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

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<td>Clarification</td>
<td>It is welcome that the ECB has placed its publication in the broader context of many existing regulations of different standard setters at international and European level. Although the expectations set out in the introduction to the Guidelines are “non-binding”, the wording of 2.2 could be interpreted as implying a duty of due care. In many places where are made to existing guidelines, specifications, regulations or rules that have long been binding. The practical examples presented are not per se part of the expectations. We regard the practical examples presented as a list of possible implementations, i.e. examples of what could and by no means as “best practice” examples or a minimum standard.</td>
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- EAPB welcomes the ECB’s intention to formulate supervisory expectations instead of binding requirements for institutions. Institutions’ approaches to climate-related and environmental risks depend on the institution’s size, business model, complexity and geographical location. Thus, institutions should have more freedom to develop appropriate methods and procedures. EAPB recommends making it clearer that the guidelines serve primarily as a basis for the supervisory dialogue between the Joint Supervisory Team (JST) and the respective institution. The ECB’s expectations, in particular with regard to quantifying climate-related and environmental risks, systematic IT-assisted data collection and aggregation, should be a longer-term vision for standards to be met by institutions in the future. In addition, it is worth stressing that data and/or recognised methods are often still lacking for climate and environmental risks. The guidance should ease expectations and appropriate opening clauses (e.g. "where appropriate and possible").

- The ECB guidelines state that institutions should determine the materiality of environmental and climate risks. The identification of material risks, including inter- and intra-risk concentrations at the institution level, as part of a risk inventory, is among the most important standards in risk management. Given that climate-related aspects have an impact on the risk drivers and influence the materiality of the risk types, we ask that the uniform term “risk drivers” be used throughout the guide and that the use of other terms be refrained from. Checking risk drivers for materiality is not a standard practice and does not appear to be relevant to standard supervisory practice. It is only reasonable to determine the quantitative contribution of climate-related and environmental risks. If climate-related and environmental aspects have an impact on the respective type of risk. Therefore, quantification of climate-related and environmental risks can only be an advisory basis.

- Institutions should be required to proactively inform the ECB of any deviation in their approaches to address climate-related and environmental risks from their supervisory expectations set out in the guidelines. Such a requirement would not be in line with the non-binding and future-oriented nature of the guidelines.

- Institutions should be required to proactively inform the ECB of the development and disclosure of climate-related and environmental risks. The ECB guide should make it clear that if institutions determine the effects of climate and environmental aspects on the risk types, these institutions should collect data points in a targeted manner, e.g. initially with a view to particularly affected sectors. Overall, the aspect of the climate and risk drivers should be given greater consideration in future.

- It should be taken into account that institutions are currently dealing with the consequences of the COVID 19 pandemic that require significant resources. An extremely ambitious timetable would not fit in with the supervisory help granted elsewhere with regard to the publication of new requirements or the handling of existing requirements, which should deliberately provide the institutions with the necessary relief in dealing with the current COVID-19 crisis. Therefore, institutions should have an ongoing dialogue with supervisors and the respective institution. The ECB’s expectations, in particular with regard to quantifying climate-related and environmental risks, systematic IT-assisted data collection and aggregation, should be a longer-term vision for standards to be met by institutions in the future. In addition, it is worth stressing that data and/or recognised methods are often still lacking for climate and environmental risks. The guidance should ease expectations and appropriate opening clauses (e.g. "where appropriate and possible").

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- EAPB recommends deleting the required reference in chapter 2.2.

- Several NCAs have already published relevant guidance documents, each of which takes due account of the supervisory needs in the individual countries with regard to less important institutions. In addition, ECB has addressed or will address ESG risks under various guidance documents. Parallel regulations with depths and contents of regulation of different institutions in one area could be very unfeasible for implementation in practice. We therefore recommend deleting the reference to the application of the guidelines to LSIs.

- The guidelines should bring forward into line with future EBA requirements, including the SREP and the EBA mandates. The focus of the supervisory review could (initially) be placed more strongly on governance, a qualitative view and the final entry into top-down reporting and formulated accordingly in the guidelines focusing on quantitative parameters.

- According to the feedback received from our member institutions, the planned deadline for application is too short and cannot be complied with. At the publication of a final version of the ECB guide would be possible at the beginning of the fourth quarter of 2020 at the earliest, the remaining time span until the update of the ECB guide to “end 2020” would be too short (a few weeks) for a concrete stocktaking and the derivation of action needs or implementation measures.

