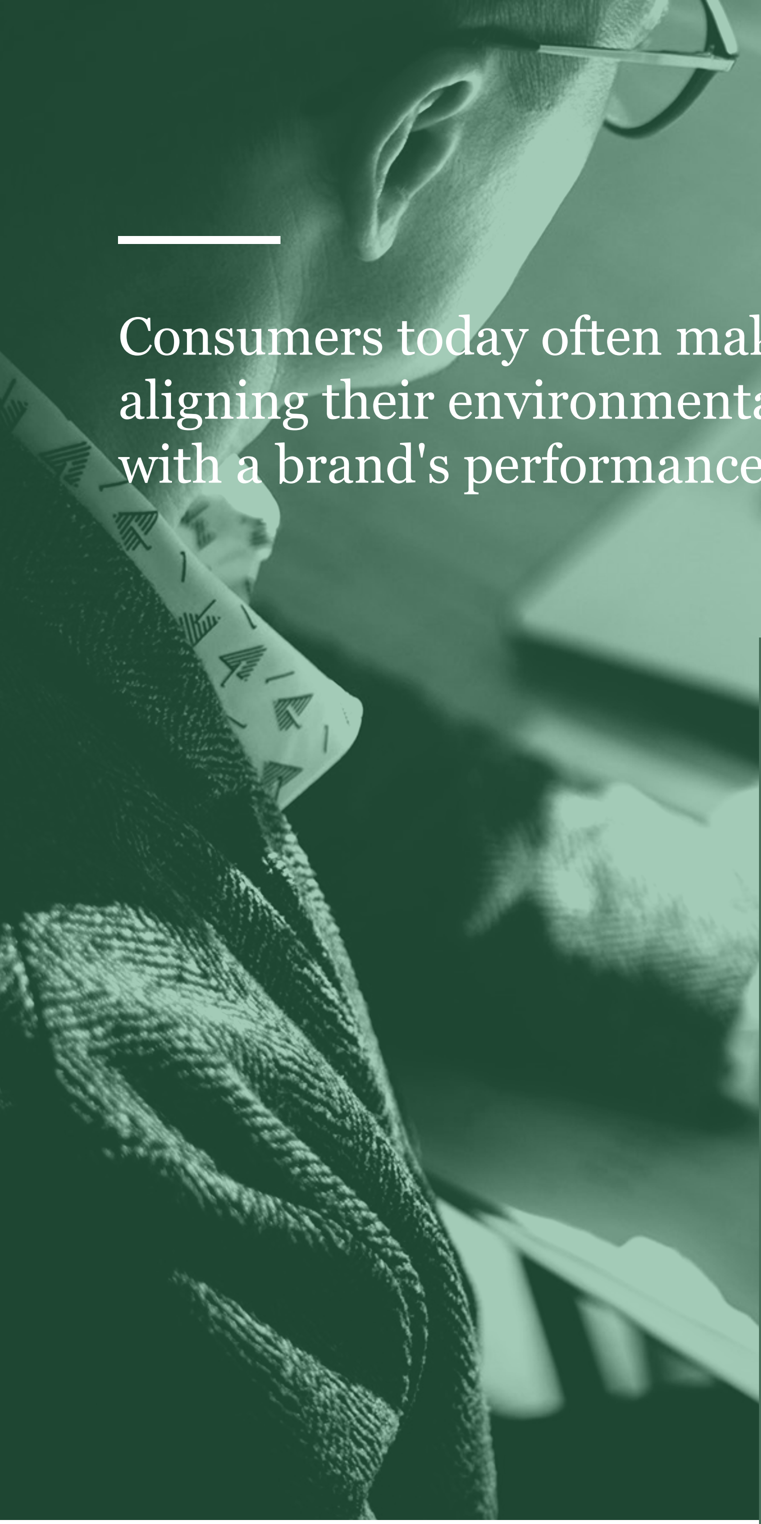
New York Life Investments

Customize your clients' ESG experience

A playbook for financial professionals

Contents



Consumers today often make buying decisions by aligning their environmental and social values with a brand's performance in these areas.

