



Retail investors and sustainable finance

Consob seminario – Investimenti sostenibili

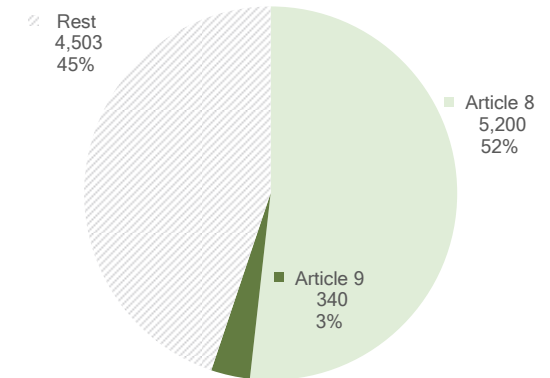
Julien Mazzacurati, Senior Economist



ESG investment products availability

- The availability of ESG retail investment products in the EU has increased a lot
 - 55% of EU fund assets promote ESG characteristics or have a sustainable investment objective
 - The share of ETFs with ESG characteristics has risen above 20% in Europe, from just 5% two years ago
- However, the Consob report shows that a small share of investors receive advice on sustainable investments
 - 19% of advised investors were asked about their sustainability preferences
 - 71% did not receive sustainable investment recommendation from their advisor

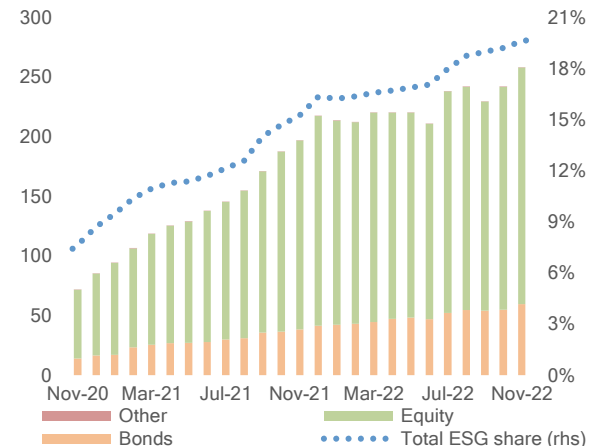
Share of EU funds promoting ESG characteristics or with a sustainable investment objective



Note: Share of UCITS investment funds with an SFDR Article 8 or 9 statement in their pre-contractual documentation, EUR billion and % of assets under management.

Sources: Morningstar, ESMA.

