



**FMA REPORT**

**Green Life Insurance  
Products 2023**

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# 1 INTRODUCTION

The financial sector is able to make a significant contribution to achieving climate goals and promoting a sustainable economy by steering the flows of financial means into those areas that support a transition towards greater sustainability and contributing to realising sustainability goals. In order to mobilise capitalise through the financial services sector, financial market participants are obliged to disclose about how sustainability risks are being incorporating, taking into account detrimental impacts to sustainability, advertising of environmental or social characteristics as well as sustainable investments.

Sustainability-related disclosures in the financial services sector are required to be suitably clear, concise and significantly visible, so that investors are able to make considered decisions. Most of the sustainability-related disclosure requirements under the SFDR<sup>1</sup> have already applied since 10 March 2021. In addition, Delegated Regulation (EU) 2022/1288 (DR)<sup>2</sup>, which has been applicable since 1 January 2023 clarifies the precise content, methodologies and presentation of the SFDR's disclosure requirements.

Financial market participants within the scope of application of the SFDR are on the one hand required to disclose indicators on their websites about the most significant detrimental impacts of investment decisions on sustainability factors, which should follow the standardised format set out in the DR. For example, they should provide information about the carbon footprint, the greenhouse gas emission intensity of the entities invested in, the share of investments in companies active in the field of fossil fuels, or the share of investment in immovable property with poor energy efficiency. For companies that on average employ more than 500 staff members, it is compulsory to do so, while for other companies there is a possibility to “comply or explain”.

In addition at the level of the financial product, standardised formats have been defined for pre-contractual information, which provide information on, for example, the minimum proportion of sustainable investments with an environmental objective or socially sustainable investments, taxonomy conformity, or informs whether the financial product takes into account detrimental impacts on sustainability factors. Investors should learn more in periodic reports about how the promoted environmental or social characteristics of the purchased financial products are fulfilled or how sustainable investment objectives are achieved. The Delegated Regulation also defines a standardised format for doing so. Consequently transparency towards customers should be improved by enabling a comparison with the pre-contractual information.

Masculine forms are used throughout this report for ease of readability. Such designations should be considered as being gender-neutral. It should in particular be noted that all formulations relating to persons apply equally to women and men.

The content of the report is based on observations from supervisory activities as well as based on information from external sources. The legal basis remains unaffected by this report. No rights and obligations extending over and above the provisions of the law can be derived from this document.

Despite every care having been taken in the preparation and research of this report, the FMA is unable to assume any liability for the correctness and completeness of data and content contained in this report.

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<sup>1</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

<sup>2</sup> Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

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## 2 GREEN PRODUCTS IN AUSTRIA

In order to prevent the risk of greenwashing from the outset, at the start of 2023 the FMA has already conducted analyses with a focus on product-specific disclosures of insurance undertakings (IUs) to be conducted in accordance with SFDR-DR. The results show very heterogeneous presentations on web pages relating to sustainability-related disclosure, which is primarily attributable to the broad room for manoeuvre in interpreting the new legal standards. However, this hampers the comparability of product information, which is an important objective of the SFDR, and also increases the risk of greenwashing.

### 2.1 PRODUCT LANDSCAPE IN RELATION TO LIFE INSURANCE

The circumstances under which a life insurance product is to be classified as being “green”, and therefore the SFDR’s specific disclosure requirements to which it is subject to are not always unambiguous.

Where a product “strives for positive impacts on the environment and society”, according to the SFDR, an “Article 9” product exists. In contrast, Article 8 SFDR focuses on the “promotion” of environmental and social characteristics. Environmental or social characteristics of financial products may be promoted in a wide range of ways, for example in pre-contractual or periodic documents, in product names or in marketing communications.<sup>3</sup> Even where there is only a partial pursuit of sustainable investments, financial market participants should inform their customers about this, so that their customers are able to assess the different degrees of sustainability and make informed investment decisions from a sustainability perspective.<sup>4</sup> The European Commission has a very broad understanding of the term “promote” and understands it to mean those details, information, reports, disclosures as well as any impression imparted that the investments pursued with a financial product also considers environmental or social characteristics.<sup>5</sup>

An insurance product being classified as an “Article 8” or “Article 9” product should not be understood as a “label” or hallmark. Articles 8 and 9 SFDR meaning stipulate information requirements for products that possess specific characteristics.

