

# *Conflict of interest*

SWISSLIFEGLOBALSOLUTIONS

## *Objective*

This guideline regarding conflicts of interest (herewith referred to as the "Guideline") aims at describing framework applicable to Swiss Life Global Solutions (herewith referred to as "SLGS") to manage conflicts of interest and includes the requirements under the European Insurance Distribution Directive (EU) 2016/97 (herewith referred to as "IDD") and respective national laws transposing IDD relating to conflicts of interest.

SLGS recognizes that in the normal course of its business, conflicts of interest situations may arise, either permanently or from time to time. Subject to compliance with applicable laws and regulations, there is nothing inherently wrong or unethical if and when such situations do arise. However, the abuse of such situations is improper, and SLGS is therefore committed to manage those conflicts of interest that may arise in its business to prevent their abuse and give protection to its policyholders, employees and any other counterparts.

Employees must at all times place the interests of SLGS, policyholders and business partners before their own and other persons close to them. All contracting parties should be dealt with evenly and in the same highly professional manner.

This Guideline aims to uphold SLGS's reputation for integrity and fair dealing, meet regulatory expectations and maintain the trust and confidence of the policyholders and/or business partners. Every employee should be aware that such conflicts of interest can raise significant reputational issues.

SLGS endeavours always to act professionally and independently with the policyholder's best interests in mind, and takes all reasonable steps to identify, prevent, or manage conflicts of interest that may arise in the course of providing insurance-based investment products.

Such conflicts of interest may arise between:

- SLGS and other entities of the Swiss Life Group;
- SLGS (either as a single entity or as a result of the interaction between different Swiss Life Group entities) and a policyholder / a client and/or business partners of SLGS;
- SLGS's employees, its representatives or any person directly or indirectly linked to Swiss Life by control and a policyholder and/or business partners;
- Two or more policyholders and/or business partners of SLGS.

## *Scope of application*

The present Guideline applies to all staff of Swiss Life Global Solutions, i.e. Global Private Wealth & Global Employee Benefits Business Lines and Shared Services.

Swiss Life Global Solutions is represented by Swiss Life Luxembourg S.A., with registered offices at 2-6 rue Eugène Ruppert, L-2453 Luxembourg, Grand-Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B 22.663, Swiss Life Liechtenstein A.G., with registered offices at Industriestrasse 56, LI-9491 Ruggell, Principality of Liechtenstein and registered with the Liechtenstein Commercial Register under the number FL-0002.121.006-0, and Swiss Life Singapore Pte. Ltd., with registered offices at 250 North Bridge Road, #37-04, Raffles City Tower, Singapore 179101, Republic of Singapore and registered with the Singaporean Commercial Register under the number 200913694D.

This Guideline is available appropriately and effectively to all staff, notably to the relevant functions.

Every employee, Board of Directors (BoD) member and tied agent of SLGS is expected to recognize and avoid conflicts of interest. Should these persons feel to be in a position which gives difficulty to properly carry out their duties, they must immediately disclose such a situation for proper guidance.

Overall, every employee and tied agent must disclose all conflicts of interests to the Head of their relevant Department or their direct manager. They will cooperate fully in the review process by providing all information and documents required to assess the situation.

BoD members shall disclose all conflicts of interests respectively to the BoD on their own initiative.

Considering that SLGS is a member of the Group, this Guideline also takes into account any circumstances, of which SLGS is or should be aware, which may give rise to a conflict of interest arising as a result of the business activities of other entities of the Group.

## *Policy of SLGS*

One of SLGS's policies is to manage, and where necessary prohibit, any action or business transaction that may pose a conflict of interest between the interests of SLGS or its employees and those of its policyholders and/or business partners. It goes without saying that it is each employee's obligation to be alert to actual or potential conflicts of interest and to escalate them as appropriate, consistent with the Guideline.

## *Rationale*

Like every insurance company acting globally that engages in a wide range of businesses and activities, SLGS faces potential conflicts of interest on a regular basis. SLGS strives to manage them in a manner consistent with the highest standards of integrity and fair dealing.

With specific regard to policyholders, and pursuant to IDD, SLGS shall maintain and operate effective organisational and administrative arrangements with a view to take all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients.

For that purpose, and to fulfil the regulatory obligations, SLGS shall establish implement and maintain this Guideline as an effective conflicts of interest policy, set out in writing and appropriate to its size and organisation and nature, scale and complexity of its business.

This Guideline takes into account any circumstances, of which SLGS is or should be aware, which may give rise to a conflict of interest arising as a result of the business activities of other members of the Swiss Life group.

This Guideline addresses in particular the following:

- a) with reference to the specific insurance distribution activities carried out, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients;
- b) procedures to be followed and measures to be adopted in order to manage such conflicts and prevent them from damaging the interests of the client.

