

Federated Hermes Sustainable Global Equity

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2025 Annual Report

**Federated
Hermes** 
Limited

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For professional investors only

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SECTION 1

Investment review

Market performance

Global equity markets delivered positive returns in 2025, though leadership was narrow and performance varied meaningfully across regions and sectors.

As inflation moderated, central banks gradually shifted towards monetary easing, supporting optimism around improving financial conditions as the year progressed. However, equity returns were influenced less by broad-based growth and more by geopolitical developments, regional policy decisions and selective exposure to key structural themes, most notably artificial intelligence (AI).

In the US, equities performed well but gains remained heavily concentrated. Expectations of rate cuts supported valuations, while AI enthusiasm continued to dominate market leadership. Outside of technology, returns were more moderate as higher borrowing costs weighed on consumer and industrial sectors.

European equities staged a modest recovery, driven by policy-led themes such as the increased defence spending, industrial strategy and energy security. However, tariff uncertainty and geopolitical tensions created headwinds for some exporters.

Asia-Pacific enjoyed renewed momentum, supported by strong performance across Korean and Taiwanese semiconductor value chains and improving macro conditions in China. Japan was also a standout performer, benefiting from corporate governance reforms, rising wages and continued foreign inflows.

Investment strategy

The Federated Hermes Sustainable Global Equity Strategy is a high-conviction global equity strategy aiming to generate attractive financial returns by investing in companies contributing to positive environmental and social outcomes, ultimately supporting global sustainability goals.

The Strategy is a concentrated, high active-share portfolio of innovative and resilient sustainable companies. We believe that 'impactful', 'leading' and 'improving' companies all play important roles in the transition towards a more sustainable future and are well positioned to benefit from durable structural trends. Sustainable investments are those with a business model that creates value for society, has a positive or improving ESG profile, and whose activities have an overall positive impact. Our long-term holding periods and stewardship expertise support meaningful long-term engagement that enhances impact.

From a sector perspective, the Strategy is overweight Industrials, Healthcare and Materials, and neutral in Information Technology relative to the benchmark, the MSCI All Country World Index (ACWI). It is underweight Consumer Discretionary and Communication Services, with zero exposure to Energy and Utilities.

During the period, we initiated 12 new positions: **Nasdaq, T-Mobile, ServiceNow, Clean Harbors, Linde, TopBuild, Shopify, Experian, Stride, Broadcom, CATL** and **Alphabet**.

We closed out 9 positions: **Wex, Gartner, Yaoko, Fortune Brands, LKQ, Adobe, Rentokil, Novo Nordisk** and **PTC**.



Performance review¹

Past performance is not a reliable indicator of future returns.

The Strategy returned 7.99% in USD terms, underperforming its benchmark MSCI ACWI. While this aligns with long-term nominal equity market averages, relative performance was disappointing – particularly in the second half of 2025. Key headwinds included the underperformance of high-quality stocks as investors rotated into beta and momentum; a narrow US market dominated by high-growth tech; and European gains driven by value sectors such as Aerospace & Defence and Banks – sectors often excluded on sustainability grounds. Volatility and short-term sentiment added further challenges, though we view this as an opportunity for long-term investors focused on fundamentals.

Stock selection in Industrials was the largest detractor in 2025 on a relative basis, with additional negative contributions from Health Care, Materials, Information Technology and Financials. This outweighed positive contributions from the Strategy's underweight in Consumer Discretionary.

Outlook

As we move through 2026, AI is set to remain a dominant investment theme. Rapid advancements in AI models continue to unlock a wide range of new use cases for corporations, small and medium sized enterprises (SMEs), and individuals. Identifying the key enablers, major disruptors, and companies that can deploy AI most effectively will be a key driver of performance.

While market concentration and a chase for beta were features of 2025, signs of broadening began to emerge in December – a trend that could continue in 2026. Mega cap technology has driven returns for most of the past three years, resulting in elevated concentration among the largest names. However, a cyclical recovery, increased AI deployment, and shifting geopolitics may help catalyse broader equity market leadership and create a more favourable environment for active managers.

¹ Management fees are not included and will have the effect of reducing performance.

Relative performance contributors

Taiwan Semiconductor Manufacturing Company (TSMC)	Surging AI-driven demand; strong earnings momentum; positive guidance.
Credicorp	Strengthening profitability, solid competitive position, and positive Peruvian economic momentum.
ASE Technology	Strong earnings ahead of expectations due to better margins and growth in advanced packaging.

Relative performance detractors

Trex	Weaker volume recovery, channel destocking, and intensified competition following James Hardie's acquisition of Azek. We view this as a cyclical trough rather than a structural issue.
Novo Nordisk	Profit warning linked to weaker Wegovy sales and concerns following an internal CEO appointment.
RELX	Share price decline driven by broader sector fears around AI disruption, despite strong underlying fundamentals.

