

# Climate Change High Yield Credit

**Annual report 2025**

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**Federated  
Hermes**   
Limited

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<sup>1</sup> CFA® is a trademark owned by the CFA Institute.

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## Introduction



**Bertie Nicholson,**  
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Understanding the resilience of a company's balance sheet and its ability to meet repayment obligations is fundamental to corporate credit investing. In fulfilling our fiduciary duty, we seek to consider all factors that may materially affect a company's cash flows, asset values, and long term creditworthiness. This includes the risks and opportunities arising from climate change, which is increasingly shaping operating environments,<sup>4</sup> regulatory frameworks,<sup>5</sup> and capital allocation decisions<sup>6</sup> across the global economy.

### A pivotal year for climate change

2025 ranked among the three hottest years on record globally, despite the presence of La Niña conditions that have historically moderated temperatures.<sup>6</sup> The significance of these temperatures goes beyond their influence on the elevated number of extreme weather events of the year, affecting the global outlook for the Paris Agreement's<sup>7</sup> headline goal of limiting warming to 1.5°C.

The International Energy Agency's (IEA's) World Energy Outlook 2025 concluded that, under current policy trajectories, the world is no longer on a credible pathway to achieve the 1.5°C goal. An overshoot is now considered inevitable even under the most optimistic assumptions.

As scientists and policymakers contemplate the latest scenarios and their consequences on societies and natural systems, they may be encouraged by signs of a plateau in the

emissions of the world's largest contributor. In 2025, multiple independent analyses<sup>9</sup> indicated that China's carbon dioxide emissions were flat or modestly declining through 2024–2025, with new electricity demand offset by rapidly expanding solar, wind and nuclear generation.

The expansion of clean energy supply and the uptake of climate-friendly technologies point to the possibility that global emissions are approaching their own inflection point. Realising this potential, however, will require navigating a more complex phase of the transition. Fiscal pressures are narrowing the scope for public investment just as rising electricity demand and ageing grids intensify system level challenges. With a clear understanding of these headwinds, we have structured the Climate Change High Yield Strategy to remain resilient and well-positioned to meet the transition's evolving demands.

In this report we highlight the progress made by the Strategy in 2025 against its collinear objectives. To do so, quantitative data will be complemented by qualitative insights from our proprietary Climate Change Impact (CCI) score and our ongoing dialogue with investee companies through climate change-related engagement.<sup>9</sup>

We thank our investors for entrusting us with their capital. We strongly believe in the benefits of active management, both in the sense of actively choosing where to invest; and in the sense of engaging in mutually-beneficial dialogues with our investee companies.

<sup>4</sup> Source: WHO, WMO issue new report and guidance to protect workers from increasing heat stress, WHO

<sup>5</sup> Source: Carbon Border Adjustment Mechanism - Taxation and Customs Union, European Commission

<sup>6</sup> <https://wmo.int/news/media-centre/wmo-confirms-2025-was-one-of-warmest-years-record>

<sup>7</sup> The Paris Agreement is a legally binding international treaty on climate change.

<sup>8</sup> Analysis: China's CO2 emissions have now been 'flat or falling' for 21 months – Carbon Brief.

<sup>9</sup> Where the laws and regulations in the relevant jurisdiction permit us to do so.



## The strategy at a glance

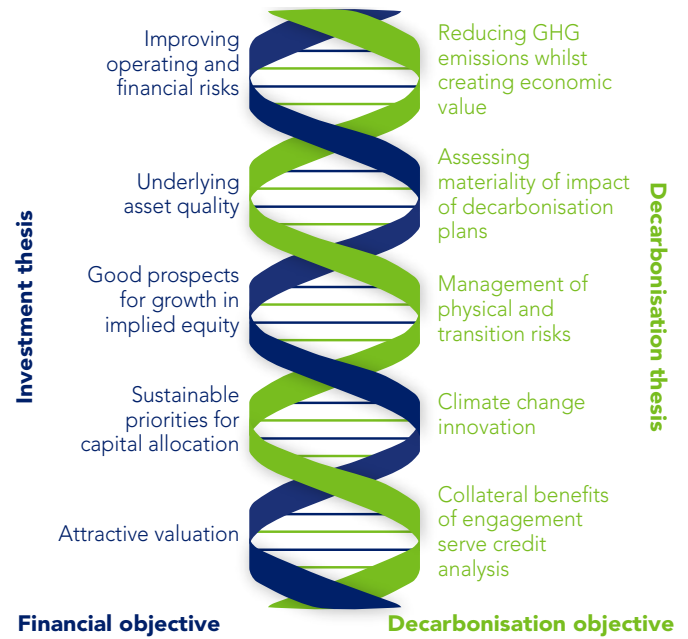
Launched in 2021, The Federated Hermes Climate Change High Yield Credit Strategy aims to deliver against two strategic objectives: to outperform the global high yield market and to contribute towards the objectives of the Paris Agreement by investing in companies best-positioned to transition toward net-zero carbon emissions. We view these objectives as self-reinforcing. In our assessment, issuers that demonstrate credible management of environmental risks, and are positioned to benefit from climate transition dynamics, are more likely to outperform peers less prepared for the transition to a low-carbon economy.

The global high yield market offers good opportunities to do this. It includes a broad universe of companies that have the willingness to adapt their operations, products or services and the potential to generate a positive environmental impact for the planet.

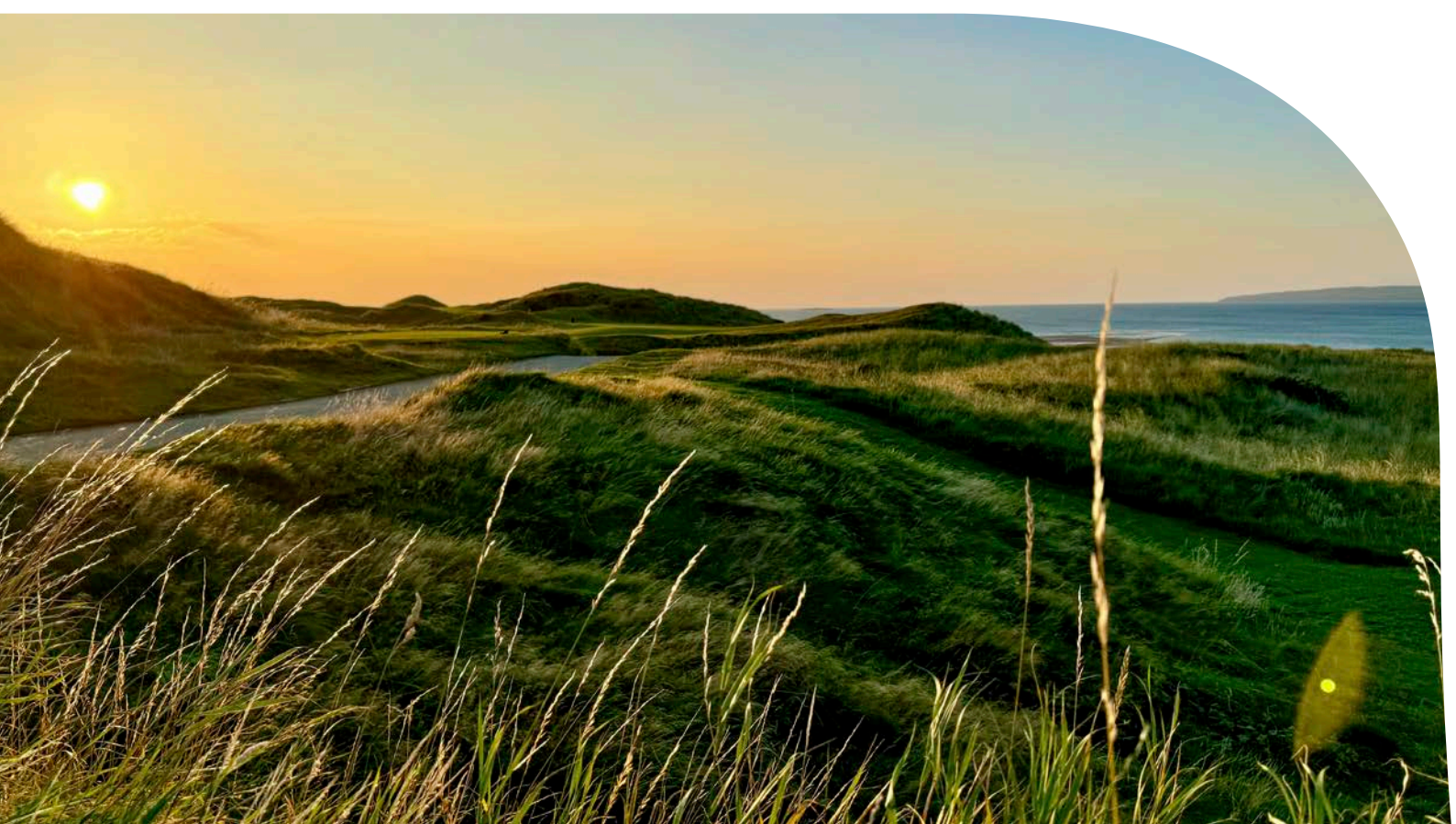
To harness this opportunity set, we use our proprietary framework – the Climate Change Impact (CCI) score – to reflect the progress and impact companies have made and will likely make in the future towards decarbonisation. Companies are assigned a score of 1 to 5, with 1s being decarbonisation ‘leaders’ and 5s deemed ‘harmful’ on climate grounds.

