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# APPROVED RETIREMENT FUND TERMS AND CONDITIONS

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Effective Date 1<sup>st</sup> January 2022

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**Please retain this booklet for your reference and records.**

# DEFINITIONS

**ARF** means an Approved Retirement Fund as defined in Section 784A(1)(a) of the Taxes Consolidation Act, 1997 (“Taxes Act”).

**ARF Holder or Beneficiary** means the beneficial owner of all the assets and all the assets may be held in a Cantor account. The assets are not held on Cantor Fitzgerald Ireland Ltd’s balance sheet and they are separate from the accounts of Cantor Fitzgerald Ireland Ltd. The assets are readily identifiable as assets of the beneficiary.

**Capital** means the initial capital invested in the ARF.

**Connected Person** means any connected person as defined in Section 10 of the Taxes Act.

**Distribution** is a payment or transfer of assets out of the fund or any assignment of assets out of the fund or a deemed transfer made in relation to the fund.

**QFM** means a qualifying fund manager as defined in Section 784A(1)(a) of the Taxes Act.

**Cantor, we, us or our** means Cantor Fitzgerald Ireland Ltd.

**CBI** means the Central Bank of Ireland, the Financial Regulator in Ireland with responsibility for prudential regulation and supervision of MiFID Investment Firms (including conduct of business) authorised in Ireland and the provisions of MiFID relevant to the financial services market in Ireland.

**Effective Date** means the date from which this Terms and Conditions Booklet, including related appendices, is effective, as noted on the front page of this Terms and Conditions Booklet.

**Taxes Act** means the Taxes Consolidation Act, 1997.

**Terms** means this Terms and Conditions Booklet, including related appendices.

The use of “**you**” and “**your**” in any of these Terms includes the ARF Holder, any joint account holder(s), personal representatives, permitted assignees, novates and successors. These Terms apply to the services as selected by and provided to you as set out herein.

# APPROVED RETIREMENT FUND TERMS AND CONDITIONS

## 1. General conditions

This agreement outlines the terms and conditions (the "Terms") under which Cantor Fitzgerald Ireland Ltd ("Cantor") is willing to provide you with an ARF service. If you do not understand any of the Terms or wish to have further information in relation to any of the Terms, please let us know. You will also be bound by the Terms under which Cantor Fitzgerald Ireland Ltd ("Cantor") is willing to provide you with an account, which have also been provided to you in this Terms and Conditions Booklet.

You should read and consider the Terms carefully. If you are uncertain of the effect of any of these Terms, we recommend you seek independent legal or tax advice.

The Terms shall apply to all new and existing clients of Cantor from the Effective Date. For existing clients, the Terms shall supersede all previous agreements entered into between you and us.

**It is important that you read these terms and conditions carefully and in full, as they set out the terms on which Cantor will act for you.**

### Regulatory status

Cantor's registered office is Cantor Fitzgerald House, 23 St. Stephen's Green, Dublin 2. Cantor Fitzgerald Ireland Ltd is a Member Firm of the Irish Stock Exchange ("ISE") and the London Stock Exchange ("LSE").

Cantor is authorised by the Central Bank of Ireland ("the CBI"), P.O. Box 559, Dublin 1. Contact details for the CBI: Tel: +353 1 224 6000, Fax: + 353 1 224 5550. In addition, the CBI has the following public helpline: 0818 681 681 or + 353 (0) 1 224 5800 and may also be contacted via the following email address: [enquiries@centralbank.ie](mailto:enquiries@centralbank.ie).

### Contact details

Cantor has business offices at the following locations:

**Dublin:** Cantor Fitzgerald House, 23 St. Stephens Green, Dublin 2.

Tel: +353 1 633 3800.

