

# Inducement Policy

SWISS LIFE GLOBAL SOLUTIONS

This Inducement Policy addresses the remuneration and commissioning of Swiss Life vis-à-vis its distributors. Swiss Life distributes its life insurance contracts through several distribution channels:

1. Direct distribution: a number of Sales executives, employed by Swiss Life (Luxembourg) S.A. or exclusive agents linked to the company.
2. External distribution: a network of registered insurance intermediaries (brokers and non-tied agents)

The aim of this policy is to comply with the requirements of the Insurance Distribution Directive (IDD) of the European Union, for business with EEA resident policyholders. It also defines inducements received by distributors and referrers for business signed with residents of countries outside the EEA.

All Swiss Life distributors, both internal and external, shall abide by applicable regulations regarding the sale of Swiss Life insurance policies. In particular, Swiss Life and its distributors shall ensure that:

1. Sales incentives do not impact, directly or indirectly, the products recommended to clients.
2. Commissions paid for the sale of Swiss Life insurance policies are not solely based on quantitative criteria, but also include qualitative criteria.
3. Inducements paid to distributors are proportional to and do not exceed the value of the product and service provided to the policyholder. Inducements paid over the life of the contract must correspond to a service provided to the client.
4. Commissions are not paid solely at the conclusion of a sale (contract).
5. A mechanism exists to reclaim commissions paid in case of early termination of insurance contracts.
6. No value accelerating commission structures exist based on volume of sales.

The intent of the policy is to ensure that all parties participating in sales process of Swiss Life products act honestly, fairly and professionally in accordance with the best interest of its customers.

## 1. *Global Private Wealth Solutions* (“GPW”)

### • **Direct distribution**

The remuneration of the Sales executives of GPW and its tied agents consists of:

- A fixed salary
- A yearly bonus based on commissions generated
- Quantitative elements:
  - Compliance with all applicable regulations for the jurisdiction of sale (national and supra-national)
  - Customer satisfaction
  - Quality of applications submitted to Swiss Life
  - For EEA resident clients: Quality of advice given to policyholders, initial and on-going
  - Respect of all Swiss Life Group and Global Private Wealth guidelines, including but not limited to AML guidelines and underwriting policies
  - Team work
  - Completion of legal and Swiss Life training requirements.
  - Complaints and litigation relating to policies sold by the relevant sales executive
  - Quality of applications submitted by external distributors falling under the responsibility of the relevant sales executive.
  - Others, as defined in individual GPS

The quantitative and qualitative elements ratio is determined yearly in the GPS of every Sales executive.

**Specific agreements with Tied agents:** Tied agents are external distributors, linked to Swiss Life by an agency agreement. As external distributors, they are submitted to all IDD and local laws and directives on Insurance Distribution. Depending on the distribution agreement signed with the agent, the remuneration of the tied agent consists of either:

- A variable commission linked to the business generated by the tied agent (same situation as with the remuneration of other insurance intermediaries);
- A fixed annual retainer and a variable commission linked to the business generated by the tied agent, the amount of which is defined in the specific agreement signed with the tied agent.

- **External distribution**

External distributors for GPW, dealing with policyholders residing in the EEA countries and/or operating in those countries are submitted to the IDD. They are insurance intermediaries (brokers or agents), registered in their home country, potentially pass-ported in other EEA countries and have certified their ability to advise clients in the countries where they exert their distribution activities (either home country or pass-ported country).

Depending on the country of residence of the policyholders and/or the country in which they operate, external distributors may be entitled to receive inducements from Swiss Life.

Where allowed by local laws and regulations, the inducements received reflect a personalized service provided to the policyholders. The service provided to the policyholder is evaluated in terms of the suitability and appropriateness of the product sold, as well as an on-going service to the policyholder during the life of the policy. Additionally, service is also evaluated based on the ongoing suitability of the policy and its underlying investments, on further operations on the policy, as well as the complexity of fiscal, regulatory and legal environment of life insurance in the country of residence of the policyholder. The obligations of the intermediary are reflected in the Intermediary Agreement signed with the legal entities.

Where allowed by local laws and regulations, for EEA resident policyholders, the inducements paid to external distributors consist of one or a combination of the following:

- A % or fixed amount of initial fees charged at policy level
- A % or fixed amount of annual fees charged at policy level and/or
- A % or fixed amount of surrender fees charged at time of surrender

The exact fees and inducements paid to an External distributor are indicated in the policy subscription documents, and in the Policy Schedules provided to the policyholder.

