

## Insurance Europe response to EIOPA's consultation for the Regulatory Technical Standards on management of sustainability risks, including sustainability risk plans

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### Introduction

#### General comments

Insurance Europe welcomes the opportunity to provide feedback on EIOPA's consultation paper on the proposal for Regulatory Technical Standards on management of sustainability risks including sustainability risk plans (SRPs). European insurers strongly support the drive towards sustainability and are ready to build on their current actions to contribute further to the transition to a more sustainable society and to play their role in achieving the targets of the EU Green Deal.

Sustainability risks are already adequately addressed in Solvency II, with further enhancements implemented in August 2022. Where the new requirements go beyond existing rules, they create unnecessary costs for both undertakings and supervisors without clear benefits. In view of this, Insurance Europe supports the removal of the new SRP requirements (as detailed in amendments to Article 44 of the EU 2015/2) through the upcoming EU's Omnibus simplification package.

If SRP requirements remain, the evolving regulatory landscape must be considered. Changes introduced by the Omnibus package will impact what insurers can reasonably be expected to include in SRPs. Therefore, the preparation of Regulatory Technical Standards (RTS) should be postponed until further notice.

In case the RTS is maintained, the industry supports significant changes to the proposed RTS on SRPs in line with the comments below.

- **Minimum standards should be limited to climate risks:** While the Directive defines sustainability as covering Environmental, Social and Governance (ESG) factors, it does not mandate minimum standards for all ESG areas. For social and governance risks, the lack of established methods and metrics makes prescriptive requirements impractical.
- **Overlap with existing frameworks:** The alignment of SRP requirements with existing frameworks such as the Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS), the own risk and solvency assessment (ORSA), and Pillar 3 reporting is essential to avoid duplication and operational inefficiencies. Specific areas of overlap identified in the draft proposals include:

- **Materiality analysis:** This is addressed under CSRD through exposure-based and scenario analyses. Companies should retain flexibility to determine their approach to materiality assessments.
- **Transition plans:** Disclosure of preparedness for below 2°C climate targets is already a requirement under CSRD. Ensuring consistency with existing plans and methodologies (eg CSRD/ESRS, EU Taxonomy (EUT), Sustainable Finance Disclosure Regulation (SFDR)) would streamline efforts.
- **Sustainability risk identification:** Existing ORSA requirements already cover the identification and management of material financial and non-financial risks, including reputational risks.
  - **Disclosure on material risks:** Sustainability risks are already categorised and disclosed in the Solvency and Financial Condition Report (SFCR).
- Proportionality in ESG implementation and SRPs:
  - The principle of proportionality, central to Solvency II, must be fully applied to SRP implementation, ensuring flexibility for all undertakings, not just small and non-complex undertakings (SNCUs). Given the growing ESG obligations, proportionality should be embedded throughout the RTS, not just in the final chapter, to balance operational costs with sustainability goals.
  - No standardised minimum metrics or quantitative requirements should be mandated for SNCUs.
- Challenges with implementation:
  - **Diverging definition of time horizon:** Consistent definitions of short, medium, and long-term horizons across EIOPA, CSRD/ESRS, and the European Banking Authority (EBA) are critical to avoid confusion. For example, EIOPA defines "short-term" as 1-5 years, while CSRD/ESRS defines it as 1 year.
  - **Insurance-specific categorisation misalignment:** The perimeter of analysis should align with Solvency II risk categories, as CSRD topic classifications are not tailored to the insurance sector.
  - **Insufficient data sources:** Robust data for many proposed mandatory and optional metrics is lacking, particularly for non-climate risks, making quantitative analyses challenging and preventing meaningful results.
  - **ESG risk measurement limitations:** Reliable risk measurement is difficult to implement. Isolating ESG risk factors and accounting for long-term horizons to produce quantitative outcomes, such as loss distributions, is unfeasible. A qualitative approach is often the most practical solution and should be facilitated by the RTS.
  - **Lack of mature frameworks:** Scenario analyses for non-climate risks are insufficiently developed, hindering financial analyses and the ability to set robust, monitorable risk appetites.
  - **Diverging third country approach:** Under the CSRD, third country groups are able to disclose at group level, whereas Solvency II does not allow for it. This risks creating confusion and unnecessary overlap, while there might be reputational risk involved when group and entity level disclosure, for valid reasons, is not perceived to be the same.
- Sustainability risks are often already integrated into existing risk categories and care should be taken not to treat them as a separate category within the Solvency II framework.
- Concerns with the proposed metrics:
  - The proposed minimum binding metrics in the RTS are too extensive and lack alignment with insurer-specific risk profiles. A minimum set is not proportionate, as it forces all insurers to adopt metrics even if the risk is immaterial.
  - The proposed metrics do not provide clear conclusions on sustainability risk exposure. If retained, they should only apply to undertakings with material exposure and be based on standardised data for consistency. The ORSA should remain company-specific, particularly for biodiversity, social, and governance risks.

- Optional forward-looking metrics and other optional metrics should be removed.** These metrics are overly judgmental, provide no clear benefit at this stage, and are not well defined, making them difficult to implement.
- Targets:** Aligning sustainability targets with an undertaking's risk appetite and strategy is supported. Targets should focus on managing material risks, not necessarily mitigating them, and should reflect jurisdictional and business-specific contexts. Prescriptive requirements to align with EU-level targets are not in the scope of Solvency II and risk undermining international competitiveness and ignoring regional differences. Long-term targets should remain flexible, integrated into broader business strategies, and not be subject to the same prescriptive requirements as short-term financial planning.
- The application guidance** must not be implicitly considered part of the RTS. The RTS partly aligns with EIOPA's non-binding application guidance on climate change materiality assessments and scenarios in ORSA. While the guidance supported forward-looking risk management, turning it into binding legislation risks is not appropriate.

**Q1.** *Do you have comments on the proposed relationship between the sustainability materiality and exposure assessments and the ORSA? Would you see the need to further clarify?*

**Yes**

**The industry appreciates EIOPA's efforts to address sustainability risks within the Solvency II framework. However, there is significant room to refine the relationship between the sustainability materiality and exposure assessments and the ORSA, particularly to avoid duplication, ensure proportionality, and maintain regulatory efficiency.**

- Integration into the ORSA:** To avoid duplication between the SRP and the ORSA, the ORSA should remain the central tool for covering all material risks, including sustainability risks. The approach taken should be at the discretion of the company, eg by having a pragmatic integration of the SRP into the ORSA or by having their SRP referring directly to the content of the ORSA and other documents connected with CSRD without having to copy their content.
- Proportionality and scope of requirements:** The interlinkage between (or integration of) the SRP and the ORSA should apply only to companies that have material exposure to sustainability risks. Companies without material exposure should not be required to provide detailed reporting on ESG risk identification, measurement, management, and monitoring. In fact, the risk management system under Directive Article 44 already covers this.
- Clarification of exposure assessments:** Further clarification is needed on the level of detail expected for exposure assessments. While climate-related risk assessments are currently more advanced due to better data availability and methodologies, the same cannot yet be said for other sustainability risks. Also, exposure is not the same as risk and the latter is the focus of the Solvency II framework.
- Scenario analysis requirements:** The current requirement to execute two long-term climate-related scenarios under the ORSA is already resource-intensive. There should be no further scenario analysis requirements beyond these.
- Double materiality:** While politically relevant at the European level, double materiality adds little value to an organisation's risk management. Overemphasising it in an own-risk assessment could divert attention from more material risks and weaken risk management quality. Moreover, the "inside-out" impact of a single undertaking on wider markets is nearly indistinguishable, making its prioritisation counterproductive. Insurers already account for risks holistically through key indicators in asset and liability valuations, without the need to disaggregate complex external factors.
- Incremental approach:** EIOPA could adopt an incremental approach in the RTS acknowledging those insurers/groups who are in the scope of the other sustainability legislation.

