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Joint Consultation Paper

STS securitisations-related sustainability disclosures

Draft Regulatory Technical Standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 22(4) and 26d(4) of Regulation (EU) 2017/2402

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1. Responding to this Consultation

The European Supervisory Authorities¹ (ESAs) welcome comments on this consultation paper setting out the proposed Regulatory Technical Standards (hereinafter “RTS”) on content, methodologies and presentation of disclosures pursuant to Article 22(4) and 26d(4) of Regulation (EU) 2017/2402.

The consultation package includes:

- The consultation paper
- The draft RTS specifying the content, methodologies and presentation of information in respect of sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts of the assets financed by the underlying exposures of simple, transparent and standardised securitisations and their relevant annexes
- Information on principal adverse impact indicators for other types of securitisations than those included in the draft RTS
- Template for comments

The ESAs invite comments on any aspect of this consultation paper. Comments are most helpful if they:

- Indicate the specific point to which a comment relates;
- Contain a clear rationale;
- Provide evidence to support the views expressed/rationale proposed; and
- Describe alternative regulatory choices that the ESAs should consider.

The ESAs also invite specific comments on the questions on the draft RTS as listed in Section 6, and any input on the preliminary impact assessment in Section 7.

Submissions of responses

The consultation paper is available on the websites of the three ESAs. Comments on this consultation paper should be sent using the response form, via the ESAs’ websites under the heading ‘Your input/Consultations’. Please send your comments in the provided response form by 2 July 2022.

Contributions not provided in the response form or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you

¹ ESMA ([ESMA \(europa.eu\)](https://www.esma.europa.eu)), EBA ([European Banking Authority | \(europa.eu\)](https://www.eba.europa.eu)), and EIOPA ([Eiopa \(europa.eu\)](https://www.eiopa.europa.eu)).

if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing 4 Regulation (EC) No 45/2001 and Decision No 1247/2002/EC as implemented by the ESAs in the implementing rules adopted by their Management Board. Further information on data protection can be found under the Legal notice section of the EBA website, the Legal notice section of the EIOPA website and the Legal notice section of the ESMA website

2. Abbreviations and legislative references

Abbreviations

RTS	Regulatory Technical Standards
EU	European Union
ESA	European Supervisory Authorities
EC	European Commission
JC	Joint Committee of the European Supervisory Authorities
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
EIOPA	European Insurance and Occupational Pensions Authority
EEA	European Economic Area
STS securitisations	Simple, Transparent and Standardised Securitisations
PAI indicators	Principal Adverse Impact indicators
KPI	Key Performance Indicator
GAR	Green Asset Ratio
SMEs	Small and Medium-sized Enterprises
GHG emissions	Green House Gas emissions
CO ² emissions	Carbon Dioxide emissions
GWh	Gigawatt Hours
UNGC	United Nations Global Compact
OECD	Organisation for Economic Co-operation and Development
XML	Extensible Markup Language
DNSH	Do No Significant Harm
CSV	Comma-separated values
CMRP	Capital Markets Recovery Package
SFDR	Sustainable Finance Disclosure Regulation
NFRD	Non-financial Reporting Directive
BTAR	Banking book Taxonomy Aligned Ratio

Legislative references

Securitisation Regulation	Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35)
CMRP (Capital Markets Recovery Package CMRP)	Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis (OJ L 116, 6.4.2021)
SFDR (Sustainable Finance Disclosure Regulation SFDR)	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1)
NFRD (Non-financial Reporting Directive)	Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1)
Taxonomy Regulation	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate

	sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13)
Delegated Regulation supplementing The Taxonomy Regulation	Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9)
The Climate Delegated Act	Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).
EURO 6 Regulation	Commission Regulation (EU) No 459/2012 of 29 May 2012 amending Regulation (EC) No 715/2007 of the European Parliament and of the Council and Commission Regulation (EC) No 692/2008 as regards emissions from light passenger and commercial vehicles (Euro 6) (OJ L 142, 1.6.2012, p. 16)
Draft EU Battery Regulation	Proposal for a Regulation of the European Parliament and of the Council concerning batteries and waste batteries, repealing Directive 2006/66/EC and amending Regulation (EU) No 2019/1020, COM/2020/798 final.
Draft SFDR RTS	Final Report on draft Regulatory Technical Standards with regard to the content and presentation of disclosures pursuant to Article 8(4), 9(6) and 11(5) of Regulation (EU) 2019/2088 (JC 2021 50) published 22 October 2021
ESMA's disclosure RTS	Commission Delegated Regulation (EU) 2020/1224 of 16 October 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying the information and the details of a securitisation to be made available by the originator, sponsor and SSPE (OJ L 289, 3.9.2020, p. 1)
The Securitisation Disclosure ITS	Commission Implementing Regulation (EU) 2020/1225 of 29 October 2019 laying down implementing technical standards with regard to the format and standardised templates for making available the information and details of a securitisation by the originator, sponsor and SSPE (OJ L 289, 3.9.2020, p. 217)
The ESMA founding Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84)
The EBA founding Regulation	Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12)
The EIOPA founding Regulation	Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48)

3. Executive Summary

Reasons for publications

On 4 April 2021, Regulation (EU) 2017/2402² (the Securitisation Regulation) was amended by Regulation (EU) 2021/557, which is a part of the Capital Markets Recovery Package³ (CMRP). CMRP introduced, inter alia, new optional disclosure provisions for STS securitisations related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors. In particular, Articles 22(6) and 26d(6) of the Securitisation Regulation, as amended by CMRP, empower the European Supervisory Authorities (ESAs) to submit, through the Joint Committee (JC), draft Regulatory Technical Standards (RTS) on the content, methodologies and presentation of information in respect of the sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts. In light of the above, these draft RTS lay down the content, methodologies and presentation of principal adverse impacts on sustainability factors of the assets financed by the underlying exposures for both non-ABCP traditional securitisations and on-balance-sheet STS securitisations.

