POSITION PAPER

ESBG response to the ESMA Call for Evidence on the integration of sustainability preferences in the suitability assessment and product governance arrangements.

ESBG (European Savings and Retail Banking Group)

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With the aim to provide ESMA with a better understanding on how MiFID II requirements have been implemented and applied by our members, as well as a better understanding of investor experiences with the incorporation of sustainability factors within the investment's services and portfolio management, ESBG is delighted to provide some information and elements gathered by a few of its members.

Regarding the main trends and aspects related to the provision of sustainable investment products and services, ESBG – by its nature of being a European savings banks association – is unable to provide quantitative data related to the specific situation of any of its members. Therefore, some questions as summarised in Annex I of the Call for Evidence document are left unanswered.

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?

• 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?

Training

The proportion of employees having completed training on sustainability issues is almost 100%.

More specifically, investment advisors, sales representatives, and client facing staff of the savings banks have received extensive training in advance of the statutory introduction of the sustainability preferences query.

The training sessions consisted of the following content:

- Meaning of sustainability
- Core elements of sustainability
- Explanation of the three product types according to MiFID II (sustainability features)
- Extended target market concept for sustainability for the specific market
- Dedicated explanation of the sustainability query in the advisory service
- Mapping of the new requirements in the security's advisory applications.

In many instances, a specific certification for sales employees was released. The training was carried out physically and/or by web-based platforms. The on-line training generally included an examination section.

The training effort mainly refers to the training itself and does not include time effort of any information gathering, conceptual design, document preparation, aftercare, coordination effort, etc. In addition to work instructions, a comprehensive reference book on the training content was created.

The investment firms were provided with extensive aid (guidelines on sustainability in the securities business, supplementary Q&A for the advisors, central training documents, etc.).

Conflicts of interest

To ensure that potential conflicts of interest do not affect customers' interests, including their sustainability preferences, the savings banks have extensive organizational precautions and measures in place.

These measures apply to all relevant investment services and ancillary services, including investment advice and financial portfolio management.

In addition, as part of their renumeration policy, the investment firms ensure by law that the performance of employees is not remunerated or evaluated in a way that conflicts with the duty to act in the best interests of customers. The compensation structure is also based on collective bargaining agreements. It does not create any incentives for employees' decisions to be influenced positively or negatively by the inclusion of sustainability preferences in the provision of investment advice or financial portfolio management. In particular, the remuneration does not create incentives to recommend a financial instrument that is less suited to the needs of customers.

More specifically, different investment goals of the client with sustainability preferences are taken comprehensively into account.

On one hand, it is always ensured that client preferences are taken into account in the investment advice. To avoid conflicts of interest, it is procedurally secured, that clients with sustainability preferences are not necessarily allowed on sustainable products only. On the other hand, it is also possible for clients without sustainability preferences to be advised on sustainable products, if a sustainable product meets all other client's preferences. In our view, clients without sustainability preferences shall not be excluded from sustainable products.

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)?**

Clients show a general understanding of sustainability aspects and why sustainability is an important aspect of their lives.

However, many do not understand why the topic has been broken down in such a granular way.

In particular, clients not fully understand the small differences between the various sustainable product types developed by the legislature and the complex and very granular (legally prescribed) query. The query requires a high level of knowledge on the part of the investment advisors and the customers with regard to the three product categories specified by law.

The complexity of the EU-rules has the effect of making retail clients less interested in expressing sustainability preferences, which is counterproductive from an ESG perspective. The requirements contribute to the information overload which is already a problem in MiFID II.

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.

In general, savings banks use their central and in-house implementation tools, guides, Q&As, but also documents provided by other organizations.

In Austria, for instance, savings banks use also selected offers from ÖGUT (Österr. Gesellschaft für Umwelt und Technik / Austrian Society for Environment and Technology).

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

- **Orally during the meetings with clients 22**
- **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?

In general, there is a combination of means by which firms provide information about sustainable finance: client meetings, online channels, educational brochures, bank's website, etc.

Of course, more detailed information is provided in the run-up of investment advice/portfolio management activity, specifically during meetings with the clients, so that they can make a more informed decision according to the legal requirements.