**Q2.** *Do you have comments on the description of the relationship between the reporting on the sustainability risk plan and the regular supervisory reporting under Solvency II? Would you see the need to further clarify?*

**Yes**

- A single, integrated approach for SRPs – streamlined and excluding aspects already extensively covered by existing regulations (CSRD, etc) – within the ORSA would minimise redundancy, maintain consistency and ensure proportionality in reporting, avoiding unnecessary administrative and operational burdens (see answers to Q1 above). In any case, to avoid duplication, referencing should be allowed where applicable.
- **Avoid additional reporting:** Extensive and frequent additional reporting should be avoided, aligning with political efforts to reduce the reporting burden. The preparation and coordination of SRPs add significant layers to existing frameworks (ORSA, SFCR, and CSRD), with unclear added value. Specifically:
  - Identification of material sustainability topics and target-setting is already addressed under CSRD. Any additional target setting in the SRP should make sense in the context of the Solvency II framework.
  - Sustainability risks related to adaptation are prescribed within the ORSA and SFCR/Regular Supervisory Report (when material. There is no need for additional, separate analysis on top when the ORSA already covers the risk.
  - A separate section on sustainability risks would duplicate existing risk categories (eg operational risks related to people, underwriting risks tied to demographic trends, or reputational risks related to sustainability factors). A smart integration with other risks should be acceptable, especially as EIOPA’s own climate stress test suggests that climate risk impacts stem largely from broader macro-prudential changes rather than direct climate risks.
  - Decarbonisation plans are not part of prudential regulation but belong to other law and might also lead to disproportionate requirements compared to other jurisdictions.
  - **Addressing inconsistencies across frameworks:** There are inconsistencies in definitions across sustainability Quantitative Reporting Templates (QRTs), ORSA and CSRD, particularly on time horizons, scenario requirements and asset types.
- **Clarifying the role of QRTs:** EIOPA should clarify that this RTS does not introduce additional QRT reporting requirements (Paragraph 19 mentions QRTs, but their role is not elaborated). Currently, some sustainability information is already captured in:
  - S06.02 (geolocation),
  - S06.04 (transition and physical risks), and
  - other QRTs covering characteristics of non-life insurance contracts.
- In any case, reporting obligations should be proportionate and aligned with existing requirements.
- **Frequency of SRP submission:** Aligning the frequency of SRP submissions with the RSR (every three years) may create concentrated burdens, particularly for smaller insurers. Allowing flexibility in submission timing would help spread activities, reduce operational pressures and improve the quality of both SRP and RSR reporting.

**Q3.** *Do you have comments on the description of the relationship between the sustainability risk plan and transition plans required under CSDDD? Would you see the need to further clarify?*

**Yes**

**The industry welcomes EIOPA’s effort to align the sustainability risk plan with broader EU frameworks but highlights the uncertainty in the regulatory environment. Given potential changes under the Omnibus simplification package, the preparation of the RTS should be postponed. Further clarification and refinements are necessary to ensure proportionality, consistency and practicality.**

- **Avoid duplication:** SRP and transition plans should cross-reference where applicable, using transition plan metrics (eg emissions targets) as inputs, rather than duplicating efforts.
- **Climate focus:** The SRP should prioritise climate-related risks in its initial phase, given the current limited maturity of data and methodology to perform financial risk assessment and the fact that CSDDD primarily addresses climate change.

- **Flexibility in risk management:** Risk-taking is inherent to insurance. The SRP should not mandate exposure reduction, as insurers may increase risks (eg catastrophes (CATs) or asset risks) in line with strategy and risk appetite. EIOPA should clarify that alignment with CSDDD Climate Transition Plans (CTPs) does not imply an expectation to reduce exposure to sustainability risks over time.
- Avoiding fragmented regulatory requirements is important.
- Unclarity and pending guidance:
  - The regulation implicitly assumes a 1.5°C pathway, but the SRP focuses on own financial risks, making it inappropriate to limit assessments to this scenario. Other transition paths may pose different physical or transition risks. Additionally, insurers in regions lagging in transition efforts could face higher financial risks due to restricted business opportunities and reduced competitiveness.
  - **Greenwashing:** Market conduct supervisors already address greenwashing. EIOPA should avoid duplicating non-financial materiality topics that lack direct financial impact under the Solvency II framework (see Paragraph 25). Therefore, the argument in Paragraph 25 regarding misleading statements leading to legal or reputational risks should not be used by EIOPA to internalise other Double Materiality Assessment (DMA) topics that lack a direct financial impact, such as significant impact materiality.
- **Graphical representation of requirements:** A graphical representation comparing SRP requirements with those under CSRD/ESRS would enhance clarity. For example, Figure 1 in the consultation could better highlight overlaps, such as the DMA, resilience analyses (ESRS E1/E4), and assessments of transitional and physical risks.

**Q4.** Do you have comments on the description of the relationship between the disclosure in Solvency II and public reporting requirements under CSRD? Would you see the need to further clarify?

Yes

- **Financial materiality focus:** Solvency II is a microprudential framework aimed at protecting policyholders. Impact materiality should only be considered where it translates into financial materiality. Introducing an explicit impact materiality requirement risks blurring the lines between micro- and macroprudential supervision and diverting attention from core financial risks.
- **Regulatory efficiency:** To minimise burdens, insurers should be able to reuse CSRD/ESRS resilience analyses in Solvency II reporting where they align with material risks. Consolidating reporting obligations would enhance efficiency and prevent inconsistencies.
- **Materiality assessment approach:** CSRD employs a dual materiality approach, integrating both impact and opportunity, which differs from Solvency II's risk-based approach.
- **Duplication with CSRD/ESRS:** The SRP's exposure and materiality assessments duplicate CSRD/ESRS requirements, particularly through the DMA (ESRS 1 and 2, and additional details in the other ESRSs), ESRS E1 (climate resilience), and E4 (biodiversity). These frameworks already assess profitability, solvency, and liquidity risks.
- Disclosure requirements and methodologies in Solvency II should, where relevant, align with those set out in CSRD/ESRS. This includes ensuring that methodologies, metrics, and financial materiality assessments developed under CSRD are directly applicable to Solvency II, where relevant.
- Further considerations:
  - **Preserving implementation progress:** Insurers have already made significant progress in implementing CSRD/ESRS. Solvency II should avoid imposing requirements that disrupt or reverse these developments.
  - **Alignment without hierarchy:** The Solvency II amending directive (2025/2) does not establish a hierarchy between plans but requires alignment of methodologies, assumptions and approaches. Insurers that have already implemented CSRD/ESRS should not be required to modify these elements solely due to the RTS.

**Q5.** Do you consider that the requirements set out in the Articles of the RTS will enable undertakings that are subject to CSRD, to feed relevant information on sustainability risks into the disclosures required by ESRS,

*thereby limiting possible burden? Please elaborate on your response by also considering Annex II of the RTS, which explains how the elements of the sustainability risk plan feed into the disclosures under CSRD.*

No

- At this stage, it is difficult to assess whether the RTS requirements will limit the reporting burden, as CSRD reports are not yet published and transposition into national law is still pending in many Member States.
- **Interoperability Between CSRD and Solvency II:** To minimise reporting burdens, alignment and mutual acknowledgment between CSRD and Solvency II is essential. Risk assessments conducted under one framework (eg CSRD) should be recognised as meeting the requirements under the other (eg Solvency II), wherever applicable. At the same time, this should not lead to further detailed requirements.
- **Alignment with European Financial Reporting Advisory Group (EFRAG):** Coordination with EFRAG’s development of any potential sector-specific standards, when and if started, and guidance is important to avoid divergence. The RTS must ensure that EFRAG’s ongoing work does not introduce contradictory requirements or additional burdens for insurers.
- **Clear definitions:** Clear definitions are required regarding the use of Solvency II values in CSRD reporting, particularly where CSRD refers to book values. This will help ensure consistency across frameworks.
- **Proportionality for (non-listed) undertakings:** The multipurpose use of CSRD reporting should not inadvertently increase the level of financial reporting supervision for (non-listed) undertakings, which are not subject to financial reporting oversight.
- **Two-way relationship between SRP and CSRD disclosures:** EIOPA assumes the SRP to be the starting point that feeds into the disclosure requirements under CSRD. This process would also work in the reverse direction, as CSRD disclosures can inform and support the sustainability risk plan.
- **Adaptation factors:** Would risk measurement need to be reported before and after adaptation factors as required in CSRD (Disclosure Requirements 66a and 67a)? If so, this would significantly increase the workload, particularly if such factors need to be isolated in the ORSA risk scenarios.

**Q6.** *Do you agree with Article 3 of the RTS? If not, please specify why.*

No

- See also response to Q1 on integration of SRP in the ORSA
- Comments on Paragraph 33 – **Application guidance**
  - The 2022 **application guidance on climate change risks in the ORSA explicitly states that it is not a supervisory convergence tool** under Article 29 of Regulation (EU) No 1094/2010. Its purpose is to provide initial support to undertakings for conducting climate change analyses, allowing for company-specific approaches and portfolios.
  - **The application guidance must not be implicitly considered part of the RTS.** This would be in contradiction to the proper legislative process which in this case builds on an RTS. Moreover, the application guidance was issued before the introduction of new sustainability legislation and additional insights. To ensure relevance, the guidance should be reviewed and aligned with current sustainability legislation and objectives.

**Q7.** *Do you have comments on the governance of the sustainability risk management? In your experience, what governance aspects are most difficult to comply with?*

Yes

- **Redundancy and proportionality:** The governance requirements are overly comprehensive, particularly for insurers without material sustainability risks. A risk-based, proportionate approach should be followed, as per Article 44(2b), Subparagraph 3 of Solvency II, which considers the nature, scale, and complexity of risks. Moreover, governance aspects are already covered under Articles 41 and 42 of the Solvency II Directive and Articles 258, 273, and 275 of the Solvency II Delegated Regulation, making additional RTS provisions unnecessary.

