



GEMs ESG Materiality H2 2025

Olivia Lankester

Director, Responsible Investing & Sustainability –
Global Emerging Markets

Hayley McGuinness

Associate Director, Responsible Investing & Sustainability –
Global Emerging Markets

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 shining a spotlight on our approach to **climate-adjusted valuations**.

To illustrate our approach in more detail, we share our assessment on **TSMC**, the leading Taiwanese semiconductor company facing climate-related cost pressures from carbon taxes, increasing electricity and raw material costs.

We also provide our reflections from **COP30**, having been on the ground in Brazil, attending COP Finance events and engaging with our Brazilian holdings.

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

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

We had
222 engagements with
53 companies

We engaged
88% of AUM

We made progress on
34 objectives (43%)

We pursued
79 objectives for change
as follows:

38 environmental

17 social

24 governance (including
strategy, risk and
communication)

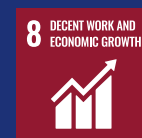
Our most engaged SDGs:



33
objectives/issues²



43
objectives/issues



52
objectives/issues



53
objectives/issues



65
objectives/issues

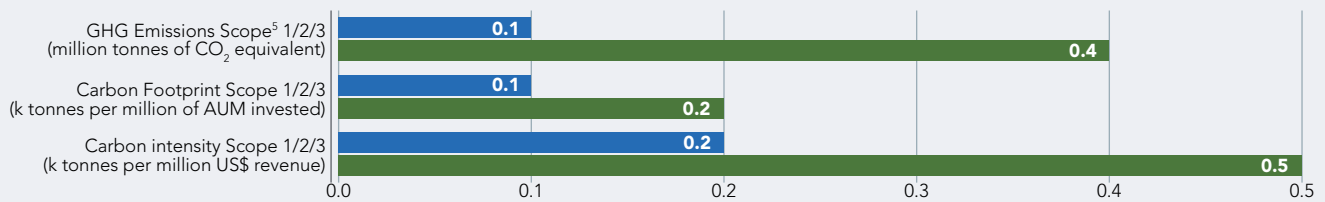
¹ Sustainable Development Goals (SDGs): The SDGs are a set of 17 interconnected goals that were adopted by all UN member states in 2015. They are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere, by 2030.

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, Q2 2025

Federated Hermes GEMs Equity Strategy vs. MSCI EM benchmark



Source: Federated Hermes as at 31 October 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 that have higher emissions or 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 62.1% of AUM aligned, aligning or committed to net zero (See Figure 2 adjacent), but continued engagement is necessary to deliver on our firmwide commitment to reach net zero by 2050 (Scope 1, 2 and 3).

We have seen progress in efforts to reach net-zero targets as outlined by the Paris Agreement across the GEMs Equity Strategy

Figure 2: GEMs Strategy net zero alignment³

Category	% AUM	% emissions Scope 1, 2 and 3	Definition
Aligned	18.2%	7.8%	A coherent ambition to reduce emissions in line with the 1.5°C target by 2050
Aligning	7.1%	4.1%	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	36.7%	35.4%	Publicly announced a net zero ambition to reduce emissions by 2050 or sooner.
Not aligned	3.6%	1.7%	None of the above
Unscored	34.3%	50.9%	
TOTAL	100%	100%	

Source: Federated Hermes 31 October 2025.

Our impact

The companies we invested in delivered:⁴

Greenhouse gas (GHG) emissions (Scope 1, 2 & 3):

69.1% lower than the benchmark

154 million tonnes of CO₂ avoided

1.5 billion litres of water saved

Circular economy:

215 thousand tonnes of conventional material production avoided

Health care treatments for

1.29 million people

Financial services for

285 million previously excluded people

An average of

24.10% female board representation and
36.74% female workforce participation

Average employee turnover of

17.58%

³ Due to further automation of our Paris Alignment assessments, a large portion of companies have shifted from 'Not aligned' to 'Not scored' in this refresh (compared to the April 2025 figures). This reflects that these companies have a climate target in place, however the format or ambition of this target does not qualify the company as Committed, Aligning or Aligned in our methodology.

