Corporate Sustainability Report
An authentic approach to responsible investing
Our vision and our commitment
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President and Chief Executive Officer

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Executive Vice President, Head of Responsible Investing Office

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Our heritage as a fiduciary and our commitment to responsible investing has been enhanced by our purchase, three years ago, of the UK-based Hermes Fund Managers enterprise, which has had responsible investing as its ethos from its beginnings. In both the U.S. and the UK we are managing mandates and creating solutions that respond both to client demand and global conditions.

Responsible investing is the common thread which runs through our entire investment platform. We believe the integration of ESG and active engagement across asset classes will enhance long-term returns for our clients through prudent risk management and sound stewardship.

We have embraced a corporate pledge, voluntarily signed by 96% of our employees, in which each individual commits to put the interest of clients first and act with consideration of our community and the environment as we execute our mission of providing investors with the means to achieve long-term sustainable wealth. Our response to many recent challenges reflects our commitment to these guiding principles.

- We continue to support our employees through the uncertainty of the global pandemic, which required a shift to remote work arrangements. Our employees successfully responded to the challenge, continuing to meet our clients’ needs and shepherding their assets.

- We are now focused on implementing a framework that allows employees to work safely in our offices and bring back the collegiality, collaboration and creativity associated with working together, face to face (as conditions permit).

- We have renewed our efforts to expand opportunities on diversity and inclusion across the investment industry and within our firm. We are accelerating our efforts to build a more diverse pipeline of talent and provide programs and support to help all employees develop their skills and contribute to our firm’s long-term goals.

Meeting challenges and opportunities with determination, teamwork and optimism has built the character of our firm as we continue to serve as diligent and capable fiduciaries of our clients’ financial resources and cultivate a work environment where each person is welcomed, accepted, respected, supported and valued as a team member. We believe as a firm and as global citizens we can make a positive difference in the world through our individual and collective efforts.

A MESSAGE FROM CHRIS DONAHUE

Responsible investing for a sustainable future

Nearly 400 years ago, John Donne wrote eloquently of our interconnectedness as human beings, reminding us that no one “is an island” and that each of us “is a part of the main.” That sentiment remains as true today as when it was written. It underscores both the dignity of each individual and the idea that our global well-being is a shared and interdependent enterprise. Our mutual undertaking of responsible, thoughtful behaviors, as investors and as individuals, helps to shape our shared future.
The Federated Hermes pledge

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.
Welcome

to Federated Hermes’ 2020–2021 Corporate Sustainability Report. We hope this report will give you a better understanding of the policies and practices that underpin Federated Hermes’ commitment to responsible asset management, both in how we manage our investment products and services as well as how we operate as a company.

In this report, we focus on many of the issues identified by the Sustainability Accounting Standards Board (SASB) for asset managers. We want to demonstrate how we have enhanced our investment process by integrating proprietary ESG data analytics and stewardship. We believe these factors can lead to a deeper understanding of companies, which in turn can help us better identify investment risks and opportunities and, ultimately, help our clients reach their investment goals.

While this report focuses primarily on our U.S. business operations, it also acknowledges the strengths of the partnership with our subsidiary, UK-based Hermes Fund Management, now referred to as the international business of Federated Hermes. The combined company recognizes the legacy cultures of each firm while leveraging the combined resources of talent, technology and ideas.

We hope this corporate sustainability report provides a window into our ESG journey. We followed a path that began with the creation of our Responsible Investing Office, grew to include our approach to integrating ESG considerations into our investment process and heightened our focus on data security and governance. At the same time, we continued our commitment to our employees and the communities in which we operate.

We believe we have the principles, people, products and practices in place to serve the needs of today’s investors as well as those of future generations.

Anne Kruczek
Executive Vice President
Head, Responsible Investing Office
About
Federated Hermes

Our goal at Federated Hermes is to deliver superior risk-adjusted returns for our clients by setting the standard for responsible, active investment management, including rigorous investment analysis, responsible ownership and consideration of the long-term needs of all stakeholders. Headquartered in Pittsburgh, Pennsylvania, USA, we are a global investment manager with nearly 2,000 employees located around the world and assets across all asset classes.


<table>
<thead>
<tr>
<th>Global assets under management*</th>
<th>$645.8 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>$100.5 billion</td>
</tr>
<tr>
<td>Fixed Income</td>
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<tr>
<td>Alternative/Private Markets/Multi-Asset</td>
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<tr>
<td>Liquidity</td>
<td>$429.8 billion</td>
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</table>

<table>
<thead>
<tr>
<th>Global thematic and impact fund assets under management*</th>
<th>$4.57 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG Engagement Equity Fund</td>
<td>$2.3 billion</td>
</tr>
<tr>
<td>SDG Engagement High Yield Credit Fund</td>
<td>$1.7 billion</td>
</tr>
<tr>
<td>Impact Opportunities Equity Fund</td>
<td>$0.57 billion</td>
</tr>
</tbody>
</table>

| EOS stewardship assets under advice*                    | $1.75 trillion |

*Assets as of 6-30-21
A global leader in active, responsible investing

$646B
AUM*

$1.75T
stewardship AUA*

*Assets as of 6-30-2021
The Responsible Investing Office
Our purpose

Responsible investing activities occur at two levels for investment managers: from an investment perspective we are tasked with understanding a company’s business model, including its ESG policies and practices and their potential impact on its equity and debt securities. At the same time we must hold ourselves accountable for our firm’s ESG policies and practices.
Responsible Investing Office (RIO)
 Dedicated in-house ESG expertise

The Federated Hermes Responsible Investing Office (RIO) sits at the nexus of our firm’s responsible activities. It is a hub for ESG and responsible investing initiatives throughout the company and works to create continuity in related policies and their implementation. RIO works both independent of and hand-in-hand with our London Responsibility Office, providing global continuity when needed while supporting the responsible investing dynamics of our respective regional markets and regulatory environments.

The Pittsburgh-based RIO team brings together diverse professional experience in sustainability, investment, data science, research and academia. RIO Leadership in the U.S. is guided by Anne Kruczek and Martin Jarzebowski and supported by six additional team members.

Our UK-based Responsibility Office has the same mission of investment integration, advocacy and firm-level responsible investing initiatives as our U.S.-based RIO, with a focus on the UK and EU products and markets. The two offices work together, closely sharing resources of talent and technology to bring to clients our best ideas and solutions from both sides of the Atlantic. These teams are part of our overall global team of 68 ESG specialists dedicated to responsible investing, engagement and stewardship.

