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COLLANA DEL
DIPARTIMENTO
DI ECONOMIA
AZIENDALE

PAOLA SOCCORSO, MASSIMO CARATELLI

INVESTMENT ADVICE AND SUSTAINABILITY

A survey on professional-client interactions

RomaTrE-Press
2024

Dipartimento di Economia Aziendale

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Università degli Studi Roma Tre
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**Investment advice and sustainability.
A survey on professional-client interactions**

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The study examynes the advisor-client relationship, in order to detect possible information and knowledge distortions for an increase in the quality of dialogue and awareness between the parties. The analysis is based on a questionnaire administered two parallel samples, consisting of financial advisors and their clients/investors respectively.

The views expressed in this writing are solely those of the authors and in no way engage the responsibility of their institutions.

Editorial secretariat and graphic design: Eugenia Della Libera, Lucia Pierantoni, Paola Maione.

Summary

Abstract

The research examynes the advisor-client relationship in order to detect possible information and knowledge distortions. In continuity with the 2020 edition of the survey, the advisor-client relationship was explored with reference to the specific topic of integrating so-called ESG factors (*Environmental, Social, Governance*) into the financial advice processes. Given the crucial role played by the industry in informing savers and promoting interest in sustainable investments among them, it is useful to analyse evidence on the dynamics at work in the advice sector and, in particular, in the interaction between professionals and their clients.
The analysis is based on a questionnaire administered – between September and December 2023 – to two samples, consisting respectively of financial advisors and their clients/investors (*mirroring* survey). Through a comparison between investors' opinions – as perceived by financial advisors – and the opinions actually declared by clients, the survey delves into several profiles related to: i. the interaction between professional and client (Section 1 of the book), ii. the knowledge and diffusion of sustainable investments (Section 2), and iii. the factors that can prompt such investment options (Section 3).
The measure of 'alignment' between 'perceived' by professionals and 'declared' by investors offers indications as to the strengths and areas that could, on the other hand, benefit from an intervention on the information exchange or interaction modalities that would elevate the quality of the relationship, the service offered and the client's investment choices.

Keywords: Investment advice; Financial advisor-investor relationship; Mirroring survey; Financial education; Sustainable investment; Education on sustainability

The matching indicator

The questionnaire underlying the *survey* is formulated in such a way as to allow a mirror-image survey of clients' knowledge, opinions and behaviour, on the one hand, and of the advisor's perception of these profiles, on the other. In detail, the questionnaire consists of 19 pairs of questions addressed to the investor and his or her reference advisor (in addition to five questions addressed to the advisor only and a series of questions for profiling the respondents); for each pair, a *matching* indicator is proposed which punctually measures the alignment between the answers provided by the clients and those provided by the relative advisors, and assumes a value of 1 if there is a full correspondence between the advisor's answers in relation to his clients and the answers provided by the latter, and 0 if there is a total mismatch between the advisor's perceptions in relation to his clients and the answers provided by the latter (for details on the type of questions and the methodology underlying the construction of the indicator, see the Methodological notes).

The areas of advisor-client interaction where there is the highest level of alignment...

A cross-sectional reading of the study and of the *matching* indicators makes it possible to identify the issues on which there is greater or lesser alignment between the opinions expressed by investors and advisors.

A higher degree of agreement emerges when information is collected on the approach to investment (in terms of attitude to risk and objectives pursued, for example) and on the use of the advice service (with reference to the perceived benefits of interacting with the advisor, for example; Section 1), while the most significant dissonances are recorded when it comes to exploring the *drivers of* sustainable investment (i.e. the factors that may affect the propensity towards this type of investment, such as the information available, the range of products offered, the prospects for returns; Section 3).

In particular, a substantial alignment – with *matching* indicators close to 0.8 – is recorded when clients and advisors are interviewed about time horizon, risk aversion and loss aversion; on the whole, advisors show themselves to be aware of investors' propensity towards medium- to long-term investments and their attitude to think in a portfolio perspective and to accept temporary contractions in the value of invested capital in the light of long-term return prospects.

... and those on which the main dystonias occur

Despite the fact that advisors are on the whole aware of how low knowledge and lack of information can discourage investors' interest in sustainable investments, when the factors that can stimulate or restrain the uptake of sustainable products are explored, the *matching* indicator falls to the lowest level; for example, professionals tend to underestimate how much the propensity towards sustainability can be restrained by reduced familiarity with the range of available products. This result is not surprising if one considers that the integration of sustainability factors in the investment process, and thus in the advisor-client interaction (in particular, at the client profiling stage), is a relatively new phenomenon that even in the oldest relationships has only recently become a topic of discussion and dialogue.

Conclusions

The participation of advisors in the survey contributes to an overall information picture in which the industry perspective emerges strongly and clearly.

In the diffusion of sustainable investments, the professionals who participated in the *mirroring* survey play a key role and interact with clients with increasing awareness. Compared to previous editions of the survey, there appears to be a greater focus on surveying clients' ESG preferences, seen as an opportunity to dialogue with investors and raise their awareness of sustainability issues.

At the same time, clients' adherence to the *survey* allows the overview to be completed with additional perspectives that highlight the value placed on the advice service as well as the interest and inclination towards sustainable investment.

In particular, the survey highlights how important it is for advisors to support their clients' sensitivity to sustainability issues by providing a clear and comprehensible illustration of the range of products on offer, and to support them in acquiring information on the actual achievement of environmental, social and *governance* objectives linked to individual products/issuers; this would, at the same time, help reduce the fear of *greenwashing* as well as confirm the reliability and competence of those who advise these products.

A further area of possible intervention to benefit the interaction between advisor and client that the Report highlights stems from the need to reinforce the investor's knowledge and expectations by fostering a more in-depth exchange on the characteristics of the recommended products and the chosen portfolio allocation.

The professional's contribution to the financial education and sustainable finance education of investors would have the additional effect of strengthening the reliance on the advisor and the relationship between him and his clients.

Summary of the main evidence

A higher *degree of attunement* emerges when information about the investment approach and the use of the advisory service is collected. Professionals show awareness, in particular, of the time horizon as well as the risk aversion and loss aversion exhibited by their clients. The harmony found on these issues is an essential prerequisite for the consolidation of the relationship between advisor and investor, an intangible capital not to be neglected and to be protected over time.

Some *corrective action* could be useful to heal some asymmetries detected in the exchange regarding the characteristics of the recommended products and the chosen portfolio allocation: raising investor awareness and orienting their expectations could help to reinforce the reliance on the professional.

The *most relevant dysfunctions* are registered with reference to the factors that can incentivise or discourage sustainable investment. The reduced alignment between investors' statements and advisors' perceptions undoubtedly stems from the novelty accompanying the integration of sustainability factors into the investment process and the complexity of the regulatory framework.

The shared attention and commitment of institutions and industry can work towards the common goal of *promoting sustainable finance*: the time and experience of professionals, specific training initiatives for the benefit of professionals and targeted financial education aimed at consolidating a basic culture of sustainability will certainly contribute to the development of the sector.

1. The advisor-client interaction and the investment approach

Advisor competence drives reliance and investor satisfaction
Advisors support clients in assessing time horizon and risk approach
The professional offers valuable support in identifying investment objectives

The first section of the work explores multiple profiles of the relationship between investor and advisor through nine pairs of questions.

The first two pairs of questions relate, respectively, to the reasons for the use of advice and the idea that the investor associates with the service.

With a view to composing a framework of information by progressive levels of depth, the next four pairs of questions explore the interviewed clients' approach to investment in terms of: time horizon, attitude towards risk and loss aversion, investment goals. These elements are essential components of the investor profile.

The advisor's knowledge of these elements is an essential prerequisite for the provision of the service in the best interests of the client. Therefore, any misalignments that might emerge from the collection of the aforementioned elements of information – if not adequately supervised – could configure a potential damage even in the relationship with the intermediary. On the contrary, a professional who is careful to ensure an adequate exchange of information on such matters can create strong foundations for a lasting professional relationship and full and conscious reliance.

The basic information framework on the relationship between professionals and clients interviewed is completed with two pairs of questions that survey, respectively, the satisfaction factors and the benefits that the client derives from the advice relationship, as well as with a final mirror question aimed at identifying the interaction channels used in the context of service provision.

1.1. Entrusting the advisor

The first pair of questions is aimed at gathering information on the motivations that lead investors to rely on a professional for advice.

In particular, clients were asked the following question: 'Which of the following statements represents you most?'. The possible response alternatives describe the case of reliance based primarily on trust ('I follow the financial advisor's advice, even when I don't understand, because I trust him'), the case of reliance based on a lack of confidence in one's own abilities and the fear of acting autonomously and making wrong decisions ('I rely on the financial advisor because I would never forgive myself for making a wrong decision') and, finally, the case of reliance based on the evaluation of the added value associated with the service ('I rely on the financial advisor because he is competent and advises me for the best').

The advisors were asked a similar question, worded in a mirror-image manner: 'Which of the following statements most represents (the majority of) your clients?'.

In the figure below, investors' answers are shown in grey and the advisors' guesses about their clients' answers are in orange (the same colouring will be repeated – unless specifically indicated differently – in the following figures).

Reliance on the advisor is driven primarily by competence and trust that the professional will act in the best interests of the client (declared by just over 68% of investors). This is followed by reliance based on trust, reported by 19% of investors, whilst fear of acting autonomously is reported by 13% of clients.

Also among advisors, the prevailing opinion (66% of responses) is that their own competence and aptitude to best serve the client are among the main drivers of investors' reliance.

The other reasons are indicated by smaller percentages of respondents (32% for confidence and 3% for fear of making wrong decisions).

The precise comparison of each advisor's answers with those formulated by his clients, as anticipated, makes it possible to measure the distance between 'perceived' by professionals and 'declared' by investors. In detail, firstly, the alignment between (the answers of) each advisor and (those of) each of his clients is calculated (*one-to-one matching*); secondly, the average of the *one-to-one matching* values for each advisor is calculated, i.e. the measure of the alignment of the answers of each advisor with those provided by all his clients (*one-to-many matching*); finally, an 'indicator of *matching*' is calculated (*overall matching*), i.e. an average point value of alignment referable – for the specific question – to the entire sample.

- Question to **investors**: **'Which of the following statements represents you most?'**
- Question to **advisors**: **' Which of the following statements most represents your clients?'** (single answer)

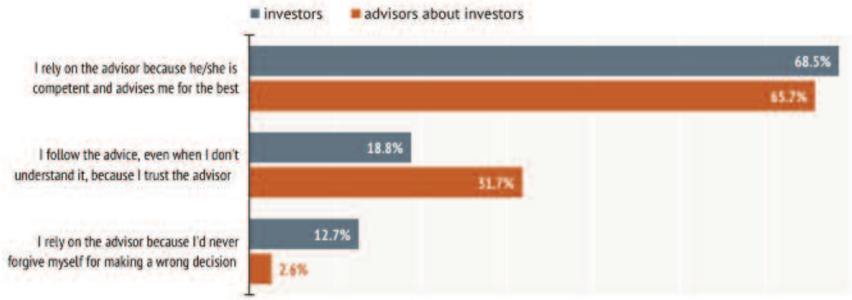


Figure 1.1a. *Entrusting the advisor: distribution of answers*

The ring chart and the figure below show the average *one-to-many matching* value and the distribution of financial advisors in five frequency classes for *one-to-many matching* values; in the figure, the area in light blue identifies the percentage of professionals who exhibit – with respect to their specific clients – alignment values (*one-to-many matching*) lower than the *overall matching* (for further details see the Methodological notes).

Figure 1.1b. *Entrusting the advisor: overall matching*

With reference to the question on the motivations for relying on the advisor, whose answers are represented in aggregate in the figure above, the misalignment in the perspectives of advisors and clients translates into a relatively low *overall matching* indicator value of 0.51 (on a scale of 0 to 1, where – as already indicated – 0 indicates extreme misalignment and 1 maximum alignment) and a percentage equal to 52% of advisors exhibiting even greater misalignment (*matching* below the sample mean value). This mismatch may reflect both that many advisors assume that many clients follow their advice, even when they did not understand it (behaviour reported by a more limited percentage of clients), and that investors sometimes – more often than advisors imagine – state that reliance stems from an attempt to avoid regretting decisions that might turn out to be wrong (a fear underestimated by advisors).

