CALL FOR EVIDENCE ON THE INTEGRATION OF SUSTAINABILITY PREFERENCES IN THE SUITABILITY ASSESSMENT AND PRODUCT GOVERNANCE ARRANGEMENTS

Annexes 4.1 Annex I – Summary of questions

Q1: What actions did firms implement within their organisation to take into account the new requirements related to sustainability preferences?

Please elaborate especially on the following:

- **What proportion of firms' employees (differentiating between client facing staff and the other staff) have received training on sustainability topics? What these trainings consisted of? Was any test or exam put in place?**

AEB members have been working on the development of internal regulations to consider the new requirements related to sustainability preferences and on financial education on sustainability for employees (and costumers). Such as:

1. The General Policy of Conduct with the client and Product Governance sets out provisions about sustainability related issues. *When providing discretionary portfolio management and investment advisory services, XX will manage its clients' assets and provide them with advisory services, taking into account their characteristics, objectives and needs and including, when applicable, their objectives and preferences in terms of sustainability.*
2. Product Governance Standard establishes the criteria to be taken into account when defining the target market for a product. It identifies the types of customers whose characteristics, objectives and needs (included when applying any sustainability-related objectives) are considered compatible with each product.
3. Standard on Knowledge of the Investors establishes that when providing discretionary portfolio management and investment advice services, XX will manage its clients' assets and provide them with investment advice, taking into account their characteristics, objectives and needs and including, when applicable, their objectives and preferences in terms of sustainability.

   As an example, two members have shared concrete figures:

   Entity A:

   Regarding employees training on sustainability topics, 74% of current employees have received specific training in Sustainability.

   - By Units:
     - 76% of clients facing staff employees at group level, more than 90 % in Spain
     - 71% of other employees.
   - More than 100,000 employees have already been trained since a specific training program on sustainability was developed (taking into account the number of new employees joining and leaving the entity).
   - The core training program focuses on the following aspects:
     - The SDGs and the Paris agreements.
     - The importance of financial institutions in the transition to a more sustainable world.

- The client facing staff receive training mainly focused on:
  - Knowing the risks and opportunities of sustainability for their specific client typology (Retail, SMEs, Companies and Corporations).
  - Commercial systematics to accompany their typology of clients in their sustainable transition.
  - Climate action and inclusive growth standards.
  - Sustainable products.
- In addition, a significant number of professionals from the Retail and Corporate Banking client facing staff in Spain have been certified in sustainability:
  - Retail & SMEs: EFPA ESG.
  - UE Corporates: IASE.
- With regard to exams, there may be some exceptions, but generally all courses have one or more tests to validate that participants have acquired the most relevant knowledge.

Entity B:

In another entity, the Human Resources/Training area has defined a sustainability training programme consisting of:

- Two basic introductory courses on the concept of sustainability.
- Two certifications:

(i) Fundamentals of ESG engagement. this programme focuses on aspects such as:

  - ✓ basic fundamentals of sustainability,
  - ✓ International context,
  - ✓ transparency and reporting standards, norms and recommendations
  - ✓ circular economy,
  - ✓ sustainable finance,
  - ✓ environment, climate change and green transition,
  - ✓ social inclusion,
  - ✓ corporate governance,

(ii) ESG International Sustainable Finance Specialist Programme with IASE (International Association for Sustainable Economy). This programme focuses on aspects such as:

  - ✓ ESG introduction
  - ✓ Corporate sustainability and sustainable corporate finance
  - ✓ Sustainable banking
  - ✓ Sustainable insurance
  - ✓ Governments, central banks, and multilateral development banks
  - ✓ Sustainable investment, asset management and financial advisory

Both programmes include a knowledge assessment test.

In parallel, additional mandatory training has recently been launched for employees subject to MiFID certification on Green MFID regulations, focusing on sustainable regulation, product classification, advice with sustainability preferences.

- **Which conflicts of interest relating to the integration of clients' sustainability preferences did firms identify and which measures did firms take to ensure that these conflicts of interest do not damage the interest of clients?**

Q2: Are there specific aspects of sustainable finance that retail investors struggle to understand? For example:

- **Understanding of general aspects such as why it is important to consider sustainability risks and factors when investing?**
- **Understanding differences between sustainable products and products without sustainability features?**
- **Understanding that sustainability characteristics and (expected) return are two separate issues**
- **Understanding the new legal definition of "sustainability preferences" and its components (e.g., categories a), b) and c), minimum proportion, principal adverse impact indicators (PAIs), etc)?**

In general, it is a complex language, difficult to understand by the client with terms that are not commonly used, for example, concepts such as taxonomy or main adverse events (PIAS).

