

Consultation paper on technical advice for the review of the IORP II Directive

Fields marked with * are mandatory.

Responding to the paper

EIOPA welcomes comments on the Consultation paper on technical advice for the review of the IORP II Directive.

Comments are most helpful if they:

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

The consultation paper includes specific questions on some review items. In the survey below, stakeholders can respond to those specific questions and provide any other comments on all parts of the paper.

Please send your comments to EIOPA using the EU Survey tool **by Thursday, 25 May 2023, 23:59 CET** by responding to the questions below.

Contributions not provided using the EU Survey tool or submitted after the deadline will not be processed and therefore considered as they were not submitted.

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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Should you still proceed with saving your answers, the online tool will immediately generate and provide you with a new link from which you will be able to access your saved answers.

It is also recommended that you select the "Send this Link as Email" icon to send a copy of the weblink to your email - please take care of typing in your email address correctly. This procedure does not, however, guarantee that your answers will be successfully saved.

You will have the possibility to print a pdf version of the final responses to the survey after submitting it by clicking on "Download PDF". You will automatically receive an email with the pdf file. Do not forget to check your junk / spam mailbox.

About the respondent

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

- Public
- Confidential
- Partly confidential

* Stakeholder name

Insurance and Reinsurance Stakeholder Group

* Contact person (name and surname)

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* Contact person email

mkawin@sgh.waw.pl

Contact person phone number

0048502525512

Questions to stakeholders

Executive summary

* Do you have any comments on the executive summary?

- Yes
 No

Chapter 1. Introduction

* Do you have any comments on the introduction?

- Yes
 No

Please provide your comments on the introduction.

here should be a discussion on a preferred legal framework for additional pension schemes. The efficiency of the regulatory process requires a higher level of IORP pensions' participation, more members, and not only within cross-border initiatives. The aim for IORP as EU initiative should be proposed.

IRSG would like to stress the paramount need to protect the interests of pension scheme participants: performing pension savings are crucial for avoiding old-age poverty in the context of an ageing population. In this spirit, IRSG would first like to propose to change the terms "beneficiaries" and "members" by "participants". In particular the term "beneficiaries" which is merely a copy paste by EU policy makers of a national British pension law terminology is:

- First misleading as the only IORPs stakeholders who always benefit from the schemes are the commercial providers who get compensated whatever the performance has been. It is not unfortunately always the case for participants, and those participants have always contributed to the IOPRs whether directly or indirectly through their plan sponsors;
- Second, it is not considerate and quite patronizing with regard to pension savers, in particular when compared to the legal terminology used by US pension law which more appropriately refers to "participants".

The IRSG then notes that some pension schemes providers in the European Union still eschew supervision: Recent reports of the upcoming bankruptcy of the European Parliament's supplementary pension fund for MEPs, which, being established as a non-profit association under Luxemburgish law, escapes all prudential or conduct of business supervision constitutes a powerful call for a careful review of the scope of the IORP II Directive in order to include all occupational pension schemes, including those provided by associations created by public authorities.

Regarding governance and prudential standards, IRSG is of the opinion that ensuring the safety of participants' pension rights against the risk of IORP insolvency or reduction in pay-outs warrants a cautious approach to exemptions for "low-risk profile" IORPs and allowing professional associations to establish pension schemes.

IRSG sees in a positive way IORPs investing outside the EU borders and taking advantage on behalf of their members of investment opportunities existing in third countries, although allowing IORPs to invest outside of EU-regulated markets must come with a strong equivalence mechanism to ensure that third country markets thus made accessible to IORPs' investments offer the same level of investor protection as EU regulation.

IRSG also supports granting supervisors the power to require quantitative information from IORPs on a regular basis, as a way to increase transparency, ease regular supervision and facilitate supervisory action where necessary.

IRSG also notes that prolonged underperformance of a pension scheme constitutes a material risk for participants' pension rights, which calls for extending the purview of supervision to conduct of business. As IRSG's response stresses, it is essential to require that IORPs provide clear, transparent, comprehensive and comparable information to members and prospective members in the Pension Benefit Statement and pre-contractual documentation. The ongoing move from defined-benefits (DB) to defined contributions (DC) pension schemes entails a fundamental shifting of risk onto participants, which, in the opinion of IRSG justifies the enforcement of additional requirements, in particular in terms of long-term risk assessment and reporting of cost and performance information to members. The former is essential to ensure that investment decisions and risk assessments are aligned to the long-term investment horizon of participants. The latter is crucial in enabling sponsors and participants to assess the affordability of pension schemes managed by IORPs and the value for money that these schemes offer.

