

# FEEDBACK STATEMENT

## EIOPA CONSULTATION ON IDD GUIDELINES ON THE INTEGRATION OF CUSTOMER SUSTAINABILITY PREFERENCES IN THE SUITABILITY ASSESSMENT UNDER IDD

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eiopa

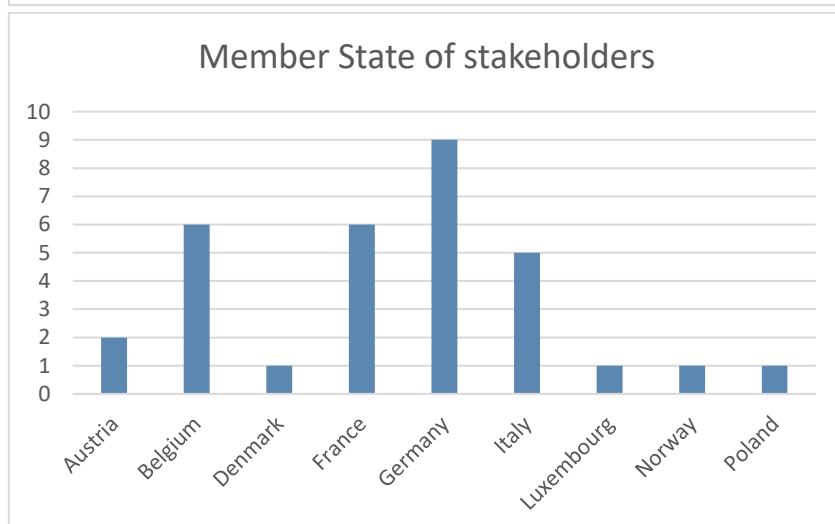
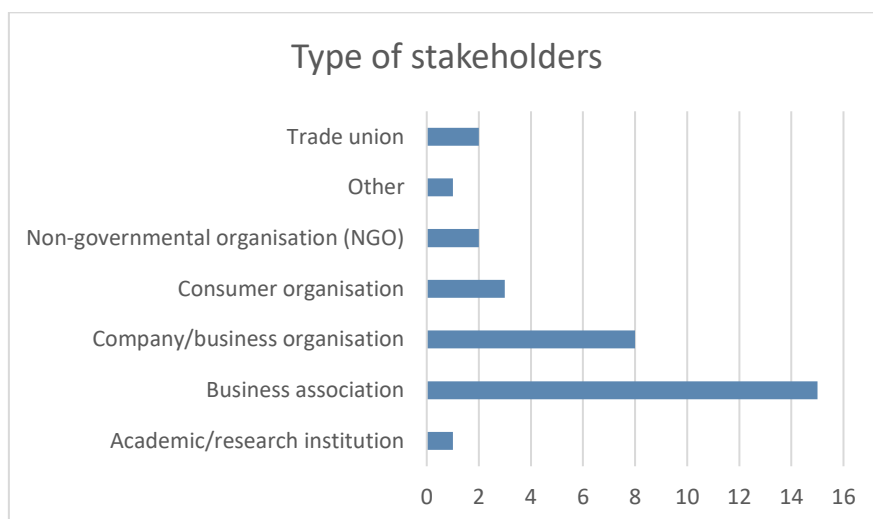
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## 1. BACKGROUND

EIOPA launched a Consultation Paper on 13 April 2022, with the period for comment ending on 13 May 2022. In total, EIOPA received 34 responses to the public consultation. Most respondents are industry participants and associations. Stakeholders included also consumer representative organisations, the EIOPA Insurance and Reinsurance Stakeholder Group, trade unions and Non-governmental Organisations (NGOs). The wide variety of type of respondents is represented in Chart 1.

Most respondents are located in Germany, Belgium, France and Italy.



## 2. SUMMARY OF RESPONSES

### **Q1. Do you have any general comments regarding EIOPA proposed approach?**

Overall respondents noted that the draft guidelines represent a welcome effort to support the industry to navigate the regulatory changes ahead.

#### Lack of products and ESG data

Various respondents noted that a lack of data makes it difficult for intermediaries to have investment products on offer which would match sustainability preferences. Client's ambitious objectives will demand a high degree of sustainability-related expectations, which however cannot potentially be matched with the products available in the market. Products with limited degree of sustainability are currently available.

