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Via submission on the EBA website and electronic mail

Mr. José Manuel Campa
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Re: IIF Response to EBA consultation on amended Pillar 3 disclosure requirements for ESG risks, as well as for equity exposures and exposures to shadow banking entities

Dear Mr. Campa,

The Institute of International Finance (IIF), on behalf of its global membership, is pleased to provide comments to the European Banking Authority (EBA) on its consultation on *“Amended Pillar 3 disclosure requirements for ESG risks, as well as for equity exposures and exposures to shadow banking entities”*¹ (hereafter “the consultation”). The IIF is the global association of the financial industry, with around 400 members from more than 60 countries, including commercial and investment banks, asset managers, insurance companies, rating agencies, market infrastructure providers, and professional services firms. The IIF has developed this response through engagement with sustainability policy and risk experts at banks from across our global membership.

IIF members welcome the EBA taking the opportunity of the Pillar 3 review period to consider the European Commission’s wider Omnibus review process. In this letter, we provide feedback in response to the current and proposed templates for Pillar 3 disclosure of ESG risks and industry perspectives on the questions raised in the consultation. **The focus of our response is on aspects of the consultation relating to ESG risks;** we do not provide comments on topics relating to equity exposures, or exposures to shadow banking entities.²

Our responses are set out below. **Section One** provides overarching views on the consultation proposals (addressing consultation questions 1 to 5) and sets out some broader comments and recommendations relating to the EU’s prudential framework relating to ESG risks. **Section Two** provides detailed responses to specific Tables and Templates (addressing consultation questions 5 to 27).

¹ <https://www.eba.europa.eu/publications-and-media/press-releases/eba-launches-consultation-amended-disclosure-requirements-esg-risks-equity-exposures-and-aggregate>.

² Therefore, we do not provide responses to Consultation Questions 29 to 33.

Section One: Overarching comments on the EBA's Current ESG Pillar 3 requirements and the Proposed Changes³

IIF members strongly believe the EBA should take the opportunity of this Pillar 3 review to make much more significant changes to the current ESG Pillar 3 requirements in light of (i) several issues with the current templates identified by IIF member banks in recent years, and also considering (ii) the European Commission's broader efforts to streamline and simplify sustainability-related requirements, including disclosure requirements. IIF members do not feel that the current set of proposals are ambitious enough to address several significant concerns with the current Pillar 3 requirements.

We believe that several changes are merited across the full set of current Tables and Templates and cascaded through to the tailored requirements for different types of financial institutions. These can be grouped into three categories:

1. Simplification changes to **remove duplication and align with the Omnibus** and revisions to the European Sustainability Reporting Standards (ESRS). This includes when the revised CSRD may set limits to the right to even ask counterparties for certain data and those counterparties have a right to refuse providing the data, which ought to be reflected in the EBA's reporting requirements. In addition, some of the tables and templates could be streamlined to focus on the most material, relevant and useful information for disclosure users. In some cases, it is not clear that the volume of additional information expected of large institutions is justifiable compared to what is assessed as sufficient for other types of institutions.
2. Changes to **address other challenges presented by data points** that are hard to reliably source and/or are inconsistent with similar data points required under the CSRD or the EU Taxonomy.
3. Changes to **address conceptual issues**, in particular, data points that are not reflective of Pillar's 3 focus on an assessment of financial risk. Some information currently included in the EBA templates is not necessary to meet the objective of prudential disclosures, which according to Art. 499a of CRR is to provide external stakeholders with information on risks faced by institutions and on their risk profile. The EBA should ensure that the revised templates retain only those data points and information requirements that are relevant and useful for assessments of financial risk.

We welcome the EBA's recent Opinion/No Action letter that recommends that competent authorities should not prioritise the enforcement of the disclosure of the ESG risk templates until the amended ITS is finalised, and that states that the EBA will wait until there is more certainty about the outcome of the Omnibus process before finalising this ITS.⁴ However, it is important to note that the ability of banks to make use of the transitional provision is dependent upon the competent authorities agreeing to provide the flexibility proposed in the consultation. We

³ Consultation questions 1 to 5.

⁴ <https://www.eba.europa.eu/publications-and-media/press-releases/eba-issues-no-action-letter-application-esg-disclosure-requirements-and-updates-eba-esg-risks>.

encourage the EBA to use the time afforded it by this Opinion to consider more extensive amendments to the ITS to address the above concerns and those detailed throughout this letter.

Q1. Do you have any comments on the proposed set of information for Large institutions?

IIF members appreciate the EBA's efforts to simplify the Pillar 3 templates by reducing the required disclosure frequency of several templates. However, we believe that the EBA ought to go much further to also deliver on the goal of simplification of disclosure requirements for large entities. Key issues to be considered by the EBA in this regard are set out below.

Approach: We appreciate the EBA's adoption of a proportionality-based approach (defining three levels of templates for different types of entities). However, further simplification of the requirements is necessary for large entities, including for large subsidiaries (see response to Q2). In several instances, it is not clear that the additional details required of large institutions would provide material benefits to disclosure users compared to the simpler requirements proposed for other types of institutions, given that the EBA judges those simpler requirements to fulfil the objectives of Pillar 3 disclosures. Further differentiation could also be made between large listed and non-listed institutions, where the latter are generally subject to fewer disclosure expectations from stakeholders than the former.