- Key governance challenges:
  - **Timing and readiness:** Implementation should only occur once frameworks such as CSRD/ESRS are mature, avoiding inefficiencies and duplication. Given likely regulatory changes under the Omnibus simplification package, the RTS should be postponed.
  - **Measurement challenges:** Data gaps, methodological limitations and immature risk assessment tools make quantification unreliable. Setting quantitative targets under these conditions is impractical and could lead to inconsistent reporting and reputational risks.
  - **Target setting:** Given uncertain long-term sustainability risks, insurers should not be expected to simply reduce exposure – their role is to manage risks on behalf of clients, which also creates opportunities. This aspect is missing from EIOPA’s approach. In addition, there is a challenge in setting these kind of targets, especially given the complexities and uncertainties underpinning such a long term projection.
  - **Operational complexity of integration:** The governance framework should clearly emphasise that the responsibility for integrating sustainability into the core business strategy lies with those directly responsible for operational and strategic execution. Governance processes for sustainability risks often require collaboration across multiple functions – strategy, asset management, underwriting and operations – making implementation more complex.
  - When referring to the risk management function having to establish “oversight of any activities performed by the external service providers”, the industry assumes that the existing governance requirements, eg as defined for outsourcing, should apply.

**Q8.** Do you agree with article 3(1a) of the RTS? If not, please specify why.

No

- Overall, Article 3(1a) is supported. However, it is important to emphasise a risk-oriented and proportionate approach to the sustainability risk plan and governance. Proportionality must not be limited to SNCUs under Article 12 but should align with Article 44(2b), Subparagraph 3 of Solvency II, considering the nature, scale and complexity of sustainability risks.
- Remuneration:
  - Remuneration policy requirements: The requirement to explain how remuneration policies consider sustainability risks exceeds Article 44(2b–2e) of Solvency II and is already covered by Article 5 SFDR.
- Avoid duplication: Article 3(1a) overlaps with Article 275(4) of Regulation (EU) 2021/1256 and ESRS 2 GOV-3. EIOPA should prevent redundant requirements to ensure clarity and reduce administrative burdens.

**Q9.** What are the most challenging aspects for undertakings in setting the narrative? Please provide any relevant examples, data sets, tools or methodologies that can contribute to the setting of the narrative.

- **Integration with CSRD and transition plans:** To ensure efficiency and coherence, the narrative should incorporate relevant disclosures from the CSRD and transition plans. These elements provide a robust foundation for the narrative while reducing duplication and ensuring alignment across frameworks. However, the requirement to perform materiality risk assessments on inherent risks and net of reinsurance adds unnecessary compliance burdens, as this goes beyond the objective of the SRP.
- Challenges:
  - **Focus on company-specific impacts:** The narrative should be tailored to the company’s business model, strategy and risk profile, avoiding generic descriptions. It should emphasise direct and material sustainability risk impacts, with exclusions for risks already covered under existing frameworks.
  - **The integration of sustainability and financial risks:** One of the most complex aspects is linking sustainability risks with financial risks using an “outside-in” perspective. Many risk drivers, such as climate migration or biodiversity-climate interdependencies, remain poorly understood, making future assessments highly uncertain.

- **Materiality thresholds and narrative complexity:** Defining consistent materiality thresholds across time horizons is challenging, as existing risk assessments already account for future trends. The current narrative requirements resemble a mix of emerging, strategic and sustainability risk assessments, requiring analysis of risks unlikely to be material.
- **Scenario complexity and scope:** Scenario analyses impose significant burdens due to the complexity of measuring secondary effects (eg inflationary pressures). Additionally, distinguishing between reinsurance and other mitigation measures (eg water defences) adds unnecessary complexity, particularly for medium- and long-term horizons.
- **Uncertainty in disclosed pathways:** Significant uncertainties surround the disclosed pathways, including:
  - contradictory or unstable views among various pathways;
  - limitations and assumptions inherent in studies;
  - evolving insights into technological developments (eg battery lifetimes in electric vehicles); and
  - political dimensions impacting pathways and market opportunities, which may even threaten business in certain markets.
  - Metrics should be seen as directional indicators rather than definitive targets, as insurers must balance sustainability goals with policyholder interests.

**Q10.** *What are the most challenging aspects for undertakings in performing the exposure assessment? Please provide any relevant examples, data sets, tools or methodologies that can contribute to the exposure assessment.*

- A key challenge is **data availability** and **methodology development**. Liability-side assessments benefit from granular policy-level data, but the asset side, particularly for fund-of-fund structures, introduces significant complexity for bonds, equities and property. Mitigating factors, such as resilience or insurability, are often not adequately reflected, reducing trust in results.
- **Potential for confusion:**
  - Paragraph 73: EIOPA provides several examples of metrics for exposure assessments, but the accompanying text also refers to sustainability risk, creating confusion. Since this paragraph focuses on exposure, references to risk should be removed for consistency.
  - Table 3 - Sustainability Risk Exposure Assessment: The terminology is unclear. For example, in the Netherlands, properties below sea level are exposed to flood risk, implying exposure to rising sea levels. However, with adequate primary water defences, actual risk only arises in extreme scenarios (tail events).
- **Data quality** remains a significant challenge, with consistent, credible data often unavailable. Reliance on the EU Taxonomy (EUT) as a basis for materiality is problematic due to (overly) stringent requirements and data gaps, leading to frequent non-alignment. EUT reliance should be reconsidered until these issues are resolved.
- **Static balance sheet assumptions:** These simplify complexity but become unreliable for long horizons as they fail to account for portfolio changes. However, this is not an argument against static assumptions, but against requiring overly long projection horizons.
- Transition risk assessments must account for the duration of financial instruments. Short-duration instruments typically pose lower risks compared to long-duration ones extending beyond critical climate deadlines. This distinction should be factored into assessments.
- Finally, EIOPA's references to loss ratios in the application paper rely on assumptions about actions and pricing, which, if unmet, could significantly overstate risks.

**Q11.** *Do you agree with Article 4 of the RTS? If not, please specify why.*

No

- A direct connection between the impacts of sustainability risks on financial risks is not straightforward due to the complexity and long-term nature of sustainability risks, as well as differing assumptions in their evaluation.
- Regarding Article 4 (3) (c) (ii), it should be clarified that the impact of the undertaking's investment and underwriting strategy or decisions on sustainability factors is only relevant for the sustainability risk plans to the extent that this impact on sustainability factors in turn influences the undertaking's own financial risks (eg transition risk of certain assets).
- The materiality assessment should be explicitly aligned with and embedded in existing risk management processes, such as the ORSA, to avoid duplication and ensure consistency in risk evaluation.
- Paragraph 3 of Article 4 refers to "Exposure Assessment". Overall, Article 4 refers to "Materiality risk assessment". "Exposure" and "risk" are not considered to be the same concepts.
- Modelling risk holds additional challenges. The climate change scenarios that are available from Network for Greening the Financial System (NGFS) and the Intergovernmental Panel on Climate Change (IPCC) and are used for the measurement of the exposure under CSRD guidance are not calibrated on the 1-in-200 (or any other) probability and are not over the next one-year horizon. Further clarification from EIOPA on what is expected under Article 4 is needed.
- In Paragraph 3 of Article 4, the word "material" is missing. As this is the context of the article, the paragraph should not neglect this. The current drafting suggests that all material and immaterial sustainability risk have to be included.

**Q12.** Do you agree with the approach to require two scenarios for the financial risk assessment of material sustainability risks? Please share information on relevant approaches for scenarios beyond climate risk.

**No**

- **Focus on climate risks:** Apart from climate risks, there should be no general requirement to run scenario analyses. For other potentially material risks, standard scenarios are unavailable, and undertakings should decide which analyses make sense for their specific risks. In case EIOPA would require scenario analyses for non-climate risks, EIOPA should provide non-binding guidance on how to perform them.
- Proportionality & legal basis:
  - Article 45(2) of Solvency II states that risk assessments must be proportionate, yet two mandatory scenarios exceed this scope.
  - Scenario analysis for sustainability risks beyond the ORSA (Article 45(1a)) lacks a regulatory basis.
  - Insurers using in-depth models (eg for Natural Catastrophe risks) should not be required to run inferior standardised scenarios.
- Uncertainty & modelling issues:
  - Long-term assumptions heavily influence scenario results, making them volatile and unreliable.
  - Non-life contracts with short durations further increase uncertainty over extended time horizons.
  - Public disclosure of methodologies risks reputational damage to the insurance sector.
  - Table 4 & NGFS scenarios: The NGFS "delayed transition" scenario also meets Solvency II Article 45a by keeping global temperature rise below 2°C.
- Scenario differentiation:
  - **Social and governance risks**, if assessed, typically require **one-time shock scenarios**, not multiple long-term projections.
- Paragraphs 74, 75, 77 – Financial risk metrics:
  - If an insurer identifies material exposure, financial risk assessments should be qualitative and/or quantitative, considering expected balance sheet impacts.
  - Insurers subject to ESRS 1 & 2 already perform similar analyses under the DMA (Impact Risk Opportunities - IROs).
  - EIOPA should align with ESRS and justify deviations to prevent duplicative reporting.

