Jumping the barriers to sustainable retail investment in France

A presentation of demand, supply and distribution frictions, and recommendations to move forward.

2° investing initiative

Table of contents

About 3

Executive summary 4

Introduction 5

What French retail investors think 6

An untapped interest for sustainable finance 6

A high level of suspicion 7

A request for transparency 9

A trust conundrum 9

What French retail investors want 10

Value-alignment as the predominant sustainability objective 10

An unclear preference for sustainable strategies 11

A large variety of sustainability concerns 12

A preference for local and small 13

The key role of financial advisors 14

Barrier #1: Deficient advisory process 14

Financial advisors don't know (or explain) enough 15

Financial advisors don't ask (or propose) enough 17

Financial advisors don't listen (or adapt) enough 18

Financial advisors are not neutral enough 19

Financial advisors neglect potential clients too often 20

Barrier #2: Inconsistent market supply 21

A fast-growing supply 21

An overly concentrated supply 22

A market mismatch 23

Barrier #3: Individual limitations 26

A lack of technical knowledge 26

Unclear preferences and opinions 27

An attitude-behaviour gap 27

Recommendations 30

Tackle deficiencies in the advisory process 30

Densify and reorient market supply 35

Help retail investors to overcome their limitations 36

Conclusion 37

Bibliography 38

Annex: Presentation of research materials 40

Interviews and focus groups 40

Quantitative survey 40

Mystery Shopping Visits 40

Analysis of fund database 40

About

The 2° Investing Initiative (2DII) is an international, non-profit think tank working to align financial markets and regulations with the Paris Agreement goals.

2DII coordinates some of the world's largest research projects on climate metrics in financial markets. In order to ensure our independence and the intellectual integrity of our work, we have a multi-stakeholder governance and funding structure, with representatives from a diverse array of financial institutions, regulators, policymakers, universities and NGOs.

Date: October 2022

Co-authors:

Samia Baadj
Constanze Bayer
Mickaël Mangot
Thierry Santacruz

FUNDER: This project has received funding from the European Union's LIFE program under grant agreement LIFE18IPC/FR/000010 A.F.F.A.P.

DISCLAIMER: This work reflects only the views of 2DII. Other members of the Finance ClimAct Consortium and the European Commission are not responsible for any use that may be made of the information it contains.

DISCLAIMER: "In 2025, 2° Investing Initiative became the Sustainable Finance Observatory (The Observatory). This research is the intellectual property of The Observatory."

Executive summary

This report summarises research (quantitative survey, bilateral interviews, focus groups, mystery shopping and a desk-study of a fund database) conducted by 2° Investing Initiative (**2DII**) to investigate the current situation regarding demand, supply and distribution of sustainable finance products in the French retail investment market.

Main results include:

- On the **demand side**: a noticeable attitude-behaviour gap with positive attitudes of retail investors towards sustainable finance not being fully translated into actual ownership of sustainable financial products. Across people, beliefs and preferences regarding sustainable finance products are highly heterogeneous while (perceived) knowledge and trust is generally low.
- On the **supply side**: a highly concentrated offer, focusing on a few sustainable strategies and a few ESG topics. Such a concentration does not reflect the heterogeneity of clients' preferences.
- On the **distribution side**: before the application of MiFID II Delegated Act on sustainability preferences, a tendency by financial advisors to apply an advisory process for potential clients that was far from complying with the (then upcoming) regulation. Financial advisors were also reported by clients and mystery shoppers to display a poor mastery of sustainable finance concepts and products.

Aggregately, the report reveals several critical areas of disfunction for the French retail market for sustainable financial products.

To address those and promote integrity and efficiency in the French retail investment market, we articulate a list of targeted recommendations. Although the recommendations are primarily directed at the French regulator, professional associations (e.g., AFG, AMAFI, FBF) and financial institutions, they may also be of interest to stakeholders at EU level and in other countries.

The following table gathers our recommendations.

Recommendations				
#	Content	Target		
		French regulator	Professional associations	Financial institutions
1	Ensure financial advisors receive comprehensive and expert training in sustainable finance	x		x
2	Scrutinize the assessment of sustainability preferences by financial advisors	x		
3	Lobby for integrating impact in the EU regulatory framework and provide guidance on how to advise impact-oriented investors	x	x	
4	Provide clarification about financial trade-offs	x		x
5	Introduce an official market map of sustainable financial products	x	x	
6	Ramp-up financial innovation			x
7	Reorient products towards small and local economic agents			x
8	Help investors clarify their sustainability preferences			x

Introduction

France has historically been at the forefront of many responsible investment practices (best-in-class strategies, labels, social-themed funds, green bonds etc.), and in recent years the market has moved towards widespread integration of environmental, social and governance (**ESG**) issues in different asset classes. This dynamism is reflected in the fact that France now has the third largest number of Principle for Responsible Investment (**PRI**) signatories (382 as of July 2022) after the US and the UK.

2015 was a crucial turning point. While the Paris Agreement provided an international framework for tackling climate change, Article 173 of the *Transition Énergétique pour la Croissance Verte* law (**TECV law**) set a global precedent by mandating investors to report annually on how they consider ESG and climate issues in their investment decisions. More recently, the regulatory environment has been reinforced by the application of the *Plan d'Action Pour la Croissance et la Transformation des Entreprises* (**PACTE law**), which will oblige French companies to take into account the social and environmental impacts of their activities.

France is also involved in the European Commission's work to clarify financial intermediaries' ESG obligations and measure the impact of investments deemed sustainable and actively contributes to international efforts to create a supervisory framework for sustainable finance. The French central bank (which was the first central bank to adopt a responsible investment policy in 2018) provides the secretariat for the Network of Central Banks and Supervisors for Greening the Financial System (**NGFS**). ACPR, the banking and insurance sector supervisor, also organized in 2020-2021 the first large-scale climate stress test exercise.

Those initiatives illustrate how the French institutional sustainable finance framework is relatively advanced versus other countries. But it leaves a question unanswered: does the French retail market follow?
This report summarises research (quantitative survey, bilateral interviews, focus groups, mystery shopping and a desk-study of a fund database) conducted by 2° Investing Initiative (**2DII**) to investigate the current situation regarding demand, supply and distribution of sustainable finance products in the French retail investment market.

Chapters 1 and 2 document French retail investor beliefs and preferences regarding sustainable financial products. Chapter 3 identifies trends in how financial advisors behave in front of sustainability-motivated clients during mystery shopping visits. Chapter 4 investigates market supply of retail sustainable financial products and the inadequacy of this supply compared to retail investor beliefs and preferences. Chapter 5 identifies limitations that prevent retail investors' beliefs and preferences translating into actual portfolio choices.

Aggregately, the report reveals several critical areas of disfunction for the French retail market for sustainable financial products. Chapter 6 articulates a list of recommendations for how to address these areas of disfunction and promote integrity and efficiency in the French retail investment market.

Chapter 1

What French retail investors think

An untapped interest for sustainable finance

A clear enthusiasm

French retail investors repeatedly pay attention to extra-financial features of investment options. A 2021 study by OpinionWay on behalf of the *Autorité des Marchés Financiers* (**AMF**)[1] showed that most French people were interested in sustainable finance issues. 76% of French people consider that the impact of investments on the environment (in terms of pollution, biodiversity etc.) is an important dimension. More than half of survey respondents also stated that they consider non-financial features in their investment decisions.

2DII in-house research via surveys and interviews confirms such an interest for ESG issues and a consequent enthusiasm for sustainable financial products.

In this report we replicate statements from participants in our interviews, focus groups and mystery shopping visits. The type of research each statement is derived from is identified in brackets (**BI** for bilateral interview, **FG** for focus group and **MS** for mystery shopping).

In bilateral interviews, there were many statements about the appeal of green or sustainable investments.

> *"Green investments are something very attractive"* (BI)
> *"Anybody would like to allocate a part of one's savings to virtuous companies"* (BI)
> *"I consider I'm a good person. So, of course I'd like my investments to influence companies' behaviour. But it's a bit pretentious saying that."* (BI)

In focus groups, the topics raised led to passionate discussions between participants. This strong involvement by participants in the discussions could be interpreted as evidence that sustainable finance is a topic which reflects people's concerns and interests.

A will to know more

Our materials also provided food for thought and a will to know more about sustainable finance by participants, as stated in many comments.

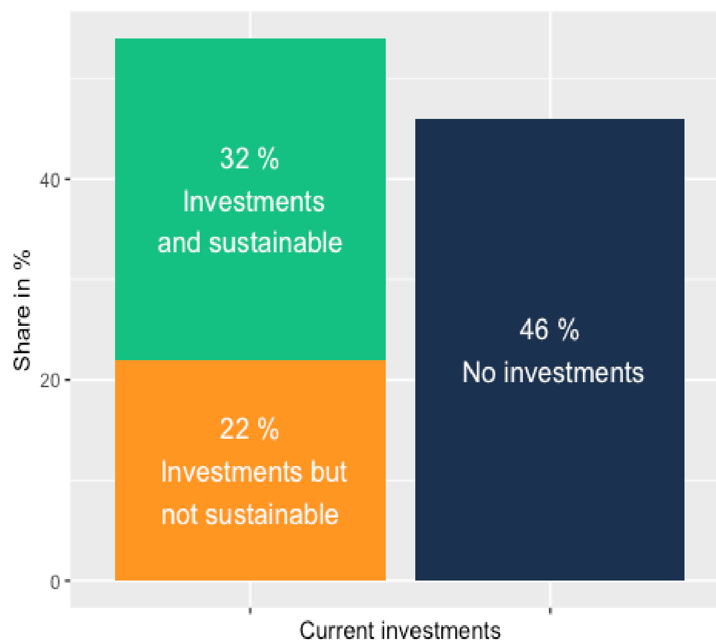
> *"I was not aware that my money would actually finance things in the real economy. I thought it was only the bank that was making a profit out of it. I'd like to know more about this."* (BI)
> *"The questionnaire raised curiosity from me and awareness about the use of my money, something that I had never thought about before because I only focused on financial return."* (BI)
> *"Impact investing and exclusion are concepts that were unknown to me but that could be attractive to me after this interview."* (BI)
> *"I was not aware that my savings could be used to support activities like armament, even in an indirect way, and I did not even know that I could play a role in choosing the way it could be used. Now that I'm aware of it, I would be relieved if I could retake some control on this."* (BI)

[1] OpinionWay (2021)

Limited ownership

Despite the clear interest in the topic by most participants, only a fraction *walked the talk*. In our 2021 quantitative survey, only a third of participants stated that they owned a sustainable financial investment. This proportion is higher than that observed in the above-mentioned OpinionWay study on behalf of AMF (17%)[2], but it nevertheless evidences a significant attitude-behaviour gap as will be detailed in Chapter 6.

Figure 1: Ownership of financial investments (quantitative survey)



A high level of suspicion

Alongside the interest for sustainable finance (albeit with an attitude-behaviour gap), another recurrent theme in particpant reponses and statements was a high level of suspicion for so-called *sustainable solutions* originated by the financial sector.

A double rejection of finance

Many participants openly raised their distrust of the financial sector which is considered both a temple of greed and a closed world.

A temple of greed

> *"When hearing the word 'investment', I have negative images that come to me. I have anticapitalist beliefs and the word 'investment' twists my belly without being capable to understand why. This is capital that generates additional capital out of interest rates and debts…"* (BI)
> *"I avoid having appointments at my bank with financial advisors who only have commercial objectives."* (BI)
> *"I feel that financial advisors are trained to beat about the bush and sell you what they want. I have been telemarketer for 15 years and I was taught to divert the meaning of words to catch the client."* (FG)

A closed world

[2] Note that the selection processes were different across studies. Our quantitative survey selected participants aged 18 and beyond with minimum monthly savings of 10 euros while the AMF study used a sample representative of the French population.

"The financial world is a realm from which I feel very remote and to which I avoid to be exposed." (BI)
"Bankers don't know how to explain with simple words." (FG)
"Finance is a world of initiates in which people don't feel comfortable or legitimate to talk." (FG)
"I have no knowledge in financial issues. A 4% return or a high risk, I don't know what it really means." (FG)
"In meetings with financial advisors, we are overwhelmed with nonessential information." (FG)

Doubts about "sustainable" finance

Distrust of the financial sector breeds strong doubts about the (new) field of sustainable finance.

"Investing in a sustainable way could be tempting but it remains an unknown territory that raises mistrust" (BI)

Diving deeper, it appears that the mistrust is attached to the feasibility, the reality and accessibility of sustainable finance.

