

To: Financial Reporting Working Group

From: Philippe Angelis

Meeting: 18-03-2021

Reference: ECO-FRG-21-041

Subject: Draft Assessment of EIOPA advice on Taxonomy KPIs

Objective

For discussion

Background

On 1 March, EIOPA submitted its [advice](#) to the European Commission on the mandatory sustainability disclosure of insurers' and reinsurers' key performance indicators within the scope of the Non-financial Reporting Directive (NFRD).

The advice has been prepared in relation to the work on delegated acts on transparency of undertakings in non-financial statements, which the EC will adopt by June 2021 in relation to Article 8 of the Taxonomy Regulation.

EIOPA proposes requiring the two most relevant key performance indicators on sustainability that depict the extent to which:

- the insurer or reinsurer **carries out taxonomy-aligned activities** - in terms of non-life gross premiums written
- the insurer or reinsurer is **funding or financing taxonomy-aligned economic activities** - in relation to total investments

EIOPA considers that these key performance indicators on sustainability provide relevant information to financial markets, depicting fairly the insurers' and reinsurers' business models, underwriting policies and investments, and allow for comparisons with other financial sectors and non-financial undertakings.

With its technical advice, EIOPA responds to a call for advice, addressed to the three European Supervisory Authorities, to support the European Commission developing the definitions and methodologies to be used for the disclosure requirements of Article 8 of the Taxonomy Regulation. ESMA and EBA have also published their respective advice to the Commission.

Insurance Europe responded to the EIOPA consultation in January ([ECO-FRG-21-012](#)). Please find below a preliminary assessment of the EIOPA advice.

Next steps

- June 2021: Deadline for adoption of Delegated Act on taxonomy disclosures

Preliminary assessment of EIOPA’s advice on Taxonomy related KPIs			
	Positive	Mixed/unclear	Negative
“Investment” ratio	<ul style="list-style-type: none"> ■ We agree with the concept of a ratio to assess the degree of sustainable investment. ■ Voluntary retrospective application. ■ All publicly and privately available information to be used and may consider available proxies and approximations. until the development of common methodologies. ■ Voluntary additional disclosures on the insurer’s or reinsurer’s capital expenditure for prevention and protection measures. 	<ul style="list-style-type: none"> ■ Main KPI to include assets where the investment decision lies with the policyholder but additional disclosures shall distinguish the proportion of the investments in relation to the general account and unit-linked/index-linked portfolios ■ Insufficient guidance on how disclosures shall be broken down by environmental objective. 	<ul style="list-style-type: none"> ■ EIOPA states that all assets should be included. We argued that only taxonomy eligible asset should be considered. It is unclear whether sovereign bonds should be included, calling for “expert judgement and approximations” to be used until the Taxonomy criteria can be applied to such investments. ■ In this respect, EIOPA’s advice doesn’t appear to be in line with the advice from the other ESAs. We note that the EBA in its opinion to the EC, recognises that certain exposures, such as government and central banks, cannot be considered at this stage. ■ EIOPA fails to address how companies are to cope with lack of data at “activity” level for their Taxonomy assessment. ■ The advice relies on investors to gather information on a number of asset classes for which such information is unavailable, e.g. mortgages
“Underwriting” ratio	<ul style="list-style-type: none"> ■ the identification of the taxonomy alignment should be made at insurance product level. 	<ul style="list-style-type: none"> ■ Not clear whether the KPI has the flexibility to support both, group- and company-level 	



		reporting (and local GAAPs), with the gross written premium serving as the default option in any event.	
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