

 **Asset** Impact | **esgbook**

**Consultation
draft update**

EBA Pillar 3

A Practical Guide

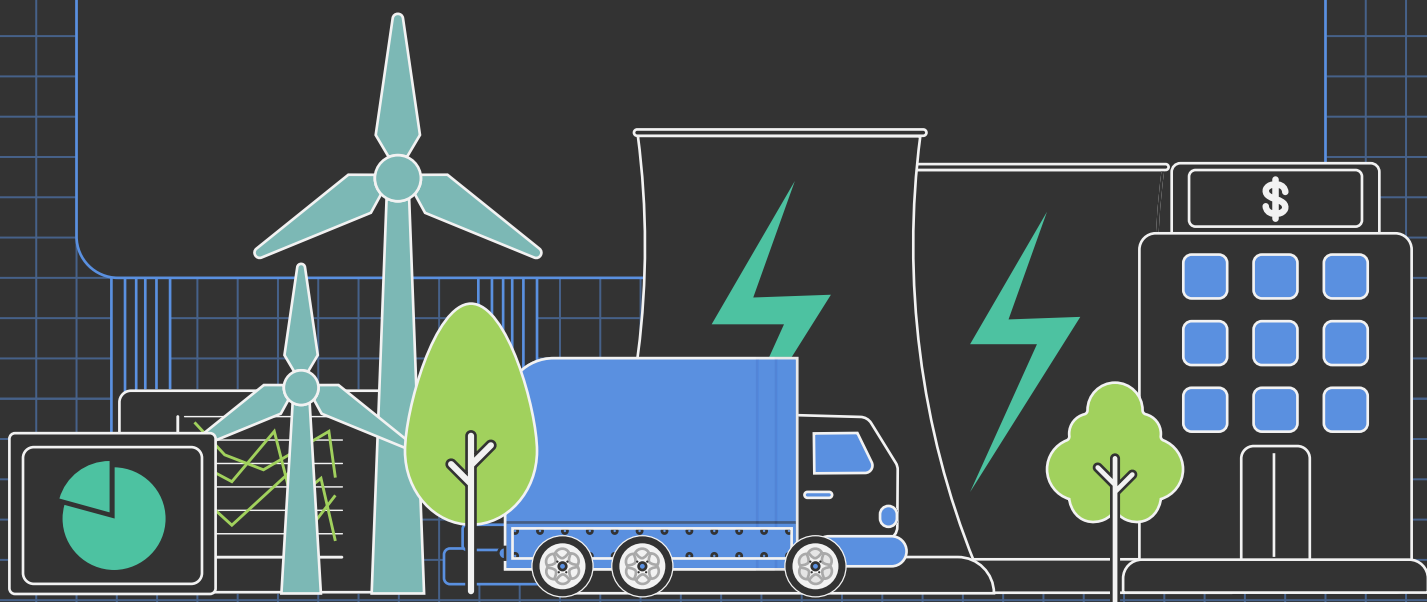


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About Asset Impact

Asset Impact delivers asset-based data and analytics for the financial sector to assess climate impact, with a focus on energy-intensive sectors. It links portfolios to the real economy via asset-based indicators linked to companies and securities.

The database spans 300,000+ assets tied to 70,000+ public and private companies across 13 high-emitting sectors, covering 75%+ of global GHG emissions. It includes historical and current emissions, CapEx plans, and commissioning/decommissioning schedules through 2030.

Since 2022, Asset Impact has been a suite of products offered by GRESB, a mission-driven and industry-led organization that provides standardized and validated sustainability data to financial markets. Established in 2009, GRESB has become the leading sustainability benchmark and insight provider for real assets investments globally.

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About ESG Book

ESG Book powers financial markets with the insight needed for a more sustainable future. By seamlessly integrating sustainability data with an advanced disclosure platform, we enable financial institutions and corporates to share and interpret mission-critical information.

Established in 2018, ESG Book's cloud-based solutions are trusted by the world's largest banks, corporates, investors, and consultants to navigate the complexities of sustainability with precision and efficiency.
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ESG Book and Asset Impact are proud to partner to provide a joint solution for calculating financed emissions, which helps our clients maximise portfolio coverage and data quality at the same time.

What's **new** in the revised Guide

In May 2025, the European Banking Authority (EBA) issued a consultation on an updated set of draft Implementing Technical Standards (ITS) under the Pillar 3 framework.

In this fully revised and updated edition of the Practical Guide to EBA Pillar 3 ESG Reporting, ESG Book and Asset Impact take a close look at the revised proposals and changes to reporting templates with a view to understanding what this means for different types of institutions and their ability to access the data on which the disclosure requirements rely.

Let's take a look at what has changed between the consultation drafts.

1. Scope

The previous EBA Pillar 3 guidance applied to banks listed in the EU as well as systemically important financial institutions (SIFIs). The revised proposals are set to apply from 31 December 2026 to a broader set of financial institutions than are covered by the regulations already in force today.

Including SIFIs, about 100-120 large institutions have been reporting since the 2022 financial year across the full range of quantitative and qualitative ESG disclosure requirements. This includes the Green Asset Ratio (GAR), Banking Book Taxonomy Alignment Ratio (BTAR), quantitative and qualitative risk management disclosures.

In the updated drafts, Pillar 3 disclosure requirements are extended to cover large unlisted financial institutions, a broader group of listed institutions, small and non-complex institutions (SNCIs), and large subsidiaries.

What's new:

- ❖ Large listed banks and SIFIs are required to provide Capital Requirements Regulation 3 (CRR3) updates by 31 December 2026. Until then, they will continue reporting under the existing framework for Templates 1-5, while submissions against Templates 6-10 are suspended until 2027.

- ❖ Several hundred non-SIFI listed institutions and large subsidiaries are now required to report starting in 2027 under the extended CRR3 ESG scope. The disclosures are similar to those already made by SIFIs, with some 'proportional' adjustments. They are more focused on the EU Taxonomy and climate risk than on GAR and BTAR.

- ❖ Thousands of less significant institutions (LSIs) will also be required to report starting in 2028-29, with the final scope of the requirements pending confirmation of the EBA's proportionality framework and finalisation of CRR3 Regulatory and Technical Standards. Disclosures for these smaller institutions are expected to be proportional and simplified, emphasising core climate risk metrics and a robust qualitative ESG narrative.

- ❖ The amended Pillar 3 framework also incorporates a future-proofing mechanism: all disclosure templates are automatically connected to, and reference, subsequent updates of the EU Taxonomy Delegated Acts (climate and environmental). This ensures that reporting remains aligned with the most current version of the Taxonomy without requiring further structural revisions to the templates.

2. Template Revisions

The EBA draft also introduce a series of changes to the set of ten disclosure templates around which this guide is structured.

