EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Template for comments

Guide on the management and disclosure of climate-related and environmental risks

Institution/Company

AFME and ISDA

Contact person

Mr/Ms

Ms

First name

Constance

Surname

Usherwood

Email address

constance.usherwood@afme.eu

Telephone number

0044 7785 623 439

☐ Please tick here if you do not wish your personal data to be published.

General comments

The ECB should postpone the supervisory dialogue by one year (2022) and adapt the implementation calendarThe ECB should postpone :the supervisory dialogue by one year (2022) and adapt the implementation based on the following rationale

Consistency with regulatory timeline and work: The EBA has not yet fulfilled its mandate given by CRR2 to include ESG factors in SREP-and reflect on the prudential treatment of sustainable finance assets. The EBA Guidelines on loan origination explicitly referenced in the guide, were finalized in last May and will be applicable by 30/06/2021 with a transitional arrangement of up to 3 years. In addition, the EBA .guidelines on internal governance are under review

Accounting for the progress level of banks. While the ECB should generally provide a top down guide to support a phased approach, a-degree of flexibility should be maintained to take account of differences in individual banks portfolio composition and individual materiality assessments, particular when considering a phased approach to the scope of clients. During the supervisory dialogue we recommend the :ECB take account of the following, staggered approach taking account of each bank's level of development and business model

the nature of climate and environmental risks (noting that banks are more advance regarding climate risks due to the regulatory andi)) ;(research environment

the risk typology (each bank may have different sensitivity or focus in relation to credit, operational, market or liquidity risk). We would(ii) note that it may not be possible for all banks to address all the different aspects in the first instance, hence each bank should be allowed to explain the prioritization it has retained; and

the scope of clients (here we note data is more readily available for large corporates than it is for retail clients. Again, banks will not beiii)) .able to implement all ECB's expectations at the same time especially given data availability differs from one client segment to the others

Although banks ultimate goal is to cover the full scope of client segments, each bank will need time and adopt a sequencing on the (implementation based on its own calendar and constraints

the geographical presence of banks and the varying maturity of countries regarding climate risk (e.g. different de-carbonisation targetsiv))

Template for comments

Guide on the management and disclosure of climate-related and environmental risks

Please enter all your feedback in this list.
When entering feedback, please make sure that:
- **each comment deals with a single issue only;**
- **you indicate the relevant article/chapter/paragraph, where appropriate;**
- **you indicate whether your comment is a proposed amendment, clarification or deletion.**

Deadline: 25 September 2020

ID	Chapter	Paragraph	Expectation or box number	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
1	Chapter 2	2.2		6	Clarification	The guide should clarify that, for the purposes of the initial gap analysis, JST outcomes should serve as non-binding opinions to support banks in promptly adapting their practices, and that these opinions should not lead to supervisory prudential add-ons e.g. via SREP in the primary instance. In the longer term, the ECB should acknowledge that climate & environmental factors can have both positive and negative effects, potentially acting as risk mitigators or risk drivers. Consequently, ECB guidance should refrain to promote or apply any negative implication on capital of these factors until the EBA finalizes its assessment or legislators adapt the approach as level 1 regulation.	The guide should be clarified in terms of how it fits with other regulatory initiatives to avoid inconsistencies and eliminate uncertainty on the date of implementation. The calendar proposed by the ECB could frontrun and lead to inconsistencies with the regulatory agenda mandated for the EBA in CRR2 and CRR3 changes.	Usherwood, Constance	Publish
2	Chapter 2	2.1		6	Amendment	The level of application of this Guide should be at group consolidated level, while (when relevant) some perimeters might be explored by carrying out deep dives rather than applying the Guide at a sub-consolidated level. In particular, the ECB should be mindful of international banks operating in the EU, which are applying their climate and environmental policies at their global consolidated level and is supervised accordingly.	Avoid unnecessary burden for both banks and inspection teams	Usherwood, Constance	Publish

3	Chapter 2	2.2		6	Amendment	ECB should postpone the supervisory dialogue by one year (2022) and adapt the implementation calendar: - Consistency with regulatory timeline and work: The EBA has not yet fulfilled its mandate given by CRR2 to include ESG factors in SREP and reflect on the prudential treatment of sustainable finance assets. The EBA Guidelines on loan origination explicitly referenced in the guide, were finalized in last May and will be applicable by 30/06/2021 with a transitional arrangement of up to 3 years. In addition, the EBA guidelines on internal governance are under review. - Accounting for the progress level of banks. While the ECB should generally provide a top down guide to support a phased approach, a degree of flexibility should be maintained to take account of differences in individual banks portfolio composition and individual materiality assessments, particular when considering a phased approach to the scope of clients. During the supervisory dialogue we recommend the ECB take account of the following, staggered approach taking account of each bank's level of development and business model: (i)the nature of climate and environmental risks (noting that banks are more advance regarding climate risks due to the regulatory and research environment); (ii)the risk typology (each bank may have different sensitivity or focus in relation to credit, operational, market or liquidity risk). We would note that it may not be possible for all banks to address all the different aspects in the first instance, hence each bank should be allowed to explain the prioritization it has retained; and (iii)the scope of clients (here we note data is more readily available for large corporates than it is for retail clients. Again, banks will not be able to implement all ECB's expectations at the same time especially given data availability differs from one client segment to the others. Although banks ultimate goal is to cover the full scope of client segments, each bank will need time and adopt a sequencing on the implementation based on its own calendar and constraints) (iv)the geographical presence of banks and the varying maturity of countries regarding climate risk (e.g. different de-carbonisation targets in different jurisdictions). While the guide aims to cover both environmental and climate risks, we note the assessment of environmental risks is at a very early stage compared to that of climate risk. For instance, the ongoing ACPR exploratory stress test is dedicated to climate risks only. In addition, the Expert Group of the European Commission has issued a report covering only 2 out of the 6 objectives, climate change mitigation and climate change adaptation, but not yet on the other 4 which relate to environmental risks. Work will focus this year on the technical standards relating to these 2 climate objectives. This is partly due to the lack of data and scientific consensus on methodologies to assess biodiversity risks. This also reflects the complexity of the issues meaning banks are building their knowledge incrementally starting with climate risks which is at the most advanced stage. We therefore suggest this incremental approach is more clearly reflected in the guide. It should be clearly indicated that expectations should be met first in relation to climate risks and then for environmental risks. With regard to biodiversity in particular, we highlight the understanding of the interaction with the financial system is still nascent and consequently the metrics for measuring the impact such as the Taskforce of Nature related Financial Disclosure (TNFD) are not yet established. This should be reflected in the level of expectations. It could also be useful to have a definition of environmental risks just for the purpose of this guide, until a more uniform one is adopted as we understand the EBA is looking to do. - Data availability as a pre-requisite: Assessment methodologies will depend on the availability, reliability and standardization of client's non-financial data and external data providers (where neither the bank nor the client can produce such data). Banks should therefore not be expected to have such methodologies until the NFRD (which will for instance support availability of such data) is finalized. Indeed, the ECB should recognize the current level of data quality - until this can be improved we urge expectations to be realistic and not lead to the imposition	Postponement of the supervisory dialogue by one year is considered as the most appropriate to insure consistency with regulatory timeline and work, to account for the level of banks and to allow further data avalaibility	Usherwood, Constance	Publish
4	Chapter 2	2.1		6	Clarification	Level playing field concerns : (i) Intra-EU Application: these guidelines only apply to those significant credit institutions supervised by the SSM, leading to the risk of competitive advantage for banks that are not under its oversight in the Eurozone, non-Eurozone banks and non-regulated banks. It is important to preserve level playing field within the EU. In this sense, it is important that the national authorities (NCAs) when supervising the Less Significant Entities, keep their approach as aligned as possible with the SSM guidelines, adapting it as necessary, ensuring that in general there is the same approach in the EU to monitoring climate and environmental risks in the sector. (ii) EU – rest of the world Some SSM Banks have developed part of their activities in jurisdictions located outside the European Union where, in some cases, they already have to meet with local requirements and guidance similar to that which the ECB is proposing to implement with this new guidance.	We are concerned that the draft text goes beyond being a guide and will instead result, for those credit institutions with subsidiaries in non-Eurozone area, in a double regulatory and reporting framework. Moreover, we also wish to stress that detailed specifications in the ECB guidance will not be helpful if they are not fully aligned with regulations or guidelines in other jurisdictions that have different approaches.	Usherwood, Constance	Publish
5	Chapter 2	2.1			Amendment	To ensure consistent understanding within supervisory teams, it should be made clear that inspection teams cannot use examples given in boxes in the Guide as the supervisory "general rule". Such clarification could be introduced by the following wording : "The observed practices shared throughout this document, described in the boxes, merely serve as a means of illustration and are not necessarily replicable, nor do they necessarily meet all supervisory expectations. Therefore, supervisory teams cannot require from institutions systematic application."	Ensure consistent understanding of supervisory teams that examples given in boxes in the Guide are not the supervisory "general rule"	Usherwood, Constance	Publish