General background

1. Following the adoption of the 2015 Paris Agreement on climate change and the United Nations 2030 Agenda for Sustainable Development, the European Commission has expressed in the Action Plan “Financing Sustainable Growth” its intention to clarify fiduciary duties and increase transparency in the field of sustainability risks and sustainable investment opportunities with the aim to:
 - reorient capital flows towards sustainable investments in order to achieve sustainable and inclusive growth;
 - assess and manage relevant financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
 - foster transparency and long-termism in financial and economic activity.
2. In order to adapt to this new environment, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR) introduced new requirements to financial market participants and financial advisers to disclose specific information on their approaches to the integration of sustainability risks and the consideration of adverse sustainability impacts. Specifically, the SFDR requires manufacturers of financial products and financial advisers to end-investors to consider the principal adverse impacts of investment decisions on sustainability factors, and to disclose how their due diligence policies take those principal adverse impacts into account. The disclosures of adverse sustainability impacts were further specified in a draft RTS under SFDR (the draft SFDR RTS) developed by the ESAs⁴. The draft SFDR RTS were sent to the European Commission in February

² Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012

³ Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis

⁴ Final Report on draft Regulatory Technical Standards with regard to the content and presentation of disclosures pursuant to Article 8(4), 9(6) and 11(5) of Regulation (EU) 2019/2088; JC 2021 50, published 22 October 2021, available at: [jc_2021_50 - final report on taxonomy-related product disclosure rts.pdf \(europa.eu\), complemented by the Final Report](https://ec.europa.eu/jc202150-final-report-on-taxonomy-related-product-disclosure-rtts.pdf) with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a(3), Article 4(6) and (7), Article 8(3), Article 9(5),

2021. An updated version that took into account relevant provisions of the Taxonomy Regulation was submitted to the European Commission on 22 October 2021. The adoption by the European Commission of the draft RTS is currently ongoing.

3. However, securitisation is not a “financial product” covered by the rules of the SFDR. Furthermore, disclosures of the integration of sustainability risks and the consideration of adverse impacts of investment decisions on sustainability factors to investors are insufficiently developed in the area of securitisation. With the adoption of the CMRP, it was, therefore, decided that originators of STS securitisations should also have the option to disclose specific information regarding the consideration of adverse impacts on sustainability factors. To harmonise information disclosure and to ensure consistency between the draft SFDR RTS and these draft RTS, the ESAs through the JC were mandated to develop these draft RTS, building as much as possible on their work in the context of SFDR and adapting it, where necessary and relevant, to the specificities of securitisations.

4. Background and Rationale

4. The draft RTS presented in this consultation paper provides the content, methodologies, and presentation of information about the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of securitisations. These draft RTS aim to standardise the type and presentation of the information an originator may choose to disclose about the adverse impacts of the assets financed by the underlying exposures on the climate and other sustainability factors. Therefore, the aim of the draft RTS is to assist investors in measuring and comparing the negative impacts on sustainability factors caused by the assets financed by the underlying exposures and to assist financial market participants by providing a framework for measuring negative impacts.
5. It is not the objective of these RTS to establish a framework for “sustainable securitisation”, i.e. to develop indicators, definitions or thresholds for when and how the originator(s) of a securitisation may characterise or market a securitisation as “sustainable”, socially or environmentally. This topic was addressed separately in a report to the European Commission which EBA prepared in close cooperation with ESMA and EIOPA pursuant to Article 45a of the Securitisation Regulation.
6. A legislative act which has impacted these draft RTS is the Commission Delegated Regulation (EU) 2021/2178 supplementing the Taxonomy Regulation⁵ (delegated regulation supplementing the Taxonomy Regulation), which specifies disclosure requirements under Article 8 of the Taxonomy Regulation applicable to, inter alia, credit institutions. This delegated regulation is relevant as it defines what constitutes green loans/assets for the purposes of calculating a green asset ratio (GAR) and green key performance indicators (KPIs) for credit institutions. The delegated regulation supplementing the Taxonomy Regulation contributes in several ways to these draft RTS. First, the draft RTS draw on this work by including a principal adverse impact (PAI) indicator, the share of underlying exposures financing assets which are not classified as environmentally sustainable, based on the definitions set out in Annex 5 of the delegated regulation supplementing the Taxonomy Regulation. Second, these draft RTS take into account the information which a credit institution needs to possess in order to be able to classify individual loans/assets in accordance with the GAR and KPIs. This is to ensure consistency in the type and format of information collected by an originator for different purposes. More background regarding this can be found in section 4.3 below.
7. As required in the mandate for these draft RTS, the ESAs have aimed to ensure a high degree of consistency with the disclosure framework developed under SFDR and the associated RTS. Therefore, an adapted version of the template set out in Annex I of the draft SFDR RTS is used as the basis for disclosure in these draft RTS. However, in some key respects, these draft RTS diverge from the draft SFDR RTS in order to take into account the specific characteristics of securitisation products and the relevant legal framework. This is the subject of the following subsections:
 - subsection 4.1 focuses on the means and format of disclosure;
 - subsection 4.2 focuses on the sustainability policies of the originators and the criteria for selection of the assets in the pool; and
 - subsection 4.3 focuses on the selection of PAI indicators to be reported in the annual principal adverse sustainability impacts statement.

⁵ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (Text with EEA relevance)

8. This consultation paper aims to gather the views of interested parties on the proposed RTS on the content, methodologies, and presentation of information about the principal adverse impacts (PAI) on sustainability factors of the assets financed by the underlying exposures of securitisations where the underlying exposures are residential loans or auto loans or leases. The proposed PAI indicators for these asset classes can be found in section 4.3. As it may be appropriate to facilitate the ability of originators of different types of securitisations to provide information on PAIs on sustainability, the consultation paper also seeks views on proposed indicators for other types of underlying assets, in particular corporate debt, commercial real estate and trade receivables. These are detailed in section 4.4.

4.1 Means, frequency and format of disclosure

9. Whereas the information relating to the PAI of financial market participants' investment decisions disclosed under SFDR is largely made available via websites, these draft RTS build on the existing infrastructure for the disclosure of public securitisation information foreseen in Article 7 of the Securitisation Regulation, namely the Securitisation Repositories (SR). This allows for a central point of access and facilitates validation and comparison of the disclosed information.

10. Disclosure is achieved by use of a "Principal adverse impact statement" presented in the template set out in the Annex of the draft RTS, which is closely aligned with the template developed for the draft SFDR RTS. The information is to be transmitted as a stand-alone document in a searchable electronic format and made available by the SR in the same way as other stand-alone documents (e.g. the STS notification template, the prospectus etc⁶) which are currently being transmitted to and made available by the SR.

11. The option of immediately introducing all the new sustainability disclosures directly into the disclosure templates set out in the ESMA's disclosure RTS was assessed and several limitations were identified.

- First, the qualitative nature of certain elements requested under these draft RTS means that their transmission via a standardised XML format offers limited benefits;
- Second, this would place a disproportionate regulatory burden on originators of securitisation relative to financial market participants covered in SFDR and relative to other financial instruments exposing an investor to the same type of assets such as bank shares and covered bonds; and
- Third, there is a risk that sustainability indicators, thresholds and their transmission mechanism might be revised in the short to medium term due to technological and legislative developments. Therefore, the costs of imposing strict and standardised transmission of data are likely, at this stage, to exceed the benefits for the industry, investors and supervisors.

