

Comments

Comments on “Draft templates and template guidance for collecting climate related data from EU banks”

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General comments

With this comments, we are commenting on the content of the templates for the collection of climate-related data from EU banks and the template guidance introduced as part of the one-off Fit for 55 climate risk scenario analysis that the EBA will carry out together with the other European Supervisory Authorities (ESAs) and with the support of the European Central Bank (ECB) and the European Systemic Risk Board (ESRB).

Each of the sections in this letter contains a separate comment or request for further information or specification. The questions are grouped by the templates concerned, and where relevant, a reference is made to the relevant paragraph in the Template Guidance. The template-specific feedback is preceded by some general, overarching comments.

In general, we consider it positive that all templates refer to the supervisory reporting requirements of the respective FINREP and COREP standards applicable as of 31 December 2022, which facilitates the data collection of the fields contained in these reporting standards.

However, the EBA Fit for 55 data collection will be a huge manual effort for banks, as it requires a large amount of data that is not part of regular financial reporting. A sufficiently long time period for data collection and preparation would be extremely important. In addition, we kindly ask for a submission date not before the end of Q1 in 2024.

According to the consultation papers, Q4 2022 is mentioned as the reference date. It should be clarified, also in the context of interest and fee income, if the fiscal year 2022 or data for Q4 are meant.

Availability of climate related information, especially regarding energy consumption is very limited. We propose to omit data points regarding energy consumption from the energy sources in scope.

We are very critical of the lack of differentiation in the query of the exposure by NACE code. As was already the case in the course of the ECB climate stress test, it is not yet planned to separately identify sustainable financing. This applies in particular to NACE code D35 (Electricity, e.g. D35.11 Production of electricity). Relevant with regard to transition risks here would be CO₂-intensive energy production, but not sustainable production with wind or solar plants. This lack of differentiation has already led to a distorted picture in the ECB climate stress test.

In general, there is a lag between emissions data vs. financial data. The EBA should clarify what reference date is meant in terms of emissions data vs. revenue data? E.g., is it 31 December 2021 or December 2022?

Specific comments

Template "CR_Top_Counterp" & "Template MR_Top_Counterp"

- **par. 19:** The template guidance defines a materiality threshold of 0.05% of total assets. We consider this threshold to be very low, as it requires the reporting of information on very insignificant sectors with very limited relevance for portfolio management, thus increasing the burden on banks with little or no added value. That is why, we propose to increase the materiality threshold to 0.1% of total assets.
- **par. 20:** Does data for EUROSTOXX50 have to be provided, although the respective sector does not reach the materiality threshold?

- Additionally, the emission data of the EUSTOXX50 counterparties could be directly specified by the ECB in the context of this stress test on behalf of the European Commission, as they are publicly available data. On the one hand, this would reduce the burden for the participating banks, and on the other hand, the quality of the data would be more consistent.
- Concerning the Top 15 CR and MR counterparties of each sector, we assume that the legal entity is to be reported rather than the (accounting) group or the group of connected clients. The question arises because in many cases the regulator or the competent authority expect a group in their questionnaires or data requests, and a switch between legal entity and group at a later stage of the exercise is technically hardly manageable. Therefore, we ask for final confirmation that the legal entity is relevant.
- The same question refers to the column parent name. Please confirm that the legal entity is to be reported which is the head of the respective group of the borrower. Further we ask for advice if the ultimate parent is a financial company or a sovereign. Is the topmost NFC to be reported in this case, or should the parent in the sense of the head of the group of connected clients be relevant?
- In many cases climate related information is available only on a group level due to the NFRD (if available at all) rather than on the level of the particular legal entity. Do you expect banks to deduct the required information by their own methods, described in the Explanatory Note, or will EBA or ECB suggest a waterfall of the sources and methods?
- According to the template companies should be reported together with a corresponding LEI code. To improve internal matching, are other / additional unique company identifiers possible?
- Do we have to report top 10 or top 15 counterparties? The headlines of both templates ("Top 10") are inconsistent with the guidance and the number of lines (both "Top 15").
- In the public hearing it was mentioned that original exposures and not only exposure values are requested for credit risk data. In this context there are two questions: First a precise definition (i.e. COREP or FINREP, only balance sheet exposure etc.) should be given. Secondly it is not clear which figure should be used to define the 15 largest exposures per sector, whether it should be the original exposure or the exposure value.
- **par. 30 – 31:** What methodology should be used to estimate PD/LGD if the bank does not use any of the listed methodologies (IRB, IFRS9, external). We would advocate a hierarchy of approaches analogous to the methodology in the ECB stress test (see 2023 EU-Wide Stress Test Methodological Note, section 2.4.1).
- **par. 43 - 48:** If the energy consumption (especially not on this detailed split) is not needed for internal purposes, the effort to collect the data for the sole purpose of entering it into the templates is unreasonable. Few companies report the split of data at this required granularity, and external data providers do not usually have the split in good data quality either. The requirements should be changed so that these columns are optional.
- Energy consumption data can only be reported if it has been reported by the companies or can be meaningfully derived via proxies. As stated above, such information is likely to be very limited at this stage. We assume that, as envisaged in paragraph 49 (Net Zero Reduction Target), filling is not required if no valid data is available. A clarification analogous to paragraph 49 would be helpful here.

