

Response to the European Banking Authority's Consultation on Implementing Technical Standards on supervisory reporting (simplification package)

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CETEx – the Centre for Economic Transition Expertise – was established in 2024 at the London School of Economics and Political Science as a specialised research and policy centre to support the ambitious reforms required to deliver sustainable, inclusive and resilient economies and financial systems across Europe and emerging markets. The Centre is hosted by the Global School of Sustainability and has founding funding from the Sequoia Climate Foundation, ClimateWorks Foundation, Children’s Investment Fund Foundation, Sunrise Project and European Climate Foundation.

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About this consultation response

This submission responds to the European Banking Authority’s (EBA) open consultation on EBA/CP/2026/07 – Revisions to the ITS on supervisory reporting (Commission Implementing Regulation (EU) 2024/3117): Module on ESG Reporting. The submission draws on research and insights from across CETEx and was led by Agnieszka Smoleńska, with contributions from Martina Menegat, Laudine Goumet and Amy-Jane Burrell. The authors gratefully acknowledge comments and reviews by Elena Almeida and Rob Patalano. The response was submitted on 10 July 2026.

The consultation can be viewed here:

<https://www.eba.europa.eu/publications-and-media/events/consultation-implementing-technical-standards-supervisory-reporting-simplification-package>

The submission builds on the following CETEx publications: Smoleńska A and Poensgen I (2025) *Integrating bank transition planning into prudential supervision*; Smoleńska A, Chan T, Poensgen I and Higham C (2025) *Banks and climate litigation risk: navigating the low-carbon transition*; Smoleńska A (2025) *How new guidelines on ESG risks for European banks reduce regulatory complexity*; Goumet L, Menegat M, Almeida E, Waaifoort M and Smoleńska A (2026) *EU banks and nature-related risk management: from awareness to action*; Menegat M and Després M (2026) *The insurance–bank nexus: the climate protection gap as a source of risk for the financial system*; Prodani K and Goumet L (2026) *Pressure switch: why corporates should disclose their contribution to pressures on biodiversity, not aggregated outcome metrics*; Fulvi C, Smoleńska A, Brochard A and Hajagos-Tóth Á (2026) *Banks’ transition plan dependencies: from risks to opportunities*; and Smoleńska A, Täger M, Goumet L, Almeida E, Miller H and Poensgen I (2025) *Submission to the PRA Consultation CP10/25 – Enhancing banks’ and insurers’ approaches to managing climate-related risks – Update to SS3/19*.

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Consultation Paper on changes to ITS on supervisory reporting: General comments

Question 1 (main consultation paper). What are respondents' views on the proposed changes to the text of the ITS?

Streamlining reporting requirements is essential for achieving prudential policy objectives. The changes to the Implementing Technical Standards (ITS) aim to streamline reporting requirements and simplify their operationalisation, without removing any of the reporting requirements essential to assessing climate-related and other environmental risks.

The EU's reform of supervisory reporting standards is an important step towards greater alignment of the EU framework with principles for the integration of climate change and environmental risk into the prudential framework, especially:

- Interoperability with related disclosure and reporting regimes.
- Support for internal consistency within organisations across risk, finance and sustainability functions.
- Forward-looking risk assessment, including through transition plans and climate scenario analysis.

Adequate data is essential for supervisors to carry out their tasks. In recent years, CETEx has emphasised the importance of data quality and usability for supervisory purposes in a range of outputs relating to transition plans (Smoleńska and Poensgen, 2025; Fulvi, Smoleńska, Brochard and Hajagos-Tóth, 2026), legal risk (Smoleńska, Chan, Poensgen and Higham, 2025) and environmental risk (Goumet et al., 2026; Prodani and Goumet, 2026). Our work has stressed the decision-usefulness and interoperability of regulatory standards over the sheer number of data points collected (Smoleńska, 2025). Critically, we have also emphasised the need for critical and contextual assessment of forward-looking targets: forward-looking information related to climate change risk identification and management is only a starting point; its supervisory value depends on how consistently it is embedded in review processes and used to inform judgement, rather than treated as an end in itself.

Our response is focused on the aspects of the Consultation Paper on which CETEx has recently conducted research, in particular:

- Environmental risk metrics, including both climate- and nature-related risks.
- Forward-looking transition planning and climate scenario risk assessment.
- Integration of supervisory reporting into the Supervisory Review and Evaluation Process (SREP).

Further work is needed on the alignment of reporting frameworks. Reporting templates should not introduce additional complexity or uncertainty for banks. Rather, they should improve data quality and the reliability of reported information. Specifically, we suggest that:

- **The European Banking Authority (EBA) should work to ensure that there is consistency across definitions in these templates.** Consistency of definitions is essential to maintain a level playing field, preserve competitiveness and ensure that banks can effectively identify and manage climate-related and other environmental risks. It is also important to ensure that reporting

templates are consistent with other existing templates across the EU/European Banking Union, to avoid duplicative or conflicting reporting expectations.

