Climate- and Nature-related Financial Disclosures Report 2025

Federated Hermes Limited

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Contents

Climate change and nature loss have become key factors in the long-term prospects of the global economy and the companies within it.

As an investment manager, Federated Hermes Limited ("Federated Hermes") has a fiduciary responsibility to its clients and their investors to take action to address systemic risks and opportunities – and the Task Force on Climate-related Financial Disclosures' focus and guidance on the financial impact of climate change are of particular importance as the world collectively strives to limit the temperature increase to 1.5°C in accordance with the Paris Agreement.

This Climate and Nature-related Financial Disclosures Report 2025 (the "Report") sets out climate and nature-related financial disclosures for Federated Hermes Limited and certain of its investment advisory subsidiaries, Hermes Investment Management Limited and Hermes GPE LLP. The contents of this report are intended to be aligned with the recommendations of the Task Force on Climate-related Financial Disclosures.[2] This report also includes voluntary disclosures on nature-related dependencies, impacts, risk, and opportunities following our early adoption of the recommended disclosures developed by the Taskforce on Nature-related Financial Disclosures.[3]

[1] Including Hermes Investment Management Limited and Hermes GPE LLP.
[2] The Task Force on Climate-related Financial Disclosures was established by the Financial Stability Board to develop a framework to help public companies and other organisations disclose climate-related risks and opportunities.
[3] TNFD, "Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations."

Foreword

The signals of human-induced climate change continued to intensify in 2025, with physical risks increasingly evident across regions and sectors. At the same time, the transition to a low carbon economy is accelerating, creating both material risks and investment opportunities. Delivering a resilient, net zero and nature positive economy will require sustained capital, policy certainty and collaboration, particularly as adaptation needs grow and public finances remain constrained.

The 2025 United Nations Climate Conference (COP30) marked an important moment in the ongoing global response to climate change. Our delegation attended the summit, engaging with policymakers, industry and civil society in the UN blue zone and across key side events. We advocated for national commitments to be converted into investable, sector level transition plans; for scaling blended finance – particularly to mobilise private capital in emerging markets; for stronger adaptation funding; and for protecting forests and biodiversity alongside climate action. We also advocated for action on forests and biodiversity, reflecting the role of nature in supporting a stable climate – including renewed attention on protecting and financing tropical forests, with Brazil launching the Tropical Forest Forever Facility with more than $5bn of funding at the start of the summit. The resulting Belém Package included a call for efforts to at least triple adaptation finance by 2035 and established a new mechanism to support equitable and inclusive just transitions. It also invited countries to develop implementation and investment plans for their Nationally Defined Contributions (NDCs), reinforcing the focus on making commitments investable.

Against this backdrop, Federated Hermes, alongside others, played an important role in our capacity as an investment manager. We do this in several ways including through our systemic stewardship and voting activities[1] and investments in solutions – for example, our investment in ferry operator Scandlines within our infrastructure portfolio, which is constructing one of the world's first electric freight ferries, as well as through our real estate nature and biodiversity strategy which launched in 2025 (see more on page 26). In parallel, we also advocate for policy frameworks that foster conditions that will address systemic risks by facilitating the transition to a net-zero, resilient and nature-positive economy in the best pecuniary interests of our ultimate asset owners.

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures, this document outlines how we are assessing, monitoring, and mitigating our exposure to climate risk. It also sets forth how we are identifying opportunities which may arise through the transition to a low-carbon economy, to both meet the needs of our investors and satisfy our fiduciary duty. The disclosures in this document also address the recommendations of the Taskforce on Nature-related Financial Disclosures.

Saker Nusseibeh, CBE
Chief Executive

[1] Where local law and applicable requirements allow.

Scope of this report

Federated Hermes is a leading investment management group headed by Federated Hermes, Inc. ("FHI"). At Federated Hermes we take an integrated approach to the management of climate- and nature-related risks and opportunities across our business.

This report relates to Federated Hermes Limited ("FHL"), a subsidiary of FHI, and certain of FHL's subsidiaries providing investment management services to our clients - Hermes Investment Management Limited ("HIML") and Hermes GPE LLP ("HGPE"). Please be aware Federated Hermes (UK) LLP ("FedHUK") is also part of FHL but is not included in this consolidated reporting. Engagement activities are also conducted through Hermes Equity Ownership Services Limited ("EOS"), a subsidiary of FHL.

Those investment portfolios managed by HFMIL where discretionary investment management has been delegated to Federated Investment Counseling and/or Federated Global Investment Management Corp. (with the exception of those investment portfolios within Federated Hermes Investment Funds ("FHIF") plc) are not in scope of this report.

In this report, references to "Federated Hermes", "we", "us" and "our" refers to FHL, HIML, HGPE and/or EOS as appropriate, unless otherwise indicated.

The approach described in this report for our public markets strategies applies to our active fundamental and quantitative strategies.

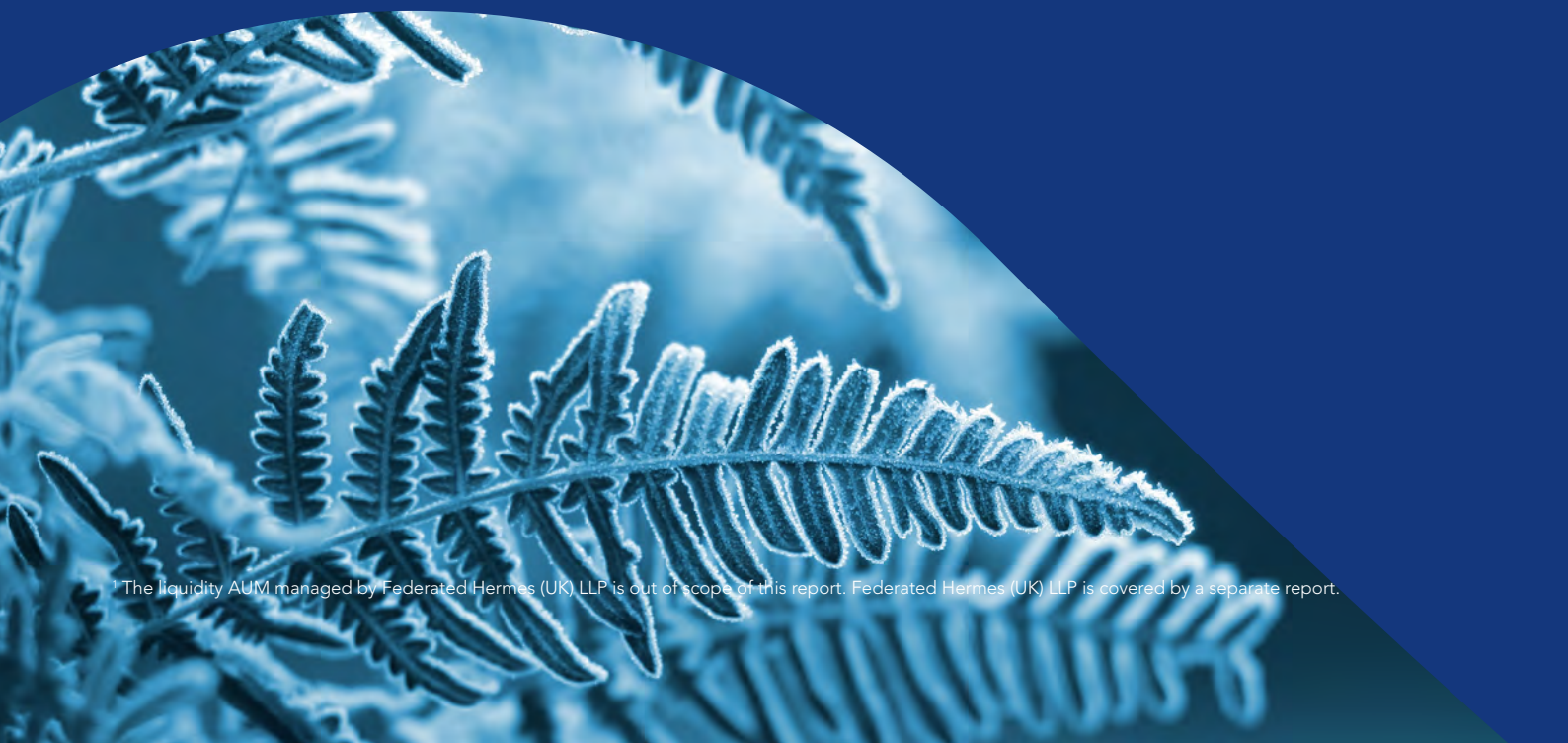
This report is produced on a consolidated basis for FHL, HIML and HGPE. It is supplemented by entity reports for each of HIML and HGPE, which are our regulated entities providing investment management services that are required by the Financial Conduct Authority in the UK to make entity-specific disclosures in accordance with the TCFD. The TCFD entity specific disclosures for HIML and HGPE can be found in Appendix I and II respectively. The entity reports for HIML and HGPE provide information that is specific to each particular entity.

Federated Hermes had assets under management ("AUM") of £38.7bn as at 31 December 2025. The approach set out in this report may vary for different asset classes, investment strategies and products. The following table shows the breakdown of AUM by asset class.

Figure 1. The breakdown of AUM by asset class

Core Asset Class	AUM %
Equity	38%
Fixed Income	11%
Infrastructure	6%
Liquidity[1]	24%
Multi Asset	1%
Private Equity	10%
Real Estate	10%
Grand Total	**100%**

Source: Federated Hermes, as at 31 December 2025.



[1] The liquidity AUM managed by Federated Hermes (UK) LLP is out of scope of this report. Federated Hermes (UK) LLP is covered by a separate report.

Background

The year 2025 continued the long-term trajectory of escalating global temperatures. The 2015-2025 period was confirmed as the hottest 11 years on record, with 2025 reaching approximately 1.43°C above the 1850-1900 baseline, ranking as one of hottest years ever observed.[1] This sustained warming trend reflects long-term human-driven climate change rather than short-term variability. Scientists highlighted that the Earth's energy system is now more out of balance than at any time in recorded history, increasing the likelihood of temperature overshoot events.[2]

Key global warming indicators continued to deteriorate in 2025, pointing to further destabilisation of the Earth system. The Earth's energy imbalance reached a record high, while the oceans – absorbing more than 91% of the world's excess heat – recorded their highest heat content to date, contributing to rising sea levels and increased marine heat stress, despite the absence of El Niño conditions.[3] At the same time, Arctic sea-ice extent fell to near-record lows, Antarctic sea-ice levels remained among the lowest observed, and evidence emerged of a weakening global land carbon sink, raising concerns about the declining capacity of natural systems to regulate the climate.[4,5]

These changes highlight the increasingly close inter-play between climate change and nature loss. Rising temperatures, altered precipitation patterns and more frequent marine heatwaves are degrading ecosystems, such as forests, wetlands and oceans, that play a critical role in carbon storage and climate regulation. In 2025, continued pressure on natural systems reinforced concerns that nature's ability to absorb carbon and buffer physical climate impacts may be diminishing, amplifying both physical and transition risks.

The accelerating degradation of climate and natural systems was reflected in the severity and geographic spread of extreme weather events in 2025. Impacts were observed across every continent, from deadly monsoon floods in Pakistan and India, where thousands of lives were lost, to catastrophic wildfires in Los Angeles and Ventura County, destroying more than 16,000 structures and generating record-breaking financial losses.[6] These events underscore the growing human and economic consequences of climate-driven hazards.

Against this backdrop, the climate and nature policy environment continued to evolve in response to escalating scientific evidence and real-world impacts. Ten years after the adoption of the Paris Agreement, global climate action has materially reduced projected warming relative to a no-policy scenario; however, current national policies remain insufficient to align with a 1.5°C pathway, signalling continued transition risk as policy ambition and implementation seek to close this gap.

At the same time, international focus increasingly expanded beyond climate mitigation alone to encompass nature protection, ecosystem resilience and biodiversity recovery, reflecting recognition of the interdependence between climate change and nature loss. At COP30 in Belém, where Federated Hermes was in attendance, governments reaffirmed that the global transition away from high-emissions systems is irreversible, advanced commitments to scale up adaptation finance, and emphasised the need for a just and inclusive transition. Alongside this, growing alignment between climate and nature agendas – reflected in parallel climate and nature finance initiatives – signals an increasing likelihood of policy, regulatory and market measures integrating emissions reduction, land-use change and ecosystem protection.

[1] World Meterological Organisation, "State of the Global Climate 2025"
[2] Ibid.
[3] Ibid.
[4] Copernicus, "Global Climate Highlights 2025"
[5] Future Earth, The Earth League, WCRP (2025). 10 New Insights in Climate
[6] Nature, "Compound atmospheric drivers of the catastrophic 2025 Los Angeles urban firestorm" (December 2025)
[7] Executive summary – World Energy Investment 2025 – Analysis - IEA
[8] Near-700 GW Surge in 2025 Proves Renewable Energy Resilience
[9] Rising Global Debt Requires Countries to Put their Fiscal House in Order

The financial landscape also continued shifting in favour of the low carbon transition. Spending on low-emissions power generation has almost doubled since 2020, supported by the addition of 692GW of renewable power capacity in 2025 and expanding deployment of technologies such as green hydrogen and direct air capture.[7,8]

However, fiscal capacity constraints persist, with public debt projected to approach 100% of world GDP by the end of the decade, limiting the ability of many governments to invest in climate resilience at the scale required.[9] Despite these challenges, long term opportunities continue to emerge across decarbonisation technologies, nature based solutions, supply chain transformation and climate resilient infrastructure. The outcomes from COP30, particularly on adaptation finance and just transition, further signal increasing policy and financial support for climate aligned investments.

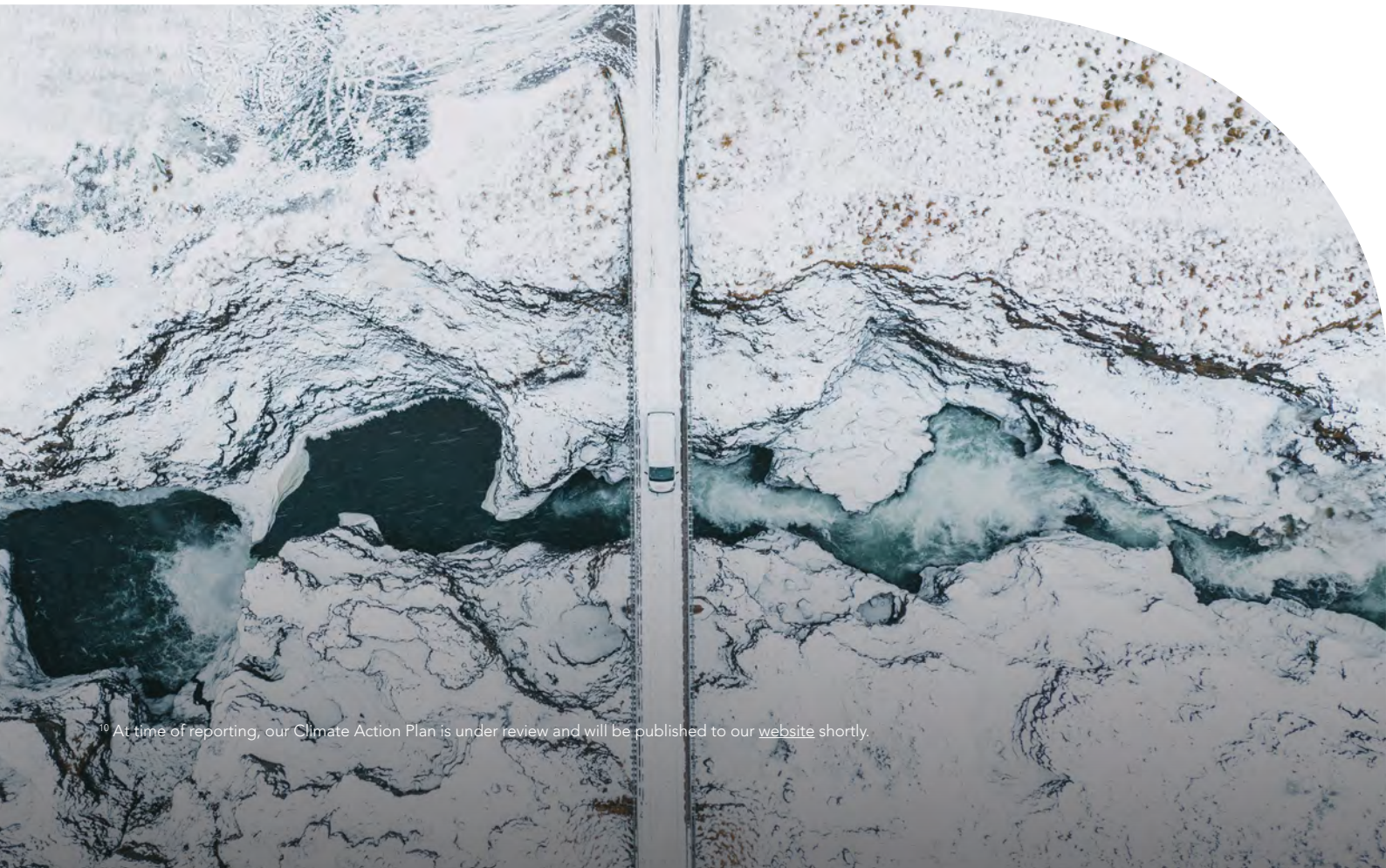
In recognition of the system risks posed by climate change and nature loss and to help protect and grow the value of the investments we make on behalf of our clients, Federated Hermes made a commitment to the Net Zero Asset Managers Initiative in 2022, and set interim targets covering public markets, real estate, real estate debt, and infrastructure assets, as discussed further in our Climate Action Plan.[10]

Federated Hermes leverages its stewardship and advocacy capabilities to support this transition, recognising it as part of our fiduciary duty to our clients.

Our enhanced focus on climate and nature aligns with the growing global momentum towards a low-carbon, nature-positive economy. We recognise that the climate change mitigation and the opportunities that arise from the transition to a low-carbon, nature-positive economy can be crucial considerations when managing our clients' assets.

This document sets out how Federated Hermes incorporates climate-related risks and opportunities into our governance, strategy, and risk management, accompanied by relevant metrics and targets, in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), and how we are responding to the rising expectations of our clients and changing regulatory environment. In addition, we have also addressed nature-related dependencies, impacts, risk, and opportunities following the recommendations from the Taskforce on Nature-related Financial Disclosures ("TNFD").

There may be differences in how climate-related risks and opportunities, and nature-related dependencies, impacts, risks, and opportunities, are taken into consideration for particular investment strategies and products. If the climate-related governance, strategy or risk management for an individual product managed by HIML or HGPE is materially different to the overall entity-level approach described in this report, information shall be identified in the literature for the relevant product, including in Appendix III to this report and in the relevant TCFD product report, which is available on request.



[10] At time of reporting, our Climate Action Plan is under review and will be published to our website shortly.

Mapping against TCFD Entity-level Disclosure Requirements

In this document, we report in line with the recommendations of the TCFD. Our report first covers governance disclosures, followed by our overarching strategy and targets. It then goes more specifically into our strategy, risk management approach, and metrics and targets at the corporate entity-level and then covers the same topics for each of our asset classes (where applicable). This is to make the report more readable and suitable for our business model by enabling readers to find the relevant information about us as a business or about each of our asset classes in one place. The below table maps the key TCFD disclosure recommendations to the relevant sections of our reports.

Pillar	Recommended Disclosures	Key Report Sections
Governance: Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	*Governance* (p11-14).
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	*Governance* (p11-14), including *Key functions supporting board oversight and management.*
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	*Describing climate- and nature-related risks and opportunities* (p15-22) and *The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning* (p28-30).
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	*Climate Action Plan* (p22-24); *The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning* (p28-30); *Managing corporate environmental impacts* (p31-36); and *Our Investments* (p41-58).
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	*Impacts of risks and opportunities on our financial planning* (p.28-30); *Assessing the resilience of our strategy under different scenarios* (p44-47); and the *Scenario analysis* sections for each asset class of *Our Investments* (p69-70, p71-72, p75, p77), supported by *Climate Action Plan* and *The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning.*
Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	*Corporate Strategy & Risk Management* (p28-36), in particular *Risk management function* and *Sustainability-related standards and regulation; Our investments – Strategy and Risk Management* (p41-58), in particular *Investment risk management* and the *Assessment, integration and engagement* sections for each asset class.
	b. Describe the organisation's processes for managing climate-related risks.	*Climate Action Plan* (p22-24); *Corporate Strategy & Risk Management* (p28-36), in particular *Impacts of risks and opportunities on our financial planning, Risk management function, Sustainability-related standards and regulation and Managing corporate environmental impacts; Advocacy; Our investments – Strategy and Risk Management* (p41-58), in particular *Investment risk management* and the *Assessment, integration and engagement* sections for each asset class.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	*Corporate Strategy & Risk Management* (p28-36), in particular *Risk management function; Our investments – Strategy and Risk Management* (p41-58), in particular *Investment risk management* and the *Assessment, integration and engagement* sections for each asset class.
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	*Climate Action Plan* (p22-24); *Managing corporate environmental impacts* (p31-36), *Our Investments - Strategy and Risk Management* (p41-58), in particular the *Assessment, integration and engagement* sections and the *Metrics and Targets* sections of each asset class.
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	*Operational environmental metrics* (p34-36); *Travel emissions metrics* (p35); *Travel & operational emissions metrics* (p36); *Our Investments - Strategy and Risk Management* (p41-58), in particular the *Metrics and Targets* section of each asset class.
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	*Climate Action Plan* (p22-24); *Managing corporate environmental impacts* (p31-36), in particular *Corporate emissions target; Our Investments - Strategy and Risk Management* (p41-58), in particular the *Metrics and Targets* section of each asset class.

Key Terms

Biodiversity: The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.[1]

Climate: Refers to the long-term regional or global average of temperature, humidity and rainfall patterns over seasons, years, or decades.[2]

Climate change: Refers to the significant variation of average weather conditions becoming, for example, warmer, wetter, or drier—over several decades or longer. It is the longer-term trend that differentiates climate change from natural weather variability.[3]

Financed emissions: Refers to absolute emissions that banks and investors finance through their loans and investments.[4]

Nationally Determined Contributions (NDCs): Refers to countries' self-defined national climate pledges under the Paris Agreement, detailing what they will do to help meet the global goal to limit the temperature increase to 1.5°C, adapt to climate impacts, and ensure sufficient finance to support these efforts.[5]

Nature: The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.[6]

Scope 1 emissions: Direct greenhouse gas (GHG) emissions that occur from sources owned or controlled by the reporting company—i.e. emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.[7]

Scope 2 emissions: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated.[8]

Scope 3 emissions: All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organisation's products or services. The emissions resulting from a reporting company's loans and investments fall under Scope 3 downstream emissions.[9]

Sustainable Development Goals (SDGs): Also known as the Global Goals, the 17 SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.[10]

Task Force on Climate-Related Financial Disclosures (TCFD): Refers to a global organisation formed by the Financial Stability Board to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a risk related to climate change. The TCFD has now fulfilled its remit and disbanded, with the IFRS Foundation taking over the monitoring of the progress of companies' climate-related disclosures.[11]

Taskforce on Nature-Related Financial Disclosures (TNFD): Refers to an international initiative which has developed a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.[12]

The Net Zero Asset Managers (NZAM) initiative: voluntary initiative for asset managers committed, in their individual contexts, to supporting investing in line with the global goal of net zero greenhouse gas emissions. It provides a platform for voluntary commitments and public disclosures of individual net zero targets and implementation strategies.[13]

The Paris Agreement: Refers a legally binding international treaty on climate change, which was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, in 2015. Its overarching goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels."[14]

[1] United Nations, "Convention on Biological Diversity" (1992)
[2] World Bank Group, "What is Climate Change?" (2025)
[3] World Bank Group, "What is Climate Change?" (2025)
[4] GHG Protocol, "The Global GHG Accounting & Reporting Standard for the Financial Industry" (November 2020)
[5] UNDP Climate Promise, "What are NDCs and how do they drive climate action?" (May 2023)
[6] S. Diaz, et al., "The IPBES Conceptual Framework - connecting nature and people" (June 2015)
[7] GHG Protocol, "The Global GHG Accounting & Reporting Standard for the Financial Industry" (November 2020)
[8] GHG Protocol, "The Global GHG Accounting & Reporting Standard for the Financial Industry" (November 2020)
[9] GHG Protocol, "The Global GHG Accounting & Reporting Standard for the Financial Industry" (November 2020)
[10] UNDP, "Sustainable Development Goals"
[11] TCFD, "Home"
[12] TNFD, "Home"
[13] Net Zero Asset Managers, "Home"
[14] UNFCC, "The Paris Agreement"

Governance

We have governance structures in place to provide oversight of our approach to climate- and nature-related risks and opportunities and progress against our targets.

Board oversight. The Board of FHL, and the Boards of HIML and HGPE[1] (the "Boards"), are responsible for the governance of the organisation and individual entities and ensuring their effective operation. These Boards also endeavour to consider all stakeholders when establishing objectives and policies. In addition to FHL's historic receipt of our Climate-related Financial Disclosures Report, with the implementation of new governance enhancements in 2024, we now intend to provide each of FHL, HIML and HGPE's Boards with an annual update on the implementation of our climate and nature investment and engagement activities, progress against our investment, engagement and – for FHL – operational targets and any changes to existing targets or our Climate Action Plan. To the extent there are any material changes, the Boards are updated. This information is reported to the Boards by Federated Hermes' Responsibility Office, whose role is described below. The FHL, HIML, HGPE, Hermes Fund Managers Ireland Limited ("HFMIL"), Hermes Alternative Investment Management Limited ("HAIML") Boards all received annual updates in 2025.

HIML and HGPE, as UK-based investment managers required by the Financial Conduct Authority in the UK to comply with the TCFD disclosure requirements, receive and approve the Climate- and Nature-related Financial Disclosures Report and various underlying environmental, social and governance policies impacting the way they perform investment management activities. Prior to a Board's final review and approval, policies and procedures are reviewed and approved by the Sustainability Regulations & Stewardship Oversight Committee (SRSOC) and the Governance Oversight Committee (GOC), whose roles are described below.

With respect to the integration of climate-related issues in the overall determination of strategy, plans of actions (acquisitions/ divestitures), budgets and business plans, the Board of FHL considers material risks and opportunities in making its decisions, which includes climate-related risks and opportunities if appropriate. For example, the Board of FHL has approved a carbon-offsetting programme to mitigate operational emissions and emissions derived from employee travel.

Governance Oversight Committee (GOC). The GOC is the formal oversight committee which has been constituted as a committee of FHL. In addition, delegated authority has been appointed to Hermes Investment Management Limited (HIML), Hermes Alternative Investment Management Limited (HAIML), Hermes GPE LLP (HGPE), and Federated Hermes (UK) LLP (FedHUK). The membership of the GOC comprises FHL's General Counsel (Chair), Head of Executive Business Management, Chief Regulatory Officer & Head of Government Affairs, Chief Compliance Officer - FHL, Head of Risk, Head of Office – Ireland, Head of Private Markets, and Head of Global Product Strategy & Development. The GOC approves our Climate- and Nature-Related Financial Disclosures Report prior to such reports being presented to the relevant Boards for approval and receives quarterly updates on the activities of the SRSOC, whose responsibilities include ensuring that material climate related matters are appropriately escalated.

Sustainability Regulations and Stewardship Oversight Committee (SRSOC). The SRSOC is an oversight committee responsible for overseeing the formulation and delivery of our engagement, voting and climate policy. The committee was established by, and is accountable and reports to, the GOC (see above). The members of the SRSOC include the Head of Responsibility (chair), Senior Public and Private Markets Investment Representatives, and representatives from each of our Risk, Compliance and Legal teams. The Committee also (i) approves our Climate- and Nature-Related Financial Disclosures Report prior to such reports being presented to the relevant Boards for approval; (ii) reviews new climate- and nature-related targets relating to investment or engagement activities; and (iii) monitors our Climate Action Plan and reviews any changes proposed by the Responsibility Office. The SRSOC receives reports from our Responsibility Office and our stewardship team, EOS. The responsibilities of the Responsibility Office include providing updates to the SRSOC on the Climate Action Plan,

[1] HGPE is a limited liability partnership and has established a Governing Body. For convenience, in this report the term "Board" is also used to refer to HGPE's Governing Body.

informing the SRSOC of new or updated climate- or nature-related targets, and co-ordinating the Climate-and Nature-Related Financial Disclosures Report. In 2025, the SRSOC reviewed and approved our 2024 Climate- and Nature-Related Financial Disclosures Report. EOS provides information to the SRSOC on engagement and voting activities for public markets and proposes updates to the Federated Hermes voting policy for approval by the SRSOC.

Investment oversight (all asset classes). In private markets, investment decisions are taken by or overseen by an asset class specific investment committee. For example, the Head of Infrastructure and the Infrastructure Investment Committee are ultimately accountable for sustainability matters related to infrastructure at an operational level. Any material sustainability matters are escalated to the HGPE Governing Body. In the private equity team, the Private Equity Investment Committee (PEIC) is responsible for all investment risks, including climate change risk. The Private Equity Portfolio Review Group, a sub-committee of the PEIC, assesses portfolio-level ESG risks including climate change risks quarterly to inform general partner (GP) engagement. These Committees and the Federated Hermes Private Equity Governing Body and the Board of any management company (if any), are ultimately accountable for all sustainability matters related to private equity. For public markets, these matters are discussed at an equivalent meeting of the investment team.

Real Estate Sustainability and Responsibility Oversight. The real estate team have a steering group for Climate Resilience and Social Impact with relevant representatives from the business to ensure the decision-making process is inclusive and transparent.

Responsibility Working Group (RWG). The RWG is a communication forum made up of senior representatives from across the business and is chaired by our Head of Responsibility. This group discusses a comprehensive range of topics that relate to the delivery of enduring, responsible wealth creation for our clients and beneficiaries, and shares best practice across the organisation.

Climate and Nature Working Group (CNWG). The CNWG provides feedback and recommendations on climate- and nature-related issues to the relevant business functions. Its aim is to inform the development and implementation of a business-wide climate change and nature strategy and risk management approach, including in relation to our commitments on climate and nature. The CNWG covers our operational, investment and engagement activities, and intends to meet quarterly to receive updates on progress towards our operational, investment and engagement targets. The Responsibility Office, whose role is described below, chairs the CNWG and coordinates the approach to climate and nature for Federated Hermes, leading on implementation and delivery of our respective strategies.

The CNWG met four times during 2025. Key topics within the remit of the CNWG during 2025 included progress against our commitments on climate and nature, the implications of COP30 and the new real estate biodiversity strategy. The subgroups continued to drive progress, particularly in enhancing our Paris-alignment methodologies.

Key functions supporting board oversight and management

In addition to the structures outlined above, the following key business functions are particularly involved in delivering our climate and nature approach, monitoring and, where appropriate, assessing climate and nature related issues, and reporting such information to the appropriate Boards or governance bodies identified above:

Responsibility Office. Established in 2014, our dedicated Responsibility Office reports through the Head of Responsibility to FHL's CEO and acts as a hub of expertise and support available to assist every employee in our business to work towards our core purpose of delivering enduring, responsible wealth creation.

The ESG Integration team within the Responsibility Office also works closely with the investment teams to support the investment analysts in identifying material environmental, social and governance issues, including climate and nature, that may be specific to the investment manager's strategy. This team considers the range of risks described in the strategy section of this report, including regulatory risks, legal risks and physical risks. The support provided to the investment teams includes building out ESG analytics and tools, deep dives on portfolio holdings, and sharing progress updates linked to Federated Hermes commitments such as progress against Federated Hermes net-zero interim targets. The team obtains data from

third-party providers to help the investment and stewardship teams analyse sustainability related risks and opportunities including relating to climate and nature. Some of these datasets are overlaid in our proprietary tools by insights gleaned from our engagement with investee companies and are also used by our investment teams and 'engagers'[2] in their company research and portfolio analysis. For example, the ESG Integration team co-ordinate the procurement of climate scenario analysis tools and deforestation data which are made available to the relevant investment teams. The ESG Integration team also organises sector-level knowledge-share sessions between EOS (our public markets stewardship team) and the investment teams and works with the investment teams to develop frameworks which assess the materiality of environmental, social and governance risks at the investee company level.

The ESG Integration team also conducts assessments using our proprietary ESG Assessment Matrix on an annual basis to determine where each of the investment teams are in their ESG and stewardship integration journey. The matrix contains 30 indicators across four key areas of assessment and aims to assess the teams on the following: investment process and philosophy; sustainability commitments; communication and advocacy. The sustainability commitments section assesses how actively the relevant team is monitoring their progress in meeting Federated Hermes' various commitments as well as how well they are progressing towards meeting them, such as our net-zero commitment. The results of this assessment are shared with senior management.

Our Policy and Advocacy team within the Responsibility Office engages with regulators and policymakers to advocate for the development of policy and best practice to facilitate an economically beneficial transition to a net zero carbon and nature positive economy, in recognition of the systemic risks posed to our clients' assets by climate change and nature loss.

Portfolio Managers and Investment Analysts. Each of our investment teams in scope of this report has formulated their own approach to responsible investing that explains how, in the context of their particular strategy and investment universe, they incorporate ESG factors and engagement into their investment process. Each team is responsible for undertaking its own fundamental ESG research and the team members are accountable through the performance appraisal system for their part in delivering on their client investment mandates. The investment teams can also carry out engagements themselves, and some have dedicated engagers, such as our Engagement funds (described in 'Our investments – Strategy & Risk Management' section). All investment teams use a variety of data sources to obtain information to analyse their investments or potential investments. They use a combination of third-party sources, stewardship insights and data obtained directly from the investee company. As described above, the Responsibility Office helps to source and integrate third-party data that is relevant across the investment teams. Due to the complexity of procuring data at scale for private markets, this is managed directly by the private markets' investment teams, with guidance from the Responsibility Office where needed.

Stewardship Team (EOS). Our stewardship team for public markets, EOS, provides services in relation to Federated Hermes' public markets strategies and external clients, with assets under advice ("AUA") of approximately £1.8tn as at 31 December 2025. EOS engaged with around 530 companies on behalf of its clients during 2025. EOS has a Client Advisory Board (CAB) which consists of third-party client representatives. They provide insight, advice and guidance on EOS' business strategy and service offering to ensure that the EOS service is and remains a client-focused offering. The EOS team comprises individuals with a diverse mix of backgrounds, skills, and perspectives, and has been at the forefront of the development and evolution of responsible investment practices globally. The EOS team leads our public markets engagement activity, as described further in the other sections of this report.

Risk. The Risk team provides independent oversight and challenge to our approach to corporate sustainability and responsible business management – and provides regular reports to the Risk, Compliance and Financial Crime Committee. The team also works closely with both the Compliance team and Responsibility Office to oversee work to ensure that our business continues to authentically and accurately report on our ESG objectives and activities.

Compliance. Alongside the Risk team, the Compliance team is part of our second line of defence, including in relation to regulatory risk. Within the Compliance team, the compliance advisory function performs regulatory and best-practice horizon scanning using regulatory tracking tools as well as gathering insights through involvement in industry initiatives. Following identification of new or updated regulation, the compliance advisory function communicates this information to the relevant parts of the business and co-ordinates appropriate implementation. The compliance monitoring function assesses ongoing compliance with regulations following implementation.

Employee performance management

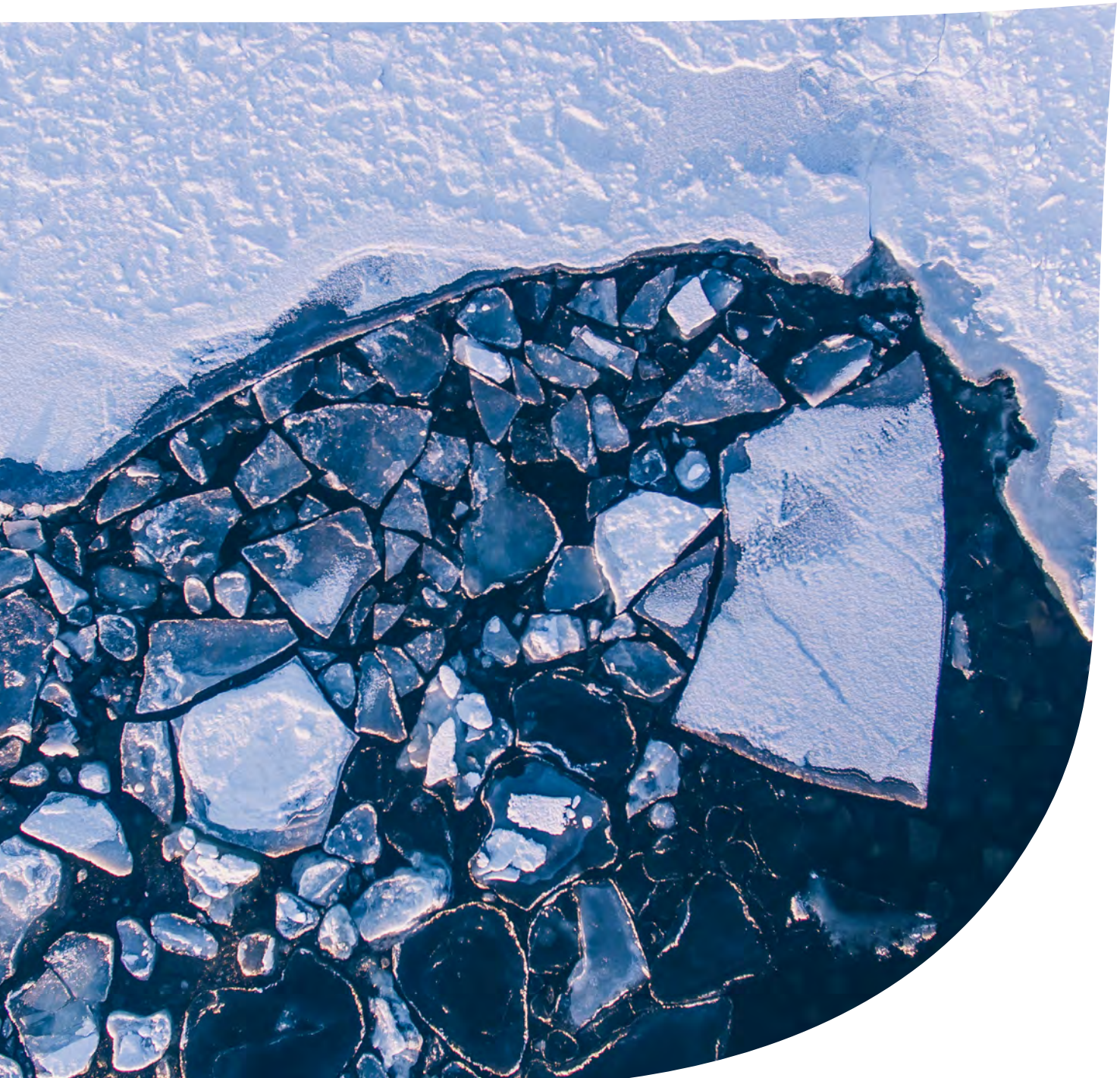
Our performance management process and behaviour framework is the practical application of our Federated Hermes Pledge, and seeks to ensure that our cultural aspirations are reinforced. Our philosophy is to reward individual contribution, as demonstrated by the delivery of enduring, responsible results aligned with our business strategy, values and behaviours, which serve the best interests of our clients, their investors and our shareholders while enabling the business to grow to its potential.[3]

[2] Refers to Federated Hermes personnel involved in engagement activities relating to investee companies, which may include members of EOS and the investment teams.

[3] For more information, please see our Remuneration Policy: https://www.hermes-investment.com/uk/en/institutions/policies-and-disclosures/

As part of the process, performance objectives are set at the start of the performance year and reviewed regularly to assess progress, achievements, and areas for development and growth. This ultimately supports improved organisational performance. To encourage a focus on meeting the needs of clients, their investors, and our shareholders, all individuals are rated equally on their technical performance and their behaviours. We are committed to our business purpose of creating enduring wealth responsibly that enriches investors, and, where possible, society and the environment while being at the forefront of developing industry best practice. Part of this is ensuring that our performance management process, behaviour framework and Remuneration Policy incorporate consideration of stewardship and the integration of enduring, responsible performance and risk in both our firm's investment activities and its wider operations. This is further supported by the co-investment of deferred bonuses in funds to align employees to longer term investment performance after the bonus has been awarded. In particular we aim for the following:

- To incentivise senior management to drive our strategy and initiatives in line with our business purpose of enduring, responsible wealth creation and ensure that through appropriate stewardship it informs all of our firm's key business and operational processes.
- To promote best practice integration of investor stewardship and material ESG factors including the delivery of sustainable outcomes in the investment process and decision making.
- To encourage all employees to develop responsibility objectives as appropriate for their role.
- To ensure that adjustments can be made to bonus pools and individual outcomes if the company is operating outside of its risk appetite.



Strategy

Our approach to responsible investing

Our climate strategy is driven by a focus on delivering enduring wealth creation, responsibly for our clients and their investors. Successful enduring, responsible wealth creation should provide investors with income to spend as they get older, support their ability to buy goods and services and help to build a world in which investors are happy to live.

Federated Hermes views responsibility through three lenses and intends to act as a:

1 **Responsible Investor** – how we integrate material sustainability considerations and, where applicable, engagement insights including climate- and nature-related risks and opportunities into our investment decisions.[1]

2 **Responsible Owner** – our stewardship activities: engagement, voting, public policy and screening.

3 **Responsible Firm** – ensuring we lead by example, through our commitment to net zero, our approach to diversity and inclusion amongst colleagues and other stakeholders, and our charity initiatives and programmes supporting the local community.

These three lenses underpin our climate strategy, which informs our investment approach, our engagement and policy activities, and how we conduct our own operations.[2]

Describing climate- and nature-related risks and opportunities

Federated Hermes recognises that climate change and nature loss present serious risks to the world at large and to our business – both as a corporate entity and as an investment manager – and that action is needed by governments, companies and investors to mitigate these risks. Our assessment of and response to the risks posed by climate change and nature spans our asset and portfolio level analysis across the asset classes in scope of this report; our corporate and public policy engagement activities; and our operational risk management.

As an investment manager, understanding and responding to the range of potential risks and opportunities and generating performance for clients is fundamental for our business, and is the major focus of our efforts. At Federated Hermes, we understand these climate and nature risks do not exist in isolation. Climate change is a major driver of nature loss, whilst nature plays a crucial role in mitigating and adapting to climate change. They also interact with other changes happening at the same time, such as technological innovation; changing consumer behaviour and demand; and the effect of local regulation versus geopolitical dynamics on infrastructure and supply chains. This informs how we integrate assessment of such risks into our investment processes and wider business strategy.

We use a range of sources to identify which risks and opportunities could have a material financial impact on our organisation and in particular the companies and other assets we invest in for our clients, including insights from third-party studies, data providers, scenario analysis tools and internal expert knowledge. A description of the processes used to identify and prioritise climate-related risks which could have a material financial impact on the organisation and the investments we make on behalf of clients is described in the 'Our Investments – Strategy and Risk Management' section.

We consider a range of climate-related risks, including:

- **Transition risks** such as risks related to (i) legal, regulatory and policy matters, (ii) technology, (iii) markets, whether for goods or services, or the financial markets, and (iv) reputational matters and how this may impact consumer and stakeholder behaviour.
- **Physical risks** which may be acute (for example, increased severity and frequency of extreme weather events) and/or chronic (for example, increases in average temperatures and rising sea levels).

We apply a similar approach to categorising nature-related risks. Companies' relationship with nature can be characterised by impacts and dependencies on biodiversity

[1] For those investment portfolios managed by HFMIL where discretionary investment management has been delegated to Federated MDTA LLC, engagement insights are not incorporated into the investment process, given their fully quantitative investment approach.

[2] We adjust our approach in different jurisdictions 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.

and ecosystem services.[3] We seek to understand the ways in which biodiversity and ecosystem services are relevant to companies, be this through their sourcing practices and supply chains, through their products and services, in the construction of new sites on land, especially if this is an ecologically important habitat, or through the way their operations interact with surrounding ecosystems. A company's impacts and dependencies on biodiversity may lead to physical and transition risks across the short, medium, and long term.

In terms of time horizons, we consider these risks in the short (0-2 years), medium (2-5 years), and long term (5 years and beyond). Transition and physical risks are assessed on a qualitative and quantitative basis and vary asset to asset depending on factors such as the sector, geography, and business model.

The Federated Hermes investment and stewardship teams in scope of this report look at these issues in detail. The implications of climate change and nature for investment decisions will differ depending on the sector, geography, and business model. That consideration focuses not just on the risks, but associated opportunities and differences in local laws and regulations.

