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EACB comments on EBA draft ITS on prudential disclosures on ESG risks in accordance with Article 449a CRR (EBA/DP/2021/06)

General comments

The EACB welcomes the opportunity to comment on the draft EBA ITS on prudential disclosures on ESG risks in accordance with Article 449a CRR.

At an overarching level, we understand that CRR 2 indicates that the application of the disclosure is to be done at the highest level of consolidation. We would appreciate if this could be further expressed also in the ITS to dispel any uncertainty, including in the background and rationale section. The impact of subsidiaries' activities would indeed be captured since banks will have to consolidate the information.

The granularity of the ITS departs from the usual level of granularity of Pillar 3 and seems more in line with that of supervisory reporting sets. Taking into account that this information is for investors, we doubt that this degree of granularity is useful for markets appreciation. It is true that, as EBA recalled during the public hearing, certain disclosure requirements are also rather granular, particularly in the case of NPLs, but those elements build on well-established financial information and can potentially inform more directly on the profit & loss impact.

Particularly in consideration of the granularity of the information requested, a more adequate timeline for implementation should be considered as a lot of effort has to be produced to amend banking systems in order to fulfill the expected requirements.

Moreover, since the taxonomy is not a risk metric, the inclusion of the Green Asset Ratio (GAR) in Pillar 3 disclosures appears questionable; the taxonomy should not per se become a component of the prudential framework. In addition, in light of the ongoing work of the European Commission on the disclosure of the GAR under Art. 8 of the Taxonomy Regulation, if the GAR were nevertheless to become part also of the Pillar 3 disclosures, we strongly recommend establishing only one single set of disclosure for this metric under both legal acts (ITS and Delegated Act) and avoid any duplication or even slightly different sets which would only increase the burden on institutions and complicate readability for investors.

We see the planned extension of the Green Asset Ratio (GAR) to all SME loans as particularly problematic. Many SMEs will not be able to provide the relevant data in the coming years. Against this background, minimum thresholds for taxonomy checks should be provided both for individual transactions and also at portfolio levels, especially with a view to cater for small and medium-sized enterprises. Moreover, with regard to the GAR, we would also welcome a clarification indicating that where data cannot be obtained with reasonable efforts, but a TAC (Taxonomy Alignment Coefficient) has been introduced according to the plans of the EU Commission (e.g. Application of JRC-estimated coefficients by NACE code, ESMA Advice on Article 8 of the Taxonomy Regulation), the relevant TAC can be used.

Furthermore, we consider inappropriate that the whole responsibility for collecting data, developing heatmaps and assessing regions and sectors which are prone to chronic climate change events is imposed on the banking sector. We reiterate our demand that fundamental information and heatmaps should be provided by governments and/or other official bodies. This could help ensure an equal data basis and understanding for the risk factors and channels for all banks, improving the comparability of the data disclosed. Physical risks

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could be mapped with NACE-Codes published centrally by a public entity so that banks could use that information, or at least fall back on it, when no specific information from the counterparty is available. In general, companies from all business sectors at a specific location are subject to the same physical risks, and common information would benefit both credit institutions – whose burden would be reduced – and risk identification in general, as public entities may have better access to data and more data quality.

Finally, we would strongly suggest including a list of abbreviations and acronyms in order to facilitate a common and quick understanding of the ITS.

Answers to specific questions

Q1: Are the instructions, tables and templates clear to the respondents?

At a general level, we doubt that the regulatory requirements regarding the information to be disclosed reflect the fact that ESG risks management across institutions is still very diverse, making the implementation of quantitative measures not yet possible in a consistent manner, partly due to a lack of standards and data. The transitional period seems still not adequate, and the alternative disclosure of qualitative information is too granular. Besides, we fear inconsistencies with various comparable requirements of other standard setters, all of which are still under development.

