

RTS sustainability risk plan

Fields marked with * are mandatory.

Responding to the paper

EIOPA welcomes comments on the Consultation paper on the proposal for Regulatory Technical Standards on management of sustainability risks including sustainability risk plans.

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Please provide your comments to EIOPA via EU Survey **by 26 February 2025, 23:59 CET**.

Contributions not provided via EU Survey or after the deadline will not be processed. In case you have any questions please contact SolvencyIIreview@eiopa.europa.eu.

Publication of responses

Your responses will be published on the EIOPA website unless: you request to treat them confidential, or they are unlawful, or they would infringe the rights of any third party. Please, indicate clearly and prominently in your submission any part you do not wish to be publicly disclosed. EIOPA may also publish a summary of the survey input received on its website.

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About the respondent

* Please indicate the desired disclosure level of the responses you are submitting.

- Public
- Confidential
- Partly confidential

* Stakeholder name

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Questions to stakeholders

Chapter 2. Relationship of the sustainability risk plans with ORSA, transition plans, disclosure and reporting

2.1 Own risk and solvency assessment

* 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

No

* Please provide your comments to Q1.

The Actuarial Association of Europe (AAE) welcomes EIOPA's work on further integrating sustainability risk assessments within the Own Risk and Solvency Assessment (ORSA). Aligning these assessments with ORSA ensures that sustainability risks are evaluated in conjunction with other prudential risks, promoting a holistic approach to risk management. It is important, though, to avoid duplication of reporting and not to extend reporting requirements under Solvency II that go beyond the aspects of solvency and capital management for policyholder protection.

We acknowledge the need for structured sustainability risk assessments and believe the current proposal introduces key improvements. However, certain areas require further clarification to ensure consistency, proportionality, and practical implementation.

Please see below for more detailed comments from our members.

1. Scope of Sustainability Risk Assessments in ORSA

- We suggest that EIOPA clarifies the scope of sustainability risks expected to be assessed in ORSA. While the inclusion of climate change scenarios is well understood, it may be helpful to confirm analogous expectations regarding other sustainability risks, such as social and governance risks, i.e. that it will be principles-oriented and undertaking-specific and not prescriptive or rules based.
- In a similar manner to the existing guidance on climate-related risks in ORSA, we suggest that guidance is provided on assessing materiality and exposure for social and governance risks. Practical examples of how these risks could manifest and be quantified would be beneficial for undertakings.
- We acknowledge that social (S) and governance (G) risks are integral components of sustainability and should be considered, as they often accompany climate risks. However, climate risk may be viewed as the most material and urgent sustainability risk in the short term, as it is the most immediately quantifiable risk. Additionally, risk management tools for climate risks are more advanced compared to those for social and governance risks. Nevertheless, we acknowledge the importance of S and G risks, which should still be assessed with proportionality.

2. Scenario Analysis and Risk Quantification

- We support the inclusion of scenario analysis for material sustainability risks in the ORSA, as this has been and still is one of its core elements.
- As the ORSA should be principles-oriented and undertaking-specific, an explicit and standardised minimum expectation for non-climate sustainability risks within ORSA would contradict the original design of the report.

3. Documentation and Reporting Burden

- While we recognise the importance of transparency in sustainability risk assessments, we suggest that EIOPA considers the administrative burden associated with extensive documentation requirements. The principle of proportionality should be applied to ensure that reporting obligations do not create unnecessary complexity, particularly for smaller and non-complex undertakings (also discussed in Q24).
- The interaction between ORSA sustainability risk assessments and reporting obligations under the Corporate Sustainability Reporting Directive (CSRD) may need further clarification.
- Given the similarities of the ORSA and the Sustainability Risk Plan (SRP), the RTS can provide insurance undertakings with the option to reference the SRP within the ORSA. Allowing such an approach would help avoid duplication and reduce unnecessary reporting burdens while maintaining robust risk management practices.

2.2 Regular supervisory reporting

* 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
 No

* Please provide your comments to Q2.

Ensuring alignment between the Sustainability Risk Plan and regular supervisory reporting is an important step toward integrating sustainability risks within Solvency II's prudential framework. While the proposed approach helps streamline reporting, some areas may require further clarification to ensure proportionality, minimise administrative burden, and define key reporting expectations.

Please see below for more detailed comments from our members, noting that there may be different views expressed on the various issues identified.

1. Alignment with Regular Supervisory Reporting

- Some of our members have welcomed the synchronisation of sustainability risk reporting with Regular Supervisory Report (RSR) deadlines and frequency, as this is expected to provide consistency and a structured approach to sustainability risk assessments. Aligning sustainability risk reporting within Solvency II ensures that these risks are assessed alongside other prudential risks, promoting a consistent supervisory approach.
- While we acknowledge the benefits of aligning the Sustainability Risk Plan (SRP) with the RSR timeframe, some members have suggested that further consideration is given to an alternative approach. Given the strong connection between the SRP and ORSA (as discussed in Q1), alignment with ORSA timelines may provide greater consistency with undertakings' strategic planning and risk management processes. ORSA timelines vary across companies, and aligning SRP reporting with the ORSA could enhance coherence between sustainability risk assessments and overall business planning. Therefore, it might be helpful to explore whether undertakings could be given flexibility in choosing the most appropriate reporting cycle (RSR or ORSA) based on their internal risk management framework.

2. Material Changes and Reporting Frequency

- Further clarification on what constitutes a "material change" in sustainability risk would be helpful, as this determines when additional reporting is required. However, it is recognised that the framework should remain risk-based, and it is neither practical nor possible to define all aspects of what constitutes a material change. Under Solvency II, for public disclosure purposes, materiality means that if an issue is omitted or misstated, it could influence the decision-making or judgment of users of the information, including supervisory authorities (Article 291 Solvency II Delegated Regulation). Aligning sustainability risk reporting triggers with this principle could enhance consistency across undertakings while ensuring proportionality in reporting obligations.
- Material changes should not only include changes in an insurer's risk exposure but also consider developments in sustainability risks themselves, including scientific advancements that refine the understanding of such risks. While this forward-looking approach could enhance risk management, it may also increase reporting frequency. A proportionate approach that balances these considerations, ensuring that reporting requirements remain aligned with the nature, scale, and complexity of the undertaking, would be beneficial.

3. Documentation, Reporting and Projections

- It would be useful for EIOPA to confirm explicitly that sustainability risk data will not be incorporated into annual and quarterly QRTs.
- The need for additional reporting requirements should be reassessed in terms of materiality and

avoidance of duplication. Only if it cannot be avoided, new reporting requirements should be added to the RSR, SFCR and ORSA. We would like to remind that within the Solvency II framework the ORSA is the central document for any additional forward-looking risk assessments beyond the SCR.

4. Consideration for Smaller Undertakings and Proportionality

- The principle of proportionality should be applied carefully, particularly for smaller and non-complex undertakings that may have limited resources for extensive sustainability risk assessments.
- Guidance on simplified reporting requirements for smaller entities would support compliance and proportional application of the framework without imposing excessive burdens.
- While aligning sustainability risk reporting with Solvency II has benefits, the overall administrative impact should be carefully considered as the proposed framework may increase compliance burdens. Reporting could be streamlined and aligned with existing SII processes supporting efficiency.

