

Retail Investor Education in the Context of Sustainable Finance Markets and Products

Final Report



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EXECUTIVE SUMMARY

Investors of all sizes are increasingly seeking out sustainable investments for a variety of reasons, such as to seize perceived opportunities for greater financial returns or to avoid risks they associate with various environmental, social, and governance issues, such as climate change or poor labor or governance practices. However, investors currently lack a consistent and comparable framework to enable their understanding of sustainable finance products.

As a result, securities regulators (many of which, in both developed and emerging markets, are incentivizing sustainable finance) have increasingly focused on whether the sustainable finance claims are accurate and whether investors have the information they need to evaluate sustainable finance products. Retail investors, in particular, need to be able to easily understand the characteristics of such products, as well as the associated risks, to support a more informed investment decision-making process.

Financial education has an important role to play in securities regulators' efforts to protect investors and preserve confidence in this growing market. Indeed, financial education already serves as an important tool securities regulators may use to complement, and increase the effectiveness of, the policies, regulations, oversight and enforcement actions they undertake to accomplish their mandates.

In this context, in June 2021, the IOSCO Board mandated the Committee on Retail Investors' project on *Retail investor education in the context of sustainable finance markets and products*. The main objectives of the project are to identify developments in investor education with regard to sustainable finance, and to advance investors' knowledge of the characteristics and risks associated with ESG products. The project is intended to enhance the protection of investors on a global scale, including from financial fraud and greenwashing (see Chapter 1 for some definitions).

Accordingly, this Report (the "Report") prepared by the Committee on Retail Investors (Committee 8) identifies some of the main challenges and sound practices for providing investor education on sustainable finance for retail investors. The Report also includes a collection of examples of investor education materials and tools for possible reference or use by IOSCO members, consistent with their jurisdictions' laws and regulations, as well as examples of relevant experiences from members of Committee 8. This work complements other efforts conducted or currently underway by IOSCO, including the work of its Sustainable Finance Task Force (STF). Indeed, Recommendation 5 of the IOSCO November 2021 Report on *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management* states the following:

"Securities regulators and/or policymakers, as applicable, should consider promoting financial and investor education initiatives relating to sustainability, or, where applicable, enhance existing sustainability related education initiatives.

[...] Financial education (which would include education for industry participants) [...] may also address the professional and licensing obligations of industry participants, including financial advisors, to ensure that industry participants have the

necessary knowledge and skills to provide advice and services relating to sustainable finance.”¹

Sustainable finance is evolving rapidly. Hence, Committee 8 is of the view that the conclusions and observations presented in this Report are a first step. As sustainable finance continues to develop across the securities markets, it may be appropriate to consider undertaking additional work in this area in the short and medium terms.

¹ IOSCO report on *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*, 2 November 2021, p. 70, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD688.pdf>

1. INTRODUCTION AND CONTEXT

Sustainable finance is one of several current topics to which securities regulators are dedicating significant efforts. Among the different reasons driving these efforts, two key reasons identified are as follows: (1) the growth of sustainable finance around the world; and (2) the lack of a consistent and comparable framework to aid retail investors' understanding of sustainable finance.

The two aforementioned factors have important implications for investor protection, including through financial and investor education. Some of those implications and their related challenges are discussed in this Report. Some proposals to assist addressing those challenges from the financial education perspective are also presented in the Report.

1.1 The increasing role of sustainable finance

Retail investors are increasingly demonstrating interest in investment products that incorporate environmental, social, and governance criteria (ESG products). Many investors believe that environmental and social concerns are of increasing importance and want their investments to align with ESG-related objectives.² Other investors prefer to add ESG products to their portfolios as a way to expand their investment opportunities, in view of their investment objectives or risk tolerance.

In this context, according to news and industry reports, assets under management by *sustainable* mutual funds and *ESG-focused* ETFs rose globally by 53% in 2021 to \$2.7 trillion, with a net \$596 billion flowing into the strategy,³ and the issuance of sustainability-linked bonds and loans exceeded \$1.6 trillion in 2021.⁴ According to one estimate, “green” assets are set to grow to \$50 trillion by 2025 from about \$35 trillion.⁵ Other estimates indicate that sustainable debt financing reached \$1 trillion in 2021 and accounted for 10% of global debt markets.⁶

ESG or sustainability-related products such as “sustainable” exchange-traded funds (ETFs) and “green” mutual funds are among the ESG products generally available to retail investors.⁷ It has been observed that, “[I]n the last five years, we have finally seen some interest in ESG

² <https://www.finrafoundation.org/sites/finrafoundation/files/Consumer-Insights-Money-and-Investing.pdf>

³ <https://www.sustainablefinance.hsbc.com/-/media/gbm/sustainable/attachments/sustainable-financing-and-investment-survey-2020.pdf>

⁴ <https://www.bloomberg.com/news/articles/2022-02-03/esg-by-the-numbers-sustainable-investing-set-records-in-2021>

⁵ <https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/>

⁶ Refinitiv Perspectives, *Sustainable finance continues surge in 2021*, <https://www.refinitiv.com/perspectives/market-insights/sustainable-finance-continues-surge-in-2021/>

⁷ In the first half of 2022, green bonds (globally) accounted for 60% of the total issued amount, followed by sustainable bonds (i.e., linked to financing projects or activities with positive environmental and social impacts, accounting for 26% of the total) and social bonds (i.e., aimed at financing projects with positive social impacts, accounting for 14% of the total). See CONSOB, 2022, *Report on Emerging trends in sustainable investing and crypto-asset markets*, <https://www.consob.it/web/consob-and-its-activities/report-sust-crypto>

investing among retail investors (individuals and families) both in Europe and the United States. By 2020, retail investors had reached 25% of the total global ESG market, soaring from 11% in 2012”.⁸ Similarly, the European Securities and Markets Authority (ESMA) has reported that in 2020,

“[...] the demand for sustainable products from European investors, including investment funds following environmental, social and governance (ESG) strategies, has continued to grow substantially. Net flows into EU ESG UCITS equity, bond and mixed funds further accelerated throughout 2020, with a value of EUR 67bn. This compares with outflows from non-ESG funds in these three asset classes of EUR 119bn. As a result, the AuM of ESG UCITS funds increased to EUR 690bn in 4Q20, or 18% of EU equity, bond and mixed fund AuM.

[...] In response to this trend, fund managers have again increased their offering of ESG investment products in two ways: first, by launching new ESG funds; second, by introducing ESG elements into the strategy of existing funds.

[...] Another major development in the ESG retail fund space concerns the recent rise of ESG ETFs. The number of new ESG ETFs launched in 2020 outpaced for the first time the number of non-ESG ones. In just two years, the AuM of EU ESG equity ETF UCITS in our sample quadrupled to stand at EUR 34bn (9% of EU ESG equity fund assets) at the end of 2020. This highlights the appetite of retail investors in particular for sustainable investments, [...]”.⁹

ESG products, like all investments in securities, involve opportunities and risks. Retail investors should understand the risks of sustainable products and the sustainability-related risks affecting different financial products. This understanding would help retail investors to make informed decisions and protect themselves from different risks, including greenwashing.

Despite the growth of ESG products and the increased availability of such products to retail investors, globally consistent terminology and common definitions in the area of sustainable finance are still in the process of development by industry and other groups, such as international standard-setters and regulatory authorities (although some efforts are under way, e.g., some regional initiatives and a European framework are in place or currently being developed). This lack of standard terminology may hinder the ability of retail investors to analyze and compare (purportedly) ESG products, including with respect to sustainability risk.

1.2 Divergent language and approaches for sustainable finance

In general terms, *sustainable finance* refers to the process of incorporating environmental, social, and governance (ESG) factors into financial decision-making.¹⁰ In line with other IOSCO reports, “ESG” and “sustainability” are used interchangeably in this Report, since ESG

⁸ Santander Asset Management, *Why Do People Invest in ESG Funds?*, https://www.santanderassetmanagement.com/content/view/7731/file/Sam_%20sustainable%20wealth%20academy_why%20do%20people%20invest%20in%20esg.pdf

⁹ ESMA, *Performance and Costs of EU Retail Investment Products*. ESMA Annual Statistical Report, April 2022, page 21, available at https://www.esma.europa.eu/sites/default/files/library/esma_50-165-1677_asr_performance_and_costs_of_eu_retail_investment_products.pdf

¹⁰ See the IOSCO report *Sustainable Finance and the Role of Securities Regulators and IOSCO* (14 April 2020) p. 3, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf>

is an operationalization of the broader concept of sustainability and has become a widely used term within the financial sector.¹¹

Notwithstanding the above, it should be noted that there is no common or generally accepted definition of sustainable finance or ESG, and not even a single definition or characterization of “environmental”, “social”, or “governance” factors.¹² Likewise, and depending on the emphasis in a particular aspect, ESG or sustainable investments could be referred to as “community investing”, “ethical investing”, “green investing”, “impact investing”, “mission-related investing”, “responsible investing”, “socially responsible investing”, among many other terms.¹³

Moreover, there is a lack of consistent corporate disclosures, metrics and methodologies that could provide the basis for comparability of different products or strategies described in similar terms. This problem is particularly evident, for example, among products described as “green”, “low-carbon”, “sustainable” or “ESG-related”.

This situation presents important challenges for regulators, market intermediaries, and retail investors. Although there are different efforts underway to address these issues, at national,¹⁴ European,¹⁵ and global levels,¹⁶ in the current circumstances retail investors find it difficult to

¹¹ IOSCO report “Sustainable Finance and the Role of Securities Regulators and IOSCO”, op. cit. p. 2, footnote 5.

¹² In relation to the ESG factors, some describe the environmental as a “component [that] might focus on a company’s impact on the environment—for example, its energy use or pollution output. [...] The social component might focus on the company’s relationship with people and society—for example, issues that impact diversity and inclusion, human rights, [...] The governance component might focus on issues such as how the company is run—for example, transparency and reporting, ethics, compliance, shareholder rights, and the composition and role of the board of directors.” See U.S. Securities and Exchange Commission, Investor Bulletin “Environmental, Social, and Governance (ESG) Funds”, February 2021, available at <https://www.sec.gov/oiea/investor-alerts-and-bulletins/environmental-social-and-governance-esg-funds-investor-bulletin>

¹³ See the US Forum for Sustainable and Responsible Investment, “What is sustainable investing?”, available at <https://www.ussif.org/sribasics>

¹⁴ The US SEC, for example, has proposed amendments to its rules and disclosure forms to promote consistent, comparable, reliable—and therefore decision-useful—information for investors concerning funds’ and advisers’ incorporation of environmental, social, and governance (“ESG”) factors. The proposal would enhance disclosure by, among other things, requiring additional disclosures regarding ESG strategies in fund prospectuses, annual reports, and adviser brochures (see <https://www.sec.gov/rules/proposed/2022/33-11068.pdf>)

¹⁵ The EU, for instance, is making sustainability considerations an integral part of its financial policy in order to support the European green deal. The tools to progress on these priorities include initiatives in the areas of ESG disclosure, suitability, product governance, taxonomy, climate-related benchmarks, corporate sustainability reporting, corporate sustainable due diligence, EU green bonds and EU ecolabel for financial products. Information is available at https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en

¹⁶ IOSCO is playing an important role in the field of sustainable finance. In February 2020, the IOSCO Board set up a Sustainable Finance Task Force (STF), leveraging on the previous Sustainable Finance Network, to consider sustainability-related disclosures for issuers, asset managers, and ESG rating and data providers. The STF delivered three important reports in 2021 (i.e., *Environmental, Social and Governance (ESG) Ratings and Data Products Providers*, 23 November 2021, <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf>; *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*, 2 November 2021, <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD688.pdf>; and *Report on Sustainability-related*

evaluate and compare ESG products in terms of investment focus or performance, or to compare ESG products with conventional offerings. The lack of consistency in what labels like “green” or “sustainable” mean also undermines the ability of retail investors to know how asset managers are incorporating ESG criteria in their investment strategies and whether the information retail investors receive is accurate.

This knowledge gap, when combined with low levels of financial literacy, could expose retail investors to different risks of potential misconduct, which may include greenwashing, and undermine confidence in the market.¹⁷

For the purposes of this Report, the following terms are used (while also acknowledging the continuous evolution on the terminology):

- **ESG** – Environmental (including climate-related), social and governance.¹⁸
- **Greenwashing** – the practice of misrepresenting sustainability-related practices or the sustainability-related features of investment products.¹⁹ Such practices may vary in scope and severity, from the inappropriate use of specific sustainability-related terms used in an offering document, to misrepresentations about an entity’s sustainability-related commitments, to deceptive marketing practices that deliberately misrepresent a product’s sustainable impact.
- **Sustainability** – refers to meeting the needs of the present without compromising the ability of future generations to meet their needs. In that regard, it covers ESG factors.²⁰
- **Sustainability-related products** – Investment products, including funds, which have sustainability-related investment objectives or characteristics.²¹

Issuer Disclosures, 28 June 2021, <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD678.pdf>). The STF is moving forward with its relevant work in 2022 (see *IOSCO’s 2022 Sustainable Finance work plan strengthens the organization’s commitment to increasing transparency and mitigating greenwashing*, 14 March 2022, available at <https://www.iosco.org/news/pdf/IOSCONEW5635.pdf>). The IOSCO World Investor Week (WIW) campaign has also dedicated different efforts to enhance retail investors’ awareness of sustainable finance.

