Retail demand for sustainable financial products - Netherlands

2DII – March 2023

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Overview

This report is part of a series of six reports addressing the demand for green/sustainable financial solutions in six countries of the EU (Belgium, Italy, the Netherlands, Poland, Spain and Sweden)

Each report is the synthesis of national results gathered from several materials:

- ✓ A quantitative survey
- ✓ Qualitative interviews (bilateral or focus groups)
- ✓ An estimate of market potential for various green financial solutions in relation with attitudes expressed in the quantitative survey

Part I and Part II mix results from the quantitative survey and qualitative interviews. Qualitative insights inform the variety of concerns expressed by participants in interviews across countries while quotes (displayed in orange), when available, are sourced from interviews in the studied country only.

Part III presents results of the market estimate.

Presentation of materials

Quantitative survey

- ✓ Survey conducted in November 2022 by the polling agency Kantar
- ✓ 1000 respondents or more per country
- ✓ Selection criteria:
  - ✓ minimum monthly savings (e.g., EUR 50 in Belgium, Spain, Italy and the Netherlands) or minimum financial wealth (e.g., EUR 900)
  - ✓ representativeness in terms of gender and age

Age range	Belgium	Spain	Italy	Netherlands	Poland	Sweden	Average
18-24	10,6%	8,4%	8,5%	12,2%	7,9%	10,0%	**9,6%**
25-34	17,5%	16,8%	14,2%	18,4%	22,0%	20,1%	**18,2%**
35-44	17,0%	21,0%	17,7%	16,1%	23,0%	16,0%	**18,5%**
45-54	16,9%	20,5%	21,7%	17,1%	14,2%	16,6%	**17,8%**
55+	38,1%	33,3%	38,0%	36,2%	32,9%	37,3%	**36,0%**
Nb of respondents	1002	1052	1053	1000	1000	1000	**/**

Qualitative interviews

- ✓ Interviews conducted between November 2021 and November 2022 via national subcontractors
- ✓ Between 20 and 30 individual interviews per country (for a total of 165)
- ✓ 1 or 2 focus groups per country involving 5/6 people each
- ✓ Selection criteria: none

PART I: retail investors and sustainable finance

I. Interest in sustainable finance

Interest in sustainable finance

Cross-country:

✓ In each country, around 50% of respondents declare an interest in sustainable finance solutions

Country-specific:

✓ In the Netherlands, interest is lower than the European average

Qualitative insights:

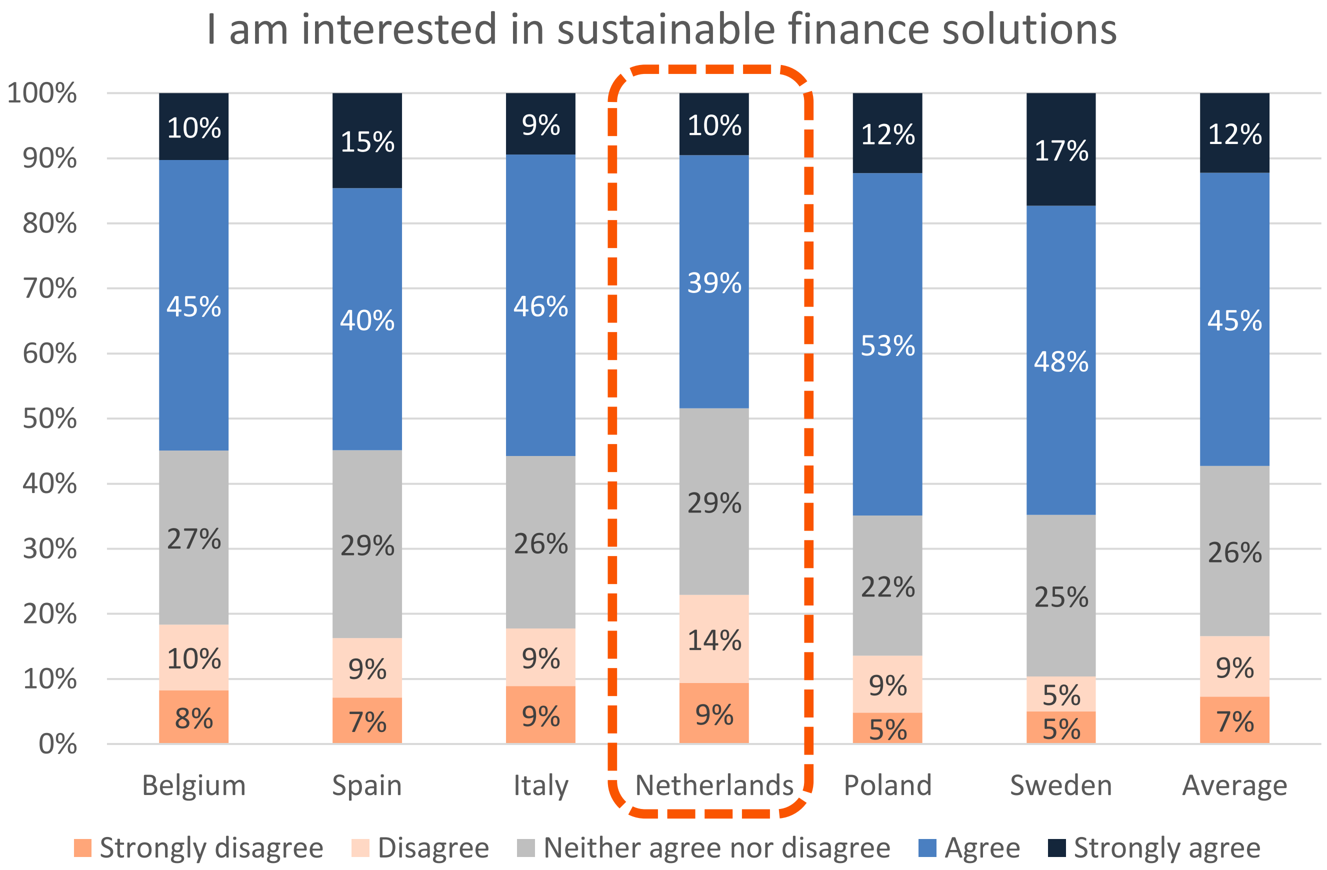
In interviews and focus groups, participants quasi unanimously say they would like to know more about sustainable finance, by relying on various materials (articles, podcasts, books, etc.) and sources.

It mirrors their self-reported low level of knowledge.

“ When it comes from a government, I trust it more. A European Union source would be very good.”

“The source must be scientific, that is the most trustworthy for me as compared to, for example, a bank. I don’t quite trust a bank with this information. It must be a source that is known to share reasonably good and reliable information.”

“I like to learn through a platform that I know is reliable. Where people with a certain expertise are behind it, such as a university. I wouldn't immediately trust banks if they were behind such a platform. I trust them when it comes to sharing information about what sustainable investing is and how it works. But I prefer to receive financial advice from an independent party.”



Holding of sustainable financial products

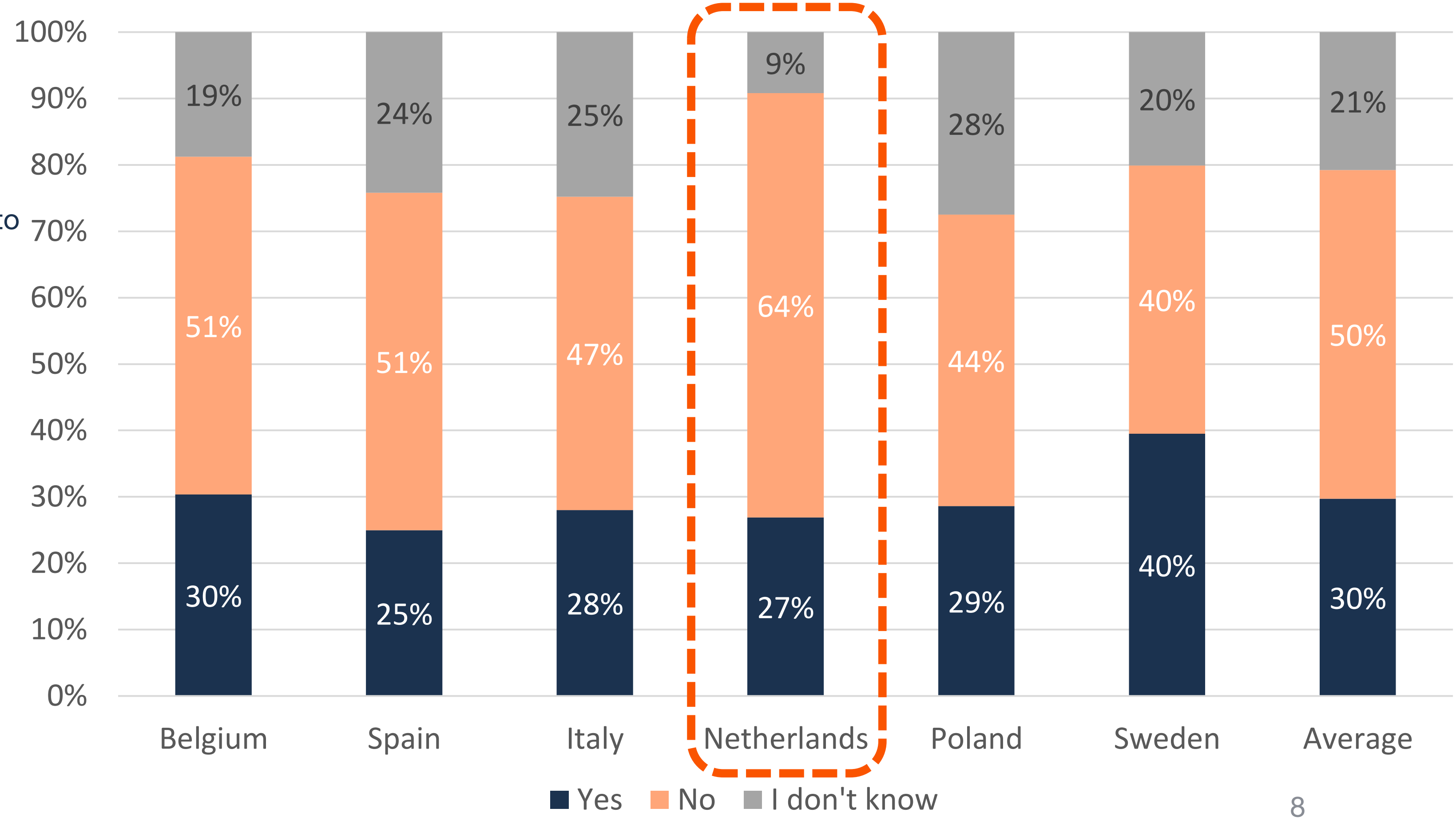
Cross-country:

- ✓ In each country, only a minority of respondents say they already own sustainable financial products

Country-specific:

- ✓ In the Netherlands, the situation is similar to most other European countries where less than a third of respondents already own sustainable investments
- ✓ Fewer people than elsewhere say they don't know, suggesting that respondents have a clearer view of their investments

Are any of your current financial investments in sustainable products?



II. Beliefs about sustainable finance

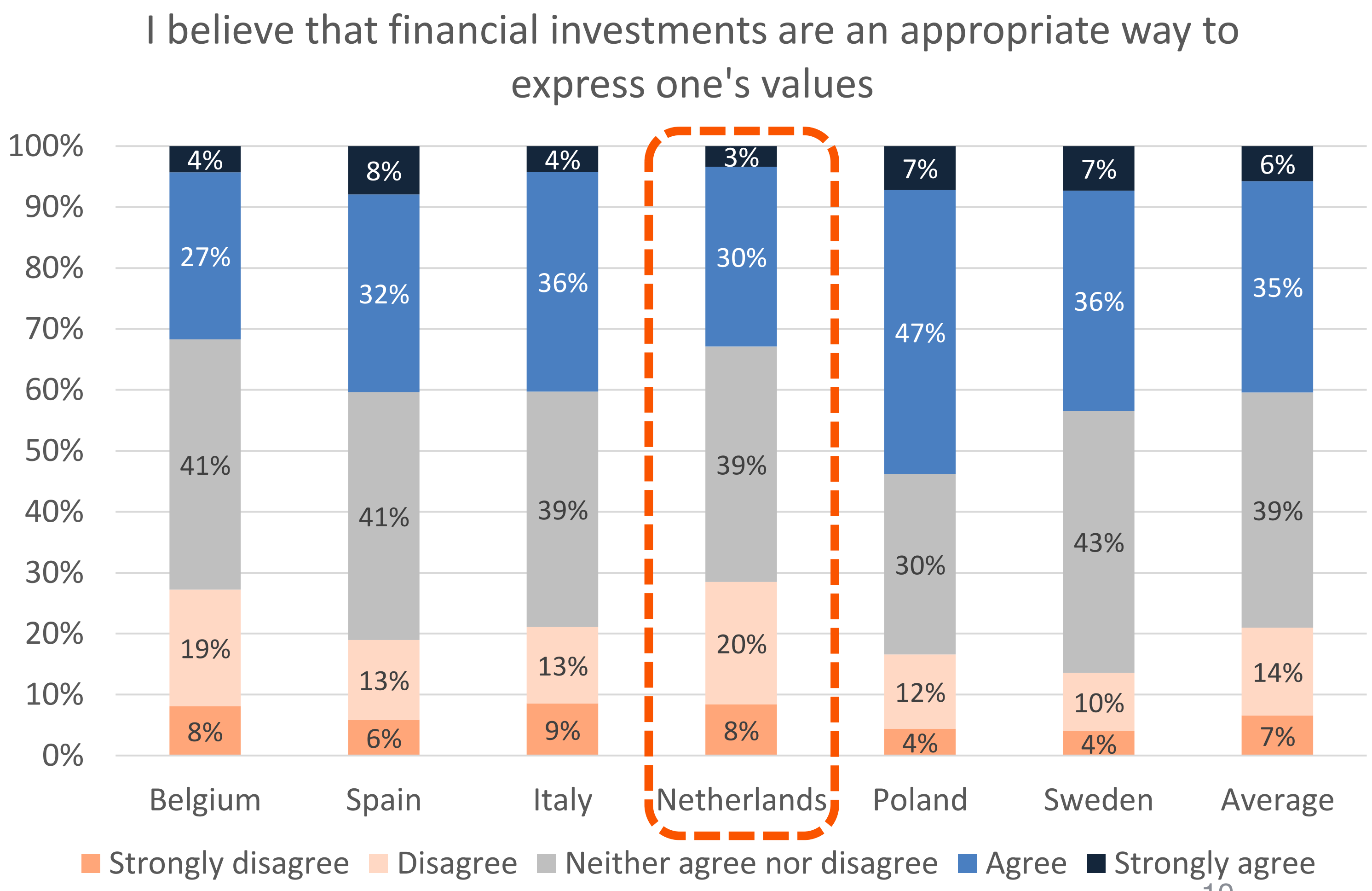
An appropriate way to express values?

Cross-country:

- ✓ In each country, more respondents consider financial investments to be an appropriate way to express one's values than the opposite
- ✓ Across countries, a particularly high fraction of respondents (between 30% and 40%) does not have a clear idea about it

Country-specific:

- ✓ In the Netherlands, the fraction that agrees is significantly lower than the European average



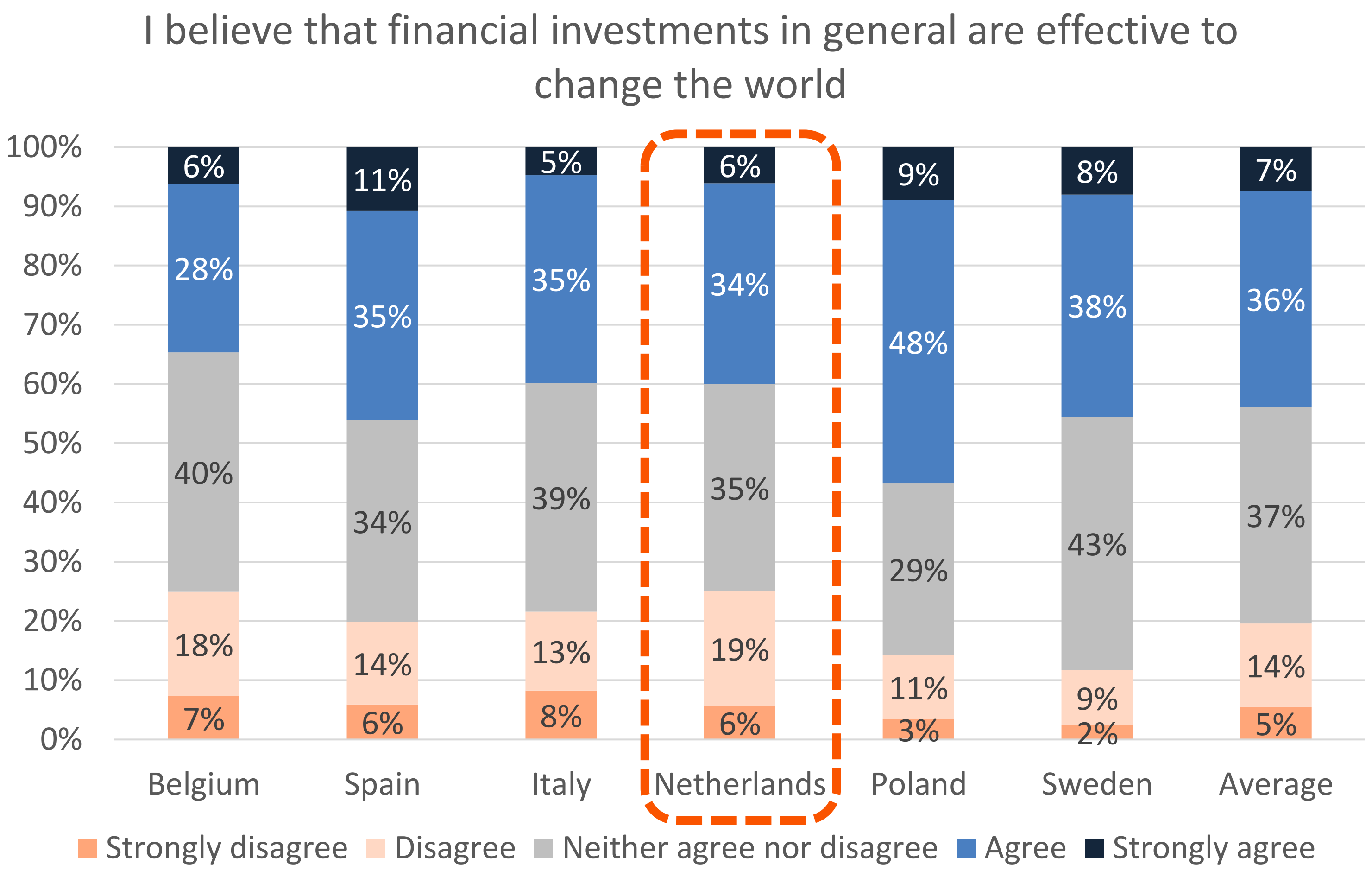
An efficient way to change the world?

