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Reduction of reporting requirements and reporting burdens

ESG related recommendations

As acknowledged by the European Commission's President Von der Leyen, the quality of the European legal framework is key to its competitiveness. Therefore, it is crucial to ensure that this framework does not burden European businesses but rather supports them and enables them to effectively face challenges and harvest opportunities, including in the global market.

To address the challenge of climate change, support the EU transition to climate neutrality and achieve the objectives of the EU Green Deal, the EU has put forward, in a relatively short time, an important number of policy initiatives. These include measures aiming at enhancing transparency on the analysis and management by European companies of their ESG related risks, opportunities and impacts. Such transparency implies the publication of metrics and data that are further analyzed and collected by financial institutions in the framework of their own ESG-related assessments.

Banking regulators and supervisors are also continuously stepping up expectations related to the incorporation of ESG risks into banks' risk management practices and to ESG reporting, both vis-a-vis supervisors and the public (disclosures). Moreover, to channel finance towards the transition to a more sustainable economy, a number of regulations applicable specifically to the financial sector have entered or are about to enter into force. As a result, banks are facing multiple reporting requirements, which are, at times, overlapping and/or inconsistent.

While the objective to increase transparency of sustainable finance is necessary, it has also introduced challenges, for example to produce consistent and reliable data.

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A collective review of EU reporting requirements, including those in the making, with the aim of an overall simplification and reduction of inconsistencies, would, therefore, be a very much welcome step in this regard.

We would suggest to the European Commission to consider the following aspects in the revision process:

1) **Finding the right balance between, on the one hand, information needs of different economic stakeholders to facilitate the achievement of EU objectives and, on the other, reporting burdens**
2) **Consistency of the reporting requirements in the reporting value chain, including data points and timing**
3) **Consistency of requirements across different pieces of regulation with the objective of eliminating duplications and redundancies and ensuring common definitions**
4) **Symmetry in reduction of data requirements with questionable or immaterial information value between the financial and non-financial industry**
5) **Ensuring the availability of data relevant for the financial industry**
6) **Reducing the cost of calculation and reporting of individual datapoints**
7) **Consistent implementation, reduction of national discretions and gold-plating methods by Member States, which would also contribute to the reduction of reporting costs for cross-border institutions**
8) **Alignment with international standards and commonly used conventions and the provision of reconciliation tables to significantly reduce reporting costs and reconciliation efforts.**

Please find below further elaboration on the above aspects, including a number of specific examples.

1) Finding the right balance between information needs of different economic stakeholders to facilitate the achievement of EU objectives on the one hand and reporting burdens on the other

A balanced approach where the most **material and relevant information across the reporting chain** is prioritized would facilitate the implementation of the framework and eliminate unnecessary reporting burden for EU entities.

2) Consistency of the reporting requirements in the reporting chain, including data points and timing

As banks are dependent on their customer's data, there must be a **consistency between the reporting requirements of non-financial and financial entities**. Removing reporting requirements for non-financial institutions while retaining the same reporting requirements for financial institutions would result in the need for **bilateral engagement** between banks and their clients. The risk is that the effort to reduce the reporting burden on companies would be fruitless and, to the contrary, may further increment reporting burdens on both sides while also hampering consistency and harmonization of

data. **It is therefore necessary that reductions of disclosure requirements be consistent between financial and non-financial companies.**

In addition, a significant number of banks' clients fall out of the scope of the reporting under the Corporate Sustainability Reporting Directive (CSRD), while banks are required to report on climate risk (transition and physical) on their entire banking book, including for example SME portfolios under the Capital Requirements Regulation (CRR) Pillar 3.

