

#oneshot#8#pillar3esg

PILLAR 3 ESG

- USE CASE : CREDIT AGRICOLE -

“

Institutions need to comply with the binding Pillar 3 disclosure standards, which the ECB will closely scrutinize. In 2023, the Significant Institutions within the scope of application of the EBA ITS will be required to disclose information with reference date 31st of December 2022. While it could be observed that a number of institutions have already disclosed information relevant in the context of the ITS, such as portfolio alignment metrics and exposures to specific sectors, the overall level of disclosures demonstrates low preparedness.

”

ECB Report – April 2023 – “The importance of being transparent”





BACKGROUND



The European Banking Authority has published a final draft Implementing Technical Standards (ITS) on Pillar 3 prudential disclosures of Environmental, Social and Governance (ESG) risks.

1 QUALITATIVE ESG DISCLOSURES

- Governance, Business Model, Strategy and Risk Management
- Exposures to ESG risks

2 QUANTITATIVE ESG DISCLOSURES

- Exposures to :
 - Physical risks
 - Transition risks

Physical risks are the risks of negative financial impact on the institution stemming from the current or prospective impact of the physical effects of environmental actors on its counterparties or invested assets

Transition risks are the risks of any negative financial impact on the institution stemming from the current or prospective impacts of the transition to an environmentally sustainable economy on its counterparties or invested assets

3 GREEN RATIOS

- GAR : Green Asset Ratio
- BTAR : Banking Book Taxonomy Alignment Ratio

PHASED-IN APPROACH

28 June 2022

Requirements come into force

31 December 2022

First Reference date for disclosures

June 2023

Semi-annual disclosures

28 June 2024

Disclosure of GHG emissions Scope 3

Alignment metrics disclosures

Green Ratios calculation*

*Green Asset Ratio will start to apply in 2024 as end of 2023 and BTAR will apply from June 2024



QUALITATIVE DISCLOSURES

1

Qualitative disclosures are expected to complement quantitative disclosures and have to be described through three aspects : governance, business model and strategy and risk management.



BUSINESS MODEL AND STRATEGY

Integration of (ESG) factors and risks; objectives, targets and limits to address (ESG) risks in different time horizons and including in terms of EU Taxonomy alignment; policies and procedures relating to engagement with customers

GOVERNANCE

Role of the management body in relation to (ESG) risk management; integration of (ESG) factors and risks in organizational structure; measures, role of committees, allocation of tasks/responsibilities; lines of reporting and remuneration

RISK MANAGEMENT

Integration of (ESG) factors and risks; processes to identify/monitor (ESG) risk sensitive sectors and exposures; tools to identify (ESG) risks on capital and liquidity; data availability and accuracy; limits and controls; stress test and scenario analysis



QUANTATIVE DISCLOSURES



2

10 Quantitative disclosures covering exposure to transition and physical risks, and mitigating actions
- Details in appendix 1 -

BANKING BOOK	TRANSITION RISK		T1	CREDIT QUALITY OF EXPOSURES BY SECTOR, EMISSIONS AND RESIDUAL MATURITY			
			T2	LOANS COLLATERALIZED BY IMMOVABLE PROPERTY - ENERGY EFFICIENCY OF THE COLLATERAL			
			T3	ALIGNMENT METRICS TO IEA SCENARIO			
			T4	EXPOSURES TO TOP 20 CARBON-INTENSIVE FIRMS			
	PHYSICAL RISK		T5	EXPOSURES SUBJECT TO PHYSICAL RISK			
			T6	SUMMARY OF GREEN ASSET RATIO KPIS			
	MITIGATION ACTIONS	RATIOS	GAR	T7	MITIGATING ACTIONS: ASSETS FOR THE CALCULATION OF GAR	T8	GREEN ASSET RATIO (%)
				T9	MITIGATING ACTIONS: BANKING BOOK TAXONOMY ALIGNED RATIO (BTAR)		
		OTHER MITIGATION ACTIONS		T10	OTHER CLIMATE CHANGE MITIGATING ACTIONS THAT ARE NOT COVERED IN THE EU TAXONOMY		