Cross-country:

- ✓ In each country, more respondents consider financial investments to be effective to make a difference than the opposite
- ✓ Across countries, a particularly high fraction of respondents (between 30% and 40%) does not have a clear idea about it
- ✓ Individual answers for expressing values and changing the world correlate strongly

Country-specific:

- ✓ Here, the perception in the Netherlands is very similar to the European average



A positive effect on returns?

Cross-country:

- ✓ In all countries, very diverse opinions regarding this question
- ✓ More respondents consider the effect on returns to be positive than the opposite

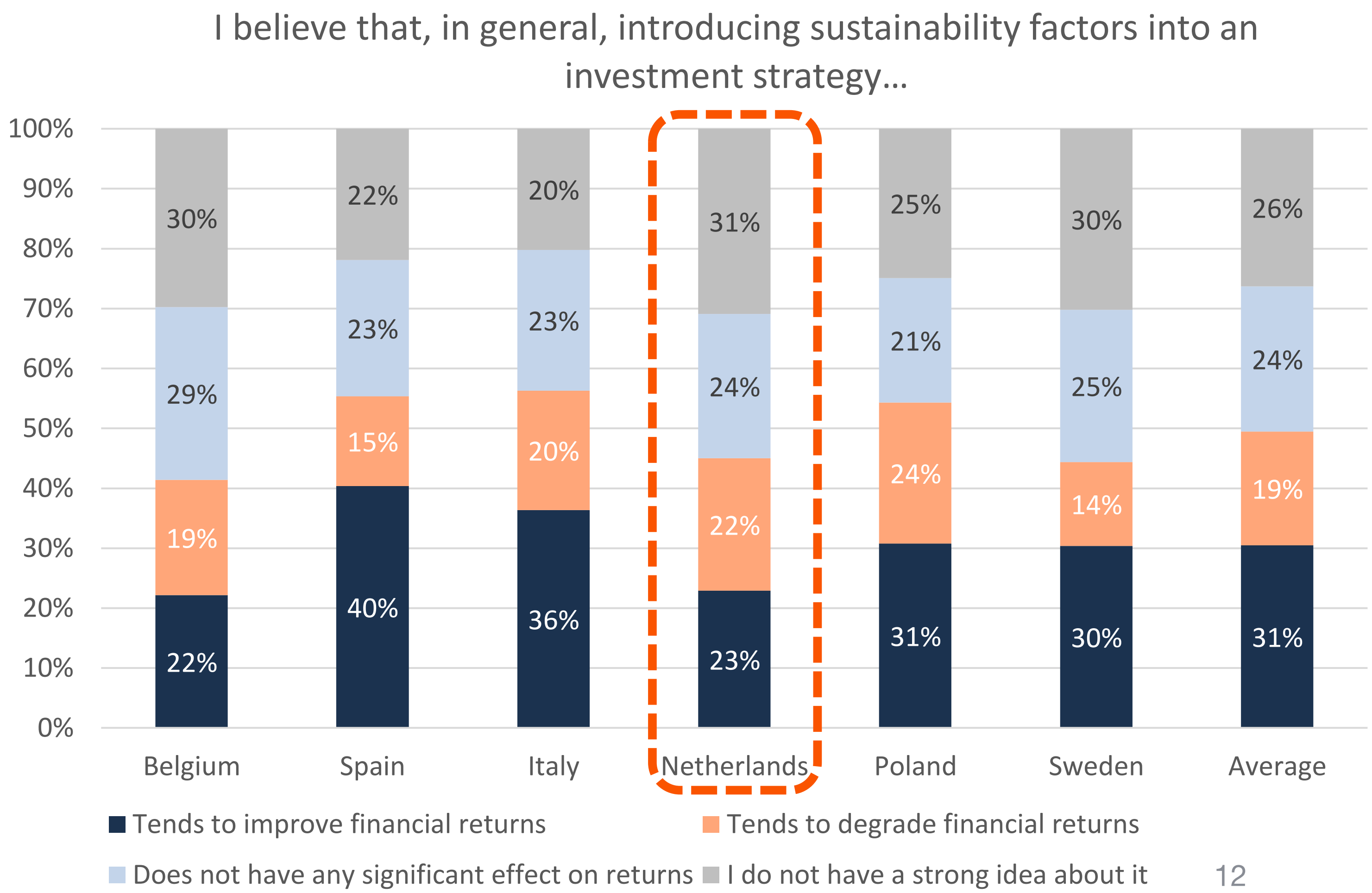
Country-specific:

- ✓ Respondents in the Netherlands have a less positive opinion of the effect on returns than respondents in many other countries

Qualitative insights:

In interviews and focus groups, participants often highlight that the impact on returns shall depend on the time horizon.

In the short run, it might be negative due to increased costs of sustainability for companies while in the long run it should be positive by offering a competitive edge towards laggards and enabling leaders to benefit from supporting regulations.



III. Sustainability motivations

Importance of aligning savings with values

Cross-country:

- ✓ In each country, high stability of individual answers across saving goals
- ✓ Mild differences across countries

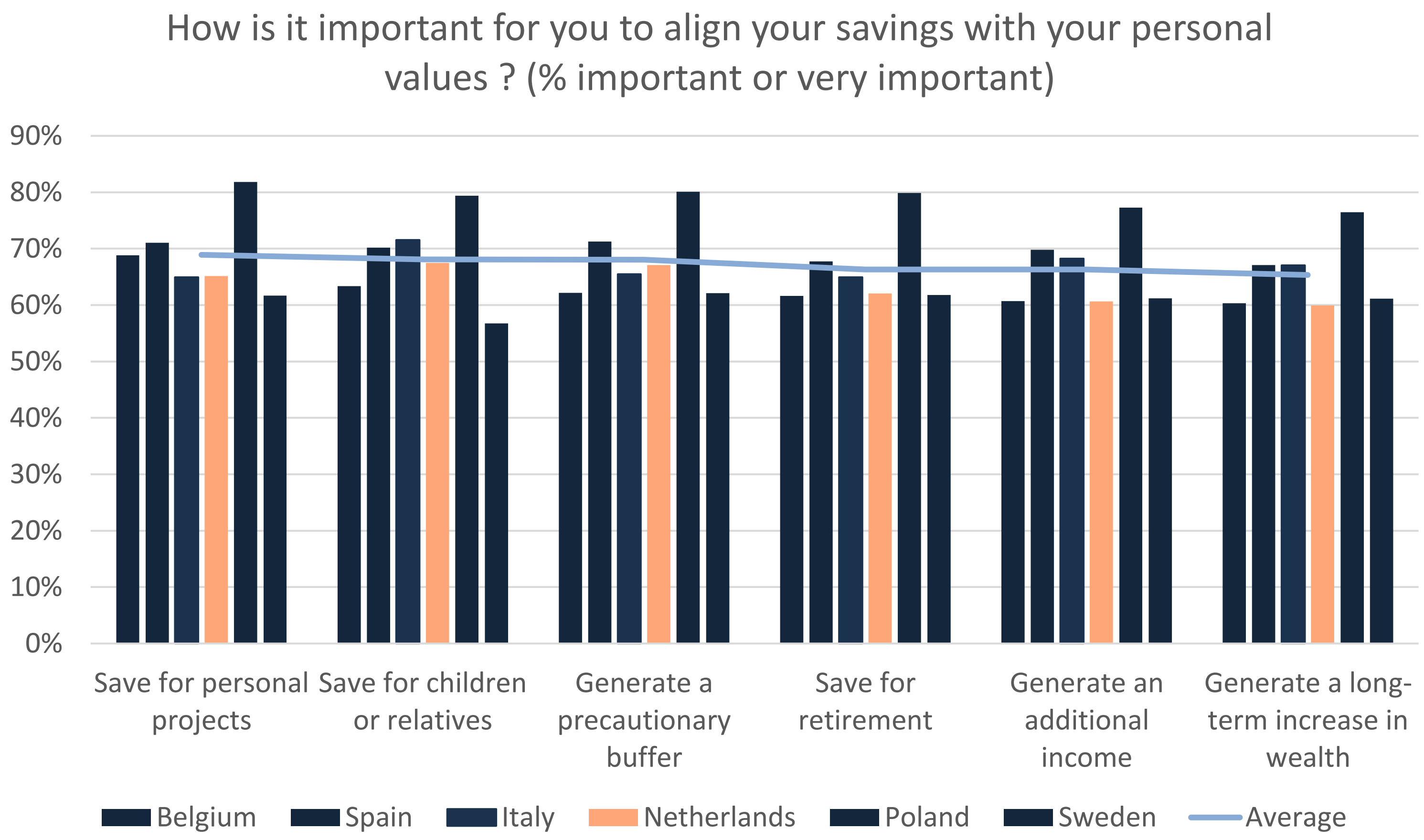
Country-specific:

- ✓ In the Netherlands, the importance granted to that sustainability motivation is lower than the European average and does not significantly vary across saving goals

Qualitative insights:

In interviews and focus groups, there is large consensus between participants in favour of investments that reflect investors' core values.

Few participants point towards an inconsistency between investing for returns and investing in line with values.



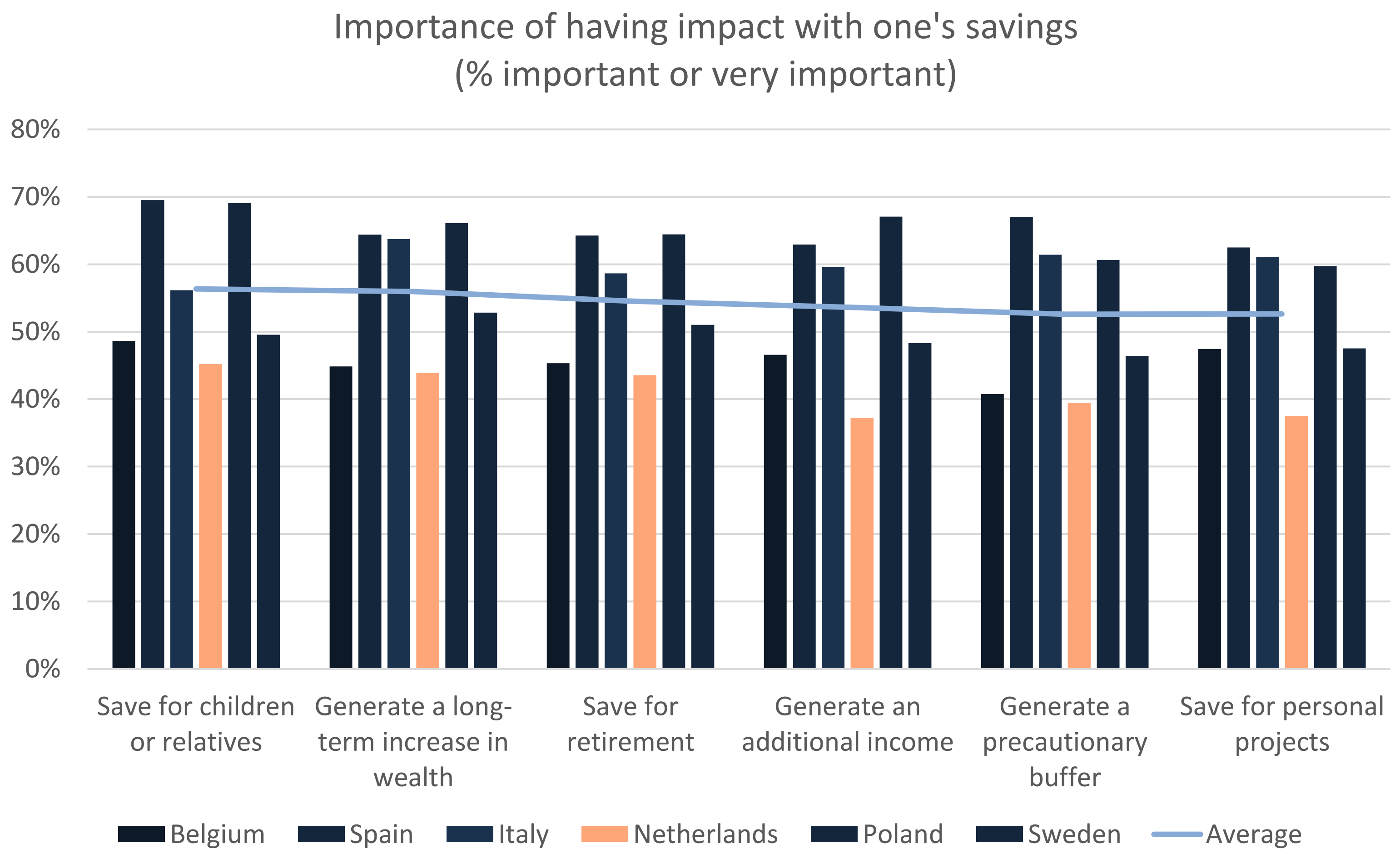
Importance of having impact with one's savings

Cross-country:

- ✓ In each country, high stability of individual answers across saving goals
- ✓ Large differences across countries with two clearly identified groups
- ✓ Across countries and saving goals, having impact is systematically less important than aligning with one's values (see previous slide)

Country-specific:

- ✓ The Netherlands are the country where having impact with one's savings is the least important



Introducing sustainability motivations

- ✓ In the quantitative survey, we asked participants a series of questions regarding their financial or sustainability goals for different practical financial goals attached to their savings (e.g., saving for retirement, generate a precautionary buffer, increase personal wealth, finance personal projects, etc.).

- ✓ We considered three types of overarching goals, one being purely financial (achieving maximum return for a certain level of risk) and two being related to sustainability. We build on two key motivations* of retail investors to invest sustainably:

- Aligning savings with one's values (Value Alignment)
- Having an impact on the world (Impact)

- ✓ By averaging the answers for the various saving goals, we were able to generate a typology of seven "sustainability profiles", either pure (focusing on one goal only) or mixed (caring for two or three goals) as displayed in the following slide.

* These two sustainability motivations have already been referenced by various stakeholders to clarify the underlying motivation of retail investors (see ESAs (2017); Busch et al. (2021); Eurosif (2022); AMAS/SSF (2022); FCA (2022); ADEME/2DII (2023). 2DII used these categories to assess sustainability motivation across 14 European countries over the last three years (find our reports here)

Sustainability profiles

Cross-country:

- ✓ In all countries, a majority of respondents have a mixed profile, combining various motivations
- ✓ On average, 53% of European respondents are willing to have impact with their savings
- ✓ In all countries, the “pure impact” profile is the least frequent while the most frequent one is the “value + impact + return” profile
- ✓ In all countries, less than a fifth of respondents do not have sustainability motivations beyond maximizing returns

Country-specific:

- ✓ The distribution of profiles in the Netherlands is significantly different from the European average with fewer respondents wanting it all and more with no clear profile or targeting value-alignment only

	Belgium	Spain	Italy	**Netherlands**	Poland	Sweden	**Average**
Pure impact	1,8%	2,9%	2,8%	**3,0%**	1,7%	2,2%	**2,4%**
Pure values	6,9%	4,5%	4,7%	**12,6%**	3,9%	3,4%	**6,0%**
Pure return	15,2%	11,0%	9,4%	**10,6%**	7,7%	20,1%	**12,3%**
Mix of impact and return	3,2%	6,1%	5,7%	**3,2%**	5,1%	5,7%	**4,8%**
Mix of values and return	19,7%	9,2%	10,3%	**20,0%**	17,5%	17,7%	**15,7%**
Mix of values and impact	7,1%	7,6%	6,9%	**8,6%**	2,5%	5,0%	**6,3%**
Mix of values, impact and return	29,8%	48,3%	44,7%	**24,3%**	53,6%	35,5%	**39,4%**
No clear profile	16,4%	10,4%	15,5%	**17,7%**	8,0%	10,4%	**13,1%**

Why having sustainability motivations?

