



# Eastern promises

Demand, supply and distribution of sustainable financial products in Bulgaria, Estonia and Romania

## About the Sustainable Finance Observatory

Sustainable Finance Observatory is an internationally recognised think tank focusing on mobilising private financing for the transition.

The association is the result of a merger between the "Observatoire de la finance durable", an initiative of the French Finance Minister, and the think tank 2° Investing Initiative.

The mission is to support changes in financial practices among economic actors, driving their impact toward a sustainable societal model. The think tank adopts a pragmatic approach based on studies, tools and methodologies to directly benefit these economic actors and make a real impact on the economy.

Sustainable Finance Observatory focuses its activities including programmes, studies, research, capacity building, expertise, coordination of coalitions, data analysis on three core pillars: Transparency and Data, a Research Centre, and Advocacy and Awareness.

### Authors:

Ana Rivera Moreno, David Cooke, Nicola Koch

### Acknowledgements:

Many thanks to our implementing partners in Bulgaria, Estonia and Romania for carrying out the research activities which underpin the thematic insights contained in this report. These include the Association of Bulgarian Investor Relations Directors (ABIRD), Institute of Baltic Studies (IBS), Institutul de Studii Financiare and the Association of Romanian Financial Services Users (AURSF).

*This project is part of the European Climate Initiative (EUKI) of the German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN).*

Supported by:



Federal Ministry  
for the Environment, Climate Action,  
Nature Conservation and Nuclear Safety



European  
Climate Initiative  
EUKI

on the basis of a decision  
by the German Bundestag

# Executive Summary

This report illustrates a coherent picture of the barriers preventing retail sustainable finance from realising its potential in parts of Central and Eastern Europe. The five thematic trends identified for Bulgaria, Estonia and Romania point to a common structural challenge: retail investors in these Member States want to invest sustainably, but the market conditions required to translate this demand into real capital flows are not yet in place.

1. Across all three countries, awareness of sustainable financial products is high and future investment intentions are strong, yet current allocation remains low. In addition, an attitude-behaviour gap is prevalent in the countries. We consider that this gap is not driven by a lack of interest on the part of retail investors but by frictions elsewhere in the retail investment chain.
2. Retail investors consistently express strong sustainability objectives for both value alignment and impact. This prevalence of impact and value-alignment sustainability objectives points to a significant untapped market potential for sustainable financial products if this stated intention to invest in sustainable financial products can be effectively leveraged.
3. But widespread evidence of retail investor misunderstanding of key concepts, especially around impact mechanisms and the real-world effects of sustainable financial products, undermines this potential.
4. Limited availability of sustainable financial products, particularly Article 9 funds, amplifies this problem. Compared with countries having larger financial markets, retail investors in Bulgaria, Estonia and Romania have access to only a fraction of the sustainable product universe. This constrains real choice by retail investors and inhibits local sustainable financial product innovation - and consequently limits the ability of financial institutions in these countries to comply meaningfully with EU product governance and suitability requirements.
5. The financial advisory process is not functioning as the regulatory framework intended. The evidence suggests that retail investors in these countries face a relatively lower quality sustainability advisory process compared with the EU average. Advisors rarely initiate discussions on sustainability preferences, and where these discussions do take place, competence on sustainable finance topics is markedly lower than on conventional investment matters. As a result, sustainability preferences are not systematically elicited and are not factored into financial product recommendations.

The limited availability of sustainable financial products and the poorer results in relation to the financial advice process and competence of financial advisors raise concerns about a dual-speed development of EU retail sustainable finance. It may be the case that Member States with smaller and less mature financial markets lag behind the expectations embedded in EU regulatory reforms. If EU policy is designed primarily around large Western markets, then smaller markets of Central and Eastern Europe risk being structurally unable to comply. For the EU sustainable finance framework to achieve its objective of mobilising retail capital towards sustainable economic activities, policy must explicitly recognise and address these asymmetries.

In summary, the evidence from Bulgaria, Estonia and Romania shows that retail investor demand for sustainable finance exists but market conditions prevent this demand from being realised. Without correcting these structural imbalances, the promise of retail sustainable finance in the EU will remain unevenly distributed, and significant volumes of retail investor capital will be misallocated.

# Contents

1.	Introduction .....	5
2.	Awareness and current allocation to sustainable financial products.....	7
3.	Sustainability and financial objectives (value alignment, impact and returns).....	8
3.1.	Investor objective profiles .....	9
3.2.	What proportion of retail investors want value alignment? .....	9
3.3.	What proportion of retail investors want impact? .....	10
3.4.	What proportion of retail investors prioritise returns? .....	12
4.	Retail investor sustainable finance literacy .....	12
5.	Availability of sustainable financial products.....	13
6.	Financial advisory practices .....	16
7.	Policy recommendations .....	19
8.	Conclusion .....	21
	References .....	23



# 1. Introduction

The 2018 *Action Plan on Financing Sustainable Growth* aimed to reorient capital flows towards sustainable investment, manage financial risks stemming from environmental and social challenges, and foster transparency and long-termism in financial and economic activity.<sup>1</sup> A key feature of this Action Plan was the inclusion of a package of regulatory changes to help mobilise EU retail investment towards supporting sustainable economic activities. These retail investment focussed regulatory changes included establishing the Sustainable Finance Disclosure Regulation<sup>2</sup> (**SFDR**) and changes to MiFID II<sup>3</sup> and the Insurance Distribution Directive<sup>4</sup> (**IDD**) to introduce a mandatory assessment of client *sustainability preferences* into the financial advice process.

Retail investors are therefore increasingly recognised as crucial contributors to the sustainable finance agenda. Through ensuring that client sustainability preferences are integrated into financial product recommendations in the financial advice process, this can support and incentivise large institutional investors to adopt climate and ESG strategies in their own investment decisions.

Between 2017-2025, the Sustainable Finance Observatory (**SFO**) has conducted one of the largest European research programmes on the demand, distribution and supply of sustainable financial products across 14 Member States.<sup>5</sup> The primary focus of this research programme is to investigate whether the above regulatory changes have succeeded in aligning financial advice, product supply and retail investor demand with the objective of reallocating capital toward sustainability.

SFO's recent meta report<sup>6</sup> summarises this market research across the 14 Member States. The key findings of this research show three broad trends: (1) a strong retail investor demand for sustainable financial products and a corresponding untapped market potential for sustainable financial products; (2) a deficient financial advisory process meaning that retail investor demand for sustainable financial products is not leveraged effectively; and (3) a structural misallocation of impact-oriented retail investor capital.

These key findings are broadly apparent at EU level and at national level in the countries where research was conducted. Nevertheless, the local context can vary across the countries where these regulatory changes have taken place. Differences can relate to the main sustainability topics which retail investors are concerned about and their average level of understanding of sustainable investment, the overall demand for sustainable investment and the corresponding supply of sustainable investment opportunities. These country level differences are highly relevant to understanding the degree to which the EU regulatory changes have been implemented and the extent to which the desired level of harmonisation has been achieved across the EU.

