



Corporate Sustainability Report

2022-2023



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Section 1: Corporate commitment to sustainability

A message from Chris Donahue

Executive leadership and the employees of Federated Hermes are committed to the fundamental values of being thoughtful, impactful, responsible and diligent. As a leading global investment manager, our decisions are guided by having a clear focus on delivering actively managed investment solutions that help investors target a broad range of outcomes.

This range of solutions includes offering investment products that utilize material ESG factors in varying ways. In most of our products, ESG factors play a complementary and important role to traditional financial metrics; in others, ESG factors and sustainability outcomes are central to the investment thesis of the product; and in others we provide client- tailored products which do not include a focus in this area.

In the pages that follow, we highlight the progress that Federated Hermes has made in its effort to connect with our clients in a consultative way, to examine each portfolio holding thoroughly, to consider environmental, social and governance factors when material to investment performance, to be a strong voice in our industry and to cultivate a collaborative work environment where employees are respected, supported and appreciated.

We are steadfast in our efforts to ensure the long-term sustainability of our company. How we achieve future results for our clients, shareholders and other stakeholders is of vital importance and is defined in The Federated Hermes pledge. It is our company-wide commitment to put clients first, to act responsibly and to be transparent. In 2023 and beyond, we will continue to serve our clients and shareholders as diligent and capable fiduciaries. We believe that Federated Hermes can have an impact by sharing our ideas, thinking independently to find the best solutions, and, in the end, recognizing that being a sustainable business over the long-term relies on serving our clients with the utmost integrity.



Sincerely,

J. Christopher Donahue

President, Chief Executive Officer

The Federated Hermes Pledge

The Federated Hermes Pledge underpins our firm-wide commitment to put clients first, and to act responsibly and transparently.

I pledge to fulfill, to the best of my ability and judgment and in accordance with my role, this covenant:

- I will act ethically, responsibly and with integrity.
- I will put the interests of our clients first, consistent with our fiduciary responsibilities.
- I will encourage responsible behavior in the firms in which we invest and on which we engage.
- I will act with consideration for our community and the environment both now and in the future. I will encourage others to do the same.
- I will work with industry colleagues and other key stakeholders to develop and improve our industry's contribution to society.
- I will treat my clients, my colleagues and all other stakeholders with dignity and respect and as I would wish to be treated.
- I will deal with our regulators in an open, cooperative and timely way.
- I will communicate clearly and honestly with all parties inside and outside our firm.
- I will manage conflicts of interest fairly between all parties.

A message from Anne Kruczek

In the world of sustainable investing, the past two years have placed a legal and regulatory spotlight on ESG. This necessary focus has moved practitioners towards more clarity around terminology, process and products [much of it centered around U.S. and international disclosure frameworks]. How should asset managers address these issues to best serve investors during this time of debate?

At Federated Hermes, we believe that when it comes to investment decision-making, more information, not less, is better. However, the thoughtful and appropriate application of information can help improve decision-making. Appropriate integration of material ESG factors into our investment process helps us know more about the companies we invest in. It helps identify macroeconomic and industry trends that can have financial implications for our portfolio companies over time. ESG factors tend to be forward-looking rather than reflect historical data. ESG factors do not drive our investment decisions but are part of the information mosaic that informs them. We believe ultimately that investors want to know that the companies in which they invest their money are responding to present conditions while also preparing for their future.

There is an adage in the sporting world to “play your position”, meaning each of us is most effective as part of a team when we stick to our areas of expertise and responsibility. At Federated Hermes, we believe it is clients who are best positioned to align their values with their investment needs. The way we play our position is to provide a range of investment opportunities that can meet clients’ desired investment outcomes and to design products that clearly articulate the investment objectives and strategies. Our role is to give clients the opportunity to select investments that best fit their goals and the needs of their beneficiaries.

While we anticipate that these legal and regulatory deliberations regarding the role of ESG and appropriate levels of disclosure will continue, I am also encouraged that these evolving perspectives will result in clearer communication, policies and practices for the benefit of investors, which, at the end of the day, is our only mission.



Anne Kruczek

Executive Vice President

Head of Responsible Investing Office

“Despite economic, investment and political headwinds, majorities of advisors and investors (both HNW and institutions) continue to engage in discussions about responsible investing. Eighty-seven percent of advisors report having clients asking about ESG investing while 68% of HNW investors said they asked their financial advisor about it. Similarly, nearly two-thirds (65%) of institutions said their board had asked about how they take ESG considerations into account.”

*Alexi Maravel, Vice President, Product and Marketing Management Division,
on key findings from the 2023 annual Federated Hermes ESG investment survey*

Section 2: Corporate AUM and locations

Federated Hermes, Inc. and its consolidated subsidiaries (collectively, Federated Hermes) is a leading global investment manager, guided by our conviction that responsible investing is the best way to create wealth over the long term. Our products include equity, fixed income, alternative/private equity markets, multi-asset and liquidity management strategies and a range of separately managed account strategies, all distributed through a network of institutions and intermediaries worldwide.



\$715B
 Assets under management*

\$1.4T
 Assets under stewardship*

2,029
 Employees*

426
 Investment and stewardship staff*

* As of 9/30/23.

Section 3: Participation in the investment community

We believe joining and supporting responsible initiatives and organizations within the investment industry is consistent with our commitment to responsible investing. These activities are an important part of our firm's efforts to deepen our commitment through peer learning and sharing, and to share with the broader responsible investing community the contributions we are making to sustainable investing. These memberships seek to:

- Affirm our support within the investment industry to implement responsible investing processes.
- Provide opportunities to share our intellectual capital and approach to responsible investing.
- Learn from others' approaches to responsible investing practices and stay current with industry data, trends and resources.
- Maintain awareness of industry trends and resources to continue to bring timely and relevant resources to our investment teams.
- Express our support for increased transparency and disclosure on financially material ESG topics.
- Help educate and provide opportunities for our sales teams to better understand prospective and current clients' needs related to sustainable investing.

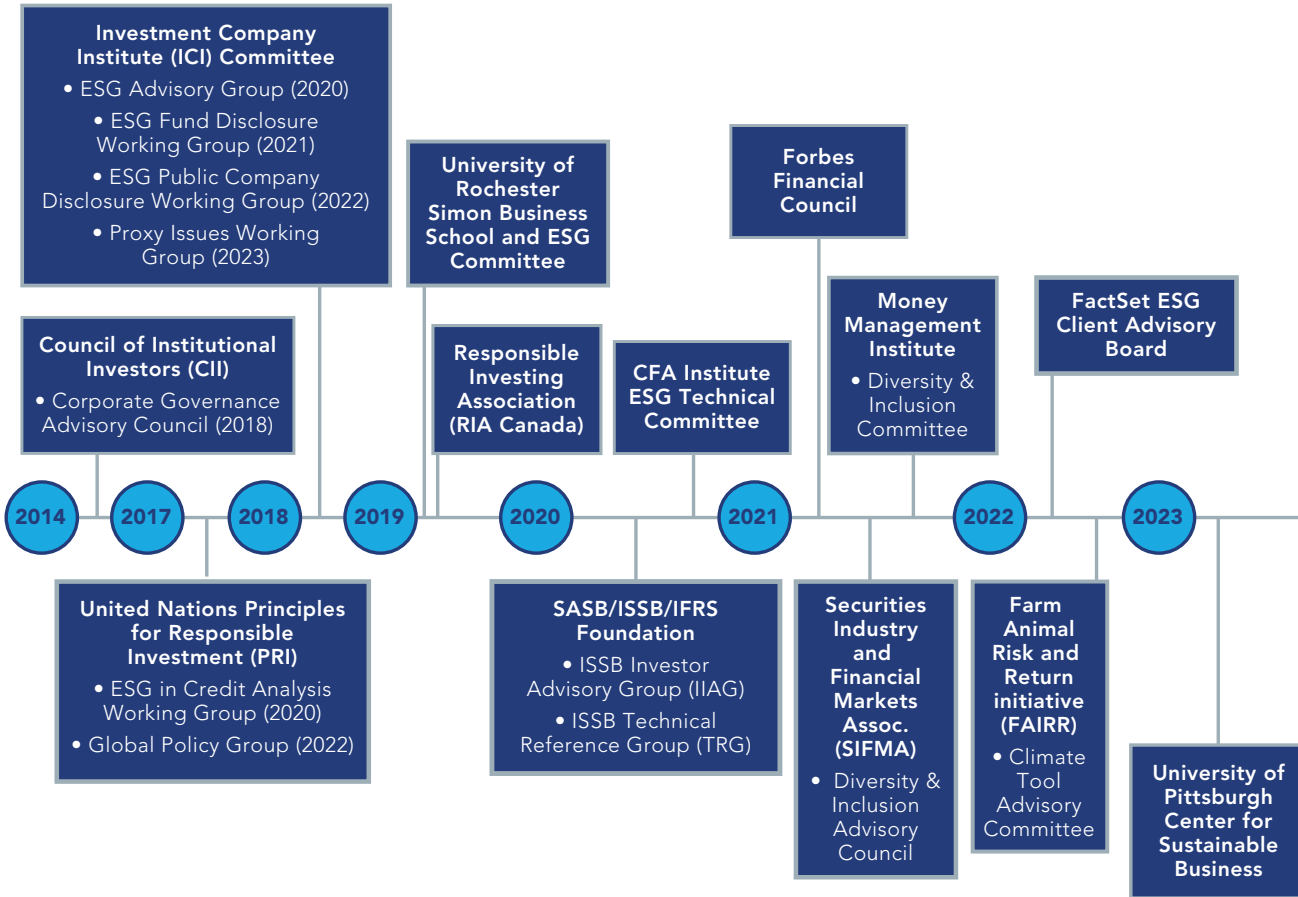
Within our Responsible Investing Office (RIO) we created the role of Associate Director of Strategic Partnerships to assess potential organizations for membership. Each organization's stated mission and commitment requirements are reviewed to determine their compatibility with our objectives; RIO's recommendation for membership is then reviewed with senior management. RIO typically reviews the commitments to these organizations and their stated missions annually, to ensure their continued alignment with our membership objectives. In addition to those responsible investing organizations recommended by RIO, our firm participates in relevant trade associations and their committees, such as the Investment Company Institute (ICI), the leading association representing regulated investment funds. Federated Hermes is a member of the ICI's Board of Governors and works consultatively with the ICI on key industry issues, particularly those related to regulatory changes.

Federated Hermes has a long tradition of bringing legal clarity to regulatory changes, both for our clients – many of whom are fiduciaries – and for the investment industry. In 2019, Federated Hermes conducted its first symposium on the topic of ESG investing titled, "Risk-Return, Conscience and Fiduciary Duty" to help answer many of the questions our clients were encountering. Among our featured panelists were Professors Robert Sitkoff and Max Schanzenbach whose expertise is widely recognized in clarifying the legal framework in which fiduciaries may include ESG factors and products in their investment process. Their pioneering work, *"Reconciling Fiduciary Duty and Social Conscience: The Law and Economics of ESG Investing by a Trustee,"* which clarified when ESG investing is permissible under American trust fiduciary law, was first published in the Stanford Law Review in February of 2020 and has since been referenced by both ESG practitioners and regulators.*



*Stanford Law Review, Volume 72, February 2020, *Reconciling Fiduciary Duty and Social Conscience: The Law and Economics of ESG Investing by a Trustee*, Max M. Schanzenbach & Robert H. Sitkoff

Federated Hermes actively participates in industry organizations that support and promote key issues related to enhancing responsible investment practices and regulatory clarity. The responsible investing community is large, with many constituencies who do important work and address many different concerns. Examples of organizations to which Federated Hermes Inc. is a member of or signatory to are shown below.



A special note about our London-based subsidiary, Federated Hermes Limited (FHL)

When the PRI was drafted in 2005 and formally launched in 2006, FHL chaired the group of industry leaders who drafted the Six Principles, making FHL an original drafting signatory. Consequently, FHL enjoys a pre-eminent reputation in the responsible investing community, particularly in the U.K. and EU communities where their work with financial regulators and nearly 100 responsible-investing organizations globally has demonstrated their leadership role and commitment to achieving long-term sustainable value creation.



Section 4: ESG integration approach

Responsible Investing Office

The Federated Hermes Responsible Investing Office is the hub for ESG and responsible investing initiatives throughout the company. Its primary focus is working with investment teams to advance the process by which ESG considerations are integrated into each team’s investment framework. This means providing current research, both proprietary and third party, and creating dynamic learning environments where investment knowledge and stewardship insights coalesce, and insights into the financial connectivity of sustainable investing are honed.

