

Module 4: Making and Reflecting on Sustainable Investment Decisions

Lecture Collection

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Module Overview

Module Learning Outcomes

By the end of Module 4, learners should be able to:

- understand the elements of a personal investor profile and describe the role of time horizon, liquidity needs, risk capacity, risk tolerance, and sustainability preferences;
- be able to practically assess the suitability of an investment for individual investor profiles with respect to financial and sustainability preferences;
- understand where to find reliable information for independent analysis, including key product documents and standard disclosures, and understand the role and limits of ESG ratings within this process;
- reflect on common decision errors and behavioural biases relevant to sustainable investing, including label reliance, performance chasing, and confirmation bias and be able to make informed personal investment decisions.

Lecture 1: Investor Profiles as a Decision Framework

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Module Alignment

This lecture addresses **Module 4 Learning Outcome 1** from the aggregated high-level curriculum.

Aligned Module Learning Outcome

Module Learning Outcome 1: Understand the elements of a personal investor profile and describe the role of time horizon, liquidity needs, risk capacity, risk tolerance, and sustainability preferences.

Learning Objectives

By the end of this lecture, learners can:

- explain what an investor profile is and why it is a necessary starting point for evaluating any investment product or strategy;
- describe the role of time horizon and liquidity needs in shaping which investment options are feasible (independent of personal preferences);
- distinguish risk capacity (ability) from risk tolerance (willingness) and explain why suitability depends on both;
- explain how sustainability preferences can be expressed as investable priorities (for example general ESG, exclusions, themes, stewardship expectations, or outcome ambitions);
- describe how clearer preference statements (strength, level, and evidence expectations) reduce confusion and improve the quality of later product comparisons.

Description

This lecture introduces the investor profile as the conceptual bridge between sustainable finance ideas and real-world investment choices. Earlier modules establish the vocabulary needed to interpret sustainability in finance: definitions of sustainable finance, ESG language, the actors and roles in the system, and the reasons sustainability claims and approaches can be contested. Module 4 turns that knowledge into a practical decision perspective. The starting point is not the product. The starting point is the investor profile: a structured way to describe objectives, constraints, and preferences so that later product evaluation becomes transparent and consistent.

A useful teaching claim is that most “bad” investment decisions are not caused by a lack of information about products, but by unclear objectives and constraints. The investor profile is therefore framed as a short decision document that answers three questions:

- What is the investment for (objective)?

- What constraints apply (time, liquidity, and risk limits)?
- What preferences matter (including sustainability preferences), and how strong are they relative to other features such as costs and diversification?

The emphasis is on clarity rather than precision. The profile is a way to make trade-offs discussable.

The lecture then introduces four foundational concepts that tend to determine suitability regardless of sustainability intent. First, time horizon: how long the money can realistically remain invested. Horizon matters because it changes what short-term losses mean. A longer horizon does not eliminate risk, but it changes the feasibility of riding out drawdowns and the plausibility of strategies that rely on long-term change (for example stewardship and transition narratives).

Second, liquidity needs: whether the investor might need access to the capital on short notice. Liquidity is treated as a constraint rather than a preference; it can override other ambitions simply because it determines whether an investor may be forced to sell at an unfavourable time.

Third, the session unpacks the difference between risk capacity and risk tolerance. Risk capacity is the ability to bear losses without jeopardising essential goals or obligations. It depends on factors such as financial buffers, income stability, debt, and the timing of cash needs. Risk tolerance is the willingness to accept uncertainty and temporary losses. It is behavioural and psychological, and it often changes under stress. The conceptual takeaway is that capacity sets the outer boundary of what is reasonable, while tolerance influences whether a plan is likely to be followed. Treating them as separate helps explain why enthusiasm alone cannot justify risk exposure, and why a technically suitable plan can still fail if the investor cannot stay with it.

Fourth, return orientation is introduced as a plain-language way to express the stability-versus-growth trade-off. Some investors prioritise capital preservation and predictability; others prioritise long-term growth and accept fluctuations as the price of that goal. This is presented as a preference dimension that should be made explicit to avoid hidden assumptions in later product comparisons.