⁴ Federated Hermes GEMs Equity core strategy holdings as at 31st October 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 ⁵ /status)
Bank Rakyat Indonesia	Social Impact of Microfinance	Financial inclusion	Start date: Q2 2021 Following our engagement, the company has implemented a plan to enhance its social impact reporting, using a six-pillar framework of impact starting with a focus on pillar 1 – social and economic empowerment. It will be applied to core business impacts and corporate social responsibility (CSR) projects. We can expect to see more on this in the company's 2025 Sustainability report (February 2026).
Hansol Chemicals	Emission reduction targets	Climate change Corporate governance	Start date: Q3 2024 Since our initial engagement, the company has put in place site-specific Scope 1 and 2 targets. While it represents positive progress, these targets are not science based and Scope 3 disclosure is lacking. We have requested a meeting with the Chair to discuss the company's climate strategy as well as board dynamics and composition in light of the changes to South Korea's Commercial Act. ⁶
VA Tech Wabag	Emission reduction targets, Biodiversity management, Gender diversity	Climate Nature Human capital management	Start date: Q3 2025 While recognising Wabag's critical contribution to addressing climate change through its water solutions and other services, we engaged with the company to establish Scope 3 emission reductions targets. The latter is particularly important given the shift in the company's business model towards more operations and maintenance (O&M). In our meeting with the Chair, he responded positively and verbally committed to setting a target in the future. We also discussed the company's commitment to 'nature positive projects' and learnt that Wabag plans to adopt more Taskforce on Nature-related Financial Disclosures (TNFD) methodologies in the future, for example, using the LEAP approach (Locate, Evaluate, Assess, Prepare) as a means of assessing and mitigating its impacts and dependencies on nature. We encouraged further disclosure on this topic as well as reiterating our view that the company could do more to enhance female participation in the workforce as a means of ensuring it has a diverse pool of talent.
Shenzhen Innovance	Board committees	Board effectiveness	Start date: Q4 2023 Engagement is progressing well across ESG topics with notable progress and openness to dialogue. In particular, the company has established nomination, remuneration and appraisal committees which, together with the audit committee, provide professional support in their respective areas. Board members serving on committees have expertise in accounting, financial management, and industry knowledge, ensuring proper function of the committees.
Rumo	Interim emissions target Nature strategy	Climate Nature	Start date: Q3 2023 Rumo remains open to the possibility of aligning its interim climate target to leading standards for the sector, and is pursuing additional analysis internally following our engagement. The company has completed its hybrid locomotive trials yet faces barriers around depreciation and maintenance cost uncertainty that means the technology is too expensive to roll-out across its fleet. The company is pursuing innovative financial instruments and further technology developments with its supplier to assist in this area. We highlighted the opportunity that Rumo's landbank represents as a carbon offset or biodiversity credit source for the company if it engages in nature restoration. It was open to this discussion.
WEG	Health & Safety Supply chain management	Human capital management Human rights	Start date: Q3 2022 We visited WEG's headquarters in Jaragua do Sol, Brazil, and met with the Head of ESG to discuss supply chain management. It was clear throughout the site visit that the company has a strong safety culture, and a focus on labour management which contributes to a long-tenured and loyal employee base. The company's safety best practice examples included: clear safety briefings, consistent use of appropriate safety gear, clear walking pathways throughout factories that were adhered to, a policy against phone usage while walking, good ventilation throughout its facilities, special zones to conduct daily safety meetings and track latest safety announcements and key performance indicators (KPIs) in every individual factory on site. Based on our discussions, its high standards are enforced across international sites as well and the company is progressing in its environmental and social performance discussions with suppliers. We encouraged the company to focus its initial attentions on the steel supply chain as its most significant raw material. As its supply chain programme enters a new two-year cycle it is exploring the opportunity of setting goals for the programme for the first time. We encouraged this aim and suggested some goals for consideration that were well received.
Wheaton Precious Metals	Measuring ESG impact across the mining portfolio; Financed emissions target	Sustainability transparency Climate	Start date: Q2 2024 After further engagement this year, we were invited to formally participate in Wheaton's ESG Materiality review as a key stakeholder representative. We reinforced the need for Wheaton to measure and report financed emissions and set a target to reduce these emissions. Moreover, we reinforced the need for measurement and disclosure of mine-level ESG performance, in particular water and waste. Other key categories we gave weight to were safety and human rights risk management at the mine level.