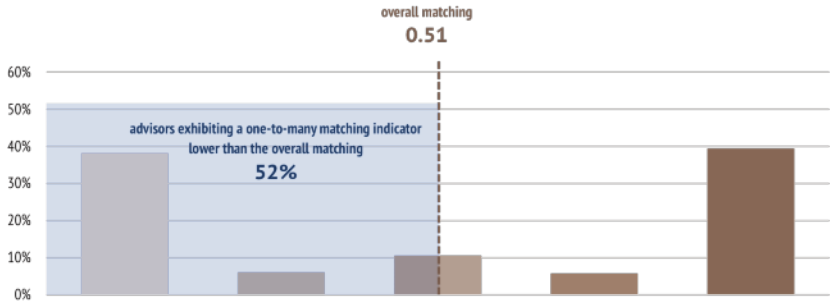


Figure 1.1c. *Entrusting the advisor: one-to-many matching (distribution of financial advisors by classes)*

1.2. The words of financial advice

The questionnaire then urges the investor to think about the concept of financial advice and the idea of using the service through an exercise of free association of images and words. The respondent is proposed a series of word pairs that are semantically antithetical or evocative of divergent concepts; he/she is then asked to choose – for each pair – one of the two words, i.e. the one that he/she associates with the idea of financial advice. This projective technique intends to collect – through verbal stimuli that contrast with each other – mental representations that together can provide an initial synthetic picture of the distinctive features of the service, to be consolidated with subsequent questions that are gradually more specific (see, among others: Greenwald and Banaji, 1995; Heise, 1970; Sleek, 2018). The same question is administered to the advisor in order to check whether the advisor is able to grasp his or her client's point of view.

By way of example, clients were asked: 'Choose the word you associate with the idea of 'financial advice' in the pair serenity/anxiety'; advisors were asked: 'What word would your clients (most of your clients) associate with the idea of 'financial advice' in the pair serenity/anxiety? And so on for each of the pairs shown in the figure ('competence/intuition'; 'gain/cost'; 'experience/innovation'; 'planning/learning'; 'delegation/control'; 'protection/growth').

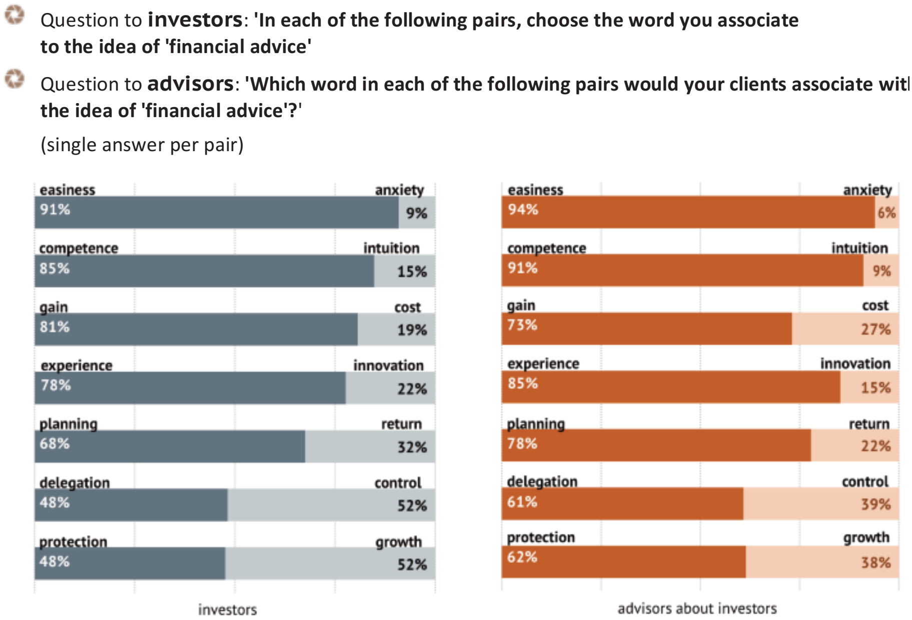


Figure 1.2a. *Words of financial advice: distribution of answers*

In the figure, the box on the left-hand side shows the percentages of investors' reports: in dark grey the answers referring to the first word of the pair (shown on the left), in light grey those referring to the second word of the pair (shown on the right). The advisors' answers are shown in the box on the right-hand side of the figure: in dark orange referring to the first word of the pair and in light orange to the second.

Overall, as can be seen at a glance by looking at the first three bars in the figure, both investors and advisors most frequently mention the concepts of 'serenity' versus 'anxiety', 'competence' versus 'insight' and 'experience' versus 'innovation', with percentages not too dissimilar. This points to a similarity between the two samples.

Less agreement is recorded, however, with reference to the other word pairs. In particular, the evaluation of the 'delegation/control' pair shows an equal distribution of clients' answers; in the advisors' perceptions, however, clients appear more clearly oriented towards delegation.

Similarly, investor responses referring to the 'protection/growth' pair are well distributed, while advisors impute to their clients the idea of a service that offers – predominantly – the possibility of pursuing protection of invested capital.

Figure 1.2b. *Words of financial advice: overall matching*

Measuring the distance between investors' statements and the advisor's perception required, as always: comparing the individual answers provided by each client – for each pair of words – and his advisor; estimating the average alignment between the answers of each professional and those of his group of clients; calculating the average point value of alignment (*overall matching*) referred to the question in question. In this case, this indicator stands at 0.66, with the advisors exhibiting an alignment below this average value in 45% of the cases.

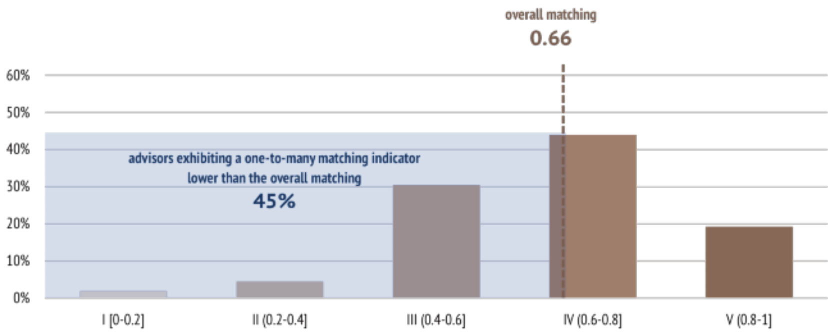


Figure 1.2c.
Words of financial advice: one-to-many matching(distribution of financial advisors by classes)

The measurement of the distance between the investors' declarations and the professional's perception required, as always, to: compare the individual answers provided by each client – for each pair of words – and by his advisor; estimate the average alignment between the answers of each professional and those of his group of clients; calculate the average point value of alignment (overall matching) referred to the question under consideration. In this case, this indicator stands at 0.66, with advisors exhibiting an alignment below this average value in 45% of cases.

1.3. Investment approach: the time horizon

On the subject of the investment time horizon, there is a good level of agreement between what is stated by clients and what is perceived by advisors.

Most investors state that they prefer a medium to long-term time horizon (longer than 18 months). The propensity towards short-term savings options (within 18 months) – indicated by 19% of clients – is, in any case, not neglected by professionals, as evidenced by the *matching* indicator of 0.77, and by the fact that only one third of the advisors surveyed exhibit wider mismatches.

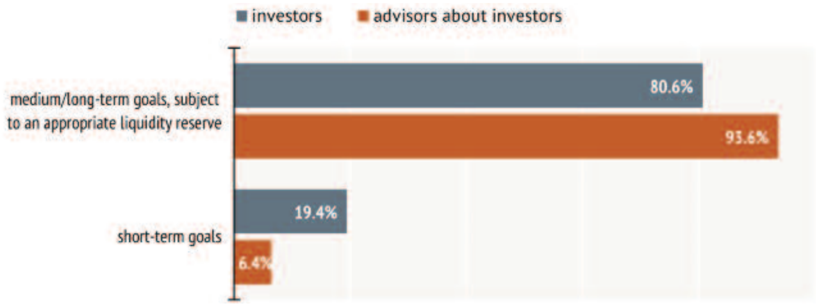


Figure 1.3a. *Time horizon: distribution of answer*

Figure 1.3b. *Time horizon: overall matching*

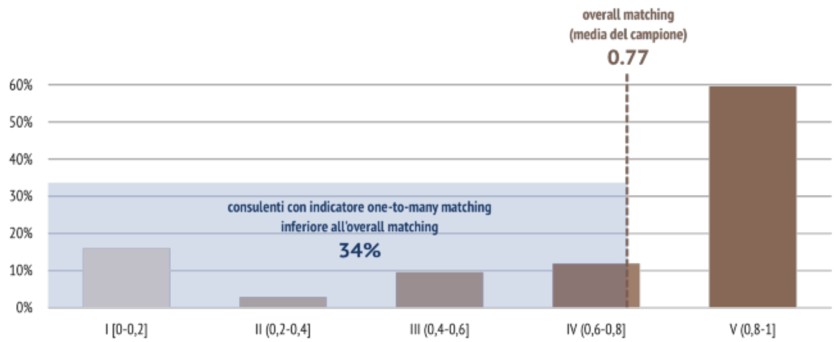


Figure 1.3c. *Time horizon: one-to-many matching (distribution of financial advisors by classes)*

1.4. Investment approach: the attitude toward risk

Investors generally declare a cautious but tolerant attitude towards a level of risk that still allows them to aspire to a good return. This evidence argues in favour of a particularly open approach to market participation.

- Question to **investors: 'Do you feel that you are a more investment-oriented person who offers the possibility of ...'**
- Question to **advisors: 'Do you think your clients are more oriented towards investments that offer the possibility of ...:'**

(single answer)

Figure 1.4a. *Attitude toward risk: distribution of answers*

Advisors seem to interpret their clients' preferences well: the data show a *matching* indicator close to 0.8 and a distribution of the sample of professionals such that 46% of respondents are above this average value.

Figure 1.4b. *Attitude toward risk: overall matching*

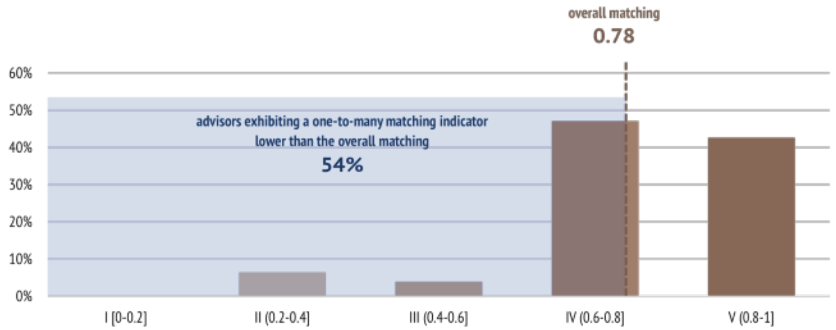


Figure 1.4c. *Attitude toward risk: one-to-many matching (distribution of financial advisors by classes)*

1.5. Investment approach: the loss aversion

A good alignment (indicator of 0.78) is also found with regard to loss aversion: almost 60% of the clients could bear losses in the short-term in the face of good prospects in the long-term; in about one third of the cases, investors appear to be inclined to mental accounting, being willing to take high risks on a small portion of their investments, and only 10% state that they would not tolerate the possibility of suffering even a small loss of invested capital.

Overall, advisors are aware of investors' attitude to think in a portfolio perspective and weigh short-term fluctuations against long-term return prospects.