Chapter 2. Governance and prudential standards

Q2.1: Does the IORP II Directive in your view achieve a proportionate application of prudential regulation and supervision to IORPs?

- Yes
 No

Please explain your answer.

Yes, but the measure of low-risk should be adjusted to the pension funds.
We note that the case of the European Parliament's supplementary pension fund furthermore calls for a review of the scope of the IORP II Directive to ensure that all occupational pension funds are subject to proper supervision. It is IRSG's opinion, based on OECD's classification of pension schemes, that whenever the employer supports a guaranteed level of pay-outs (as seems to be the case of the MEPs' fund), we are in the presence of a DB scheme, with related prudential risks which can result in the employer having to fill the gap between contributions and commitments (as we can regrettably observe in the case of the MEPs' fund). When the employer happens to be a public authority and said gap is to be filled with public money, proper ex ante supervision is all the more important.

Q2.2: Should in your view the threshold for the small IORP exemption of 100 members be increased?

- Yes
 No

If yes, do you agree with the proposed new threshold (both 1000 members and beneficiaries and EUR 50 million in assets) under option 1 in sub-section 'Small IORP exemption' of section 2.3.5?

- Yes
- No

Please explain your answer and provide any alternatives.

Q2.3: Do you agree with the draft advice to restrict the proportionality formulations throughout the IORP II Directive to 'proportionate to the nature, scale and complexity of the (risks inherent in the) activities of the IORP', i.e. removing the 'size' and 'internal organisation' criteria?

- Yes
- No

Please explain your answer.

Yes, but the measure of low-risk should be adjusted to the pension funds.

Q2.4: Do you support option 1 in sub-section 'Low-risk profile IORPs subject to proportionality measures' of section 2.3.5 of defining a category of low-risk profile IORPs in the IORP II Directive and allowing Member States to exempt such IORPs from certain minimum standards in the IORP II Directive?

- Yes
- No

Please explain why or why not.

The usage of VaR for long-term investment is not appropriate.

How EIOPA defines and measures "low-risk" is also very important. Assessing the level of risk of the assets and of the ALM of a pension plan is highly dependent on the time horizon chosen. For example, over the long term a portfolio of diversified listed stocks is much less risky than a portfolio of money market instruments. The reverse is of course true over a short-term horizon. Has EIOPA factored the time horizon in , and does it factor in the negative and exponentially negative impact of inflation on fixed income assets?

Which minimum standards in the IORP II Directive should in your view be considered for the possible exemptions or should be applied in a less onerous way?

n/a

Q2.5: The analysis of options in sub-section 'Low-risk profile IORPs subject to proportionality measures' of section 2.3.5 proposes four conditions for IORPs to qualify as 'low-risk profile IORPs', in line with the conditions proposed by EIOPA for life insurers to qualify as 'low-risk profile insurance undertakings'. Do you have comments on the four proposed conditions or suggestions for other conditions?

- Yes
- No

If yes, please provide your comments or suggestions for conditions to define 'low-risk profile IORPs'.

The usage of VaR for long-term investment is not appropriate.

Q2.6: The analysis of option 2 and 3 in sub-section 'Low-risk profile IORPs subject to proportionality measures' of section 2.3.5 proposes proportionality measures relating to the IORP II governance standards that low-risk profile IORPs would be allowed to use. Do you have comments on the proposed proportionality measures or suggestions for other proportionality measures to be used by low-risk profile IORPs?

- Yes
- No

Q2.7: The IORP II Directive takes a minimum harmonisation approach, laying down minimum governance and prudential standards. If the concept of low-risk profile IORPs was to be introduced in the IORP II Directive, should institutions that are not low-risk profile IORPs be subjected to standards exceeding the current minimum, as proposed in the analysis of option 3 in sub-section 'Low-risk profile IORPs subject to proportionality measures' of section 2.3.5?

