Behavioral drivers of sustainable investment choices: assessing retail investor understanding in the EU's sustainable finance regime framework

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Abstract

Retail investors are expressing growing interest in sustainability-oriented financial products, yet the degree to which sustainability factors genuinely shape their investment behavior remains understudied. Despite the expansion of ESG funds and intensifying regulatory scrutiny, many retail investors continue to struggle with understanding what qualifies as a sustainable investment, how to recognize potential greenwashing, and how to interpret increasingly technical sustainability disclosures. The European Commission's proposal to reform the Sustainable Finance Disclosure Regulation (SFDR 2.0) directly addresses these concerns by aiming to simplify disclosure rules and introduce a clearer product categorization regime, acknowledging that current disclosures are long, complex and difficult for investors to understand and compare. In this context, this paper aims to understand how sustainability factors influence retail clients' investment decisions and how a potential reclassification of funds would impact their trust and behavior.

Résumé

Les investisseurs particuliers manifestent un intérêt croissant pour les produits financiers axés sur la durabilité, mais l'ampleur réelle de l'influence des facteurs de durabilité sur leurs décisions d'investissement demeure incertaine. Malgré l'essor des fonds ESG et l'intensification de la surveillance réglementaire, de nombreux investisseurs de détail peinent encore à comprendre ce qui constitue un investissement durable, à identifier les risques potentiels d'écoblanchiment et à interpréter des informations de durabilité de plus en plus techniques. La proposition de réforme du Règlement sur la publication d'informations en matière de durabilité dans le secteur des services financiers (SFDR 2.0), présentée par la Commission européenne, vise précisément à répondre à ces préoccupations en simplifiant les obligations de transparence et en introduisant un cadre plus clair de catégorisation des produits, reconnaissant que les informations actuelles sont longues, complexes et difficiles à comprendre et à comparer pour les investisseurs. Dans ce contexte, cet article cherche à analyser comment les facteurs de durabilité influencent les décisions d'investissement des clients de détail et comment une éventuelle reclassification des fonds pourrait affecter leur confiance et leur comportement.

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1. Introduction

The rapid expansion of sustainable investment products has heightened the importance of credible sustainability claims. Yet disclosures remain difficult for non-professional investors to understand and compare. The European Commission's review of the existing SFDR framework highlighted that the regime had become overly technical, leading to informational frictions that hinder informed retail decision-making. SFDR 2.0 introduces several major reforms, including the removal of the Article 8/9 framework, the creation of three sustainability categories, and a simplified approach to consumer-facing disclosures. While these reforms aim to enhance clarity, they will require extensive market-wide reclassification of funds. Such reclassifications may confuse investors and undermine trust, particularly given the strong expectations created by past Article 8/9 designations. Understanding how retail investors interpret the loss or modification of a sustainability label (whether as greenwashing or regulatory adjustment) is therefore essential.

Under the current SFDR, Article 8/9 classifications have frequently been used as *de facto* labels, despite the regulation's original disclosure-based intent. This practice has increased the risk of investor confusion and contributed to concerns about greenwashing. SFDR 2.0's move toward a more explicit categorization system is intended to mitigate these issues. Accordingly, understanding retail investors' trust in labels, their ability to detect potentially misleading claims, and their behavioral responses to label changes is crucial to assessing the effectiveness of the new framework.

This paper examines how retail investors perceive sustainability in an investment context, how such perceptions influence their choices, and how the forthcoming SFDR 2.0 framework may shape their behavior. The study focuses on three core questions:

- How retail investors conceptualize sustainable investments
- To what extent sustainability preferences influence investment decisions, particularly in relation to traditional factors such as risk, return, liquidity, and fees
- How investors interpret sustainability labels and product reclassifications, including whether such adjustments are seen as greenwashing or legitimate regulatory developments

Using a structured questionnaire, this paper provides empirical evidence on how sustainable factors impact retail investment choices.

2. Literature Review

2.1. The concept of sustainable investment

Sustainable investment has progressively evolved from a niche ethical approach into a central component of contemporary investment practice, characterized by the systematic integration of environmental, social, and governance (ESG) considerations into financial decision-making. This shift has been reinforced by the development of a comprehensive regulatory framework within the European Union, aimed at standardizing definitions, establishing eligibility criteria, and enhancing transparency for market participants.

A cornerstone of this framework is the Sustainable Finance Disclosure Regulation (SFDR), which provides a legally binding definition of sustainable investment. Under SFDR, a sustainable investment is understood as:

> An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. (European Parliament and Council of the European Union, 2019)

The EU Taxonomy Regulation complements SFDR by refining the criteria for environmentally sustainable economic activities. To qualify, an activity must:

> Contributes substantially to one or more of the environmental objectives set out in Article 9 in accordance with Articles 10 to 16; does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17; is carried out in compliance with the minimum safeguards laid down in Article 18; and complies with technical screening criteria that have been established by the Commission in accordance with Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2). (European Parliament & Council of the European Union, 2020)

In parallel, recent ESMA Guidelines on fund naming further strengthen the regulatory architecture by restricting the use of sustainability-related terminology in fund names to products whose portfolios meet defined thresholds of sustainable investments or sustainability-aligned exposure. These guidelines aim to mitigate greenwashing risks and ensure that sustainability claims are meaningful, measurable, and comparable across the market.

Table 1 – Criteria for using specific ESG terms in UCIs' names

	UCIs using transition-, social- and governance-related terms	UCIs using environmental- or impact-related terms	UCIs using sustainability-related terms
Meet an 80% threshold linked to the proportion of investments used to meet environmental or social characteristics or sustainable investment objectives in accordance with the binding elements of the investment strategy[3]	X	X	X
Exclude investments in companies[4]: ▪ Involved in any activities related to controversial weapons[5] ▪ Involved in the cultivation and production of tobacco ▪ That benchmark administrators find in violation of the UNGC[6] principles or the OECD[7] Guidelines for Multinational Enterprises	X	X	X
Exclude investments in companies that derive: ▪ 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite ▪ 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels ▪ 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels ▪ 50% or more of their revenues from electricity generation with a GHG intensity of more than 100g CO_2 e/kWh		X	X
Commit to invest meaningfully in sustainable investments[8]			X

Source: EY Luxembourg, 2025.