To mitigate the need for bilateral engagement as much as possible, it is important that the EFRAG develops a **voluntary, harmonized, simplified standard or Guidance for SMEs as soon as possible.** This will enable non-listed SMEs to report against such standard voluntarily and/or facilitate bilateral engagement by providing a common base. Unlisted SMEs will be requested information by large companies in their reporting chain, by banks, as well as by public administration from day one. If they do not have a standard adapted to their characteristics and capacity, unlisted SMEs risk being overburdened by complex and multiple requests. Such standards should be based **on minimum reporting requirements that would address the information needs of financial institutions and other relevant stakeholders[1].**

However, as not all SMEs will opt to report under the voluntary standard or respond to engagement, and as some SMEs will continue to lack the resources and/or expertise to be able to provide the information, we believe such limitations should be duly considered. Reporting on SMEs and/or other entities outside the scope of the CSRD should have been voluntary. Any further considerations of mandatory obligations for banks to report on their SME exposures should be avoided as long as:

i) there is no mandatory reporting for SMEs that would cover such information need or
ii) there is no common set of proxies provided by the EU authorities that can be used by financial institutions to report on SME exposures where data are not available.

[1] https://www.smeunited.eu/news/efrag-should-reprioritise-its-activities-towards-smes-joint-letter-from-smeunited-and-ebf

Examples:

*Alignment **between banks' reporting requirements** for CRR Pillar 3, Sustainable Finance Reporting Directive (SFDR), ESG supervisory reporting under the CRR and reporting requirements under the CSRD's European Sustainability Reporting Standards (ESRS) **for corporates** (including sectoral standards) to ensure availability of data. This includes considerations of materiality assessment.*

*Foreseeing a **timing gap**, in the context of Article 8 Taxonomy Delegated Act disclosures, not only for alignment but also **eligibility** reporting, by non-financial and financial institutions for all remaining environmental objectives. Financial institutions rely on the reporting of their non-financial counterparties. The timing gap would allow financial institutions to gather the relevant data from such counterparties, incorporate it into their systems and their reporting framework. Such a timing gap would reasonably contribute to the accuracy of financial institutions' reporting. Calculating taxonomy eligibility ahead of companies' eligibility disclosure implies setting up two processes- first based on proxies followed by processes based on customers' data. The process using proxies requires a thorough assessment on how to compute, implement and review them. At least some waivers of certain information needs should have been envisaged in the Taxonomy Delegated Act during the phase-in periods.*

***Providing a timing gap in CSRD disclosures** between financial and non-financial entities. The disclosures under the CSRD are expected to help resolve the disclosures required by the financial industry. It will therefore be important to **maintain the phase-in period envisaged in the CSRD for value chain reporting that will allow banks to report only available data. Guidelines and clarification on value chain reporting under the ESRS** for financial institutions as well as how to assess materiality of business relations (e.g., exposures by outstanding amount, by financed emissions, ESG scores etc.) will also be necessary as soon as possible. Further guidance is also needed for non-financial companies, to **deliver comparable and consistent materiality assessments** across the value chain.*

3) Consistency of requirements across different pieces of regulation with the objective of eliminating duplications and redundancies and ensuring common definitions

The elimination of multiple information requests with the same objective or request for similar information would lead to a reduction of implementation efforts and the cost of reporting**. Ideally, the disclosure of the same piece of information should only be requested once**. This would require defining in which legislation/ report the disclosure makes more sense. When deciding where or under

which report certain information should be disclosed, consideration should also be given to the level of assurance required for such disclosure.

At a minimum, it would be useful that the EC provides an **overview comparing similar requirements from different pieces of legislation and clarifying which data equally fulfils the requirements of different regulations.** There should be a uniform wording for the required ESG information [specified in terms of type of data point, scope (with/without value chain), collection method/instrument, source, type of necessary verification and documentation of the records, perspective to be taken (counterparty; financed object; economic activity supported)].

Examples:

*Requirements and wording regarding **transition plans** in the CSRD's ESRS, the Corporate Sustainability Due Diligence Directive (CS3D) and the Capital Requirements Directive (CRD): As a minimum, underlying requirements, assumptions and methodologies need to be aligned to avoid liability risk, increased compliance burden, and lack of unique reference to align with internal risk management and steering. Such approach is being considered in the EU Green Bond Standard (EU GBS) where transition plan requirements were linked to the CSRD rather than included in the EU GBS itself.*