In particular, technical aspects are not intuitive for clients and managers, as they are impacted by different concepts and regulations at the same time: for example, a product that according to SFDR is Art. 8 (promotes social and environmental features) may have a % sustainable investment and environmental taxonomy of 0%. This complexity for both the manager and the client may mean that the client's response may be biased towards a lack of interest in sustainability.

Q3: Are there specific financial education initiatives on sustainable finance developed by consumer associations, trade associations or other organisations and that are used by investment firms that you can bring to ESMA's attention?

Please accompany your reply with any relevant background information on the initiative and/or with details on its effectiveness/usefulness.

There are several initiatives on sustainable finance developed by Spanish organisations:

- **CNMV**: The National Securities Market Commission, which is the body responsible for the supervision and inspection of Spanish securities markets and the activity of all those involved in them, has provided a basic course on sustainable finance on its website. This course details: what ESG criteria are, types of sustainable finance, common sustainable investment strategies, some sustainable investment products, how to acquire a sustainable product and the sustainability preferences of clients.

- **Ministerio para la Transición Ecológica y el Reto Demográfico**: Environmental Education Action Plan for Sustainability (2021-2025). However, a number of issues are addressed, not only sustainable finance.
- **Spainsif**: Spainsif is the meeting and reference platform for sustainable and responsible investment in Spain, whose primary mission is to promote the integration of environmental, social and good governance criteria in investment policies through dialogue with different social groups, contributing to sustainable development, as well as to raise awareness and promote changes in investment processes in the investment community, public administrations, companies and citizens in general.
- **Finresp**: The Spanish Center for Sustainable and Responsible Finance (FINRESP) seeks to contribute to a more sustainable and responsible economic and financial activity through the creation of a meeting, debate, awareness and experimentation point for stakeholders in the financial services industry.
- **IEAF-FEF Permanent Forum on Sustainable Finance:** The Spanish Institute of Financial Analysts (IEAF) and the Foundation for Financial Studies (FEF) are launching an initiative to promote a forum for information and knowledge on one of the areas of finance that is expected to enjoy one of the most important developments in financial practice in the coming years.

At an international level, LMA and ICMA seminars and training material are probably the most complete ones.

Q4: What is the main way firms currently provide information to retail clients about sustainable finance? For example:

- **Orally during the meetings with clients**
- **Through educational brochures or other (paper) documents**
- **Through dedicated website and apps**
- **A combination of the above**
- **Other**

In your opinion, are these approaches effective? Please provide details. Are retail clients satisfied with the quality of information provided?

Firms provide information to retail clients through a combination of the above, and it depends on the financial services, the product and the distribution channel. Usually, firms provide the information during the meetings with the clients, and through the pretrade information (including an explanation with the basic concepts ESG).

Clients are satisfied. Education could be increased on this topic

The main sources of information correspond to pre-contractual information, investment proposals, conversations with clients, website, etc. In conclusion, it would be a combination of several of the above.

Q5: What are clients' experiences/reactions to the new questionnaires including questions on "sustainability preferences"? (e.g., do they require guidance to be able to answer to the questions? Do they show interest in the topic?)

The new question on sustainability preferences has not generated special reactions with clients. they have been assumed to be normal.

Clients are interested in sustainability investments, but in general, they do not want their investment universe to be reduced as a result of their responses to the new questions on sustainability preferences.

They see sustainability as an additional attribute of value in their investments, as long as it does not significantly undermine the accessible product offering or impact their returns.

Q6: Are there practical examples of questions used to collect information from clients on their sustainability preferences that you can share with ESMA? (as for other parts of this CfE, respondents can opt for their input to ESMA not to be made public)

Q7: Which of the sustainable investment definitions do clients most often opt for? (EU Taxonomy alignment? Sustainable investment within the meaning of SFDR? Consideration of PAI? All of them?) Please provide any statistics, where available.

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23).

In general, client responses differ significantly depending on the segment and investment service we are providing. Private Banking clients are more interested in sustainability issues than Retail clients, whose interest is lower.

Answer differs between entities.

