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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

ShareAction

* Contact person (name and surname)

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Contact person phone number

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

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.

ShareAction is in favor of setting up a reporting framework that is efficient and effective to ensure compliance by undertakings. This means analyzing existing requirements to identify any that are suitable to incorporate reports on recently codified sustainability-linked practices, without adding new timelines or templates. Nonetheless, effectiveness also entails being open to the possibility of introducing new requirements in case the existing framework is not fit for purpose, without being blindsided by claims of excessive administrative burden.

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.

ShareAction welcomes this description as a helpful tool to clear misconceptions around the interlinkages across S2, CSRD and CSDDD with regards to transition planning and the management of sustainability risks.

The description of the relationship between the Solvency II sustainability risk plans and transition plans required under CSDDD is good, although it could be more explicit in clarifying the “single transition plan” approach. Readers can indeed understand that different requirements across pieces of legislation fit together, are complementary and interconnected, and that as such complying with some requirements helps meet obligations under other laws. However, it would be beneficial to clarify that all of this takes place through one, single transition plan framework with no overlaps.

Despite this, the explanation is helpful to clarify the importance of developing transition plans for risk management purposes in addition to the primary objective of reducing emissions, as recently stated by the Financial Stability Board and as also hinted by the EBA in the recently published guidelines on the management of ESG risks. The explanation also outlines the key role played by risk management in ensuring transition plans are credible and effective. A logical conclusion from these points is that all insurers, including those not in scope of the CSDDD, should draft transition plans even if they are not required to implement them, as it is all part of the same exercise and crucial for risk management purposes. Making such a consideration more explicit would also be advisable to respond to claims that transition planning requirements lead to excessive and unnecessary administrative burden.

In summary, EIOPA's explanation on the description of the relationship between the sustainability risk plan and transition plans required under CSDDD is powerful in defending the need for transition plans and sustainability risk plans as well as their coexistence under one single framework. Yet, it could become even more powerful if it made some aspects of the transition planning process more explicit, such as the requirement to develop one single plan across legislations, and the good practice of drafting transition plans for risk management purposes even when not formally required to do so.

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.

ShareAction understands and supports EIOPA's efforts to avoid duplication in the sustainability-related information disclosed by undertakings under Solvency 2 and CSRD. In principle, it seems sensible to align reporting requirements for S2 sustainability risk plans with those in CSRD, which are more granular and go beyond sole risk management. This would ensure that the information provided by insurers with regards to their sustainability risk plans is precise, accessible, and coherent across all sustainability requirements and disclosures (also in light of the third-party assurance required under CSRD), while reducing efforts and costs.

Nonetheless, it is good to note that recent political developments risk jeopardizing the approach preferred by EIOPA. With the upcoming first Omnibus package expected by end February 2025, a number of requirements under CSRD will likely be at risk of being watered down. While trying to predict what will happen would be pure speculation, ShareAction would encourage EIOPA to consider the risks brought by coupling two pieces of legislation when one is going to be revised in the near term, and more specifically the possibility that the existing CSRD framework is compromised and will no longer be fit for reporting on the Solvency 2 sustainability risk plans. Accounting for this would prevent the need for additional time and capacity to revisit the draft RTS at a later stage and provide legal certainty to insurers with regards to the reporting of their sustainability risk plans – therefore facilitating compliance.

* 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 ESRS provide a good baseline for insurers to disclose information on their sustainability risk plans because of their coverage and granularity, which allows for the collection of data that is both directly and indirectly relevant to assess financial risk. In light of the considerations made above on the relationship between emissions-reduction plans and prudential plans, in Annex II of the RTS EIOPA should include metrics on transition targets and exposures to unsustainable activities to ensure risk assessment by insurers is accurate, and the burden is compensated by the increased stability achieved.

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.

ShareAction agrees with Article 3 of the RTS despite regretting the fact that, ultimately, the introduction of a requirement to develop sustainability risk plans will not lead to any new practice by insurers. As stated by EIOPA itself, “the RTS do not add requirements which an undertaking would not already be expected to implement” (point 33). Sustainability risk plans appear to be a rebranding of already existing risk management practices that are now brought together under a single framework. As mentioned in the previous answer, true progress would come from a more thorough consideration of factors that may not be considered material in the short-term, but may become so in the long-term.

