Module 4 Assessment Tool: Financial Conservatism and Sustainability Preferences

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Table 1: A. Financial Conservatism Score (Financial Suitability)

Dimension	**What it captures**	**Scale anchors (1–5)**	**Self-assessment Questions**	**Score (tick one)**				
				1	**2**	**3**	**4**	**5**
Risk Capacity (objective)	Ability to bear losses without jeopardising essential goals.	**1** very low: no buffer, unstable income, short-term obligations likely. **3** moderate: some buffer and manageable obligations. **5** very high: stable income and substantial reserves; losses unlikely to affect essentials.	If markets fall, could I stay invested without needing to sell? Do I have an emergency fund and stable income? Would a temporary loss threaten rent, tuition, or other essentials?	☐	☐	☐	☐	☐
Risk Tolerance (behavioural)	Comfort with volatility and temporary losses, independent of ability.	**1** very low: would feel strong pressure to sell after losses. **3** moderate: discomfort is manageable; would likely stay invested. **5** very high: accepts volatility; would stay invested and follow a plan.	How would I react to a temporary loss of about 20%? Would I reduce risk or sell, or would I remain invested? How strongly do fluctuations affect my decisions?	☐	☐	☐	☐	☐
Investment Horizon	Time available before the money is needed.	**1** <2 years **2** 2–3 years **3** 3–5 years **4** 5–10 years **5** >10 years	When will I realistically need this money? Could I leave it invested even if markets perform poorly in the short run?	☐	☐	☐	☐	☐
Liquidity Needs	Need for quick access to invested capital.	**1** very high: likely need access at short notice. **3** medium: some access needs, but most can remain invested. **5** very low: no foreseeable need for quick access.	Could I handle unexpected expenses without touching the investment? How likely is it that I will need to withdraw funds within the next 12 months?	☐	☐	☐	☐	☐
Return Orientation	Preference for stability versus long-term growth.	**1** capital preservation: stability and predictability dominate. **3** balanced: mix of stability and growth. **5** growth oriented: prioritises long-term growth; accepts fluctuations.	Do I primarily want stable value and predictable outcomes, or do I accept fluctuations for higher long-term growth potential? What matters more: avoiding losses or maximising long-term returns?	☐	☐	☐	☐	☐
			Financial Conservatism Score Total			**/ 25**		

Scale note: 2 and 4 represent intermediate positions between the anchors.

Teaching note: higher totals indicate lower conservatism. In suitability logic, risk capacity is a constraint: very low capacity should cap the overall risk bucket even if risk tolerance is high.

Table 2: Interpretation of the Financial Conservatism Score

Total	Classification	Description
5–9	Very Conservative	Strong focus on capital preservation; short horizon and or high liquidity needs; low capacity and or tolerance for drawdowns.
10–13	Conservative	Safety oriented; limited tolerance for fluctuations; prioritises stability over growth.
14–17	Balanced	Accepts moderate volatility; medium to long horizon; balances stability and growth.
18–21	Growth Oriented	Clear focus on long-term growth; higher tolerance for temporary losses; lower liquidity needs.
22–25	Dynamic	High willingness and ability to bear risk; long horizon; typically comfortable with equity heavy allocations.

Table 3: B. Sustainability Preference Score (Strength and Specificity)

Dimension	**What it captures**	**Scale anchors (1–5)**	**Self-assessment Questions**	**Score (tick one)**				
				1	**2**	**3**	**4**	**5**
Preference Strength	How important sustainability is in the decision when financial features are similar.	**1** none: sustainability does not affect choices. **3** medium: sustainability often matters, but rarely determines the choice. **5** very high: sustainability is a central decision criterion.	If two products are similar in risk, diversification, and costs, would sustainability meaningfully influence my choice? Would I switch to a more sustainable option even if it is slightly less convenient?	☐	☐	☐	☐	☐
Preference Level (broad to outcome oriented)	Whether preferences are broad (general ESG) or focused on specific themes and outcomes.	**1** no preference. **2** broad ESG mainly for risk mitigation. **3** values aligned: broad ESG plus basic exclusions. **4** thematic focus: clear priority themes (e.g., climate, biodiversity, social inclusion). **5** outcome oriented: expects a clear contribution logic and outcome focus.	Do I mainly want general ESG characteristics, or do I prioritise specific themes and outcomes? Do I care about avoiding harms, supporting solutions, or both?	☐	☐	☐	☐	☐
Specificity and Evidence Requirements	How precise requirements are and how much evidence and reporting is expected.	**1** general: no specific requirements; general information sufficient. **3** defined: clear priorities and minimum standards; expects coherence between strategy and holdings. **5** demanding: expects measurable indicators, transparent reporting, and consistency over time.	Do I have clear exclusions, themes, or targets? Do I expect measurable indicators and regular reporting, or is broad qualitative information sufficient? How important is traceability from claims to holdings and metrics?	☐	☐	☐	☐	☐
			Sustainability Preference Score Total	**/ 15**				

Scale note: 2 and 4 represent intermediate positions between the anchors.

Interpretation note: higher totals indicate stronger and more specific sustainability preferences. This score measures preferences, not the actual sustainability performance of a given product.

Table 4: Interpretation of the Sustainability Preference Score

Total	**Classification**	**Description**
3–5	No Preference	Sustainability plays no material role in product choice beyond standard compliance and basic information.
6–8	Medium, General ESG	Sustainability is considered mainly in an aggregated way (general ESG), often linked to risk management and reputational concerns.
9–12	High, Thematic	Clear sustainability priorities; preference for defined themes or stronger minimum standards; expects coherence between strategy and holdings.
13–15	High and Specific, Outcome Oriented	Strong, specific preferences; emphasis on themes and outcomes; expects robust evidence, transparent reporting, and consistency over time.