



Financial advisor–investor relationship

Mirroring survey on
sustainability and investments

2020

This Report analyses the financial advisor-investor relationship in order to identify areas for improvement due to gaps in communication, limited knowledge and poor exchange of information.

The Report is based on a questionnaire administered in January 2020 to two samples consisting, respectively, of financial advisors and of investors who are clients of the sampled advisors.

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2. Sustainability: attitudes and knowledge of advisors and investors
3. Responsible investments: attitudes, knowledge and holdings
4. Responsible investments: the role of financial advisors
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Highlights

Advisor–investor relationship

The integration of the ESG factors (Environment, Social, Governance) in the financial advice process is among the most important goals of the Action Plan on Financing Sustainable Growth launched by the European Commission in 2018. The incorporation of sustainability rests on the assumption, supported by evidence and empirical research, that the financial advisor can play a key role in informing and promoting investors' interest in sustainable and responsible investments.

It is therefore useful to investigate whether the financial advisor–investor relationship may lead to a higher consideration of the ESG factors in the individuals' investment process by leveraging on the communication between the parties involved.

The present Report pursues this objective by comparing investors' opinions on responsible investment products with advisors' perceptions of their clients' preferences. Building on the answers to a double interview (so-called mirroring survey), the Report detects some areas for improvement also thanks to a matching indicator, i.e. a measure of the alignment between investors' statements and professionals' perceptions.

In order to grasp the main characteristics of the advisor–investor interaction, the first topic explored through the double interview dealt with the distinctive features describing the financial advice. To this respect, 'easiness' is the notion most frequently associated with the service by the majority of both investors and professionals, while a certain misalignment across the two samples emerged with regard to additional features (e.g., 'competence' and 'experience' of the professional for investors and 'protection' and 'delegation' for advisors; Fig. 1.1). Secondly, the investors' decision-making process was explored, namely with respect to the persons involved in the investment choices, finding that professionals are only partially aware of the role of the partner reported by their clients (Fig. 1.2). Third, the survey investigated investors' capability to develop an overall view of their financial situation: to this respect financial advisors seem to overestimate the skills of their clients, who are mainly focused on recurrent revenues and expenses only (Fig. 1.3). Finally, advisors and their clients agree about investment goals: capital protection comes first and foremost for both groups of respondents, followed by capital growth (Fig. 1.4).

Sustainability: attitudes and knowledge of advisors and investors

As for the attitudes towards sustainability, the survey detects first the consideration given to ESG factors by both groups of respondents and secondly financial advisors' perceptions about investors' stated preferences (Fig. 2.1). Environmental issues are a priority for the most of interviewees in both samples, while social issues appear to be more important for investors and governance factors for professionals. Financial advisors perceive the importance of environment to investors but tend to overestimate the importance attributed to governance profiles.

Responsible investments: attitudes, knowledge and holdings

When it comes to the consideration of ESG factors in individual choices, 40% of investors state that they take environmental and social impacts of their behaviour very much into account when making financial and investment decisions (Fig. 2.3). Nonetheless only 19% of them hold social responsible investments (SRIs) and only 13% consider themselves well informed about the features of SRIs (Fig. 3.1 – Fig. 3.3). The main characteristics of sustainable products as identified by the investors are the full compliance with ESG requirements and the long-term horizon of returns, followed by high costs lower returns compared to those of alternative options. Financial advisors, who on the whole seem to slightly overestimate the proportion of informed clients, appear to be aware of investors' beliefs about the features of sustainable products (Fig. 3.4).

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As for the importance that clients acknowledge to the financial features of an investment (i.e. financial return, risks and cost) relative to its ESG impacts, 12% of investors may be regarded as 'impact investors' (because they prioritise ESG performance), 30% can be classified as 'financial investors' (because they prioritise financial aspects), while the remaining consider both features (Fig. 3.5). Advisors catch these preferences only partially, as they underestimate the importance given to sustainability, probably because of their inclination to care above all of financial performance, which is indicated as the only relevant goal in 42% of cases and as a goal subject to sustainability objectives in 31% of cases.

With regard to the drivers of socially responsible investments, the possibility to 'help improve the world' is the answer recording the highest frequency (60%), followed by better returns and lower tax/cost than those of alternative options (respectively, 58% and 55%), the availability of information on ESG impact (42%) and the recommendation by a specifically trained advisor (41%; Fig. 3.6). Beyond being aware of the motivational levers just mentioned, advisors overestimate the role of informal advice (i.e. the advice by family/friends/colleagues) and of the trusted bank/intermediary. For their part, advisors are willing to recommend responsible products if SRIs expected financial performance was higher compared to those of alternative investments (67%), their clients showed sensitivity to ESG issues (62%) or SRI products were promoted by tax incentives (55%).

Among the deterrents from responsible investment, respondents (both investors and advisors) point to potentially lower than expected returns, followed by the lack of a commercial proposal and the fear of greenwashing (Fig. 3.7). A further deterrent highlighted by investors is the cost, which conversely financial advisors do not perceive among the most relevant elements.

Responsible investments: the role of financial advisors

Investors' and professionals' views diverge with respect to the proactivity of the financial advisor in recommending sustainable investments: more than a third of the former declare that they have not received any proposals, whilst only 10% of advisors state that they have never recommended sustainable investments and report to have been proactive in 54% of cases (Fig. 4.1).

The importance attached by investors to ESG factors is accompanied by a fair amount of attention to responsible products, as evidenced by the interest expressed by 69% of investors in receiving information on SRIs (Fig. 4.2). The advisors partially miss their clients' preferences on the information channels: while 72% of professionals believe that the sources of information preferred by investors are primarily public institutions followed by trusted professionals and trusted intermediaries (64% and 61% respectively), investors indicate the advisor in 78% of cases and the bank in 66% of cases, while citing public institutions just in 40% of cases. This evidence reveals the potential of the financial advisor's role as a multiplier of investors' interest in responsible financial products (Fig. 4.3).

A greater matching across the two samples is recorded with respect to the type of information useful to investors. In particular, financial advisors correctly perceive investors' preference for a synthetic indicator or certification of the responsible investment (ecolabel), as well as for information allowing comparison across similar options (in terms of risk-return-cost) and providing details of the ESG characteristics of the product (Fig. 4.4).

Finally, a significant gap arises with respect to the elicitation of the ESG preferences, recommended by ESMA guidelines on the suitability assessment, updated in 2018 following the EC Action Plan: while 75% of advisors state to regularly assess their clients' ESG preferences (albeit with variable frequency), the proportion of investors referring to have been asked about them drops to 29% (Fig. 4.6).

In fact, most of the advisors do not seem to appreciate the relevance of the assessment of ESG preferences yet. While 47% of professionals catch its potential along different dimensions (as a competitive factor in 21% of cases, as an opportunity for communication in 17% of cases and as an opportunity to raise awareness on ESG issues in 9% of cases), the remaining 53% are distributed

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Final remarks

among those who consider it premature to appreciate the value of the ESMA recommendation (35%), those who regard it as a bureaucratic fulfilment (6%) and those who prefer not to answer (12%; Fig. 4.5).

The mirroring survey highlights some important areas for improvement in the financial advisor–investor communication, which can have an impact not only on the relationship between the parties involved but also on the clients' investment choices. Beyond the above mentioned misalignment with respect to the main features associated with financial advice and the ability of investors to gain an overall view of their finances, professionals appear to miss, or only partially catch, investors' views on a number of important issues, including the motivation prompting responsible product holding and the information role investors attribute to advisors. Finally, advisors do not fully appreciate the relevance that the elicitation of ESG preferences within the suitability assessment process may have to reorient investments towards sustainability.

A final consideration concerns a caveat to be taken into account when interpreting the data. Having been conducted in January 2020, the survey does not reflect the renewed debate on circular economy and sustainable finance, stimulated by the epidemiological emergency outburst in the following months. This debate is likely to increasingly involve the financial industry and to prompt significant changes, which a second wave of the present survey might capture along with the ongoing regulatory developments.

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Financial advisor-investor interaction

The distinctive feature of financial advice is identified with the notion of 'easiness' by the majority of both investors and professionals (85% and 83% of cases, respectively). In addition, investors indicate 'competence' and 'experience' of the professional, whilst advisors point to 'protection' and 'delegation'. On the whole, financial advisor perceptions and client opinions show a level of alignment equal to 0.6 (on a scale from 0 to 1).

Fig. 1.1 – The words of financial advice (single answer)

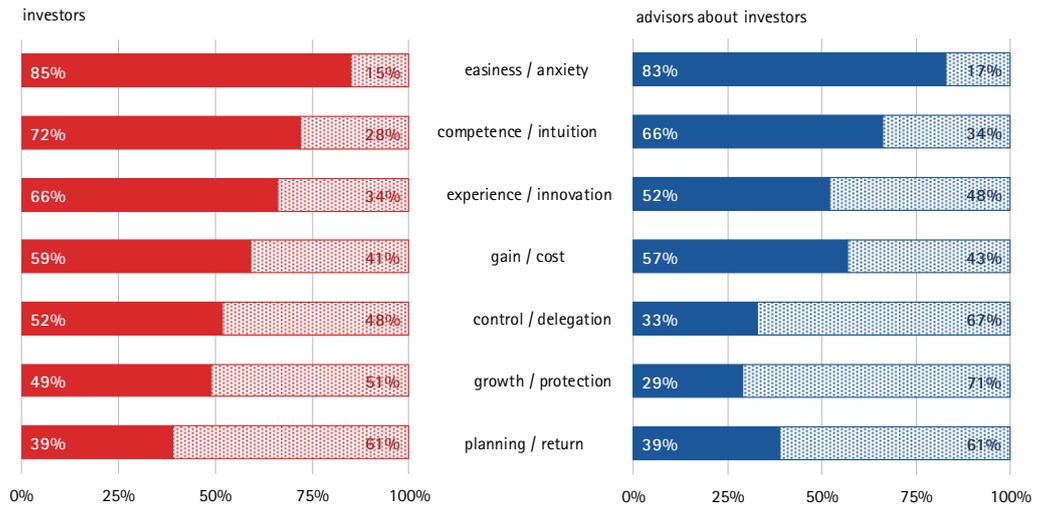
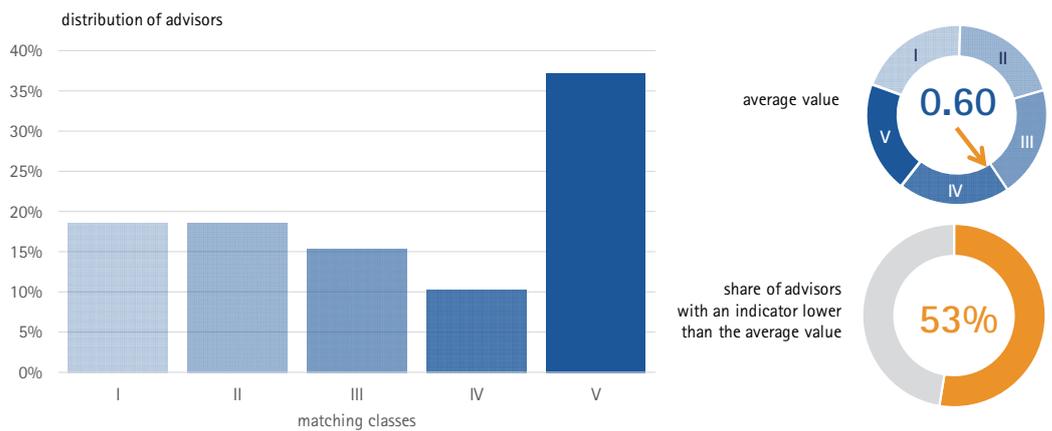


Figure on the left-hand side refers to the following question addressed to investors: 'In each of the following couples, please choose the word you associate with the idea of financial advice'. Figure on the right-hand side refers to the following question addressed to advisors: 'Which word in each of the following couples would your clients associate with the idea of financial advice?'.

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4]; 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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Investors declare that the partner plays a significant role in their investment decisions in 66% of cases, while only 17% report that they do not share their choices with anyone other than their professional. Financial advisors seem to overestimate their role to the expense of the partner relevance. The matching indicator between investor and advisor answers averages at 0.68.