Nonetheless, it is good that Article 3 sets out the main components of the plan. The list of included elements seems comprehensive, but it could feature a point on whether the actions taken by the insurer to manage sustainability risks (point f) have proven successful or not – and if not, why, and what is done to address this.

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
○ No

* Please provide your comments and additional information to Q7.

ShareAction welcomes the section on the governance of sustainability risk management, which emphasises the key role played by internal policies and approaches in enabling the performance of solid and accurate risk management practices.

We were pleased to notice that the double materiality principle has been strongly embedded within the overall governance framework, although it would be good for it to be referenced also in the short section on “Business model and strategy”, and particularly among the bullet points at line 40. The Administrative, Management, and Supervisory Body (AMSB) should indeed pay special attention to the risks affecting the business which originate from the business itself.

ShareAction strongly supports the sections on the compliance function and remuneration. The former is set to play a critical role in the near future due to new sustainability-related risks that the insurance business will be confronted with. Climate-related lawsuits are rising, and undertakings’ current backtrack on sustainability commitments is likely to continue to fuel such trend, which carries significant reputational and market risks for the parties involved. Additional risks for insurers will come from developments in green legislation: ongoing efforts to shave sustainability reporting will create uncertainty for insurers and affect their risk assessment and management processes. At the same time, fighting greenwashing, making progress on climate adaptation and tackling the increasingly evident, growing, and concerning insurance protection gap remain a priority in the EU, with implications on the way insurers operate. All this, together with increasing extreme weather events, will bring new sustainability-related risks to the insurance business, and make the compliance function even more crucial. If the compliance function is significant ex-post, remuneration is a helpful ex-ante tool that can drive the mainstreaming of sustainability considerations into investment and underwriting decisions by insurers. ShareAction has long advocated for variable remuneration to be linked to the achievement of sustainability goals, therefore supporting the elimination of key performance indicators that encourage economic activities with harmful impacts. In this specific case, ShareAction welcomes EIOPA's clarification that specific goals or commitments related to sustainability, including sustainability risk management, in the framework of remuneration policies should be measurable, meaningful, and auditable. Nonetheless, ShareAction still supports further action to reduce distortions and incentives to act in a short-termistic way. For instance, executive remuneration should be linked to longer-term sustainability processes, rather than sole targets, which includes due diligence and materiality determination. Additionally, stock options and other stock-based components of executive compensation packages that might distort incentives from investing in the company’s growth as opposed to boosting stock-prices (eg. through share buy-backs) should be reviewed.

All aspects included in this governance section are not difficult to comply with. However, challenges may arise if insurers’ vision, business strategy, and overall priorities do not sufficiently embed sustainability considerations. Data from our 2024 insurance benchmark “Insuring Disaster” (https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/Insurance-May-24-Max-Edits_2024-06-25-145139_ejvf.pdf?dm=1719327099) showcases some leading practices on governance matters, which underline the feasibility of compliance with aspects included in the governance section of the RTS. For instance, on remuneration, NN have a reasonably clear disclosure (see p122 onwards in their 2022 Annual report, for example), the remuneration KPIs link to their Climate Action Plan explicitly (page 133), and the NN Group Remuneration Framework applies a sustainability component to variable remuneration “across [a] majority of investment /insurance professionals”.

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

○ Yes
● No

* Please provide your comments to Q8.

Article 3(1a) of the RTS could be reworded to enhance readability and, as a result, increase compliance by insurers. The text could also better explain that besides monitoring the tasks and responsibilities of people performing relevant functions, it is important to ensure that the people in charge are adequately trained on sustainability matters, and that their tasks and responsibilities properly embed sustainability considerations in the first place.

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 the narrative is a helpful exercise for undertakings to contextualize their strategy, actions, implications of their actions, and outcomes before delving into the financial implications of the assessed risks over their business.