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

SECTION 2

Engagement overview

Alongside our stewardship colleagues in EOS at Federated Hermes Limited (EOS), we seek to encourage positive change through board and executive-level interactions. Our engagements with portfolio companies take the form of face-to-face meetings with board members, chairs, lead independent directors and chairs of board committees. We also gather information relating to specific engagement objectives and issues through our interactions with divisional heads and investor relations teams.

Our proprietary milestone system allows us to track our engagement progress through four key stages from initial raising of concerns through acknowledgement of the issue and commitment to change, to implementation.

We benefit from the wider research universe covered by EOS. The diverse team have backgrounds in law, banking, sciences, academia, accountancy, climate change and corporate strategy, and collectively they are fluent in 10 different languages. This expertise, combined with their cultural understanding and connections, enables local language dialogues which are of great importance.

Figure 1: Measuring progress – Milestones

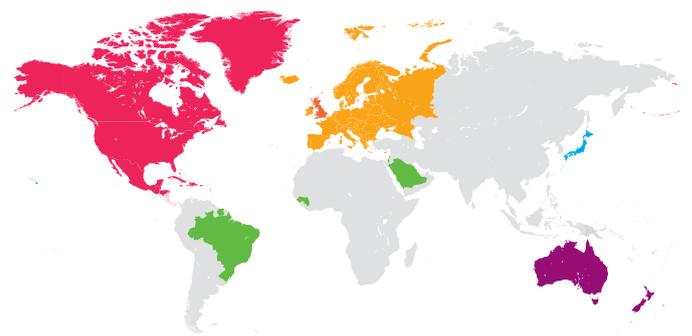


Engagement progress

Total number of engagement objectives: **81**

Number of companies engaged: **39**

Objectives by region:



North America **140** | United Kingdom **6**

Emerging and developing markets **29** | Developed Asia **27**

Europe **22**

Voting

Voting is a key part of demonstrating active ownership and encourages companies to meet the needs of shareholders:

Meetings voted in favour: 50%	Meetings where we voted against, against and abstained, or with management by exception: 50%
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Source: Federated Hermes, as at 31 December 2025.

Engagement objectives by theme



Source: Federated Hermes, as at 31 December 2025.

Issues and Objectives Engaged – Environmental



Source: Federated Hermes, as at 31 December 2025.

Issues and Objectives Engaged – Social



Source: Federated Hermes, as at 31 December 2025.

Issues and Objectives Engaged – Governance



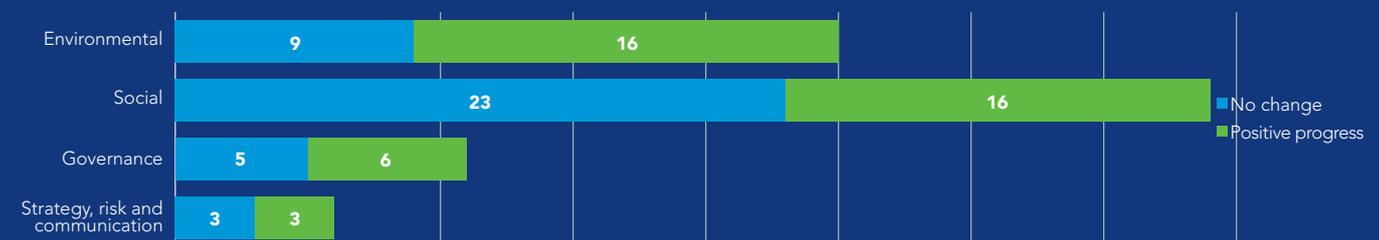
Source: Federated Hermes, as at 31 December 2025.

Issues and Objectives Engaged – Strategy, Risk & Communication



Source: Federated Hermes, as at 31 December 2025.

Milestone status



Source: Federated Hermes, as at 31 December 2025.

SECTION 3

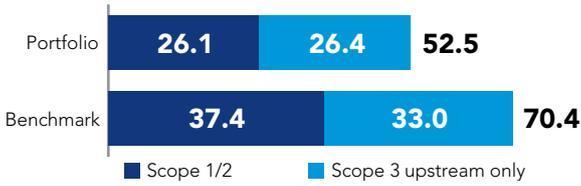
ESG outcomes

Environmental footprint:

The Strategy aims to have a smaller environmental footprint than the benchmark, the MSCI All-Country World Index. As at 31 December 2025, the portfolio's carbon, waste and water footprints measured as follows:

Carbon footprint

tonnes/mn invested in portfolio currency



Source: TruCost, Federated Hermes as at 31 December 2025.

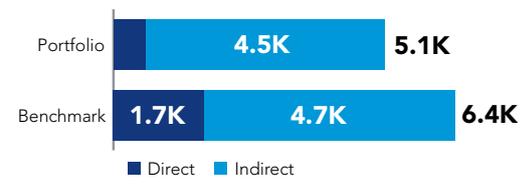
Waste footprint

tonnes/mn invested in portfolio currency



Water footprint

m2/mn invested in portfolio currency



SECTION 4 THEMATIC FOCUS

Powering progress: confronting AI's footprint & unlocking its sustainable potential

As it rapidly evolves, artificial intelligence (AI) has huge potential to drive innovation and more efficient use of resources, boosting progress towards the United Nations Sustainable Development Goals (UN SDGs). However, AI is also set to become a major consumer of resources, making efficiency a vital focus of sustainable AI development.