With this foundation in place, the lecture brings sustainability preferences into the investor profile as a decision-relevant component rather than a moral add-on. Sustainability preferences are presented as varying along three practical dimensions. One is preference strength: how much sustainability should matter when financial characteristics are otherwise similar. Another is preference level: whether the preference is broad (general ESG characteristics), values-based (basic exclusions and alignment), thematic (priority themes), or oriented toward outcomes and contribution logic. The third is specificity and evidence expectations: whether general assurances are sufficient or whether the investor expects clearer substantiation and regular reporting. The goal is not to prescribe a single preference style, but to show that different preferences imply different product features and different kinds of information needs.

The lecture closes by preparing the ground for the next session. Lecture 1 provides the conceptual language and distinctions; Lecture 2 applies them through a structured assessment and translation into a simple product short-list logic. In other words, this lecture explains what the profile is made of and why it matters. The next lecture demonstrates how to operationalise it.

Discussion Questions

1. What is the difference between risk capacity and risk tolerance? Describe a plausible situation in which a person has high tolerance but low capacity, and explain why that matters for suitability.
2. Why can time horizon and liquidity needs act as constraints that override preferences? Give an example where an investor's sustainability ambition is clear, but the horizon or liquidity constraint forces a different implementation approach.
3. Sustainability preferences can be broad, thematic, or outcome oriented. What are the advantages and disadvantages of each style when it comes to making real product choices and explaining them to others?

Cross-Faculty Perspective

In a mixed cohort, the investor profile works as a shared frame that connects finance, regulation, sustainability knowledge, and personal decision-making. Students with business or finance backgrounds can translate profile elements into implications for diversification, volatility, and product structure. Students with law or public policy backgrounds can connect profiling to investor protection and to why suitability and disclosure exist in regulated markets. Students from environmental sciences and engineering can help make sustainability preferences concrete by clarifying what different environmental goals imply operationally and over time. Students from social sciences and humanities can surface how values, identity, and social context shape preferences and how people experience risk in practice. Mixed groups can use the profile language to disagree constructively: the task is not to align values, but to make objectives, constraints, and trade-offs explicit.

Resources

- ESMA, investor protection and intermediaries (entry point for suitability, disclosure, and investor education materials).
<https://www.esma.europa.eu/investor-protection>
- EUR-Lex, MiFID II Directive (Directive 2014/65/EU).
<https://eur-lex.europa.eu/eli/dir/2014/65/oj>
- EUR-Lex, MiFID II Delegated Regulation on organisational requirements and operating conditions (Regulation (EU) 2017/565).
https://eur-lex.europa.eu/eli/reg_del/2017/565/oj
- EUR-Lex, Integrating sustainability preferences into MiFID II suitability (Commission Delegated Regulation (EU) 2021/1253).
https://eur-lex.europa.eu/eli/reg_del/2021/1253/oj
- OECD/INFE, financial literacy and investor education resources (background for risk, horizon, and decision readiness).
<https://www.oecd.org/financial/education/>
- ESMA, Guidelines on certain aspects of the MiFID II suitability requirements (main document PDF).
https://www.esma.europa.eu/sites/default/files/2023-04/ESMA35-43-3172_Guidelines_on_certain_aspects_of_the_MiFID_II_suitability_requirements.pdf

- Riedl and Smeets (2017), Why Do Investors Hold Socially Responsible Mutual Funds? (working paper PDF).
https://arnoriedl.com/pdffiles/RiedlSmeets%28WhyInvestorsHoldSRI%29_Jan2017_vWP_n.pdf
- Kölbel and Weder (2024), Sustainability preference elicitation under MiFID II – a market survey (report PDF).
<https://assets.kpmg.com/content/dam/kpmgsites/ch/pdf/kpmg-ch-sustainability-preference-elicitation-report.pdf>

Lecture 2: Assessing Suitability and Mapping Profiles to Products

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Module Alignment

This lecture addresses **Module 4 Learning Outcome 2** from the aggregated high-level curriculum.

Aligned Module Learning Outcome

Module Learning Outcome 2: Be able to practically assess the suitability of an investment for individual investor profiles with respect to financial and sustainability preferences.

Learning Objectives

By the end of this lecture, learners can:

- use the Investor Preference Assessment Tool to quantify an investor profile across financial suitability dimensions (risk capacity, risk tolerance, horizon, liquidity needs, return orientation);
- use the same tool to quantify sustainability preferences (strength, preference level, and evidence expectations) and interpret what those preferences imply for product features and information needs;
- combine financial suitability and sustainability preference results into a transparent, two-dimensional profile that can guide an illustrative product short list;
- apply the Illustrative Profile-to-Product Mapping to translate score combinations into example product types and example funds;
- critically discuss the mapping, articulate where it seems plausible or questionable, and identify what additional information would be needed to support or revise a match in practice.

