Federated Hermes Global SMID Equity Engagement*

Creating long-term shareholder value

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2025 Annual Report

Federated Hermes
Limited

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For professional investors only

*Formerly called SDG Engagement Equity

Federated Hermes Global SMID Equity Engagement 2025 highlights

145 Engagement actions carried out in 2025

98% of portfolio companies were engaged

60% of companies made progress with objectives

> **The rise of AI is arguably the single biggest issue most companies need to grapple with at the present time.**

In 2025, our engagements were focused proportionately:

16% towards environmental issues and objectives

31% towards governance issues and objectives

46% towards social issues and objectives

The most intensively engaged Sustainable Development Goals (SDGs) were:

8 DECENT WORK AND ECONOMIC GROWTH — **63%** of engagement actions

13 CLIMATE ACTION — **37%** of engagement actions

7 AFFORDABLE AND CLEAN ENERGY — **35%** of engagement actions

5 GENDER EQUALITY — **31%** of engagement actions

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — **28%** of engagement actions

> **During 2025 we were pleased to have been able to meet with the vast majority of our portfolio on numerous occasions.**

53 total meetings voted

28% number of meetings voted against management on at least one resolution

Source: Federated Hermes, as at 31 December 2025.

Please note that this Fund's name changed to Federated Hermes Global SMID Equity Engagement (from SDG Engagement Equity) on 24 April 2025.

The name change highlights that we are a Global SMID Fund – which is important because small and mid-cap companies (SMIDs) are where we believe the greatest sustainability improvement potential lies and engagement is the tool to unlock that potential.

Our engagements are still linked to the UN Sustainable Development Goals (SDGs) and we will continue to report our engagement alignment to the SDGs within our reporting.

Contents

SECTION 1

Investment Philosophy & Approach

Our Fund has the twin aims to investing in and engaging with companies to generate both long-term investment returns and positive societal impact in support of the UN Sustainable Development Goals (SDGs).

We believe that progress towards, and ultimately the attainment of, the SDGs is not a zero-sum game but is instead an opportunity to create long-term shareholder value by strengthening businesses' resilience and supporting growth opportunities. To realise this, we place purposeful shareholder engagement at the centre of our approach.

- We believe that purposeful engagement is the principal mechanism through which investors can have influence with their investee companies to support both the creation of societal impact and shareholder returns.
- The long-term success of companies is closely linked to the health of the environments and communities in which they operate. Firms that act responsibly are often rewarded through stronger brand loyalty, more motivated employees and greater capacity for innovation.
- We focus on global small and mid-cap (SMID) companies as we benefit from better access to management teams which is conducive to effective engagement efforts. These companies are also typically at an earlier stage in their sustainability journey, allowing more opportunity to influence the direction of travel.
- Global SMID is an attractive asset class in its own right, having delivered strong long-term returns and offering meaningful diversification.

Our Fund combines the proven expertise of our Global SMID equity and engagement team, and it is a natural extension of our longstanding commitment to responsible investing and our leadership in stewardship.

What are the SDGs?

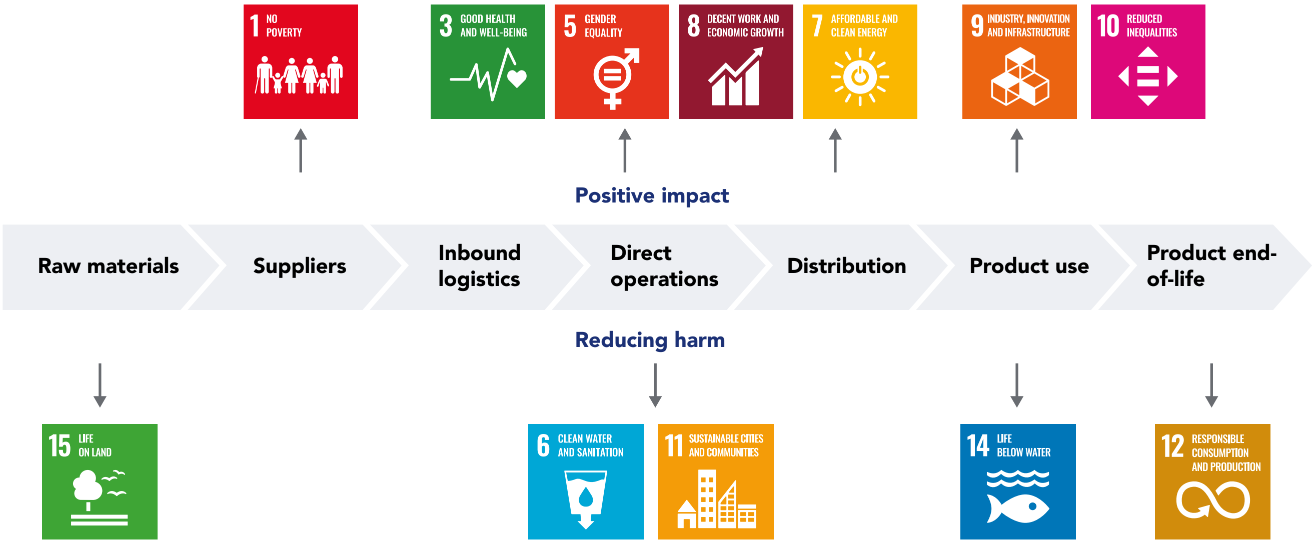
In 2015, world leaders agreed to 17 ambitious goals to end poverty, fight inequality and stop climate change by 2030. 169 targets underpin these goals, which, in effect, provide a global sustainability roadmap.

- We consider approximately 40% of the 169 targets as being relevant for dialogue between investors and corporates.
- The UN estimates that as of 2025, only 35% of the SDG targets are on track or making moderate progress.[1]

Every company is affected by, or can contribute to, at least some of these goals – often in so doing, benefiting society and their own business prospects. Attaining these goals means reducing harm and finding ways to generate positive impacts. It requires company boards and management teams to be bold and ambitious.

Identifying impact potential

Although the SDGs were not written specifically for corporates, they are relevant. Companies are positioned to significantly impact real lives, due to their position within communities, their direct relationships with employees, and their connections with suppliers. **No company is an island.** Importantly, we, as investors, can engage with companies with regard to what business they do, and how they do business.



Source: Federated Hermes

[1] UN Sustainable Development Goals Report 2025.

In considering a company's potential for generating an improved contribution towards the SDGs, we appraise:

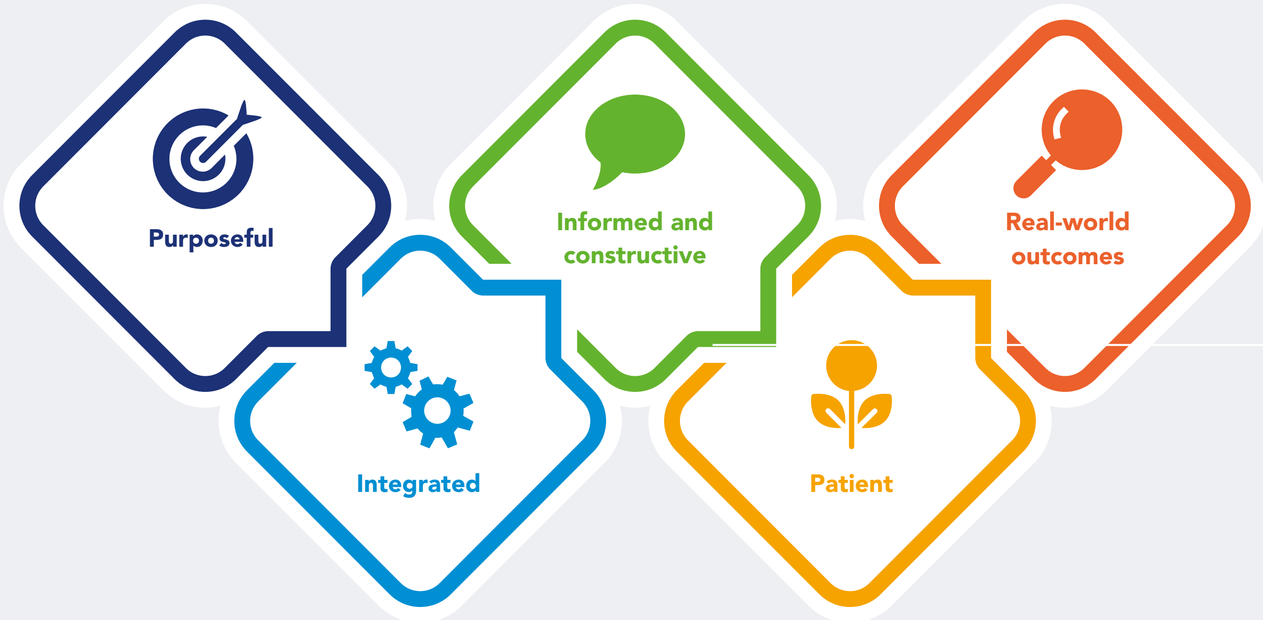
- A company's supply chain, including its relationships with and influence over its supply partners.
- The company's direct operations, including its resource efficiency and approach towards its workforce.
- Its products and services – does it have the potential to reach under-served markets or to develop, for example, product offerings supportive of a more circular economy?