Despite this increasingly robust legal structure, retail investors often remain unfamiliar with the formal regulatory definitions, thresholds, and metrics underpinning sustainable investment. Instead, they tend to associate sustainability with broad positive environmental or social outcomes, without a clear understanding of the specific key performance indicators, minimum criteria, or classification rules that determine whether a financial product is, in regulatory terms, "sustainable." This gap between regulatory precision and investor perception highlights the continuing need for effective

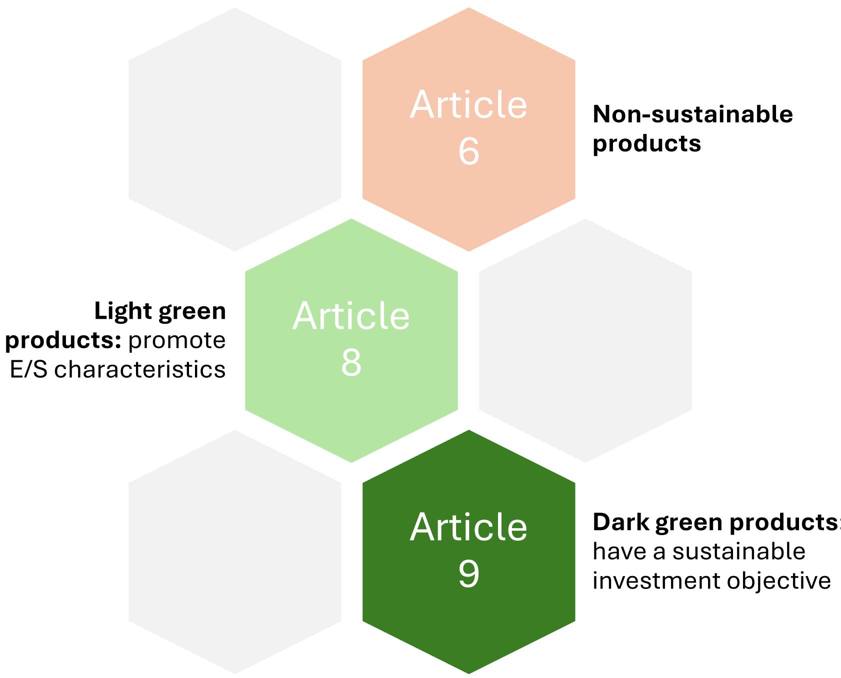
[3] Which are to be disclosed in Annexes II and III of the SFDR RTS (Delegated Regulation (EU) 2022/1288).
[4] In its FAQ published on 13 December 2024, ESMA clarified that investment restrictions related to the exclusion of companies do not apply to investments in European Green Bonds. For other green bonds, IFMs may use a look-through approach to assess whether the activities finances are relevant for the exclusions.
[5] In its FAQ published on 13 December 2024, ESMA clarified that the reference for the exclusion related to controversial weapons should be that referred to in SFDR PAI 14.
[6] United Nations Global Compact.
[7] Organisation for Economic Cooperation and Development.
[8] In its FAQ published on 13 December 2024, ESMA clarified that funds may not be "meaningfully investing in sustainable investments" if they contain less than 50% of sustainable investments.

communication, standardized disclosures, and investor education to ensure that sustainability-related information is both accessible and decision-useful.

2.2. SFDR: from disclosure regulation to *de facto* product classification

The EU's Sustainable Finance Disclosure Regulation (SFDR) was initially introduced as a transparency framework aimed at improving the quality, consistency, and comparability of sustainability disclosures for financial products. Although not conceived as a labelling system, Articles 6, 8, and 9 rapidly became *de facto* product categories in both the industry and retail market.

Illustration 1 – SFDR 1.0 classification



Source: Author.

Academic and policy analyses highlight how this unintended classification effect shaped investor expectations, who started perceiving Article 9 funds as "dark green," Article 8 as "light green," and Article 6 as non-sustainable. However, the long and, sometimes inconsistent disclosures, heterogeneous interpretation of sustainability claims, and challenges in comparing products across providers have contributed to rising concerns about potential greenwashing and the need for greater clarity.

In response to market feedback and regulatory assessments, the European Commission proposed SFDR 2.0, a reform intended to simplify disclosures, reduce complexity, and align sustainability statements more closely with measurable standards. Central to the proposal is a new product categorization system designed to help retail investors better understand product characteristics and distinguish between strategies pursuing different sustainability objectives.

Table 2 – Overview of the key differences between SFDR 1.0 and SFDR 2.0

		SFDR 1.0	SFDR 2.0
Reduced scope		▪ Applies to financial market participants and financial advisors	▪ Narrows down the scope by removing financial advisors (such as investment advisers and portfolio managers)
Relevance of disclosure requirements	Entity-level	▪ Mandatory entity-level disclosures: pre-contractual, periodic, and website ▪ Detailed PAI templates ▪ Inclusion of sustainability-related information in the remuneration policies	▪ Entity-level disclosures (including PAI templates and inclusion of sustainability-related information in the remuneration policies) are removed
	Product-level	▪ Mandatory product-level disclosures: pre-contractual, periodic, and website ▪ Detailed PAI templates	▪ Streamlined product-level disclosures: shorter pre-contractual/periodic reports (~2 pages) ▪ No mandatory website disclosures
Change in sustainability - relatedproduct categories		▪ No official category system ▪ Common use: Article 8 and Article 9 which set different disclosure requirements depending on whether the financial product promoted environmental or social characteristics, or had sustainable investment as its objective, rather than setting categories *per se*	▪ Sets three categories (sustainable, transition and ESG basics) ▪ Provides for clear criteria, including minimum 70% thresholds and common exclusion criteria
New greenwashing provisions		▪ Relies on disclosure transparency to fight greenwashing ▪ No clear definition of products ▪ Naming rules defined by ESMA Guidelines	▪ Strict eligibility criteria per category, including mandatory exclusions and 70% threshold complying to the objective pursued in the category ▪ Clear naming rules including the prohibition of using sustainability-related claims in the names and in the marketing communications of non-categorized products. In pre-contractual disclosures, information on sustainability limited to 10% of the volume occupied by the presentation of

	the financial products' investment strategy ▪ PRIIP's presentation: Sustainability-related financial product will comprise a section "How sustainable is this product?"
Data and estimates (new)	▪ Non-public data and estimates from external providers: Requirement of documented methodology ▪ In-house estimates: Requirement of documented methodologies ▪ Must be provided upon clients 'request
Taxonomy alignment Shortcut (new)	▪ Portfolio with at least 15% of taxonomy alignment fulfill the contribution criteria of sustainable or transition category. Remaining portion of the portfolio will need to comply to the exclusion criteria

Source: EY Luxembourg, 2026.

Such simplification could enhance comparability and mitigate greenwashing risks by grounding sustainability claims in verifiable criteria. However, the transition may introduce short-term confusion as legacy classifications lose relevance and market participants adjust to new definitions. For instance, a significant share of funds currently marketed under Article 8 may not meet the stricter standards implied by SFDR 2.0's categorization system. Projections suggest that up to half of the funds presently perceived as sustainable may be reclassified into lower or different categories once the new framework is implemented.