- Yes
- No

Please explain your answer.

It is not necessary.

Q2.8: Do you have any other suggestions to ensure a proportionate application of the requirements in the IORP II Directive?

- Yes

No

Q2.9: Should in your view explicit requirements be introduced in the own-risk assessment (ORA) and the supervisory review process (SRP) on liquidity risk assessments for IORPs with material derivative exposures?

Yes

No

Please explain your answer.

Self-awareness in this regard is required.

Q2.10: Do you agree that in some situations conflicts of interest between IORPs and service providers can give rise to specific risks which justify requirements on the management of conflicts of interest with the service provider connect to the IORP?

Yes

No

Please explain your answer with relevant supporting evidence.

It should be considered as a market standard.

Q2.11: Do you agree that the conditions of operation for IORPs should be strengthened to ensure the proper functioning of the internal market and protect adequately the rights of EU members and beneficiaries from potential conflict of interest between IORPs and service providers?

Yes

No

Please explain your answer with relevant supporting evidence.

Yes, but it should not be a barrier to IORPs development.

Q2.12: What are your views on introducing an explicit provision in Article 50 empowering supervisors to collect quantitative information from IORPs on a regular basis? Please explain your answer.

fixed range of data in the scope and format agreed upon within BoS (of EIOPA) is required.

In particular, NCAS should collect more data on the actual costs and performances of IORPs ,as even EIOPA's cost and performance reports encompass only 5 years (much shorter time horizon than the average holding period of a pension plan) and only based on premia instead of total accumulated pension assets.

Q2.13: Do you have suggestions to resolve the double reporting burden in some Member States, i.e. one template for the purpose of national supervision and one for the purpose of reporting to EIOPA?

- Yes
- No

If yes, please provide these suggestions.

A fixed range of data in the scope and format agreed upon within BoS (of Eiopa) is required.

Q2.14: What are your views on reiterating in the draft advice EIOPA's opinion to the EU institutions on a common framework for risk assessment and transparency, considering that the draft advice does not advise any change to the IORP II Directive in this area?

n/a

Q2.15: Should the definition of sponsoring undertaking in Article 6(3) be expanded to include professional associations?

- Yes
- No

Please explain your answer.

n/a

Q2.16: Should the definition of regulated market in Article 6(14) be expanded to include equivalent markets in third countries?

- Yes
- No

Please explain your answer.

We support offering IORPs the possibility of investing their pension scheme members' assets in third country markets that offer more cost efficient and performing investment products than those that can be found within the EU and a level of investor protection equivalent to that of EU regulation—in both prudential and conduct of business terms. Allowing IORPs to invest beyond the boundaries of EU-regulated markets must not result in a reduction of investor protection standards. Protecting pension savings is crucial, as the payouts from such savings will constitute an important element of EU citizens' income when reaching retirement age, and underperformance of such investments may result in old-age poverty

Q2.17: Should multilateral trading facilities (MTFs) and organised trading facilities (OTFs) be specified in Article 19(d) in order to ensure the same treatment as regulated markets?

- Yes
 No

Please explain your answer.

n/a

Q2.18: Should the requirement to have an ORA policy, including a specification of its main components, be introduced in the IORP II Directive?

- Yes
 No

Please explain your answer.

Self-awareness in this regard is required. Overall we support option 1 outlined by EIOPA.

Q2.19: Should a provision be introduced in the ORA that the risk assessment should take into account the risk tolerance limits approved by the IORP's management or supervisory body?

- Yes
 No

Please explain your answer.

n/a

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Do you have any other comments on the following sections in chapter 2:

	Yes	No
* Section 2.2: Implementation and effectiveness	<input type="radio"/>	<input checked="" type="radio"/>
* Section 2.3: Proportionality	<input type="radio"/>	<input checked="" type="radio"/>
* Section 2.4: Liquidity risk management	<input type="radio"/>	<input checked="" type="radio"/>
* Section 2.5: Conditions of operations and management of conflict of interest	<input type="radio"/>	<input checked="" type="radio"/>
* Section 2.6: Effective use of data	<input type="radio"/>	<input checked="" type="radio"/>
* Section 2.7: Standardised risk assessment	<input type="radio"/>	<input checked="" type="radio"/>
* Section 2.8: Miscellaneous	<input type="radio"/>	<input checked="" type="radio"/>

Chapter 3. Cross-border activities and transfers

Q3.1: Do you think the issue of potential regulatory arbitrage regarding the registration/authorisation process could be addressed based on the draft advice?

n/a

Q3.2: What are your views on the policy options presented to address the issue of defining majority of members and beneficiaries needed for approval of a cross-border transfer?

n/a

Q3.3: What are your views on the need and options to develop an internal market for cross-border IORPs?

