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1 PensionsEurope answers to EIOPA's consultations on IORPs

On 22 July 2021, PensionsEurope submitted to EIOPA its answers to the consultations on:

A. A draft opinion on the supervisory reporting of costs and charges of IORPs

In our answers, we have highlighted that cost transparency and reporting are important tools and objectives for the management board of the IORP and/or the social partners. Costs and charges are a key issue when they consider the value for money that IORPs deliver, and their assessment should always consider costs in conjunction with risk and return. In this light, a generic cost classification can be useful to help them making the cost analysis and to increase efficiencies where possible. In recent years, IORPs have been subject to several regulatory and supervisory changes that were (also) aimed at improving their transparency towards members and beneficiaries. Therefore, we suggested EIOPA first investigate in detail the requirements that already exist at the national level, define the actual problems, and explain what exactly the deficiencies are. We stressed that additional cost reporting requirements would not generate efficiencies but, on the contrary, they would only generate additional fixed costs carving out the pension scheme's value. The competent authorities must always consider the need, reasons, and objectives for adding new transparency requirements, as otherwise, they would lead to additional costs for IORPs (which could ultimately be transferred to members and beneficiaries) without providing added value.

B. A draft opinion on the supervision of risk assessment by IORPs providing DC schemes

In our answers, we agreed with EIOPA that following the IORP II Directive, where members and beneficiaries bear risks, the risk management system shall also consider those risks from the perspective of members and beneficiaries. We stressed that having effective risk management is essential for any IORP and highlighted that the protection of members and beneficiaries is very important for us and our members. It is critical that IORPs have appropriate systems and processes in place to identify, monitor, and manage risks.

However, we have been critical with EIOPA about the opportunity of having such a detailed supervisory opinion in this matter, given the IORP II minimum harmonization character and the fact that the opinion comes too early, as the IORP II Directive has been transposed only very recently. Therefore, we suggested EIOPA first look at the current practices and analyse in detail how the new IORP II provisions have been implemented. We also encouraged EIOPA to avoid suggesting NCAs take specific approaches and a preferred methodology on risk assessment, e.g. to quantify operational risk exposures in terms of asset value losses, to use a stochastic instead of a deterministic model to calculate pension benefit projections, to suggest what kind of stochastic model should be used (or to benchmark national models with a common one set as a standard at the European level), or to require that projections of future retirement must be part of the risk assessment. These aspects must be considered at the national level by the competent authorities and IORPs, taking into account the specific characteristics of their pension schemes. All in all, we feel the heterogeneity of the IORP sector should be better reflected in this opinion.

2 PensionsEurope supports the development of pension tracking systems and dashboards

On 23 December 2020, EIOPA received a request for technical advice from the European Commission on the development of best practices for national pension tracking systems (PTSs) and pension dashboard, and the call for advice is part of Action 9 of the new CMU action plan. The PTSs aim to provide an overview of accrued and projected retirement income from all possible statutory and supplementary pension sources at the micro-level of individuals, while pension dashboards seek to assist the EU and Member States in monitoring the adequacy and sustainability of pension systems at macro-level. Given the differences in scope and goals of both pension tools, EIOPA has decided to provide its advice in two parts.

In relation to pension dashboards, the call for advice consists of the following two main components: (i) to identify and provide solutions for data gaps to allow for long-term projections of retirement income from occupational and personal pensions at Member State level, and (ii) to identify indicators and develop methodologies for pension dashboards.

In line with the Call for Advice, EIOPA's (draft) advice on PTSs is addressed to Member States looking at developing a national pension tracking system. EIOPA has identified a set of principles, good practices and examples – drawn from experiences with PTSs that are currently in use or under development – which Member States can use to facilitate citizens' access to personal pension information.

In our recent inputs to EIOPA consultations, we welcome the European Commission's initiative to assist the EU and Member States in monitoring the adequacy and sustainability of pension systems at macro-level through the development of a pension dashboard. We also support the development of national PTSs and the European Tracking Service (ETS) project, as we believe that the PTS can be a very powerful tool to make people aware of their financial situation for the old age and can help them to take the right financial decisions. We stress that the PTS is one important element in a retirement system, and it should of course be accompanied by other measures fostering good retirement provisions. As the PTS should be independent, objective, and free of charge, public funding from Member States' budgets may be the best option (and the EU budget for the ETS) at least in the construction phase of PTSs.

The information on PTSs should be kept to the minimum, as participants should be able to make some decisions based on them (for instance, whether it is necessary to save more for retirement). An overflow of information would undermine the objectives of the PTS. We suggest limiting the scope of data provided to the PTS to the scope of information required by the relevant sectoral regulations for the respective pension provider. Additional information not linked to the goal of the PTS may be accessed via signposting to the pension providers or could be placed in the third or further layer of the PTS. The PTS should not include information on ESG factors (or costs and investment strategy). It could be considered to signpost to existing information provided by pension providers under the SFDR, where applicable, and the Statement of Investment Policy Principles.

EIOPA will consider the feedback received and expects to publish its final advice to the European Commission on 1 December 2021 together with an impact assessment of the technical advice and a feedback statement on the consultation responses of stakeholders.

3 PensionsEurope provides feedback on the EU Corporate Sustainability Reporting Directive

On 14 July 2021, PensionsEurope submitted its feedback on the proposal of the EU Corporate Sustainable Reporting Directive (CSRD). IORPs as investors are users of the data which companies will be required to provide under the legislative proposal for a Corporate Sustainability Reporting Directive.

We are pleased that the intention is to create consistency between the Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR) on the one hand and the Corporate Sustainability Reporting Directive and the future sustainable reporting standards on the other.