Qualitative insights

Across countries, we could observe in qualitative interviews and focus groups that participants often connect their sustainability motivations to specific concerns:

- ✓ Acting in an ethical/moral way
- ✓ Acting for the long-term or children
- ✓ Acting in a way that is modern or consistent with the latest stage of the technology
- ✓ Feeling good about themselves

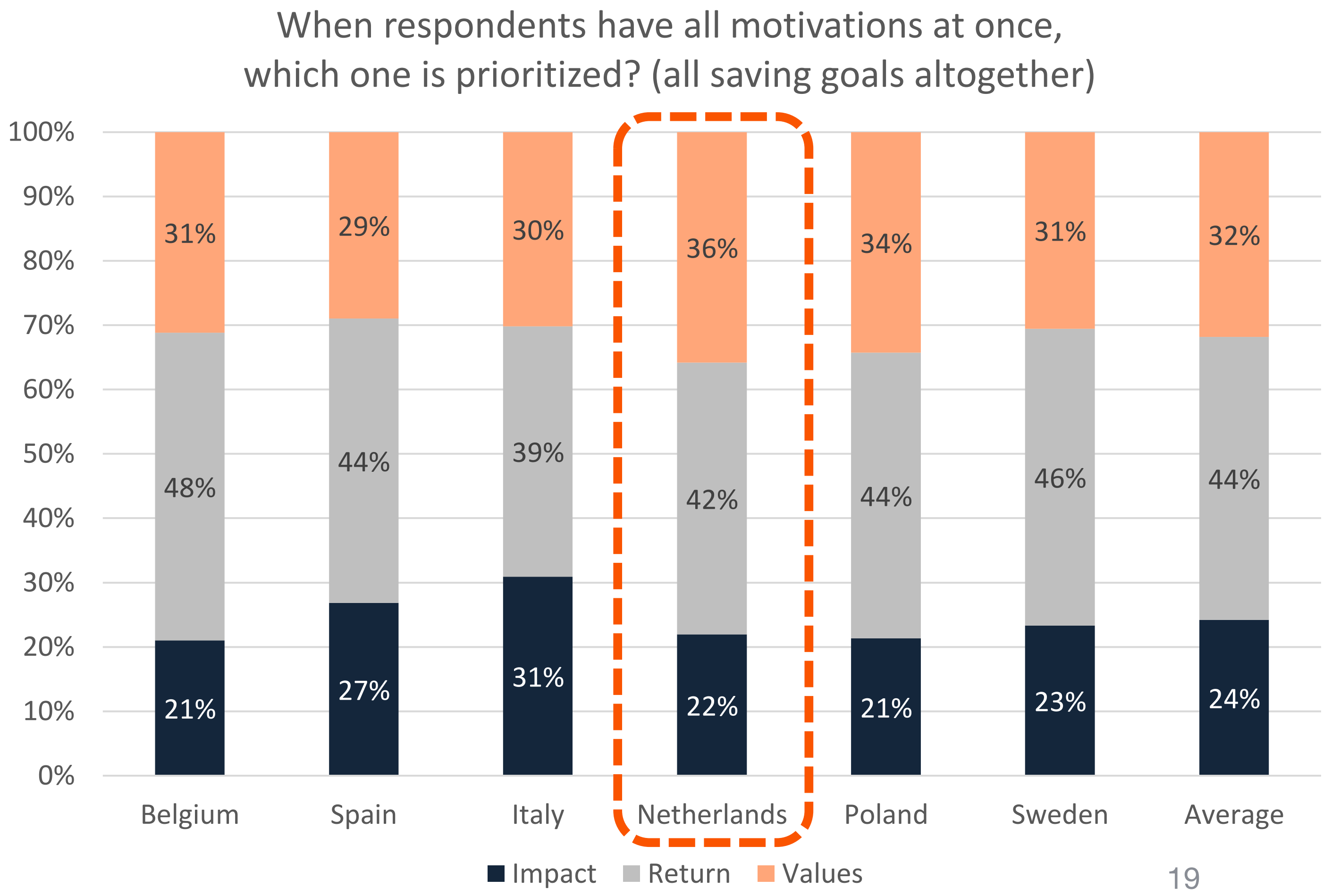
Trading off sustainability motivations

Cross-country:

- ✓ In all countries, most respondents tend to favor returns in case of necessary tradeoffs between all sustainability motivations

Country-specific:

- ✓ It the Netherlands, the proportion of respondents that would prioritize values is the highest observed



A concession on returns?

Cross-country:

- ✓ In each country, the proportion that chooses the climate fund falls rapidly when expected return is lower than for the standard fund
- ✓ Everywhere, only a handful of respondents (less than 12%) choose the climate fund when expected return is cut by half

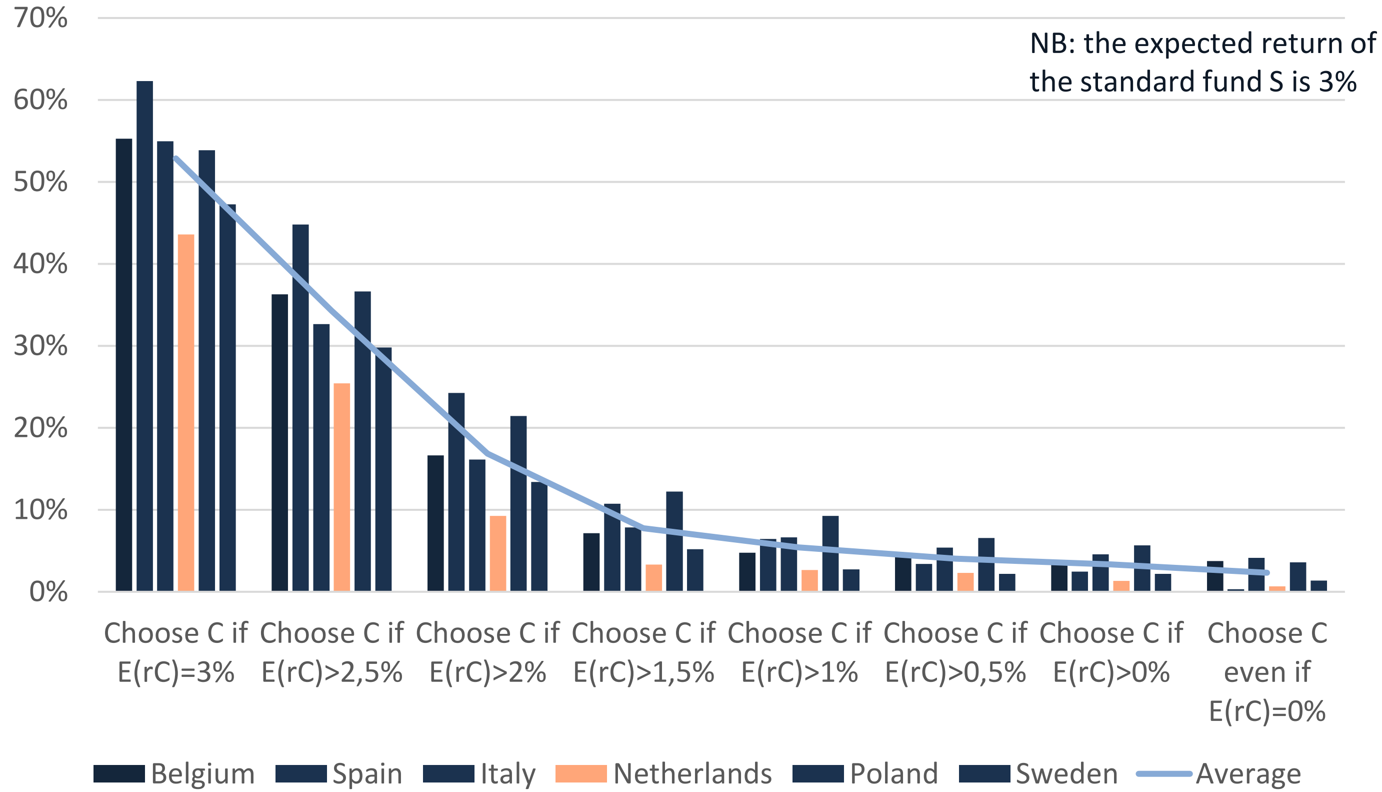
Country-specific:

- ✓ As in other countries, the fraction of respondents choosing the climate-oriented fund drops fast as the gap in returns broadens
- ✓ Whatever the return differential, the fraction choosing the C fund in the Netherlands is systematically the lowest observed across all countries

Qualitative insights:

In interviews and focus groups, participants often claim they would tolerate lower returns for sustainable financial products in relation with higher fees but they'd do it with a dose of reluctance and suspicion. They require a high level of transparency on the reasons behind the higher fees.

Proportion of respondents that choose a climate-oriented bond fund (C) vs a standard bond fund (S) depending on their respective expected returns



IV. Sustainability shareholder democracy

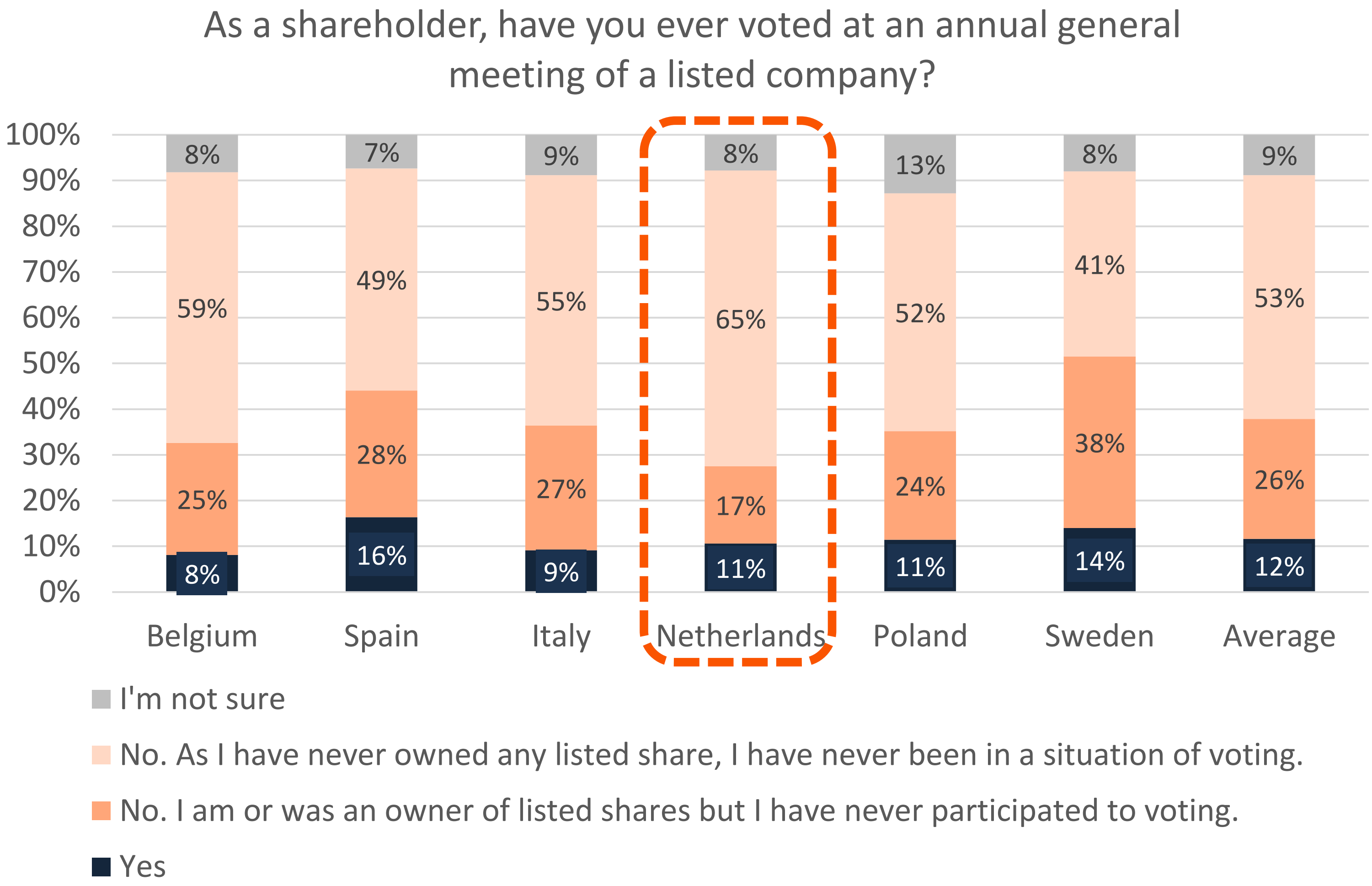
Having voted at shareholder AGMs

Cross-country:

- ✓ In each country, only a very small minority of respondents has already voted during an AGM
- ✓ It relates to the very limited ownership of stocks (in direct) in Europe

Country-specific:

- ✓ In the Netherlands, the proportion of respondents that already voted is in line with the European average



Expressing a shareholder view on climate

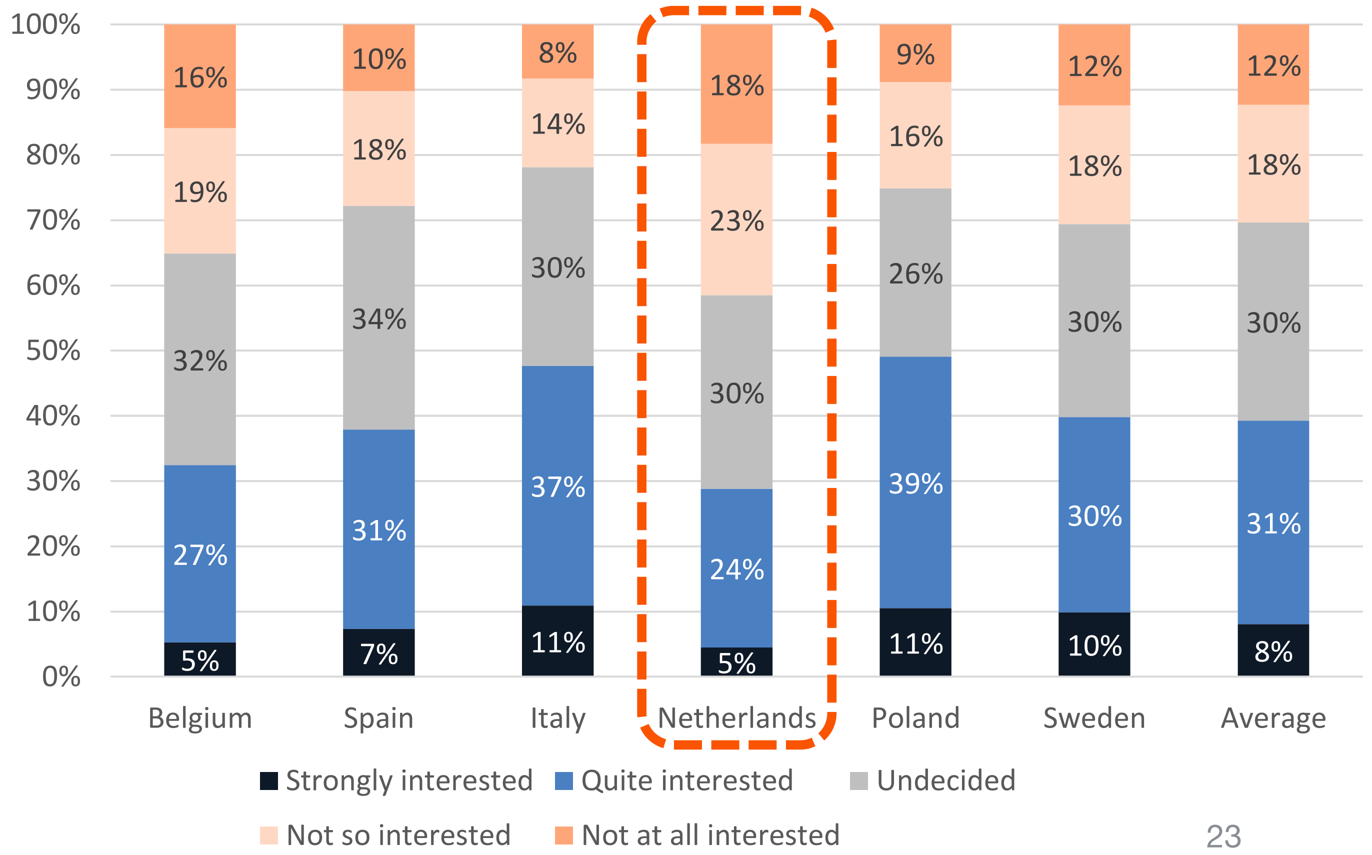
Cross-country:

✓ There appears to be only a mild interest for voting on climate issues in AGMs

Country-specific:

✓ In the Netherlands, the stated interest for voting is the lowest observed across countries

If made easy, would you be interested in expressing your view by participating to climate-related votes during annual general meetings of listed companies you are invested in?



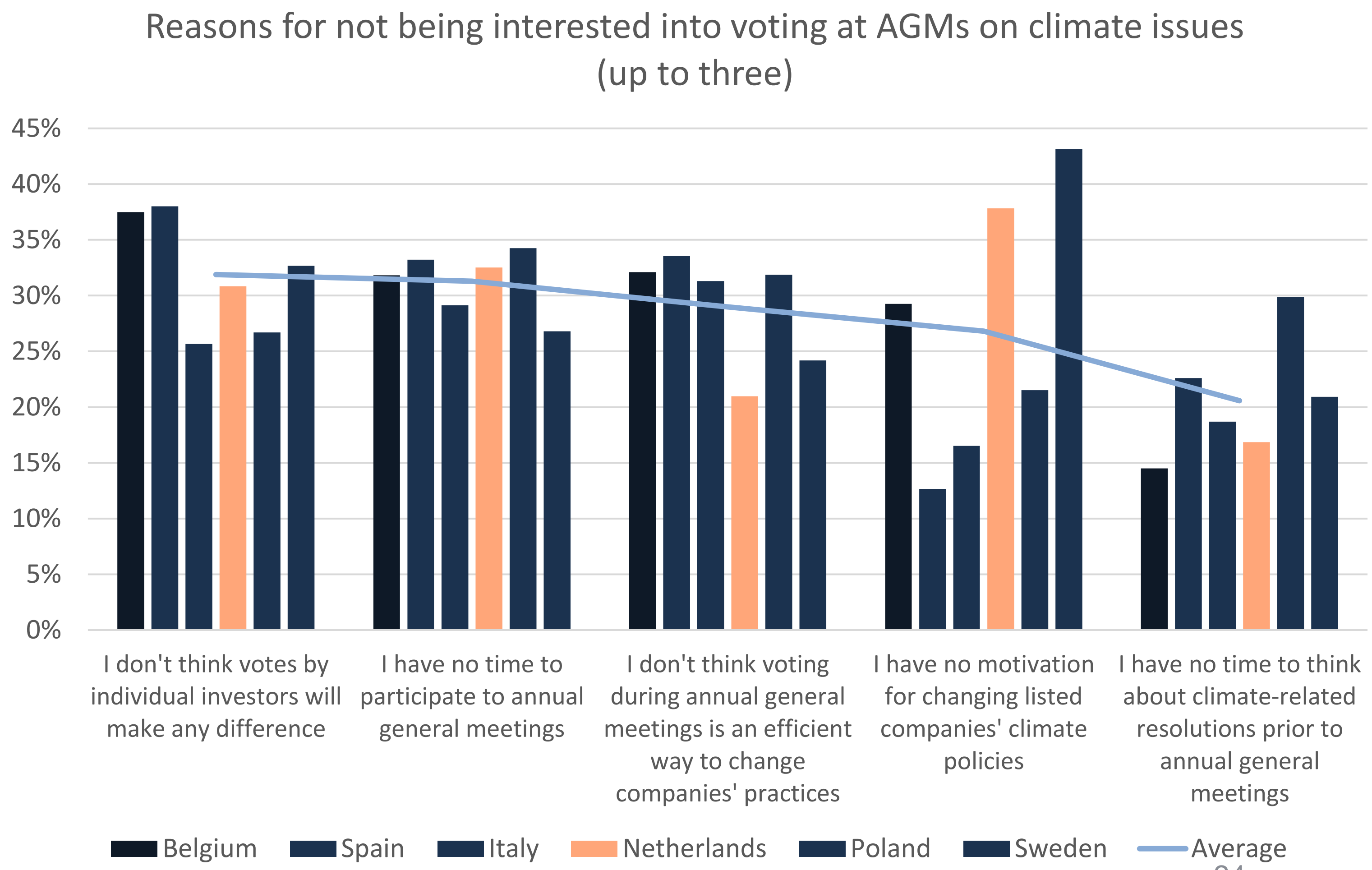
Blockers of shareholder democracy

Cross-country:

