



Information on Sustainability preferences  
during the suitability process

This information document aims to provide you with all the information you require to be able to complete the Sustainability Preferences Questionnaire as part of the suitability assessment carried out prior to the provision of portfolio management services in accordance to MIFID II. It provides answers to queries that you may have in relation to the questionnaire and its content as well as explanations of the definitions used in the questionnaire.

## General Questions

### 1. What is the Sustainability Preferences Questionnaire?

The questionnaire is a set of questions that we are asking you to help us determine your preferences related to integrating sustainability factors into your investment strategy. These questions are asked before we provide you with portfolio management services. It comes as an additional step to the suitability assessment, which determines your investment profile by asking you questions in relation to your investment objectives and time horizon, knowledge & experience, financial situation, risk appetite and tolerance.

### 2. Which investment-related preferences does the questionnaire ask me to confirm?

You are asked to decide whether, and to what extent, you wish your investment strategy to address the following:

- (a) Investments considering sustainability criteria in the decision-making process;
- (b) the proportion of your portfolio that is to be invested in investments that integrate sustainability criteria in their investment decisions (article 8 and article 9 funds) and/or investments in environmentally sustainable economic activities (Taxonomy-Aligned Investments) and/or Sustainable Investments (SFDR) and/or Investments that consider principle adverse impacts on sustainability factors.

### 3. Why is MeDirect asking me to complete the questionnaire?

As an EU-based financial market participant, we are required by law to obtain and incorporate your sustainability preferences in the suitability assessment when we provide you with portfolio management services. This questionnaire helps us to

determine your sustainability preferences and the extent to which these are to form part of your investments.

#### **4. When am I supposed to complete the Questionnaire?**

We are asking you to complete the questionnaire in addition to other investment related information that we are collecting to determine the most suitable investment for you. This questionnaire must be completed during the suitability process at the initial request and upon any update thereafter.

#### **5. Do I need to answer all the questions in the Questionnaire? What happens if I do not answer some or any of the questions?**

You may wish not to answer all the questions in relation to sustainability preferences as you may not have any sustainability preferences, however, we will factor this into your investment strategy, and it will be documented accordingly.

If you state that you do not have any sustainability preferences, we will consider you as “sustainability-neutral” and your investment strategy will only be based on your investment profile (including investment objectives and time horizon, knowledge & experience, financial situation, risk appetite and tolerance), and will not actively consider sustainability features.

This does not necessarily mean that the products within your investment will not have sustainability features. In some cases, the most suitable product(s) we identify for you may also meet certain sustainability criteria.

#### **6. What happens if I want to consider sustainability criteria, however I do not have any specific sustainability preferences?**

In this case, we will only include article 8 and article 9<sup>1</sup> funds in your investment strategy.

#### **7. How will MeDirect use my answers to the questionnaire?**

MeDirect will record your answers to the questionnaire in accordance with the applicable regulations. We will analyse your answers and seek to reflect them in your investment strategy where we are in a position to offer you products that are both suitable for you

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<sup>1</sup> Please see definition of article 8 and 9 funds in the “Sustainable Finance Disclosure” document that can be found on our website.

and additionally match your sustainability preferences – either individual ones or a combination depending on your answers. If we are not able to match your sustainability preferences, we will inform you and document it as described in the point 12.

**8. What is the difference between products with and without sustainability features?**

Products with sustainability features take into consideration environmental, social and governance “ESG” factors in their decision-making process, leading to more long-term investments in sustainable economic activities and projects. Products with sustainability features must be assessed by the manufacturer to meet the regulatory standards. Products without sustainability features do not take into consideration environmental, social and governance (ESG) factors.

**9. Do my answers to the questionnaire apply to all my investments?**

Your sustainable preferences (if any) will be taken into consideration for services which require us to assess your sustainability preferences as part of the suitability process, such as discretionary portfolio management.

**10. Can I change my answers to the questionnaire?**

Yes, you can change your answers to the questionnaire as follows:

- i. If we inform you that we cannot match your sustainability preferences during the suitability assessment, you may change your preference at that point. Subsequently, your investment strategy will be in line with those changes, or
- ii. at any time after the service has been provided by retaking the suitability assessment online. This may require us to adapt your investment strategy.

