



**Beyond Compliance: Building Advisor Confidence
in Sustainable Investing**

Authors: Lorraine Spradley Wilson, Maria Maisuradze, CFA

ELEVATING SUSTAINABILITY

Advisors at the Crossroads: Turning
Sustainability into Strategy

Publication Date : September 22, 2025



WHITE PAPER

TABLE OF CONTENTS

ABOUT ED4S	3
INTRODUCTION	4
THE REGULATORY AND STANDARDIZATION BACKDROP	5
THE SERVICE GAP - AND THE OPPORTUNITY AHEAD	8
THE SUSTAINABILITY INTEGRATION FRAMEWORK FOR WEALTH MANAGERS	9
BRIDGING THE GAP	11
CASE STUDY	12

ABOUT ED4S



ED4S Academy is a leading provider of sustainability training solutions tailored for the financial sector. With deep expertise across asset management, banking, and insurance, ED4S Academy supports institutions in building the skills and capabilities needed to navigate today's evolving sustainability landscape. Our programmes are designed to meet the pressing needs of both sustainability specialists and risk, compliance, and frontline teams, enabling financial institutions to embed sustainability considerations across operations, innovation, and decision-making.

Recognising the challenges of large-scale workforce upskilling, ED4S Academy offers a time-efficient and modular approach to sustainability learning. Our solutions are highly customizable, allowing firms to align training content with regulatory requirements, internal ESG frameworks, and role-specific competencies. Whether supporting ESG compliance, sustainable finance literacy, or net-zero alignment, ED4S Academy delivers engaging, accessible content grounded in leading global standards such as the ISSB, PRI, GRI, and SBTi.

Our platform is built to scale — enabling consistent delivery of high-quality sustainability training across complex organisations, regions, and teams. Through interactive learning, practical case studies, and role-based pathways, ED4S Academy equips financial professionals with the knowledge and confidence to act on sustainability commitments.

Learn more about ED4S Academy and how we can support your workforce sustainability learning strategy: ed4s.org.

INTRODUCTION

As investor demand and the wealth management industry evolve, sustainability questions and metrics are increasingly shaping wealth strategies, risk assessments, and product development. This information is becoming integral to how advisors engage with clients, particularly through **Know Your Customer (KYC)** and suitability processes.

Over the past decade, the financial sector has witnessed an increase in sustainable funds across asset classes. Clients today can build portfolios that reflect a wide range of goals, from impact investing to funds that employ shareholder activism. However, this growing landscape comes with its own set of barriers, chief among them are inconsistent communication, limited access to high-quality data, and a lack of standardized advisor engagement processes.



THE REGULATORY AND STANDARDIZATION BACKDROP



Recent global regulatory developments are reshaping the landscape for financial advisors by making sustainable investment solutions better defined and standardized across jurisdictions.

In the EU, the **Markets in Financial Instruments Directive II (MiFID II)** amendments now require advisors to assess clients' sustainability preferences as part of the Know Your Client (KYC) process, helping ensure that product recommendations align with those preferences.¹

The EU's **Sustainable Finance Disclosure Regulation (SFDR)** further supports this by mandating fund-level disclosures on sustainability risks and principal adverse impacts, allowing advisors to compare products more easily.²

In the UK, the **Sustainability Disclosure Requirements (SDR)** and fund labels, such as "Sustainable Focus" or "Sustainable Improvers," help advisors and clients navigate product suitability based on stated sustainability objectives.³

In the US, the **SEC's Investment Company Names Rule** requires an 80% investment policy, i.e., funds must invest at least 80% of their assets in alignment with their name. This includes sustainable investment and ESG funds.⁴

Similarly, the **Canadian Investment Funds Standards Committee (CIFSC)**'s Responsible Investment Identification helps categorize funds based on ESG integration, thematic focus, or impact intent, streamlining due diligence for advisors who prioritize "best interest recommendations."⁵

This standardization makes it easier for advisors to integrate sustainability considerations into their client intake process, match investments with client preferences, and avoid [greenwashing](#) when recommending sustainable investment products, especially mutual funds, ETFs, and other packaged products.