Question to **investors**: **'Do you consider yourself to be a more ...'**

Question to **advisors**: **'Do you think your clients are more oriented towards ...'**

(single answer)

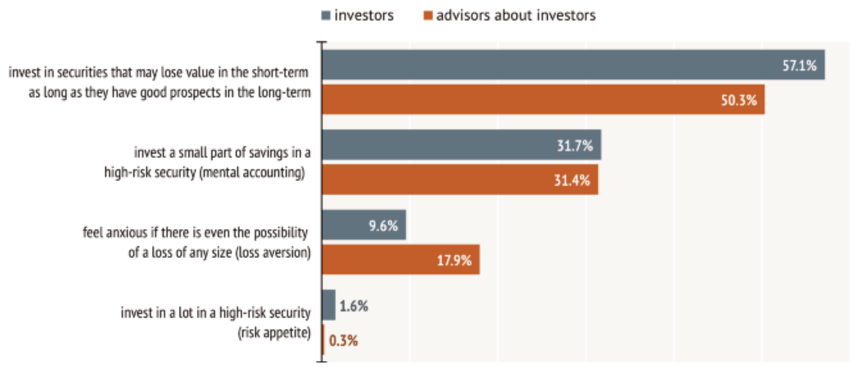


Figure 1.5a. *Loss aversion: distribution of answers*

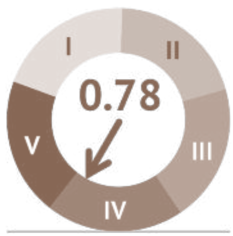


Figure 1.5b. *Loss aversion: overall matching*

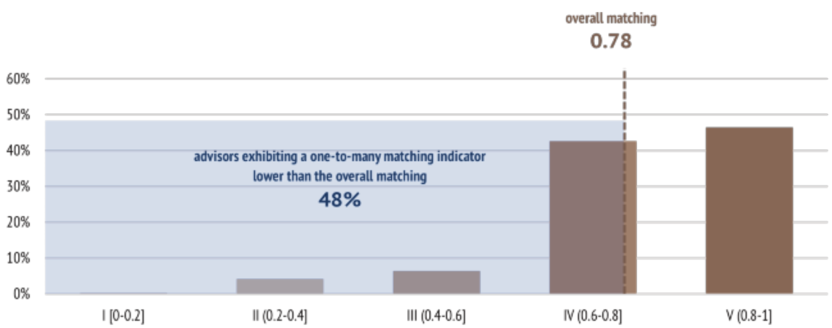


Figure 1.5c. *Loss aversion: one-to-many matching (distribution of financial advisors by classes)*

1.6. The identification of investment objectives and advisor's contribution

One of the key moments in the interaction between professional and investor is the reflection on investment objectives.

In this regard, investors were asked to respond to the following question: 'Does your financial advisor usually ask you to express your investment objectives primarily in terms of...?', and to respond by selecting a maximum of three of the following response alternatives: 'capital protection or growth; concrete needs (home purchase, child-rearing, retirement, etc.); maximum loss you are willing to incur; return on investment; duration of capital deployment'. Similarly, advisors were asked the following question: 'Do you usually ask your clients to express their investment objectives mainly in terms of...?'; and were asked to choose a maximum of three of the above-mentioned response options.

In the figure below, the so-called 'radar' figure illustrates the multiple responses provided by each of the two samples. The apexes of each of the two areas – grey for investors and orange for advisors – identify for each response option the percentages of reports recorded from the two types of respondents.

- Question to **investors: ' Your financial advisor usually asks you to express your investment objectives mainly in terms of ...'**
- Question to **advisors: 'Do you usually ask your clients to express their investment objectives mainly in terms of ...'**

(multiple answer; maximum three selectable alternatives)

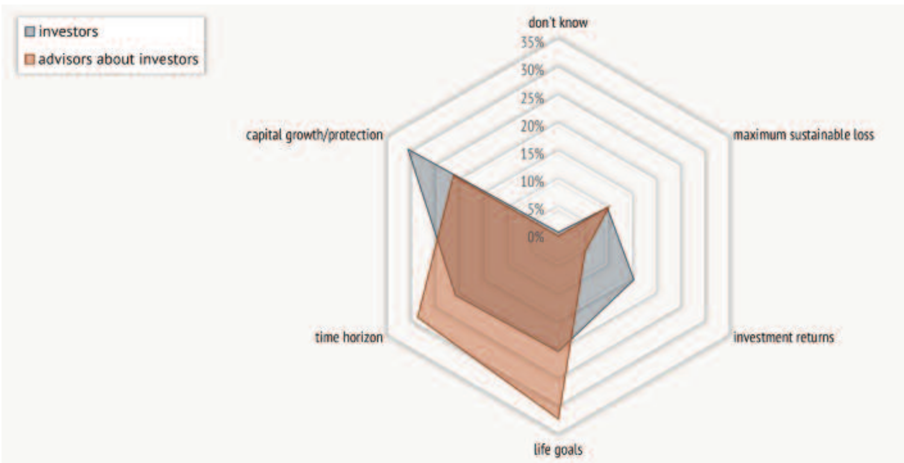


Figure 1.6a. *Investment objectives: distribution of answers*

Figure 1.6b. *Investment objectives: overall matching*

Clients report being asked to express their wishes mainly in terms of protection or growth of the invested capital (31% of clients surveyed), time horizon (in terms of duration of investment -21%), and life needs (21%). Explicit reference to expected return is recalled by only 16% of investors, while no more than 10% report having been asked to express their goals in terms of the maximum loss they are prepared to sustain.

Advisors say they most frequently ask for an assessment of concrete living needs (33%) or the time horizon of capital deployment (29%).

With regard to the matching indicator, it should be noted that, if the question allows for multiple answers, as in this case, the construction of the matching indicator takes into account not only the number of answers correctly identified by the individual advisor, but also the number of alternatives that the advisor reports with respect to his or her clients.

In the present case, the discrepancy already revealed by the reading of the aggregate data of the reports is confirmed by the punctual comparison of the answers of the advisors and their clients and by a relatively low value of the alignment indicator (below 0.5), with about half of the advisors interviewed below this punctual value.

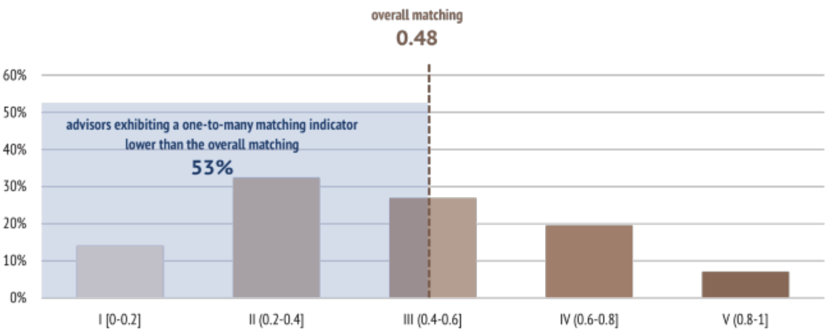


Figure 1.6c. *Investment objectives: one-to-many matching (distribution of financial advisors by classes)*

1.7. Satisfaction with the advice service received

Investors declare themselves satisfied, in particular, with the skills (24%) and reliability of their advisor (18%), as well as the professional's attention to their needs (15%). Advisors, for their part, identify the same main factors of satisfaction, while they overestimate the consensus associated with the availability guaranteed even after the investment – i.e. in the phase of monitoring the investment –, just as they underestimate the appreciation for the results of the choices made.

- Question to **investors: 'Which profiles have satisfied you most in your relationship with your financial advisor?'**
- Question to **advisors: 'Which profiles of your relationship have most satisfied your clients?'**

(multiple answer; maximum three selectable alternatives)

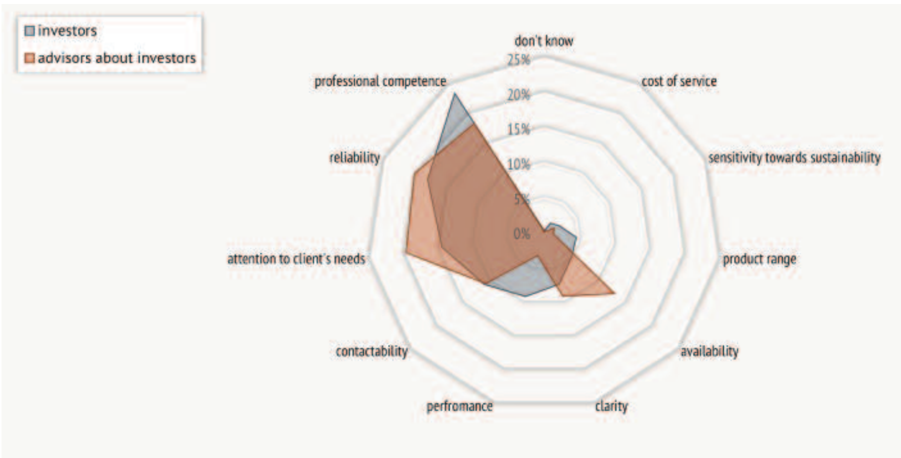


Figure 1.7a. *Determinants of investor satisfaction: distribution of answers*

The attribution of different weights to the relationship profiles from which investors derive satisfaction generates – for most respondents – a marked mismatch (expressed by a *matching* indicator averaging 0.37).

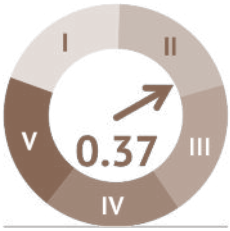


Figure 1.7b. *Determinants of investor satisfaction: overall matching*

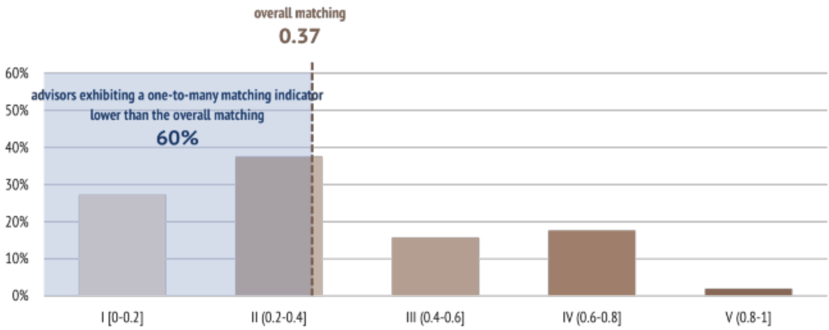


Figure 1.7c.
Determinants of investor satisfaction: one-to-many matching (distribution of financial advisors by classes)

1.8. Benefits from the interaction with the advisor

Clients state that they benefit from the discussion with the advisor first and foremost in terms of financial knowledge, as well as when assessing their investment objectives and the risks they believe they can take. A smaller percentage of investors declare that the exchange with the professional has enabled them to become more aware of their return expectations and the time horizon for deploying capital. Residually, the ability to save and sustainability are mentioned, areas on which the interaction seems to have a rather circum stantial impact, both in the client's and the advisor's opinion.

Question to **investors: 'Do you feel that the discussion with your financial advisor has made you more aware of...'**

Question to **advisors: 'Do you think that confronting you as an advisor has made your clients more aware of...'**

(multiple answer)

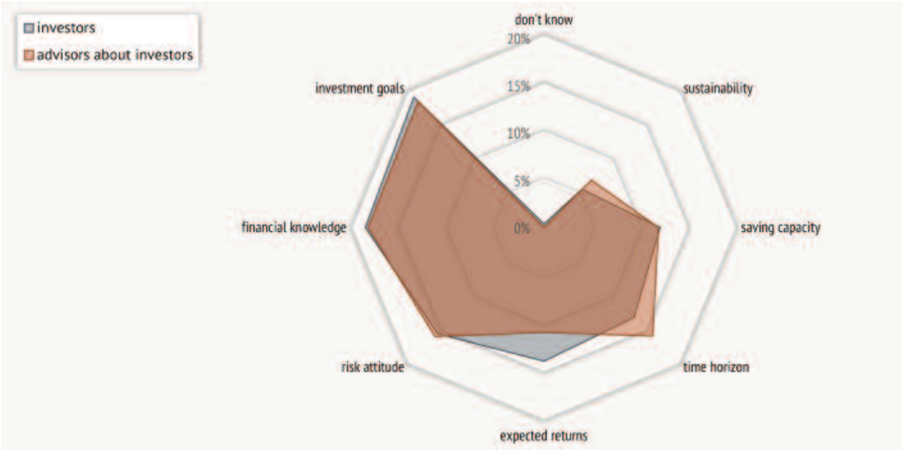


Figure 1.8a. *Benefits from interaction: distribution of answers*

A point-by-point comparison between the answers of advisors and their clients reveals a general mismatch, with an average indicator of 0.46 and 57% of the advisors interviewed below this threshold.

