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VERSITÄT

How do individuals perceive the EU taxonomy?

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EU taxonomy

- Key part of EU sustainable finance strategy

- Redirect private capital to sustainable investments
  (e.g., European Commission, 2018)

- Framework for identifying environmentally sustainable activities

- Goal: Reduce information asymmetries between investors and companies

Individual investors

- High interest in sustainable investments (e.g., Gutsche et al., 2021; Anderson and Robinson, 2022; Fillipini et al., 2024)

- Financial and non-financial motives matter

- Investors are willing to pay for sustainable investments (e.g., Riedl and Smeets, 2017; Gutsche and Ziegler, 2019; Baker, Egan, and Sarkar, 2022; Heeb, Kölbel, Paetzold, and Zeisberger, 2023)

- Investment barriers:

  - Lack of knowledge (e.g., Anderson and Robinson, 2022)

  - Lack of trust (e.g., Gutsche and Zwergel, 2020)

Research questions

- Are people aware of the EU taxonomy?

- What do they think about it?

- Would individual investors consider the EU taxonomy in their investment decisions?

In this talk

Two studies:

- Study I: Online survey among a representative sample of the adult population in Germany

- Study II: Online investment choice experiment among individual investors from Germany and France

Data

Data: Study I

- Online survey with professional market research institute

- Adult population

- Representative: Age, gender, and region

- January and February 2021

2,765
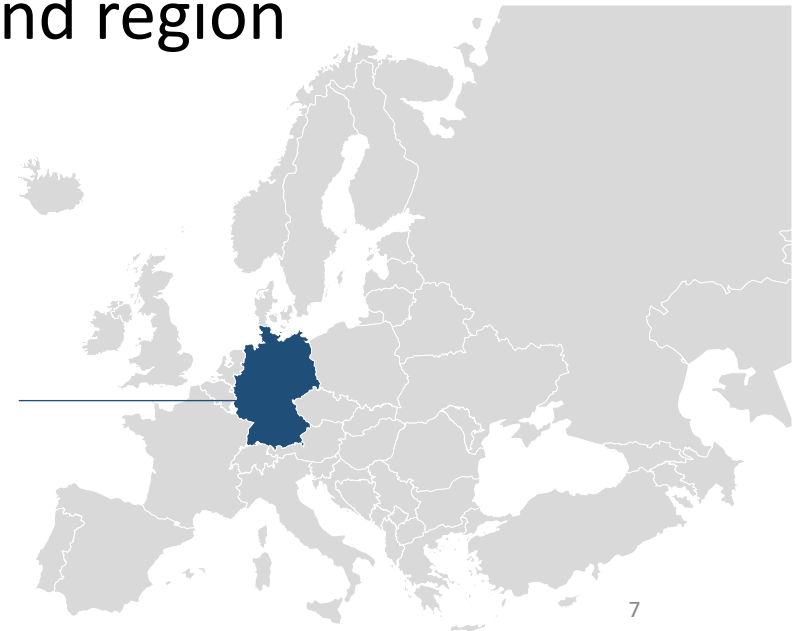
Data: Study II

- Online survey with professional market research institute

- Individual investors (financial decision makers in households with investment experience)