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

⁵ 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.

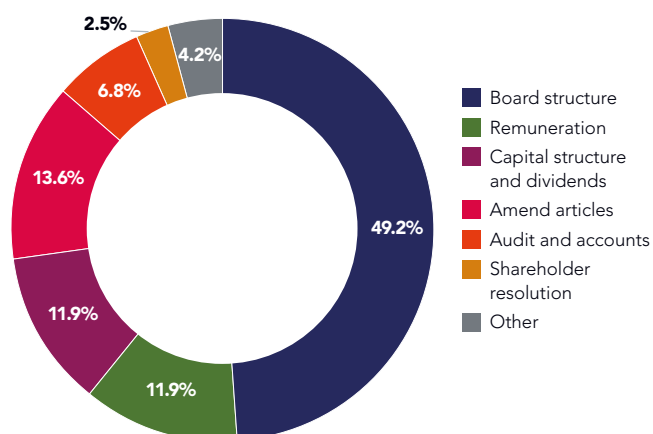
⁶ South Korea's Commercial Act is the primary law governing business, trade, and corporate activities, covering general rules, merchants, companies, insurance, and maritime transport, with recent major amendments in July 2025 significantly boosting corporate governance by expanding director duties, mandating electronic meetings, and introducing cumulative voting to tackle the "Korea discount" and enhance minority shareholder rights.

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 (49%) including at **Alibaba**, **Kanzhun** and **Prosus**, all of which fell short of our expectations on board independence and/or diversity (see Figure 3).

Figure 3: Breakdown of votes against management in last 12 months (per issue)



Source: Federated Hermes as at 31 October 2025.

We consider qualitative and contextual factors in our voting decisions, including company progress on governance factors. For example, at **Power Grid**, we voted for two candidates who were flagged as having political affiliations since, on further investigation, we deemed these associations to be either historical or unlikely to impact decision-making.

At **First Rand**, we voted for the implementation of the remuneration report despite the inclusion of a one-off restricted share award for the CEO. While one-off share awards outside of the remuneration policy are not considered good practice, in this case, we were reassured by the strong performance underpin – and by the requirement for at least 70% of the vested award to be part of the CEO shareholding requirement.

At **MakeMyTrip**, a new holding, we were pleased to see the company establishing a fully independent audit committee and improvements in independence, now at 40%. As a result, we voted for all candidates despite the company not quite meeting our expectations of 50% independence.

In **South Korea**, we continue to watch the progress of the Corporate Value-Up Programme' in the hope that it may help reverse so-called 'Korea discount'. The revision to the country's Commercial Act in July 2025 to broaden the responsibility of directors to all shareholders was long-awaited and an important step forward in empowering minority shareholders, along with the '3% Rule' which limits the voting rights of large shareholders in appointing audit committee members. Further reforms, such a mandatory cancellation of treasury shares and changes to inheritance tax, are still in the balance, with reported push-back from the chaebols.

In September, we had an in-person meeting with the Chair of **Samsung Electronics** in our London offices. We took this as a positive signal that the company is prioritising listening to shareholders. We discussed the strategy for its foundry business and board dynamics and composition, emphasising our wish to see more international corporate experience on the board.