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In our view, the planned date of application is too short term, as the guidelines are still being consulted until 25 September 2020 and it can be assumed that changes to the draft guidelines will be made during the consultation.

In our view, instead of a detailed GAP-analysis, banks should inform the ECB of their progress in developing their climate and environmental risk frameworks and thus describe the way forward.

There is also no sign of any particular urgency in this respect, as the last ECB assessment of risks classified the risks associated with climate change as low in terms of impact and probability of occurrence (on the grounds that these are more relevant in the longer term; see SSN Risk Map of 7 October 2019).

According to the basic idea of the guidance document (Chapter 2.1: Application to significant institutions), institutions should take due account of other relevant publications when implementing the guidance document. The final EBA guidelines on lending and monitoring published on 29 May 2020 are of importance as they contain explicit guidance on how to deal with ESG risks. Institutions should be granted a sufficiently long transition period for the implementation of all measures.

In addition, mandates to be provided by the EBA from CRR II or CRD V with regard to Pillar II (SREP) and III (disclosure) should be awaited. The content of the EBA oversteps considerably with the content of the ECB’s draft guidance on climate and environmental risks. The ECB guidance on ICAP and ILAAP shows (overarching requirements for risk management, and it is not appropriate to repeal them with sole reference to climate and environmental risks which do not constitute separate risk types). Therefore, an internal review or de facto final implementation by the end of the year is unrealistic.

The statement “to make fully informed decisions on risk-taking” is also misleading, as decisions will also be based on forward-looking data. Since the values used are only estimates or projections, an information gap in this context will not be avoidable in our view. The European Commission will publish delegated legislation on 2020 (in particular on the EU Taxonomy Regulation, EU Disclosure Regulation and NPSD II). Therefore, the ECB should not in advance set rules in this area, nor should it anticipate and predetermine the result of the material requirements.

In general, we would like to point out that the dynamics of climate and other environmental risks, as well as the models, data analysis and narratives known about them, are very different. Due to the intense research on climate change, science is undoubtedly the most advanced in this aspect. The first narratives are being developed on the basis of scientific research, which will also enable the institutes to take a holistic approach. However, this is not yet the case for other environmental risks. It should therefore be possible to consider individual risk drivers with varying degrees of intensity, depending on the state of scientific and technological progress.

The liability risks that may arise from climate and environmental risks, which the ECB mentions separately, could lead to unnecessary complexity in the institutions’ risk inventories, which already take into account legal risks, conduct risks and compliance risks. An additional introduction of liability risks does not appear useful.

The draft of the guidelines does not yet consistently separate the concepts of the risk from the impact. As it is not necessary for critical credit exposures to be consistent from a risk and impact perspective (e.g. loans to a company that manufactures EU taxonomy-compliant products but has its production site in a flood risk area), we fear that the implementation of the practical examples presented will fail short. Here, further elaboration of the guidelines would be desirable.

The materiality of the risks is already determined in the institutions by means of a risk inventory in existing risk categories and is thus included in the corresponding reporting and strategy processes. However, without considering the materiality of these risks for individual institutions, we reject an audit assessment in the traditional sense. We also consider the reference to monitoring appropriate energy efficiency standards in property portfolios to be too broad. What does it mean to incorporate the latest scientific findings? Is there a need for far-reaching regular analyses of the state of scientific knowledge? The term “materiality” is used in the review of risk types (e.g. counterparty default risk) and the parameters on which they are based (e.g. PD, LGD). By contrast, a separate review of risk drivers for materiality is not standard practice and does not appear to be appropriate.

We also consider the reference to monitoring energy efficiency standards in individual jurisdictions and their impact on the state of a country’s energy system to be too narrow. Moreover, the source cited in footnote 20 does not describe the supervisory effects of more stringent energy efficiency standards, but rather their potential impact on economic growth.

At various points, the guidelines state that institutions should consider the materiality of environmental and climate risks for themselves. In our understanding, climate and environmental risks are regarded as risk drivers with an impact on the respective risk types (e.g. credit risk, OpRisk, market risk) and therefore do not constitute separate risk types. However, it is not made sufficiently clear to us here under what conditions key figures such as KPIs and risk data are to be determined and priced appropriately. Only if climate and environmental risks have an impact on the respective risk type does it make sense to derive the quantitative climate and environmental risks and calculate the supervisory effects of more stringent energy efficiency standards, but rather on the potential impact on the respective risk type.