Content: The current proposals do not adequately simplify the tables and templates for large institutions. In some templates, some columns are deleted while new ones have been added. Some templates are expanded under the auspices of enhancing alignment with other components of the EU sustainable finance framework (including the Taxonomy Regulation); however, it is not clear that these changes will deliver meaningful progress towards the goal of simplification.

Cross-referencing: IIF members believe that the EBA should allow cross-referencing with an entity's sustainability report as this would help to avoid redundant breakdowns. This is especially relevant for qualitative information. It should be noted that including cross-references in the sustainability report to other documents—such as Pillar 3 disclosures—is subject to several constraints, including publication timing and assurance requirements, which in practice renders the current provision in the draft impractical to implement.

Frequency: We appreciate the EBA's efforts to reduce the frequency of disclosure of certain templates based on materiality grounds. However, we believe that additional adjustments to the frequency for large institutions' disclosures should be considered to ensure that meaningful simplification is achieved across the banking sector. We would propose all templates for large entities to be disclosed on an annual basis, which is the frequency indicated by the voluntary Climate Pillar 3 disclosure framework recently published by the Basel Committee on Banking Supervision.⁵ For instance, it is not justified or practical that banks have to disclose emissions twice a year while other sectors only publish these data annually. Moreover, a large portion of

⁵ <https://www.bis.org/bcbs/publ/d560.pdf>.

the underlying data are typically only available once a year, after data published by counterparties (most of whom are reporting in March/April each year). (For further detail, see the response to Q4, below.) Furthermore, the data relate to the institution's strategy, processes and banking book, which are not expected to change materially over six months.

Materiality: An overarching materiality assessment should be introduced for firms prior to the commencement of a 'tick-the-box' completion of templates, whereby the bank could determine the materiality, relevance and decision-usefulness of potential reporting items in way that is commensurate to the financial institution's specific business model, complexity, nature of exposures and relevant diversification or concentration of those. To the extent that any data items that are already covered by the Taxonomy are retained in the amended Pillar 3 templates, a firm should not be required to disclose against data items that it has judged immaterial for the purposes of Taxonomy disclosure. For the avoidance of doubt, our preference is that any templates or data items in the ITS that are duplicative of Taxonomy disclosure requirements be removed.

Structure: We ask the EBA to allow entities greater flexibility in structuring their qualitative disclosures, leaving the separation and distinction between E, S and G as optional.

Interactions with the EU Omnibus process: While alignment of the prudential and corporate disclosure frameworks for financial institutions is a critically important objective that the industry supports, it is inefficient and potentially counterproductive to introduce new provisions into Pillar 3 that are linked to instruments that are within the scope of the Simplification Omnibus process. We welcome the EBA's recognition of this in their recent Opinion, which was shared with the European Commission and stated that: "There is uncertainty linked to the finalisation of the Omnibus proposal, and on how the final package, once agreed by the co-legislators, may impact on the EBA disclosure ITS. Therefore, the EBA will be in the position to finalise the draft amending ITS only once there is certainty on these topics."

In addition, we see that there is a misalignment regarding the suspension of the disclosure requirements for the Taxonomy templates between the EBA proposals and the Commission's decision. The EBA proposed to suspend the Templates 6 to 10 related to the Green Asset Ratio (GAR) and Taxonomy Regulation until **end-2026** but the Commission has now adopted a Delegated Act that gives financial companies an option to no longer report detailed Taxonomy information and Key Performance Indicators (KPIs) until **31 December 2027**, allowing time for the Commission to review in detail the Taxonomy disclosure rules and technical screening criteria. We believe **the EBA should align the suspension deadline for Taxonomy templates with the Taxonomy Delegated Act, until 31 December 2027.**

Q2. Do you have any comments on the simplified set of information for Other listed institutions and Large subsidiaries?

IIF members believe that the requirements for large subsidiaries should be revised. Where a report already exists at the consolidated group level, qualitative requirements for large

subsidiaries would be redundant given that in most cases the relevant policies are established at the group level. Individual presentation of templates should not be required when the associated breakdowns are covered at the consolidated level (in line with EBA Q&A 2014_759).

Q3. Do you have any comments on the simplified set of information proposed for SNCI and other non-listed institutions?

[No response.]

Q4. Do you have any comments on the proposed approach based on materiality principle to reduce the frequency (from semi-annual to annual) of specific templates (qualitative, template 3, and templates 6-10) for large listed institutions?

