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Document on the Sustainable Finance Disclosure Regulation (“SFDR”) Level II measures, November 2022

Background

The [Sustainable Finance Disclosure Regulation \(“SFDR”\)](#) applies to all Brokers from the 10 March 2022 who are:

- Insurance Brokers who provide insurance advice with regard to IBIPs.
- Investment Brokers who provide investment advice (through providers) to both retail and professional investors.

The rules apply to all financial products, including IBIPs, portfolio management, pension products and panEuropean Personal Pension Products (‘PEPPs’), regardless of whether they are designed as “green” products with an ESG profile. Financial Brokers who provide advice on IBIPs, and investment firms that provide investment advice, are required to consider and factor in sustainability risks in their advisory processes, and to provide information in accordance with the SFDR, both at entity level (on their website) and at product level (at pre-contractual stage).

The SFDR introduced additional disclosure obligations for manufacturers of financial products and financial advisers toward end-investors. The SFDR requires impacted firms to integrate sustainability into their investment processes and to consider the adverse impacts of their investments on sustainability factors. The SFDR applies regardless of whether the client has indicated an ESG preference or not. Brokers can decide whether or not to consider principal adverse impacts on sustainability factors in their insurance or investment advice.

However, if firms decide not to consider the adverse impacts, they must prepare a disclosure outlining they are not considering the adverse impacts, and information on whether and when they intend to consider such impacts in the future.

SFDR Level 2

The European Supervisory Authorities (‘ESAs’) published level 2 requirements during 2021, which set out specifications for the content, methodology, and presentation of required disclosures. The application date of SFDR Level 2 requirements is the 1st of January 2023. SFDR Level 2 acts as a detailed extension of the Level 1 requirements for product-level disclosures on website and pre-contractual documents (i.e. Terms of Business) which Brokers Ireland have previously issued guidance on.

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Sustainability Factors

In accordance with the Sustainable Finance Disclosure Regulation ('SFDR'), we inform you that when providing advice on insurance-based investment products/Investments, we assess, in addition to relevant financial risks, relevant sustainability risks as far as this information is available in relation the products proposed/advised on. This means that we assess environmental, social or governance events/conditions that, if they occur, could have a material negative impact on the value of the investment.

We integrate these risks in our advice in the following way:

We review product provider literature in relation to sustainability risks, we liaise with the providers in relation to any queries in relation to the funds. This information is reviewed by the firm on an ongoing basis.

Considering Principal Adverse Impacts on sustainability factors in the advice:

When providing advice on insurance-based investment products ('IBIPs') or investment advice we assess the PAI information published by product manufacturers as follows:

The firm will examine the Product Providers literature to establish the Principal Adverse Impacts for the relevant products. The firm will then compare financial products across available providers to make informed investment decisions about the suitability of ESG products for individual clients.

The firm will review this approach on an annual basis in (February)

Impact on Return

If sustainability risks -are deemed relevant:

We also assess the likely impacts of sustainability risks on the returns of the IBIPs on which we advise. We estimate that the likely impacts of sustainability risks on the returns of Pensions/Investments are on the basis of the information about the likely impacts of sustainability risks on the returns in the product documentation provided by the product manufacturer.

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Remuneration policy

We are remunerated by commission and other payments from product producers. When assessing products, we will consider the different approach taken by product providers in terms of them integrating sustainability risks into their product offering. This will form part of our analysis for choosing a product provider.

We take due care so that our internal remuneration policy with respect to investment or insurance advice on insurance-based investment products ('IBIPs') promotes sound and effective risk management in relation to sustainability risks and does not encourage excessive risk-taking with respect to sustainability risks.