Companies scored CCI 4 or 5, i.e. those assessed as harmful to the climate or offering no material decarbonisation, are excluded from the strategy, although we make an exception for companies scoring CCI 4 from low-emitting sectors. We also exclude controversial sectors and issuers that are heavy emitters of greenhouse gases (GHG) with no desire to change.

**Figure 1.** Interwoven and self-reinforcing decarbonisation and investment theses



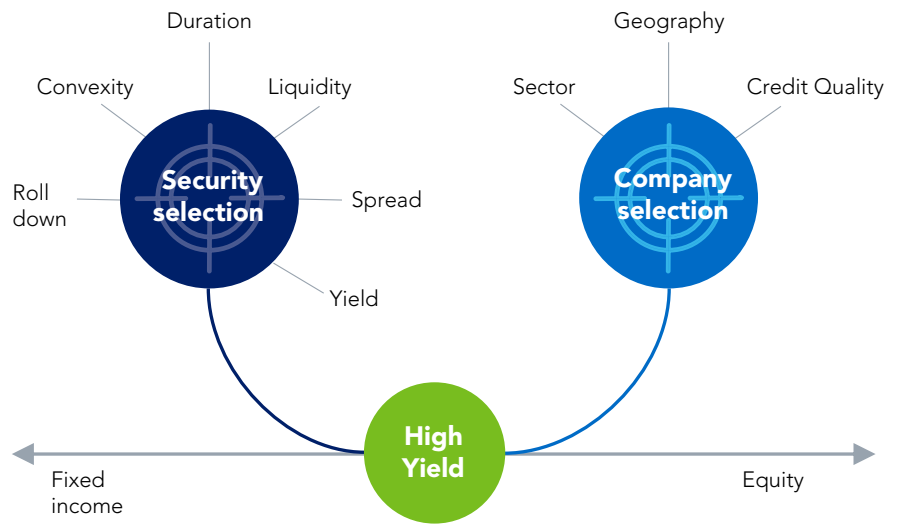
Source: Federated Hermes.



**Our investment approach**

We aim to outperform throughout the cycle by identifying issuers that have an attractive credit risk and decarbonisation profile and determining which securities in their capital structures provide superior relative value. We make use of an issuer’s full capital structure to manage risk and performance. We are mindful that there is risk to be managed and alpha to be made in areas like duration and convexity. As such, we tend to prefer larger capital structures, more global issuers and national champions, particularly in emerging markets.

**Figure 2.** Exploiting differences in relative value throughout issuers’ capital structures



Source: Federated Hermes.

**Climate Change High Yield Credit: Strategy information**

- **SFDR classification:** Article 9.<sup>10</sup>
- **Objectives:** (i) provide a total return (through a combination of income and capital growth) over a rolling period of any five years and (ii) contribute towards the objectives of the Paris Agreement by investing in companies which are transitioning to net-zero carbon emissions.
- **Benchmark:** ICE Global High Yield Paris-Aligned Absolute Emissions Index.
- **Instruments:** Primarily high yield corporate bonds and derivatives.
- **Exclusions:** We have a series of exclusions that help the Strategy achieve its sustainable objectives. For more information, please see the relevant offering documents.
- **Number of issuers:** Approximately 150-200.
- **Base currency:** US dollars, hedged.
- **Liquidity:** Daily.

<sup>10</sup>SFDR classification is subject to a contractual agreement with the client and is subject to change depending upon client requirements.



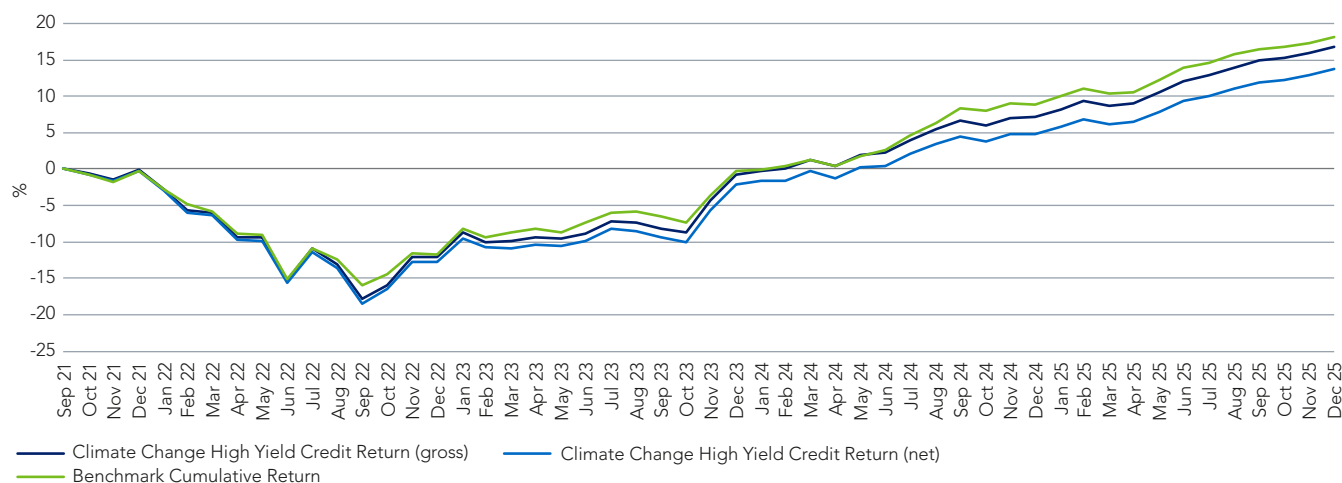
## Financial Performance review

Markets demonstrated remarkable resilience and strength in 2025, despite navigating several notable challenges such as the impact of 'Liberation Day'<sup>11</sup> in April, geopolitical flare-ups and potential vulnerabilities within the credit market. A number of factors fuelled robust performance across risk assets, including accommodative

financial conditions, sustained economic growth and significant tailwinds generated by artificial intelligence (AI) advancements.

The Strategy generated a total return of 9.12% (in US\$ terms, gross of fees), ahead of its benchmark by 69 basis points (bps) for 2025.<sup>12</sup>

**Figure 3:** Climate Change High Yield Credit versus its benchmark since inception (%)



Source: Performance is in USD gross and net of fees. As at 31 December 2025. The current benchmark is the ICE Global High Yield Paris-Aligned Absolute Emissions USD Hedged. Inception date is of 1 October 2021. On 1 November 2023, the strategy's benchmark changed from a broad global high yield benchmark (ICE BofA Global High Yield Constrained USD Hedged) to a Paris-Aligned benchmark (ICE Global High Yield Paris-Aligned Absolute Emissions USD Hedged). Data is supplemental to the GIPS® compliant report (see appendix). **Past performance is not a reliable indicator of future returns.**

The Strategy benefitted from its high-quality bias as concerns centred around specific issuers at the very bottom end of the high yield rating spectrum. It also benefitted from its overweight in Europe where growth expectations increased during the year and converged more to the US as the region was supported by lower interest rates, resilient labour markets, easing inflation and the announcement of Germany's mammoth infrastructure and defence spending plans.<sup>13</sup>

From a sectoral perspective, the Strategy's overweight positioning in banking, capital goods and insurance were its top sector contributors to its overall performance. In contrast, its underweight positioning in Real Estate, financial services and leisure were its biggest detractors.

The Strategy's overweight positioning to securities rated BB and above positively impacted its performance the most, while its underweight positioning in B and CCC and lower-rated securities detracted the most.

At the regional level, the Strategy's overweight positioning to Western Europe and the UK were its top contributors to relative performance, while its underweight positioning to North America and emerging markets detracted the most.

<sup>11</sup> US President Donald Trump announced a broad package of import duties on 2 April 2025 – a date he called 'Liberation Day'.

<sup>12</sup> Management fees are not included and will have the effect of reducing performance.

<sup>13</sup> Economic governance: Council approves Germany's fiscal expenditure path and its flexibility to increase defence spending – Consilium

## Climate performance review

The Strategy’s objective of decarbonising ahead of a Paris-aligned benchmark is measured across multiple metrics in line with the recommendations of the Institutional Investors Group on Climate Change’s (IIGCC’s) Net Zero Investment Framework 2.0 (NZIF 2.0).

The primary metric for tracking the Strategy’s climate change performance is carbon footprint, and is supported by assessing issuer-level alignment with a net-zero pathway, climate-related engagement activity with issuers,<sup>14</sup> and exposure to companies providing climate change solutions.

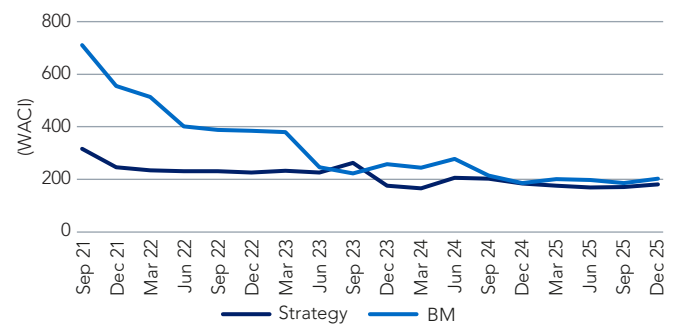
### Portfolio carbon emissions performance

We review portfolio carbon footprint performance by comparing the Strategy’s weighted-average carbon intensity (WACI) to that of the ICE Global High Yield Paris-Aligned Absolute Emissions US\$ Hedged benchmark. The data provided in Figure 4 is sourced using Trucost, as at 31 December 2025.

