

Deloitte Banking Alert

September 2020

The European Supervisory Authorities launch surveys on ESG practices

EBA published on the 17th of September an online survey to receive input from credit institutions on their practices and views regarding the disclosure of information on environmental social governance (ESG) risks.

The survey is addressed to large credit institutions that will be required to disclose prudential information of ESG risks and it is run on a voluntary basis.

Also, the European Supervisory Authorities (EBA, EIOPA and ESMA) published on the 21st of September a survey seeking feedback on presentational aspects of product templates.

The deadline for input for both surveys is 16th October 2020.

Highlights from the EBA's Survey

The survey aims to support the EBA's policy work on Pillar 3 disclosure and its wider efforts to develop a robust policy framework in the area of sustainable finance.

This online survey supports the EBA mandate to develop draft implementing technical standards (ITS) specifying uniform disclosure formats and associated instructions for the Pillar 3 disclosure of prudential information on ESG risks.

One of the key components in the policy framework of sustainable finance is the **disclosure of information on ESG risks**. There are variations across institutions on the level, type and location of information disclosed.

The EBA seeks banks' input to understand their current practices in the disclosure of information on ESG risks as well as their future plans regarding Pillar 3 disclosures on ESG risks, as well as on classifications and metrics used.

This online survey is part of the EBA's work to develop draft implementing technical standards (ITS) on Pillar 3 disclosure of prudential information on ESG risks by institutions.

It will also be used to monitor the short-term expectations specified in the EBA Action Plan on Sustainable Finance, including the request for institutions **to identify metrics, covering a green assets ratio**, that provide transparency on how they are embedding climate change related risks into the organization.

The survey consists of three main parts:

Part 1: general questions on the current status of ESG disclosures

This part includes general questions on *environmental, social and governance issues*. In particular for the *environmental* aspects, the questions cover several initiatives, such as: EBA Action Plan on sustainable finance, EU Taxonomy and the Commission's non-binding guidelines on reporting of climate-related information.

Part 2: questions on the interaction between Pillar 3 disclosures and policy initiatives

The focus of these questions is the interaction between institutions' current practices with other policy initiatives such as non-financial reporting directive (NFRD) and the Commission's non-binding guidelines on non-financial information, including the supplement on climate-related reporting.

Part 3: forward – looking questions regarding the implementation of upcoming disclosure requirements as per Article 449a of the CRR

These questions focus exclusively on climate change, including transition and physical risks, and cover aspects on exposure classification, metrics and data availability.

Highlights from the ESAs' Survey

The aim is to standardize the disclosure of information for financial products that promote environmental and/or social characteristics of have a sustainable objective.

The use of such mandatory templates will improve comparability of different financial products in different EU Member States.

The templates are intended to be included in existing disclosures provided by:

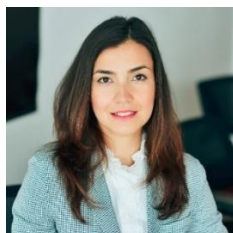
- Alternative Investment fund managers (AIFMs),
- Undertakings for Collective Investment in Transferable Securities (UCITs),
- Insurance undertakings,
- Institutions for Occupational Retirement Provision (IORPs) or
- Providers of pan-European Personal Pensions Products (PEPPs).

The final content of the templates is subject to the outcome of a concurrent consumer testing exercise and the ESAs' final report on the draft RTS under SFDR (Sustainable Financial Disclosure Regulation).

For further questions regarding the aspects mentioned in this alert, please don't hesitate to contact us.



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Sources:

<https://eba.europa.eu/eba-seeks-input-institutions-their-esg-disclosure-practices>

<https://eba.europa.eu/esas-launch-survey-environmental-andor-social-financial-product-templates>