

## **Federated Hermes, Inc. survey signals change in ESG perspectives about investment risk as a result of the global pandemic**

### **• Nine of 10 financial advisors reported being asked about ESG**

(PITTSBURGH, Pa., Sept. 22, 2020) — Federated Hermes, Inc. (NYSE: FHI), a global leader in active, responsible investing, today released the findings of a new survey that showed the growing importance of environmental, social and governance considerations (ESG) among U.S. financial advisors, high-net-worth individuals and institutional investors during the Covid-19 pandemic.

The 2020 Federated Hermes' ESG Investing Survey found that two-thirds of investors are scrutinizing social factors as the pandemic put a spotlight on topics such as public health, pay equity and working conditions. In addition, 46% of investors believe that good governance is very important, while 88% consider environmental factors in their investment decisions.

"As the pandemic endures, a majority of institutions, financial advisors and high-net-worth individuals are focusing on fundamental ESG risks and opportunities, which have evolved into the mainstream," said Mary Green, client portfolio manager. "Our survey showed the importance of responsible-investing credentials among investors, which is in line with Federated Hermes' conviction that responsible investing is the best way to create wealth over the long term."

As part of the study, 90% of financial advisors reported that they had clients asking about ESG. The majority of financial advisors considered responsible investing when making recommendations to their clients, indicating that ESG risk evaluation is becoming a key part of investment programs.

The survey further found that investors are becoming more sophisticated about ESG investing. Investors are moving away from negative screening strategies that exclude certain investments. Instead, 64% of high-net-worth investors and 74% of institutions focus on positive screening strategies, which is the inclusion of certain investments based on ESG data. Institutional investors (64%) lead the way in understanding the value of long-term engagement with portfolio investments, and 48% of institutional survey respondents said active strategies are their primary way of finding ESG investments.

### **Key findings**

**Social rising**—About two-thirds of investors agree that in the wake of the global pandemic, social factors have become more important when analyzing investment risk.

**Governance still rules**—46% of investors place the highest importance on governance.

**Considering legacy**—88% of institutional investors utilize responsible investing considerations.

**Active management in demand**—48% of institutional investors surveyed are using actively managed strategies to meet their ESG objectives, and positive screening is on the rise.

## Future indicators

Looking to the future of ESG investing, the survey showed that fixed-income is likely the next frontier, as more than one in five institutional asset owners plan to add ESG-integrated high-yield fixed-income allocations in the next 12 months. Responsible-investing credentials are catching up to returns in terms of how investors prioritize evaluating new investments, with 70% of financial advisors citing responsible investing credentials as an important consideration, falling just behind overall performance history of a strategy.

Federated Hermes, Inc. is a leading global investment manager with \$628.8 billion in assets under management as of June 30, 2020. Guided by our conviction that responsible investing is the best way to create wealth over the long term, our investment solutions span 162 equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies and a range of separately managed account 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' more than 1,900 employees include those in London, New York, Boston and several other offices worldwide. For more information, visit [FederatedHermes.com](https://www.federatedhermes.com).

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**About the survey**—The 2020 Federated Hermes ESG Investing Survey is a survey of U.S. investment professionals fielded between June 1, 2020, and July 9, 2020. An anonymous, online survey of a respondent panel provided by Phronesis Partners was to 50 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; 102 financial advisors and wealth managers with 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 100 high-net-worth individuals and families with investable assets of more than \$1 million, including family offices, private client advisors and multifamily offices. Learn more at [Federatedinvestors.com/2020ESGInvestingSurvey](https://www.federatedinvestors.com/2020ESGInvestingSurvey).