



Questionnaire for assessing client sustainability preferences and motivations

For use with the Guidance for assessing client
sustainability preferences and motivations

About

2° Investing Initiative (2DII) is an international, non-profit think tank working to align financial markets and regulations with the Paris Agreement goals. 2DII coordinates some of the world's largest research projects on sustainable finance. Our team of finance, climate and risk experts develop research, tools and policy insights to help financial institutions and regulators hasten and adapt to the energy transition. To ensure our independence and the intellectual integrity of our work, we have a multistakeholder governance and funding structure with representatives from a diverse array of financial institutions, governments and NGOs.

Date: September 2023

Co-authors:

Samia Baadj
David Cooke
Nicola Koch
Mickaël Mangot

About our funder and the project: This project is funded by the EU's Horizon 2020 research and innovation program under Grant Agreement No 834345. [LEVEL EEI](#) aims at making the financial products contributing to energy efficiency and sustainable energy more competitive. This work reflects only the author's view, and the funder is not responsible for any use that may be made of the information it contains.

This Questionnaire is part of the Retail Investing Research Program at 2DII which is one of the largest publicly funded research programmes on the supply, demand, distribution and policy aspects of retail investment markets in Europe.



Disclaimer

The Questionnaire and Guidance relate to EU regulation and guidance and do not cover any national level regulation or guidance that may have been published in any member state in relation to the integration of client sustainability preferences to the suitability assessment. The Questionnaire and the Guidance include content which in 2DII's opinion supports investment firms implement better practice than currently required by the regulatory framework. These better practices should not be confused with binding rules or soft law issued by legislators or regulators.

Neither document is endorsed by financial regulators or supervisory authorities at national or EU level. Investment firms must independently satisfy themselves that they have complied with the overarching duty to act in the best interests of the client (Art 24, MiFID II).

Using the Questionnaire and Guidance

- (1) The Questionnaire guides an investment firm through the part of the suitability assessment related to assessing client sustainability preferences and wider sustainability motivations which are relevant to implement better practice for a comprehensive assessment of all sustainability related aspects associated with client investments. Investment firms should use the Questionnaire to record relevant actions have been completed and document key information about client sustainability preferences and wider sustainability motivations necessary for making a financial product recommendation and complying with record keeping obligations.
- (2) The Guidance provides background information for investment firms to complete the Questionnaire during the client meeting for the suitability assessment.
- (3) The requirement to assess client sustainability preferences is conceived as a top up to the assessment of investment objectives. Investment firms should first satisfy the requirements to obtain the necessary information about the client's knowledge and experience in the investment field, ability to bear risks and investment objectives including risk tolerance. Once these requirements have been satisfied the suitability assessment can then proceed to assess client sustainability preferences and wider sustainability motivations.
- (4) The diagram articulates the process investment firms should follow for assessing client sustainability preferences:

Step 1: Explanation of sustainability preferences

Explain the different categories of sustainability preferences to provide sufficient information to enable the client to make an informed decision about his or her sustainability preferences and wider sustainability motivations.

Step 2: Identification of client sustainability preferences

Ask the right questions to comprehensively assess the client's sustainability preferences and wider sustainability motivations.

Step 3: Financial product recommendation

Use the information revealed by the client to make a financial product recommendation.



- (5) Clients will have differing levels of knowledge and engagement with sustainability considerations, but solely focussing on the regulatory concept of sustainability preferences will not cover wider sustainability motivations. Moreover, assessing wider sustainability motivations enables investment firms to provide more suitable financial product recommendations. For this reason, the Guidance and the Questionnaire are structured with a clear distinction between: (1) requirements to meet the threshold for regulatory compliance for assessing client sustainability preferences; and (2) steps to assess wider sustainability motivations which are relevant to implement better practice for a comprehensive assessment of all sustainability related aspects associated with client investments.



Investment firms are encouraged to use all parts of the Questionnaire. However, for those investment firms choosing to comply with the minimum legal requirements, these are indicated in the Questionnaire in orange text. Investment firms choosing to go beyond minimum legal requirements and assess wider sustainability motivations of clients are recommended to include a disclaimer indicating that the investment firm will use its best efforts to match the client's wider sustainability motivations but accepts no responsibility or liability if the recommended financial products do not comply with client expectations beyond minimum legal requirements.