The combination of different methods/channels has a result that is quite effective.

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?)

Customers show a general interest in sustainability and sustainable products, but not in specific sustainability preferences.

Currently a minority of customers (around 20%) answer affirmatively whether sustainability preferences should be taken into account in their investment. Also, only the minority makes concrete specifications for the three categories of sustainability products provided by law.

Practical experience with the queries shows that the new requirements do not have the desired effect of promoting investors' understanding of sustainability aspects or acceptance of sustainable investments.

The majority of customers feel overwhelmed by the very technical questions on sustainable products and do not understand the small-scale differences between the various types of sustainable products. Many advisors report that the granular and complex queries tend to scare off most customers.

In any case, customers need support, especially in initial discussions and in cases of regulatory innovations, in order to be able to deal with the issue of sustainability in the investment advice.

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)

The query of clients on sustainability preferences is supported by the system, as is the case with the other client information. This enables ESGB members to carry out a system-based suitability check also with regard to the sustainability preferences stated in each case. The advisor or (in the case of robo advice) the client is only shown or recommended financial instruments with the option of a recommendation that also correspond to the sustainability preferences specified by the client.

The following presentation is only one of several possible approaches (see also ESMA Guidelines on certain aspects of the MiFID II suitability requirements, para. 27, which rightly gives non-exhaustive examples). We would like to explicitly point out that other procedures are also practiced by ESGB members and are also permissible.

In many cases, the sustainability preference query is conducted in the following steps:

Step 1: Initial question on sustainability preferences

The client is first asked whether he/she would like sustainability factors to be taken into account. If the client answers this initial question in the affirmative, the process continues with Step 2.

Step 2: Selecting the product category

Clients who have answered the initial question in the affirmative can decide in a further step which of the product category(ies) mentioned in article 2(7), letter a) to c) of Delegated Regulation (EU) 2017/565 they would like. The product categories are explained to the clients so that the differences between the three product categories are clear to them. This is done through short, concise explanations at the respective selection options. More detailed information can also be brought up if required.

Multiple entries by the client are possible. Clients are informed about the procedure in the case of multiple entries, i.e., the assumption that the fulfilment of at least one specified product category is sufficient. An explicit request by the client for cumulative consideration is taken into account (in some cases, system support is also provided in this respect) or no advice is given (since the additional considerable complexity of the advisory process associated with this - specifically the suitability test and the suitability declaration - cannot be presented in a legally secure manner).

Similarly, the client may indicate that he/she does not wish to make a selection. In this case, all product categories can be recommended to him/her.

As far as the client has selected at least one product category, step 3 takes place if necessary.

Step 3: Specific questions about the product category(ies) selected by the client

a) For PAI products:

As far as the questioning of clients on PAI indicators is done in summary form (categories), the client is usually offered the PAI top categories/focal points according to Annex 1, Table 1 Delegated Regulation (EU) 2022/1288 for selection (for investments in companies greenhouse gas emissions, biodiversity, water, waste, social and employment).

Multiple responses by the client are possible. Clients are informed about the procedure in case of multiple answers, i.e. the assumption that the fulfilment of at least one indicated product category is sufficient. In the case of an explicit wish on the part of the client for cumulative consideration of his sustainability preferences, what has been said above about the product categories applies accordingly (see on this under "Step 2: ...").

Likewise, the client can indicate that he/she does not wish to make a selection. In this case, the recommendation/investment decision can be based on all PAI top categories/focus areas/individual PAIs.

b) For products according to Taxonomy Regulation (E) or SFDR (Disclosure Regulation):

If the client chooses at least one of the two impact-related products (E) or (ESG), the exploration will continue with another question on the desired minimum proportion, if applicable. Since the procedures vary among ESBG members in this respect, we refrain from providing a detailed presentation in this regard.

The sustainability preferences stated by the client are reflected in the suitability report.

The recommendations issued in consideration of the stated sustainability preferences, among other things, are also listed in the suitability report. In addition, the suitability report gives reasons why the recommendations in each case (also) fit the stated sustainability preferences. For this purpose, the sustainability factors for each recommended financial instrument are provided.

