

# BIPAR-on another note

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### 1. 3<sup>rd</sup> Parliamentary question related to Covid-19 and insurance answered

Commissioner for Financial Services, Financial Stability and CMU, Mrs. McGuinness, replied to a third parliamentary question with regard to Covid-19 and insurance, by Maltese Socialist MEP Alfred Sant.

He had asked the Commission: *“The COVID-19 pandemic has left many companies in financial difficulty, especially small and medium-sized enterprises. Government intervention has helped to alleviate some of the impact. However, there is still a way to go and a clear need to recover while embedding resilience in our economy. This will allow us to be better prepared for the next crisis.*

*Indeed, there is a shortage of financial protection for large systemic events and this pandemic is only one manifestation of the variety of system risks that could disrupt the European economy.*

*In order to bridge the gap in financial protection for large systemic risks, the EU could ensure the resilience of the single market by providing some form of guarantee aimed at mitigating the possible impacts of such risks.*

*At Commission-level, an Inter-service Working Group on Pandemic Insurance has been created.*

*Could the Commission present a medium-term synopsis of its activity on pandemic insurance in order to keep Parliament informed of the developments and to ensure a proper democratic debate on this crucial issue?*

Commissioner McGuinness replied as follows:

*"Many citizens and businesses have suffered from the COVID-19 pandemic and in many cases losses due to business interruption linked to the pandemic were not covered by existing insurance policies. The insurance industry considers that it cannot provide protection against such large-scale losses on its own and is therefore proposing solutions such as compensation schemes based on public-private partnerships."*

*The Commission is currently exploring what lessons can be drawn from the current situation with a view for the EU and its Member States to be better prepared and ensure resilience should similar situations happen in the future. This work will take due account of the debates launched in several Member States. It should also be seen in the context of the unprecedented Next Generation EU Package adopted by the Union to support the recovery of the European economy.*

*The European Occupational Pensions and Insurance Authority is also working on the issue and has published a first technical document on resilience solutions for pandemics."*



## 2. EU Debate on Taxonomy screening criteria

Nine experts-members of the Platform on Sustainable Finance informed [with a letter](#) to the European Commission that they will be forced to reconsider their contribution to the Platform, if the draft Delegated Act on taxonomy technical screening criteria is adopted on 21 April by the Commission, in the form that it was [published](#) in March 2021 for “climate change mitigation” criteria and “climate change adaptation” criteria.

The experts stated in their letter that the *"criteria for forestry, bioenergy, and fossil gas are in clear contradiction to climate science. These criteria are not simply weak: they are counter-productive and label as “sustainable” activities that may cause significant harm to the climate and the environment. If the leaked text for these sectors were adopted, the Taxonomy would become a greenwashing tool instead of being the gold standard in the fight against greenwashing that it was promised to be"*.

The experts also put together a guide showing changes in the March draft (see link above) as compared to the [draft Delegated Act published last November](#) on “[climate change adaptation](#)” and “[climate change mitigation](#)”. The guide uses a traffic light colour system (lots of green and yellow standards have now turned red). Complaints include dozens of deleted references to alignment with the Paris Agreement, new exceptions for natural gas-fired heat and power plants, and a blanket green label for any forest operation 25 hectares or smaller.

Sebastien Godinot of WWF, one of the signees of the letter said: *“The taxonomy is clearly deemed to be a building block for the Green Bond Standard and for EU green finance in general, but if the taxonomy is greenwashed, then unavoidably some environmental groups will go against it. That means even if as an investor you buy a green bond labelled with the EU Green Bond Standard, you can still be attacked by green groups for greenwashing, and I think this will create massive uncertainty and hesitation in the financial market, while precisely the very aim of the taxonomy and the EU Green Bond Standard was to avoid this!”*

### Nuclear energy

The European Commission's Joint Research Centre (JRC) gave a positive assessment of nuclear energy in its [draft technical report](#) published at the end of March 2021. According to the technical report "the analyses did not reveal any science-based evidence that nuclear energy does more harm to human health or to the environment than other electricity production technologies already included in the Taxonomy as activities supporting climate change mitigation". This is a key step in possibly getting nuclear approved under the EU taxonomy regulation, which specifies what economic activities are considered as environmentally sustainable investments.



The Commission's plan is to adopt a delegated act with criteria for climate change adaptation and climate change mitigation on 21 April, after which the European Parliament and Council would have several months to accept or reject it. Once adopted, the taxonomy delegated act would apply from 1 January 2022.

### 3. Non-Financial Reporting - New sustainability reporting standards for SMEs?

EFRAG (European Financial Reporting Advisory Group) has published its report submitted to the European Commission setting out recommendations on the development of EU sustainability reporting standards. This report was prepared in line with the Commission's [request for technical advice](#) mandating EFRAG to undertake preparatory work for possible EU sustainability reporting standards in a revised EU Non-Financial Reporting Directive (NFRD). Following the mandate, the EFRAG multistakeholder [Project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards](#) (PTF-NFRS)-SMEUnited of which BIPAR is member participates to the Task Force- submitted its [final report](#) proposing a roadmap for the development of a comprehensive set of EU sustainability reporting standards.