Global ESG hub
- 19 global responsible investing office team members
- Diverse sustainability, investment, data science and academic backgrounds

Federated Hermes ESG platform
- Support 30 investment teams and EOS stewardship division
  - Proprietary ESG data analytics
  - EOS engagement database

ESG thought leadership
- Champion industry themes and responsible investing authorship
- Partner with leading ESG organizations

Community & stakeholders
- ESG public disclosure
- Sustainability Leaders Council
- UN PRI commitments
Three roles of Responsible Investing Office: integration, corporate responsibility and advocacy

Integration
Integrating ESG factors into our investment processes

Because we are an investment firm and our purpose is to provide investment solutions to our clients, the primary responsibility of RIO is to support the incorporation of material ESG factors and engagement insights into our investment research and decision-making frameworks across our actively managed strategies.

As the focal point for Federated Hermes ESG integration efforts in North America, RIO supports 30 investment teams and our active strategies across asset classes. RIO works hand-in-hand with investment teams to develop strategy-specific roadmaps for ESG integration and to incorporate proprietary ESG tools and EOS engagement resources into investment frameworks.

RIO has created a customized integration framework for each investment team and developed a formal progress report to assess how each team is progressing on its ESG integration journey. Integration is formally measured by three phases of integration, each with four key performance indicators (KPIs), resulting in 12 KPIs for each investment team.

Corporate Responsibility
Guiding the adoption of ESG practices throughout Federated Hermes

As a firm that looks at the responsible investing practices of its investee companies, Federated Hermes also seeks to assess its own ESG practices and to share that assessment with its employees, clients, prospective clients and other stakeholders. RIO works with senior management and executive staff as well as departments and committees across the firm, including human resources, compliance, legal, trading, product development, marketing, proxy voting and Enterprise Risk Management to identify opportunities and enhance current practices related to ESG practices.

One of our most important firm initiatives is the Sustainability Leaders Council (SLC). The SLC is led by RIO and looks to create long-term value and sustainable business practices by embracing opportunities and managing economic, environmental and social risks across the firm. The SLC works with all key U.S. business/division leaders to embed a responsible investing framework appropriate to the responsibility scope of each division and support relevant departmental initiatives.
Advocacy

Working with internal and external entities to promote and advance critical thinking about ESG within the investment industry.

Through white papers, ESG case studies and speaking engagements, RIO takes a lead role in articulating and promoting thought leadership on responsible investing and stewardship within the broader investment community.

To advance critical thinking about ESG themes, RIO also develops working relationships with industry groups that are shaping the ideas and leading the way in the evolution of responsible investing.

Organizations we partnered with to advance responsible investing initiatives include:

- United Nations Principles for Responsible Investing (UN PRI)
- Sustainability Accounting Standards Board (SASB)
- CDP
- CFA Institute ESG Technical Committee
- Harvard Institutional Investor Forum
- Investment Company Institute ESG Task Force and ESG Advisory Group (ICI)
- Council of Institutional Investors (CII)
- Intentional Endowments Network (IEN)
- Investment Management Education Alliance (IMEA)
- Responsible Investment Association Canada (RIA)

Firm-wide, Federated Hermes has relationships with nearly 90 organizations across the globe that educate, exchange ideas or promote initiatives on responsible investing, governance, sustainability and social capital.
Our approach to responsible investing
We believe responsible asset management encompasses a variety of strategies. It bridges a spectrum of approaches intended to achieve investors’ objectives, from financial outcomes to mission-driven or values-driven outcomes.

We believe that ESG integration provides the most holistic view of a company and the best opportunity for competitive investment returns. Our approach is driven by rigorous balance sheet analysis using traditional financial factors coupled with qualitative factors such as competitive market position, new product pipeline and, importantly, how a company uses its environmental and social capital resources and whether its governance and leadership structure are supportive of long-term value creation.

Incorporating material ESG considerations and engagement insights can help investment teams assess the ability of a company or issuer to meet future challenges or pursue growth opportunities. These factors also help frame considerations of vulnerabilities to sector externalities such as climate change, diminishing biodiversity or regulatory changes, their relevance to the respective business model and how well an issuer is addressing or failing to address them.
The essentials of ESG integration: data analytics, materiality and engagement

We believe that integration is best achieved through dedicated in-house resources and applying proprietary ESG data analytics, engagement and thought leadership across all asset classes. This stands in contrast to those investment managers whose approach to ESG integration relies on outsourcing ESG data to third-party providers or whose integration process is based solely on ESG ratings from a single data provider.

At Federated Hermes each team implements a customized approach to incorporating ESG factors and engagement into their individual workflow, tailoring the various proprietary ESG tools to meet their security selection and portfolio construction frameworks. RIO helps investment teams integrate ESG as a natural extension of their fundamental research process. This individualized and deliberate process has resulted in each team’s authentic and unique approach to incorporating material ESG factors.

Data analytics

Federated Hermes has developed a suite of proprietary company-level and portfolio-level ESG analytical tools to support ESG integration into our strategies. These tools are available through the ESG Hub which resides on the desktop or workstation of portfolio managers and investment analysts within equity, fixed income and liquidity asset classes.

For company-level research, our investment teams can use a proprietary ESG Dashboard to evaluate corporate issuer ESG exposure and momentum. Our ESG Dashboard provides a concise digest of ESG data, incorporating research from multiple leading ESG data providers. In addition, the Dashboard includes the exclusive engagement insights from our in-house engagement and stewardship service, EOS at Federated Hermes (“EOS”). These engagement insights provide added context to ratings and offer forward-looking insights about an issuer’s ESG practices rather than historical data points alone. The Dashboard not only contains ratings data from individual ESG ratings providers but also synthesizes that for illustrative purposes only.
Materiality

We believe ESG factors that are relevant and financially material are the keys to making them additive to the investment process. ESG factors are not a one size fits all. ESG factors can provide insights into their impact on an enterprise only when they are relevant to the industry and sector to which an issuer belongs. RIO works with each investment team to develop a framework specific to its strategy for integrating ESG issues into their investment analysis by:

1. identifying material ESG risks by sector and industry within the portfolio;
2. accessing proprietary ESG data analytics and engagement resources to fully understand each identified risk; and,
3. incorporating those factors into their existing proprietary credit or stock analysis process and assessment of a security.

Our research is focused on what we believe are financially material ESG risks and opportunities in each industry. An in-house materiality assessment is especially important for strategies with limited or low quality ESG data coverage such as small capitalization, asset-backed securities, municipal issues, private markets, and government-sponsored entities (GSEs). Identifying financially material

Creating a purposeful dialogue

“History has taught us that true change happens from within. When a company suffers from poor ESG characteristics, the most effective way to generate winning outcomes for the company, investors and broader society is to create a purposeful dialogue about the ESG challenges and define a more sustainable path forward. While exclusion and divestment have reigned in the past, proactive engagement and stewardship are quickly defining the future of responsible investing.”