- Time horizons and sustainability risks:
  - Time horizons should be proportional and aligned with materiality outcomes.
  - If the DMA has already identified a topic as financially material, that should suffice to meet requirements, avoiding duplication.

**Q13.** Do you agree on the proposed time horizons (short term projection: 1-5 years; medium term projection: 5-15 years; long term projection: min. 15 years)? If not, please justify other time horizons.

No

- The proposed time horizons are too long and misaligned with practical risk assessments.
- Long-term projections (15+ years) lack reliability:
  - There are increasing uncertainties given the long-term period, eg for 2050+ scenarios, as asset composition and non-life obligations beyond 15 years are highly uncertain.
  - Social and governance risks cannot be meaningfully assessed over such horizons.
- Excessive burden of medium- and long-term projections:
  - The ORSA typically does not exceed five years; longer projections add unnecessary complexity.
  - Increasing uncertainty reduces projection reliability, making them of limited use for risk management.
- The ORSA framework should serve as the basis for any quantitative assessment. There is no need for separate time horizon definitions for sustainability risks under Solvency II. **CSRD allows flexibility** (ESRS 1, Paragraph 80) in time horizon definitions based on specific industry or company characteristics; EIOPA should do the same.
- Further considerations:
  - **Clean sheet approach for reporting requirements:** Chapter 3.6 of EIOPA's consultation assumes a "clean sheet" reporting approach. Insurers already complying with CSRD should be allowed to reference existing disclosures.
  - **ESRS reporting of other companies is not sufficiently available as an input:** Paragraph 88's expectation that insurers use ESRS data from clients is unrealistic, as CSRD transposition is incomplete, and many portfolio companies are not subject to CSRD.
  - It is unclear how financial conglomerates should apply different horizons in their group report.

**Q14.** Do you agree with the proposed frequency of the materiality and financial risk assessment and submission of the sustainability risk plan to the supervisor? If not, please justify an alternative proposal.

No

- The proposed frequency of every 3 years is plausible.
- Financial risk assessments frequency shall be aligned with the double materiality exercise. Having more frequent analyses adds no value. Similarly, targets shall be set on the basis of the business planning frequency, which for long term goals cannot be annual. For example, long term trends such as decarbonisation related ones, yearly analyses only marginally reflect business management actions
- Misalignment of assessments and disclosures/reporting:
  - Article 3 requires materiality and financial risk assessments every three years, while the RTS suggests annual public disclosure of SRP elements.
  - Clarification is needed on what annual disclosures should include if assessments are only performed triennially.
    - If the assessment of materiality and the assessment of financial risks must be carried out at least every three years, it should be clarified that inclusion as part of the RSR could only be done in these years, even if the RSR has to be submitted more often.
- **Potential misalignment across publications:** External and regulatory reports such as CSRD, transition plans, ORSA, and SFCR require constant updates and alignment across group and business unit levels, increasing administrative burdens.
- Integration with RSR:

- The SRP elements could be included in the RSR, as suggested in Paragraph 100. However:
  - SRP should align with climate plans submitted under CSDDD or CSRD.
  - RSR currently does not allow referencing, but it should be permitted.
- **Timing flexibility for SRP reporting:** As per the broader ORSA, insurers should be allowed flexibility in SRP reporting timelines to align with internal governance processes.

**Q15. Do you agree with Articles 5 and 6 of the RTS? If not, please specify why**

**No**

- The proposed requirements are overly prescriptive, impractical and misaligned with proportionality principles.
- Key concerns on Article 5 include:
  - Scenario analyses should focus on climate risks only: Standard scenarios for other risks do not exist, and insurers should determine their own risk analyses.
  - **Excessive long-term projections:** 2050+ scenarios are speculative, as asset composition and liabilities beyond 15 years are highly uncertain. Social and governance risks cannot be meaningfully assessed over such extended horizons.
- Article 6:
  - Long-term assumptions reduce reliability.
  - The documentation and data requirements in Section 3.6 should only apply to insurers identifying material sustainability risks, ensuring proportionality.
  - Sustainability risk assessments require strong (expert-set) assumptions due to high uncertainty over time, making precise differentiation between short, medium, and long-term impacts difficult.
  - Translating local sustainability risks into socio-economic parameters for projection tools will require significant system updates, making gradual implementation necessary.
  - To avoid duplicative efforts, it is recommended to have a closer harmonisation of documentation requirements with the CSRD.
  - Paragraph 92 contains unrealistic data expectations: Requiring insurers to replace estimates and proxies with investee/policyholder data as a remediation action is neither feasible nor necessary, especially for SMEs and personal lines customers.
  - If EIOPA deviates from the time horizon, additional attention should be given to how financial conglomerates should integrate the differences in the time horizons as put forward by the ESAs, as they currently vary.

**Q16. Do you consider the current view metrics listed in the minimum binding list (Annex I of the RTS) relevant?**

<b>Binding current view metrics</b>	Relevant	Not relevant
<b>a. Physical risks/non-life insurance and reinsurance except health insurance and reinsurance</b>		x
<b>i. Climate – Liability side:</b> Gross, ceded and net incurred losses and current exposure/sum insured by perils and regions (CRESTA/NUTS2 level) at the end of the financial year monitoring the evolution over time (number of events and amount).		x
<b>ii. Nature – Liability side:</b> Gross, ceded and net incurred losses and current exposure/sum insured at the end of the financial year monitoring the evolution over time in economic sectors with a high dependence on ecosystem services. If possible, upstream dependency and country specific output should be considered.		x

<b>Binding current view metrics</b>	Relevant	Not relevant
<b>b. Physical risks/life insurance and reinsurance and health insurance and reinsurance</b>		x
<u>i. Climate – Liability side:</u> Gross, ceded and net incurred losses and current exposure/sum insured at the end of the financial year and the evolution over time by regions and age group (amount of total claims paid). If possible, undertakings should consider monitoring the metric by the type of life/health impacts (increased mortality, morbidity, or hospitalisation cost), and by underlying drivers (e.g. due to natural catastrophe perils, heat waves, air pollution, infectious diseases, malnutrition, displacement...).		x
<b>c. Transition risks</b>		
<u>i. Climate – Asset side:</u> Investments at the end of the financial year in climate relevant sectors (NACE sectors A to H and L), which include the oil, gas, mining and transportation sectors, at minimum by NACE for equity and corporate bonds investments (amount and share of equity/corporate bond portfolio).		x
<u>ii. Biodiversity – Asset side:</u> Investments at the end of the financial year in economic sectors with a high biodiversity footprint at a minimum by NACE sectors for equity and corporate bonds investments (amount and share of equity/corporate bond portfolio).	x	
<u>iii. Climate – Asset and liability side:</u> At minimum gross and total amount of Scope 1, 2 and 3 greenhouse gases (absolute amount of mtCO <sub>2e</sub> ), including carbon dioxide, methane, and nitrous oxide for financed emissions through the undertaking's investments and underwriting and gross greenhouse gas emissions intensity (mtCO <sub>2e</sub> per million euro invested) at the end of the financial year.		x
<b>d. Social risks</b>		
<u>i. Liability side:</u> Gross, ceded and net incurred losses and current exposure/sum insured at the end of the financial year and the evolution over time, arising under workers' compensation or other employee indemnification benefits coverage at workplaces (e.g., work-related injury or fatalities) by region.		x
<u>ii. Asset side:</u> Investments at the end of the financial year in economic activities, for equity and corporate bonds (amount and share of equity/corporate bond portfolio): <ul style="list-style-type: none"> <li>■ in high-risk sectors, related to working conditions, affected communities (economic, social, cultural as well as civil and political rights or rights of indigenous people), or the well-being for consumers or end-users (related to treatment of information, personal safety or social inclusion) using the EBRD mapping of NACE sector at medium and high social risk.</li> <li>■ in sectors related to the cultivation and production of tobacco and/or involved in the manufacture or selling of controversial weapons (NACE C10-12).</li> </ul>		x
<b>e. Governance</b>		
<u>i. Asset side:</u> Investments in companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour), without policies to protect whistle-blowers, and prevent and manage corruption (consistent with the United Nations Convention against		x

Binding current view metrics	Relevant	Not relevant
Corruption) or with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.		
ii. <u>Asset side</u> : Average ratio of female to male board members and average unadjusted gender pay gap in investee companies, expressed as a percentage of all board members.		x