*We would suggest **reintroducing the exemption for subsidiary companies** from the sustainability reporting obligation (also for large undertakings whose securities are admitted to trading on a regulated market in the Union) if included in the consolidated reporting of the parent company. Where the parent undertaking reporting at group level provides "an adequate understanding of the risks for, and impacts of, their subsidiary undertakings, including information on their due diligence processes where appropriate", asking for an individual (at subsidiary companies level) sustainability reporting creates considerable administrative costs. Moreover, this current provision also seems to be in contrast with the reasonableness of the information disclosed to the public, in particular for financial subsidiaries whose ESG strategy and disclosure cannot deviate from those of the parent company given that all policies are defined centrally.*

*Credit institutions are required **to report information on their financing towards activities that are taxonomy aligned twice**: once under the Taxonomy Regulation and once under Art. 449a of the CRR (Pillar 3 ESG). Nevertheless, the disclosure requirements are slightly different between these two legislations constraining banks to calculate their financing toward taxonomy-aligned activities.*

Some examples of these differences are in relation to households' exposures (simplified approach in P3, but not in Art 8), the definition of total GAR assets, and the scope of exclusion (Art 8 refers to central governments while P3 refers to general governments).

The Art 8 and the P3 report needs to be aligned and in case of any differences, these need to be justified.

Moreover, it would be useful to assess whether companies already subject to the Taxonomy Regulation and CRR should ***disclose the same metric twice. Identical disclosures or templates*** *under the EU Taxonomy Regulation and the disclosures according to Pillar 3* ***should be deleted*** *to avoid duplication. It should be decided under which legislation, and in which report the information should be disclosed.*

Consolidation mismatch*: While Pillar 3 and the Taxonomy Regulation require banks to apply the prudential method of consolidation, the CSRD requires the accounting method. This adds to the complexity in reporting for financial institutions and can potentially result in a misalignment of the disclosures made. In addition, for financial institutions with insurance activities, there will be a need to assess these activities separately. As per above, financial institutions should only be requested to report once.*

Assurance obligations*: Cross reference to other reports should be envisaged, providing the same level of assurance as in the CSRD. However, the scope of consolidation, as highlighted above, would need to be addressed first.*

ESRS risk and opportunity definitions *are not aligned with other risk management guidelines e.g., the ECB guidelines for climate and environmental risks.*

ESRS and CRR Pillar 3: inconsistencies in data definitions and requirements between ***high impact sectors and exposures towards companies excluded from EU Paris-aligned Benchmarks****.*

Taxonomy, ESRS, CRR Pillar 3: All include analysis or reporting of ***energy certificates or energy consumptions*** *and ESRS and CRR Pillar 3 all include* ***scope 3****, leading to duplications.*

ESRS S2 - Value chain *– Consistency with the CS3D should be considered to avoid that different data need to be collected along the value chain.*

4) Symmetry in the reduction of data requirements with questionable or immaterial information value between the financial and non-financial industry

To reduce the reporting burden, we urge the Commission to identify non-material, irrelevant or otherwise obsolete reporting requirements **that can be consistently removed from the reporting requirements of both, financial and non-financial institutions. It is important to ensure alignment between the financial and non-financial industry with respect to the reduction of data requirements.**

EBF European Banking Federation

5) Ensuring the availability of data relevant for the financial industry

It is important to ensure alignment between the financial and non-financial industry with respect to both - data requirements, as well as the reduction of data requirements. Removing (or not requiring) reporting obligations for non-financial entities containing information that is relevant for banks, either to fulfil their own reporting needs or for risk management/portfolio alignment purposes, would not lead to a reduction of reporting requirements, as this information will nonetheless have to be collected bilaterally, as mentioned in the point above. Moreover, some information needed by banks to comply with their reporting obligations are still not reflected in the EU reporting framework and need to be added.

To maintain coherence between reporting standards and obligations under EU law, we strongly encourage the European Commission to require, at a minimum:

- Key climate disclosure indicators and topics, including Scope 1, 2, and 3 GHG emissions, climate targets and transition plans.
- Key environmental and social disclosures necessary to comply with the SFDR, the Benchmark Regulation and Climate Benchmark Delegated Acts, as well as Pillar 3 disclosure requirement, but also
- Reconsider the voluntary nature of certain disclosures, including on why a specific sustainability topic would not be deemed material, as well as on biodiversity and own workforce.