The feasibility of sustainable finance

"Nowadays all companies participate to dishonourable actions like the cement company Lafarge. How can we control such things? What are the tangible tools at our diposal to implement a control on our investments?" (BI)
"There is an unsolvable issue of traceability. We are in complete shadows about this. We can try to invest in a company that looks virtuous or exclude a company that looks delinquant but the flow of money keeps on moving on and on until it's no more controlled at all." (BI)

The reality of sustainable finance

"There are many green financial products that are currently launched but we lack the skills to know whether they really are what they claim to be or whether this is only marketing." (FG)
"Advertising documents are well made. But they are like phrases from politicians.They use words to raise trust but it creates the opposite effect." (FG)
"When I see a name of a financial product incorporating the word 'green', I instantaneously think this must be greenwashing." (BI)
"A 'sustainable' financial product? By passing through finance, I really doubt it can be really sustainable as I have difficulty trusting financial people." (FG)

The accessibility of sustainable finance

The need for clear information about sustainable products from a credible source is increased by the **high level of complexity** that sustainable finance poses to retail clients. Integrating notions like impact and value-alignment on top of risk and expected return in the decision-making process creates an optimization problem across four dimensions (instead of only two for conventional investors). This leads to a multitude of cognitively demanding and necessary trade-offs.

It also pushes the client to pay attention to more data (i.e. funds' sustainability reports or labels' methodology) potentially leading to **information overload**. Investors may be faced with too much, too difficult, and too confusing information about sustainable investment. Information overload and excessive complexity might lead private investors to procrastinate and defer their sustainable investment decisions[3].

"Choosing one's investments is already very complex so adding new criteria like sustainability makes choices even more complex. (FG)
"We are overwhelmed by communications from our banks. We are bombed with emails. It is not that we have no information but rather that we have too much. As I receive emails everyday, I straightforwardly send them to the trashcan." (FG)

[3] Pilaj (2017)

A request for transparency

Opposing viewpoints on sustainable finance (both attractive and suspicious) fuels a request for more transparency within the field.

In a 2021 qualitative study by CSA Research on behalf of the AMF[4], a panel of 15 non-expert retail investors was questioned about the readability of marketing and pre-contractual materials for sustainable and responsible investments. They found that notions of sustainable or responsible investment and SRI appeared vague and concepts such as ESG or extra-financial criteria were opaque. The vocabulary used in prospectuses or Key Investor Information Documents (KIID) was seen as too technical and discouraging. Finally, savers expected concrete examples of projects and proof of the impact of these so-called sustainable investments.

In our different materials, we could observe a similar desire for tangible evidence of the concreteness of the (implicit or explicit) statements around sustainable investment.

> *"Invest one's money through a bank is like paying taxes. You pay taxes but you never know in detail how the money will be used."* (FG)
> *"I need tangible facts and not claims. I may accept investing for the planet but I need to get the evidence that backs the claims."* (FG)
> *"Sustainable investment should be even more transparent as it does not raise more trust than any other investment."* (BI)

A trust conundrum

Doubts about sustainable finance products are not easily dispelled as mistrust also affects tools used to build trust (external auditing, labels etc.). For instance, the 2021 OpinionWay study observed that the French public has little knowledge of the ISR and Greenfin public labels and these labels only inspire moderate levels of trust.

In our qualitative materials, we observed split attitudes regarding auditing tools. Some participants seem ready to trust external auditing or labels:

> *"Labels inspire trust to me." (BI)*
> *"Evidence for actual impact should be brought by external control to be trusted." (FG)*
> *"I pay attention to labels that I know (like Finansol) and consider trustworthy." (BI)*
> *"A label that would measure tangible impact will comfort me, as much as having the possibility to access controlled and verified data." (BI)*

Oppositely, other participants demonstrate a generalised mistrust in all methods of proving the sustainability of financial products.

> *"I do not trust at all sustainable finance labels as I'm sure that companies are messing with ratings and criteria." (BI)*
> *"Controls and auditing committees are not reassuring. There were many in the past that cooked figures. As consultants and researchers are working for listed companies, it can't inspire trust." (FG)*

[4] CSA (2021)

Chapter 2

What French retail investors want

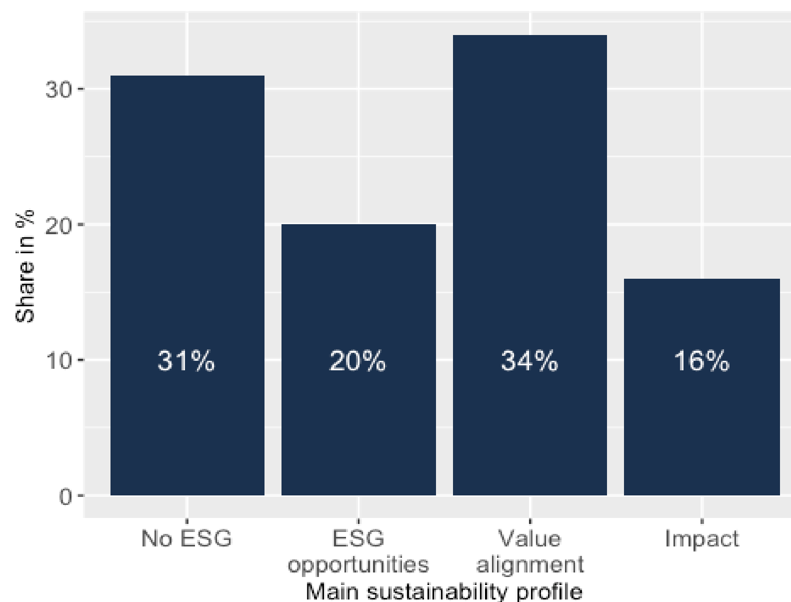
Value-alignment as the predominant sustainability objective

In our quantitative survey (see Annex for further details), we ask participants a series of questions regarding their financial or sustainability objectives for different financial goals attached to their savings (e.g. save for retirement, generate a precautionary buffer, increase personal wealth, finance personal projects etc.). We consider three types of overarching objectives, two being related to sustainability (**aligning savings with one's values** and **having an impact** on the world) and one being purely financial (**achieving maximum risk-adjusted return**).

The sustainability objectives of a retail investor include what we term *wider sustainability motivations* (see Info Box on following page) which are typically not covered by the recent MiFID II Delegated Act on sustainability preferences.

This survey allowed us to identify the main sustainability objective of survey participants across their saving goals. **Value-alignment was the most frequent profile** (34% of participants) in close tie with no ESG objective of any kind (31%). Profiles driven by the use of ESG screening to improve the risk-return combination of their investments (20%) or by the desire to have an impact (16%) were less numerous.

Figure 2: Primary sustainability objective across saving goals (quantitative survey)



Info Box: Wider sustainability motivations

We use the term *wider sustainability motivations* to refer to broader client preferences for sustainable investment which are not covered by the regulatory concept of sustainability preferences.

Wider sustainability motivations therefore cover aspects such as the sustainability goal (i.e. achieving impact, value alignment and/or maximising return through ESG) and specific sustainability features which a client may want to support or avoid beyond those mentioned in the regulatory concept of sustainability preferences in the MiFID II Delegated Act.

Over the last three years, 2DII's research programme has sought to improve the evidence base as to what sustainability motivations clients have, what outcomes clients expect and why, and how these expectations intersect with the range of financial products available which integrate sustainability features in product design[5].

An unclear preference for sustainable strategies

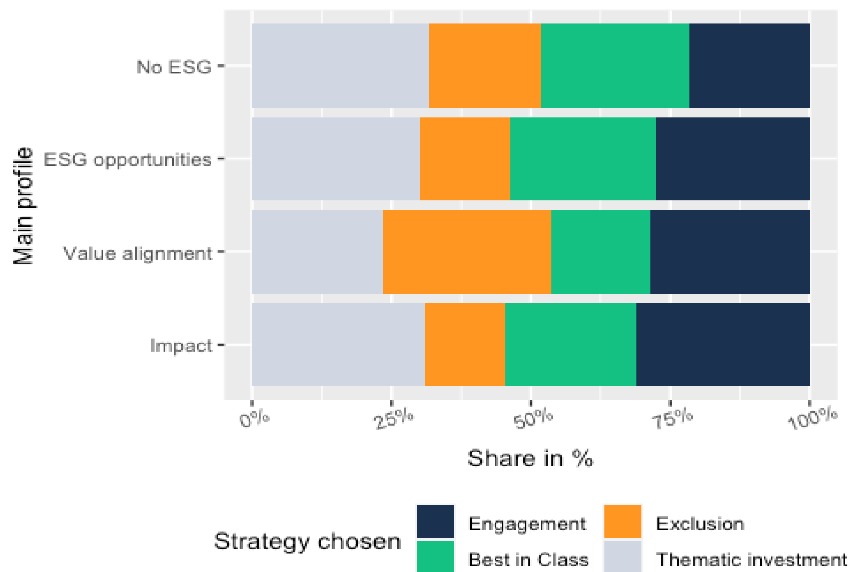
We also asked participants in our quantitative survey about the appeal of four mainstream sustainable financial strategies (thematic investing, best-in-class screening, exclusion and engagement) after having them watch short presentation videos of each strategy.

These different strategies may not be relevant for all sustainability profiles. Indeed, negative, positive and thematic screenings enable investors to have portfolios exposed to companies that align with personal values (the value alignment sustainability profile). Meanwhile engagement on ESG issues can be used to make companies change their practices to improve their impact on the environment or society - consequently, this strategy is more suitable for impact-driven investors (the impact sustainability profile). Finally, another approach called ESG integration (not covered in the survey) enables ESG information to be integrated in the selection process of assets in a less binding way than strict screening and would especially match with an ESG opportunity profile (i.e. in search for risk-return optimization)[6].

Despite this, we nevertheless observed that preferences for different strategies was very similar across sustainability profiles. There were only slight variations (exclusions being more attractive and best-in-class less so to investors searching for value-alignment). We consider this homogeneity of preferences for strategies across different sustainability profiles to be a consequence of a lack of knowledge that prevents participants from discriminating across strategies and identifying the ones that would be the most suitable for their personal sustainability objectives[7].

[5] See 2DII, (2020); 2DII, (2022).
[6] A similar matching exercise between client sustainability profiles and sustainable financial products can be found in the anti-greenwashing guide of the Swiss Asset Management Association: "How to Avoid the Greenwashing Trap: Recommendations on transparency and minimum requirements for sustainable investment approaches and products" (December 2021).
[7] For a recent paper on sustainable finance illiteracy, please refer to Fillipini et al. (2022).

Figure 3: Preferred sustainable financial strategy (quantitative survey)

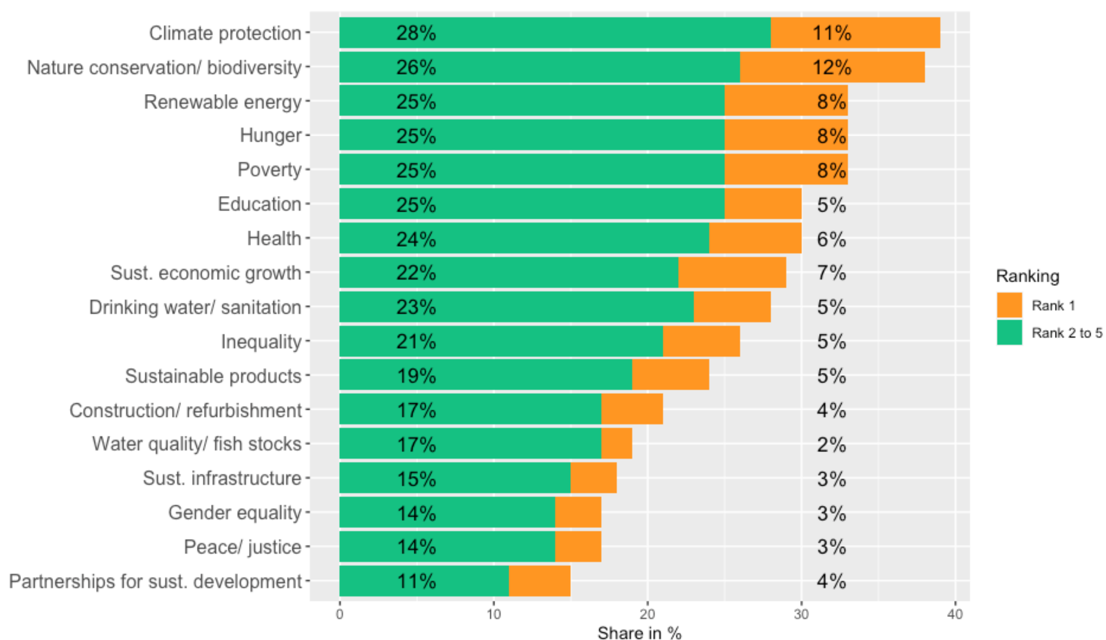


A large variety of sustainability concerns

Promoting Sustainable Development Goals

In the quantitative survey, we questioned participants about their interest in promoting through their savings the various UN Sustainable Development Goals. Participants were asked to identify the five SDGs they would prefer to advance through their savings and rank them. Results show a large variety of concerns with environmental concerns featuring more heavily than social concerns. Indeed, the first three topics selected were all environmental (Figure 4).