- ✓ Very diverse reasons for not being interested in voting during AGMs
- ✓ High heterogeneity across countries in the motivation to change companies' climate policies

Country-specific:

- ✓ In the Netherlands, respondents more frequently report an absence of motivation to change companies' climate policies but are less suspicious about the effectiveness of voting



Facilitating shareholder democracy

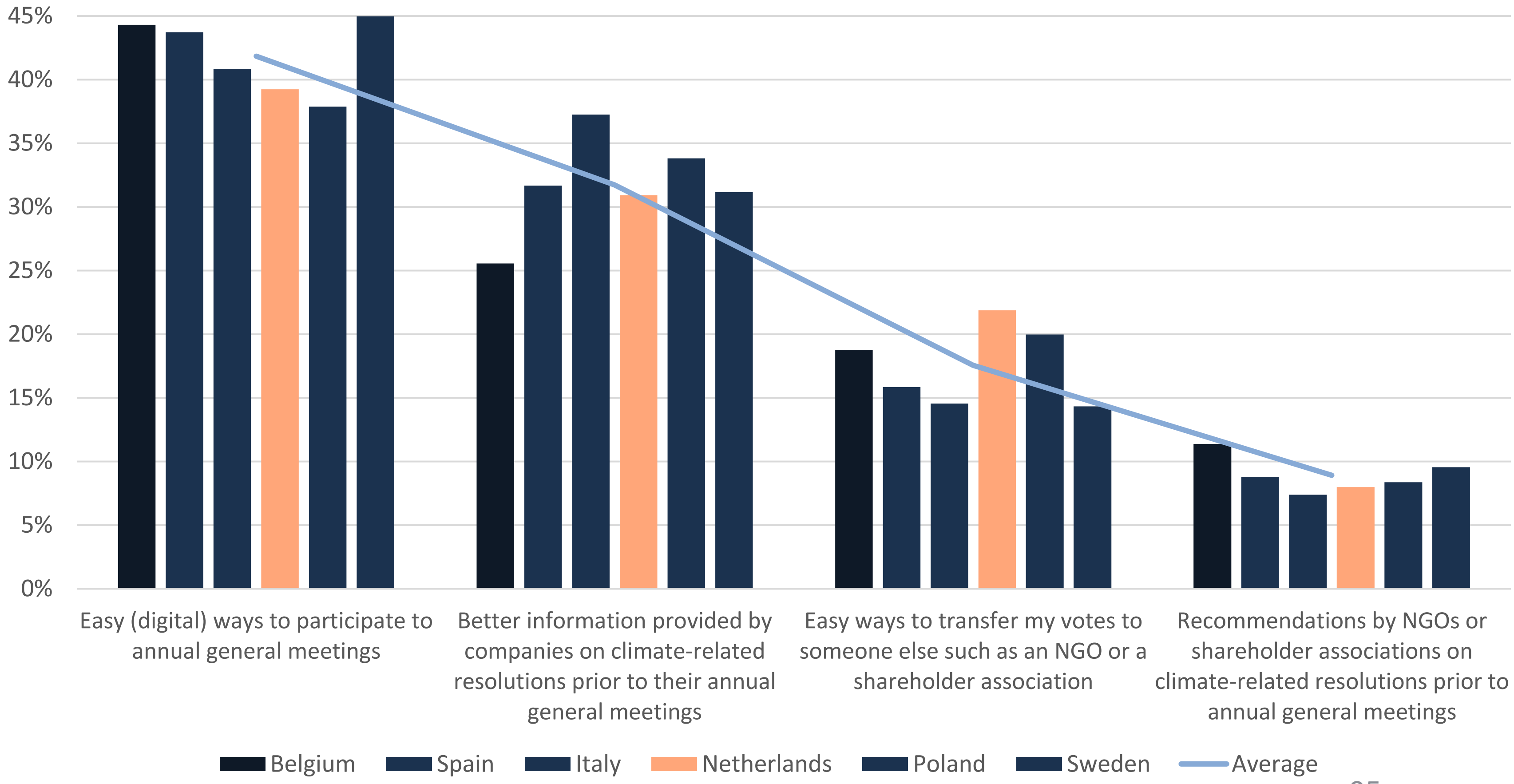
Cross-country:

- ✓ Easiness to participate to votes and good information are considered to be effective facilitators
- ✓ Oppositely, getting information or transferring votes to NGOs/shareholder associations is not often asked for

Country-specific:

- ✓ In the Netherlands, respondents hierarchize facilitators in a similar way as the European average
- ✓ They are slightly more prone to transfer their votes to third parties

Which improvement will be the most important to make you participate to climate-related votes during annual general meetings of listed companies?



PART II: retail investors and sustainable financial solutions

I. Perception of sustainable strategies

Exclusion as a sustainable strategy

When explained the strategy of exclusion, participants in interviews or focus groups report they find the strategy easy to understand and well-suited for aligning one's savings with one's personal values. Oppositely, it is often viewed as hard to implement and encompassing negative side effects, for instance by leaving more room to other non-sustainable investors to get financial returns and influence companies. And the strategy requires both self-awareness from investors and a good knowledge of companies' activities and processes.

" I don't necessarily see this as a sustainable strategy, it's just normal, it's how it should be."

"It is a nice approach per se. I only wonder whether the consumer has sufficient insight into what you could exclude. Then you need to have a concrete idea of what you don't want. Before seeing the survey, I, myself, had never thought about excluding parties that support abortion or have no women at the top, for example."

"It's good. However, if I could decide, I would prefer to reward good companies. If you give good companies an edge through financial support, then at some point those bad companies will no longer have a choice. I assume this will make bad companies start to think. Excluding it [bad companies] from your wallet, will only hurt yourself."

"I wonder whether private individuals have that much knowledge to make decisions about it themselves. The idea is good, but not realistic in practice, because of the lack of knowledge for private investors and the fact that they can be very much influenced by the media."

Best-in-class as a sustainable strategy

When explained the best-in-class approach, respondents report conflicting views. While some consider it intrinsically illogical (why favoring companies that are already more advanced?), others find it a good way to emulate companies to adopt the most sustainable processes.

Financially-skilled respondents note that this strategy, unlike exclusions, enable the investors to hold portfolios that remain sector-diversified. But, at the same time, the strategy mechanically reduces the basket of invested companies, increasing specific risk.

In any case, as pinpointed by some respondents, the perceived relevance of the strategy lies on the trust in ESG ratings.

"It is a super good approach, although it depends a bit on who is responsible for the ranking and what interests are behind it. Assuming I trust the people and the rating (that's where you start from), then you reward companies that do well and you create a trend/desire at other companies to perform in the same way."

"Then I first want to know who determines that rating. What's behind it. My first feeling is that all kinds of interests are involved. I would never invest in this way, because I wouldn't bother to go all the way to find out who's behind it and on what they base such ratings. And I do believe this is necessary for using this strategy."

"The story behind a company and its goal(s) also need to be considered, it's not just numbers or ratings that determine whether something is good or not."

Thematic investment as a sustainable strategy

When explained the strategy of thematic investing, consider it to be a good way to express one's values and aspirations for people that already have strong views. For companies, it is a way to channel capital towards companies that contribute to the long-term objective. On the other hand, it implies that the portfolio will be concentrated on a few sectors only and, consequently, lack diversification. Therefore, it is well-suited for investors with low risk aversion.

"It is very risky. Because then you invest all your money on one type of sector or a few companies. And that can go well, but can also go very wrong. It is less attractive to me."

"Thematic investing seems very interesting to me and also quite fun. However, there is a risk involved, if you are only invested in uncertain themes it can be dangerous. This is a strategy that I certainly apply already, partly. I believe rewarding good companies is the best way to make a positive social impact with your finances."

"This is a very good option. Then you have a big focus on the topics that you find important, it's closer to your personal values. And there's a bigger chance that you have a positive impact."

Engagement as a sustainable strategy

When explained engagement, participants in interviews or focus groups reported both an attraction and a suspicion about the promise to generate real-world impact.

"Changing companies through engagement is idealistic and unrealistic. I believe that a company and its management will still keep its own objectives. This seems to me as a difficult route to achieve sustainability."

"It's good that the conversation is being started, but it doesn't change business practices that much. Not the greatest potential to improve the world."

"As an individual, I don't see much potential in it. But if an investment company is behind it that has sufficient capital, you can exert more pressure."

"I like it. It also moves companies to think things through and innovate, so that they retain those investors that demand more sustainability."

Profit-sharing as a sustainable strategy

When explained, profit-sharing (i.e., the mechanism of distributing part of the investor achieved returns to pre-defined charities), fuels mixed feelings in participants in interviews or focus groups. Some oppose the idea of mixing investing with charity donations or consider it an easy way to deal with investors' moral duties while others consider it interesting if certain conditions are fulfilled (e.g., a free choice of beneficiaries and the implementation of donation only if a certain level of returns is achieved)

"It's not interesting to me. I'm happy to donate to sustainability goals, but that does not have to be wrapped up in my investments."

"If there is a charity I would like to donate to, I would rather do it myself, instead of a situation where the asset management company takes part of my returns and donates it (maybe in something I don't support)."

"I would be interested if I could choose where to go. Otherwise, I would be better off opting for the return, taking it out and then donating it to a good cause myself."

"I think that's greenwashing. Buying off your debt. While you continue to pollute via non-sustainable investments, you give money to other parties that solve that. So, you continue with what you were doing, at the expense of the environment. And someone else must then solve it.."

"I don't think this is interesting. Because primarily I invest for the returns. However, I can imagine that I would find it interesting above a certain return. When you achieve your goal in terms of return, then everything above it could be considered to be donated. Thus, it feels more like giving away part of your bonus."

II. Perception of impact products

Perception of impact investing as a sustainable strategy

When explained the strategy of impact investing, participants in interviews or focus groups reported both an attraction and a suspicion about the promise to generate real-world impact.

To buy products applying the strategy, they require an extensive view on the mechanisms of impact that are actioned and transparency on both past outcomes and methodologies to assess impact. Doubts are often raised about the capability to really evaluate impact ex ante or measure it ex post.

“That's great. I have the idea that it has been thoroughly researched. Then you have the feeling that you are putting your money into something that will pay off, both financially and in terms of sustainability. I would like to invest in this.”

“This sounds very positive. Especially for my long-term goals. Because I have the idea that it might be less profitable after all, but in the long-term I think that impact is more important. In that light I would certainly consider this. Feels like good research has been done.”

“I think this is too complex. I don’t think there will be a market for this. If you see how much work has already been done with assumptions to determine what a company's ESG rating is, this seems too complex.”

Savings vs other means to have impact
Qualitative insights

Do you think you can personally have an impact on the society through your savings?

Across countries, we could observe in qualitative interviews and focus groups that participants generally consider that theoretically it could work but, in practice, it would be strongly **conditional to the size** of the investor. Some add that, even if the real impact is negligible, it is still necessary to do one's part. In general, participants agree that they can make a big impact altogether.

"As an individual I still want to let idealism predominate. Even though I think I contribute very little, I want to do what I can. Even if it's minimal."

"Yes, but it is limited. When you add it up, everyone can make a difference. All those little bits makes something big."

"I used to think that I personally can't have an impact. But now I see that other people [in the focus group| influence me, so that I have changed my opinion."

"Yes, of course. It is a small impact, but you can inspire others with your own impact."

Do you think you can achieve higher impact through your savings, your consumption, your donations, your job, or your votes? Why?

Across countries, participants in interviews or focus groups highlighted the pros and cons of the different actions. In particular, consumption was seen positively because of its direct effects, its universality (i.e., can be actioned by anybody) and its high visibility (that can generate positive spillovers). Job is perceived a having the maximum leverage as one can change the processes of large organizations. Voting is perceived ambiguously, positively as a symbolic market of one's implication within society and having a high potential impact on paper as politics set the game rules, and simultaneously with a lot of suspicion about the real functioning of democracy (inertia, lobbies' influence, etc.).

"Through consumption as I consume more than I save"

"Through consumption because it's more direct than the rest. And because with your consumption you show others what you do, and people talk a lot about that. So, then you also influence other people much more than with those other things."

"I believe in systematic and institutional change. Individuals do not realize how much influence the system has on how they work, think and act. The best way to change the system is to vote."

What does “impact” mean for financial investments

Qualitative insights

Across countries, we could observe in qualitative interviews and focus groups that participants had various interpretations of what the “impact” of financial investments would be, with

- ✓ The “**impact on wallet**” view, for which impact is the financial return
- ✓ The “**impact on society**” view, for which impact represents the effects on the external world
- ✓ The “**mixed impact**” view, which considers the two angles altogether

Those multiple interpretations suggest there is a crucial need to constantly qualify “impact” in order to avoid misunderstandings.

“Impact means to me, that with my actions I can set something in motion that is preferably greater than what I can create as an individual. Preferably positive of course.”

“It creates something good for people and/or the environment. It contributes to a better world, in any way.”

“Impact for me is the impact I can have on the company I invest in.”

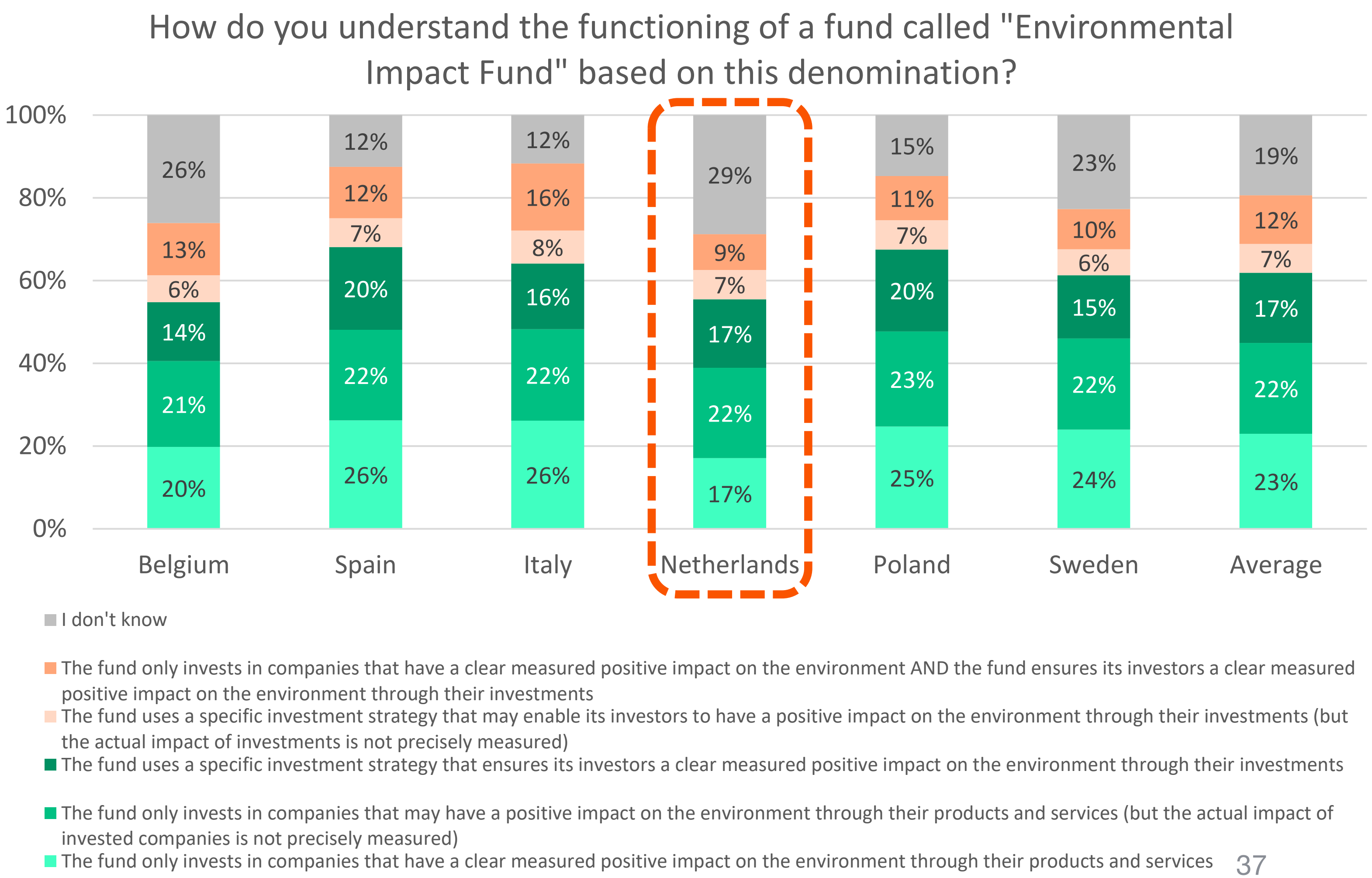
What impact funds are

Cross-country:

- ✓ In all countries, very diverse opinions regarding the question suggesting that the denomination is equivocal

Country-specific:

- ✓ In the Netherlands, perceptions are as heterogeneous as elsewhere
- ✓ More people do not know what to answer



What impact funds should be

Cross-country:

