



RESPONSIBLE INVESTING:

A THREE PART SERIES

PART III



As a variety of approaches to responsible investing have evolved, so have investor preferences. Each client has unique values and priorities that affect how they prefer to invest. It's important for financial professionals to understand their clients' unique values in order to align them with their investments.

How do you engage and talk to clients about Responsible Investing (RI)?

Key Points:

- Fiduciaries have an opportunity to deepen relationships with clients through RI.
- RI education process is not just for new clients.
- Know the basics.

It is important to remember there is:

1. No single definition for responsible investing and a litany of lingo
2. No single motivation for investors to incorporate RI strategies
3. No single approach to RI

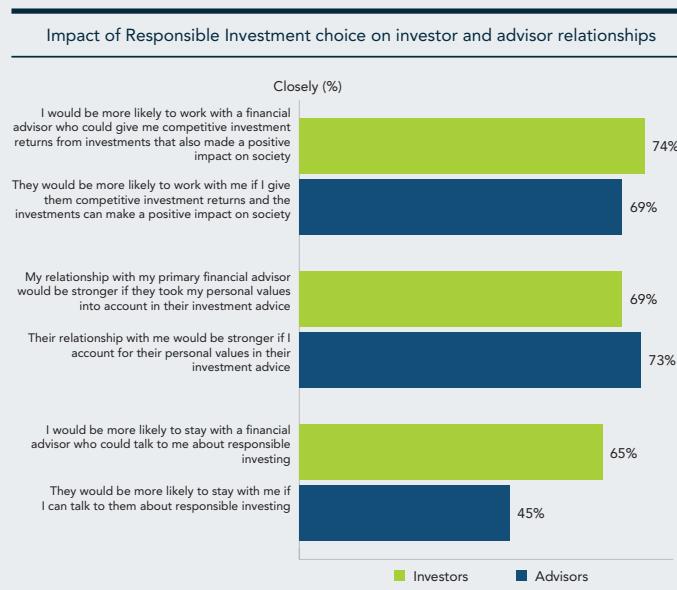
Coupled with persistent misconceptions about lack of opportunities and performance, it is no wonder fiduciaries may stop short of leading clients down the path of responsible investing.

Advisors hesitate to recommend RI due to concerns about performance and the quality of choices available

- 61% of investors say their advisor did not bring up RI over the past 12 months.
- 46% of advisors say they have never offered RI products to their clients.
- Nearly half (47%) of advisors indicate that RI does not offer best-in-class choices as something that would prevent them from recommending it to their clients.
- Almost as many advisors (44%) think RI does not provide the same rate of return as other investment strategies.
- Over a third (35%) think their clients aren't interested in RI.

TIAA Global Asset Management, Second Annual Practice Management Study.

However, fiduciaries and investors agree that having deep discussions regarding values and RI strategy preferences have the opportunity to strengthen relationships, resulting in a higher level of trust and loyalty.



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Given these challenges, how does one articulate RI to a client, board or investment committee?

Tips for RI Engagement:

- **Know your Client and their Motivation(s).**

Did your client's wife just join the board of a local church? Talk to them about faith-based RI investing. Does your client donate money every year to a specific charity? Look for indications of your client's passions and lifestyle. Knowing your client on a personal level will help generate RI conversations.

- **Engage in Effective Listening**

Financial consultants and advisors spend most of their time giving clients advice on how to invest, but incorporating an RI approach requires listening. Client values and motivations are different. Without careful listening, opportunities to better serve clients will be missed. Fiduciaries who develop or improve upon their effective listening skills and ask pertinent questions will be able to gain a deeper understanding of their client's values and preferences when it comes to RI.

- **Remain Neutral**

RI issues can be personal and/or political hot buttons; talking about life ethics, gun control or climate change can be uncomfortable for fiduciaries and clients alike. Client values may differ from the fiduciaries, making it harder to remain neutral, but doing so is essential to building trust.

- **Be Authentic**

Be honest with your clients about Responsible Investing and establish a level of trust. You may not have the same exact values, but by demonstrating your commitment to your client's responsible investing needs, you can show them that you are interested in aligning their portfolios with their unique preferences.

- **Do Your Research**

As the saying goes, knowledge is power, but staying on top of the ever-shifting trends of RI can be challenging. Differentiate the reputable sources of information from the obscure; just because it's on the web doesn't make it true. Seek out expertise, check activist or non-government organization (NGO) web-sites; join US SIF or UN PRI; follow reputable groups on LinkedIn; get involved in local RI organizations. By understanding the current issues, an advisor can better help his or her client make informed decisions.

- **Stay Out of the Weeds**

This is mainly an issue for exclusionary practices, the key question is where to draw the line. There can be a tendency for discussions to "go down a rabbit hole" and spiral into varying opinions on materiality. Investors questioning how far to drill down the criteria can get lost in endless data. Focus the conversation on scalable and verifiable data. If a replicable process is not followed then it is simply cherry-picking.

- **Dispel the Myths**

A major misconception is that investors who prioritize sustainable strategies have an extremely limited list of investment choices. However, that is not the case.

A lot of profitable companies utilize sustainability in their corporate strategy and align with many widely-used responsible investing standards, such as Coca Cola, Adidas, Apple, and BMW. Investors who want to add sustainable strategies within their portfolios now have an expanded universe of funds to choose from.

- **Know the Lingo**

Responsible investing has more acronyms than the U.S. government—some with multiple meanings. SRI is historically referred to as Socially Responsible Investing, but now SRI generally refers to Sustainable, Responsible and Impact Investing.

RI Acronym Glossary

- **UN PRI / PRI** - The United Nations-backed Principles for Responsible Investment Initiative
- **CSR / CR** - Corporate Social Responsibility / Corporate Responsibility
- **US SIF** - The Forum for Sustainable and Responsible Investing
- **GRI** - Global Reporting Initiative
- **NGO** - Non-government organization
- **KPI** - Key Performance Indicator
- **GHG** - Green House Gases

The definition and parameters of Responsible Investing are dynamic, but the significant growing interest from investors is fueling fiduciary conversations and igniting investment innovation. As new political, environmental, and social concerns arise, so will new definitions of Responsible Investing. The rich history of RI has evolved into a widening market of investment options, which includes screened investments, shareholder advocacy, ESG integration and impact investing. By keeping up-to-date with this evolving values landscape, advisors and consultants can help each client align his or her unique values with their investment strategies.

About Crossmark's 30 Year History

Crossmark Global Investments is an innovative investment management firm. The firm provides a full suite of investment management solutions to institutional investors, financial advisors and the clients they serve. We have a multi-decade legacy of specializing in responsible investment strategies for clients. Founded in 1987, the firm is headquartered in Houston, Texas. Additionally, Crossmark is the exclusive manager of the Crossmark Steward Funds, which is a fund family that applies an overarching values-based screening methodology to its suite of equity and fixed income funds, including its award-winning Steward Global Equity Income Fund - named Lipper's "Best Global Equity Income Fund" for the last four consecutive years.

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