A more punctual explanation is needed as to what “benchmarks administrators” are and their role in identifying “companies excluded from EU Paris-aligned Benchmarks in accordance with points (b) to (g) of Article 12.1 and with Article 12.2 of Climate Benchmark Standards Regulation” (see Template 1). It is not clear under what circumstances a bank should identify the companies excluded from EU Paris aligned benchmark or whether there are any external sources (“benchmarks administrators”) a bank can rely on.

Additionally, there is an evident inconsistency between disclosure requirements in Template 1 as specified in Annex I and Annex II respectively. Annex I requires in columns f-h to report exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (b) to (g) of Article 12.1 (...) of Climate Benchmark Standards Regulation whereas Annex II requires "*exposures towards counterparties that are excluded from the EU Paris-aligned Benchmarks as specified in Article 12.1, points (d) to (g)*" i.e. Art. 12.1 points b) (companies involved in the cultivation and production of tobacco) and c) (companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises) are excluded. Clarification is needed as to which requirement should be referred to.

Finally, more clarity and consistency are needed in the terminology, by using “Taxonomy eligible” (i.e. substantially contributing to an env. objective) or “taxonomy aligned” (i.e. incl. fulfillment of technical screening criteria). The templates in draft ITS (unlike Art. 8 templates) do not make this clear distinction. For instance, Template 1) uses “environmentally sustainable (CCM)” explained in Annex II as Exposures that qualify as environmentally sustainable because they are financing activities that contribute or enable the environmental objective of climate change mitigation in accordance with Articles 10 and 16 of the Regulation (EU) 2020/852” i.e. without reference to the definition of “sustainable” (Art. 3 (d) EU 2020/852, referring to technical screening criteria).

We can only stress once more the absolute need for consistency across the board.

Q2: Do the respondents identify any discrepancies between these tables, templates and instructions and the disclosure requirements set out in the underlying regulation?

We support the approach proposed which distinguishes between ESG factors and ESG risks, where the factors translate into financial risks and by this way impact institutions and the financial system. Indeed, ESG factors would manifest themselves in financial or non-financial prudential risks, such as credit, market, operational, liquidity.

Q3: Do the respondents agree that the new draft ITS fits the purpose of the underlying regulation?

In our view, the draft ITS only partially complies with the underlying regulation. Article 435 CRR requires in the respective subsections the disclosure of risk management objectives and policies for each individual risk category. From our perspective, and because of the debate on the classification of ESG risks, ESG risks are not separate type of risk but rather a risk driver. The nature and scope of the disclosure to be made, suggests the creation of a new and distinct risk type.

In particular, we take a very critical view of the disclosure of data and information available to the institution to perform risk management of environmental risks, as well as measures taken by the institution to close data gaps and improve data quality and accuracy. In our view, these are internal bank practices that would rather show to third parties a potential competitive advantage or even disadvantage, which is not in line with aim of the mandating regulation.

Q4: Do the respondents agree that the tables with qualitative information proposed capture properly the information that institutions should provide?

The qualitative disclosure requirements are too far-reaching, particularly compared to the requirements from Article 435 CRR for the risk types established technically, as well as the ECB recommendations in expectation 13 of the Guide on climate-related and environmental risks.

In the qualitative disclosure, in particular on the risk management policy for ESG risks, disclosures are to be made analogous to the requirements of Article 435 CRR. The link between risk category and risk driver must be taken more into account and the requirements should be made clearer.

Therefore, greater clarity is needed regarding the distinction between “risks” and “channels”, especially when talking about “liability channels”. We understand that the wording of liability channels can be traced back to the EBA discussion paper on ESG risks (paragraphs 86-89), but nevertheless there is no clear distinction. Definitions used should be aligned through different regulatory pieces.

In our understanding, transmission channels in this context mean the way how climate related risks (physical and transition risks as well as liability risks) materialize in financial risks. A differentiation of the channels in the three categories proposed does not seem appropriate, it is the risks themselves which are categorized this way while the channels impact those dimensions.

