Consultation Paper

Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 2024/3172, as regards the disclosures on ESG risks, equity exposures and the aggregate exposure to shadow banking entities

WeeFin answers

WeeFin is a French impact fintech founded in 2018 with a clear mission: to raise the standards of sustainable finance and make it the norm. Convinced that sustainability should be at the heart of every investment decision, we developed the first SaaS technology fully dedicated to sustainable finance. By combining deep financial expertise with innovative technology, we address one of the biggest challenges in the industry today: making sustainable finance both actionable and impactful for our clients (Credit Institutions, Asset Managers, Asset Owners, Wealth Managers, Asset Servicers, etc.).

WeeFin supports financial institutions in meeting regulatory constraints and developing strong and reliable ESG risk management framework based on good quality ESG data, as well as leading the transition to a fairer, more resilient global economy.

In that order, WeeFin provides an technological ESG data management solution and expertise on all ESG issues, including climate risks (knowledge of regulatory frameworks, methodologies and data required to calculate and monitor physical and transition risks).

WeeFin key messages

WeeFin welcomes the overall direction taken by the reporting tables and templates under consultation, which represents a positive and pragmatic step forward in the evolution of the Pillar 3 ESG disclosure framework.

The proposed measures are likely to streamline the current reporting requirements by reducing duplication, focusing on the delivery of decision-useful information for market participants, and calibrating the reporting burden more proportionately to the size, business model, and complexity of institutions. This approach is consistent with the proportionality principle set out in the CRR and contributes to the ultimate objective of ensuring that ESG disclosures support both supervisory oversight and informed investment decisions.

While broadly supporting the direction of travel, WeeFin considers that several elements require additional safeguards to secure the framework's effectiveness and ensure its long-term operational viability:

- The reliability of ESG disclosures depends on robust data governance frameworks. This includes clear requirements on data lineage, documentation of data source no s, validation processes, and auditability mechanisms. Weefin recommends that the final framework reinforce these aspects to mitigate the risk of inconsistent or unverifiable reporting.

- ESG metrics should be calculated and disclosed in a consistent manner in order to serve their intended market transparency and supervisory purposes. In this regard, WeeFin believes that the mandatory disclosure of the Banking Taxonomy Alignment Ratio (BTAR) should be considered. This would recognise the efforts of institutions that have already invested in Taxonomy alignment calculations prior to Omnibus I, while ensuring that comparable and standardised metrics are available across the banking sector.

- Certain proposed requirements, such as geographical breakdowns at NUTS-3 level, remain operationally challenging, particularly for cross-border institutions with complex portfolios. WeeFin suggests reassessing the granularity thresholds to strike a balance between precision and feasibility and prevent diverting resources away from the quality and analytical value of disclosures.

With targeted adjustments in these areas, the final Pillar 3 ESG disclosure framework would not only enhance its decision-relevance for supervisors and investors but also support a sustainable and proportionate implementation across the banking sector.

WeeFin answers to the consultation questions

Scope of institutions, proportionality and simplification measures

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

The proposed changes bring more clarity and guidance for financial institutions. WeeFin finds that the changes do not decrease the quality of information reported but instead (i) extend the reporting to relevant stakes such as environmental matters other than climate (ii) deleted several unnecessary breakdowns, which required extensive and low-quality data. WeeFin considers the disclosure of both transition and physical risk in a separate manner, as this allows for a more precise identification and monitoring of risks. Given today's challenges around fossil fuels and the need for a successful transition, WeeFin also considers it important that the templates disclose both the total exposure to fossil fuel sector entities and how credit institutions integrate the identified ESG risks into their business strategy, processes, governance, and risk management.

Overall, WeeFin supports the alignment of the templates with Taxonomy, CSRD requirements and other standards (e.g. PCAF) as it allows financial institutions to use the data they calculate for other regulatory requirements and allows Pillar 3 to improve risk management frameworks instead of making the reporting burden heavier. Moreover, this alignment contributes to the definition of sustainability and environmental risks at EU level (not allowing the coexistence of several concepts and definitions).

Nevertheless, given the uncertainty of the content of reporting requirements introduced by Omnibus I, the alignment of the templates with Taxonomy, CSRD requirements and other standards should not undermine the quality of the prudential regulation, which is absolutely critical for EU economic stability.