What's new:

Template 1 (Transition and Physical Risk)

- ✦ NACE codes update to Revision 2.1
- ✦ More granular coverage of fossil fuels and agriculture
- ✦ Addition of Scope 1 and 2 financed emissions in addition to total emissions and Scope 3. New metrics on the use of proxy data, consistent with the PCAF methodology.
- ✦ Addition of new sub- template 1A on Physical Risk

Template 2 (Real Estate)

- ✦ New guidance for covered bonds and energy performance (including Energy Performance Certificate labels derived from proxies)
- ✦ Clarification of the structure and use of estimated data points, with some ambiguity remaining over estimated and actual scores.

Template 3 (Alignment)

- ✦ Enhanced focus on forward-looking, intensity-based GHG targets.
- ✦ Now requires disclosures for baseline year, 2030 targets and post-2030 targets where they exist

Template 5 (Physical Risk)

- ✦ The distinction between 'chronic' and 'acute' risks has been replaced by four hazards (temperature, wind, water and solid mass) more closely aligned with EU regulations.
- ✦ Top 10 regional exposures are now required, using Nomenclature of territorial units for statistics (NUTS) regional classifications, with explanation of the methodology used.

Templates 6-10 (GAR, BTAR)

Note: These templates are suspended until 2027, but some changes are expected before they come back into force:

- ✦ They now cover all six environmental objectives under the EU Taxonomy framework
- ✦ Simplification eliminates 90% of data points
- ✦ Materiality threshold of 10%, based on Omnibus proposals, is introduced.
- ✦ Non-CSR companies are now removed from the GAR denominator
- ✦ GAR and BTAR templates are harmonised with the EU Taxonomy regulations.

01

The Data Challenge Of **EBA Pillar 3** Reporting

The European Union (EU) has set itself an ambitious challenge in leading the global transition to a sustainable future. Delivering the massive capital flows that the corresponding real economy transformation requires depends heavily on the banking sector. With climate risks intensifying and climate impacts moving quickly from the hypothetical to the very real, regulators are increasingly focused on ensuring banks' resilience to future financial challenges and facilitating their participation in leading Europe towards net zero greenhouse gas emissions.

The initial Pillar 3 disclosure requirements set by the EBA for large listed and systemically important financial institutions were implemented to help generate the clear and consistent data necessary for understanding how climate change affects banking operations, financial performance, and risk profiles—and to steer prudential policy accordingly.



The problem is, climate data disclosed by companies is anything but clear and consistent.

Faced with incomplete and incomparable data from the counterparties they lend to, banks are using proxies, averages, and statistical interpolation to address data gaps, particularly for unlisted and emerging market counterparties. This isn't just a problem for regulators looking for a clear view into banks' climate risk exposures; it also presents difficulties for banks seeking to use the same data to set robust climate targets or to integrate climate into their risk management frameworks.

The financial materiality of climate and sustainability is already driving the centralization of data sources to serve multiple functions across banks, ranging from regulatory compliance to target-setting, portfolio steering to client engagement, and exclusion policies to scenario analysis.

And with regulatory burdens continuing to grow, the shift towards scalable and technology-driven data solutions is becoming more urgent. The Pillar 3 data requirements are demanding, and most banks continue to rely on sectoral averages and estimates as lowest common denominators.

In today's climate data landscape, the right data sources can deliver both quality and regulatory alignment. In this in-depth guide, Asset Impact and ESG Book team up to provide banks with a path to integrating granular, comprehensive and consistent data sources into their Pillar 3 disclosures. We explain how the powerful combination of asset-based and entity-level indicators can dramatically reduce the need to compromise between Pillar 3 compliance and robust data.

Our aim is to equip Pillar 3 disclosure teams to report against EBA Pillar 3 regulations with clarity and confidence that the data sources they are using are robust and internally consistent enough to monitor climate risks and opportunities across risk, compliance, corporate responsibility and front office functions.

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What Is EBA Pillar 3?

The Pillar 3 reporting requirements serve as a key building block in the EU's broader ambition to create a resilient financial sector. The regulations exist in tandem with the broader EU Sustainable Finance regulatory framework (including the EU Taxonomy, SFDR and CSRD) and form a key component of the Basel III regulatory framework established in the wake of the 2007-8 financial crisis. Covering transparency and market discipline topics, the wider regulations span a range of reporting requirements relating to capital adequacy and risk management and exposure.

ESG topics, and climate change in particular, play a prominent role within the overall Pillar 3 framework. The ESG-related components of EBA Pillar 3 disclosures became mandatory for large banks with an EU presence in 2022, and for some smaller institutions in 2024, to allow additional time to prepare. With the rules now fully in place, regulated banks are required to submit disclosures annually. Among the changes proposed in the May 2025 update is the inclusion of additional small and unlisted institutions within the scope of the regulations to varying degrees.

The Pillar 3 disclosures cover topics including transition risks, physical risks, risk management practices, scenario analysis, and stress testing. The EBA regulations also feature the 'Green Asset Ratio' (GAR) and its twin 'Banking Book Taxonomy Alignment Ratio' (BTAR), which measure the share of bank assets and lending, aligned with the EU's Sustainable Finance Taxonomy. In the 2025 update, requirements to report GAR and BTAR are suspended until 2027.

In addition to providing qualitative descriptions of their overall ESG-related risk management and decision-making processes, banks subject to EBA Pillar 3 must disclose detailed quantitative information on climate-related risk exposure. The data requirements are laid out across 10 templates, which are intended to standardize and enhance the transparency of disclosed information. The second half of the templates (numbers 6-10) are those against which reporting is suspended until 2027.