**Q16. What changes to the current view metrics, additional metrics or deletions would you suggest?**

Binding current view metrics	Suggested changes, additions or deletions
<b>a. Physical risks/Non-life except Health</b>	
i. <b>Climate – Liability side</b> : Gross, ceded and net incurred losses and current exposure/sum insured by perils[1] and regions (CRESTA/NUTS2 level) at the end of the financial year monitoring the evolution over time (number of events and amount).	<ul style="list-style-type: none"> <li>■ It is merely a reflection of risks insured, and it can grow if more CAT protection is provided (which helps reduce the protection gap). If it is in line with risk appetite and strategy, it is not clear what this metric adds.</li> <li>■ The use of CRSD indicator “net income related to business activities exposed to significant risk” already addresses the point and the inclusion of such a metric in the SRP is not relevant</li> <li>■ No relevance established (yet) to allow concluding definite exposure to sustainability risks.</li> </ul>
ii. <b>Biodiversity – Liability side</b> : Gross, ceded and net incurred losses and current exposure/sum insured at the end of the financial year monitoring the evolution over time in economic sectors with a high dependency on ecosystem services. If possible, upstream dependency and country specific output should be considered.	<ul style="list-style-type: none"> <li>■ High dependence does not mean high risk for the insurer. The dependence score does not account for the measures the company has taken on its own risks. Companies that have dependence on water supply will have taken measures to counter any incidents or adverse scenarios.</li> <li>■ No relevance established (yet) to allow concluding definite exposure to sustainability risks.</li> <li>■ Add: ... exposure/sum insured <b>for business interruption cover</b> at the end...</li> <li>■ It is unclear what exposure, if it would be only business interruption cover, then it could potentially be relevant. Else, is it a question of shrinking customer segments (previously insured companies) for each line of insurance?</li> </ul>
<b>b. Physical risks/Life and Health</b>	
i. <b>Climate – Liability side</b> : Gross, ceded and net incurred losses and current exposure/sum insured at the end of the financial year and the evolution over time by regions and age group (amount of total claims paid). If possible, undertakings should consider monitoring the metric by the type of life/health impacts (increased mortality, morbidity, or hospitalisation cost), and by underlying drivers (e.g. due to natural catastrophe peril, heat waves, air pollution, and by underlying drivers (e.g. due to natural catastrophe peril, heat waves, air pollution, malnutrition, displacement...)	<ul style="list-style-type: none"> <li>■ Delete: <del>and by underlying drivers (e.g. due to natural catastrophe peril, heat waves, air pollution, infectious diseases, malnutrition, displacement...)</del></li> <li>■ (considered too detailed for the mandatory materiality assessment.)</li> <li>■ No relevance established (yet) to allow concluding definite exposure to sustainability risks (eg infectious diseases: during the COVID-19 pandemic, only deaths of individuals)</li> </ul>

<p>infectious diseases, malnutrition, displacement...).</p>	<p>with COVID-19 were monitored, rather than the total number of deaths caused by the disease)</p> <ul style="list-style-type: none"> <li>■ Unless sufficient data is available (and allowed to be collected) on the insured, these metrics should not be made binding.</li> <li>■ Exposures by region, age group and type of life/health impact could potentially be relevant.</li> <li>■ Mortality risk increased by pollution.</li> <li>■ However, the CRSD indicator “net income related to business activities exposed to significant risk” already addresses the point and the inclusion of such a metric in the SRP is not relevant</li> </ul>
<p><b>c. Transition risks</b></p>	
<p><b>i. Climate – Asset side:</b> Investments at the end of the financial year in climate relevant sectors (NACE sectors A to H and L[1] ), which include the oil, gas, mining and transportation sectors, at minimum by NACE for listed equity and corporate bonds investments (amount and share of equity/corporate bond portfolio).</p>	<ul style="list-style-type: none"> <li>■ It is noted that the CRSD indicator “assets exposed to significant transition risk” already covers this metric.</li> <li>■ The sector approach appears to lack economic coherence, leaning towards a binary perspective that risks undermining specific areas of the economy.</li> <li>■ “...at minimum by NACE for listed equity and corporate bonds” - This is sensitive information relating to the investment strategy. Propose to disclose total portfolio amount only.</li> </ul>
<p><b>ii. Biodiversity – Asset side:</b> Investments at the end of the financial year in economic sectors with a high biodiversity footprint, at a minimum by NACE sectors for equity and corporate bonds investments (amount and share of equity/corporate bond portfolio).</p>	<ul style="list-style-type: none"> <li>■ What would be, for example, relevant NACE codes? <ul style="list-style-type: none"> <li>■ How is a ‘high’ biodiversity footprint defined</li> </ul> </li> </ul>
<p><b>iii. Climate – Asset and liability side:</b> At minimum gross and total amount of Scope 1, 2 and 3 greenhouse gases (absolute amount of mtCO<sub>2</sub>e), including carbon dioxide, methane, and nitrous oxide for financed emissions through the undertaking’s investments and underwriting and gross GHG emissions intensity (mtCO<sub>2</sub>e per million euro invested) at the end of the financial year.</p>	<p>Delete metric:</p> <p>The total amount of financed scope 1,2 and 3 GHG emissions alone is not relevant for the assessment of own financial risks.</p> <p>It remains to be seen how scope 1, 2 and 3 will be addressed in transition plans (TPs), especially for scope 3 it is not clear</p> <p>There is no market-wide standard on cope 3 emissions accounting for investments. Data quality issues.</p> <p>Including carbon dioxide, methane, and nitrous oxide – Ideally there is a reference to GHG protocol definition</p> <p>This could be different for more granular data which are additionally set in relation to the total amount of investment/underwriting activities. However, in both cases, for the analysis of transition risks, firm-level data would be needed which are generally not available. And sector-level data are already covered under point c.i. Additionally, even firm-level current emissions are not an indicator for financial risk – which depends on future trajectory, transition plans and ability to pass-through potential transition costs to customers.</p>

	<p>EIOPA’s proposed metric would introduce a new reporting requirement which does not exist under SFDR and CSRD.</p> <p>The SFDR currently requires that companies under scope report on scope 1, 2 and 3 categories as part of the mandatory Principal Adverse Impact indicators (PAIs) for their investments. This requirement does not cover scope 3 emissions stemming from an insurer’s underwriting activities. Under the CSRD, there is no requirement to disclose underwriting emissions. While ESRS E1 requires the disclosure of gross scope 3 emissions, Article 46 only calls for companies to “consider” part A “Financed Emissions” from the Partnership for Carbon Accounting Financials (PCAF), not part C.</p> <p>Furthermore, Insurance-Associated-Emissions accounting methodologies are still very immature. The first version of Part C of the PCAF, which covers motor and commercial insurance lines at the moment, was only published in late 2022 and it still has not been formally endorsed by the UN. It should be noted that the PCAF formula for Commercial Business is counterintuitively designed. To account for higher environmental risks, high emitters should in theory incur higher insurance premiums. However, under the PCAF formula, higher insurance premiums lead to higher Insurance-Associated Emissions of the (re)insurer which places a greater burden on the (re)insurer to reach potential underwriting emissions targets. Setting reporting requirements for many other lines of business will require robust, industry-standard methodologies to enable consistent baselining.</p> <p>Aggregate reporting of Scope 3 GHG emissions and related targets do not make sense. When it comes to target setting also in the context of net-zero targets, it must be considered that a (re)insurer’s potential strategic influence is realistically limited to certain parts. An aggregate reporting of financed and insured emissions in scope 3 category 15 has very limited meaning. Particularly, due to the different nature of the relationship of the financial institution with the client. Therefore, if established as a mandatory part of the GHG emission reporting according to the GHG protocol, a separate category should be introduced.</p> <p>Focusing solely on targets on aggregate scope 3 GHG emissions gives (re)insurers the wrong incentives. Setting targets on aggregate scope 3 emissions relating to (re)insurers’ underwriting portfolios puts too much focus on disengagement with particular actors or with certain activities instead of allowing (re)insurers to exert their influence, by encouraging policyholders to adopt credible transition plans, for example, or offering customer incentives for greener options and developing ways to make the claims journey more sustainable.</p>
<b>d. Social risks</b>	