One institution's data cannot be extended to all other banks.

As an example, two members have shared concrete figures:

Entity A:

For some clients most often opt for the sustainability investment within the meaning of SFDR.

Entity B:

Other entity informs that [1]50% of customers have sustainability preferences

Of those 50%:

- Wants PAI considered: 75%
- Doesn´t want to specify a minimum % of sustainable investments and Taxonomy aligned investments: 50%
- Only 10% wants at least more than half of their investment to be a sustainable investment

[1] Data from one entity

Q8: How are firms collecting information from clients on their preferences concerning the minimum proportion? With regards to the use of standardised minimum proportions, which standardised minimum proportions are presented to clients?

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Data from one entity cannot be extended to all other entities.

Entity A indicated that in the evolution of the questions on sustainability preferences in the suitability test to be implemented, the minimum ratios differ in Sustainable Investment and Taxonomy. In the case of sustainable investment, we have scaling of 10% and 50%, while in environmental taxonomy, as it is very little developed, the % are lower: 1% and 3%.

Entity B shared the following figures:

For sustainable investments in ranges:

No preferences, 0-20, 20-50, 50-100

For Taxonomy lower ranges due to the reduced exposure in funds:

No preference, 0-3, 5-10, 10-15

Q9: What is approximately the average minimum proportion of sustainable investments requested by clients? Please provide details, where available.

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Data from one institution cannot be extended to all other institutions.

Entity A informed about an average minimum proportion of sustainable investments requested by clients is approximately 20% or 70%.

Entity B informed approximately 10%. Half of customer doesn´t have any ESG preferences. From the other half 50% prefers not to provide a minimum % for sustainable investments.

Q10: Are firms currently able to satisfy the sustainability preferences expressed by clients (in particular in relation to the three categories (Taxonomy, SFDR, PAI))? If so, for which categories and/or types of financial instruments do firms find it most difficult to satisfy clients' preferences?

In view of the different scope between MiFID and SFDR and Taxonomy Regulations ("financial products" vs. "financial instruments"), the question arises as to how firms can possibly comply with the new rules in these cases and, more specifically, as to what extent it would make sense to ask the client for information on their sustainability preferences when the range of financial instruments that may be recommended, due to their own nature and characteristics, would hardly meet the definition of sustainability preferences.

Clarification in this regard is essential; otherwise, we understand that the new framework could be, in practice, limiting the range of products that may be recommended to clients, so that, in general, a firm could only take into account in determining a client's sustainability preferences financial instruments which qualify as "financial products" under SFDR Regulation. This would have major consequences with direct detrimental impact on the general EU policy goal of increasing/promoting products with sustainability features.

Any clarification/guidance in this regard should consider the position of the European Commission that has clarified that sustainability preferences should only come into play once other suitability criteria have been fulfilled, meaning that they would serve as a final set of considerations rather than narrowing the options earlier on the process.

Another observation is that, despite the fact that the firm integrates sustainability preferences posed to clients, at present there is not a sufficient wide universe of suitable products to satisfy those clients interested in investing in taxonomic activities.

Entities find most difficulties with UE taxonomy alignment, due to the difficulties in finding financial products on the market that meet these characteristics

One entity shared they focus on the criteria with which we currently encounter many difficulties in meeting customer preferences is that related to Taxonomy. Its limited development means that the range of accessible products that meet customer preferences is very low. In addition, products that are not subject to SFDR regulations have to be integrated into the Green MiFID advisory process.

Q11: How often has the adaptation of clients' sustainability preferences been necessary during these first months of application of the rules (e.g., in terms of percentage considering new clients and existing clients whose profiles have already been updated to include information on sustainability preferences)?

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Data from one institution cannot be extended to all other institutions.

Having said this, Entity B pointed out that 12% of the cases

Q12: What kind of operational arrangements have firms put in place to allow clients to adapt their sustainability preferences?

If a client chooses sustainability preferences for which the entities have no products that fit, the entity will inform them, and they may adapt their sustainability preferences. We understand that this does not make much sense, but it is the administrative burden imposed by the relevant guidelines. Reasons why they are changing will be kept. After that entities will offer to answer sustainability preferences again and indicate where they may have a product that fits, keeping a record of the whole process.

Q13: How were clients informed about the possibility to adapt their preferences?