Description

This lecture is the applied counterpart to the conceptual investor profiling session. Lecture 1 introduces the logic of investor profiles and clarifies key concepts (time horizon, liquidity needs, risk capacity versus risk tolerance, and different ways of expressing sustainability preferences). Lecture 2 operationalises these ideas through a structured assessment and then uses an illustrative mapping to show how profiles can be translated into product short lists.

The session begins with the Investor Preference Assessment Tool, which makes profiles measurable and comparable across students. It produces two outputs. The Financial Conservatism Score captures financial suitability through five dimensions: risk capacity (objective ability to bear losses), risk tolerance (comfort with volatility), investment horizon, liquidity needs, and return orientation. The Sustainability Preference Score captures how strongly sustainability

matters in decision-making, the level at which preferences are expressed (broad ESG characteristics, exclusions/values alignment, thematic focus, or outcome-oriented ambition), and the investor's expectations regarding substantiation and reporting. A key conceptual anchor is that the tool formalises preferences and constraints, but it does not remove judgement. It makes the underlying logic visible so that it can be discussed, questioned, and improved.

A practical didactic approach is to treat the scoring as disciplined reflection rather than a test. Students complete the tool individually, then compare results in mixed groups. The discussion is most productive when it focuses on the underlying dimensions rather than the total number. Two students may reach a similar financial classification for very different reasons, and those differences matter for suitability. In particular, the lecture encourages students to treat risk capacity as a boundary condition: limited ability to bear losses can narrow feasible choices even when tolerance and return orientation are high. This helps explain why real-world profiling can feel “conservative” and why investors sometimes experience the process as misaligned with their self-image.

The second part of the lecture introduces the Illustrative Profile-to-Product Mapping. It takes the two-dimensional profile (financial suitability classification combined with sustainability preference classification) and links typical combinations to example product types and example funds. The mapping is presented as an intentionally simplified translation step. Its pedagogical function is to show why matching a person to products is difficult: investor profiles are individual and context-dependent, while products are standardised and marketed through broad categories. Any mapping therefore relies on assumptions (about volatility, liquidity, diversification, costs, and how sustainability is implemented) and will inevitably be coarse.

Students are encouraged to engage with the mapping critically rather than accept it as an answer key. A useful structure is to test it in two directions:

- From profile to product: does the suggested product set make sense given horizon and liquidity, and given the balance between risk capacity and tolerance? Does it plausibly match the sustainability preference level and evidence expectations?
- From product back to profile: what implicit assumptions about the investor are embedded in choosing this product category? What does the mapping treat as negotiable (tracking error, costs, sector exposure) and what does it treat as non-negotiable (liquidity, ability to bear loss)?

Educators can emphasise that disagreement is a feature, not a failure. The mapping gives a concrete object for debate and creates a shared language for explaining why an allocation could be defended, criticised, or revised.

A short group activity anchors the session. Each group selects one profile (either a fictional profile or an anonymised composite), applies the mapping to generate a short list, and then writes a brief suitability rationale in plain language. The rationale should include both agreement and disagreement with the mapping: what feels convincing, what feels too simplified, and what additional information would be needed to judge the match more confidently (for example Key Information Documents, costs, risk indicators, investment policy and exclusions, stewardship approach, and the credibility of sustainability claims). The goal is to practise transparent reasoning and to experience the practical difficulty of translating individual profiles into standardised

products.

The lecture closes by reinforcing a key message for Module 4: structured profiling improves decisions by making trade-offs explicit, but the translation from profile to products is never purely mechanical. A mapping can guide a first shortlist, but it must be accompanied by explanation, critical review, and awareness of where judgement enters.

Discussion Questions

1. Which part of the Illustrative Profile-to-Product Mapping felt most convincing to you, and which part felt least convincing? Explain what assumption or simplification drives your judgement.
2. Two investors have the same overall financial classification but different constraints (one has short horizon and high liquidity needs; the other has long horizon and low liquidity needs). How should the product short list differ, even if the score is similar?
3. A student has strong, outcome-oriented sustainability preferences but a conservative financial suitability profile. How should the mapping handle this tension, and what compromises (if any) seem reasonable?
4. What additional information would you require before treating an illustrative shortlist as a real shortlist (think: risk disclosure, costs, diversification, sustainability methodology, stewardship, and reporting)?