12. However, once there is stability around the indicators and related legislative files, it is proposed that ESMA considers updating its disclosure technical standards to ensure consistency with these draft RTS and to ensure that the loan level data provided in accordance with ESMA's disclosure RTS are relevant to derive the calculation of the PAI at transaction level.

⁶ For a full list, see items 2-9 of table 3 of Annex I of Commission Delegated Regulation (EU) 2020/1224 of 16 October 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying the information and the details of a securitisation to be made available by the originator, sponsor and SSPE (Text with EEA relevance), available at: [EUR-Lex - 32020R1224 - FR - EUR-Lex \(europa.eu\)](#)

13. In this regard, the ESAs acknowledge that the responsibility of supervising the ESG disclosures on securitisations should however be kept separated from the supervision of certain provisions of the SECR.

Question 1: Do you agree that it is preferable to make disclosures available in a stand-alone document based on the SFDR template and consider any potential related adjustments to ESMA's disclosure RTS at a later stage?

4.2 Sustainability policies of the originators and the criteria for selection of the assets in the pool

14. The mandate for these draft RTS requires the ESAs to, where relevant, *mirror or draw upon* the draft SFDR RTS *and in particular the Articles 2a, 4(6) and (7)*⁷ of the SFDR. The Articles in the draft SFDR RTS, which these draft RTS is required to *mirror or draw upon where relevant* contain several requirements for the financial market participant, i.e. the manufacturer of a financial product, to disclose information about (i) its policies on the assessment process to identify and prioritise PAIs on sustainability factors and (ii) how those policies are maintained and applied⁸. This raises the question whether these draft RTS should reflect these elements by requiring the disclosure by originators of similar policies.

15. In the context of securitisation, such a policy could mean:

(a) for each originator of the securitisation, a description of its policies on the assessment process to identify and prioritise PAIs on sustainability factors in relation to its credit granting in general; and

(b) for the securitisation, an explanation of whether, and, if so how, PAIs on sustainability factors are considered in the selection of underlying exposures to be added/repurchased to/from the pool at the time of marketing or during the lifetime of the securitisation.

16. As for point (a), this may in some cases be hard to answer or summarise where credit granting criteria are complex and differ across jurisdictions, obligor types and loan types. Some originators may not have such policies at all. At the same time, where an originator does have a policy in this area, it may be relevant information for the investor. So in order to mirror SFDR while limiting the reporting burden on originators, the draft RTS includes a requirement for the originator to provide a concise explanation of whether and, if so, how PAIs on sustainability factors are taken into account in the originator's credit granting criteria.

Question 2: Do you agree that originators should disclose information in the principal adverse sustainability impacts statement, about whether and, if so, how principal adverse impacts on sustainability factors are taken into account in the originator's credit granting criteria? Do you agree that the disclosed information should rely on and cross-reference existing disclosures?

17. As for point (b), where the criteria, factors, thresholds, or triggers relating to the composition of the underlying exposures in the pool take into account PAI indicators, this would need to be disclosed in the final offering document or the prospectus, irrespective of these RTS. However, this element is reflected in the draft RTS by a requirement for the originator to provide an explanation of whether, and if so how, PAIs on sustainability factors are considered in the selection of underlying exposures

⁷ Articles 22(6) and 26d(6) of the Securitisation Regulation.

⁸ See in particular: Articles 7-9 of the draft SFDR RTS.

to be added/repurchased to/from the pool at the time of marketing and/or during the lifetime of the securitisation. This explanation should include:

- a. a description of any thresholds applicable to the composition of the pool of underlying exposures in the securitisation relating to the PAIs on sustainability factors of the assets financed by the underlying exposures in the pool;
- b. a description of any tests, events and triggers in the securitisation relating to the PAIs on sustainability factors of the assets financed by the underlying exposures;
- c. clear references to the relevant pages and sections in the final offering document or the prospectus and the closing transaction documents where these thresholds, tests, events or triggers are described in detail; and
- d. where information relating to any of the indicators used is not readily available, details of the best efforts used to obtain the information from the obligors, external experts or by making reasonable assumptions.

Question 3: Do you agree that originators should disclose information about whether, and if so how, PAI indicators on sustainability factors are considered in the selection of underlying exposures to be added/repurchased to/from the pool at the time of marketing or during the lifetime of the securitisation? Do you agree with the level of information required?

4.3 Indicators contained in the principal adverse sustainability impacts statement

18. The following section provides details on the background for the choice of the indicators included in the PAI statement.
19. These draft RTS align very closely with the indicators developed for real estate in the draft SFDR RTS. For these and other indicators, these draft RTS aim to ensure consistency with information which originators will be required to collect for an underlying exposure pursuant to the Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council. To the extent possible, the ESAs do not consider it useful or appropriate to diverge from this set of information in the selection of mandatory indicators for two main reasons. First, this would, in effect, indirectly create an obligation on the originator to collect this information for all its loans. This is because an originator does not necessarily know, at the point of origination, if it will securitise a loan. Given the voluntary nature of the requirement underlying this draft RTS, it would be counterproductive not to draw on relevant information collected for the same assets for other purposes. Second, by using the same criteria and indicators, an investor will be able to compare the sustainability profile of the same type of assets regardless of whether the investor is exposed to it through a securitisation, a share in an originator, or a bond (including a covered bond) issued by an originator. All the PAI indicators should be calculated basing on the current principal balance.
20. As with the draft SFDR RTS, these draft RTS require the use of all mandatory indicators and in addition at least one of the additional social or governance indicators and at least one of the additional environmental indicators. For residential real estate, however, consistent with the draft SFDR RTS, no social or governance indicators have been identified.

Question 4: Do you agree with the approach taken in the draft RTS which aims for full consistency with the draft SFDR RTS?

21. The following subsections provide the background for the mandatory and additional indicators for each asset type:
 - New transversal indicator: Non-green asset ratio

- Indicators relating to real estate
- Indicators relating to auto loans and leases

4.3.1 New transversal mandatory indicator: Non-green asset ratio

22. As stated in the paragraphs above, these draft RTS aim to establish disclosure requirements that are consistent with the other regulations on sustainability topics. From 2022, as set by the delegated Regulation supplementing the Taxonomy Regulation, credit institutions shall disclose the Green Asset Ratio (GAR) of their activities which identifies the institutions' assets financing activities that qualify as environmentally sustainable according to the EU taxonomy. Credit institutions will disclose both the aggregate GAR for covered on-balance sheet assets and the breakdown by environmental objective and by type of counterparty.

