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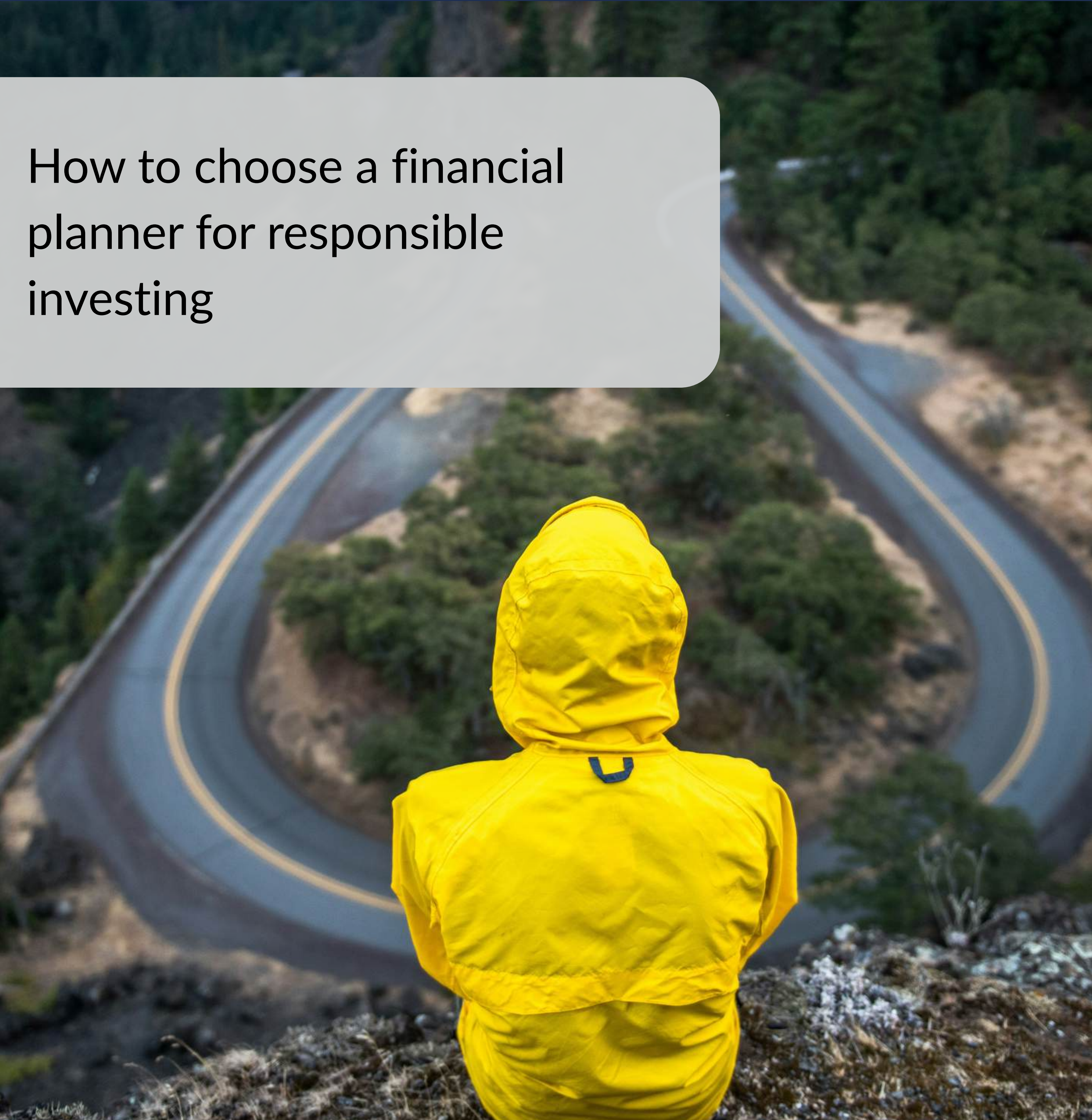
• FINANCIAL PLANNING •



