Federated Hermes Sustainable High Yield Bond Fund

Quarterly Sustainability Update

December 31, 2025

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

Summary as of December 31, 2025

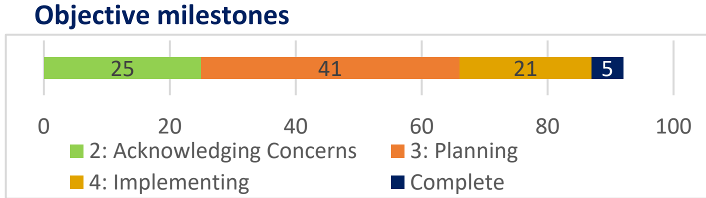
The following pages contain an overview of engagement activity and sustainability statistics for the Federated Hermes Sustainable High Yield Bond Fund (the Fund). Engagement is dialogue with companies on environmental, social and governance (ESG) issues. The dialogue with each company is structured taking into consideration a variety of factors, including but not limited to: the company's organizational structure and operations, industry and any legal restrictions or limitations. Engagement is driven by objectives which are specific, measurable changes based on ongoing discussions with the company and these objectives are intended to seek to improve the long-term risk-adjusted returns consistent with applicable fiduciary duties and client objectives.[1] Over the trailing 12-months ended December 31, 2025, 51% of engagement subjects were environmental related (climate change-related opportunities, natural resource stewardship, or circular economy & reduced pollution), 24% of engagement subjects were social related (human capital, human and labor rights, or wider societal impacts), and 17% of engagement subjects were governance related (executive remuneration, board effectiveness, or investor protection & rights). 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 77% of the index.

Trailing 12-month engagement statistics

- 61 companies engaged on 132 actions
- Engagement on 82.2% 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, Q1 2025 through Q4 2025, 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 London-based stewardship division, Hermes Equity Ownership Services Limited, a subsidiary of Federated Hermes Limited ("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. The level of engagement with a company can be subject to any limitations required, either explicitly or implicitly, in the jurisdiction in which a company is domiciled in an effort to comply with applicable law and/or to avoid legal or regulatory risk for clients, including the fund.

Engagement highlights – the importance of sustainability integration

As companies participate in mergers and acquisitions or purchase existing assets from another company, we believe it is important for them to consider sustainability in the integration process. Integration of sustainability can aid in mitigating ESG risks and driving focus on long-term success. Employees of an acquired company may perform better if they are included in a leading human capital management program, a company can capitalize on cost savings and synergies if energy or other resource use is understood and managed, reaffirming environmental compliance can prevent litigation costs. Stakeholders, including investors, may also appreciate transparency in the integration process. A company that outlines how it intends to incorporate new data sources and metrics, a timeline for compliance with sustainability policies, and the impact of the new business or asset on existing sustainability programs may demonstrate a more credible path forward. A well governed and intentionally managed sustainability integration process can create opportunity for value creation and risk management. The two engagement examples below highlight sustainability integration.

Company	Engagement objective(s) /issue(s)	Progress update
Novolex	Sustainability disclosures Climate strategy Deforestation strategy disclosure	Novolex completed its combination with Pactiv Evergreen in April 2025. In Q4 2025, we spoke with the sustainability team about the integration of Pactiv Evergreen and Novolex. While keeping Novolex's sustainability linked financing emissions reduction goal, the combined company will reevaluate its climate strategy including publishing a combined climate risk assessment. We asked about a companywide no-deforestation commitment, as Novolex introduced a Sustainable Forestry Policy in late 2024 which supports compliance with the EU's Deforestation Regulation. Novolex's 2024 Sustainability Report contained an appendix with sustainability data from Pactiv Evergreen, and the company plans to produce combined disclosure with its next report covering 2025, the first year the companies were combined. Regarding governance, the combined company created a new executive position, Chief Innovation and Sustainability Officer, which elevated the sustainability function.[*]
Clearwater Paper	Taskforce on Nature-related Financial Disclosure (TNFD) reporting Climate strategy	In 2024, Clearwater acquired a paperboard manufacturing facility in Augusta, Georgia and divested from its tissue business. We spoke with the company about its sustainability program in Q4 2025, and Clearwater confirmed that it was incorporating the Augusta facility into its sustainability program. It remains committed to its 2030 emissions goal while acknowledging that its emissions profile and reduction plans will need to change given the 2024 transactions. The company has also linked a portion of executive compensation to sustainability with specific goals.[**]

As of December 31, 2025, Novolex (Clydesdale Acquisition Holdings) represented 0.45% of the fund and Clearwater Paper represented 0.37% 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.

[*] *2024 Sustainability Report*. Novolex, 2025.

[**] *2025 Sustainability Summary*. Clearwater paper, 2025.