If the materiality assessment in the final ESRS remains as proposed by the European Commission, including on the disclosure requirements related to financial sector data needs, this will have to be reflected in the requirements the financial sector is subject to under the SFDR, Pillar 3, and any other future obligations. The financial sector cannot reasonably be expected to retrieve information on a bilateral basis to fulfil its reporting obligations, where the customer has deemed such information to be immaterial.

Please see below the list of datapoints necessary for the financial industry:

*The **NACE code of the principal activity of the group and of each subsidiary**: For the current reporting, for example, a level of detail of up to four digits is required for the NACE code (cf. ESG Template 1 NACE D35.11)*

Breakdown of revenues, capex/opex per economic activity/NACE code

*Scope 1-3 GHG **emissions reduction targets** (near and long-term) adopted to address climate-related impacts and support a low-carbon economy. In case the company has set climate-related targets, if they are compatible with limiting warming to 1.5 degrees.*

*With specific reference to **alignment between the ESRS and Pillar 3 reporting**, it will be important that the following quantitative information disclosures **remain in the final version of the ESRS as mandatory data points (not subject to materiality assessment)** in order to ensure banks' possibility to report under Pillar 3:*

1. *Breakdown of total revenue by significant ESRS sectors (draft ESRS 2)*
2. *Statement indicating whether the company is excluded from the Paris Aligned Benchmarks (draft ESRS E1)*
3. *Statement indicating, together with the related revenues, whether a company is active in the fossil fuel (coal, oil and gas) sector, i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade of fossil fuels (draft ESRS 2)*
4. *Breakdown of the carrying value of companies' owned real estate assets, or at least buildings used as loan collaterals, by energy-efficiency classes (draft ESRS E1). It is important that the information provided includes both the ranges of energy consumption in kWh/m² and the EPC (Energy Performance Certificate) label class (and not just one of these information as currently required by the draft ESRS E1). Companies should also disclose whether the information provided is an estimate.*
5. *Scope 1, 2, 3 GHG emissions (draft ESRS E1) per subsidiary and consolidated at group level*
6. *Potential financial effects from material physical risks, including the location of significant assets at material physical risk (aggregated by NUTS codes 3 level digit when the asset is localized in Europe or equivalent for assets outside the EU) (draft ESRS E1).*

7. *Information on assets/companies in the value chain that are subject to physical risks is also necessary (draft ESRS 2: "When describing where in its value chain material impacts, risks and opportunities are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs or distribution channels").*

*On top of the above, banks will need **additional information** **to report under Pillar 3 and we would suggest, therefore, that the following disclosures be included either in the sector-agnostic ESRS or in the future sector-specific standards:***

1. *Turnover/revenues segregation with the same level of sectoral granularity as detailed in Template 1 and Template 3 (NACE code digit 2, 3 or 4 depending on the sector)*
2. *Amount of capex and turnover derived from activities aligned with the climate mitigation objective broken down by the NACE codes indicated in template 1.*
3. *% of turn-over/revenues derived from activities excluded from the Paris-aligned Benchmark under the Benchmark Regulation, incl.:*
    - ***Exploration, mining, extraction, distribution or refining of hard coal and lignite** (incl. B.05.10 Mining of hard coal; B.05.20 Mining of lignite; C.19.10 Manufacture of coke oven products - EFRAG draft ESRS SEC 1 Coal Mining sector)*
    - ***Exploration, extraction, distribution or refining of oil fuels** (incl. B.06.10 Extraction of crude petroleum; B.09.10 Support activities for petroleum extraction - EFRAG draft ESRS SEC 1 Oil and Gas - Upstream and Services sector + C.19.20 Manufacture of refined petroleum products; G.47.3 Retail sale of automotive fuel in specialised stores EFRAG draft ESRS SEC 1 Oil and Gas – from Midstream to Downstream sector)*
    - ***Exploration, extraction, manufacturing or distribution of gaseous fuels** (incl. B.06.20 Extraction of natural gas; B.09.10 Support activities for natural gas extraction EFRAG draft ESRS SEC 1 Oil and Gas - Upstream and Services sector + G.46.71 Wholesale of solid, liquid and gaseous fuels and related products; H.49.50 Transport via pipeline - EFRAG draft ESRS SEC 1 Oil and Gas – from Midstream to Downstream sector; D.35.21 Manufacture of gas; D.35.22 Distribution of gaseous fuels through mains; and D.35.23 Trade of gas through mains - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector)*
    - ***Electricity generation with a GHG intensity of more than 100 g CO2 e/kWh** (incl. D.35.11 Production of electricity - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector)*
4. ***Alignment metrics**, including actual and targeted GHG emission intensity per sector-specific production unit. All companies that operate in sectors listed in Template 3 should be required to disclose carbon alignment metrics.*