Fig. 1.2 – Sharing investment decisions
(single answer)

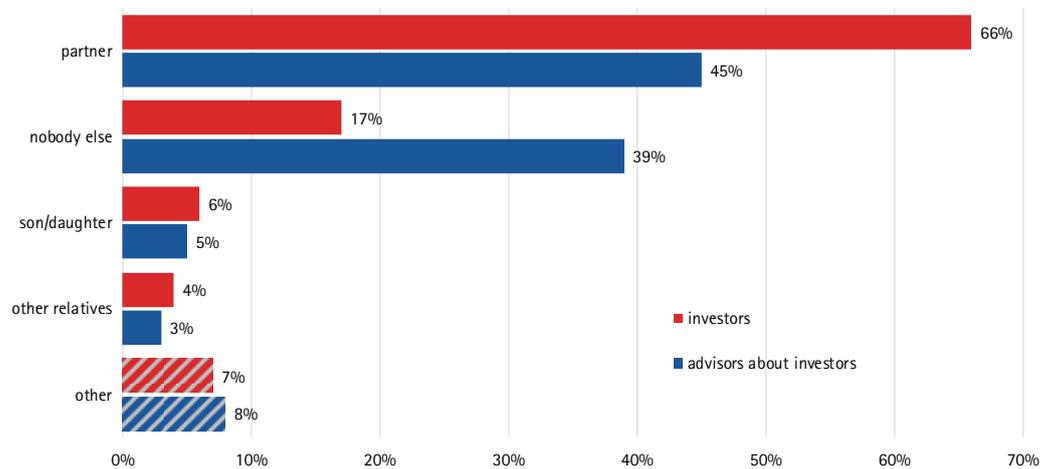
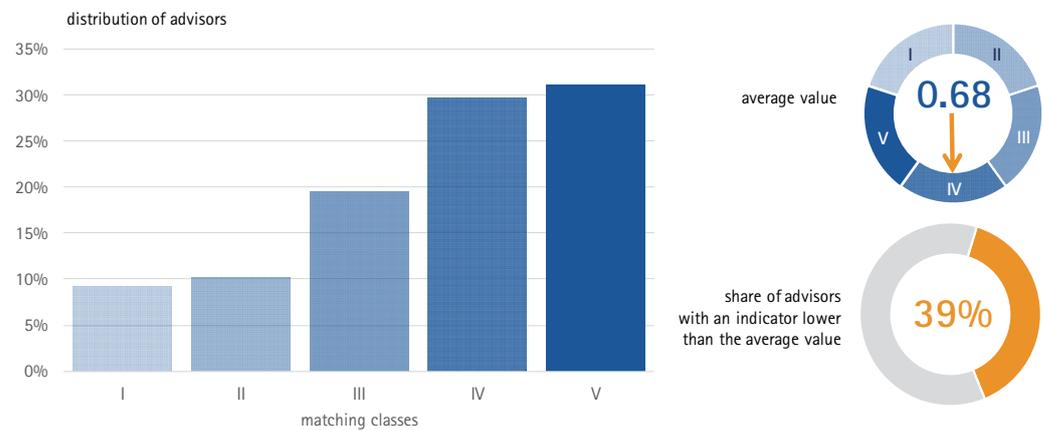


Figure refers to the following questions addressed to investors and advisors respectively: 'Who is involved in investment decisions with your financial advisor?'; 'Who else is involved in your clients' investment decisions other than the advisor?'

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6); 'IV' (0.6 - 0.8); 'V' (0.8 - 1). For further details, see the Methodological Notes.

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Financial advisors seem to overestimate their clients' capability to develop an overall view of their financial situation. In fact, investors are mainly focused on recurrent revenues and expenses only. The comparison of the advisors' answers with those of their clients reveals an alignment indicator equal to 0.65.

Fig. 1.3 – Overview of the balance sheet and financial situation
(multiple choice; maximum two answers)

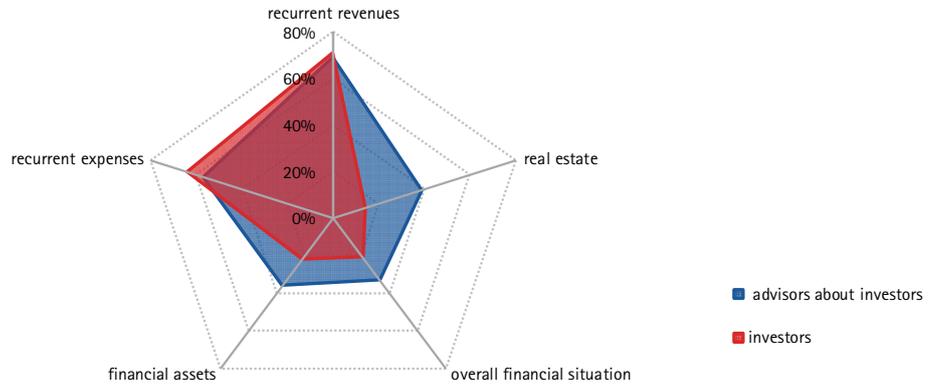
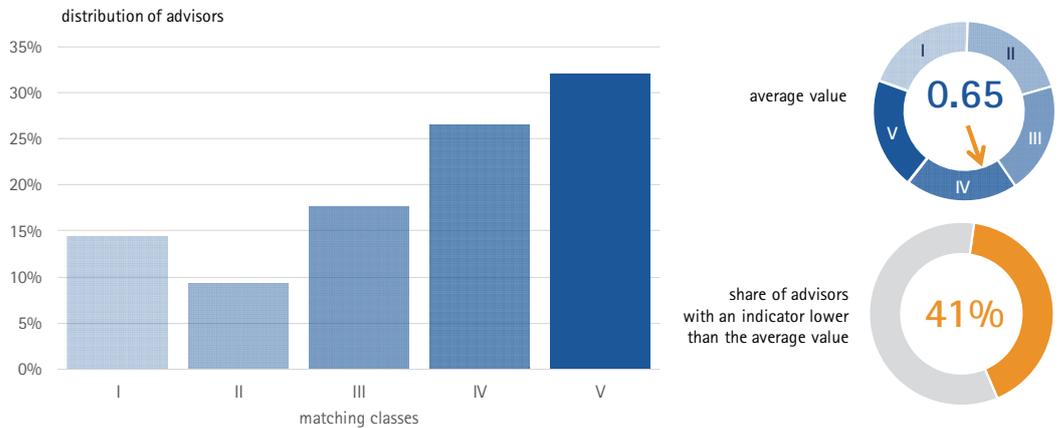


Figure refers to the following questions addressed to investors and advisors respectively: 'With reference to your assets and financial situation, do you have a vision about...'; 'With reference to their assets and financial situation, do your clients have a vision about...'. None of the interviewees choose the alternative answer 'None of the previous'.

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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The advisors' perception of clients' investment goals generally appears to be in line with clients' statements: capital protection comes first and foremost for both groups of respondents, followed by capital growth. To confirm this evidence, the average value of the matching indicator is close to 0.8.

Fig. 1.4 – Investment goals
(multiple choice; maximum two answers)

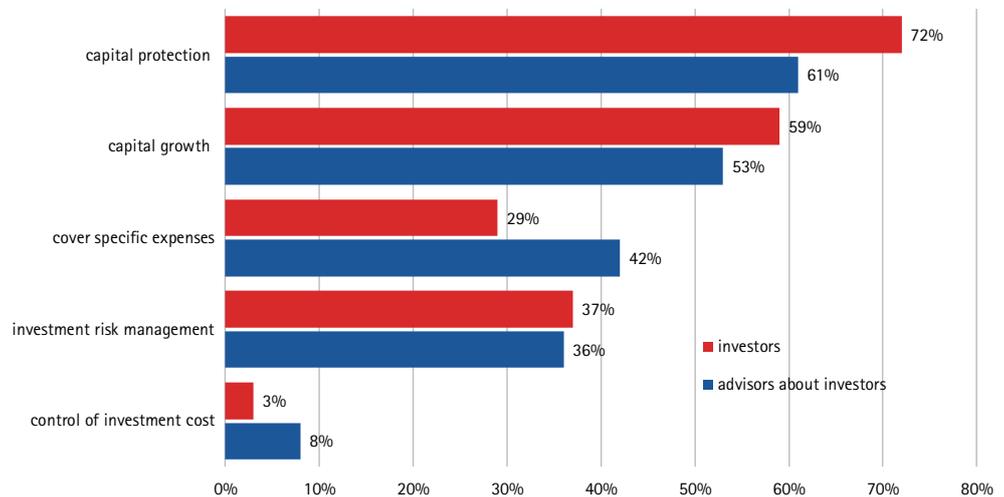
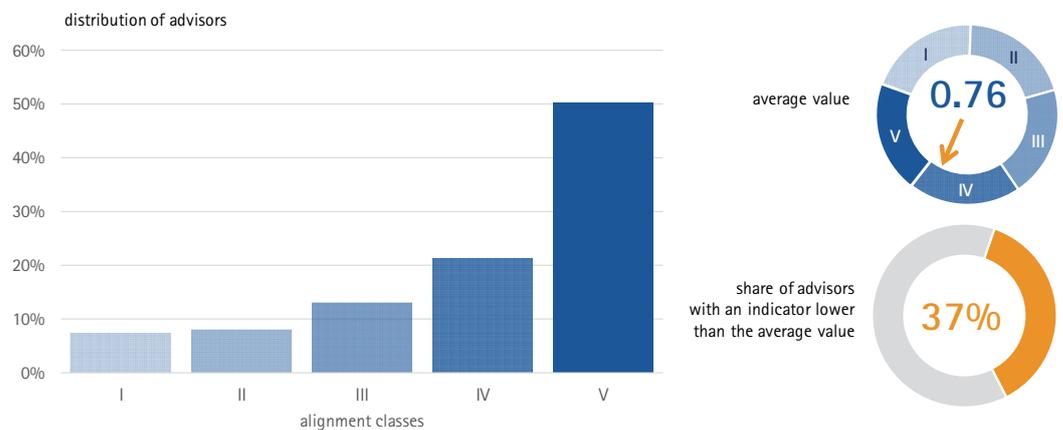


Figure refers to the following questions addressed to investors and advisors respectively: 'Which of the following goals do you take into account when investing?'; 'Which of the following goals do your clients take into account when investing?'.
 Legend: ■ investors (red), ■ advisors about investors (blue)

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4]; 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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Sustainability: attitudes and knowledge of advisors and investors

Environmental issues are a priority for the majority of interviewees in both samples, while social issues appear to be more important for investors and governance factors for professionals. Financial advisors perceive the importance of environment to investors but tend to overestimate the importance attributed to governance profiles, probably as a result of their own opinions.

Fig. 2.1 – Importance given to environmental, social and governance (ESG) factors

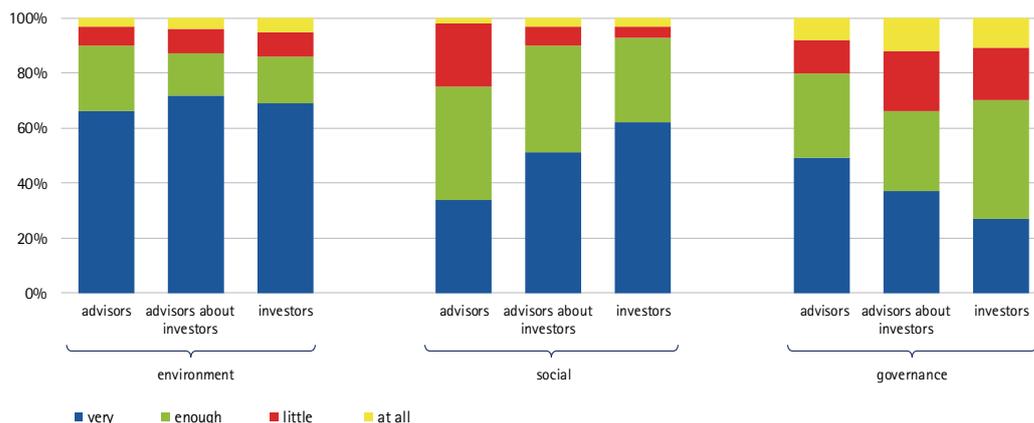


Figure refers to the following question addressed to both investors and advisors: 'How much importance do you attach to environmental, social and corporate governance issues?'. Figure refers also to the following question addressed to advisors: 'How much importance do your clients attach to environmental, social and corporate governance issues?' (answers on a 4-point Likert scale, where 1 = 'not at all' and 4 = 'a lot').