While we appreciate the efforts by the EBA to simplify the requirements by reducing the frequency of the qualitative Tables, Template 3 and Templates 6 to 10, we believe additional adjustments to the frequency for large institutions' disclosure should be considered to achieve the simplification objective. We would propose that all templates for large entities should be disclosed on an annual basis, which is the frequency indicated by the voluntary climate Pillar 3 disclosure framework published by the Basel Committee on Banking Supervision in June 2025. For instance, it is not justified or practical that banks have to disclose emissions twice a year while other sectors only publish these data annually. The rationale for the recommended reduction in frequency for the other templates is as follows:

- **Template 1** – Emissions are published on an annual basis by firms in other industries other than credit institutions. Given that a bank's Scope 3 greenhouse gas (GHG) emissions data are reliant on counterparty data (or proxies) from firms in other sectors, and counterparty data are annual, there is a mismatch between the information received by a bank and what is required to be reported in Pillar 3, potentially resulting in stale/un-useful information being reported in the semi-annual report. For this reason, we believe emissions should be also published annually by large institutions.
- **Template 2** – Similarly, template 2 should be disclosed on annual basis by large institutions considering that the CSRD requires Energy Performance Certificate (EPC) information to be reported on an annual basis. Further, the EPC/Energy labelling of collateral would be unlikely to change frequently enough to warrant semi-annual reporting of this information. It is not justified to require banks to disclose this information twice a year if the underlying data are annual.
- **Template 4** – To ensure that the simplification approach also applies to large institutions, the frequency of template 4 should be adjusted on an annual basis.
- **Template 5** – We would recommend the frequency to be aligned with the other templates and also be made annual.

Q5. Do you have any comments on the transitional provisions and on the overall content of section 3.5 of the consultation paper?

We welcome the proposed transitional provisions, including the additional clarity the EBA has provided to competent authorities through the issuance of its Opinion/No Action letter. However, it is important to note that the ability for banks to make use of the transitional provision is dependent upon the competent authorities agreeing to provide the flexibility as proposed in the consultation. Until competent authorities confirm that they will indeed provide such flexibility to institutions, banks will need to continue reporting the GAR Templates.

- We appreciate the reference the EBA included in its press release and in the executive summary of the consultation paper encouraging competent authorities to provide institutions with the flexibility envisaged in those transitional provisions. This is helpfully reinforced by the EBA's Opinion/No Action letter advising competent authorities not to prioritize the enforcement of certain disclosure requirements until the amended ITS enters into force.
- **We strongly encourage competent authorities to follow the suggested transitional provisions in order not to create undue burden and complexity for institutions or to undermine the Commission's broader objectives at this time of simplification and streamlining requirements.**
- The transitional provision states that the GAR templates (6 to 10) are suspended until December 2026 for large institutions. We understand that these GAR templates are now suspended for June 2025, December 2025 and June 2026 (subject to approval from the competent authority). However, it is not clear if banks are required to submit the GAR templates for December 2026. The EBA provided verbal guidance on these points during its June 2026 public hearing, but it would be helpful for the EBA to clarify these points in writing.
- More broadly, the same transitional provisions should apply to any related *ad hoc* data requests. There is limited benefit of having transitional provisions for Pillar 3, if banks still need to do the same work for regulatory reporting on an *ad hoc* basis.

Section Two: Comments on Specific Tables and Templates

Q6. Do you have any comments on the proposed amendments to Table 1 and Table 3?

Tables 1, 2 and 3

- **The qualitative disclosure items are largely duplicative of the CSRD-mandated Management Report, which is a more appropriate location for such disclosures than the Pillar 3 ESG risk disclosures.** Pillar 3 should focus solely on requiring additional information that is strictly necessary from a prudential perspective, avoiding repetitive breakdowns that do not add value and only contribute to excessive reporting burdens. This is especially relevant for Social and Governance risks where the information is almost the same as that reported in the management report. **For the sake of simplification and to ensure relevance to the objectives of Pillar 3, this information should be reduced.** One option for achieving this would be to allow the simplified set of information in

relation to Social and Governance risks that the EBA is proposing for SNCI and other non-listed institutions (i.e., Table 1A) to be usable by all institutions. Alternatively, a simpler reporting option based on Table 1A could be an option for a large bank to use to disclose basic information related to social and/or governance risks if it assesses those to be immaterial.

- **The templates should explicitly focus on material ESG-related risks in order to be consistent with Pillar 3 objectives, and in line with the approach taken for reporting under CSRD.** We note that the final BCBS Pillar 3 framework for climate-related risks has a strong emphasis on materiality and would encourage the EBA to do the same in its requirements.⁶ In clarifying the role of materiality, the EBA should clarify or remove the reference to double materiality in the reporting instructions for the Risk Management section of Table 1 (row K). The materiality of prudential risk should be assessed on the basis of financial materiality alone. Banks should be permitted to make reference to the financial materiality assessment conducted under CSRD requirements, as relevant to ESG risk management.
- From an operational perspective, internal policies and processes are increasingly integrated, and in many cases, issues are addressed cross-cuttingly. **Enforcing a strict separation between E, S, and G in qualitative reporting could lead to repetitive disclosure due to artificially breaking down information, which could also inflate the significance of certain internal policies from a disclosure perspective.**

Q7. Do you have any further suggestions on Table 1A?

[No response.]

Template 1. Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Q8. Do you have any comments on the proposed additions and deletions to the sector breakdown?

The proposed ETH Zurich classification is not as easy to implement as suggested in the consultation paper. This methodology can increase the difficulty of classifying entities as there are entities with different economic activities.

On the proposed breakdown we do not agree on including:

- G 46.81 and G 47.3: If so, we would be linking the sale of power/fuels to the contributing sector when it is not a production economic activity. This would entail a risk of double

⁶ For example, see [BCBS Template CFRF1: Transition risk – exposures and financed emissions by sector](#). The instructions note: “Banks are expected to disclose material sectors. The 18 TCFD sectors should be disclosed where material. Banks are encouraged to disclose further disaggregated information if needed (following the respective materiality assessment).”

counting (the same liter of oil is extracted, refined, transported and sold at the petrol station).