- Representative: Age, gender, and region

- May to July 2021

- Investment choice experiment

411

402
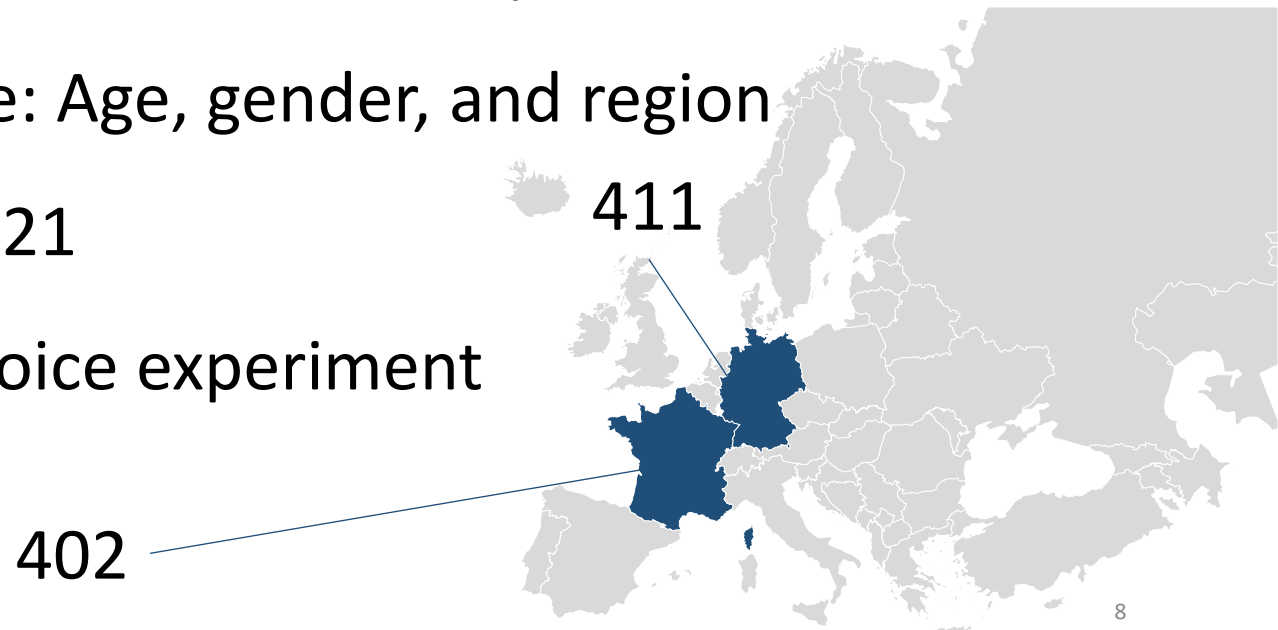
Investment choice experiment

- Universe: 16 real-market bond funds

- Four (out of 16) randomly selected bond funds in each choice set

- Six choice sets per individual

- Analysis with conditional and random parameter logit models

Choice set

In each of the six choice situations, please indicate which of the four bond funds offered you would like to purchase for an investment amount of €500. To do so, please select the fund you would like to purchase.

