



# Webinar Sustainability preferences in Investment Advice



PwC September 29th 2022







Welcome by  
Susanne Stormer  
PwC

# Perspectives from Danish executives

**Sustainability is a key part of the business strategy**

Read all the interviews at [cxomagasinet.dk](https://cxomagasinet.dk)







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Introduction by  
PwC Denmark



# Agenda

## 1. Welcome

Susanne Stormer, Partner, Head of ESG & Sustainability at PwC Denmark

## 2. Introduction

Nicolai Wassermann, PwC Denmark

## 3. Nordea

Kerstin Lysholm

## 4. PwC Switzerland

Antonios Koumbarakis & Sofia Jaccard

## 5. Wrap-up

Sine Bak Josefsen, PwC Denmark

# Speakers



**Kerstin Lysholm**  
Head of Investment  
Products & Offerings at  
Nordea



**Dr. Antonios Koumbarakis**  
Director & Head Sustainability &  
Strategic Regulatory at  
PwC Switzerland



**Sofia Jaccard**  
Sustainability & Strategic  
Regulatory Manager at  
PwC Switzerland





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Presentation by  
Kerstin Lysholm,  
Nordea

**Nordea**



# Sustainability

## Integration in Investment Advice

KERSTIN LYSHOLM  
HEAD OF INVESTMENT PRODUCTS & OFFERINGS  
NORDEA BANK, ASSET & WEALTH MANAGEMENT

29<sup>TH</sup> SEPTEMBER 2022





## SUSTAINABILITY REGULATION| Contribute to achieving the 17 Sustainable Development Goals



- In 2016, the EU started implementing the 17 Sustainable Development Goals (SDGs) and signed the Paris Agreement.
- There is an annual investment gap of nearly 180 billion EUR to reach the EU's climate and energy goals for 2030, which requires both public and private capital.



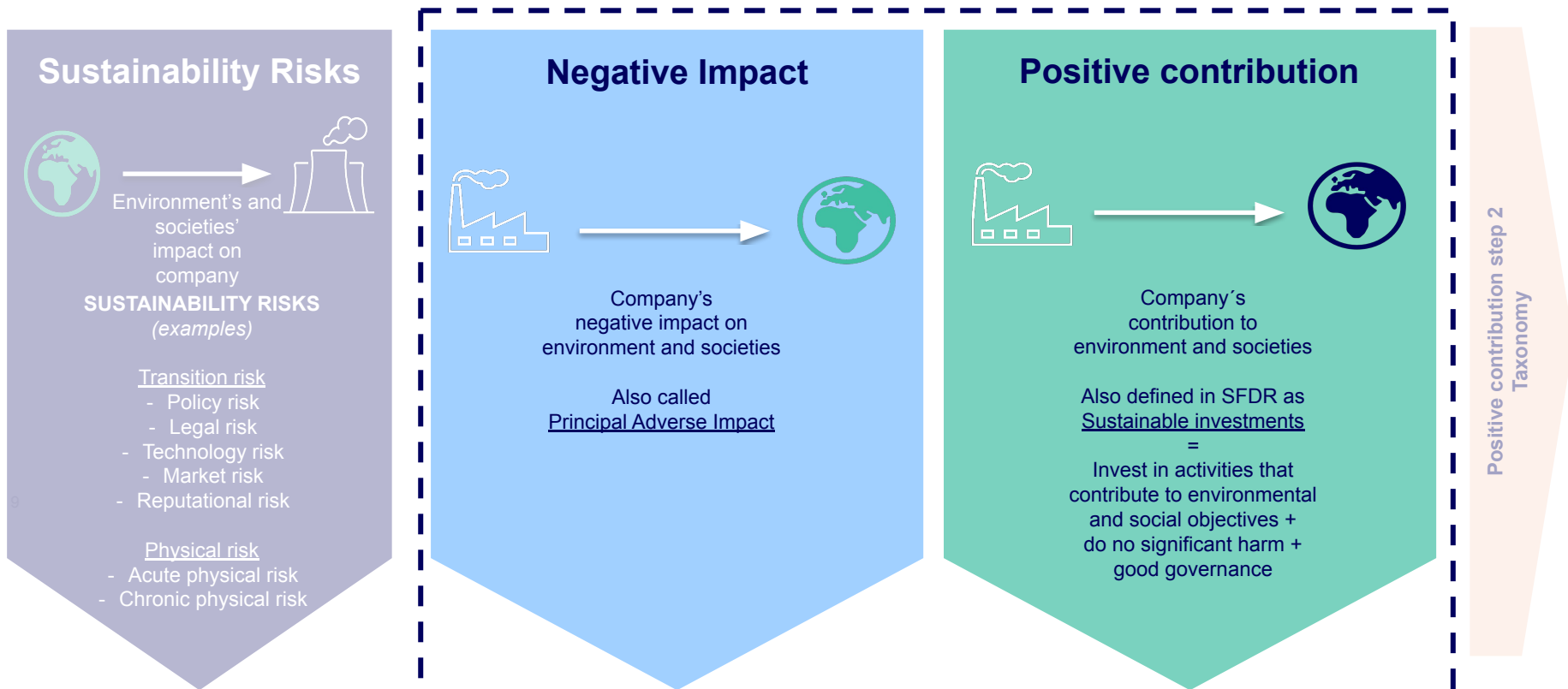
The EU Sustainable Finance Action Plan was adopted in 2018 with the purpose of

