

Self-regulation on the prevention of greenwashing in sustainability-related unit-linked life insurance

(hereinafter ‘self-regulation or self-regulatory regime’)

Valid from 1 January 2025

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Introductory remarks

In the interests of

- strengthening Switzerland's reputation as a financial centre at home and abroad, specifically through the avoidance of greenwashing as defined in the Federal Council's position on the prevention of greenwashing in the financial sector of 16 December 2022;
- pursuing self-regulation of the Asset Management Association Switzerland¹ and the Swiss Bankers Association²; and
- contributing to the sustainability of the insurance industry, through
 - compliance with the guidelines of the Federal Council (in particular its report of 24 June 2020 and press release on sustainable financial investments of 17 November 2021);
 - ensuring transparency and high quality in the creation and sale of sustainability-related unit-linked life insurance, in particular taking into consideration the sustainability preferences of policyholders (hereinafter 'customers') and any sustainability risks;

the participating insurance companies and their tied insurance intermediaries³ according to the online register on the SIA's website (hereinafter 'participants') voluntarily undertake to comply with this self-regulatory regime.

Terms

Article 1 Definitions

The following terms apply for the purposes of this self-regulation:

- Sustainability-related unit-linked life insurance: Refers to the communicated (advertised) sustainability-related quality of the design and presentation of products in insurance classes A2 (classic unit-linked life insurance), A6.1 and A6.2 (unit-linked capitalisation transactions) and A7 (unit-linked tontine transactions).
- Collective investment schemes/funds: Swiss collective investment schemes pursuant to Art. 7 Federal Act on Collective Investment Schemes (CISA) and foreign collective investment schemes pursuant to Art. 2 para 1(b) CISA that are offered in Switzerland.
- Sustainability-related: Sustainability-related means that one or both of the following investment objectives must be pursued in addition to the financial objectives:
 - a) compatibility (including transition) with one or more specific sustainability objectives
 - b) contribution to the implementation of one or more specific sustainability objectives.
- Sustainability objective:
Sustainability objectives are defined according to a
 - a) well-defined reference framework; and
 - b) specific indicators that can be used to measure and monitor the sustainability objectives pursued.The sustainability objectives can be achieved through one or more sustainability approaches and one or more reference frameworks.
The following in particular may be considered as a reference framework for sustainability targets:
 - a) criteria issued by a Swiss or foreign government body;
 - b) criteria developed by a non-governmental body;

¹ Asset Management Association Switzerland | Greenwashing (am-switzerland.ch)

² Greenwashing – SwissBanking

³ For definition, see Art. 40 para. 3 of the Insurance Supervision Act (ISA).

- c) criteria that reflect generally recognised industry practice; and/or
- d) criteria developed by the fund management company or life insurer itself.
- Sustainability policy: The sustainability policy defines processes and principles applied in pursuit of the sustainability objectives. In addition to return and risk aspects, the insurance company also takes sustainability considerations into account when assessing fund selection.
- Sustainability approaches: Approaches to how sustainability criteria can be incorporated into the investment process.
- Sustainability preferences: These reflect customer interest in the topic of sustainability.
- Sustainability risks: Events or circumstances in environmental, social or corporate governance matters that may have a negative impact now or in the future.

The terms used in the ISA and the Ordinance on the Supervision of Private Insurance Companies (ISO) also apply to this self-regulation.

Purpose and scope of application

Article 2 Purpose

These guidelines establish a uniform minimum standard across the insurance industry for:

- the issuance of sustainability-related unit-linked life insurance products;
- the quality and presentation of sustainability-related unit-linked life insurance products;
- the disclosure of specific sustainability characteristics and consideration of sustainability preferences in the advice and support provided for sustainability-related unit-linked life insurance products.

Parties to this agreement will refrain from labelling unit-linked life insurance products, other than those defined under Article 1 above, as “sustainable” and from using any definitions of sustainability-related unit-linked life insurance other than those set out in Article 1. This is intended to minimise the risk of greenwashing in interactions with customers.

Article 3 Legal nature and scope of application

This principles-based self-regulation is of a private, autonomous nature. It does not fall within the supervisory remit of FINMA pursuant to Art. 7 para. 3 Financial Market Supervision Act (FINMASA). Relevant statutory and regulatory provisions (such as supervisory information, disclosure, documentation and accountability obligations, FINMA circulars and guidance, and those of other private sector self-regulatory regimes) are unaffected by this self-regulation. Compliance with such provisions is the responsibility of the participants and is audited by internal and external auditors pursuant to Article 22.

This self-regulation applies to participants that notify the SIA in writing. Based on this, participants are added to a register that is periodically updated by the SIA and published on its website in the interests of transparency. Participants undertake to abide by these principles of self-regulation and not to exclude it from their customers under contractual law.

This self-regulation applies only to participants' dealings with non-professional policyholders within the meaning of Art. 30a ISA.

Article 4 Transparency and greenwashing

Three levels are relevant for the transparency of sustainability-related unit-linked life insurance:

1. Institutional level (appropriate organisation at participating insurance companies and intermediaries);

2. Product level (sustainability-related information for unit-linked life insurance);
3. Distribution level (transparent advisory and sales processes at the point of sale).