Thus, WeeFin welcomes that the alignment with CSRD does not translate into the suppression of information disclosed by undertakings outside CSRD scope. Such a decision would have severely hindered the quality of the prudential reporting. WeeFin finds it

relevant that the information regarding these small and medium undertakings remain mandatory but do not exceed VSME data points, in order to (i) ensure consistency with other EU regulations and (ii) serve the purpose prudential disclosures.

WeeFin is also in favor of the changes made to the disclosure of transition targets and GHG intensity evolution of the banking book (Template 3), as it aligns more closely with transition frameworks (e.g. CSRD transition plan and new SBTi standard for financial institutions FINZS) and makes it easier for large institutions to set and follow ambitious objectives when it comes to climate transition.

Lastly, WeeFin supports the disclosure of whether data is calculated, estimated or missing (e.g. Template 2) as this brings transparency to the quality of data used in financial institutions' reporting. WeeFin believes that this precision could also be added to other templates such as templates 1 or 3, so that readers can have a grasp of the reliability level of reported numbers.

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

WeeFin supports the introduction of the simplified set of information for Other listed institutions and Large subsidiaries.

WeeFin wishes to underline that under these proposals, Other listed institutions and Large subsidiaries would not publish Template 3, which discloses the breakdown of GHG intensity per NACE code. This information is also found in SFDR PAI 6 and good quality data therefore exists on the subject. For that reason, listed credit institutions could publish this information without too many additional constraints - perhaps based on simplified templates.

3. **Do you have any comments on the essential set of information proposed for SNCI and other non listed institutions?**

WeeFin welcomes the introduction of an essential set of information proposed for SNCI and other non listed institutions. This set of information will strengthen the overall EU prudential regime without introducing disproportionate reporting burden on smaller institutions.

4. **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?**

WeeFin finds the proposed approach based on materiality principle to reduce the frequency of specific templates for large listed institutions to be very relevant. WeeFin is fully aligned with all points made by the EBA:

- Qualitative Information: Based on experience, WeeFin agrees that financial institutions rarely introduce changes in the qualitative information disclosed on a semi-annual basis. This is particularly the case for large institutions, where changes tend to rely on internal processes likely to last several months. We also find particularly relevant the qualitative templates split between environmental, social

and governance risks, allowing for a complete disclosure of ESG risks, and a better identification and monitoring of the processes implemented.

- Template 3 (Climate Change Transition Risk Indicators): WeeFin confirms that emission targets are usually set on an annual basis. What is more, these informations are also collected, verified and commercialized by data providers at an annual frequency at best.

- Templates 6-10 on mitigating actions, including GAR and BTAR: WeeFin agrees that GAR and BTAR should be calculated in accordance with the Taxonomy Regulation requirements for consistency purpose.

Transitional provisions introduced in the ITS and interim guidance until the finalisation of the ITS

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

WeeFin firmly believes that the GAR should keep being published by credit institutions starting from 2025, either under the Disclosure Delegated Act or EBA P3 reporting requirements. Continuing this disclosure exercise will allow regulators to conduct crucial analysis for the monitoring of the respect of EU Green Deal objectives.

Thus, WeeFin would like to raise the following concerns:

- Given the current lack of stability of EU reporting requirements, the reporting of GAR under DDA could be postponed. Together with the deferral of templates 6, 7 and 8 (Summary of GAR, Assets for the calculation of GAR and GAR %), it could lead to the suppression of all GAR reporting until the end of 2026.
- Article 8 of Taxonomy Regulation (EU) 2020/852 does not require the disclosure of BTAR - which best describes the overall sustainability profile of credit institutions by including banks' exposure on entities outside CSRD scope. Deferring the reporting until the end of 2026 will therefore:
  (i) create a gap in information available to the public; and
  (ii) deter large institutions from continuing their improvement in ESG data management.

As ESG data management is pushed by other sustainability-related banking and financial regulations (EBA Guidelines on ESG risk management, SFDR, etc.), banks will likely dedicate resources to ensure they are able to manage large amounts of information. Climate-related risks and sustainability reporting is first and foremost a data management challenge, and institutions should be incentivised to develop their capabilities when it comes to ESG data collection and usage.

For these reasons, WeeFin believes that template 9 (BTAR), template 9.1 (Assets for the calculation of BTAR) and template 10 (Mitigating actions outside the EU taxonomy) should not be suspended until end-2026.

Review of the qualitative and quantitative information on ESG

Qualitative information

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

Regarding Table 1, WeeFin supports EBA's choice to shed light on the tools used by credit institutions to manage E, S and G risks. WeeFin believes that tools have a very significant impact on risk identification, measurement, disclosure and management and that they should be disclosed by banks for transparency purposes.