- **Developing a comprehensive data dictionary on ESG risks would be a valuable step towards ensuring a consistent interpretation of reporting requirements.** This data dictionary should provide clear definitions for each data point, including its scope, methodology, calculation rules, units of measurement and any applicable assumptions or validation rules. This would reduce ambiguity, promote a common understanding among reporting institutions and supervisors, and minimise divergent interpretations across Member States. A harmonised data dictionary would also improve data quality, facilitate automation of reporting processes, reduce implementation costs and contribute to a more level playing field for banks across the EU. Where possible, the dictionary should be aligned with existing EBA, European Central Bank and other relevant EU reporting frameworks, to maximise consistency and avoid duplication.
- **Where banks do not have access to sufficiently granular or reliable data, they should clearly disclose the proxies they use, explain their underlying methodology and justify the assumptions they apply.**
- **Alongside initiatives to simplify banks' reporting requirements, it is essential for the EBA to continue working with competent authorities in the EU and its Member States to improve data sharing and data flows across the EU.** Currently, a significant amount of valuable data is not being pooled and used to improve exposure assessments and reduce reporting burdens, because it falls outside the scope of the Better Data Sharing Regulation. National authorities voluntarily share only some of the relevant datasets. Their greater willingness to do so, with the support of banks, would significantly reduce reporting burdens while enhancing the quality, consistency and reliability of reported information.

Consultation Paper on changes to the ITS on supervisory reporting: Module on ESG reporting

Question 1 (ESG module). Do you have any comments on the comprehensive approach proposed for large institutions?

Integrating risk parameters supports both risk identification and risk management. Transition risk, physical risk and the growing set of environmental risks beyond climate all affect institutions' financial performance through existing prudential risk categories – credit, market, operational and legal risk. Therefore, we welcome the comprehensive approach proposed for large institutions, which brings together sectoral exposure data (D 01.00), physical risk data (D 05.00), concentration risk data (D 04.00) and information on mitigating actions (D 10.00) within a single reporting architecture. Data of this kind is a precondition, not a substitute, for adequate risk management: it needs to be actively used by both institutions and supervisors to inform judgements on materiality, capital adequacy and governance.

Our research shows that transition plans and their underlying metrics are best understood as part of an evolving planning process rather than a static compliance exercise (Smoleńska and Poensgen, 2025). Implementing Technical Standards (ITS) reporting should be designed so that its outputs plug directly into this planning process rather than create an additional siloed dataset. This is important for both D 01.00 and D 04.00, where sectoral gross carrying amounts and obligor-level exposures should, over time, be capable of being read alongside institutions' own transition plan targets and the sectoral or client-level dependencies identified in transition planning (see also our discussion of Question 8 and Question 18 below).

Similarly, our review of how EU banks manage nature-related risks found that, while banks' conceptual framing of environmental risk has matured since 2020, governance structures and risk mitigation practices are underdeveloped relative to institutions' stated ambitions, and monitoring and enforcement of nature-related commitments remain patchy (Goumet et al., 2026). If the underlying data points are precise enough to be usable (see our discussion of Question 32 and Question 33 below), comprehensive reporting along the lines proposed can help close this gap between ambition and implementation by giving supervisors a consistent basis for challenging institutions' self-assessments.

Legal, litigation and insurance-related risk further illustrate the need for an integrated set of risk parameters. Our review of EU banks' climate litigation disclosures found that banks conceptualise litigation risk inconsistently across their sustainability and Pillar 3 reporting, and often treat it as a standalone category rather than as a driver of credit, market or operational risk (Smoleńska, Chan, Poensgen and Higham, 2025). This dynamic is not confined to climate: the Network for Greening the Financial System (NGFS) has found that nature-related litigation risk can similarly drive credit, market, operational and liquidity risk; that financial institutions are already being directly targeted by such litigation; and that the growing volume of 'traditional' environmental cases could also carry financial repercussions not yet fully priced in by the market (NGFS, 2024). Likewise, emerging evidence on the insurance-bank nexus shows that unavailable or inadequate insurance coverage of physical climate hazards is itself a source of risk for banks, and that this is poorly captured in institutions' own risk management frameworks (Menegat and Després, 2026).

Question 3. Do you agree that large subsidiaries should report ESG risk exposures using the simplified reporting approach, in line with the proportionality principles applied to other institutions and similarly as in the Pillar 3 framework?

