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Sustainable financial advice guide



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Foreword

Good financial planning has always been about looking ahead. It is about understanding what matters to our clients, anticipating the risks and opportunities they may face, and helping them make informed decisions that give them confidence in their financial future.

Sustainability is increasingly part of that conversation. Environmental and social change can have very real consequences for economies, markets, businesses and, ultimately, the individuals and families we advise. Understanding those connections is not separate from good financial planning; it is part of helping clients build plans that are informed, resilient and capable of adapting over the long term.

But, as with every aspect of financial planning, the starting point must be the client. Every client will approach sustainability differently. Some will have strongly held views about where their money is invested and the impact they would like it to have. Others may be more focused on understanding the financial risks and opportunities arising from environmental or social change. And some may simply not have considered these issues before.

Our role as professionals is not to make those choices for them, nor to impose our own views. It is to ask good questions, listen carefully, provide clear and balanced information and give clients the confidence to make informed decisions that are right for them.

Done well, these conversations can add another dimension to financial planning. They can help us explore long-term goals, risk, resilience, legacy and the things our clients genuinely value. Just as importantly, they can strengthen the understanding and trust that sit at the heart of a successful long-term adviser-client relationship.

As a profession, we should also be prepared to keep learning. Sustainability is a broad and evolving area and professionals need practical support to navigate it confidently and proportionately.

That is why I am pleased that the Personal Finance Society has produced this guide. It is designed to help turn the principles into practical action - across leadership, the advice process and, most importantly, the client experience.

Ultimately, this is about what good financial planning has always been about: understanding our clients, exercising professional judgement and helping people make better-informed decisions about their future.



Carla Brown, President, The Personal Finance Society

About the authors



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Rebecca has worked for several Scottish and national advice firms in advisory, Paraplanning, Managerial and Compliance Roles. From 2021 to 2024, she ran a specialist Sustainable Investment consultancy business for advisers and was a member of the FCA's Adviser Sustainability Group. Rebecca is currently employed part time as a Compliance Manager at Azets Wealth Management and is also a Curator of the Goodstock Sustainable Finance Conference and newly launched community.

In writing the guide, Rebecca has drawn on her experience of successfully launching and building a Sustainable Investment proposition for a former employer, where she was directly involved in communicating this with clients, training colleagues and business networking.



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With over 20 years experience in financial services, Alan is committed to seeing financial planning develop as a trusted profession. After working as both a Paraplanner and Compliance and Money Laundering Reporting Officer, Alan set up Unburdened Limited in 2019 to spread knowledge, ideas and know-how that changes financial planning for the better.

Alan is a Chartered Financial Planner and Fellow of the Personal Finance Society. A firm believer in the value professional bodies working together, Alan is also a Chartered Member of the Chartered Institute for Securities and Investments and a member of both the Chartered Banker Institute and CFA UK. Alan is a Member Director of the PFS and has previously served as the President, Education Secretary and Careers Officer of the Aberdeen Institute of Insurance and Financial Planning, as the Chair of the PFS North Scotland Region, as a CII National Forum Officer for Scotland, and is a member of the PFS Sustainability Panel.

Introduction

This guide is for all financial planning professionals. You may be motivated by an understanding that sustainability is materially relevant to your clients' investments, financial planning and wellbeing. You may also be looking to differentiate yourself or your firm from your peers, introduce new products and services and provide additional value to your client relationships.

Whatever your motivation, delivering sustainable financial advice to a high standard can provide the opportunity to improve your firm's status, resilience and credibility amongst stakeholders, including current and prospective clients and staff, peer firms, professional partners and the regulator.

Firms who are committed to delivering or working towards a high standard of sustainable financial advice should align their culture, processes and services, creating an integrated approach.

Not all firms will have the ambition or the ability to pursue all of the above strands to the advanced standard suggested in this guide. Our suggestions form a pathway for firms to choose their own sustainability journey, building from initial foundations and providing options to try, review and refine.

This guide is not the definitive way to manage environmental and social risks and opportunities, but the result of the experiences and observations of professionals who have worked on, witnessed and welcomed the initiatives taken by a range of different firms.

Sustainability is not niche; it is a proven area of client interest. Wide ranging research shows that individuals and institutions are increasingly prioritising environmental, social, and governance (ESG) factors in their financial decisions. A 2025 survey by Morgan Stanley¹ revealed that nearly 90% of global individual investors expressed interest in sustainable investing, citing the desire to support positive outcomes and the potential for competitive returns. Planners who fail to engage with these priorities risk appearing out of touch and may miss opportunities to strengthen relationships with their clients.

What is Sustainable Financial Advice?

Sustainable Financial Advice means much more than asking clients if they have sustainable, ethical or ESG investment preferences and offering a relevant solution for their preference.

In its fullest form Sustainable Financial Advice has three strands.

1. The recognition that environmental, social and ethical issues are material to individual clients' investment preferences, their life choices, and their wellbeing.
2. The understanding that there are systemic risks, such as climate change, which apply universally to society, markets and economies.
3. The readiness to provide solutions to these issues, which will be in the form of ESG, Sustainable, Ethical and Impact investments but also may extend to other solutions and strategies, both in investment selection, setting of client objectives and delivery of financial planning.

Throughout 2025, we saw some world leaders, political parties and commentators loudly resisting any change to business as usual and actively winding back progress already made. However, the scientific consensus, together with the majority of nations, campaign groups and institutional investors are aligned in the pursuit of more sustainable and positively impactful financial decisions. Their work is aided by the fact that clean energy, such as wind and solar, has become lower cost to deliver than fossil fuels and offers potential for **greater energy security, price stability and economic opportunity**.

The case for sustainability is reinforced by scientific and actuarial research from respected bodies such as the **Institute and Faculty of Actuaries** (IFoA), universities, and bodies like the **Stockholm Environment Institute**. These studies highlight systemic risks which can impact investment portfolios, such as climate change, resource scarcity, and social instability. They can also have a direct impact on people's personal

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circumstances, affecting health, homes and quality of life. These factors can materially impact financial outcomes and planners who incorporate this evidence into their strategies have the potential to demonstrate a commitment to robust, evidence-based and resilient advice.

At the time of writing, the FCA has not directly linked Consumer Duty with advice about sustainability, but it is possible to see a clear link between good sustainable financial advice and multiple Consumer Duty outcomes. Sustainable preferences have an impact on the suitability of products and on value for money. Educating clients about relevant risks, opportunities and solutions creates more informed choice and identifies foreseeable hurdles to financial plans. Ignoring sustainability considerations could lead to increased business risk, as clients may regret not being fully aware of how environmental or social factors impact their portfolios and the options available to mitigate these. Planners should rise to the responsibility of integrating these issues into their advice processes, to deliver leading client outcomes.

Financial planning operates in a rapidly evolving landscape, so being forward-thinking and adaptable is essential for maintaining competitiveness and resilience. Planners who embrace sustainability are better positioned to navigate regulatory changes, market and demographic shifts, news headlines, the impact of AI and client expectations. Sustainability offers an opportunity to add real human value. With clients facing complex challenges that go beyond returns, planners who are able to guide clients through these issues fulfil their remit in the truest sense: acting in the client's best interests, not just for today but for generations to come.

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Part 1: Leadership: Governance and culture

In this section we look at the key components of top-down delivery of a sustainable financial advice service. A project plan is vital to ensure objectives, resources and skills are consistently aligned.

1. Leadership of the plan

Embedding sustainability into a firm's products, services and culture can only be achieved effectively and consistently if the decision to do so is made or supported from the top down and then disseminated throughout the firm's people and processes.