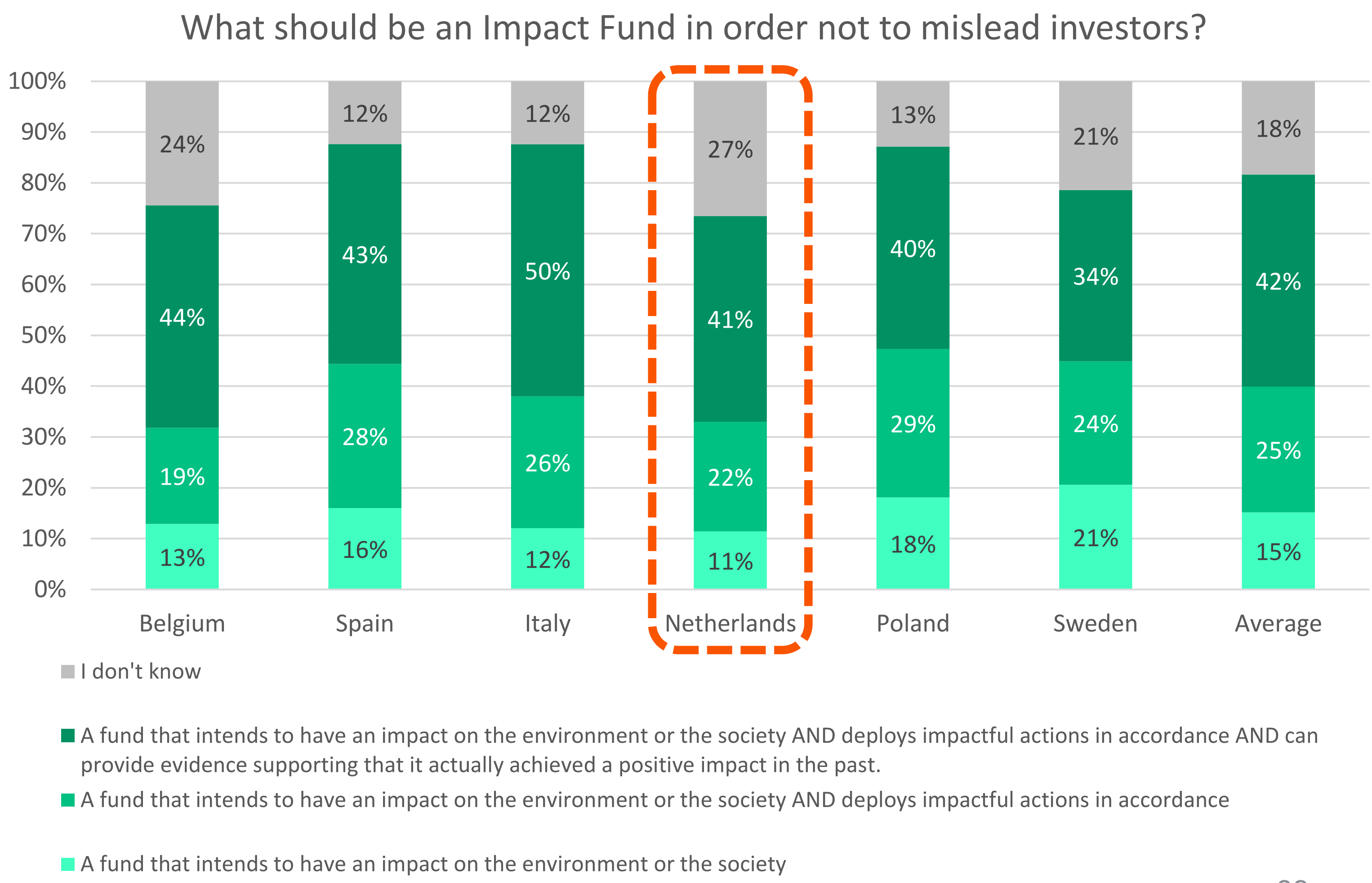
- ✓ In all countries, pretty diverse opinions regarding the question
- ✓ In all countries, the most frequent answer applies to the most demanding (and protective) definition
- ✓ In all countries, the purely intentional definition is the least often selected

Country-specific:

- ✓ Respondents in the Netherlands opted for the most protective definition as often than the European average
- ✓ More people report not to know what to answer

Qualitative insights:

In interviews and focus groups, participants generally consider that measuring and disclosing one's impact is important to avoid greenwashing or impact-washing but also practically difficult for funds



III. Investing to finance the energy transition

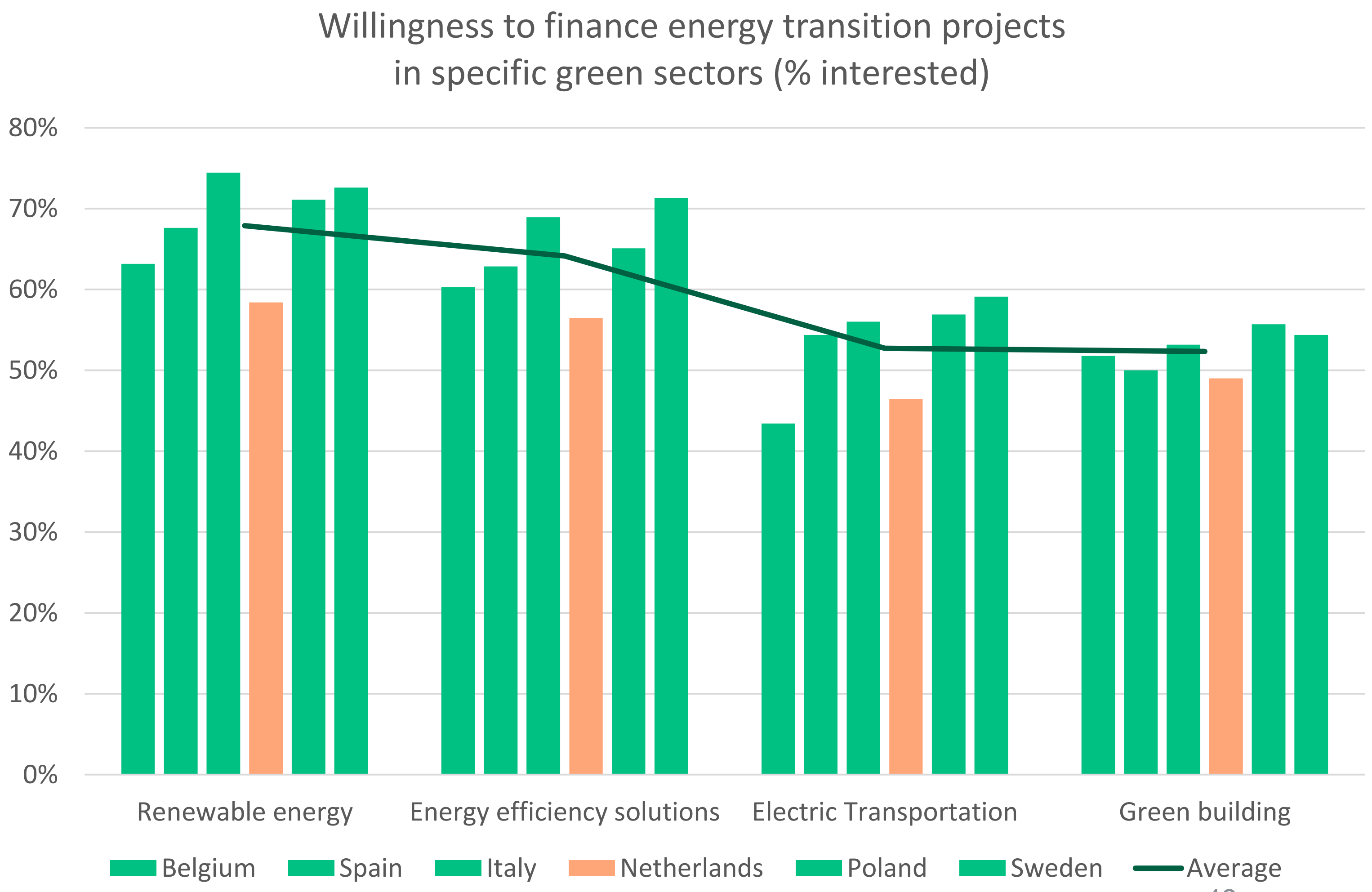
Willingness to finance the green energy transition - sectors

Cross-country:

- ✓ An interest more pronounced when the question is specific than general (see previous slide for comparison)
- ✓ Proportion of potential funders increases by 10-20 pp when sectors are specified
- ✓ A clear preference for financing projects in renewable energy and energy efficiency sectors

Country-specific:

- ✓ In the Netherlands, respondents displayed a willingness to finance inferior to the European average for all sectors



Willingness to finance the green energy transition - economic agents

Cross-country:

- ✓ Low variations across potential beneficiaries
- ✓ Financing projects for households appear to be slightly more appealing.
- ✓ This result advocates for new types of green financial solutions as current ones most often target (large) companies)

Country-specific:

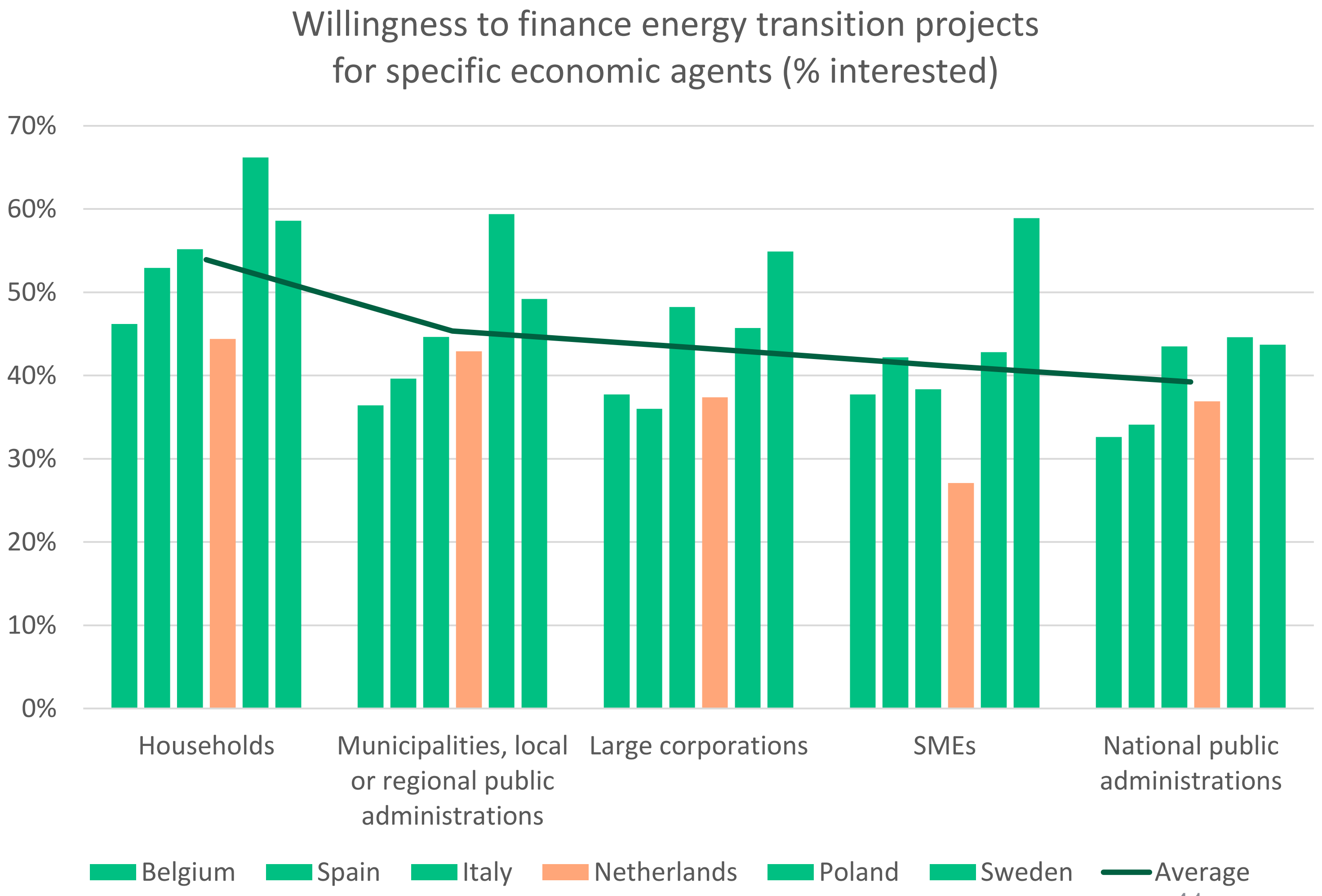
- ✓ In the Netherlands, respondents displayed a willingness to finance inferior to the European average for all types of economic agents

Qualitative insights:

In interviews and focus groups, some participants report a preference for financing (large or small) companies as they perceive them as more effective to allocate capital in an efficient way compared to administrations.

Small companies are also perceived to be more innovative and therefore have a higher impact potential while large companies are seen as less risky.

"In small ones, because that's where I think the money will end up in the right place. In larger companies there are a lot of layers of management where money has to go. I believe that smaller companies can act faster, and therefore make an impact faster."



Willingness to finance the green energy transition - geographical zones

Cross-country:

- ✓ A clear preference for financing nationally or locally

Country-specific:

- ✓ For all zones, respondents in the Netherlands are less inclined to contribute than the European average

Qualitative insights:

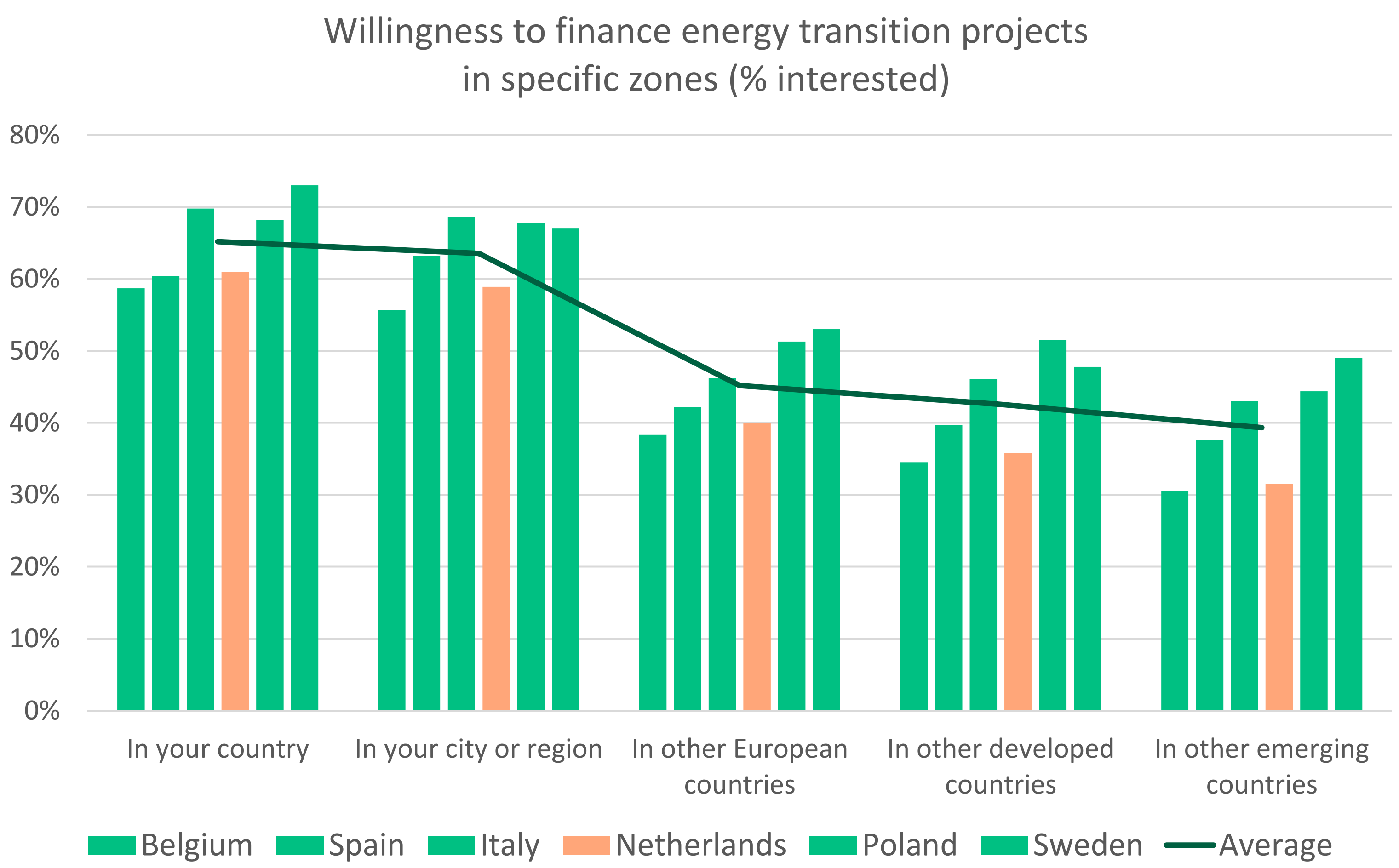
In interviews and focus groups, participants explain their preference for local/national projects by referring to a lower (perceived) risk or a higher transparency and easier access to information. They sometimes also connect it to an enhanced emotional salience and to the possibility to benefit from it.

Oppositely, and much less frequently, others prefer investing in developing countries as they consider the funding gap to be more pronounced there and observe that it is necessary to raise the bar everywhere to solve global issues.

A third category do not focus on the zone and consider the selection process should apply at the project level only.

"Closer feels better. So, I would prefer my own city to something random on the other side of the world. That way I have the idea that you can see the impact faster and that you could actually go and see it for yourself."

"On the one hand it's nice to see it in your own environment. But I also have the idea that there is much to gain in developing countries. So, I would have a preference for investing in places where a lot of impact/difference can be made. I opt for the investment where the biggest impact can be made."



