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Final Report on draft Regulatory Technical Standards

With regard to the content, methodologies and presentation of disclosures in respect of the sustainability indicators in relation to adverse impacts of the assets financed by the underlying exposures for STS securitisations on the climate and other environmental, social and governance-related adverse impacts pursuant to Article 22(6) and 26d(6) of Regulation (EU) 2017/2402.

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Abbreviations and legislative references

Abbreviations

RTS	Regulatory Technical Standards
EU	European Union
ESAs	European Supervisory Authorities
EC	European Commission
JC	Joint Committee of the European Supervisory Authorities
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
EIOPA	European Insurance and Occupational Pensions Authority
EEA	European Economic Area
STS	Simple, Transparent and Standardised
PAI	Principal Adverse Impact
KPI	Key Performance Indicator
GAR	Green Asset Ratio
SMEs	Small and Medium-sized Enterprises
GHG	Green House Gas
CO ²	Carbon Dioxide
GWh	Gigawatt Hours
UNGC	United Nations Global Compact
OECD	Organisation for Economic Co-operation and Development
XML	Extensible Markup Language
DNSH	Do No Significant Harm
CSV	Comma-separated values
CMPR	Capital Markets Recovery Package
SFDR	Sustainable Finance Disclosure Regulation
NFRD	Non-financial Reporting Directive
BTAR	Banking book Taxonomy Aligned Ratio

Legislative references

Securitisation Regulation or SECR	Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35) as amended by Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 (OJ L 116, 6.4.2021)
SFDR (Sustainable Finance Disclosure Regulation)	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1)
NFRD (Non-Financial Reporting Directive)	Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1)
Taxonomy Regulation	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)

Delegated Regulation supplementing the Taxonomy Regulation	Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by 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 (OJ L 443, 10.12.2021, p. 9)
Climate Delegated Act	Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).
EURO 6 Regulation	Commission Regulation (EU) No 459/2012 of 29 May 2012 amending Regulation (EC) No 715/2007 of the European Parliament and of the Council and Commission Regulation (EC) No 692/2008 as regards emissions from light passenger and commercial vehicles (Euro 6) (OJ L 142, 1.6.2012, p. 16)
Draft EU Battery Regulation	Proposal for a Regulation of the European Parliament and of the Council concerning batteries and waste batteries, repealing Directive 2006/66/EC and amending Regulation (EU) No 2019/1020, COM/2020/798 final.
SFDR RTS	Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre contractual documents, on websites and in periodic report (OJ L 196, 25.07.2022, p.1)
Securitisation disclosure RTS	Commission Delegated Regulation (EU) 2020/1224 of 16 October 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying the information and the details of a securitisation to be made available by the originator, sponsor and SSPE (OJ L 289, 3.9.2020, p. 1)
Securitisation disclosure ITS	Commission Implementing Regulation (EU) 2020/1225 of 29 October 2019 laying down implementing technical standards with regard to the format and standardised templates for making available the information and details of a securitisation by the originator, sponsor and SSPE (OJ L 289, 3.9.2020, p. 217)
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84)
EBA Regulation	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, 15.12.2010, p. 12)
EIOPA Regulation	Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48)

1. Executive Summary

Reasons for publication

On 2 May 2022, the European Supervisory Authorities (ESAs) issued a Consultation Paper (CP) setting out Draft Regulatory Technical Standards (Draft RTS) with regard to the content, methodologies and presentation of disclosures under Articles 22(6) and 26d(6) of the Regulation (EU) 2017/2402¹ (here after the Securitisation Regulation or SECR). The abovementioned Articles were inserted in the SECR through the amending Regulation (EU) 2021/557, which is part of the Capital Markets Recovery Package² (CMRP).

The amended SECR introduced new optional disclosure provisions related to the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures for both non-ABCP traditional STS securitisations and on-balance-sheet STS securitisations. The SECR empowered the ESAs to submit, through the Joint Committee (JC), the Draft RTS set out in this report.

Along the line of EBA report on sustainable securitisation of March 2022³, this Draft RTS is not intended to create a framework for “sustainable securitisation”, i.e., to develop indicators, definitions or thresholds for when and how the originator(s) of a securitisation may characterise or market a securitisation as “sustainable” or “green”. Therefore, the Draft RTS aims at enabling originators to disclose PAIs of STS Securitisations using reporting which closely aligns to the SFDR, while helping investors fulfilling their ESG reporting requirements.

The Draft RTS seeks to ensure as much consistency as possible with the ESAs’ work in respect of sustainability-related disclosures in financial services under the SFDR⁴ which sets out sustainability-related disclosure requirements⁵.

The Draft RTS applies to STS securitisations where the underlying exposures are residential loans, auto loans and leases. Following a logic similar to the SFDR RTS⁶, the Draft RTS distinguishes between the publication of the available information on mandatory indicators and on additional indicators, among which originators may select at least one social or governance and at least one environmental indicator.

Although originators of STS securitisations with residential loans or auto loans and leases as the underlying exposures were initially required under the first subparagraph of Article 22(4) of the SECR to report on available environmental performance information of these underlying exposures prior to the amended SECR, the amended Article 22(4) and the new Article 26d(4) of the SECR now offer the possibility to derogate from this disclosure and follow the Draft RTS instead. It will remain possible for originators in STS securitisations to comply only with the initial disclosure requirements relating to

¹ Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

² Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis.

³ [EBA report on sustainable securitisation.pdf \(europa.eu\)](#).

⁴ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019.

⁵ Although securitisations are not “financial products” covered by SFDR, they are indirectly subject to SFDR through the entity-level disclosure requirements (PAI indicators cover all investment decisions, including investments into securitisations) and when investments by financial products in securitisation positions result in investments in Taxonomy-aligned economic activities (see Article 17(1)(f) of the SFRD Delegated Regulation); the European Green Bond Regulation (EU GBS) will likely require that any green bond – including securitisation transactions - must fund environmental sustainable economic activities that align with the EU taxonomy.

⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1288&from=EN>

environmental performance set out in first paragraph of Article 22(4) and Article 26d(4) of the SECR. Originators of STS securitisations can therefore decide to comply with either the 'initial' disclosure requirements set out in the first subparagraph of Articles 22(4) and Article 26d(4) of SECR or with the alternative disclosure (set out in the Draft RTS).

Content

This Final Report provides an overview of the feedback received from financial market participants to the Consultation Paper (CP) as well as ESAs' responses. The ESAs welcome the overall support they received to the approach outlined in the CP. The ESAs also strive to ensure a high degree of consistency with the disclosure framework developed under SFDR⁷ and the SFDR RTS⁸. Therefore, an adapted version of the template set out in Annex I of the SFDR RTS was used as the basis for this Draft RTS. However, in some key respects, this Draft RTS diverges from the SFDR RTS to take into account the specific characteristics of securitisation products and the relevant legal framework.

Section 2 of this report provides the general background for the proposal. Section 3 includes the feedback statement on the CP. Section 4 includes Annexes related to the legislative mandates to develop the Draft RTS, the impact assessment that analyses the ESAs proposals and the final Draft RTS.

Next Steps

The draft regulatory technical standards will be submitted to the European Commission. The Commission has three months to decide whether to endorse the regulatory technical standards.

⁷ See Articles 22(6) and 26d(6), second subparagraph of SECR, which state that "Where relevant, the draft regulatory technical standards referred to in the first subparagraph shall mirror or draw upon the regulatory technical standards developed pursuant to the mandate given to the ESAs in Regulation (EU) 2019/2088".

⁸ Commission Delegated Regulation (2022/1288) published at the Official Journal of the European Union on 25 July 2022 and accessible at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1288&from=EN>.

2. Background

2.1 Basis of the Draft RTS

1. As a result of the revision of SECR in 2021, new optional disclosure provisions were adopted for originators of Simple, Transparent and Standardised (STS) securitisations with residential loans, auto loans and leases as underlying exposures with respect of the disclosure of specific information regarding the consideration of adverse impacts on sustainability factors.
2. According to Articles 22(6) and 26d(6) of the SECR, the ESAs are required to submit, through the JC, Draft RTS on the content, methodologies and presentation of information in respect of the sustainability indicators in relation to adverse impacts on the climate and other ESG-related adverse impacts. The same provisions state that, where relevant, the Draft RTS shall mirror or draw upon the SFDR RTS, developed in compliance with the mandate given to the ESAs in Regulation (EU) 2019/2088, in particular in Article 2a, and Article 4(6) and (7) thereof.
3. This Draft RTS lay down the content, methodologies and presentation of principal adverse impacts on sustainability factors of the assets financed by the underlying exposures for both non-ABCP traditional securitisations and on-balance-sheet STS securitisations.

2.2 Consultation Process

4. Article 10 of the ESAs Regulations requires the ESAs, where appropriate, to conduct open public consultations on draft technical standards, to analyse the potential related costs and benefits, and to request the opinion of the respective Stakeholders Group.
5. The Joint Committee CP on “STS Securitisation-related sustainability disclosures” was published on 2 May 2022 and the consultation period closed on 2 July 2022.
6. Overall, respondents agreed with most of the proposals and the ESAs’ approach as outlined in the CP.
7. The ESAs also gauged in the CP the feasibility and the interest of financial market participants for the optional application of principal adverse impacts (PAIs) to STS securitisations with underlying exposures other than residential loans, auto loans or leases⁹ on an “opt-in basis”. This could prove useful for the purpose of standardisation of sustainability-related information. In this respect, market participants’ views were mixed, with support for the disclosure of PAIs for securitisations backed by certain underlying exposures and lack of support for other types of underlying exposures (see Section 3 on the feedback statement below). Therefore, also in light of the responses received, the ESAs consider that expanding the disclosure to securitisations backed by other underlying exposures is not appropriate at this stage and decided to not further develop such voluntary templates.
8. The responses to the CP are available on ESMA’s website¹⁰. Based on the responses the ESAs revised the proposed Draft RTS. The ESAs did not receive feedback from financial markets participants in relation to the preliminary impact assessment as developed in the CP.

⁹ including commercial real estate, SME loans, non-SME corporate debt, and trade receivables

¹⁰ <https://www.esma.europa.eu/press-news/consultations/joint-consultation-paper-sustainability-disclosures-sts-securitisations> .