During the suitability assessment processes, as indicated above, entities inform them and that they may adapt their sustainability preferences. This step explains the situation, the characteristics of the alternative that the entity offers and the option to adopt

In addition to the above, it is also reported in the investment proposals.

Q14: Have firms imposed limits on how frequently a client can adapt its sustainability preferences during the investment advice?

No limits are foreseen.

But customer can only complete 3 tests within 24 hours.[2]

There are no limits. However, in practice and to date, it is an option rarely used by customers and if it is used, it is only used once.

Q15: If available: what percentage of those who adapted decided to (1) lower the level of ambition within an option (i.e. reducing the "minimum proportion" or lowering the threshold of sustainable investments in a portfolio), (2) change between the three options (i.e. categories a, b and c) (3) opt for a combination/ for a different combination between the three options (i.e. categories a, b and c) (4) express no sustainability preferences anymore.

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Data from one entity cannot be extended to all other entities.

One entity, entity B indicates that their customers adopt their preferences in line with the alternative offered by them

Q16: How often did clients refrain from adapting their sustainability preferences, accepting that the firm could not recommend any financial instruments or invest on their behalf?

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Data from one entity cannot be extended to all other entities.

In one hand, an entity indicates that the clients tend to adapt their preferences, and give priority to maintaining their investment decision, rather than to sustainability issues.

On the other hand, Customers understand it and as the alternative the entity offers have plenty of sustainability features it´s not a big change for the customer to adopt its preference accordingly.

Q17: In relation to the update of clients' profiles:

- **Which percentage/average proportion of clients have updated their (MiFID) profiles following the entry into application of the new regime on 2 August 2022?**
- **On average, taking into account the number of clients whose profile has already been updated, what is the proportion of clients who express sustainability preferences in your firm/jurisdiction?**
- **On average, taking into account the number of clients who express sustainability preferences, what is the proportion of clients that have expressed a specific preference for one or more of the three categories (Taxonomy, SFDR, PAI) in your firm/jurisdiction? (How many clients are only expressing whether or not they have sustainability preferences i.e., yes, no?).**

[2] Data from one entity

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). The response can be diverse between entities.

Q18: Do you have any comment on the above practical examples?

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Information can be diverse between entities.

Asking the investor first which proportion of the portfolio he wants his ESG preferences to apply to and only then ask for the preferences for this proportion is more complex than needed. A customer can better provide his answer for PAI preferences about his full portfolio instead of a certain proportion (Yes/no PAI to be considered for his investments). In the preferences for sustainable and taxonomy aligned investments customer can already provide minimum proportions. Asking for a proportion of a proportion makes it too complex for many (beginning) retail investors.

Q19: Have firms implemented an approach similar to the one described in examples 1 and 2? If yes, which of the two approaches have firms implemented? If firms have implemented a different approach, please provide further details.

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Data from one entity cannot be extended to all other entities.

Entity A has pointed out that they have implemented an approach similar to the one described in examples 2.

Entity B explains that in their case, in advice they only recommend one fund, they don´t construct portfolio´s based on multiple instruments (yet).

Q20: What are the issues that firms encountered in the application of the requirements at portfolio level?

Market not yet sufficiently developed in certain areas, such as taxonomy, in order to produce the corresponding product.

As mentioned in question 10, at present there is not a sufficient wide universe of suitable products to satisfy those clients interested in investing in taxonomic activities.

Q21: How are clients' sustainability preferences gathered on the consideration of PAIs? Do firms refer to the PAI indicators listed in Annex I of the SFDR Delegation Regulation exclusively, or may clients express their preferences based on other PAIs? If clients 24 may express their preferences based on other PAIs: what are those PAIs and how were they identified?

Some banks are at an early stage of implementation with respect to the application of the suitability guidelines (October 23). Data from one entity cannot be extended to all other entities. But in general, tests will distinguish between environmental and social PAIs, or any of them.

As of today, customers can choose between considering PAI´s on either Environmental, Social or Governance topics, none of them or all of them. When better PAI data is available the entity will ask in more granularity on PAI family level.

Q22: May clients determine qualitative elements in order to demonstrate the consideration of PAIs?

- **If so, what are these qualitative elements and how were they identified, how is the information on qualitative elements gathered?**
- **If not, what are the challenges preventing you from offering such possibility to clients? How could these challenges be overcome?**

No. Two obstacles: One, the data is often not available, or not clear how a manufacturer implements these measures. Two, for customers this is too technical. Most of our advice customers don´t have the knowledge of different investment policies, strategies, and measures to reduce negative impact on ESG elements.