- 1) **Directing capital flows towards sustainable investments to achieve sustainable growth for all,**
- 2) Managing financial risks following from climate change, resource depletion, environmental damage, and social issues,
- 3) Promoting transparency and long-termism in financial and economic activities.



- Integration of sustainability in investment advice is one of the initiatives to increase flows to sustainable investments.
- Since August 2nd, **all financial advisors in Europe** have to ask their customers about sustainability preferences.

## SUSTAINABILITY | Impact and contribution from a legal perspective





## OUR AMBITION | Help customers to understand the impact they can make with their investments



Customer

Make it easy for customers to understand and invest in line with their sustainability preference.



Solution

Ensure attractive investment solutions and product offerings while safeguarding sustainability standards. Build trust and credibility.



Adviser

Fully integrate sustainability preference into advise and processes. Ensure training and education as well as integration into advisory tools.

And meet the regulatory requirements.

### 3 PILLARS TO BE EQUALLY CONSIDERED IN INVESTMENT ADVICE

RISK CAPACITY

SUSTAINABILITY

LEVEL OF  
INVOLVEMENT

## MIFID II ESG PREFERENCE | Assessing customers' sustainability preferences

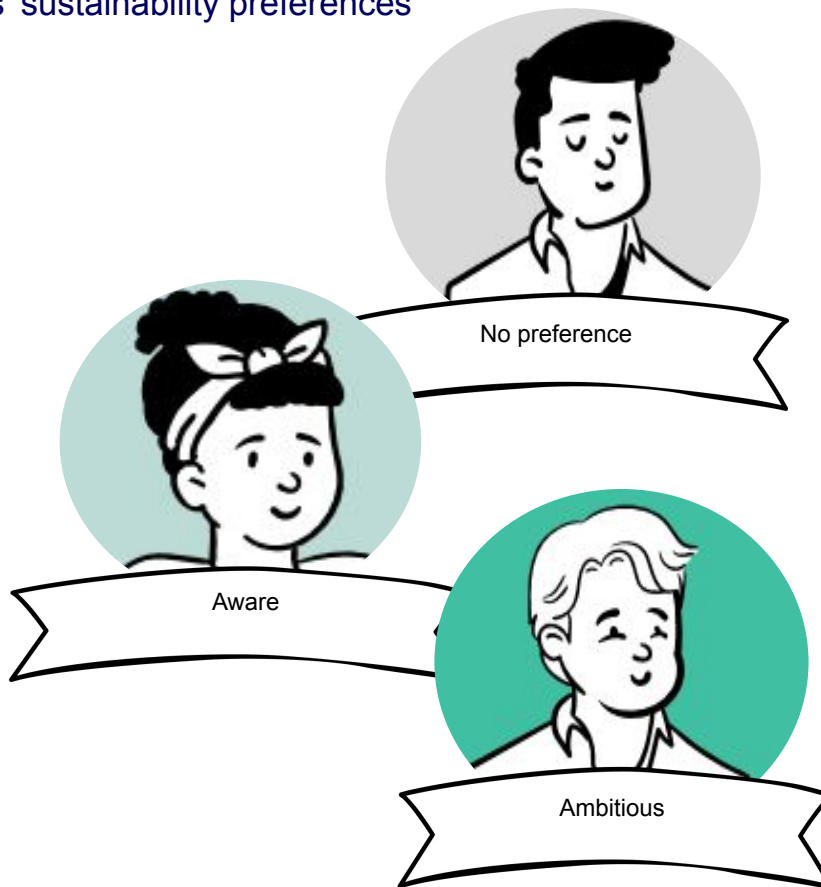
Do you want us to take sustainability into consideration in your investments

