

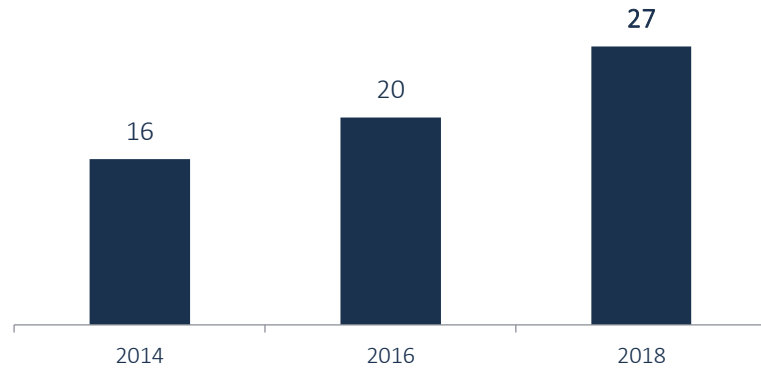
What do your clients actually want?

Nicola Koch

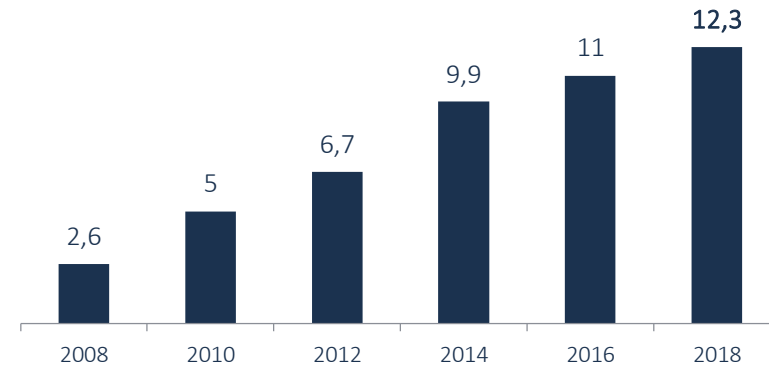
Constanze Bayer

Sustainable and Responsible Investment reached the mainstream in Europe

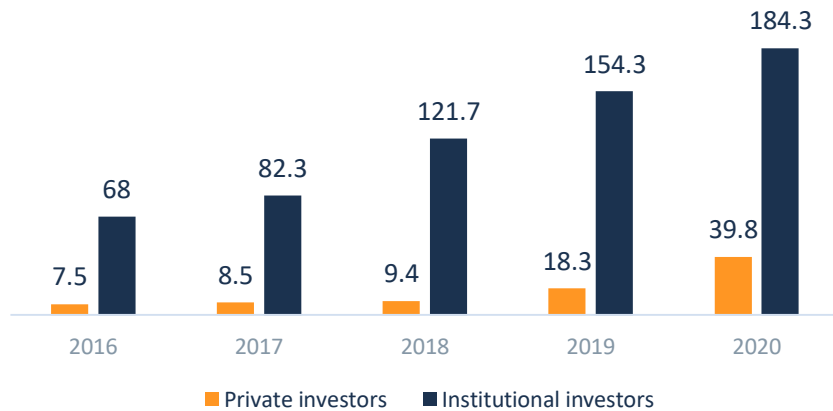
Worldwide (in trillion Euros) ⁽¹⁾



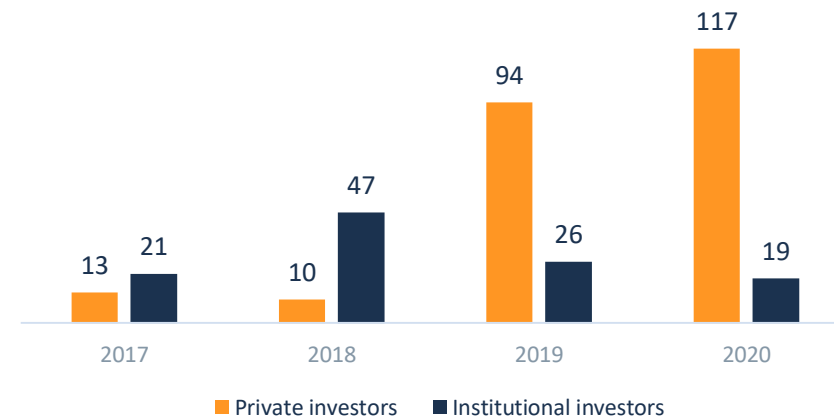
Europe (in trillion Euros) ⁽¹⁾



Germany (in billion Euros) ⁽²⁾

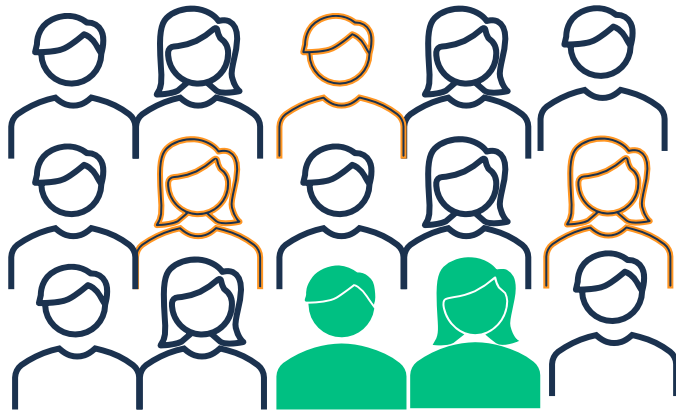


Germany (growth rates per investor type in %) ⁽²⁾



The sustainable retail investor market as multibillion market opportunity

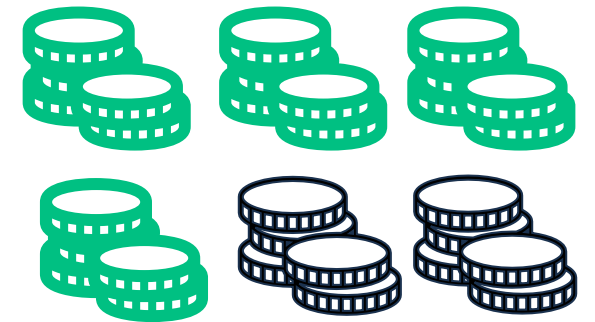
60-70% of retail investors are **interested in sustainable products.**⁽³⁾



40% of retail investors want to have an **impact with their investment.**⁽⁴⁾



Over 30 trillion Euros are held in financial assets by European households.⁽⁵⁾



The sustainable retail investor wave is coming