In addition to WACI, we also look at absolute carbon footprint for the portfolio, that is, the sum of Scope 1 and 2 emissions<sup>15</sup> without any kind of apportionment by amount invested, revenue, or portfolio weight. We also break out the effects of trading decisions to see what happened as a result of company actions. Ultimately, what matters to meet the goals

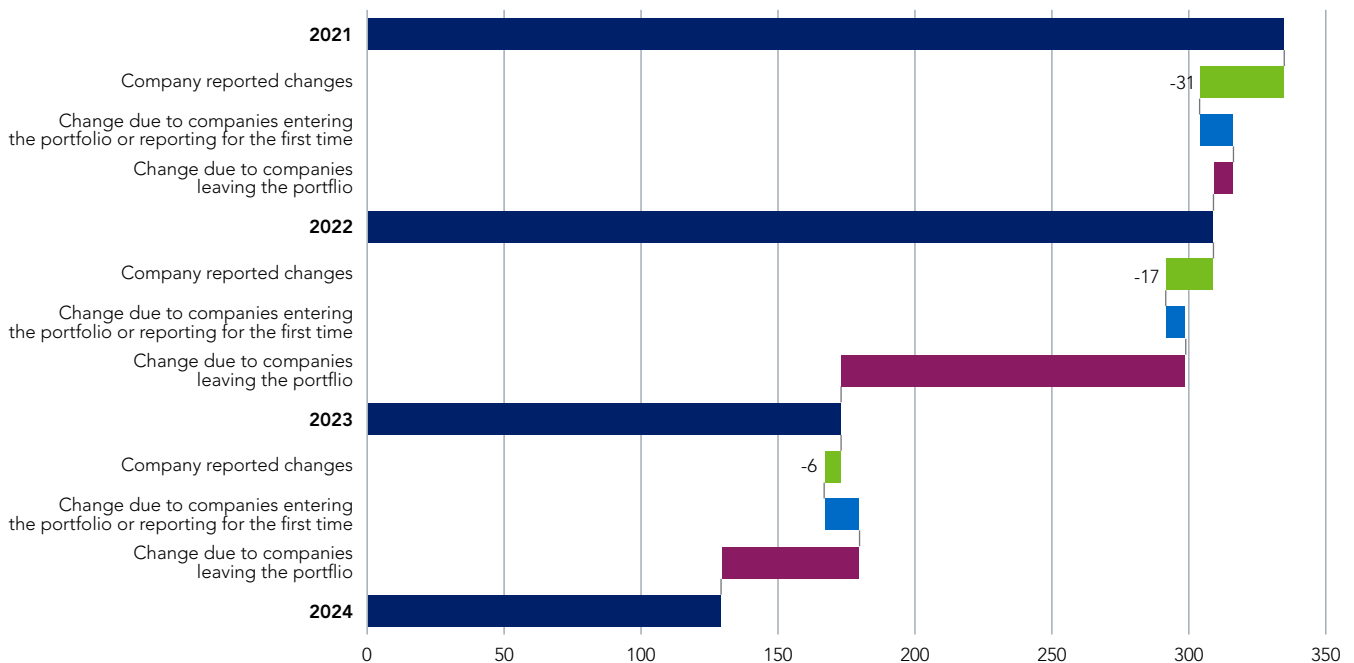
of the Paris-agreement are real world emissions reductions, not a reduction in metrics designed for investor purposes. As can be seen in Figure 5, the Strategy has seen emissions reduce each year since its inception in 2021, with the most recent year showing emissions decline 3.7%. The large reduction between 2022 and 2023 was due to the strategy exiting its position in steel and mining company ArcelorMittal (39% of 2022 absolute emissions) due to credit reasons.

Figure 4: Weighted average carbon intensity (WACI)



Source: Federated Hermes, Environmental Tool. As at 31 December 2025. The current benchmark is the ICE Global High Yield Paris-Aligned Absolute Emissions USD Hedged. Inception date is of 1 October 2021. On 1 November 2023, the strategy’s benchmark changed from a broad global high yield benchmark (ICE BofA Global High Yield Constrained USD Hedged) to a Paris-Aligned benchmark (ICE Global High Yield Paris-Aligned Absolute Emissions USD Hedged). Data is supplemental to the GIPS® compliant report (see appendix).

Figure 5: Total Scope 1 and 2 emissions in the portfolio fell by 6 million tonnes (3.7%) year-on-year.



Source: Federated Hermes. Based on reported data from 141 companies.

<sup>14</sup> Any engagement with issuers on this topic is subject to careful consideration to ensure that it is aligned to client objectives and directions, as well as fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients.

<sup>15</sup> Scope emissions: Scope 1, Scope 2, and Scope 3 is a classification system for greenhouse gas (GHG) emissions a firm creates through its operations, energy usage, and the wider value chain. A Scope 1 emissions – All direct emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks. A Scope 2 emissions – Indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation. Scope 3 emissions – All other indirect emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.

### Issuer-level alignment with a net zero pathway

Tracking carbon intensity in isolation can risk incentivising actions such as divestment or making sector-weighted adjustments to artificially reduce a portfolio’s carbon intensity. Monitoring additional performance metrics such as issuer-level alignment with a net-zero pathway helps broaden the focus from solely monitoring present-day emissions to the portfolio’s emissions expected trajectory based on targets and commitments. In 2025, we developed a baseline for the

**Figure 6:** Climate Change High Yield Credit (CCUF) net zero alignment

Category	AUM	Scope 1, 2 and all 3	Definition
Aligned	43.2%	60.2%	A coherent ambition to reduce emissions in line with the 1.5°C target by 2050.
Aligning	10.0%	12.8%	An ambition to reduce emissions sufficiently to align with 2°C or lower or have committed to align to 1.5°C.
Committed to net zero (NZ)	19.0%	16.1%	Publicly announced a net zero ambition to reduce emissions by 2050 or sooner.
Not Aligned	1.2%	0.4%	None of the above.
Unscored	26.7%	10.6%	Insufficient data to categorise the issuer.

Source: Federated Hermes, 31 December 2025.

Strategy’s alignment with net zero using the sector-specific and cross-sector pathways from the Science Based Targets initiative (SBTi<sup>16</sup>) and will track this alignment annually.

### Engagement activity

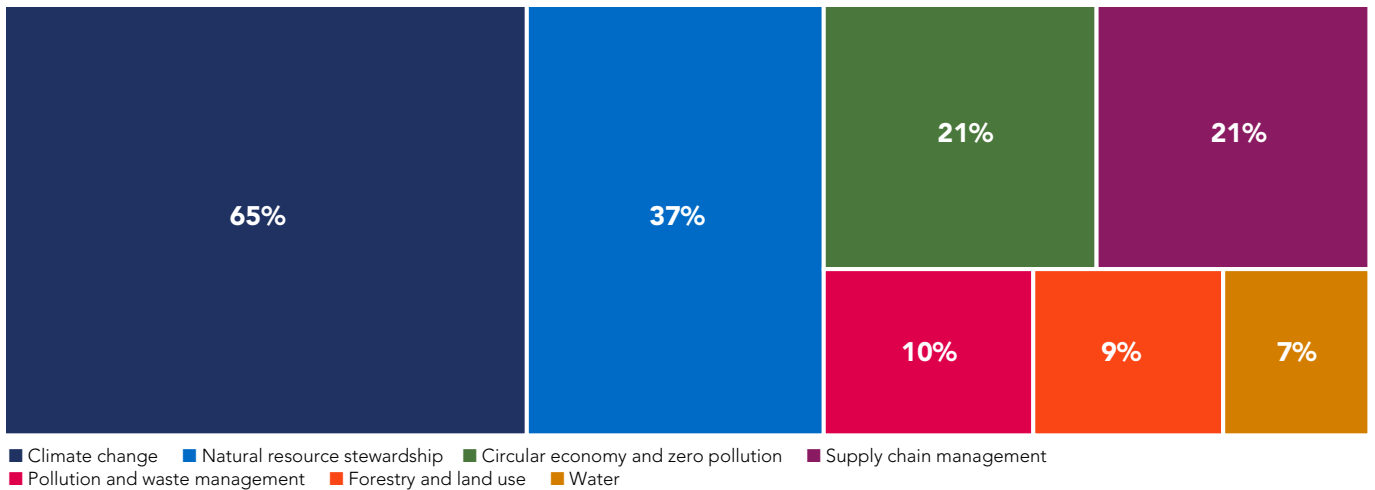
Engagement is a valuable tool for investors looking to address exposure to carbon-intensive sectors and provides a responsible alternative to divestment to achieve decarbonisation goals. Responsible owners can use their seat at the metaphorical table to work with investee companies on identifying climate solutions that provide GHG emissions reductions and additional value, hand in hand. Previously a tool associated solely with shareholders, the benefits of engagement are increasingly being recognised by bondholders and issuers.

**Figure 7:** Engagement data

Category	Sep-23	Sep-24	Dec-25	% change
% AUM engaged on environmental topics	72	70	66	-5.7%
% AUM engaged on climate change	54.96	54.62	62.2	14.7%
% of financed emissions engaged on climate change	85	89	81	-9%
% of financed emissions engaged on climate change or assessed as Aligned <sup>17</sup>	–	–	87.3	–

Source: Federated Hermes, 31 December 2025.

**Figure 8:** Environmental engagement by themes



Source: Federated Hermes, Environmental Tool, 31 December 2025.