Fast reading:

- The next generation of generative and agentic AI has the potential to benefit both sustainability and development, driving efficiencies across a wide range of sectors that can significantly reduce resource use and emissions while helping deliver on key UN SDGs.
- However, the technology itself has a growing environmental footprint, and companies must manage its development and use to limit negative impacts. Renewables coupled with energy storage, water recycling and efficient datacentre design will all contribute.
- We believe investors play a crucial role in driving responsible AI through targeted company engagement.

AI: a double-edged sword?

Generative artificial intelligence (AI) opens up a world of opportunities to drive efficiency across sectors, improving both environmental sustainability and social outcomes. However, AI is extremely data-intensive, making it a growing consumer of resources.

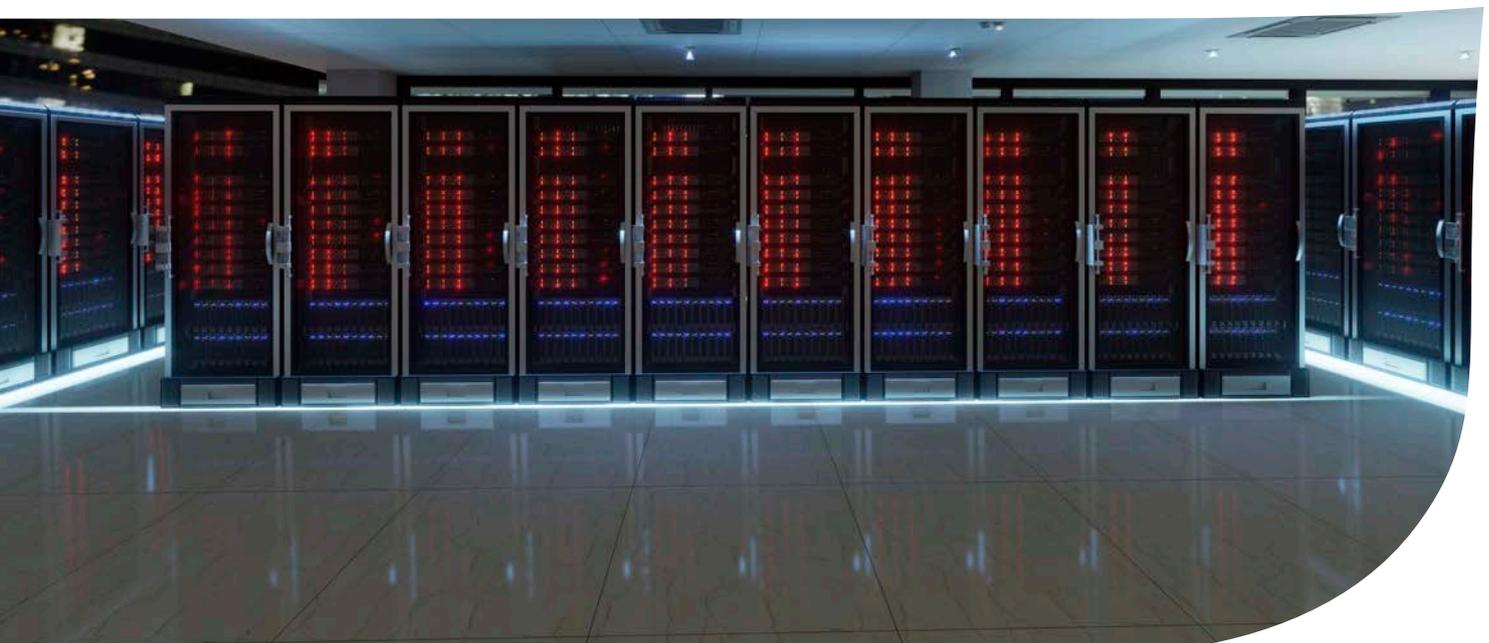
As the volume of data created by digital activity grows exponentially, so does its impact on the planet, with data centres placing increasingly heavy demand on both electricity networks and water supply. **So, what can be done to make the AI revolution part of a sustainable future?**

The upside: significant efficiency gains and greater innovation

In the next few years, the use of generative AI and AI agents is set to drive innovation and improve efficiency across a wide range of industries. This has the potential to benefit both sustainability and development. A recent study published by Nature estimated AI could reduce global greenhouse gas emissions by up to 5.4 billion metric tonnes a year by 2035² — equivalent to cutting current global emissions by around 15%. Meanwhile, the United Nations itself considers AI as “a powerful tool to accelerate progress across all 17 Sustainable Development Goals (SDGs)”.³