Assets and share of ESG ETFs in Europe

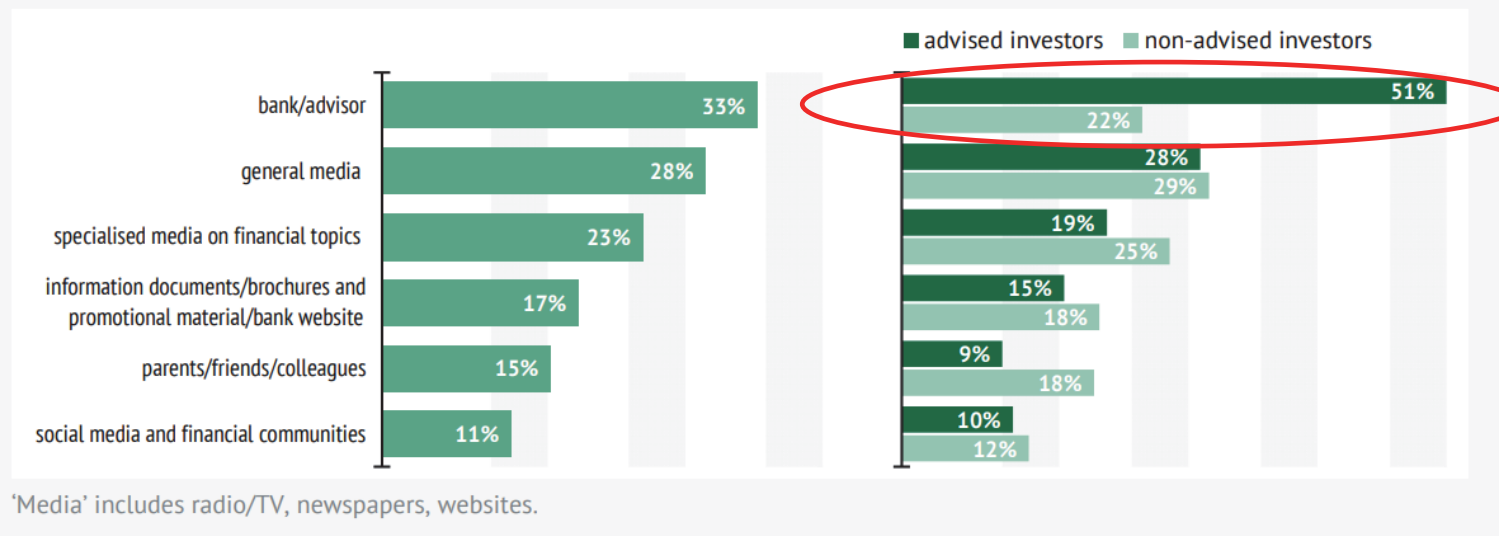


Note: AuM of EU-domiciled ESG ETFs by type of fund, EUR bn, and share of ESG ETF AuM in total ETF AuM (rhs), in %.

Sources: Morningstar, Refinitiv Lipper, ESMA.

Sources of information

Fig. 7.6 – Sources of information on sustainable finance
(multiple answers)



Source: Consob (2023)

- Investors already receiving financial advice heavily depend on their **bank or investment advisor** for information on sustainable finance...
- ... while the **lack of knowledge** is the main deterrent to sustainable investments
- This highlights the importance of financial advice in building knowledge on sustainable investment products and distributing them

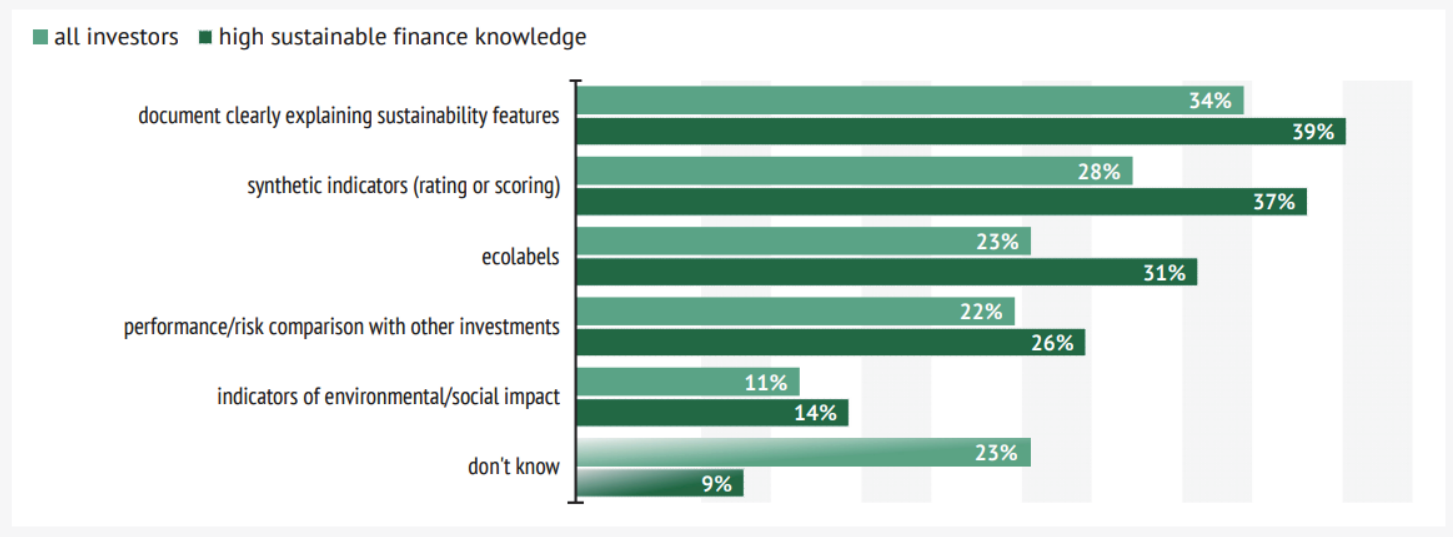
ESMA Guidelines on MiFID Suitability Requirements

