



13 MARCH 2023

## **Joint ESAs-ECB Statement on disclosure on climate change for structured finance products**

The European Supervisory Authorities<sup>1</sup> (ESAs) and the ECB are committed to contributing to the transition towards a more sustainable economy within their respective mandates. As investment in financial products meeting high environmental, social and governance (ESG) standards is increasingly important in the European Union (EU), it has also become a priority for structured finance products to disclose climate-related information on the underlying assets. ESMA, with the contribution of EBA, EIOPA and the ECB, is hence working towards enhancing disclosure standards for securitised assets by including new, proportionate and targeted climate change-related information. The ESAs and the ECB also call on issuers, sponsors and originators of such assets at EU level to proactively collect high-quality and comprehensive information on climate-related risks during the origination process. This call for improved disclosure concerns all funding instruments that are backed by the same type of underlying assets.

### **Enhanced climate related data are needed for securitised assets**

Securitisation transactions are often backed by assets that could be directly exposed to physical or transition climate-related risks, such as real estate mortgages or auto loans. Since the value of these underlying assets could be affected by climate-related events, the ESAs and the ECB share the view that the reporting on existing climate-related metrics needs to improve, and that additional metrics are necessary. Additional climate related data will allow investors to better identify climate change-related risks while avoiding overreliance on estimates from external sources.

The lack of climate-related data on the assets underlying structured finance products not only poses a problem for properly assessing and addressing climate-related risks but also impedes the

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<sup>1</sup> The European Authority Insurance and Occupational Pensions Authority (EIOPA) established by Regulation (EU) No 1094/2010, the European Securities and Markets (ESMA) established by Regulation (EU) No 1095/2010 and the European Banking Authority (EBA) established by (EU) Regulation 1093/2010.

classification of products and services as sustainable under the EU Taxonomy Regulation and Sustainable Finance Disclosure Regulation (SFDR).

### **The ESAs and the ECB are committed to supporting better and targeted disclosures for structured finance products**

The ESAs are committed to promoting transparency and robust disclosure requirements for financial institutions and financial products. The ESAs have been developing advice and Regulatory Technical Standards under the EU Taxonomy Regulation<sup>2</sup> and the Sustainable Finance Disclosure Regulation<sup>3</sup>. They are also currently reviewing the SFDR Delegated Regulation to enhance ESG disclosures by financial market participants, including to require additional disclosures on decarbonisation targets. Sustainable finance is a key priority of the ESAs, and further deepening the integration of ESG factors across their activities will be a focus for their action in the coming months and years.

Enhanced climate-related disclosure requirements for securitised assets are also essential to the ECB. Assets-backed securities constitute one of the most important asset classes mobilised by counterparties as collateral in Eurosystem credit operations. Moreover, the Eurosystem, with its asset-backed securities purchase programme (ABSPP), has also become one of the largest investors in such assets in the euro area. In July 2022 the ECB announced that it was taking further steps to include climate change considerations in its purchase programmes and collateral framework<sup>4</sup> with the aims to better take into account climate-related financial risk in monetary policy implementation and – within its mandate – to support the green transition of the economy in line with the EU’s climate neutrality objectives. In this context, the ECB is committed to acting as a catalyst, engaging closely with the relevant EU authorities to support better and harmonised disclosure of climate-related data for assets mobilised as collateral.

### **Proportionate, standardised and readily accessible data**

Substantial efforts are already underway to improve sustainability-related transparency in securitisations. The ESAs have been developing templates for voluntary sustainability-related disclosures for “simple, transparent and standardised” (STS) securitisations<sup>5</sup>. In March 2022, the EBA also provided guidance on how ESG standards could be implemented in the context of securitisation<sup>6</sup>.

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<sup>2</sup> The three ESAs provided separate, but coordinated, advice in response to the European Commission’s Call for Advice on Article 8 of the Taxonomy Regulation (for more information, see the EBA, EIOPA and ESMA responses to the Commission’s Call for Advice).

<sup>3</sup> See “Joint RTS on ESG disclosure standards for financial market participants”, ESAs, 2 May 2022 ([Link](#)).

<sup>4</sup> See “ECB takes further steps to incorporate climate change into its monetary policy operations”, [press release, ECB](#), 4 July 2022.

<sup>5</sup> See STS securitisations-related sustainability disclosures, [joint consultation paper, ESAs, 2 May 2022](#).

<sup>6</sup> See “Developing a Framework for Sustainable Securitisation”, EBA, 2 March 2022 ([Link](#)).

ESMA is undertaking a review of the loan-level securitisation disclosure templates. This review is not only aiming to simplify the reporting templates where possible, but is also considering the opportunity of introducing new, proportionate and targeted climate change-related metrics that will be useful for investors and supervisors. The new metrics will have to meet investor needs, considering existing market practices and the reporting standards stemming from the relevant EU legislation (the EU Taxonomy Regulation, the SFDR and the forthcoming EU Green Bond Standards<sup>7</sup>). This requires engagement with both originators and investors as well as with the relevant regulatory bodies to achieve an effective and proportionate approach.

While mandatory disclosure requirements are not yet in place, the ECB and the ESAs are nonetheless calling on originators to already collect, at the time of loan origination, the data that investors need to assess the climate-related risks of the underlying assets. In the case of securitisation, originators and sponsors should fill in the voluntary climate-related fields in the existing securitisation disclosure templates. Easy and seamless access to climate-related data should be available through registered securitisation repositories to further enhance transparency and clarity for investors. This would avoid fragmented information across different access points and would result in lower costs and risks for originators, investors and supervisors.

### **Fostering a level playing field by promoting consistent and harmonised requirements for similar instruments**

Finally, the introduction of new climate change-related disclosure requirements for securitisations may become also relevant for similar funding instruments backed by the same type of underlying assets, such as covered bonds<sup>8</sup>. Consistent and harmonised requirements for these instruments are necessary for properly assessing and addressing climate-related risks and would ensure a level playing field across similar asset classes, foster comparability for investors and facilitate equal treatment by EU supervisors. The ESAs and the ECB are committed to supporting the comparability of future disclosure requirements within their respective mandates.

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<sup>7</sup> The "SFDR" requires financial market participants to disclose the extent to which their financial products with sustainable characteristics or objectives invest in sustainable and environmental assets. Although securitisations are not "financial products" covered by SFDR, they are indirectly subject to SFDR through the entity-level disclosure requirements (PAI indicators cover all investment decisions, including investments into securitisations) and when investments by financial products in securitisation positions result in investments in Taxonomy-aligned economic activities (see Article 17(1)(f) of the SFDR Delegated Regulation); the European Green Bond Regulation (EU GBS) will likely require that any green bond – including securitisation transactions - must fund environmentally sustainable economic activities that align with the EU taxonomy.

<sup>8</sup> Covered bonds are not "financial products" under Article 2(12) of SFDR, and therefore they are not subject to the financial product disclosures rules set out under Articles 6 to 11 of the SFDR (2019/2088) or under the templates in Annexes II-V of the SFDR Delegated Regulation. However, they are captured as "investments" under Article 4 principal adverse impact (PAI) disclosure at entity level, just as securitisations are. Covered bonds related ESG-disclosure, if any, is also regulated by Article 14 of the Covered Bond Directive (2019/2162) which applies on an aggregated basis.