Almost 75% of the IUs that offer life insurance products incorporate sustainability into their product design. Disclosures are only made pursuant to Article 8 SFDR (products promoting environmental or social characteristics), but not in accordance with Article 9 SFDR (products, that pursue a sustainable investment).

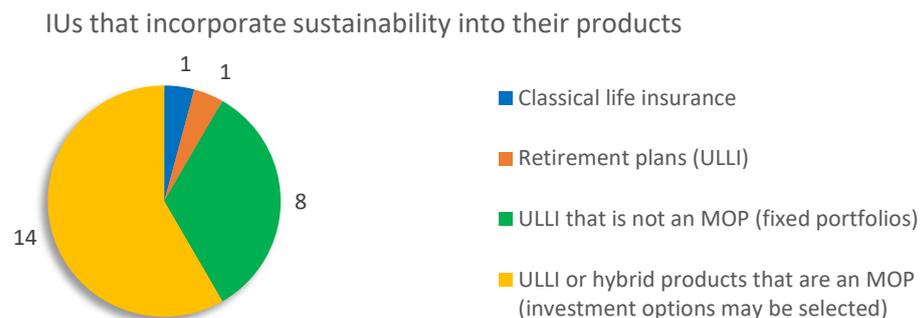
- “Sustainable” products are predominantly offered in the form of unit-linked life insurance (ULLI). In some cases, fixed portfolios are offered as well as individual funds<sup>6</sup>, from which the insurance policyholder can choose (multi-options products [MOPs], or hybrid products ULLI and CLI).
- One IU also offers classical life insurance (CLI) as a “green” product. At another IU insurance policyholders are also able to choose sustainable funds within the scope of retirement plans.
- 6 IUs do not consciously advertise with sustainability aspects, although one IU offers Article 8 and Article 9 funds for existing products, but not for new contracts.

<sup>3</sup> Recital 13 DR.

<sup>4</sup> Recital 14 DR.

<sup>5</sup> The term ‘promotion’ within the meaning of Article 8 of Regulation (EU) 2019/2088 encompasses, by way of example, direct or indirect claims, information, reporting, disclosures as well as an impression that investments pursued by the given financial product also consider environmental or social characteristics in terms of investment policies, goals, targets or objectives or a general ambition in, but not limited to, pre-contractual and periodic documents or marketing communications, advertisements, product categorisation, description of investment strategies or asset allocation, information on the adherence to sustainability-related financial product standards and labels, use of product names or designations, memoranda or issuing documents, factsheets, specifications about conditions for automatic enrolment or compliance with sectoral exclusions or statutory requirements regardless of the form used, such as on paper, durable media, by means of websites, or electronic data rooms (Question related to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector dated 14.07.2021).

<sup>6</sup> Insurance products with investment options (MOPs).



## 2.2 TRANSPARENCY OF EASE OF FINDING OF PRODUCT-RELATED DISCLOSURE

In addition to product-related information requirements, the SFDR<sup>7</sup> also stipulates their being published on financial market participants' webpages. Such information is required to be disclosed **for every financial product**, which falls under Article 8 or Article 9 SFDR and is required to be kept up-to-date. Such a disclosure should be in a clearly visible and easy to access location. The DR<sup>8</sup> clarifies the order in which such information is to be presented, and specifies two sections<sup>9</sup>. The DR not only clarifies the order and content of the disclosure, but also defines whereabouts on the website they should be found, namely under the heading "sustainability-related disclosures", in the same place as other information about the financial product, with the environmental or social characteristics or the sustainable investment objective being required to be stated in a clearly visible place.<sup>10</sup>

The ESAs has explained in their Clarifications on the ESAs' draft RTS under SFDR of 02 June 2022<sup>11</sup> about how this disclosure requirement should be fulfilled in the case of insurance products with investment options (MOPs). In accordance with these Clarifications, IUs are required to publish a list on their websites with potential investment options, as well as whether the respective investment option is classified as an Article 8 or Article 9 product. In addition a summary should be made about the information regarding the underlying investment options. All other disclosure requirements may be fulfilled on the level of the individual investment option, with IUs instructed to group this information in such a way that insurance policyholders are able to find and read this information easily.