Each firm will have its own approach, but the following examples may help you in deciding how to introduce or achieve good sustainable financial advice in your business:

- The firm's leadership should encourage and support a review of the firm's sustainability strategy, using an appropriate combination of leadership, consultation, delegation and supervision to support any initial changes, development plans and ongoing review and progress.
- The practicality of any plans should be considered. Ambition and vision are vital, but modest and achievable actions and results in the early phase may be more powerful than grand plans that are not delivered. As sustainability is a rapidly evolving space facing various headwinds and tailwinds, commitment, flexibility and a positive long-term vision are vital.
- Any introduction, enhancement or review of sustainable products and services should start with a review of the needs of relevant stakeholders. These may include clients, staff and the business itself.
- Some of the work may need to be delegated across different roles, such as a Sustainable Finance Champion, the compliance team, the Investment Committee, financial planners and their supervisors, paraplanners, the operations and marketing team.
- External support providers may also need to be involved in the process. This should be detailed in the plan and care should be taken to establish that the staff involved have the capacity and capability to take plans forward.
- Good practice and learning experiences should be shared between individuals across teams and locations and all staff should have a mechanism for input and feedback.

Supporting products and services

A firm should ensure that sustainability issues are adequately factored into their product and service selection and delivery.

This clearly affects Product Governance and client segmentation, as well as the design of suitable investments and services. Progressive firms may also consider applying sustainability issues to some or all of the following parts of the financial planning process and client journey. These include:

- Fact finds and other client questionnaires (such as retirement questionnaires).
- Risk profiling and sustainability profiling questionnaires.
- Cash flow modelling tools.
- Wider provider and partner due diligence.
- Ratings, data and research sources.
- Suitability Reports, web sites and other client communications.
- Marketing and client acquisition strategies.

Products and services are covered separately in Part 2.

- The firm should consider whether it also wishes to consult wider stakeholders such as service and product providers, the local community, networks, markets, policymakers and the wider financial planning community. Sustainability champions and supporters can be found in many places and it is highly likely that there will be people in both your team and your client bank who would love to contribute towards your sustainability plans and goals.

When reviewing its current position and considering new initiatives, the firm should consider:

- i. If its services add or reduce risks
- ii. If its actions (or a change in its actions) bring benefits or harm
- iii. If the firm has potential to influence or support positive outcomes via its interactions.

Part 1: Leadership: Governance and culture

A project plan for launching or enhancing a firm's sustainable advice offering is likely to need some or all of the following:

- i. Identification of any risks, weaknesses, strengths and opportunities in the current position (SWOT Analysis). This may include analysis of what peers are doing, recognising that all firms are different and may have their own niches and focuses.
- ii. Review of where the firm wants to get to and why, incorporating the needs of the target market and other stakeholders.
- iii. Identification of what resources and training will be needed and relevant costs/ budget.
- iv. Allocation of responsibilities to roles and individuals.
- v. Target dates and order of work and review of progress.
- vi. Plans to gather feedback or trial any new products and processes.
- vii. Details of preparation of any "launch plans", including training, events and marketing.
- viii. Ongoing monitoring for effectiveness and achievement of goals.

Firms should ideally be able to demonstrate that they have a system for monitoring and assessing outcomes and the performance of those involved in delivery of sustainable financial advice and associated client outcomes. Periodic review may also lead to new initiatives to improve the sustainable financial advice programme. Monitoring may cover recording and review of the following data:

- i. % of client's investing fully or partly sustainably
- ii. % of clients who consider themselves informed about sustainability risks and opportunities
- iii. % of staff trained and clients receiving education and information
- iv. % of clients with no recorded response about sustainable preferences
- v. % of clients where there is no evidence that they have made an informed choice about their sustainable investment preferences
- vi. % of clients who have had opportunity to discuss the resilience of the financial and personal goals and plans and or have had this assessed.
- vii. % of clients who have received cash flow modelling using assumptions and scenarios that incorporate sustainability risks
- viii. Consistency between financial planners.
- ix. Changes to all of the above as a result of any new training, communications, roles, KPIs, resources, processes, products and services.

Part 1: Leadership: Governance and culture

A. Operations

The greatest influence a financial planning firm will have on sustainability and society will be from its clients' investment decisions. In addition, business will have direct impacts from its own operations, which it may wish to consider to be comprehensive and authentic in its pursuit of sustainability.

Environmental actions could include using renewable energy to power offices, encouraging staff to use greener transport or facilitating home working and reducing office waste. On the social side, this could include initiatives to improve diversity and inclusion, support of vulnerable clients and staff working conditions. It might also extend to raising funds for local charities or providing support for staff to volunteer.

While this guide's focus is on how to deliver sustainable financial advice and the good client outcomes that this may bring, a firm's positive sustainability choices in its operations may support sustainable financial planning in the following ways:

- Offers a conversation starter with clients and professional partners about environmental and social issues.
- Generates a perception that taking environmental and social action is good business practice.
- Shows a firm to be "walking the walk" and participating in any client decision to shift towards positive social and environmental actions.
- Avoids partial negative offsetting of any positive steps in client education, engagement and financial options through unsustainable operations choices.

B. Setting a vision and maintaining commitment

- Potential for success is significantly improved when a firm's sustainable financial advice philosophy, products and services are approved supported and monitored from the highest level - the 'tone from the top'.
- Leadership from management will encourage and permit the buy in and active involvement of the internal team. This can nurture creativity and enthusiasm from the team and indicate there is something for them to gain professionally, alongside positive environmental and social outcomes.
- Awareness that the firm's senior team support the delivery of sustainable financial advice will send stronger signals to external stakeholders and peers, encouraging their support, attention and confidence.
- The input of senior or middle management may be required to ensure that plans remain within budget, on target and are closely aligned with the aims of the firm and the messaging it wishes to share with its clients. Any business or compliance risks and any weaker links in the chain must also be considered and monitored.
- Senior management oversight should also make significant and lasting outcomes more likely, instilling accountability and clear opportunity for recognition of everyone's efforts.

Part 1: Leadership: Governance and culture

C. Staff knowledge and skills

To move towards market-leading practice, a firm should ensure that relevant and adequate numbers of their staff and/ or external support are suitably trained in the following areas:

1. Sustainability risks and opportunities (environmental and social) and how these can have an impact on, and be impacted by a client's investment, financial and life planning choices.
2. Climate change, the energy and economic transition and associated risks and opportunities, at both individual and system level.
3. The types of investment product and solutions and other actions that can be employed to meet client objectives and preferences and address environmental, social and system risks.

Firms should consider their ongoing ability to maintain sufficient staff with necessary skills and be mindful of the possibility of staff absence, turnover etc.

- **Relevant staff** include those who have direct or indirect involvement in advising and communicating with clients (financial planners and paraplanners) and their supervisors and managers (including in the compliance function).
- **All financial planners** and paraplanners should have a basic degree of knowledge about sustainability issues and how these might impact clients' planning and investment choices. This could be achieved through completion of the **PFS ESG and Sustainable Investment Advice Spotlight** course, or other similar resources.
- Those responsible for making investment, compliance and product and services strategy decisions should also be suitably trained on sustainability issues (both environmental and social), climate change and the energy transition and the types of investment product available to meet client objectives and preferences in this area.

Firms are recommended to take a top-down approach to selecting, acquiring, and disseminating key knowledge.

D. Sustainable finance champions

Some firms may benefit from nominating one or two **sustainable finance champions**, tasked with maintaining a wide and dynamic knowledge of various issues and training and updating colleagues as necessary.

Sustainable Champion

A Sustainability Champion leads thought, planning and communication on all aspects of sustainability for the firm. Depending on the size of the firm, this function could be split between more than one person: e.g., one champion on the Investment Committee reviewing investment solutions and another in a management, compliance or supervisory function assessing financial planner soft skills and application of knowledge. For smaller firms, this role is taken on by a member of staff alongside other existing duties.

E. Behaviours and enablers

Client facing staff also need to be supported with development of the skills necessary to extract, listen to and consider client questions, concerns, misconceptions and reservations. They also need to be able to consider a client's sustainable objectives or preferences in light of any vulnerabilities.

