EBA/ITS/2022/01

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Final Report

Final draft implementing technical standards

on prudential disclosures on ESG risks in accordance with Article 449a CRR

Contents

List of figures

1. Executive Summary

This report presents the EBA final draft ITS on Pillar 3 disclosures on ESG risks, which put forward tables, templates and associated instructions that specify the requirement in Article 449a of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) to disclose prudential information on environmental, social and governance (ESG) risks, including transition and physical risk, addressed to large institutions with securities traded on a regulated market of any Member State. The ITS include:

(i) tables for qualitative disclosures on environmental, social and governance risks;

(ii) templates with quantitative disclosures on climate change transition risk;

(iii) a template with quantitative disclosures on climate change physical risk;

(iv) templates with quantitative information and key performance indicators (KPIs) on climate change mitigating measures, including the Green Asset Ratio (GAR) on Taxonomy-aligned activities according to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation)[1], extended information on Taxonomy alignment of exposures in the banking book and other mitigating actions.

These ITS have been developed following Article 434a CRR, which mandates the EBA to develop draft implementing technical standards (ITS) specifying these disclosure requirements in a way that conveys sufficiently comprehensive and comparable information for users of that information to assess the risk profile of institutions.

The Pillar 3 framework on prudential disclosures on ESG risks that these ITS implement will support institutions in the public disclosure of meaningful and comparable information on how ESG-related risks and vulnerabilities, and in particular climate change, may exacerbate other risks in their balance sheet. It will allow investors and stakeholders to compare the sustainability performance of institutions and of their financial activities. Furthermore, it will help institutions in providing transparency on how they are mitigating those risks, including information on how they are supporting their customers and counterparties in the adaptation process to e.g. climate change and in the transition towards a more sustainable economy.

These ITS have been developed in alignment with other initiatives taking place at EU and international level, notably the recommendations put forward by the Financial Stability Board Task Force on Climate Related Disclosures (FSB-TCFD)[2], and the classifications specified in the Taxonomy Regulation and in Regulation (EU) 2019/2089 amending Regulation (EU) 2016/1011 as regards EU

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852

[2] https://www.tcfdhub.org/Downloads/pdfs/E20%20More%20information%20on%20supplemental%20guidance%20for%20the%20financial%20sector.pdf

Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks[3] (Climate Benchmark Regulation). But the EBA Pillar 3 package goes a step further, in order to address the deficiencies of current non-financial disclosures, and notably the need for more consistent and comparable disclosures. By setting mandatory, consistent and standardised disclosures, including granular templates and tables and associated instructions, these ITS will contribute to addressing these shortcomings at EU level, and at international level by establishing best practice.

In developing these ITS the EBA is following a sequential approach, with an initial focus on climate-change-related risks, given the urgency of the topic, in line with the developments taking place at EU and at international level and taking into account the data and methodological challenges faced by institutions at this stage. For these reasons, these ITS cover quantitative information only on climate-change-related risks, including transition and physical risks, the disclosure of a Green Asset Ratio (GAR) for exposures towards counterparties subject to disclosure obligations under Directive 2014/95/EU (Non-Financial Reporting Directive – NFRD), of a Banking Book Taxonomy Alignment Ratio (BTAR) on EU Taxonomy-aligned activities that includes also exposures towards counterparties not subject to disclosure obligations under the NFRD, and on other mitigating actions, together with qualitative disclosures on the broader scope of environmental, social and governance risks. The ITS will be extended at a later stage to broaden the scope of the quantitative disclosures.

In particular, in the case of climate change transition risk, the EBA asks institutions to disclose information on exposures towards sectors that highly contribute to climate change, with a breakdown on the one hand of exposures towards fossil fuel and other carbon-related corporates and on the other hand of Taxonomy-aligned exposures. This information is combined with information on financed greenhouse gas (GHG) emissions, that is, scope 1, 2 and 3 emissions of an institution's counterparties financed by the institution, and on the distance to a Paris-aligned scenario. Finally, information on the energy efficiency of the real estate portfolio of the institution is also required.

In the case of climate change physical risk, institutions are asked to identify those exposures towards sectors and geographies that may be negatively impacted by climate change events linked to physical acute and chronic risks, and a disclosure template including this information is included in the ITS.

Finally, institutions are asked to disclose quantitative information on the actions that they are putting in place to mitigate climate-change-related risks, including information on Taxonomy-aligned actions (GAR and BTAR) and on other mitigating actions.

On the qualitative side, the ITS include three tables that specify the information that institutions must provide, focusing not only on climate change but also on the broader scope of environmental, social and governance risks. These disclosures are designed in line with the EBA 'report on

[3] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2089

management and supervision of ESG risks for credit institutions and investment firms'[4], published following the mandate included in Article 98(8) of Directive 2013/36/EU (Capital Requirements Directive – CRD). In addition to the tables on qualitative disclosures, an accompanying narrative with qualitative explanations complements the quantitative information in each template, for example when interpreting the institutions' information on carbon-related activities, or on the GAR, including e.g. qualitative information on the environmental carbon reduction strategies and targets.

[4] https://www.eba.europa.eu/eba-publishes-its-report-management-and-supervision-esg-risks-credit-institutions-and-investment

2. Background and rationale

1. The Pillar 3 disclosure framework promotes transparency as a main driver of market discipline in the financial sector, to reduce the asymmetry of information between credit institutions and users of information, and to address uncertainties on potential risks and vulnerabilities faced by institutions. The Pillar 3 framework on prudential disclosures on ESG risks is intended to allow investors and stakeholders to compare the sustainability performance of institutions and of their financial activities, and will support institutions in the public disclosure of meaningful and comparable information on how ESG-related risks and vulnerabilities, including transition and physical risks, may exacerbate other risks in their balance sheet. In addition, it will help institutions in providing transparency on how they are mitigating those risks, including information on how they are supporting their customers and counterparties in the adaptation process to e.g. climate change and in the transition towards a more sustainable economy.

2. Article 449a of Regulation (EU) No 575/2013 (CRR) requires large institutions with securities traded on a regulated market of any Member State to disclose prudential information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU. Article 434a CRR mandates the EBA to develop draft implementing technical standards (ITS) specifying uniform formats and associated instructions for the disclosure of this information in a way that conveys sufficiently comprehensive and comparable information for users of that information to assess the risk profile of institutions.

3. These ITS put forward the tables, templates and associated instructions that institutions must use in order to disclose relevant qualitative information on ESG risks, and quantitative information on climate-change-related risks, including transition and physical risks and mitigating actions, in accordance with Article 449a CRR.

4. When developing this package, the EBA worked in parallel on the EBA Advice to the Commission on KPIs and methodology for disclosures under Article 8 of the Taxonomy Regulation[5] (EBA Advice), following the Commission's Call for Advice (CfA) received in September 2021. Following this advice, the Commission published the Delegated Regulation supplementing Regulation (EU) 2020/852, specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation[6] (COM DA). These ITS should be read in conjunction with the advice and the COM DA for those parts related to the GAR.

[5] https://www.eba.europa.eu/eba-advises-commission-kpis-transparency-institutions%E2%80%99-environmentally-sustainable-activities

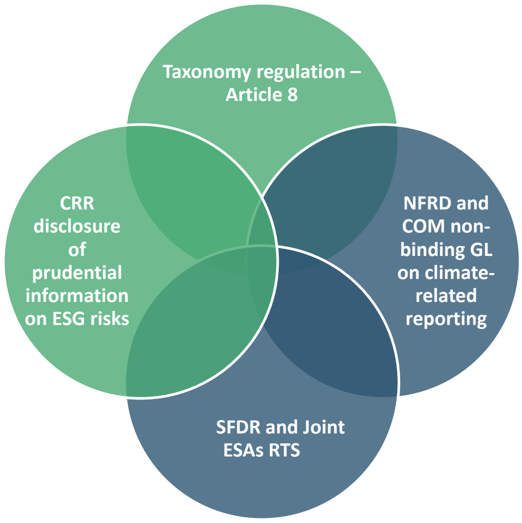
[6] https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-4987_en.pdf

2.1 Regulatory landscape on ESG disclosures in the EU

5. March 2018, the Commission published its action plan on sustainable finance, as part of the broader efforts to connect finance with the specific needs of the European and global economy for the benefit of the planet and our society.

6. One of the aims of the Commission's action plan is to foster transparency in the financial system. The Commission's action plan on sustainable finance has triggered several legislative initiatives on ESG disclosures in the EU.

Figure 1: EU legislative initiatives on ESG-related disclosures



7. Review of Directive 2014/95/EU (Non-Financial Reporting Directive – NFRD[7]): the NFRD lays down the rules on disclosure of non-financial and diversity information by large companies, including environmental, social and governance information. The Commission published in 2017 its non-binding guidelines on non-financial reporting[8]. In 2019, the Commission published a supplement to the guidelines on reporting climate-related information[9], with an annex for institutions, proposing disclosures and KPIs on climate change. Furthermore, the Commission launched a public consultation on the review of the NFRD, seeking more and better information from companies about their social and environmental performance and impacts. The EBA responded to the NFRD consultation, conveying the following key messages: the need to broaden the scope of application of the NFRD, so that more corporates are asked to disclose ESG information and institutions can have access to relevant data from the counterparties; and the need for mandatory and standard disclosures that should contribute to the quality comparability of the information. Following this consultation, the Commission adopted in April 2021 a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the NFRD, extending the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises).

[7] https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en

[8] https://ec.europa.eu/info/publications/non-financial-reporting-guidelines_en

[9] https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf

8. Publication of the Taxonomy Regulation establishing a common classification system of environmentally sustainable economic activities at Union level. Article 8 of the Taxonomy Regulation requires any undertaking subject to the NFRD to disclose information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. In July 2021 the Commission published the COM DA specifying the content and presentation of this information, and following the submission of the EBA Advice. The COM DA defines a Green Asset Ratio for the disclosure by institutions of information on the level of Taxonomy alignment of their exposures. The definition of the GAR is based, to a great extent, on the EBA Advice and on the GAR proposal put forward when consulting on these ITS. Nevertheless, there are some important differences, notably:

    a. The COM DA delays the date of application of the GAR disclosure by one year, until 2024 for data as of end-2023. The EBA is also delaying the date of application of the GAR disclosure in the Pillar 3 ESG ITS until end-2023 as the first disclosure reference date.

    b. The COM DA excludes from the numerator of the GAR exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU. These exposures are nevertheless included in the denominator of the GAR, which means that in practice the GAR is defined as if these exposures are always 0% Taxonomy-aligned.

    c. The EBA in the final ITS is asking institutions to replicate the GAR as defined in the COM DA and to disclose extended information on the level of Taxonomy alignment of exposures towards non-financial corporates not subject to NFRD disclosure obligations, for the calculation of an 'BTAR'.

9. The CRR[10], as amended in 2019, includes Article 449a on disclosure of environmental, social and governance risks. This Article requires large institutions which have issued securities that are admitted to trading on a regulated market of any Member State to disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) CRD:

    a. Article 434a CRR mandates the EBA to develop draft implementing technical standards (ITS) specifying this disclosure requirement in a way that convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions.

    b. These ITS include standard templates and tables with harmonised and comparable disclosures and associated instructions for the disclosure of information required in Article 449a CRR.

    c. Institutions will have to start disclosing this information from June 2022. The first disclosure will be annual and it will be semi-annual thereinafter. This means that in

[10] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02013R0575-20180101

practice the first disclosure will take place in 2023 for the disclosure reference date as of the end of December 2022.

10. Article 53 of Regulation (EU) 2019/2033 (Investment Firms Regulation – IFR). Following this Article, from 26 December 2022 investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 (class 2 investment firms) must disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034. Following the IFR, class 2 investment firms will have to disclose prudential information on ESG risks, similar to the information required from large institutions under the CRR in accordance with Article 449 CRR. In the case of ESG prudential disclosures by investment firms, there is currently no mandate for the EBA to implement them.

11. Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) lays down sustainability disclosure obligations for manufacturers of financial products and financial advisers towards end-investors. In the case of credit institutions, it applies to those institutions that provide portfolio management and investment advice services. Following the mandates included in the SFDR, the Joint Committee of the three European Supervisory Authorities (ESAs: EBA, ESMA and EIOPA) has issued final draft regulatory technical standards (RTS[11]) on ESG disclosure standards for financial market participants.

12. The EBA is publishing these final draft ITS on Pillar 3 disclosures on ESG risks following the mandate included in Article 434a CRR and the disclosure requirement included in Article 449a CRR.

2.2 Final draft ITS on Pillar 3 disclosures on ESG risks by large institutions

13. Following Article 449a CRR, from June 2022 large institutions which have issued securities that are admitted to trading on a regulated market of any Member State must disclose prudential information on ESG risks, including transition and physical risk, as defined in the report referred to in Article 98(8) CRD. Article 434a CRR mandates the EBA to develop draft implementing technical standards specifying uniform disclosures in a way that conveys sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions. Disclosures should be implemented in a tabular format where appropriate.

14. The EBA final draft ITS on Pillar 3 disclosures on ESG risks (P3 ESG ITS) that are now being published include quantitative and qualitative disclosure templates and tables, and associated instructions for disclosures in accordance with Article 449a CRR. Quantitative templates include quantitative information on climate change transition and physical risks and on how the institutions are mitigating those risks. The latter include, among other things, information on Taxonomy-aligned activities that are contributing to environmental objectives, including climate change mitigation and adaptation actions, that help to mitigate climate-change-related risks (Green Asset Ratio and Banking Book Taxonomy Alignment Ratio).

[11] https://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/joint-rts-esg-disclosure-standards-financial-market-participants

15. The final draft ITS are amending ITS, as they will amend Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013[12]. This is in line with the EBA strategic objective of defining a single, comprehensive Pillar 3 framework under the CRR that should integrate all the relevant Pillar 3 disclosure requirements, facilitating implementation for institutions and enhanced clarity for users of information, as expressed in the EBA Pillar 3 roadmap[13].

16. In accordance with Article 449a CRR, these ITS only apply to large institutions with instruments traded in a regulated market in a Member State. Any potential extension of the disclosures required in the CRR text to a broader population of institutions will not lead to an automatic extension of the disclosures required in the ITS to other institutions. If the requirements in the level 1 text are at some point extended, the ITS will need to be revised and amended in order to define the disclosures applicable to institutions other than large institutions with traded instruments in a proportionate manner.

17. Finally, it should be noted that the scope of application of Article 449a (large institutions with traded instruments) and of these ITS is smaller than that of Article 8 of the Taxonomy Regulation (institutions subject to an obligation to publish non-financial information under the NFRD), and therefore only a subset of the institutions that will have to disclose the GAR under Article 8 of the Taxonomy Regulation will have to disclose it in their Pillar 3 reports.

Sequential approach and review of the ITS

18. The EBA is following a sequential approach in the development of the P3 ESG ITS, in line with the sequential approach that is being followed for the development of the Taxonomy Regulation and of other relevant initiatives on ESG at EU level:

- The EBA includes in the first set of ITS KPIs and quantitative information on climate-change-related risks, including transition and physical risks, and on risk mitigating actions, and qualitative disclosures for climate change and other environmental risks, and for social and governance risks. This is in line with the deadlines that the Commission has planned for the Taxonomy, which by the end of 2020 covers only the screening criteria related to the environmental objectives of climate change mitigation and climate change adaptation.

- In particular, the final draft P3 ESG ITS include tables and instructions for the disclosure of qualitative information on institutions' strategy, and on their governance and risk management framework regarding ESG risks.

- They also include templates and instructions on quantitative information on assets and exposures that may face heightened climate change transition and physical risks, due to the sector or geography of the exposures, the energy performance of the collateral or the carbon intensity of the counterparty.

[12] https://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/its-of-institutions-public-disclosures-of-the-information-referred-to-in-titles-ii-and-iii-of-part-eight-of-regulation-eu-no-575-2013

[13] https://www.eba.europa.eu/eba-publishes-its-roadmap-risk-reduction-measures-package

- In addition, the EBA P3 ESG ITS include disclosure templates that rely on the classification system envisaged in the Taxonomy Regulation, providing information on the level of alignment of institutions' activities with the Taxonomy. These templates include information on the Green Asset Ratio (GAR) and additional and separate information on a Banking Book Taxonomy Alignment Ratio 'BTAR'. These KPIs provide information on what parts of institutions' exposures contribute to or enable the objectives of climate change mitigation and adaptation, and help to mitigate climate-change-related risks.

- Finally, they also provide a template and instructions for the disclosure of information on other mitigating actions put in place by the institution, including actions to help their counterparties in the adaptation and transition process, but that do not meet the Taxonomy criteria.

- Once the Taxonomy screening criteria are extended to cover not only climate change mitigation and adaptation but also other environmental objectives, the EBA will then extend the draft P3 ESG ITS to implement quantitative disclosures on other environmental risks and objectives.

- According to the Taxonomy Regulation, by the end of 2021 the Commission will report on whether to extend the scope beyond environmentally sustainable economic activities, in order to cover activities that significantly harm the environment, activities that do not have significant impact on environmental sustainability as well as sustainability objectives including social objectives. The EBA would very much support this extension as it would provide additional and relevant tools to institutions. If the Taxonomy is eventually extended to cover above-mentioned aspects, the EBA will revise the quantitative information proposed in these draft ITS, in order to align it with the Taxonomy definitions and classification criteria.

19. The EBA will in any case review the requirements currently included in the P3 ESG ITS in the course of 2024 in order to understand the relevance of these disclosure requirements in the context of the evolution of the ESG policy framework at EU and international level.

Timeline for the disclosures

20. According to Article 449a CRR, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State must disclose information on ESG risks from 28 June 2022. The same Article indicates that this information must be disclosed on an annual basis for the first year and semi-annually thereinafter.

21. This means that the disclosure for the first year would be annual. Therefore the first disclosure reference date will be 31 December 2022 (or relevant end-of-year disclosure for financial years not ending in December) and information will be made publicly available by institutions during the first months of 2023, on the same date as the date on which institutions publish their financial statements for 2022 or as soon as possible thereafter.

22. In addition to the sequential approach, and taking into account the challenges in terms of availability of data for institutions, particularly for the stock of loans, the EBA is proposing a phased-in approach for the first ITS, with a transitional period for certain disclosures. In particular:

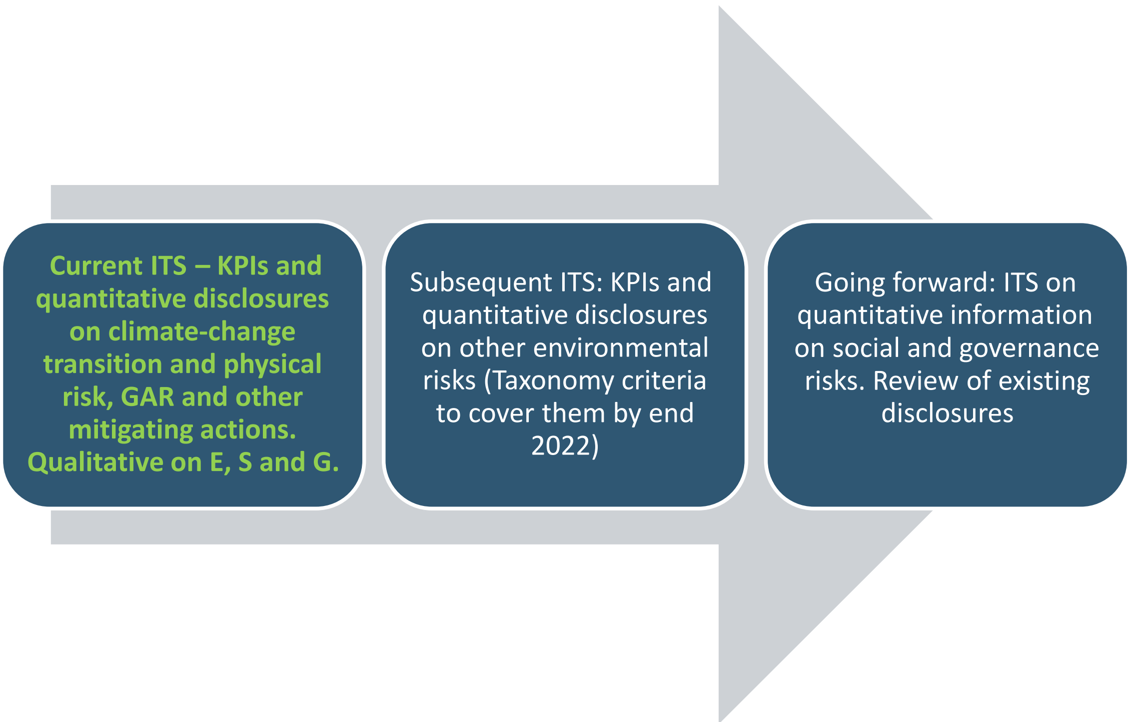
a. A phase-in period until June 2024 (end of June 2024 first disclosure reference date) is proposed for disclosures on institutions' scope 3 emissions and alignment metrics. The reason for this transition period is that institutions will need to collect information on CO2 emissions from their counterparties and implement methodologies to estimate their scope 3 emissions. During the transitional period, institutions must explain the methodologies they are developing to measure and estimate their scope 3 emissions and the sources of data that they plan to use, and those institutions that are already estimating this information should start disclosing it, using estimates and ranges when relevant.

b. The disclosure of information on the GAR will start to apply in 2024 for data as of end-2023, in line with the application date included in the COM DA.

c. The additional and separate information on the BTAR will apply from June 2024, which means that institutions will include this additional and separate KPI in their end of June 2024 disclosure reference date Pillar 3 reports for the first time.

d. Information on environmentally sustainable exposures (CCM) in Template 1 will be disclosed by institutions starting from end of December 2023 (for exposures included in the numerator of the GAR) and end of June 2024 (for exposures included in the numerator of the BTAR only) as the first disclosure reference date.

Figure 2: EBA sequential approach for the development of the P3 ESG ITS



Proportionality

23. The EBA acknowledges the challenges faced by institutions when preparing ESG-related disclosures as required in the CRR, and specified in this consultation paper. The EBA is putting forward several

proposals to support institutions in the process of preparing these disclosures, in the interests of proportionality, including:

a. following a sequential approach for the development of the Pillar 3 ITS;

b. definition of transitional periods for the disclosures, taking into account data gaps and the need for institutions to develop methodologies, and allowing disclosures in terms of estimates and ranges when relevant;

c. a proportionate approach is proposed for the disclosure of information on exposures towards physical risk, which is to be provided 'on a best effort basis'; similarly, information on the BTAR shall be disclosed on a best effort basis, and with the possibility for institutions to explain in the case of those portfolios where it is not feasible to collect the information on a bilateral basis or to estimate it without unduly overburden institutions or their counterparties;

d. the use of estimates is allowed when institutions are calculating the disclosures and in the absence of specific information from counterparties.

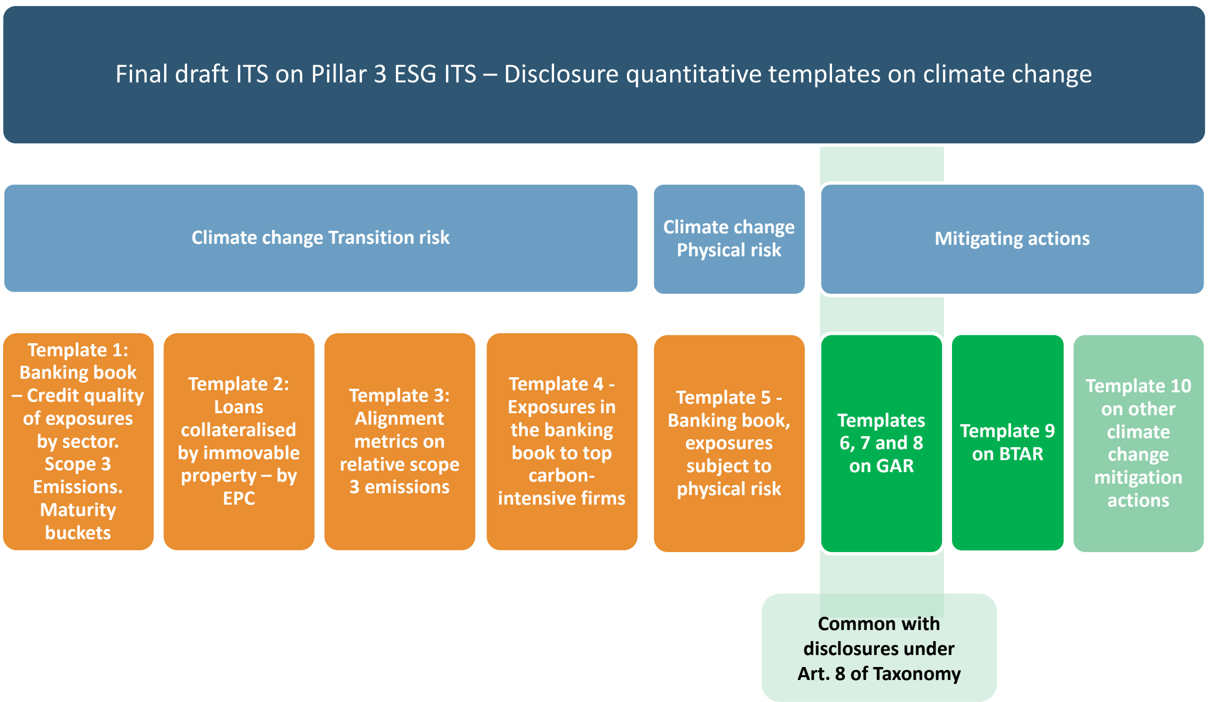
Figure 3: Final draft ITS on Pillar 3 disclosures – key aspects

Content	Quantitative disclosures on climate-change transition and physical risk, risk mitigating actions aligned with the taxonomy regulation and other mitigating actions that do not meet the taxonomy requirement (intermediate mitigating actions). Qualitative disclosures on E,S and G risks
Built leveraging on existing initiatives and standardising them	ITS built leveraging on the TCFD recommendations, and on the EU Taxonomy Regulation and implementing them by using granular templates and tables and detailed instructions to address issues from current corporate non-financial disclosures: lack of consistency and comparability
Coordination with other EU initiatives	The EBA is liaising with the different EU groups that are working on ESG disclosure topics relevant for institutions, including the Commission Taxonomy Regulation and DA on Article 8 disclosures, the CSRD, and with EFRAG to ensure consistency of CSRD future standards with our ITS
Information necessary at his stage despite the data challenges	The EBA acknowledges the data challenges, and points out at different data sources: publicly available information, information collected on bilateral basis, and use of estimates. Considering the EU sustainability agenda, institutions cannot delay the collection and reporting of this data, necessary for their risk management and to update all relevant stakeholders on their risk profile.
Templates streamlined after consultation	All templates have been revised after consultation, some templates were dropped, some merged and others streamlined. Level of breakdown and granularity is now similar to the rest of templates in the Pillar 3 framework, being proportionate but conveying enough and meaningful information on ESG risks.