6	Chapter 2	2.4		9	Amendment	Alongside the risk materiality concept already introduced in the Guide, better proportionality should also be included. Different types of asset classes should not be treated in a one-fits-it-all-approach. Besides, regarding specificities of environmental risks, banks should be allowed to reflect in the requirements the geographic maturity regarding environmental risks (e.g. differientiated decarbonisation horizons for juridictions). We suggest to provide in the Guide proportionality principle as it is allowed in the EBA Guidelines and to clearly state it. Therefore, we would add the following phrase at the end of the paragraph 2.4 : "As permitted by EBA Guidelines, the proportionality principle should be applicable in the supervisory expectations. In addition, given specificities of environmental risks, banks can also appreciate the geographic maturity regarding materialisation of environmental riks and reflect it in their risk management framework"	Further reflecting legal basis which allow proportionnality principle and allow inclusion of more proportionate aspects specific to environmental risks such as geographic maturity.	Usherwood, Constance	Publish
7	Introduction			3	Clarification	The integration of ESG factors should incentivise banks to shift towards more sustainable activities, managing their risks correctly while providing adequate pricing to the client, so that such activities remain soundly managed by regulated actors. This should be made clear that it is also one of the objectives of the EBA.	The integration of ESG should incentivise banks to finance sustainable activities instead of having layers of constraints	Usherwood, Constance	Publish
8	Chapter 3	3.2		10	Clarification	Our preference is for principle-based guidelines but if a detailed expectations system is chosen, it's necessary to avoid late introduction of detailed requirements or standardization (e.g. close to the implementation deadlines or when firms have already invested in developing their own approaches). The guide should make clear that climate and environment risks only needs to be integrated into existing risk framework while retaining flexibility for banks which wish to treat them as a separate risk type if they deem it appropriate to their management framework and business model.	We consider that the SSM approach should be less prescriptive and detailed in order to allow SSM banks to develop a consolidated common approach applicable and valid to all jurisdictions where they have presence. The guide should make clear that climate and environment risks only needs to be integrated into existing risk framework while retaining flexibility for banks which wish to treat them as a separate risk type if they deem it appropriate to their risk management framework and business model.	Usherwood, Constance	Publish
9	Chapter 3	3.2		11	Amendment	We would suggest the amendment to the guide reported in bold: *"The magnitude and distribution of climate-related and environmental risks depend on the level and timing of mitigation measures and whether the transition occurs in an orderly or disorderly fashion.* ***The circular economy, for example, provides an opportunity for a systemic transition to an economic paradigm designed to be able to regenerate natural capital, therefore being eco-sustainable by design.*** *Potential losses stemming from climate-related and environmental risks depend especially on the future adoption of climate-related and environmental policies, technological developments and changes in consumer preferences and market sentiment. Irrespective of this, any combination of physical and transition risks will, in all probability, materialise on the balance sheets of euro area institutions. Existing estimates of adverse long-term macroeconomic effects resulting from climate change point to significant and lasting losses in wealth. These may be due to slowing investment and lower factor productivity in many sectors of the economy, as well as reduced potential GDP growth."* The aim of this amendment is to consider the positive impacts of the transition from a linear to circular economy as reported in a 2019 paper published by the Ellen MacArthur Foundation [Ellen MacArthur Foundation, "Completing the picture how the circular economy tackles climate change", 23/09/2019]. In detail, by decoupling economic growth from the exploitation of virgin raw materials and environmental degradation, as well as by developing practices more resilient to the economic cycle, Circular Economy (CE) offers effective hedging of linear risks, shields financial actors from the risk of stranded values and generates fresh and non-speculative demand for investments. The 2019 paper by the Ellen MacArthur Foundation estimates the cost to the global economy by 2100 of 54 trillion dollars.	The aim of this amendment is to consider the positive impacts of the transition from a linear to circular economy as reported in a 2019 paper published by the Ellen MacArthur Foundation	Usherwood, Constance	Publish