In terms of terminology, the term “materiality” should not be used, as climate and environmental risks are not separate risk types, but rather drivers of existing supervisory risk types. Alternatively, one could speak of “relevant climate risks.”
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<td>As stated in the document the EBA requires banks to scan the business environment capturing a broad range of external factors and trends that shape the business conditions in operation to institution. These include Macroeconomic variables, the competitive landscape, policy and regulation, technology, societal developments, and geopolitical trends. Climate-related and environmental risks are no separate risk but may influence all of these areas. Hence it is made no sense to analyse looking for risks separately in isolation. So this would not fill the existing framework. It would like to be preferred if climate and environmental risks highlighted during the analysis of the upper mentioned dimensions (if relevant). So the analysis should focus on external factors instead of &quot;key sectors, geographies and related to products and services they are active in&quot;. Rewording suggestion: When scanning your business environment, institutions are expected to identify risks arising from climate change and environmental degradation on external factors and trends that shape the business conditions (if relevant).</td>
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<td>Due to the fact that a strategic horizon is rather long-term and thus the effects of climate and environmental risks are rather long-term as well and difficult to breakdown on a year-end basis it would be more sense to have only two time dimensions: 1. short to medium 2. long-term. Rewording suggestion: institutions are expected to understand how climate-related and environmental risks affect their business environment in the short to medium term and to inform their business strategy process. We understand the requirement as outlined in expectation 1.2, in conjunction with the scenario analyses, in such a way that addressing the management body with the results and recommendations of stress tests could suffice and ask for further details.</td>
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<td>We support the call to take account of short-, medium- and long-term climate and environmental risks in our own business strategy, for example by using stress tests and scenario analyses. However, we would like to raise awareness of the fact that the planned approach will take a corresponding development and its impact of risks arising from climate change and environmental degradation on external factors and trends that shape the business conditions (if relevant).</td>
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<td>From our point of view, the practical example in the draft is exclusively about KPIs for the impact perspective. Although the KPIs allow conclusions to be drawn about the climate-damaging or climate-friendly nature of the business activities, they do not make any statement about the risk content of the exposures. As business strategy and risk strategy are mixed up, KPIs for the risk view should be supplemented here. If climate and environmental aspects as drivers lead to the risk type being classified as material, they may have to be monitored using KPIs (&quot;key risk indicators&quot;). The statement of &quot;fully informed decisions on risk&quot; in the context of the definition and monitoring of KPIs can be misleading, also because &quot;information gaps&quot; cannot be avoided in risk management estimates or projections. We ask the ECB to supplement the practical example in the final guide with KPIs for the risk perspective. From our point of view, the lack of clarity in this context may lead to a misinterpretation of the KPIs. We also consider the planned special focus and the need for climate-related and environmental risks to be too far-reaching. These KPIs should be supplemented and the ECB should state the explicitly again. We ask the ECB to supplement the practical example in the final guide with KPIs for the risk perspective. From our point of view, the lack of clarity in this context may lead to a misinterpretation of the KPIs. We also consider the planned special focus and the need for climate-related and environmental risks to be too far-reaching. These KPIs should be supplemented and the ECB should state the explicitly again.</td>
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<td>The establishment of any additional committees other than those required by CRD or EBA guidelines on internal governance is the sole responsibility of the institution and is clearly based on the principle of proportionality. The risk committee is in principle responsible for monitoring the implementation of the institutional climate strategy. We also consider the recommendation for the explicit consideration of an institution-specific response to various international or national agreements at political or scientific level by the management body to be non-binding. We consider the expectation of monitoring and in-depth investigation of the KPIs described in the draft as excessively broad and the need for climate-related and environmental risks to be too far-reaching. We also consider the planned special focus of these risks to be too far-reaching and should be taken into account appropriately to the character as a possible risk driver of established risk types, also with regard to the role of the supervisory administrative board in monitoring the management. We also consider the recommendation for the explicit consideration of an institution-specific response to various international or national agreements at political or scientific level by the management body to be non-binding. We consider the expectation of monitoring and in-depth investigation of the KPIs described in the draft as excessively broad and the need for climate-related and environmental risks to be too far-reaching. We also consider the planned special focus of these risks to be too far-reaching and should be taken into account appropriately to the character as a possible risk driver of established risk types, also with regard to the role of the supervisory administrative board in monitoring the management.</td>
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Expectation 3.3 concerning the management body: the expected risk appetite to be communicated to the management body should not be too broad. Climate and environmental risks are not considered material risks. The requirement to consider climate and environmental risks in the risk appetite is not appropriate and cannot be made on a professional basis, especially in medium-sized or smaller institutions.