Total score

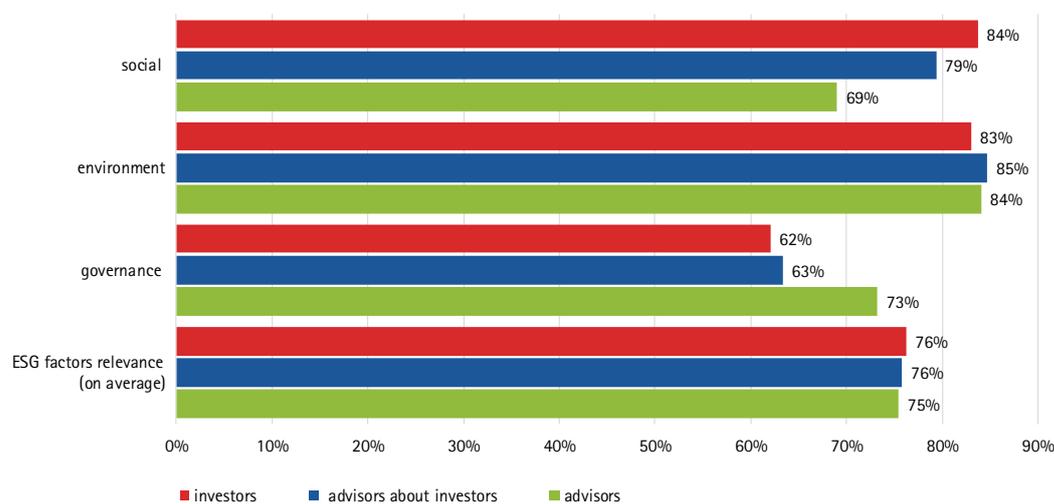


Figure reports the 'normalised' score of each ESG factor computed as the difference between the sum of the points awarded by the participants on a 4-point Likert scale (where 1 = 'not at all' and 4 = 'a lot') and the minimum score that can be assigned (equal to the product of the number of respondents by 1, i.e. the minimum point of the 4-point Likert scale) divided by the maximum score that can be assigned (equal to the product of the number of respondents by 4, i.e. the maximum point of the 4-point Likert scale). Figures in percentages (one for each factor, in addition to their average value) correspond to the portion of the score awarded in excess of the minimum possible, varying between 0% (corresponding to the case in which all respondents assign a score equal to 1) and 100% (corresponding to the case in which all respondents assign a score equal to 4).

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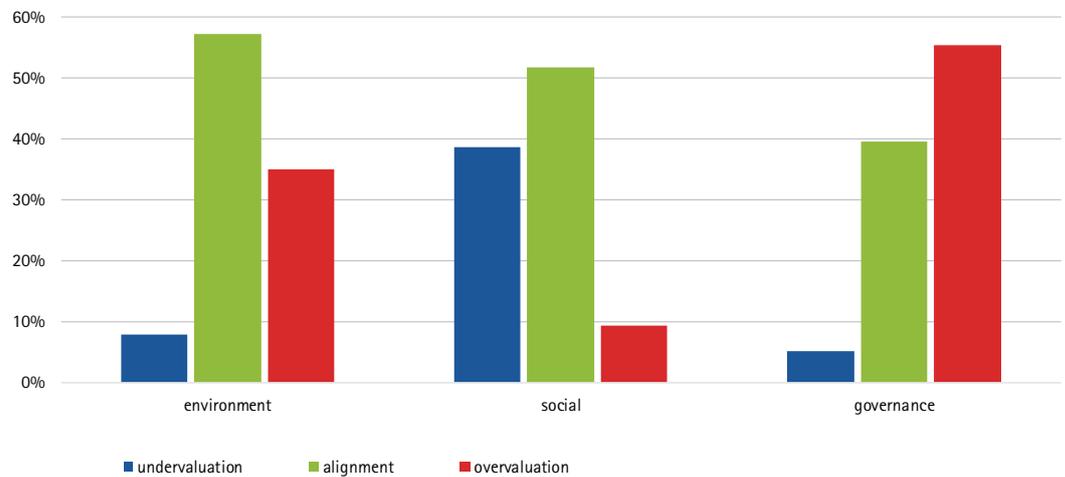
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Matching indicator of financial advisors' and investors' answers

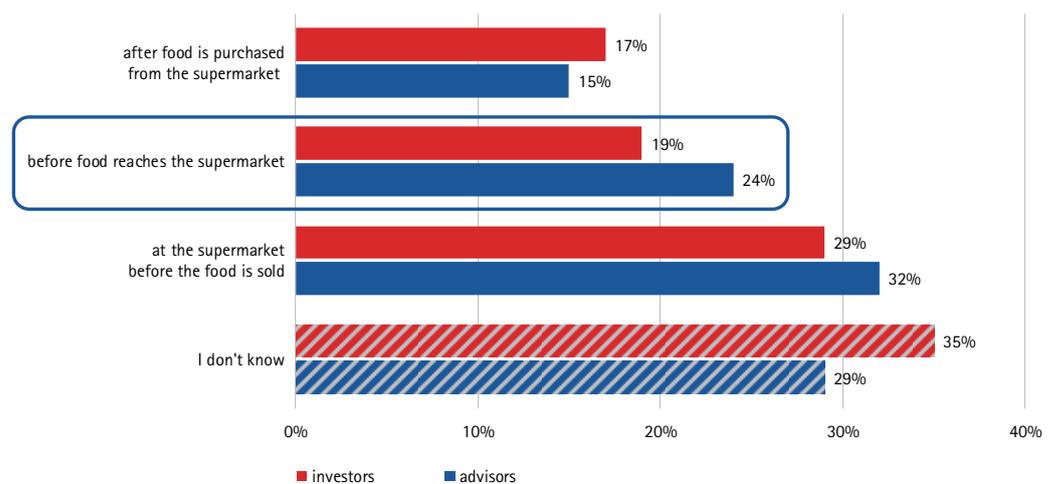


The ranking matching indicator is a measure of the alignment of the advisor perception of the rank reported by their clients with reference to the answer alternatives on a 4-point Likert scale (where 1 = 'not at all' and 4 = 'a lot'). The indicator can assume the following values: -1 (in figure: undervaluation), if the investor attaches to the specific issue greater relevance than that perceived by the advisor; 0 (in figure: alignment), if the investor attaches to the specific issue as much relevance as that perceived by the advisor; 1 (in figure: overvaluation), if the investor attaches to the specific issue lower relevance than that perceived by the advisor. For further details, see the Methodological Notes.

Sensitivity to sustainability is not necessarily associated with knowledge of concrete details. This is what emerges, for example, with reference to food waste which, despite being a well-known phenomenon in public opinion, is concentrated in a phase of the distribution chain correctly identified by only 24% of financial advisors and 19% of investors.

Fig. 2.2 – Knowledge of ESG phenomena: food waste worldwide (single answer)

According to the United Nations, around 30% of the world's food production is wasted each year. When does this waste occur?



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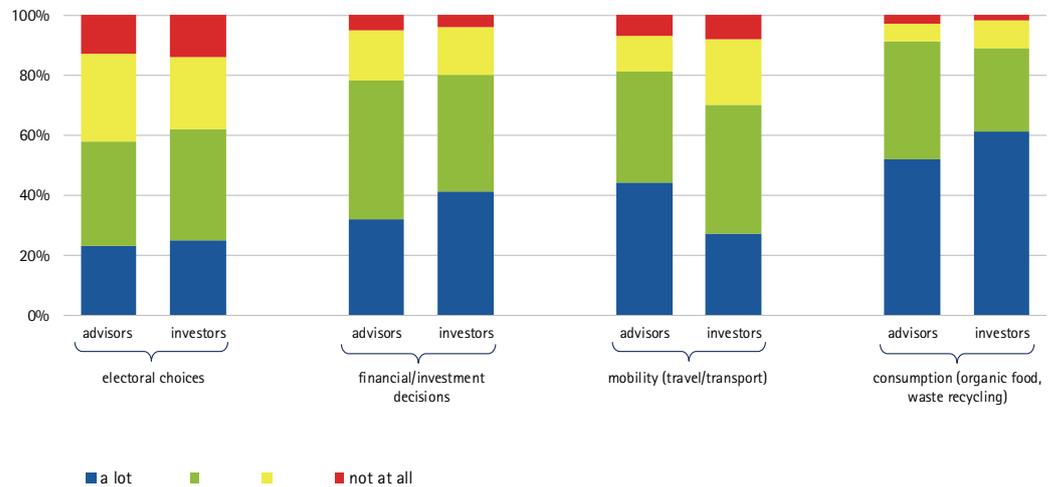
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When it comes to the consideration of ESG factors in individual choices, one third of advisors and 40% of investors state that they take environmental and social impacts of their behaviour very much into account when making financial and investment decisions.

Fig. 2.3 – Consideration of ESG factors in individual choices

Do you take into account the environmental and/or social consequences of your habits/choices?



Answers on a 4-point Likert scale (where 1 = 'not at all' and 4 = 'a lot').

Total score

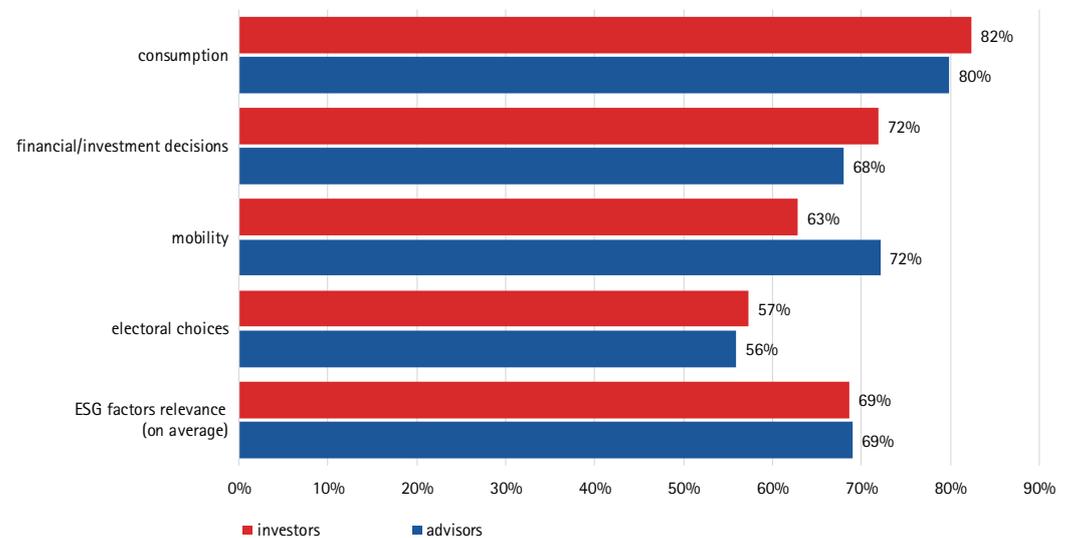


Figure reports the 'normalised' score of each ESG factor computed as the difference between the sum of the points awarded by the participants on a 4-point Likert scale (where 1 = 'not at all' and 4 = 'a lot') and the minimum score that can be assigned (equal to the product of the number of respondents by 1, i.e. the minimum point of the 4-point Likert scale) divided by the maximum score that can be assigned (equal to the product of the number of respondents by 4, i.e. the maximum point of the 4-point Likert scale). Figures in percentages (one for each factor, in addition to their average value) correspond to the portion of the score awarded in excess of the minimum possible, varying between 0% (corresponding to the case in which all respondents assign a score equal to 1) and 100% (corresponding to the case in which all respondents assign a score equal to 4).