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



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 31 October 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, there is likely to be an under-estimation in some cases.⁸

Figure 4: 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)	153,709,346	95.05%	101,848	63.11%
	% of energy or electricity consumed, renewable	26.99%	39.43%	26.99%	5.88%
Water	Total water consumed or withdrawn (m ³)	3,881,419,899	8.88%	1,157,810	623.81%
	Water saved (m ³)	1,540,500,000	-	17,766,034	-0.18%
Circular economy	Operational waste recycled %	51.46%	-13.63%	51.46%	-4.85%
	Conventional material production avoided (MT)	214,866	108.49%	149	31.61%
Decent work	Employee turnover	17.58%	-12.07%	17.58%	-3.48%
	Incidents***	8,808	4.98%	8	3.34%
Gender equality	% female board representation	24.10%	4.00%	24.10%	-2.08%
	% female senior managers	24%	8.78%	24%	7.24%
	% female employees	36.74%	-2.77%	36.74%	-1.42%
Health & well-being	Number of patients treated	1,289,356	60.38%	7,978	2.10%
Financial & economic inclusion	Number of customers previously excluded	284,937,050	44.07%	154,267	0.72%
	Jobs supported – indirect	195,553,038	35.16%	65,524	22.56%

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 Oct 2022 and Oct 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 at COP30

The Federated Hermes delegation joined global leaders at COP30 in Belém, Brazil, and PRI in Person in São Paulo for discussions on the changes needed to mobilise capital at scale and implement policy shifts that recognise the financial cost of failing to act. Hayley McGuinness represented GEMs Equity in this delegation; see her key takeaways summarised below, and the full Federated Hermes delegation write up [here](#).

My COP30: Hayley McGuinness, Associate Director – Responsible investing & Sustainability



Emerging Markets and Nature were focal points at COP30. Investors have recognised the opportunities (and necessities) of the transition – the money is there, waiting for bankable projects. This is particularly true for emerging markets investments, which are critical to achieving our climate goals. To mobilise capital, we need (1) to fix the warped perception of credit risk in emerging markets which does not reflect real risk; (2) specific and stable policy signals from governments; and (3) to scale innovative and blended financial instruments.

We need emerging economy governments to send signals to the market of what a net-zero transition looks like for them.

Part of my focus was to better understand current efforts to address these issues, and to share insights, as investors and stewards, on further action required. One overarching issue became clear – all stakeholders need to speak the same language and should maintain an open dialogue to ensure their needs are understood.

A key discussion point was the reality that emerging economy transition pathways will differ from those of developed economies – particularly regarding technology and timing. We need emerging economy governments to send signals to the market of what a net-zero transition looks like for them.

Nature, at its heart, is a local issue and a successful conservation and restoration economy requires the creation of economic opportunities 'on the ground' for indigenous and local communities.

Finally, the nature penny has dropped. The conservation and restoration economy is a huge investment opportunity and a key pillar of prudent financial risk management. Valuing and accounting for nature within the financial system is slowly becoming mainstream, alongside recognising and managing nature risk. We joined numerous sessions discussing the mechanisms emerging, and scaling, to support this: from efforts to capitalise transition, adaptation and nature investments on the balance sheet; to further growth of nature as an asset class throughout instruments such as the Landbanks' Nature Restoration Units; to the emergence of ISO standards such as the first global standard to assess biodiversity impacts.

We met with indigenous leaders from the Amazon and Cerrado to discuss the systemic issues at play and the collective approach needed for risk management and value creation. Nature, at its heart, is a local issue and a successful conservation and restoration economy requires the creation of economic opportunities 'on the ground' for indigenous and local communities. We speak a lot about negative tipping points in climate change, but there are positive tipping points too – we have seen these in technology so far (battery, solar pricing), but positive nature tipping points are waiting to be unlocked.



CASE STUDY

TSMC

Climate financial risk in the semiconductor sector: Taiwan Semiconductor Manufacturing Company (TSMC)



How will climate risk impact TSMC?