Expectation 4.2 concerning the management body: the expected risk appetite should not be too broad. Climate and environmental risks are not considered material risks. The requirement to consider climate and environmental risks in the risk appetite is not appropriate and cannot be made on a professional basis, especially in medium-sized or smaller institutions.

Chapter 5

5.1 Expectation 5.5
We consider timely reporting and aggregation of risk data beyond those risk types that are material according to the risk appetite on the level of the individual borrower. We still lack an assessment of the impact of climate and environmental risks at the level of individual borrowers, which is necessary to completely understand the cross-sectional impact of these risks on all risk types.

5.2 Expectation 6.1
Stress tests are generally not directly used to quantify risk. The reference should be deleted.

Chapter 6

6.1 Expectation 6.1
Stress tests are generally not directly used to quantify risk. The reference should be deleted.
A separate quantification of climate and environmental risks (at least at present) outside the usual financial and non-financial risks does not appear necessary for us in every case and currently has little chance of success due to the current poor data situation and data history. A review of each risk type to determine (modelling adequately) addresses the parameters influenced by climate and environmental risks as risk drivers should be performed in the model validation or adequacy review. In our experience, separate quantification using immature methods could even be counterproductive for the future acceptance of corresponding management approaches for climate and environmental risks as a whole and could lead to a misallocation of capital. In principle, appropriate data would have to be collected with sufficient lead time, and procedures and methods would have to be developed by science and practice in order to be used sensibly at a later stage. Furthermore, integration into the economic perspective significantly affects the assessment of climate- and environment-related risk drivers or parameters for the calculation of risk-bearing capacity that are influenced by them. Therefore, it seems to us that a separate quantification of these risks is disproportionate if this is not currently based on fundamental and recognized scientific studies that can be supported by quantitative data series for the institutions. Individual institutions are hardly in a position to identify sufficiently reliable and clearly distinguishable climate risks and environmental factors from the historical portfolio data that demonstrably increase the credit risk compared to the methods established today. Expectation 8.2 calls for institutions to adapt their risk classification procedures in order to identify and assess environmental and climate-related risks. Additionally, a medium or long time horizon and are currently not explicitly detectable in the relevant rating/default histories. How will the supervisory expectations of integrating climate and environmental risks into the processes, i.e., their forecasting quality could decline. Furthermore, the requirement to take climate and environmental risks into account at all stages does not seem to be very helpful here, especially in the context of the current discussion on the provision of business data.

In order to carry out a risk assessment at the level of individual borrowers, we still need to clarify what this assessment actually contains at the beginning of the transaction and on an ongoing basis, and what role it is to play in lending.

In particular, the requirement to "determine and assess those climate and environmental factors that are of material significance with regard to the borrower's capital structure" extends the scope of the ESG assessment. A reference to the EBA guidelines on lending and monitoring is sufficient, especially in the context of the current discussion on ESG related business data. With regard to the so-called "due diligence" under expectation no. 7.4, we point out that proportionality criteria are missing and that the term is inappropriate (cf. our comments on section 5.3). The requirement must be made dependent on the nature and scope of the business relationship and the materiality of any risk. Furthermore, the performance of such an audit for each client relation is inappropriate and should be presented in a differentiated manner against the background of the very high expenses involved. This means that the requirement should not only take into account a risk condition (dependence on the sector and geographic location of the customer), but the general requirement for such an audit should also be linked in principle to the materiality, e.g., size of the exposure.

The explanations are unnecessary. A reference to the EBA guidelines on lending and monitoring is sufficient, especially since these take account of proportionality aspects and make an appropriate distinction between voluntary - environmentally sustainable lending and risk management. Practical example 9 aims at supporting the corporate excise and is therefore not appropriate here. Many expectations reflect current requirements from European or national rules and are thus a duplication that increases complexity. We assume that the adjustment of the rating classification required in expectation 8.2 is an adjustment of the credit rating. In any case, the credit rating should take into account all relevant aspects of the borrower: ESG aspects beyond this cannot be reflected here.