¹⁷ “[...] greenwashing typically gives rise to potential detriment to investors who wish to allocate resources to sustainable investments. Greenwashing could, therefore, be generally identified as a misrepresentation, mislabelling, mis-selling and/or mis-pricing phenomenon. However, these terms may only represent the ultimate symptoms, since the causes of greenwashing may relate to multiple aspects of the functioning of the investment value chain, sometimes affecting nodes of that chain long before a certain financial product reaches the final investor. This is the case, for example, of issuers’ disclosures misrepresenting the real sustainability profile of a listed entity or the poor quality of data available to an EU investment fund on investee companies located within or outside the EU”. See ESMA, *Sustainable Finance Roadmap 2022-2024*, February 2022, page 8, available at [esma30-379-1051_sustainable_finance_roadmap.pdf \(europa.eu\)](https://esma.europa.eu/press-material/press-events/documents/10166/1051-sustainable-finance-roadmap.pdf)

¹⁸ IOSCO report on Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management, op. cit., page 71.

¹⁹ Ibid., page 11.

²⁰ IOSCO report on Environmental, Social and Governance (ESG) Ratings and Data Products Providers, page 41.

²¹ IOSCO report on Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management, op. cit., page 71.

- ***Sustainable finance*** – refers to the process of incorporating sustainability, including ESG, factors into financial decision-making.²²
 - ***Sustainability risk*** – means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.²³
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²² IOSCO report on *Sustainable Finance and the Role of Securities Regulators and IOSCO*, (April 2020), page 3, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf>

²³ IOSCO report on *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*, page 17, footnote 37, in reference to the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR) SFDR Article 2 (22).

2. FINANCIAL EDUCATION ISSUES AND CHALLENGES FOR RETAIL INVESTORS

This Chapter sets forth the information, data and observations the Committee 8 gathered to identify the main challenges that retail investors currently face in understanding sustainable finance. Based on this information, the next chapter (Chapter 3), presents some sample tools that could be useful to securities regulators in connection with financial and investor education in the area of sustainable finance.

The main sources of information used by the Committee 8 for this Report were the following:

- A survey among Committee 8 members.²⁴
- A literature review.²⁵
- A dialogue with experts.²⁶
- IOSCO STF's reports and other public documents of IOSCO.²⁷
- The IOSCO World Investor Week of 2021.²⁸

The substance of the information obtained from such sources is presented in the following subsections. The information is presented in a thematic form or in a way that describes the main issues at hand.

In order to keep a practical approach to the subject matter, this Chapter also presents, through different boxes, some “Suggested approaches” or actions that regulators, if/when consistent with their authority, should consider in view of the issues being described. Moreover, the Chapter includes some key messages that securities regulators should consider for their financial education programs (focused on retail investors) on sustainable finance.

Important to note, the use of the educational materials described in this and the next Chapter (and in general in the Report) is optional. IOSCO acknowledges that not all of the material or educational approaches described may be appropriate in all IOSCO member jurisdictions, while any practice should be consistent with the jurisdictions' legal and regulatory frameworks and/or ESG market development. In addition, such material and educational approaches should be considered or implemented in light of the specific risks to retail investors that might have been identified in the respective jurisdictions. The actual use of the materials presented in the Report may vary across IOSCO members.

²⁴ Committee 8 conducted survey on members' educational initiatives on sustainability in 2021. 34 authorities from 32 jurisdictions responded to the survey. The questions of the survey are included as Appendix A to this Report.

²⁵ The literature review was based on market authorities' reports, studies on sustainable investment decisions, academic papers, and literature on sustainable finance generally.

²⁶ Committee 8 members held bilateral discussions with academic and industry experts, market associations and think tanks about ESG issues that provided valuable insights about the barriers to ESG investing.

²⁷ This includes, for instance, the IOSCO reports on Sustainability-related Issuer Disclosures (28 June 2021); Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management (2 November 2021); Environmental, Social and Governance (ESG) Ratings and Data Products Providers (23 November 2021); and Sustainable Finance and the Role of Securities Regulators and IOSCO (14 April 2020).

²⁸ See the main results of the IOSCO WIW campaign of 2021 at its website (<https://www.worldinvestorweek.org>).

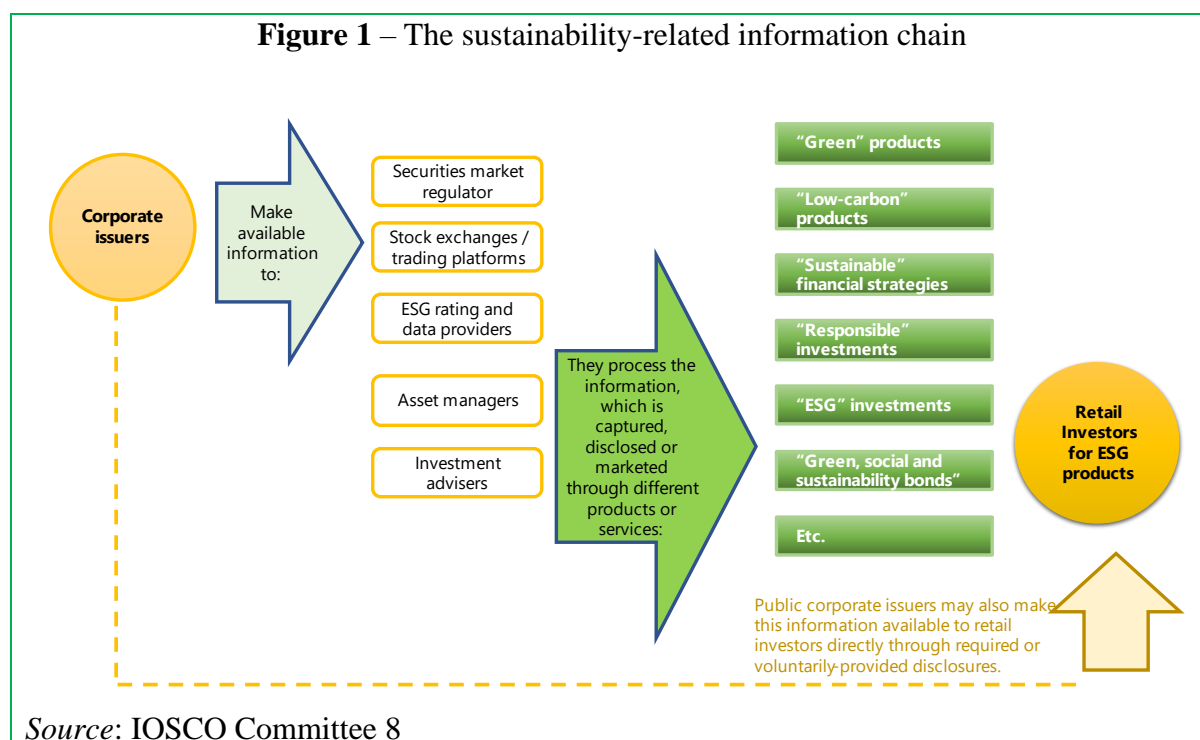
To help set the scene, the next sections elaborate on the current lack of consistent and comparable information on ESG products and the knowledge gaps that could be affecting retail investors, followed by the analysis of some additional issues that regulators should consider for their financial education initiatives in the area of sustainable finance.

2.1.Lack of consistent and comparable information

Full, accurate, timely and comparable information is key for financial markets, regulators, and investors. Such information is necessary to understand and manage risks, define investment strategies, get adequate prices and valuations, determine expected returns, and compare investment alternatives.

The sustainability-related information chain involves many parties, such as issuers, asset managers, ESG rating and data providers, investors, and securities regulators (see Figure 1). Some are producers of sustainability-related information, while others are users of such information. In some cases, a party could be both a producer and user of sustainability-related information (such as asset managers).

In this information chain, retail investors are end-users of information. They rely on the information that is produced and distributed along the information chain. They also rely on the accuracy and completeness of the information they are provided.



In this context, IOSCO has observed that investor demand for sustainability-related information is currently not being met. This is due to many factors, such as:

- The lack of a common or generally accepted definition of sustainable finance or ESG, and not a single definition or characterization of “environmental”, “social”, or “governance”;

- The lack of consistent and comparable metrics or methodologies that could provide the basis for a reliable understanding (and comparability) of what is a “green”, “low-carbon”, “sustainable” or “ESG” product or investment strategy;
- The inconsistency of sustainability-related disclosures across companies due to the voluntary nature of sustainability-related disclosure and reporting frameworks.²⁹

Asset managers depend to a great extent on the information provided by issuers in sustainability reporting. If such information is not complete, consistent, comparable, reliable, and auditable, then the information used by asset managers in their investment strategies and/or the offering of sustainable financial products to retail investors may not be complete as well. This in turn increases the risk of misalignment between investors’ ESG preferences and products being offered to them, triggering investor protection and may include greenwashing concerns.

Suggested approaches for regulators:

- In addition to the recommendations in the IOSCO reports on sustainable finance, as applicable, regulators should consider including in their financial and investor education programs some practical guidance that could help retail investors understand sustainability reporting of issuers and other ESG disclosure frameworks in their jurisdiction.
- Regulators should consider orienting retail investors on how to obtain sustainability-related information in the investment chain under their jurisdictions’ laws and regulations.

2.2 Knowledge gaps

The challenges or difficulties retail investors may face to understand the characteristics of sustainable investments undermines their ability to evaluate ESG financial products, and thus potentially impact investor protection. Based on the literature review,³⁰ C8 observes that retail investors have different perceptions about ESG financial products:

Examples

- An increasing number of retail investors are interested in making financial decisions considering sustainability-related matters.
- Investors’ support for sustainability goals do not necessarily turn into effective ESG investments.
- In general, investors have difficulty understanding or differentiating ESG products from conventional products offered in the market, as well as difficulty comparing ESG products.

²⁹ IOSCO Report on Sustainability-related Issuer Disclosures, page 8.

³⁰ These observations derive from the literature review conducted by Committee 8. Some of the literature is included as Annex B to this Report.

- Young people have a stronger preference for sustainable investments than other age groups.

Individuals' stated preferences for pursuing sustainable investments contrast with low financial literacy rates prevalent in different segments or groups of the population, mainly among young people.³¹ Understanding finance can be complex for retail investors, and sustainable investment may add to the challenge. Financial illiteracy may limit the understanding of such topics.³²

The range of different concepts and terminologies (e.g., “sustainable investment”, “ESG investing”, “responsible investment”, “socially responsible investment”, “ethical investing”, “impact investing”, etc.) may impair investors' knowledge and understanding of the subject matter.³³

The perception of what is “sustainable” in a financial product can vary significantly among investors.³⁴ Retail investors bring different expectations on sustainability-related issues (e.g., climate, human rights, and promoting renewables).³⁵ This may be compounded in those cases in which asset managers and funds have discretion in how they apply ESG factors.³⁶

Suggested approaches for regulators:

- Regulators should consider promoting actions to enhance and assess retail investors' understanding of sustainable products, e.g., by conducting surveys or questionnaires.
- Reinforcing financial education is beneficial for retail investors to enhance understanding and awareness of sustainable finance, its features and risks.
- Financial education initiatives on sustainable finance for retail investors should consider clarification of ESG terminology (and raising awareness of fragmented or

³¹ OECD, *International Survey of Adult Financial Literacy*, (2020), available at <http://www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm>

³² Finance for Tomorrow, *Increasing citizens awareness of sustainable finance*. (2021), available at <https://financefortomorrow.com/app/uploads/2021/04/Increasing-Citizens-Awareness-on-Sustainable-Finance-SciencesPo-Paris-Students-for-Finance-for-Tomorrow-April-2021.pdf>

³³ AMF France, *Legibility study of Sustainable and Responsible Investment Documentation*, (2021), available at <https://www.amf-france.org/sites/default/files/private/2021-09/legibility-study-of-sustainable-and-responsible-investment-documentation-july-2021.pdf>

³⁴ A. Wins and B. Zwergel, *Comparing those who do, might and will not invest in sustainable funds: a survey among German retail fund investors*, Business research (Göttingen), (2016), 9 (1), 51–99, available at <https://link.springer.com/content/pdf/10.1007/s40685-016-0031-x.pdf>

³⁵ BaFin, *How safe are sustainable investments?*, (2019), available at https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2019/fa_bj_1906_nachhaltige_Geldanlage_en.html

³⁶ Funds and asset managers utilize a variety of strategies relating to ESG factors. For instance, some funds focus on ESG practices with the aim of achieving higher financial returns and/or ESG-related outcomes. Some funds integrate certain ESG criteria in addition to other factors. See for example, *ESG Funds: SEC Investor Bulletin* (February 2021). <https://www.sec.gov/oiea/investor-alerts-and-bulletins/environmental-social-and-governance-esg-funds-investor-bulletin>; and Morningstar, *Global Sustainable Fund Flows: Q3 2021 in Review - New disclosure rule in Europe drives global sustainable fund assets to almost USD 4 trillion*, (2021), available at : <https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/bltaa4b1ab907fb3645/619f8bf2149d2e0e57644423/Global-ESG-Q3-2021-Flows.pdf>

standardized terminology) and orientation on how to search and understand whether the offered product(s) matches their sustainability-related preferences.