No

Yes

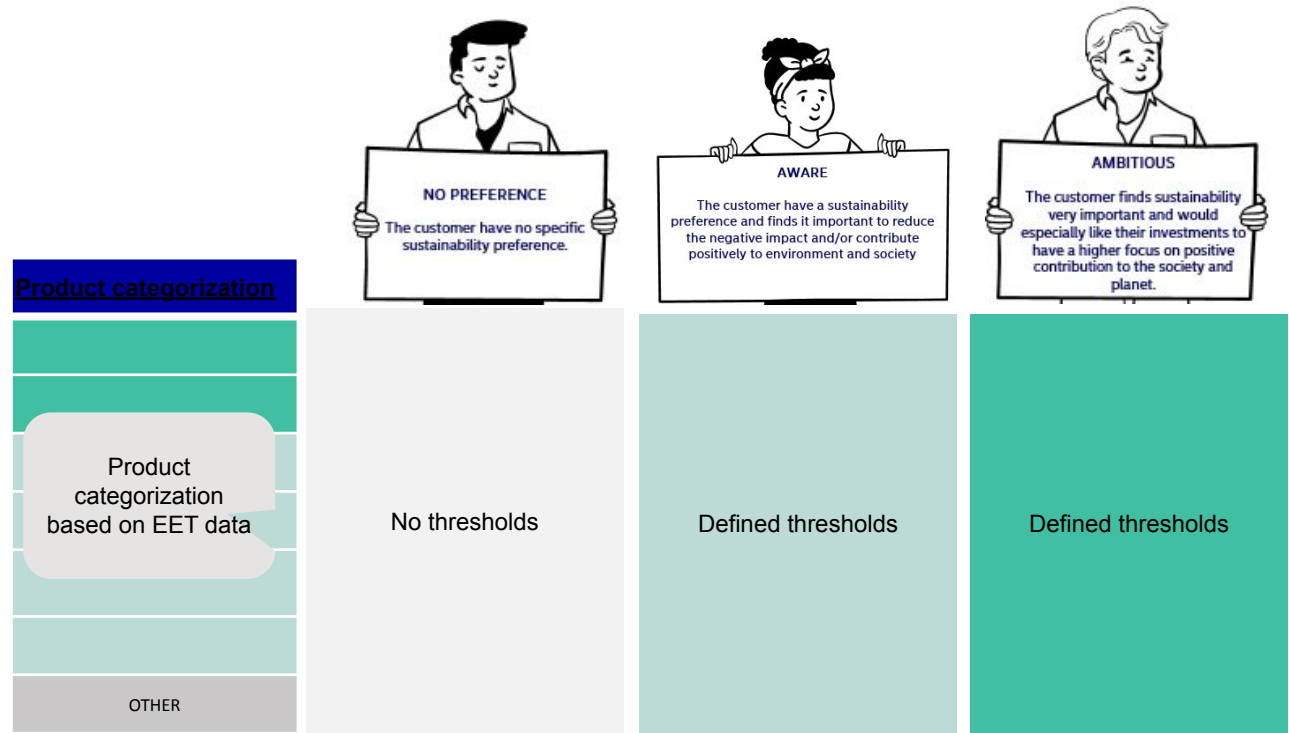
How important is it for you that your investments works towards reducing the negative impact on environment and society?

How important is it that your investments focus on achieving a positive contribution to the environment and society?



