22 August, 2025

European Banking Authority
Tour Europlaza 20, avenue André Prothin,
92400 Courbevoie, France

Japanese Bankers Association

JBA comments on the EBA Consultation Paper: "Draft Implementing Technical Standards" amending disclosure requirements for ESG risks

Dear Sirs/Madams:

The Japanese Bankers Association[1] (JBA) appreciates the opportunity to provide our comments on the European Banking Authority's (EBA) Consultation Paper: "Draft Implementing Technical Standards" amending disclosure requirements for ESG risks published on 22 May 2025.

We welcome the EBA's efforts to simplify the Pillar 3 disclosures regarding ESG related risks. While we support the overall objectives, JBA emphasises the need for further simplification, and alignment with existing regulatory frameworks, to ensure disclosures are proportionate, decision-useful, and operationally feasible.

We hope that our comments will contribute positively to facilitate discussions at the EBA.

Q1: Do you have any comments on the proposed set of information for Large institutions?

We support the EBA's efforts to clarify ESG disclosure requirements for large institutions. However, we believe that these efforts need to be further promoted to achieve the goal of simplifying these disclosure requirements. The proposed set remains overly complex and would benefit from further simplification and alignment with the Omnibus objectives. Specifically, we suggest:

Further simplification of the tables and templates

- The current proposals do not sufficiently simplify the tables and templates for large institutions. In some templates, while some columns have been removed, new ones have been added. Some templates have been expanded to enhance alignment with other components of the EU sustainable finance framework (including the Taxonomy Regulation). However, it remains unclear whether these changes will drive meaningful progress towards the goal of simplification.
- We suggest applying a consistent and explicit materiality threshold across all templates to ensure disclosures are decision-useful and proportionate.

[1] The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of 1 July, 2025, JBA has 112 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 76 Associate Members (banks & bank holding companies), 49 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 241 members.

Templates 6 to 10 (Taxonomy Templates)

- We have identified a misalignment in the suspension of the disclosure requirements for the Taxonomy templates.
- The EBA proposes to suspend the Templates 6 to 10 related to the Green Asset Ratio (GAR) and Taxonomy Regulation until end-2026. However, the European Commission (the "Commission") has recently adopted a Delegated Act that gives financial companies an option not to report detailed taxonomy information and Key Performance Indicators (KPIs) until 31 December 2027, pending a more comprehensive review of the Taxonomy disclosure rules and technical screening criteria by the Commission.
- We respectfully recommend that the EBA extend the deadline to 31 December 2027 to align the suspension timeline for the Taxonomy templates with the Taxonomy Delegated Act.

Frequency

- We appreciate the EBA's efforts to reduce the frequency of disclosure of certain templates based on materiality reasons. However, we believe additional adjustments on the frequency of large institutions' disclosures should be considered to ensure that meaningful simplification is achieved.
- We recommend that all templates for large entities be disclosed annually, in alignment with the frequency specified by the voluntary ESG Pillar 3 disclosure framework recently published by the Basel Committee on Banking Supervision. This is in consideration of the long-term nature of ESG risks and to ensure consistency with the CSRD reporting cycles.
- Furthermore, the data related to the institution's strategy, processes and banking book are not expected to change significantly over six months. Additionally, most of the underlying data is generally available only once a year, following counterparties' data reporting, which is mostly published in March or April each year. (For further detail, please refer to our response to Q4 below.) We therefore consider it disproportionate to require banks to disclose emissions semi-annually while other sectors only publish these data annually.
- If the EBA decides to adopt an annual frequency for certain or all templates for large institutions, we believe it is important to clarify in the final ITS that June 2026 disclosures would not be required for annual templates.

Alignment with CSRD and the Omnibus

- While aligning the prudential and corporate disclosure frameworks for financial institutions is a crucial objective supported by the industry, introducing new requirements into Pillar 3 which are linked to instruments within the scope of the Simplification Omnibus process would be inefficient and potentially counterproductive.
- Considering the ongoing EU Omnibus legislative review process, the EBA will need additional time to finalise its amendments to Pillar 3 requirements for ESG risks to ensure further clarity on the Omnibus process. It would be appreciated if the EBA would consider requesting this extension from the Commission.