10	Chapter 3	3.2.	Table 1	11	Clarification	The extent of transition risk impact on the market liquidity risk is not very clear, e.g., the deterioration of the institution's own assets due to transition risks can also have impact on the Bank's liquidity position if these assets are used as collateral to obtain funding	Helps understanding the definition and taxonomies for physical/transition risks	Usherwood, Constance	Publish
11	Chapter 3	3.2		12	Clarification	We don't believe the timeframe underlying the Guide and these types of risks will materialize significantly in the immediate horizon. Transition risks will materialize over the long run (much further than the 3 to 5 year - length of medium term plans). Physical risks will occur with an increasing frequency over the coming decades, not years. Indeed this highlights why stress test exercises are difficult to build, as banks have to extrapolate to 2050 to understand the impacts. For instance, ACPR exploratory exercise has a first reporting date in 2025, much beyond any medium term plan of the participating financial institutions, and goes to 2050 with time steps of 5 to 10 years. On page 12 the guide notes: “climate-related risk for euro area institutions is expected to primarily materialize in the medium to long term”. But the Guide considers then it notes risks it can arise suddenly : still page 12 “ should the pace of the transition accelerate”. Expectation 1.2 states that short to medium term risks include reputational effects and policy driven developments. Consequently it remains necessary for the ECB to clarify in particular: - ECB expectations on liquidity risk management (see related comment); - Expectation 2.1 requiring a short-to-medium term assessment, expected to include an analysis of the climate-related and environmental risks to which the institution is exposed within its current business planning (3 to 5 years); - Expectation 4 requiring that the RAF integrates climate related and environmental risks in line with the strategic planning horizon; - Expectation 6.4 saying “the issue of timeliness is critical to these risks owing to, for example, the impacts of a sudden transition to a low carbon economy”; - Expectation 7 / box 6 taking examples of financial impacts related to climate-related risk drivers. The depreciation of assets of carbon-intensive companies in the investment portfolio is said to happen in 1 to 3 years, the increased costs for customers to address damages or losses caused by climatic incidents affecting their ability to pay is also said to materialize in 1 to 3 years. We don't see such impacts in 1 to 3 years from now, but rather in 1 to 3 decades.	The ECB should elaborate on what leads it to believe that the time frame for these environmental and climate risks to significantly materialize is less than 3 years.	Usherwood, Constance	Publish
12	Chapter 4	4.1	Expectation 1	15	Clarification	Standard econometric sectoral models are normally based on estimates of final demand, competitiveness of domestic companies and input-output links among sectors. In this context, it is difficult to formally shock a sector for both physical and transition risk, given the judjmental nature of both the size of the shock and its impact on the relevant variables. It is also difficult to assess how other sectors react, for instance because resources move from a polluting sector destined to downsize to such sectors. It would be useful to clarify that the expectation 1 does not refer to quantitative forecasting analyses.	More details on the expectations about the characteristics of the models to be used to assess sectoral, geographical risks are needed	Usherwood, Constance	Publish

13	Chapter 3	4.1	1.1	15-16	Amendment	We would suggest the amendment to the guide reported in bold: *"When scanning their business environment, institutions are expected to identify risks arising from climate change and environmental degradation at the level of key sectors, geographies and related to products and services they are active in or are considering becoming active in. Climate-related and environmental risks, for instance, may influence economic growth, employment or real estate prices at the national, regional or local level. Weather events may cause droughts or floods affecting regional agricultural production or housing demand at the national, regional, or local level. Policy changes to promote an environmentally-resilient economy may reduce the demand for real estate in certain, for example high flood risk, areas. Parallel to this, the competitive landscape is affected by the development of a green financing market and consumer preferences that are shifting away from carbon-intensive goods and services. In the area of technology, institutions serving clients operating in energy-intensive industries, or power stations with a high reliance on fossil fuels, may see that their clients are facing significant capital expenditure requirements to decarbonise their energy mixes.* ***At the same time, institutions serving clients operating in renewable energies production or in circular economy projects may see their clients becoming potentially more resilient and therefore may experiment a de-risking effect on their asset portfolio.*** *Institutions are expected to properly document the materiality assessment of climate-related and environmental risks for their business environment. For instance, it could be reflected as part of their regular monitoring of material or emerging risks, or evidenced through management board discussions"* This amendment is based on a research published by Università Bocconi and Intesa Sanpaolo in 2019 [Claudio Zara and Shyaam Ramkumar, "Circular Economy and Default Risk", 7/07/2020], that provides the evidence of a positive relation between the degree of circularity and de-risking effect, measured in terms of PD decrease, both in the short (1 year) and in the long term (5 years), with a more relevant contribution offered by circularity on de-risking in the long term.	The aim of this amendment is to consider in the scanning of the business environment not only the potential adverse impacts due to environmental and climate change risks but also the opportunities that may arise from a greater leverage on the sustainable finance, such as from a Circular Economy strategy. This amendment is based on a research published by Università Bocconi and Intesa Sanpaolo in 2019, that provides the evidence of a positive relation between the degree of circularity and de-risking effect, measured in terms of PD decrease, both in the short (1 year) and in the long term (5 years), with a more relevant contribution offered by circularity on de-risking in the long term.The research run by Università Bocconi and Intesa Sanpaolo (Claudio Zara and Shyaam Ramkumar, "Circular Economy and Default Risk") has been presented in the Conference of the International Society for Circular Economy on the 6-7th July 2020, University of Exeter. Proceeding are under publication. Please note also that in the Concise Statement, the reference to 2019 should be amended in 2020.	Usherwood, Constance	Publish
14	Chapter 4	4.1	Expectation 1.2	16	Clarification	When describing "policy-driven developments" it is not clear to which policies it refers	Unclear whether it referes to internal policies vs. regulatory developments or other external policies. This will help institutions in the compliance process.	Usherwood, Constance	Publish
15	Chapter 4	4.1	Expectation 1.2	16	Clarification	When talking of "scientific insights" it might be helpful to describe it a little more in detail by citing, for instance, possible sources of information or reference What is the expected frequency of such asessements and monitoring?	This will help institutions in the compliance process.	Usherwood, Constance	Publish

16	Chapter 4	4.1.2	Expectation 1.2	16	Amendment	Due to the fact that a strategic horizon is longer term as are the effects of climate and environmental risks, and therefore difficult to break-down on a yearly-basis, it would make more sense to have only two timeframes: 1. short to medium 2. longterm. Rewording suggestion: ***Institutions are expected to understand how climate-related and environmental risks affect their business environment in the short to medium term and long term to inform their business strategy process***	Strategic timeframe as well as timeframe of environmental and climate risk impact is longer term and difficult to break down on a yearly basis.	Usherwood, Constance	Publish
17	Chapter 4	4.2	Expectation 2.1	17	Clarification	When reference is made to "expert judgement" it might be helpful to give some insights as to which are the possible sources of judgment	This will help comparability among institutions.	Usherwood, Constance	Publish
18	Chapter 4	4.2	2.1	17	Amendment	We would suggest the amendment to the guide reported in bold: *"Institutions are expected to determine which climate-related and environmental risks are material in the short, medium and long term with regard to their business strategy, for example by using (stress) scenario analyses. As set out in the EBA Guidelines, institutions should take the limitations, vulnerabilities and shortcomings detected in internal stress tests and scenario analyses into account when determining their business strategy. The scenario analysis tool is particularly useful in the context of climate-related and environmental risks given the uncertainty associated with the future course of climate change and society's response to it. By developing a set of plausible scenarios to test the resilience of its business model, an institution can account for this uncertainty in its strategic decision-making.* ***The scenario analysis should take into account not only the potential adverse impacts due to environmental and climate change risks but also the opportunities that may arise from a greater leverage on the sustainable finance. A Circular Economy strategy for example offers an effective hedging of linear economy risks, shields financial actors from the risk of stranded values and generates fresh and non-speculative demand for investments.*** *These scenarios are expected to include assumptions regarding the impact of climate-related and environmental risks and the time horizons over which these effects are expected to materialise. These assumptions can be quantitative and/or qualitative in nature, are expected not to rely solely on historical experiences, and also to be relevant to an institution's particular exposure to environmental risk (depending on the types of business activity, sector and location of such exposures).* *This may also involve an expert judgement, since the given nature of climate change as a driver of financial risk will present new challenges that have not yet materialised as well as new business opportunities."* The aim of this amendment is to consider the positive impacts of the transition from a linear to circular economy in the scenario analysis as reported in a 2019 paper published by the Ellen MacArthur Foundation [Ellen MacArthur Foundation, "Completing the picture how the circular economy tackles climate change", 23/09/2019]. In detail, the paper estimates the cost to the global economy by the year 2100 of 54 trillion dollars due to climate change effects, even if Paris Agreement will be met. To date, it says, the shift to the circular model has particularly focused on the transition to renewables: while being essential, the abandonment of fossil fuels only covers 55% of CO_2 emissions. The remaining portion is in fact linked to the production of goods such as cars, food, clothing and everyday products. At an industrial level Circular Economy is estimated to have a decisive impact on the remaining 45% of emissions: these are the sectors that operate in the extraction / production of cement, aluminum, steel, plastic and food, for savings of 9,3 billion tons CO_2 by 2050. For Financial Services Industry, a strong driver of opportunity could also rely on the reduction of financial assets to default risk exposure, that we call de-risking effect, at both short term and long term.	The aim of this amendment is to consider for the development of the scenario analysis not only the potential adverse impacts due to environmental and climate change risks but also the opportunities that may arise from a greater leverage on the sustainable finance, such as from a Circular Economy strategy	Usherwood, Constance	Publish