- Custom communications approaches and channels tailored to various retail investors' profiles and preferences can better educate about sustainable investing, attracting awareness, more confidence, and engagement.

2.3 Perceptions of performance and risks

Comparing ESG products, as well as comparing sustainable products and conventional investment products, is a significant challenge for retail investors.³⁷ This could also impact the wide range of retail investor's perception or understanding of the risks and performance of ESG products.

Examples

On returns:

- Surveys in Italy³⁸ and France³⁹ showed that retail investors had the perception that ESG investments could lead to lower returns and higher costs than other investments;
- In Canada, 30% of retail investors that participated in a survey responded that they expect ESG investments to perform just as well as other investments, while 22% responded that "it depends", and 7% expect ESG investments to perform worse than non-ESG investments (30% responded "do not know");⁴⁰
- Approximately 40% of the investors responding to a global survey indicated that sustainable funds were preferred due to the higher returns they offered, thus having a perception of sustainability-related funds as being profitable;⁴¹
- According to a FINRA Foundation survey, most U.S. retail investors believe ESG investments will perform as well as or better than the market as a whole.⁴²

³⁷ Gajewski, J.-F. et al. (2021), *Nudges in SRI: The Power of the Default Option*, Journal of Business Ethics, available at <https://link.springer.com/content/pdf/10.1007/s10551-020-04731-x.pdf>; Pilaj, H. (2017), *The Choice Architecture of Sustainable and Responsible Investment: Nudging Investors Toward Ethical Decision-Making*. Journal of business ethics, <https://link.springer.com/article/10.1007/s10551-015-2877-9>

³⁸ CONSOB (2020) *Financial advisor-investor relationship - Mirroring survey on sustainability and investments*. Available at <https://www.consob.it/documents/46180/46181/mirroring2020en.pdf/390a55a3-2e3b-48a2-b94e-279e7cf35af9>

³⁹ AMF France (2021) *The French and Responsible Investment Products*. Available at https://www.amf-france.org/sites/default/files/private/2021-09/the-french-and-responsible-investment-products-july-2021_1.pdf

⁴⁰ OSC Ontario, (2021), *Self-Directed Investors: Insights and Experiences*, available at https://www.osc.ca/sites/default/files/2021-04/inv_research_20210421_self-directed-investor-survey.pdf

⁴¹ Schroders, (2021) *Global Investor Study - The rise of the sustainable investor*, available at https://www.schroders.com/en/sysglobalassets/_global-shared-blocks/gis-2020/theme-2/schrodersgis_t2report_global.pdf

⁴² FINRA Investor Education Foundation & NORC, *Consumer Insights: money and investing. Investors say they can change the world, if they only knew how: Six things to know about ESG and retail investors*,

On risks:

- In Germany,⁴³ a survey conducted with retail investors of mutual funds found that individuals who usually invest in conventional products have identified sustainable investments to be riskier than other products;
- In some cases, an association with the term “sustainability” to future-oriented businesses may lead retail investors to believe that ESG investments are safer than other investments.⁴⁴

Other considerations:

- A survey involving both French and German markets pointed to a majority of answers accepting trade-offs on returns in favour of sustainability factors;⁴⁵
- Investors’ perception of performance and risks of a sustainability-related financial product can vary depending on previous knowledge and individual’s preferences for sustainability-related financial products.

Suggested approaches for regulators:

- Regulators should consider conducting studies to map the market of sustainable investing products offered to retail investors and their main features, risks, and barriers.
- Investor education initiatives should consider clarifying ESG-product characteristics, thereby highlighting risks and financial performance perspectives.
- Investor education programs should help enable retail investors to compare and analyze the difference between ESG products and other investments (including, for example, by taking advantage of existing platforms and digital tools for comparison of ESG products, as appropriate).

2.4 Level of awareness on greenwashing risk

ESG products, like all investments in securities, involve opportunities and risks. As commented in section 2.1, lack of transparency and insufficient information could increase the risks to which investors are exposed. It is important for retail investors to understand the risks of sustainable products, as well as the sustainability-related risks affecting other financial

(2022), available at <https://www.finrafoundation.org/sites/finrafoundation/files/Consumer-Insights-Money-and-Investing.pdf>

⁴³ A. Wins and B. Zwergel, op. cit.

⁴⁴ BAFIN, *How safe are sustainable investments?*, (2019), available at https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2019/fa_bj_1906_nachhaltige_Geldanlage_en.html

⁴⁵ 2DII (2020) *A large majority of retail clients want to invest sustainably*. Available at <https://2degrees-investing.org/resource/retail-clients-sustainable-investment/>

products (whether sustainable or not sustainable). They should be aware of the risk of greenwashing, which could materialise at different stages of the financial value chain.⁴⁶

Unsubstantiated or misleading claims about the sustainability characteristics of a product, service or company raise investor protection concerns. Similar to other misleading disclosures, such as accounting irregularities, they can potentially generate a loss of trust in general investing and undermine the capacity of the financial system as a whole to raise private capital.⁴⁷

Financial and investor education are tools to complement regulators' efforts in preventing and mitigating greenwashing.

Examples

On assurance:

- A global survey noticed that individuals relied on third-party assurances to give them more confidence in sustainable investing,⁴⁸ thereby highlighting retail investors' appreciation of greenwashing risks.
- An experiment conducted in the United Kingdom showed that consumers might be influenced by labels, classifications, or grading rather than only by funds' policy strategy and methodology information.⁴⁹

Disclosure:

- A thematic inspection in France on socially responsible investment (SRI) practices implemented by five asset management companies detected that ESG information disclosed to the public is sometimes unclear or incomplete.⁵⁰

⁴⁶ In this regard, for example, the US SEC has proposed amending its Names Rule to help ensure that a fund's name does not misrepresent the fund's investments and risks. The proposed amendments provide, among other things, that it would be materially deceptive and misleading if an Integration Fund (which considers one or more ESG factors alongside other non-ESG factors in its investment decisions, but those ESG factors are generally no more significant than other factors in the investment selection process, such that ESG factors may not be determinative in deciding to include or exclude any particular investment in the portfolio) has a name that includes terms indicating the fund's investment decisions incorporate one or more ESG factors. The full proposal is available at <https://www.sec.gov/rules/proposed/2022/ic-34593.pdf>. The EU has taken important steps to address greenwashing in the financial market by adopting extensive sustainable finance-related policies and legislation.

⁴⁷ These areas are not part of the scope of this Report, but they are certainly part of the ecosystem surrounding retail investors, and consideration of these additional angles is important.

⁴⁸ A. Wins and B., op. cit.

⁴⁹ FCA, (2021), *Sustainable investing: objective gradings, greenwashing and consumer choice*, available at <https://www.fca.org.uk/insight/sustainable-investing-objective-gradings-greenwashing-and-consumer-choice>

⁵⁰ AMF France (2019) *AMF summary of socially responsible investment practices observed during its thematic inspections (2019)*, available at <https://www.amf-france.org/en/news-publications/news-releases/amf-news-releases/amf-publishes-summary-socially-responsible-investment-practices-observed-during-its-thematic>

- In France, the lack of information and fear of greenwashing on the sustainable characteristics of the product were pointed out as main obstacles to investing in such products.⁵¹

Suggested approaches for regulators:

- Regulators should consider including in their retail investor education programs a component on raising awareness of the importance of assessing relevant parts of investment products' materials in which sustainability information might be found and analyzed (e.g., prospectus, policy strategy, use of proceeds).
- Regulators should consider ways to assist retail investors in identifying the main sustainability-related issues to be assessed, helping investors understand whether their preferences and expectations match with the ESG product in which they may want to invest.
- Where applicable, regulators should consider supporting initiatives of market participants to help retail investor identify the use of ESG certifications, labels, and scores in the financial products offered to individuals and provide orientation to their identification and analysis.

2.5 Connecting with sustainable products

Asset managers and financial advisors play a key role in connecting retail investors with sustainable products. Retail investors often depend and rely on the information, advice, or recommendations they receive from asset managers and financial advisors. IOSCO has stated that financial education in the area of sustainable finance is important not only for retail investors, but also for industry participants, including financial advisors. Indeed, in the discussion of Recommendation 5 of the *IOSCO Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*, it is stated that

Financial education (which would include education for industry participants) and investor education can play significant roles in protecting investors from greenwashing, promoting awareness of sustainability-related risks, and encouraging the sound and continued growth of sustainability-related asset management products.[...] Financial education initiatives may also address the professional and licensing obligations of industry participants, including financial advisors, to ensure that industry participants have the necessary knowledge and skills to provide advice and service relating to sustainable finance.⁵²

In a similar way, for example, the European Commission has recognized the need to strengthen the sustainability expertise and qualification of financial advisors: “*Financial advisors are the main point of contact for retail investors. They need to be qualified to support the uptake of sustainable finance.*”⁵³

⁵¹ AMF France, (2021), *The French and Responsible Investment Products*, Op. cit.

⁵² See page 70, <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD688.pdf>

⁵³ European Commission, (2021), *Communication from the commission to the European parliament, the council, the European economic and social committee and the committee of the regions: strategy for*

Examples

- A global survey revealed that 45% of the investors stated that their financial advisor only provides information on sustainable investing when asked about it.⁵⁴
- In France, a survey with individuals pointed out that roughly 90% have not been offered a socially responsible investment, or SRI, product by a bank or advisor.⁵⁵
- Some of the reasons for financial advisors not drawing attention to sustainable investments include insufficient knowledge of ESG products, lack of detailed information on such products, or perceiving that ESG products are riskier and, therefore, do not fit to the average retail investor profile.⁵⁶

Accordingly, asset managers and financial advisors' knowledge and marketing of ESG products have an impact on retail investors' (actual and potential) engagement with sustainable finance.

Suggested approaches for regulators:

- Where appropriate, regulators should consider encouraging and/or facilitating training that would provide financial advisors with a greater understanding of greenwashing and how to guide investors to protect them against unsubstantiated or misleading sustainability claims.

2.6 Useful questions to increase awareness

Considering the different challenges and issues described in the previous sections, and with a view to make a link to the next Chapter, the boxes below present some key messages that securities regulators should consider for their financial education programs (focused on retail investors) on sustainable finance. The key messages derive from the C8 and IOSCO World Investor Week (WIW) work to promote financial education and investor protection in relation to sustainable finance.

financing the transition to a sustainable economy, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021DC0390&from=EN> Other efforts aimed at promoting awareness and access to sustainable finance include, for example, OECD's knowledge-sharing Platform on Financing SMEs for Sustainability. The Platform brings together governments, financial institutions, SME representatives and other actors in the sustainable financing ecosystem. It aims to foster dialogue and knowledge on how to overcome the challenges that SMEs face in accessing sustainable finance and to contribute to the efforts to enable businesses of all sizes to participate in the green transition. <https://www.oecd.org/cfe/smes/financing-smes-sustainability.htm>

⁵⁴ Shroeders, (2021), op. cit.

⁵⁵ <https://www.frenchsif.org/isr-esg/wp-content/uploads/117483-Pre%CC%81sentation-23-09-2020.pdf>

⁵⁶ Finance for Tomorrow, (2021), op. cit.; CONSOB (2021) *Sustainable finance. Trends, issues and perspectives amid the evolution of European Union regulatory framework*, available at https://www.consob.it/documents/46180/46181/fs_1.pdf/93c19583-f2cf-446a-81ef-1ffc1f333b47

A smart investor:⁵⁷

- realizes that sustainable finance may refer to many different concepts, such as environmental, social, and governance (ESG) investing, socially responsible investing, and impact investing;
- reviews an investment’s disclosure documents to see how it weighs various ESG or sustainable finance factors;
- considers whether an investment’s stated approach to sustainable finance matches the investor’s investment goals, objectives, risk tolerance, and preferences;
- understands that each sustainable finance investment opportunity is unique and should be evaluated on its own terms; and
- is aware of the risk and potential effects of greenwashing.