The Pittsburgh-based RIO team brings together diverse professional experience in sustainability, investment, data science, research, proxy administration and academia. RIO leadership in the U.S. is guided by Anne Kruczek, Head of the Responsible Investing Office, Martin Jarzebowski, Director of Responsible Investing and Jonathan Haymon, Director of Proxy Voting, who are supported by eight additional team members. In addition to its work with our investment teams, RIO works with departments throughout the firm including legal, compliance, corporate real estate, procurement, technology, product development, marketing, and sales to support corporate sustainability initiatives. These cross-department collaborations also seek to ensure Federated Hermes investment products respond to market and client demands and leverage ESG knowledge resources across the firm. Meeting client investment needs within the regulatory, political and cultural framework of global markets demands the deep experience that resides within Federated Hermes.

Our U.S.-based RIO works closely with our London-based Responsibility Office (RO) which has the same missions of investment integration and firm-level responsible investing initiatives as our U.S.-based RIO, with a focus on the U.K. and EU products and markets. The two offices work both independently of one another and collaboratively, providing global continuity when needed while supporting the responsible investing dynamics of our respective regional markets and regulatory environments. Across the two offices, Federated Hermes has over 60 sustainability professionals that seek to deliver best in class sustainable investing and stewardship resources.



Integrating ESG

Our strategy for incorporating ESG factors into our investment process is primarily through integration – an approach in which financially relevant and material ESG factors are complementary and additive to the research process. We believe ESG factors, when contextualized with traditional financial metrics, are an additional lens for evaluating a company, providing a more holistic view of an issuer and the risks and opportunities it faces.

ESG integration is a broadly applicable strategy that can be implemented across all asset classes and investment objectives. We believe it offers three advantages: it does not exclude sectors or companies, allowing a broad investment universe; it is additive to the key information derived from a company’s financial statements; and it allows consideration of macro industry trends that can contribute greatly to the overall long-term sustainability of an enterprise. Consideration of ESG issues provides a forum for framing, from an investment perspective, secular growth trends such as AI, demographic shifts, data privacy, cybersecurity as well as more recognizable ESG issues related to climate change and its associated physical and transitional risks.

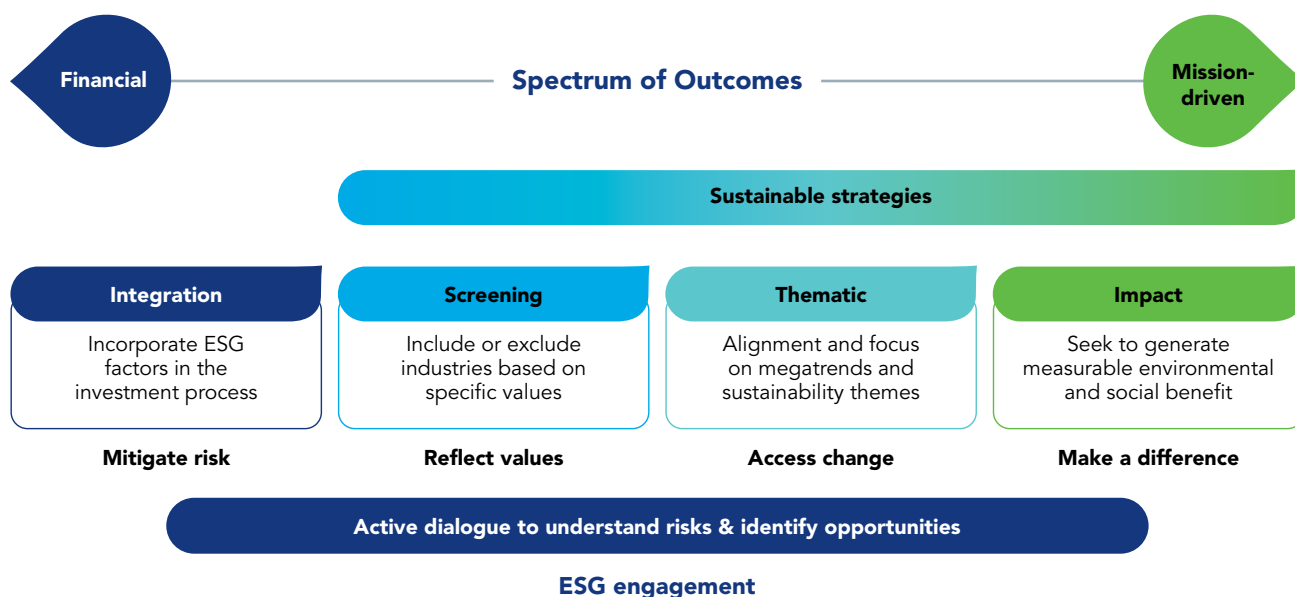
Our approach to ESG integration is organic and has evolved over time as our knowledge and resources have grown. ESG integration has been achieved through a phased learning process where, over multiple years, investment teams have progressed through their understanding and application of ESG data and research tools. Through their work with RIO, investment teams have worked to customize material ESG factors into their fundamental research; integrate industry-specific materiality assessments and proprietary engagement insights from EOS, our engagement and stewardship affiliate; and refine their knowledge of ESG issues to advance financial relevancy within the investment thesis of a debt or equity security.

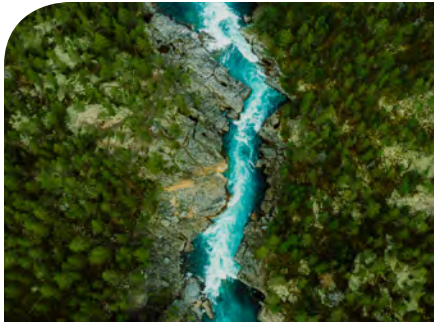
RIO works to create opportunities where ESG intelligence can be shared and leveraged across the firm by creating forums where analysts, portfolio managers and EOS engagers can exchange ideas and cross-pollinate insights from their respective disciplines. The goal of these forums is to bring increased depth and breadth into both investment analysis and corporate engagements across asset classes and engagement focus.

- **FH One industry-specific working groups** – FH One working groups convene portfolio managers, analysts and engagers with similar industry coverage to centralize thematic, financial and sustainability research impacting their industries.
- **EOS thematic webinars** – EOS thematic webinars are educational presentations by EOS engagers to our investment teams on sustainability topics, giving global investment personnel important insight into stewardship themes impacting various sectors.
- **ESG faculty seminars** – These seminars provide a forum for continuing responsible investing education on a range of evidence-based research with the goal of increasing sustainable finance fluency.
- **Quarterly RIO meetings** – These bespoke meetings for each investment team seek to analyze and understand key ESG and engagement themes impacting portfolios and identify supportive data analytics and resources.

Sustainable investment product spectrum

At its core, Federated Hermes seeks to provide products and strategies that meet clients’ investment needs. We view ESG factors as a key component of that capacity because they can be applied in varying degrees to help meet a range of investment outcomes. We believe ESG investment considerations are part of a sustainable investment spectrum which progresses from integration only, to incorporate screening, thematic and impact investing. While our core approach uses ESG as an input for valuation assessment by helping to identify potential risks or opportunities within a sector or a company, other approaches seek values alignment where sustainability factors play a more central role in defining investment objectives and portfolio holdings. Federated Hermes has the ability to serve clients across this spectrum and articulates each product’s investment objectives and strategies so that clients can match their needs with investment solutions.





"Investors and advisors continue to evaluate the responsible investment credentials of the managers they work with, however, what information they are looking for is evolving. There's a far greater focus today on managers including ESG inputs among a variety of fundamental and quantitative factors across portfolios to identify investment risk and opportunities..."

Alexi Maravel, Vice President, Product and Marketing Management Division, on key findings from the 2023 annual Federated Hermes ESG investment survey

Proprietary ESG data analytics and research capabilities

Federated Hermes has developed a robust complement of company and portfolio-level ESG data and research tools for our investment teams. ESG research is conducted internally using proprietary data and supplemented with externally sourced data as appropriate. These different sources allow us to strengthen our conviction when assessing the specific ESG practices of an issuer, providing multiple perspectives and minimizing any single vendor's ratings or methodology bias.

Applying ESG data within the investment analysis process is rooted in the concept of materiality and relevancy: ESG business risks differ by industry and data must be deemed relevant to the sector and industry of the company or issuer. Investment teams' assessment of risk or opportunity is always tailored to the sector and industry in which a company operates and relevant characteristics of the company itself.

Unique to our investment teams' ESG research process is their collaboration with EOS at Federated Hermes Limited (EOS), our pioneering stewardship affiliate. EOS provides detailed insights on thematic sector concerns and issuer ESG practices, all of which our investment teams can incorporate, as appropriate, into their individual company research. EOS' global team of stewardship specialists and structured engagement program affords the ability to identify, track and measure progress being made relative to an engaged company's ESG policies and practices.

The spectrum of ESG data and primary research are made available to investment teams through two main platforms: localized individual workstations and a centralized ESG information hub. Having two sources for ESG intelligence allows investment teams to choose which information and delivery mechanism best aligns with their research approach and portfolio-level or security-level needs. At each investment team's workstation RIO incorporates a range of proprietary and external ESG data alongside financial metrics, integrating sustainability and thematic insights into highly accessible platforms. This centralization and customization of relevant data provides a contextualized digest of ESG insights alongside traditional financial analytical metrics.

The ESG Hub is a portal which provides investment teams a centralized point of entry for proprietary and third-party ESG data, research and proprietary engagement insights. Within the Hub, investment teams can access industry rankings and research from leading third-party information sources including, but not limited to, MSCI and Sustainalytics. The Hub includes the EOSi database, a proprietary database of firsthand engagement interactions with thousands of issues captured and measured over a 19-year time period. This repository of direct, long-term interactions with global issuers organized by engagement themes provides a unique view of companies' trajectories in addressing sustainability issues which potentially impact long-term enterprise value creation.



Martin Jarzebowski, CFA, Vice President, Director of Responsible Investing, shares his thoughts on the direction of responsible investing at Federated Hermes.

On Federated Hermes dedicated resources

People are the lifeblood of responsible investing. We have over 60 people dedicated to our stewardship and responsible investing process globally. EOS at Federated Hermes Limited helped pioneer firsthand engagement with issuers two decades ago and produces unique sustainability insights with which few firms can compete. With approximately one ESG subject matter expert per five investment professionals, we have developed a circle of competence that greatly enhances our primary fundamental research.

On investment integration

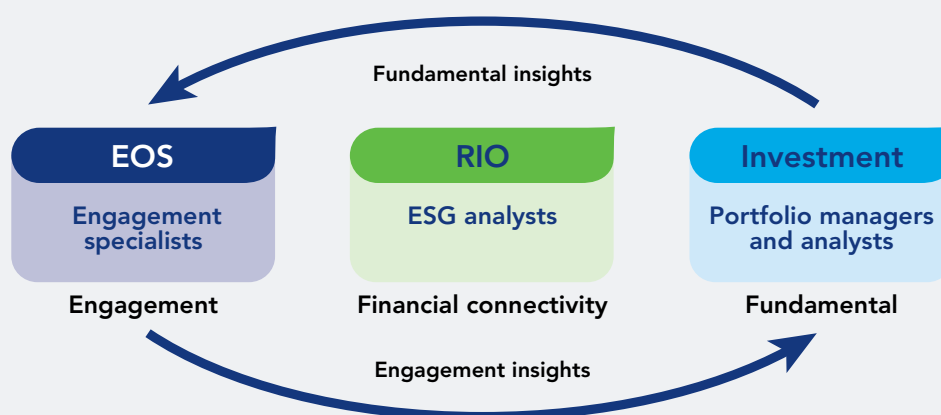
Our investment approach to ESG integration is rooted in building an informational and analytical infrastructure to help clients meet their objectives. We are equipped with a 19 year-old proprietary engagement database covering thousands of corporate issuers, organized by 32 sustainability themes. As our global team of stewardship specialists perform high-touch engagement with corporate and government-sponsored entities, all of our investment teams have access to their unique sustainability insights. By cross-pollinating views across asset classes, we are forging a flywheel of thematic, stewardship and fundamental intelligence.

On FH One

FH One is Federated Hermes' global initiative to unify our information gathering processes: EOS engagement, data analytics, market intelligence, investment teams and in-house research. We have begun the process to help reduce or eliminate information silos within the firm. We want to increase the knowledge and fluency of our investment teams in their understanding of these new sources of information allowing them to make more reliable forward looking projections of value, growth and sustainability.

FH One industry-specific working groups

Comprehensive view



Comprehensive understanding of risk, themes, megatrends and investment opportunities

On financial connectivity

The next phase of our integration process is to incorporate the two primary components of our research, traditional financial analysis and sustainability factors, into one seamless research process. The nexus of this effort is materiality—that ESG factors will not have the same financial impact on companies in every industry. RIO's aim is to make investment analysts better understand how ESG factors impact companies in their sector and our engagers better understand which factors have the most meaningful impact on a company's financial statements.