9. The ESAs consulted the ESAs respective Stakeholders Groups¹¹ who decided not to opine on these JC Draft RTS.

¹¹ EIOPA's Occupational Pensions Stakeholder Group (OPSG) and the Insurance and Reinsurance Stakeholder Group (IRSG), ESMA's Securities and Markets Stakeholder Group (MSG) and EBA's Banking Stakeholder Group (BSG).

3. Feedback on public consultation

10. The ESAs launched the public consultation on 2 May 2022, with the period for comments ending on 2 July 2022. ESMA received 18 responses amongst which four were not relevant for the purpose of the CP¹².

3.1 Summary of responses

3.1.1 General comments

11. Most of the respondents welcomed the joint initiative of the ESAs with a view to enhancing transparency regarding climate-related disclosures for STS securitisations.

(i) Consistency with SFDR and proportionality

12. A majority of respondents stressed the need for principal adverse impacts (“PAI”) indicators for STS Securitisations to be standardised, targeted, relevant and closely aligned, to the extent possible, with their equivalents under the Taxonomy Regulation, the SFDR RTS and the Non-Financial Reporting Directive (NFRD). Otherwise, it would negatively impact the financing of those assets via STS securitisation, especially if equivalent ESG reporting would not be required in case those assets were financed in other ways (e.g., bank loans or other forms of secured or collateralised debt instruments). Therefore, respondents were of the view that the ESAs’ approach based on SFDR-style disclosure for those securitisations originated by regulated financial institutions is sensible and proportionate. They also noted that extending SFDR-style disclosures to unregulated entities who do not otherwise have to engage with SFDR simply because they are financing or buying protection on their assets via an STS securitisation is not sensible or proportionate.
13. Respondents also stressed that while investors must have access to meaningful information on PAIs on sustainability factors, equally important is to keep reporting costs reasonable. These include financing tools and techniques other than securitisation, and the objective not to create an additional and specific reporting framework for securitisation, as recognised by the ESAs and highlighted in the CP.

ESAs’ response: The ESAs acknowledge the feedback received and recognise the importance of ensuring consistency and avoiding overlaps between the various pieces of the EU regulatory framework related to sustainability disclosures. Therefore, with the view to maintaining coherence with the SFDR RTS, the ESAs have decided to further align the Draft RTS with the SFDR RTS, as set out in Annex III of this report.

(ii) Timing and grandfathering provisions

14. Some respondents stressed the challenging timelines that financial market participants would be facing with an implementation on the 1st of January 2023, considering the required IT and operational developments they would need to implement in relation to the securitised transactions. To address this, some industry respondents suggested that, upon the decision from the originators

¹² European Central Bank (ECB), Association for Financial Markets in Europe (AFME), European Banking Federation (EBF), German Banking Industry Committee (GBIC), Federation Bancaire Francaise (FBF), Dutch Securitisation Association (DSA), Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV), German Association of the Automotive Industry (VDA), True Sale International GmbH (TSI), BRAUS BERATUNG+REVISION GmbH WPG (BBRWPG), European Datawarehouse (EDW), Prime Collateralised Securities (PCS), Leaseurope & Eurofinas, Creative Investment Research.

to provide the information under this Draft RTS, it could be appropriate to allow for reporting on a portion of the asset pool, once the information systems are ready and the information is available.

15. In addition, other respondents highlighted that a grand-fathering provision would be necessary to provide enough flexibility for the originators to collect the required information for live transactions, a significant number of them having been concluded years ago or with assets originated well ahead of the transactions closing date. Furthermore, one respondent suggested that the requirement to provide "details of the best efforts used" in Article 2(3)(d) of the draft RTS should not be retained as it may incur additional liability.

ESAs response: the ESA take note of the feedback received with regard to the implementation date of the 1st of January 2023. Considering that the publication of this Final Report and the following steps to adopt the RTS will be in any case concluded after 1st January 2023, the ESAs have decided to remove this date from the Draft RTS. The ESAs wish to clarify that the Draft RTS refers to an optional regime, hence originators can discharge their obligation by disclosing the information under the first subparagraph of Article 22(4) and 26d(4) of SECR. Originators wishing to disclose the PAIs but still not ready to do so can continue providing the performance certificates until they are able to provide the information requested in the Draft RTS. As regards the application of a grand-fathering provision to older loans, the ESAs wish to clarify that no transitional provisions were included in the SECR in this respect. As a result, for all loans the same available information would have to be provided, irrespective of the date of their transaction.

(iii) Frequency of reporting

16. Some respondents raised concerns about the frequency at which originators and sponsors shall make their disclosures under the Draft RTS, i.e., at least quarterly in accordance with point (a) of Article 7(1) of SECR. These respondents argued that ESG disclosure should not be caught under Article 7(1) in order not to endanger existing and discourage future STS securitisations, including private securitisations. These respondents suggested that investors would need the information along with the initial offering documents to inform their investment decisions, i.e., prior to pricing, and then the information should be updated at most annually. This is because, according to these respondents, the sustainability factors required to be reported are likely to be extremely stable in respect of a given asset, and therefore unlikely to change materially over the life of a transaction with a static pool.

ESAs response: the ESAs take note of the feedback received regarding the frequency of the disclosure of the information required under the Draft RTS. The ESAs wish to clarify that, based on the wording of Article 22(4) and 26d(4) of SECR, the derogations in the second subparagraphs of Articles 22(4) and 26(d) (4) concern the content of the disclosure but not the fact that the information is '*part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1)*' of SECR. Therefore, the frequency is set on quarterly basis pursuant to Article 7(1)(a) of SECR. In addition, the information required by point (a) of Article 7(1)(a) should be made available ahead of the pricing to potential investors upon request.

(iv) Supervision of ESG disclosures on securitisations

17. One respondent requested clarification on the responsibility for supervising the ESG disclosures on securitisations and particularly whether the disclosures required under the Draft RTS will form part of the Article 7(1)(a) disclosures required under the SECR or instead be part of the supervision of STS securitisations. The respondent suggested amending the Draft RTS to make clear that national competent authorities designated for the purpose of supervising STS matters should also supervise compliance with the requirements to be introduced under the Draft RTS.

ESAs' response: the ESAs take note of the feedback received as regards competent authorities (CAs). In that respect, the ESAs refer to Article 29(5) of SECR, which provides that "*Member States shall designate one or more competent authorities to supervise the compliance of originators, sponsors and SSPEs with Articles 18 to 27*". Therefore, the ESAs wish to clarify that the CAs responsible to supervise compliance with the sustainability disclosure requirements set out in Articles 22(4) and 26(d)(4) SECR should be the one designated under Article 29(5) of SECR and no further reference in the Draft RTS is needed.

(v) The mandatory nature of the optional disclosure regime

18. Some respondents inquired whether the disclosure requirements in the Draft RTS will become part of the criteria for a securitisation to be STS compliant, given that the sustainability disclosures are not mandatory. These respondents required further clarification in the final Draft RTS as to whether the sustainability disclosures are mandatory or not, and whether they do not go beyond the disclosure obligation of the underlying Articles 22 (4) and 26(4) of SECR. To address this concern, one respondent suggested that Article 1(1) and 1(2) of the draft RTS should be amended to reflect the optional nature of the proposed disclosure.

ESAs' response: The ESAs wish to clarify that the sustainability disclosures referred to in the second subparagraph of Article 22(4) and 26d(4) of SECR are optional as a derogation to the mandatory disclosure under the first subparagraph of the same provisions. It can also be clarified that, where such optional disclosure regime is chosen, the available information indicated in the Draft RTS has to be disclosed. The ESAs' view is that no amendments to the Draft RTS are needed in that respect (as clarified in recital (1) of the enclosed Draft RTS).

(vi) Private securitisations

19. Some respondents commented on the means of disclosure required for private securitisations. One respondent understood from the CP that originators of private securitisations will be permitted to make the information required under the Draft RTS available by the same means as the information required by Article 7 of SECR. The same respondent concluded that since there is no for private securitisations to report on SRs, the information will be however made available to the required audience (investors, competent authorities and, upon request, potential investors) in a timely manner. Other respondents asked for clarifications whether and to what extent any ABCP- and private transactions are carved out of the Draft RTS.

ESAs' response: the ESAs acknowledge the feedback received on the means of disclosure required for private securitisations. The ESAs consider that the STS securitisation related sustainability disclosures apply to both public and private securitisations. As with the provisions of the Commission Delegated Regulation (EU) 2020/1224 (the Securitisation disclosure RTS) – concerning disclosure requirements -, the reporting entities are exempted to disclose the information required under this by means of the securitisation repositories (SRs). Finally, the ESAs wish to clarify that the Draft RTS do not apply to ABCP transactions and programmes.

(vii) Use of proceeds vs. assets

20. Some respondents questioned whether the Draft RTS should be based on the use made of the proceeds of issuances of securitisations rather than on the sustainability of the assets being securitised. It was suggested that when an investor purchases a capital market instrument, including a securitisation, the use of the proceeds should define how "green" is the instrument and these respondents suggested changing the approach to base the RTS accordingly.

23. One respondent suggested using a stand-alone template in the short-term, but in the medium-term to integrate the template into ESMA disclosure templates to avoid having multiple templates, thereby streamlining climate-related reporting for securitisations and enhancing transparency for investors.

ESAs response: the ESAs take note of the positive feedback regarding the use of a stand-alone document based on the SFDR template. As regards any potential related adjustments to the Securitisation disclosure RTS (Commission Delegated Regulation (2020/1224), the ESAs consider that further analysis will be undertaken as part of the review of ESMA's disclosure templates to assess whether additional ESG metrics could be included in ESMA templates.

(ii) Sustainability policies of the originator

Question 2: Do you agree that originators should disclose information in the principal adverse sustainability impacts statement about whether and, if so, how principal adverse impacts on sustainability factors are taken into account in the originator's credit granting criteria? Do you agree that the disclosed information should rely on and cross-reference existing disclosures?

