Federated Hermes Sustainable High Yield Bond Fund

Quarterly Sustainability Update

June 30, 2024

Nasdaq symbol — R6: FHBRX | IS: FHISX | A: FHIIX | C: FHICX

Summary as of June 30, 2024

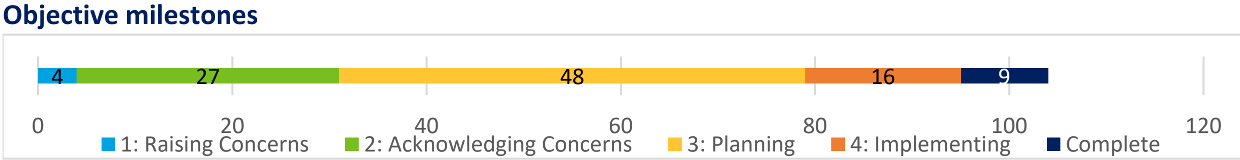
The following pages contain an overview of engagement activity and sustainability statistics for the Federated Hermes Sustainable High Yield Bond Fund (the Fund). Engagement is dialogue with companies on environmental, social and governance (ESG) issues and is driven by objectives which are specific, measurable changes defined at the company that are designed to improve ESG performance.[1] Over the trailing 12-months ended June 30, 2024, 44% of engagement subjects were environmental related (climate change, natural resource stewardship, or circular economy & zero pollution), 26% of engagement subjects were governance related (executive remuneration, board effectiveness, or investor protection & rights) and 22% of engagement subjects were social related (human capital, human and labor rights, or wider societal impacts). Note each engagement action can cover more than one theme.

The Fund constructs the portfolio with a lower weighted-average carbon intensity (WACI[2]) versus its benchmark, the Bloomberg US Corporate High Yield 2% Issuer Capped Index. As of the period end, WACI was 66% of the index.

Trailing 12-month engagement statistics

- 61 companies engaged on 190 actions
- Engagement on 86.4% of Scope 1 and 2 owned carbon emissions

Objective milestones



Milestones of objectives set at companies owned within the fund. Note an objective must be engaged within the reporting period, Q3 2023 through Q2 2024, to be represented in this chart.

Engagement numbers are derived from the percentage of the fund's engageable securities. These numbers do not include U.S. Treasury securities, derivative contracts, sovereign bonds, or third-party pooled vehicles.

The fund may invest in affiliated funds and, where applicable, the engagement numbers reflect exposure to the underlying securities held by the affiliated funds, with the engagements for those funds are included within the overall percentages. However, the engagement objectives and engagement interactions totals do not include numbers related to investments in affiliated money market funds.

[1] Engagement data reflects trailing 12 months and includes direct engagement by the investment team as well as our stewardship division, EOS at Federated Hermes Limited. Engagement interactions are tailored to specific companies and seek to assess the most material ESG risks and opportunities, through long-term, continuous dialogue at the board and senior executive level. We may have multiple engagements with a company at any one time. Objectives are regularly reviewed until they are completed and are tracked using milestones. Objectives may be discontinued if the objective is no longer relevant, or because the engagement is no longer feasible or material.

Engagement highlights from the electric utilities sector

Electric utilities power the economy, creating electricity for other sectors to use. With roughly 40% of global energy greenhouse gas emissions coming from the power sector, the need for decarbonization is great and growing given projected electricity demand growth.[3,4] Fortunately, solutions to decarbonize exist and are economical with lower generation costs for solar and wind compared to fossil fuels in most countries and rapidly developing zero-carbon solutions.[5] Engagement with utilities is heavily climate focused with strong emphasis on decarbonization and is accompanied by just transition principles, physical risk resilience, climate governance, and aligned political engagement. Other important issues include biodiversity, water, waste management, and human rights in the supply chain.