Please see below metrics used to align loan portfolios with the objectives of the Paris Agreement and on which banks are required to fill in Template 3 by June 2024 (including measuring the alignment of each sector with its benchmark IEA NZE2050 scenario):

- ***Power***
  - *NACE codes and EFRAG draft ESRS SEC 1 sector: D.35.11 Production of electricity - Power production and Energy Utilities sector*
  - *Metrics:*
    - ***GHG emission intensity in tons (t) CO_2-e per MWh (at least scope 1 and scope 2)***
    - ***Fuel mix: share of power generation from each fuel source (% of MWh produced from coal, oil, gas, nuclear, renewables)***
- ***Oil and Gas upstream***
  - *NACE codes and EFRAG draft ESRS SEC 1 sectors: B.06.10 Extraction of crude petroleum and B.06.2 Extraction of natural gas - Oil and Gas - Upstream and Services sector + D.35.21 Manufacture of gas - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector*
  - *Metrics:*
    - ***GHG emission intensity in tons (t) CO_2-e per mega joule (MJ) (scope 1 and scope 2, scope 3 could also be reported but separately from scope 1 and 2)***
    - ***Absolute scope 3 GHG emissions (present and forward looking). Absolute scope 1 and 2 GHG emissions could also be reported but separately from scope 3.***
    - ***Oil and gas production trend (i.e. targeted volumes of extraction and production)***
- ***Oil and Gas midstream and downstream***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.19.20 Manufacture of refined petroleum products - EFRAG draft ESRS SEC 1 Oil and Gas – from Midstream to Downstream sector + D.35.22 Distribution of gaseous fuels through mains and D.35.23 Trade of gas through mains - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector*
  - *Metrics:*
    - ***GHG emission intensity in tons (t) CO_2-e per mega joule (MJ) (scope 1 and scope 2, scope 3 could also be reported but separately from scope 1 and 2)***
    - ***Absolute scope 3 GHG emissions (present and forward looking). Absolute scope 1 and 2 GHG emissions could also be reported but separately from scope 3.***

- ***Coal***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: B.05.10 - Mining of hard coal and B.05.20 - Mining of lignite - EFRAG draft ESRS SEC 1 Coal Mining sector*
  - *Metrics:*
    - ***GHG emission intensity in tons (t) CO_2-e per mega joule (MJ) (scope 1, 2, 3)***
    - ***Thermal coal production trend (i.e., targeted volume of extraction and production)***
- ***Aluminium***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.24.42 - Aluminium production - EFRAG draft ESRS SEC 1 Metal Processing sector*
  - *Metrics:* ***GHG emission intensity in tons (t) CO_2-e per ton (t) of aluminium (scope 1 and scope 2)***
- ***Cement***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.23.51 - Manufacture of cement - EFRAG draft ESRS SEC 1 Construction Materials sector*
  - *Metric:* ***GHG emission intensity in tons (t)CO_2-e per ton (t) of cement (scope 1 and scope 2)***
- ***Iron and Steel***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.24.10 - Manufacture of basic iron and steel and of ferro-alloys and C.24.20 - Manufacture of tubes, pipes, hollow profiles and related fittings, of steel and C.24.34 - Cold drawing of wire - EFRAG draft ESRS SEC 1 Metal Processing sector*
  - *Metrics:*
    - ***GHG emissions Intensity in tons (t)CO_2-e per ton (t) of iron and steel produced (scope 1 and scope 2)***
    - ***Scrap Charge as defined by the Sustainable Steel Principles*** *[see sustainable_steel_principles_framework.pdf (climatealignment.org) page 16]*
- ***Automotive***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.29.1 - Manufacture of motor vehicles; EFRAG draft ESRS SEC 1 Motor Vehicles sector*
  - *Metrics:*
    - ***Tailpipe GHG emissions intensity in gCO2e/passenger-km (passenger transport) or gCO2e/km (freight transport)***
    - ***Share of high carbon technologies (ICE) and electric vehicles (EV) sales over total sales***