Some industry respondents call on EIOPA to allow insurance distributors to present the different levels of sustainability of the products (while on boarding the a/b/c concepts) they can offer, and let the client choose among the different levels proposed – or turn to another distributor if no offer suits him. This approach would be clearer than letting the client express preferences on characteristics he does not master, for being disappointed at each advice when he is informed that no suitable product suits his sustainable preferences.

#### Policy framework application timing issues

Various respondents noted that due to the misalignment between the application of the IDD rules and the application of the Delegated Regulation under the SFDR it is crucial that the NCAs allow for flexibility regarding supervision of the implementation following a phased-in approach for the inclusion of sustainability preferences (taking also into account the expected data flow).

#### Insufficient flexibility

EIOPA could consider replacing the word “should” by “could” in some of the Guidelines to embed more flexibility

#### Alignment with ESMA

Several respondents noted that EIOPA and ESMA guidelines should be aligned.

**EIOPA response:** a number of respondents stressed the need for a simpler, more user-friendly document to facilitate comprehension of how to integrate the customer's sustainability preferences into the suitability assessment under the IDD. EIOPA therefore decided to pause its work on issuing

Guidelines under Article 16 of EIOPA Regulation as initially proposed for public consultation and focus as a priority on providing competent authorities, insurers and insurance intermediaries with guidance in advance of the application of new legislation<sup>1</sup> under the IDD on 2 August 2022. The objective of this Guidance, therefore, is to promote better understanding of the new rules coming into effect and facilitate a correct implementation by presenting the new requirements in a more user-friendly language and presentation. EIOPA may revisit work on a stronger convergence tool after some experience has been gathered by insurers and insurance intermediaries and NCAs in applying the new legislative framework.

**Q2. Guideline 1 – Do you agree that insurance undertakings and insurance intermediaries should explain the purpose of the sustainability part of the suitability assessment and its scope as proposed by EIOPA or do you believe that the information requirement should be expanded further, and if yes, how?**

On one hand NGOs and consumer associations called on EIOPA to expand the guideline further for instance by including templates for the assessment of sustainability preferences, or encouraging consumers to specify any exclusion they wish to apply, which could include nuclear or gas, weapons, tobacco and any controversial or other economic activities that are considered as significantly harmful under the EU taxonomy framework.

On the other, industry respondents call on EIOPA to take into consideration the possibility to provide customers with information on the concept of “sustainability preferences” as a whole, without requiring the details about the differences between the three categories of products listed in letters from a) to c). At a later stage, as the assessment evolves, insurance undertakings and insurance intermediaries providing advice on IBIPs should explain to the customers the distinction between products.

Some industry stakeholders are of the view that at this preliminary stage customers should be provided with information regarding the market offer and the lack of data which currently dramatically limit some type of offer.

Many industry respondents called on EIOPA to develop a generally binding explanatory text, which clearly explains the sustainability preferences. It cannot be the task of the advisory companies to translate an overly complex body of law, which is only comprehensible to proven legal and

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<sup>1</sup> Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurers and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products (OJ L 277, 2.8.2021, p. 18).

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sustainability specialists, into a generally understandable text. EIOPA's request puts insurance intermediaries in danger of being accused of greenwashing and giving false advice if they incorrectly "translate" the complex legal basis. Some intermediaries suggested to add to rely on explanatory notes from SFDR templates to explain the concepts. The guideline should clarify that insurers and intermediaries are free to choose the language that they find most appropriate and should focus on supporting the understanding of the (potential) customer.

With regards layering, few industry respondents welcomed to provide info in layers. One NGO noted that guideline should clarify that layers should not be used to nudge customers into dismissing some or all groups of preferences or PAIs.

EIOPA response: EIOPA is of the view that at the initial stage of the assessment insurance undertakings and intermediaries providing advice on IBIPs should not influence the customers by providing information regarding the market offer. The provision of such information is possible at the stage of adaptation of preferences, when no product matches the initial sustainability preferences of the customer.

EIOPA agrees with the recommendation to provide in the guidance a text explaining the sustainability preferences, however EIOPA disagrees that insurance undertakings and intermediaries providing advice on IBIPs should only provide customers with information on the concept of "sustainability preferences" as a whole, without requiring the details about the differences between the three categories of products listed in letters from a) to c).