Company	Engagement objective(s)	Progress update
NextEra Energy Inc (bonds owned at NextEra Energy Partners)	Lobbying Disclosure	We have been engaging with the company on climate change since 2016 and raised our concern with the congruency of its public policy engagement with its climate strategy in 2020. We sought disclosure that the company had taken action in situations where misalignment had been identified between the climate change lobbying activities of the associations, alliances and coalitions of which it is a member, and the goals of the Paris Agreement. We followed up in 2021, calling for greater transparency of its lobbying activities. We also requested further information on how the company engages in situations of material misalignment and when it may exit a trade association where its efforts are unsuccessful. In June 2022, the company published a review of its trade associations' alignment with its climate policy. We welcomed this, but noted that it lacked information on the policies and processes in place to govern its involvement with trade associations. We reiterated our request for more information in calls with the company over the next two years. In 2024, we recommended supporting the shareholder proposal for a report on climate lobbying. Whilst the company had made progress in its climate lobbying alignment disclosures, we questioned whether they were sufficiently robust. Certain of the company's peers provide robust disclosures and the shareholder proposal's asks should be implementable based on the existing level of disclosure. In response, the company expressed concern about making further disclosures due to risk considerations. We urged it to provide shareholders with further clarity on its criteria for congruency evaluation and management of misalignment. In 2023, the company confirmed that it would publish an updated version of its trade associations review before the 2024 annual meeting. In our 2024 proxy call, we welcomed the second iteration of the company's climate-related lobbying and trade association report. It included a description of board oversight for political engagement and the review process at management level. We will continue to engage with the company on the robustness of its analysis and for further clarity on what engagement entails and when it may exit a trade association.
TransAlta Corp	Medium-term emissions reduction Scope 3 goal	As TransAlta retires its last coal-fired electricity plant at the end of 2025 in line with its inclusive transition strategy, its decarbonization strategy will need to shift as the company will only have natural gas and renewable electricity plants. Our objective is for the company to disclose how it intends to reduce emissions after 2025 while still delivering reliability. Additionally, we would like to see the company set an emissions reduction target that covers its most relevant Scope 3 emissions. During Q2 engagement, we asked how the company was thinking about emissions reductions after its 2026 emissions reduction goal ends and how the company was thinking about the natural gas assets in its portfolio. The company is making progress on calculating its Scope 3 emissions with limited assurance, and we encouraged the company to set a goal for Scope 3 emissions. We also welcomed the company's work on biodiversity assessments and reporting.

As of 30 June 2024, NextEra Energy Partners represented 0.18% of the fund, and TransAlta Corp represented 0.35% of the fund. The holdings percentages are based on net assets at the close of business on the date indicated and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

[3] Climate Watch Historical GHG Emissions. 2022. Washington, DC: World Resources Institute.

[4] IIGCC. 2021. Global Sector Strategies: Investor Interventions To Accelerate Net Zero Electric Utilities.

[5] IEA (2024), Renewables 2023, IEA, Paris, Licence: CC BY 4.0

All data as of June 30, 2024

Third party scores	Fund	Index
MSCI Industry-Adjusted Company Score[6] Source: MSCI	5.72	5.49
Sustainalytics ESG Risk[7]	22.03	24.39

A larger number for MSCI's Industry-Adjusted Company Score is stronger. A smaller number for Sustainalytics's ESG risk score represents less risk.

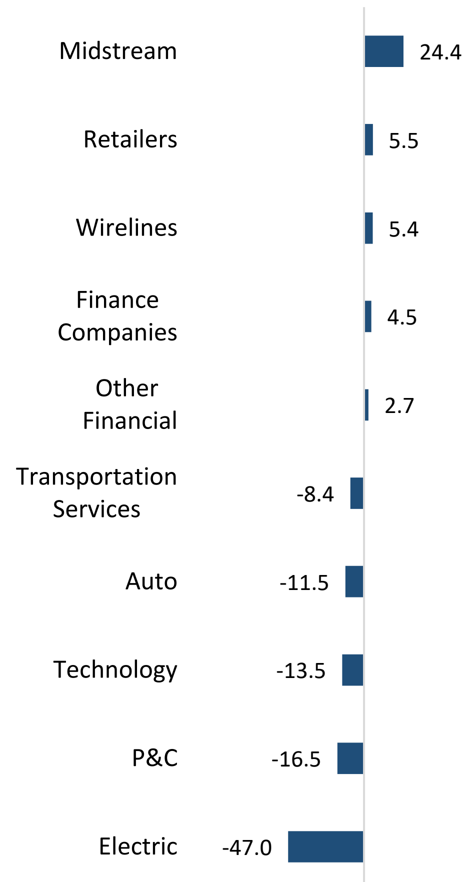
Carbon intensity	Fund	Index
WACI (tonnes CO2e/$M revenue)[2]	160.69	244.64
Portfolio WACI / Benchmark WACI A number less than 100% means that the Fund has a lower WACI than the Index.	66%	-