24. Respondents agreed with the approach of the ESAs to disclose the information in the principal adverse sustainability impacts statement by cross-referencing the relevant SFDR disclosures at entity level (e.g., the PAI statement) which would limit the reporting burden and would also avoid the duplication of information.
25. Some respondents however emphasised that the information should be applicable only to originators that are (or will be) required to provide such information under SFDR. One respondent stressed that there should not be any specific requirements for securitisation and that such PAIs approach, and more generally relying on existing disclosures, should be adapted to the scope of securitisation transactions. One respondent noted that PAIs under SFDR are not all relevant in the context of a securitisation, knowing that such PAIs, and reporting related thereto, are made at the entity's level under SFDR (while securitisation implies a disclosure at transaction level). One respondent however disagreed with the ESAs' approach arguing that PAI indicators for securitisations and credit granting at the originator level should be considered separately.
26. One respondent reported that originators usually apply similar credit granting criteria irrespective if the loan pool is transferred via an STS securitisation. The respondent argued that there is therefore little value in an additional description of the process for the STS portfolio. However, the respondent conceded that there may be instances where this assumption does not hold true in particular where the STS pool has been selected using different criteria. The respondent felt that additional description of the originator's credit granting criteria should be optional depending on the characteristics of the pool and on whether separate criteria were used to choose which assets to allocate to the STS securitisation.

ESAs response: The ESAs acknowledge the responses received and take note that a majority of respondents agreed with the proposed ESAs' approach. The ESAs therefore confirm that the approach set out in the CP is kept in the Draft RTS in this final report.

(iii) The disclosure of information on PAI indicators throughout the securitisation process

Question 3: Do you agree that originators should disclose information about whether, and if so how, PAI indicators on sustainability factors are considered in the selection of underlying exposures to be added/repurchased to/from the pool at the time of marketing or during the lifetime of the securitisation? Do you agree with the level of information required?

27. Overall, a majority of respondents agreed with the approach of the ESAs to disclose information about whether PAI indicators on sustainability factors are part of the selection of underlying exposures to be added/repurchased to/from the pool at the time of marketing or during the lifetime of the securitisation. However, some respondents noted that they agree with the ESAs' approach to the extent originators are financial market participants under SFDR and in relation to PAI indicators that are considered in selection of assets for addition to or removal from the pool.
28. One respondent suggested that originators should provide complete and updated information on PAI indicators taking into account (i) the originator's credit approval criteria and (ii) the selection of the exposures included in the relevant pool. The same respondent recommended that originators also disclose this information in relation to transactions involving – even in part – exposures that originators purchased from third parties and then securitised. Finally, the respondent suggested that originators should not just provide details of quantitative thresholds and tests but also provide information on other qualitative principles and criteria that were used in the selection process.
29. One respondent questioned the relevance of this information under a use-of-proceeds approach. If nevertheless it were to be imposed, the respondent suggested that (i) for private transactions an exception would be required since references to a final offering document are not available and (ii) for transactions where sustainability factors are not actively considered the disclosure requirements should be kept at a minimum.
30. Lastly, some respondents disagreed with the requirement to provide "details of the best efforts used to obtain the information from the obligors, external experts or by making reasonable assumptions" in Article 2(3)(d)4 of the Draft RTS which seems to be indirectly imposing an obligation to make "best efforts" to obtain information, which is a potentially extremely onerous requirement.

ESAs response: The ESAs are grateful for the responses received to this question. The ESAs consider that appropriate disclosure regarding the exposures is crucial to support investment decisions which requires originators providing complete and updated information on PAIs indicators also taking into account the originator's credit approval criteria and the selection of the exposures included in the relevant pool. In respect to the requirement to provide "details of the best efforts (...)" in Article 2(3)(d)4 of the Draft RTS, the ESAs consider that for reason of consistency with the SFDR RTS, the initial draft as set out in the CP should be maintained.

(iv) Indicators contained in the PAIs statement

Question 4: Do you agree with the approach taken in the Draft RTS which aims for full consistency with the SFDR RTS?

31. A significant majority of respondents agreed with the approach of the ESAs to ensure consistency with the draft SFDR RTS. Many noted the benefits of consistent disclosure to investors. Even though some data may not yet be available to the originators, one respondent however recognised that it is better to start the process as soon as possible and to build on the existing SFDR RTS.
32. Some respondents reiterated that the Draft RTS should be limited to those metrics which are relevant for securitisation investors. Further, one respondent commented on the reference to additional indicators "which originators will be required to collect for an underlying exposure" pursuant to the Commission Delegated Regulation (EU) 2021/2178 (the "Economically Sustainable Economic Activities RTS" or "ESEA RTS"), which that respondent felt inappropriately assumed the nature of the originator. The respondent noted that the green asset ratio, for example, is required only from credit institutions under the ESEA RTS, whereas the Draft RTS seems to require this information from all originators, regardless of whether they are credit institutions. Finally, the respondent suggested that only those metrics the originator is anyway required to prepare under

the Taxonomy Regulation and the ESEA RTS (or those straightforwardly derived from such metrics – as with the non-green asset ratio) should have to be disclosed under the Draft RTS.

33. Some respondents argued that aiming at “full consistency” with the draft SFDR RTS might not be reasonable in all cases. One respondent further commented that consistency should be ensured to the extent it provides transparency for investors about the sustainable impact of securitised assets. The same respondent also remarked that a right balance must be found between the need to provide investors with meaningful information and the necessity to keep reporting costs reasonable, while ensuring a level playing field with other financing tools and techniques other than securitisation. Thus, the respondent felt that only SFDR PAI indicators that are relevant for credits and for securitisation should be selected since irrelevant SFDR indicators would (i) not be useful to investors, (ii) be difficult or impossible to produce, and (iii) could ultimately have a negative impact on the use of the STS label.
34. One respondent expressed concerns that the SFDR RTS is designed for “sizeable” assets like corporations and investment projects and not for granular asset pools for which the level of detailed information required under the SFDR RTS is not appropriate. The respondent also noted that since all originators will be subject to the Taxonomy Regulation, full consistency with the latter would be more appropriate.
35. Finally, one respondent commented on the importance of avoiding regulatory arbitrage and “greenwashing” which requires a fully consistent approach across all capital market instruments. The respondent also noted that (i) the principle of full consistency with SFDR will not be met merely by a mechanical replication of the SFDR RTS in this Draft RTS and (ii) a number of originators will not be regulated under the SFDR. Therefore, the respondent argued that requiring such originators to make disclosure under this regime could impose substantial and undue burden on them and discourage them from using (or render it impossible for them to use) securitisation if such disclosures were made mandatory.

ESAs’ response: The ESAs acknowledge the responses received and note that most of the respondents agreed with the proposed approach. Finally, the ESAs wish to clarify that, as already mentioned in the CP, they were mandated to develop these Draft RTS mirroring, to the extent possible, the SFDR RTS and adapting it, where necessary, to the specificities of securitisations.

(v) The Non-Green Asset Ratio

Question 5: Do you agree with the inclusion of the new mandatory non-green asset ratio indicator for all asset classes covered by the RTS?

36. The majority of respondents disagreed with the inclusion of a non-green asset ratio indicator for the asset classes covered by the RTS.
37. One respondent considered that the information on the percentage of non-green assets would, in principle, offer a valuable complement to the PAI indicators in terms of assessing transition risks, but the proposed non-green asset ratio (NGAR) would be misleading. According to this respondent, the NGAR would however entail reporting the percentage of assets which fail to meet the EU Taxonomy criteria including the assets failing to have a positive impact on the environment rather than the assets with an adverse impact on the environment. In addition, such a non-green asset ratio would be misleading for users and would suggest that failure to meet the Taxonomy criteria is equivalent to an unsustainable level of environmental performance. In this context, the respondent noted that it would be better to simply require disclosure of the percentage of green assets, which is a well-established indicator containing the same information content as the proposed non-green asset ratio, without any of the potential for misinterpretation. In addition, the same respondent also

pointed out that the proposed non-green asset ratio would not be fully aligned with the PAI indicators in terms of their scope as it only covers retail car loans and not car leases.

38. Several respondents raised observations on a potential non-green asset ratio indicator:

- Depending on the asset class in question, originators may not necessarily have all the information to produce the proposed reporting metric. There are a significant number of originators of both residential mortgage assets and auto loan and lease assets who are not credit institutions and would find it extremely burdensome (and perhaps impossible) to produce the metric.
- SFDR does not refer the ratio, which runs against the objective of standardised and harmonised ESG disclosure. Likewise, the indicator would not fit the inherent logic of SFDR meaning that a non-green asset ratio would not necessarily imply a PAI indicator with regard to securitisations on transaction level.
- ESG disclosures should be kept simple and reporting costs reasonable to avoid negative impact on the use of the STS label.
- There should be no obligation to disclose a non-green asset ratio indicator for securitisations, but the indicator could be provided on a voluntary basis.
- The green asset ratio is a concept applicable to prudentially regulated credit institutions in the EU. Asking originators which are not subject to the green asset ratio and do not have the systems to calculate it solely for STS securitisation disclosure would unfairly discriminate against such instruments and limit the capacity of securitisation to finance the transition to a sustainable economy.
- The non-green asset ratio would not be a reliable PAI indicator as it has little relevance to measuring adverse impacts on the climate as "non-green" assets (with "green" assets complying with all Taxonomy requirements) are not equivalent to "assets having negative effects on sustainability factors", as recognised in paragraph 24 of the CP itself.

ESAs response: Based on the feedback received from the consultation, the ESAs acknowledge that there are several limitations and obstacles in requiring originators to provide the non-green asset ratio (NGAR) in the Draft RTS. This is due to the fact that the NGAR aims to measure the proportion of the assets underlying a securitisation transaction which are not aligned with the EU taxonomy while PAIs indicators capture the adverse impacts on ESG factors. In addition, the ESAs consider that the NGAR should be assessed together with the range of other disclosure requirements, including those under the EBA ITS on prudential disclosures ("Pillar 3") on ESG risks (Commission Implementing Regulation (EU) 2022/2453¹⁴), and not in isolation. Therefore, the ESAs have decided to change the approach in the final report by removing the NGAR from the Draft RTS' templates. The main reason is that the proposed NGAR fails to capture the adverse impacts on the climate as the NGAR indicates the number of assets which fail to meet high sustainability criteria rather than those with a negative impact on sustainability factors. The ESAs have not retained the proposal to replace the proposed non-green asset ratio by the percentage of green assets as the latter would not constitute an indicator of adverse impact.