Figure 1.8b. *Benefits from interaction: overall matching*

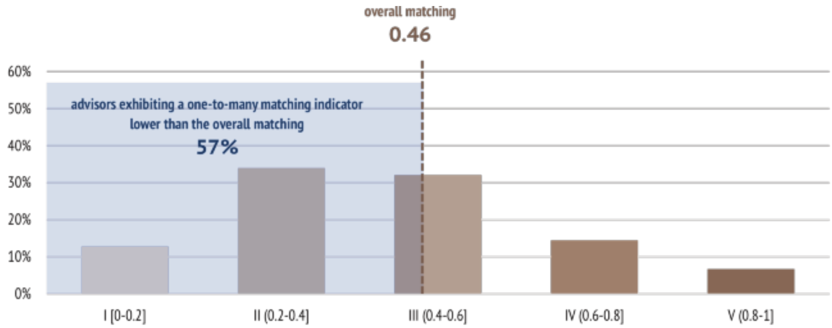


Figure 1.8c.
Benefits from interaction: one-to-many matching (distribution of financial advisors by classes)

1.9. Channels of advisor-client interaction

The section closes with a final question aimed at identifying the interaction channels used in the context of service provision. The distribution of the answers shows a client perception much more concentrated on the use of the two prevailing channels, interpersonal interaction and telephone contact, which collect, respectively, 36% and 23% of the reports; less used are the other channels (chat and instant

Question to **investors**: **'How do you interact with your financial advisor?'**

Question to **advisors**: **'How do you interact with your clients?'**

(multiple answer)

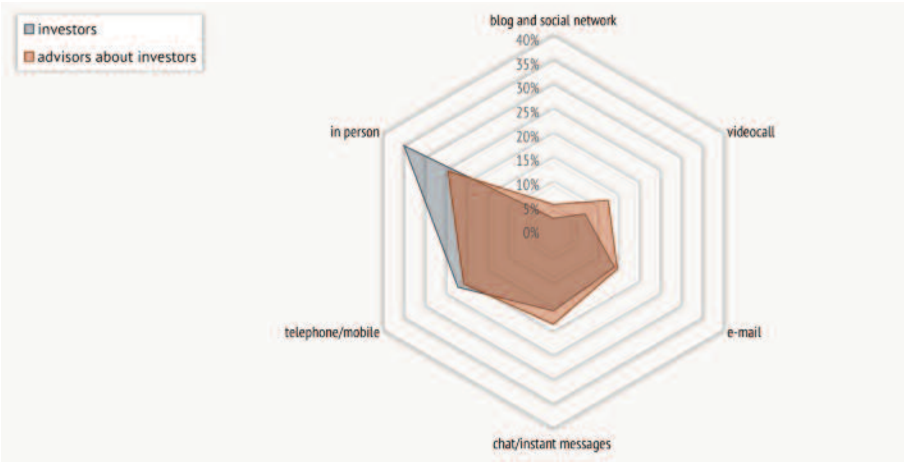


Figure 1.9a. *Interaction channels: distribution of answers*

messaging, e-mail, video call, blog). As already mentioned, where the question allows for a multiple response, the construction of the alignment indicator takes into account not only the number of responses correctly identified by the individual advisor, but also the number of alternatives he or she reports to his or her clients. This expedient could yield an alignment measure that disregards the apparent overlap of the answers of the two samples, seen in aggregate and depicted in the 'radar' figure. In the question under consideration, for example, professionals exhibit a less polarised distribution of alternatives among investors, employing – to describe the interaction channels – on average about twice as many alternatives as the counterpart of the relationship; this results in a low *matching* indicator – 0.52 on average – with most advisors (58%) below this threshold.

The collection of information on the use of the advice service and the approach to investments returns a picture that is on the whole harmonious, where clients' opinions and orientations are generally reflected in the advisors' perceptions.

Reliance on the professional, fuelled by his/her competence and the satisfaction derived from the service, can create a space for growth for the client; the latter finds in the advisor, in fact, a valid support, in particular in the identification of investment objectives and in the management of the risks associated with the investment over a suitably assessed time horizon.

Figure 1.9b. *Interaction channels: overall matching*

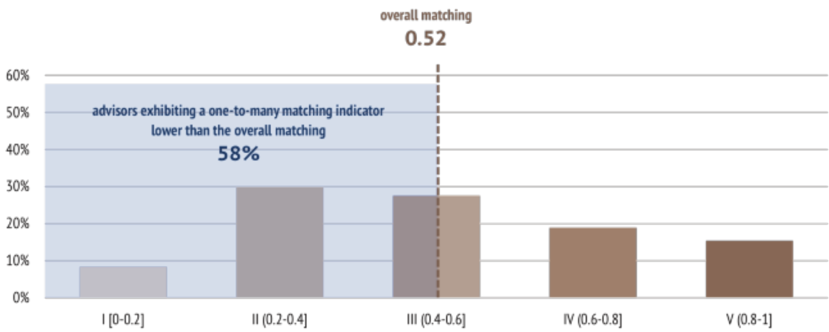


Figure 1.9c. *Interaction channels: one-to-many matching (distribution of financial advisors by classes)*

2. Sustainable investments: knowledge and diffusion

Investors show a strong interest in sustainable investments
Advisors can contribute to raising clients' awareness of the characteristics of the products in their portfolios

As mentioned above, the second section of the work explores issues related to the knowledge and diffusion of sustainable investments. Through six pairs of questions (to which three questions addressed only to professionals were added), information was collected on: awareness of ESG issues, knowledge of the main concepts of sustainable finance, interest in sustainable investment products and preferred allocation, holding of such products and the role played by the advisor in the choice.

The analysis of these profiles allows a reflection on the integration of sustainability criteria in the investment process promoted by the EU legislator with certain amendments to the MiFID II implementing provisions. In fact, as is well known, Delegated Regulation (EU) 2021/1253, applicable as of 2 August 2022, highlighted the need for investment firms to acquire information on clients' individual sustainability preferences and to take this information into account when recommending financial products suitable for them. The integration of sustainability criteria into the investment process is also among the main innovations contained in the new Suitability Guidelines published by the European Securities and Markets Authority (ESMA) in 2022. These Guidelines refer, in particular, to the intermediary's duty to: i. help clients understand the concept of sustainability preferences and explain the difference between products with and without sustainability features in a clear manner and avoiding technical language (a burden that is not easy to fulfil, given the complexity of the discipline); ii. collect information from clients on their preferences in relation to different types of sustainable investment products and the extent to which they wish to invest in these products; iii. identify

– among the products that are appropriate to the client's knowledge and experience, financial situation and objectives – those that meet sustainability preferences.

Ideally, in the virtuous process triggered by the evolution of the regulatory framework, the investor becomes more aware of his preferences towards ESG factors and the possibility of sustainable investing also thanks to an intermediary who supports and informs him about products with sustainability features and who collects information on his preferences in relation to different types of sustainable investment products and the extent to which he wishes to invest in these products (on this, see Adria *et al.*, 2022).

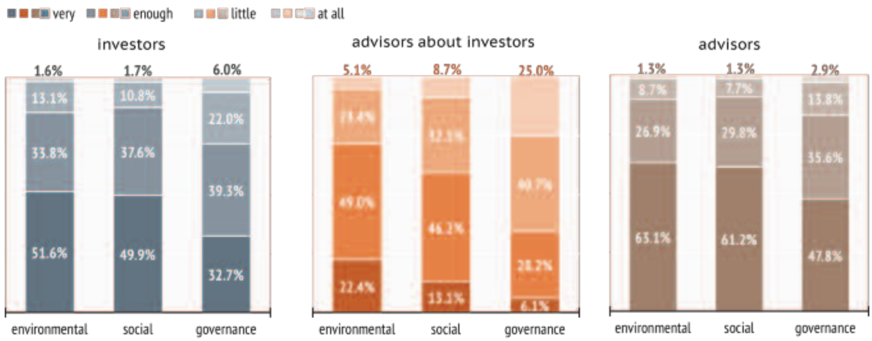
2.1. Preferences towards ESG factors

Sensitivity to ESG factors and investor preferences towards one or more of these factors, the surveying of which, as mentioned above, has recently become an integral part of client profiling for suitability assessment purposes, are very widespread traits among the investors involved in the survey who were asked the following question: 'How much importance do you attach to the following issues? Environmental issues (reducing polluting emissions, waste and energy consumption, etc.); social issues (access to education, fight against poverty and inequality, etc.); corporate governance issues (compliance with tax obligations, careful board composition and staff remuneration policies, etc.)'.

Numerous studies have explored how a professional's personal views and expectations of his or her clients may influence the recommendations made by the advisor (Adria *et al.*, 2022; Paetzold and Busch, 2015; Mangot *et al.*, 2022; Paetzold and Marti, 2016): as an example, an advisor who considers sustainable investments too difficult to explain or unreliable might be discouraged from suggesting them, or a practitioner who considers his/her clients to be more oriented towards the financial profiles of the investment might exclude sustainable products from his proposal. In the light of this research, it was deemed appropriate to ask advisors two questions: the first, as usual, aims at surveying the practitioner's perception of his or her clients' opinions ('How much importance do your clients attach to the following issues?'); the second, on the other hand, aims at gathering his or her personal assessment of ESG factors ('How much importance do you attach to the following issues?').

- Question to **investors and advisors**: **'How much importance do you attach to the following issues?'**
- Questions to **advisors**: 'How much **importance do your clients attach to the following issues?'** and **'How much importance do you attach to the following issues?'**

DISTRIBUTION OF ANSWERS (Likert scale from 1 to 4, where 1 = not at all and 4 = very much)



AVERAGE SCORES (Likert scale from 1 to 4, where 1 = not at all and 4 = very much)

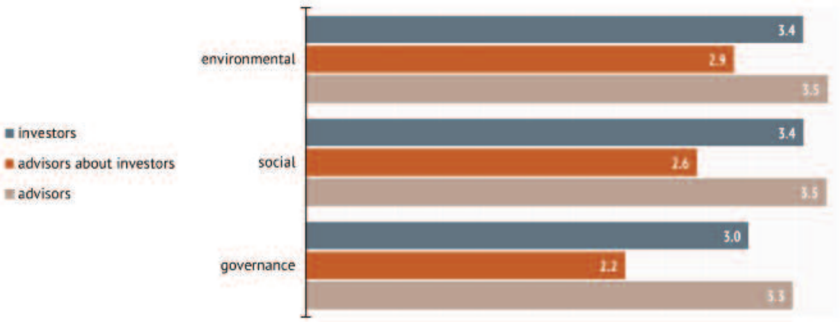


Figure 2.1a. *Preferences towards ESG factors: distribution of answers and average scores*

Figure 2.1b. *Preferences towards ESG factors: overall matching*

The aggregate reading of the responses shows that environmental and social issues appeal to the sensitivity of most respondents (both clients and advisors); issues related to good corporate governance show a more moderate preference, particularly on investors'side.

Advisors' perceptions of the importance their clients attach to each of the ESG factors seems to reflect a partial underestimation of the attention they pay to sustainability issues, with an average alignment indicator of 0.66. Around 60% of the advisors surveyed, however, exhibit a higher alignment than the average value.

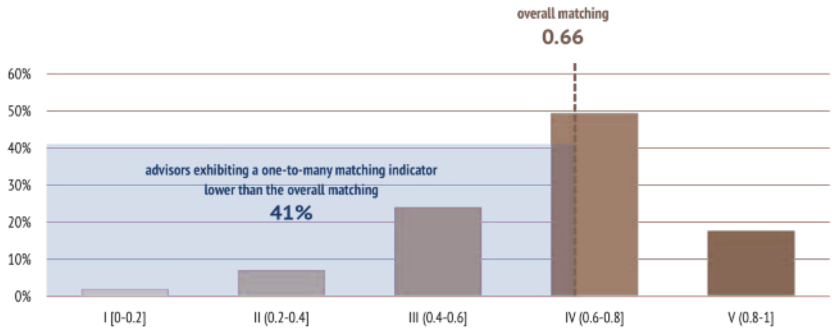


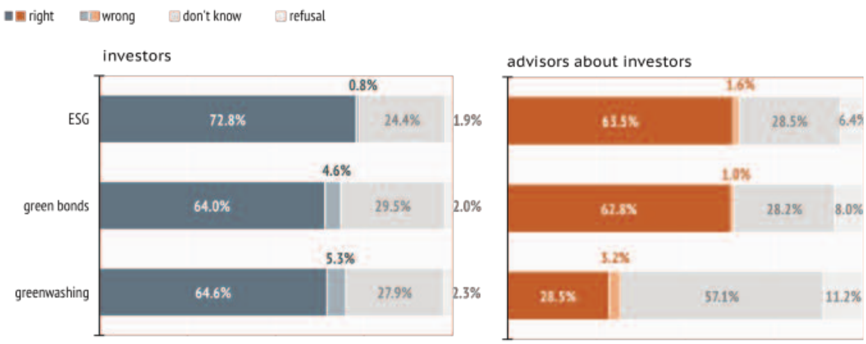
Figure 2.1c.
Preferences towards ESG factors: one-to-many matching (distribution of financial advisors by classes)

2.2. Knowledge of the main concepts related to sustainable finance

Knowledge of certain notions related to sustainable finance – and green bonds in particular – is a clear focus of attention for the advisor. Within the sample involved in the *mirroring* survey, more than 60% of investors correctly answered the questions aimed at assessing their knowledge of ESG factors, so-called *green bonds* and the concept of *greenwashing*.