With respect to the final outcome of Omnibus, we suggest avoiding duplication with the CSRD by including cross-references to existing sustainability disclosures.

These adjustments would help ensure that Pillar 3 ESG disclosures remain focused, feasible, and aligned with broader regulatory developments.

It is important that supervisory reporting on ESG for financial institutions mirrors the Pillar 3 requirements set out in these guidelines.

Q2: Do you have any comments on the simplified set of information for Other listed institutions and Large subsidiaries?

We support the EBA's intention to apply proportionality. However, we propose revising the requirements to further streamline the proposed disclosure set for other listed institutions and large subsidiaries.

We recommend allowing these entities to report ESG information on governance, strategy, and risk management as part of their consolidated disclosures, or include cross-references where appropriate. For large subsidiaries, where a report already exists at the consolidated group level, applying additional qualitative requirements would be redundant, as relevant policies are typically established at the group level. Presentation of individual templates should not be required when the associated breakdowns are covered at the consolidated level (in line with EBA Q&A 2014_759).

In addition, qualitative disclosures should focus on material risks, and the frequency of all templates should be set to annual by default (please refer to our response to Q4 and Q5).

Q3: Do you have any comments on the simplified set of information proposed for SNCI and other non-listed institutions?

We support the EBA's proportional approach for SNCIs and other non-listed institutions. However, we recommend further simplification by focusing disclosures on material ESG risks and allowing maximum flexibility in format and structure.

Given the limited external stakeholder interest and resource constraints faced by these institutions, the reporting burden should be minimised, and alignment with existing internal risk processes should be encouraged for prescriptive templates.

Q4: Do you have any comments on the proposed approach based on materiality principle to reduce the frequency (from semi-annual to annual) of specific templates (qualitative, template 3, and templates 6-10) for large listed institutions?

We strongly support the EBA's proposal to reduce the frequency of specific ESG templates to annual reporting based on the materiality principle.

Regarding large institutions, while we appreciate EBA's efforts to simplify the set of information by reducing the frequency of the qualitative tTables1-3, Template 3 and Templates 6-10, we recommend considering further adjustments to the frequency for large institutions' disclosures to better achieve the simplification objective.

We propose that all templates for large entities to be disclosed on an annual basis, aligning with the frequency indicated by the voluntary ESG Pillar 3 disclosure framework recently published by the Basel Committee on Banking Supervision.

Given that ESG risks are typically long-term and structural in nature, semi-annual updates are unlikely to reflect meaningful changes in risk profiles or exposures. In particular, the data underlying these disclosures (e.g., emissions or energy performance) is generally only available on an annual basis, often sourced from counterparties' CSRD or sustainability reports.

We consider it disproportionate to require banks to disclose emissions semi-annually while other sectors only publish these data annually.

The detailed basis for our suggestions to reduce the frequency for the templates other than 3 and 6 to 10 includes:

- Template 1 – Emissions are published on an annual basis by non-credit institutions. Given that the majority of credit institutions' emissions are Scope 3 and therefore their data relies on data from non-credit institutions, emissions should also be published annually by large institutions.
- Template 2 – Similarly, Template 2 should be disclosed on an annual basis by large institutions considering that the CSRD requires Energy Performance Certificate (EPC) information to be reported on an annual basis. Banks should not be required to disclose this information semi-annually if the underlying data is annual.
- Template 4 – To ensure that the simplification approach also applies to large institutions, the frequency of Template 4 should be adjusted to annually.
- Template 5 – To ensure alignment with the annual frequency of other templates.

We therefore suggest applying the annual frequency to all ESG templates, including Templates 1, 2, 4, and 5. This would ensure consistency across the framework, reduce operational burden, and improve alignment with other regulatory reporting frameworks such as CSRD. This approach would also allow institutions to focus on producing higher-quality, more decision-useful disclosures, eliminating redundant efforts to disclose immaterial mid-year updates.

Finally, we encourage the EBA to clarify that institutions may rely on the materiality principle under Article 432(1) CRR to omit interim disclosures where appropriate, and to consider a future revision of Article 433a CRR to set annual frequency as the default for ESG disclosures.