Risks and opportunities facing the companies and assets we invest in

Legal, regulatory and policy: In the short term, this relates to regulatory changes and legislation that may affect the demand for a company's products or services, or affect the competitiveness of assets, supply chains and/or management practices in certain sectors that are highly exposed or geographies. These risks will be more material in those regions where climate policy is tightening faster (for example, the European versus Asian markets), or where policy agendas are not supportive of climate action.

In the medium term, we could see higher operating costs from carbon pricing or taxes, or the costs of implementing new regulatory standards, as well as greater insurance premiums. Disclosure standards are increasing in a large number of jurisdictions, in many cases where the International Sustainability Standards Board (ISSB) standards are being adopted,[4] which includes a climate-related disclosure standard and may include a nature-related disclosure standard in future.[5] Companies which do not already have climate risk management processes will be less well placed to meet these incoming regulations. In the longer term, regulatory changes alongside market transformation may create stranded assets.

Companies may also face nature-related regulatory and litigation risks in the short term. This relates to regulatory changes and legislation that may impact a company's competitiveness, supply chain, or increase its operating costs. For example, in the UK, Biodiversity Net Gain regulation requires certain real estate developments to have a positive uplift on the existing levels of biodiversity. Mandatory disclosures on nature-related topics are also on the rise, such as in France where large companies and financial institutions are required to disclose their biodiversity risks and impacts. If the ISSB proceeds with its plans to develop nature-related disclosure requirements, the number of jurisdictions with mandatory nature-related disclosure requirements is likely to increase.

These risks are likely to continue to increase over the medium term in line with the increasing regulatory focus on nature-related issues.

Technological development, markets and consumer demand: In the short to medium term, there are also considerable risks associated with market transformation, which will occur as new markets and technology development continue to open up during the transition to a resilient and net-zero/nature positive economy requiring a significant amount of capital to be reallocated towards new growth markets. The availability of raw materials may also pose challenges for some companies. Changes in market demand, the cost of goods or services and consumer preferences mean some products and services in certain sectors may become less competitive or possibly obsolete increasing the risk of asset underperformance and possibly resulting in asset impairment in extreme cases. Companies may face reputational risks, on top of the regulatory and litigation risks described above, in relation to negative impacts on the climate and nature, which may impact the behaviour of consumers, investors and other stakeholders. These risks have already become material in the short term for some companies linked to deforestation in the Amazon. As consumer interest in the issue grows, these risks are likely to become more prevalent. The risks of underperformance or obsolescence of certain products or services due to changes in market conditions and consumer behaviour may further impact the availability of finance.

Acute and chronic physical risks: As an investor, acute physical risk is an ever-present consideration. Acute and chronic physical risks are expected to intensify as the climate changes – and affect all asset classes, as well as our own operations. In the short term, assets may face acute physical risks due to extreme weather events, including flood, drought, heat waves and storms that cause disruption to business operations and supply chains.

Another risk already beginning to materialise is that companies may increasingly have to pay higher insurance premiums or find some assets are uninsurable in certain locations exposed to physical risk.

[3] As per the TNFD Glossary, an ecosystem is 'a dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit.' Ecosystem services are 'contributions of ecosystems to the benefits that are used in economic and other human activity.' Dependencies on nature are 'aspects of environmental assets and ecosystem services that a person or an organization relies on to function'. Impacts on nature are 'Changes in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative.'

[4] S&P Global, "Where does the world stand on ISSB adoption?" (January 2026)

[5] IFRS - ISSB Update November 2025

In the long term, extreme climatic events are expected to become more frequent. Extreme weather events could affect defined geographical locations or, in some cases, whole regions, and significantly disrupt the core assets and supply chains of a large number of sectors in the economy. In addition to these acute physical risks, chronic physical risks may arise due to long-term changes in climate patterns (for example, rising sea levels and changes to regional weather patterns). The materialisation of these risks may cause assets to become stranded across a whole range of industries, assets and geographies. Supply chains of a large number of sectors in the economy may be disrupted. This will have implications across asset classes. For infrastructure and real estate assets, investors may see business discontinuity costs, refurbishments and rebuilding costs, and potentially even obsolescence and destruction in severe cases. Even if the average global temperature increase is limited to 1.5°C, significant adaptation will still be required to deal with the increased physical risks this temperature increase will bring.

Nature-related physical operational risks can become acute when companies face direct challenges in sourcing raw materials due to disruptions to ecosystem services. Physical climate change may exacerbate these risks. This is already a risk that is materialising for some companies with direct or indirect exposure to impacted regions, for example where agricultural production is impacted due to a lack of water availability or degraded soils. In the scenario that nature loss is not halted and reversed, ecosystem service disruption will become more widespread, which may create additional costs for companies that rely on nature-based inputs. Furthermore, there will potentially be systemic risks to whole sectors or geographies due to the disruption to supply chains and operations. If nature loss is not halted, we can therefore expect the magnitude and probability of nature-related physical risks to increase.

Opportunities: Whilst action on climate change and nature must be significantly scaled up in order to meet the goals of the Paris Agreement and Biodiversity Plan, we are already seeing climate- and nature-related opportunities that the companies we may invest in on behalf of our clients may be able to leverage. The need to transition to a more sustainable economy has created new markets for solutions, which are becoming more cost-competitive over time. As an increasing number of companies set net-zero targets or increase the ambition of their Nationally Determined Contributions (NDCs) and National Biodiversity Strategy and Action Plans (NBSAPs), we expect the availability of these opportunities to increase.

- Products and services that support the transition to a net-zero/nature-positive economy, for example the provision of renewable energy by the energy sector, low-emission construction products by the materials sector or deforestation- and conversion-free food and beverage products. This may allow companies to tap into new markets by meeting the needs of businesses wishing to improve their own environmental impact or meet new regulatory standards. Similarly, companies have the opportunity to meet the increasing demand from consumers for products that minimise harm to the environment and support the transition. Finally, some climate technologies are already – or are expected to become – cost competitive versus traditional technologies, further enhancing the demand outlook for related products and services.
- Greater resource efficiency, for example companies that reduce their own water usage or develop technology that facilitates reductions in water usage, which has the potential to reduce operating costs and increase production capacity.
- Improved business resilience, for example through adaptation to physical climate impacts in a company's supply chain and operations, or use of low-emission energy sources reducing the company's exposure to rises in fossil fuel prices or the cost of abatement.
- Available benefits from supportive policies and climate-related finance, for example government funding or other financial support for renewable energy technologies.

The above opportunities have the potential to offer increased revenues and enhance the resilience of a business.

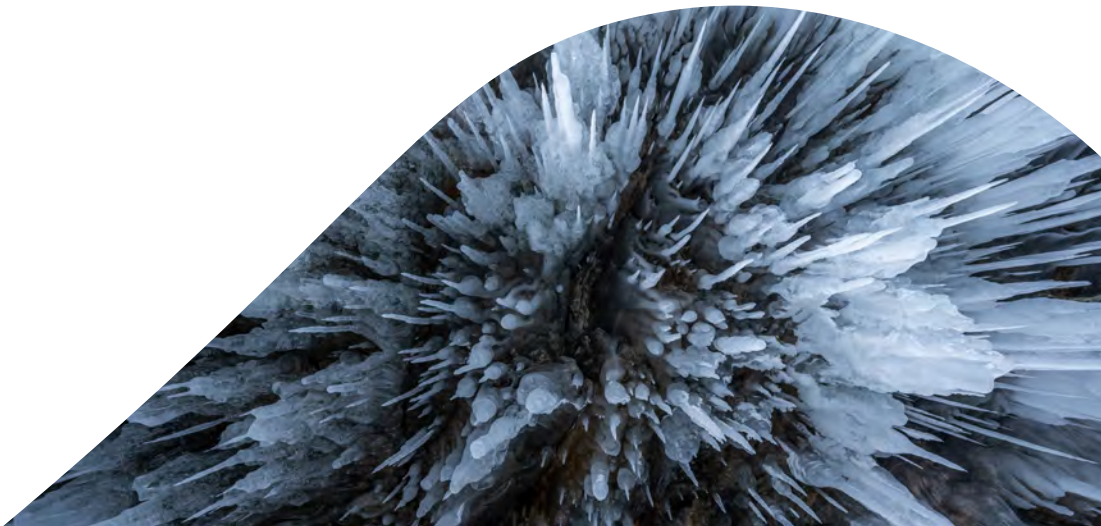
The extent to which these risks and opportunities may impact on a company and how they will manifest will vary depending on a company's sector, geography and individual business context.

The automotive and power sectors, for example, both have significant value at risk from the transition to a more sustainable economy, but also significant opportunities – from electric vehicles and renewable energy, respectively.

Figure 2. Key climate-related risks and opportunities across sectors

Sector	Climate opportunities	Transition risk	Physical risk
Chemicals	• Innovation-led market opportunities e.g. increasing demand for green and circular chemicals • Efficiency gains in production • Increasing demand for high-value chemicals constituent in climate solutions, e.g. coatings for wind turbines, low-carbon hydrogen • Increasing emphasis on alternative, domestic energy sources and production methods to foster economic security and competitiveness	• Local and national environmental regulation and policy, including carbon pricing and border adjustments, increasing operating and input costs • Market competition and innovation risks associated with technological change • Demand headwinds for key chemical groups, e.g. petrochemical refining • Access to quality alternative feedstocks e.g. recycled hydrocarbons	Large chemicals complexes are significant infrastructure assets and can be exposed to physical climate risks: • Acute: Flooding, extreme storms, supply disruption • Chronic: Drought and loss of water supply to water-intensive facilities
Transport	• Innovation-led market opportunities e.g. increasing demand for electrified or renewable energy fuelled transport • Efficiency gains in production e.g. automation • Enhanced recycling can reduce upstream costs for materials • New business opportunities e.g. charging infrastructure deployment	• National and international environmental regulation and policy, including carbon pricing, border adjustments, and energy security measures • Market competition and innovation risks associated with rapid technological change and innovation-driven cost reductions • Demand headwinds for emissions intensive products and access to economically viable fuels • Increased operating and distribution costs through increased input costs • Increased capex requirements to develop and produce lower-carbon models	Production assets and supply chains can be exposed to significant physical climate risks: • Acute: Flooding, extreme storms, supply disruption • Chronic: Drought and loss of water supply can limit product distribution and impact logistics, potentially posing a risk to the direct business (e.g. shipping) or indirectly through delays in the supply chain
Oil & Gas	• Increasing demand for low-carbon molecules and transition solutions • Efficiency gains in upstream production and refining, including through methane abatement • Increasing emphasis on alternative, domestic energy sources to foster energy security and sovereignty	• Demand and price headwinds for oil and gas products over the medium and long term, driven by national policies and competition from alternative energy sources • Local and national environmental regulation and policy, including carbon pricing increasing operating and input costs • Reputational and legal risks • Greater capacity-building and capex requirements to enter new technologies and markets	• Upstream production and midstream assets may be exposed to acute physical impacts, including storm surges for offshore assets and coastal terminals • Delivery of products may be disrupted by chronic physical impacts, for example the increased incidence of storms disrupting distribution channels

Sector	Climate opportunities	Transition risk	Physical risk
Mining & Materials	• Increasing demand for metals and minerals, particularly those required for the energy transition, so-called "critical energy transition minerals" • Efficiency gains in operations, e.g. through electrification of operations • Innovation-led market opportunities, such as low-clinker or recycled cement mixes	• Environmental regulation and policy, including carbon pricing, phaseout of fossil fuel subsidies, and border adjustments, increase operating and input costs, and shift market demands away from certain minerals, e.g. coal • High upfront capital investments and R&D spending required to develop and implement cleaner technologies • Higher costs associated with fuel switching	Production assets and supply chains can be exposed to significant physical climate risks: • Acute: Flooding and heatwaves can cause damage to infrastructure, disrupt operations, contaminate water supplies and safety risks • Chronic: Extreme heat can increase cooling costs and affect productivity; water scarcity can affect mining processes, material production processes and can increase costs for water procurement; sea level rise can pose risk for coastal operations.
Utilities	• Increasing demand for electricity as heating, transport, and heavy industry electrify • Increased demand for domestic, secure power, including for AI datacentres, which clean energies can be well-positioned to deliver • Greater opportunities for capital deployment, including in regulated asset models such as grids, driven by market, policy, and regulatory appetite to expand transmission capacity • Increasing demand for low-carbon molecules in heat networks	• Local and national environmental regulation and policy, e.g. carbon pricing and border adjustments can increase operating and input costs related to fossil fuels products • Uncertainty related to future of regulated asset models, including heat networks • Greater capacity-building and capex requirements to enter new technologies and markets • Increased input costs for infrastructure projects e.g. steel, aluminium, batteries, and/or as suppliers require capital investments for reduced emissions	Utilities are fundamental infrastructure assets but are susceptible to both acute and chronic physical risks, in particular related to: • Transmission infrastructure • Power generation units, especially large-scale projects, exposed to storm risks or nuclear facilities exposed to drought risks • Gas transmission and distribution assets, in particular gas terminals and storage assets
Financial Services	• Increasing financing opportunities in climate solutions, including renewable energy project finance, transition finance, and early-stage investments in the development of novel climate solutions • Opportunity to gain future market share through customer retention and business development in emerging sectors	• Financial risks will emerge through financing and investment exposure to real economy sectors that face transition risks • Market, technology, regulatory, and legal risks may impact loan book customers and investee companies, increasing expected credit losses, credit risks and provisioning costs, and/or negatively impacting the valuations of securities • Consumer and mortgage finance businesses are particularly exposed to just transition risks e.g. geographically concentrated exposure to industries particularly impacted by the energy transition	• All financial services firms exposed to physical climate risks manifesting at loan book customers' or investee companies' sites • Financial services firms lending on the basis of collateral - in the form of real estate - will be particularly exposed to chronic physical climate risks, for example mortgage books highly concentrated in increasingly flood, cyclone, sea level rise, or bushfire areas without adequate levels of insurance



Sector	Climate opportunities	Transition risk	Physical risk
Industrials	• Operational energy efficiency gains can reduce costs • Innovation-led market opportunities • Circular economy practices can lower raw material costs and increase resource efficiency • Increasing emphasis on alternative, domestic energy sources and production methods to foster economic security and competitiveness	• Introduction of national and international legislation, e.g. carbon pricing and border adjustments can lead to higher production costs, reduced profitability, and legal risk • Strained financial resources in short-term caused by high upfront capital investments in renewable energies and other low-carbon technologies • Demand shifts resulting from shifts in regulation and consumer preference for lower-carbon products • Increased cost of lower-carbon input materials	Production assets and supply chains can be exposed to significant physical climate risks: • Acute: Flooding, extreme storms, and heatwaves can cause damage to infrastructure, disrupt operation, contaminate water supplies and pose safety risks to workers • Chronic: Extreme heat can increase cooling costs and affect productivity; water scarcity can affect processes and pose increased costs for water procurement; sea level rise can pose risk for coastal operations
Agriculture, Forestry, and Fisheries (incl. downstream consumer goods and retail)	• Increased productivity and yields from investments in natural capital • Reduced variability/increased resilience of agricultural and forestry yields from investments in natural capital, including to extreme weather events • Additional revenues from sale of nature-based carbon credits • Improved reputational and marketing image	• Local and national environmental regulation and policy, including carbon pricing and methane regulation, increasing operating and input costs • Market and competition risks associated with the emergence of alternative protein products	• Increased supply chain continuity and commodity price risks for businesses sourcing agricultural, forestry, or fisheries products, due to increased incidence of chronic physical climate impacts; supply chain diversification is unlikely to fully mitigate these risks
Technology	• Increased market opportunity for technology-enabled climate solutions, for example hazard monitoring, efficiency enhancements, and emissions monitoring • Low-carbon power can – in cases – be the fastest, cheapest, and most secure power deployment option for AI datacentres	• Increasing power demand, especially related to AI, poses risk to access to reliable, low-carbon power, which may therefore face increased regulatory and policy scrutiny • Market expectations of low-carbon powered technology products	• Technologies' physical footprint e.g. data centres and technology manufacturers, which can be vulnerable to physical climate risks • Data centres require reliable power supplies so prompts additional costs to secure back up supplies
Real estate	• National and international policy to enhance energy efficiency can pose a business opportunity for new builds and energy efficient retrofitting • Investment in energy-efficient technologies can reduce operational costs and increase property values • Investment in renewable energy procurement can reduce long-term costs • Access to green bonds and sustainability-linked loans can provide favourable financing terms for real estate projects to lower cost of capital	• Compliance with new energy efficiency and building codes requires investments in retrofitting and upgrading properties, increasing capital expenditure requirements • Stranded asset risk for buildings that fail to meet regulatory requirements • Investment in renewable energy systems and smart building solutions require substantial capital investments • Failing to meet growing pressure from stakeholders (investors and tenants) can lead to loss of business, reduced investor confidence, and financial penalties • Increased indirect costs through more expensive building materials	Chronic: • Heat and water stress create new cooling needs and increase operating costs for buildings • Sea level rise: threats to infrastructure and required investment in protective measures • Subsidence: ground sinking due to dry weather causing structural damage to buildings Acute: • Extreme weather events: hurricanes, flooding, wildfires, sea level rise and coastal flooding can cause damage to real estate located in vulnerable areas and increase insurance premiums

Source: Federated Hermes, as at 8 April 2026.

Increasingly, we are seeing many companies providing or transitioning into solutions to the climate challenges we are facing.

A good example of this is Novelis, a global producer of aluminium sheet and plate materials, with beverage packaging and automotive representing its largest end-markets. Novelis has developed a detailed climate strategy supported by targets spanning multiple scopes and time horizons. While the framework is robust, further commercially attractive opportunities remain over time further advance its approach, which could lead to enhanced performance and the opportunity to gain third party validation of its commitments under certain low carbon scenarios.

A key strength of Novelis' approach lies in its predominantly recycled aluminium supply chain. Recycled aluminium requires approximately 95% less energy in production than primary aluminium, with a near equivalent reduction in greenhouse gas emissions. As the world's largest aluminium recycler, Novelis is reinforcing this position through expanded closed loop customer partnerships, continued investment in recycling capacity, and a commitment to increase recycled content to 75% by 2030, alongside investments in electric furnaces and emerging technologies such as hydrogen fuel testing and CCUS.

These initiatives also address Scope 3 emissions, which represent approximately 84% of total emissions. While decarbonising primary aluminium supply remains a broader industry challenge, Novelis is taking steps to influence upstream emissions through increased recycled content and its commitment, as a First Movers Coalition signatory, to source 10% of primary aluminium purchases from near zero carbon suppliers by 2030. To date, absolute Scope 1, 2 and 3 emissions and emissions intensity have declined by more than 30% versus a 2016 base year, supported by governance structures that embed climate oversight at executive level.

As set out in the table below, we also consider companies' key impacts and dependencies on biodiversity and ecosystem services. As with climate change, whilst there are certain impacts and dependencies that commonly materialise for priority sectors, we also recognise that our assessments must be tailored to individual companies or assets as their impacts and dependencies will be impacted by factors such as sector, geography, local legal and regulatory requirements and business model.

Figure 3. Key impacts and dependencies on biodiversity and ecosystem services across sectors

Sector	Key impacts and dependencies on biodiversity and ecosystem services
Consumer goods and retail (including food, beverages, tobacco, household products, cosmetics and fashion)	• High dependence on ecosystem services such as pollination, soil quality and water flow to maintain a reliable supply of agricultural products and other nature-based inputs. • High impact on biodiversity through significant land footprint, greenhouse gas emissions and the overall business model (including sourcing activities and agricultural practices)
Utilities	• Operational dependence on ecosystem services such as water quality and flow, climate regulation and others • High impact on biodiversity through significant greenhouse gas emissions and contributions to climate change, pollution of air, soil and water, land use (including potentially higher land use requirements for renewables), and disturbances to species
Mining & Materials	• Operational dependence on ecosystem services such as water quality and flow, climate regulation and others • High operational impact on land and ecosystems, significant greenhouse gas emissions and contributions to climate change, pollution of air, soil and water (including one-off events such as tailings dam collapses), and disturbances to species
Oil & Gas	• Operational dependence on ecosystem services such as water quality and flow, climate regulation and others • High operational impact on land and ecosystems, significant greenhouse gas emissions and contributions to climate change, pollution of air, soil and water (including through high-risk events such as oil spills), land use (including operations in fragile ecosystems) and disturbances to species
Agrochemicals and pharmaceuticals	• Dependencies on genetic materials, water quality and flow, climate regulation and others • High direct impact on biodiversity and ecosystem services through pollution of soil, air and water, and greenhouse gas emissions and contributions to climate change
Real estate and construction	• Dependence on ecosystem services such as raw material input (e.g., timber), water quality and flow, protection from floods and storms, and others • High impacts on biodiversity and ecosystem services through significant land use, greenhouse gas emissions, and pollution of air, soil and water
Financial Services	• High potential impact on unsustainable land use and the loss of biodiversity through financing of, and investment in, all other sectors

Source: ENCORE tool, Commitment to Nature Statement, as at 8 April 2026.

Risks and opportunities at entity level

In thinking about the risks and opportunities that are most relevant for asset managers as corporate entities, these notably relate to:

- **Investment performance.** The risks outlined above may be compounded across our portfolios due to their systemic nature. For example, the acute impacts of a severe weather event could impact a large number of companies with supply chains or operations in a particular region. Companies in a country which introduces new regulation to address environmental impacts may suffer financially if they aren't prepared for it, either through the cost of meeting the regulation or through fines if they do not. More information is available under the 'Our Investments – Strategy and Risk Management' section of this report, where we provide information on the results of our scenario analysis. Given the systemic nature of these risks, public policy advocacy is a key part of our approach as the companies we invest in on behalf of our clients cannot unilaterally fully mitigate these risks.
- **Changing client expectations.** Clients, particularly those in Europe (including the UK), are expecting increasingly sophisticated responses to the climate and nature crises, including enhanced reporting. This provides an opportunity for asset managers whose products support the transition either through engaging to mitigate the environmental risks that may impact companies or through investing in impactful companies, assets or projects.
- **Regulatory risk.** Increased regulatory expectations are focused not only on corporates but on financial institutions too. The UK has already made climate disclosures mandatory for a wide range of financial institutions. With the planned adoption of the International Sustainability Standards Boards (ISSB) disclosure standards in an increasing number of jurisdictions (which include climate disclosures), this is likely to be replicated in other countries. Transition plan disclosure is also becoming more of a focus for policymakers.
- **Reputational risk.** There are also reputational risks if an investee company or asset is linked to negative environmental impacts.
- **Physical risk.** As a corporate entity, we rely on the services of a range of suppliers including information and communication technology (ICT) and data providers as well as the utility services that power our offices and, following the introduction of hybrid working, our homes. We recognise the relevance of physical risks to our own operations and those of our suppliers.

The following sections of this report set out our strategy and risk management approach to manage these potential risks.

Climate Action Plan[6]

As development in policy and technology leads to the decarbonisation of the global economy, companies not taking adequate action may be left behind, potentially resulting in suboptimal business models and stranded assets. For this reason, we seek to support our clients as they seek to limit warming to as close as possible to 1.5°C. In providing that support, we recognize the importance – with respect to the long-term financial interests of issuers and long-term wealth creation by our clients – of the stated goals of the Paris Agreement; subject to (as applicable) individual client objectives, fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients. Our goal is to drive financially beneficial change in the real economy.

In our view, this is an inseparable part of our fiduciary responsibility to seek to maximise long-term financial returns on investment on behalf of our clients. We believe the goals of the Paris Agreement are fundamental to the long-term financial interests of our clients.

We remain committed to the goals of the Paris Agreement, even as we acknowledge the challenges presented by the current global emissions trajectory and temperature trends, including a temporary overshoot of this critical global threshold of more than 1.5°C above pre-industrial times. Each incremental increase in the average global temperature represents a challenge to the achievement of the Paris Agreement[7] and the goals of reducing the pecuniary impacts of climate change. As such, if and when it is aligned with our clients' financial goals, we continue to maintain the aspiration of achieving net zero by 2050.

Even if the efforts to limit the global temperature increase to 1.5°C are not successful, in a below 2°C or a 2°C scenario, companies which have sought to align with a 1.5°C pathway will likely still be well positioned to realise long-term financial returns, such as being posited to deal with stricter climate regulations from governments, technological advances and changing market conditions. By maintaining targets aligned with the goals of the Paris Agreement, we aim to mitigate future climate and consequential financial risks, to align with the expectations of key stakeholders including clients, and to contribute to a more resilient global economy. Achievement of our targets will, however, require governments and policy makers to deliver on their commitments to achieve the goals of the Paris Agreement.

This Climate Action Plan sets out why and how we will seek to work with clients and investee companies on the goals stated herein, consistent with an aim to reach net zero emissions in line with the Paris Agreement across all assets within the scope of our target. It also outlines the interim targets we have set along the way.

[6] At time of reporting, the Plan is currently under review, and an updated version will be made available via our website in due course.

[7] The Intergovernmental Panel on Climate Change, *Sixth Assessment Report: Climate Change 2023, Synthesis Report* (2023). In particular, see Section 3.

We recognise that the global challenges of climate change, biodiversity loss, and social cohesion are highly interlinked and, therefore, we seek to try and meet our targets in ways that contribute to tackling these issues together. We believe that marine and terrestrial ecosystems globally are being altered by climate change, resulting in significant species losses and key ecosystem decline. There is a growing belief regarding the financial risks associated with companies' impacts and dependencies on nature and the ecosystem services it provides. At FHL we take an integrated approach to the management of climate- and nature-related risks and opportunities across our business.

We believe that climate change and the energy transition will also have significant impacts, which creates an urgent need for ambitious, net zero targets; clear, credible transition plans; and ambitious implementation of those plans from governments, corporates and financial institutions globally if we are to have a timely, orderly, and just transition. Companies must explicitly consider how their actions, or lack of, on climate change will negatively influence their investors and similar stakeholders and seek to mitigate the impacts of transition plans.

In seeking to deliver our climate goals, we therefore continue to focus our advocacy and engagement on related issues such as halting and reversing deforestation, protecting nature, and due consideration of the impact on society.

The approach we set out below is not set in stone and we expect it will evolve in the context of future technological, market, regulatory and political change. In future iterations of this plan, we will adapt our approach to respond to these changes and continued advancement of climate science. We will modify or tailor our approach to engagement with companies on certain climate-related topics 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.

While we hope to cover all asset classes over time, our interim target currently applies to all Federated Hermes' assets under management within scope of this report except for private equity, direct lending, sovereign debt and certain instruments such as FX, cash, indices and ABS, CLOs and CDOs issued by companies for which we do not have climate data. As at 31 December 2025, 61% of our total AUM is in scope of our targets. Our targets are at the asset class level. Where products in scope of the TCFD disclosure requirements have additional climate-related objectives, this is described in Appendix III of this Report.

Our approach

We aim to deliver on our net-zero aspirations by focusing on delivery against four specific pillars:

1. Operational emissions: playing our part by reducing our firm's direct environmental impact.

Our firm's direct environmental impact and associated climate risk exposure is primarily driven by the operation of our offices and business travel.

We aim to minimise our operational carbon footprint and use of environmental resources through our sourcing decisions and our carbon offsetting program, as well as through promoting behavioural changes amongst our employees, suppliers and other stakeholders.

We offset our own Scope 1 and 2 operational emissions – as well as our corporate travel emissions by air and rail – and have been doing so since 2016 through high quality offsetting.

Our approach is described in more detail under the 'Corporate Strategy & Risk Management' section of this report.

2. Advocacy

We believe that policymakers have a key role to play in influencing the investment risks and opportunities created by climate change. We recognise there may be situations in which companies are hampered in how fast they can transition their businesses to be Paris Agreement-aligned, because of either competitive disadvantage created by moving faster than peers, or other market-based barriers. We engage constructively with regulators and policymakers globally where appropriate and subject to local law to share perspectives and to address instances in which features of the financial system may prevent it from operating in the best pecuniary interests of its ultimate asset owners.

More information is available in the 'Advocacy' section of this report.

3. Reducing our financed emissions by encouraging our investee companies to create value by addressing climate opportunities and risks, setting credible and financially beneficial targets and transition plans validated by the latest climate science and taking a proactive and industry-specific approach which prioritises the highest emitting, misaligned companies.[8]

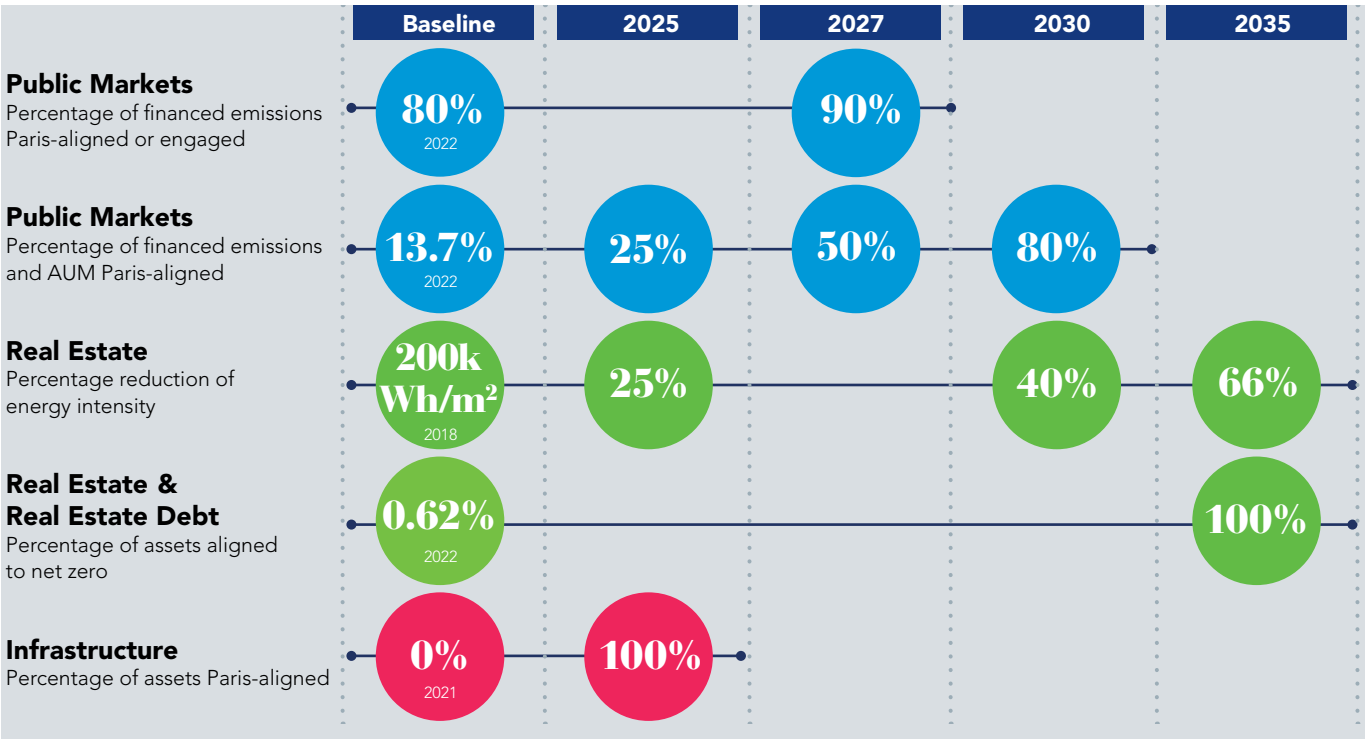
Becoming fully net zero means focusing on our investments too. These are part of our Scope 3 emissions.

Our approach is focused on addressing climate-related risks and opportunities in the real economy. We have set targets for the proportion of our holdings that will be aligned with a 1.5°C trajectory (where consistent with local law, which may vary especially for U.S. issuers); these will drive our engagement with portfolio companies to profitably achieve reductions in greenhouse gas emissions at the company level and not just in our portfolios. We will modify or tailor our approach to engagement with companies on certain climate-related topics in line with local law and regulation in certain jurisdictions, particularly on behalf of U.S. clients and for U.S. issuers, where fiduciary duties and/or applicable law may require a modified approach. We will continue to report progress on an annual basis.

[8] Where local law and applicable requirements allow.

As we strive to reduce our portfolio emissions, we have set the following interim milestones:[9]

Figure 4. Our interim targets across public and private markets



Source: Federated Hermes, as at 31 December 2025.

We focus our engagement on behalf of clients on those companies where we have identified inadequate action which carries financial risk relating to the climate transition and to challenge them to accelerate their climate ambition in order to address those financial risks. In doing this, we act to improve the long-term financial performance of a company and create long-term financial value/wealth for clients and investors. Also, engagement is subject to (as applicable) individual client objectives, fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients. We acknowledge that our ability to meet the targets set forth above depends on the mandates agreed with clients and our clients' regulatory environments and fiduciary duties as well as our own. It also depends upon jurisdictional legal requirements, in particular for US issuers and US clients.

These targets are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, and in the context of our legal duties to clients. Standardised methodologies for aligning the management of assets with net zero goals do not yet exist in certain asset classes and sectors, and government-level climate commitments are currently not 1.5°C-aligned in many markets in which we invest. Therefore, where our ability to align our approach to investment with the goal of net zero emissions is constrained, we commit to work with clients and industry initiatives to seek to overcome any methodological and data limitations, as well as advocating for the policy changes necessary to achieve net zero globally (where possible and consistent with local law and regulation, in particular for US issuers and US clients). Further information is included in the section on 'Our Investments – Strategy & Risk Management' in this report and in our Climate Action Plan.[10]

4. Continuing to work on product innovation and increasing investment inflows into climate and nature-based solutions.

Investment flows in climate finance, particularly from public sources, remains well off track, despite the additional funding commitments made by governments and businesses.
In parallel to our engagement efforts, we will continue to work on product innovation, on a client-led basis, as clients increase their focus on climate risk and, importantly, opportunity (subject (as applicable) to individual client objectives, fiduciary obligations and jurisdictional legal requirements, in particular for US issuers and US clients).

We will also look to continue to increase investment inflows into climate and nature-based solutions between now and 2030.

[9] While we hope to cover all asset classes over time, our interim target currently applies to all our assets under management except for private equity, direct lending, liquidity, sovereign debt, FX, cash, indices and, ABS, CLOs and CDOs issued by companies. Target dates refer to year-end.

[10] At time of reporting, the Plan is currently under review, and an updated version will be made available via our website in due course.

[11] State of Climate Action 2025 | World Resources Institute

Biodiversity commitments

As a signatory of the Finance for Biodiversity Pledge,[12] and in line with the Finance for Biodiversity Nature Target Setting Framework for Asset Managers and Asset Owners,[13] we set the following initiation targets:

Governance and strategy

We commit by the end of 2026:

- To create and disclose a clear governance structure for nature with senior oversight and specific accountabilities for nature-related issues.
- To provide adequate education and expertise for those with oversight and more broadly across the organisation, on nature and the implications of nature-related risks and opportunities for the organisation.
- To adopt TNFD recommendations in a phased approach, including embedding the insights into the governance, strategy, and risk management of the organisation; and
- To develop a transition plan for nature setting out biodiversity targets and plan for achieving them.

Impact and dependency assessment

We commit by the end of 2026:

- To assess our public markets, infrastructure and real estate portfolios for nature-related impacts and dependencies, risks and opportunities and disclose our insights; and
- To determine priority sectors for engagement on biodiversity for applicable asset classes.

[12] Finance for Biodiversity Foundation, "About the Pledge"
[13] Finance for Biodiversity Foundation, "Nature Target Setting Framework for Asset Managers and Asset Owners"

Real Estate

Nature & Biodiversity Strategy

In 2025, the real estate team launched a Nature & Biodiversity Strategy for all new developments, major refurbishments and operational assets in the real estate portfolio, which centres on green infrastructure and improving people's health and wellbeing.

The strategy is structured around three objectives: delivering quantifiable biodiversity net gains and targeted improvements for key species, encouraging active engagement with nature to improve health and wellbeing, and integrating climate resilience and ecosystem service provision through nature-based solutions. This can be found in the table below.

Figure 5. Strategy objectives

	Theme	Objective
1	Green Infrastructure	All new developments and management of existing assets will result in quantifiable biodiversity net gains and targeted improvements for key species. We will implement evidence-based management and enhancement actions which feed into the wider green infrastructure network of the surrounding areas.
2	Actively engage with nature	The health and well-being of individuals passing through, working or living within the assets will be improved with active engagement with nature encouraged.
3	Integrate climate resilience and ecosystem service provision	Decision making will have nature-based solutions at its heart. Ecosystem service provision will be increased, with targeted interventions informed by gaps and opportunities identified by the asset baseline review.

Source: Federated Hermes, as at November 2025.

Target setting

The strategy includes measurable targets for new developments and operational assets.

New Development Targets

Targets for measurable uplift in biodiversity and ecosystems service provision have been set for new developments. This is based on a defined uplift over the pre-development baseline.

- *Biodiversity uplift:* Sites are to achieve a 20% Biodiversity Net Gain (BNG) over pre-development conditions or exceedance of local policy targets if higher, as measured via the DEFRA Metric for Biodiversity Net Gain.
- *Ecosystem service provision:* Sites are to achieve measurable uplift in ecosystem service provision, as measured using the Environmental Benefits from Nature (EBN) tool.
- *Core Biodiversity Requirements:* Overall success in meeting all three objectives for a new development will be achieved through the application of our new Core Biodiversity Requirements (CBRs). CBRs will be integrated as part of the design process – more information can be found in the Appendix of the Nature & Biodiversity Strategy Report.

Operational Assets Targets

The target which is applied is dependent on baseline condition[14] of the operational asset:

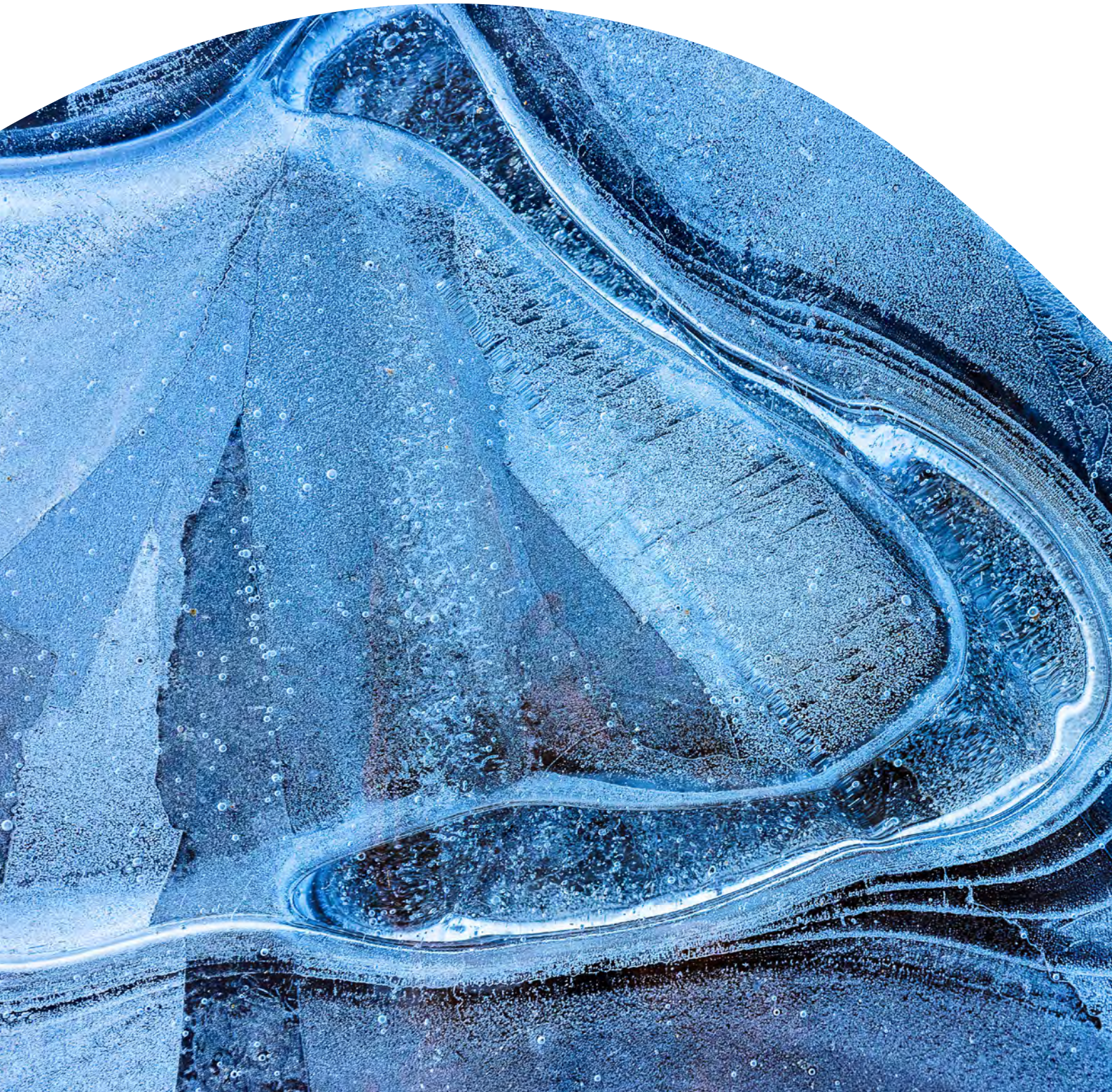
- Sites nearing a '0' unit baseline (baseline biodiversity unit value of 1 or less), such as dense urban sites, to target an uplift of 0.5 biodiversity units per hectare over the 2023 baseline.
- Sites with existing greening (baseline biodiversity unit value greater than 1) to achieve a 5% BNG over pre-development conditions or exceedance of local policy targets if higher.

Implementation of the strategy on our developments will be tracked through our internal Design Innovation Standard (DIS), which states and tracks all our commitments for every project type. For more information on the strategy, please see the Nature & Biodiversity Strategy Report.

[14] Baseline condition is assessed using the Defra Metric for Biodiversity Net Gain (BNG).

We have developed a clear governance structure for nature. We support colleagues to develop their understanding of how nature-related issues may affect investments through information-sharing and educational sessions and will continue to do so. We have aligned this report to the TNFD framework, describing our approach to managing nature-related impacts, dependencies, risks and opportunities as an organisation. We will continue to enhance our disclosures over time. We have not published a firm-wide transition plan for nature; however, this report sets out our approach to supporting the transition, in particular our advocacy and engagement approach alongside enhanced data and support for those involved in managing nature-related risks, opportunities, impacts and dependencies.

As described above, we have published a real estate nature and biodiversity strategy, as this is the asset class where we have the greatest control over outcomes. We have used GIST Impact biodiversity data to assess biodiversity risks at both company and portfolio level, drawing on the ENCORE framework to consider impacts and dependencies on nature for public markets. This analysis includes assessing key drivers of biodiversity loss, conducting asset level proximity analysis to biodiversity sensitive areas, and evaluating location based water risk. The outputs are used to identify high risk exposures and to inform the prioritisation of nature related risks within investment analysis and engagement. Analysis has also taken place for some of our infrastructure holdings.



Corporate Strategy & Risk Management

The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning

Our Board members and senior management are aware of and are engaged with the growing importance of climate- and nature-related risks and opportunities to our business, strategy, and financial planning. As a business we understand that if left unchecked, they represent systemic risks to financial markets, the global economy, and our ability to create enduring, responsible wealth for our clients and their investors. Of particular concern is the risk that even if transition risk is managed within our portfolios of investments, unmanaged physical risk could still destroy value through business operation or supply chain interruption caused by factors outside the control of our investee companies.

For this reason, we understand we must look at the first and second order effects of climate change risk. We believe that it is part of our fiduciary duty to contribute to the conditions in which global efforts to limit warming to 1.5°C are successful and in which public and private investment to create resilient infrastructure and societies is delivered. Another driving factor is our policy and regulatory environment. Federated Hermes is headquartered in the UK, where the government has made a legally binding net-zero commitment and has committed to have the world's first net-zero financial centre. Federated Hermes made its own net-zero commitment and joined the Net Zero Asset Managers initiative in 2021.

Climate- and nature-related risks and opportunities impact our business in a number of ways, and our strategy for dealing with such risks and opportunities reflects the three lenses described earlier in this report: our role as a responsible firm, responsible investor, and responsible owner.

As highlighted in the section on climate- and nature-related risks and opportunities above, our business risks as a corporate entity notably relate to investment performance, changing client expectations, business reputation and operational risks.

In terms of physical risk, Federated Hermes has mitigation and emergency action plans for our real estate assets, in addition to our own buildings to ensure business continuity, and our key suppliers.