At financial product level, use cases of greenwashing in relation to collective investment schemes are listed in FINMA Guidance 05/2021 on preventing and combating greenwashing. Guidelines issued by other industry organisations also include precautions against greenwashing at product and financial instrument level.

Guidelines for application

Article 5 Principles

This self-regulation is principles-based. The principles set minimum standards that participants undertake to implement in their activities.

Organisational requirements

Article 6 Infrastructure, resources and organisation

Participants must ensure that the necessary infrastructure is in place, qualified resources are used and the organisational requirements are met in order to implement the sustainability specifications defined in the investment objective, investment plans, investment policy and/or investment strategy, or for distribution and advisory services.

Article 7 Processes

Participants must ensure that corporate governance and other key processes, such as reporting, investment and risk management processes, are documented and that the implementation of all sustainability specifications is guaranteed.

Article 8 Knowledge

Participants must ensure that employees responsible for sustainability-related unit-linked life insurance have the requisite knowledge to enable them to fulfil the requirements relevant to their activities for sustainability-related unit-linked life insurance. This applies to the production, management, communication, marketing and customer service of sustainability-related unit-linked life insurance products.

Principles for issuers of sustainability-related unit-linked life insurance products

Article 9 Delegation and sub-delegation

Insurance companies must ensure that the following points in particular are documented when delegating or sub-delegating activities central to the setting and/or implementation of sustainability specifications:

- a) competencies and responsibilities;
- b) authorisation of the delegate to transfer duties;
- c) accountability of the delegate or sub-delegate;
- d) control rights of the insurance company.

The jurisdiction of the company and the service provider must be contractually defined and delimited, particularly in regard to interfaces and responsibilities.

Article 10 Sustainability policy

1. Issuers of sustainability-related unit-linked life insurance products must provide information in the product documentation and marketing documents on the main features of the sustainability policy and/or make available product information from providers of collective investment schemes used in the management of the relevant life insurance product.
2. In describing the nature of the sustainable investment objective, it must be stated which specific sustainable investment objectives are implemented pursuant to Article 1. The scope of this information obligation can also be based on the current version of the AMAS self-regulation on transparency and disclosure for sustainability-related collective assets. For sustainability-related information on the collective investment schemes used, insurance companies may rely on or refer to documents issued by the relevant asset manager or fund management company.
3. If a sustainability-related unit-linked life insurance product is offered, only (i.e. 100 per cent) investments in collective investment schemes classified as sustainable under the AMAS self-regulation on transparency and disclosure for sustainability-related collective assets (i.e. either compatible with one or more sustainability objectives or contribute to one or more sustainability objectives) are permitted.
4. Where one or more specific sustainability objectives are pursued, their measurability should be described. The sustainability criteria relevant to implementation of the sustainability policy must be comprehensible, recorded in writing and made available to the customer. The insurance company may also rely on or refer to documents issued by the relevant asset manager or fund management company.
5. The information on the sustainability policy in the product documentation should be clear and comprehensible to the customer.

Article 11 Data

Issuers of sustainability-related unit-linked life insurance products must:

- document the relevant sustainability-related data criteria that form the basis for fund selection in the creation process for sustainability-related unit-linked life insurance products, and also the review cycle for ongoing monitoring and verification of the data criteria;
- apply due diligence in fund selection, instruction and monitoring where sustainability research, sustainability data and/or third-party analytical tools are used to support the fund selection process for unit-linked life insurance. Where collective investment schemes form part of the unit-linked life insurance product, this requirement may also be implemented by the creator of the collective investment scheme instead of the insurance company.

Article 12 Advertising

If an insurance company or issuer advertises in its name a sustainability-related unit-linked life insurance, such advertising must comply with this self-regulation and with the statutory legislation.

Article 13 Reporting

Customers are informed of the sustainable investment objectives applied in accordance with Article 1 to a sustainability-related unit-linked life insurance product by means of an annual value notification (e.g. as part of regular reporting or by publication on the homepage). This reporting covers the points listed in Article 10 of this self-regulation. The insurance company may also rely on or refer to documents and reports issued by the relevant asset manager or fund management company for sustainability-related information on the funds used.

Article 14 Risk control

Compliance with the sustainability specifications listed above under Articles 9-13 is regularly reviewed and documented as part of an independent risk control process.

Article 15 Responsibilities

The insurance company is responsible for the selection of funds for unit-linked life insurance products. The relevant asset managers or fund management companies are responsible for performing other tasks in connection with the management of these collective investments (in particular the analysis process and sustainability research, clarifications, audit cycle and reporting on sustainable investment objectives and sustainability approaches). In any event, the insurance company remains responsible for compliance with this self-regulation.

Principles for the sale of sustainability-related unit-linked life insurance products via the company's own sales channels and tied intermediaries (participants)

Article 16 Duty to provide information

Where customers show an interest in greater sustainability, participants are required to inform them of the range of sustainability-related unit-linked life insurance products.