To that end, we created the FH One working groups based on global industries comprising analysts and engagers across asset classes. We hope to bring synergies throughout the firm as we develop new ways to evaluate companies. We believe this will lead to better analysis of material long-term factors, giving us an information and analytical advantage.

Financial connectivity framework

Connecting traditional financial analysis and sustainability factors into one seamless research process.



Multi-dimensional engagement

Engagement, the direct interaction with key decision-makers of an investee company, takes a multi-dimensional approach at Federated Hermes, with each approach having its own purpose but all working together to arrive at a holistic understanding of a company's response to the ESG issues that can affect its operations and capacity to create long-term shareholder value. We believe sharing and leveraging insights among the investment, proxy and engagement teams leads to a deeper fundamental knowledge of investee companies and more informed decisions by each team.

- **Investment team-led engagement:** Investment teams communicate continually with investee companies, first during the research and due diligence process in anticipation of investment, and then on an ongoing basis as an owner. While most of these discussions with senior leaders of a company are focused on traditional financial metrics and strategic business issues, an E, S or G concern considered material to the sector or the successful operation of the specific company — whether immediate or longer term — becomes part of those conversations.
- **Proxy-led engagement:** We believe that open communication with issuers on proxy voting and corporate governance matters is an important aspect of our ownership responsibilities. In the interest of making well-informed voting decisions on behalf of our clients, our proxy voting team engages in thoughtful dialogues with management teams and board members of Federated Hermes' portfolio companies.
- **EOS-led engagement:** EOS is a dedicated team of engagement professionals with deep industry expertise and knowledge of sustainability issues ranging from human rights to climate science. For 19 years, EOS has been working with companies around the world to help them better understand how environmental, social/ human capital issues, and governance practices impact their business; how certain practices can present evolving business risks or opportunities; and how a company can potentially improve its practices to help sustain long-term enterprise value. EOS corporate engagements are objective-driven and measure success through a proprietary milestone system that systematically tracks achievement of a company's ESG performance-related goals over time. This ability to establish long-term and productive working relationships with the senior leadership of companies around the globe is, we believe, a distinguishing attribute of our EOS engagers. It reflects their deep sector knowledge and the value that corporate leaders place on EOS' years of experience, understanding of ESG practices which can potentially impact corporate strategies.

Section 5: Structured engagement through EOS

Structured engagement at Federated Hermes is the formal, reiterative process of meeting with the senior management of investee companies, over time, to identify and reach consensus on how to address material sustainability issues which have the ability to impact shareholder and debtholder value over the long term. It is a disciplined process that requires a unique blend of industry and sector sustainability expertise, specific company knowledge and both a direct, yet consultative approach.

EOS boasts one of the largest engagement and stewardship teams in the world and has been at the forefront of responsible investing for nearly 20 years. EOS is central to Federated Hermes' depth of sustainability intelligence, providing investment teams with firsthand research on ESG factors, adding dimension to research on corporate issuers and government sponsored entities.

The EOS team is composed of more than 40 individuals with a diverse mix of backgrounds, skills and perspectives. They represent over 17 nationalities, communicate in 16 different languages and bring industry experience from a variety of fields including climate change, law, science, consulting and corporate sustainability.* EOS engages with companies across the globe that form part of the equity and corporate fixed income portfolio holdings of investment teams and institutional clients such as pension funds. EOS assets under advice totaled \$1.34 trillion as of December 31, 2022. EOS engagement themes include:

- **Environmental** – Encouraging companies to manage their environmental footprints, set appropriate targets and disclose programs.
- **Social and ethical** – Working to improve human capital management and supply chains, raise health and safety standards, eliminate bribery and corruption, and engage on labor and community relations.
- **Governance** – Promoting transparency and high standards of accountability.
- **Strategy, risk and communication** – Embedding sustainability in business strategy to enhance corporate culture.

Each year, EOS develops a rolling three-year Engagement Plan which sets out the ESG engagement priorities for the next three years. The engagement plan identifies 12 key themes for engagement, with 32 related sub-themes. The four priority themes identified for 2023-25 include climate change action, human and labor rights, human capital and board effectiveness.

The full breadth of the EOS engagement plan priority themes are illustrated below.

Engagement themes 2023-25



*as of 12/31/22.

Information above is for illustrative purposes only and subject to change.

Engagement activity and achievements: 2022 overview

In 2022, EOS engaged 1,138 companies on multiple issues related to governance (36% of engagement discussions), the environment (30%), social and ethical concerns (22%) and strategy and communications (12%).

As defined by EOS, an objective is a specific, measurable change defined at the company, i.e. an outcome EOS is seeking to achieve. An issue is a topic EOS has raised with a company during an engagement, but where it does not precisely define the outcome that it is seeking to achieve because, for example, the issue is of lower materiality, or an outcome has not been defined.

	# of companies engaged	# of objectives engaged	# of objectives and issues engaged
2022	1,138	1,308	4,250
2021	1,208	1,373	4,145

Issues and objectives engaged



Source: EOS at Federated Hermes Limited, 2022 Annual Review

Engagement topics by theme

Within each of the issues, specific topics dominated the engagements. In the case of governance, executive remuneration was the priority; within environmental issues, climate change dominated engagements; in social and ethical concerns, human rights was the leading topic; and within strategy, risk and communications, business strategy dominated engagement discussions. Because of EOS' holistic approach to engagement, it typically engages with companies on more than one topic simultaneously.

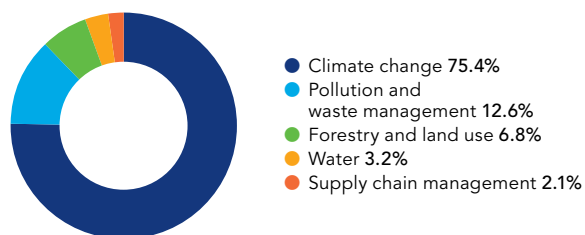
EOS seeks measurable results in its company engagements, identifying whether progress is being made toward the agreed upon sustainability priorities for each engagement. At the start of each engagement, EOS collaborates with the company to set objective and recognizable milestones that need to be achieved. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.



Information above is for illustrative purposes only and subject to change.

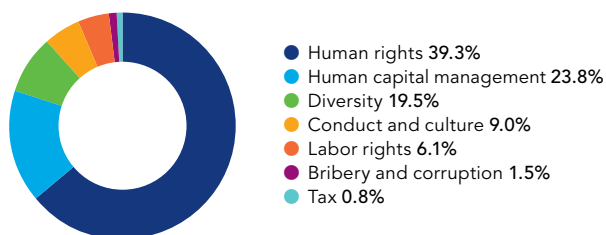
Environmental

Environmental topics comprised 30% of EOS' engagements in 2022.



Social and ethical

Social and ethical topics comprised 22% of EOS' engagements in 2022.



Governance

Governance topics comprised 36% of EOS' engagements in 2022.



Strategy, risk and communication

Strategy, risk and communication topics comprised 12% of EOS' engagements in 2022.



Source: EOS at Federated Hermes Limited, 2022 Annual Review

“Our primary role as engagers is to help create improved long-term value for our clients and their beneficiaries. We do this by engaging portfolio companies directly and consistently on their key governance and sustainability issues. Be it energy transition, human rights, employee relations or other sustainability themes, helping companies determine long-term sustainable strategies on these issues helps deliver sustainable wealth creation which we believe results in improved risk adjusted long-term returns for investors and better, more sustainable outcomes for society and the environment.”

Emily DeMasi, Senior Engager and Lead of EOS North America, Federated Hermes Limited

EOS in Action: Lifting the Lid on Plastic Packaging

Engager: Lisa Lange | Theme lead: Circular economy and zero pollution | Date: January 2023



(Note: The following is an edited and condensed version of a more comprehensive write-up of EOS' engagement program related to plastic packaging in the global food system. The original version was written by Lisa Lange, the EOS engager and theme lead for circular economy and zero pollution in January 2023 and can be found on the Federated Hermes Limited website).

In its engagement program, EOS helps companies address the complexities of plastic packaging. While plastic packaging plays a key role in the global food system protecting perishable items and extending the shelf life of fresh produce, its use exacerbates the problem of plastic pollution because progress in reducing plastic waste is driven mainly by recycling, rather than the elimination of single-use plastic. Estimates published on the website of the NGO, WRAP, show the gravity of the situation: worldwide around 141 million tons of plastic packaging is produced annually and its production, use and disposal accounts for about 1.8 billion tons of carbon emissions each year.

EOS has engaged with retailers and grocers on setting plastic reduction targets since late 2018, followed by more detailed discussions on packaging strategy. For example, EOS urged Walmart, Coca-Cola and General Mills to disclose their plastics footprint and set a reduction target for plastics. EOS has seen progress at Coca-Cola, with the company adding a virgin plastic reduction goal to its suite of 'world without waste' goals.

EOS also engaged with Nestlé on setting a plastics reduction target. It committed to reaching 100% recyclable or reusable packaging, and reducing the use of virgin plastics by a third by 2025. EOS still sees scope for development, specifically in the setting of a quantified target on the use of recycled content in its materials. EOS will continue to engage on this and consider whether a follow-up objective should be set.

Mondelez International had a series of 2025 packaging goals dating from 2018. In 2022 EOS started to engage with the company on setting recycled content targets for different packaging materials including plastic, glass, metal and paper, or evidence that it is quantifying its packaging value chain ambitions in key markets. EOS has also engaged with Huhtamaki, a Finnish beverage and food manufacturer, to expand its commitment for all product developments to be 100% recyclable, reusable or compostable by 2030. In 2022, the company began to disclose the percentage of its products considered recyclable.

EOS wants companies to demonstrate that they have considered the impact of their packaging strategies on their carbon emissions as well as any unintended consequences of switching materials or changing packaging designs. EOS will continue to engage with companies to find adequate solutions for packaging that strike a balance between reducing food waste and ensuring that no packaging pollutes the environment.

Company examples are shown to demonstrate engagement. EOS does not make any investment recommendations and the information is not an offer to buy or sell securities.

Section 6: Proxy voting and stewardship

Important: The following descriptions of and statistics on proxy voting refer only to votes cast on behalf of U.S.-based Federated Hermes Advisory companies. Our UK-based subsidiary, Federated Hermes Limited, casts all votes separately on behalf of its UK and Ireland-based Advisory companies. All proxy votes are cast in a manner consistent with the overall goal of creating long-term shareholder value, but differing regulatory and cultural frameworks may result in different voting decisions between our U.S.- and UK-based advisory companies. For purposes of clarity please note that references to FHI or Federated Hermes in the section below unless otherwise stated are not inclusive of our U.K. and Ireland-based Advisory companies.



Jonathan Haymon, Vice President, Director of Proxy Voting for U.S.-based Federated Hermes Advisory companies responds to frequently asked questions about Federated Hermes' proxy voting policy and decision-making process, and provides an overview of how Federated Hermes approached its voting on shareholder proposals during the 2022 and 2023 proxy seasons.

What is Federated Hermes' infrastructure for overseeing the proxy voting process?

Federated Hermes' Proxy Voting Committee (the Committee) oversees the proxy voting process and is comprised of 10 members who meet quarterly: President and Chief Executive Officer of Federated Advisory Companies, Chief Investment Officer for Equities, Director of Proxy Voting, Head of the Responsible Investing Office, Director of Responsible Investing, Chief Enterprise Risk Office and four portfolio managers who rotate onto the committee in three-year intervals. This regular rotation of portfolio managers integrates insights from the investment teams' perspectives, deepening the Committee's understanding and analysis of proxy issues. The Committee also regularly seeks input from specific portfolio managers and analysts who have a deep understanding of a particular company and can provide additional context and recommendations regarding a proxy voting issue.

The Committee analyzes proxy proposals, ensures that appropriate procedures are in place to mitigate proxy voting conflicts of interest between Federated Hermes and its clients, and reports to the Board of the Federated Hermes Funds. The Proxy Voting Management Committee, a subset of the Committee, oversees and manages proxy voting administrative matters.

Does Federated Hermes use proxy advisory services?

Federated Hermes (FHI) uses two proxy advisory services to help efficiently administer the proxy voting process. Each year Federated Hermes typically casts approximately 200,000 proxy votes across our product line. In the 2022/23 proxy voting year, the firm cast nearly 193,000 individual votes across approximately 15,000 ballots. Proxy advisory services support FHI in the administration and execution of votes consistent with our firm's Policy guidelines (which we specify) and flags those voting items which do not fully align with pre-established guidelines for further research, discussion and manual voting by the Committee. Proxy advisory services also provide analyses on ballot issues which can be used by the Committee as additional research information to help provide a more robust understanding of proxy proposals.