Given the jurisdictional specificities of transition risk management, it is important that institutions develop sufficiently granular approaches to managing these risks in the appropriate context. Subsidiary-level reporting will support such a targeted approach. However, materiality should not be assessed purely on an entity-size basis; rather, institutions should also consider local financial stability factors and the context of climate change policy, so as to support both risk management and identification of risk mitigation measures (Fulvi et al., 2026).

Because the ITS affect a wide range of institutions, it is important to ensure proportionality in the application of rules. Proportionality is a vital principle in achieving the aims of a policy intervention while minimising the burden on institutions. It may be achieved by requiring different levels of granularity from smaller and larger institutions, reduced reporting frequency or less detailed sectoral or geographical breakdowns. All these factors are features of the EBA's three-tiered structure of comprehensive, simplified and reduced/essential templates for large institutions; other listed institutions and large subsidiaries; and small and non-complex credit institutions (SNCIs) and other non-listed institutions.

Proportionality should not be confused with reduced supervisory attention. We agree that large subsidiaries can reasonably be subject to the simplified reporting approach set out for 'Other listed institutions and large subsidiaries.' Where a large subsidiary forms a material part of a cross-border group with significant exposures to climate-relevant sectors, supervisors should be ready to request more granular information, or to draw on group-level D 01.00 data, notwithstanding the subsidiary's own simplified reporting obligations. This mirrors the approach we have recommended in other jurisdictions, where the proportionate application of rules should be achieved through calibrated supervisory intensity rather than uniformly reduced data collection (CETEx and GRI, 2025).

Question 5. Do you have any views on the proportionality approach proposed?

The EBA's three-tiered structure for reporting requirements ensures that all institutions are required to submit some level of prudential reporting, albeit with differences in scope, frequency and granularity. However, proportionality should not rely solely on institutions' own assessment of the materiality of climate change and environmental factors. Supervisors should calibrate the intensity of their review of reported information to the specific climate- and environmental-risk profile of the institution. They should also be ready to question institutions' assumptions and materiality judgements, especially where high concentrations of climate- or environment-related risk are identified in sectoral or geographical terms (CETEx and GRI, 2025). This is particularly relevant to the country breakdowns proposed for D 01.00, D 05.00 and D 11.00: rather than treating the materiality threshold as a purely mechanical filter, the EBA should provide guidance requesting institutions to explicitly consider and document geographical specificities where there is a significant divergence between the transition and physical risk profiles of the jurisdictions represented in their portfolio.

Materiality thresholds are very important but should focus on climate- and environment-relevant sectors, while accounting for key sensitive geographies. We support the use of materiality thresholds to avoid disproportionate reporting of immaterial exposures. However, thresholds calibrated only by exposure size (the 10% non-domestic/1% country-share tests proposed for D 01.00, D 05.00 and D 11.00) risk excluding geographies that are small in aggregate portfolio terms but concentrated in climate-relevant sectors, such as fossil fuel extraction and carbon-intensive manufacturing. We recommend that the materiality thresholds be supplemented by a sector-based test, so that geographically concentrated exposures to climate-relevant sectors are not excluded from reporting purely on the basis of overall portfolio share.

Question 6. Are the proposed materiality thresholds for geographical breakdowns sufficient to provide meaningful reporting without imposing undue reporting burden?

We consider the proposed materiality thresholds to be a reasonable starting point for balancing meaningful reporting with the reporting burden. We welcome their alignment with the equivalent Financial Reporting Standards (FINREP) and stress-test thresholds, which support interoperability across supervisory data collections – a principle we have consistently emphasised (Smoleńska, 2025).

However, as noted in response to Question 5, a purely size-based threshold may not adequately serve the specific purpose of climate transition and physical risk monitoring, since climate-relevant risk can be concentrated in a small number of jurisdictions that would not otherwise meet the standards required by general materiality tests. We recommend that the EBA consider a supplementary lower threshold specifically for exposures in jurisdictions that are subject to acute physical hazard risk or significant transition policy risk, such as those with binding near-term decarbonisation targets or carbon pricing mechanisms that affect reported sectors. This approach would ensure that the geographical breakdown captured climate-material, and not only portfolio-material, concentrations of risk.

D 01.00 – Climate Change Transition Risk: Credit quality of exposures by sector, emissions and residual maturity

Question 8. Do you have any views on the additional information included for supervisory reporting purposes in template D 01.00?

It is important to link transition risk exposures to transition planning information. We welcome the expansion of D 01.00 to include gross interest and fee income, off-balance-sheet exposures, more granular sectoral breakdowns (including of fossil fuel sub-sectors) based on the classification of economic activities in the EU (NACE), and proxy coverage information for Scope 3 emissions based on the Partnership for Carbon Accounting Financials. These additions should substantially improve supervisors' ability to identify concentrations of transition risk, with the caveat that the use of proxies should be accompanied by risk assessments and a clear articulation of assumptions.