- (6) The Questionnaire accommodates different levels of interest in sustainability preferences and wider sustainability motivations by clients through introducing three levels of assessment in *Step 2: Identification of client sustainability preferences*:
- Short Assessment (around 5 minutes):** If having provided an explanation of sustainability preferences as per *Step 1: Explanation of sustainability preferences*, the client does not have any interest in sustainability at the end of the Short Assessment, then no further assessment of sustainability preferences is necessary, and the investment firm can proceed to *Step 3: Financial product recommendation*.
 - Medium Assessment (around 10 to 15 minutes):** If at the end of the Short Assessment, the client expresses any interest in sustainability or a need for further information, the investment firm should proceed to the Medium Assessment which focusses on assessing sustainability preferences and sustainability goals. At the end of the Medium Assessment the client is asked if he or she wants to provide more detailed information on specific values or priorities. If the client does not wish to provide more detail, then no further assessment of sustainability preferences and wider sustainability motivations is necessary, and the investment firm can proceed to *Step 3: Financial product recommendation*.
 - Long Assessment (a minimum of 15 minutes):** If at the end of the Medium Assessment the client wants to provide more information on specific values and priorities, the investment firm should proceed to the questions in the Long Assessment. Following this assessment, the investment firm can proceed to *Step 3: Financial product recommendation*.
- (7) The left column of the Questionnaire focuses on the substantive content for the assessment of suitability preferences and wider sustainability motivations and provides a means to record relevant actions have been completed and document key information necessary for making a financial product recommendation. The right column of the Questionnaire includes hints and tips for the investment firm on how to complete the Questionnaire and links to the relevant sections of the Guidance for more information and support.

Questionnaire

Disclaimer regarding wider sustainability motivations: This Questionnaire aims to assure legal compliance with the new requirements regarding integration of client sustainability preferences in the sustainability assessment. Given the constant evolution and innovation of sustainable financial products and client expectations regarding sustainability aspects of their investments we are also using this Questionnaire to implement better practice than currently required by the regulatory framework to ensure a comprehensive assessment of wider sustainability motivations. As this better practice is more than the regulatory framework requires, clients should be aware that we will use our best efforts to match the client's wider sustainability motivations but accept no responsibility or liability if the recommended financial product(s) do not comply with the client expectations beyond minimum legal requirements.

Step 1: Explanation of sustainability preferences

<p>Explanation to be provided by the investment firm to all clients:</p> <ul style="list-style-type: none"> • Explanation on the link between financial investment and the environment and society. • Explanation on what environmental, social and governance aspects mean. • Explanation on the different types of sustainable financial instruments available on the market. • Explanation of the different categories of sustainability preferences. • Articulation between sustainability preferences and other investment objectives. <p>To be completed by the investment firm:</p> <ul style="list-style-type: none"> <input type="checkbox"/> I have enquired about the client's level of financial literacy and knowledge of sustainability issues. <input type="checkbox"/> I have provided an explanation of sustainability preferences to enable the client to understand the different degrees of sustainability which are possible for financial instruments and explained environmental, social and governance aspects. <input type="checkbox"/> In my explanation of sustainability preferences, I used the following client explanatory materials: 	<div style="display: flex; align-items: flex-start;"> <p style="color: #b8860b;">Investment firms must explain the different categories of sustainability preferences and what environmental, social and governance aspects mean.</p> </div> <p>This is a preliminary explanation to provide sufficient information to enable clients to take informed decisions and advocate effectively in relation to their own sustainability preferences.</p> <p>The explanation of sustainability preferences and additional aspects should be based on the investment firm's client explanatory materials. Annex 1 of the Guidance articulates key considerations and content to be included in client explanatory materials to ensure that the explanation of sustainability preferences is effective.</p>
--	--

Step 2: Identification of client sustainability preferences

Short Assessment	
<p>Q1. Do you have sustainability preferences for your investment?</p> <ul style="list-style-type: none"> <input type="checkbox"/> a) Yes <input type="checkbox"/> b) Don't know, need to hear more about it <input type="checkbox"/> c) No, only care about financial aspects of investments 	<div style="display: flex; align-items: flex-start;"> <p style="color: #b8860b;">Investment firms must assess if the client has sustainability preferences for his/her investment.</p> </div>

End of Short Assessment: If the client answers "c) No, only care about financial aspects of investments" in Q1 then proceed to Step 3: Financial product recommendation. If the client answers otherwise, proceed to Q2. In case the client answers "b) Don't know, need to hear more about it", please note that further information will be provided along with Q3 and Q4. Investment firms should clarify the explanation further at this point.