- Question to **investors**: **'Would you indicate the following statements as true?'**
- Question to **advisors**: **'Would your clients indicate the following statements as true?'**

(single answer)



The three statements to which the questions refer are as follows: 'The acronym ESG refers to environmental (*environmenta* social (*social*) and good corporate *governance* (*governance*)'; 'Green bonds are debt securities that finance environmental friendly projects'; '*Greenwashing* means presenting investments as environmentally friendly even if they are not'.

Figure 2.2a. *Sustainable finance education: distribution of answers*

Figure 2.2b. *Sustainable finance education: overall matching*

Advisors' perceptions of their clients' familiarity with the reported notions do not, on the whole, seem to be particularly far removed from the actual one. In the measurement of alignment, however, both a widespread tendency of professionals to underestimate investors' understanding of the concept of *greenwashing* and the conspicuous proportion of respondents who chose not to comment on the truthfulness of the notions proposed weigh heavily. The *matching* indicator, constructed in such a way as to detect a maximum misalignment in the event that the actors in the relationship refrain from pronouncing themselves, in fact reports a rather limited alignment, equal to 0.37, and a substantial share of advisors (59%) exposed to even greater misalignments.

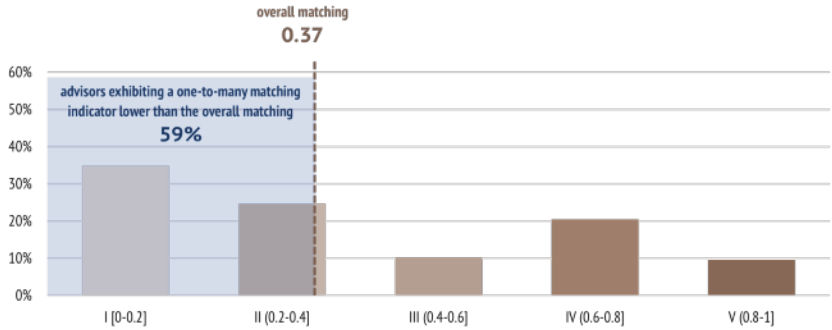


Figure 2.2c.
Sustainable finance education: one-to-many matching (distribution of financial advisors by classes)

2.3. Interest in sustainable investments

Regarding the potential interest in sustainable investments, respondents exhibit a strong and favourable orientation: 79% of clients would like a percentage of their assets to be normally allocated to sustainable investments, while only 8% say they have no such inclination.

The advisors indicate exactly overlapping percentages and the aggregate perspective is confirmed by the *matching* indicator: in 65% of the cases, the point comparison between the perceptions of each advisor and the opinions expressed by the respective clients shows an alignment above the average value (equal to 0.65).

- Question to **investors**: **'Consider now your assets invested in financial products, even without the support of a financial advisor. Exclude any deposits, whether in current or savings accounts. Would you like a percentage of these assets to be normally allocated to sustainable investments?'**
- Question to **advisors**: **'Consider now your clients' assets invested in financial products, even without your support. Exclude any deposits, whether in current or savings accounts. Would your clients normally want a percentage of these assets to be invested in sustainable investments?'**

(single answer)

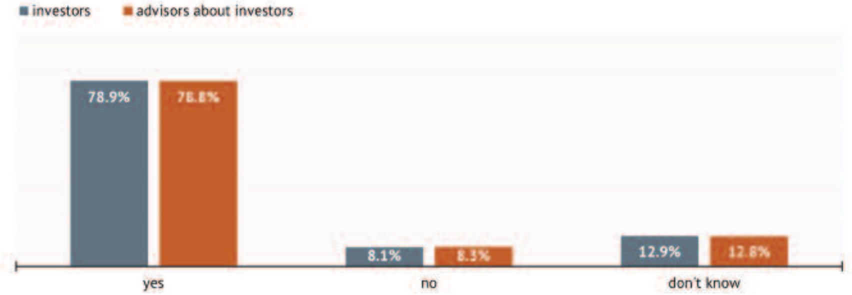


Figure 2.3a. *Interest in sustainable investments: distribution of answers*

Figure 2.3b. *Interest in sustainable investments: overall matching*

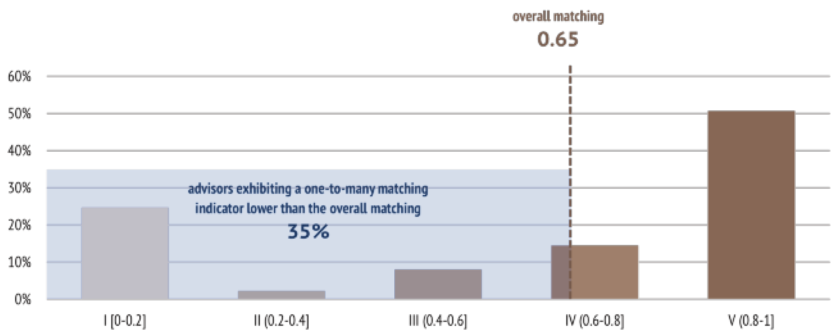


Figure 2.3c.
Interest in sustainable investments: one-to-many matching (distribution of financial advisors by classes)

2.4. Sustainable investments: the ideal allocation

As mentioned above, in addition to ESG preferences, it is also crucial to adequately survey the percentage of the portfolio that the investor would like to invest in sustainable financial products. The pronounced interest in such investments expressed by the investors surveyed is matched by a high willingness to allocate substantial parts of their holdings to products that meet ESG criteria. Only 18% of the clients declare that they would normally allocate a limited portion of their financial wealth, not exceeding 20%, to sustainable investments; more than 40% of investors, on the other hand, declare that they would allocate between 20 and 40% to this type of product; a further 41% of investors would opt for a much larger percentage of their portfolio (between 40% and 100%).

- Question to **investors** who have expressed an interest in sustainable investments: **'Given 100 the value of these assets, what percentage would you normally wish to see allocated to sustainable investments?'**
- Question to **advisors**: **'Given 100 the value of these assets, what percentage of them would your clients normally want to invest in sustainable investments?'**

(open answer)

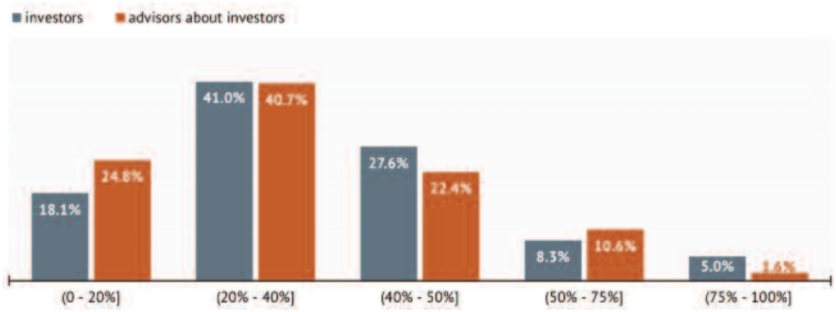


Figure 2.4a. *Ideal allocation to sustainable investments: distribution of answers*

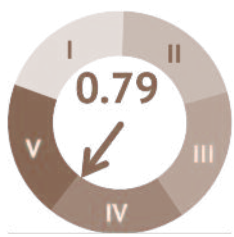


Figure 2.4b. *Ideal allocation to sustainable investments: overall matching*

Advisors seem to grasp these preferences, with the alignment indicator reaching almost 0.8 and 60% of respondents exhibiting a lower-than-average distance between the advisor's perception and the positions expressed by their clients.

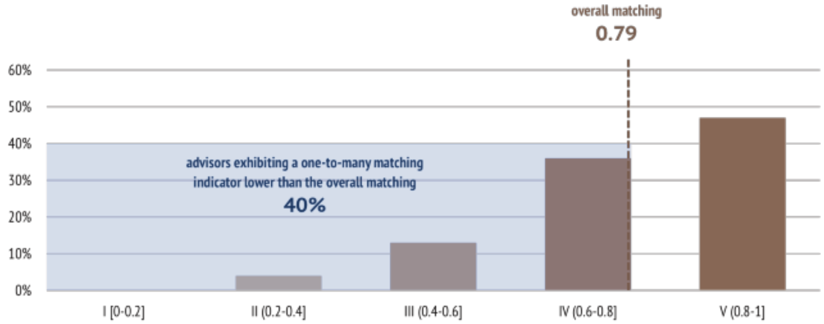


Figure 2.4c. *Ideal allocation to sustainable investments: one-to-many matching (distribution of financial advisors by classes)*

2.5. The diffusion of sustainable investments

The presence of sustainable investments in the respondents' portfolios is surveyed both through three dichotomous questions addressed to investors ('Do you hold sustainable investments?') and advisors ('Do your clients hold sustainable investments?' and 'Do you hold sustainable investments?') and through an open-ended question addressed only to professionals ('Given 100 the number of your clients, what percentage hold sustainable investments?').

- Question to **investors**: **'Do you hold sustainable investments?'**
- Questions to **advisors**: 'Do **your clients hold sustainable investments?' and 'Do you hold sustainable investments?'**

(single answer)

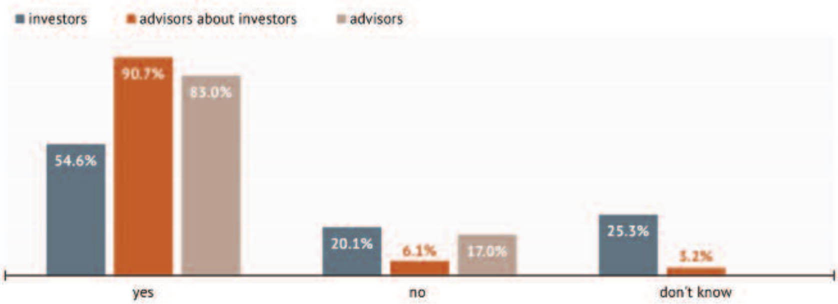


Figure 2.5a. *Ownership of sustainable investments: distribution of answers*

The answers to the dichotomous questions confirm the widespread use of sustainable products in both the sample of financial advisors (83% of respondents say they have them in their portfolio; histo grams in brown) and investors (55% of respondents; histograms in grey); with almost all advisors (91%; histograms in orange) reporting the presence of sustainable products in the portfolios of most of their clients.

On the side are shown both the indicator intended to measure the distance between the investor's declared and the advisor's perceived (equal to 0.53) and a further alignment indicator derived from a precise comparison between the client's holding of sustainable products and the presence of the same securities in his advisor's portfolio (equal to 0.51), a figure of particular interest in the light of the aforementioned studies on the relevance of the professional's personal opinions on the proposal of specific types of investment.

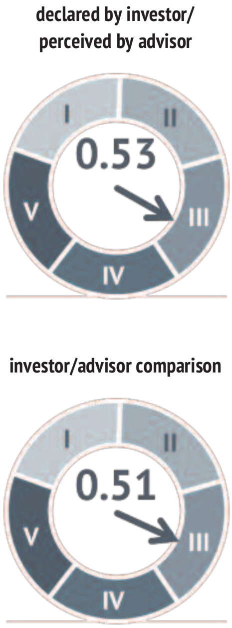
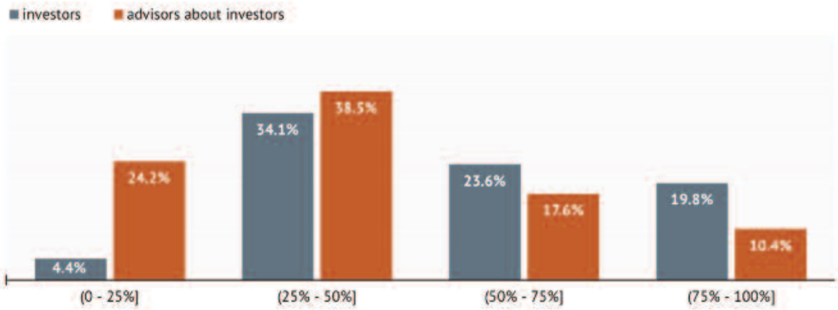


Figure 2.5b. *Ownership of sustainable investments: overall matching*

The partial lack of overlap between investors' statements and what advisors say about their clients is confirmed by the evidence gathered through the additional question, addressed only to the advisor, concerning the percentage of their clients who invest sustainably. Comparing the answers given by advisors with those of their specific client groups shows that 24% of professionals believe that at most 25% of their clients now have sustainable investments, compared to around 4% of investors who say they do.