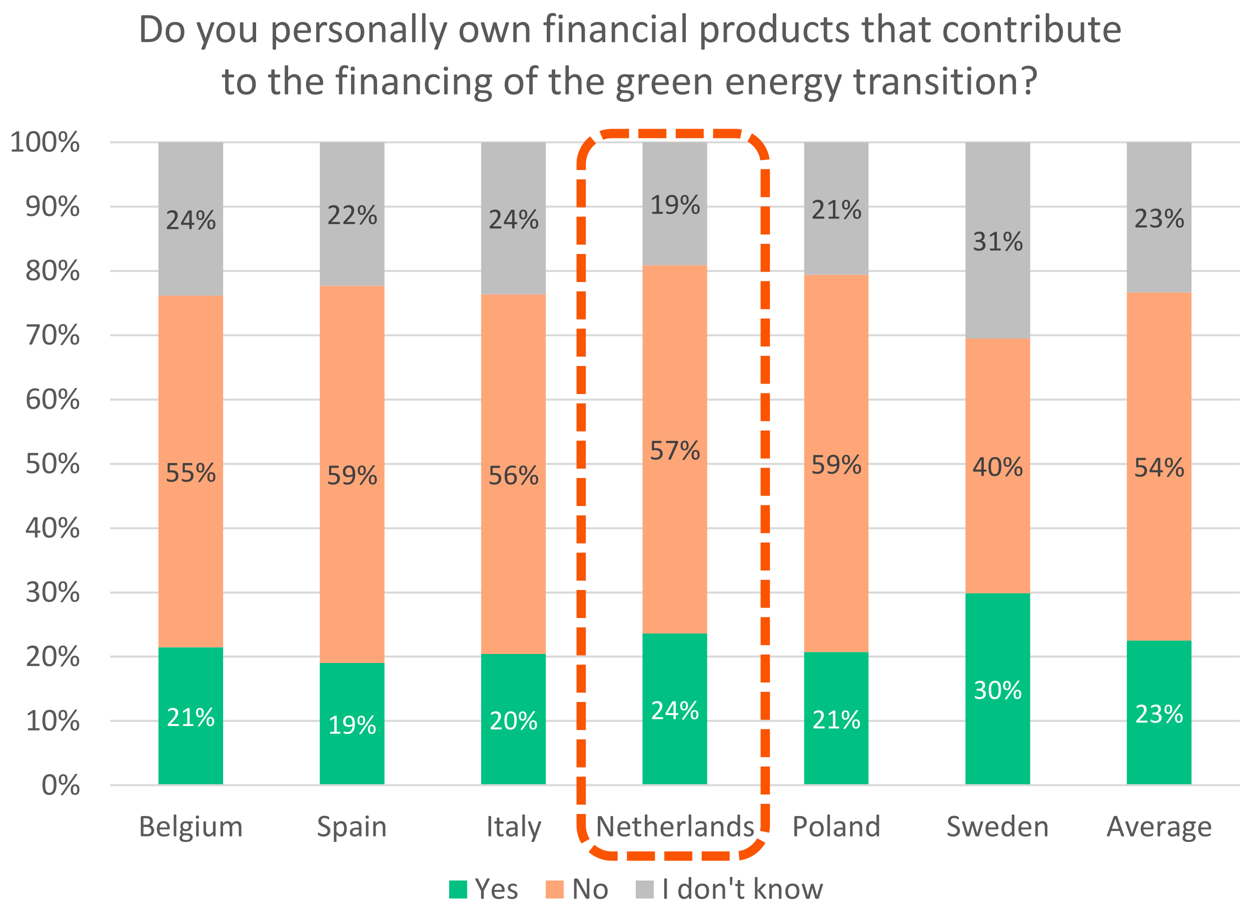
Holding of products financing the green energy transition - general

Cross-country:

- ✓ In each country, only a minority of respondents already own financial products that finance the green energy transition

Country-specific:

- ✓ Like elsewhere, only a small fraction of respondents in the Netherlands do own financial products that contribute to the financing of the green energy transition



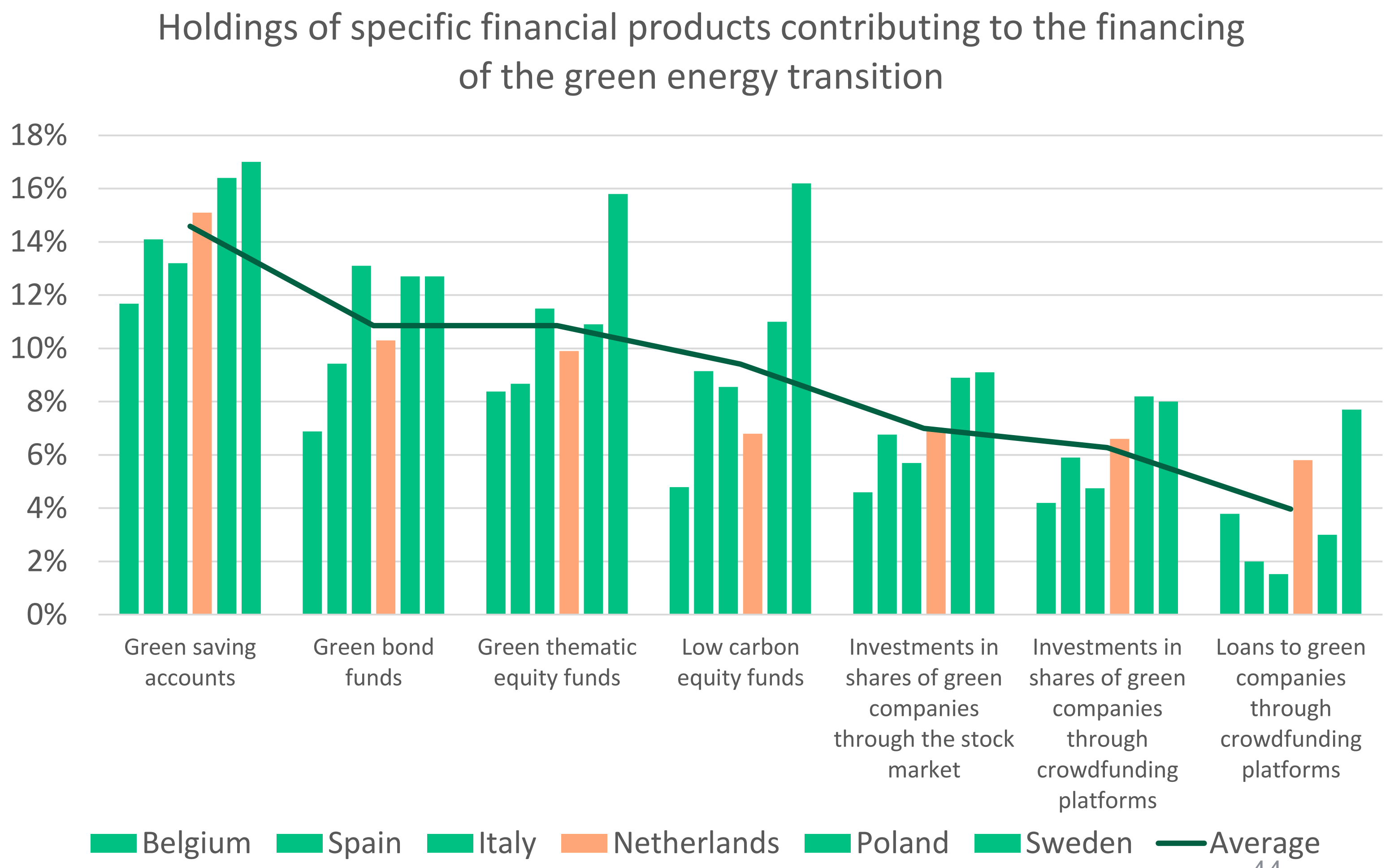
Holding of products financing the green energy transition - specifics

Cross-country:

- ✓ Among different green financial products, green saving accounts and in a lesser extent green funds are the most often owned
- ✓ Oppositely, direct investments through the stock exchange or crowdfunding platforms are less common

Country-specific:

- ✓ Holdings of green assets in the Netherlands match the European average



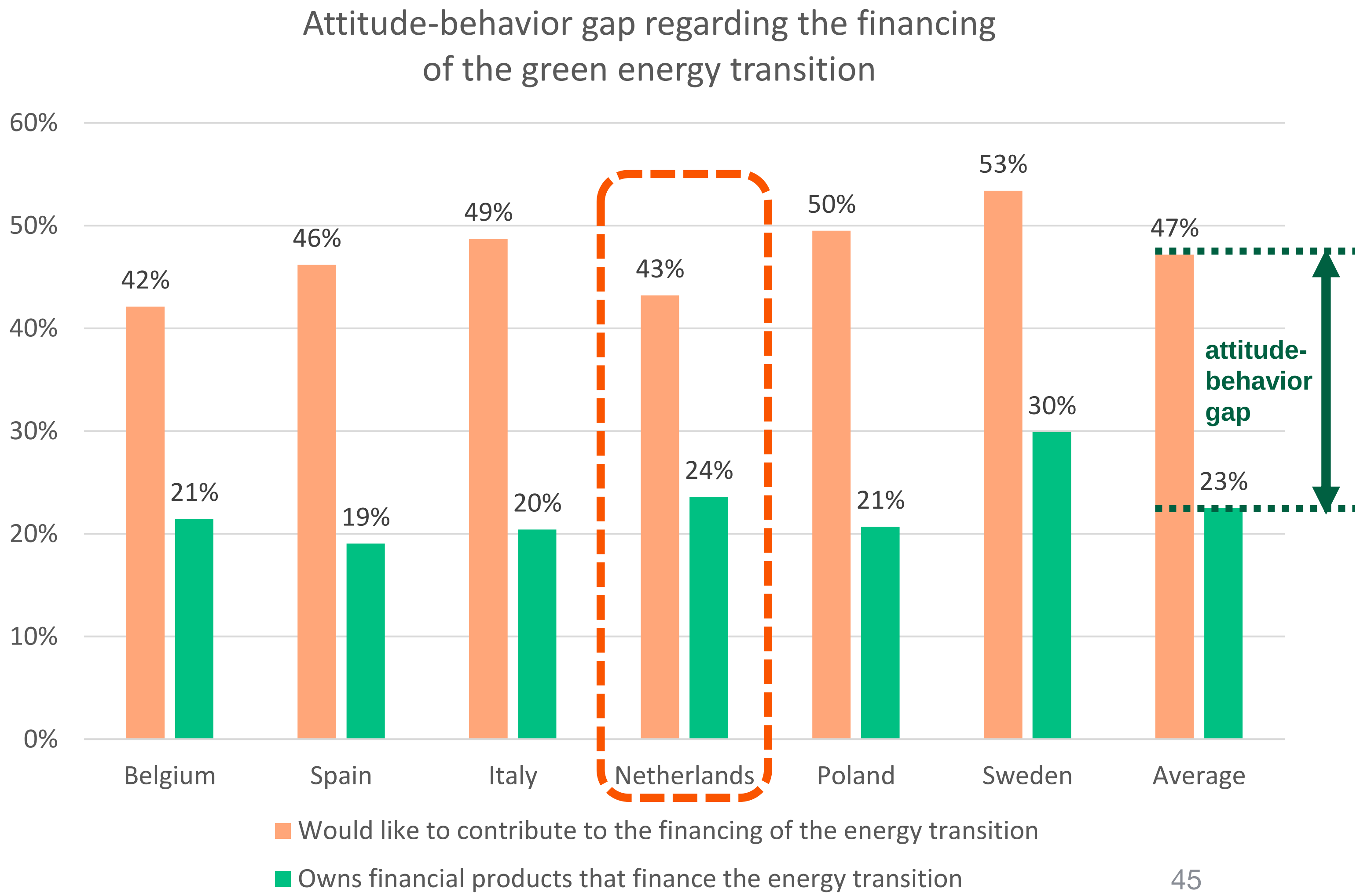
An attitude-behavior gap

Cross-country:

- ✓ In each country, there are 20%-30% of respondents that would like to finance the energy transition but do not own financial products doing that
- ✓ It means there is an untapped potential for green financial products

Country-specific:

- ✓ The attitude-behavior gap in the Netherlands is the smallest observed in Europe due mostly to less positive attitudes than elsewhere



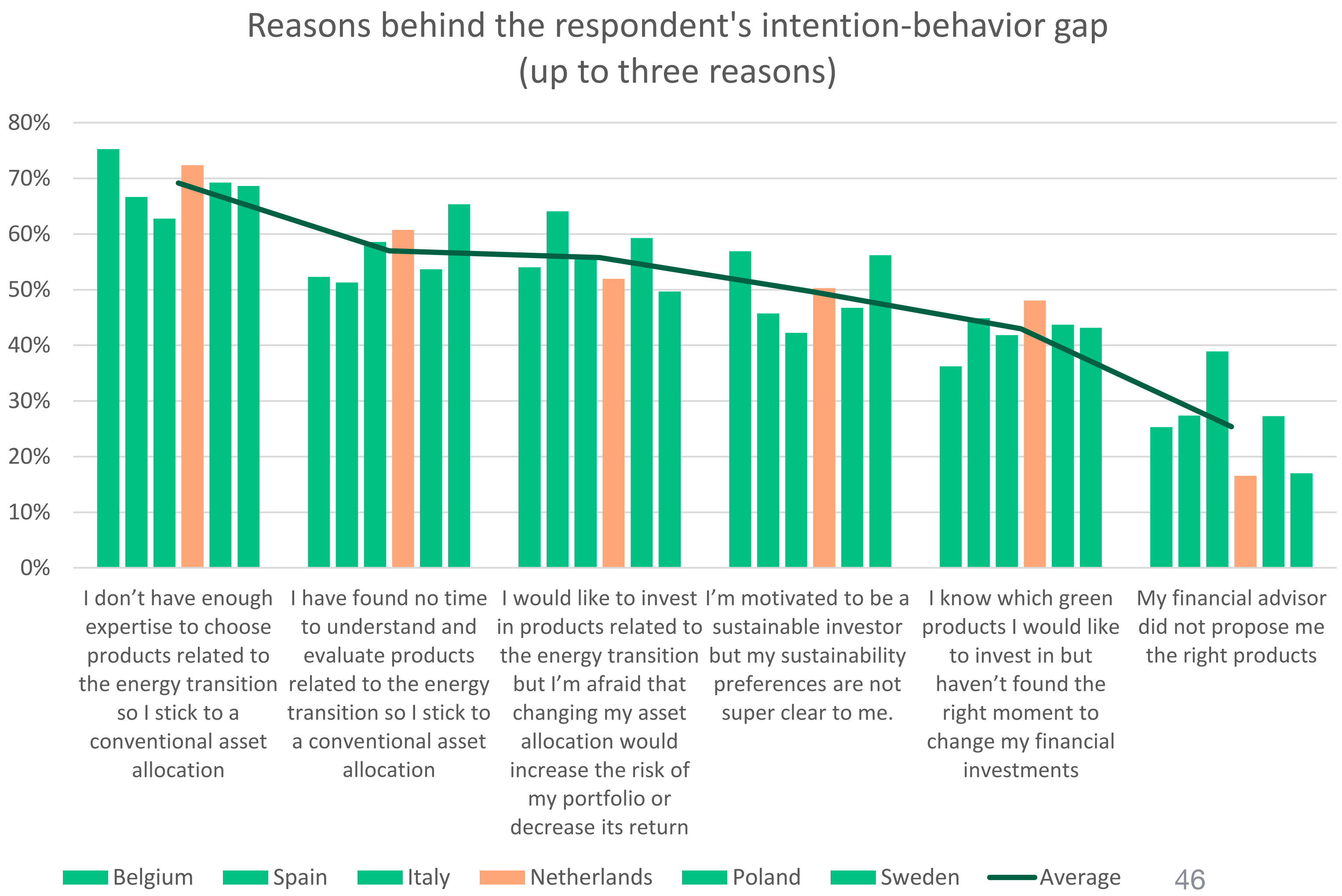
Blockers preventing the financing of the green energy transition

Cross-country:

- ✓ A lack of time and expertise rather than a lack of available options explains the difference between intentions to finance the energy transition through savings and the actual behaviors

Country-specific:

- ✓ Responses in the Netherlands match the European average pretty well
- ✓ Respondents in the Netherlands less often blame their financial advisors



IV. Interest for green financial products

Interest for green alternatives to conventional financial products

Cross-country:

- ✓ For all types of conventional products, a majority of respondents declares to be interested into switching to the proposed greener alternative
- ✓ Thematic equity funds are the most appealing alternatives while green saving accounts are the least ones

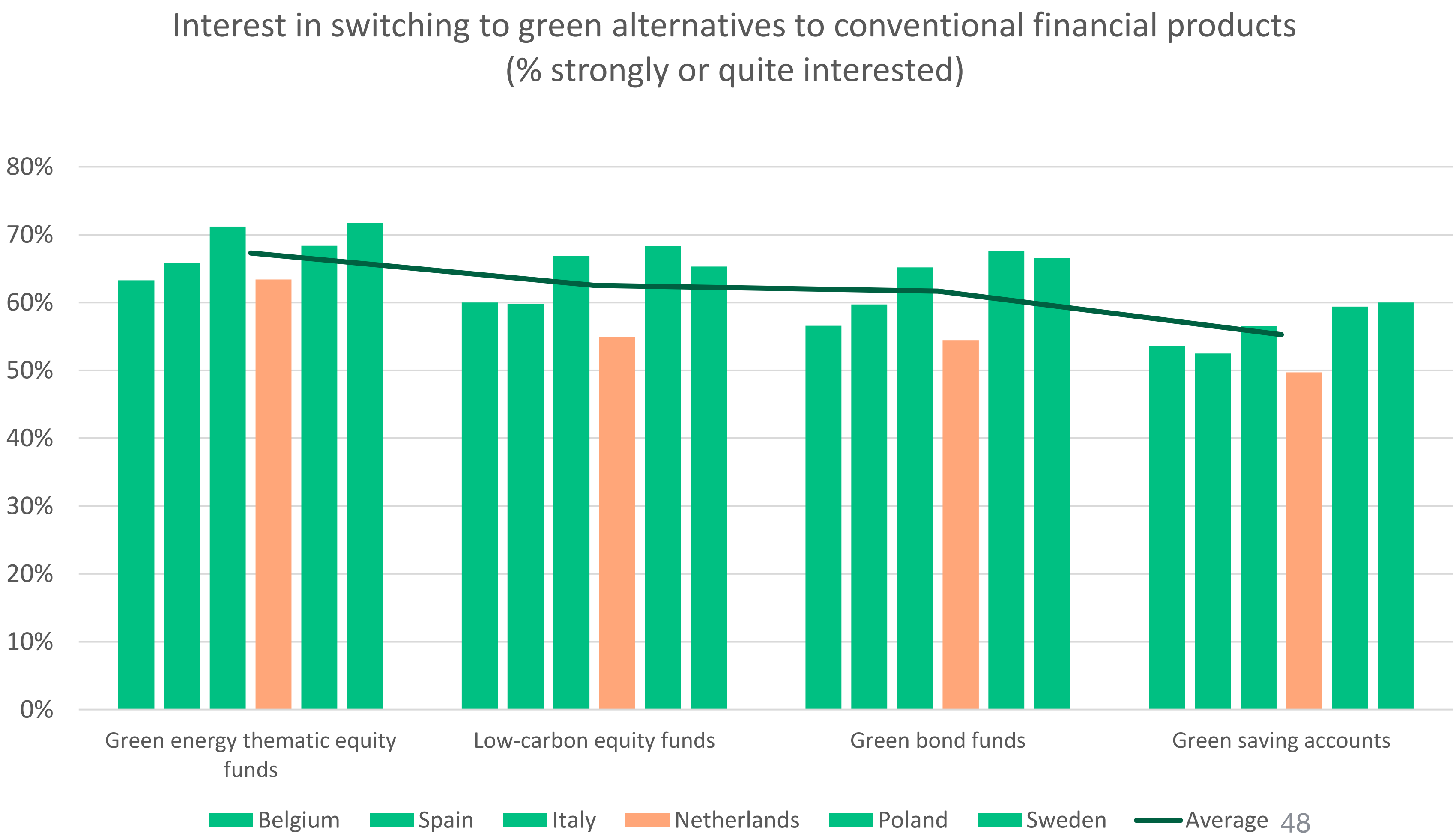
Country-specific:

- ✓ The interest in switching is slightly lower in the Netherlands than the European average for all products

Qualitative insights:

In interviews and focus groups, respondents not interested explain it by displaying a low trust/knowledge about those products and fear a “green bubble” that would lead to poor returns in the future.