We would nonetheless encourage the EBA to more explicitly connect this template to institutions' transition planning information. Our research on integrating bank transition planning into prudential supervision sets out a framework for how to map the target-setting, implementation strategy, engagement strategy and governance elements of a transition plan onto existing supervisory assessment procedures (Smoleńska and Poensgen, 2025). Information on transition plans is most useful to supervisors when it can be read together with an institution's actual exposure data rather than assessed in isolation (ibid., 2025). Sectoral exposure and emissions data reported under D 01.00 should be consistently structured using the same sectoral taxonomy and reporting units, as should any information related to transition plans that institutions report elsewhere, be it under Capital Requirements Directive VI transition plan requirements or in future environmental, social and governance (ESG) reporting templates. This will help supervisors assess whether reported exposures are consistent with an institution's stated decarbonisation strategy.

Recent CETEx and TPI Centre research on the dependencies embedded in banks' transition plans offers further insight in this area. As shown in our comparative analysis of 35 transition and climate change disclosures produced by 21 deposit-taking global systemically important banks, the dependencies underpinning the credibility of a bank's transition strategy are sector-specific, shaped by its business model and portfolio composition rather than uniform across the economy. Furthermore, banks' conventional distinction between internal and external dependencies is insufficient because it fails to capture their distinctive role as intermediaries – a gap we address through the new concept of 'intermediated dependencies', which arise where the delivery of a bank's transition strategy depends on the behaviour, capacity or choices of clients and counterparties (Fulvi et al., 2026). We encourage the EBA to ensure that, over time, the sectoral exposure data an institution reports under D 01.00

becomes granular and consistent enough to allow supervisors to test whether this reporting is consistent with the sector-specific dependencies it discloses elsewhere in its transition plan.

We also reiterate the importance of the consistent geographical differentiation we discuss in response to Question 5 and Question 6: consistent sectoral exposure reporting is most useful to supervisors when it can also be read by geography. This is because, as our research shows, the pace and credibility of decarbonisation pathways can vary materially across the jurisdictions covered by a single institution's portfolio (Fulvi et al., 2026). In the same research, we also demonstrated that banks' treatment of dependencies varies materially across jurisdictions, with EU banks more often framing dependencies as factors to be actively managed and US banks more frequently presenting comparable factors as exogenous constraints (ibid., 2026).

The UK provides a useful illustration of the practical challenges that such treatment can create. The Bank of England's December 2025 Financial Stability Report describes a 2025 data collection exercise designed to identify the materiality and concentration of climate-related vulnerabilities across the wholesale credit and residential real estate portfolios of firms subject to its Bank Capital Stress Test (Bank of England, 2025). That exercise classified exposures to several climate-vulnerable sectors, including agriculture, fishing, food and beverage; real estate; and transportation, including manufacturing. As the Bank of England has historically used UK SIC codes in data collection, this sectoral taxonomy differs materially from the NACE-based classifications used in D 01.00, D 03.00 and D 04.00. However, it provides a concrete example of the cross-jurisdictional interoperability gap: banks operating across the EU and the UK, and supervisors seeking to compare exposures internationally, are currently required to reconcile at least two distinct climate-vulnerable sectoral taxonomies that cover overlapping economic activity. While full international harmonisation of sectoral classifications may not be achievable, we would encourage EU standard-setters to publish a clear concordance or mapping between their own sectoral categories and other major climate-vulnerable sectoral taxonomies used by their international peers, including the Transition Plan Taskforce classification. This would reduce the risk of a divergence in interpretations between cross-border institutions.

Question 9. The EBA is assessing the introduction of data points requesting RWA in Templates D 01.00 and D 05.00 to enable national authorities to calculate potential Systemic Risk Buffer (SyRB) in case of systemic risks. What are your views on the inclusion of this information, both from an operational and from a macroprudential perspective? Do you foresee significant operational challenges related to the inclusion of this information? What alternative approaches would you suggest?

We assess very positively the proposal to introduce risk-weighted asset (RWA) data points to support the calculation of a potential SyRB. Linking ESG exposure data to RWA amounts is a necessary step to connect climate-related exposures to the prudential metrics that actually determine capital requirements. We would encourage the EBA to retain this proposal in both D 01.00 and D 05.00 rather than treat it as an optional extension.

