

For professional investors only

# Responsible Investment Advice Integration

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CT Support Proposition





# Responsible Investing – Support Proposition

## Forward

The integration of sustainability preferences into the advice suitability process and product governance, part of the UK equivalent to MiFID II and PROD rules, will have a significant impact on fund flows into responsible investment solutions going forward. While the regulatory implementation timetable is to be confirmed, the direction of travel looks very clear.

UK Intermediary businesses are needing to implement these changes into their advice models and become 'business ready' to meet the regulators expectations, and client demand. CT have over 35 years expertise in Responsible investing and have worked closely with intermediaries to support the transition from a purely traditional investment approach, to embrace responsible investing. This includes areas such as:

- Consultancy around transitioning central investment propositions to incorporate responsible investment choices
- Adviser education programme through CT Adviser Edge, including regulatory changes, responsible investment approaches and suitability considerations based on client preferences
- CT solutions aligned to client types, including a risk-targeted low-cost active sustainable range and single asset class building blocks for model portfolios.

CT is able to tailor support as businesses are at different stages of responsible investing advice integration. Some simply need a supplier of product(s), while others would benefit from a much closer relationship to leverage the broader expertise and support CT can offer.

This CT proposition document is designed as a general reference to highlight some of the key considerations and to highlight CT credentials as a partner for advice firms in this important and growing part of UK Financial Services.

# Responsible Investing – Support

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## Executive Summary

This document addresses the following areas:

### Section 1

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Market backdrop of regulatory change, client demand and responsible investment choices

### Section 2

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Evidences the credentials of CT as an ideal Responsible investment partner to support your business integrate ESG into your advice proposition. Highlights the CT Sustainable Universal range as a low-cost option to meet growing consumer demand for Sustainable investments and CT Responsible funds as portfolio building blocks

### Section 3

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Outlines a potential roadmap with milestones to fully integrate Responsible investing into an advice process model. Highlights support CT can provide in areas such as adviser education, marketing toolkit, client communications

### Section 4

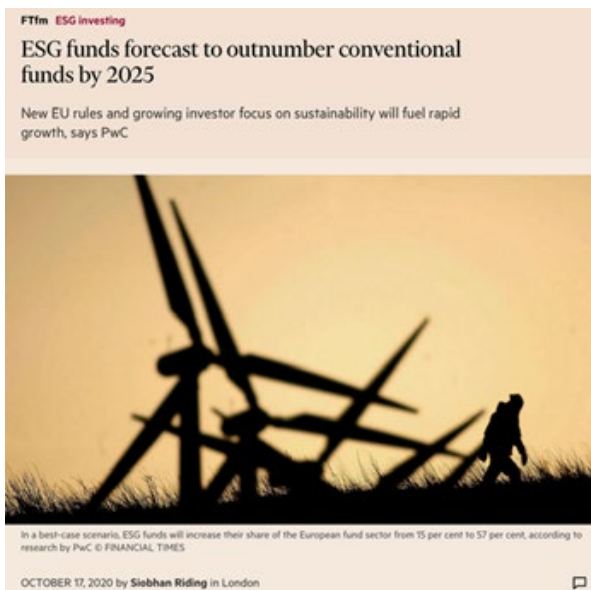
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Conclusions that highlight the opportunities, risks, and CT's potential support



# ESG growth forecasts:

“It represents a once-in-a-century opportunity” Olivier Carre – PwC



Assets in sustainable investment products in Europe are forecast to reach €7.6tn over the next five years, outnumbering conventional funds, as investors' growing focus on risks including climate change and social inequality pushes these strategies into the mainstream.

Environmental, social and governance investing, which aims to look beyond traditional financial metrics when picking stocks, previously represented a niche area of fund management.

But according to research by PwC, in a best-case scenario, ESG funds will experience a more than threefold jump in assets by 2025, increasing their share of the European fund sector from 15 per cent to 57 per cent.

However, it could also expose investors to potential **greenwashing**, as fund managers make exaggerated claims about their ESG credentials in an attempt to muscle in on the market.

**Recommended**  
Can ESG investing really change the world?

PwC's Olivier Carré, one of the authors of the research, said that the explosion in ESG funds was the most significant evolution in European asset management

since the advent of Ucits, the flagship retail fund framework created 35 years ago.

“It represents a once-in-a-century opportunity – not only for the [asset management] industry, but for the future development of the overall European continent,” he said.

Further impetus had come from forthcoming **EU green finance rules**, growing evidence that ESG risk management **boosted returns** and investors' **heightened focus** on sustainability in the wake of the coronavirus pandemic, said Mr Carré.

Even in PwC's base-case scenario, sustainable funds would increase their share of the European fund market to 41 per cent, with assets rising from €1.7tn to €5.5tn.

Major shift in demand and regulatory requirements – provides significant opportunity with risks that need managing

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## Conclusions

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- Opportunities
- Risks
- Partnership

# 1. Responsible investing

Demand, regulation and choices





# Responsible investing – move to mainstream



# Growing investor demand – sales surge

## IA – Responsible Investment Funds data

(flows into Social Responsible strategies)