The following additional *Key Messages* derive from the information gathered by Committee 8:

A knowledgeable retail investor on sustainability-related issues:

- conducts research on a product (whether sustainable or not sustainable) before investing;
- asks their financial advisor about what makes a financial product “sustainable”;
- asks their financial advisor about the ESG framework or labelling used to present a product as sustainable;
- asks their financial advisor where to find the information that is material to understanding the ESG product in which they may want to invest;
- reviews ESG investment disclosure documents;
- asks, when being offered a “sustainable product”, how the risk of such product compares with conventional investment products;
- asks their financial advisor to explain what “greenwashing” is, and how to mitigate such risk; and
- asks their financial advisor about the complaint and redress mechanisms available for cases involving sustainable products.

⁵⁷ See IOSCO World Investor Week, key messages of the 2021 and 2022 campaigns, available at <https://www.worldinvestorweek.org/?p=resources&id=key-messages>

3. FINANCIAL EDUCATION INITIATIVES IN SUSTAINABLE INVESTING: TOOLS AND SOUND PRACTICES

The initiatives presented in this Report are intended to help regulators better educate retail investors about sustainable finance and related investment products. This Chapter presents some tools that securities regulators should consider in the following three areas:

- Developing educational content surrounding sustainable investments.
- Using a variety of communication channels to inform investors about the features and risks of sustainable investments.
- Fostering educational activities dedicated to other targets.

The materials and tools described in this Chapter are based on, or reflect, the actual practices of some regulators. They should not be taken as a benchmark, but they should be considered as useful references. The tools and practices are presented as “Activities” that regulators could take forward and adapt to their local circumstances, as appropriate. The information hereinafter stems to a large extent from the responses to the survey conducted on C8 members on *Retail Investor Education and Sustainable Finance*.

In parallel to the above-mentioned topics, this Chapter also considers some elements that could be relevant for the regulators’ financial education initiatives on sustainable finance, such as greenwashing, digitalization, and behavioral insights.

There are a number of challenges that may be considered when designing educational activities on sustainable finance, including (i) the early stage of development of the sustainable investment markets and regulatory frameworks; (ii) the lack of standards or a harmonized approach on sustainable-related matters at a worldwide level; and (iii) the complexity of the subject and the challenges in making it easily understandable and digestible for retail investors.

In this context, IOSCO members should consider the use of one or more of the educational activities included in this Chapter, taking into account the local stage of development of sustainable finance and the level of participation of retail investors in this market.

3.1 Financial education tools and practices adopted by regulators

Activity 1: Developing educational content about sustainable investments

This activity consists of developing key messages and investor education materials to help investors become familiar with sustainable finance.

In light of the issues and challenges highlighted in this Report, the first objective of most initiatives undertaken by members is to introduce the topic in a general fashion to retail investors, to help them get acquainted with new concepts and paradigms, starting with the broad concept of sustainability, and then focusing more specifically on how this connects with investment decisions.

Increasing communication about sustainable finance, its characteristics, benefits, and risks, is one of the good practices for educating and protecting investors, by raising awareness and developing platforms that retail investors may use to gather information. Some regulators have

begun to adopt measures to mitigate greenwashing risk for investors or guidelines to assure social labels.⁵⁸

Investor education can warn investors of the risk of greenwashing to help make more informed decisions. Guidance for retail investors on how to mitigate or identify greenwashing could consider local cases and experience across jurisdictions.⁵⁹

Initiatives may also be influenced by the degree or pace of development of both the (i) local sustainable investment market and (ii) the local regulatory framework.

Activity 1: Examples of initiatives

A number of regulators have produced specific materials on sustainable finance with the purpose of introducing the topic and laying the foundation for further development. However, considering the early stage of development of sustainable finance, the evolution of a comprehensive approach towards investor education on sustainable finance needs more experimentation and evidence.

Examples of initiatives for Activity 1 include:

- The OSC Ontario has created specific contents for retail investors on ESG investing, including a set of questions and answers in relation to:
 - *“What is ESG investing?”*
 - *Five things to consider when choosing ESG investing.*
 - *ESG terms for investors.*
 - *Greenwashing.*
 - *How to understand ESG funds.”*

The content encourages investors to focus on the core values that are most relevant to them, when selecting ESG investments, to learn more about the different kinds of ESG investment products available, to review fund disclosure documents, and to have conversations with their financial advisor about ESG-related investing. Key messages are included for investors in the form of “Take Action”:⁶⁰



⁵⁸ As previously mentioned in the Report, jurisdictions have identified various sources of greenwashing risk, including issues related to label of ESG products.

⁵⁹ Comprehensive sustainable finance frameworks, credible and effective supervisory and enforcement actions, targeted financial and investor education initiatives, and international standard setters’ efforts are all important tools to address greenwashing in the financial market and preserve trust in sustainable financial products and the financial system.

⁶⁰ The main point of access to this content is the website www.GetSmarterAboutMoney.ca

- US SEC. SEC staff has informed investors through an Investor Bulletin on ESG funds. The Bulletin, issued by the SEC’s Office of Investor Education and Advocacy, includes important factors for retail investors to consider when investing in ESG funds and also suggests some questions investors may ask to understand ESG products and investments.⁶¹

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Environmental, Social and Governance (ESG) Funds – Investor Bulletin

Feb. 26, 2021


✓ Ask Questions:

- Is ESG a core component of the investment selection process, or is it one of many factors that are considered to select investments?
- To what extent does the fund focus on ESG factors versus more traditional factors?
- How does the fund weight each of the three ESG factors within its ESG portfolio holdings?
- What specific criteria within a factor does the fund use when determining its portfolio holdings?
- How do the fund’s fees and expenses compare to other investment options?
- What types of investments do you expect or desire the fund to be invested in, and what types of investments do you expect or desire the fund NOT to be invested in? Compare those expectations with published fund holdings to better understand whether the fund’s investment strategy is consistent with your preferences.
- How does the fund explain and discuss its ESG practices, and how do those practices affect the performance and risk of the fund?
- Is the fund employing an ESG practice that is of importance to you, such as voting proxies in a certain manner or engaging with issuers to influence their ESG practices?

AMF Québec: Since retail investors can invest in Greenhouse Gas (GHG) emission units and regulated offset credits in some jurisdictions, including Quebec, AMF Québec has created a complete web section on this subject (*8 questions and answers about carbon credits and related concepts*).⁶²

⁶¹ <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-1>

⁶² <https://lautorite.qc.ca/en/general-public/investments/responsible-or-sustainable-investing/8-questions-and-answers-about-carbon-credits-and-related-concepts>

<ol style="list-style-type: none"> 1 What is a carbon credit? 2 Where do carbon credits come from? 3 What are the five main classes of carbon assets? 4 What can carbon credits be used for? 5 Is it possible to invest in carbon assets? 6 How do companies offset GHG emissions, including by using carbon credits? 7 What is greenwashing? 8 Is there a risk of fraud when investing in carbon assets? 	
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AMF Québec has also created a Responsible or sustainable investing quiz to help retail investors test their knowledge:⁶³


Question 7

You see the following information: “XYZ Inc. will soon be granted a patent for an invention for cleaning up pollution at abandoned oil and gas industrial sites. The stock will skyrocket in value, regardless of the state of the global economy!”

This is likely an opportunity that’s too good to pass up. **True or false?**

True
 False

7/7



- FINRA issued an ESG-related Investor Insights article covering, among others, the following aspects:
 - The ESG Essentials;
 - “Look beyond marketing materials” and “Know and compare fees”.
 - “Investor Tips” for investors considering an ESG investment, or investors that already own ESG investments:⁶⁴
 - *Know your investment goals and risk tolerance.*
 - *Understand the ESG fund's investment criteria.*
 - *Be alert to potential "green washing."*
 - *Do a values check. Review the individual investments of the ESG fund.*
 - *Stay diversified.*
 - *Be prepared for lack of "criteria consistency."*
 - *Be on the look-out for "green" scams.*

⁶³ <https://lautorite.qc.ca/en/general-public/calculators-and-tools/quizzes/investment-quiz/responsible-or-sustainable-investing-quiz>

⁶⁴ <https://www.finra.org/investors/insights/esg-investing-clearing-air-social-impact-financial-products>

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Need Help?



Investing
ESG Investing—Clearing the Air on Social Impact Financial Products
DECEMBER 11, 2019

Investor Tips
If you're considering an ESG investment, or own ESG investments already, keep these tips top of mind.

- **Know your investment goals and risk tolerance.** Any ESG investment should mesh with your overall [investment goals](#). And because all investments carry some degree of [risk](#), you will want to be knowledgeable about, and comfortable with, business and market risks associated with your investment.
- **Understand the ESG fund's investment criteria.** This information is found in the fund's prospectus. For example, some funds use an exclusionary investment process when making investment choices (for instance, **omitting** stocks of companies that are in particular sectors such as tobacco or alcohol). Others use an inclusive process (for instance, **including** companies that meet certain ESG criteria such as those focused on long-term supply-chain sustainability or that maintain a minimum percentage of female board members). Some funds focus on a range of ESG areas, others might focus only on one aspect, such as governance.
- **Be alert to potential "green washing."** Calling an investment "green" can be subjective, which opens the door to the potential exploitation of the label. Due diligence, including a close reading of the fund prospectus or bond offering, is a good place to start your investigation. Track any environmental milestones the various companies in a fund or bond issuer might report. Use your own judgement to decide whether an investment meets your criteria for a green investment. For instance, would you consider a bond to build a dam "green" if the underlying project included the installation of a wind farm? Reasonable minds can differ. Sometimes, the only person who can answer such questions is you.

- The SFC-IFEC of Hong Kong has promoted various education initiatives to engage retail investors and the general public on green and sustainable finance. The initiatives include capacity building, promotion and communications, stakeholder collaboration and research, covering different angles, such as:⁶⁵
 - *The HKSAR Government's retail green bond;*
 - *How sustainable are your investments?*
 - *ESG, impact and socially responsible investing;*
 - *Sustainable investing styles such as negative screening, thematic investing and ESG integration for retail investors;*
 - *Understanding ESG ratings;*
 - *Understanding sustainability indexes; and*
 - *Learn to read the highlights of ESG reports.*

⁶⁵ The main point of access to this content is the dedicated web page "Green finance – Global trend in investment" in the IFEC website: <https://www.ifec.org.hk/web/en/investment/investment-products/green-finance/index.page>

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Home > Portals > Investment > Investment products > Green Finance

Green finance Global trend in investment

Climate change is increasingly becoming a key and common concern of humankind. Nearly 200 countries have signed the Paris Agreement at the 2015 United Nations Climate Change Conference to combat climate change, by keeping a global temperature rise in this century below 2°C and pursuing efforts to keep it under 1.5°C to save the feverish Earth.

The Paris Agreement has sowed the seeds of green finance. In order to control the temperature rise of the Earth's climate system, it is important to keep the emissions of heat-trapping gases, mainly carbon dioxide under check. Fostering low-carbon economies is a critical step. Both commitment and capital are essential to achieve the transition to a low-carbon economy. In recent years, green finance has emerged as a result of climate change prompting capital flows towards low-carbon, sustainable and climate-resilient projects, products as well as enterprises.

In response to climate change issues, we can also develop a new mindset towards our investments. Making money will still be the goal of investing, but a sustainable and climate-resilient return will be the consideration.