23. For the purposes of these draft RTS, only the following two breakdowns of the total GAR are relevant:

- **GAR for retail exposures to residential real estate or house renovation loans:** GAR for retail exposures to residential real estate or house renovation loans shall be calculated as a proportion of loans to households secured by residential immovable property or granted for house renovation purposes that is taxonomy-aligned in accordance with the technical screening criteria for buildings, namely renovation and acquisition and ownership in accordance with points 7.2., 7.3., 7.4., 7.5, 7.6., and 7.7. respectively of Annex I to the Commission Delegated Regulation (EU) 2021/2139, compared to the total loans to households secured by residential immovable property or granted for house renovation purposes⁹.
- **GAR for credits consumptions loans for cars:** credit institutions shall disclose a KPI for loans granted to households for the acquisition of a motor vehicle (car loans). A KPI shall be the proportion of loans associated with cars complying with the technical screening criteria in accordance with Section 6.5. of Annex I to the Commission Delegated Regulation (EU) 2021/2139¹⁰.

24. Originators are required to disclose the share of non-green assets ratio (i.e. 100% - GAR) in the PAI statement, defined in these draft RTS as the 'Non-green asset ratio', which underlines the non-alignment of the pool of assets financed by the underlying exposures with the Taxonomy Regulation. This indicator replicates existing information and is expected to constitute a minimal burden on the originator. In addition, it will allow for direct comparison with assets which are held by credit institutions and the pool of assets backing a securitisation. It is an imperfect indicator, which indicates the number of assets which fails to meet high sustainability criteria rather than those with a negative impact. However, it is considered that this information is helpful and relevant for the investor and ensures comparability of the pool with similar assets. Finally, this indicator is consistent with draft SFDR RTS which has an indicator which is similar in nature: *Share of bonds not certified as green under a future EU act setting up a European Green Bond Standard*¹¹.

Question 5: Do you agree with the inclusion of the new mandatory non-green asset ratio indicator for all asset classes covered by the RTS?

⁹ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation, Section 1.2.1 of Annex V (OJ L 443, 10.12.2021, p. 9–67)

¹⁰ *ibid*

¹¹ See table 2 of Annex I of the draft SFDR RTS.

4.3.2 Indicators relating to residential real estate

25. In addition to the non-green asset ratio discussed above, the other mandatory indicator relating to real estate mirrors the draft SFDR RTS. This is to ensure a maximum level of consistency across regimes and because the mandatory indicators are based on information which an originator would need to collect in any case in order to be able to calculate its GAR of all its loans financing real estate in accordance with the draft delegated regulation supplementing the Taxonomy Regulation. One indicator from the draft SFDR RTS which is not reflected in these draft RTS is the share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels, however, this indicator only appears relevant for commercial real estate (see 4.4.1. below). Consistent with the approach in the draft SFDR RTS, no indicators have been developed to cover governance or social aspects of real estate.

TABLE 1: PAI INDICATORS APPLICABLE TO LOANS BACKED BY RESIDENTIAL REAL ESTATE

Objective	Mandatory PAI indicators applicable to loans backed by residential real estate	Background
Mandatory Indicators		
Energy efficiency	Exposure to energy-inefficient real estate assets	Indicator number 18 of Table 1 of draft SFDR RTS
Non-Green exposures	Proportion of loans to households secured by residential immovable property that are not contributing to the environmental objective of climate change mitigation as laid down Sections 7.2., 7.3., 7.4., 7.5., 7.6. and 7.7. of Annex I to Climate Delegated Act.	New: point 1.2.1.3 (i) of Annex V of delegated Regulation supplementing the Taxonomy Regulation and the Climate Delegated Act
Additional environmental indicators		
GHG Emissions	Scope 1 GHG emissions generated by real estate assets	Indicator number 18 of Table 2 of draft SFDR RTS
	Scope 2 GHG emissions generated by real estate assets	
	From 1 January 2023, Scope 3 GHG emissions generated by real estate assets	
	Total GHG emissions generated by real estate assets	
Energy consumption	Energy consumption in GWh of owned real estate assets per square meter	Indicator number 19 of Table 2 of draft SFDR RTS
Waste	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	Indicator number 20 of Table 2 of draft SFDR RTS
Resource consumption	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations	Indicator number 21 of Table 2 of draft SFDR

		RTS
Biodiversity	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets	Indicator number 22 of Table 2 of draft SFDR RTS

Question 6: Do you agree with the proposed PAI indicators for residential real estate?

Question 7: Do you propose to add any additional specific indicators for this asset class?

4.3.3 Indicators relating to auto loans and leases

26. Auto loans and leases are both commonly securitised types of underlying exposures. As both types of underlying exposures finance the same assets, motor vehicles, these draft RTS propose the same set of indicators to be used for both types of securitisations.

27. Unlike real estate and corporate exposures, the draft SFDR RTS does not contain any specific PAI indicators for adverse impacts arising from this asset class. Consequently, the indicators in these RTS had to be drawn from other sources. For the reasons set out above, inspiration was principally drawn from the disclosure requirements applicable to credit institutions under the delegated regulation supplementing the Taxonomy Regulation 12. Section 1.2.1.3(ii) of Annex V of the Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council, mandates that a credit institution “[...] discloses a KPI for loans granted to households for the acquisition of a motor vehicle (car loans). A KPI shall be the proportion of loans associated with cars complying with the technical screening *criteria in accordance with Section 6.5. of Annex I to Climate Delegated Act*”.

28. In the interest of consistency and comparability and in order to enable the same information to “follow” the same assets from the originator’s balance sheet to the securitisation asset pool, the draft RTS proposes to rely on the screening criteria set out in the Section 6.5. of Annex I to the Climate Delegated Act referenced above.