£1.2 billion in January 2021

£10 billion invested in 2020

67% YoY increase 2019 Vs 2020

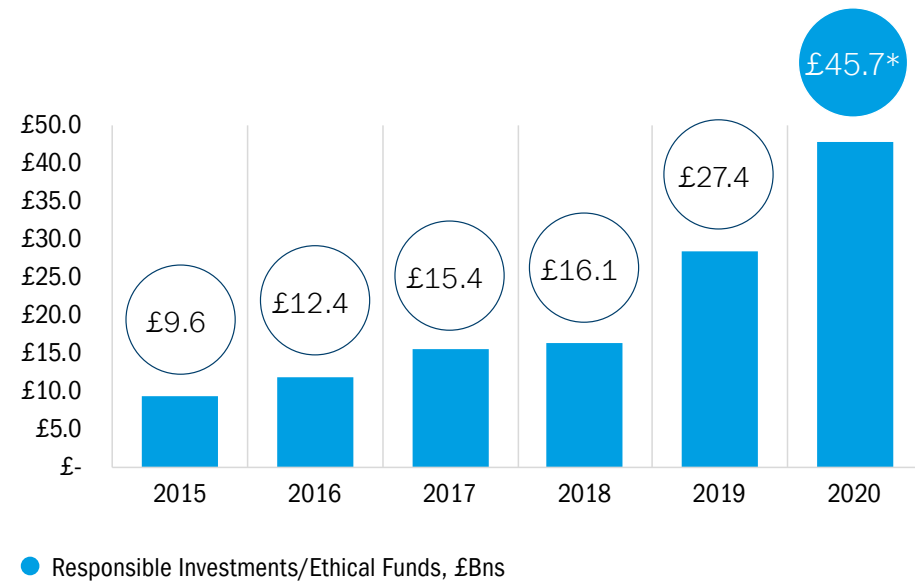
“ In a year clouded by uncertainty, responsible investment funds are a beacon for how savers can put their money to work to support positive change globally ”

IA Chief Executive, Chris Cumming, Nov 2020

Past performance should not be seen as an indication of future performance

Source: Investment Association as at Jan 2020. IA rebranding Ethical fund to Responsible Investments in 2019: [https://citywire.co.uk/wealth-manager/news/esg-2020-fund-inflows-near-9bn-after-record-october/a1434531?re=80122&ea=509685&utm\\_source=BulkEmail\\_WM\\_Daily\\_EAM&utm\\_medium=BulkEmail\\_WM\\_Daily\\_EAM&utm\\_campaign=BulkEmail\\_WM\\_Daily\\_EAM\\*](https://citywire.co.uk/wealth-manager/news/esg-2020-fund-inflows-near-9bn-after-record-october/a1434531?re=80122&ea=509685&utm_source=BulkEmail_WM_Daily_EAM&utm_medium=BulkEmail_WM_Daily_EAM&utm_campaign=BulkEmail_WM_Daily_EAM*)

## IA – Assets under management, £Bn

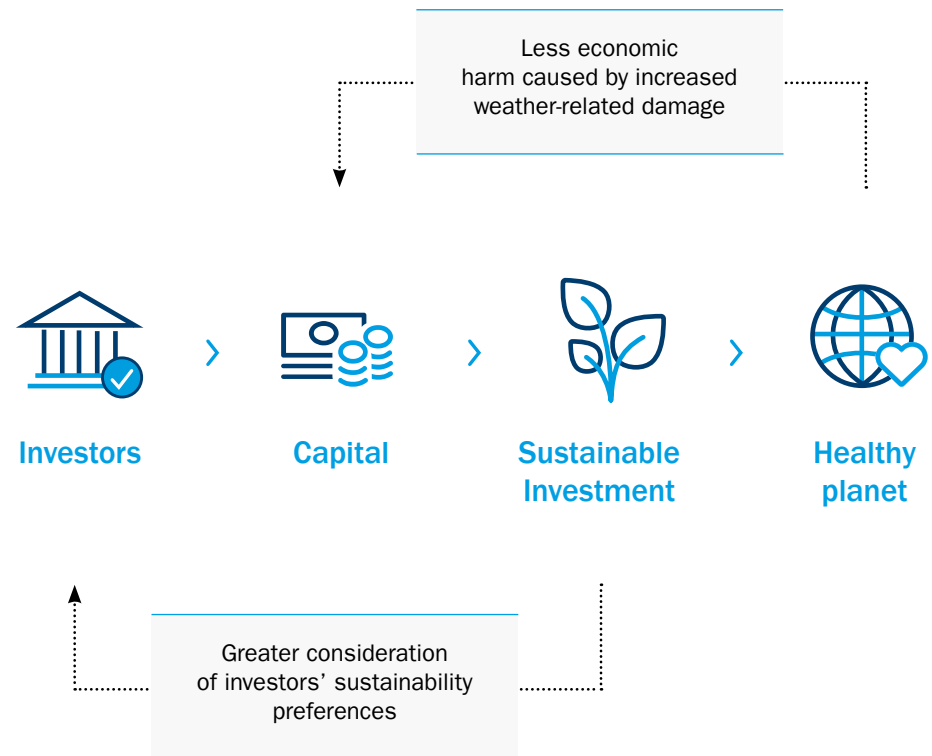




# Top down drivers – Financing sustainable growth

“ To meet our Paris targets, **Europe needs between €175 to €290 billion in additional yearly investment** in the next decades. We want a quarter of the EU budget to contribute to climate action as of 2021. Yet, public money will not be enough. This is why the EU has proposed hard law to incentivise private capital to flow to green projects. We hope that Europe’s leadership will inspire others to walk next to us. We are at two minutes to midnight. It is our last chance to join forces. ”

**Valdis Dombrovskis, Vice-President in charge of Financial Stability, Financial Services and Capital Markets Union**



Source: EU 190618-sustainable-finance-factsheet\_en.pdf

# New European rules (Ex-UK) implemented growth

## MiFID II amendments



**26th April 2021**

The European Commission amends to the MiFID regime implemented, as part of the EU Action Plan on Financing Sustainable Growth.

Amendment to the MiFID Commission Delegated Regulation ((EU) 2017/565)

**..the integration of sustainability preferences into the suitability process**



**“The FCA recognises the benefits of internationally-aligned approaches. We therefore fully support the Government’s commitment to promoting globally consistent standards and to strengthen the UK’s status as a global hub for sustainable finance.”**

**Richard Monks, FCA Director of Strategy, October 2020**



# ...and European (Ex-UK) amendments to PROD

## Amended Product Governance



**26th April 2021**

The European Commission amends to the MiFID regime, as part of the EU Action Plan on Financing Sustainable Growth.

