

Single Rulebook Q&A

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| Paragraph | - |
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| COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations | Regulation (EU) 2022/2453 - ITS on ESG disclosures |
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| Subject matter | ITS ESG P3 - Annex II, Templates 1, 2, 4, 5 |
| Question | <p>With regard to exposures for template 1 and 5, should loans, debt and equity instruments to financial corporations be excluded from reporting and, if so, on what basis? Should exposures to financial corporations be included?</p> <p>With regard to template 1</p> <p>Column (b): Should exposures to counterparties that are excluded from the EU Paris-aligned Benchmarks be reported only for public companies?</p> <p>Column (c): Please confirm that the 'of which environmentally sustainable (CCM)' column is only required for disclosure as of end 2023?</p> <p>Column (j): For scope 3 emissions of counterparties: Should the PCAF and EU benchmarking sector-specific "Scope 3 phased in approach" be adopted, where only scope 3 emissions for coal, oil gas etc. be reported (from end 2020 onwards), etc." (see here below from the EU Benchmarking directive)?</p> <p>With regard to template 2, columns (h) to (n), which database should be used for buildings with EPC Labels?</p> <p>With regard to template 4</p> |

Point 21: would it be acceptable for reporting institutions to use various data providers?

Is “carbon intensity” meant to include scope 3 emissions or solely scope 1 and 2? If scope 3 emissions are included, should only reported data be included or include estimated data?

Should disclosures refer only to CO2 or to all greenhouse gases in CO2 equivalent?

Is this a footprint (i.e., absolute emission) or intensity (e.g., relative based on turnover, production or the like) metric? If intensity, what is the denominator?

At what cadence should the list of companies be updated?

Are the ‘Top 20 Carbon-Intensive Firms’ with respect to a world-wide comparison?

Column (a): Does ‘Gross carrying amount (aggregate)’ require banks to report the total gross carrying amount of their banking book and part (b) ‘Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)’ require the reporting of the ratio of the carrying amount towards the top 20 emitting companies to the total gross carrying amount?

Column (c): is the ‘of which environmentally sustainable (CCM)’ column only required for disclosure as of end 2023?

Column (d): is the ‘weighted average maturity’ only required for the carrying amount for counterparties among the top 20 carbon emitting companies?

With regard to template 5

General: What point in time and what climate change scenario should the exposure be assessed?

Point 24: ‘Should reporting institutions report separately for different geographic regions, i.e., a separate excel sheet per geographic region and, if yes, what would be the appropriate level of detail for such regions?’

Does the ‘breakdown by geography of location’ imply that the exposure should be assessed at the location level and overall aggregated exposure across all regions be reported?

Point 25: are third party data providers’ hazard models for the identification of geographies prone to climate hazards?

Background on the question

We look for clarifications required on Uniform disclosure formats. General: Annex II (Instructions for ESG prudential disclosure templates) states that

for template 1 and 5 exposures should refer to the gross carrying amount of loans and advances, debt securities and equity instruments to “non-financial corporations”. Should loans, debt and equity instruments to financial corporations be excluded from reporting and, if so, why? In Excel template 1, rows 58 ff it states that reporting banks should provide “Exposures towards sectors other than those that highly contribute to climate change”. Should exposures to financial corporations be included? Template 1: Transition Risks: Quality of exposures by sector. Column (b): Should exposures to counterparties that are excluded from the EU Paris-aligned Benchmarks be reported only for public companies? Column (c): Please confirm that the ‘of which environmentally sustainable (CCM)’ column is only required for disclosure as of end 2023? Column (j): For scope 3 emissions of counterparties: Should the PCAF and EU benchmarking sector-specific “Scope 3 phased in approach” be adopted, where only scope 3 emissions for coal, oil gas etc. be reported (from end 2020 onwards), etc.” (see here below from the EU Benchmarking directive)? Template 2: Transition risks: Loans collateralised by immovable property collateral – Energy efficiency of the collateral. Columns (h) to (n): Which database should be used for buildings with EPC Labels? Please note that EPC labels differ per country, and we would request guidance on which approach to adopt with EPC labeling. Template 4 - Transition Risks: Exposures to Top 20 Carbon-Intensive Firms Point 21: ‘Publicly available’ data: “Information shall be based on publicly available reputable and accurate information. We assume it would be acceptable for reporting institutions to use various data providers, such as MSCI? While CDP’s list of top emitters only covers the oil & gas sector, MSCI’s list would cover all sectors. MSCI also publishes the quarterly Net Zero Tracker ([link](#)) with the top 10 most carbon intensive issuers. Is “carbon intensity” meant to include scope 3 emissions or solely scope 1 and 2? If scope 3 emissions are included, should only reported data be included or, given the range of quality in scope 3 reported data, include estimated data? Should disclosures refer only to CO2 or to all greenhouse gases in CO2 equivalent? Is this a footprint (i.e., absolute emission) or intensity (e.g., relative based on turnover, production or the like) metric? If intensity, what is the denominator? At what cadence should the list of companies be updated? Please confirm that the ‘Top 20 Carbon-Intensive Firms’ is with respect to a world-wide comparison? Column (a): Does ‘Gross carrying amount (aggregate)’ require banks to report the total gross carrying amount of their banking book and part (b) ‘Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)’ require the reporting of the ratio of the carrying amount towards the top 20 emitting companies to the total gross carrying amount? Column (c): Please confirm that the ‘of which environmentally sustainable (CCM)’ column is only required for disclosure as of end 2023? Column (d): Please confirm that ‘weighted average maturity’ is only required for the carrying amount for counterparties among the top 20 carbon emitting companies? Template 5 - Physical Risks: Exposures subject to physical