WeeFin does not have any additional comments on Table 1 and 3.

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

WeeFin does not have any additional comments on Table 1A.

Quantitative information

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

WeeFin supports the overall evolutions introduced by the proposal, especially:

- The breakdown of "A - Agriculture, forestry and fishing" is very relevant, because the sub-activities of the sector are exposed to significantly different risks. These differences are reflected into (1) the sectoral variations of providers' methodology, notably when it comes to materiality assessment, and into (2) each financial institution's own risk management framework. For that reason, WeeFin believes that these sub-sectors should indeed be broken down in the template, as proposed by the EBA.

- WeeFin agrees with the breakdown of all NACE codes which are part of the fossil fuel sector, since they are exposed to very high transition risk and public controversy. For that reason, WeeFin strongly supports the added transparency with the introduction of NACE codes "*B 09.1 - Support activities for petroleum and natural gas extraction*", "*D 35.4 - Activities of brokers and agents for electric power and natural gas*", "*G 46.81 - Wholesale of solid, liquid and gaseous fuels and related products*", "*G 47.3 - Retail sale of automotive fuel*", and "*H.49.5 - Transport via pipeline*" in the template.

- WeeFin also finds the modification of line 36 "*of which: D35.11 - Production of electricity from non-renewable sources*" to be relevant since it allows for more transparency regarding a sector with a high level of exposure to transition risks.

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

WeeFin supports the update of the templates to NACE 2.1 because it allows for more consistency between EU regulations. Increased attention should be given to making sure that NACE 2.1 is integrated into ESG data providers referential to prevent any reporting error by financial institutions.

10. **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?

WeeFin is in favor of the addition of NACE code "K 63 - Computing infrastructure, data processing, hosting and other information service activities" among those with significant climate impact in Template 1, as the sector has been under significant debate with the increasing use of artificial intelligence and high level of water consumption and emissions associated.

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

WeeFin strongly agrees with the inclusion of row "*Coverage of portfolio with use of proxies (according to PCAF)*", which could allow readers to have a vision of the data quality level of information disclosed. Alignment with PCAF also favors consistency between different EU regulations, since the standard is also promoted by CSRD.

12. **Do you have any further comments on Template 1?**

WeeFin does not have any additional comments on Template 1.

13. **Do you have any comments or alternative suggestions on Template 1A for SNCIs and other institutions that are not listed, regarding the sector breakdown?**

WeeFin does not have any additional comments or alternative suggestions on Template 1A for SNCIs and other institutions that are not listed, regarding the sector breakdown.

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

WeeFin would like to suggest the latter:

- In Template 1A, transition risk is currently reflected only through a sectoral breakdown, while geography is reported only for exposures sensitive to physical climate change events. However, both industry reports and WeeFin's experience show that transition risk can vary significantly within the same sector depending on the region and jurisdiction. A specific [sector; geography] combination may face high transition risk even if its exposure to physical risk is low.
  It may therefore be relevant for the EBA to amend Template 1A so that SNCIs and other institutions that are not listed report the geographic location of all exposures, regardless of their sensitivity to physical risk.

- EBA could provide additional guidance to SNCIs and other institutions that are not listed when it comes to the definition of sensitivity to climate risks. SNCIs and other institutions usually have less internal expertise regarding climate and environmental data, for that reason it could be relevant to define more precisely climate risks, sensitivity thresholds, indicators to prioritise to calculate risk ratios, etc.

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

Template 1A provides for the essential information regarding climate physical and transition risks. It is a relevant table for disclosure of simplified yet relevant data for smaller financial institutions.

However, proposed template 1A "*Simplified ESG information for SNCI and Other non-listed institutions covering both transition and physical risk*" only covers climate transition and physical risk. As such, SNCI and Other non-listed institutions would not report any non-climate ESG information - since template 5A only covers climate physical risks.

In that respect, when smaller institutions have developed expertise regarding ESG risks and when the ESG data market is ready, it could be interesting to gradually introduce information other than climate risks in the template 1A. Such disclosure could align EBA P3 disclosures with ESG risk management as described in other EU prudential regulations (especially in EBA Guidelines on ESG risk management, which provides for the progressive integration of risks other than climate-related risks in the risk management framework). For instance, later on, information on other environmental risks could consider biodiversity risks, and data on social and governance factors could tackle labour rights and corruption.