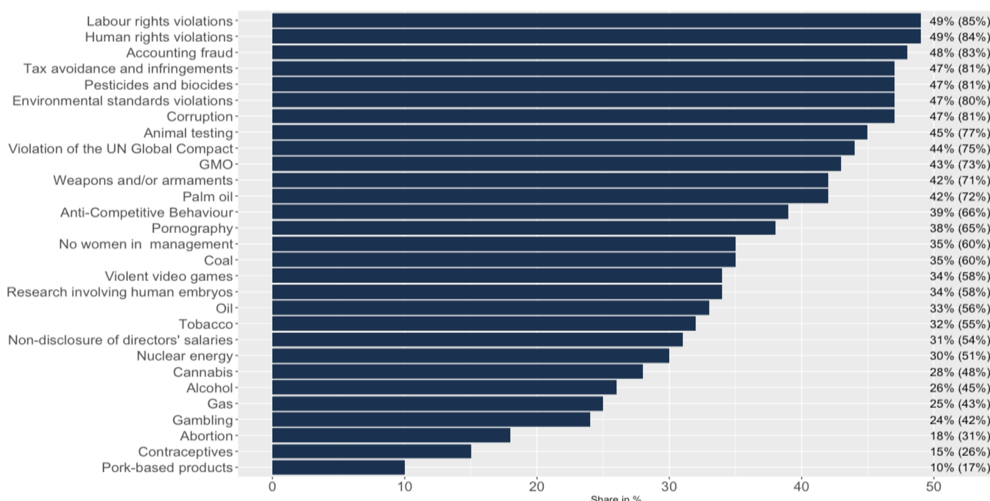
Figure 4: Interest in SDG topics (quantitative survey)



Excluding sectors and practices

We noted a similar variety of concerns regarding exclusion topics. Figure 5 displays the percentage of quantitative survey participants that are interested or very interested in excluding some business practices or economic activities from their investments. The percentages were obtained through a 2-step process. First, participants were asked if they were interested in exclusions. Then, those who positively reply were asked how interested they were in excluding various practices/activities. Figure 5 provides percentages of total respondents that demonstrated an interest for exclusions of specific practices/activities. Percentages for the subsample of respondents generally interested in exclusions are also visible (under brackets).

Figure 5: Interest in exclusion topics (quantitative survey)



A preference for local and small

Some retail investors have a preference for investing in local and small sustainable companies versus multinational large companies because they consider that such investments will be more traceable and their effects more tangible.

> *"I'm only partly convinced that companies can integrate impact objectives within their general objectives and I'm pretty dubious that companies whose main goal is to make profit are capable to concretely act in favour of the green transition. Social enterprises or cooperatives may be capable to do so but not for corporations, especially the largest ones in the CAC 40 index. For those, I see such objectives as smokescreens to hide the rest. The support the Nef bank provides to small projects is really meaningful to me. Oppositely, I do not want to contribute to companies that do it only because they are constrained to." (BI)*
> *"Social and environmental issues are important to me, but the world is so large and complex that I prefer focus on the very local. Grandiloquent speeches about deforestation while the Romainville forest next to Paris is getting uprooted just infuriate me." (BI)*

Some retail investors especially doubt the relevance of the best-in-class strategy when applied to large companies as they consider that large companies have resources to skirt ESG requirements.

> *"I guess Danone would be in best-in-class portfolios, but it is not where I would like to invest my money. I am too confident that Danone would skirt ESG criteria while keeping on destroying the planet." (BI)*

In a similar fashion, preferences regarding portfolio exclusions differ when applied to small companies versus large companies. Preferred exclusion rules appear stricter when applied to large companies. Small producers benefit from more tolerance. For instance, participants may be willing to exclude alcohol producers from their portfolios but make an exception of small local bio producers.

Chapter 3

Barrier #1: Deficient advisory process

The key role of financial advisors

Financial advisors represent **a key entry point** for retail investors to obtain information about financial products, especially innovative ones. They often represent the main information channel when it comes to financial investments[8].

Financial advisors are therefore key for retail clients to learn more about sustainable finance options, as shown by several recent surveys. A 2021 study by the asset manager Nordea reveals that 73% of European retail investors identify their advisor as their main source of ESG information[9]. The above mentioned 2021 OpinionWay study on behalf of the AMF reveals that bank advisors are the preferred channel to get information about sustainable finance solutions for French retail investors[10].

Consequently, researchers have repeatedly argued that financial advisors could strongly contribute to a massive adoption of sustainable investments by retail investors[11]. The central role of financial advisors for the adoption of sustainable finance solutions has also been recognized by EU institutions. The Commission's High-Level Expert Group on Sustainable Finance (**HLEG**) discussed the role of financial advisors in accelerating sustainable finance and socially responsible investment across Europe[12]. And the EU Action Plan on Financing Sustainable Growth explicitly recognises the importance of product distributors in this regard, noting that "*by providing advice, investment firms and insurance distributors can play a central role in reorienting the financial system towards sustainability*".

In our bilateral interviews, participants confirm the central role of financial advisors:

> *"I have no knowledge regarding financial matters and I trust my financial advisor for presenting me products that are suitable for me." (BI)*

In the following sections, we refer to evidence gathered during the mystery shopping campaign. This evidence will be accompanied by anecdotal reports from participants in the focus groups and bilateral interviews regarding their personal experience with financial advisors.

Note however that the evidence gathered during mystery shopping visits cannot be considered as statistically representative of market behaviour as the sample size is very limited (90 visits spread across 12 banking networks). This evidence should therefore be thought of as insightful case studies that can inform some good and bad practices observable within the sector.

---

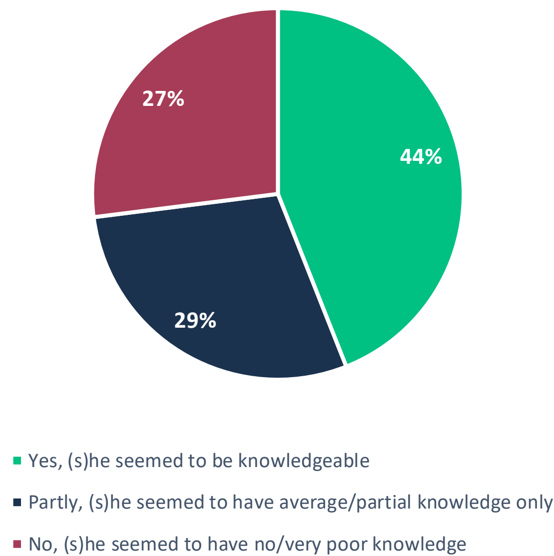
[8] OpinionWay (2021)
[9] Nordea (2021)
[10] OpinionWay (2021)
[11] Paetzold et al. (2015), Heinemann et al. (2018), Strauss (2021)
[12] EU High-Level Expert Group on Sustainable Finance (EU HLEG). (2018)

Financial advisors don't know (or explain) enough

Advisor (lack of) knowledge about sustainable products

Many shoppers reported a clear lack of knowledge of advisors regarding sustainable or green financial products.

Figure 6: Perceived knowledge of financial advisors (mystery shopping)



"The advisor that I have questionned to know whether my investments did not pollute was unable to answer me." (MS)
"The advisor admitted that he did not know anything about sustainable products and that I had to meet with his colleague if I wanted to know more." (MS)
"The knowledge of the advisor about products with extra-financial features seemed to be limited" (MS)

On many occasions, advisor lack of knowledge was obvious due to an excessive reliance on product factsheets or brochures.

"The advisor settled for reading the product brochure but could not answer my questions." (MS)
"The advisor learnt about products while reading their names on the bank website." (MS)

In the same vein, some advisors tried to hide their lack of knowledge by relying on vague arguments about the expertise or culture of their bank or by superficially referring to external sustainability labels.

"Extra-financial considerations are one of the core pillars of the identity of the bank." (MS)
"The bank was awarded for its activity in green lending." (MS)
"The advisor strongly insisted on the fact that the label ISR was very demanding and difficult to get for funds even if she did not know what the label was really about. She read on her screen that it was only about doing better regarding ESG than their peers and found it out through reading it." (MS)
"It is a European label (sic), which means companies behave in a good manner." (MS)

Advisor (lack of) knowledge about impact

In general terms, *impact* is the causal and additional outcome to the world in comparison with a counterfactual baseline scenario. When applied to companies, impact becomes company impact and is the additional outcome to the world caused by the company compared to a counterfactual (and hypothetical) scenario where the company does not exist. Similarly, investor impact is the additional outcome to the world caused by the investor's investments compared to a counterfactual scenario where the investments have not been made. *Investor impact* thus corresponds to the change(s) (induced through using different financial products) in the outcomes of investee companies.

Investor impact and investee company impact should always be differentiated as two distinct concepts which are not fully correlated to each other. An investor might have no impact through investing (directly or indirectly) in positive impact companies when the investor takes over (directly or indirectly) another investor's stake in the companies without affecting the companies' activities.

Financial advisors should be aware of this distinction and not reply to questions about investor impact through providing evidence about investee company impact.

During the mystery shopping campaign, many financial advisor responses demonstrated that the concept of investor impact is not properly understood. Most commonly, it is confused with investee company impact or, worse, with financial performance. Very few advisors were capable of making the distinction between investee company impact and investor impact.

To prove a funds' impact, advisors relied on arguments or examples that failed to grasp the complexity of the notion. Only a handful of advisors admitted that they were unable to prove the positive impact of a funds.

> *"The advisor told me: "If it had no impact, the asset management firm would not do it." In other words, 'trust us'." (MS)*
> *"The advisor experienced difficulty in explaining how the product had a positive impact on environment protection: he struggled to explain how carbon offsetting worked even if he was recommending a fund based on it." (MS)*
> *"The advisor strongly insisted on the fact that the label ISR was very demanding and difficult to get for funds even if she did not know what the label was really about. She read on her screen that it was only about doing better regarding ESG than their peers and found it out through reading it." (MS)*
> *"The advisor argues by saying: "It is a European label (sic), which means companies behave in a good manner" (MS)*

The most competent advisors were able to articulate a basic theory of change but in an incomplete manner.

> *"By investing in companies that try to become greener, you have impact since you incentivize them to do better. Without such investments, companies would not care about the environment." (MS)*

Client worries about confronting an expert

In contrast with this evidence from mystery shopping visits that many financial advisors lack knowledge about sustainable finance, a sizeable proportion of participants to our focus groups and bilateral interviews expressed discomfort about discussing sustainable finance issues with their advisors because of their own lack of knowledge.

> *"Would an advisor take time to answer me if I asked him basic questions whose answers would be obvious to him?" (FG)*
> *"What does not comfort me is that if we don't ask, we can be left to invest in activities we do not support. But I fear to face an expert that will tell me 'You're confusing everything !' just because finance is not my field." (FG)*

This kind of inferiority complex prevents effective communication between the advisor and the client and adds to other frictions documented in previous research. There is a mismatch between client and advisor perceptions regarding the role of the advisor. Clients tend to expect proactive explanations and recommendations about sustainable products by advisors while advisors expect clients to disclose their clear

preferences for sustainable investments before providing them with information and recommendations[13]. But private investors may not demand information from their advisors on sustainable financial products due to limited awareness and knowledge.

Financial advisors don’t ask (or propose) enough

The 2021 mystery shopping campaign shows with no ambiguity that it is still far from systematic for advisors to proactively ask clients about their sustainability goals, knowledge or experience. Non-financial objectives, experience with sustainable products or knowledge about those products are rarely assessed.

It is important to note that on numerous occasions, mystery shoppers were told that the advisor could not assess their profile before they open an account. Consequently, the quality of the advisor’s recommendations could have been strongly affected by such an internal policy.

In bilateral interviews, many participants made it clear that they had never been questioned by their financial advisor about their sustainability goals nor been presented with sustainable financial products, as if financial advisors were waiting for clients to express their preferences. By default, they would discuss conventional products.