- Different from the Scope 1 – 3 emission where columns are inserted to inform about estimation Y/N and the methodology of the estimation, for the energy consumption there are no similar columns inserted. Does this mean that only real data which are determined or published by the corporate are permitted, and reversely estimated or modelled data should be omitted? Wir bitten um Klarstellung.
- **Para 49:** Regarding Net-Zero-Targets: If not available on the required time horizon (8-y) participating banks can use a proxy, developed leveraging internal methodology. We need more guidance on proxies and when these should be used. Could the EBA provide more clarity on what would be considered 'expected' or provide some examples?
- Information in column AH to AK or AF to AI does not refer to individual financial instruments but to the financial statements of the entities. This information is publicly available so that there would be actually no need for the banks to report this information.

par. 34 sf. and 62 sf.

- The Scope 3 values collected at counterparty level and at portfolio level (by sector) should, as a guiding principle, be based on the reporting requirements under the CSRD and the disclosures under CRR. Accordingly, the PCAF standard, which was adopted by the GHG Protocol and further developed, should be applied here for determining the financed emissions allocated to the borrower. Accordingly, in the case of object financing, the financed emissions of the object that is primary relevant for the transition risk profile of the exposure should be used (see also EBA SSM Q6A-ID Question ID: 2023_6676). Against this background, the approach should be aligned with those central standards. In doing so, the exercise also gains transparency as the EU also references the PCAF standard in the CSRD. In addition, the quality increases, as the data collected from the credit institutions follows the data also used for external reporting.

Template "CR_Aggregated_Data"

- We would advocate that in a risk-oriented approach analogous to the ECB stress test (see 2023 EU-Wide Stress Test Methodological Note, para. 103), a restriction is created on the requirement to report the top 5 countries, according to which all countries must be reported up to a coverage of 90% of the exposure.

Template "II_FCI"

- **Par. 67:** We would be grateful of further explanations how to identify the top 5 countries in terms of income. We assume that in this regard "income" is defined as the sum of "interest income" and "fee and commission income". We assume as well that for this calculation FINREP total amounts as defined in FINREP 2 row 0010 column 0010 and row 0200 column 0010 can be used. Could you please clarify, if a separate calculation is required which is based only on income generated by corporate exposures, both SME and non-SME, to non-financial obligors from 22 climate-relevant NACE 2 sectors?
- **Par. 68:** Does the 0,05% limit refer to the bank's exposure to a NACE 2 sector in total or to the NACE 2 sector of a certain country? If no information related to a NACE 2 sector is reported, has this information to be included to the line "Other"?

Template "RE_Transition_Risk"

- While general information on EPC is available (use of proxies is needed here!), we would appreciate a (partly) streamlining of the requirements (scope of requested portfolio) with CRR banking book ESG

template 2 (EPC labels) in order to foster consistency / reconciliation and to allow best leverage from other activities of the banks.

- What is the precise definition of new defaulted exposures over total exposures (questions also holds for RE_Physical_Risk)?

Template "RE_Physical_Risk"

- **Par. 131:** The template guidance for Real Estate Physical Risk states in par. 131 that the top 5 countries should be determined by the exposure, which means by the location of the borrower rather than by the location of the property, which seems to be more crucial for physical risk. Please confirm that nevertheless the location of the borrower is relevant.