It is possible that discussion of or communication about sustainability issues may evoke strong reactions in some people, whether this is anxiety, fear, frustration, guilt, blame or political perspectives. Planners should prepare for these reactions and how to adopt a compassionate, fair and pragmatic approach.

If the firm has a Vulnerability Champion and/or a Consumer Duty Champion in place, then they should be given the necessary knowledge or information to understand how sustainability issues fit into their policies and processes.

Part 1: Leadership: Governance and culture

F. Who needs to know what?

It is possible to refer sustainable investment enquiries or the wider service requirements of clients with more bespoke and sophisticated sustainability and ethical needs to subject matter experts within the firm or elsewhere.

This would remove the need for **ALL** paraplanners and planners to be expert across the full spectrum of sustainability knowledge. If this approach is to be adopted, there should be clear guidelines in place regarding how and when referral would be used. This will ensure consistent client outcomes and clarity for client facing staff.

G. Embedding the necessary learning and development

In order to deliver a successful training and development programme in this area, a firm should:

1. Carry out a **formal assessment** of the knowledge that their staff will need and which roles and individuals require this knowledge and associated skills. Self-assessment and/or diagnostic gap testing may be appropriate. If the firm already has established training resources and systems in place consider whether they provide appropriate material on sustainability issues and sustainable investment options.
2. The firm should then create a firm level **training plan** laying out how they intend to address any knowledge and skills gaps. This should detail time scales, sources of learning material and any plan to have a minimum base level of knowledge, with options to progress beyond this.
3. Any proposed training, whether compiled and delivered internally or sourced externally, should pass the following checks on the learning material:
 - Is the content adequate and relevant? Does it meet the identified learning needs?
 - Is there any bias or greenwashing?
 - Are client outcomes considered? Does the learning help a financial planner's ability to explain and discuss concepts, avoiding complexity and jargon?
 - Is the material up to date and regularly reviewed.

NB: This assessment should also be documented in the training plan. Where product provider training is used, it is important to assess whether this takes a fair, holistic approach and does not seek to unfairly promote the provider's own solutions and views.

4. Any training should be followed up with testing of staff understanding and confidence in applying knowledge and skills.
5. Staff views should be sought on the adequacy and suitability of the training material and methods.
6. Learning needs and solutions should be revisited at least annually and ad hoc additional learning should be delivered if there have been any significant developments in needs and solutions, e.g. new FCA regulations, government policy, recognition of material investment, financial or lifestyle risks or identification of new client preferences and concerns. A sustainable finance champion can be tasked with responsibility for learning updates.
7. Suitable focus should be given to the acquisition and maintenance of sustainability knowledge and skills. Learning targets can be incorporated in staff KPIs or an objective to train others. Staff should be encouraged to include an element of learning on sustainability related matters within their annual CPD requirements.
8. If the firm appoints a Sustainable Finance Champion, they will need to spend a considerable number of CPD hours learning about sustainable investing and ESG and environmental and social issues. They should be allowed time and support to maintain their expertise.
9. To assess planners' skills and knowledge and the application of this with clients in a live setting, it is recommended that all² should undertake role-play or workshop style training. This live assessment should test the following:
 - i) Ability to explain why Environmental and Social issues are relevant to finance - how they impact and are impacted by markets, businesses and investment decisions.³
 - ii) Understanding of when it is relevant to introduce environmental and social issues and the economic energy transition into discussion of clients' personal goals and long-term financial planning.
 - iii) Ability to summarise and compare investment solutions and when they may be suitable/ unsuitable.
 - iv) Ability to explore and quantify client wishes, concerns and motivations.

2. Unless they opt out of advice on sustainable solutions

3. Unless this information is delivered to clients separately, as explored in the Client Experience section below

Part 1: Leadership: Governance and culture

- v) Ability to manage client questions and challenges, being honest, clear and realistic.
- vi) Ability to accurately describe the firm's own sustainable investment philosophy and solutions and to identify when a client may need an alternate solution or that their wishes may be unachievable.
- vii) Ability to navigate the above using language that a client understands and allowing the client time to ask questions or consider further.
- viii) Ability to adapt to any client vulnerabilities whether these are related to the clients' views on environmental and social issues or due to other factors.

H. Benefits to firms, practitioners and wider society

- Documenting a formal learning programme will **demonstrate a firm's commitment to delivering good staff and client experience** via knowledge of sustainability issues. It shows that the firm is serious about delivering high standards in this area, even if the full attainment of the targeted knowledge by all relevant staff takes some time.
- Firms will have the necessary human resource to **enable clients to fulfil their objectives, values and preferences** relating to sustainable investment and financial planning.
- All relevant staff are **able to deliver advice that takes account of the environmental and social risks and opportunities** that potentially apply to the portfolios and personal circumstances of **all** clients, not just those with pre-existing interests or concerns in this area.
- **Personal and career development opportunities** for staff. Relationship development skills including those related to sustainability will increase in value as AI takes over more functional tasks.
- Measures are in place to ensure **good sustainability outcomes** are delivered consistently to all clients.
- The **needs of vulnerable clients are considered**, including any vulnerabilities arising from anxiety or sensitivities around climate change and other social and environmental issues.
- There are **no "breaks in the chain"**, avoiding the situation where a client objective or preference is established and a suitable decision is not then delivered – due to the application of unsuitable data/research/profiling tools/ or investment solutions.
- A new route for **professional networking** and building and maintaining of introducer and client relationships is developed.
- The financial planning profession benefits from **increased internal awareness of sustainability** issues and how these affect our stakeholders and the services that we offer. More members will feel encouraged to develop in and develop this area of personal finance, increasing professional relevance and resilience in times of transition.
- **Improved perception of the financial planning profession** as a responsible and impactful actor in the transition to a sustainable economy/ society, building trust and added recognition of the value of advice.

Part 2: Operational: Products, services and advice processes

To demonstrate good practice in sustainable financial advice, firms should take environmental and social risks, opportunities and preferences into account when selecting and delivering the products and services that they offer to clients. A firm's central investment proposition (CIP), advice procedures, product governance, client segmentation, research and due diligence and any other investment and advice process documents should evidence how they do this.

If the firm operates an Investment Committee, then the Committee's Terms of Reference should account for the need to accommodate environmental and social risks, opportunities and investment preferences into the firm's investment policy, processes and solutions.

This section/ publication considers key ways in which sustainability can be incorporated into products, services and advice processes. Individual firms may choose from these in line with their business model, client needs and resources or may indeed add their own initiatives.

Advice processes for delivering sustainability-related products and services are important to the achievement of regulatory compliance, consistency, efficiency and good outcomes for clients. Best practice extends beyond whether a firm offers suitable sustainable products and services to consider:

- How well products and services are planned and researched.
- How carefully their features are matched to client needs.
- How clear and transparent communications about suitability are.
- How effectively the firm monitors whether planners recommend products and services appropriately.

1. Products

A. Which products can be sustainable?

For the widest reach, the retail investment funds and model portfolios that firms offer to their clients via Pensions, ISAs, General Investment Accounts and Investment Bonds are the natural place to start to apply a sustainability lens. This is where firms will find a good combination of choice, easy access and close alignment with traditional risk profiling and investment strategies. There are options available to fit most investors'

initial sustainability preferences, although not all. There will always be a number of clients with more bespoke needs or capacity and desire to venture further into impact-first (rather than finance-first) investment options.

It is important to consider whether it is illogical and counter-productive for clients to consider sustainability in some areas of their finances, while ignoring it in other areas. Firms should ideally consider sustainability in relation to other products as well. They should be able to either accommodate or signpost those clients who wish to apply environmental and social considerations to other areas of their finances. Depending on a firm's target market and regulatory permissions, relevant products and services may include the following:

- Bank accounts – current, savings and Cash ISA options, as well as cash held on platforms.
- Tax orientated solutions, such as Business Relief portfolios, VCT and EIS products.
- Workplace pension schemes.
- Private equity and individual shares.
- Mortgages.
- Insurance.
- Direct Impact solutions, such as community investment schemes and crowd funding, which may or may not be offered through an Innovative Finance ISA.
- Platform selection and whether the choice of platform in any way limits or expands the client's wish to align their finances with their values.