Basics

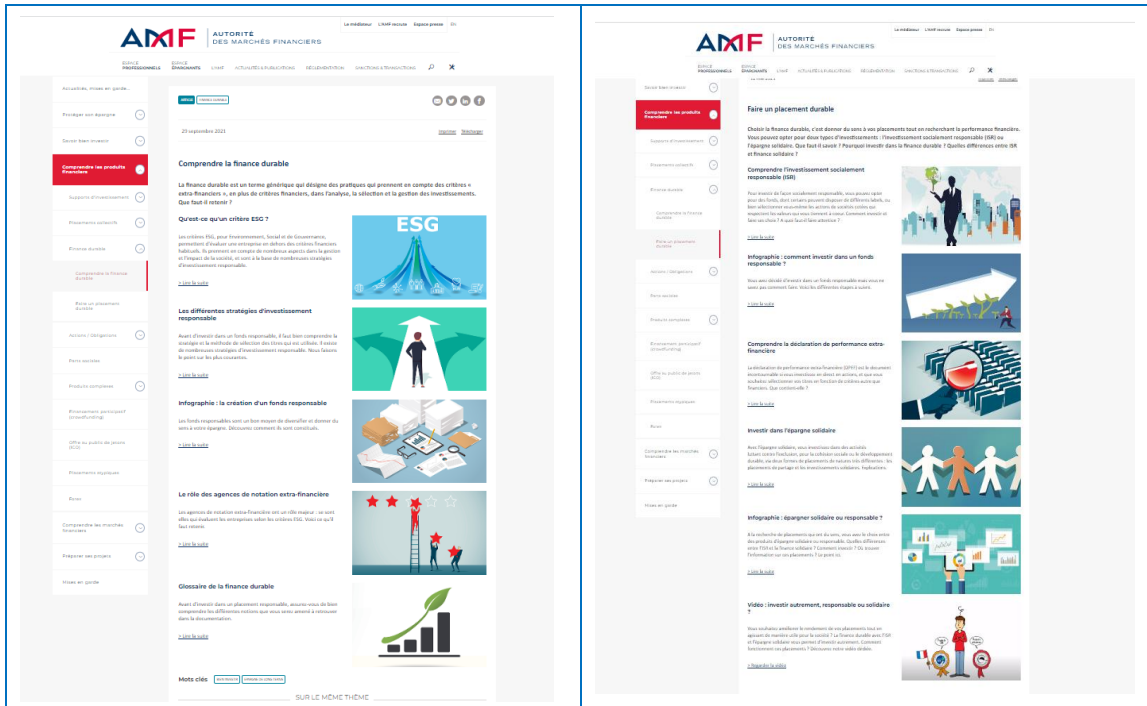
All about green The views The disclosure

- The CVM Brazil prepared content on general sustainable finance concepts, providing an overall view of the importance in considering ESG risks into investment analysis, and the awareness of impact investments and its positive socio-environmental results (beyond financial returns). Additional content described environmental concerns (biodiversity, climate, circular economy, etc.) and risks and opportunities in this agenda to retail investors, as well as to inform them on ESG transparency and disclosure.⁶⁶
- The AMF France implemented a number of initiatives which ranges from the objective to inform a wide audience of the existence of sustainable finance products to content for more advanced investors who can be critical about it and need to know how to find relevant information before investing.⁶⁷ This includes social media materials, such as videos on Facebook, YouTube and Instagram.⁶⁸

⁶⁶ The main point of access to this content is the website <https://www.investidor.gov.br/>

⁶⁷ The main point of access to this content is the website <https://www.amf-france.org/fr/espace-epargnants/lamf-et-vous>.

⁶⁸ For example: <https://www.youtube.com/watch?v=87a04orOgNo> and <https://www.instagram.com/tv/CUxkbbIgtX5/?hl=fr>



- The CMVM Portugal developed various content with regard to sustainable finance, including the agenda of the regulator on this theme, recommendations to market players and investors, as well as some information on regulation. The materials also include a list of 17 *Questions and Answers on Sustainable Finance*⁶⁹ covering, among other:
 - *What is "Sustainable Finance"?*
 - *What are ESG factors?*
 - *What activities fall within the scope of Sustainable Finance?*
 - *What are sustainable assets and investments?*
 - *What is shareholder activism?*
 - *What is distinguishable in a socially responsible organisation?*



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Questions and Answers on Sustainable Finance



6 – What are sustainable assets and investments?

Although its definition is not based on a uniform criterion, the CMVM understands that an asset or investment is sustainable when it incorporates ESG factors. Thus, sustainable investments include investments commonly referred to as impact investments, ethical investments, community investments, green investments, *inter alia*. A common denominator for these types of investments is that they incorporate one or more ESG factors, in addition to its financial return. Two of the most widely used strategies for creating and managing sustainable investments - for example, for the composition of an investment portfolio - are the exclusion of industries or projects that contradict ESG (negative screening) principles and the inclusion of industries or projects that favour ESG (Positive Screening) principles. Other strategies include best-in-class (search for the best performing company or project in ESG factors within its class) and shareholder activism.

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The main point of access to this content is the website <https://www.cmvm.pt/>

- Japan FSA provides financial literacy education and speeches for high school and college students – potential retail investors – with FSA staff serving as instructors. In this program and speeches, the FSA lectures on the concept and risks of ESG investment. Furthermore, the FSA is currently planning to further promote human resource development and education related to sustainable finance for both practitioners and students.
- Some members are expanding their traditional “behavioural insights” methodology - in an effort to take an evidence-based approach to help protect retail investors from greenwashing and enable more informed investment decisions. For example,
 - CONSOB Italy underlines that accounting for individuals’ heterogeneity and behavioural biases, and leveraging on individuals’ learning processes and on emotional triggers, are key to the design of effective communication strategies. CONSOB draws in its experience on the application of this methodology to education programs.⁷⁰ Sustainable investments may also encourage a forward-looking management of personal finance. Financial education initiatives may stress the need of a long-term perspective in personal finance management and the risks associated to a short-term bias.

Activity 1: Guidance

The complexity of the subject matter requires a step-by-step approach that clearly targets the messages and content for retail investors. While the provision of basic concepts and ideas is the starting point, the level of additional information and details is expected to go in parallel with: (i) the current degree of development of the related market; and (ii) any policy stance adopted by the regulator in respect to ESG products.

In this context, a first step may be to identify the answers to the following “questions”, which could be helpful for regulators to select the relevant content for their financial education initiatives and convey the right messages to retail investors and the general public:

Key questions:

-
- *What is sustainable finance?*
 - *What are ESG factors?*
 - *What are sustainable investments?*
 - *What is the key information retail investors should know to invest on ESG products?*
 - *What is greenwashing?*

A next step is to undertake a deep dive in one or more of the previous questions and answers, in particular with regard to sustainable investments and to greenwashing.

As referred to in Chapter 2, investor education initiatives should help retail investors gain a better understanding of the terminology and characteristics of sustainable investments, which in turn would assist retail investors to compare and analyze the various ESG products, and help them in taking informed investment decisions. In this regard, some additional questions that regulators could consider for their financial education initiatives are as follows:

⁷⁰ See “*Report on financial investments of Italian households - Behavioural attitudes and approaches*” (various years), available at <https://www.consob.it/web/consob-and-its-activities/report-on-investments-households>.

Additional questions:

- *What range of sustainable investments products are currently available to retail investors?*
- *What specific issues does ESG investing pose for retail investors with respect to achieving investment objectives, assessing and managing risk?*
- *Where can relevant disclosures on sustainable investments be found?*
- *How might retail investors equip themselves to detect and avoid greenwashing risk?*

Activity 2: Using a variety of communication channels to inform investors

This activity highlights the potential to use different communication channels when informing retail investors about the features of sustainable investments.

There is a wide range of communication channels to reach investors and promote investor education (e.g., radio, television, websites, social media), as well as different ways to share and distribute educational materials (e.g., hard-copy brochures, videos, webinars, podcasts). These varied communication channels and materials allow regulators to reach different audiences, and to impact these audiences differently.

In this regard, the Covid-19 pandemic has accelerated the use of distance learning and the development of digital content. Sustainable finance is among the first areas in which investor education has taken advantage of the use of digital tools.

Moreover, digitalization is deemed to be a relevant factor for the development of sustainable finance and for related educational activities. This synergy seems to have additional positive side effects, e.g., disclosure of ESG information, transparency and comparability.

Digitalization also has the potential to increase financial literacy and financial inclusion, as it enhances the availability and dissemination of sustainable finance education. Digitalization makes it possible to reach a wide audience of retail investors, as information is widely accessible and easily distributed.

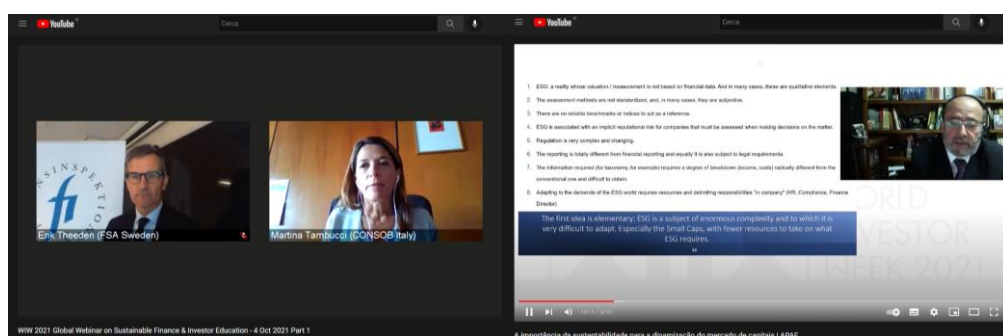
The demographic dimension is also an element to consider. Younger generations, who are probably the most interested in the development of a real sustainable economy, are also an audience most used to educational tools in digital format. Information that is disseminated through online channels facilitates reaching out to younger investors, who may be increasingly interested in sustainable investments. The dissemination of information through social media platforms has proven in some jurisdictions to be highly effective in educating the youth on risks, opportunities, and greenwashing prevention.

Activity 2: Examples of initiatives

The provision of information and educational materials on sustainable finance to retail investors has taken different forms, ranging from traditional formats – such as websites, courses, and face-to-face initiatives – to the increasing use of social media, webinars, and videos. In general, workshops and (virtual) meetings have been useful to address questions on specific aspects of ESG related products.

Examples of the use of Activity 2 include:

- **Websites:** Committee 8 members are updating the content of their institutional websites to add specific information about sustainable finance and sustainable investments (see for example OSC Ontario, CMVM Portugal, and Consob Italy).⁷¹
- **Webinars:** Sustainable finance has been a relevant topic for a number of webinars held by Committee 8 members and other stakeholders, including Consob Italy (WIW 2021 global webinar on sustainable finance⁷²), CMVM Portugal (*How can my investments make the world better*⁷³), CNMV Spain (*Investor webinar on sustainable finance*⁷⁴), AMF France (Webinar in September 2021 on *How to give meanings to savings with socially responsible investment*⁷⁵ and Facebook live “*Sustainable investment*” in October 2020⁷⁶), MAS Singapore (“*Get Green: Sustainable Investing, the New Trend*”), OJK Indonesia (*International Webinar Carbon Market: Global Practices*⁷⁷), CVM Brazil (*Introduction of sustainable finance to youth in the Global Money Week*⁷⁸), and SC Malaysia (webinars on SRI⁷⁹).



71 <https://www.consob.it/web/consob-and-its-activities/sustainable-finance>

72 https://www.youtube.com/watch?v=sNRBZjlg_kE

73 [https://www.smiportugal.pt/en/07%20OCT%202021/#Webinar how can my investments make the world %20better](https://www.smiportugal.pt/en/07%20OCT%202021/#Webinar%20how%20can%20my%20investments%20make%20the%20world%20better)

74 <https://www.cnmv.es/portal/Finanzas-Sostenibles/Jornadas.aspx>

75 https://www.youtube.com/watch?v=09lhLj-G_wc

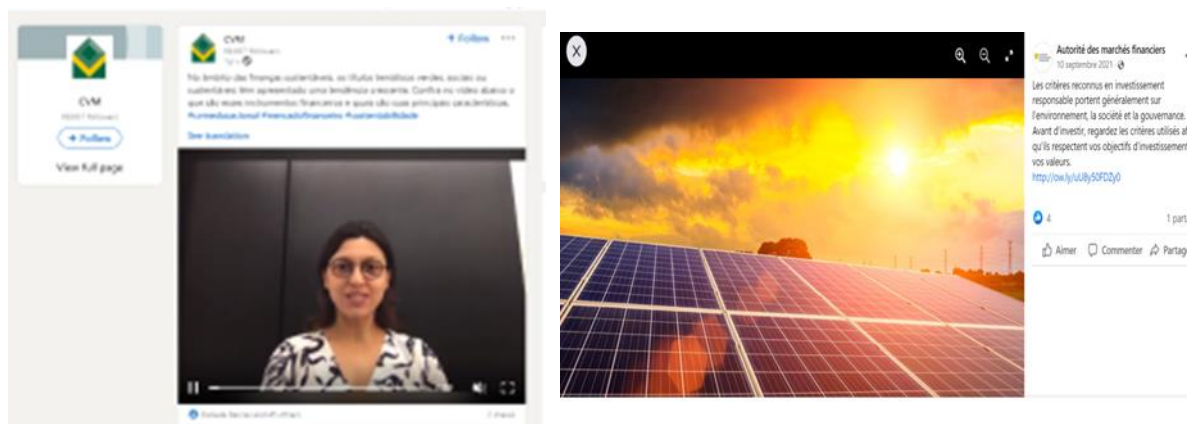
76 <https://www.facebook.com/60millionsdeconsommateurs/videos/1822715767869690>

77 <https://www.youtube.com/watch?v=5uAiwDnJ9yg>

78 <https://www.youtube.com/watch?v=BjOVRv0cvJo>

79 <https://www.youtube.com/watch?v=IbItr9IH7w>, <https://www.youtube.com/watch?v=8dTW6E2VTd0> and https://www.youtube.com/watch?v=rXY_hE3krY

- **Social media:** Some members have focused their communication strategy on social media, which represents a relatively cheap (and easy) way to reach a large audience with promptness and effectiveness. Examples include Quebec AMF (also by means of a quiz promoted via Facebook, LinkedIn, and Twitter⁸⁰) and Brazil CVM (educational posts and videos on Instagram and LinkedIn have also been publicized to clarify the main messages of the publication and attract the public to access the CVM sustainable finance series⁸¹).