Compliance with laws and regulations is a basic requirement, but it is not always enough.

In order to ensure that these standards are met, SLGS must continually and proactively identify and manage conflicts of interest to avoid the appearance of, as well as actual, impropriety.

## *Definition of a conflict of interest*

Generally speaking, conflict of interest is a situation where, within the course of SLGS's activities, the interests of SLGS and/or its policyholders, and/or its employees and/or its business partners compete, whether directly or indirectly. Such an interest is the source of any advantage of whatever nature, tangible or intangible, professional, commercial, financial or personal.

This definition applies to conflicts of interest that are either actual or potential.

Such conflicts can arise in a variety of ways. While conflicts of interest are not necessarily illegal or even inappropriate, it is critical that they are identified properly and always seriously considered.

For the purpose of this Guideline, "relevant person", means:

- a) a director or manager of SLGS, where applicable;
- b) an employee of SLGS, as well as any other natural person whose services are placed at the disposal and under the control of SLGS and who is involved in the distribution of insurance products;
- c) a natural person who is directly involved in the provision of services to SLGS under an outsourcing agreement for the purpose of the distribution by SLGS of insurance products.

With specific regard to policyholders, a conflict of interest which entails a risk of damage to the interests of the policyholder arises when SLGS or any relevant person has an interest in the outcome of the insurance distribution activity:

- a) that is distinct from the customer's or potential customer's interest in the outcome of the insurance distribution activities;
- b) that has the potential to influence the outcome of the distribution activities to the detriment of the customer.

In order to assess whether a conflict of interest entails a risk of damage to the interests of the policyholder or not, SLGS shall take into account, by a way of minimum criteria, the following situations:

- a) SLGS, a relevant person or any person directly or indirectly linked to it by control is likely to make a financial gain, or avoid a financial loss, to the potential detriment of the customer;
- b) SLGS, a relevant person or any person directly or indirectly linked to it by control has a financial or other incentive to favour the interest of another customer or group of customers over the interest of the customer;
- c) SLGS, a relevant person or any person directly or indirectly linked by control to SLGS is substantially involved in the management or development of insurance products, in particular where such a person has an influence on the pricing of those products or their distribution costs.

## *Classes of conflicts of interest*

This Guideline only deals with the conflicts of interest that involve two policyholders, one or more policyholder and/or business partner of SLGS, either directly or indirectly and those are encountered – or could be encountered - by SLGS and its employees in the course of business with such contracting partners. Other actual or potential conflicts of interest encountered by SLGS and its employees (including such business as outside business activities, directorships, public mandates and political contributions) will be dealt with in separate guidelines.

Therefore, the Guideline basically covers the following conflicts of interest:

1. Conflicts of interest between SLGS and one or more policyholders and/or business partners:  
Potential conflicts of interest may exist between policyholder's interests (or between business partner's interests) of particular business or SLGS generally. These types of conflicts of interests include situations where SLGS may be unfairly advantaged at the expense of a policyholder or business partner.
2. Conflicts of interest between policyholders or between business partners:  
Potential conflicts of interest may also exist between different policyholders (or between different business partners). In these situations, a policyholder (or business partner) may receive unfair preferential treatment which could negatively impact another policyholder (or business partner).

3. Conflicts of interest between an employee of SLGS and one or more policyholders and/or business partners: Finally, potential conflicts of interest may also exist between the interests of an employee and the interests of policyholders or business partners. In these situations, the employee's interests may not be aligned with the best interests of the clients.

It goes without saying that an exhaustive list of examples of conflicts of interest can not be drafted, as new situations of such conflicts of interest arise due to the dynamic of the insurance business. Hence, the Guideline does not deal with conflicts of interest situations on a case by case basis but, instead, focuses on the courses of action that can be taken to manage properly conflicts of interest situations.

Conflicts of interest may arise within the course of carrying out the following activities (non- exhaustive):

- Distribution of an insurance product;
- Development of a new insurance product;
- Selling of an insurance product;
- Provision of advice to policyholder/prospect;
- Selection of investment options or funds;
- Remuneration relating to product;
- Claims management or benefits payment.