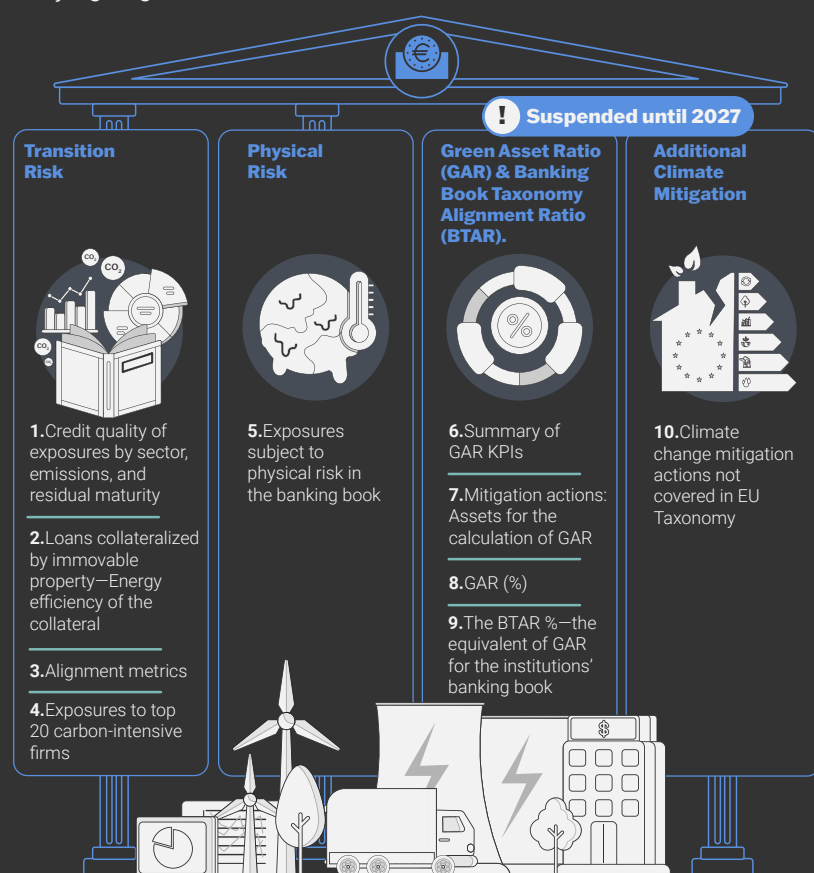


Figure 1. EBA Pillar 3 templates: an overview



REGULATORY UPDATE

The GAR requirements for banks were clarified under the EU Commission's Omnibus Proposal on 26 February 2025, which at the time of writing is still subject to full legislative approval by EU institutions. Under the proposals, banks can exclude exposures related to companies that do not fall under the scope of the Corporate Sustainability Reporting Directive (CSRD), i.e., companies with fewer than 1000 employees, and less than €450 million turnover. If the proposals pass legislative approval, banks' GAR calculations will omit exposures to non-CSRD companies, potentially boosting GAR figures for banks by excluding some non-aligned assets. It is also worth noting that under the EU's 'Stop-the-Clock' Directive, banks have additional time before full GAR reporting resumes (as of 2026, covering FY2025). In practice, this means that the proposed changes under the Omnibus package — such as excluding exposures to non-CSRD companies from GAR calculations — would only apply once full GAR disclosures are reinstated.

¹Commission simplifies rules on sustainability and EU investments, delivering over €6 billion in administrative relief. https://ec.europa.eu/commission/presscorner/detail/en/ip_25_614

Why Is EBA Pillar 3 Reporting So Challenging?

CURRENT CHALLENGES

- ✕ Poor data availability and inconsistency especially among unlisted firms
- ✕ High resource demand, particularly on smaller banks

The Pillar 3 regulations require banks to collect high-quality structured data at the counterparty-level, and conduct a range of classification exercises and calculations on this data to arrive at the final disclosures.

Not only is this data very difficult to obtain from corporate reported data alone, the time and resources required to gather, standardize, audit, and report against Pillar 3 regulations are noticeable even for larger banks. For smaller banks and those with limited resources that completed their first EBA Pillar 3 disclosure in 2024, they can be very significant. The 2025 updates to the regulations simplify disclosures for smaller institutions

in recognition of their more limited capacity to collect the detailed information required of large institutions such as SIFIs.

And there's more: unlike institutional and retail investors, many of the companies banks lend to are unlisted firms that do not reliably disclose information such as greenhouse gas emissions, emissions intensities, or vulnerability to extreme weather events. The companies that do report these metrics tend to do so in aggregate, inconsistently, and with limited transparency on their methodological approach to counting emissions and consolidating them across subsidiaries, which limits the comparability of the disclosures.

As an EBA-regulated bank, what are my options?

The limited consistency, availability and granularity of company reports results in significant data gaps and questionable accuracy. Banks find themselves working with imperfect, aggregated and often internally inconsistent data, either reported by companies, or estimated by third parties from various forms of statistical inference.

But rather than relying solely on company disclosures, what if it were possible to build a bottom-up, transparent and comprehensive picture of the companies and associated emissions underlying any banking book?

Asset-based data and analytics from Asset Impact are trusted by top-tier banks including Barclays, TD Bank,

BBVA, ING and BNP Paribas—and by the European Central Bank itself². By combining this bottom-up information with comprehensive corporate data from ESG Book across its EU Taxonomy Dataset, Standardized & Derived Metrics, and Emissions Dataset solutions already being used by JP Morgan, HSBC, Citi and Bank of America,³ banks can use the best of both data worlds to reach optimum coverage. For the first time, banks can not only generate more accurate and detailed asset-based metrics for their clients; they can also map the corresponding exposures directly to EU Taxonomy activities and criteria.

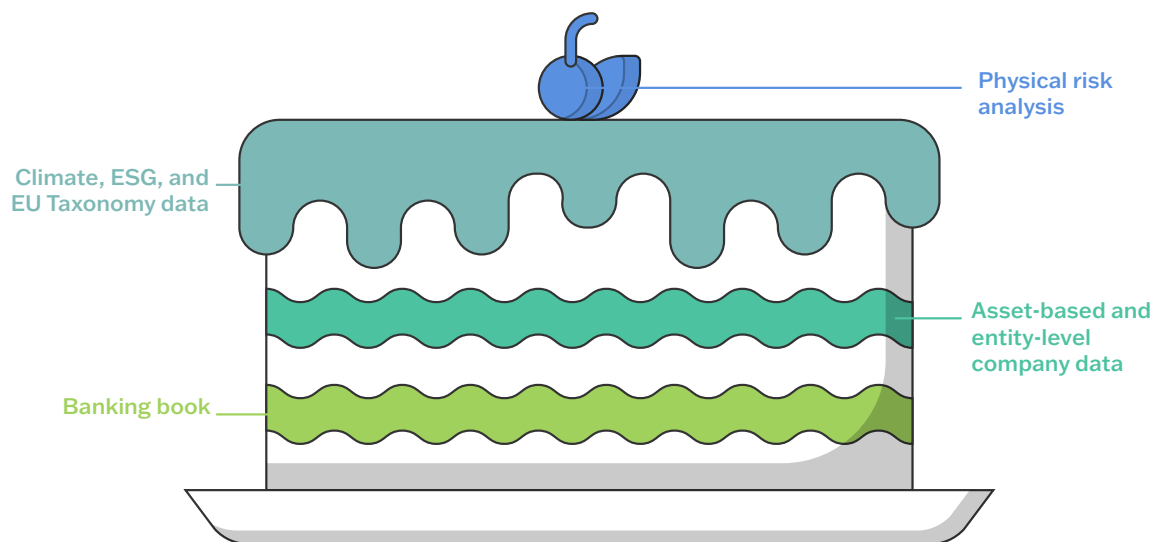


Figure 2: The four key components of EBA Pillar 3 data requirements

The dataset applies asset-specific emissions methodologies consistently across every company, and does not rely on disclosures. This means that banks can apply company-specific physical emissions intensity metrics rather than relying on sectoral averages. As Figure 2 demonstrates, using company-specific physical emissions intensities can represent a dramatic improvement over using sectoral averages, especially for the absolute emissions calculations and alignment metrics required by the EBA Pillar 3 templates.