19	Chapter 4	4.1	Expectation 2.1	17	Amendment	Long-term horizon impacts on business environment should only be used to enlighten business strategy. Inclusion of environmental risks into business environment analysis and strategy determination / implementation is relevant on short (1-year) and medium term (< 5 years). However, on a longer term horizon (> 5 years), if it's agreed that business model / strategy resiliency could be assessed though scenario analysis, then the uncertainty around the materialization of such scenarios and their adversity (i.e : a SDS scenario consequences would be quite different than a RCP 8.5-aligned scenario) should lead banks to more caution about taking any strategic decisions based on them.	Long term horizon impacts on business should be envisaged as a possible future, implying possible different adaptation strategies, but only medium and short-term analysis should lead in practice to strategy modification and implementation. The expectation 2.1 should therefore be amended.	Usherwood, Constance	Publish
20	Chapter 4	4.2.2	Expectation 2.2	18	Deletion	TCFD sets out how banks should consider climate risk in relation to KPIs, hence this level of granularity is not necessary and should be left to banks TCFD implementation. This will also avoid undue burden on third country banks operating in the EU.	Climate-related and environmental risks are not a seperate levers of the strategy. They only influence the development of existing KPIs relevant for the institutions business strategy. TCFD sets out how banks should consider climate risk in relation to KPIs, hence this level of granularity is not necessary and should be left to banks TCFD implementation. This will also avoid undue burden on third country banks operating in the EU.	Usherwood, Constance	Publish
21	Chapter 4	4.2.2	Box 2	18	Amendment	One concern regarding example (i) -> Carbon footprinting KPIs (absolute GHG emissions) while this approach may seem appealing it might not be technically and operationally suitable for monitoring the strategy (see remark on expectation 13.5). Financial institutions should develop adapted KPIs, eventually for some of them shared with the industry to ensure comparability in disclosures (for example what is being done by Katowice banks on alignment measures) and cascaded down to individual business lines and portfolios. Ideally this should be left to the TCFD approach as set out above.	If the comment on line 27 is taken into account then this is redundant.	Usherwood, Constance	Publish
22	Chapter 5	2.1		19	Clarification	The guide should make clear that climate and environment risks only needs to be integrated into existing risk framework while retaining flexibility for banks which wish to treat them as an additional and separate risk function if they deem it appropriate to their business model and group structure.	Clarification is welcome on environmental risks as an aggravating factor of existing risk types.	Usherwood, Constance	Publish

23	Chapter 5	3.1	Expectation 3.1 anf 3.2	19, 20	Clarification	Footnote 29 defines the management body: in its management function means the executive body, and in its supervisory function means the non-executive body, with reference to the EBA Guidelines on internal governance. Expectation 3.3 is clear about the respective roles of the 2 management bodies. However, expectations 3.1 and 3.2 do not clarify what is expected from the executive versus non-executive bodies. We would suggest that the guide precises this point.	There is a need to clarify whether the expectations relate to the executive or non-executive functions of the management body.	Usherwood, Constance	Publish
24	Chapter 5	5.1	Expectation 3.1	20	Amendment	*"Institutions may consider assigning the responsibility for climate-related and environmental risks to a member of an established committee or may consider setting up a dedicated committee* ." Following the principle that climate risks are aggravating factors of existing categories of risks (as stated in page 1 : "[…] *ECB expects institutions to consider climate-related and environmental risks – as drivers of established categories of prudential risks – […]*"), their monitoring should be ensured through the existing categories of risks governance. Assigning such responsibility to one member or one committee would create parallel work and undermine efficiency of the risk management framework. Such governance could only be considered during a limited period of time, for instance during a project mode until climate-related and environmental risks are effectively incorporated into existing risk management framework.	Governance around climate-related and environment financial risks should rely on existing general provisions and expectations. In particular, institutions should have the flexibility to leverage governance structures at group level to ensure a consolidated approach to climate related and environmental risks. The ECB should therefore confirm that the guide does not require banks to set up a separate governance structure for climate risk and that existing governance may incorporate climate risk (e.g. existing Risk Management Committee of the Board should have oversight of climate risks along with other risks), unless a bank deems it appropriate for their specific governance structure. In so doing this should avoid duplication of general risk managements requirements as set out in the EBA guidelines on internal governance for the purpose of environmental and climate related risks (currently under review).	Usherwood, Constance	Publish
25	Chapter 5	5.1	Expectation 3.2	20	Amendment	*"The management body is expected to review all policies potentially affected by climate-related and environmental risks, including the (credit) policies for each sector and product, on a regular basis."* There should be flexibility on the granularity used. Only sector / products for which environmental risks are expected to be material should go through this review. It should therefore be amended to say "main policies potentially affected by climate-related..." instead of "all policies potentially".	Management body review should be limited to policies/products materially affected by climate-related risks.	Usherwood, Constance	Publish
26	Chapter 5	5.1	Expectation 3.3	21	Amendment	*"The management body is expected to exercise effective oversight over the institutions' exposures and response to climate-related and environmental risks."* should be amended as follows "The management body is expected to exercise effective oversight over the institutions' exposures ~~and response~~ ***subject to*** climate-related and environmental risks	Refines the assessment of exposures given climate-related risks are an agravating factor of existing risk types.	Usherwood, Constance	Publish