Taxonomy templates suspension

- The consultation paper proposes changing the frequency from semi-annual to annual for the taxonomy templates (6 to 10). However, as the transitional provision states that these taxonomy templates are suspended until December 2026 for large institutions, it is unclear whether banks are required to submit these templates in December 2025. Further, we understand that taxonomy templates are now suspended for June 2025, and June 2026. Immediate clarification from the EBA on this point would be helpful.

- As noted in our response to Q1, the EBA should align the suspension deadline for the taxonomy templates with the amended Taxonomy Delegated Act, until 31 December 2027.

Q6: Do you have any comments on the proposed amendments to Table 1 and Table 3?

We support EBA's efforts to clarify the qualitative disclosure requirements.

However, many of qualitative disclosure items duplicate those in the CSRD- mandated management report, which is a more appropriate disclosure for such items than the Pillar 3 ESG risk disclosures. Many of qualitative disclosure items provided in the management report and Pillar 3 disclosures are duplicated. Pillar 3 should focus on requiring additional information that is strictly necessary from a prudential perspective, avoiding repetitive and non-value-added breakdowns that only contribute to excessive reporting burdens.

This is especially relevant for social and governance risks, where the information is almost the same as that reported in the management report. To ensure simplification and relevance to the objectives of Pillar 3, this information should be reduced.

Additionally, we recommend that the tables, particularly Table 1 and Table 3, be explicitly limited to material ESG risks, to avoid unnecessary reporting burdens and to be consistent with Pillar 3 objectives. We note that the final BCBS Pillar 3 framework strongly emphasises materiality and would encourage the EBA to do the same in its requirements.

In addition, we suggest allowing institutions flexibility in structuring their disclosures, particularly where environmental, social, and governance risks are managed in an integrated manner. This would better reflect internal practices and improve the usability of the disclosures.

Q7: Do you have any further suggestions on Table 1A?

We recommend keeping Table 1A as simple as possible and limiting disclosures strictly to material ESG risks. This approach will ensure proportionality and avoid imposing undue burdens on smaller institutions.

Q8: Do you have any comments on the proposed additions and deletions to the sector breakdown?

We support the EBA's aim to improve transparency. However, we have several concerns regarding implementation and proportionality:

- Many institutions do not use NACE codes in their internal systems, making the mapping process operationally burdensome and prone to inconsistency. Moreover, banks typically do not set ESG or transition targets at the NACE sector level. Targets are often defined at broader portfolio or thematic levels which do not align neatly with the NACE classification. If these proposals are to be incorporated into Template 3 (please refer to our response to Q21), we strongly encourage the EBA to clarify how institutions should reconcile internal target-setting frameworks with the required NACE-based disclosures.

- The inclusion of intermediary sectors may lead to double-counting of exposures already captured under production sectors. We recommend reconsidering these additions or providing clarification on how to prevent such double-counting.
- Institutions should not be required to report immaterial sector exposures. Establishing a clear materiality threshold would reduce burden and improve the relevance of disclosures.

Q12: Do you have any further comments on Template 1?

We would like to make several comments on the practical implementation of Template 1, particularly regarding data availability and quality, and alignment with risk management practices:

- GHG emissions data overlap with those in the CSRD. Since portfolio-level financed emissions do not equate to credit risk exposures, including such data in Template 1 could be misleading. These data also face many availability and quality issues.
- The requirement to disclose Scope 1, 2, and 3 financed emissions is highly data-intensive and subject to significant estimation uncertainty. Scope 3 data, in particular, remain sparse and inconsistent across sectors and geographies. We recommend that the EBA clarify the use of proxies and estimates and consider limiting Scope 3 disclosures to sectors with more mature data.
- Financial institutions often rely on data vendors for clients' greenhouse gas (GHG) emissions data, generally obtained from public disclosures or platforms like CDP. However, many global organisations do not separately report Scope 1 and Scope 2 emissions in their sustainability disclosures. This lack of detailed data makes it challenging for financial institutions to independently calculate these emissions. Therefore, we do not support breaking down financed emissions into Scope 1 and Scope 2, as modelling them separately without providing separate figures could result in inaccurate estimates.
- Column C in Templates 1 and 4 should not be mandatory, considering the suspension of GAR disclosure requirements until end-2026 for large institutions. More broadly, these data are not available to banks from many counterparties. Given the anticipated reduction in the scope of CSRD, most banks' counterparties will likely not be required to disclose this information. These metrics should be removed as they will either be identified as data gaps or calculated by proxies, and will not lead to a meaningful disclosure for users.
- While the proposed frequency for taxonomy templates is annual, Template 1 still requires semi-annual reporting, including information in column C related to Climate Change Mitigation (CCM) for GAR. To align the reporting requirements, we recommend changing the frequency for Template 1 to annual as well.
- The new row on "Coverage of portfolio with use of proxies (according to PCAF)" may overlap with the column on company-specific emissions data. If retained, the EBA should clarify how this row is to be interpreted and how it aligns with the PCAF methodology, which uses the term "estimates" instead of "proxies."
- It would be helpful if the EBA provided further guidance on which types of proxies are most appropriate within the PCAF framework. Since multiple methods are allowed, providing some examples or clarifying

a hierarchy would help more consistent reporting. Clarifying an expectation for indicating the data quality level for institutions, such as PCAF's 5-scale scoring, would be beneficial.

Q13: Do you have any comments or alternative suggestions for SNCIs and other institutions that are not listed, regarding the sector breakdown?

We support a simplified approach for SNCIs and other non-listed institutions. However, even the reduced sector breakdown in Template 1A may be too granular for many smaller institutions, particularly given limited data availability (please refer to our response to Q14).

Q14: Do you have any additional suggestions how to adjust Template 1A for SNCIs and other institutions that are not listed?

We support EBA's efforts to tailor Template 1A for SNCIs and other non-listed institutions. However, further adjustments could enhance proportionality and ensure the template remains practical and meaningful for smaller institutions with limited resources and data availability.

Specifically, we suggest:

- reducing sectoral granularity, especially for sectors where exposures are minimal or data is not readily available. A more aggregated approach would alleviate reporting burdens while maintaining relevance;
- clarifying expectations for the use of proxies and estimates, particularly for emissions and physical risk metrics. Institutions should be permitted to rely on reasonable approximations if direct data is unavailable;
- allowing flexibility in geographical disclosures, including optional reporting for physical risk geographies if data is not material or cannot be reliably sourced; and
- permitting narrative or qualitative disclosures instead of quantitative data where appropriate, especially for institutions with limited ESG data infrastructure.

These adjustments would support a more proportionate and risk-based application of the disclosure requirements, aligning with the objectives of the CRR3 and the Omnibus simplification agenda.

Q15: Do you have any further comments on Template 1A?

We appreciate the EBA's efforts to streamline disclosures for SNCIs and other non-listed institutions through Template 1A. However, we would like to highlight areas where further clarification or simplification would be beneficial:

Data Availability and Use of Estimates

- Many smaller institutions lack access to granular emissions or physical risk data. We recommend that the EBA explicitly allow the use of proxies or estimates and provide guidance on acceptable methodologies, particularly for physical risk indicators and sectoral exposures.
- Specifically, it would be beneficial to have guidance on the granularity of acceptable data used for allocating

exposures to specific geographies. For example, in the case of a loan to an obligor, it should be clarified whether banks need a geographical breakdown of the obligor’s assets, or if it is acceptable to use data based on the obligor’s headquarters.

Geographical Risk Disclosures

- The requirement to report exposures by geography (e.g., “Geography 1–4”) may be overly complex for institutions with limited geographic diversification or data infrastructure. We suggest allowing institutions to report at a higher level of aggregation or to omit this section if it is deemed immaterial.

Sector Classification

- As with Template 1, reliance on NACE codes may be challenging for institutions that do not use this classification internally. Simplifying sector mapping or allowing the use of internal classifications would enhance usability.

Narrative Disclosures

- Where quantitative data is unavailable or immaterial, institutions should be allowed to provide narrative disclosures to explain their risk profiles and management approach. This would support proportionality and ensure disclosures remain meaningful.

Q16: Should Template 2 in addition include separate information on EPC labels estimated and about the share of EPC labels that can be estimated?