To view the explanation of a term again, please click on (?) next to the respective term or on the corresponding term itself.
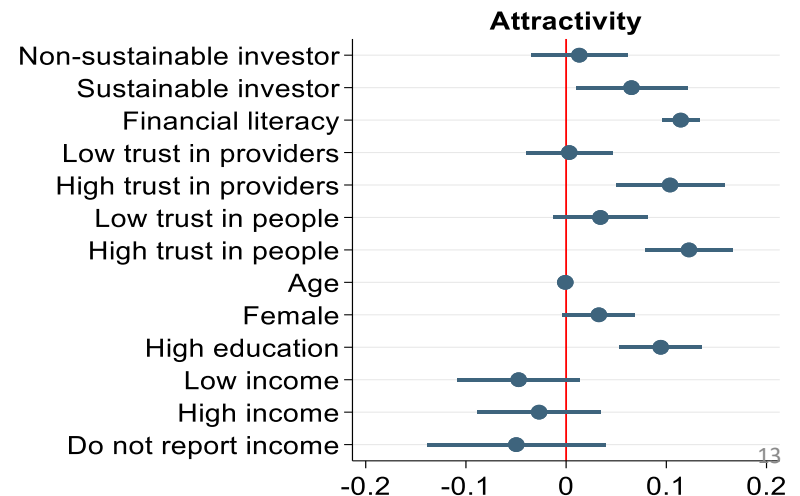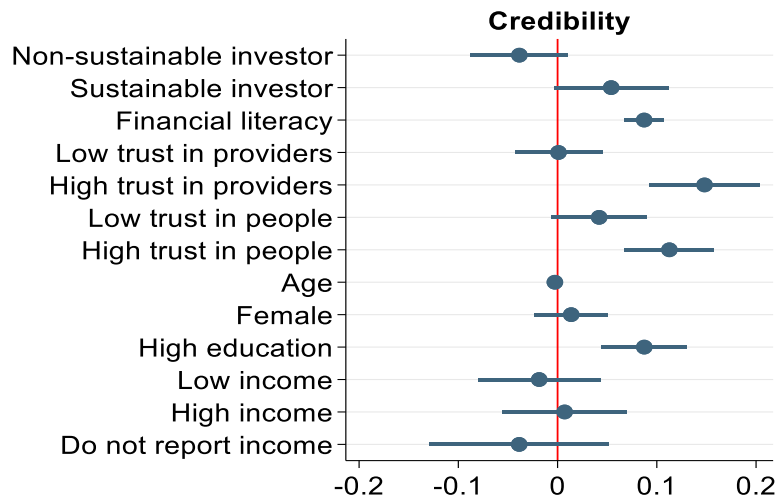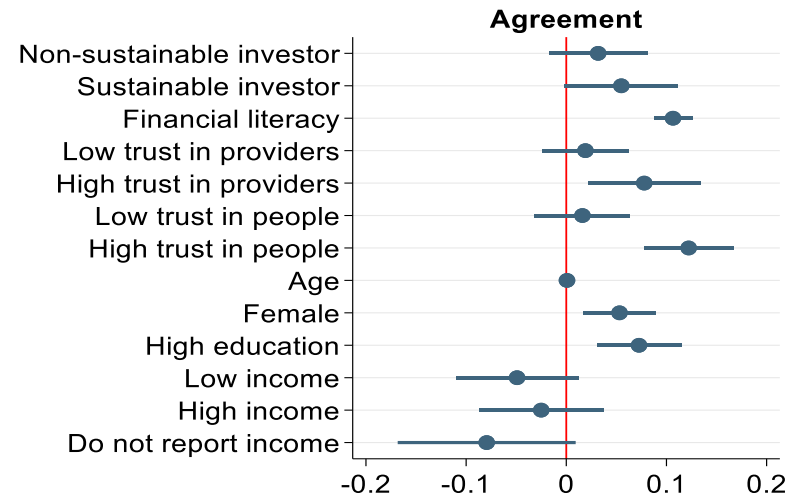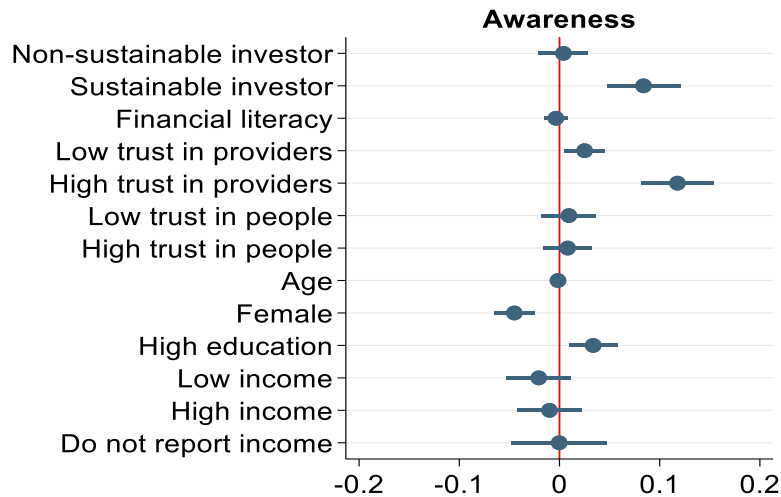
	Bond fund 1	Bond fund 2	Bond fund 3	Bond fund 4
Fees (?)	0.55%	5.92%	4.02%	4.16%
Degree of compliance with the EU taxonomy (?)	90%	60%	100%	0%
Strength of sustainability (?)	Very high	Low	High	Very low
Annual returns in the past two years (?)	6.20%	4.90%	6.10%	5.96%
Share of issuers of bonds from the EU (?)	65.31%	47.20%	59.32%	83.23%
Your choice	☐	☐	☐	☐

