Chapter	Paragraph	Expectation or box number	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board
Chapter 2	2.1 Application to significant institutions		6		It should be made clear that inspection teams cannot use examples given in boxes in the Guide as the supervisory "general rule".	
Chapter 2	2.1 Application to significant institutions		6		The supervisory dialogue based on the application of this Guide should remain at the consolidated level, while (where relevant) some perimeters might be explored by carrying out deep dives, depending on the type of a bank's business, rather than seeking to apply the Guide at a sub-consolidated level. It should be also pointed out that many banks have insurance and asset management subsidiaries that would be covered by distinct supervisory considerations.	
Chapter 2	2.2 Date of application		6		Consistency with regulatory timeline and work plan The EBA has not yet fulfilled its CRR 2 mandate to include inter alia ESG factors in the SREP and reflect on the prudential treatment of sustainable finance assets. In addition, the EBA Guidelines on loan origination explicitly referred to in the Guide, were finalized last May and will be applicable by 30/06/2021 with a transitional arrangement of up to 3 years. Besides, the Covid-19 related measures introduced so far by European authorities, including those of the ECB, provided welcome relief for banks. The so-called "return-to-normal" should be progressive, meaning that the supervisory dialogue should be led at a later stage given the context.	
Chapter 2	2.2 Date of application		6		Allow banks to define their own priorities, taking into account each bank's maturity in relation to the expectations contained in the Guide and its business model in respect of the following supervisory aspects: - The risks categories. We would like to draw your attention to the fact that banks together with some European regulators (such as the EBA, the ACPR and the Bank of England) are currently developing their understanding on assessing and addressing climate risks, especially transition risks, whereas the other risks covered in the Guide, such as biodiversity and other environmental risks, may often have a lower materiality, do not benefit from a similar level of understanding and offer an even more limited availability of relevant data. Furthermore, the ECB guide does not provide any definition of the ESG risks (section 3.1) but just one on climate risks. In this respect, we look forward to the EBA clarifications in its forthcoming discussion paper on the definition of environmental risks. - The risk typology: we believe that it is not realistic for banks to initially address all the different aspects (credit, operational, market and liquidity risks). Each bank should be allowed to explain the prioritization it has retained. - The scope of clients (e.g. large corporates, SMEs, retail and financial institutions). Banks will not be able to implement all ECB's expectations at the same time for all types of client, especially as data availability may largely differ from one client segment to another. Although banks' ultimate goal is to cover the full scope of client segments, each bank will need to adopt a sequencing on the implementation based on its own calendar, business mix and constraints. - Data availability pre-requisite. We appreciate the fact that the ECB acknowledges in section 5.4 of the draft guide that ESG data may not be sufficiently available and reliable. Each bank should be allowed to concentrate on sectors that are material for its business, as assessment methodologies will depend on the availability, reliability and standardization of client's non-financial data. Banks should therefore not be expected to have such methodologies until the revised NFRD enters into application, which will for instance support availability of such data. We would like to bring your attention to the FBF answer to the European Commission (EC) consultation on NFRD which includes the FBF recommendations on sequencing and KPIs to make the ESG disclosure framework achievable, efficient and consistent across the different regulations. The FBF will be very pleased to share its contribution with you upon request.	
Chapter 2	2.4 General prudential framework		7		The Guide should clarify that, for the purposes of the initial gap analysis, the Joint Supervisory Teams outcomes should serve as non-binding opinions to support banks to adapt their practices, and that these opinions should not lead to supervisory prudential add-ons e.g. via the SREP process for instance. In the longer term, the ECB should acknowledge that climate-related & 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 at Level 1 legislation.	

Chapter 2	2.4 General prudential framework		7		Alongside the risk materiality concept already introduced in the Guide, more flexibility should also be included in the supervisory dialogue to reflect the particular business mix of a bank, both in terms of asset classes and regional practice and maturity. As such, - Different types of asset classes should not be treated with a "one-fits-all" approach. - Banks should be allowed to reflect in their governance and organization the regional practices that may have different objectives and / or priorities on certain environmental risks (e.g. differentiated decarbonization horizons for certain jurisdictions).	
Chapter 3	3.2 Characteristics of climate-related and environmental risks		10		The Guide should limit the number of scenario analyses and these should not be approached on a silo basis on each aspect (climate-related and other environmental risks). They should solely concentrate on climate-related risks initially and incorporate other environmental risks (such as biodiversity) on a longer-term horizon as the latter are deemed to be less material, as explained below. Moreover, common methodologies to approach such climate scenario analyses and stress testing are still under discussion with the European Union regulators.	