² Source: <https://www.nature.com/articles/s44168-025-00252-3>

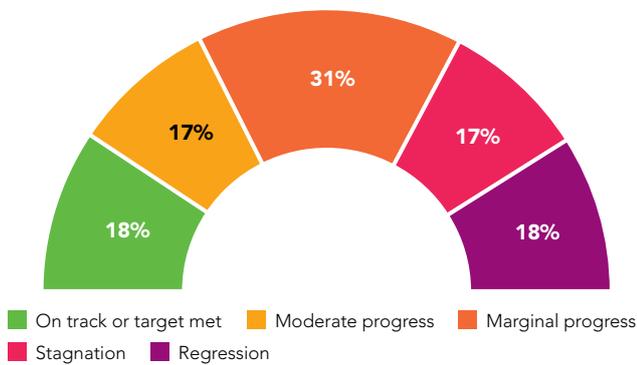
³ Source: <https://unglobalcompact.org/compactjournal/artificial-intelligence-and-sustainable-development-goals-operationalizing>



A recent study estimated AI could reduce global greenhouse gas emissions by the equivalent of 15% of current global emissions by 2035.⁴

Given current progress on the SDGs, this AI-driven boost is badly needed. The UN’s 2025 SDGs Report states that, of the 139 individual SDG targets that could be effectively assessed, only 35% show at least moderate progress over the previous decade. For a further 31% there were only marginal gains, while 17% made no progress and 18% have actually regressed below 2015 baseline levels.⁵

Figure 1: Overall progress against 139 UN SDG targets, based on 2015-25 global aggregate data



Source: The Sustainable Development Goals Report 2025, United Nations. Note: percentages do not add up to 100% due to rounding.

In terms of specific goals, AI has the potential to drive faster and more accurate diagnosis and optimise operational and administrative aspects, as well as accelerating drug research while making it cheaper (**SDG 3** Good health and wellbeing). For example, AI led to a 45,000-fold increase in the scientific rate of discovery of the three-dimensional structures of proteins, the functional building blocks of human cells.

In manufacturing, AI can maximise productivity, minimise waste and downtime, reduce energy consumption and manage supply chain risk. This will help to address **SDG 9** (Industry, innovation and agriculture) and **SDG 12**

(Responsible consumption and production). AI can also be leveraged in precision agriculture, helping to prevent loss of biodiversity — a key goal within **SDG 15** (Life on land).



These are just some examples; similar benefits can be expected across a range of other sectors, including financial services, transportation and retail. In the longer term, AI will move on from streamlining existing processes to take on an increasing role in driving innovation — an important role given that research and development productivity is waning in sectors from chip making to agriculture.

AI has the potential to boost innovation in three key ways: by increasing speed, volume and variety in designing prototypes and potential solutions; by accelerating the evaluation process through modelling; and by accelerating research operations. According to a 2025 report by global consultancy firm McKinsey, this has the potential to unlock US\$360-560bn worth of annual economic value in large product companies.

According to McKinsey, AI innovation has the potential to unlock US\$360-560bn worth of annual economic value in large product companies¹⁰

The downside: heavy resource use

While the productivity and efficiency gains achievable through applied AI are significant for sustainability, the technology itself has a potentially high environmental cost.

The move to cloud-based systems has also helped to mitigate the environmental impact of growing data demand. Large ‘hyperscale’ data centres are significantly more energy-efficient than servers located on individual premises but, even so, the sheer volume of data employed to drive AI processes and the ‘always on’ nature of features such as chatbots and copilots is still driving overall resource use upward.



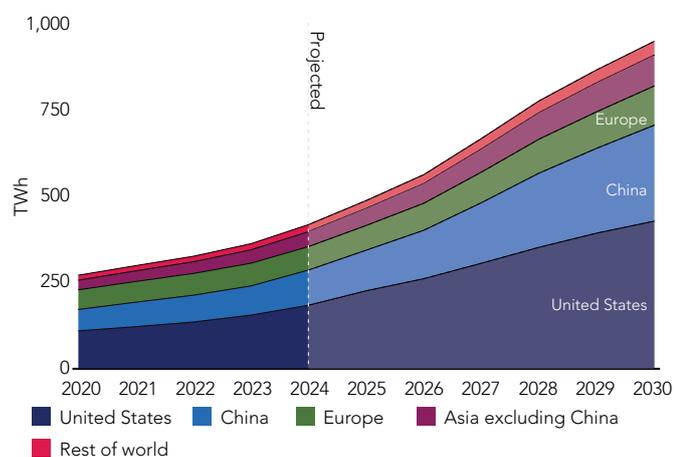
⁴ Source: <https://www.nature.com/articles/s44168-025-00252-3>
⁵ Source: <https://unstats.un.org/sdgs/report/2025/The-Sustainable-Development-Goals-Report-2025.pdf>
⁶ <https://www.iea.org/reports/energy-and-ai/ai-for-energy-optimisation-and-innovation>
⁷ Source: <https://blogs.sw.siemens.com/tecnomatix/ai-in-manufacturing-transforming-engineering-production-and-supply-chains/>
⁸ Source: <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-next-innovation-revolution-powered-by-ai>
⁹ Source: <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-next-innovation-revolution-powered-by-ai>
¹⁰ Source: <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-next-innovation-revolution-powered-by-ai>

Datacentres were already responsible for around 1.5% of global energy-related greenhouse gas emissions in 2024.¹¹ As the expected AI generative and agentic AI revolution takes hold, far more, larger data centres will be needed, requiring huge amounts of electricity for power and water for cooling.