Amended MiFID Commission Delegated Directive ((EU) 2017/593)

**.....integration of sustainability preferences into product governance requirements.**

- **Takes account of the sustainability preferences of the target market**
- **Ensures financial instrument's sustainability characteristics are in line with the target market**
- **Updates the PROD policies in businesses.**



# Summary of European amendments to MiFID II ((EU) 2017/565 & 593)

Topic	Existing Requirement	Amended Requirements
<b>Suitability Assessment</b>	Requirement of firms to obtain sufficient information on the clients investment objective and risk tolerance, to perform a suitability assessment	Firms must also expressly obtain information on the client's sustainability preferences, for the purposes of the suitability assessment
<b>Suitability Assessment</b>	Requirement for firms to understand the features of investments selected for their clients	Firms must also expressly understand the sustainability factors for products or services
<b>Suitability Reports</b>	Requirement to provide retail clients with a suitability report to explain how the recommendation is suitable for the client	Firms producing a suitability report must also explain how the recommendation meets the client's sustainability preferences
<b>Conflict of Interest</b>	Requirement to identify conflicts of interest	New requirement to include conflicts of interest that may arise as a result of the integration of sustainability risks in a firm's processes, systems and internal controls or a client's suitability preferences
<b>Product Governance</b>	Distributors must identify the target market for financial instruments	Firms must take into account sustainability preferences, when determining the client types for whom the instrument is compatible or carrying out distribution activities
<b>Product Governance</b>	Distributors must conduct regular reviews to ensure that products remain compatible with the target market	Firms must take into account sustainability preferences, when conducting such a review

# UK to set equivalent or higher standards and introduce regulatory reforms

## ESG in UK Financial Services

'The Government commits, in relation to green finance, to at least match the ambition of the three key objectives included in the EU's Sustainable Finance Action Plan.'

- Disclosures
- Benchmarks
- Taxonomy

### Implemented October 2019 – Department of Work & Pensions

regulations requiring trustees to provide ESG statement within Statement of Investment Principles and annual disclosure on implementation



## Published by HM Treasury

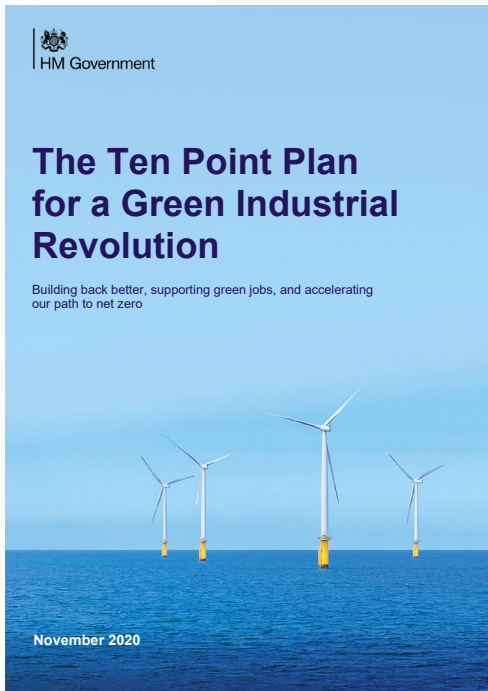
'The details published today will provide clarity to financial services firms and demonstrate the UK's continued commitment to the same high standards of regulation in the context of ongoing equivalence discussions with the EU.'

“ Now we have left the EU the UK is making its own decisions about regulation. There will be changes to some of the details, but our values as an open, global, responsible financial center are staying the same. The best rules for Britain are those that maintain or enhance the world-leading standard of regulation that has underpinned our success to date. ”

Economic Secretary to the Treasury & City Minister, John Glen 23rd June 2020

# UK Government – The Green Industrial Revolution

## direction of travel



### Climate change: UK Government to commit to Net Zero 2050 target



**Point 1**  
Advancing Offshore Wind



**Point 2**  
Driving the Growth of Low Carbon Hydrogen



**Point 3**  
Delivering New and Advanced Nuclear Power



**Point 4**  
Accelerating the Shift to Zero Emission Vehicles



**Point 5**  
Green Public Transport, Cycling and Walking



**Point 6**  
Jet Zero and Green Ships



**Point 7**  
Greener Buildings



**Point 8**  
Investing in Carbon Capture, Usage and Storage



**Point 9**  
Protecting Our Natural Environment



**Point 10**  
Green Finance and Innovation



# Regulating the UK as a global financial centre



## Letter to the FCA from HM Treasury – March 23rd 2021 Appendix – Section vii. Climate Change

The government wishes to deliver a financial system which supports and **enables a net zero economy by mobilising private finance towards sustainable and resilient growth.**

The **FCA** should have regard to the government's commitment to achieve a net-zero economy by 2050 under the Climate Change Act 2008 (Order 2019) when considering how to **advance its objectives** and discharge its functions.

### FCA 13th April 2021

“ Financial markets will have a crucial role to play in making the transition to a carbon neutral UK, and as the supervisor of these markets, we intend to play our part. ”