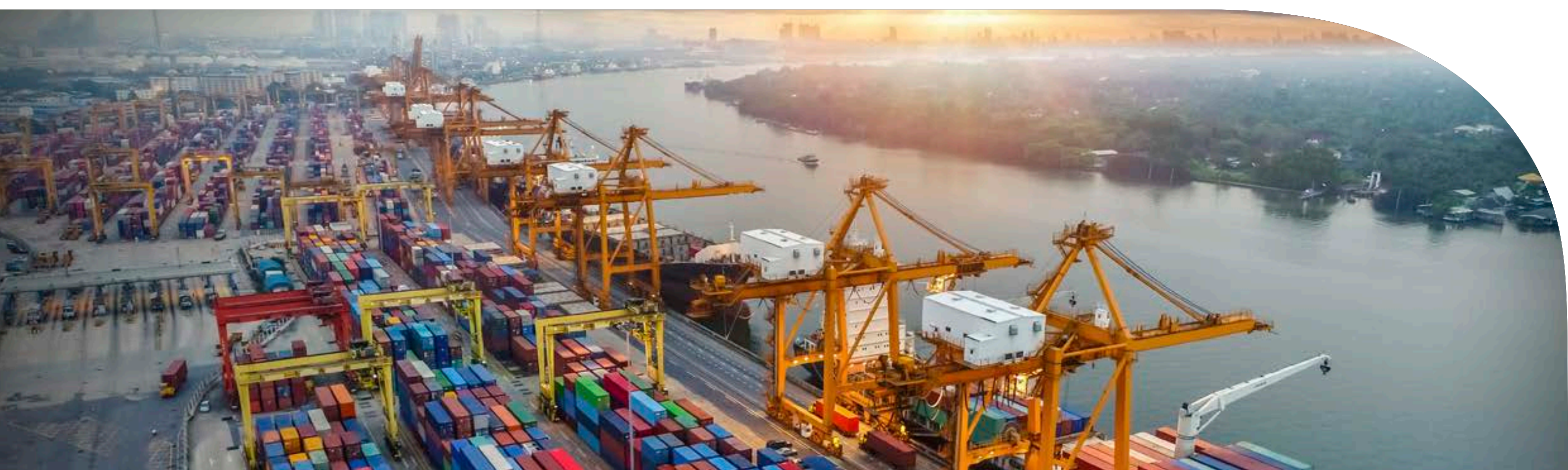
Role of engagement

By engaging as constructive and patient investors, we believe we can play an important role in supporting the realisation of positive changes through our investee companies. Ultimately, management know their business better than we ever can, and they need to deliver the change and embed the commitment to sustainable practices within the company's culture. Our role is to catalyse new ideas, share connections between companies and other parties and provide management the necessary support to be bold and ambitious while meeting shareholder expectations with respect to financial returns and corporate strategy.

We believe three characteristics underpin meaningful and impactful investor engagement:

1. **Impactful engagement needs to be purposeful and fully integrated into the investment process**: informing the decision to buy the stock and facilitating active and ongoing portfolio manager involvement.
2. **Achieving change means engaging as informed and constructive partners**. Dialogue should develop from a real understanding of a company's particular business model and geographic footprint, rather than being derived from a one-size-fits-all framework.
3. **Successful engagement takes time and requires perseverance**. Substantive, meaningful and sustainable change requires deep corporate buy-in and resource deployment. Given this, the meaningful results worth pursuing are also those worth waiting for. This is more often than not a multi-year process.





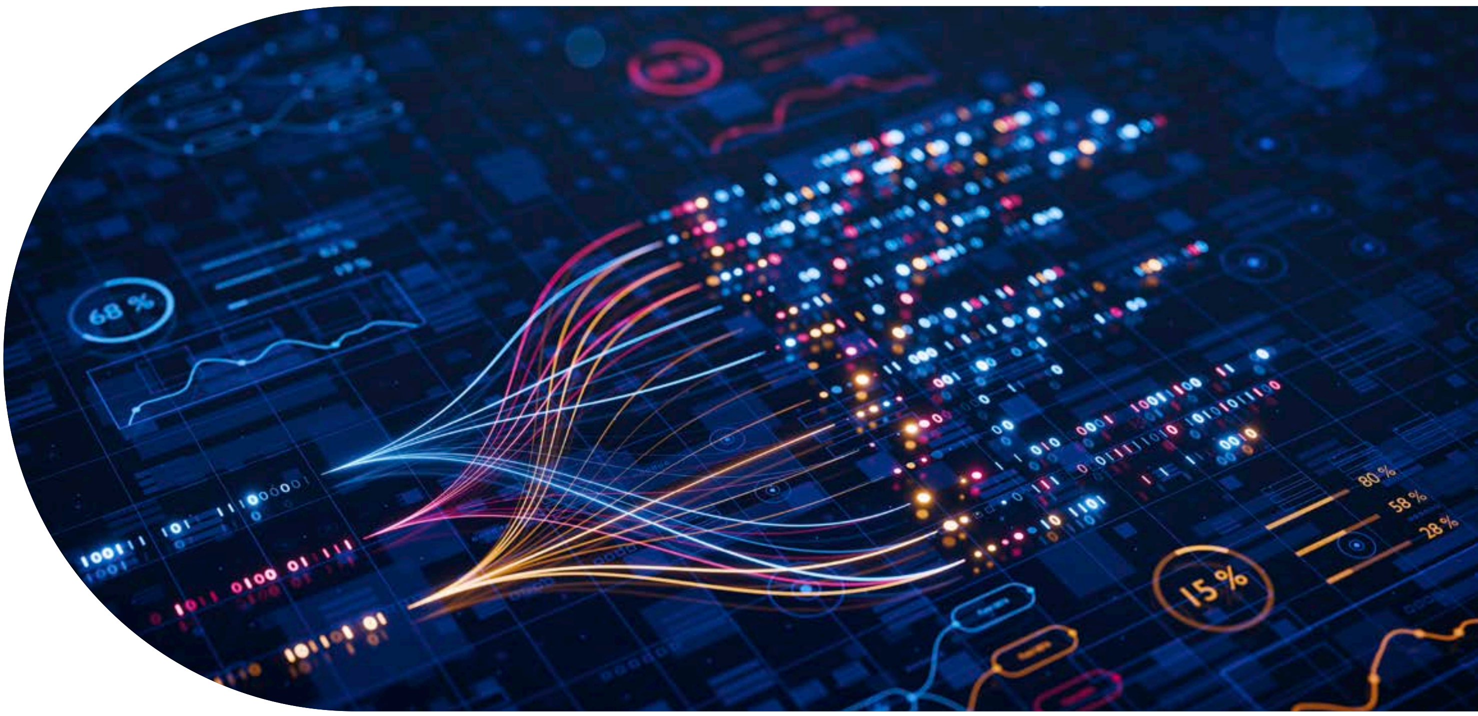
Exclusions

We recognise that engagement needs to be feasible and not used to justify holdings in companies and sectors which are, in practice, unlikely to be able to contribute net-positively towards the SDGs. For that reason, the Fund operates with a series of formal exclusions as set out below.

- Companies that generate over 5% of their revenues from the extraction or exploration of Fossil Fuels;
- Companies that generate over 0% of their revenues from the manufacture of Controversial Weapons or by providing either an essential and/or tailor-made product or service to the manufacturers of Controversial Weapons and companies that generate over 5% of their revenues from production of Conventional Weapons;
- Companies that generate over 0% of their revenues from the production of Tobacco Products and companies that receive over 5% of their revenues from tobacco distribution;
- Companies that generate over 5% of their revenues from nuclear power;
- Companies that generate over 5% of their revenues from adult entertainment products;
- Companies that generate over 2% of their revenues from gambling products; and
- Companies that are in violation of the principles of the UN Global Compact.

In addition to these formal exclusions, each potential investment is subject to detailed analysis as to the feasibility of engagement with the entity i.e. the willingness of management to engage with us, not just what to engage on.

This analysis considers the governance arrangements of the company as well as our previous experience of interacting with management. This engagement feasibility is subject to a regular reappraisal post investment.



SECTION 2

Engagement commentary: reflections on 2025

Will Pomroy,
Lead Engager

2025 was a turbulent year for sustainability. Political winds continued to blow, many planned ESG regulations were diluted or withdrawn and new challenges appeared. Against this difficult backdrop, with no shortage of negative headlines, it could be easy to be gloomy. However, our experience on the ground was different. Our dialogues with investee companies have continued unimpeded. Indeed, companies continue, on the whole, to look through the short-term volatility and remain willing to consider and discuss how they can best grapple with those sustainability matters that are important to their continued business success.

As a team we have always sought to focus on substance over form and practice over policy. While we expect to see the adoption of explicit targets and goals to slow in the US, we do not believe that this will translate into a diminished appetite from companies to invest in initiatives which will, for instance, enhance their energy efficiency and resilience.

Furthermore, as corporates' public commitments soften, particularly in certain jurisdictions, the need for engagement grows. Understanding the challenges that companies face in executing sustainability strategies has become more vital than ever.

Constructive dialogue allows us to better determine a company's dependence upon third parties as well as innovative technology development. It also helps us to better understand the implications of – or need for – regulatory and policy developments as well as subsidies.

Unsurprisingly, the biggest issue of 2025 pertained to artificial intelligence (AI). We explore this topic in more detail later in this report. Fundamentally, we believe this technology offers huge opportunities for both companies and society alike. We are, however, also acutely mindful that this opportunity comes with significant risks.

We continue to believe that purposeful and constructive shareholder engagement is a critical tool in a sustainable (and indeed any) investor's tool kit.

Through our dialogues we have been able to glean new insights on a company from an investment perspective, while at the same time also encouraging the adoption of practices and initiatives which are good for the company and wider society.

While geopolitics remain very volatile, the need for investors and companies to play their part in addressing societal challenges has arguably never been greater.

In that context, we are honoured to be entrusted by our clients to put their capital to work, actively investing in and engaging with companies in pursuit of both returns and positive change.