Anything that increases the participation ratio within an agreed level of risk is reasonable.

Do you have any other comments on the following sections in chapter 3?

	Yes	No

* Section 3.2: Implementation and effectiveness	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.3 Relevant Legal provisions	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.4 Other Regulatory Background	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.5 Previous EIOPA Reports	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.6 Prudential Assessment Within Process of Registration or Authorisation	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.7 Cross-border Transfers	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.8 Notification Procedures	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.9 Supervisory Cooperation	<input type="radio"/>	<input checked="" type="radio"/>
* Section 3.10 Potential learning from other frameworks	<input type="radio"/>	<input checked="" type="radio"/>

Chapter 4. Information to members and beneficiaries and other business conduct requirements

Q4.1: Where a template for the pension benefit statement has been introduced already at Member State level, to what extent do you think this has led to improvements? Please explain your answer in terms of what has worked well and what has worked less well.

Unfortunately there are no additional empirical data available on good or less good functioning of the PBS in the EU member states than those which are outlined in the Consultation Paper itself. In consequence EIOPA's conclusion may be justified that due to the lack of complaints the supervisory experiences were "slightly positive" with regard to the use of the PBS (cf. page 103 of CP).

Nevertheless it is obvious that because the two PBS models published by EIOPA in 2019 are only voluntary, a variety of formats and designs of PBS published by IORPs surely coexist. This "status quo" is probably creating confusion for members and beneficiaries of IORPs taking into consideration that most of them will accumulate pensions with several IORPs during their working career due to changes of employers.

Therefore the comparability, comprehensiveness and transparency of information put together in the PBS should be strengthened for the prospective members as much as possible. Additionally, these objectives shall support the aggregation of pension benefit information from different providers on a national level (e.g. for pension dashboards). Given that—until now—most EU citizens will receive occupational pensions from IORPs only in one member state and thus standardisation at the national level is more crucial than at the EU level, we agree upon EIOPA's proposal for option 3 and the wording of the advice outlined (cf. pages 111 /112 of CP).

Q4.2: Do you agree to introduce summary information in the pension benefit statement relating to any sustainable investments? Please explain.

n/a

Q4.3: What other improvements do you consider could be made to the pension benefit statement? Please explain your suggestions.

We agree with EIOPA's conclusion that the information provided by IORPs to prospective members needs to enable suitable choices to be made between the alternatives offered. The information to be given shall include the possibility to compare the essential features of the options, such as risks, costs and returns, and to enable assessing whether prospective members can (financially) bear a decrease in benefits because of the potential for disappointing investment returns. That is why we propose the following improvement: Introduction of an additional alert on long-term reduction of purchasing power because of inflation in:

- EIOPA PBS statement 1 of December 2019: Section 3 on "WHAT COULD YOU RECEIVE WHEN YOU RETIRE", bullet point: "Are you on track for retirement?"
- EIOPA PBS statement 2 of December 2019: Section 2 on "HOW MUCH MONEY COULD YOU GET WHEN YOU RETIRE?", bullet point: "Are you on track for retirement?"

Furthermore, the PBS should provide performance data in real terms in addition to nominal ones: Both projections and past performance data, when communicated in nominal terms only, do not reflect the actual evolution of purchasing power of pensions rights. Including performance data in real terms as the OECD does in all its pension reports would address the monetary illusion and exponential growth cognitive biases of members, and enable them to better anticipate the actual purchasing power (real value) of their retirement income, nudging them towards appropriate levels of contributions. Even though there might be some implementation costs for IORPs, the additional information proposed for disclosure should be readily available to the IORPs. Therefore we approve the wording of the proposed advice (cf. page 118 of CP).