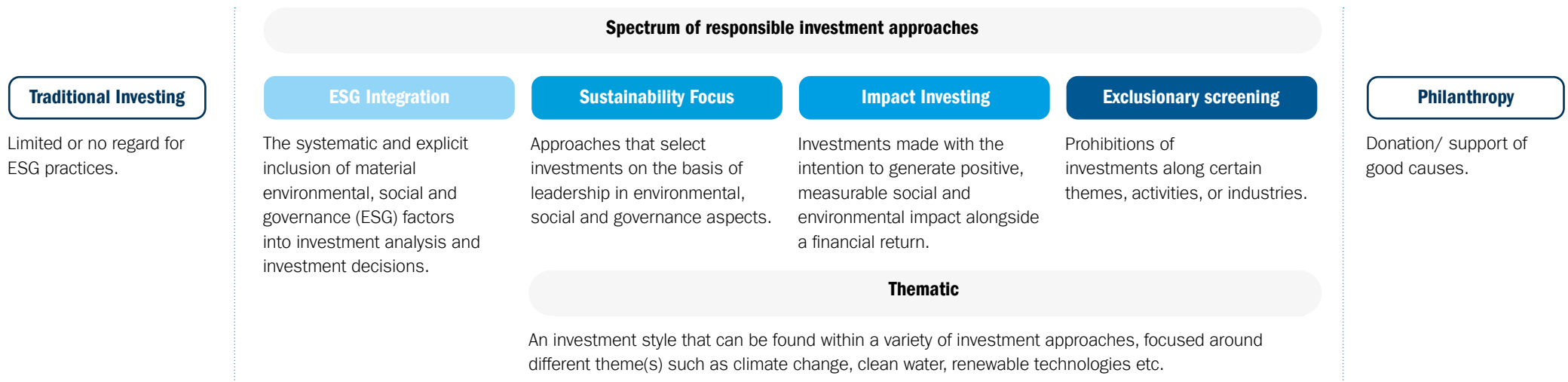
Nausicaa Delfas



### Nausicaa Delfas

Executive Director of International, Interim Chief Operating Officer and Executive Director of International, at City & Financial Global's Future of UK Financial Services Regulation Virtual Summit

# Responsible investment choices



## Choices summary

Market has shifted with **sustainable product options** now outnumbering other styles. Shift from negative screening (exclusions) on ethical grounds to a focus on positive screening – ‘doing good/making a positive impact’.

**Majority of options still single sector funds or DFM models** rather than risk managed multi-asset solutions with a relatively low-level of options currently available.

Funds/portfolios are increasingly launching **ESG screened products**, many of which are passive, that don’t contain the stewardship/ engagement element that helps evidence impact and influence the required tangible behavioural changes. This element in particular has faced some negative press around greenwashing.

## 2. CT proposition

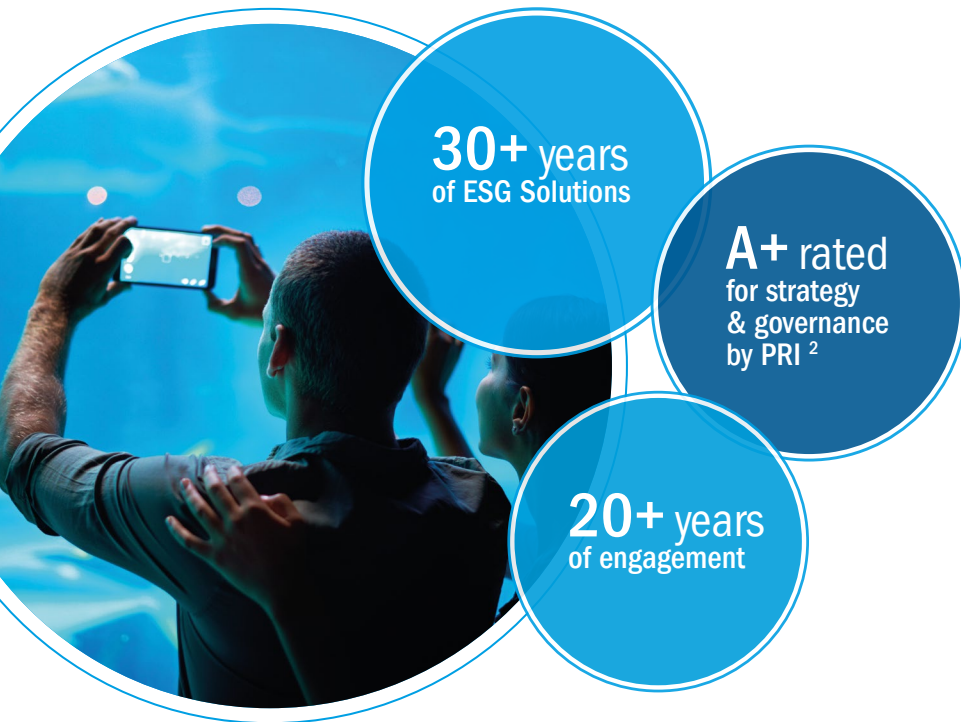
Credentials, solutions, support





# Credentials: Responsible about Investment

At Columbia Threadneedle Investments, investing responsibly is not a new idea, in fact we have been at the forefront for more than three decades as we believe that ESG considerations enhance and improve outcomes over the long term.



## Responsible Investment runs deep

### A leading voice

- Founding signatory to PRI<sup>2</sup>
- Large award winning RI team

### Active Owners 2020 Highlights<sup>3</sup>

- 760 companies engaged
- 1,541 engagements
- 343 milestones achieved
- 11,848 company meetings voted
- 117,820 resolutions voted

### Product innovators

- Evolving range of ESG products including award winning funds
- **reo**<sup>®</sup> – our engagement & voting overlay service



Source: CT Asset Management. <sup>1</sup> As at end Dec-19, converted at 0.75487 from USD to GBP. <sup>2</sup> PRI (UN Principles for Responsible Investment.) A+ rated as at 31-Dec-19. <sup>3</sup> As at 31 December 2020.

# CT Sustainable Universal MAP (SUMAP) range: solution overview

**5** risk targeted  
sustainable funds  
Capped at 0.39% OCF



Defensive



Cautious



Balanced



Growth



Adventurous

## Philosophy



**Avoid**

Avoid assets with damaging or unsustainable business practices



**Invest**

Select assets that make a positive contribution to society and the environment



**Improve**

Encourage best practice management of ESG issues through engagement and voting

✓ Outcome Driven

✓ Cost Focused

✓ Active



Client Reporting: **The positive impacts**

# Suitability: SUMAP addresses broad range of client preferences






✓	<b>ESG integration</b>	ESG factors incorporated into investment analysis and decision making across all portfolio holdings
✓	<b>Exclusions</b>	Product based: Tobacco, weapons, fossil fuels Conduct based: Breaches of UN Global Compact, companies with poor ESG scores, governments with poor management of ESG risks
✓	<b>Stewardship</b>	Dedicated separate CT Responsible Engagement oversight team to engage, advise and influence the portfolios securities' management – including lobbying and voting to deliver tangible ESG improvements
✓	<b>Sustainability focus</b>	A primary security selection criteria across all portfolios to deliver tangible sustainable outcomes
✓	<b>Impact investing</b>	The portfolio holdings are mapped to the United Nations SDG's with the intention of measuring positive measurable impacts alongside financial returns

Source : Investment Association and Columbia Threadneedle Investments



# Product details: SUMAP

Responsible investing is still investing and the value of investments can go down as well as up. Investors may not get back the original amount invested.