> *“Banks do not propose the type of products I’m looking for and I have to search on my own for suitable investments” (BI)*
> *“I’m puzzled noting that all banks I’m a client in have never told me about sustainable investments.” (BI)*
> *“I own numerous saving accounts and I regret that I have never been told that I could decide that my saving would not be invested into the armament industry for example.” (BI)*
> *“Sustainable investment is a very interesting topic but is never mentioned by financial advisors.” (BI)*
> *“So far my advisor has never told me about sustainable or ethical investment but only about returns and opportunities, whether in the short or long run.” (BI)*

As a consequence, the proportion of clients that have been proposed sustainable investments by their advisors falls short of the proportion that want to increase their investments into sustainable products. In Europe, 71% of retail investors say they want to increase their ESG allocation over the next 12 months while only 38% report they have received from their advisor a recommendation for an ESG product in the last 12 months[14].

Regarding such an issue, the application of **MiFID II Delegated Act on sustainability preferences[15] will most probably be a game changer** since it will bind advisors to proactively ask for the clients’ and potential clients’ sustainability preferences, breaking the vicious circle previously exposed. The dysfunctional advisory talks between advisors and clients about sustainability may then be replaced by an effective exchange of information from both sides leading to a knowledgeable and confident reallocation of savings.

---

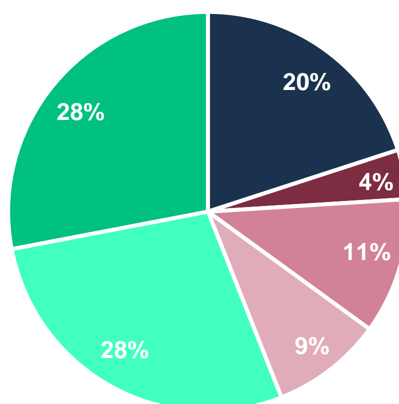
[13] Strauss (2021)
[14] Nordea (2021)
[15] Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms

Financial advisors don’t listen (or adapt) enough

Some mystery shoppers were required to ask questions about sustainable products in order to reveal their interest and preferences for investing sustainably. In only 56% of cases, the advisor got the message clearly and reacted by proposing a sustainable product. In other cases, advisors waited for multiple signals to propose adequate products or, even worse, did not end up in proposing adequate products willingly or unwillingly.

Figure 7: Product recommendations of financial advisors (mystery shopping)

After you mentioned your interest in sustainable products, what kind of products did the advisor recommend?



A regular problem was that advisors appear overly focused on financial information provided by clients.

> *“I said to the financial advisor that I was going to inherit and that I would like to invest in something sustainable or ecological, that would have a positive impact on the sustainable transition. Then he only asked me about the amount of the inheritance.” (MS)*
> *“I feel like, because of his position, my financial advisor did not value how much I cared about the climate emergency or wanted that my money had a real purpose. Consequently, his advice acted like an obstacle to me.” (BI)*

When discussing sustainability, advisors often do not speak the right language to sustainability-motivated clients when articulating recommendations. They may focus on financial performance and neglect sustainability considerations.

> *“She spontaneously evoked the financial characteristics of SRI products proposed by the bank. She talked about the financial performance of the products over the last years much more than about their non-financial features.” (MS)*

Too many advisors were in a *default mode*, neglecting to adapt their advice to the distinct profile of the client. Fortunately, some advisors happen to be good listeners and adjust their talks and proposals to the client’s sustainability profile.

"The advisor was a very good listener. When he could not answer my questions, he called someone from the specialized asset management department. The person made a very good impression on me." (MS)
"After noting my interest for sustainable products, the advisor proposed to take a moment to dig deeper into my sustainability objectives. This was the first time (out of ten meetings) that an advisor proposes me to discuss extra-financial issues that might be relevant for me." (MS)

Financial advisors are not neutral enough

According to mystery shoppers, a common practice is for advisors to propose conventional financial products with which they were more familiar, despite the fact these financial products did not match the sustainability goals expressed by mystery shoppers. The absence of sustainable financial products in the range of offer or the advisor's lack of knowledge in sustainable financial products contributes to those non-suitable recommendations.

"The advisor made proposals based on his personal opinion without considering my needs and the multiple statements I made about my desire for green investing." (MS)
"The advisor perfectly understood my request and my personal objectives. Nevertheless, he focused on trying to convince me that the best solution for me was to opt for a life insurance contract since we had children and that my wife and I had completed the reimbursement of our mortgage loan. Even if he understood my goal, he still thought it was not the right thing to do for me." (MS)
"The advisor tried to make me understand that investing green was not a good idea even if he did not seem to be very knowledgeable about it. He was focused on having me invest in conventional products despite my frequent attempts to orientate him to green solutions." (MS)

On some occasions, advisors recommended other products from the range of offer because of strong past performance.

"The advisor told me he would personally choose the XXX Global Equity fund that doubled in value in the last five years." (MS)

Very rarely, advisors vividly argued against green investing, using general and undocumented statements.

"Green investing is a global hypocrisy since companies like Total and BP are in green portfolios!" (MS)
"The advisor admitted he was clueless addressing my request to invest in products with a positive impact for the environment and confessed he was unable to disclose full transparency. He was basically saying that between the economy and the environment, I had to choose." (MS)

More often, advisors recommended not to fully invest green and diversify with conventional products, for risk management purposes. If such recommendations are reasonable when green investing is made through sectoral thematic funds, it does not apply to sector-diversified low-carbon (or ESG) strategies.

"The advisor recommended to diversify and not invest only in green." (MS)
"The advisor made three or four attempts to have me invest a portion of my capital in sustainable funds and the most of it on higher-return funds or risk-free life insurance despite I did not express that will." (MS)

Due to inadequate advice by financial advisors, some participants in bilateral interviews explicitly reported to go against their advisors' (ill-documented or ill-motivated) recommendations.

"Against my financial advisor's advice, I progressively withdraw money fom my life insurance to invest in more sustainable products that I have personnaly chosen (thanks to my financial and extra-financial knowledge and interest for the topic)." (BI)

Financial advisors neglect potential clients too often

Our mystery shopping campaign made it clear that one obstacle to potential clients receiving good advice was an explicit internal bank policy of not spending time or resources with potential clients *before* they actually open an account. Therefore, the amount of personal information gathered is limited and the quality of the advice degraded. This behaviour is notable as legislation make no distinction between clients and potential clients when addressing the responsibilities of financial advisors in the context of financial advice. While statements from our bilateral interviews and focus groups give an indication of the advice received by existing clients, our mystery shopping results do not reflect advisory practices for existing clients.

To assess the suitability of financial products for a retail investor, MiFID II states that: "*When providing investment advice or portfolio management the investment firm shall obtain the necessary information regarding the client's* ***or potential client****'s knowledge and experience in the investment field relevant to the specific type of product or service, that person's financial situation including his ability to bear losses, and his investment objectives including his risk tolerance so as to enable the investment firm to recommend to the client or potential client the investment services and financial instruments that are suitable for him and, in particular, are in accordance with his risk tolerance and ability to bear losses.*"[16]

In practice, potential clients do not get the same quality of advice as almost uniformly reported by mystery shoppers:

> *"The meeting stopped very rapidly as, despite my multiple statements about my wills, the advisor kept on repeating that she could not enter into more details without me opening an account." (MS)*
> *"The advisor did not seem to be very knowledgeable and told me that in any case I had to fill a form and come back with administrative documents in order to open an account." (MS)*
> *"The advisor seemed to be superficially knowledgeable about sustainable investing or not to be willing to tell me more about it as long as I have not opened an account at the bank." (MS)*
> *"The advisor was reluctant to give me information as long as he was not certain I would be open an account at the bank. He consequently stay vague in his answers." (MS)*
> *"He did not propose any product. He seemed to be focused on the opening of an account after I had mentioned about the amount of my inheritance." (MS)*

[16] Article 25(2) of Directive 2014/65/EU

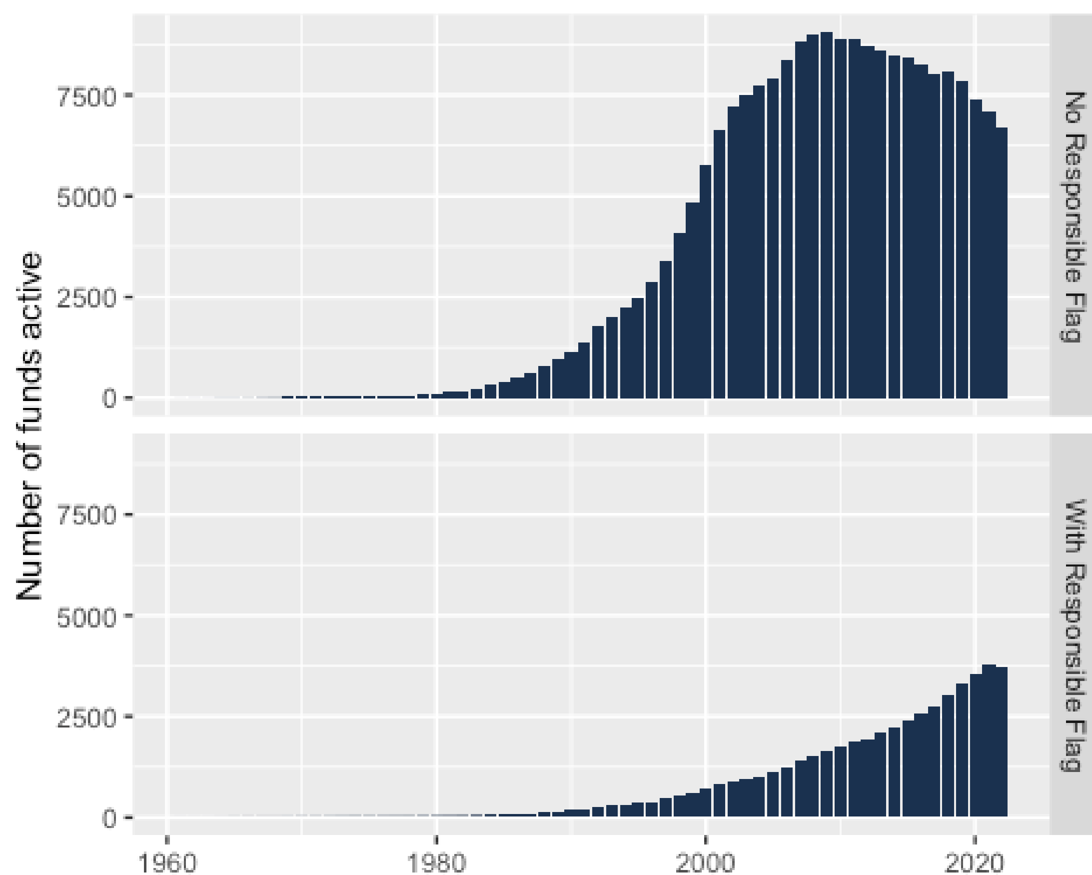
Chapter 4

Barrier #2: Inconsistent market supply

A fast-growing supply

The Lipper database enabled us to track the changing number of mutual funds available to French retail investors since the 1960s and differentiate between funds with and without responsible investment flags. The responsible funds have constantly increased in absolute and relative numbers and amount to 36% of all funds available in 2022.

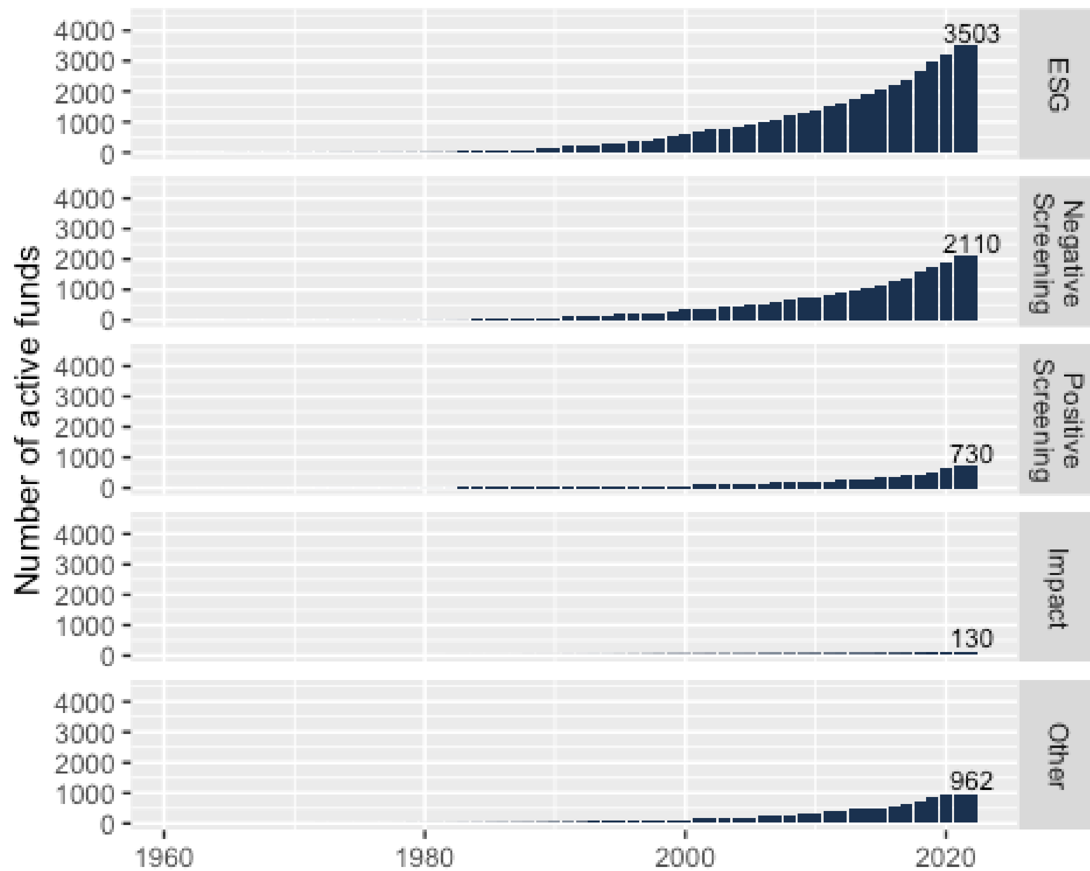
Figure 8: Number of active funds in France across years (Lipper database analysis)



Source: Lipper

All Lipper sustainable categories have constantly been widening, but at different speeds. ESG integration and negative screening strategies have been mainstreamed the most, while positive screening strategies (including best-in-class, positive tilt and thematic investing) and so-called impact strategies (microfinance, sustainable bonds and SDG investing) lag behind.