We recognise that as a responsible firm we must also seek to reduce our own operational emissions and have set targets accordingly. These targets and our progress towards meeting them are described later in this section. We also offset our Scopes 1 and 2 emissions and our corporate travel emissions.

Equally, there are also opportunities for us to support the transition, identify investment in climate and nature solutions, and meet changing client needs.

These risks and opportunities can therefore impact our business strategy and planning in a number of ways, for example developing new products (both in response to opportunities identified and to ensure that our product design appropriately factors in climate-related risks), our efforts to mitigate risks arising from our operational environmental impacts and our climate strategy for our existing investment products. All of the above may have impacts on financial planning, for example expected revenue generation from new products or the costs of increased headcount to support our climate engagement commitments.

Product development

Federated Hermes identifies opportunities to support the transition through product development. The Product Development Committee is responsible for developing new products and its members consider how desirable and suitable a product is from a commercial, customer and portfolio-management perspective. This includes looking at how a product is aligned with our responsible investment and ownership approach. During the product development process, the impact that potential strategies might have on our public commitments on net zero, deforestation and biodiversity is also considered, including whether additional resource is needed to ensure existing commitments can be achieved.

Impacts of risks and opportunities on our financial planning

Aside from the significance for our investment approach, and the products and services we provide to our clients, all of the above has implications for our financial planning. For example, climate-related risks and opportunities impact budget allocation, such as offsetting costs, climate data procurement and tool development and engagement headcount to support our net-zero commitments. It also informs our product development and ongoing product governance, for example ensuring that Federated Hermes is able to meet growing client interest in products that deliver a positive impact on the environment. Given the nature of our business, this is important for the financial performance and sustainability of our business as a whole, as well as the performance of individual products. We assess material risks – including any related to climate – and their potential financial impact to the company as part of our internal capital and risk assessment (ICARA) process, which is undertaken at least annually. Senior management also receives monthly updates on the FHL corporate travel emissions as part of management information updates to ensure they are aware of emissions trends. Federated Hermes's annual report and financial statements include our Streamlined Energy and Carbon Reporting statement, describing our energy consumption and greenhouse gas emissions for the UK.

In terms of scenario analysis, the most material climate and nature-related risks and opportunities to our business are related to our investment activities for clients. Our analysis is therefore focused on our investment activities, as described under "Our Investments – Strategy & Risk Management", rather than the corporate entity itself.

Alignment across our business and with our third-party suppliers

Our governance structure has a role in ensuring that the individual legal entities that are subsidiaries of FHL, the governance bodies that it delegates to, and relevant teams, as well as the third parties that we outsource to, or that provide products or other services to Federated Hermes, are aligned with respect to climate- and nature-related issues.

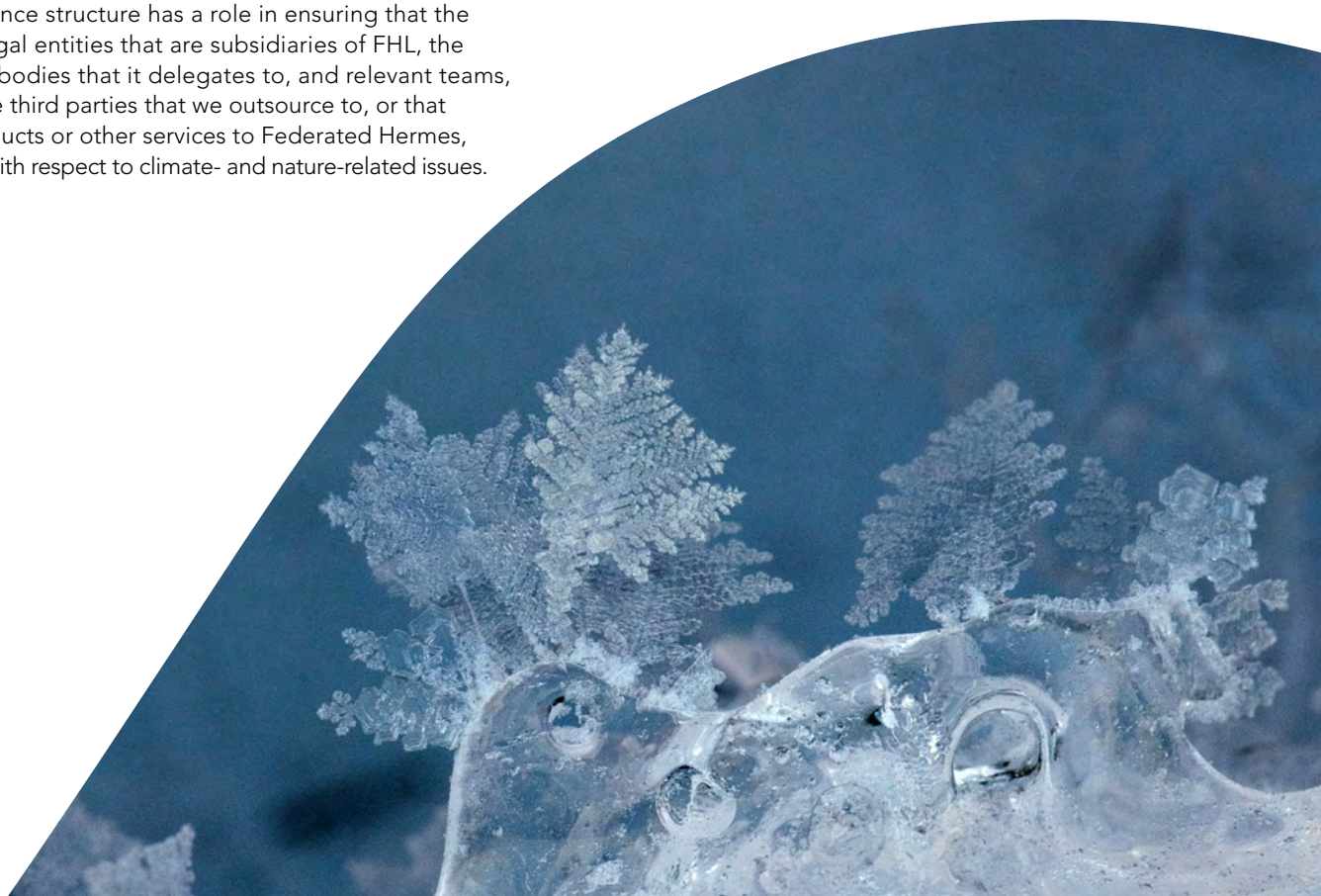
One area of focus is how we select the third parties we work with at Federated Hermes. We endeavour to provide responsible supplier management across our full supply chain. This includes our annually reviewed Supplier Code of Conduct which considers the ESG credentials of our third-party suppliers and integrates environmental and social considerations within the supplier due diligence process. Our Supplier Code of Conduct contains the following expectations:

"We will only conduct business with suppliers who share our commitment to establish environmentally responsible business practices and proactively improve their own environmental performance. We expect our suppliers to:

- Comply with relevant environmental protection laws, regulations and recognised standards including those related to waste disposal, air emissions, plastics and pollution.
- Take steps to measure, report and minimise the environmental impact of their operations including greenhouse gas emissions, energy consumption, water use and waste generation and require their subcontractors and suppliers to do the same."

As a result of consolidating our supplier due diligence processes with our parent company, FHI, we also use suppliers which have been onboarded by FHI through a global agreement. In such cases, these suppliers would not be subject to the FHL Supplier Code of Conduct.

Climate- and nature-related considerations are particularly important for our selection of certain third-party suppliers. For instance, we use a number of external ESG data providers, as each data provider has developed their own methodology which can result in differing views and/or provide us with different aspects of the mosaic to holistically understand the risks and opportunities. More information is available below and in the 'Investment Risk Management' section.



The investment management services provided by HIML and HGPE implement our responsible investor and responsible owner strategy with the assistance and expertise of: (i) our Responsibility Office, which works closely with the investment teams to help them identify material environmental, social and governance issues specific to the investment manager's strategy; and (ii) the EOS team, which provides important information on engagement and stewardship with companies invested in or targeted by our portfolio management teams, are important enhancements to our investment process. The ability to execute that strategy is contingent on the data available to those teams.

For our real estate team, all day-to-day property management – including rent and debt collection and active responsible property management – is dealt with by external property management agents with the oversight of the internal asset management team. The property managers are selected following a rigorous process that includes sustainability considerations, while ESG requirements such as data sharing, energy efficiency measures and sustainability commitments are included in their contractual service agreements. The performance of property managers – and any other agents appointed for work on activities such as rent reviews, lease renewals, transactions property maintenance, health and safety issues, and environmental issues – is closely monitored by our internal asset managers. The property managers are contractually responsible for implementing the ESG programme. These requirements include risk management, refurbishment and development, utilities measurement and reporting, ESG plans, energy management, water management, waste management, transport, procurement and supply chain, environmental risk and management, occupier engagement and quarterly monitoring of progress against targets.

Our private equity team form close relationships with the GPs they back, often initially via a co-investment relationship. This gives us valuable insight into the experience of the team and how value is created.

ESG risk assessments are conducted on lead GPs for all new co-investments and fund investments. The private equity team considers the sustainability practices of managers ahead of making fund investments. The team assesses managers capabilities across 5 key areas: (i) policies and commitments to standards; (ii) Governance and mindset; (iii) Investment process; (iv) climate risk; and (v) communication and reporting. Each manager is scored on each dimension using a standardised and proprietary matrix that leverages Institutional Limited Partner Association and PRI recommendations. The assessment of managers' capabilities is included in the Investment Committee papers and contributes to the investment decision. They seek to improve and protect the financial value of investments through assessing, monitoring, and seeking improvements to material sustainability risk areas. Our private equity team takes a risk-based approach to effectively identify, monitor, and manage sustainability risks, opportunities and impacts identified across its portfolio. For direct co-investments, they receive quarterly reports from the GP that include both financial information and qualitative data. These reports often contain sustainability information. In addition to this, they often have a quarterly call with the GP where they discuss the reports and any other topics they wish to raise. For fund investments they also receive quarterly reports and are invited to participate in AGMs. In a minority of cases, they are part of the limited partner advisory committee (LPAC) and hence part of the fund's governance structure. They can raise issues with managers in those forums or bilaterally.

Risk management function

The Risk team plays a critical role in providing independent oversight of sustainability risks across the firm. It ensures that such risks are systematically identified, assessed, managed, and reported on, to safeguard our sustainability and reputation. Key activities include:

- **Risk identification:** The Risk team actively works to identify and assesses sustainability risks that we may be exposed to. This involves analysing a number of different factors, such as changes in sustainability regulation, climate change impacts, emerging sustainability developments, scenarios that could adversely impact our social licence to operate, alignment of our third parties to the values of our firm and broad stakeholder expectations.

- **Risk prioritisation:** The Risk team helps prioritise sustainability risk assurance based on their potential impact on our firm and clients and the probability of occurrence. We assess material risks – including any related to climate – and their potential financial impact on us as part of our internal capital and risk assessment (ICARA).
- **Risk mitigation:** The Risk team collaborates with relevant business stakeholders to ensure that risk mitigation and controls are implemented and that mitigation efforts are aligned to our sustainability objectives.
- **ESG integration in the Risk Management Framework:** The Risk team continues to integrate sustainability considerations within the risk management framework, risk policies and processes. In doing so, the Risk team ensures sustainability risks are adequately identified, measured, managed and reported on in the same manner as other business risks. Sustainability risk is integrated within the existing risk management framework to enable the business to identify and manage material sustainability risks across our value chain. Our Risk Taxonomy lays out the risk landscape in a hierarchical structure with established risk categories (e.g. regulatory conduct, investment risk, operational risks etc). As sustainability risk spans the entire landscape, it is embedded accordingly across it and forms part of regular risk reporting to the Risk, Compliance and Financial Crime Committee and subsidiary boards where appropriate.
- **Risk monitoring and reporting:** The Risk team has established mechanisms to monitor sustainability risks on an ongoing basis. The Risk team regularly reports risk issues to senior management and risk governance forums. Furthermore, the Risk team continues to provide independent oversight on the progress made delivering both internal and external sustainability commitments and that the processes implemented to comply with sustainability regulation remain effective.
- **Stakeholder engagement:** The Risk team actively engages with internal and external stakeholders to understand and monitor changing sustainability expectations, trends and concerns. This includes close collaboration with the Responsibility Office, investment teams, data governance, and external parties to gather insights on best practice, emerging sustainability issues and evolving industry standards.

Development over 2026 and beyond

To ensure the business continues to measure, monitor, manage and mitigate the risks from climate change in line with risk appetite statements, key risk indictors are set at the corporate entity level as part of risk appetite development and reviewed on an ongoing annual basis. Furthermore, as part of our transition to the Investment Firm Prudential Regime, sustainability and reputational risk formed a key risk and harm scenario in our calculation for regulatory capital adequacy assessments.

Sustainability-related standards and regulation

Our horizon scanning for developing regulation and maintenance of a pipeline of regulation includes sustainability- and climate-related regulation. This ensures that activities to comply with requirements are implemented and coordinated across the business.

Managing corporate environmental impacts

Federated Hermes addresses its operational environmental impacts as a responsible firm via its Environmental Management System (EMS) group, which is run by the Facilities Management Team and is the prescribed file management structure in accordance with the internationally recognised ISO14001 accreditation. The team works with a specialist third-party consultant to set and deliver our environmental goals and improve our sustainability in relation to our operations. EMS actively promotes sustainability in the office by educating and encouraging staff to reduce our environmental impact.

The system we use to measure and manage the impact at our head office in London is ISO14001: an internationally accepted standard demonstrating an organisation's commitment to continual improvement of their environmental management system. Federated Hermes first achieved this certification in 2010.

Under the EMS we had four strategic objectives in 2025:

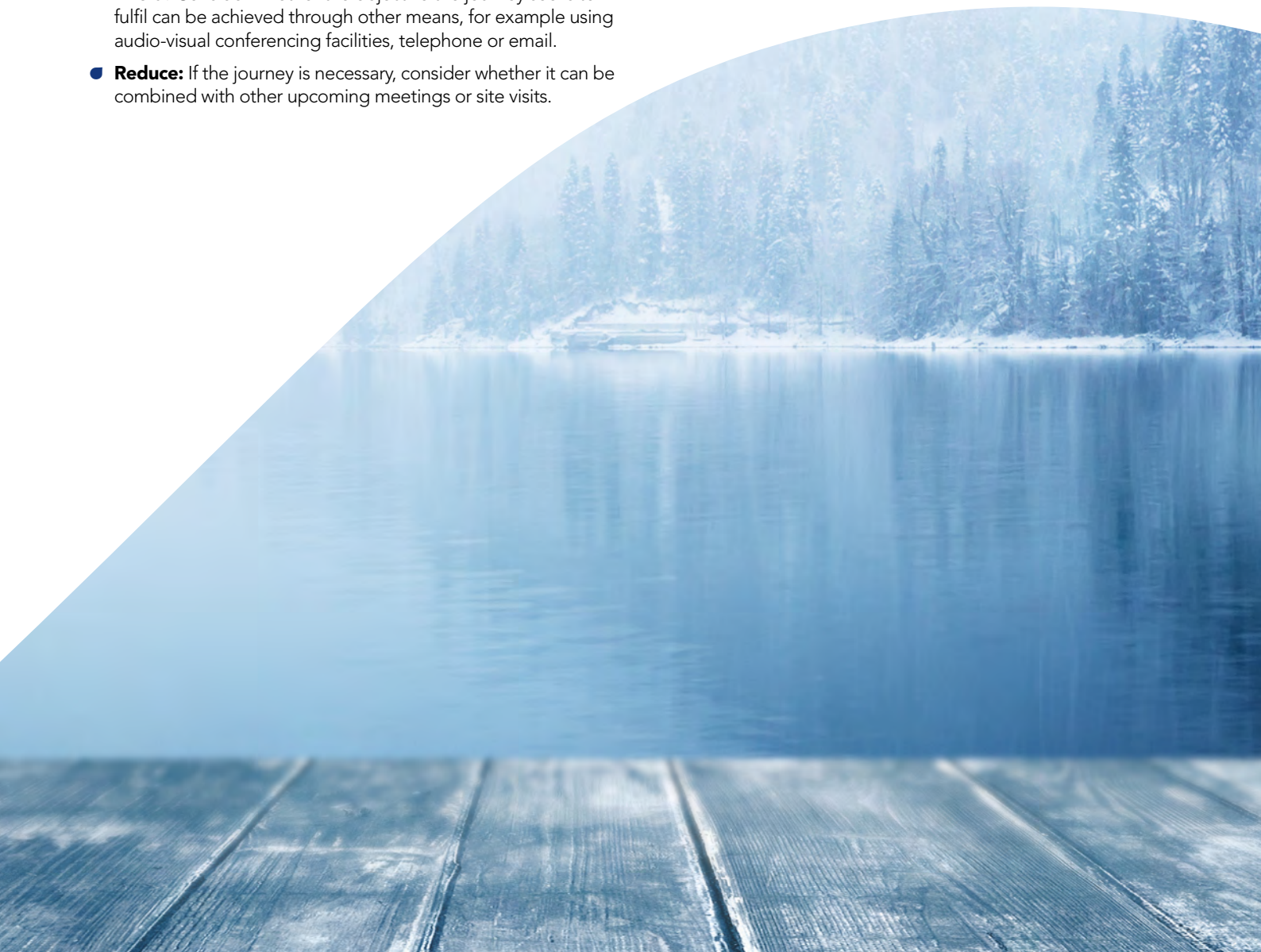
	EMS Objectives for 2025	Location	Progress
1	**Develop KPIs that takes into account the variability of temperature**	All locations	Completed – The data available allowed heating energy consumption to be compared with the outside temperature. Now complete, this will allow for better analysis of the building's energy performance.
2	**Develop KPIs that takes into account the static factors of floor area to allow current and future offices to be compared against each office**	150 Cheapside, London	Completed – kWh/m2 metric was established as a KPI, which is already used for TCFD reporting and general reporting, and will be used for ESOS reporting in future.
3	**Investigate opportunities to improve quality of waste data where FHL occupy part of a multi-tenanted building and extend waste data collection to other waste streams and all offices**	All locations	Partially Completed – 150 Cheapside, London now receives a detailed monthly report of actual waste, with the introduction of weighing scales for the building's waste.
4	**Investigate regional and international office energy use to identify improvements in recording energy data**	Regional and international offices	Not Complete – After investigation, no practical improvements to data received from the regional offices were identified but there was success in sourcing office floor area information which the energy use benchmarking is based on.

Corporate travel policy

As part of our travel policy, we continue to request that employees considering business travel on behalf of the firm should undertake the following avoid-reduce-mitigate hierarchy assessment:

- **Avoid:** Consider whether the objective the journey seeks to fulfil can be achieved through other means, for example using audio-visual conferencing facilities, telephone or email.
- **Reduce:** If the journey is necessary, consider whether it can be combined with other upcoming meetings or site visits.
- **Mitigate:** Where travel cannot be avoided, we will mitigate through offsetting our carbon emissions, as we currently do.

A new Global Travel and Expenses policy was introduced in early 2026 and builds on existing guidance to employees to consider carbon efficiency, prioritise essential travel only and considering alternatives to air travel.



Corporate emissions target

Our operational emissions target is reviewed annually and is based on data captured in the Federated Hermes ISO 14001: Environmental Management System (EMS). The 2019 baseline for our target was:

- Absolute total emissions: Scope 1 – 1.13 tCO_2e; Scope 2 – 202.1 tCO_2e
- Emissions intensity (Scope 1 & 2): 0.44 tCO_2e/FTE[1]

We are targeting a further reduction in our energy intensity (based on our operational emissions per FTE) of 25% by 2030 relative to the 2019 baseline.

Location-based reporting calculates emissions based on the average emissions intensity of the power grid the company is physically connected to. Market-based reporting reflects emissions from the specific electricity the company purchases.[2]

In quantifying our Scope 1 & 2 emissions, we have followed the guidance set out within the Greenhouse Gas Reporting Protocol[3] and primarily reported our emissions as 'location-based', whilst also working with our landlords to ensure electricity is sourced whenever possible through a 100% renewable energy tariff. Where this is the case, we have also reported energy procured and consumed through a 100% renewable energy tariff as a market-based emission.

Our 2025 Scope 1 & 2 greenhouse gas (GHG) emissions from all of our offices are as follows:

- Location-based emissions: 146.03 tCO_2e
- Market-based emissions: 89.04 tCO_2e
- Scope 1 & 2 emissions intensity (location-based): 0.22 tCO_2e/FTE[4]

Each year we target further reduction of our operational GHG emissions (based on a headcount intensity metric of Scope 1 & 2 CO_2e/FTE).[5]

As of 31 December 2025, we have reduced our emissions intensity by 33.83% compared to the 2019 baseline. We are therefore on track to meet our target to reduce our energy intensity (based on our operational emissions per FTE) of 25% by 2030, relative to the 2019 baseline.

Reduction in our emissions intensity will result both from energy efficiency measures and grid decarbonisation and we have committed to track progress against our targets, including FTEs, from our regional and international offices. Our emissions reporting at these offices includes both actual and estimated energy data.

Our 2019 intensity metric included electricity and gas consumption for 150 Cheapside (London) and our office in Madrid. We committed to track progress against our target including FTEs from our other offices and estimations for gas and electricity consumption in these additional offices.[6] Therefore, our reporting on progress towards our target for 2025 includes reported or estimated emissions and headcount data for all of our offices.[7] 79% of the above emissions figures are based on directly metered energy consumption, with 12% being benchmarked and 9% being apportioned based on the percentage of the buildings that Federated Hermes occupy.

Our 2025 figures also include the 60% acquisition stake of Rivington Energy, which was acquired in April 2025. Given that FHL has full control over Rivington Energy, all energy related emissions are included within this report.[8]

Whilst our 2019 intensity metric included electricity and gas consumption for 150 Cheapside (London) and our office in Madrid, with FTE employee headcount, our understanding of the trends in our emissions has continued to develop as the business has grown. This has led us to a plan for additional intensity metrics, including metrics based upon floor area which are included in this report, allowing better comparison between offices. We will continue to explore additional metrics that may support identification of trends in energy performance in the future to look for new reduction opportunities. We will continue to work with our external environmental consultants, combined with our internal knowledge base, to maximise efficiency gains and ensure that the targets remain fit for purpose.

We had previously set and worked towards a corporate travel emission reduction target. Due to the evolving needs of the business, Federated Hermes will no longer be working towards this target.

1 Energy intensity for our offices is calculated by dividing energy consumption by the number of full-time equivalents (FTEs). This is calculated on a monthly basis and averaged over the year. FTE figures include temporary staff. Part time employee headcount is pro-rated based on the number of days worked. Employees on parental leave or long-term sick leave, consultants, non-executive directors, and visitors such as auditors are not included.

2 Greenhouse Gas Protocol, "Scope 2 Guidance"

3 Greenhouse Gas Protocol, "Corporate Standard"

4 Energy intensity for our offices is calculated by dividing energy consumption by the number of FTEs. This is calculated on a monthly basis and averaged over the year.

5 There are differences between the FTE figures used in our calculations in previous reports and the figures used in our calculations in this report. This is due to the figures being updated to align with our methodology which uses a two-point average of the start of year and the end of year.

6 Federated Hermes has used the main requirements of the GHG Protocol Corporate Standard (revised edition) as a basis to report operational emissions. Data was gathered at site level and UK Government Conversion Factors for GHG Company Reporting, The European Environment Agency and the Australian Government have been used to convert activity data into tCO_2e emissions. For measuring progress against our targets, actual data will be prioritised, however in instances where this is not available, consumption data will be estimated by apportioning based upon floor area or by comparison with industry benchmarks.

7 For 2025, we report our non-UK offices under Scope 2 emissions.

8 The energy data for Rivington has been apportioned based on the floor area occupied.

Operational environmental metrics[9]

Energy usage

Our London office at 150 Cheapside is the largest office of Federated Hermes and has achieved a 48% reduction in emissions based on electricity consumption compared with the 2019 baseline, consuming 77tCO_2e in 2025.

Heating at 150 Cheapside is supplied by our landlord from gas boilers and the consumption is apportioned to Federated Hermes based upon the percentage of the building that is occupied by Federated Hermes. We occupied 23% of the building in 2019 and 2020; 27% from 2021; and 23% from 2025. The chart below shows absolute CO_2e emissions for heating rising in 2021 when the office expanded, and then falling by 26% in 2025 compared to 2021. We will continue to work with our landlord to ensure that controls are optimally set for our own office space to limit emissions from heating.

Overall, we have achieved a 46% reduction in emissions based on our energy – electricity and gas – consumption compared with the 2019 baseline, consuming 82 tCO_2e in 2025.

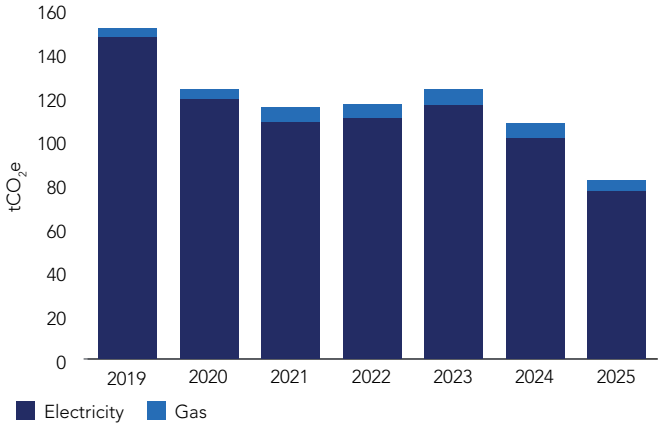
We continue to report the total absolute Scope 1 and 2 building emissions across all our offices. The Scope 1 and 2 building emissions from all our offices in 2025 was 146 tCO_2e, an 11% decrease on the previous year.

We have also achieved a 49% reduction in kWh/FTE at 150 Cheapside compared with the 2019 baseline, reporting 752 kWh/FTE in 2025. Electricity consumption at the 150 Cheapside office is within the direct control of Federated Hermes and the reduction in energy consumption per FTE is a result of multiple factors in energy efficiency improvements, such as improvements to lighting and improved control.

Our Scope 1 and 2 energy consumption from our offices in 2025 was 1,016kWh per FTE, a 23% decrease on our 2019 baseline.

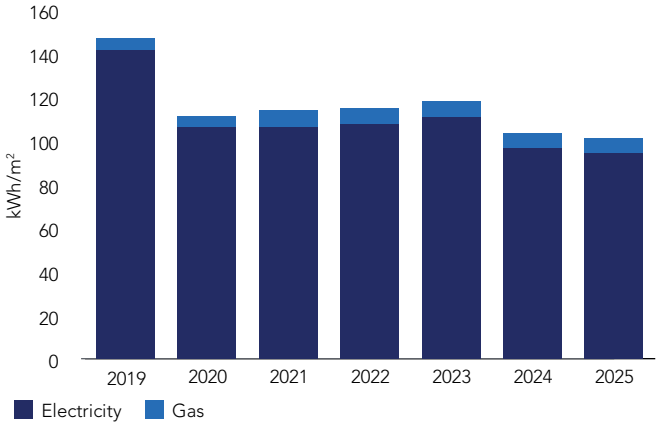
Of this energy consumption, 79% in 2025 has been directly metered, with 12% being benchmarked and 9% being apportioned based on the percentage of the buildings that Federated Hermes occupy.

Figure 6. Breakdown of emissions based on electricity and gas consumption (tCO_2e) at 150 Cheapside office (2019-2025)



Source: Federated Hermes, Knight Frank as on 31 December 2025.

Figure 7. Energy (electricity and gas) kWh/m^2 at 150 Cheapside (2019-2025)



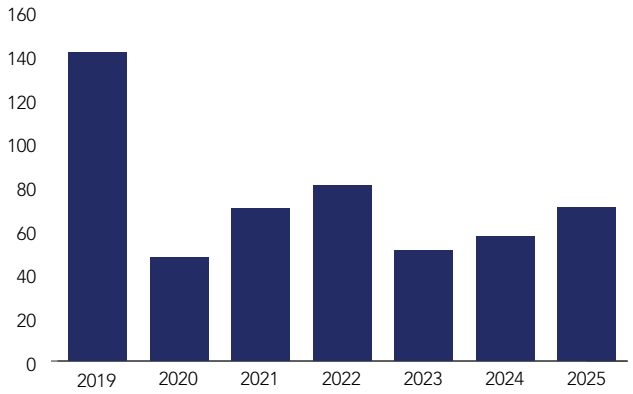
Source: Federated Hermes, Knight Frank as on 31 December 2025.

[9] A restructured and improved process for data collection and alignment has allowed for a new evaluation of our data and some historic figures, including baseline data have been updated.

This year, we also report on our energy consumption by office floor area for the 150 Cheapside office. For 2025, we report 101 kWh/m^2 in terms of consumption. This is a 31% reduction on the 2019 baseline year, for which we report consuming 147 kWh/m^2. The inclusion of the metric allows for a consistent method to compare performance across different buildings, which will help to inform our decision making.

Waste[10]

Figure 8. Total waste kg/FTE at 150 Cheapside (2019-2025)



Source: Federated Hermes, Knight Frank as on 31 December 2025.

As a result of our waste management practices at 150 Cheapside, a reduction in waste volumes has been achieved, both for the total waste and the quantity of waste per FTE. In 2025, a 50% reduction was seen in waste compared to the 2019 baseline with 70 kg of waste/FTE being reported. In 2026, we plan to further advance waste management as part of our EMS and improvements to the monitoring and measurement of waste are being explored.

Travel emissions metrics

One of the key risks identified by EMS and the CNWG in relation to climate is company risk from operational emissions, notably travel emissions.

We report emissions for corporate travel by rail and air. Our 2019 baseline was 3.8 tCO_2e/FTE.[11] In 2025, our per capita emissions from business-related travel were 2.9 tCO2e/FTE showing a 25% decrease from the 2019 baseline and as anticipated, absolute CO_2e has fallen, showing an 0.43% decrease as the business grew and entered a period of increased activity. In 2025, our absolute corporate travel emissions were 1832 tCO_2e. As well as including our reported emissions for corporate travel by rail and air, we have also included estimated travel emissions based on a per capita average for those colleagues for whom we do not have travel data. We describe earlier in relation to our Travel Policy how we are seeking to identify opportunities to reduce travel emissions in the future.

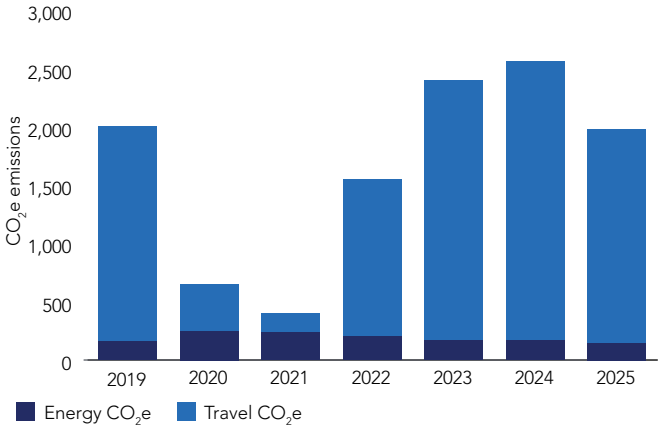
We will continue to monitor our travel emissions by working with our travel provider to identify opportunities whilst still facilitating effective business operations. These opportunities include further changes to the travel policy and further use of technology. As well as measuring its GHG emissions, Federated Hermes aims to offset its Scope 1 and Scope 2 emissions and corporate air and rail travel emissions.

[10] Energy and travel data relate to all offices. Waste relates to only general and dry/mixed recycling at 150 Cheapside, London.

[11] Due to the aforementioned restructured and improved process for data collection and alignment that has allowed for a new evaluation of our data and some historic figures, this baseline figure has been updated.

Travel & operational emissions metrics

Figure 9. Travel and building emissions (tCO_2e) (2019-2025)



Source: Federated Hermes, Knight Frank and Reed & Mackay as on 31 December 2025.

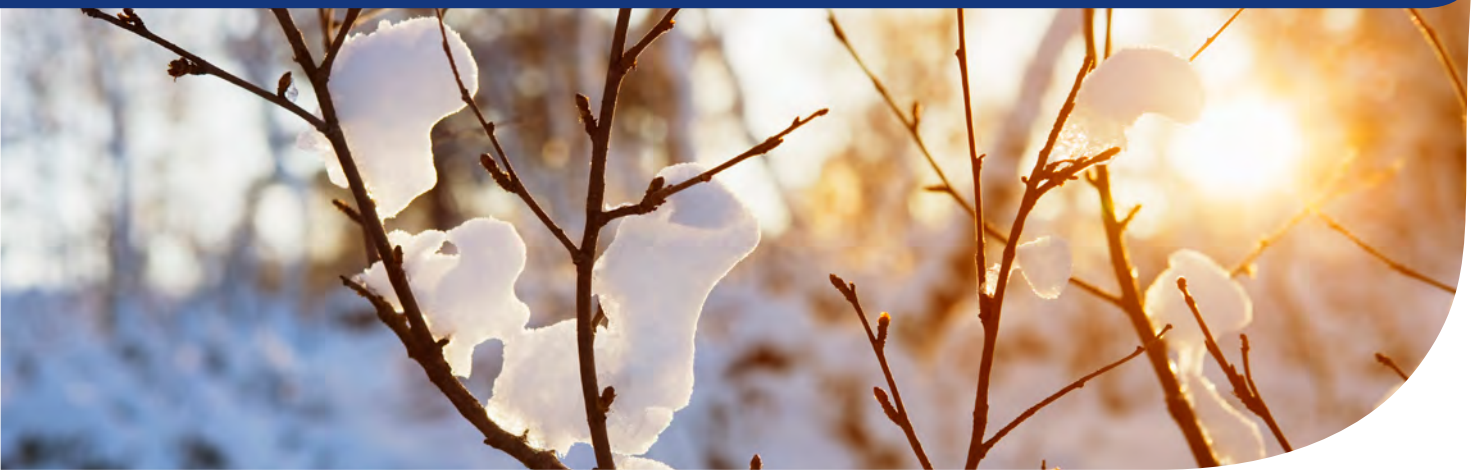
We continue to report our combined building and travel emissions and in 2025 we reported 1,837.47 tCO_2e emissions from all of our offices and corporate travel – a 0.45% decrease in our emissions in 2019. Please see above for information on reported versus estimated data. The historical data in the figure above, including the baseline year, has been re-evaluated because of the restructured and improved process for data collection. We have worked with our environmental consultants to revise the historical data to align as closely as possible with the principles of the Greenhouse Gas Reporting protocol.

Offsetting

In calculating our 2025 offsets, we have included reported or estimated emissions for all of our offices, including those outside of the UK. As with the reporting of our operational emissions, we use a location-based methodology to calculate the operational emissions for our offsetting, meaning that we calculate the total using grid intensity and do not factor in that our landlord purchases renewable data for our head office. We have also included reported air and rail travel emissions for Federated Hermes employees.

We work with external partners to acknowledge and address the impact of our unavoidable emissions through use of carbon offsets. To offset our 2025 operational and travel emissions, we will be investing in offsetting projects to remove a total of 1,837.47 tCO_2e. At time of reporting, we are still in the process of finalising these projects.

Advocacy



We believe that policymakers have a key role to play in determining the investment risks and opportunities relating to climate change and nature. We recognise there may be situations in which companies are hampered in how fast they can transition their businesses to be Paris Agreement-aligned, because of either competitive disadvantage created by moving faster than peers, or other market-based barriers. We engage constructively with regulators and policymakers globally where appropriate and subject to local law to share perspectives and to address instances in which features of financial system may prevent it from operating in the best pecuniary interests of its ultimate asset owners. We advocate for solutions to overcome these barriers and help facilitate an economy-wide transition to a net zero emissions, resilient and nature positive economy in order to further pecuniary opportunities. We also engage in industry discussions to advance best practice in assessing and mitigating climate and nature risks.

We often engage directly with regulators and policymakers and aim to be a progressive and constructive voice in the debate. We engage on regulation relating to the investment industry and the assets in which we invest. We contribute to policy and market best practice discussions both directly and in collaborative initiatives.[1]

We have a dedicated advocacy team within our Responsibility Office. EOS also has a comprehensive programme of engagement with legislators, regulators, industry bodies and other standard setters to help shape capital markets. We also have a Government Affairs team which oversees the firm's public policy activity. Our investment teams contribute their expertise through collaboration with the Responsibility Office and EOS, as well as direct involvement in external industry initiatives. The result is an advocacy approach that aims to lead rather than follow the policy debate. Given the global nature of our investments, this work spans asset classes and geographies.

We are a member of a number of industry bodies and initiatives around the world on climate and nature issues. Through these initiatives we engage with others both within and beyond the investment industry to promote responsible investment, including ways that the industry and our investees can respond to market-wide and systemic issues such as climate change and nature. Colleagues from across the business – including the Responsibility Office, EOS, Government Affairs, Risk and the investment teams – take on advisory roles in a number of such initiatives to share our practical expertise.

Increasingly, in partnership with such initiatives, we expect to prioritise country-level engagement in order to contribute perspectives regarding Nationally Determined Contributions (NDCs), National Biodiversity Strategies and Action Plans (NBSAPs) and national policy on climate and nature issues, including deforestation, and therefore create an enabling environment for corporates. This in turn should also benefit our clients and their end beneficiaries through the mitigation of climate change and nature loss in order to further pecuniary goals including maximising risk-adjusted investment returns over time.

Under 'Our Investments – Strategy & Risk Management' section, we set out our risk identification and prioritisation process, which also influences our advocacy priorities.

Climate

Looking beyond investment and stewardship, we believe that policymakers have a key role to play in catalysing the investment opportunities and mitigating the investment risks related to climate change. In 2025, climate-related issues were a primary focus of our advocacy work, culminating in our attendance at the UNFCCC COP30 summit in Belem, and supporting events in São Paolo.

[1] Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert, and all of these actions are understood to deliver enduring, responsible value for our clients. Furthermore, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.

COP30: From climate ambition to implementation

Ten years on from the landmark 2015 Paris Agreement, expectations were high for the Amazon-based COP30 to deliver concrete steps for multilateral climate action against a fractured geopolitical backdrop. Held at the inflection point between the UN's decade of ambition (2015-2025) and the decade of implementation (2025-2035), it was hoped that participants would be able to agree a road map for a global transition away from fossil fuels.

Our delegation to COP30 led by our CEO, Saker Nusseibeh CBE, engaged with policymakers, industry, and civil society in the Blue Zone – the official negotiating area in Belém under UN jurisdiction – and the summit's side events, which were spread between Belém and São Paulo. The core positions for which we advocated were: translating national commitments into investable sector transition plans; scaling blended finance; protecting forests and biodiversity; agreeing adaptation funding; and delivering a just transition that ensures transition policies meet citizens' core needs.

Our key messages for policymakers:

- **Bridge ambition and implementation** – Translate national climate goals into investable projects and predictable frameworks that attract long-term capital, particularly policy-backed, strategic sector transition plans.
- **Enable and reward credible and resilient transitions** – Focus regulation and incentives on measurable progress and real-world impact that deliver on citizens' core needs and incentivise growth in line with planetary boundaries, not just targets.
- **Scale blended finance** – Combine public and private funding to de-risk transition and nature-positive investment, particularly in emerging markets, including through strategic deployment through sector transition planning.
- **Protect forests and biodiversity** – Embed deforestation-free and nature-positive criteria in national transition plans and finance frameworks.
- **Agree adaptation funding and measurement models** – Integrate the Global Goal on Adaptation (GGA) adopted at COP28 into transition planning through clear measurement and funding models, resolving the prisoner's dilemma of who pays for adaptation across the private and public sectors.
- **Deliver a just and inclusive transition** – Ensure that climate and nature policies create economic and social benefits for communities and maintain their democratic consent, especially in emerging markets.

What was achieved at COP30?

The UN's latest emissions gap report[2] states that the world is likely facing a global temperature rise of 2.8°C this century, well-above the Paris Agreement goal. Adaptation to the physical impacts of climate change was therefore a priority topic at this COP, concluding the Baku Adaptation Roadmap and emphasising the role of scaling international climate finance into adaptation. The final COP30 agreement ultimately saw countries call for "efforts to at least triple adaptation finance" by 2035.

While the language falls short of the binding commitments sought by developing nations, including small island states, the agreement secures adaptation finance as a key topic for subsequent COPs. Alongside progress on mitigation finance following on from the Baku to Belém Roadmap, this raises prospects for blended finance instruments to play a more significant role as a catalyst for mobilising and scaling private finance behind climate and nature opportunities, especially in emerging markets.

Where next?

COP31 will be hosted by Turkey and presided over by Australia. We expect that the funding of mitigation and adaptation mechanisms will be the centrepiece of international negotiations, while the nature and just transition workstreams will require continued development. Extending our focus on sector transition plans in 2025, we also expect Australia to elevate the focus of sector transition planning in its pre-COP31 roadshow of countries, in a bid to respond to the call for investable NDCs.

For more information on our attendance at and reflections on COP30, please see the latest EOS Annual Review.

While COP30 was a critical anchor point for our advocacy programme, 2025 also reflected the strengthening of our strategic climate policy advocacy in key jurisdictions. This included defining our strategic advocacy messages and identifying how we could contribute to the policy environment with the most impact.

We worked closely with the Institutional Investors Group on Climate Change (IIGCC) to develop a set of principles for governments drawing up sector transition plans to scale transition finance, including sitting on a dedicated investor working group. The principles, published in February 2025, outlined the importance of sector transition plans being credible and useful, underpinned by public policies that support a commercial sectoral transition, and accompanied by financing mechanisms that catalyse the investability of climate opportunities.

[2] UNEP, "Emissions Gap Report 2025" (November 2025)

In February, we were appointed to the Transition Finance Council – co-launched by the UK Treasury and the City of London Corporation – as a member of the working group on sector transition plans. We subsequently lead authored guidance on the development of sector transition plans in the Finance Playbook. The playbook describes practical steps for how government, industry, and finance can work together to close the finance gap and accelerate the transition, with sector transition plans as the vehicle for implementation. It also provides a structured approach for deploying blended finance most effectively.

We have subsequently disseminated this UK government-focussed work internationally through a series of group and bilateral meetings with governments and related bodies through 2025, including Australia, Brazil, the European Union, Mexico, Norway, South Korea, and Japan.

In parallel with this real economy, sectoral policy focus, we have continued to actively support high-level climate policies that provide investors with confidence over the long-term policy environment. For example, amidst political headwinds, we wrote to both the president of the European Commission and an influential member of the European Parliament, expressing our general support for the proposed amendment to the EU climate law, which would set a target of reducing the EU's emissions by 90% by 2040 versus 1990 levels, providing long-term visibility to investors and companies over the shape and pace of the transition. We also highlighted the importance of underpinning any such target with real economy policies that will build investor confidence and enable and de-risk transition investments. Subsequently, the European Parliament, European Council, and European Commission agreed the 2040 climate target.

Through our pre-COP30 advocacy, we also amplified our engagement on integrating nature into climate policy. For example, we engaged with the UK and Brazilian governments via the Investor Policy Dialogue on Deforestation and discussed the importance of halting deforestation and other drivers of nature loss as part of tackling climate change.

Nature

Nature degradation and biodiversity loss pose material risks to many of the companies and assets in which we invest. It is not always within the control of individual companies to fully mitigate their exposure, given that nature-related risks are systemic and complex. In line with our fiduciary duty, we therefore engage on policy and market best practice developments to support measures to mitigate nature-related risks and impacts, as well as to capture the opportunities for enhanced resilience and value creation.

Following our attendance at the Biodiversity COP16 summit in Colombia in 2024, our policy and market best practice engagement in 2025 has continued to centre around the implementation of the Global Biodiversity Framework (GBF) at the national level, including through an increased focus on nature transition planning.

Global Biodiversity Framework

Resumed COP16 Session

We attended the resumed session of COP16 in our capacity as co-chair of the Finance for Biodiversity Foundation's policy advocacy working group. Ahead of the session, we called on governments to:

- Adopt a resource mobilisation strategy that includes concrete actions to enable the alignment of financial flows and close the nature funding gap.
- Secure a robust monitoring framework with meaningful indicators to create accountability and track government progress on implementing the Global Biodiversity Framework (GBF) targets.

We followed the negotiations on the resource mobilisation strategy and the monitoring framework. We also engaged directly with several negotiators, including those from Switzerland, the UK, and Norway, during the course of the session in Rome to exchange views. The resource mobilisation strategy and the monitoring framework were adopted following three days of resumed COP16 negotiations in Rome.