**Q3. Guideline 2 – Do you consider that insurance undertakings and insurance intermediaries should collect information on sustainability preferences as the last element within the collection of information on investment objectives?**

Most respondents agreed to EIOPA proposal that insurance undertakings and insurance intermediaries should collect information on sustainability preferences as the last element within the collection of information on investment objectives, noting that the suggested approach is consistent with Recital 11 of the Delegated Regulation (EU) 2021/1257. However one NGO claims that the Guidelines should avoid encouraging a situation where an insurance undertaking or insurance distributor mechanically relies on the Guidelines to cut off a customer who spontaneously starts talking about sustainability objectives during the sales process.

Intermediaries called on EIOPA to acknowledge the application of proportionality per type of consumer in line with art 30.6 of the IDD, as professional clients may already have more knowledge or better access to knowledge about sustainable finance than retail clients and other needs.

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One industry respondent noted that the proposed guideline seems to suggest that the collection of information regarding the different elements defined in points a), b) or c) of Article 2(4) of Commission Delegated Regulation (EU) 2017/2359 would also need to be carried out in a sequential manner. This does not seem to reflect the reality of a customer's sustainability preferences, which will most likely be a combination of all three elements. In order to better reflect this, the three elements should not have to be considered separately, but in a single question to the customer that enables them to express a preference for one, some or all of the elements in combination.

EIOPA response: Based on stakeholder feedback, EIOPA clarified that for the purpose of a suitability assessment, it is important that insurers and insurance intermediaries obtain information on sustainability preferences in the course of the collection of information on investment objectives and this may be collected as the last element within the collection of information on investment objectives. However, in the latter case, this should not prevent the customer, at his/her own initiative, from bringing up their sustainability preferences in an earlier part of the information collection.

EIOPA acknowledges the application of proportionality per type of consumer in line with art 30.6 of the IDD.

With regards the collection of information, EIOPA included a “decision tree” to illustrate the collection of information.

**Q4. Guideline 2 – Consistently with the text of article 2(4) of Commission Delegated Regulation 2017/2359, as amended by Commission Delegated Regulation (EU) 2021/1257, EIOPA proposes to collect the information on the minimum proportion for aspects defined in points a) and b) of Article 2(4) of Commission Delegated Regulation 2017/2359 from the customer in terms of percentages or shares. Do you agree with this approach?**

Respondents' views are split. Slightly more respondents including, NGOs and half of industry representatives, agree to the approach. One NGO noted that EIOPA's guidelines are more robust than ESMA's. However a number of industry respondents call on EIOPA to allow for ranges, which limits would be adapted gradually at the pace of the progress of the sustainable financial market (e.g. “High” may be over 10% taxonomy alignment currently, but over 40% in 2 years). This is opposed by NGO which note that under no circumstances should the customer be given the impression that a certain percentage (e.g., 30%) is considered “high”, as the purpose of the assessment is to adapt the product offer to the customer's preferences and not the customer's preferences to the (current) industry offerings and the Guidelines should avoid to nudge customers towards less “ambitious” products.

Some intermediaries note that Article 2 refers to “the insurance-based investment product for which the customer determines that a minimum proportion shall be invested” and not to “financial instrument for which the customer determines the minimum proportion that shall be invested”.

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Therefore, it is important that IBIPs for being eligible for the ESG preferences have a minimum proportion of sustainable investments, regardless of their specific amount or proportion, but it is not necessary that the clients indicate such amount.

Intermediaries requested more flexibility by replacing “should” with “may” or “could” to say that “Insurance undertakings and insurance intermediaries may obtain this information in terms of a particular percentage or share of environmentally sustainable investments...”

EIOPA response: EIOPA clarifies that it is the customer who has to determine the minimum proportion for points a) and b). Hence insurance undertakings and insurance intermediaries should obtain information on the customer’s preferences in terms of the ‘minimum proportion’ as set out in points a) and b). Insurers and insurance intermediaries should obtain this information in terms of a particular percentage or share.

