

## **Federated Hermes, Inc. ESG survey reveals increased importance of issues in addition to environment in wake of social unrest and global pandemic**

- **Investors place general importance on corporate governance (88%) and companies' consideration of stakeholders (86%).**

(PITTSBURGH, Pa., Oct. 21, 2021) — Federated Hermes, Inc. (NYSE: FHI), a global leader in active, responsible investing, today announced the findings of its 2021 environmental, social and governance (ESG) survey of U.S. financial advisors, high-net-worth individuals and institutional investors.

The [2021 Federated Hermes ESG Investing Survey](#) underscores the continuing importance of ESG initiatives as 95% of financial advisors said that their clients have asked them about ESG or responsible investing, up from 90% in 2020.

"ESG is increasingly important for investment professionals as their clients, boards and investment committees are asking for more insights and options. At the same time, institutional investors continue shifting their focus toward ESG alignment with their organizational values," said Anne Kruczek, head of the Responsible Investing Office. "Evolving investor viewpoints highlight the continued importance of monitoring ESG-related considerations and their potential impact on investment opportunities and risks."

### **Key findings:**

- **Events of last 18 months elevated social and governance issues:** Perceptions of investment risk in addition to environmental factors gathered momentum from the 2020 to the 2021 survey, suggesting the importance of continually evaluating the changing roles of environmental, social and governance factors as part of informed active-management discussions among investment allocators, advisors and their clients. In thinking about the coronavirus pandemic and market environment of the last 18 months, respondents place general importance on corporate governance (88%) and companies' consideration of stakeholders (86%). The importance in relation to investment risk of social factors is most prominent among advisors and institutions followed by high-net-worth individuals with 74% of all respondents noting a perceived increase in the importance of diversity, equity and inclusion in the past year. Respondents also indicated a perceived increase in governance topics, including data privacy and security, which at 78% was the foremost growing concern among investors followed by supply chain resiliency (71%).
- **Actively managed winning over passive for ESG investing:** Investment allocators indicated a strong preference for active management relative to passive approaches when considering ESG investments. Institutional investors report a decrease in passive ESG investments, from 22% in 2020 to 16% in 2021 while some 48% of advisors reported using

actively managed investments, up from 31% in 2020. Among high-net-worth individuals, 39% are using various types of active ESG investments, and their use of passive declined from 37% in 2020 to 22% in 2021.

- **Integration of ESG marches on, though some continue to play catch-up:** More than six-in-10 (61%) advisors indicated they are including ESG-related considerations when recommending investments for their clients' portfolios this past year, up from 46% in 2020. Meanwhile, although 45% of institutions increased the integration of ESG considerations in their investment process in the past year, more than half (52%) indicated the level stayed the same. Many institutions continue to integrate ESG in their investment process as well as in their investment policy statements and engage their managers on the use of ESG factors in investment portfolios, though some report the process of education of their boards and investment committees can be a lengthy process.

"With just over a third of institutions and advisors having implemented an ESG-integrated strategy into their investment process, nearly half of respondents said they were considering doing so," said Mary Green, client portfolio manager for ESG. "We know that investment allocators are becoming more sophisticated about ESG in equity investing and we believe that as ESG investing becomes fundamental investing that asset allocators will look for fixed-income options for their portfolios."

### About the survey

Federated Hermes, Inc. surveyed 404 U.S. investment allocators, including 202 financial advisors and wealth management professionals, 102 institutional investors, and 100 high-net-worth individuals. The annual survey was conducted online between June 7, 2021 and July 16, 2021.

Institutional investors are defined as institutional asset owners with more than \$500 million in assets under management, including foundations, endowments, public defined benefit plans, corporate defined benefit plans, and insurance general accounts; financial advisors and wealth managers surveyed have client assets under management (advisement) of more than \$25 million, including registered investment advisors (RIAs), broker-dealer, bank and insurance-affiliated advisors, as well as consultants; and high-net-worth individuals have investable assets (excluding primary residence) of more than \$1 million.

### About Federated Hermes

Federated Hermes, Inc. is a leading global investment manager with \$645.8 billion in assets under management as of June 30, 2021. Guided by our conviction that responsible investing is the best way to create wealth over the long term, our investment solutions span equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies. Providing world-class active investment management and engagement services to more than 11,000 institutions and intermediaries, our clients include corporations, government entities, insurance companies, foundations and endowments, banks and broker/dealers. Headquartered in Pittsburgh, Federated Hermes' nearly 2,000 employees include those in London, New York, Boston and offices worldwide. For more information, visit [FederatedHermes.com](https://www.federatedhermes.com).

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