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Chairman

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EIOPA's technical advice on potential amendments to, or introduction of, delegated acts under the Solvency II and Insurance Distribution Directives with regard to the integration of sustainability risks and factors

Dear Mr Guersent,

Further to your request for advice to EIOPA on 24 July 2018, I herewith submit EIOPA's technical advice on potential amendments to, or introduction of, delegated acts under Directive 2009/138/EC (hereafter, Solvency II) and the (Directive 2016/97/EU, hereafter, the Insurance Distribution Directive (IDD)) with regard to the integration of sustainability risks and factors.

Sustainability is an area of significant strategic importance for EIOPA. Consequently, EIOPA strongly supports the Commission's agenda on sustainable finance, with the aim to integrate sustainability considerations into the prudential and conduct framework for insurers, reinsurers and insurance distributors.

In doing so, EIOPA carefully considered to embed sustainability in the delegated regulations, while not to be overly prescriptive, bearing in mind the ongoing regulatory and market developments around sustainability and keeping coherence with current provisions in the delegated acts. As result, the advice integrates sustainability risks and factors in a relevant and proportionate manner in the delegated acts.

A key aspect of the advice is the integration of sustainability in the prudent person principle for investments in Solvency II. At the same time, EIOPA emphasises the

relevance of integrating sustainability in the underwriting practice and valuation of technical provisions.

To provide legal clarity about the expectations of the European legislator EIOPA calls for the introduction of a clear reference to ESG considerations in the implementing rules of the IDD on product oversight and governance as well as on conflicts of interest. The proposed explicit link between the prudent person principle and the target assessment in the context of the product oversight and governance arrangements ensures that, where relevant, insurance undertakings in their risk management and investment strategy and decisions consequently implement the commitments made to policyholders and beneficiaries on ESG characteristics of a specific product.

To the extent possible, EIOPA also considered the current legislative developments. In this context, the advice refers to the recently agreed regulation on disclosures relating to sustainable investments and sustainability risks, in particular with regard to transparency on remuneration.

Consultation with stakeholders, including a roundtable held on 23 January 2019, provided valuable insight, as has a close exchange with ESMA to ensure consistency, where relevant, in particular as regards the amendments proposed to the IDD and MIFID II delegated acts, as well as the dialogue with your services.

We are at your disposal in case of any further questions or clarifications.

Yours sincerely



Gabriel Bernardino

Chair, EIOPA

Annex: Report on technical advice for the integration of sustainability risks and factors, including consultation feedback and impact assessment

Cc:

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Andrea Beltramello, Member of Cabinet

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