27	Chapter 5	4.2	Expectation 4.2	22	Clarification	Regarding the requirement:*"The ECB expects institutions to assign quantitative metrics to climate-related and environmental risks, particularly for physical and transition risks. However, it also acknowledges that common definitions and taxonomies in these risk areas are still under development, and that qualitative statements can be used as intermediate steps while the institution is developing appropriate quantitative metrics".* Please refer to our general comment: the quantitative metrics developments can only be developed based on data availability.	Availability of standardized E&S data on corporates is key to perform risk assessment. Areas of application of environmental risk assessment should be covered little by little with a phasing approach.	Usherwood, Constance	Publish
28	Chapter 5	5.2	Expectation 4.3	23	Amendment	We suggest the following wording : "Remuneration policies and practices, including the use of deferral and the determination of performance criteria, are expected to help foster a long-term approach. To encourage behaviour consistent with their climate-related and environmental (risk) approach, institutions that have climate-related and environmental objectives could consider when appropriate implementing a variable remuneration component linked to the successful achievement of those objectives for their senior management accountable on CSR policies. Where the financial impacts of climate-related and environmental risks are difficult to quantify, the management body can consider incorporating appropriate qualitative criteria into the remuneration policy of the senior management directly accountable to the management body as regard the achievement of those objectives ."	We favour workable expectations in respect of of remuneration practices.	Usherwood, Constance	Publish
29	Chapter 5	5.3	Expectation5 (and box 5)	23, 25	Clarification	The horizontal points of contact have to be defined in detail. Are they correspondents?		Usherwood, Constance	Publish
30	Chapter 5	5.3	Expectation 5.3	24	Amendment	Regarding the requirement to "*assess and monitor any climate-related and environmental risks relevant for the creditworthiness and the scoring/rating of a clien* t". Here it should be understood that climate-related and environmental risks should be assessed separately and should not impact the client internal financial score/rating. The main reason being the difference in the time horizon assessed (1 year for PD is long term when speaking about climate risks). A specific extra-financial rating could however be assessed and maintained, impacting the comercial relationship with the client (this rating should for example drive rates, level of fees, and potentially frame credit approval).	Climate-related and environmental risks should not impact financial rating, but could be used in a non-financial rating which is also used in commercial relationship with the clients.	Usherwood, Constance	Publish

31	Chapter 5	5.3	5.6	25	Clarification	In the guide it is stated that *"The Internal Audit Function is expected to consider in its reviews of the risks management framework the extent to which **it** is equipped to manage climate related and environmental risks"* . **In this context *"It"*** may be referred both to the "risk management framework" and "internal audit function". Moreover, the sentence does not seem properly translated in the italian version: "Ci si attende che la funzione di revisione interna valuti, nelle verifiche condotte sul sistema di gestione dei rischi, la misura in cui è preparata a gestire i rischi climatici e ambientali"	Clarification on the Internal Audit's role in english and italian version of the guide.	Usherwood, Constance	Publish
32	Chapter 5	5.5	Expectation 5.5	25	Clarification	We understand and agree to a role of the compliance function in the context of ensuring adherence to sustainability related applicable laws, rules, regulations and standards and we agree that tasks and responsibilities need to be defined, in addition to the tasks and responsibility of the risk management function for identifying, assessing, measuring, monitoring and reporting on climate-related and environmental risks in general (see expectation 5.4). However, the reference to 'liability risks' in expectation 5.5 is not clear to us, it would be more effective to have a description of what is meant by "liability risk": if it is intended as a particular kind of risk ("legal" or "reputational risk" for example) or it is intended as compliance risk, as described in the last line of the expectation "As rules and standards on sustainability may change over time, institutions may increasingly face compliance risks stemming from climate-related and environmental issues", as the risk of non-compliance with laws, rules, regulations and standards is not limited to a liability risk.	Clarity is needed on what is understood as a libaility risk. Liability is not a primary focus of the Compliance function in banks, it is more about compliance with rules and regulations and the spirit thereof.	Usherwood, Constance	Publish
33	Chapter 5	Box	Expectation 6	26	Amendment	We request the following amendment *"* For the purposes of internal reporting, institutions are expected to report aggregated risk data that reflect their exposures ***subject to*** climate-related and environmental risks*."*	Refines the assessment of exposures given climate-related risks are an agravating factor of existing risk types.	Usherwood, Constance	Publish
34	Chapter 5	5.4	Expectation 6.1	26	Amendment	Regarding the drafting "*In particular, this includes risk data reporting governance, IT infrastructure, risk data aggregation capabilities and reporting procedures.* " A comprehensive integration of data governance and integration into information systems will require massive investment and need time to be implemented. Here again, a phasing approach should be considered to ensure the feasibility (as on some envionmental areas, data collection might be much more difficult).	Phase-in approach to data and IT infrastructure needed to ensure feasibility.	Usherwood, Constance	Publish

35	Chapter 5	6.2	Expectation 6.2	26	Clarification	Regarding: *"institutions are expected to consider adapting their IT systems to systematically collect and aggregate the necessary data in order to assess their exposures to these risks."* ECB should give institutions a reasonable timeframe to implement this expectation, as adapting IT system could be quite complex, and the needed investments could constitute quite a financial burden that will need to be spread over time.	It's important to be realistic about data quality given the current state of development and the need to not impose expectations similar to things like COREP and other regulatory reporting and analytical exercises	Usherwood, Constance	Publish
36	Chapter 5	6.3	Expectation 6.3	27	Clarification	Regarding: *"An institution's risk reports are expected to convey the impact of climate-related and environmental risks on its business model, strategy and risk profile."* We would ask for confirmation/ clarification that the ECB does not expect adedicated / standalone risk report, but that banks should integrate climate-related and environmental risks in the existing report covering the existing categories of risks for which environmental risks are an aggravating factor.	Confirm that climate/environment risks are covered by existing risk reporting structure	Usherwood, Constance	Publish
37	Chapter 5	6.4	6.4	27	Clarification	Being "adaptable in order to generate aggregated climate-related and environmental risk data to meet a broad range of on-demand and ad hoc reporting requests" will be difficult to achieve in practice. Banks are not able to forecast all possible issues at the start and collect all data corresponding to all these possible scenarios. For instance, nobody could have forecasted the coronavirus impacts and collected before the crisis starts all relevant data. The cost would be too high and with a high probability to miss the scenario that results in the end. What is expected from banks in terms of data collection and database building has to be specified.	This would be very useful to devise the plan to overcome the data gaps which is required in expectation #6.	Usherwood, Constance	Publish
38	Chapter 6	7	Expectation 7	28	Clarification	How should banks apply this forward-looking approach in PD and LGD if loan tenors are short? Or how do these two relate to each other.	This is a very big challenge in terms of integrating climate and environment risk into credit risk.	Usherwood, Constance	Publish