Fund range details	Defensive	Cautious	Balanced	Growth	Adventurous
					
<b>In-house risk target volatility framework (rolling 10 years)</b>	4% – 6%	6% – 8%	8% – 10%	10% – 12%	12% – 14%
<b>Annualised return expectation (5 years+)</b>	CPI*+ 1%	CPI*+ 2%	CPI+ 3%	CPI+ 4%	CPI*+ 5%
<b>Expected upper/lower annual returns (5th/95th percentile)</b>	-3% / 15%	-7% / 20%	-10% / 24%	-11% / 27%	-14% / 29%
<b>Typical asset class range: Equities</b>	10 – 25%	25 – 45%	40 – 60%	50 – 70%	75 – 95%
<b>Typical asset class range: Fixed income/cash</b>	75 – 90%	50 – 75%	40 – 60%	30 – 50%	5 – 25%
<b>OCF*</b>	0.39% capped	0.39% capped	0.39% capped	0.39% capped	0.39% capped
<b>Dynamic Planner risk profile<sup>1</sup></b>	3	4	5	6	7
<b>Fund type</b>	Multi Asset – UK UCITS OEIC				
<b>Investment approach</b>	Predominantly fettered from Columbia Threadneedle Investments range (active/passive) with majority direct investment				
<b>IA* Sector</b>	Volatility Managed				

Source: Columbia Threadneedle Investments. \*OCF=Ongoing Charge Figure. CPI=Consumer Price Index, IA=Investment Association. Return expectations derived from a combination of the modelled historical asset allocation and return expectations for each asset class. Return expectations for each asset class are based on current yield for fixed income assets and a combination of dividends and GDP growth for equities. <sup>1</sup>Distribution Technology fund risk rating on Dynamic Planner

# Responsible funds: Portfolio building blocks

## Our specialist responsible funds

These funds provide investors with the core building blocks for sustainable, diversified portfolios. Responsible investing is still investing and the value of investments can go down as well as up. Investors may not get back the original amount invested.

	CT Responsible Sterling Corporate Bond Fund	CT Responsible UK Income Fund	CT Responsible UK Equity Fund	CT Responsible Global Equity Fund	CT Sustainable Opportunities Global Equity Fund
<b>Summary</b>	This fund aims to deliver an attractive level of income through investment in a portfolio of ethically-screened UK corporate bonds. The fund aims to deliver the same level of returns as an unscreened portfolio.	This fund aims to achieve income with capital growth from ethical investment in a diversified portfolio of equities.	This fund aims to achieve long-term capital growth with some income from ethical investment in a diversified portfolio of equities.	This fund aims to provide capital growth by investing in an ethically-screened and diversified portfolio of sustainable global equities. It uses positive themes to drive portfolio construction.	This fund aims to achieve medium to long-term capital growth, with some income.
<b>Aim</b>	Income with some scope for long-term growth	Income and long-term growth	Long-term growth	Long-term growth	Long-term growth
<b>Invests in</b>	Investment grade corporate bonds	UK equities (up to 20% corporate bonds)	UK equities	Global equities	Global equities
<b>Structure</b>	OEIC	OEIC	OEIC	OEIC	OEIC
<b>Sector</b>	IA £ Corporate Bond	IA UK Equity Income	IA UK All Companies	IA Global Growth	IA Global
<b>Launch date</b>	01-Oct-2007	13-Oct-1987	01-Jun-1984	13-Oct-1987	09-Sep-1987
<b>At a glance</b>					

We do also provide other funds in the SICAV structure. The SICAV funds are sub-funds of the CT Investments (Lux) I Fund, a limited liability company organised as a société d'investissement à capital variable ("SICAV") under the laws of the Grand Duchy of Luxembourg. These include: **CT Responsible Global Emerging Markets Equity**, **CT Responsible Asian Equity**, **CT Responsible China A-Shares Equity** and **CT Responsible Euro Corporate Bond**.



**Thematic** – Investments made in businesses contributing positively to sustainable solutions, either in a single theme e.g. water, or in numerous themes such as sustainable mobility.



**Screened** – Companies involved in areas like tobacco and gambling are excluded. Each company must be 'approved' before the fund manager invests.