- **Television:** A few members are using TV programs/shows to reach a wide audience, especially adults, including AMF France (the short program⁸² is broadcasted on all the channels of the French public television and addresses between one and two million people every year).



⁸⁰ Responsible or sustainable investing: <https://lautorite.qc.ca/en/general-public/investments/responsible-or-sustainable-investing>; Investing while taking ESG criteria into account: <https://lautorite.qc.ca/en/general-public/investments/responsible-or-sustainable-investing/invest-while-taking-esg-criteria-into-account>; 8 questions and answers about carbon credits and related concepts: <https://lautorite.qc.ca/en/general-public/investments/responsible-or-sustainable-investing/8-questions-and-answers-about-carbon-credits-and-related-concepts>; Responsible or sustainable investing quiz: <https://lautorite.qc.ca/en/general-public/calculators-and-tools/quizzes/investment-quiz/responsible-or-sustainable-investing-quiz>.

⁸¹ <https://www.youtube.com/watch?v=QIXyOnb5u8k&t=757s>;
<https://www.youtube.com/watch?v=IH4n59tvudk&t=296s>;
<https://www.youtube.com/watch?v=Yt9mYjTqbs8>;
https://www.linkedin.com/posts/cvm_cvmeducacional-mercadofinanceiro-sustentabilidade-activity-6808175984668405760-pPRY;
https://www.linkedin.com/posts/cvm_cvmeducacional-mercadofinanceiro-sustentabilidade-activity-6807824296224833536-A1XA

⁸² <https://youtu.be/kIAnrcfb0as> (in French).

- **Radio/podcast:** A member has used a radio/podcast campaign to reach a wide audience, AMF France (“*My money, daily*” with 10 chronicles including one about sustainable finance⁸³; the chronicles were sent to hundreds of radios and web radios, inviting to broadcast it with no fees; at the end of the broadcasting period, the chronicles were available as podcasts that can be shared on social media and websites).
- **Targeted courses:** A usual channel some members have used to reach specific targets (e.g., students and adults) is a dedicated course, which can be provided online or in person, and focused on sustainable finance or more general with some information on ESG products. Examples include Chinese Taipei (“*Investing for your future*” - lectures to the public⁸⁴), Italy Consob (*Minor course for students*⁸⁵), and Spain CNMV (*Basic online course on sustainable finance*⁸⁶).



- **World Investor Week:** The IOSCO World Investor Week represents an important event during which to launch initiatives related to sustainability matters. In 2021 this channel has been used by a number of members to organize initiatives dedicated to sustainable finance. The most used format has been a webinar, with the participation of experts and other stakeholders. To this end, WIW has proven to be a very effective channel to raise the awareness and reinforce the effectiveness of the messages delivered to the public.

Digitalization is becoming increasingly important in disseminating investor education tools and practices surrounding sustainable finance products to retail investors. More specifically, with regard to digitalization, IOSCO members have expressed the following thoughts:

- **OJK Indonesia:** increase the efficiency and accuracy of the information in financial industry reporting and simplify the supervisory process for regulators. Investors will also benefit from easy access to environmental, social, and governance information to make investment decisions. Technology is also used to simplify the educational process to increase sustainable financial literacy and inclusion.

⁸³ <https://soundcloud.com/mon-argent-au-quotidien/comment-investir-dans-des> (in French).

⁸⁴ <https://weblinesfi.org.tw/workshop/default.asp?csn=510>

⁸⁵ https://www.consob.it/web/investor-education/dettaglio-news/-/asset_publisher/RmpGKMBbKOkJ/content/ (in Italian).

⁸⁶ <https://www.cnmv.es/Cursos/Educacion-Financiera/Finanzas-Sostenibles/index.html#/slide/YBzSr1Pmts>

- JSDA Japan: if digital bonds using security tokens utilizing blockchain based on distributed ledger technology become widespread, the following may be realized through digital technology:
 - daily disclosure of project allocation status, and environmental/social improvement impact of Use-of-Proceeds (UoP) bonds,
 - understanding the status of whether key performance indicators (KPIs) of Sustainability-Linked Bond (SLB) have achieved Sustainability Performance Targets (SPTs) and/or flexibly changing interest rates in line with the preset KPI achievement rates, etc.
 - It is also expected that recording data on tokens will help prevent data from being compromised as well as improve data accuracy.
- SC Malaysia: digitalization makes investor education more accessible to retail investors. Conducting engagements online has given greater access to Malaysian citizens to participate. The use of social media platforms allows the measurement of effectiveness through engagement/impression data obtainable from the platforms.
- AMF France: digitalization is key in financial education today. In particular, it enables interaction, which is a good way of learning by being active and not passive. Some digital tools have been created to help retail investors in France. The 2° Investing Initiative (2DII) created a tool, *My fair money*⁸⁷, in Germany and in France, to inform customers and to help them define their non-financial preferences, with a questionnaire on these preferences, a database which analyses over 4000 funds and educational content. An app, RIFT⁸⁸, was also set up by Lita, a crowdfunding platform to invest responsible, with 5 partners, in particular 2DII and sustainable finance specialists and associations. This app scans societal and environmental impacts of deposit accounts, savings accounts and life insurance.

Activity 2: Guidance

Using different communication channels has a two-fold goal: on the one hand it can help reaching distinct target audiences, choosing the most effective ‘vehicle’ in connection to the specificity of the group; and, on the other hand, it can be effective in reinforcing the message that is communicated to the target group. An educational message is also likely to have different impacts across different demographic segments, depending on the communication channel chosen. For instance:

- The easiest way for content to reach a potential wide audience is to distribute it through websites, provided the websites are known and the related pages are visited by a significant number of interested people. It is also the recommended way to identify a hub, compiling all the relevant information about sustainable finance, starting from the basics and then adding different layers of topics and complexity.
- Materials distributed through TV, radio, and the press can also reach a wide audience, especially among adults, even though the cost of some of these campaigns might be relevant (and thus the cost is an element to be assessed).

⁸⁷ <https://www.myfairmoney.fr/accueil>

⁸⁸ <https://riftapp.fr/>

- Social media is a relatively cheap way to inform and stimulate the curiosity and the interest of people, especially in jurisdictions and among audiences with social media penetration. The selection of a particular social media should consider the target audience and the design of the related campaign. Social media has proven increasingly effective in reaching younger people – i.e., more tech-savvy generations - who are more interested in sustainable investment.
- The IOSCO World Investor Week is the ready-for-use format to give a specific relevance to a topic like sustainable finance, by means of targeted initiatives, ideally in cooperation with other stakeholders.⁸⁹

Activity 3: Fostering educational activities dedicated to other targets, ultimately protecting and informing retail investors

*This activity entails the need for an **overall educational effort** involving the regulator and other industry participants to create the conditions to better protect and inform retail investors in this new sustainable investments' market.*

Better informing retail investors about sustainable finance products may also be done in an indirect way through educational activities for other targets. More specifically, financial education on sustainability-related issues could be made more effective by involving other audiences (such as the regulator's staff, financial advisors, or the staff of other stakeholders).

In this regard, a number of regulators have undertaken activities within their institutions to enhance the level of interest and knowledge in the sustainability field (e.g. creation of specific units) or, in parallel with other entities, have started or are planning to start specific modules for intermediaries and issuers.

A relevant role is played by financial advisors, as the main point of contact for some retail investors. Their education, in terms of requirements on knowledge and experience (where applicable), could include ESG considerations/components and relevant certification.

Activity 3: Example of initiatives

Regulators are taking different actions to train their staff on sustainable finance-related matters. These initiatives would eventually benefit the financial education programs they might launch for retail investors.

Examples in the use of Activity 3 include:

- France AMF has set up a Sustainable Finance Task Force (January 2019) which is backed by a multidisciplinary team drawn from different directorates (regulatory policy and international affairs, corporate finance, asset management, retail investor relations, audits and communication). It is managed by the Strategy and Sustainable Finance Unit and is made up of some 20 employees who are highly engaged on this issue. One of the duties of

⁸⁹ See the different activities undertaken by the participating jurisdictions during the IOSCO WIW campaign of 2021 on sustainable finance in the *World Investor Week 2021 - Public Report* at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD710.pdf>

this taskforce is to work on the operational implementation of the AMF's sustainable finance action plan, share knowledge and exchange views about future trends and issues. It also enables better coordination and the consistency of the AMF's messages on this issue. The members of the task force contribute actively to the work of the AMF's Climate and Sustainable Finance Committee. A training program for this Task Force was also set up. Since 2022, this program has been extended to all the staff of the AMF, on a voluntary basis and with different modules (e.g., general one for everyone, more specific ones for some employees like extra-financial analysis). Besides, in February 2021, the regulator announced that the section of the general examination for AMF certification devoted to sustainable finance would be extended and that a specific, optional module on sustainable finance would be created. This module is particularly aimed at sales professionals who, from August 2022, will be required to obtain the sustainability preferences of clients. It is also aimed at anyone wishing to demonstrate knowledge of the institutional and economic framework of sustainable finance, to understand the essential concepts and to acquire an understanding of the products and methodologies used to propose products adapted to client's needs. They may be people working in areas such as financial analysis, marketing, investor relations and communication. The first exams took place at the beginning of 2022.

- BaFin, Germany follows an integrated approach as it supervises different types of financial services and institutions allocated to certain sectors of BaFin's organization. The supervisory implementation of regulatory standards is carried out in the respective sectors: Banking Supervision, Insurance Supervision and Securities Supervision. Therefore, BaFin set up the Centre Sustainable Finance (ZSF) which has a BaFin internal cross-sectoral coordination, networking and policy function. The ZSF develops and coordinates strategic Sustainable Finance (SF) issues within BaFin with the participation of the sectors. In addition, the ZSF supports the sectors or the supervision in specific SF issues as well as in the implementation or application of (European) legal acts, if required. Among its tasks, ZSF supports the knowledge management and communication on SF issues. ZSF also establishes structures and processes that support a uniform appearance of BaFin in the topic of SF. Within its knowledge management function, ZSF collects information on SF and will make it available centrally within BaFin on a dedicated intranet site. The ZSF supports communication with market participants via a SF conference and, in perspective, via the establishment of an information page on the BaFin webpage. Also, ZSF participates in testing suitable training activities with regard to SF issues (for BaFin staff) and plans to analyze together with the BaFin education centre a training plan on SF issues for BaFin staff.
- CONSOB Italy established, in 2019, a Steering Committee on sustainable finance with the purpose of monitoring market trends, developing a proactive supervision with special reference to non-financial reporting obligations and actively participating in the regulatory developments both at national and international level. In 2021 the first working paper in the series on sustainable finance was published: *Sustainable finance. Trends, issues and perspectives amid the evolution of European Union regulatory framework*, which offers a systematic review of the evolution of sustainable finance and the related law and economics debate, with the purpose of providing a mind map encompassing the role of financial players, market dynamics and the contribution of a regulation fostering the consideration of ESG factors in financial actors' decision-making process.⁹⁰ In 2022, a second working paper

⁹⁰ CONSOB (2021) *Sustainable finance. Trends, issues and perspectives amid the evolution of European Union regulatory framework*, available at: https://www.consob.it/documents/46180/46181/fs_1.pdf/93c19583-f2cf-446a-81ef-1ffc1f333b47.

was published, *Asset management and sustainability*, based on a survey focusing on the engagement of institutional and non-institutional investors on ESG criteria.⁹¹ In line with the Strategic Plan 2022-2024, CONSOB intends to support the process of channeling savings towards the real economy, ensuring adequate levels of investor protection, and to contribute to the development of sustainable finance. According to the purposes of the Steering Committee about Sustainable Finance, since 2019 informative sessions have been organized to train CONSOB staff towards a proactive supervision on non-financial reporting. Moreover, other seminars and workshops on sustainable finance were given by academics, European Commission staff and market participants. CONSOB is developing new financial education formats focused on sustainable finance dedicated to citizens and is analyzing the opportunity to launch a training course for small and medium-sized enterprises (SMEs) with the aim of raising awareness about of the opportunities related to market access, alternative finance instruments (e.g., minibonds, crowdfunding, etc.) and sustainable finance and non-financial reporting tools. The development of the training course could benefit from collaboration with universities and research centers.