- D 35.4: Similar reasoning as above would apply for brokers and agents' activities.

It would be helpful to have a list of NACE codes that could be used to consistently report exposures to fossil fuel sector entities in Pillar 3 disclosures and in Template 2 of the Taxonomy Delegated Act. On comparison, there are gaps and inconsistencies across these templates in terms of the definition of exposures to fossil fuel sector entities.

Q9. Do you have any views with regards to the update of the templates to NACE 2.1?

Banks will need to build capacity and capabilities to introduce NACE 2.1 into all related reporting and we recommend regulators to be cautious in how quickly they embed new reporting initiatives and allow sufficient lead time for banks.

In addition, the benefits of the proposed agriculture breakdown are not clear. Nor does the additional breakdown contribute to simplification.

Q10. Do you have any views with regards to NACE code K – Telecommunication, computer programming, consulting, computing infrastructure and other information service activities, and in particular K 63 Computing infrastructure, data processing, hosting and other information service activities, whether these sectors should be rather allocated in the template under section Exposures towards sectors that highly contribute to climate change?

While we understand the concern behind requesting emissions from Computing infrastructure, data processing, hosting and other information service activities, at this stage there would be challenges in identifying the activity and its energy source. Until now, this information has been included in other sectors. Maintaining the current approach would be desirable. Moreover, we consider that D35.12 production of electricity from renewable sources should be removed from 35.1 considering that this is not a sector that contributes to climate change.

Q11. Do you have any comments on the inclusion of row "Coverage of portfolio with use of proxies (according to PCAF)"?

We do not consider that adding a row on coverage of portfolio with use of proxies according to the PCAF methodology is necessary or conducive to a simplification objective. Nor is the detail of the current proposal very clear.

It is not clear if the "Coverage of portfolio with use of proxies (according to PCAF) (in %)" row is intended to replace "Column K" "...percentage of the portfolio derived from company-specific reporting," which appears to be asking for the same (but inverse) information at a more granular NACE level.

This categorization could create conflict within Template 1 itself, particularly for PCAF Option 2: Physical activity-based emissions. For example, the coverage row instructions state that “every non-reported emission that is not based on a report from a counterparty, is by definition a proxy”. However, Column K requires an estimation based on “counterparties’ scope 1, 2 and 3 emissions associated with institutions’ exposures based on information disclosed by their counterparties or reported to the institution directly” (emphasis added). It is unclear how emissions that are calculated using a sector proxy - based on a company’s public or privately reported energy consumption or production - should be treated for Column K; whether it would be considered company-specific reporting, or proxy.

Also, from the perspective of wider consistency with other EU disclosure requirements, these definitions could conflict with similarly requested CSRD emissions coverage metrics. Directive 2023/2772 (AR. 46.g) requires companies to “disclose the extent to which the undertaking’s Scope 3 GHG emissions are measured using inputs from specific activities within the entity’s upstream and downstream value chain, and disclose the percentage of emissions calculated using primary data obtained from suppliers or other value chain partners” (emphasis added). Financial institutions could define “primary data” differently than either the Template 1 proxies coverage row or Column K company-reported data interpretations.

Q12. Do you have any further comments on Template 1?
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IIF members have identified several issues with Template 1 that are not addressed in the proposals.

- The sectoral/sub-sectoral breakdown is not linked to a materiality assessment.
- GHG emissions data are duplicative of CSRD. Portfolio-level financed emissions do not equate to credit risk exposure so are misleading to include here. These data also face many availability and quality issues.
- Financial institutions often rely on data vendors for GHG emissions data about their clients, which itself is typically obtained from public disclosures or platforms like CDP. However, many global organizations do not separately report Scope 1 and Scope 2 emissions in their sustainability disclosures. This lack of detailed data makes it difficult for financial institutions to calculate these emissions on their own. Therefore, we advise against breaking down financed emissions into Scope 1 and Scope 2, as modeling them separately could result in inaccurate estimates when clients/counterparties do not provide separate figures. Aggregate Scope 1 plus Scope 2 GHG emissions can be derived from the difference between column i (total emissions) and column j (Scope 3 financed emissions).
- Column C in Templates 1 and 4 should not be required considering GAR disclosure requirements have been suspended until end-2026 for large entities. More broadly, these data are not available to banks from many counterparties. Given the anticipated reduction in the scope of CSRD, the majority of banks’ counterparties will likely not be required to disclose this information. These metrics should be removed as they will either present as data gaps or be required to be calculated using proxies, and will not result in

meaningful disclosures for users. Similar challenges are presented by Column B, “Of which exposures towards companies excluded from EU Paris-aligned Benchmarks,” which is linked to the current CSRD disclosure requirements but has been removed in the proposed revised ESRS templates reinforcing the view that this information would not be available from counterparties and therefore should not be scoped into Pillar 3.⁷

- The proposed frequency for GAR templates is annual; however, Template 1 still requires semi-annual reporting, including information in column C related to Climate Change Mitigation (CCM) for GAR. To align the reporting requirements, we recommend changing the frequency for Template 1 to annual as well (as well as for the other reasons described in response to Q1).
- As mentioned above, the proposed ETH Zurich mapping tool is not that easy to implement for entities that engage in different economic activities.