This concern is particularly relevant for Member States in Central and Eastern Europe. This report aims to synthesise data and insights from three national studies conducted in Bulgaria, Estonia and Romania exploring the demand side and the supply side of retail sustainable investment. These national studies were conducted by implementing

---

<sup>1</sup> European Commission, 2018, *Action Plan: Financing Sustainable Growth*

<sup>2</sup> Regulation (EU) 2019/2088

<sup>3</sup> Directive 2014/65/EU

<sup>4</sup> Directive 2016/97/EU

<sup>5</sup> SFO has made most of the methodologies and data publicly available on [github.com/SFObservatory/Data.SFO](https://github.com/SFObservatory/Data.SFO)

<sup>6</sup> SFO, 2025, *Mind the Gap: Why European retail investors don't get what they want*

partners in each of these countries which had been trained in the research methodologies and protocols which SFO developed and implemented in its own research programme.

This report presents these insights as five thematic trends which are observable from the in country research. Where possible we try to compare these thematic trends observable in Bulgaria, Estonia and Romania with the earlier SFO meta report – however it should be noted that the specific focus of research by implementing partners, the construction of country-specific samples and differing question frames mean some metrics are not directly comparable. This also means that not all results from individual country reports are comparable across countries.<sup>7</sup>

These thematic trends offer a comprehensive view of how retail sustainable finance is perceived, misunderstood and constrained – and what can be done to unleash its potential.

---

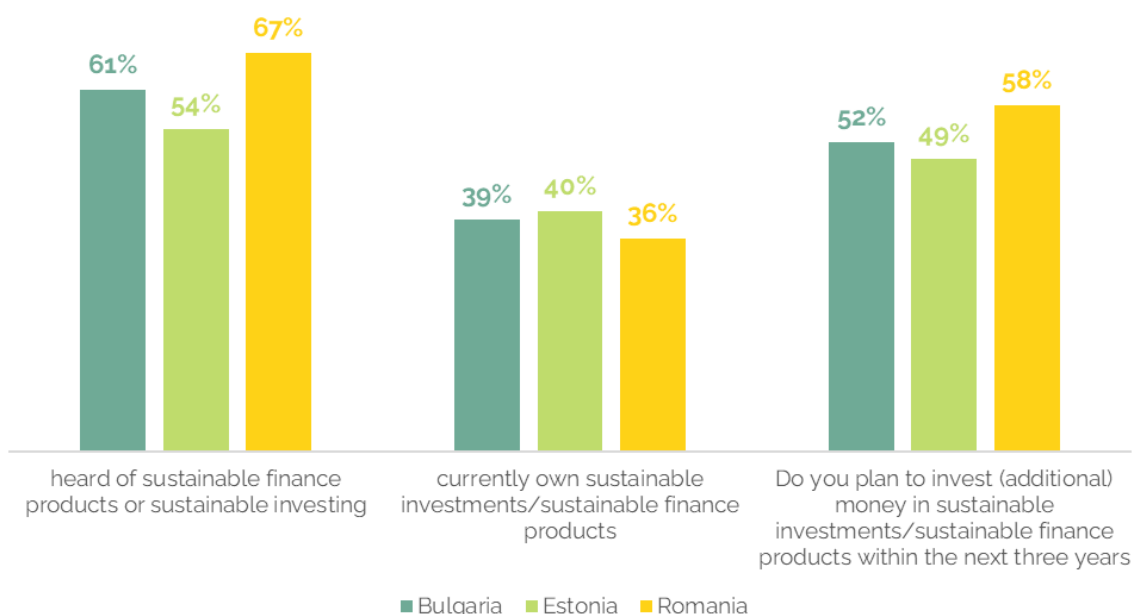
<sup>7</sup> Further details on the precise methodological approach used by each implementing partner is available in their own research papers.

## 2. Awareness and current allocation to sustainable financial products

In all three countries, a significant proportion of retail investors have heard of sustainable financial products or sustainable investing – ranging from 54% in Estonia, 61% in Bulgaria to 67% in Romania. However, actual ownership of sustainable investments or sustainable financial products is far lower – ranging from 36% in Romania, 39% in Bulgaria to 40% in Estonia.

While actual investment in sustainable financial products is low in comparison to the level of awareness, the proportion of retail investors which plan to invest in sustainable investments or sustainable financial products within the next three years is significantly higher - ranging from 49% in Estonia, 51% in Bulgaria to 58% in Romania. It is also worth noting that survey results for participants with higher net worth (where available) show higher awareness and ownership of sustainable financial products and slightly stronger intent (for example, in Estonia 57% of higher net worth participants plan to invest in the next three years compared to 49% as referred to above).

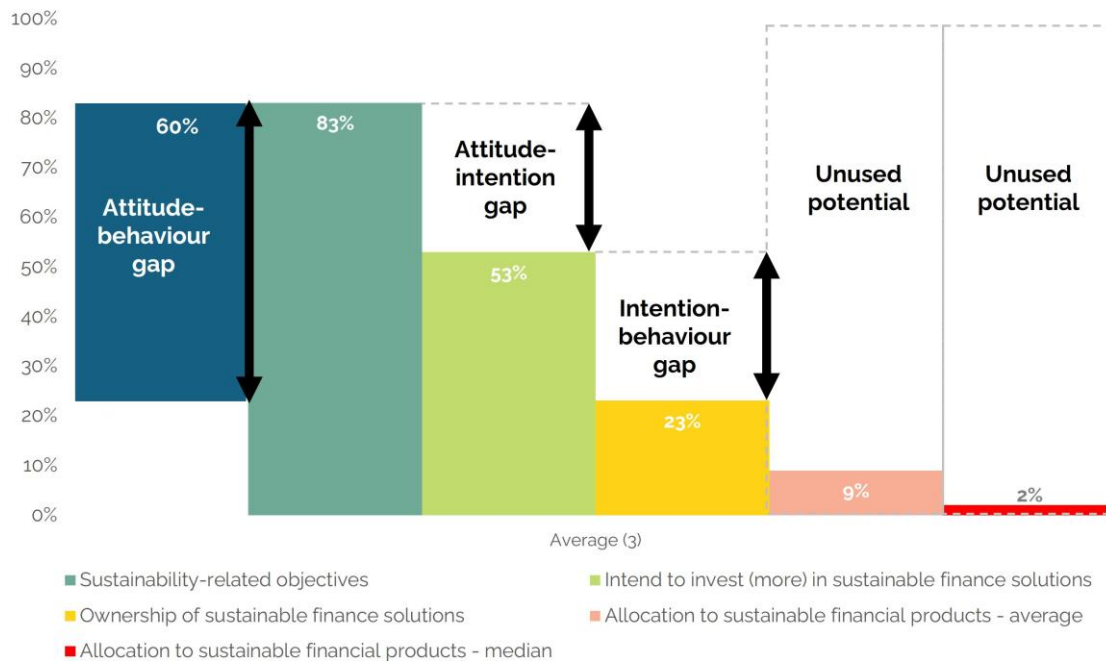
**Figure 1: Retail investor awareness of, current allocation to and plans to invest in sustainable financial products in the next 3 years**



In addition, the presence of the attitude behaviour gap that SFO observed in other Member States is similarly evident in Bulgaria, Estonia and Romania. The attitude-behaviour gap in sustainability contexts describes the discrepancy between an individual's stated positive attitude toward sustainability and their actual behaviour. This phenomenon is extensively documented in consumer behaviour research. Numerous studies highlight that ethical convictions by individuals do not necessarily translate into environmentally or socially responsible consumption patterns. For example, consumers may express concern for labour standards yet purchase inexpensive clothing or claim to value animal welfare yet choose the most affordable meat options. This inconsistency is also observable in personal finance decisions where a divergence can be found between retail investors' expressed interest in sustainable finance and the actual composition of

their investment portfolios. It is also worth noting that research in sustainable consumption suggests splitting the attitude behaviour gap in two distinct phases: an *attitude-intention gap* and an *intention-behaviour gap*. This distinction helps to pinpoint the various frictions along the path from attitudes to concrete decisions.