- Question to **investors**: **'Do you now hold sustainable investments?'** (single answer)
- Question to **advisors**: **'Given 100 the number of your clients, what percentage hold sustainable investments?'** (open answer)



The figure refers to the sub-sample of advisors with more than one client and the corresponding client group.

Figure 2.5c. *Diffusion of sustainable investments: distribution of answers*

The point comparison thus confirms a certain margin of misalignment between the clients' statements and the advisors' perceptions, with an average indicator of 0.58 and 44% of the advisors below this threshold; if one considers that 25% of the clients do not know how to answer the question, one can reasonably attribute this misalignment to the investors' limited awareness of the securities included in their portfolios.

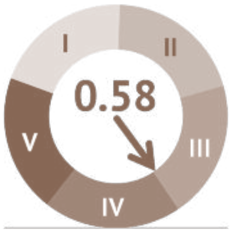


Figure 2.5d. *Diffusion of sustainable investments: overall matching*

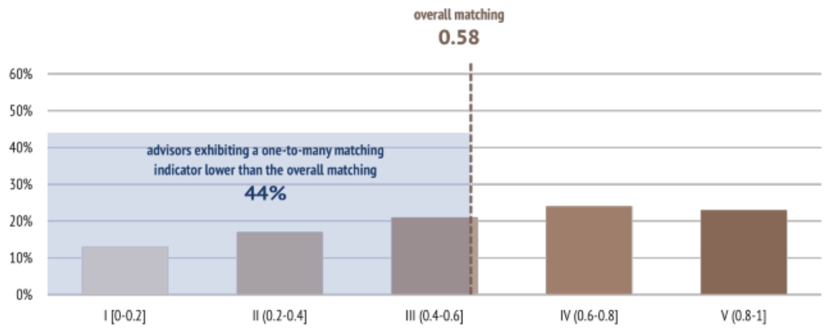


Figure 2.5e.
Diffusion of sustainable investments: one-to-many matching (distribution of financial advisors by classes)

2.6. The proposal of sustainable investments

The evidence gathered reveals an even wider deviation with regard to the proposal of sustainable investments: 47% of clients claim to have received proposals on sustainable investment options from the referring professional, compared to 69% indicated by advisors.

- Question to **investors**: **'Did your advisor offer sustainable investments to you?'**
- Question to **advisors**: **'Do you offer sustainable investments to your clients**?
(single answer)

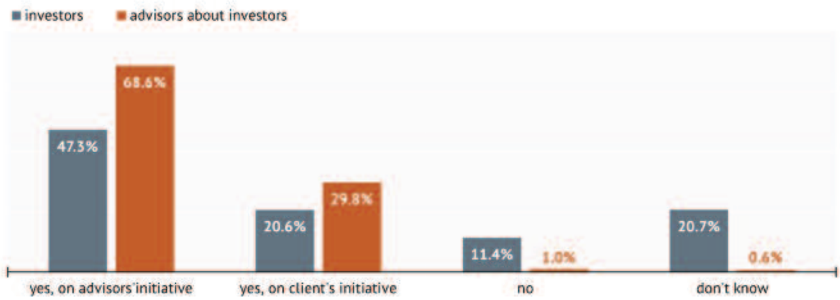


Figure 2.6a. *Proposal of sustainable investments: distribution of answers*

Again, considering that more than 20% of investors have no precise recollection of the advice received, it is not surprising that the average alignment indicator stands at 0.41 or lower for 54% of the advisors surveyed.

Figure 2.6b. *Proposal of sustainable investments: overall matching*

Based on the results of the survey, investors show a strong interest in sustainable investments. This evidence, together with the data referring to basic knowledge of sustainable finance and the spread of sustainable investment products in the respondents' portfolios, again outlines a particularly sophisticated Italian investor profile to be monitored over time.

Particularly interesting insights derive from the evidence regarding investors' lack of awareness of the products they hold and the recommendations they receive. The related *(mis)matching* indicators highlight points of attention for professionals: a more in-depth exchange regarding the characteristics of the recommended products and the chosen portfolio allocation would help to reinforce the reliance on the professional and make the investor's knowledge and expectations more solid, to the benefit of the interaction between advisor and client.

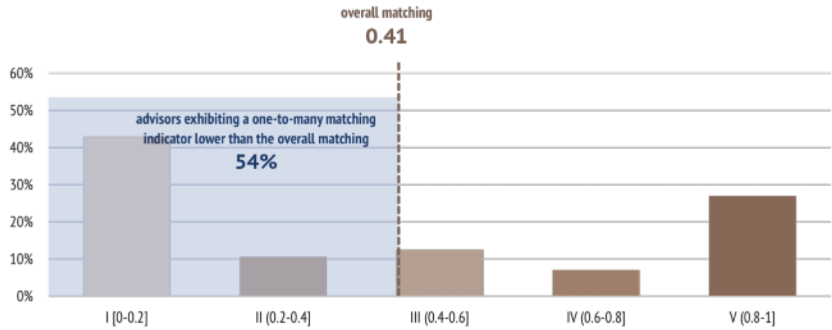


Figure 2.6c. *Proposal of sustainable investments: one-to-many matching (distribution of financial advisors by classes)*

3. The drivers of sustainable investments

Information and knowledge are key factors of the diffusion of sustainable investments
Interaction with the advisor becomes a vehicle for education on sustainability

With reference to the role of the advisor in the diffusion of ESG products, further considerations emerge from the in-depth study on the determinants of sustainable investing, which is the subject of the third and final section of the Report, based on four pairs of questions (plus two others addressed to the advisor alone).

Numerous studies have examined the socio-demographic characteristics that are associated with interest in sustainable investments and additional factors that may affect sustainability preferences (Adria *et al.*, 2022; Alemanni, 2022; Anderson and Robinson, 2021; Brodback *et al.*, 2019; Costa *et al.*, 2022; Deloitte, 2020; Falk *et al.*, 2016; Mangot *et al.*, 2022; Schoenmaker and Schramade, 2021; Schroders, 2019; Sparkes and Cowton, 2004; Wiesel *et al.*, 2017). Drawing inspiration from such research, the *mirroring* investigation proposes a reflection on two types of factors. A first typology pertains to those closely related to the individual sphere of the client, which must also be acquired and understood for the purposes of the suitability assessment; this is the case, in particular, of the investor's financial personality, defined by taking into account the priority assigned to profiles such as return, risk and investment costs, as opposed to aspects more strictly related to sustainability (in terms of impact and/or contribution to ESG factors of the use of capital). The second typology includes factors concerning the context within which the investor makes his or her choice; this refers, in detail, to the peculiarities of the offer of sustainable investment products and the sources of information available (as well as the investor's knowledge in this regard).

The Section – and the work – ends with a further question, addressed only to advisors, on client profiling in the investment suitability assessment phase.

3.1. Priorities in investment choices

As anticipated, the financial personality of the client – in terms of a prevailing focus on financial profiles or, on the contrary, on the sustainability profiles of an investment – constitutes a key piece of information for the advisor who is called upon to assess his or her clients' interest in sustainable products.

The interest already expressed by clients (and noted in Section 2) is now also weighted by asking investors to assess which priority to assign to sustainability profiles over investment *performance* prospects. 54% of clients conditioned their interest on the possibility of investing with the same return and risk prospects offered by alternative investment options on the market (so-called '*light green'* investors); while for 30% of clients, the propensity to invest sustainably would not be neglected even in the event of lower returns (so-called '*green' investors*); only 12% would only evaluate such investments if they offered higher returns (so-called '*brown'* investors).

- Question to **investors**: **'Which of the following statements best reflects your opinion? 'A sustainable investment...'**
- Questions to **advisors**: **'Which of the following statements best reflects the opinion of your clients? 'A sustainable investment...'**

(single answer)

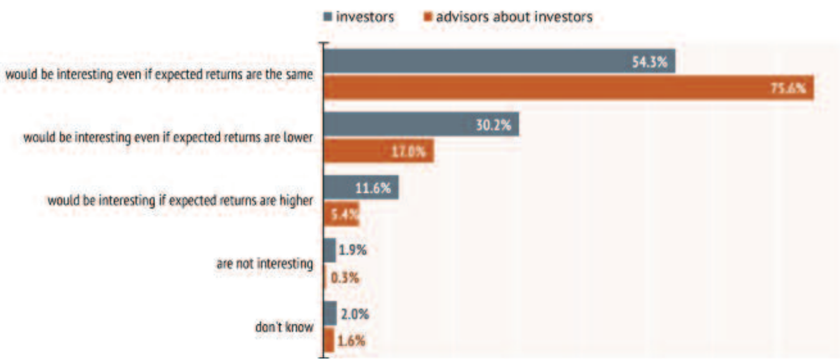


Figure 3.1a. *Priorities in investment choices: distribution of answers*

The aggregate comparison of the answers of the two samples points to a tendency of advisors to overestimate the priority assigned by their clients to financial aspects. Nonetheless, the value of the *overall matching* indicator is around 0.8, and the one-to-one comparison between professionals and their clients paints a picture in which – in around 60% of cases – the comparison between what is perceived by the former and what is declared by the latter exceeds the average matching value.

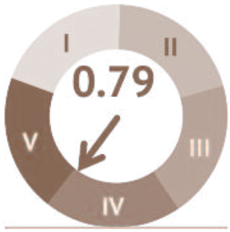


Figure 3.1b. *Priorities in investment choices: overall matching*

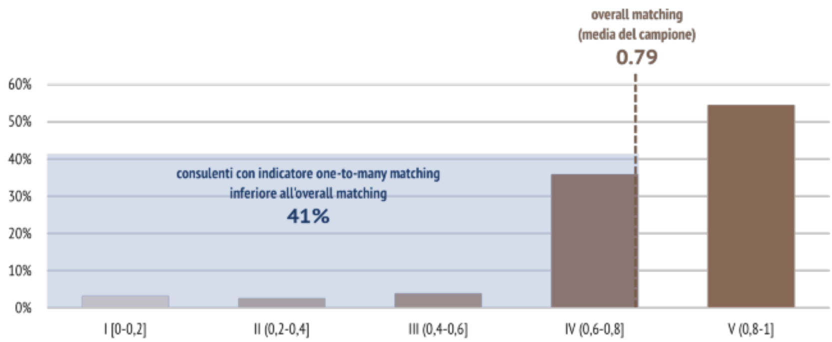


Figure 3.1c. *Priorities in investment choices: one-to-many matching (distribution of financial advisors by classes)*

3.2. Deterrents of sustainable investments

Regarding the factors that may discourage the diffusion of sustainable products, investors indicate, *firstly,* the inadequacy of their knowledge or the scarcity of available information; secondly, clients complain about a still limited product range. A significant proportion of advisors appear to be generally aware of how little knowledge and information can dampen investor interest; practitioners, however, seem inclined to underestimate clients' perception of the inadequacy of the range of options available and to overestimate the fear of *greenwashing*.