Graph 1 – AuM EUR denominated funds by current SFDR categories, est. distribution into new SFDR categories

Source: Aefinfo, 2025.

This reclassification of funds may bring several consequences such as potential erosion of investor trust, shifts in capital flows, reputational impacts for asset managers, and heightened sensitivity to perceived greenwashing. The reclassification dynamic is therefore expected to play a pivotal role in shaping retail investor sentiment, especially among those who rely heavily on labels to guide investment decisions.

2.3. How sustainability factors influence retail investment decisions: evidence from prior research

Investment behavior among retail investors is shaped by more than expected financial returns. Individuals routinely account for a broader set of criteria, including risk, liquidity, provider reputation, and an expanding range of non-financial considerations such as sustainability. Prior research shows that a subset of investors is willing to accept lower financial performance when investments align with their ethical, social, or environmental preferences. Evidence from private markets demonstrates, for example, that some investors are prepared to forgo between 2.5 and 3.7 percentage points[9] of internal rate of return in exchange for impact-related characteristics, signaling a willingness to make explicit trade-offs between pecuniary and non-pecuniary objectives.

However, not all empirical evidence supports the idea that retail investors systematically sacrifice returns for sustainability. Recent findings[10] indicate that retail investors primarily value ESG-related information when it is financially material. Their study shows that investors respond to ESG activities because these activities influence firms' value; in this sense, financial materiality plays a central role in shaping ESG-related decisions.

> Zhu said their research disputed findings by many surveys and experiments that retail investors "are willing to sacrifice a little bit of wealth for the environment [or other ESG causes]." According to the paper, retail investors care about ESG factors "primarily to the extent they are financially material for company performance." […] It is of course possible that retail investors value ESG-related factors for non-pecuniary reasons, and that they are not looking to only maximize returns, the paper stated. They have the ability to pursue non-pecuniary goals since they are acting on their own and not constrained by the fiduciary duties that institutional investors have to perform on behalf of the investors they represent, the authors explained. (Zhu, 2023)

A review of the academic literature highlights several pathways through which sustainability considerations influence retail investor behavior, such as preference-driven choices, willingness to trade off financial performance, and sensitivity to regulatory and classification changes.

[9] Barber, B. M., Morse, A., & Yasuda, A. (2021).
[10] Zhu et al, 2020.

Some investors demonstrate stable preferences for sustainability-aligned products, favoring investments that reflect their ethical or environmental convictions even when financial outcomes are comparable.

A proportion of retail investors accepts marginally lower expected returns or higher fees when sustainability features are credible and meaningful. Riedl and Smeets (2017) provide strong evidence that socially motivated investors expect SRI funds to underperform conventional funds but still choose them, indicating a readiness to forgo financial gains in favor of personal values.

> Investors who expect SRI equity funds to underperform relative to conventional equity funds are less likely to invest in a socially responsible manner. We also find that most socially responsible investors expect SRI funds to earn lower returns than conventional funds, to achieve worse Sharpe ratios, and to pay higher fees. The latter findings suggest that on average investors with a strong social motivation are willing to forgo financial returns in order to invest in accordance with their social preferences. (Riedl, A., & Smeets, P., 2017)

Retail investors frequently depend on simplified sustainability signals—such as labels, ESG ratings, and fund classifications—to interpret complex information. A Wharton study shows that trading activity rises significantly on ESG news days, with retail trading 5.7% higher than on non-event days, and that investor reactions to ESG events exceed those to analyst forecasts and dividend announcements. Trading is particularly elevated around ESG events receiving high media coverage, demonstrating that investors are attentive and responsive to sustainability-related information rather than indifferent to it.

> Significantly, the study also found that "retail investor reactions to ESG news events are greater in magnitude than those to analyst forecasts and dividend announcements, but are smaller than those to earnings announcements and management guidance." […] The paper also found that events with "more extensive media coverage and more pronounced increases in investor attention generate significantly more retail trade," which it noted was consistent with the findings of other studies. "The significant increase in trading activity by retail investors around high-attention ESG events allows us to reject the hypothesis that they are indifferent to ESG-related information," the paper stated. (Zhu, 2023).

Because sustainability classifications and labels serve as indicators for product quality and credibility, regulatory shifts, such as reclassifications anticipated under SFDR 2.0, can meaningfully shape investor trust. Downgrades or upgrades may be interpreted as signals of alignment (or misalignment) with sustainability objectives, influencing confidence and allocation decisions.

Against this backdrop, the present paper seeks to contribute empirical evidence on how sustainability considerations influence retail investor behavior. To achieve this, we conduct a survey-based study using a structured questionnaire administered to individual investors. The objective is to examine how retail investors understand sustainability, how they interpret sustainability-related information, and to what extent these factors influence their investment decisions. By analyzing responses across demographic groups, levels of financial literacy, and sustainability awareness, the study aims to clarify the behavioral mechanisms through which sustainability shapes real-world investment choices

3. Methodology

This study employs a quantitative survey designed to investigate how retail investors understand sustainable investment concepts and how sustainability-related information influences their decision-making. The questionnaire was developed to measure several behavioral dimensions, including investors' sustainability knowledge, willingness to trade off financial returns for sustainability features, tolerance for non-sustainable products and reactions to fund reclassification. Its structure is directly informed by ongoing regulatory developments (most notably the European Commission's proposed revision of the Sustainable Finance Disclosure Regulation (SFDR 2.0), which seeks to simplify consumer-facing disclosures and introduce a new categorization regime). Since the reform is expected to lead to substantial fund reclassification, potentially downgrading a significant share of current Article 8 funds, the survey explicitly assesses how such changes may shape retail investor perceptions, trust, and investment intentions.

An online survey was chosen since it enables efficient data collection from a broad and diverse pool of retail investors, regardless of location, while allowing respondents to answer anonymously and at their convenience. This format reduces participation barriers, supports honest disclosure about financial behaviors, and is well suited to capturing perceptions and attitudes toward sustainability without interviewer influence.