**Q5. Guideline 2 – EIOPA proposes that insurance undertakings and insurance intermediaries should collect information on whether the customer choses the Taxonomy alignment based on all investment of the insurance-based investment product or only based on those assets that are not government bonds, due to the existing limitations to screen taxonomy-alignment of government bonds. Do you agree with this approach?**

Most NGO, consumer associations and some industry respondents agreed with the approach. However one NGO and few industry respondents are of the view that only KPI 1 should be used.

Many industry representatives found the proposed approach overly prescriptive and difficult to implement given the volume and complexity of sustainability-related information to be provided to customers. Asking about KPI including or excluding sovereign bonds will be very confusing for clients who have a weak financial education for the vast majority of them. The 2 KPIs are the result of shortcomings of the regulation at Level 1 rather than the outcome of a thorough analysis of consumer needs.

EIOPA response: In the guidance EIOPA notes that intermediaries should explain to the customers that there are two Key Performance Indicators (KPI) used to calculate the proportion of investments that are aligned with the EU Taxonomy, and as a next step, insurers and intermediaries could ask the customer whether the extent to which their investment should be aligned with the EU Taxonomy should be based on KPI. EIOPA has also added a clarification that this does not preclude national competent authorities from taking a stricter approach to promote consumer protection.

**Q6. Guideline 2 – When the customer does not determine a specific “minimum proportion” for aspects a) and b), EIOPA proposes that insurance undertakings and insurance intermediaries**

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**could guide the customer by providing standardised minimum proportions to help the customer in determining a minimum proportion. Do you believe that the guidelines should specify how granular should be such standardised minimum proportions?**

Consumer associations, NGOs and some industry respondents are in favour of the use of standardised minimum proportions. Most intermediaries and some insurance undertakings support it and note this should not be used only with customers who have failed to determine a specific minimum proportion but should be made available to all customers. However one respondent disagreed with the approach proposed by EIOPA to “assist” the client in determining the minimum proportion in case he/she is not capable of making a decision since this appears to be an approach oriented to “insist” on obtaining the necessary information from the client, even when he/she has already stated that he/she is not able or willing to make a choice.

With regards the question on whether the guidelines should specify how granular should be such standardised minimum proportions, some industry respondents responded negatively. The companies themselves should define standardised minimum proportions that reflect the reality of the market.

Intermediaries claim that for some clients, examples of real products with a sustainability factor may help to understand better what suits them.

EIOPA response: Based on stakeholder feedback, EIOPA amended the proposal with regards the assistance given to customers. From the start of the suitability assessment process, insurers and insurance intermediaries could assist the customer to identify the minimum proportion by approximating the minimum proportion by standardised minimum proportions, such as “minimum 10%, minimum 20%, minimum 30%, minimum 40%, minimum 50%, minimum 60%, minimum 70%, etc. ”. It is important that this assistance is provided in a neutral way and on the basis of the preferences of the customer, without influencing the customer’s choice of the IBIP. The information provided by the insurers and insurance intermediaries to the customer needs to be sufficiently granular to enable the customer to determine the minimum proportion of investments aligned with the EU Taxonomy or sustainability investments.

**Q7. Guideline 2 – Do you agree with the suggested approach where customers answer that they do have sustainability preferences, but do not state a preference with regard to any of the specific aspects mentioned under a) to c) or with regard to a minimum proportion with regard to points a) and b) of Article 2(4) of Commission Delegated Regulation 2017/2359, as amended? If yes, do you believe that the supporting guideline should be more prescriptive with regard to the procedures insurance undertakings and insurance intermediaries should adopt in the case where a customer does not determine specific sustainability preferences?**



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Most industry respondents believed that the second explanation of preferences should be an option, not a requirement. Some industry respondents noted that the assessment should not be used as a tool to persuade a customer that they have a specific preference, when the reality is that this is not a priority for them.

However some respondents, including NGO, agree with the approach. An NGO claims that instead of providing a customer with another investment products that also “does good”, intermediaries should be encouraged, including through formal processes and hence more prescriptive guidelines, to better understand a customer’s priority areas for sustainable investment, and adapt their product advise to those preferences, rather than being encouraged to sell products that the distributor happens to have in portfolio.

EIOPA response: EIOPA clarified in the guidance that where a customer answers that he/she has sustainability preferences, but despite questions posed by the insurer or insurance intermediary, did not specify a preference with regard to points a), b) or c), the insurer or insurance intermediary can still recommend an IBIP that has sustainability features matching the customer’s preferences as best as possible, taking into account the sustainability preferences as expressed by the customer in general terms. The insurers and insurance intermediaries should record the details in a suitability statement.