<sup>16</sup> Established in 2015, the Science Based Targets initiative (SBTi) is designed to help companies to set greenhouse gas (GHG) emission reduction targets in line with climate science. The initiative defines and promotes best practices in emissions reductions and includes a team of experts to provide companies with independent assessment and validation of their targets.

<sup>17</sup> See Figure 6 for Aligned definition

### Climate solutions

Climate solutions refer to activities, goods, or services that, according to credible pathways, need to increase substantially to enable the global economy to reach net zero.<sup>18</sup> These solutions, including clean electricity and energy-efficient technologies, are focussed on reducing the physical risks from climate change and reducing GHG emissions. Companies that then provide solutions to these systemic challenges have a sizable revenue opportunity.

One of the ways to measure the strategy’s exposure to climate solutions is the Bloomberg New Energy Finance (BNEF) Transition Exposure Portfolio Tool. This tool tracks capital expenditure on activities that enable real-economy emissions reductions, and therefore positions companies to take advantage of demand for low-carbon energy.

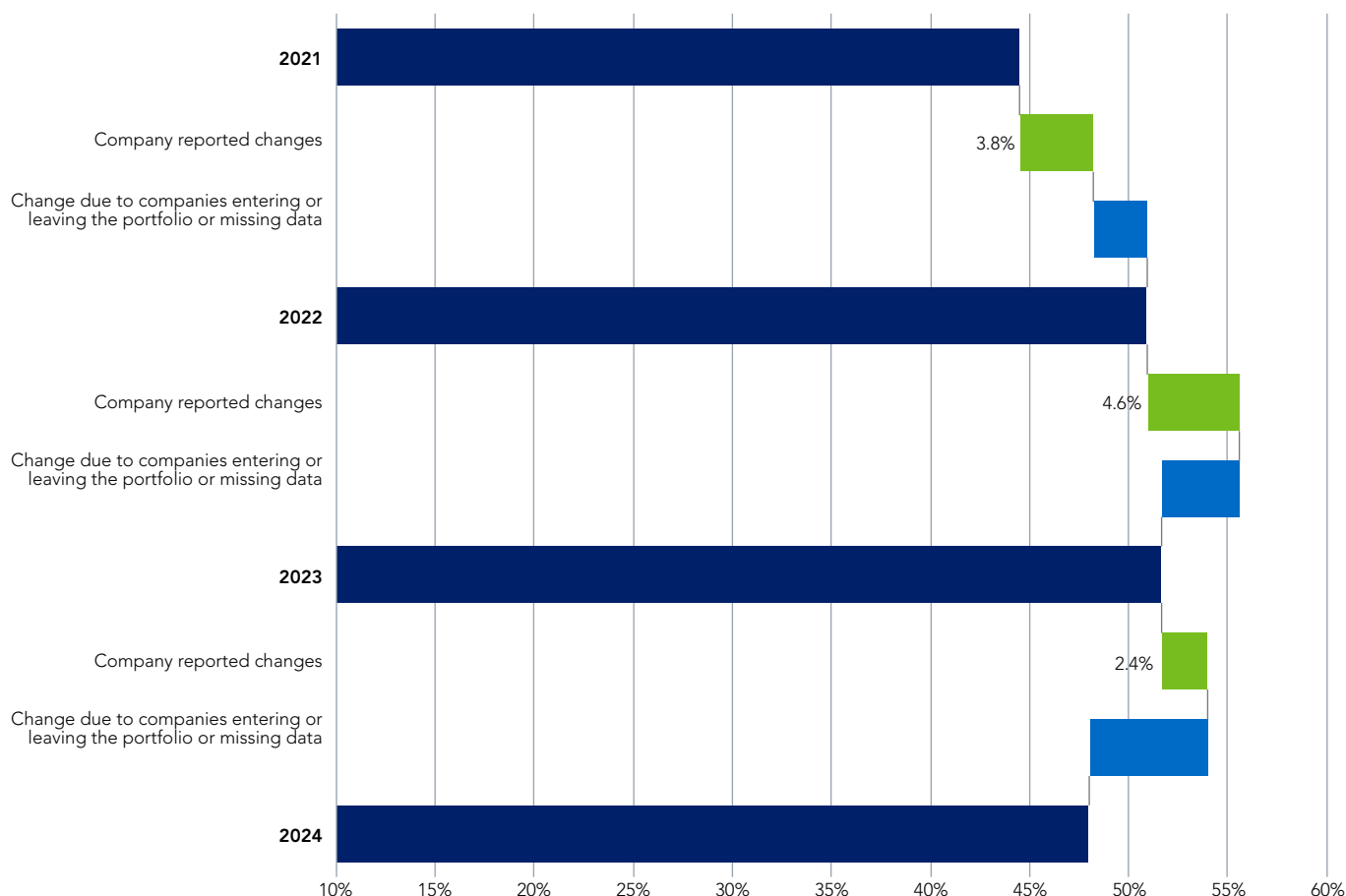
**Figure 9:** Total capex invested in power assets by portfolio companies (US\$m, nominal)

Year	Battery storage	Coal	Co-location	Gas	Solar	Wind	Total
2021	0	0	0	0	851	10,206	11,057
2022	18	0	0	79 <sup>19</sup>	420	2,268	2,785
2023	313	0	0	0	1,294	16,405	18,011
2024	652	0	0	0	289.45	9,999	10,940
Total	984	0	0	79	2,854	38,877	42,794

Source: BNEF Transition Exposure Portfolio Tool (TEPT 4.0.0).

In addition to tracking investment in clean energy generation, we also monitor the extent to which portfolio companies are purchasing renewable energy. This reflects efforts by issuers outside of the electricity generation sector to transition their production processes toward cleaner energy sources.

**Figure 10:** The average percentage of renewable energy consumed increased 2.4%pts year-on-year.



Source: Federated Hermes. Based on reported data from 85 companies.

<sup>18</sup> Source: Climate solutions: A definition, why they matter to investors and how they can be considered, IIGCC.

<sup>19</sup> Associated with Cleveland Cliff’s capital expenditure on steel production operations.

## Spotlight: Purpose of the CCI score four years on

We developed the Climate Change Impact (CCI) score to provide a clear, comparable opinion of corporate climate strategies and carbon emissions performance. Four years on from the launch of the Climate Change High Yield Strategy, we revisit the hypothesis behind the score's creation: that climate change analysis can enhance investment decision-making and has the potential to deliver financial value.

### Relevance of climate change to credit investors

The financial impact of events linked to climate change can vary across asset classes due to their distinct risk factors and investment time horizons.

For bondholders, the primary concern is an issuer's capacity to meet repayment obligations within predetermined timeframes. The financial materiality of climate change for credit investors therefore stems from how climate-related risks can impact an issuer's cash flows, creditworthiness and ultimately default risk and credit spreads. The evolution of credit ratings supports this connection, with agencies increasingly incorporating climate factors into their credit risk assessments.<sup>20</sup>

### Managing transition climate risk

Transition risk is the likelihood of a company suffering financial loss from the effects of the wider economy moving to lower-carbon methods. Policy changes, such as carbon pricing, can increase operating costs, while shifts in technology and consumer preferences can erode the value of legacy, carbon-intensive assets.

The CCI framework includes the following aspects designed to capture transition risk: ambitiousness and credibility of decarbonisation targets, a clean energy transition policy,

climate-related governance and a consistent record of reducing GHG emissions.

A practical example of this is demonstrated by CF Industries. As the world's largest producer of ammonia – a carbon-intensive production process – the company is exposed to the risk of climate-conscious policymakers and customers. By constructing the world's largest hydrogen electrolyser and three carbon capture and storage projects, CF developed the ability to produce low- and zero-carbon blue and green ammonia. This helps to meet growing demand for low-carbon ammonia, with CF able to set prices at a premium of US\$20-US\$25 per ton which should enable an internal rate of return (IRR) of 20%. In August 2024, following a review of the company's strategy, CF's CCI score was upgraded from a CCI 3 to a CCI 1. In October 2025, ratings agency Fitch referenced these business strategy updates and their potential benefit from 45Q tax credits when affirming the company's BBB rating.<sup>21</sup>

### Seizing climate-related opportunities

In addition to assessing companies on managing exposures to transition climate risks, the CCI score framework captures the impact of companies delivering climate solutions. Low-carbon technologies and services that facilitate emissions reductions form the backbone of a global energy transition.

In the high yield universe, this element of the CCI framework becomes highly influential when assessing private companies who lack mature environmental disclosures but derive a significant portion of revenues from climate solutions. Taking revenues that contribute to climate mitigation into account, as identified by the EU Taxonomy,<sup>22</sup> provides valuable insights that reduce the influence of disclosure bias on a score that, to an extent, depends on company reporting.

As governments look to expand electrification industries and modernise energy grids, companies providing cabling and electrification solutions, such as Nexans (CCI 1), are well-positioned to benefit financially. This was recognised by ratings agency Standard & Poor's (S&P) who revised its outlook for Nexans to positive BB+ in 2023, in part crediting the company's ability to facilitate the energy transition megatrend.<sup>23</sup>

<sup>20</sup> Source: Climate Risk to Become Increasingly Important Sovereign Rating Driver, FitchRatings.

<sup>21</sup> Source: Fitch Affirms CF Industries Holdings and CF Industries at 'BBB'; Outlook Stable, FitchRatings.

<sup>22</sup> EU taxonomy for sustainable activities – Finance – European Commission.

<sup>23</sup> Source: Nexans Outlook Revised To Positive On Successful, S&P Global Ratings.



