

To: Economics & Finance Committee, Public Affairs & Communications Committee, Solvency II WG  
From: ECOFIN department  
Date: 07-12-2023  
Reference: ECO-SLV-23-245

Subject: Solvency II - Transition plans - refined position in the context of SII Trilogues

## Action requested

- In the context of the Solvency II trilogue meetings, the secretariat proposes to refine the position - in line with the SIIWG discussions - on transition plans as regulated by the SII Directive.  
**The secretariat has updated the text in line with members' feedback.**
- In terms of next steps, once finalised the secretariat will engage based on the agreed position and members are encouraged to use the messages in their outreach.

## Summary

The fourth political trilogue on Solvency II took place on 22 November. In order to continue the negotiations by co-legislators with a view to reach a possible agreement by mid-December, an additional trilogue meeting has been scheduled for 5 December.

At the Council level, a Council Working Party is scheduled for December 6 to prepare for the trilogue session on December 13.

Feedback from the 4<sup>th</sup> trilogue of 22 November indicates that there was some degree of alignment between the Council and the European Parliament on key aspects, particularly regarding sustainability (see [EC non-paper on sustainability](#) and [Trilogue flash note](#)).

**As per the discussions and consensus reached during the SIIWG on 30 November, the following key messages were agreed concerning prudential transition plans:**

- **Transition planning for insurers consists of two aspects:**
  - **A prudential/risk-based transition plan under Solvency II** would imply introducing the obligation to develop 'prudential' plans and targets as part of the risk-management system, focused on risk-management aspects of the transition, including the strategic risks associated with not implementing their transition strategies. It would also include the impact of the potential exposure to stranded assets. *(Note all but the last sentence is copy-paste from EC non-paper [ECO-SLV-23-207](#))*
  - **A net-zero, Paris-aligned climate transition plan** that may include for example certain emission reduction objectives/targets. (Legislated by CSRD and CSDDD)
- **Only the first aspect, ie the risk component, should fall under Solvency II.** The requirement to address sustainability risks is already addressed in a general way by existing SII text, but can be further clarified as by drawing on text from the EC non-paper on sustainability ([ECO-SLV-23-207](#)).
- **The SII review text should not prevent or require companies from having an integrated plan** that addresses both aspects.

## Further important considerations:

- **Supervision of transition plans**

- Only the first aspect, the prudential/risk-based transition plan should fall under the prudential supervisor's responsibility, as their focus is on the on safety and soundness of financial institutions.
- The potential simultaneous implementation of various legislative requirements for net-zero transition plans may require an entity to adjust its transition strategy based on conclusions from NSAs which do not (yet) have fully harmonized powers and prerogatives.
- **Scope and content**
  - **Proportionality:** Low risk profile undertakings should be exempted to safeguard proportionality.
  - **Consistency and avoidance of overlaps:** It is key that consistency among the plans (prudential and net zero) is ensured, while recognising the differences in objectives and avoiding overlaps. This aspect would be important to avoid duplications, inconsistencies, unnecessary reporting burden and legal risks. (*Copy-paste from EC non-paper* ([ECO-SLV-23-207](#)))
  - **Content:** the prudential/rusk-based plan should be focused on risk-management aspects of the transition ie from an "outside-in" perspective.
  - **Flexibility:** There should be sufficient flexibility for insurance groups to properly reflect the risks of their group-level transition strategy, both at group and subsidiary level.
  - **Further proportionality** measures should be foreseen to minimise operational burdens and to ensure consistency and relevance of the information provided.
- **Public disclosure**
  - The full prudential/risk-based transition plan, covered under Solvency II, should not be publicly disclosed. This is supported by the EC in their non-paper.
  - We note that there is already a requirement under CSRD for a company's net-zero, Paris-aligned climate transition plan to be reported as part of ESRS disclosures.