What is the framework by which Federated Hermes assesses shareholder proposals?

We believe our responsibility is to "play our position", i.e., align our actions with what we believe to be the proper role for Federated Hermes as an asset manager in providing direction and feedback to management through our proxy votes.

Shareholders elect directors to oversee executive management, who design and execute the company's strategy. The directors, in turn, have a fiduciary duty of loyalty and care to act in the best interests of the corporation and its shareholders. Accordingly, we believe it is important that shareholder proposals do not impinge or restrict the board's ability to act in the best interests of the company and its shareholders.

The legal implications of a shareholder resolution that wins a majority vote vary by market. In the U.S., where shareholder proposals are most prevalent, these resolutions are generally "precatory" in nature, meaning that boards have full discretion in how they interpret and respond to them.

Some institutional investors choose to vote in a manner that takes this flexibility into account, meaning that they may vote in favor of a proposal that, if interpreted literally, might not otherwise be supportable. Supporting the proposal in such circumstances, this line of thinking goes, can serve as signal of the importance of the issue to the board, or as an endorsement of the general principle of the proposal despite some flaws.

At Federated Hermes, we believe that this approach risks distorting the messaging to the board, whose directors are tasked with interpreting the voting results and taking appropriate action. Accordingly, we consider the proposal as it is written, even if the proposal is not legally binding on the company. This means that FHI is more likely to reject shareholder resolutions due to flaws in the language in either the resolution itself or in the supporting statement, and that we are especially cautious with proposals that would seek to override board decisions.

What is Federated Hermes' approach to voting environmental and social shareholder proposals?

Federated Hermes takes a case-by-case approach to voting on shareholder proposals which address environmental and social issues (E&S). As an active manager, our investment teams have a nuanced understanding of their portfolio companies and take an active role in determining our votes on these important ballot items. The proxy voting team works with portfolio managers to determine a voting decision, which is then submitted to the Proxy Voting Committee for review.

Our process for evaluating these proposals calls for considering the relevance of the proposal to the company's business model — this is often referred to as its financial materiality. If a shareholder proposal requests action on an issue that does not address a material risk or opportunity to the portfolio company, FHI will usually vote against the proposal on the basis that it would impose costs on the company and its shareholders which are not clearly outweighed by any supposed benefits.

Where proposals address material environmental risks and opportunities, FHI will generally support those calling for enhanced reporting on a portfolio company's business practices, including its policies, strategic initiatives, and oversight mechanisms, as this information is critical to the investment process. Federated Hermes will not, however, support shareholder proposals that would have the effect of micromanaging portfolio companies. Such proposals include those that go beyond asking for disclosure and call for changes to a company's strategy or business model, or in how it makes investment decisions. These are matters which should remain within the purview of executive management and the board.

A final area of consideration is the company's positioning relative to the proposal, including:

- Whether the company's existing reporting already substantially addresses the proponent's concern;
- How the company's practices compare to industry peers; and
- Any commitments made by the board to address the issue raised by the proposal. Companies frequently offer additional information or commit to further action in response to a shareholder proposal.

Federated Hermes is ultimately guided by our fiduciary responsibilities to our clients, which means that we cast our votes in a manner that we believe will enhance the long-term value of the securities being voted, consistent with our clients' investment objectives.

Are there characteristics of shareholder proposals that are viewed less favorably by Federated Hermes?

Federated Hermes is unlikely to support proposals that appear to ask for disclosure but are intended to influence or direct management towards particular strategic initiatives or to redirect capital allocation.

Another concern is that many shareholder proposals are template based and may recur at multiple companies within a specific sector or based on some other criteria of the proponent group's choosing. These resolutions primarily aim to draw attention to a particular environmental or social issue, or to promote specific policy objectives. They often fail to acknowledge the subject company's existing reporting on the subject matter, or may do so in a superficial manner. Federated Hermes evaluates each resolution independently, based on the portfolio company's specific circumstances, recognizing that each issuer faces different risks and opportunities. We do not prescribe or endorse one size fits all solutions.

To what extent does Federated Hermes support disclosure of GHG emissions?

"As an active manager, our investment teams have a nuanced understanding of their portfolio companies and take an active role in determining our votes on these important ballot items. The portfolio managers work with the proxy voting operations team to agree on a voting recommendation, which is then submitted for approval by the Proxy Voting Committee."

-Jonathan Haymon, Vice President, Director of Proxy Voting for U.S.-based Federated Hermes Advisory companies

In general, and particularly in GHG-intensive business models, Federated Hermes encourages portfolio companies to provide quantitative greenhouse gas disclosures, including Scope 1 and 2 emissions targets, based on absolute or intensity-based measures (or both). In view of the systemic risks that climate change presents to shareholder value, it is reasonable and appropriate for companies to set and disclose ambitions to reduce their Scope 1 and 2 emissions, because these are within their direct control, and performance may be improved through operational efficiencies.

Regarding Scope 3 emissions, we view them as a subject of ongoing debate, both at the regulatory level, and in the methodology for gathering and reporting these data. In light of the state of flux particularly in the regulatory environment, Federated Hermes has been less likely to support environmental proposals calling for portfolio companies to set and disclose Scope 3 GHG reduction targets.

Why has the number of environmental and social shareholder proposals increased significantly in recent proxy seasons?

In November 2021, the SEC issued a staff legal bulletin¹ which signaled a marked shift in its approach to granting no-action relief, the process by which companies are allowed to exclude shareholder proposals from their ballots. Consequently, beginning in 2022, the SEC was less likely to provide corporate issuers with no-action relief, in line with its 2021 guidance. This resulted in a significant increase in the number of shareholder proposals brought to vote in 2022 and 2023.

This more permissive approach to no-action relief by the SEC resulted not only in a significant increase in the number of shareholder proposals coming to a vote, but also a shift towards proposals that were far more prescriptive relative to historical precedent. In our view, this resulted in a significant decline in the quality of these proposals. Accordingly, our support for environmental shareholder proposals has trended downward during this period, falling from 39% in 2021 to 16% in 2022 and to 12% in 2023. Similarly, on shareholder proposals addressing social issues, our support declined from 49% in 2021 to 24% in 2022 and 18% in 2023.² We noted similar voting trends among many of our U.S. asset manager peers.

According to Glass Lewis' 2022 proxy review, the percentage of proposals that were considered financially material under the SASB framework (now ISSB) declined from 64% in 2021 to 35%. In 2022, we noted that the proponents of climate-related proposals were casting a wider net in terms of their target companies, with new proposal types aimed at, for example, the financing activities of banks, and the underwriting of insurers. Climate-related proposals are no longer confined to high-emitting sectors such as energy and utilities, and are now regularly observed across the market at large.

These trends have continued during the 2023 proxy season, which set yet another new record high for the number of E&S shareholder proposals brought to vote. Again, as in 2022, this increase in volume has been coupled with a market-wide decline in average support year on year.

Proxy voting statistics, Federated Hermes U.S. advisory companies: 2022/2023

	For		Against		Abstain		Total
	#	%	#	%	#	%	
Audit/Financials	4,497	98.9%	26	0.6%	22	0.5%	4,545
Board Related	19,303	89.5%	2,184	10.1%	77	0.4%	21,564
Capital Management	1,771	91.51%	161	8.3%	3	0.2%	1,935
Changes to Company Statutes	926	91.6%	77	7.6%	8	0.8%	1,011
Compensation	3,647	83.1%	734	16.7%	8	0.2%	4,389
M&A	259	99.6%	1	0.4%	0	0.0%	260
Meeting Administration	570	94.8%	30	5.0%	1	0.2%	601
Other	424	72.5%	64	10.9%	97	16.6%	585
SHP: Compensation	40	49.4%	41	50.6%	0	0.0%	81
SHP: Environment	20	11.6%	151	87.8%	1	0.6%	172
SHP: Governance	186	62.2%	104	34.8%	9	3.0%	299
SHP: Misc	2	10.5%	17	89.5%	0	0.0%	19
SHP: Social	43	18.1%	190	80.2%	4	1.7%	237
Totals	31,688	88.8%	3,780	10.6%	230	0.6%	37,274

Source: Federated Hermes, Inc. Voting statistics cover the period July 1, 2022-June 30, 2023.

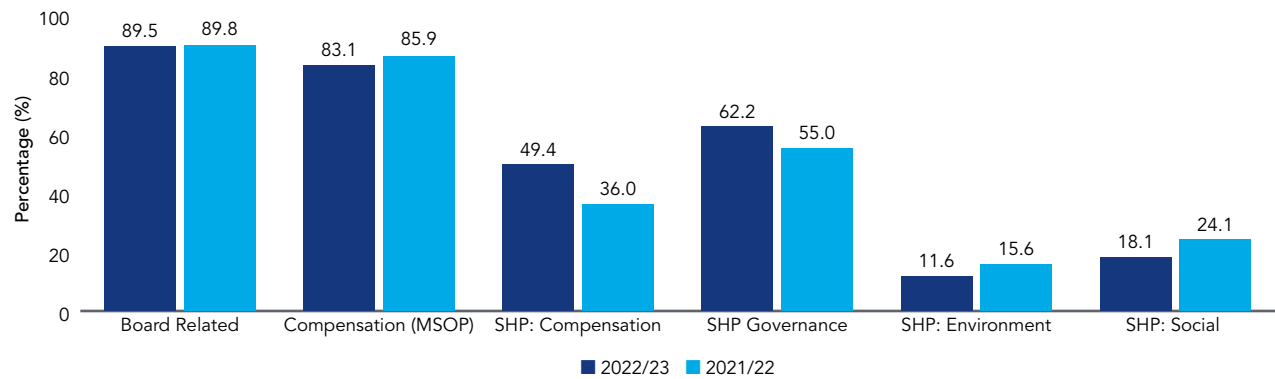
"An investment manager's proxy voting record on environmental and social shareholder proposals is sometimes viewed as an indicator of the manager's level of commitment to ESG issues. We would caution against drawing broad conclusions on the basis of proxy voting statistics, which can be misleading when viewed out of context."

-Jonathan Haymon Vice President, Director of Proxy Voting for U.S.-based Federated Hermes Advisory companies

¹ SEC Staff Legal Bulletin No. 14L (CF), available: <https://www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals>.

² All figures based on the Form N-PX reporting period of July 1st-June 30th.

Proxy voting select highlights, Federated Hermes, U.S. Advisory Companies: 2022/23 vs 2021/22



Source: Federated Hermes, Inc.

Federated Hermes and the broader 2023 proxy voting trends

Federated Hermes' declining support for E&S shareholder proposals mirrored a broader industry trend in which institutional investors demonstrated lower support for climate change and social proposals due to their more prescriptive content. In PwC's "Boardroom recap: the 2023 proxy season", PwC provides a review of the most recent proxy voting season and reported the following observations on 2023 voting trends:

- 2023 marked the third straight proxy season in which the total number of submissions that went to a vote increased.
- Shareholder proposals voted on during the 2023 proxy season averaged support of 23.3%, down significantly from 30.4% in 2022.
- Average support for environmental proposals decreased significantly to 21.3%, compared to 33.3% support in 2022.
- Support for social (non-environmental) proposals decreased to 17.2% in 2023 from 23.2% in 2022.
- Average support for governance proposals decreased to 31.1% from 36.7% in 2022, although, consistent with prior years, corporate governance proposals received generally high levels of support.

Source: PwC Boardroom Recap: the 2023 Proxy Season, pages 1 and 2; Gibson Dunn, "Shareholder Proposal Developments During the 2023 Proxy Season", July 25, 2023, pages 1, 2, and 6.

Going forward, will Federated Hermes' approach change?

As discussed above, Federated Hermes' decline in support for E&S shareholder proposals in 2022 and 2023 was attributable to a significant decline in the quality of shareholder proposals rather than any change in our approach to evaluating them. Year over year comparisons are useful for identifying broad market trendlines, but are not necessarily reflective of a material change in a manager's approach to proxy voting. Each year, the proposals brought to vote change, as do the circumstances of the individual companies issuing the proxies. The 2022 proxy season brought with it a significant structural change by way of a shift in the regulatory environment. This trend continued in 2023; our voting patterns have moved accordingly, and in a manner similar to that of many other U.S. asset managers.

An investment manager's proxy voting record on environmental and social shareholder proposals is sometimes viewed as an indicator of the manager's level of commitment to ESG issues. We would caution against drawing broad conclusions on the basis of proxy voting statistics, which can be misleading when viewed out of context.

Federated Hermes remains committed to our responsible investing principles, as we believe that incorporating material ESG considerations and engagement activity into the investment process can reveal insights about an issuer's ability to meet future challenges or pursue growth opportunities. We recognize that proxy voting is an important aspect of stewardship, but we do not attempt to use proxy voting to direct portfolio company strategy or capital allocation decisions. Above all, we continue to be guided by our fiduciary duty to clients, which means that we will vote in a manner that we believe is most likely to enhance long-term shareholder value.