The BCBS Report on Climate-related risk drivers and their transmission channels from April 2021 for example defines transmission channels as “*The causal chains that explain how climate risk drivers give rise to financial risks that impact banks directly or indirectly through their counterparties, the assets they hold and the economy in which they operate.*” There is a further subdivision into microeconomic and macroeconomic transmission channels, but no division into physical, transition or liability transmission channels.

Q5: Regarding template 1 – 'Banking book - Climate change transition risk: Quality of exposures by sector', do the respondents agree with the proposals in terms of sector and subsector classification included in the rows of the template and the identification of the most exposed sectors in columns f to k and p to u?

A number of banking groups, also internationally active ones, use the Global Industry Classification Stand (GICS) for internal steering/decision purposes. Therefore, the climate footprint could look different depending on the industry classification type. To ensure a consistent approach of internal and external steering and reporting, there is a need to establish a correct translation and linkage from NACE to GICS by the EBA.

To support banks disclosure efforts and improve data quality and availability, the regulatory framework should ensure that data requested by banks from counterparties/customers should already be disclosed by (NFRD relevant) customers in the same format as requested by EBA from banks. In particular, we refer to information requested in ***Template 1_Transition Risk BB*** and ***Template 6_Transition risk TBook*** – where banks shall report exposure towards "companies excluded from EU Paris-aligned Benchmarks in accordance with points (b) to (g) of Article 12.1 and with Article 12.2 of Climate Benchmark Standards Regulation". Under points d)-g), following criteria are mentioned:

- *(d) companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;*
- *(e) companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;*
- *(f) companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;*
- *(g) companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh.*

Instead of having every bank replicating the effort to request the same information from clients, it would be a lot easier if NFRD-relevant customers were directly required to make this information available, the EBA should seek alignment with the Commission on this aspect.

For the quantitative templates we propose to "switch off" all the fields that cannot be filled in given that certain combinations are not possible. That would be in line with the usual procedure of supervisory reporting templates. For example: filling in a figure for certain sectors under "*Of which environmentally sustainable*" is not possible, when they are excluded by Article 12 of Regulation (EU) 2016/1011, e.g. "Manufacture of tobacco products".

Moreover, we question the relevance of the disclosure of total exposures in performing and non-performing for the purpose of the underlying regulation. This could even be a matter of data protection as in certain (smaller) sectors one could draw conclusions to single counterparties if a certain sector is dominated by a few "players". The information of a non-performing status would rather have unwarranted effects.

More generally, we believe that the "accounting/financial" information in this template should be deleted. In particular, disclosing information on PD/LGD at a granular level (and the same would apply for with information on stage 2 exposures) could rather lead to establish unwarranted links with specific sectors. So far, no causal link is proven between the credit quality of an exposure and the economic activity of the counterpart, therefore such sort of accounting/financial information should not be disclosed publicly. We would recommend the EBA to delete all information regarding "stage 2 exposures", "average weighted PD", "accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions" from the templates. Instead of public disclosure this seems rather a matter for supervisory reporting. If deemed really necessary, further industry involvement could be sought to better frame the idea underlying this proposal.

Overall, we also believe that the percentage of exposures aligned with Taxonomy would not be appropriate in this context and the link with the Taxonomy should be ideally limited to the disclosure of GAR and Art. 8 of the Taxonomy Regulation, while at the same time noting that a certain mismatch between the GAR and the Taxonomy aligned exposures persists. Generally speaking, the Taxonomy is not a tool designed for risk management purposes, disclosing ESG risks based on adherence to it would not provide insight into the relevant risks. The usability of the disclosures should be a main concern; instead, the focus of the proposed draft ITS rather seems to be on supervisory needs and interests rather than those of other stakeholders, namely investors, which are the intended end users.

Moreover, while in Templates 8 & 9 and with regard to the GAR, some exposures are potentially excluded those same exposures would have to be recomprised at very granular level in Template 1 according to the asset classes proposed by the EBA.