risks. General: What point in time and what climate change scenario should the exposure be assessed? Over a 10-year period, the climate signal cannot be clearly distinguished. Rather, this should be applied over a 30-year period with interim time steps applied to match maturity buckets. The point in time and the type of scenario will have a significant effect on the hazard exposure and hence on comparability. Point 24: "Institutions shall include in this template information on exposures [...] with a breakdown by sector of economic activity (NACE classification) and by geography of location of the activity of the counterparty or of the collateral": Should reporting institutions report separately for different geographic regions, i.e., a separate excel sheet per geographic region and, if yes, what would be the appropriate level of detail for such regions? Does the "breakdown by geography of location" imply that the exposure should be assessed at the location level and overall aggregated exposure across all regions be reported? Point 25: It would be helpful to confirm that third party data providers' hazard models (such as MSCI's physical hazard percentile score which assesses physical hazard levels based on scientific climate models e.g. using the IPCC's representative concentration pathways) for the identification of geographies prone to climate hazards?

Final answer

Template 1 and 5

1. According to the Annex II to Commission Implementing Regulation (EU) 2022/2453 (ITS on prudential disclosures of ESG risks), in Template 1 and 5, institutions shall disclose information on their exposures towards non-financial corporates. However, row 54 of Template 1 requires disclosure of financial and insurance activities (NACE sector K). In this exclusive row institutions shall provide information on their exposures towards financial corporations.

In Template 5, institutions have a possibility to disclose information on their exposures towards financial corporations under row 13 (Other relevant sectors (breakdown when relevant)).

Template 1

2. The requirement is not limited to the public companies. Institutions may omit relevant disclosures as per rules set in Article 432 of Regulation (EU) No 575/2013 (CRR).

3. According to Annex II to Regulation (EU) 2022/2453 (the Instructions): Institutions shall start disclosing that information in 2024, with first disclosure reference date as of 31 December 2023, for exposures included in the numerator of the GAR.

Institutions may start disclosing that information in 2025, with first disclosure reference date as of 31 December 2024, for those exposures included in the numerator of the BTAR but not in the numerator of the GAR.

4. According to Annex II to Regulation (EU) 2022/2453: Institutions shall disclose their scope 3 emissions on a best effort basis, covering the most relevant sectors in line with PCAF approach and the phased-in approach for scope 3 emissions included in Article 5 of Delegated Regulation (EU) 2020/1818.

Template 2

5. Institutions shall disclose an EPC label of collateral in columns h to n of the Template 2. Due to the fact that EPC labels differ per country institutions shall additionally provide level of energy efficiency (EP score in kWh/m² of collateral) in columns b to g.

Template 4

6. In Template 4 institutions shall disclose information on their exposures towards the top 20 carbon-intensive firms worldwide. According to the Annex II to Regulation (EU) 2022/2453, institutions shall use publicly available reputable and accurate information. Some examples have been provided in the Instructions, but the choice of the source of data have been left to the institutions which shall explain in the accompanying narrative the data sources used. The EBA recommends using the information and methodology which would best reflect the purpose and assumptions of the template as well as explaining the approach undertaken in the accompanying narrative.

With regard to intensity metric definition, the EBA encourages using the example methodologies mentioned in the Instructions to Template 1 (GHG Accounting Standard developed by the PCAF or Carbon Disclosure Project) or methodology used by the provider of the data for the list of the top 20 carbon-intensive companies.

The disclosures should not be limited to CO₂ emissions, if possible, institutions should use information on carbon-intensive companies in terms of emissions of all GHG (please see par. 44 of the Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449a CRR (EBA/ITS/2022/01))

The EBA also suggests updating the list of the top 20 carbon-intensive companies as frequently as it is possible, taking into account availability of the relevant data. The disclosures based on actual information would be the most reliable.

7. As per the Instructions, in column a) institutions shall disclose as follows: *gross carrying amount has the meaning referred to in Part 1 of Annex V to Implementing Regulation (EU) 2021/451. It includes loans and advances, debt securities and equity instruments, classified under the*

accounting portfolios in the banking book according to that Implementing Regulation, excluding financial assets held for trading and held for sale assets.

Institutions shall include the aggregate exposures towards up to 20 counterparties of the institution that are among the top 20 most carbon-intensive corporates worldwide;

With regards to column b): institutions shall disclose the percentage resulting from the aggregate gross carrying amount indicated in column (a), divided by the total gross carrying amount of the institutions' exposures in the banking book, as referred to in Part 1 of Annex V to Implementing Regulation (EU) 2021/451, including loans and advances, debt securities and equity instruments in the banking book, classified under the accounting portfolios in the banking book in accordance with that Implementing Regulation, excluding financial assets held for trading and held for sale assets.

8. Yes, please see the Instructions to this particular column.

9. "Weighted average maturity" is indeed required only for the exposures towards the top 20 carbon-intensive firms worldwide.

Template 5

10. The issue has been explained in the Q&A2022_6537.

11. (ad. Point 24) "Breakdown by geography" in Template 5 means that indeed institutions shall provide separate templates per each geographical area. Regarding the level of detail of this breakdown, institutions should take into account those geographical areas that are more exposed to climate change acute and chronic events (par. 47 of the EBA/ITS/2022/01).

Regulation (EU) 2022/2453 does not require an aggregate template for the physical risk, but probably such an additional format would be useful for the stakeholders.

Link

https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6600

European Banking Authority, 29/05/2023

www.eba.europa.eu