**Cork:** 45 South Mall, Cork. Tel: +353 21 422 2122.

**Limerick:** Crescent House, Hartstonge Street, Limerick, V94 K35Y. Tel: +353 61 436 500.

You may contact Cantor on any of the above numbers or through our Client Services team on +353 1 633 3888 (fax: +353 1 633 3856/633 3857). Alternatively, you may email any query to Cantor at [ireland@cantor.com](mailto:ireland@cantor.com).

Please see our Privacy Notice on our website at [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie) for information in relation to how we collect personal information about you, how we use it and how you can interact with us about it. Please note that this may change from time to time.

We will communicate with you in English.

You must ensure that Cantor can communicate with you when deemed necessary by Cantor. It is your responsibility to provide Cantor with the most up to date contact information and to provide Cantor with a valid current correspondence address at all times.

The provision by you of an e-mail address for the purposes of carrying on business with us acknowledges that we may communicate with you by means of electronic communications.

### US persons

An account cannot be opened for you if you are a US person as we are not in a position to comply with the related US reporting requirements. For this purpose a US person is a citizen or a resident of the US, a partnership or corporation created or organised in the US or under the laws of the US or of any US State, and any estate or trust as defined by the US Internal Revenue Code. Any person holding a US passport regardless of country of residence is considered a US person.

You must satisfy yourself that you do not fall within this category of US person and in the event that an account is opened and you become aware that you do fall within this category you must notify Cantor immediately so that the account can be closed.

Cantor will not be liable in respect of any US reporting requirements which were not fulfilled during the period the account was open.

## 2. Administering the ARF

You must provide us with any information or evidence which we need to administer the ARF.

In order to pay benefits we may need any one or more of the following:

- i. the Investment Certificate;

- ii. where a Benefit is payable on your death, the death certificate;
- iii. proof that the person making a claim is entitled to do so;
- iv. your birth certificate;
- v. any other documents relevant to this ARF Investment;
- vi. any other information that is appropriate to ensure that the Benefit is paid in accordance with the ARF.

We have relied on information given by you to us to set up this contract. If you did not disclose a material fact, we may not pay a claim or we may stop this investment or charge an increased fee. A material fact is one which is likely to influence our decision to accept an account opening pack.

Any change in your circumstances between completing the account opening pack and the Effective Date must also be disclosed.

We can alter this ARF Investment (or issue another in its place) if:

- a) the Revenue Commissioners remove approval of the contract;
- b) it becomes impossible or impractical to carry out any of the investment terms because of a change in the law or any other circumstance;
- c) the tax treatment changes or this ARF Investment is altered by legislation;
- d) it becomes impossible or impractical to administer the ARF.

### 3. Distributions

Outline of Cantor's responsibilities in relation to distributions from your ARF:

- Cantor are authorised to act as a Qualifying Fund Manager (QFM) for the management of ARF's. As a QFM, Cantor is obliged to deduct tax, in certain circumstances and at certain rates, from 'distributions' from an ARF.
- It is our responsibility to pay the tax due on distributions to the Revenue.
- If there are insufficient liquid funds in your ARF to fund the tax due on a distribution, the QFM must still pay over the tax due to the Revenue. In such circumstances the tax paid by the QFM, but not recovered from the ARF is a debt due to the QFM from the ARF Holder or the ARF Holder's estate, as the case may be.
- There are three types of ARF distributions which can trigger a tax charge to be paid by the QFM:

1. an actual distribution;
2. a deemed distribution, related to certain investment transactions; and
3. an imputed distribution.

- In addition to being obliged to deduct tax from these distributions, in certain circumstances, the QFM is also obliged in the case of actual and deemed distributions (but not in relation to imputed distributions) to remove the assets involved in the distribution from the ARF, i.e. they must be segregated from the other ARF assets as they can no longer be considered to be part of the ARF.

An actual distribution from an ARF as defined in Section 748A(1)(d) of the Taxes Consolidation Act, 1997 ("the Taxes Act") includes:

- any payment or transfer of assets out of the ARF;
- any assignment of assets out of the ARF;
- a payment, transfer or assignment to the individual beneficially entitled to the assets (other than a payment, transfer or assignment to another approved retirement fund owned by the same beneficial owner) out of the ARF.