Beyond these regulatory changes, the tools in the toolkit for enabling sustainable investment are being sharpened. Standardization,

¹ [European Commission, Markets in Financial Instruments Directive II \(MiFID II\) Amendments, 2023.](#)

² [European Commission, Sustainable Finance Disclosure Regulation \(SFDR\), 2024.](#)

³ [Financial Conduct Authority \(UK\), Sustainability Disclosure Requirements \(SDR\) and Investment Labels, UK FCA, 2023](#)

⁴ [U.S. Securities and Exchange Commission, "Investment Company Names Rule," U.S. Securities and Exchange Commission, 2023](#)

⁵ [Canadian Investment Funds Standards Committee \(CIFSC\), Responsible Investment Fund Identification Framework, CIFSC, 2024.](#)

in particular, has played a critical role in addressing communication breakdowns. While regulation continues to evolve globally, voluntary reporting for companies is becoming easier thanks to new frameworks and the widespread adoption of sustainability reporting platforms. As of June 2025, 36 jurisdictions have either adopted or are in the process of adopting the **International Sustainability Standards Board (ISSB)**'s Disclosure Standards.⁶ Housed under the International Financial Reporting Standards, an accounting body, these disclosures bring the rigor of financial reporting to sustainability disclosures.

In a complementary move, the Chartered Financial Analyst (CFA) Institute, the Global Sustainable Investment Alliance (GSIA), and the Principles for Responsible Investment (PRI) collaborated to **harmonize definitions** of sustainable investment practices.⁷ Today, practitioners have consistent definitions for screening, ESG integration, thematic investing, stewardship, and impact investing, which are foundational concepts for crafting aligned client strategies.

FIVE SUSTAINABLE INVESTING STRATEGIES

ESG Integration	Ongoing consideration of financially material ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns.
Thematic Investing	Selecting assets to access specified trends . Thematic investing is underpinned by the belief that economic, technological, demographic, cultural, political, environmental, social, and regulatory dynamics are key drivers of investment risk and return.
Screening	Applying rules based on defined criteria that determine whether an investment is permissible. Screening rules are based on clearly defined criteria, which can be qualitative or quantitative. Types of Screening: Exclusionary, negative screening, positive screening, best-in-class screening, norms-based screening.
Impact Investing	Investing with the intention to generate positive, measurable social and/or environmental impact alongside a financial return. Investors should only use the term Impact Investing to describe their approach when they can credibly identify their contributory or catalytic role in bringing about improvements in environmental and social conditions.
Engagement /Stewardship	The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend.