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.

According to one member, in most cases, clients who specify sustainability preferences in detail express their desire for SFDR-compliant products (about 90%), followed by Taxonomy-compliant products (about 50%). PAIs (about 40%) are opted less frequently than the two others mentioned above. It should be noted however that multiple choices are possible when specifying sustainability preferences.

Another member however refers to the following shares of preference regarding instrument types under article 2(7) of MiFID II Delegated Regulation (EU) 2017/565

- Financial instruments under letter a): 3%
- Financial instruments under letter b): 10 %
- Financial instruments under letter c): 39 %

However, 48% of clients do not want to make any selection, so that all types of instruments can be offered to them.

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?

In some cases, clients set their minimum proportions using thresholds and ranges that are adjusted according to changing market standards.

In other cases, the query to the client is based on clusters (low, medium, high).

The percentages on which "low," "medium," and "high" clusters are based are determined within the bank's group as follows:

- Low: From 5 to 19.9 %
- Medium: From 20 to 49.9 %
- High: From 50 to 100 %.

The manufacturers transmit the concrete percentage values in combination with the classification of the sustainability-related product according to article 2(7) letter a) and/or b) of MiFID II Delegated Regulation. The bundling (allocation of the concrete percentage values to the above-mentioned bank-specific clusters) takes place at the level of the distribution offices.

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

We are unable to provide figures related to this question.

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?

For one member, the non-satisfaction of sustainability preferences is, as far as can be derived from reports, an exception. When clients cannot be satisfied, however, most of the adjustments for sustainability preferences are made in relation to the Taxonomy Regulation. In about half of these cases, preferences relating to the SFDR are adjusted and in very few consultations, the sustainability preferences related to the PAIs are adjusted.

For another member, since the introduction of the query in August 2022, certain sustainable product features cannot or can hardly be offered; as a result, banks/savings banks cannot take into account all possible sustainability preferences of clients.

This affects products aligned with the taxonomy (article 2, paragraph 7, letter a) and products with a high proportion of sustainable investments (article 2, paragraph 7, letter b). There is currently virtually nothing offered in this area. This leads to irritation among customers who need to be explored on all three product types despite the limited product offering. This is one of the biggest problems with the legal requirements: The legislature provides for very detailed client exploration but has set the product-related requirements for the sustainable product types so high that in many cases there are no or hardly any products. This circumstance leads to a lack of understanding and resentment among many customers.

Furthermore, providers of OTC derivatives cannot offer OTC derivatives with sustainability features. The background to this is that the requirements to take sustainability preferences into account do not make sense for OTC derivatives that consist of a bilateral contract between manufacturer and client and, for example, hedge risks from another transaction. The legal requirements should have been mandatorily limited to investment products to which they are tailored.

With regard to equities and corporate bonds, it is problematic that the issuers of these financial instruments do not provide target market information on the sustainability of their products, as they are not subject to MiFID II. As a result, the distributing banks generally do not have any information on the individual sustainability features in accordance with MiFiD II for the products from the corporate sector, or they can only determine these themselves with considerable effort, if at all. As a result, shares and corporate bonds can often not be recommended to clients with sustainability preferences.

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)?

A member that replies to this question, stated that in the first 8 months, it was necessary to adjust clients' sustainability preferences in about 5 % of the cases in which sustainability preferences were mentioned in detail.

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

With the application of the extended ESMA guidelines on suitability assessment, the client should be given the opportunity to adjust his originally expressed (initial) sustainability preferences for the investment idea in question in order to enable a recommendation in this way. If the preferences originally stated by the client cannot be met, the client has the option of adjusting the sustainability preferences.

If the client does not do this, no recommendation can be made on the basis of the initial sustainability preferences. A technical block is implemented here, so that the consultation ends without a concrete result in the sense of a product recommendation.

This is particularly unfortunate from the customer's point of view in view of the very limited range of a) and b) products.

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

The advisors inform clients about the availability of products based on their sustainability preferences and the possibility to change them.