How to choose a financial planner for responsible investing

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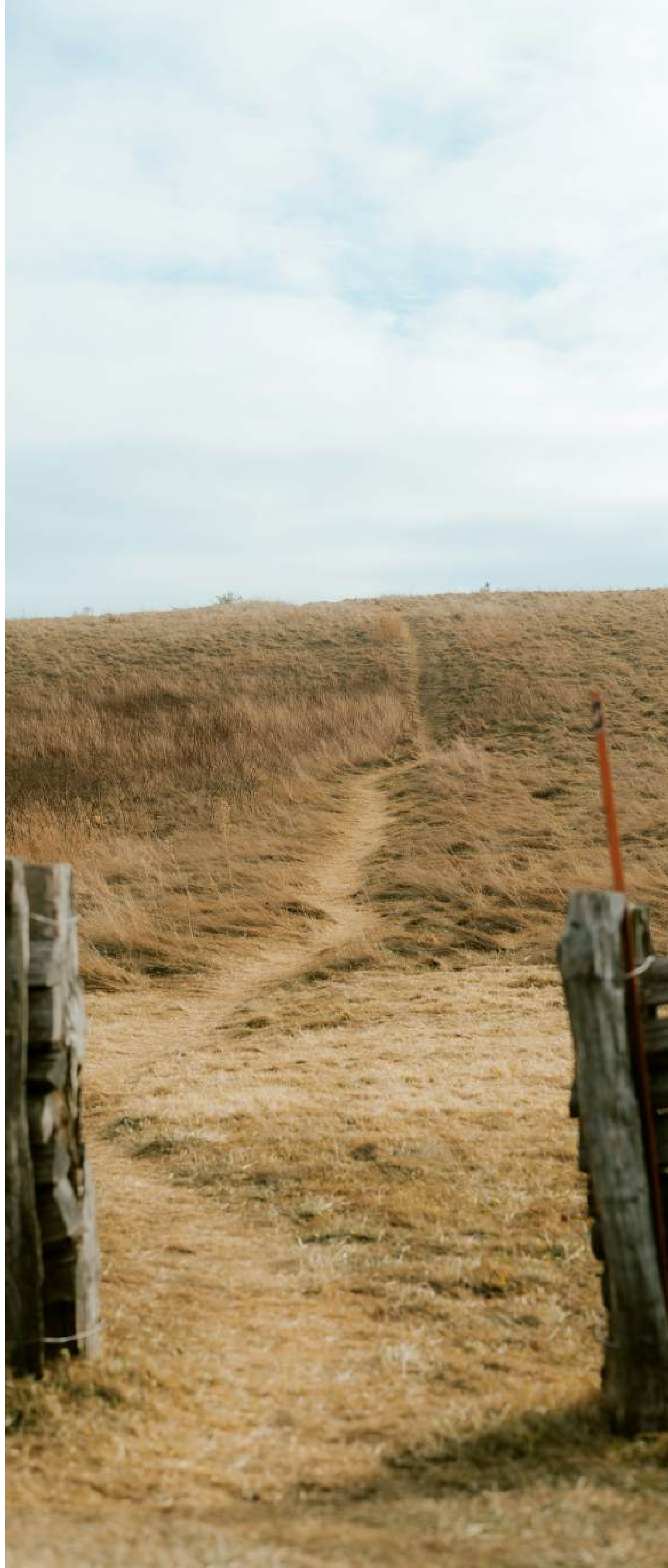
Introduction

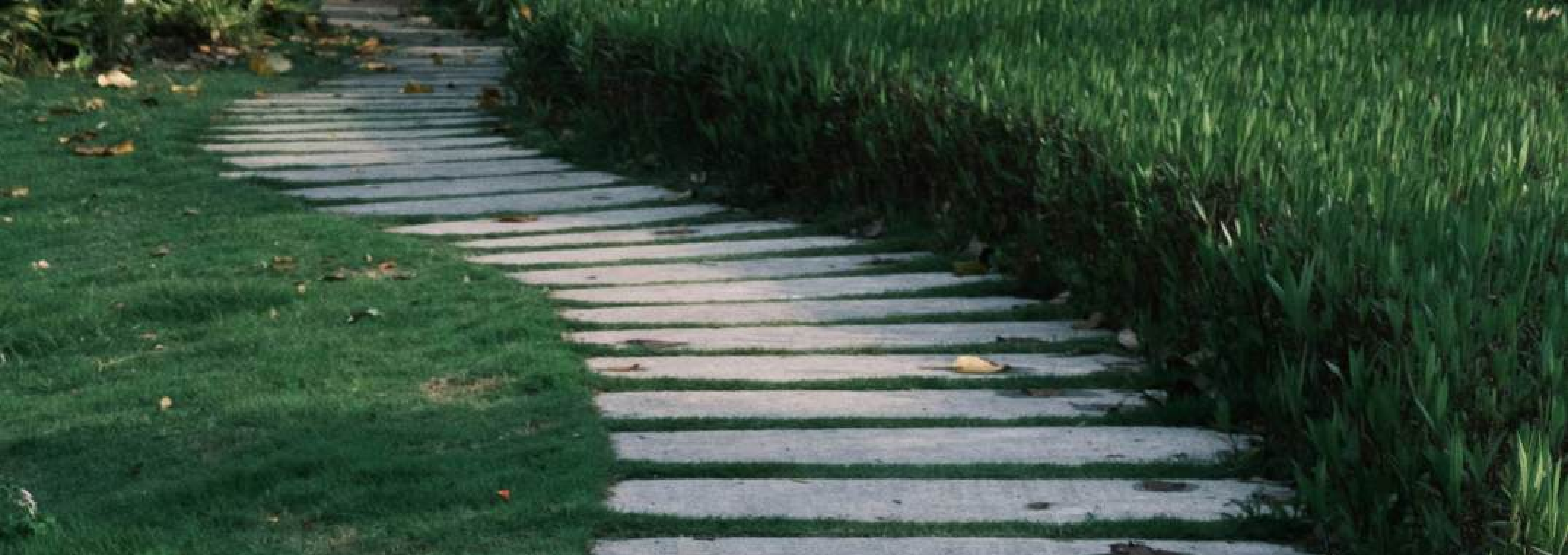
Values led investing has become more popular in recent years. However, it's an area that has multiple terms that can become confused. For some investors the first rung on the responsible investing ladder, ESG investing, is a no-brainer, others remain to be convinced.

This guide explores:

- What responsible investing is,
- What different types there are,
- How it is applied to your investment funds,
- The recent new fund labels,
- How UN Sustainable Development Goal alignment may provide a better method,
- How you can identify a financial planner who is well-placed to support you in this area.