2.3 Transition plans

* 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
 No

* Please provide your comments to Q3.

The relationship between the Sustainability Risk Plan and transition plans under the Corporate Sustainability Due Diligence Directive (CSDDD) requires further clarification, particularly regarding scope, integration, and proportionality. While alignment between these frameworks is important, avoiding duplication and ensuring consistency across regulatory requirements will be key for effective implementation.

1. Scope and Applicability

The Sustainability Risk Plan plays a key role in identifying, measuring, managing, and monitoring sustainability risks under Solvency II. However, further clarification is needed on how it interacts with transition plans required under the Corporate Sustainability Due Diligence Directive (CSDDD). While transition plans under CSDDD focus on an insurer's strategic commitments and alignment with sustainability objectives, the Sustainability Risk Plan is a risk management tool designed to assess prudential risks arising from sustainability factors. Given these different purposes, clearer guidance on how insurers should integrate transition risks into their Sustainability Risk Plans would help avoid duplication while ensuring consistency across regulatory requirements.

For insurers that fall under Solvency II but are not in scope of CSDDD or CSRD, there is uncertainty about transition planning expectations. Smaller insurers will still face transition risks, and without regulatory guidance, they may not adequately prepare for these risks. It may be useful to clarify how such insurers should incorporate transition risk considerations into their sustainability risk plans.

2. Clarification on Transition Plans

The distinction between a "Sustainability Risk Plan" and a "Transition Plan" seems unclear. Both address sustainability-related risks and the transition to a sustainable economy, yet their respective objectives and regulatory purposes appear to overlap.

Our interpretation is that while both plans address sustainability, the Sustainability Risk Plan is focused on risk management and financial stability, whereas the Transition Plan under CSDDD is primarily concerned

with strategic commitments and public disclosures. If this interpretation is correct, a clearer explanation of the two plans would help avoid duplication and ensure insurers can develop coherent risk management strategies.

Furthermore, the RTS should acknowledge that, for regulated financial undertakings, only the upstream portion of their activities falls within the scope of CSDDD, while downstream activities are excluded (Recital 26). In the case of insurance undertakings, this means that only their underwriting and investment portfolios are subject to CSDDD requirements, whereas claims handling and other downstream activities are not. To ensure accurate alignment between the Sustainability Risk Plan and transition plans under CSDDD, this limitation should be explicitly reflected in the RTS.

3. Managing Transition Risks for Smaller Insurers

Even in the absence of a regulatory requirement for transition plans, smaller insurers remain exposed to transition risks. These insurers may lack structured planning, increasing their exposure to financial and operational risks. It may be beneficial to provide guidance on how smaller insurers can effectively manage transition risks, even if they are not formally required to prepare transition plans under CSDDD or CSRD. This would support better risk preparedness across the sector without imposing unnecessary administrative burdens.

4. Integration and Consistency Across Regulatory Frameworks

Ensuring consistency between the Sustainability Risk Plan and transition plans would help insurers avoid redundancy and streamline compliance. However, further clarification is needed on how these plans should be integrated and which specific elements belong in each plan.

Examples for integrating sustainability risk plans with transition plans would be beneficial, particularly for insurers subject to both Solvency II and CSRD/CSDDD requirements. This would help undertakings understand how to efficiently align their regulatory reporting obligations.

5. Implementation of Social and Governance Targets

For insurers that have not yet implemented CSDDD or CSRD requirements, further clarification on how to set targets for social and governance factors would be useful. The list of factors referenced in paragraph 25 of the consultation could benefit from practical guidance on implementation.

2.4 Sustainability reporting and disclosure

* 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
 No

* Please provide your comments to Q4.

The relationship between disclosure requirements under Solvency II and the Corporate Sustainability Reporting Directive (CSRD) raises important considerations regarding scope, proportionality, and consistency. While alignment can enhance transparency, further clarification is needed to ensure that the differing objectives of these frameworks are properly managed.

1. Scope and Differences Between Solvency II and CSRD

- CSRD and Solvency II have different objectives and scopes. CSRD focuses on value chain impacts, double materiality, and broader sustainability risks and opportunities, while Solvency II is entity-specific and primarily concerned with financial risks. Given these differences, guidance on managing the interaction between these frameworks would be beneficial.
- CSRD integrates double materiality, which considers both the financial impact of sustainability risks on the undertaking and the undertaking's impact on sustainability factors. Since Solvency II follows a different materiality approach, further guidance on how these methodologies should be reconciled in sustainability risk disclosures would be helpful.
- To maintain a consistent approach under Solvency II and the sustainability risk plan, our understanding is that the core principles defined under Solvency II remain untouched and CSRD does not influence those principles and approaches.

2. Integration of Reports and Avoiding Duplication

- Clarification is needed on whether the sustainability risk plan and the SFCR should be integrated or remain separate reports. A clear delineation would help undertakings streamline their reporting processes and ensure all relevant information is captured without unnecessary duplication.
- It would be useful to provide examples for integrating sustainability risk information into the SFCR, particularly for companies subject to both Solvency II and CSRD requirements.
- To avoid redundancy between public CSRD/ESRS disclosures and the Solvency and Financial Condition Report (SFCR), the RTS should clarify that a reference to CSRD disclosures should be sufficient for entities subject to CSRD reporting. Since CSRD disclosures are externally audited, requiring additional publication of the same assumptions and data within the SFCR would create unnecessary duplication. This principle should apply broadly but should explicitly cover, at a minimum, the publication of assumptions underlying the risk assessment (Recitals 36a, b, and c).

3. Proportionality Considerations

- Not all (re)insurers will be subject to CSRD reporting immediately, and smaller insurers may face challenges in aligning their disclosures with broader sustainability reporting frameworks. Additional guidance on how proportionality should be applied would help ensure that reporting obligations remain manageable, particularly for smaller entities.

* 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.

- Yes
 No

* Please provide your comments to Q5.

The alignment between sustainability risk disclosures under Solvency II and CSRD, as outlined in Annex II of the RTS, is a positive step toward reducing duplication and streamlining reporting. However, the absence of ESRS sector-specific standards for insurance presents challenges in ensuring consistency and operational clarity across the industry.

We note the following issues for your consideration:

- While the proposed mapping in Annex II provides a high-level framework, the lack of sector-specific ESRS standards for insurance makes it difficult for insurers to implement these requirements consistently. More detailed guidance tailored to the insurance sector would be beneficial to ensure that disclosures accurately reflect the unique characteristics and risks of the industry.
- Due to the timelines prescribed by the respective regulations, most insurers subject to CSRD will have already established CSRD reporting and conducted a double materiality assessment. In practice, the CSRD and ORSA processes will likely serve as primary inputs to the Sustainability Risk Plan, with further analysis added as needed. Additionally, the SRP should focus on financial materiality in line with the political mandate, whereas CSRD disclosures emphasise double materiality.
- To limit the reporting burden, the RTS should consider:
 - o Aligning SRP reporting timelines with ORSA.
 - o Allowing insurers to reference CSRD and ORSA processes instead of creating a separate sustainability risk assessment, as outlined in proposed Article 3a.
 - o Permitting insurers subject to CSRD to refer to their CSRD report for public disclosure to avoid redundancies.
- The methodology, assumptions, and metrics used in sustainability risk disclosures under Solvency II and CSRD should be aligned as much as possible to ensure consistency and avoid reporting discrepancies. Further clarification on these aspects would support insurers in integrating sustainability risk data effectively across frameworks.
- Finally, it would be helpful to understand whether the upcoming EFRAG guidelines will lead to further alignment with Solvency II supervisory requests. Ensuring that this alignment is considered in future regulatory developments would support consistency and limit additional reporting burdens.