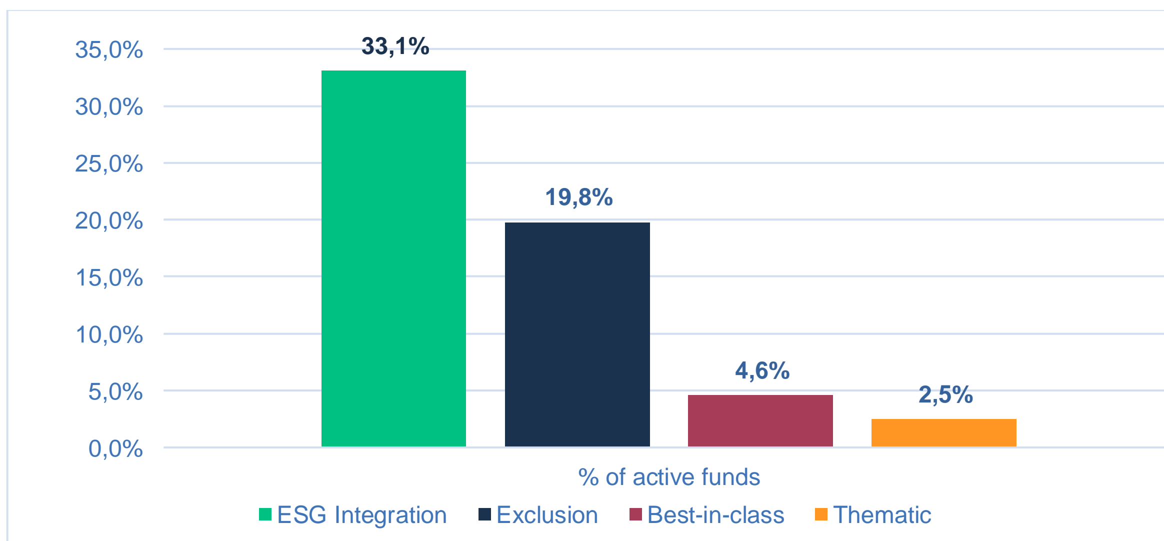
Figure 9: Number of active "responsible" funds in France across years (Lipper database analysis)



An overly concentrated supply

If we single out clearly identifiable strategies, we observe that in 2022 ESG integration was the most commonly shared strategy before exclusion. The two positive screening approaches are far less widespread, with best-in-class being only used by less than 5% of all funds and thematic screening by less than 3%.

Figure 10: Proportion of available funds applying sustainable strategies in April 2022 (Lipper database analysis)



A market mismatch

The existing supply of sustainable funds does not match retail client preferences for sustainable financial products as revealed by 2DII and third-party research discussed previously. We could identify three different mismatches between supply and demand as expressed in our quantitative survey.

A motivation mismatch

The first and most important mismatch pertains to retail client sustainability goals. A majority (64%) of available funds still incorporate no sustainability feature and, as such, are only suitable for clients with no ESG motivation. But this investor profile is a minority and accounts for only 31% of participants in our quantitative survey (see Chapter 2). **Despite the rapid creation of new ESG funds and the ESG-rebranding of old conventional funds, there are still far too few sustainable funds in the retail market.**

The insufficient breadth of supply is visible for all three types of sustainability goals (ESG opportunities, value-alignment and impact). This conclusion is based on a matching exercise between client sustainability objectives and the Lipper sustainability profile of funds.

Figure 11: Matching client sustainability goals and fund sustainability profiles

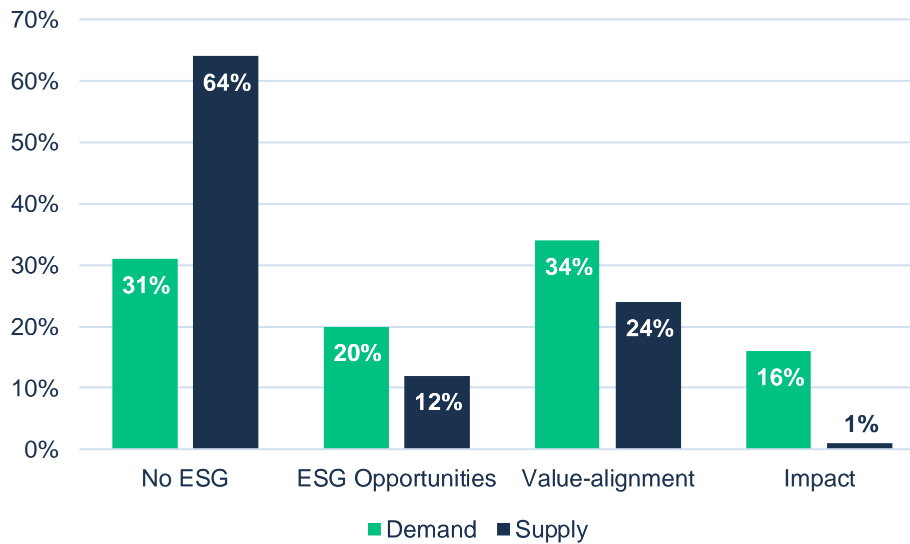
Client sustainability goal	Fund Lipper Responsibility profile
No ESG	No Responsibility flag
ESG Opportunities	E/S/G integration and no other flag
Value-alignment	Negative screening/Positive screening/Religion/SRI flags
Impact	Impact investing flag

For all sustainability objectives, supply appears to be insufficient (see Figure 12). This gap is most apparent for impact-oriented clients. While there are 16% of French retail clients that place impact generation as their first objective, only 1% of funds are suitable to those clients according to Lipper classification.

This observation may be even more acute, as Lipper classification regarding impact investing strategies can be questioned. Lipper considers three strategies (microfinance, sustainable bonds and SDG investing) as impact investing strategies. But among those, sustainable bonds and SDG investing raise serious doubts about their effectiveness to deliver real change in the economy:

- Sustainable bonds do not provide additional financing to (large listed) companies since they could finance their sustainable projects using classical tools (conventional bonds or bank loans for instance).
- Within SDG funds, we should differentiate between SDG-alignment funds and SDG-engagement funds. While SDG-alignment consists in selecting companies based on the fraction of their sales that contribute to the achievement of the UN SDGs (and therefore is very similar to thematic screening), SDG-engagement lies on an active engagement policy to make companies participate more to the different goals. Only the latter should be considered as an impact strategy. Unfortunately, looking at funds' prospectuses, it appears that SDG-alignment funds massively outnumber SDG-engagement funds.

Figure 12: Mismatch between sustainability goals of supply and demand (Lipper Database analysis)



A strategy mismatch

Another significant demand-supply inconsistency appears when we compare the (stated) preference of clients for sustainable strategies (as in Figure 3) and the current offer by the industry (as in Figure 10). We especially notice that:

- Thematic investing is the most appealing strategy to all types of retail investors while it is the least developed.
- Oppositely, exclusions are much more common within available supply than what would be requested according to clients' preferences.
- For clients searching for value-alignment, exclusions are truly preferred to best-in-class or thematic investing but not in the proportions proposed by the industry.

But, as stressed in Chapter 2, the limited knowledge of many participants regarding sustainable finance strategies may significantly affect their preferences for strategies and bias the result. Further investigation, using qualitative tools, appears necessary to provide a more robust conclusion.

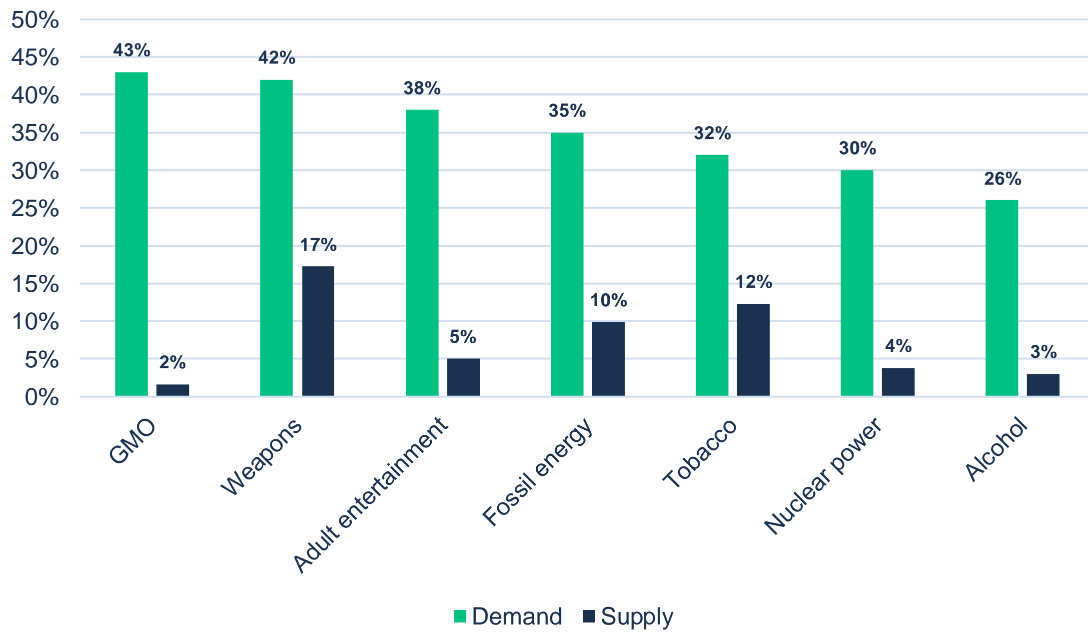
An exclusion mismatch

When we focus on exclusion policies, we observe that **the proportion of funds performing one or several sector exclusions is constantly lower than the proportion of retail investors that would like to exclude them** from their portfolios.

Figure 13 compares fractions of active funds that perform various sector exclusions to the proportions of retail investors in our quantitative survey that state to be interested or very interested in excluding various business practices or economic activities (as in Figure 5).

The difference is massive for all economic activities studied. It is maximum for GMOs that are actually excluded by less than 2% of mutual funds but required for exclusion by more than 40% of retail investors (when asked).