And finally, it provides a checklist to consider when talking to a potential financial planner.





What ESG means

ESG is a commonly used term in investing. It can be used incorrectly to capture all forms of responsible or values led investing. In fact, it is less values led and more risk factor led. It is composed of three elements:

Environmental

This category considers a company's impact on the natural world. This could be carbon emissions, energy usage, waste production etc.

Social

This element considers a company's impact on people. For example, workforce practices, human rights and data protection.

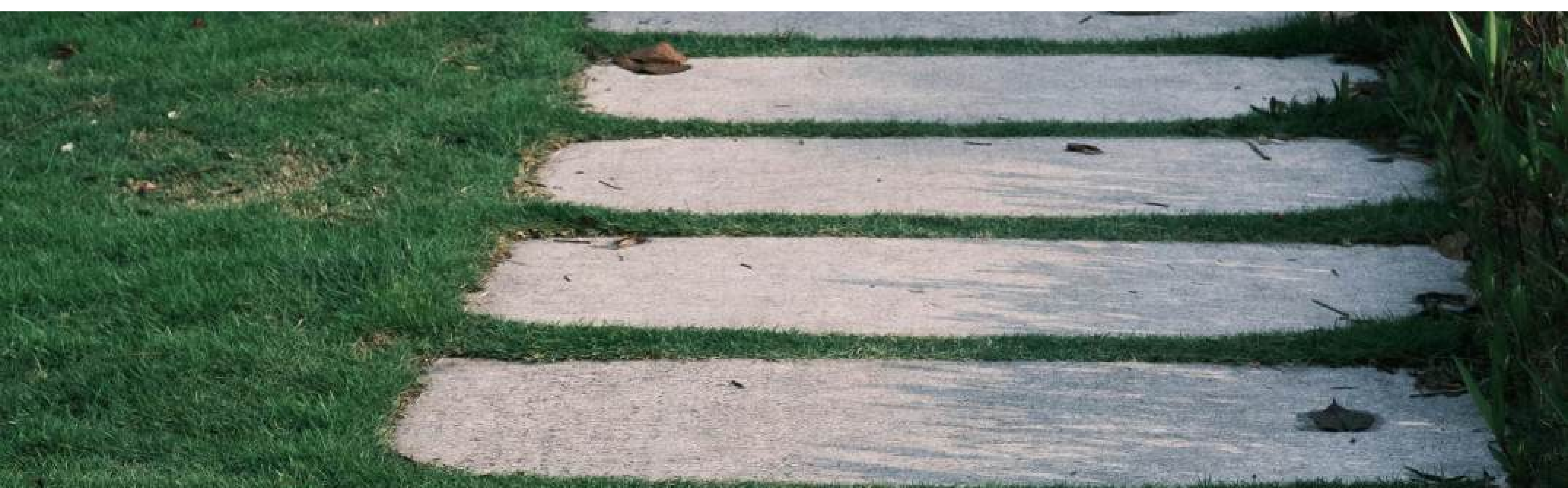
Governance

This final element assesses a company against certain standards. This could include executive pay, audit quality and board independence.

Each factor brings its own considerations and whilst they may come across as ethical decisions for some investors, the CFA Institute frames ESG as a set of non-financial factors that investors increasingly apply to identify material risks and growth opportunities.

ESG sits in its own space on the Spectrum of Capital and is, in the main, financially focussed. It can be the first step towards a more values driven portfolio for investors. Some providers have changed the label ESG to 'Responsible' on their version of the Spectrum of Capital.

Do I have to exclude lots of companies?
No. ESG strategies focus on risk assessment and tilting rather than broad exclusions. Going beyond ESG may result in more exclusions.



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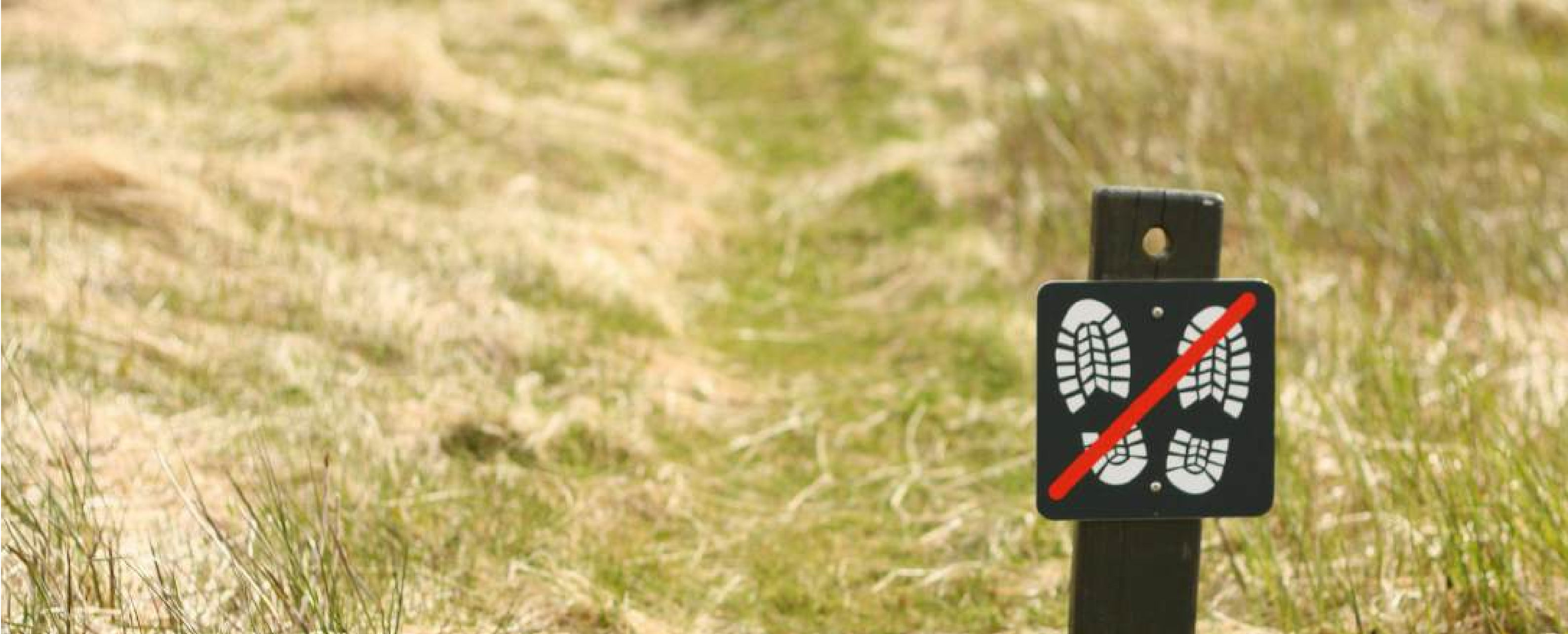


