



Responsible investment - key questions to ask your client

Attitudes to responsible investment are changing, and client demand is growing. How you manage this demand is important when you engage with your clients and could be even more relevant with regulatory change on the horizon.

To help get you started we've provided some simple steps, conversation starters and potential questions to ask when talking to your clients about responsible investment.

1. Gauging your client's motivations on responsible investment

Before you start adding additional questions into your client fact-finds, you may find it beneficial to warm your clients up and engage with them on responsible investment. This will help you learn about their interests and motivations at an early stage.

It doesn't have to be anything sophisticated. It could even be as simple as talking about something that's happened in the news around the climate like an extreme weather event. You're simply gauging your clients' needs and motivations before formally integrating new things into your fact-find.

Some example questions could be:

- How concerned are you about the world you'll retire into?
- Do you donate to any charities, if so which ones and why?
- What are your thoughts on some of the extreme weather events you've seen on the news?
- Have you considered buying a hybrid or all-electric car? Or do you already own one?
- When shopping for food, do you look at the labels for Fairtrade, organic or locally sourced food?
- Do you avoid certain brands or shops based on their ethics or practices?

2. Understanding your client's responsible investment preferences

One of the best ways to do this is to integrate several open questions into your standard fact-finding questionnaire. This will allow you to record your clients' responses as part of your standard advice process.

You'll likely get some varied responses to those questions, but they can lead you into a broader conversation that'll allow you to ask specifically about environmental, social and governance (ESG) issues.

Some example questions could be:

- What are your levels of understanding or awareness when it comes to responsible investment or ESG investing?
- What's your understanding of sustainability?
- Are there any types of stock that you want to invest in?
- Would you feel uncomfortable investing in certain types of stocks? Why do these stocks make you uncomfortable?
- How important is it to you to invest in companies aiming to deliver a net benefit to society?
- How important is it to you to invest in responsible companies that take ESG factors into account?

3. The next steps

Once you've probed further, you can then start thinking about grouping your clients into different segments based upon their responsible investment preferences.

This can link to your PROD target market analysis, as well as helping you map different responsible investment approaches and solutions onto client needs.

One solution is the Spectrum of Capital. This shows all the different approaches to responsible investment, the level of risk they're exposed to and the potential trade off in performance. It also helps you identify what type of investor your client is by seeing which approach matches their motivations along with their financial and investment goals.

Investor types within the Spectrum of Capital

- Traditional
- Ethical
- Responsible
- Sustainable
- Impact-driven
- Philanthropy

If you'd like to find out more about responsible investment and how Royal London can support your business, speak to your usual Royal London contact or visit adviser.royallondon.com/pensions



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