Medium Assessment	
<p>Q2. How would you express your sustainability preferences and wider sustainability motivations in your own words?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Answer: <input type="checkbox"/> Don't know yet 	<p>Assessing client sustainability preferences and wider sustainability motivations without providing a pre-defined framework will reduce risk of bias.</p>

<p>Q3. What do you want to achieve? <i>(If you have several sustainability goals, please rank from 1 to 3, 1 being the most important.)</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Impact: Have a positive impact on the environment and/or society with the investment. <input type="checkbox"/> Value alignment: Align the investment with personal values. <input type="checkbox"/> ESG integration: Invest in a manner which takes account of sustainability factors because it will improve the risk/return profile of the investment. 	<p>Annex 1 of the Guidance contains information on explanations to be provided to the client on sustainability goal(s).</p> <p>The financial product’s investment strategy should be consistent with the client sustainability goal(s) (see Annex 2 of the Guidance).</p>
<p>Q4. In which type of economic activity would you like to invest your money? <i>(If you select several answers, please rank from 1 to 3, 1 being the most important.)</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Economic activities that contribute substantially to the following environmental objectives: <ul style="list-style-type: none"> • Climate change mitigation • Climate change adaptation • Sustainable use and protection of water and marine resources • Transition to a circular economy • Pollution prevention and control • Protection and restoration of biodiversity and ecosystems <p>It should represent a minimum of % of the investment <i>(please pick a percentage between 25%, 50%, 75% or 100%)</i></p> <input type="checkbox"/> Economic activities that contribute to other environmental objectives (such as energy efficiency, renewable energy, raw materials, water etc.) or social objectives (such as tackling inequality or fostering social cohesion, social integration and labour relations). <p>It should represent a minimum of % of the investment <i>(please pick a percentage between 25%, 50%, 75% or 100%)</i></p> <input type="checkbox"/> Economic activities that do not aim at contributing to any environmental or social objective but consider negative effects on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. <p>Please choose the categories of indicators on negative effect to be considered <i>(If you select several answers, please provide a ranking, 1 being the most important)</i></p> <p>Negative effects of investee companies:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Greenhouse gas emissions <input type="checkbox"/> Effect on biodiversity <input type="checkbox"/> Emission to water <input type="checkbox"/> Waste <input type="checkbox"/> Social and employee matters <p>Negative effects of investee countries:</p> <ul style="list-style-type: none"> <input type="checkbox"/> GHG intensity <input type="checkbox"/> Countries subject to social violation <p>Negative effects of investee real estate assets:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Exposure to fossil fuels through real estate assets <input type="checkbox"/> Exposure to energy-inefficient real estate assets <p>Other¹:.....</p> <p>Please pick the way to use the indicators of negative effects selected above <i>(If you select several answers, please provide a ranking, 1 being the most important)</i></p> 	<p> Investment firm must explain the different categories of sustainability preference and assess client sustainability preferences.</p> <p>Annex 2 of the Guidance contains information on further explanations to be provided on sustainability preferences.</p>

¹ The Long Assessment can help to define other negative effects to be considered.

<ul style="list-style-type: none"> <input type="checkbox"/> Exclude investments showing high negative effects based on family of indicators selected <input type="checkbox"/> Engage to reduce bad practices of investments showing high negative effects based on family of indicators selected (voting or engagement strategies) <input type="checkbox"/> Other:..... 	
<p>Q5. Do you want to provide more detail regarding specific values and priorities?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Yes <input type="checkbox"/> No 	

End of Medium Assessment: If the client answers “b) No” in Q5 then proceed to Step 3: Financial product recommendation. If the client answers otherwise, proceed to Q6.