2.3 Draft P3 ESG ITS – content of the disclosures

2.3.1 Quantitative disclosures

Figure 4: Quantitative templates proposed



(i) Quantitative disclosures on climate change transition risk

24. 'Transition risk' is defined as the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of the transition to an environmentally sustainable economy on its counterparties or invested assets. Transition risks in the context of climate change arise mainly from the transition to a low-carbon and climate-resilient economy, and institutions under the scope of Article 449a CRR must provide information as follows:

   a. Their exposures towards non-financial corporates (NFCs) that operate in sectors that highly contribute to climate change, including exposures towards fossil fuel counterparties and towards counterparties that operate in other carbon-intensive sectors. These counterparties are more likely to be negatively impacted by climate change transition transmission channels, including policy changes, technological changes or related reputational risks, and may involve a negative impact on the credit quality of institutions' related exposures.

b. These disclosures are in line with the metrics and KPIs proposed by the FSB-TCFD recommendations in the supplemental guidance for institutions, which recommend also the disclosure by institutions of information on scope 3 emissions. Regarding the latter, the EBA asks institutions to start disclosing this information if already available, including information on the methodology and sources used, and specifies a transitional period for the disclosure of information on financed GHG emissions (emissions of institutions' counterparties) until June 2024, during which institutions must at least disclose information on their plans and potential methodology to implement these disclosures.

c. For their real estate portfolios, including loans collateralised by commercial and residential real estate, and repossessed real estate collateral, information on the energy efficiency of the underlying real estate collateral, including distribution of collateral by energy performance certificate (EPC) label and energy consumption.

25. When providing this information, institutions are asked to disclose quantitative data on the credit risk quality of the exposures. They must also explain in the narrative accompanying the templates any implications that these exposures may have in terms of operational and liquidity risk for the institution, and provide forward-looking information.

26. In order to disclose this information, this CP includes the following disclosure templates:

1) Template 1: Banking book – climate change transition risk: credit quality of exposures by sector, emissions and residual maturity

27. The purpose of Template 1 is to show information on those assets more exposed to the risks that institutions may face from the transition to a low-carbon and climate-resilient economy. In particular, institutions must disclose information on their exposures towards non-financial corporates that operate in sectors that contribute highly to climate change and in carbon-related sectors, and on the quality of those exposures, including credit quality information on non-performing exposures, stage 2 exposures and related impairments and provisions.

28. Institutions are also asked to disclose information on their scope 3 emissions, that is, financed GHG emissions (scope 1, 2 and 3 emissions of counterparties), if already available, in the relevant columns of the template, including information on the methodology and sources used. Those institutions that are not yet estimating their scope 3 emissions must disclose information on their plans to implement methodologies to estimate and disclose this information. All institutions must be able to disclose this information by June 2024.

29. Institutions must disclose in the narrative accompanying the template explanations on the information disclosed and on the changes compared to previous disclosure periods, and any

implications that these exposures may have in terms of operational, reputational and liquidity risk for the institution.

30. In particular, institutions must disclose in this template information on the gross carrying amount of loans and advances, debt securities and equity instruments provided to non-financial corporates, other than those included in the held-for-trading or held-for-sale portfolios, classified by sector of economic activities using NACE codes on the basis of the principal activity of the counterparty, or in some cases the activity of the actual obligor. They will include information on subtotals for those exposures towards sectors and subsectors that highly contribute to climate change, as specified in Recital 6 of Commission Delegated Regulation (EU) 2020/1818[14] supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (Climate Benchmark Standards Supplementing Regulation). Institutions must provide a further breakdown of exposures towards fossil fuel companies and towards companies operating in other carbon-related sectors.

31. In the absence of a taxonomy for environmentally harmful exposures, this template has been built relying on NACE sector economic activities and on classifications of sectors and companies identified as climate-relevant or carbon-intensive in the Climate Benchmark Standards Supplementing Regulation.

32. Finally, this template also asks for information in terms of residual maturity of the exposures. Climate-change-related risks are risks that may materialise in the long term. In the case of transition risk, for example, they may materialise as the deadlines to meet environmental targets included in the Paris Agreement and in the European Green Deal are approaching. It is relevant for users of Pillar 3 information to understand the maturity ladder of those portfolios more exposed to climate change transition risk, and in particular to have information on those exposures with longer maturities.

33. This template provides an overview of institutions' banking book exposures towards the relevant sectors by maturity bucket, considering buckets at and beyond a maturity of five years. Exposures are to be allocated to the relevant maturity bucket depending on the residual maturity of the financial instrument.

2) Template 2: Banking book – climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral

34. Prudential information on climate change transition risk faced by loans collateralised with commercial and residential real estate properties, and on collateral repossessed, must be based on the energy efficiency of the collateral. Template 2 includes information on the distribution of real estate loans and advances and of repossessed collateral, by energy consumption and by EPC label of the collateral.

[14] Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17–25).

35.Directive 2010/31/EU (Energy Performance of Buildings Directive – EPBD)[15] and the Directive 2012/27/EU (Energy Efficiency Directive)[16] promote policies that aim to achieve a highly energy-efficient and decarbonised building stock by 2050. The EPBD introduced the EPC as an instrument that is intended to help improve the energy performance of buildings. It is defined as a certificate recognised by a Member State or by a legal person designated by it, which indicates the energy performance of a building or building unit, calculated according to a methodology adopted in accordance with the EPBD.

36.This template includes in the columns information on the gross carrying amount of loans collateralised with immovable property and of repossessed real estate collateral with a breakdown by EPC label of the collateral. When disclosing the EPC distribution of the collateral, institutions must disclose separately those exposures for which they do not have the EPC information of the collateral.

37.The same EPC labels may be based on different energy consumption ranges across different areas in the EU, e.g. across countries as well as in different regions of a given country. In order to facilitate comparability across institutions in different geographies, the template requires institutions to disclose also information on real estate exposures by energy consumption ranges, based on the specific consumption of the underlying real estate asset. Information on the energy consumption of the underlying asset will be that indicated in the EPC label, when the EPC label is available, or as estimated by the institution in the absence of an EPC label and if the institution is using internal models to produce these estimates.

3) Template 3: Climate change transition risk – alignment metrics for the banking book

38.The purpose of this template is to show information on institutions' scope 3 emissions (financed GHG emissions, including scope 1, 2 and 3 emissions of the counterparty) in relative terms, depending on the sector of the counterparty and based on alignment metrics defined by the International Energy Agency (IEA) for different sectors.

39.Institutions must disclose this information by relevant sector and alignment metric, and estimate the distance from the current value of the alignment metric to the 2030 projection according to the proposed scenario.

Example of how to report this information:

An institution has exposures to maritime shipping companies. It has chosen, among others, a CO2 intensity metric, expressed in gCO2/MJ, to calculate its alignment to the 2030 target in the IEA net zero by 2050 scenario.

The first step for the institution is to collect the relevant company data points, using external sources or self-reported emissions. The institution should then aggregate the company data to portfolio level, disclosing the methodology used for the calculation. Once the portfolio metric is calculated at the

[15] https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

[16] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32012L0027

closest available reference date, for instance in this case 28.8 gCO2/MJ (dummy number), it needs to be compared to the 2030 projection of the IEA NZE2050 scenario. In the 2021 version of this scenario (which is updated on a regular basis), the 2030 value to be considered is 23.4 cCO2/MJ.

According to the formula in the instructions, the distance to be disclosed for this metric would be 100*((28.8 – 23.4)/23.4) = 23%.

40. Those institutions that are already estimating information on their carbon footprint and scope 3 emissions must disclose the information in this template, and explain in the narrative accompanying the template the methodology and sources of data used. Those institutions that are not yet estimating their scope 3 emissions must disclose information on their plans to implement methodologies to estimate and disclose this information. All institutions must be able to disclose this information by June 2024. Institutions are to disclose in this template:

   a. the gross carrying amount of exposures towards each of the sectors listed in the template, including loans and advances, debt securities and equity instruments in the banking book;

   b. the relative CO2 emissions of the exposures by sector expressed in terms of the alignment metric relevant for each sector according to the template;

   c. the distance to the International Energy Agency (IEA) Sustainable Development NZE2050 Scenario [17] (point in time) expressed in percentage points.

41. Institutions can find the relevant information and the applicable scenario indicators for 2030 per sector on the IEA website. In particular institutions can refer to the "Net Zero by 2050 - A Roadmap for the Global Energy Sector" that the IEA publish on an annual basis[18]. The specific data points and indicators can be downloaded from the excel table included in this link[19].

4) Template 4: Exposures in the banking book to the top 20 carbon-intensive firms in the world

42. There is evidence and public information according to which the top polluting companies in the world are responsible for a large proportion of global annual GHG. Any policy action taken with the intention of reducing companies' emissions may have a larger impact on the top GHG emitting companies and lead to the deterioration of their creditworthiness. Related reputational risks may further contribute to the deterioration of the credit quality of these companies. Hence, institutions' exposures towards top polluting companies may be more exposed to an impairment of their credit quality and eventually to credit losses.

43. The purpose of Template 4 is to show institutions' exposures towards the top 20 carbon-intensive companies in the world. It is complementary to the sectoral approach applied in the previous templates and provides a deeper insight with more granular data. It includes information on the

[17] https://www.iea.org/reports/world-energy-model/sustainable-development-scenario

[18] 2021 report can be found under this link.

[19] Excel and CSV tables can be downloaded from this webpage after registration.

average maturity of the exposures, providing some insight on how these exposures may be impacted by longer-term climate change transition risks.

44. Institutions must include in this template information on exposures towards those counterparties that report the highest volumes of GHG emissions in the world. They will include aggregate information on up to 20 counterparties that are among the top 20 most carbon-intensive in the world, according to publicly available information. Examples of data sources to identify the top carbon-emitting companies include the Carbon Majors Database of the Carbon Disclosure Project or Thomson Reuters.

45. Institutions must explain in the narrative accompanying the template the data sources used to identify the companies included in the template. Where institutions are omitting, partially or totally, the information required in this template, they must indicate this in their Pillar 3 reports, and explain the reasons for that omission, including if they do not have any exposures towards the top 20 world emitters, or possible confidentiality reasons in accordance with Article 432(2) CRR.

(ii) Quantitative disclosures on climate change physical risk

1) Template 5: Banking book – climate change physical risk: exposures subject to physical risk

46. Template 5 provides information on exposures in the banking book (including loans and advances, debt securities and equity instruments not held for trading and not held for sale) towards non-financial corporates, on loans collateralised with immovable property and on repossessed real estate collateral that are exposed to chronic and acute climate-related hazards.

47. The template includes information by sector of economic activity (NACE classification) and by geography, in line with the TCFD recommendations in the supplemental guidance for institutions, for those sectors and geographical areas more exposed to climate change acute and chronic events.

48. For the identification of geographies prone to specific climate-related hazards, institutions must use dedicated portals and databases. Examples of data sources to identify geographical areas subject to climate-change-related hazards include:

- GFDRR – ThinkHazard! (covering heatwaves, water scarcity and stress, floods, wildfires, hurricanes, landslides);
- PREP – PREPdata (coastal floods, extreme heat, landslides, water scarcity and stress, wildfires);
- WRI – Aqueduct Water Risk Atlas (floods, coastal floods, water scarcity and stress);
- Swiss Re – CatNet® (floods, tropical cyclones (hurricanes and typhoons), wildfires);
- World Bank – Climate Change Knowledge Portal (extreme heat, extreme precipitation, drought);
- PCA – Global Drought Risk platform (drought);

- NOAA – historical hurricane tracks (tropical cyclones (hurricanes and typhoons)).

49. In order to obtain knowledge about characteristics of locations prone to climate change events, institutions may also use the data offered by EU bodies and by national government authorities (e.g. meteorological, environmental and statistical agencies or geoscience organisations). These local agencies can provide country-specific information with high granularity and quality. An example is Deutscher Wetterdienst, which runs its own climate data centre (CDC portal). [20]

50. Institutions must explain in the narrative accompanying the template the sources of information and methodologies that they have used when providing this information.

51. Bearing in mind that physical risks may materialise in the long term, institutions are asked to complement sectoral and geographical information with information in terms of residual maturity of the exposures, by maturity bucket.

(iii) Quantitative information on mitigation actions

52. Disclosure of information on the level of alignment of credit institutions' financial and commercial activities with the Taxonomy, in particular relating to the environmental objectives of climate change mitigation and adaptation, is important to understand the positioning and strategies of institutions. By showing the evolution of the level of alignment over time, and the targets set by institutions, this information will also help to highlight some of the actions that the institutions are putting in place to mitigate climate change transition and physical risk:

    - By showing how the institution is investing in activities and lending to counterparties that are Taxonomy-aligned, the institution provides information on how it chooses to engage in activities that are compatible with EU environmental objectives and how it may adjust its business model in light of the environmental challenges, and highlights some of the financial support provided to counterparties in the transition to environmental sustainability.

    - By showing how the institution is investing in climate adaptation activities, the institution provides information on how it helps its counterparties mitigate climate physical risk.

53. The P3 ESG ITS includes templates with quantitative information on assets and exposures that are contributing to and enabling climate change mitigation and adaptation by supporting institutions' counterparties on the path towards sustainability, in accordance with the Taxonomy Regulation, and helping them to mitigate their climate change transition and physical risks. Template 6 includes a summary of the GAR values, and templates 7 and 8 detailed information on the GAR showing the Taxonomy-aligned activities as proposed under Article 8 of the Taxonomy Regulation. Template 9 shows information on taxonomy alignment of exposures towards counterparties in the banking book, including corporates that do not have disclosure obligations under the NFRD.

54. In addition, the draft P3 ESG ITS asks institutions to disclose information on other actions put in place to mitigate climate change transition and physical risk, beyond those assessed under the Taxonomy Regulation or that, while not meeting the strict screening criteria proposed in the

[20] https://cdc.dwd.de/portal/

Taxonomy, are still supporting the institutions' counterparties and mitigating institutions' own risks.

1) Template 7: Assets for the calculation of the Green Asset Ratio (GAR)

55. The EBA developed in parallel the consultation paper[21] which is the basis of this final draft ITS and the Advice to the Commission on KPIs and related methodology for the disclosure by credit institutions and by investment firms of information on how and to what extent their activities qualify as environmentally sustainable in accordance with the EU Taxonomy[22]. Both policy papers were developed in alignment and coordination to ensure a consistent definition of those KPIs and pieces of information that are relevant under both pieces of regulation: the GAR and supporting templates.

56. In July 2021 the Commission published the COM DA specifying the content and presentation of the GAR among other KPIs, and following the submission of the EBA Advice. The COM DA defines a Green Asset Ratio for the disclosure by institutions of information on the level of Taxonomy alignment of their exposures. The definition of the GAR is based, to a great extent, on the EBA Advice and on the GAR proposal put forward when consulting on these ITS. Nevertheless, there are some important differences, notably:

    a. The COM DA delays the date of application of the GAR disclosure by one year, until 2024 for data as of end-2023. The EBA is also delaying the date of application of the GAR disclosure in the Pillar 3 ESG ITS until end-2023 as the first disclosure reference date.

    b. The COM DA excludes from the numerator of the GAR exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU. These exposures are nevertheless included in the denominator of the GAR, which means that in practice the GAR is defined as if these exposures are always 0% Taxonomy-aligned.

57. The date of application of this template, and of templates 6 and, 8, has been aligned with that envisaged for the GAR in the COM DA, and they will start to apply as of 31 December 2023 as the first disclosure reference date.

58. This template includes information necessary for the calculation of the Green Asset Ratio (GAR) as defined by the COM DA. Information on the GAR must be fully aligned with the information that institutions will disclose under Article 8 of the Taxonomy Regulation. Under the COM DA institutions are required to disclose the GAR twice: the GAR using the turnover alignment of their non-financial counterparties as the metric to determine the alignment of their general purpose lending exposures; and the GAR using the CAPEX alignment of their non-financial counterparties as the metric to determine the alignment of their general purpose lending exposures. **In their Pillar 3 reports in accordance with these ITS institutions will be required to disclose the GAR only once,**

[21] https://www.eba.europa.eu/implementing-technical-standards-its-prudential-disclosures-esg-risks-accordance-article-449a-crr#pane-new-7bdd87fb-e02f-492a-99d6-129449e3cf9d

[22] https://www.eba.europa.eu/eba-advises-commission-kpis-transparency-institutions%E2%80%99-environmentally-sustainable-activities

based on the turnover alignment of their counterparties to determine the level of Taxonomy alignment of their general purpose lending exposures.

59. This template, as well as other templates, provides information on the extent to which institutions' activities qualify as environmentally sustainable in accordance with Articles 3 and 9 of Regulation (EU) 2020/852. This information is relevant for understanding how the institutions are mitigating their climate-change-related risks by financing activities that contribute to the Taxonomy environmental objectives of climate change mitigation and adaptation.

60. Institutions must disclose in this template information on loans and advances, debt securities and equity instruments in the banking book (not held for trading or held for sale). They must provide the breakdown of those exposures that are towards sectors covered by the Taxonomy Regulation and the breakdown of those exposures that are environmentally sustainable, for the objectives of climate change mitigation and climate change adaptation, according to the Taxonomy Regulation. In order to estimate the volume of environmentally sustainable exposures the following rules apply:

a. For special purpose lending exposures, where the use of proceeds is known, such as specialised lending project finance loans: institutions must consider as environmentally sustainable the gross carrying amount of the exposures to the extent and proportion that the project or activity financed qualifies as contributing substantially to climate change mitigation or adaptation, in accordance with Articles 10 to 15 of the Taxonomy Regulation, or as enabling activity in accordance with Article 16, and meets the criteria specified in Article 3 of the same regulation. The assessment is to be based on information provided by the counterparty on the project or activities for which the proceeds will be used.

b. For general purpose lending/funding, where the use of proceeds is unknown, institutions must rely on the information that the counterparty (corporate) will have to disclose in accordance with Article 8 of the Taxonomy Regulation, in particular on the information on the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under Article 3 of the Taxonomy Regulation for each environmental objective (climate change mitigation and climate change adaptation).

c.

d. For loans collateralised with residential immovable, for repossessed collateral and for loans to municipalities for house funding, the alignment of the exposure with the Taxonomy will be based on a simplified approach considering the EPC label of the collateral, and must be carried out for the environmental objective of climate change mitigation only. Institutions shall apply the Taxonomy screening criteria for the economic activity of 'Building acquisition and ownership' to determine the level of Taxonomy alignment of the exposure, based on the EPC label. Information must be collected on a bilateral basis .

e. For house renovation loans to retail, the assessment must be similarly based on the EPC label of the house, and institutions are to apply the Taxonomy screening criteria for the activity 'Renovation of existing buildings' and the environmental objective of climate change mitigation. Information must be collected on a bilateral basis.

f. Finally, for motor vehicle loans to retail, granted for the acquisition of cars, the assessment must be based as well on the energy efficiency of the car, based on the energy performance label, and institutions are to apply the screening criteria defined in the Taxonomy Regulation for the activity 'Transport by motorbikes, passenger cars and light commercial vehicles'. Information must be collected on a bilateral basis.

61. Institutions must provide breakdown information, for the objectives of climate change mitigation and adaptation, on the volume of specialised lending loans, to show to what extent they may be funding e.g. their counterparties' CAPEX investments to become more sustainable. They must also provide information on the exposures that are funding transitional and enabling activities.

2) Template 8: Green Asset Ratio (GAR) KPIs

62. The information disclosed in this template is built upon the information on exposures included in Template 7 and includes information on the GAR of the institution, including a breakdown by environmental objective and counterparty, for specialised lending, transitional and enabling activities, and the total GAR of the institution. Institutions must disclose together with the GAR information on the percentage of their total assets covered by these KPIs, in order to facilitate comparability of the KPIs and of institutions' level of alignment with the Taxonomy Regulation.

3) Template 9

63. In addition to the information on the GAR in templates 6, 7 and 8, institutions must provide additional and separate information on the level of alignment of exposures towards non-financial corporates not subject to NFRD disclosure obligations, information which will be used for the computation of the BTAR. Institutions must assess these exposures on a best effort basis and based on information collected on a bilateral basis from their counterparties or calculated using estimates for those counterparties that do not have disclosure obligations, taking into account that these ITS can never lead to disclosure obligations for those counterparties.

64. The requirement for institutions to estimate and disclose the BTAR will address the concerns linked to the exclusion of this type of exposure from the COM DA GAR regarding:

a. meaningfulness of the GAR if the alignment of a big part of institutions' exposures, like exposures towards SMEs, is not assessed and it is simply assumed that these exposures are not Taxonomy-aligned and 0% sustainable;

b. lack of incentives for institutions to support SMEs and other non-NFRD corporates in the transition and adaptation process, as these efforts will not be reflected in the GAR;

c. potential negative effects in the flow of credit to this type of corporate;

d. lack of incentive for institutions in collecting relevant data that they need for their risk management purposes for a big part of their balance sheet and counterparties;

e. Asymmetric treatment of exposures towards retail (who do not have dislcosrue obligations either but institutions have to disclose the alignment of these exposures under the GAR) and towards SMEs and other non-NFRD NFC (e.g. asymentric treatment retail residential real estate vs commercial real estate towards SMEs).

f. asymmetric treatment of disclosures if institutions need to disclose all those exposures that may be impacted by climate change transition or physical risks but are not able to disclose the mitigating actions for a big part of those exposures and counterparties.

65. For those corporates that are not required to make disclosures under Article 8 of the Taxonomy Regulation, institutions must collect this information on a bilateral basis in the context of the loan origination and monitoring process, or using estimates, based on a simplified approach that considers the main activity of the counterparty, or, in the case of commercial real estate exposures, based on the EPC label of the collateral for the environmental objective of climate change mitigation only and taking the Taxonomy screening criteria for the economic activity of 'Building acquisition and ownership'. The alignment of exposures towards these counterparties will be used for the computation of the BTAR.

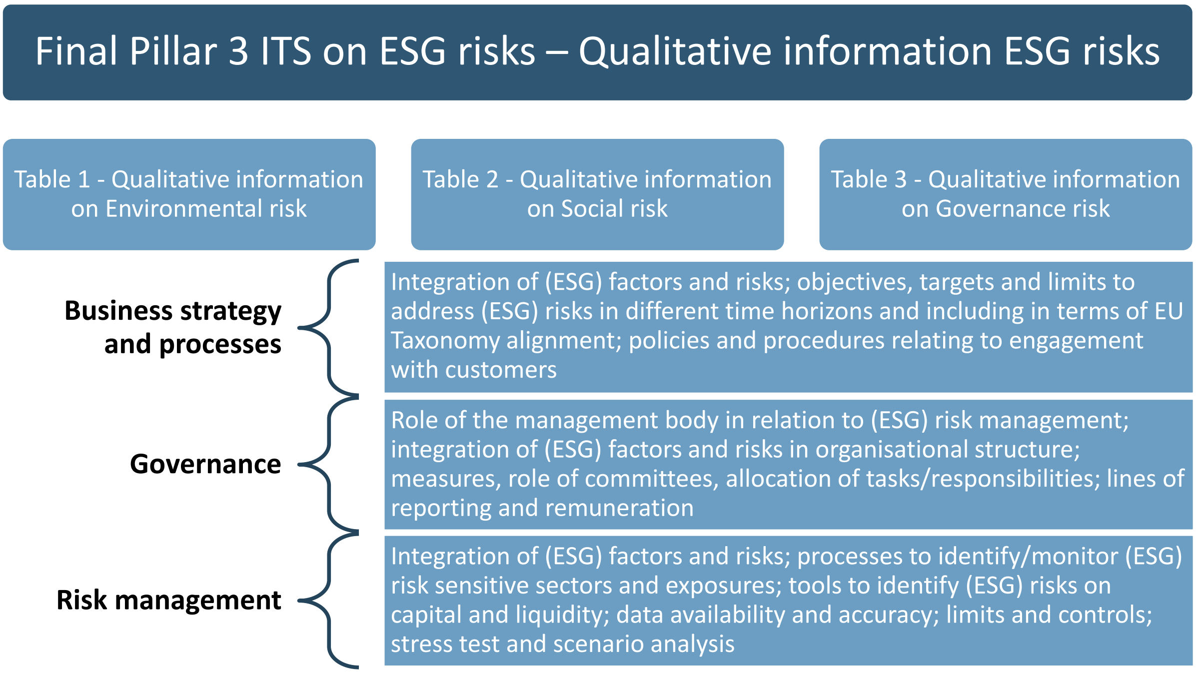
66. Where institutions are unable to collect on a bilateral basis or estimate relevant information, or are unable to do it in a reasonable way that is not overburdensome for them or their counterparties, they shall explain this in the narrative accompanying the template, explaining the reasons and counterparties affected.