² See the ECB's 2024 report, '[Risks from misalignment of banks' financing with the EU climate objectives](#)'.

³ ESG Book's dataset covers around 27% of the total datapoints across the EBA Pillar 3 templates. If excluding datapoints that are only obtainable through banks' internal lending data or otherwise fall outside of scope, coverage rises to 42% of externally sourced datapoints.

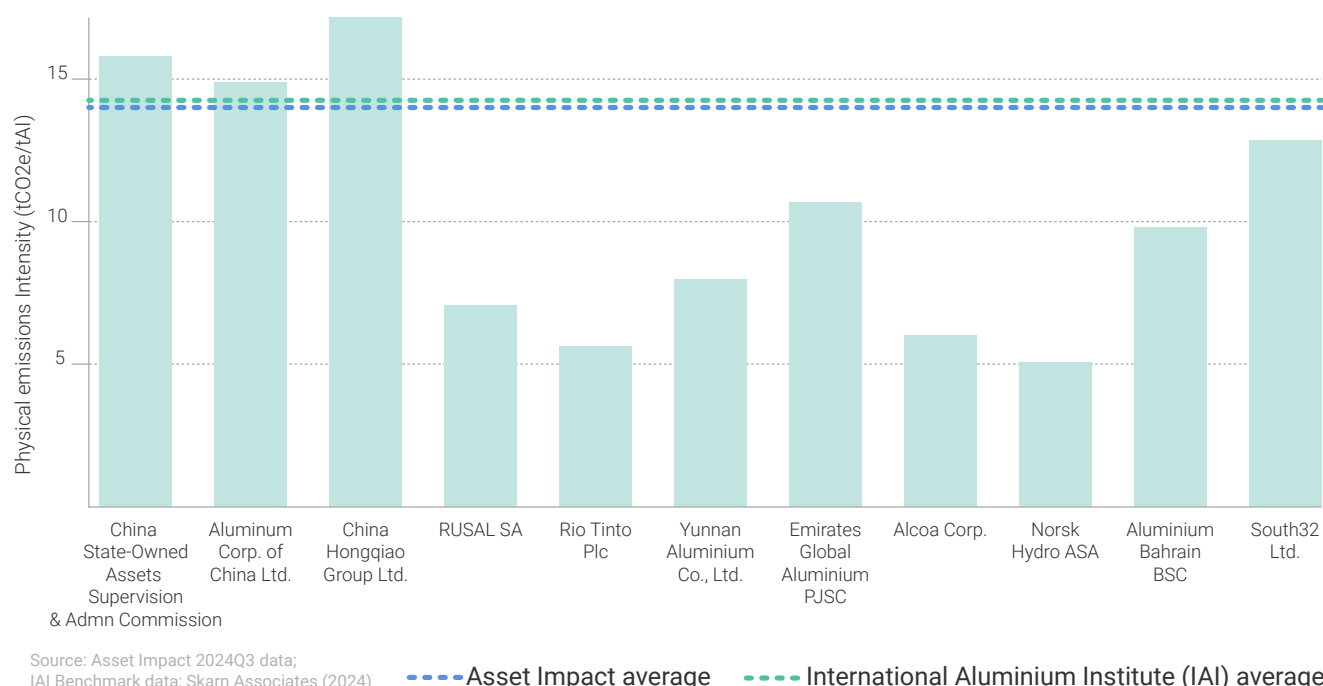


Figure 3. Average physical emissions intensity of top 10 largest aluminium producers, compared to sector averages (tCO₂e/t aluminium)

To complement asset-based data points and fill gaps in sectoral coverage, ESG Book's 'LEO' disclosure data utility combines the strengths of a centralised database of publicly available data with real-time information reported directly to the platform by counterparties, enabling banks to move beyond static annual reports in completing their EBA Pillar 3 disclosures while also mitigating greenwashing risks and closing temporal lags between financial and sustainability reporting. ESG Book's EU Taxonomy dataset, tailored to EBA Pillar 3 requirements, transparently maps data from over 2,000 public companies to the EU taxonomy categories required to calculate GAR.

Combining the depth and specificity of asset-based data with ESG Book's corporate-level EU Taxonomy and Climate analytics datasets provides banks with the flexibility and transparency they need both to complete the EBA Pillar 3 templates and to fulfil a range of other climate-related use cases.

Whether the application is to calculate financed emissions, assess companies' alignment with different transition scenarios, or assess the physical risk exposure of underlying assets—all of which are part of the Pillar 3 requirements—Asset Impact and ESG Book can help banks to improve the quality of their disclosures and ease their reporting burden at the same time.

02

Your EBA Pillar 3 Disclosures:

An Asset-Based Cookbook

The EBA Pillar 3 templates begin with a request for qualitative information on how banks manage Environmental, Social, and Governance-related risks respectively. This is followed by ten quantitative templates requiring a combination of raw data weighted by exposure, analytics based on that data, and mapping to EU taxonomy categories based on NACE codes. Calculating the required metrics in each case is often a multi-step process, but with a combination of Asset Impact's asset-based data and ESG Book's entity-level data and comprehensive EU Taxonomy mapping tools, it can be broken down into manageable, robust steps.

At first glance, the raw data requirements, which are split across Templates 1-5 at least until 2027 when the suspension of reporting against Templates 6-10 is expected to end, appear daunting. Not all bank counterparties report their emissions, especially private

companies not compelled to disclose by legislation or stock exchange listing rules. Even fewer report production figures reliably enough to calculate the physical emissions intensities required by Templates 2 and 3. For disclosures under Template 5—physical risk—banks need location-specific data on companies' assets to assess exposure to acute and chronic risks.

The corporate emissions data industry exists in large part to meet these needs but tends to rely on a combination of backward-looking corporate disclosures complemented by statistical estimates to fill data gaps. The physical risk data industry, meanwhile, typically requires banks to know the locations of all their counterparties' assets, information that most banks simply do not have. By contrast, the asset-based approach is comprehensive by design and based on geolocated assets.

Getting Started: Qualitative Data

The first three tabs of the disclosure template requires banks to explain qualitatively how they are appropriately managing risks associated with regulatory changes driven by climate policy and related targets. In some cases, policy expectations can be derived from explicit provisions in domestic or EU law, or from the results of specific legal cases.

Banks are also required to explain their strategies for managing the risks of rapid, potentially disruptive technological shifts that may be policy-driven but also result from breakthroughs in the availability and affordability of clean technologies relative to high-carbon incumbents. These can include growth in dispatchable renewable power increasingly replacing gas, and electric vehicles replacing the internal combustion engine and associated demand for refined oil products such as diesel and gasoline.