Under its Base Case scenario, the International Energy Agency (IEA) expects global electricity consumption from data centres to double to around 945 terawatt hours (TWh) by 2030 — more than the entire electricity consumption of Japan today.¹² This additional electricity use will be heavily concentrated in areas of the US, China and to a lesser extent Europe (Figure 1).

Figure 2: Data centre electricity consumption by region, base case, 2020-2030

Data centre electricity consumption has grown by around 12% per year since 2017, more than four times faster than the rate of total electricity consumption.



Source: [Energy demand from AI – Energy and AI – Analysis - IEA](#).

Servers generate more heat and are more densely packed as required processing power increases, making efficient cooling essential. Water has up to 3,000 times the heat absorption capacity of air; it has therefore rapidly become the default cooling option.

The average datacentre using 300,000 gallons of water a day, equivalent to water use in 1,000 homes,¹³ and the IEA estimates datacentre water use will more than double by 2030 to nearly 1,200 billion litres.¹⁴ If facilities are built in regions where water stress is already an issue, the risk of drought can even be amplified. However, water usage disclosure has historically been poor and investors are often not properly informed of the issues.

Together, these factors make rapidly growing AI use a major issue in terms of both **SDG 6** (Clean water and sanitation) and **SDG 7** (Ensure access to affordable, reliable, sustainable and modern energy for all).

By 2030, the IEA expects global electricity consumption from data centres to be more than the entire electricity consumption of Japan today.¹⁵

The solution

A number of tech companies are already making strong progress on resource efficiency.

Some purchase renewable energy through long-term power purchase agreements (PPAs), enabling power companies to plan and finance future development. Others are investing in their own renewable generation and/or battery storage facilities. For example, Microsoft recently signed a US\$6bn deal with an AI infrastructure project in Norway that will be powered by 100% renewable energy.¹⁶

Microsoft have also partnered with Swedish multinational energy company Vattenfall on tech that ensures 24/7 delivery of renewable energy to their Swedish data centres. The solution, which matches instantaneous energy demand with immediately available renewable supply, has also been launched as a commercial product.¹⁷ Energy efficiency is also a focus, with TSMC using AI-powered software itself to design a new generation of chips that are ten times more energy efficient.¹⁸



¹¹ Source: <https://www.iea.org/reports/energy-and-ai/energy-demand-from-ai>

¹² Source: <https://www.iea.org/reports/energy-and-ai/energy-demand-from-ai>

¹³ Source: <https://www.msn.com/en-us/money/companies/water-usage-by-ai-data-centers-raises-supply-concerns/ar-AA1LpMq9>

¹⁴ Source: <https://www.iea.org/reports/energy-and-ai>

¹⁵ Source: <https://www.iea.org/reports/energy-and-ai/energy-demand-from-ai>

¹⁶ Source: <https://www.bloomberg.com/news/articles/2025-09-17/microsoft-inks-6-billion-deal-to-rent-compute-from-nscale-aker>

¹⁷ Source: <https://azure.microsoft.com/en-us/blog/achieving-100-percent-renewable-energy-with-247-monitoring-in-microsoft-sweden/>

¹⁸ Source: <https://www.reuters.com/world/asia-pacific/tsmc-chip-design-software-firms-tap-ai-help-chips-use-less-energy-2025-09-25/>

Solutions to reduce water use and impact include closed-loop systems that recirculate water for cooling, AI-driven leak detection, and non-potable water sources. Microsoft's new generation of data centres use chip-level cooling solutions to deliver precise temperature control without water evaporation, effectively consuming zero water.¹⁹

Microsoft is using chip-level cooling solutions to deliver precise temperature control without water evaporation, effectively consuming zero water.²⁰

Unfortunately, not all tech companies acknowledge and aim to act on environmental impact equally. Investors therefore need to be diligent in assessing the quality of disclosures, progress made and potential risks, driving change through meaningful, targeted engagement.

As an adviser on more than US\$2.3tn in assets through our EOS²¹ stewardship services, Federated Hermes is well placed to engage with the big tech firms, who are otherwise

unreachable for most investors. Through dialogue with companies and policymakers on governance and strategy, we aim to shift the dial on relevant and material issues, including resource use and emissions.