UK National Progress Report Call for Evidence

The Finance for Biodiversity Foundation was asked to submit a response to the Convention on Biological Diversity's seventh National Progress Report Call for Evidence about the UK's progress on implementing the Global Biodiversity Framework (GBF). We provided input to this response through the Finance for Biodiversity Foundation UK policy sub-group.

The response focused on the four GBF targets that are most relevant to private finance: 14 (mainstreaming of nature across policymaking and aligning financial flows with nature targets), 15 (assessment and disclosure requirements for companies and financial institutions), 18 (subsidy reform), and 19 (financing of nature protection and restoration).

For targets 14, 15 and 19, the response indicated that progress has been made but at an insufficient rate. For target 18, the response indicated that there has not been significant progress. Evidence and suggestions for opportunities to strengthen GBF implementation were outlined for each of the focus targets.

Our recommendations included adopting a whole-of-government approach to address nature loss and the impacts it will have across sectors, and the need to develop sectoral transformation pathways with supporting policies to guide private sector action. It also emphasised the importance of continuing to focus on reducing financial flows and economic activities that are currently harming nature alongside increasing financing for nature. The response recommended proceeding with the adoption of the UK's deforestation due diligence law and implementing biodiversity net gain regulations without further delay. All countries' progress towards implementing the GBF will be reviewed during the global stocktake at the Biodiversity COP17 in Armenia in October 2026.

UK Government's Land Use Consultation

We responded to the UK Government's Land Use Consultation, encouraging the Government to include companies and investors, alongside landowners and farmers, in the discussion around land use change. We questioned how the Government's proposed land use change would affect food production, and thus supply chain resilience for consumer goods companies.

We encouraged robust multi-level governance that supports supply chain resilience within the food system through the inclusion of clear and consistent signalling, and policies and incentives to support farmers during the transition to sustainable agriculture (including multifunctional land uses) over the long term. We also suggested that the Government could consider mandatory nature-related disclosure and incentivisation structures to drive insetting by companies.

We contributed ideas to accelerate the delivery of the GBF's "30 by 30" commitment. We also suggested that the Government could develop a framework for sectoral pathways that holistically address nature and climate. The consultation responses are under review and will inform the Treasury's guidance on transition planning.

Nature Transition Plans

TNFD Discussion Paper on Nature Transition Plans

FHL and EOS jointly submitted a consultation response to the Taskforce for Nature-related Financial Disclosures (TNFD) discussion paper on nature transition plans. We strongly recommended that the TNFD's overall approach should focus on integrated nature-climate transition plans, rather than exclusively nature transition plans, and that the TNFD should develop guidance related to this. We provided recommendations to clarify and enhance provisions related to the disclosure of relevant activities by financial institutions.

We also suggested a greater emphasis on the inclusion of engagement around human rights and just transition, and how and when that might be facilitated during the development of transition plans. We recommended more robust discussion around governance and disclosure regarding nature-related lobbying.

Finally, we recommended emphasising that biodiversity credits should only be used as a last resort, and expressed our support for aligning with guidance from the International Advisory Panel on Biodiversity Credits. Following the consultation, the TNFD published its Guidance on Nature in Transition Plans,[3] which encourages integrated climate and nature transition plans.

Australian Treasury Consultation on Proposed Transition Planning Guidance

We also responded to the Australian Treasury's consultation on its proposed transition planning guidance. We suggested that the Government should actively encourage and support the development of integrated climate (transition and adaptation) and nature transition plans.

Additionally, we recommended that the guidance should highlight how transition plans can support government in identifying the necessary policies to deliver national transition, adaptation, and nature goals. We also reiterated our suggestion that government can develop sector transition plans as vehicles for this engagement and implementation with industry.

Given Australia's national climate and nature goals under the Paris Agreement and the Global Biodiversity Framework and subsequent policymaking, we suggested that investors and companies would benefit from greater clarity in the guidance over the suggested ambition of transition plans. We provided suggestions on how the government could do this while recognising commercial constraints. Following the consultation period, the government published a Land Use Framework in March 2026.

Deforestation

EU Deforestation Due Diligence Regulation

We signed a joint private letter to the European Commission to encourage prompt implementation of the EU deforestation due diligence regulation, without further delays. The letter was signed by 31 investors, representing US$6tn in assets under management or advice. The letter highlighted the financial materiality of deforestation-related risks to companies and investors. It said that calls to further delay or weaken the regulation sent counterproductive signals to the business community and eroded the legal and economic certainty that businesses and investors need. It also discouraged the addition of a "zero risk" country category for deforestation. Following the letter, businesses were given one additional year to comply with the new rules, and some other elements of the regulations were simplified.

Oceans

Deep-seabed mining joint statement

In July 2025, a group of 40 financial institutions, including FHL, reissued a joint statement urging governments to protect the ocean and to not go ahead with deep-seabed mining until the environmental, social, and economic risks are comprehensively understood, and alternatives to deep-sea minerals have been fully explored.

The signatories reissued the statement ahead of the 30th International Seabed Authority (ISA) Assembly on 21-25 July 2025. The statement was initially published in 2023 and, since then, the position of the signatories has not changed. The ISA Assembly closed without approving a mining code, effectively ensuring a pause on deep-seabed mining activities, marking significant progress for sustainable ocean stewardship. The outcome follows mounting global concerns about the environmental, social, and economic risks of exploiting seabed ecosystems.

[3] TNFD, "Guidance on nature in transition plans" (November 2025)

Our investments – Strategy and Risk Management

As a responsible owner and investor, the way we engage and invest is key to our climate approach. On a day-to-day basis the management of risks and opportunities that arise from the transition to a resilient, net-zero and nature positive economy is led by our investment, engagement and advocacy teams with this work supported and coordinated by the Responsibility Office and the Climate and Nature Working Group. All investment strategies in scope of this report incorporate consideration of climate-related risks and opportunities. As described later in this report, the implementation approach is tailored to each asset class, and jurisdiction, particularly when engaging on behalf of U.S. clients and for U.S. issuers, where fiduciary duties and/or applicable law may require a modified approach and some of our strategies layer additional approaches on top of this.

Our assessment of, and response to, the systemic risk of climate change spans our top-down investment risk analysis, our asset-level analysis and our engagement activities. We integrate consideration of climate-related risks across all investment strategies in scope of this report. Through our advocacy and engagement work we seek to play our part in mitigating climate risk at both a systemic and asset level.

In this section we describe how we identify, assess, monitor, and manage climate-related risks, and how this is integrated into our overall investment risk management processes.

We also describe how we are developing our approach to identifying, assessing, monitoring, and managing nature-related impacts, dependencies, risks and opportunities.

Our integrated approach to managing climate and nature risk and opportunities is based on our belief that we can create positive feedback loops between investment and stewardship. This should help reduce climate- and nature-related risks and maximise the opportunities for the companies and assets in which we invest.

Investment risk management

Risk prioritisation

We consider all material investment factors, including risks and opportunities related to climate change and nature. A risk is considered material if it ultimately impacts the financial performance of an investment. While the most pressing material risks are those that will crystallise in the short term, we are long-term investors that strive to deliver enduring wealth, responsibly for our end investors. This means that our definition of materiality is necessarily wider and takes into account risks that may become material over a longer timeframe.

With regards to climate risk, our investment teams analyse the potential impacts on investments in the short, medium, and long term to identify material risks and opportunities. Understanding climate risk and opportunities (in particular for companies in carbon intensive sectors or sectors that provide solutions) is therefore a key part of our investment analysis.

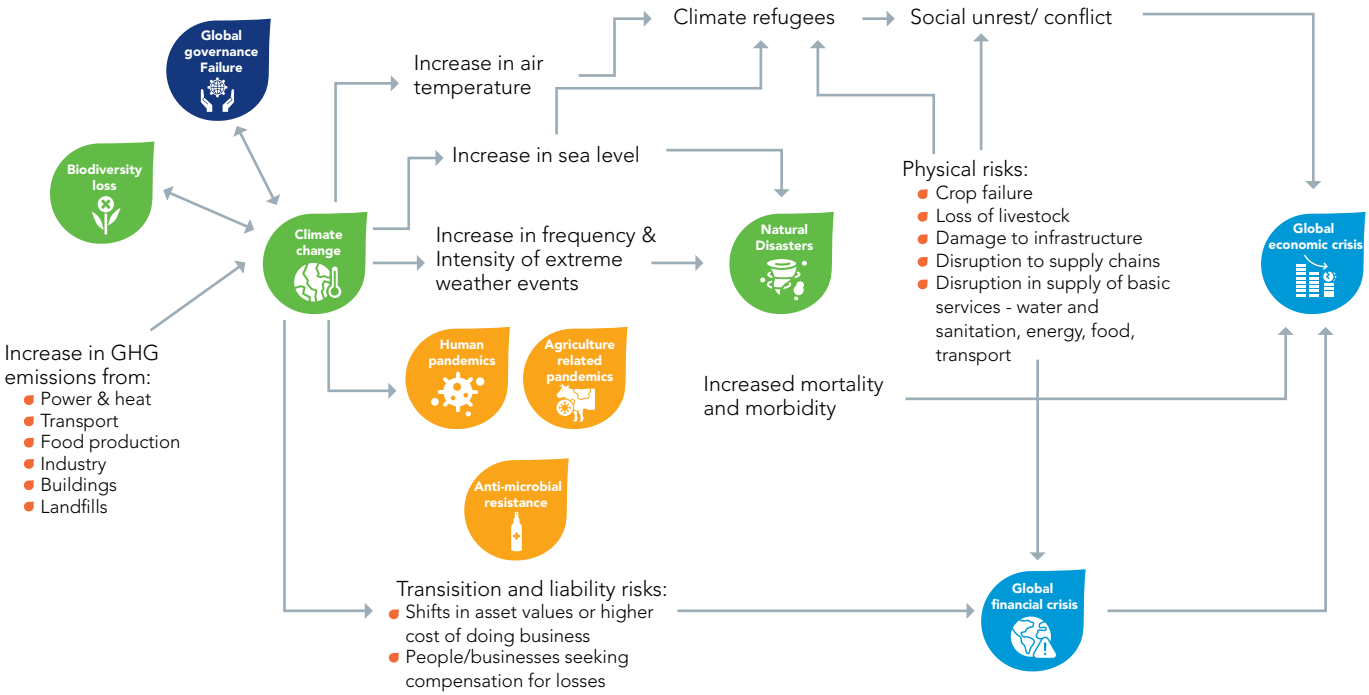
The systemic nature of the risks posed by climate change and nature degradation require a tailored approach to risk identification and mitigation. To truly address risks, multilateral action will be required to provide solutions. Asset managers, alongside other stakeholders, must play a role in mitigating these systemic risks to ensure a well-functioning financial system, which is key to our being able to generate enduring, responsible wealth for our clients.

We seek to take an integrated systems-based approach and prioritise and respond to the risks that are most likely, impactful and interconnected in nature. The key climate- and nature-related risks we take into consideration across our investment risk, engagement and advocacy work are informed by the latest research from the World Economic Forum Global Risks Report and academic research.[1]

[1] World Economic Forum, "Global Risks Report 2025" (January 2025)

The figure below illustrates the interconnectedness of climate change action, one of our top engagement and advocacy themes, with a range of other issues.

Figure 10. Cambridge University diagram of the cascading effects between systemic risks



Source: University of Cambridge and Citi GPS Systemic Risk Paper, as at 30 April 2021.

This systems-based approach informs all three elements of our strategy – ESG-integrated investments, engagement, and advocacy. We undertake a horizon scanning exercise every year which consists of a review of recent academic reports to ascertain the key climate- and nature-related risks to take into consideration across our engagement work.

When prioritising topics for our public policy advocacy, climate and nature are consistently high priorities due to the systemic nature of the risks and the scale of potential impacts on investments. We also receive feedback from clients and our investment teams that this is a priority for public policy engagement. Our advocacy activities are described in the' Advocacy' section earlier in this report.

Climate change is one of the key medium- to long-term risks that we factor into our investment analysis and engagements. We also recognise that it is becoming more relevant over shorter timelines. Engagement will be prioritised based on the materiality of financed emissions, the size of our investment and the degree of misalignment to the goals of the Paris Agreement. Whilst we recognise the systemic nature of climate risk, we also recognise that our assessments must be tailored to individual companies or assets as the risks they face will be impacted by factors such as sector, geography, and business model. Taking an active approach is a central part of our investment proposition.[2]

During 2025, nature-related issues also continued to be a priority in our engagement and advocacy activities. In our investment activities, all of our investment strategies integrate consideration of material environmental, social and governance issues. We have also advanced the portfolio analysis of our impacts and dependencies on biodiversity with the investment teams primarily using the GIST dataset. Evidence of this can be found in the Metrics & Targets section.

Risk identification

It is the responsibility of our investment teams to effectively integrate relevant and material ESG factors and, where applicable, insights from engagement into their investment processes. The investment teams identify and assess material sustainability risks and opportunities at both industry and issuer level, in order to identify areas for deeper analysis that are specific to the issuer. Each investment team integrates this in a bespoke approach that is compatible with their investment process and style, building on the baseline approach for each asset class that we set out below to identify and mitigate material climate risks. Our fund managers have discretion on all investment decisions. We believe that ownership of this process by our investment teams, with the support of the Responsibility Office, ensures that material sustainability factors including climate considerations are fully integrated into investment analysis and decision making rather than considered in a siloed manner.

[1] World Economic Forum, "Global Risks Report 2025" (January 2025)

[2] We adjust our approach in different jurisdictions to accommodate differences in local laws and regulation.

The investment teams stay informed through internal information sharing, discussion and debate across and between teams, and through more formal initiatives such as our Sustainability Investment Centre (SIC). The SIC supports the development of our firm's responsible investment capabilities. It facilitates monthly conversations between teams across the business to pool the best ideas in the sustainable space and supports our focus on enduring, responsible wealth creation.

The ESG Integration team within the Responsibility Office also works closely with all the investment teams to help identify material sustainability issues, including those related to climate and nature, that are specific to the investment manager's strategy. The ESG Integration team organises sector-level knowledge-share sessions between EOS and the investment teams and also works with the investment teams to develop frameworks which assess the materiality of sustainability risks at the company level. Finally, the ESG Integration team obtains data from third-party providers to help analyse sustainability related risks and opportunities including relating to climate and nature. Some of these datasets are supplemented in our proprietary tools by insights gleaned from our engagement with the company and are also used by analysts and engagers in their company research and portfolio analysis.

Monitoring this informs our engagements, while engagement insights inform our investment decisions where applicable.[3] Our fundamental research benefits from our ongoing dialogue with investees, as well as that between our public markets investment teams and EOS. We invest time and resources to encourage companies to strengthen their governance of climate change related issues, give our views on strategy to implement business models that are aligned with the Paris Agreement and encourage companies to take a long-term view on identifying and mitigating transition risk. The depth and breadth of engagement carried out by our public markets stewardship team in EOS is significant, therefore enabling a more informed assessment of company positioning in relation to peers. The insights we glean from these interactions help us to better understand a company's complex strategic challenges.

We aim to understand both a company's contribution to climate change and its exposure to related risks and opportunities, which should allow us to play a role in encouraging firms both to mitigate transition risk and to reduce the systemic risks arising from climate change by lowering their emissions, ultimately helping us to serve our clients.[4] Through our risk management approach described below, our investment teams are able to assess the potential size and scope of identified climate- and nature-related risks.

The Risk team is responsible for the daily oversight of market risk across Federated Hermes, as well as the oversight of the underlying portfolio managers' adherence to their pre-defined/client-agreed investment processes. All our investment activity is supported by our Risk team and Responsibility Office, which operate and function independently from the investment teams, with separate independent reporting lines, and management information flow through the governance structure to the GOC and, ultimately, the Boards of our regulated investment managers. Regular meetings are held with the investment teams to ensure proper coordination and integration of sustainability factors and engagement insights.[5] The Risk team has also been effective in providing a second line of risk management as new issues emerge.

In the following sections, we describe our approach to managing climate- and nature-related risks and opportunities by asset class. Each asset class has a tailored approach to identifying, assessing, and seeking to mitigate climate-related risks. We describe our approach to scenario analysis, where applicable. We set out our asset class-level targets used to manage climate-related risk within our investment management activities. We also detail our carbon footprint coverage and present a range of metrics which we use in order to understand the company's exposure to climate- and nature-related risks and opportunities. These metrics have been selected on the basis of what is most appropriate to our business and to the asset classes we manage.

We undertake carbon foot printing for the following asset classes:

- Listed Equities and Fixed Income
- Real Estate
- Infrastructure
- Real Estate Debt
- Private Equity
- Direct Lending

Approach to Controversial Activities

Our Approach to Controversial Activities is contained within our Responsible Investment Policy, which is reviewed and updated annually. The Approach has been developed to further our business purpose of creating enduring wealth responsibly for investors. Consistent with our broader goals of providing investors a decent standard of living and protection from unexpected financial shocks, as well as a sustainable environment and just society in which to live, the intent of our unique Approach is to enhance the performance we deliver for investors, holding ourselves accountable to clients and their investors for the results of our stewardship and sharpening the focus of our investment teams on enduring wealth creation.

[3] For those investment portfolios managed by HFMIL where discretionary investment management has been delegated to Federated MDTA LLC, engagement insights are not incorporated into the investment process, given their fully quantitative investment approach.

[4] All of our work in relation to 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

[5] For those investment portfolios managed by HFMIL where discretionary investment management has been delegated to Federated MDTA LLC, engagement insights are not incorporated into the investment process, given their fully quantitative investment approach.

There are four categories of controversial activities covered by the Approach:

1 **Mandatory excluded activities:** Investments in certain armament-related activities are prohibited by International Law or Conventions. We exclude these investments with no minimum threshold or exemption possible in any fund.

2 **Specific fund or mandate exclusions:** We exclude investments as specified in a fund or mandate's legal documentation.

3 **Highly controversial activities:** We carefully consider companies on a case-by-case basis whose activities are unlikely to form a constructive part of a future sustainable economy, for which investor stewardship is not expected to be effective and that we believe are likely to cause material financial risk to our clients. This includes activities such as thermal coal extraction and power generation and tar sands extraction.

4 **Other controversial activities:** Our Approach embraces engagement with companies whose activities may carry material risks to social or natural capital, but where we believe that stewardship can have a positive impact in significantly reducing or eliminating the associated financial risks to our clients. This includes activities such as the exploration, production, refining, transportation, storage and generation of fossil fuels.

In line with the fiduciary obligations of the Federated Hermes investment mandates, and with the exception of mandatory or client-specific excluded activities, portfolio managers will continue to have full freedom to make investment decisions in the context of the relevant client mandate. However, any investments in companies with activities that are considered highly controversial will be subject to a Transparency and Accountability Framework. The Transparency and Accountability statement lays out our investment case (including any engagement objectives) for the holding and explains why the portfolio manager believes that the holding is consistent with our aim to create enduring wealth responsibly.

Holdings of companies that undertake other controversial activities will be flagged on a quarterly basis to the investment teams via meetings with the Responsibility Office. The teams are expected to articulate how the company will be mitigating any risks the involvement in the controversial activity may present.

Assessing the resilience of our strategy under different scenarios

The most material climate and nature-related risks and opportunities to our business are related to our investment activities for clients. Our analysis is therefore focused on our investment activities, rather than the corporate entity itself. To date, Federated Hermes has undertaken scenario analysis for our public equity and credit, real estate, and infrastructure investments. The results of this scenario analysis are disclosed in the subsequent sections relating to the relevant asset classes. Due to the lack of disclosed data, we have not been able to conduct asset specific analysis for real estate debt, private equity, and direct lending investments. We do have an industry/sector level analysis we conduct for our private equity and direct lending assets that use averages to help us estimate value at risk. As data becomes more readily available, we hope to further our scenario analysis across these asset classes. We will continue exploring options on building climate resilience in our portfolios as we develop better tools to help us understand impacts and dependencies.

Procuring data to support implementation of our strategy

As discussed further in the Risk Management section of this report, our ESG Integration team obtains data from third-party providers to help analyse ESG related risks and opportunities including relating to climate and nature. Some of these datasets are supplemented in our proprietary tools by insights gleaned from our engagement with the company and are also used by analysts and engagers in their company research and portfolio analysis.

We use a number of external ESG data providers, as each data provider has developed their own methodology which can result in differing views and/or provide us with different aspects of the mosaic to holistically understand the risks and opportunities. Taking this range of views into account, along with our qualitative fundamental analysis and insights from engagement by EOS or the investment teams, helps us to form a more comprehensive view of the company on sustainability issues. As part of our ongoing research into assessing sustainability within companies we have spoken with a number of data providers on their frameworks and how these are applied to companies and sectors. Having worked with data providers over many years we are able to critically assess the strengths and weaknesses of the approaches and feed this insight back to the service providers.

To support the assessment of nature and climate related risks, we work with a number of specialist data providers. These include Forest IQ, which we use to analyse exposure to commodity driven deforestation, GIST Impact, which provides nature and biodiversity data, and Planetrics, which supports our assessment of climate transition and physical risks. We have used GIST Impact biodiversity data to assess biodiversity risks at both company and portfolio level, drawing on the ENCORE framework to consider impacts and dependencies on nature. This analysis includes assessing key drivers of biodiversity loss, conducting asset level proximity analysis to biodiversity sensitive areas, and evaluating location based water risk. The outputs are used to identify high risk exposures and to inform the prioritisation of nature related risks within investment analysis and engagement. We also engage with data providers when we identify incorrect information. Over the course of 2025, we have continued to engage with data providers around data quality and are seeing an improvement in their data quality practices. In parallel, we are investing in strengthening our own data quality controls, including the processes through which ESG data is ingested, curated and reviewed internally., which is led by our Responsible Investment Business Management team, alongside our technology and data governance teams.

The public market investment teams continue using impact data which allows us to identify investment opportunities. Some of the impact achieved through these investments have been included under the public markets section. The database draws on data from company, sector, and impact-related industry reports. It provides theme specific KPI outputs including, but not limited to megawatt hours (MWh) of renewable energy generated; metric tonnes of CO_2 avoided (Energy Efficiency); cubic metres of water saved (Water); and metric tonnes of food waste/loss avoided.

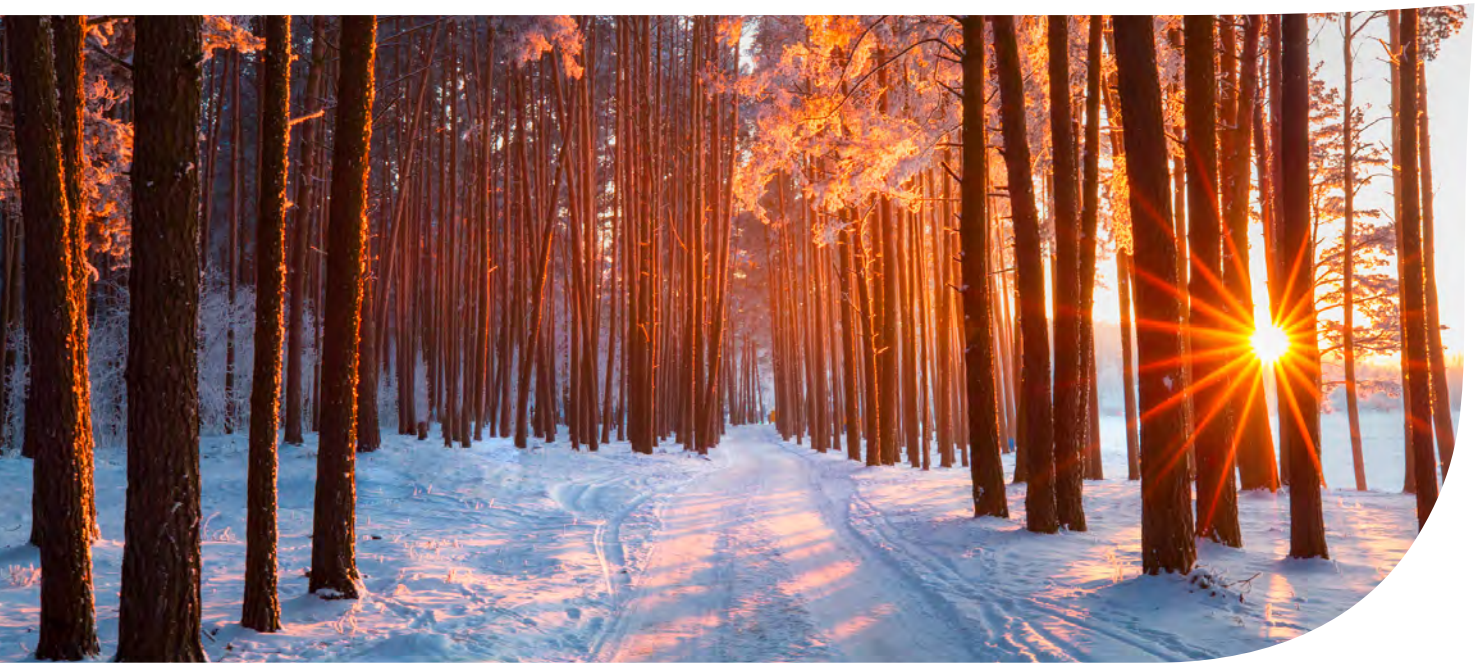
Public markets

Public equity and credit scenario analysis

In partnership with Planetrics, a company specialising in tools to quantify, manage and report climate impacts, Federated Hermes has been exploring scenario analysis across some of our investments. The tool allows us to assess transition and physical risks and opportunities related to climate change across different regions and sectors. Forward-looking data, such as that from scenario analysis, is becoming increasingly important to integrate into our investment decisions.

We have assessed our public market strategies using Network for Greening the Financial System (NGFS) scenarios version 4*.[6] It is worth noting that the scenarios forecast outcomes until 2050 hence some of the more severe physical risk impacts are not evident in the below analysis as these are set to occur post 2050.

- **Impacts of achieving Net Zero by 2050** - A scenario which limits global warming to 1.4°C through stringent climate policies and innovation, reaching global net-zero



[6] Network for Greening the Financial System, "NGFS Climate Scenarios for central banks and supervisors - Phase IV"

CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases. This assumes an orderly transition.

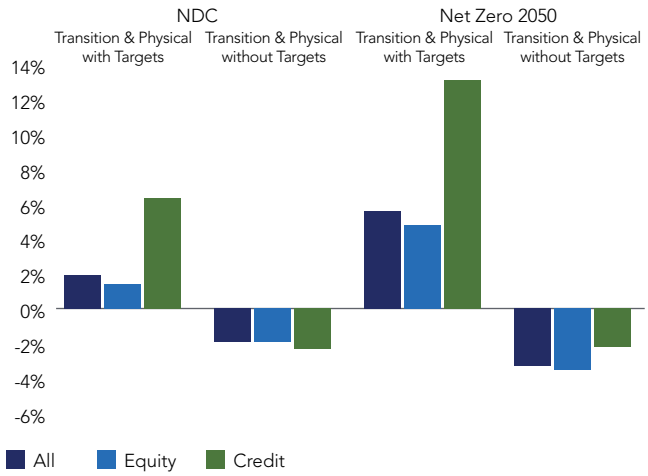
- **Impacts based on the current Nationally Determined Contributions (NDCs)** – A scenario in which all pledged targets are assumed to be implemented, even if they are not yet backed up by effective policies. Countries implement pledged policies in addition to current policies and keep their level of ambition beyond the NDC horizon. The cut-off date for targets being considered here is those published by the UN Framework Convention on Climate Change (UNFCC) until end of March 2023.

Ongoing workshops and training have been held with the investment teams, where necessary, to walk through the methodologies including any updates to the models and the data available to integrate into the investment analysis both at the company and portfolio level. The Responsibility Office also conducts portfolio and company-level analysis for each of our investment teams to discuss any risks and opportunities as part of some of the quarterly meetings between the ESG integration team and investment teams.

Where we do not have disclosures from a company, we have used estimated datapoints such as the carbon emissions from third-party data providers to help conduct the scenario analysis. The coverage of data for public equity holdings in our funds is 96.9% and for credit holdings in our funds is 89.6%.

The figure below shows the change in net present value (NPV) using two different scenarios for our public equity and credit funds. However, this change in NPV does not currently account for any climate targets set by the investee companies. If the investee companies were to meet any targets they have set, we find the value of our investment to increase by 5.3% under the Net Zero scenario and 1.6% under the NDC scenario by 2050. Through this analysis, we have identified names with the largest negative change in NPV, and we find that Anhui Conch Cement is our top detractor with the negative change in NPV being driven by direct carbon costs. The company has set climate targets, however, not enough to reduce the transition risk. We will continue to engage on our high-risk names on setting appropriate targets.

Figure 11. The aggregated percentage change in NPV across two NGFS scenarios for our public equity and credit funds by 2050



Source: Federated Hermes, Planetrics, as at 31 December 2025. This figure has been created by Federated Hermes Limited ("FHL") drawing on selected data provided by Planetrics, part of SLR Consulting (which does not include investment advice). This figure represents FHL's own selection of applicable scenarios selection and/or and its own portfolio data. FHL is solely responsible for, and this figure represents, such scenario selection, all assumptions underlying such selection, and all resulting findings, and conclusions and decisions. SLR Consulting is not an investment adviser and has not provided any investment advice.

The figure below further breaks down the change in NPV by different impact channels. These impact channels can be split into four categories which are:

- **Physical impacts** (physical impacts and adaptation)
- **Changes in revenues** (demand destruction and creation)
- **Changes in costs** (direct carbon costs and abatement)
- **Market impacts** (competition and cost pass through)

The main driver of valuation risk as a result of negative change in NPV is direct carbon cost for both public equity and credit, responsible for a valuation impact of 15% in a 1.5°C scenario by 2050.

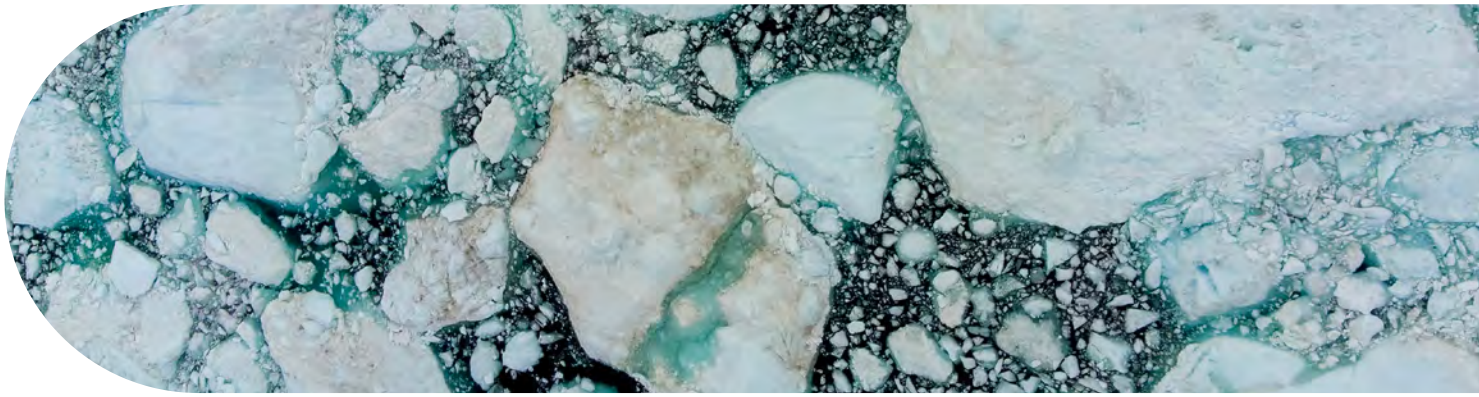
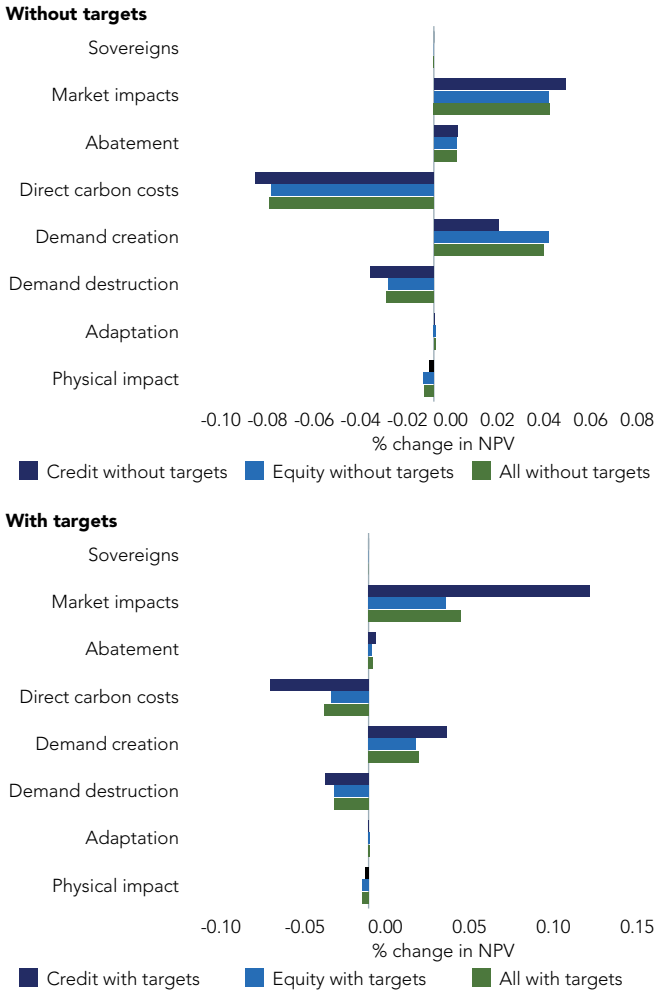


Figure 12. The percentage change in NPV for the 1.5°C alignment scenario, disaggregated across different impact channels for our public equity and credit funds by 2050



Source: Federated Hermes, Planetrics, as at 31 December 2025. This figure has been created by Federated Hermes Limited ("FHL") drawing on selected data provided by Planetrics, part of SLR Consulting (which does not include investment advice). This figure represents FHL's own selection of applicable scenarios selection and/or and its own portfolio data. FHL is solely responsible for, and this figure represents, such scenario selection, all assumptions underlying such selection, and all resulting findings, and conclusions and decisions. SLR Consulting is not an investment adviser and has not provided any investment advice.

We also have access to temperature alignment data from Planetrics. This is another lens to assess how prepared a company is for a net-zero world. The aggregated temperature alignment of all Federated Hermes' public equity and credit portfolios is currently 3°C. This figure is derived using a budget methodology which calculates carbon budgets based on the NGFS below 2°C scenario based on cumulative emissions from 2022 to 2050 across Scope 1, 2 and 3 absolute emissions.

Assessment and Integration

Our experience suggests that a systematic engagement approach, combined with tried and tested methods of escalation such as shareholder meeting interventions, is needed to accelerate change at companies. Driving change through engagement is one side of the coin – effective integration of stewardship insights into investment decisions is the other.

All of our public markets' strategies integrate climate considerations and, for active fundamental strategies, engagement insights into their investment processes and decision making. We believe in developing processes that are relevant to the investment strategy, and therefore, the method of this integration can vary by investment team.

The active fundamental investment teams have access to proprietary and third-party tools and datasets that support them to integrate climate risk management into their investment process. Engagement activities and voting information can be used by our teams to provide a forward-looking view of a company's performance on climate-related risks and opportunities. The information we gather through stewardship enables us to develop a more comprehensive view of both the climate-related risks and opportunities a company is exposed to and to factor this into valuations and investment decisions.

Climate-related data and engagement insights can be a component of a screen, a source of ideas, an input into fundamental analysis or an adjustment to valuation drivers and/or a portfolio construction factor.

To support all our investment teams, we continue to enhance our analytical capabilities through the development of proprietary tools, the integration of third-party datasets and participation in research. This enables us to further embed climate risk management across all stages of the investment process, from the inception of new strategies through to day-to-day portfolio management. Integration is facilitated by a combination of internal analytics and external data, providing insights across climate-related exposures including the assessment of transition and physical risk and wider environmental factors such as water, water and nature-related considerations. In addition, we have automated the ability to conduct our Paris alignment test at both the company and portfolio level, supporting out understanding of transition readiness and informing investment and engagement decisions. These capabilities are complemented by stewardship insights, including engagement information, which provide an additional forward-looking perspective and support ongoing monitoring and dialogue with companies.

Investment teams are responsible for conducting appropriate due diligence when they have identified material ESG risks, including any climate- and nature-related risks. That due diligence may include sourcing additional data and communicating with the investee company.

To further enhance and provide support to the investment teams, the Responsibility Office meets with each of the investment teams on a regular basis to discuss various sustainability topics including an analysis on the portfolio's exposure and understanding the progress on mitigating sustainability risks. These discussions may also consider how such risks have been integrated into the investment process and decision-making, including conversations with the investment teams on their consideration of the portfolio's (i) carbon exposure and (ii) the transition targets, and the progress of investee companies within the portfolio. Given our net-zero commitment, we monitor the progress of each public markets fund to determine whether each fund is increasing the proportion of Paris-aligned investments through engagement to understand the implications for our firm level targets. We use the framework set out in our Climate Action Plan to categorise investments.

Engagement activities and voting information can be used by the teams managing our active fundamental and private markets strategies to provide a forward-looking view of a company's performance on climate and nature risks and opportunities. The information we gather through stewardship enables us to develop a more comprehensive view of both the climate risk and opportunities a company is exposed to and to factor this into valuations and investment decisions.

Such assessments are not a one-off but rather form an ongoing feedback loop. The extensive nature of EOS' engagement allows us to better assess a company's position in relation to its peers and set engagement objectives that are aligned with best practice for the companies in EOS' engagement programme and the companies engaged by the dedicated engagers in the investment teams.

As well as accessing EOS' engagement portal – which includes the engagement history and progress against live objectives for companies that have been engaged by EOS or by the dedicated engagers in the investment teams – and discussing specific companies with the relevant EOS engager, portfolio managers can, and are encouraged to, attend engagement meetings with the engagers. The benefit of these joint meetings is substantial and results in more robust engagements that focus on the relevant and material sustainability risks and opportunities. Our investment teams also regularly discuss sustainability issues with company management directly.

Our Responsibility Office is tasked with monitoring and overseeing every investment team's integration approach. To that end, the Responsibility Office meets with every investment team on a regular basis to review the portfolio holdings from a sustainability point of view and flag, if necessary, particular holdings which our third-party ESG data vendors might have highlighted as controversial. As such, the Responsibility Office and the investment teams regularly use our proprietary sustainability and stewardship tools to review the sustainability performance and engagement coverage of holdings in our funds.

Whilst many of the tools and approaches we use are shared across our public market strategies, some of our strategies layer additional approaches on top of this:

- **Sustainable Global Equity Strategy:** The strategy aims to generate superior long-term financial returns by investing in companies that are aligned with achieving positive outcomes for society and the environment, and has a sustainable objective to achieve a reduced environmental footprint relative to the benchmark (in terms of reduced carbon, water and waste footprint). The team believe 'impactful', 'leading' and 'improving' companies all play a critical role in the transition towards a more sustainable future and are well-positioned to benefit from sustainability tailwinds. The strategy addresses four sustainable themes with each having a variety of investible sub-themes. Two of the overarching themes relate to the environment – environmental preservation and efficient production and resource usage – and two relate to society – health and wellbeing and social inclusion.
- **Sustainable Global Investment Grade Credit Strategy:** The strategy's dual objectives are to achieve superior risk-adjusted returns and a reduced environmental footprint relative to the benchmark (in terms of a reduced carbon, water and waste footprint) – these are not independent goals. The team seekvs to invest in companies that see value-creation in protecting the planet and which create products and services in a sustainable manner. The team uses their proprietary Sustainable Investment (SI) Score to assess the all-round sustainability of each issuer. The team also engages with companies to improve their impact on society and the environment.
- **Climate Change High Yield Credit Strategy:** The strategy aims to outperform the global high-yield market through high-conviction investment in companies with strong fundamentals that also demonstrate the potential to decarbonise and transition to a low-carbon world. Designed by the Sustainable Fixed Income team, our bespoke framework – the Climate Change Impact (CCI) Score – assess the likelihood that a company will play a role in the low-carbon transition. These scores are key to issuer selection and sizing within the strategy. Dedicated engagers in the Sustainable Fixed Income team, supported by EOS, seek positive action on climate change.
- **Global SMID Equity Engagement Fund and Global High Yield Credit Engagement Fund:**[7] Our Global SMID Equity Engagement strategy and Global High Yield Credit Engagement strategy seek to achieve a meaningful social and/or environmental impact as well as a compelling return through investing in and engaging with companies to drive positive change in line with relevant SDGs. The SDGs provide an ideal framework to identify ex-ante potential for creating positive societal and environmental change through engagement to create more impactful and sustainably profitable companies. Given the added focus on engagement for these strategies and bespoke holdings, we have dedicated engagers based in the relevant investment teams who focus solely on these strategies and work closely with EOS to ensure a consistent approach.[8] All investments are formally reviewed by the lead manager and lead engager, while the relevant analysts and team members also provide input. These meetings investigate whether the original engagement thesis is still valid and also measure progress towards any specific objectives.

[7] Formerly the SDG Engagement Equity Strategy and the SDG Engagement Credit Strategy respectively

[8] All engagement 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.

Engagement

Engagement is a crucial element of our approach to managing both climate change and nature-related risks and opportunities in public markets. All engagement 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.

Our approach to engagement is driven by our purpose and investment beliefs. We believe that the purpose of investment is to deliver enduring wealth creation, and that investing responsibly over the long term – through effective stewardship and the integration of material issues including sustainability factors – is the best way to sustain long-term outperformance and contribute to beneficial outcomes for investors. As a result, our engagement is outcomes-driven and focused on ensuring that the companies we invest in are aiming to deliver enduring wealth creation. We are able to engage on particular issues over multiple years to encourage fundamental change within our investee companies in public markets. We believe that this approach delivers the best results for our clients and end beneficiaries. The majority of our engagement in public markets is carried out by our stewardship team for public markets, EOS. The investment teams also carry out engagements themselves, and some have dedicated engagers to complement the investment strategy, such as in our Engagement funds (described above).

We adopt a systematic approach to identifying companies for engagement. We select companies and tailor the intensity of engagement based on the size of our investment, materiality of the risks and issues and feasibility of achieving change through engagement. As part of this process, we use our own proprietary carbon and environmental tools to systematically assess which of the holdings in our funds are exposed to material carbon and water-related risks, in jurisdictions where local law and applicable requirements allow, therefore material climate and nature-related transition risks. This informs the selection of companies for EOS' engagement programme. As we describe below, we also take into consideration our net-zero interim targets. Engagement coverage, including engagement on climate- and nature-related issues, therefore varies across our funds.

Our public markets dialogue with investee companies is primarily conducted through in-person meetings, calls, letters or emails, either individually or as part of a collaborative group. We see value in both direct and collaborative engagement, and it is the combination of both which helps us to influence issuers and borrowers and to carry out effective stewardship. Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert. Indeed, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration. More information on how we prioritise and conduct our engagements is available in our Stewardship Activities and Outcomes Report 2025.

Engaging on climate change

Engagement is a crucial element of our approach to managing climate change risks and opportunities – and climate is a specific engagement focus in EOS' public markets engagement programme. Where consistent with local law and applicable requirements, EOS aims for companies to have a business model consistent with achieving net-zero emissions and an effective transition plan to deliver this in line with the Paris Agreement ambition of 1.5°C.

Responding to client input and internal and external research, we increased our focus on requesting that companies publish climate transition plans aligned with the goals of the Paris Agreement. We also developed internal capabilities for the assessment of transition plans, which we see as providing insights to investment teams and for engagement on the credibility of company plans to navigate the energy transition. In 2025, EOS and investment team engagers engaged on 614 objectives that were linked to SDG 13 (Climate Action) for assets held in our funds.[9]

We also engage companies to ensure that their direct and indirect climate-related policy engagement is consistent with their strategy, climate ambitions, and the Paris Agreement. Climate change and the energy transition will also have significant impacts on society and therefore companies must explicitly consider how their actions, or lack of, on climate change will negatively impact stakeholders. Companies should seek to mitigate the social impacts of transition plans to streamline their delivery, manage core business risks, and contribute to a just transition. In 2025, we enhanced our

[9] These figures refer to holdings in our managed funds only.

dialogue with companies, regulators, and industry bodies on how best to catalyse climate opportunities related to surging AI power demand, including clean energy contracting, grid optimisation, methane abatement in supply chains, and management of related water and affordability issues.

We also engage companies on their exposure and vulnerability to the physical impacts of climate change. Each company must prepare for the chronic and acute climate change impacts that are already materialising. Climate change will continue to impact operations, supply chains and customers, with a long-term temperature increase of at least 1.5°C inevitable and higher increases likely. In 2025, we elevated our engagements on food and beverage companies' agricultural supply chains and how they are managing disparate physical risks, including the role of nature to foster resilience.

