

To: Corporate Reporting - Investments & Sustainable Finance WG
From: Philippe Angelis
cc:
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Subject: EFRAG ESRS Q&A Platform releases first set of explanations

On 5 February, EFRAG announced that its ESRS Q&A released the first set of 12 technical explanations.

These explanations are provided as part of EFRAG's role of technical advisor to the European Commission and are expected to provide a practical and timely support for preparers and others in the implementation of the European Sustainability Reporting Standards (ESRS), although they are non-authoritative in nature.

The first set of Explanations issued today will be followed soon by additional releases: 29 additional draft Explanations are currently submitted to SR TEG or SRB.

The Explanations released today are grouped in chapters according to their nature (cross-cutting, environment, social, governance). EFRAG plans to issue on a quarterly basis the collection of all the Explanations issued as of the end of the quarter, split by type, to facilitate accessibility.

One question of particular relevance to the insurance sector (ID 43): "**What is the scope of reporting scope 3 greenhouse gas emission for insurance companies**". In this explanation, EFRAG recommends following the guidance laid out in the GHG Protocol Corporate Standard, the GHG Scope 3 standard as well as the associated Scope 3 calculation guidance (see Annex).

The full list of explanations can be accessed by following the link [here](#).

Annex: ID 43 - Scope 3 GHG emissions for insurance companies

Question asked

What is the scope of reporting scope 3 greenhouse gas emissions for insurance companies?

ESRS references

ESRS 1, section 3.2 (Material matters and material information).

ESRS E1 Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions, as well as other paragraphs related to Scope 3, in particular: paragraphs: 44 (c), 45 (c), 46, 51, 52, as well as AR 39 (a) and AR 46 (b).

Principle of relevance, as defined in the “GHG Protocol Corporate Accounting and Reporting Standard” and further articulated in “relevance criteria” by the “GHG protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard”, as well as the “Technical Guidance for calculating Scope 3 Emissions”.

Key words: Materiality assessment, Materiality, Relevance; Scope 3 GHG emissions, insurance companies, financial investment.

Background

The determination of which categories of Scope 3 greenhouse gas emissions to include in the sustainability statement is driven by the materiality assessment of the company, namely in the scope of the analysis of ESRS 1 paragraph 31, which states that ‘The applicable information prescribed within a Disclosure Requirement, including its datapoints, or an entity-specific disclosure, shall be disclosed when the undertaking assesses, as part of its assessment of material information, that the information is relevant from one or more of the following perspectives: (a) the significance of the information in relation to the matter it purports to depict or explain; or (b) the capacity of such information to meet the users’ decision-making needs, including the needs of primary users of general-purpose financial reporting described in paragraph 48 and/or the needs of users whose principal interest is in information about the undertaking’s impacts.’

If climate change is considered a material topic by the undertaking, insurance companies are required by ESRS E1 paragraphs 44 and 51 to disclose their gross Scope 3 greenhouse gas (GHG) emissions for each of the Scope 3 categories that they assess to be ‘significant’, encompassing emissions within their upstream and downstream value chain. This includes emissions over which the company does not have direct control but that may have a significant impact on its overall carbon footprint and transition risks, as outlined in ESRS E1 paragraph 45.

In making its evaluation of the ‘significant Scope 3 categories’, the company shall consider, in accordance with ESRS E1 AR39(a), the principles, requirements and guidance of the GHG Protocol Corporate Standard. The GHG Protocol includes also a supplement ‘GHG protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard’ (also referred to in this document as ‘GHGP Scope 3 standard’), which makes reference as well to the GHG Protocol ‘Technical Guidance for calculating Scope 3 Emissions’ (v1.0), a supplement to the GHGP Scope 3 standard.

The GHG Protocol Scope 3 Category 15 is specifically tailored to financial institutions – which includes insurance undertakings – and the following financial investments and services are required to be reported (under the GHG Scope 3 standard, Table 5.9, pp.52): equity investments, debt investments and project finance.

ESRS E1 paragraph AR 46 states that the financial institution shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A ‘Financed Emissions’ (version December 2022).

Supporting material

<https://ghgprotocol.org/sites/default/files/2022-12/Chapter15.pdf>



<https://ghgprotocol.org/scope-3-calculation-guidance-2>

Answer

When reporting on their gross Scope 3 greenhouse gas (GHG) emissions, the undertaking discloses the amounts corresponding to the Scope 3 categories that it considers significant. For investments, this will factor in the scale of the investments and the associated indirect GHG emissions. The company should follow the principles, requirements and guidance laid out in the GHG Protocol Corporate Standard, the GHGP Scope 3 standard as well as the associated Scope 3 calculation guidance. Moreover, as stated in ESRS E1 paragraph AR 46(b), financial institutions shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A 'Financed Emissions' (version December 2022).