In addition, it disclosed that, as of year-end 2024, the company had 490 electric (full or hybrid) vehicles.</p>	 Milestone 3 completed Q2 2025. Engagement ongoing.

<sup>10</sup> Per- and polyfluoroalkyl substances (PFAS or PFASs) are a group of synthetic organofluorine chemical compounds that have multiple fluorine atoms attached to an alkyl chain; there are 7 million such chemicals according to PubChem.



Company	Engagement Objective	Progress update	Status
<b>Solenis</b> <div>3</div> <div>6</div> <div>12</div>	Disclosure of substances of concern usage	<p>There is an increasing risk of chemical products becoming stranded, due to increasing regulatory scrutiny and evolving public perception. As a result, we would like to see the company publish information on its use of substances of concern (SoC). We made our initial request for improved disclosure during a meeting in 2022, where the company confirmed it maintains a list of SoC managed by its environment, health &amp; safety team. In Q3 2023, following several acquisitions, we sought to understand how these changes might impact the company's SoC approach. We were encouraged to hear the company intended to enhance its reporting and we recommended it use the ChemSec Sin List as a reference, rather than limiting disclosures to substances covered by regulation.</p> <p>In Q1 2024, the company published a responsible chemistry policy which categorised substances into four groups based on their adverse environmental and toxicological properties. However, this policy did not disclose specific chemicals. We followed up on this during a meeting in Q1 2025, where the company demonstrated its robust tracking and governance system for SoC which takes into account its new acquisitions. The company said it is committed to phasing out or substituting substances that fall within its banned or 'phase-out' categories and confirmed it will set internal deadlines for doing this, contingent on the availability of alternatives. We were pleased to learn the company is considering disclosing its banned list and will continue to engage for better transparency on its use of SoC.</p>	<div>●</div> Milestone 3 completed Q1 2025. Engagement ongoing
<b>Deutsche Bank</b> <div>7</div> <div>13</div>	Policies for high-risk sectors	<p>Since 2021, we have engaged with the bank on its policies for high-risk sectors that will be subject to financially material ESG risk. Over the years, we have met senior staff on several occasions to discuss the bank's approach, including at the bank's headquarters in Frankfurt, Germany. In this time, we have also met the two subsequent chairs of the supervisory board to understand the oversight of these issues.</p> <p>During a meeting with executives in 2021, we began exploring the bank's approach to taking advantage of climate-related opportunities and the benefits of reduced risks. At a meeting in Frankfurt in 2022, the bank told us about its commitment to releasing emissions reduction targets for its most material sectors, along with a revised fossil fuel policy with strengthened commitments around financing of coal-fired power by the end of the year. Following this publication, we met with the bank to give feedback on the strategy.</p> <p>As of the 2024 annual report published in 2025, the bank has clarified its approach to key sectors, including oil and gas (upstream), power generation, automotive (light duty) steel, coal mining, cement, shipping and commercial aviation. However, other sectors are yet to be included, which led us to partially complete the objective.</p>	<div>✓</div> Objective partially completed Q2 2025.
<b>Nokia</b> <div>8</div>	Reduce the number of fatalities	<p>We initiated a new engagement objective with Nokia on safety in 2025. In 2014, it recorded eight subcontractor fatalities, which we view as a serious weakness in its oversight of suppliers. Our objective is for the company to significantly improve its performance. A company's safety performance is a marker of operational excellence. If workers are being injured, this is often a sign of poor training, culture, lack of oversight and inadequate investment in human capital. In addition, workers (including contractors and subcontractors) have the right to a safe working environment where all reasonable measures have been taken to mitigate dangers.</p> <p>We have discussed this issue with the company three times this year. So far it has provided a comprehensive overview of its safety programme. It is important to note its data includes all fatalities which occurred due to Nokia's activities, including subcontractors and members of the public. Very few companies provide this level of detail. We will continue to engage on this topic until the fatality rate has reduced.</p>	<div>●</div> Milestone 2 completed Q2 2025. Engagement ongoing.



## Appendix: GIPs performance data

### Schedule of Rates of Return and Statistics

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

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

Periods ending: **30 June 2025**

	Returns (%)		
	Composite Gross Return	Benchmark	Composite Net Return
Q2 25	3.48	3.11	3.33
YTD	4.65	4.37	4.32
1 Year	9.84	10.13	9.14
3 Years (Annld)	10.30	10.27	9.59
5 Years (Annld)	5.44	5.46	4.76
Oct-19 – Jun-25 (Annld) <sup>^^</sup>	4.87	4.51	4.20

<sup>^^</sup>Represents composite inception period. See page 2 for additional notes to the schedule of rates of return and statistics.

The composite includes all discretionary portfolios following the SDG Engagement Global High Yield Credit Hedged to USD strategy run by the Federated Hermes Global Credit team (London Office) and has an inception date of 1 October 2019. The objective of the strategy is to exceed the return of the benchmark over a rolling five-year period whilst delivering positive societal impact aligned to the United Nations Sustainable Development Goals ("UN SDGs"). The strategy may invest in a broad range of assets, either directly or through the use of derivatives, (including, but not limited to, equities, equity-related securities, Eligible CIS and/or financial indices, futures, options, swaps, debt, fx and money markets). The strategy through its investments in FDIs may be leveraged. The composite's benchmark is the ICE BofA Global High Yield Constrained Hedged to USD Index, which is designed to measure the debt market performance of global high yield debt. The benchmark contains primarily USD and EUR issues. The Index is rebalanced on the last calendar day of the month and the return is calculated on a total return basis. This composite was created in November 2019. Performance shown for 2019 is for a partial period starting 1 October 2019. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Hermes has been independently verified for the period of January 1, 1992, through March 31, 2025. 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. Since inception, the management fee schedule for this strategy was 0.65% per annum. As of 1 March 2025, the management fee schedule for this strategy is 0.60% 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.

Year	Annual Returns (%)							Composite Assets (Million)	Firm Assets (billion)
	Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr St Dev	*Benchmark 3-Yr St Dev	No of Portfolios	**Dispersion		
2019	4.04	3.87	2.90	N/A	N/A	<5	N/A	276.3	40.2
2020	7.94	7.23	6.48	N/A	N/A	<5	N/A	680.6	585.7
2021	2.87	2.20	3.04	N/A	N/A	<5	N/A	1,855.3	634.2
2022	(9.51)	(10.10)	(11.38)	12.00	11.19	<5	N/A	918.0	627.4
2023	11.24	10.52	12.97	8.63	7.81	<5	N/A	1,369.8	720.0
2024	8.06	7.35	9.24	8.73	7.91	<5	N/A	1,246.5	792.2

\*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.

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