Single Rulebook Q&A

Question ID	2022_6626
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	Regulation (EU) 2022/2453 - ITS on ESG disclosures
Article/Paragraph	Annex 1
Date of submission	28/10/2022
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	ITS ESG P3 - Template 1 - Scope 3 & Sector average emissions intensity
Question	Three questions with regard to Template 1: *Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity:* 1) column I: How to understand this instruction relating to Scope 3: The estimation of scope 3 emissions per sector shall be done in a proportionate way: e.g. by taking the institution's exposures (loans and advances, debt securities and equity holdings) towards the counterparty compared to the total liabilities (accounting liabilities and shareholders' equity) of the counterparty? 2) column I: How will the bank use the estimates of "sector avarage emissions intensity" in template 1? 3) What type of data should the bank disclose in scope 1 and 2? In the template 1 table, there is a separate column for Scope 1, 2, and 3, and separate for Scope 3 itself. Scope 1 and 2 are the consumption of the organization, they do not concern financing – what exactly is the bank to report there? Full Scope 1 and 2 of clients or in some proportion?

Background on the question	The above questions have been received from banks, through banking association.
Final answer	1) Colum I~~J~~ in Template 1 of Annex 1 to Implementing Regulation (EU) 2022/2453 requires disclosing the GHG financed emissions of the institution. This implies that the GHG emissions from the counterparties should be allocated to the investments held by the institution in a way that reflects its share in the total funding received by the counterparty. As of today, there is no standardized method to carry out this allocation however the methodology and data source(s) should be explained in the narrative part. 2) As highlighted in the instructions, institutions shall explain whether they are disclosing: (i) reported emissions (emissions are collected from the borrower or investee company directly); (ii) physical activity-based emissions (emissions are estimated by the reporting financial institution based on primary physical activity data collected from the borrower or investee), and/or (iii) economic activity-based emissions (emissions are estimated by the reporting financial institution based on economic activity data collected from the borrower or investee company). Institutions may especially use “sector average intensity emissions intensity” to estimate the counterparties’ GHG emissions when they are not able to collect directly their reported emissions but are able to collect or to estimate physical or economic activity data. 3) Column I~~J~~ includes the total GHG financed emissions which includes the scope 1, scope 2 and scope 3 emissions of the counterparties allocated to the investments held by the institution. As highlighted in the instructions, “*where data and methodological challenges exist, banks shall follow the GHG protocol and its 15 stages, both upstream and downstream, as presented in the Commission Guidelines on non-financial reporting: supplement on reporting climate related information*.”
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6626