Green asset ratios

EU Taxonomy Article 8 disclosures for NFRD(CSRD) undertakings, per Disclosures DA

By Maureen Schuller, Head of Financials Sector Strategy maureen.schuller@ing.com

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Green asset ratios for on balance sheet exposures

**Accounting categories**

1. **Financial assets at amortised costs**
2. **Financial assets at fair value through other comprehensive income**
3. **Investments in subsidiaries**
4. **Joint ventures and associates**
5. **Financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss**
6. **Real estate collaterals obtained by credit institutions by taking possession in exchange for cancellation of debt**

**Coverage of KPIs (share total financial assets)**

- Sovereigns: 12.2%
- GAR coverage non-EU exposures: 14.3%
- GAR coverage EU exposures: 50.5%
- Trading book: 15.5%
- Exposures to other credit institutions: 8.3%
- Exposures to other financial corporations: 7.5%
- Exposures towards NFCs other than SMEs: 25.3%
- Exposures towards SMEs: 18.7%
- Credit for consumption: 7.2%
- Residential real estate exposures: 32.9%
- Other exposures: 7.5%

\[
GAR = \frac{\text{Taxonomy aligned exposures} \times \times}{\text{Total covered assets} \ast}
\]

* Excludes: exposures to central governments and central banks
** Excludes: 1) exposures to central governments and central banks, 2) financial assets held for trading, 3) on-demand interbank loans, 4) exposures to non-NFRD undertakings

Source: EBA, European Commission
1. **Exposures to non-financial corporations**
   - GAR loans and advances (GAR L&A)
   - GAR debt securities (GAR DS)
   - GAR equity holdings (GAR EH)

2. **Exposures to financial undertakings**
   - Exposures other credit institutions
   - Exposures to other investment firms
   - Exposures to asset managers
   - Exposures to insurance and reinsurance companies

3. **Retail exposures**
   - Residential real estate lending
   - Credit for consumption car loans

4. **Undertakings not subject to NFRD disclosures**
   - Exposures non-financial undertakings (non-NFRD)
     - Loans & advances collateralized by immovable commercial property and/or building renovation loans
     - Debt securities and other loans and advances and equity instruments contributing to an environmental objective
     - Exposures to financial undertakings (non-NFRD)

5. **Public housing**

6. **Repossessed collateral**

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**Source:** EBA, European Commission
The technical screening criteria identified sectors

Activities identified as contributing substantially to the first two environmental objectives

**Climate change adaptation**

1. Agriculture and forestry
2. Environmental protection and restoration activities
3. Manufacturing
4. Energy
5. Water supply, sewerage, waste and remediation
6. Transport
7. Construction and real estate activities
8. Information and communication
9. Professional, scientific and technical activities
10. Financial and insurance activities
11. Education
12. Human, health and social work activities
13. Arts, entertainment and recreation

**Not a NACE economic activity**

- Mining and quarrying
- Wholesale and retail trade
- Accommodation and food service activities
- Administrative and service activities
- Public administration and defense, compulsory social security
- Other services

**NACE economic activities left out of scope**
Loans to households are quite crucial to the GAR

German banks are least exposed to households

Loans to households

- Residential mortgage loans 64%
- Other consumer loans 36%

Loans to NFC

- Commercial property loans 20%
- Other NFC loans 80%

We estimate that the criteria for real estate and construction will affect the GAR calculations for 45%:
- Household residential real estate assets;
- SME commercial real estate assets;
- Corporate sector exposures to construction and real estate activities;
- Loans and advances financing public housing;
- Repossessed real estate collateral.

Source: EBA statistics
75% of sector exposures are taxonomy in scope

Loans & advances to NFC: 75% is in scope

Nordic & BNLX banks most taxonomy eligible

Nordic banks seem best covered by sectors

Exposures non-NFRD companies differ highly

Source: EBA statistics and issuer information
Corporate Sustainability Reporting Directive (CSRD)

More than reporting on taxonomy compliance alone


One of the key changes introduced by the CSRD is that it expands the NFRD reporting requirements to all large companies and listed SMEs, with the exception of micro-enterprises. CSRD companies will have to report according to the European Sustainability Reporting Standards (ESRS), for which a draft version has been developed by European Financial Reporting Advisory Group (EFRAG) in November 2022. The European Commission is expected to adopt the first set of standards by mid-2023.
**European Sustainability Reporting Standards (ESRS)**

EFRAG published the first set of 12 ESRS in November 2022

### Cross-cutting standards

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### Topical standards

#### Environment

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<td>Resource use &amp; circular economy</td>
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#### Social

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<th>Own workforce</th>
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<td>Workers in the value chain</td>
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<td>Affected communities</td>
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<td>ESRS S4</td>
<td>Consumers &amp; end-users</td>
</tr>
</tbody>
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#### Governance

| ESRS G1 | Business conduct |

### Sector specific standards

*yet to be developed*
ESG disclosures

Quantitative disclosures

Disclosures on climate change transition risk

Disclosures on climate change physical risk

Information on mitigation actions

1. Credit quality exposures by sector
2. Energy efficiency immovable property
3. Alignment on scope 3 emissions
4. Exposures to top 20 carbon-intensive firms

1. Green Asset Ratio (GAR)
2. Banking book Taxonomy Alignment Ratio (BTAR)
3. Other climate change mitigation actions

Qualitative disclosures

1. Environmental risk
2. Social risk
3. Governance risk

Who: Large institutions with securities traded on a regulated market in any of the EU member states
When: From 28 June 2022: first disclosures early 2023 for FY2022, and semi-annually thereafter

Unlike the GAR (January 2024), the BTAR (June 2024) includes exposures to non-financial corporations not subject to NFRD disclosure requirements (eg SMEs and other non-NRFD companies). Banks have flexibility to disclose on a best efforts basis. They can collect information on a bilateral basis through the lending process, use estimates or use EPC labels/top 15% metric for commercial real estate.

The GAR is anticipated to remain leading to performance.

Based on EBA final draft implementing technical standards on prudential disclosures on ESG risks in accordance with CRR Article 449a, January 2022