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

SECTION 3

Investment commentary

Hamish Galpin,
Lead Manager

2025 was a strong year for markets. The Fund's benchmark[2] return of 19.3% was its second-highest annual return seen since inception (2019 saw 25%).

Global SMID stocks performed in line with the main market – the MSCI All Country World Index – which returned just over 20%.[3]

'Growth' was once again the dominant factor – a trend that carried over from 2024 – amid ongoing excitement about AI; and this trend broadened out from the 'Magnificent 7' to include the AI infrastructure supply chain.

As a consequence, 2025 was a year of significant market dispersion and 'Quality', our core style bias, significantly underperformed as investors rotated towards momentum and high growth profiles (away from low beta and balance sheet strength).

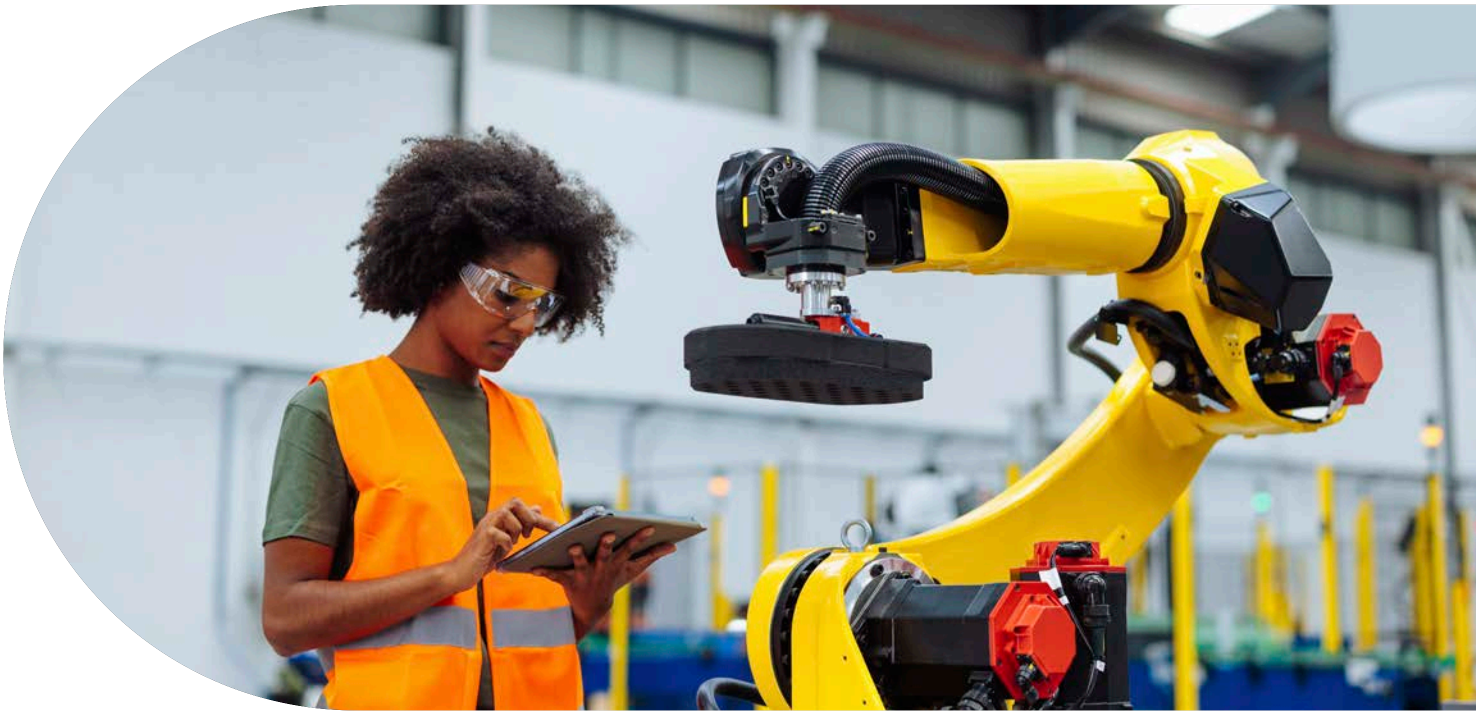
The headwind from tariffs – and shifting rate expectations – created uncertainty for Global SMID equities; while the market narrative leant towards large-cap sectors like defence (as well as AI).

Market leadership in the SMID universe was narrow. This trend was particularly noticeable from August to October, when leadership in the MSCI All Country World SMID Index became unusually concentrated. Over six weeks – from late Q3 into October – 1% of constituents drove 121% of the return and companies with negative earnings per share (EPS) accounted for 53% of the positive return.

Speculative flows and retail enthusiasm for AI 'lottery ticket' names amplified this pattern and further reinforced Quality's underperformance. Against this backdrop, the portfolio underperformed the benchmark, delivering a return of only 6.05% (on a net basis).[4]

Relative results also reflect positioning consistent with our investment and engagement objectives. At a sector level, we were relatively defensively positioned in Financials and Materials; overweight insurance at the expense of banks in Financials, and in packaging versus mining in Materials. We therefore had underweights to several of 2025's strongest performing sub sectors – European banks, aerospace and defence, gold, construction and engineering, as well as biotechnology. The banks that we do have in the Fund – Credicorp in Peru and Wintrust in the US – both outperformed their domestic markets, but underperformed from a global perspective in comparison to how well European banks did.

[2] MSCI All Country World SMID Index.
[3] Bloomberg as at February 2026.
[4] Fund Class F USD Accumulating (Please see 10-year rolling performance table at the end of the report).



Industrials has long been a good sector for generating excess returns in SMID, but last year it was the most significant detractor from returns. This was the result of overweights to housing-related stocks and general industrials – which we had anticipated would see benefit from rates coming down – and from a lack of exposure to aerospace and defence, as well as data centre infrastructure.

Aerospace and defence, historically a no-go area for many sustainability-oriented funds and investors, performed strongly earlier in the year after Germany relaxed its fiscal constraints and Europe-based NATO members committed to increased defence budgets.

Later in the year, the focus was on stocks with data centre infrastructure exposure (including power supply), and while we had exposure to this trend through a number of holdings, it was insufficient to keep up with purer plays.

At the stock level, Technogym, Horiba and Open House Group were the largest contributors; Azelis, Trex and Aptar were the largest detractors. These outcomes were consistent with the year's factor and leadership dynamics. It was pleasing to see two Consumer Discretionary names leading this year after the sector had been the greatest detractor for us in 2024. The detractors reflected the economic uncertainty that tariffs brought, particularly on the ordering behaviour of businesses, and the affordability impact on consumer spending after a period of rising prices.

Activity can be summed up as reducing consumer and housing exposure in the first half, neutralising the underweight to IT, and, towards the end of the year, switching some general industrial exposure for higher growth industrials, some with exposure to the data centre theme.

While we have historically run a lower weight in Information Technology given fewer engagement aligned opportunities, the broadening adoption of AI across end markets is changing the opportunity set. We have, therefore, selectively increased exposure where AI can be implemented responsibly and supports inclusive, sustainable outcomes; a detailed overview of our AI engagement work appears later in this report.

Looking ahead to this year, easing inflation and gradually improving policy visibility are fostering a broader opportunity set for high quality global SMID companies. With leadership widening beyond the largest stocks, we believe the portfolio is well positioned to participate, while our engagement continues to target practical improvements in resource efficiency, workforce outcomes and responsible technology adoption. We remain structurally overweight Industrials and Materials, where we see scope both to drive positive social and environmental outcomes across value chains and to pursue attractive alpha opportunities.

SECTION 4

Engaging with AI

The last couple of years have sparked considerable excitement about the potential for AI deployment across various sectors – from healthcare to finance and beyond. Meaningful real economy adoption remains nascent, but momentum is clearly building.

AI promises substantial economic and societal benefits – from accelerating productivity to helping address systemic challenges through climate modelling, resource optimisation, and service accessibility.

Alongside this upside, AI also brings complex and material sustainability risks that equity owners need to understand and engage with. The environmental footprint of increasingly compute intensive models is expanding, driving sharp increases in energy demand and water consumption. Societal risks are similarly material: job displacement pressures, weakened trust in information ecosystems, and the amplification of entrenched biases all pose challenges, particularly in the absence of mature regulation.

Against this backdrop, we increased our exposure to AI-related opportunities during 2025. We recognise investors have a critical role to play in shaping how AI is developed and deployed – ensuring benefits are realised responsibly and associated harms are proactively managed across the AI value chain.

The rise of AI is arguably the single biggest issue most companies need to grapple with at the present time.

Reasons for optimism

AI has the potential to materially accelerate progress toward global sustainability goals at a time of urgent shortfalls. With only around a third of SDG targets on track by 2025, the world has an increasing need for AI enabled efficiency gains and the problem-solving capabilities that software and AI can unlock.

Despite a lot of attention being placed on the environmental footprint of the data centre build out, less attention has been given to the substantial resource savings, emissions reductions, and productivity improvements that AI enabled optimisation can deliver across a range of sectors.

Similarly, although concerns about AI driven job displacement are understandable, demographic realities present a more complex picture. Ageing populations and structural labour shortages mean that AI related productivity gains have the potential to increase economic capacity, reduce costs, and create new categories of employment. If deployed thoughtfully, AI could support – not undermine – labour market resilience.

Overall, AI offers a powerful set of tools to address systemic sustainability challenges, provided its adoption is supported by responsible design, governance, and oversight.

Realism

Optimism must be grounded in an unflinching assessment of the risks. The environmental impacts associated with AI are already material, particularly in light of the rapid expansion of physical infrastructure.