Many firms will not advise clients in all of the above areas but should be ready to find out more, make referrals, accommodate or respect a client's wish to explore these options directly where this is suitable to the client's needs, objectives, sustainability preferences and capacity for loss.

Some clients with sufficient wealth and capacity for loss may wish to allocate a proportion of their savings and investments to direct impact or philanthropic solutions. They may be willing and able to accept reduced returns or greater risk with a part of their capital. Firms should have a policy for how to deal with this type of client and any bespoke service they may need - considering the risks involved, the importance of the relationship, the client's knowledge and experience and the fees charged/ value provided equation.

Part 2: Operational: Products, services and advice processes

2. Selection of product providers

Firms should consider whether product and platform providers are the best fit for clients with a strong desire to avoid social or environmental harm or a wish to maximise their positive environmental and social impact.

Example

A UK or European financial institution which offers an investment platform may have better stewardship and voting credentials on environmental and social issues than one owned and operated from a jurisdiction where support for ESG activity can cause legal and business risks.

While it is not suggested that a firm should base its platform selection on factors that may only be relevant to a small number of clients, they should be prepared to offer alternative solutions to clients with bespoke needs.

Firms may wish to include environmental and social factors, alongside other more traditional considerations, in general platform and product provider due diligence. Managing ESG risks and opportunities in the supply chain is a relevant way to demonstrate foresight, risk management, competitiveness, resilience and good treatment of customers for financial services providers.

As an example, some material ESG issues for a platform provider would include:

Staff pay and turnover	Impacts the likelihood of consistent good service.
Compliance with corporate carbon reporting requirements	Helps to avoid risk of fines or litigation or increased costs for the business.
Access to secure and cost-efficient energy sources	Manages transition risk and potential costs for data centres and key infrastructure.
Physical location	Being in an area with low risk of fire, flood or storm damage may help manage potential losses and business continuity risk.

A firm should be able to explain how it has considered sustainable outcomes in products, platforms and other tools it uses or explain why it believes sustainability is not relevant to selection in any instance. For example, a firm might consider:

- Whether an investment platform offers clear, fair and comprehensive information about sustainable investment options.
- Whether the questions in a sustainability questionnaire enable clients to explore their choices fairly or
- Whether a cash management service is suitable for investors with environmental and social values.

Part 2: Operational: Products, services and advice processes

3. Selection of investment product

A. Starting with the investment philosophy

Developing an effective sustainable investment philosophy begins with clarity of purpose. The firm must define what sustainability means within its advice framework, whether it focuses on ESG integration, impact, and/ or values-based approaches or indeed wishes to extend its offering to include a range of approaches to meet a range of sustainability preferences and financial needs. This clarity ensures consistency across recommendations and helps clients understand the rationale behind advice.

It is crucial to consider whether it is possible to align sustainability principles with the firm's broader investment philosophy. Sustainability should where possible complement, not conflict with, the firm's wider investment principles and strategies. Some variance is inevitable, but this should be examined, assessed and explained to clients.

A well-articulated philosophy should address systemic risks such as climate change and nature degradation, explaining how these factors influence asset allocation, risk and return and fund selection. This approach demonstrates that sustainability is not a marketing add-on but a core component of prudent financial planning.

A degree of realism and adaptability may be necessary when designing or selecting a sustainable investment strategy. Firms should outline how sustainability considerations are integrated into portfolio construction, covering asset classes, fund selection criteria, and ongoing review mechanisms. Transparency of limitations and trade-offs is vital to maintain trust and also aligns with the desirable outcomes outlined under Consumer Duty of informed choice and avoidance of foreseeable harm.

Where a firm traditionally favours a passive or an active investment management approach, it is important to consider if or how they will adapt this to incorporate sustainability.

A firm whose existing investment philosophy is based on the efficient markets hypothesis, and Fama-French factor models will want to think carefully about how this might come into conflict with investment approaches which aim to select investments which are more impactful.

Firms which have an active management approach to investing need to consider how they will monitor the active management of sustainability as well as non-financial outcomes in their performance review of funds.

B. Collective investment products – fund and portfolio selection

There are two distinct elements to the consideration of environmental and social factors in investment strategy and selection.

1. A consideration of individual client investment preferences and the need to offer suitable investment solutions to clients who express a preference to avoid harm, invest in positive solutions, generate environmental or social impact or focus on companies managing ESG risks well.
2. Recognition of the systemic risk that environmental and social challenges present to markets and the economy. This systemic risk bears influence not only on the type of investment solutions suitable for a client but also other factors that may influence personal financial planning, such as capacity for loss, required returns, need for liquidity and investment timeframes.

Part 2: Operational: Products, services and advice processes

C. Individual investment selection

Firms should be able to explain how research of ethical, ESG, sustainable and impact funds has been incorporated into its due diligence process: The following points should be considered:

- Which criteria determine investment / provider selection and how are these used to filter and rank?
- How have these been determined and who has had input into identifying and prioritising criteria?
- How does the firm test, challenge or compare the information offered by investment providers?
- How the FCA SDR Sustainability labels are incorporated into investment research and due diligence and how the firm would address the preferences of any client who expresses a preference for labelled funds.

Firms may wish to assess some or all of the following features of an investment, in addition to their existing investment research:

- The investment provider's claims about an investment solution's ethical/ESG/ sustainability and impact objectives and outcomes, in absolute terms and/or comparatively.
- The basis of any ESG scores or ratings and their appropriateness.
- How many companies are typically filtered out of the investment universe and the effect this may have on both social, environmental **and financial** outcomes.
- Full details of any investment exclusions and the cap on revenue from these activities.
- A review of underlying sectors and individual companies represented in the fund to identify how these align with sustainability issues and spot any "red flags" or unexpected holdings that might concern clients.
- The quality and quantity of staff and resources allocated to investment management, including engagement and stewardship activities.
- Whether the overall impact of an investment provider is net positive or net negative, when considering the proportion of its sustainable investments and activity vis a vis unsustainable products, services and activity.

FCA Sustainability Disclosure Requirements (SDR)

The FCA introduced SDR to enhance transparency and reduce greenwashing in sustainable investment products. The regime applies to UK asset managers (it does not yet apply to model portfolios, only funds) and includes four key elements:

- **Anti-greenwashing rule:** All FCA-authorised firms must ensure sustainability claims are fair, clear, and not misleading.
- **Naming and marketing rules:** Restrict use of sustainability-related terms unless criteria are met.
- **Disclosure requirements:** Consumer-facing and detailed product-level disclosures to improve comparability.
- **Investment labels:** Designed to help retail investors navigate sustainability products.

SDR Labels Explained

1. **Sustainability Impact:** Products aiming to deliver measurable positive environmental or social outcomes.
2. **Sustainability Focus:** Products investing mainly in assets that meet robust sustainability standards.
3. **Sustainability Improvers:** Products targeting assets with potential to improve sustainability performance over time.
4. **Sustainability Mixed Goals:** Products combining multiple sustainability objectives or strategies.

While these labels provide clarity and consumer confidence, they are **not mandatory**. A sustainability product in the UK can still be credible without a label. Labels **can certainly be a plus** for marketing and comparability and show a firm has a degree of commitment to and resource in sustainable investing. They are not however the only way to verify transparent reporting and substantiated claims. Firms should prioritise using funds which have robust sustainability strategies and clear disclosures. A fund having a label does not excuse a financial planner from doing appropriate due diligence on the fund.