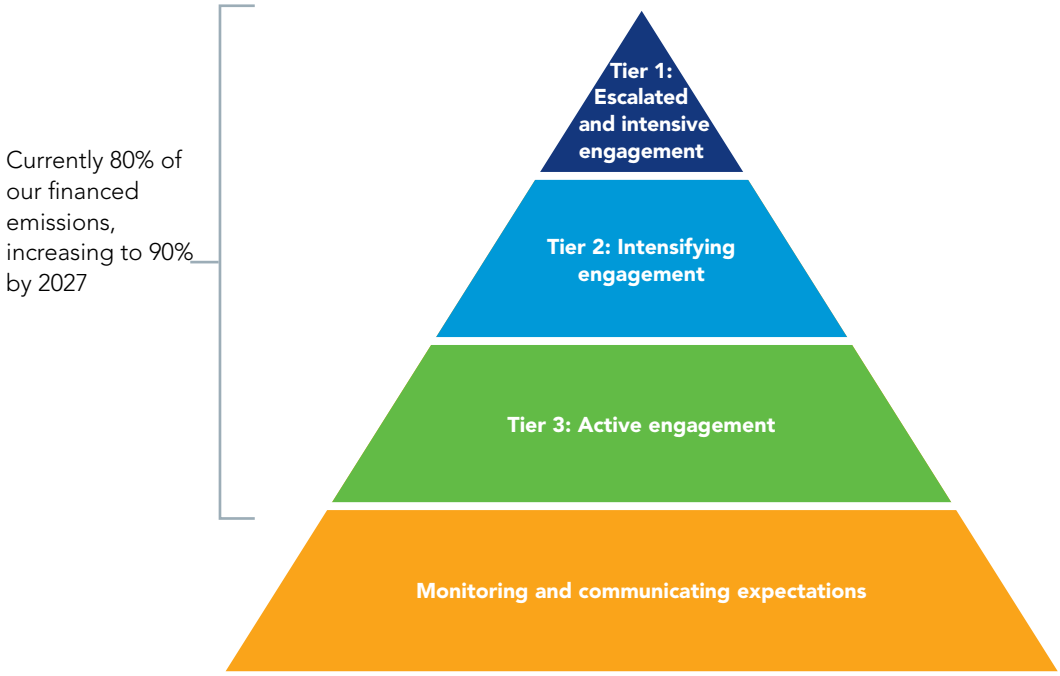
The International Sustainability Standards Board (ISSB) launched its first sustainability standards – IFRS S1 (general sustainability disclosures) and S2 (climate-related disclosures, aligned with the TCFD recommendations) – in 2023. As at 31 December 2025, 21 jurisdictions have adopted the standards on a voluntary or mandatory basis and 16 other jurisdictions have announced plans to adopt them in the future.[10] Given the prevalence of these standards, we encourage companies to employ scenario analysis under IFRS S1 and S2 guidance to assess exposure and vulnerability to material risks. Subsequently, this analysis may be leveraged to develop and disclose adaptation and action plans that demonstrate enterprise resilience to the physical impacts of climate change in a range of climate scenarios. Companies should consider emergency and pre-emptive actions set in the short- to medium-term and demonstrate financial awareness of physical risks. Physical risks, such as water stress, may arise from a combination of climate change and biodiversity loss, and resilience to physical risk in some value chains, such as agriculture, is directly dependent on ecosystem services. In these cases, companies should leverage TNFD assessments of nature-related risks, impacts and dependencies when developing physical climate risk adaptation and action plans, acknowledging and internalising the dual benefits of mitigating nature- and climate-related risks. Companies should also consider opportunities for nature-based solutions that enable and improve resilience across the value chain.

Coal mining and coal power activities, like the broader mining and power sectors, face material climate-related financial risks over the near- and medium-term, driven by policy, regulation, market conditions, and technological change. This includes national carbon pricing mechanisms, local emissions regulations, competition from alternative and cost-effective energy sources, and process innovations. As such, we engage companies involved in coal activities, especially thermal coal, on the robustness and resilience of their commercial strategies, including plans to transition away from coal as one available tool to manage related financial risks. Our engagement also seeks to ensure adequate governance and oversight of coal-related financial risks, including in a company's capital allocation decisions.

As we set out in our Climate Action Plan, engagement to support our interim targets will be prioritised based on the materiality of financed emissions, the size of our investment and the degree of misalignment to the goals of the Paris Agreement. We use emissions data, client holdings, external benchmark indicators, and considerations of structural exposure to climate transition or physical risks to determine the companies that are flagged as priorities for engagement and escalation. EOS has developed an in-house Paris Alignment methodology to assess the extent to which a company's climate change ambitions are aligned to the goals of the Paris Agreement. The methodology assesses alignment of a company's greenhouse gas targets and associated emissions trajectory to a Paris-aligned transition pathway, applicable to the relevant sector and geography where possible. Qualitative, sector-specific analysis informs the assessment further. Companies will be placed into different categories of alignment: Not aligned; Committed to net zero; Aligning; Aligned; and Unscored.

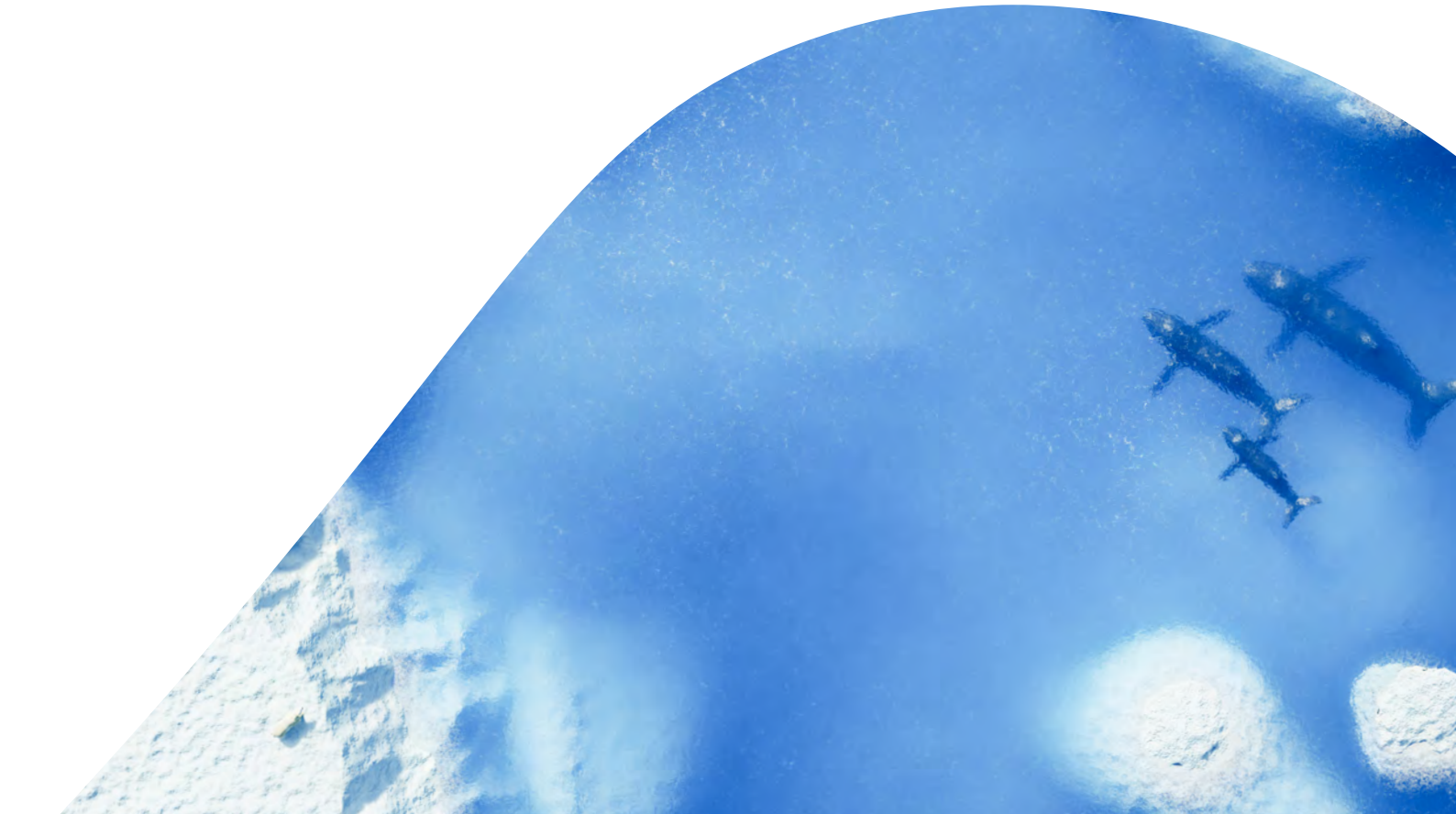
[10] S&P Global, "Where does the world stand on ISSB adoption?" (January 2026)

Figure 13. Structuring climate change engagement



Source: EOS at Federated Hermes Limited, as at 31 December 2025.

Companies that are categorised as "Not Aligned" or "Unscored" and identified as engagement priorities will receive more engagement over the next few years (where consistent with local law, which may vary especially for U.S. issuers), with engagement focused on dialogue encouraging the in-scope companies to commit to net zero and set supporting interim emission reduction targets.



CASE STUDY

Engie - Climate opportunities and GHG emissions reduction

Details of engagement:

Engie is a European utility, producing electricity and distributing both electricity and gas in over 30 countries.[11] Integrated across the energy value chain, the energy transition presents commercial opportunities and risks, which could determine the profitability of the company over the long term. Deployment of renewable energy presents a significant revenue growth opportunity while emissions-related regulatory and policy measures could add additional costs and reduce profitability unless mitigated.

Since 2023, we have engaged the company on its strategy to capture climate opportunities and ensure it is a future-fit business. We have met with the CEO, the ESG strategy team, and financial leaders from several areas in the business. In these meetings, including at the company's headquarters, we discussed the capital allocation framework and suggested articulating 1.5C-aligned emissions reduction targets to anchor strategic ambition in capturing climate opportunities.

Potential outcomes and next steps:[12]

In February 2025, the company announced improved electricity and gas-related emissions targets, which correspond to a group-level ambition to reduce absolute emissions across Scopes 1-3 by 55% by 2030 versus 2017.[13] These absolute emissions reduction targets compare favourably to the SBTi's cross-sector pathway's linear annual 4.2% emissions reduction prescribed for 1.5C-alignment. If this group-level ambition is achieved, by 2030 the company estimates its annual Scope 1-3 emissions would be 145 $MtCO_2e$ lower than emissions in the baseline year, 2017.[14] Additionally, these targets are underpinned by a credible transition plan. 45-55% of the €21-24bn growth capex guided for 2025-27 is to be allocated to renewables, 5-10% on grid-scale battery storage, and 15-20% to power networks. The company believes these climate opportunities bolster its long-term profitability through a pipeline of value accretive projects, supported by disciplined investment criteria targeting internal rates of return (IRR) for all projects of about 200 basis points above the weighted average cost of capital (WACC).[15] We will endeavour to monitor the company's performance towards these goals.

(Published December 2025)

Engaging on nature & biodiversity

Engagement on nature and biodiversity is a key way for investors to address their nature-related risks and impacts. Federated Hermes signed the Finance for Biodiversity Pledge in 2020, and we continue to prioritise nature-related issues in our stewardship activities.

We engage with companies to address marine and terrestrial biodiversity loss across their value chains in line with the mission to halt and reverse biodiversity loss by 2030, as agreed within the Global Biodiversity Framework (GBF). We encourage companies to assess and disclose their nature-related impacts, dependencies, risks and opportunities in line with the Taskforce on Nature-related Financial Disclosure (TNFD) recommendations.

Companies can use the insights from the TNFD assessment to develop a strategy and transition plan, with time-bound targets, to address the most material nature-related risks and impacts, as well as to realise relevant opportunities for their business model. We also focus on the governance of nature-related issues, including ensuring robust understanding and oversight at board-level and the alignment of direct and indirect policy engagement approaches.

In 2025, EOS increased its focus on oceans.[16] Overfishing, plastic pollution and global heating pose serious threats to the long-term health of the oceans, potentially jeopardising future food security. Ocean health is essential for long-term business resilience and value creation. We encourage companies across relevant sectors to strengthen their understanding of ocean-related risks and opportunities, and to elevate their focus on their value chain impacts and dependencies on marine ecosystems.

[11] Engie, "Strategy"

[12] Potential outcomes stated above are not intended to be a forecast of future performance, which will depend on a range of factors which cannot be guaranteed. These may include factors such as wider business performance in the context of dependencies such as developments in public policy, technology and market demand. Any quantified potential outcomes are based on the company's disclosed targets (see other footnotes) and other assumptions as referenced in this document.

[13] Engie, "Market Update 2025" (February 2025)

[14] Calculation of absolute emissions reduction is provided by the company: Engie, "Market Update 2025" (February 2025)

[15] Engie, "Market Update 2025" (February 2025)

[16] EOS Public Engagement Report

CASE STUDY

Engaging Fast Fashion

Fast fashion presents a significant systemic risk to long-term investors due to its combined impacts on supply chain human rights, climate change, biodiversity loss and resource depletion. We have been engaging with companies on the problems endemic in the fast fashion industry since 2021, using the criteria we set out in our white paper, Fixing Fast Fashion.[17]

Hazardous chemicals, water & pollution

There has been tangible progress in hazardous chemical management and pollution controls among leading apparel brands. Several companies have improved the mapping of hazardous chemical use, set clear targets, and strengthened wastewater standards. Pollution control and water stewardship can enhance operational resilience as regulations tighten, while also protecting brand equity and supporting long-term revenue durability.

Adidas is a leader in this area, having introduced the "adiFormulator" programme to promote sustainable chemical processes among its suppliers. We began our engagement on harmful substances with the company in 2022. By 2023, 67% of chemical formulations used by Adidas suppliers met the highest Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substance List (MRSL) Level 3 standard, and the company is on track to reach 80% by 2025. However, this currently covers only tier one suppliers, and we will continue engaging with Adidas on expanding the scope of its targets beyond tier one. The company is also close to eliminating per- and polyfluoroalkyl substances (PFAS) and has set ambitious targets for supplier wastewater discharge quality.

H&M[18] has set a 2030 target for 100% ZDHC MRSL compliance in tier one and two factories, having reached 97% in 2024; it is nearly at full compliance for wastewater discharge standards. The brand's work on regenerative cotton projects with BetterCotton and WWF also addresses upstream chemical use and occupational health.

Another area of dialogue with companies has been around water usage within production processes, and we have seen improving practices at several companies. EOS began engaging on opportunities to reduce water usage at US company Carter's in 2022. It is mapping high-risk suppliers and has set qualitative targets to reduce water use in manufacturing and washing by 2025. It measures water impacts through the Higg Index and requires all factories and mills in its supply chain to complete assessments. Since 2019, Carter's has cut water use in garment washing by 50%.

VF Corp, a US apparel company who we began engaging on their water strategy in 2025, assesses water-related risks and opportunities across its supply chain, prioritising high-risk suppliers and requiring tier one and two suppliers to report annually via the Higg Facility Environmental Module. Its suppliers must meet Global Water Discharge Standards. By 2025, VF Corp plans to set time-bound targets to reduce water impacts across its value chain.

We undertook a benchmarking exercise to focus our engagement on key companies in the apparel sector in 2021 and repeated this in 2025 to identify progress. Nine out of the 15 companies in our benchmark now have hazardous chemical targets or zero-tolerance criteria, but the complexity of global supply chains and varying supplier standards remain obstacles to further progress. Still, collaborative industry efforts such as the ZDHC Roadmap to Zero are gaining traction.

Biodiversity & nature

Biodiversity and nature will become more prominent topics for our engagement with the apparel sector in 2026. Integrating biodiversity considerations could help to mitigate risks to companies from ecosystem degradation and tightening nature regulations, which may inflate compliance costs and impact their upstream suppliers. The sector is only just beginning to systematically assess its impacts and dependencies on nature, but we do see some momentum in our engagement. There is a recognition that resource scarcity and supply disruptions could mean additional costs for businesses as they search for alternative supplies, or may lead to supply shortages, reducing sales volumes.

Most companies now acknowledge biodiversity risks in their sustainability disclosures, but none set time bound nature-related targets. However, several leading brands are making steps in the right direction. Adidas conducted a dependencies and impact analysis in 2023/2024, using Encore, a tool for biodiversity and assessments related to natural capital. After finding that a 2025 target to eliminate deforestation and conversion from its supply chains was unrealistic, the company set a commodity-specific target for bovine leather sourcing to be deforestation- and conversion free by 2030.

H&M participated in the Science Based Targets Network (SBTN) target validation pilot exercise, which included 17 companies in the food and beverage, retail, consumer goods, healthcare, and metals and mining sectors. The pilot identified key targets such as zero conversion of natural ecosystems and land footprint reduction, and H&M is now developing measurable KPIs for internal use.

Of the companies benchmarked by EOS, seven are working on regenerative agriculture approaches, with a focus on cotton farming. H&M is on the advisory board of BetterCotton and has invested in several projects in India to improve soil health and help farmers become climate resilient. Meanwhile Walmart has committed to protecting and restoring at least 50 million acres of land by 2030.

Technological innovation could play a critical role in accelerating progress. Blockchain, radio-frequency identification (RFID), and digital product passports are enhancing supply chain transparency, while new materials such as Tencel, Piñatex, and mycelium-based textiles offer lower-impact alternatives to traditional fibres. Artificial intelligence is helping brands to improve their demand forecasting, reducing overproduction and waste

[17] Federated Hermes, "EOS publishes white paper Fixing Fast Fashion" (April 2021)

[18] At time of reporting, H&M was not a FHL holding.

Tracking progress

We track the progress and the achievement of our public market engagements using our four-stage milestone strategy.

Milestone 1: Our concern is raised with the investee company at the appropriate level.

Milestone 2: The investee company acknowledges the issue as a serious investor concern, worthy of a response.

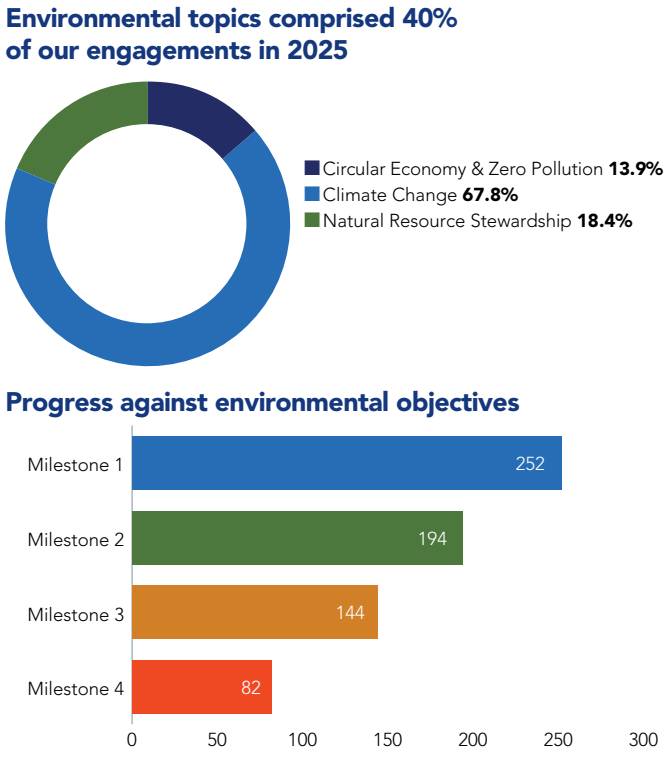
Milestone 3: The investee company develops a credible strategy to achieve the objective, or stretching targets are set to address the concern.

Milestone 4: The investee company implements a strategy or measures to address the concern.

Our milestones are specific and measurable, which helps us identify progress towards achieving the objective. An engagement objective typically takes up to three years to complete but may take longer depending on factors that include the nature of the issue and how receptive the company is to engagement. In 2025, 40% of all EOS and investment team engagers engagements – on behalf of both third-party clients and Federated Hermes products – were related to environmental topics. For engagement on investments held by our funds only, this was 38%. The bar charts below show completed milestones during 2025.[19]

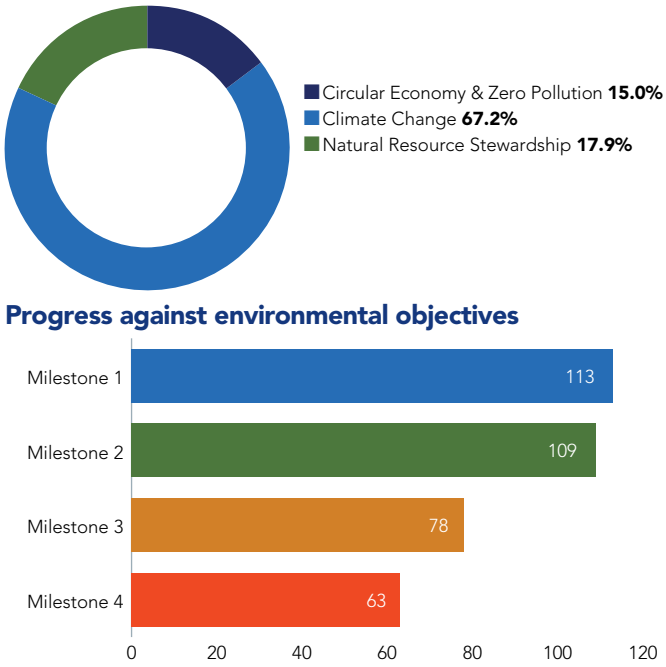
For example, 149 environmental objectives (or 104 for investments in our funds only) saw Milestone 1 completed during 2025. 95 environmental objectives (or 50 for investments in our funds only) were fully achieved during 2025.

Figure 14: EOS and Federated Hermes investment team engagers engagements on environmental topics on behalf of all clients (including our funds)



Source: Federated Hermes and EOS data, as at 31 December 2025..

Figure 15. EOS and Federated Hermes investment team engagers engagements on environmental topics on behalf of our funds only



Source: Federated Hermes and EOS data, as at 31 December 2025.

For listed equities, our voting and engagement are integrated as part of our overarching approach to stewardship. As such, our voting decisions – as well as EOS' recommendations to third-party clients on voting decisions – are informed by the insights and experience of engagement with the investee company. More information on our approach to voting is available in our Activities & Outcomes Report 2025.

We have had formal climate change voting/voting recommendation policies in place since 2019 addressing companies that appear to not be adequately managing climate-related financial opportunities and risks. We continue to use the Transition Pathway Initiative (TPI) assessment, inter alia setting a threshold of Level 4 for all European and Australian companies, as well as high impact sectors such as coal mining companies, oil and gas companies, electricity utilities, mining and material companies, and auto companies in certain other jurisdictions, or Level 3 for all other companies. In all jurisdictions, we seek that companies demonstrate they have the adequate governance, strategies, and actions to capture climate opportunities and effectively mitigate material climate-related financial risks. We have also identified several other areas where we believe a company's actions were materially misaligned with the goals of the Paris Agreement and present material risks, including companies contributing to coal expansion and deforestation.

Our aim is to deliver value for clients, not to seek headlines that could undermine the trust we believe should otherwise exist between a company and its owners. As a result, we prefer to conduct engagement privately, rather than taking a public route when seeking change at companies. In our

[19] There can be overlap between each row, as the same objectives can have multiple milestones completed in the timeline.

experience, this is the most effective way to achieve positive change, as it allows us to build trusted relationships with companies, which results in more open and frank discussions.

However, on the occasions that we are not able to achieve success privately, we adapt our engagement approach. When doing so, we would normally notify a company in advance. This may include voting against (or EOS voting services clients may vote against) a resolution or management/the board at a company's AGM. We consider this choice carefully as we only want to use this technique if our usual engagement has consistently stalled, and we are not confident that the company is taking any action to address our concerns. Similarly, we have demonstrated a willingness to use the full range of rights that we have at our disposal, including the tabling of resolutions at shareholder meetings when necessary or collaborating with others to co-file shareholder resolutions. All of these actions are understood to deliver long-term sustainable value for our clients.

Collaborative Engagement: Climate

We collaborate with other investors in our engagement with companies. We seek collaboration where our interests are aligned. Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert. Indeed, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.

The Climate Action 100+ (CA100+) initiative supports intensive engagement, where local law and applicable requirements allow, on companies' management of climate-related opportunities and risks, climate governance, and emissions performance. For the avoidance of doubt, we expect any such strategies to enhance company financial performance.

EOS leads or co-leads engagement at 21 companies and supports more than 35 as part of the CA100+ initiative. In 2025, for FHL portfolios we progressed 56 environmental objectives for CA100+ companies.

CASE STUDY

Centrica

Centrica, a British integrated energy company, delivers energy services to households via its retail brands, including British Gas – the UK's second largest gas and electricity utility – and Bord Gáis Energy in Ireland. The company also produces and stores energy through its stake in the UK's nuclear fleet, a portfolio of renewable, storage and flexible assets, Spirit Energy (a gas production business), and the Rough gas storage facility. Centrica is also engaged in the trading of energy, including through its LNG shipping business.

Technological change, innovation, and the energy transition challenge the company's traditional business model of fossil fuel-driven electricity generation, natural gas retail and storage, and gas boiler installation and maintenance. At the same time, the transition presents a considerable commercial opportunity for Centrica to lead in low-carbon solutions, reshape its service offerings, and accelerate progress towards a more sustainable energy system.

Our engagement

In 2021, we began engaging Centrica as company co-lead under the Climate Action 100+ collaborative engagement initiative, focusing on the company's energy transition strategy. The UK had announced its target for a net zero power grid by 2035, but uncertainty remained over how heat would be decarbonised to achieve the UK's wider net zero by 2050 commitment. This raised questions around how the company would deliver its targets, with implications for capital expenditure and long-term growth.

Centrica had established a target to reduce its customer emissions intensity (electricity and gas sales) by 28% by 2030 versus 2019.[20] Over the next few years, we met several times with the CEO, the chair, the head of environment, the head of strategy, the company secretary, and technical experts from the company. We asked Centrica to consider whether this target was sufficiently ambitious to remain competitive, including evaluating the compatibility of this plan with the Paris Agreement goal of 1.5°C and the commercial opportunities that this presents.

In 2024, the company invited us and an investor to participate in a series of technical engagements with Centrica's head of environment and sustainability strategy teams to allow an exchange of views on strategic opportunities for the energy transition. These covered how Centrica would address its gas-fired electricity generation, commercial levers for low carbon heat provision, its LNG growth strategy and its public policy advocacy strategy.

Changes at the company

In 2025, Centrica published its updated climate transition plan. It brought forward its Scope 1 and 2 emissions net zero commitment to 2040 from 2045, while retaining its 2050 net zero commitment for customer Scope 3 emissions, currently primarily attributable to the use of natural gas for domestic and commercial heating.

For the customer emissions intensity associated with electricity and heat, the company retained its target to reduce this figure by 28% by 2030 versus 2019, while also referencing a new 'stretch' goal to reduce the customer emissions intensity by 40% by 2030, recognising that this would be required to deliver a 1.5°C-aligned pathway.[21]

Supplementing these targets, Centrica has identified and quantified individual decarbonisation levers across electricity, heat electrification, and gas distribution, guiding investors on the strategic positioning of the business. The plan brings clarity to the roles for heat electrification versus hydrogen solutions, and each lever is complemented by an articulation of the company's policy dependencies, as well as proactive advocacy actions identified to promote an enabling external environment. Over 50% of its future capex over the period from 2023 to 2028 is classified as 'green' by the company.

Next steps

We plan to continue engaging with Centrica on the implementation of its transition plan, including how energy transition implications will be addressed by the LNG shipping business and how the company will remain agile against a backdrop of policy uncertainty. We also aim to continue engaging on succession planning and board effectiveness as the company seeks to replenish its balance sheet through significant planned greenfield capital expenditure.

Will Farrell
Theme co-lead: Climate Change

[20] Centrica's Climate Transition Plan
[21] Emissions and Targets

Further collaborative engagement initiatives we are part of to progress our engagement on climate change include the IIGCC's Net Zero Engagement Initiative and the IIGCC Banks engagement group.

Collaborative Engagement: Nature

Engagement on biodiversity is increasing, and we are working in collaboration with others in the industry to strengthen and streamline approaches.

In 2025 we continued to deepen our engagement on nature through collaborative initiatives,22 including Nature Action 100, FAIRR, PRI Spring, the Ceres Valuing Water Finance Initiative, the Investor Initiative on Hazardous Chemicals, FABRIC and the Finance Sector Deforestation Action (FSDA) initiative.

We also continued to play leadership roles in some of these initiatives, including being on the advisory committee of the Investor Initiative on Hazardous Chemicals and the steering group for Nature Action 100.

For example, in 2025, as part of the FAIRR collaborative initiative we engaged Mitsubishi on improving traceability across the company's seafood supply chain to manage environmental and social risks such as illegal, unreported and unregulated (IUU) fishing, overfishing, habitat degradation, and human rights. It is estimated that traceability systems could cost as little as 1% of seafood revenue yet boost profitability by up to 60%.[23] Following the first phase of engagements in 2024, the company released its seafood procurement policy in 2025, clearly acknowledging seafood-specific risks.

We are encouraging the company to go beyond this by enhancing the scope and implementation of its commitments, further strengthening transparency and traceability.

[22] Any collaboration is done in line with applicable rules on antitrust, conflicts of interest and acting in concert, and all of these actions are understood to deliver enduring, responsible value for our clients. Furthermore, each party will exercise unilateral decision-making principles in deciding how to act while engaging in any collaboration.

[23] Mitsubishi Corporation, a Japanese trading house, operates seafood-focused subsidiaries.

Metrics and Targets

Climate

This section sets out our approach to measuring and managing climate related risks and opportunities across our portfolios, in line with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). It covers our progress against climate targets, portfolio level carbon metrics and exposure to physical climate risks. Together, these metrics are used to monitor transition and physical risk, inform engagement and stewardship priorities, and track progress towards alignment with the goals of the Paris Agreement. While portfolio level outcomes are influenced by factors beyond our direct control, including market dynamics and issuer action, we continue to focus on driving real economy emissions reductions through engagement and long-term capital allocation.

Public Markets

Public Markets Targets

Our public market interim targets:

- **25% of in-scope AUM and financed emissions to be 1.5°C-aligned by 2025: 50% by 2027 and 80% by 2030.**
- **We aim for 80% of our financed emissions (Scope 1, 2 and material 3) to be Paris-aligned or engaged on climate change, which will grow to 90% by 2027.**

By targeting 80% of the assets within portfolios to be aligned to these pathways by 2030, the vast majority of portfolio emissions should be decreasing in line with 1.5°C pathways that substantially incorporate the Intergovernmental Panel on Climate Change (IPCC)'s requirement for a 50% global reduction in CO_2 emissions by 2030. We have targeted 80% to allow for 20% portfolio rotation into new companies which require further engagement. Achievement of these targets will, however, also depend on governments and policymakers delivering on their commitments under the Paris Agreement, and on companies taking appropriate action to mitigate both transition and physical climate risks.

As at 31 December 2025, 80.3% of our financed emissions across Scope 1, 2 and material 3 were Paris-aligned or engaged on climate change. This now includes upstream and downstream scope 3 emissions.

The figure below shows the current state of alignment of our public markets as a percentage of our AUM and as a percentage of financed emissions (Scope 1, 2 and material 3 emissions) as at 31 December 2025. Whilst the proportion of AUM classified as 'Aligned' increased over the year, the share of financed emissions attributable to aligned holdings declined. As a result, we did not meet our interim target of 25% of financed being aligned by the end of 2025, despite surpassing this threshold earlier in the year.

This outcome was driven primarily by changes in the distribution of financed emissions across the portfolio rather than a deterioration in investee company-level climate ambition. A number of companies assessed as aligned at the beginning of the 2025 remained aligned through the period, however, a smaller share of financed emissions was attributable to these companies over time, reflecting valuation dynamics and changes in assets under management. At the same time, flows into strategies with holdings that are earlier in their transition journey increased the proportion of financed emissions associated with companies that are not yet aligned. These companies remain priorities for engagement.

Taken together, these factors offset progress achieved through company-level advances towards alignment. We continue to view alignment as a transitional state rather than a static outcome and remain focused on using engagement and stewardship to support real-economy emissions reductions, consistent with the goals of the Paris Agreement. Further information on our Paris Alignment methodology is provided in the public markets "Engaging on climate change" section of this report and in our Climate Action Plan.[1]

[1] At time of reporting, our Climate Action Plan is under review and will be published to our website shortly.

There are two tests taken to understand whether Scope 3 emissions are material to a company. If an investee company meets one test, we deem it to have material Scope 3 emissions. The first test considers whether a company is within one of the following Global Industry Classification Standard (GICS) industries, which we consider having material Scope 3 emissions:

- Industry – Chemicals
- Industry – Aerospace & Defence
- Sub-industry – Construction Machinery & Heavy Trucks
- Sub-industry – Agricultural & Farm Machinery
- Industry – Transportation Infrastructure
- Industry – Automobiles
- Industry Group – Consumer Discretionary Distribution & Retail
- Sector – Consumer Staples

The second test looks at whether a company's Scope 3 emissions account for 40% of more of its total emissions. We continue to contribute to and monitor the development of best practice guidance for the consideration of Scope 3 emissions.

Figure 16. Alignment according to Federated Hermes methodology of public markets exposure (% of AUM and financed emissions) in Federated Hermes shareholder and participating funds (public equity and credit).

	2024		2025	
Category	% of AUM	% of financed emissions (Scope 1, 2 and material 3)	% of AUM	% of financed emissions (Scope 1, 2 and material 3)
Aligned	27.7%	26.0%	**33.1%**	**24.1%**
Aligning	9.0%	6.6%	**5.7%**	**2.7%**
Committed to net zero	27.6%	24.4%	**29.8%**	**28.9%**
Unscored	7.5%	12.4%	**30.0%**	**41.9%**
Not Aligned	28.2%	30.6%	**1.5%**	**2.5%**

Source: Federated Hermes, Trucost, MSCI, SBTI, as at 31 December 2025.

In 2025, a larger number of companies have shifted from the "Not Aligned" to the "Unscored" category. This is due to the Paris Alignment test being automated which has improved coverage and consistency. In turn, this has led to the identification of more targets for our investee companies. Under the current methodology, companies are classified as "Unscored" when they have not undergone SBTi validation process or set an explicit net zero target by 2050.

For progress against targets for our other asset classes, please see the dedicated Private markets section below.

Public Markets Carbon Footprinting

Across all our strategies we aim for high carbon data coverage. In 2021, we developed our own internal issuer hierarchy to improve data coverage in the public credit space. We also developed our own internal baseline methodology which excludes certain securities where there is lack of ESG data (cash, FX, long CDS, index or pooled product, sovereign, derivative where underlying is a government entity). This makes up 2.72% of our total public equity and credit AUM (excluding cash and FX exposure). The figure below does not take these securities into account. We are also not yet able to measure the carbon footprint of our sovereign and structured credit exposure. This is due to a lack of data and available methodologies in this space. This is an area of continued focus, and we are evaluating estimation methodology to fill in the gaps.

In addition to those exclusions described above, securities for which we have no data (reported or estimated), primarily due to lack of coverage by third-party data providers, are excluded from the calculation. This includes removal of these names from the AUM figures used in our carbon metric calculations. This ensures that we are not understating our carbon exposure by excluding companies with no data from the numerator but including them in the denominator.

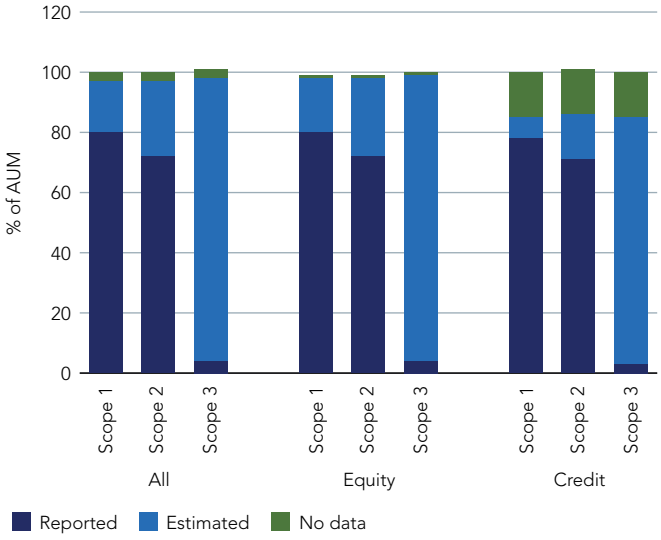
We calculate aggregated emissions in line with the TCFD recommendations.

We use estimated data where there are gaps in reported data from the investee company (apart from the exceptions described above). We rely on third-party data providers for our estimated data.

We use a third-party data provider, S&P, for our GHG emissions data for publicly listed companies on Scope 1, 2 and 3 emissions. S&P estimate emissions where there are gaps in reported data using their environmentally extended input-output (EEIO) model which combines industry-specific environmental impact data with quantitative macroeconomic data on the flows of goods and services between different sectors of the economy.

The figure below shows the breakdown of reported and estimated data by each asset class used in this report.

Figure 17. Breakdown of reported, estimated and non-disclosure of carbon emissions data across Scope 1, 2 and 3 for public markets.



Source: Federated Hermes, as at 31 December 2025.

Whilst the weighted average carbon intensity (WACI) is a useful metric that can be applied across different asset classes, it allocates emissions based on the weight of a holding in a portfolio rather than the carbon footprint, which is our owned emissions based on our investment relative to the overall value of the investee company. Hence, we also report our carbon footprint, which allows us to measure tCO_2e for every million invested. We use the enterprise value including cash (EVIC) method for calculating the owned emissions of public equity and credit assets.

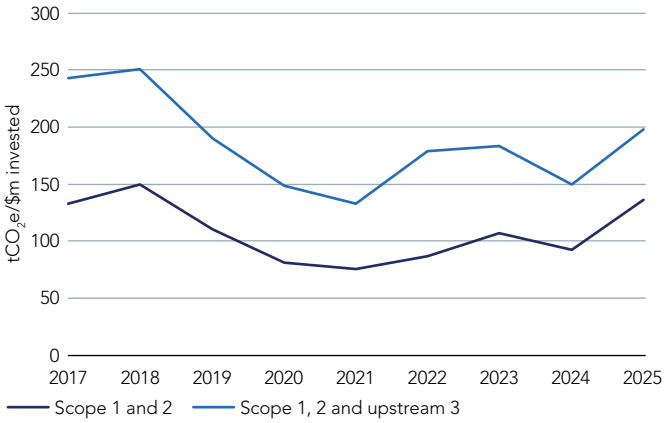
Figure 18 below shows the WACI for public markets, including changes from 2023. Historically, we included Scope 1, Scope 2 and upstream Scope 3 emissions; from this reporting period, we have expanded our coverage to also include downstream Scope 3 emissions.

The increase in both WACI and portfolio carbon footprint over the reporting period has been primarily driven by two holdings: Anhui Conch Cement and Guangdong Tapai. Anhui Conch is an existing position where portfolio exposure increased during the year, while Guangdong Tapai represents a new addition.

It is noteworthy that the rise in carbon footprint has been more moderate compared to the increase in WACI. Carbon footprint increased from 150 to 197.5 (as demonstrated in the figure 19 below), whereas WACI rose more significantly from 231 to 332.6. This divergence is likely attributable to the nature of the two metrics: WACI is sensitive to the carbon intensity (emissions per unit of revenue) of underlying holdings, whereas carbon footprint reflects absolute financed emissions adjusted for portfolio size. As such, the increased weight and inherently high carbon intensity of these cement-related exposures have had a more pronounced impact on WACI.

We continue to engage Anhui Conch on climate and sustainability-related topics. In our latest engagement, we encouraged enhanced disclosure (including Scope 3 and TCFD alignment), greater transparency on financial climate impacts, and progress on biodiversity considerations. The company confirmed that ESG and decarbonisation remain priorities, with improved internal resourcing and ongoing work on scenario analysis, carbon accounting, and a long-term climate target. Guangdong Tapai, as a new investment, has been added to our engagement plan and will form part of our ongoing dialogue, with engagement topics guided by financially material climate- and sustainability-related considerations.

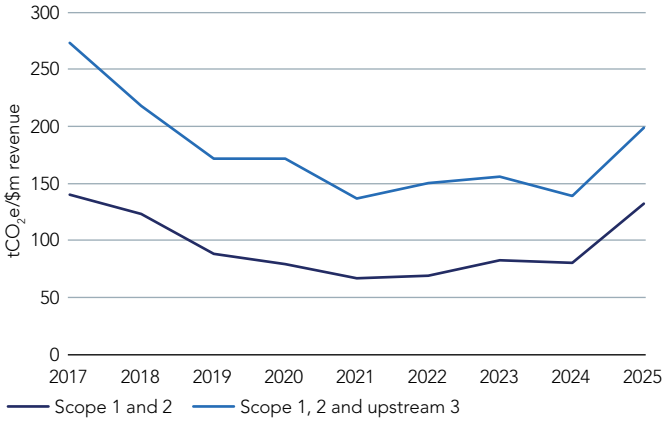
Figure 19. Carbon footprint (tCO_2e/$m invested) of public equity and credit in Federated Hermes shareholder and participating funds (Scopes 1 and 2, and Scope 1, 2 and 3)



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

The figure below shows the WACI of our public equity and credit portfolios. The analysis includes Scope 1, 2 and 3 emissions.

Figure 20. Weighted average carbon intensity (tCO_2e/$m revenue) of public equity and credit in Federated Hermes shareholder and participating funds (Scopes 1 and 2, and Scope 1, 2 and upstream 3)



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

The figure below splits out the WACI by public equity and credit. The WACI of public equity across both Scope 1 and 2, and Scope 1, 2 and upstream 3. Historically, we included Scope 1, Scope 2 and upstream Scope 3 emissions; from this reporting period, we have expanded our coverage to also include downstream Scope 3 emissions.

Figure 18. Weighted average carbon intensity (WACI) and carbon footprint of public equity and credit.

Asset Class	Unit	Scope included[2]	2023	2024	2025
Public Equity and Credit	WACI (tCO_2e / $mn revenue)	1,2	137.2	133.7	221
		1, 2 & upstream 3	259.9	231.4	332.6
		1,2 & 3	-	-	1,089
Public Equity and Credit	Carbon Footprint (tCO_2e / $mn invested)	1,2	107	92	135.5
		1, 2 & upstream 3	184	150	197.5
		1, 2 & 3	-	-	470

Source: Federated Hermes, Trucost, 31 December 2025.

[2] References to Scope 3 emissions include upstream and downstream emissions unless otherwise specified.

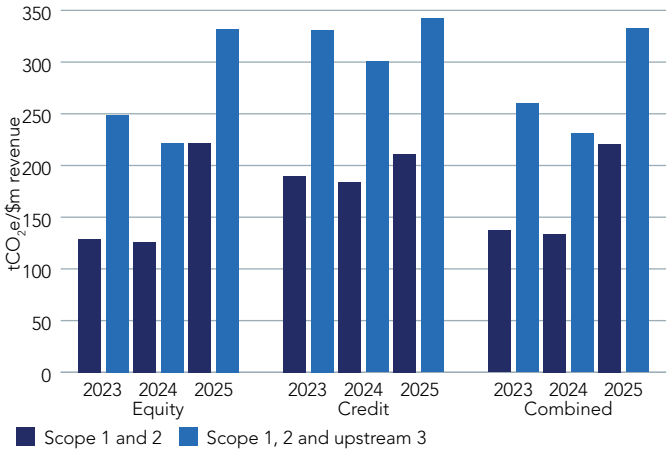
We identified and corrected an error in the credit component of our WACI, where a small number of funds were inadvertently included in the prior year. Corrected 2024 figures have been restated below; specifically, we previously reported a credit WACI of 248.45, which has been revised to 184.27. While this adjustment affects the credit asset class metrics, the impact at the overall FHL level is immaterial.

The WACI of public equity increase due to the cement exposure explained above. The WACI for public credit increased due to two names; Vistra Operations and TransAlta Corp. Whilst these are existing investment, our exposure to these names increased over the course of 2025. Vistra's inclusion reflects a transition-oriented investment case. While it retains exposure to thermal coal, the company has set Science Based Targets (SBTi) aligned to 1.5°C and is actively reducing coal generation (targeting ~10% of capacity by 2030) while scaling zero-carbon generation, including nuclear. This asset rotation strategy supports a declining emissions trajectory, although further plans for residual coal capacity will be important.