4) Template 10: Other climate change mitigating actions

67. The purpose of this template is to provide information on other actions put in place by the institution to mitigate climate-change-related risks. It covers other activities of the institutions that are not included in Template 7 and Template 8. Institutions must include in the narrative accompanying this template detailed explanations on the nature and type of mitigating actions reflected in this template, including information on the type of risks that they aim to mitigate, on the related counterparties and on the term, i.e. the timing of the actions. They should also explain why these exposures are not considered under the Green Asset Ratio and any other relevant information that may help to understand the risk management of the institution.

2.3.2 Qualitative disclosures

Figure 5: Tables on qualitative information proposed



68.The EBA includes in these ITS three tables that specify the disclosure requirements on qualitative information relating to ESG risks. These disclosures are designed in line with the EBA's 'Report on management and supervision of ESG risks for credit institutions and investment firms'[23]. The tables and instructions rely on the definitions, terminology and structure presented in that report.

69.Accordingly, the ITS put forward qualitative disclosure requirements for environmental, social and governance risks that may manifest on credit institutions' balance sheets from the impact of ESG factors and risks on their counterparties through the main transmission channels (including physical, transition and liability channels). Qualitative disclosure requirements are expected to complement the quantitative information, for example when interpreting the institutions' information on carbon-related activities or on the GAR in the context of qualitative information on the environmental carbon reduction strategies and targets.

70.The disclosure requirements implemented are organised by risk category:

a. Table 1: Qualitative information on environmental risk;

b. Table 2: Qualitative information on social risk;

c. Table 3: Qualitative information on governance risk.

71.Under each risk category, the disclosure requirements target three aspects: governance, business model and strategy, and risk management.

72.Under **governance**, institutions must disclose a number of elements covering:

[23] https://www.eba.europa.eu/eba-publishes-its-report-management-and-supervision-esg-risks-credit-institutions-and-investment

a. the responsibilities of the management body in setting, overseeing and monitoring the risk framework, objectives, strategies and policies in the context of ESG risks;

b. the integration of ESG risks into the organisational arrangements including the role of risk committees, business lines and internal control functions;

c. governance arrangements in terms of setting targets, escalation procedures and reporting;

d. alignment of the remuneration policy with ESG risks.

73. Under **business model and strategy**, institutions must disclose the following information:

a. adjustment of the institution's business strategy to integrate ESG risks and factors;

b. objectives, targets and limits for the assessment of environmental risk in the short term, medium term and long term, and performance assessment against these objectives and limits;

c. policies and procedures relating to direct and indirect engagement with customers on their ESG risk strategies.

74. Under **risk management**, institutions must disclose the following information:

a. current standards that institutions use for ESG risk management (definitions and methodologies);

b. processes to identify activities and exposures sensitive to environmental, social and governance risks, taking into account relevant channels and considerations specific to each risk category;

c. processes to identify and monitor exposures and activities that are subject to material ESG risks;

d. institutions' activities, commitments and exposures to mitigate ESG risks;

e. implementation of risk tools for identification and management of ESG risks such as stress test and scenario analysis;

f. description of links between ESG risks and conventional risk categories such as credit risk, market risk, operational risk and liquidity risk.

2.4 Draft P3 ESG ITS – Main changes after consultation

75. When consulting on this package, the EBA included a broad range of proposals, in order to get feedback on all the possible disclosures identified. Following the feedback received after consultation, the EBA has notably streamlined the disclosures proposed, has clarified the questions raised and provided further instructions when needed.

76. The final templates have been simplified compared to the ones consulted on as follows:

a. Template 1 and Template 2 from the consultation have been merged into the final Template 1 on ‘Banking book – climate change transition risk: credit quality of exposures by sector, emissions and residual maturity’.

b. Columns in Template 1 have been streamlined, organised in a more rational way by dropping information that was redundant and dropping information that seemed premature, like information on probability of default. The outcome is that the final template includes 11 columns (compared to the 27 columns of the original template consulted on), plus the columns on maturity buckets originally included in the former Template 2. Rows have been also simplified, and the original breakdown by sector for those sectors that do not highly contribute to climate change is now presented on an aggregate basis in a single row.

c. Current Template 2 (Template 3 in the consultation paper) on ‘Banking book – climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral’ has also being streamlined. The breakdown by country originally required to facilitate comparability of EPC labels when EPC labels are defined differently across EU countries or regions has been dropped. Now the template requires aggregate information on the energy consumption of the real estate assets by energy consumption bucket, based on the specific consumption of the underlying collateral. This way comparability across countries is still achieved, as users will see not only the label of the collateral but also the actual energy consumption data, without the need to have country breakdowns.

d. Template 3 on ‘Climate change transition risk: alignment metrics for the banking book’ (the former Template 4) has been further specified following the feedback received, with more clear instructions on how to make the relevant disclosures.

e. Template 4 on ‘Exposures in the banking book to the top 20 carbon-intensive firms in the world’ (the former Template 5) now includes only data on exposures towards the top 20 polluters worldwide, and information on top polluters in the EU or in the Member State has been dropped. Information has been further simplified and is requested at aggregate level, with one single row instead of the 20 counterparty-by-counterparty rows consulted on. Any residual concerns in terms of confidentiality of the information should be addressed by Article 432 CRR on ‘Non-material, proprietary or confidential information’.

f. On physical risk, the proposal for an extended template included in the consultation paper has been dropped, and the final draft ITS include only the simplified version of the template in Template 5 – ‘Banking book – climate change physical risk: exposures subject to physical risk’. This template has been enriched with information on residual maturity of exposures by maturity bucket, in line with Template 1 for transition risk, and taking into account that physical risk may materialise in the longer term.

g. The former Template 6 on the trading book has been dropped for the moment, and work on disclosures on climate change risks in the trading book will be tackled at a later stage in the context of the sequential approach planned for these ITS.

h. Regarding the templates on the GAR (6 to 8 in the final draft ITS, 8 and 9 in the consultation paper), there are not many differences in terms of the way the KPIs are defined and the type of exposures that need to be assessed, but on the presentation of the information. In addition, the final draft ITS include in the current Template 6 a summary table with the values of the GAR.

i. The final ITS include the differentiation between the GAR as defined in the COM DA, to be disclosed in templates 6 to 8, and additional and separate information on a BTAR, to be disclosed in template 9, that includes information on the taxonomy alignment of the banking book of the institution, including alignment of exposures towards SMEs and other non-NFRD corporates, which were part of the GAR as originally defined by the EBA in the consultation paper.

j. Template 10 on 'Other climate change mitigating actions' that are not covered in the EU Taxonomy' has been further specified taking into account the feedback received, in order to have a more standard and better-defined template that should facilitate enhanced comparability across institutions and avoid green washing.

3. Draft implementing technical standards

COMMISSION IMPLEMENTING REGULATION (EU) No …/...

of XXX

amending Commission Implementing Regulation (EU) laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,
Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for institutions and investment firms and amending Regulation (EU) No 648/2012[24] and in particular Article 434a and 449a thereof,

Whereas:

(1) Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876[25] provides that large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU[26], shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU[27].

(2) Amendments to Implementing Regulation (EU) 2021/637[28] are required in order to set out the uniform formats and associated instructions for the disclosure of the information referred to in Article 449a of Regulation (EU) No 575/2013.

[24] OJ L 176, 27.6.2013, p. 1.

[25] Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150, 7.6.2019, p. 1).

[26] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

[27] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p.338).

[28] Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (OJ L 136, 21.4.2021, p. 1–327).

(3) When building the uniform disclosure formats, this Regulation has taken into account the complete materiality of the information required. Institutions' disclosures need to cover (i) the financial impact of ESG factors on institutions' economic and financial activities (outside-in perspective), and (ii) the ESG factors that may be triggered by institutions' own activities which in turn become financially material when these factors affect institutions' activities (inside-out perspective). As a result, the templates and tables used for those disclosures should convey sufficiently comprehensive and comparable information on ESG risks, thus enabling users of that information to assess the risk profile of institutions.

(4) In order to ensure coherence and consistency with other EU Regulations and Directives in the area of ESG risks, such rules should also take into account the criteria, classifications and definitions specified therein. In particular, relevant provisions for this purpose are: the definitions and criteria for the identification and classification of environmentally sustainable economic activities specified in Regulation (EU) 2020/852[29]; the provisions of Commission Delegated Regulation (EU) 2020/1818[30]; and, with regard to the disclosure of information on the energy performance of the real estate portfolio of institutions, the information provided by the energy performance certificate as defined in Directive 2010/31/EU[31].

(5) For the purposes of quantitative information on mitigating actions and exposures on climate-change-related risks associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 towards those counterparties not subject to disclosure obligations under Directive 2014/95/EU, this regulation should provide guidance on the calculation of the percentage of taxonomy-aligned exposures towards those counterparties.

(6) This Regulation is based on the draft implementing technical standards submitted by the European Supervisory Authority (European Banking Authority) (EBA) to the Commission. EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010[32].

(7) Implementing Regulation (EU) 2021/637 should therefore be amended accordingly.

[29] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

[30] Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).

[31] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

[32] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2020, p. 12).

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Implementing Regulation (EU) [xx/xxx]

Implementing Regulation (EU) [xx/xxx] is amended as follows:

(1) The following Article 18a is inserted:

'Article 18a

Disclosure of environmental, social and governance risks (ESG risks)

1. For the purpose of this Article, the following definitions apply:

(a) 'Environmental, social or governance (ESG) risks' means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental, social or governance (ESG) factors on the institution's counterparties or invested assets.

(b) 'Environmental risk' means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental factors on the institution's counterparties or invested assets, including factors related to the transition towards the following environmental objectives:

(i) climate change mitigation;

(ii) climate change adaptation;

(iii) the sustainable use and protection of water and marine resources;

(iv) the transition to a circular economy;

(v) pollution prevention and control;

(vi) the protection and restoration of biodiversity and ecosystems.

Environmental risk includes both physical risk and transition risk.

(c) 'Physical risk', as part of the overall environmental risk, means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of the physical effects of environmental factors on the institution's counterparties or invested assets.

(d) 'Transition risk', as part of the overall environmental risk, means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of the transition to an environmentally sustainable economy on the institution's counterparties or invested assets.

(e) 'Social risk' means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of social factors on the institution's counterparties or invested assets.

(f) 'Governance risk' means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of governance factors on the institution's counterparties or invested assets.

2. Institutions shall disclose the information referred to in Article 449a of Regulation (EU) No 575/2013, as follows:

(a) qualitative information on environmental, social and governance risks by using tables 1, 2 and 3 of Annex XXXIX to this Regulation and by following the instructions set out in Annex XL to this Regulation;

(b) quantitative information on climate change transition risk by using Template 1 to Template 4 of Annex XXXIX to this Regulation and by following the instructions set out in Annex XL to this Regulation;

(c) quantitative information on climate change physical risks by using Template 5 of Annex XXXIX to this Regulation and by following the instructions set out in Annex XL to this Regulation;

(d) quantitative information on mitigating actions and exposures on climate-change-related risks associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 towards those counterparties subject to disclosure obligations under Directive 2014/95/EU, towards households, and towards local governments as defined in Paragraph 42 of Part 1 of Annex V of Commission Implementing Regulation (EU)[33] 2021/451by using Template 6 to Template 8 of Annex XXXIX to this Regulation and by following the instructions set out in Annex XL to this Regulation;

(e) quantitative information on mitigating actions and exposures on climate-change-related risks associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 towards those counterparties that are non-financial corporations as defined in Paragraph 42 of Part 1 of Annex V of Commission Implementing Regulation (EU) not subject to disclosure obligations under Directive 2014/95/EU, by using Template 9 of Annex XXXIX to this Regulation and by following the instructions set out in Annex XL to this Regulation. For the calculation of the percentage of taxonomy-aligned exposures towards these counterparties, institutions shall:

    (i) on a best effort basis, collect information form their counterparties on a bilateral basis through the loan origination, and regular credit review and monitoring process;

    (ii) If the counterparty is not able to provide the relevant data on a bilateral basis, institutions shall make use of internal estimates and proxies and explain in the narrative accompanying the template the extent of use of these estimates and the kind of estimates applied.

    (iii) Where institutions are unable to collect on a bilateral basis or estimate relevant information, or are unable to do it in a reasonable way that is not overburdensome for them or their counterparties, they shall explain this in the narrative accompanying the template, explaining the reasons and counterparties affected.

[33] Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (OJ L 97, 19.3.2021)

(f) quantitative information on other mitigating actions and exposures on climate-change-related risks that do not qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 but support counterparties in the transition or adaptation process for the objectives of climate change mitigation and climate change adaptation, by using Template 10 of Annex XXXIX to this Regulation and by following the instructions set out in Annex XL to this Regulation.

3. Institutions shall disclose the information referred to in Article 449a of Regulation (EU) No 575/2013, as follows:

(a) for annual disclosure: as of 31 December 2022 disclosure reference date;

(b) for biannual disclosure: as of 30 June and 31 December of disclosure reference date of each year.

(2) a new Annex XXXIX is added as set out in Annex I to this Regulation;

(3) a new Annex XL is added as set out in Annex II to this Regulation.

Article 2

Entry into force and date of application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 28 June 2022.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

[For the Commission
On behalf of the President

[Position]

ANNEX

ANNEX I

(contains the new Annex XXXIX to Commission Implementing Regulation (EU) No 637/2021)

ANNEX II

(contains the new Annex XL to Commission Implementing Regulation (EU) No 637/2021)

4. Accompanying documents

4.1 Impact assessment

Following Article 15 of Regulation (EU) No 1093/2010 (EBA Regulation), the EBA must analyse the potential costs and benefits of any implementing technical standards (ITS). ITS developed by the EBA must therefore be accompanied by an impact assessment (IA) that analyses 'the potential related costs and benefits'.

This analysis presents the IA of the main policy options included in these ITS on prudential disclosures on ESG risks. The ITS set out the disclosure requirements for prudential information on environmental, social and governance risks under Article 449(a) of Regulation (EU) 575/2013 (CRR), for which the EBA is mandated under Article 434(a) of the same regulation to develop ITS specifying these disclosure requirements. The IA is high-level and qualitative in nature.

a. Problem identification and background

The Sustainable Finance Action Plan published by the European Commission in 2018 includes fostering transparency as one of the key goals, in order to foster market discipline in the financial sector and allow investors and other stakeholders to compare the sustainability performance of institutions and make informed decisions.

This has triggered several legislative initiatives on ESG disclosure in the EU, one of them being the disclosures required under Article 449(a) CRR for which these ITS have been developed. Article 449(a) CRR requires large institutions that have issued securities that are admitted to trading on a regulated market of any Member State to disclose prudential information on ESG risk. The EBA is mandated under CRR Article 434(a) to develop ITS specifying these disclosures in a way that conveys sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions. Disclosures should be implemented in a tabular format where appropriate.

b. Policy objectives

The ITS and disclosure templates, tables and associated instructions reflect the EBA's work on the mandate under Article 434(a) CRR for the disclosures required under Article 449a CRR. The instructions and templates aim to provide the basis for uniform, consistent, comparable and sufficiently comprehensive disclosure of ESG risks by institutions, in order to promote the ultimate objective of market discipline.

c. Options considered, assessment of the options and the preferred option

Section c. presents the main policy options discussed and the decisions taken during the development of the ITS and templates. Advantages and disadvantages, as well as potential costs and benefits of the policy options and the preferred options resulting from this analysis are assessed below.

Timing for the development of the ITS implementing the disclosure requirements

Option 1a: quantitative and qualitative disclosure of all ESG risks to be developed simultaneously now

Option 1b: adopting a sequential approach for the development of disclosure requirements, prioritising qualitative disclosures on E, S and G and quantitative disclosures on climate-change-related risks

Article 449(a) CRR requires large institutions that have issued securities that are admitted to trading on a regulated market to disclose information on E, S and G risk, including transition and physical risk. The EU is following a sequential approach for the development of the Taxonomy Regulation and of other initiatives on ESG: no common classification system has been developed yet for environmental objectives other than climate change, or for social or governance aspects. The Taxonomy Regulation will be extended by the end of 2021 to cover other environmental objectives and the Commission will report by the end of 2021 on whether to extend the Taxonomy Regulation to cover also environmentally harmful or neutral activities and social objectives. In addition, the NFRD is currently being reviewed and various initiatives are also going on at international level. In this context of ongoing changes and an evolving regulatory and policy landscape, it has been deemed advisable to follow a similar sequential approach when developing the ITS on Pillar 3 disclosures on ESG risk.

Option 1b has hence been chosen as the preferred option, and as part of these ITS quantitative disclosures are developed only for climate-change-related risk, together with qualitative disclosure requirements for all three risk factors, E, S and G. Quantitative disclosure requirements for other environmental, social and governance risks will be developed in subsequent phases, also in line with progress made on the EU Taxonomy.

This policy choice aims at ensuring feasible disclosures going forward, in a way that is consistent with other EU initiatives, whilst avoiding any disproportionate costs for institutions.

Scope of climate-change-related risk disclosures – risks and mitigating actions

Option 2a: focus solely on climate risk factors to disclose information on climate-change-related risks

Option 2b: in addition to 2a, also provide information on Taxonomy-aligned activities in order to identify the exposures that contribute to climate change mitigation and adaptation and hence to the mitigation of climate-change-related risks

Option 2c: provide information on other mitigating actions, in addition to information included in options 2a and 2b

Article 449(a) CRR requires the disclosure of information on ESG risks by large institutions as defined above. The EBA is taking a sequential approach, first implementing quantitative disclosures on climate-change-related risks, including transition and physical risks, and only later defining quantitative indicators on other environmental risks as well as social and governance risks (see the previous option on the sequential approach).

Article 449(a) CRR explicitly asks for the disclosure of information on physical and transition risk. Whilst the challenges arising from the lack of a common classification system for environmentally harmful activities are acknowledged, this information is necessary to understand the risk profile of an institution, as required by the level 1 text. Therefore, according to the ITS institutions must start disclosing data that help stakeholders to understand to what extent institutions might be affected by climate change transition and physical risks:

- Climate change transition risk for exposures towards non-financial corporates (NFCs) is captured by the disclosure of information on exposures towards sectors that 'highly contribute to climate change', towards fossil fuel companies and towards other carbon-related sectors, including information on credit quality and on scope 3 carbon emissions. The EBA is relying on definitions and classifications proposed in Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks and supplementing regulations[34] for the identification of relevant sectors and exposures

- For retail mortgages, loans collateralised by commercial immovable property and repossessed collateral, the ITS capture transition risks through the disclosure of information on the distributions of loans by EPC label of the collateral.

- As regards physical risk, the ITS include information on exposures towards NFCs and their activities in geographies and sectors more prone to suffer from the impact of extreme climate change events (acute or chronic), and for collateralised exposures where collateral properties are located in the aforementioned geographies. Disclosures are included for NFCs, by NACE sectors, and collateralised loans, including information on the relevant shares of those exposures that may be impacted by physical risks (heat waves, floods, etc.).

In order to understand the positioning and strategies of institutions, however, disclosure of information not only on risks but also on the level of alignment of institutions' assets and activities with the Taxonomy (for the environmental objectives of climate change mitigation and adaptation) are important. By showing the evolution of the level of alignment over time, and the targets set by institutions, this information will also help to highlight some of the actions that institutions are putting in place to mitigate climate change transition and physical risk. By showing how the institution is investing in activities and lending to counterparties that are Taxonomy-aligned, the institution provides information on how it chooses to engage in activities that are compatible with EU environmental objectives and how it may adjust its business model in light of the environmental

[34] Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

challenges, and highlights some of the financial support provided to counterparties in the transition to environmental sustainability. By showing how the institution is investing in climate adaptation activities, the institution provides information on how it helps its counterparties mitigate climate physical risk.

The P3 ESG ITS therefore also include templates with quantitative information on assets and exposures that are aligned with the Taxonomy Regulation and contributing to and enabling climate change mitigation and adaptation by supporting institutions' counterparties on their path towards sustainability, and helping them to mitigate their climate change transition and physical risks. **Option 2a has therefore been excluded.** Additional costs for institutions for including Taxonomy alignment KPIs should be limited. The KPIs had also been proposed in the EBA Advice to the Commission on indicators and methods to be included in the delegated act under Article 8 of the Taxonomy Regulation, and are included in the latter. (Note that under the ITS, KPIs will need to be disclosed semi-annually, however).

In addition, the P3 ITS also ask institutions to disclose information on other actions that are put in place to mitigate climate change transition and physical risk, beyond those assessed under the Taxonomy Regulation or that, while not meeting the strict screening criteria proposed in the Taxonomy Regulation, are still supporting institutions' counterparties and mitigating institutions' own risks. This information is important for users of the information to understand the comprehensive set of actions put in place by institutions to mitigate climate-change-related risks. **Option 2c is therefore the preferred option.**

Coverage of assets included in the quantitative templates and in the Green Asset Ratio – GAR

Defining quantitative templates that are both representative and fit for purpose involves inter alia choices on asset types, counterparties and geographical attributes of counterparties. This section presents the main policy options in the context of coverage of KPIs.

Assets held for trading

Option 3a: quantitative disclosures and GAR to cover institutions' assets held for trading

Option 3b: quantitative disclosures and GAR not to cover institutions' assets held for trading

Option 3c: assets held for trading only to be covered in quantitative disclosures and GAR by institutions with trading books above a certain threshold

The ITS include templates with quantitative information on assets and exposures in the banking book that may be subject to climate change transition and physical risk. They also include quantitative templates and KPIs on the Green Asset Ratio (GAR) that show data on actions put in place by institutions to mitigate climate-change-related risks. The GAR measures the volume of financial assets in the banking book (loans and advances, debt securities, equity instruments) funding sustainable economic activities contributing substantially to climate mitigation and/or adaptation (absolute figures and compared to total exposures) according to the EU Taxonomy for various types of counterparties and for new and existing exposures. The EBA assessed whether to extend the quantitative disclosure templates and the GAR to also cover exposures in the trading book.

In the context of the GAR KPI, assets held for trading tend to be of a temporary nature and are hence not compatible with the nature of Taxonomy-aligned activities: the latter should substantially contribute to environmental objectives and tend to be of a longer-term nature. In addition, given the short-term nature of assets held for trading, disclosure of information on Taxonomy alignment of these assets based on counterparty-by-counterparty data may be more challenging compared to the disclosure of similar information on exposures in the banking book. In addition, disclosing point-in-time information on the composition and alignment of the trading book with the Taxonomy Regulation based on counterparties' alignment may allow for undue window-dressing as part of the disclosures, given the volatility of the portfolio and hence the fast-changing nature of its composition.

On the other hand, the importance of the trading book in terms of size for some EU institutions' business models renders its assessment and related disclosures important for the latter. It had therefore been assessed that institutions that do not meet the conditions set out in Article 94(1) CRR nor the conditions set out in Article 325a(1) CRR (i.e. institutions where the trading book is of a certain size) should provide ESG disclosures that also cover their trading book. Nevertheless, after the consultation process and based on the feedback received in response to the template proposed, the EBA has decided to postpone the implementation of this disclosure requirement to future versions of the ITS, also based on the sequential approach that is being followed for the implementation of the requirements on Pillar 3 disclosures on ESG risks. Therefore, option 3b is the preferred option at this stage and the template on quantitative disclosures on climate-change-related risks in the trading book has been dropped for the final ITS (it was included in the draft ITS), the work on this part will resume in the future.

In terms of the relevance of the trading portfolio in EU institutions' balance sheets, at the EU aggregate level trading book assets account for 15.5% of total financial assets as of Q3 2020 (see Figure 6**Error! Reference source not found.**). 15 of the 116 FINREP reporting institutions have trading book shares above the EU average (the median share is 2.3%), with several large institutions having shares well above the EU average. The institution with the largest trading book share of total financial assets reports a share of 41.8%.

Disclosure of the GAR as defined by the Commission delegated act and BTAR

Option 4a: institutions to disclose only information on the GAR as defined by the Commission delegated act and with the same date of application

Option 4b: institutions to disclose information on the GAR, and separately information on a BTAR that shall include the assessment of exposures towards SMEs and other non-NFRD corporates in the numerator and in the denominator, with the same date of application

The consultation paper[35] which is the basis of this final ITS and the Advice to the Commission on KPIs and related methodology for the disclosure by credit institutions and by investment firms of information on how and to what extent their activities qualify as environmentally sustainable in accordance with the EU Taxonomy[36] were developed by the EBA in parallel. Both policy papers were developed in alignment and coordination to ensure a consistent definition of the KPIs and pieces of information that are relevant under both pieces of regulation: specifically, the GAR and supporting templates.

In July 2021, following the submission of the EBA Advice, the Commission published the COM DA specifying the content and presentation of the GAR among other KPIs. The COM DA defines for disclosure by institutions a GAR on the level of Taxonomy alignment of their exposures. The definition of the GAR is based, to a great extent, on the EBA Advice and on the GAR proposal put forward when consulting on these ITS. Nevertheless, there are some important differences, notably:

- The COM DA delays the date of application of the GAR disclosure by one year, until 2024 for data as of end-2023. The EBA is also delaying the date of application of the GAR disclosure in the Pillar 3 ESG ITS until 2024, with end-2023 as the first disclosure reference date.

- The COM DA excludes from the numerator of the GAR exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU. These exposures are nevertheless included in the denominator of the GAR, which means that in practice the GAR is defined as if these exposures are always 0% Taxonomy-aligned.