“I need to know better these instruments; small enterprises are in line with my ideas, but I am scared because I do not know them, I am not willing to lose my savings.”



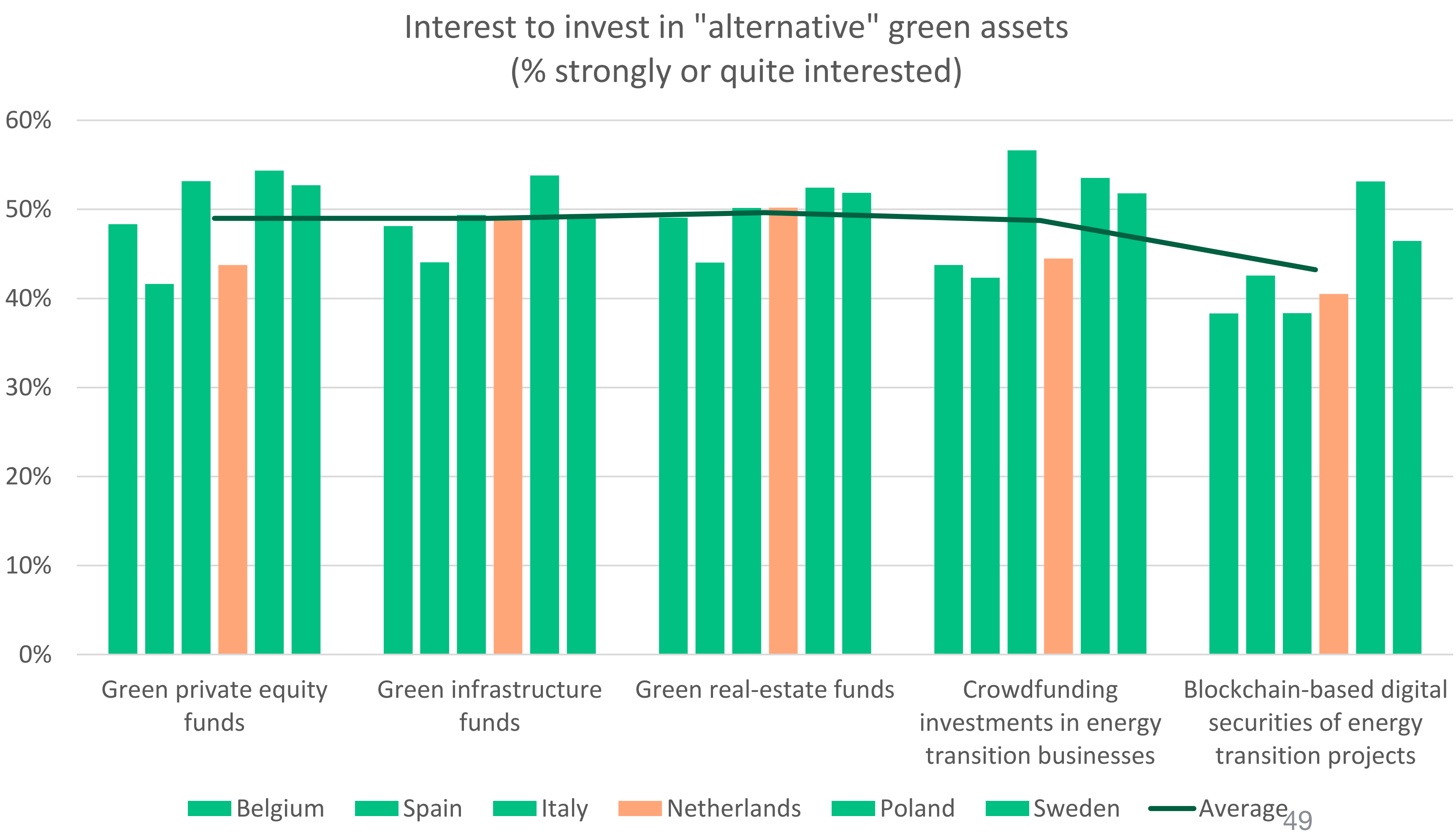
Interest for investing in “alternative” green assets

Cross-country:

- ✓ Roughly 50% of respondents are interested into investing in the various “alternative” green assets
- ✓ There is no major difference in answers across assets at respondent level – the interest/absence of interest is transversal
- ✓ Digital securities appear to be less attractive than other alternative assets

Country-specific:

- ✓ The interest in alternative green assets is slightly lower in the Netherlands than the European average for all products



V. Green borrowing

Experience with green loans

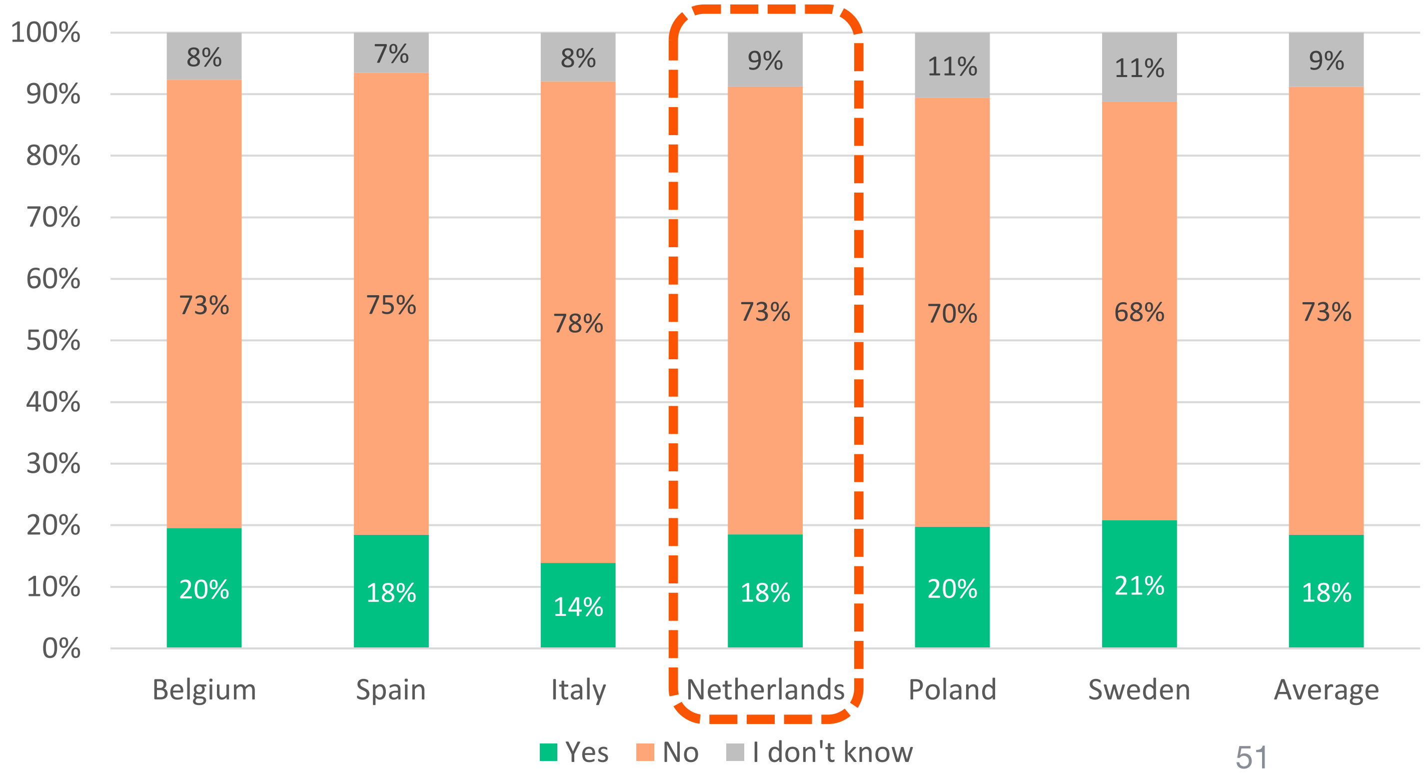
Cross-country:

- ✓ In each country, only a minority of respondents has already used green loans to finance purchases with environmental benefits
- ✓ Very small differences across countries

Country-specific:

- ✓ In the Netherlands, the use of green loans is as (un)common than the European average

I have already used green loans to finance personal projects with environmental benefits (e.g., purchase of an electric car, installation of solar panels)



Blockers preventing the use of green loans

Cross-country:

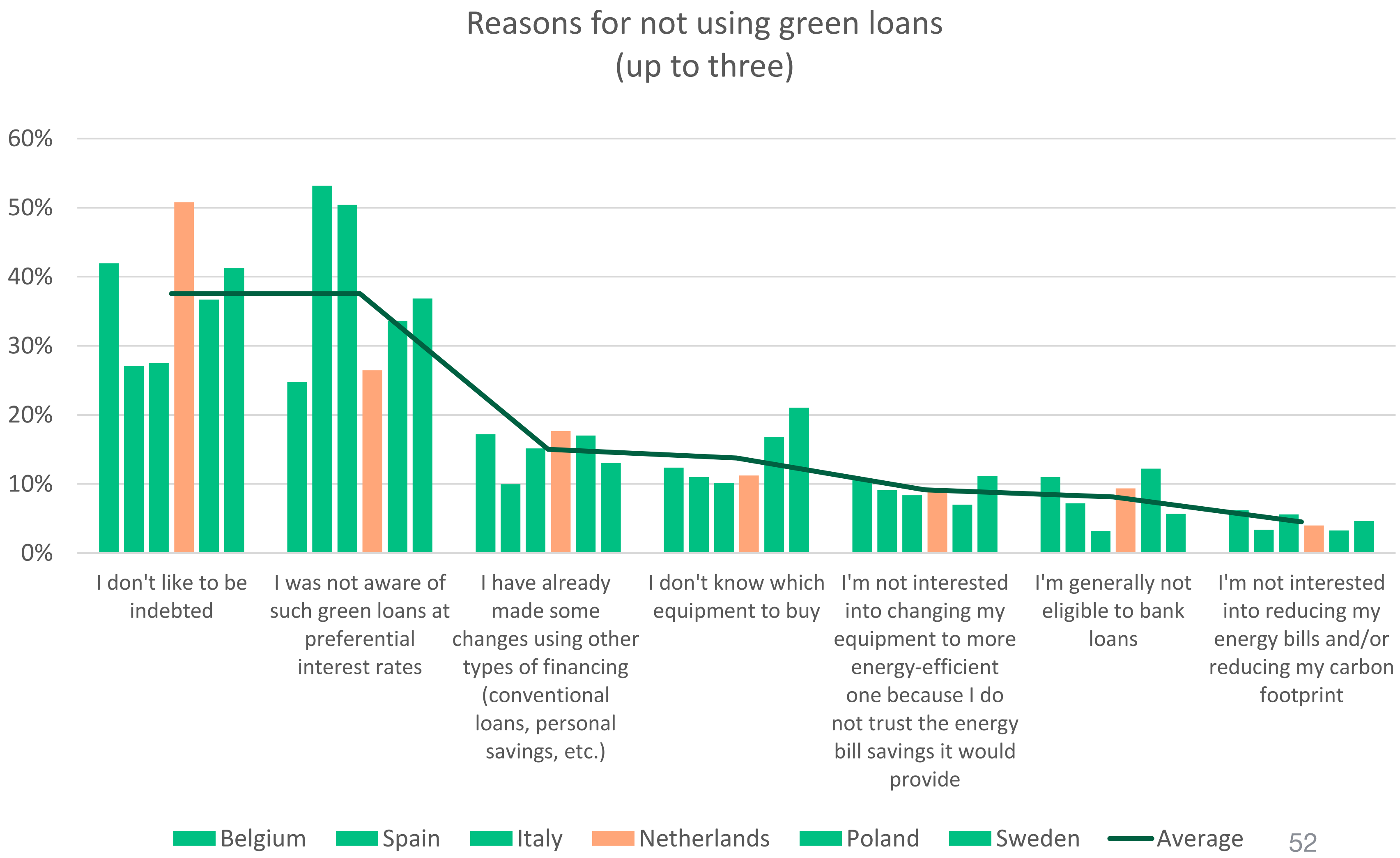
- ✓ In each country, the reluctance to be indebted and the lack of information are, by large, the most often cited reasons
- ✓ Improving information appears to key for scaling up the use of green loans by households

Country-specific:

- ✓ In the Netherlands, the limited use of green loans is to be connected with a strong reluctance to be indebted
- ✓ The lack of information regarding the loans is less often reported than elsewhere in Europe

Qualitative insights:

Interviews and focus groups confirm a strong reluctance in the Netherlands to get indebted to finance transition purchases or renovation



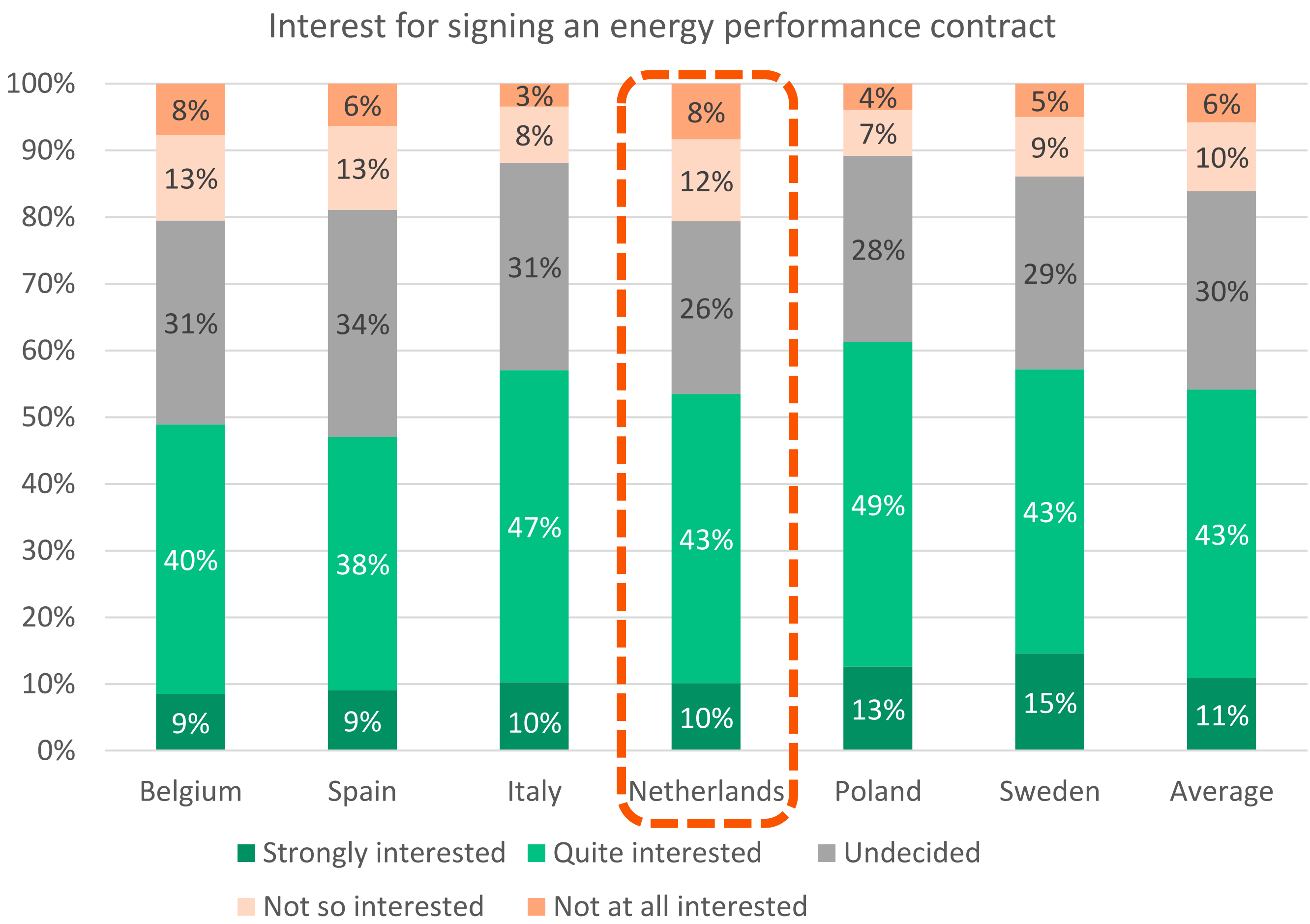
Interest for Energy Performance Contracts

Cross-country:

- ✓ In all countries, a majority of respondents are interested into Energy performance Contracts that make energy service companies finance a change/purchase of energy device in exchange of rights on future energy bills
- ✓ It shows a high potential for this uncommon and largely unknown financing scheme

Country-specific:

- ✓ In the Netherlands, the interest for the scheme is very similar to the European average



PART III: Estimating market sizes for sustainable finance products

Estimating market sizes for green financial products

Methodology

- ✓ Based on interest for sustainable finance products stated in our quantitative survey and holdings of financial products by European households, we propose in this section an estimate of the market potential for various green financial solutions.
- ✓ We distinguish market potential for products held i) in direct, ii) through investment funds or via iii) life insurance or iv) pension funds.
- ✓ For the last two categories, it is important to note that the calculations imply that the fund managers reflect in their asset allocation the sustainability preferences of their beneficiaries. This supposes that those preferences are carefully collected.
- ✓ When the granularity of data regarding the asset allocation of financial assets held directly or indirectly by households was insufficient, we had to make assumptions.
- ✓ The following four slides display the data that could be gathered from official sources (ECB, EIOPA, OECD) and their (lack of) granularity
- ✓ The assumption made to overcome the lack of granularity for holdings of households via investment funds is the following:
  - ✓ The asset allocation of household holdings of investment funds is the same as the overall asset allocation of (non-money market) investment funds of the country (as documented by Eurostat/ECB)
- ✓ The assumptions made to overcome the lack of granularity for holdings of households via pension funds are the following:
  - ✓ Real estate, private equity and infrastructure account for respectively 35%, 25% and 15% of “other investments” by pension funds
  - ✓ Sweden, for which look-through data is missing for holdings via investment funds, is assumed to apply the same asset allocation as the average of the other five EU countries