TABLE 2: PAI INDICATORS APPLICABLE TO AUTO LOANS AND LEASES

Objective	PAI indicators applicable to auto loans and leases	Background
Mandatory indicators		
Greenhouse Gas	Exposure to vehicles that do not comply with the ‘zero-and-low emission’ definition	<i>Based on the Climate Delegated Act Substantial contribution to climate change mitigation Technical Screening Criterion, point a of Section 6.5 of Annex I.</i>
Air Pollution	Exposure to vehicles which fail to meet air pollution thresholds and standards.	<i>Based on the Climate Delegated Act DNSH Technical Screening Criteria, point 5 of Section 6.5 of Annex I.</i>

¹² Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation available at: [EUR-Lex - 32021R2178 - FR - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/del/2021/2178/consolidated)

Water, waste and material emissions	Exposure to vehicles with a low recyclability ratio.	<i>Based on the Climate Delegated Act DNSH Technical Screening Criteria, point 4 of Section 6.5 of Annex I .</i>
Green exposure	Non-green asset ratio.	<i>Based on section 1.2.1.3.(ii) of Annex V of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation¹³.</i>
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	<i>Indicator number 10 of Table 1 of draft SFDR RTS, Annex I.</i>
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	<i>Indicator number 11 of Table 1 draft SFDR RTS, Annex I.</i>
	Unadjusted gender pay gap	<i>Indicator number 12 of Table 1 of draft SFDR RTS, Annex I.</i>
	Board gender diversity	<i>Indicator number 13 of Table 1 of draft SFDR RTS, Annex I.</i>
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	<i>Indicator number 14 of Table 1 of draft SFDR RTS, Annex I.</i>
Additional environmental indicators		
Water, waste and material emissions	Exposure to vehicles with a battery with low recyclability ratios.	<i>Based on draft EU Battery Regulation</i>
Greenhouse Gas	Exposure to vehicles with CO2 emissions in excess of EU fleet-wide emission targets	<i>Based on the Climate Delegated Act¹⁴ DNSH Technical Screening Criteria, point 1 of Section 6.5 of Annex II.</i>
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
<i>At least one of the indicators included in Table 3 of draft SFDR RTS, Annex I.</i>		

Question 8: Do you agree with aligning the PAI indicators for motor vehicles with the screening criteria for motor vehicles established in the Taxonomy Regulation?

¹³ OJ L 443, 10.12.2021, p. 9–67

¹⁴ COMMISSION DELEGATED REGULATION (EU) .../... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

29. It is important to stress that these indicators do not cover the full scope of potential negative environmental impacts of a motor vehicle and that additional more detailed indicators may be foreseen in the future. The following sets out the principal impacts which may not be fully reflected in the PAI indicators proposed in the draft RTS and the reasons why it is proposed to exclude them:

1. **Ion/lithium batteries typically used in electric vehicles:** The potential environmental and social impacts resulting from non-recycling of batteries used in electric vehicles as well as the mining and extraction of rare earths such as cobalt and lithium used in these batteries are highlighted in a legislative proposal for a Regulation concerning batteries and waste batteries proposed by the European Commission in December 2020¹⁵. The additional indicator regarding recyclability of car batteries is proposed based on this legislative proposal. This indicator may, however, need to be revised and others added once the Regulation has been adopted and the final thresholds are agreed.
2. **Production emissions:** The CO2 emissions reflected in the indicators included in the draft RTS do not take into account emissions resulting from the production process of the vehicle. This is to avoid double counting, as the CO2 emission from the production of the vehicle is included in the PAI assessment of any debt issued by the manufacturer where this is sold as a part of a “financial product” as defined in SFDR.
3. **Well-to-wheels (WTW) emissions:** The CO2 emissions of an electric vehicle depend to a very large extent on the CO2-intensity of the power generation powering the electric grid. Similarly, the generation and distribution of fuel for combustion engine vehicles also contribute to emissions. However, due to the lack of any reliable and immediately available estimates of these emissions, these elements are not reflected in the draft RTS.
4. **Air pollution:** Air pollution is assessed as part of the PAI indicators included in the draft RTS. However, the threshold for the indicator is the mandatory minimum standard applicable to all newly produced vehicles in the EU as set in the Euro 6 Regulation¹⁶. That means in practice that only second-hand vehicles risk not meeting this requirement. Furthermore, this regulation does not consider some important factors affecting air quality and does not measure real-world emissions which are of fundamental importance to prevent disproportionately high air pollutant emissions throughout the entire lifetime of a vehicle¹⁷. For these and other reasons the European Commission is currently working on new standards which should be reflected in these PAI indicators in the future.

30. The indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters which are mandatory for corporate exposures also apply to this asset class by focusing on the manufacturer of the vehicle.

Question 9: Do you agree with expanding the indicators to potentially cover these additional aspects at a later stage?

¹⁵ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL concerning batteries and waste batteries, repealing Directive 2006/66/EC and amending Regulation (EU) No 2019/1020, COM/2020/798 final. Available: [EUR-Lex - 52020PC0798 - FR - EUR-Lex \(europa.eu\)](#)

¹⁶ Commission Regulation (EU) No 459/2012 of 29 May 2012 amending Regulation (EC) No 715/2007 of the European Parliament and of the Council and Commission Regulation (EC) No 692/2008 as regards emissions from light passenger and commercial vehicles (Euro 6)

¹⁷ Roadmap on the development of post-Euro 6/VI emission standards for cars, vans, lorries and buses published by the Commission in March 2020. Available: [European vehicle emissions standards – Euro 7 for cars, vans, lorries and buses \(europa.eu\)](#)

Question 10: Do you agree with applying the mandatory indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters to the manufacturer of the vehicle?

Question 11: Do you propose to add any additional specific indicators for this asset class?

4.3.4 Indicators relating to other types of securitisation

31. As indicated above, the draft RTS cover STS non-ABCP traditional securitisations and on-balance sheet-securitisations where the underlying exposures are residential loans and auto loans and leases. It is addressed to originators of such securitisations that decide to opt into this disclosure regime. Notwithstanding the above, the ESAs note that it would be appropriate to allow originators of securitisations backed by other types of underlying exposures to provide information on principal adverse impacts on sustainability, if they wish to. In this respect, the ESAs confirm its commitment to enhancing sustainability disclosures and enabling investors to gather the appropriate information on sustainability-related aspects of their investments. In light of this, the ESAs take advantage of this consultation to solicit feedback and views on potential indicators for other types of securitisations. In particular, the below sections contain possible indicators on exposures to corporates, trade receivables and commercial real estate.
32. In line with the above, Annex II of this consultation paper provides a presentation of the PAI statement template that is also considering these additional types of securitisations described in the following subsections: commercial real estate, SME loans, corporate debt, and trade receivables.
33. The ESAs will use the feedback to this consultation, among other aspects, to determine how and if the disclosure requirements should be extended to cover these types of securitisation. This may lead to adjustments to Annex I ultimately.
34. Finally, subsection 4.4.3 solicits market views on the feasibility and desirability of developing indicators for credit card debt and consumer loans.