Q23: What are the issues that firms encountered in the consideration of PAIs from clients?

Explaining what PAI is and how this can be considered in investments. And the relationship between the cause (consideration of PAI) and effect (less negative impact) of this topic.

Secondly, the information from manufacturers is not yet complete.

Q24: Does this correspond to practices adopted by firms? If firms have implemented a different approach, please provide further details.

Some entities are at an early stage of implementation with regard to the application of the suitability guidelines (October 23).

In the evolution of the sustainability preference questions in the suitability test to be implemented, we give the customer the possibility that different sustainability options can be treated alternatively or cumulatively. In the case of alternatives, the client does not set any priority.

On entity, entity A advises clients that if they have selected several options, these will be alternative and not cumulative, and indicate that the entity will prioritize SFDR and, where appropriate, PIA.

Q25: How do firms ensure the consistency of the investment advice or portfolio management service provided when conducting suitability assessment with respect to the sustainability preferences expressed by a group of natural persons when no representative has been designated?

First of all, the suitability assessment is carried out on the natural person with the knowledge and experience of the representative, or if there are several, on the one nominated by all of them. In the case of several natural persons, the suitability assessment is carried out for all of them.

In these cases, the agreement with the customer shall be considered.

Q26: What approach and criteria have firms adopted for the mapping of products' ESG features in view of their matching with clients' sustainability preferences?

Product features are tailored to the sustainability preferences of clients taking into consideration the information provided by manufacturers and based on the percentage of sustainable or environmentally sustainable investment, as well as information regarding the consideration of PAI.

In addition, firms are drafting their own labelling and naming rules for the universe of investment products available to its clients trying to reduce the lack of clarity of the SFDR definitions related to investments.

Entity B explains that they check whether the products consider PAI, which minimum % of SI and Taxonomy aligned investments they commit to. As range of products in advice is small, they first did this by directly asking these details from the manufacturer when this was not yet reflected in their pre-contractual information or EET file. From now on this will come from EET file

Entity C explains that for products under the disclosure rules (SFDR), we do not adapt the sustainability features of the products but take into account the information provided by the manufacturers of the EET templates in terms of minimum sustainable investment, taxonomy and PAIs.

Q27: How do firms apply sustainability-related concepts of Taxonomy Regulation and SFDR to MiFID II financial instruments that are outside the scope of SFDR (e.g., shares, bonds, certificates, etc.)? How do firms apply the "minimum proportion" concept to such instruments? In particular, how is the "minimum proportion" calculated?

The sustainability unit together with the business units take the existing best practices in the market (e.g., ICMA, LMA) and extrapolate them or, alternatively, develop internal criteria to those financial instruments or products outside the scope of SFDR.

Normally, there is no "minimum proportion" requirement, but rather the use of proceeds is taken into account when considering the sustainable characteristic in a big proportion as established in the industry best practices.

Some banks have implemented the new questions on sustainability preferences in phases. In relation to products outside the scope of SFDR, the institution will adapt the classification to the characteristics of the product type, e.g., for corporate bonds and equities, it will be based on an internal ESG rating and exclusion policy according to a specific methodology.

Q28: Are firms making use of ESG rating/scoring systems for products mapping in terms of sustainability? If yes, please provide details.

Some entities apply an internal rating for certain products according to their own methodology which relies on information and data provided by external providers such as Clarity.

Other entities use an internal rating for third party funds and own funds, in addition to the information provided by MSCI.

Q29: In case of a positive reply to Q28, how do these interrelate with information gathered from manufacturers (or other sources)?

Based on data provided by third-party managers and MSCI

In case the manufacturer is providing this information, we use this information through the EET files.

Q30: How are firms, in their capacity as manufacturers and/or distributors, defining the target market for products with sustainability-related objectives, in terms of granularity? Please specify the elements that are defined for this purpose. Do firms adopt one single approach for all products, irrespective of whether they are in scope of SFDR? In case approaches differ, please explain why and how.

AEB members in their capacity as distributors, at the moment due to lack of reliable data on taxonomy and lack of granularity in PAI consideration only by defining whether the product is for customers with sustainability objectives (Yes/no). Entities can take this from the EET or directly from manufacturer.