If a recommendation is made on the basis of the changed sustainability preferences, this is documented in the suitability report.

Both the original and the changed sustainability preferences as well as the background for the change (no suitable product could be identified) are presented in a transparent manner.

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

No restrictions/limitations are imposed by ESBG members.

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.

We are unable to provide figures related to this question.

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?

We are unable to provide figures related to this question.

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?).**

We are unable to provide figures related to this question.

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

According to one member input, if the minimum proportion was taken into account in the investment advice in the manner shown in example 2, this would result in the percentages being extremely low, especially in relation to the Taxonomy Regulation. From our point of view, the approach shown in example 2 is very difficult to implement given the current data situation and the need to accompany the regulations in its transition phase to its complete formulation.

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.

For some members, the approach followed is similar to that presented in example 1.

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

With regard to the query of sustainability preferences, no distinction is made between individual product advice and portfolio advice. Thus, the client's sustainability preferences are also asked in every advisory meeting in portfolio advisory, which has the advantage for the client that he/she can be offered a wider range of sustainable products as the range of sustainable products increases. This is particularly important in the initial period, as there are currently relatively few sustainable products available.

In this regard, an important topic is the consideration of the sustainable products already in stock. In order to give clients the opportunity to make a well-founded decision on the basis of the specified sustainability preferences, taking into account all target parameters relevant for the advice, sustainability preferences are requested or updated before each advice. As part of the investment advice, existing products and their sustainability features are also taken into account in order to meet client requirements in terms of sustainability preferences.

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 may express their preferences based on other PAIs: what are those PAIs and how were they identified?

See our response to Q6, step 3 a) for PAI products.

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?**

Clients are informed about each product declared as a PAI product. The product-specific information shows how the product in question takes PAI or sustainability features into account. Customers are thus enabled to understand the qualitative and qualitative elements.

There is no separate query on this, since it would further complicate the process, which is already perceived by customers as too time-consuming and bureaucratic.

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

Clients have difficulty understanding the concept of considering adverse impacts on sustainability factors. A great deal of education and information transfer on the part of advisors is required in this case, with many clients complaining about the complex subject matter and the in-depth explanations.

Of PAI are too granular it will be difficult to match with clients' preferences which will lead to adaptations.

It is also important to underline that 'retail clients' from an implementation and technical perspective is treated as a segment whereas the rules require tailor-made solutions.

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

A member outlined that due to the legal requirements, it was unfortunately not possible to introduce a simpler process for querying sustainability preferences, although both advisors and customers would like to see this.

Another member pointed out that when specifying the sustainability preferences, clients are informed that the sustainability preferences are aimed to be achieved on portfolio level and that not every single product necessarily has to correspond to this. In addition, this approach is also practiced in the investment advice itself, so that customers and advisors can see how the level of target achievement is determined. In addition to the presentation and explanation during the investment advice itself, this fact is also documented in the minutes accompanied by an explanation.

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?

This instance is dealt according to representation rules and regulation. So, in this case only the specifically designated person or persons may seek advice on the securities account.

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

For one member, the central element for mapping customer-related sustainability preferences with product-related sustainability characteristics is the sustainability concept for the national market, which was jointly developed by manufacturers and distributors (a similar format exists at the European level in the form of the EET).

The definition of standardized information ensures that the product-related information is available, which the savings banks and other distributors need in order to match it with the sustainability preferences that are queried from the clients.

Obtaining the standardized information enables the savings banks to perform technical comparisons, the results of which can be used as the basis for the actual suitability check.

For another member, in the securities advisory tool, new filter options for product searches have been added. This gives advisors the opportunity to respond to sustainability preferences of clients in a targeted manner.

In addition, sustainability proportions for clients with detailed sustainability preferences are shown in bars and are updated live depending on the recommendation. This provides a good overview of the extent to which the customer's sustainability preferences are being met.

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?

In one case, specifications have been developed with representatives of bond issuers on how the SFDR specifications tailored to funds can be usefully applied to bonds and certificates (structured securities).