TransAlta similarly contributes to the increase in WACI due to its current emissions profile, but engagement indicates a forward-looking transition approach. The company has committed to publishing an updated climate strategy from 2026, including scenario analysis, quantified financial impacts, and targets across time horizons aligned, where feasible, with the Paris Agreement.

Both positions reflect exposure to higher-emitting utilities undergoing transition, which increases current WACI but aligns with our focus on decarbonisation over time.

Figure 21. Weighted average carbon intensity (tCO_2e/$m revenue, weighted by the proportion of each holding in the portfolio) of public equity and credit in Federated Hermes shareholder and participating funds.

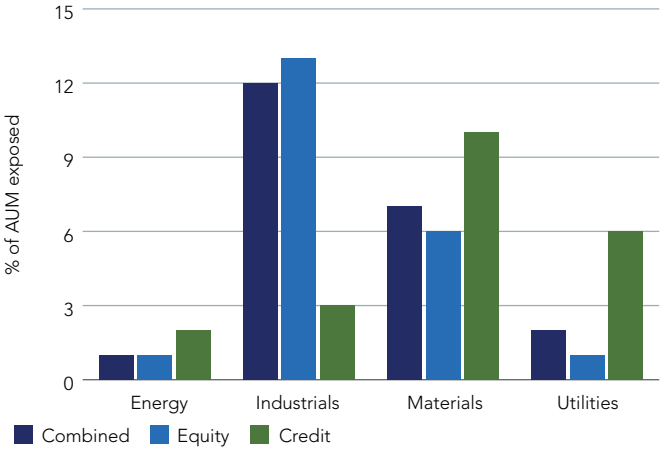


Source: Federated Hermes, Trucost, as at 31 December 2025.

Looking beyond GHG emissions, we use data, metrics and targets from various sources in order to understand a company's exposure to climate- and nature-related risks and opportunities. These are informed by the recommendations of the TCFD and TNFD but have been selected on the basis of what is most appropriate to our business and to the asset classes we manage, as well as where we have data of sufficient quality so as not to be misleading.

In the figure below we look at our exposure to carbon intensive sectors (energy, industrials, materials and utilities) in shareholder and participating funds (both public equity and credit). Out of the four carbon intensity sectors, our equity funds have most exposure to industrials whereas our credit funds have most exposure to materials.

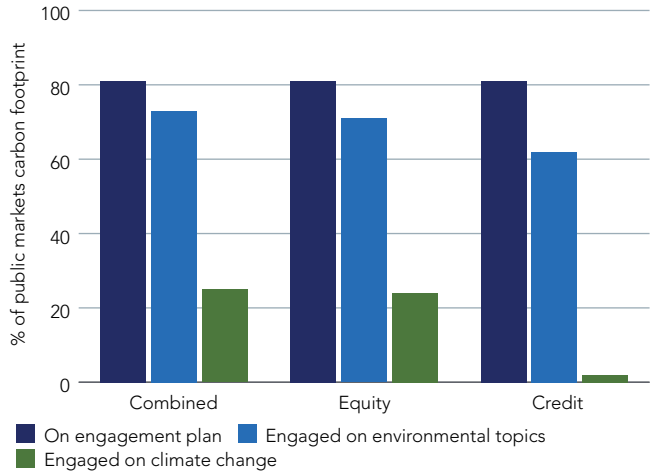
Figure 22. Public markets exposure (% of AUM) to carbon intensive sectors in Federated Hermes shareholder and participating funds (public equity and credit).



Source: Federated Hermes, as at 31 December 2025.

We believe that climate is a material risk across a variety of sectors, and therefore climate change is an important topic for our engagement. We aim to engage with our top emitters, with a first focus on the top 100 emitters across our public equity and credit funds which makes up c. 80% of our public equity and credit carbon footprint. Climate change will continue to be a main point of conversation to ensure that we have a good understanding of the climate risks of the asset and that appropriate actions are being undertaken to minimise the transition risk, in line with our net-zero target. The figure below shows the proportion of the carbon footprint of our public equity and credit investments that was covered in 2025 by our engagement both on all environmental topic, and specifically on climate topics.

Figure 23. Percentage of public markets carbon footprint (Scope 1, 2 and upstream 3) on the engagement plan and engaged on environmental and climate change topics by EOS and Federated Hermes investment team engagers in Federated Hermes shareholder and participating funds (public equity and credit).



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

As well as identifying climate-related risks across our portfolios, we also recognise the importance of identifying climate opportunities. The metrics in the figure below show the impact created through our public markets' strategies apportioned based on our investment in the companies.

Avoided emissions are the emissions avoided by the use of goods or services as a substitute for other goods or services with a high emissions intensity.[3] Currently, there are variations in how companies calculate and report avoided emissions, and so such metrics should be understood as an estimate. The below figures cover 80% of our public markets AUM, and includes modelled data.

Figure 24. Impact metrics created by our public markets' strategies (public equity and credit) apportioned by our investment in the companies

Impact Metric[4]	Apportioned portfolio impact
CO_2e avoided	555bn tonnes
Renewable energy or electricity production enabled	1.7trn MWh

Source: Net Purpose, as at 31 December 2025. Data disclosure: 95% of public markets AUM covered.

Thermal Coal

As at 31 December 2025, 0.94% of our public markets AUM had exposure to thermal coal, which is a slight decrease on our exposure at 31 December 2024 which was 0.95%. The majority of these names – representing 0.77% of our AUM - were engaged during 2025 on the topic of climate change. Out of the names that were not engaged, there was only one company that had over 5% revenue exposure to thermal coal that was not engaged. The company is primarily involved in natural gas which we see as being a transitionary fuel as move to more renewable sources of energy. Only 0.04% of our AUM was invested in companies with a revenue exposure to thermal coal of over 5% during 2025.

Nature and Biodiversity risks

This section outlines our approach to identifying, assessing and monitoring nature and biodiversity related impacts and dependencies across our portfolios, informed by the recommendations of the Taskforce on Nature related Financial Disclosures (TNFD). It brings together metrics on biodiversity impacts and dependencies, proximity to sensitive ecosystems, drivers of biodiversity loss and deforestation risk. These metrics are used as risk screening tools to enhance our understanding of where nature related risks may be financially material, to inform stewardship priorities, and to complement our climate risk assessment. We recognise that methodologies and data in this area are evolving, and we will continue to refine our approach as best practice and disclosure standards mature.

Public Markets

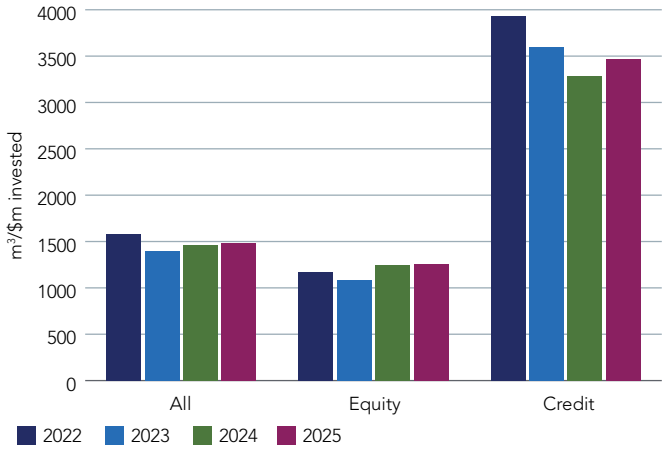
Through our proprietary tools, we assess the water and waste footprint of our portfolios. The below charts show the water footprint (direct cooling, direct processing and purchased water) and waste footprint (landfill, incinerated and nuclear) of our public markets funds, and also the split of reported versus estimated/modelled data.[5] We use a third-party data provider (S&P) for our water and waste data who use their EEIO model (described above) to model impacts where there are gaps in reported data. We have no data on cooling water for a high proportion of our AUM as the data provider only estimates cooling water for utilities companies. The aggregated water and waste footprint have largely remained the same from the previous year.

[3] Greenhouse Gas Protocol, "Estimating and Reporting Avoided Emissions"

[4] Source: Federated Hermes, Net Purpose, Federated Hermes Impact Calculations

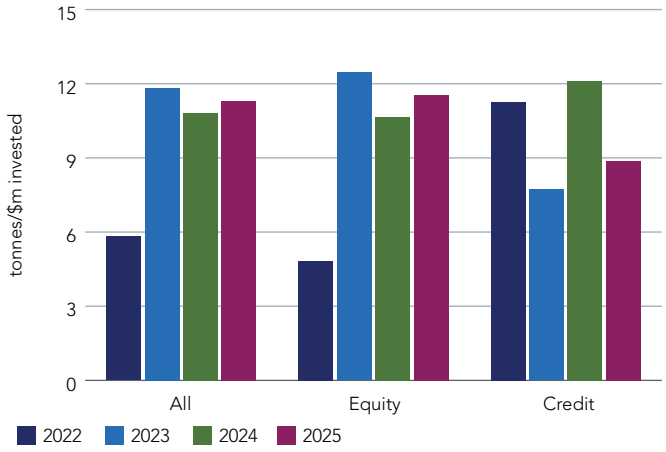
[5] Modelled data includes data where the value has been derived by the data provider using data reported by the company.

Figure 25a. Water footprint (m3/$m invested) of public equity and credit in Federated Hermes shareholder and participating funds.



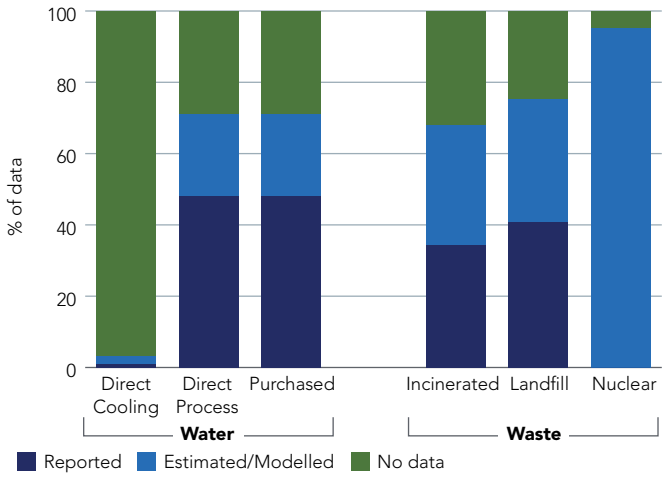
Source: Federated Hermes, Trucost, as at 31 December 2025.

Figure 25b. Waste footprint (tonnes/$m invested) of public equity and credit in Federated Hermes shareholder and participating funds.



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

Figure 25c. Breakdown of reported, estimated and non-disclosure of water and waste data of public equity and credit in Federated Hermes shareholder and participating funds.



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

Along with mitigating risks associated with managing water- and waste-related risks, we have also invested in opportunities.

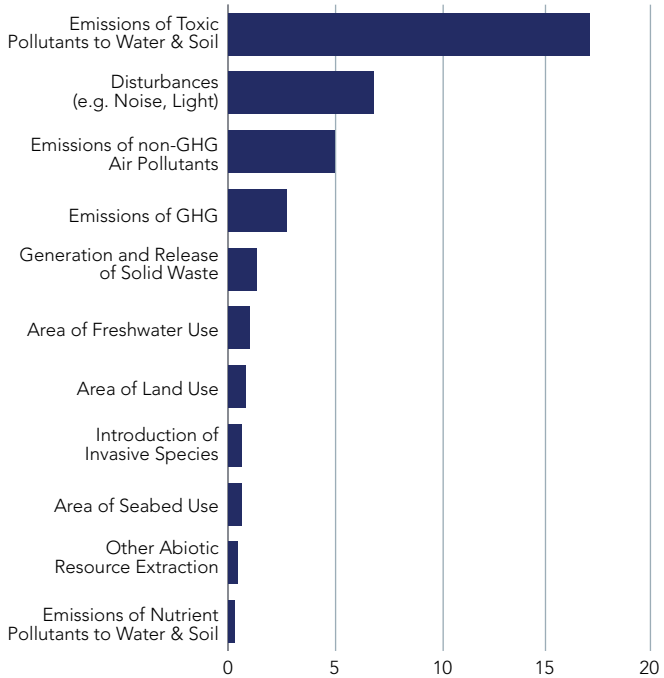
To deepen our understanding of nature related risks across public markets portfolios, we have undertaken an assessment of both potential impacts on nature and dependencies on ecosystem services, using screening level analysis informed by external biodiversity data. The charts below present the proportion of public markets AUM with high or very high exposure to selected impact drivers and ecosystem service dependencies. These metrics are intended to identify areas of heightened potential nature related risk and reliance, rather than to quantify realised biodiversity outcomes or impacts.

Taken together, the analysis suggests that exposure to pollution related pressures, particularly emissions of toxic and non greenhouse gas air pollutants, represents the most prevalent potential impact pathway across our public markets' holdings, while pressures associated with land and freshwater use appear less prominent at a portfolio level.

On the dependency side, a meaningful share of the portfolio shows elevated reliance on water related ecosystem services, including water flow regulation, purification, supply and flood mitigation, alongside broader amenity and regulating services. These patterns indicate that nature related financial risks in public markets are likely to be driven predominantly by pollution management and water related dependencies.

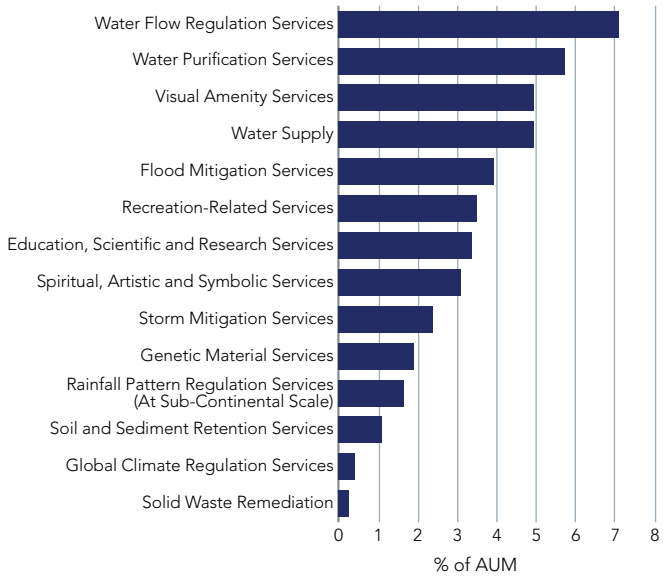
As this assessment is undertaken at a screening level and primarily reflects direct operational activities, certain dependencies on natural assets embedded within supply chains, such as soil health, pollination, ecosystem integrity and other biological resources, may be less visible. This reflects current data limitations and the evolving state of biodiversity measurement.

Figure 26. High or very high exposure to nature-related impacts



Source GIST, as at 31 December 2025.

Figure 27. High or very high exposure to nature-related dependencies



Source GIST, as at 31 December 2025.

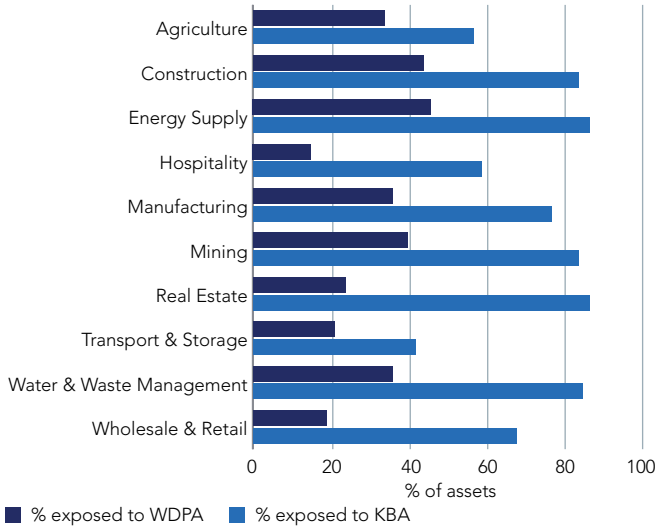
Investment exposure to biodiversity sensitive areas was assessed by mapping portfolio assets to Key Biodiversity Areas (KBAs) and protected areas as defined by the World Database on Protected Areas (WDPA), using asset level location data and sector classification. Sectors were prioritised based on their potential for direct spatial interaction with land, water and ecosystems, including activities associated with land conversion, resource extraction, infrastructure development or long term physical footprint. In addition to core land and nature intensive sectors (e.g. agriculture, mining, energy, construction and transport), selected secondary sectors were also included where exposure was deemed potentially material, such as manufacturing, wholesale and retail, hospitality, and water and waste management.

Lower risk service sectors were excluded or grouped to maintain analytical focus and chart clarity. Considering both the sectors included in this analysis and those excluded, 26% of portfolio assets are exposed to KBA and 69% are exposed to protected areas as defined by the WDPA.

The assessment measures presence of assets within or near biodiversity sensitive areas and does not in itself indicate actual impacts, which depend on asset type, operational practices and management controls.

The chart below shows the percentage of assets within each sector that are geographically exposed to biodiversity sensitive areas, distinguishing between exposure to protected areas defined by the WDPA and KBAs. For each sector, the WDPA bar captures assets located within or adjacent to legally protected areas, while the KBA bar highlights exposure to areas recognised for their global biodiversity importance, including sites that may not yet benefit from formal protection. Sectors such as energy supply, mining, real estate, construction and water and waste management show relatively higher levels of exposure, reflecting their greater reliance on fixed assets and land use intensive activities. The inclusion of secondary sectors illustrates how biodiversity exposure extends beyond primary extractive activities, reinforcing the relevance of biodiversity risk screening across a broad range of sectors. The chart is intended to support prioritisation and risk identification, rather than to assess compliance or environmental performance.

Figure 28. Number of assets exposure to biodiversity sensitive areas



Source: GIST, as at 31 December 2025

[6] Global Canopy, "Due diligence towards Deforestation-Free Finance"
[7] Accountability Framework, "New Framework-aligned guidance for financial institutions" (June 2023)
[8] Global Canopy, "Due diligence towards Deforestation-Free Finance"

Deforestation

In line with our commitment to strive to eliminate commodity-driven deforestation from our portfolios at COP26, deforestation has been a focus area across our engagement, advocacy and reporting.

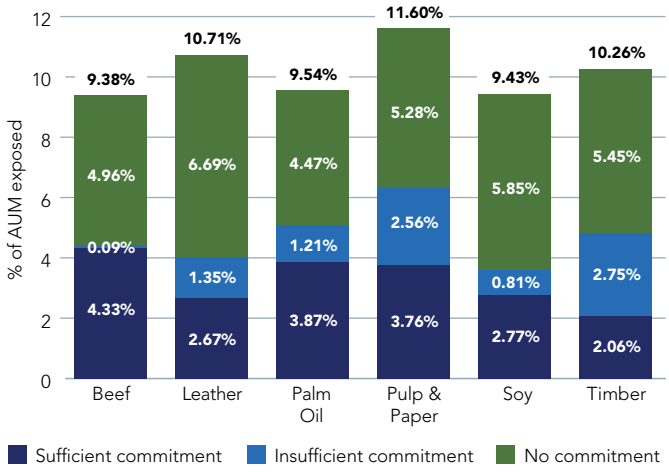
We have based our commodity-driven deforestation risk assessment on the Due Diligence towards Deforestation-Free Finance Guidance for financial institutions, produced by Global Canopy.[6] This guidance recommends assessing both exposure risk and policy risk. Deforestation exposure risk is defined as 'the probability that a commodity produced or sourced by a client/holding is associated with deforestation, conversion and associated human rights abuses'.[7] The policy risk assessment is intended to indicate whether or not a company has robust management and mitigation policies, which can 'indicate their commitment and ability to prevent potential deforestation, and to mitigate instances of deforestation that have occurred'.[8]

Due to lack of data on certain points, we have simplified the recommended exposure assessment by assessing whether the company has confirmed involvement in one of the following forest-risk commodities: palm oil, soy, beef, leather, timber, and pulp and paper.

The figure below presents a consolidated view of Federated Hermes's public markets exposure to key forest risk commodities, alongside an assessment of the strength of investee companies' deforestation commitments. It shows the proportion of public markets AUM associated with companies that have sufficient commitments, insufficient commitments, or no deforestation commitments across beef, leather, palm oil, pulp and paper, soy and timber exposure as at 31 December 2025.

Deforestation commitments were assessed for sufficiency using a structured decision framework that tests for minimum completeness rather than overall ambition. A commitment is considered sufficient only where the company has a gross "no/zero deforestation" policy (not net), explicitly covering HCV (high conservation value)[9], HCS (high carbon stock)[10] and peatland, that was in place as of 1 January 2020, and which clearly applies to both the company's own operations and its suppliers. In addition, the company must have a gross "no/zero conversion" commitment that explicitly includes all natural ecosystems, again covering both own operations and suppliers. Commitments failing any of these gates, for example due to net language, missing supplier coverage, post 2020 adoption, or unclear scope, are classified as insufficient.

Figure 29. Federated Hermes public markets exposure (% of AUM) to forest-risk commodities in Federated Hermes shareholder and participating funds (public equity and credit) with a breakdown of sufficient and not sufficient deforestation commitments.



Source: ForestIQ, as at 31 December 2025

The exposure analysis looks at both corporate companies and financial institutions. This analysis shows that 12% of Federated Hermes public market AUM has confirmed exposure to forest-risk commodities as at 31 December 2025, with 5.1% being corporates and 7.1% being financial institutions.

We have also drawn on the Global Canopy guidance to develop our policy risk assessment. Our assessment focuses on the deforestation commitments and human rights commitments made by companies. We expect a company to set either a zero-gross conversion or zero-gross deforestation commitment for all forest-risk commodities where it has exposure. In addition, we expect a company to make the following human rights commitments:

- Commitment to test for Free, Prior and Informed Consent (FPIC)
- Commitment to respect customary and legal land rights
- Commitment on labour right
- Commitment to a zero-tolerance approach to violence and threats against Forest, Land and Human Rights Defenders

The figures below again focus on those companies in our portfolios with confirmed exposure to forest-risk commodities. These charts break down the proportion of our AUM which has made each of the human rights commitments highlighted above. We find that FPIC and labour rights commitments are more common than commitments on customary rights and zero-tolerance to violence and threats against forest, land and Human Rights Defenders.

[9] High Conservation Value (HCV) areas are landscapes with critical biodiversity, ecosystem services, or social or cultural importance that require protection and responsible management.

[10] High Carbon Stock (HCS) areas are forests with high carbon content that should not be cleared, as their conversion would result in significant greenhouse gas emissions.

Figure 30. Overview on human rights commitments set for public market exposure (% of AUM) to forest-risk commodities in Federated Hermes shareholder and participating funds (public equity and credit)

Source: Federated Hermes, Forest IQ, as at 31 December 2025.

The figure below shows the % of AUM with exposure split by the outputs from the policy analysis. We focus our engagement efforts on companies that are exposed to forest-risk commodities and have high policy risk.

Figure 31. Policy risk (% of AUM) of public markets holdings in Federated Hermes shareholder and participating funds (public equity and credit)

Classification	Policy risk		
	Low risk	Medium risk	High risk
Exposed	0.03%	0.89%	11.27%

Source: Federated Hermes, Forest IQ, as at 31 December 2025.

Private markets

In private markets, ESG data is often less readily available. As such, the teams are heavily reliant on their due-diligence process and have developed their own frameworks for assessing environmental, social and governance risks within their investments.

In terms of reporting our emissions, for real estate debt we use estimated data where there are gaps in reported data from the investee company (apart from the exceptions described above). For private equity, we only use estimated data. We rely on third-party data providers for our estimated data. Our real estate, infrastructure and direct lending funds only use reported data from the portfolio companies or assets in this report. More information is available under the relevant asset class sections.

Our portfolios advised by Federated Hermes invest across a number of different asset classes and there is no single carbon metric that can be reliably aggregated across asset classes to

give a view on our carbon intensity. We adapt the methodology for our weighted average carbon intensity (WACI) calculation for some of the asset classes where we believe revenue is not a useful indicator of intensity.

For our real estate and real estate debt portfolios, the standard practice within the industry including INREV (European Investors in Non-Listed Real Estate) and EPRA (European Public Real Estate) reporting, as well as the definition of reporting under GRESB (Global ESG Benchmark for Real Assets) uses the complete buildings in the footprint rather than the return on the amount of equity invested, as the revenue can differ widely depending on the type of occupier and the nature of the assets usage (such as industrial versus office).

Figure 32. Overview of our private market weighted average carbon intensity (WACI)

Asset Class	Unit	Scope included[11]	2024 WACI	2025 WACI	Coverage
Infrastructure	tCO_2e / £mn revenue	1,2	383.4	443.8	Reported: 99% Estimated: 0% No Data: 1%
		1,2,3	449.4	525.7	Reported: 93% Estimated: 0% No Data: 7%
Real Estate	$kgCO_2e$ / m²	1,2	15.8	7.0	Reported: 100% Estimated: 0% No Data: 0%
		1,2,3	14.2	17.2	Reported: 100% Estimated: 0% No Data: 0%
Real Estate Debt	$kgCO_2e$ / m²	1,2,3	20.1	20.1	Reported: 68% Estimated: 32% No Data: 0%
Direct Lending	tCO_2e / $mn revenue	1,2	19.2	0.133	Reported: 5% Estimated: 0% No Data: 95%
		1,2,3	60.0	1.209	Reported: 5% Estimated: 0% No Data: 95%
Private Equity[12]	tCO_2e / £mn NAV	1,2	220.9	215.9	Reported: 0% Estimated: 100% No Data: 0%
		1,2,3	1,755.2	1,659.9	Reported: 0% Estimated: 100% No Data: 0%

Source: Federated Hermes as at 31 December 2025.

Infrastructure

Scenario Analysis

The infrastructure team invest in real assets that may be both exposed to physical climate events and connected to industrial activities that are currently emissions intensive. In 2021, the infrastructure team conducted a physical and transition climate risk and opportunity assessment with leading consultancy, Environmental Resources Management (ERM), that produced insight into the climate-related risks and opportunities across the portfolio. In 2024, the team updated the results of this assessment with ERM performing a review of the previous analysis using up-to-date data from the latest climate scenarios. The figure below shows the scenarios that were used in this analysis.

Figure 33. Infrastructure scenario analysis

Scenario	High Carbon		Low Carbon	
Physical Time horizons: 2030 and 2050	RCP 8.5 (2021 assessment) SSP5-8.5 (2024 review)	This high emissions scenario follows a 'business as usual' scenario, seeing emissions increasing year on year out to the end of century and reach around three times today's CO_2e emissions by 2100.	RCP 4.5 (2021 assessment) SSP1-2.6 (2024 review)	This scenario assumes implementation of emissions management and mitigation policies and is most aligned to the current commitments under the Paris Agreement.
Transition Time horizons: 2025, 2030, 2040 and 2050	IEA Stated Policies Scenario (STEPS)* (2021 assessment and 2024 review)	This scenario reflects current policy settings based on a sector-by-sector and country-by-country assessment of the energy-related policies that are in place, as well as those that are under development. The scenario also considers currently planned manufacturing capacities for clean energy technologies.	IEA Sustainable Development Scenario (SDS) (2021 assessment) IEA Announced Pledges Scenario (2024 review)	This scenario assumes that climate policies are introduced immediately and become gradually more stringent. Carbon removal technology deployment is relatively low. Net-zero CO_2 emissions are achieved after 2070.

Source: Environmental Resources Management, Federated Hermes.

[11] References to Scope 3 emissions include upstream and downstream emissions unless otherwise specified.

[12] Private equity team have made methodological changes in calculating the FY25 figures to improve alignment with PCAF. For improved comparability, historical FY24 figures have also been retrospectively restated on a like-for-like basis. The remaining differences are attributable to updated emissions benchmarks and changes to underlying fund investments.

The portfolio screening assessment in 2021 provided data on climate-related trends relevant to each of the portfolio companies. The assessment considered the significance of climate indicators, including specific physical climate hazards and low carbon economy transition trends, across short-, medium- and long-term timeframes. The identified indicators were rated on a scale of 'low' to 'high' in terms of their potential significance to each portfolio company. The climate indicator data was then combined with these exposure ratings to develop a company-specific score for each risk and opportunity. Scenarios for this analysis were selected to provide a comparative view of possible risks and opportunities under different decarbonisation and global warming trajectories.

Additionally, in 2023, to enhance the team's evaluation of transition risks identified by the scenario analysis, the team worked with ERM again to complete a detailed assessment of the risks and opportunities posed specifically by increased regulatory carbon pricing. Carbon pricing has the potential to impose direct and rising costs on some infrastructure investments with an impact for valuations. However, the analysis found the applicability of carbon pricing to investments and the materiality and channel of its impact to be complex and asset-specific. Certain investments were potentially at greater risk of increased regulatory carbon pricing, and therefore developments in relevant jurisdictions were identified for monitoring. The risks associated with carbon pricing will continue to be assessed throughout the investment lifecycle in the context of the wider approach to managing climate-related risks and opportunities.

The figure below summarises the risks and opportunities for the portfolio that were identified through this scenario analysis.

Following several years of engagement, the majority of existing portfolio companies have developed mature, comprehensive approaches to climate-related risks and opportunities. Our go-forward approach is therefore focused on bespoke, targeted analysis and subsequent engagement where a direct link to value creation or preservation can be established.

Figure 34. Infrastructure risks and opportunities

Risk or Opportunity	Description of Risks and Opportunities	Time Horizon
Transition Risks	Portfolio companies within highly carbon intensive sectors which do not or cannot take action to transition to a lower carbon economy may experience revenue impacts, potentially resulting in a reduction in returns. For example, as policies designed to reduce natural gas supply and demand are enacted, demand for gas network infrastructure may decrease. Similarly, the actions taken to transition assets to remain competitive or meet regulatory requirements may have capital and operational expenditure requirements that affect returns. For instance, external pressures to electrify vehicle fleets and decarbonise key input materials, such as steel and cement, may lead to higher costs for infrastructure businesses that are investing in growth.	Short, medium and long-term
	The portfolio companies subject to emissions pricing mechanisms may experience increased costs, for instance through the purchase of emissions trading permits within emissions trading systems or through the payment of carbon taxes.	Short, medium and long-term
Physical Risks	Acute weather events can cause business interruption leading to loss of revenue and subsequent reduction in returns from infrastructure businesses. For instance, flooding on rail tracks leading to service disruptions for rail portfolio companies. Similarly, acute events can cause damage to a business' physical infrastructure resulting in increased capital costs and subsequent reduction in returns. For example, increased frequency and severity of storms could damage port infrastructure, such as cranes and vehicles.	Medium and long-term
	Chronic risks such as heatwaves can cause business interruption, especially for investments which are not incorporating sufficient resilience to adapt to climate change. For example, infrastructure businesses which rely on temperature sensitive equipment may experience increased failures in the future, roads may become heat damaged, rail tracks may buckle and there may be a decrease in workforce productivity, particularly for personnel working outdoors. This can all lead to delays in operations, increased costs, and subsequent reduction in returns.	Medium and long-term
Transition Opportunities	Increased demand for, and therefore revenues from, sustainable products and services may offer an opportunity for portfolio companies that offer these. For example, our energy-from-waste investments and water utilities investments which can produce biogas could increase revenue by capitalising on the increasing demand for non-fossil fuel energy projected in Europe.	Short, medium and long-term
	Contingent participation in a future market for negative emissions may arise as an opportunity for our energy-from-waste investment that could generate emissions-negative energy through carbon capture technology and therefore may produce carbon-removal credits.	Medium and long-term
	In the future, it is likely that businesses which are providing services in line with a low-carbon economy, such as renewable energy and rail, will experience reputational benefits as political, societal, and economic actors regard them as an integral part of the transition. Investment in these businesses will help to support regional and national decarbonisation goals.	Short, medium and long-term

Source: Environmental Resources Management, Federated Hermes.

Assessment, Integration and Engagement

Climate-related risks and opportunities are considered throughout the investment process, alongside infrastructure's target for all portfolio companies to be aligned with the 1.5°C goal of the Paris Agreement by 2025.

The scenario analysis and review of carbon pricing risks and opportunities performed to date inform the team's stewardship priorities with portfolio companies. The team update climate stewardship objectives annually, as risks and opportunities evolve over the duration of the holding periods, and work closely with portfolio company management teams to ensure these are being reflected in company risk management and business planning procedures. In some cases, the team directly input into and oversee areas of portfolio companies' mitigation and adaptation strategies, including through roles on company boards and sustainability committees.

With regard to nature, infrastructure has set a target to assess nature-related impacts, dependencies, risks and opportunities across the portfolio by the end of 2026, reflecting an important next step in integrating nature considerations alongside climate.

The assessment process is ongoing, with the team engaging with portfolio companies to understand their current activities, governance arrangements and data availability relating to nature-based initiatives, including biodiversity, water usage and natural resource stewardship. This initial information has been used to establish a baseline and identify gaps and areas where nature-related risks or dependencies are most likely to be material.

Building on this baseline, we will facilitate asset-specific analysis where necessary to further support in-depth assessment of nature-related considerations across our portfolio.

Please see the Federated Hermes Infrastructure 2025 TCFD report for more information on the team's approach.

Metrics and Targets

Our infrastructure team has been collating Scope 1 and 2 emissions data from its portfolio companies since 2017. All companies, except one renewable energy Special Purpose Vehicle, report on their Scope 1 and 2 greenhouse gas emissions (representing over 99% coverage overall by NAV as at 31 December 2025).[13] We use this data to monitor the emissions of our infrastructure portfolio. When calculating the emissions of our portfolio, we use gross figures and do not include any 'avoided' emissions from renewable energy generation. Gross financed Scope 1 and 2 emissions across the portfolio companies we are invested in decreased by 3% in 2025 versus 2024. The largest emitters, Cadent (the UK's largest gas distribution network) and Viridor (a leading UK recycling, resource and waste management company) together make up approximately 84% of gross emissions in the infrastructure portfolio. The decrease year-on-year was primarily driven by decreases in methane emissions from gas leakages at Cadent as a result of its mains replacement programme that replaces largely iron pipes with modern alternatives.

CASE STUDY

Infrastructure – Cadent

Cadent Gas represents the UK's largest gas distribution network serving 11 million homes, businesses, schools and hospitals. Cadent has a responsibility to deliver secure and sustainable energy supplies across the country. The company's long-term ambition is for its network to support the UK in achieving net zero through transporting low-carbon gases such as hydrogen or biomethane. However, in the shorter term our engagement has focused on reducing methane emissions from leakages, which make up the vast majority of the business' Scope 1 emissions.

We have used our position on the Board and the Sustainability Committee, which we chaired from 2020 until 2024, to drive this agenda. Cadent established a baseline in 2021, and in latest reporting (March 2025) had reduced Scope 1 and 2 emissions by 13.8%.

This has been achieved by:

- Lowering gas use within their own operations, including harnessing renewable energy across office sites.
- Replacing iron mains with modern plastic pipes through the Iron Mains Risk Reduction programme – improving safety, efficiency and reducing leakage.
- Investing in new and innovative technologies to accelerate leak detection and reduction.

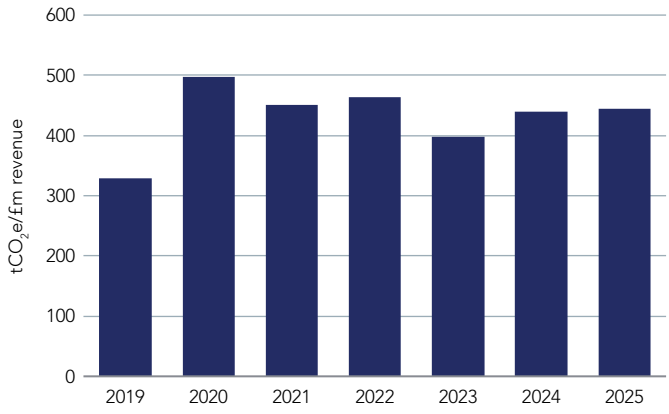
In continuation of this, we have also engaged extensively with Cadent on the planning process for the latest regulatory period which runs from 2026 to 2031. This includes a comprehensive Environmental Action Plan with an emphasis on further methane leakage reduction, net zero transition planning and supply chain engagement, in alignment with the Environment Agencies' global methane reduction pledge and the UK Governments' climate change targets.

[13] Some of the underlying emissions figures are draft and could be subject to change and/or restatement.

The infrastructure team also engages with portfolio companies to report Scope 3 emissions, and 93% of companies by NAV now report on these.

Despite a slight decrease in financed emissions, the WACI increased by 0.8% between 2024 and 2025 due to a slight increase in emissions intensity at one investment as shown in the figure below. We continue to engage with all portfolio companies to establish targets and further reduce their emissions in line with the goals of the Paris Agreement.

Figure 35. The weighted average carbon intensity of our infrastructure portfolio (tCO_2e/£m revenue, weighted by the proportion of each investment in the portfolio)[14]



Source: Federated Hermes as at 31 December 2025.

Targets

Our Infrastructure interim target:

- **100% of portfolio aligned with the goals of the Paris Agreement by 2025.**

We focus on ensuring companies have long-term net-zero targets for 2050 or sooner and near-term targets aligned with a science-based, 1.5°C-aligned pathway demonstrated, for example, by validation by the Science-based Targets Initiative (SBTi).

Progress against our targets: As at 31 December 2025, the infrastructure team used our proprietary Paris Alignment Test in which companies were scored and classified as "Aligned", "Aligning", "Committed to Net Zero" and "Not Aligned". The breakdown of the infrastructure Net Asset Value (as at 31 December 2025) were as follows:

- 15% Aligned
- 12% Aligning
- 66% Committed to Net Zero
- 7% Not Aligned

The results demonstrate continued and meaningful progress across the portfolio, with the vast majority of assets either already aligned, actively aligning, or formally committed to achieving net zero. This reflects sustained engagement efforts and ongoing decarbonisation initiatives across our investments.

Our latest assessment indicates that full alignment with the 1.5°C objective of the Paris Agreement has not been achieved by the end of 2025, largely driven by external factors. In particular, certain technological, regulatory and policy constraints continue to affect the pace at which commercially viable 1.5°C aligned strategies can be implemented in specific sectors.

We will continue to actively support our investments in advancing their climate strategies, including through addressing practical challenges such as resource constraints, policy rollbacks and the absence of SBTi approved pathways in certain key sectors. Updated Paris alignment metrics will be published in 2026, alongside a revised interim decarbonisation target, ensuring our approach remains both ambitious and grounded in real world delivery.

Real estate

Scenario Analysis

Our real estate team have undertaken climate resilience scenario planning since 2021. Over the last twelve months, their scenario analysis has evolved from reliance on Representative Concentration Pathways (RCPs) to the latest generation of Shared Socioeconomic Pathways (SSPs), reflecting alignment with IPCC Sixth Assessment Report (AR6) methodology and evolving market practice. This means that the scenarios now encompass the socioeconomic conditions that drive those outcomes such as population growth, economic structure, and technological progress.

They examine climate-related transition and physical risks at an asset level across 100% of assets under management. The physical risks assessed include both acute (fluvial, surface flooding, extreme temperatures, tropical storms and wildfires) and chronic (coastal flooding, extreme heat and subsidence). For this analysis they use an external provider which they undertake an in-depth analysis on physical risk and scenario analysis. The platform also translates climate scenarios into asset level financial impacts, identifying the value at average annual risk. For transition risks, they examine the carbon intensity of assets and the reduction required under different scenarios covering current Nationally Determined Contributions (NDCs), 1.5°C alignment, 2°C and 3°C alignment.

The real estate team reports portfolios' exposure to climate risk on the surveys submitted to the Global ESG Benchmark for Real Assets (GRESB) portal every year. Specifically, we disclose details on the resilience of real estate assets to climate-related risks, transition, and physical risk identification.

At the fund level, all physical risks have been identified as low, with the highest risk coming from fluvial flooding at locations in Leeds and London. Where assets have been identified as being exposed to physical risks, risk mitigation plans are developed and implemented t hrough our contracted property managers using their ESG platform developed Investment plans.

[14] We have reinstated some data from prior years due to further data becoming available in the interim period, resulting in minor adjustments.

Assessment, Integration and Engagement

Our real estate business embeds climate risk management throughout their asset management and investment processes.

For potential new assets, the team completes an initial screening which assesses the risks and opportunities for value-add from sustainability characteristics. This is then followed by our sustainability due diligence process, as part of which surveyors and environmental consultants identify risks and opportunities, including the alignment to relevant net-zero targets. The findings of this due diligence inform the asset-management plans and processes post-acquisition.

For our existing assets, we seek to identify interventions to reduce carbon emissions, water use and waste generation. Regular monitoring of an asset's performance is carried out through an external ESG platform. The use of the platform enables analysis at asset- and fund-level across all the environmental data sets. The team works closely with property management teams and asset managers to identify where improvements could be made.

The real estate team uses internal tools and standards to ensure progress across their sustainability and responsibility commitments. Specifically, the sustainability framework sets out the commitments, the targets and also the principles for our asset manager and development managers to follow.

The team has an external ESG platform which also enables the assessment of climate related physical and transition risk exposure at both asset and portfolio level. It supports the analysis of vulnerability and sensitivity by quantifying key risk drivers and their potential financial impacts on funds and underlying assets. In addition, the platform provides costed, time bound adaptation and mitigation measures, and the team will seek to incorporate the identified actions into asset level business plans.

Over 2024 and 2025, the real estate team updated the 'Design Innovation Standard' tool which reflects the latest best practice and is intended to be used as a framework to support project teams in achieving the best possible sustainability outcomes based on the scale and scope of the project. The guidance sets out commitments, limits, and targets together with the scope of work required at different project stages, responsibilities and clear deliverables. These standards ensure a consistent, start-to-finish approach to sustainable refurbishment and development, making use of key RIBA Stages. The approach also follows BREEAM principles, which adopt sustainable methods of construction to deliver an operationally efficient and sustainable building or refurbishment.

In 2025, the real estate team launched the Nature and Biodiversity Strategy (as detailed under the earlier Strategy section) for all new developments, major refurbishments and operational assets in the real estate portfolio which aims to create genuine impact for people and their environment.

Within our strategy, we have a series of high-level commitments which inform our strategy development under three pillars: Social Impact, Connected Approach and Nature Positive. This new strategy sits under the pillar 'Nature Positive', which includes commitments on Climate Resilience, Enhancing Biodiversity and Embedding Circularity. We also

CASE STUDY

Three Chamberlain Square

Three Chamberlain Square is a flagship Grade A office building, located in the heart of Birmingham. Catering for the changing nature of office settings, the 190,000 sq. ft building was built around the themes of sustainability, wellbeing and place.

Completed in 2025, the building is fully electric and fossil-fuel free, designed to operate as net-zero carbon in use. Three Chamberlain Square achieved an upfront embodied carbon figure of 449 $kgCO_2e/m^2$, improving on the original 600 $kgCO_2e/m^2$ brief and achieving LETI Band B for offices. This was delivered through coordinated design and engineering decisions, including post-tensioned concrete slabs that reduced steel demand by approximately 50%, structural fire engineering that reduced material requirements further, and favourable ground conditions that allowed the building to be delivered without piling. We also incorporated a lean structural design, recycled access flooring, more than 200 cycle spaces and an 80% recycled aluminium façade, ensuring that resource efficiency and low-carbon thinking were embedded in the building specification.

Three Chamberlain Square has achieved BREEAM "Outstanding" at both design and post-construction stages, holds an A EPC rating, achieved WiredScore Platinum and ActiveScore Platinum, and was the first office building in the West Midlands to receive a NABERS UK 5-Star Design Reviewed Target Rating.

These independent assessments provide objective verification of the building's design quality, operational ambition and user-focused performance. We have also used publicly disclosed carbon intensity data, expressed in $kgCO_2e/m^2$, to demonstrate delivery against clear targets in a way that supports credible ESG reporting and accountability.

recognise the significant link that nature and biodiversity have to all other areas of sustainability, in particular Social Impact and Climate Resilience. We therefore need to integrate consideration of nature and biodiversity throughout our investment and asset management activities. Developing the strategy involved a series of workshops and site visits to determine our baseline biodiversity and ecosystem service value and discuss our ambitions and opportunities for the portfolio. Representative operational assets were assessed, and Biodiversity Action Plans (BAPs) were produced.

The Biodiversity Action Plans consider the current site value, opportunities on site, ecosystem service provision needs and existing ecological receptors. BAPs also consider the site context, opportunities for connectivity to wider green network, local priority species, habitats, and biodiversity and ecosystems service policy priorities.

For more information on the strategy, please see the Nature & Biodiversity Strategy Report.