We do not support the inclusion of additional breakdowns for estimated EPC labels in Template 2. In our view, this would introduce further complexity without delivering meaningful benefits to users of the disclosures.

Data limitations

- EPC data is already limited and inconsistent across the EU. In many jurisdictions, EPC labels are not mandatory, are based on different methodologies, or have low validity. Introducing a separate category for estimated EPCs would likely to increase reliance on internal assumptions, reduce comparability and lead to misleading disclosures.

Operational burden

- Estimating EPC labels would require institutions to develop and maintain bespoke estimation models. This may not be proportionate, particularly for institutions with limited real estate exposures or immaterial EPC data.

Materiality and clarity

- The current template already distinguishes between EPC-labelled and unlabelled exposures. Adding an additional layer of estimation would complicate the template without significantly enhancing transparency.

Nevertheless, we strongly encourage the EBA to provide clear and explicit guidance on how energy performance data—both EPC labels and energy consumption figures—should be interpreted and reported. Given the lack of harmonisation across Member States, consistent definitions and methodologies are essential to ensure comparability and reduce uncertainty for reporting institutions.

Q17: Should rows 2, 3 and 4 and 7, 8 and 9 for the EP score continue to include estimates or should it only include actual information on energy consumption, akin to the same rows for EPC labels?

We recommend that these rows be limited to actual measured energy performance data, consistent with the treatment of EPC labels.

Estimates reduce comparability

- Including estimated EP scores may introduce inconsistencies across institutions, particularly without harmonised estimation methodologies across Member States.

Limited value of estimates

Estimated energy performance values may be based on assumptions that vary significantly between institutions, reducing the reliability and usefulness of the data for market participants.

Consistency and clarity

- Aligning the treatment of EP scores with EPC labels would simplify the template and improve the clarity of disclosures.

However, if the EBA decides to retain the option to include estimates in these rows, clear methodological guidance should be established, providing institutions with a standardised approach or minimum expectations on how such estimates are to be derived and disclosed. Without such clarity, the risk of inconsistent and potentially misleading disclosures would be high.

Q19: Do you have any comments on the breakdown included in columns b to g on the levels of energy performance?

We generally support the EBA's intention to provide greater transparency on the energy efficiency of real estate exposures. However, the proposed breakdown has raised the following concerns:

Data availability and reliability

- In many jurisdictions, actual energy performance scores (in kWh/m²) are not consistently available or are based on non-standardised methodologies. This limits the reliability and comparability of the data across institutions and geographies.

Granularity vs. usefulness

- The proposed breakdown into narrow energy performance bands (e.g. 100–200, 200–300 kWh/m²) may be too granular, given current data limitations. In practice, many institutions will likely to rely on estimates or incomplete data, undermining the usefulness of the disclosures.

Estimation challenges

- Where actual EP scores are unavailable, institutions may have to rely on internal estimation models. If such estimates are permitted, we strongly recommend that the EBA provide clear methodological guidance to ensure consistency and transparency.

We therefore suggest that the EBA consider simplifying the breakdown or allowing aggregation of categories if data is unavailable. Additionally, institutions should be permitted to explain data limitations in the accompanying narrative.

Q20: Do you have any further comments on Template 2?

While we support the objective of improving transparency regarding the energy efficiency of real estate exposures, we have several concerns related to the practical implementation of Template 2 as noted in the previous questions. In general, we encourage the EBA to ensure that Template 2 remains proportionate, implementable, and aligned with the broader simplification objectives of the Omnibus proposal.

We would appreciate clear guidance, particularly on estimation techniques for energy efficiency and acceptable proxy sources to use.

Q21: Do you have any comments on Template 3?

We support the objective of Template 3 to enhance transparency around transition risk through sector-level emissions intensity disclosures. However, we would like to raise several practical implementation issues:

Sector classification misalignment

- While many banks set decarbonisation targets at the sector level, these do not align with the NACE classification used in the template, creating a disconnection between internal target-setting frameworks and the required disclosures. The EBA should allow institutions to include cross-references to their existing sector definitions or provide mapping between commonly used sector taxonomies (e.g., TCFD sectors) and NACE codes.