¹⁴ COMMISSION IMPLEMENTING REGULATION (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks published at the Official Journal of the European Union on 19 December 2022 at available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R2453&from=EN>).

(vi) PAI indicators for residential real estate

Question 6: Do you agree with the proposed PAI indicators for residential real estate?

39. One respondent highlighted that not all PAI indicators listed in the SFDR should be selected for inclusion in the Draft RTS set out in Annex III of this report. Instead, the respondent cautioned that only those PAI indicators which are collected by credit institutions originating residential loans and provide meaningful information to investors should be selected (such as the energy performance certificate of the property as set out under the Commission Implementing Regulation (EU) 2022/2453¹⁵ (EBA ITS on prudential disclosures (pillar 3) on ESG risks). Additionally, the same respondent stated that indicators sourced from SFDR should be required only from originators who are financial market participants (or otherwise institutionally familiar with SFDR reporting requirements).
40. One respondent cautioned that significant problems would occur in using the definitions of the five indicators, since the indicators have been originally defined for large projects (factories, etc.), and so recommended redefining them for retail assets.
41. Other respondents commented that as long as the information is collected under SFDR it should also be available for securitisations, however it should only be applied to newly originated loans as the information that is required will not necessarily have been collected in the past. The same respondents also highlighted that credit institutions originating residential loans will collect only part of the data included in the proposed PAI indicators as part of the prudential disclosure on ESG risks.

ESAs' response: The ESAs take note of the feedback received on the proposed PAI indicators for residential real estate. Bearing in mind the objective of Articles 22 (4) and 26 (4) of SECR, the ESAs believe that requiring such information is justified if the information is available under the SFDR RTS. As regards the approach to apply the Draft RTS to only newly originated loans, please refer to ESAs' response in Section 3.2.2. With the view to maintaining consistency with the final SFDR RTS (Commission Delegated Regulation (EU) 2022/1288), the ESAs have decided to amend the Draft RTS by adding an explanation column.

(vii) Additional information for residential real estate

Question 7: Do you propose to add any additional specific indicators for this asset class?

42. The majority of respondents did not find it necessary to add any additional specific indicators for the residential real estate asset class at this stage, though they flagged that it is important to review the disclosure requirements regularly as it should reflect as much as possible the most recent industry standard PAI indicators and these are still in a state where they are evolving quickly.
43. One respondent noted that the ESAs and industry have a shared interest in ensuring that any regulation does not hold back positive evolutions in this important area.
44. One respondent made the point that mandatory indicators for real estate assets include the energy consumption of the building and/or its energy performance certificate (EPC). The same respondent stated that the PAI indicators in the proposed Draft RTS (e.g., the definition of inefficient buildings

¹⁵ COMMISSION IMPLEMENTING REGULATION (EU) 2022/2453 of 30 November 2022, published at the Official Journal of the European Union on 19 December 2022, amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks and available here [Publications Office \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2022/2453/oj).

or the percentage of taxonomy-aligned assets) are based on granular information about a building's energy consumption or its EPC, to which certain quantitative thresholds are then applied. According to this respondent, providing a breakdown of these underlying metrics would allow investors to better assess the securitised real estate assets' exposure to climate-related transition risks.

ESAs' response: the ESAs take note of the feedback received from financial market participants and wish to clarify that it is not proposed at this step to add specific indicators for real estate assets. However, the ESAs' view is that the introduction of the PAIs indicators in the proposed Draft RTS should follow a flexible and phase-in approach starting with the metrics for real estate as developed in the CP and be reviewed regularly, to allow the sustainable securitisation market to develop and play a role in financing the transition towards a greener EU economy. It is also noted that the Draft RTS allows originators to provide information on any further indicator that they consider as relevant.

(viii) PAI indicators for motor vehicles

Question 8: Do you agree with aligning the PAI indicators for motor vehicles with the screening criteria for motor vehicles established in the Taxonomy Regulation?

45. The majority of respondents disagreed with aligning the PAI indicators for motor vehicles with the screening criteria for motor vehicles established in the Taxonomy Regulation.
46. Most of the respondents recalled that the CP acknowledges that assets which fail to meet high sustainability criteria are not necessarily assets that have a negative impact on the environment. As such, those respondents disagreed with aligning the PAI indicators for motor vehicles (or electric vehicle batteries) with the screening criteria for motor vehicles (or electric vehicle batteries) established in the Taxonomy Regulation. In particular, they considered that social and employee matters are not relevant for reporting in respect of residential loans, and therefore the same should apply to auto loans and leases in order to be consistent. Those respondents also noted that some indicators seemed redundant (e.g., on greenhouse gas) and that many "auto captive" entities might not fall under the SFDR, in which case the information would probably not be readily available to them. Finally, the respondents also highlighted that it could also be difficult to provide the required information for second hand cars (i.e., before the indicators were developed or for "external" vehicle brands).

ESAs response: the ESAs take note of the feedback received regarding aligning the PAI indicators for motor vehicles with the screening criteria for motor vehicles established in the Taxonomy Regulation. Nevertheless, given that the SFDR RTS do not specify PAI indicators for car loans or leases, the ESAs believe that there is value to define these indicators on the basis of the technical screening criteria for motor vehicles that are contained in the Climate Delegated Act accompanying the Taxonomy Regulation. Therefore, the ESAs will keep the Draft RTS unchanged in this respect.

(ix) The introduction of additional PAIs indicators to auto loans and leases

Question 9: Do you agree with expanding the indicators to potentially cover these additional aspects at a later stage?

47. Most of the respondents highlighted that expanding the indicators to include additional PAIs indicators as developed under paragraph 29 of the CP in respect to the potential negative environmental impact of a motor vehicle will need to be carefully considered and that it is too early to precisely define those additional aspects at this stage.
48. One respondent however suggested integrating additional taxonomy-based metrics into the PAI indicators when such indicators become available. Aside from data on the direct emissions of

vehicles, this respondent noted that the technical screening criteria also contain other metrics, making it possible to better identify the “Do No Significant Harm” principle in the taxonomy (such as production emissions, air pollution or the percentage of non-recyclable batteries). Although these metrics are not currently widespread, the respondent considered that they reflected vehicles’ adverse impact on the environment and could be integrated into the template as optional indicators in a first step.

ESAs response: the ESAs take note of the feedback received regarding further expanding the indicators to potentially cover additional aspects at a later stage. Based on the feedback received, the ESAs do not propose to further expand the indicators at this stage.

(X) Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Question 10: Do you agree with applying the mandatory indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters to the manufacturer of the vehicle?

49. Respondents’ views were split on this question. Half of the respondents rather agreed with the ESAs’ proposal to apply the mandatory indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters to the manufacturer of the vehicle. The other half expressed concerns about the ESAs proposal.

50. Overall, most of the respondents highlighted the expected difficulties in the practical implementation of the ESAs proposal:

- Some respondents regarded the ESAs proposal as problematic because there is no equivalent requirement in relation to, as an example, the developer of a residential real estate property or other physical asset that might be financed via a securitisation.
- Other respondents raised concerns with respect to the availability of data and clarity of what is required.
- Some respondents emphasised that these indicators should generally apply to the manufacturer of the vehicle (for new vehicles), however originators do not necessarily have that information and it could be very complicated for them to collect it. Likewise, some respondents cautioned that a statement can only be made to the best of the originator’s knowledge. In addition, some respondents pointed out that numerous manufacturers are not subject to the jurisdiction of EU Member States and thus are not bound by the Draft RTS once adopted, while the loan/leases originators would be clearly relying on them to comply with the proposed PAIs indicator.
- In the case of vehicles produced by a manufacturer belonging to the same group as the originator, some respondents recommended that confirmation should be obtained directly from the manufacturer that the UN Global Compact principles of the OECD and the Guidelines for Multinationals have been complied with.
- Other respondent questioned how an independent loan originator would be able to collect this information for all the brands and models he is financing, including with respect to second hand cars. In all these situations, the respondent suggested that a loan/lease originator would be relying entirely on the information provided by other parties in the value chain (such as the manufacturers of the vehicles) and therefore cannot be held liable for the accuracy and completeness of this information.

- One respondent cautioned that a fintech lending to purchasers of second-hand cars would potentially have to source information from a dozen or more manufacturers across the world. Therefore, any requirement here should be circumscribed to originators dealing with one manufacturer and preferably “captives”.
- One respondent however suggested that the information should be provided on the basis of the manufacturer’s feedback, evaluating the sustainability report and press reports available in the originator’s realm to the best of the originator’s knowledge. In addition, the same respondent argued that violations of the above principles and guidelines may only relate to certain operating sites of a brand manufacturer in a particular country, so that only some of the vehicles produced are affected by the violations. In this respect, the violations should then only relate to vehicles which production has not complied with the principles and guidelines, where it is possible to separate out the vehicles in question.
- Finally, one respondent suggested that positive or negative PAI indicators that are associated with a car manufacturer and their car model should be measured and disclosed at the level of the car manufacturer itself.

ESAs response: The ESAs acknowledge the mixed views on developing mandatory indicators covering social and employee matters to the manufacturer of the vehicles. On balance, the ESAs believe that the inclusion of social indicators within the Draft RTS is beneficial in terms of simplicity and predictability for financial market participants and for comparability purposes for investors. Therefore, for the sake of consistency with the indicators on social and employee matters as set out in the Annex 1 of the SFRD RTS, the ESAs propose to keep the general approach developed under the CP while amending the Draft RTS to specify that originators may include any additional indicator taken from Tables 1, 2 and 3 of the SFDR RTS (where available, at least one from Table 2 and one from Table 3).

(xi) Additional indicators for e-vehicles and hybrid-vehicles

Question 11: Do you propose to add any additional specific indicators for this asset class?