The following is a (non-exhaustive) list of generic situations in which conflicts of interest could arise and entail a risk of damage to the interests of a policyholder:

SLGS vs. policyholder conflicts of interest:

- Example 1; the Company concludes an arrangement which may result in a financial gain, or avoid a loss, to the potential detriment of a client. For instance, an independent intermediary is incentivized by receiving instalments from the insurance undertakings, which are exclusively linked to sales volumes. This intermediary could then be encouraged to recommend products with the higher fees and disregard the demands and needs of the client
- Example 2; the Company receives from any third party, except its client, an inducement in connection with the provision of a service to that client, in the form of monetary or non- monetary benefits

A relevant person or any person directly or indirectly linked to SLGS by control vs. policyholder conflicts of interest:

- Example 1; Directors, managers or other SLGS employees may have an interest in the outcome of a transaction or arrangement with a client, which may result in a conflict of interest for the Company

Policyholder vs policyholder conflicts of interest:

- Example 1; The Company has a financial or other incentive to favour the interest of one client or group of clients over the interest of another client or group of clients

Although the following list is not exhaustive, it details examples of situations where conflicts of interest may arise:

- a) Access to non-public information or other confidential information of, or concerning, a policyholder or a business partner;
- b) When an employee is named trustee or assignee of an insurance policy of SLI;
- c) Providing or receiving material gifts and/or entertainment to or from policyholders and/or business partners;
- d) When an employee should personally engage in any sort of introducer or referral scheme or pay any form of incentive to a third party for referring or introducing potential policyholders;
- e) Undue re-sale of the policy resulting in less favourable conditions for the policyholder.

## *Courses of action taken by SLGS to manage the conflicts of interest situations*

The practical aspects of the process of conflict of interests' management can be found in SL IN 8.21.1 PC & CC LUX.

### **1. Conflict of interest situations**

SLGS is managing conflicts of interest to avoid violating:

- a) Its obligations to policyholders and business partners; and/or
- b) Applicable laws and regulations.

In response to such a conflict of interest, SLGS (or its employees) can:

- a) Decline to act;
- b) Accept the conflict of interest but prevent any material abuse of it and give protection to the policyholder and/or business partner;
- c) Disclose the conflict of interest or obtain appropriate waiver or consent from the policyholder or the business partner.
- d) The employee concerned has to inform his line manager without any delay. Then, the line manager will have to inform the Head of Compliance.

### **2. Declining to act**

In some situations, often ones that would be the source of highly critical conflicts of interest, SLGS will not enter into (or if possible will withdraw from) the transaction, or one of the transactions that creates the conflict of interest situation.

SLGS has identified some of these situations. It maintains and operates procedures (such as the Acceptance and Giving Gifts and Entertainment Guideline SL IN 8.23 LUX or the Anti Money Laundering Guideline SL IN 8.27 LUX) that detail when it is appropriate or necessary to decline to act.

### **3. Permanent arrangements**

The proper action to take to manage a conflict of interest situation depends on the specific circumstances. SLGS maintains and operates permanent arrangements that are designed to properly manage most conflicts of interest situations, once identified. They are the following:

#### **3.1 General Principles**

Integrity, fairness, impartiality and primacy of policyholder's and business partner's interests occupy a leading place among SLGS's ethical rules. All SLGS staff is required to comply with ethical rules.

#### **3.2 Compliance Function**

Monitoring the framework to manage conflicts of interest is basically the responsibility of Compliance Department.

#### **3.3 Segregation to ensure independence**

In some permanent and critical potential conflicts of interest situations, SLGS takes the permanent action, if reasonably possible; to segregate the related business transactions so that they are performed independently from the other transactions with which conflicts of interest issues could arise. This action is supported by organizational measures such as separate lines of reporting, separate premises and restricted access to premises and restricted access and embargos on information. These permanent arrangements are often referred to as "Chinese Walls", "Firewalls" or "Information Barriers", depending on local practices.

In some situations, full or even partial segregation is not reasonably possible. As a substitute or a complement to segregation, other permanent arrangements shall be implemented to ensure independence in performing the business transaction whereby the potential conflict of interest could arise. These arrangements include procedures that, for specific business transactions, ensure that they are performed with the appropriate level of independence.

### 3.4 Safety devices

Safety devices are permanent devices, such as procedures and tools designed to contribute to, or handle, detection, prevention and management of conflicts of interest situations.

SLGS maintains and operates such devices (which can also be fully automated) to help prevent some conflicts of interest situations (for example the restricted access authorisation to certain areas of the IT infrastructure).

### 3.5 Follow up of incidents

An incident is any situation that reveals that a conflict of interest situation might not have been properly addressed, such as a sanction, a report from auditors or regulators or a complaint from a policyholder. Such incidents are monitored by the main line of business or support function involved, under the supervision of the respective line manager/department head. An investigation, if needed, is performed by Compliance Department. If necessary, remedial action is taken under the supervision of Compliance Department.

With specific regard to conflicts of interest with policyholders, SLGS keeps and regularly updates a record of the situations in which a conflict of interest entailing a risk of damage to the interests of a customer has arisen or, in the case of an ongoing service or activity, may arise.