Martin Jarzebowski, CFA, Director of Responsible Investing

Information into a Quantitative ESG, or QESG, score. This proprietary approach to ESG ratings was developed by the international business of Federated Hermes over a decade ago and now provides ratings for over 13,000 global issuers.

The QESG score captures how well a company manages ESG risk versus its peers and monitors ESG rating momentum, showing the trajectory of progress in managing those risks, acting as an early indicator of improving or deteriorating ESG risks.

Investment teams across all asset classes can use the proprietary rating, both the overall composite QESG score as well as individual E, S or G pillar scores, to go deeper into a particular E, S or G risk which may be increasing or decreasing in its impact to the company.

Beyond the ESG Dashboard, which aids in company-specific due diligence, investment teams are equipped with multiple portfolio-level ESG analytics. Our suite of proprietary portfolio tools includes the Governance Tool, the Portfolio Snapshot/Engagement Tool, the Carbon Tool, and EOS Engagement analytics. Collectively, these tools allow investment teams to quantify ESG momentum, identify and assess climate-related carbon exposure risk and measure portfolio-level engagement coverage by EOS within portfolios.

Our Governance Report is multidimensional, assessing a company across measurable governance metrics and flagging outliers and discrepancies. Investment teams find these governance analytics highly complementary to their company ESG diligence by allowing them to focus on areas where a firm falls short on governance expectations and industry best practices.
factors requires both primary fundamental research and external sources such as those from SASB. Portfolio managers and analysts have access to our global engagement specialists at EOS who evaluate and set engagement objectives based on relevant and financially material long-term ESG risks. Within the centralized ESG Hub all of our investment teams are equipped with SASB materiality maps, the proprietary ESG portfolio tool kit, and the EOS corporate engagement database.

Engagement

Engagement is direct interaction with key decision-makers within an investee company. Federated Hermes has a multi-dimensional approach to engagement, each with a clear purpose and all working together to provide investment teams with a holistic understanding of a company’s response to ESG issues. We believe these shared engagement insights among the investment, proxy and engagement teams lead to a deeper fundamental understanding of investee companies than each alone could provide. Engagement dialogue by its nature focuses on present and future practices – where companies are headed – rather than backward or historical observations that may not capture a company’s innovation or leadership momentum.

Led by investment team — Investment teams communicate on an ongoing basis with investee companies, first during the research and due diligence process in anticipation of investment, and then ongoing as an owner. The focus of these discussions with senior leaders of a company are on traditional balance-sheet metrics and strategic business issues. E, S or G concerns considered material to the successful operation of the enterprise — immediate or longer-term — become a part of those conversations.

Led by Proxy Voting Committee — Federated Hermes believes 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 and encouraging robust ESG practices, our proxy voting team engages in thoughtful dialogues with management teams and board members of Federated Hermes’ portfolio companies.

EOS at Federated Hermes

17 years of ESG engagement leadership

17 years of engagement records

1,245 unique issuers engaged in 2020
Led by EOS — EOS’ engagement activities on behalf of its institutional investor clients seek to address material corporate issues through dialogue on strategic, environmental, social and governance issues. EOS engages companies around the world to help ensure that they are acting in the long-term interests of their investors, including how a company can address immediate or evolving business risks (or opportunities) and improve ESG policies and practices to help create long-term enterprise value.

EOS: Setting the standard in corporate stewardship — EOS is recognized as a pioneer in ESG engagement and stewardship. We believe it sets the standard for excellence by employing an engagement approach that is systematic, transparent and results-oriented. EOS focuses its stewardship on the financially material issues identified as having the greatest potential for long-term positive outcomes for investors and their beneficiaries.

As an intrinsic part of our global responsibility team, EOS corporate engagement specialists are ESG subject-matter experts on topics such as climate change, human capital management, sustainable supply chains and corporate governance. They come from a variety of academic and professional backgrounds and bring deep sector expertise to the companies they cover and the material ESG priorities relevant to a particular company.

EOS engagers represent 17 nationalities and 15 different languages, resulting in engagers who speak the same language as the companies they engage with, both figuratively and literally. This local and global knowledge allows EOS engagers to provide meaningful guidance and insight to investment teams about an issuer’s willingness to manage their ESG risks within the context of a long-term strategic plan. This perspective on long-term ESG risks can impact an investment team’s assessment of company valuations. Direct engagement with issuers is not only important to obtain additional insights into a company’s ESG practices, it can also create momentum to improve issuer’s business performance and ESG profiles and thereby reduce risks over the longer term. Importantly, EOS undertakes its engagements with a long-term perspective, understanding that meaningful change at any company is arrived at over time and can only be achieved in an atmosphere of trust and constructive relationships. EOS develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets.

EOS has been engaging with companies since 2004 (beginning as part of Hermes Fund Managers Limited), generating a deep reservoir of information about the ESG progress companies make — or don’t make — over time. The EOS proprietary database of corporate engagement history equips our investment teams with one of the largest global ESG engagement repositories, allowing investment teams to view the progress and momentum of Federated Hermes portfolio holdings within the engagement database.

Measuring engagement progress through milestones

For each engagement, EOS sets company-specific, relevant and measurable objectives to help achieve positive outcomes. These defined targets are tracked by EOS according to a proprietary four-stage milestone system and regularly reviewed against the original engagement proposal until they are achieved, or the engagement is discontinued. An objective may be discontinued if the company fails to achieve the objective, if the objective is deemed no longer relevant, or because the engagement is no longer viewed as feasible or material.

As illustrated below, to measure progress and the achievement of engagement objectives, EOS uses a four-stage milestone strategy. When EOS sets an objective at the start of an engagement, it will also identify recognizable milestones that need to be achieved. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.
EOS engagement progress in 2020

<table>
<thead>
<tr>
<th>Milestone</th>
<th># of companies engaged</th>
<th># of issues and objectives engaged</th>
<th># of objectives engaged</th>
<th># of objectives completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement program</td>
<td>378</td>
<td>2,014</td>
<td>913</td>
<td>139</td>
</tr>
<tr>
<td>Other companies</td>
<td>867</td>
<td>1,950</td>
<td>338</td>
<td>16</td>
</tr>
<tr>
<td>Grand total</td>
<td>1,245</td>
<td>3,964</td>
<td>1,251</td>
<td>155</td>
</tr>
</tbody>
</table>

Environmental topics comprised 24% of our engagements in 2020.