Templates 1-4 Transition Risk

Overview

Transition risk in this context refers to banks' exposures to firms or assets at risk of losing some or all of their value—or even becoming liabilities—as a result of changes associated with the global transition to net zero. The most obviously risky exposures are to companies whose long-term business model depends on high-carbon activities, but there are more subtle cases, such as consumer goods companies that rely on plastic supplies, or agribusiness enterprises that use huge quantities of fertiliser produced with natural gas-based ammonia. Different sectors can be affected in many ways by more stringent climate policies, accelerating technological change and, increasingly, legal and reputational risks.

To gauge the extent and nature of the transition risk that a bank is exposed to, regulators need to understand how a bank's balance sheet is linked to greenhouse gas-reliant companies, including the relative emissions intensity of the companies they lend to and how this compares to independent sectoral decarbonization scenarios.

They need to know how a bank's exposures look when broken down by sector and emissions (Template 1), energy efficiency (Template 2), decarbonization scenario alignment (Template 3) and exposure to the top 20 super-emitters (Template 4).

Template 1 ('Credit quality of exposures by sector, emissions and residual maturity') groups exposures by the main economic activities in which counterparties are engaged according to the NACE classification

system (Revision 2.1). The template lists 55 categories designated as "sectors that highly contribute to climate change"; in other words, activities and technologies that are currently greenhouse gas intensive in one way or another. The newly introduced Template 1A assesses, for some of these exposures, sensitivity – using NUTS geographic zone classifications – to physical risks.

Template 2 ('Loans collateralized by immovable property—Energy efficiency of the collateral') effectively asks banks to report the energy efficiency of their mortgage portfolios. The key requirements are data (actual or estimated) on energy consumption per unit area; and Energy Performance Certificate (EPC) labelling where it is available (otherwise estimated using suitable proxies).

Template 3 ('Alignment metrics') takes a closer look at bank exposures' forward-looking alignment with external emissions intensity targets for key carbon-intensive sectors, including power, fossil fuel combustion, automotive, aviation, maritime transport, cement, steel and chemicals (all of which are covered by Asset Impact). Alignment metrics differ by sector. Banks must choose from several possible metrics used by the IEA, then measure how far away they are from the IEA's NZE scenario, and the corresponding medium-term and long-term targets that would bring them in line with the NZE trajectory.

Template 4 ('Exposures to top 20 carbon-intensive firms') covers counterparty-level exposures to the twenty largest carbon-emitting companies globally, defined as based on "publicly available reputable and accurate information".

How To Report...

Sectoral Alignment Metrics

1 Define your 'alignment metrics'. These can be physical emissions intensities (e.g. tCO₂e/MWh in the power sector), or high-low carbon technology shares (e.g. fossil fuels and renewables in the power sector).

2 Retrieve emissions intensity or technology share datapoints. Use Asset Impact's asset-based Company Indicators dataset to retrieve granular physical emissions intensities and/or high-low carbon technology shares for each counterparty based on their production in (where relevant) the following sectors, for the chosen reference year:

- ✦ Power
- ✦ Oil and gas
- ✦ Automotive
- ✦ Aviation
- ✦ Shipping
- ✦ Cement
- ✦ Steel
- ✦ Coal
- ✦ Chemicals

Use ESG Book's entity-level emissions intensity data, or internal data, to close any remaining coverage gaps.

3 Calculate total carrying amounts by sector in €m per counterparty.

4 Calculate sectoral average physical emissions intensities. Weighted by exposure, calculate the average actual and target physical emissions intensity of the counterparties in each NACE sector for (i) the baseline year; (ii) the reporting year and (iii) the year(s) for which targets exist.

5 Measure the distance between physical intensities and IEA 'NZE2050' scenario values for 2030 (and for later years, where longer-term targets exist) for each NACE sector. Use Asset Impact's Scenario Analytics dataset to calculate the percentage difference between asset-based sector averages and IEA scenario values for the emissions intensity of exposures to high-emitting sectors.

Example for a simple portfolio using granular asset-based data versus high-level assumptions.

	POWER		STEEL	
	tCO ₂ e/MWh		tCO ₂ e/t steel	
	COMPANY A	COMPANY B	COMPANY C	COMPANY D
1 Define alignment metrics				
2 Retrieve counterparty emissions intensity data	0.6		1.7	1.9
	0.65		1.4	
3 Calculate total carrying amounts (and % weights)	€10m (25%)	€30m (75%)	€5m (50%)	€5m (50%)
4 Calculate average emissions intensities (reporting year)*	0.5 (25% x 0.2 + 75% x 0.6)		1.8 (50% x 1.7 + 50% x 1.9)	1.8 (50% x 1.7 + 50% x 1.9)
	0.65 (25% x 0.65 + 75% x 0.65)		1.4 (50% x 1.4 + 50% x 1.4)	
5 Measure distance to IEA NZE2050 in 2030**	IEA NZE 2030 Intensity 0.186		IEA NZE 2030 Intensity 1.26	
	Portfolio Intensity = 0.5 Distance = 63%		Portfolio Intensity = 1.8 Distance = 30%	
	Portfolio Intensity = 0.65 Distance = 71%		Portfolio Intensity = 1.4 Distance = 10%	

Results using asset-based data Results using high-level assumptions

* Repeat Steps 2-4 for the baseline year.

** Repeat Step 5 for any other additional targets beyond 2030.

Recipe for Templates 1-4

Transition Risk

Ingredients

- ❖ **Gross carrying amounts and maturities at counterparty level** (€m), including impaired, stage 2 and non-performing.
- ❖ **NACE Codes (Revision 2.1) and EU Taxonomy classifications** (exclusions from EU Paris-aligned benchmarks⁴, classification as 'environmentally sustainable' for climate change mitigation purposes).
- ❖ **List of the 20 largest emitters** of greenhouse gases globally.
- ❖ **Physical activities** (e.g. MWh, tons of steel) at the technology level (e.g. nuclear, solar, gas).
- ❖ **Energy efficiency** (kWh/m²) and Energy Performance Certificate (EPC) ratings, or suitable proxies, for commercial and residential real estate assets used as loan collateral.
- ❖ **Absolute Scope 1, 2, 3 and Total greenhouse gas emissions** (tonnes of CO₂-equivalent) for each counterparty.
- ❖ **Physical emissions intensities** (tCO₂e/unit of activity) for each counterparty in the list of NACE codes listed in Template 3 for baseline and reporting years, and for the year 2030 in the IEA's NZE2050 scenario as well as later years for which targets are set.