At Federated Hermes Inc., proxy voting is seen as a crucial link in the chain of stewardship responsibilities we execute on behalf of our clients. Each vote represents both the privileges and responsibilities that come with owning a company's equity securities. Our approach to decision-making on proxy issues is to consider both high-level principles of corporate governance and company-specific circumstances. Our overarching objective is and always has been to cast our votes in a manner which we believe best creates and protects long-term shareholder value.

-Jonathan Haymon, Vice President, Director of Proxy Voting
for U.S.-based Federated Hermes Advisory companies

Proxy voting case studies: Understanding our approach

Alphabet, Inc. – 2022 annual meeting

Shareholder proposal regarding report on physical risks of climate change

This resolution asked the company to publish an assessment of its resilience to the physical risks of climate change, including a description of short, medium, and long-term measures that the company is taking to mitigate physical risks, and any threats to its headquarters and other key assets from sea level rise and flooding.

Under the SASB framework, the environmental footprint of hardware infrastructure is financially material to Alphabet. The company acknowledges climate risks in its 10-K.

In 2020, Alphabet conducted a global assessment of its mid-term (2030) and long-term (2050) climate risks, which identified exposure to flooding and extreme heat across the portfolio to be a major risk area. However, the company offers little disclosure regarding its adaptive planning for these risks.

Although Alphabet's disclosures around this issue compare favorably to peers Amazon and Meta, a more fulsome account of how the company is managing and mitigating its physical risks (in particular, to its data centers) would be useful for shareholders. Accordingly, Federated Hermes voted in favor of this shareholder proposal.

Apple, Inc. – 2022 annual meeting

Shareholder proposal requesting median gender and racial pay equity report; shareholder proposal requesting civil rights audit

The Apple proxy featured several shareholder proposals addressing social issues. The Federated Hermes proxy voting policy requires a case-by-case evaluation of resolutions in this category.

The three investment teams that held the stock were unable to reach a unanimous consensus on the case-by-case votes. In particular, an international equity strategy voted to support the shareholder proposals that requested the company to a) conduct a civil rights audit and b) to publish a gender and racial pay equity report, highlighting the preferences of their underlying clients in Europe as a key driver of their voting choices.

The Proxy Voting Committee determined that there were valid reasons to split the vote on the Apple proxy, noting that, as a matter of policy, the investment teams should be able to vote independently if they are able to provide compelling rationale to support their voting actions. Accordingly, Federated Hermes split the vote at fund level, allowing for the investment teams to vote in a non-uniform fashion.

Phillips 66 – 2022 annual meeting

Shareholder proposal requesting GHG reductions aligned with Paris Agreement

This proposal requested that the company set GHG reduction targets consistent with the Paris goal of limiting global warming to well below 2C and to pursue efforts to limit the increase to 1.5C. The proposal resolved that the targets should cover short, medium and long-term time horizons and cover the full scope of the company's operations (Scope 1 & 2) and the use of its energy products (Scope 3).

A similar, though not identical, proposal had been filed at the 2021 annual meeting and had received overwhelming majority support. The 2021 proposal, however, provided management more flexibility in implementation, as it did not reference specific global warming scenarios and only requested general GHG reduction targets. The widespread support for that vote may also have been driven, at least in part, by the company's relatively limited climate reporting at the time.

Between the 2021 and 2022 annual meetings, Phillips 66 made significant progress in its climate-related reporting. This included setting Scope 1, 2 and 3 intensity-based targets, where previously there were no targets at all, and enhancing its disclosures to include Scope 3 emissions. This brought the company's disclosures broadly in line with those of its peers, providing investors with sufficient information to understand its planning around the energy transition.

Federated Hermes chose to vote against this proposal in recognition of this progress, while also noting the undue constraints that the wording of the proposal would place on the board.

Overall shareholder support for this proposal was approximately 35.6%, down from 79.4% for the 2021 proposal.

Section 7: Our people and our culture



Federated Hermes' approach to building a corporate culture where employees experience a positive, fulfilling work environment is based on programs and activities that we believe create opportunities for growth and inclusive experiences for current and future employees.

Federated Hermes firmly believes that the best way to increase the diversity of our workforce and provide a work environment where each employee can excel and thrive professionally is to develop and implement programs and activities that have meaningful, ongoing positive results. Federated Hermes' diversity and inclusion strategy uses a long-term, activities-based approach in lieu of using diversity targets and metrics. This allows an organic, iterative process of growth that we believe can be sustainable and successful over the long term.

A core tenet at Federated Hermes is that employees treat one another with dignity and respect. This ethos is central to our corporate pledge, voluntarily signed by employees. New and current employees receive training on what dignity and respect mean within our company, along with associated expectations of conduct with clients, colleagues, regulators and vendors.

Helping employees attain their professional goals also includes ongoing training, especially in a highly regulated industry such as asset management, and offering competitive employee benefits that help balance work/life dynamics and attract and retain talent.

Diversity and inclusion: Governance and infrastructure

As a firm, Federated Hermes considers diversity in very broad terms: diversity of experience, skillset, backgrounds, education, neurodiversity, socio-economic status, parental and familial status, age, physical abilities, sexual orientation, veteran status, ethnicity or gender. We also believe that diversity goes hand in hand with inclusion, which means fostering a corporate environment where individual talents and capabilities are respected and cultivated. Making this happen requires commitment at all levels of the corporation.

Our Global Head of Human Resources is responsible for the firm's strategic human-capital management. Among her key responsibilities is ensuring that Federated Hermes' policies, procedures and programs serve to attract, retain and invest in the company's workforce. As a member of the Executive Committee, our Director of Human Resources regularly informs senior management of momentum and progress toward these goals. Updates include key topics such as employee hires, promotions and turnover; workforce composition; pay equity audit results; and implementation of new employee-focused programs.

The company's diversity and inclusion program and activities, sponsored and endorsed by executive management and the company's Board of Directors, are advanced in collaboration with management and employees at all levels.

These resources are dedicated to the development and implementation of diversity and inclusion-related activities in their respective locations, building workforce capability, increasing employee engagement and supporting the attraction, retention and development of talent. While programming activities are specific to the needs and culture of each locale, a shared vision and exchange of ideas between the offices support the overall company effort in creating environments where employees can thrive professionally.

D&I pillars

Our U.S.-based operations diversity and inclusion framework rests on four pillars:

- Drive diversity by attracting and developing a diverse talent pipeline and workforce with the necessary skillsets to fill current and future job openings.
- Create inclusion by providing an environment that drives employee engagement and development.
- Expand outreach activities that continue to advance the firm's goal of attracting diverse, qualified candidates.
- Ongoing evaluation of programs and goals to identify opportunities for enhancements and new initiatives.

Driving diversity through outreach

Our diversity and inclusion program focuses on attracting and developing diverse talent, fostering strategic outreach outside and within the company. We believe this multi-pronged, activities-based approach produces consistent and sustainable results for advancing diversity at all levels.

• Recruitment initiatives

Diversity-focused recruitment efforts cover a broad range of organizations, such as diverse recruiting sites and academic institutions where the professional and student populations are typically underrepresented in the asset management industry.

In our recruiting efforts, we target a diverse candidate pool through job postings on diversity recruitment sites, including but not limited to:

- AbilityJobs
- HBCU Career Center
- Hire a Hero
- I.T. Diversity Careers
- National Black MBA Association
- New Pittsburgh Courier
- Professional Diversity Network
- Robert Toigo Foundation
- SIFMA Invest!
- Women For Hire
- Women in Technology
- Women Who Code
- Workplace Diversity Network

Included among our diverse college and affinity outreach efforts are:

Colleges and Universities

- Bowie State University
- Bryn Mawr College
- Cheyney University of Pennsylvania
- Coppin State University
- Gallaudet University
- Hampton University
- Howard University
- Lincoln University
- Morehouse College
- Morgan State
- Spelman College
- University of Maryland Eastern Shore

Affinity Groups

- Cybersecurity Clubs
- Environmental Awareness Club
- Financial Management Association
- National Association of Black Accountants
- National Society of Leadership and Success
- Pan-Asian Association
- Smart Women Securities
- Society of Women Engineers
- Strong Women Strong Girls
- Student Veterans of America
- Women in Business

These increased postings for diversity-focused job advertisements and partnerships with diversity-focused affinity groups at local colleges, universities and community colleges expanded the pool of summer interns in 2022, resulting in an approximate seven percentage point increase in female representation and 16 percentage point increase in minority representation from the firm's 2021 summer intern program.

Federated Hermes offers both summer and year-round internship programs. Summer interns typically work full-time during their summer breaks. Year-round interns typically work full-time for the firm during the summer, then continue working part-time during the school year. We hire year-round interns, with many of our internship opportunities posted on Handshake and the firm's careers page and distributed via email to university faculty contacts. Federated Hermes also offers co-op opportunities, generally within our Pittsburgh-based Information Technology department and in our Boston office operations group, bringing fresh perspectives and ideas to the company and "real work experience" for program participants. These internship programs also provide an opportunity for Federated Hermes to build its pipeline of potential job candidates. In 2022, the firm hired approximately 20 current or former interns into full-time positions.



One of the newer initiatives for expanding our outreach efforts is **The University Ambassador Program**. This program is designed to increase awareness of Federated Hermes as a global asset manager among college and university students and expand our candidate pipeline to attract and hire early career talent while also increasing the diversity of our applicant pool for internship programs and future job openings. The Human Resources department oversees the Program and provides employees with the training and tools to interact with students through many venues, including career fairs, partnership opportunities with student organizations, panel discussions, academic competition judging and job shadowing. While acting as a liaison between Federated Hermes and academic institutions, employees can share their knowledge of the asset management industry and Federated Hermes. Interested students are encouraged to consider and apply for Federated Hermes internship programs. To date, approximately 100 employees have volunteered to be university ambassadors.

- **Building student interest at the pre-college level**

We also believe that exposing students to the investment management industry at the pre-college level can help encourage students to choose finance and STEM-related majors in college, which in turn begins to build a long-term pipeline of diverse candidates not only for Federated Hermes but for the investment industry overall.

- Federated Hermes partnered with Holy Family Institute in Pittsburgh to implement an internship program at the high school level. Holy Family Institute offers an affordable Catholic high school college preparatory program, **Nazareth Prep**, which focuses on college and career readiness. Currently, 65% of Nazareth Prep's student population is African-American and 49% are females.
- Our New York City office works with **First Workings'**, a New York City-based organization whose vision is to empower students to overcome many structural barriers that typically limit upward social-economic mobility. Through partnering with high schools in New York City, the program seeks high school juniors from underserved and underrepresented communities who are high-achieving and motivated. Students are partnered with leaders from various industries who provide them with specialized training, paid internships or one-on-one mentorships. Our first intern from this program completed her summer internship in August of 2022.
- **The Neighborhood Academy (TNA)** is a Pittsburgh-based college-prep school whose mission is to break the cycle of generational poverty through education and to prepare students for college and citizenship. Federated Hermes was one of several sponsors of TNA's Inaugural Career Fair in 2022 and continued as a sponsor for the 2023 Career Fair. The event provided career-focused workshops and meaningful connections between TNA alumni and various organizations. In March of 2023, thirteen female students met with five women finance executives within Federated Hermes to learn about careers in finance and the benefits of STEM studies. Federated Hermes is also exploring opportunities to provide internships to TNA students. In the spring of 2023, the firm held a "professional attire" clothing drive to help provide business attire for students preparing for summer internship interviews and jobs.

- **Participating in industry initiatives**

Our Diversity Officer/Senior Talent Acquisition Manager supports our corporate efforts toward diversity and inclusion. Also, she participates in several of the asset management industry's groups committed to growing the diversity of employees within the broader asset management industry:

- *The Investment Company Institute's Diversity & Inclusion Committee*. This committee provides a forum for members to share ideas and practices for advancing workforce diversity and inclusion efforts and programs. Key areas of interest for the group are building diverse talent pipelines, recruiting and retaining a diverse workforce, and policy issues related to workforce diversity.
- *Securities Industry and Financial Markets Association's (SIFMA) Diversity & Inclusion Advisory Council*. SIFMA and its members strive to provide firms across the financial services industry with the resources needed to achieve, expand and promote workforce, client, and supplier diversity and inclusion. SIFMA's Diversity & Inclusion Advisory Council assists member firms in developing their diversity initiatives to increase inclusion in the workplace and in their efforts to market to diverse customers. They also provide benchmarking data on demographics and industry practices and recognize achievements in diversity and inclusion.
- *Money Management Institute's (MMI) Diversity and Inclusion Committee*. MMI is dedicated to fostering professional relationships, sharing experiences, and expanding the industry's influence through advocacy and education. The Diversity and Inclusion Committee facilitates thoughtful and action-oriented dialogue to advance the efforts of diversity & inclusion in the financial services industry and share best practices.

