

**PURPOSE**

This cheat sheet helps advisors confidently answer common client questions about sustainable investing. Use the sample responses as guidance and always adapt them to your firm's policies, your professional judgment, and the client's specific circumstances.



These examples are provided for illustrative purposes only and may become outdated as sustainable investing practices and regulations evolve; always prioritize your organization's current guidance and positioning on sensitive or controversial topics to ensure alignment and compliance.

Client Question	Client Cue – What They May Be Thinking	Advisor Prompt – Suggested Framing
1. What sustainability factors should I prioritize?	Overwhelmed, seeking shortcut	"Let's map your priorities—Environmental, Social, or Governance topics—based on what matters most to you"
2. How can I align my values with my investments?	Wants purpose beyond returns	"We can identify your values, then review ESG funds that align, using our firm's research tools."
3. Is ESG a core part of your practice?	Testing credibility	"We integrate ESG when it's relevant to your goals, following our firm's due diligence approach."
4. ESG vs sustainable vs impact investing?	Wants clarity on terms	"ESG = integration of factors driving short-term and long-term performance and risk; sustainable = broad range of approaches; impact = measurable positive outcomes."
5. Why do ESG ratings contradict?	Skeptical about data	"Just like investment analysts can disagree on whether to rate a stock as buy, hold, or sell, ESG rating agencies interpret data differently. They may focus on different issues, use distinct weighting systems, or apply unique definitions of what 'good' performance looks like. That's why our process doesn't rely on a single rating—we look at multiple perspectives and how the fund manager integrates ESG factors into their decision-making."
6. Do ESG funds underperform?	Fear of return trade-off	"Performance varies—ESG can match, lead, or lag depending on market cycles and manager skill."
7. What % of portfolio should be sustainability aligned?	Wants a fixed answer	"Sustainable investing options now exist across all major asset classes, so alignment can be integrated broadly rather than concentrated in one area. The exact percentage depends on your goals, risk tolerance, and the specific ESG strategies we choose. We'll also consider diversification and concentration risk as part of our firm's portfolio construction guidelines."

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8. Long-term track record?	Looking for proof	"Multiple meta-studies, including comprehensive research published by NYU Stern Center for Sustainable Business and Harvard Business School, show that ESG strategies generally do not compromise financial performance—and in many cases, they enhance risk-adjusted returns" Source: https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021.pdf
9. Your personal philosophy?	Seeking authenticity	"I follow our firm's frameworks; personally, I see ESG as a valuable lens for risk and opportunity."
10. How to spot greenwashing?	Distrustful	"Greenwashing is a marketing practice that can make a fund appear more sustainable than it actually is. As advisors, we have tools to help screen for this—such as reviewing the Morningstar Sustainability Globe Rating and analyzing the fund's stated investment philosophy against its actual holdings. In Canada, funds are also classified under Canadian standards, with the highest-integrity category—impact investing—requiring managers to measure and report the positive impact they generate. Using our firm's research process, we look at both third-party ratings and the fund manager's approach to ensure the fund's sustainability claims are credible."
11. Will ESG hurt returns?	Performance anxiety	"Returns can be comparable—our focus is ensuring expectations match your objectives."
12. Responsible / sustainable investing vs traditional performance?	Testing consistency	"Over the long term, responsible / sustainable investing strategies have generally delivered performance that is competitive with traditional approaches. As with any investment, results vary by market cycle, asset class, and the specific strategy or manager. Certain approaches, such as exclusionary screening can limit the investment universe available to the portfolio manager, which may affect performance in some conditions. Others, like ESG integration or thematic investing can expand opportunities by identifying long-term trends and risks earlier. Our role is to evaluate these funds using the same rigorous performance criteria as traditional investments, so you can be confident they meet both your financial goals and any sustainability objectives you set."
13. Is ESG just marketing?	High skepticism, fear of greenwashing	"Some products are stronger than others—our process screens out those that don't meet our standards."

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14. Why is X stock in the top holdings of this green-labeled fund?	Feels there's a mismatch between the fund's label and its holdings; may suspect greenwashing or doubt manager credibility	"Sustainable funds can hold companies that are in transition—working to improve their environmental, social, or governance practices—or companies the fund manager is actively engaging with to drive those improvements. As part of offering a sustainable investing overlay, it's our responsibility to look beyond the label and review the fund's investment process, engagement activity, and progress toward improvement targets before making any recommendation."
15. Why do ESG funds often have higher management fees?	Wondering if the ESG label justifies extra cost; may suspect profit-driven motives rather than genuine sustainability	"Recent studies show that management fees for ESG funds have decreased significantly. Morningstar's analysis found that, before 2018, ESG funds were often more expensive than comparable non-ESG funds. Over the past decade, however, costs have fallen sharply, and ESG funds are now generally on par with—or even lower than—traditional funds. For example, in the Morningstar Global Large-Cap Blend Equity category, the average asset-weighted cost of ESG funds dropped from 1.48% a decade ago to just 0.56% in the first quarter of 2024." Source: https://www.morningstar.com/business/insights/blog/esg/esg-fund-fees



KEY TAKEAWAYS

- Understand the motivation behind the question.
- Address the concern, not just the wording.
- Use balanced, objective language.
- Some answers require additional manager due diligence.
- It is okay to say, "I'll verify and follow up."