- ***Shipping / maritime transport***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: H.50.10 and H.50.20 Sea and coastal passenger/freight water transport; EFRAG draft ESRS SEC 1 Other Transportation sector*
  - *Metrics:*
    - ***Emissions intensity in gCO2e/passenger-km (passenger transport) or gCO2e/MJ (freight transport)***
    - ***GHG emission intensity of the vessel relative to decarbonization trajectories***
- ***Aviation***
  - *NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: H.51.1 - Passenger air transport and H.51.21 - Freight air transport - EFRAG Other Transportation sector*
  - *Metric:* ***GHG emission intensity in gCO_2-e / per passenger-kilometre***

With specific reference to ***alignment between the ESRS and Sustainable Finance Disclosure Regulation (SFDR) reporting****, in its draft form the ESRS included all information necessary for financial institutions to comply with the SFDR, however, subjecting these to materiality assessment may lead to non-availability of the data and the need to either collect the data bilaterally or use of proxies where possible.*

We therefore believe that it should be mandatory for all companies to explain whether or not they respect the mandatory Principle Adverse Impacts (PAI) included in the Regulation (regardless of the result of their materiality assessment).

We recommend that those indicators remain in the final version of ESRS as mandatory datapoints and that they be disclosed regardless of the results of the materiality assessment. ***The list of PAI indicators required for FIs to comply with SFDR is the following:***

1. *GHG emissions (scopes 1, 2 and 3)*
2. *Carbon footprint*
3. *Monetary GHG intensity (tCO2e/M€ of enterprise value)*
4. *Activities in the fossil fuel sector*
5. *Share of non-renewable energy consumption and production*
6. *Energy consumption intensity*
7. *Activities negatively affecting biodiversity-sensitive areas*
8. *Emissions to water*

9. *Hazardous waste and radioactive waste ratio*
10. *Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises*
11. *Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises*
12. *Unadjusted gender pay gap*
13. *Board gender diversity*
14. *Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)*

PAI related solely to real-estate investments were not included in the ESRS. Nevertheless, it will be important that companies also disclose those, depending on their sector:

1. *Exposure to fossil fuels through real estate assets*
2. *Exposure to energy-inefficient real estate assets*

6) Reduction of the cost of calculation and reporting - pragmatic approaches

Banks are facing challenges related to ESG reporting both as preparers and users. The availability and reliability of data is not yet at the level that meets the requirements of financial entities, for example when they manufacture financial products, advise customers and disclose sustainability-related information. The current lack of reliable and comparable ESG data is a key challenge for financial institutions, which often depend on expensive third-party solutions or bilateral engagement with customers. Cost optimization measures should be a priority.

The provision of ESG data has positive externalities **and should be supported by Member States and the European Commission. The provision of common proxies** (given the ongoing challenges on the use of proxies in terms of the quality of the data, how it can be validated etc.), **simplification of the requirements, or data shared by public authorities** should be considered where individual data are not yet available, or their provision would be costly. Recent legislative proposals, such as the CS3D and the Directive on the energy performance of buildings (EPBD recast), recognize the importance of this type of support. To simultaneously reduce reporting burdens and comply with increasing regulatory requirements and expectations of supervisors, it is imperative that broad support measures to companies and to financial institutions are provided swiftly.

As a first step we would suggest **that public agencies and authorities be encouraged to disclose relevant ESG data centrally**, where already collected, to reduce individual information requests towards companies (ideally before the date of first application of the corresponding requirements).