Cross-Faculty Perspective

In a mixed cohort, this session provides a shared applied method that different disciplines can interrogate from complementary angles. Finance and business students can test whether the mapping is coherent with basic risk and liquidity logic and can question the implied trade-offs between diversification, volatility, and costs. Law and public policy students can connect the exercise to the purpose and limits of suitability rules and to why sustainability preferences have become part of suitability discussions. Environmental and technical disciplines can challenge what different sustainability preference levels plausibly imply in practice and what evidence would be needed to justify an outcome-oriented match. Social sciences and humanities can surface how values are translated into categories, how people respond to constraint-driven compromises, and how narratives influence what seems “suitable.” The shared outcome is a structured debate about judgement and simplification: mapping profiles to products can be helpful, but it is rarely neutral.

Resources

- European Securities and Markets Authority (ESMA), investor protection and intermediaries (entry point for suitability materials).
<https://www.esma.europa.eu/investor-protection>
- EUR-Lex, MiFID II Directive (Directive 2014/65/EU).
<https://eur-lex.europa.eu/eli/dir/2014/65/oj>
- EUR-Lex, MiFID II Delegated Regulation on organisational requirements and operating conditions (Regulation (EU) 2017/565).

https://eur-lex.europa.eu/eli/reg_del/2017/565/oj

- EUR-Lex, Integrating sustainability preferences into MiFID II suitability (Commission Delegated Regulation (EU) 2021/1253).
https://eur-lex.europa.eu/eli/reg_del/2021/1253/oj
- ESMA (2023), Guidelines on certain aspects of the MiFID II suitability requirements (PDF).
https://www.esma.europa.eu/sites/default/files/2023-04/ESMA35-43-3172_Guidelines_on_certain_aspects_of_the_MiFID_II_suitability_requirements.pdf
- UBS, How to determine your risk profile (illustrative bank-style risk-type framing).
<https://www.ubs.com/ch/en/services/guide/investments/articles/what-risk-type-are-you.html>
- UBS, MiFID: Your investor profile (PDF, describes how risk tolerance and ability are assessed).
https://www.ubs.com/lu/en/wealthmanagement/regulatory/information/_jcr_content/root/contentarea/mainpar/toplevelgrid_1849782_1950170042/col_1/textimage.1149849415.file/dGV4dD0vY29udGVudC9kYW0vYXNzZXRzL3dtL2x1L2RvYy9taWZpZC15b3VyLWludmVzdG9yLXByb2ZpbGUucGRm/mifid-your-investor-profile.pdf
- Vanguard, Investor Questionnaire (example of how a provider elicits objectives, horizon, and risk tolerance).
<https://investor.vanguard.com/tools-calculators/investor-questionnaire>
- Fidelity, Investor Profile Questionnaire / Portfolio Selector (example of questionnaire-based profiling).
<https://www.fidelity.com/planning/investment/content/buildyour.html>
- OECD/INFE, financial literacy and investor education resources (useful background for structured profiling).
<https://www.oecd.org/financial/education/>

Lecture 3: Putting Sustainability Evaluation into Practice for Real Product Choices

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Module Alignment

This lecture addresses **Module 4 Learning Outcome 3** from the aggregated high-level curriculum.

Aligned Module Learning Outcome

Module Learning Outcome 3: Understand where to find reliable information for independent analysis, including key product documents and standard disclosures, and understand the role and limits of ESG ratings within this process.

Learning Objectives

By the end of this lecture, learners can:

- apply sustainability evaluation concepts from earlier modules to analyse a concrete investment product shortlisted for a specific investor profile;
- use the Product Dossier Template to connect (i) the investor profile inputs (Financial Conservatism Score and Sustainability Preference Score), (ii) the Illustrative Profile-to-Product Mapping shortlist, and (iii) product evidence from primary and secondary sources;
- extract a small set of decision-relevant information from standard product documents and disclosures (costs, risk framing, holding period, stated sustainability approach, reporting practices);
- assess whether a product's sustainability claims and mechanisms plausibly match an investor's sustainability preference level and evidence expectations, and document where information is missing;
- produce a short, defensible fit statement that links profile, product design, and available evidence, including explicit uncertainty and open questions.