We have developed a proprietary Responsible AI Assessment Framework to assess companies' 'Responsible AI Maturity'. This considers whether a firm's AI use cases present strategic, operational or risk management opportunities (or threats), and whether these risks are limited, minimal or high. Subsequent analysis also considers a company's knowledge of AI, how its workflows and processes can mitigate risk, and the extent to which its oversight and disclosures demonstrate effective compliance.

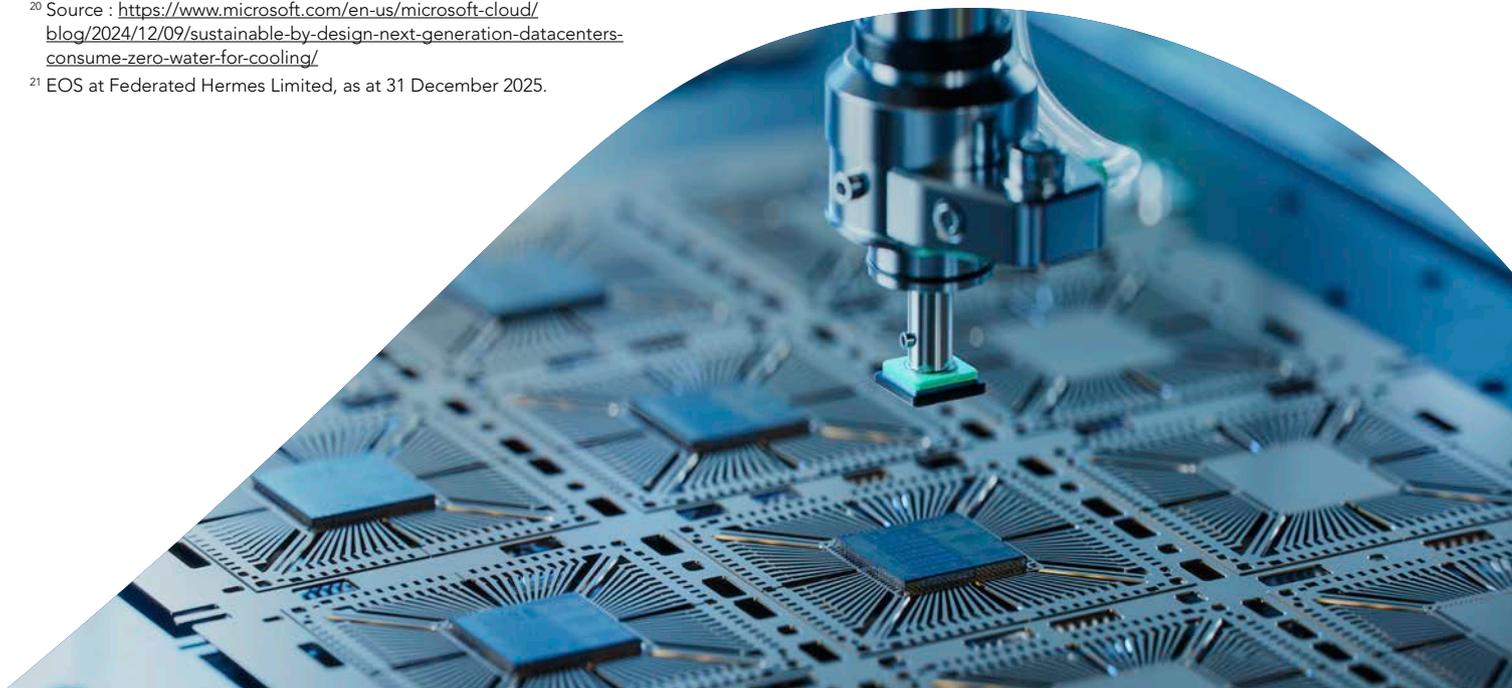
You can learn more about how EOS engagement works in practice in our Microsoft case study on page 13. Overall, we are optimistic about future solutions and progress; however, we will continue to engage to ensure companies stay committed and continue to innovate.

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¹⁹ Source : <https://www.microsoft.com/en-us/microsoft-cloud/blog/2024/12/09/sustainable-by-design-next-generation-datacenters-consume-zero-water-for-cooling/>

²⁰ Source : <https://www.microsoft.com/en-us/microsoft-cloud/blog/2024/12/09/sustainable-by-design-next-generation-datacenters-consume-zero-water-for-cooling/>

²¹ EOS at Federated Hermes Limited, as at 31 December 2025.





CASE STUDY: AI ENABLER

TSMC

Taiwan Semiconductor Manufacturing Company (TSMC) is the world's largest dedicated contract chipmaker. As a supplier of 90% of the advanced chips needed for AI that are manufactured globally, to companies including Nvidia, Apple and Broadcom, it is perfectly placed both to ride the wave of AI-related investment and to drive resource efficiency.

TSMC's scale, technological superiority and diversified customer base put it in a commanding position, while its sustainability-driven innovation stands out from peers. The latter is vitally important given that the world's mega-cap companies have effectively outsourced much of their resource use to TSMC alongside their chip manufacturing requirements.