However, such narrative should be based on the sectoral research and data already available at the national or European level and limit itself to providing additional information or developing specific elements relevant to the undertaking. Aspects such as “the broader impact of national or European transition targets on the economy” or “the analysis of the macroeconomic situation and possible macroeconomic and financial markets developments which include consideration of climate change, pandemics, other mass-scale events, and other catastrophes which may affect undertakings” (lines 68/69) should not be analysed by single insurance companies, which should rather rely on member states or the EU level to compile this information and then use it to draw their strategies. This would not only reduce the burden for insurers, but also increase the comparability of actions taken by different undertakings on the basis of the same broad context, European and/or national, which is applicable to the insurance sector.

* 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.

Further harmonisation at the European level of some of the elements used by undertakings in their exposure assessment could improve and simplify this exercise, as well as ensure a level playing field. For example, aligning the scenarios used by insurers in their forward-looking analysis would make it easier to compare detected risks, strategies and performance.

Additionally, having classification tools to define socially sustainable economic activities or, on the contrary, harmful activities that carry higher risk levels would facilitate and streamline the process of assessing exposures. A Social Taxonomy (or Investment Framework) and a Harmful Taxonomy (which could have different structures than the green taxonomy) would indeed already identify assets, lines of business (such as fossil fuels) or insured risks exposed to sustainability risks given the economic activities or sectors they relate to. Such tools would not only make it easier for insurers to perform their materiality risk assessments, but also ensure a level playing field in how activities are considered, and comparability in the exercises undertaken by insurers.

In the meanwhile, insurers should consider some sectors, such as fossil fuels, as being material by default and can use the below open-access databases from NGO Urgewald to assess their exposures:

The Global Coal Exit List (GCEL),
The Global Oil and Gas Exit List (GOGEL),
The Metallurgical Coal Exit List (MCEL).

This, in turn facilitates the assessment of the high risk levels they entail, as also evidenced by EIOPA in its 2024 analysis recommending the European Commission to introduce higher capital requirements for fossil fuels stocks and bonds.

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

○ Yes
● No

* Please provide your comments to Q11.

ShareAction agrees in principle, but considers that the Article should be improved in light of the comments made in the previous answers relating to the narrative and materiality risk assessment.

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.

ShareAction welcomes the approach requiring at the very least two long-term scenarios when assessing the financial risks brought by material sustainability risks, but it also acknowledges that the information acquired through two analyses will not be sufficient to provide insurers with an accurate assessment of the risks they will be exposed to. In fact, insurers already use more than two (see Generali's leading practice, which uses six, at page 51 of ShareAction's 2024 Insuring Disaster benchmark).

As mentioned by EIOPA, mandating the application of the same baseline climate change scenarios across the sector is helpful to create a level playing field and increase the comparability of the assessments conducted by insurers. This is despite the variety of scenarios available (in addition to tailor-made ones) and their shortcomings, which include the tendency to disregard the most pessimistic economic outlooks (https://theiafinance.org/wp-content/uploads/2023/12 /1in1000_finstab_final_v0.pdf) , not consider the additional effects of climate tipping points (NGFS, 2024, https://www.ngfs.net/system/files/2025-01 /20241108_ngfs_scenarios_phasev_outreach_public_v2.pdf) as well as those posed by wider shocks in the ecosystem or sudden climatic shifts. That is why mentions of the need for scenarios to be 1.5°- aligned in any case would be welcomed.

It is important to note that the long-term scenarios required by Solvency II relate mostly to climate change, despite being based on some societal assumptions in terms of population growth, migration dynamics, diets and economic preferences. The results obtained can inform the assessment of other risks (such as social risks) exacerbated and/or driven by climate change. However, the lack of forward-looking scenario analysis integrating considerations on just transition matters and societal developments in terms of labour, health, and overall service provision (FEPS, 2021, https://feps-europe.eu/wp-content/uploads/2021/11/Rethinking-Scenario-Analysis-from-a-Green-and-Social-Perspective.pdf) is particularly concerning also from a prudential perspective. Once again, the development of a classification system to define socially sustainable activities would be helpful to make risk assessment and management practices across the insurance industry more thorough and accurate.

* 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.