- Climate change 78.9%
- Forestry and land use 3.8%
- Pollution and waste management 11.0%
- Supply chain management 3.4%
- Water 2.9%

Governance topics comprised 42% of our engagements in 2020.

- Board diversity, skills and experience 24.7%
- Board independence 13.3%
- Executive remuneration 42.8%
- Shareholder protection and rights 15.4%
- Succession planning 3.8%

Social and ethical topics comprised 17% of our engagements in 2020.

- Bribery and corruption 3.7%
- Conduct and culture 15.3%
- Diversity 22.4%
- Human capital management 22.0%
- Human rights 28.0%
- Labor rights 7.1%
- Tax 1.5%

Strategy, risk and communications topics comprised 17% of our engagements in 2020.

- Audit and accounting 5.8%
- Business strategy 35.9%
- Cybersecurity 5.2%
- Integrated reporting and other disclosure 24.5%
- Risk management 28.7%

Source: EOS Engagement Plan 2021-2023

Source: EOS 2020 Annual Review
Setting engagement themes

Each year EOS establishes a three-year rolling Engagement Plan that identifies themes for four categories of issues: environment, social, governance and strategy. Plan development is led by its clients and includes a formal consultation process to ensure the plan is based on clients’ long-term objectives and addresses their highest priority topics. As shown below, the engagement plan identifies 12 key themes and 36 related subthemes. This breadth of coverage is necessary to reflect the diversity of issues affecting companies in EOS’ global engagement program.

Companies who work with EOS often view these engagements as opportunities to gain insights into issues of critical importance to their shareholders and other stakeholders that can help to enhance their own policies and disclosure practices and support the creation of long-term value for investors.

Insights from EOS engagements are integrated into the investment research and decision-making process of Federated Hermes investment teams. This marriage of ESG research and engagement knowledge can help unlock unique historical and forward-looking perspectives and add more depth to the mosaic of fundamental analysis.

Source: EOS Engagement Plan 2021-2023
Aligning with the United Nations Sustainable Development Goals (SDGs)

The UN’s 2030 agenda for sustainable development sets out 17 goals and 169 underlying targets, providing a blueprint for a sustainable world. The goals call for action by all countries to promote prosperity, economic growth and address social needs while also protecting the natural environment. EOS believes that the long-term performance of businesses and success in achieving the SDGs are inextricably linked. The SDGs set out a vision for the economy and society in which business and investors can best thrive, potentially presenting a range of exciting business opportunities in new markets created through the delivery of sustainable products and services.

EOS’ stewardship work has always been focused on improving the sustainability of companies in order to improve long-term wealth creation and achieve positive outcomes for society. Accordingly, EOS believes its engagement work is aligned to delivery of the SDGs. EOS engagement objectives are organized around 12 themes (see chart on page 21) that summarize a range of topics affecting long-term corporate sustainability. Action on these themes helps drive achievement of the SDGs, either directly or indirectly.

In 2020, 1,849 of the issues and objectives engaged in by EOS were linked to one or more of the SDGs. Here are some examples of EOS engagement in support of the SDGs:

• SDG 3 Good health and wellbeing: EOS engages across the pharmaceutical and healthcare sectors on access to medicines and healthcare to support this goal.

• SDG 7 Responsible consumption: EOS works to improve energy or natural resource efficiency, including efforts to build a circular economy to support this goal.

• SDG 13 Climate action: EOS engagements under the climate change theme align to the goals of the Paris Agreement in support of this goal.

Federated Hermes SDG Funds
EOS’s efforts on behalf of the SDGs are also woven into two Federated Hermes investment products: the SDG Engagement Equity Fund and the SDG High Yield Credit Fund. These funds seek attractive investment fundamentals and the potential for constructive engagement programs in line with the SDGs.
Our approach to proxy voting

Proxy voting is a crucial link in the chain of stewardship responsibilities we execute on behalf of Federated Hermes clients. Each vote represents both the privileges and the responsibilities that come with owning a company’s equity securities. We take our responsibility to vote our clients’ shares very seriously, taking into account both high level principles of corporate governance and company-specific circumstances. Our overarching objective is to cast votes to create and protect long-term shareholder value for our clients.
Proxy voting structure

The Federated Hermes Proxy Voting Committee is responsible for establishing and maintaining voting guidelines, including identification of those voting items that would require special voting treatment, for the U.S. based Federated Hermes Advisory companies. 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, as required, to the Board of the Federated Hermes Funds. The Proxy Voting Management Group oversees and manages proxy voting administrative matters. The Director of Proxy Voting oversees all voting and voting policy development activities and engages throughout the year with Federated Hermes’ portfolio companies on ESG matters.

The committee includes the 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 Officer, and four portfolio managers who rotate onto the committee in two-year intervals. When needed, the Committee also seeks input from specific portfolio managers and analysts who have a deep understanding of a particular company and can provide context and recommendations regarding a proxy voting issue.

Our Responsible Investing Office advises the committee in developing new proxy voting policies to reflect increased consideration of material ESG matters and also provides input on specific ESG issues. Additional inputs to provide more comprehensive understanding of ESG-related proxy issues include analyses and recommendations from EOS, Glass Lewis and ISS.

Proxy-led engagements

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 and encouraging robust ESG practices, our proxy voting team (led by our Director of Proxy Voting) engages in thoughtful dialogues with management teams and board members of our portfolio companies through in-person meetings, telephone conversations and video conferences. We refer to these meetings as “Proxy-Led Engagements” to distinguish them from engagement meetings led by Federated Hermes portfolio managers and analysts or those led by EOS.

While a number of our proxy-led engagement discussions occur close to company annual shareholder meetings, typically focusing on particular ballot items submitted for a shareholder vote, the majority of proxy-led discussions occur outside of a company’s proxy solicitation period and tend to focus more on thematic or long-term objectives.

During the 2020 proxy voting season (July 1, 2019 to June 30, 2020) the proxy voting team led forty-one engagement meetings with portfolio companies in which Federated Hermes’ clients own voting shares. These discussions covered multiple ESG topics ranging from corporate governance issues to the impact of Covid-19 on a workforce. For example, in ten proxy-led engagements, we discussed with management their approach to compensating senior management during the pandemic when rank-and-file staff had been furloughed or had their compensation reduced in some way. Our focus was to determine how management was striking a balance between incentivizing their executives to perform at a high level while at the same time ensuring that financial sacrifices were shared throughout their organizations. While we believed the approach was appropriate at most of these firms, there were some where we did not agree completely which led to votes against their “Say On Pay” proposals.