Each distribution shall be made from the ARF to the ARF Holder at the written request of the ARF Holder. No distribution shall be paid which would contravene the requirements of the Revenue Commissioners from time to time in respect of ARFs.

Assets of an ARF will also be treated as distributed in the circumstances specified in Section 784A of the Taxes Act and these are classified as "deemed distributions", which include:

- the making or securing of a loan to the ARF Holder or a Connected Person;
- the acquisition of property from the ARF Holder or a Connected Person;
- the sale of ARF assets to the ARF Holder or to a Connected Person; and
- the acquisition of a holiday property or a property to be used as a private residence by the ARF Holder or Connected Person.

In the event of a distribution or a deemed distribution taking place, an amount representing such distribution or deemed distribution (as determined by Section 784A(1)(b) of the Taxes Act) shall no longer be regarded as an asset of the ARF. Where the distribution involves the acquisition of assets, the assets acquired shall not be regarded as assets of the ARF or as part of the ARF.

The Finance Act 2006 introduced an Imputed Distribution requirement for all qualifying ARF and PRSA Holders, i.e., a deemed withdrawal from the ARF first set up on or after 6 April 2000 by the ARF Holder, to be applied as at 30

November each year once the ARF Holder is 60 for a full tax year. The imputed distribution rates are currently as follows:

Age attained during 2022	Total ARF and vested PRSA funds are €2m or less	Total ARF and vested PRSA funds are greater than €2m
< 61	Nil	Nil
61-70	4%	6%
>70	5%	6%

Where an ARF Holder has more than one ARF and each ARF is with a different QFM, the ARF Holder can 'nominate' one of the QFMs ("Nominee QFM") to operate the imputed distribution system in respect of all of that individual's ARFs, and so take the tax due from the ARF(s) the individual has with the nominee QFM.

Where an individual makes such a nomination then:

- the other QFMs must supply the nominee QFM, within 14 days of the distribution valuation date, with a certificate showing:
  - a) the value of the individual's ARF or ARFs held with that QFM at the previous 30 November;
  - b) the total gross value of all actual distributions taken from the individual's ARF(s) with that QFM in the previous year
- The nominee QFM must hold these certificates available for inspection by the Revenue Commissioners for a period of six years.

#### 4. In the event of your death

In the event of your death as ARF Holder, the ARF shall form part of your estate. Cantor shall on the sight of a Grant of Representation transfer to the ARF Holder's legal personal representative (or such other person or persons nominated by the said legal personal representative) the assets remaining in the ARF net of any taxes, levies, management fees or any other debts that are owed in relation to the ARF or that are otherwise required to be deducted by Cantor.

Cantor shall on the advice of the ARF Holder's legal personal representative:

- (i) as to identity of the beneficiary or beneficiaries of the ARF assets; and
- (ii) where necessary, the intended use of the ARF assets by that beneficiary

deduct from the distribution made under section 4.1(c) the appropriate amount of tax in accordance with the provisions of Section 784A(4) of the Taxes Act and the requirements of the Revenue Commissioners from time to time.

If the ARF Holder's legal representatives do not inform Cantor as to the matters referred to in points (i) and (ii) above within a reasonable time frame, that being no more than 30 business days, Cantor may deduct tax at the higher rate from the distribution.

Alternatively, on the death of the ARF Holder the ARF may be transferred to a legal spouse once an ARF has been established.

Cantor are not offering any tax advice in respect of this ARF and the tax treatment of ARF assets is subject to change by the Revenue Commissioners.