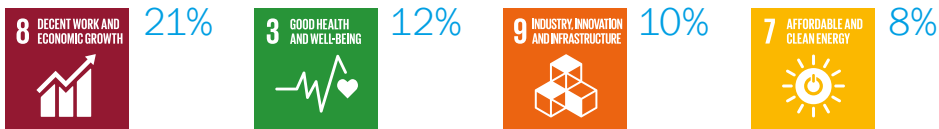


**Engagement** – Encouraging companies to address ESG issues, to reduce risk and support long-term performance.

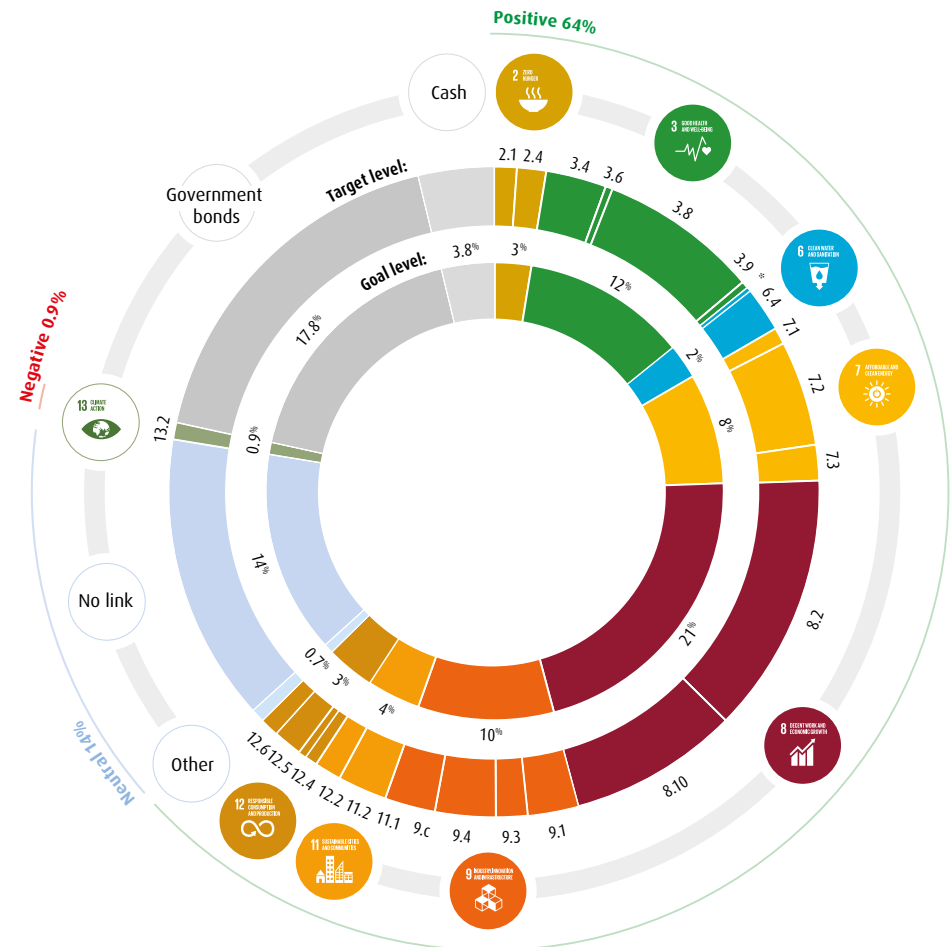
# Client Reporting: Alignment with the SDGs and underlying targets

## Illustrative portfolio allocation to UN Sustainable Goals & Targets: Top 4 goals in the portfolios

1. Decent Work & Economic Growth
2. Good Health & Well-being
3. Industry Innovation & Infrastructure
4. Affordable and clean energy



**2.1** End hunger and ensure access to safe and nutritious food; **2.4** Implement climate-resilient and sustainable food production; **3.4** Reduce mortality from non-communicable diseases and promote mental health; **3.6** Increase the prevention and treatment of substance abuse; **3.8** Access to medicines and health-care; **3.9** Reduce deaths and illnesses from pollution and contamination; **6.4** Increase water-use efficiency to address water scarcity; **7.1** Ensure universal access to modern energy services; **7.2** Substantially increase the global share of renewable energy; **7.3** Double the global rate of improvement in energy efficiency; **8.2** Achieve greater productivity through innovation; **8.10** Increase access to finance; **9.1** Develop resilient and sustainable infrastructure; **9.3** Increase access to finance for SME's; **9.4** Upgrade and retrofit industries to increase sustainability; **9.c** Ensure universal and affordable access to ICT; **11.1** Ensure universal access to safe and affordable housing; **11.2** Provide access to safe and affordable transport systems; **12.2** Sustainably manage and make efficient use of natural resources; **12.4** Manage chemical usage and waste throughout their life cycle; **12.5** Reduce waste through prevention, reduction, recycling and reuse; **12.6** Encourage companies to adopt sustainable practices and enhance ESG reporting; **13.2** Integrate climate change plans into policies and strategies;



Source: Columbia Threadneedle Investments, as at 31 December 2019. Designed for illustrative purposes. Other SDGs less than 2%, \* :SDG targets within the denoted goal that are less than 1%

# Client Reporting: Case study impact reporting examples

## PT Bank Mandiri

**Bank Mandiri is Indonesia's largest bank, and also is one of the largest lenders to the country's palm oil industry, which accounts for approximately 9% of its loan portfolio. Serious ongoing concerns about the sustainability of the industry present risks to these assets.**

We have met the company several times to encourage it to move beyond a compliance-based approach to financing palm oil into one that considers risks more holistically. Specifically, we asked that a No Deforestation, No Peat and No Exploitation (NDPE) policy be adopted. This would require the bank's palm oil clients to end all deforestation, protect high conservation value areas and implement best plantation management practices.

### Our view

Louder calls to curb Indonesia's rising carbon emissions put additional pressure on banks to improve the management of risks from financing high-impact customers. A stricter approach to palm oil financing would improve the ability of Mandiri to anticipate headwinds from regulatory developments while contributing to more sustainable agricultural practices. **Juan Salazar**

### Goal



## FEMSA

**The company is the largest bottler of Coca-Cola beverages in the world by volume, operating across Latin America and in the Philippines. Mexico, FEMSA's main market, is one of the world's largest consumers of soft drinks per capita, and has high rates of obesity and diabetes.**

We have engaged with the company since 2014 to encourage a strategic approach to address the risks and opportunities stemming from public health issues. We have seen management take notable measures over the past few years, including diversifying the portfolio, investing in product reformulation, and, critically, lowering the price point of lower sugar drinks compared to full sugar ones.

### Our view

We welcome the positive response to our engagement so far, and expect FEMSA to continue addressing nutrition issues strategically going forward. Although soft drinks consumption habits in Mexico are not radically changing yet, stricter public health policies and evolving consumer preferences are likely to present further risks to the beverage industry. **Juan Salazar**

### Goal



## Danske Bank

**In early May 2018, the Danish FSA exposed money laundering in Danske's Estonian business. The bank publicly admitted failure to meet its own and societal expectations and forewent all profit from the suspicious transactions.**

We engaged with the company on what actions were taken to strengthen compliance and controls across the bank. We stressed our preference for management and board overhaul to demonstrate to shareholders and stakeholders that the company is serious about drawing a line under the scandal. We supported the election to the board of new directors in December 2018.