Before they buy, these values-driven consumers research the social reputation of companies they're considering. They're willing to avoid those whose social practices aren't consistent with their convictions, and often steer clear of products that harm the environment. Many of these consumers could possibly be your clients.

68% According to a 2020 Forrester report, 68% of consumers said they consider a brand's social reputation before buying from them.

41% That's because 41% of consumers want a company's values and practices to align with their ethics.

From consumer concerns to investing decisions

In a 2022 New York Life Investments study, 56% of respondents considered themselves "values-driven." These investors will take the same actions when investing as they would when purchasing consumer products.

Increasingly, investors are interested in aligning their investment portfolios around their environmental, social, and governance (ESG) values. When deciding whether to invest in a company, they often ask questions like:

Environmental

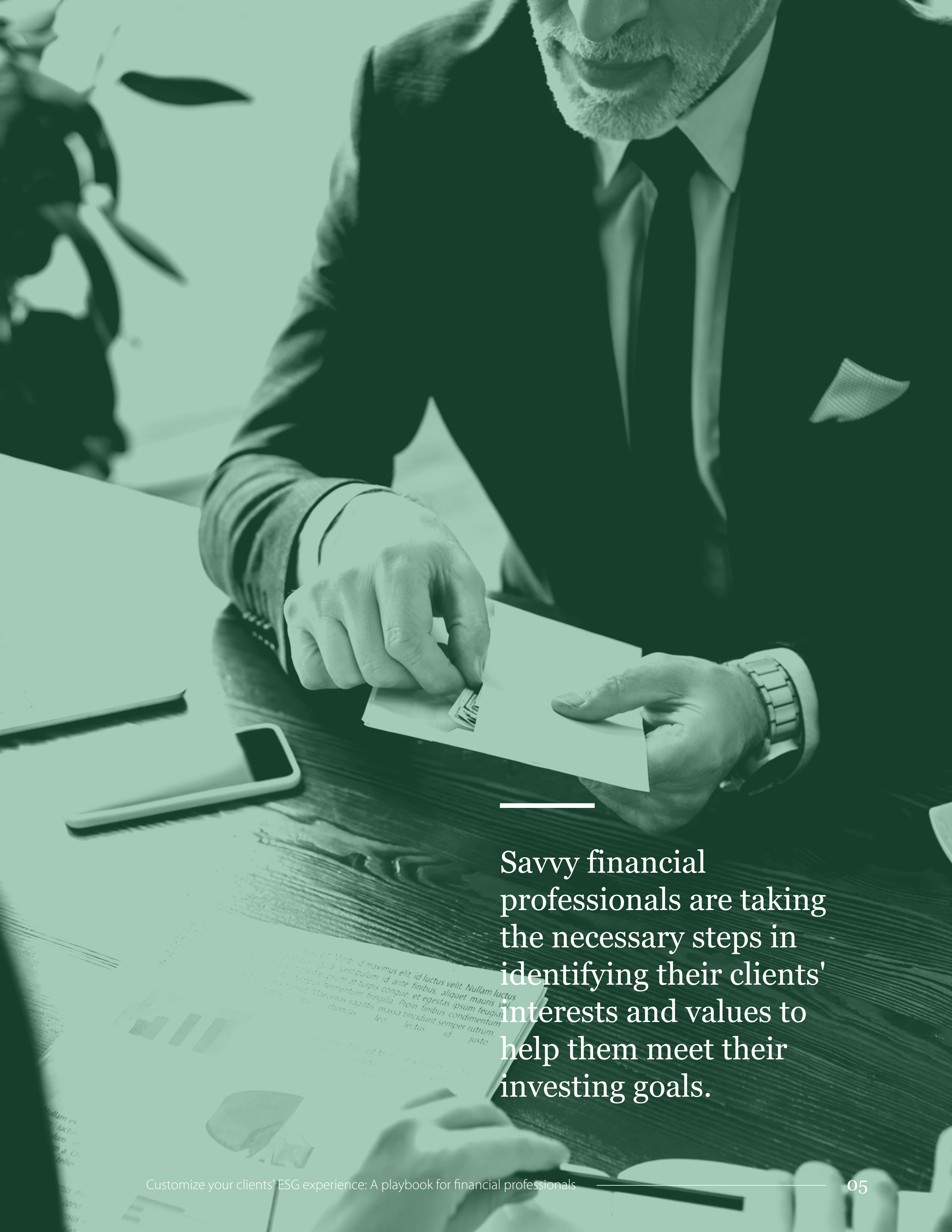
Is this company producing its products in a sustainable, environmentally friendly way?