Description

This lecture is the practical evidence step in Module 4. The distinction to the previous lectures is deliberate. Lecture 1 establishes the conceptual building blocks of an investor profile (constraints, risk capacity versus risk tolerance, and different styles of sustainability preferences). Lecture 2 makes the profile measurable through the Investor Preference Assessment Tool and then uses the Illustrative Profile-to-Product Mapping to generate an initial shortlist. Lecture 3 takes that shortlist and asks a different question: what can actually be supported with evidence once real product disclosures and documentation are consulted?

The central teaching device is the Product Dossier Template. It provides a structured workflow that keeps the analysis feasible in a course setting while making judgement and uncertainty visible. The dossier is used as the bridge between three layers:

- the investor profile inputs (Financial Conservatism Score classification, key constraints, Sustainability Preference Score classification, priorities, and evidence expectations);
- the mapping output (the shortlisted product types and example products suggested by the Illustrative Profile-to-Product Mapping);
- the evidence base (what the product documents and disclosures actually say, and what can be cross-checked).

Instead of reading everything, students work dossier-first: the template tells them what to look for and why it matters for the specific profile.

A practical way to run the session is to ask students (individually or in pairs) to select one product from their shortlist and complete the dossier sections in sequence. Section A anchors the analysis in the investor profile. Section B identifies the product precisely. Section C (checkbox) immediately surfaces a realistic challenge: the availability and quality of documents is uneven. This is an intended learning moment. When key documents are missing (for example holdings data, stewardship reporting, or clear sustainability methodology), the dossier does not “fill the gap” with assumptions. It records the gap and carries it forward as an open question.

Sections D–F structure the substantive analysis using primary sources as the default. The financial fit check (D) connects costs, risk communication, holding period, and liquidity features back to the profile constraints that emerged in Lectures 1 and 2. The sustainability mechanism section (E) translates broad claims into an operational description (what is actually done: exclusions, integration, thematic allocation, stewardship, outcome claims). The evidence and reporting section (F) asks what substantiates the mechanism and what is regularly disclosed. This is where concepts from Module 2 are implemented rather than re-taught: students use the evaluation ideas they already know, but now in a product-by-product, profile-specific setting.

Section G supports triangulation with secondary sources. If students consult ESG ratings, databases, or third-party summaries, they document how those sources were used and what product-specific evidence was used to cross-check them. The emphasis is not to repeat conceptual critiques of ratings, but to practise disciplined use: secondary sources can speed up orientation, but the dossier requires that key claims are anchored in product documentation and disclosures where possible.

The didactic payoff comes in Sections H and I. The fit statement (H) is a short narrative that connects profile → product using the evidence trail and explicitly names uncertainty. The open questions section (I) turns the remaining uncertainty into actionable next checks (what would need to be clarified by an advisor, provider, or additional documents). This creates a natural classroom discussion: groups compare dossiers and identify where they agree or disagree with the implied match between profile and product. Educators can encourage students to locate the disagreement: is it driven by the profile assumptions, the mapping simplifications, the product design, or the limits of available disclosure?

A short group activity works well. Groups exchange dossiers and critique each other using three

prompts: what is well-supported, what is assumed, and what is missing. This highlights a core practical difficulty of sustainable investing in retail contexts: investor profiles are individual and nuanced, while products are standardised and disclosures vary in clarity. The dossier makes that difficulty visible without turning the session into a purely theoretical debate.

Discussion Questions

1. Which dossier section was easiest to complete for your chosen product, and which section exposed the biggest information gap? How did that gap affect your confidence in the fit statement?
2. Where do you most strongly agree or disagree with the Illustrative Profile-to-Product Mapping after completing the dossier? Is your disagreement driven by the investor profile, by product design, or by the limits of disclosure?
3. Which primary source in your dossier carried the most weight for assessing product fit (for example KID/factsheet, prospectus/methodology, holdings, stewardship reporting), and why?
4. If you had five minutes with a provider or a financial advisor, what are the two questions you would ask based on your dossier's open questions?