Why we're invested

TSMC's energy-efficient chips will be vital to the sustainable buildout of datacentre capacity as the AI revolution takes hold (according to the Industrial Technology Research Institute, by 2030, every chip the firm produces will save nearly seven times the energy needed to produce it).²³ It is positioned to benefit from exposure to electrification and rising demand, and should contribute to efficiency across sectors from transportation to power generation and distribution.

Water management is a key focus, with the company aiming to be 'water positive' by 2040, replenishing more water than it consumes. It is aggressively expanding recycling initiatives to achieve over 60% reclaimed water usage in Taiwan by 2030, building the world's first industrial reclaimed water plant for its semiconductor production in Southern Taiwan, to reduce dependence on municipal water.

TSMC are developing similar water reclamation facilities in other locations, including a dedicated plant for its Arizona site that converts industrial wastewater into ultrapure water. This is designed for a 90% or higher recycling rate, minimising liquid discharge.²⁴ The firm is also advancing waste-to-resource initiatives, such as its 'Waste Sulfuric Acid Reclaim System 2.0', which turns industrial waste into high value-added derivative products.²⁵



CASE STUDY: BATTERY STORAGE PROVIDER

CATL

Contemporary Amperex Technology Co. Ltd. (CATL) is the world's largest producer of lithium ion batteries. It had a global EV battery market share of around 38% in 2024 and is rapidly expanding its presence in grid scale energy storage systems.

Moving beyond its lead role in electrifying mobility, CATL is increasingly positioning itself as a new energy technology company. To support the transition to low-carbon power generation, it is developing large scale battery storage solutions and integrated renewable energy systems.

Why we're invested

Like TSMC, CATL is a market leader in its sector, and is focused on innovation to drive down cost of production rather than pushing prices up for consumers. It has rapidly expanded into battery energy storage systems (BESS), ranking as the number one supplier globally for four consecutive years. This makes the firm a key enabler for hyperscale datacentre operators wishing to invest directly in renewables and energy storage as a means of reducing their environmental impact and managing electricity costs.

CATL's grid-scale storage technologies allow datacentres to run on variable renewable energy reliably by managing the intermittency inherent in solar and wind generation. This is critical as AI training workloads accelerate and hyperscalers increasingly pursue the goal of 24/7 carbon-free energy. According to statements by its founders, CATL is even exploring independent 'zero-carbon energy systems' capable of powering massive data centres and even entire cities.

For hyperscale customers, partnering with CATL provides access to modular, scalable battery systems that can stabilise their renewable energy supply, reducing dependence on grids that use fossil-fuel generation while avoiding electricity price volatility.

The above does not represent all of the securities held in the portfolio and it should not be assumed that the above securities were or will be profitable. This document does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments.

²² Source: 'TSMC Commits to Ambitious Carbon Reduction Path in Line with Science Based Targets Initiative'. Published by TSMC, 22 April 2025. <https://pr.tsmc.com/english/news/3227>

²³ Source: 'TSMC Commits to Ambitious Carbon Reduction Path in Line with Science Based Targets Initiative'. Published by TSMC, 22 April 2025. <https://pr.tsmc.com/english/news/3227>

²⁴ Source: <https://www.taiwannews.com.tw/news/6189630>

²⁵ Source: <https://esg.tsmc.com/en-US/articles/379>



ENGAGEMENT CASE STUDY

Microsoft

Microsoft Corporation is an American multinational technology company with a diversified footprint across cloud computing, productivity software, web browsing, computer hardware, gaming consoles and social networking. As well as having its own AI division, it has invested in and partnered with OpenAI since 2019.

Long a household name, first for its Windows operating system and then for its Office suite of applications, Microsoft has evolved from its origins as a software company to become one of the world's biggest diversified technology companies. In October 2025, the company signed an agreement to expand and lock in its partnership with OpenAI — creator of generative AI chatbot Chat GPT and text-to-image model Dall-E — through to 2032.

Why we're invested

Microsoft is building on its existing strengths, positioning itself effectively to benefit from the transformational potential of generative and agentic AI while pursuing class-leading sustainability.

Microsoft is already highly profitable, and AI is helping boost efficiency even more. Its existing offerings continue to dominate the market through a deep moat, high barriers to entry and significant switching costs. Large total addressable markets provide ongoing secular growth opportunities, which can only be enhanced by AI, while the company's strong customer relationships and subscription model drive revenue visibility.

The firm's two-pronged approach to AI integrates its Copilot into existing products as well as offering standalone AI agents. Both have the potential to unlock major efficiency gains across sectors and themes, opening the business to a wide range of new revenue streams.

With respect to sustainability, the company's net-zero policy pledges to compensate retrospectively for all carbon emitted since the company's foundation in 1975. Furthermore, in January 2026 it unveiled an initiative to replenish more water than it consumes at its US datacentres, along with a pledge to work with utilities to expand electricity supply where needed and avoid cost and service impact to consumers. Meanwhile, the company's Azure cloud computing product allows for global IT capacity to be more highly utilised and increases power efficiency for its customers.