Chapter 3 Minimum standards and reference methodologies for the identification, measurement, management and monitoring of sustainability risks

3.2 Elements of the sustainability risk plans

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

- Yes
 No

* Please provide your comments to Q6.

While we agree with the overall structure and intent of Article 3, certain aspects could be refined to enhance clarity, ensure consistency with existing Solvency II requirements, and avoid unnecessary duplication of regulatory processes.

1. Governance and Fit & Proper Requirements

We do not believe it is necessary to introduce specific governance requirements for ensuring compliance with fit and proper exclusively for sustainability risks. This should be addressed within the general fit and proper framework applicable to all risk categories. Singling out sustainability risks may lead to an unbalanced focus, potentially reducing attention on other emerging risks that may become material in the future.

The extent to which fit and proper requirements apply to sustainability risks remains unclear, particularly regarding the definition of “persons performing relevant functions.” It is important to avoid confusion with Solvency II key functions. Additionally, targets required under Article 3(1)(e) should be set for sustainability matters only “where relevant.” Companies with robust governance frameworks may not require additional social or governance targets, as these are already effectively addressed within existing risk management processes.

2. Integration with ORSA and Avoiding Duplication

There is a risk of significant duplication between a separate sustainability risk plan and ORSA. The sustainability risk plan captures the risk framework and quantitative analysis for a subset of financial risks already assessed within ORSA.

A more effective approach could be to integrate sustainability risk requirements directly into ORSA, ensuring consistent treatment of sustainability risks alongside other prudential risks while maintaining the flexibility to adapt where necessary.

3. Clarifications on Key Elements of Article 3

Further clarification would be beneficial on the following points to ensure consistency in application across undertakings:

- Criteria for determining materiality in sustainability risk assessments, recognising that materiality assessments should remain entity-specific rather than following prescriptive thresholds.
- Guidance on relevant methodologies for assessing sustainability risks while allowing undertakings the flexibility to apply approaches suited to their specific risk profile.
- Definition of "significant change" in the context of sustainability risks, particularly regarding when reassessments are required.
- While we understand the supervisory need to document data quality under Article 3(2), this requirement should be applied proportionately to avoid excessive reporting burdens.

3.3 Governance

* 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

* Please provide your comments and additional information to Q7.

We welcome the detailed analysis of how sustainability risk management should be embedded within corporate governance and acknowledge the useful examples provided. However, certain aspects remain challenging in practice, particularly in ensuring clarity of roles, aligning short-term financial objectives with long-term sustainability goals, and maintaining a proportionate approach to governance requirements.

1. Integration Within the Risk Management Framework

Sustainability risk should not be considered as a separate risk category but rather as part of an insurer's general risk management framework. Aligning sustainability risk management within existing risk taxonomies would ensure a coherent approach without creating unnecessary complexity.

Below we provide some examples that could be considered difficult to comply with:

- **Remuneration and sustainability risk:** Linking pay and remuneration to sustainability objectives can be a useful tool when sustainability risks are material. However, this should not be a prescribed requirement, as it extends beyond the scope of a sustainability risk plan. Instead, sustainability-related remuneration considerations should only be required where payment practices create sustainability risks, in which case they should be assessed and disclosed transparently (Recitals 50 to 57).

- **Setting exposure limits, targets, and thresholds:** Establishing exposure limits and thresholds is more applicable to climate risks than to other sustainability risks, as sufficient data and methodologies are currently lacking. The principle of materiality should be reflected in the focus of the sustainability risk plan, ensuring that resources are directed toward the most pressing risks.

- **Practicality of defining "clear policies and procedures":** We welcome the acknowledgment that risk assessment methods will evolve over time. However, governance policies and procedures should reflect the current state of knowledge and available tools. While policies should provide clarity for applicants, requiring firms to document the limitations of methodologies within governance policies would create additional reporting burdens, as these limitations are already addressed within the SRP.

The governance framework should also fully recognise materiality in the application of sustainability risk requirements, as not all sustainability risks will be equally relevant across undertakings.

2. Clarifying Roles and Responsibilities

Clearly defining the responsibilities of different functions (actuarial, risk management, compliance, internal audit) in sustainability risk management is essential, particularly given the cross-functional nature of sustainability teams.

3. Challenges in Governance Implementation

- The long-term nature of sustainability risks makes them more challenging to integrate into traditional governance structures, which often focus on short- to medium-term financial risks. A mix of qualitative and quantitative approaches is needed, particularly for sustainability risks beyond climate change.

- Governance of underwriting and sales functions remains a challenge, as these areas are typically focused on short-term financial goals.

- Internal training, decision-making processes, and referral mechanisms around sustainability risk policies require further development to ensure effective implementation.

4. Proportionality and Practical Considerations

- The proposed governance framework appears extensive and prescriptive. On one hand, a more principles-based approach would provide greater flexibility, ensuring proportionality in application, particularly for smaller insurers.
- On the other hand, it is recognised that managing sustainability risk data from third-party providers (e.g. ESG rating agencies) remains challenging due to inconsistencies in methodologies and conclusions. In such cases, guidance could be helpful on how to assess and manage third-party sustainability data. Furthermore, there could be other cases where guidance would be beneficial. For example, given the diversity of insurance business models and governance structures, sustainability guidance could be articulated in a way that aligns with strategic, commercial, and governance developments across the industry. On the alignment of long-term incentives and strategies with business practices and competitive pressures would also help insurers integrate sustainability considerations effectively.
- Finally, we note that regulatory frameworks often focus heavily on risks and negative scenarios, which can overshadow potential opportunities arising from sustainability transitions. Ensuring that governance structures also allow for strategic opportunities related to sustainability would support a more balanced risk-management approach.

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

- Yes
 No

3.4 Materiality assessment

* 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.

Setting a coherent and meaningful narrative for sustainability risk management presents significant challenges for insurers, particularly due to the complexity of climate pathways, long-term uncertainty, and the need for alignment across different regulatory frameworks.

Below, we outline key challenges and areas requiring further clarification.

1. Selection of Reference Pathways and Scenario Development

- The choice of Reference Climate Pathways (RCPs) significantly influences risk exposure assessments. Risks that may seem immaterial under RCP 2.6 or 4.5 could become critical under RCP 8.5. Given that RCP 2.6 is becoming less relevant, EIOPA could specify which RCP scenarios should be included in ORSA assessments
- One of the key challenges for undertakings is the uncertainty surrounding the actual pathway toward net-zero. While societies are aiming for a Paris-aligned transition, current global temperature developments do not appear to be on track with the respective pathway. EIOPA may consider providing guidance on how undertakings should approach this uncertainty when developing sustainability narratives.
- For sustainability risks beyond climate change, the definition of medium- and long-term scenarios remains challenging. Further clarification is needed on how to frame these scenarios within sustainability risk plans.
- Narratives are a valuable tool for assessing long-term risks, but significant variability between

companies could reduce comparability in supervision. To promote consistency, EIOPA could provide a set of standardised narratives relevant to the European insurance industry. This would ensure that material risks identified by EIOPA—particularly climate-related risks—are addressed consistently. Where a narrative is not relevant, a negative statement could be included to avoid unnecessary reporting burdens.