As to the use of NACE codes, currently IT systems do not have the capacity to refine NACEs to the degree of granularity required, i.e. with multiple NACEs per counterparty. We believe that one NACE per counterparty should suffice. We see however how some questions would remain as to the methodology to use for counterparties that might fall under a NACE code that does not fully represent the economic activity of the company (ex: holdings).

The use of multiple NACEs for one counterparty instead, due to data availability issues, in particular for non-NFRD counterparties, cannot be required from banks before the CSRD has entered into application. Moreover, for such an approach the EBA should set representativeness thresholds in order to qualify the significance of an activity in a counterparty's business (example: only activities that represent more than x% of the company's turnover should be reported by banks).

We also note that while in Template 1 the breakdown is by NACE codes (i.e. no retail) in Template 7 real estate information is required both for real estate corporates and for real estate retail, which would make reconciliation of information extremely hard, also with a view to potential audit of Pillar 3.

The coherence of the overall templates might be achieved by clearly indicating in the Pillar 3 report (and not just in the instructions) what is the scope of the assets eligible for each template.

On GHG emissions EBA should specify a methodology and avoid double counting of scope 3 emissions from the counterparties

Q6: Do the respondents agree with the proposal included in templates 1 and 3 to disclose information on scope 3 emissions and with the transitional period proposed?

With regard to the information on Loans collateralized by immovable property, we believe that refinement of the wording is necessary to specify that also other types of guarantees are recognized, i.e. not only the collateral constituted by the real estate itself but also, for instance, systems of public or partially public guarantee/insurance.

Q7: Do respondents agree that information in terms of maturity buckets by sector proposed in template 2 is relevant to understand the time horizon of when the institution maybe more exposed to climate change transition risk?

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Q8: Do respondents agree that information in terms of alignment metrics and relative scope 3 emissions proposed in template 4 is relevant to understand and compare the transition risk phased by institutions? What

are the respondents' considerations with regard to the alignment metrics proposed and the sectors that should be covered by this disclosure? Do respondents agree with the transitional period proposed?

The template could be of some use, it does however require data which investee companies typically do not report at present. The comparing of different emission intensity indicators to general levels is a welcome concept.

Moreover, more detailed illustration of the disclosure for following alignment metrics is required:

- Power: "average share of high carbon technologies (oil, gas, coal)". It needs to be clearly specified whether the share of oil, gas, coal on the production volumes (i.e. not weighted by prices) or in production costs, or revenues is meant.
- Fossil fuel combustion: "average share of high carbon technologies (coal)". It needs to be clearly specified whether the share of coal on the production volumes (i.e. not weighted by prices) or in production costs, or revenues is meant.
- Transportation sector, "average share of high-carbon technologies (ICE)" – this element appears particularly unclear.

Q9: Regarding the same template 4, what are the respondents' considerations with respect to the choice of the 2 degrees reference scenario, would respondents opt for a different scenario?

We suggest providing a proper description of the reference scenario (i.e. to unequivocally indicate whether it is the UNFCCC Paris Agreement scenario) or at least a link to it, otherwise each bank would have to search for the right reference scenario, which could imply some inconsistencies.

We also suggest providing detailed instructions on how to perform a benchmarking of portfolio with respect to the International Energy Agency (IEA) scenario.

Q10: Do respondents agree that information proposed in template 5 is relevant to understand the level of climate change transition risk and that information on exposures towards the most polluting companies is a good complement to the sectorial information included in other templates? Specific feedback is sought on possible alternative formats for the presentation of the information required in template 5. In particular, the EBA seeks feedback on whether aggregate information on exposures towards the top 20 polluting companies in the world, at EU level or at member state level, instead of company-by-company information, would be sufficient to understand how climate-change transition risk may exacerbate the exposition of institutions to credit risk. Feedback is also sought on the specific information that a template on aggregate exposures should include to be meaningful, including possible "buckets" of information on exposures (e.g. exposures towards top 5 polluting firms, next top 5 and so on, or other alternative presentations).