Sources: (3) 2° Investing Initiative (2020), "A large majority of retail clients want to invest sustainably"

(4) Ibid.

(5) Eurostats (2019), „Households - statistics on financial assets and liabilities"

Product distribution practices

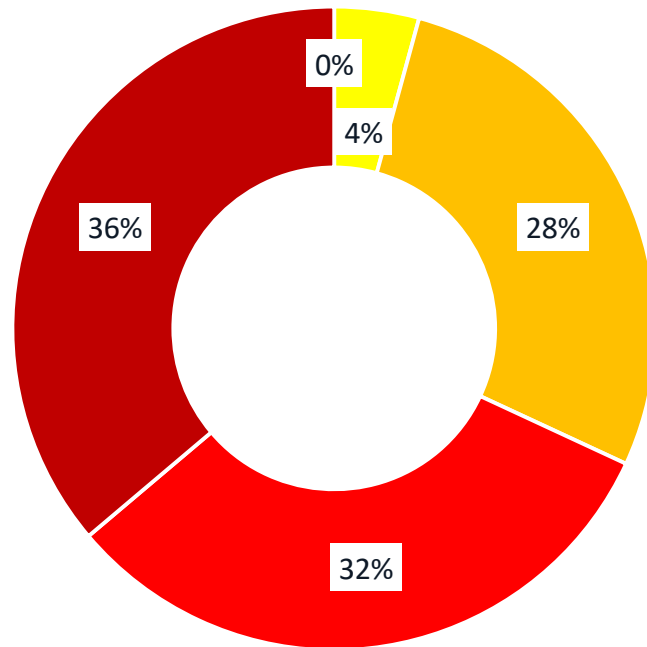
Did your financial advisors ask about social and environmental expectations? ⁽⁶⁾

- 1. Yes absolutely. The consultant spontaneously asked questions about the client's ESG expectations.
- 2. As soon as he understood your interest.
- 3. After several signs
- 4. When you gave him heavy clues
- 5. Never. Even if you clearly expressed your interest on this subject

Product distribution practices

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Problems on distributor side

- Most advisors focus on financial and risk topics. In the case of **extra-financial topics, they are blind**.
- Questions are too broad, ignoring the **diverse opinions of their clients**. Good templates are missing.