51. Some of the respondents suggested that additional value added may be derived from reporting the share of e-vehicles and hybrid-vehicles in securitised portfolios. These respondents reported that it is more meaningful than reporting on targets and limit for CO₂ and air pollutants that virtually only e-vehicles and hybrid vehicles can fulfil. In addition, reporting available average CO₂-emissions of vehicles in g/km CO₂ may also allow investors to gauge the CO₂ intensity of their investment.

ESA’s response: The ESAs take note of the feedback received regarding the additional value added that may be derived from reporting the share of e-vehicles and hybrid-vehicles in securitised portfolios. However, the ESAs do not agree with the proposed inclusion of the indicators (average CO₂ emissions, like the share of e- or hybrid- vehicles) because they do not qualify as PAI indicators.

(xii) Indicators relating to other types of securitisations

Commercial Real Estate (CRE)

Question 12: Would you agree with using the SFDR real estate PAI indicators for commercial real estate securitisation?

52. Most of respondents agreed with the proposed Draft RTS which would build on the SFDR real estate PAI indicators for commercial real estate securitisation. Respondents further noted that

originators are those subject to SFDR and are able to select whether or not to disclose that information in respect of the assets underlying the securitisations they originate.

53. One respondent however noted that, to ensure consistent treatment of residential and commercial real estate assets, granular data on EPC labels and energy performance could also be required for commercial real estate assets. For both residential and commercial real estate loans, the energy performance of the underlying assets is a key metric when assessing their adverse impact and their exposure to transition risks. With that in mind, the respondent suggested that a more granular breakdown of energy consumption and EPC labels should also be required for securities backed by commercial real estate. As with residential real estate loans, these granular metrics would be required to assess the PAI (particularly the percentage of “inefficient real estate assets”, as well as the percentage of non-taxonomy-aligned loans), thereby limiting the potential for additional reporting burden for originators.
54. Finally, one respondent considered the required disclosure excessive and premature.

ESAs response: The ESAs acknowledge the positive feedback received to replicate the SFDR real estate PAI indicators for commercial real estate (CRE) securitisation. Please refer to the ESAs’ decision elaborated in the response section for question 19 not to develop such further voluntary templates.

(xiii) Corporate debt including trade receivables

Question 13: Would you consider it useful to provide originators of securitisations consisting of corporate debt including trade receivables a template to disclose standardised information on principal adverse impacts on sustainability factors?

55. A slight majority of respondents considered that it would be too premature at this stage to set out a mandatory template for corporate debt. Those respondents suggested allowing more time for the market and regulatory framework to develop best practices in this area, and then apply the same requirements to securitisation financing as those that are applied to equivalent market participants engaged in other forms of financing. Given that the trade receivables market is diverse in terms of the nature of the underlying assets and the corresponding information available, the same respondents argued that any decision on this should be taken in close cooperation with relevant stakeholders in the relevant market. Other respondents emphasised that, in the case of trade receivables, the additional data collection and reporting burden may be just too high as trade receivables with short maturities may be a low margin product where the extra cost of collecting the data is not justified.
56. Other respondents supported the proposal to set out a template to originators of securitisations consisting of corporate debt including trade receivables.

ESAs’ response: The ESAs acknowledge the responses received and wish to recall that the ESAs solicited feedback to assess how and if the disclosure could be extended to cover other types of securitisations and could lead to adjustments to the Draft RTS. Please refer to the ESAs’ decision elaborated in the response section for question 19 not to develop such voluntary templates.

(xiv) PAI indicators to corporates exposures

Question 14: Would you agree with applying the draft SFDR RTS PAI indicators to exposures to corporates?

57. Most of the respondents to this question agreed with the proposal to apply the SFDR RTS PAI indicators to exposures to corporates.
58. One respondent however cautioned that extending the SFDR RTS PAI indicators to exposures financed via securitisation would not be problematic, provided the originator is a financial market participant in scope of the relevant SFDR RTS disclosure obligations and chooses to disclose SFDR RTS PAI indicators to investors. Another respondent also cautioned that any discrepancy between SFDR and the future CSRD should be avoided.

ESAs' response: The ESAs take note that respondents agreed with the proposal to apply the SFDR RTS' PAI indicators to exposures to corporates. Please refer to the ESAs' decision elaborated in the response section for question 19 not to develop such voluntary templates.

(xv) Trade receivables

Question 15: Would you agree with applying the proposed application of the same draft SFDR RTS PAIs focusing on the seller in the case of securitisation consisting of trade receivables?

59. Respondents generally disagreed with applying the same SFDR RTS PAI indicators focusing on the seller in the case of securitisation backed by trade receivables.
60. The reasons provided by respondents included (i) that it would be too premature to set out a mandatory template, (ii) that in case of full recourse to the seller indeed the PAI indicators of the seller should be applied, and (iii) that, in case of different seller entities from one group, such requirements should be met at group level.

ESAs' response: The ESAs take note of the concerns expressed by respondents regarding the application of SFDR RTS PAI indicators focusing on the seller in the case of securitisation consisting of trade receivables. Please refer to the ESAs' decision elaborated in the response section for question 19 not to develop such voluntary templates.

(xvi) SME loans

Question 16: Would you agree with adopting the proposed proportionate approach to SME loans?

61. Most of respondents agreed with the proposed proportionate approach to SME loans.
62. In particular, one respondent suggested applying the same requirements to all non-retail assets (corporate loans, SME loans or trade receivables) and advocated using all indicators relating to non-SME corporate exposures set out in the SFDR RTS and that the same disclosure requirements should be applied. However, rather than reducing the number of indicators, the same respondent called for aligning these requirements for SME loans, so that the possible PAI indicators for SME loans should also include indicators 5 and 6 ("share of non-renewable energy consumption and production" and "energy consumption intensity per high impact climate sector") in Table 1 of the SFDR RTS ("Indicators applicable to investments in investee companies"). According to that respondent, the aim should be to avoid any type of discrimination between securitised assets based on loans to corporations, loans to SMEs and trade receivables, particularly given the importance of these asset types in banks' lending books. At the same time the respondent argued that a distinction between SME loans and non-SME loans would not be consistent with the disclosure requirements under the SFDR, which could lead to a parallel reporting structure for SME loans.

63. Another respondent felt that securitising SME loans should not change the type of ESG disclosure that lenders are required to make. Therefore, that respondent pointed out that any existing obligations for the originator, e.g., under SFDR, could be repurposed for securitisation disclosure, but no further data should have to be collected or disclosed. Additionally, the same respondent stressed that the approach should be aligned with the required information under the SFDR RTS in terms of timing, phase-in period and to allow SMEs to adapt to the new reporting requirements in general.

ESAs' response: The ESAs take note of the comments and support for the proposed template for SME loans, even though technical and policy challenges could make it difficult to develop the template. Please refer to the ESAs' decision elaborated in the response section for question 19 not to develop such voluntary templates.

(xvii) Additional PAI indicators for corporates

Question 17: Would you propose to add any additional specific indicators for these three types of securitisations?

64. All respondents were of the view that, at the current stage, no additional specific indicators should be added for these three types of securitisations.

One respondent emphasised that the disclosure framework should be flexible enough to allow for inclusion of additional PAI data fields or PAI key performance indicators if needed. In the same vein, the disclosure framework should be flexible enough to remove PAI data fields if they turn out to be not available and/or the field appears to be of limited use.

ESAs' response: The ESAs acknowledge the responses received. Please refer to the ESAs' decision elaborated in the response section for question 19 not to develop such voluntary templates.

(xviii) PAI indicators for consumer loans and credit card debts

Question 18: Would you agree that there are no appropriate PAI indicators for securitisations backed by consumer loans or by credit card debts? If not, which PAI indicators would you propose for these loan types?

65. Most of the respondents agreed that there are no appropriate PAI indicators for securitisations backed by consumer loans or by credit card debt. Respondents felt that it would be extremely challenging to develop appropriate PAI indicators since there is generally no information available on the use of the money borrowed under consumer loans or credit cards.
66. One respondent noted that consumer debt is a general-purpose loan, and the consumer / borrower is free to choose how to use the loan and may use the loan proceeds to purchase products or engage in activities with a negative environmental and/or social impact. The respondent stressed that the originator cannot control how the consumer spends the loan proceeds. The respondent suggested that a typical social factor like extending loans to underserved borrowers may be associated with higher credit risk. The respondent also noted that sometimes not granting a loan to a borrower can be associated with a positive social impact as this borrower may be protected from over-indebtedness. As it is very difficult to think of social PAI indicators for consumer debt, the respondent noted that ICMA Pre-Issuance Checklist for Social Bonds mentions several factors that are not applicable to Consumer asset backed securities (ABS).
67. One respondent however reported that appropriate PAI indicators exist for consumer loans which are clearly defined as being for the purposes of property, home improvement, a new car or a used

car which could be captured under two of the templates detailed in the Draft RTSs (i.e., residential real estate assets and auto loans and leases).

ESAs' response: The ESAs take note that respondents agreed that there are no existing appropriate PAI indicators for securitisations backed by consumer loans or by credit card debt. The ESAs also note that respondents' views were rather split as of whether PAIs indicators could be developed for securitisations backed by consumer loans or by credit card debt. Please refer to the ESAs' decision elaborated in the response section for question 19 not to develop such voluntary templates.

(xix) Extension to other types of securitisations

Question 19: Do you consider that it would be useful to develop standardised PAI indicators on sustainability factors for other types of securitisations?

Corporate debt including trade receivables, SME loans, CRE, consumer loans and credit card debt

68. Support for developing PAI indicators for these asset classes was mainly conditional on changes to the ESAs approach and adapting the implementation to specific asset characteristics. One respondent stressed that the disclosures might be excessive and premature at this stage, and that they would welcome a consistent disclosure regime not only for STS securitisations but for all asset-based finance (non-STS securitisations, covered bonds) at a later stage when the full legislative landscape for European sustainable finance has been agreed.