#### 5. Termination and winding up

In certain circumstances the ARF may be terminated by either party in the following circumstances:

- a) the effective date of notice where either the ARF Holder or Cantor as the QFM gives three month's written notice of the proposed termination of these Terms;
- b) within one month where the ARF Holder fails to pay Cantor's fees as QFM in accordance with these Terms;
- c) the date on which there are no longer any funds in the ARF after deduction of expenses due;
- d) within one month of the ARF Holder breaking any of these Terms, as notified in writing by Cantor to the ARF Holder;
- e) if, in the opinion of Cantor as QFM, the ARF Holder fails to comply with any of the provisions of the ARF, which apply to it as an ARF Holder, or the ARF Holder fails to communicate with Cantor, the effective date of a written notice given by Cantor to the ARF Holder if, by that date, the ARF Holder fails to comply with the action required to remedy its non-compliance or non-communication; or
- f) the date of death of the ARF Holder.

As soon as practicable after the effective date of termination, Cantor shall wind up the ARF by:

- a) making one or more distributions to the ARF Holder;
- b) transferring to an ARF with another QFM in the name of the ARF Holder;

the abovementioned transfers would be in respect of the entire assets comprising ARF after accounting for the

payment of or the settling aside of monies to meet all costs, charges and expenses, including taxes and levies.

On the death of the ARF Holder, distributions shall be made in accordance with section 4 of these Terms.

Once the ARF is fully distributed Cantor will no longer act as QFM and will not be liable to the ARF Holder for any aspect of the ARF.

## 6. Taxation

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Notwithstanding any provision to the contrary in these Terms:

- No distribution shall be made from the ARF which would conflict with requirements imposed under Section 784A and Section 784B of the Taxes Act (as same may be amended from time to time). Any distribution otherwise made shall be reduced or varied as may be necessary to ensure that there is no conflict with such requirements; and
- Tax will be deducted from the ARF by Cantor in respect of distributions and deemed distributions in accordance with the requirements of the Taxes Act from time to time. Tax will be deducted from the ARF by Cantor to account for the requirements relating to amounts regarded as distributions under the provisions of Section 487A(1A and 1B) of the Taxes Act (as amended from time to time). Any deduction otherwise made shall be reduced or varied as may be necessary to ensure that there is no conflict with the requirements of the Taxes Act. Cantor shall comply at all times with the requirements of all applicable current and future legislation in relation to ARFs.

## 7. Charges

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There is an annual ARF management charge which covers annual administration fees, investment fund charges, taxation, valuations and payroll services.

The management charge percentage is specified in Cantor published commission rate card, which is available on

<https://cantorfitzgerald.ie/clientservices/fees-and-charges/>.

Cantor will deduct the management charge from the ARF account.

Cantor may increase the management charge to allow for the effect of inflation on expenses, as measured by the Consumer Price Index or some other suitable index of inflation. We will inform you in writing before any change in the management charge is made. Cantor also reserve

the right to charge additional fees on investments in our structures that result in extra services.

In addition to the ARF management charge, Cantor's investment services' fee structures will apply, including but not limited to, investment transactions, as per the Cantor published commission rate card available on <https://cantorfitzgerald.ie/clientservices/fees-and-charges/>.

## 8. Complaints

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If you have a complaint you should notify our Head of Compliance in the first instance and we will deal with your complaint promptly. Please address your correspondence to the Head of Compliance, Cantor Fitzgerald Ireland Limited, Cantor Fitzgerald House, 23 St. Stephens Green, Dublin 2.

Where you make a complaint we will endeavor to resolve your complaint as quickly as possible but in any event we will acknowledge receipt of your letter within 5 business days. The acknowledgement sent will include a full copy of our internal complaints handling procedure depending on the nature of the complaint. Upon resolution of your complaint we will send you a final response letter, which sets out the nature of our response of any proposed resolution, and any appropriate remedy. If for any reason you are not satisfied with our final response please note that you may be entitled to refer your complaint to the Financial Services and Pensions Ombudsman. Further details relating to the Financial Services and Pensions Ombudsman, including how to make a complaint, are available at [www.financialombudsman.ie](http://www.financialombudsman.ie), by telephone on +353 1 567 7000, or by writing to the Financial Services and Pensions Ombudsman, 3rd Floor, Lincoln House, Lincoln Place, Dublin 2.