> Qualitative surveys offer one thing that is fairly unique within qualitative data collection methods – a 'wide-angle lens' on the topic of interest that provides the potential to capture a diversity of perspectives, experiences or sense-making. […] For qualitative researchers, the aim in hearing from multiple participants is typically about gaining rich(er) insights into the topic of interest, not generating a sample that achieves statistical representativeness and allows simple claims of generalizability – although wider inferences may be drawn. This diversity of voices matters: it matters for quality and validity of knowledge; it matters for what knowledge might inform practice […] and it matters from a social justice and inclusion point of view. Online qualitative surveys offer an accessible method to research beyond the 'usual suspects'. (Braun, V., Clarke, V. Boulton, E., Davey, L., McEvoy, C., 2021)

Data were collected online using Google Forms. Participants are adult retail investors or potential investors who independently make investment decisions, with eligibility restricted to individuals aged 18 or above. The target sample size is designed to ensure adequate statistical power for multivariate analyses. Prior to analysis, data will be screened for quality by removing surveys with more than 20% missing responses and those completed in implausibly short durations.

The questionnaire comprises structured items covering: (i) investors' understanding of sustainable investments across environmental, social, and governance dimensions; (ii) sustainability preferences and value-driven investment motivations; (iii) willingness to invest in non-sustainable products when risk–return characteristics vary; (iv) greenwashing perceptions, particularly when funds previously marketed as sustainable are reclassified; and (v) reactions to SFDR 2.0-aligned label changes and the potential transitional ambiguity such reclassification may create. Initial descriptive analysis will summarize key demographic and behavioral indicators, including age distribution, investment experience, familiarity with sustainability concepts, sustainability preference profiles, baseline trust in labels and disclosures, and the proportion of respondents likely to avoid non-sustainable funds. These descriptive patterns serve to contextualize subsequent behavioral findings.

Ethical safeguards were integrated throughout the research design. Participation is fully anonymous and voluntary; no personally identifiable financial information is collected; all data handling complies with the GDPR; and informed consent is obtained at the outset of the survey. Nonetheless, the methodology faces limitations typical of self-reported behavioral data, including potential discrepancies between stated and actual investment behavior and generally low levels of regulatory awareness among retail investors, which may influence responses related to SFDR 2.0.

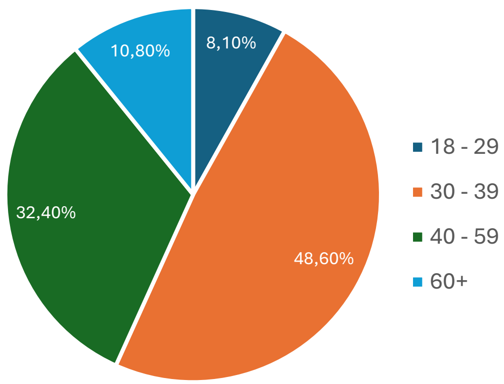
Overall, this methodological approach enables a rigorous behavioral assessment of how sustainability considerations shape retail investor decision-making. It further provides empirical insight into the potential effects of SFDR 2.0-style categorizations, including how reclassification may influence trust, perceived product quality, and susceptibility to greenwashing concerns.

4. Results

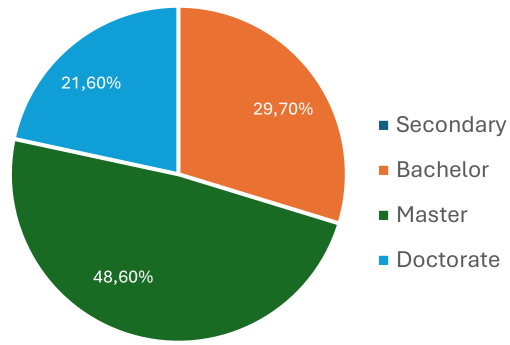
4.1. Investor profile and finance background

The survey sample predominantly comprises individuals who independently manage their investment decisions concerning their personal savings. A substantial majority reported having made at least one investment within the previous 24 months. Respondents represent a broad age distribution and originate from several countries, including Luxembourg, France, Belgium, Germany, Brazil, and Portugal. In terms of educational attainment, most participants have tertiary educational background holding a bachelor's, master's, or doctoral degree.

Graph 2 – Age of participants

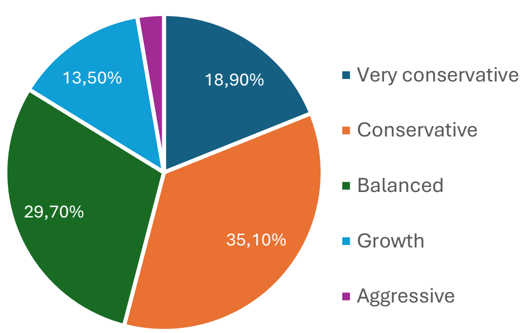


Graph 3 – Education level

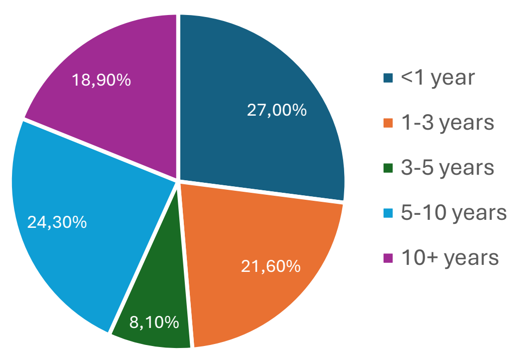


Investment experience varies considerably across the sample, reflecting a heterogeneous population in terms of familiarity with financial markets. Likewise, respondents display a wide spectrum of risk tolerance, ranging from low to high, suggesting diverging attitudes toward potential losses and market volatility.