**Figure 2: Illustration of the aggregate attitude-behaviour gap across Bulgaria, Estonia and Romania**



This points to a significant untapped market potential for sustainable financial products if this stated intention to invest in sustainable financial products can be effectively leveraged. Nevertheless, as things currently stand, deficiencies associated with the supply side for sustainable financial products are preventing growth in this market in all three countries.

### 3. Sustainability and financial objectives (value alignment, impact and returns)

When investing in financial products, retail investors may be driven by both financial and sustainability objectives. Financial objectives typically involve the pursuit of returns and minimising risk while acknowledging the traditional trade-off: the higher the risk, the higher the potential return. On the other hand, sustainability objectives are increasingly categorised by regulators, industry organisations and academics as being related to either:

- **Value-alignment:** Aiming to align investments with ethical principles, regardless of whether their actions result in real-world impact. Such alignment can be operationalised through negative screening (excluding companies or sectors that conflict with personal values) and/or positive screening (including only companies that reflect personal values).
- **Impact:** Seeking to have a causal, positive impact in the real world through their investments. This form of motivation underlies impact-generating strategies, which have the potential to achieve (additional) change in investee companies' economic activities.



### 3.1. Investor objective profiles

The aggregated results on the financial and sustainability objectives for retail investors in Bulgaria, Estonia and Romania is shown in Figure 3 below. For each survey participant we aggregated the financial and sustainability objectives into one investor profile.

**Figure 3: Investor objectives profiles across Bulgaria, Estonia and Romania**

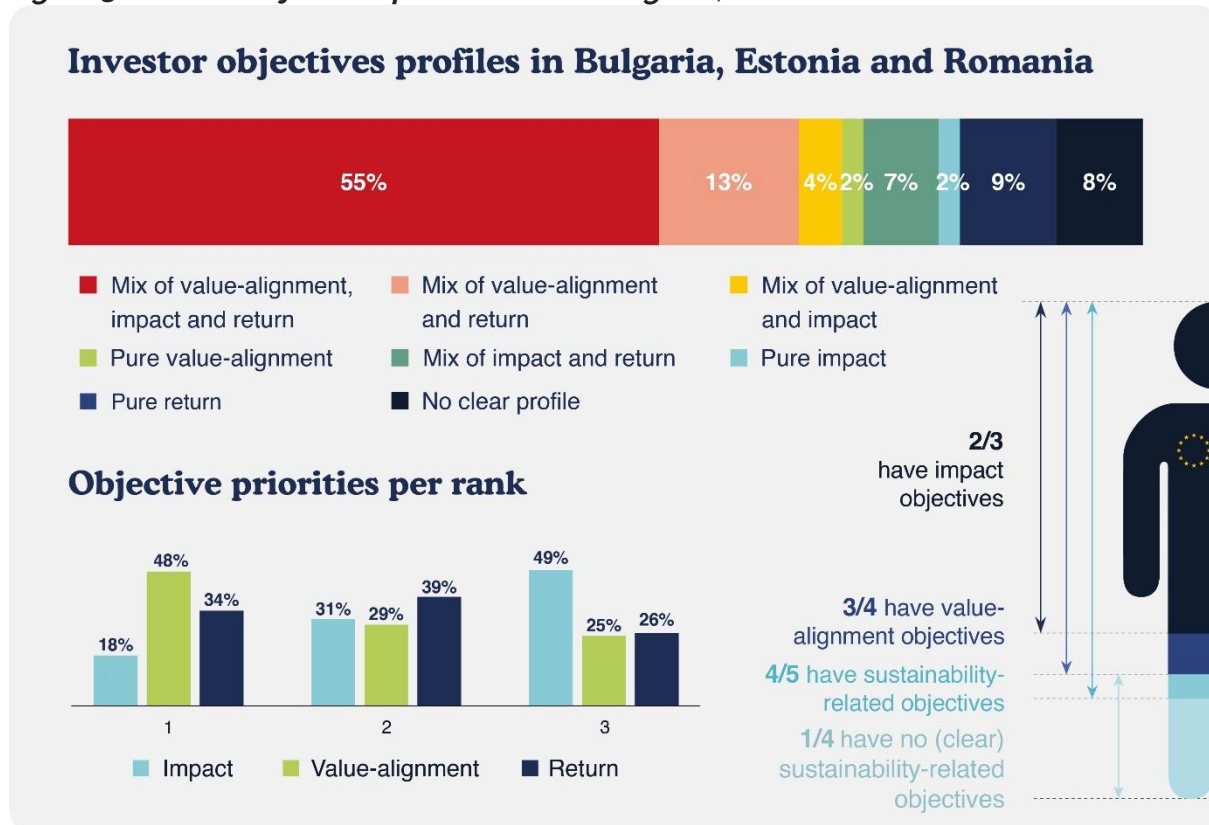


Figure 3 shows that there are similarities in the relative proportions of different investor objective profiles in Bulgaria, Estonia and Romania compared to the EU average – but with some variability. Indeed, those retail investors who want to 'have it all' (that is value alignment, impact and return) is higher in Bulgaria, Estonia and Romania compared to the EU average (55% compared to 40%).<sup>8</sup>

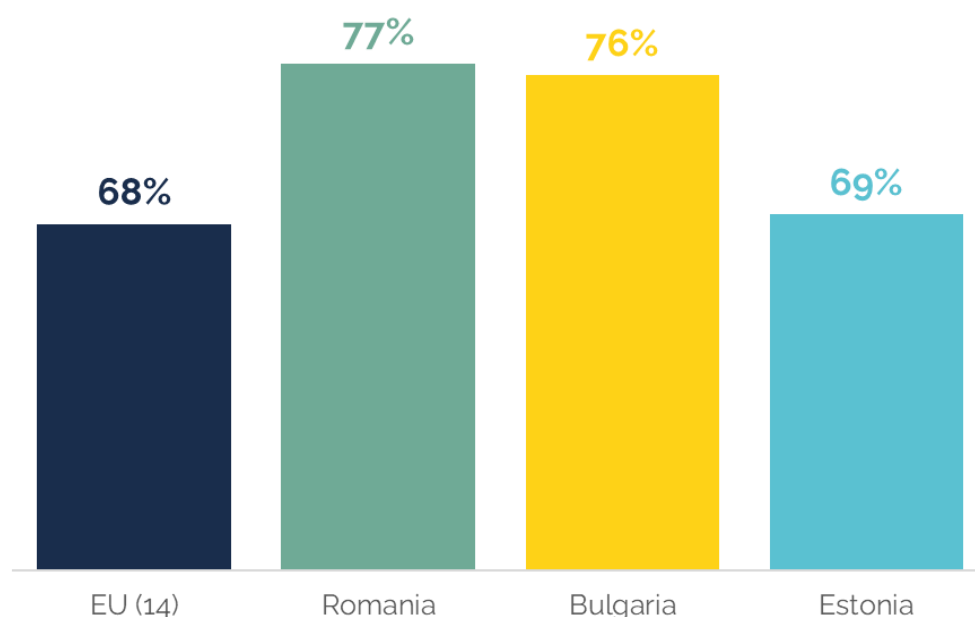
### 3.2. What proportion of retail investors want value alignment?