Energy and water demands are rising sharply, and the sector faces longer term challenges – such as inefficient code development, escalating model size, and risk of runaway growth in compute usage – that practices must evolve and adapt to.

In parallel, AI also presents significant societal risks. Poorly governed or unregulated AI systems have the potential to entrench inequalities and compromise individual rights, from privacy to equitable access.

Without careful design and scrutiny, AI could amplify existing biases and even create new forms of harm – especially in high stakes applications.

> **The impact of AI on workforces also requires scrutiny; the risks range from displacement of certain roles to the deepening of labour market polarisation.**

These environmental, operational, and societal impacts are not abstract – they are increasingly financial in nature. Rising energy and water requirements, tightening regulation, evolving customer expectations, and reputational sensitivity all influence a company's cost base, operating resilience, and market competitiveness.

Conversely, firms that lead on AI governance and workforce transition should be better positioned to capture commercial opportunities and productivity gains, enhancing their long term competitive advantage.

For investors, these competing dynamics mean that 'responsible AI' is not only a sustainability issue, but also a core determinant of value creation.

It is essential to recognise these risks – not to curb innovation, but to ensure benefits are realised inclusively and sustainably. Responsible deployment is not optional; it is a prerequisite for long term value creation.

What have we done

In response to these dynamics, we have deepened our engagement and repositioned our portfolio accordingly. During 2025:

- We thoughtfully added positions in companies across the AI value chain.
- We developed our own proprietary responsible AI assessment framework. Our framework evaluates governance maturity, environmental load, model-risk controls, and workforce preparedness.
- We wrote to holdings to begin a dialogue around the implications of enterprise-AI adoption for workforces.
- As a firm, we are collaborating with academia regarding child-safe AI as well as considering regulatory inconsistencies and net societal impacts.

These activities form part of a broader engagement strategy anchored on the following themes:

1 Resource efficient infrastructure build-out – energy, water and local impacts.

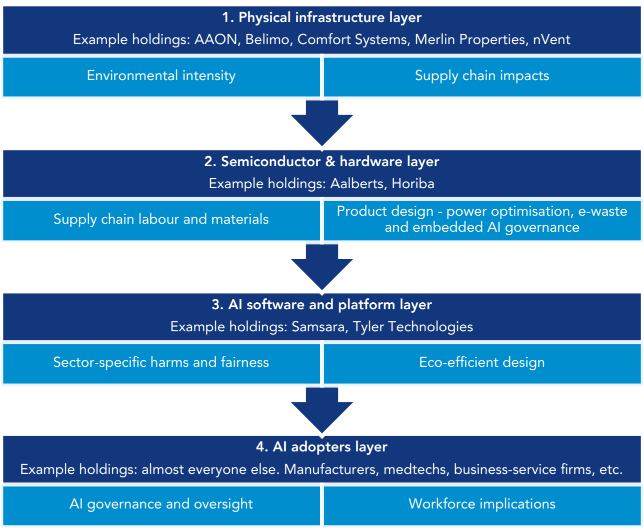
2 Responsible AI governance – fairness, accountability and safety.

3 Eco-efficient software design – minimise compute and energy.

4 Transparency and explainability – enabling accountability.

5 A just AI transition – re/up-skilling and fair value-sharing.

AI is not a monolithic industry; it is a stacked value chain touching physical infrastructure, semiconductor hardware, enabling software, and sector-specific applications. Each layer contains distinct, material, and financially relevant considerations. Our long-term horizon and value-chain-aware approach enables us to engage with companies not only on near-term operational issues but on the strategic, systemic considerations shaping AI's trajectory.



AI value chain engagement agenda

1. Physical infrastructure – data centres & power

- Example holdings: AAON, Belimo, Comfort Systems, Merlin Properties, nVent

Companies at this layer encompass data centre builders and owners, heating, ventilation, and air conditioning / cooling specialists and electrical contractors. Companies exhibit high sustainability footprint and strong engagement leverage. Engagement opportunities span:

a) Energy and carbon

- Power usage effectiveness (PUE) / water usage effectiveness (WUE) targets; alignment with emerging standards; local energy/water access and affordability; adoption of higher-efficiency cooling and heat-reuse where feasible; plans addressing grid-interconnection constraints and demand response.
- Physical-risk and climate resilience.

b) Supply chain impacts

- Upstream social and environmental impacts of metals, refrigerants and transformers; collaboration to accelerate lower-impact alternatives.

c) Workforce & safety

- Data centre build-outs are specialised construction – ensure strong safety standards are maintained (or enhanced) while building talent pipelines to address labour and skill shortages to meet demand and avoid schedule risk.

2. Semiconductor and hardware layer – microchips, components and tools

- Example holdings: Aalberts, Horiba, Silicon Laboratories

Companies at this layer encompass toolmakers, component suppliers, sensors, application-specific integrated circuits (ASICs), circuit board fabricators, packaging/test firms. Engagement opportunities span:

a) Supply chain labour and materials

- Responsible sourcing of critical minerals (for example, cobalt, tantalum and rare earths) and robust chemical safety (including PFAS[5] and solvent handling) to protect fab[6] and supplier workers.

b) Product efficiency and power optimisation

- It is critical that microchip designers prioritise performance-per-watt roadmaps and energy efficiency hardware-software co-design.

[5] **PFAS (per- and polyfluoroalkyl substances):** Man-made 'forever chemicals' designed to resist grease, water, and stains. Used in products like non-stick pans, waterproof clothing, and food packaging, they do not break down easily in the environment or the human body, leading to widespread contamination and potential health risks.

[6] **Fab workers:** (Often called Fabrication Technicians or Operators) specialise in manufacturing, assembling, and maintaining high-precision components in semiconductor plants, aerospace, or metal fabrication industries. They work in specialised, clean-room environments, using technical, automated, and manual tools to ensure product quality and safety.

c) Production efficiency

- Improve water, energy and waste intensity; design for reuse and reduce lifecycle footprints through lower-impact packaging and test.

d) Embedded AI governance

- For edge/embedded AI: strong data governance, validation, bias testing and cybersecurity by design.

3. AI enabling software and platform layer

- Example holdings: Axon, Samsara, Tyler Technologies

Companies at this layer have historically been those that an engagement strategy tended to be underweight given their inherently asset-light business model.

However, as AI adoption grows, their product solutions have the potential to generate huge positives while their influences over industrial practices creates significant new risks.

Engagement opportunities span:

a) Sector-specific harms and fairness

- Across sectors there will be a multitude of different issues that need careful consideration. Companies should evidence bias testing; human-in-the-loop safeguards (where needed); privacy safeguards; clear 'no-go' uses; auditable frameworks and user redress.

b) Model performance and surveillance

- For many applications it is important there is post-market monitoring for error/drift with incident reporting and severity tiers.

c) Eco-efficient design

- Reduce avoidable compute intensity via model optimisation, lowering aggregate energy costs while improving scalability and long term operational resilience.

4. AI adopter layer

- Example holdings span a broad set of sectors, from manufacturers adopting predictive maintenance, medtechs embedding AI diagnostics to business-service firms integrating generative and agentic AI.

This downstream end of the AI value chain is where AI governance tends to be least mature and where the productivity and societal gain opportunities are greatest. Engagement opportunities span:

a) AI governance and oversight

- Board-level oversight; enterprise-AI policy; accountable executive; cross-functional risk committee; model inventory and embedded responsible AI principles within procurement governance.

b) Workforce implications

- Assess workforce impacts (composition, skills, labour relations) and share productivity gains fairly (wages, training, job quality).

c) AI explainability

- Adequately explain to end-customers how AI is influencing decision making, for example in credit scoring.

Conclusion

AI creates new concentrations of environmental load, new governance challenges, and new social externalities across the entire value chain. From data centre cooling to semiconductor supply chains, from privacy-preserving analytics to wider-impact management, the breadth of credible, financially material engagement opportunities is expanding. For all companies, the consideration of and adoption of a 'Responsible AI' strategy is essential if they are to take advantage of this new technology in a successful way.

We are leaning into this opportunity to shape the responsible deployment of AI in the real economy, and we look forward to updating our investors on our progress in the period ahead.

2025 Engagement headlines

50 total companies at period-end

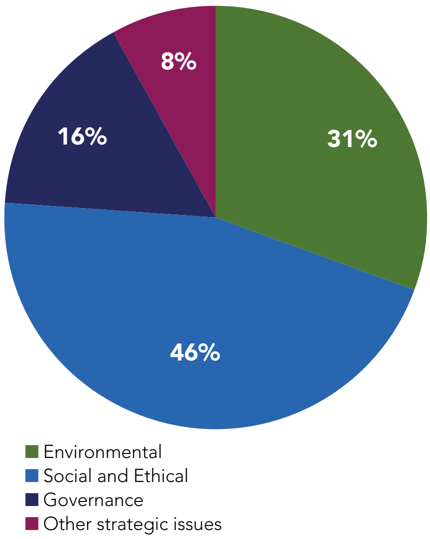
145 Total engagement actions with companies held at period end

36% objectives with progress

98% companies engaged (based on period-end holdings)

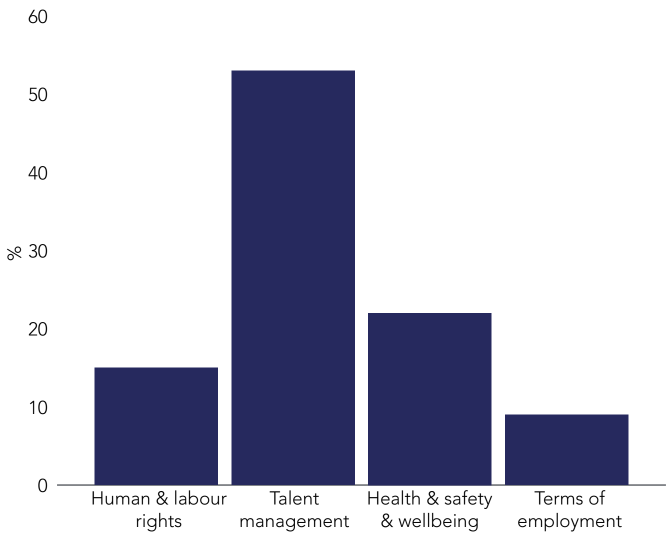
60% of companies held at period end with progress on objectives