Carbon intensity values are calculated by a third-party vendor, who may not provide a carbon intensity value for each security in the fund and the index. For those companies missing carbon intensity data due to lack of disclosure, carbon intensity will be estimated by the Adviser based on the sector mean.
Source: S&P Trucost Limited ©

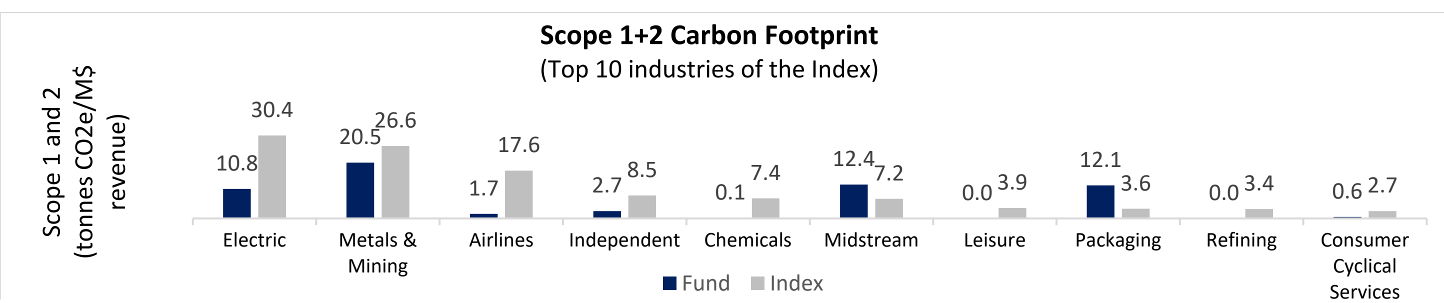
Emissions	Fund	Index
Scope 1 and 2 (tonnes CO2e/M$ revenue)	76.52	134.18
Scope 1, 2, and 3 (tonnes CO2e/M$ revenue)	143.14	211.12

Carbon footprint values are calculated by a third-party vendor, who may not provide a carbon footprint value for each security in the fund and the index. Companies missing carbon footprint data due to lack of disclosure are excluded from the calculation. Scope 3 includes indirect greenhouse gas emissions upstream from the extraction, production, and delivery of purchased goods and services (measured in tonnes of carbon dioxide equivalent). The Greenhouse Gas Protocol classifies emissions from the use of sold products and services under Scope 3, but Trucost's analysis excludes these downstream emissions to limit double counting.
Source: S&P Trucost Limited © 2024

WACI Contribution
(Top 5/ Bottom 5 Industries)



Source: Federated Hermes carbon data from S&P Trucost Limited ©
The graph above illustrates the top 5 and bottom 5 industry differentials in weighted average carbon intensity for the Fund vs. the index. Industries with positive values contribute to the fund's overall carbon intensity and those with negative values detract from overall carbon intensity.



Source: Federated Hermes carbon data from S&P Trucost Limited ©. The graph compares the industry decomposition of Scope 1 + Scope 2 emissions for the fund vs. the Index based on the largest 10 industries in the index.

Past performance is no guarantee of future results.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or visit FederatedHermes.com/us. Please carefully read the summary prospectus or the prospectus before investing.

The ESG ratings assigned are one consideration among others as part of the security selection process and do not represent an assessment of the fund itself. 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.