What ESG is not

In the area of values driven investing many terms are used interchangeably, which can increase confusion for investors and advisers doing their research. It's easy to blur terms and you may find ESG used as a catch all term, therefore it is important to understand the other terminology to help inform your decisions.

ESG funds and portfolios will typically remain highly diversified with thousands of underlying holdings within, their focus remaining on financial returns.

Socially Responsible Investing (SRI)

SRI is values-based screening to reflect investors' preferences. This takes an additional step past ESG investing by excluding sectors (for example tobacco, weapons, gambling or fossil fuels) without financial return being the primary objective. The range of underlying share and bond holdings will be smaller than an ESG portfolio.

They may still use ESG factors but take a much stronger position – for example only including the top 25% of companies under a certain area rather than excluding the worst 10%. However, it is unlikely such a portfolio will become overly concentrated, with many still containing hundreds of holdings.

This style is often seen as a balanced position between values-based investing and investing for financial return.

Impact investing

Investing with the aim to generate positive, measurable, and sustainable social and environmental change alongside a financial return.

Philanthropy

This moves outside the realms of investing in a traditional manner and is giving without the expectation of a financial return. This could be considered alongside an investment to tilt the other allocation of your money.

Responsible investing often involves trade offs. No portoflio will perfectly reflect every value, and alignment is usually partial rather than absolute

Why you might consider ESG as a minimum

ESG factors can highlight aspects of a business that may impact their cash flows and resultant business growth. Ultimately, as an investor, this could impact your long-term returns potential.

There might be:

- Transition risk: policy changes (e.g., carbon pricing), technological shifts, changing customer preferences.
- Physical risk: extreme weather affecting assets and supply chains.
- Social & legal risk: workforce disputes, product safety, data breaches leading to fines and brand damage.
- Governance risk: weak oversight, poor capital allocation, opaque related party transactions.

These risks may not materialise immediately, but they could become significant over the course of a long-term investment. Businesses that manage these risks well may be in a position to grow their value in future better than businesses that do not manage these risks.

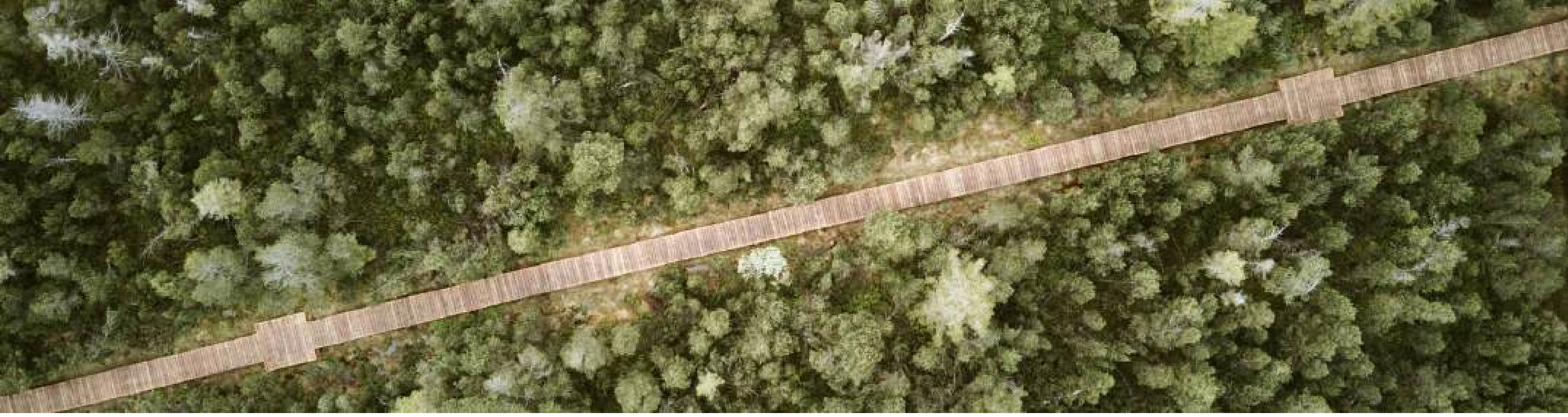
Is ESG just marketing or "greenwashing"?
It can be if applied superficially. Robust ESG investing relies on evidence, transparency and ongoing monitoring rather than labels alone.