Question to **investors** who state that they do not hold sustainable investments: **'You do NOT hold sustainable investments because of ...'**

Question to **advisors**: **'Your clients who do NOT hold sustainable investments, do not choose them because of ...'**

(multiple answer)

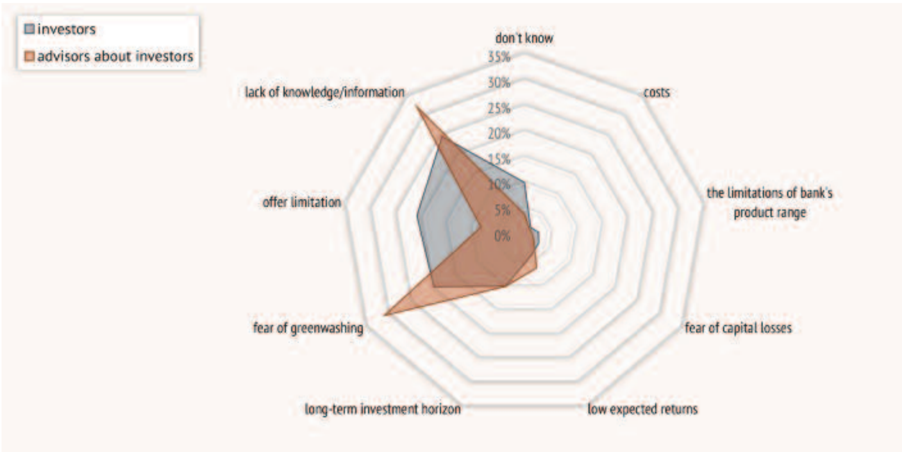


Figure 3.2a. *Deterrents of sustainable investments: distribution of answers*

This discrepancy is reflected in the point comparison of the recorded responses and emerges in the average matching value of 0.24: this is the lowest *overall matching* value over the entire spectrum of information explored through the questionnaire. As anticipated, therefore, the survey of the *drivers of* sustainable investment reveals the most important discrepancies.

Figure 3.2b. *Deterrents of sustainable investments: overall matching*

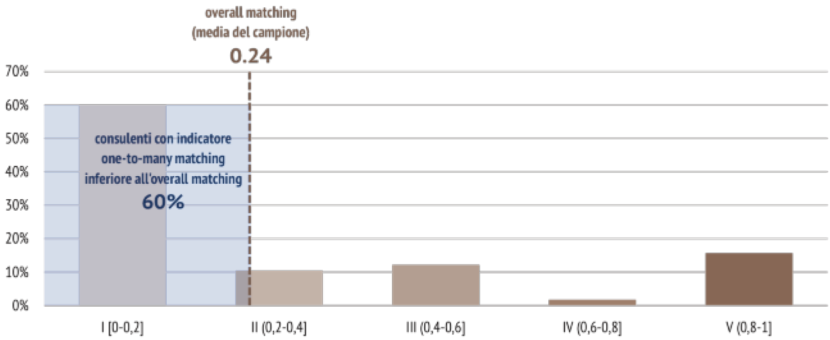
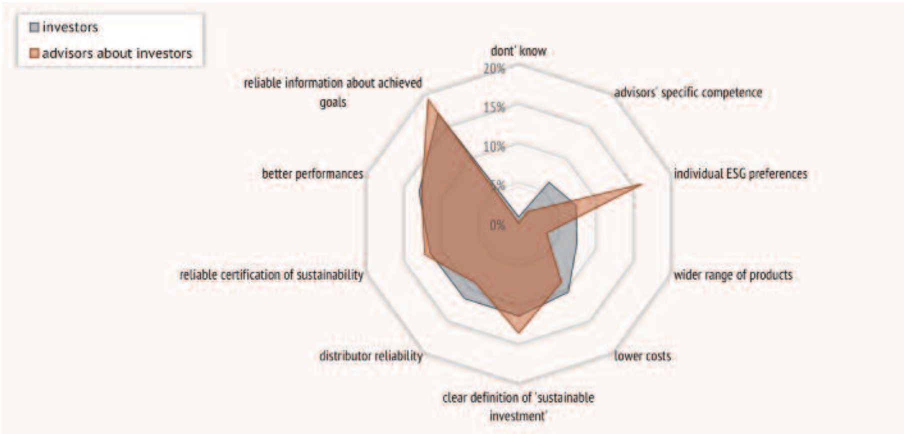


Figure 3.2c. *Deterrents of sustainable investments: one-to-many matching (distribution of financial advisors by classes)*

3.3. Drivers of sustainable investments

Among the factors that could encourage sustainable investments, the availability of reliable information about the actual achievement of environmental and social objectives linked to products is the first among those indicated by investors; this element is also reported by advisors as the main *driver of* both clients' interest and their propensity to recommend this type of investment.

- Question to **investors**: **'What factors would make you choose mostly sustainable investments?'**
- Questions to **advisors**: 'What factors would make **your clients mostly choose sustainab investments?'** and **'What factors would make you mostly recommend sustainable investments?'** (multiple answer)



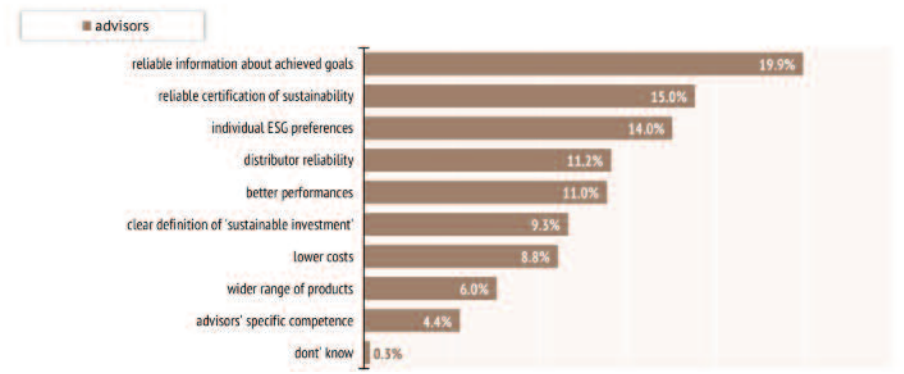


Figure 3.3a. *Drivers of sustainable investments: distribution of answers*

Among the most relevant factors for clients are better *performance* prospects, a reliable certification (or quality label) of the sustainability of investments and a clearer definition of 'sustainable investment'. Advisors, on the other hand, are inclined to believe that clients assign more weight to personal sensitivity to ESG factors; professionals seem, at the same time, to underestimate the importance that investors attach to the reliability of the distributing intermediary and to the articulation of the sustainable range of offerings.

Figure 3.3b. *Drivers of sustainable investments: overall matching*

A deeper analysis of incentive factors also takes into account the financial personality manifested by investors (see Fig. 3.1 above). Considering the three sub-groups consisting of the '*green*' clients (i.e. those who declared an interest regardless of return), the '*light green' clients* (those who declared an interest contingent on the prospect of a return equal to that of comparable options) and the '*brown'* clients (those who declared an interest contingent on the prospect of a higher return), it clearly emerges that better *performance* is cited as a driving factor with increasing frequency as one moves from a '*green*' to a '*brown*' investor. Not surprisingly, the number of driving factors identified is also higher among '*green*' clients, who on average cite three factors (with *performance* among the least cited), and lower among '*brown*' investors (who cite *performance* first).

- Question to **investors**: **'What factors would make you choose mostly sustainable investments?'** (multiple answer)
- Question to **investors**: **'Which of the following statements best reflects your opinion? A sustainable investment would be attractive...: if it offered higher returns ('*brown' investors*)/even if it offered lower returns ('*green*' investors)/for the same returns ('*light green'* investors)'** (single answer)

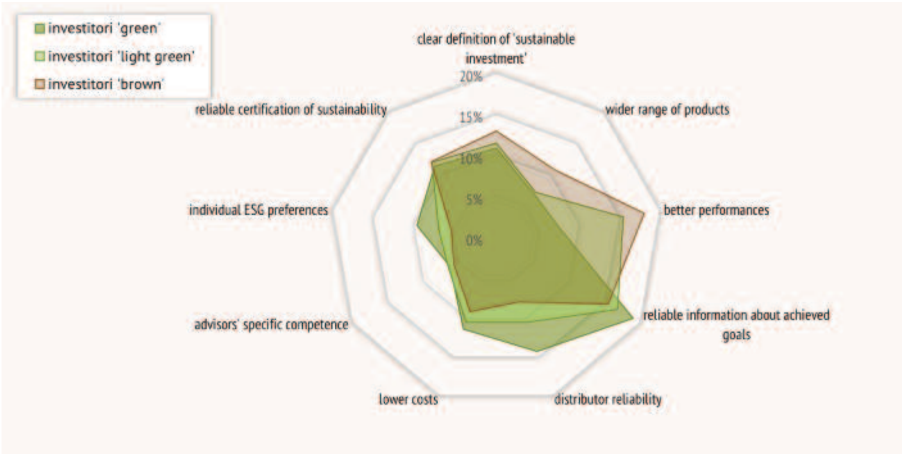


Figure 3.3c. *Drivers of sustainable investments: 'green', 'light green' and 'brown' investors*

Again, there is a significant mismatch between what advisors believe they know about their clients and what their clients state: the *matching* indicator stands at 0.37, with a large proportion of the sample (58%) below this average value. By fostering a more attentive dialogue on these issues and offering support in acquiring and understanding the most reliable and complete information materials, the advisor can help defuse misconceptions and false beliefs of the client that can dampen their interest in sustainable investments.

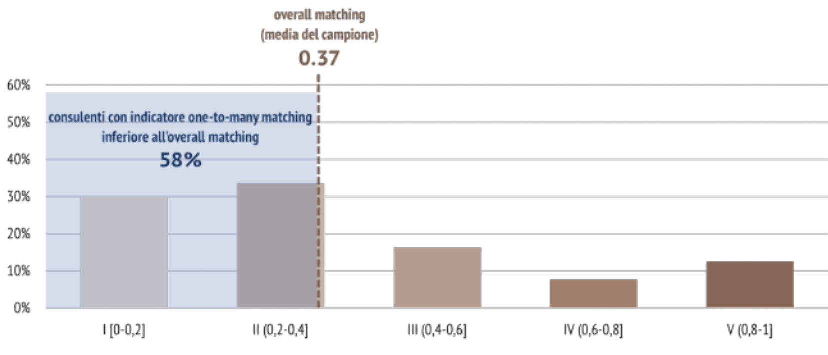


Figure 3.3d. *Drivers of sustainable investments: one-to-many matching (distribution of financial advisors by classes)*

3.4. Information sources on sustainable investments

The financial advisor remains, however, the main point of reference when acquiring useful information on sustainable investments. Secondly, clients state that they would prefer to receive information through other sources considered reliable, such as product information documents, *brochures* or promotional material prepared by issuers and distributors, and the financial intermediary's website. However, professionals seem to overestimate their clients' reliance on generalist media (radio/TV/newspapers), *social media* (such as YouTube, Twitter) and *financial communities.*

- Question to **investors**: **'Through which channels would you prefer to receive information on sustainable investments?'**
- Question to **advisors**: **'Through which channels would your clients prefer to receive information on sustainable investments?'**

(multiple answer)

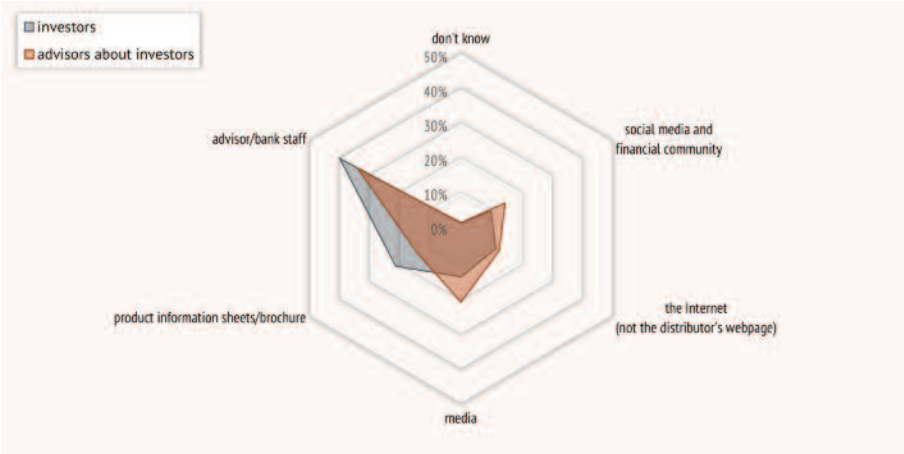


Figure 3.4a. *Information sources on sustainable investments: distribution of answers*

This partially dystonic perception reduces the value of the alignment indicator below 0.5 and is also reflected in the percentage of advisors interviewed with an indicator below this average value (47%).