In terms of the date of application, the EBA has assessed that having different dates of application would create confusion. In addition, the COM DA has also delayed the date of application of the KPIs relevant for non-financial corporates on the level of alignment of their activities. The latter KPIs are very important for institutions as a data source for the estimation of the GAR. Therefore, the EBA proposal is to align the date of application of this information in these final ITS with that of the COM DA, that is, 31 December 2023 as the first disclosure reference date.

However, the exclusion of exposures towards SMEs and other non-NFRD corporates raises important concerns, given the relevance of this type of counterparty for the balance sheet of EU institutions. The following issues are of particular concern:

- meaningfulness of the GAR if the alignment of a big part of institutions' exposures, such as exposures towards SMEs and other non-NFRD corporates, is not assessed and it is simply assumed that these exposures are not Taxonomy-aligned and 0% sustainable;

- lack of incentives for institutions to support SMEs and other non-NFRD corporates in the transition and adaptation process, as these efforts will not be reflected in the GAR;

[35] https://www.eba.europa.eu/implementing-technical-standards-its-prudential-disclosures-esg-risks-accordance-article-449a-crr#pane-new-7bdd87fb-e02f-492a-99d6-129449e3cf9d

[36] https://www.eba.europa.eu/eba-advises-commission-kpis-transparency-institutions%E2%80%99-environmentally-sustainable-activities

- potential negative effects in the flow of credit to these types of corporates.

Asymmetric treatment of exposures under different templates or of exposures towards counterparties with no disclosure obligations (e.g. retail vs SMEs)

In order to address these concerns and keep the meaningfulness of the GAR, option 4b has been assessed as the best option and the final draft ITS include information necessary for the calculation of the GAR as defined by the COM DA as well as additional and separate information on the alignment of institutions' banking book exposures, the BTAR, which includes the assessment of exposures towards SMEs and other non-NFRD corporates in the numerator of the KPI. This compromise ensures maximum alignment with the COMA DA whilst at the same time ensuring that no important information is lost. This choice replaces the earlier proposition made in the consultation paper on the draft ITS, which put forward a separate GAR for non-EU exposures to be disclosed on a best effort basis, as these are now part of the BTAR.

Coverage of retail exposure

Option 5a: quantitative templates and GAR to cover the whole retail portfolio

Option 5b: quantitative templates and GAR to exclude the whole retail portfolio

Option 5c: quantitative templates and GAR to cover only retail mortgages, and motor vehicle loans as well

The EU taxonomy does not apply to households. Responses to the EBA survey conducted in 2020[37] indicated that the industry was in favour of excluding retail exposures from KPIs and ESG risk disclosures. The EBA case study conducted as part of the Advice to the Commission under Article 8 of the Taxonomy Regulation further found that responding institutions identified KPIs on retail exposures as the most challenging overall, both for retail mortgages and for other retail exposure.

Retail exposures, however, account for a substantial part of EU institutions' balance sheets. Just under 30% of EU institutions' aggregate financial assets were in the retail sector in Q3 2020 (see **Error! Reference source not found.** below). Furthermore, the retail portfolio can play a significant role in driving more sustainable economies. Buildings, for example, account for approximately 40% of EU energy consumption and 36% of greenhouse gas emissions. Environmental risks can also have a negative impact on the value of the collateral of retail mortgage loans (in terms of physical risk from actual damage, e.g. from floods, and in terms of transition risk from climate policies potentially affecting a property's value) and the LGDs of loans.

Given the above reasons, it has been assessed that it is important to cover at least those parts of the retail portfolio that can be assessed and option 5b has been excluded. At the same time, given the fact that there are not many tools beyond the EPC or the location of the collateral for collateralised loans to assess the retail portfolio, full coverage of retail loans seems to be unfeasible

[37] Survey on credit institutions' disclosure of information related to ESG risks.

at this stage. In order to strike the right balance between covering the most relevant parts of the retail portfolio and at the same time limiting the burden on institutions, those parts of the retail portfolio where alternatives to using the EU Taxonomy and for assessing the level of risks are straightforward and practical to apply are included.

Mortgage loans and credit for consumption make up the largest part of the retail book (around 80% of total retail exposure as of Q3 2020), and a big part of credit for consumption is made up of motor vehicle loans. At the same time, these portfolios offer already existing alternatives of measuring alignment with the EU Taxonomy for the objective of climate change mitigation, based on the energy performance of the underlying asset as reflected in the energy performance certificate, and applying the relevant taxonomy screening criteria. In addition, information on the distribution of collateralised loans by EPC label of the collateral, or on collateral that may be exposed to acute or chronic climate change events based on the location of the collateral, should help users of the information to understand to what extent the value of the collateral may become impaired due to transition or physical risks.

Option 5c has been chosen as the preferred option. This way, costs and burdens for institutions have been limited (by choosing portfolios which are easier to assess), whilst at the same time ensuring that this important segment is at least partially covered when measuring Taxonomy alignment.

Coverage of sovereign exposures

Option 6a: include sovereign exposures in the GAR and quantitative templates on risks

Option 6b: leave out sovereign exposures entirely from the GAR and quantitative templates on risks

The EU Taxonomy does not apply to governments. Nevertheless, governments are increasingly issuing green bonds, which could be used as a proxy of governments' Taxonomy alignment. Whilst the issuance of green bonds by governments is increasing, it is still very small in comparison to overall government bond issuances, and there is no EU green bond standard yet to facilitate their assessment. In addition, it is not possible to map at this stage sovereigns' economic activities with NACE sectors and economic activities upon which the taxonomy screening criteria are built. Finally, governments are not subject to disclosure obligations under Article 8 of the Taxonomy Regulation, and therefore it is not possible for institutions to collect relevant information based on public disclosures.

For the above reasons, it is therefore not possible at this stage to apply the taxonomy screening criteria to governments' activities.

Similar arguments apply to the decision to exclude these exposures from the quantitative templates on climate-change-related risks included in the ITS, particularly the lack of a methodology or mapping criteria that could help institutions classify governments' economic activities according to the NACE sector classification.

The loss of coverage of relevant exposures (in terms of the share of sovereign exposures in total exposure) and the above-mentioned lack of methodologies to assess them and hence the implied burden on institutions have been carefully weighed up. The share of sovereign exposure in total financial assets was 12.2% in Q3 2020. Whilst this share is not negligible and inclusion of this sector in the GAR should be targeted in the long run, at this stage it has been assessed that sovereign exposures should be excluded from the GAR and quantitative templates on risks at present and that **option 6b is the preferred option**.[38] Whilst relevant, sovereign exposures cannot be assessed at this stage and are therefore left out of the scope of the ITS.

Housing loans towards municipalities are also considered, as they can be assessed based on the EPC label of the underlying assets.

Figure 6: EU institutions' exposures by different types, counterparties and geography as of Q3 2020

Trading book	*EU average*	
Share of the trading book in total financial assets (%)	**15.5%**	
Counterparties*	*EU average: share in total financial assets*	*EU average: share in total financial assets (excl. trading book)*
Share of sovereign exposure (%)	**12.2%**	**14.5%**
Share of exposures to credit institutions (%)	**6.8%**	**8.0%**
Share of exposures to other financial corporations (%)	**6.4%**	**7.6%**
Share of NFC exposure (%)	**27.9%**	**33.1%**
Share of loans to SMEs (%)	10.9%	12.9%
Share of NFC loans collateralised by immovable property (%)	6.0%	7.1%
Share of retail exposure (%)	**29.8%**	**35.3%**
Share of retail exposure collateralised by immovable property (%)	19.3%	22.9%
Share of credit for consumption (%)	4.3%	5.0%
EU exposure**	*EU average*	
Share of EU institutions' exposure to the EU (equity instruments, debt securities, loans and advances) (%)	**77.2%**	
By selected counterparties:		
Credit institution EU exposure share (%)	62.2%	
Other financial corporations EU exposure share (%)	59.3%	
NFCs EU exposure share (%)	74.9%	
SME EU exposure share (%)	86.7%	
Household EU exposure share (%)	85.7%	

*Denominators exclude the trading book. **Shares refer to non-trading-book exposures only.
Source: EBA FINREP Data.

[38] The EBA case study in fact showed that responding institutions generally perceived KPIs on sovereign exposures as the least costly out of all KPIs proposed.

d. Conclusion

The ITS and associated templates developed following the mandates included in Articles 434a and 449a CRR constitute a key step forward in supporting the EU's efforts to align institutions with the sustainability goals of the wider economy and helping stakeholders to understand the risks and vulnerabilities that EU institutions may face as a consequence of climate change. At the same time, the ITS imply significant changes and new costs for institutions.

This is fully acknowledged and the ITS have been drafted, also taking into account feedback received as part of the consultation process, in such a way as to limit any unnecessary or disproportionate costs for institutions, whilst at the same time not compromising the bigger goal of achieving the necessary transparency on ESG risks. This is reflected in the pragmatic approach taken: the inclusion of only selected counterparties (e.g. sovereign exposures and part of the retail portfolio excluded), and a sequential approach for the development of the requirements (climate risk prioritised for now).

4.2 Feedback on the public consultation and on the opinion of the BSG

The EBA publicly consulted on the draft proposal contained in this paper. The consultation period lasted for three months from 1 March to 1 June 2021. In this period, the EBA received 29 responses, of which 26 were published on the EBA website and 3 were treated confidentially. The EBA Banking Stakeholder Group (BSG) also provided its opinion, which was published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments, and the actions taken to address them if deemed necessary. When several industry bodies made similar comments or the same body repeated its comments in the response to different questions, these comments and the corresponding EBA analyses are grouped together and included in the section of this paper where EBA considers them most appropriate. Changes to the draft ITS have been incorporated as a result of the responses received during the public consultation.

Summary of the BSG opinion

In their feedback, the BSG recognised the importance of the Pillar 3 framework to promote transparency and market discipline with respect to ESG risks. It is recognised that Pillar 3 disclosure requirements play a part in the EU's wider efforts to re-orient capital flows towards sustainable investment, to mainstream sustainability risk into risk management, and to foster transparency and long-termism in markets. BSG also highlighted a clear link between Pillar 3 disclosure requirements and the Commission delegated act under Article 8 of the Taxonomy Regulation. On this specific point, while the BSG welcomed the fact that the EBA ensures some level of consistency between the two products, they argued that further alignment in the timeline between institutions' Pillar 3 disclosures and reporting under Article 8 of the Taxonomy Regulation is needed.

The BSG argued that, due to data challenges, e.g. lack of available and robust data, calculating and disclosing GAR is a very challenging task for institutions. In addition, disclosing GAR in these circumstances would give a low GAR compared to the average and then could increase the cost of funding for institutions.

The BSG welcomed the fact that the primary focus of the Pillar 3 requirements is on the banking book as they consider this as the most meaningful regarding the financing of the real economy. Nevertheless, they also argued that covering exposures towards undertakings that are not subject to the NFRD, such as SMEs exposures and non-EU exposures, and including the stock of exposures, are challenging from a practical point of view. For this reason, the BSG suggested including only institutions' exposures to undertakings that are subject to NFRD obligations and the flow of exposures in the requirements.

More fundamentally, the BSG also questioned the inclusion of the GAR in the Pillar 3 disclosures because they argued that the GAR is not designed to reflect prudential risk. The BSG stated that, at the very least, the fact that the GAR is not a prudential metric needs to be acknowledged explicitly in the ITS, and encouraged the EBA to align the GAR with the proposal under the CSRD.

Finally, the BSG commented that a number of requirements relating to risk templates are not fit for purpose. Namely, (i) the template on exposures to the top 20 most polluting counterparties contradicts client data confidentiality, (ii) the requirements on physical risk are challenging from a data and methodology point of view, hence such requirements should be based on past experience and incurred events, and (iii) templates should not include parameters such as the performing and IFRS stage 2 status of the exposures or average probability of default (PD), because at this stage it would be difficult and misleading for the data users to interpret this information.

Summary of key issues and the EBA's response

While there was broad support for the inclusion of ESG risks in general and climate-related risk in particular in Pillar 3 disclosures to enhance market discipline, the respondents expressed a number of concerns and reservations in their feedback to the consultation paper. The key concerns are about:

(i) the level of granularity;

(ii) the scope of disclosures in the absence of robust data and methodologies, especially in relation to institutions' scope 3 emissions and physical risk;

(iii) the inclusion of the GAR in Pillar 3 disclosures and its scope and timeline in relation to the Taxonomy Regulation;

(iv) the confidentiality of information on counterparties;

(v) the inclusion of the trading book in the requirements.

The level of detail

Most stakeholders indicated that the templates for ESG Pillar 3 disclosures are very granular and complex. They gave Template 1 as an example where disclosure requirements are based on industry NACE sectors, prudential metrics such as stage 2 status, PD, non-performing status and scope 3 emissions.

Stakeholders commented that the requirements are complex for several reasons: disclosures across all NACE categories instead of focusing on some key industries such as energy and manufacturing would impose additional operational costs on institutions. Similarly, asking institutions to disclose climate-related information together with prudential metrics increases the complexity of the disclosures for institutions. In most cases stakeholders believe that it is premature to include these prudential metrics with climate-change-related information because it may lead to misinterpretation of the information disclosed.

Similarly, institutions gave the qualitative information on ESG risks as another example of the complexity of the requirements. While some stakeholders suggested minimising the amount and detail of information covered, some others also argued that qualitative information for ESG risks should not be split into three tables for E, S and G aspects individually but should be merged in one single template.

Following the feedback received, the EBA has notably simplified the final Pillar 3 package as compared to the package consulted on:

- Some templates have been dropped, such as the extended template on climate change physical risk (former Template 7.2 'Exposures in the banking book subject to climate change physical risk (extended version after phase-in period)').

- Some disclosures have been postponed in the context of the sequential approach that is being followed for these ITS, such as the disclosure requirement on climate change transition risk in the trading book. Consequently, former Template 6 'Climate change transition risk – trading book portfolio' has been dropped in the final ITS, recognising that more work is necessary on this topic.

- Other templates have been simplified remarkably:

    - Template 1 on 'Banking book – climate change transition risk: credit quality of exposures by sector, emissions and residual maturity': this template has been reorganised after consultation, dropping all those columns (the original included 27 columns and the final one has been reduced to 11) that were assessed as redundant and those columns that included information that was assessed as premature. In addition, the rows of the template have been compressed and all the former rows relating to sectors that do not highly contribute to climate change have been aggregated into a single row. Former Template 2 on maturity buckets has been merged into Template 1.

    - Template 2 on collateral: Country-by-country breakdown has been dropped and institutions now have to disclose only aggregate information at EU and non-EU level on the distribution of their real estate portfolio by energy performance label and energy consumption of the underlying collateral.

    - Template 4 on exposures towards the top 20 polluting companies now includes only information on the world's top polluters (information on top EU and Member State polluters has been dropped) and the information is now aggregate and not company by company.

The scope of disclosures in the absence of robust data and methodologies, especially in relation to institutions' scope 3 emissions and physical risk

At the current juncture, the availability of robust data and methodologies is limited for the calculation of institutions' scope 3 emissions and institutions' exposures that are sensitive to physical risk. For this purpose, stakeholders emphasised the need for transition periods and/or delays to account for the development of relevant methodologies and the availability of data before introducing such requirements.

Such requirements, in the absence of robust data and methodologies, will create a dependency on external data providers that do not share the same metrics or the same granularity and will likely have an insufficient risk event coverage. They may also use various proxies within their methodologies which are very broad and may lack conclusive relevance, for example in approaches to taking the supply chain into account or a corporate's adaptation strategy. This would undermine the consistency and meaningfulness of the information disclosed.

The EBA is aware of these constraints and is including a transition period for the disclosure of this information. The EBA also allows institutions to use estimates when data are not available.

The inclusion of the GAR in Pillar 3 disclosures and its scope and timeline in relation to the Taxonomy Regulation

Stakeholders emphasised the need for alignment between Pillar 3 disclosures and the Commission delegated act under Article 8 of the Taxonomy Regulation. The alignment was requested from both a content and a timeline point of view.

Firstly, stakeholders emphasised that institutions' exposures to counterparties that are not subject to NFRD/CSRD obligations should not be included in the GAR disclosure. In the absence of data available from counterparties such as in the case of SME exposures and non-EU exposures, it is operationally challenging for institutions to collect such information.

Secondly, stakeholders also emphasised that as the availability of the information from counterparties is crucial for institutions' own disclosures, it is equally important to allow the relevant time lag between institutions' disclosure and that of their counterparties. In other words, institutions should be required to make the disclosures once the disclosures of non-financial undertakings are available under the NFRD/CSRD. Both the start of the Pillar 3 disclosures and the frequency of disclosures should allow for this interaction.

The EBA insists that prudential information on ESG risks needs to include information on how institutions are mitigating those risks, including information on the GAR. The EBA in the final draft ITS has aligned the definition and date of application of the GAR with that of the COM DA, and requires extended and separate disclosures under the BTAR for those exposures in the banking book towards non-financial corporates not subject to NFRD disclosure obligations not assessed under the DA GAR.

The confidentiality of information on counterparties

Most stakeholders raised the point of data confidentiality and banking secrecy in relation to counterparty-specific information requested in one template with a focus on the most polluting firms. For this reason, stakeholders asked the EBA to either remove the template or revise it to make the disclosures anonymous and aggregated. As explained above, this particular template has been amended and now it only includes information on aggregate level.

Similarly, some stakeholders mentioned that some of the qualitative requirements such as targets, limits, objectives and exclusion criteria incorporated in their business strategy and ESG risk management framework may be confidential information and may not be suitable for institutions' public disclosures. The EBA considers that institutions' concerns in this regard should be addressed by the level 1 text, in particular by Article 432 CRR on 'Non-material, proprietary or confidential information'.

The inclusion of the trading book in the requirements

Some stakeholders questioned the objective of the inclusion of the trading book in the Pillar 3 disclosures. They argued that trading book exposures are by their nature very short-term, while ESG risk factors are developing mostly in the medium to long term. Indeed, many trading positions have a very short maturity which clearly limits the real impact of the transition risks on these positions. Consequently, the assessment of trading book sensitivity to ESG risk factors cannot follow the same approach as the banking book. Considering the scale and the complexity of ESG matters, stakeholders reiterate the fact that emphasis should, for the time being, be placed on the banking book. Also, the data requested in the proposal should avoid traditional banking book terminology which has no place in trading book risk disclosure as it is not related to exposure sensitivity and would mislead the users of the information.

As explained above, the disclosure of this information has been postponed and the template has been dropped from the final drat ITS.

Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
General comments			
Level of granularity	Most stakeholders indicated that the templates for ESG Pillar 3 disclosures are very granular and complex. For example, Template 1 is one of those that would not reconcile with other financial reports to be sent to the supervisors. i.e.: sectoral FINREP does not match with the sectoral breakdown proposed in Template 1. Similarly, the definition and disclosure of the GAR is very detailed. The granularity of the templates approaches the level of a comprehensive regulatory reporting template rather than a disclosure template. In some cases, stakeholders argued that Pillar 3 disclosures should only represent the risks to which a bank is exposed at the time of the reporting, as in existing Pillar 3 reports. Therefore, ESG risk templates should only focus on risk exposures at the time of the reporting, and not include either forward-looking information or ESG risk mitigation measures.	The EBA acknowledges the comments on the complexity of the draft templates and as a result simplified them as much as possible. The information on the templates is aligned with the current policy developments such as TCFD recommendations and the EBA report on management and supervision of ESG risks for credit institutions and investment firms. In addition to this, the EBA includes in the ITS the GAR disclosures as presented in Commission Delegated Regulation under Article 8 of the Taxonomy Regulation. By the same token, the templates cover information on the risk exposures at the time of reporting and when necessary alignment metrics without forward-looking information on ESG risk mitigation measures.	The EBA amended the templates accordingly.
Level of consolidation	Some stakeholders asked the EBA to clarify in the final report the required level of consolidation for Pillar 3 disclosures, acknowledging the CRR requirements.	Institutions should disclose the information at the highest level of consideration in the EU, as regulated in Article 13 CRR.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Timeline – alignment with the CSRD, and challenges due to time lag between P3 disclosures and the CSRD	Several stakeholders argued that there is a need to sequence the implementation of institutions' Pillar 3 templates in several building blocks. This approach would tackle both the very detailed nature of the proposal but also alignment with other external developments. Almost all stakeholders suggested restricting 2023 disclosures (based on the December 2022 position) to a limited number of core templates and aligning other templates with the timeline, scope and reporting frequency of the CSRD. Institutions rely on companies' disclosures to produce their own disclosures and there is a mismatch between the two disclosures. Corporates under the CSRD are expected to disclose by 2024, that is one year after institutions' first ESG Pillar 3 disclosures. For listed SMEs, the first disclosure under the CSRD is due by 2027. This aligned approach would also minimise the use of proxies and limit it to exceptional cases. For the type of information to be provided by corporates on a mandatory basis under the CSRD (such as the physical risks, NACE sub-code, scope 1-2-3, split of revenues by carbon intensive sectors), the application timeline of the Pillar 3 requirements should be aligned with the CSRD application timeline.	The EBA recognises the issues and proposes to align the timeline of the disclosure of information in templates relating to the GAR with the timeline of the GAR under Article 8 of the Taxonomy Regulation. More precisely, institutions must disclose the information on the GAR in the ITS in 2024 with the information as of December 2023. For other templates in the ITS the disclosure timeline will follow the rules stated in Article 449a CRR.	The EBA amended the templates accordingly.
Semi-annual disclosure, and inconsistency between Taxonomy Regulation and P3 disclosures	The benefits of requiring semi-annual disclosure are not clear, particularly when considered in the light of the annual requirement provided for corporate disclosures, and it appears possible that institutions may be expected	Semi-annual disclosures are stated in the CRR.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	to undertake three Pillar 3 reports over the course of a 12-month period. Stakeholders recommend therefore that policymakers adjust the Article 449a CRR level 1 text in this area to require an annual disclosure only. Concerning Template 8 (GAR), while the Taxonomy Regulation requires annual disclosure (according to Article 8 of the Taxonomy Regulation, undertakings must publish their Taxonomy compliance in their non-financial statement, which has to be disclosed annually), the EBA suggests that the GAR is disclosed semi-annually. This would imply that at one of the two disclosing dates institutions would not have the most up-to-date information available (as the reporting obligations for other economic agents would only be annual).		
Use of proxies and estimates	Use of proxies and estimates in combination with excessive granularity in disclosure requirements would lead to several issues: ▪ complexity and higher operational risk in the calculation of exposures and metrics; ▪ operational challenge relating to the absence of mirroring information from corporates; ▪ little comparability and limited usability of information for stakeholders in the lack of a common methodology; ▪ legal risk and challenge due to the presentation of potentially misleading information.	The EBA proposal aligns the Pillar 3 requirements with the NFRD/CSRD timeline as much as the legal mandates allow. In addition to this, the supervisory expectation is for institutions collecting data from their counterparties (not subject to NFRD/CSRD obligations) through their loan origination and monitoring. In other words, such information should be part of institutions' borrower creditworthiness and credit review processes. Only in the absence of real data may institutions decide to use estimates and proxies to bridge the data gaps. Such an expectation is also set out in EBA Guidelines on loan origination and monitoring.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	In order to avoid the use of proxies and estimates as much as possible, the stakeholders recommend firstly the alignment of the Pillar 3 disclosure requirements to the scope of the CSRD, and secondly to allow a one-year gap between the disclosure by corporates under the CSRD and the disclosure for institutions. One stakeholder also stated that if some proxies were to be used in the Pillar 3 report, on an exceptional basis, they should be developed at EU/EC level to be commonly used in the EU, thereby ensuring a level playing field and comparability across the board as long as the information is not available. This includes non-listed SMEs and non-EU counterparties that will not be covered by forthcoming CSRD requirements. An equivalence table for energy performance certificates both for mortgages and car loans across Europe should also be provided by the European Commission.	Similarly, in order to increase the comparability and accuracy of disclosures, the EBA amended Template 3 to reflect both the EPC labelling of properties and the energy efficiency, in KWh/m2, of these properties corresponding to these labels.	
Harmful activities/exposures	Stakeholders note that the EBA wants to overcome, in the Pillar 3 report, the fact that no 'Harmful taxonomy' has been defined in European regulation so far. Including harmful activities/exposures in disclosures goes beyond the Pillar 3 purpose and the Article449a CRR2 mandate. In addition, the link with the Low Carbon Benchmark Regulation introduces a complexity and requires information that is difficult to obtain from institutions' customers. This excessive granularity paves the way for misinterpretation, all the more so given that the cross-articulation between the row granularity and the column granularity is not clear at all.	The EBA acknowledges the comments and simplified the templates, e.g. Template 1, accordingly. However, the EBA is of the opinion that information on institutions' exposures to carbon-intensive sectors is important to understand the extent to which institutions are subject to transition risk. The objective and purpose of the ITS is not to pre-empt any discussions on the extension of the Taxonomy Regulation but to capture the risk profile of institutions' balance sheet.	The EBA amended the templates accordingly.