**Q8. Guideline 2 – Do you consider that further guidance is needed to clarify how insurance undertakings and insurance intermediaries should collect information on the customer’s sustainability preferences?**

Most stakeholders do not believe that further guidance on this point would be helpful.

Few stakeholders would welcome more guidance on how to prioritise overlapping and simultaneous preferences. Some industry respondents are of the view that if customers choose a combination of products (a), (b) and (c), this means that any product belonging to one another of these categories can be recommended to clients to answer their sustainably preferences.

One respondent answered that EIOPA could propose a standardized sustainability questionnaire, to ensure a consistent approach across Member States.

EIOPA response: EIOPA clarified in the guidance that if customers choose a combination of products (a), (b) and (c), the product to be recommended should match each preference included in the combination.

**Q9. Guideline 3 – Do you agree with the approach with regard to the periodic assessment?**

Most industry, NGOs and consumer associations agree with the proposed approach.

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Some industry respondents welcomed EIOPA guidance under point 18, which states that in line with recital 10 of Commission Delegated Regulation (EU) 2021/1257, for existing customers, for whom a suitability assessment has already been undertaken, insurance intermediaries and insurance undertakings should identify the customer's individual sustainability preferences at the next regular update of the existing suitability assessment. Stakeholders shared EIOPA view that insurance intermediaries and insurance undertakings are not required to conduct the periodic assessment at the date of the application of the new requirements.

Some stakeholders suggested to clarify that if the originally selected insurance investment product cannot be adapted to changed sustainability preferences, the recording of and renewed questioning about sustainability preferences in future advisory situations should not take place.

Some stakeholders expressed the view that the periodic assessment of suitability does not require, per se, updating the client profile and the related process. Moreover, whilst the periodic assessment of suitability is made at least annually, the update of the client profile is made less frequently, depending on the validity of the questionnaire. Hence it is not possible to update the sustainability preferences during a periodic assessment of suitability. Therefore, we would like to ask EIOPA to clarify whether the statement in point 19 and in point 20 could be interpreted as referring to the update of the client profile.

**EIOPA response:** EIOPA clarified in the guidance that in the regular periodic assessment, the insurance undertaking or insurance intermediary should collect updated information from the customer on whether his/her circumstances have changed. The suitability statement as such should cover the aspects that have changed, including, where this is the case, the circumstances of the customer, as required by Article 14. 3 of Delegated Regulation (EU) 2017/2359.

EIOPA clarified that when the product invested in does not match the customer's sustainability preferences including due a change of the sustainability preferences, the insurance undertaking or insurance intermediary should inform the customer thereof, evaluate the impact of this change and inform the customer in an updated suitability report, or make a new recommendation where required by national rules or where it is legally possible by the contract.

**Q10. Guideline 4 – EIOPA provides guidance on how to use the SFDR disclosures under Solvency II Directive to assess whether an insurance-based investment product matches the sustainability preferences of the customer in order to make a personal recommendation. Do you agree with the approach?**

Most respondents agreed with the approach proposed by EIOPA.

Some industry respondents noted that paragraph 24 goes beyond the scope of the guidelines.

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One industry respondent suggest to use ESG ratings instead.

**EIOPA response:** EIOPA clarified in the guidance that for all IBIPs, including those with a long recommended holding period of, for example, over 20 years, where the asset allocation may change over time, the features of the product disclosed by the insurer prior to the conclusion of the contract under Solvency II disclosures, as amended by SFDR, represent sufficient information.

EIOPA does not agree to use ESG ratings instead as such tools do not measure Taxonomy-alignment, proportion of sustainable investments nor consideration of principal adverse impacts.

**Q11. Guideline 4 – For multi-option products, EIOPA provides guidance on how to assess whether an insurance-based investment product matches the sustainability preferences of the customer in order to make a personal recommendation. Do you agree with the approach?**

Most NGO and consumer associations as well as some industry respondents agree with the approach on MOPs.