- **Supplier diversity initiative**

- Federated Hermes' commitment to diversity and inclusion includes our vendor relationships, through initiatives that extend partnership opportunities with diverse and minority-owned suppliers. As a first step, we undertook a review of vendors with whom we already conduct business and who have a diversity certification, providing an understanding of our current relationships and analyzing how we can build upon those relationships. Other areas of the firm also look to opportunities to engage with minority-owned and women-owned contractors such as our Human Resources department for staffing services.
- In 2020 we expanded our diversity and inclusion efforts through our trade execution department using the Federated Hermes Government Obligations Tax Managed Fund (\$6 billion in assets as of September 30, 2023). We implemented a policy of seeking to increase portfolio transactions with diverse-owned brokers including women, minority and veteran-owned broker-dealers, subject, as always, to our fiduciary duty to seek best execution for transactions. Over \$90 billion in securities have been purchased with these diverse-owned firms since the program began.

Driving diversity through inclusion

Engaging employees and implementing forums for feedback and discussion remain priorities at Federated Hermes. This advances a corporate culture focused on dignity and respect, where individuals feel valued and their contributions are acknowledged. Our firm is currently developing:

- A mentoring program that will be available to all employees;
- Inclusive Leadership training that will be provided to Federated Hermes leadership and supervisors;
- A managers' guide for fostering an inclusive work environment.

On a regular basis, our Human Resources Department conducts roundtable meetings to gather employee feedback as well as individual sessions with employees to gather their input. Employees leaving the firm are asked for feedback about the work environment and relationships with their managers and coworkers during the exit interview process. These comments are viewed as important feedback and are reviewed by senior leadership, including our CEO.

Employee resource business groups

In 2021, Federated Hermes launched its first Employee Resource Business Group (ERBG) to support U.S.-based employees' professional growth and sense of community. With a focus on women, but inclusive of all employees, Women in Investing's (WIn) mission is to support and advance the professional development and representation of women within the firm, the asset management industry and the community while promoting the firm's goals. WIn's Leadership Committee comprises enthusiastic employees from across the firm who are passionate about supporting and advancing women. WIn members coordinate and host events focused on providing resources for professional development, networking and opportunities to give back to the community.

Professional development

- Lunch & Learn professional development events
- Hosting external speakers and presenting externally
- Online learning courses

Networking

- Networking education sessions
- In-person networking opportunities
- Remote and hybrid events

Outreach

- Volunteer activities
- Food drives and other charitable collections
- Partnerships with community groups and universities

In 2022 WIn's theme was "Invest in Yourself." To support this theme, WIn organized several networking and professional development events. Some examples of networking and professional events are "Building Your Professional Network", "Cryptocurrencies Demystified" and "The Art of Professional Communication". WIn also coordinated activities surrounding Women's History Month and held a panel on International Women's Day.

In November and December of 2022, WIn's Outreach Committee coordinated Food Drives in the Boston, New York and Pittsburgh offices and organized a volunteer event at the Community Food Bank in Pittsburgh.

WIn's 2023 theme is "Challenge Yourself." The group will focus on providing events and activities that encourage and support employees to push themselves outside their comfort zones to advance professional growth, increase engagement and support others within the firm and in the communities in which they live and work.



Deborah Cunningham, CFA

Executive Vice President
Chief Investment Officer
Global Liquidity Markets

"Helping young professionals succeed, especially women—who are underrepresented in our industry—is something we all have a commitment to sustain. WIn creates opportunities to support, mentor and encourage employees to achieve their professional goals. The WIn 2023 theme of "challenge yourself" is an important message for both our careers and our personal lives, underscoring that in order to grow into our best selves, we have to accept and understand the risks we need to take to succeed."

Support for new employees

To enhance the firm's welcoming culture, Federated Hermes launched a "New Employee Buddy Program" to help new employees acclimate more quickly. As part of this program, new employees are partnered with more experienced employees to provide them with additional resources to assist with their onboarding, answer questions, be a source of information and resources about the company and help the new employee build their networks and professional relationships. Given the long tenure of many Federated Hermes' employees and their accumulated institutional knowledge, this program also allows the firm to transfer knowledge gained through decades of work experience and advance employee development.

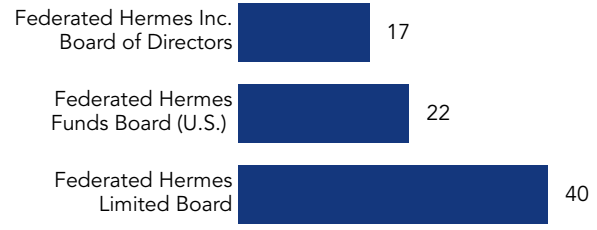
Characteristics of our workforce as of 12/31/2022

Below are the gender and ethnicity characteristics of our current workforce. While important, we believe they provide only a static picture of our workforce and, as such, cannot reflect the progress being made by corporate initiatives. Benefits such as flexible and hybrid work schedules and paid parental leave are beneficial to all employees, and our Women in Investing ERBG provides opportunities for career support and mentoring to participating employees. We believe that treating employees with dignity and respect and creating environments where employees can perform at their highest professional levels will attract and retain a broad spectrum of talented individuals.

- **Globally:**
 - Approximately 38% of employees are women.
 - Approximately 13% of executives are women.
- **Within the firm's U.S. operations:**
 - 27% of investment professionals are women and/or minorities.
 - 13.8% of portfolio managers are women.
 - 7% of employees are minorities.
 - Nearly 90% of investment teams' AUM are managed by a team with one or more women or racially/ethnically minority individuals.

Corporate and fund board diversity:

Women in board leadership (%)



Employee training and development

In a highly regulated industry ongoing employee training is required to ensure all employees understand and comply with the regulatory framework that governs the asset management industry, underscoring that compliance is paramount to the well-being of the firm and critical to employees. Federated Hermes provides an extensive training curriculum related to securities regulations for new and existing employees. These range from safeguarding information to understanding how to identify and avoid financial crimes related to money laundering, bribery and corruption in the context of our industry and firm.

In addition to ensure our training addresses key regulatory issues we also provide training to ensure all employees understand the ethical framework that underpins interactions between our colleagues, clients and vendors. The foundational belief at Federated Hermes is that all employees are to be treated with dignity and respect, their contributions valued and differences respected.

Our commitment to training is reflected in the nearly **20,000** hours of training undertaken by Federated Hermes Inc. employees collectively in 2022.

- New employees' required training includes 13 different online topics to be completed within the first 30 days of employment, followed by 3 additional classroom/webinar courses to be completed within their first year of employment, totaling 14 hours of training.
- Annual required training for each employee ranges from 12-13 online courses, approximately 7-8 hours per employee, according to employee job responsibilities.
- Anti-money laundering training (now part of the Financial Crimes curriculum) is required for all employees.



As part of the Financial Crimes training curriculum, Federated Hermes Anti-Money Laundering Training Program takes a comprehensive look at Money Laundering and the steps and processes the firm takes to prevent it. The course covers key topics that include:

- Define Money Laundering and the steps in the Money Laundering Process.
- Identify the organizations and regulations in place to combat money laundering and terrorist financing.
- Build an understanding of Customer Due Diligence, why it's important, and the requirements relating to it.
- Explain the importance of financial sanctions and how they are implemented.
- Identify suspicious activity and know how to escalate concerns.



Diversity, inclusion
and corporate culture

6,767
hours



Cybersecurity

4,370
hours



Compliance
and ethics

7,831
hours



Responsible
investing

207
hours

TOTAL
19,175
hours

For new and existing employees, the following are generally the core required annual/bi-annual training courses (some courses correspond only to specific job responsibilities). As needed, new courses are added to meet the needs of our employees, our firm and our industry. Completion of required training is reviewed by each employee's manager and monitored by the firm's Organization Development department.

- Dignity and Respect in the Workplace
- Fiduciary Duty and Conflict of Interest
- Code of Ethics for Access Persons
- Elevating Issues
- Safeguarding Information
- Information Security Awareness
- Phishing and Security Awareness
- Financial Crimes (combines curriculum for anti-money laundering and anti-bribery and corruption policy and procedures)
- Insider Trading
- Business Continuity Program
- Records Retention
- Corporate Standards for Managing Emails
- Electronic Communications Use & Social Media Use
- What is ESG Investing
- Derivatives
- Commodity Futures Trading Commission Ethics

The Responsible Investing Institute

The Responsible Investing Institute was developed by Federated Hermes in 2020 to help professional investors deepen their understanding of responsible investing and enhance client conversations about responsible or sustainable investing. In partnership with KKS Advisors, Federated Hermes developed a curriculum to educate advisers on key ESG investing concepts and the language of responsible investing. The program is divided into three segments, "ESG 101", "ESG Data & Investment Implementation," and "ESG Business Implementation" and each segment is eligible for one C.E. credit. All Federated Hermes investment and sales teams have completed all three segments of the course as well as other interested Federated Hermes employees.

Education, development and well-being

A welcoming environment, employee engagement, learning and development opportunities, competitive benefits and employee assistance programs are important for the well-being of our employees and to attract talent to Federated Hermes. The firm provides a professional work environment for employees across the company that supports employees' career aspirations and professional development interests through training programs and mentoring initiatives. Training is provided on the job and by Federated Hermes training staff through a blend of internal/external classroom and online courses. Employees have the opportunity to develop a wide range of skills through an extensive training curriculum which includes, among other topics:

- Leadership & management
- Compliance/regulatory requirements
- License exam preparation
- Sales skills
- Customer service skills
- Individual and team performance
- Technical (systems) topics
- General professional development

Leadership development within the firm is rooted in the Situational Leadership model based on Ken Blanchard's research on leadership, customer loyalty, coaching and employee engagement. As an offshoot of this philosophy the Federated Hermes Five Star program was developed. This program provides leadership with ways to recognize individual employee efforts and positive behaviors. The spirit of the approach is to "catch people doing things right". Additional management efforts are designed to provide various resources and one-on-one coaching as well.

Federated Hermes offers an Education Assistance Program designed to provide employees the opportunity to take job-related courses to further professional development within Federated Hermes. The company reimburses employees for courses and degree programs which are job related or applicable to licenses, professional certifications or professional development. Federated Hermes provides an organized process that includes continual planning and coaching from the first meeting to designation achievement.

In addition to offering employees opportunities for professional and personal growth, we encourage financial literacy and saving for retirement through workplace education and savings programs including a 401(k) plan and a Federated Hermes Employee Stock Purchase Plan that gives employees an opportunity to invest directly in the firm. Federated Hermes' benefit offerings are designed to equip Federated Hermes employees with resources and services to help them stay healthy, develop their careers, meet their financial goals, and balance the demands of work and personal life, as well as further employee engagement and retention.

Along with traditional health and welfare benefits, such as medical, dental, disability, paid time off and retirement savings plans, the company also offers flexible work arrangements, paid parental leave, paid volunteer time, employee discounts and other programs and services. Federated Hermes maintains an online Coronavirus Resource Center to provide employees with ongoing information and resources to related to Covid-19. Federated Hermes also offers an online Wellness Employee Resource Center offering programs and resources to help employees manage their physical and emotional health, as well as Headspace, a mobile application for mindfulness and well-being.





Employee health and welfare

At Federated Hermes we have always known that our greatest asset is our people. Our benefit offerings are designed to equip Federated Hermes employees with resources and services to help them stay healthy, develop their careers, meet their financial goals and balance the demands of work and personal life. Federated Hermes' benefits programs are structured to provide choices and flexibility to support employees' changing needs.

Our full list of benefits include:

- Medical/prescription drug benefits
- Vision plan
- Dental plan
- Health Care Flexible Spending Account
- Dependent Care Flexible Spending Account
- Supplemental benefits
- Employee profit sharing/401(k)
- Federated Hermes fund investment accounts
- Employee stock purchase plan
- Insurance and disability coverage
- Life and accidental death and dismemberment insurance
- Dependent life insurance
- Short-term salary continuance (STSC)
- Long-term disability and spouse disability insurance
- Work life support programs
- Paid holidays
- Paid vacation
- Flexible work arrangements
- Employee assistance program (EAP)
- Education assistance program
- Commuter reimbursement service
- Travel accident insurance
- Paid volunteer day
- Paid parental leave
- Adoption benefit
- Employee referral bonus program



Making our communities stronger

For almost 70 years, giving back to the communities where employees work and live has been an important reflection of our corporate values. Many organizations to which corporate donations are made are those where employees volunteer their time and talent and request corporate financial support. Federated Hermes wants to be additive to their efforts and acknowledge that the firm believes their work in their community is valued and consistent with our corporate ethos. This approach — bottom up, not top down — allows us to support causes that reflect employees' interests and values.