39	Chapter 6	7.2	Expectationn 7.2	29	Clarification	Regarding quantification methods - in order to mitigate the issues mentioned in our general comments, the ECB should adopt a phase-in approach for these in paticular.		Usherwood, Constance	Publish
40	Chapter 6	6.1	Expectation 7.3	30	Amendment	As data availability and methodological approaches might differ depending on perimeters, a phase-in approach should be considered based on the typology of the counterparty (corporates, retail, states, FI) and the type of environmental risks.	Phase-in approach needed to ensure feasibility.	Usherwood, Constance	Publish
41	Chapter 6	7.4	Expectation 7.4	30	Clarification	Unclear how the "verification" should be done. The holistic due diligence required can't be reached without deeper E&S disclosure requirement for companies and standardization of metrics disclosed.	Proper climate-related and environmental risks analysis should rely on strong reporting frameworks which would ensure data availability and consistency.	Usherwood, Constance	Publish
42	Chapter 6	6.1	Ecpectation 7.4	30	Amendment	Difficult to integrate climate-related and environmental risks in ICAAP process as time horizons (3-5 and for ICAAP, > 5 and for climate-related risks) might differ significantly.	The ECB should confirm that it does not intend to modify the 3-year time horizon for the ICAAP although banks should consider the impact for longer horizons which can be addressed qualitatively.	Usherwood, Constance	Publish

43	Chapter 6	box 7 and 8	Box 7 and 8	30, 32	Amendment	Pillar 2 models developed for climate and environmental risks will have to follow the general principles on Pillar 2 models as described in the ICAAP ECB guide. Principle 6 of the guide (in particular the section on independent validation) requires Pillar 2 models to be built using the same conservativeness as Pillar 1 models. This requirement means that it will be practically impossible in the short term to integrate climate risks within Pillar 2 models unless the independent validation requirement is lessened and applied in a proportionate way. Therefore, the ECB should clarify that for emergent risks, such as climate risks, less stringent rules than those of the ICAAP ECB Guide should be allowed for Pillar 2 models, with regular review of assumptions and methods.	Clarification on backtesting requirements needed to enable the integration of climate risks within pillar 2 models.	Usherwood, Constance	Publish
44	Chapter 6	7.5	Expectation 7.5	31	Clarification	The ECB expects intitutions to the recognise the expected impact that climate and environmental risks will have on capital adequacy. Clearer expectations from the regulator in the aspect should be made. Specifically, what would be the expected changes to take place in the Pillar 1, Pillar 2 and Pillar 3.	In the first iteration the guide should clarify that, for the purposes of the initial gap analysis, JST outcomes should serve as non-binding opinions to support banks in promptly adapting their practices, and that these opinions should not lead to supervisory prudential add-ons e.g. via SREP in the primary instance.	Usherwood, Constance	Publish
45	Chapter 6	8.1	Expectation 8.1	32	Clarification	The opinion on a borrower's default is open to a lot of interpretation and goes beyond the EBA GLs on loan origination and monitoring. This expectation will be difficult to implement in the short run. We need data from clients (link with NFRD).	The EBA Guidelines on the new definition of default does not mention environmental risks. Qualitative approach on climate-related and environmental risks impact should be allowed to ensure long-term resilience strategy. Thefore the ECB Guide should be flexible in terms of expectations.	Usherwood, Constance	Publish
46	Chapter 6	8.2	Expectation 8.2	32	Clarification	The ECB expects institutions to form an opinion on how a borrowers defaults risk will be influenced by climate and environmental risks. Guidance on the how should be made more explicit. Current regulatory frameworks emphasizes the interpretability of the models used for credit risk. However, climate risk introduces considerable of uncertainty in estimations and could make use a many different risk drivers which could be considered “main drivers”. This could make interpretability subjective. To avoid this, the regulator should make clear what would fall under the domain of relevant risk drivers or the criteria used to identify these risk drivers. Further, physical risk has a long term element which is difficult to reconcile with current credit risk frameworks as they focus on a shorter horizon. Combining these two frameworks (long term and short term) could lead to climate risks becoming essentially insignificant as these effects are overwhelmed by the effects of other risk drivers which dictate in the shorter term. Margins of conservatism could be used instead to make sure that the short term magnitudes do not overwhelm the longer term magnitudes. However, frameworks on margins of conservatism from the regulator should also explicitly address the treatment of climate and environmental risks.	Clarification on guidance for integration of climate risks in credit risk framework	Usherwood, Constance	Publish

47	Chapter 6	6.2	Expectation 8.4	32	Amendment	The supervisory expectation with regards to monitoring and management of credit risks in portfolios in particular concentration analysis of assets with specific characteristics that are likely to be targeted by transition policies should be proportionate to the type of portfolios. Therefore we suggest amending expectation in the following way : "Institutions are expected to monitor and manage credit risks in their portfolios, when relevant, through sectoral/geographic concentrations analysis, exposure limits, deleveraging strategies and scenario-analysis and/or stress testing". Moreover, we would welcome clarification on the legal basis for this expectation	Need to introduce more proportionality and to clarify the legal basis for the integration of environmental factors in concentration analysis	Usherwood, Constance	Publish
48	Chapter 6		Expectation 8.3	33	Clarification	Can the link between the CRR and the expectatios in relation to collateral valuation be clarified? Is the document referring to "market value, within the meaning of the CRR"?	Clarification is needed on whether the expectation to consider climate-related and environmental risks in the valation of the collateral refers to the market value within CRR meaning or rather than just "value", as obviously these two cannot be in conflict.	Usherwood, Constance	Publish
49	Chapter 6	8.5	Expection 8.5	33	Amendment	Banks should not be required to adapt their pricing depending on the climate and environmental related performances of their clients, as long as it do not affect clients' credit risk.	Preserve flexibility for banks to decide how to integrate climate and environmental risks into its pricing strategy.	Usherwood, Constance	Publish
50	Chapter 6	6.2	8.5, 8.9	33-34	Clarification	To assessing these expectations, it should be recognised that banks rely on ensuring data availablity from sectors and companies to financial institutions in a consistant and sufficient way to enable integrating environmental factors into pricing, which is not always feasible at present.	Financial institutions gather these data through questionnaires, sustainabilty reports, public information or some third party data providers. Lack of uniformity of the approaches in treating environmental risks constitutes a major stumbling block.	Usherwood, Constance	Publish