<p><b>i. Liability side:</b> Gross, ceded and net incurred losses and current exposure/sum insured at the end of the financial year and the evolution over time, arising under workers' compensation or other employee indemnification benefits coverage at workplaces (e.g., work-related injury or fatalities), by region.</p>	<ul style="list-style-type: none"> <li>■ Not relevant as this is already embedded in the insurance business model.</li> <li>■ In addition to NACE codes, localisation should be added when relevant.</li> <li>■ No relevance established (yet) to allow concluding definite exposure to social risks. Additionally, it is unclear why Worker's Compensation is deemed the main risk driver.</li> <li>■ It only refers to line of business (LoB) 1 and 2. Duration of sick leave should be documented.</li> <li>■ Regarding region: Not relevant as the proposal is unclear from a financial risk perspective. Additionally, the metric does not cover the considerations EIOPA highlights in the footnote around external factors such as housing insecurity or lack of education influencing claims.</li> </ul>
<p><b>ii. Asset side:</b> Investments at the end of the financial year in economic activities, for equity and corporate bonds (amount and share of equity/corporate bond portfolio):</p> <p>a. in high-risk sectors, related to working conditions, affected communities (economic, social, cultural as well as civil and political rights or rights of indigenous people), or the well-being for consumers or end-users (related to treatment of information, personal safety, or social inclusion)</p> <p>b. in sectors related to the cultivation and production of tobacco and/or involved in the manufacture or selling of controversial weapons (NACE C10-12).</p>	<p>Delete metric.</p> <p><i>(Not relevant and data generally not available)</i></p> <ul style="list-style-type: none"> <li>■ It could be questioned why, for example, tobacco is mentioned while alcohol is not. The metric is not sufficient to conclude that there is no exposure to social risks (too narrowly defined).</li> <li>■ NACE codes are not relevant, prefer SFDR PAI n°10 and 11.</li> <li>■ For these special covers: Yes, if controversial weapons align with SFDR indicator PAI n°14.</li> </ul>
<p><b><u>e. Governance</u></b></p>	
<p><b>i. Asset side:</b> Investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour), without policies to protect whistle-blowers, and prevent and manage corruption (consistent with the United Nations Convention against Corruption) or with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.</p>	<p>Delete metric.</p> <p><i>(Not relevant and data generally not available)</i></p> <ul style="list-style-type: none"> <li>■ There is a lack of data or the data is of low quality regarding the measurement of corporate governance (information about issuers concerning codes and working conditions is more reliant on ratings). Issuers' risk assessment in terms of corporate governance is very often assessed by the level of rating, eg Morgan Stanley Capital International (MSCI), Bloomberg, etc.</li> <li>■ Potentially acceptable if aligned with SFDR indicator PAI n°11.</li> </ul>
<p><b>ii. Asset side:</b> Average ratio of female to male board members and average unadjusted gender pay gap in investee companies, expressed as a percentage of all board members.</p>	<p>Delete metric.</p> <p><i>(Not relevant and data generally not available)</i></p> <ul style="list-style-type: none"> <li>■ Not relevant as it is unclear what the corresponding (financial) risk is here.</li> <li>■ There is a lack of data or the data is of low quality regarding the gender pay gap. Additionally, reporting on the gender</li> </ul>

	<p>pay gap is specified under ESRS S1 (European Sustainability Reporting Standards) with the designation ESRS S1-1</p> <ul style="list-style-type: none"> <li>■ Potentially acceptable if aligned with SFDR indicator PAI n°12 and 13</li> </ul>
<b>Other comments and suggested additional metrics</b>	

**Q17.** Do you agree with Article 7? If not, please specify why.

**No**

- **The list in the Annex should be deleted or at least be significantly shortene.** The metrics should be a fair representation of the material sustainability risk as identified by the insurer and/or group. Science-based can only be used if there are data-based, reliable and concrete metrics. This is currently not the case for most sustainability topics. The prescribed list as mentioned in Article 7 (6) is contrary to the requirements as set out in Paragraphs 1 and 3.
- Minimum metrics should either apply only to those undertakings which assess material exposure to sustainability risks, or the metrics included within the minimum should be sufficient to allow concluding definite exposure (or definite non-exposure) to sustainability risks. The current metrics do not allow that definite conclusions and are thus not sufficiently relevant. If minimum metrics are required, a standardised data foundation should be established to ensure comparability and consistency among companies. This would also facilitate the work process since these are systemic risks.
- The list is too extensive and impractical:
  - Beyond climate and investment portfolios, many metrics (eg biodiversity risks, causes of death, hospitalisation data) are not easily retrievable and lack reliable data.
  - Prescribing metrics contradicts the SRP's objective of reflecting an insurer's specific risk profile (Paragraph 102).
  - Metrics should align with CSRD requirements and be determined by insurers based on materiality, exposures and strategy.
- Inconsistencies and lack of materiality focus:
  - Prescribing metrics conflicts with EIOPA's transition plan alignment statement (Paragraph 103), as these metrics should reflect the profile, assumptions, exposures and strategy of the insurer or group.
  - Paragraph 107 mandates a minimum set of binding metrics, contradicting Paragraph 106, which emphasises tailoring metrics to each insurer's profile.
  - Paragraph 108 does not differentiate between material and non-material risks, increasing administrative burdens without added value.
- Duplication with ESRS: Many metrics already exist in ESRS disclosures, making EIOPA's approach redundant.
- Lack of causal relationships:
  - Exposure does not equal risk. A clear causal link must be established for a metric to be meaningful.
  - Climate (liability side): Earthquake risk is not a sustainability risk and should be excluded.
  - Biodiversity metrics: "Gross, ceded, and net incurred losses" are not directly linked to biodiversity risks.
  - Transition risk metrics: Exposure to specific sectors alone does not indicate transition risk – factors such as activity type, geography and safeguards also play a role.
  - Social risk metrics: The proposed indicators lack clear causal relationships and provide limited relevance.
  - Data differentiation (eg biodiversity claims):
    - Differentiation per individual claim is impractical due to lack of data and would require extensive data collection with no conclusive results.
    - Arbitrary allocations risk leading to incorrect conclusions.

- Regarding point 6 of Article 7, the limitation “where relevant” should be emphasised more prominently and the requirement “at least” be deleted. The sustainability risk plans should focus only on metrics relevant for the company. In particular, the company's own assessment of the ORSA should be maintained. In many cases, biodiversity, social and governance risks are considered as non-relevant in the ORSA.
- Regarding social risk, considering the connection to CSRD, it is referred to as ESRS S1. EIOPA should clarify which specific metric is referred to here.
- **Editorial:** The minimum binding list referred to in Article 7 of the RTS refers to the “Annex”, not to “Annex I”; the wording should be updated.

**Q18.** Do you agree with the relevance of the optional forward-looking metrics?

Optional forward-looking metrics	Relevant	Not relevant
<b>a. Physical risks</b>		
<u>i. Environmental risks (including climate, biodiversity loss...):</u> Expected value and evolution (relative change) of the main balance sheet, profitability and technical components (e.g. premiums, claims, technical provisions, reinsurance balance...) using a sectoral and geographical differentiation as granular as possible under the different scenarios and time horizons.	x	
<b>b. Physical risks/non-life</b>		
<u>i. Climate – Liability side:</u> Expected average annual losses under the two scenarios and different time horizons using a sectoral, hazard and geographical differentiation as granular as possible (amount and expected change).		
<b>c. Physical risks/Life and health</b>		
<u>i. Climate – Liability side:</u> Expected average annual losses under the chosen scenarios and time horizons using age, geographical and risk drivers (e.g. due to natural catastrophe peril, heat waves, air pollution, infectious diseases, malnutrition, displacement...) differentiation as granular as possible (amount and expected change).	x	
<b>d. Transition risks</b>		
<u>i. Climate – Asset side:</u> Stressed value and price change of climate relevant assets in climate relevant sectors (NACE sectors A to H and L), which include the oil, gas, mining and transportation sectors), and at minimum for equity and corporate bonds, under different scenarios and time horizons.	x	
<u>ii. Climate - Asset and liability side:</u> Expected gross and total amount of, at a minimum, Scope 1, 2 and 3 greenhouse gases, including carbon dioxide, methane, and nitrous oxide for financed emissions (absolute amount of mtCO <sub>2e</sub> ) and gross GHG emissions intensity (mtCO <sub>2e</sub> per million euro invested) under different scenarios – at sectoral level - and time horizons.		x
<b>d. Social risks</b>		
<u>i. Liability side:</u> Expected losses linked to increased mortality, morbidity or hospitalization cost caused by socio-economic developments, lifestyle behaviour under different scenarios and time horizons.		x
<u>ii. Asset side:</u> Maximum expected losses linked to adverse social behaviour of investee companies (worsening working conditions, negative impact on communities, consumers, or end-users) under different scenarios and time horizons.		x

<b>e. Governance risks</b>		
<u>i. Asset side:</u> Maximum expected losses due to investments in investee companies under different scenarios and time horizons due to breaches in procedures and standards of anti-corruption and anti-bribery.		x