Cross-Faculty Perspective

In a mixed cohort, the dossier provides a shared artefact that different disciplines can strengthen in complementary ways. Finance and business students can lead on interpreting costs, risk communication, and the feasibility constraints implied by horizon and liquidity. Law and public policy students can focus on disclosure logic and on what constitutes substantiation versus positioning. Environmental and technical disciplines can interrogate whether the stated sustainability mechanism is plausible and whether the chosen indicators align with the underlying issue framing. Social sciences and humanities can keep attention on how values are translated into product categories and how persuasive narratives influence what feels like “fit.” The shared benefit is practical: mixed groups tend to produce stronger, more transparent fit statements when they use the dossier to separate evidence, assumptions, and unresolved questions.

Resources

- European Commission, PRIIPs Key Information Documents (overview).
https://finance.ec.europa.eu/consumer-finance-and-payments/retail-financial-services/key-information-documents-packaged-retail-and-insurance-based-investment-products-priips_en
- EUR-Lex, PRIIPs Regulation (Regulation (EU) No 1286/2014).
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014R1286>
- European Commission, Sustainability-related disclosures in financial services (SFDR overview).
https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en
- EUR-Lex, SFDR (Regulation (EU) 2019/2088).
<https://eur-lex.europa.eu/eli/reg/2019/2088/oj>

- European Supervisory Authorities (JC), Consolidated Q&As on SFDR (PDF).
https://www.esma.europa.eu/sites/default/files/2023-06/JC_2023_18_-_Consolidated_JC_SFDR_QAs.pdf
- IOSCO (2022), Retail Investor Education in the Context of Sustainable Finance Markets and Products (PDF).
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD711.pdf>
- ESMA, Investor protection materials (general entry point).
<https://www.esma.europa.eu/investor-protection>

Lecture 4: Decision Quality in Sustainable Investing: Biases, Checks, and a Justified Choice

Cross-Faculty Curriculum for Sustainable Finance

University of Liechtenstein | University of Kassel | University of Luxembourg

Module Alignment

This lecture addresses **Module 4 Learning Outcome 4** from the aggregated high-level curriculum.

Aligned Module Learning Outcome

Module Learning Outcome 4: Reflect on common decision errors and behavioural biases relevant to sustainable investing, including label reliance, performance chasing, and confirmation bias and be able to make informed personal investment decisions.

Learning Objectives

By the end of this lecture, learners can:

- recognise common decision errors and behavioural biases that are particularly relevant in sustainable investing, including label reliance, performance chasing, and confirmation bias;
- explain how these biases can enter at different steps of the Module 4 workflow (profiling, mapping, product analysis, and final selection);
- apply a small set of practical debiasing strategies (for example pre-commitment checks, “consider the opposite”, and structured comparison) to improve decision quality;
- make and document an informed personal investment decision by linking it to the investor profile, the shortlist logic, and the evidence trail developed in the product dossier;
- reflect on what would trigger a re-evaluation of the decision (new information, changed constraints, or changed preferences) and how to update the decision process over time.

Description

This lecture closes Module 4 by focusing on decision quality. The previous sessions deliberately build a workflow that is meant to reduce noise and increase transparency. Lecture 1 clarifies what an investor profile is and why constraints and preferences must be made explicit. Lecture 2 translates those concepts into measurable scores and an initial shortlist through the Illustrative Profile-to-Product Mapping, while making room for critical disagreement. Lecture 3 introduces the Product Dossier Template as the evidence bridge between the investor profile, the shortlist, and real disclosures and documentation. Lecture 4 adds the final layer: even with good tools and good intentions, decisions can be pulled off course by predictable psychological shortcuts and social pressures.

The lecture begins by locating three biases in the sustainable investing context. Label reliance is the tendency to treat labels (“ESG”, “Article 8/9”, “green”, “impact”) as sufficient evidence of

fit. It often shows up when time is scarce or when products look similar, and it can bypass the dossier routine. Performance chasing is the tendency to extrapolate recent returns into the future and to let recent outperformance dominate the fit logic, even when the investor profile suggests a long horizon or a conservative capacity. Confirmation bias is the tendency to seek, interpret, or remember information that supports a preferred narrative (for example wanting a product to be “the sustainable choice”) while discounting conflicting evidence (such as weak reporting or unclear mechanisms). The aim is not to moralise these tendencies, but to normalise them as common patterns that a good process can anticipate.