In particular, the requirement to "determine and assess those climate and environmental factors that are of material importance" to the risk exposure on an individual basis is disproportionate if this is not currently based on fundamental and recognized scientific studies that can be supported by quantitative data series for the institutions. Individual institutions are hardly in a position to identify sufficiently reliable and clearly distinguishable climate risks and environmental factors from the historical portfolio data that demonstrably increase the credit risk compared to the methods established today. Expectation 8.2 calls for institutions to adapt their risk classification procedures in order to identify and assess environmental and climate risks. Climate and environmental risks are often risks that are effective on a medium or long time horizon and are currently not explicitly detectable in the relevant rating/default histories. How material or immaterial a factor is generally determined for the one-year horizon (based on long-term averages) in accordance with Article 174 CRD II, the forecasting quality of the procedures that the institution can use in accordance with Article 180 CRD II must still be examined. If other factors (such as climate and environmental risks) with relevance were to be taken into account in the procedures, their forecasting quality could decline. In addition, climate and environmental risks (such as earthquakes, floods, etc.) should only be taken into account in the rating if they are of particular concern. There are already suitable options for this in our rating process and on a materiality basis. Expectation 8.2 should therefore be recorded as follows:

"Institutions should assess the significance of climate and environmental risks for their significant credit portfolios and monitor the risks associated with these. Where climate and environmental risks are relevant to specific sub-portfolios, they should be taken into account at an early stage in the lending process."

Furthermore, we do not consider the chosen practical example (Box 8), which provides for the consideration of shadow default probabilities, to be appropriate. In individual cases, such a shadow probability of default can possibly support the lending decision. Climate and environmental risks should be analysed case by case. In this context, the previously chosen practical example (Box 7), according to which the analytical risk-weighted assets are increased by a flat rate of one quarter for exposures with negative environmental and climate impacts, is also problematic in our view. Capital adequacy and risk calculation should not be mixed (politically desired) incentive structures.
When considering transition risks for countries and states, we would like to point out that there is little or no ... or managed. For this reason, transition risks can only be taken into account qualitatively, e.g. using scenarios.

An assessment of the climate and environmental risks of listed shares can basically be envisaged under the ... assessment of these risks is not possible in the absence of valid data for assessing these risks. These restrictions sho

Risks from foreign currency and commodity positions should only be considered if the resulting risks are material. The introduction of thresholds should be considered, especially in this case.

In the case of interest rate risk, we expect that there will be little, if any, relation to climate and environmental ... will be reflected in the market risk-induced credit spread of interest-bearing securities. This is where the above-men
tions come in.

Like the ECB, we also see the need to integrate climate and environmental risks into the management of market risk positions. In the case of commodity risk, however, only significant positions need to be considered and analysed. Market risks positions are regularly taken into account automatically, as price changes are determined by various parameters and thus also by climate and environmental risks. An isolated consideration reduced to climate and environmental risks alone does not do justice to the risk management of market risk positions. Therefore, possible price changes (losses) of market risk positions must be unders

The extent to which climate- and environment-related parameters systematically affect investments has not yet been sufficiently researched. There is an urgent need for action here. Initial approaches are already available on the market. However, these are not so valid as to allow clear conclusions to be drawn.

In the case of interest rate risk, we expect that there will be little, if any, relation to climate and environmental risks. The same applies to foreign currency positions. The climate and environmental risk will be reflected in the market risk-induced credit spread of interest-bearing securities. This is where the above-mentioned analyses come in.

In the comments on Expectation 11 it is described, among other things, that institutions “formulate assumptions regarding their own risk profile and their respective characteristics and run through several scenarios on the basis of different combinations of assumptions. This places extremely high demands on banks.

Particularly in the case of climate and environmental risks, it is anything but trivial to develop a realistic narrative for a scenario, to model the cause-and-effect relationships based on it and to derive from this effects on specific indicators (e.g. VAR, P&L, capital ratio, etc.). Even the climate scenarios that are used as b

We believe that the expectation of integrating scenarios relating to climate and environmental risks in recovery planning is sufficient if, as explained above, there are general, standardised, rating-relevant factors that would ultimately be incorporated into established pricing procedures. In particular for locally or regionally active institutions such as comp

Automatism as in expectation 8.3 is therefore superfluous and possibly even counterproductive and should therefore be deleted.

Footnote 85 refers to para. 31 of the EBA guidelines on outsourcing (EBA/GL/2019/02), which deals with the assessment of the outsourced function. However, the assessment and management of operational risks in this context is primarily related to the service provider and is covered by contingency plans or business plans (cf. sections 12.3 and 9 of the outsourcing guidelines). We recommend adapting the reference.