Q4.4 Overall, what are your views on the extent to which the current pension benefit statement has delivered on its objectives (e.g. clear and comprehensive as well as relevant and appropriate information)?

In IRSG's opinion obtaining information on long-term and pension vehicles, as well as monitoring them, should not be difficult for non-professional savers. This implies also clearly disclosing actual cost and past performance, and in real terms alongside the less relevant nominal ones so that savers can compare nominal net and real net return (which would serve as a wake-up call to the hugely damaging impact inflation has on their savings).

Also, since pensions are long-term products the information on past performance (Article 37.1.g) and 41.2) should be disclosed on a minimum of 10 years and not 5 years period, with the one for their benchmarks. Already UCITS investment funds and AIFs – with a shorter recommended holding period - are required by EU Law to disclose a minimum of 10 years past performance together with the one of their chosen benchmark (EU Regulation 2021/2268 of 6 September 2021, articles 8 and 17 bis).

Q4.5: Are there other aspects that you think EIOPA should consider in order to facilitate or leverage digitalisation? If yes, please explain these other aspects.

n/a

Q4.6: Would there be challenges to implement the proposed additional requirements regarding cost transparency? Please explain.

n/a

Q4.7: What are your views on the proposed options regarding projections? Are there additional costs or benefits that have not been identified? Please explain.

n/a

Q4.8: Would you see benefit in further developing other elements regarding projections either in the Directive or using another tool in order to establish a more common basis or provide more guidance at EU level?

Projections are related to probabilities, but especially prospective members need unequivocal information on performance in order to make “well-informed decisions” about their occupational pensions. That is why IRSG is of the opinion that information on past performance of a pension scheme needs to be provided to prospective members, and we propose that this information should cover a backward period of ten years minimum, together with the past performance of their benchmarks, as already required by EU Law for shorter duration investment products (see our reply to Q4.4).

Even though we acknowledge that past performance is not indicative of future performance, this information offers important insights that justify placing it directly in the pre-contractual information documents rather than merely making it available on the IORP’s website. In particular, past performance enables comparing across IORPs the suitability of various investment strategies and the performance of asset managers when confronted with a same set of events (e.g. sudden rise of inflation rates, disrupting geopolitical events, etc.). Following to article 37(1)(g) of the current directive, information on past performance of pension schemes, where members bear investment risks or can take investment decisions, is part of the “General Information on the Pension Scheme”. Past performance information should be included in the pre-contractual information documents for prospective members and the period covered should be extended to ten years, instead of five under the current article 37(1)(g).

Q4.9: Do you think it is relevant to introduce requirements to ensure the appropriate structuring and implementation of the pension scheme by the IORP? Please explain.

n/a

Q4.10: What types of choices made by the IORP do you think should be captured by the potential requirements on the appropriate structuring and implementation of the pension scheme? Please explain.

n/a

Q4.11: Do you think there are other elements that should be addressed by requirements on the appropriate structuring and implementation of the pension scheme besides those set out under option 1 in section 4.6.1? If yes, please explain these other elements.

n/a

Q4.12: Do you agree that it would be beneficial to introduce a duty of care on IORPs towards their member and beneficiaries? Please explain and, if yes, what types of responsibilities and expectations should, in your view, be placed on IORPs in this regard?

In some legal schemes, it can be helpful.

Q4.13: What are your views on how the requirements for a duty of care should be framed?

In a similar way to general goods.

Do you have any other comments on the following sections of Chapter 4?

	Yes	No
* Section 4.2.1 General evaluation of the functioning of the PBS	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.2.2 Previous EIOPA reports	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.2.3 Relevant legal provisions	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.2.4 Structure and format of the PBS	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.2.5 Information in the PBS on sustainability factors	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.2.6 Other considerations regarding the contents of the PBS	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.3 Digitalisation	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.4 Transparency on costs and charges	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.5 Projections (Information on potential retirement benefits)	<input type="radio"/>	<input checked="" type="radio"/>

* Section 4.6.1 Appropriate structuring and implementation of the scheme	<input type="radio"/>	<input checked="" type="radio"/>
* Section 4.6.2 Duty of care	<input type="radio"/>	<input checked="" type="radio"/>

Chapter 5. Shift from Defined Benefit to Defined Contributions

Q5.1: What are your views on the options for long-term risk assessments?

n/a

Q5.2: What do stakeholders think about the relevance of long-term risk assessments in the case of IORPs where members can select their investments?

n/a

Q5.3: What are, in your view, the advantages or disadvantages of DC IORPs reporting on an annual basis information on all costs and charges to its members and beneficiaries?