In relation to the value alignment sustainability objective, 50% of participants in Bulgaria either agree or strongly agree that financial investments are an appropriate way to express one's values. This figure stands at 44% for Estonia and 61% for Romania.

When it comes to whether retail investors have value alignment as a sustainability objective for their investments, 76% of retail investors in Bulgaria rank it as important or very important. And the equivalent result for Estonia is 69% and Romania is 77%.

<sup>8</sup> For further details on the EU average, please refer to SFO, 2025, *Mind the Gap: Why European retail investors don't get what they want*

**Figure 4: Proportion of retail investors who rank value alignment as a sustainability objective important or very important**



*Note: EU(14): Denmark, Estonia, Germany, Greece, Ireland, Romania, Czech Republic, Belgium, Italy, Netherlands, Poland, Spain, Sweden, France*

In terms of what value-alignment means in practice, qualitative material from Estonia shows that retail investors often interpret value alignment as filters (e.g. arms, tobacco, fossil fuels) and signals of ethics rather than primary drivers.<sup>9</sup> And across all countries, value alignment often coexists with a desire for impact which means that retail investor confusion around impact is a persistent theme (see Section 3.3). 57% of retail investors in Bulgaria (and 59% of retail investors in Romania) know there is a difference between the sustainability objectives of value alignment and impact (but 34% in Bulgaria and 32% in Romania do not). The Estonia research also notes persistent confusion between value alignment and impact.<sup>10</sup>

### 3.3. What proportion of retail investors want impact?

In relation to the impact sustainability objective, 71% of participants in Bulgaria rank it as important or very important. The equivalent result for Estonia is 55% and Romania is 79%. In Romania, impact is also emphasised in interviews, ~60–70% say impact & measurability are important with over 70% preferring a direct and visible impact such as financing a solar power plant or reducing carbon emissions and expressing a desire to use concrete indicators (e.g. the amount of emissions reduced, the number of jobs created) to evaluate the result.<sup>11</sup>

The aggregate results presented in SFO's meta report show that when we look across all investor profiles, 51% of retail investors want to have impact with their savings (mostly in combination with other investment objectives). Therefore, these results (together with those discussed in Section 3.1) reveal that the impact sustainability objective has an elevated level of prominence in each of Bulgaria, Estonia and Romania (albeit with some variation) compared to the EU average.

<sup>9</sup> Jurkov et al., 2025a, p.32

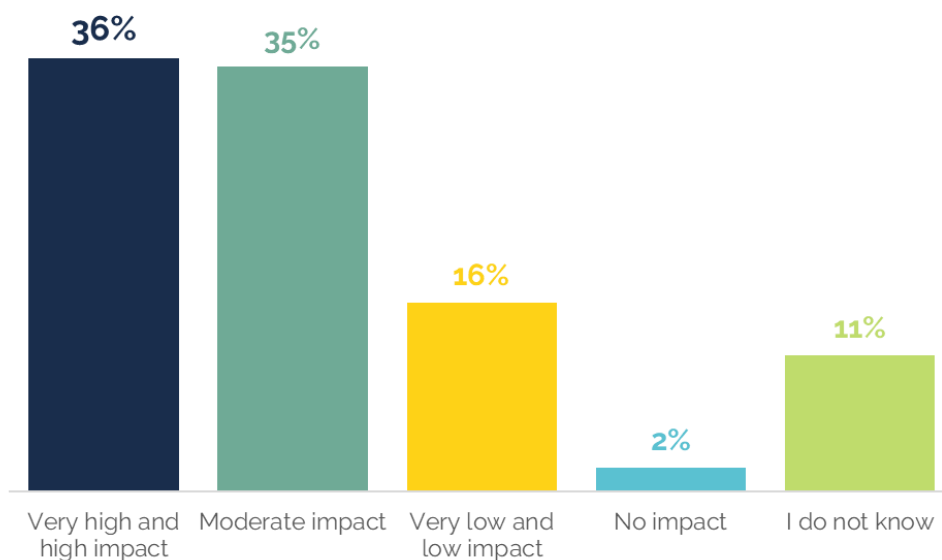
<sup>10</sup> Jurkov et al., 2025a, p.34-35

<sup>11</sup> ISF, 2025a, p.12

At the same time, the qualitative results indicate that the concept of investor impact may not be well understood by retail investors in these countries. All country reports cite confusion around what creates impact as a recurring brake. In Estonia, when asked about impact, while 29% correctly identified the intention to generate real-world change by applying sustainability criteria, a substantial share linked impact investing to traditional financial motives: 24% cited higher returns, 12% pointed to risk reduction, and 16% saw it as value-based investing rather than outcome-oriented.<sup>12</sup> In relation to the various ways in which investors can achieve impact in the real world (referred to as impact mechanisms), approximately 60% of participants in Bulgaria were not familiar with these impact mechanisms.<sup>13</sup>

One of the most common areas where misperceptions of impact can arise is in relation to whether investing in a low carbon-fund can achieve real world impact (e.g. by cutting GHG emissions). In fact, there is no empirical evidence that simply selecting low carbon stocks on secondary markets has a causal positive impact on investee company behaviour and therefore does not have a real world impact. However, when asked a question on this topic, 49% of participants in Bulgaria answered the question incorrectly by saying that investment in low carbon funds can cut GHG emissions (23% no and 29% don't know). For Estonia, these figures stand at 37% of participants answering this question incorrectly and in Romania, 59% incorrectly.

**Figure 5: How retail investors across Bulgaria, Estonia and Romania respond to the statement: An investment in a sustainable fund that relies on strict exclusion policies helps reduce real-world harm by avoiding companies linked to coal, tobacco, and breaches of global environmental and social norms.**



This indicates that many retail investors with an impact sustainability objective might fall for fund marketing claims which wrongly equates a low carbon footprint directly with reducing emissions in the real world.

<sup>12</sup> Jurkov et al., 2025a, p.34

<sup>13</sup> ABIRD, 2025a, p.15

### 3.4. What proportion of retail investors prioritise returns?

In Bulgaria, 52% of participants say return is important (33% very important). For Estonia, the results are fairly similar (49% as important, 32% as very important) and there is slight variability for Romania (50% important, 37% very important).

In terms of how the relationship between sustainable investment and returns is perceived, results in Estonia show that while 37% of participants expect lower returns; many are unsure. Meanwhile in Bulgaria and Romania the typical interpretation of this relationship could be characterised as mixed/uncertain rather than uniformly pessimistic. In Bulgaria, 35% of participants expect lower returns but most survey answers on whether sustainable returns differ from conventional are neutral/unknown (returns neutrality: 27%; "no statement": 25%).<sup>14</sup> For Romania, 38% fear lower or more volatile returns compared to conventional assets, yet others believe competitive returns over a long horizon are feasible.<sup>15</sup>

## 4. Retail investor sustainable finance literacy

While the previous sections have revealed a significant untapped market potential for sustainable financial products and the prevalence of impact and value alignment sustainability objectives among retail investors in Bulgaria, Estonia and Romania, there are persistent frictions which hamper this potential.