The reporting burden and costs of the financial industry would also be significantly reduced with a **sequential approach**, enabling banks to rely on information which has already been published by their clients, as explained in the previous section. In case a piece of information would not be considered material for corporate reporting, it should not be required to be reported by financial institutions.

Examples:

Dedicated websites, portal or platforms

Such support should range from the operation of dedicated websites, portals or platforms to financial support, and facilitation of joint stakeholder initiatives. The provision of information of ESG data concerning, among others physical risk maps (distinguishing between acute and chronic events – if kept in Pillar 3), CO2 emissions (to effectively build a database with historical measurements), water consumption, EPC certificates available in national administrative databases would prove instrumental to achieve the objectives of the Green Deal. Currently, as widely recognized by legislators, supervisors, business and financial associations, there is a lack of granular and comparable information on ESG data among economic activities and companies of different sizes.

In this context, it is important that the data is defined in a consistent manner across Europe. Currently, this is not always ensured. Example: EPC labels may be based on different energy consumption ranges in different areas of the EU, e.g., in different countries as well as in different regions of one country.

In such a database, a "whitelist" of companies subject to NFRD/CSRD could be published which fulfil the "minimum social safeguards" at the institutional level required for the taxonomy analysis. In general, a timely centralized list of companies subject to NFRD/CSRD, would be helpful as it is basic information for the taxonomy reporting of banks.

The development of public databases (e.g., ESAP) should take place in a timely manner and include ESG data as soon as possible. The reporting requirements, especially for institutions that depend on such data, should be linked to the availability of the data to be taken into account. The fact that the EU institutions are not considering to include CSRD data in ESAP from the very beginning is not only disappointing but raises doubts about the accessibility and comparability of ESG data.

DNSH

Similar to the Commission Notice "Technical guidance on the application of 'do no significant harm' (DNSH) under the Recovery and Resilience Facility Regulation" published in December 2021 to assist national authorities in the preparation of the Recovery and Resilience Plans and to ensure that no measure included in a Recovery and Resilience Plan (RRP) leads to significant harm to environmental objectives within the meaning of Article 17 of the Taxonomy Regulation, national authorities should issue technical guidance on how Taxonomy DNSH criteria can be checked at national level, taking into account legislative acts adopted, as well as the specific characteristics of national databases.

In addition, although Member States have the option of relying upon the Technical Screening Criteria (TSC) in the delegated acts under the Taxonomy Regulation when assessing compliance with DNSH, we consider that it would be desirable that, whenever possible, national authorities conceive measures, including public financing solutions, aligned (even if partially) with the Taxonomy criteria, in order to mitigate reporting burdens and to crowd-in private investment.

Energy Performance Certificates (EPCs)

In the EU, buildings account for 40% of energy consumed and 36% of energy-related direct and indirect greenhouse gas emissions[2]. Making Europe more resilient calls for renovation of EU buildings, making them more energy efficient and less dependent on fossil fuels. Renovation is key for achieving the Climate Law objectives. Buildings are also of crucial importance to the banking sector, as a substantial part of bank lending relates to mortgages.

The Proposal for the Directive on the energy performance of buildings (EPBD recast) previews that each Member State shall set up a national database for energy performance of buildings which allows data to be gathered on the energy performance of the buildings and on the overall energy performance of the national building stock, and that the database shall be publicly accessible. While the proposal is still under discussions in the Trilogue, in January 2024, EU banks will have to disclose their Green Asset Ratio (GAR) for the financial year 2023. Banks will need to provide quantifiable evidence that demonstrates the extent to which the activities they finance meets the TSC defined in the Taxonomy Regulation.

Therefore, it is of utmost importance to have, as soon as possible, information on buildings, regarding Energy Performance Certificates, Primary Energy Demand (with national and regional reference values) and GPS Coordinates (to identify physical climate risks).

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[2] https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en

In essence, the implementation of national EPC databases as well as a gradual harmonisation of EPC certification across EU countries, taking into account the differences in primary energy demand in different European regions, are both considered extremely important. As already mentioned above, an EU-wide uniform definition of the EPC label is also an essential precondition.