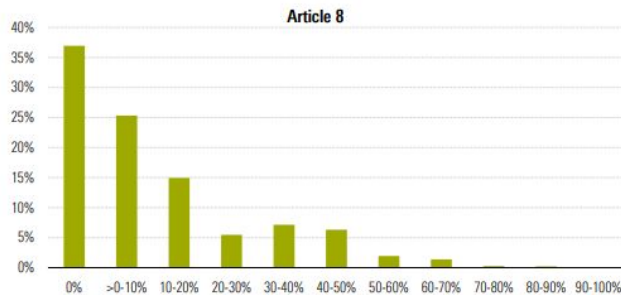


# INVESTMENT ADVICE | Matching customers' sustainability preferences



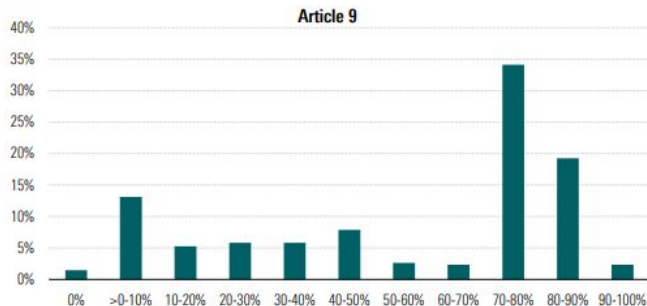
## DATA CHALLENGES | Morningstar with first take on new EET data

### MINIMUM % OF SUSTAINABLE INVESTMENTS FOR ART. 8 FUNDS



Source: Morningstar Direct. Data as of 18 July 2022. Based on 1,860 Article 8 funds that report the field.

### MINIMUM % OF SUSTAINABLE INVESTMENTS FOR ART. 9 FUNDS



Source: Morningstar Direct. Data as of 18 July 2022. Based on 343 Article 9 funds that report the field.

### MiFID II: Patchiness of data

- For the first phase of EET reporting, asset managers have prioritised Article 8 and Article 9 products.
- **Less than half** of surveyed Article 8 and Article 9 funds **reported PAI** consideration and **sustainable investment exposure** as defined by SFDR. Just over one fourth disclosed taxonomy alignment.
- As expected, Article 9 funds plan to hold more sustainable investments than Article 8 funds. Over half of Article 9 funds target allocations greater than 70%, but just 2.3% target allocations higher than 90% and close to 40% target less than 50%.
- Of the Article 8 and Article 9 products that reported taxonomy alignment, 90% provided 0% values. Only 2% target exposure higher than 10%.
- **Different interpretations of SFDR and the EU Taxonomy** have led asset managers to adopt different approaches to the calculation of sustainable investment exposure and taxonomy alignment, rendering it **impossible to compare products directly**.
- Because of data patchiness and a lack of direct comparability between products, financial advisers will struggle to fulfil their new obligations.

**A qualitative assessment is needed to guide customers to investment products where the promise of the product was validated.**