69. Respondents' specific comments are summarised below by asset class:

- **Commercial real estate (CRE):** Most respondents agreed with using the SFDR real estate PAI indicators for CRE securitisation, provided that the originators is able to select whether or not to disclose that information in respect of the assets underlying the securitisations they originate, as described in question 12.
- **Corporate debt including trade receivables:** Most respondents felt that it is too early at this stage to set out a mandatory template (See question 13 for more details).
- **Exposures to corporates:** Most respondents supported developing standardised PAI indicators on sustainability factors regarding exposures to corporates, as described in question 14. Respondents disagreed with applying the same SFDR RTS PAI indicators focusing on the seller in the case of securitisation backed by trade receivables, as detailed in question 15.
- **SME loans:** Most respondents supported developing standardised PAI indicators on sustainability factors for SME loans, as described in question 16.
- **Consumer loans and credit card debt:** Most respondents agreed there are no appropriate PAI indicators for securitisations backed by consumer loans or by credit card debt, as detailed in question 18.
- **Additional specific indicators:** Most respondents cautioned that it is too early to add specific indicators for CREs, exposures to corporates including SMEs and trade receivables, as described in question 17.

Other types of securitisations than corporate debt (including trade receivables), SME loans, CRE, consumer loans and credit card debt

70. Besides corporate debt including trade receivables, SME loans, Commercial Real Estate, consumer loans and credit card debt, few respondents supported the development of standardised PAI indicators on sustainability factors for other types of securitisations.
71. One respondent notably suggested that the proposed templates could be extended to cover non-STS securitisations, to encourage and enhance transparency regarding financial instruments backed by the same types of assets. Similarly, the same respondent remarked that covered bonds that are backed by real estate mortgages likely resemble securitisations backed by real estate assets in terms of their exposure to climate-related risks. In the view of that respondent, this calls for consistent and harmonised templates for different asset classes to avoid a proliferation of inconsistent disclosure standards, foster comparability across asset classes for investors and facilitate equal treatment of different asset classes by regulatory authorities.
72. Another respondent called for introducing a broad category called "other securitisation" covering securitisations that do not fall under the typical categories (auto, consumer, residential, etc.) to report PAI indicators, for example securitisation of loans backed by solar panels.

ESAs response: The ESAs take note that some respondents supported the extension of the draft RTS to other types of securitisations than residential loans, auto loans and leases, while other expressed reservations in that respect. As indicated in the CP, the ESAs solicited feedback from market participants to assess how and if the disclosure could be extended to cover other types of securitisations. Also, in light of the mixed responses received, the ESAs consider that expanding the disclosure to other asset classes is not appropriate at this stage and decided therefore not to further develop such voluntary templates.

3.1.3 Preliminary impact assessments

73. Regarding the preliminary impact assessment provided in Section 6 of the CP, the ESAs did not receive responses nor any specific quantitative feedback.

4. Accompanying documents

4.1 Annex I – Legislative mandates under SECR to develop the draft technical standards

Article 22

'4. In the case of a securitisation where the underlying exposures are residential loans or auto loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or auto loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1). By way of derogation from the first subparagraph, originators may, from 1 June 2021, decide to publish the available information related to the principal adverse impacts of the assets financed by underlying exposures on sustainability factors.';

[...]'6. By 10 July 2021, the ESAs shall develop, through the Joint Committee of the European Supervisory Authorities, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in the second subparagraph of paragraph 4 of this Article, in respect of the sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts.

Where relevant, the draft regulatory technical standards referred to in the first subparagraph shall mirror or draw upon the regulatory technical standards developed pursuant to the mandate given to the ESAs in Regulation (EU) 2019/2088, in particular in Article 2a and Article 4(6) and (7) thereof.

The Commission is empowered to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.';

Article 26d

'4. In the case of a securitisation where the underlying exposures are residential loans or auto loans or leases, the originator shall publish the available information related to the environmental performance of the assets financed by such residential loans, auto loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).

By way of derogation from the first subparagraph, originators may, from 1 June 2021, decide to publish the available information related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors.

[...]

6. By 10 July 2021, the ESAs shall develop, through the Joint Committee of the European Supervisory Authorities, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in the second subparagraph of paragraph 4 of this Article, in respect of the sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts.

Where relevant, the draft regulatory technical standards referred to in the first subparagraph of this paragraph shall mirror or draw upon the regulatory technical standards developed in compliance with

the mandate given to the ESAs in Regulation (EU) 2019/2088, in particular in Article 2a, and Article 4(6) and (7) thereof.

The Commission is empowered to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.'

4.2 Annex II - Impact Assessments

74. According to the founding Regulations of EBA, ESMA and EIOPA, the ESAs conduct an analysis of costs and benefits when preparing draft RTS. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology. The Draft RTS and their impact assessment were also subject to public consultation.
75. The impact assessment analyses different aspects of the proposed Draft RTS which are presented in separate subsections below:
- Format of disclosure;
 - Entity-level disclosures;
 - PAI indicators for auto loans and leases;
 - PAI indicators for residential real estate.
76. The assessment of each aspect is structured in the same way. First, the problem relating to this aspect is defined. Second, the policy options are presented in a table which summarises their respective costs and benefits.

Baseline scenario

77. In developing the options below, the baseline scenario consists in a situation in which there are no harmonised rules on the content and presentation of information to be disclosed under the second subparagraph of Articles 22(4) and 26d(4) of SECR. In practical terms, this means that there would be no harmonised rules specifying the content and presentation of the information related to the principal adverse impacts of the assets financed by underlying exposures on sustainability factors. It should be noted that SECR provides originators with the possibility to derogate from Article 22(4) first subparagraph with respect to environmental performance disclosures, already included and maintained in SECR, by publishing the available information related to the principal adverse impacts (PAIs) of the assets financed by underlying exposures on sustainability factors. This means that the main risk of adopting an unduly burdensome policy option is not high compliance costs but rather low or no uptake. As such, the cost of these Draft RTS can never exceed the cost of the baseline-scenario. The impact of too stringent and costly requirements is thus not additional cost, but the absence of the benefits expected from a high uptake.

Objectives

78. The overall objective of the Draft RTS is set out in Recitals 28 and 29 of the Regulation (EU) 2021/557 amending the SECR which aim at ensuring that originators can disclose relevant information about the environmental adverse impact in a way which is consistent and comparable to the disclosures made available under SFDR. This in turn will allow investors to undertake consistent due diligence of sustainability factors when investing in different types of assets. End-investors should be able to rely on the PAI disclosures made by originators to explain sufficiently clearly how they consider adverse impacts.

4.2.1 Format of disclosure

79. The first aspect of disclosure which is considered is the format of disclosure. The question of format arises since the format of disclosures for securitisation under the SECR differ in nature from the format and presentation of disclosures under SFDR. The two options considered are:

- Option 1: Template of disclosure aligned with the one developed for the draft SFDR RTS and transmitted in a searchable format (preferred option).
- Option 2: Sustainability disclosures directly included into the XML templates set out by ESMA's disclosure RTS.

80. To assess the pros and cons of the two options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation on sustainability disclosure which may require the use of different formats. This is associated with the **risk of a low uptake**.
- **Regulatory consistency** refers to the consistency and logic of information provided under this draft RTS with other related reporting regimes.
- The **quality of information** that could be achieved by using a searchable format instead of an XML template, in view of the qualitative nature of data;
- The **level of flexibility** allowed by each type of the two formats considered in case of a change of indicators or thresholds for sustainability indicators due to legislative or technological developments.

81. The identified policy options are the following:

TABLE 1: POLICY OPTIONS

	Parameters	Option 1: Format aligned with SFDR	Option 2: Format aligned with ESMA's disclosure RTS
Costs	Regulatory burden to originators / risk of low uptake	Low	High
Benefits	Regulatory Consistency	Medium	Medium
	Ability to control and monitor data quality	Medium	High
	Flexibility	High	Low

4.2.2 Entity-level disclosures

82. The mandate to the ESAs requires that the Draft RTS, where relevant, should mirror or draw upon the draft SFDR RTS, which sets the requirements for disclosure of adverse sustainability impacts at entity level for financial market participants.

83. In assessing the extent to which originators should disclose information at entity-level, the issue of proportionality arises. Indeed, the choice to comply with the Draft RTS mainly depends on the associated burden weighing on originators. Requiring them to develop a separate and elaborate disclosure for their entire business in addition to the annual PAI statement for their assets, could be perceived as disproportionate and resource intensive. At the same time, information about whether an originator takes PAI into account in its credit granting criteria may be relevant for an investor interested in the sustainability profile of its investments.

84. In light of this, the ESAs considered the following options:

- Option 1: No disclosure requirements at originator level;
- Option 2: Very limited required information drawing on and cross-referencing disclosures and policies, which the originator has already produced under other regulations (preferred option);
- Option 3: Same level of entity-disclosure set out by the SFDR.

85. To assess the pros and cons of the three options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**.
- The **regulatory consistency**, refers to the consistency and logic of information provided under these draft RTS with other related reporting regimes.
- The **level of relevant information** which should allow end-investors to make aware decision.

TABLE 2: POLICY OPTIONS

	Parameters	Option 1: No Disclosure	Option 2: Limited disclosure	Option 3: SFDR disclosure
Costs	Regulatory burden to originators / risk of low uptake	None	Low	High
Benefits	Regulatory consistency	Low	Medium	High
	Level of relevant disclosed information	None	Low	Medium

4.2.3 PAI indicators for auto loans and leases

86. The SFDR RTS, which has been mirrored to develop the other asset classes PAI indicators, does not contain specific indicators for adverse impacts arising from the motor vehicle asset class.

87. To deal with this lack, the ESAs have drawn the mandatory indicators stated in the Draft RTS from other sources and, more specifically, from Section 6.5 of Annex I to Climate Delegated Act¹⁶ and from the disclosure requirements applicable to credit institutions under the Delegated Regulation supplementing the Taxonomy Regulation.

88. The indicators included in Annex I, referring to auto loans and leases, don't take into account some relevant environmental impacts of motor vehicles which are stated in paragraph 5.3.3 of the background section.

89. To address the problem concerning the type and number of indicators to include in the PAI annual statement, the following options have been considered:

- Option 1: A single indicator based on CO₂ emissions;

¹⁶ Commission Delegated Regulation (EU) 2021/ of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (europa.eu).