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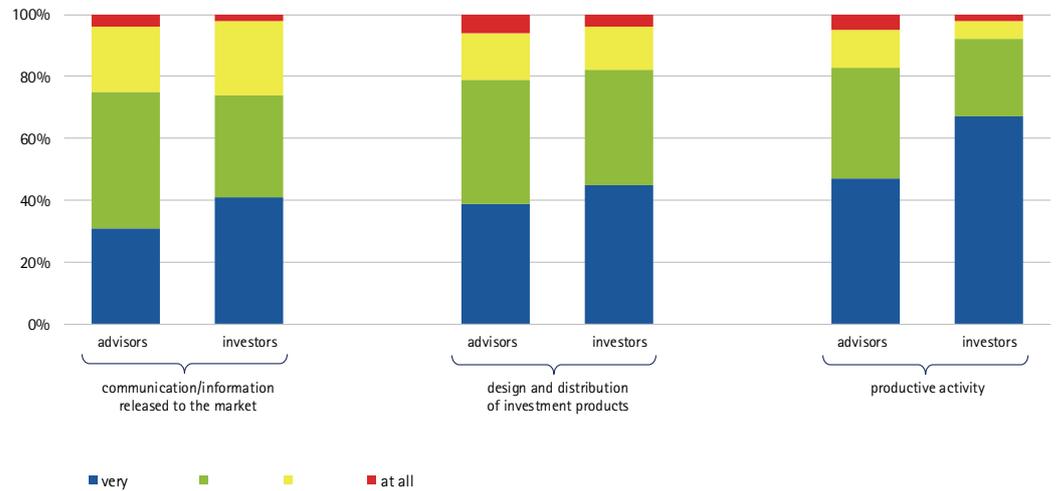
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Both investors and advisors believe that companies should take on the responsibility for the impact of their choices, ranging from production activities to the design and distribution of investment products.

Fig. 2.4 – Consideration of ESG factors in business choices

How important is that companies take into account the environmental and/or social consequences of their own practices/choices in the ...'



Answers on a 4-point Likert scale (where 1 = 'not at all' and 4 = 'a lot').

Total score

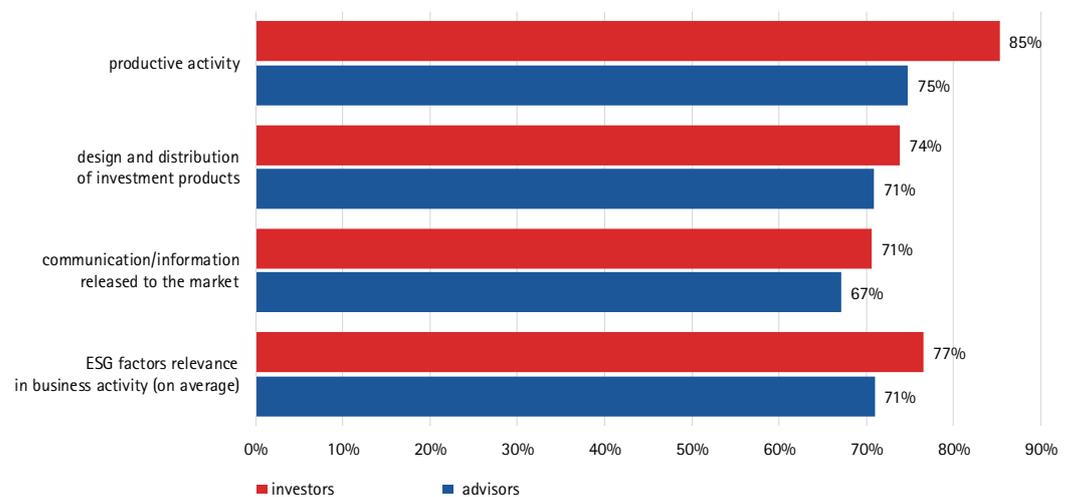


Figure reports the 'normalised' score of each ESG factor computed as the difference between the sum of the points awarded by the participants on a 4-point Likert scale (where 1 = 'not at all' and 4 = 'a lot') and the minimum score that can be assigned (equal to the product of the number of respondents by 1, i.e. the minimum point of the 4-point Likert scale) divided by the maximum score that can be assigned (equal to the product of the number of respondents by 4, i.e. the maximum point of the 4-point Likert scale). Figures in percentages (one for each factor, in addition to their average value) correspond to the portion of the score awarded in excess of the minimum possible, varying between 0% (corresponding to the case in which all respondents assign a score equal to 1) and 100% (corresponding to the case in which all respondents assign a score equal to 4).

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Responsible investments: attitudes, knowledge and holdings

Among investors, 26% of them report to have a basic knowledge of responsible financial investments, while only 13% consider themselves well informed. Professionals report basic or advanced knowledge in 38% and 17% of cases respectively. In terms of financial advisor perceptions of their clients' knowledge, the matching indicator averages at around 0.5.

Fig. 3.1 – Knowledge of responsible financial investments (single answer)

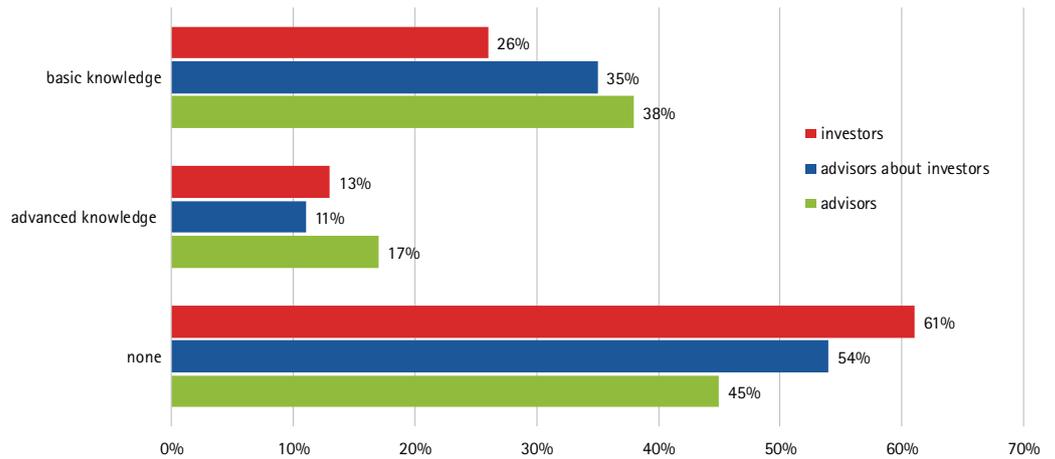
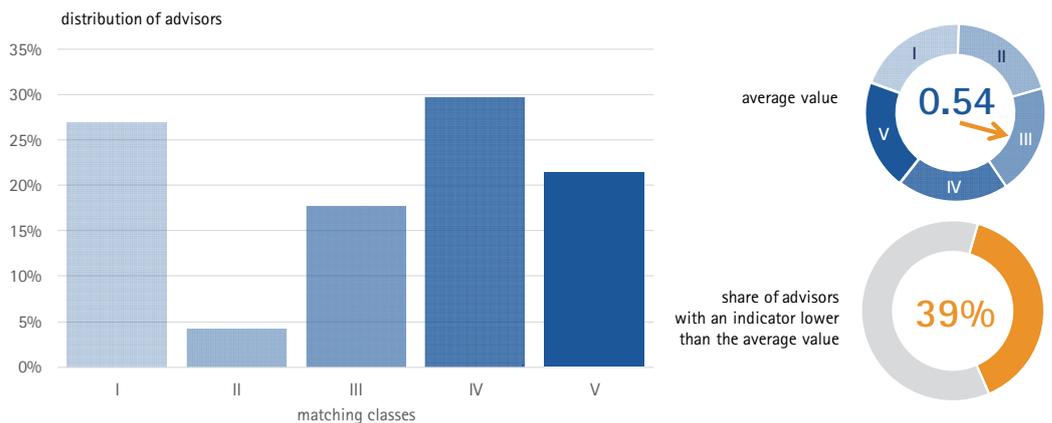


Figure refers to the following questions addressed to advisors: 'In your professional experience (current and past) have you investigated the issue of responsible financial investments?'; 'Do your clients know about responsible financial investments?'. The following question was addressed to investors: 'Are you familiar with responsible financial investments?'.

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1). For further details, see the Methodological Notes.

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Investors state that they learned about responsible products from their financial advisors in 51% of cases, from others in 79% of cases and on their own in 15% of cases. On the whole, the advisors capture the ranking of the sources of information as reported by their clients, as confirmed by the value of the matching indicator averaging at around 0.7.

Fig. 3.2 – Source of information on responsible financial investments (multiple choice)

Investors learned about SRIs ...

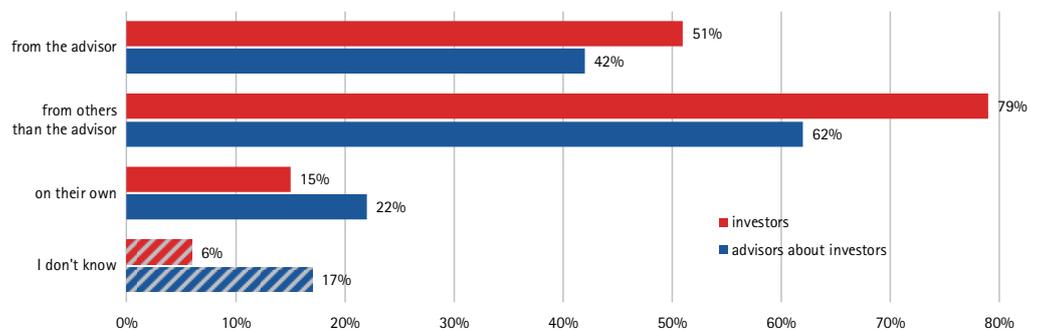
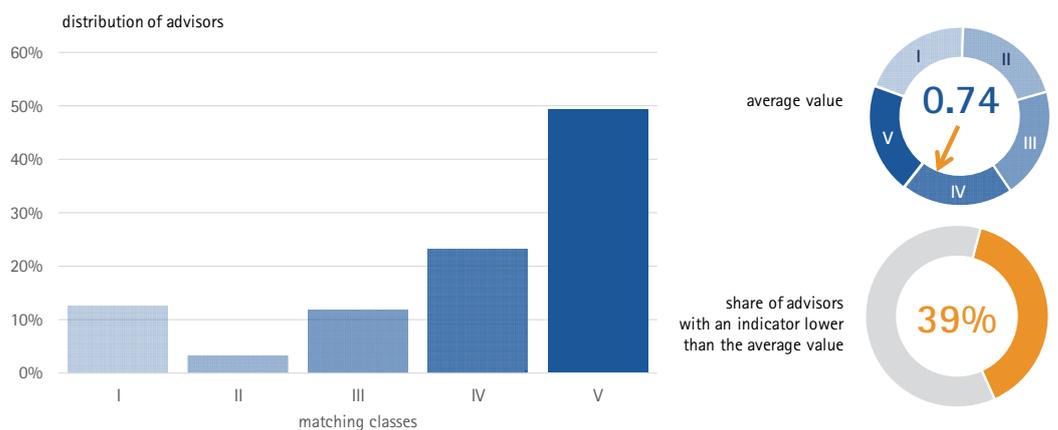


Figure refers to the following questions addressed to investors and advisors respectively: 'How did you learn about responsible financial investments?'; 'How did your clients learn about responsible financial investments?'. The questions were asked to the sub-sample of respondents who reported to have at least a basic knowledge about responsible financial investments, i.e. 245 investors and 100 advisors.

