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Policy Department

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EIOPA's reasoned feedback on the consultation with the OPSG on the IORP II Opinions (governance and risk assessment)

Dear Members of the EIOPA Occupational Pensions Stakeholder Group,

EIOPA's Board of Supervisors (BoS) recently adopted unanimously the following supervisory Opinions to assist National Competent Authorities (NCAs) with the implementation of the IORP II Directive:

- Opinion on the use of governance and risk assessment documents in supervision
- Opinion on the practical implementation of EIOPA's Common Framework
- Opinion on the supervision of the management of operational risks faced by Institutions of Occupational Retirement Provisions (IORPs)
- Opinion on the supervision of the management of Environment, Social and Governance (ESG) risks faced by IORPs

The BoS discussed the possibility for further EIOPA work to provide more granularity on the supervision of defined contribution pensions given the shift away from defined benefit pensions. The BoS also noted the evolving nature of ESG and need for understanding implications for the future supervision of IORPs and insurance undertakings alike. Finally, the scope for monitoring the Opinions in the context of supervisory convergence was discussed. In this context, EIOPA intends to gather NCAs' experience on the application of the IORP II Directive in view of its future review.

I noted that the OPSG chose not to provide technical feedback on the Opinion on the practical implementation of EIOPA's Common Framework (CF) since it is not a requirement of the IORP II Directive. The Directive introduces significant provisions to strengthen IORPs' governance and risk management systems, which

pose certain implementation challenges. EIOPA is therefore of the view that the CF is a useful risk assessment tool that can complement NCAs' national framework and support IORPs in the conduct of their own-risk assessment. The voluntary nature of the CF does not contradict with the Directive's intended objective to improve IORPs' governance and risk management and their supervision.

The technical feedback that the OPSG provided on the other three Opinions in March was considered by EIOPA's IORP II Project Group and led to the drafting of updated versions, which sought to:

- Remove unnecessary paraphrasing and repetitions of the IORP II provisions
- Use to the extent possible IORP II terminology and avoid misunderstanding with Solvency II-specific concepts
- Highlight the specificities of IORPs and any relevant differences vis-à-vis the potential vulnerability and exposure to certain risks
- Bring in more explicitly the proportionality principle whilst leaving more detailed implementation to NCAs
- Take on board suggestions of examples
- Focus on relevant considerations for information disclosure

Overall, I trust that the OPSG will be satisfied to see that technical feedback has led to improvements in the final text of the Opinions adopted by the BoS.

The OPSG should also note that BoS discussions on the evolving nature and legislative developments with respect to ESG indicate the need for on-going work in this area and hence continuing support from the OPSG in the future.

Yours faithfully,