In calendar year 2022, Federated Hermes contributed over \$1.8 million to more than 175 charities across the United States. While many of these organizations are located in Southwestern Pennsylvania, where most of our employees reside, support was given to organizations wherever our employees live and volunteer across the United States. Through the second quarter of 2023, Federated Hermes continued this support, donating more than \$450,000 to more than 40 organizations.

The range of organizations Federated Hermes supports reflects the many types of community organizations with which our firm and its employees engage: arts and cultural organizations; education initiatives; and health and human service organizations, both faith-based and secular.

- **The United Way** and the **American Red Cross** have longstanding associations with Federated Hermes, which conducts corporate campaigns annually for these two organizations. Employees are also eligible to be paid for one day per calendar year to participate in a volunteer activity for a United Way-affiliated agency of their choice.
- The firm has employees throughout the U.S. who partner with organizations that help others and their communities. Our Boston office participates in the **CFA Society of Boston Financial Literacy Volunteer group** and has worked with a Boston-based mentorship program for high-achieving students graduating from urban public schools, many of whom are first-generation college students and people of color. Mentors provide individualized support to their mentees throughout the college journey, helping ensure they succeed in college and providing guidance as students consider long-term career or professional goals and plans.

- Federated Hermes also has a decades-long affiliation with and support of the **Extra Mile Education Foundation** through annual financial contributions and board membership. This Foundation supports access to quality elementary education in three Pittsburgh-area communities: the Hill District, Wilkinsburg and Brighton Heights. Extra Mile students, who are predominantly African- American, have completed eighth-grade education and gone on to high school, college or post-secondary training and a career.
- Federated Hermes has participated in the Scouting for Food campaign for over 30 years. **Scouting for Food** is a food collection program coordinated by the Boy Scouts of America and local organizations to combat hunger in a six-county area in southwestern Pennsylvania. The program provides food to 120,000 needy people in the area and local pets facing hunger. In 2022, this program collected over 56,000 pounds of food and supplies for families and pets in need.
- Federated Hermes' annual Global Sales Conference selects one or two charities to be the recipient of a collective donation effort by our sales team. In 2022, the Global Sales Conference selected the **Salvation Army's "back to school supplies"** as the recipient. Two hundred and fifty bags of school supplies were collected and donated to children in the Pittsburgh area. In 2023, the Federated Hermes sales teams selected two Pittsburgh-based charities donating 2,000 pounds of canned food to one organization and 3,600 toothbrushes, 400 tubes of toothpaste and 570 reusable bags to another.

UN SDGs - directed philanthropy

In 2021, Federated Hermes undertook a unique approach to supporting the United Nations Sustainable Development Goals (SDGs). Federated Hermes created a share class within its \$148 billion (as of September 30, 2023) Government Obligations Fund structured to donate a portion of the advisory fee in support of the SDGs. The SDGs selected for its focus are SDG 4 - Education; SDG 8 – Employment; and SDG 10 – Reduced Inequalities. A non-profit that supports these goals as part of its mission was selected to receive quarterly donations. In 2022, Federated Hermes chose to work with the **Hispanic Heritage Foundation (HHF)**, a 501(c)3 focused on assisting the Latino community through a continuum of leadership and workforce development programs. HHF connects students and young professionals with mentors and resources through training, workshops, and informal Charlas (discussions) across the country, helping them access internships, mentorships, fellowships and full-time positions with Fortune 500 companies and government agencies. Federated Hermes is proud to support the SDGs through its donations to HHF.



Section 8: Data privacy, cybersecurity and business continuity plans

Federated Hermes places the highest priority on protecting the data and personal and confidential information of our employees, clients, shareholders and vendors. We have developed policies and procedures and put into place tools designed to protect customer information and to protect the firm against cybersecurity threats and vulnerabilities.

Federated Hermes' Cybersecurity Program resides within our Global Technology Organization and has a dedicated Information Security Group (ISG) that is charged with day-to-day oversight of the Cybersecurity Program. The ISG team discusses and coordinates information security activities with Federated Hermes' business lines and with third-party service providers or vendors.

Overseeing this critical function of addressing information security and data governance matters critical to Federated Hermes is the Information Security and Data Governance Committee (ISDG) which is comprised of Federated Hermes' chief officers for compliance, risk, information security and audit as well as general counsel and other senior management staff. As the governing committee, ISDG reviews policies and procedures, evaluates and amends policies and practices when needed, receives quarterly updates on cybersecurity matters, phishing test results, cybersecurity training, and other related matters. ISDG also serves as a liaison with key stakeholders in the firm including the Federated Hermes Board of Directors concerning information security and data governance.

The Federated Hermes Cybersecurity Program is measured against the National Institute of Standards and Technology (NIST) Cybersecurity and Framework, which is regarded as a best-practice standard for information security and data governance. Our program encompasses the following elements:

- **Identify** — Develop the organizational understanding to manage cybersecurity risk to systems, assets, data and capabilities.
- **Protect** — Develop and implement the appropriate safeguards to seek to ensure delivery of critical infrastructure services.
- **Detect** — Develop and implement the appropriate activities to identify the occurrence of a cybersecurity incident.
- **Respond** — Develop and implement the appropriate activities to take action regarding a detected cybersecurity incident.
- **Recover** — Develop and implement the appropriate activities to maintain plans for resilience and to restore any capabilities or for services impaired due to a cybersecurity incident.

In addition to aligning with the NIST Cybersecurity Framework, Federated Hermes applies the Center for Internet Security's protocols for securing IT systems and data. Federated Hermes partners with third party experts who perform intrusion tests and identify areas for improvement.

Federated Hermes also conducts due diligence on key vendors' privacy and cybersecurity policies and practices to assure alignment with Federated Hermes' policies regarding proper protection of client data. Security product reviews for new technology are conducted to assure alignment with NIST and Federated Hermes' security policies.

The importance of cybersecurity and data protection are regularly reinforced to employees through required online training which raises awareness of important protocols each individual must follow when working with sensitive information and data and emphasizes each individual's critical role in safeguarding data and preventing security breaches.

Hand in hand with our cybersecurity program is our Business Continuity Plan, a critical element in managing potential business disruptions. The plan is intended to preserve our ability to conduct business and serve our clients, shareholders, and other stakeholders. Our corporate-wide business continuity strategy is intended to mitigate the firm's reputational, operational, and financial risks from real and potential threats. We perform a bi-annual business impact analysis for each business unit and conduct periodic tests of business unit and firm-level readiness and continually make improvements and adjustments based on these results.

Phishing for results

Phishing tests are conducted quarterly and designed by the Federated Hermes' Information Security Operations group to be realistic and mimic current email-based threats facing the organization. Individuals who fail the tests are notified along with their direct supervisor and division head and are required to take retraining within 30 days designed to improve their awareness and recognition of these types of threats.



Section 9: Compliance, ethics and risk management

Federated Hermes prides itself on a culture of compliance. In a highly regulated industry such as investment management, knowing the regulatory framework and adhering to it is a business imperative. Federated Hermes and its employees are committed to conducting business in accordance with the highest legal and ethical standards.

Compliance and ethics

Within the firm's Legal Department is Federated Hermes' Compliance Department, which is responsible for overseeing the policies and procedures to assure compliance with legal and regulatory requirements throughout the company and for Federated Hermes' funds. Compliance policies and procedures cover over 50 different topics that range from marketing and codes of conduct to records retention and trading practices.

Federated Hermes has established Internal Compliance Committees — one for Federated Hermes and its subsidiaries, (the Federated Committee) and one for our London subsidiary, Federated Hermes Limited (FHL) and its subsidiaries (the FHL Committee) — that administer Federated Hermes' overall compliance program. The Federated Committee is chaired by the chief compliance officer and is composed of the general counsel, the chief risk officer and the chief audit executive, as well as representatives of the FHL Committee. All of these serve to safeguard both the company and the clients we serve.

As noted, compliance and regulatory requirements are integrated throughout the operations of the firm. Key compliance personnel are included in regular ongoing discussions with product management, risk management, legal and our Responsible Investing Office. New regulatory developments are communicated by compliance staff as appropriate.

Federated Hermes is committed to conducting its business in accordance with the highest legal and ethical standards. We believe Federated Hermes' reputation for integrity is its most important asset and each employee, officer and director contributes to the care and preservation of that asset. This reputation for integrity is the cornerstone of the public's faith and trust in Federated Hermes; it is what provides us an opportunity to serve customers, investors and other stakeholders. A single individual's misconduct can do much to damage a hard earned reputation and no code of business conduct or ethics can effectively substitute for the thoughtful behavior of an ethical director, officer or employee.

Enterprise risk management

Adding another layer of protection to mitigate business risk is the Enterprise Risk Management Department (ERM), one of four units comprising the Federated Hermes Corporate Governance Division, along with Legal, Compliance and Internal Audit. ERM, along with its chief risk officer, is responsible for developing, implementing and maintaining a comprehensive risk management program for the firm. Since 2004, ERM has provided a centralized, formal risk assessment and integration program designed to identify, assess, document and mitigate risks, as well as improve risk control processes.

ERM works closely with business units throughout the firm using a formal, multi-phased process to assist them in assessing and mitigating risks associated with their business unit or business processes. Through an Enterprise Risk Management Committee (ERMC) structure, representatives of key business units assist in oversight of overall enterprise risks with a particular focus on risks of individual departments or business processes.

In the first stage, risk identification, "risks" are any condition, issue, threat or action which could impact our firm's ability to serve its clients, shareholders, or other stakeholders and to meet its business objectives and execute its strategies successfully. This includes upside (opportunity) as well as downside (loss potential). ERM works with business unit risk committees to identify its business processes and identify what creates risks within those processes. At this stage each risk is also categorized into one of ten risk types: investment risk, operational risk, financial risk, legal risk, compliance risk, regulatory risk, fiduciary risk, reputational risk, strategic risk and human capital risk.

In the next stage, risk scoring, risks are assessed using two parameters. The first parameter is probability, or the likelihood of a risk occurring. The second parameter is impact, the short or long term financial, reputational or strategic effect of a risk on Federated Hermes' business.

In the final stage, the focus is on risk mitigation. ERM works with the business units to move higher risks to lower thresholds by helping the business unit take corrective action — including developing stronger controls and developing and implementing action plans that make risks more manageable.

Investment risk management is a key focus and the ERM framework includes a comprehensive structure to manage and control investment related risks which span the investment process. This structure allows ESG risk to be viewed within the context of both investment and enterprise risk.

The chief risk officer meets with key corporate entities on a regular basis that include the Board of Directors of Federated Hermes Inc., The Board of Directors of Federated Hermes Limited, and the Board of Directors of the Federated Hermes Funds.



Responsible Investing Office Risk Committee

In 2021, the Responsible Investing Office determined that the attendant risks and opportunities associated with sustainable/ESG investing should be regularly addressed in a process that mirrors that of the ERM. To that end, an offshoot of the Enterprise Risk Management Committee was organized, The Responsible Investment Office Risk Committee (RIORC). The Committee is specifically devoted to consideration of the risks and opportunities associated with responsible investing. The Committee is comprised of representatives from the Responsible Investing Office, Compliance, Enterprise Risk and Internal Audit. Key issues and topics include technology, regulatory, marketing, investment integration and all other relevant topics that come before the Committee.

Managing climate risk

In October 2021, climate change was identified for the first time as an emerging threat to U.S. financial stability by the Financial Stability Oversight Council (FSOC). That concern was recently underscored by the Secretary of the Treasury, Janet Yellen, who said the impacts of climate change are no longer hypothetical and that taking climate change into account is prudent risk management.

Risk management is integrated throughout Federated Hermes as a central tenant of how we conduct the firm's business activities. Through our Enterprise Risk Management Department, the firm has built an infrastructure to provide a forum for identifying, assessing, mitigating and managing risk, including those posed by climate change. The Enterprise Risk Management Committee, the Investment Management Risk Committee and the Responsible Investing Office Risk Committee collectively and through their individual departmental mandates monitor key issues which impact both corporate operations and our investment portfolios. These issues can include the physical (near term) and transitional (long term) risks of climate change as well as the opportunities they create for new industries and business models.

"Climate change poses investment risk as it can affect individual companies, industries and entire economies. It is essential to understand the pace and impact of climate change, in differing geographies, to effectively optimize portfolio returns."

