

To: Corporate Reporting WG
From: Philippe Angelis
Date: 18-10-2022
Reference: ECO-CORP-22-197

Subject: ESRS - Value chain definition for Insurance communicated to EFRAG SRB representative

Summary

Following a round of comments (ECO-CORP-22-195) from members and considering the urgency in providing input to our EFRAG Sustainable Reporting Board (SRB) representative (as the Board is expected to finalise their deliberations and therefore approve all final draft standards this week), the secretariat will adopt the following approach regarding the development of a definition of "value chain" for insurers:

1. The secretariat will share the definition below informally with our representative to assist him in Board deliberations.
2. The secretariat will underline the need to develop a definition of value chain specific to insurance as part of the sector specific standards, not sector agnostic standards. This will give us enough time to further define an adequate scope for our value chains.
3. If the SRB decides that a definition needs to be provided to the EC by 15 November (ie. in the sector-agnostic standards), then:
 - a. Under the ESRS, the financial sector should not, as a general rule, have to report on its policyholders, clients, or investees in terms of a general look-through principle.
 - b. The proposed definition of the value chain for insurers under the ESRS should ensure that insurers are supposed to report on their investees' scope 1-2 and not on their investee's scope
4. As a starting point, the proposed definition of value chain could be as follows:

Insurance undertakings shall report on the sustainability impacts, risks and opportunities (IROs) distinguishing between the two streams of their value chain described hereunder

- *Own procurement and own operations;*
- *Financial services, and in exact, the exposure to undertakings the (re)insurer provides coverage for and invests in reflected as assets in the (re)insurance undertaking's own portfolio (limited to debt securities and equity holdings).*

For own procurement and own operations, insurance undertakings will report their sustainability IROs on the basis of the definition of 'value chain' provided in ESRS1 chapter 5 Boundaries and value chain, subchapter 5.1, section 54.

For financial services, insurance undertakings shall exclusively assess and disclose the sustainability IROs related directly to the entities they provide insurance coverage or financing to. The requirement does not extend to reporting the insured entities' up- and downstream value chain, SMEs, households and natural persons receiving insurance or reinsurance coverage, and does not include (re)insurers' customers of (re)insurance mandated by law of a member state or collective bargaining agreements.