Part 2: Operational: Products, services and advice processes

- For funds with an SDR Sustainability Impact label or other non-labelled impact strategy, the investment's "theory of change" and impact reporting processes are important. Does the firm understand how the investment aims to make a positive impact and believe this will provide a clear, convincing and meaningful case to impact orientated clients?

The examples opposite illustrate the differing approaches taken by two firms to their sustainable investment offering.

D. Systemic Risk

Science demonstrates that climate change and nature loss bring systemic threats and huge costs to society and the financial system. These are current and universal risks that affect all investors. They cannot be eliminated by the actions of any one financial planner or individual investment decision. However, nor can inflation or an asset bubble, which we nonetheless seek to limit or mitigate.

A firm's investment policy or philosophy should outline its views of the relevant risks and how it seeks to navigate these in its advice and investment recommendations. This strategy might extend to various elements of its service – such as changes to its recommended optimum cash reserves, future growth rate assumptions, retirement planning advice and avoidance of investment in certain sectors of the economy.

This strategy should be developed centrally by the Investment Committee or those with management responsibilities and referenced in communications with clients.

It may also be developed in conjunction with the investment managers that the firm uses to deliver its CIP.

While clients may opt to accept and bear the risks (just as they do with inflation risk in some instances), the planner should highlight the risks and advocate that they are acted on where possible.

Example 1

Firm A has decided that it wants to implement a sustainable investment option for clients who want this to be incorporated into their investment approach. As their investment philosophy focuses on low-cost passive investments they opt to implement a screened alternative to their existing unscreened portfolios.

The firm recognises that this is not going to be sufficient for clients with all forms of sustainability preference, particularly those looking for quantifiable impact in specific areas. However, the firm is happy to refer these clients to a Bespoke Discretionary Fund Manager or another firm which has experience in this area of advice rather than shoehorning them into an inappropriate investment portfolio.

Example 2

Firm B is a dedicated sustainable financial planning firm and offers clients a range of investment solutions, tailored to their specific sustainability preferences. They work with a wide range of investment providers who cater for specific client needs. Their CIP is monitored in order to ensure that the underlying investments continue to meet the specific sustainability preferences of the clients who use it. They also help their clients assess their banking, insurance and mortgage arrangements to ensure these align with their sustainability preferences.

Because of the additional work they undertake to ensure these clients are invested in highly specific solutions, the firm spends considerably more time and money per client on investment research. They know that this is what their clients expect of them. In order to make this more manageable, the firm does not offer advice to clients who have only a limited interest in sustainability and refers these to a generalist financial planner who can offer them a simple, screened portfolio.

Part 2: Operational: Products, services and advice processes

4. Services

It is a widely acknowledged and welcomed fact that financial planners represent more to their clients than being just product and investment distributors.

Planners are able to deliver more sustainable outcomes and offer significant additional value and innovative differentiation by including the consideration of sustainability in the services that they offer:

A. Client education and engagement

A firm may deliver education about material sustainability related facts and considerations and help clients manage and direct this information into a practical and achievable response.

They may also choose to offer events, networks and or a community to clients who wish to increase their understanding, contribution or impact relating to environmental and social projects.

These services are covered in detail in the Client Experience section of this guide.

B. Goal setting and creating financial plans

Planners should quantify and qualify long term client goals to assess whether they are sustainable, achievable, and realistic, considering climate, nature, social and economic risks.

When discussing and exploring personal and financial goals **with individual clients**, the planner should consider whether the physical and transition impacts of climate change might affect whether they are appropriately specific, measurable, achievable, relevant and timebound (SMART). They should make the client aware of any impact that environmental and social risks and changes might have on the client's goals and planning and offer them the option of having this incorporated into their financial plan.

Example

Mr and Mrs Green, aged 65, are planning to retire in 6 to 12 months time and are seeking advice about their pensions and investments and how best to achieve their retirement and lifestyle goals. They live in a 4 bed semi with a large garden in a commuter town close to the River Thames. They are both University educated and the first generation in their family to be so. Mr Green is a computer programmer and Mrs Green has recently worked part time as a Tutor for children with special needs.

Mrs Green's health has deteriorated recently, with a series of severe asthma attacks that have left her unable to pursue her preferred pursuits of gardening, walks in the country and looking after grandchildren. Mr Green wishes to support her more. They wish to travel and enjoy the countryside and the garden in retirement, although Mrs Green's health issues mean they are more likely to stay in the UK.

Mr Green has a range of pensions, defined benefit and defined contribution and both have ISAs. Mrs Green worked part time and was a full-time Mum for a period so her pension provision is modest. They have recently inherited £300,000 from Mr Green's mother and expect no further inheritances.

They have two sons and four grandchildren, aged 6 months to 11. The older son has a successful, highly paid job but the younger one is less financially secure. His wife is Australian but living and working in the UK. She misses her family, especially now she has a new baby. Mrs Green's younger son is neurodivergent but does have a steady office job now he is in his thirties, working for a US tech hardware provider.

The Greens are looking to be green by nature, as well as by name and wish to use some of their capital to facilitate that, for example by buying an electric car and installing a charger in their driveway. They wish to ensure they have adequate income to meet their essential and lifestyle expenditure, but to take measures to keep their expenditure needs low, allowing them to support the children and grandchildren. If affordable, they may wish to gift some capital to support their younger son and his wife with moving to a larger property.

Please identify some environmental, ethical and social issues that you might wish to consider when discussing objectives, planning and solutions with the Greens.

Part 2: Operational: Products, services and advice processes

Financial planners can add value by building additional flexibility and resilience into a client's financial plans and considering any potential additional capital needs or higher living costs. This could, for example, include the cost of air conditioning, property damage, relocation, higher costs of insurance, or food price inflation.

To add resilience to cash flow models, a firm may wish to incorporate the impact of environmental and social risks into cash flow models and scenarios, as well as adapting assumptions, such as inflation rates, market events, growth rates and expenditure needs.

Investment Committees, or other parties responsible for cashflow modelling practices and assumptions, should review these, considering the physical and transition risks of climate change and any other relevant environmental and social risks. This review should cover whether impact on any of the following may be material generally or on a case-by-case basis:

- Client **regular expenditure** (due to food inflation or increased insurance costs, for example)
- Future client **income** (due to ability to travel to work, changes in future job roles etc.)
- Future **capital requirements** (to fund relocation, property repair, green heating or transport etc.)
- Future **asset values** – for example, the value of the main residence if it is in an area prone to flooding.
- The degree of **certainty or uncertainty** expressed in verbal and written presentations of the model.
- Any of the other **central assumptions** used in the model, such as inflation.⁴

C. Intergenerational planning

Younger generations potentially having stronger, more intersectional views of sustainability issues. Planners can support those who are looking to transfer wealth to the next generations to understand this. Firms should consider factoring environmental and social issues into intergenerational and legacy planning, including lifetime gifting and the use of Trusts.

Financial planning often sees intergenerational planning as a tax issue rather than as a way of creating a meaningful legacy across generations. Creating a legacy mindset may involve supporting beneficiaries and the next generation with the exploration of their goals and investment preferences; enabling clients to recognise the benefits of non-financial gifts and legacies; helping Trustees manage fiduciary responsibility and creating a resilient and adaptable long-term investment and distribution plan.