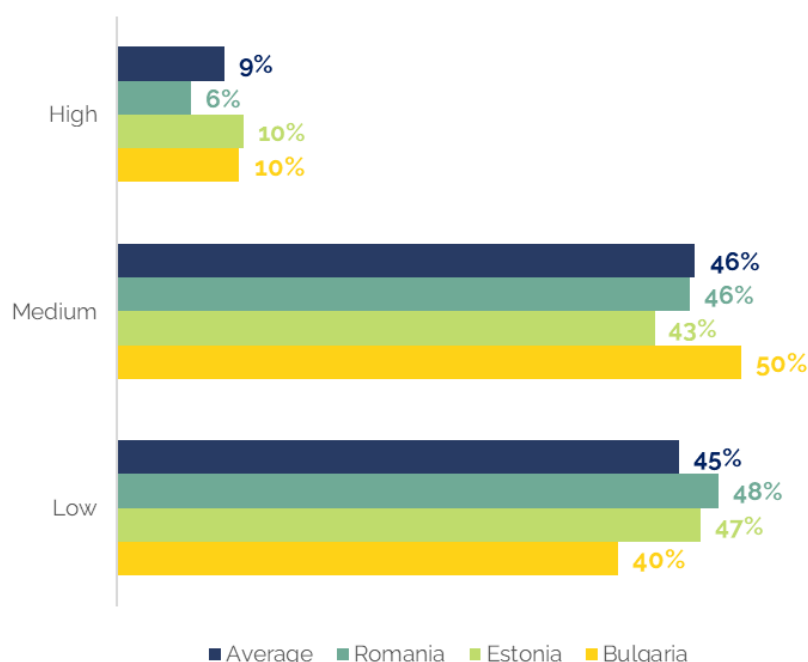
In addition to the previous comments about confusion between impact and value alignment, widespread knowledge gaps by retail investors were noted in all three countries. In Bulgaria, only 17% of participants could correctly decode ESG. In Estonia and Romania, the equivalent results were 19% and 11%. Meanwhile, only 18% of participants in Bulgaria, 39% of participants in Estonia and 23% of participants in Romania could explain what greenwashing means. Sustainability labels are a further area where poor knowledge and confusion are apparent – in all three countries only approximately 20% of participants were aware of the existence of certification labels. In Bulgaria, 44% cite lack of sufficient advice and 35% say they are poorly informed as reasons for not investing.

---

<sup>14</sup> ABIRD, 2025a, p.17

<sup>15</sup> ISF, 2025a, p.15

**Figure 6: Retail investor sustainable finance literacy in Bulgaria, Estonia and Romania compared to the EU average**



This of course points to the need for retail investor education/training and better advisor consulting to close these knowledge gaps. Results across all three countries indicated a strong desire by retail investors to learn more about sustainable investing. Rating the level of desire on a scale of 1-5 (with 5 indicating a very strong intention to learn), 47% in Bulgaria, 29% in Estonia and 64% in Romania indicate a desire to learn of 4 or above. The reports call for targeted educational campaigns that clarify core concepts such as ESG criteria, impact pathways and certification labels. Widespread low label awareness suggests an education push in this area, and the fact that across all three counties many retail investors conflate portfolio characteristics with real-world emissions outcomes indicates the need for using plain-language, mechanism-based disclosures and visuals.<sup>16</sup> The Estonia results emphasise that digital, self-guided channels dominate as the preferred means to enhance retail investor financial literacy with social media, forums, e-learning, then news/bank portals and in-person channels sitting near the bottom.<sup>17</sup>

## 5. Availability of sustainable financial products

Perhaps the most significant observation about the supply side of retail sustainable finance in Bulgaria, Estonia and Romania relates to the limited availability of sustainable financial products compared to other Member States.

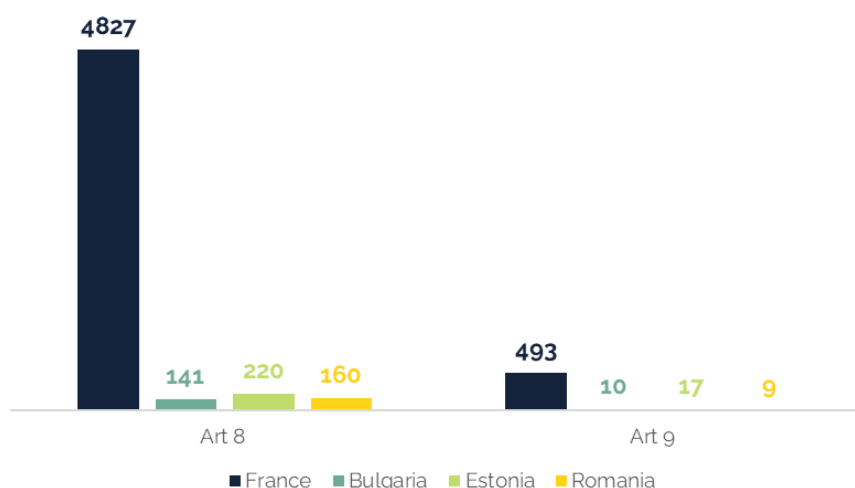
By way of illustration, according to the Lipper database (at the time of conducting the research) there were 17 Article 9 funds available to retail investors in Estonia. The equivalent figure for Bulgaria was 10 Article 9 funds, and there were 9 Article 9 funds available to retail investors in Romania. These are predominantly offered by large international asset managers. In contrast, the availability of Article 9 funds in France at the

<sup>16</sup> ISF, 2025a, p.19

<sup>17</sup> Jurkov et al., 2025a, p.28

same time was 493 funds. This limited availability of sustainable financial products for Bulgaria, Estonia and Romania is similarly acute when it comes to Article 8 funds.

**Figure 7: Number of Article 8 and 9 funds available to retail investors in Bulgaria, Estonia and Romania**



This shows that retail investor options for sustainable financial products are far more limited in Bulgaria, Estonia and Romania compared to other Member States. This limited choice has several consequences for other aspects of the supply of sustainable financial products and understanding whether the retail focussed regulatory changes have succeeded in aligning financial advice, product supply and retail investor demand with the objective of reallocating capital toward sustainability.

A small supply of Article 8 and 9 products means retail investors in these countries have fewer opportunities to align their investments with their sustainability objectives. Despite the fact that the relative proportion of different retail investor sustainability profiles in Bulgaria, Estonia and Romania are similar to what SFO has observed in other Member States (see Section 3.1), the limited availability will dampen the growth of impact oriented and value-aligned investing by preventing these retail investors from having exposure to these sustainable financial products.

Most of the Article 9 funds which are available in these counties are offered by large Western European asset managers, and the dominance of these funds means that there is limited local ESG financial product innovation. The dependence on foreign asset managers for sustainable investment options means that local financial institutions remain product distributors rather than product manufacturers. It also means that these markets with few Article 9 products may struggle to meet EU expectations on ESG product governance and compliance with the mandatory assessment of sustainability preferences during the suitability assessment (if advisers have almost no Article 9 funds to recommend, it is difficult to envisage how these regulatory expectations can be genuinely complied with). Indeed, as Section 6 of this report observes, this is very much the case in all three counties.