The recommendations set out in this Report build on overarching principles and building blocks that constitute foundations for the EU possible standard-setting:

1. *EU's sustainability reporting framework must meet the needs of an inclusive range of stakeholders;*
2. *A principle-based legal and regulatory environment should be developed.*
3. *The EU standard-setter (ESS) should systematically consider the potential consequences of, and interaction with, reporting obligations stemming from ESG/sustainability policy initiatives.*
4. *The specific challenges of financial institutions should be addressed. Financial institutions must be considered as both preparers and users of sustainability reporting. Standard-setting should therefore foster the coherence and relevance of data flows corresponding to the needs of each of the three categories of financial institutions (asset management, banking, insurance).*

5. SMEs should be included in the EU sustainability reporting landscape in a proportionate manner by balancing (i) the specific governance, organisation and resources of SMEs and (ii) the need for sustainability information produced by SMEs to be relevant for their stakeholders (value chain and financial institutions in particular).
6. Sector-specific sustainability reporting should be fostered to address the specific information needs related to the many challenges a reporting entity is confronted with. This should be a complement to sector-agnostic and entity-specific disclosures.

**Proposal #7**

The ESS should recognise financial institutions' dual role and specific challenges in reporting their indirect sustainability impacts and design standards addressing these challenges for each of the three categories of financial institutions. In doing so and to the extent possible at its level, the ESS should aim at defining as simplified and unified as possible a set of sustainability information fit to meet the multiple sustainability reporting requirements imposed on financial institutions.

**Mandatory or voluntary**

It is the PTF's understanding that the Commission might propose in the revised NFRD to encourage the voluntary use of sustainability reporting standards by SMEs, in order to foster improved relevance and coherence of sustainability reporting in the EU. In any case, it is *not* in the PTF's remit to suggest whether the use of sustainability reporting standards by SMEs should be mandatory and voluntary.

**Background**

The European Commission launched last year a public consultation on the review of the **Non-Financial Reporting Directive (NFRD)** to which BIPAR participated. NFRD requires large public-interest companies (listed companies, banks, insurers) with more than 500 employees to include a non-financial statement as part of their annual public reporting obligations.

Although SMEs are not currently covered by the NFRD, the new requirements on disclosing non-financial information laid down in the Regulation on sustainability-related disclosure in the financial services sector (SFDR) and in the Taxonomy Regulation, will have an impact on SMEs:

- large enterprises will need information from their SME suppliers to fulfil their reporting obligations,
- banks may have to report about the sustainability of their loan portfolios,
- SMEs may be interested to prove that a project, for which they look for finance or public support, is sustainable.

In this light, this consultation was also seeking feedback on the possibility to develop a simplified sustainability reporting standard for SMEs. The project of the review of the NFRD and of the EU standard for non-financial reporting are progressing in parallel.



Following the feedback received from the consultation on the review of NFRD, the Commission is now studying the possibility to include within the scope of NFRD all large companies (in addition to large, listed companies already falling within the scope) and listed SMEs. The Commission is expected to publish a proposal for an amended NFRD by the end of 2021.

We will keep you informed of the EFRAG work on a non-financial reporting standard.



#### 4. Update on EIOPA and ESMA Chairs

On 22 March 2021, the **European Insurance and Occupational Pensions Authority's (EIOPA)** Board of Supervisors decided on a shortlist of three candidates for the position of Chairperson of EIOPA. The short-listed candidates are, in alphabetical order:

1. Paolo Cadoni, Italian, Head of Division, Prudential Policy Directorate at the UK's Prudential Regulation Authority, Bank of England
2. Petra Hielkema, Dutch, Director Insurance Supervision at De Nederlandsche Bank
3. Christian Thimann, German, CEO Athora Germany

The shortlist has been submitted to the European Parliament's Committee on Economic and Monetary Affairs and the Council of the EU. Based on the shortlist, the Council shall adopt a decision to appoint the Chairperson, after confirmation by the European Parliament.

The Chairperson's term of office shall be 5 years and may be extended once.

As a reminder, the previous chair, Gabriel Bernardino, finished his mandate at the end of February and EIOPA is temporarily run by the current vice chair, Peter Braumüller (Austrian).

On 31 March, the **European Securities and Markets Authority (ESMA)** reported that its current Vice-Chair Anneli Tuominen, and Director-General at the FIN-FSA, will act as Interim Chair until the next Chair takes office. This is effective from 1 April 2021. As a reminder, ESMA published its shortlist of candidates for ESMA Chair, on 26 November last year:

- Maria-Luis Albuquerque, former Minister of Finance, Portugal
- Carmine Di Noia, Commissioner of Commissione Nazionale per le Società e la Borsa (CONSOB), Italy
- Verena Ross, currently Executive Director of ESMA