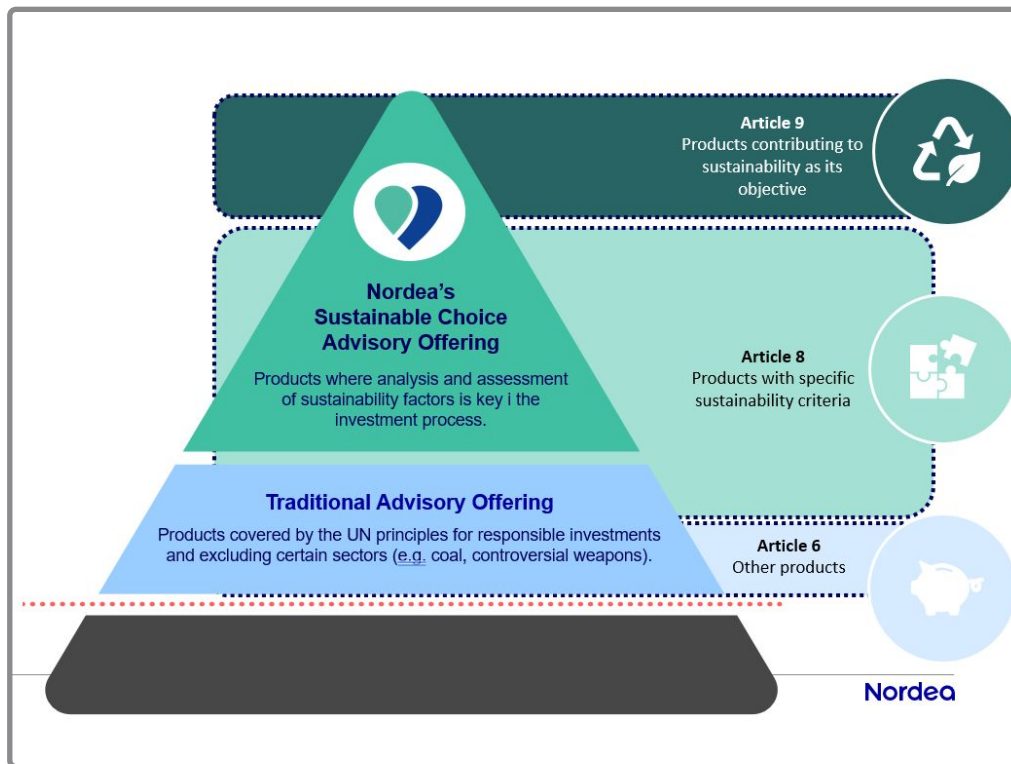
## INVESTMENT ADVICE | Qualitative assessment for recommended products

Products recommended to customers with sustainability preference must pass a qualitative sustainability assessment including:

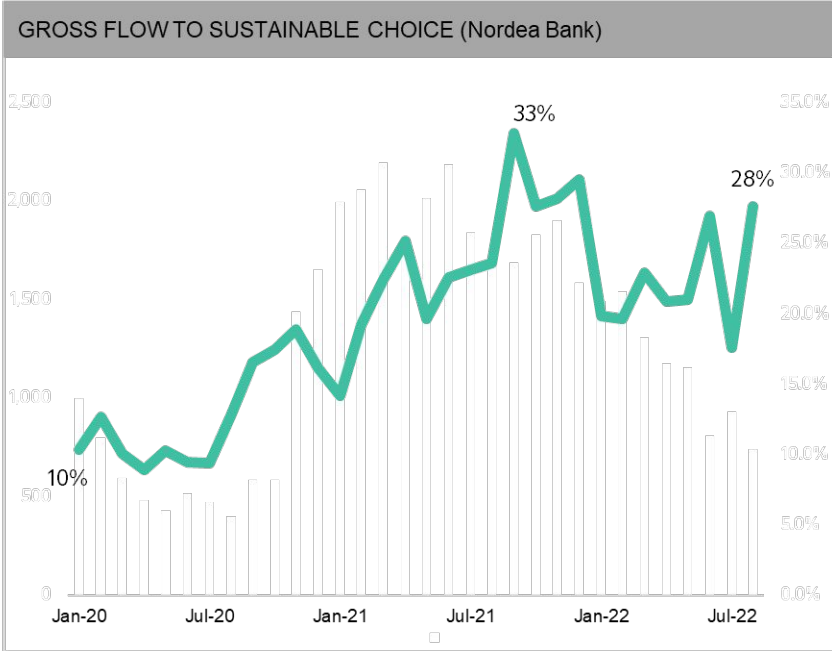
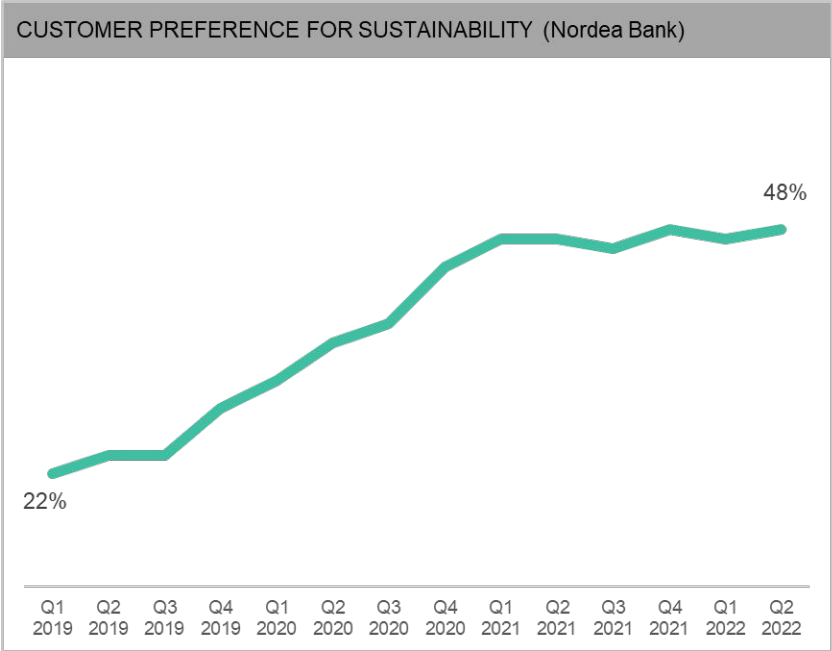
- Assessment of manager ESG approach related to:
  - Policies
  - Resources
  - Research
  - Goals and Reporting
  - Active Ownership
  - Commitments and industry collaborations
- Assessment of product ESG approach related to:
  - Integration in investment decisions
  - The level of PAI/SI commitment
  - Follow up on PAI/SI integration
  - Exclusion criteria
  - Resource involvement
  - Targets and Reporting
  - Active Ownership and process of engagement