Proxy season recap

During the 2020 proxy voting season, Federated Hermes cast votes on 31,544 proxy proposals. The majority of these were focused in three categories:

- Board Structure, e.g., election of directors — 19,732
- Compensation, e.g., advisory vote on executive compensation — 4,091
- Audits/Financial, e.g., ratification of auditors — 3,854

Our investment research process places significant value on identifying companies we believe have strong management focused on the sustainability of their businesses over the long term. As a result, we tend to have a high degree of confidence in the management teams of most of the companies we hold. There are instances, however, in which we may disagree with management’s view on a particular ballot item and vote against its
recommended. The table summarizes voting activity for the 2020 proxy voting season by U.S.-based Federated Hermes Advisory companies.

Our approach to shareholder proposals related to social and environmental issues is to support those proposals we believe are in the best long-term financial interest of shareholders. During the 2020 proxy voting year we supported shareholder proposals calling for enhanced reporting and disclosure of a company’s approach to mitigating social and environmental risks, especially those related to political spending, opioids, firearms, greenhouse gases, climate change, sustainability and gender pay equity. We did not support proposals we believed called for reporting that already existed, were not relevant to the company’s industry, or would be unduly costly. For example, shareholder proposals related to political spending were a particular focus during the 2020 proxy voting year. Federated Hermes supported 45 of the 59 proposals requesting enhanced reporting of company policies regarding political campaign contributions, lobbying, and membership in politically active trade associations. Those that we did not support were either calling for an end to political spending altogether or calling for disclosures beyond what peer companies were providing.

For more complete information about our proxy voting guidelines please see our Proxy Voting Policy.

<table>
<thead>
<tr>
<th>2020 Proxy Statistics By Type (7/1/2019–6/30/2020)</th>
<th>For</th>
<th>Against</th>
<th>Abstain/Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management Proposals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Related</td>
<td>17,018</td>
<td>2,246</td>
<td>468</td>
<td>19,732</td>
</tr>
<tr>
<td>Audits/Financials</td>
<td>3,497</td>
<td>22</td>
<td>335</td>
<td>3,854</td>
</tr>
<tr>
<td>Compensation</td>
<td>3,331</td>
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<td>233</td>
<td>4,091</td>
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<tr>
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<tr>
<td>Changes to Company Statutes</td>
<td>792</td>
<td>105</td>
<td>37</td>
<td>934</td>
</tr>
<tr>
<td>Meeting administration</td>
<td>403</td>
<td>36</td>
<td>30</td>
<td>469</td>
</tr>
<tr>
<td>Other</td>
<td>147</td>
<td>51</td>
<td>47</td>
<td>245</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>204</td>
<td>4</td>
<td>7</td>
<td>215</td>
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<tr>
<td><strong>Total Management Proposals</strong></td>
<td>26,620</td>
<td>3,131</td>
<td>1,182</td>
<td>30,933</td>
</tr>
<tr>
<td>% of Votes</td>
<td>86%</td>
<td>10%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td><strong>Shareholder Proposals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SH Proposal: Governance</td>
<td>135</td>
<td>207</td>
<td>22</td>
<td>364</td>
</tr>
<tr>
<td>SH Proposal: Social</td>
<td>69</td>
<td>59</td>
<td>8</td>
<td>136</td>
</tr>
<tr>
<td>SH Proposal: Environment</td>
<td>13</td>
<td>38</td>
<td>3</td>
<td>54</td>
</tr>
<tr>
<td>SH Proposal: Compensation</td>
<td>11</td>
<td>37</td>
<td>4</td>
<td>52</td>
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<tr>
<td>SH Proposal: Other</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total Shareholder Proposals</strong></td>
<td>230</td>
<td>343</td>
<td>38</td>
<td>611</td>
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<tr>
<td>% of Votes</td>
<td>38%</td>
<td>56%</td>
<td>6%</td>
<td></td>
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<tr>
<td><strong>Total Proposals</strong></td>
<td>26,850</td>
<td>3,474</td>
<td>1,220</td>
<td>31,544</td>
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</table>
Our people and our community
Diversity and inclusion

At Federated Hermes, we strive to cultivate an understanding of and appreciation for the benefits of workplace diversity. We work to achieve this through our recruitment process, the onboarding of new employees, and ongoing employee education and programs.

One of Federated Hermes’ core tenets is that employees treat one another with dignity and respect. Dignity acknowledges our diversity. Inclusion is the extent to which each person feels welcomed, accepted, respected, supported and valued as a team member.

At Federated Hermes, each employee is seen as a valuable contributor to the organization and plays an important role in the company’s success. Our mission is to:

• Foster a diverse, inclusive, and respectful workplace where employees across the company are encouraged to be innovative and creative and where unique perspectives and experiences are recognized and appreciated for the contributions they bring to Federated Hermes.

• Enhance and leverage the diversity of our workforce by creating an inclusive environment where employees share their talents and ideas to achieve business results.

At Federated Hermes, diversity includes diversity of experience, backgrounds, education, ethnicity, race and gender. We believe diversity must go hand in hand with inclusion which means creating a corporate culture where individual talents and capabilities are respected and cultivated. This creates an environment that brings forward the best possible critical thinking and encourages innovation and employee retention. Federated Hermes’
Creating opportunities

Employees participating in the Federated Hermes University Ambassador Program attend college/university career fairs and conduct presentations to students which can lead to internships and employment opportunities within the firm. Our Business Information Services Division, which is responsible for the firm’s data and cybersecurity programs, actively participates in the Ambassador Program. Their interactions with students have led to summer internship opportunities which have proven mutually beneficial to students and the firm alike. Their outreach efforts in 2020 resulted in a 26 percent increase in diverse representation within the BISD summer internship program.

We also recognize that, like individuals, our firm is a work in progress, and that our policies and practices must evolve to continue attracting talented and dedicated employees.

Federated Hermes Board-level Compensation Committee receives periodic updates and reports on our diversity and inclusion strategy and its compensation practices, including an annual pay equity analysis.

The company’s diversity and inclusion initiatives are sponsored and endorsed at the most senior levels of the firm, Federated Hermes’ Board of Directors and executive management, and advanced, in collaboration with management and employees at all levels, including dedicated heads of diversity and inclusion in Pittsburgh and London. Federated Hermes Board-level Compensation Committee receives periodic updates and reports on our diversity and inclusion strategy and its compensation practices, including an annual pay equity analysis.

commitment to this corporate ethos is reinforced through the firm’s annual “Dignity and Respect” training which all employees must attend as a new employee and annually thereafter as a current employee.

Federated Hermes is proud of the welcoming corporate culture that has been created over our 66-year history. We have always strived to create a culture where individuals can develop their talents and achieve their career goals and aspirations. We believe it is a culture that is client-centric and has earned us a reputation for integrity in the way we treat our customers, employees and investors.