-Michael R. Granito, Chief Risk Officer

Safe Reporting Portal

Federated Hermes provides access to Safe Reporting Portal (hosted by an external party) to report behaviors they feel may be unethical or illegal. This information can be provided to Federated Hermes' Internal Compliance Committee, the Board of Directors/Trustee of Federated Hermes or its Funds and their respective Audit Committees, as well as to Federated Hermes' London-based subsidiary, Federated Hermes Limited, its Risk and Compliance Committee and its Fund Boards, regarding the following topics pertaining to Federated Hermes:

- Accounting/auditing related complaints or concern fraud/misconduct
- Code of ethics violations securities violation
- Compliance and regulatory violations (financial and non-financial) shareholder concerns
- Conflicts of interest theft (financial and other)
- Copyright or trademark infringement vendor concerns
- Corruption or bribery

Individuals are encouraged to discuss with management any concerns related to the above categories of matters. If individuals do not feel comfortable in doing so, Safe Reporting Portal is available to them to file reports on a confidential and anonymous basis.

Section 10: Environmental footprint

Energy usage

At Federated Hermes we remain committed to improving the environmental footprint of our corporate operations and are working to build our sustainability efforts across all locations. In each office location we work with the landlord to develop programs and initiatives to reduce energy usage.

Within our United States operations, we lease approximately 425,512 square feet of office space across six different cities, including our corporate headquarters in Pittsburgh where more than half of our employees work.

To provide an energy efficiency assessment of our corporate headquarters office space, Federated Hermes' landlord provides an annual Energy Star report. Energy Star is a joint program of the Environmental Protection Agency and the Department of Energy. Based on actual, measured data, the Energy Star score is a 1-100 assessment of a building's energy efficiency as compared with similar buildings nationwide, adjusting for climate and business activity or primary use (higher rating indicates greater efficiency). Its GHG emissions data measures direct and indirect emissions (scopes 1 and 2) using a methodology based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards. Federated Hermes headquarters building was constructed in 1986 as a combined retail and office complex, and as an older, multi-use building presents challenges in reaching certain levels of energy efficiency as illustrated by its rating below the national median. However, our Energy Star score continues to improve each year and greenhouse gas emissions are declining.

Federated Hermes Pittsburgh Office Tower (HQ)

	Baseline Year 4/30/2009	Ending Year 12/31/2019	Ending Year 12/31/2020	Ending Year 12/31/2021	Ending Year 12/31/2022	National Median
Energy Star Score	27	31	34	35	36	50
Energy						
Site EUI (kBtu/ft²)	95.1	87.6	84.6	79.4	79.0	66.4
Source EUI (kBtu/ft²)	266.2	245.4	236.8	222.4	221.3	186.0
GHG Emissions						
Total GHG emissions (metric tons CO₂)	7,852.2	6,742.1	6,984.6	6,110.5	5,606.9	4,713.2
Total GHG emissions intensity (kgCO₂e/ft²)	14.8	12.5	13.2	11.3	10.4	8.8
Water						
All water use (kgal)	N/A	8,251.60	4,606.4	4,631.9	4,864.7	N/A

In addition to monitoring energy use and consumption Federated Hermes and its landlords use LED lights, low VOC paint, occupancy sensors, sustainably certified janitorial products and actively recycle electronics, office furniture, ink cartridges and toners.



Expanded recycling

In 2021, Federated Hermes established a Recycling Committee, comprised of individuals from the Responsible Investment Office, Legal Administration and Corporate Real Estate Services, to redesign the Recycling protocols for all offices in the United States. The Committee's goal was and is to increase the volume of recycled items while reducing the volume of items sent to trash or landfill. The Recycling committee works closely with the landlords in each office to understand its recycling system and how Federated Hermes employees can maximize recycling efforts. The updated recycling program was launched in January of 2023 in the corporate headquarters building and has now expanded to three additional office locations.

An important element of the enhanced program was to leverage the benefits of an existing paper shredding program with Iron Mountain, a global data and information management company and signatory to the UNGC (United Nations Global Compact). Paper shredded by Iron Mountain is recycled into new paper products, avoiding the environmental impact of virgin paper. The Committee recommended moving to a shred-all policy for both confidential and non-confidential paper materials; previously the shredding program was used only for confidential materials, and all other paper was recycled through the single-stream recycling program. Iron Mountain provides quarterly and annual summaries of shredding volumes by state location and tracks savings in terms of trees preserved, liters of water preserved, greenhouse gases avoided, solid waste avoided and BTUs of energy saved. In 2022, through the shredding program across offices in five states, Federated Hermes shredded and recycled over 22.32 tons of paper, which resulted in positive environmental metrics presented below.

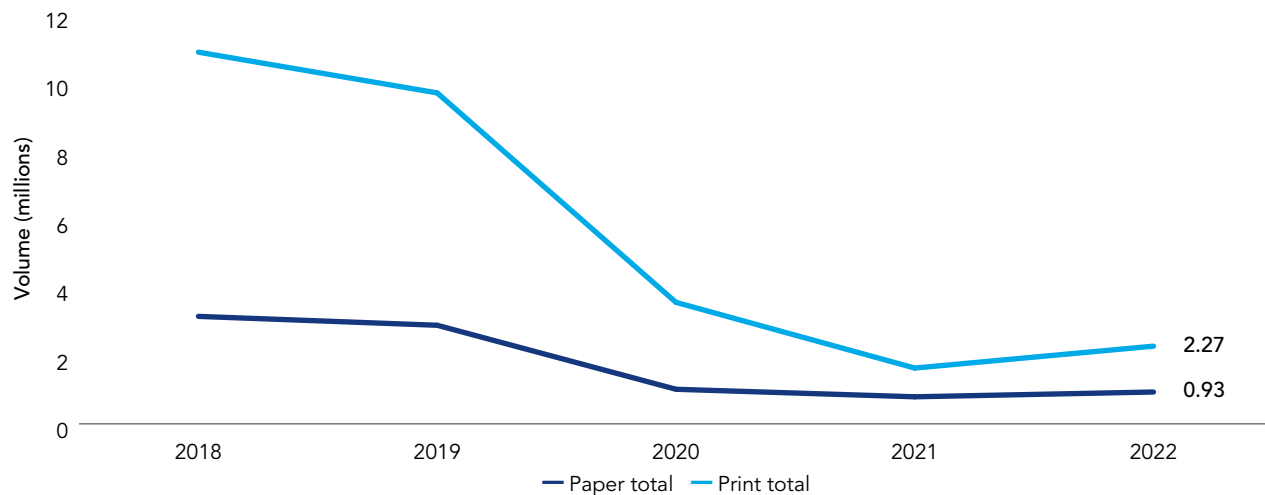
	2022 (01/22 – 12/22)	2021 (01/21 – 12/21)
Total Paper Shredded	24.60 US short tons/22.32 t	22.10 US short tons/20.04 t
Greenhouse Gases	115.87 MTCO ₂ avoided	104.10 MTCO ₂ avoided
Wood	590 Trees preserved	530 trees preserved
Energy	72,816.42 kWh energy saved	65,416.38 kWh energy saved
Water	46,740 Gallons of water preserved	41,990 gallons of water preserved

Sources: Iron Mountain; Federated Hermes.

Reduced paper usage

In addition to recycling more printed paper, Federated Hermes is working to reduce generally the amount of paper generated during the course of employees' work. By encouraging employees to use electronic versions of documents and by adding new technology to printers that reduce unnecessary printing, paper usage dropped 68% in 2022 compared to 2019, and print volume reduced by 76% compared to 2019.

Paper and print volume per year



Sources: Xerox; Federated Hermes.

Our ongoing commitment

Federated Hermes will continue to pursue opportunities to measure, monitor and reduce energy usage and environmental impact across its business locations.

	Greenhouse gas emissions	<ul style="list-style-type: none"> Track GHG emissions across the firm and identify emissions reduction opportunities
	Energy efficiency	<ul style="list-style-type: none"> Identify opportunities to increase energy efficiency firmwide Encourage landlords in other U.S. FHI locations to provide Energy Star reports for the FHI office space within their buildings
	Renewable energy	<ul style="list-style-type: none"> Identify opportunities to procure renewable energy
	Waste reduction	<ul style="list-style-type: none"> Identify opportunities to increase landfill diversion
	Health & safety	<ul style="list-style-type: none"> Work with our landlords to ensure the cleaning products used in our spaces are certified GreenSeal, UL EcoLogo, or EPA Safer Choice Standard
	Water efficiency	<ul style="list-style-type: none"> Track water usage in all buildings Establish initiatives to reduce water usage

Section 11: Addendum

Governance documents

Federated Hermes and its employees are committed to conducting business in accordance with the highest legal and ethical standards.

The Board of Directors of Federated Hermes has adopted a series of important Guidelines and Charters to ensure that all directors, officers and employees of the company conduct themselves in a lawful and highly ethical manner. In accordance with the Guidelines and Charters, Federated Hermes is committed to maintaining strong internal practices and policies as well as the high standards of financial accounting and reporting. The documents that govern Federated Hermes are available for your review.

- [Code of Business Conduct and Ethics](#)
- [Corporate Governance Guidelines](#)
- [Code of Ethics for Senior Financial Officers](#)
- [Audit Committee Charter](#)
- [Compliance Committee Charter](#)
- [Compensation Committee Charter](#)

Data governance and security policies

- [Federated Hermes Privacy Policy and Notice](#)
- [Business Continuity Plan Summary](#)

Annual legal filings

- [Annual Report](#)
- [10-K Filing](#)

Responsible investing documents and links

- [Federated Hermes Responsible Investing Policy](#)
- [Federated Advisors - Proxy Voting Policy](#)
- [Responsible Investing Center](#)
- [Federated Hermes Integrating ESG Factors](#)
- [Responsible Investing Insights](#)

SASB/ISSB relevant issues and disclosure topics

Materiality and asset management & custody activities

Topic	Technical protocol	Commentary	Location
Transparent information and fair advice for customers	Description of approach to informing customers about products and services	Federated Hermes' customers are financial intermediaries e.g., banks, RIAs, brokerage firms, who distribute our products to investors. Information about the firm's products and services are found on our website; marketing materials are reviewed by Compliance and submitted to FINRA for review as required. Corporate governance documents, also found on the website, address relevant conflict of interest issues.	https://www.federatedinvestors.com/about/investor-relations/corporate-governance.do
Employee diversity & inclusion	Percentage of racial/ethnic group representation for executive management; non-executive management; professionals; and all other employees	Federated Hermes provides overviews of program initiatives designed to foster diverse and inclusive corporate culture. Select percentages reported for gender and ethnicity.	Corporate Sustainability Report pgs. 22-26
Incorporation of environmental, social and governance factors into investment management advisory	Description of approach to incorporation of ESG factors in investment processes and strategies	Federated Hermes provides in-depth description of process, data analytics and research tools used for integration of ESG factors into investment strategies. Description of proxy voting policies and procedures presented and discussion of structured engagement services.	Corporate Sustainability Report pgs. 8-12
Business ethics	Monetary losses associated with legal proceedings, anti-trust, etc.; Description of whistleblower policies and procedures	Federated Hermes discloses any relevant monetary losses due to legal proceedings in regulatory filing as required by law. Whistleblower policies and contact information provided on website.	https://www.federatedinvestors.com/about/investor-relations/corporate-governance.do

Specific investments described herein do not represent all investment decisions made by Federated Hermes. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific engagement references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.

Terminology such as “ESG integrated,” “sustainable” or “impact,” among other terms, is not uniformly defined across the industry. Investment managers may understand and apply ESG factors in different ways, and that the role those factors play in investment decisions also varies. Therefore, we recommend investors understand the role of ESG factors in a strategy to ensure that approach is consistent with their investment objectives. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers ESG factors will result in performance better than or equal to products that do not consider such factors. Investing and making buy-and-sell decisions that emphasize ESG factors carries the risk that, under certain market conditions, the fund or strategy may underperform those that do not incorporate such factors explicitly into the decision-making process. The application of ESG criteria may affect exposure to certain sectors or securities and may impact relative investment performance depending on whether such sectors or securities are generally in or out of favor in the market.

The ESG ratings assigned are one consideration among others as part of the security selection process. The qualitative analysis described does not automatically result in including or excluding specific securities but is used as an additional input to improve portfolio risk/return characteristics.

Certain statements in this report constitute forward- looking statements, which involve known and unknown risks, uncertainties, and other factors that may cause the actual results, levels of activity, performance or achievements of Federated Hermes, Incorporated, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. As a result, no assurance can be given as to future results, levels of activity, performance or achievements, and neither Federated Hermes, Incorporated nor any other person assumes responsibility for the accuracy and completeness of such statements in the future. For more information on these items and additional risks that may impact the forward- looking statements, see the Federated Hermes, Incorporated Annual Report on Form 10-K.