Our members see a number of questions arising in this context. For instance: who would be responsible for this list, who defines the top 20 polluting companies, which area is covered?

In our view, if such a list were to be established it should be easily publicly available and be provided by a public body rather than private economic agents. Moreover, we also see the danger of a name-shaming of such companies and potential frictions in the credit flow towards a smooth transition, as the expectation of the regulator will be that banks should not be exposed towards these entities.

In addition, disclosing information company-by-company would raise serious concerns in terms of banking secrecy and competition. Also, rather than being aligned with the objective of transitioning towards sustainability, such disclosure requirements would instead force banks to publicly name their clients instead

of encouraging them to constructively engage in order to improve customers' sustainability performance as well as disclosures. This could make this list rather counterproductive.

Q11: Are What are respondents view on the way template 6 reflects how the trading book of institutions may be impacted by climate change transition risk? Do respondents agree that the threshold proposed to determine which institutions have to disclose this template is the appropriate threshold? Feedback on whether there are alternative ways to present information on the trading book that may allow for a better understanding of how climate change transition risk may impact the trading portfolio.

Template 6 seems to include some clerical mistake as column d refers to "Gains and losses generated during the considered period". We believe this should be changed to "Gains or losses […]".

At a general level we question the value of including the trading book in the scope of the disclosures of this ITS. The information required by the EBA for the trading book is not well calibrated to the reality of trading activities and would need adjustment. While we understand the EBA's aim to encourage banks to start assessing climate implications stemming from their trading activities through template 6, banks do not have the same maturity on this as they might have with the banking book. It is essential that flexibility is shown in this area, possibly also via a phase-in approach.

We do not believe that it is yet the time to work and communicate on the trading book and the ESG related impacts publicly. More time is needed, possibly with the industry working alongside EBA to find a proper way to reflect the relevant information in the templates at a later stage, as done for instance on sensitivity analysis.

Moreover, climate-related information proposed (i.e. "Of which exposures towards companies excluded from EU Paris-aligned Benchmarks", "of which exposures towards other carbon-intensive sectors" and "of which environmentally sustainable (CCM)") should be deleted in a first stage as they would be overcomplicated to use on trading activity.

If the trading book were to be maintained in scope already at this stage instead, it should be further clarified that only the large trading books would be relevant for the requirements of Template 6. According to our understanding, the small trading book (according to Art 94 (1) CRR2) is not included here. This would be in line with the approach the legislator has taken for the definition of "small and non-complex institutions" in CRR II. More precisely, we believe any institution – regardless of its size – should not have to apply Template if its trading book business is classified as small within the meaning of Article 94 para 1 CRR II.

In addition, the accounting metrics proposed are not adequate to reflect trading activities properly. We believe that only 2 metrics would be sufficient: one that would reflect the level of risk of the bank at the end of the reference period, one to reflect on the P&L generated by the banks' trading activity and hence the volume of the activity generated. This will already pose enough operational challenges, breaking down these metrics by activity codes could be sufficient to give a first picture of the climate impact of the trading book, at least in a first stage. The templates could replace the "gross carrying amount" metric by "net carrying amount"; the "Gains and losses generated during the considered period" by "sum of the nominal amount of all trading deals generated over the reference period"; "asset purchases plus sales" could be deleted as it would be reflected in the previous metric.

Q12: Do respondents agree that the information included in template 7 is appropriate to understand how and to what extent the institution may be exposed to climate change physical risk and that the differentiation between a simplified and an extended template is necessary in the short/medium term?

It is unclear in Template 7 whether institutions would take the supply chain of counterparty or not in consideration, while from a risk perspective this could be sensible from a data point of view the information

needed to perform the assessment of borrowers could be impossible to retrieve or companies might not be willing to supply for confidentiality and competition reasons.