For (a) and (b) preferences, some stakeholders noted that the calculation in weighted per premium average makes the calculation very complex for financial, because the apportionment of the premium between several investment options is not necessarily predetermined but may be subject to review and revision by the insurer depending on market developments during the product’s duration. This possibility should be an option and not mandatory. We suggest replacing the term “should” by “could” in paragraph 32 bullet point 1. That would allow the assessment of the alignment with the minimum proportion defined by the client to be made at the level of each underlying option.

For (c) underlying options, the client can realize switches in its contract and this means that the distributor cannot prevent the client to diminish the proportion of sustainable investment. From a practical perspective, this means that the distributors cannot be responsible of ensuring that the PAIs under the contract will be meet during all the contract duration. Accordingly, ‘during the duration of the contract’ should be removed from the guidelines or "should ensure (...)" because the distributor cannot choose on behalf of the client.

However one industry representative is of the view that advice on sustainability preferences should be limited to the investment options and not aggregated among the options selected.

**EIOPA response:** EIOPA agrees that to match the sustainability preferences of the customer under points a) and b) of Article 2(4) of Commission Delegated Regulation (EU) 2017/2359, all the underlying options selected could match the minimum proportion determined by the customer. This has been added as alternative proposal to the assessment of whether the weighted (per premiums) average of

minimum proportion of environmentally sustainable investments or sustainable investments in the selected underlying options of the multi-option product matches the minimum proportion expressed by the customer.

EIOPA agrees that for (c) underlying options, the client can realize switches in its contract and this means that the distributor cannot prevent the client to diminish the proportion of sustainable investment. As a result, EIOPA has removed in the guidance the sentence that insurance undertakings and insurance intermediaries providing advice on IBIPs should ensure that at least one of the selected underlying options considers principal adverse impacts during the duration of the contract.

EIOPA notes that the advice cannot be limited to underlying options as the advice is provided on the Multi-Option Product, which is not limited to specific underlying options, and hence the aggregated selected underlying options should match the sustainability preferences.

**Q12. Guideline 5 – Do you agree with the approach outlined with regard to the situation where the customer makes use of the possibility to adapt the sustainability preferences?**

Various industry respondents support EIOPA's proposal to clarify that sustainability preferences should only be addressed once the suitability has been assessed in accordance with the criteria of knowledge and experience, financial situation and other investment objectives. However suggest to change "sustainability preferences should only be assessed" (paragraph 33, draft Guideline 5) for "sustainability preferences should be taken into account" would probably be more in line with this.

One NGO requests to add that insurance undertaking or intermediary should be required to tell the customer that other operators might be able to meet the customer's preferences, before informing the customer that he/she can change the sustainability preferences, rather than pushing the customer to weaken his/her sustainability preferences and finally recommending a product that doesn't match the initial customer's preferences. A consumer association agrees with the approach highlighting that it is particularly important that insurance undertakings and insurance intermediaries should not exert any pressure on the customer to adapt the sustainability preferences neither for "up-grading" nor for "downsizing" these preferences in order to reduce the risk of mis-selling or greenwashing (cf. CP, p. 21, no. 34).

Many industry respondents claim the current market state could lead to several adaptation attempts before finding an adequate product. Consequently, they request to allow intermediaries to disclose to customers the available products integrating sustainability preferences (or a set of examples thereof) at the stage of adaption.

Some intermediaries claim that the customer should also have the possibility to keep his/her initial preferences without adapting these and to agree that the distributor offers a product which doesn't

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totally match with those sustainability preferences but does match with all his/her other requirements and preferences as the customer has the right to prioritize his investment objectives. In their opinion this is coherent with what is stated in recital 14 of Commission Delegated Regulation (EU) 2021/1257: “insurance-based investment products that are not eligible for individual sustainability preferences can still be recommended by insurance intermediaries and insurance undertakings distributing insurance-based investment products, but not as meeting individual sustainability preferences”.

EIOPA response: EIOPA agrees to change “sustainability preferences should only be assessed” (paragraph 33, draft Guideline 5) for “sustainability preferences should be taken into account”.

EIOPA agrees that when a customer decides to adapt his/her sustainability preferences, the insurer or insurance intermediary could disclose to the customer, information about the products closest to the sustainability preferences expressed by the customer that are available in the market and/or by the insurer or insurance intermediary providing advice.