Results: Study I

Awareness and perceptions of the EU taxonomy
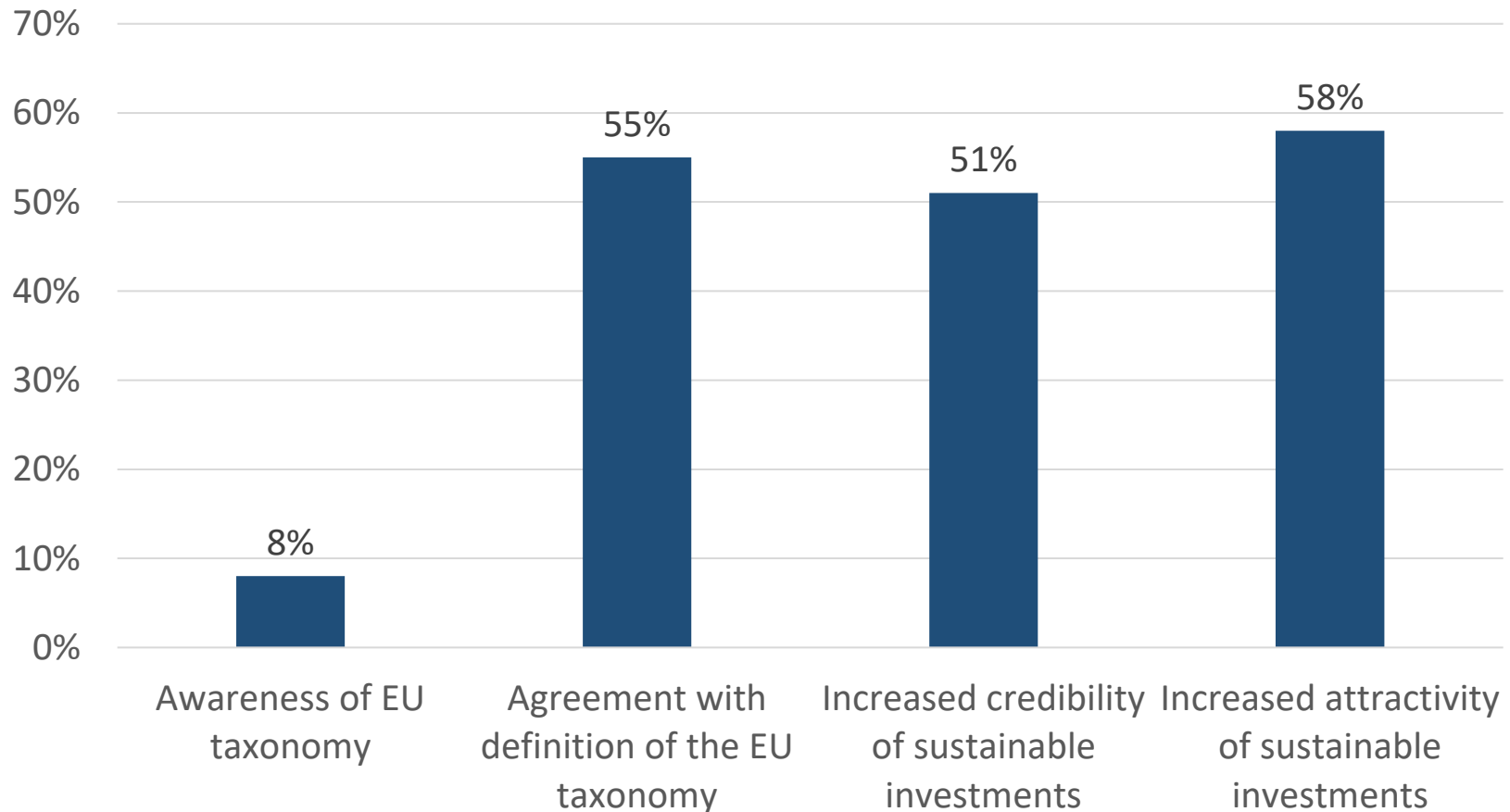