Our diversity and inclusion framework rests on four pillars:

Drive diversity — Attract and develop a diverse talent pipeline and workforce with the necessary skillsets to fill current and future job openings.

• Strategies – Targeted initiatives to attract talent; Employee development; Career fairs and networking events; Educational outreach programs.

Create inclusion — Provide an inclusive environment that drives employee engagement, promotes employee development and attainment of career goals and supports workforce retention.

• Strategies – Training and development; Workplace flexibility; Employee interest groups.

Outreach — Expand upon current outreach activities through leveraging current relationships and developing new ones to continue to advance the firm’s goal of attracting diverse, qualified candidates.
• Strategies – Community involvement; Strategic partnerships; Supplier diversity; Philanthropy.

**Ongoing program development** — Ensure program sustainability through the ongoing evaluation of results and implementing enhancements and new initiatives to support business goals and objectives.

• Strategies – Periodically input Federated Hermes job postings through gender decoder to minimize gender biased terminology; Determine efficacy of new Applicant Tracking System in tracking diverse candidate pool; Regularly participate in D&I focused webinars such as SIFMA’s Diversity & Inclusion and NICSA’s Diversity Project Town Hall Meeting.

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### Outreach initiatives

Federated Hermes’ Human Resources department works to expand the firm’s recruitment efforts with diversity-focused career sites, college and university career offices and affinity groups. In 2020, these efforts resulted in a 27% increase in the diversity representation within the firm’s Corporate summer intern program. To continue advancing these efforts, the firm is expanding its University Ambassador Program, a program where current employees act as university and campus ambassadors to increase awareness about the firm, helping to attract early career talent and greater diversity among prospective employees.

Diversity-focused recruitment efforts cover a broad range of organizations. The following are among the many recruitment sites, schools and organizations we partner with to attract diverse talent to our firm. These partners can change over time as we learn about new organizations or by the specific skill set required for positions within the firm.

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### Peer group diversity initiatives include:

- Investment Company Institute Diversity and Inclusion Committee
- NICSA Diversity Project North America

### Diversity recruitment sites include:

- abilityJOBS
- ALPFA (Association of Latino Professionals for America)
- Black Jobs.com
- Black Tech Jobs
- HBCU Career Center
- Hire-a-Hero
- Hispanic/Latino Professionals Association
- IT Diversity Careers
- National Association of Black Accountants
- National Black MBA Association
- National Society of Black Engineers
- Robert Toigo Foundation
- Veterans Leadership Program
- Women For Hire

### Diverse college and affinity group outreach include:

- American Association of University Women
- Cheyney University of Pennsylvania
- Gallaudet University
- Hampton University
- Howard University
- Morehouse College
- Pennsylvania College of Technology
- Pittsburgh Society of Women Engineers
- Robert Morris University Women in Business
- Saint Vincent College Women in Business
- Smart Women Securities
- Spelman College
- Strong Women, Strong Girls
- Student Veterans of America
**Diversity characteristics of our current workforce**

- 40% of our current workforce are women and 7% are minorities.
- 27% of investment professionals are women and/or minorities.
- 33% of the firm’s managers are women and/or minorities.
- 18% of the firm’s Senior Management staff (SVP and above) are women and/or minorities.
- Approximately 85% of our assets managed in the U.S. have one or more women as named portfolio managers (based on AUM as of June 30, 2021).

**Board level diversity**

Within our corporate board, which is responsible for the governance of Federated Hermes Inc., and our Federated Hermes Funds board, which governs our domestic-registered mutual funds, diverse professional experience and skills are important considerations (see Federated Hermes Information Statement for Board membership qualifications). Gender diversity within our corporate and Funds boards is 17% and 22%, respectively. According to a 2020 survey by Oliver Wyman, women now account for 23% of corporate boards within the global financial services sector. While we are slightly below national levels, we remain committed that as opportunities for board composition changes present themselves, we will look for candidates that enhance our leadership and bring a diversity of experience, education, gender and ethnicity to these boards.

**Expanding opportunities for women-minority-veteran-owned brokerage firms**

In 2020 we expanded our diversity and inclusion efforts within our trade execution department by allocating more fund trades to brokerage firms owned by women, minorities and veterans. In August 2020 the Federated Hermes Funds Board approved a change in the broker allocation process for the Government Obligations Tax-Managed Fund, a government money market fund with over $6.8 billion in AUM as of 6-30-21. Our goal was to place purchase orders for the Fund’s portfolio transactions with women-, minority- and veteran-owned broker-dealers, subject, as always, to our fiduciary duty to seek best execution for the Fund’s orders. As of June 30, 2021, 68.6% of fund trades were placed with these firms.

**Employee training, education and development training**

In a highly regulated industry such as asset management, it is paramount that all employees understand the regulatory framework in which they operate as well as the consequences for regulatory non-compliance to them individually and to the firm. All employees are required to complete training on multiple topics that are critical to our firm including the safeguarding of information, anti-money laundering, insider trading and workplace conduct. Non-completion by any employee of required training within the required timeframe is monitored and addressed at the most senior management levels of the firm.

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.

- Dignity and Respect in the Workplace
- Fiduciary Duty and Conflict of Interest
- Code of Ethics for Access Persons
- Commodity Futures Trading Commission Ethics
- Anti-Money Laundering
- What is ESG Investing
- Safeguarding Information
- Information Security Awareness
- Phishing and security awareness
- Anti-Bribery and Corruption Policy and Procedures
- Insider Trading
- Elevating Issues
- Business Continuity Program
- Records Retention
- Electronic Communications Use & Social Media Use
- Corporate Standards for Managing Emails
- Derivatives
Adherence to the firm’s culture of regulatory compliance is required by all employees

- New employees’ required training includes 11 different online topics to be completed within first 30 days, 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 10-12 online courses, approximately 6-8 hours per employee, according to job responsibilities.
- Anti-money laundering training required annually for approximately 30% of company employees.
- Completion of each employee’s required training is reviewed at the most senior management levels of the firm.

Addressing anti-money laundering
Consistent with our culture of compliance and as required by the USA Patriot Act, Federated Hermes has developed and implemented an AML program which is overseen by our AML Compliance Officer (AMLCO) and our Director of AML Compliance. Each quarter, the AMLCO provides an AML compliance report to the Federated Hermes Funds Board of Directors. The report includes information as to whether there have been any material changes to or violations of the program or any other matters related to our AML program.
Education and development

Employee engagement, learning and development, as well as employee assistance has a strong history at Federated Hermes. Federated Hermes 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:

- Professional 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. In 2021, the firm held a virtual event celebrating International Women’s Day which highlighted the career path of several female senior managers and launched a Women in Investment Employee Resource Business Group. The firm is developing a mentoring program to advance employees at all levels of the organization, with a focus on increasing the representation of diverse individuals within management levels.