Clarification of mandatory fields and sector scope

- The template includes several columns (e.g. baseline year, 2030 target, additional targets, distance to target) that may not be applicable or available for all sectors. It is unclear whether all fields are mandatory or whether institutions may apply the materiality principle to determine which sectors to include. We request that the EBA clarify:
  - whether institutions are expected to populate all sectors listed in the template, or only those deemed material or for which targets exist;
  - whether the materiality principle under Article 432(1) CRR applies to sector selection in Template 3, and
  - how institutions should document or justify exclusions based on materiality.

Methodological guidance

- If institutions are expected to populate forward-looking metrics, such as "distance to target," we strongly encourage the EBA to provide clear methodological guidance. This is essential to ensure consistency and comparability across institutions, particularly where internal methodologies differ.

Calculation of financed emissions

- We request that the EBA specify how financed emissions should be calculated. Given diverse approaches (e.g., PCAF, internal models), clarifying expectations on scope, data sources, and the treatment of missing data is critical to ensure consistency and avoid misinterpretation.

These clarifications would help ensure that Template 3 is both meaningful and implementable, while aligning with how institutions manage and disclose transition risk in practice.

Mapping to NACE Codes and Target-Setting Misalignment

- Another concern is the alignment of sector targets. Due to the structure of the template, the target for a sector needs to cover specific NACE codes. However, many banks do not necessarily use NACE in their internal processes, resulting in sector targets that are not exactly aligned with NACE.
- Flexibility in the scoping of sectors should be allowed for banks that do not use NACE in their internal processes.

Q22: Do you have any comments with the proposals on Template 4 and the instructions?

While we support the objective of increasing transparency on exposures to carbon-intensive firms, we have several concerns regarding the design and implementation of Template 4:

Lack of a standardised reference list

- The template requires institutions to disclose exposures to the "top 20 carbon-intensive firms," but does not specify a common source or methodology for identifying these firms. This creates a risk of inconsistent and non-comparable disclosures across institutions. We recommend that the EBA specify a single reference source, such as the Carbon Majors database, or provide clear selection criteria.

Materiality and proportionality

- Institutions should be allowed to omit this disclosure if exposures to the top 20 carbon-intensive firms are immaterial. This approach aligns with the materiality principle under Article 432(1) CRR and reduce unnecessary reporting burden.

Additionally, we encourage the EBA to clarify whether this template is intended to reflect transition risk, reputational risk, or other specific risk dimensions, as this would help institutions appropriately interpret and contextualise the disclosures.

Q23: Do you have any views on whether this template could be improved with some more granular information in the rows, by requesting e.g. split by sector of counterparty or other?

We do not believe that additional granularity, such as a sectoral breakdown of top 20 carbon-intensive firms, would significantly enhance the usefulness of Template 4.

Concentration of exposures

- In practice, the top 20 carbon-intensive firms are likely to be concentrated in few sectors (e.g., oil & gas, utilities, heavy industry). A sectoral split would therefore add limited informational value while increasing complexity.

Comparability concerns

- Without a standardised list of firms or emissions thresholds, institutions may apply different criteria when determining the inclusion. Adding further breakdowns could amplify inconsistencies unless a common methodology is defined.

Proportionality

- Introducing additional rows would increase the reporting burden without clear benefits, particularly for institutions with limited exposures to these firms.

Q24: Do you have any further comments on Template 4?

In addition to the points previously discussed, we would like to highlight the following:

Clarification of purpose

- It would be helpful for the EBA to clarify the intended use of this template, whether it is primarily aimed at assessing transition risk, reputational risk, or other risk dimensions. This clarification would support more consistent interpretation and application across institutions.

Overlap with other disclosures

- Exposures captured in Template 4 may already be reflected in Template 1 under high-emitting sectors. We recommend the EBA clarify how institutions should avoid double-counting or reconcile figures across templates.

Narrative disclosures

- Given the potential sensitivity of disclosing exposures to specific counterparties, institutions should be allowed to provide narrative disclosures (e.g., on engagement strategies, decarbonisation pathways, or risk mitigation measures) alongside the quantitative data.