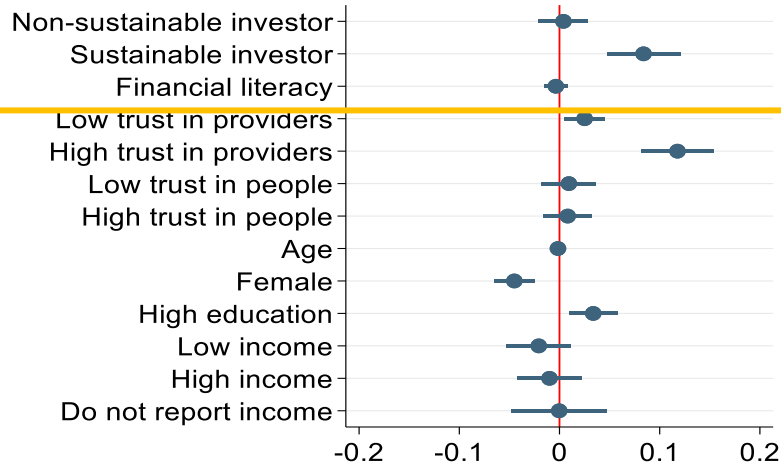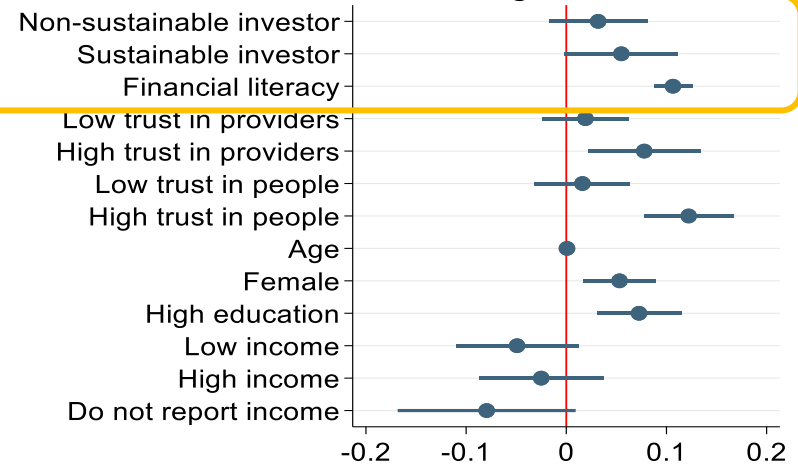# Which individuals are aware of and support the EU taxonomy?