Operational factors: we recognise that RWA reporting introduces additional operational complexity, since institutions will need to reconcile accounting-based ESG exposure categories with prudential risk-weighting methodologies, be it in the internal ratings-based or standardised approach. However, this reconciliation is valuable in itself: institutions need to undertake the exercise internally to understand whether and how climate risk factors are currently reflected in their capital requirements. We would recommend that the EBA provide clear methodological guidance and worked examples, as it has done elsewhere in this Consultation Paper for D 05.00 physical risk classification. This will ensure that approaches to allocating RWA to ESG-relevant exposure categories are transferable and comparable across institutions rather than left to divergent internal interpretation. The formats for RWA-related data should be standardised to improve comparability across institutions and jurisdictions. Data should be shared at a granular level with the European Systemic Risk Board, as well as relevant EU authorities such as the European Central Bank, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority.

A macroprudential perspective: from such a perspective, RWA-linked ESG data would give national authorities a much firmer evidential basis for calibrating a climate-related SyRB, addressing the concern raised in paragraphs 34–36 of the Consultation Paper that, without such data, it is difficult to evaluate consistently how climate exposures translate into system-wide vulnerabilities. The inclusion of RWA data points, therefore, supports financial stability. It is necessary to assess how financial sector exposures transmit and amplify risks to financial stability, whereby shocks are propagated through the system and ultimately feed back into systemic risk that affects the stability of the financial system as a whole, as well as into microprudential risk at the level of individual institutions.

We would highlight one important sequencing issue: the EBA should consider what will happen to a climate-related SyRB if, as has been proposed, capital buffers are merged into a single releasable buffer. In this scenario, it would be important to ensure that climate change risks continued to be explicitly calibrated within the new buffer framework. The alternative creates a gap between risk measurement (RWA data points) and macroprudential action (buffer calibration). We would welcome the EBA providing an indicative view on the buffer-merger interaction as part of its final ITS or accompanying guidance.

Question 11. Do you have any views on the proposed Template D 01.01?

Ensuring the simplified template still captures climate-relevant sector concentration: we support the principle of a single, consolidated template for SNCIs and other non-listed institutions that appropriately reduces the reporting burden for smaller institutions. However, even simplified reporting should retain sufficient sectoral granularity to identify risk concentrations in the sectors most exposed to transition risk.

Our earlier work on the risk of a ‘climate Minsky moment’ emphasises that the underpricing of transition risk by smaller and less sophisticated financial institutions can itself be a source of systemic vulnerability (Miller and Dikau, 2022). This is because a sudden repricing of carbon-intensive assets can propagate losses through parts of the financial system that, due to simplified reporting, are less visible to supervisors (ibid.). Therefore, we would encourage the EBA to retain within D 01.01 a minimum sectoral breakdown for the most carbon-intensive sectors (classified as the ‘sectors that highly contribute to climate change’ elsewhere in the template package) even as it simplifies or removes other elements of the template, such as maturity buckets and details on greenhouse gas-financed emissions.

D 03.00 – Indicators of potential transition risk: Emission Intensity by Sector

Question 17. Do you have any views on the proposed Template D 03.00?

Ensuring interoperability with D 01.00 and connecting emission intensity data to forward-looking risk management: we welcome the introduction of internal short-term target columns in D 03.00, which should help supervisors understand institutions’ planning horizons. We would emphasise that the sectoral definitions and units used in D 03.00 should be fully interoperable with those used in D 01.00, so that emission intensity data can be read alongside sectoral exposure and credit quality data without requiring additional reconciliation by supervisors.

More fundamentally, our research on integrating transition planning into prudential supervision emphasises that transition risk identification metrics, such as emission intensity by sector, are only useful to the extent that they support forward-looking risk management rather than provide a backward-looking record of past emissions (Smoleńska and Poensgen, 2025). We recommend the EBA’s guidance on D 03.00 explicitly state that supervisors should use emission intensity trends, read together with institutions’ internal targets, to determine whether an institution’s risk mitigation strategy is credible (rather than treat the template purely as a disclosure exercise). As set out in our answer to Question 8 above, emission intensity data should also, where possible, be read alongside the sector-specific dependencies that determine whether an institution’s own decarbonisation targets are achievable (Fulvi et al., 2026).

Question 18. Do you agree with the proposed sectoral scope for D 04.00?

The sectoral breakdown should be explicit about the link to transition and climate finance provision. We agree with the proposed sectoral scope for D 04.00, which appropriately targets not only the sectors that are most exposed to transition risk and most relevant to the EU's decarbonisation objectives – aluminium, automotive, aviation, building, cement, chemicals, coal, maritime and transport, oil and gas, power, and steel – but also other sources of transition risk, such as deforestation rules.