- Option 2: additional indicators set out by Taxonomy Regulation (preferred option);
- Option 3: include detailed indicators assessing all aspects of the environmental impact of motor vehicles.

90. To assess the pros and cons of the two options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**;
- The **availability of data** for originators;
- The **level of relevant information disclosed** which should allow end-investors to make aware decisions;
- The **regulatory consistency** refers to the consistency and logic of information provided under these draft RTS with other related reporting regimes.

TABLE 3: POLICY OPTIONS

	Parameters	Option 1: Emission/km	Option 2: Taxonomy-based disclosures	Option 3: Detailed indicators
Costs	Regulatory burden to originators / risk of low uptake	Low	Medium	High
	Availability of data	High	High	Low
Benefits	Regulatory consistency	High	High	Low
	The level of relevant information disclosed	Low	Medium	High

4.2.4 PAI indicators for residential real estate

91. The second type of securitisation for which PAI indicators are developed in the draft RTS is residential real estate. This is an asset class for which indicators were already developed in the draft SFDR RTS providing a starting point for these draft RTS. Two options are identified.

- Option 1: Close alignment with SFDR (preferred option).
- Option 2: More indicators than those included in SFDR.

92. To assess the pros and cons of the two options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**; and
- The **level of relevant information disclosed** which should allow end-investors to make aware decision.

93. The identified policy options are the following:

TABLE 4: POLICY OPTIONS

	Parameters	Option 1: Close alignment with SFDR	Option 2: More indicators than SFDR
Costs	Regulatory burden to originators / risk of low uptake	Low	High
Benefits	The level of information disclosed	Medium	High

4.2.5 Analysis of impact

94. In analysing the impact of the proposed rules on adverse impact disclosure, it is important to bear in mind the fact that the Draft RTS aims to draw upon and ensure as much consistency as possible with the ESAs' work in respect of sustainability-related disclosures in financial services under the Sustainable Finance Disclosure Regulation ("SFDR"). ESAs' approach was to maintain a balance between existing disclosure requirements including those under SFDR, and the necessity of introducing appropriate ESG-related indicators to assess the adverse impact of the assets financed by the underlying exposure of securitisation products.
95. It should also be noted that although originators of STS securitisations with residential loans or auto loans and leases as underlying exposures were initially required to report on available environmental performance information of these underlying exposures prior to Regulation (EU) 2021/557 amending SECR, Articles 22(4) and 26d(4) of SECR now offer the possibility to derogate from this disclosure and follow the Draft RTS instead.
96. The ESAs have considered the feasibility, added value, cost and complexity of introducing new indicators and the usefulness of this type of information for end investors. Based on this, the ESAs propose to rely on the indicators that are already required by the Taxonomy Regulation and the SFDR RTS.

4.3 4.3 Annex III - Draft RTS with regard to STS securitisations related sustainability disclosures

COMMISSION DELEGATED REGULATION (EU) No .../.. of **XXX**

supplementing Regulation (EU) 2017/ 2402 of the European Parliament and of the Council laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation with regard to regulatory technical standards specifying the content, methodologies and presentation of information in respect of sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts of the assets financed by the underlying exposures of simple, transparent and standardised securitisations

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2017/2402 of the European Parliament and of the Council laying down a general framework for securitisations and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (¹⁷), and in particular, the third subparagraph of Article 22(6) and the third subparagraph of Article 26d(6) thereof,

Whereas:

- (1) In the case of simple, transparent and standardised (STS) non-ABCP traditional securitisations, where the underlying exposures are residential loans or auto loans or leases, the first subparagraph of Article 22(4) of Regulation (EU) 2017/2402 requires originators and sponsors to publish the available information related to the environmental performance of the assets financed by such residential loans or autos loans or leases.
- (2) Regulation (EU) 2021/557 of the European Parliament and of the Council (18) amended Regulation (EU) 2017/2402 by extending the STS securitisation framework to on-balance-sheet synthetic securitisations and by providing, in the second subparagraph of Article 22(4) and in the second subparagraph of Article 26d(4) that originators may, where the underlying exposures are residential loans or auto loans or leases, disclose the available information related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors. This Regulation lays down the content, methodologies and presentation of information that originators may decide to publish on principal adverse impacts on sustainability factors of the assets financed by residential loans or auto loans or leases, for both traditional non-ABCP and for on-balance-sheet STS securitisations.
- (3) To harmonise sustainability-related disclosures, this Regulation draws upon the regulatory technical standards developed pursuant to the mandate given to the European Supervisory Authorities in Regulation (EU) 2019/2088 of the European Parliament and of the Council (¹⁹),

¹⁷ OJ L 374, 28.12.2017, p.35.

¹⁸ Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis (OJ L 116, 6.4.2021, p. 1).

¹⁹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 12.2019, p. 1).

with particular reference to Commission Delegated Regulation (EU) 2022/1288 ⁽²⁰⁾ in relation to the content of the information including the templates and their format, the principle adverse impact indicators and the metrics.

- (4) Since the information referred to in this Regulation should be made available as part of the information disclosed under point (a) of the first subparagraph of Article 7(1) of Regulation (EU) 2017/2402, it should be provided quarterly and information relating to securitisations where a prospectus has to be drawn up pursuant to Regulation (EU) 2017/1129 of the European Parliament and of the Council ⁽²¹⁾ (commonly referred to as 'public' securitisations) should be made available by means of a securitisation repository registered with ESMA. In order to facilitate the tracking of the information on principal adverse impacts made available via a securitisation repository, an item code consistent with those of Table 3 of Annex I to Commission Delegated Regulation (EU) 2020/1224 ⁽²²⁾ should be used.
- (5) To ensure that investors are in a position to take informed decisions as regards the sustainability impacts of their investment, sustainability-related disclosures should be sufficiently clear, concise and prominent. Investors should have access to reliable and comprehensive data that they can use and analyse in a timely and efficient manner.
- (6) Originators should report on principal adverse impacts on sustainability factors in order to ensure that investors can easily understand the indicators and compare the information disclosed. To improve the comparability of the disclosure, it is appropriate to distinguish between indicators of adverse impacts that, based on the materiality of their exposures, always lead to principal adverse impacts and additional indicators of adverse impacts on sustainability factors that are principal for the originators. Considering that information may not always be readily available for all of the sustainability indicators, for reasons of proportionality, originators should be required to report, where such additional information is available, only on one additional indicator of principal adverse impacts relating to the climate or other environmental-related sustainability factors and one additional indicator of principal adverse impacts on social- or governance-related sustainability factors.
- (7) Where originators disclose the information required by this Regulation and do not publish the available information related to the environmental performance of the assets financed by residential loans or auto loans or leases according to Article 22(4), first subparagraph, and Article 26d(4), first subparagraph, of Regulation (EU) 2017/2402, they should make use of the value 'No Data Option' ND5 in fields RREC10 and RREC11 in Annex II to Commission Delegated Regulation (EU) 2020/1224 and in fields AUTL57 and AUTL58 in Annex V to that Regulation.
- (8) Both Article 22(4), second subparagraph, and Article 26d(4), second subparagraph, of Regulation (EU) 2017/2402 refer to available information related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors. To facilitate a comprehensive view by originators of those obligations and to ensure coherence between the rules and standardised templates for disclosure of such principal adverse impacts

²⁰ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre contractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p.1).

²¹ Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71 (OJ L 168, 30.6.2017, p. 12)

²² Commission Delegated Regulation (EU) 2020/1224 of 16 October 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying the information and the details of a securitisation to be made available by the originator, sponsor and SSPE (OJ L 289, 3.9.2020, p. 1)

on sustainability factors concerning non-ABCP traditional STS securitisations and on-balance-sheet STS securitisations, which should enter into force at the same time, it is appropriate to include the regulatory technical standards in a single Regulation.

- (9) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.
- (10) The Joint Committee of the European Supervisory Authorities referred to in Article 54 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council⁽²³⁾, in Article 54 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council⁽²⁴⁾ and in Article 54 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010, the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010, and the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010,

HAS ADOPTED THIS REGULATION:

Article 1

General principles for the presentation of information

1. Originators shall provide the information required by this Regulation in a manner that is prominent, simple, concise, comprehensible, fair, clear and not misleading.
2. The information referred to in this Regulation shall be made available as part of the information disclosed pursuant to point (a) of Article 7(1) of Regulation (EU) 2017/2402 in a searchable electronic format.

Article 2

Statement on principal adverse impacts on sustainability factors of the assets financed by underlying exposures of the securitisation

1. Originators shall publish the statement on principal adverse impacts on sustainability factors in the format set out in Tables 1, 2 and 3 of the Annex.
2. In the summary section in Table 1 of the Annex, originators shall include all of the following:
 - (a) the unique identifier of the securitisation;
 - (b) where available, the international securities identification numbers (ISIN) of each of the tranches or bonds in the securitisation;
 - (c) the fact that principal adverse impacts on sustainability factors are considered;
 - (d) the reference period of the statement;

²³ 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, 15.12.2010, p. 12).

²⁴ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

- (e) for each asset type in the securitisation pool, the total current principal balance of the underlying exposures;
- (f) a summary of the principal adverse impacts on sustainability factors of the assets financed by underlying exposures.

The summary section shall be of a maximum length of two sides of A4-sized paper when printed.

3. In the section 'Explanation of how principal adverse impacts on sustainability factors of the assets financed by underlying exposures of the securitisation are considered in the selection of underlying exposures to be added to the pool at the time of offering or during the lifetime of the securitisation' in Table 1 of the Annex, originators shall include all of the following:
 - (a) a description of any criteria or numerical thresholds applicable to the composition of the pool of underlying exposures in the securitisation relating to the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures in the pool;
 - (b) a description of any tests, events and triggers relating to those principal adverse impacts;
 - (c) clear references to the relevant pages and sections in the final offering document or the prospectus and the closing transaction documents where those thresholds, tests, events or triggers are described;
 - (d) a concise explanation of whether and, if so, how principal adverse impacts on sustainability factors are taken into account in the originator's credit granting criteria;
 - (e) clear references and hyperlinks to any available public disclosures where the criteria referred to in point (a) are described.