4.3.5 Commercial Real Estate

35. The real estate asset indicators developed for the draft SFDR RTS appear suitable for commercial real estate assets. As such the same mandatory and additional indicators could be applied to securitisation underlying exposures financing commercial real estate. This would ensure a maximum level of consistency between the two regimes.
36. The one indicator from the draft SFDR RTS which is not proposed for residential real estate, “the share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels” could suitably be included among the indicators applicable to commercial real estate.
37. Consistent with the approach in the draft SFDR RTS, no indicators have been developed to cover governance or social aspects of real estate.
38. With regards to the non-green asset ratio, the Commission Delegated Regulation (EU) 2021/2178 doesn't mandate credit institutions to explicitly disclose the share of lending which is collateralised by commercial real estate assets and aligned with Taxonomy Regulation. Whereas the draft ITS on prudential disclosures on ESG risks set a template for the disclosure of the distribution of real estate loans and advances by energy consumption and by EPC label of the collateral. Considering that this information is already captured by the indicator number 16 of Table 1 of Annex II of this RTS, the ESAs propose not to develop a non-green asset ratio for this category of asset.

TABLE 3: PAI INDICATORS APPLICABLE TO LOANS FINANCING RESIDENTIAL REAL ESTATE

Objective	Mandatory PAI indicators applicable to loans backed by Commercial Real Estate	Background
Mandatory Indicators		
Energy efficiency	Exposure to fossil fuels through realestate assets	Indicator number 17 of Table 1 of draft SFDR RTS, Annex I
	Exposure to energy-inefficientreal estate assets	Indicator number 18 of Table 1 of draft SFDR RTS, Annex I
Additional indicators		
GHG Emissions	Scope 1 GHG emissions generated by real estate assets	Indicator number 18 of Table 2 of draft SFDR RTS, Annex I
	Scope 2 GHG emissions generated by real estate assets	
	From 1 January 2023, Scope 3 GHG emissions generated by real estate assets	
	Total GHG emissions generated by real estate assets	
Energy consumption	Energy consumption in GWh of owned real estate assets per square meter	Indicator number 19 of Table 2 of draft SFDR RTS, Annex I
Waste	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	Indicator number 20 of Table 2 of draft SFDR RTS, Annex I
Resource consumption	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations	Indicator number 21 of Table 2 of draft SFDR RTS, Annex I
Biodiversity	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets	Indicator number 22 of Table 2 of draft SFDR RTS, Annex I

Question 12: Would you agree with using the SFDR real estate PAI indicators for commercial real estate securitisation?

4.3.6 Indicators relating to exposures to corporates including SMEs as well as trade receivables

39. The indicators relating to all debt issued by corporates could all be drawn from the draft RTS SFDR. The ESAs consider that for non-SME corporate exposures all indicators set out in the draft SFDR RTS should be used and the same disclosure requirements should be applied. The only relative change the ESAs would propose relates to SME loans for which a reduced number of indicators

could be considered as necessary. The proportionate treatment of SME loans is consistent with the approach taken in the Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council, where SME exposures are excluded from the calculation of green asset ratios¹⁸. The ESAs propose that for SMEs only the indicators summarised in the below table and contained in the first section of Table 1 of Annex II should be compulsorily provided. As for non-SME corporate exposures, also for SME ones at least one indicator from tables 2 and 3 of Annex II should be disclosed.

40. The same indicators could also be used for securitisation where the underlying exposures consist of outstanding invoices issued by a corporate (the seller) for goods or services provided to the seller’s clients, also known as trade receivables. In this case, it could be argued that the underlying exposures finance the activities of the seller. Consequently, the corporate indicators listed below, could be applied focusing on the seller. This approach is a pragmatic yet imperfect application of the overall principle.
41. Finally, a non-green asset ratio similar to those for the other types of securitisation could be developed for lending activities to equity holdings of SMEs for loans and advances. Consistently with Template 9 of Annex I of EBA’s draft ITS on Prudential disclosures on ESG risks, which refers to the Banking book Taxonomy Alignment Ratio (BTAR), this non-GAR should be calculated as indicated in the below table¹⁹.
42. The ITS also establish that “Where institutions are unable to collect on a bilateral basis or estimate relevant information or are unable to do it in a reasonable way that is not overburdensome for them or their counterparties, they shall explain this in the narrative accompanying the template, explaining the reasons and counterparties affected.” In the light of this, the ESAs propose to set the GAR as non-mandatory for SMEs.

TABLE 4: POSSIBLE PAI INDICATORS FOR SME LOANS

Objective	PAI indicators applicable to SME loans	Background
Mandatory indicators		
Greenhouse gas emissions	Scope 1 GHG emissions	Indicator number 1 of Table 1 of draft SFDR RTS
	Scope 2 GHG emissions	
	From 1 January 2023, Scope 3 GHG emissions	
	Total GHG emissions	
	Carbon footprint	Indicator number 2 of Table 1 of draft SFDR RTS
	GHG intensity of investee companies	Indicator number 3 of Table 1 of draft SFDR RTS
	Share of investments in companies active in the fossil fuel sector	Indicator number 4 of Table 1 of draft SFDR RTS
Additional environmental indicators		
Non - Green asset ratio	Share of loans and advances to non-financial corporations (not subject to Non-financial Reporting Directive disclosure obligations) financing taxonomy-aligned economic activities for each environmental objective	New: Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449a CRR
<i>If the non-green asset ratio for SME loans is not disclosed, originators should provide with at least</i>		

¹⁸ Article 7 of Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council, point 3.

¹⁹ Opposite to the GAR, the BTAR provides additional and separate information on the level of alignment of exposures towards non-financial corporates not subject to NFRD disclosure.

<i>one of the indicators included in Table 2 of Annex I of draft SFDR RTS under the heading “Indicators applicable to investments in investee companies”</i>
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters
<i>At least one of the indicators included in Table 3 of draft SFDR RTS, Annex I</i>

Question 13: Would you consider it useful to provide originators of securitisations consisting of corporate debt including trade receivables a template to disclose standardised information on principal adverse impacts on sustainability factors?

Question 14: Would you agree with applying the draft SFDR RTS PAI indicators to exposures to corporates?

Question 15: Would you agree with applying the proposed application of the same draft SFDR RTS PAIs focusing on the seller in the case of securitisation consisting of trade receivables?

Question 16: Would you agree with adopting the proposed proportionate approach to SME loan?

Question 17: Would you propose to add any additional specific indicators for these three types of securitisation?