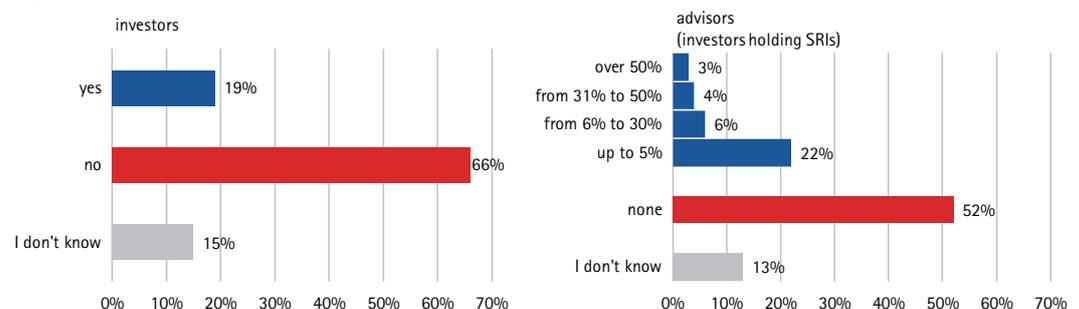
Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8); 'V' (0.8 - 1]. For further details, see the Methodological Notes.

Responsible financial investments are held by 19% of the sampled investors. From their part, advisors report that the percentage of their clients holding responsible investment products equals on the whole to 35%.

Fig. 3.3 – Holding of responsible financial investments (single answer)



Figures refer to the sub-sample of respondents who reported to have at least a basic knowledge about responsible financial investments (i.e. 245 investors and 100 advisors) and report answers to the following questions addressed to investors and advisors respectively: 'Do you have responsible financial investments?'; 'How many of your clients have responsible financial investments in their portfolio in percentage terms?'

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- 1. Financial advisor-investor interaction
- 2. Sustainability: attitudes and knowledge of advisors and investors

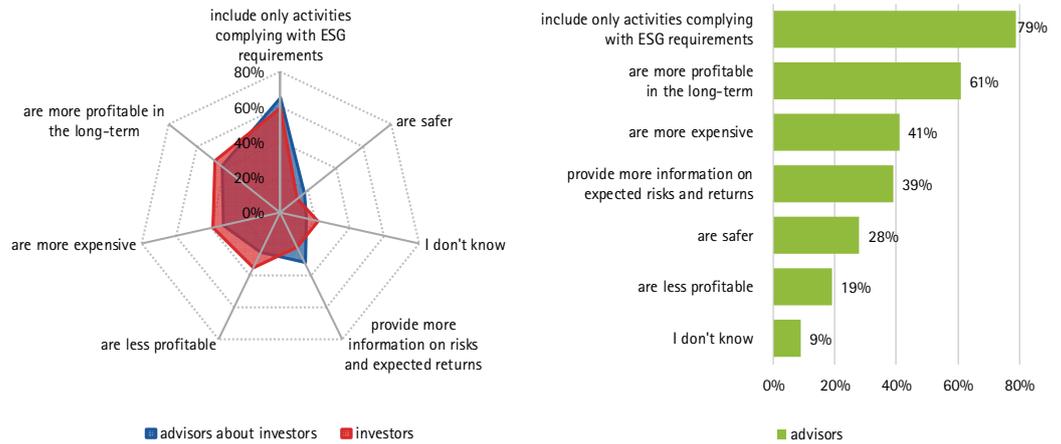
3. Responsible investments: attitudes, knowledge and holdings

- 4. Responsible investments: the role of financial advisors
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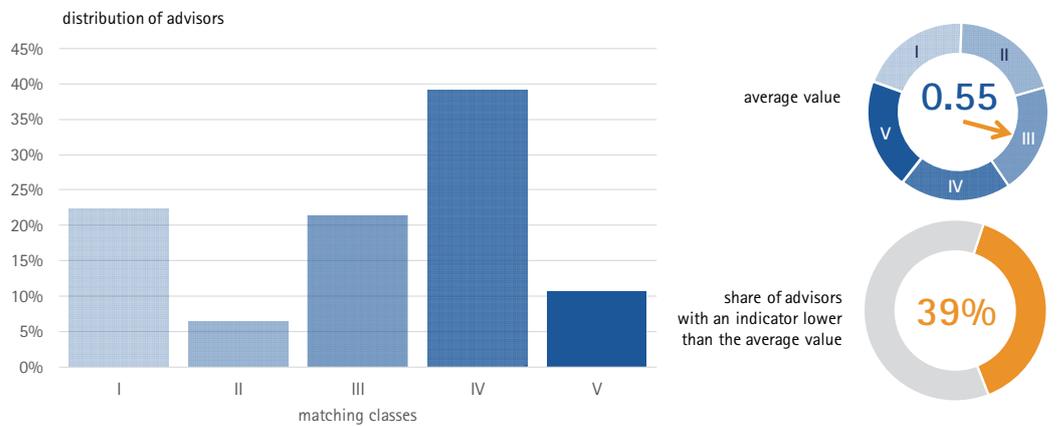
As for the main characteristics of sustainable products, investors point to the full compliance with ESG requirements (59%) and the long-term horizon of returns (47%), followed by high costs (47%); in addition, more than a third indicate lower financial performance compared to other investment options. The matching indicator averages at 0.55, with advisors reporting the same factors as investors, albeit with a greater emphasis on compliance with ESG requirements and long-term return expectations.

Fig. 3.4 – Perceived characteristics of responsible financial investments
(multiple choice; maximum two answers)

Compared to investment products that neglect ESG factors, responsible financial investments ...



Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients' themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4]; 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

1. Financial advisor-investor interaction
2. Sustainability: attitudes and knowledge of advisors and investors

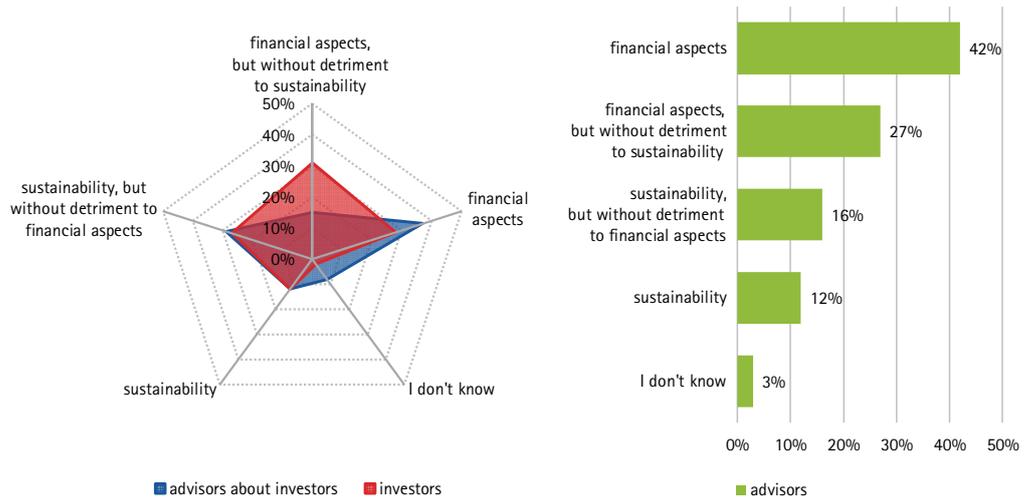
3. Responsible investments: attitudes, knowledge and holdings

4. Responsible investments: the role of financial advisors
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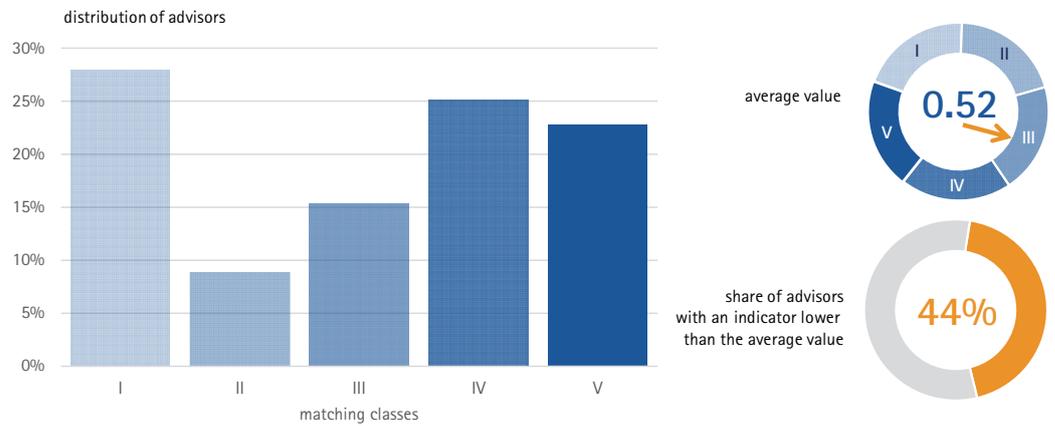
In prioritising the financial aspects and the ESG performance of an investment, 30% of investors indicate financial profiles; about a third place a constraint on sustainability; 27% attach primary importance to ESG impacts, as long as this does not compromise financial performance; finally, 12% express a full preference for sustainability. Financial advisors tend to overestimate investors' attitude to give attention to financial aspects only, in line with their personal opinion pointing to absolute priority of financial performance in 42% of cases.

Fig. 3.5 – Priorities in financial choices
(single answer)

Among financial aspects (return, risk, costs) and sustainability aspects (impact on the environment, elimination of inequalities, compliance with anti-corruption rules, etc.), the priority in investment choices must go to...



Matching indicator of advisor and investor answers



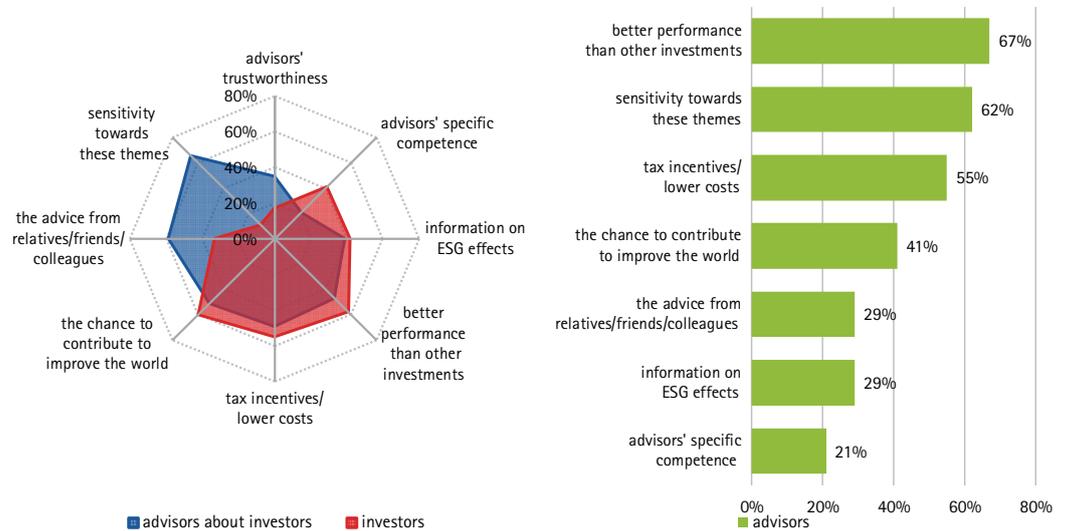
The matching indicator records the alignment between advisors' perception about their clients' opinions and the opinions declared by the clients' themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1). For further details, see the Methodological Notes.

1. Financial advisor-investor interaction
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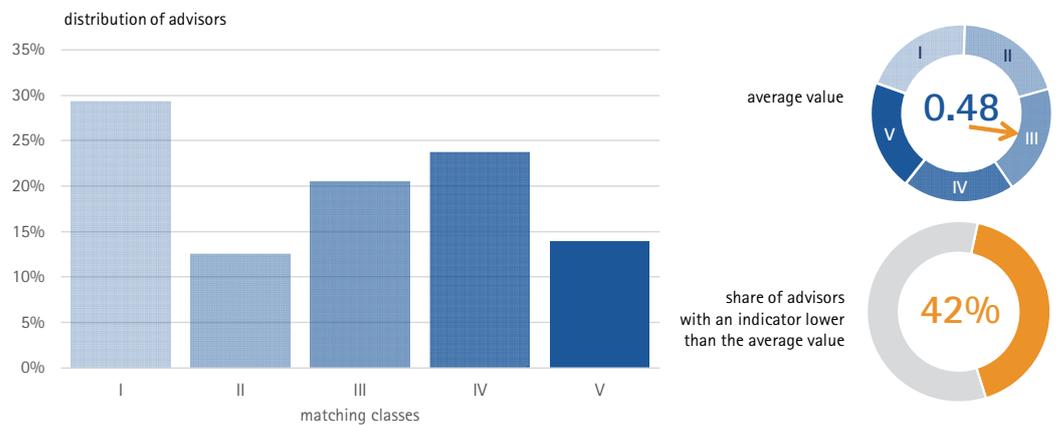
2020

With regard to the drivers of socially responsible investments, among investors the possibility to 'help improve the world' is the answer recording the highest frequency (60%), followed by better returns and lower tax/cost than those of alternative options (respectively, 58% and 55%). Advisors tend to overestimate the role of drivers that are hardly mentioned by their clients, such as sensitivity towards sustainability, informal advice (i.e. the advice by family/friends/colleagues) and the advice of trusted bank/intermediary. The misalignment between financial advisors' and investors' opinions is confirmed by an average value of the matching indicator equal to around 0.5 (in the range 0 - 1). For their part, advisors are willing to recommend responsible products if SRIs expected financial performance was higher compared to those of alternative investments (67%), their clients showed sensitivity to ESG issues (62%) or SRI products were incentivised by fiscal relieves (55%).