**11. What does it mean that the availability of sustainable investments might be limited, and that the investment universe might be reduced?**

The universe of investment products that can be classified as sustainable or have sustainability features is currently dependent on the limited availability of reliable ESG data across the financial services industry. This is evolving and more data is expected to be available over time. MeDirect is committed to only recommending investments as sustainable that have achieved the regulatory standards. Therefore, you may observe temporary limitations in our sustainable product offering compared to your level of interest in sustainable investments.

Whilst products included in your investment strategy will always be suitable in terms of your investment profile, where we are not able to meet your sustainability preferences, we will inform you accordingly.

## **12. Can MeDirect recommend products that do not match my sustainability preferences?**

It might happen that, as part of our primary fiduciary duty to you, your investment strategy will meet your investment objectives but not your initial sustainability preferences. This might be because our range of eligible products is not yet sufficiently developed and because there is not sufficient data to assess whether the product invests in sustainable investment or what minimum proportion is invested in sustainable investment.

Where that happens, we will first ask you whether you wish to amend your sustainability preferences for portfolio management. The final investment strategy will be based on your decision.

We will document your decision to adapt your sustainability preferences. Please note that each adaptation only applies to that specific transaction, not to your overall profile and/or subsequent transactions.

## **Sustainability Preferences Questionnaire**

You will be asked the following questions to assess your sustainability preferences.

### **1. Do you prefer to invest in financial products that integrate sustainability criteria in their investment decisions?**

In this question we are asking whether you are interested in considering sustainable investing (meaning investing in financial products that integrate sustainability criteria in their investment decisions) as part of the investment strategy that we provide you.

If you answer 'yes', we will proceed to ask you more detailed questions about the types of sustainable investing that you would like integrated into your investment/s and to what extent.

If you answer 'no', we will not ask you more granular questions and your investment strategy will only be based on your answers to questions regarding your investment objectives and time horizon, knowledge & experience, financial situation, risk appetite

and tolerance. This does not necessarily mean that the products within your investment strategy will not have sustainability features. In some cases, the most suitable product(s) we identify for you may also meet certain sustainability criteria. However, sustainability will not be a factor that we will actively consider.

**2. How much of your portfolio should include financial products that integrate sustainability criteria in their investment decisions?**

You are only asked this question if you have answered 'Yes' to the previous question.

In this question, we are asking you how much of your portfolio (less than 30%, between 30% and 60% and more than 60%) should include financial products that integrate sustainability criteria in their investment decisions. How this proportion of your portfolio will be allocated, will depend on your selections in the next question.

**3. Which of the following particular areas would you select to express your sustainability preferences?**

- a) I have no preferences.
- b) Investments in environmentally sustainable economic activities (Taxonomy-Aligned Investments).
- c) Sustainable Investments taking in consideration Economic, Social and Governance "ESG" Factors (SFDR Sustainable Investments).
- d) Limit exposure to any activity considered as adverse to the environment (Principle Adverse Impacts "PAI").

In this question, we are asking if you have any specific sustainability preferences which you would like to invest in.

If you select (a), your investment strategy and / or the securities we recommend to you will be as follows:

- Your selected proportion of the portfolio which you would like to integrate sustainability criteria, will include Article 8 (products which promote environmental or social characteristics or invest in sustainable investments) and article 9 (products which have sustainable investments as their core objective) of SFDR;
- The rest of your portfolio will include any mutual fund which matches your investment profile.

Otherwise, you may choose one or more options from (b), (c) and (d)

If you select options (b) and/or (c) you will be asked to further specify the minimum proportion in percentage which your financial product must consider for each choice.