EIOPA clarifies in the guidance that it is EIOPA’s understanding of the relevant provisions of Commission Delegated Regulation 2021/1257 based on information informally communicated by European Commission services that when a product does not meet the customer’s initial sustainability preferences, the insurer or insurance intermediary should not recommend a product that does not match these preferences, unless the customer adapts his/her preferences.

**Q13. Guideline 6 – Do you agree with the guidance regarding to the arrangements necessary to ensure compliance with the record-keeping requirements or do you believe that further guidance on this aspect should be needed?**

Most respondents claim no further guidance is required. However some respondents would welcome further guidance. One consumer association claims that guideline 6 should stress and clarify again that record-keeping requirements have to be fulfilled as well in the case that the sustainability preferences of the policyholder are met by the recommended IBIP.

To this end suitability assessment and sustainability preferences should be recorded and analysed, including any decisions to adapt preferences. This should include an appropriate level of detail, to detect potential issues around shepherding consumers to certain products and cases where adapting preferences has become the standard procedure.

Some industry respondents note that the way to keep record of the procedure should be implemented at the discretion of the financial intermediary and not be necessarily embedded within the suitability report as the suitability statement contains already a lot of information and that this

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would make it even more cumbersome and would not be in line with the idea of clear and succinct information.

EIOPA response: EIOPA takes note of the responses and agrees not to provide further guidance on the arrangements necessary to ensure compliance with the record-keeping requirements when the customer adapts his/her sustainability preferences.

**Q14. Guideline 7 – Do you agree with the guidance regarding to the qualification of employees of an insurance undertaking or insurance intermediary employees or do you believe that further guidance on this aspect should be needed?**

Majority of respondents agreed with the approach.

Consumer associations and NGO would welcome additional guidance needed to ensure that there is a minimum requirement of professional training in terms of hours, then verification via a competence test to ensure that training has raised the knowledge and competence of the advisor. A continuous training requirement should also be included, to ensure that advisors remain up to date with the latest requirements in this developing field and regulatory environment. The current wording of appropriate training does not provide sufficient clarity on this.

Many industry stakeholders noted that it should be clarified in point 38 of the draft Guidelines that not all employees of an insurance undertaking should possess basic knowledge and experience, but only those who are carrying out insurance distribution activities.

Some intermediaries would welcome further guidance regarding the qualification of employees, to add into the guidelines the obligation to join a professional association.

Some intermediaries noted that due to the calendar it won't be possible to have all the staff trained by august 2<sup>nd</sup> 2022, when the guidelines and therefore the exact process to be applied are not yet available.

EIOPA response: EIOPA takes note of the responses. EIOPA is of the view that the details of minimum requirements of professional training such as number of hours should be established at national level.

EIOPA agrees to clarify that relevant employees of insurance undertakings and insurance intermediaries should possess basic knowledge and competences with regard to the criteria of the sustainability preferences, and not all employees.

**Q15. What level of resources would be required to implement and comply with the guidelines (organisational, IT costs, training costs, employee costs, etc., differentiated between one off and ongoing costs)? When answering this question, please also provide information about the size, internal organisation and the nature, scale and complexity of the activities of your institution, where relevant.**

Respondents provided the following costs:

- Cost of data sourcing, costs for the use of ESG data providers
- Extra time to explain & gather sustainability preferences
- Integrating sustainability preferences for existing clients
- Cost of the new questionnaire, new procedural and organizational arrangements,
- Cost of the new suitability test & assessments of the information
- Ongoing costs of the suitability report
- Cost of monitoring the adaptations of sustainability preferences
- initial and ongoing IT costs,
- Monitoring ESG according to the portfolio approach
- additional training costs for advisors and recruitment of specialists
- compliance and legal costs

Estimated costs of the new rules:

- One stakeholder assessed that the advice effort will certainly increase by more than 25 % per client meeting
- Another stakeholder believed that implementation of the Guidelines can translate into 1-1.5% cost over value of the product
- For an average intermediary office with up to 12 employees we estimate an increase of total costs of approximately +10%

EIOPA response: EIOPA takes note of the responses.

**EIOPA**

Westhafen Tower, Westhafenplatz 1

60327 Frankfurt – Germany

Tel. + 49 69-951119-20

[info@eiopa.europa.eu](mailto:info@eiopa.europa.eu)

<https://www.eiopa.europa.eu>