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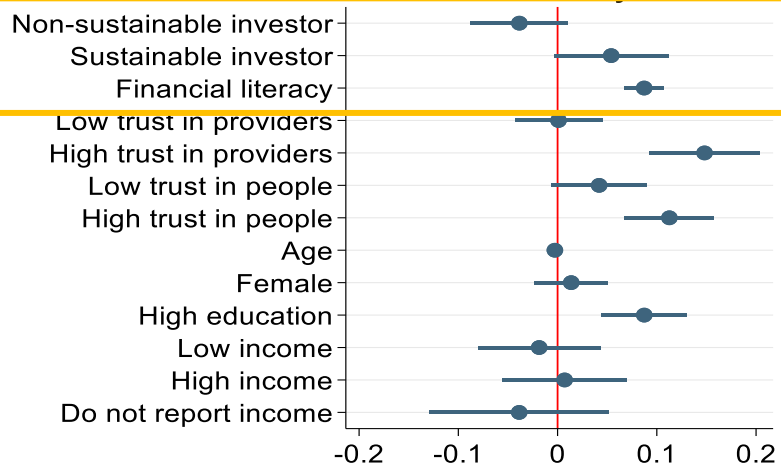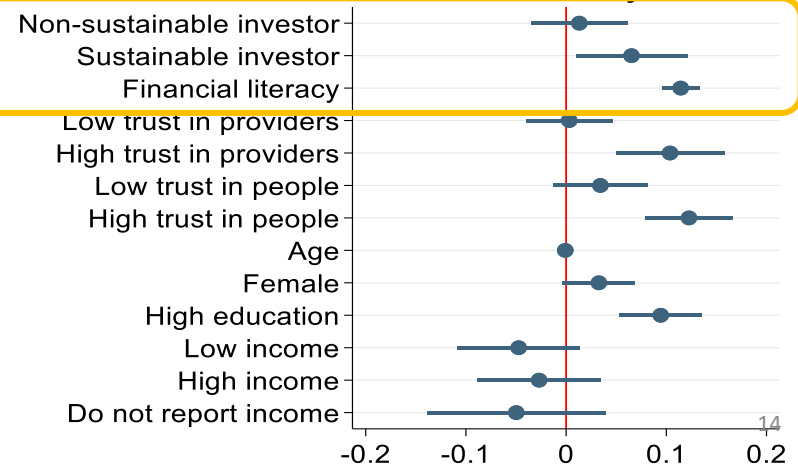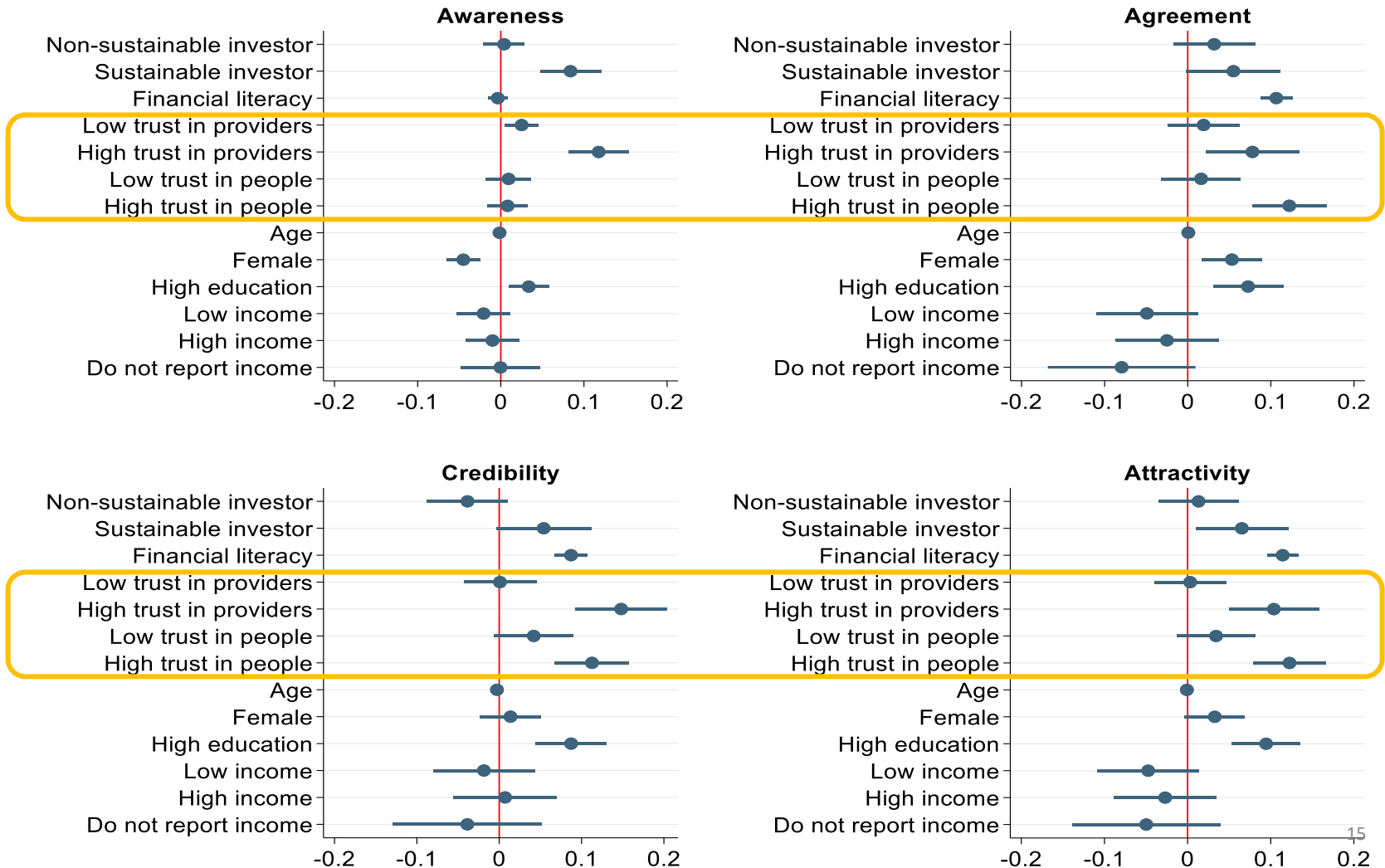
Which individuals are aware of and support the EU taxonomy?