### Linking decarbonisation decisions to value creation

The concept of green premiums, i.e. the difference in cost between a product that involves emitting carbon and an alternative that doesn't, helps illustrate the costs-benefit analysis performed by policymakers and companies alike. They must evaluate the green premiums associated with their climate strategies before proposing regulations or committing capital to transition initiatives. When executed effectively, such investments can provide returns by lowering operational costs and supporting revenue growth.

### The CCI score rewards climate solutions, helping to identify companies actively reducing green premiums through innovation and those considered 'early adopters'.

The CCI score rewards climate solutions, helping to identify companies actively reducing green premiums through innovation and those considered 'early adopters'. Value creation from such activities is particularly noteworthy in electricity-dependent industries where the sharp decline in the cost of renewable energy has created a 'fossil fuel premium' in many regions.<sup>24</sup> Companies sourcing renewable energy are increasingly benefitting from lower prices and greater price certainty through instruments such as power purchase agreements (PPAs).

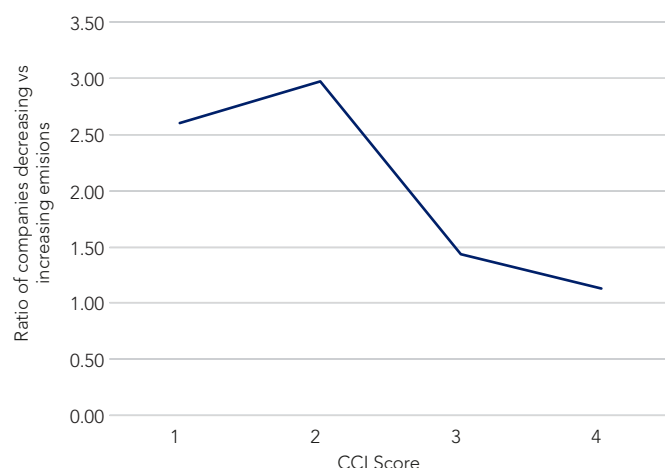
We have also observed cases where producing low-carbon alternatives to traditionally carbon-intensive products enables companies to charge a premium, as customers increasingly value the opportunity to reduce their own carbon footprints. Cleveland Cliffs' CLIFFS H™, Novelis' AL:sust™, and Cemex's Vertua are all low-carbon product offerings which have reported seeing demand from climate-conscious customers.<sup>25, 26, 27</sup> As these products scale and costs converge with those of

conventional alternatives, early-movers are well positioned to capture greater market share and strengthen their competitive advantage.

### Are CCI scores a leading indicator of GHG reductions?

Since the strategy's launch in 2021, we have analysed over 400 companies, and many have undergone multiple reviews, which brings the total database of CCI scores to over 750 assessments. Initial results from a retrospective analysis revealed that companies with a CCI score of 1 or 2 decarbonised faster than those with a score of 3 or 4. We intend to publish further analysis later in 2026.

**Figure 11:** Ratio of companies decreasing versus increasing Scope 1+2 emissions over 1yr after assignment of a CCI score. A higher ratio indicates more companies decreasing emissions than increasing emissions.



Source: Federated Hermes.

<sup>24</sup> Source: The Green Premium Is Dead. The Fossil Premium Has Arrived, Forbes.

<sup>25</sup> Source: Cliffs Introduces Surcharge on Steel Made From HBI – Steel Market Update.

<sup>26</sup> Source: Novelis Inc. all set to achieve Net-Zero with a new recyclable, low-carbon Aluminium alloy HRC57S, Alcircle.

<sup>27</sup> Source: Vertua Low-Carbon to Account for Majority of Cement and Concrete Sales By 2025, Businesswire.



## AI's insatiable appetite for energy

Artificial intelligence (AI) is driving an unprecedented expansion of data centres. These facilities require large amounts of electricity and cooling, placing pressure on grids, utilities, and local communities. How will these needs be met, without disadvantaging others or putting the stability of energy supplies at risk?

The average data centre uses 300,000 gallons of water a day, equivalent to the water use of 1,000 homes.<sup>28</sup> Trying to predict how much energy will be needed is more complicated. The IEA estimates that electricity use by data centres could double by 2030, while others expect it to grow by over 165%.<sup>29</sup> This variation in forecasting is due to uncertainty about the speed of AI adoption, and how efficient it will become.

Investors are increasingly engaging companies on all of these fronts, which helps anticipate disruption, protect value, and support more resilient systems to the benefit of investment portfolios and the communities they touch. Innovative design, sustainable practices, and strong board oversight can help mitigate risks and build responsible, resilient infrastructure for a rapidly digitising world.

We have identified various actions that may be appropriate for different companies, which we aim to discuss when engaging with them:

### Tech companies and data centre operators

- Adopting energy-saving AI chips and facilities increases energy efficiency. This can help to cut costs, improve security of energy supply, and contribute to higher profit margins over time.
- Tech companies that rely on electricity generated from natural gas may choose to build or partner with more efficient energy facilities. Doing so can reduce methane leaks and improve the asset's overall financial performance and resilience.
- Water efficiency can help to reduce costs and contribute to more profitable operations.
- Aligning capital spending with utility asset lifecycles can avoid the risk of stranded or financially underperforming assets.
- Disclosing broader data centre risks is an important step: engaging communities early, assessing social and environmental impacts, and planning for circularity from build to decommissioning.

### Utilities

- Companies should seek to disclose their infrastructure plans using verified demand data to prevent overbuilding.
- Aligning infrastructure with community needs prevents rising costs and energy affordability issues.
- Diversifying energy supplies across a broad mix of sources, including new technologies such as renewables combined with battery storage.

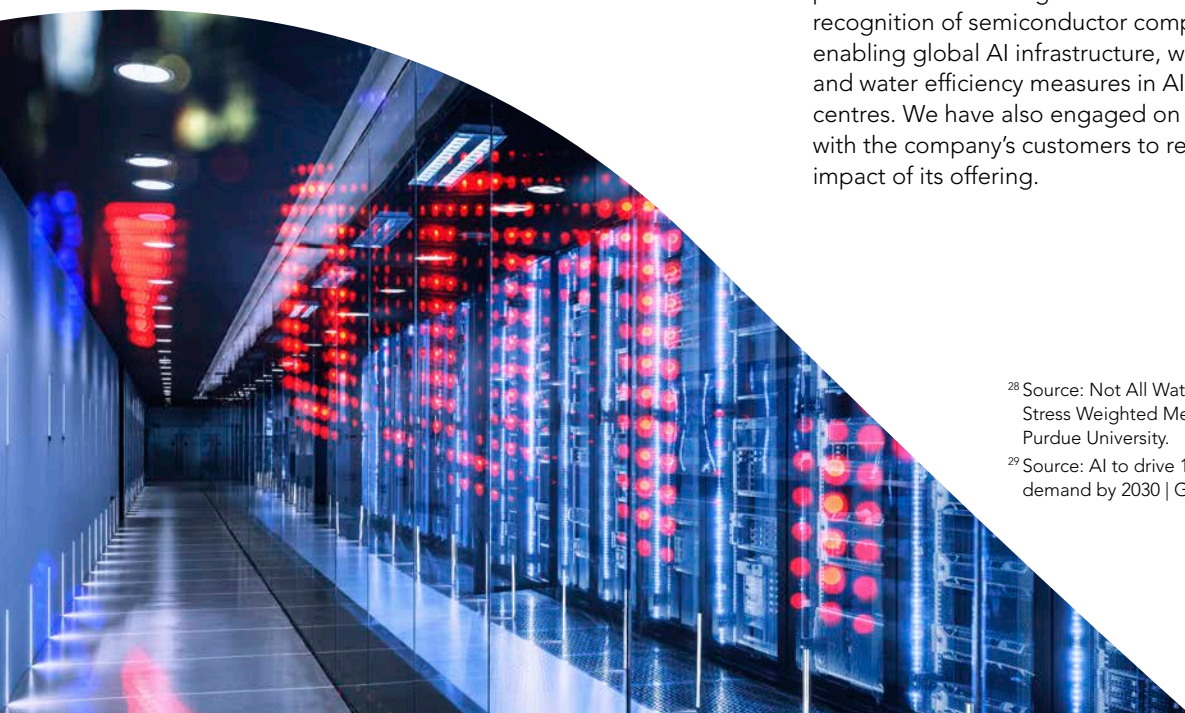
### Engaging with companies

In 2024 and 2025, our engagement with energy and tech companies deepened to address AI-driven power demand. In these discussions, we highlighted the business benefits of ensuring strong capital discipline when developing new energy supply infrastructure, saving costs and improving profitability when supplying energy to data centre projects.

We have spoken to companies such as data storage company Seagate about its circular economy initiatives and the potential for switching to 100% renewable electricity. In recognition of semiconductor company Micron's role in enabling global AI infrastructure, we have engaged on energy and water efficiency measures in AI-related products and data centres. We have also engaged on the need to collaborate with the company's customers to reduce the environmental impact of its offering.

<sup>28</sup> Source: Not All Water Consumption Is Equal: A Water Stress Weighted Metric for Sustainable Computing, Purdue University.

<sup>29</sup> Source: AI to drive 165% increase in data center power demand by 2030 | Goldman Sachs, Goldman Sachs.



## Policy advocacy: COP30 participation



**Mitch Reznick, CFA**

Group Head of Fixed Income,  
London

There has long been a call for commercial capital to join governments and development institutions in closing the financial gap to reverse climate change. At COP30, there was a noticeable difference in tone.