D. Advice processes for establishing and demonstrating suitability

A firm should be able to demonstrate **how** it establishes that an investment solution or strategy is suitable to a client's sustainability objectives, sustainable investment preferences and financial needs and goals. To this end, the firm will benefit from a policy and process that requires its financial planners to:

- Determine client knowledge and understanding of sustainability and how it affects their finances. Establish any client sustainability and financial objectives and preferences.
- Qualify and quantify these as necessary.
- Discuss any priorities, trade-offs, concerns and contradictions.
- Understand how to match client characteristics, objectives and preferences to a specific investment solution or strategy.
- Disclose where a firm does not offer a suitable solution and if the client might be able to find this elsewhere.
- Ensure that clients understand any specific risks, compromises or limitations of the investment or financial planning strategy.⁵

4. This free guide from Switchfoot Wealth explores the construction of financial planning assumptions.

5. This free framework from In Accord may help here: Accord initiative.

Part 2: Operational: Products, services and advice processes

Positive outcomes

- Planners are able to demonstrate that they have invested resource and effort into the **delivery of a quality sustainable investment and financial planning service**, based on the needs of their existing and potential clients.
- **Clients are reassured** that all services offered by the firm are underpinned by sustainability awareness and proactivity. This may instil confidence that the firm and its services are future-fit and well- positioned to support clients through a period of challenge and change.
- Clients are provided with products that are **suitable to their needs** and sustainable investment preferences.
- Clients make investment decisions and financial **choices from an informed position** regarding sustainability risks and are better prepared for potential personal or financial impacts.
- Planners add an **additional layer to the service** and value for money that they provide.
- The existence of a well-researched and clearly defined Central Investment Proposition and Advice Process, incorporating sustainable investment and sustainable financial planning, will support planners in delivering **consistent advice** to clients. This will also enhance efficiency in the delivery of advice.
- There is reduced risk of customer dissatisfaction or complaint, as firms provide **good compliance and Consumer Duty outcomes**. This can feed into reduced PII costs and enhanced business value.
- Planners can use their specific skill sets to **contribute to positive environmental and social outcomes**, climate action and the transition to a clean energy-based economy.
- A firm can demonstrate their commitment to taking sustainability into account with the products and services that they offer, which may make them more attractive to clients, employees, business introducers and other stakeholders.

Part 3: The client experience

Positive client experience is a key aim of the FCA's Consumer Duty. It is underpinned by good client service, client understanding, the avoidance of foreseeable harms and value for money. If a sustainable financial advice proposition delivers positive client outcomes, then this is clearly a good, client outcome. Business profitability, resilience and staff job satisfaction is also highly impacted by the levels of satisfaction experienced by clients.

Consistent delivery of a good client experience depends on the culture, governance, frameworks and training being fit for purpose. This empowers employees to deliver a service that clients appreciate; increasing client retention.

There are many ways to categorise clients, and not all will have the same views about what a good experience looks like. A time-poor business owner will have different likes and needs to a couple in early retirement. Consider tailoring different experiences for your client segments, based not just on how many meetings offered and the level of annual fee, but also on access to additional benefits and services.

All firms should ensure that a client who wishes to take a sustainable or ethical route is not seen as disadvantaging themselves or causing the firm more work. They should not feel as if their choices are restricted, their risks impossibly greater or returns unreasonably diminished. This type of perspective results in widespread failure in the finance profession to understand the true value of non-financial factors.

In this section, we focus on several ways in which good sustainable financial advice can really enhance client experience across a broad spectrum of clients. The main areas covered are:

- Client education
- Client communications
- Client engagement and enablement
- The feel-good factor

1. Client education

Factfinding and investment profiling processes may include a question for clients similar to the following:

“Do you want to take social, environmental or ethical issues into account in your financial and investment decisions?”

This is a really difficult question to give an informed answer to if you are not sure what it means and what implications your answer might have. It's a little like asking a client if they want a platform on a fact find, without first giving them any information about what a platform is and what it can offer them.

You should therefore offer your clients education on environmental and social issues and their connection with finance, before asking this type of question. We are referring to this as education for a good **C.A.U.S.E. (Client Awareness and Understanding of Social and Environmental issues.)**

A firm should ensure that clients are offered awareness and understanding of the potential impact of environmental and social issues on their investments, financial planning and personal wellbeing.

By delivering accurate, clear and unbiased information on this subject, firms will enable clients to make informed choices and build resilience to current and future risks and changes.

Informed clients are empowered clients.

Part 3: The client experience

A. How to support a C.A.U.S.E

To deliver client education well requires the following parameters:

- **All** clients should be **offered information** about the relevance of environmental and social risks to their investments and financial planning, regardless of whether they have a specific preference for investing. This includes new and existing clients who are paying for an ongoing service.
- The information provided to clients should be **timely, adequate, accessible, balanced and easy to understand**, avoiding unnecessary jargon.
- The advice process should include an **assessment of the client's understanding** of this information.
- Clients should have opportunity to express how they wish to apply this information to their financial planning and investment strategy. They should be **encouraged to express their views** without undue time pressure or influence.
- Clients' views and responses to educational material should be recorded as material **Know Your Client (KYC)** information.
- A process should be in place to **monitor the issue of educational material** and the collection of client responses.
- A firm may wish to **record the degree of client interest** in environmental and social factors, which is likely to increase as a result of issuing educational material. They may wish to record data across the firm, for each financial planner and client segment.
- It should be optional, not compulsory, that a client makes use of the educational material. It is however important that it is presented as a value adding service by the firm, not a compliance necessity or red tape. If a client is not personally willing or able to watch, read or digest the material provided, then they may ask a trusted person or the intended beneficiaries of their invested capital to go through the material for them or with them.

B. Content for the C.A.U.S.E

The educational content for clients should cover the following areas **succinctly**. There is a lot of ground to cover and cover well, so this information should be pre-planned and delivered independently of client meetings. Planners must be familiar with the content to be provided.

- i. The key environmental and social issues, risks and opportunities that sustainable finance seeks to navigate and mitigate.
- ii. How these issues affect the finance system via their impact on inflation, market risk, business resilience and profitability, infrastructure and physical assets, economic growth, energy security, jobs and government spending.
- iii. How these issues can also affect personal finance, people's quality of life, their plans, assets, income and outgoings etcetera.
- iv. Ways in which clients can look to adapt to and/ or mitigate the relevant risks, as well as benefit from any opportunities.
- v. Relevant investment strategies - including the following:
 - ESG integration – investing in companies that manage sustainability risks and opportunities to the business.
 - Exclusion of environmentally and socially harmful companies.
 - Engagement and Stewardship on relevant environmental, social and governance issues as an investor in equities.
 - Investing in businesses that offer positive solutions to environmental and social problems (Sustainable funds).
 - Investing for measurable positive environmental and social impact.
 - The role of the four Sustainability Disclosure Regulations (SDR) labels.
 - The availability of ethical banking, philanthropy, community investing, tax advantaged investments and workplace pension options.
- vi. How the firm's products and services can help the client incorporate environmental and social concerns, risks and opportunities into their personal and financial planning and investments. Information about investment solutions should not be limited to the strategies that a firm makes available – clients should be aware of the wider market of sustainable/ESG/ethical/ impact and philanthropic investing.

Part 3: The client experience

The firm should make the client aware which solutions they are able to assist the client with and provide signposting to other sources of assistance in the areas where they do not provide services.

C. Format and delivery

A firm should describe this material to clients as important and beneficial information, without any written or verbal suggestion that the content is irrelevant, inconvenient or unnecessary.

The mode of delivery of the information is up to the firm to decide and will depend on its resources, processes, channels of communication and the needs of its clients. The information could be delivered via a written document (s), a website, podcast or videos. Delivery should take into account client vulnerabilities or accessibility needs.

Information may be internally or externally created (depending on the resources available) and a lot of the content will be generic, but there may be some need to adapt in line with the services that the firm offers.

If creating their own materials, firms should bear in mind the need to heed the FCA anti-greenwashing rule. **FG24/3: Finalised non-handbook guidance on the anti-greenwashing rule | FCA**

D. Timing

The timing of the delivery of any educational material is key. For new clients, information should be provided **before** any investment preferences are expressed, before advice is given, or comment is passed on the suitability and achievability of objectives.

This may be before the first or second meeting, depending on the firm's own advice process. For existing clients, information should be provided as part of the annual review process, ideally in plenty of time before a meeting takes place so that the clients can digest this, and it can potentially inform the assessment of their objectives and the ongoing suitability of their financial plan and investments.