As distributors they consider the sustainability variable as defined by the manufacturer. In the funds marketed at the initiative of the entity in the service of reception, transmission and execution of orders, a question is included in the recruitment process regarding whether the customer wishes to take into consideration sustainability-related issues for the investment to be made. For those products that are traded under an advisory service in any of its modalities or discretionary portfolio management, institutions take into consideration, for the purposes of identifying the target market, the answers that customers have given to the suitability assessment.

Entity B informs that this is only applied to mutual funds which is the only product under advice. All other products are put to neutral target market for customers with sustainability objectives. From Q4 this will be more granular when the entity will align the target market with the three sustainability preferences asked in suitability assessment.

Entity C establishes the target audience for products within discretionary portfolio management and advisory services on the basis of the sustainability preferences expressed by the client in the suitability test and the sustainability characteristics determined by the manufacturer. Outside the scope of these services, no assessment is made of the target audience in relation to their sustainability preferences.

Q31: What are the factors that firms, in their capacity as manufacturers and/or distributors, would consider for the periodic product reviews with respect to sustainability-related objectives?

Q32: How are firms, in their capacity as distributors, collecting relevant information from manufactures on sustainability-related objectives of the target market? Is the information received from manufacturers sufficient, or are firms considering other inputs? If so, please explain why and describe such additional inputs.

Information received from manufacturers is sufficient. In a sort time this would be from the EET file only

Some entities tell us that initially they had to obtain information from external providers in order to get the information, but with the standardisation of the sending of information through the EETs, this dependency has been reduced.

Q33: How are firms, in their capacity as manufacturers and/or distributors, treating products that do not consider sustainability factors in their product governance processes, specifically concerning the target market assessment related to the sustainability-related objectives (e.g., are sustainability-objectives considered in the negative target market assessment for such products? If so, please explain how).

Entities have incorporated sustainability as an additional variable in their target market assessment process. No negative target market is identified for the sustainability variable.

Q34: Have firms noticed increased demand by clients of financial instruments with sustainability features? Please provide any relevant available statistics on this topic (e.g., percentage of clients asking information about these products; trends over time). Furthermore, please explain if factors such as age, gender, level of education or level of income/wealth play a role in the demand for financial instruments with sustainability features.

Responses between entities may vary.

According to some banks, client responses differ significantly depending on the segment and investment service we are providing. Private Banking clients show a greater interest in sustainability aspects compared to Retail clients, whose interest is lower, especially at this time when there is a greater interest in products with a short-term profitability objective, without sustainability features.

Entity A reports 30% approximately

Entity B reports that in advice since the introduction of the sustainability preferences the demand has been stable (50% with preferences). Customers who ask on their initiative about sustainable products are very low in numbers.

Q35: Which percentage of products in firms' offering have sustainability features? Please provide breakdowns and details, where available. Are retail clients satisfied with the availability of products with sustainability features (number, type, characteristics)?

Entity A:

Of the total number of products traded by the entity, approximately 40% of third-party products and 20% of own products have sustainability features related to sustainable investment. And for products that take into account PIA, around 60% third-party and 20% proprietary and in taxonomy below 5%.

Of the total number of products traded by the entity, approximately 40% of third-party products and 20% of own products have sustainability features related to sustainable investment. And for products that take into account PIA, around 60% third-party and 20% proprietary and in taxonomy below 5%. [1]

Entity B:

Informs that they only offer third party products: In advice 100% of the products have sustainability features; in execution-only approximately 60% of mutual funds have sustainability features. Most is invested in 80% funds. The weight of article 9 funds is limited. They do not receive (many) requests from customers to extend our offering of funds with sustainability features.

Entity C:

Some entities have implemented the new questions on sustainability preferences in phases. Based on the current product classification criteria:

- Own funds: 99% of the recommended investment funds have sustainable characteristics, based on the sustainability criteria.
- Third-party funds: 65% of the recommended investment funds have sustainable characteristics, based on sustainability criteria.

Q36: Are firms facing specific issues related to data availability/data quality with respect to financial instruments with sustainability features? If yes, how are firms dealing with these issues

Yes, taxonomy data is not complete, PAI data is only recently becoming more complete. And the sustainable investment percentages of funds are not comparable as every manufacturer has a different methodology.

Among others we identified, lack of updating and consistency of manufacturers' data between actual info, ETT data, pre-contractual info and information providers.

Madrid, 18th September 2023