We also do not believe that the information on Impairment and provisions and stage 2 is beneficial, the purpose of including them is unclear and the link to the general manifestation of physical risk even more blurry. This information would only create confusion among market participants and should be excluded from the template (see similar comment under Q5 on information on PD/LGD).

As to the Geographical Area variable, we believe it should be clarified that institutions can breakdown the information as many time as they want based on the needs of their portfolios.

Template 7 also requires a split of exposures in prone to acute or chronic climate change events. However, this does not seem to reflect the possibility that exposures may face both kinds of events in parallel. The question arises whether such exposures would need to be double counted or the allocation should prioritise one of the manifestations.

Moreover, while the template is provided in a simplified and more granular format (to be used after phase in), it should be considered that also to allocate exposures for the purpose of the simplified template institutions would need to develop mapping. In the interim phase this could be done on a qualitative basis, but the exercise could only reveal as additional cost if there is no certainty on its use in steady state. Thus, overall the phase in does not provide much help.

Therefore, the reporting of exposure needs to be clarified in case of vulnerability to e.g. both acute and chronic CC events: should exposure be reported under the category for which there is max vulnerability? or shall double counting be allowed (i.e. by reporting the same exposure in column "d" and "e" of Template 7 simplified)?

Template 7 - Exposures in the banking book subject to climate change physical risk

Template 7.1 - Exposures in the banking book subject to climate change physical risk (simplified version for phase in period)

	a	b	c	d	e	f	g	h	i	j
	Variable: Geographical area subject to climate change acute and chronic events	Gross carrying amount (Mn)								
			of which exposures prone to impact from climate change events							
	NACE economic sectors Sectors			of which exposures prone to impact from chronic climate change events	of which exposures prone to impact from acute climate change events	Of which performing exposures			Of which non-performing exposures	
							Of which stage 2	Average weighted PD (%)		Of which stage 2
1	A - Agriculture, forestry and fishing									
2	B - Mining and quarrying									

The same applies for ***Template 7._extended***: it is unclear how exposures would have to be reported in case of vulnerability to more than one environmental hazard. Should it be reported under the hazard category for which there is max vulnerability or should we allow double/triple counting?

We believe that if an exposure is subject to multiple physical risks the institution should neither have to double count this risk nor perform a distribution of the amounts, instead the split should be deleted and the relative cells merged in a single category (i.e. "*exposures prone to impact from chronic or acute climate change events*") or institutions should be allowed at least to allocate exposures to the predominant physical risk (acute or chronic).

Template 7. extended in particular would require such a high degree of granularity that time for implementation should be much longer than the envisaged transitional period until 2024. Extremely intense

efforts and technical investments would be needed to amend systems in a way that could satisfactorily deliver on the requirements.

It also has to be clarified, which "heatmap" has to be used for mapping. As it is mentioned above, it cannot be the sole responsibility of the banking sector to collect, map and scrutinize data for heatmaps to fulfil the requirements for the disclosure in Template 7 and bear the costs of this evaluation.

We rather believe that only common climate scenarios that banks would be able to use to assess whether their counterparty is effectively subject to those climate events could give some degree of consistency and comparability. Without those scenarios, banks cannot be expected to disclose quantitative data. We would hence recommend deleting the extended template 7 until the EU has established such scenarios.

For instance, clarification is also needed regarding the time horizon expected to be considered by banks when assessing the exposures to climate change event.

Q13: Regarding template 7, specific feedback is asked regarding the methodologies and data sources that institutions may use to identify the relevant geographies. Feedback is also required on the content and disclosures proposed in the extended version of the template and on the transitional period proposed.

Regarding the transitional period until 2024 for a detailed reporting based on granular hazard categories, the transitional arrangement is not really helpful as banks already have to disclose the split acute/chronic in 2022. While the latter could be tackled with an interim solution based on qualitative internal assessment – the former would be an additional effort which would not necessarily be coherent with the physical risk mapping done based on a system integrating scientific data for all the hazards.