2. Long-Term Projections and Conceptual Thinking

- Sustainability risks often require projections far beyond traditional business planning horizons, which is especially difficult for some non-life insurers who can focus on shorter-term risks based on their materiality assessments. Developing credible long-term narratives without established industry methodologies remains a major challenge.

- Companies must also account for macro-level systemic risks that interact with their micro-level business models. Integrating financial stability considerations and systemic risks into company-level narratives remains an area of uncertainty.

3. Accounting for Non-Linear Risks and Tipping Points

- The absence of clear data makes it hard to assess how non-linear changes impact insurers. This may result in difficulties for insurers in understanding tipping points—technological, social, or environmental shifts that could fundamentally alter risk exposures.

- Further non-prescriptive and principles-based guidance on how to incorporate physical, technological, and social tipping points into scenario development would support insurers in developing more realistic and forward-looking narratives.

4. Ensuring Realistic and Balanced Narratives

- Narratives should avoid unfounded assumptions about a company's ability to adapt its business model in response to sustainability risks unless such assumptions are backed by strategic plans and governance frameworks.

5. Regulatory Expectations and Materiality Assessments

- There is uncertainty regarding alignment with CSRD when considering sustainability risks across the value chain. Further scoping guidance would help clarify how first- and second-order effects should be addressed within sustainability plans.

- It is unclear whether a materiality and financial assessment should be conducted at each time horizon. A more structured approach could be to first identify the material time horizon, assess the probability of risks occurring over that horizon, and then define severity—recognising that probability is influenced by the chosen horizon.

6. Avoiding Excessive Complexity in Governance and Documentation

- Governance requirements should remain simple and focused on practical risk management rather than excessive documentation. Overly complex narratives risk misunderstandings, incorrect conclusions, and lengthy supervisory discussions. A streamlined approach that prioritises key risk insights over extensive reporting would better support meaningful sustainability risk integration.

* 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.

Performing an exposure assessment for sustainability risks presents challenges due to data availability, methodological inconsistencies, and the need for forward-looking projections. These challenges are further compounded by high uncertainty and data limitations, particularly for sustainability risks beyond climate change. Given these constraints, it is important that supervisory assessments of sustainability risk plans take these limitations into account to ensure realistic expectations.

Below, we outline key difficulties and areas where further consideration would be beneficial.

1. Data Availability, Quality, and Consistency

- Obtaining high-quality, granular data for both assets (investments) and liabilities (insurance activities) remains difficult, particularly when geolocation and sector-specific exposure details are required.
- Data sources are often inconsistent, fragmented, and difficult to compare, which complicates integration across different risk models and supervisory comparisons. Guidance on best practices for integrating multiple data sources would improve consistency while allowing flexibility.
- Significant data gaps exist for non-climate sustainability risks (e.g., biodiversity loss, social risks). Further guidance on strategies such as proxies, sector-level data, or qualitative assessments would help insurers address these gaps.
- Exposure assessments remain highly challenging due to uncertainty and data limitations, particularly for sustainability risks beyond climate change. Supervisory assessments of sustainability risk plans should take these constraints into account to ensure realistic expectations.

2. Forward-Looking Projections and Scenario Selection

- Historical data is often not reliable for future projections, making exposure assessments challenging, particularly in sectors or regions that have not yet faced sustainability risks but are expected to in the future.
- The choice of reference scenarios (e.g., RCPs) significantly impacts results. Given that RCP 2.6 is becoming less relevant, it may be helpful for EIOPA to provide guidance on which scenarios are most appropriate for ORSA assessments to ensure consistency.
- Risk maps aligned with climate pathways would be useful for insurers needing to assess long-term exposures more effectively.

3. Sector and Geographic Risk Exposure

- Insurers lack a unified reference framework for assessing sector-specific exposure to sustainability risks. Establishing best-practice guidelines for sector classification would support more structured exposure assessments.
- Accessing and applying sector code activities for both assets and liabilities remains a challenge. Additional guidance on how to integrate this information into exposure models would be beneficial.
- Activity- and location-based screening (Recital 72) poses challenges for reinsurers and international insurers due to limited data availability, particularly for non-EU exposures. Allowing simplifications in such cases would ensure feasibility without compromising risk assessment quality.
- Broad sustainability categories such as "biodiversity" may be too general for meaningful exposure assessments. Breaking them down into sub-topics like deforestation, water, and ecosystem loss, using tools such as ENCORE and WWF risk filters, could improve operationalisation.

4. Analytical Tools and Industry Expertise

- Many undertakings lack sophisticated analytical tools and in-house expertise to process sustainability data effectively.
- The selection of open-source tools and methodologies can materially impact results, leading to inconsistencies across insurers. Guidance on best practices for tool selection would help address these discrepancies.
- Insurers with assets primarily in collective investment vehicles face additional difficulties in assessing indirect exposures. Further clarification on appropriate methodologies for these holdings would be useful.

5. Proportionality and Practical Implementation

Exposure assessments should focus on practical risk management rather than excessive complexity. Given the many uncertainties in sustainability risks, overly rigid requirements could create a false sense of precision rather than improving risk understanding.

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

- Yes
- No

* Please provide your comments to Q11.

We agree with the overall structure of Article 4 on materiality risk assessment but believe certain aspects require further clarification to ensure alignment with Solvency II's existing risk management framework. Below, we highlight key considerations.

1. Alignment with Solvency II and ORSA

- The identification and transmission of sustainability risk drivers into prudential risks must be consistent with the Solvency II approach, particularly within ORSA and the broader risk management framework. The assessment of sustainability risks should follow the same forward-looking materiality principles applied to other financial risks.
- Similarly to other risks, also sustainability risk drivers may materialise across multiple SCR risk modules simultaneously, which should be explicitly acknowledged to ensure a comprehensive assessment.
- Article 4 does not clarify whether the materiality assessment should account for risk-mitigating or risk-avoiding measures. For example, it is unclear whether outgoing reinsurance can be considered when assessing physical risks or whether management systems should be factored in when evaluating governance risks. We would expect that risk management actions can be considered and EIOPA may want to ensure alignment with CSR/ESRS requirements.

2. Complexity of Sustainability Risks

- Sustainability risks are often non-linear and complex, making their alignment with the standard formula risk modules challenging. Further guidance on how sustainability risks should be incorporated into prudential risk assessments, particularly within the standard formula framework, would be helpful.
- A non-exhaustive list of parameters has been provided in Article 4, but additional clarity is needed on their interdependencies. Providing examples of how insurers can manage these complexities in a forward-looking materiality assessment would enhance practical implementation.
- While we acknowledge the reconciliation of time horizons between ESRS and Solvency II outlined on page 42, using the same terminology for different timeframes may create confusion, particularly for report users. A more precise and differentiated wording could be adopted to ensure clarity.

3. Stewardship Considerations

The narrative should incorporate how asset stewardship can be used by undertakings to manage sustainability risks. This includes:

- How insurers engage with asset issuers to influence sustainability outcomes.
- How insights from engagement with issuers are integrated into forward-looking materiality assessments.