Having a portfolio that is screened for ESG risk factors could be as much a financial angle as a values angle for some. Indeed, you may view certain areas as an attractive investment opportunity alongside or instead of being only a value alignment. For example, many view the energy transitions (renewable, energy efficiency, storage) as one such opportunity.

Because many people want it

Demand remains strong:

- In 2025, 88% of global investors said they were interested in sustainable investing; interest rose for 64% over the prior year.
- Among younger investors, interest is almost universal (99% of Gen Z, 97% of Millennials). And 59% said they planned to increase sustainable allocations in the next 12 months.



What makes a good responsible planning firm?

Financial planning historically focussed on financial optimisation to achieve retirement. That has now evolved into financial planners focussing more on your values and additional goals beyond retirement.

Whilst financial returns are a key part of any financial plan, for many they are not necessarily the only focus, and some planners may be better placed to support you in that area.

Key areas to consider include:

Qualifications

If qualifications are listed on their website, look for those linked to responsible or ESG investing. There are no mandatory qualifications in this area, so a financial planner who has any is a step ahead of their peers already.

Transparency

Is the firm transparent in its information provided on its website? Whilst not a clear-cut indication, a firm that is openly sharing its fees, reviews and advice process may be more likely to listen and understand what matters to you.

Badges

There are many ways for firms to show they are playing their part too. They may be members of 1% for the Planet – donating 1% of revenue to community or environmental causes. They may have achieved B-Corp status. Or perhaps they regularly fund tree planting, habitat restoration etc. Look for badges, and explanations for them, that indicate they're doing their part as a business, alongside potentially being able to help you invest in line with your values.

Governance

Responsible investing is most effective when it is supported by clear consistent processes within a firm.

When evaluating a financial planner, consider asking whether responsible investing is:

- Applied consistently across clients with similar preferences
- Documented within their investment philosophy
- Reviewed regularly

A defined framework reduces the risk that decisions are driven by individual preference, marketing trends or temporary enthusiasm, and instead supports a repeatable, evidence-based approach.

Their approach

In practice, responsible investing discussions are rarely definitive or prescriptive. They often involve trade-offs, uncertainty and iteration.
You may notice a thoughtful planner:

- Asking clarifying questions rather than providing immediate answers
- Acknowledging limitations as well as benefits
- Revisiting assumptions rather than fixing them upfront

A planner who is comfortable with, and comes across as happy to have, conversations is important. It should provide comfort not only in their responsible investing approach but also their planning approach.

Values first: Questions worth asking yourself

Responsible investing is most effective when it reflects your own views, rather than applying a generic template. Before selecting funds or portfolios, it can help to consider:

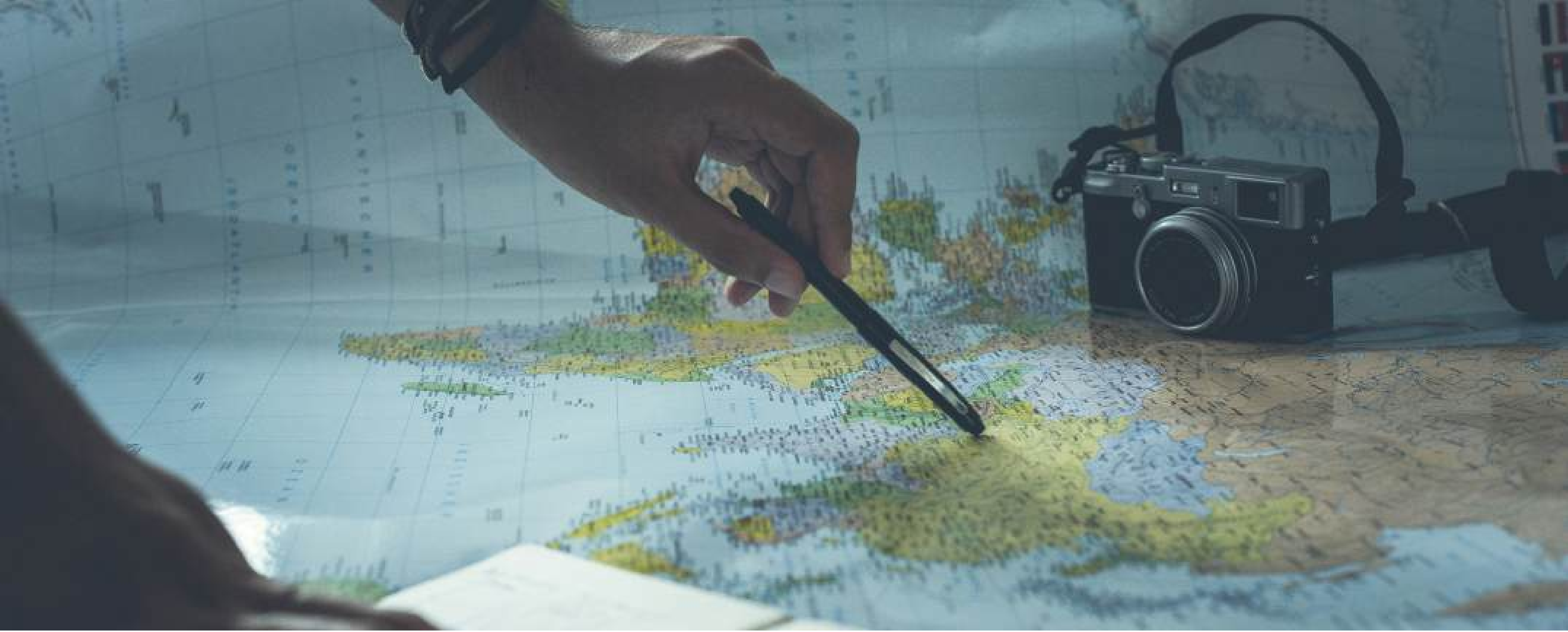
- Which issues matter most to you — and which matter least?
- Are there specific activities you feel strongly about excluding, or are you more comfortable with ESG as a risk-management tool?
- How important is diversification and cost to you relative to values alignment?
- Would you prefer gradual improvement through engagement, or clearer exclusions?
- Are your views likely to evolve over time?

