

To: Corporate Reporting - Investments & Sustainable Finance WG
From: Luca Motta
Date: 03-06-2024
Reference: ECO-CRISF-24-086

Subject: EFRAG New ESRS Q&A Technical Explanations – May 2024

Summary

On 30 May, to assist stakeholders in the implementation of the ESRS, EFRAG released 44 new Explanations and the Compilation of Technical Explanations produced so far, which comprises multiple batches of explanations that were already published in February and March 2024 ([here](#)). Amongst the new explanations released in the batch of May, three concern financial institutions:

Question ID 41 - Financial institutions – scope of reporting boundary (pages 24-25)

Question

What is the scope of own operations for an insurance company under ESRS? Is it the same as under Solvency II, i.e. do the ESRS standards relate only to insurers' non-life insurance activities or also to investment activities? How should the sustainability report address Insurance with profit participation?

Answer

The scope of own operations for an insurance company is guided by the financial reporting requirements, which reflect the business model, and is not necessarily the same as under Solvency II [...] Following the definition of business relationship in Annex 2 of the ESRS Delegated Act, the investments (including those related to insurances with profit participation) fall under the scope of an undertaking's business relationships. Therefore, investments are considered part of the value chain and are subject to consideration in the materiality assessment of impacts, risks and opportunities as established in ESRS 1 paragraph 63. [...] Regarding investment activities, the sector-agnostic ESRS do not provide Disclosure Requirements concerning specific metrics apart from GHG Scope 3 [...] EFRAG expects to add more guidance on these aspects in the forthcoming sector ESRS.

Question ID 482 – Breakdown of total revenue – financial institutions (pages 48-50)

Question 1

How is the total revenue of a credit institution defined?

Answer 1

Total revenue of a credit institution, according to ESRS 2 paragraph 40, is a proxy for 'net turnover' as defined in Article 2(5) of the Accounting Directive (Directive 2013/34/EU). ESRS use the terms 'revenue', 'total revenue' and 'net revenue' as synonyms [...] The three terms are referred to in ESRS in a more generic way as a proxy for 'net turnover' as defined by the Accounting Directive.

Question 2

How is it divided into ESRS sectors? Is it the sector 'credit institution' or the sectors for the business portfolio, i.e. the sectors of the financed portfolio?

Answer 2

Credit institutions should not refer to the sectors of the financed portfolio for the purposes of ESRS 2 paragraph 40. For presenting the revenue breakdown by ESRS sector, they should refer to the sectors in which they directly operate, not the sectors in which their clients operate.

Question ID 335 - Applicability of EU data points – Appendix B (pages 53-54)

Question



ESRS 2 Appendix B datapoints (other EU legislation) are applicable for all undertakings or for financial institutions only?

Answer

ESRS 2 Appendix B datapoints (other EU legislation) are applicable for all undertakings in the scope of the CSRD/ESRS. ESRS do not specify that datapoints listed in Appendix B of ESRS 2 are exclusively applicable to undertakings in specific sectors, such as financial institutions.

Next steps

The new explanations released in the batch of May are available for immediate use by stakeholders.