We fully agree with option 1 whereby NCAs should require DC IORPs to report on an annual basis information on all costs and charges, according to principles, with definitions and templates set out in EIOPA's Opinion on the supervisory reporting of costs and charges of IORPs (cf. pages 159/160 of CP).

The issue of enhanced transparency on costs and charges is related as well to the PBS as to the pre-enrolment General Information to prospective members, particularly of DC pension schemes. EIOPA's advice proposes to disclose "all costs incurred, directly and indirectly, by members and beneficiaries over the previous 12 months, indicating at least the costs of administration and the investment costs incurred in connection with the management of assets and portfolio transactions. These costs shall be shown at least in monetary terms". And there should be added "an estimation of the impact of the costs incurred by members and beneficiaries on the final benefits".

These requirements are in fact not new but substantiate the provisions of the two PBS models published by EIOPA in 2019: in model 1 "administrative costs" and "investment and transaction fees" shall be disclosed; in model 2 at least costs "withheld from contributions" as well as "withheld from assets in your pension account" shall be shown. These requirements are fully based on the Decision of February 2023 and on the previous Opinion of October 2021 of the Board of Supervisors on the reporting of costs and charges of IORPs, in which the "classification and definitions of IORP costs and charges" are clearly outlined.

From the participants' perspective, understandability and comparability of various pension products (occupational and private) through cost transparency are of utmost importance. Therefore the alignment with other financial EU regulations (mainly IDD, PEPP and MIFID II) should be realized as much as possible. Again, in order to avoid information overload especially in the PBS, the concept of information layering should be applied - particularly in relation to additional cost figures of multi-optional investments.

As far as we can see, issues which are crucial from the perspective of IORPs are included herein, such as smooth and long-term implementation and the alignment of reporting requirements between NCAs and

EIOPA. As the majority of NCAs have not developed additional rules, from the perspective of the supervisors there seems to be a need to specify further these cost disclosure provisions in the Directive.

As outlined in the CP the advantages and benefits of transparent cost reporting by IORPs to NCAs largely outweigh any possible disadvantages: “The supervisory reporting of transparent cost data will allow NCAs to assess the cost efficiency of IORPs, the affordability for sponsors and the value for money offered to members and beneficiaries” (cf. p. 158 of CP). In addition, as stated in the Impact Assessment attached to this Opinion, the experience of NCAs shows that requiring cost transparency (reporting or disclosure) based on a look-through approach positively impacts the cost levels of IORPs as it drives costs down. For instance, in the Netherlands costs decreased when transparent cost reporting was introduced (cf. CP, p. 127).

Q5.4: What are, in your view, the advantages or disadvantages of NCAs providing a high-level overview of their risk assessment framework, to be included as part of the requirements in Article 51(2), as public information available to their supervised IORPs?

n/a

Do you have any other comments on the following sections of chapter 5?

	Yes	No
* Section 5.2: Europe and European Pensions Markets are shifting	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.3: Background information on Defined Contributions	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.4: Previous EIOPA Reports	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5: Policy options to address the shift to DC	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5.1: Long-term risk assessment	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5.2: Supervisory reporting on costs and charges	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5.3: Complaints procedure and Alternative Dispute Resolution (ADR)	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5.4: Article 51.2 - Increased transparency of National Competent Authorities – Risk assessment framework	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5.5: Financial education	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5.6: Member and/or beneficiary involvement in IORPs governance	<input type="radio"/>	<input checked="" type="radio"/>
* Section 5.5.7: Fit and proper requirements	<input type="radio"/>	<input checked="" type="radio"/>

Chapter 6. Sustainability

Q6.1: What are your views on the consideration of sustainability risks in the recommended requirements, in particular, on how they should be applied in a proportionate manner?

