

Conversation Starters: What are your clients' ESG hot buttons?

Did you know that 8 of 10 investors are already investing in ESG strategies or are very receptive to it? Whether they're driven more by performance or purpose, ESG allows investors to connect with their financial goals in a more meaningful way. That gives you an opportunity to deepen relationships with clients.



THE CHALLENGE: How to start the conversation

This discussion guide will help you initiate a client-focused dialogue, based on their tendencies or hot buttons, as determined by [BMO's new MyESG™ digital quiz](#).

THE PROOF: BMO's new investor research

Data on high-net-worth and high-household-income investors in Canada and the US revealed insights that led to four investor personalities to help you segment clients when discussing ESG investing.

THE TACTICS: Use this guide with the MyESG™ digital quiz

When your client takes the two-minute quiz, you'll discover their ESG investor personality and can use the conversation cues in this guide to initiate a client-centered discussion.

THE ESG PERSONALITIES: Four segments of investors

Customize your client conversation based on four distinct client segments, built from our statistical analysis of investor beliefs and behaviors. (But we're all human, so some client results may include primary and secondary traits that you can weigh and balance.)

Strongest
ESG beliefs
& actions



ESG Motivated



ESG Ready



ESG Pragmatic

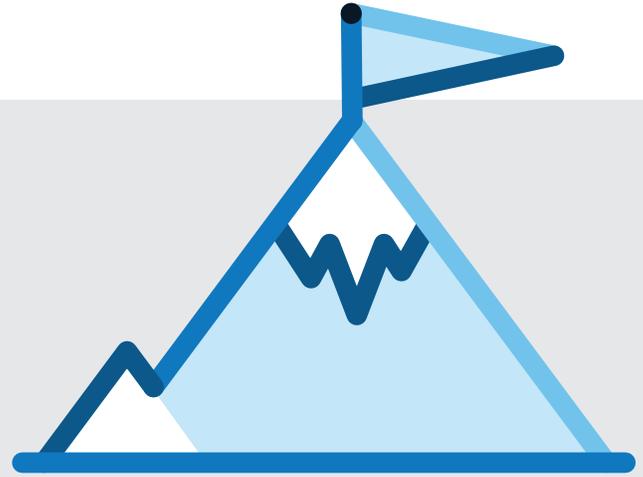


ESG Skeptical

Less strong
ESG beliefs
& actions

ESG Motivated

“It makes sense to me, it’s a part of my investing mindset.”



- Strong ESG personal beliefs and behaviors.
- These investors vote with their wallet, on consumer and investment choices.
- 8 of 10 are invested in ESG now.
- They prioritize positive ESG impact before risk and return.
- Most are likely to invest in themes, like renewable energy.
- Most agree that proxy voting is important to influence corporate behavior for good.

PROOF POINTS

BMO’s funds that invest in “best in class” firms use the inclusion approach to ESG. We believe this can provide:

- More diversified exposure that’s comparable to the benchmark.
- Opportunity to directly influence corporate behavior for good by engaging with companies directly and through shareholder voting rights.
- Opportunity to make responsible investments even better.

Conversation cues

Aim to better understand the client’s values and how to translate these into meaningful investments.

“The quiz results show that you have strong ESG beliefs and behaviors, and that you’re motivated to invest in ESG funds — does that sound about right?”

“If you’re interested in adding ESG investments to your portfolio, there are lots of options we can discuss.”

“There are exchange-traded funds and mutual funds for ESG investing. Some are designed to avoid certain industries and companies with low ESG scores, and some do more than screen out stocks by investing in best-in-class companies with the highest ESG scores.”

“Let’s talk about the investment themes in the digital quiz and focus on the ones that are important to you.”

“We could carve out a portion of your portfolio and replace those funds with comparable ESG investments, or should we work toward having all ESG investments at some point?”

“I have several clients with similar goals and personal values, would you like to hear about some of the solutions they’ve chosen?”

“Now that we have a good understanding of how you want to move forward, let me follow up with you next week with some options to consider. I can also give you some things to read if you want to learn more about how ESG investing works.”

ESG Ready

“ESG issues are important to me, I’d like to know more about how to invest.”



- *Second strongest ESG beliefs and likelihood to invest in ESG.*
- *Strongest agreement that it’s possible to combine positive impact and corporate profits.*
- *They tend to separate personal values and investments, possibly because they don’t know about ESG performance or how to incorporate both.*
- *Highly likely to invest in ESG; 4 in 10 are already invested.*
- *Few have asked an advisor for ESG ideas or received them, but 7 out of 10 investors would ask in the next year or so.*

PROOF POINTS

- As of 2018, there were US\$30 trillion invested in sustainable assets around the world.¹
- 90% of Millennials want to tailor their investments to their values.²

Conversation cues

Focus on connecting the dots between positive impact and performance:

“The quiz results show you’re interested in ESG topics and ready to consider investing in ESG funds (or invest more) — does that sound about right to you?”

“Did you know you can get comparable risk and return with investments that support your ESG beliefs?”