Social

How does this company treat its employees? What's their stance on social justice?

Governance

Does the company consistently act ethically and with transparency? What is their policy on consumer privacy?



Savvy financial professionals are taking the necessary steps in identifying their clients' interests and values to help them meet their investing goals.

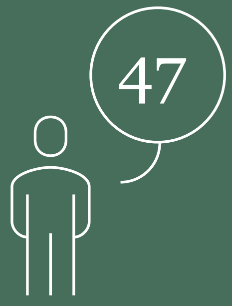
Are your clients interested in ESG?

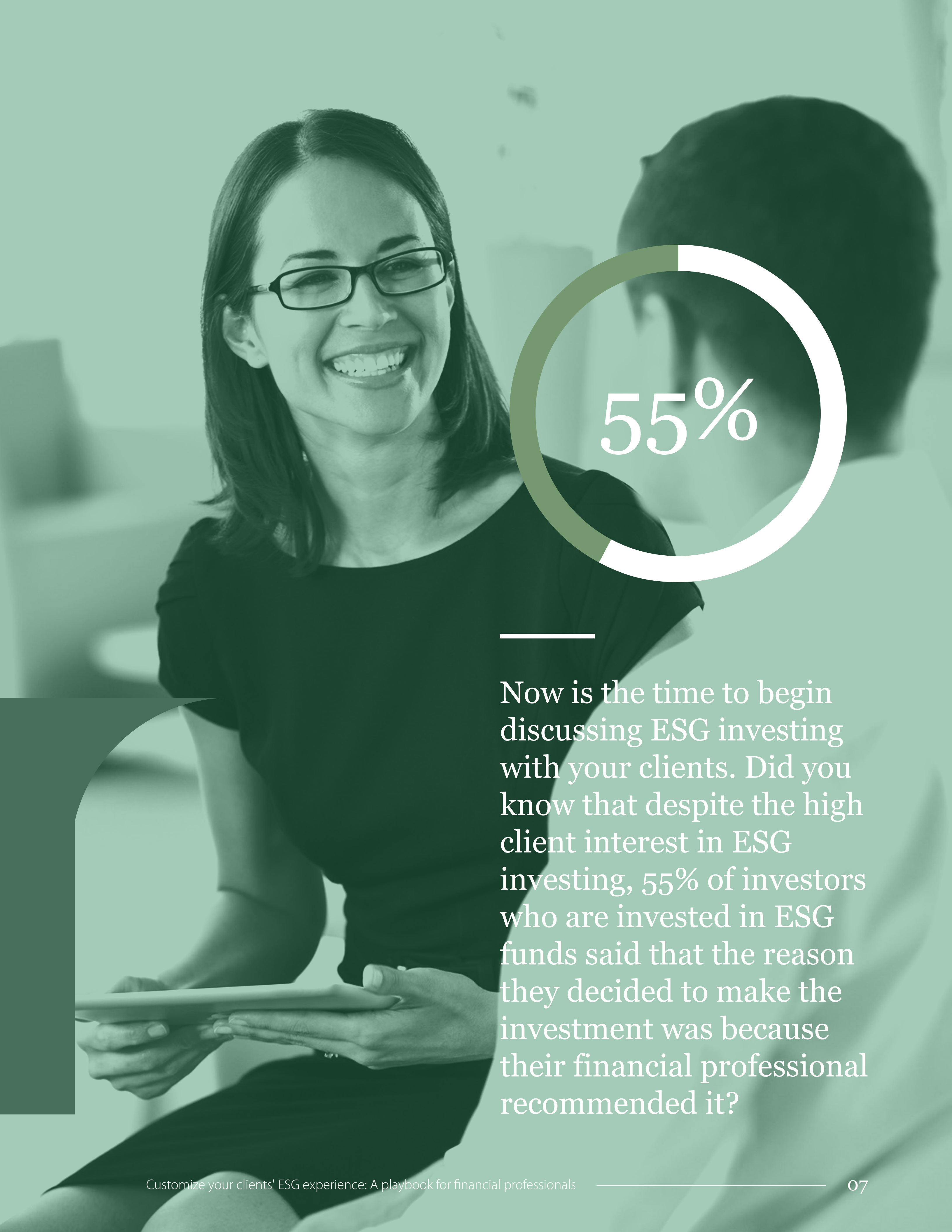
Many financial professionals mistakenly assume that ESG investing only appeals to younger clients or female investors. But it's essential to recognize that ESG investing is no longer a trend—it's capturing the attention of clients across the board.