Federated Hermes also 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 opportunity 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 giving employees an opportunity to invest directly in the firm. Federated Hermes’ benefit offerings across the company 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.

During Covid-19 we moved to remote operations for the majority of employees, while those employees who needed or wanted to work from the office have been able to do so after enhanced Covid-19 cleaning protocols in our offices were implemented. Federated Hermes established an online Coronavirus Resource Center to provide employees with information and resources to remain physically and emotionally healthy during the pandemic. We are extremely proud of our employees who have continued to maintain the highest level of service under these trying circumstances.

**Internships**

Through its internship programs, Federated Hermes provides opportunities for students to supplement their academic work with professional work experience. The internship programs provide an opportunity for Federated Hermes to build its pipeline of potential job candidates.

Federated Hermes has a summer internship program as well as a school year intern program. Both programs have resulted in the hiring of full-time employees within the firm.

**Giving back through corporate citizenship**

Throughout its history, Federated Hermes has supported the communities in which we live and work. The Federated Foundation generously supports cultural, educational and human services organizations in Pittsburgh and across the United States. We encourage employees’ participation in their communities by supporting funding requests for organizations where our employees are actively engaged, donating their own time and talents. Over the past 40 years, Federated Hermes has contributed almost $40 million through nearly 7,200 donations to 1,800 individual charities in communities across the U.S.

Among the many organizations we support, two stand out for their longevity and for the breadth of support across the firm: The United Way and the American Red Cross. We actively participate in their annual campaigns and encourage our employees to do the same. Every employee now gets one paid day off annually to volunteer for a United Way-affiliated agency. For the Red Cross, we conduct annual corporate blood drives at our Pittsburgh headquarters. These commitments reflect our shared belief with these organizations that supporting people and families strengthens and binds us together as a community.

**Raising workplace concerns**

Federated Hermes encourages its employees across the company to raise human resources questions or concerns with their managers or the Human Resources Department. In the firm’s “Dignity and Respect” training, employees are advised on how to address complaints regarding discourteous or unwanted behaviors from colleagues. In addition, the company provides a Safe Reporting Portal, hosted by a third-party service, where employees can report compliance matters or other ethical concerns confidentially and/or anonymously.
Data privacy, cybersecurity and business continuity plans
Data privacy, cybersecurity and business continuity plans

In the digital era, effective safeguarding of information has become an essential capability for every organization, but especially so for asset managers. Federated Hermes places the highest priority on protecting our employees’, shareholders’, clients’ and vendors’ data and personal and confidential information. 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 Business Information Services Divisions (BISD) 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, Information Security Audit, as well as the 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 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 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 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 that 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 disruptions to our business. 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.

**Enterprise risk management**

Adding another layer of protection intended to mitigate business risk is the Enterprise Risk Management Department (ERM), one of four departments 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 their risk assessment and risk mitigation efforts. In addition to the dedicated ERM team, there are department-level risk committees whose objective is to identify, communicate and mitigate risks arising in their respective departments. The Enterprise Risk Committee oversees the execution of risk management across the firm.

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
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.

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. The ERM Committee also works with the Responsible Investing Office with respect to risks that may impact Federated Hermes’ corporate ESG risk profile.

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 including incorporation of ESG factors. This structure allows ESG risk to be viewed within the context of both investment and enterprise risk.

The Chief Risk Officer meets with the Boards of Directors/Trustees of the Federated Hermes Funds, Federated Hermes, Inc. and Federated International Management Limited on a regular basis. Quarterly reports are prepared detailing the top investment-related and other enterprise-level risks, as well as steps being taken to mitigate the risks.
Our environmental footprint
We are working toward reducing the environmental footprint of our operations. We are tenants at our office locations and, as such, work with building management to measure and implement environmentally friendly initiatives.

The Energy Star is a program run by the U.S. Environmental Protection Agency and the U.S. Department of Energy that promotes energy efficiency by providing benchmarking data. The following Energy Star report is for our U.S. headquarters building, where the majority of Federated Hermes employees work.

As one of the first businesses to commit to a then-redeveloping section of Pittsburgh’s downtown area, Federated Hermes’ Pittsburgh headquarters was built in 1986. As an older combined hotel, retail and office complex, assessing the office tower’s carbon footprint presents challenges with limited benchmark data available. However, overall consumption trends as measured by the Energy Star report are positive, showing a decline in emissions, specifically in energy/electricity consumption and greenhouse gas (GHG) emissions. Our consumption trends, while improving, are above the Energy Star national median and property target score, indicating we have more to accomplish.

Over the years, the building owner, management company and Federated Hermes have undertaken multiple initiatives to increase the building’s energy efficiency including:

• A new HVAC/Honeywell control system

• A new roof to reduce summer heat absorption

• Relocating and replacing cooling towers to be more efficient which resulted in water evaporation credits and reduced water, sewage and electricity consumption.

• All common area and tenant lighting are being converted to LED lights.

• Janitorial services use “green” cleaning products and enhanced Covid-19 cleaning protocols.

• Ensure interior building construction materials for all Federated Hermes offices use low or no VOC paints and carpeting (Low VOC materials have reduced amounts of volatile organic compounds).

• Federated Hermes office renovations include lighting updates to LED and occupancy sensors.

• All Federated Hermes employees received stainless steel tumblers to help eliminate single-use beverage cups.

• Federated Hermes has programs in place to recycle office materials including paper, newspapers, plastics, aluminum as well as electronic equipment and light bulbs.

<table>
<thead>
<tr>
<th>Federated Hermes Office Tower (HQ)</th>
<th>2009 Baseline</th>
<th>12/31/2020</th>
<th>% Change vs. Baseline</th>
<th>National Median</th>
<th>Property’s Target for Energy Star Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Star Score</strong></td>
<td>27</td>
<td>34</td>
<td>25.9%</td>
<td>50</td>
<td>75</td>
</tr>
<tr>
<td>Energy — Source EUI (kBtu/ft²)**</td>
<td>266.2</td>
<td>236.8</td>
<td>-11%</td>
<td>195.1</td>
<td>135.6</td>
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<tr>
<td>GHG Emissions — Total GHG Emissions (metric tons CO₂e)</td>
<td>7,852.2</td>
<td>6,984.6</td>
<td>-11%</td>
<td>5,756.7</td>
<td>3,998.6</td>
</tr>
<tr>
<td>Total GHG Emissions Intensity (kg CO₂e/ft²)</td>
<td>14.8</td>
<td>13.2</td>
<td>-11%</td>
<td>10.9</td>
<td>7.6</td>
</tr>
</tbody>
</table>

*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. A Score of 75 indicates a building is a top performer.