A clear sectoral breakdown of obligor-level exposures provides both a risk management tool and an evidential basis for assessing how effectively the banking sector is channelling finance towards the transition of these highly exposed sectors. Recent CETex and TPI Centre research on the dependencies embedded in banks' transition plans underscores why this obligor-level specificity matters. Based on a comparative analysis of 35 transition planning documents from 21 global systemically important banks, our research finds that banks' transition strategies frequently depend not on factors wholly internal or external to the institution, but on the behaviour, capacity or choices of their own clients and counterparties – a category that we refer to as 'intermediated dependencies' (Fulvi et al., 2026). Because these dependencies are sector-specific and vary with a bank's business model and portfolio composition, obligor-level exposure data of the kind proposed for D 04.00 is precisely the granularity needed to test whether they are being adequately identified and managed.

The same research puts forward specific recommendations for prudential authorities that we would encourage the EBA to reflect in its guidance on D 04.00: that supervisors integrate dependency assessment into the transition risk supervisory toolbox; assess whether banks articulate credible levers for addressing the dependencies they identify; evaluate whether disclosed dependencies are internally consistent with other transition plan assumptions and targets; and treat repeated references to the same dependency across multiple banks as a potential sign of a regulatory or coordination gap requiring policy attention. D 04.00's obligor-level transition plan and sectoral decarbonisation alignment fields would be well placed to capture this kind of information, provided that an institution is asked not only whether a counterparty has a transition plan, but also whether that institution has identified concrete management actions linked to the dependencies the plan reveals, such as client engagement, lending criteria, product design and transition financing.

We would encourage the EBA to ensure that the sectoral taxonomy used in D 04.00 remains fully aligned with that used in D 01.00 and D 03.00. In this way, obligor-level concentration data, sectoral exposure data and emission intensity data can be combined into a single, coherent picture of transition finance provision by sector.

Question 31. Do you have any views on the proposed Template D 10.00?

Linking mitigating actions to sector-specific transition risk: we support the proposal for the D 10.00 template to remain unchanged from the Pillar 3 disclosure framework, which appropriately avoids imposing an additional reporting burden where existing disclosure requirements already capture the relevant information.

We would nonetheless encourage the EBA to ensure the accompanying guidance explicitly states that supervisors should read D 10.00 mitigating-action data together with the sectoral exposure data reported in D 01.00 and the obligor-level data in D 04.00. This would allow for mitigating actions to be assessed against the sectors and counterparties where transition risk is most concentrated. Mitigating actions reported in the aggregate, without this sectoral link, risk overstating the improvement in an institution's overall risk profile, since favourable taxonomy-aligned exposures in low-risk sectors can mask continued high exposure to unmitigated risk in carbon-intensive sectors.

D 05.00 – Climate change physical risk: Exposures subject to physical risk

Questions 25/26. What would be the most appropriate way to assess the extent to which exposures are (“adequately”) insured against relevant hazards, and what information can credit institutions provide regarding insurance coverage?

Drawing on emerging evidence on the insurance–bank nexus to design the insurance data point: we welcome the EBA’s proposal to collect information on the insurance coverage of exposures subject to physical risk. Recent CETEx research on the insurance–bank nexus finds that, as physical climate risks intensify, banks are increasingly exposed to the risk that insurance coverage for underlying collateral or counterparties will be unavailable or inadequate (Menegat and Després, 2026). This ‘climate protection gap’ is itself a source of risk to the banking sector that is not currently well captured in banks’ own risk management frameworks (ibid.). Our research finds that addressing this challenge requires stronger cross-functional coordination within banks, reinforced insurance-related data collection and infrastructure, and the integration of the insurance–bank nexus into scenario analysis and stress-testing frameworks.

Institutions should be able to report the following information regarding the insurance coverage of their exposures:

- I. The existence of active and up-to-date insurance coverage. This is necessary because supervisors would otherwise only have information on the initial state of the exposure, without capturing how its risk profile evolves over time, particularly in light of increasing physical climate risks.
- II. The insured amount as a percentage of the exposure. This indicator should be interpreted with caution and complemented by qualitative information (e.g. on contractual terms, deductibles and relevant legal frameworks), as it may otherwise provide an incomplete or potentially misleading picture of actual risk coverage.
- III. Separate disclosures of state insurance schemes and private insurance coverage (rather than their aggregation into the same data point). State schemes have materially different risk transfer characteristics that are relevant to a supervisor’s assessment of the durability of the insurance protection, such as the potential for retroactive premium adjustment, coverage caps and scheme discontinuation.
- IV. Types of hazards covered by the insurance policy. This is necessary to understand the scope and effectiveness of the insurance protection in relation to relevant climate risks.
- V. The policyholder: institution or borrower. This distinction is necessary to assess whether insurance functions as a direct risk mitigation tool for the institution or primarily as a credit risk mitigant associated with the borrower’s repayment capacity.
- VI. The scope of application across exposure classes. Reporting should not be limited to real estate-related exposures. While real estate is particularly relevant for physical climate risk, insurance coverage considerations should also extend to non-real estate exposures. This is especially true in corporate lending, where the relevance of insurance should be assessed on a case-by-case basis, depending on the vulnerability of specific assets, sectors and activities.
- VII. Complementary risk management information. Institutions should disclose the range of actions they take to reduce or manage exposures beyond the simple withdrawal from sectors or markets (e.g. risk reduction measures). Institutions should describe how these measures are identified, assessed, and implemented through their internal risk management frameworks, including the role of forward-looking risk assessments and scenario analysis. Such disclosures should be accompanied by a proportionality assessment explaining how the depth and sophistication of these measures are calibrated to the nature, scale and complexity of the institution’s exposures.