4.3.7 Other types of securitisation

43. The ESAs encountered difficulties in developing PAI indicators for sustainability factors as regards consumer loans securitisation and credit card debt securitisation. This is due to the fact that the credit granting entity for these asset classes frequently does not know what asset is financed by the underlying exposure. This is consistent with the approach taken in relation to the treatment of unsecured consumer loans held by credit institutions in the delegated regulation supplementing the Taxonomy Regulation²⁰ as well as the technical advice of the EBA²¹, which acknowledged that there is a wide heterogeneity of loans in terms of purpose of the loan under this portfolio and that there is no methodology or supporting evidence that would allow a bank to determine whether they are or are not related to taxonomy-aligned activities.

Question 18: Would you agree that there are no appropriate PAI indicators for securitisations backed by consumer loans or by credit card debt? If not, which PAI indicators would you propose for these loan types?

Question 19: Do you consider that it would be useful to develop standardised PAI indicators on sustainability factors for other types of securitisation?

²⁰ **Reference to be verified** Subsection 1.2.1.3. of Annex 5 of the Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council “Green asset ratio for retail exposures” only contains criteria for the calculation of retail loans secured by a motor vehicle or residential real estate.

²¹ EBA Report: “Advice to the Commission on KPIs and methodology for disclosure by credit institutions and investment firms under the NFRD on how and to what extent their activities qualify as environmentally sustainable according to the EU Taxonomy Regulation (EBA/Rep/2021/03), paragraph 143.

5. List of stakeholder questions

Question 1: Do you agree that it is preferable to make disclosures available in a stand-alone document based on the SFDR template and consider any potential related adjustments to ESMA's disclosure RTS at a later stage?

Question 2: Do you agree that originators should disclose information in the principal adverse sustainability impacts statement, about whether and, if so, how principal adverse impacts on sustainability factors are taken into account in the originator's credit granting criteria? Do you agree that the disclosed information should rely on and cross-reference existing disclosures?

Question 3: Do you agree that originators should disclose information about whether, and if so how, PAI indicators on sustainability factors are considered in the selection of underlying exposures to be added/repurchased to/from the pool at the time of marketing or during the lifetime of the securitisation? Do you agree with the level of information required?

Question 4: Do you agree with the approach taken in the draft RTS which aims for full consistency with the draft SFDR RTS?

Question 5: Do you agree with the inclusion of the new mandatory non-green asset ratio indicator for all asset classes covered by the RTS?

Question 6: Do you agree with the proposed PAI indicators for residential real estate?

Question 7: Do you propose to add any additional specific indicators for this asset class?

Question 8: Do you agree with aligning the PAI indicators for motor vehicles with the screening criteria for motor vehicles established in the Taxonomy Regulation?

Question 9: Do you agree with expanding the indicators to potentially cover these additional aspects at a later stage?

Question 10: Do you agree with applying the mandatory indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters to the manufacturer of the vehicle?

Question 11: Do you propose to add any additional specific indicators for this asset class?

Question 12: Would you agree with using the SFDR real estate PAI indicators for commercial real estate securitisation?

Question 13: Would you consider it useful to provide originators of securitisations consisting of corporate debt including trade receivables a template to disclose standardised information on principal adverse impacts on sustainability factors?

Question 14: Would you agree with applying the draft SFDR RTS PAI indicators to exposures to corporates?

Question 15: Would you agree with applying the proposed application of the same draft SFDR RTS PAIs focusing on the seller in the case of securitisation consisting of trade receivables?

Question 16: Would you agree with adopting the proposed proportionate approach to SME loan?

Question 17: Would you propose to add any additional specific indicators for these three types of securitisation?

Question 18: Would you agree that there are no appropriate PAI indicators for securitisations backed by consumer loans or by credit card debt? If not, which PAI indicators would you propose for these loan types?

Question 19: Do you consider that it would be useful to develop standardised PAI indicators on sustainability factors for other types of securitisation?

6. Preliminary impact assessments

44. According to the founding Regulations of EBA, ESMA and EIOPA Regulations, the ESAs conduct an analysis of costs and benefits when drafting RTS. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology. The draft RTS and their impact assessment are subject to public consultation.
45. The impact assessment analyses six different aspects of the proposed RTS which are presented in separate subsections below:
- Format of disclosure (subsection 6.1)
 - Entity-level disclosures (subsection 6.2)
 - PAI indicators for auto loans and leases (subsection 6.3)
 - PAI indicators for residential real estate (subsection 6.4)
 - PAI indicators for commercial real estate (subsection 6.5)
 - PAI indicators for corporates including SMEs (subsection 6.6)
46. The assessment of each aspect is structured in the same way. First, the problem relating to this aspect is defined. Second, the policy options are presented in a table which summarises their respective costs and benefits.
47. Normally, the policy option “baseline scenario” would be included. This is the scenario in which there are no harmonised rules for disclosure of the information referred to in Article 22(4) and 26d(4) of the Securitisation Regulation. However, the disclosures described in the draft RTS are characterised by not being binding on originators. An originator has the freedom to opt in and choose to comply with them or refrain from doing so altogether. This means that the main risk of adopting a policy option which is very stringent and burdensome is not high compliance costs but rather low or no uptake. As such, the cost of these RTS can never exceed the cost of the baseline-scenario. The impact of too stringent and costly requirements is thus not additional cost, but the absence of the benefits expected from a high uptake.

Objectives

48. The overall objective of the draft RTS are set out in Recitals 28 and 29 of the Regulation (EU) 2021/557 amending the Securitisation Regulation and include ensuring that originators are able to disclose relevant information about the environmental adverse impact in a way which is consistent and comparable to the disclosures made available under SFDR. This in turn will allow investors to undertake consistent due diligence of sustainability factors when investing in different types of assets. End-investors should be able to rely on the PAI disclosures made by financial market participants to explain sufficiently clearly how they consider adverse impacts.

6.1 Format of disclosure

49. The first aspect of disclosure which is considered is the format of disclosure. The question of format arises since the format of disclosures for securitisation under the Securitisation Regulation differ in nature from the format and presentation of disclosures under SFDR. The two options considered are:

- Option 1: Template of disclosure aligned with the one developed for the draft SFDR RTS and transmitted in a machine-readable format (preferred option)
- Option 2: Sustainability disclosures directly included into the XML templates set out by ESMA's disclosure RTS

50. To assess the pros and cons of the two options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation on sustainability disclosure which may require the use of different formats. This is associated with the **risk of a low uptake**;
- **Regulatory consistency**, refers to the consistency and logic of information provided under this draft RTS with other related reporting regimes.
- The **quality of information** that could be achieved by using a machine-readable format instead of an XML template, in view of the qualitative nature of data;
- The **level of flexibility** allowed by each type of the two-format considered in case of a change of indicators or thresholds for sustainability indicators due to legislative or technological developments.

