



Consultation response by ESG Book GmbH to ITS on disclosures on ESG risks, equity exposures and the aggregate exposure to shadow banking entities

ESG Book Calls for Stronger, Smarter ESG Disclosures in EBA's New Framework

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Strengthening ESG Transparency while Safeguarding Data Quality

ESG Book has submitted its response to the European Banking Authority's (EBA) consultation on draft Implementing Technical Standards (ITS) for Pillar 3 ESG risk disclosures, equity exposures, and shadow banking reporting.

Our overarching position is clear:

The EBA's proposed ESG disclosure rules are a step forward for transparency — but without the right safeguards, they risk creating data gaps and inconsistencies. ESG Book's consultation response calls for proportionate, granular, and globally aligned reporting that drives real market impact while preserving trust in the numbers.

Key Points of Support

- **Tiered, proportionate approach** – Large institutions should disclose the full EBA Pillar 3 templates, while smaller and less complex institutions benefit from simplified, gradual requirements.
- **Granular sector breakdowns** – Support for NACE Rev 2.1 classification, including increased granularity for fossil fuels and potential refinement for agriculture.
- **Harmonization with the EU Taxonomy Simplification Act** – Alignment of Templates with the EU Taxonomy reporting relief, ensuring coherence with evolving EU sustainable finance legislation.
- **Enhanced GHG metrics** – Clear reporting for Scope 1 and Scope 2 emissions and a new metric on portfolio coverage using PCAF proxies to boost international interoperability.

Areas of Concern & Recommendations

- **Taxonomy Simplification Risks** – The new 10% materiality threshold for taxonomy-aligned activities could significantly reduce disclosure granularity and comparability, creating room for “cherry-picking.” ESG Book supports temporarily suspending GAR-related disclosures until end-2026 while regulators improve proxy methodologies and guidance.
- **Reporting Frequency Reductions** – Reducing certain disclosures to annual frequency risks breaking data continuity, especially for transition and physical risk metrics. ESG Book calls for clear materiality assessment governance, stakeholder input, and minimum disclosure standards before implementing such reductions.
- **Physical Risk Classification** – The proposed “by medium” hazard classification is too narrow. A temporal approach (acute vs. chronic risks), combined with fine-scale spatial data (NUTS 3 plus local-level hazard maps), is essential for robust climate risk assessment.
- **Sectoral Climate Risk Gaps** – Recommend including NACE K.63 (data infrastructure) in high-climate-impact sectors due to its growing emissions footprint.
- **Template Alignment & Proxy Use** – Ensure consistent treatment of Taxonomy-linked disclosures across templates during the transition period; clarify methodologies and transparency requirements for estimation-based data.



Our Position in Context

We support the EBA's ambition to expand ESG disclosures across all large institutions, enhancing transparency and comparability in sustainable finance. However, effective disclosure depends on:

- Clear, quantitative materiality thresholds
- Robust methodologies for estimation and proxies
- Governance processes that ensure investor and stakeholder input
- Harmonization with international frameworks such as PCAF, NZBA, and BCBS

During the 2024–2026 transition, flexibility must be balanced with safeguards against data gaps and inconsistencies. With better guidance, granular metrics, and aligned frameworks, the EBA can deliver a disclosure regime that is both pragmatic and robust — supporting the low-carbon transition while preserving market integrity.

For more information, visit esgbook.com or call us on +44 20 7113 3503