Long Assessment	
<p>Q6. Which of the Sustainable Development Goals below do you want to advance with your investments? (If you select several answers, please rank, 1 being the most important.)</p> <ul style="list-style-type: none"> <input type="checkbox"/> Environmental matters <ul style="list-style-type: none"> <input type="checkbox"/> Clean water and sanitation <input type="checkbox"/> Affordable and clean energy <input type="checkbox"/> Sustainable cities and communities <input type="checkbox"/> Responsible consumption and production <input type="checkbox"/> Climate action <input type="checkbox"/> Water quality and fish stocks <input type="checkbox"/> Nature conservation and biodiversity <input type="checkbox"/> Social & governance matters <ul style="list-style-type: none"> <input type="checkbox"/> No poverty <input type="checkbox"/> Zero hunger <input type="checkbox"/> Good health and well-being <input type="checkbox"/> Quality education <input type="checkbox"/> Gender equality <input type="checkbox"/> Decent work and economic growth <input type="checkbox"/> Sustainable industry, infrastructure and innovation <input type="checkbox"/> Reduce inequalities <input type="checkbox"/> Peace, justice and strong institutions <input type="checkbox"/> All environment, social & governance matters 	<p>This question enables better understanding of the client’s specific values and priorities and can help investment firms better define the product recommendation.</p> <p>The specification of certain SDG(s) can be particularly relevant for clients who selected sustainability preference Category B or who selected sustainability preference Category C plus engagement in Q4.</p>
<p>Q7. Do you refuse to be financially exposed to the following economic activities? (If you select several answers, please rank, 1 being the most important exclusion)</p> <ul style="list-style-type: none"> <input type="checkbox"/> Environmental exclusions <ul style="list-style-type: none"> <input type="checkbox"/> Pesticides and biocides <input type="checkbox"/> Animal testing <input type="checkbox"/> Genetic engineering <input type="checkbox"/> Palm oil <input type="checkbox"/> Coal <input type="checkbox"/> Oil <input type="checkbox"/> Nuclear energy <input type="checkbox"/> Gas <input type="checkbox"/> Fur <input type="checkbox"/> Factory farming <input type="checkbox"/> Social and ethical exclusions <ul style="list-style-type: none"> <input type="checkbox"/> Weapons and/or armament <input type="checkbox"/> Tobacco products <input type="checkbox"/> Alcohol <input type="checkbox"/> Gambling <input type="checkbox"/> Pornography 	<p>This question enables better understanding of the values and priorities of the client and can help investment firms better define the product recommendation.</p> <p>The specification of certain exclusion criteria can be particularly relevant for clients who selected sustainability preference Category C plus exclusion in Q4.</p>

<ul style="list-style-type: none"> <input type="checkbox"/> Research on human embryos <input type="checkbox"/> Breach of international norms: <ul style="list-style-type: none"> <input type="checkbox"/> Violation of the principles of the UN Global Compact (Human Rights, Labour, Environment, Anti-Corruption) <input type="checkbox"/> Violation of OECD guidelines for multinational enterprises (Responsible business conduct) <input type="checkbox"/> Violation of International Labour Organisation rules <input type="checkbox"/> Don't refuse financing any sector 	
<p>Q8. Do you refuse to be financially exposed to economic activities in countries with following controversies? <i>(If you select several answers, please provide a ranking, 1 being the most important exclusion)</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Nuclear weapons <input type="checkbox"/> Non-proliferation treaty of nuclear weapons <input type="checkbox"/> Countries classified as not free <input type="checkbox"/> Corruption <input type="checkbox"/> Death sentence <input type="checkbox"/> Wars <input type="checkbox"/> Non-ratification of Paris-Agreement <input type="checkbox"/> Don't refuse being financially exposed to economic activities in any countries 	<p>This question enables better understanding of the values and priorities of the client and can help investment firms better define the product recommendation.</p> <p>The specification of certain exclusion criteria can be particularly relevant for clients who selected sustainability preference Category C plus exclusion in Q4.</p>
<p>Q9. Are there any additional values and priorities you would like to express?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Yes <i>(please express your additional values and priorities):</i> <input type="checkbox"/> No 	<p>This question enables better understanding of the values and priorities of the client and can help investment firms better define the product recommendation.</p>

Step 3: Financial product recommendation

Outcome 1: A suitable financial product is available (meeting sustainability preferences and wider sustainability motivations)

<p><i>To be completed by the investment firm:</i></p> <p>I recommend the following financial instrument(s):</p> <p>The recommended financial instrument(s) meet(s) the client sustainability preferences (in Q4) because:</p> <p>IN ADDITION</p> <p>The recommended financial instrument(s) also meet(s) the client wider sustainability motivations (in Q2, Q3 and Q6 to Q9) because:</p>	Investment firms must explain why a recommended financial instrument meets the client's sustainability preferences and provide a report to the client including these reasons. Provided that a financial instrument satisfies client sustainability preferences, investment firms should also seek to ensure the financial instrument satisfies any wider sustainability motivations. Please refer to Annex 2 of the Guidance for information on how to consider client wider sustainability motivations in the product recommendation.
---	--