Graph 4 – Risk tolerance



Graph 5 – Investment experience

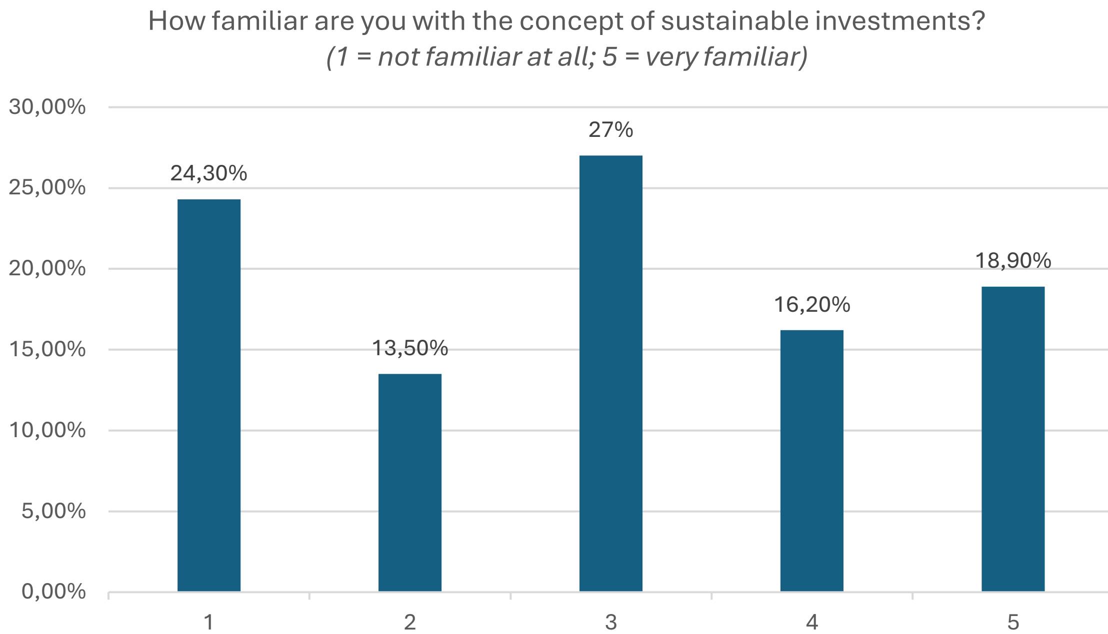


Such heterogeneity is relevant when interpreting behavioral responses to regulatory or market changes. Reclassification events, for example, may function as behavioral triggers, leading to portfolio adjustments or heightened skepticism toward asset managers.

4.2. Sustainability awareness and understanding

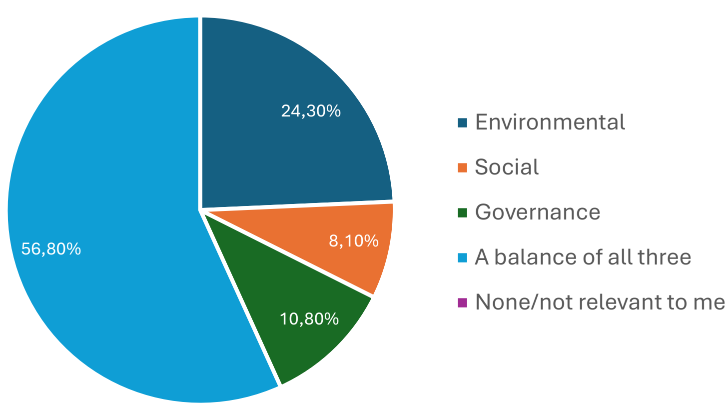
With respect to sustainability literacy, 25% of respondents reported being entirely unfamiliar with the concept of sustainable investment, whereas only 19.4% indicated that they were familiar with it.

Graph 6 – Understanding the concept of sustainable investment

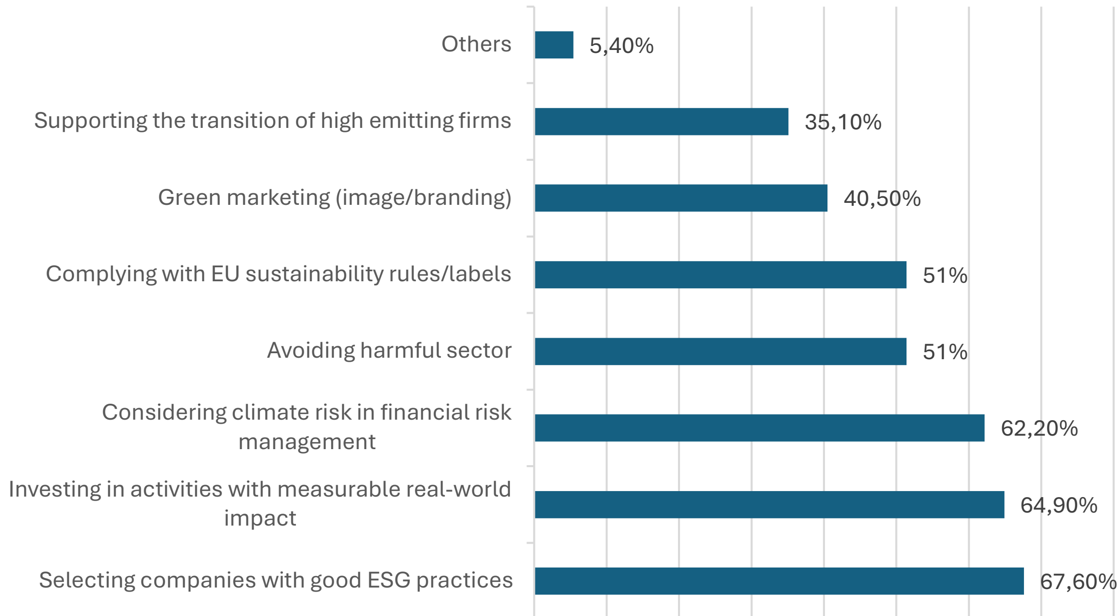


More than 55% associate sustainability with a balanced integration of environmental, social, and governance (ESG) considerations. Over 60% link sustainable investment to selecting companies with strong ESG practices, investing in activities that generate measurable real-world impact, and incorporating climate-related risks into financial risk management. Only 33% associate sustainable investment with supporting the transition of high-emitting firms.

Graph 7 – Which dimension matters the most when you think of sustainability



Graph 8 – Items associated with sustainable investment[11]