**Source energy represents the total amount of raw fuel that is required to operate a building and represents a complete assessment of energy efficiency in a building. It traces the heat and electricity requirements of the building back to the raw fuel input and enables a complete assessment of energy efficiency. For most property types in this EPA database, the EUI is expressed as energy per square foot per year. It’s calculated by dividing the total energy consumed by the building in one year (measured in kBtu) by the total gross floor area of the building.
• Federated Hermes offices shred their documents via Iron Mountain Information Management as a data security measure that also provides environmental benefits which are summarized to the firm annually. The significant difference between 2019 and 2020 figures reflects the high number of employees working from home due to Covid-19.

In 2019, across offices in PA, NY, MA, OH and TX, Federated Hermes shredded and recycled over 48.1 short tons of paper (96,202 pounds) which resulted in the saving of:

— 807 trees
— 1.3 million gallons of water
— 241 cubic yards of landfill
— 108,708 kWh of electricity

In 2020, across the same offices, Federated Hermes shredded and recycled 27 short tons of paper (approx. 53,582 pounds) resulting in the saving of:

— 450 trees
— 734,368 gallons of water
— 134 cubic yards of landfill
— 60,547 kWh of electricity

Addressing climate change and TCFD reporting

In 2015, the Financial Stability Board created a Task Force on Climate Related Financial Disclosure (TCFD) and in 2017 released its recommendations for a reporting framework. The TCFD stated that financial markets need clear and comprehensive information on the impacts of climate change. The Task Force noted that climate change poses both risks and opportunities for businesses, now and in the future; it noted that in response to the Earth’s temperature rises and increasingly common natural disasters as well as threats to assets and infrastructure, governments and private sector entities are considering a range of options for reducing global emissions, which could result in disruptive changes across economic sectors and regions in the near term.

Underscoring the growing awareness of climate risk as investment risk, the Federal Reserve included in its November 2020 Financial Stability Report a section dedicated to the issue of climate change and the risks it poses to financial stability. The Federal Reserve’s report stated it was important to know how financial firms’ investments could be affected by frequent and severe weather and that this information could improve the pricing of climate risks, thereby reducing the probability of sudden changes in asset prices. To underscore its belief that climate change can affect long-term financial stability, the central bank formally joined a global peer group that is addressing climate’s impact on finance, the Network of Central Banks and Supervisors for Greening the Financial System.

Federated Hermes considers climate change issues within the business operations of its investee companies. Federated Hermes is committed to integrating climate change considerations into investment decision-making and engagement consistent with our fiduciary duty.

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics and Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose organization’s governance around climate-related risks and opportunities</td>
<td>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.</td>
<td>Disclose how the organization identifies, assesses, and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td>
</tr>
</tbody>
</table>

(Source: TCFD)
The TCFD framework, a widely accepted framework for assessing and managing the material financial risks of climate change, uses four pillars by which a firm can assess its response to the impact of climate change on its business operations. Those pillars are Governance, Strategy, Risk Management and Metrics and Targets:

**Governance**
Federated Hermes’ Board of Directors is keenly attuned to potential enterprise risks that can impact the firm’s ability to achieve its long-term goals. Achievement of these goals are rooted in the conviction that responsible investing is the best way to create wealth over the long term. The Board normally meets six times annually. At its meetings, matters related to the strategic direction of the firm are discussed, among other agenda topics. During the course of the year, the Board and the Federated Hermes Funds Board are informed quarterly by the Chief Risk Officer of investment risks, which will increasingly include how climate change and other concerns are affecting investee companies. Chief Investment Officers and our Responsible Investing Office are responsible for overseeing the integration of material ESG issues into investment analysis of portfolio holdings.

**Strategy**
Like other asset managers, financial risks related to climate change are most present to us through the companies and entities in which we invest. The primary means by which we monitor and measure climate change exposure of our investment portfolios is through our proprietary Carbon Tool. Developed by our subsidiary, then-Hermes Fund Managers Limited, in 2018 and updated several times to include new features, the Carbon Tool helps investment teams assess the carbon risk in our portfolios by measuring a fund’s carbon footprint relative to its benchmark. Scopes 1, 2 and 3 emissions are included and are used to calculate a portfolio’s carbon efficiency/intensity using the methodologies recommended by the TCFD.

The Carbon Tool data can be used to assess portfolios whose underlying securities are typically publicly traded equity and long-credit securities. The Carbon Tool also includes proprietary engagement information from EOS, our in-house engagement and stewardship service.

EOS has an engagement database spanning over 17 years allowing investment teams to identify whether high-emitting companies within a portfolio are being engaged (or not) and importantly, what progress has been made by the company regarding its carbon emissions over time. This inclusion of engagement information within the Carbon Tool promotes the flow of decision-useful information between the investment and stewardship teams. We believe engagement, and specifically the engagement approach used by EOS is among the most effective means of realizing change in a company’s commitment to addressing carbon emissions and climate change.

**Risk management**
We believe engagement is one of the most important tools for encouraging better disclosure and practices related to climate-related risks in order to improve data availability and asset manager’s ability to assess climate-related risks. EOS engagers have climate risk expertise and undertake long-term, strategic engagements with portfolio companies on the topic. Long-term outcomes EOS seeks include all companies having a business model consistent with net-zero emissions and an effective transition plan to achieve this by 2050. Near-term corporate objectives include: development of a strategy consistent with the goals of the Paris Agreement, including that new material capital expenditure investments are consistent with the Paris goals; science-based emissions reduction targets for Scope 1 and Scope 2 emissions and Scope 3 (where a methodology exists); a public policy position supportive of the Paris goals and alignment of both direct and indirect lobby activity by member associations.

**Metrics and targets**
At present our best tool for assessing climate risk within our portfolios is through our Carbon Tool. As described above, the tool allows us to assess a portfolio’s climate risk by measuring a fund’s carbon footprint relative to its benchmark.
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
- Information statement

Responsible investing documents

- Federated Hermes Responsible Investing Policy
- Federated Advisors - Proxy Voting Policy
- Federated Hermes International Responsibility Report 2020
- Federated Hermes International Climate-related Financial Disclosures Report 2020
- EOS 2020 Annual Review
- EOS Engagement Plan 2021-2023
- FHI Responsible Investing Center
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, Inc., 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, Inc. 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, Inc. Annual Report on Form 10-K.