Problems on manufacturer side

- Products off the shelf are **"One size fits all"**.
- As a reaction to the increasing demand, many products are **overselling their potential impact** – risk of greenwashing.

Product marketing practices⁽⁷⁾

CO2-Footprint

Fund holdings had



37% less

carbon emissions than the reference.

Based on 10,000 EUR fund holdings, this difference corresponds to CO2 emissions of:



8,817 km driven with an average passenger car, or

The fund is excluding companies which are active in:

**Military
Defense ****



**Nuclear
Energy ****



Tobacco **



Revenue percentages: *0%, **<5%

Source: (7) 2° Investing Initiative (2021), "Sustainable finance and market integrity"

Product marketing practices⁽⁷⁾

CO2-Footprint

1



Fund holdings had

37% less

carbon emissions than the reference.

Investees are better than their peers

≠

Investing in the fund **reduces GHG emissions**

2

Based on 10,000 EUR fund holdings, this difference corresponds to CO2 emissions of:



8,817 km driven with an average passenger car, or

Changes in portfolio allocation

≠

GHG emission **reductions in the real economy**

3

The fund is excluding companies which are active in:

**Military
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Tobacco **



Exclusion according to revenue thresholds

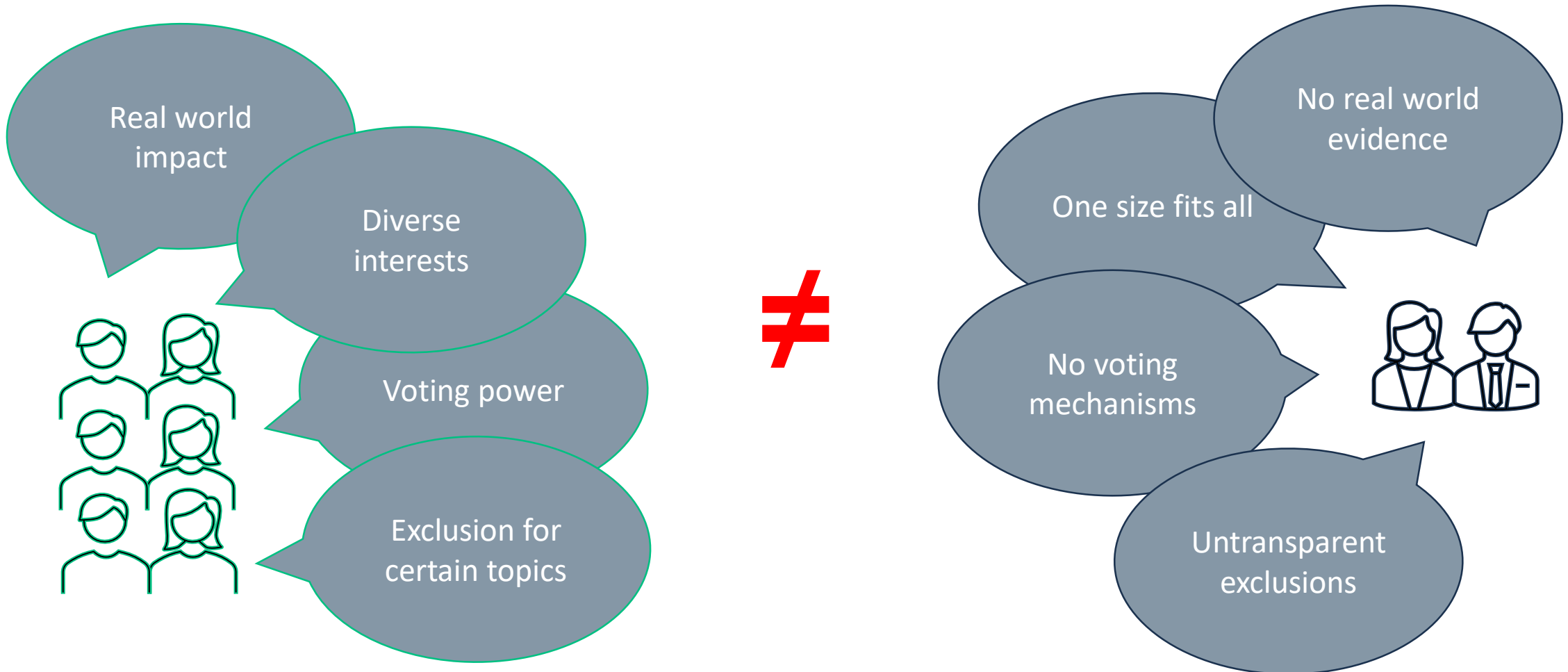
≠

Exclusion according to a specific **scope of the value chain**

Revenue percentages: *0%, **<5%

Source: (7) 2° Investing Initiative (2021), "Sustainable finance and market integrity"

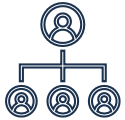
Mismatch between supply and demand



How to surf the wave without crashing



Promise only what you can hold