“There are some interesting new investments available. I can share some of the latest updates.”

“Is this something that might encourage your kids toward better saving and investing habits?”

“We can start with a small part of your portfolio that you’re open to replacing with comparable ESG investments.”

“I have several clients with similar goals and ESG values, would it be helpful to hear about some of the solutions they’ve chosen?”

“Funds that invest in best-in-class companies do more than screen out stocks. By investing in high ESG stocks, they may be more effective for investors and for ESG outcomes.”

“Now that we have a good understanding of how you want to move forward, let me follow up with you next week with some options to consider. I can also give you a few things to read if you want to learn more about how ESG investing works.”



ESG Pragmatic

“I’m just not sure. Will it work with my investment goals?”



- They place less importance on ESG beliefs, but 4 in 10 invested in ESG.
- Least likely to believe it’s possible to combine positive impact and corporate profits.
- Most likely to see ESG from a returns perspective; nearly half would ask an advisor about ESG in the next year or so.

PROOF POINTS

- Compared with traditional mutual funds and ETFs, ESG investments can reduce risk and provide the potential for greater long-term returns.³
- Looking at 400 global stocks across three different timeframes, companies with the highest governance scores outperformed those with the lowest governance scores by an average of 2%.⁴
- ESG opportunities are expected to grow. For example, the UN estimates the economic gain of taking a bold response to climate change at US\$26 trillion through 2030, compared to a business-as-usual response.⁵

Conversation cues

Offer areas to explore with ESG for sustainable performance, without highlighting personal values:

“The quiz results indicate that you’d be interested in ESG if it had a proven track record — does that sound about right to you?”

“I hear your concerns; let me reassure you that we won’t look for trendy investment ideas or lower our performance expectations. These are investments.”

“Are you open to ESG investments that seek to reduce risk and add the potential for greater long-term returns?”

“The ESG investments that might interest you are the ones that look to invest in companies that are profitable because they’re managed responsibly.”

“Is this something that might encourage your kids toward better saving and investing habits?”

“I have some clients who also look at ESG from a pragmatic perspective; would it be useful to hear about their decision process?”

“I’m glad we talked about this so I have a better understanding of your perspective. Let me follow up with you next week with some information, including how ESG investments might fit your financial goals.”

ESG Skeptical

“Prove it — show me that this is about performance, not just values.”



- *Very low ESG beliefs, and least likely to invest in ESG.*
- *More likely to separate personal beliefs and investments, but over half think it's possible for companies to combine positive impact and corporate profits.*
- *Most likely to look at ESG from a practical perspective; unlikely to ask an advisor about ESG in the next year or so.*

FACTS AT A GLANCE

- Compared with traditional mutual funds and ETFs, ESG funds can reduce risk and provide the potential for greater long-term returns.⁶
- The governance factor is often the key driver of returns, over environmental and social factors.⁷
- One year before Equifax disclosed a security data breach, MSCI removed the firm from its indexes because of ESG risks.⁸

Conversation cues

Take this client's lead in exploring ESG and focus solely on performance:

“The quiz results indicate that you're skeptical when it comes to ESG — does that sound about right to you?”

“I hear your concerns; this isn't about do-good companies that give away profits. These funds are expected to add value with solid risk-adjusted returns.”

“ESG funds are really just using more data to make investment decisions. Wouldn't you want to know if a company has a history of worker safety issues?”

“People often think about climate change when they hear ESG, but it's actually the governance factor that often adds the most value to the portfolio.”

“I think the Equifax data breach is a great example of how ESG analysis can help to avoid losses.”

“The ESG investments that might be of interest to you are those that look to invest in companies that are profitable because they're managed responsibly.”

“Is this something that your [wife, partner, kids, parents] might be interested in hearing about?”

“I'm glad we talked about this so I have a better understanding of your views. Let me send you some information on how ESG performs.”

Sustainable Development Goals (SDGs)



These 17 goals were developed by the United Nations and cross-industry stakeholders to provide a roadmap toward a more sustainable world. From a corporate perspective, they are a framework for discussion and collaboration on specific sustainability issues. From an investor's perspective, they represent issues that investors can support with their financial capital, such as water management, labor standards and executive pay.

1. The Global Sustainable Investment Alliance, "The Global Sustainable Investment Review 2018"
2. MSCI, "Sustainable Signals: The Individual Investor Perspective," 2019.
3. 6. Meta studies conducted by the University of Oxford, Mercer and Morningstar, among others.
4. Kelly Tang, Seeking Alpha, "Exploring the G in ESG: The Relationship Between Good Corporate Governance and Stock Performance – Part 2".
5. The Global Commission on the Economy and Climate, "Unlocking the Inclusive Growth Story of the 21st Century."
6. Axioma research, 2019.
7. Allianz Global Investors, "ESG in Equities," 2015.
8. *The Wall Street Journal*, "A Warning Shot on Equifax: Index Provider Flagged Security Issues Last Year," October 6, 2017.

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