Products must also meet general financial quality requirements.

Managers and products are monitored ongoing.



CUSTOMER INTEREST | Significant increase in customer interest over the last years





**Thank you.**

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Presentation by  
Antonios  
Koumbarakis &  
Sofia Jaccard,  
PwC Switzerland



# ESG Preferences in MiFID II:

Challenges, status quo & outlook

September 2022





# Main challenges around MiFID II ESG preferences

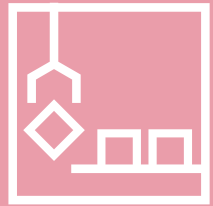


## Complexity

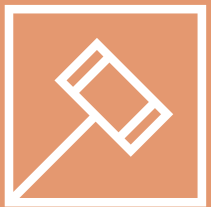
The complexity and interlacement of regulatory requirements causes difficulties on both sides: among financial institutions and clients alike

## ESG Data

Poor data quality or lack of data impedes matching ESG preferences with suitable product offerings (e.g. lack of Taxonomy data)



## MiFID II ESG



## Regulatory uncertainty

Lack of regulatory specifics generate uncertainty, e.g., regarding the interpretation of sustainable investments or consideration of PAI

## Greenwashing

The fear and risk of greenwashing hovers also at the point of sale as regulators intensify scrutiny and started investigations



# The road so far:

## Market approach to implementing ESG preferences

### Internal concepts

- Translation of regulatory requirements into internal ESG preferences concept and questionnaires
- Guided by draft MiFID II suitability or other market guidelines



### Product offering

- Evaluation and grouping of current and potential future product offering, including SFDR and non-SFDR products
- Impact on business and strategic decisions



### Technical implementation

- Implementation of IT changes in order to be able to store the individual preferences in sufficient granularity
- Definition of new controls and checks



### Trainings and awareness

- Trainings and awareness campaigns for employees and functions (e.g., client-facing staff, relationship managers, product managers, legal & compliance)



### Client information

- Elaboration of client brochures for new and existing clients
- Direct outreach to existing clients
- Differentiation between retail and institutional clients



# The way forward: Driving higher-quality ESG data



## Regulatory clarifications

- ESAs' SFDR queries, incl. sustainable investments and PAI
- Final report on MiFID II Suitability Guidelines



## SFDR templates & PAI reporting

- Mandatory SFDR templates for ESG products starting 1 Jan 2023
- Product PAI reporting starting 30 Dec 2022



## Full Taxonomy reporting

- Reporting on all six environmental objectives as of 1 Jan 2023
- Reporting on Taxonomy alignment: 1 Jan '23 / '24 (Non-FS / FS)



