Pills

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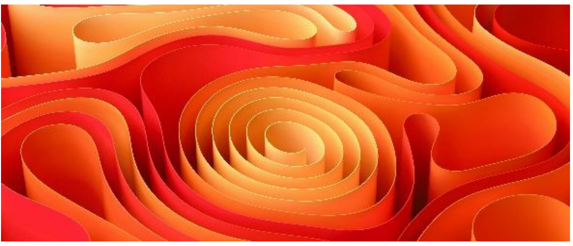

TOPICS:

Pillar3

SOURCE:

European Banking Authority

EBA Updates Pillar 3 Disclosure Requirements on ESG Risks, Equity and Shadow Banking Exposures, as Part of Simplification Effort

- The EBA has issued **draft amendments to the Pillar 3 disclosure framework under CRR3**, updating disclosure requirements for **ESG risks, equity exposures and aggregate exposures to shadow banking entities**. The proposal extends ESG disclosure obligations from large listed banks to all institutions, while applying proportionality based on size and complexity. Small and non-complex institutions (SNCIs) will face significantly reduced disclosure requirements.
- A key objective is **regulatory simplification**. The EBA has streamlined ESG reporting templates, removed disclosures related to the Green Asset Ratio (GAR) and Banking Taxonomy Alignment Ratio (BTAR) and reduced reporting requirements for large institutions by approximately 37% in terms of data points. The framework also incorporates the updated NACE Rev. 2.1 sector classification and clarifies existing disclosure requirements based on industry feedback and supervisory experience.
- The revised **ESG framework** requires institutions to provide information on environmental, social and governance risks, including climate transition and physical risks, fossil-fuel exposures and the integration of ESG risks into governance, strategy and risk management processes. The EBA has sought alignment with Basel Committee climate-disclosure recommendations and EU sustainability reporting frameworks while avoiding duplication of requirements.
- The standards are expected **to apply from 31 December 2026**, with SNCIs receiving an additional year, until 31 December 2027, to implement the new requirements.