Regarding the minimum proportion, neither article 9 of Delegated Directive (EU) 2017/593 nor article 2(7) of MiFID II - Delegated Regulation (EU) 2017/565 require a contractual assurance of minimum proportions of sustainable investments in order for a financial instrument with actual proportions at a certain point in time to be marketed as sustainable. In the case of products that are not subject to the SFDR, there is therefore no contractually assured value. Consequently, in the case of certificates and bonds, it is intended to base these quotas on the last actual value. This is regularly derived from the bank's annual sustainability reports.

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

One member pointed out that distributors use information from ESG rating providers - as far as can be seen - only in the context of offering portfolio management services. This may include ESG ratings or scoring systems.

In providing investment advice, firms rely on the extensive information provided by the manufacturers whose products they offer in their advisory services.

Products for which no or only insufficient information is available cannot be offered in the advisory service.

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

The answer to this question is provided under the previous one.

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.

Please refer to answers to questions 10 and 26 above.

In addition, consider that from a distributor's perspective, in the case of investment advice, a uniform approach is mainly followed.

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?

Manufacturers continuously review the classification of a product as sustainable. For example, changes to the ESG rating or improved data on funds can lead to changes in the previous assessment, which are then also communicated to the distributors.

In addition, banks strive to offer products for all types of sustainability, so that the range of sustainable products on offer is constantly reviewed and expanded where possible.

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.

Data on sustainability is collected via central data services and processed accordingly.

Manufacturers with whom the distributors work closely also usually provide separate information, such as declarations on the sustainability of the product in question for the customer, which are specifically tailored to the respective processes of the distributors.

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).

In general, there is no need to determine a negative target market with regard to sustainability, as the requirements of the ESMA guidelines on suitability with regard to distribution in the case of divergent sustainability preferences are stricter than the requirements for the distribution of products with negative target markets according to the ESMA guidelines on product governance.

According to the guidelines on product governance, distribution in the presence of a negative target market is not excluded in principle; however, it should remain the exception and a separate justification is required.

In contrast, according to the ESMA guidelines on suitability, a client who expresses sustainability preferences may not be recommended a product that does not meet these preferences. Thus, the recommendation of a product that has not been declared as sustainable by the manufacturer (or has the sustainability characteristics desired by the customer) is ruled out. This means that products with a so-called grey target market for sustainability - unlike the other target market criteria - may not be recommended. The indication of a possible negative target market (product is particularly harmful) is therefore not necessary, as this would have no relevance for the distributors (as they are already not allowed to recommend a neutral product according to the ESMA guidelines on suitability assessment).

Against this background, we would very much welcome the clarification that no negative target market is to be determined for the target market criterion of sustainability (which at the same time takes into account the much-cited subordination of the target market criterion of sustainability).

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.

We are unable to provide figures related to this question.

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)?

We are unable to provide figures related to this question.

In any case, we outline that many clients are generally frustrated and annoyed that advisors ask them (in accordance with legal requirements) about certain product types and then end up explaining that these products do not exist at all.

This applies in particular to products under letters a) and b). A more customer-friendly approach should definitely be sought on this topic.

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?

In principle, the information provided by the product manufacturers or their information on sustainability factors is authoritative for the distributors. If the required information is missing or insufficient, the financial instruments in question cannot be recommended (advisory services) or no transactions can be concluded (portfolio management) for clients who have indicated corresponding sustainability preferences (see also our response to Q28). This is a problem in particular for shares, corporate bonds and OTC derivatives.

There is still manufactures who do not comment on the minimum sustainability proportions of their products. Especially with regard to the Taxonomy regulation. A few manufactures currently specify minimum proportions.

In addition, for many products the minimum sustainability proportion is specified as 0%.

About ESBG (European Savings and Retail Banking Group)

ESBG is an association that represents the locally focused European banking sector, helping savings and retail banks in 17 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 885 banks, which together employ 656,000 people driven to innovate at 48,900 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion billion in corporate loans, including SMEs, and serve 163 million Europeans seeking retail banking services. ESBG members commit to further unleash the promise of sustainable, responsible 21st century banking. Learn more at www.wsbi-esbg.org.

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