### Our view

We welcomed the contrition demonstrated and the initiative for reform, with AML training and cultural programmes set up. The CEO, the Chairman of the Board and the Audit Committee have stepped down. We plan to continue our dialogue with the bank through 2019. **Kalina Lazarova**

### Goal



## Ryanair

**Irish airline Ryanair has grown rapidly on the back of its low-cost business model, but concerns about the impact on employee relations have drawn investor attention.**

We have engaged Ryanair on labour issues such as employee working conditions, wages and the right to freedom of association since 2013, including a meeting with the CEO. In 2017, under threat of industrial action, the company announced a reversal of its previous refusal to recognise trade unions. Implementation of collective labour agreements has, however, been blighted by disputes and strike action. We met with the CFO and Senior Independent Director in Dublin in 2018 to emphasise the importance of finding a less confrontational long-term approach.

### Our view

Some progress has been made toward abating labour management risks, certainly since our initial engagement in 2013. However, ongoing controversies show that labour relations remain an inherently high-risk area for the company given its focus on low costs. **Tenisha Elliot**

### Goal



## Ocean plastics

### The landscape

2018 saw a significant focus on the issue of ocean plastics, spurred by the airing of Sir David Attenborough's seminal documentary Blue Planet II and the awareness that more than 8mn tonnes of plastic reaches the oceans annually. Earth Day, World Environment Day, World Oceans Day and the United Nations Environment Programme all focused on the theme in 2018, further encouraging society, governments and companies to act. Progress in policy has been made, with a commitment from all 193 UN member states to be proactive around domestic solutions for plastic waste. Examples include: the G7 Ocean Plastics Charter (ex US and Japan) and the vote by the EU Parliament to ban a range of single-use plastics. These are steps forward, however, the scale of the issue is immense, and the hard work of implementation is yet to come to achieve the goals set.

### Our work

In 2018, we engaged with 27 companies on the topic in the food & beverage, and food & staples retail sectors, including The Coca-Cola Company and subsidiaries, Nestlé, Danone, Mondeléz, PepsiCo, Starbucks and YUM! Brands (operator of KFC, Pizza Hut and Taco Bell). All companies we have spoken to have seen this issue rise quickly up the agenda and most have plans in place to reduce impacts. More companies are committing to global policy initiatives, such as the Ellen MacArthur Foundation's New Plastics Economy Global Commitment, supporters of which include the WWF, the World Economic Forum and The Consumer Goods Forum. We have aligned our engagement to this and asked companies to reduce the amount of unnecessary single-use plastic, improve the recyclability of plastic, be creative in packaging redesign, implement circular economy models and improve recycling infrastructure.

### Goal



Illustrative



# 3. Implementation considerations

Education, marketing, projections





# Responsible / ESG Advice Integration Roadmap

## Step-by-step implementation framework guide

No	Key Milestones	Details / Key Considerations	Content	Implementation
1	Market Research	<ul style="list-style-type: none"> <li>• Products and styles available</li> <li>• Client Bank needs</li> </ul>	<ul style="list-style-type: none"> <li>• Third party (TPs) sites / IA definitions</li> <li>• Survey</li> </ul>	<ul style="list-style-type: none"> <li>• CPD / Documented outcomes/files</li> <li>• Mailing (electronic and hard copy)?</li> </ul>
2	Proposition Development	<ul style="list-style-type: none"> <li>• Survey outcomes</li> <li>• Business investment philosophy</li> <li>• Short listed research</li> </ul>	<ul style="list-style-type: none"> <li>• Business proposition doc</li> <li>• Due Diligence (DD) – tools and TP's</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Committee (IC) D/D selections</li> <li>• Updated Proposition Docs with Responsible Investments</li> </ul>
3	Advice Integration Process	<ul style="list-style-type: none"> <li>• Expanded Factfinding Process</li> <li>• Proposition matrix</li> <li>• Suitability reports</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible investing questionnaire</li> <li>• Menu style choices (all options)</li> <li>• Tailored to include responsible choices</li> </ul>	<ul style="list-style-type: none"> <li>• Soft skills development (framing)</li> <li>• New marketing documents (Consumer guides)</li> <li>• New templates</li> </ul>
4	Marketing	<ul style="list-style-type: none"> <li>• Education</li> <li>• Sales</li> <li>• Reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Guides, Blogs, ESG type updates / developments</li> <li>• Sales Aids, Brochures</li> <li>• Reports, Fund Manager (FM) Collateral</li> </ul>	<ul style="list-style-type: none"> <li>• Website, Social media, Newsletters, email, mailings</li> <li>• PDFs, emails,</li> <li>• Integrated into business review processes</li> </ul>
5	Maintenance & Development	<ul style="list-style-type: none"> <li>• Ongoing market research</li> <li>• Product DD</li> <li>• Client surveys</li> <li>• Enhanced proposition and marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Webinars, Websites, FMs/TPs etc</li> <li>• Standard research, TP reports, FM reports</li> <li>• Industry and client bank</li> <li>• Ongoing developments (enhanced offering etc)</li> </ul>	<ul style="list-style-type: none"> <li>• CPD and meetings</li> <li>• IC documented outcomes</li> <li>• Reading and mailing/review responses</li> <li>• IC and Proposition Development (as above)</li> </ul>

Source: CT for illustrative purposes only

# Planner education

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CT Adviser Edge can provide adviser education and training, to include outcome objectives such as:

1. Explain the RI regulatory landscape what this means for advisers and their clients
2. Explain the different approaches to responsible investing and how they may meet different client preferences
3. Understand the CT responsible/sustainable investment solutions and when they may be suitable for clients
4. Understand what the RI toolkit consists of and how these can be used with clients