Based on

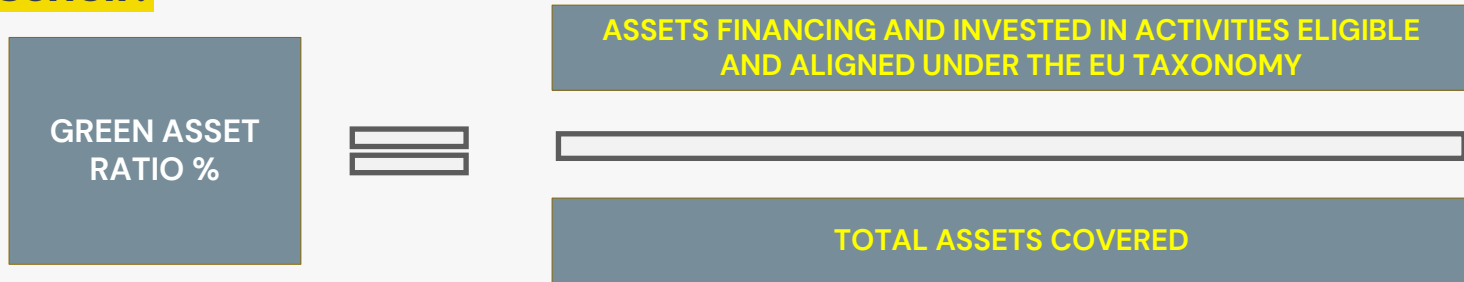


GREEN RATIOS

3

The Green Asset Ratio is an indicator for measuring the proportion of Taxonomy*–eligible and aligned on-balance-sheet bank exposure in relation to the total assets.

In a nutshell?



If you want more information about the EU Taxonomy



If you want more information about Green Asset Ratio and the Banking Taxonomy Aligned Ratio





CREDIT AGRICOLE USE CASE

The use case highlights the main key points of the Credit Agricole Pillar 3 ESG Report.

Click [here](#) to consult the detailed report :

- Qualitative Templates : P.487
- Quantitative Templates : P.512



TEMPLATE I : CREDIT QUALITY EXPOSURES (TRANSITION RISK)

SECTORS THAT HIGHLY CONTRIBUTE TO CLIMATE CHANGE	EXPOSURE	AVERAGE MATURITY (Years)
A - AGRICULTURE, FORESTRY AND FISHING	5,4 BN€	6,6
B - MINING AND QUARRYING	9,1 BN€	2,3
C - MANUFACTURING	60 BN€	2,3
D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPL	21,2 BN€	4
E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	1,5 BN€	5,1
F - CONSTRUCTION	9 BN€	3,3
G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	35,5 BN€	3,3
H - TRANSPORTATION AND STORAGE	23,9 BN€	4
I - ACCOMMODATION AND FOOD SERVICE ACTIVITIES	7,8 BN €	4,6
L - REAL ESTATE ACTIVITIES	35 BN€	8,6



TEMPLATE II & IV (TRANSITION RISKS)

Gross carrying amount of loans secured by commercial and residential real estate and foreclosed real estate collateral by Energy Efficiency Performance (EPC) Label

TEMPLATE II : CREDIT QUALITY EXPOSURES BY IMMOVABLE PROPERTY EPC LABEL

EXPOSURE (BN€)	A	B	C	D	E	F	G	Without EPC Label
TOTAL EU AREA	1,4	1,4	2,3	3,8	3	2,5	2,7	128,6
TOTAL NON-EU AREA	0,081	0,173	0,234	0,215	0,024	0,003	0,005	7,3

Institutions report aggregate exposures to a maximum of 20 counterparties from amongst the top 20 corporate carbon emitters in the world. The Climate Accountability Institute's list was selected.