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.
Although the information provided in this document has been obtained from sources that Federated Hermes believes to be reliable, it does not guarantee accuracy of such information and such information may be incomplete or condensed.

A word about risk

Mutual funds are subject to risks and fluctuate in value.
High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment grade securities.
Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.
The adviser or the sub-adviser will consider "sustainable" investments as those that are selected in accordance with its sustainable investment methodology, which is based on a materiality assessment of a company's carbon intensity and incorporates a proprietary scoring methodology focusing on the overall sustainability credentials of issuers. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers sustainability 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 sustainability 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 sustainability 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.

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Definitions

[2] **Weighted-average carbon intensity** calculates the portfolio's exposure to carbon-intensive companies, expressed in tons CO2/$M revenue. WACI is the summation of the current value of the investment divided by the current portfolio value multiplied by the sum of the issuer's scope 1 and scope 2 greenhouse gas emissions divided by the issuers' revenue. Carbon intensity values are calculated by a third-party vendor, who may not provide a carbon intensity value for each security in the Fund and the index. For those companies missing carbon intensity data due to lack of disclosure, carbon intensity will be estimated by the Adviser based on the sector mean.

[6] **MSCI Industry-Adjusted Company Score**: "This score is calculated by normalizing the Weighted Average Key Issue Score relative to the ESG Rating industry peer group, based on score ranges set by the benchmark values in the peer set.
Weighted Average Key Issue Score (WAKIS): This is calculated for each company based on the weighted average of the scores received on: All the individual Environmental and Social Key Issues contributing to the rating of the company; and The Governance Pillar Score.
The Governance Pillar Score is an absolute assessment of a company's overall governance that uses a universally applied 0-10 scale. Starting with a 10, the Governance Pillar Score is based on the sum of deductions derived from Key Metrics included in the Corporate Governance (comprising Ownership & Control, Board, Pay and Accounting) and Corporate Behavior (comprising Business Ethics and Tax Transparency) Themes.
Key Issue Scores (Environmental and Social Themes): Each company receives a score on each selected Key Issue ranging from 0 to 10. In the Environmental and Social Pillars, the scores evaluate the company's exposure to risks or opportunities and its ability to manage that exposure. These are calculated using the Key Issue Exposure Score and Key Issue Management Score."
From: MSCI, ESG Ratings Methodology, April 2024, https://www.msci.com/.

[7] **Sustainalytics ESG risk**: "Morningstar Sustainalytics' rating framework that measures the extent to which enterprise value is at risk, driven by environmental, social and governance (ESG) factors. The rating takes a two-dimensional approach. The exposure dimension measures a company's exposure to ESG risks, while the management dimension assesses a company's handling of these ESG risks. A company's ESG Risk Rating applies the concept of Risk Decomposition to derive the level of Unmanaged Risk for a company and is comprised of a quantitative score and a related ESG Risk Category on Overall Level. The quantitative score represents units of unmanaged ESG risk with lower scores representing less unmanaged risk. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. It is calculated as the difference between a company's overall Exposure score and its overall Managed Risk score. For companies in the Comprehensive framework, it can alternatively be calculated summing up the company's Issue Unmanaged Risk scores."
From: Morningstar | Sustainalytics, The ESG Risk Rating Methodology Abstract: Version 3.0, April 2024, https://www.sustainalytics.com/.

Scope 1 emissions are all direct greenhouse gas (GHG) emissions by a company. They include fuel combustion, company vehicles and fugitive emissions.
Scope 2 emissions are indirect emissions from the generation of purchased electricity, heat and steam.
Scope 3 emissions are all other indirect emissions that occur in a company's value chain (for example, purchased goods and services, business travel, employee commuting, waste disposal, etc.)

Bloomberg US Corporate High Yield 2% Issuer Capped Index is an issuer-constrained version of the flagship U.S. Corporate High Yield Index, which measures the USD-denominated, high yield, fixed rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis. The index was created in 2002, with history backfilled to January 1, 1993.

Indexes are unmanaged and cannot be invested in directly.

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