**Q19. What changes to the other optional metrics, additional metrics or deletions would you suggest?**

**No**

- See Q16-17.
- Regarding optional forward-looking metrics:
- The absence of a mandatory list of **optional forward-looking** metrics in the RTS is appropriate and welcomed, as these metrics will not be relevant for most insurers' own assessments. However, the industry questions the purpose of including such a list in Section 3.8 and **suggests the removal of optional forward-looking metrics.**
- If EIOPA **retains the list**, key concerns include:
  - Relevance depends on individual risk profiles: These metrics may serve as inspiration for some insurers but cannot be generalised across all market participants.
  - Risk of future enforcement: The inclusion of an optional list raises concerns that it may later become de facto mandatory, whether by EIOPA or NCAs, creating unnecessary regulatory burdens.
  - Potential competition law concerns: In narrow markets, certain metrics could enable peers to infer pricing models, raising competitive risks.
- If these metrics are not deleted, EIOPA should provide non-binding guidance on which data can be used.
- If EIOPA **retains the list**, concerns regarding the specific metrics include:
  - Physical risks – Environmental risks (including climate, biodiversity loss...): Developments still needed
  - Physical risks/Non-life – Climate (Liability side): Developments still needed
  - Physical risks/Life and health – Climate (Liability side): Developments still needed
  - Transition risks – Climate (Asset side): Would be more effective to configure assessments based on a risk measure that is more relevant than the NACE code
  - Transition risks – Climate (Asset and liability side): Not available
  - Social risks – Liability side: Not available
  - Social risks – Asset side: Not available
  - Governance risks – Asset side: Not available
- Regarding other optional metrics:
- The absence of a mandatory list of **other optional metrics** in the RTS is appropriate and welcomed, as these metrics will not be relevant for most insurers' own assessments. However, the industry questions the purpose of including such a list in Section 3.8 **and suggests removal of the list of other optional metrics.**
- Optional metrics are far too judgmental and add no benefit at the stage, since data regarding water usage, renewable sources, social risks data are not mature and not available at all. To this end, it should be highlighted that even emission data are as of today available only for a limited part of corporates.
- Additionally, most optional metrics are not well defined and difficult to implement (eg Transition risks – Environmental: Investments at the end of the financial year for equity and corporate bonds (amount and share of equity/corporate bond portfolio) in economic activities with sites/operations located in or near to biodiversity-sensitive areas (at a minimum Natura 2000 sites) where activities of those investee companies potentially negatively impact those areas (amount and share of equity/corporate bond portfolio)).
- If these metrics are not deleted, EIOPA should provide non-binding guidance on which data can be used.
- If EIOPA **retains the list**, concerns regarding the specific metrics include:
  - Physical risk - Nature – Asset side: Problematic simplification of a complex issue. For example, a firm may be highly dependent, but may operate in areas where the capacity of ecosystem services is high enough in the current and mid- to long-term view.

- Transition risks - Asset side: Not relevant, prefer CSRD indicator "asset exposed to significant transition risk" – only a fraction of issuers will be disclosing transition plans under CSRD (eg non-EU).
- Transition risks – Environmental: Would potentially work if aligned with SFDR indicator PAI n°7.
- Transition risks – Climate – Asset side: Would potentially work if aligned with SFDR indicator PAI n°18 – Difficult, eg consider international (non-EU) portfolios with different categorisation systems.
- Transition risks - Investments: Prefer CSRD indicator "assets exposed to significant transition risk".
- Transition risks – Liabilities: Not relevant – the commitment may not be respected. Prefer CSRD indicator "net revenue related to business activities exposed to significant transition risk".
- Transition risks – Liabilities: Prefer CSRD indicator "net revenue related to business activities exposed to significant transition risk".
- Transition risks – Investments: Not relevant (even if it fits the PAI n°6). Prefer CSRD indicator "assets exposed to significant transition risk".

Other optional metrics	Relevant	Not relevant
<u>Physical risk - Nature – Asset side:</u> Investments in economic sectors with a high dependence on ecosystem services (e.g. using ENCORE database on dependencies)		x
<u>Transition risks - Asset side:</u> investment in debt or bonds with commitments of the issuers to reduce future emissions through the implementation of transition plans.		x
<u>Transition risks – Environmental:</u> Investments at the end of the financial year for equity and corporate bonds (amount and share of equity/corporate bond portfolio) in economic activities with sites/operations located in or near to biodiversity-sensitive areas (at a minimum Natura 2000 sites) where activities of those investee companies potentially negatively impact those areas (amount and share of equity/corporate bond portfolio).	x	
<u>Transition risks – Investments:</u> Investments at the end of the financial year for equity and corporate bonds (amount and share of equity/corporate bond portfolio) in economic activities with sites/operations located in areas of high water stress, which means in regions where the percentage of total water withdrawn is high (40-80 %) or extremely high (greater than 80 %) in the World Resources Institute's (WRI) Water Risk Atlas tool 'Aqueduct'.		
<u>Physical risk/Non-life – Climate:</u> Share of market expected to become uninsurable by peril and region.		
<u>Transition risks – Climate – Asset side:</u> Value (and share) of real estate investments with energy category G and F.	x	
<u>Transition risks - investments:</u> Investments linked to the amount, absolute or proportion, of investee companies that have allocation of capital expenditure or operational expenditure or budgets to transition activities and/or the quantities of such allocation.		x

<u>Transition risks – liabilities:</u> Value (and share) of gross written premiums from oil and gas producers and from oil and gas producers committed to align to net zero by 2050.		x
<u>Transition risks – liabilities:</u> Expected legal liability claims by region.		x
<u>Transition risks – investments:</u> Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.		x

**Q20. Do you agree with Article 8 of the RTS? If not, please specify why.**

No

- EIOPA should clearly specify that target setting should not imply an expectation to reduce exposure to sustainability-related risks over time. SRPs (and (re)insurers) are about managing risks.
- Risk management vs. risk mitigation: SRPs focus on managing risks, not necessarily reducing them. The wording in Paragraph 5 should replace "mitigate the risk" with "manage the risk" to reflect the insurance business model.
- Target setting alignment:
  - Targets should be **integrated into regular strategy updates** without a **prescribed update frequency**, as is the case for other business targets.
  - Insurers operating within a Group should be allowed to reference Group-level targets.
  - Medium- and long-term targets (beyond the business plan) should remain qualitative or broad due to uncertainty.
- Legal basis & proportionality:
  - The Directive does not mandate reducing specific exposures or financed emissions but rather monitoring and addressing resulting risks.
  - **Paragraph 3 lacks clarity**, particularly regarding how targets that reflect only the undertaking's willingness to assume own business risks should relate to overarching statutory climate targets. These two types of targets refer to entirely different things, but they seem to be wrongly mixed up here. Aligning the wording with **Article 44(2b) of Directive 2009/138/EC** would provide clarity.
  - The RTS should not prescribe long-term targets the same as short-term ones, as long-term targets (eg net-zero) drive impact, not financial risk management.
- ESABOC References:
  - Targets should consider **ESABOC reports** (European Scientific Advisory Board on Climate Change) for climate risks but **not all sustainability risks**. EIOPA must specify **which ESABOC reports are mandatory** and their relevance.
  - ESABOC guidance vs. enforceable requirements must be clearly distinguished.
- Jurisdictional alignment & regional dependencies:
  - Insurers operate **beyond the EU**, and strict alignment with **EU law** could **harm international competitiveness**.
  - National & EU transition paths influence insurers' targets, so a one-size-fits-all approach is not appropriate.
- It depends on what expectations are on the metrics and targets as the targets referred to in the wider context are only around the GHG emissions. Setting and disclosing targets should not go beyond this scope.

**Q21. Do you agree with Article 9 of the RTS? If not, please specify why.**

No

- While the article wording seems reasonable, the explanatory text is not aligned and implies actions are expected to cover a double materiality scope, not only financial risks. The actions listed as "typical" focus to a large extent on impact creation, not risk management.

- In Article 9 (2)(a), EIOPA refers to: "The undertaking shall demonstrate how the actions: (a) are integrated in their policies in accordance with Article 260 of Commission Delegated Regulation (EU) 2015/35."
- EIOPA should clarify this approach, as actions are the result of policies, not vice versa. Actions are typically taken when the current situation does not align with existing policies or the targets set for material sustainability topics. Reversing this relationship implies that policies must be retrofitted to align with actions.
- The article shall also take into account actions taken at group level.

**Q22.** Do you agree with the approach to the supervision of sustainability risk management and the sustainability risk plan as set out in Article 10 of the RTS? If not, please specify why.

**No**

- Contradiction between Paragraphs 121 and 123/127:
  - **Paragraph 121** states: "Supervising financial risks arising from sustainability factors should not imply assessing the effectiveness of insurers' transition targets." This suggests that supervisors are not expected to evaluate how well insurers' transition targets achieve their intended goals.
  - **Paragraph 123** states: "Misalignment with EU transition targets, i.e., their effectiveness, can lead to reputational, legal, or financial risks. Supervisors will need to assess whether the undertaking's risk management strategy is aligned with EU transition targets and milestones." This implies that the effectiveness of insurers' alignment with these targets is part of the supervisory process.
  - Similarly, **Paragraph 127** adds: "Supervisors will need to assess whether the assumptions for managing transition risk are in line with the EU's objectives and targets, including, for example, the EU Climate Law."
  - **In addition, for paragraph 126:** Suggest replacing appropriateness by 'resilience'

These statements appear inconsistent, as assessing alignment with EU targets inherently involves evaluating the effectiveness of insurers' strategies relative to those targets. **Clearer differentiation or guidance is needed to reconcile these points and clarify the supervisory expectations.**

- **Furthermore, regarding Paragraph 127** – Supervisory considerations for transition risks: Supervisors should evaluate:
  - Whether the assumptions for managing transition risks align with the EU's objectives and targets, such as those under the EU Climate Law.
  - The appropriateness of underlying assumptions and methodologies, including timeframes, data quality, and consistency between sustainability risk plans and transition plans where relevant.
  - However, the supervision must also take into account the jurisdictions in which insurers operate. Exporting EU ambitions beyond EU borders could impact insurers' competitiveness in international markets and potentially create legal conflicts.
- **Paragraph 125 – Conduct aspects in supervision:**
  - Conduct aspects may need to be addressed in the supervision of sustainability-related risks. An undertaking's claim to be sustainable can encompass "any claim related to the sustainability profile of an entity or a product." However, the supervision of these claims must avoid duplication of tasks already assigned to other supervisory bodies. The current wording risks creating overlapping responsibilities and double supervision of insurers concerning conduct topics. Supervisors should:
    - Operate within the framework of national legislation and the defined division of supervisory tasks.
    - Clarify and agree on which supervisors handle specific sustainability-related tasks, ensuring an efficient exchange of information.