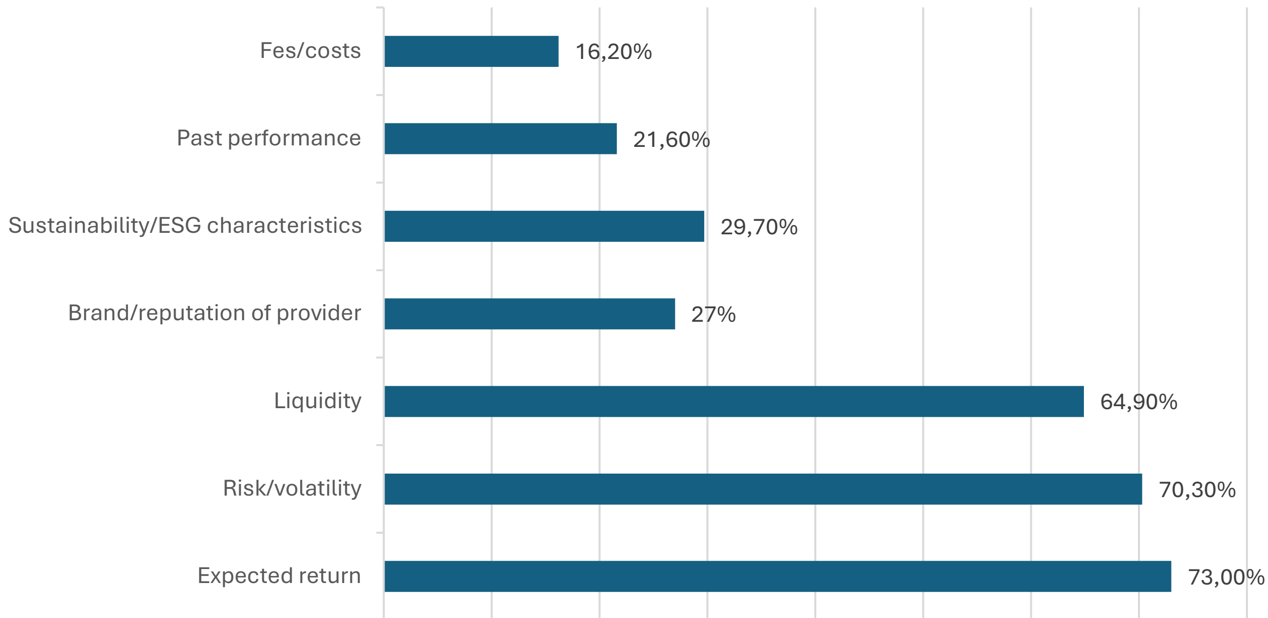


4.4. Sustainability preferences in investment decisions

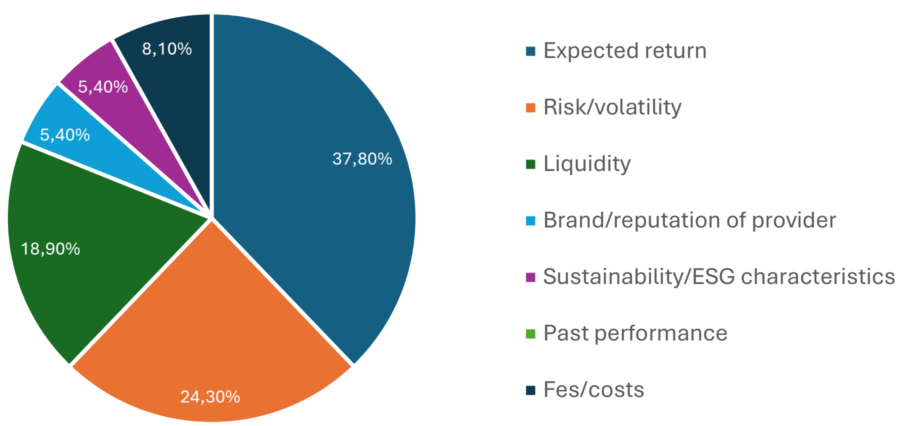
Across the sample, the most important factors guiding investment decisions are expected return, risk, and liquidity, with expected return emerging as the dominant criterion.

[11] Respondents could select more than one option.

Graph 9 – Most important factors considered when doing an investment[12]



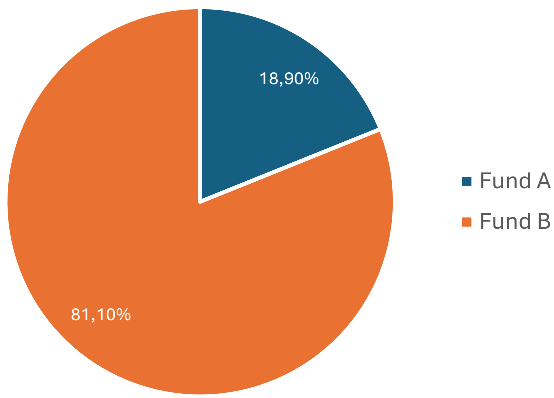
Graph 10 – Most important factors considered when doing an investment



An interesting finding arises when comparing investor choices under equivalent conditions: when presented with two hypothetical funds offering identical risk and liquidity, nearly 20% reported that they would prefer a conventional fund over a sustainable one. Several respondents explicitly mentioned distrust of ESG products as a reason for this preference. However, the majority would select the sustainable option in such a scenario.

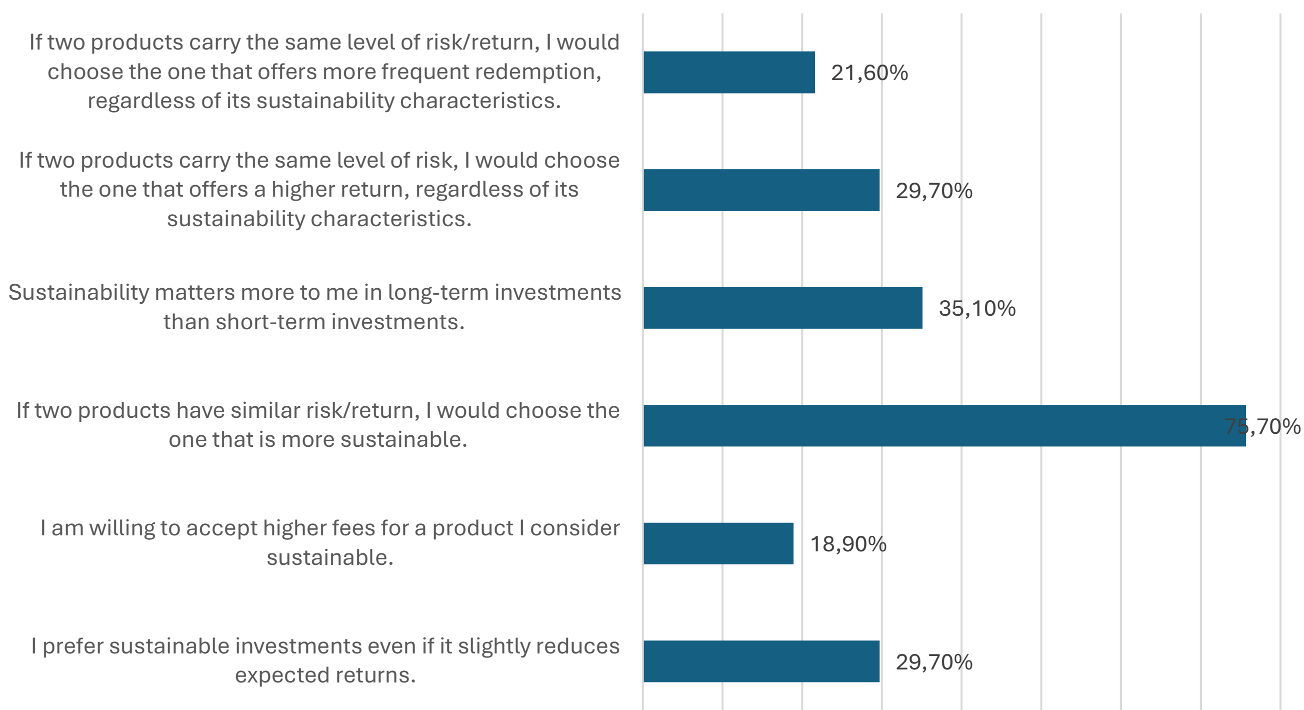
[12] Respondents could three options.

