

# EIOPA Consultation on Draft advice to the Commission under Article 8 of the Taxonomy Regulation

## About NFU

NFU – Nordic Financial Unions is an organization that promotes the interests of the Nordic financial trade unions in Europe. Through a high level of competence and dialogue, NFU contributes to shaping a sustainable financial sector, fundamental for job creation. Currently, NFU represents eight trade unions in the bank, finance and insurance sector in Denmark, Finland, Iceland, Norway and Sweden.

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## Consultation replies:

**Question 1: Do you agree that the extent to which insurance or reinsurance undertakings' 'assets' – in relation to 'total assets' - are directed at funding, or are associated with, economic activities that qualify as environmentally sustainable is an appropriate ratio?**

We would firstly like to reiterate the importance of ensuring consistency and consideration of the timing of the various consultations and legislative pieces that are being developed in the area of sustainable finance. Furthermore, given that all three ESAs have been asked to provide advice concerning Article 8, each within its own remit, we find it crucial that the ESAs take a consistent approach, coordinating and cooperating in the development of their respective advice. With that in mind, it would be useful to have a consistent approach to definitions across the different remits.

Considering the approach towards assets, it would be useful to have such a breakdown, particularly because some of the needed data can already be derived from other reporting.

To provide for even more granularity, a combined approach with ‘investments’ could be developed, having in mind the potential to also capture transition/enabling activities but also to avoid potential double-counting.

**Question 2: If not, would you agree to use the insurance or reinsurance undertaking’s ‘investments’ that are directed at funding economic activities that qualify as environmentally sustainable? Would you differentiate investments held for unit-linked or index-linked contracts?**

Please kindly refer to our answer to Question 1.

**Question 4: Do you agree to measure the insurers’ and reinsurers’ insurance activities corresponding to those identified as environmentally sustainable in the EU taxonomy by the proportion of the non-life ‘gross premiums written’ or - depending on the accounting framework - non-life ‘revenue from insurance contracts issued’ or ‘total insurance revenue’?**

For the moment, non-life insurance in connection to climate change adaptation has been considered by the TEG as taxonomy-eligible. The criteria have also been seen as more conservative, and the TEG has recommended a future review in order to increase coverage and usability.

Additionally, it is useful to monitor and consider the differences in the investment portfolios by business model, of life, non-life and reinsurance undertakings in their role as investors, where the taxonomy-eligible investments made by life undertakings are much more diverse than the ones in non-life and reinsurance undertakings<sup>1</sup>.

An added element is the need for transparency in occasions when non-life insurance companies buy reinsurance layers and coverage from reinsurance companies, which nearly always are big international reinsurance companies. In these cases, it is important for the

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<sup>1</sup> EIOPA, Financial Stability Report, July 2020

non-life insurance companies to get transparent information on how the reinsurance company in question is investing its assets.

**Question 6: Do you agree that when assessing the insurance activities that correspond to environmentally sustainable economic activities insurers and reinsurers may have to apply judgement to determine a reasonable split?**

Applying judgement could indeed be a reasonable approach to determine the split.

**Question 7: Do you agree that when applying judgement, insurers and reinsurers shall provide a narrative on the split, together with information on the accounting policies used?**

We find that providing a narrative of the split would be helpful, as it would lead towards better transparency and clarity. Providing information on the accounting policies used can also be of merit as should there be any changes in the reporting methods throughout the years, which if not clarified could present an incorrect picture of reality.

We would however point out that an assessment of the taxonomy alignment has not been mentioned so far. Understanding how, for example, the DNSH (do no significant harm) principle and minimum safeguards have been adhered to, when determining taxonomy alignment would be very useful and further steps on how and on which level to disclose that information could be beneficial.

**Question 9: Do you agree that it is not necessary to distinguish different types of key performance indicators of insurance and reinsurance undertakings or by insurance or reinsurance activities?**

Please kindly refer to our answer to Question 4.

**Question 11: Do you agree that the retrospective application of the disclosure requirements should be possible, but not required?**

We agree with the assessment that the retroactive application should be voluntary. While there are merits to it, given the time lag between the different legislative pieces, we find that not requiring retroactive disclosure would allow for better preparedness in following the new regulatory requirements, as well as a more phased-out approach to reporting.

**Question 13: Do you have any feedback on the costs of implementing the recommended key performance indicators? To which extent will you be able to use existing processes and data sources?**

We find that the implementation of the key performance indicators is an important step to further advance disclosure and to feed into the developments with sustainable finance. Given that there will be new compliance demands, we find it essential that the employee perspective is considered when assessing costs and potential impact.

With the new disclosure obligations, employees need to be given enough time and resources, as well as adequate competence development, for them to fulfil their duties on one hand while continuing to ensure consumer protection, on the other hand.

In terms of costs, possible additional costs could arise concerning obtaining data for the purpose of disclosure, as well as through expenses, time and other resources needed for appropriate training and competence development of employees. The latter could be seen as an on-going cost, as these needs will progress and continue incurring in parallel to the further developments of the reporting requirements and review of key legislative files.