Outcome 2: No suitable financial product is available (meeting sustainability preferences but not wider sustainability motivations)

<p><i>To be completed by the investment firm:</i></p> <p>I recommend the following financial instrument(s):</p> <p>The recommended financial instrument(s) meet(s) the client sustainability preferences in Q4) because:</p>	Investment firms must explain why a recommended financial instrument meets the client's sustainability preferences and provide a report to the client including these reasons.
--	--

<p>.....</p> <p>IN ADDITION</p> <p>However, the recommended financial instrument(s) does/do not meet all the client wider sustainability motivations (in Q2, Q3 and Q6 to Q9) because:</p> <p>.....</p> <ul style="list-style-type: none"> <input type="checkbox"/> I have informed the client that a financial instrument which also meets the client wider sustainability motivations may be available elsewhere on the market. <input type="checkbox"/> I have informed the client of online platforms which compare the sustainability features of different financial instruments.² <input type="checkbox"/> I asked the client if he or she prefers to adapt his or her sustainability motivations or prefer to find alternative investment solutions. <p>AS A RESULT:</p> <p>EITHER</p> <ul style="list-style-type: none"> <input type="checkbox"/> The client decided to accept the recommended financial instrument(s) through adapting the following wider sustainability motivations: <p>OR</p> <ul style="list-style-type: none"> <input type="checkbox"/> The client decided to look for alternative investment solutions. 	<p>Where a financial instrument meets client sustainability preferences but not wider sustainability motivations, the financial instrument may still be recommended but investment firms should inform the client of the criteria which are not satisfied and that a financial instrument which does satisfy these criteria may be available elsewhere.</p> <p>The client should be asked whether he or she wishes to adapt his or her sustainability motivations or look for financial instruments elsewhere.</p> <p>If the client decides to adapt his or her sustainability motivations, a record of that decision should be kept.</p>
<p>Outcome 3: No suitable financial product is available (meeting sustainability preferences)</p>	
<p><i>To be completed by the investment firm:</i></p> <p>I am unable to recommend a financial instrument which meets client sustainability preferences because:</p> <p>.....</p> <ul style="list-style-type: none"> <input type="checkbox"/> I have informed the client that a financial instrument which meets the client sustainability preferences may be available elsewhere on the market. <input type="checkbox"/> I have informed the client of online platforms which compare the sustainability features of different financial instruments.³ 	<p> Investment firms must explain the reasons why no financial product recommendation is possible which meets the client's sustainability preferences and keep a record of these reasons.</p>
<p>Considering I cannot recommend a financial instrument which meets client sustainability preferences, do you want to adapt your sustainability preferences?</p> <ul style="list-style-type: none"> <input type="checkbox"/> Yes <input type="checkbox"/> No, prefer to find alternative investment solutions. <p>AS A RESULT</p> <p>EITHER: If the client answers 'Yes':</p> <p>Sustainability preferences should be adapted in the following manner:</p> <p>.....</p> <p>Reason(s) for adapting the sustainability preferences is/are:</p> <p>.....</p> <p>I recommended the following financial instrument(s):</p>	<p> Where no financial instrument meets the client's sustainability preferences, the client may adapt his or her sustainability preferences.</p> <p>Investment firm must keep records of the decision and the reasons for that decision.</p> <p>After a client decides to adapt its preferences, and not before, the investment firm may disclose to the client information about the offering of products with sustainability features.</p> <p>If the client answer Yes the investment firm can proceed to recommend a financial instrument.</p> <p> Investment firms must explain why a recommended financial</p>

² Such as MyFairMoney (<https://www.myfairmoney.eu>)

³ Such as MyFairMoney (<https://www.myfairmoney.eu>)

<p>.....</p> <p>The recommended financial instrument(s) meet(s) the adapted sustainability preferences because:</p> <p>.....</p> <p>OR If the client answers: 'No, prefer to find alternative investment solutions.'</p> <p><input type="checkbox"/> The client decided to look for alternative investment solutions.</p>	<p>instrument meets the client's sustainability preferences and provide a report to the client including these reasons.</p>
---	---