

## Response to EC consultation on Taxonomy KPIs for companies under the Corporate Sustainability Reporting Directive (CSRD)

Our reference:	ECO-FRG-21-079	Date:	01 June 2021
Referring to:	<a href="#">EC consultation about the draft delegated regulation on Article 8 of the Taxonomy Regulation on entity level disclosures for undertakings under the scope of the NFRD/CSRD</a>		
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### Key Comments

Insurance Europe appreciates the possibility to provide comments to the European Commission draft proposal for a Delegated Act supplementing the Taxonomy Regulation.

The industry is supportive of the proposal. In particular, it appreciates that:

- **The proposed timeline** (application in 2022 with full reporting in 2023) will help allow FMPs time to implement the necessary IT, data, validation and management processes. However, we note that:
  - **The disclosures set out in Article 11.2 a-d would still require significant implementation efforts** and therefore ask the Commission to consider the cost-benefit of requiring this information a year ahead of the actual KPIs and related qualitative information.
  - As the timetable applies to all companies, **FMPs still face a sequencing problem** because they require the taxonomy related data from other companies in order to fulfil their own taxonomy reporting obligations. The EC should clarify how FMPs can solve this issue. At the very least it should be made clear that a reasonable effort basis (eg estimations) is acceptable, especially for first time reporting for FMPs. It should be explicit that it is **acceptable for FMPs to use latest available data for their reporting** (which will typically be from the previous reporting year).
- The **alignment with the investment disclosures for asset managers and insurers**, as they improve the consistency and comparability of the KPI across FMPs.
  - Similar language should be used for the investment KPI to ensure a level playing field considering that this information will also be disclosed for non-professional public (e.g. the term "Green Asset Ratio" is proposed only for credit institutions).
  - There are many financial institutions that have mixed activities. In case of reporting for the consolidated entity, a consolidated format should be established. More alignment between the various templates is also desirable.
- **Sovereign exposures are excluded from the main indicator because they are not (yet) covered by the taxonomy.** The plan to include these in the taxonomy by 2025 is welcome as these assets are extremely relevant for insurers.
- **Additional complementary KPIs will be used** to provide more detail, including information on assets currently not covered by the taxonomy and therefore not included in the main KPI.
- **The KPI numerator for underwriting activities, based on premiums, can be assessed at product level** (although DNSH will still require customer level assessment, we recognise why this is unavoidable).

The industry sees some need for further refinement in order to ensure the disclosures are fully meaningful and efficient for information users, while achieving consistency with ongoing work on sustainable finance.

With respect to KPI for investment activities:

- The denominator of the main investment KPI should be based only on **taxonomy-eligible investments** where the insurer controls the investment decision. This means **the following investments should be excluded from the nominator and denominator of the main indicator**:
  - **Investments where the policyholder make the choice of where to invest. These should be reported separately as a secondary KPI.** This exclusion would provide a more accurate picture of the share of investments where the insurers are responsible for the investment allocation, and therefore for the taxonomy alignment. In the current text, such investments are referred to as where the policyholder bears the risk but, while this is often aligned with investments where the policyholder chooses the investment, this is not always the case. Therefore, the wording should be “where the policyholder chooses the investment”.
  - **Exposures to undertakings not reporting under the CSRD.** Deletion from the numerator breakdown would achieve consistency as the Delegated Act allows companies not in the scope of the CSRD to report taxonomy-alignment information, but it excludes them from the numerator KPIs for insurers while asking to report on these in its breakdown.
  - **Derivatives, as they are not connected to an economic activity under the taxonomy** and their inclusion will create distortions and potential volatility in the KPI and including them would not bring significant added value to information users.
- While excluded from the main indicator, **the exposure to all of the above should be provided separately as complementary KPIs.**

With respect to KPI for underwriting activities:

- **The denominator should only capture activities that are eligible under the taxonomy.** For example, it should include only insurance services (other than life insurance) related to the underwriting of climate related perils (that comply with the technical screening criteria) and related to the LOBs mentioned in the Annex of the Climate DA Chapter 10.1.
- **The wording “not environmentally sustainable” used in the template (A2) and the columns about the DNSH criteria are deleted** to achieve more efficient and meaningful disclosures.

Other comments:

- **[SFDR RTS on taxonomy-related product disclosures](#)** (currently under development by ESAs) must be aligned with these **entity-level disclosures**. Inconsistencies will reduce the value of both reporting, confuse users and increase costs and complexity.
- Given the need for time to prepare data, systems and processes, the industry recommends that the EC clarifies that **for other environmental objectives** (art. 9, points c to f of the TR), provided that the final screening criteria are finalised in 2022, **the date of application should be 1 January 2023, so that the first reporting disclosure should be in 2024 referred to the year 2023.**
- The DNSH criteria do not fairly represent the sustainability ratio of reinsurers for business written on a portfolio basis (also known as treaty business).
- A Q&A process would be desirable at EU level in order to clarify doubts and harmonize the implementation of KPIs among different financial sectors.

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