Customers must also be informed of the characteristics and sustainability risks associated with sustainability-related unit-linked life insurance products, as part of the general risk declaration. The aim is to enable customers to understand the relevant sustainability characteristics and on that basis be able to bear the risks associated with sustainability-related unit-linked life insurance products.

The participants will provide customers with sustainability preferences with product information related to the sustainability-related unit-linked life insurance products offered. They can also provide information on which sustainability approaches are being or can be pursued.

Where customers have chosen specific sustainability-related unit-linked life insurance products, participants must inform them as a minimum via the product information (e.g. factsheets and similar) or their own explanations about how this unit-linked life insurance product satisfies their sustainability preferences.

It is prohibited to disseminate misleading or false information about the sustainable properties of insurance products. Participants must also refrain from misleading advertising within the meaning of Article 12 and from any communication that could give the impression that non-sustainable unit-linked life insurance products are sustainable.

Article 17 Assessment of sustainability preferences

The checks to be performed in the advisory process and before any unit-linked life insurance is taken out also include sustainability objectives. Accordingly, participants ensure that customers' sustainability preferences are duly taken into account in this assessment.

Participants must establish their customers' sustainability preferences as part of the suitability assessment. Where there are several policies with the same customer, different sustainability preferences can be established.

Customers may be grouped specifically on the basis of their sustainability preferences (e.g. (very) interested, neutral, uninterested).

Sustainability preferences are to be understood as subordinate to the customer's insurance objectives. For that reason, sustainability preferences can be considered only after the aims of the insurance have been established.

If customers do not express any specific sustainability preferences or are neutral towards incorporation of sustainability objectives, it is not necessary to take sustainability preferences into consideration.

Customers who do not answer the question about sustainability preferences can be treated in the same way as those that answered "No" to this question, meaning that they are treated as sustainability-neutral.

Article 18 Matching

When advising on unit-linked life insurance, participants must ensure that there is transparency regarding the sustainability of the recommended unit-linked life insurance products.

Participants must inform their customers before they take out a policy of any discrepancies between the sustainability preferences stated by the customer and the actual features of the chosen unit-linked life insurance product (if, for example, no sustainability-related option is available for their chosen insurance cover). Participants must document this (see Article 19).

For sustainability-related unit-linked life insurance products, in accordance with Article 10 para. 3, only collective investment schemes that are either compatible with one or more sustainability objectives or contribute to one or more sustainability objectives are permitted where the sustainability preference is "Compatibility". For sustainability-related unit-linked life insurance products, in accordance with Article 10 para. 3, only collective investment schemes that contribute to one or more sustainability objectives are permitted where the sustainability preference is "Contribution".

Article 19 Documentation

Participants must document in an appropriate manner:

1. whether a customer has a sustainability preference or is sustainability-neutral;
2. which sustainability preferences a customers has;
3. the sustainability-related unit-linked life insurance products that were presented to the customer and the product information made available to them;
4. that a customer has been appropriately informed about discrepancies between the unit-linked life insurance products and the sustainability preferences expressed by the customer, insofar as this is evident to the advisor.

The application for a sustainability-related unit-linked life insurance product must also specify the customer's sustainability objectives, if any, and establish the minimum investment level in collective investment schemes within the unit-linked life insurance product that meets the sustainability specifications. It must also be stated

whether the unit-linked life insurance product pursues a compatibility objective and/or an objective to contribute to one or more specific sustainability objectives pursuant to Article 1. The sustainability criteria relevant for implementation of customer preferences must be transparent and recorded in writing or in another verifiable form. The insurance company may also rely on or refer to documents issued by the relevant asset manager or fund management company for the sustainability-related information on the funds used.

Article 20 Accountability

The duties of accountability pursuant to the ISA and ISO apply analogously to the ascertainment of sustainability preferences and to the defined sustainable investment objectives.

Participants must on request provide customers with sustainability preferences an account of whether the unit-linked life insurance products offered correspond to their sustainability preferences and their defined sustainability objectives.

Article 21 Training and education

Participants must ensure that their employees have the necessary skills and knowledge to carry out their activities. Insurance advisors must therefore undergo regular training on sustainability and the prevention of greenwashing when advising on sustainability-related unit-linked life insurance and the associated sustainability approaches, so that they have sufficient knowledge of this area.

The following topics in particular should form part of the relevant training for insurance advisors:

- Basics of sustainability including the various sustainability risks;
- Overview of the relevant rules and regulations;
- Knowledge and understanding of the sustainability approaches applied by the participant;
- Specific knowledge and understanding of how the sustainability-related unit-linked life insurance products offered by the participant can meet customers' sustainability preferences;
- Fundamental knowledge of greenwashing and measures to prevent it.

Final provisions

Article 22 Audit

The participants must instruct their external auditor to verify compliance with this self-regulatory regime.

The necessary checks will take place as part of the insurance company's regular audit cycle. It is geared around the risks, organisational structure and activities of the insurance company.

Article 23 Entry into force

This self-regulatory regime enters into force on 1 January 2025 and must be fully implemented by 31 December 2026.

In the event of any inconsistencies, the original German text of this document shall prevail.

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