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	Stakeholders believe this type of reporting is premature and they propose to wait for the definition of the 'Harmful Taxonomy' and the CSRD implementation. Stakeholders recommend not to pre-empt, on a large scale, technical discussions around the taxonomy on significantly harmful activities by making a strict reference to all activities excluded from the Paris-aligned benchmark. They rather suggest limiting this list to companies with at least 1% of exploration, mining, extraction, distribution or refining of hard coal and lignite and those with at least 10% of exploration, extraction, distribution or refining of oil fuels. In addition, they stated that, as demonstrated by the European Commission's recent communication published with the delegated act on the Taxonomy on climate objectives, activities affected by such an exclusion that are related to natural gas will be subject to political discussions on their potential and conditional inclusion in the Taxonomy or an associated trajectory towards carbon neutrality. Also, activities relating to electricity generation with a threshold higher than the Taxonomy threshold of 100g CO2/kwh will be subject to discussions around a transition trajectory towards carbon neutrality by 2050.	Institutions are expected to identify, assess and measure the risk associated with transition risk and physical risk.	
Paris-aligned Benchmarks	As regards the exposures towards companies excluded from EU Paris-aligned Benchmarks, stakeholders insist on the fact that, in order to achieve a zero-carbon economy, the challenge is to green the economy. This goal will be better achieved by implementing an inclusive approach aimed at fostering the development and	The EBA is of the opinion that information on institutions' exposures to carbon-intensive sectors or counterparties is important to understand the extent to which institutions are subject to transition risk. This requirement is aligned with the TCFD recommendations.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	financing of transition projects rather than pointing fingers at so-called brown activities or implementing exclusion strategies. In this regard, one stakeholder advocated an inclusive taxonomy fostering transition and against the development of a brown classification. Although the disclosure requirement envisaged in Template 1 is a transparency measure, they consider that it could have detrimental impacts for companies, could be counterproductive and would go against the intention of the Commission and the co-legislators to establish a classification of sustainable activities (see for instance point 12.1(g) of Regulation (EU) 2020/1818: 'companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh'). Finally, they consider that it is inappropriate to require the disclosure of information based on non-objective elements (See Article 12.2: 'Administrators of EU Paris-aligned Benchmarks shall exclude from those benchmarks any companies that are found or estimated by them or by external data providers to significantly harm one or more of the environmental objectives…'). They are therefore not in favour of requiring credit institutions to disclose their exposures to activities excluded from Paris-aligned Benchmarks.	The objective and purpose of the ITS is not to pre-empt any discussions on the extension of the Taxonomy Regulation but to capture the risk profile of institutions' balance sheet. Institutions are expected to identify, assess and measure the risk associated with transition risk and physical risk.	
Inclusion of SMEs in P3 disclosures and non-green assets	The inclusion of SMEs in the template pre-empts NFRD revisions and significantly increases the operational complexity of obtaining the necessary information. In due course, the inclusion of SMEs should be limited to those subject to the CSRD (i.e. counterparties which are not obliged to disclose their Taxonomy compliance	The EBA is proposing to fully align the timeline of the disclosures and the definition of the GAR with the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	under Article 8 of the Taxonomy Regulation should be excluded from the calculation of the GAR) and those that disclose the Green Asset Ratio on a voluntary basis. One stakeholder suggested that minimum thresholds for Taxonomy checks should be provided for individual transactions (e.g. EUR 10 million) as well as for portfolios, in particular with regard to SMEs. If a threshold is not applied, the underlying verification effort and administrative costs are viewed as being extremely disproportionate. SMEs should be included one year later than previously shown (i.e. deferral from June 2024 to June 2025). One stakeholder also supports the idea of not analysing all SMEs, but only SMEs from energy-intensive sectors in the first instance.	The EBA is also proposing an extended KPI where both the numerator and the denominator of the ratio (GAR) are treated symmetrically. In other words, this extended KPI includes institutions' exposures to undertakings not subject to the NFRD in the denominator and the numerator. In the EU banking sector, institutions' exposures to SMEs form a significant part of their balance sheets. The EBA is of the opinion that institutions' exposures to SMEs is crucial to capture in the disclosure requirements. It is equally important that institutions' SME exposures are not treated as not sustainable by construction. While the EBA notes the Commission's upcoming impact assessment and review on this point under the Delegated Regulation under Article 8 of the Taxonomy Regulation, it is important at this stage for institutions to collect data and estimate their exposures to SMEs from a climate risk point of view.	
Data for retail exposures	It needs to be taken into consideration that, unlike corporates that fall within the scope of the new CSRD, private households are not subject to any disclosure rules. It should therefore be avoided to assume that credit institutions will now receive all the necessary data because of the CSRD, especially regarding mortgages and renovation loans.	The EBA acknowledges the data challenges. For this reason, the EBA proposal in Pillar 3 disclosures is aligned with the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation. Given the current EU regulatory framework in the energy sector, the supervisory expectation is that institutions will collect such information from their counterparties, e.g. CO2 emission figure of vehicles, and information given through energy standards and labelling for buildings.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Retail exposures – focus on mortgages but not private investments	One stakeholder emphasised that the nature of retail business points to a product-based rather than a client-based approach and will heavily depend on the availability and standardisation of suitable data. The customer base is usually homogeneous with little differentiation in terms of ESG aspects. The key driver in retail should be private housing and mortgages apart from private investments and to a lesser extent consumption. Private housing is a core driver for the climate footprint. Mortgages thus require a specific risk analysis as well as an ESG analysis.	The EBA's proposal, as far as retail lending is concerned, focuses on retail mortgages and car loans.	No amendments made.
EU and non-EU exposures	Distortions in markets and competition would emerge in jurisdictions outside the EU where EU institutions will need to request information from clients that other credit institutions located in the same jurisdiction, and which are not as advanced as those from the EU, will not. Accordingly, stakeholders argue that mandatory public disclosures should not be required for non-EU counterparties where there are not equivalent standards in force in the relevant jurisdiction. Stakeholders added that the BCBS is going to publish a consultation on the ESG risk management framework at international level. In that context, they recommend the EBA not to require a too granular Pillar 3 reporting, but to define it in a progressive way in order to be able to take into account international developments, and not to require institutions to change in two to three years the whole Pillar 3 disclosure.	The EBA is following the discussion and developments at international level. The expectation is that all the various initiatives will converge. It is important to capture the complete picture of institutions' banking book, including EU and non-EU exposures. This would also not create a competitive advantage but help EU institutions continue being pioneers in the field of sustainable finance and transparency.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
List of abbreviations	One stakeholder suggests including a list of abbreviations and acronyms in order to facilitate a common and quick understanding of the ITS.	While it is common practice to create a list of abbreviations for EBA reports, the EBA does not include such lists for technical standards.	No amendments made.
Responses to questions in Consultation Paper EBA/CP/2021/06			
Question 1. Are the instructions, tables and templates clear to the respondents?			
Clarification on scope 3 emission measurements	Stakeholders request the EBA to give precise instructions on how institutions can calculate the scope 3 emissions of their customers, as common and robust methodologies are not ready at this stage.	The EBA acknowledges the data and methodological challenges institutions may have in the measurement of their counterparties' scope 3 emissions. In the instructions the EBA recommends a number of industry practices and institutions should adopt reasonable methodologies based on these practices or their internal methodologies. Institutions should also explain their methodologies, assumptions and the weaknesses of these methodologies in the accompanying narrative. These disclosures are expected to improve data availability and quality and help develop common robust methodologies. The EBA envisages a phase-in period until June 2024 for these disclosures.	No amendments made.
Clarification on the scope of RRE and CRE loans	Clarification should be provided on the scope of residential real estate and commercial real estate loans to be included in Template 3. Indeed, not all real estate loans are collateralised in Europe. Stakeholders propose then to simply focus on real estate financing transactions, broken down by EPC. This approach will be	The EBA simplified the template in question by removing the country breakdown. In addition, the template has been amended to increase the comparability of the information disclosed across different jurisdictions.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	more convenient to give a flavour about real estate portfolio greening over time.		
Risk management aspects of the mandate do not match the content of the P3 disclosures proposal	Regarding risk management, stakeholders consider the requirements, tables and underlying templates to be suitable to a limited extent for meeting the requirements of Article 435 CRR in conjunction with Article 449a CRR. Providing the information would trigger enormous costs, and the information does not reflect the different ways in which the business models of significant institutions are affected by ESG risks. In the case of the intended granular scope, there are fears that any information overload will not provide the addressees or market participants with the necessary insights for capital market decisions in line with the original objective of the disclosure. The instructions governing the qualitative disclosure tables set out the EBA's expectation that information on the risk management objectives and policies for ESG risks must be disclosed in line with the requirements of Article 435. These comparatively very comprehensive formulations specify in tremendous detail the requirements of the EBA draft ITS.	The EBA's proposal is within the mandates given to the EBA in the CRR and has been prepared in line with the definitions and terminology presented in the EBA report as per Article 98(8) CRD. It is also important to mention that the scope of the EBA work follows the recommendations at international level such as the TCFD recommendations.	No amendments made.
Taxonomy-eligible vs. Taxonomy-aligned	More clarity is needed in the terminology, by using 'taxonomy-eligible' or 'taxonomy-aligned' (i.e. incl. fulfilment of technical screening criteria).	The EBA provided further clarity on this. This terminology is used in the GAR and defined as per the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
EU vs. non-EU exposures	Instructions should clarify whether the templates would cover EU and non-EU exposures or just EU ones. For example, Template 3 refers to the energy efficiency of loan collateral, based on the EPC label. This label was introduced in Europe via the Energy Performance of Buildings Directive (as referred to in the consultation document) – therefore there should not be an expectation that non-EU countries have EPC labels too. In this sense it is necessary to clarify whether the request to 'disclose separately those exposures for which there is no EPC information on the collateral' refers also to exposures in non-EU countries which, as explained, will not have an EPC label.	Templates and instructions have been drafted to clarify this point accordingly. In the former Template 3 (the current Template 2), institutions are expected to disclose information covering both EU exposures and non-EU exposures. The EBA recognises that in some jurisdictions outside the EU similar energy labelling schemes may not be available, and for this reason the template includes a column to cover such cases where the collateral does not have an EPC label.	The EBA amended the templates accordingly.
NACE codes for diversified groups	Whereas the NACE code should be based on the principal activity of the counterparty as per the draft instructions, allocation rules should be clarified for diversified groups and for cases where the asset financed does not have the same NACE code as the counterparty (e.g. specific use of proceeds, SPVs with non-recourse financing to the sponsor(s)).	The instructions have been amended to clarify that in the case of holdings/diversified groups the disclosure should be under the NACE code corresponding to the economic activity of the obligor. Similarly, when the direct counterparty of the institution is a special-purpose vehicle (SPV), institutions must disclose the relevant information under the NACE code associated with the economic activity of that SPV to which the financing is channelled.	The EBA amended the templates accordingly.
Scope 3 emissions in Template 1 and Template 3	Clarification would be appreciated as to whether only scope 1 emissions are requested for GHG emissions in Template 1 under column y and for CO2 emissions in Template 3 under column k, or whether this relates to	The EBA clarified that in Template 1 institutions should disclose scope 1, scope 2 and scope 3 emissions of their counterparties. The reference to GHG emissions in Template 2 (the former Template 3) has been removed.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	counterparties that normally should disclose scope 1 and 2 emissions.		
Question 2. Do the respondents identify any discrepancies between these tables, templates and instructions and the disclosure requirements set out in the underlying regulation?			
Proportionality	Paragraph 20 of the draft ITS takes account of the supervisory requirement for proportionality. Stakeholders do not believe that the defined exemptions are sufficiently far-reaching in proportion to the size and complexity of a credit institution.	Proportionality is taken into account to facilitate institutions' disclosure in a sequential approach and in different phases. The EBA is of the opinion that the size and complexity of the institutions are not a consideration when institutions' exposures are subject to ESG risks. In other words, a small and less complex institution may have a greater climate change transition risk due to its balance sheet composition than a large and complex institution.	No amendments made.
NACE codes between banking book and trading book	There seems to be a difference between the banking book and trading book in the way the NACE code is determined based on the different parts of the counterparty activities.	At this stage, the trading book has been removed from the package.	The EBA amended the templates accordingly.
Question 3. Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?			
Green sectors (specific) and carbon-intensive sectors (generic)	In the absence of a brown taxonomy, the ITS are too broadly defined. They will have, on the one hand, green assets with a rather narrow base based on strict criteria and partial criteria defined in the European Taxonomy, and on the other hand broad sectors of the economy to be considered as 'brown'. In addition, it is unclear whether a green investment in a carbon-intensive sector is to be disclosed also in the carbon-intensive sector	The EBA's proposal is in line with the TCFD recommendations. The EBA is of the opinion that, in the absence of a taxonomy for harmful activities, institutions' exposures to carbon-intensive sectors provide meaningful information to identify institutions' exposure to climate change transition risk.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	exposures. This would be highly misleading in the reading of the tables.	In Template 1, it is also possible to capture the cases where exposures in a carbon-intensive sector have been made towards sustainable activities.	
Key templates for disclosures and less relevant ones for Pillar 3 disclosures	Template 1: the most important one. They recommend a focus on columns a, b, l+m+n (gross amounts), o, v+w+x, and especially the information on absolute financed emissions in column y, and the data quality in z. This should be the basis for public insight into the bank's climate risk profile. Template 3: All columns are feasible. Real estate matters for an insight in a society's progress and the bank's share in that progress. Column k may need refinement: tonnes of CO_2e of financed emissions, or emissions of the property, and, if the latter, over a specific period of time. Template 4 may be too detailed while not serving to provide risk insights. Template 5 could be effective if it were anonymised and followed a hotspot analysis to show the relative exposures in each subsector for a given portfolio.	Templates and relevant instructions have been modified and simplified to focus on the core information, e.g. financed emissions and exposures to carbon-intensive sectors.	The EBA amended the templates accordingly.
Treatment of non-financial corporates fully owned/guaranteed by municipalities	For development institutions, the ITS fully leans on FINREP counterparty sector allocation. This might not fit for purpose of the regulation. Sovereign exposures (defined in the ITS according to general governments as per FINREP) are out of scope, whereas non-financial corporates fully owned by municipalities and/or guaranteed by municipalities are in scope. As the (local) government still bears the ultimate risk for these exposures, the rationale for requiring the assessment purely based on the counterparty sector is unclear. As a	For consistency, the disclosure requirements use the existing definitions from FINREP. When it comes to development institutions or similar, institutions are invited to explain specificities of their activities and disclosures in the narrative accompanying the templates and in their qualitative tables.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	result, the stakeholder requests clarification of whether the sovereign exposures only comprise the general governments as per FINREP, or whether the treatment should be based on the ultimate risk-taker.		
Question 4. Do the respondents agree that the tables with qualitative information proposed capture properly the information that institutions should provide?			
Level of granularity	The qualitative disclosure requirements seem too far-reaching, particularly compared to the requirements from Article 435 CRR for the risk types established technically, as well as the ECB recommendations in the SSM guide on climate-related and environmental risks. In the qualitative disclosure, in particular on the risk management objectives and the risk management policy for ESG risks, information should be disclosed in a way analogous to the requirements of Article 435 CRR. The connection between risk category and risk driver must be taken into greater account and the requirements should be made clearer. On the other hand, one stakeholder emphasised that: - the EBA to focus on the most important information and refrain from requiring too detailed information. A basic qualitative description of integration of climate risks into strategy and organisation should be possible.	This is part of the supervisory expectations that institutions integrate ESG considerations in their business strategy, governance arrangements and risk management framework. This is also in line with the EBA report under Article 98(8) CRD and the definitions and terminology in the ITS are aligned with the concept of this report. This is also the requirement in the CRR as per Article 449a of that regulation. The EBA is of the opinion that the content and the design of the template align with the supervisory expectations. The level of information required matches the level of information needed to assess how institutions integrate ESG risks into strategies, governance and risk management.	The EBA amended the templates accordingly.
Social and governance risk disclosures should be delayed	Disclosure requirements on social and governance risks should be postponed at least until a definition is clearer and a definition of objectives towards social and governance factors or a corresponding taxonomy are finally available. Otherwise, it will be difficult to achieve	Integration of ESG risks in Pillar 3 prudential framework is stated in the CRR. The EBA also published its report on management and supervision of ESG risks for credit institutions and investment firms as per Article 98(8) CRD and Article 35 IFD. In	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	comparability between the institutions. Stakeholders can find corresponding information on social and governance aspects in the non-financial reporting. A duplication of the information does not appear to be expedient. Moreover, these risks should be material from a prudential perspective before starting any kind of Pillar 3 disclosures.	this report the EBA defines ESG factors, risks and transmission channels. The EBA acknowledges that an EU taxonomy is not available for a number of areas such as the social area. This is the reason why the EBA is following a sequential approach and at this stage is limiting the disclosure requirements on social and governance risks to qualitative information only.	
Risk and channels – further clarification	Clarification would be needed regarding the distinction between 'risks' and 'channels', especially when talking about 'liability channels'. Stakeholders acknowledge the wording of liability channels can be traced back to the EBA discussion paper on ESG risks (paragraphs 86–89), but even there no clear distinction is made. Also, definitions used should be aligned through different legislative acts. In our understanding, transmission channels in this context mean the way climate-related risks (physical and transition risks as well as liability risks) materialise into financial risks. A differentiation of the channels in these three categories does not seem entirely appropriate, as the risks themselves are categorised this way but not the channels. The BCBS report on climate-related risk drivers and their transmission channels from April 2021, for example, defines transmission channels as 'the causal chains that explain how climate risk drivers give rise to financial risks that impact institutions directly or indirectly through	The EBA report on management and supervision of ESG risks for credit institutions and investment firms as per Article 98(8) CRD and Article 35 IFD, as published in June 2021. clarifies the terminology. The ITS on ESG disclosures have been amended to align the terminology on this specific point.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	their counterparties, the assets they hold and the economy in which they operate.' There is a further subdivision into microeconomic and macroeconomic transmission channels, but no division into physical, transition or liability transmission channels.		
Scope for transmission channels need further clarification	Clarification would also be welcome on information required in the transmission channels i.e. are institutions expected to provide information about service providers, for instance, or similar operational relationships with the institution.	Transmission channels have been clarified in line with the EBA final report under Article 98(8) CRD. Institutions are expected to provide information about third-party service providers and similar operational relationships on a best effort basis.	The EBA amended the templates accordingly.
Social and environmental risks	There is not enough coverage of how climate/environmental and social risk assessments are intertwined, for instance the transition risks of climate change can involve more social impact, with risks such as changing business models that affect jobs and new skills, a new generation of shareholders in companies that will pressure companies for swifter integration of climate, environmental and social change, impacts of environmentally related migration that might affect particular sectors, etc. The negative impacts of climate change and environmental damage can also be better described in the social risks, e.g. climate-related health issues (e.g. heat waves) that will affect workers (in particular sectors).	The EBA considered some of these examples and included them in the instructions of the revised ITS templates for further clarity. For the interaction between social and environmental risks, the ITS uses the terminology and definitions in the EBA report under Article 98(8) CRD. Please see paragraph 78 of the above-mentioned report.	The EBA amended the templates accordingly.
Paragraph 68 of the CP – time horizon	Definitions of 'short-term', 'medium-term', and 'long-term' would be useful as an additional item to paragraph 68 of the text set out in the consultation paper.	Institutions are expected to define the time horizon according to their risk assessment and analysis. One option would be to consider the maturity buckets	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
		presented in the quantitative disclosures, e.g. Template 1 (the former Template 2). For example, while short-term may refer to a time period of less than 5 years, medium term may refer to a period of between 5 years and 20 years, and long-term may refer to a period of 20 years and more.	
Definition of a sustainable economy	In terms of Table 1, Qualitative environmental risk- row 3 Current investment activities and (future) investment targets in sustainable economy and EU taxonomy-aligned activities: stakeholders indicated that the definition/interpretation of a 'sustainable economy' is the same as 'EU taxonomy-aligned activities'. If they are different, how is a 'sustainable economy' defined, or is this something which would be defined by the disclosing entities?	The EBA reviewed the templates and the instructions to replace the term 'sustainable economic' with 'environmental objectives' to align the terminology with the EU taxonomy.	The EBA amended the templates accordingly.
Risk limits and targets	Row 16 of Table 1 (description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of these limits being breached): for that sort of hard exclusion set by environmental / sensitive sector policies, risk limits are not commonly codified in terms of specific risk limits. Environmental and social risks are frequently assessed on a client level and a transaction level and must be considered on a case-by-case basis. As such the current requirement is unlikely to produce clear, understandable and comparable disclosures between financial institutions. A similar argument is valid for Row 12 of Table 2 (description of the setting of limits to social risk and	Institutions are expected to disclose the necessary qualitative information on their methodologies and, where possible and available, specific examples for such limits and exclusions. The EBA recognises that such limits and targets may be sector-specific and/or client-specific.	No amendments made.

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	cases to trigger escalation and exclusion in the case of these limits being breached).		
Risk limits and targets – confidential information	Row 16 of Table 1 (description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of these limits being breached): this line should be deleted. Internal limits should not be published, as they would give too detailed insight into the institutions' risk management.	Institutions should describe these limits in an appropriate manner, to inform on their risk management approach without jeopardising confidentiality. If such information may breach an institution's confidentiality policies, then the institution can omit such information and explain in the accompanying narrative the reasons for this. It is also important to note that there is a general provision for all Pillar 3 disclosures and there are examples of ITS on Pillar 3 disclosures which require such information. Such information is already disclosed by a number of institutions, e.g. the Equator Principles contain various criteria/limits and some institutions apply these principles to their exclusion policies.	No amendments made.
Disclosing sensitive data on business strategy, etc.	Stakeholders have concerns about competitive disadvantages regarding the disclosure of green funding targets or even the disclosure of data gaps: Disclosures on business strategy and processes (Table 1 and Table 2, line 3): disclosing planned investment activities in green industries is a sensitive competitive factor. Information on risk management (Table 1, line 15): disclosing data gaps is intended to highlight potential weaknesses, even though the development of systems and methodologies for assessing ESG risks is far from	The EBA is of the opinion that the information on targets is necessary to assess the institutions' strategies and approaches to ESG risks. Information on data gaps faced by institutions is necessary to assess the state of play in risk management and degree of advancement/reliability of the information provided, and institutions' approach to remedying these gaps informs on risk management. Institutions should provide this information in an appropriate manner, to inform the users of data on	No amendments made.

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	finished. This disclosure is inappropriate and may result in a potential competitive disadvantage that is not consistent with the regulatory objective.	their risk management approach without jeopardising any confidentiality aspects.	
Quantitative information and quality assurance	Row 14 of Table 1: (results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile): the information is rather quantitative in nature and therefore does not fit the objective of qualitative information. The quality-assured making of statements on the capital and liquidity risk profile of institutions over the intended long period (5–20 years) appears to be almost impossible under the application of (commercial) due diligence.	These dimensions in the qualitative information try to create a link with institutions' quantitative disclosures under the other templates of the ITS. While the EBA acknowledges the challenges associated with these disclosures, this requirement is in line with the supervisory expectations and the TCFD recommendations. Institutions should carry out these assessments to estimate the impact of environmental risk on their risk profile given the availability of data and methodology.	No amendments made.
Engagement with customers	In relation to Table 2, it is not clear how the requirement for engagement with customers on their strategy to mitigate/reduce socially harmful activities might work in practice. For instance, challenges are likely to arise in seeking to ensure that customers are representative of the social risks which firms are seeking to manage – e.g. an EU27 customer might not be representative of particular social risks such as unemployment that is prevalent with transactions in different countries.	Language has been adjusted to clarify that institutions should describe their policies with respect to engagement with counterparties (instead of customers) on how they mitigate social risks.	The EBA amended the templates accordingly.
Definition for labour standards and human rights	Some stakeholders indicate for Table 2 the lack of clarity as to where and by whom labour standards and human rights are defined and set and there is likely to be further work needed on the alignment of social risk with remuneration policy.	Where possible and necessary the instructions refer to existing international and European policy framework and benchmarks, for example, the Ten Principles of the UN Global Compact, ILO Conventions and Recommendations; OECD Guidelines for	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
		Multinational Enterprises; and the UN Guiding Principles on Business and Human Rights. The requirement on remunerations is in line with the EBA report under Article 98(8) CRD.	
Governance aspects	Some of the main issues that stakeholders would like to raise concern: (i) fragmentation risks given the granular nature of these disclosures in the absence of internationally agreed standards approved by the NGFS; (ii) the potential for duplication and fragmentation with regard to existing and prospective corporate reporting requirements under the ECB guide on climate-related and environmental risks, the proposals for amendments to the EU Non-Financial Reporting Directive and TCFD / national corporate reporting obligations; (iii) the complication of bank group governance structures by requiring different governance models for EU subsidiaries for institutions incorporated outside of the EU; (iv) poor and/or absent definitions of environmental and social risks will make implementation of the requirements problematic; (v) the lack of ESG data in certain fields, including concerns with the verification/completeness	Firstly, as far as points (i) and (ii) are concerned, the ITS define requirements in accordance with the EBA mandate in the CRR, which will apply on a mandatory basis. The regulatory products build on available standards (e.g. TCFD) and best current practice, and the future revised NFRD/CSRD will help institutions in their disclosure obligations through improved corporate reporting. Regarding point (iii), the ITS do not require different governance models but reflect ESG considerations in the governance models institutions may have adopted. With respect to point (iv), as previously mentioned in this feedback table, the ITS rely on the definitions provided in the EBA report. This is also mandated under Article 449a CRR. Finally, the EBA acknowledges the challenges institutions may have in relation to the lack of data availability. While corporate reporting obligations in the short and medium term are expected to remedy this challenge, institutions are also expected to collect	No amendments made.