The discourse has shifted from determining what is needed to make it happen to how to make it happen. As for finance, three themes have emerged on generating capital sufficient to fund the transition of the economy's linear means of creating economic value to a circular one; ensuring the planet's ability to support a growing population:

- Mobilisation and scaling of the capital markets
- Innovation in investment tools and structures (e.g., blended, catalytic, labelled)
- Establishing partnerships to mobilise, scale and innovate commercial finance

We participated in numerous concrete, pragmatic conversations around these three self-reinforcing themes during panel discussions, and most importantly, in between them.

To mobilise capital, investment returns generated from sustainable finance activities must be commensurate with risks. We cannot expect capital markets to subsidise returns for altruistic purposes at the scale required to solve the climate crisis and inexorably-linked planetary stress: biodiversity, water, food systems, society. The acceleration of new partnerships among key financial stakeholders in the value chain can solve the 'returns' challenge.

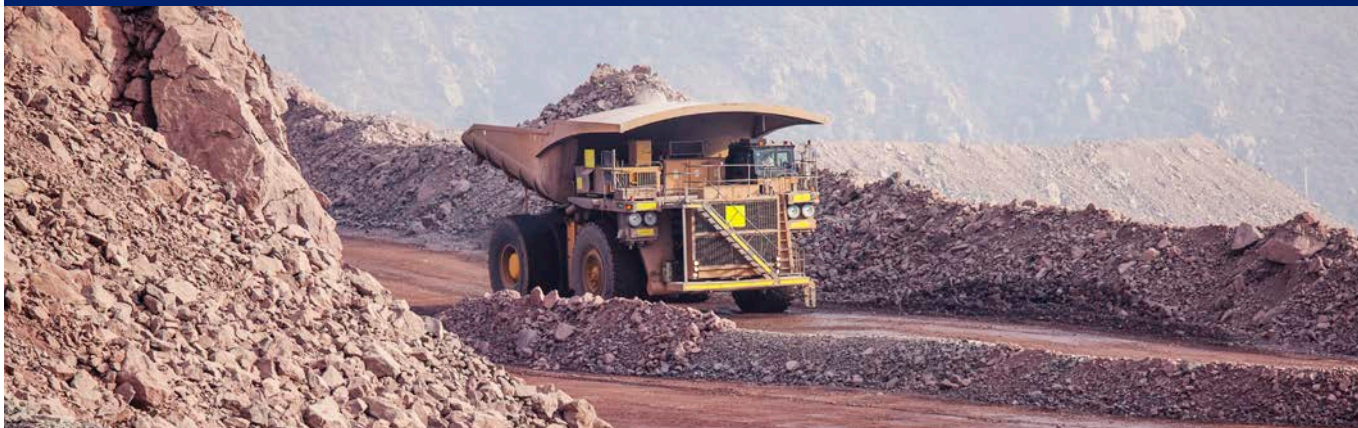
If we in the financial ecosystem – asset owners, private wealth, asset managers, development finance institutions (DFIs), financial institutions, etc. – continue to partner where our development and commercial finance expertise meet, we can deliver returns commensurate with risks and provide for planet and people. Driven by the forces that underscore the formation of capital at scale – visibility of cashflows and payback periods; market demand; cogent investment structures; and impact outcomes and reporting – this is already happening.

**We need systematic change to mitigate systemic risks. Federated Hermes has been a part of this transition and, as our active participation in COP30 shows, will remain so.**



 SECTOR CASE STUDY

## Metals and mining sectors



The metals and mining sector's decarbonisation pathway is complex. The sector is a key facilitator of the global energy transition – supplying critical materials for low-carbon technologies – yet its extraction and processing operations make it one of the most carbon-intensive industries. The challenge lies in reducing these emissions while meeting surging demand for critical minerals.

Solutions do exist for reducing the carbon footprint of energy-intensive processes in the sector, such as mining and smelting. However, their cost and complexity are barriers to implementation. High capital requirements for renewable energy integration, technological uncertainty around low-carbon processing methods such as green hydrogen, and the logistical challenges of electrifying fleets in remote locations all show slow progress.

As a result of the sector's unique route to decarbonisation, we take a carefully nuanced approach when assigning a CCI score. The 'initiatives' category of the score is adapted to reward companies with robust decarbonisation roadmaps sensitive to various climate change scenarios. Examples of best-practice roadmaps include those with clear capital allocation commitments, estimations of emissions savings by each initiative, and intermediate target deadlines for implementation.

Reviewing corporate strategies alone would leave the CCI score prone to greenwashing. Consequently, the score also takes into account a company's level of 'execution', i.e. its decarbonisation performance. Here, the metrics measured extend beyond GHG emissions to sector-

specific assessments to acknowledge companies investing in technologies that lay the groundwork for future emissions reductions. For miners, we compare peers on energy intensity per tonne of ore produced and the proportion of the mining fleet that is electrified. For metal producers, we compare peers on the percentage of recycled steel/aluminium in production.

In our view, the companies best positioned to succeed are those that combine near-term operational efficiency with long-term innovation. Sector leaders are those that support their operations with clean energy, electrifying mining equipment, and investing in breakthrough technologies such as hydrogen-based steelmaking and carbon capture. These strategies will help navigate tightening carbon regulations, and contribute to financial resilience in a rapidly-decarbonising economy.

### Novelis Climate Change Impact (CCI) score: 1

Novelis offers aluminium sheet and plate materials, serving a wide range of end markets, with beverage packaging and automotive representing its largest sectors.

Category	Sub-Category	Sub-Score
<b>Ambition</b>		
Targets	Decarbonisation targets	Advanced
	Clean Energy Adoption	Leader
Initiatives	Climate Innovation	Leader
	Scope 3	Leader
<b>Execution</b>		
Decarbonisation performance	GHG Emissions	Leader
	Recycled Content	Leader
Climate governance		Leader
Material controversies		Neutral

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### Targets – Advanced

The company has presented a detailed climate strategy supported by decarbonisation targets across multiple scopes and timeframes. During our CCI score assessment, we identified opportunities to further strengthen these already robust targets through the introduction of a dedicated renewable energy target and third party validation of alignment with a climate scenario.

### Initiatives – Leader

Novelis’ business model, characterised by a predominantly recycled aluminium supply chain, is a key consideration in evaluating its climate related initiatives. Recycled aluminium uses approximately 95% less energy in production compared to primary aluminium, with a near equivalent reduction in greenhouse gas emissions.<sup>30</sup> Already the world’s largest aluminium recycler,<sup>31</sup> the company aims to reinforce its industry leadership through new closed loop customer partnerships, continued investment in recycling capacity and capabilities, and a commitment to increase recycled aluminium content in its products to 75% by 2030.

In addition to recycling, the company’s strategy includes investing in new electric furnaces and mills, alongside innovative approaches such as industrial scale hydrogen fuel testing and the exploration of carbon capture, utilisation and storage (CCUS) technologies.

This strategy also addresses Scope 3 emissions, which account for approximately 84% of total emissions. Of these, emissions from primary aluminium suppliers represent the largest source of Scope 3 and the company aims to address this through the increased use of recycled content. In addition, as a signatory to the First Movers Coalition, Novelis aims to source 10% of its primary aluminium purchases from near zero carbon suppliers by 2030. These clear plans support a ‘leader’ score for Novelis’ initiatives to address emissions.

### Decarbonisation Performance – Leader

The company’s ambitions are supported by its leading decarbonisation performance among peers. As the world’s largest aluminium recycler, Novelis holds a clear advantage over peers in producing low-energy and low-

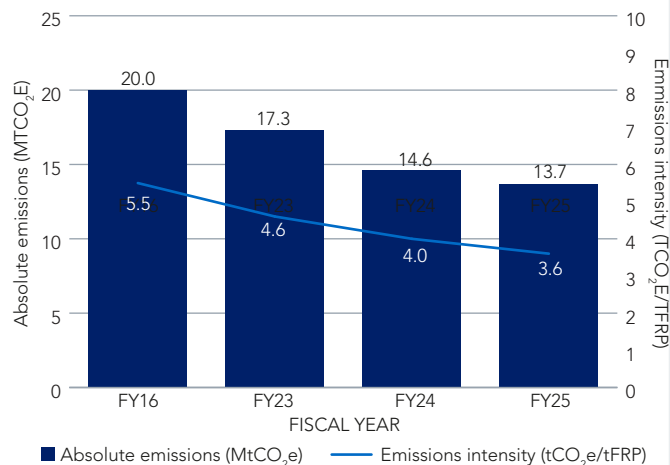
carbon aluminium products. This is reflected in its low carbon intensity relative to both direct peers and the wider industry. Historical performance indicates effective execution here. Absolute emissions (Scope 1, 2 and 3<sup>32</sup>) and emissions intensity per metric tonne of aluminium shipped (tFRP) have declined by 32.5% and 34.5%, respectively, compared with a 2016 base year.<sup>33</sup>

The company’s leading decarbonisation performance is further evidenced by metrics beyond carbon intensity. In FY2025, recycled content remained stable year-on-year at 63%, while in FY2024, green investments comprised 43% of total capital expenditure following the prior issuance of a €500m green bond.

### Governance – Leader

Climate oversight is embedded within the company’s governance structures, with environmental goals included in executive compensation and risks and opportunities jointly overseen by the CEO and Chief Sustainability Officer. They are supported by a Global Sustainability Steering Committee at executive committee level and a Global Sustainability Council overseeing regional environmental performance, helping to ensure the company’s sustainability strategy is consistently applied throughout the business.