Figure 1: Proportion of engaged issues and objectives in 2025



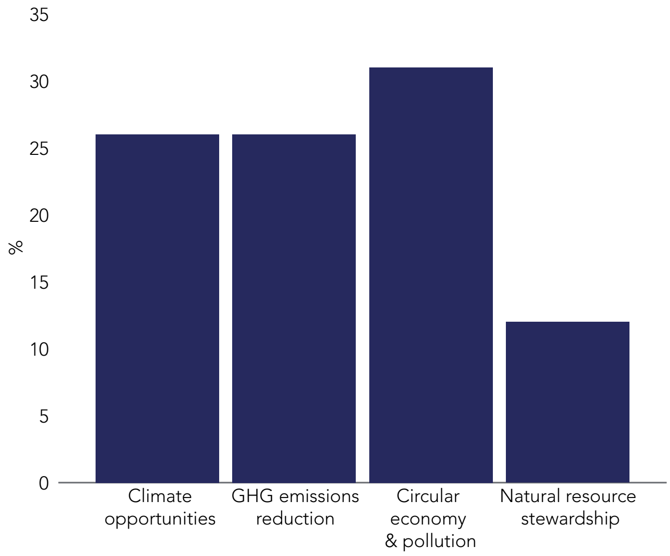
Source: Federated Hermes, as at 31 December 2025.

Figure 2: Split of social objectives and issues engaged



Source: Federated Hermes, as at 31 December 2025.

Figure 3: Split of environmental objectives and issues engaged



Source: Federated Hermes, as at 31 December 2025.

Engagement delivering change

The premise behind our Fund is that through engagement we can enhance positive societal impact – as well as returns – generated by our investee companies.

As part of our annual reporting, we drill into the segment of the portfolio that we have held and engaged with for an extended period of time to assess holdings' progress in achieving this aim. In light of the relatively low turnover of the Fund, this subset of the portfolio represents a significant majority of our investee companies.

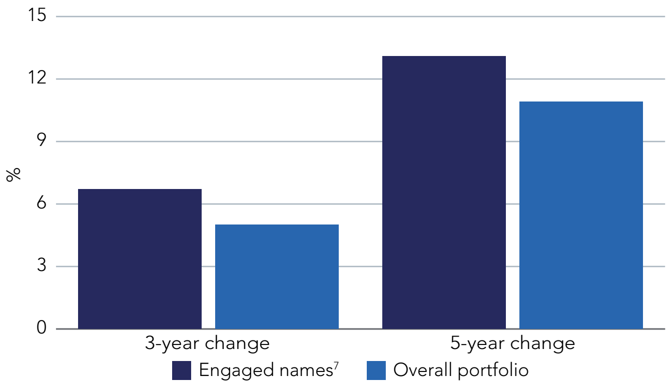
Below we present the change over time across various ESG metrics for this subset (periods of time outlined):

ESG scores

The most simplistic metric to look at is ESG ratings. Pleasingly, we can see that the median change in MSCI's ESG rating for our portfolio holdings is positive (held over three years and five years).

In Figure 4 we contrast the median improvement in ESG ratings of the portfolio names we have engaged with over those periods with the overall portfolio.

Figure 4: Median percentage change in MSCI ESG ratings



Source: Federated Hermes, as at 31 December 2025.

Carbon[8]

A more meaningful lens through which to assess progress is to look at the improvement in emissions generated by these engaged companies.[9] Below we can see a meaningful improvement over time in the greenhouse gas (GHG) intensity (t GHGe per $m revenue) of the same engaged holdings.

Again, we can contrast that median percentage improvement with that seen across the portfolio as a whole. We can also contrast the median percentage improvement with what a 7% compound annual improvement (CAGR) would correspond to over the period. The 7% per annum improvement was chosen as it is a core regulatory requirement embedded in the EU's framework for Paris-Aligned Benchmarks (PABs) and serves as the minimum decarbonisation trajectory for any benchmark that claims to be Paris-aligned.[10]

In addition to GHG intensity, we also present the median percentage improvement in absolute emissions generation. For reference here, we can contrast our holdings' performance with the equivalent trajectory implied by a 4.2% annual linear reduction – the minimum rate the Science Based Targets initiative (SBTi) has determined to be necessary to align with a 1.5 degrees pathway.

Figure 5: Three-year median change in GHG intensity (reported emissions only)

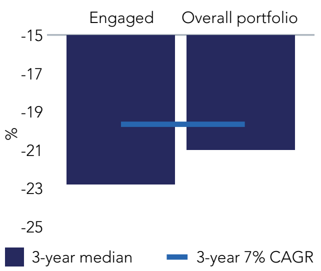
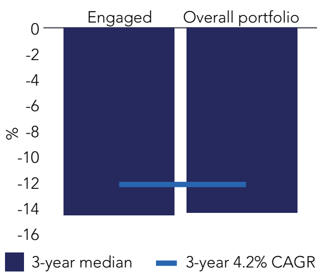


Figure 6: Median change in absolute emissions



Source: Federated Hermes, as at 31 December 2025.

Social

Finally, we look at the improvement in core 'S' metrics such as employee turnover and workforce accident rates. While both metrics benefit from gradually improving levels of corporate disclosure, overall disclosure levels remain far from ideal. We therefore continue to encourage more complete and consistent disclosures from corporates.

We believe both metrics are illustrative of healthy corporate cultures. Both are outcomes of investments made by company management in its employee value proposition, including pay, benefits, training and workplace safety. In that context, we are pleased to see improvements over the period. It is particularly heartening to see that accident rates have improved so markedly – it is arguably the first responsibility of any company to ensure that its employees are able to return home at the end of a working day unharmed.

Figure 7: Employee turnover change

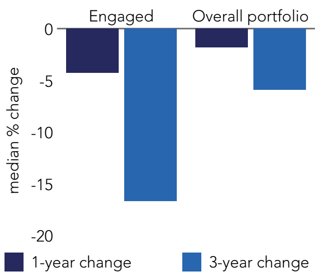
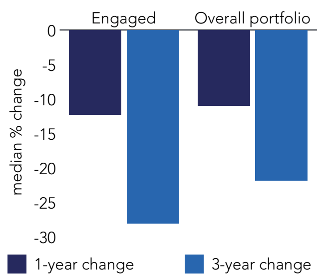


Figure 8: Accidents rate change



Source: Federated Hermes, as at 31 December 2025.

We firmly believe that well informed, company specific dialogue, has helped accelerate our investee companies' consideration of (and action on) relevant environmental and social issues.

Our discussions are typically attended by C-suite executives and board members, illustrating the importance they attach to these issues, which should, in turn, better inform board-level decision making on such matters.

We are mindful that it can be tricky to *directly* link our engagement efforts to improvements in general 'top down' measures such as those reported here. But from a 'bottom up' perspective, however, we can point to numerous specific initiatives that companies have adopted – where we are confident we can assert our role as a catalyst.

It is clear that these environmental or social outcomes make a small – but nonetheless positive – contribution to the achievement of the SDGs and will also, in one way or another, make the business incrementally better. Over time, these changes will improve business performance and shareholder returns – both evidence of investors' capital being put to good work.

[7] **Engaged names:** companies held in the portfolio for at least three years and have, therefore, been subject to a period of sustained engagement.
[8] All engagement in relation to the topic of carbon is subject to careful consideration to ensure that it is aligned to the fund's objectives, as well as fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients. Engagement objectives are considered and tailored, as appropriate, to the circumstances of each individual company to ensure that that they are aligned to each company's interests.
[9] Data presented uses company reported emissions only (no estimated data) and favours market-based scope 2 emissions over location-based.
[10] Aligned with the Paris Agreement goal signed in 2015 to reach net-zero emissions by 2050 and limit global temperature rise to 1.5°C.

SECTION 5

Companies in focus

Credicorp

Credicorp is Peru's leading financial group. The group's subsidiaries include BCP, the largest bank in Peru, and Mibanco, the largest microfinance institution in Latin America. The group plays a vital role in advancing financial inclusion and economic development in Peru. We have had more than 40 ESG-led interactions with Credicorp since the beginning of 2018.

Issue in a nutshell

When we began engaging with Credicorp in 2018, less than 48% of adults in Peru had a bank account (vs. 54% across Latin America) and only 34% received digital payments (vs. 45% across Latin America). According to the World Bank, less than 60% of adults in Peru are 'financially resilient' – and this figure drops to 51% for women and less than 39% of the population among the poorest 40% of households.[11]

As these financial inclusion gaps illustrate, Credicorp has a key role to play in addressing some of the inequalities in Peru.

The group stands to benefit from any progress made in closing the country's financial inclusion and protection gap – as well as society at large through increased economic prosperity and resilience across the population.

Results to date

The development of the Yape super-app has been central to Credicorp's efforts to promote financial inclusion.

- Since 2022, the Yape app has enabled Credicorp to financially include more than 6 million Peruvians and provide loans to 1 million people who have never previously been lent to by the formal banking system.[12]

AptarGroup

AptarGroup is a US-based manufacturer of consumer dispensing packaging and drug delivery devices. We have had more than 30 ESG-led interactions with Aptar since the beginning of 2018.

