



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL  
MARKETS UNION

The Director-General

Brussels,  
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Mr José Manuel Campa  
Chairman – European Banking  
Authority  
24-27 floor, Europlaza  
20 av. André Prothin, La Défense 4  
92400 Courbevoie  
FRANCE

**Subject: Draft implementing technical standards on ESG risk disclosures under Regulation (EU) No 575/2013**

Dear Mr Campa,

On 20 January 2022, the EBA submitted to the Commission the draft implementing technical standards ('ITS') on the disclosure of environmental, social and governance risks ('ESG risks') under Article 449a of Regulation (EU) No 575/2013 ('Capital Requirements Regulation' or 'CRR').

While the Commission agrees with the substance of the draft ITS, it also considers that the draft ITS would benefit from the following amendments.

The Commission intends to delete the definitions of the individual ESG risks from the enacting terms of the standards and to move them to the annexed instructions. The reason for that move is that ESG risks definitions are included in the Commission's proposal amending the CRR<sup>1</sup> and are currently being negotiated by the co-legislators. Therefore, taking a forward-looking approach, the Commission considers that in the steady state it would not be desirable to have the same or similar definitions of ESG risks in the Level 1 and in the Level 2 rules applicable to ESG matters. At the same time, and until the CRR amending Regulation is adopted by the co-legislators and published in the Official Journal of the EU, it is appropriate to include the definitions in the instructions to provide clarity to the credit institutions subject to the disclosure obligations.

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<sup>1</sup> Proposal for a Regulation of The European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor, COM/2021/664 final.

In addition to the Green Asset Ratio (GAR), the draft ITS put forward a ratio named 'banking book taxonomy alignment ratio' (BTAR) which would require institutions to gather information from non-financial corporates not subject to the non-financial reporting directive<sup>2</sup>. While the Commission acknowledges the prudential merits of the BTAR, it also deems appropriate to introduce additional proportionality when it comes to cater for cases of reduced availability of data and in relation to the timeline of the first BTAR disclosure.

Lastly, the Commission intends to make some language and technical adjustments to improve further the consistency and clarity of the legal drafting and to support the translation process. These amendments would be fully in line with the objectives of the draft ITS and the intention of the co-legislators.

I therefore inform you that the Commission, acting in accordance with the procedure set out in Article 15(1), fourth and fifth subparagraphs, of Regulation (EU) No 1093/2010, intends to endorse with amendments the draft ITS submitted by the EBA on prudential disclosures on ESG risks, as set out in the annex attached.

I look forward receiving EBA's opinion on the proposed changes, hoping that they can be supported based on the explanations being provided with this letter.

Yours sincerely,

(e-signed)

John BERRIGAN)

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Enclosure: Intended amendments to draft implementing technical standards on ESG risks disclosures under Article 449a of Regulation (EU) No 575/2013

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<sup>2</sup> 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. 1–9.