Fig. 3.6 – Drivers of responsible financial investments
(multiple choice; maximum three answers)



Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4]; 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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Among the deterrents from responsible investment, respondents (both investors and advisors) mention lower than expected returns, lack of a commercial proposal and the fear of greenwashing. A further deterrent highlighted by investors is the cost, which financial advisors do not perceive among the most relevant elements. Overall, the opinions of financial advisors and investors show an average level of matching slightly higher than 0.7.

Fig. 3.7 – Deterrents from responsible financial investments
(multiple choice; maximum three answers)

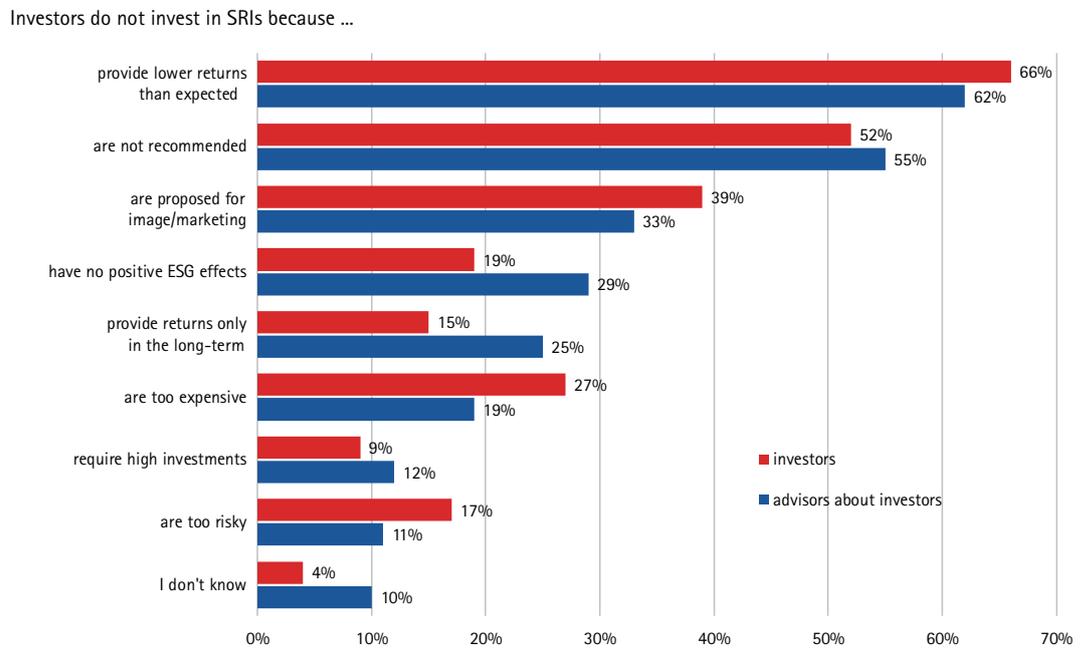
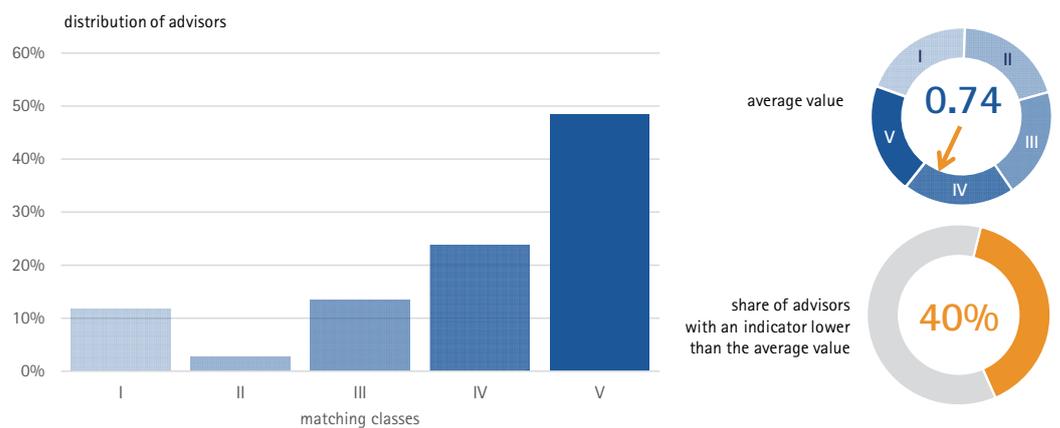


Figure refers to the following questions addressed, respectively, to investors who declare that they do not invest in responsible financial investments (162) and to all advisors: 'I do not invest in responsible financial investments because...'; 'Your clients do not have responsible financial investments because...'

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients' themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4]; 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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Responsible investments: the role of financial advisors

The proactivity of the financial advisor in recommending sustainable investments is reported differently by the two samples of interviewees: more than a third of the investors declare that they have never received a proposal, whilst only 10% of advisors state that they have never recommended sustainable investments. The discrepancy between investors and advisors is confirmed by the average value of the matching indicator, equal to 0.57 (out of a maximum 1).

The importance attached by investors to ESG factors is accompanied by a fair amount of attention to responsible products, as evidenced by the interest of 69% of investors in receiving information on SRIs. Among the advisors, 34% report that the majority of their clients would be willing to receive information.

Fig. 4.1 – Recommendation of responsible financial investments to investors (single answer)

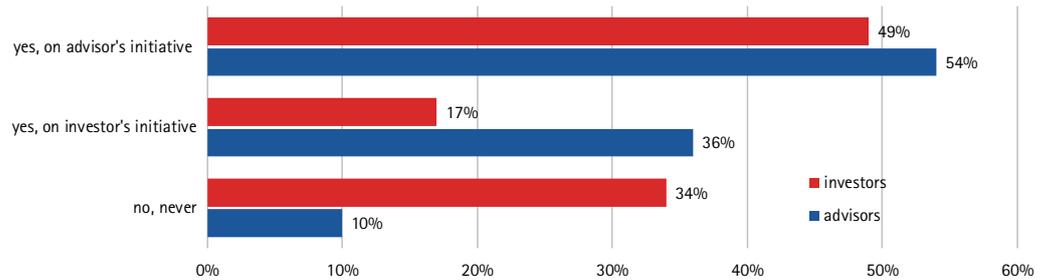
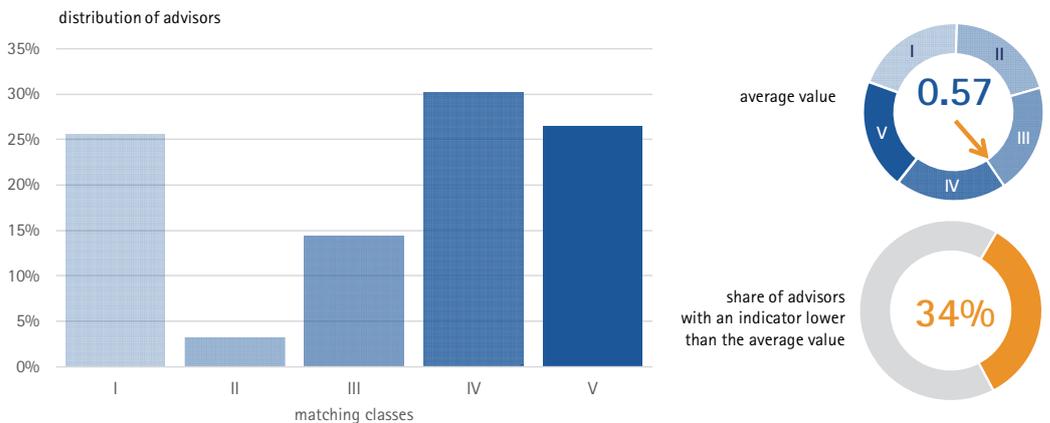


Figure refers to the following questions addressed to investors and advisors respectively: 'Has your advisor ever proposed responsible financial investments to you?'; 'Do you propose responsible financial investments to your clients?'

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisor perception about their clients' opinions and the opinions declared by the clients' themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6); 'IV' (0.6 - 0.8); 'V' (0.8 - 1). For further details, see the Methodological Notes.

Fig. 4.2 – Interest in receiving information on responsible financial investments (single answer)

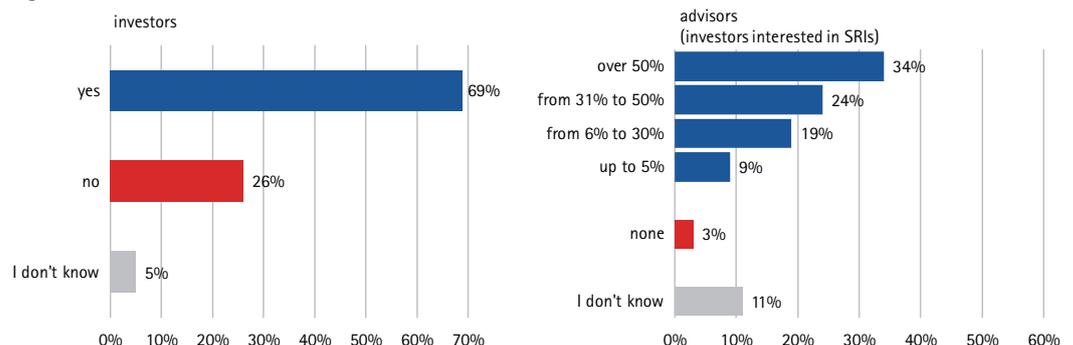


Figure refers to the following questions addressed to investors and advisors respectively: 'Are you interested in receiving information on responsible financial investments?'; 'How many of your clients may be interested in receiving information on responsible financial investments in percentage terms?'

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A certain misalignment between clients and advisors also emerges with regard to the information channels preferred by investors. While 72% of professionals believe that the sources of information preferred by investors are primarily the public institutions followed by trusted professional and trusted intermediary (64% and 61% respectively), investors indicate the advisor in 78% of cases and the bank in 66% of cases, while citing public institutions just in 41% of cases.

This evidence reveals the role that financial advisors may potentially play as a multiplier of their clients' interest in responsible financial products.