External distributors for GPW, dealing with client residing outside the EEA may receive inducements for the business brought so GPW in the form of:

- A % or fixed amount of initial fees charged at policy level
- A % or fixed amount of annual fees charged at policy level and/or
- A % or fixed amount of surrender fees charged at time of surrender

- **Referrers and IDD**

Entities or individuals referring business to GPW are subject to the local laws and rules of their country of residence, which define the scope and limitation of their activities.

For business referred to Swiss Life where the policyholder is a resident in an EEA country, Swiss Life remunerates referrers on a one-off basis, with a percentage or a fixed amount of initial fees charged at policy level.

Referrers do not bear any specific responsibilities under IDD. The referred business will enter the channel of direct distribution. Swiss Life will not consider referrer as an external distributor. However, referrers will have various obligations towards Swiss Life depending on the type of business brought and agreement signed with Swiss Life. All legal responsibilities and duties towards clients therefore fall under the responsibility of the assigned Swiss Life Sales executive.

- **Business consultants and IDD**

Swiss Life has agreements with self-employed Business consultants. These consultants are not allowed to perform direct sales activities, and as such are not submitted to IDD regulations. All Business consultants are only allowed to perform B-to-B activities. The referred business will enter the channel of direct distribution.

Swiss Life will not consider consultants as referrers or external distributors for the purpose of insurance distribution.

The remuneration of consultants consists of an annual fixed retainer, as well as of an annual variable commission based on performance, linked, amongst other factors, to the overall amount of business brought annually to Swiss Life in connection with the distribution network developed by the Business consultant.

## 2. *Global Employee Benefits Solutions (“GEB”)*

Global Employee Benefits generates income from the following sources:

Sources	Description	Contractual information
Risk premiums	Insurance margin based on tariff and claim/premium ratio	Tariff mentioned in contract
Retirement plan	Fixed fee per member	Specifically mentioned in contract
	Set-up fee and/or renewal fee	Specifically mentioned in contract
Unit-linked	Fees on retirement contributions (%)	Specifically mentioned in contract
	Fees on assets under management (%)	Specifically mentioned in contract
	Trailer fees	Clean share class strategy (i.e. no trailer fees) for new/amended contracts, unless specific requirements from clients
General asset	Fees on retirement contributions (%)	Specifically mentioned in contract
	Fees on assets under management (%)	Specifically mentioned in contract
	Investment margin	Discretionary profit sharing terms are mentioned in the contract

- **Direct distribution**

The remuneration of the Sales executives of GEB consists of:

- A fixed salary
- A discretionary yearly bonus, determined by the Management Team of Swiss Life Global Solutions, of which the amount is determined by the following criteria:
  - Quantitative elements:
    - Financial targets (net profit, fee & commission income, absolute costs, GWP, VNB and NBM)
    - Qualitative elements, as defined in the Sales person objectives listed in his yearly GPS:
    - Key account and broker management
    - Special projects to expand the offering in relation to clients and markets needs
    - Respect of regulations and guidelines, including but not limited to risk management and compliance processes as defined in the GPS
    - Team work
    - Trainings
    - Complaints and litigation relating to contracts sold by the relevant Sales executive
    - Quality of tenders submitted by intermediaries falling under the responsibility of the relevant Sales executive.

The discretionary yearly bonus awarded to Sales executives is determined by both quantitative and qualitative aspects of their conduct in the sales process. The ratio of qualitative to quantitative elements used to determine the amount of the discretionary yearly bonus is defined in the yearly assessment of every Sales executive.

Swiss Life shall ensure that the yearly bonus:

1. Does not impact directly or indirectly the products recommended to clients;
2. Is not solely based on quantitative criteria, but also qualitative criteria.

The intent of this guideline is to ensure that all parties participating in sales process of Swiss Life products act honestly, fairly and professionally in accordance with the best interest of its clients.