3.5 Financial risk assessment

* 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.

Yes

No

* Please provide your comments and additional information to Q12.

We agree with the requirement to use at least two scenarios for financial risk assessment, as it recognises the inherent uncertainty in sustainability risks and ensures variability in potential outcomes is captured.

However, several aspects require further clarification to ensure practical implementation. Additionally, our members have expressed certain concerns, as outlined below.

1. Selection of Reference Climate Pathways (RCPs)

- Risk exposure is highly dependent on the choice of climate pathways (RCPs). Risks that appear immaterial under RCP 2.6 or 4.5 may become significant under RCP 8.5.
- Given that RCP 2.6 is increasingly unlikely as warming has already surpassed 1.5°C, it may be beneficial for EIOPA to explicitly state which RCP scenarios should be included in ORSA assessments to improve consistency.
- Chosen scenarios should be plausible in light of current developments. For instance, an orderly 1.5°C transition scenario is becoming increasingly unlikely, so scenario selection should reflect realistic risk trajectories.

2. Expanding Scenario Analysis Beyond Climate Risks

- The current requirement of two scenarios applies to climate risk, but when incorporating other sustainability risks (e.g., biodiversity, social risks), this may require more than two scenarios or a more complex design of the scenarios.
- The development of biodiversity-related risk scenarios by the NGFS is a welcome step in broadening sustainability risk assessments.
- For non-climate risks, access to risk maps and exposure data at different time horizons remains a challenge. For example, pollution exposure and the emergence of new diseases in life and health insurance require specific data sources and scenario methodologies.
- While analysing two climate scenarios is logical given the uncertainties around temperature pathways and policy actions, its applicability to other sustainability risks is debatable. Many sustainability risks, such as biodiversity loss and social or governance risks, are already indirectly covered within climate risk scenarios. The merit of requiring two separate scenarios for social and governance risks is unclear, especially since ORSA already mandates a forward-looking approach covering all risks, including sustainability risks. Further clarification from EIOPA on what constitutes a "science-based approach" for social and governance metrics would also be beneficial, as it remains undefined.

3. Defining Financial Risk Scenarios and Their Practical Application

- The phrasing of the requirement could be clarified, as climate scenarios and financial scenarios serve different functions. Further guidance on what constitutes a financial risk scenario in this context would improve understanding.
- In addition to macroeconomic effects, financial risk scenarios should consider stresses such as changes in reinsurance availability, pricing adjustments, premium exclusions, dividend restrictions, and new business constraints.
- Ensuring that selected scenarios are sufficiently distinct will be important. If the chosen scenarios are too similar, they may fail to capture the full range of sustainability risks.

* 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.

- Yes
 No

* Please provide your comments to Q13.

We generally agree with the proposed time horizons of 1-5 years for short-term, 5-15 years for medium-term, and a minimum of 15 years for long-term projections. These timeframes provide a structured approach to assessing sustainability risks over different periods and help align risk management strategies with the long-term nature of sustainability risks.

However, some of our members have noted concerns regarding the alignment of these time horizons with other regulatory frameworks and practical considerations in risk assessment, as noted below:

1. Potential misalignment with ORSA Climate Scenario Guidelines and CSRD

The CSRD defines time horizons differently: short-term as the financial reporting period, medium-term as up to five years, and long-term as more than five years. Aligning sustainability risk projections across regulatory frameworks would improve consistency and reduce the reporting burden on insurers.

2. Consideration of EU Target Horizons (2030 and 2050)

Given the EU's climate targets for 2030 and 2050, it is important to ensure that sustainability risk projections explicitly incorporate these milestones. While 15 years is a minimum threshold for long-term projections, insurers may need to consider additional time horizons that align with these policy targets.

3. Challenges with Extended Projection Periods

- Some regulators require projections of up to 80 years, in line with EIOPA's Opinion on climate change risk scenarios in ORSA. While long-term assessments are important, projections beyond a certain timeframe introduce significant uncertainty and may not provide actionable insights. It is important to balance regulatory expectations with practical feasibility.
- Additionally, long-term balance sheet and capital projections should not be mandatory. While long-term scenario analysis is relevant for physical risks, applying it to balance sheet projections may lead to unreliable results due to high uncertainty in long-term financial assumptions.

4. Need for Clear Guidance on Integrating Time Horizons into Risk Assessments

- It is essential to ensure consistent definitions and applications of these time horizons across all assessments. Clear guidance on how to effectively integrate these projections into forward-looking risk assessments, while considering the non-linear and complex nature of sustainability risks, would be beneficial.
- Further support on managing the interdependencies between risk parameters and examples of best practices for insurers would improve the practical implementation of long-term sustainability risk projections.

3.7 Frequency

* 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.

- Yes
 No

* Please provide your comments to Q14.

We agree with the proposed frequency of conducting materiality and financial risk assessments at least every three years and submitting the sustainability risk plan as part of regular supervisory reporting. This ensures that sustainability risks are captured in a timely manner and incorporated into risk management frameworks.

However, some practical considerations should be taken into account to improve efficiency and alignment with existing reporting frameworks.

1. Ensuring Reporting Synergies and Avoiding Fragmentation

- Different reporting deadlines across regulatory frameworks may make it difficult to leverage synergies between sustainability risk assessments and other reporting requirements. Greater alignment in reporting cycles would improve efficiency and reduce administrative complexity.

2. Balancing Frequency with Robust Reporting Processes

- While less frequent reporting reduces the compliance burden, it may also make it more challenging for insurers to establish structured reporting processes. If reporting occurs too infrequently, efforts may remain ad hoc or "side of desk" rather than being fully integrated into risk management processes.

3. Addressing Potential Overlap with CSRD Disclosures

- (Re)insurers are already required to disclose sustainability-related information under CSRD. It is important to assess the additional value provided by the sustainability risk plan disclosures to avoid unnecessary duplication. Aligning these requirements where possible would enhance efficiency and ensure meaningful reporting.

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

- Yes
- No

3.8 Metrics

Minimum list of metrics

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

Binding current view metrics	Relevant	Not relevant
* a. Physical risks/non-life insurance and reinsurance except health insurance and reinsurance	<input checked="" type="radio"/>	<input type="radio"/>
* i. Climate – Liability side: 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).	<input checked="" type="radio"/>	<input type="radio"/>

<p>* <u>ii. Nature – Liability side:</u> 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.</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* b. Physical risks/life insurance and reinsurance and health insurance and reinsurance</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* <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...).</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* c. Transition risks</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* <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).</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* <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).</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* <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 mtCO₂e), including carbon dioxide, methane, and nitrous oxide for financed emissions through the undertaking's investments and underwriting and gross greenhouse gas emissions intensity (mtCO₂e per million euro invested) at the end of the financial year.</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* d. Social risks</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* <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.</p>	<input checked="" type="radio"/>	<input type="radio"/>
<p>* <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):</p> <ul style="list-style-type: none"> ● 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. ● in sectors related to the cultivation and production of tobacco and/or involved in the manufacture or selling of controversial weapons (NACE C10-12). 	<input checked="" type="radio"/>	<input type="radio"/>