We welcomed the clear link with the SFRD in the CSRD proposal. The SFRD introduces reporting requirements on principal adverse impacts (PAIs) along with a broad set of 18 quantitative and qualitative indicators. Therefore, the financial sector essentially is required to report on information that does not yet need to be made public by companies. This means that pension funds will need to obtain information, partially based on estimates, from specialized data providers. As a result, data sets can diverge significantly and come at a significant cost.

For the implementation of the responsible investment policy and own reporting obligations under the SFDR, pension funds need information on the companies they invest in across the spectrum of asset categories. The majority of these investments are in listed companies that would have already been subject to reporting under the NFRD, but some other investments may be brought in scope. This applies to private equity investments and smaller listed companies. It is good to note that a very significant share of investments is located in the US or emerging markets and these will remain out of scope.

We welcomed the extension of the scope as it helps to develop responsible investment strategies in areas where data may still be lacking, such as private equity. At the same time, broad coverage of companies should not come at the expense of the depth of information.

To conclude, PensionsEurope supports the introduction of the European Single Access Point and we support the proposal's requirement for the limited assurance of sustainability reporting.

4 PensionsEurope comments on the Amendments to the IFRS Foundation Constitution

On 2 August 2021, PensionsEurope provided input on the IFRS Foundation Exposure draft (ED) which proposes amendments to the IFRS Foundation Constitution that would enable the creation of a new sustainability standards board under the governance of the Foundation.

PensionsEurope believes that broadening the scope of the IFRS to include non-financial / sustainable reporting standards is a step in the right direction both from the perspective of international companies as well as pension funds. Considering that the IFRS sets international accounting and reporting standards, this can ensure comparability in this area between different Jurisdictions.

PensionsEurope believes that the current fragmentation is confusing and extremely complex. As a result, there is an immediate need to ameliorate the consistency and comparability of sustainability reporting. Ideally, PensionsEurope advocates for the development of the ESG reporting internationally and at all levels of the economy to fulfil the existing data gap.

The proposed amendments to the Constitution can enable IASB, as the international point of reference for Accounting and Reporting, to execute efficiently this specific role and become equally the point of reference for Non-Financial Reporting. PensionsEurope is satisfied that the process is overseen by the Trustees, who are in turn accountable to a Monitoring Board of public authorities. Its membership includes IOSCO, the European Commission, the US Securities and Exchange Commission and others. To us, it is crucial that the G7 countries actively participate in the development of non-financial / sustainable reporting standards.

This approach would provide global comparability for investors in a way that allows jurisdictions to combine the international standards with their own additional requirements. However, the EU is currently taking the lead on ESG data with the SFDR and the CSRD. As a result, PensionsEurope feels that the European experience could be used to influence the content of the future international workstreams.

5 PensionsEurope submitted comments on EFRAG Due Process Procedures on EU Sustainability Reporting Standard-Setting

On 16 September 2021, PensionsEurope provided input on the consultation regarding the EFRAG Due Process Procedures on EU Sustainability Reporting Standard-Setting.

The European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD) envisages the adoption of EU sustainability reporting standards (ESRS). The proposal for a CSRD requires that EFRAG's Technical Advice is prepared with 'proper due process, public oversight and transparency, and with the expertise of relevant stakeholders.

Climate change is a pressing political issue that requires swift political action. We note that this urgency is reflected in the consultation paper as well. However, we would like to stress the importance of leaving stakeholders sufficient time to respond to public consultations.

Moreover, the development of sustainability reporting standards is linked to the development of the European Single Access Point. Content-wise, the two projects should be consistent. As a result, we expect regular exchanges ensuring this consistency as well as reaping synergies in the process of developing the future EU Sustainability Reporting Standard.

6 Global Invest Forum – 6 October 2021

PensionsEurope supports the Global Invest Forum organized by L'AGEFI on 6 October 2021 in Paris.

Join us for debates with leading investment decision makers and intense networking. Gain insights from top-level experts from all over Europe and share your experiences with your peers, attend inspiring keynotes and expand your horizons.

Key topics for this year's edition are:

From the ECB's 2021 strategy review to the possible return of inflation, what is the macro-economic outlook for European investors?

What are the European Commission's priorities and 2021-2022 roadmap to guide the financial world towards more sustainability and the attainment of climate neutrality by 2050?

The Asset management industry after the Covid-19 crisis: from the inevitable transformations of business models to consolidations

Post-Brexit financial services and the issue of equivalence

The agenda of the GIF 2021 is available for you [here](#).

7 World Climate Summit – Investment COP – 7-8 November 2021

PensionsEurope has partnered with World Climate Summit on 7 and 8 November 2021 in Glasgow, Scotland (physical and digital). The summit is the premier meeting place for government, business, finance and civil society alongside the COP 26 negotiations and will focus on stepping up of climate ambition and achieving the net-zero emissions in the context of the Paris Agreement and a post-COVID-19 economy. To reach his goals, the Summit will connect businesses, financiers, governments, policymakers, innovators, academia and environmental influencers to stimulate the flow of projects and investments. It will serve as a key platform for presenting new climate commitments and actions.

More information on the programme can be found [here](#).

8 PensionsEurope 40-year anniversary – 17 November 2021

As mentioned in our July newsletter, 2021 marks the 40th anniversary of PensionsEurope. We do not want to let this milestone go by unnoticed and are working to organise a celebration on 17 November 2021, in connection to the General Assembly Meeting of 18 November 2021. The programme is coming together nicely, and all the details will be communicated shortly.

9 European Retirement Week – 29 November – 3 December 2021

European Retirement Week	Week of 29 November – 3 December <ul style="list-style-type: none">• Launch event: 29 November – time TBC• PensionsEurope side event: 1 December - 10h00 to 12h00
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