Dimensional

Communicating Sustainability — 10 Ideas

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In a survey of consumers in 2017, the Responsible Investment Association of Australasia found nine in 10 people expect their superannuation to be invested responsibly and ethically, while four or five would consider switching to another provider if their fund engaged in activities inconsistent with their values.[1]

While millennials were the age group most likely to prefer a responsible investing approach, the survey found a majority in favour across all generations. As well, 63% of those surveyed expected their advisers to incorporate their environmental and social values in the investments they recommended.

So that there is a growing market for sustainable investment is not in doubt. The big gap in the consumer market, according to the survey, is the need for independent information about how to switch and what trade-offs are involved.

This then is an opportunity for advice firms to communicate to existing and prospective clients that they can integrate their values around sustainability with their investment goals without materially compromising their desired investment outcomes.

What follows are suggestions for advisers in how to raise these issues in a way that provides useful, practical information for investors around sustainability within the framework of a systematic, evidence-based investment approach:

1. Test their knowledge. A simple survey of clients can be used to stimulate interest, build engagement and showcase the solutions available. Provide multiple choice answers to questions such as 'what is sustainable investing?', 'what metrics are used?', and 'how do I maintain diversification?'

2. Highlight the demand. Many people are only vaguely aware of the movement toward sustainable investing. They may be interested, but are unsure of how to proceed or what to do next. An adviser can showcase, using industry surveys, the options that are available.

3. Build sustainability into scripts. Some firms build sustainability options into their discovery and review meetings. It might be a simple reminder: 'Meeting your investment goals while satisfying your values around sustainability need not be mutually exclusive. Ask us how.'

4. Break down the jargon. What is the difference between ethical investing, impact investing, ESG and responsible investing? What do 'emissions intensity' and 'CO2 equivalents' mean? An adviser who understands the jargon and can break it down for people has an in-built advantage.

5. Showcase the questions. Doing well and doing good are both possible. But as an adviser, you can show what questions are important in judging one strategy over another.

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Is it transparent? Is the impact measured? How are the screens managed? How diversified is it? What is the investment strategy?

6. Build a decision framework. Help clarify the key questions for the client. They want their investments to match their values and they want to have an impact. But they also want a good investment outcome without taking on unnecessary risk. Show that these do not have to be mutually exclusive.

Build a Decision Framework

7. Anticipate common questions. Why are there mining companies in my portfolio? Why not just have an in-or-out white screening process? What am I giving up? But what about my pet subject (fast food, organic farming, micro-finance etc;)? Show that you can answer these questions.

8. Make sustainability a value-add. Build the sustainability message into your website, materials and marketing. Use events, newsletters and social media to highlight your expertise. In all, show that meeting client preferences around these issues and good investment outcomes are not incompatible.

9. Stay abreast of news and trends. Using Google Alerts can tap you into useful content on sustainability. These can provide nice add-ons in your newsletter (a 'Green Corner'). For clients interested in environmental trends, a Flipboard digital magazine is an easy way of curating content for them.

10. Focus on the big picture. How can clients achieve substantial reductions in exposure to greenhouse gas emissions within a robust investment strategy that is broadly diversified and focused on the drivers of expected returns? For many people, that is the key question. You can show them how.

1. 'From Values to Riches: Charting Consumer Attitudes and Demand for Responsible Investing', RIAA.

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