Manage your sustainability



**Understand what your clients
really want**



Understand what your clients really want



Sources: (8) See for instance Bauer et al. (2020), „Get Real! Individuals Prefer More Sustainable Investments”

(9) 2° Investing Initiative (2020), „A large majority of retail clients want to invest sustainably”

(10) We provide a sustainability online questionnaire on myfairmoney.eu (English version ready this October)

Manage your sustainability and promise only what you can hold

1

Manage your sustainability.^{(11) (12)}

2

Be **transparent** and use marketing claims which are **based on evidences.**⁽¹³⁾

3

Match products according to your clients real **financial and sustainability preferences.**⁽¹⁴⁾

Manage your sustainability and promise only what you can hold

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Manage your sustainability.^{(11) (12)}

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Be **transparent** and use marketing claims which are **based on evidences**.⁽¹³⁾

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Match products according to your clients real **financial and sustainability preferences**.⁽¹⁴⁾

Ongoing and new research questions:

How to **qualify “high” impact** products?

How to elicit **real preferences** with minimum biases?

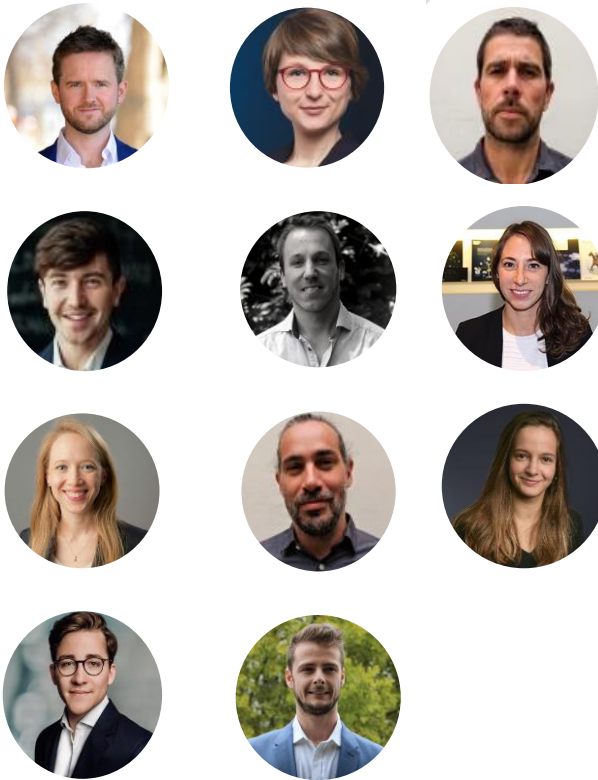
How to **best match** real financial and sustainability preferences with products?

How to **adapt and apply our research findings in Asian countries?**

2^o Investing Initiative's Retail Research Program



Our team:



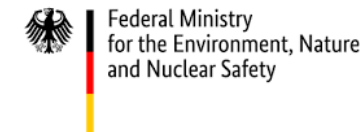
Our research partners:



Our funders:



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