Fig. 4.3 – Favourite information channels
(multiple choice; maximum three answers)

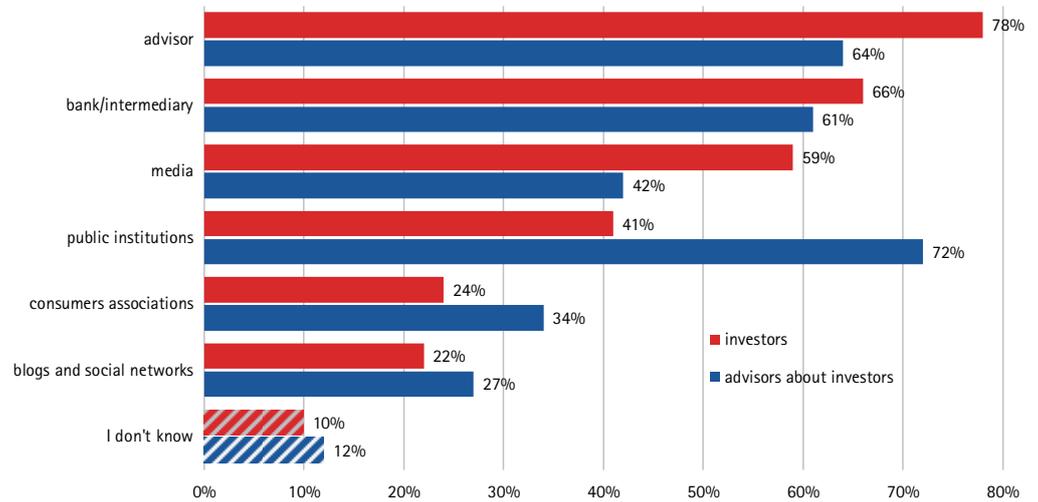
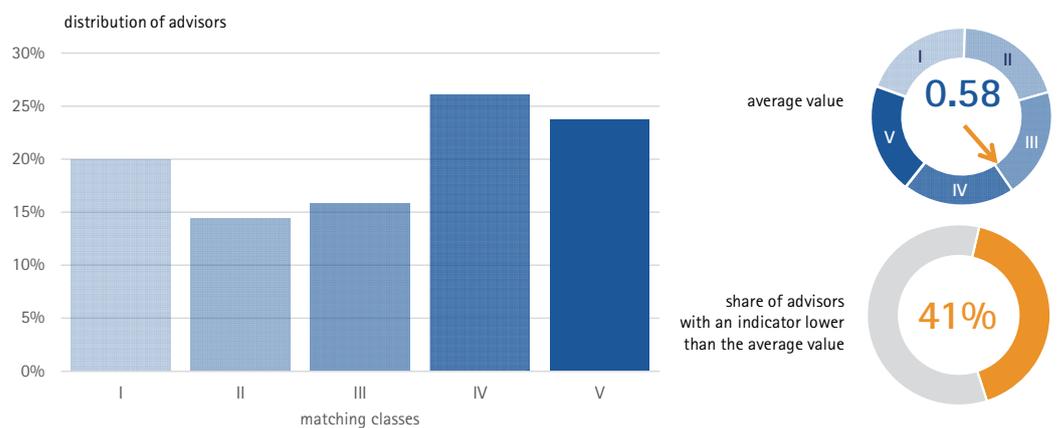


Figure refers to the following questions addressed to investors and advisors respectively: 'How would you prefer to receive information on responsible financial investments?'; 'How do you think your clients would prefer to receive information on responsible financial investments?.'

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisors' perception about their clients' opinions and the opinions declared by the clients' themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4]; 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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A greater matching across the two samples is recorded with respect to the type of information useful to investors. In particular, financial advisors correctly perceive investor preference for a synthetic indicator or certification of the responsible investment (ecolabel), as well as for information allowing comparison across similar options (in terms of risk-return-cost) and providing details about the ESG characteristics of the product. All the information materials indicated by investors as well as brochures and illustrative documents could prove useful to professionals when recommending responsible financial products.

Fig. 4.4 – Useful information to invest in responsible financial products (multiple choice; maximum two answers)

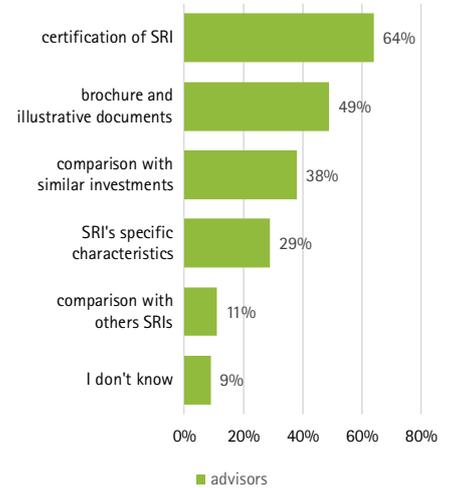
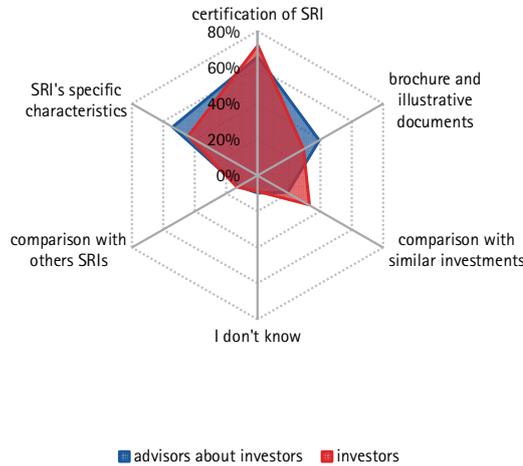
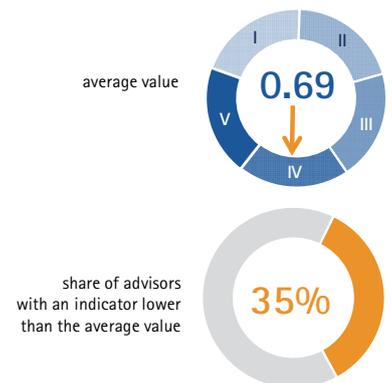
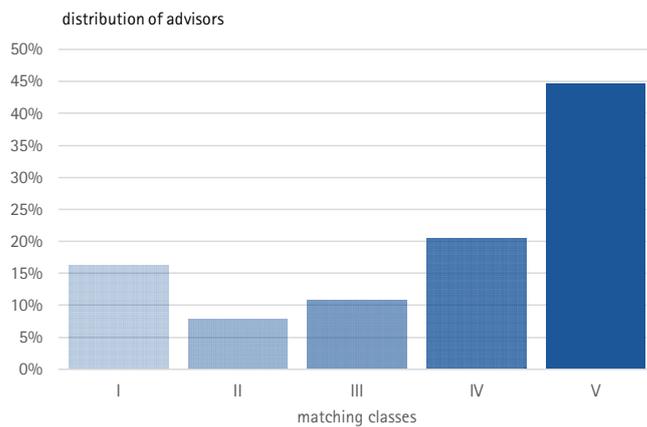


Figure on the left-hand side refers to the following questions addressed to investors and advisors respectively: 'What type of information do you think would be useful to invest in responsible financial products?'; 'What type of information do your clients think would be useful to invest in responsible financial products?'. Figure on the right-hand side refers to the following question addressed to advisors: 'What type of information do you think would be useful when recommending your clients to invest in responsible financial products?'.

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisors' perception about their clients' opinions and the opinions declared by the clients' themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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More than half of the advisors (53% of cases) do not seem to appreciate the relevance of the assessment of ESG preferences, while the remaining 47% catch its potential along different dimensions (mainly as a competitive factor or as an opportunity for communication).

On the whole, 75% of advisors state that they assess ESG preferences (albeit with variable frequency), while the proportion of clients referring to having being asked about their attitudes towards sustainability drops to 29%. The matching indicator reflects this dystonia as it averages at around 0.5 (out of a maximum 1).

Fig. 4.5 – The value of assessing investor ESG preferences (single answer)

As for the assessment of investors' ESG preferences recommended by the ESMA guidelines on suitability assessment ...



Fig. 4.6 – Assessment of investor ESG preferences (single answer)

The frequency of the assessment of ESG preferences:

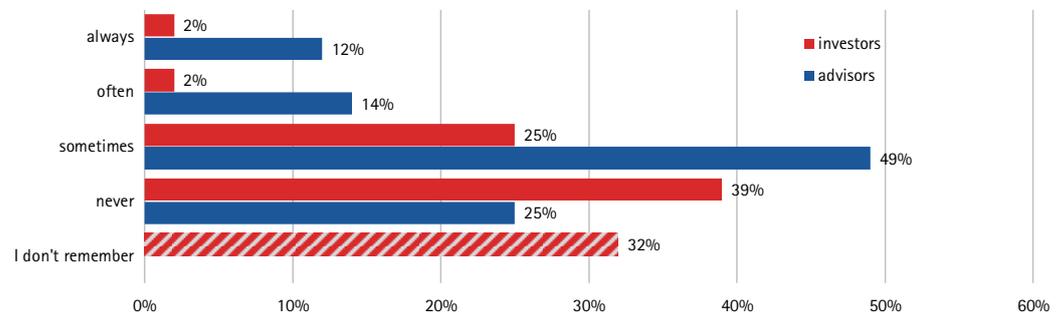
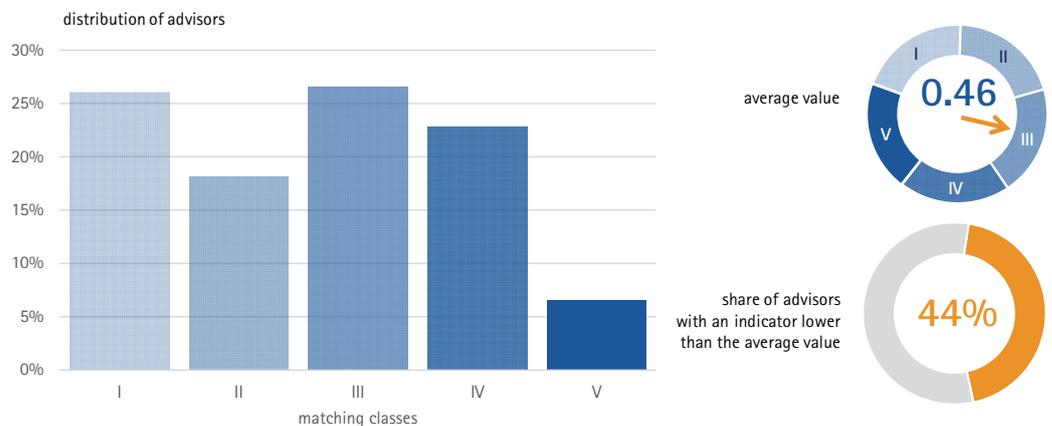


Figure refers to the following questions addressed to investors and advisors respectively: 'Has your advisor ever asked you about your ESG preferences?'; 'Do you assess your clients' ESG preferences?'

Matching indicator of advisor and investor answers



The matching indicator records the alignment between advisors' perception about their clients' opinions and the opinions declared by the clients themselves. The indicator varies between 0 (no matching) and 1 (maximum matching). The matching classes shown in the figure are defined as follows: 'I' [0 - 0.2]; 'II' (0.2 - 0.4); 'III' (0.4 - 0.6]; 'IV' (0.6 - 0.8]; 'V' (0.8 - 1]. For further details, see the Methodological Notes.

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Methodological Notes

The analysis contained in this Report is the result of collaboration between CONSOB, the Department of Business Economics of the Roma Tre University and the Bologna Business School of the Alma Mater University. The aim of the project is to analyse the financial advisor–investor relationship in order to identify areas for improvement due to gaps in communication, limited knowledge and poor exchange of information.

The Report is based on a questionnaire consisting of 27 closed–answer questions (of which: 11 single answer, 12 multiple answer and 4 Likert scale answer), socio–demographic questions and three financial literacy questions, useful to profile respondents.

In January 2020, Finer Finance Explorer conducted a total of 832 telephone interviews in order to administer the questionnaire to two samples of financial advisors and their clients.

The sample of 215 financial advisors was extracted from the list of 10 thousand financial advisors with active mandates representing the most important investment advisory networks.

The sample of 617 investors was extracted from approximately 1,300 names – relating to active relationships – indicated, among those assigned to them, by the professionals belonging to the first sample.

The characteristics of both categories of respondents, representative of the reference universes (respectively, 23,152 professionals and about 4.4 million clients, according to Assoreti data reported as of June 2019), are summarized in Table 1.

Matching indicators

In order to assess the alignment between the advisors' perception of their clients' opinion and the clients' reported opinion on each topic surveyed three matching indicators were computed. The first relates to each financial advisor with respect to each of their sampled clients; the second is the average matching recorded by each financial advisor with respect to all sampled investors; the third is the sample average of the matching (represented in this Report). The computation of the indicators takes into account the various types of questions included in the questionnaire (single answer, multiple answer or Likert–scale answer).