We support option 1 suggested by EIOPA and the proposed advice. An additional provision could be included to tackle transition risk in particular. Essentially, where IORPs take an active stewardship role and support the transition they could reduce their transition risk expose. This can be assessed through the ORA, by looking into the implementation of new SIPP targets on ESG risks (outlined in our response to question 6.4). This in turn would then filter through to supervisors and the supervisory review and information processes under Articles 49 and 50 of the IORP II Directive. The suggested amendments to proportionality formulations in EIOPA's advice should be sufficient to ensure that the principle of proportionality is present and applied in this case as well.

Q6.2: What are your views on the interaction between sustainability preferences of members and beneficiaries, and the requirement for IORPs to take into consideration the sustainability factors in investment decision-making (current Article 19(1)(b))?

EIOPA states that collective investment policy participants are likely to have different sustainability preferences, but does not provide any evidence to support this assertion. Eurobarometer surveys suggest that three quarters of EU citizens feel a personal responsibility to act to limit climate change and 93% of Europeans consider climate change to be a serious problem. This would rather seem to indicate that it is more likely that participants will have aligned sustainability preferences to limit climate change.

Q6.3: What are your views on how sustainability considerations should interact with other investment objectives of the prudent person rule (Article 19(1)(a)(c))?

We support option 1 suggested by EIOPA.

Q6.4: What are your views on the consideration of stewardship to address sustainability risks, in particular, on how it should be applied in a proportionate manner?

We agree with EIOPA's analysis and suggested option, but would suggest further additions to Article 30. The existing requirement to cover how ESG factors are taken into account could be further clarified. This should be done through requiring the addition of how strategic asset allocation and risk management processes are implemented to achieve greenhouse gas reduction targets in the SIPP. This assessment can then be linked back to the ORA, to demonstrate assess whether or not progress towards these targets is being achieved, as this in turn can show where IORPs are actively mitigating transition risk through stewarding the transition. In line with the response to question 6.1 moving to annual updates of the SIPP would ensure that implementation of these principles can keep pace with the emerging ESG risks.

Do you have any other comments on the following sections of chapter 6?

	Yes	No
* Section 6.2: Relevant provisions in IORP II Directive and other regulations	<input type="radio"/>	<input checked="" type="radio"/>
* Section 6.3: Previous EIOPA reports	<input type="radio"/>	<input checked="" type="radio"/>
* Section 6.4: Other regulatory background	<input type="radio"/>	<input checked="" type="radio"/>

* Section 6.5: The integration of sustainability factors in investment decisions	<input type="radio"/>	<input checked="" type="radio"/>
* Section 6.6: The fiduciary duties	<input type="radio"/>	<input checked="" type="radio"/>
* Section 6.7: Stewardship	<input type="radio"/>	<input checked="" type="radio"/>
* Section 6.8: Broader societal goals	<input type="radio"/>	<input checked="" type="radio"/>

Chapter 7. Diversity and Inclusion (D&I)

Q7.1: What are your views on the recommended requirements on D&I in management bodies, in particular on how they should be applied in a proportionate manner?

Diversity and inclusion should be implemented but always together within professional competencies.

Q7.2: What are your views on a definition of diversity and inclusion at the European level? Which definition would you suggest? In particular, which diversity criteria should it include?

n/a

Q7.3: What are your views on the public disclosure in the annual report of the representation target for the underrepresented gender in the management or supervisory body and the policy on how to increase the number of the underrepresented gender in the management body and its implementation?

n/a

Do you have any other comments on the following sections of chapter 7?

	Yes	No
* Section 7.2: Relevant legal provisions	<input type="radio"/>	<input checked="" type="radio"/>
* Section 7.3: Previous EIOPA reports	<input type="radio"/>	<input checked="" type="radio"/>
* Section 7.4: Some national practices	<input type="radio"/>	<input checked="" type="radio"/>
* Section 7.5: D&I in management bodies	<input type="radio"/>	<input checked="" type="radio"/>
* Section 7.6: Reporting on D&I	<input type="radio"/>	<input checked="" type="radio"/>

Annexes

* Do you have any comments on the annexes?

Yes

No

Any other comments

* Do you have any other comments on the consultation paper?

Yes

No

Contact

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