Targets

Progress against our targets

Our real estate interim targets:

- **25% reduction in energy intensity across all real estate assets by 2025, 40% by 2030 and 66% by 2035.**
- **Net zero commitment for real estate development and operational assets and for real estate debt by 2035.**

Climate: Compared to a 2018 baseline, energy intensity has been reduced by 53% on landlord-controlled assets as at 31 December 2025 (using location-based emissions).[15] This means that we exceeded our 2025 target.

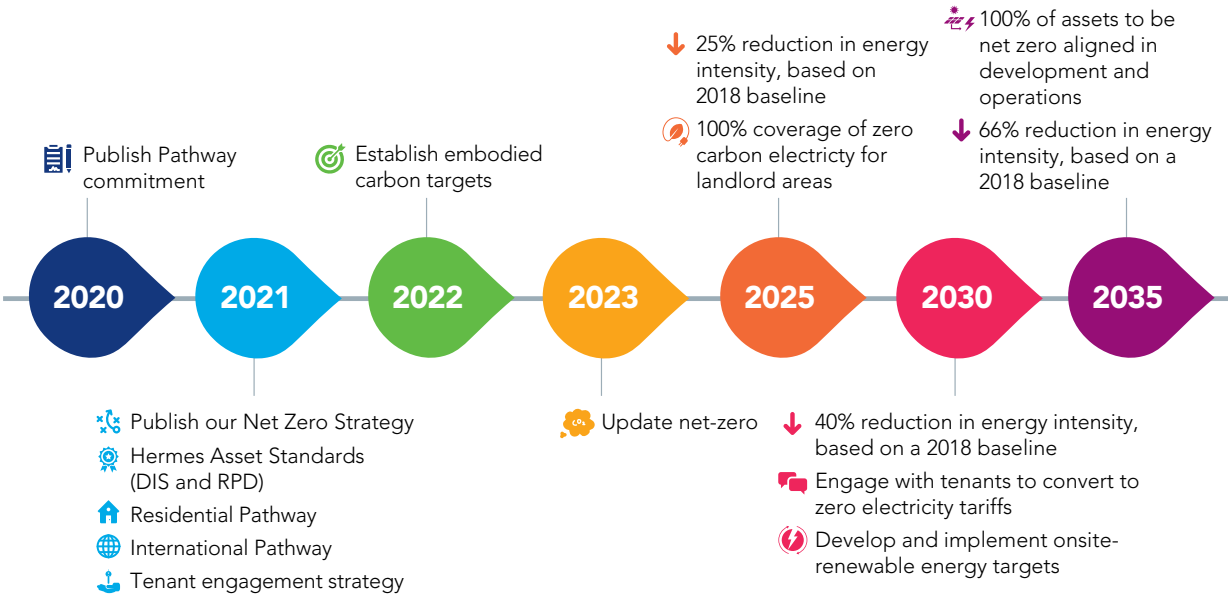
In line with our net-zero commitment, we have seen a reduction of 7.4% in landlord like-for-like energy consumption from 2024 to 2025 and a reduction in Scope 1 and 2 emissions for landlord-controlled energy procurement of 153,891 tCO_2e since 2018. This represents an 83.5% reduction since our 2018 baseline.

Since 2019, our real estate team has been part of the Better Building Partnership Climate Change Commitment with the aim of achieving net-zero emissions across our real estate portfolios by 2035. This target includes all scopes of carbon emissions from both landlord and occupier use.

By taking a proactive approach in developing and operating net-zero buildings, we intend to reduce the risk of having stranded assets. Net zero also presents opportunities for market leadership: to seek to generate income resilience for our clients; to support and retain our occupiers; and to provide long-term value to our stakeholders.

As part of this commitment, on behalf of our clients, during 2021 the real estate team issued the Net-Zero Pathway document which sets out both the targets and approach to reaching net-zero emissions by 2035 across the managed assets included within our UK real estate portfolio. Since then, we have published pathways for Residential[16] and International[17] portfolios. Over half of our assets under management are currently aligned to the pathway, with nearly 10% reaching their net-zero target position already.

Figure 36. Real estate approach to net zero



Source: Federated Hermes, as at 31 December 2025.

[15] Whilst this target applies to all assets, we are reporting for landlord-controlled assets only as we do not yet have sufficient coverage of tenant-supplied data.

[16] Federated Hermes, "Hestia Net Zero Strategy" (December 2022)

[17] Federated Hermes, "Net Zero Pathway for our International portfolio" (December 2022)

Over the period to 2035, we aim to deliver on the net-zero aspirations set out in the pathway, with a focus on delivery against four specific pillars of activity:

- Decarbonisation
- Deliver energy efficiency
- Stakeholder engagement
- Utilise offset opportunities

More information on the real estate's team approach to net zero can be found in the Net Zero Pathway document.

Decarbonising existing and heritage properties is one of the biggest challenges that the real estate industry is facing and will need to respond to in the next decade. There is not a one size fits all approach, however building-by-building approaches also fail to take advantage of the opportunities presented by portfolio-level investment decisions and economies of scale. Following the development of our real estate net-zero pathways, an in-depth decarbonisation review has been carried out by external consultants on over 80% of the assets under management. These works included high-level desktop analysis and in-depth net zero audits and determined the actions required to deliver decarbonisation at asset level and provide a framework for relevant interventions. There were several steps to this work:

- **Benchmark:** The first step was to create a baseline to establish the carbon position, and this was carried out by our external consultants via a non-intrusive survey that was representative of the wider portfolio.
- **Roadmap:** From the carbon baseline, a fully costed roadmap to achieve our 2035 net-zero target was generated for each portfolio. To ensure the roadmap was realistic and achievable, the consultants combined machine learning analysis with the expertise of building services engineers, whilst taking tenant requirements into consideration.
- **Deliver:** We recognise that roadmaps are only beneficial if they are asset specific, pragmatic and we deliver against them, demonstrating progress through robust monitoring and verification across the lifecycle of an asset. The asset level transition plans provided clarity around our asset investment decisions and demonstrated the effectiveness of tools in supporting decarbonising at scale. During 2025, our focus was on the integration of the asset level net-zero transition plans to asset's business plans. This integration is important to the successful delivery of our decarbonisation though alignment with improvement works, lease structure and planned maintenance schedules of our assets. A big priority remains the removal of fossil fuels, the deployment of on-site photovoltaic (PV) electricity generation and delivering low-embodied carbon buildings
- **Monitoring:** We conduct annual assessments through an external third-party consultant, who examines data at an asset-level, maps against the transition pathways for EUI (energy use intensity) and GHG emissions. The results of this monitoring are reported to clients. The ESG platform used to record ESG KPIs also provides asset and property managers with continual access to data, analysis and actions required for improvement.
- **Nature:** In 2025, we also set targets for our measurable targets for new developments and operational assets. We will report on progress against these targets in future years.

New Development Targets

Targets for measurable uplift in biodiversity and ecosystems service provision have been set for new developments. This is based on a defined uplift over the pre-development baseline.

- **Biodiversity uplift:** Sites are to achieve a 20% Biodiversity Net Gain (BNG) over pre-development conditions or exceedance of local policy targets if higher, as measured via the DEFRA Metric for Biodiversity Net Gain.
- **Ecosystem service provision:** Sites are to achieve measurable uplift in ecosystem service provision, as measured using the Environmental Benefits from Nature (EBN) tool.
- **Core Biodiversity Requirements:** Overall success in meeting all three objectives for a new development will be achieved through the application of our new Core Biodiversity Requirements (CBRs). CBRs will be integrated as part of the design process – more information can be found in the Appendix of the Nature & Biodiversity Strategy Report.

Operational Assets Targets

The target which is applied is dependent on baseline condition[18] of the operational asset:

- Sites nearing a '0' unit baseline (baseline biodiversity unit value of 1 or less), such as dense urban sites, to target an uplift of 0.5 biodiversity units per hectare over the 2023 baseline.
- Sites with existing greening (baseline biodiversity unit value greater than 1) to achieve a 5% BNG over pre-development conditions or exceedance of local policy targets if higher.

Implementation of the strategy on our developments will be tracked through our internal Design Innovation Standard (DIS), which states and tracks all our commitments for every project type. For more information on the strategy, please see the Nature & Biodiversity Strategy Report.

Metrics

The figure below shows the long-term performance of our portfolio. It depicts the annual emissions from energy usage for areas we manage in our real estate portfolio. The chart includes only the properties within our real estate portfolio for which we supply energy. There may be areas within these properties for which we do not supply energy as they are managed by our tenants, and which are therefore not captured in the chart below. Due to variation in the size and energy needs of individual assets, it is not feasible to normalise the carbon footprint for the whole portfolio by floor area. However, the chart below shows that in 2019 23,678 tCO_2e were emitted by 165 properties and in 2025 only 9,428 tCO_2e were emitted by 145 properties.

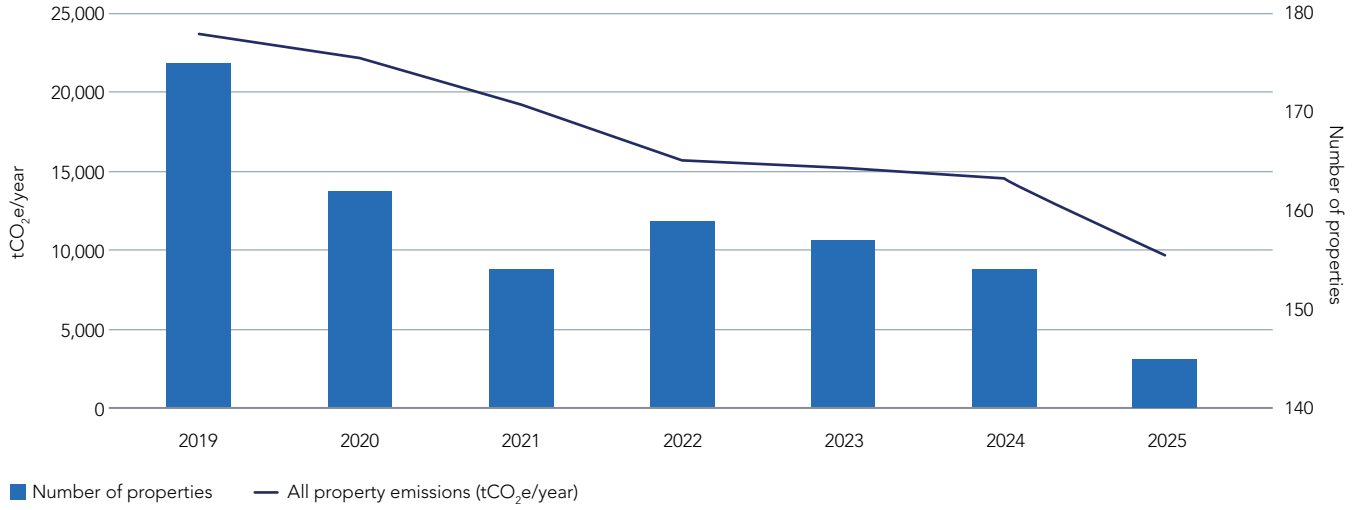
Alongside the reduction in absolute emissions, as shown in the figure below, the WACI for the real estate portfolio decreased 20.45% between 2024 and 2025. The emissions reductions were supported by increases in efficiency (such as smart tech

[18] Baseline condition is assessed using the Defra Metric for Biodiversity Net Gain (BNG).

deployment and greater building control), changes to the portfolio make-up, and changes in occupation levels (such as in new builds in operation with current low occupancy levels).

During 2025, proactive property management – including the first A+ EPC building in the portfolio – has helped to ensure that absolute carbon emissions continued to fall. This was also supplemented by the continued decarbonisation of the UK grid and use of 100% green electricity for all assets where we manage to have freedom to negotiate supply contracts. During 2025 we also negotiated our first green gas contract for a building removing Scope 1 emissions for existing space heating plant.

Figure 37. Changes in absolute carbon emissions (Scope 1 and 2 tCO_2e) for all properties in landlord-controlled standing portfolio between 2019 and 2025



Source: Federated Hermes, Deepki Platform, as at 31 December 2025.

Private Equity

Scenario analysis

Due to the lack of disclosed data, we have not been able to conduct asset specific analysis for private equity investments. We have used industry/sector level analysis that use averages to help us estimate value at risk for our private equity assets however, we find these to not necessarily reflect the true value at risk. To avoid presenting potentially misleading information, we have omitted this from this reporting. As data becomes more readily available, we hope to further our scenario analysis across this asset class.

Assessment, integration and engagement

Our private equity team assesses sustainability risks and opportunities, including climate change, ahead of each investment.

For fund investments, the team reviews the ESG practices of the fund manager, including their approach to climate change.

For direct co-investments, the investment team involves the private equity ESG specialist when the investment is in a sector identified as high risk by TCFD or Global Canopy (in relation to deforestation). Using Global Canopy's high-risk sector and commodity lens (e.g. palm oil, soy, beef/leather, timber, pulp and paper), we screen each opportunity and where relevant conduct targeted diligence on sourcing geographies, exposure to high-risk regions, and the strength of deforestation and supplier alongside associated human rights commitments. For any investment flagged as high risk, we test resilience of material operational changes that are needed by 2040, and if these are reflected in the business plan, and if there is a credible net zero commitment by 2050. We use the outcome of this test to inform our environmental scoring and to set conditions or decline the investment where we believe that risks are not manageable.

The sustainability specialist conducts risk analysis and provides a view which is included in the Private Equity Investment Committee (PEIC) documentation. The ESG specialist and the investment team review the ESG materials provided by the lead investor, complemented by in-house research or expert calls where relevant. The investment team score each deal for ESG risks and opportunities and report their findings to the PEIC. Investments with significant and financially material climate change risks are declined (typically ahead of being considered by the PEIC), and investments with relevant risks that could materialise during the investment hold are included in an ESG watchlist.

The investment team report any changes in the ESG watchlist to the Private Equity Portfolio Review Group (a sub-committee of the PEIC), in relation to both companies which need to be included given that a sustainability risk or issue has materialised and companies that are removed from the watchlist once a risk has been significantly mitigated.

In addition to reviewing risks and opportunities for individual investments, the private equity team also aims to leverage the transition to net zero as a key investment theme. The private equity investment strategy is guided by a thematic investment framework that identifies structural long-term trends we expect to shape the landscape of global economic activity over the next decades. This framework is aligned to the UN's Sustainable Development Goals.

The 'Net Zero Economy' theme focuses on investments relating to sustainability and the energy transition. This megatrend will capture opportunities that are arising from the convergence of technological progress and demand for new solutions to reduce the impact of human activity on the planet. We summarise our current thematic thinking below:

- Given the significance of climate change across business, consumers and government since our original introduction of the sustainability theme in the early 2010s, we have holistically reviewed our target sectors in light of the required transformation of the economic system to achieve carbon neutrality.
- The transformation to achieve net-zero outcomes cut across traditional sectors to encompass companies within 'next generation' energy, the future of food and mobility sectors to the broader production and consumption cycle, including ESG metrics measurement and technology.
- We expect the increasing demand for net-zero-aligned products coupled with the competitive advantages of more sustainable supply chains, will create a rich vein of opportunities to be addressed by the private equity market, which this megatrend intends to capture.

Metrics

We use Holtara, an ESG service provider, for emissions estimations for holdings in our private equity funds. They use an input output model, where net asset value (NAV), sector and geography are inputted and the model outputs emissions. The limitations of this model are that it relies on sector and geographic averages.

CASE STUDY

Private Equity – Spares in Motion

In January 2026, the private equity team completed an investment in Spares in Motion (SIM), alongside HAVN. Headquartered in the Netherlands, SIM is an independent distributor of wind turbine spare parts to wind farm operators, offering procurement, refurbishment, logistics, repair coordination and a multi-brand online marketplace for spare parts and components

Investment rationale:

- **Impressive growth track record** – driven by repeatable business and increasing international expansion, particularly in the US with regional revenue growing from 23%in 2022 to 50% in 2024
- **Resilient, growing aftermarket and compelling value proposition for customers** – SIM unburdens wind turbine owners in their aftermarket needs for spare parts, enabling customers to quickly access difficult-to-reach spare parts, eliminating the need for in-house procurement personnel and minimising costly downtime
- **Value creation optionality across organic growth and M&A** – existing strong track record of organic growth, with future growth expected to be driven by increasing the share of wallet with existing customers and expanding its presence in Asia

The private equity team believes that SIM has a positive impact on the environment as its products extend the lifetime of wind turbines, maximising clean energy generation.

For private equity, there were methodological changes in calculating the FY25 figures to improve alignment with PCAF. For improved comparability, historical FY24 figures have also been retrospectively restated on a like-for-like basis. The remaining differences are attributable to updated emissions benchmarks and changes to underlying fund investments. The WACI decreased 5.4% between 2024 and 2025 as a result of change in the portfolio's sector composition. 100% of the data is estimated.

Private debt

Scenario analysis

Due to the lack of disclosed data, we have not been able to conduct asset-specific analysis for real estate debt and direct lending investments. We do have an industry/sector level analysis we conduct for our direct lending assets that use averages to help us estimate value at risk. To avoid presenting potentially misleading information, we have omitted this from this reporting. As data becomes more readily available, we hope to further our scenario analysis across this asset class.

Assessment, integration and engagement

The private debt teams consider ESG behaviours when carrying out credit analysis for each potential investment. ESG considerations are a fundamental part of the research presented, and discussed, for all new transactions. Material ESG issues will often form part of engagement with the company prior to investment and once invested.

When carrying out credit analysis for each potential investment, the real estate debt team considers exposure to sustainability risks of the real estate assets that are specific to each investment. Following investment, these risks are then monitored at least annually during the loan period. Material sustainability issues will often form part of engagement with the borrower prior to investment and once invested.

The physical nature of real estate assets means that nature-related risks are a key consideration. As our investments are focused on providing loans to commercial and residential buildings, direct impacts on the local environment are generally limited. Our primary focus is therefore, on dependencies on ecosystem services, particularly those relevant to the management of physical climate risks.

We analyse all climate hazards for the real estate that all of our loans are secured on. We do this using MSCI CVaR service. The most significant risk for the assets that we invest in is flood risk, but we analyse all climate hazards specified by the EU taxonomy.

If an asset that we are looking to invest in has an increased risk of flood we would conduct detailed due diligence on the resilience of the asset in the event of a flood. There are mitigation strategies through building design as well as operational management that can protect both the capital value and the income stream – vital for servicing our loan investment.

Where there is evidence that occupier prefer building designs that incorporate nature, such as landscaping in the vicinity, green rooves or green walls we adjust for this effect on risk in our underwriting.

For our direct lending team, the key is to identify meaningful ESG risks (both current and potential) before investing. Due to the difficulty of divesting and the capped upside, it is important to manage the downside and engage where possible ex-ante. The direct lending team undertakes enhanced due diligence on industries that are deemed controversial, such as energy, chemicals, forestry and agricultural commodities, manufacturing and mining and metals. They also undertake transaction specific ESG analysis by carrying out an assessment on ESG risks for every investment opportunity, which has included, for example (i) determining the potential for future environmental fines or regulatory breaches of a borrower by undertaking a review of policy documentation and (ii) assessing the deforestation risk within a borrower's supply chain, which was mitigated by the borrower's policy to ensure all suppliers demonstrated they are active outside of deforestation areas in Brazil. In addition, the team focuses acutely on the sensitivity of the company's

CASE STUDY

Direct Lending

Our direct lending team reviewed the opportunity to lend to the largest European provider and distributor of home care and mobility aids. The company's product portfolio ultimately enables increased home care for patients, alleviating pressures on professional care and the cost of healthcare. In terms of sustainability, this borrower is considered the market leader, owing to its focus on electrifying its vehicle fleet, maintaining a high rate of recycling aids and equipment, engaging with suppliers on innovation, for example using fewer parts and using more environmentally friendly batteries in scooters etc, and seeking to improve sustainability across the supply chain.

From a social standpoint, while the borrower's products assist customers with their independence, the borrower's distribution network and the usage of batteries has the potential to be somewhat "environmentally heavy". As such, to ensure the borrower remained focussed on improving its sustainability practices, an 'ESG margin' ratchet was included in the loan documentation which, depending on the meeting of certain ESG-related criteria, impacts the quantum of interest paid by the borrower on the loan. These criteria include the reduction of Scope 1, 2 and 3 GHG emissions, the increased use of refurbished lead-acid batteries and improving the number of suppliers certified by the PSO, which focuses on inclusive employment.

cashflows to the identified potential ESG risks. With that in mind, the direct lending team will evaluate if investors are adequately remunerated for the ESG risk(s) of the transaction.

Metrics and Targets

For direct lending, the WACI decreased considerably between 2024 and 2025. There are several reasons for this significant reduction. The first is the loan repayment by one borrower, who had large Scope 1 and 3 carbon emissions in 2024. Furthermore, the WACI is representative of the reported data available to us at the time of publication of this report. One borrower who had previously published an emissions report for 2024 has not done so yet for 2025. This means that the stated WACI figures represent only one borrower across the direct lending portfolios.

Our real estate debt interim targets:

- **Net zero commitment for real estate development and managed assets operations and for real estate debt by 2035.**

Progress against our real estate debt target: Currently 94% of the loans in the Real Estate Debt portfolio will be repaid before 2035. We continue to assess the climate risks, energy efficiency and carbon emissions on all loans in the Portfolio.

For real estate debt, the WACI decreased 16.9% between 2024 and 2025. The explanation for the year-on-year decrease in the WACI is higher exposure to Nordic countries where a very low proportion of fossil fuels are used in electricity and heat production.

Another driver is two large assets in the UK switching to renewable electricity supplier. Due to the way our real estate debt emissions data is collected, we do not have the breakdown of the data split by scope; Scope 1, 2 and 3 data that the real estate debt team receive is combined. We have significantly increased the proportion of consumption data collected over the last year and in 2025, 68% of the real estate debt AUM is reported data and 32% is estimated. Real estate debt receives meter readings or energy consumption data directly and the amount of renewables produced and used onsite from their borrowers which are then used in the CRREM model. Where the team do not get direct emissions data from their borrowers, they use a third-party to estimate emissions data to fill in the gaps. The real estate debt team do not currently include embodied carbon emissions in their Scope 3 data, as there is currently no clear standard on how to measure this for standing buildings and there are no development loans in the portfolio.

The path ahead

We remain committed to playing our part in achieving the goal of the Paris Agreement to limit the temperature increase to 1.5°C, even as we acknowledge the challenges presented by the current global emissions trajectory and temperature trends, including an overshoot of this critical global threshold. We will continue to allocate capital, support a focused range of advocacy initiatives and leverage our engagement and proxy voting capabilities in a way that seeks to mitigate our clients' exposure to climate and nature risk. Federated Hermes has sought to report on a wide range of environmental metrics, in an effort to understand the climate-related risks, and where possible nature-related risks, our portfolios are exposed to. We continue to further incorporate nature into our approach and explore metrics to better identify the positive opportunities offered by the transition. The TCFD and TNFD recommendations on metrics formed the basis for ongoing dialogue across our firm on how to provide robust, best-in-class disclosure. At the same time, we are aware that the methods and data required to evaluate climate and nature exposure are still advancing and maturing, and as such we will continue to focus our efforts on incorporating the most robust and forward-looking approaches over time.

Appendix I – Climate-related Financial Disclosures Entity Report for Hermes GPE LLP 2025

Task Force on Climate-related Financial Disclosures

Entity Report for Hermes GPE LLP 2025

About the Firm

Hermes GPE LLP ("HGPE" or "the Firm") is an asset manager based in the UK that is authorised and regulated by the Financial Conduct Authority ("FCA"). The Firm is a subsidiary of Federated Hermes Limited ("FHL"), and its ultimate parent undertaking is Federated Hermes, Inc. ("FHI").

Purpose of this document

As an FCA-regulated asset manager, HGPE is required to make certain climate-related disclosures regarding its consideration of climate-related matters when managing assets on behalf of its clients.[1] The Firm is required to publish a "TCFD entity report" that is consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations and Recommended Disclosures[2] The TCFD entity report must describe the Firm's governance, strategy and risk management arrangements with respect to climate-related matters, as well as relevant climate-related metrics and targets.

Approach to disclosure

Federated Hermes takes an integrated approach to the management of climate- and nature-related risks and opportunities across its business. We publish a Climate- and Nature-related Financial Disclosures Report for FHL and certain of its subsidiaries including the Firm (the "FHL TCNFD Report"). This document supplements, and should be read in conjunction with, the FHL TCNFD Report for 2025. The table below identifies parts of the FHL TCNFD Report for 2025 that are relevant to HGPE.

Reporting period for this TCFD entity report

This document, together with the FHL TCNFD Report for 2025, comprises the TCFD entity report for HGPE for the period of 1 January 2025 to 31 December 2025 ("2025 HGPE TCFD Report"). The data in the 2025 HGPE TCFD Report is as of 31 December 2025 unless otherwise indicated.

Scope of this TCFD entity report

The 2025 HGPE TCFD Report provides information relating to HGPE's TCFD "in-scope" business which consists of the private market strategies of private equity and infrastructure. These investment strategies are available to investors through our range of unauthorised/unlisted Alternative Investment Funds (AIFs) and individual management arrangement (also known as segregated mandates).

References to "Federated Hermes" in this document refer to FHL, the Firm and the other subsidiaries of FHL within the scope of the FHL TCNFD Report (see page 6).

Product specific disclosures

In the event that there is any material difference between the relevant governance, strategy or risk management arrangements disclosed in this 2025 HGPE TCFD Report and the approach taken for a particular product within HGPE's TCFD in-scope business.

Compliance statement

We confirm that the disclosures made in this document together with the parts of the FHL TCNFD Report relevant to HGPE's consideration of climate-related matters (as indicated in the table below), comply with the requirements relating to TCFD entity reports at Chapter 2 of the FCA's Environmental, Social and Governance Sourcebook.

Steve McGoohan
Member of the Hermes GPE LLP Governing Body
Hermes GPE LLP

[1] Required by chapters 2.1 and 2.2 of the Environmental, Social and Governance Sourcebook issued by the FCA.

[2] The Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report) dated June 2017 ("TCFD Report") as supplemented by other documents published by the TCFD including the Annex to the TCFD Report entitled 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' dated October 2021.

Governance

Recommended disclosure (a) – Board/governing body oversight

Describe the board/governing body's oversight of climate-related risks and opportunities

Please see the "Governance" section (pages 11-14) in the FHL TCNFD Report. The following table identifies the governance bodies that are relevant to the Firm's operations, and the frequency of consideration of climate-related issues.

Governance body	Responsibility for climate-related risks and opportunities	Frequency of climate focussed discussions
Governance body	Responsibility for climate-related risks and opportunities	Frequency of climate focussed discussions
HGPE governing body	Oversight of HGPE's business, including its operations, systems and controls, and the conduct of activities and provision of services by HGPE.	1
Governance Oversight Committee (GOC)	Oversees sub-committees, group committees, departments, business units, control functions and senior personnel involved in HGPE's business. Acts under the authority of, and reports to, HGPE's governing body.	0
Sustainability Regulations and Stewardship Oversight Committee (SRSOC)	Oversees the formulation and delivery of engagement, voting and climate policies that are adopted by HGPE, and is responsible for proposing climate-related targets that may be adopted by Federated Hermes and apply to HGPE. The SRSOC is supported by Federated Hermes' Responsibility Office and stewardship team, (described below). The SRSOC also oversees compliance with climate-related disclosure requirements. Acts under the authority of, and reports to, the GOC.	Quarterly

Recommended disclosure (b) – Management role

Describe management's role in assessing and managing climate-related risks and opportunities

Please see the "Governance" section (pages 11-14) in the FHL TCNFD Report, in particular the "Key functions supporting board oversight and management" (pages 12-13). The following table identifies the way the Firm's management and senior leaders are able to monitor and assess climate-related risks and opportunities.

Committees, working groups and functions supporting management	Responsibilities
Responsibility Working Group (RWG)	Acts as a communication forum that discusses a range of topics that relate to the delivery of responsible wealth creation for clients that have appointed HGPE to provide investment management services. The RWG shares best practices across Federated Hermes Ltd including HGPE.
Climate and Nature Working Group (CNWG)	Provides feedback and recommendations on climate and nature related issues to business functions, including those supporting HGPE, with a view to developing and implementing a climate change and nature strategy and risk management approach across Federated Hermes Ltd, including HGPE.
Committees, working groups and functions supporting management	**Responsibilities**
Investment teams	HGPE's investment teams are ultimately responsible for its provision of investment management services and the integration of sustainability matters. The investment teams are overseen by the following investment committees: • For the infrastructure investment strategy, the Infrastructure Investment Committee, which is accountable for all sustainability matters related to the infrastructure investment strategy and assets within infrastructure portfolios. • For the private equity investment strategy, the Private Equity Investment Committee (PEIC), which is responsible for all investment risks, including climate change risk. The Private Equity Portfolio Review Committee, a sub-committee of the PEIC, assesses portfolio-level ESG risks including climate change risks on a quarterly basis. These Committees are accountable for all sustainability matters related to the private equity investment strategy and assets within the private equity portfolios. Investment teams have access to the Responsibility Office, including the ESG Integration team within the Responsibility Office, and EOS, including the tools, data, analysis and expertise of those functions.
Responsibility Office	Supports HGPE's implementation of Federated Hermes' responsible investor and responsible owner strategy. The Responsibility Office makes data, tools and analysis available to HGPE personnel, undertakes policy and advocacy activities for the benefit of Federated Hermes, and monitors and proposes updates to the Climate Action Plan. It provides reporting to the SRSOC, GOC and HGPE's board of directors. The Head of Responsibility reports directly to the FHL CEO.
Risk and Compliance	These control functions provide independent oversight of HGPE's activities, including the Firm's management of climate-related risks and compliance with relevant law and regulation.

Strategy

Recommended disclosure (a) – Identification of risks/opportunities

Describe the climate-related risks and opportunities that the organisation has identified over the short, medium and long term.

Please see the section headed "Describing climate- and nature-related risks and opportunities" (pages 15-22) in the FHL TCNFD Report.

Recommended disclosure (b) – Impact on organisation and transition planning

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Please see the "Strategy" section (pages 15-27) in the FHL TCNFD Report, and specifically the section called "The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning" (pages 28-30).

In relation to the Firm's corporate operations: Please see the section headed: (i) "Alignment across our business and with our third-party suppliers" (page 29); (ii) "Managing corporate environmental impacts" (pages 31-36); and (iii) "Corporate Travel Policy" (page 32).

In relation to the development of products manufactured by the Firm: Please see the section headed "Product development" (page 28).

In relation to the Firm's investment management activities: The strategy for the Firm's provision of investment management services and activities is described under "Our investments – Strategy and Risk Management" (pages 41-58), "Climate Action Plan" (pages 22-24), as well within the "Metrics & Targets" section. There may be differences in how our strategy is implemented for the different investment strategies provided by the Firm. For instance:

- For our infrastructure investment strategy, please see page 70
- For our private equity investment strategy, please see page pages 75-76

Recommended disclosure (c) – Scenario analysis

Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.

Please see the "Strategy" section (pages 15-27) in the FHL TCNFD Report, and in particular the section headed "Impacts of risks and opportunities on our financial planning" (page 29). Please also see the "Assessing the resilience of our strategy under different scenarios" (pages 44-47) and "Scenario analysis" sections for each asset class within the "Metrics and Targets" section (page 59-78). This is supported by the "Climate Action Plan" (pages 22-24) and "The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning" (pages 28-30). This applies to the following investment strategies provided by the Firm:

- Infrastructure (pages 68-69)

The following asset classes provided by the Firm are not covered by the scenario analysis described in the FHL TCNFD Report:

- Private equity

Risk management

Recommended disclosure (a) – Identifying climate-related risks.

Describe the organisation's processes for identifying and assessing climate-related risks.

Please see the "Corporate Strategy & Risk Management" section (pages 28-36) in the FHL TCNFD Report, in particular the "Risk Management Function" (pages 30-31) and "Sustainability-related standards and regulation" (page 31). In particular, please see the section headed "Our investments – Strategy and Risk Management" (pages 41-58) and the sub-sections headed "Investment risk management" and the "Assessment, Integration and Engagement" for each asset class within the "Metrics and Targets" section (page 59-78). The climate-related risk identification and assessment arrangements for the Firm are as follows:

- For our infrastructure investment strategy (page 70)
- For our private equity investment strategy (pages 75-76)

Recommended disclosure (b) – Managing climate-related risks.

Describe the organisation's processes for managing climate-related risks.

Please see the "Climate Action Plan" (page 22-24) in the FHL TCNFD Report. Please also see the "Corporate Strategy & Risk Management" section (pages 28-36), in particular "Impacts of risks and opportunities on our financial planning" (page 29), "Risk management function" (pages 30-31), "Sustainability-related standards and regulation" (page 31), "Managing corporate environmental impacts" (pages 31-36) and "Advocacy" (pages 37-40). Please see the section headed "Our investments – Strategy and Risk Management" (pages 41-58) and the sub-sections headed "Investment risk management" (pages 41-44) and the "Assessment, Integration and Engagement" for each asset class within the "Metrics and Targets" section (pages 59-78). This includes information for the following asset classes provided by the Firm:

- For our infrastructure investment strategy, please see page 70
- For our private equity investment strategy, please see pages 75-76

Recommended disclosure (c) – Integration into overall risk management

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Please see the "Corporate Strategy & Risk Management" section (pages 28-36) in the FHL TCNFD Report, in particular the "Risk management function" (pages 30-31). Please also see the section headed "Our investments – Strategy and Risk Management" (pages 41-58) and the "Assessment, Integration and Engagement" sub-section for each asset class within the "Metrics and Targets" section (pages 59-78).

Metrics and targets

Recommended disclosure (a) – Metrics for assessment of climate-related risks and opportunities

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Infrastructure

The infrastructure team invest in real assets that may be both exposed to physical climate events and connected to industrial activities that are currently emissions intensive. In 2021, the infrastructure team conducted a physical and transition climate risk and opportunity assessment with leading consultancy, Environmental Resources Management (ERM), that produced insight into the climate-related risks and opportunities across the portfolio. In 2024, the team updated the results of this assessment with ERM performing a review of the previous analysis using up-to-date data from the latest climate scenarios.

The assessment considered the significance of climate indicators, including specific physical climate hazards and low carbon economy transition trends, across short-, medium- and long-term timeframes. The identified indicators were rated on a scale of 'low' to 'high' in terms of their potential significance to each portfolio company. The climate indicator data was then combined with these exposure ratings to develop a company-specific score for each risk and opportunity. Scenarios for this analysis were selected to provide a comparative view of possible risks and opportunities under different decarbonisation and global warming trajectories.

Private Equity

The private equity team use Holtara, an ESG service provider, for emissions estimations for holdings in our private equity funds. They use an input output model, where net asset value ("NAV"), sector and geography are inputted and the model outputs emissions. The limitations of this model are that it relies on sector and geographic averages.

We use Scope 1 emissions (tCO_2e); Scope 2 emissions (tCO_2e); total operational carbon footprint - Scope 1 + 2 (tCO_2e); Scope 3 emissions (tCO_2e) and Scope 1 and 2 WACI (tCO_2e/£m val.) Where using "tCO_2e/£m val" we calculate WACI by £m of NAV so as to minimise estimated data from WACI by revenue.

There were methodological changes in calculating the FY25 figures to improve alignment with PCAF. For improved comparability, historical FY24 figures have also been retrospectively restated on a like-for-like basis. The remaining differences are attributable to updated emissions benchmarks and changes to underlying fund investments.

Recommended disclosure (b) – Metrics for GHG emissions

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Infrastructure

Since 2017, Federated Hermes Infrastructure has collated and reported Scope 1, Scope 2 and Scope 3, where available, emissions data associated with the investments in our portfolio. By Net Asset Value we have 99% coverage of Scope 1 and 2 emissions reported by December 2025. Federated Hermes Infrastructure uses this data to calculate and report the WACI for the portfolio (including Scope 1 and 2 emissions). When calculating our portfolio's emissions, we use gross figures and do not include avoided emissions from renewable energy generation. We continue to support our portfolio companies to establish targets and reduce emissions further in line with the Paris Agreement.

Infrastructure	Scope 1 financed emissions (tCO_2e)	Scope 2 financed emissions (location-based where available) (tCO_2e)	Total Scope 1 + 2 financed emissions (tCO_2e)	Scope 3 financed emissions (tCO_2e)	S1+2 WACI (tCO_2e/£m revenue)	S1–3 WACI (tCO_2e/£m revenue)
All infrastructure holdings	314,690	2,945	317,635	41,857	443.8	525.7

Source: Portfolio companies, reporting year 2025.

Private Equity	Scope 1 emissions (tCO_2e)	Scope 2 emissions (tCO_2e)	Total operational carbon footprint – Scope 1 + 2 (tCO_2e)	Scope 3 emissions (tCO_2e)	S1+2 WACI (tCO_2e/£m val.)	S1-3 WACI (tCO_2e/£m val.)
All Private Equity holdings	35,648.63	20,980.50	56,629.13	349,053.68	215.92	1,659.87

Source: Holtara as at 31 December 2025.

Recommended disclosure (c) – Targets and performance against targets

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Infrastructure

We adopted a Federated Hermes Infrastructure portfolio level target in 2022 for all portfolio companies to be aligned with the Paris Agreement's 1.5˚C goal by 2025. We use a bespoke methodology focused on ensuring that portfolio companies have long-term net-zero targets for 2050 or sooner and near-term targets aligned with the 1.5˚C goal of the Paris Agreement. These targets should be science-based through validation, for example by the SBTi. Using this methodology, we undertake a Paris Alignment test for our portfolio companies which scores them and classifies their level of alignment as a key performance indicator to track progress. Our investments may have additional climate and energy-related targets, aside from emissions reduction targets, at the company level.

Progress against our targets: As at 31 December 2025, the infrastructure team used our proprietary Paris Alignment Test in which companies were scored and classified as "Aligned", "Aligning", "Committed to Net Zero" and "Not Aligned". The breakdown of the infrastructure Net Asset Value (as at 31 December 2025) were as follows:

- 18% Aligned
- 14% Aligning
- 59% Committed to Net Zero
- 9% Not Aligned

The results demonstrate continued and meaningful progress across the portfolio, with the vast majority of assets either already aligned, actively aligning, or formally committed to achieving net zero. This reflects sustained engagement efforts and ongoing decarbonisation initiatives across our investments.

Our latest assessment indicates that full alignment with the 1.5°C objective of the Paris Agreement has not been achieved by the end of 2025, largely driven by external factors. In particular, certain technological, regulatory and policy constraints continue to affect the pace at which commercially viable 1.5°C aligned strategies can be implemented in specific sectors.

We will continue to actively support our investments in advancing their climate strategies, including through addressing practical challenges such as resource constraints, policy rollbacks and the absence of SBTi approved pathways in certain key sectors. Updated Paris alignment metrics will be published in 2026, alongside a revised interim decarbonisation target, ensuring our approach remains both ambitious and grounded in real world delivery.

Private Equity

Private equity does not have specific metrics targets. We are targeting to improve the data quality of our GHG emissions, and we engage with our general partners ("GPs") and portfolio companies to receive this information. We receive data from our portfolio by 30 June 2025, which means that it is not possible include in this report. However, we expect to include actuals together with estimated figures in product level TCFD reports.

Appendix II - Climate-related Financial Disclosures Entity Report for Hermes Investment Management Limited 2025

Task Force on Climate-related Financial Disclosures

Entity Report for Hermes Investment Management Limited 2025

About the Firm

Hermes Investment Management Limited ("HIML" or "the Firm") is an asset manager based in the UK that is authorised and regulated by the Financial Conduct Authority ("FCA"). The Firm is a subsidiary of Federated Hermes Limited ("FHL"), and its ultimate parent undertaking is Federated Hermes, Inc. ("FHI").

Purpose of this document

As an FCA-regulated asset manager, HIML is required to make certain climate-related disclosures regarding its consideration of climate-related matters when managing assets on behalf of its clients.[4] The Firm is required to publish a "TCFD entity report" that is consistent with the Task Force on Climate-Related Financial Disclosures ("TCFD") Recommendations and Recommended Disclosures.[5] The TCFD entity report must describe the Firm's governance, strategy and risk management arrangements with respect to climate-related matters, as well as relevant climate-related metrics and targets.

Approach to disclosure

Federated Hermes takes an integrated approach to the management of climate and nature related risks and opportunities across its business. We publish a Climate and Nature Related Financial Disclosures Report for FHL and certain of its subsidiaries, including the Firm (the "FHL TCNFD Report"). This document supplements, and should be read in conjunction with, the FHL TCNFD Report for 2025. The table below identifies parts of the FHL TCNFD Report for 2025 that are relevant to HIML.

Reporting period for this TCFD entity report

This document, together with the FHL TCNFD Report for 2025, comprises the TCFD entity report for HIML for the period of 1 January 2025 to 31 December 2025 ("2025 HIML TCFD Report"). The data in the 2025 HIML TCFD Report is as of 31 December 2025, unless otherwise indicated.

Scope of this TCFD entity report

The 2025 HIML TCFD Report provides information relating to HIML's TCFD "in-scope" business, which consists of the provision of public equity markets and public credit markets investment strategies. These investment strategies are available to investors through our range of investment funds6 and through individual management arrangements (also known as segregated mandates).

References to "Federated Hermes" in this document refer to FHL, the Firm and the other subsidiaries of FHL within the scope of the FHL TCNFD Report (see page 6).

Product specific disclosures

In the event that there is any material difference between the relevant governance, strategy or risk management arrangements disclosed in this 2025 HIML TCFD Report and the approach taken for a particular product within HIML's TCFD in-scope business, an explanation of such difference will be provided in Appendix III (see page 90).

Compliance statement

We confirm that the disclosures made in this document together with the parts of the FHL TCNFD Report relevant to HIML's consideration of climate-related matters (as indicated in the table below), comply with the requirements relating to TCFD entity reports at Chapter 2 of the FCA's Environmental, Social and Governance Sourcebook.

Saker Nusseibeh, CBE
Director
Hermes Investment Management Limited

[4] Required by chapters 2.1 and 2.2 of the Environmental, Social and Governance Sourcebook issued by the FCA.

[5] The Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report) dated June 2017 ("TCFD Report") as supplemented by other documents published by the TCFD including the Annex to the TCFD Report entitled 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' dated October 2021.

Governance

Recommended disclosure (a) – Board/governing body oversight

Describe the board/governing body's oversight of climate-related risks and opportunities.

Please see the "Governance" section (pages 10-13) in the FHL TCNFD Report. The following table identifies the governance bodies that are relevant to the Firm's operations, and the frequency of consideration of climate-related issues.

Governance body	Responsibility for climate-related risks and opportunities	Frequency of climate focussed discussions
HIML board of directors	Oversight of HIML's business, including its operations, systems and controls, and the conduct of activities and provision of services by HIML.	1[6]
Governance Oversight Committee (GOC)	Oversees sub-committees, group committees, departments, business units, control functions and senior personnel involved in HIML's business. Acts under the authority of, and reports to, HIML's board of directors.	0
Sustainability Regulations and Stewardship Oversight Committee (SRSOC)	Oversees the formulation and delivery of engagement, voting and climate policies that are adopted by HIML, and is responsible for proposing climate-related targets that may be adopted by Federated Hermes and apply to HIML. The SRSOC is supported by Federated Hermes' Responsibility Office and stewardship team, EOS (both described below). The SRSOC also oversees compliance with climate-related disclosure requirements. Acts under the authority of, and reports to, the GOC.	Quarterly

[6] The stated frequency does not include the HIML Board of Directors' consideration of climate-related matters at other times (such as when considering risk management, capital adequacy, and investment and product updates).

Recommended disclosure (b) – Management role
Describe management's role in assessing and managing climate-related risks and opportunities.

Please see the "Governance" section (pages 11-14) in the FHL TCNFD Report. The following table identifies the way the Firm's management and senior leaders are able to monitor and assess climate-related risks and opportunities.

Committees, working groups and functions supporting management	Responsibilities
Responsibility Working Group (RWG)	Acts as a communication forum that discusses a range of topics that relate to the delivery of responsible wealth creation for clients that have appointed HIML to provide investment management services. The RWG shares best practices across Federated Hermes Limited, including HIML.
Climate and Nature Working Group (CNWG)	Provides feedback and recommendations on climate and nature related issues to business functions, including those supporting HIML, with a view to developing and implementing a climate change and nature strategy and risk management approach across Federated Hermes, including HIML.
Committees, working groups and functions supporting management	**Responsibilities**
Investment teams	HIML's investment teams are ultimately responsible for its provision of investment management services and the integration of sustainability matters. Investment teams have access to the Responsibility Office, including the ESG Integration team within the Responsibility Office, and EOS, including the tools, data, analysis and expertise of those functions.
Responsibility Office	Supports HIML's implementation of Federated Hermes' responsible investor and responsible owner strategy. The Responsibility Office makes data, tools and analysis available to HIML personnel, undertakes policy and advocacy activities for the benefit of Federated Hermes, and monitors and proposes updates to the Climate Action Plan. It provides reporting to the SRSOC, GOC and HGPE's board of directors. The Head of Responsibility reports directly to the FHL CEO.
Stewardship team (EOS)	Provides engagement services for the public markets – equity and credit – strategies provided by HIML. This includes engaging with investee companies held by portfolios managed by HIML and providing tools and data to support HIML's investment teams.
Risk and Compliance	These control functions provide independent oversight of HIML's activities, including the Firm's management of climate-related risks and compliance with relevant law, regulation and best practice.