## Example learning outcomes:

- Understand the impact of the proposed UK equivalent of MiFID II and PROD regulation amendments on suitability assessment
- Investigate the developing market demand of responsible investing
- Discuss the differences in the responsible investment approaches, including the IA definitions
- Discuss the requirement for additional factfinding in relation to seeking out the sustainability preferences of the client
- Understand the correlation between RI approaches on the expected performance of investments
- Understand what is meant by 'greenwashing' in relation to responsible investing
- Investigate different methods used in establishing a client's responsible investment preferences
- Understand different approaches used, both pre/post sale, when incorporating responsible investment into the advice process
- Discuss the implications of the proposed MiFID II regulation amendments on the investment advice process
- Discuss the role Stewardship plays in RI investments in areas such as company engagement, lobbying and voting to raise ESG standards
- Understand the value of detailed client reporting in relation to positive impact and where the United Nations Sustainable Development Goals (SDGs) fit in

# Projections

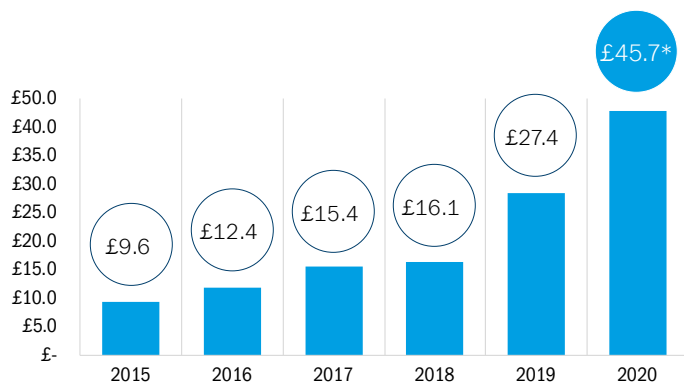
## Market trends indicate a rapid change in investor and adviser sentiment towards sustainable investing.

With regulatory changes planned and the environmentally focussed backdrop – the growth in RI asset flows is set to significantly rise.

All investors will be asked about personal preferences with conservative estimates ranging between 10%-50% likely to want some exposure to Sustainable investments within their portfolios.

Based on IA figures RI AUM is currently in the region of 2.5%, so considerable way to go to meet the expected demand.

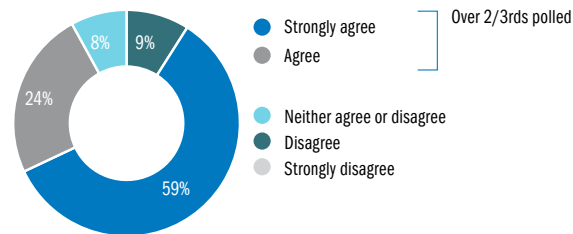
### IA – Assets under management, £Bn



● Responsible Investments/Ethical Funds, £Bns

### Adviser Home Insight Report Investment Advice Survey 2020

#### More emphasis on sustainable investments



Question: What do advisers believe to be the biggest trends in investments?

**144 advisers surveyed**



**SUMAP**  
flow potential to  
support your business

The CT range is positioned to have a broad appeal to meet mainstream sustainable requirements. CT credentials and market support around the product and how it can be positioned, places it in a 'sweet spot' to rapidly grow assets and meet the growing demand. The price point of the range, coupled with the disturbance event of factfinding the sustainability preferences of all clients, makes it well placed to attract new asset flows.

Source: Investment Association as at Jan 2020. IA rebranding Ethical fund to Responsible Investments in 2019: [https://citywire.co.uk/wealth-manager/news/esg-2020-fund-inflows-near-9bn-after-record-october/a1434531?re=80122&ea=509685&utm\\_source=BulkEmail\\_WM\\_Daily\\_EAM&utm\\_medium=BulkEmail\\_WM\\_Daily\\_EAM&utm\\_campaign=BulkEmail\\_WM\\_Daily\\_EAM\\*](https://citywire.co.uk/wealth-manager/news/esg-2020-fund-inflows-near-9bn-after-record-october/a1434531?re=80122&ea=509685&utm_source=BulkEmail_WM_Daily_EAM&utm_medium=BulkEmail_WM_Daily_EAM&utm_campaign=BulkEmail_WM_Daily_EAM*)



# 4. Conclusions

Opportunities, risks, partnership



# Conclusions

## Opportunities: Adviser/Client demand

The significant raised awareness of sustainable issues has created increased investor appetite and adviser focus. A wider number of investment solution choices to meet demand and individual preferences is likely required. The **once-in-a-lifetime opportunity** to address the change with existing and next generation clients looks compelling. This will attract new assets and consolidate some existing assets and creates a unique opportunity. The potential to expand solutions, is an area we believe CT can add value:

- Sustainable Multi-asset risk managed low-cost fund range
- Responsible investment building blocks
- Credible manager's with a history, expertise and resource in responsible investing
- Client reporting to evidence 'positive impact' and satisfy client requirements

## Regulation: Mitigating risk

Advice integration of responsible investing preferences is expected to become a regulatory requirement. All clients will need to be asked about their sustainable investment preferences as part of the suitability assessment. A revised fact-finding process with PROD suitability mapping to a range of 'sustainable' solution options.

This will require a number of actions:

- Review of philosophy and approach to responsible investing aligned to target clients' requirements
- Due diligence on additional sustainable investment options to create required level of choices to meet identified investment gaps
- Revised fact-finding and suitability processes with adviser guidelines
- Adviser education with consumer facing marketing and thought leadership support in sustainable investing


## Partnership: Value adding support


The CT approach is to add value. In some instances this may be as a good product provider, however in other areas it may be leveraging our wider support model to include CT Adviser Edge and our broader marketing capabilities. Responsible investing is at the heart of what we do and have done for decades. We believe CT is the ideal partner to assist intermediary businesses to meet regulatory requirements, help with adviser and process change management and integrate sustainable preferences into the advice process.

**This CT proposition document outlines the potential responsible investment advice integration milestones and support CT can provide. It is recognised all businesses are different and we would be delighted to explore options to work more closely and tailor support in ways that is appropriate to you and your advice model.**

## Contact us

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