

Discussion note on SFDR compliance

The [Sustainable Finance Disclosure Regulation](#) (SFDR) applies from 10 March 2021. It imposes a number of additional sustainability-related disclosure requirements for financial services providers, including insurance intermediaries.

The purpose of this note is to support insurance intermediaries and serve as a source of inspiration in developing sensible compliance solutions for the SFDR disclosure requirements (including possible sample wording) pending any further guidance on the application of the SFDR from the European Supervisor Authorities or national competent authorities. The suggestions in this note closely track and echo the relevant provisions of the SFDR.

The discussion note is based on the English-language version of the SFDR. Associations and intermediaries should check the suggestions in this note against their own language version and any regulatory guidance issued by their national competent authority.

Disclaimer: This document is provided for general information purposes only and does not constitute legal advice. The individual situation of every insurance intermediary is different. You should contact your legal advisers for their advice and guidance to ensure that the information contained in this note is applicable or appropriate to your particular situation.

Who is subject to disclosure requirements of the SFDR?

The additional disclosure requirements of the SFDR apply to insurance intermediaries which provide advice on insurance-based investment products (IBIPs) and other financial advisers. The requirements do not apply to insurance intermediaries which distribute non-life insurance products or life insurances other than IBIPs.

Note: The SFDR does not apply to insurance intermediaries that employ fewer than three persons, but the Member States may still decide to apply the SFDR to such intermediaries.

What information needs to be disclosed from 10 March?

From 10 March, intermediaries need to publish the following information on their websites:

- Information about the intermediary's policy on the integration of sustainability risks in their insurance advice;
- Information on how the intermediary's remuneration policy is consistent with the integration of sustainability risks;
- Information on whether the intermediary considers in the insurance advice the principal adverse impacts on sustainability factors; or why the intermediary does not consider such principal adverse impacts and (where relevant) whether and when the intermediary intends to do so.

Insurance intermediaries also need to provide to (potential) customers pre-contractual information on:

- The manner in which sustainability risks are integrated into the intermediary's insurance advice; and
- The result of the assessment of the likely impacts of sustainability risks on the returns of the financial products they advise on.

Where the intermediary considers that sustainability risks are not relevant, the pre-contractual information must include a clear and concise explanation of the reasons therefor.

What are sustainability risks?

Sustainability risks are environmental, social or governance events/conditions that, if they occur, might have an actual (or a potential) material negative impact on the value of the investment.

What are sustainability factors and “principal adverse impacts”?

Sustainability factors cover environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Principal adverse impacts are the impacts of insurance advice that result in negative effects on the above sustainability factors.

Website information on the integration of sustainability risks

It is sufficient to provide a concise description of the intermediary's policy on the integration of sustainability risks on the intermediary's website. The policy itself does not have to be published on the website.

However, intermediaries need to update or create a new policy in relation to the integration of sustainability risks in their advice. The policy should specify how the intermediary: (i) integrates all relevant sustainability risks in their processes (including in their due diligence processes); and (ii) assesses those risks on a continuous basis.

Examples of possible wording that could be considered for the website

In accordance with the Sustainable Finance Disclosure Regulation (SFDR), we inform you that in our advice with regard to insurance-based investment products (IBIPs) 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. More specifically, 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: [to be completed by the individual intermediary].

The concept and rules in relation to sustainability risks and sustainability factors in the EU and national legislation are still incomplete and will continue to evolve over the coming months and years. Further guidance from the authorities is also expected in relation to the sustainability-related disclosures.

As the different layers of legislation come into force and regulatory guidance becomes available, we will adapt our approach and provide you with more information about our policy on how we integrate sustainability risks into our advice and practice.

Website information on remuneration policy

It is sufficient to provide a concise description on how the intermediary's remuneration policy is consistent with the integration of sustainability risks. The policy itself does not have to be published on the website.

However, intermediaries also need to update their remuneration policy to specify: (i) how the policy promotes sound and effective risk management in relation to sustainability risks; and (ii) how the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance.

Examples of possible wording that could be considered for the website

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.

Website information on principal adverse impacts

The information on the website has to specify whether the intermediary considers in the investment/insurance advice the principal adverse impacts on sustainability factors, taking due account of the intermediary's size, the nature and scale of their activities and the types of financial products the intermediary advises on.