From a broader perspective, the absence of these funds in Bulgaria, Estonia and Romania entails less retail investor capital flows into local sustainable companies and projects. The knock-on consequences of this are that maturation of local ESG expertise is constrained,

there are less incentives for local companies to improve sustainability performance and national sustainability or transition goals may face financing gaps.<sup>18</sup>

When it comes to impact-oriented retail investors two further factors weaken the supply side of sustainable financial products and constrain the ability of this category of retail investor to invest in accordance with this sustainability objective.

The first factor relates to the presence of environmental impact claims appearing in financial product documentation and marketing materials which suggest a causality between an individual's action of investing and (direct or indirect) impact in the real world. Where environmental impact claims are misleading, this can weaken the supply side of sustainable financial products because it deceives retail investors and prevents them investing in financial products corresponding to their (impact-oriented) sustainability objective. It distorts competition between financial institutions and discourages research and innovation which dampens growth in the market for impact oriented financial products.

SFO's market review of environmental impact claims made by retail investment funds in Europe revealed that misleading marketing practices are widespread. Moreover, much of the reasoning and related marketing communications regarding the environmental impact of financial products and institutions are not substantiated by evidence or grounded in verifiable data.<sup>19</sup>

All three supply focussed country reports include analysis showing that misleading environmental impact claims are similarly prevalent in Bulgaria, Estonia and Romania. It should also be noted that these country reports note an increase in the number of funds making claims about social impact. While standalone social claims are currently absent (and generally appear bundled with environmental messaging<sup>20</sup>) they are rarely substantiated and this points to a clear need for further guidance and frameworks to ensure that these are not misleading. Combined with the observations about retail investor confusion about impact mechanisms (see Section 3.3) and concerns about advisor competence in relation to sustainable investment options, these findings highlight a high risk that impact-oriented retail investors in these countries receive unsuitable product recommendations.

The second factor relates to the limited availability of impact-generating financial products (in a similar fashion to limited availability of sustainable financial products generally). This limited choice was very apparent when it came to analysing the impact potential of financial products according to the Impact Potential Assessment Framework. In the IPAF pilot<sup>21</sup>, SFO analysed 108 products across the largest financial markets in Europe, with a coverage distribution of Germany (56), France (43), Switzerland (34), Spain (33), Sweden (30), and Ireland (28). In contrast, the analysis in Bulgaria, Estonia and Romania involved a significantly smaller sample size. An initial search identified 61 financial products with potential impact features. After a first review, only 27 products across Bulgaria, Estonia, and Romania were selected for assessment. Following a second review, the final database contained 14 products with 7 products available per country -

---

<sup>18</sup> Although financial allocation decisions depend on the asset manager and there may be additional in-country incentives which are not related to financial markets.

<sup>19</sup> Please see further analysis of this problem in SFO, 2025, *Mind the Gap*; SFO, 2023, *Market review of environmental impact claims*; SFO, 2021, *Sustainable finance and market integrity: promise only what you can deliver*; and SFO, 2022, *Fighting greenwashing ... what do we really need*

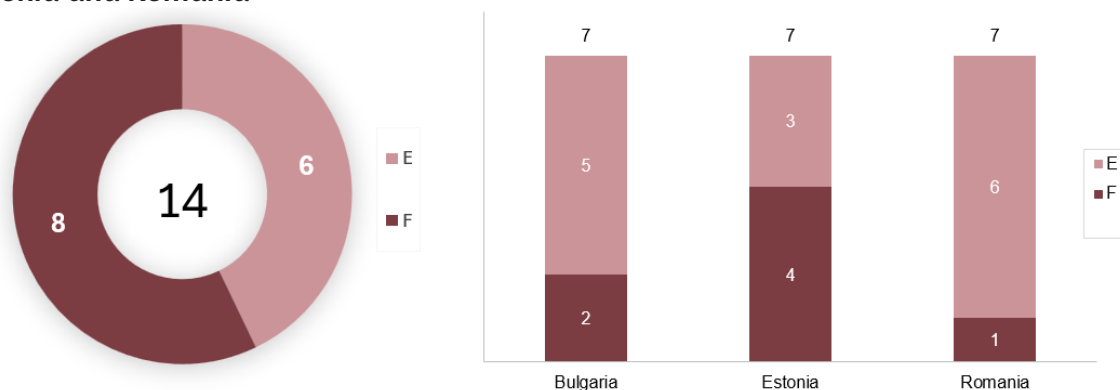
<sup>20</sup> Jurkov et al., 2025b, p.20

<sup>21</sup> SFO, 2022, *The Impact Potential Assessment Framework (IPAF) Pilot Test*



representing a considerable difference compared with the first analysis. Figure 8 presents the overall distribution of the selected products, showing that 8 products were attributed an E rating.<sup>22</sup>

**Figure 8: IPAF rating for impact generating financial products available in Bulgaria, Estonia and Romania**



The gap between availability of sustainable financial products in Bulgaria, Estonia and Romania compared to other Member States reflects a dual speed in development of the EU sustainable finance market. This contradicts the EU's ambition for a uniform Capital Markets Union, where all citizens have comparable access to sustainable financial opportunities.

## 6. Financial advisory practices

One of the key regulatory changes introduced following the Action Plan was the introduction of a mandatory assessment of client sustainability preferences into the financial advice process. This is perhaps the primary mechanism designed to help mobilise EU retail investment towards supporting sustainable economic activities and was implemented through changes to MiFID II and IDD as a top up to the assessment of investment objectives.<sup>23</sup>

Despite the legal obligation, SFO's mystery shopping campaigns<sup>24</sup> conducted between November 2022 and July 2023 revealed that in 57% of financial advice meetings, client sustainability preferences were not automatically assessed. The results also reveal a persisting variability in the level of regulatory compliance across different EU countries (ranging from 13% in Spain to 74% in Germany).

The mystery shopping results for Bulgaria, Estonia and Romania<sup>25</sup> corroborate this general finding of a poor level of regulatory compliance. During the in branch consultations in Bulgaria, while no quantified share of advisors raising the topic of sustainability unprompted is reported; the evidence indicates systematic non-

<sup>22</sup> The Impact Potential Rating goes from A (products with highest impact potential) to G (products with lowest impact potential).

<sup>23</sup> Investment firms should first satisfy the requirements to obtain the necessary information about the client's knowledge and experience in the investment field, ability to bear risks and investment objectives including risk tolerance. Once these requirements have been satisfied the suitability assessment can then proceed to assess client sustainability preferences.