- CNBV Mexico has developed and will soon launch an e-learning platform that seeks to develop ESG capabilities among its staff and other key stakeholders. CNBV highlighted digitalization can lead to capabilities amongst retail investors that foster awareness of the characteristics of ESG products and can lead to the recognition of greenwashing practices. The platform includes general training on ESG frameworks and standards elaborated by, as among the others FSB Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) and Science Based Targets. Additionally, it includes an introduction to the ESG financial ecosystem. After finishing the training, CNBV's staff will receive a certification that acknowledges such completion.
- OJK Indonesia conducted some educational initiatives for its staff and staff of a related SRO. Such initiatives are not only for increased awareness of green bond regulatory but also the implementation of sustainable finance. Moreover, OJK conducted some initiatives to develop the ecosystem of green bond issuance and other thematic bonds. To this end, OJK conducted several educational activities for the Association of Issuers and its members (e.g., ESG Capital Market Summit held by OJK in July 2021, and GRI-CDP IDX-GRI: Capital Market Workshop - Green Financing held by IDX in December 2021, webinar on the green bond issuance held by OJK in December 2021).
- MAS Singapore conducted a course for its staff in 2021 comprising live training session and multiple video recordings including topics such as:
 - Environmental risks – risks and dependencies for businesses and the wider economy.
 - Best practices for banks in managing climate related financial risks.
 - Understanding the uses and limitations of ESG ratings and data.
 - Key design parameters and methodological approaches to consider in developing stress tests.
- MAS ran another course in 2022 on the fundamentals of ESG investing to understand the:
 - Place of ESG investing in the investment landscape.

⁹¹ CONSOB (2022) *Asset management and sustainability: evidence from Italy. Survey on engagement of institutional and non-institutional investors on ESG criteria*, available at: <https://www.consob.it/documents/46180/46181/fs2.pdf/ec7ad182-f09f-4ffc-b9e4-f6c7f248f9e2>

- Environmental, social and governance issues ESG seeks to address.
- Opportunities, benefits and challenges of ESG investing.
- The principles of integration into the investment process.
- The ESG market and developing trends.

Activity 3: Guidance

Some additional possible actions to better protect and inform retail investors through other participants, and through it eventually have an impact on investor education initiatives in the area of sustainable finance, should involve the following:

- raising awareness of the topic among the staff and considering how to translate this knowledge into investor education initiatives;
- when setting up a dedicated task force, unit, or department on sustainable finance, considering developing surveys and fact-findings on retail investors' knowledge of and attitudes towards sustainable finance;
- promoting awareness of sustainable investments by engaging with the relevant stakeholders and organizing joint educational initiatives.

4. CONCLUSION

This Report anticipates that sustainable investment will continue to be an important topic for retail investors over the coming years. Investor education has a key role to play in facilitating the retail investor's understanding of the characteristics and risks of sustainable finance and related sustainable investments.

This Report is an initial attempt to address retail investor education in the context of sustainable finance markets and products. Currently, regulators are still learning about the most effective ways to educate retail investors about the complexities involved in sustainable investing. For this reason, it is important that financial education programs draw on regulators' experiences in their jurisdictions and markets. The examples provided in the report are intended to share the experienced gained by Committee 8 members so far, and highlight some of the main challenges that still remain to be addressed.

For investors with growing sustainability sensibilities who want to invest not only for a financial return, but sustainability benefits, and for investors that view sustainability as also about maximizing financial return, regulators should consider ways in which they might provide investors with the tools and resources they might need to better align their investments with their sustainability and investment goals.

With this new and growing investment category, investors also need to understand the diverse investment strategies, the great variety of sustainable finance products and how they work, the need of ESG risk integration, and how relevant is the impact of their financial decisions.

In this regard, C8 encourages regulators to consider this Report in support of their respective efforts as they work on financial education in relation to sustainable finance and, in particular, the accomplishment of the following three objectives:

- First, raising awareness. Different surveys have highlighted that not all retail investors are aware of the availability of different ESG products (and in some cases they do not know what ESG stands for). In other cases, retail investors need to be aware of the risks and opportunities associated with sustainable investments.
- Second, enhancing understanding. The current situation characterized by the lack of a common language, definitions, labels, metrics, etc., is a given that should not refrain regulators from taking action. Raising awareness on the current situation is a first step, but regulators should also help retail investors understand what sustainable investments are, where to find basic information on ESG products, what to expect from an ESG product, and how to mitigate the risk of greenwashing, among other useful points to be considered by retail investors.
- Third, translating awareness and understanding into informed decision-making. Financial education could support better financial decisions by helping retail investors identify opportunities and mitigate risks.

ANNEX A – Survey on Retail Investor Education and Sustainable Finance

IOSCO C8 – Working Group on Sustainable Finance and Financial Education Stock-taking survey on Retail Investor Education and Sustainable Finance

Background

The Committee 8 (C8) is conducting a project on developing retail investor education tools and practices in the context of sustainable finance markets and products. This survey is aimed at obtaining information from regulators on the following three areas:

- recent developments or initiatives in investor education with regard to sustainable finance, targeted to retail investors;
- potential tools or sound practices and methods that could enhance financial education for retail investors in the area of sustainable finance, which may provide the basis for an initial toolkit with practical guidance and examples;
- the main characteristics, relevance and awareness of sustainable-related/ESG financial products made available to retail investors.

The outcomes of this survey will provide valuable input to a public report to be prepared by the C 8. The responses indicating good practices, tools and initiatives will be reflected in the public report, unless otherwise required by the respondent authority. C8 members will receive the draft report accordingly and will be able to provide comments and approval in due course.

The prospective C8 report will also benefit from other inputs, including a literature review and a dialogue with experts previously conducted by C8; the experiences shared by jurisdictions through the IOSCO World Investor Week (WIW), which had “sustainable finance” as one of its main themes for the 2021 campaign; as well as the IOSCO Sustainable Finance Task Force (STF) Workstream 2 on sustainability-related practices policies, procedures and disclosure in asset management (WS2 STF), including the stock-taking survey on investor education and sustainable finance conducted among STF and C8 members in November 2020 by WS2 STF.

Moreover, this C8 survey also leverages on Recommendation 5 (on investor education) included in the STF Report on Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management (2 November 2021): “*Securities regulators and/or policymakers, as applicable, should consider promoting financial and investor education initiatives relating to sustainability, or, where applicable, enhance existing sustainability-related initiatives*”. This survey will deep dive on such STF recommendation in the area of retail investors.

For the purposes of this survey, the term “sustainability”, “sustainable” or “ESG” refers to *environmental (including climate-related), social and governance factors and issues*, and the related products are generally referred in this survey as “sustainable investment” products (this term is kept wide taking into account the existing differences in investment products which contribute to ESG objectives offered/made available to retail investors in the various jurisdictions and the lack of a common taxonomy; as an example, you may refer to ESG investment funds, green bonds and other ESG financial products).

The survey is structured in three sections:

- Section 1 – Characteristics of sustainable investing and its markets.
- Section 2 – Investor education initiatives on sustainable finance for retail investors.
- Section 3 – Identification of potential tools or sound practices and methods.

NOTE: for those binary questions in which your answer is “yes”, please respond the respective options below the “Yes”. In some cases, a “no” response may also require you to provide additional details.

The C8 Working Group thanks you in advance for your participation in this survey. Should you have any questions on any part of the survey, please feel free to contact: p.munaf@consob.it; daniela.baccas@cvm.gov.br; r.pantano@consob.it; j.deluna@iosco.org

Contact information

- **Responding Authority:**
(Please insert your answer)

- **Contact point (name and email address):**
(Please insert your answer)

Section 1 – Characteristics of sustainable investing and its markets

Question 1. Do your securities laws and regulations or self-regulatory initiatives foresee requirements specifically applicable to sustainable investment products?

Yes No

- If “**Yes**”, please provide a brief explanation (and provide the link, if available) of the main aspects and types of products covered by those regulations and identify the authority that has enacted them, including in the areas of:

(Please briefly elaborate on your answer)

ESG disclosure requirements.

(Please briefly elaborate on your answer)

Suitability requirements.

(Please briefly elaborate on your answer)

Product governance requirements.

(Please briefly elaborate on your answer)

Taxonomy requirements.

(Please briefly elaborate on your answer)

Labelling regime.

(Please briefly elaborate on your answer)

Retail investor complaint and redress mechanisms.

(Please briefly elaborate on your answer)

ESG rating requirements.

(Please briefly elaborate on your answer)

Others

(Please briefly elaborate on your answer)

- If “**No**”, do you know whether such regulatory interventions are planned in the next future and, if so, in which areas?

(Please insert your answer)

Question 2. Are sustainable investment products currently being made available to retail investors in your jurisdiction?

Yes No

- If “**Yes**”, please provide a short summary of any related survey/study - including, for instance, the types of products, the source of information, the size of the market of sustainable investments available to retail investors, and any other findings - and the links to the related webpages, in case they are public. Please specify the definition of “sustainable investment products” considered in the survey/study.

(Please insert your answer)

- If “**No**”, please indicate the main issues in this regard (e.g., lack of reliable data, little standardization, incipient market, ...).

(Please insert your answer)

Question 3. (If you answered “yes” to 2) Who are the providers/suppliers of the sustainable investment products to retail investors in your jurisdiction (e.g., collective investment schemes, banks, non-financial issuers, ...)? Please provide a short list of these types of providers/suppliers and, if there is any survey/study available, the related market size held by each of them (and the links to the related webpages, in case the information is public).
(Please insert your answer)

Question 4. Are there any surveys/studies conducted on the level of interest/awareness/holding of sustainable investments among retail investors in your jurisdiction?

Yes No

- If “Yes”, please provide a short summary of such surveys/studies and, in particular, the motivations/incentives/challenges for retail investors to become more familiar/aware with these products. Also, provide the links to the relevant webpages in case they are public.
(Please insert your answer)

Question 5. In your view, what are the most serious sources of greenwashing risk for retail investors?
(The term “greenwashing” refers to the practice of misrepresenting sustainability-related practices or the sustainability-related features of investment products. Such practices may vary in scope and severity, e.g. from the inappropriate use of specific sustainability-related terms used in an offering document, to misrepresentations about an entity’s sustainability-related commitments, to deceptive marketing practices that deliberately misrepresent a product’s sustainable impact).

- Non-verification/certification of sustainability methodology/indicators/purpose.
(Please briefly elaborate on your answer)
- Disclosure and/or data source is not reliable or unclear.
(Please briefly elaborate on your answer)
- ESG label is unreliable or encompasses a few assets/aspects of the product.
(Please briefly elaborate on your answer)
- Use of unclear or complex wording.
(Please briefly elaborate on your answer)
- Methodology underlying ESG ratings is not disclosed.
(Please briefly elaborate on your answer)
- Lack of parameters/standards or specific regulation to guide and/or supervise sustainable investing.
(Please briefly elaborate on your answer)
- Others.
(Please briefly elaborate on your answer)

Question 6. Are there any measures adopted in your jurisdiction to prevent or mitigate greenwashing risk for retail investors?

- Yes No

- If “Yes”, please indicate whether such measures cover one or more of the following areas:
(Please briefly elaborate on your answer)

- ESG ratings.
(Please briefly elaborate on your answer)
- ESG investment strategies disclosure.
(Please briefly elaborate on your answer)
- Labelling system.
(Please briefly elaborate on your answer)
- Sustainable taxonomy.
(Please briefly elaborate on your answer)
- Others.
(Please briefly elaborate on your answer)

- If “No”, please indicate whether there any measures planned to be adopted in your jurisdiction to prevent or mitigate greenwashing risk for retail investors.
(Please briefly elaborate on your answer)

Section 2 – Investor education initiatives on sustainable finance for retail investors

Question 7. - Have your authority conducted, or is aware of, any investor education initiative on sustainability-related issues dedicated to retail investors in your jurisdiction?

- Yes No

- If “Yes”, please fill out the **template** below (one template for each initiative i.e. in case of two initiatives or more just copy and paste the template, one after another). Please consider initiatives led by regulators or any other provider. Concrete initiatives that are about to be implemented can be described likewise. For future pipelines, please refer to Question 8.