* e. Governance	<input checked="" type="radio"/>	<input type="radio"/>
* i. <u>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 Corruption) or with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.	<input checked="" type="radio"/>	<input type="radio"/>
* 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.	<input checked="" type="radio"/>	<input type="radio"/>

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

Binding current view metrics	Suggested changes, additions or deletions
a. Physical risks/Non-life except Health	
i. Climate – Liability side: 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).	
ii. Biodiversity – Liability side: 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.	
b. Physical risks/Life and Health	
i. Climate – Liability side: 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, infectious diseases, malnutrition, displacement...).	B.i) may be too generic in its current form. If life and health exposures cannot be clearly linked to specific sustainability drivers, this metric may not provide meaningful insights.
c. Transition risks	
i. Climate – Asset side: 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 equity and corporate bonds investments (amount and share of equity/corporate bond portfolio).	C(i). The RTS does not clearly specify the required level of detail for grouping NACE codes. The phrase “at a minimum by NACE” is ambiguous—does it refer to NACE Sector (A to H), or should it extend to more detailed classifications such as NACE Division, Group, or Class? NACE Sectors alone may be too broad; for example, Sector H (Transport) includes both high-impact industries like air transport (H.51) and more sustainable industries like rail travel (H.41), which have significantly different sustainability profiles.
ii. Biodiversity – Asset side: Investments at the end of the financial year in 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).	C(ii). The RTS should provide a clear definition of what qualifies as "a high biodiversity footprint" to ensure consistency in assessment and reporting.

<p>iii. Climate – Asset and liability side: At minimum gross and total amount of Scope 1, 2 and 3 greenhouse gases (absolute amount of mtCO₂e), including carbon dioxide, methane, and nitrous oxide for financed emissions through the undertaking’s investments and underwriting and gross GHG emissions intensity (mtCO₂e per million euro invested) at the end of the financial year.</p>	<p>C(iii). The gross absolute Scope 1, 2, and 3 emissions (mtCO₂e) is not a useful metric on its own; it should be weighted by holding and enterprise value. If this is the intended approach, the RTS should clarify it explicitly. Additionally, the metric currently labeled as “gross GHG emissions intensity” should be referred to as “Carbon Footprint” to align with other regulations, such as SFDR. The term “intensity” typically implies a revenue-based denominator rather than one based on enterprise value.</p> <p>c.iii.): clarify whether this is just financed emissions or if it also includes insurance-associated emissions (which we support)</p>
<p>d. Social risks</p>	
<p>i. Liability side: 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>	
<p>ii. Asset side: 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>D(ii) –Sovereign risks are ignored here. The social risks inherent in sovereign investments could be quantified by looking at key World Development Indicators published by the World Bank grouped by issuer countries with the total asset value in each investee country. Sovereign assets have been ignored but they may constitute a significant transition risk and physical risk under certain scenarios.</p> <p>D(ii)(a) It is not clear what metrics are to be used to identify working conditions, affected communities or well-being of consumers. More specific information would be useful here.</p> <p>D(ii)(b) Suggest to check the NACE codes quoted under this heading</p>
<p>e. Governance</p>	
<p>i. Asset side: 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>E(i) Relevant but not reliable. Whilst asset issuers with substantial shortcomings identified by these metrics are more likely to suffer higher rates of asset valuation losses these metrics would be easily ‘gamed’ by issuers. In addition the current value of these metrics are only reliable in the short term and therefore their use is limited in building long term models of sustainability risk.</p>
<p>ii. Asset side: 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>We believe there is a typo: gender pay gap cannot be expressed as a “percentage of all board members”</p>

Other comments and suggested additional metrics

While the proposed social and governance metrics provide valuable insights, a more targeted approach is needed to ensure feasibility and avoid excessive reporting burdens.

1. Additional Social and Governance Metrics

Consideration could be given to adding social metrics such as whether an investee company violates the UN Global Compact (UNGC) 10 Principles.

Governance metrics that may enhance risk assessments include:

Percentage of board members who are independent.

Whether the CEO is also the chairperson of the board.

Whether the chairperson of the board is a former CEO.

Whether shareholders receive equal treatment in voting matters.

Whether the audit committee is independent.

2. Reducing the Number of Required Metrics

The list of proposed metrics is extensive, creating challenges for aggregation and reporting. To maintain proportionality, the sustainability risk reports should focus on a minimum set of key metrics, limiting the burden while ensuring relevance.

A large number of mandatory metrics also raises concerns about aggregation methods and control processes.

Restricting some metrics to optional status could provide flexibility.

3. Sector-Specific Considerations and Regional Splits

For life insurers, the number of required metrics should be minimised due to challenges in data access and defining appropriate risk scopes.

It may also be useful to clarify whether climate risk metrics should be split by region to reflect geographic differences in exposure.

4. Short-Term Impact of Governance and Social Changes

The RTS should acknowledge that governance and social indicators can change rapidly, limiting their usefulness as stable long-term sustainability risk indicators.

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

- Yes
- No

* Please provide your comments to Q17.

While we generally agree with Article 7, some of our members have raised some additional considerations regarding data availability, flexibility in metric selection, and alignment with Solvency II principles, which are set out below:

1. Ensuring Metrics Are Relevant to Solvency II

- New metrics should only be introduced where they are specifically relevant for assessing material financial risks under Solvency II.
- In principle, existing risk metrics—particularly SCR coverage—should already be sufficient and flexible enough to reflect material sustainability risks within an undertaking’s overall solvency assessment.
- Firms should have the discretion to determine the most relevant metrics based on their specific risk profile and strategy, rather than being required to apply a predefined set of indicators.

2. Addressing Data Gaps and Transparency

- Required metrics may not be available for all assets and potentially liabilities. The framework should include a measure of coverage percentage for each metric to indicate data completeness.
- The documentation of metrics under Article 4 should include commentary on data gaps, methodologies used to address missing data, and the extent to which estimations were applied. If metrics were estimated rather than reported by issuers, this should be clearly disclosed.

In the response to Q16, a majority of our members believe that the metrics may be relevant for sustainability reporting in general. However, there is a widely held view that the metrics may not be appropriate for Solvency II risk assessments for which it is imperative that the metrics are sensitive to the financial risks faced. In this context we fully agree with article 7(1) but believe that this may contradict article 7(6) where the metrics listed in the Annex do not provide an appropriate representation of the risks faced in the context of the Solvency II policyholder protection objective.

Optional forward-looking metrics

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

Optional forward-looking metrics	Relevant	Not relevant
* a. Physical risks	<input checked="" type="radio"/>	<input type="radio"/>
* i. <u>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.	<input checked="" type="radio"/>	<input type="radio"/>
* b. Physical risks/non-life	<input checked="" type="radio"/>	<input type="radio"/>

* <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).	<input checked="" type="radio"/>	<input type="radio"/>
* c. Physical risks/Life and health	<input checked="" type="radio"/>	<input type="radio"/>
* <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).	<input checked="" type="radio"/>	<input type="radio"/>
* d. Transition risks	<input checked="" type="radio"/>	<input type="radio"/>
* <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.	<input checked="" type="radio"/>	<input type="radio"/>
* <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 ₂ e) and gross GHG emissions intensity (mtCO ₂ e per million euro invested) under different scenarios – at sectoral level - and time horizons.	<input checked="" type="radio"/>	<input type="radio"/>
* d. Social risks	<input checked="" type="radio"/>	<input type="radio"/>
* <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.	<input checked="" type="radio"/>	<input type="radio"/>
* <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.	<input checked="" type="radio"/>	<input type="radio"/>
* e. Governance risks	<input checked="" type="radio"/>	<input type="radio"/>
* <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.	<input checked="" type="radio"/>	<input type="radio"/>

Q18. What changes to the optional forward-looking metrics, additional metrics or deletions would you suggest?