Cantor's complaints policy is available on our website, [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie).

## 9. Data Protection

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In Ireland Cantor is registered as a Data Controller with the Office of the Data Protection Commissioner.

Please see Cantor's Privacy Notice on our website at [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie) for information in relation to how we collect personal information about you, how we use it and how you can interact with us about it. Please note that this may change from time to time.

Cantor may store, use or otherwise process personal information about you which is provided by you. The purposes for which Cantor can store, use or process such personal information are providing the services under these Terms and other purposes closely related to those activities. This includes (but is not limited to) using information for the purposes of credit and anti-money

laundering enquiries or assessments. In Ireland Cantor has made all the appropriate notifications in accordance with applicable data protection legislation.

Any information that Cantor holds about you is confidential to you and will only be used in connection with providing services under these Terms (as set out in more detail in Cantor's published privacy notice). Information of a confidential nature will be treated as such provided that such information is not already in the public domain. Cantor will only disclose your information to third parties in the following circumstances:

- (a) if required by law or if requested by any regulatory authority or exchange having control or jurisdiction over you, us or any associate of us;
- (b) to investigate or to prevent fraud, market abuse or other illegal activity;
- (c) in connection with the provision or services to you by us;
- (d) in connection with the provision of payroll services to an external provider;
- (e) for purposes closely related to the provision of the services or the administration of your account including without limitation for the purposes of credit enquiries or assessments;
- (f) if it is in public interest to disclose such information; or
- (g) at your request or with your consent.

The restrictions on the use of confidential information described above are subject at all times to a general provision that Cantor may disclose your information to certain permitted third parties including members of their own respective groups (associates) and their respective professional advisors (including accountants and lawyers) who are subject to confidentiality codes.

Cantor will not sell, rent or trade your personal information to any third party for marketing purposes unless you give express consent.

You should note that by signing or otherwise accepting these Terms, you agree that Cantor are allowed to send your information internationally including to countries outside the EEA such as the United States of America. Some countries where your information is sent will offer different levels of protection in relation to personal information, not all of which will be as high as Ireland. However, Cantor will always take steps to ensure that your information is used by third parties only in accordance with Cantor's privacy policy.

You are entitled to a copy of any information Cantor holds about you (for which we may charge an administration fee where permitted by law). To request such information you should direct your request in writing to Cantor at [PrivacyIreland@cantor.com](mailto:PrivacyIreland@cantor.com) or to the Head of

Compliance, Cantor Fitzgerald Ireland, Cantor Fitzgerald House, 23 St. Stephen's Green, Dublin 2. You should let us know if you think any information Cantor holds about you is inaccurate and we will correct it.

You may have other rights in relation to your personal data which apply in certain circumstances and which are described in more detail in our Privacy Notice. You may exercise any of your data protection rights by writing to us using the abovementioned contact details. We are entitled to take any reasonable steps necessary to establish your identity in relation to any amendment, access or deletion requests and may, at our discretion, require proof of identity or other documents from you before proceeding with any such request.

By agreeing to these Terms you acknowledge the processing of your information in accordance with this Clause 9.

## 10. Conflicts of Interest

For full information on conflicts of interest, please refer to our Conflicts of Interest Policy Summary, which is on the Cantor website at [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie).

Amendments to Cantor's Conflicts of Interest Policy Summary will be made on the Cantor website. You acknowledge and deal with Cantor on the basis that when we are dealing with you, we, an associated company or some other person connected with us, may have an interest, relationship or arrangement that is relevant to that investment, transaction or service. We have arrangements in place to identify any conflicts of interest that may arise. Notwithstanding this, potential conflicts of interest may arise in the course of Cantor providing services to you, and in accordance with our Conflicts of Interest Policy, we will take all reasonable steps designed to prevent or manage such conflicts from adversely affecting your interests.

