BF BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

Executive Summary

BETTER FINANCE recognises EIOPA's efforts to provide guidance on insurers' sustainability risk plans and endorses many of the consultation's proposals.

BETTER FINANCE supports the proposal to incorporate a long-term climate scenario through a materiality assessment on climate risk, highlighting the importance of aligning the sustainability materiality and exposure assessments with the own risk and solvency assessment (ORSA) framework. This approach is viewed as fundamental for capturing both direct and indirect financial risks.

The guidance clarifying the relationship between prudential sustainability risk plans and the Climate Mitigation Transition Plan (CMTP) for disclosure under CSRD/CSDDD is well received. However, BETTER FINANCE notes that further clarification on the use of a single transition plan across different legislations—and the potential benefits of preparing such a plan even for undertakings currently out of scope—would be beneficial. Similarly, the avoidance of duplication between Solvency II disclosures and public reporting under CSRD is seen as critical, particularly considering upcoming revisions to CSRD requirements.

The European Sustainability Reporting Standards (ESRS) is recognised as a strong foundation for insurers to disclose sustainability risk strategies. Its extensive scope and detailed framework facilitate the collection of comprehensive data relevant to assessing financial risks. This consistency in baseline climate change scenarios is instrumental in creating a level playing field and enhancing the comparability of insurers' assessments.

The emphasis on robust governance structures—specifically the integration of double materiality assessments is welcomed. Enhancing clarity on the monitoring responsibilities, including the necessary sustainability skills of those involved, is seen as a positive step toward ensuring effective risk management.

Finally, there is general agreement on the relevance of both backward- and forward-looking metrics, with a call to refine climate metrics to also address underwriting risks and support for efforts that implement sustainable finance policies in the insurance sector through the lens of Solvency II and the EU Green Deal.

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Consultation paper on the proposals for Regulatory Technical Standards on management of sustainability risks including sustainability risk plans (Solvency II Review)

Question 1: 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?

BETTER FINANCE welcomes the proposal to consider a long-term climate scenario through a materiality assessment on climate risk.

Question 3: 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?

BETTER FINANCE agrees with the clarification that Climate Mitigation Transition Plan (CMTP) is required for disclosure under CSRD/CSDDD, while prudential sustainability risk plans of undertakings are used for internal purposes and should consider the CMTP. However, further clarifications from EIOPA on the need of only one transition plan could be beneficial. Since transition plan is referenced across legislations, it should be noted that they refer to the same and not a different transition plan. EIOPA could also clarify that drafting a transition plan for risk management purposes could be beneficial even if the undertaking is currently out of scope, this would entail a good practice.

Question 4: 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?

BETTER FINANCE supports the description of the relationship between the disclosure in Solvency II and public reporting requirements under CSRD. Avoiding duplication in sustainability related information disclosed under the two is an important consideration. However, given the potential revisions the CSRD and its requirements (Omnibus 2025), EIOPA could revise its approach to ensure clarifications are embedded and to ultimately avoid revisiting the draft RTS in the near term.

Question 5: 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.

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Yes – The ESRS serve as a strong foundation for insurers to share details about their sustainability risk strategies, due to their extensive scope and detailed framework that facilitates the collection of data directly and indirectly relevant to evaluating financial risk.

Question 6: Do you agree with Article 3 of the RTS? If not, please specify why.

Yes – setting out the main tenets of the sustainability risk plan is essential. The list seems comprehensive, and a minor adjustment could enhance it further. For example, if actions taken by insurers managing sustainability risks have proven successful (or not) and what is done to address this in case they have not been successful. As the RTS do not add requirements which the undertaking would not already be expected to implement, clarifications can be made regarding expected actions.

Question 7: Do you have comments on the governance of the sustainability risk management? In your experience, what governance aspects are most difficult to comply with?

BETTER FINANCE welcomes the section on the governance of sustainability risk management. Ensuring double materiality assessment within the governance framework, particularly the Administrative, Management, and Supervisory Body (AMSB) is essential in ensuring internal policies and approaches reflect efficient risk management practices.

Question 8: Do you agree with article 3(1a) of the RTS? If not, please specify why.

Yes – however here the text could be adjusted to better explain how aside from monitoring tasks and responsibilities of people performing relevant functions, it is also important to ensure their appropriate level of skills on sustainability matters.

Question 11: Do you agree with Article 4? If not, please specify why.

Yes.

Question 12: 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.

BETTER FINANCE welcomes this approach. As already identified by EIOPA, requiring a common set of baseline climate change scenarios across the industry helps level the playing field and enhances the comparability of the assessments carried out by insurers. However, it should be noted that such long-term scenarios are mostly related to climate.

Question 13: Do you agree on the proposed time horizons (1-5 years; 5-15 years; min. 15 years)? If not, please justify other time horizons.

Yes.

Question 16: Do you consider the current view metrics listed in the minimum binding list (Annex I) relevant? If not, what changes to the metrics, additional metrics or deletions would you suggest?

Yes – however climate metrics could also clarify insurance underwriting, especially for business (industrial insurance) in which insuring socially and/or environmentally harmful projects brings financial risks. On the governance related metrics regarding composition of boards, aside from gender the list could also clarify sustainability competence/skills which are also in line with the fit for purpose approach.

Question 18: Do you agree with the relevance of the optional forward-looking metrics? If not, what changes to the specific metrics, additional metrics or deletions would you suggest?

Yes - backward-looking metrics alone are not sufficient to capture risk properly and should be complemented by forward-looking analysis.

Question 20: Do you agree with Article 8? If not, please specify why.

Yes.

Question 21: Do you agree with Article 9? If not, please specify why.

Yes.

Question 22: Do you agree with the approach to the supervision of sustainability risk management and the sustainability risk plan as set out in Article 10? If not, please specify why.

Yes.

Question 23: 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?

Yes.

Question 24: Do you agree with the proportionality measures included in Article 12 of the RTS?

Yes.

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About BETTER FINANCE

BETTER FINANCE — the European Federation of Investors and Financial Services Users — is the voice of European citizens as savers, investors, and financial users at the EU level. Working independently from the industry, BETTER FINANCE serves as an independent hub of financial expertise for the direct benefit of individual shareholders, investors, savers, life insurance policyholders, pension fund participants, and mortgage borrowers across Europe. Their work aims to promote research, information, and training on investments, savings, and personal finances to lawmakers and the public. BETTER FINANCE counts 40 independent, national, and international member organisations, sharing similar objectives from the EU Member States as well as Iceland, Norway, Turkey, Lebanon, and Cameroon.