Provision of proxies, estimates or sectoral averages

In a transitional period until ESG data that meet qualitative and quantitative minimum criteria are available, estimates, approximations based on sectoral or technology-based averages should be permitted (also for mandatory taxonomy reporting). However, it would be important for the chosen methodology to be transparent (e.g., based on the data quality table according to PCAF).

Provision of common estimates or sectoral averages such as emissions intensity sector averages and emissions factor data that banks can use when information is not disclosed by counterparties or providing common alignment targets at EU level would reduce the cost of reporting. The use of such proxies should be explicitly allowed for specific reporting purposes when no data is available, providing full transparency when proxies are used.

If no information to the contrary is available, it should be possible to assume (e.g., when checking taxonomy alignment) that national laws are complied with (e.g. with regard to emission limits for checking the significant contribution, or in the case of DNSH or MSS checks). The same applies to the commitment of institutions to voluntary standards, provided that these include a sound process for verification.

Data collections and validation of data

Duplication of data collection efforts and requirements for control and validation of data provided should be minimised; especially if, for example, the taxonomy reporting of financial institutions is based on the information provided by the customers (which will generally be subject to an external audit in the future as part of the CSRD) (see also above on assurance).

Limitation of the data to be included in the management report

The taxonomy templates are to be published in full in the non-financial statement / later in the management reports. Consequently, human readability is made more difficult by the inclusion of such excessive tables. It would be desirable to significantly reduce the information to be published in the management report, as we consider the presentation of the tables (especially with regard to the extension for environmental targets 3-6) to be very unwieldy and of very limited comprehensibility for some stakeholder.

7) Consistent implementation, reduction of national discretions and gold-plating methods by Member States would also contribute to the reduction of reporting costs for cross-border institutions

Discrepancies between different Member States' implementation of the CSRD should be avoided. As a minimum, clarity and transparency on divergences in implementation across jurisdictions would be helpful. National disclosure requirements if these are being adequately addressed by the CSRD should also be eliminated to reduce double reporting.

Example:

For those companies that must disclose a Corporate Governance Statement there is a redundancy with the Governance-related disclosures in ESRS 2.

8) Alignment with international standards and commonly used conventions and the provision of reconciliation tables will significantly reduce reporting costs and facilitate reconciliation efforts

The objective of the alignment of EU reporting requirements with international initiatives is not only to ensure comparability and a level playing field globally, but also to enable EU entities to report only once or avoid costly reconciliation. Comparison tables between major reporting standards would facilitate reconciliation efforts, for instance where divergences are unavoidable. Mapping documents that identify common disclosure requirements for companies to meet both sets of requirements (including information about choices that need to be made in some situations to enable a company to provide disclosures that would meet both sets of requirements) and disclosure requirements that are unique to the respective standards would be useful. Further publication of an interoperability navigation tools to assist companies in navigating the climate-related requirements and to enable a company to understand how to meet both sets of requirements would be also highly appreciated. As a matter of priority this is needed for ESRS and ISSB standards.

Examples:

Aligning the baseline ISSB standard with ESRS to the maximum extent possible to avoid double-reporting, as well as, highlighting where divergences exist. Emphasis on alignment and interoperability with the IFRS/ISSB with regards to financial materiality while retaining the significant differentiating factor between the ISSB and CSRD approach which relates to the double materiality under the CSRD.

Presentation approaches in the ESRS standards should allow companies reporting under ESRS to present the ISSB global baseline information in a visible manner, to facilitate comparisons and avoid the need for double reporting.

Alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human rights to assist banks in performing the minimum social safeguards due diligence required by the Taxonomy Regulation

Alignment of the transition plans requirements with the Guidance on transition of the Glasgow Financial Alliance for Net-Zero GFANZ commonly used by major EU banks and across the forthcoming EU regulation.

Mismatch in the use of terminology used in reporting (common convention) e.g., in the Taxonomy reporting:

- *Annex VI in the draft amendment to Article 8 and the concept of* ***total assets****. In the templates for Credit institutions, the column is named Total Gross carrying amount, so in a worst-case scenario, we now introduce total assets = gross carrying amount excluding loan loss provisions and this would not tally to IFRS total assets or FINREP total assets. Hence, there is a large risk of misunderstandings when reading the Taxonomy reporting.*

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