- In September 2022, ESMA updated its [MiFID Guidelines on Suitability requirements](#), applying to the provision of investment advice and portfolio management
- The main amendments on the topic of [sustainability](#) were:
 - **Advice:** firms need to help clients understand the concept of sustainability preferences and the sustainability features of products
 - **Preferences:** firms need to collect information from clients on their sustainability preferences
 - **Assessment:** firms shall identify a range of suitable products that fulfil their client's sustainability preferences, in accordance with their client's knowledge and experience, financial situation and other investment objectives
 - **Organisation:** firms need to give staff appropriate trainings on sustainability topics and keep records of their client's sustainability preferences

Means of information

Fig. 7.7 – Information useful to sustainable investing

(multiple answers)



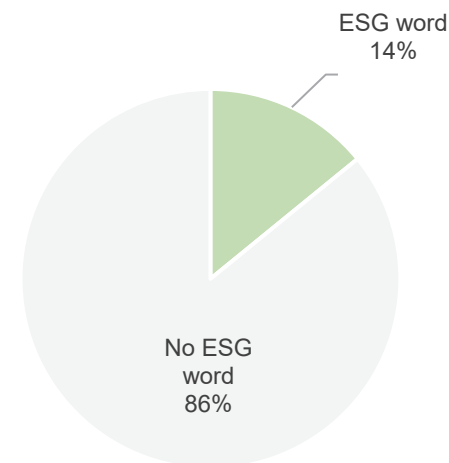
Source: Consob (2023)

- The report further highlights the role of **clear and simple information** to help investors in their investment decisions

ESMA Consultation Paper on funds' names using ESG-related terms

- The use of ESG words in fund names is a powerful **marketing tool** as it is the first fund attribute that investors see
- Competitive pressures create incentives for managers to include words in fund names designed to attract investors, **increasing greenwashing risk**
- ESMA is proposing to introduce **quantitative thresholds** to ensure alignment between a fund's name and its characteristics and objectives
 - Funds with ESG-related words in their name should invest at least 80% to meet their environmental / social characteristics or their sustainability objective
 - Funds with sustainability-related words in their name, should also allocate at least 50% in sustainable investments (as defined in SFDR)








Share of EU funds with an ESG-related word in their name



Note: Share of EU funds with at least one environmental, social or governance-related word in their name, based on a sample of 30,000 funds.
Source: ESMA

The role of ESG labels

- **Official labels** can support investments in sustainable economic activities and play a useful role for retail investors:
 - They make it easier for investors to compare products through standardised criteria
 - They provide some assurances on the sustainability of the product by introducing minimum requirements
 - They increase transparency to investors
- Several **EU labels** already exist or are under development:
 - Climate Benchmarks
 - Green Bond Standard
 - Ecolabel for retail investment products*

	Number of funds	
	12/31/2019	Growth in 9 months
 SRI Label (France)	321	↗ + 121
 FNG-Siegel (Germany, Austria & Switzerland)	101	↗ + 36
 LuxFLAG⁽¹⁾ - ESG - Environment - Climate Finance (Luxembourg)	112	↗ + 57
 Towards Sustainability⁽¹⁾ (Belgium)	265	-
 Umweltzeichen⁽¹⁾ (Austria)	116	↗ + 12
 Nordic Swan Ecolabel (Nordic Countries)	32	↗ + 9
 Greenfin Label⁽¹⁾ (France)	19	↗ + 8
TOTAL	806	↗ + 392

Source: Novethic (2020)

*See ESMA (2022), EU Ecolabel Calibrating green criteria for retail funds.



Retail investors and sustainable finance

Julien.Mazzacurati@esma.europa.eu

www.esma.europa.eu

 [@ESMAComms](https://twitter.com/ESMAComms)

 [European Securities and Markets Authority \(ESMA\)](https://www.linkedin.com/company/european-securities-and-markets-authority)