You acknowledge that Cantor nor any of its associates are required to disclose or account to you for any profit made as a result of acting in any manner described above.

## 11. Amendment of these Terms

Cantor reserve the right to alter these Terms at any time, upon giving of no less than 10 business days' notice in advance. No such amendment shall be made which would conflict with the provisions of Chapter 2 Part 30 of the Taxes Act, which are applicable to ARFs. Cantor will notify Clients of changes to these Terms by posting updates on its website, [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie). You should, therefore, periodically refer to this website for updates. By agreeing to these Terms you are deemed to have consented to the provision of information in this form and you are deemed to have consented to any alteration



to these Terms if Cantor does not receive notification otherwise from you in writing within the time that the changes were notified to you and their coming into effect. No amendment will affect any order or transaction or any legal rights or obligations that may already have already arisen.

## 12. Provision of information

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Certain information will be made available to you via our website [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie) and by agreeing to these Terms you consent to the provision of information by means of Cantor's website.

Information contained within Cantor's website [www.cantorfitzgerald.ie](http://www.cantorfitzgerald.ie) is provided in accordance with and subject to the laws of the Republic of Ireland. Those laws govern the conduct and operation of Cantor's website. The courts of the Republic of Ireland have exclusive jurisdiction over all claims or disputes arising in relation to, out of, or in connection with our website, the information contained within and its use.

Cantor's website is not intended for distribution to, or use by, any person in any country where such distribution or use would be contrary to local law or regulation. None of the services or investments referred to in these Terms are

available to persons resident in any country where the provisions of such services or investments would be contrary to local law or regulation.

The information provided in Cantor's website is subject to change without notice and is continuously updated. Cantor reserves the right in its sole discretion to cancel, terminate, or suspend its website, or any information contained within, at any time and without prior notice.

Cantor's website may provide hypertext links to sites which are not operated, controlled or maintained by Cantor. We do not accept responsibility for the content of any of these websites or for any loss or damage arising either directly or indirectly as a consequence of you accessing them.

Cantor will not provide information via their website that includes any confidential information or personal data relating to you.

## 13. Governing Law

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These Terms will be governed by the laws of the Republic of Ireland and all parties will submit to the non-exclusive jurisdiction of the courts of Ireland.



**DUBLIN:** Cantor Fitzgerald House, 23 St. Stephen's Green, Dublin 2, Ireland. Tel : +353 1 633 3800. Fax : +353 1 633 3856/+353 1 633 3857

**CORK:** 45 South Mall, Cork. Tel: +353 21 422 2122.

**LIMERICK:** Crescent House, Hartstonge Street, Limerick, V94 K35Y. Tel: +353 61 436500.

**email:** ireland@cantor.com **web:** www.cantorfitzgerald.ie

Cantor Fitzgerald Ireland Ltd is regulated by the Central Bank of Ireland. Cantor Fitzgerald Ireland Ltd is a member firm of the Irish Stock Exchange and the London Stock Exchange.

# Sustainability Preferences

# What is Sustainability?

In 1987, the United Nations defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability is about the prudent use of resources, with a view to long-term priorities and consequences of the ways in which resources are used.

A sustainable business seeks to resolve or mitigate environmental, social and economic challenges through the strategic allocation and management of corporate resources. In recent years, a concerted effort by authorities and regulators have resulted in significant progress for how companies can measure their progress in becoming more sustainable business.

## What are the Sustainable Development Goals (SDGs)?

The SDGs are a collection of 17 interlinked global goals agreed as an international framework of reference that addresses the most pressing challenges of sustainable development. The SDGs were agreed in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030. The SDGs are useful guidance to understanding the interconnected challenges of sustainable development and the urgency behind each goal. Investors may use the SDGs as a framework of reference for areas of impact when it comes to addressing sustainability in their portfolios.