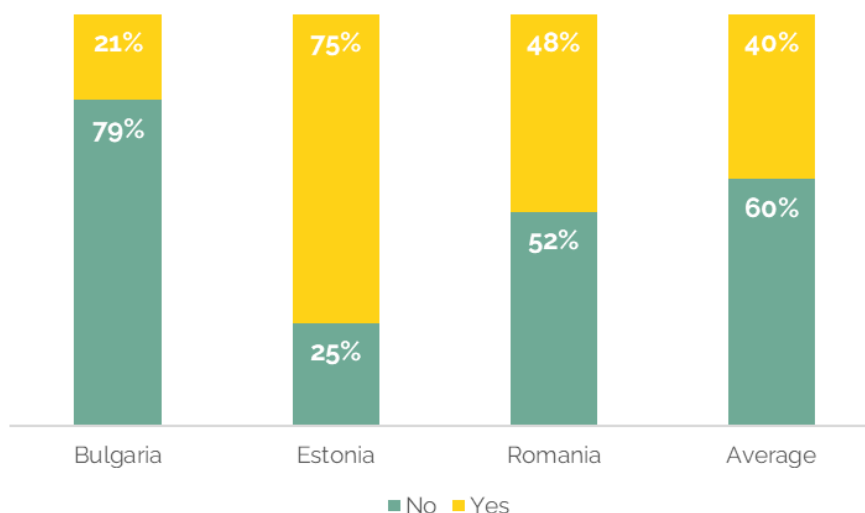
<sup>24</sup> Find the full mystery shopping questionnaires and (anonymised) data sets under "Mystery\_2022", "Mystery\_EEI\_2023" and "Mystery\_france\_2023" in [github.com/SFObservatory/Data.SFO](https://github.com/SFObservatory/Data.SFO)

<sup>25</sup> For further information on the approach used by implementing partners for mystery shopping research, please refer to the in country reports.



compliance.<sup>26</sup> In Estonia, 44% of advisors did not raise sustainability considerations on their own initiative and 75% of mystery shoppers had to steer the discussion themselves.<sup>27</sup> Advisors systematically not asking about sustainability preferences was also reported in Romania.<sup>28</sup>

**Figure 9: Proportion of financial advice meetings where the mystery shopper had to persuade the advisor to talk about sustainable investments**



These results lead to the conclusion that the level of regulatory compliance in relation to the assessment of sustainability preferences is at least as poor in these three countries as the EU average SFO noted in previous studies. While the regulatory changes articulate further requirements in relation to the process which must be followed to assess sustainability preferences, this metric as to whether an advisor brings up the subject of sustainability preferences without any prompting is the simplest indication of the level of regulatory compliance.

Alongside the requirement to assess sustainability preferences, investment firms must ensure and demonstrate to competent authorities on request that anybody giving investment advice has the necessary knowledge and competence.<sup>29</sup> Furthermore, they need to be able to demonstrate that they have in place 'adequate policies and procedures to ensure that they understand the nature, features, including costs and risks of investment services and financial instruments selected for their clients, including any sustainability factors.'<sup>30</sup>

Mystery shopper perception about the quality of advice and advisor capability was measured through a quality rating and was persistently lower for sustainability advice than for general advice. In Bulgaria, the results show ~40% satisfied with sustainability advice compared to ~85% for general advice.<sup>31</sup> In Estonia, the results are reported with a

<sup>26</sup> ABIRD, 2025b, p.6

<sup>27</sup> Jurkov et al., 2025b, p.32

<sup>28</sup> ISF, 2025b, p.15

<sup>29</sup> Art 25(1), MiFID II

<sup>30</sup> Commission Delegated Regulation (EU) 2021/1253 amending Art 54(9), Directive 2014/65/EU. In addition, Paragraph 106 *ESMA Guidelines on certain aspects of the MiFID II suitability requirements* states: 'Staff should also have the necessary knowledge and competence with regard to the criteria of the sustainability preferences [...] and be able to explain to clients the different aspects in non-technical terms. To that effect, firms should give staff appropriate training.'

<sup>31</sup> ABIRD, 2025b, p.11

competence rating (1-5 scale) with familiarity with sustainability information reported at 2.5 and general knowledge at 4.2.<sup>32</sup> In Romania, it was noted that 'most bank advisors are not very well-prepared regarding sustainable investments. In many cases, they did not spontaneously mention sustainable funds, and when I brought up the subject, the explanations were quite vague, usually limited to a basic definition of what a sustainable fund is.'<sup>33</sup>

Although difficult to compare directly, these results about the client perception of whether the advisor had a good understanding of sustainable finance concepts paint a worse picture compared to SFO's previous results where 80% of clients did not indicate any concerns.

**Figure 10: Overview of key thematic trends revealed by the mystery shopping campaign**

Country	Mystery shopper campaign coverage	Advisors raising sustainability preferences	Perception of advisor competence
Bulgaria	40 branch visits (5 banks)	Rarely; none formally documented	40% satisfaction on sustainability vs 85% general
Estonia	16 visits (4 banks)	44% no mention; 75% client-steered	Sustainability knowledge 2.5 vs 4.2 general
Romania	50 visits (6 banks)	Rarely; prompted by client	Friendly, but limited technical ability; explanations vague, few targeted recs

These results about the level of regulatory compliance in relation to advisors bringing up the topic of sustainability preferences without prompting and client perception about the advisor level of sustainability knowledge, would indicate that the quality of sustainability advice in Bulgaria, Estonia and Romania is relatively worse than what SFO has noted in other Member States. This may be related to our observations about the availability of sustainable financial products in these countries and what this means for development of the sustainable finance market (see Section 5).

<sup>32</sup> Jurkov et al., 2025b, p.34

<sup>33</sup> ISF, 2025b, p.13

## 7. Policy recommendations

Following the demand focussed and supply focussed in country research, each implementing partner produced a series of policy recommendations for how to address the challenge of leveraging retail investor preferences to help reorient finance towards sustainable investment.

### Bulgaria

Research on sustainable retail investment shows strong potential for greater retail investor participation. In line with EU initiatives, Bulgarian legislation should replace the term '*non-professional investor*' with '*retail investor*'.

Ordinance No. 38 under the Law for Markets in Financial Instruments envisages requirements concerning sustainability preferences and should include clear definitions of the three types of sustainability preference outlined in EU Regulation 2017/565 to improve communication between intermediaries and retail investors.

The Bulgarian Financial Supervision Commission (**FSC**) should publish accurate, up-to-date information on its website about investment funds available on the Bulgarian market.

The FSC is further encouraged to promote ESMA's Guidelines on Marketing Communications<sup>34</sup> and EU guidance and criteria on environmental claims, to help ensure transparent and compliant communication with sustainable retail investors. Improving the clarity and quality of marketing materials and key information documents in Bulgarian is essential. Bulgarian sustainable retail investors must receive clear and precise information in the Bulgarian language.

Professional standards for licensed investment advisors should be updated to include EU sustainable finance legislation and relevant ESMA guidance, with these topics incorporated into licensing examinations.

Financial literacy initiatives should place greater emphasis on sustainability, reflecting both national strategies and the EU Financial Literacy Strategy. Adopting tools such as the MyFairMoney platform would support education for current and potential sustainable retail investors.

### Estonia<sup>35</sup>

Enhance investor literacy and product transparency by developing or supporting a digital knowledge hub on sustainable finance.

Require plain-language, standardised communication in fund marketing, ideally using simple visual indicators to help retail investors understand product sustainability claims.

Diversify and broaden the range of sustainable financial products available to Estonian retail investors by encouraging verified impact disclosures, supporting new and easily understood products such as green deposits, and applying simplified impact assessment frameworks to communicate real-world outcomes.

<sup>34</sup> ESMA, 2021, *Guidelines on marketing communications under the Regulation on cross-border distribution of funds*

<sup>35</sup> For full overview of the policy recommendations, see Jurkov et al., 2025c

Integrate retail investor sustainability preferences into financial advice through clearer explanations, standardised sustainability-profile options, and advisor training to ensure MiFID II requirements are implemented meaningfully.

Communicate sustainability through the lens of financial security, linking green investment choices to investment risk and long-term returns. National campaigns and interactive tools (for example, showing the share of holdings aligned with the EU Taxonomy) could help make sustainability visible, relatable and actionable for everyday investors.