Figure 13: Exclusion mismatch between supply and demand (Lipper database analysis)



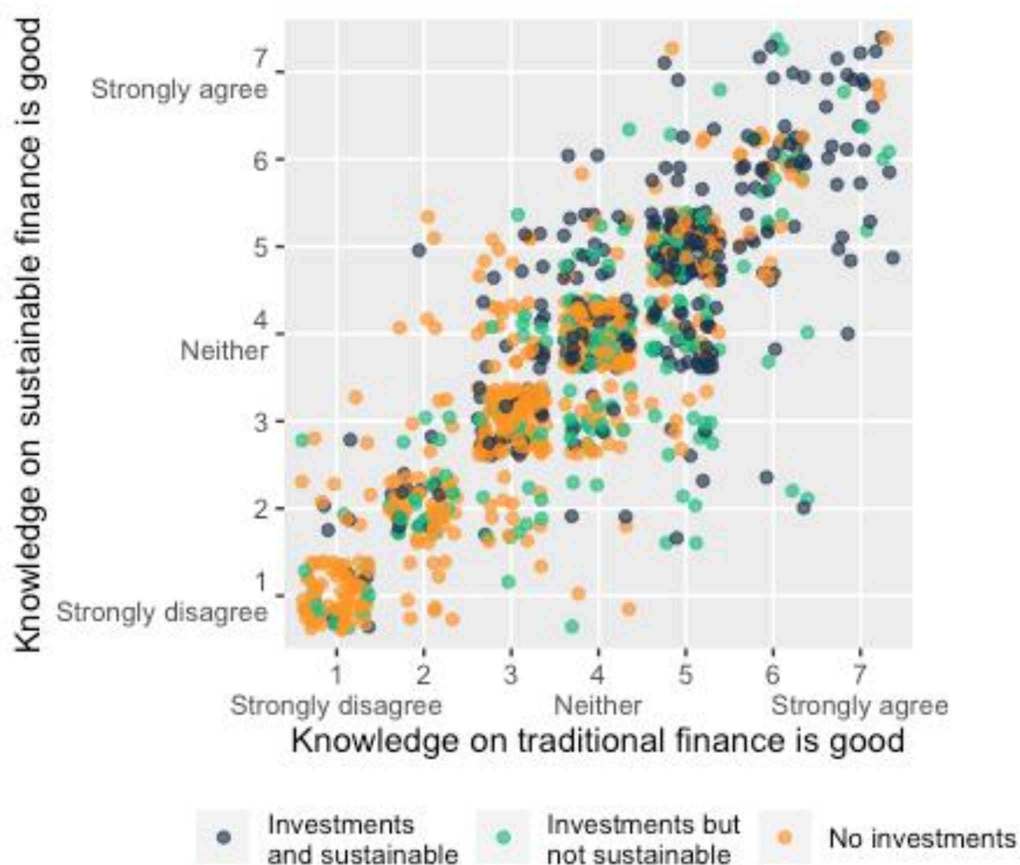
Note: the demand bar for fossil energy exclusion focuses on coal exclusion while the supply bar for alcohol also includes drugs

Barrier #3: Individual limitations

A lack of technical knowledge

French retail investors often admit their lack of knowledge in finance and/or sustainable finance. This constrains them in their ability to discuss sustainable finance topics with advisors. Only a small fraction of retail investors say they have a high level of knowledge. The correlation between self-assessed knowledge in finance and self-assessed knowledge in sustainable finance is very high, as displayed by Figure 14.

Figure 14: Self-assessed knowledge in traditional and sustainable finance (quantitative survey)



The lack of adequate knowledge regarding sustainable finance is also revealed by discussions.

> *"At first sight, the concept of sustainable finance looks simple, but who enters really into it realizes that it is technical […] There are many green financial products that are launched but we lack competence to know whether they are really green or whether it is only marketing."* (FG)

The learning capacity of retail investors is hindered by the volume of information they have to process. Retail investor misgivings about **high information costs** or **information overload** are commonly expressed in interviews or focus groups.

> *"We are overwhelmed by bank communications. We are bombed with emailings. It is not that we are not having information but that we have too much. As I receive emails everyday, I sent them to the bin instantaneously." (FG)*

Unclear preferences and opinions

In the quantitative survey, we tested participant preferences regarding how exclusions should be structure (at what level) based on different case studies. The subject was also address during focus groups and bilateral interviews. Discussions clearly showed that personal opinions and preferences were easily challenged and subject to change. For instance, willingness to exclude companies operating in the arms sector could be reversed by emphasizing that research could have useful applications for civilians. In the same vein, a train company involved in the transportation of military equipment appears to be less often excluded when subjects are invited to think about the rest of its activity which is beneficial for the environment.

As a participant in bilateral interviews said,

> *"Exclusion is a very complex question because you don't know where to stop the analysis. Perhaps the weapon company uses solar panels to get electricity or proposes organic food to its employees. In that case, should we also exclude the solar panel and organic food producers?" (BI)*

Those observations are different but consistent with recent academic findings about the instability and malleability of sustainability preferences of individuals. For instance, researchers[17] used a series of choices between a sustainable investment with a quantified impact (CO_2 emissions reductions) and a financially equivalent investment with zero impact. They could observe an insensitivity to impact magnitude for experienced investors and high-net-worth impact investors in separate or joint evaluations. When investors compare several sustainable investments, their willingness to pay responds to relative but not to absolute levels of impact. They also noted no significant correlation between the stated positive feeling after opting for the sustainable option and the impact of the investments.

Those results were consistent with an interpretation of investors being **warm glow optimizers**: they choose the perceived most moral action to get a "warm glow" without considering the magnitude of the impact. As such, they illustrate that retail investor **choices are menu-dependent** (i.e. they will choose options based on their position in an apparent moral menu, not based on their intrinsic content) and reveal **unstable, manipulable preferences** (i.e. preferences are sensitive to the framing and wording of options).

An attitude-behaviour gap

An attitude-behaviour gap in relation to sustainability refers to a situation where individuals exhibit positive attitudes but fail to execute on these attitudes by engaging in sustainable behaviours. Such a gap has been widely documented in consumer decisions. Numerous studies have noted that how indiviauls talk does not always result in sustainable, green or ethical consumer choices. Consumers often claim to be concerned about labour conditions but buy the cheapest clothes[18]. Well-intentioned residents fall short of their energy saving goals[19]. And people say they care for animal well-being but buy the cheapest meat in the supermarket[20].

A same attitude-behaviour gap may be observed in personal financial decisions[21]. The attitude-behaviour gap is apparent when one compares retail investor willingness to invest in sustainable products and their actual financial investments. For instance, a 2020 study by Gutsche and Zwergel found that 45% of investors in Germany are interested in investing in a socially responsible manner but only 14% actually hold socially

[17] Heeb et al. (2022)
[18] Park and Lin (2020)
[19] Zhang et al. (2021)
[20] Klink and Langen (2015)
[21] Gutsche and Zwergel (2020), Brunen and Laubach (2021)

responsible investments. In France, the above mentioned OpinionWay study conducted on behalf of the AMF observed that while 76% of French people consider that the impact of investments on the environment (in terms of pollution, biodiversity etc.) is an important dimension, only 17% declare that they actually own at least one responsible or sustainable investment as part of a life insurance policy, personal equity savings plan (PEA), securities account, employee savings scheme or retirement savings account.

Comments gathered during bilateral interviews and focus groups confirm the existence of such an attitude-behaviour gap regarding sustainable finance. Several participants were highly aware of human inconsistencies, including their own ones.

> *"How to accept a lower return on one's investments if, as a consumer, one refuses to pay more for an ethical consumer good because one doesn't have the financial capacity or the will to do it." (FG)*
> *"Now I'm talking about slave labour, and I want to exclude companies that have children work but I'm telling you this while being a client of the e-commerce giant Amazon and wearing the sport shoes Nike." (BI)*
> *"I also want not to be a hypocrite here because I also use polluting technologies. But questioning myself is already a first step towards change." (BI)*

Info Box: Breaking down the sustainability gap

Studies in sustainable consumption tend to disentangle the attitude-behaviour gap of consumers into two blocks: **the attitude-intention gap** and **the intention-behaviour gap**. This decomposition is helpful to understand the blockers that prevent consumers (or investors) from *walking the talk*.

On one hand, the decoupling between general attitudes and concrete intentions to act may be related to overstated attitudes fuelled by a social desirability bias, or to frictional perceptions[22] that make agents think that actions cannot be performed in real life. Such limiting perceptions could concern the availability, cost, quality or complexity of sustainable options. They may also take the form of a general distrust regarding the producers or distributors of sustainable options. Finally, consumers (or investors) may refrain from intending to act due to a low perceived consumer effectiveness (i.e. a lack of confidence in the capability of their behaviour to help solve the issue).

On the other hand, the failure to translate intentions into actions may be connected to overinflated intentions (in relation, again, to a social desirability bias or to demanding social norms), to a physical or financial impossibility (the sustainable option is not available, its price is incompatible with the budget constraint of the agent or information and search costs are too high) and/or to insufficient self-control. In the latter case, the agent is unable to resist temptations (e.g. good deals) or confront automatic decisions (e.g. habits, familiar brands) or to make the required effort to initiate the change.

The few studies covering the attitude-behaviour gap in sustainable investing confirm the role played by blockers at both levels.

From attitudes to intentions, researchers have reported the negative effects of a generalized distrust against financial institutions as distributors or manufacturers of financial products[23], a lack of knowledge or information about sustainable investments[24], negative perceptions about the returns of sustainable investments[25] or a low perceived personal effectiveness[26].

From intentions to behaviours, studies confirm that information costs can deter interested investors from acting[27] and that actual socially responsible investors are more likely to act on their views with respect to SRI and 'put their money where their mouth is' thanks to a more agentic personality[28]. It is noticeable that there is a strong positive correlation between the propensity to move from intentions to actions in the consumption domain and in the financial domain[29].

Finally, it is noticeable that in some contexts, retail investors act according to their stated sustainability preferences despite negative financial consequences[30]. Further research is needed to identify which specific contexts and interventions help to remove (part or all) the attitude-behaviour gap.

[22] Litvine and Wüstenhagen (2011)
[23] Gutsche and Zwergel (2020), Wins and Zwergel (2016)
[24] Ibid
[25] Bauer and Smeets (2015), Nilsson (2008), Paetzold and Busch (2014), Riedl and Smeets (2017), Wins and Zwergel (2016)
[26] Nilsson (2008), Wins and Zwergel (2016),
[27] Gutsche and Zwergel (2020)
[28] Brunen and Laubach (2021), Wins and Zwergel (2016)
[29] Brunen and Laubach (2021)
[30] Bauer et al. (2021)

Chapter 6

Recommendations

In this chapter, we present a series of recommendations to improve the French retail market for sustainable financial products and position France as a leader in sustainable finance for retail investors.

Our recommendations aim to tackle the issues highlighted in Chapter 3, 4 and 5 that currently inhibit retail investors channeling investment towards suitable sustainable financial products (deficient advisory process, inconsistent market supply and individual limitations). Although the recommendations are primarily directed at the French regulator, professional associations (e.g., AFG, AMAFI, FBF) and financial institutions, they may also be of interest to stakeholders at EU level and in other countries.

Tackle deficiencies in the advisory process

In Chapter 3, we highlighted a series of dysfunctions (lack of knowledge, lack of proactivity, insufficient range of products, biased recommendations etc.) that prevent meetings with financial advisors from being effective in channelling retail savings towards suitable sustainable financial products.

Recommendation #1 > For the French regulator and financial institutions: ensure financial advisors receive comprehensive and expert training in sustainable finance

The results of our mystery shopping campaign demonstrate a significant proportion of French financial advisors lack competence and expertise regarding sustainable finance products. This is a significant concern considering the key role of financial advisors in accompanying retail investors during the investment process.

The entry into application of MiFID II Delegated Act on sustainability preferences should encourage financial firms to better train their staff on sustainability topics. Indeed, financial advisors will not only be obliged to consider sustainability preferences of clients[31] but they will also have to provide an explanation of the different categories of sustainability preferences[32]. Aligning with the EU Commission's position, ESMA also pushes for specific trainings on sustainability matters: "*staff giving investment advice or information about financial instruments should have the necessary knowledge and competence with regard to the criteria of the sustainability preferences and should be able to explain to clients the different aspects in non-technical terms. To that effect, firms should give staff appropriate trainings*."[33]

The message from the EU Commission and supervisory authority is clear: financial advisors must be trained to advise on sustainable products.

In the EU, financial advisors must possess the necessary knowledge and competence to fulfil their obligations[34].
In France, the verification of this minimum level of knowledge may be conducted through examinations performed in-house or through an examination taken with organisations certified by AMF[35]. This AMF examination does currently include questions about sustainable finance (15 out of 120). An issue is that the certification has a lifetime validity while knowledge and products in the domain of sustainable finance are rapidly evolving.

---

[31] Article 1 Delegated Regulation (EU) 2021/1253 of 21 April 2021
[32] Recital 6 Delegated Regulation (EU) 2021/1253 of 21 April 2021
[33] Draft amended Guidelines on certain aspects of the MiFID II suitability requirements, 27 January 2021
[34] Article 25(1) MiFID II
[35] AMF DOC 2010-09

Aside of the compulsory certification, AMF has recently put in place a new module for verifying the knowledge of professionals in green and responsible finance[36]. But this module is only optional. **Considering all financial advisors must now be capable to advise clients on sustainable products (and it will not be optional for them to do so), we encourage AMF to make the module in green and responsible finance compulsory.**

Regarding the content of the module, as shown by our mystery shopping campaign **it is necessary to educate financial advisors on the concept of impact** (and notably the differentiation between investee company impact and investor impact) to properly handle clients who want to have a positive impact in the real world. According to the current module program this differentiation is not covered (only company impact is covered in relation to the double materiality concept), but impact funds are covered in relation to *Sustainable asset management strategies.* This would indicate that further content is necessary to harmonise and consolidate the information on the concept of impact.