Method

- ❖ **Map counterparties** to their corresponding NACE codes and real estate categories defined in Template 2.
- ❖ **Label any emissions data** derived from company-specific reporting
- ❖ **Divide exposures** into:
 - Gross carrying amounts (total, exposures to companies excluded from EU Paris-aligned benchmarks, stage 2 exposures, and non-performing exposures)
 - Accumulated impairment (total, stage 2, and non-performing)
 - Maturities (weighted average, 0-5, 5-10, 10-20, 20+ years)
- ❖ **Calculate** the following:
 - Total financed emissions for each sectoral exposure (Scope 1, 2, 3 and Total)
 - Weighted average energy efficiency and EPC ratings of real estate collateral for each residential and commercial category
 - Weighted average physical emissions intensities and high/low-carbon technology shares by sector, according to the IEA-defined metrics in Template 3.

⁴ This refers to counterparties excluded from the EU Paris-aligned Benchmarks under Article 12 (a)-(c), (2) of the Climate Benchmark Standards Regulation. In addition to firms involved in tobacco cultivation, controversial weapons, environmental harm, and UN Global Compact violations, this includes companies linked directly to the production and use of fossil fuels. Excluded firms are those deriving a certain share of revenue from the exploration, extraction, distribution or refining/manufacturing of hard coal and lignite (1%+), oil fuels (10%+), gaseous fuels (50%+) or electricity producing more than 100gCO₂e/kWh (50%+).

Template 5

Physical Risk

Overview

The material physical risks of climate change include extreme heat and precipitation, extreme weather events, wildfire, drought, and sea level rise. These were previously categorized into chronic (longer-term, ongoing) risks – for instance, companies with low-lying coastal properties – and acute (short-term) risks, such as companies with physical assets in wildfire zones or on flood plains. Chronic risks in particular can be subtle, increasing operating costs for companies that will require more cooling amid higher temperatures, and creating disruption to infrastructure from flooding events temporarily preventing or limiting the effective running of a business.

In the 2025 update, references to chronic and physical risks are replaced by four categories: temperature-, wind-, water-, and solid mass-related hazards.

Template 5 ('Exposures subject to physical risk') implicitly requires information on the physical structures underlying each exposure in order to identify those that are in locations 'sensitive' to physical climate change risks. Information on where companies' assets are located is difficult to obtain at scale and where asset-based data can be particularly helpful. The newly added Template 5A summarizes the detailed information gathered in Template 5.

Recipe for Template 5

Physical Risk

Ingredients

- ✦ **Gross carrying amounts and maturities** (€m), including impaired, stage 2 and non-performing.
- ✦ **NACE Codes** for each counterparty
- ✦ **List of physical assets and locations** for each counterparty

Method

- ✦ **Map counterparties to economic sector** as defined by NACE code
- ✦ **Analyse each physical asset-location combination** for sensitivity to physical climate risks
- ✦ **Identify an appropriate threshold** for labelling a counterparty's overall physical asset base as sensitive to temperature-, wind-, water- and solid mass-related physical risks. Where possible, supplement NUTS 2/3 classification with more granular local hazard data to refine sensitivity assessments.
- ✦ **Aggregate total exposures by sector** that are sensitive to one or more of these four risk categories, divided into:
 - Accumulated impairment (total, stage 2, and non-performing)
 - Maturities (weighted average, 0-5, 5-10, 10-20, 20+ years)

Templates 6-9

GAR and BTAR [Suspended until 2027]

Overview

The GAR essentially measures how aligned banks' exposures are with the EU Taxonomy. Building on the familiar capital adequacy ratio logic used elsewhere within the Basel framework, the GAR is intended to help supervisors understand the relative prevalence of lending to environmentally sustainable and unsustainable activities on banks' balance sheets.

The (optional) BTAR is an extension of the GAR that goes beyond the regulatory boundaries and categories of the EU taxonomy to paint a more holistic picture of the alignment of the entire banking book.

GAR and BTAR bring together two key concepts in European banking regulation: the idea of risk-weighted assets, and the EU Taxonomy for Sustainable Activities, which categorizes economic activities as 'green' or 'non-green' using NACE classification system codes. Labelling assets by risk profile as a means of assessing a bank's financial resilience and the amount of capital it should hold to protect against shocks goes back to at least the 2008 financial crisis and is a well-established prudential tool under the Basel framework.

At a high level, completing the GAR/BTAR templates simply requires matching banks' qualifying (i.e. 'green') assets to activities and categories under the EU Taxonomy and categorizing these into mitigation and adaptation activities. This largely makes use of data already gathered to complete Templates 1-5, since EU Taxonomy classifications are based on NACE codes and augmented with the more detailed information on counterparties' assets and economic activities.

The revisions proposed in May 2025 significantly simplify reporting of individual data points by focusing only on assets within scope of the EU framework, but they also propose reporting against all six EU Taxonomy environmental objectives. While the GAR and BTAR templates are suspended until 2027, the switch to a more holistic approach to environmental impact reporting requires banks to ensure they have adequate EU Taxonomy data capabilities in place well before the templates come back into force.

Template 6 ('Summary of GAR Key Performance Indicators') summarises GAR KPIs at a highly aggregated level, now broken down by all six of the EU Taxonomy's environmental objectives (mitigation, adaptation, water and marine resources, circular economy, pollution, biodiversity and ecosystem) and stocks and flows. It also reports the ratio of GAR-eligible to total assets, to give an impression of how representative the GAR figures are of the bank's total balance sheet.

Template 7 ('Mitigating actions: Assets for the calculation of GAR') contains the required breakdown of:

- ❖ Qualifying GAR assets (in the numerator)
- ❖ Excluded GAR assets such as non-EU corporations or SMEs exempt from the Corporate Sustainability Reporting Directive (CSRD) (added to the denominator)
- ❖ Out-of-scope non-GAR assets (sovereign lending, central bank exposures and the trading book).
- ❖ Off balance-sheet exposures (such as financial guarantees and commitments) for CSRD companies, alongside asset managers' reporting of taxonomy-eligible and taxonomy-aligned assets under management.

Banks already keep detailed records on these exposures, including use-of-proceeds securities like green or sustainability-linked bonds. Each exposure must be mapped to the EU Taxonomy on sustainable activities via NACE classifications. For climate mitigation and adaption respectively, a portion of these assets will be taxonomy-eligible (i.e. in relevant sectors), and a further subset of these are taxonomy-aligned (meeting at least one of the EU's 'environmentally sustainable' criteria while doing no harm to the others and upholding human rights and labour standards). Taxonomy-aligned activities are split into 'substantial contribution' to the six environmental objectives under the EU Taxonomy (mitigation, adaptation, biodiversity, water, pollution prevention and circular economy). Finally, Taxonomy-aligned activities are split into Use of Proceeds, transitional, and enabling activities. As defined by the EU taxonomy, 'transitional activities' can be claimed where no technologically feasible alternatives are available, emissions intensities are best-in-class, and investment in the activities does not raise the risk of carbon lock-in. 'Enabling activities' support other activities in achieving the taxonomy's goals.