Encourage greater product diversity beyond major banks by nudging asset managers and intermediaries to offer credible impact and thematic instruments screened against clear quality criteria to strengthen trust and competition in Estonia's small retail market.

### **Romania<sup>36</sup>**

Romania can accelerate the retail market through an integrated package of measures covering tax incentives, labelling, simplified reporting, supply development, education, and governance.

Targeted fiscal incentives (demand & distribution): Include limited tax deductions or exemptions for holdings kept longer than 24 months, tax credits for consultants, and micro-exemptions for small holdings.

Common labelling and public product registry: Implement an easier, qualitative labelling system for impact, risk and cost, alongside a public registry administered by the Romanian Financial Supervisory Authority (ASF).

Simplified reporting and anti-greenwashing audit: Develop standardised product sheets and biannual audits that include the publication of sanctions.

Financial education and consultant certification: Develop mandatory ESG training modules and a national green financial literacy campaign.

---

<sup>36</sup> For full overview of the policy recommendations, see ISF, 2025c

## 8. Conclusion

This report illustrates a coherent picture of the barriers preventing retail sustainable finance from realising its potential in parts of Central and Eastern Europe. The five thematic trends identified for Bulgaria, Estonia and Romania point to a common structural challenge: retail investors in these Member States want to invest sustainably, but the market conditions required to translate this demand into real capital flows are not yet in place.

Across all three countries, awareness of sustainable financial products is high and future investment intentions are strong, yet current allocation remains low. In addition, the attitude-behaviour gap is prevalent. We consider that this gap is not driven by a lack of interest on the part of retail investors but by frictions elsewhere in the retail investment chain.

Retail investors in these countries consistently express strong sustainability objectives for both value alignment and impact. Indeed, the relative proportions of retail investors having these sustainability objectives is elevated compared to what SFO has observed in other countries. Viewed alongside the above mentioned attitude-behaviour gap, this prevalence of impact and value-alignment sustainability objectives points to a significant untapped market potential for sustainable financial products if this stated intention to invest in sustainable financial products can be effectively leveraged.

But widespread retail investor misunderstanding of key concepts, especially around impact mechanisms and the real-world effects of sustainable financial products, undermines this potential. Many retail investors struggle to operationalise these sustainability objectives and are vulnerable to misleading claims and ill-suited product recommendations.

Limited availability of sustainable financial products, particularly Article 9 funds, amplifies this problem. Compared with countries having larger financial markets, retail investors in Bulgaria, Estonia and Romania have access to only a fraction of the sustainable product universe (although of course this has to be considered with regard to the capacity of local market). This constrains real choice by retail investors and inhibits local sustainable financial product innovation - and consequently limits the ability of financial institutions in these countries to comply meaningfully with EU product governance and suitability requirements. From a broader economic perspective, it may also have the effect of reducing the flow of retail investment towards domestic sustainable activities - thereby potentially undermining climate and wider environmental objectives in these countries.

The financial advisory process is not functioning as the regulatory framework intended. The evidence suggests that retail investors in these countries face a relatively lower-quality sustainability advisory process compared with the EU average. Advisors rarely initiate discussions on sustainability preferences, and where these discussions do take place, competence on sustainable finance topics is markedly lower than on conventional investment matters. As a result, sustainability preferences are not systematically elicited and are not factored into financial product recommendations. Finally, persistent misleading or unsubstantiated environmental impact claims in product marketing compound these structural weaknesses. With comparatively low retail investor literacy, limited advisor competence and limited choice of financial products, retail investors - especially those seeking real-world impact - face a heightened risk of unsuitable financial product recommendations and misallocation of capital.

The limited availability of sustainable financial products and the poorer results in relation to the financial advice process and competence of financial advisors raise concerns about a dual-speed development of EU retail sustainable finance. It may be the case that Member States with smaller and less mature financial markets lag behind the expectations embedded in EU regulatory reforms. If EU policy is designed primarily around large Western markets, then the smaller markets of Central and Eastern Europe risk being structurally unable to comply.

For the EU sustainable finance framework to achieve its objective of mobilising retail capital towards sustainable economic activities, policy must explicitly recognise and address these asymmetries. Based on the in country results this should include targeting interventions to expand local financial product supply, strengthening supervisory expectations on the assessment of sustainability preferences, investing in advisor training, and delivering retail investor education that addresses the knowledge gaps around impact, labelling and greenwashing.

In summary, the evidence from Bulgaria, Estonia and Romania shows that retail investor demand for sustainable finance exists but market conditions prevent this demand from being realised. Without correcting these structural imbalances, the promise of retail sustainable finance in the EU will remain unevenly distributed, and significant volumes of retail investor capital will be misallocated.

# References

Association of Bulgarian Investor Relations Directors, 2025a, Analytical report on the demand side of sustainable investments in Bulgaria

Association of Bulgarian Investor Relations Directors, 2025b, Analytical report on the supply side of sustainable investments in Bulgaria

Carrington/Neville/Whitwell, 2010, Why ethical consumers don't walk their talk: Towards a framework for understanding the attitude-behaviour gap

Kirill Jurkov, Tarmo Kalvet, Marek Tiits, Maris Pihelgas. 2025a. Understanding the Demand for Retail Sustainable Finance in Estonia. Tartu: Institute of Baltic Studies.  
<https://doi.org/10.23657/s1d1-gm47>

Kirill Jurkov, Tarmo Kalvet, Marek Tiits, Maris Pihelgas. 2025b. Assessing the Supply of Retail Sustainable Finance in Estonia. Tartu: Institute of Baltic Studies.  
<https://doi.org/10.23657/oV7G-oV33>

Kirill Jurkov, Tarmo Kalvet, Marek Tiits, Maris Pihelgas, Kristjan Kaldur. 2025c. Bridging the Gaps in Estonia's Sustainable Finance Market: Aligning Retail Demand, Product Credibility, and Policy Action. Tartu: Institute of Baltic Studies. <https://doi.org/10.23657/ibs.2025.5>

Insitutul de Studii Financiare, 2025a, Investor and public perspectives on sustainable finance in Romania,: A mixed method analysis

Insitutul de Studii Financiare, 2025b, Romanian report on financial sustainable products – A state of market practices

Insitutul de Studii Financiare, 2025c, Horizon 2030: Strategic Framework for Accelerating Sustainable Finance in Romania

Sustainable Finance Observatory, 2021, Sustainable finance and market integrity: promise only what you can deliver

Sustainable Finance Observatory, 2022, Fighting greenwashing ... what do we really need

Sustainable Finance Observatory, 2023, Assessing client sustainability preferences ... lost in the maze?

Sustainable Finance Observatory, 2023, The Impact Potential Assessment Framework (IPAF) for financial products

Sustainable Finance Observatory, 2025, Mind the Gap: Why European retail investors don't get what they want

[contact@sf-observatory.org](mailto:contact@sf-observatory.org)

Palais Brongniart  
28 place de la Bourse  
75002 Paris France

*This project is part of the European Climate Initiative (EUKI) of the German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN).'*

Supported by:



Federal Ministry  
for the Environment, Climate Action,  
Nature Conservation and Nuclear Safety



European  
**Climate Initiative**  
EUKI

on the basis of a decision  
by the German Bundestag