There are no right or wrong answers. These questions help frame the conversation and ensure any solution is deliberate, not assumed.

Planners may also have questionnaires that narrow down your preferences. These may be product area led (e.g. do you want any investment in tobacco) or they may use the UN Sustainable Development Goals to understand what areas matter to you most.

There is no right or wrong way to approach this.

A good firm and planner should be able to explain responsible investing, in particular how they would support you in matching a portfolio or funds to your values. When choosing a planner, ask them some questions and see how they respond.



The UN Sustainable Development Goals (SDGs) and investing

The UN Sustainable Development Goals (SDGs) provide a widely recognised framework for thinking about global challenges and how capital can be aligned with them.

The SDGs were adopted by the United Nations in 2015 and set out 17 goals intended to support sustainable economic growth while improving social and environmental outcomes globally by 2030.

They cover a broad range of issues, examples include:

- Goal 3: Good Health and Well-Being
- Goal 7: Affordable and Clean Energy
- Goal 9: Industry, Innovation and Infrastructure
- Goal 13: Climate Action
- Goal 16: Peace, Justice and Strong Institutions

Unlike ESG scores, which assess how companies operate, the SDGs are outcome-focussed. They provide a way to think about what an investment is contributing to in the wider world, rather than only how a business is managed.

This framework can make conversations around values more structured and repeatable, particularly where views are complex. Asking if your potential financial planner considers these could be an important indicator in your selection.

How the SDGs Relate to ESG Investing

ESG and SDGs are often discussed together, but they are not the same thing.

- ESG focuses on identifying and managing risks and opportunities at a company level.
- SDGs provide a thematic lens, helping investors understand how business activities relate to global social and environmental objectives.

A company may score well on ESG metrics because it is well-governed and manages risks effectively, but that does not automatically mean its products or services strongly support a particular SDG. Equally, a company contributing to an SDG may still carry ESG risks that need to be assessed.

Will ESG investing mean lower returns?

There is no guarantee of higher or lower returns. ESG is most often used as a way of identifying risks and opportunities that may affect long-term outcomes rather than as a performance enhancer. A major meta analysis from NYU Stern which reviewed 1,000+ studies found 86% of studies showed ESG delivered neutral or better financial performance versus comparable conventional approaches.

Using SDGs

The SDGs can be a helpful tool when values are an important part of the investment conversation. They allow investors to articulate which areas resonate most strongly with them and which are less important.

For example:

- Some investors may prioritise climate-related goals such as clean energy or climate action.
- Others may place greater emphasis on social goals such as health, education or reducing inequality.
- Some may wish to avoid activities that undermine particular SDGs altogether.

Importantly, this does not mean an investment portfolio is focussed on a single goal. Most diversified portfolios will align to several SDGs to varying degrees, and compromises are often required to maintain appropriate diversification and risk control.

From values to portfolios

In practice, aligning investments with the SDGs requires interpretation and judgement. Funds may support certain goals directly through their underlying activities, contribute indirectly through supply chains or innovation, or have mixed impacts across different areas.

Tools and frameworks can help structure this process by:

- Translating personal priorities into measurable themes
- Mapping investments to relevant SDGs
- Providing consistency in assessment across portfolios

Aligning your portfolio to outcomes that link to your values is an alternative to a simple exclusion approach.

UK fund labels

New sustainability labels in the UK aim to bring greater clarity to a market that has historically been difficult for investors to navigate. These labels are designed to improve transparency and reduce misleading claims, not to replace due diligence.

To help investors compare funds, the FCA introduced four labels that funds can use if they meet qualifying criteria:

- Sustainability Focus – invests mainly in assets already environmentally and/or socially sustainable.
- Sustainability Improvers – invests in assets expected to improve their sustainability over time.
- Sustainability Impact – aims to achieve a predefined, measurable positive outcome.
- Sustainability Mixed Goals – blends two or more of the above.