Graph 11 – Suppose two funds have the same risk and liquidity. Fund A is conventional; Fund B is sustainable. Which fund would you prefer?



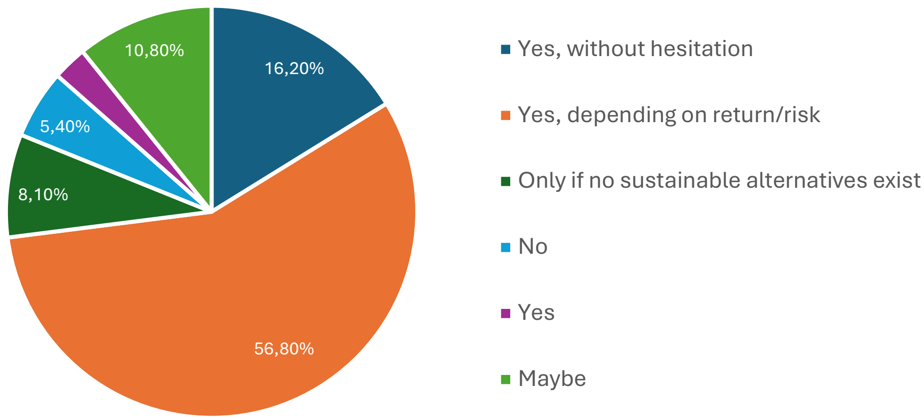
Willingness to pay a price premium for sustainability appears limited, with only 19% indicating that they would accept higher fees for a sustainable fund.

Graph 12 – Sustainability preferences (tradeoff)

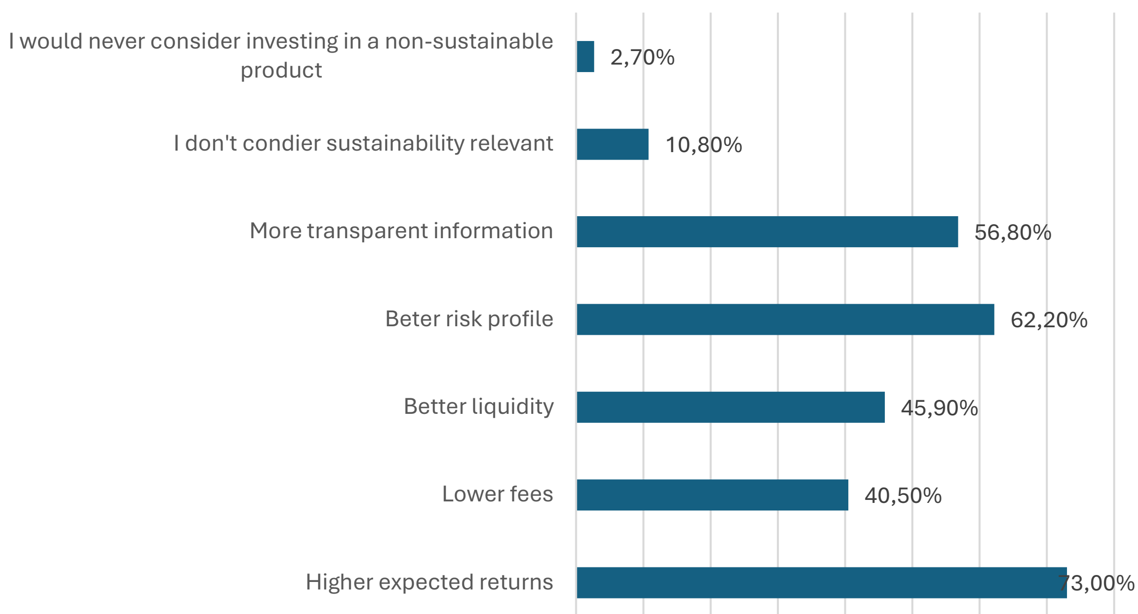


Most respondents would still consider investing in non-sustainable products, particularly when these offer superior expected returns, better liquidity, lower risk, or more transparent information.

Graph 13 – Would you invest in non-sustainable products or in products that are not marketed as sustainable?



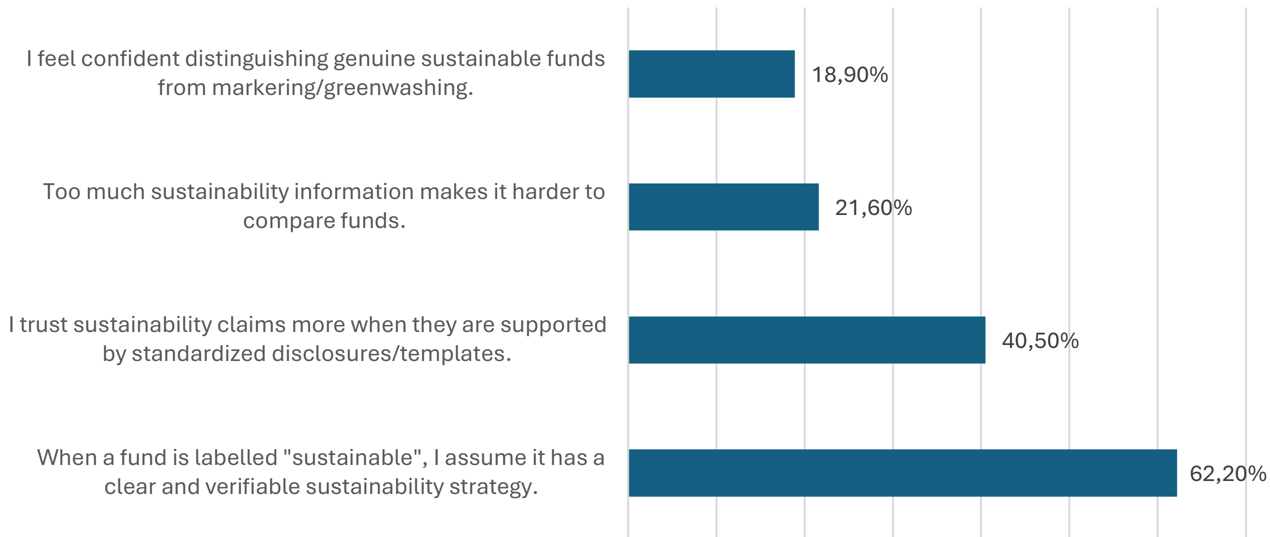
Graph 14 – Under what conditions would you choose a non-sustainable product over a sustainable one[13]



Participants generally interpret a sustainability label as signaling the presence of a clear and verifiable sustainability strategy. However, reclassification events appear to negatively influence trust: a majority reported that such events would affect their confidence in the provider. Specifically, 16% stated they would reduce or withdraw their investment, and 13% would interpret the reclassification as an indication of greenwashing.