If you select option (d), you will be asked what adverse impacts on sustainability factors, if any, you would like to consider in your investment strategy and / or the securities we recommend to you. You may choose as many options as you like or none of the options if you prefer. The list of sectors is the following:

- a) None
- b) GHG Emissions
- c) Activities negatively affecting biodiversity-sensitive areas
- d) Emissions to water
- e) Hazardous waste ratio
- f) Social and employee Violations
- g) Exposure to fossil fuels through real estate assets
- h) Exposure to energy-inefficiency through real estate assets

## Glossary

Term	Explanation
Article 9 funds	Article 9 funds have sustainable investment as their core objective and an index has been designated as a reference benchmark. These are managed in accordance with article 9 of the SFDR.
Environmentally Sustainable Investment (Taxonomy-Aligned Investment)	<p>An investment in one or several economic activities that meets the following four criteria:</p> <ol style="list-style-type: none"> <li>1. It contributes substantially to one or more of the following environmental objectives: <ul style="list-style-type: none"> <li>• Climate change mitigation</li> <li>• Climate change adaptation</li> <li>• Sustainable use and protection of water and marine resources</li> <li>• Transition to a circular economy</li> <li>• Pollution prevention and control</li> <li>• Protection and restoration of biodiversity and ecosystems.</li> </ul> </li> <li>2. It does not significantly harm any of these environmental objectives</li> </ol>

	<p>3. It is carried out in compliance with minimum safeguards related to ensuring labour and human rights protection, and these safeguards are implemented in line with the principle of ‘do no significant harm’</p> <p>4. It complies with regulatory technical screening criteria which determine the conditions of substantial contribution to the environmental objective.</p> <p>Note: This definition and its components are derived from the EU Taxonomy Regulation.</p>
<b>ESG</b>	Environmental, Social, Governance matters.
<b>Article 8 funds</b>	Financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices. Article 8 funds may invest in sustainable investments but do not have sustainable investment as their core objective and which are managed in accordance with article 8 of the SFDR.
<b>MiFID Delegated Regulation 2021</b>	The European Union regulation published in 2021 which sets out requirements for investment firms within the European Economic Area to integrate sustainability factors, risks, and clients’ preferences into aspects of their organisation and operations as an amendment to previously implemented laws. The full name of the Regulation is Commission Delegated Regulation (EU) 2021/1253.
<b>Non-green funds</b>	Non-green funds are those that do not have specific ESG characteristics, meaning they are classified as non-sustainable. Such funds do not meet the criteria defined in Article 8 or Article 9 of the SFDR and which are managed in accordance with Article 6 of the SFDR.
<b>Principle Adverse Impacts</b>	<p>The most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.</p> <p>Note: The term “Adverse Impacts” is referred to more broadly in the Sustainable Finance Disclosure Regulation.</p>
<b>Sustainability Factors</b>	Environmental, social and employee matters respect for human rights, anti-corruption, and anti-bribery matters.
<b>Sustainability Features</b>	Features of products recommended that correspond to sustainability preferences stated in the Questionnaire.



<b>Sustainability Finance Disclosure Regulation (the “SFDR”)</b>	The EU Regulation (EU) 2019/2088, is a set of EU rules which aim to establish a pan-European legislative framework to facilitate consistent and adequate disclosure on sustainable investments made by financial market participants in the European Union and to make the sustainability profile of financial instruments more comparable and better understood by end-investors.
<b>Sustainability Preferences</b>	A choice as to whether and, if so, to what extent, one or more of the following financial instruments is to be integrated into the investment: <ol style="list-style-type: none"> <li>1. A financial instrument with a minimum proportion to be invested in environmentally sustainable investments (Taxonomy-Aligned Investment)</li> <li>2. A financial instrument with a minimum proportion to be invested in sustainable investments (Sustainable Investments)</li> <li>3. A financial instrument that considers principle adverse impacts on sustainability factors (PAIs).</li> </ol>
<b>Sustainable Investing</b>	The practice of taking under consideration environmental, social and governance (ESG) factors when making investment decisions
<b>Sustainable Investment</b>	Investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective 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 contributing to one of the following: <ol style="list-style-type: none"> <li>1. 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</li> <li>2. 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 labour relations, or an investment in human capital or economically or socially disadvantaged communities.</li> </ol>