Furthermore, the current module program only covers understanding the different sustainable financial strategies (exclusion, best-in-class, ESG integration etc.) but does not cover how these relate to any sustainability objectives a retail investor might have (positive impact, value alignment, financial performance etc.). It is clearly of critical importance that financial advisors propose financial products with sustainable financial strategies which are suitable for client sustainability objectives (and wider sustainability motivations). To help financial advisors in this regard and ensure a harmonized approach, **the regulator should include in the module information on how to match sustainable financial strategies according to client sustainability objectives**. This could build on the work presented by the Swiss Asset Management Association and Swiss Sustainable Finance in late 2021 (See Recommendation 3).

Recommendation #2 > For the French regulator: scrutinize the assessment of sustainability preferences by financial advisors

Our analysis demonstrated that retail investors strongly rely on financial advisors for their investment decisions. Moreover, to comply with MIFID II Delegated Act, financial advisors should provide retail clients with an explanation of the different categories of sustainability preferences. However, our studies reveal financial advisors currently have a low level of competence in sustainable finance.

To create the desired environment for regulatory compliance, the regulator must provide adequate oversight that advisors provide a comprehensive, expert and adapted explanation of sustainability preferences to retail clients during the suitability assessment. In addition, the regulator should scrutinize the suitability of the recommendation itself and, in case of adaptation of sustainability preferences, that the process followed to ensure financial advisors have not influenced (willingly or not) the expression of sustainability preferences.

Recommendation #3 > For the French regulator and professional associations: lobby for integrating impact in the EU regulatory framework and provide guidance on how to advise impact-oriented investors

According to the regulatory definition of sustainability preferences, client preferences for sustainable investment is a preference for one or more of three types of financial products. But this regulatory concept does not cover many wider sustainability motivations which clients have. More specifically, the definition of sustainability preferences does not consider sustainability objectives of clients (positive impact, value alignment, financial performance etc.) nor more granular details about their values and priorities in terms of specific topics to exclude or promote.
Most critically, the current definition of sustainability preferences does not accommodate impact-oriented financial products, leading to many potential situations of mis-selling to impact-oriented clients.

[36] Instruction DOC 2021-03 Conditions de certification par l'AMF d'un organisme de formation afin de faire passer l'examen AMF finance durable

Considering this risk of mis-selling for financial advisors when complying with these new requirements, it is necessary for the French regulator and professional associations to take several actions.

(i) Encourage the EU legislator and regulator to integrate the notion of investor impact in the EU regulatory framework

The MIFID II Delegated Act, Sustainable Finance Disclosure Regulation and Taxonomy Regulation do not define investor impact. Therefore, there is a huge amount of uncertainty in relation to how impact-oriented financial products are accommodated (if at all) in the current approach to sustainable product classification. This uncertainty is detrimental to impact-oriented retail investors and financial institutions who are offering genuine impact-oriented financial products. Improving the approach to sustainable product classification must create a separate category for impact oriented financial products. This regulatory category should rely on a clear definition of impact which distinguishes between investor impact and investee company impact[37].

In the UK, the FCA has recently consulted on a proposed approach to a sustainable product classification and labelling system[38] including an own impact category and there are several aspects to the FCA's policy proposals which can serve as inspiration for improving the EU approach to sustainable product classification.

In fact, the need for a product classification which includes an own "impact-generating" product category is also endorsed by various scientists, industry representatives, experts, and national regulators[39].

However, considering the wider context at EU level, any clarification to integrate the notion of investor impact is not likely to happen soon. But the risk of mis-selling to impact oriented retail client is already apparent for some financial institutions, or (for financial investment advisors (CIF) in France) will become apparent at the start of 2023 once implementation of the MiFID Delegated Act in France is fully realised.

(ii) In the meantime, provide guidance to identify and advise impact-oriented investors

The French regulator and professional associations can already support financial institutions in the application of the MIFID II Delegated Act by providing guidance on how to consider wider sustainability motivations and advise impact-oriented clients.

Such guidance could include explanations of different categories of retail investor sustainability objectives and which sustainable financial strategies would be suitable for each objective.

The guidance should articulate that the concept of investor impact should be clearly explained to retail investors during the assessment of sustainability preferences. 2DII encourages financial institutions to use client explanatory materials including specific explanations on investor impact. A template provided by the regulator and/or professional associations would help financial institutions[40]. It is also necessary to leverage on the work done on the notion of impact by professional associations (Impact Management Project, Finance for Tomorrow's impact task force, etc.) to help provide appropriate recommendations to impact-oriented retail investors based on existing knowledge about the impact potential of various techniques[41].

Most importantly, the guidance should include a table detailing how to match sustainable financial strategies/products to client sustainability objectives. This could build on the matrix provided by the Swiss Asset Management Association and Swiss Sustainable Finance.

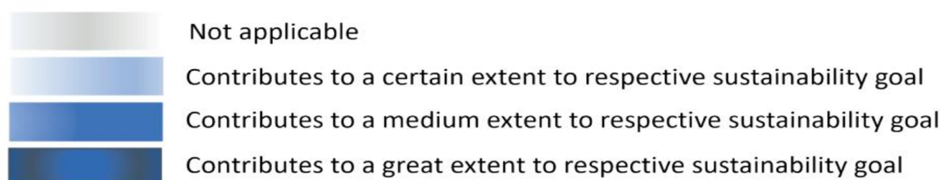
---

[37] It can build on academic research as per Kölbel et al. (2020): 'The impact of an investor is the change that the investor has caused in the activities of the company benefiting from his investment. In the context of climate change mitigation, this change can either take the form of a growth in a "green" company' activities (e.g. a growth of its green power production) or of a change in the quality of a company's activities (e.g. an increase in the energy efficiency of a plant).'
[38] FCA (2021)
[39] See e.g. Busch et al. (2021), Eurosif (2022), Kölsch (2020), SEC (2022)
[40] See draft of client explanatory materials in 2DII, Draft Questionnaire and Guidance for assessing client sustainability preferences
[41] See Annex 1 in 2DII, Draft Questionnaire and Guidance for assessing client sustainability preferences

Figure 15: Matching table between sustainable financial strategies and client sustainability objectives (Swiss Asset Management Association and Swiss Sustainable Finance)

Investors' sustainability goals	Sustainability approaches					
	Exclusion	Best-In-Class	ESG Integration	Thematic Investments	Impact Investing	Stewardship
Financial Performance						
Values Alignement						
Positive Change				*		* *

* Refers to Chapter 4.4
* * Refers to Chapter 4.6



As shown in Figure 15, there are multiple levels of suitability for each sustainable financial strategy as suitability also depends on specific features of financial products following the strategy. Consequently, further development of this approach is required to evaluate and compare the sustainability features of products within the same product category or targeting the same sustainability objective. For instance, the (upcoming) *Evaluation scale for measuring the contribution to the sustainable transition of funds* co-developed by 2DII under the umbrella of Finance for Tomorrow intends to perform such a task for impact-oriented clients.

Finally, the guidance could also indicate how to easily articulate the above logic with MIFID II legal concept of sustainability preferences[42].

Recommendation #4 > For the French regulator and financial institutions: provide clarification about financial trade-offs

In mystery shopping visits, we observed a large variety of statements about the effect of integrating ESG and impact on risk and expected returns for clients. Some advisors stated that the introduction of sustainability features would decrease financial performance while others claimed the opposite. This variation in beliefs was also observed at client level in the quantitative survey and focus groups.

Consequently, there is **a need for a science-based narrative on the (theoretical and empirical) consequences of various sustainable financial strategies on risk and return metrics**.

This narrative should include:

1. A theoretical view on the effect on risk and expected return of sustainable financial strategies (when compared with their non-sustainable counterparts) informed by academic research;

[42] 2DII, Draft Questionnaire and Guidance for assessing client sustainability preferences, Annex 2: Financial product eligibility for recommendation

2. A display of empirical evidence of actual effects on past returns (with a disclaimer that past effects do not predict future effects[43]);
3. An explanation of how the proposed products applying sustainable finance strategies manage those effects (e.g., optimization of the tracking-error);
4. A reminder that the proposed product, despite being subject to (potentially) negative effects on risk or return, remains suitable for the client based on the suitability assessment.

In the same vein, it appears that no section of the (currently) optional AMF module on sustainable finance is dedicated to risk and return consequences of different sustainable financial strategies. As such, the module will not help advisors to respond to clients' legitimate questions about how their sustainability preferences might affect the risk and expected return of their investment. And neither will the module contribute to the necessary harmonization of commercial narratives around sustainable financial products. To help financial advisors in this regard and ensure a harmonized approach, **the regulator should include in the module science-based information on the financial consequences of opting for sustainable financial products and strategies**.

Recommendation #5 > For the French regulator and professional associations: Introduce an official market map of sustainable financial products

The mystery shopping campaign clearly highlights a risk of influence by financial advisors on the expression of client sustainability preferences (and wider sustainability motivations). It is clear in the MiFID II Delegated Act on sustainability preferences that conflicts of interest should be avoided and financial advisors should advise clients while staying as objective as possible.

Paradoxically, even though the regulatory framework has an ambition of tackling potential conflicts of interest, the new rules contained in the MiFID II Delegated Act on sustainability preferences do not fully prevent those risks (and may even create some)[44]. Considering the inadequate current offer of sustainable financial products within many banking networks, there is a clear possibility that financial advisors find themselves unable to propose financial products matching both financial and sustainability preferences of clients. The MiFID II Delegated Act on sustainability preferences foresees this situation by articulating a procedure whereby if an advisor is not able to recommend a financial product meeting the client's sustainability preferences, then he/she can recommend another financial product provided that he/she articulates that the financial product does not match the client's sustainability preferences and the client agrees to adapt his or her sustainability preferences[45].

This room for manoeuvre leaves a loophole that unscrupulous financial advisors could use: the client could believe his/her only solution is to adapt its sustainability preferences to the product range offered by the financial advisor. To avoid such risk of influence, the client should be informed of the limits of the product range of the financial advisor and provided with the option to browse what is existing elsewhere on the market before deciding to adapt its sustainability preferences.

To facilitate client access to objective and comprehensive information about financial products available on the market, it is necessary to build an official market map of sustainable financial products. This market map would provide clients with a global view on all available sustainable financial products (not limited to what any one distributor has in its product range). This market map would only show objective sustainability characteristics of financial products and would not constitute a financial advice service. It would however help financial advisors and retail clients in having a clearer view on sustainable products existing on the market.

[43] especially if past outperformance of sustainable products is analyzed as being transitory in connection to a march of market prices towards a new equilibrium incorporating ESG information
[44] 2DII (2021)
[45] Amended Article 54(10) Delegated Regulation (EU) 2017/565

This market map could be drawn at French and EU level. Regulators and professional associations could leverage on the work done by 2DII to provide a free platform on sustainable product to retail clients: MyFairMoney[46].

Further research is required to make the market map functional (e.g., how to properly link it to the financial advice process, how to ensure it will be kept up to date, how to ensure how it can receive regulator endorsement, etc.)[47]

Densify and reorient market supply

Our work proves that the potential of various retail sustainable products is most probably far from being exhausted. When confronted to the demand, non-sustainable funds are still too numerous while the large heterogeneity in sustainability preferences and goals is not perfectly addressed.
We especially noticed that there was no strong variation in adhesion across sustainable techniques (i.e., all of them could find an audience) while there are large variations in actual assets under management relying on those techniques (i.e., the supply is overconcentrated around certain techniques). **The supply of sustainable financial products does not match demand**.
Clearly the financial industry must innovate on multiple fronts to find ways to serve the diversity of client profiles and variability in client sustainability preferences.

Recommendation #6 > For financial institutions: Ramp-up financial innovation

Despite continual improvement, the supply of sustainable financial products for retail clients is still insufficiently wide and diversified. By way of example, the proportion of mutual funds with no sustainability features far exceeds the proportion of clients with no sustainability preferences (or wider sustainability motivations). And when funds do have sustainability features, these are too often restricted to (negative, positive or thematic) screening of the investment universe.

But these screening strategies are not suitable for impact-oriented clients. As a result impact-oriented clients currently suffer the most from the inadequate supply. These screening strategies consequently need to be enhanced or complemented with other sustainable financial strategies that are known to have a stronger impact potential (like engagement, financing of undersupplied segments, flexible financing, income-sharing or impact investing).