Figure 3.4b. *Information sources on sustainable investments: overall matching*

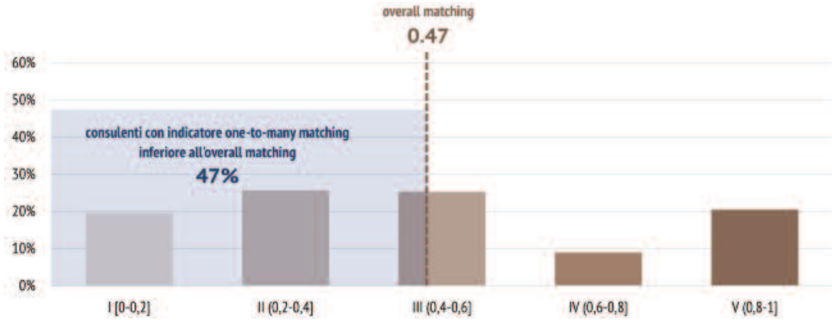


Figure 3.4c. *Information sources on sustainable investments: one-to-many matching (distribution of financial advisors by classes)*

3.5. Sustainability preferences assessment

Most advisors consider the suitability assessment and the elicitation of clients' ESG preferences as an opportunity to raise awareness of environmental, social and good corporate governance issues or as an opportunity for dialogue with their clients. 9% of those interviewed do not yet feel able to express an opinion on the regulatory changes in the area of suitability assessment; 8% see the regulatory requirement as a lever for the inclusion of sustainable financial products within their invested assets, while only 3% see it as an obligation that is difficult to fulfil in the absence of clarification on application profiles.

Question to **advisors**: **'The survey of your clients' preferences with respect to ESG (Environmental, Social and Governance) factors when assessing investment suitability**...'

(single answer)

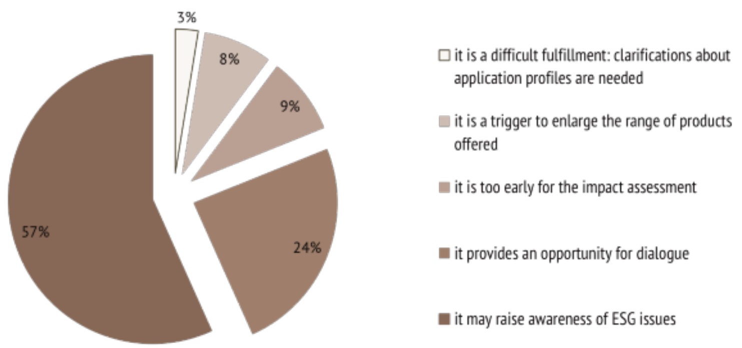


Figure 3.5. *Sustainability preferences assessment: distribution of answers*

Although the regulatory environment can still be said to be in the process of being defined, and good practices for surveying sustainability preferences still being evaluated, the evidence of this Report allows some considerations to be drawn regarding the role that advisors can play in the growth of the sustainable finance sector.

In the awareness that information and knowledge are key factors in the diffusion of investments that contribute to or pursue ESG objectives, the interaction with the advisor becomes a vehicle not only of financial education but also of sustainability education and a reference point for the investor who must navigate among multiple information stimuli, which are not easy to understand, and must integrate in the investment decision-making process additional complexity factors to the typically financial ones.

Methodological notes

Sample and method

The research on the advisor-client relationship is the result of a collaboration between CONSOB and the Department of Business Studies of Roma Tre University. The survey is based on a questionnaire administered to two samples, consisting of financial advisors and their clients/investors respectively.

Between September and December 2023, the Associazione Nazionale Consulenti Finanziari - ANASF responded to the University's invitation by promoting the survey among its members.

The sample of professionals was formed from the list of over 12,000 financial advisors registered with ANASF. The sample of investors, on the other hand, was formed from the contacts – relating to active relationships – indicated, among those assigned to them, by the professionals belonging to the first sample.

The characteristics of both categories of respondents, representative of the reference universes, are summarised below (Table 4.1).

The *survey is* based on a questionnaire consisting of:

– 19 pairs of questions addressed both to investors and to their respective advisors that allow the same information on the client's knowledge, opinions or behaviour as reported by the client and perceived by the respective advisor;

– five questions addressed only to professionals and aimed, instead, at exploring information related to the advisor alone.

Overall, the questionnaire consists of: twelve single-choice questions (or question pairs), eight multiple-choice, two open-ended and two with Likert scale answers.

The *survey is* completed with a series of socio-demographic questions and three questions on financial literacy (the latter only addressed to clients), which are useful for profiling the respondents.

The questionnaire was filled out independently, using a form available *online*, or with the support of Roma Tre University students who – suitably trained – reached the subjects involved by telephone.

There were 312 interviews in the advisors' sample and 835 in the clients' sample (96% of the total number of interviews), with an average of about three investors interviewed per professional.

Matching indicator

As anticipated, the queries in the questionnaire were addressed to investors (the clients) and financial advisors. With reference to the client, the question was aimed at surveying his knowledge, opinions and behaviour, while with reference to the advisor, it was aimed at capturing his perception of the position expressed by his clients.

For each pair of questions, a matching (or alignment) indicator was then calculated, i.e. a point measure of the alignment between the answers given by the two actors in the relationship.

In detail, for each pair of questions, the calculation of the indicator involves three steps:

i. the calculation of the *one-to-one* matching, i.e. the alignment between (the responses of) each advisor and (those of) each of his/her clients;

ii. the calculation of the *one-to-many matching*, the average of the *one-to-one matching* values for each advisor, i.e. the measurement of the alignment of the responses of each advisor with those provided by all of his/her clients;

iii. the calculation of the *overall matching (*in Figure '*matching* indicator'), i.e. the weighted average – with weights equal to the number of clients interviewed for each advisor – of the *one-to-many matching* indicators referring to the sample of advisors; the *matching* indicator varies between 0 and 1: it will be equal to 1 in the case of perfect alignment between the advisor's answers and those of his/her clients (total empathy) and to 0 in the case of complete misalignment.

In the study, for each pair of questions, are shown in the *Matching* indicator figures:

– the distribution of advisors in the following five classes of the *one-to-many* indicator: class 'I' [0 - 0.2]; class 'II' (0.2 - 0.4]; class 'III' (0.4 - 0.6]; class 'IV' (0.6 - 0.8]; class 'V' (0.8 - 1] (figure with brown histograms);

– the percentage of advisors whose *one-to-many* indicator is below the sample average, i.e. *overall matching* (percentage value in blue and area in light blue in the same figure with brown histograms representing the distribution of financial advisors by classes);

– the point value of the *overall matching* (value between 0 and 1 in brown in the same figure and ring figure).

The construction of the indicators (from *one-to-one matching*) considers the various question types included in the questionnaire (single-, multiple-, open-ended or Likert scale-based).

For single-answer questions, the *one-to-one matching* between the individual advisor and each of his/her clients takes a value of 1 if the advisor correctly identifies the client's answer and 0 otherwise.

For multiple-choice questions, on the other hand, *matching* is defined by a variable which takes on values in the range [0, 1]; in particular, the indicator is equal to 1 if the trader recalls exactly all the answers indicated by the client; it is equal to 0 if the advisor selects answer alternatives completely different from those mentioned by the investor; in other cases, it takes on values equal to the ratio between the number of answers chosen by both actors and the number of options mentioned by the advisor.

For questions designed to detect the importance attributed to a certain element (or factor) with a Likert scale response and for questions whose single answer options return a character whose intensity can be ordered by levels, the *matching* consists of a variable expressing the distance between the positions expressed by advisor and client. This distance is defined as the ratio between two quantities. The numerator is given by the difference between the maximum number of steps between the advisor's response and the client's response (*N-1*, i.e. the number *N of* response options minus one unit) and the actual number of steps, while the denominator is equal to *N-1*. The indicator thus assumes values in the range [0, 1]; in particular, it is equal to 1 if advisor and client indicate the same answers and is, instead, equal to 0 if the distance between the answers provided by the two actors is greatest. A similar methodology is also used for open-ended questions that return a numerical value, normalising the distance between the positions respectively expressed by client and advisor in numerical terms (percentage values between 0 and 100).

Investors

age	< = 35	10%
	36-45	17%
	46-55	26%
	56-65	33%
	> 65	14%
gender	men	60%
	women	40%
geographical area of residence	North	41%
	Centre	25%
	South & Islands	34%
education	at least bachelor's degree	54%
	less than bachelor's degree	46%
wealth (thousands of euros)	< = 10	2%
	10-50	16%
	50-250	34%
	> 250	22%
	do not know/do not answer	26%
duration of relationship with the advisor (years)	< = 10	67%
	10-20	22%
	20-30	9%
	> 30	2%

Advisors

age	< = 35	6%
	36-45	15%
	46-55	33%
	56-65	39%
	> 65	7%
gender	men	75%
	women	25%
geographical area of residence	North	38%
	Centre	27%
	South & Islands	35%
education	at least bachelor's degree	58%
	less than bachelor's degree	42%
portfolio (million euro)	< = 15	31%
	15-25	26%
	> 25	43%
duration of profession (years)	< = 10	21%
	10-20	18%
	20-30	44%
	> 30	17%
number of clients	< = 50	7%
	51-100	17%
	101-150	19%
	151-200	14%
	> 200	43%
certifications	EFPA	56%
	principal certifications	64%
	other	24%
	none	7%
relationship with principal	agent	95%
	employee	5%

Table 4.1. *Sociodemographic profile and other characteristics of the two survey samples*

Questions to **investors**:

☀ 'In general, investments offering higher returns tend to be riskier than investments offering lower returns': 1. true, 2. false, 3. don't know'

☀ 'Imagine that the interest rate on your savings account is 1% per year and inflation is 2% per year. One year from now, with the money deposited in your savings account you will be able to buy...: 1. more than you could buy today, 2. exactly as much as you could buy today, 3. less than you could buy today, 4. don't know'

☀ 'In general, when an investor distributes his capital among different financial instruments, the risk of losing the money invested ...:
1. increases, 2. decreases, 3. remains stable, 3. don't know'
(single answer)

notion	correct answers	wrong answers	'don't know'
risk-return relationship	89%	5%	6%
inflation	78%	4%	17%
diversification	85%	7%	8%

Table 4.2. *Basic financial knowledge of clients*

Questions to **investors**:

- 'In general, investments offering higher returns tend to be riskier than investments offering lower returns': 1. true, 2. false, 3. don't know'
- 'Imagine that the interest rate on your savings account is 1% per year and inflation is 2% per year. One year from now, with the money deposited in your savings account you will be able to buy...: 1. more than you could buy today, 2. exactly as much as you could buy today, 3. less than you could buy today, 4. don't know'
- 'In general, when an investor distributes his capital among different financial instruments, the risk of losing the money invested ...:
  1. increases, 2. decreases, 3. remains stable, 3. don't know'
  (single answer)

notion	**wealth** (thousands of euros)	**correct answers**	**wrong answers**	**'don't know'**
risk-return relationship	< = 50	87%	7%	6%
	50-250	89%	6%	6%
	> 250	93%	5%	2%
inflation	< = 50	78%	7%	16%
	50-250	77%	7%	16%
	> 250	89%	3%	8%
diversification	< = 50	78%	14%	8%
	50-250	84%	10%	6%
	> 250	94%	3%	3%

Table 4.3. *Basic financial knowledge of clients by financial wealth*

Questions to **investors**:

☀ 'Do you hold sustainable investments? 1. yes, 2. no, 3. don't know' (single answer)

		yes	**no**	**'don't know'**
importance assigned to ESG factors	low	44%	30%	27%
	high	64%	12%	24%
financial personality	green' investor	69%	11%	20%
	investor 'light green	54%	19%	27%
	investor 'brown	37%	36%	27%
wealth (thousands of euros)	< = 50	43%	33%	24%
	50-250	49%	22%	31%
	> 250	60%	12%	28%
basic financial knowledge	low	41%	25%	34%
	high	60%	18%	22%
size (or operational complexity) of the mandating intermediary	minor	51%	23%	26%
	intermediate	58%	17%	25%
	greater	54%	21%	25%

Table 4.4. *Diffusion of sustainable investments*

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The research examines the advisor-client relationship in order to detect possible information and knowledge distortions. In continuity with the 2020 edition of the survey, the advisor-client relationship was explored with reference to the specific topic of integrating so-called ESG factors (Environmental, Social, Governance) into the financial advice processes. The analysis is based on a questionnaire administered to two samples, consisting respectively of financial advisors and their clients/investors (mirroring survey). Through a comparison between investors' opinions – as perceived by financial advisors – and the opinions actually declared by clients, the survey delves into several profiles related to: the interaction between professional and client; the knowledge and diffusion of sustainable investments; the factors that can prompt such investment options.

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