Figure 13: Novelis CO2e emissions<sup>34</sup>



Source: Novelis, Federated Hermes.

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<sup>30</sup> <https://international-aluminium.org/landing/aluminium-recycling-saves-95-of-the-energy-needed-for-primary-aluminium-production/>

<sup>31</sup> <https://novelis.com/sustainability/recycling/>

<sup>32</sup> Scope 3 Category 1 (Purchased goods and services), and Category 4 (Upstream transportation and distribution).

<sup>33</sup> <https://creative.novelis.com/m/171db7a961eba21c/Novelis-Sustainability-Report-2025-Advancing-Circularity.pdf>

<sup>34</sup> Source: Novelis Sustainability report 2024.

### Constellium Climate Change Impact (CCI) score: 3

Constellium manufactures specialty rolled and extruded aluminium products, serving end markets including beverage packaging, aerospace applications and automotive structures. The company’s manufacturing footprint is predominantly European, with additional operations in North America and China.

Category	Sub-category	Sub-Score
<b>Ambition</b>		
Targets	Decarbonisation targets	Aspirational
	Clean energy adoption	Advanced
Initiatives	Climate innovation	Advanced
	Scope 3	Advanced
<b>Execution</b>		
Decarbonisation performance	GHG emissions	Aspirational
	Recycled content	Aspirational
Climate governance		Advanced
Material controversies		Neutral

#### Targets – Aspirational

Constellium has set medium term targets on emissions intensity per tonne of product shipped, committing to a 30% reduction in Scope 1 and 2 emissions intensity by 2030, and a 30% reduction in combined Scope 1, 2 and 3 emissions intensity, from a 2021 baseline. Within the CCI framework, these targets are assessed as ‘aspirational’. While the inclusion of Scope 3 emissions is positive, ambition is constrained by the absence of absolute reduction targets, a long term target with a route to net zero, and independent third party validation. These factors limit confidence in the targets’ alignment with the goals of the Paris Agreement.

#### Initiatives – Advanced

Constellium’s decarbonisation initiatives are assessed as ‘advanced’, reflecting a well developed execution strategy targeting its principal emissions sources. Operational measures focus on energy efficiency across casting and rolling activities, which account for most Scope 1 emissions. These include site specific energy efficiency plans, deployment of ‘SmartMelt’ furnace technology, and investment in modernised casting centres.

Value chain initiatives are a central pillar, as Scope 3 emissions account for approximately 88% of Constellium’s total footprint. As with Novelis, aluminium procurement is the primary lever for Constellium to decarbonise, and the company has joined Novelis in the First Movers Coalition, committing to source 10% of primary aluminium from

low carbon suppliers by 2030. It also aims for 50% of aluminium inputs from recycled sources by 2030. However, this figure remains below Novelis’ current level of 63%.

#### Decarbonisation Performance – Aspirational

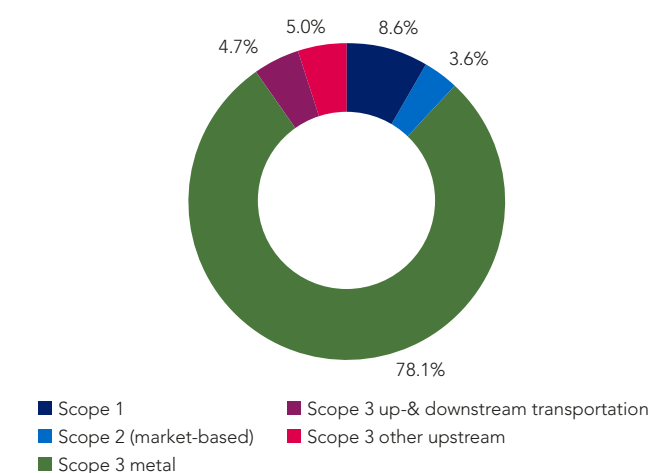
We assess Constellium’s decarbonisation performance as ‘aspirational’ due to mixed historic performance boosted by recent progress. Between 2021 and 2023, Scope 1 and 2 emissions intensity per metric tonne of product shipped rose by 9%, and when combined with Scope 3 emissions, rose 17% in the same period. However, following strong performance in 2024, these figures are – 5% and +7%, respectively, versus the 2021 baseline. We credit energy efficiency gains and reduced activity at higher emitting plants for the reductions in 2024.

Despite investment in alloy development and recycling infrastructure, the company’s average recycled input has increased just 1% since 2021, reaching 42% as of 2024, which lags peers such as Novelis.<sup>35</sup> Sustaining its emissions reduction performance, aided by increases in recycled content would likely lead to an upgrade in our assessment.

#### Governance – Advanced

We assess Constellium’s governance framework as ‘advanced’. Climate oversight sits with a board level Safety and Sustainability Committee, supported by executive level review and integration into enterprise risk management. Business unit level sustainability leads, a central sustainability team, and the inclusion of emissions metrics within variable remuneration all reinforce implementation.

Figure 14: Total GHG emissions: Scope 1, 2<sup>36</sup> and 3<sup>37</sup>



Source: Federated Hermes.

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<sup>35</sup> [https://res.cloudinary.com/constellium/image/upload/v1771410644/PDF%20documents/Earning%20Results/2025/2025\\_-\\_Q4\\_-\\_Earnings\\_Press\\_Release\\_vF\\_orqlxf.pdf](https://res.cloudinary.com/constellium/image/upload/v1771410644/PDF%20documents/Earning%20Results/2025/2025_-_Q4_-_Earnings_Press_Release_vF_orqlxf.pdf).

<sup>36</sup> Market-based method used for Scope 2 GHG emissions accounting.

<sup>37</sup> Scope 3 GHG emissions categories included are: purchased goods, transportation, fuel and energy, capital goods, employee commuting, waste and business travel.

 SECTOR CASE STUDY

## Banking



### Climate accountability in a post-NZBA world

In December 2024, the first major bank exited the UN-backed Net Zero Banking Alliance (NZBA). The alliance aimed to help member-banks accelerate their net zero transition by building capacity for transition finance, sharing best practices, and supporting the alignment of lending and investment portfolios with the goals of the Paris Agreement. By the end of the following month, several US banks had followed suit, and soon the trend spread globally as Japanese and Canadian banks also announced departures. In response to reduced membership, the NZBA watered down its requirements in the first half of 2025, which included removing the requirement for banks to align lending and investment portfolios with a 1.5°C scenario. This change proved to be a watershed moment, triggering the last wave of exits from banks that deemed the alliance was no longer fit for purpose.

In autumn 2025, the NZBA ceased operations and shifted to a non-binding guidance framework. While the technical guidance remains publicly accessible to banks,<sup>38</sup> these developments call into question the resilience of alliances built on voluntary commitments and shifts accountability oversight back to the market, where investors must evaluate credibility independently.

Fortunately, our proprietary CCI framework for the banking sector has always evaluated the credibility of an issuer's strategy to reduce financed and facilitated emissions using factors that extend beyond membership status. While it had once been a good indicator of a bank's ambition, NZBA membership had never constituted a binary criterion within our scoring framework. The ambition we look for in our assessments of a bank's climate strategy can still be found outside of formal alliances. Hence, our framework for the sector is unchanged.

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To assess ambition, we consider the quality of portfolio targets, including the time frame, the proportion and sector-coverage of the loan book covered, alignment with widely accepted science-based pathways, as well as third-party validation. We also assess a bank's fossil fuel policies for lending, investment, and capital market activities to determine the extent to which it is aligning to a 1.5°C future. We additionally consider the bank's green finance commitments and how it assesses and engages its clients on the transition.

To assess execution of the climate ambition, we consider portfolio transparency and progress against stated commitments, tracking the bank's financed and facilitated emissions to understand its exposure to environmentally harmful activities, and shift to greener lending in its portfolios.

Though the wave of NZBA exits might suggest a mass retreat from climate action, we have so far seen relatively limited backtracking on banks' commitments to net zero. Several banks – whether they have actively exited NZBA or not – have stated they continue to independently pursue this goal. However, some changes to policies and interim targets have begun to emerge.

As an example, HSBC published an updated net-zero plan in November 2025, four months after its exit from the NZBA, which presented some strategic changes. All but one of its financed emissions targets were changed from being fixed to using ranges, along with some baseline changes to its intensity targets. The biggest changes include the oil and gas sector target which has dropped in ambition from a previous 34% reduction to a range of 14% to 30% by 2030 using the same baseline. The bank also repositioned its power and utilities intensity target to a range which reduces the required decarbonisation

<sup>38</sup> Net-Zero Banking Resources – United Nations Environment – Finance Initiative.

between now and 2030. While some of the changes may be technically defensible and reflect some methodological improvements, only the lower bound of each target range is 1.5°C aligned. The upper bound is aligned with the IEA's Announced Pledges Scenario (APS) 2024 model corresponding to a 1.7°C warming pathway. On the whole, most of the bank's new targets are strategically weaker than the previous 1.5°C-aligned ambition. Moreover, the new strategy removes certain oil and gas exclusions the bank previously had in place in its risk policy.

However, HSBC's absolute thermal coal mining target and its commitment to phasing out thermal coal financing by 2030 in the EU/OECD<sup>39</sup> and by 2040 in non-OECD markets remain unchanged and aligned with best practice. Additionally, in January 2024 the bank included for the first time facilitated emissions within the scope of the oil and gas and power and utilities targets. This is advanced for the sector, and these remain in scope for the new target ranges. The bank continues to show other pockets of leadership in its climate strategy, including a strong sustainable finance commitment, excellent transparency on client transition plan expectations and client engagement outcomes, and it is now investigating a method for calculating an energy supply banking ratio – financing for low-carbon energy supply relative to fossil fuels – similar to BloombergNEF's methodology.