Q13. Do you have any comments or alternative suggestions for SNCIs and other institutions that are not listed, regarding the sector breakdown?

[No response.]

Q14. Do you have any additional suggestions how to adjust Template 1A for SNCIs and other institutions that are not listed?

[No response.]

Q 15. Do you have any further comments on Template 1A?

[No response.]

Template 2. Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy performance of the collateral

Q16. Should Template 2 in addition include separate information on EPC labels estimated and about the share of EPC labels that can be estimated?

Some members have concerns about introducing a requirement for disclosing information about the share of EPC labels that credit institutions would be able to estimate in the absence of an energy performance certificate. There is not yet a consistent methodology for estimating EPC labels so this would not support greater comparability across firms, and this requirement would be burdensome without adding significant value to disclosure users.

Q17. Should rows 2, 3 and 4, 7, 8 and 9 for the EP score continue to include estimates or should it only include actual information on energy consumption akin to the same rows for EPC labels?

⁷ The EFRAG consultation proposals for ESRS revisions are available here: <https://www.efrag.org/en/amended-esrs-0>.

For the sake of interoperability, these rows could continue including estimates for the EP score. However, alignment with other legislative pieces, such as the EU Energy Performance of Buildings Directive (EPBD) would be needed considering the EPBD will align the process for calculating EPCs (either real or estimates).

Q18. Do you have any comments on the inclusion of information on covered bonds?

We do not agree with the inclusion of information on covered bonds. Therefore, we recommend removing the proposed disclosure breakdowns for covered bonds, i.e. removing rows 1.1 and 6.1 from Template 2. This template does not facilitate simplification, rather it introduces additional details and complexity without delivering substantial added value. There are different types of covered bonds and this segmentation would only address a specific category, thereby limiting its representativeness. Furthermore, since the information is aggregated, we see little added value in such a breakdown, as it may not accurately reflect where a specific investor is exposed, given that cover pools must be clearly and precisely identified. As such, this approach could lead to misleading interpretations regarding the energy performance profile of the collateral. Further, the underlying cover pool can change - it is not constant, and it is very complicated to track changes in the pool. Moreover, the information provided by the covered bond issuer and the covered bond purchaser may be duplicated and therefore appear in Pillar 3 disclosures of two different entities.

Q19. Do you have any comments on the breakdown included in columns b to g on the levels of energy performance?

[No response.]

Q20. Do you have any further comments on Template 2?

There is a lack of reliable and comparable energy efficiency data at the mortgage level, including differences across jurisdictions, which makes this template very challenging to complete and not comparable across firms with mortgage exposures in different EU countries.

More generally, we would urge the EBA and European Central Bank to align any *ad hoc* data requests to the Pillar 3 templates, including the final Templates 1 and 2.

Template 3. Banking book – Indicators of potential climate change transition risk: emission intensity per physical output and by sector

Q21. Do you have any comments on Template 3?

- **Portfolio decarbonization targets set for alignment purposes (e.g., with NZE 2050) are not useful for assessing a bank's exposure to climate risk, and it can be misleading to**

the market for Pillar 3 disclosures to suggest that banks are using portfolio decarbonization targets as risk management tools. Misalignment of the current allocation of financial portfolios with long-term government policy goals does not necessarily represent a source of near-term microprudential risks that would warrant supervisory or regulatory intervention on a prudential risk basis. The actual pace of the economic transition, and the other risk characteristics of each specific exposure, will determine changes in credit or market risk associated with a given exposure. **We would therefore recommend that the Targets columns in Template 3 are removed.** However, if it is decided to retain the Targets columns, we would make the following comments and requests for clarification:

- The alignment metrics in Template 3 require disclosure of portfolio decarbonization targets set for alignment purposes. However, the ITS doesn't specify whether such targets are an *objective* or *commitment*, or allow a firm to specify this in their disclosures. Further clarifications would be welcome.
- In Column H, it is unclear whether the "2030 Target for the value of the intensity metric, according to IEA NZE2050" refers to reporting the actual metric values or the percentage. Clarification on this point would be helpful.
- The "Point-in-Time (PiT) Distance to 2030 Target" based on the IEA NZE2050 pathway may be difficult to interpret in the context of a financial institution's transition strategy. We suggest simplifying the methodology so that this metric represents the remaining reduction needed to meet the 2030 target in line with NZE2050. For example, if Bank A has a NZE2050-aligned target of a 40% reduction by 2030 and has already achieved a 25% reduction, the metric should indicate that a further 15% reduction is required to stay on track.
- There should also be clarification that firms that are not estimating sectoral alignment to the Paris Agreement should not be required to disclose the information in Template 3.
- Where Template 3 is only populated because a firm has group-level targets, extending this approach to look at all 18 sub-industries will require significant work by firms and may not be consistent with the approach at the group level. Additionally, the materiality outcome may differ at the group level. We recommend providing flexibility in reporting to consider these challenges and adopting a comply or explain approach.
- Clarity is required on what to be included in Column B (NACE sector). For example, whether this should be the most material NACE of all the NACEs mapped to the sector included in Column A, or some other option?
- If Template 3 is intended to reflect a bank's progress against their existing Net Zero commitments, then there will likely be misalignment between the financial assets in-scope for those targets, and the "gross carrying amount" value requested by Column C. For example, for relationship lending, financial institutions commonly set targets on a Committed basis (which is more akin to the sum of drawn and undrawn loan values), instead of the 'drawn' basis implied by the requirement to report a gross carrying amount. Similarly, many banks do not include other types of advances, debt securities or equity instrument exposures in their targets (which are required to be included under the gross carrying amount definition). Thus, if a bank is to follow the financial scoping of gross carrying amount as per the Template 3 definition instead of their own assets scoping