For single answer questions, the matching between each advisor and each of their investors consists of a dummy equal to 1 if the advisor reports the answer indicated by the investor and 0 otherwise.

For multiple choice questions with many alternative answers, the matching between the advisor and each of their investors consists of a variable defined as follows: 0 if the advisor does not report any of the answer alternatives given by the investor; 1 if the advisor correctly reports all the answers given by the investor; between 0 and 1 otherwise, i.e. equal to the ratio between the number of answers indicated by the advisor equal to those given by the client and the total number of answer alternatives indicated by the client.

As for questions referring to the importance attributed to a certain element (or factor) with answer on Likert scale, the matching consists of a variable that takes the following values: –1 if the investor attaches to the specific issue greater relevance than that perceived by the advisor (undervaluation); 0 if the investor attaches to the specific issue as much relevance as that perceived by the advisor (alignment); 1 if the investor attaches to the specific issue lower relevance than that perceived by the advisor (overvaluation).

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Tab. 5.1 – Sociodemographic profile and other characteristics of the two survey samples

advisor			investor		
age	25-35	5%	age	25-35	4%
	35-45	17%		35-45	12%
	46-55	22%		46-55	19%
	56-65	35%		56-65	37%
	> 66	21%		> 66	28%
gender	men	79%	gender	men	83%
	women	21%		women	17%
area served by the advisor	North	56%	area of residence	North	56%
	Centre	27%		Centre	27%
	South & Islands	17%		South & Islands	17%
education	first degree	31%	education	first degree	34%
	high school	69%		high school	66%
assets under advice (in millions of euros)	< 15	19%	market segment (assets in thousands of euros)	mass market (< 50)	10%
	15 – 25	57%		affluent (50 - 500)	77%
	> 25	24%		private (> 500)	13%
number of clients	< 50	3%	length of the relationship with the financial advisor	< 5 anni	34%
	50 – 100	7%		5 - 10 anni	51%
	100 – 150	10%		> 10 anni	15%
	150 – 200	46%			
	> 200	34%			
professional experience (years)	< 10	10%			
	10 – 20	22%			
	20 – 30	59%			
	> 30	9%			
certifications	EFPA	8%			
	certification of the intermediary	25%			
	others – self-financed	17%			
	none	50%			
contractual arrangements with the intermediary	financial advisor (agent)	98%			
	employee	2%			

2020

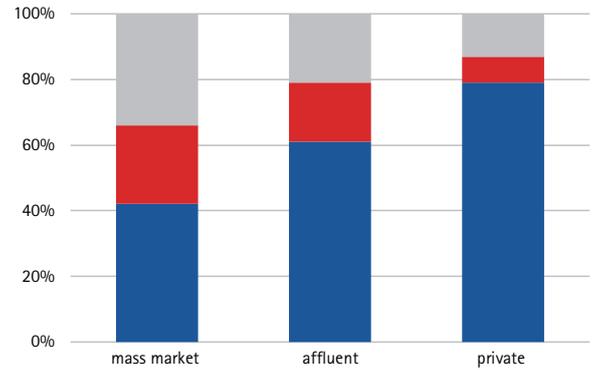
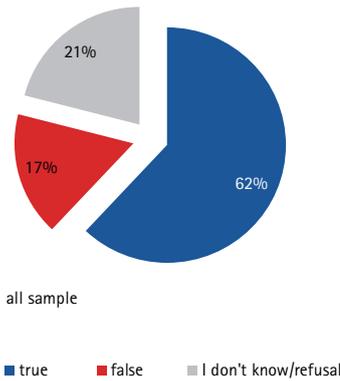
1. Financial advisor-investor interaction
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Fig. 5.1 – Investor basic financial knowledge

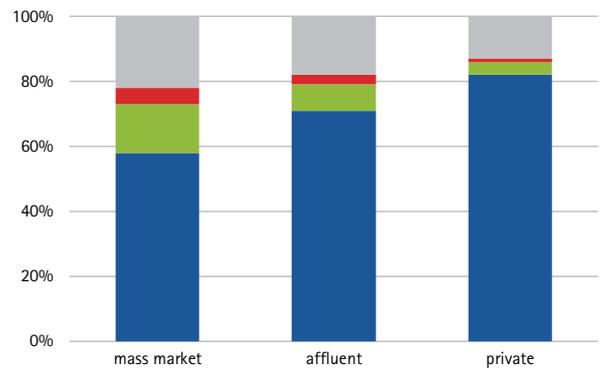
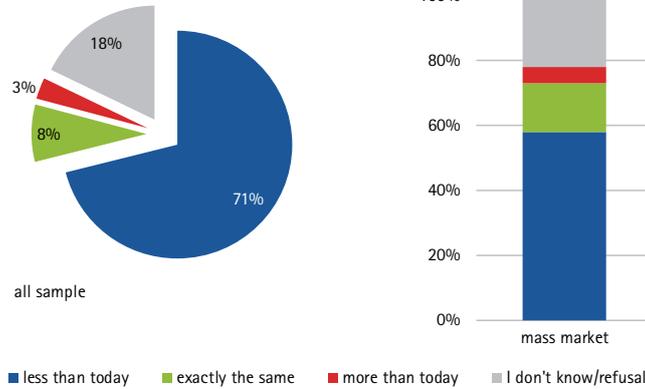
Please tell me whether the following statement is true or false: «Higher return investments are probably riskier than investments offering lower rates of return»

(single answer)



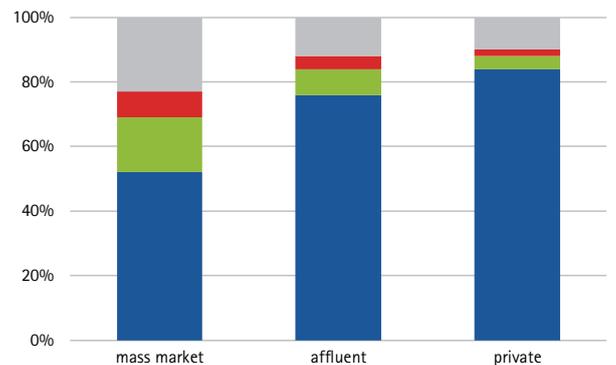
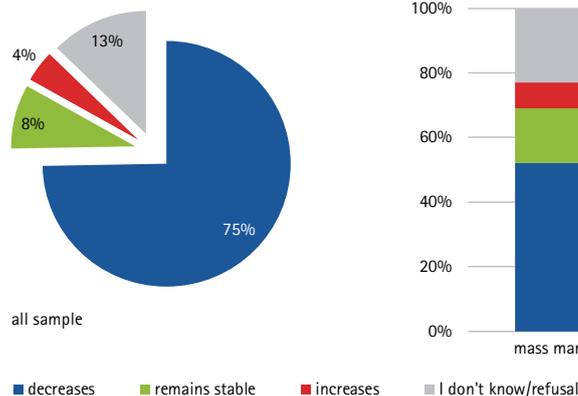
Suppose the interest rate on your savings account was 1% per year, and inflation 2% per year. After one year, with the money you have on the savings account you would be able to buy ...

(single answer)



When an investor decides to buy different financial instrument, the risk of losing the invested capital ...

(single answer)

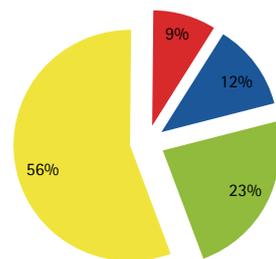


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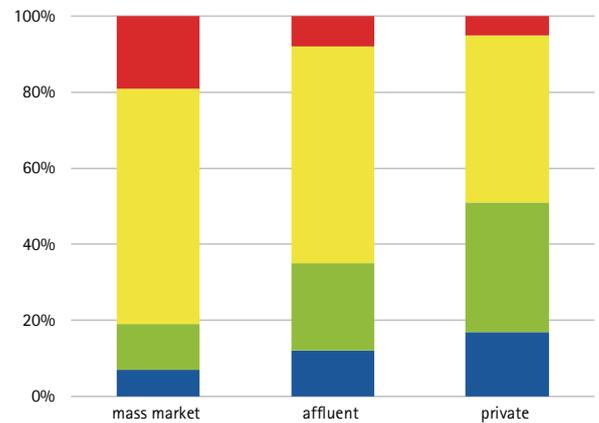
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Fig. 5.2 – Single versus multiple bank relationships

Do you have multiple bank relationships?
(single answer)

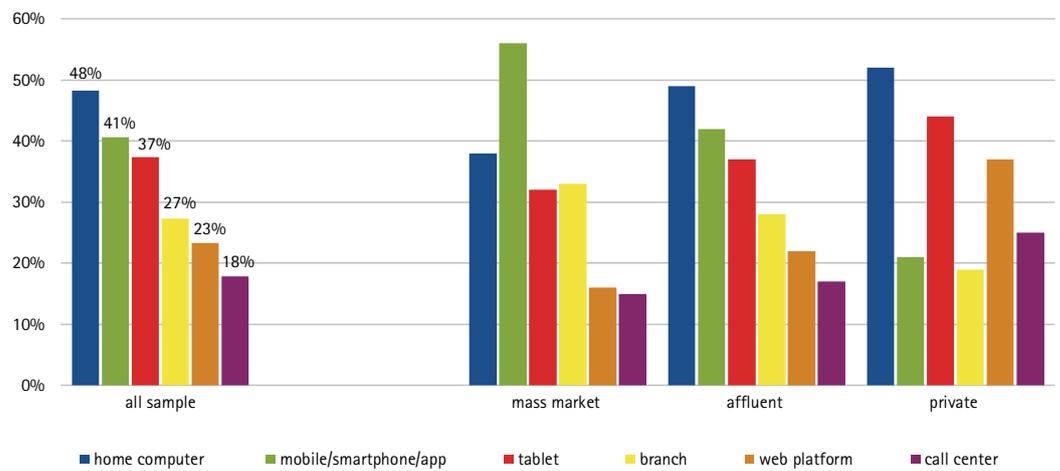


all sample



■ yes, with three more banks ■ yes, with two more banks ■ yes, with another bank ■ no, I refer to my advisor only

How do you prefer to access banking services?
(multiple choice)



■ home computer ■ mobile/smartphone/app ■ tablet ■ branch ■ web platform ■ call center

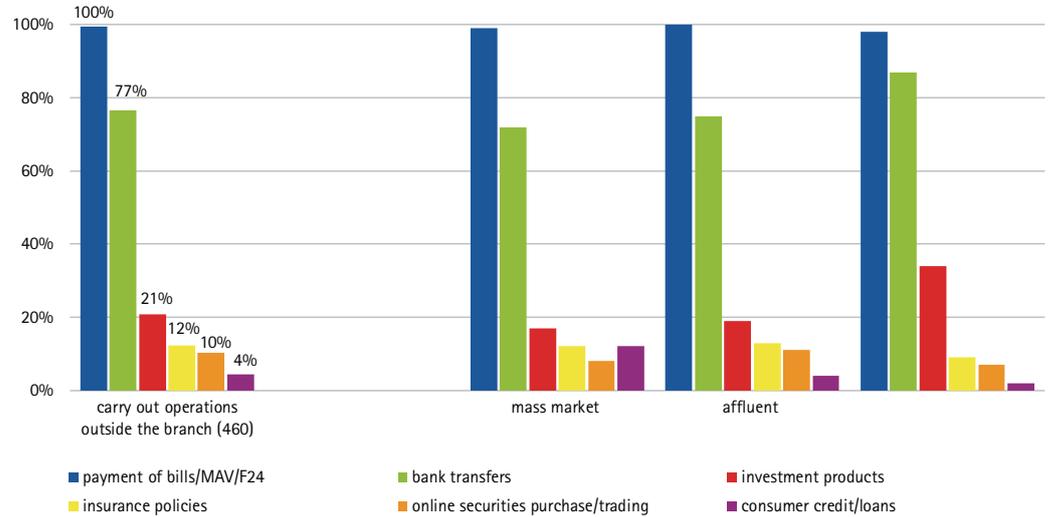
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Fig. 5.3 – Out of branch operations

In case of off-site operations, what kind of banking operations do you carry out? (multiple choice)



Which operations other than traditional banking services do you carry out through online banking? (multiple choice)