ShareAction understands EIOPA's proposed time horizons, which are somewhat aligned with those in the European Sustainability Reporting Standards and represent a compromise between the shorter time horizons included in the ORSA and the longer-term results of climate change scenarios. Recital 14 of the proposed RTS indeed underlines that “climate change scenarios can span up to 10 (short term), 30 (medium term) and until the end of the century (long term)”, which is significantly longer than the “typical 3-5 years (re) insurers’ strategic and business planning time horizons considered in the ORSA” (point 82).

However, if the “ORSA should allow for the monitoring of the materialisation of risks over a longer term”, the time horizons used in the sustainability risk assessment should incorporate a real long-term dimension as fixed points in time to assess the risk exposure of the undertaking. While EIOPA's paper mentions that “time horizons should include at a minimum the EU transition time horizons of 2030 and 2050” (point 87), the suggestions in the RTS fall short of enabling that. That is why ShareAction recommends the higher threshold for the medium-term projection is moved up from 15 to 25 years, with subsequent implications for the long-term time horizon that would become minimum 25 years and look at scenarios for after 2050. Adopting such increased time horizons would ensure alignment with the timeline for climate targets included in the CSDDD as well as with the goals of the European Climate Law. It would also encourage insurers to be more thorough and forward-looking in their risk assessment and management practices, thus ensuring their solvency, the resilience of their business model and averting high systemic risks. Insurers such as Generali already look at the impacts of transition and physical climate risks over a variety of time horizons up to 2050 (page 51 of ShareAction's 2024 “Insuring Disaster” benchmark, linked above), and examples provided by EIOPA in its 2024 consultation paper on a differentiated prudential treatment for sustainability risks (chapter 5.3, page 134) also show that time horizons until 2050 and beyond are already being used by insurers. Hence, including a longer time horizon in these RTS would effectively drive behavioral change and benefit risk management.

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

* 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**	●	○
* 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).	●	○
* ii. Nature – 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 dependence on ecosystem services. If possible, upstream dependency and country specific output should be considered.	●	○
* **b. Physical risks/life insurance and reinsurance and health insurance and reinsurance**	●	○
* 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 perils, heat waves, air pollution, infectious diseases, malnutrition, displacement…).	●	○
* **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), 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).	●	○
* ii. Biodiversity – Asset side: 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).	●	○
* iii. Climate – Asset and liability side: At minimum gross and total amount of Scope 1, 2 and 3 greenhouse gases (absolute amount of mtCO$_2$e), including carbon dioxide, methane, and nitrous oxide for financed emissions through the undertaking's investments and underwriting and gross greenhouse gas emissions intensity (mtCO$_2$e per million euro invested) at the end of the financial year.	●	○
* **d. Social risks**	●	○
* 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.	●	○

* 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): • 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).	●	○
* **e. Governance**	●	○
* i. Asset side: 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.	●	○
* 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.	●	○

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…).	-
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).	Should also cover insurance underwriting, and not be limited to investment, as insuring harmful projects and companies brings financial risks that should be considered.
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).	Should also cover insurance underwriting, and not be limited to investment, as insuring harmful projects and companies brings financial risks that should be considered.
iii.*Climate – Asset and liability side: At minimum gross and total amount of Scope 1, 2 and 3 greenhouse gases (absolute amount of mtCO_2e), including carbon dioxide, methane, and nitrous oxide for financed emissions through the undertaking's investments and underwriting and gross GHG emissions intensity (mtCO_2e per million euro invested) at the end of the financial year.	-

d. Social risks	ShareAction understands that the concepts of physical and transition risks have been applied so far mostly to climate. Nonetheless, extreme weather events and the transition towards a more sustainable economy also have social implications. As such, the social sphere should not be treated in silo, and metrics for social transition risk (such as misalignment with social developments) and social physical risk (such as the impact of social risks on physical and mental integrity) should be included.
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.	-
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): 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) 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).	-
e. Governance	On governance-related metrics, ShareAction regrets the lack of a "liability side", which is in contrary always present in all other categories. Underwriting entities with poor governance can bring additional risks for insurers, and this is why we support the inclusion of a relevant metric in the list. Similarly, we note the limited approach taken with regards to the composition of boards: instead of only focusing on gender, ShareAction would recommend looking at diversity more broadly as well as the competence of board members (for instance on sustainability).
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.	-
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.	-
Other comments and suggested additional metrics	-

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

○ Yes
● No

* Please provide your comments to Q17.

