

How to make ESG relevant in your practice

ESG generally refers to the environmental, social, and governance factors that investors are increasingly applying as part of their analysis process to identify material risks and growth opportunities. It comprises a set of standards for a company's operations that socially conscious investors use to screen potential investments and has become a popular criterion for investment managers. It's more than that though, says Sherwin Govender, Business Development Manager at Glacier. ESG can become a core competency in a financial planning practice.

It's not just about going green

Environmental consciousness is a critical starting point to mitigate any further damage to our planet. Investors – particularly younger ones – are becoming circumspect about putting their money into companies that continue to ignore their negative impact on the environment, or that seem not to be doing enough to mitigate this impact. This kind of investor activism has grown in impetus over the last few decades, says Sherwin, particularly in developed economies. The reality is that factors such as carbon emissions and footprint have not been created in the developing world to the extent of our developed counterparts. However, our local green consciousness has grown exponentially in the past 18 months. One might say that lockdown forced this upon us.

Let's look at this practically. From a financial planning business perspective "going green" implies additional costs for the practice. However, decreasing the need for paper and printing can present a significant cost reduction in a practice. Furthermore, using service providers' online processes and electronic signature systems can be done with no capital spent. Our goals are efficiencies and streamlined processes. In a sense lockdown has sped this up for us, as it has forced us into a digital realm where paper processes have become obsolete.

But what of other arguably more pressing needs in the realm of governance and social challenges? What of our and our clients' wellbeing – their ability to survive, thrive and live with confidence? And what of the governance issues within our control as financial planners and managers of people's savings?

Sustainability through good governance and strong social networks

Governance starts with an individual. The integrity of a stand-up person who has a strong set of

values will permeate all their relationships – in their personal spaces as well as their professional ones. For intermediaries, this resonates in practice management, our social networks and the relationships that we nurture with our clients. Good governance starts with trust and integrity.

As a financial planner, your entire core value proposition is based on whether clients trust you, which, as we know, is hard to build and unfortunately easy to break. So, what are the visible behaviours and norms that build our clients' trust? How do we demonstrate our integrity?

In Anton Swanepoel's *10-Step Process of Professional Client Engagement*, the author points to striving for excellence from the very first interaction with your prospective client. This is a good start to building trust and makes perfect sense, says Sherwin, but what about when you've established that relationship?

Food for thought in five questions

Sherwin has listed some questions to help intermediaries shape their value proposition, which ultimately helps enhance practice management and sustainable client relationships.

1. What is my motivation for doing what I do?
2. How do my personal values reflect how I do business and how I run my practice?
3. How do I show empathy to the clients I serve, my staff and business partners?
4. How do I ensure that I truly understand the worlds of all my stakeholders – my clients, business partners and employees? How does my understanding improve my role as a manager as well as an adviser?
5. How do I continue to build trust in the community from which I derive income and generate revenue?

For example, if you're financial planner specialising in retirement and focusing on teachers, how does your practice support that particular community? Are you visible and involved in teacher organisations? Do you support organisations that support teachers or causes that concern them? In other words, how do you give back?

Sherwin points out that the answers to these questions relate to the soul of a business – ultimately what ESG factors compel companies to consider.

ESG, at its simplest level, can form the core of an intermediary's value proposition. This helps to build trust with clients, builds lasting relationships, and solidifies your reputation as a financial planner. It actually proves to increase revenue, and contributes to a sustainable, well-run, efficient ecosystem, where all of its participants face the future with confidence. With the devastating circumstances we find ourselves going through, dealing with ethical, socially and environmentally conscience businesses and individuals is in high demand. Integrating ESG into the DNA of your practice can go a long way to signalling these attributes.

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Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group

Private Bag X5 | Tyger Valley 7536 | Email client.services@glacier.co.za | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | Web www.glacier.co.za | Reg No 1999/025360/07

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Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web www.smmi.com *Reg No 2002/030939/07
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