Issue in a nutshell

Aptar is well positioned to support its clients develop dispensing solutions which are more easily recyclable – and therefore help to address the associated environmental challenges.

Aptar is a leading global supplier of pressured metered-dose inhalers (pMDIs) and is well positioned to support industry product innovation.

Results to date

- As at the end of FY 2024, the company had converted approximately 75% of its (non-pharma) offerings so that they are either recyclable, reusable or compostable.[13]
- Aptar's 'ZEN30 Futurity' metering valve has been designed to support the introduction of low global warming potential (GWP) propellants in the next generation of pMDIs. The introduction of low GWP propellants provides a strategic business opportunity for Aptar to make more sales by focusing on reducing pollutants.

Eagle Materials

Eagle Materials is the second-largest domestic producer of cement in the US and the nation's fifth-largest wallboard producer. We have had more than 25 ESG-led interactions with Eagle Materials since the beginning of 2018.

Issue in a nutshell

Cement is the key ingredient in concrete, the world's most common building material. Cement manufacturing is unavoidably energy (and carbon) intensive.

Results to date

- Capital expenditure of US$430m to modernise Eagle Material's cement plant in Laramie, Wyoming, should increase capacity by 50% and reduce manufacturing costs by 25% and lower energy intensity of production by 20%.[14] Further investments ongoing across various plants to facilitate alternative fuel usage.
- Transitioned to lower-clinker Portland Limestone Cement (PLC) – representing 90% of production in 2025. The opportunity of selling more lower clinker Portland Limestone Cement creates a significant business opportunity for the company.
- The company entered into exclusive agreements with Terra CO_2 for the potential deployment of its scalable low-carbon supplementary cementitious material.

[11] Worldbank, Little Data Book, 2018 and 2025
[12] Company reports
[13] Company reports
[14] Company reports

SECTION 6

Transformation chain

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-25	Headline progress	3 year change: energy intensity	3 year change: emissions intensity	3 year change: water intensity	3 year change: accident rates	3 year change: employee turnover
AALBERTS	Dutch company specialising in mission-critical fluid control, material technology, and advanced manufacturing solutions for sustainable industries. **Employees:** 13,124 **Sales (US$m):** 3,406	Promoting 'sustainable entrepeneurship' by aligning revenues with the SDGs while reducing enviornmental impacts of production process and enhancing social impact through its employment practices.	33	• As at end of 2024, 71% of SDG revenues supporting energy efficiency improvements in end-markets – were targeting >70% of revenue by 2026.	-12.6%	-19.0%	-21.7%		
AAON	US manufacturer specialising in high-performance custom-HVAC systems **Employees:** 4,812 **Sales (US$m):** 1,201	Driving energy-efficiencies through product innovations, including developing and transitioning to low-GWP refrigerants while addressing elevated employee accident rate.	1	• Initiated investment in H2 2025.	-43.6%		-63.0%	58.1%	-48.1%
ANSELL	Leading global provider of personal protective equipment, in particular rubber gloves to healthcare and industrial settings. **Employees:** 15,951 **Sales (US$m):** 1,619	Raising labour standards through its Asian direct and indirect production footprint while accelerating product innovation to reduce associated environmental impacts and enhance worker safety.	33	• Developed Supplier Management Framework and shifted to more strategic relationships and more insourced production. Additionally, it has acquired the world's only well-established single-use PPE recycling programme and are scaling as of 2025/26.	21.3%	-3.1%	3.4%	11.2%	3.4%
APTARGROUP	Global leader in dispensing, sealing, and active packaging solutions for healthcare, beauty, and food & beverage industries. **Employees:** 13,500 **Sales (US$m):** 3,583	Drive sustainable packaging solutions through circularity and recyclability while advancing water stewardship and enhancing worker wellbeing.	31	• Launched 'Future' – the fully recyclable mono-material (PE) pump, eliminating metal components to enable bottle-and-pump recycling at scale. Moved from 35% recyclable, reusable or compostable products in non-pharma business in 2019 to 74.5% at end of 2024.	-9.4%	-13.4%	0.6%	-36.6%	5.9%
ASSURANT	Global provider of risk management solutions, specialising in insurance products and services for housing, lifestyle, and personal property. **Employees:** 14,200 **Sales (US$m):** 11,878	Adequately manage climate physical risk in lender-placed insurance, scale circularity through device refurbishment, and responsibly deploy agentic AI to enhance workforce opportunity	9	• Alongside introduction of agentic AI, introduced several enhancements to employee benefits programme starting in 2024 and renewed focus on emotional and financial well-being – employee turnover reduced in FY 2024 to 13% down 10ppts vs. 2019.	-47.5%	-38.3%			-35.0%
AXON ENTERPRISE	Technology company that develops public safety solutions, including body cameras, digital evidence management, and non-lethal weapons for law enforcement. **Employees:** 4,100 **Sales (US$m):** 2,083	Advance responsible AI and data ethics in public safety solutions while reducing overall environmental impact through strategic end-of-life product initiatives.	2	• Initiated investment in H2 2025.					
AZELIS GROUP	Distributor and wholesaler of specialty chemicals and food ingredients. **Employees:** 4,321 **Sales (US$m):** 4,559	Through its relationship with suppliers and customers, enable the growth of more sustainable solutions bringing and scaling healthier and more environmentally friendly products to market.	3	• New 'portfolio' pillar in its Impact 2030 strategy, leverages downstream opportunity of sustainable products – Portfolio Sustainability Assessment (PSA) to be finalised in 2026.	26.2%	-3.8%		-52.1%	36.0%
BECHTLE	European IT service provider and reseller, offering solutions in IT infrastructure, cloud services, and digital transformation. **Employees:** 15,801 **Sales (US$m):** 6,821	Drive sustainable IT through energy-efficient solutions and circular hardware lifecycle services - enabling customers' digital transformation in line with broader sustainability goals	3	• Initiated investment in H2 2025.	-5.7%	-20.8%			0.0%
BELIMO	Global manufacturer of innovative actuator, valve, and sensor solutions for heating, ventilation, and air conditioning (HVAC) systems. **Employees:** 2,452 **Sales (US$m):** 1,072	Enabling energy efficiency and indoor air quality through innovative HVAC solutions while reducing operational and product-related environmental impacts through in particular advancing circularity initiatives	1	• Initiated investment in H2 2025.	4.6%	43.1%	-15.1%		8.6%
BREEDON GROUP	UK-based construction materials company specialising in aggregates, cement, and ready-mixed concrete for infrastructure and building projects. **Employees:** 4,395 **Sales (US$m):** 2,014	Improve the environmental efficiency of cement production through the usage of alternative fuels, reducing clinker content and collaboration around carbon capture and storage development while enhancing pathways to employment and career opportunities.	15	• Continued progress on usage of alternative fuels in its cement kilns – achieving a combined rate of 48.3% fossil fuel replacement across their two plants in 2024.	-24.6%	-36.6%		9.1%	
BRUNSWICK	Leading manufacturer of marine engines, boats and parts and accessories. **Employees:** 15,000 Sales (USD): 5,237	Continue to raise standards across the recreational boating industry, including through electrification. In addition, given end-of-life challenges with fiberglass vessels take a leadership role in identifying a viable and scalable end-of-life solution	29	• Continued scaling its Avator electric outboard platform, expanding horsepower options and integrating advanced battery systems for recreational boats – aligns with its strategy to accelerate marine electrification and reduce emissions in boating.	15.8%	-5.9%	-28.8%	-8.0%	