Where the intermediary considers the principal adverse impacts on sustainability factors in the advice, the information on the website should include the procedures for considering the principal adverse impacts and the descriptions of principal adverse impacts themselves.

Examples of possible wording that could be considered for the website

- If the intermediary does not consider the principal adverse impacts on sustainability factors in the advice:

*In accordance with the SFDR, we inform you that in our advice with regard to insurance-based investment products (IBIPs) or investment advice we do **not** consider the impacts of our advice that result in negative effects on sustainability factors (namely environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters), because [reasons to be completed by the individual intermediary]. [The individual intermediary to provide information as to whether and when they intend to consider such adverse impacts]*

For more details with regards to principal adverse impacts on sustainability factors, we also invite you to read the product information provided by the product manufacturers.

The concept and rules in relation to sustainability risks, sustainability factors and principal adverse impacts on sustainability factors in the EU and national legislation are still incomplete and will continue to evolve over the coming months and years. Further guidance from the authorities is also expected in relation to the sustainability-related disclosures.

As the different layers of legislation come into force and regulatory guidance becomes available, we will adapt our approach and provide you with more information on our policy about this in relation to our advice and practice.

- If the intermediary considers the principal adverse impacts on sustainability factors in the advice:

In accordance with the SFDR, in our advice with regard to insurance-based investment products (IBIPs) or investment advice we assess the principal adverse impacts on sustainability factors as follows: [to be completed by the individual intermediary]

For more details with regards to principal adverse impacts on sustainability factors, we also invite you to read the product information provided by the product manufacturers.

The concept and rules in relation to sustainability risks, sustainability factors and principal adverse impacts on sustainability factors in the EU and national legislation are still incomplete and will continue to evolve over the coming months and years. Further guidance from the authorities is also expected in relation to the sustainability-related disclosures.

As the different layers of legislation come into force and regulatory guidance becomes available, we will adapt our approach and provide you with more information on our policy about this in relation to our advice and practice.

Pre-contractual information on the integration of sustainability risks

The intermediary is bound to provide pre-contractual disclosures on (i) the manner in which sustainability risks are integrated into the intermediary's insurance advice and (ii) the result of the assessment of the likely impacts of sustainability risks on the returns of the financial products on which the intermediary advises. These disclosures will depend largely on the sustainability risk assessments and related pre-contractual disclosures made by product manufacturers.

However, the pre-contractual disclosure relates to the intermediary's own acts/conduct. Therefore, it is likely not sufficient to merely refer the (potential) customer to pre-contractual disclosures of the product manufacturers made in the product information.

Intermediaries should disclose how they take sustainability risks into account in the selection process of the financial product that is presented to the customer before providing the advice, regardless of the sustainability preferences of the customer.

Intermediaries may also conclude that sustainability risks are not relevant for the financial product on which they advise. In that case, the pre-contractual information must include a clear and concise explanation of the reasons why the intermediary does not consider sustainability risks to be relevant to a particular financial product.

This pre-contractual information should be provided to the customer at the same time as the other pre-contractual disclosures on a periodic suitability assessment of the recommended IBIP, costs and related charges, etc. (Article 29(1) of the IDD).

Examples of possible wording that could be considered for pre-contractual disclosures

In accordance with the Sustainable Finance Disclosure Regulation (SFDR), we inform you that in our advice with regard to insurance-based investment products (IBIPs) we assess relevant sustainability risks, as far as this information is available in relation the products proposed/advised on. More specifically, 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: [to be completed by the individual intermediary].

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 [name of the product] are [to be completed by the individual intermediary 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].

Alternative paragraph if sustainability risks are deemed not relevant: *We have not assessed the likely impacts of sustainability risks on the returns of [name of the product] since we have not been able to identify any sustainability risks that are relevant. [A clear and concise description of the reasons to be completed by the individual intermediary].*

We inform you that in the IBIPs and investment products there is information on how sustainability risks are taken into account in the product that is on offer. We will transmit this information to you together with other product information. For further details we invite you to read the product information provided by the product manufacturers.

Attention: The concept and rules in relation to sustainability factors and sustainability risks in the EU and national legislation are still incomplete and will continue to evolve over the coming months and years. Further guidance from the authorities is also expected in relation to the sustainability-related disclosures.

As the different layers of legislation come into force and regulatory guidance becomes available, we will adapt our approach and provide you with more information on our policy about how to integrate sustainability risks into our advice and practice.