SLGS Management Committee shall receive on a frequent basis, and at least annually, written reports on occurred incidents, from the respective departments' heads.

### 3.6 Other permanent arrangements

Where appropriate, other permanent arrangements may be introduced, in particular:

- a) effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of conflict of interest where the exchange of that information may damage the interests of one or more policyholders;
- b) the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services, to policyholders whose interests may conflict, or who otherwise represent different interests that may conflict, including those of SLGS;
- c) the removal of any direct link between payments, including remuneration, to relevant persons engaged in one activity and payments, including remuneration, to different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- d) measures to prevent or limit any person from exercising inappropriate influence over the way in which insurance distribution activities are carried out by SLGS or its managers or employees or any person directly or indirectly linked to it by control;
- e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate insurance distribution activities where such involvement may impair the proper management of conflicts of interest;
- f) a gifts and entertainment guideline which determines clearly under which conditions gifts or entertainment can be accepted or granted and which steps are to be taken when accepting and granting gifts or entertainment (SL IN 8.23 LUX Acceptance and Giving Gifts and Entertainment Guideline).
- g) Prevent or control the flow of information (ie. confidential client information)
- h) Identify and manage external BoD appointments and/or employees interest outside SLGS business
- i) Governing rules on the payment and the reception of inducements (ie. relevance of inducements towards clients is to be justified)
- j) Training programs for employees

### 3.7 Transparency and information

Before the conclusion of an insurance contract, SLGS communicates to policyholders the nature of the remuneration received by its employees in relation to the insurance contract.

If any payments are made by the policyholder under the insurance contract after its conclusion, SLGS shall also make the disclosure for each such payment.

SLGS provides, before conclusion of the contract, a summary of the conflict of interest policy to policyholders in order for them to understand the measures SLGS are taking to safeguard their interests.

This summary shall also be available on SLGS's web site.

Where these arrangements are not adequate to ensure that the insurance distribution activities are carried out in accordance with the best interest of the customer and are not biased due to conflicting interests of SLGS or another customer, SLGS shall adopt adequate alternative measures and procedures for that purpose.

### **3.8 Training and guidance**

Training prepares staff, first, to recognize where a conflict situation exists and, second, to make appropriate decisions about handling the conflict consistent with SLGS's guidelines, procedures and ethical standards.

All SLGS's staff members should have adequate and regular training sessions. The training program may include the following initiatives:

- Training and information session before effective implementation of the organisational and administrative arrangements described in this Guideline;
- Training and information sessions at regular intervals to capture new staff members;
- Training and information sessions in case of changes and/or updates.

The Compliance Department in conjunction with HR Department are in charge of providing training to all SLGS's staff members in relation to this Guideline.

Guidance on this Guideline is provided on an ongoing basis by the Compliance Department.

### **4. Disclosure / Waiver**

Some conflicts of interest cannot be properly managed either by declining to act or withdrawing, or preventing any abuse and giving appropriate protection to the policyholder and/or business partner.

In this case, SLGS discloses appropriate and proportionate information to the policyholder and/or business partner or, if needed, obtains an appropriate waiver or consent from the policyholder or business partner.

With specific regard to policyholders, SLGS takes the approach of avoiding over-reliance on disclosure to ensure that disclosure is a measure of last resort that can be used only where the effective organisational and administrative arrangements established by SLGS to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the policyholder will be prevented.

When disclosing the conflict of interest to a policyholder, SLGS shall:

- Provide a specific description of the conflict of interest in question;
- Explain the general nature and sources of the conflict of interest;
- Explain the risks to the policyholder that arise as a result of the conflict of interest and the steps undertaken to mitigate those risks;
- Clearly state that the organisational and administrative arrangements established by SLGS are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the policyholder will be prevented.

In any case, disclosure does not exempt SLGS of its duty to manage conflicts of interest situations in order to prevent abuses and give maximum protection to the policyholder and business partner.

#### **4.1 Identification of conflicts of interest situations and responsibilities**

With support from Compliance Department, responsibility for careful and consistent identification of conflicts of interest situations, either actual or potential, for managing such situations, for setting and applying related permanent arrangements, especially procedures, and for complying with this Guideline, relies on the lines of business and support functions, as they are responsible, on a more general basis, for monitoring their risks.

Management of conflicts of interest situations is an important item of SLGS's compliance permanent control framework.

Basically, it is the responsibility of all employees to identify any actual or potential conflict of interest of which they become aware. If there is no guideline in place for managing the conflict of interest, they should refer it to their direct line manager and Compliance Department.

### *Final provisions*

This Guideline enters into force on 03 May 2019.

The Risk Department in cooperation with Legal department shall assess and periodically review, on minimum annual basis, this Guideline and take all appropriate measures to address any deficiencies.