## Bank of Ireland

Of the banks we cover, all those that were previously members of NZBA were scored at least CCI 3. This is unsurprising given NZBA guidance promotes actions that support a more resilient banking sector aligned with 1.5°C scenario. At the same time, most banks receiving the highest score (CCI 1) had been members of NZBA. However, there are exceptions to this rule. Bank of Ireland, a commercial bank serving the Republic of Ireland (RoI) and the UK, is an example of a bank that achieves a CCI 1 despite never having acquired membership. Its leadership on climate is demonstrated through other avenues:

Category	Sub-Category	Sub-Score
<b>Ambition</b>		
Targets	Portfolio targets	Leader
	Fossil fuel policies	Leader
Initiatives	Client engagement	Leader
	Green financing	Leader
<b>Execution</b>		
Decarbonisation performance	Portfolio transparency	Leader
	Progress against commitments	Leader
Climate governance		Advanced
Engagement		Constructive
Material controversies		Neutral

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## Targets – Leader

The bank has SBTi-validated, 1.5°C-aligned portfolio emissions intensity targets covering 71% of its loan book. These targets include a 48% reduction of the residential mortgage portfolio – a material part of its activity, representing over half of total lending – a 56% reduction of the commercial real estate portfolio; and a 76% reduction in project finance electricity generation. In addition, the bank aims for a quarter of its long-term corporate lending financed emissions and a quarter of its corporate bond investment value to be covered by SBTi-validated targets by year-end 2025.

## Initiatives – Leader

As a retail lending bank, the bank has limited direct lending exposure to the fossil fuel industry. Nevertheless, it has project-level exclusions covering coal, oil sands, fracking, Arctic and Antarctic oil and gas, and oil exploration, extraction and refining. It also excludes customers with more than 25% of revenues generated from coal or oil-fired power generation without a plan to transition to sustainable fuels.

The bank's engagement efforts focus on identifying clients' transition needs and supporting them through appropriate sustainable finance and lending products. To address its most material client emissions in the real estate sector, it offers discounted Eco-Saver mortgages for more energy-efficient properties, with larger discounts accessible via energy efficiency retrofits.

To facilitate home improvements, the bank champions retrofit campaigns targeting lower energy-efficiency rated properties as well as an online retrofit calculator showing how improvements can unlock further margin discounts. In addition, it plays an active role in connecting homeowners with the utility companies providing the retrofitting services. The bank requires a minimum BER rating<sup>40</sup> of E for new buy-to-let lending, with applications for F and G-rated properties rejected unless plans to retrofit are demonstrated.

For corporate customers, the bank offers loans with competitive terms for activities aligned with the EU Taxonomy or its own sustainable finance framework. Using its Enviroflex sustainability-linked loan, the bank addresses emissions from the agriculture sector by providing agri-specialist advisory support and financing to farming clients that implement environmental improvements on their farms.

Guiding its green product offerings strategy, the bank also has a target to reach €15bn in sustainable financing by 2025, and €30bn by 2030. This is underpinned by its sustainable finance framework published in 2024 disclosing

<sup>39</sup> The Organisation for Economic Co-operation and Development (OECD).

<sup>40</sup> Source: Building Energy Rating Certificate (BER) | Home Energy | SEAI.



the criteria used to classify financial commitments and products as sustainable, making the composition of the sustainable finance portfolio more transparent.

### Decarbonisation performance – Leader

For its targeted portfolios, the bank discloses emissions intensities with relevant change attributions, as well as the breakdown of energy efficiency ratings for its residential mortgages and commercial real estate portfolios. In the Republic of Ireland mortgage portfolio and commercial real estate portfolio, there is already a strong concentration of energy performance certificate (EPC) A-to-C-rated properties, while the UK mortgage portfolio is less exposed to high-rated properties. Nonetheless, all three areas improved their property stock exposure to A – and B-rated properties in 2024. The bank also reports on its exposure to high-contributing sectors in commercial lending – the largest being construction and real estate, indirect fossil fuel exposure as well as its mortgage exposure to high-flood-risk areas.

As of year-end 2024, emissions intensity is trending down for the residential mortgage, commercial real estate, and electricity generation project finance portfolios. The residential mortgage portfolio lagged its science-based convergence pathway in 2024 due to muted UK mortgages performance, but the bank expects this to recover as its initiatives and retrofits take effect, the latter of which is going to be focused on existing property stock in the portfolio. Almost a third of the bank's corporate lending customer base have set science-based targets as of 2024, meeting the 2025 target ahead of time, while 6% of customers in the corporate bond portfolio have done so. In line with its strong decarbonisation performance to date, the bank achieved €14.7bn in sustainable financing in 2024 – 71% of which is green mortgages in the Republic of Ireland and the UK – a 32% increase from 2023, putting it on track to meet its 2030 goal.<sup>41</sup>

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<sup>41</sup> <https://investorrelations.bankofireland.com/app/uploads/Annual-Report-HoldCo-2024-Web.pdf>.

## Rolling year performance (%)

### Federated Hermes Climate Change High Yield Credit Strategy

	31/12/24 – 31/12/25	31/12/23 – 31/12/24	31/12/22 – 31/12/23	31/12/21 – 31/12/22	31/12/20 – 31/12/21
Strategy	9.09	7.92	12.89	-11.92	–

Source: Federated Hermes as at 31 December 2025.

Performance shown is in US Dollars, gross of fees. Management fees will have the effect of reducing performance. Subscription and redemption fees are not included in the performance figures. Inception date: 01 October 2021. Data is supplemental to the GIPS® compliant report that follows. **Past performance is not a reliable indicator of future returns.**

## Schedule of Rates of Return and Statistics

Composite: **Federated Hermes Climate Change High Yield Credit Hedged to USD**

Index: **ICE BofA Global HY Paris-Aligned Absolute Emissions USD Hdg; prior to Nov23 Global HY Constrained**

Periods ending: **31 December 2025**

	Returns (%)		
	Composite Gross Return	Index	Composite Net Return
Q4 25	1.72	1.39	1.55
1 Year	9.09	8.54	8.38
3 Years (Annld)	9.95	10.15	9.23
Oct-21 - Dec-25 (Annld)^^^	3.73	3.98	3.06

Year	Annual Returns (%)						Number of Portfolios	**Dispersion	Composite Assets (mil)	Firm Assets (bil)
	Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr Std Dev	*Benchmark 3-Yr Std Dev					
2021	-0.17	-0.34	-0.33	N/A	N/A	<5	N/A	93.2	634.2	
2022	-11.92	-12.49	-11.38	N/A	N/A	<5	N/A	133.6	627.4	
2023	12.89	12.16	12.99	N/A	N/A	<5	N/A	87.2	720.0	
2024	7.92	7.22	8.98	8.78	7.95	<5	N/A	31.6	792.2	
2025	9.09	8.38	8.54	4.47	4.22	<5	N/A	115.9	860.5	

^^^Represents composite inception period. See below for additional notes to the schedule of rates of return and statistics.

\*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.

The composite includes all discretionary portfolios following the Climate Change High Yield Credit Hedged to USD strategy run by the Federated Hermes Global Credit team (London Office) and has an inception date of 1 October 2021. The objective of the strategy is to exceed the return of the benchmark over a rolling five-year period whilst delivering a carbon footprint lower than the benchmark through investment in debt securities of companies that are adapting their business models to reduce their environmental impact on Climate Change. The strategy may invest in a broad range of assets, either directly or through the use of derivatives, (including, but not limited to, equities, equity-related securities, eligible CIS and/or financial indices, futures, options, swaps, debt, fx and money markets). The strategy through its investments in FDIs may be leveraged. The composite's benchmark from the 1 November 2023 is the ICE BofA Global High Yield Paris Aligned Absolute Emissions Hedged to USD Index, which is designed to measure the debt market performance of global high yield debt in addition carbon reduction measured in terms of absolute carbon emission. The benchmark contains primarily USD and EUR issues. The index is rebalanced on the last calendar day of the month and the return is calculated on a total return basis. The existing benchmark from inception to 31st October 2023 was the ICE BofA Global High Yield Constrained Hedged to USD. This composite was created in November 2021. Performance shown for 2021 is for a partial period starting 1 October 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 0.65% 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. Federated Hermes is a global, independent, multi-strategy investment management firm. For GIPS® purposes, Federated Hermes is defined to include the assets of registered investment companies that are advised or sub-advised by the various Federated Hermes advisory companies. Effective September 30, 2020, for GIPS® purposes the name of the firm was officially changed to Federated Hermes. Firm assets on this report exclude assets affiliated with Hermes GPE and the advisory-only, model-based assets that may be included in other reports providing total firm assets. Interest income and dividends are recognized on an accrual basis. Returns include the reinvestment of all income. All market values and performance information are valued in USD unless currency is denoted in composite description. Annual composite dispersion is measured and presented using the asset weighted standard deviation of the gross returns of all of the portfolios included in the composite over the entire year. See the composite description language for a discussion on appropriate fees currently applied to calculate composite performance. Net composite results are based off model fees using the stated fee schedule. In addition, further fee information can be obtained from the firm's respective Forms ADV Part 2 Brochure Item 5. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS® reports, as well as a complete list and description of the firm's composites and pooled funds is available upon request. Past performance is not indicative of future results. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.

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