This should include a justification of why certain mitigation actions are considered appropriate, and how they contribute to reducing risk without relying solely on sectoral divestment or exclusion strategies.

Finally, we would recommend that reporting on insurance coverage should not be limited to real-estate-related exposures. While collateral-linked physical risk is the most intuitively ‘insurable’ case, our research indicates that the insurance–bank nexus is also material for corporate and infrastructure exposures more broadly. Restricting the data point to real estate would understate the scale of the protection gap across a bank’s portfolio.

Question 28. Do you have alternative proposals to reflect the vulnerability of institutions’ portfolios and the potential damage that physical hazards could cause them?

The EBA’s use of the data matters as much as how it is collected. We do not propose a fundamentally different data collection model at this stage: the high/moderate exposure split and the insurance-related data points we address in response to Questions 24 to 27 above remain, in our view, the most practical near-term improvements to how vulnerability is captured.

We would nonetheless encourage the EBA to set out, alongside its final ITS or accompanying guidance, how competent authorities themselves should intend to use the vulnerability data reported under D 05.00. For residential real estate and mortgage exposures in particular, supervisors could integrate flood risk data and Energy Performance Certificate information directly into firms’ reported exposures, allowing them to assess current physical risk vulnerability at the portfolio level rather than rely solely on institutions’ own self-reported classifications. This is the approach taken by the Bank of England in its own supervisory analysis of climate-related vulnerabilities (Bank of England, 2025). We discuss the broader interoperability implications of that exercise above, in response to Question 8.

Alongside the reporting requirements themselves, explaining this kind of reciprocal, supervisor-side analytical use of reported data would help demonstrate that the burden placed on institutions translates into a proportionate and demonstrable benefit for financial stability, which is in the public interest. We would encourage the EBA to reflect this in its response to this consultation (see also our general comments above).

D 11.00 – Exposures to Environmental Risks (Beyond Climate)

Questions 32. Do you have any views on the proposed Template D 11.00?

The state of environmental risk management in the banking sector: our review of how 15 EU banks manage nature-related risks found that, while the conceptual framing of nature-related risk has matured considerably and coverage of nature-related issues has broadened since 2020, governance structures and policies remain largely high-level and are not yet embedded into day-to-day decision-making. Risk mitigation practices are developing, particularly through client engagement, escalation mechanisms, and policy tightening in high-risk sectors and biomes. However, monitoring and enforcement remain patchy, and the scale and effectiveness of mitigation actions are difficult to assess based on banks’ current disclosures (Goumet et al., 2026). This is the context in which D 11.00 should be understood: it is being introduced into a sector that is considerably less mature in its management of nature-related and broader environmental risk than it is in its management of climate risk, a point the EBA acknowledges (paragraph 67 of the Consultation Paper).

We welcome the introduction of Template D 11.00 as a dedicated reporting requirement for exposures to environmental risks beyond climate. Nature degradation, including biodiversity loss, ecosystem degradation and the overexploitation of natural resources, is increasingly recognised as a source of material financial risk in its own right, and is distinct from and interacts with climate-related risks (Almeida et al., 2025). Extending supervisory reporting to this broader set of drivers reflects this evidence base and is consistent with the recommendations and direction taken by international initiatives such as the Intergovernmental Science–Policy Platform on Biodiversity and Ecosystem Services (IPBES), the NGFS and the Taskforce on Nature-related Financial Disclosures (TNFD), which the

EBA references in developing the template. Grounding the template in these established frameworks should also improve the consistency of related reporting and disclosure initiatives at the EU and international levels.

We welcome the decision to structure Template D 11.00 around the IPBES direct drivers of nature loss (land-/freshwater-/ocean-use change, pollution, overexploitation, invasive species) and ecosystem-service dependencies rather than an aggregated biodiversity outcome score. Aggregated biodiversity footprints tend to be highly model-dependent and costly to produce, often requiring commercial data providers or dedicated in-house modelling capacity. They can also be difficult to interpret, since a single blended figure does not indicate which specific pressures determine it (Prodani and Goumet, 2026). A driver-based structure is comparatively transparent, as it draws on data that institutions can obtain, observe and explain without requiring a specialist modelling capacity, and provides a more direct indication of the source of concern for a given counterparty or country than a single index would.

