

Single Rulebook Q&A

Question ID	2022_6537
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Transparency and Pillar 3
Article	449a
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
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Disclose name of institution / entity	Yes
Name of institution / submitter	Dutch Banking Association
Country of incorporation / residence	The Netherlands
Type of submitter	Industry association
Subject matter	Template 5 - Definition of time horizons
Question	With regards to the Final draft implementing technical standards (ITS) on prudential disclosures on ESG risks in accordance with Article 449a CRR , specifically regarding Template 5 of related Annex XXXIX, could you specify 'time horizon'?
Background on the question	Which time horizon should be used to indicate the threshold of physical risk (long, medium, short term) and what definitions for these terms are used)?
Final answer	The EBA recognises that a number of different methods to model physical risk are currently used in the industry, as well as different applications within each method. Similarly, the time horizons may vary. Because of this inherent variability, the usage of time horizons needs to be applicable to the reporters' own business model as well specificities in terms of exposure to physical risks.

	<p>However, to enhance the quality of the data disclosure, the EBA suggests to refer to the several reports on ESG risk modelling that several authorities have already issued to the market (among which EBA/REP/2021/18). Moreover, the timeframe for long-term environmental risk should normally exceed the 10 years mark.</p> <p>With regards to specific aspects of ESG risk modelling, the EBA encourages reporters to develop or use the methodology that best takes into account the assumptions of data used, as well as the current market practices and the specificities of the financial product and/or local normative framework. Because of these reasons, reporters are encouraged to add additional qualitative disclosure on the methods and assumptions used in order to facilitate the comprehension of the data disclosed.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6537

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