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ENVIRONMENTAL SOCIAL AND GOVERNANCE REGULATION - ACTUARIAL VIEW

The AAE believes that the recent work on ESG-related disclosures is important and can help the process of achieving the environmental goals of the EU. We welcome and support the introduction of harmonised rules on disclosure of ESG-related data that can be further used to better serve the needs of the consumers and end investors and can also be used to ensure the needed legal and supervisory framework and reflects the realities of the underlying financial industry. Disclosure should be concise, readable and understandable, thus the disclosure requirements should be aligned with a clear taxonomy. As far as possible, the **requirements should be integrated with current SFCR disclosure requirements. While we can rely on an elaborated taxonomy for climate risks, comparable taxonomy is missing for social and governmental risks.**

A number of indicators, e.g. gender pay gap, whistle-blower protection, are not clearly defined and, in the absence of definition, their use in a comparison between undertakings and products. If the required information could not be made available at the level of granularity stipulated, development of proxies may follow and this could impede comparability and credibility of such disclosures. To ensure sufficiently comparable disclosure against key indicators, we would suggest: favouring a common template at European level and quantitative indicators and harmonizing the KPI's to be used.

The definition of sustainability risks as contained in the Sustainable Finance Disclosure Regulation (SFDR) should be a guiding principle for the development of the final templates and disclosure requirements. This means an *environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment*. The role of insurers is not adequately considered in the proposed regulation. To meet their obligations to their customers, insurers are acting as investors, especially for life and pension business. We think that the definitions of "sustainable investment products" and "products that promote environmental or social characteristics" may result in varying interpretations which in the end might be quite confusing for the end customer.

AAE strongly supports the current **EU fast progress on climate change mitigation "the green deal"** but does have reservations on few points. For instance, bringing vague requirements (not well-defined reporting, consumer brochures or risk measures) in a fast manner creates new problems like transition risks on markets and unawareness amongst customers. **Also AAE is of opinion that the existing regulatory rules defined in Solvency II "same risk same capital" shall be kept and respected within the level playing field across the financial markets as principle** and not be compromised.

AAE finds that, it might be better to secure a steady transition by increasing requirements as the underlying information and definitions gets better understood. Actuaries are in key positions to bring the holistic, risks awareness in companies to help to deal with this big issue that requires also new skills on pricing, underwriting, reserving and on forward looking scenario work and ORSA.. It is also important to note that the needs differs a lot through the member states and business models – not one solution suits for all. **AAE will keep working closely with this in order to ensure enough awareness is created and communicated for its members.**

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The Actuarial Association of Europe (AAE) was established in 1978 under the name Groupe Consultatif to represent actuarial associations in Europe. Its primary purpose is to provide advice and opinions to the various organisations of the European Union - the Commission, the Council of Ministers, the European Parliament, the European Supervisors and their committees – on actuarial issues in European legislation. The AAE currently has 36 member associations in 35 European countries, representing over 26,000 actuaries. Advice and comments provided by the AAE on behalf of the European actuarial profession are totally independent of industry interests.

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