What the labels can help with:

- A clearer indication of a fund's stated sustainability objective
- Consistency in language and disclosure
- A starting point for comparison between funds

What they do not do:

- Guarantee alignment with your personal values
- Ensure a particular financial outcome
- Remove the need to understand how a fund is constructed or monitored

Labels are a useful tool, but they work best when combined with professional judgement and a clear understanding of your own priorities.

Can ESG be applied to pensions and existing investments?
Often, yes. Existing arrangements can usually be reviewed and adjusted, though this depends on product structure and provider options.

Checklist: choosing a responsible financial planner

Whilst all of the following is unlikely to be shown on their website, the first port of call should be a planner's website. Check areas that discuss values, investment philosophy, fees or about us sections. These will give you an initial feel for a firm and how they operate.

When having an initial call or meeting, try to obtain answers to the below areas.

Approach and philosophy

- Do they understand the differences between ESG, SRI and Impact?
- Are they able to explain trade-offs and limitations in responsible investing?

Investment process

- Can they explain how a portfolio would likely be screened?
- Do they have a formalised way to match a portfolio to your values?
- Will they review that match at your regular reviews if you opt for that?

What if my views change?
Responsible investing is not static. If you have an ongoing advice service this should be reviewed at your annual reviews.

Transparency

- Are they open about their fees and how they work?
- Do they have public facing reviews that you can read?
- Use your gut, do you feel they are being open with you?

Ongoing advice

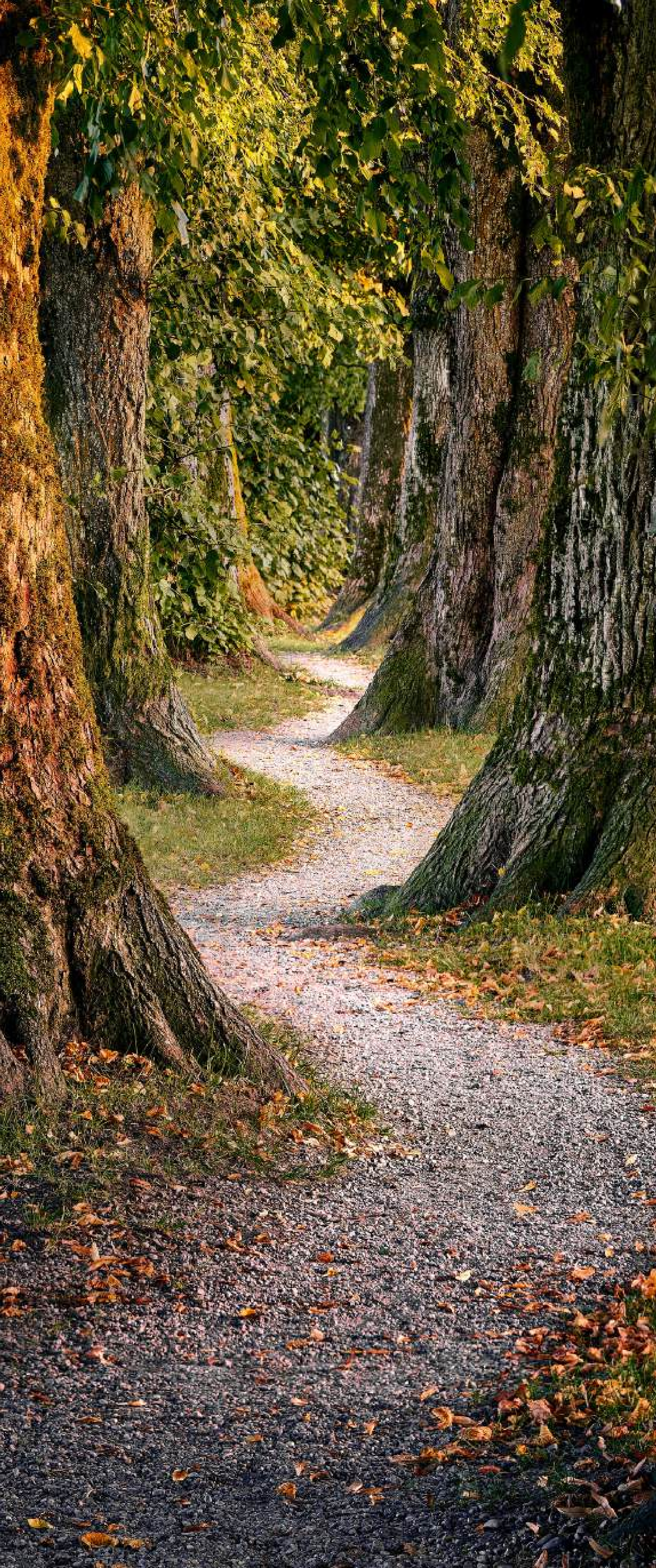
- Are your preferences reviewed?
- How regularly have they changed their typical fund selections?

Costs

Responsible investing can increase complexity and in some cases costs. This generally comes back to additional analysis and monitoring requirements. Can the financial planner explain:

- Where may additional costs arise?
- Whether those costs are considered proportionate?

If these points cannot be answered clearly, or you feel hesitation from the planner, it may indicate that values led investing is not a key part of the service for them.