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	of such data and legal/regulatory liability this may give rise to.	necessary information from their counterparties via their loan origination and monitoring processes.	
References to other documents is confusing	The EBA P3 ESG risk disclosures should aim at jointly minimising the duplicity and overlaps, and maximising the aforementioned enhancement, without imposing an extra burden for the credit entities. Stakeholder suggests that P3 ESG risk disclosures should be the reference document and bring together all the relevant information, instead of referring to the other documents and their links, to avoid overburdening stakeholders with a bunch of multiple references so they can understand and take their decisions better.	While the EBA understands the need for simplicity and the convenience of having all information in a single regulation, this is not always possible.	The final draft ITS have been thoroughly revised to include definitions and instructions that are as comprehensive as possible, and keeping cross-references to other legal texts and documents when necessary.
TCFD report	Some stakeholders propose that the three qualitative templates be replaced by the TCFD report. As TCFD standards are recognised at international level, they ensure comparability among institutions and a level playing field with non-EU institutions.	Pillar 3 disclosure requirements are aligned with the TCFD recommendations. In addition, as per Article 449a CRR, the EBA is mandated to develop Pillar 3 disclosure requirements on ESG risks following the definitions and terminology set out in the EBA report under Article 98(8) CRD.	No amendments made.
Governance aspects of ESG risks – common definitions	On governance, when requiring institutions to put in place relevant risk frameworks, it is key to ensure that the management body is defined as in CRD V and that there is room for the Member States to task the management body in its management function and the management body in its supervisory function in accordance with local law. Indeed, the management	The governance aspects in the requirements on Pillar 3 ESG disclosures are aligned with the EBA Guidelines on Internal Governance.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	body in its supervisory function must not be tasked with the day-to-day management, including granular objectives and policies.		
Double materiality is not sufficiently captured	The draft ITS are fit for the purpose of the underlying regulation. However, in respect of the former NFRD (now CSRD) the concept of double materiality should apply to disclosure on the basis of the contribution to environmental risks as well as the crystallisation of financial risks from environmental risks. This is insufficiently captured in some of the tables relating to physical and transition risks.	Double materiality should be considered in institutions' disclosures. The EBA included an explicit statement on this in the recital of the final report on the ITS. To this end, double materiality, as far as institutions' Pillar 3 disclosures are concerned, should be limited to a secondary impact that institutions' activities may have on their risk profile.	The EBA amended the templates accordingly.
Quantitative information needed	Solely qualitative disclosure on governance is not consistent enough and does not provide sufficiently objective and accurate information to the public. Rapid advances in data availability, analysis and storage mean that entities will increasingly have the inputs needed to also generate quantitative disclosures for governance risk. One stakeholder is of the view that quantitative governance risk disclosure will add significant value to reporting standards. The stakeholder recommends that the EBA include quantitative disclosures in the ITS on Pillar 3 disclosures, in particular as regards risks pertaining to money laundering and financing terrorism. These risks a) are directly related to environmental risks and therefore essential to building a comprehensive framework for ESG disclosures, as well as providing for more policy coherence within the EU, and b) provide greater consistency, reliability and comparability.	The EBA is following a sequential approach in the ITS proposal. The proposal includes quantitative disclosures, e.g. KPIs on climate change mitigation and climate change adaptation, only because the EU Taxonomy Regulation includes technical screening criteria and other criteria in relation to these environmental objectives. In line with the policy developments at the EU level, e.g. extension of the Taxonomy Regulation to other objectives, the EBA is going to review and revise the ITS to incorporate these new aspects.	No amendments made.

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Single template for qualitative information	Qualitative information should be gathered on a single table as the definitions of E, S and G factors are linked and need to be described together. In order to better capture the information, one stakeholder recommends the merger of the three tables into one transverse table.	The EBA is of the opinion that E, S and G aspects require individual consideration in Pillar 3 disclosures. While the developments in each of these risk categories are not at the same level and speed, it is crucial to consider these aspects separately while acknowledging their interaction as well.	No amendments made.
Liability risk	The liability risk / liability transmission channel is a concept to be included in 'transition risk' in the TCFD recommendations. Separating them and deviating from global standards might cause fragmentation.	The EBA report on management and supervision of ESG risks for credit institutions and investment firms (under Article 98(8) CRD and Article 35 IFD) treats liability risk not as a transmission channel but as linked to legal risks. To this end, it is aligned with the TCFD recommendations. In the report, it is stated that legal risks – also referred to as liability risks or litigation risks – are sometimes considered either physical or transition risks. They could, however, also be considered a separate risk category as they may not only arise from climate-related and other environmental risks but also from social and governance risks. The terminology in the ITS has been revised in line with the EBA report.	The EBA amended the templates accordingly.
Exposures sensitive to ESG risks – further clarity	Qualitative disclosures states that institutions shall disclose 'Processes to identify activities and exposures sensitive to each ESG risk category'. Some stakeholders would like the EBA to clearly define the scope so that market participants can make a fair comparison of disclosures.	Institutions are expected to adopt such considerations including the sensitivity of their exposures to ESG risks, in their policies and procedures for their own risk management purposes. For example, material exposures towards high-carbon sectors may mean transition risk for institutions. Similarly, if institutions have a significant amount of real estate as collateral in flood zones, this	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
		may lead to physical risk for institutions' secured exposures.	
Explicit coverage of ethical considerations and social inequality	Ethical considerations should be made more specific, including goals relevant to social ethics such as limiting inequalities within the company, and contributing to social fairness in society. It would be helpful to include inequality and diversity in 3(iii) of Table 3 'Qualitative information on governance risk'.	The templates and the instructions clarify the considerations under social and governance risks in line with the EBA report as per Article 98(8) CRD. Aspects related to inclusiveness and inequality are covered in social aspects and related to both labour standards and societal aspects.	No amendments made.
More aspects to be explicit in the tables	There should be additional information required on the qualitative social and governance risks. Some examples of additions to qualitative information on social risks are: - business strategies & processes. customer safety, protection and privacy; discrimination; abiding by transparency requirements related to lobbying; - governance: how much internal capacity is being built (with how much resources) and how much information for social risk assessment is reliant on external capacity (external ESG ratings, consultancies, social audits, etc.); - risk management: identify sectors in loan & trading book with enhanced social risks (e.g. agriculture (migrant workers, low wages), mining (affected communities), garment industry (low wages), ITC products (unhealthy working conditions) and enhanced chance of being under public and political scrutiny; 11. social risks to be identified include change of consumer behaviour, discrimination an inclusiveness	The EBA considered some of these examples and included in the instructions of the revised ITS templates for further clarity.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	issues, scenarios about increasing inequality (which might affect companies' profitability), social impacts of climate change, climate adaptation and environmental damage. Some examples of additions to qualitative information on governance risks are: - governance indicators - alignment with Paris Agreement: below 2 degrees (not 2-degree scenarios), preferably 1.5-degree scenario, alignment with (soon to be agreed) agreement against tax evasion strategies ethical considerations and transparency should also include information on tax payments per country; disclosure of lobbying positions, activities, expenditure and internal decision-making responsibility.		
Question 5: Regarding Template 1, 'Banking book – climate change transition risk: credit quality of exposures by sector', do the respondents agree with the proposals in terms of sector and subsector classification included in the rows of the template and the identification of the most exposed sectors in columns f to k and p to u?			
Premature to include ESG risk and asset quality in P3 disclosures and supervisory reporting should collect information, if needed	The inclusion of quantitative information about ESG risk factors and their impacts on common risk categories in the Pillar 3 disclosure is premature. As of today, the conceptual and regulatory frameworks, and the associated methodologies to set a systematic, robust, and quantitative link between ESG risk factors and credit risk do not exist. Consequently, templates should not mix up ESG non-financial data and risk parameters. The link with risk parameters (PD/performing/non-performing/ stage 2 / accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions) does not seem to be justified and it is	The EBA acknowledges some of the arguments and as a result simplified the template. In addition to this simplification, in this template the reference to PD and columns on other carbon-intensive sectors has been removed. The EBA is of the opinion that although more work should be done to investigate the potential link between the risk and environmental aspect of an asset, it is important to see the extent to which institutions are currently holding assets connected with carbon-intensive sectors. This would help data	The EBA amended the templates accordingly.

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	premature to publicly disclose this information. Stakeholders argue that it should be disclosed under supervisory reporting only, and if needed. Similarly, one stakeholder also argued that linking PDs to exposures/sectors could lead to misinterpretations and to the drawing of some wrong conclusions that do not rely on solid empirical evidence. Stakeholders added that the NGFS acknowledged that it was not possible to reach a strong conclusion on a risk differential between green and brown assets in its May 2020 'Status Report on Financial Institutions' Experiences: from working with green, non-green and brown financial assets and a potential risk differential'. Furthermore, some stakeholders indicated that the P3 requirements seem to suggest that the fact is already established that brown assets today are somehow riskier whereas the EBA has not performed its Article 501c CRR2 mandated assessment yet and the NGFS study was unable to conclude on such a risk differentiation at this stage. Taking concrete examples, electric car manufacturers are subject to technology risk (cf. competition of hydrogen-based devices) and would likely show a lower credit quality than oil and gas companies which face very moderate credit risk in the short term. Also, a good green business can be poorly managed. The PD may thus be higher for certain green activities than for carbon-intensive sectors.	users and market participants understand the extent to which these institutions are exposed to transition risk. The template also accounts for environmentally sustainable activities in those carbon-intensive sectors and carbon-intensive companies. As a result, there is greater transparency when it comes to specific exposures institutions may have in these sectors.	
Disclosure on exposures excluded from Benchmark	According to the proposed P3 requirements, exposures that do not qualify for inclusion in a sustainability benchmark according to the Benchmark Regulation	The EU regulation on minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks provides a framework for data users to	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Regulation should be dropped	should also be disclosed. This requirement is too far-reaching. The Benchmark Regulation is not relevant for all institutions. However, with the requirement to report in Pillar 3 about exposures that do not qualify for inclusion in a sustainability benchmark according to the Benchmark Regulation, institutions are forced to implement an additional verification routine and flag exposures accordingly. Pillar 3 should not create new requirements, but report on what institutions are already obliged to do anyway. In stakeholders' view, it is sufficient if institutions report on the share of other risk positions (as a residual figure without further breakdown) within the framework of Pillar 3. A subdivision into sustainable exposures and exposures that are exempt from the Benchmark Regulation does not increase the usefulness of the reporting but only the complexity of the disclosure. Therefore, the corresponding reporting requirement ('Of which exposures towards companies excluded from EU Paris-aligned benchmarks under points (b) to (g) of Article 12.1 and Article 12.2 of the Climate Benchmark Standards Regulation') should be deleted.	understand the extent to which institutions' exposures are directed towards economic activities that are known to be unable to converge to a sustainable economy. While it is important to capture the information on the share of activities that are aligned with the EU Taxonomy in a given carbon-intensive sector, it is equally important to understand in that sector the exposures towards polluting companies, and hence those that are not aligned with the goals of the Paris Agreement and European Green Deal, as per the criteria set out in the EU regulation.	
Interaction between rows and columns is unclear	The interaction between the rows and columns is not entirely clear, for instance sectors are presented in rows, while 'carbon-intensive sectors' are required also in the columns to the table.	The EBA has removed the columns requesting information on carbon-intensive sectors.	The EBA amended the templates accordingly.
NACE vs. GICS codes	The split by sector in the templates (e.g. Template 1) is based on NACE sectors. An equivalent split based on GICS codes by the EBA as well would be beneficial to avoid discrepancies. Since there are several international banking groups that are using GICS for internal steering/decision-making purposes, the climate	In its proposal the EBA is using NACE as this is the EU classification that is widely used and it is also in line with the EU Taxonomy. The EBA notes that there are a set of industry initiatives, including under the Platform on	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	footprint could look different depending on the industry classification type. The NACE classification, as put by one stakeholder, focuses more on the immediate activity of the client and might be less appropriate to capture climate risks. Therefore, to guarantee a consistent approach in internal and external steering and reporting, there is a need to obtain a correct translation and linkage from NACE to GICS. One example was given to illustrate the case: an SPV (special-purpose vehicle) of a big commercial group that is only created for the purpose of capital markets funding would fall under the NACE category of financial services, whereas in reality the business that they are financing, and the footprint associated to it, would be the one of the commercial group they are part of. Based on the above the stakeholder requests the EBA to offer: a) an official equivalent split to the needed granularity level for GICS to ensure all GICS-based institutions are reporting in a uniform manner and without discrepancies; b) practical guidance on how to approach such situations as the one exemplified above i.e. whether in the large corporate organisational set-up the NACE of the immediate counterparty (financial services – based on the immediate activity of the counterparty/SPV) or the one of the main activities of the group is to be used.	Sustainable Finance and EFRAG, that are working on such mapping between NACE categories and other classifications such as GICS. As regards the specific example on the NACE category of the counterparty at subsidiary level or consolidated holding level or from an SPV point of view, please see the EBA answer above, under question 1.	

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Consistency in NACE codes	As to the use of NACE codes, currently IT systems do not have the capacity to refine NACEs to the degree of granularity required, i.e. with multiple NACEs per counterparty. One NACE per counterparty is often not sufficient. One stakeholder also notes that while in Template 1 the breakdown is by NACE codes (i.e. no retail) in Template 7 real estate information is required both for real estate corporates and for real estate retail, which would make reconciliation of information extremely hard, also with a view to the potential audit of Pillar 3.	Please see the EBA answer above for the NACE categorisation of the counterparty. In terms of real estate information, please note that the objective of Template 1 is to capture information on institutions' exposures to non-financial corporates that may be subject to transition risk, while in Template 7, which focuses on physical risk, it is important to capture the information on both commercial real estate and residential real estate. Template 3 aims to capture the transition risk that institutions' exposures may be subject to on both commercial real estate and residential real estate.	No amendments made.
Definition of carbon-intensive sectors	In columns i to k and s to u, the definition of sectors which are more intensive in terms of GHG emissions is not fully clear, as well as what the threshold is for 'more intensive'. The individual assessment of the sectors can lead to incomparability of disclosed information among institutions.	The EBA has removed the columns requesting information on carbon-intensive sectors.	The EBA amended the templates accordingly.
Look-through for emissions in NACE code K (Financial & Insurance Activities)	Under NACE code K: Financial & Insurance Activities, there should be a specific footnote on the requirement for a transparent look-through. In other words, financial institutions financing activities via intermediaries must use best efforts in due diligence to look through the financial intermediaries being financed (whether inside or outside the EU) in order to disclose the financed scope 3 emissions on the financial intermediaries' books via their activities. Without such a measure, a loophole is opened which could perversely incentivise institutions (many of which are committing to net zero balance sheets) to evade disclosure through structuring finance	The ITS do not introduce specific rules for NACE code K. As far as scope 3 emissions of institutions' counterparties are concerned, these could be taken into account on a best effort basis and given the available methodology and data. Furthermore, if the financial intermediary is part of the consolidated group, the final borrower will be captured, as disclosures are on a consolidated basis (regulatory scope of consolidation), no matter	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	via lending to non-banking or non-EU intermediaries. This would be highly counterproductive and would undermine existing EU legislation on emissions reduction.	whether the intermediary is in the EU or outside the EU. If it is not part of the group, the NACE code of exposures towards financial institutions should be that of the immediate counterparty, that is, NACE code K.	
NACE codes and methodology (further clarification needed)	Lack of clarity regarding the methodology to break down counterparties' activities by NACE codes: the ITS do not provide clear instructions as to how the NACE code breakdown should be considered at the counterparty level. Some guidance was introduced in the instructions to the templates, but could be found only for Template 1, leaving questions as to the methodology to use for the other templates. Two methodologies may be considered by the EBA: Firstly, institutions are expected to report on the basis of one NACE code for one counterparty as is intended by the EBA for Template 1: this methodology has the advantage of being aligned with current practice under other reporting such as FINREP. However, questions remain on the methodology to use for counterparties that might fall under a NACE code that does not fully represent the economic activity of the company (example: holdings). Secondly, institutions are expected to report all activities in which one counterparty is active, hence using several NACE codes for one counterparty: this methodology seems to be more aligned with the EBA's intentions under the information 'of which exposures towards other carbon-intensive sectors' required in the proposed Template 1 and Template 6. Indeed, to report this information, institutions would need to know all sectors	The EBA clarifies that institutions should report on the NACE code corresponding to the principal economic activity of the counterparty with the exception of some cases such as holdings, SPVs or similar entities. In the case of holdings and SPVs, please see the EBA's reply above under question 1. This clarification applies to Template 1 and Template 5, as NACE codes appear in these two templates only. In terms of the alignment between the EBA proposal on Pillar 3 requirements and the NFRD/CSRD, please see the EBA answers above.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	in which a company is active and hence adapt their IT systems adequately. As for the first methodology, questions remain on NACE codes that do not fully represent the economic activity of a company (example: holdings). In addition, the use of such a methodology by institutions should be conditional on the following: 1. Effective CSRD implementation: due to data availability issues, in particular for non-NFRD counterparties, such a methodology cannot be required from institutions before the CSRD has entered into application. 2. The EBA should set representativeness thresholds under which there is no reporting obligation (example: only activities that represent more than x% of the company's turnover should be reported by institutions). 3. Institutions may make assumptions about how to make this split using different methods, so the EBA should clarify whether this will be allowed and if so it will be important to provide definitive guidance in order to ensure comparability.		
Net (offsetting) CO2 emissions	Some believe that compensating action that lead to a reduction in net CO2 emissions should be taken into account, as measures to compensate for CO2 emissions will gain in importance in the future, as a result of which CO2 is saved elsewhere. This will apply in particular if there are no other options for reducing direct CO2	The objective of Template 1 is to capture institutions' exposures on their banking book that are subject to transition risk. This information also shows the extent to which institutions' exposures are assessed to be environmentally sustainable. In the future, the EBA	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	emissions. On the one hand, the policy should account for voluntary compensating action, e.g. in accordance with the Verified Carbon Standard, or compensating action in accordance with the Clean Development Mechanism. This applies to both borrowers and institutions. Compensating action that leads to a reduction in net CO2 emissions should therefore be taken into account. It should therefore be made clear in the instructions that with regard to the exposure of the borrower, the CO2 emissions are shown after the CO2 offsets. Alternatively, conceivable but more complicated to implement, would be the indication of gross and net CO2 emissions. However, this would require that this information is then part of the digital financial report in the future. In addition, information should also be provided for corresponding CO2 offsets by the institutions, especially if these are used to offset the financed scope 3 emissions. However, as this issue is very complex, the industry may not be in a position to reach a consensus before June 2024. Therefore, it seems unrealistic that scope disclosures for all sectors by 2024 will be reported in a meaningful comparable manner. Stakeholders therefore believe as an alternative that meaningful reporting to supervisors/surveys should be explored instead until robust methodologies for institutions are developed at EU level.	may consider the offsetting dimension as more robust methodologies become available.	
NACE categorisation cannot distinguish different (green) activities	The objective of Template 1, and the other corresponding templates with the sector/subsector breakdown, should be to allow the public to recognise the concentration of potential transition risk. By	Template 1 tries to capture exposures that are classified as environmentally sustainable even though they are originated in carbon-intensive sectors. Institutions are also invited to include in their	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	triangulating columns f to k and p to u (according to Article 5 of the Climate Benchmark Standards Regulation), it is possible for the public to gain a first-level understanding of the concentration of potential transition risk. It is worth noting, however, that the sector/subsector breakdown does not allow for a distinction of firms that may be classified among the 'most exposed sectors', yet are actively contributing (in a positive way) to Sustainable Development Goals. We can point to organisations such as mining companies that produce lithium for batteries, construction firms specialised in energy-efficient buildings, or automotive firms which produce only EVs. The figures of these likely 'green' firms will be grouped together with other comparatively 'brown' firms. Though this may be a limitation of the current statistical classification framework, the EBA may wish to distinguish between what the institution considers to be green/brown exposures. One stakeholder said that while believing that a sectoral approach such as the one included in the rows is relevant (except with regard to the tobacco sector which is not relevant for climate risk), the sector classification has not been stabilised and sectors with NACE codes from A to L may not all be considered to be 'high contributors to climate change', while in operational terms the granularity of sectoral information remains a challenge as there is a lack of available and comparable data including on 'the subsectors' included in the row.	accompanying narrative any additional explanation that may clarify their environmentally sustainable activities.	

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	The quality of subsector data still needs improvement as institutions currently only produce Pillar 3 disclosures at sector level. The NACE codes also need updating. Stakeholders suggest including more of the NACE sub-codes for green activities, such as the decommissioning of oil and gas. NACE codes should also allow for better specification of the actual (detailed) economic activity level. For example, D35.11 (electricity generation) does not make a distinction between electricity generated by renewables and non-renewables. It is desirable to have such a split. They also suggest considering alignment with FINREP requirements to avoid reconciliation discussions on breaking down by NACE codes and to provide clarity for external users.		
Question 6: Do the respondents agree with the proposal included in Template 1 and Template 3 to disclose information on scope 3 emissions and with the transitional period proposed?			
Scope 3 emissions	Some stakeholders disagree with the disclosure of scope 3 emissions: they believe that disclosing the total scope 3 exposure to all sectors is not possible and does not make sense given its difficulty, at least in this current nascent stage. One stakeholder also emphasised that as this issue is very complex, the industry may not have reached a consensus for the methodology before June 2024 and it seems unrealistic to have to disclose scope 3 for all sectors by 2024 in a meaningful, comparable manner. On top of that, such disclosure is not very useful as it is a point-in-time metric and it does not reflect the strategy of institutions to decarbonise their portfolios.	Scope 3 emissions of institutions' counterparties, e.g. financed emissions that are counterparties' emissions associated with institutions' lending and investment activities, are very important for institutions and users of data, and the EBA is of the view that they should be included in Pillar 3 disclosures. The EBA also acknowledges data and methodological challenges in the identification and measurement of scope 3 emissions. While this is still in a nascent stage, there are industry practices available and institutions are expected to start developing methodologies to calculate scope 3 emissions sooner than later, in a reasonable timeline.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	GHG emissions should be focused on those activities that are more relevant and where methodologies are already available or will be (available). They propose to focus only on those sectors included in the UNEP FI Guidelines for Climate Target Setting for Institutions (agriculture; aluminium; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport).	As the EBA acknowledges these challenges, the ITS introduce a transition period to facilitate institutions' preparation for disclosures.	
Importance of disclosing GHG emissions	One stakeholder stated that the scale of the climate challenge is massive and the role of the financial sector in accelerating the transition to a net zero emissions economy is essential. Five years after the Paris Climate Agreement was reached in 2015, the largest institutions have still invested nearly USD 4 trillion in the fossil fuel sector with no downward trend and no assessment of the climate impact of that finance. This status quo will never lead to Paris alignment, highlighting the importance of GHG accounting, especially in the financial sector. At a minimum, the GHG emissions financed by financial undertakings in the European Union should be known, to enable science-based target setting and tracking progress towards a zero-carbon economy. There are industry-led approaches to measure or estimate and monitor financed emissions following the GHG Protocol and there is no reason left not to start disclosing financed emissions. For example, the Partnership for Carbon Accounting Financials (PCAF) directly addresses emissions management through its Global GHG Accounting and Reporting Standard for the	The EBA acknowledges the importance of institutions' disclosures of their counterparties' scope 3 emissions, e.g. financed emissions that are counterparties' emissions associated with institutions' lending and investment activities. For this reason, Template 1 requires institutions to disclose such information. The EBA also recognises the challenges institutions may have in relation to data availability and methodology. For this reason, the ITS also introduce a phase-in period for institutions to build up their infrastructure for this purpose.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	Financial Industry, which enables financial institutions to measure and disclose the absolute GHG emissions of their loans and investments. The Standard, which is built on and backed by the GHG Protocol, was the response to industry demand for a global, standardised GHG accounting approach. The PCAF aims to trigger action through transparency, an effective antidote to greenwashing. Its primary metric for disclosure is absolute financed emissions, expressed in tonnes of CO2e. Although methodologies for scope 3 emissions for institutions are not fully mature yet, they will only mature if regulators force the sector to use them and improve data quality, while accepting lower data quality in the meantime. This is why column z in Template 1 matters: this one should show improving quality over time.		
One-year deferral for scope 3 emissions	One stakeholder is requesting deferral of the initial disclosure of scope 3 information by one year, from June 2024 to at least June 2025, because the IT data process needed to do this must first be established on a sufficiently broad basis, and the focus is currently on implementing other comprehensive new sustainability-related EU requirements.	The EBA acknowledges the importance of institutions' disclosures of their counterparties' scope 3 emissions, e.g. financed emissions that are counterparties' emissions associated with institutions' lending and investment activities. For this reason, Template 1 requires institutions to disclose such information. The EBA also recognises the challenges institutions may have in relation to data availability and methodology. For this reason, the ITS also introduce a phase-in period for institutions to build up their infrastructure for this purpose.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Scope 3 emissions – scope of clients	Reference to scope 3 is clear in terms of financed emissions of clients. However, it is not explicitly stated what scope of client emissions should be reported. For instance, how is scope 3 for the mining sector (e.g. coal and lignite) accounted for, e.g. is it the downstream (scope 3) emissions associated with using coal as a fuel?	Scope 3 emissions should be disclosed on a best effort basis and the supervisory expectation for disclosures is to cover the most relevant sectors, for example in line with the PCAF approach. The sector list of PCAF aligns with the phased-in approach for scope 3 emissions as defined by the EU TEG, which was included in Article 5 of Commission Delegated Regulation (EU) 2020/2018 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. This means that financial institutions should start including scope 3 emissions for the oil, gas, and mining sectors from 2021 onward and additional sectors will be added in sequence in line with the timeline indicated, e.g. starting from 2024. The EBA recognises the challenges to calculate scope 3 emissions. For sectors where data and methodological challenges exist, institutions should follow the GHG Protocol and its 15 stages, both upstream and downstream. This is the approach in the EU Supplement on reporting climate-related information. In addition, as explained in the TCFD guidance on metrics and targets, institutions need to be transparent about the challenges in collecting that type of information and also avoid double counting to the extent possible.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Column z of Template 1 – clarification needed	The EBA should specify what is meant in column z by '% of the portfolio (EUR) covered by data disclosed by individual firms', i.e. whether it refers to public information, or to information bilaterally collected by institutions from their customers.	The objective of this disclosure is to understand the extent to which the information on a counterparty's emissions is based on actual data, e.g. as opposed to estimates. The revised wording refers to 'derived from company-specific reporting'. This means that it is related to counterparty disclosures, internal reporting and bilateral exchange of information between the institution and the counterparty.	The EBA amended the templates accordingly.
EPCs for GHG emissions	In order to comply with the EBA's request to calculate the CO2 emissions generated by the loans collateralised by commercial/residential immovable property, per country, institutions need European authorities to provide an equivalence table among all European EPCs, as the EPCs are not harmonised (even in a same country) and the evaluation may differ a lot. The current work on the European Energy Efficient Mortgage Label undertaken by EMMI should also be leveraged and accelerated to provide Europe-wide comparability.	The EBA recognises the lack of a fully harmonised framework on EPC labels across the EU. To this end and in order to facilitate the comparability of the information disclosed, the EBA amended the template. In this revised template EPC label information is accompanied by the energy efficiency of the immovable property collateral in terms of kWh/m². Also, the column on the information on CO2 emissions has been deleted.	The EBA amended the templates accordingly.
Energy labelling should be supported with additional information	Energy performance labels provide essential information but in various formats. The aggregation of the information is likely to be difficult. For information to be comparable, it seems that it would be advisable to enter into detailed references to the relevant labels in the various countries, and to provide an explicit index calculation procedure.	The EBA recognises the lack of a fully harmonised framework on EPC labels across the EU. To this end and in order to facilitate the comparability of the information disclosed, the EBA amended the template. In this revised template EPC label information is accompanied by the energy efficiency of the immovable property collateral in terms of kWh/m². In addition to this, Template 3 removes the country breakdown.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
EPCs for mortgages	The EBA emphasises that mortgages to private households make up a significant part of the retail book and explains that already existing energy performance certificates (EPCs) can be used to determine the related ESG risks of the underlying asset (the immovable property). This is reflected in Template 3, which specifically lists EPC categories for immovable properties. One stakeholder highlights the fact that while they support the use of EPCs, these are not always available. Furthermore, there is a significant difference in gathering EPCs for new loans and existing loans. The stakeholder therefore propose for mortgages in general to allow a range and hierarchy of available data sources following national building regulation, giving the highest priority to EPCs, followed by the year of construction. The latter provides a clear link to suitable national building codes prescribing criteria for energy-efficient new buildings and can be centrally validated. Strategically, the stakeholder recommends and supports developing publicly available national registers of EPC data as already available in some EU Member States.	The EBA recognises the lack of a fully harmonised framework on EPC labels across the EU. To this end and in order to facilitate the comparability of the information disclosed, the EBA amended the template. In this revised template EPC label information is accompanied by the energy efficiency of the immovable property collateral in terms of kWh/m². In addition to this, Template 3 removes the country breakdown. The template also accommodates the cases where the collateral does not have an EPC label and institutions use estimates for these cases.	The EBA amended the templates accordingly.
Single loan with several collateral items	Calculation of EPC in case a single loan is covered by several collateral items with different EPC levels?	This is something that the EBA is clarifying in the instructions. In cases where a single loan is linked to more than one collateral item with different energy efficiency levels or EPC labels, then the bank should take the weighted average of the value of the collateral items to determine the average energy efficiency allocated to the loan.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Question 7: Do respondents agree that information in terms of maturity buckets by sector proposed in Template 2 is relevant to understanding the time horizon of when the institution may be more exposed to climate change transition risk?			
Contractual maturity vs. residual maturity	Maturity of exposures broken down by economic sector is relevant to assessing exposure to climate change transition risk factors. Considering the fact that Pillar 3 disclosure regarding maturity ladders is based on the liquidity risk management framework, the EBA should confirm which reference should be taken into account for filling in the template. The stakeholder acknowledges that loans and advances should be reported with their contractual maturity dates and residual maturity.	The disclosures on this information should be done on the residual maturity of the loans and advances.	The EBA amended the templates accordingly.
Maturity buckets vs. decarbonisation trajectory	A missing element in seeking to understand exposure to transition risk is the extent to which the carrying amount in each bucket may be misaligned according to a selected decarbonisation trajectory and as used for disclosure in Template 4. This is particularly important for the continued financing beyond 2025-30 of production volumes associated with oil, gas and coal extraction. The stakeholder suggests showing the different metric buckets linked to alignment results and showing the maturity of aligned and misaligned exposures.	The EBA is of the opinion that integrating the decarbonisation trajectory into this template may be complex and the costs may exceed the benefits. In the ITS proposal the EBA is already including a template on institutions' sectoral alignment to sustainability goals.	No amendments made.
The information on buckets does not indicate systemic risk	Whilst relevant, this is not contextualised with the likely renewal rates. This also does not take into account the contribution to systemic risk – e.g. whilst shorter tenures may help to mitigate climate-related financial transition risks, they do not materially impact the risk to the environment, especially if renewed.	Maturity is included in disclosure templates because it is more likely that the transition risk and physical risk manifest on institutions' balance sheets as the maturity of the exposure is longer.	No amendments made.
Question 8: Do respondents agree that information in terms of alignment metrics and relative scope 3 emissions proposed in Template 4 is relevant to understanding and comparing the transition risk phased by institutions? What are the respondents' considerations with regard to the alignment metrics proposed and the sectors that should be covered by this disclosure? Do respondents agree with the transition period proposed?			