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-25	Headline progress	3 year change: energy intensity	3 year change: emissions intensity	3 year change: water intensity	3 year change: accident rates	3 year change: employee turnover
BURCKHARDT COMPRESSION HOLDING	Manufacturer of reciprocating processors for chemical, industries and transportation markets. **Employees:** 3,336 **Sales (US$m):** 1,236	Support and enable acceleration of energy transition, including of hydrogen and enhancing its servicing capability to repurpose, repair and optimise existing assets all while enhancing employee wellbeing	16	• Targeting doubling of its revamp and repair services activity by 2027 vs. 2021 and is 67% of the way there as of FY 2024 while 40% of system order intake is supporting the energy transition (vs. 16% in 2021)	-37.5%	-60.0%	-53.7%		9.9%
CLEAN HARBORS	North America's leading provider of environmental and industrial services. Through its Safety-Kleen subsidiary, Clean Harbors also is North America's largest re-refiner and recycler of used oil. **Employees:** 22,796 **Sales (US$m):** 5,890	Enhance the physical, economic and mental wellbeing of its workforce while addressing the environmental impacts associated with its large fleet, expanding its re-refined motor oil proposition and advancing responsible management of hazardous waste, including of PFAS.	30	• Multi-year agreement signed with Castrol in 2024 (via MoreCircular programme) and PFAS incineration study demonstrated Clean Harbor incinerators 99.9999% effective in thermal destruction of PFAS.	-3.7%	-23.2%		-42.0%	-15.2%
COMFORT SYSTEMS	Leading provider of mechanical and HVAC services, offering design, installation, and maintenance solutions for commercial and industrial facilities. **Employees:** 18,300 **Sales (US$m):** 7,027	Fostering and enhancing physical and mental wellbeing of its employees alongside initiatives to support talent pipeline and career development.	1	• Initiated investment in H2 2025.	-46.9%			-24.2%	14.3%
CORE & MAIN	Distributor of water, wastewater, storm drainage and fire protection products, and related services. **Employees:** 5,700 **Sales (US$m):** 7,441	Advance water infrastructure resilience and safety while reducing environmental impacts across distribution and fleet operations, promoting workforce development and enabling sustainable solutions for critical water and fire protection systems.	3	• Continued commitment to sustainable water infrastructure and operational improvements.					
CRANE COMPANY	Diversified industrial manufacturer providing engineered products and solutions for sectors such as aerospace, electronics, and process industries. **Employees:** 7,300 **Sales (US$m):** 2,131	Support customers (across industrials and aviation) with environmentally enhanced components supporting attainment of its own commercial as well as safety and sustainability goals. At the same time retain highly-specialised technical talent and adopt strong supplier oversight.	3	• Initiated investment in H2 2025.		-31.6%			
CREDICORP	Leading financial services holding company in Latin America, offering banking, insurance, and wealth management solutions primarily in Peru. **Employees:** 38,676 **Sales (US$m):** 7,321	Support country and region's economic development via enhanced financial inclusion and access to credit.	42	• Developed Yape as way to reach the approx. 41% of unbanked Peruvians. Credicorp has included approx. 6 million people in the financial system through Yape and targeting 7 million by 2027 and 8 million by 2028.	-28.6%	177.3%	-17.6%	54.2%	19.6%
DCC	International sales, marketing and support services group operating across three divisions: energy, healthcare and technology. **Employees:** 16,777 **Sales (US$m):** 22,983	Enable customers' energy transition goals through cleaner fuels and energy solutions while reducing its own operational impacts and enhancing employee wellbeing.	18	• As of FY 2025 the proportion of DCC Energy's earnings derived from services and renewables (such as the sale and installation of solar panels and energy efficiency offerings) increased to 37% vs. 22% as of FY 2022.	-3.1%	-25.6%		-18.9%	-21.4%
EAGLE MATERIALS	Domestic US producer of cement, gypsum wallboard and recycled paperboard. **Employees:** 2,500 **Sales (US$m):** 2,261	Improve the environmental efficiency of cement production through the usage of alternative fuels, reducing clinker content and collaboration around carbon capture and storage development, while enhancing pathways to employment and career opportunities.	26	• Company has increased production of lower-carbon cement blend, launched a DOE-backed carbon capture pilot, announced US$430m of capex to modernise its Wyoming cement plant, established exclusive agreement with a producer of a scalable low-carbon supplementary cementitious material – and deployed alternative fuels at multiple cement plants.			0.2%		
EQUIFAX	Global data, analytics, and technology company that provides credit reporting and identity protection solutions. **Employees:** 14,700 **Sales (US$m):** 5,681	Enable financial incluson through responsible and innovative credit and data solutions, including the utilisation and incorporation of alternative data sets within credit scores to facilitate and broaden access to credit.	19	• The company's own updated research suggests 76 million Americans have either a 'thin file' or are credit invisible (nearly one in three Americans); contend that alternative data could score up to 32% of previously unscorable consumers. In response, the company has launched several products geared towards financial inclusion and expanding access.		-21.0%			-30.8%
FPT CORP	Global technology and IT services company based in Vietnam, specialising in digital transformation, software development, and telecommunications. **Employees:** 54,646 **Sales (US$m):** 2,509	Advance responsible AI and digital transformation, while reducing environmental impacts across global technology operations, and expanding education through FPT University and large-scale upskilling programmes underpinned by strong governance and data ethics.	0	• Initiated investment in H2 2025.	7.3%				
HARWORTH GROUP	UK-based land and property regeneration company. **Employees:** 131 **Sales (US$m):** 232	Regenerating brownfield land into sustainable communities and industrial hubs, integrating biodiversity and low-carbon design, reducing environmental impacts across development activities while fostering local economic opportunity	24	• Released its Net Zero Carbon Pathway Progress Report detailing decarbonisation across development projects and operations. Fully integrating sustainability into all phases – from planning to long-term stewardship.	-98.9%	-81.4%			

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-25	Headline progress	3 year change: energy intensity	3 year change: emissions intensity	3 year change: water intensity	3 year change: accident rates	3 year change: employee turnover
HORIBA	Global manufacturer of analytical and measurement instruments, specialising in applications for automotive, environmental, medical, and semiconductor industries. **Employees:** 8,955 **Sales (US$m):** 2,097	Investing strategically yet responsibly in solutions and capabilities that enable and support the energy transition within a robust governance and capital allocation framework.	31	• Horiba launched its EV and hydrogen fuel-cell testing solutions, enabling automotive OEMs to accelerate zero-emission vehicle development.	-40.2%		-78.1%		
HUHTAMAKI	Produces flexible and fibre-based packaging for food and beverage items. **Employees:** 17,794 **Sales (US$m):** 4,464	Advancing packaging solutions which are more recyclable, have a reduced material intensity and in so doing reducing the environmental impact of single-use plastics while partnering with stakeholders to develop close-loop solutions.	37	• 72% of products 'recyclable, compostable or reusable' as of end of 2024. Ongoing collaboration with industry partner on a paper cup recycling initiative to address the challenges faced by recycling and deliver a viable scalable solution for Europe.	-15.3%	-42.8%	-17.5%	-42.4%	0.0%
ICU MEDICAL	Global medical technology company that develops and manufactures infusion therapy, oncology, and critical care products for healthcare providers. **Employees:** 15,000 **Sales (US$m):** 2,382	Address growing procurement scrutiny on environmental product performance (PVC/DEHP use, recyclability, packaging waste), and expand healthcare equity via structured manufacture-to-donate partnerships – while enhancing employee wellbeing and development.	1	• Initiated investment in H2 2025.					
JEFFERIES FINANCIAL GROUP	Global investment banking and capital markets firm. **Employees:** 7,825 **Sales (US$m):** 7,344	Enhancing integration of transition and physical risk into capital market activities and supporting clients in sustainable finance and transition strategies while enhancing governance and shareholder disclosures and sustaining strong culture.	1	• Initiated investment in H2 2025.		58.8%			
MAXIMUS	Global provider of health and human services programmes, delivering technology-enabled solutions to governments for public programme administration. **Employees:** 37,200 **Sales (US$m):** 5,431	Delivering equitable access to government health and human services while responsibly deploying agentic AI, strengthening workforce engagement and upskilling for its large service employee base and ensuring technology adoption improves outcomes without compromising trust or inclusion.	6	• New virtual employee status created in FY 2024 bridging gap between assignments – providing income and benefit continuity, as well as helping employees with stability during change.		-53.5%			
MERLIN PROPERTIES	Spanish real estate trust managing office, logistics, retail assets and data centres. **Employees:** 293 Sales (USD): 544	Addressing energy intensity of its real estate assets and developing data centre portfolio through retrofits and tenant engagement.	8	• 90% of portfolio measured in terms of GLA (including Data Centers) was sustainability certified at end of FY 2024 (vs. 61% in 2018). Committed to green clauses in leases – provide for a rent reduction of up to 50 basis points if tenant meets milestones and shares consumption data.	21.8%	-1.0%	46.3%		-16.7%
MOLTEN VENTURES	UK-listed venture capital firm investing in high-growth technology companies. **Employees:** 62 **Sales (US$m):** 56	Embedding sustainability into venture investment decisions and both lead by example and support efforts to diversify the VC ecosystem while supporting provision of capital towards impactful and disruptive companies.	14	• 79% of In-Scope Portfolio Companies tabled and discussed sustainability topics at least once at Board during the year.	263.4%	77.8%			
NIFCO	Japanese manufacturer of plastic fasteners and components for the automotive industry. **Employees:** 9,041 **Sales (US$m):** 2,318	Advancing lightweight, recyclable automotive components to support vehicle efficiency and electrification, embedding circularity in plastics use while enhancing employee value proposition and wellbeing.	26	• Nifco has endorsed the Sustainable Plastics Initiative (SusPla), a voluntary organisation aiming to expand the market for recycled plastic and has increased adoption of recycled resins and energy efficiency upgrades at manufacturing sites.	-32.8%	-37.8%			
NISSAN CHEMICAL	Japanese manufacturer of advanced materials and chemicals for industries such as agriculture, electronics, and healthcare. **Employees:** 3,283 **Sales (US$m):** 1,650	Advancing sustainable chemistry solutions, reducing resource intensity across production, embedding circularity and green innovation in specialty materials while supporting initiatives to expand their talent pool and pipeline.	23	• Achieved SBTi validation for near-term emissions reductions and introduced bio-based and recycled raw materials into key product lines. Additionally, conducted Women's Leadership programme in January 2024 to promote and train its employees.	-0.8%	-31.9%	-23.5%		
NVENT ELECTRIC	Provider of innovative electrical connection and protection solutions for industrial and commercial applications. **Employees:** 12,100 **Sales (US$m):** 3,006	Enable customer energy and water efficiency and electrification through product innovations, advancing electrical connection and protection solutions, while reducing own resource, in particular water intensity across operations, embedding circularity in product design and maintaining strong workforce engagement.	4	• 85% of new product introductions (NPIs) had a positive sustainability impact.	-18.1%	-15.6%		30.4%	-30.8%
OPEN HOUSE GROUP	Japanese homebuilder. Engages in brokerage of single-family homes and land, planning and development and sales of condominiums. **Employees:** 6,620 **Sales (US$m):** 8,964	Delivering sustainable housing and urban development, reducing environmental impacts and resource use across construction and operations, embedding circularity and energy efficiency in property design and enhancing workforce engagement	29	• Targeting 50% net zero homes by 2025, as of 2024 delivery is 4% (vs. 1% in FY 2021). More positively, annual paid leave taken in FY 2024 was 66% vs. just 14.6% in FY 2018.	189.1%	-39.7%	-47.4%		