## What are Sustainability Preferences?

Recent changes to the Market in Financial Instruments Directive (MiFID II) now require investment advisors and investment managers to ask investors whether they would like to see aspects of sustainability reflected in their investment decisions. This is known as the collection of sustainability preferences and has become part of the regular suitability assessment process.

Clients have varied attitudes to many different aspects of their investment decision such as liquidity, return, safety and risk. Sustainability preferences is a further layer in this process that allows us to determine the investment decisions that are most suitable for the client in relation to their attitude to sustainability.

## What is the Suitability Assessment?

The assessment of suitability is a core investor protection measure under MiFID II. Correctly assessing client suitability ensures clients are only invested in products and services that are suitable for their own needs and objectives.

The goal of suitability rules is to ensure clients best interests are at the forefront of investment decisions. The assessment of suitability is applicable to both advisory and discretionary clients.

Suitability rules require investment firms to gather relevant information from clients in relation to:

- a) investment objectives, including risk tolerance
- b) financial circumstances including ability to bear loss
- c) knowledge and experience
- d) investment time horizon
- e) personal circumstances
- f) sustainability preferences

Collection of this information enables the Firm to complete a suitability assessment and (in the case of advice) provide suitable personal recommendations to clients or (in the case of discretionary clients) to make suitable investment decisions on behalf of the client(s).

In relation to sustainability preferences, clients must be asked the following:

- Whether the client has sustainability preferences (yes/no)
- The minimum proportion which the client wishes to invest in environmentally sustainable investments and sustainable investments
- The Principal Adverse Impacts which the client wishes to be considered.

CFIL will request information to assess a client’s sustainability preferences to enable it to match the client with suitable products. Terms and concepts used when referring to environmental, social and governance aspects will be explained to clients. This will include an explanation of the differences between products with and without sustainability features in a clear manner, avoiding technical language.

This regulation came into force in August 2022. Questions relating to sustainability are required as part of the suitability assessment and must be asked to every new client of the firm and every existing client where a suitability review is taking place.

***Sustainability preferences are grouped in three major themes:***

### **1. Environmentally Sustainable Investments (or “Taxonomy-aligned”)**

These are investments in economic activities that make a significant contribution to an environmental objective based on technical screening criteria. There are six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- The circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems.

The EU Taxonomy Regulation (TR) sets out robust, science-based technical screening criteria that activities need to comply with to be considered as “green” while ensuring such activities don’t negatively impact people and the planet.

Large companies are required to disclose to what extent their activities are associated with economic activities that qualify as environmentally sustainable. Given the role of the TR in how investments are defined as environmentally sustainable, this product category is also described as Taxonomy-aligned investments. To learn more about this topic, read [\*\*more here.\*\*](#)



## 2. Sustainable Investment

This is a more all-encompassing description of both environmentally and socially sustainable investments. The Sustainable Finance Disclosure Regulation (SFDR) is the regulatory regime governing the definition of sustainable investment (SI). For an investment to be classified as SI, it must (1) follow principles of good governance (e.g., having in place sound management structures, tax compliance, employee relations and so on), (2) its economic activity contributes to a social or environmental objective, whilst (3) ensuring such economic activity does not cause harm to people or the planet.

The SFDR also classifies investment products in terms of being Article 8 or 9 aligned, which describes the extent to which a product is committed to SI. Both types of products must follow principles of good governance, however, they have varying requirements when it comes to % alignment with sustainable investment, with Article 9 products required to have 100% of the investments aligned with SI criteria. Article 8, on the other hand, promote environmental and social characteristics and can set their own minimum % alignment with environmental and social characteristics.

When defining environmentally sustainable activities under the SFDR, there is overlapping with the definition provided by Taxonomy-aligned economic activities. Therefore, a Taxonomy-aligned activity can automatically be defined as sustainable investment.

Finally, an Article 6 designation refers to a product that does not have a sustainable investment as its objective nor promotes ecological or social characteristics.