Engagement focus

Our ongoing engagement with Microsoft is centred on understanding the environmental implications of the company's growing AI footprint, particularly the associated pressures on datacentre water use, energy intensity, and critical minerals sourcing.

In our conversations, we have explored Microsoft's transition to liquid cooling systems and noted its reported 39% improvement in water use efficiency. We have asked the company to provide more comprehensive disclosure across its entire datacentre estate — including owned and leased facilities — and to break down water sources by location. We also discussed the firm's approach to critical minerals and encouraged it to consider developing a deeper, standalone policy, beyond its existing conflict minerals programme.

In a recent follow up letter, we set out our expectations for strengthened AI governance, including oversight of AI's climate impacts, datacentre design considerations, and the energy and emissions intensity of model training and deployment.

Microsoft's net-zero policy pledges to compensate retrospectively for all carbon emitted since the company's foundation in 1975

Outcomes

Microsoft acknowledged the need for greater transparency on water and datacentre metrics, asking us for examples of peer companies that provide such information. The company also highlighted its publicly disclosed map of water replenishment projects.

The firm outlined its responsible sourcing programme, conflict minerals policy and smelter certification efforts, noting that disclosures have been reduced in recent years due to lower investor demand. It also emphasised its circularity model, explaining that end of life materials are funnelled through six circular centres, with three additional centres planned.

The company has acknowledged our most recent letter and the relevance of our expectations on AI oversight, human capital considerations, cybersecurity risks and climate impacts.

Next steps

We will continue our engagement with Microsoft. As well as pursuing datacentre transparency, responsible sourcing of critical minerals and action to mitigate the environmental implications of AI, we will continue to encourage enhanced disclosure and adopting emerging best practices across AI governance, climate reporting and circularity. We will monitor upcoming reporting cycles for evidence of progress on these issues.

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²⁶ Source: <https://blogs.microsoft.com/blog/2025/10/28/the-next-chapter-of-the-microsoft-openai-partnership/>

²⁷ Source: <https://www.reuters.com/business/microsoft-launches-data-center-initiative-limit-power-costs-water-use-2026-01-13/>

PERFORMANCE

Rolling year performance (%)

	31/12/2024 to 31/12/2025	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	31/12/2018 to 31/12/2019	31/12/2017 to 31/12/2018
Federated Hermes Sustainable Global Equity Strategy	7.98	12.31	27.16	-19.49	-	-	-	-

Source: Federated Hermes as at 31 December 2025. Composite inception date: 30 June 2021. Returns are in USD gross of fees. The information shown is supplemental to the GIPS® compliant composite report provided in the Appendix. Management fees are not included and will have the effect of reducing performance. **Past performance is not a reliable indicator of future returns.**

APPENDIX

Schedule of Rates of Return and Statistics

Composite: **Federated Hermes Sustainable Global Equity**

Index: **MSCI All Country World (net)**

Periods ending: **31-Dec-25**

	Returns (%)		
	Composite Gross Return	Index	Composite Net Return
Q4 25	-1.50	3.29	-1.68
1 Year	7.98	22.34	7.17
3 Years (Annlzd)	15.53	20.65	14.67
Jul-21 – Dec-25 (Annlzd)^	6.06	9.65	5.26

^^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 Sustainable Global Equity strategy run by the Federated Hermes Sustainable Global Equity team (London Office) and has an inception date of 1 July 2021. The objective of the strategy is to achieve capital growth over a rolling five-year period and have a reduced environmental footprint compared to the benchmark. The composite benchmark is the MSCI AC World (net) Index, which is designed to measure the equity market performance of all countries and covers all large and mid-market capitalisation securities. The benchmark is market-cap weighted and rebalanced on a quarterly basis. The return is calculated on a total return basis net of withholding tax. This composite was created in August 2021. Performance shown for 2021 is for a partial period starting 1 July 2021. 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 September 30, 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. The management fee schedule for this strategy is 0.75% 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.



Schedule of Rates of Return and Statistics

Composite: **Federated Hermes Sustainable Global Equity**

Index: **MSCI All Country World (net)**

Periods ending: **31-Dec-25**

Year	Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr Std Dev	*Benchmark 3-Yr Std Dev	Number of Portfolios	**Dispersion	Composite Assets (mil)	Firm Assets (bil)
2021	4.94	4.55	5.55	N/A	N/A	<5	N/A	29.0	634.2
2022	(19.49)	(20.09)	(18.36)	N/A	N/A	<5	N/A	28.7	627.4
2023	27.16	26.21	22.20	N/A	N/A	<5	N/A	55.5	720.0
2024	12.31	11.47	17.49	19.31	16.20	<5	N/A	69.8	792.2
2025	7.98	7.17	22.34	12.67	11.18	N/A	N/A	120.1	860.5

*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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