definition, this could result in two sets of conflicting public portfolio results disclosures related to the bank's net zero targets. Or a financial institution could elect to report only on the assets it deems in-scope and relevant for its net zero targets, which could limit the comparability of Template 3 across institutions. It is also unclear how banks that have included facilitated volumes in their voluntary net zero targets should consider inclusion or exclusion of these emissions, as it pertains to Template 3.

- Clarity is also required on whether the in-scope instruments for Template 3 are limited to those for which the reporting institution has set targets and therefore will be a potentially smaller population than that of Template 1.
- Columns E and F (Baseline year and intensity metric): These new columns will add to complexity as there may be restatements / re-baselines that would need to be tracked. Also, the PCAF standards for Scope 3 emissions are still evolving, making historical calculations unreliable. For these reasons, we would recommend not introducing these new columns.
- Column F currently uses the term "intensity metric", but for certain sectors like Energy or Oil & Gas, many financial institutions use absolute emissions metrics instead. To increase flexibility and better accommodate different sectors, we recommend renaming these columns to allow for both intensity and absolute emissions metrics depending on what the bank uses.

Template 4. Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firm

Q22. Do you have any comments with the proposals on Template 4 and the instructions?
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- **IIF members believe that Template 4 should be removed. If this cannot be done, some IIF members would prefer the ITS to specify a single data source to support comparability, however this is not a unanimous view among members given the challenges in specifying a single source that is relevant for all banks.**
- Banks consider a wide range of characteristics in their climate or ESG risk assessments, extending well beyond the carbon intensity of the counterparty's activities. Low-carbon activity does not necessarily have a better risk profile than high-carbon activity over the tenor of a financial institution's exposure. There is mixed evidence on whether low-carbon sectors are inherently higher performing than high-carbon sectors, with most analysis focusing on equity market returns. There is little evidence to suggest a generalized link between the "greenness" of companies and enhanced risk/return profiles for lenders or investors.⁸ As one example, recent years have seen relatively poor investment performance of clean energy funds due to high fossil fuel prices and rising global rates.⁹

⁸ As explored in IIF/WTW, "[Emissions Impossible: Quantifying financial risks associated with the net zero transition](#)," May 2023. For example, see Figure 3 on the empirical relationship between operational emissions intensity and a scenario-based measure of climate transition risk.

⁹ For example, see Morningstar (2024) "[Clean Energy is the Future. So why have investors struggled?](#)"

- The information in Template 4 is not used for risk management by banks, nor is it comparable and consistent across firms – which is a foundational requirement for Pillar 3 disclosures – since there are many ways to establish the “exposures to the 20 most carbon-intensive firms within [a firm’s] perimeter of prudential consolidation.” For example, whether this is the top 20 firms within the bank’s footprint or globally, whether certain sectors should be included or excluded, and whether the measurement is based on Scope 1 emissions, Scopes 1 and 2, or Scopes 1 to 3. It is similarly not clear if the Top 20 should be defined on the basis of total absolute emissions or on a sector-agnostic intensity metric (such as emissions per common unit of revenue). The template does not provide a reference source to identify the “top 20 carbon-emitting companies,” although it does provide examples of data sources. The lack of a unified reference leads to inconsistent reporting among institutions, thereby compromising the quality of market data. However, even if there is a unified top 20 list, this is not a relevant set of information in the context of financial risk management.
- **At the very least, Template 4 should not be further expanded with more granular rows (as suggested in Q23 of the Consultation).** As most, if not all, of the companies in the world that would be captured by this template today and for the foreseeable future are typically from the same few sectors – e.g., oil, gas, coal and cement – additional information on sector, for example, would not be particularly informative for disclosure users.
- **If retained, to ensure that the simplification approach also applies to large institutions, Template 4 should only be required on an annual basis.**
- Given the topic of this template, “Exposures to top 20 carbon-intensive firm”, the column “Of which environmentally sustainable (CCM)” may be irrelevant.

Q23. Do you have any views on whether this template could be improved with some more granular information in the rows by requesting e.g. split by sector of counterparty or other?

No, we do not consider additional information to be required, and a further breakdown is not in the spirit of simplifying the templates where possible. Further, sectoral details are already provided in Template 1.

Q24. Do you have any further comments on Template 4?

Template 5. Banking book - Climate change physical risk: Exposures subject to physical risk

Q25. Do you have any comments on the proposal using NUTS level 3 breakdown for Large institutions and NUTS level 2 for Other listed institutions and Large subsidiaries? Would NUTS level 2 breakdown be sufficient for Large institutions as well?