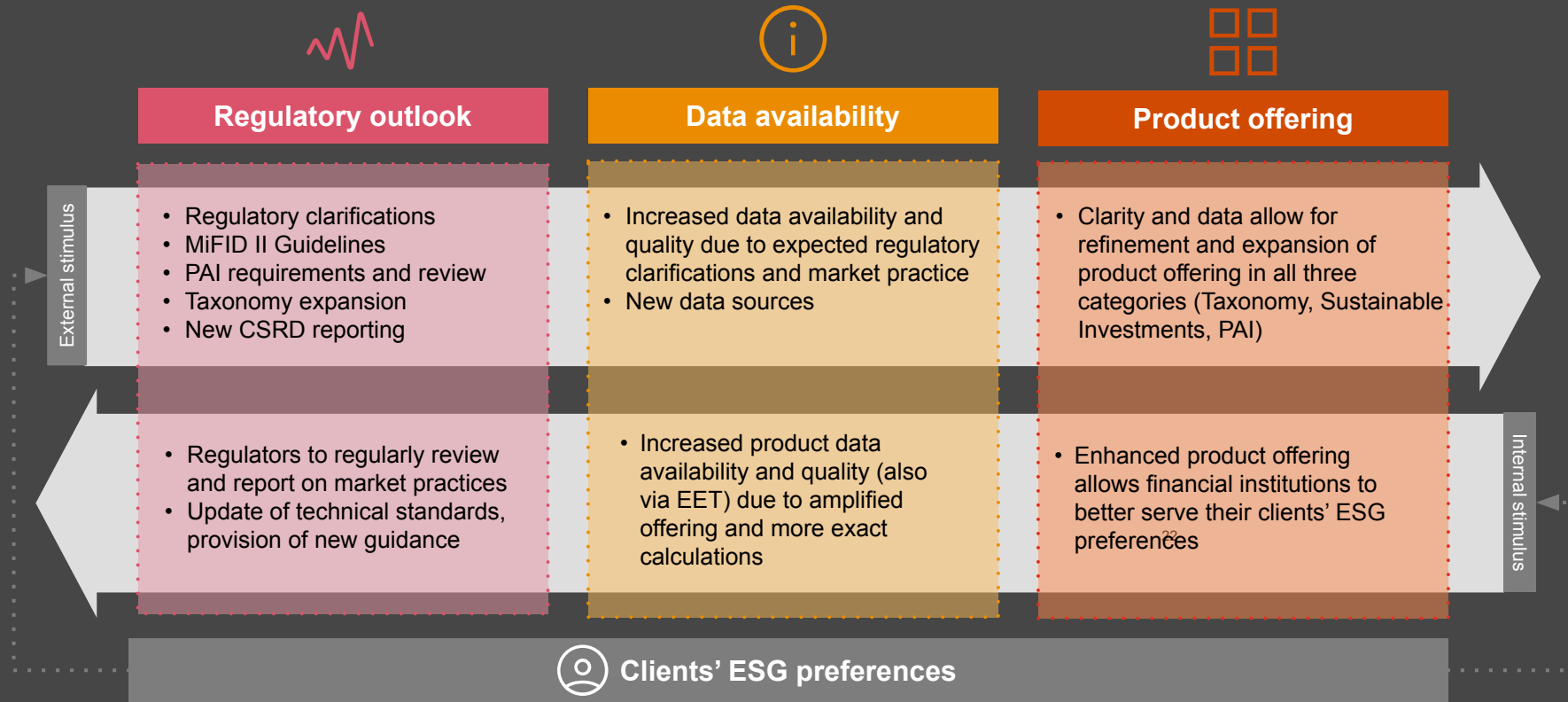
## CSRD & European Single Access Point

- Gradual reporting requirements for extended company scope
- ESAP Go-Live in 2026

The availability and quality of ESG data is crucial for the success of the ESG preferences regime under MiFID II.



# Perspectives on ESG preferences: Growing product offerings



A photograph of a dense, lush green forest covering a hillside, with the trees and foliage reflected in the calm, still water of a lake in the foreground. The scene is peaceful and natural.

# Questions?



# Thanks for today

Thank you to the presenters and to all of you who have tuned in today to learn more about sustainability preferences

For more information...

Sustainability and Product Governance event team in Financial Services. Contact us if you have any questions



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# Thank you for today

PwC 29 september 2022



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