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

WeeFin considers that inclusion of separate information on EPC labels estimated and about the share of EPC labels that can be estimated can be relevant since it gives an idea of the quality and methodology of the data collected by financial institutions.

Nevertheless, such rows could decrease comparability if it does not come with dedicated guidelines or standardised methodologies, since it would rely on each data provider's proprietary methodology.

17. **Should rows 2, 3 and 4 and 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?**

WeeFin believes that rows 2, 3 and 4 and 7, 8 and 9 for the EP score should continue to include estimates, since estimation ratios will still be disclosed.

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

WeeFin supports the inclusion of information on covered bonds.

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

WeeFin does not have any additional comments on the breakdown included in columns b to g on the levels of energy performance.

20. **Do you have any further comments on Template 2?**

WeeFin suggests that an additional line "*Total EU area + non-EU area*" could be added in order to give a more comprehensive overview of credit institution's exposures. In addition, we recommend introducing a "Not Applicable" column for the treatment of collateral without energy performance in order to avoid any artificial distortion of the allocation.

21. Do you have any comments on Template 3?

WeeFin would like to suggest the following:

- WeeFin strongly supports the introduction of the baseline year and the 2030 target instead of "*Target (year of reference +3 years)*" as it creates alignment with established climate-related international standards and methodologies (NZBA, SBTi FINZ Standard, ITR, etc.). This approach enables financial institutions to analyse, develop and disclose more coherent and comparable information regarding decarbonization strategies while ensuring consistency with global climate frameworks.

- WeeFin supports the reliance on GHG intensity indicators. Although GHG intensity is not the most material topic for all economic activities, this choice aligns with the reality of the ESG data market and disclosures, GHG intensity being one of the rare metrics with high coverage and high comparability across sectors as of today. To ensure that the values published are comparable, the EBA could also (i) ask for the disclosure of absolute values of GHG emissions and (ii) make reference to the GHG Protocol accounting standard in this template.

- However, WeeFin would like to alert on the suppression of sectoral breakdown for two critical reasons: (1) It significantly reduces comparability between financial institutions' climate exposures and (2) it risks making high-impact sectors invisible within aggregated reporting. WeeFin recommends integrating a sectoral breakdown similar to the one in Template 1 (using NACE Codes) or adopting the NZBA sectoral classification. This would maintain transparency while providing the granularity needed to properly assess transition risks across different economic activities.

22. Do you have any comments with the proposals on Template 4 and the instructions?

WeeFin does not have any additional comments on the proposals on Template 4 and the instructions.

23. 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?

WeeFin agrees with the proposal to include a split by sector of counterparty, as it would bring more transparency on banks' exposure and on overall credit institutions' financing of economic sectors. This proposal is relevant since (i) it is easily understandable by non-experts and (ii) provides accurate and verified information on the financial flows directed towards fossil fuel companies, notably, which have been largely debated in civil society.

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

WeeFin does not have any additional comments on Template 4.

25. **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?**

WeeFin would like to highlight the following concerns regarding the use of NUTS level 3 breakdown for Large institutions:

- The proposed NUTS 3 breakdown in this template might impose an excessive level of detail on financial institutions, without clear evidence that such granularity would be effectively utilized by the public.

- This template primarily targets the largest institutions, which by definition maintain highly diversified banking portfolios. Publishing only the top 10 NUTS 3 regions would therefore inevitably overlook significant exposures, creating an incomplete risk picture that could be misleading for stakeholders.

- WeeFin notes that the current approach excludes a similar level of granularity for non-European regions (which are only included in the final total). This creates an imbalanced view of global climate risk exposure and limits the usefulness of the reporting for institutions with significant international portfolios.

WeeFin considers it would be preferable, as of today, to publish at a much less granular level (e.g., split EU / non-EU and total, or split by main countries). This approach would maintain meaningful transparency while significantly reducing the reporting burden. In addition, we believe that data are not mature enough to produce an exhaustive physical risk assessment at NUTS 3 level. Thus, a broader geographical level represents an essential first step before evolving to more granularity.

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

WeeFin does not have any additional comments on the instructions for the accompanying narrative.

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

WeeFin does support replacing the chronic/acute split with thematic events, as this approach is easier to understand and more straightforward to compile and sort the data. This change would enhance the clarity and usefulness of climate risk reporting.

Apart from the remark above, WeeFin's comments for Template 5A are the same as for Template 5.

28. **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?**

WeeFin advocates for an increasing consistency between European sustainable finance regulations and, for that reason, it strongly supports the proposal to fully align templates on the GAR with those under the Taxonomy delegated act.