The requirement to disclose NUTS level 3 breakdown for large institutions and NUTS level 2 for other listed institutions and large subsidiaries is overly complex, particularly for non-EU geographies. Further, NUTS 3 split is not necessarily adapted to corporate activities (i.e., as a

corporate can be based in a European country but have its production sites in Asia, for instance) nor real estate activities for worldwide banking groups, where assets and operations span multiple jurisdictions. These disconnects can lead to misleading representations of risk exposure.

Q26. Do you have any comments on the instructions for the accompanying narrative and on whether they are comprehensive and clear?

[No response.]

Q27. Do you have any further comments on Template 5 and on its simplified version Template 5A?

- **Template 5 gives an overly simplistic impression that exposures subject to physical risks are at greater risk of financial loss, although the relationship is not linear.** This could create harmful market perceptions. There is significant scope for banks to use their own methodologies for identifying exposures subject to physical risks, which is helpful from a risk management perspective but creates disclosure comparability issues in a Pillar 3 context.
- A requirement for 12 versions of Template 5 based on NUTS level 3 covering the 10 top geographical regions, EU total and Global total is considered by IIF members to be both impractical in terms of disclosure volume and for methodological reasons, and unlikely to provide useful information for disclosure users.
- **We consider that the new requirement to disclose the Top 10 NUTS 3 regions is overly complex and burdensome, particularly for non-EU geographies.** Fulfilling this requirement presumes having granular NUTS 3-level data available for the entire group. This presents significant challenges, especially in jurisdictions where equivalent regional classifications do not exist or that are not aligned with the NUTS taxonomy. **To ensure feasibility and comparability, we propose that this requirement be set at a higher regional aggregation level** (e.g., NUTS 1 or equivalent), which would reduce the disclosure burden while still capturing relevant physical risk exposures in a meaningful and operationally achievable way.
- It should be noted that detailed locations of counterparties and activities are not always readily available. For example, for general purpose lending to a large firm it is not always known to the bank which part of the firm is using the funds or in which geographical locations. The EBA should reflect these constraints in the requirements – for example, by limiting the applicable exposures, e.g., to collateralized loans only.
- Further, we believe that mandatory geographical breakdown and climate hazard breakdown should not be made compulsory for all exposures. **To be more proportionate, there should be a focus on material geographical areas and physical risk exposures.** We would welcome the EBA to consider an approach that is explicitly more material and allows institutions to focus on disclosures that are relevant and significant to their specific circumstances, which would result in fewer reported templates for some banks.
 - If retained, we would ask that the EBA provide clear definitions and detailed guidance on the meaning of temperature, wind, water, and solid mass-related

hazards, so that financial institutions can assess data availability with external data vendors.

- **We recommend that the requirement for banks to disclose impairment under Pillar 3 related to physical risk be removed.** This information is not directly linked to physical risk and could lead to misleading interpretations. Disclosing such impairment information here may create confusion among stakeholders regarding the actual impact of physical risks on financial performance, rather than providing clarity.
- We note that the EBA does not provide any guidance on the methodology to be used for disclosing the information under template 5. This absence of clear guidelines would make comparability across institutions difficult, potentially leading to inconsistencies in how banks report this information. We would appreciate further clarifications from the EBA on this.
- Considering the issues with NUTS 3 described in response to Q25, if the requirement for NUTS 3 breakdowns is not removed, we strongly suggest that a clear distinction be made between corporate and retail activities. This differentiation would account for the distinct methodologies and types of assets involved in each sector, thereby enhancing the relevance and accuracy of disclosures.

Templates 6-10. (6. Summary of GAR KPIs; 7. Mitigating actions: Assets for the calculation of GAR; 8. GAR (%); 9. Mitigating Actions - BTAR; 10. Mitigating actions outside the EU Taxonomy: Assets contributing to sustainability and transition finance)

Q28. Do you have any comments on the proposal to fully align templates on the GAR that is templates 7 and 8 with those under the Taxonomy delegated act by replacing the templates with a direct cross reference to the delegated act?

At a higher level, there is a timing misalignment regarding the suspension of the disclosure requirements for the Taxonomy templates between the EBA's proposals and Commission's Delegated Act. The EBA has proposed to suspend the Templates 6 to 10 related to the Green Asset Ratio (GAR) and Taxonomy Regulation until **end-2026** but the Commission has recently adopted a Delegated Act that gives financial companies an option to no longer report detailed Taxonomy information and KPIs until **31 December 2027**, until the Commission reviews in detail the Taxonomy disclosure rules and technical screening criteria.¹⁰ **We believe the EBA should align the suspension deadline for taxonomy templates with the Taxonomy Delegated Act, i.e., until 31 December 2027.**

On the cross-referencing proposal, while it is better for the EBA to cross-refer to the instructions in the Delegated Taxonomy Regulations and not define the Green Asset Ratio (GAR) differently, **it is not clear why these data are relevant to Pillar 3 users or what the objective is of banks publishing the same information in two places.** The cross-reference itself indicates that the inclusion of these templates is duplicative.

¹⁰ https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1724.

Q29. Do you have any comments on the proposal related to the BTAR and to keep it voluntary?

Aligned to the IIF recommendations in relation to GAR, it would be preferable for Template 9 to be removed. At a minimum, this template should be voluntary, however that can still impose an expectation on firms to complete it. The BTAR Template 9 requires information on EU and non-EU counterparties not subject to NFRD reporting requirements, which increases the reporting burden above what is required by the EU Taxonomy and is inconsistent with the objectives of the Omnibus.