Q25: Do you have any comments on the proposal using NUTS level 3 breakdown for Large institutions and NUTS level 2 for Other listed institutions and Large subsidiaries? Would NUTS level 2 breakdown be sufficient for Large institutions as well?

We have concerns about the feasibility and proportionality of requiring large institutions to disclose physical risk exposures at the NUTS level 3 granularity:

Data availability and consistency

- Many institutions do not maintain internal systems that map exposures to NUTS 3 regions, particularly for non-EU geographies. This may lead to inconsistent disclosures or reliance on proxies. Mapping portfolios to NUTS 3 regions would require significant system changes and manual processes, potentially disproportionate to the added value of the disclosures.

Comparability and clarity

- NUTS 3 regions vary widely in size and relevance across Member States. This may reduce comparability and obscure rather than clarify risk concentrations.

That said, we acknowledge that many institutions use third-party vendors or internal models to assess physical risk at the asset level, often based on geolocation data (e.g., latitude and longitude). These assessments are generally more granular than NUTS 3 and can be aggregated to the required level for reporting purposes.

We therefore recommend that:

- the EBA explicitly confirm that institutions may use asset-level assessments and third-party data providers to populate Template 5, provided the results are mapped to NUTS 3 (or NUTS 2) for disclosure;
- the EBA consider allowing NUTS level 2 as the default level of granularity for all institutions, including large institutions, to ensure proportionality and consistency across jurisdictions;
- the EBA provide clear and specific methodological guidance on how to treat:
  - ✓ distributed, cross-border and multi-site assets; and
  - ✓ assets not easily mapped to NUTS codes (e.g., offshore oil rigs, vessels, or mobile infrastructure).

  Such guidance would help ensure consistency and comparability across institutions and reduce uncertainty in implementation.

Q26: Do you have any comments on the instructions for the accompanying narrative and on whether they are comprehensive and clear?

We support the inclusion of narrative disclosures to contextualise quantitative data. However, we believe the current instructions need further clarity and proportionality.

Clarity and Scope

- The expectations for the narratives are not consistently defined across templates. We recommend that the EBA provide clearer guidance on specific required elements, including the use of estimates, proxies, and methodological assumptions.

Avoiding Duplication

- Many narrative elements overlap with disclosures under CSRD and ESRS. To reduce duplication and reporting burden, institutions should be permitted to include cross-references to existing sustainability reports where appropriate.

Proportionality

- Narrative requirements should reflect the size and complexity of institutions. For example, large subsidiaries should not be required to duplicate group-level disclosures unless material deviations exist. Similarly, a simplified approach should apply to SNCIs and non-listed institutions.

Template 5 and 5A

- Narratives accompanying physical risk disclosures should allow flexibility in describing methodologies, given the absence of standardised approaches.

Q27: Do you have any further comments on Template 5 and on its simplified version Template 5A?

While disclosures on physical climate risk are important, gross exposures do not necessarily correlate directly with actual financial risks. Without a standardised methodology, these disclosures may be inconsistent across institutions and may not provide meaningful or comparable insights to stakeholders.

Q31: Do you have any further comments on the Consultation Paper Pillar 3 disclosures requirements on ESG risk?

We support the EBA's objective to enhance ESG risk transparency through Pillar 3 disclosures. However, we believe further simplification and alignment with existing sustainability frameworks are needed to ensure disclosures are proportionate, decision-useful, and operationally feasible. Specifically:

- The current framework includes several disclosures that do not directly reflect prudential risk and may overlap with information reported under CSRD or the Taxonomy Regulation.
- A consistent application of the materiality principle across all templates would help reduce reporting burden

and improve relevance.

- Greater flexibility should be provided for institutions to include cross-references to existing sustainability disclosures and to tailor qualitative disclosures to their risk profiles and governance structure.
- The suspension deadline for taxonomy templates should align with the Taxonomy Delegated Act, until 31 December 2027.

We encourage the EBA to continue enhancing the Pillar 3 ESG framework in line with the simplification objectives of the Omnibus proposal and the evolving regulatory landscape.

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We thank the EBA for the opportunity to comment on the Consultation paper and hope our comments will contribute to further consideration in the EBA.

Yours faithfully,

Japanese Bankers Association