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Use of carbon intensity	Carbon intensity is not provided for some sectors, which it is covered by some methodologies but not for all sectors. The ability to provide this information will depend on how methodologies evolve, and whether these methodologies will be able to cover all sectors and segments, and it is not possible to foresee how this will evolve over the next three years. The use of the proxy through company turnover could lead to volatility in the metric.	The EBA believes that this is an important tool to understand institutions' efforts to align their activities with sustainability goals. While the methodology and data availability may be a challenge at this stage, institutions are expected to disclose this information on a best effort basis.	No amendments made.
More flexible approach to Template 4 is needed	Stakeholders would propose that Template 4 remains flexible: for the rows, institutions should be allowed to report on the sectors and NACE sectors on which they have performed the analysis of the alignment of their credit portfolio in a 2-degree scenario; for the columns, institutions should be allowed to disclose the alignment metrics they have defined in their methodologies. The EBA should not be prescriptive in terms of sectors and KPIs. Stakeholders consider Template 4 of the consultation as an example but not as a mandatory common template.	The EBA reviewed and revised the template to make it more flexible. While major sectors in the rows are set, institutions are expected to allocate relevant subsectors. The template takes IEA net zero by 2050 as the main scenario for the analysis.	The EBA amended the templates accordingly.
Metric units should be clarified	- Power: 'average share of high-carbon technologies (oil, gas, coal)'. It needs to be clearly specified whether the share of oil, gas and coal in terms of the production volumes (i.e. not weighted by prices), production costs or revenues is meant. - Fossil fuel combustion: 'average share of high-carbon technologies (coal)'. It needs to be clearly specified whether the share of coal in terms of the production volumes (i.e. not weighted by prices), production costs or revenues is meant. - Transportation sector, 'average share of high-carbon technologies (ICE)'. This metric is unclear.	The units refer to the production volumes.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Replace H49.3 Other passenger and transport	Two stakeholders suggested replacing 'H49.3 Other Passenger and transport' by Autos Original Equipment Manufacturers (OEMs), or by shipping and aviation.	The EBA reviewed and revised the template accordingly.	The EBA amended the templates accordingly.
Forward-looking information should not be included in P3 disclosures but in non-financial reporting only	Pillar 3 reporting should only represent the risks to which a bank is exposed at the time of the reporting. For consistency purposes with the Pillar 3 report as currently existing, one stakeholder believes that the ESG risk templates should only focus on risk exposures at the time of the reporting, and not include forward-looking information. Consequently, they recommend the EBA to delete Template 4 from the draft ITS.	In order to capture the risk profile of the institutions in specific risk areas such as those stemming from climate change, it is important to understand how institutions are taking measures and actions to alleviate and manage these risks. Since climate change risk (transition and physical) has a long-term forward-looking dimension, and including such information is crucial. To this end, the EBA is of the opinion that this template should remain in the ITS proposal.	No amendments made.
Gross carrying amount vs. fair value (inconsistency)	Under Annex I, information is required at gross book values, but at fair value in accordance with Annex II. Stakeholders do not believe this is consistent and, in light of differences in accounting principles, consider gross book values are appropriate.	This is corrected as gross carrying amount.	The EBA amended the templates accordingly.
Further clarification and methodological guidance	It is desirable that the EBA provides detailed methods (e.g. allocation rule for general purpose business loans given to integrated companies): - Examples of alignment metrics are described in Template 4. (e.g. power: average tones of CO2 per MWh) - In many cases, even if companies are categorised to the Electricity or Mining sector in NACE, their businesses range over various sectors (especially integrated companies such as Total). - If institutions grant general purpose loans to those companies, a portion of the loan is used for the power or	The EBA approach to the ITS does not make the differentiation between general lending and lending where the proceeds are known. For this reason and in order to keep consistency in disclosures across the templates, including for general lending, information should be based on the principal activity of the counterparty.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	mining business. So, institutions have to calculate financed emissions by taking this into account.		
Unit of alignment metric	It is not clear what is meant by the EBA for the measure of emission intensities in some sectors when both a production of emissions per carbon intensity for the sector and a mix of high-carbon technologies are indicated. Does it mean there would be a choice for disclosing institutions between the two indicators?	All indicators, both on carbon intensity and technology mix, are expected to be disclosed.	No amendments made.
Fossil fuel and power – clarification	In this table also, the fossil fuel combustion sector in column c has a corresponding NACE code D.35 Power. There is an inconsistency between the NACE code and the sector, as D.35 covers all types of electric power generation, be it through fossil fuel combustion, nuclear or wind farms. Should the NACE code be correct, the carbon intensity in column f should be CO2 per MWh and not GJ. The same inconsistency exists for the first row ('Power' sector) for which the NACE code is power, steam and air conditioning supply. Maybe the first one should be fossil fuel combustion with GJ as carbon intensity and the second one power with MWh. The stakeholder suggests merging the power and fossil fuel combustion sectors in a single line, as D35 includes both: D35.1 refers to power and electricity and D35.2 to oil and gas. Otherwise a wider breakdown at level 3 NACE sector would be necessary.	The template has been revised to cover the main industries/sectors and provide a minimum list of NACE sectors outside the main template. Institutions should select and allocate the relevant NACE sectors to main industries/sectors in line with their own mapping.	The EBA amended the templates accordingly.
Question 9: Regarding the same Template 4, what are the respondents' considerations with respect to the choice of the 2 degrees reference scenario? Would respondents opt for a different scenario?			

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Clarity is needed on distance to IEA scenario	It would be useful to have more information on the type of information expected with regard to the distance to the IEA scenario. Also, if the IEA scenario seems to be relevant, namely in terms of governance of the scenario and regular updates, it is not clear to stakeholders which 2-degree scenario the template refers to (i.e. whether the SDS scenario or not). It would be necessary to give more clarity on the scenario that should be the basis for the reporting during a certain period (three years for instance). This will avoid volatility in institutions' disclosure not resulting from exposure changes. In addition, this would help reflect changes in historical emissions and changes in technology and policy. It is also noted that the Taxonomy as well as the CSRD proposal refer to a 1.5-degree scenario. Stakeholders therefore recommend as much consistency as possible in the proposed scenarios amongst the different legislation. By the same token, one stakeholder emphasised that a 1.7-degree scenario or a 1.5-degree scenario would be more aligned with the current state of the art, and with the net zero commitments made by the EU and by 43 institutions from 23 countries in the Net-Zero Banking Alliance.	The revised template now refers to the IEA NZE2050 benchmark scenario only. Equally, reference to a 2-degree scenario has been deleted. Furthermore, the instructions have been revised to provide more clarity on this.	The EBA amended the templates accordingly.
IEA scenario NZE2050	The consultation could not have foreseen the publication of the IEA scenario NZE2050. However, across all templates deviation from this new scenario is clearly the most relevant metric: https://www.iea.org/reports/world-energy-outlook-2020/achieving-net-zero-emissions-by-2050	The EBA agrees with the suggestion and implemented the IEA scenario NZE2050 in the construction of the template.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	Two-degree scenarios fundamentally undermine financial and economic stability (based upon the breakdown of critical natural systems and the high risk of climatic feedback loops) and undermine the credibility of many of the modelling exercises.		
Clarification on the reference scenario	Some stakeholders suggest providing a proper description of the reference scenario (i.e. to unequivocally indicate whether it is the UNFCCC Paris Agreement scenario) or at least a link to it, otherwise each bank would have to search for the right reference scenario, which could imply inconsistencies.	The EBA implemented the IEA scenario NZE2050 in the construction of the template.	The EBA amended the templates accordingly.
New column on data quality	One stakeholder suggested adding a new column considering data quality, indicating whether the data have been directly provided by clients or are a proxy or have been obtained on a best effort basis.	The EBA invites institutions to use the accompanying narrative to disclose additional information on the data quality. This is also clarified in the instructions.	No amendments made.
Question 10: Do respondents agree that information proposed in Template 5 is relevant to understanding the level of climate change transition risk and that information on exposures towards the most polluting companies is a good complement to the sectoral information included in other templates? Specific feedback is sought on possible alternative formats for the presentation of the information required in Template 5. In particular, the EBA seeks feedback on whether aggregate information on exposures towards the top 20 polluting companies in the world, at EU level or at Member State level, instead of company-by-company information, would be sufficient to understand how climate change transition risk may exacerbate the exposure of institutions to credit risk. Feedback is also sought on the specific information that a template on aggregate exposures should include to be meaningful, including possible 'buckets' of information on exposures (e.g. exposures towards top five polluting firms, next top five and so on, or other alternative presentations).			
Name-based disclosures may raise legal questions	Name-based disclosures may raise legal and reputational questions as to the publication of customer-specific information. Stakeholders would be more supportive, therefore, of the possibility of disclosing information on an aggregate only basis. Furthermore, some stakeholders also raised concerns in relation to banking secrecy, data protection and	The EBA revised the template in order to anonymise the disclosures and therefore to respect bank secrecy and legal aspects. Since this is based on anonymous information, it is less meaningful to link this information to decarbonisation pathways that these counterparties may adopt in their strategies. Furthermore, the ITS	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	competition, suggesting a different aggregation for disclosures, e.g., based on top 5 clients, up to 20 clients, which means 4 groupings in terms of Template 5. Moreover, stakeholders highlight that the disclosure should be designed to distinguish cases where a high emitter is making credible, verified efforts to align with a decarbonisation pathway. This is also where the alignment metrics from Template 4 are helpful. Assessment of the exposure of institutions to credit risk should be done on a case-by-case basis, with stress testing used to determine the extent of possible exposure to losses in the future under specific economic scenarios and within specific time frames.	proposal includes forward-looking information on institutions' alignment to sustainability goals as defined in the IEA NZE2050 scenario.	
List of companies	Several questions arise in this context, e.g. who is responsible for this list, who defines the top 20 polluting companies, which area is covered? The list should be easily publicly available and could be provided by a sovereign. In addition, it should be taken into account that institutions would not have the same list of counterparties, which hinders consistency/comparability across institutions. If every bank decides on its own geographical scale (world, EU, MS), this is also not consistent.	The EBA does not publish any specific list for this purpose. The instructions, however, give some examples for institutions to use in order to support their disclosures.	No amendments made.
Template 5 would not reduce asymmetric information	As the list of top polluting companies would mainly include corporate (and possibly some of largest corporates worldwide), global institutions / larger institutions would be those providing them with funding and hence reporting under this Template 5. The release of this Template could result in a distorted view of the	The template aims to capture the risk profile of institutions from a climate change transition risk point of view. In the absence of a common official list for top polluting companies, institutions are invited to use credible market data sources, and support their methodology in the accompanying narrative to these	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	risks faced by the banking industry. For instance, smaller institutions would likely not fill in this template, as their exposures (mainly SMEs) would be out of the scope of the top-emitting lists; this could wrongly be understood as them being 'less exposed' to polluting companies. Since the data sources used by the institutions to identify the top carbon-emitting companies could differ among institutions (each bank could use any source of publicly available information), the information disclosed would not be comparable.	disclosures. This will enhance comparability across institutions' disclosure reports.	
Current commitment targets	Whilst reference to the highest climate impact polluting firms is useful, it does not include the pace of transition to a net zero target with a 1.5-degree scenario. It would be helpful to add the current commitment target for each client and a performance indicator of the degree to which it is on track to meet its stated goal.	The information to be disclosed in the template is now anonymised. Since this is based on anonymous information, it is less meaningful to link this information to decarbonisation pathways that these counterparties may adopt in their strategies. Furthermore, the ITS proposal includes forward-looking information on institutions' alignment to sustainability goals as defined in the IEA NZE2050 scenario.	No amendments made.
Question 11: What are respondents' views on the way Template 6 reflects how the trading book of institutions may be impacted by climate change transition risk? Do respondents agree that the threshold proposed to determine which institutions have to disclose this template is the appropriate threshold? Feedback is invited on whether there are alternative ways to present information on the trading book that may allow for a better understanding of how climate change transition risk may impact the trading portfolio.			
Further clarity on the objective of Template 6 is needed	The three proposed indicators within Template 6 of the consultation, namely (i) gross exposures by sector, (ii) the sum of absolute purchases and sales by sector, with the respective proportion of alignment with the Taxonomy Regulation, and (iii) gains and losses by sector,	Following a further assessment, the EBA has decided to delay the introduction of the ESG disclosures template on the trading book.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	do not provide relevant information on the climate risk impact on the market risk of the trading book. Similarly, fair value information on 'brown' exposures in Template 6, namely (i) companies excluded from EU Paris-aligned Benchmarks, in each sector, and (ii) carbon-intensive sectors, would only render disclosures more complex, without any robust value added to clients and investors, as the disclosures do not convey any clear market risk information. They pre-empt the future 'brown taxonomy' and would create additional unwarranted instability in disclosures, further hindering their usefulness.	The EBA also notes that the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation states that the key performance indicators of credit institutions related to their trading book should apply from 1 January 2026.	
Trading book does not present ESG risks	The proposed metrics are not relevant to assessing the level of risk. Concretely, gross carrying amount, gains and losses over the period, and sales/purchases volumes are accounting metrics as opposed to risk metrics and are therefore inadequate to assessing trading book sensitivity to ESG risk factors. On the contrary, the reporting of trading book accounting metrics combined with lists of brown economic sectors amounts to a 'naming & shaming' approach that is considered counter-productive to the promotion of the energy transition and leads to increased reputation risks. In addition, the assumption that green assets will be less risky than brown would be very misleading for the market. As already mentioned above on the banking book, the conceptual framework to set a systematic, robust and quantitative link between ESG risk factors and market risk does not exist. Consequently, emphasis should, for		

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	the time being, be placed on the banking book, and then lessons learnt can be leveraged in order to address trading book specificities in a second stage. The above argument is further supported by the fact that trading book exposures are by essence very short term, while ESG risk factors are developing mostly in the medium to long term. Consequently, the assessment of trading book sensitivity to ESG risk factors cannot follow the same approach as the banking book. Considering the scale and the complexity of ESG matters, stakeholders reiterate the fact that emphasis should, for the time being, be placed on the banking book.		
Nature of the trading book	Some stakeholders questioned the objective of scoping the trading book in the Pillar 3 disclosures. They argued that such information on the trading book is not relevant enough for risk disclosure purposes compared to the operational burden that it implies. Indeed, many trading positions have a very short maturity which clearly limits the real impact of the transition risks on these positions. And in the few cases where positions in the trading book are long-term, they tend to be through derivatives for client hedging purposes whereby a given client would hedge its market risk as opposed to providing funding for the ESG exposure for an on-balance-sheet asset (i.e. as opposed to generating some ESG risk for the real economy). Trading books are nonetheless dynamically hedged daily to be kept within limits.		
Market risk is not reflected	If the purpose is to capture market risk (the risk of suffering instantaneous market losses due to a market shock with ESG-related causes), considering both the relatively limited relevance of climate risk in trading		

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	books versus banking books and the present state of maturity of climate scenario analysis some stakeholders recommend removing Template 5 from Pillar 3 disclosures, and instead, concentrating efforts on improving the conceptual framework and methodologies for climate scenario sensitivity analysis on market risk. Should such efforts lead to an appropriate and materially relevant risk disclosure requirement, then column c should be capturing underlying assets and not NACE sectors. Also, the data requested should avoid traditional banking book terminology which has no place in trading book risk disclosure as it bears no relation to exposure sensitivity and would mislead the market.		
Scope for the trading book – no threshold	To ensure consistency between all credit institutions' trading portfolio disclosures under Article 8 of the Taxonomy Regulation, stakeholders believe that the trading portfolio of all institutions, irrespective of its size, should be taken into consideration to the extent trading book activities are reported. Otherwise, disclosures would not be comparable among entities (with a trading book above and under a certain threshold) and may lead to incorrect interpretations and conclusions by stakeholders and market participants.		
Threshold is not meaningful	According to the ITS, for proportionality reasons a threshold for the disclosure of information regarding the trading book is set. Nevertheless, the ITS introduce as the reference credit institutions that do not meet the conditions set out in Article 94(1) of Regulation (EU) No 575/2013 or the conditions set out in Article 325a(1) of that regulation. The stakeholder stresses that this		

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	reference is not relevant to the objectives pursued by the disclosure requirement. In particular, trading activity related to hedging against changes in interest rates or exchange rates is not relevant from a sustainability perspective. This is reflected in the sustainable benchmarks regulation (Regulation (EU) 2019/208), which excluded benchmarks administrator of interest rate and foreign exchange benchmarks from sustainability requirements. Therefore, information on the trading book that is not material from a sustainability perspective should be deleted, as it would not provide any helpful information.		
Phased approach given CRR3 proposal on the trading book	Stakeholders note that uncertainty exists with regard to the revision of the trading book boundary expected later this year as part of the CRR3 proposal from the European Commission. This will significantly impact the scope of positions to be included across various KPIs. Thus, they recommend a phased approach where the inclusion of the trading book for Pillar 3 disclosure will be incorporated at a later stage. One stakeholder recommends that climate-related information proposed (i.e. ‘Of which exposures towards companies excluded from EU Paris-aligned Benchmarks’, ‘of which exposures towards other carbon-intensive sectors’ and ‘of which environmentally sustainable (CCM)’) should be deleted in a first stage as they would be overcomplicated to use on trading activity.		

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Phased approach with specific design for the templates	Some stakeholders proposed for the 2023 and 2024 reports, which will take place before the implementation of the CSRD, the following: 1. a simplified Template 1 'Banking book – climate change transition risk: credit quality of exposures by sector' with the gross carrying amounts by NACE code; 2. Template 2 'Banking book – climate change transition risk': exposures towards NACE sectors A to H and L – maturity buckets; 3. Template 4 'Climate change transition risk – alignment metrics for the banking book', in the 'Mitigating Actions' section; 4. Template 5 'Exposures in the banking book to top carbon-intensive firms', on an aggregated basis on the basis of a common list to be provided by the EBA; 5. Template 7 'Exposures in the banking book subject to climate change physical risk', in a qualitative manner, at least up the outcome of the 2022 ECB climate stress testing exercise, but with the possibility left for institutions to disclose some quantitative physical risk data on a voluntary basis; 6. the qualitative information templates to be replaced by expected compliance with TCFD guidelines. As TCFD standards are recognised at international level, they ensure comparability among institutions and a level playing field with non-EU institutions.		

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	One stakeholder also argued that the simplest approach to the trading book may be sufficient for Pillar 3 disclosure, so gross amounts per NACE code.		
Accounting metrics should be deleted	Accounting metrics proposed are not adequate to reflect trading activities properly. One stakeholder argued that only two metrics would be sufficient: one that would reflect the level of risk of the bank at the end of the reference period, and one to reflect on the P&L generated by the institutions' trading activity and hence the volume of the activity generated. The templates could replace the 'gross carrying amount' metric with 'net carrying amount'; the 'Gains and losses generated during the considered period' with 'sum of the nominal amount of all trading deals generated over the reference period'; 'asset purchases plus sales' could be deleted as it would be reflected in the previous metric.		
Mixing transition risk and social risk in the trading book	Template 6 mixes up transition risk with social risk by including reference to companies excluded from Paris-aligned Benchmarks in accordance with points (b) and (c) of Article 12.1 of the Climate Benchmark Standards Regulation [point (b) relating to tobacco production and point (c) relating to violation of UNGC principles and OECD Guidelines for Multinational Enterprises]. This adds an unnecessary layer of complexity in the template. 'S'-related risks should be covered separately.		
Sensitivity of trade data	Disclosure of gains and losses generated on the trading book and of volumes of asset purchases and sales is not		

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	required currently in the present Pillar 3. This could question the sensitivity of those data from a competition perspective.		
Question 12: Do respondents agree that the information included in Template 7 is appropriate to understanding how and to what extent the institution may be exposed to climate change physical risk and that the differentiation between a simplified and an extended template is necessary in the short/medium term?			
Institutions' dependency on external data providers	With regard to methodology and data, such a requirement will create a dependency on external data providers that do not share the same metrics or the same granularity and will likely have an insufficient risk event coverage. They may also use various proxies within their methodologies which are very broad and may lack conclusive relevance, for example in approaches to taking the supply chain into account or a corporate's adaptation/capex strategy. This would undermine the consistency and meaningfulness of information disclosed.	Physical risk is an important aspect when it comes to the assessment of climate risk. While the EBA recognises methodological and data challenges in the identification and assessment of physical risk, institutions' disclosures can only improve the situation. Institutions are expected to collect data through their loan origination and monitoring processes as well as from external data providers to build their risk management systems. The EBA also simplified the templates on physical risk to ensure that institutions disclose meaningful information on physical risk.	The EBA amended the templates accordingly.
Supply chain considerations	It is unclear in Template 7 whether institutions should take the supply chain of the counterparty or not into consideration. While from a risk perspective this could be sensible, from a data point of view the information needed to perform the assessment of borrowers could be impossible to retrieve or companies might not be willing to supply it for confidentiality and competition reasons.	Scope 3 emissions must be disclosed on a best effort basis covering the most relevant sectors, for example in line with PCAF approach. The sector list of PCAF aligns with the phased-in approach for scope 3 emissions as defined by the EU TEG, which was included in Article 5 of Commission Delegated Regulation (EU) 2020/2018 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.	The EBA amended the templates accordingly.