Our study found that while 72% of clients ages 25–39 showed interest in ESG investing, 70% of those ages 40+ did, too.

Our survey results also showed that investors' awareness of, and interest in, ESG investing was roughly the same across income brackets.

All told, the typical values-driven investor is around 47 years old.





Now is the time to begin discussing ESG investing with your clients. Did you know that despite the high client interest in ESG investing, 55% of investors who are invested in ESG funds said that the reason they decided to make the investment was because their financial professional recommended it?

3 Questions to start the ESG conversation with your clients

Though you probably have regular conversations with your clients about their values, you may not have tied those conversations to ESG investing. Know that when you discuss ESG investing with clients, 62% move from ESG awareness to investment. So, it's in your clients' best interest to ask them questions that reveal their ESG investment imperatives. Therefore, consider asking these three to start:

1

What does ESG investing mean to you?

Asking this question first helps you determine your client's baseline knowledge of ESG investing and their overall views toward it. This can help you address any educational gaps you may want to consider before moving the conversation forward. If one client thinks ESG investing means sacrificing financial performance, for example, you can address the misconception with the latest evidence found in our **Investing Essentials Guide—Dispelling the Five Common Myths of ESG Investing**—and explain how ESG can mitigate material risks. Their level of interest may change considering this new information. It's important that you address your clients' concerns fully so that they trust your guidance in this area.

2

What's important to you in addition to financial returns? Are there causes or charities that are important to you? If so, do you regularly donate or volunteer your time?

This question is aimed to help you understand how your clients would like to improve the world for themselves and their families, their community, and our broader society. For a client such as this, you may find our Investing Essentials Guide on the topic of impact investing helpful. This guide can be found by visiting our website (see link at the end of this piece).

3

How important is overall financial performance to you?

Discuss the potential of ESG investments to help your clients achieve long-term financial well-being. Depending on your clients' knowledge base, you may want to educate your clients on ESG's financial performance. For example, according to Morningstar, **a majority of ESG funds ranked in the top half of their Morningstar category in 2021.**[1] Understanding both your clients' financial and nonfinancial goals can help you guide them to the ESG investment(s) that's best suited for them.

These three sample questions above are meant to be conversation starters. As a next step, you will want to align your clients' values and goals with their overall investment portfolio. Therefore, you might follow up by asking your clients more questions based on their unique needs. However, the key here is getting that ESG conversation started sooner than later. And don't just focus your attention on new clients. Your longer termed clients may also have an interest in ESG investing—so don't discount them. Remember, it's better to assume they are interested than to assume they aren't.

Align your clients' ESG values and goals to their investment portfolio

When it comes to a client's unique needs regarding ESG, it's important to match their investment preference and style to an ESG investing approach.

Depending on whether your client wants to make sure their investments don't support companies that act against their values; evaluate ESG risks and opportunities when selecting investments; or use their assets to create positive change, you can further determine which style of ESG investing works best for your client—exclusionary investing, inclusionary investing, and/or impact investing. While most managers that use ESG factors to drive investment strategy agree that it can add value and/or mitigate risk, there is no "one size fits all" approach. Many managers may use one or several of the following approaches.