Template 8 ('Mitigating actions: GAR (%)') reports the percentage share of GAR assets within each of the categories already identified, and divides them into stocks (assets already on the balance sheet) and flows (assets newly acquired or disposed of). This helps to measure a bank's progress between reporting periods and to measure the share of GAR ratio improvements coming from improved performance of existing exposures, versus changes due to asset disposal or acquisition.

Template 9 ('Mitigating actions: BTAR'), follows the same structure as the GAR templates. It expands the scope of the GAR numerator to include the taxonomy alignment of activities not covered by CSRD regulations, such as unregulated SMEs and non-EU non-financial corporations. It also expands the denominator to include financial derivatives (e.g., swaps, futures, options, and forwards), interbank loans, cash, commodities, and intangible assets. It is an optional disclosure.

How To Report...

Assets For The Calculation Of The Green Asset Ratio

- 1 Classify total GAR-qualifying carrying amounts by institution and instrument type.** This should be done for all qualifying assets for the GAR numerator (lending to financial institutions, CSRD-eligible corporates, households, and local governments). Categories of financial institution include credit institutions, insurance, investors and asset managers. Instrument categories include loans and advances, debt securities, equity instruments.

Example for a sample portfolio (€ million):

Institution/Instrument type	GAR-qualifying carrying amounts
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	773,968
Financial corporations	134,209
Credit institutions	114,634
Loans and advances	101,858
Debt securities, including Use of Proceeds	12,717
TOTAL GAR ASSETS	774,006

- 2 Classify total GAR-excluded carrying amounts by instrument type.** This should be done for all non-GAR qualifying assets that are included in the GAR denominator (lending to non-CSRD EU corporates and non-EU corporates, derivatives, interbank loans, cash, goodwill and commodities). Instrument categories include loans and advances, debt securities, equity instruments.

Example for a sample portfolio (€ million):

Institution/Instrument type	GAR-excluded carrying amounts
EU Non-financial corporations (not subject to CSRD disclosure obligations)	387,013
Loans and advances	372,307
Debt securities	4,635
Equity instruments	10,070
Non-EU Non-financial corporations (not subject to CSRD disclosure obligations)	68,701
Loans and advances	66,215
Debt securities	1,946
Equity instruments	540
Derivatives	34,170
On demand interbank loans	11,225
Cash and cash-related assets	3,744
Other assets	151,018

- 3 For GAR-qualifying assets, link each counterparty to a NACE code to quantify exposures to economic activities.** This should be done for all qualifying assets for the GAR numerator (lending to financial institutions, CSRD-eligible corporates, households, and local governments) as well as assets added to the denominator (non-CSRD EU corporates, and non-EU corporates).

Example for a sample portfolio (€ million):

NACE Sector Code	Linked Counterparties	Portfolio Gross Carrying Amount
D35.1 - Power Generation	Company A Company B	24,961
B06-B09 - Fossil Fuel Extraction & Combustion	Company E	9,050
C29 - Automotive Manufacturing	Company F	52,884
H51 - Air Transport (Aviation)	Company G	8,900
H50 - Water Transport (Maritime)	Company H	5,700
C23.5 - Cement, Clinker, and Lime Production	Company I Company J Company K	738
C24 - Iron, Steel, Coke & Metal Ore Production	Company C Company D	1,400
C20 - Chemicals	Company L	-
L68 - Commercial Real Estate	Company M	83,157

- 4 For GAR-qualifying assets, identify exposures making substantial contributions to environmental objectives.** This can be done by mapping the GAR-qualifying exposures, matched to NACE codes in Asset Impact data, to EU taxonomy classifications in ESG Book's EU Taxonomy Dataset.

Example for a sample portfolio:

Environmental Objective	Identification Steps	
	Step 1	Step 2
Climate Change Mitigation	Map counterparty to Asset Impact NACE code	Multiply exposure by ESG Book Data on % of counterparty turnover that is Taxonomy-eligible for the corresponding environmental objective.
Climate Change Adaptation		
Sustainable Use and Protection of Water and Marine Resources		
Circular Economy		
Pollution Prevention and Control		
Protection and restoration of Biodiversity and Ecosystems		

- 5 For GAR-qualifying assets that are taxonomy-aligned, identify Use of Proceeds, transitional, and enabling exposures.** This can be done by mapping the counterparties, matched to NACE codes in Asset Impact data, to EU taxonomy classifications in ESG Book's EU Taxonomy Dataset.

Example for a sample portfolio:

Taxonomy alignment category	Identification Steps	
	Step 1	Step 2
Use of Proceeds	Map counterparty to Asset Impact NACE code	Adjust total exposure to reflect ESG Book data on Use of Proceeds, transitional and enabling activity
Transitional		
Enabling		

6

Calculate and classify off-balance sheet exposures: Credit institutions must also disclose certain **off-balance sheet business** under Annex VI of the Taxonomy Disclosures Delegated Act (2021/2178):

- Financial guarantees and loan commitments
- Assets under management (AUM) in the form of debt securities and equity instruments

For each category, institutions must calculate the proportion that is taxonomy-eligible and taxonomy-aligned, with further classification into enabling activities, transitional activities, and specialised lending where applicable.

Example for a sample portfolio (€ million):

Exposure Type	Gross amount	Taxonomy-eligible	Taxonomy-aligned	Alignment category
Financial guarantees	12,000	40%	40%	Transitional
AUM – debt securities	20,000	35%	15%	Specialised tending
AUM – equity instruments	15,000	45%	22%	Enabling

Recipe for Templates 6-9

GAR and BTAR

Ingredients

- ✦ **Total gross carrying amounts and NACE codes** by counterparty for:
 - Qualifying GAR assets: lending to financial institutions, corporates, households, and local government.
 - Excluded GAR assets that are qualifying BTAR assets: lending to non-CSR EU corporates and non-EU corporates
 - Excluded GAR and BTAR assets: derivatives, interbank loans, cash and other assets.
- ✦ **Classification of counterparty activities into taxonomy-eligible and taxonomy-aligned components**, as well as environmental objectives, Use of Proceeds, transitional, and enabling lending subsets.
- ✦ **Non-GAR/BTAR assets:** Total gross carrying amounts for lending to sovereigns, central bank exposures, and trading books.