- **External distribution**

The inducements paid to distributors by Swiss Life are summarized in the below matrix:

Location of Policyholder	Location of intermediary	License	Inducements allowed	Status of distributor
In EU/EEA	In EU/EEA	Registered in PH country	On recurring premiums and assets under management	Broker
		Not registered in PH country	On recurring premiums only	Referrer (Direct distribution by SLGEB)
	Not in EU/EEA	Registered in PH country		
		Not registered in PH country		
Not in EU/EEA	In EU/EEA	Registered in PH country	On recurring premiums and assets under management	Referrer (Direct distribution by SLGEB)
		Not registered in PH country		
	Not in EU/EEA	Registered in PH country		
		Not registered in PH country		

GEB ensures all brokers are registered in their home country and pass-ported in other EU/EEA countries where they conduct sales activities. Furthermore, GEB requires brokers to self-certify their ability to advise clients in the countries where they exert distribution activities (both home country or pass-ported country).

Where allowed by local laws and regulations, the inducements received by an intermediary reflect a personalized service provided to the policyholders, notably in terms of the suitability and appropriateness of the Swiss Life product sold, as well as an on-going service to the policyholders during the life of the contract, notably in terms of the ongoing suitability of the contract and underlying investments, of the fiscal, regulatory and legal environment of life insurance in the country of location of the policyholder.

Depending on the matrix above:

- Inducements on the recurring premiums refer to:
  - A commission (%) of the retirement contributions (irrespective if it is invested in Unit-linked or in the General asset)
  - A commission (%) of the risk premiums
- Inducement on assets under management refer to:
  - A commission (%) of the assets under management (irrespective if it is invested in Unit-linked or in the General asset)

No other kinds of inducements are allowed.

The inducements paid to External distributors are considered in the overall pricing delivered by GEB, in addition to the acquisition and other administration fees necessary to GEB to comply with the business and profitability ratios given by the Swiss Life Group.

### 3. *Distribution Quality Review Board*

A Distribution Quality Review Board (DQRB) is set up to review regularly the quality of internal and external distributors and take decisions and potential sanctions the Quality of Distribution.

### 4. *Claw back*

The IDD gives the right to EEA resident clients to claw back inducement paid to Distributors, in case of wrong advice given or dissatisfaction from the clients.

In case of Direct Sales, the DQRB has the power and responsibility to analyse the client's claim, as presented by the Head of Legal, and to decide whether to reverse payments of Distribution fees back to the client, and to apply a claw back on the commissions paid to the Sales executive involved in the case. If the Sales executive is still an employee of Swiss Life, the claw back will apply to the Commissions to be paid in April of the year following the claw back decision.

In cases where Swiss Life no longer employs the Sales executive involved at time the claw back is applied, it is the responsibility of the DQRB to decide whether to reclaim the paid commissions with the former Sales executive, by whatever means are feasible as determined by the Head of Legal.

In cases of external sales where an EEA resident policyholder is entitled to a clawback of commission paid to an external broker, as determined by the DQRB; Swiss Life will require the external distributor to repay the commission to the policyholder. In cases where the external broker does not comply with the request to repay its commission, Swiss Life will suspend all commissions derived from future and ongoing business for the broker. Commissions will be suspended at least until the full amount of the claw back owed to the policyholder is collect and repaid, and commissions may be suspended further as determined by the DQRB.

### 5. *Conflicts of Interest*

Swiss Life maintains a conflicts of interest policy, which is available on the Swiss Life Global Solutions website. All Sales Executives are expected to comply with the conflict of interest policy. In addition to the conflicts of interest policy, Swiss Life sales staff shall ensure that the following requirements are met in regards to the avoidance of conflicts of interest with respect to inducements:

- Sales staff always use the Swiss Life pre-assessment report to determine the most suitable product for the client. The pre-assessment report) requires an objective analysis of the client's situation to determine the most suitable product for the client.
- Sales staff receive an annual minimum of 15 hours of training as mandated by the IDD
- All sales meetings are documented in a summarized sales memorandum for filing

Swiss Life requires external distributors to certify that an appropriate conflict of interest policy is in place as define in the partner management guideline.

### 6. *Retrocessions/trailer fees*

Within the scope of the underlying investments of the contract, Swiss Life may, from time to time, receive remuneration from either the manager or the distributor of such underlying investments. Such remuneration allows (i) Swiss Life offer a wide range of underlying investment possibilities, (ii) Swiss Life to provide, upon request, the policyholder with specific information on the characteristics of these underlying investments and (iii) the administrative management and the reporting of these underlying investments together with the development of the relevant IT capabilities.

Swiss Life endeavour to enhance the quality of its services, to act fairly, professionally and in the best interest of its policyholders.