TEMPLATE IV : EXPOSURE TO THE 20 LARGEST CARBON-INTENSIVE CORPORATE

TOTAL EXPOSURE	GROSS CARRYING AMOUNT TOWARDS THE COUNTERPARTIES COMPARED TO TOTAL GROSS CARRYING AMOUNT	NUMBER OF COUNTERPARTIE
7,8 BN€	0,6%	13



TEMPLATE V : EXPOSURES SUBJECT TO PHYSICAL RISK

SECTORS - GEOGRAPHICAL AREA : France

(other templates are respectively dedicated to European Union excl. France and Excluding Union European)

	EXPOSURE	OUT OF WHICH SENSITIVE TO CHONIC CLIMATE EVENTS	OUT OF WHICH SENSITIVE TO ACUTRE CLIMATE EVENTS
A - AGRICULTURE, FORESTRY AND FISHING	1,3 BN€	0,1 BN€	0,1 BN€
B - MINING AND QUARRYING	0,7 BN€	0,021 BN€	0,025 BN€
C - MANUFACTURING	13,1 BN€	0,4 BN€	0,5 BN€
D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPL	4,5 BN€	0,1 BN€	0,2 BN€
E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0,4 BN€	0,01 BN€	0,01 BN€
F - CONSTRUCTION	4,7 BN€	0,2 BN€	0,3 BN€
G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	17,3 BN€	0,8 BN€	0,9 BN€
H - TRANSPORTATION AND STORAGE	4,9 BN€	0,1 BN€	0,2 BN€
L - REAL ESTATE ACTIVITIES	13,4 BN€	0,7 BN€	0,8 BN€
LOANS COLLATERALISED BY RESIDENTIAL IMMOVABLE PROPERTY	91,1 BN€	0,4 BN€	0,4 BN€
LOANS COLLATERALISED BY COMMERCIAL IMMOVABLE PROPERTY	12,2 BN€	0,04 BN€	0,3 BN€
REPOSSESSED COLLATERAL	0	0	0
OTHER RELEVANT SECTORS	491,2 BN€	24,8 BN€	28 BN€



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BlueWings obtained an Ecovadis silver medal in 2023 for its CSR performance



APPENDICES



APPENDIX I

TRANSITION RISK

PHYSICAL RISK

MITIGATION ACTIONS

	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10
	CREDIT QUALITY OF EXPOSURES BY SECTOR. SCOPE 3 EMISSIONS. MATURITY BUCKETS	LOANS COLLATERALISED BY IMMOVABLE PROPERTY – BY EPC	ALIGNMENT METRICS ON RELATIVE	IN THE BANKING BOOK TO TOP CARBON-INTENSIVE	EXPOSURES SUBJECT TO PHYSICAL RISK	GAR			BTAR	OTHER CLIMATE CHANGE MITIGATION ACTIONS
	The purpose is to show information on those assets more exposed to the risks that institutions may face from the transition to a low-carbon and climate-resilient economy	Includes information on the distribution of real estate loans and advances and of repossessed collateral, by energy consumption and by EPC label of the collateral	The purpose is to show information on institutions' scope 3 emissions in relative terms, depending on the sector of the counterparty and based on alignment metrics defined by the IEA for different sectors	The purpose is to show institutions' exposures towards the top 20 carbon-intensive companies in the world	Provides information on exposures in the banking book towards non-financial corporates, on loans collateralized with immovable property and on repossessed real estate collateral that are exposed to chronic and acute climate-related hazards	<p><u>TEMPLATE 6</u> provides an overview of the KPIs calculated on the basis of templates 7 and 8.</p> <p><u>TEMPLATE 7</u> includes necessary information for the calculation of the GAR as defined by the COM DA.</p> <p><u>TEMPLATE 8</u> includes information on exposures included in Template 7 and includes information on the GAR of the institution</p>			Institutions must provide additional and separate information on the level of alignment of exposures towards non-financial corporates not subject to NFRD disclosure obligations	The purpose of this template is to provide information on other actions put in place by the institution to mitigate climate-change-related risks

CONTENT

Reference date disclosures

- **December 2022**
- **December 2023** : Exposures qualified as environmentally sustainable (Climate Change Mitigation objective)*
- **June 2024**: Scope 3 GHG emissions

December 2022

June 2024

- **December 2022**
- **December 2023** : Exposures qualified as environmentally sustainable (Climate Change Mitigation objective)*

December 2022

December 2023

June 2024

December 2022

* For exposures included in the numerator of the GAR and end of June 2024 for exposures included in the numerator of BTAR only

APPENDIX II : SOURCES



EBA/ITS/2022/01

24 January 2022

Final Report

Final draft implementing technical standards

on prudential disclosures on ESG risks in accordance with Article 449a CRR