Third party scores	Fund	Index
MSCI Industry-Adjusted Company Score[3] Source: MSCI	5.98	5.52
Sustainalytics ESG Risk[4]	22.35	24.25

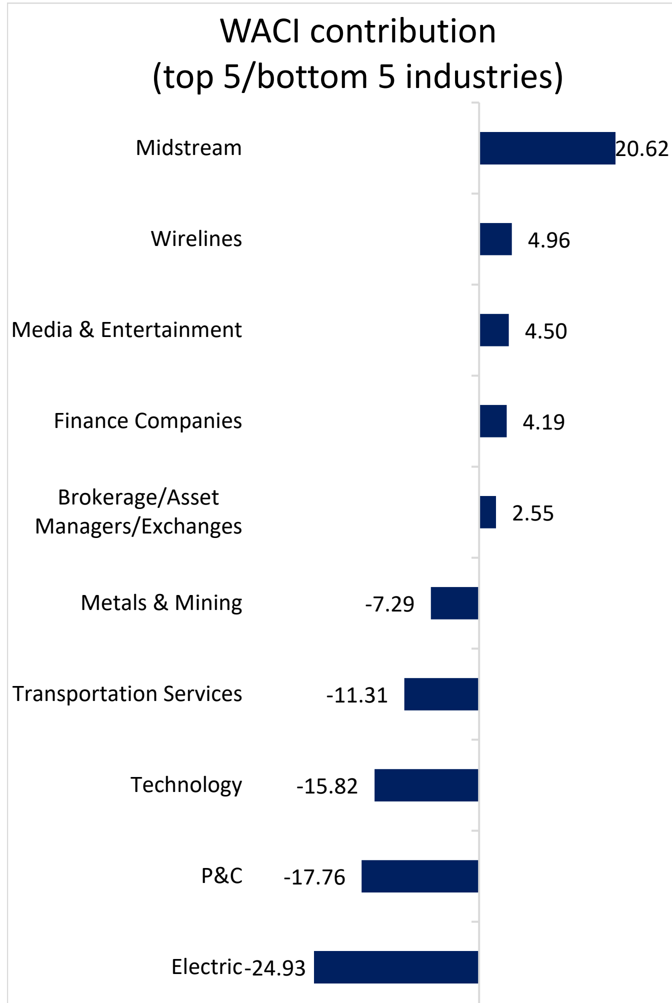
A larger number for MSCI's Industry-Adjusted Company Score is stronger. A smaller number for Sustainalytics's ESG risk score represents less risk.

Carbon intensity	Fund	Index
WACI (tonnes CO2e/$M revenue)[2]	171.07	221.99
Portfolio WACI / Benchmark WACI A number less than 100% means that the Fund has a lower WACI than the Index.	77%	-

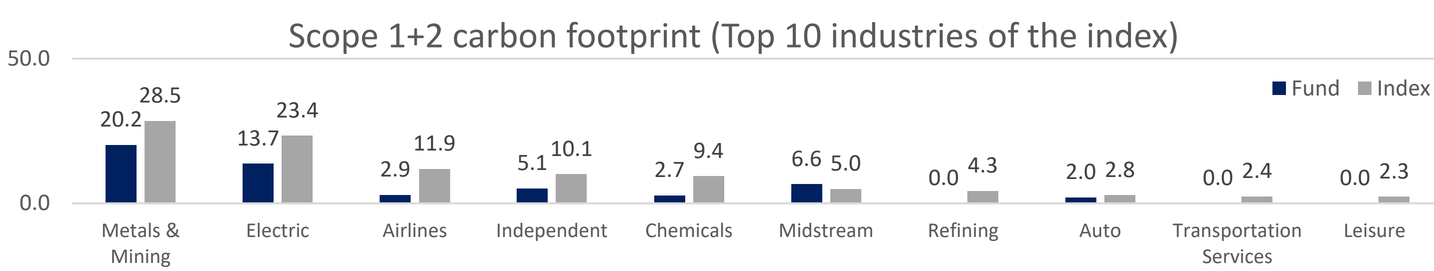
Carbon intensity values are calculated by a third-party vendor, who may not provide a carbon intensity value for each security in the fund and the index. For those companies missing carbon intensity data due to lack of disclosure, carbon intensity will be estimated by the Adviser based on the sector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

Carbon footprint	Fund	Index
Scope 1 and 2 (tonnes CO2e/M$ revenue)	81.96	120.23
Scope 1, 2, and 3 (tonnes CO2e/M$ revenue)	170.53	210.66

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 © 2026



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 ratings involving governance, environment, social and other factors (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 "integrated", "sustainable" or "impact", among other terms, when used in the context of governance, environmental, social and other factors (factors) is not uniformly defined across the industry. Investment managers may understand and apply such factors in different ways, and that the role those factors play in investment decisions also varies. Therefore, we recommend investors understand the role of such 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 such 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 such 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 factors 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.

Disclaimers

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.

[3] **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/.

[4] **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 3.1, June 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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