- TSMC's net income margin and upside will erode as a result of climate-related risks.
- These risks include: raw material and water availability and costs, energy demand and regulatory costs.
- As the business is so cash generative, and there is still considerable upside for the investment, cost impacts should be easily withstood.
- However, security of water, energy and raw material supply remain material risks for the business.
- TSMC's effective climate risk management is already contributing to lower semiconductor prices and a more secure semiconductor supply globally.
- Companies with smaller cash reserves and less diversified water and energy suppliers will be more vulnerable to climate risk, threatening broader semiconductor supply.

Taiwan Semiconductor Manufacturing Company (TSMC) will face varying climate risks as the world progresses towards a decarbonised economy and adapts to a changing climate. Among the most material risks, are those related to raw material and resource availability and costs, energy demand and regulatory costs. Each of these risks will financially impact the company over the next two decades, and in some cases have already done so. To understand its financial materiality and the impact to company valuation, we prepared a climate-adjusted valuation to price-in climate risks that were not fully accounted for in our base case model; including higher electricity costs, price shocks to raw materials, increased water costs and new carbon regulatory costs. The five key risk assumptions involved are detailed in the breakout box below.

What is the financial impact of these climate risks?

- **Impact to COGS:**⁹ ranges from a 2.5% increase to a 6.5% increase to annual COGS estimates across the 2026 – 2045 period under a climate action scenario.¹⁰

Increasing from 3.1% to 6.9% under a climate inaction¹⁰ scenario, as a result of increased carbon regulatory costs.

- **Impact to NIM:**⁹ reduces NIM by 1.1% to 2.8% across the period, increasing from 1.3% to 2.9% under a climate inaction scenario.
- **Upside impact:** erodes upside by 8%, increasing to 9% under climate inaction.

TSMC's highly cash-generative business acts as an economic moat against climate-risk-induced net income margin erosion. Of course, for the purposes of this analysis, we assumed no cost pass-through by TSMC as we sought to ascertain financial materiality and impact first. In reality, at least in the near-term, TSMC's unmatched market position allows for a 100% cost pass-through rate as it seeks to uphold its long-standing commitment to maintaining gross margins above 53%.¹¹ Regardless, it is clear that TSMC's investment case remains robust even with these risks accounted for, as upside is high enough that even a 9% impact is easily withstood. The same may not be said for a company with smaller cash reserves, which is a threat to broader semiconductor supply.

Energy, water and raw materials: If it's a matter of price, TSMC can likely pay it, but security of supply is another story. Having gained comfort over the resilience of TSMC's valuation to increased energy, water and raw material costs over the next two decades, the focus should be on supply security going forward. Taiwan's Water Resources Agency (WRA) forecasts that demand for water in Taiwan in 2036 will be 7.3% higher than 2021, resulting in a supply gap.¹² The market remains concerned about Taiwan's ability to meet the power demands of its technology sector, with multiple major blackouts in recent years and brownouts described as commonplace.^{13,14} There are simultaneous concerns about the slow pace of renewables growth and the threat it places on TSMC's emissions reduction targets.^{15,16} Although TSMC is actively managing these supply risks, it remains to be seen whether it will be enough to combat any future supply shortages.

⁹ COGS = Cost of Goods Sold; NIM = Net Income Margin

¹⁰ Climate action assumes TSMC achieves its emission reduction targets and is charged the lowest carbon rate under Taiwan carbon regulation. Climate inaction assumes TSMC takes no further decarbonization action, causing emissions to increase, and is charged the highest carbon rate.

