European Federation of Building Societies
Fédération Européenne d'Epargne et de Crédit pour le Logement
Europäische Bausparkassenvereinigung

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Feedback on the EBA discussion paper on draft Implementing Technical Standards (ITS) on Pillar 3 disclosures of ESG risks

The European Federation of Building Societies (EFBS) is an association of specialised credit institutions (Bausparkassen) promoting the financing of private homeownership. In compliance with the strict legal provisions, Bausparkassen offer long-term contractual savings schemes to their customers intending to grant private mortgage financing. The contractual combination of savings and loans is similar to cooperative lending structures and is geared specifically to foster the build-up of private equity also for lower to mid-income households.

We appreciate the opportunity to provide feedback on the discussion paper and would like to highlight some points that are of importance to us. We advocate for a consistency in terms of implementation and requirements as this will increase confidence amongst credit institutions as well as the real economy.

As providers of mortgages, we would like to draw specific attention to the limitations of a one-size-fits-all approach to ESG risk management. The nature of retail business rather points to a product rather than a client-based approach and will heavily depend on the availability and standardization of suitable data. The customer base is usually homogeneous with little differentiation in terms of ESG aspects. The key driver in retail should be private housing and mortgages apart from private investments and a lesser extent consumption. Private housing is a core driver for the climate footprint. Mortgages thus require a specific risk as well as ESG analysis. Furthermore, in the case of Bausparkassen, the liabilities side also warrants a focused review, not so much from a climate perspective but rather from the inherent social aspects.

It needs to be taken into consideration that, unlike corporates that fall within the scope of the new Corporate Sustainability Reporting Directive (CSRD), private households are not subject to any disclosure rules. It should therefore be avoided to assume that credit institutions will now receive all the necessary data because of the CSRD, especially regarding mortgages and renovation loans.

In the discussion paper, the EBA emphasises that mortgages to private households make up a significant part of the retail book and explains that already existing Energy Performance Certificates (EPCs) can be used to determine the related ESG risks of the underlying asset (the immovable property). This is reflected in template 3, which specifically lists EPC categories for immovable properties. We like to highlight that while we support the use of EPCs, we also need to stress that these are not always available. Furthermore, there is a significant difference in gathering EPCs for new loans and existing loans.

We, therefore, propose for mortgages in general, to allow a range and hierarchy of available data sources following national building regulation giving the highest priority to EPCs, followed by the year of construction. The latter provides a clear link to suitable national building codes prescribing criteria for energy efficient new buildings and can be centrally validated. Strategically, we recommend and support developing publicly available national registers of EPC data as already available in some EU member states.