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		For sectors where data and methodological challenges exist, institutions must follow the GHG protocol and its 15 stages, both upstream and downstream, as presented also in the Commission Guidelines on non-financial reporting: supplement on reporting climate-related information.	
Disclosure of information subject to both risks – avoiding double counting	Clarification is needed regarding how to treat exposures that are prone to impact from both chronic and acute climate change events in order to avoid double counting of acute and chronic events.	The EBA amended the template to account for such cases in order to avoid potential double counting.	The EBA amended the templates accordingly.
Disclosing historical PD and IFRS9 stages	Disclosing in the same template information related to historical PD and stages regarding future physical risks should be avoided. Establishing this relationship would be misleading. Stakeholders propose that physical risk should be reported in a qualitative manner only. It is also recalled that physical risk is one of many drivers of credit risk and currently does not deserve any special treatment with regard to disclosures. Adding information such as PDs, stage 2 and performing/non-performing amounts will confuse readers as these data will not refer to physical risk directly. Even in its simplified form, it is hence premature to disclose such tabulated information as institutions need first to develop their own methodologies and are currently in a 'test and learn' phase. In addition, information on stage 2 exposures, PDs and risk provisions should be deleted, as it provides very little additional information about the extent to which the	In line with the review of the previous templates, the EBA removed the PD from this template and simplified it. Its is important to understand stage 2 and impairment aspects of the exposures even if they are not directly related to physical risk. This way, the information captures the full information on the risk profile of the exposure.	The EBA amended the templates accordingly.

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	economic activities of the institutions can be qualified as sustainable.		
Forward-looking PD should be included	One stakeholder highlighted that the scope could be expanded to require forward-looking PD estimates for companies based on their physical risks, as included in the transition risk templates, to ensure institutions understand and disclose the credit risk implications of the physical risk exposure of their portfolios.	In line with the review of the previous templates, the EBA removed the PD from this template and simplified it. The template now includes the maturity bucket of these exposures to indicate the time dimension of these exposures qualitatively from a physical risk point of view.	No amendments made.
Time horizon considered in modelling	It does not seem intuitive to give no space on the template to displaying information on the modelled time horizons chosen by institutions. Broadly speaking, a one-year exposure will be less exposed to climate events than a 30-year one, although this will be bank and sector-specific in some cases. Moreover, the logical solution of asking the EBA to specify the time horizons and hazards modelled and the climate scenario(s) to be used to assess those risks may not suit all firms' risk. Once again, this points to the fact that formal data disclosures on physical risk should be delayed until a maturity is reached and, equally, neither is Pillar 3 a forum for achieving ESG strategic objectives. Thus, some stakeholders asked for a transition period where institutions would disclose only qualitative information, work on their own methodologies and make sure of the reliability of assessments. Should a template be required in the interim, then a questionnaire-based approach is recommended, giving institutions the option to voluntarily add data should	The template now includes the maturity bucket of these exposures to indicate the time dimension of these exposures qualitatively from a physical risk point of view.	The EBA amended the templates accordingly.

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	they not already be reporting via other forums (such as the TCFD or CDP).		
Maturity of the loan and anticipated lifespan of the underlying assets	The physical risk exposure is not parameterised by timescale (e.g. over the period being considered). A practical suggestion would be to include both the maturity of the loan period and the anticipated lifespan of the underlying assets.	The template now includes the maturity bucket of these exposures to indicate the time dimension of these exposures qualitatively from a physical risk point of view.	The EBA amended the templates accordingly.
Geographical coverage dimension	As to the geographical area variable, it should be clarified that institutions can break down the information as many times as they want based on the needs of their portfolios. In other words, the information to be provided about geographic areas prone to specific climate-related hazards is not clearly specified: is the template supposed to be completed by country or only once for all relevant countries? One stakeholder also emphasised that the physical impacts of climate change are primarily affected by counterparty location (exposure), and secondarily by the counterparty's sector (sensitivity). Reporting by sector alone fails to capture the potential geographic exposure and concentration in a bank's portfolio and may not provide adequate transparency as to its vulnerability to physical impacts of climate change. As such, the EBA may consider either a table by country, or country and high-level sector roll-ups (such as NACE 1 or 2).	The EBA clarifies that institutions can disclose this information given the geographical areas they consider for physical risk purposes. This geographical area can be a country, a region or a set of neighbouring regions even if they cover more than one country.	The EBA amended the templates accordingly.
Simplified template only	A simplified template is sufficient in the medium term, and the extended template should be deleted in this respect.	The EBA removed the advanced template from the ITS proposal and kept a revised version of the simplified template only.	The EBA amended the templates accordingly.

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	At present, it is not possible to reliably estimate whether or from when the granularity of the extended Template 7.2 can be implemented. The stakeholder therefore suggests only finalising Template 7.1 in the first version of the P3 ESG ITS. In the course of the further development of the Taxonomy, and depending on the requirements in Pillar 2, Template 7.2 could again be issued for consultation in the course of the future revision or supplement of the ITS already announced.		
Question 13: Regarding Template 7, specific feedback is invited regarding the methodologies and data sources that institutions may use to identify the relevant geographies. Feedback is also invited on the content and disclosures proposed in the extended version of the template and on the transition period proposed.			
Transition period where qualitative information is disclosed (simplified disclosures)	Regarding the transition period until 2024 for detailed reporting based on granular hazard categories, as indicated above the transitional arrangement is not helpful as institutions already have to disclose the split acute/chronic in 2022. (Template 7.1 required in transition period includes implicit granularity of Template 7.2, as the granular information on each risk type is necessary to determine the distinction between chronic and acute climate-related hazards, required in Template 7.1). While the latter could be tackled with an interim solution based on qualitative internal assessment, this solution would be an additional effort which would not necessarily be coherent with the physical risk mapping done based on a system integrating scientific data for all the hazards. Therefore, the transition period introduced does not bring any relief of the effort for the institution, as the same data will have to be collected for both templates (7.1 and 7.2).	The EBA removed the advanced template from the ITS proposal and kept a revised version of the simplified template only.	The EBA amended the templates accordingly.

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	Similarly, some stakeholders argued the breakdown by climate events required in the extended Template 7 would necessitate common climate scenarios that institutions would be able to use to assess if their counterparty is effectively subject to those climate events. This would be the only way to have comparable data between institutions. Without those scenarios, institutions cannot be expected to disclose quantitative data. It would be troublesome to compare disclosures if institutions use different measurement methods. Institutions' in-house methodology may lack maturity for some time, nor can they fully rely on third-party assessment. As such, institutions will not be in a position to explain or justify their disclosures and hence could be exposed to lawsuits. For the time being, it is recommended that a very simplified disclosure based on qualitative information and order of magnitude per large geographical areas and sectors be made public for the foreseeable future. A stakeholder also suggested deleting the extended Template 7 until the EU has established such scenarios.		
Data source	There is a lack of centralised and harmonised data sources for mapping of physical risk so building up an adequate solution is going to be challenging, especially for institutions with subsidiaries outside the EU as data coverage and granularity need to be explored. There is a very limited value in imposing on institutions the burden to pool data from different national sources (and within the same country, different databases for different hazards). A centralised solution with the		

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	needed data seems the only solution to ensure an objective assessment of physical risk in a harmonised and accurate way. Hence, the transition period should be set based on the timeframe until such a solution becomes available.		
Suggestion for a methodology	- Data sources: a mapping of the gross carrying amount of the financed object or project, the client ID, the NACE code and the geographical location / physical address is the basis of the physical risk assessment. - Methodology: the nature of physical risk (e.g. droughts and heatwaves) is that the climate 'system' affects specific asset types across all counterparties (e.g. organic farming) in a certain location (e.g. central Spain) during a certain period of time (e.g. summer months). Therefore, the inherent risk exposure towards physical risk can be assessed at the cross-section of industry sector, geographic area and time of year. The residual physical risk, that is the inherent risk after risk mitigation, can be determined at an asset/counterparty level. For example, certain farmers may have installed innovative irrigation and shading systems that mitigate the impact of long periods of drought and heatwaves. For these farmers, the inherent physical risk may be high, but, due to effective risk mitigation, the residual physical risk level may be low. Internal definitions and guidelines will need to be developed to determine when physical assets and sectors should be regarded as e.g. prone to climate change events, alongside expert-based standards to assess the probability of negative financial impact, based		

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	on e.g. risk maps, (trends in) actual local events and loss databases. Based on risk maps (e.g. EC Risk Data Hub, S&P Global Risk data, UNEP Environmental Data Explorer, OECD Environment knowledge hub) and loss data of climate change events in the industry or region, a first physical risk assessment at sector level can be conducted by business representatives and risk management. The level of effective physical risk mitigation measures can be performed at an asset/counterparty level, after which an overall qualitative risk score will be assigned to the asset (e.g. low/medium/high on impact and probability). The proposed risk scores will need to be formally approved (e.g. by a risk committee) and documented. Based on a certain threshold (e.g. at least medium probability and impact) it is then determined if an exposure is defined as 'prone' to climate change physical risk. The climate risk assessment will need to be conducted periodically, based on a risk assessment methodology that is benchmarked on the latest industry and scientific standards and that is reviewed periodically. In practice, high-risk exposures may be reviewed on an annual basis, while low-risk exposures may be reviewed once every three to five years.		
Value of loans per sector with risk mitigants	There could be an opportunity to consider a disclosure template that includes the value of loans per sector that are exposed to physical risks, but have risk mitigation measures in place from the counterparty. The stakeholder believes this would allow for an improved		

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	understanding of risk mitigation at the counterparty level, while maintaining a comparable format. This level of granularity also informs risk management processes and allows lenders to ask targeted questions around risk mitigation at the loan level, which is more challenging to disclose with quantitative metrics. Such an approach would help supplement qualitative disclosures and the institutions' own risk management strategies.		
Need for disclosures on physical risk	- Extended template & transitional period: The reporting requirement should be set with an appropriate transition period allowing (groups of) institutions and data suppliers to develop robust and efficient methodologies to measure and report on climate change physical risk. The extended template, for example, could be made optional during this transition period. - In general, by all means, the stakeholder believes that as 450 million EU citizens, their corporates and governments must do all they can to avoid climate events from happening. This implies first and foremost to stop financing harmful activities. - Preventing climate risk from materialising is possible by (1) transparency and awareness i.e. obligatory monitoring of climate impact in any of the relevant metrics of the Taxonomy, if material for the financed activities, which is what these ITS will achieve, (2) positive impact finance, i.e. only financing activities with added value for people and regenerative for the planet, (3) steering policies, i.e. a higher carbon price, etc.		

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Question 14: Regarding Template 8 and Template 9, do respondents consider that these templates should be enriched including information not only on assets aligned with the Taxonomy but also on the interest income generated by those assets? Do respondents agree with the timeline proposed and transition period proposed for the disclosure of these templates?			
Interest income	Disclosure of interest income generated by relevant assets will bring an additional burden to the institutions to implement it in the BI structure with the same granularity as other components required by disclosure (gross carrying amount, provisions, stage, performing criteria, etc.). Stakeholders also believe that including information on interest income generated by the assets in Pillar 3 reports is not expedient. The disclosures should concentrate on prudential information on ESG risks that enables an assessment of the institutions' risk profile (see paragraph 14 of the consultation paper).	The EBA notes the argument and will not extend the template to include interest income. This account for the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation stating the key performance indicators of credit institutions related to commission and fees for other commercial services and activities than the provision of financing should apply from 1 January 2026.	No amendments made.
GAR – scope	The perimeter of the GAR should be limited to EU exposures, to companies subject to Article 8 of the EU Environmental Taxonomy and the Corporate Sustainability Reporting Directive (CSRD). Otherwise, it would be impossible to gather the information in a solid and comparable way.	The EBA's proposal on the ITS incorporates the GAR as defined in the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation. As mentioned above, the EBA is also introducing an extended KPI where the exposures excluded from the numerator of the GAR but included in the denominator are also captured in the numerator in this extended KPI. For these exposures, e.g. SME exposures that are not captured under the NFRD, institutions should collect the relevant information in their loan origination and monitoring process but can also rely on estimates and external data in the transition phase.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Data availability for GAR and use of proxies for an extended period	Only companies in scope of Article 8 of the Taxonomy Regulation disclosure should be included in the GAR. Stakeholders understand that the EBA foresees that institutions would already start collecting this information on a bilateral basis in the context of loan origination according to the recent EBA GLs on loan origination and monitoring. However, it should be noted that not all customers will be able to provide the relevant information. For example, SMEs will face huge difficulties when providing the relevant information. This should (at least) allow institutions to work based on proxies beyond the 2024 horizon currently envisaged, since also after June 2024 there will be cases where the Taxonomy compliance of certain counterparties cannot be determined.	The EBA is of the opinion that collecting information from NFCs that are not subject to NFRD obligations is crucial for institutions. In the EU SMEs form a large part of institutions' banking book. Therefore it is important for institutions and their counterparties to start entering into dialogue and collecting such information on a best effort basis. This is what the EBA aims to capture in the extended KPI proposed in the revised ITS. This approach will also support future developments in the framework of the NFRD/CSRD where SMEs are expected to be included in the near future.	No amendments made.
GAR as a risk metric	Some stakeholders argued that the EU Taxonomy and the GAR are not risk management tools but intended to help plan and report the transition to an economy that is consistent with the EU's environmental objectives. EU Taxonomy Regulation Article 8-related disclosures should not be included in the Pillar 3 disclosure (as in any case it will be subject to separate legislation – the delegated act). Some stakeholders added that the GAR does not property fit in the prudential regulation: • It is not the most suitable tool for risk purposes or assessing the pathway on the transition to net zero. There are three ways of measuring alignment, from the easiest to the most	The EBA is of the opinion that it is important to include the GAR and relevant KPIs to understand how institutions are taking actions to mitigate climate change risk. As the EBA acknowledges that at this current juncture the scope of the EU Taxonomy is limited, the ITS introduces a template to capture institutions' other activities that are aimed at mitigating risks but not necessarily fully aligned with the EU Taxonomy. The EBA proposes these disclosures to complement information on their exposure to climate change risk and their alignment strategies.	No amendments made.

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	complex: financial ratios, sectoral alignment, and temperature metrics. • Metrics for transition climate risk based on portfolio alignment methodologies seem preferable. The GAR does not have a holistic view in terms of risks (having a narrow focus on climate-related risks): there might be some 'green' loans with a higher credit risk than average non-'green' loans (average PDs are requested, therefore it is expected to be reflected in comparisons).		
GAR – stock vs. flows	The GAR should only be calculated for flow business. Stock does not make sense because it offers a static picture and it is impossible to gather reliable stock figures. Furthermore, the contribution to sustainability relies on the new origination and on its progress. There are loans in which sustainability considerations will be taken into account and which will make a significant impact on the transition.	Both the flow and stock provide relevant information to understand the transition and physical risk institutions are exposed to. Also the GAR is designed in line with the Commission Delegated Regulation under Article 8.	No amendments made.
GAR – QIS is needed	If a ratio is to be introduced, it would be more appropriate to follow a similar approach to the one used when introducing the LCR and NSFR, in which a quantitative impact study (QIS) was previously performed and institutions had time (around one year) to prepare their disclosures, given the risks to financial stability, the banking sector's investability, etc. No prior QIS has been performed and analysed before this initiative in order to have a better comprehension of	QIS usually take place to calibrate a specific regulatory ratio. In the case of the GAR, no specific calibration is needed. The GAR is also used in other policy initiatives to understand institutions' exposures to environmentally sustainable activities.	No amendments made.

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	institutions' readiness to deal with the market disclosure of such an indicator and the impact on the market.		
Overlap with Taxonomy Regulation	The GAR, Template 8 and Template 9 should be removed from the Pillar 3 risk disclosures, given the Taxonomy Regulation requires that it should be published in the Management Report. Therefore, some stakeholders recommended avoiding overlap between the GAR as defined by the EU Taxonomy Regulation and the Pillar 3 requirements defined by the EBA in its ITS to avoid any risk of inconsistency. Similarly, one stakeholder considers the double disclosure of the templates (Template 8 and Template 9 according to the EBA Pillar 3 ITS or Template 1 and Template 3 according to the EBA Advice on Article 8 of the Taxonomy Regulation) in two external reports of the institutions to be redundant. A reference from the Pillar 3 report to the non-financial statement would be a feasible way to transparently present the required information. However, since the use of cross-references is severely restricted by Article 434 CRR, Template 8 and Template 9 should be deleted altogether. In their opinion, multiple disclosures of identical information are of no value to stakeholders, as the addressees interested in sustainability will certainly not overlook the non-financial statement. In addition, in the event of any changes to the requirements under Article 8 of the Taxonomy Regulation, the ITS templates would have to be amended, which would lead to higher costs for the authorities and could cause uncertainty among the institutions and stakeholders if the changes in Pillar 3	The EBA included in the ITS proposal the GAR that is defined in the Commission Delegated Regulation under Article 8, also to avoid any inconsistencies and complexities between the regulatory initiatives. Article 434 CRR states that to the degree feasible all disclosures shall be provided in one medium or location. Inclusion of the GAR in the ITS templates also helps build the extended KPI where SME exposures, which are excluded from the numerator of the GAR, are included. This extended KPI is one key element of the ITS.	No amendments made.

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	were not implemented and the disclosures were therefore unfoundedly different.		
Two GARs	One stakeholder advocated splitting the GAR into two KPIs to ensure comparability: a GAR 1 (full Taxonomy compliance/alignment) and a GAR 2 (significant contribution only). GAR 2 should be limited to compliance with the substantial contribution criteria. The do no significant harm (DNSH) criteria and the minimum social safeguards (MSS) significantly reduce the comparability of GAR 1 (full Taxonomy compliance) because of their (often) qualitative nature. Since the GARs will probably also be increasingly used for other supervisory measures in future (e.g. in the context of the CRR), the aim should be to ensure optimal comparability in the KPI both within the bank's own loan portfolio and between financial market participants. This would be in the interests of all stakeholders, since comparability is mentioned as one of the most important aspects in the transparency-related public consultations. To achieve this, the stakeholder also believes that the measurement methods for calculating carbon emissions for an economic activity must be clearly defined, with no options allowed. They are in favour of using the GAR 2 now being proposed as a KPI for further supervisory measures. In support of the new GAR 2, they emphasise that the clear majority of loans granted in the EU remain inside the EU and are subject to EU environmental and social legislation. This means that an estimated 70% of the	For simplicity and consistency the GAR introduced in the ITS is identical to the GAR defined in the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation. In addition to the GAR, the EBA includes an extended KPI that captures also those institutions' exposures towards counterparties that are not within the scope of the NFRD. In addition to these disclosures that are defined under the EU Taxonomy, the ITS proposal ask institutions to disclose their exposures that are contributing to the environmental objectives but are not categorised as Taxonomy-aligned.	No amendments made.

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	DNSH criteria as well as the MSS would already be governed by the legal framework. It is not reasonable to expect credit institutions to examine the DNSH criteria individually in the context of retail banking business (private customers, SMEs) and uncommitted lending business.		
Balance sheet focus	Energy transition and alignment to Paris Agreement objectives require a deep reallocation of financial resources towards sustainable investment. Therefore, the current balance sheet approach is the most relevant to achieve such targets. Integrating P&L account dimensions will lead to significant additional implementation costs, without bringing any added value, as the P&L account will be greening automatically at the same pace as the balance sheet. P&L account greening is a consequence of balance sheet greening, and therefore, the balance sheet should remain the area of focus, in order to avoid resources dispersion.	The focus of the ITS proposal is institutions' balance sheets.	No amendments made.
Treatment of derivatives	The exponential growth of ESG markets inevitably implies a need for forward prices of these assets and their related indices. Hence, derivatives markets are a key component of mature secondary markets and it will therefore be increasingly necessary over time that ESG and ESG-linked derivatives are accounted for in the relevant sustainability KPIs. Stakeholders strongly believe that derivatives can serve many purposes, including ESG purposes, and in such contexts the relevant KPIs measuring alignment with sustainability purposes should gradually be extended to	As explained on several occasions above, the EBA includes the GAR in the ITS proposal as it is defined in the Commission Delegated Regulation under Article 8 of the Taxonomy Regulation. They are excluded from the numerator of the GAR, as clarified in the Commission Delegated Regulation.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	include such derivatives, provided that it is adequately disclosed how they serve ESG purposes. However, given the low volume of derivative transactions that currently attain ESG characteristics or objectives and the absence of clear methodologies to assess their sustainability alignment, stakeholders recommend that such derivatives be included in the calculation of the GAR's numerator at a later stage following a more in-depth assessment of their current uses by EU policymakers and regulators.		
Question 15: Specific feedback is invited from respondents on the way Template 10 is defined, and on whether there is additional information that should be added. Feedback is sought on alternative disclosure formats that may contribute to a more standardised and comparable disclosure.			
Common guidelines for comparable disclosures – additional parameters	▪ Green loans with use of proceeds in line with the Green Loan Principles but not Taxonomy compliant (activities not covered yet or not meeting the TSC). ▪ KPI-linked loans with climate targets: the amount not included in Template 1 could be considered here (i.e. a KPI-linked loan to an undertaking that has A% of turnover under the EU Taxonomy will be included here with the '100-A%'). They could be differentiated as follows: o those that have net zero climate targets in line with EU climate targets; o those that have climate targets but not net zero. ▪ ESG-linked loans as they promote embedding sustainability into decision-making of the undertakings, including climate action. It should	The EBA revised the template and made necessary clarifications to capture institutions' activities that are directed towards sustainable objectives but are not captured in the GAR, i.e. not fully aligned with the EU Taxonomy criteria. To this end, the template aims to capture institutions' green loans with use of proceeds in line with green standards, KPI-linked loans with climate targets, sustainability-liked loans, etc. The ITS do not set out specific criteria for these activities. The EBA expects institutions to make their own assessment and explain in the accompanying narrative their approaches.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	account for the amount not included in Template 1 (i.e. a KPI-linked loan to an undertaking that has A% of turnover under the EU Taxonomy will be included here with the '100-A%'). ▪ Brokered green bonds. It should include the total amount intermediated by the bank in green bonds issuance according to the Green Bond Principles and where the bank plays a bookrunner role. ▪ Brokered KPI-linked bonds. It should include the total amount intermediated by the bank in KPI-linked bonds issuance according to the Sustainability-Linked Bond Principles and where the bank plays a bookrunner role. ▪ Other green financing.		
Grandfathering	Grandfathering should be ensured, including renewals where appropriate. Financial products that have been contractually agreed before the binding entry into force of the Taxonomy Regulation and the individual delegated acts must be omitted from the scope.	Institutions must be able to reflect the so-called grandfathered instruments that are not Taxonomy-eligible under Template 9 on other mitigating actions. This way, institutions will provide a comprehensive picture of their mitigating actions while respecting the Taxonomy Regulation provisions.	No amendments made.
Clarification on disclosures in Template 10	The purpose, structure, and instructions for Template 10 are unclear. It is unclear whether the intention is to report financial activities contributing to any environmental objectives, which are either not eligible for GAR calculation or not strictly aligned with Taxonomy criteria, or whether the reporting is limited to CCM and CCA activities, which do not fully align with Taxonomy criteria. It is also unclear whether it is expected that all financial activities contributing to environmental	The objective is to capture institutions' activities contributing to any environmental objectives but that are not aligned with the EU Taxonomy, hence not captured in the GAR. This is now clarified in the revised templates and corresponding instructions.	The EBA amended the templates accordingly.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	objectives are mitigating climate change risk and should be allocated to either transition or physical risk.		
Question 16: Finally, respondents' feedback is invited on whether the draft ITS should include a specific template on forward-looking information and scenario analysis, beyond the qualitative information currently captured in the tables and templates under consultation and the information required in Template 4.			
IEA NZE2050 as a common reference point	This would be a very welcome addition. A practical suggestion would be to use IEA NZE2050 as a common reference point. For comparability, taking reference measurements at 2025, 2030 and 2050 would be sufficient to capture the forward scenarios (2035 can be analysed from 2025 onwards to maintain a ten-year view).	Template 4 has been amended to create such a scenario on the basis of IEA NZE2050. No additional template has been added to the ITS.	No amendments made.
NGFS scenarios	Data are currently available on climate-adjusted PDs under the Network for Greening the Financial System scenarios. Scenario analysis informs risk management by helping institutions identify the range of risks they face, and thus this could be a helpful disclosure requirement.	To be consistent across the templates, the EBA decided to exclude PDs from the disclosure requirements. There are still differences in the forward-looking information given differences in the assumptions made and data used. Prudential metrics may be included in the disclosure requirements at a future stage, when there is a clear link between climate-related information and prudential data such as PD.	No amendments made.
Too early to come up with scenario disclosures	At present, institutions are concentrating on implementing the requirements of the Taxonomy Regulation to ensure that the data required by the ITS are correctly captured and disclosed. The first stress test is not planned until 2022. Internal scenario analyses are still at an early stage of development and will be tailored highly individually to the institutions' risk profiles. The objective of information comparability would not be	The EBA understands current challenges and will observe the future policy and technical developments for further considerations on the inclusion of future scenario analyses.	No amendments made.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	ensured in this respect. More detailed specifications for scenario analyses should only be implemented at a later stage on the basis of reliable data, and the findings should also only be disclosed subsequently.		