[13] Respondents could select more than one option.

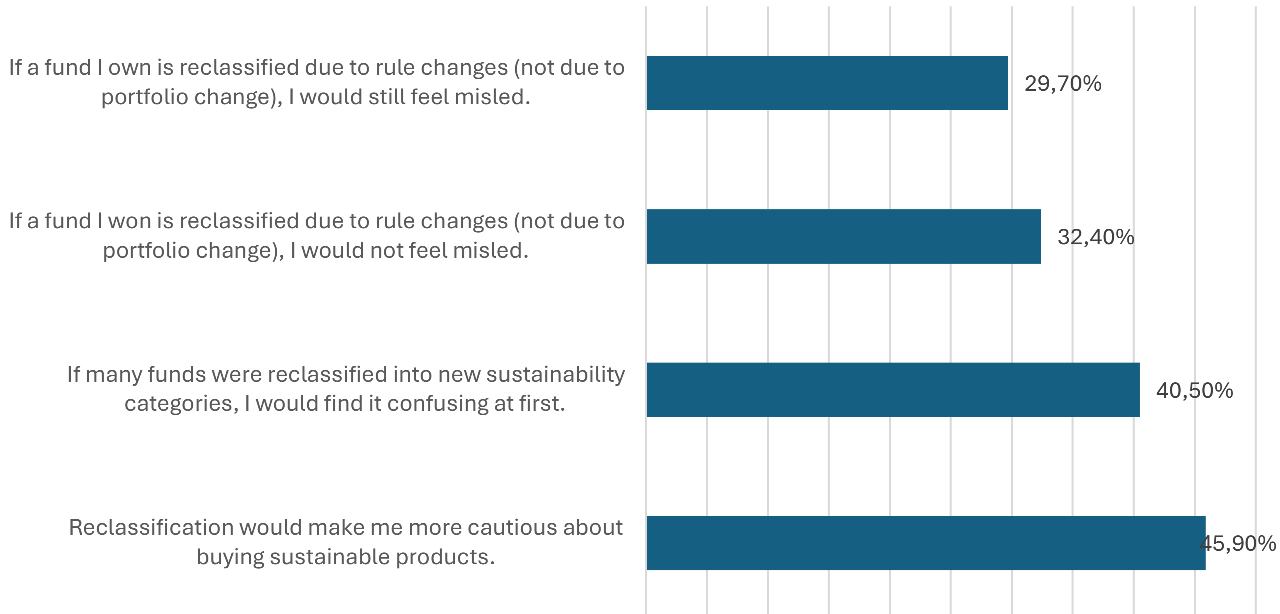
Graph 15 – Sustainability knowledge[14]



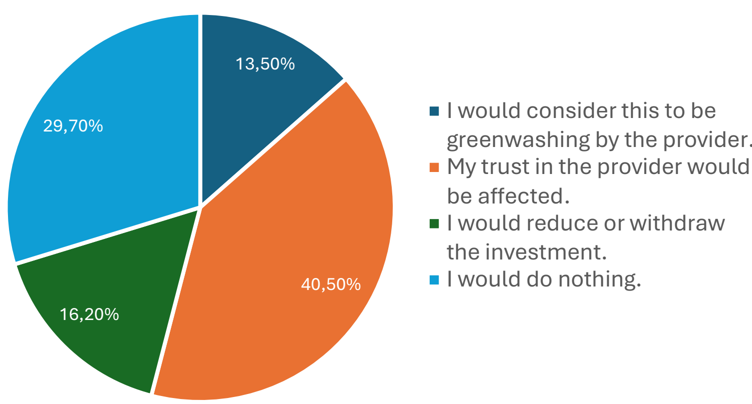
Regarding behavioral responses to fund reclassification, 45% of participants stated that a reclassification would make them more cautious about purchasing sustainable products. Additionally, almost 30% indicated that if a fund were reclassified due to regulatory rule changes rather than an actual portfolio adjustment, they would feel misled.

[14] Participants could choose more than one option.

Graph 16 – Consequences of reclassification[15]



Graph 17 – Reaction in the case of reclassification[16]



[15] Participants could choose more than one option.
[16] Question: You invested in a fund marketed as sustainable. A year later, the fund is no longer considered sustainable (e.g., it loses its sustainability label or is reclassified under new rules) even though it keeps investing on the same assets.

5. Final remarks

The findings of this study reveal that retail investors' understanding of sustainable investment remains uneven, despite growing interest in ESG-oriented products and increasing regulatory attention. While a significant share of respondents associates sustainability with the integration of environmental, social, and governance factors, a considerable proportion still lacks basic familiarity with the concept. This discrepancy underscores persistent informational frictions that SFDR 2.0 seeks to address through clearer categorization and simplified disclosures. The results support the European Commission's view that excessively technical information can inhibit investor comprehension and hinder the comparability of products, thereby limiting the effectiveness of the regulatory framework.

The analysis also shows that, although sustainability considerations influence investment choices, they do so in a secondary manner relative to traditional financial factors. Expected return, risk and liquidity remain the dominant determinants of behavior, and willingness to pay fee for sustainability is limited. The preference for conventional funds when risk-return characteristics are equivalent (81%) further indicates persistent skepticism toward ESG products. This finding aligns with recent concerns about greenwashing and suggests that sustainability claims alone do not suffice to drive investment decisions when trust is uncertain.

Importantly, the study highlights the centrality of trust and perceived credibility in shaping sustainable investment behavior. Most respondents interpret sustainability labels as signals of a verifiable sustainability strategy, yet they also express significant sensitivity to reclassification events. Regulatory-driven changes may be misinterpreted as greenwashing, and a meaningful share of investors indicated they would reduce or withdraw their investments in such scenarios. These behavioral reactions illustrate the reputational risks associated with sustainability communication and emphasize the need for asset managers to provide transparent, consistent explanations when adapting to SFDR 2.0's new product categorization system.

Overall, the findings suggest that sustainability has not yet emerged as a primary driver of retail investors' decision-making. While it may influence choices at the margin, it remains secondary to traditional considerations such as return and risk. A second phase of the study, based on a larger sample and focusing more narrowly on the trade-offs between returns, risk, and sustainability, would therefore be valuable to further assess the weight investors assign to sustainability when core financial factors are explicitly isolated.

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