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-25	Headline progress	3 year change: energy intensity	3 year change: emissions intensity	3 year change: water intensity	3 year change: accident rates	3 year change: employee turnover
PTC	Developer of software solutions like Creo and Windchill to help companies innovate and manage product lifecycles efficiently. **Employees:** 7,642 **Sales (US$m):** 2,739	Enable industrial sustainability through its digital thread and IoT solutions reducing energy and resource intensity among customers and across its own operations while fostering a broader talent pool and employee wellbeing.	8	• It is concentrating sustainability R&D on its customers' three priority challenges – measuring product footprints, reducing product footprints and establishing circular business models – in turn stragecially expanding its products' sustainability capabilities.	-44.1%				
REINSURANCE GROUP OF AMERICA	US-based global life-reinsurer. **Employees:** 4,100 **Sales (US$m):** 22,107	Work with partners to bring products to market which address the sizable savings and protection gap in growing Asian markets	29	• Launched multiple initiatives to help global insurers better understand mental health as a strategic priority.		-8.9%			
RPM INTERNATIONAL	Manufactures and markets specialty coatings, sealants, and building materials for industrial and consumer use. **Employees:** 17,778 **Sales (US$m):** 7,373	Advancing sustainable coatings and sealants through low-VOC and circular solutions, reducing resource use and waste across global manufacturing while strengthening safety and workforce engagement and expanding employment and training initiatives	33	• RPM's RISE (Roofing Individuals Succeed through Education) initiative is a workforce-development and social-impact programme. It also includes the ELEVATE Second Chance Programme, providing skills training to formerly incarcerated individuals across multiple US states.	-21.6%	-22.4%		-50.2%	
SAMSARA	Provides Internet of Things (IoT) solutions that help businesses improve operational efficiency through real-time data and analytics. **Employees:** 3,500 **Sales (US$m):** 1,249	Enhancing driver safety as well as fleet energy savings through IoT and connected operations platforms, responsibly deploying AI to enhance data-driven insights while maintaining and enhancing governance and privacy and AI ethics consideration.	4	• Initiated investment in H2 2025.		-98.9%			
SAMSONITE GROUP	Global designer and manufacturer of suitcases, bags and accessories. **Employees:** 12,100 **Sales (US$m):** 3,589	Advancing sustainable materials and circular design in luggage and travel products and improving packaging waste reduction while working with supply chain partners to improve the livelihoods of those producing its goods.	39	• In 2024, 40% of products contained recycled materials (up from 17% in FY 2021 and 5% in FY 2019). New product framework adopted through 2025 covering four pillars: materials, durability, repairability and end-of-life.	-35.2%	-92.0%	13.2%		
SERVICE CORP	Largest provider of funeral, cremation, and cemetery services in North America. **Employees:** 25,000 **Sales (US$m):** 4,186	Reducing resource use across funeral and cemetery operations, embedding circularity and sustainable practices in products and services and strengthening workforce engagement to support families with dignity	1	• Initiated investment in H2 2025.		-48.5%	5.4%		8.6%
SILICON LABORATORIES	Designs, develops and markets mixed-signal integrated circuits, microcontrollers, wireless connectivity devices and sensor products. **Employees:** 1,889 **Sales (US$m):** 584	Enabling energy efficiency and connectivity through low-power IoT semiconductor solutions while fostering a broadening of talent availability	25	• 30% of revenues in FY 2024 came from products designed with features that reduce energy consumption (vs. baseline version SLAB product).	11.2%	18.0%	57.0%	-100.0%	-20.1%
SIMPSON MANUFACTURING	Through its 'Simpson Strong-Tie', the company designs, engineers and manufactures wood-to-wood, wood-to-concrete and wood-to-masonry connectors. **Employees:** 5,872 **Sales (US$m):** 2,232	Advocating for more robust building standards and advancing sustainable building solutions through energy-efficient and resilient construction products, while reducing environmental impacts across global operations and strengthening workforce safety and development	27	• Total Recordable Incident Rate (accident rate) reduced to 0.99 exceeding its 2025 target early and representing 73% improvement on FY 2017.	-27.1%	-15.6%	1.7%	-48.2%	-26.3%
STERIS	Provider of sterilisation and surgical equipment and other procedural products and services to healthcare and pharmaceutical settings. **Employees:** 18,000 **Sales (US$m):** 5,460	Help address challenge of hospital-acquired infections through advanced infection prevention solutions and tailored market initiatives and responsibly managing EO sterilisation impacts and improving water-use efficiency – while enabling safe, sustainable healthcare delivery globally.	24	• Committed to SBTi in Dec 2024.				30.6%	-5.9%
TECHNOGYM	Designs, manufactures and sells premium fitness equipment worldwide. **Employees:** 2,448 **Sales (US$m):** 973	Advance product circularity through refurbishment and take-back programmes, reducing resource use across manufacturing and logistics – while promoting health and wellness through sustainable fitness solutions.	14	• The company powers all its manufacturing lines exclusively with certified renewable electricity, 13 Technogym products are self-powered, through user's movement and in 2024 1,700 units were reconditioned.	-24.9%	-62.9%	-30.9%		-17.1%
TECHTRONIC INDUSTRIES	Designs, manufactuers and markets power tools, hand tools, outdoor power equipment and floodcare products. **Employees:** 46,580 **Sales (US$m):** 14,622	Supporting energy efficiency and worker safety through ongoing product innovation, while enhancing product circularity and refurbishment programmes and strengthening supply chain oversight on labour and environmental standards	45	• Techtronic has moved millions of users worldwide from petrol, corded electric, hydraulic, and pneumatic tools to cordless lithium-ion platforms, significantly reducing operator exposure to fumes, noise, vibration, and emissions: 87% of sales from cordless and non-gas powered products in FY 2024.	26.4%	-7.5%	-27.6%	-19.5%	

Name	Who	Why – primary engagement thesis	What – number of engagement interactions 2018-25	Headline progress	3 year change: energy intensity	3 year change: emissions intensity	3 year change: water intensity	3 year change: accident rates	3 year change: employee turnover
Trex	Leading manufacturer of composite decking and outdoor living products. **Employees:** 1,838 **Sales (US$m):** 1,151	Advancing circularity through its core recycled composite decking model, expanding material recovery and take-back programmes while reducing environmental impacts across its own operations and enhancing employee wellbeing.	3	• One of North America's largest recyclers of polyethylene film, sourcing more than 1 billion pounds of reclaimed PE film and wood scrap per annum, including 377 million pounds of waste plastic. Exploring ways to recycle old Trex products back into production.	3.4%	-9.2%	15.1%		-27.8%
Tyler Technologies	Provides software solutions that help local governments and schools streamline operations and improve public services. **Employees:** 7,507 **Sales (US$m):** 2,138	Enabling efficient, transparent public services through its software solutions and responsibly deploying AI to enhance government operations	5	• It has launched a strategic workforce initiative to reskill AI-impacted workers and redeploy – the company does not do layoffs.	2.8%	-15.4%	-18.0%		-26.1%
Viscofan	Global manufacturer of sausage casings from cellulose, collagen and plastic. **Employees:** 5,346 **Sales (US$m):** 1,326	With an energy and water intensive production the company has the potential to invest in new equipment and production processes to realise significant environmental efficiencies while safeguarding and enhancing employee wellbeing.	10	• Invested in equipment with the capacity to use green hydrogen as a renewable energy source when viable. It has also continued efforts to decouple waste generation and waste intensity through its new biomass facility.	-28.5%	-19.9%	-27.3%	-54.2%	
West Pharmaceutical Services	Designs and manufactures packaging and delivery systems for injectable drugs and healthcare products. **Employees:** 10,600 **Sales (US$m):** 2,893	Support and drive innovation around drug delivery mechanisms, enhancing circularity, advancing patient safety and supporting access in lower-resource settings.	24	• Focused on embedding sustainability across the lifecycle of its products in collaboration with customers – includes developing new product materials with improved sustainability profiles, designing and implementing product take-back programmes.	1.6%	-25.3%	25.9%	-12.9%	-26.1%
WEX	Payments processing and information company, in particular offers fuel cards to commercial fleet operators. **Employees:** 6,500 **Sales (US$m):** 2,628	Enable fleet fuel efficiencies through telematics, support fleet operators in their EV transition while responsibly deploying AI for secure and efficient transactions and maintaining strong governance and data ethics.	25	• Continuing to advance electric vehicle and fleet electrification solutions – for example EV At-Home streamlines reimbursment for employee home charging.		-54.8%			
Wintrust Financial	Provider of community-based banking services in various suburbs of Chicago, Illinois and nearby regions. **Employees:** 5,903 **Sales (US$m):** 3,966	Support access to credit among the region's SMEs and access to savings among the lower-income populations.	16	• 42% of retail banking locations opened since 2020 in low- and moderate-income neighbourhoods.					-40.0%

Rolling year performance (%)

Composite rolling year performance

	31/12/24 to 31/12/25	31/12/23 to 31/12/24	31/12/22 to 31/12/23	31/12/21 to 31/12/22	31/12/20 to 31/12/21	31/12/19 to 31/12/20	31/12/18 to 31/12/19	31/12/17 to 31/12/18	31/12/16 to 31/12/17	31/12/15 to 31/12/16
Federated Hermes Global SMID Equity Engagement Fund Class F USD Accumulating	6.08	0.79	20.34	-18.18	17.76	7.51	26.93	12.75	–	–

Source: Federated Hermes as at 31 December 2025. Fund inception date: 1 January 2018. Returns are in USD net of fees.

Past performance is not a reliable indicator of future results.

Please note that this Fund's name changed to Federated Hermes Global SMID Equity Engagement (from SDG Engagement Equity) on 24 April 2025.

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