Financial assets of European households

In Bn euros (as of end 2021)	Currency and deposits	Debt securities and loans	Listed shares	Unlisted shares	Investment fund shares	Life insurance and annuities entitlements	Pension entitlements	Others	Total
Belgium	469.664	28.820	90.947	173.323	272.599	193.837	124.784	186.768	1,540.741
Spain	1,017.315	11.286	109.037	132.120	410.739	188.584	188.423	588.241	2,645.745
Italy	1,588.402	240.636	137.770	623.448	763.328	886.679	258.934	545.381	5,044.578
Netherlands	529.272	4.820	49.377	300.453	111.910	186.716	1808.025	81.445	3,072.018
Poland	306.159	15.871	21.931	23.398	31.411	14.616	50.630	138.562	602.578
Sweden	241.202	5.090	169.343	261.094	181.434	129.426	588.904	398.040	1,974.533

As % of total household financial assets	Currency and deposits	Debt securities and loans	Listed shares	Unlisted shares	Investment fund shares	Life insurance and annuities entitlements	Pension entitlements	Others	Total
Belgium	30.5%	1.9%	5.9%	11.2%	17.7%	12.6%	8.1%	12.1%	100%
Spain	38.5%	0.4%	4.1%	5.0%	15.5%	7.1%	7.1%	22.2%	100%
Italy	31.5%	4.8%	2.7%	12.4%	15.1%	17.6%	5.1%	10.8%	100%
Netherlands	17.2%	0.2%	1.6%	9.8%	3.6%	6.1%	58.9%	2.7%	100%
Poland	50.8%	2.6%	3.6%	3.9%	5.2%	2.4%	8.4%	23.0%	100%
Sweden	12.2%	0.3%	8.6%	13.2%	9.2%	6.6%	29.8%	20.2%	100%

Source: ECB, Eurostat

Asset allocation in investment funds

Non-money market funds (as of end 2021)	Currency and deposits	Loans and debt securities	Listed shares	Unlisted shares	Investment fund shares	Others	Total
Belgium	2.5%	15.9%	46.0%	0.0%	34.9%	0.8%	100.0%
Spain	10.8%	34.2%	17.6%	3.9%	32.1%	1.4%	100.0%
Italy	10.5%	44.8%	19.7%	5.4%	18.9%	0.6%	100.0%
Netherlands	1.4%	24.4%	48.8%	5.8%	18.2%	1.4%	100.0%
Poland	5.2%	49.1%	13.5%	2.2%	6.1%	23.9%	100.0%
Sweden	3.4%	16.1%	73.4%	0.4%	5.5%	1.2%	100.0%

Source: ECB, Eurostat

Asset allocation in life insurance

In % of total assets (as of end 2022)	Belgium	Spain	Italy	Netherlands	Poland	Sweden
Government bonds	16.6%	46.6%	32.8%	17.0%	37.7%	1.3%
Corporate bonds	21.3%	22.8%	14.3%	10.8%	2.4%	4.9%
Equity	13.1%	2.2%	2.4%	6.4%	4.4%	22.4%
Collective Investment Undertakings	21.7%	16.8%	47.0%	29.3%	44.1%	63.2%
1 Equity funds	*1.8%*	*6.9%*	*18.8%*	*5.2%*	*12.3%*	*27.8%*
2 Debt funds	*8.0%*	*2.2%*	*15.8%*	*7.3%*	*19.7%*	*7.1%*
3 Money market funds	*1.2%*	*1.7%*	*2.2%*	*0.9%*	*2.9%*	*0.7%*
4 Asset allocation funds	*0.1%*	*4.3%*	*4.1%*	*8.8%*	*7.9%*	*17.7%*
5 Real estate funds	*0.2%*	*0.1%*	*2.3%*	*3.8%*	*0.3%*	*0.1%*
6 Alternative funds	*0.0%*	*0.3%*	*1.5%*	*0.1%*	*0.1%*	*1.0%*
7 Private equity funds	*0.1%*	*0.8%*	*0.3%*	*0.9%*	*0.0%*	*0.2%*
8 Infrastructure funds	*0.1%*	*0.2%*	*0.5%*	*0.3%*	*0.0%*	*0.0%*
9 Others	*10.3%*	*0.3%*	*1.4%*	*1.9%*	*0.8%*	*8.5%*
Structured notes	0.2%	4.8%	1.1%	0.0%	1.9%	0.6%
Collateralised securities	0.0%	0.5%	0.6%	1.8%	0.0%	0.0%
Cash and deposits	4.4%	5.0%	1.3%	4.8%	3.6%	6.2%
Mortgages and loans	19.9%	0.6%	0.3%	26.8%	4.7%	1.5%
Property	2.8%	0.7%	0.1%	1.6%	1.1%	0.0%
Other investments	0.0%	0.0%	0.0%	1.6%	0.0%	0.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: EIOPA Insurance Statistics

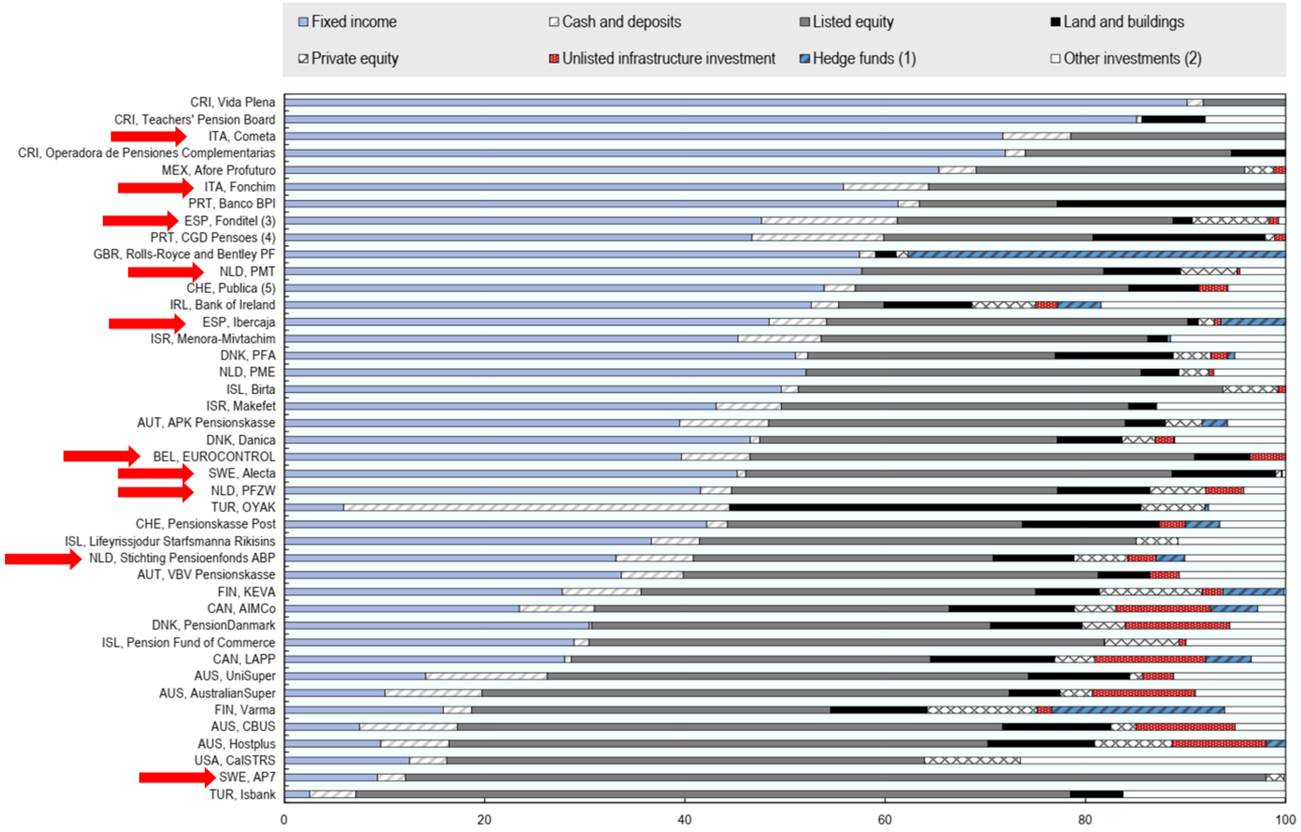
Asset allocation in pension funds

In % of total assets (as of end 2021)	Equities	Bills and bonds	Cash and deposits	Collective Investment Schemes (when look-through unavailable)	Other
Belgium	49.7	43.2	2.4	..	4.7
Spain	31.9	48.4	7.5	..	12.2
Italy	25.1	42.7	6.1	..	26.1
Netherlands	30.9	42.9	2.0	..	24.2
Poland	91.0	6.0	1.6	0.0	1.3
Sweden	13.8	9.1	0.7	73.1	3.3

Source: OECD Global Pension Statistics

Figure 1. Asset allocation of selected LPFs based in OECD countries, 2020

As a percentage of total investment



Source: OECD calculations based on responses to the OECD Survey of LPFs and PPRFs.

A mapping of green financial alternatives

As % of total household financial assets	Currency and deposits	Debt securities and loans	Listed shares	Unlisted shares	Investment fund shares	Life insurance and annuities entitlements	Pension entitlements	Others	Total
Belgium	30.5%	1.9%	5.9%	11.2%	17.7%	12.6%	8.1%	12.1%	100%
Spain	38.5%	0.4%	4.1%	5.0%	15.5%	7.1%	7.1%	22.2%	100%
Italy	31.5%	4.8%	2.7%	12.4%	15.1%	17.6%	5.1%	10.8%	100%
Netherlands	17.2%	0.2%	1.6%	9.8%	3.6%	6.1%	58.9%	2.7%	100%
Poland	50.8%	2.6%	3.6%	3.9%	5.2%	2.4%	8.4%	23.0%	100%
Sweden	12.2%	0.3%	8.6%	13.2%	9.2%	6.6%	29.8%	20.2%	100%

Green alternatives for the existing assets held by European households

- Green Saving Accounts

- Green (equity and debt) crowdfunding

- Green Bond Funds
- Low Carbon Equity Funds
- Green Thematic Equity Funds
- Green Real Estate funds
- Green Private Equity Funds
- Green Infrastructure Funds

Market potential for green retail financial products held in direct or through investment funds

Methodology: to estimate the market potential for green financial solutions, we compute the product of the holdings of conventional financial products by the percentage of people interested in switching to the relevant green alternatives according to the quantitative survey (see figures in section IV.2)

	Assets held in direct		Assets held via investments funds					TOTAL
In Bn euros	Deposits in green saving accounts	Green (equity and debt) crowdfunding	Green bond funds	Low carbon equity funds	(RE thematic equity funds)*	Green real estate funds	Green PE funds	
Belgium	251.706	88.437	43.915	92.398	(19.487)	2.835	1.512	480.803
Spain	533.848	60.691	112.252	67.024	(14.749)	4.188	8.548	786.551
Italy	897.530	489.465	256.983	129.695	(27.612)	4.743	24.609	1803.025
Netherlands	263.048	135.802	18.854	33.395	(7.708)	924	3.141	1378.24
Poland	181.858	21.017	10.892	3.300	(661)	2.125	0.413	219.605
Sweden	144.721	137.903	21.795	88.968	(19.558)	0.871	0.568	394.826
TOTAL EU-6	**2,272.711**	**933.315**	**464.691**	**414.780**	**(89.775)**	**15.686**	**38.791**	**4,139.974**

Remark: renewable energy thematic equity funds are capped at 20% of total allocation to stocks due to their lack of sector diversification. Their market potential overlaps with that for low carbon equity funds. Consequently, they do not participate to the sum of total market potential.

Cross-country:

- ✓ Green deposits have by far the highest potential due to the importance of deposits within household wealth. They could represent up to EUR 2272 billion across the six countries.
- ✓ The potential for green crowdfunding may be significantly upwardly biased due to the probable significant fraction of holdings of unlisted shares that relate to professional wealth and, could not be swapped for crowdfunding equity
- ✓ The potential for green bond funds held in direct is strong but still lower than its potential within life insurance and pension funds. In total, it amounts to
- ✓ Despite a superior popularity, green thematic equity funds are constrained in their deployment compared with low carbon equity funds because of the limits posed by their lack of sector diversification. According to our estimates, they could reach a total of EUR 89 billion versus EUR 415 billion for low-carbon funds.

Country-specific:

- ✓ In the Netherlands, the market potential for green financial products held in direct or through investment funds is limited by the very large fraction of financial wealth held through pension funds (58%) and by the milder appetite for green solutions compared to other countries

Market potential for green retail financial products held through life insurance

Methodology: to estimate the market potential for green financial solutions, we compute the product of the holdings of conventional financial products by the percentage of people interested in switching to the relevant green alternatives according to the quantitative survey (see figures in section IV.2)

In Bn euros	Assets held via life insurance						
	Green bonds (in direct or via funds)	Low carbon equity funds	(RE thematic equity funds)*	Green real estate (in direct or via funds)	Green PE funds	Green infrastructure funds	TOTAL
Belgium	50.290	17.301	(3.649)	2.880	0.076	0.058	70.605
Spain	80.677	10.249	(2.255)	0.622	0.649	0.172	92.369
Italy	363.213	125.550	(26.729)	11.060	1.592	2.403	503.818
Netherlands	35.711	11.860	(2.737)	5.017	0.767	0.306	53.661
Poland	5.921	1.662	(0.333)	0.105	0	0	7.688
Sweden	11.432	42.374	(9.315)	0.088	0.167	0.002	54.063
TOTAL EU-6	**547.244**	**208.995**	**(45.019)**	**19.772**	**3.252**	**2.941**	**782.204**

Remark: renewable energy thematic equity funds are capped at 20% of total allocation to stocks due to their lack of sector diversification. Their market potential overlaps with that for low carbon equity funds. Consequently, they do not participate to the sum of total market potential.

Cross-country:

- ✓ Across countries, green bonds exhibit the strongest potential in relation to the dominance of bonds in life insurance portfolios
- ✓ Then come listed equity solutions
- ✓ Alternative investments (real estate, PE and infrastructure) have constrained potential due to their limited current weighting in life insurance portfolios

Country-specific:

- ✓ In the Netherlands, the market potential for green financial products held through life insurance is limited by the very large fraction of financial wealth held through pension funds (58%) and by the milder appetite for green solutions compared to other countries

Market potential for investments held through pension funds

Methodology: to estimate the market potential for green financial solutions, we compute the product of the holdings of conventional financial products by the percentage of people interested in switching to the relevant green alternatives according to the quantitative survey (see figures in section IV.2)

	Assets held via pension funds						
In Bn euros	Green bond funds	Low carbon equity funds	(RE thematic equity funds)*	Green real estate funds	Green PE funds	Green infrastructure funds	TOTAL
Belgium	30.500	37.210	(7.848)	1.007	0.709	0.423	69.849
Spain	54.469	35.957	(7.912)	3.543	2.393	1.519	97.881
Italy	72.077	43.461	(9.253)	11.864	8.982	5.006	141.39
Netherlands	422.041	307.043	(70.868)	76.868	47.856	32.273	886.081
Poland	2.054	31.476	(6.302)	0.121	0.089	0.053	33.793
Sweden	137.204	173.051	(38.042)	16.035	11.641	6.553	344.484
Total EU-6	**718.344**	**628.198**	**(140.225)**	**109.437**	**71.671**	**45.828**	**1,573.478**

Remark: renewable energy thematic equity funds are capped at 20% of total allocation to stocks due to their lack of sector diversification. Their market potential overlaps with that for low carbon equity funds. Consequently, they do not participate to the sum of total market potential.

Cross-country:

- ✓ Across countries, in pension funds market potential are of the same magnitude for green bonds and listed equity green solutions
- ✓ Total market potential for alternative green investments represent around a third of such a potential

Country-specific:

- ✓ Netherlands account for 50% to 70% of EU-6 total market potential for green financial solutions within pension funds (while representing only 20% of total household financial wealth) due to a much higher fraction of financial wealth held through pension funds in comparison with other countries.

Wrap-up message

Wrap-up message

Cross-country

- ✓ A general lack of knowledge but an interest for and a positive attitude towards sustainable finance (solutions)
- ✓ A high level of heterogeneity in beliefs and motivations across people, with some regularities:
  - ✓ Between 40% and 60% of retail investors want to have impact
  - ✓ The most common profile is the “I want it all” profile
- ✓ A limited ownership of green financial solutions
- ✓ A very frequent attitude-behavior gap, to be connected to the lack of knowledge, information costs and a low level in trust
- ✓ A large variety of perceptions of what “impact funds” are but a more consensual perception about what they should be
- ✓ Despite the recent takeoff, an untapped potential for many green retail investment or borrowing solutions
  - ✓ Due to current asset allocations of financial investments held in direct or via intermediaries, market potentials are most often highest for deposits in green saving accounts and green bond funds

Country-specific

- ✓ We could identify a less positive attitude towards sustainable finance in the Netherlands than anywhere else. Respondents are:
  - ✓ Less convinced that financial investments are an appropriate way to express one’s values
  - ✓ Less interested into expressing their values through their savings and, even less, into trying to have impact
  - ✓ Less willing to finance the green energy transition and to switch to greener financial alternatives
  - ✓ Less prone to abandon returns for going into greener solutions
  - ✓ Less interested in the possibility of voting on climate issues at shareholder annual general meetings
- ✓ Due to this superior reservation towards sustainable and green financial solutions, the distribution of sustainability profiles in the Netherlands is significantly different from the European average with fewer respondents wanting it all and more with no clear profile or targeting value-alignment only.
- ✓ A major result of the market estimate is that Netherlands account for 50% to 70% of EU-6 total market potential for green financial solutions within pension funds (while representing only 20% of total household financial wealth) due to a much higher fraction of financial wealth held through pension funds in comparison with other countries. Therefore, ensuring that pension funds carefully translate into their asset allocations the sustainability motivations of their beneficiaries is key for accelerating growth of sustainable finance in the Netherlands.

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Author: Mickael Mangot

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