Optional forward-looking metrics	Suggested changes, additions or deletions
a. Physical risks	
i. <u>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.	
b. Physical risks/non-life	
i. Climate – Liability side : 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).	
c. Physical risks/Life and health	
i. Climate – Liability side : 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).	
d. Transition risks	
i. Climate – Asset side : 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.	
ii. Climate - Asset and liability side : 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 ₂ e) and gross GHG emissions intensity (mtCO ₂ e per million euro invested) under different scenarios – at sectoral level - and time horizons.	Clarify whether this is just financed emissions or if it also includes insurance-associated emissions .
d. Social risks	
i. Liability side : Expected losses linked to increased mortality, morbidity or hospitalization cost caused by socio-economic developments, lifestyle behaviour under different scenarios and time horizons.	
ii. Asset side : 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	does 'maximum expected losses' related to 'stressed value and expected price change'?
e. Governance risks	
i. Asset side : 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.	

Other optional metrics

Q19: Do you agree with the relevance of the other optional metrics?

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)	<input checked="" type="radio"/>	<input type="radio"/>
* <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 as defined under CSRD.	<input checked="" type="radio"/>	<input type="radio"/>
* <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).	<input checked="" type="radio"/>	<input type="radio"/>
* <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'.	<input checked="" type="radio"/>	<input type="radio"/>
* <u>Physical risk/Non-life – Climate</u> : Share of market expected to become uninsurable by peril and region.	<input checked="" type="radio"/>	<input type="radio"/>
* <u>Transition risks – Climate – Asset side</u> : Value (and share) of real estate investments with energy category G and F.	<input checked="" type="radio"/>	<input type="radio"/>
* <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.	<input checked="" type="radio"/>	<input type="radio"/>
* <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.	<input checked="" type="radio"/>	<input type="radio"/>
* <u>Transition risks – liabilities</u> : Expected legal liability claims by region.	<input checked="" type="radio"/>	<input type="radio"/>
* <u>Transition risks – investments</u> : Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	<input checked="" type="radio"/>	<input type="radio"/>

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

We have observed that there are differing views among AAE members regarding the classification of metrics as mandatory or optional. Some believe that additional optional metrics should become mandatory to enhance sustainability risk assessments, while others argue that some mandatory metrics should be moved

to optional to avoid excessive reporting burdens.

Below, we present a balanced approach that considers both perspectives.

1. Challenges with Forward-Looking and Complex Metrics

- Forward-looking metrics are inherently difficult to quantify, and their calculation methodologies require further guidance to ensure consistency. It should be acknowledged that some metrics, even those currently classified as optional, may need to be assessed qualitatively rather than quantitatively.
- The RTS should also clarify how frequently these metrics need to be updated, as certain sustainability-related disclosures will only become available after investee companies publish their SFDR and CSRD reports.

2. Ensuring Proportionality in Reporting

- Companies should be allowed to apply proportionality in reporting these metrics. For smaller insurers, non-material blocks and closed blocks of business could make detailed reporting disproportionately costly. The RTS should allow undertakings to report on a best-efforts basis, particularly where obtaining granular data would create significant operational burdens.
- Reinsurers and retro-reinsurers may struggle to obtain liability-related data at the level of detail required, particularly when cedants are not subject to Solvency II or CSRD. The need to gather such data should not create barriers to market participation.
- Some of our members have noted that the number of mandatory metrics should be reduced, as a large set of required indicators raises concerns regarding aggregation methods, data controls, and comparability across firms.
- Additionally, metrics should be chosen in a way that the relevant parameters can be determined reliably, taking into account the nature of insurance business. Concerning the proposed metrics, it might be challenging to identify all parameters needed for the calculation.

3. Metrics That May Require Clarification

- Physical risk metrics (non-life insurance): The term "share of market expected to become uninsurable" by peril and region is unclear. Further explanation is needed to determine how this is defined and assessed.
- Transition risk metrics (investments & liabilities):
 - o The RTS should clarify what constitutes a "high amount of emissions to water" when assessing the exposure of investments to pollution risks.
 - o The metric for gross written premiums linked to oil and gas producers should be expanded to cover all fossil fuels, including coal, rather than being limited to oil and gas.

4. Additional Metrics That Could Be Considered

- Some members believe that certain optional metrics should be made mandatory to enhance transparency, particularly regarding investments and underwriting related to fossil fuels and renewable energy:
 - o Amount and proportion of investments in the fossil fuel sector (new).
 - o Amount and proportion of investments in renewable energy.
 - o Amount and proportion of insurance premiums in the fossil fuel sector.
 - o Amount and proportion of insurance premiums in renewable energy (new).
- Other members propose additional optional asset-side metrics, including:
 - o Emissions to water (tons per million EUR invested, weighted average).
 - o Hazardous waste generated per million EUR invested.
 - o Renewable energy usage as a percentage of total energy consumption.
 - o Renewable energy production as a percentage of total energy produced.

However, we note that given the range of views, a balanced approach should be considered where some of the more complex or data-intensive mandatory metrics are moved to optional to reduce reporting burdens. It is noted that the CSRD and reporting requirements are under discussion.

Even if the optional metrics can be generally relevant for sustainability reporting, consistent with Article 7(1) the link with financial risks faced and policyholder protection needs to be established for them to be included in the Solvency II framework.

3.9 Targets

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

- Yes
- No

* Please provide your comments to Q20.

There are differing views on Article 8, with some AAE members supporting its general approach and others proposing modifications to improve clarity and feasibility. Below, we outline key considerations and suggested refinements:

1. Alignment of Targets with Risk Appetite and Strategy

- Targets could be set in accordance with an undertaking's risk appetite and strategy and should align with CSDDD requirements as outlined in Article 8.
- The Solvency II sustainability financial risk analysis should then focus on the material financial risks arising from these targets and the transition process, including the risk of not meeting them.
- Sustainability risks may be immaterial in the short term but material in the long term, or vice versa, depending on evolving circumstances. These risks can also have different impacts across various time horizons. Therefore, targets should be prioritised for material risks and for the timeframes that are most relevant. For long-term risks, qualitative targets might be preferable to quantitative ones.

2. Benchmarking and Performance Tracking

Undertakings should be required to benchmark their recent performance against previously set targets, assessing whether they are on track compared to prior reporting periods. This would enhance accountability and provide greater insight into the credibility of transition planning.

3. Clarifying the Role of Risk Mitigation

The reference to risk mitigation in Article 8 appears too broad. Instead, the focus should be on risk management, with risk mitigation naturally included as part of an undertaking's broader risk management actions. This would ensure a more principles-based approach and avoid an excessive compliance burden.