Result summary study I

- Only few people are aware of the EU taxonomy overall

- Awareness is higher for sustainable investors

- Groups of people who perceive the EU taxonomy as adding value:

  - Sustainable investors
  - People with high level of financial literacy
  - People with high level of trust

Results: Study II

Would individual investors consider the EU taxonomy in their investment decisions?

Dependent variable:	Willingness to pay for attribute			
Country:	Germany		France	
	Means	*Standard deviations*	*Means*	*Standard deviations*
Fees	-1.22*** (0.10)	-1.26*** (0.15)	-1.38*** (0.10)	-1.13*** (0.16)
Degree of compliance with EU taxonomy	0.03*** (0.00)	0.03*** (0.01)	0.02*** (0.01)	0.05*** (0.01)
High sustainability rating	6.07*** (0.62)	5.43*** (0.44)	4.59*** (0.50)	4.26*** (0.41)
Annual returns in the past two years	0.65*** (0.05)	0.45*** (0.06)	0.62*** (0.08)	0.60*** (0.09)
Share of issuers of bonds from the EU	0.02*** (0.01)	0.07*** (0.01)	0.02*** (0.01)	0.08*** (0.01)
Degree of compliance with EU taxonomy	0.03*** (0.00)	0.03*** (0.01)	0.02*** (0.01)	0.05*** (0.01)
Number of respondents (decisions)	411 (2,466)		402 (2,412)	

Would individual investors consider the EU taxonomy in their investment decisions?

Dependent variable:	Willingness to pay for attribute			
Country:	Germany		France	
	Means	*Standard deviations*	*Means*	*Standard deviations*
Other attributes	Yes	Yes	Yes	Yes
Degree of compliance with EU taxonomy	0.05 (0.03)		0.00 (0.05)	
x Non-sustainable investor	-0.02** (0.01)		-0.02 (0.04)	
x Sustainable investor	-0.02 (0.02)		0.04 (0.04)	
x Financial literacy	0.01 (0.01)		0.01 (0.04)	
x Low trust in providers	0.01 (0.02)		-0.03 (0.07)	
x High trust in providers	0.00 (0.02)		0.001 (0.03)	
x Low trust in people	-0.01* (0.01)		0.01 (0.02)	
x High trust in people	-0.01 (0.01)		0.011 (0.08)	
Socio-demographics	Yes		Yes	
Number of respondents (decisions)	411 (2,466)		402 (2,412)	

Result summary study II

- Investors from Germany and France prefer funds with higher EU taxonomy alignment

- Unobserved preference heterogeneity

- Little evidence of differences in preferences between different groups of people

Discussion & Conclusion

Sustainability ratings

- Earlier studies show that individual investors react to:

  - Generic sustainability ratings (e.g., Gutsche and Ziegler, 2019)

  - Sustainability classifications from private companies (e.g., Hartzmark and Sussman, 2019)

  - Sustainability labels (e.g., Gutsche and Zwergel, 2020)

- We show that investors also consider sustainability ratings offered by a supranational authority

Investment barriers

- Several investment barriers prevent more people to invest sustainably:

  - Trust deficits (e.g., Gutsche and Zwergel, 2020)

  - Low awareness (e.g., Anderson and Robinson, 2022)

  - Low financial literacy (e.g., Anderson and Robinson, 2022)

- We find that people who face typical barriers to sustainable investments (low awareness, low financial literacy, trust deficits) are *not* more likely to consider the EU taxonomy

Policy implications

- Redirect private capital to sustainable investments (e.g., European Commission, 2018)

- Increase awareness and understanding of the EU taxonomy

- Develop strategies to address people with low trust and financial knowledge

- Foster financial education

Comments or questions?

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