Clients should be allowed adequate time to consider the information and have the opportunity to ask questions.

E. Review

Firms should be aware of the need to update the educational material periodically (as the subject matter and context is prone to evolve) and consider when they would need to re-issue information to clients. It should be noted which version of the material a client has received.

Refreshing or reissuing the material could be good practice due to an update in legislation or in product development, or a relevant change in a client's circumstances. Could a client's approach to environmental and social risks and their investment preferences be influenced, for example, by the birth of a child or grandchild, by them being personally impacted by an extreme weather event or once they have attained personal financial security and feel more able to invest for positive impact, not just return?

F. Client follow up

Having presented the materials to the client, it is important to ensure that they have digested and understood the material and developed sufficient understanding to make an informed decision. Firms may wish to consider incorporating a series of questions to help gauge understanding and help determine what happens next. The following are just examples of the questions which might be asked.

- *After reviewing the material provided, how confident do you feel about making sustainability-related decisions?*
- *What areas of sustainability do you find most confusing or need more clarity on?*
- *Is there anything you felt was not adequately covered?*
- *Having reviewed the materials, how do you see environmental and social issues affecting your long-term financial plan?*
- *How much of the information that we have provided was new to you?*
- *Has it influenced your thoughts on your investment, financial planning and life planning decisions in any way?*
- *Do you feel you would like to revisit this matter at a later date?*

Part 3: The client experience

G. Good outcomes

- Clients are able to make **informed choices** regarding whether ESG, Sustainable, Impact or values-based investing is appropriate for them.
- Clients are made **aware of material personal and financial risks**, which reduces the possibility of future client harms and resulting complaint, challenge or dissatisfaction.
- The firm has delivered a **positive Customer Understanding outcome**. This is aligned with the aims of Consumer Duty.
- Offering sustainability education will **differentiate the firm from competitors**. Two firms may use similar platforms, products, and investment options, but if one provides education and informed choice while the other does not, this may be a deciding factor for clients. Informed advice reduces risk and enhances client satisfaction.

If you feel you wish to develop your good C.A.U.S.E further, you may also wish to consider some or all of the following practices:

- Testing your educational content for understandability and readability with clients, staff and professional friends.
- Offering the material in a range of formats to suit individual customer needs.
- Providing interactive events and facilities for clients to give, receive and discuss information and issues they are interested in, with the firm and to each other.
- Providing clients with links and access to wider information and expertise, through online resource or local networks.
- Informing and educating others about sustainable finance issues and experiences - whether students, peers, community groups etcetera.

2. Client communications

A firm's communications are part of its DNA and should be consistent across all points of contact.

There are 3 stages of communication:

1. Initial "scene setting", where the firm displays generic information about sustainability and how this is incorporated into its products and services. The audience here is all stakeholders, from prospective clients and employees to other professionals and media.
2. Educational material, still generic in its content, but delivered to individual clients as part of the onboarding or ongoing review process.
3. Individual, personalised communications that form part of the advice process. This covers both conversations with and emails from staff and formal Suitability and Annual Review Reports.

Across all of these stages, firms should be aiming to communicate in a way that is fair, clear and not misleading (in accordance with the FCA anti-greenwashing rule) and should aim to avoid jargon and achieve consistency, accuracy and lack of bias.

The need for clear and fair communication is embedded in the Consumer Duty Consumer Understanding outcome, FCA financial promotions rules and the Conduct of Business Sourcebook.

A. Nuance

Some of the features and benefits of sustainable investments, as well as the reasons for opting to invest sustainably, are hard to pin down in precise figures. We can say to a client with some reasonable certainty ***"if you do nothing about your current IHT liability, you will have a tax bill if you died today of £xx. If you died in 10 years' time, based on the reasoned assumptions of x, y, and z, your liability would have increased to £xx."***

It is not currently possible, with the information and tools available to us, to say:

"If we all invest in this fund, the average global temperature is likely to increase by 2.5 degrees and that means your timeshare in Florida will be under water by 2040."

Part 3: The client experience

Pinning actions and consequences down to a specific, personal impact is not possible. The outcomes of sustainable investment choices are very much forward looking and taking account of probable and possible future changes, unlike much of the other information we give our clients, based on past performance, existing tax rules and business as usual.

With sustainable investing, investment managers can provide some useful concrete information. For example, if you invest in this fund and not this fund, the associated carbon emissions will be x% lower, or you will reduce carbon emissions to an equivalent extent of taking X number of cars off the road. However, other potential benefits, for example any potential future impact of investment manager stewardship, can seem less certain and difficult to quantify.

It is therefore important for a firm to ensure it has a fair and realistic account of what it aims to achieve through the selection of sustainable investments, based on facts not hope.

There is a place for telling a compelling story about caring for people and planet and the urgency of the climate crisis to explain why a firm takes sustainability seriously, but pragmatism and facts are essential when describing the likely outcomes of sustainable investing, particularly via collective investments in public markets.

It is highly recommended that several sets of eyes are cast over communications describing sustainable investments and sustainable financial advice services combining various sources of internal and possibly external expertise.

A marketing team alone might do a great job of illustrating and explaining why we might want to invest “for the planet” but might stray inadvertently into greenwashing. An investment manager might focus too much only on the problems and solutions that their product is designed to tackle and use terms that aren’t very client friendly. A compliance team might not know enough about sustainability to properly assess financial promotions.

B. Collective rather than individual outcomes and benefits

Some of the positive outcomes that sustainable investing offers will only be achieved through collective rather than individual action. If one or two of your clients choose a low carbon portfolio and the rest don’t, then the client who made the positive choice may still be affected by climate change induced system level volatility in the markets. They may still suffer if energy bills are higher due to the geopolitics and conflict associated with fossil fuels and from health issues associated with air pollution and high temperatures.

Financial planning meetings and communications are naturally highly focussed on individual circumstances and outcomes, so it may be difficult to shift into discussion of the collective. While this may seem challenging, it should be borne in mind that we do the same when we discuss global stock markets and the forces that drive them.

It should be helpful to make clients aware of the fact that there is a strong collective desire to invest positively for the environment and society and a belief that governments should do more to address these issues.⁶ This is also where a launch or campaign can be useful, as this provides an influx of client interactions and reactions, allowing people more to move in numbers, rather than alone.

C. Complexity

The complexity of tailoring sustainable financial advice to each client requires sustainability communications to be treated a little differently, assessing the level of information that is essential and material, together with the timing and format of delivery.

6. Anthropocene Magazine: You’re underestimating other’s willingness to act on climate

Part 3: The client experience

D. The art of storytelling

To optimise the effectiveness of communications around sustainability, we should recognise its capacity for human connection. This helps us to foster better relationships with and value for our clients and wider network. Stories about sustainability can serve as bridges, linking abstract concepts like carbon footprints and biodiversity loss to tangible, relatable human experiences.

Consider the impact of a story of a community revitalizing a polluted river or obtaining a grant and building its own mini hydro power source. There will be success stories like those in the communities that you operate in. They are a great way of highlighting how activities can capture both environmental and social benefits, demonstrating community resilience, human collaboration across generations and empowerment. Projects like this may be of particular interest to clients at or approaching retirement and thinking about opportunities that they can get involved in locally once they have more time on their hands.

Much of the narrative about the impacts and risks associated with issues such as climate change can be negative; positive action stories can offset this by focussing on shared progress rather than individual sacrifice.

Stories are also an effective way to address the issue raised previously, the perceived distance of sustainability issues from daily life. They can help counter the view that sustainability is only for experts or activists, and instead, is a journey accessible to everyone, regardless of their background or expertise.

With a particular relevance to the finance arena, sustainability stories can contribute to a cultural shift in how we perceive progress and well-being. They bring other measures of success and positive outcomes into consideration (social and environmental wellbeing), as well as maximum financial return and individual monetary wealth.