4. Clarifications in Article 8

- Targets should be set in relation to both assets (investment portfolio) and liabilities (insurance portfolio) to ensure a comprehensive assessment of sustainability risks.
- Article 8, point 5, should be corrected to refer to "scenarios" (plural) rather than "scenario" (singular) to reflect the potential need for multiple forward-looking assessments.
- We would like to clarify if there is a difference between short-term targets for sustainability risks and risk tolerances defined in the risk strategy?
- Additionally, we would like to clarify, the meaning of the term "reliability" of management actions as outlined in Article 8(5)?

3.10 Actions

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

- Yes
 No

Chapter 4 Supervisory approach

* 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.

- Yes
 No

Please provide your comments to Q22.

While we generally agree with the supervisory approach outlined in Article 10, some of our members have provided comments noting that additional considerations would be needed, as follows:

1. Proportionate and Iterative Supervisory Approach

- Supervisors should adopt a proportionate and iterative approach when assessing sustainability risk plans, particularly in the initial phase of implementation.
- It should be recognised that some companies may initially rely on simplified or qualitative approaches, with the scope and sophistication of methodologies evolving over time as knowledge and experience develop.

2. Macroprudential Perspective

- Article 10 focuses on microprudential supervision, but it does not address the macroprudential dimension of sustainability risks. Although we understand that macroprudential risks and applicability criteria are covered in different RTS ((EIOPA-BoS-24/321, 17 October 2024) and in the Directive in Article 45, it is important to note that insurers could be exposed to systemic sustainability risks and, in some cases, may contribute to broader sustainability risks affecting the financial system and economy.
- Supervisors should take these issues into consideration to promote alignment in the treatment of sustainability risk management and financial stability objectives.

Chapter 5 Disclosure

* 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.

- Yes
 No

Chapter 6 Proportionality

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

- Yes
 No

Recitals

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

Recital no.	Comment
Recital 1	
Recital 2	
Recital 3	
Recital 4	
Recital 5	
Recital 6	
Recital 7	

Recital 8	
Recital 9	
Recital 10	
Recital 11	
Recital 12	
Recital 13	
Recital 14	
Recital 15	
Recital 16	<p>We have one comment on Recital 16, which states that “the non-alignment with European Climate Law and Green Deal objectives and targets can result in transition risks for the undertaking’s activities.” While this is correct from a microprudential perspective, it may be useful to acknowledge that such non-alignment can also contribute to broader sustainability risks over time. However, we recognise that macroprudential risk assessment is already addressed in EIOPA’s separate RTS on applicability criteria for macroprudential analysis in ORSA (EIOPA-BoS-24 /321, 17 October 2024) for macroprudential considerations.</p> <p>If deemed appropriate, Recital 16 could acknowledge that sustainability risk misalignment may have implications beyond individual undertakings, without duplicating the content of EIOPA’s macroprudential RTS.</p>
Recital 17	
Recital 18	
Recital 19	

Annex I: Impact assessment

Policy issues

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

	Yes	No
Policy issue A	<input checked="" type="radio"/>	<input type="radio"/>
Policy issue B	<input checked="" type="radio"/>	<input type="radio"/>

Please provide your comments on the analysis of policy issue A.

Policy Issue A: It may be beneficial for the regulation to focus on the management of sustainability risks at the company level, allowing undertakings the flexibility to assess risks according to their individual risk profiles. For industry-wide risks, regulators could provide additional information to help companies consider material sector-wide risks where relevant. From a risk assessment perspective, Policy Option A.3 (Provide non-binding guidance) appears to offer a balanced approach, as it would support undertakings in their assessments while maintaining flexibility.

Please provide your comments on the analysis of policy issue B.

Policy Issue B: There is significant overlap between sustainability risks and CSRD disclosure requirements. To minimise duplication and unnecessary reporting burdens, while recognising the different scopes of these regulations, it may be beneficial to align them as much as possible. In this context, Policy Option B.3 (Alignment with CSRD disclosure requirements) could be a practical approach to ensure consistency while maintaining regulatory clarity.

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

- Yes
- No

Please provide your other comments on the impact assessment in Annex I.

The efficiency assessment of Policy Option A.2 could be reconsidered in light of the potential reporting burden it may impose on the industry. While comprehensive reporting can enhance transparency, it is also important to ensure that requirements remain proportionate and do not create unnecessary administrative complexity.

Any other comments

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

- Yes
- No

Please provide your other comments on the consultation paper.

We appreciate the principles-based approach adopted by EIOPA, which allows for flexibility in sustainability risk management. While additional guidance could be beneficial in certain areas to facilitate consistent implementation, it is important to ensure that any guidance remains principles-based and adaptable to the specificities of individual undertakings and business models. Providing best practice examples could offer practical insights without imposing rigid requirements, helping insurers apply sustainability risk assessments effectively while maintaining proportionality.

We have observed certain refinements which could improve alignment with Solvency II's policyholder protection objective, proportionality principles, and adaptability to firm-specific risks. Ensuring consistency with broader EU efforts to streamline reporting requirements remains key.

The RTS should focus on how sustainability risks impact Solvency II objectives, avoiding duplication with existing CSRD requirements. The Omnibus proposal aims to reduce reporting complexity, yet the RTS introduces additional layers that may increase the burden. It is our understanding that the main focus of the consultation is the delegated regulation on pages 62f, while the rest contains explanatory notes not planned for inclusion in the regulation or EIOPA guidance.

Sustainability risk assessments should complement Solvency II's core focus on policyholder protection while allowing flexibility for firm-specific risks. The SRP should prioritize material financial risks, aligning with EIOPA's prudential mandate. Some elements reflect an impact perspective (inside-out) without a direct link to sustainability risks. While impact metrics may aid in assessing sustainability risks (outside-in), a pure impact approach is less relevant from a risk perspective. We consider climate risk one of the most "addressable" risks, especially considering that existing tools for climate risk management may not apply equally to other sustainability risks.

The RTS requires separate analyses for ESG risks, yet integrating ESG within existing risk management, claims handling, and underwriting processes could be more effective. Governance requirements under Solvency II should be sufficient for sustainability risks, and additional governance layers may not be necessary. Proper registration of ESG factors within claims departments could help determine an insurer's ESG risk profile and its underwriting impact.

Sustainability risk misalignment may have broader systemic implications over time. While systemic risk considerations are covered under EIOPA's macroprudential ORSA criteria, linking sustainability risk misalignment to long-term financial stability risks would be beneficial. Translating macro-level sustainability risks into firm-specific impacts requires significant time and resources, which should be considered when assessing cost-benefit ratios.

EIOPA emphasises data for sustainability risk assessments, particularly in underwriting and investment management. However, insurers assess risks over long-term horizons, often extending beyond CSRD/ESRS reporting timelines. As a result, firms may lack sufficient long-term data from business partners. Introducing explicit simplifications in such cases would be beneficial. Firms must already dedicate significant attention to ESG risks, raising concerns that other material risks could be overlooked. ESG risks should be assessed alongside other material risks to maintain balance.

The draft RTS mandates that current view metrics listed in the minimum binding list be mandatory. However, companies should have the flexibility to define their own metrics based on individual risk profiles and materiality assessments. Some proposed metrics may not be suitable for insurance undertakings, such as Insurance-Associated Emissions (IAE), whose methodology does not fit all lines of business (e.g., motor insurance). Investment exposure to lacking board diversity lacks clear relevance as a risk indicator.

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