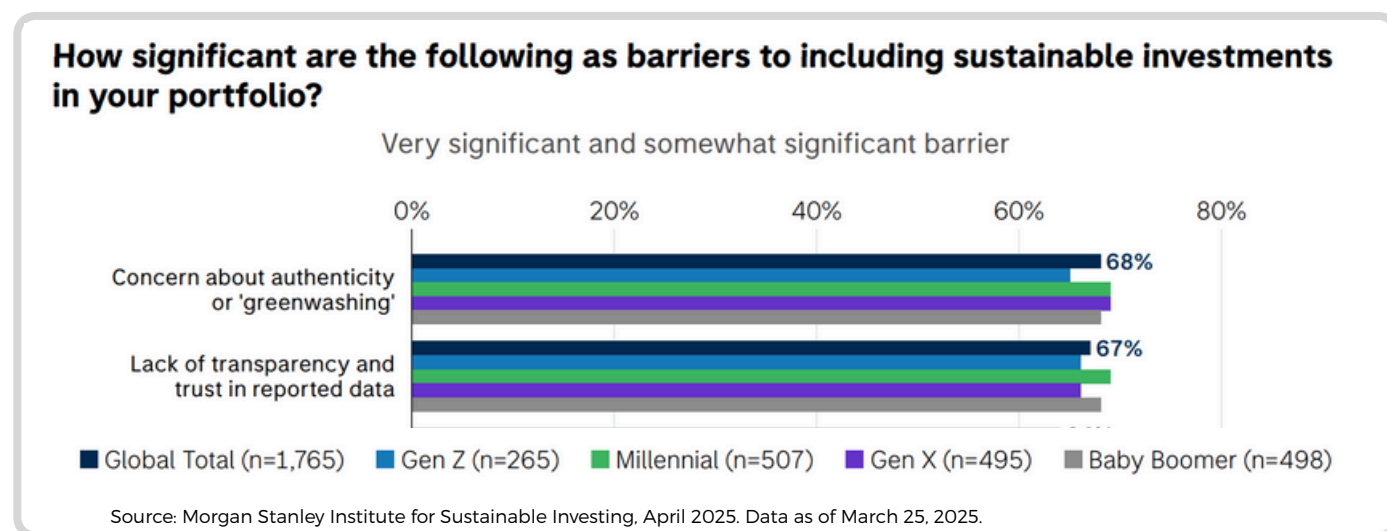
* These strategies can be used in combination and be pursued across a range of asset classes, including fixed income, real assets, private equity, and listed equity investments.

⁶ [International Sustainability Standards Board \(ISSB\), IFRS Sustainable Disclosure Standards, IFRS Foundation, June 2025.](#)

⁷ [Global Sustainable Investment Alliance \(GSIA\), Definitions for Responsible Investing Approaches, 2023.](#)

ADDRESSING DATA CONCERNS AND GREENWASHING FEARS

Despite growing investor confidence, significant barriers persist. According to the Morgan Stanley Institute for Sustainable Investing's *Sustainable Signals: Individual Investors 2025*, concerns about greenwashing (68%) and a lack of trustworthy ESG data (67%) remain top obstacles. The move towards standardization means the data is now available.⁸ According to the ISSB, over 1,000 companies have referenced their standardized reporting methodology in their reports. There are thousands of companies employing these metrics through various sustainability reporting software platforms.



Despite growing investor confidence, significant barriers persist. According to the Morgan Stanley Institute for Sustainable Investing's *Sustainable Signals: Individual Investors 2025*, concerns about greenwashing (68%) and a lack of trustworthy ESG data (67%) remain top obstacles. The move towards standardization means the data is now available. According to the ISSB, over 1,000 companies have referenced their standardized reporting methodology in their reports. There are thousands of companies employing these metrics through various sustainability reporting software platforms. The 36 aforementioned jurisdictions are introducing ISSB Standards in their legal and regulatory frameworks, adding to the repository of decision-useful sustainability data. Private equity and private credit investors representing \$38 trillion in Assets Under Management (AUM) have adopted the sustainability disclosure framework established by the ESG Data Convergence Initiative (EDCI). These 500+ General, Limited Partners, and over 8,000 participating companies are supporting standardized disclosures and decision-useful data in the private markets.⁹

⁸ Morgan Stanley Institute for Sustainable Investing, *Sustainable Signals: Individual Investors 2025*, Morgan Stanley, April 2025.