¹¹ [News] TSMC to Implement a Significant Price Hike

¹² Taiwan's water woes: Can anything be done? | Politics & Society | 2023-05-30 | CommonWealth Magazine

¹³ Why Taiwan and Its Tech Industry Are Facing an Energy Crisis - Yale E360

¹⁴ The Dual Threat: How Taiwan's Energy Insecurity and Geopolitical Risks Endanger TSMC and the World's Tech Future | FinancialContent

¹⁵ (Reuters) How Taiwan's green power deficit threatens tech industry's bid for net zero – TCAN 台灣氣候行動網絡

¹⁶ Notes from Central Taiwan: Institutional barriers to renewable success - Taipei Times

¹⁷ TSMC Intends to Expand Its Investment in the United States to US\$165 Billion to Power the Future of AI

The company's intention to expand production in the US, materially diversifying currently Taiwan-dominated production, would likely offset this risk.¹⁷

TSMC's effective climate risk management is contributing to lower semiconductor prices and a more secure semiconductor supply. The company's investments in energy security and efficiency, emissions reduction and water efficiency translate directly to costs savings; costs that would otherwise be passed on to customers. This includes ambitious energy efficiency efforts focused on energy savings and lower production intensity.

New Renewable Power Purchase Agreements (PPAs) coming into effect from 2026 will immediately translate to savings on both electricity and carbon regulatory cost. Ambitious water strategies aim to improve production efficiency, diversify water supplies and increase reclaimed water usage. While some of these cost savings are incremental — such as water and carbon regulatory costs — and others, like electricity, more material, without these initiatives absolute absolute water and electricity consumption, and therefore costs, would be significantly higher over time.

More importantly, these efforts strengthen the company's resilience against future water and energy shortages through lower demand and greater diversity of supply, reducing the risk of an impact to production capacity.

Climate scenario assessed (2025-2045) – Key risk assumptions:

- **Electricity generation to triple by 2030¹⁸ and double each decade thereafter**, consistent with historic annual growth rates and increased production of complex chips.
- **Electricity prices in Taiwan will be 5x higher by 2030 and 2.7x higher by 2040**, as the grid battles to keep up with demand, driven in part by increased semiconductor and electrification demand and in the context of a renewables transition.
- **TSMC will have to pay per tonne of carbon emissions from 2026 under Taiwan's new carbon fee regulation.** It allows for a reduced carbon rate to be applied if the company is determined to have an appropriate self-determined reduction plan;¹⁹ we consider a climate action and inaction scenario when exploring this financial impact.¹⁰
- **TSMC's water costs will increase with higher production and more complex chips.**²⁰
- **Raw material costs will see higher-than-expected price hikes as a result of supply and demand shocks.** As the world grapples with supply chain disruptions, growing demand and geopolitical tensions in the metal and critical mineral sectors.²¹

GEMs Equity summary and next steps

The second 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. 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. This momentum is facilitated by the 'ESG friendly' reforms in countries such as South Korea (see above), India (emissions caps for high-impact industries), Taiwan (a new carbon pricing scheme) and Mexico (detailed NDC²² roadmap that provides a clear investment signal to the market). Meanwhile, at COP30, while national climate plans remain weaker than what is required, the event demonstrated that multilateralism is still alive with countries pledging to triple finance for adaptation by 2035 and Brazil's Tropical Forests Forever Fund (TFFF) drawing US\$6bn with indigenous peoples recognised as key stewards of lands and forests.

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 and any company facing human rights issues.
- Evaluate our impact across a range of outcome metrics including CO₂ avoided, water saved and jobs created.

The next ESG Materiality report (H1 2026) will include an update on our approach to human rights issues in addition to other topics, such as Indian labour laws.

¹⁷ [TSMC Intends to Expand Its Investment in the United States to US\\$165 Billion to Power the Future of AI](#)

¹⁸ [Power Is Increasingly A Credit Risk for TSMC](#), by S&P Global Ratings

¹⁹ [Recent Developments in Taiwan's Carbon Pricing System - Lexology](#)

²⁰ [Semiconductor manufacturing and big tech's water challenge | World Economic Forum](#)

²¹ [Semiconductor Fabs and Raw Materials: Strategies to Manage the Growing Risk of Supply Bottlenecks](#)

²² Nationally Determined Contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BD016987 0019740 12/25

Federated Hermes

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

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

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

Our investment and stewardship capabilities:

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

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