TEMPLATE:

1) Name/Title of the initiative (if any):

(Please insert your answer)

2) Date of (first) launch

(Please insert your answer)

3) Indicate the hyperlinks/attach documentation of the investor education initiative referred (if available):

(Please insert your answer)

4) Coordinator(s) of the initiative:

Government

(Please briefly elaborate on your answer)

Regulator

(Please briefly elaborate on your answer)

Trade association

(Please briefly elaborate on your answer)

Business/professional education services

(Please briefly elaborate on your answer)

Non-profit organisation

(Please briefly elaborate on your answer)

Private firm

(Please briefly elaborate on your answer)

Other

(Please briefly elaborate on your answer)

5) Type of Content/Approach:

Orientation/guidance

(Please briefly elaborate on your answer)

Risk alert

(Please briefly elaborate on your answer)

Training/course

(Please briefly elaborate on your answer)

Others

(Please briefly elaborate on your answer)

6) Delivery channel:

Face-to-face

(Please briefly elaborate on your answer)

Social media:

Facebook

(Please briefly elaborate on your answer)

Twitter

(Please briefly elaborate on your answer)

Instagram

(Please briefly elaborate on your answer)

Tik Tok

(Please briefly elaborate on your answer)

Others

(Please briefly elaborate on your answer)

Website/blog

(Please briefly elaborate on your answer)

News media campaigns:

TV

(Please briefly elaborate on your answer)

Radio

(Please briefly elaborate on your answer)

Other

(Please briefly elaborate on your answer)

Brochure/book/folder/magazines

(Please briefly elaborate on your answer)

Podcasts

(Please briefly elaborate on your answer)

Edutech/app

(Please briefly elaborate on your answer)

Others

(Please briefly elaborate on your answer)

7) Format

Self-directed learning (brochure, digital content, warning, ...)

(Please briefly elaborate on your answer)

On-line training by others (webinar, Massive Open Online Course (MOOC), ...)

(Please briefly elaborate on your answer)

In-person outreach events (seminars, workshops, ...)

(Please briefly elaborate on your answer)

Others (apps, games, ...)

(Please briefly elaborate on your answer)

8) Target audience

Retail investors in general

(Please briefly elaborate on your answer)

Adults

(Please briefly elaborate on your answer)

Youths

(Please briefly elaborate on your answer)

Students - *(Please briefly elaborate on your answer)*

(Please briefly elaborate on your answer)

Households

(Please briefly elaborate on your answer)

A more specific audience

(Please briefly elaborate on your answer)

Others

(Please briefly elaborate on your answer)

9) Topics:

Sustainable investments (thematic funds and bonds, labelling, naming, risks, features, documentation, portfolio, methodologies, etc.)

(Please briefly elaborate on your answer)

Greenwashing (risk awareness, support to identify greenwashing practices, etc.)

(Please briefly elaborate on your answer)

Sustainable finance (other topics, such as importance; social-environmental/climate subjects, etc.)

(Please briefly elaborate on your answer)

ESG investment certifications

(Please briefly elaborate on your answer)

ESG ratings/ESG data providers

(Please briefly elaborate on your answer)

ESG transparency/ ESG disclosure frameworks (information about ESG transparency provided by issuers or asset managers, types of ESG reporting standards and frameworks)

(Please briefly elaborate on your answer)

Others

(Please briefly elaborate on your answer)

10) Briefly describe the main objective of the initiative (max. 350 words).

(Please insert your answer)

11) Does the initiative cover any particular requirement/recommendation from your jurisdiction regulation as described in Section 1?

Yes No

If “Yes”, please describe which topic/requirement and the regulation applicable.

(Please insert your answer)

12) Describe any lessons learned (if any) from the initiative, including with regard to identified benefits, challenges and obstacles (max. 350 words).

(Please insert your answer)

13) Describe the indicators of effectiveness applicable (if any) to the initiative (max. 350 words).

(Please insert your answer)

14) Please include any additional information you might find relevant for this survey.

(Please insert your answer)

Question 8. – In the future, are you looking to conduct any or are you aware of any future investor education initiative on sustainability-related issues dedicated to retail investors in your jurisdiction?

Yes No

- If “Yes”, please briefly describe the main objective of the initiative, encompassing the available descriptions at the moment (features, topics, format, delivery channel, target audience, etc.)

(Please insert your answer)

Section 3 – Identification of potential tools or sound practices and methods

Question 9. Drawing on answers to section 2 and more generally on your experience, what are the main challenges regulators should deal with in the area of retail investor education for sustainable finance?

Too early stage of development.

(Please briefly elaborate on your answer)

Possible overrunning in relation to statutory objectives.

(Please briefly elaborate on your answer)

Too complex to make it easy for retail investors.

(Please briefly elaborate on your answer)

Regulatory barriers.

(Please briefly elaborate on your answer)

Lack of standards.

(Please briefly elaborate on your answer)

Others.

(Please briefly elaborate on your answer)

Question 10. Drawing on answers to section 2 and more generally on your experience, what are the specific tools, best practices or methods most practical/useful to enhance retail investors’ knowledge and understanding of sustainable investments’ characteristics, risks, benefits? Please elaborate on the main features of such tools, practices and methods, including with regard to distribution channels and target audience.

(Please insert your answer)

Question 11. Have you conducted or planning to conduct or are aware of any financial education initiative on sustainability-related issues dedicated to targets other than retail investors.

Yes No

- If “Yes”, please detail (including the identification of any features that could be worth considering for retail investors) and provide the links to relevant documents where available:

(Please briefly elaborate on your answer)

The staff of the authority.

(Please briefly elaborate on your answer)

- The staff of sustainable investments' manufacturers/distributors.
(Please briefly elaborate on your answer)
- Financial advisors (e.g., to obtain voluntary/mandatory certificates of competences).
(Please briefly elaborate on your answer)
- Issuers.
(Please briefly elaborate on your answer)
- SMEs.
(Please briefly elaborate on your answer)
- Others.
(Please briefly elaborate on your answer)

- If “No”, please briefly explain the reasons of that.
(Please insert your answer)

Question 12. In the field of sustainable finance, in particular with regard to main benefits, risks and challenges, what is your view about the use of digitalization (e.g. digital tools/formats/channels/etc.) as a mean to promote retail investor education and to measure the effectiveness of relevant initiatives? Please give particular emphasis, as a matter of example, on how technology can enable transparency in disclosure for retail investors and/or help consumers understand ESG characteristics of products and/or provide advice for sustainable alternatives, address greenwashing risk and /or validate ESG data.
(Please insert your answer)

Question 13. What do you think that IOSCO C8 (and IOSCO in general) should do under its area of remit (investor education and investor protection) as the next steps, following the likely growth of the ESG investment market in the coming years?
(Please insert your answer)

Question 14. Please provide any other comment or information that you deem would be useful for the purposes of this survey, if not covered in the previous parts of the survey.
(Please insert your answer)

* * *

ANNEX B – Sample of literature review

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- Finansol, *Barometer of the solidarity investment*, (2021), available at: <https://www.finansol.org/2021/06/07/barometre-de-la-finance-solidaire-2021-2022/>;
- FINRA Foundation & NORC, *Investors say they can change the world, if they only knew how: Six things to know about ESG and retail investors* (2022), available at: <https://www.finrafoundation.org/sites/finrafoundation/files/Consumer-Insights-Money-and-Investing.pdf>
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ANNEX C – Members of Committee on Retail Investors (Committee 8)

- **Chairman** - Mr. Pasquale Munafò, Senior Finance Professional, Commissione Nazionale per le Società e la Borsa, **Italy**
- **Vice-Chairman** - Mr. Camille Beaudoin, Director, Financial Education Department, Autorité des marchés financiers, **Quebec**

Members:

Comissão do Mercado de Capitais, **Angola**
(*Mr. Sebastião Manuel*)

Comisión Nacional de Valores, **Argentina**
(*Ms. Nadia Montenegro*)

Australian Securities and Investments
Commission, **Australia**
(*Mr. Danny McCarthy*)

Financial Services and Markets
Authority, **Belgium**
(*Mr. Jim Lannoo*)

Comissão de Valores Mobiliários, **Brazil**
(*Mr. José Alexandre C. Vasco*)

China Securities Regulatory
Commission, **China**
(*Mi Zhou / Ms. Lixia Lin*)

Autorité des marchés financiers, **France**
(*Ms. Florence Corne*)

Bundesanstalt für
Finanzdienstleistungsaufsicht, **Germany**
(*Mr. Jörg Janotte / Marius Maaßen*)

Securities and Futures Commission, **Hong
Kong**
(*Ms. Michelle Yeung*)

Securities and Exchange Board of India, **India**
(*N. Hariharan / Girraj Prasad Garg*)

Indonesia Financial Services
Authority, **Indonesia**
(*Mr. Tirta Segara / Mr. Cecep Setiawan*)

Israel Securities Authority, **Israel**
(*Ms. Hadar Horen / Ms. Yael Beuchler*)

Commissione Nazionale per le Società e la
Borsa, **Italy**
(*Mr. Pasquale Munafò*)

Ontario Securities Commission, **Ontario**
(*Mr. Tyler Fleming*)

Comissão do Mercado de Valores
Mobiliários, **Portugal**
(*Ms. Ana Frasquilho*)

Autorité des marchés financiers, **Quebec**
(*Mr. Camille Beaudoin*)

Financial Supervisory Authority, **Romania**
(*Ms. Alexandra Bontas*)

The Bank of Russia, **Russia***
(*Ms. Daria Bezmenova*)

Capital Market Authority, **Saudi Arabia**
(*Mr. Ali Aldakheel*)

Monetary Authority of Singapore, **Singapore**
(*Ms Rebecca Chua*)

Financial Sector Conduct Authority, **South
Africa**
(*Elliot Modisa*)

Comisión Nacional del Mercado de
Valores, **Spain**
(*Ms. Gloria Caballero Núñez*)

Securities and Exchange Commission of Sri
Lanka, **Sri Lanka**
(*Mr. Tushara Jayaratne*)

Finansinspektionen, **Sweden**
(*Mr. Lars Malmström*)

Financial Supervisory Commission, **Chinese
Taipei**
(*Ms. Doris Lo*)

Securities and Exchange
Commission, **Thailand**
(*Ms. Sarica Apiwatthakakul*)

Financial Services Agency, **Japan**

(Ms. Yuki Kasuya/ Mr. Daiki Sato)

Capital Markets Board, **Turkey**

(Ms. Müge Çetin / Mrs. Sanem Üzeler Demirağ)

Jersey Financial Services Commission, **Jersey**

(Ms. Joanna Verrechio)

Financial Conduct Authority, **United Kingdom**

(Mr. Sam Stoakes)

Financial Services Commission/Financial Supervisory Service, **Korea, Republic of**

(Ms. Hae-min Hwang)

Commodity Futures Trading

Commission, **United States of America**

(Ms. Dana Brown / Mr. Dan Rutherford)

Commission de Surveillance du Secteur Financier, **Luxembourg**

(Mr. Patrick Hommel)

Securities and Exchange Commission, **United States of America**

(Ms. Mary Head)

Securities Commission, **Malaysia**

(Mr. Jawahar Ali Ameer Ali)

Financial Industry Regulatory

Authority, **United States of America**

(Ms. Geraldine Walsh)

Comisión Nacional Bancaria y de Valores, **Mexico**

(Mrs. Vanessa Veintimilla)

Observers:

European Securities and Markets

Authority, **European Union**

(Mr. Matteo Rava)

Securities and Exchange Commission, **Nigeria**

(Sa'adatu Faruk)

Japan Securities Dealers Association, **Japan**

(Ms. Mari Asakura/ Mr. Yuya Nakase)

The C8 Working Group on Sustainable Finance and Financial Education was co-led by

- Pasquale Munafò (Consob Italy), and
- Daniela Baccas (CVM Brazil, from November 2021) (and Jose Vasco, CVM Brazil, until November 2021).

The members of the WG included Lixia Lin, Mi Zhou, Huang Hao (CSRC China); Florence Corne, Cécilia Lhoste, Christopher Wilson (AMF France), Sina Weinhold-Koch, Dr. Dorothee Kohleick, Elisabeth Lesner (BaFin Germany), N. Hariharan, Rashmi Sharma, Jeny John, G. P. Garg (SEBI, India), Raffaella Pantano (Consob Italy), Yuki Kasuya, Daiki Sato, Yoko Hato (FSA Japan), Mari Asakura, Yuya Nakase (JSDA Japan), Camille Beaudoin (AMF Quebec), Albina Tuaevea, Vera Shatunova, Daria Silkina (CBR Russia)*, Rebecca CHUA, Felicia TAN, Beverly TAN (MAS Singapore), Gloria Caballero (CNMV Spain), Sam Stoakes (FCA UK), and Mary Head (US SEC), supported by Josafat De Luna Martínez (IOSCO General Secretariat).

* In the immediate aftermath of the conflict in Ukraine, [arrangements](#) were put in place so that the Central Bank of Russia (ordinary member), the Ministry of Finance of the Republic of Belarus (associate member) and the Russian National Association of Securities Market Participants (affiliate member) would not be able to participate in any respect in any IOSCO processes or fora until further notice. The IOSCO Board has resolved that any future proposal for a resumption of active membership by one or more of these members could only come into effect after being discussed at a meeting of the IOSCO Board and following a formal Board decision.

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