The four impact categories in rows 0030–0060 correspond to four of the five IPBES direct drivers of biodiversity loss; the fifth, climate change, is addressed separately through the D 01.00–D 05.00 templates. This division avoids an overlap between the climate- and nature-related templates while keeping the two risk channels analytically distinct. The country-level breakdown (Z-axis, paragraphs 68–69) is consistent with this structure, since nature-related risks tend to be location-specific, with their effects concentrated in particular ecosystems or geographies rather than distributed evenly across a portfolio (Almeida, Colesanti Senni and Rastoka, 2025).

Two areas would benefit from further refinement. **First, several of the template’s data points would be enhanced by additional methodological guidance and clearer definitions.** Terms such as “negatively impact” and “highly depend on” (rows 0030–0120) do not specify a measurement threshold. A review of nature-related disclosures across 15 EU banks found that while institutions’ conceptual framing of nature risk has developed since 2020, terminology and assessment methods continue to vary across institutions, and assessments remain largely qualitative (Goumet et al., 2026). In the absence of a comparable methodology, D 11.00 risks reproducing this inconsistency within a dataset intended to support cross-institution comparison. Therefore, it may be useful for the EBA to require institutions to disclose, alongside the reported figures, the methodology or screening tool used, the unit of assessment (counterparty, site or activity level) and any applied thresholds.

Second, the instructions could state more explicitly that the Exploring Natural Capital Opportunities, Risks, and Exposure (ENCORE) framework provides a useful starting point but is not sufficient on its own. ENCORE offers institutions a free and comprehensive initial mapping of economic activities to nature-related impacts and dependencies, which supports its inclusion as a reference point. However, it functions as a tool for screening rather than risk assessment. The granularity required by D 11.00 (impact and dependency categories reported by counterparty and by country) exceeds what ENCORE alone can support in three respects:

- **Location:** ENCORE’s ratings reflect global sector averages without local ecological context, so a ‘High’ water-dependency rating applies equally to counterparties in water-abundant and water-stressed locations. Spatial tools such as the Integrated Biodiversity Assessment Tool (IBAT) and the World Database on Protected Areas (WDPA) could complement this by relating exposures to actual ecological conditions, in line with the overlay we discuss in response to Question 33 below.
- **Counterparty differentiation:** ENCORE assigns scores at the sector level, meaning that counterparties sharing a NACE/ISIC code receive identical ratings regardless of individual practices. This is a limitation because it produces a false sense of precision; i.e. two counterparties with materially different water-use efficiency, waste-management or land-use practices would be reported identically, understating the heterogeneity that is directly relevant to credit risk differentiation. Counterparty-level pressure disclosures, where available, would address this, in line with our broader argument for pressure-based rather than aggregated outcome metrics (Prodani and Goumet, 2026).

- **Indirect exposure:** ENCORE reflects only a counterparty's direct interface with ecosystem services, not its supply chain. For sectors where nature-related pressures occur upstream, such as agriculture-linked commodities, input-output data such as EXIOBASE could capture indirect dependencies, and supply chain traceability tools such as Trase could address commodity-specific exposures.

Rather than treating an ENCORE-derived score as sufficient evidence on its own, the instructions could acknowledge the limits of this tool and require institutions to indicate which complementary approach they applied (if any).

Questions 33. Do you have any views on the proposed Template D 11.00 and on the materiality threshold introduced in this template?

The threshold applied in this template, a 10% non-domestic exposure trigger and a 1% per-country cutoff (paragraphs 24–25, Table 2), reflects financial exposure size. This does not necessarily correspond to ecological materiality, as the two measures capture different dimensions of risk. Because nature-related risks tend to be chronic and manifest at the level of a specific ecosystem, water basin or biome, a comparatively small exposure located in an ecologically significant or already-stressed area may carry a level of nature-related risk that a portfolio-share threshold would not capture (Almeida et al., 2025a).

A location-based overlay could complement the existing exposure-based threshold: institutions could be asked to flag exposures located in areas identified as ecologically significant or vulnerable, using spatial tools such as IBAT or the WDPA to identify where exposures coincide with sensitive locations. This approach would be broadly consistent with the TNFD's LEAP methodology and the existing portfolio-share thresholds. It would also address the limitation noted under Question 32 regarding the lack of local context in sector-level screening tools, since a spatial overlay provides the additional layer required for a sector-average dependency score to support a materiality assessment. Such an approach could maintain a manageable reporting burden for large, diversified portfolios while reducing the likelihood that smaller but ecologically material exposures are excluded from reporting.

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