Chapter 5	5.2 Risk appetite	Expectation 4.3	23		In relation to the ECB's expectation on implementing an appropriate remuneration framework to stimulate a behaviour consistent with the climate-related and environmental strategy (4.3), we believe that such expectation as currently worded will extensively cover bank staff that are not involved by such strategy. As a result, we propose to amend this expectation by restricting its scope to Senior Management individuals that are responsible for the definition and the implementation of the bank's strategy on such matters.	
Chapter 6	6.5 Scenario analysis and stress testing	Expectation 11	37		With respect to the ECB's expectations on scenario analyses and stress testing outlined in section 6.5, we would like to insist on the fact that no agreed methodology exists today and that the current focus is currently on climate transition risks with little progress on climate physical risk scenarios and none in relation to other environmental risks. French banks are today actively participating to the exploratory pilot exercises proposed by EBA, ACPR and Bank of England, which provides for three different approaches. These national competent authorities have made it very clear to the banks that these exercises are conducted on a "test and learn" mode and are not aimed at developing a prudential approach yet. As a result, we should consider the results of scenario analyses with great caution and the preliminary findings should not give rise to formal expectations at this stage. Moreover, conducting stress tests on climate and environmental risks that have a much longer maturity than traditional stress tests on financial and economic parameters is a new and a theoretical approach and no methodologies exist so far.	
Chapter 6	6.5 Scenario analysis and stress testing	Expectation 11	37		For the time being climate-related and environmental risks are not considered as material risks but are expected to grow over time and will have a significant impact over the medium and long runs[1]. There are only exceptional cases so far where such risks had an immediate material impact on the client financial strength. As a result, they should be integrated into clients' risk assessment currently as a qualitative assessment to help understanding client sensitivity to climate and environmental risks in the long term. This will allow banks and regulators to build up historical data and to define quantitative methodologies. [1] https://www.bankingsupervision.europa.eu/ecb/pub/ra/html/ssm.ra2020~a9164196cc.en.html#toc1	
Chapter 7	7 Supervisory expectations relating to disclosure	Expectation 13.5	43		The ECB should clarify that the Guide only focuses on financial materiality. It should therefore concentrate on the impact of climate-related and other environmental risks on the bank's profile and excludes the impact of the bank itself on the environment. In this respect, banks are currently working with European regulators and the European Commission to identify appropriate KPIs that are relevant to manage climate risks. The Guide should then not be prescriptive on such KPIs at this stage.	

Chapter 7	7 Supervisory expectations relating to disclosure	Expectation 13.5	43		Expectation 13.5 expects banks to disclose scope 1, 2 and 3 of its GHG emissions as well as other KPIs in relation to carbon intensity. We support the ECB's proposal to apply internationally recognized reporting frameworks, in particular the TCFD. However, we believe it is too early for the ECB to expect banks to disclose all these indicators for reasons indicated below. The ECB should then grant banks flexibility to build reliable KPIs on climate-related risks follow-up and implementation of climate strategies. This is based on the following considerations: - The calculation and disclosure of scope 1, 2 and 3 GHG emissions does not seem to be an appropriate tool to pilot climate-related risks and does not allow to measure alignment of a lending portfolio with the Paris agreement. - There is not any agreed methodology yet to calculate scope 3 emissions for banks. - Scope 3 is not a measure of financial materiality for banks but rather an indication of a bank's indirect impact on the environment, which is not the purpose of this Guide as highlighted in section 2. - Banks are currently working with the EBA on identifying the appropriate ESG disclosure practices, through a survey that has just been launched[1] to support the EBA's policy work on Pillar 3 disclosure and its wider efforts to develop a robust policy framework in the area of sustainable finance. - Banks are also working with the European Commission in the context of its recent consultation on the update of its NFRD legislation. The FBF answer to this consultation included recommendations on sequencing and specific KPIs to make the ESG disclosure framework workable, efficient and consistent across the different regulations. [1] https://eba.europa.eu/eba-seeks-input-institutions-their-esg-disclosure-practices	
Chapter 7	7 Supervisory expectations relating to disclosure	Expectation 13.7	44		We are also concerned that the expectations contained in the Guide should continue to ensure a level playing field between banks in the Eurozone and their competitors. In addition, putting too much regulatory constraints on European banks may benefit non-banking financial players that are not subject to such regulations, which in turn could introduce significant instability in the financial markets by not adequately taking into account climate-related and other environmental risks. This would also contradict the "same activity, same risks, same rules" principle.	
Chapter 7	7 Supervisory expectations relating to disclosure	Expectation 13.7	44		The ECB should also integrate in its Guide expectations that would incentivize banks to finance more sustainable activities, whilst continuing to manage their risks adequately.	