Where information relating to any of the indicators of principal adverse impacts on sustainability factors used is not readily available, details of the best efforts used to obtain the information from the obligors, external experts or by making reasonable assumptions.

4. For the purposes of the concise explanation referred to in paragraph 3(d), originators may also provide references to relevant business conduct codes and internationally recognised standards for due diligence and reporting to which they adhered.
5. In the section 'Description of principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of the securitisation' in Table 1 of the Annex, originators shall provide a description of the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of the securitisation, and they shall include all of the following:
 - (a) available information on the indicators related to principal adverse impacts on sustainability factors as set out in Table 1 of the Annex;
 - (b) available information on one or more additional climate and other environment-related indicators, as set out in Table 2 of the Annex;
 - (c) available information on one or more additional indicators for social and employee matters, respect for human rights anti-corruption and anti-bribery matters as set out in Table 3 of the Annex;
 - (d) available information on any other indicators used to identify and assess additional principal adverse impacts on a sustainability factor as set out in Table 1 of the Annex.

Where the originator has provided at least one previous statement on principal adverse impacts on sustainability factors in accordance with this Article, the originator shall provide a historical comparison between the current period reported on and every previous period reported on up to the last four previous periods.

6. Where the statement on principal adverse impacts on sustainability factors is made available by means of a securitisation repository, the item code 1 of Table 3 of Annex I to Commission Delegated Regulation (EU) 2020/1224 shall be used.
7. Where the originator identifies factual errors in any information that it has made available pursuant to this Article, it shall make available, without undue delay, a corrected statement.

Article 3

Entry into force

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

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

Template principal adverse sustainability impacts statement

For the purpose of this Annex, the following definitions shall apply:

- (1) 'securitisation unique identifier' means a unique identifier as set out in Article 11 of Commission Delegated Regulation (EU) 2020/1224;
- (2) 'specific emissions of CO₂' means the CO₂ emissions of a passenger car, or a light commercial vehicle as defined by Article 3(1), point (h) of Regulation (EU) 2019/631 of the European Parliament and of the Council²⁵;
- (3) 'EU fleet-wide target' means the average CO₂ emissions of all new passenger cars or all new light commercial vehicles to be achieved in a given period as defined by Article 3(1), point (k) of Regulation (EU) 2019/631;
- (4) 'reusability' means the potential for reuse of component parts diverted from an end-of-life vehicle as defined by Article 4, point 13 of Directive 2005/64/EC of the European Parliament and of the Council²⁶;
- (5) 'recyclability' means the potential for recycling of component parts or materials diverted from an end-of-life vehicle as defined by Article 4, point 14 of Directive 2005/64/EC;
- (6) 'recoverability' means the potential for recovery of component parts or materials diverted from an end-of-life vehicle as defined by Article 4, point 15 of Directive 2005/64/EC;
- (7) 'recycling efficiency' of a battery recycling process means the ratio obtained by dividing the mass of output fractions accounting for recycling by the mass of the waste batteries input fraction, expressed as a percentage;
- (8) 'zero- and low-emission vehicle' means a passenger car or a light commercial vehicle with tailpipe emissions from zero up to 50 g CO₂/km, as defined by Article 3(1), point (m), of Regulation (EU) 2019/631 of the European Parliament and of the Council²⁷;

²⁵ Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (OJ L 111, 25.4.2019, p. 13).

²⁶ Directive 2005/64/EC of the European Parliament and of the Council of 26 October 2005 on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability and amending Council Directive 70/156/EEC (OJ L 310, 25.11.2005, p. 10).

²⁷ Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (OJ L 111, 25.4.2019, p. 13)

(9) 'vehicles belonging to categories M₁ or N₁' means vehicle respectively pertaining to the Category M₁ as set out in Article 4(1), point (a)(i), of Regulation (EU) 2018/858 of the European Parliament and of the Council²⁸ and to the Category N₁, as set out in Article 4(1), point (b)(i) of that Regulation.

For the purposes of the indicators in Table 1, section on 'Indicators applicable to the assets financed by residential loans' in this Annex, the relevant formulas set out in the second subparagraph of Annex I to Commission Delegated Regulation (EU) 2022/1288 shall apply.

²⁸ Regulation (EU) 2018/858 of the European Parliament and of the Council of 30 May 2018 on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles, amending Regulations (EC) No 715/2007 and (EC) No 595/2009 and repealing Directive 2007/46/EC (OJ L 151, 14.6.2018, p. 1).

Table 1

Statement on principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of the securitisation

<p>Originators of the Securitisation [<i>Name and LEI</i>]</p> <p>Summary</p> <p>[<i>Name and LEI</i>] considers principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of the securitisation [<i>securitisation unique identifier</i>], that are described in the present statement.</p> <p>The ISIN codes of each of the tranches and / or bonds in the securitisation are the following [<i>insert ISIN codes</i>].</p> <p>This statement covers the reference period from [<i>date</i>] to [<i>date</i>].</p> <p>For each asset type in the pool [<i>auto loans; leases; residential loans</i>], the total current principal balance of the underlying exposures is as follows [information referred to in point (e) of Article 2(2)].</p> <p>[<i>Summary referred to in Article 2(2)</i>].</p> <p>Explanation of how principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of the securitisation are considered in the selection of underlying exposures to be added to the pool at the time of offering or during the lifetime of the securitisation</p> <p>[<i>Information referred to in Article 2(3)</i>].</p>
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<p>Description of principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of the securitisation</p> <p>[<i>Information referred to in Article 2(5) in the format set out below</i>].</p>					
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
	Adverse sustainability indicator	Metric	Impact [reference period n]	Impact [reference period n-1]	Explanation
Indicators applicable to the assets financed by residential loans					
Fossil fuels	1. Exposure to fossil fuels through real estate assets	Share of underlying exposures secured by real estate assets			

		involved in the extraction, storage, transport, or manufacture of fossil fuels.			
Energy efficiency	2. Exposure to energy-inefficient real estate assets	Share of underlying exposures secured by energy-inefficient real estate assets.			
Indicators applicable to the assets financed by auto loans and leases					
Emissions	3. Exposure to vehicles that do not comply with relevant emission thresholds.	Share of underlying exposures secured by vehicles belonging to categories M ₁ or N ₁ with specific emissions of CO ₂ that are: (i) until 31 December 2025, equal to or higher than 50 g CO ₂ /km (zero-and-low emission vehicles), and (ii) from 1 January 2026, higher than zero.			
Pollution	4. Exposure to vehicles which fail to meet air pollution thresholds and standards.	Share of underlying exposures secured by vehicles non-compliant with the requirements of the most recent applicable stage of the Euro 6 emission limits set out in accordance with Regulation (EC) No			

		715/2007 of the European Parliament and of the Council ⁽²⁹⁾ and with the emission thresholds for clean light-duty vehicles set out in Table 2 of the Annex to Directive 2009/33/EC ⁽³⁰⁾ .			
Low recyclability	5. Exposure to vehicles with a low recyclability ratio	Share of underlying exposures secured by vehicles belonging to categories M ₁ or N ₁ which are not: (a) reusable or recyclable to a minimum of 85 % by weight; (b) reusable or recoverable to a minimum of 95 % by weight.			
Other indicators for principal adverse impacts on sustainability factors					
<i>[Information on the principal adverse impacts on sustainability factors referred to in Article 2(5)(b) in the format in Table 2]</i>					
<i>[Information on the principal adverse impacts on sustainability factors referred to in Article 2(5)(c) in the format in Table 3]</i>					
<i>[Information on any other indicator included in Table 1 'Statement on principal adverse impacts of investment decisions on sustainability factors' of Annex I to Commission Delegated Regulation (EU) 2022/1288 in the format set out in that Table or any other indicator used to identify and assess additional principal</i>					

²⁹ Regulation (EC) No 715/2007 of the European Parliament and of the Council of 20 June 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information, OJ L 171, 29.6.2007, p. 1

³⁰ Directive 2009/33/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of clean and energy-efficient road transport vehicles (OJ L 120, 15.5.2009, p. 5).

adverse impacts on a sustainability factor referred to in Article 2(5)(d). For the purpose of this row, where any other indicator of Table 1 of Annex I to the Commission Delegated Regulation (EU) 2022/1288 is used, the relevant definitions and formulas included in that Annex shall apply, except that any selected indicator shall be intended as applicable to assets financed by underlying exposures of residential loans or to assets financed by the auto loans and leases.]

Historical comparison

[Information referred to in the third subparagraph of Article 2(5)]

Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse impact on sustainability factors (Qualitative or quantitative)	Metric
Indicators applicable to assets financed by residential loans		
Information on one or more of the indicators included in Table 2 'Additional climate and other environment-related indicators' of Annex I to Commission Delegated Regulation (EU) 2022/1288 in the format set out in that Table. For the purpose of this row, the relevant definitions and formulas included in that Annex shall apply, except that any selected indicator shall be intended as applicable to assets financed by underlying exposures of residential loans.		
Indicators applicable to assets financed by the auto loans and leases		
Water, waste and material emissions	6. Electric vehicles batteries recycling efficiency	Share of underlying exposures secured by electric vehicles whose lithium-ion batteries are at a rate of recycling lower than: (i) 65% until 31 December 2025 and (ii) 70% until 31 December 2030. or Share of underlying exposures secured by electric vehicles whose lead-acid batteries are at a rate of recycling lower than: (i) 75% until 31 December 2025 (ii) 80% until 31 December 2030

Emissions	7. Exposure to vehicles with CO ₂ emissions in excess of the EU fleet-wide targets	Share of underlying exposures secured by vehicles belonging to categories M ₁ or N ₁ , with higher specific emissions of CO ₂ than the fleet-wide CO ₂ emissions targets.
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Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability impact	Adverse impact on sustainability factors (Qualitative or quantitative)	Metric
Indicators applicable to assets financed by the residential loans, auto loans and leases		
Where available, information on one or more of the indicators included in Table 3, on 'Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters' of Annex I to Commission Delegated Regulation (EU) 2022/1288 in the format in that Table. For the purpose of this table, the relevant definitions and formulas included in that Annex shall apply, except that any selected indicator shall be intended as applicable to the companies that manufactured the vehicles securing the underlying exposures in the pool.		