51	Chapter 6	6.2	Expectation 8.6	34	Amendment	We would suggest including the possibility to adapt the pricing as a consequence of the strategy, and that it should not be an obligation (banks **could** adapt their pricing, not should).	Operational challenges and relevancy of the supervisory expectation	Usherwood, Constance	Publish
52	Chapter 6	6.3	Expectation 9.1	34	Amendment	We consider that a relevant way to address the impact of climate change on physical risk of its operations is through scenario analysis. In this context, we would favor the development of climate changes scenarios as a prerequisite and in this respect advocate for industry wide work in liaison with the NGFS, regulators and local authorities that can be key in the management of some extreme events	Need to consider the development of industry wide scenarios as a prerequisite for banks to comply with this requirement, especially the work of the NGFS	Usherwood, Constance	Publish
53	Chapter 6	6.4, 6.5	10,11	36	Clarification	The ECB Guide asks Institutions to monitor on an ongoing basis the effect of climate-related and environmental factors on their current market risk positions and future investments, and to develop stress-testing scenarios that incorporate climate-related and environmental risks. We notice that this is a very complex task, for which neither industry practices nor market data are available. Potentially, Institutions could develop very different approaches, leading to very different market scenarios and impacts on market risk measures. We also notice that the considerations above should be applied not only to market risk measures, but also to the valuation of financial instruments and built into expectations over time. These topics should be discussed in a working group focused on the impact of climate-related and environmental risks on asset pricing and market risk management.	Focus on the impact of climate-related and environmental risks on asset pricing and market risk management is needed.	Usherwood, Constance	Publish
54	Chapter 6	6.5	Expectation 11	37	Amendment	Regarding the expectation "*Institutions with material climate-related and environmental risks are expected to evaluate the appropriateness of their stress testing, with a view to incorporating them into their baseline and adverse scenarios.* " and "*as well as consider several scenarios based on different combinations of assumptions* ." It would be extremely difficult to manage different environmental risks in one single scenario (for ex a scenario simulating the effect of a strong hurricane due to climate change with a chemical pollution causing big losses on biodiversity), as a result the ECB expectations would lead to the utilization of of several scenarios, each of them focusing on one type of risk. It has to be understood that this could led to an exponential use of scenarios and related stress testing exercises, which might not be operationally feasible. We would need here to consider the materiality of those risks to strictly limit the number of scenarios used, and stick to shared views of futures (ex : for transition risk only consider a scenario aligned with Paris agreement). We also introduce qualitative assessment : it would make sense to keep climate-related risks as the driving force in the scenarios and being quantitatively assessed, with a qualitative assessment made a posteriori for environmental risks.	Multiple-scenarios usage should be reviewed and framed to ensure operational feasability. See also general comments.	Usherwood, Constance	Publish

55	Chapter 6	6.6	Expectation 12	38	Clarification	Confirmation that institutions don't need to incorporate material climate related and environmental risks in their ILAAP liquidity stress testing.	Further guidance needed for ILAAP stress testing. We suggest limited work has been done in this area and this is not the immediate priority in the first iteration of the guide.	Usherwood, Constance	Publish
56	Chapter 6	6.6	12	38	Clarification	Regarding the consideration of potential liquidity impacts arising from the new market/credit risks and related changes in business, we think additional clarifications could be useful to improve the evaluation of liquidity risk management, for example: 1. how the main risk factors should be differentiated among different macro regional areas having different climate events, taking into consideration a multicurrencies liquidity management. The individual risk evaluation made by each single bank should be based at least on recommendations and based on the possibility of interaction among central banks also in emerging markets, in case of crisis in a specific region (e.g swap lines). 2. on more detailed rules to define a potential liquidity buffers, this would be best considered witin the context of international framework as a homogeneous impact would be more desirable given the costs arising for banks (e.g. impact both on LCR and NSFR). The strong connection among liquidity and settlement risk has to be assessed and put in strict relation with operational risk and business continuity also in case of a disruption related to climate risk.	A common approach among all the institutions, at least at european level and for macro regional areas, is relevant to create a common playing field	Usherwood, Constance	Publish
57	Chapter 6	6.6	12	38	Clarification	Liquidity risk is a very short term risk, whereas climate and environmental risks generally appear in the long term. The disconnection between these two time frames means it is not relevant to consider the materialization of climate risks in the definition and management of liquidity buffers today for banks. Greater clarity should be provided by the regulator on how to reconcile these two differences of approach (long term vs short term). It might become relevant in a certain period of time when these risks become less remote. For instance, it's likely transition risks will materialize slowly, which means liquidity portfolio can adapt without losses to the new paradigm. Physical risks might occur much more suddenly (earthquakes for instance), with possible impacts on the value of certain assets, but again physical risks will not arise in the short term horizon, but will rather increase over time.	We would suggest reviewing expectation #12 on liquidity risk management to clairify how to reconcile long term impacts of climate change with short to medium term liquidity risks for banks. With this in mind the scope of assessing liquidity risk should be minimal until there is more understanding of the interaction and there should be appropriate phasing in of any expectations.	Usherwood, Constance	Publish
58	Chapter 7		13	40-44	Clarification	Expectation 13 and related sub-points:, we support the ECB's proposal to apply a recognized international reporting framework, namely TCFD, which many banks are already reporting voluntarily, yet the guide refers to the NFRD. It should be recognized that the EC non-binding guidelines to the NFRD have gone beyond TCFD recommendations in some instances (e.g. references to "forward looking estimates" of carbon related assets and carbon intensity of portfolio). Thus, we would welcome a clarification that the ECB does not intend for the "non-binding" guidelines to become de facto mandatory via this guide. This would be disproportionate particularly when the guidelines go beyond the international standard. In particular we would welcome confirmation that under expectation 13 of the guide, financial institutions are only expected to chose KPI from the non-binding guidelines according to a materiality assessment. Likewise, to address the current lack of data and difficulties to calculate scope 3 emissions, a phase in by sectors for scope 3 emissions should be considered, to come into force when the methodologies are agreed and disclosures are adequately standardised. Additionally, we would request alignment between these disclosure requirements, the requirements under the NFRD revision in 2021, and the EBA Pillar 3 requirements in 2022. In finalizing the guide it therefore would be useful if the ECB could set out what the future intentions are for incorporating changes and updates to existing disclosure requirements to help banks forward plan. In the meantime, banks should be given flexibility to build reliable KPIs on follow-up to climate-related risks and implementation of climate strategies until the other requirements become clear. □	Although disclosure is subject to the alignment process with the EC Guidelines and to the TCFD is in progress (the achievements are reported annually in the Consolidated non-Financial Statement), we highlight some difficulties in the disclosure of some complex issues included in the EC Guidelines and therefore also in the alignment with the expectations of the ECB	Usherwood, Constance	Publish