For instance, we advocate for asset management firms to open to retail investors:

- ESG-engagement and SDG-engagement funds (as opposed to ESG-alignment or SDG-alignment funds);
- Sustainable private equity funds, private debt funds or infrastructure funds;
- Impact investing funds;
- Or other structures yet to be invented (e.g. funds of sustainability-linked bonds or social impact bonds).

Some of those financial products are already available for wealthy individuals but still need to be proposed on much larger scales. Techniques like **tokenization[48] could be used to facilitate low-ticket access**.

---

[46] www.myfairmoney.eu
[47] For instance, there could be a mandatory requirement for financial advisors to provide clients with this market map as part of the suitability assessment, or at minimum that financial advisors explain that such a market map exists and can be found on the regulator's website.
[48] Tokenization is the process of converting any rights or assets into a digital token that can then be used, owned and transferred by the holder through a blockchain, without the need for a third-party intermediary. It can be used to provide retail investors with exposure to various assets (e.g., stocks or fund shares) without buying the underlying in full.

Recommendation #7 > For financial institutions: Reorient products towards small and local economic agents

Most current retail sustainable financial products are invested in listed securities from large issuers. A French retail investor wanting to contribute to fighting climate change will probably be recommended one (or several) of the flagship green financial products: environmental thematic equity funds, green bond funds or low-carbon equity funds.

Therefore, the lack of mainstream alternative solutions means the retail investor is de facto recommended to buy products which invest in securities issued by large companies (or states). Consequently, the investor is steered aways from responding to the huge funding needs by important segments of the economy, especially households, SMEs or small municipalities, even if he would prefer to.

A major adjustment is to open to launch or mainstream financial products that target segments of the economy in need of better access to capital. Financial products that may be appealing for this purpose include:

- Sustainable saving accounts (in which deposits are used to finance sustainable loans to households or SMEs);
- Funds of crowdfunding shares or loans; and
- Securitizations backed by portfolios of small-size green loans or energy performance contracts.

Help retail investors to overcome their limitations

Many retail investors do not fully *walk the talk* meaning that they display positive attitudes regarding sustainable finance but do not own (or own very few) sustainable finance products.

Recommendation #8 > For financial institutions: Help investors clarify their sustainability preferences

One factor which works against positive intentions towards sustainable financial products resulting in actual purchase decisions is the lack of insight of retail clients regarding their own specific sustainability preferences and wider sustainability motivations. This was clearly apparent in focus group discussions around exclusions.

Before any suitability assessment during a meeting with a financial advisor, most investors have never questioned in depth their own sustainability profile. As such, the financial advisor recommendations may appear to come out-of-the-blue, and the numerous new concepts covered during the meeting could be overwhelming. Those two factors may lead to endless procrastination by client when deciding whether to invest in sustainable financial products.

To assist their clients, **financial institutions should send user-friendly pre-interview questionnaires to help them clarify their own sustainability profile and grasp the key concepts of sustainable finance**. This should contribute to make the information transfer during client-advisor meetings more efficient and actionable.

Conclusion

Despite significant improvements during the last decade, the French retail market is still lagging behind what would be needed to efficiently channel retail savings towards climate change mitigation and other sustainable development goals.

All market participants (product manufacturers, distributors and final investors) must each continue to raise their game, especially since many of the problems identified in this report are mutually reinforcing. For example, both financial advisors and retail investors lack sufficient knowledge and are reluctant to start a discussion on sustainable finance topics – which prevents both sides from accumulating the necessary knowledge. Similarly, inadequate supply of sustainable financial products hinders retail clients from asking their advisors for financial products that are more suitable for their sustainability objectives and wider sustainability motivations – which fuels an undesirable status quo in supply and demand of sustainable financial products.

This report also shows that the current policy approach (at both French and EU level) which centres on provision of information has clear limitations. Indeed, this approach runs the risk that in trying to combat the current lack of knowledge by many retail clients it will involve a continual and severe information inflation that contributes to information overload for retail clients.

Consequently there is an obvious need to complement this approach with a behavioural perspective. In addition to providing rules and guidelines to ensure the clarity of sustainability information and comprehension by for the (minotory of) retail investors that have the resources and capacity to process it, policy makers and regulators should also reflect on possible behavioural tools (like nudges, priming or default options) that could facilitate cognitively-constrained retail investor decisions and bridge their attitude-behaviour gap[49].

Policy makers and regulators should ensure that, in addition to efforts to ensure a diverse supply of sustainable financial products by the financial industry, a diverse array of policy measures is adopted to ensure retail finance transitions towards sustainability.

---

[49] Such tools would require a very careful design to be efficient while accounting for ethical concerns and respect of investors' financial objectives.

Bibliography

2DII, (2020), A Large Majority of Retail Clients Want to Invest Sustainably

2DII, (2021), Please Don't Let Them Be Misunderstood!

2DII, (2022), What do your clients actually want?

Bauer, R., Ruolf, T., and Smeets, P., (2021), Get Real! Individuals Prefer More Sustainable Investments? The Review of Financial Studies.

Bauer, R., and Smeets, P., (2015), "Social identification and investment decisions", Journal of Economic Behavior & Organization.

Brunen, A.-C., and Laubach, O., (2021), "Do sustainable consumers prefer socially responsible investments? A study among the users of robo advisors", Journal of Banking and Finance.

Busch, T., Bruce-Clark, P., Derwall, J., Eccles, R., Hebb, T., Hoepner, A. Klein, C., Krueger, P., Paetzold, F., Scholtens, B., Weber, O., (2021): Impact investments: a call for (re)orientation, SN Business & Economics.

CSA/AMF (2021), Lisibilité de l'information dans la documentation sur les placements durables et responsables.

Eurosif (2022): "Classification Scheme for Sustainable Investments", White Papter.

EU High Level Expert Group on Sustainable Finance, (2018) Financing a Sustainable European Economy

FCA, (2021), Discussion Paper (DP21/4) Sustainability Disclosure Requirements (SDR) and investment labels

Fillipini, M., Leippold, M., and Wekhof, T., (2022), "Sustainable Finance Literacy and the Determinants of Sustainable Investing", Working Paper.

Gutsche, G., and Zwergel, B., (2020), "Investment Barriers and Labeling Schemes for Socially Responsible Investments", Schmalenbach Business Review.

Heeb, F., Kölbel, J., Paetzold, F., and Zeisberger, S., (2022), "Do Investors Care About Impact?", Working Paper.

Heinemann, K., Zwergel, B., Gold, S., and Seuring, S., (2018), "Exploring the Supply-Demand-Discrepancy of Sustainable Financial Products in Germany from a Financial Advisor's Point of View", Sustainability.

Klink, J., and Langen, N., (2015), "Are animal welfare aspects of relevance in consumers' purchase decision?", Proceedings in Food System Dynamics.

Kölsch, R (2020): „SRI und Wirkung – über den Umgang mit dem Impact-Begriff", Absolut impact.

Litvine, D., and Wüstenhagen, R., (2011), "Helping light green consumers walk the talk: Results of a behavioural intervention survey in the Swiss electricity market", Ecological Economics.

Nilsson, J. (2008), "Investment with a conscience: examining the impact of pro-social attitudes and perceived financial performance on socially responsible investment behavior", Journal of Business Ethics

Nordea (2021), "Less than 250 days to go - Are advisors ready for the MiFID and ESG challenge?", 2021 ESG Survey.

Opinion Way (2021), Les Français et les placements responsables.

Paetzold, F. and Busch, T., (2014), "Unleashing the Powerful Few: Sustainable Investing Behaviour of Wealthy Private Investors", Organization & Environment.

Paetzold, F., Busch, T., and Chesney, M., (2015), "More than money: exploring the role of investment advisors for sustainable investing", Annals in Social Responsibility.

Park, H. J., and Lin, L. M., (2020), "Exploring attitude–behavior gap in sustainable consumption: comparison of recycled and upcycled fashion products", Journal of Business Research.

Pilaj, H., (2017), “The Choice Architecture of Sustainable and Responsible Investment: Nudging Investors Toward Ethical Decision-Making”, Journal of Business Ethics.

Riedl, A. & Smeets, P., (2017), “Why Do Investors Hold Socially Responsible Mutual Funds?, Why Do Investors Hold Socially Responsible Mutual Funds?”, The Journal of Finance.

Securities and exchange commission (2022): “Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices”, Federal Register.

Strauß, N., (2021), “Communicating Sustainable Responsible Investments as Financial Advisors: Engaging Private Investors with Strategic Communication”, Sustainability.

Swiss Asset Management Association/Swiss Sustainable Finance (2022): Recommendations on transparency and minumum requirement for sustainable investment approaches and products.

Wins, A., and Zwergel, B., (2016), “Comparing those who do, might and will not invest in sustainable funds: a survey among German retail fund investors”, Business Research.

Zhang, Y., Bai, X., Mills, F., and Pezzey, J., (2021), “Examining the attitude-behavior gap in residential energy use: Empirical evidence from a large-scale survey in Beijing, China”, Journal of Cleaner Production.

Annex: Presentation of research materials

Interviews and focus groups

2DII conducted a series of qualitative interviews to investigate French retail investors' preferences, beliefs and perceptions regarding non-financial characteristics of financial products, the risk of greenwashing and their appetite for financial products related to the green energy transition.

In such a context, 86 participants, recruited through social networks and communications via newsletters, were split between one-hour individual interviews and two-hour focus groups that took place from May to August 2021. Before participating, participants of the bilateral interviews were required to answer the survey questionnaire to get them more familiar with the topic and have a starting point for discussion.

Quantitative survey

The survey was conducted in March 2021 with the help of the online survey institute Kantar. Participants, aged above 18, answered the questionnaire online, receiving a small allowance on completion.

Among 1534 participants who answered the questionnaire in the beginning, only 976 participants were selected to be part of the analysis after exclusion of participants who did not save at least 10 Euros per month or took less than seven minutes to answer the questionnaire.

Mystery Shopping Visits

Within the Finance ClimAct project (Life IP), 2DII will regularly run mystery shopping campaigns towards bank networks to evaluate how bank financial advisors respond to their clients' sustainability preferences.

The first campaign was implemented in 2019/2020 and was highly valuable for fine-tuning the methodology. The second campaign, presented in this report, took place from August to December 2021. During the period, 90 visits were performed within the following networks: Banque Populaire, BNP, BRED, Caisse D'Epargne, CIC Crédit Agricole, Crédit Coopératif, Crédit Mutuel, Crédit du Nord, HSBC, La Banque Postale, LCL and Société Générale.

Visits were accomplished by 5 mystery shoppers for an average of 18 visits per shopper.

Shoppers have been selected after demonstrating their interest and knowledge in sustainable finance issues during the bilateral interviews. They were trained before starting their series of visits and had access to a helpdesk all along the process.

After conducting each visit, shoppers were asked to fill a restitution form using the SurveyMonkey app.

Analysis of fund database

For market study, data from the data provider Lipper Refinitiv was used. Indeed, since early 2022, Lipper provides information on the strategic orientation of covered funds. According to their own documentation,

Lipper is gaining this information from fund documentation material. However, based on the documentation, a simple statement of using a certain strategy is not enough to be eligible for the flag:

> "*To receive an RI flag, fund documentation must give a clear commitment that Responsible Investment factors are not just considered, but that such policies must be acted on as an integral part of a fund's investment process with no override options or discretionary caveats.*"

To obtain a Responsible Investment flag by Lipper, one of the following criteria must be present:

- ESG consideration
  - Environmental
  - Social
  - Governance
- SRI
- Negative Screening
  - Weapons
  - Tobacco
  - Adult Entertainment
  - Nuclear
  - Alcohol or Drugs
  - GMO
  - Fossil Energy
  - Other
- Positive Screening
  - Best in Class
  - Positive Tilt
  - Thematic
- Impact Investing
  - Microfinance
  - Sustainable Bonds
  - Sustainable Development Goals (SDGs)
- Religion

For the analysis, we pulled data from Lipper on all funds that are/were available to retail investors in France, with information on their status (Active, Merged, Liquidated), the launch and close date, general fund information and their responsible investment flag in April 2022. No information was given at which point a fund obtained the responsible flag. We therefore consider a fund to have this flag all the time of existence. It is possible for a fund to have more than one flag, for example by using ESG integration as well as some negative screening.

When summing up funds per year we consider all individual retail funds that are active in that respective year. In which year a fund is active is derived from the launch and close date: A fund launched some time in a year, for example in April 2005, is considered active in 2005, even though technically it was not available throughout the whole year. Respectively, if it is closed in September 2009, it is considered to be active including the whole of 2009, but not 2010.