As to the data sources: there is a lack of centralized and harmonized data sources for mapping of physical risk so building up an adequate solution is going to be challenging, especially for banks with subsidiaries outside EU as data coverage and granularity needs to be explored.

There is a very limited value in imposing on banks the burden to pool data from different national sources (and within the same country, different databases for different hazards). A centralized solution with the needed data seems the only solution to ensure an objective assessment of physical risk in a harmonized and accurate way. Hence, the transitional period should be set based on the timeframe until such a solution becomes available.

As regards data needs following the transitional period, it seems that banks would be required to collect a large amount of highly granular sector-specific data which would then first be assigned to companies and further aggregated into sectors. As long as companies cannot themselves report this information, the benefits of these efforts would seem questionable – especially since already at present, e.g. central banks could be presumed to have at least a satisfactory understanding of climate risks on sector level, while banks would effectively be forced to collect the information using different data sources and much varying methods, severely affecting comparability.

Q14: Regarding templates 8 and 9, do respondents consider that this template should be enriched including information not only on assets aligned with the taxonomy but also in the interest income generated by those assets? Do respondents agree with the timeline proposed and transitional period proposed for the disclosure of these templates?

Concerning Template 8, while the Taxonomy requires annual disclosure (according to Art. 8 of the Taxonomy, undertakings shall publish their Taxonomy-compliance in their non-financial statement which has to be disclosed annually), the EBA suggests that the GAR is disclosed semi-annually. This would imply that at one of

the disclosing dates the banks would not have the most up to date information available (as the reporting obligations for other economic agents would only be annual). Although this semi-annual disclosure requirement is enshrined in Art 449a CRR II, alignment should be sought and annual disclosure for the GAR maintained.

Moreover, since companies have different reporting schedules, a reference date for disclosure by banks should also be defined in order to ensure that the relevance and comparability of the disclosures can be assessed or even ensured.

Furthermore, we believe that only one set of GAR disclosure is needed. If the GAR is to be retained also in the Pillar 3 a full and complete alignment with that outline under Art. 8 of the Taxonomy Regulation (EU) 2020/852 must be ensured. Currently, the templates do not have the exact same format, only to mention one element Art. 8 also includes off balance sheet items, which is not the case under the draft EBA. Any divergences would be a continuous source of misunderstandings.

Our members also believe that in principle only companies in scope for Art. 8 of the Taxonomy disclosure should be included in the GAR. We understand that the EBA sees that institutions would already start to collect this information on a bilateral basis in the context of loan origination as per the recent EBA GLs on loan origination and monitoring, but it should be noted that not all customers may be able to provide the relevant information and many would actually require time to be able to do so.

This should at least allow institutions to work based on proxies beyond the 2024 horizon currently envisaged, since also after June 2024 there may be cases where the Taxonomy-compliance of certain counterparties cannot be determined. This is especially important for SMEs, where data may not be readily available and may require considerable investment. Similarly, for the stock of special lending exposures, in light of data challenges related to the older exposures, an alternative approach should be envisaged, or the scope could be limited to loans granted after a cutoff date. Also, going forward, as the taxonomy develops, it is important that compliance with the taxonomy is assessed against the criteria in place at the time the loan was granted.

Q15: Specific feedback is required from respondents on the way template 10 is defined, and on whether there is additional information that should be added. Feedback is sought on alternative disclosure formats that may contribute to a more standardised and comparable disclosure.

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Q16: Finally, respondents feedback on whether the draft ITS should include a specific template on forward looking information and scenario analysis, beyond the qualitative information currently captured in the tables and templates under consultation and the information required in template 4.

Our members see that the scope of disclosure should consider the fact that risk management procedures are still under development. Any disclosure requirement implemented too early will lead to inconsistencies in the information to be disclosed. A first stress test is not planned until 2022. Internal scenario analyses are still at an early stage of development and will be very individually tailored to the risk profiles of the institutions. The objective of comparability of information would be ensured with a more properly calibrated timeline.

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