- However, it is not always easy to find all the information; in some cases, it requires actively searching the list of eligible funds and the disclosure pursuant to Article 10 SFDR in connection with Article 24 DR. Often there are links to disclosures of management companies that are outside the links of funds or are incomplete.
- All the IUs that offer ULLI (unit-linked life insurance) provide a list on their website of the funds that may be chosen.
- Half of the IUs that offer ULLI (at least in part) directly link to the disclosure of the individual funds pursuant to Article 10 SFDR in conjunction with Article 24 DR. Otherwise they link to the management company's general website (although disclosures pursuant to Article 10 SFDR in conjunction with Article 24 DR when not always to be found on all pages), to other sustainability information or to pages on which indirect

<sup>7</sup> Article 10.

<sup>8</sup> Article 24.

<sup>9</sup> The scope of this analysis was on disclosures pursuant to Article 24 *lits. c to i* DR.

<sup>10</sup> Article 23 DR.

<sup>11</sup> JC 2022 23.

information about the topic of sustainability was downloadable. In some cases the links supplied did not work, or the links were “unavailable”. In a few cases the disclosure was sometimes only available in English.

- In some cases, the product-specific disclosure pursuant to Article 10 SFDR in conjunction with Article 24 DR was drawn up for all products collectively.

## 2.3 CONTENT OF PRODUCT-RELATED DISCLOSURE

The disclosures of IUs that make a disclosure pursuant to Article 10 SFDR in conjunction with Article 24 DR are presented in greater detail below:

- The Austrian Ecolabel or criteria for exclusion, such as coal, oil sand, oil and gas are listed as examples of **environmental characteristics**. When selecting the underlying investment fund, climate protection, adaptations to climate change, the avoidance and reduction of environmental pollution as well as the protection and restoring of biodiversity and ecosystems play a role, or only funds are incorporated that invest at least 51% in investment instruments that are selected in accordance with sustainable criteria.
- The Austrian Ecolabel is also applied for the promoted **social characteristics**, such as combating inequalities, promoting social cohesion, social integration and compliance with minimum labour standards, while excluding controversial weapons (biological and chemical weapons, anti-personnel mines, cluster bombs and nuclear weapons) as well as issuances from countries that seriously violate democracy and human rights.
- The **investment strategies** pursued for fulfilling the environmental or social characteristics promoted with the financial product include, for example, exclusion criteria under the Austrian Ecolabel (nuclear power, fossil fuels, genetic engineering, systematic violations of human or labour rights) or attaining a minimum ESG score. To ensure that the insurance product fulfils the promoted environmental or social characteristics across its entire lifetime, IUs state that a review is conducted on at least an annual basis, in some cases also on a monthly basis about whether the funds offered continue to hold the EcoLabel or whether the sustainability criteria are continued to be observed. The review is conducted either by the IU itself or as appropriate by external providers.
- **Data sources** that are used by IUs, cover for example external providers of sustainability information about ESG ratings, as well as data from publicly accessible sources (company disclosures, ESG data about issuances, changes in the company, media sources, or the EET data for the respective fund company).
- **Limitations** arise on the one hand due to the limited availability of data. On the other hand, the outcomes of negative and best in class benchmarks as well as ESG scores depend considerably on the underlying assessment benchmarks. The assessment benchmarks are partially derived from reporting guidelines and guideline on the sustainability assessment, such as those of the Global Reporting Initiative, the Austrian EcoLabel or the Forum for Sustainable Investment. Limitations arise as a result of estimates of data due to limited disclosures. However, it should be noted that there is barely any homogeneity in the informative value regarding the different ESG labels. In contrast, the inclusion of different labels in the fund selection process is viewed as being beneficial, as ESG quality is measured and assessed from different perspectives, as the more certifications there are for the same investment fund, the less likely greenwashing appears.

### 3 LIST OF ABBREVIATIONS

cf.	compare
CLI	classical life insurance
EET	European ESG Template
ESG	Environment, Social, Governance
etc.	et cetera
FMA	Financial Market Authority
IU	Insurance undertaking
MOPs	Multi-Options-Products (insurance products with investment options)
ULLI	unit-linked life insurance