### 3. Principle Adverse Impact (PAIs)

Principle Adverse Impact indicators are a collection of data points where investments can be screened to highlight their sustainability risks against one another. They cover environmental, social and governance metrics (ESG risks).

Investors interested in understanding the principal adverse impacts from their investment decisions can choose from a total of 64 PAI indicators and track their performance in their portfolios. PAI's can be either quantitative or qualitative elements.

Clients can also exclude from their investments specific economic activities on the basis of relevant PAIs. For example, specific economic activities that are linked to certain principal adverse impacts on sustainability factors, and are considered as significantly harmful, can be avoided from investment. Examples of PAIs include:

- Carbon emissions
- Fossil fuel sector activity
- Human rights violations
- Involvement in controversial weapons
- Activities negatively affecting biodiversity
- Rule of law
- Board gender diversity
- etc...





## What is the Difference Between Products with and without Sustainability Features?

One of the key differences between products with sustainability features and without is that the former goes through examinations pertaining to the sustainability of a government / business in terms of ESG standards at the same time as the financial performance of such investment is taken into consideration. Products without sustainability features, on the other hand, only focus on the financial performance of such investments.

## What Happens if I don't have Sustainability Preferences?

Once you inform us that you have no preferences for sustainability in your investment decisions, you will be considered *sustainability neutral*, meaning that you can be offered products with and without sustainability features.

## What are the Challenges?

We acknowledge that investors looking for sustainable investment solutions face a variety of obstacles as well as possibilities. Company data to allow for a more efficient matching of products with client's sustainability preferences is still under development. This is mostly due to another relevant regulatory framework, the Corporate Sustainability Reporting Directive (CSRD), having a different timeline for implementation to the other regulatory regimes assisting in the integration of sustainability preferences in investment decisions. The CSRD timeline is being done through a phased approach, meaning that only large corporates are currently in scope for disclosure of sustainability data, with more companies falling in scope every year from 2025 to 2029. The reason behind such an approach was to give companies enough time to prepare these more extensive reporting requirements. The CSRD is also creating rigor around sustainability disclosure with such information becoming part of companies audited annual financial accounts.

**The mismatch between timelines in companies' public disclosure of sustainability data may lead to a shortage of suitable products, as fund managers may lack relevant data to address a sustainability issue.** For example, an area many investors may care about is biodiversity loss. However, the extent of the impact of companies' activities on biodiversity may require more disclosure than it is currently available to be better understood. In turn, an advisor may be unable to recommend a financial product to match a client's sustainability preferences.

## What is Understood by "Minimum Proportion"?

During the collection of sustainability preferences, we ask for what "minimum proportion" you would like allocated to sustainable or taxonomy-aligned investments. This minimum proportion is collected as a specific percentage range, which is then used as guidance for the portfolio manager/advisor on what proportion of a client's portfolio should ideally be exposed to sustainable or taxonomy-aligned investments.

## What Happens when no Product is Available to meet my Sustainability Preferences?

Your financial advisor/portfolio manager will inform you that, after searching for a suitable product that would meet not only your sustainability preferences, but other aspects of suitability (e.g., risk tolerance, liquidity, etc.), no product can be recommended at this time. The client can then be afforded the opportunity to adapt their sustainability preferences, and the advisor/portfolio manager will keep a record of the client's decision and reason for that decision.

Following this decision, the advisor/portfolio manager can then recommend an alternate product that would meet the client's other suitability objectives and assessment criteria. Under suitability rules, clients will be subject to a periodic review. This means clients will be contacted every two or three years, depending on their risk profile. During this review, all client's suitability criteria as mentioned above will be reviewed, including sustainability preferences.

At any time, if a client's circumstances or objectives change, you are encouraged to contact your portfolio manager to inform them of same. This will trigger a suitability review to ensure all information related to you is kept accurate and up to date. This ensures that any products or services you are invested in will continue to remain suitable to your needs.