Q30. Do you have any comments regarding the adjustments to template 10?

Template 10 will result in non-comparable disclosures across banks as there is no guidance on the standards firms should use to categorize the financial assets included. Nor is it clear why the additional breakdowns by environmental objective have been added. This template seems to conflate Taxonomy alignment with sustainable or transition finance. Firms may have provided finance for a transition-related project that only marginally contributes to GAR because of the alignment ratios of the counterparty under the Turnover/CapEx metrics, but since they are included in the numerator of the GAR, cannot be reported in template 10. Similarly, firms may have sustainability-linked loans that are outside of the Taxonomy, and don't neatly fit into one of the six objectives of the Taxonomy, which would make them impossible to map into template 10. In addition, if an asset contributes to more than one objective, it will be difficult to allocate it appropriately among multiple objectives.

Notwithstanding the conceptual objectives outlined above, extending the alignment data included in Pillar 3 would appear to be at odds with the Omnibus objectives of simplification and data minimization.

Q31. Do you have any further comments on the Consultation Paper Pillar 3 disclosures requirements on ESG risk?

- While aligning with EU Taxonomy templates is beneficial, the current complexity for banks of computing EU Taxonomy KPIs poses significant challenges. To address these issues, we advocate for further simplification of EU Taxonomy reporting in terms of: the number of templates, elimination of flow KPIs, addressing GAR asymmetry, limiting breakdown requirements for assets/counterparties, and simplifying criteria for use of proceeds instruments.
- **We suggest that Template 6 be removed from Pillar 3 as it is already included in the EU Taxonomy and would result in duplicative reporting if retained.**
- **The deletion of current Templates 7 and 8 is welcomed by IIF members.** However, while it is better for the EBA to cross-refer to the instructions in the Delegated Taxonomy Regulations and not define GAR differently, it is not clear why these data are relevant to Pillar 3 users or what the objective is of banks publishing the same information in two places. The cross-reference itself indicates that the inclusion of these templates is duplicative. Templates 6, 9

and 10 also include additional data and metrics that may not be provided for through the Taxonomy Regulation.

- Specifically with regards to Template 8, we request clarification that we have correctly interpreted the proposed revised instructions as only requiring the replication of the Template 4 of Taxonomy Delegated Act to reflect “GAR KPI flow”, and not requiring replication of Template 3 of the Taxonomy Delegated Act to reflect “GAR KPI stock”.
- EU Taxonomy metrics are indicative of a bank’s business model and its activities, but are not useful for assessing the risk profile of banks. “Green” exposures might be as or more likely to pose prudential risk as “brown” exposures in some cases. Higher EU Taxonomy alignment of a corporate does not have direct correlation to higher creditworthiness. **For this reason, the IIF has recommended to the EU Commission that the GAR should be removed as a disclosure metric across all EU legislation and requirements.**¹¹ Notwithstanding the IIF recommendation to remove the GAR, the metric should at least be suspended under both Taxonomy Article 8 and the EBA ESG Pillar 3 Disclosures pending the Omnibus and Disclosure Delegated Act reviews. Reporting under both the Taxonomy and EBA Pillar 3 disclosure requirements should be suspended while the review process of KPIs, templates simplification, and the Do No Significant Harm (DNSH) criteria is undertaken, and until the final requirements are adopted.
- **If the EBA retains GAR data in the Pillar 3 requirements, cross-referencing to Taxonomy disclosures should be permitted in a way that is future proof to changes to the Taxonomy Regulation.**
- **It would be preferable for Template 9 to be removed, also aligned with the IIF recommendations in relation to GAR.** Template 9 on BTAR requires information on EU and non-EU counterparties not subject to NFRD reporting requirements, which increases the reporting burden above what is required by the EU Taxonomy and is inconsistent with the objectives of the Omnibus. At a minimum, this template should be voluntary, however that can still impose an expectation on firms to complete it.

Thank you for your consideration of these comments. On behalf of the IIF membership, we hope that these global industry perspectives will contribute constructively to your efforts. We would be very happy to discuss any of our comments further or to assist in any way. We invite you to contact Andrés Portilla (aportilla@iif.com), Sonja Gibbs (sgibbs@iif.com), Katie Rismanchi (krismanchi@iif.com) or Jeremy McDaniels (jmcdaniels-advisor@iif.com) should you have questions or comments.

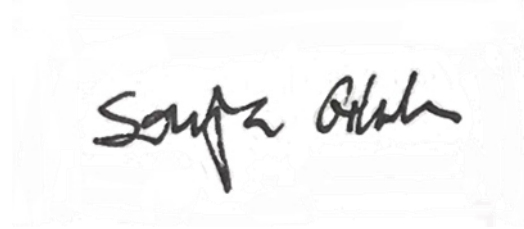
¹¹ <https://www.iif.com/Publications/ID/6119/IIF-Position-Paper-on-the-European-Commission-s-Omnibus-Proposals>.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrés Portilla'.

Andrés Portilla

Managing Director and
Head of Regulatory Affairs
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A handwritten signature in black ink, appearing to read 'Sonja Gibbs'.

Sonja Gibbs

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