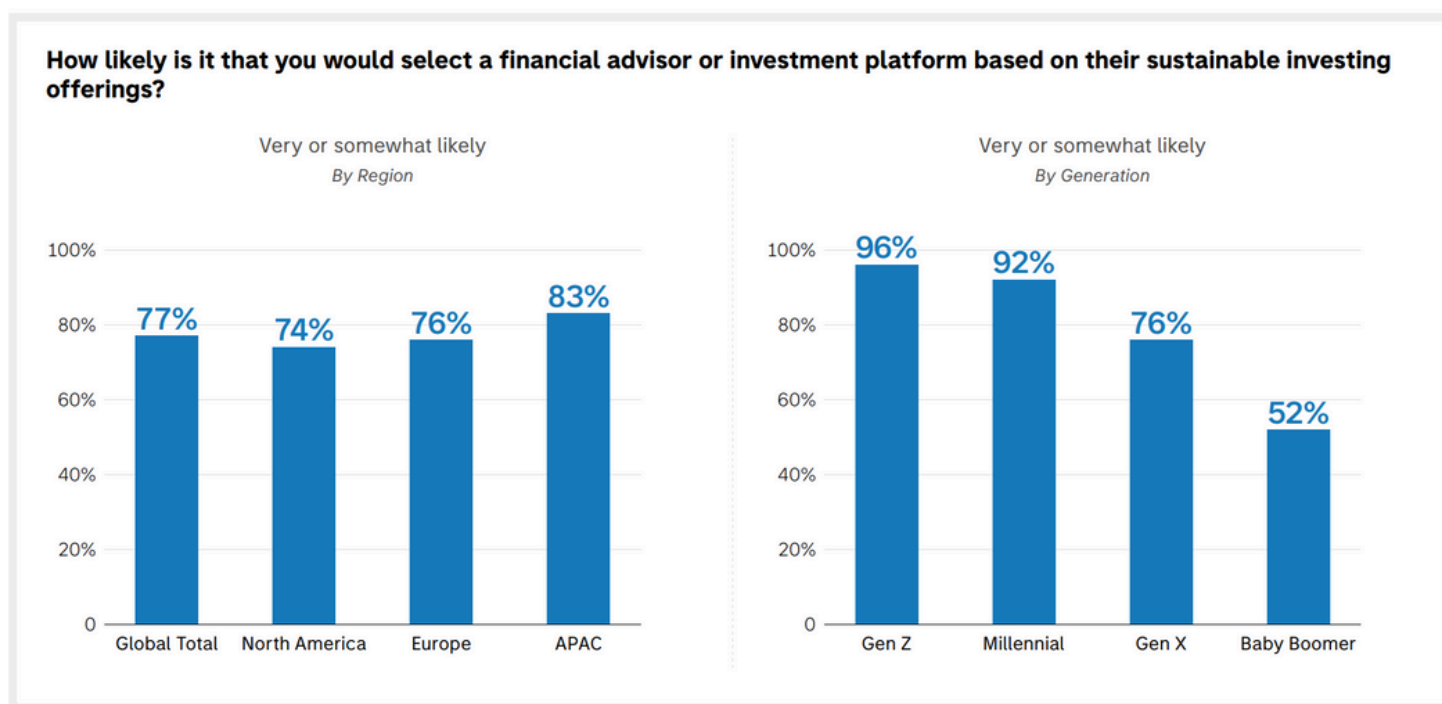
⁹ ESG Data Convergence Initiative (EDCI), *Sustainability Disclosure Framework for Private Equity and Private Credit Investors*, EDCI, 2025.

THE SERVICE GAP – AND THE OPPORTUNITY AHEAD



Despite rising interest, a notable service gap remains. The Responsible Investment Association (RIA) 's 2025 Investor Opinion Survey finds that while over three-quarters of investors want financial advisors¹⁰ to ask about sustainable investing as part of the KYC process, only about a quarter have been asked. This disconnect is particularly stark among younger clients.

In 2023, 50% of those aged 18–34 were asked about sustainability preferences by their advisors. In 2025, that figure fell to just 38%. Among clients aged 35–54, only 27% report having such conversations, and among those over 55, the figure is just 20%. This service gap represents both a shortcoming and an opportunity.



Source: Morgan Stanley Institute for Sustainable Investing, April 2025. Data as of March 25, 2025.