In our view, the inclusion of climate and environmental risks in lending guidelines is sufficient if, as explained above, there are general, standardised, rating-relevant factors that would ultimately be incorporated into established pricing procedures. In particular for locally or regionally active institutions such as comp

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<th>Expectation</th>
<th>Amendment</th>
<th>Clarification</th>
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<td>7</td>
<td>6</td>
<td>6.6</td>
<td>Solving the data problem is central to the implementation of various scenario analyses on payment outflows and the consumption of liquidity buffers. In Section 6.6, the ECB formulates Expectation 12, which states that institutions should assess whether significant climate and environmental risks could have a significant negative impact on net cash outflows or liquidity buffers. If this is the case, these parameters must be integrated into scenario-based liquidity risk management. Following the general principles of the Internal Liquidity Adequacy Assessment Process (ILAAP), the ECB provides several examples of approaches to assess both direct and indirect effects. The formulated requirements necessitate a new process for the materiality assessment of climate and environmental risks in a regulated and transparent manner. The methodology and data technology solutions must be found for the implementation of the various scenario analyses. This means that in this field, too, there are still considerable conceptual activities and implementation requirements at the institutes.</td>
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<td>7</td>
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<td>13.1</td>
<td>In our view, it is the task of the ECB, not the EBA, to formulate more concrete requirements for supervisory disclosure (Pillar II). Article 44(4) CRR II provides for mandatory disclosure of ESG risks for large listed institutions from 28 June 2022. We therefore do not consider it appropriate to shorten the scope and timing period. Nor should it prejudice the work of the EBA in accordance with its mandate under Article 454a CRR II. The ECB should not define any ESG-disclosure obligation especially no obligation, which could possibly even take effect as early as 31 December 2020 according to the ECB's timetable presented. In the near future, the ECB may make selected information on climate and environmental risks subject to a report to the Joint Supervisory Teams, but should refrain from adapting Pillar II as any diverging requirements of different standard-setters in the coming years will only cause confusion in the public or among the addressees of this Information, and, moreover, will not guarantee comparability of the information across credit institutions in terms of time or content.</td>
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<td>13.2</td>
<td>While the ECB's expectation disclosure of relevant information on the degree of achievement and progress would increase the obligation for institutions to underpin defined objectives with concrete measures and to allow for their monitoring, it is questionable whether supervisory disclosure is the right medium for this task. If an institution considers climate-related risks to be insignificant, it is expected that this judgement will be based on a concrete threshold value. We firmly reject this level of disclosure in the short term.</td>
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<td>13.5</td>
<td>The ECB expects greenhouse gas emissions (Scopes 1, 2 and 3) to be disclosed for the whole group. However, it is currently a fact that banks lack comprehensive climate-relevant data from customers - at least for a large part of their portfolios. The ECB should therefore take into account that climate-related data developed together with climate-related metrics and will therefore not be available for large parts of the portfolio at the end of 2020. We call for the deletion of Scope 3 requirements, as they cannot be implemented on a broad scale in the short term.</td>
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<td>Here we suggest the following deletion: &quot;The amount or percentage of carbon-related assets in each portfolio in € millions or as a percentage of the current portfolio value...&quot;. What volumes are considered to be &quot;large portfolios&quot; from the ECB's point of view? It would be helpful if a concrete threshold value could be specified. We also suggest the following modification: &quot;The assessment of the materiality of climate-related and environmental risks is therefore expected to be performed using both qualitative and quantitative information&quot;. We explicitly reject the mandatory assessment of materiality on the basis of both qualitative and quantitative criteria as completely disproportionate, as this is not required for other disclosure information, even by the relevant EBA guidelines. Furthermore, such an assessment might not be consistent with a definition of materiality in non-financial reporting. The ECB calls for consistency with the non-binding guidelines of the European Commission, which however focus on further perspectives. Before the ECB pursues the inside-out perspective for supervisory purposes, it would be essential to clarify with relevant stakeholders, including legislators, other supervisory and standard setters how supervisory disclosure is to be dovetailed with accounting (risk report in the management report) and non-financial reporting according to NFRD and taxonomy Regulation.</td>
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<td>13.7</td>
<td>On what basis should a decision be made on which climate- and environment-related risks banks should prospectively take into account in their disclosures?</td>
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