Working towards the definition of a single GAR template will (1) make it easier for credit institutions to calculate this KPI, it will also (2) enable institutions to increase their understanding of the KPI methodology and develop their calculation abilities and (3) increase the readability of regulatory reportings for non-experts.

Nevertheless, WeeFin would like to highlight that current Omnibus developments have drastically reduced the number of companies included in the scope of CSRD, and consequently in the numerator and denominator of Taxonomy GAR KPI. Although consistency is still the first requirement according to WeeFin, stakeholders should be made aware that the GAR published by credit institutions will not necessarily be representative of their comprehensive sustainability profile.

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

WeeFin rather suggest that the BTAR should be made mandatory for the following reasons:

- Together with CSRD scope reduction, the GAR KPI capacity of accounting for the sustainability profile of credit institutions will decrease. As the BTAR covers exposures on issuers outside CSRD scope (non-EU and under CSRD thresholds), its value and relevance for stakeholders is likely to increase.

- Moreover, making BTAR mandatory for credit institutions would likely incentivise corporates outside the Taxonomy Regulation and DDA Act to disclose their Taxonomy alignment on a voluntary basis.

Overall, making BTAR disclosure mandatory for credit institutions would:
(i) enhance transparency across the banking system;
(ii) acknowledge the ambition of corporates that had already dedicated resources to calculating their Taxonomy alignment prior to Omnibus I; and
(iii) continue improving the quality of ESG disclosures by European economic actors, without increasing their reporting burden.

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

WeeFin does not have any additional comments regarding the adjustments to template 10.

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

WeeFin supports several parts of the EBA revision proposals:

- The improved interoperability between CRSD ESRS, the EU Taxonomy and EBA P3 reporting templates is particularly welcome as it will reduce reporting burden and inconsistency between regulatory requirements.

- The data points to be reported in the amended templates are both high-quality and more comprehensive: for instance, WeeFin considers that the introduction of PCAF proxy indicators, of the separation between EPC and EP score and the disclosure transition targets as well as distance to the targets to be especially relevant.

- The special focus paid to physical risks, and particularly its breakdown by type of risk and by geography is very salient. However, these data points will likely only inform the risk appetite threshold as of date - it will require time and resources to integrate them to other dimensions of ESG risk management.

Nevertheless, WeeFin wishes to draw EBA's attention to the following points:

- The lack of exhaustive data should be taken into account by EBA. As such, EBA P3 reporting templates make credit institutions responsible for the publication of accurate and comprehensive data. WeeFin would like to suggest that the responsibility for the disclosure of high-quality data should be equally split between corporates, public institutions and financial companies, thanks to granular reporting standards and useful public resources.
  Once datapoints have been published by stakeholders, data quality flags could be applied on reported information to emphasise data reliability. For instance, flags could be: primary/ data, PCAF methodology, uncertainty percentages, estimates, etc.

- WeeFin would also like to advocate for consistency between EU sustainable finance regulations and prudential regulation integrating ESG factors. There is still a need to work on harmonizing methodologies, especially when dealing with indicators published across different regulatory contexts.
  The fragmentation of methodologies can create significant operational challenges for financial institutions and undermine the comparability of disclosures. A coordinated approach between different regulatory bodies (EBA, ESMA, EIOPA) is crucial to enhance the effectiveness of ESG risk management and reporting.

Finally, WeeFin supports a progressive expansion to other types of ESG risks likely to impact prudential regulation (e.g., by drawing inspiration from ESRS data points), which will inevitably be considered by major banks under CRR3/CRD6 and the Guidelines on ESG risk management (including in ESG stress tests).
This forward-looking approach would allow institutions to develop more comprehensive risk management frameworks while providing regulators with better visibility into the full spectrum of sustainability risks affecting the financial system.

Disclosure requirements on the aggregate exposure to shadow banking entities, equity exposures and clarifications on non-performing and forborne exposures

32. Are the new template EU SB 1 and the related instructions clear to the respondents? If no, please motivate your response.

No comment

33. **Do the respondents agree that the new template EU SB 1 and the related instructions fit the purpose and meet the requirements set out in the underlying regulation?**

No comment

34. **Are the amended template EU CR 10.5 and the related instructions clear to the respondents? If no, please motivate your response.**

No comment

35. **Do the respondents agree that the amended template EU CR 10.5 and the related instructions fit the purpose and meet the requirements set out in the underlying regulation?**

No comment