Summary

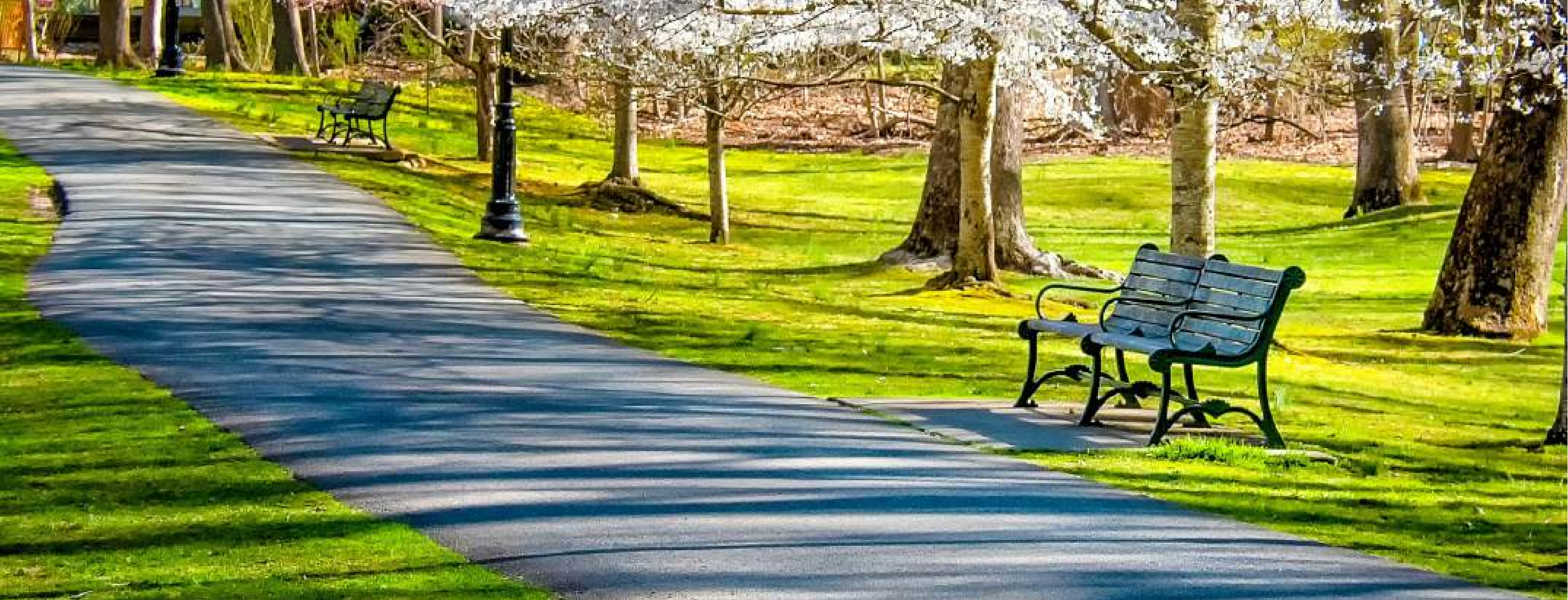
Choosing a financial planner for responsible investing is less about labels and more about approach. A suitable planner should be able to clearly distinguish between ESG, values-based screening and impact investing, and explain how each is applied in practice rather than relying on broad terminology.

Look for a planner who starts with your priorities, not products. Responsible investing works best when your values are explored upfront and translated into a structured investment approach, with clear explanations of any trade-offs around cost, diversification and risk.

Transparency matters. Clear communication on fees, investment philosophy and how portfolios are constructed and reviewed is a strong indicator of quality advice in this area.

Ongoing review is equally important, as both personal views and the responsible investing landscape can change over time.

Ultimately, the right planner should give you confidence that your investments are aligned intentionally, reflecting what matters to you while remaining grounded in sound financial planning.



About Wholesome Financial Planning

Wholesome Financial Planning is an evidence-based and fixed fee independent financial planning and advice firm situated in Reading, Berkshire.

As an independent financial planning business, we can help with a range of financial services, including financial advice, pension advice, retirement planning, inheritance tax planning and investment advice.

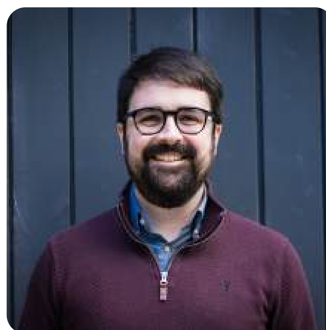
Our financial plans are based on responsible investment solutions that consider future generations and sustainability. They are delivered entirely remotely in line with our values which keeps costs down for you too.

If you'd like to learn more about our services schedule a free call with Wholesome Financial Planning today.

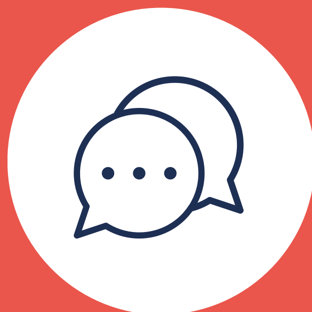
Meet Lucy

Lucy's biggest passion is travelling. She loves exploring new places in the UK and abroad, and she is happiest by the sea. Other hobbies include reading and crafting. She also has a season ticket for Reading F.C. and enjoys watching live comedy and music.

Meet Matt



Matt loves football, also holding a Reading F.C. season ticket. He enjoys holidays with his dogs in the UK, particularly the Borders as well as travelling further afield with Lucy. Other hobbies include reading, watching live comedy and gaming.



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The value of investments can fall as well as rise, and you may not get back all of your original investment.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

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