The current view metrics listed in Annex 1 seem relevant, and corresponding to the bare minimum undertakings should consider in their risk assessment exercises for them to be meaningful. Nonetheless, such metrics could and should be improved, as suggested in the comments.

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**	●	○
* i. Environmental risks (including climate, biodiversity loss…): 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 $mtCO_2e$) and gross GHG emissions intensity ($mtCO_2e$ per million euro invested) under different scenarios – at sectoral level - and time horizons.	●	○
* **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.	●	○
* **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.	●	○

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. Environmental risks (including climate, biodiversity loss…): 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 $mtCO_2e$) and gross GHG emissions intensity ($mtCO_2e$ per million euro invested) under different scenarios – at sectoral level - and time horizons.	-
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	-
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
* Physical risk - Nature – Asset side: Investments in economic sectors with a high dependence on ecosystem services (e.g. using ENCORE database on dependencies	●	○
* Transition risks - Asset side: investment in debt or bonds with commitments of the issuers to reduce future emissions through the implementation of transition plans as defined under CSRD.	●	○
* Transition risks – Environmental: 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).	●	○
* Transition risks – Investments: 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'.	●	○
* Physical risk/Non-life – Climate: Share of market expected to become uninsurable by peril and region.	●	○
* Transition risks – Climate – Asset side: Value (and share) of real estate investments with energy category G and F.	●	○
* Transition risks - investments: 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.	●	○
* Transition risks – liabilities: 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.	●	○
* Transition risks – liabilities: Expected legal liability claims by region.	●	○
* Transition risks – investments: Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	●	○

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

ShareAction considers the entirety of the forward-looking metrics included in this consultation paper to be very relevant, but recommends the addition of metrics regarding engagement and escalation strategies to demonstrate whether engagement activities from insurers are sound and have clear timebound objectives.

Despite being relevant, all these metrics are optional, when they should be included in the minimum binding list. A consensus has been reached on how backward-looking metrics are not sufficient to capture risk properly, and should be complemented by forward-looking analysis. Already in 2022 the EBA highlighted the importance of analysing (future) environmental risks using forward-looking methodologies, and the NGFS concluded that both financial institutions and credit rating agencies were already moving in that direction to assess future vulnerability to climate-related risks in a more granular way. In 2023, in its advice on the prudential treatment of environmental and social risks, the ESRB also recognised the need for a forward-looking approach for risk assessment and management, as historical data do not reflect the changes in risk patterns that will be related to climate change. EIOPA itself applied this reasoning in 2024 in the analysis that led to its recommendation to the European Commission to introduce higher capital requirements for riskier fossil fuel assets. EIOPA's analysis indeed relied on the combination of historical data with a forward-looking analysis to overcome the limitations posed by a pure backward-looking approach in terms of accuracy and reliability to capture risks. ShareAction positively welcomed this approach as an important first step in the right direction to assess and account for the higher risks to which certain assets will be exposed to during the ongoing, unprecedented and radically uncertain climate transition.

Additionally, insurers will have to rely on at least two climate change scenario analyses anyways when performing their risk assessment at least every three years. Calculating their longer-term risk exposures is both in their business’ best interest and helpful for other stakeholders. This implies that insurers will already have access to the information required by the suggested forward-looking metrics, which in turn means that reporting on them would not represent an additional burden. This is particularly true for bigger insurers, that will most likely choose to report on optional metrics anyways to boost credibility. Therefore, instead of reducing costs, this system will end up reducing consistency among the data available – to the detriment of supervisors and, ultimately, financial stability.

Considering all the above, it is paramount that forward-looking metrics are made mandatory, rather than optional, in the sustainability risk plans.

3.9 Targets

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

● Yes
○ No

3.10 Actions

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

○ Yes
● No

* Please provide your comments to Q21.