Stories are useful for creating a mindset and a readiness amongst staff, clients and other stakeholders to accept and even embrace your firm's journey through sustainable financial advice.

Case study

A medium sized IFA firm with offices in two northern cities decided to launch a sustainable investment proposition. This was not an area of investment they had previously had a solution for. However, a review of their client bank found that this included:

- A few businesspeople who were running businesses designed to have positive environmental and/ or social impact - from plastics-free cosmetic products to green transport.
- A high-net-worth client with deep expertise in renewable energy.
- Several clients who worked or volunteered in their spare time for charities, pension funds or community organisations.
- Clients who were part of a family group looking to distribute wealth down the generations after a business sale and consider more than a financial legacy for the children and grandchildren.
- Younger clients, due to inherit, with interests in more niche, high impact areas such as veganism and place-based investment.
- Many clients with a strong, albeit dormant interest, in doing good for nature.
- A large corporate client operating in an industry with a very poor environmental footprint, who was keen to offset this with environmentally positive solutions.

None of these clients arrived because of the sustainable investment solution, they were all already there. However, they all were very enthusiastic about investing some or all of their capital sustainably. Some of them were also willing to participate in educational events and communications to support the new initiative.

Part 3: The client experience

3. Client engagement and enablement

You may wish to consider involving your clients in your sustainable financial advice proposition.

There may be clients with professional or personal expertise in some of the sustainable issues you will be investing in and sharing information about.

But sustainability is not just for academics and experts; there are ways in which even the “average, new to sustainability” client can engage positively with sustainability:

- **Survey your clients’ views**, concerns and interests on sustainability and sustainable investment issues. This can be done at review meetings, via a newsletter or a bespoke online survey or poll.
- Ask trusted clients with relevant interest or expertise to **review sustainability initiatives and communications**.
- Have periodic **client events** where speakers can talk about “sustainability stories” or clients can get out into nature or the community together. These will also encourage clients to talk together about associated issues.
- **Incorporate sustainability issues into any podcasts, newsletters** and other marketing and networking services that you have.
- Ask clients if there is anything being done or **talked about in their workplace, at their children’s schools** or in their leisure and community groups about sustainability and offer to support this in some way.
- Consider **connecting your clients** - with permission - if they may have sustainability needs and products and services that can benefit each other.

Implementing some of these initiatives can have the following positive outcomes:

- Added value for clients for their ongoing fees. Not all clients will have the time or wish to participate, but some will feel seen, valued and glad to be of help.
- Opportunity for your sustainable financial products and services to be developed and aligned more closely with client’s interests and preferences.
- Direct or indirect referrals may be generated, with clients either directly telling family and friends what you are offering, bringing up some of the things you have told them in conversation or even bringing friends along to events.
- A greater connection with the town, city or communities in which you operate.

Part 3: The client experience

4. The feel-good factor

While some clients are highly engaged with the financial planning and investment process, many other existing clients and prospects can find interactions with financial services daunting, dull, confusing and not their cup of tea.

They may not know how to answer risk questionnaires, put off annual reviews or clock watch through the meeting. They may have no idea when they are going to retire or why they are investing, except that you or someone told them that they should beat inflation. They are absolutely sure they want flexible access to their pension pots when they retire but do not seem to be able to articulate why.

None of the above paints a picture of a financial planning playing field that really maximises people's life potential and the satisfaction they gain from being part of a financial planning relationship.

Bringing sustainability and values into processes, products and services can help clients find their annual reviews and conversations with their planners more relevant and interesting. Conversations about sustainability, about people and places, likes and dislikes, are easier to have for many clients than conversations about markets or pension rules. They can be a way to make investors see more purpose in their investments and take time to engage with them. They can ensure that all participants have lots to say or ask at a review meeting. They can break the ice when discussing investing with younger clients and beneficiaries, who may have a very different idea of what a financial planning service or relationship should look like, compared to their parents and grandparents.

Research by The Lang Cat⁷ also suggests that young people looking at the profession from the outside do not see it as an interesting, rewarding career option. Based on YouGov research amongst 514 young people aged 17-23, only 28% said they found a career in the financial services sector appealing. When asked what young people want from careers, that 81% wanted a job that interests them, 62% value salary potential, 58% want job security and 53% are motivated by roles that help people or society. Placing sustainable investing and financial advice front and central has great potential to make our profession score higher on the “interesting” and “helping people/society” fronts, without any negative impacts on earnings potential.

Sustainable investing offers clients an opportunity to make a positive choice and take a positive action, allowing them to “do some good” without major inconvenience or lifestyle change. This knowledge may help people cope with worry or frustration about some of the bad things we see unfolding around us, whether that be dangerous floods and storms in the UK, drought and wildfires across Europe, poverty in Africa or misogyny and inequality globally. It can be an antidote to this specific form of vulnerability. Taking sustainability risks, adaptation and resilience into account in personal financial planning can also help clients feel prepared and comfortable in the knowledge that they are doing all they can to keep both themselves and others protected.

Sustainable investments are often described as offering both a financial return and a positive environmental and/ or social outcome. This could be extended to say that sustainable financial advice (incorporating sustainable investing) can offer both a financial return, positive environmental and social outcomes and a sense of hope, resilience, purpose, enthusiasm, belonging, gratitude, loyalty and comfort.

Reviews of financial plans are an integral part of the financial planning process (Step 7 in the **Financial Planning Standards Board process** is Monitoring Progress and Updating), not just something we have to do because the regulator expects a meeting for a fee. When firms are looking at the review of sustainable financial plans this is no less important and carries some additional steps which firms should be prepared to implement.

Annual and ongoing reviews are a critical moment for reconnecting a client's money with their values, lived experiences and evolving preferences. Just as a planner reassesses risk, goals and capacity for loss, it is equally important to review whether a client's sustainability preferences still feel authentic, relevant and motivating.

- **Have the client's sustainability views changed?**
People's understanding of environmental and social issues changes over time, through life events, new information, shifting priorities or increased awareness of systemic risks. Returning to these themes in reviews helps ensure that the plan continues to reflect the whole person, not just their financial circumstances.
- **Does the plan still meet the client's non-financial objectives?**
Review meetings allow the planner to revisit the non-financial outcomes the client originally sought, such as avoiding harm, supporting positive solutions, aligning with certain values, or contributing to long-term societal resilience, and to look at whether the current strategy remains aligned with this.

Part 3: The client experience

- **Is further action required?**

A sustainable financial plan is rarely static; it may evolve as the client develops confidence, curiosity or a stronger sense of agency. Sustainable investors are known to be information seekers. Reviews make room for exploring whether a client wishes to deepen their approach, such as by refining exclusions, widening positive themes, incorporating stewardship priorities, or considering other areas such as banking, occupational pensions or philanthropy.

- **Building an emotional connection?**

A key factor of sustainable (and ethical) financial planning is the opportunity it presents to allow people to connect on an intrinsic basis with their investments. The review represents an opportunity to help strengthen this, by helping the client see what their money has been doing in the world. This can be particularly important for clients who have specific non-financial outcomes they want to achieve, such as reforestation or pollution reduction.

- **Real world impact?**

The financial review also represents a key opportunity to consider the real-world impact of things like a changing climate on their personal financial resilience. With increased weather events directly linked to climate change, reviewing the financial sustainability of the plan through a lens of the continued increased cost of living can be helpful.

Sources of further information and guidance

The Personal Finance Society signposts a number of useful guides, courses and references:

www.thepfs.org/about-us/initiatives/sustainable-finance

In Accord: Accord initiative:

www.accordinitiative.com/public/page/Introduction/102

Switchfoot Wealth: Sustainable Financial Planning:

www.switchfootwealth.co.uk/wp-content/uploads/2023/11/Sustainable-Financial-Planning.vf_.pdf



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