Exclusionary investing

Exclusionary investing is an approach that screens out controversial companies or sectors that do not meet an investor's sustainability criteria or align with their values. Investors that take this approach care about expressing their worldview through investing and don't want to benefit financially from activities they find immoral. They may exclude investments that contain certain industries, sectors, or companies. These "negative screens" could potentially include firearms, tobacco, liquor, or fossil fuels.

Inclusionary investing

This approach seeks out positive ESG outcomes by selecting companies based on their ESG profiles and characteristics. Inclusionary investors focus on using ESG factors and will invest in companies with the highest ESG scores and company profiles. Using an inclusionary approach, these investors focus on the ESG metrics most important to them in evaluating the companies in their portfolios. Some of those companies may have good stock or bond market ratings, but their ESG ratings might show their leaders are at risk for engaging in behavior that has negative effects on the environment or society. An inclusionary approach can allow investors to bypass companies that do not meet the investors' ESG standards and potentially access ESG-related opportunities.

Impact investing

Going a step further than inclusionary investing, impact investing invests in companies that attempt to deliver a measurable, positive social and/or environmental impact as one of the objectives, in addition to delivering financial returns. For instance, while an inclusionary investor may build a portfolio around companies whose good practices make them unlikely to be disrupted by climate change, an impact investor may seek to support companies actively building solutions to climate change.

As discussed earlier, you can learn which type of ESG investor a client is by asking questions about their investment style and preferences. By getting as detailed information as possible, you will be certain to have a better understanding of your clients' requirements. You then can help those clients find ESG investments that meet their portfolio specifications.

Deepening client relationships through ESG exploration

By exploring ESG options with your clients, you'll gain a deeper understanding of your clients' interests and values—resulting in increased client satisfaction.

This may help you build solid, long-term relationships—which can ultimately mean the possibility of higher client retention and referrals.

By asking your clients the questions found in this playbook and following the steps needed to align your clients' portfolios to their values, you can help your clients become ESG investors and become the go-to financial professional for ESG investing.

ESG investing resources

To learn more, financial professionals can turn to resources like Candriam Academy, a free and accredited educational platform from New York Life Investments that brings together subject matter experts from around the world.

Candriam Academy offers a comprehensive introduction to ESG investing course, as well as a series of ESG Talks videos that cover additional ESG-related topics. The Academy is open to any and all interested participants and qualifies for certain continuing education (CE) credits for financial professionals.

New York Life Investments also provides a wealth of ESG insights and education at your fingertips. By clicking on the link below, you can gain access to such resources as our ESG research data, Investing Essentials series, charts and infographics, and much more.

Learn more about ESG investing

1. Source: Morningstar Direct, "Sustainability Funds U.S. Landscape Report – 2021: Another Year of Broken Records," 1/31/22. Past performance is not a guarantee of future results.

Important Disclosures

Insights presented in this report are derived from a 2022 study conducted by New York Life Investments and RTi Research, as of **August 2022**. Results are based on survey questions asked of **300 respondents**, both men and women, ranging in age from 25-39; 40-54; and 55+.

There is no assurance that the investment objectives will be met. Past performance is no guarantee of future results, which will vary. All investments are subject to market risk and will fluctuate in value.

Impact investing and/or environmental, social and governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

Opinions expressed are current opinions as of the date appearing in this material only and are subject to change. This material is intended to be educational and informative in nature; is subject to change; and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds, financial products, or any particular issuer/security.

The information presented herein is current only as of the date of this material. Any forward-looking statements are based on a number of assumptions concerning future events and although we believe that the sources used are reliable, the information contained in these materials has not been independently verified and its accuracy is not guaranteed.

The information discussed is strictly for educational purposes and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any information discussed will be effective or that market expectation will be achieved.

This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a financial professional before making an investment decision.

NEW YORK LIFE INVESTMENTS