¹⁰ Responsible Investment Association (RIA) (Canada), 2025 Investor Opinion Survey, RIA Canada, April 10 2025

THE SUSTAINABILITY INTEGRATION FRAMEWORK FOR WEALTH MANAGERS



Diagnose

Identify client values and sustainability goals.

Define

Utilize standardized sustainability definitions to categorize options.

Dispel

Educate clients about greenwashing, performance myths, and conflicting decisions

Design

Build tailored portfolios using appropriate sustainability strategies and due diligence tools.

Demonstrate

Monitor and report on sustainability outcomes.

The research shows that interest in sustainable investing is strong, otherwise we have the necessary tools to move forward. To ensure success, what's needed is a well-defined strategy and improved communication between advisors and clients. We also need to properly equip advisors so that they are confident in discussing these topics and selecting sustainable funds in their asset allocation and investor policy statement process. Advisors should engage their clients in conversations that explore which specific aspects of sustainability are most meaningful to them.

By understanding client priorities and investment options, advisors can tailor their investment recommendations more effectively, ensuring that the proposed strategies align with the clients' values and financial goals. This approach not only fosters trust but also enhances the overall investment experience for clients.

Three Immediate Actions Advisors Can Take Today

1

Revisit your onboarding materials to include sustainability questions and model portfolios.

2

Get trained on the five sustainable investing approaches and due diligence practice.

3

Work with your advisor software provider to obtain screens and filters to help with fund selection.

BRIDGING THE GAP

BETWEEN SUSTAINABLE INVESTING THEORY AND REAL-WORLD PRACTICE FOR FINANCIAL ADVISORS



While most financial advisors are well-versed in traditional planning topics, many remain unprepared to confidently integrate sustainability into client conversations. Knowledge alone is not enough—advisors also need the **infrastructure** and **organizational support** to succeed.

For employers, there are two critical drivers:

Protecting Corporate Reputation and Demonstrating Compliance – Too many advisors still hold misconceptions about sustainable investing. In our [2024 Secret Shopper exercise](#), where we spoke with 40 retail advisors across Canada, we found that clients were often provided with outdated or misleading information, particularly around performance myths and fees. Without baseline training and clear guidance, firms risk damaging client trust—especially with younger, well-informed investors.

Seizing the Business Opportunity – Some advisors see sustainable investing as a way to differentiate their services and expand their toolkit alongside tax planning, insurance, and wealth strategies. However, they cannot integrate sustainability effectively unless they are equipped with the right infrastructure: recommended fund lists, model portfolios, due diligence support and monitoring, as well as practical templates and guides. With these resources in place, advisors can confidently offer clients aligned, evidence-based solutions.

Bridging the gap requires more than education—it requires a system. Employers must provide both the training and the tools to enable their advisors to move beyond theory and deliver sustainable investing as a credible, competitive, and value-added -adding part of their practice.



Case Study

Strategic capacity building approach for advisors

This case study outlines the approach that ED4S takes in effectively identifying skills and tools gaps and by working closely with the financial institutions to build advisor confidence and capacity in sustainable investing through a structured, impact-driven approach:

1

Stakeholder Consultation

Engage advisors, product teams, tech providers, and sustainability leaders to map realities, barriers, and opportunities.

2

Foundational Common Language

Deliver short, scalable e-learning programs with assessments to ensure all advisors share accurate, consistent knowledge.

3

Targeted Skills Development

Identify advisor skill gaps and design tailored training solutions to close them effectively.

4

Impact Tracking & Feedback

Measure progress, gather advisor insights, and adjust programs for continuous improvement.

Theoretical training is not enough. It's time to move beyond theory and prepare advisors to succeed with the clients of today and tomorrow.

To learn more or to book your free workforce training consultation :



ed4s.org



hi@ed4s.org



[linkedin.com/company/ed4s/](https://www.linkedin.com/company/ed4s/)





ED4S

THANK YOU!

Contact us for questions, partnerships,
collaboration or a free workforce training
consultation.

Contact hi@ed4s.org