A useful didactic move is to connect each bias to a specific step of the Module 4 workflow. Label reliance can distort the mapping step (accepting category matches too quickly) and the dossier step (recording a label as evidence). Performance chasing can distort shortlisting and final selection by shifting attention away from costs, holding period expectations, and profile constraints. Confirmation bias can distort evidence review, especially when the investor has strong sustainability preferences and is motivated to see alignment. Students are encouraged to identify which bias is most likely to affect them personally and which is most likely to affect clients or peers in advisory contexts.

The core of the session is a set of simple debiasing practices that are compatible with the tools already used in the module. Rather than adding complex theory, the lecture treats debiasing as disciplined habits:

- A “minimum evidence rule”: no sustainability claim counts without at least one product-specific primary source in the dossier (and ideally a second source that triangulates it).
- A “profile-first rule”: before looking at performance charts or marketing claims, restate the key constraints and the Financial Conservatism Score and Sustainability Preference Score classifications.
- “Consider the opposite”: write one short paragraph arguing why the chosen product might not be a good fit, using only evidence from the dossier and the profile.
- Structured comparison: compare at least two products on the same small set of criteria (costs, liquidity, mechanism, evidence quality), rather than comparing each product to an imagined ideal.
- Pre-commitment triggers: define in advance what would make you re-open the decision (changed constraints, new disclosure information, or a clear mismatch discovered later).

Educators can present these as tools for decision quality under uncertainty rather than as ways to eliminate uncertainty.

The applied component of the lecture is a short “justified choice” exercise. Students select one product from their shortlist and write a one-page decision note. The note must explicitly reference: (i) the investor profile constraints and preference priorities, (ii) why this product is chosen over at least one alternative, and (iii) the evidence trail from the dossier. Students then add a short reflection: which bias they felt most during the selection, and which debiasing practice helped most. Groups can exchange decision notes and challenge each other on evidence and logic, which tends to surface where narratives creep in.

The lecture closes by positioning sustainable investing as a repeated decision, not a one-off choice. Students are encouraged to treat their process as something that can be improved over time: the profile can change, products change, and disclosures improve. A good outcome for the module is therefore a repeatable personal decision routine that can be adapted to new contexts, rather than a single “correct” product.

Discussion Questions

1. Where in the Module 4 workflow are you most likely to rely on a label instead of evidence? What concrete “minimum evidence rule” would help you resist that shortcut?
2. Think of a product you find attractive. Write one argument against choosing it that uses only the investor profile constraints and the dossier evidence. What does this reveal about confirmation bias in practice?
3. How can performance chasing show up even when an investor claims to focus on long-term sustainability? What would you put in your decision note to keep the focus on suitability rather than recent returns?
4. What are two pre-commitment triggers that would make you revisit your choice in six or twelve months (for example changed liquidity needs, updated disclosures, or a change in sustainability methodology)?

Cross-Faculty Perspective

In a mixed cohort, bias-focused work benefits from disciplinary diversity because different fields notice different failure modes. Finance and business students can connect biases to common market narratives and to how product comparisons are framed, including the temptation to anchor on returns. Law and public policy students can relate the discussion to consumer protection logic and to why disclosure and suitability frameworks exist, while also noticing where they do not solve behavioural problems. Environmental and technical disciplines can help keep sustainability claims grounded by asking what evidence would demonstrate that a mechanism is plausible or effective. Social sciences and humanities can contribute the strongest behavioural insight, including how identity, social norms, and moral self-image can make confirmation bias more likely in sustainable investing. The shared outcome is a practical one: students learn to make a decision that can be explained, challenged, and revised, rather than one that only feels right.

Resources

- Daniel Kahneman (2011), *Thinking, Fast and Slow* (book; background on judgement and decision errors).
https://en.wikipedia.org/wiki/Thinking,_Fast_and_Slow
- Richard H. Thaler and Cass R. Sunstein (2008), *Nudge: Improving Decisions About Health, Wealth, and Happiness* (book; practical debiasing and choice architecture).
<https://press.uchicago.edu/ucp/books/book/chicago/N/bo6477427.html>
- Meir Statman (2004), *What Do Investors Want?* (Journal of Portfolio Management; investor preferences and behavioural patterns).
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=603683

- IOSCO (2022), Retail Investor Education in the Context of Sustainable Finance Markets and Products (PDF).
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD711.pdf>
- European Securities and Markets Authority (ESMA), investor protection materials (general entry point).
<https://www.esma.europa.eu/investor-protection>