59	Chapter 7	7	13.3	42	Amendment	In the ECB Guide we propose the amendment of the text "in terms of dates and outstanding volumes by geographic area ***and/or other metrics and criteria with reference to the definition of the covered activity and associated targets*** ".	Institutions could identify different ways to define the covered activity and associated targets, other than dates and volumes by geographic area, that are still compliant to the expectation	Usherwood, Constance	Publish
60	Chapter 7	7	13.4	43	Amendment	Institutions are expected to disclose climate-related risks that are financially material in line with ~~the European Commission's Guidelines on non-financial reporting: Supplement on reporting climate-related information. This supplement integrates~~ the recommendations of the Task-Force on Climate-related Financial Disclosures (TCFD) ~~and provides guidance consistent with the Non-Financial Reporting Directive. The expected disclosures revolve around five key aspects: business model, policies and due diligence processes, outcomes, risks and risk management and KPIs. In this respect, institutions are reminded of the ECB expectations regarding their business model and strategy, governance and risk management as set out in this guide.~~	Expectation 13.4 states that banks are expected to disclose aligned with EC Non binding guidelines for Non Financial Reporting which were updated in June 2019 to include climate and environmental aspects. These guideline go beyond TCFD in many instances. We suggest 1) ECB to avoid that "non binding guidelines" become binding and 2) to just refer to TCFD only	Usherwood, Constance	Publish
61	Chapter 6	7	Expectation 13.5	43	Amendment	The ECB should clarify that the Guide only focuses on financial materiality (impact of environmental risks to the bank) and excludes the impact of the bank on the environment. In this respect, we note that disclosing GHG emission does not seem the most appropriate approach. The ECB should review supervisory expectations regarding these disclosures. As an additional comment, regarding environmental materiality, we strongly think that banks should develop their own and sector-specific GHG-related KPIs to measure alignment with climate goals (such as Paris agreement goals), and highlight the challenge of Scope 3 indicator in absolute terms which is not applicable to credit portfolio for the following reasons: 1. Scope 3 emissions are difficult to estimate, carbon footprinting may not give the appropriate insight for decision-making: Carbon footprinting estimates are frequently limited to Scope 1 and 2, and Scope 3 emissions data is almost entirely estimated. Scope 1 and 2 represents less than 20% of a company's emissions across all major climate relevant sectors except utilities and materials. Moreover, carbon footprinting approaches often face the difficult question of how to allocate the responsibility for Scope 3 emissions (without double counting) across sectors of the economy. For example, are emissions associated with oil consumption a responsibility for the oil & gas industry or the auto sector? 2. CO2 emissions indicators are by nature highly volatile, which makes it unfit for steering: Katowice Banks are keen to rely on an alignment approach that can easily be monitored and steered. It means an approach that is not volatile or dependent upon changes except for changes in the counterparty's alignment or the bank's portfolio decisions. Carbon footprinting approaches allocate the responsibility for client activity (TCo2eq) to the instrument that finances the emissions using financial variables such as the 'enterprise value'. Conceptual justification aside, this type of metric introduces significant volatility to the indicator: the level of emissions attributed to the portfolio varies depending on the financial health of a company, independent of any changes in emissions in the real economy. 3. Carbon footprinting tends to favor simple (but not necessarily impactful) decarbonization strategies: Banks can reduce their total carbon footprint simply by lending more to certain sectors or subsectors with lower sector intensity or companies with a larger 'enterprise value' that artificially depresses the carbon footprint. For example, a carbon footprint approach might identify that emissions from the steel industry is higher than the pharmaceutical sector. As a result, the steering decision might be to divest away from the former in favor of the latter. The associated marketing suggests emissions reduction that is entirely virtual and can be achieved without any meaningful climate action by the bank. This approach is the one followed by Katowice banks, which have committed to measure their lending portfolio alignment with Paris agreement goals by working together on adapted, shared and documented KPIs, that will be used to publicly communicate on objectives and advancement. The PACTA approach (used by Katowice banks) focuses on the technology indicators that can be acted upon for any possible transition pathways as long as there is a scenario/technology data available.	The scope of the Guide should be limited to financial materiality. To address the current lack of data and difficulties to calculate scope 3 emissions, a phase in by sectors for scope 3 emissions should be considered, to come into force when the methodologies are agreed and disclosures are adequately standardised.	Usherwood, Constance	Publish

62								Usherwood, Constance	Publish
63								Usherwood, Constance	Publish
64								Usherwood, Constance	Publish
65								Usherwood, Constance	Publish

66								Usherwood, Constance	Publish
67								Usherwood, Constance	Publish
68								Usherwood, Constance	Publish
69								Usherwood, Constance	Publish

70								Usherwood, Constance	Publish
71								Usherwood, Constance	Publish
72								Usherwood, Constance	Publish
73								Usherwood, Constance	Publish
74								Usherwood, Constance	Publish
75								Usherwood, Constance	Publish
76								Usherwood, Constance	Publish
77								Usherwood, Constance	Publish
78								Usherwood, Constance	Publish
79								Usherwood, Constance	Publish
80								Usherwood, Constance	Publish
81								Usherwood, Constance	Publish
82								Usherwood, Constance	Publish
83								Usherwood, Constance	Publish
84								Usherwood, Constance	Publish
85								Usherwood, Constance	Publish
86								Usherwood, Constance	Publish
87								Usherwood, Constance	Publish
88								Usherwood, Constance	Publish
89								Usherwood, Constance	Publish
90								Usherwood, Constance	Publish
91								Usherwood, Constance	Publish
92								Usherwood, Constance	Publish

93								Usherwood, Constance	Publish
94								Usherwood, Constance	Publish
95								Usherwood, Constance	Publish
96								Usherwood, Constance	Publish
97								Usherwood, Constance	Publish
98								Usherwood, Constance	Publish
99								Usherwood, Constance	Publish
100								Usherwood, Constance	Publish
101								Usherwood, Constance	Publish
102								Usherwood, Constance	Publish
103								Usherwood, Constance	Publish
104								Usherwood, Constance	Publish
105								Usherwood, Constance	Publish
106								Usherwood, Constance	Publish
107								Usherwood, Constance	Publish
108								Usherwood, Constance	Publish
109								Usherwood, Constance	Publish
110								Usherwood, Constance	Publish
111								Usherwood, Constance	Publish
112								Usherwood, Constance	Publish
113								Usherwood, Constance	Publish
114								Usherwood, Constance	Publish
115								Usherwood, Constance	Publish
116								Usherwood, Constance	Publish
117								Usherwood, Constance	Publish
118								Usherwood, Constance	Publish
119								Usherwood, Constance	Publish
120								Usherwood, Constance	Publish
121								Usherwood, Constance	Publish
122								Usherwood, Constance	Publish
123								Usherwood, Constance	Publish
124								Usherwood, Constance	Publish
125								Usherwood, Constance	Publish
126								Usherwood, Constance	Publish
127								Usherwood, Constance	Publish
128								Usherwood, Constance	Publish
129								Usherwood, Constance	Publish
130								Usherwood, Constance	Publish
131								Usherwood, Constance	Publish

132								Usherwood, Constance	Publish
133								Usherwood, Constance	Publish
134								Usherwood, Constance	Publish
135								Usherwood, Constance	Publish
136								Usherwood, Constance	Publish
137								Usherwood, Constance	Publish
138								Usherwood, Constance	Publish
139								Usherwood, Constance	Publish
140								Usherwood, Constance	Publish
141								Usherwood, Constance	Publish
142								Usherwood, Constance	Publish
143								Usherwood, Constance	Publish
144								Usherwood, Constance	Publish
145								Usherwood, Constance	Publish
146								Usherwood, Constance	Publish
147								Usherwood, Constance	Publish
148								Usherwood, Constance	Publish
149								Usherwood, Constance	Publish
150								Usherwood, Constance	Publish