- Focus on incremental supervision within their mandate rather than duplicating efforts.
- **Uncertainty in transition pathways:** The EU's end goals for climate objectives are clear, but the pathways to achieve these goals remain uncertain and politically sensitive. Supervisors should acknowledge this lack of clarity and variability in transition paths. The first and most critical step is to ensure that insurers' targets reflect the material sustainability topics relevant to their operations, as this forms the foundation for meaningful supervision.

**Q23.** Do you agree with the list of elements of the sustainability risk plan to be disclosed as set out in Article 11 of the RTS? If not, please specify why.

No

- The reference in margin number 130 to Article 51 1b (ca), (cb) and (cc) of the amended Directive is incorrect. The correct reference is Article 51 (1b) (e), (f) and (g).
- The industry considers the list of elements of the sustainability risk plan to be disclosed, as outlined in Article 11 of the RTS, to appropriately fulfil the disclosure requirements under Article 51(1b) of Directive 2009/138/EC. The industry welcomes the efforts to specify the RTS in a manner that ensures consistency in the public disclosure requirements under Article 11 and enables undertakings to utilise information disclosed under other regulatory frameworks or for other purposes. It may be appropriate to include the option to reference disclosed information to avoid duplicate reporting.
- There seem to be a number of unclaritys regarding the sustainability risk plan and related disclosures:
  - **Level of detail in SFCR:** It is unclear what level of detail is required in the SFCR. Given the extensive nature of CSRD reporting, the industry expects SFCR disclosures to be less detailed. How does EIOPA envision translating CSRD disclosures into the sustainability risk plan?
  - **Additional disclosures beyond SFCR:** Will there be additional disclosures required for the sustainability risk plan that go beyond what is already provided in the SFCR?
  - **Referencing CSRD information:** Article 11 should allow insurers to reference sustainability information disclosed in the Annual Report under CSRD, with only incremental information added if necessary.
  - **Adjustments to QRTs:** It is unclear whether EIOPA will adjust current QRTs (eg S.06.04) or add new ones. Insurers need clarity on any changes as implementation requires time and resources. The impact assessment should explicitly address these adjustments.

**Q24.** Do you agree with the proportionality measures included in Article 12 of the RTS? If not, please specify why.

No

- SNCUs are exempt from the new provisions for analysing climate change scenarios in the ORSA process under Article 45a, Paragraph 5. The climate change scenario analysis in the ORSA process is closely linked to sustainability risk plans. It would therefore be consistent and reasonable to exempt SNCUs from the requirement to develop sustainability risk plans as well. Until this is in place, the industry believes the simplified approach outlined in Article 11, which focuses on qualitative methods for assessing financial risks, is appropriate for SNCUs.
- Furthermore, proportionality should not be limited to small and non-complex undertakings but should apply to all entities. This is particularly relevant in cases where no scientific methodologies exist, or insufficient credible data is available.
- Finally, unnecessary evidence should be avoided: If financial risks are already identified, additional quantitative tools are unnecessary, as the sustainability risk is already on management's agenda. EIOPA should avoid imposing excessive requirements that merely evidence the obvious, ensuring a balanced and practical approach.

**Q25.** Do you have comments on the Recitals of the draft RTS?

Recital 1

Yes

- **Avoid introducing ambiguous terms:** EIOPA should refrain from introducing phrases that lack clear definitions, such as “environmental degradation,” to ensure consistent interpretation across the industry.
- **Proportionate and aligned requirements:** Instead of referring to “consolidates minimum requirements,” EIOPA should emphasise requirements that are implemented in a proportionate manner and aligned as much as possible with similar frameworks, such as the CSDDD, CSRD, EUT, or other relevant sustainability legislation.

Recital 2

Yes

- It is unclear what is meant by the impact of risks (“... *assessing and managing the impact, in a comprehensive manner, of environmental risks, ...*”). The terms of impact and risk which normally stand for different directions of effect should not be mixed up.
- **Acknowledging progress in regulatory frameworks:** While EIOPA states that “Regulatory requirements on sustainability risk management, due diligence, and disclosures are still under development,” it is important to recognise that significant progress has already been made with the publication of the CSDDD, EUT, and CSRD/ESRS. EIOPA could refine this statement to reflect the advancements in these areas while acknowledging that certain aspects are still evolving.
- **Emphasising materiality:** The inclusion of the term “material” would enhance clarity and focus

Recital 3

Yes

- **Clarifying the role of EIOPA’s statements and reports:** Care should be taken to avoid implicitly elevating EIOPA’s statements, reports, or guidance to the level of regulatory technical standards (RTS). These materials were not created with the objective of becoming legally binding, nor were they subject to the due process required for formal legislation.
- **Promoting two-way consistency:** Insurance Europe appreciates EIOPA’s emphasis on consistency, but this should be a two-way interaction between sustainability information and other reporting frameworks. For example, insurers should be able to reference sustainability information disclosed under the ESRS. Currently, the RTS describes this interaction as a one-way process, and greater clarity on mutual referencing would enhance alignment and efficiency.

Recital 4

Yes

**Proportionality and minimum metrics:** The industry supports the proportionate, entity-specific approach, but this appears inconsistent with the inclusion of minimum requirements and metrics, which may limit flexibility for diverse insurer profiles.

Recital 5

No

Recital 6

No

Recital 7

Yes

- **The industry generally agrees.** The wording should include a precise distinction between impact / own financial risks / own financial risks that arise indirectly from own impact.

Recital 8

Yes

- While the industry broadly agrees with the wording, it is not sure whether this passes the practical test.
- **Alignment with CSRD:** EIOPA should ensure that assessments, methodologies, and choices made under the CSRD are accepted within the context of the SRP. It should clearly identify which elements are incremental to the ESRS and adopt a two-way approach to align and streamline reporting requirements.

Recital 9

No

*Recital 10*

**Yes**

- **Emphasis on materiality and avoiding duplication:** In the recital, EIOPA refers to the RTS as the basis for risk management but omits the critical focus on material risks. Insurers implementing the CSRD have already conducted a DMA and, for each resulting impact, risk, or opportunity (IRO), aligned it with business strategy, set targets, developed action plans, and established metrics to track progress. The RTS should avoid duplication of these efforts and build on existing frameworks.

*Recital 11*

**No**

*Recital 12*

**Yes**

- Apart from climate risks, there should be no general requirement to run scenario analyses. For other potentially material risks, standard scenarios are not available. It should be left to the undertakings to decide which analyses are most appropriate for their specific risk profile.

*Recital 13*

**Yes**

- See comments to Recital 12.

*Recital 14*

**Yes**

- There should be no mandatory extension to target years set out in European Climate Law. The horizon of 2050 is already very long for a meaningful use of climate scenarios within the framework of the ORSA, as the composition of the undertaking's assets and non-life obligations in 2050 is purely speculative. For other risk drivers, such as social or governance risks, the industry does not see meaningful analyses over such a long-term horizon.

*Recital 15*

**No**

*Recital 16*

**No**

*Recital 17*

**No**

*Recital 18*

**No**

*Recital 19*

**No**

**Q26. Do you have comments on the analysis of the following policy issues?**

*Policy issue A*

**Yes**

- In fact, the supposed policy issue A is not an open issue as the Directive requires that EIOPA develops draft RTS to further specify minimum standards, reference methodologies, elements of the plan and supervisory approaches. Thus, as long as the Directive is not changed, options A.1 and A.3 are not legally possible.

*Policy issue B*

**Yes**

- The preliminary preferred solution is B3. Alignment with CSRD appears to be the most effective and efficient approach, provided it minimises the reporting burden and enables proportionate solutions for SNCUs as well as for undertakings that do not report according to CSRD themselves but are covered by group specific sustainability reporting.

**Q26.** *Do you have any other comments on the impact assessment in Annex I?*

**No**

**Q27.** *Do you have any other comments on the consultation paper?*

- Insurers specialise in risk management – assessing, pricing and handling risks efficiently to benefit both the public and their own solvency. Forcing them to follow external risk views or reduce risks they are equipped to manage is counterproductive. It is paradoxical for regulators to push insurers to limit certain exposures based on political agendas while also worrying about gaps in financial protection and economic transition. (Re)insurers have the expertise to adapt their business models to emerging sustainability risks at an appropriate pace, and this process must not be dictated by external parties, as it could result in poor decisions and unintended consequences.

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