Method

- ✦ **For non-GAR assets, calculate total exposures.**
- ✦ **For qualifying GAR assets**, excluded GAR assets that qualify for BTAR, and excluded GAR and BTAR assets:
 - classify exposures by counterparty and instrument type (loans, debt securities, equity instruments) into each environmental objective, and into taxonomy-eligible, taxonomy-aligned, specialized, transitional, adaptation and enabling lending
 - calculate total exposure in each category
 - calculate exposure in each category as a % of total (qualifying + excluded) GAR assets and BTAR assets, for stocks and flows respectively.
- ✦ **Calculate total stocks and flows of qualifying GAR assets**, and as a % of total assets (qualifying GAR assets + excluded GAR assets + non-GAR assets).
- ✦ **Calculate total stocks and flows of qualifying BTAR assets**, and as a % of total assets (qualifying BTAR assets + excluded BTAR assets + non-BTAR assets)
- ✦ Where materiality thresholds (e.g., 10%) are applied, institutions should ensure that **their approach avoids selective exclusions that could undermine comparability across peers.**

Template 10

Non-EU taxonomy actions [Suspended until 2027]

The EU Taxonomy is not a perfect dictionary of climate-relevant activities. This is especially true in sectors undergoing rapid change. The final template allows banks to capture activities that they consider to be climate change-mitigating, but which may not be considered under the Taxonomy. This could include investments in emerging technologies, and also financing of green activities in an indirect manner – such as lending to a local financial institution for on-lending to green activities.

Template 10 ('Mitigating actions outside the EU taxonomy: Assets contributing to sustainability and transition finance') covers activities or assets that banks believe contribute to climate change mitigation but that are not recognized under EU Taxonomy standards. This may capture EU Taxonomy blind spots, or activities aligned with standards used in other jurisdictions, whether these are stricter, looser, broader, or narrower.

Recipe for Template 10

Mitigating actions outside the EU Taxonomy

Ingredients

- ❖ **Total gross carrying amounts of non-EU-taxonomy exposures** that mitigate climate change risks, classified by:
 - Instrument type (equity, debt, loans and advances)
 - counterparty type (financial and non-financial firms, households, etc.)
 - collateral type (commercial and residential risk estate)
 - environmental objective (mitigation, adaptation, water and marine resources, circular economy, pollution, biodiversity and ecosystem)
- ❖ **Any accompanying qualitative information.**

Method

- ❖ **Calculate total non-taxonomy exposures**
- ❖ **Classify into instrument, counterparty, collateral type and environmental objective** subsets.
- ❖ **Document the methodology** and rationale for identifying non-EU taxonomy activities as mitigating actions. This ensures results are comparable across institutions and that users can distinguish between EU-aligned and non-EU classification approaches.

03

From Data Struggles To Success: **The Future Of EBA Pillar 3 Reporting**



Figure 4. Centralisation of climate & ESG datasets

At first glance, EBA Pillar 3 reporting is an onerous task for banks, and continues to be so despite the recent simplifications to the framework and temporary suspension of five of the ten overarching templates. High-resolution data and full counterparty coverage have historically been difficult to secure. To ensure compliance, many banks have filled the gaps with sectoral averages and estimates built with opaque methodologies.

This isn't just a problem for the EBA itself. The importance of consistency and accuracy in counterparty production and emissions data is increasingly clear

as banks start to streamline their data sources across business areas, spanning regulation, portfolio selection and steering, engagement strategies, and target-setting initiatives (see Figure 1). Banks will always use the best available data for front office decision-making, such that it is not just useful but necessary to supplement data from published reports with new approaches offering far more granularity and consistency. In addition, unless the same high-quality data is used for regulatory and voluntary disclosures, including but not limited to EBA Pillar 3, they risk inconsistency between information sent to third parties and data used to drive business decisions.

Between them, Asset Impact and ESG Book can provide a comprehensive answer to this conundrum. With the combined strengths of asset-based data built from the ground up from Asset Impact, and counterparty-level data gathered from hundreds of sources and mapped rigorously to the EBA Pillar 3 requirements by ESG Book, sectoral averages can be replaced with company-specific emissions intensities, and opaque methodologies with fully transparent ones that are also

internally consistent. With individual asset locations available for multiple sectors, Asset Impact's datasets can also underpin robust and comprehensive physical risk analysis at the company level.

For more information on how we can support your institution's EBA Pillar 3 reporting, please contact us using the details given at the start of this guide.



04

Glossary

Adaptation Investments - Adaptation Investments refer to financial expenditures that contribute to climate change adaptation by reducing climate-related risks or vulnerabilities.

Banking Book - The portion of a bank's balance sheet that holds assets like loans and mortgages, which are intended to be held until maturity, unlike the trading book, where assets are actively traded.

Basel III - An international regulatory framework developed by the Basel Committee on Banking Supervision to strengthen regulation, supervision, and risk management within the banking sector

BTAR (Banking Book Taxonomy Alignment Ratio) - A non-mandatory measure like the GAR, applied to the entire banking book, representing the proportion of a bank's assets aligned with the EU Taxonomy.

Carrying Amounts - The value at which an asset is reported on the balance sheet, which can differ from market value due to impairments or adjustments

Climate Transition Risk - Risks associated with the transition to a low-carbon economy, including regulatory, technological, and market changes that affect businesses' financial performance

EBA (European Banking Authority) - A regulatory body of the European Union that oversees the banking sector, ensuring the stability and integrity of the financial system

Energy Performance Certificate (EPC) Rating - A measure of the energy efficiency of a building, used in the context of reporting the energy performance of real estate collateral for loans.

EU Sustainable Finance Taxonomy - A classification system established by the EU to define environmentally sustainable economic activities, helping investors and banks identify which assets are green or sustainable

Green Asset Ratio (GAR) - A metric that indicates the proportion of a bank's assets that are aligned with the EU Sustainable Finance Taxonomy, focusing on sustainable and environmentally friendly investments

NACE Code - A European industry classification system used to categorize economic activities, helping banks align their assets and exposures with regulatory requirements.

Physical Risk - Risks related to the physical impacts of climate change, such as extreme weather events (e.g., floods, storms) or long-term shifts (e.g., rising sea levels, temperature changes)

Pillar 3 - A component of the Basel III regulatory framework, focused on market discipline through public disclosure of banks' risk exposure, risk management, and capital adequacy.

Scenario Analysis - A forward-looking tool used by banks to assess the potential impacts of different climate or economic scenarios on their business and risk profile.

Scope 3 Emissions - Indirect emissions that occur in a company's value chain, such as those from suppliers or the use of sold products, beyond the company's direct operations (Scope 1) and energy use (Scope 2).

Stress Testing - A risk management technique where banks simulate extreme scenarios (such as severe climate risks) to understand the resilience of their financial position and risk exposure.

Taxonomy-Aligned Investments - Investments classified as environmentally sustainable under the EU Taxonomy, meaning they contribute to climate change mitigation, adaptation, or other environmental goals.

Taxonomy-Relevant Sectors - Sectors of the economy identified by the EU Taxonomy as being particularly important for the transition to a sustainable economy, including energy, transport, and agriculture.

Transitional and Enabling Investments - Transitional investments refer to activities helping to reduce emissions over time, while enabling investments are those that help other activities or sectors achieve their sustainability goals.



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