ShareAction welcomes the content of article 9, but would recommend requesting an explanation/assessment of why the actions taken and planned were not successful in case of non-achievement of the targets set by an undertaking. This would be in addition to indicating the actions to be taken following the non-achievement of the targets.

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.

EIOPA's approach to the supervision of sustainability risk management and sustainability risk plans seems comprehensive. However, the drafting on Article 10 of this RTS does not encapsule most of the considerations made in the discussion paper. One example is para 1(c) of Article 10, which should include "results" alongside "policies" and "targets" for the management of sustainability risks. As a consequence, this article lacks the level of granularity needed to understand how supervisors will perform their functions with regards to sustainability risk management, especially when it comes to interacting with competent authorities in charge of supervising emission reduction transition plans under CSDDD and CSRD.

Clarification would also be needed regarding the course of action taken by supervisors should undertakings fail to meet the requirements set out in the RTS. For now it is not clear what would happen if the supervisors found that undertakings are not complying or failing to follow guidance.

ShareAction would therefore welcome further clarifications on the supervision of sustainability risk management and sustainability risk plans.

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

* Please provide your comments to Q23.

ShareAction supports the use of existing reporting requirements to disclose elements of the sustainability risk plans, where they are relevant. However, it is important to reiterate that the framework of reference (especially regarding CSRD and the ESRS) is likely to be affected by the first Omnibus proposal expected in February and aiming at cutting reporting requirements for undertakings. This would have significant implications on the way insurers disclose their sustainability risk plans.

ShareAction agrees with the list of elements included in article 11 of the RTS, but believes that paragraph 1, point (b) should be clarified to ensure compliance with Article 51 (c) of the Solvency II Directive. Simply indicating that insurers need to disclose “whether the undertaking has any material exposures to sustainability risks” could lead to undertakings providing vague answers and not elaborating on “each category of risk, of the risk exposure, concentration, mitigation and sensitivity” as required by the aforementioned article.

Finally, paragraph 2 of article 11 might be redundant: if insurers plan and take actions to manage sustainability risks (as indicated in para 1, point (f)), these would necessarily be part of the undertaking’s business strategy. Hence, no need to underline this in an additional statement.

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

* Please provide your comments to Q24.

In light of the proportionality measures included in Article 12 of the RTS, ShareAction would like to reiterate that small undertakings are not necessarily less risky than bigger ones. As the level of risk is contingent on activities rather than size, the lack of double materiality requirements for small and non-complex undertakings is particularly concerning when it comes to sustainability considerations. Proportionality should be checked against the undertaking's portfolio and risk management practices rather than being assumed on paper. This is in line with what was stated in our responses to other consultations launched by EIOPA on risk management by insurers.

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	-
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	○	●
Policy issue B	○	●

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

○ Yes
● No

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.

ShareAction welcomes EIOPA's efforts to provide guidance on insurers' sustainability risk plans in a way that enhances cross-legislation consistency and overall efficiency and effectiveness whilst making sure the policy objectives of Solvency II and the EU's Green Deal are adhered to.

EIOPA's guidance also provides important clarifications on the interlinkages between different requirements on transition planning for insurers, whether they relate to emission reduction or risk management. ShareAction appreciates and supports this explanation, which facilitates the reading and assessment of L1 and L2 requirements concerning the development of plans and relevant targets, metrics and actions. Both emissions reduction transition plans and sustainability risk plans are complementary in nature and purpose and, as such, part of the same process. This also rebukes claims of unnecessary administrative burden related to these practices.

The wording on double-materiality included in the consultation paper is also quite positive, as it succeeds in mainstreaming this perspective across most sections of the insurance risk management process, and represents an improvement from previous texts.

However, the fate of the disclosure section of the framework presented in this consultation paper is threatened by the upcoming first Omnibus package aimed at cutting reporting requirements and almost certainly targeting CSRD. The possibility that some of the requirements and data points hereby mentioned, and relied upon, may be scrapped or watered down is tangible. This creates a significant level of legislative and operational uncertainty for undertakings, which may become in need of additional guidance on how to disclose information on their sustainability risk plans in the near future.

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