Please see the "Governance" section (pages 11-14) in the FHL TCNFD Report, in particular the "Key functions supporting board oversight and management" (pages 12-13). The following table identifies the way the Firm's management and senior leaders are able to monitor and assess climate-related risks and opportunities.

Committees, working groups and functions supporting management	Responsibilities
Responsibility Working Group (RWG)	Acts as a communication forum that discusses a range of topics that relate to the delivery of responsible wealth creation for clients that have appointed HIML to provide investment management services. The RWG shares best practices across Federated Hermes Limited, including HIML.
Climate and Nature Working Group (CNWG)	Provides feedback and recommendations on climate and nature- related issues to business functions, including those supporting HIML, with a view to developing and implementing a climate change and nature strategy and risk management approach across Federated Hermes, including HIML.
Committees, working groups and functions supporting management	**Responsibilities**
Investment teams	HIML's investment teams are ultimately responsible for its provision of investment management services and the integration of sustainability matters. Investment teams have access to the Responsibility Office, including the ESG Integration team within the Responsibility Office, and EOS, including the tools, data, analysis and expertise of those functions.
Responsibility Office	Supports HIML's implementation of Federated Hermes' responsible investor and responsible owner strategy. The Responsibility Office makes data, tools and analysis available to HIML personnel, undertakes policy and advocacy activities for the benefit of Federated Hermes, and monitors and proposes updates to the Climate Action Plan. It provides reporting to the SRSOC, GOC and HGPE's board of directors. The Head of Responsibility reports directly to the Federated Hermes Limited CEO.
Stewardship team (EOS)	Provides engagement services for the public markets – equity and credit – strategies provided by HIML. This includes engaging with investee companies held by portfolios managed by HIML and providing tools and data to support HIML's investment teams.
Risk and Compliance	These control functions provide independent oversight of HIML's activities, including the Firm's management of climate-related risks and compliance with relevant law, regulation and best practice.

Strategy

Recommended disclosure (a) – Identification of risks/opportunities

Describe the climate-related risks and opportunities that the organisation has identified over the short, medium and long term.

Please see the "Strategy" section (pages 15-27) in the FHL TCNFD Report, and in particular the sub-section headed "Describing climate- and nature-related risks and opportunities" (pages 15-22). Please see "Corporate Strategy & Risk Management" (pages 28-36), and in particular the sub-section headed "The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning" (pages 28-30).

Recommended disclosure (b) – Impact on organisation and transition planning

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Please see the "Strategy" (pages 15-27), "Corporate Strategy & Risk Management" (pages 28-36), "Our investments – Strategy & Risk Management" (Pages 41-58) sections in the FHL TCNFD Report, and specifically the section called "The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning" (pages 25-27). Please also the Climate Action Plan sub-section (pages 22-24).

In relation to the Firm's corporate operations: Please see section headed "The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning" (pages 28-30), and in particular the sub-section headed "Alignment across our business and with our third-party suppliers" (page 29). Please also see section headed "Managing corporate environmental impacts" (pages 31-36), and sub-section headed "Corporate Travel Policy" (page 32).

In relation to the development of products manufactured by the Firm: Please see the sub-section headed "Product development" (page 28).

In relation to the Firm's investment management activities: For our public equity markets and public credit markets investment strategies, please see in particular the sections headed:

- Under the "Strategy" section, the "Describing climate- and nature-related risks and opportunities" (pages 15-22) and "Climate Action Plan" (pages 22-24) sub-sections
- The "Advocacy" section (pages 37-40) Under the "Our investments – Strategy & Risk Management" section, the "Engagement" sub-section (pages 50-58)

There may be differences in how our strategy is implemented for different investment products – please see "Product specific disclosures" on page 90 onwards below.

Recommended disclosure (c) – Scenario analysis

Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.

Please see the "Strategy" (pages 15-27), "Corporate Strategy & Risk Management" (pages 28-36), "Our investments – Strategy & Risk Management" (pages 41-58) sections in the FHL TCNFD Report, in particular the sub-section headed "Impacts of risks and opportunities on our financial planning" (page 29). Please also see the "Assessing the resilience of our strategy under different scenarios" (page 44) and the "Public Market" sub-sections (pages 44-47). This is supported by the "Climate Action Plan" (pages 22-24) and "The impact of climate- and nature-related risks and opportunities on our business, strategy and financial planning" (pages 28-30) sub-sections. This applies to the following investment strategies provided by the Firm:

- Public equity strategies
- Public credit strategies

Risk management

Recommended disclosure (a) – Identifying climate-related risks.

Describe the organisation's processes for identifying and assessing climate-related risks.

Please see the "Corporate Strategy & Risk Management" section (pages 28-36) in the FHL TCNFD Report, and in particular:

- The description of the Risk Management Function that is in place for the Firm, under "Risk management function" (pages 30-31)
- The section headed "Our investments – Strategy & Risk Management" (pages 41-58) including the sub-sections headed "Investment Risk Management" (pages 30-31), "Assessment and Integration" (pages 47-49) and "Engagement" and "Engaging on climate change" (pages 50-53).

These climate-related risk identification and assessment arrangements apply to the following asset classes provided by the Firm:

- Public equity strategies
- Public credit strategies

Recommended disclosure (b) – Managing climate-related risks.

Describe the organisation's processes for managing climate-related risks.

Please see the "Climate Action Plan" (pages 22-24) in the FHL TCNFD Report. Please also see the "Corporate Strategy & Risk Management" section (pages 28-36), in particular "Impacts of risks and opportunities on our financial planning" (page 29), "Risk management function" (pages 30-31), "Sustainability-related standards and regulation" (page 31) and "Managing corporate environmental impacts" (pages 31-36). Please also see the section headed "Advocacy" (pages 37-40). in particular the sub-section headed "Assessment and Integration" (pages 47-49) and "Engagement" and "Engaging on climate change" (pages 50-53). This applies to the following asset classes provided by the Firm:

- Public equity strategies
- Public credit strategies

Recommended disclosure (c) – Integration into overall risk management

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Please see the "Corporate Strategy & Risk Management" section (pages 28-36) in the FHL TCNFD Report, in particular the "Risk management function" (pages 30-31). Please also see the section headed "Our investments – Strategy & Risk Management" (pages 41-58), in particular the sub-section headed "Assessment and Integration" (pages 47-49) and "Engagement" and "Engaging on climate change" (pages 50-53).

Metrics and targets

Recommended disclosure (a) – Metrics for assessment of climate-related risks and opportunities

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Across all our strategies we aim for high carbon data coverage. In 2021, we developed our own internal issuer hierarchy to improve data coverage in the public credit space. We also developed our own internal baseline methodology which excludes certain securities where there is lack of ESG data (cash, FX, long CDS, index or pooled product, sovereign, derivative where underlying is a government entity). We are also not yet able to measure the carbon footprint of our sovereign and structured credit exposure. This is due to a lack of data and available methodologies in this space. This is an area of continued focus, and we are evaluating estimation methodology to fill in the gaps.

In addition to those exclusions described above, securities for which we have no data (reported or estimated), primarily due to lack of coverage by third-party data providers, are excluded from the calculation. This includes removal of these names from the AUM figures used in our carbon metric calculations. This ensures that we are not understating our carbon exposure by excluding companies with no data from the numerator but including them in the denominator.

We calculate aggregated emissions in line with the TCFD recommendations.

We use estimated data where there are gaps in reported data from the investee company (apart from the exceptions described above). We rely on third-party data providers for our estimated data.

We use a third-party data provider, S&P, for our GHG emissions data for publicly listed companies on Scope 1, 2 and 3 emissions. S&P estimate emissions where there are gaps in reported data using their environmentally extended input-output (EEIO) model which combines industry-specific environmental impact data with quantitative macroeconomic data on the flows of goods and services between different sectors of the economy.

Recommended disclosure (b) – Metrics for GHG emissions

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

	Scope 1 and 2	Scope 3
Total carbon emissions (tCO_2e)	2,891,087.62	1,349,691.07
Carbon footprint (tCO_2e); per $million invested)	135.82	63.41
Weighted average carbon intensity (WACI) (tCO_2e) per $million revenue)	188.37	100.77

Source: Trucost for carbon emissions, as at 31 December 2025.

Recommended disclosure (c) – Targets and performance against targets

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Federated Hermes has adopted a Climate Action Plan, which sets targets (including interim targets) for reducing portfolio emissions. This involves setting minimum thresholds for:

(i) the proportion of assets under management ("AUM") invested in companies that have emission reduction targets aligned with limiting the temperature increase to 1.5°C above pre-industrial levels in accordance with the Paris Agreement ("1.5°C Aligned"); and

(ii) the proportion of financed emissions (Scope 1 and 2, and where material Scope 3) arising from AUM that are attributable to companies that have emission reduction targets that are 1.5°C Aligned.

For the investment strategies provided by HIML, the following targets have been set for the public market's investment strategy:

- We are targeting 25% of in-scope AUM, and 25% of financed emissions arising from that strategy, should be 1.5°C Aligned by 2025. This threshold will increase to 50% by 2027, and 80% by 2030.
- We are targeting that for 90% of financed emissions arising from the strategy, the emitting companies will be 1.5°C Aligned or subject to direct or collective engagement and stewardship actions by 2027 (increased from 80% as at the end of 2022).

For further information on the Metrics and Targets within our Climate Action Plan, including information on asset classes that are currently excluded (including amongst others direct lending, sovereign debt, FX and cash) please see page 59 onwards of the FHL TCNFD Report. This includes information on progress against our targets, including the alignment of HIML's public markets investment strategy as at 31 December 2025 (see Figure 16 on page 50).

Appendix III – ESG 2.2.1R (2) Climate-related Financial Disclosures Entity Report for Hermes Investment Management Limited 2025

With reference to the section called Product Specific Disclosures section of the Hermes Investment Management Ltd 2025 report in Appendix II (see page TBC) and the FCA Handbook ESG 2.2.1 R (2) rule, the below six portfolios represent those which deviate because they have a secondary investment objective which is ESG/sustainability related, which presents potential different approaches to governance, strategy or risk management.

1. Global SMID Equity Engagement Fund (Prior to 24 April 2025 this fund was Federated Hermes SDG Engagement Equity Fund)

The Global SMID Equity Engagement Fund forms part of the Engagement Equity Strategy and has a dual objective, namely, to generate attractive investment returns and create positive social and environmental impacts through engagements with investee companies.

Identification

As part of the investment team's ex-ante investment and ESG assessments of potential investee companies (and subsequently on an ongoing basis) the team appraise a company's exposure to and management of climate-related risks. This assessment would be expected to appraise a company exposure to transition and physical climate-risks (as well as opportunities). This assessment is informed by a combination of quantitative and qualitative analysis of company disclosures, third-party research and data and company engagement.

Assessment

The team in turn considers whether any risks (or opportunities) identified can be qualitatively or quantitatively factored into an investment appraisal – this may be in the form of explicit adjustments to prospective revenues or costs, or more commonly, less explicitly in the form of potential rating implications or conviction levels. Alongside the assessment of the implication for the investment case, the team also considers whether the issue identified can be better managed (or capitalised upon) by the company and if so whether change can be brought about as a result of engagement.

Management/Monitoring

On an ongoing basis the team monitors an investee company's performance with respect to management of its climate-related risks. This extends to monitoring KPIs such as a company's absolute emissions levels and carbon intensity (tGHG per $m sales) and the adequacy of any targets that have been set to realise the necessary reductions in emissions generated across a company's operations or through its supply chain. Where concerns persist, engagement will increase in intensity, and the progress of said engagement will in turn inform the investment team's ongoing view of the attractiveness of the holding.

2. Federated Hermes Sustainable Global Equity Fund (SUGE)

The Sustainable Global Equity strategy has a dual investment objective; to generate capital growth over rolling five-year periods while exhibiting a smaller environmental footprint than the index (in terms of reduced carbon, water and waste footprint).

Identification

Idea generation is at the heart of the investment process. The team takes a bottom-up approach designed to uncover the most exciting investment opportunities through a blend of organic ideas, screening and thematic research. The strategy addresses several sustainable themes with each having a variety of investible sub-themes. Two of the overarching themes relate to the environment – environmental preservation and efficient production and resource usage – and two relate to society – health and wellbeing and social inclusion. Each theme is closely aligned to the UN SDGs.

Example environmental themes and investable sub-themes include:

Environmental Preservation:

- Energy Transition
- Biodiversity
- Future mobility
- Decarbonisation
- Electrification

Efficient Production & Resource Usage:

- Circular economy
- Better and faster decision-making
- Water preservation
- Supply chain efficiency
- Green materials

Industry and company-specific fundamental analysis combined with company meetings, assists the investment team ascertaining relevant climate risks for a company.

Assessment

The team assesses the sustainability of each company from an ESG perspective, including climate risks. The research analysis centres on three inter-related aspects: the financial profile of the business, operating metrics and governance; and product impact.

An assessment of each company's sustainability from an ESG perspective is undertaken across three broad criteria:

- **Quantitative metrics:** we believe measurable ESG metrics are among the most important data points in trying to identify ESG leaders. The majority of reported data from companies relates to policy, which is typically a less valuable input into the team's process. The team assess and compare companies with peers on a variety of metrics, considering both the absolute level and the rate of change. The team makes use of proprietary tools such as the Carbon Tool, Portfolio Snapshot and ESG Dashboard. Any notable quantitative metrics from external ESG research providers will be considered at this stage.
- **Engagement/corporate openness:** In addition to support from the firm's centralised stewardship capability, EOS, the strategy also benefits from dedicated, embedded Stewardship expertise. The Head of Impact Engagement, Will Pomroy, devises and executes the engagement plan and sits alongside the equity investment teams in London. The firm-level capability, EOS, engages with many of the world's largest companies, interacting with companies on behalf of clients with over $1trn of assets under advice. Their rich insights help inform our company-specific and sector understanding, particularly on ESG issues. The team believes the approachability and openness of management and board directors can be a telling indicator of the culture within a business. In addition to responsiveness, other key considerations for the team when assessing on this metric include sustainability KPI's and goals, ongoing monitoring and measurement of those KPI's, audited sustainability report, and overall ESG disclosure.
- **Materiality:** the relative importance of different ESG metrics vary enormously depending on the stock, the industry, and the geography. Material ESG topics are those that could have meaningful financial consequences. To assess materiality, the team are principally guided by their understanding of the company, while utilising international frameworks like SASB as a sense check. The team recognise that materiality is a fluid concept, and changes over time depending on trends changes in the competitive landscape, regulation shifts, innovation and other factors.
- The team also assess the effect of the products and services on broader society. The team seek to identify companies whose products and services are aligned to sustainable themes, which in turn are mapped to the UN SDGs. In this analysis, the team analyse the net effect on broader stakeholders, considering positive, neutral, and negative effects. The team assess the intentionality, additionality, nature and balance of each company's products and services. Additionality is a particularly vital component in our impact analysis given the considerable value to products and services which have incremental benefit above what is already available.

Managing/Monitoring

The team actively monitors the characteristics of the portfolio. The overriding focus of the approach is on the merits of the individual stocks held, and this is the prime area they monitor daily. Given the sustainability focus, the team also monitors these attributes at a stock and portfolio level, and report on this to clients on a quarterly and annual basis.

Stewardship plays a vital role in the team's ongoing monitoring of the portfolio. With the assistance of EOS, the Sustainable Global Equities team internally monitors how companies are improving their ESG profile. The benefit of keeping records of achievements assists the team with assessing company progress towards meeting ESG targets and helps them with the key points of discussion when engaging with companies. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective.

The sustainable outcomes are also measured and monitored using available third-party data relating to the carbon, water and waste metrics by comparing the following characteristics of the companies held with those in the benchmark:

- Total carbon emissions normalised by the market value of the portfolio, expressed in tons CO2 per $ million invested
- Total waste (landfill, nuclear and incinerated) for a portfolio normalised by the market value of the portfolio, expressed in tonnes per $ million invested
- Total water used (cooling, processed and purchased) normalised by the market value of the portfolio, expressed in m3 per $ million invested.

The investment team also monitor a range of climate indicators as part of the investment strategy:

- GHG emissions, carbon footprint, GHG intensity, exposure to fossil fuels and energy production from non-renewables.

3. Federated Hermes Global Equity ESG Pathway Fund (Prior to 24 April 2025 this fund was Federated Hermes Global Equity ESG Fund)

The investment objective of the Fund is to achieve long-term capital appreciation by investing in worldwide equity securities with favourable environmental, social and governance ("ESG") characteristics.

Identification

We have developed the QESG Score, a bespoke quantitative model that evaluates a company's ESG profile and tracks positive change over time. This tool enables us to systematically assess the ESG performance of every company in our investment universe.

Our investment philosophy is grounded in the belief that:

- Companies with lower ESG risk exposure than their peers are more likely to outperform over the long term.
- Firms demonstrating positive ESG momentum can unlock significant shareholder value.
- Conversely, companies with deteriorating ESG profiles tend to underperform.

The QESG Score captures both current ESG behaviours and observed changes, helping us identify companies best positioned to thrive in a world where ESG considerations

are increasingly critical. We believe that firms with higher QESG Scores will deliver better outcomes for all stakeholders, especially shareholders.

Assessment

The QESG Score was created according to the following framework:

Wide-range of ESG data → **QESG Score**

- EOS
- Sustainalytics
- MSCI
- S&P Trucost
- CDP
- Bloomberg
- FactSet
- ISS

	Example metrics		
	Environmental	**Social**	**Governance**
Policies and processes What does the company claim?	Emissions targets Renewable energy policies Disclosure quality	Human rights policy ESG certifications/awards Supply chain commitments	Quality of disclosure Board independence Board structure
Real-world performance What is the reality?	Emissions/resource use Exposure to green opportunities Exposure to controversies	Employee turnover 3rd party ESG ratings SDG revenue generation	Compensation and alignment 3rd party ESG ratings Exposure to controversies
Trend Is the company improving?	Change in emissions Improvement in ESG ratings Engagement progress	Resolution of controversies Improvement in ESG ratings Engagement progress	Vote progress Improvement in ESG ratings Engagement progress

The QESG score seeks to understand how the company is managing its ESG risks by:

Policies and Procedures

Whether the company has appropriate frameworks in place – indicating that it is, at least superficially, addressing key ESG matters.

Actual Performance

Whether real-world ESG metrics are consistent with stated policies, and how the company compares with peers.

Direction of Travel

Whether the company is setting meaningful targets (e.g., net-zero pathways, diversity goals) and demonstrating measurable progress. Importantly, this means a company with a lower relative QESG score may still be investable if it shows strong momentum and credible improvement.

The QESG Score therefore helps us understand both the current level and trajectory of a company's ESG performance.

Each component of the QESG Score is embedded within the team's idea generation engine, the Alpha Model, individually and subject to the same non-linear transformations as other measures of corporate quality. This ensures that companies exposed to significant (and unnecessary) ESG risks or controversial behaviours or activities are highly unlikely to be viewed favourably by the model.

The QESG Score is also a valuable component of the ESG Dashboard, which is a platform that distils the growing volume of ESG data. It integrates proprietary stewardship data from EOS with inputs from leading third-party providers, including Sustainalytics, MSCI, Trucost, CDP, ISS, FactSet, and Bloomberg. It provides ESG-related data on any stock within the investment universe, highlights industry-specific KPIS relating to ESG factors and helps identify ESG risks and opportunities efficiently and direct conversations with EOS, with whom the team has formal monthly meetings, as well as numerous ad hoc conversations,

Environmental considerations are embedded directly into our investment process through our proprietary QE Score, ensuring a natural tilt towards companies with strong or improving environmental profiles. The qualitative overlay supplements this through the ESG Dashboard, integrating climate risk frameworks, controversy monitoring, UN SDG and SASB alignment indicators, which draws on several datasets, including SBTi, TPI, CDP, MSCI, Trucost and Sustainalytics, combined with insights from EOS.

Stewardship is central to our approach. EOS leads engagement with company boards and management teams on climate related risks, environmental reporting, and broader sustainability governance. This includes:

- Encouraging adoption of TCFD aligned disclosures
- Addressing climate risk issues ahead of AGMs
- Tracking companies' progress against environmental objectives
- Sharing best practice examples across sectors
- Using our voting policies and industry memberships to reinforce alignment with the goals of the 2015 Paris Agreement

These engagements support improved corporate resilience and create a positive feedback loop into our investment process.

Management/Monitoring

The Portfolio Monitor provides a portfolio-level overview of ESG exposures relative to absolute and benchmark measures and incorporates EOS voting and engagement data. It helps us:

- Flags companies with potential ESG controversies.
- Facilitates thematic ESG risk discussions.
- Identifies best- and worst-performing companies across ESG metrics.
- Encourages deeper ESG integration through data-driven insights and stewardship dialogue.

As mentioned earlier, stewardship is fundamental to the team's monitoring of progress and in keeping companies accountable. We summarise our approach as informed, constructive, purposeful and patient. Our engagement with companies can be categorised under three key motives:

- Engaging for insight: Learning more about a business and its approach to issues.
- Engaging for risk management: Pushing for better processes and governance from firms to minimise risk.
- Engaging for impact: Encouraging changes to company strategy to directly improve environmental performance.

EOS sets clear engagement objectives and tracks progress against defined milestones. Where companies fail to respond meaningfully, we may escalate or ultimately divest.

4. Climate Change High Yield Credit Fund (CCUF)

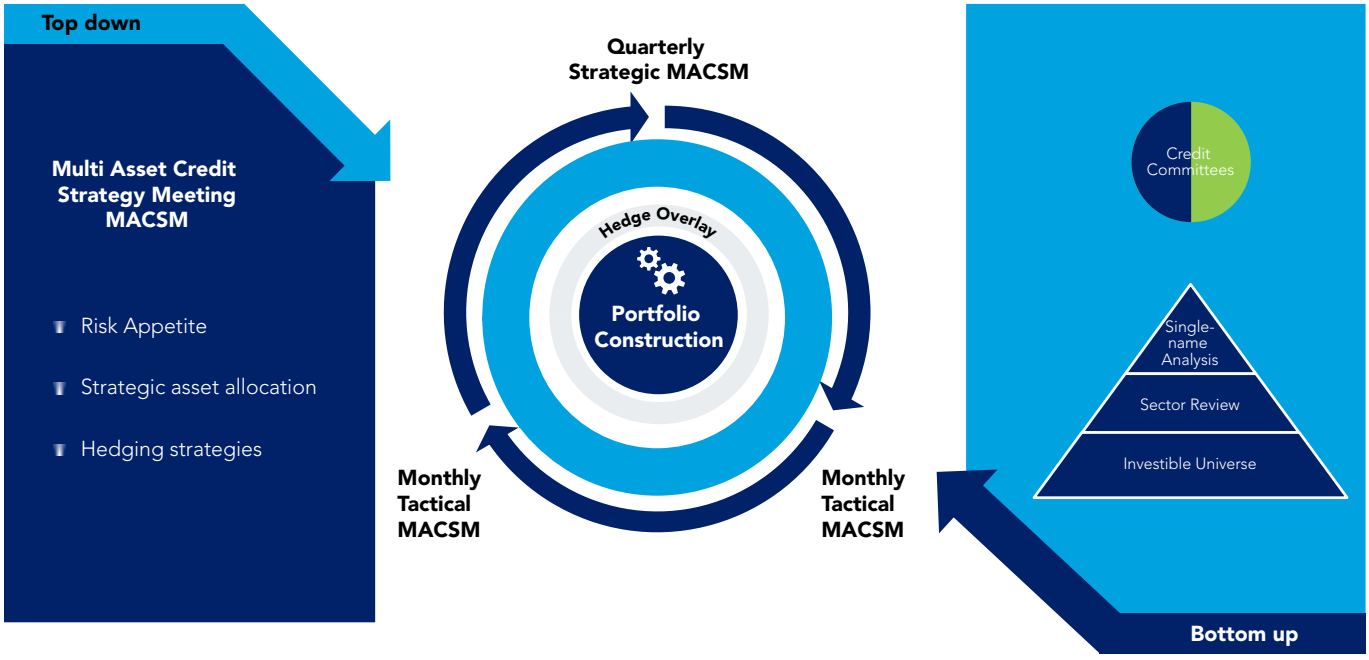
Identification

The Climate Change High Yield Credit strategy has a dual objective of delivering long-term, risk-adjusted outperformance, whilst also effecting positive environmental impacts by constructively engaging with companies on decarbonisation efforts and encouraging a more sustainable way of operating. Climate considerations are integrated in the investment process at various stages. Specifically, the strategy targets a total return above the benchmark over a rolling period of any five years alongside contributing towards the objectives of the Paris Agreement by investing in companies which are transitioning to net zero carbon emissions.

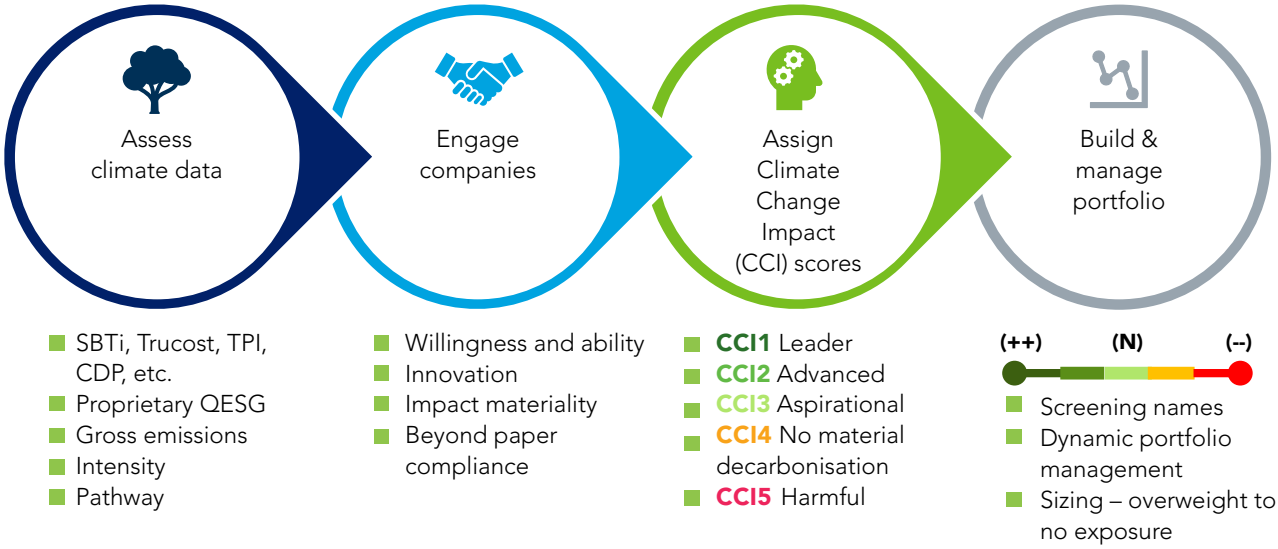
Assessment

We aim to identify issuers with attractive credit risks that are making a positive climate impact and set science-based emissions reduction targets consistent with global efforts to limit warming to well below 2°C. We systematically exclude climate laggards that demonstrate no desire to change and those exposed to controversial sectors, including fossil fuels. For the Climate Change High Yield Credit strategy, the team has created an investment process that is both like that of our existing successful high-yield strategy whilst also being an extension of it.

Through top-down analysis, the Credit team determines its risk appetite and the return prospects of different regions and sectors. These findings direct the team's disciplined, bottom-up research: identifying issuers with attractive credit risks and, crucially, determining which securities in their capital structures provide superior relative value consistent with the climate change framework. From a bottom-up perspective, in order to assess a company's willingness to decarbonise and its potential to reduce its carbon footprint, the team has developed the Climate Change Impact (CCI) score. The CCI Score uses a one-to-five ordinal scale that assesses a company's decarbonisation progress and the impact it has made towards a low-carbon transition. This score, together with the insights from the dedicated engagers, inform the team's portfolio construction.



From Climate Change Database to investment decision, and back again



Through various internal and external primary data sources, we screen for companies that show a willingness and ability to reduce GHG emissions while still creating economic value.

Consistent with this "impact" approach, we recognise that certain companies, and indeed sectors, are at varying stages of progress. We know therefore that for heavy industrials, small steps and aligned momentum can be more material to the decarbonisation of the global economy than larger steps by low emitters. The portfolio will be largely comprised of both impact leaders (CCI 1) and names that show a credible transition path (CCI 2). These names have a convincing decarbonisation thesis, are at the vanguard of decarbonisation or have clearly defined goals towards it and have a highly material potential impact. A name can also receive the CCI 1 score if the company contributes to decarbonisation via alternative technologies that replace highly emitting sectors (Renewables & EVs) and carbon sequesters (Net positive carbon capture technology and sustainably managed forest-owning firms).

For our assessment of transition potential, portfolio construction and sizing purposes, the Climate Change Scores are defined along two dimensions: 1) potential for realised decarbonisation and 2) materiality of the impact of that decarbonisation process.

During the "transition" category, engagement is a catalyst for change. The imperative to engagement is to speak from the position of a financial stakeholder, where the right to engage is grounded. As a result, we prefer not to use negative screens for so-called brown sectors because, in doing so, we lose our right and our ability to influence companies to decarbonise.

Management/Monitoring

The Credit team's policy is to pursue engagements with companies that whilst scoring poorly from an environmental and social perspective, score well on governance and credit quality. In addition, these companies must also demonstrate a willingness and earnest desire to engage with us and effect positive change.

The engagement programmes with companies in the strategy's portfolio focuses on those areas where the greatest and most tangible positive outcomes can be generated in support of a low-carbon pathway. This approach provides for the ability to generate positive impacts in, amongst others, regions such as emerging markets where the need is often greatest. This impact can be affected directly through companies in emerging markets, or indirectly through a developed market company's global operation, supply chain or product and service offering.

For the Climate Change High Yield Credit strategy, engagement is a critical factor in encouraging companies to effect positive change. To that end, the team has a dedicated Sustainable Fixed Income team and also draws upon the resources of our in-house stewardship team, EOS.

Whereas the credit team have historically focused engagement on ESG factors that impact financial materiality, the focus for the climate change strategy will be on selecting securities that are making progress from a decarbonisation perspective and engaging with those that show the potential to do so.

Attractive investment fundamentals and the potential for a constructive engagement programme are both equal prerequisites for investment. We recognise that any successful engagement strategy requires buy-in from company management and boards. Our approach is therefore to treat companies as partners.

5. Sustainable Global IG Credit Fund (SLUF)

Identification

The Sustainable Global Investment Grade Credit strategy aims generate a total return (through a combination of income and capital growth) over a rolling five-year period; and have a reduced environmental footprint compared to its Benchmark. To achieve this, the team invests at least 90% in a diversified portfolio of Investment Grade corporate bonds which are

identified as "sustainable leaders" – forward thinking companies at the vanguard of their respective sectors who see value creation in protecting the planet and provide sustainable products and services. In privileging "sustainable leaders", the team seeks to gain exposure to the growth and development of such companies, which can compound over time. The approach employs both negative and positive screening techniques to concentrate investments in companies that demonstrate best-in-class sustainability characteristics.

Assessment

The credit team believes that by investing in a diversified portfolio of Investment Grade corporate bonds which are identified as "sustainable leaders" – forward thinking companies at the vanguard of their respective sectors who see value creation in protecting the planet and provide sustainable products and services, it can deliver superior risk-adjusted returns to investors and create real world impact to society. In addition, the team believes that a flexible and dynamic approach to duration and curve positioning is of paramount importance, in terms of protecting the portfolio against adverse macro events.

In terms of generating positive impact, the team seeks to identify sustainable leaders and to have a reduced environmental footprint which is measured (using available third party data relating to the carbon, water and waste metrics detailed below) by comparing the following characteristics of the issuers in respect of which the Fund holds debt with the Benchmark: (i) total carbon emissions (expressed in tons CO2 per $ million invested); (ii) the total waste (landfill, nuclear and incinerated, expressed in tonnes per $ million invested); and (iii) the total water used (cooling, processed and purchased, expressed as m3 per $ million invested).

Core to our investment philosophy is the belief that sustainable investment objectives reinforce financial objectives since the former can mitigate the physical and transition risks associated with the environmental crisis. At the same time, a strengthening financial profile increases the probability of delivering sustainable objectives.

Management/Monitoring

The Sustainable Fixed Income (SFI) team, led by Mitch Reznick, is part of the wider Fixed Income team and has responsibility for sustainability integration within our credit portfolios. This includes setting sustainable investment objectives and implementing the processes.

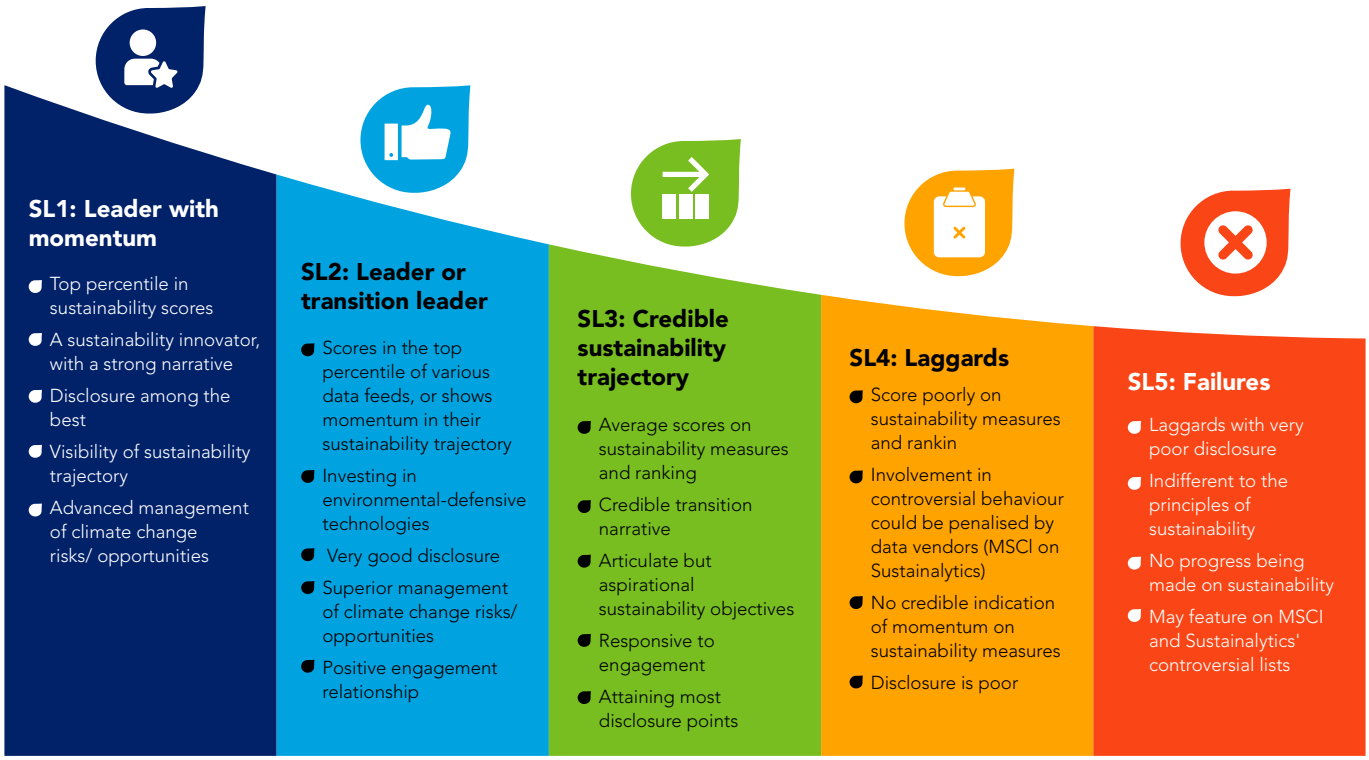
For investment solutions governed by a sustainable investment objective alongside a financial investment objective, SFI takes the lead in the development of the investment process for that objective, working with the relevant individuals and teams across the Federated Hermes Limited to see that these expectations come to fruition. This includes the development of the Global High Yield Credit Engagement Fund and Climate Change High Yield Credit strategies, as well as the development and maintenance of the sustainable investment processes and proprietary sustainability scores:

Sustainable Development Goals (SDG) Score (from one to five) – determines the ex-ante potential for a company to effect positive change on society and environment. SDG scores assess a company's willingness and ability to manage its operating process and/or the products it produces in a purposeful way for the benefit of society and or the environment.

Climate Change Impact (CCI) Score (from one to five) – assesses the climate change credentials of a company along two dimensions: 1) how credible is the company's process and progress in decarbonisation compared to its own goals — if any — and compared to its sector peers (i.e. scope and ambition of decarbonisation plans; near-term and mid-term goals innovation; capex spend; reporting, etc.) and 2) the impact of decarbonisation on the company and on the wider economy (i.e. materiality; time frame; avoided emissions; value change contribution).

Sustainable Leaders (SL) Scores (from one to five) – an ordinal assessment of sustainability leadership of companies, derived from the sector-weighted average combination of our proprietary QE and QS scores.

From Climate Change Database to investment decision, and back again



The SFI team also owns the Climate Change Database (CCDB), which provides climate and sustainability-related information on the credit universe. The team works with other teams within the broader Fixed Income team to develop investment methodologies. For example, the SFI team is currently working with the Credit Research team to develop a framework on the treatment of "brown" activities: wind down versus divestment, considering both financial and sustainability related implications.

The CCDB acts as a central repository for data related to climate change. This database currently covers the credit team's investable universe and is an amalgamation of different metrics from providers such as TPI, CDP, Trucost and SBTi. As such it builds on our carbon tool, offering further opportunities to integrate and interrogate different data sources. The database also holds our proprietary data such as QESG scores and insights from our EOS team, helping us identify leaders and companies in the transition

6. Global High Yield Credit Engagement Fund (HSUF) (Prior to 24 April 2025 this fund was Federated Hermes SDG Engagement Credit Fund)

Identification

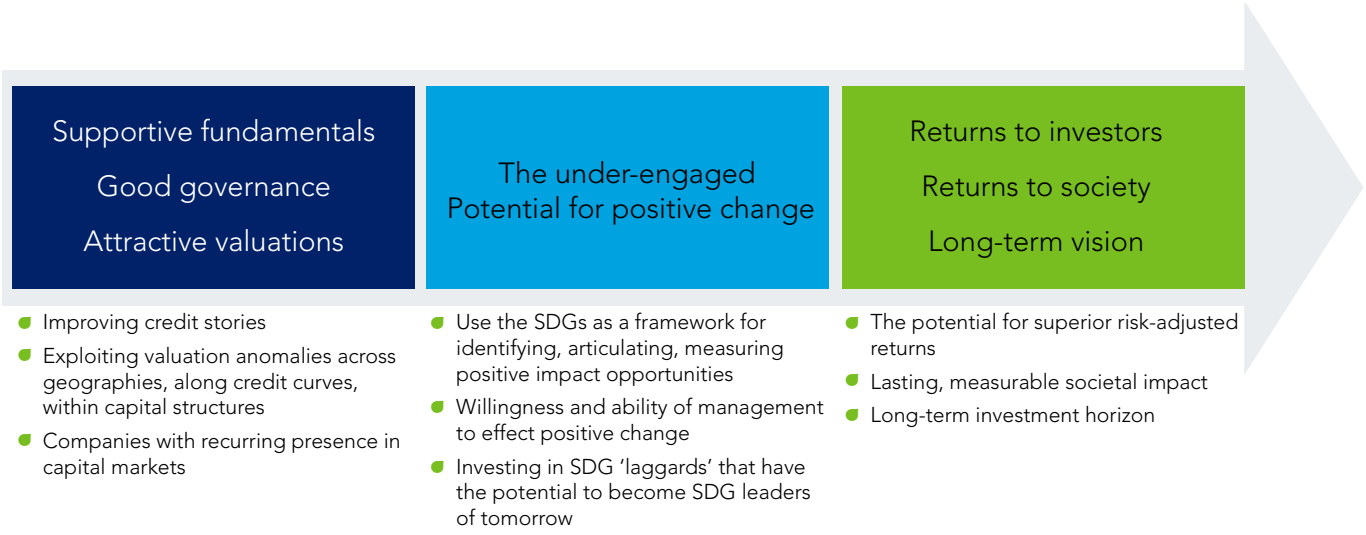
The Global High Yield Credit Engagement strategy aims to generate attractive investment returns and positive societal and environmental impacts through engagements with companies focused on the United Nations' Sustainable Development Goals (SDGs). The SDGs are an ambitious, universal set of objectives agreed by UN member states.

The strategy therefore provides the opportunity for credit investors to action the objectives set out within the SDGs alongside their investment objectives.

Assessment

What separates this thematic strategy from mainstream high yield strategies are the co-linear, self-reinforcing investment and societal objectives. The team expects to deliver returns to society by identifying global high yield companies with ex-ante potential to effect positive change in society, in the context of the SDGs, and working with them as active investors in an engagement relationship to facilitate that change. The investment opportunity that the strategy addresses is that engagement will enable positive change and will encourage investee companies to create more resilient businesses, as well as tackling pressing social or environmental needs. This positive change should over the medium to long term be reflected by decreasing credit spreads and will ultimately improve the net overall contribution of the industry to supporting delivery of the SDGs. Additionally, this integrated and collaborative engagement with companies provides a powerful feedback loop in linking the SDGs with the company's credit strength, which further supports the goal in delivering long-term outperformance.

At the same time, the team expects to deliver superior, risk-adjusted financial returns versus the global high yield market via an investment process that is over 18 years in the making. The team's flexible, proven investment thesis aims to exploit valuation anomalies across geographies, along credit curves, and within capital structures based on its acute focus on security selection. The analyst team covers investment grade and high yield credits and all components of the capital structure (senior secured, senior unsecured and subordinated credit), as well as cash bonds and CDS. This allows the team to leverage its credit view across the full spectrum of debt instruments and strategies and gives them the ability to diversify sources of alpha generation. The Global High Yield



Credit Engagement strategy is the natural extension of our longstanding commitment to responsible investing and our leading work in stewardship through EOS.

In summary, we believe engagement has the potential to unlock value for all stakeholders – investors, companies, employees, local communities and the planet – and therefore help deliver the ambitious SDGs.

Management/Monitoring

Federated Hermes Limited has had sustainability at its core since its creation, with continuous improvements made over time. In 1996, we established the world's first dedicated voting and engagement service, leading the way for the development of stewardship, and led the group that drafted the UN-supported Principles for Responsible Investment, helping initiate a shift towards ESG integration and active ownership in investments.

The Credit team's policy is to pursue engagements with companies that either score poorly from an environmental and social perspective but score well on governance and credit quality. Companies must also demonstrate a willingness and earnest desire to engage with us and effect positive change.

The engagement programmes with companies will focus on those areas where the greatest and most tangible positive outcomes can be generated in support of those needs identified by the SDGs. This approach allows the ability to generate positive impacts in, including within, emerging markets where the need is often greatest, directly through companies based, or with operations in those regions and indirectly through a developed market company's global operation, supply chains or product and service offerings.

We work closely with our portfolio companies to help assess where and how to achieve the most positive impact on key beneficiary groups within their purview. For example, through engagement, we may identify new markets for much-needed products, more equitable employment models, or how the companies could exert changes through their supply chains.

For the Global High Yield Credit Engagement strategy, engagement is a critical factor in encouraging companies to effect positive change. To that end, the credit team has a dedicated engagement team and also draws upon the resources of the in-house stewardship team, EOS. The practice of engagement will not materially change from what we already do, drawing from over 30 years of stewardship experience. Whereas the credit team have historically focused engagement on ESG factors that impact financial materiality, the focus for the SDG Engagement High Yield Credit strategy will be on effecting change. The team expects that the SDGs will provide an excellent context for measuring, assessing and reporting change.

Attractive investment fundamentals and the potential for a constructive engagement programme are both equal prerequisites for investment. We recognise that any successful engagement strategy requires buy-in from company management and boards. Our approach is therefore to treat companies as partners.

Federated Hermes Limited

Federated Hermes

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

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

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

Our investment and stewardship capabilities:

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

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