Calvert

LEVEL 01

# Build Your Business With ESG Conversations

**Topics we'll cover**

1. Spotlight on Environmental, Social, Governance (ESG) Investing
2. Building Connections
3. Driving Referrals
4. Getting Started

Responsible Investing can be a powerful catalyst to strengthen existing client relationships, attract new business and drive referrals.

# 1 Spotlight on ESG Investing

Although Responsible Investing has been around for decades, it has grown significantly in recent years.

Investors are increasingly aware of critical global challenges and they want to understand how companies are navigating these challenges. How these factors impact portfolios is a conversation waiting to happen.

**Examples of ESG-related topics**

As Responsible Investing has evolved, investors have shifted from a primary focus on the "E" in ESG and toward a holistic understanding of business risk, including the "S" and "G" factors that companies are exposed to.

| Environmental | Social | Governance |
|---|---|---|
| Emerging opportunities in renewable energy stemming from the energy transition | The use of human capital management to reduce employee turnover and boost retention | Corporate behavior that improves a company's public reputation |
| Water scarcity risk across industries and regions | Cybersecurity and protection from threats such as ransomware | Transparency when dealing with a crisis or litigation against senior executives |
| Environmental impacts of mining activities relating to increased battery demand | Action versus talk on diversity hiring and promotion | Executive compensation versus average employee pay |
| Exposure to regulatory risks across a company's entire supply chain | Vaccine patent law and pharmaceutical pricing | Potential market manipulation through social media platforms |
| Growing regulatory pressure to reduce carbon emissions | Product quality and safety in packaged foods | Board structure and board independence |

# 2 Building Connections

Discussions of ESG topics can serve as a bridge to deeper connections and stronger relationships with your clients. Here are five steps to effectively develop these conversations.

**1 Involve your client's family.**

Studies show that more than 7 in 10 heirs fire their parents' advisor after inheriting their wealth[1], and that 70% of widows change financial advisor after the husband's death[2]. Involving all family members in planning conversations is key to building trust with your clients' heirs before that wealth changes hands.

**2 Start the conversation.**

Ask your clients if they have heard about the role ESG factors can play in investment decision-making. Consider discussing the latest ESG trends in your annual client review. Also, by helping your clients complete a **simple checklist**, you can identify the causes and concerns that they care most about.

**3 Keep it simple.**

Explain key concepts and how strong ESG practices can give companies a competitive advantage over time. Calvert's **Invest in Positive Change** brochure describes how incorporating ESG into investments can help your clients pursue both positive impact and competitive returns.

**4 Narrow the focus.**

Tailor the conversation to your clients' specific concerns. If their primary concern is performance, discuss how financial materiality can help identify what ESG issues are most important to a company's bottom line. If their primary concern is making a difference, ask what impacts they want to drive with their investing capital.

**5 Anticipate questions.**

The Calvert Advisor Resource Center includes a variety of resources on Responsible Investing. A great place to start is the **Responsible Investing FAQs**. Some clients may have questions about the impact of their investments or whether one product is more effective at meeting their ESG goals than another. The **Calvert Transparency Tool** enables financial professionals to identify mutual funds with compelling ESG metrics and fundamental characteristics.

[1]International Investment, "Financial advisers warned most heirs will fire or change them after inheriting wealth," Mark Battersby, July 19, 2021.
[2]Financial Advisor, "Women Shall Inherit The Power Of The Purse," Blair duQuesnay, June 3, 2019.

# 3 Driving Referrals

### Can ESG boost client referrals?

According to a 2020 article from Financial Planning,[3] clients are more likely to refer their wealth management firm to friends and family if the company excels in incorporating ESG into their investment strategy.

More than three-fourths of investors who rate their firm highly on ESG say they "definitely will" recommend their firm to friends and family, according to a J.D. Power survey.[4] For clients who don't give their firm high ratings on ESG, only 32% said they would definitely give a referral.

There's no better source for new business than referrals from happy clients. By understanding the issues your clients care most about, you can build investment solutions that make them happy.

[3] Financial Planning, "Want more client referrals? Try ESG, says J.D. Power," Jessica Mathews, October 02, 2020.

[4] The J.D. Power 2020 U.S. Full-Service Investor Satisfaction Study measures overall investor satisfaction with full-service investment firms in eight factors (in order of importance): financial advisor, account information, investment performance, firm interaction, product offerings, commission and fees, information resources, and problem resolution. The study is based on responses from 4,532 investors who make some or all of their investment decisions with a financial advisor. The study was fielded from November 2019 through January 2020.

# 4 Getting Started

Calvert has been a global leader in Responsible Investing since 1982. As client interest in Responsible Investing continues to grow, here are three ways we can help you get started:

### 1 Host an event.

Calvert offers a series of engaging seminars on Responsible Investing. Your Calvert Specialist can give you tips and tactics on running an effective seminar. Be sure to ask your local wholesaler to book one of us to present at your next client seminar.

### 2 Uncover motivations.

Whether it's about pursuing competitive returns or driving positive change, a simple checklist can help you uncover your clients' specific motivations. You can also leverage the expertise of your Calvert Specialist to help translate client motivations into client action.

### 3 Tailor the strategy.

Whether you want to diversify your current allocation or create a new model, your Calvert Specialist can help you implement a Responsible Investing strategy tailored to the specific needs and goals of your clients.

**Common Investor Objectives**

**Values Oriented** — **Opportunistic/Return Driven**

- Influence Company Behavior
- Contribute to Positive Change
- Align Investments With Beliefs and Values
- Build Portfolio Resilience
- Manage Risk
- Achieve Better Risk-Adjusted Returns

There is no assurance that an investment strategy, including those with an ESG focus, will achieve its investment objective.

**IMPORTANT INFORMATION**

**RISK CONSIDERATIONS**

The value of investments may increase or decrease in response to economic, and financial events (whether real, expected or perceived) in the U.S. and global markets.

The application of responsible investment criteria may affect exposure to certain sectors or types of investments, and may impact relative investment performance depending on whether such sectors or investments are in or out of favor in the market. In evaluating an investment, the investment adviser is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could adversely affect the analysis of the ESG factors relevant to a particular investment.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market.

**A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required.**

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