51. The identified policy options are the following:

TABLE 1: POLICY OPTIONS

	Parameters	Option 1: Format aligned with SFDR	Option 2: Format aligned with ESMA's disclosure RTS
Costs	Regulatory burden to originators / risk of low uptake	Low	High
Benefits	Regulatory Consistency	Medium	Medium
	Ability to control and monitor data quality	Medium	High
	Flexibility	High	Low

6.2 Entity-level disclosures

52. The mandate to the ESAs requires that the draft RTS, where relevant, should mirror or draw upon the draft SFDR RTS, which sets the requirements for disclosure of adverse sustainability impacts at entity level for financial market participants.

53. In assessing the extent to which originators should disclose information at entity-level, the issue of proportionality arises. Indeed, the choice to comply with these draft RTS mainly depends on the associated burden weighing on originators. Requiring them to develop a separate and elaborate disclosure for their entire business in addition to the annual PAI statement for their assets, could be perceived as disproportionate and resource intensive. At the same time, information about whether an originator takes PAI into account in its credit granting criteria may be relevant for an investor interested in the sustainability profile its investments.

54. In the light of this, the ESAs considered the following options:

- Option 1: No disclosure requirements at originator level
- Option 2: Very limited required information drawing on and cross-referencing disclosures and policies, which the originator has already produced under other regulations (preferred option)
- Option 3: Same level of entity-disclosure set out by the SFDR

55. To assess the pros and cons of the three options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**;
- The **regulatory consistency**, refers to the consistency and logic of information provided under these draft RTS with other related reporting regimes.
- The **level of relevant information** which should allow end-investors to make aware decision.

TABLE 2: POLICY OPTIONS

	Parameters	Option 1: No Disclosure	Option 2: Limited disclosure	Option 3: SFDR disclosure
Costs	Regulatory burden to originators / risk of low uptake	None	Low	High
Benefits	Regulatory consistency	Low	Medium	High
	Level of relevant disclosed information	None	Low	Medium

6.3 PAI indicators for auto loans and leases

56. The draft SFDR RTS, which has been mirrored to develop the other asset classes PAI indicators, does not contain specific indicators for adverse impacts arising from the motor vehicle asset class.

57. To deal with this lack, the ESAs have drawn the mandatory indicators stated in these RTS from other sources and, more specifically, from Section 6.5 of Annex I to Climate Delegated Act and from the disclosure requirements applicable to credit institutions under the delegated regulation supplementing the Taxonomy Regulation.

58. The indicators included in Annex I, referring to auto loans and leases, don't take into account some relevant environmental impacts of motor vehicles which are stated in paragraph 5.3.3 of the background section.

59. To address the problem concerning the type and number of indicators to include in the PAI annual statement, the following options have been considered:

- Option 1: A single indicator based on CO2 emissions;
- Option 2: additional indicators set out by Taxonomy Regulation + Non-green asset ratio (preferred option);
- Option 3: include detailed indicators assessing all aspects of the environmental impact of motor vehicles.

60. To assess the pros and cons of the two options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**;
- The **availability of data** for originators;
- The **level of relevant information disclosed** which should allow end-investors to make aware decisions;
- The **regulatory consistency** refers to the consistency and logic of information provided under these draft RTS with other related reporting regimes.

TABLE 3: POLICY OPTIONS

	Parameters	Option 1: Emission/km	Option 2: Taxonomy-based disclosures	Option 3: Detailed indicators
Costs	Regulatory burden to originators / risk of low uptake	Low	Medium	High
	Availability of data	High	High	Low
Benefits	Regulatory consistency	High	High	Low
	The level of relevant information disclosed	Low	Medium	High

6.4 PAI indicators for residential real estate

61. The second type of securitisation for which PAI indicators are developed in the draft RTS is residential real estate. This is an asset class for which indicators were already developed in the draft SFDR RTS providing a starting point for these draft RTS. Two options are identified.

- Option 1: Close alignment with SFDR (preferred option).
- Option 2: More indicators than those included in SFDR.

62. To assess the pros and cons of the two options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**; and
- The **level of relevant information disclosed** which should allow end-investors to make aware decision.

63. The identified policy options are the following:

TABLE 4: POLICY OPTIONS

	Parameters	Option 1: Close alignment with SFDR	Option 2: More indicators than SFDR
Costs	Regulatory burden to originators / risk of low uptake	Low	High
Benefits	The level of information disclosed	Medium	High

6.5 PAI indicators for commercial real estate

64. This subsection assesses the potential impact of the indicators suggested for the additional types of asset classes which are not included in the proposed draft RTS: commercial real estate assets. Two options are identified.

- Option 1: Perfect alignment with SFDR (preferred option)
- Option 2: No template

65. To assess the pros and cons of the three options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**; and
- The **level of relevant information disclosed** which should allow end-investors to make aware decision.
- The **regulatory consistency** refers to the consistency and logic of information provided under this draft RTS with other related reporting regimes.

TABLE 5: POLICY OPTIONS

	Parameters	Option 2: Perfect alignment with SFDR	Option 3: No template
Costs	Regulatory burden to originators / risk of low uptake	Low	None
Benefits	The level of information disclosed	High	None
Benefits	Regulatory consistency	High	Low

6.6 PAI indicators for corporates including SMEs

66. This subsection assesses the potential impact of the indicators suggested for the additional types of asset classes which are not included in the proposed draft RTS: corporate debt including SME debt. Two options are identified.

- Option 1: Perfect alignment with SFDR + non-green asset ratio
- Option 2: No template

67. To assess the pros and cons of the three options, the following parameters have been used:

- The **regulatory burden** weighing on originators in terms of human and financial resources, considering that many of them already have to comply with other types of regulation, and the associated **risk of a low uptake**; and
- The **level of relevant information disclosed** which should allow end-investors to make aware decision.
- The **regulatory consistency** refers to the consistency and logic of information provided under these draft RTS with other related reporting regimes.

TABLE 6: POLICY OPTIONS

	Parameters	Option 1: Perfect alignment with SFDR + non-green asset ratio	Option 2: No template
Costs	Regulatory burden to originators / risk of low uptake	Medium	None
Benefits	The level of information disclosed	High	None
Benefits	Regulatory consistency	Medium	Low

6.7 Analysis of impact

68. In analysing the impact of the proposed rules on adverse impact disclosure, ESA's approach was to maintain a balance between disclosure requirements set out by other current regulations and the necessity of introducing appropriate ESG-related indicators to assess the adverse impact of the assets financed by the underlying exposure of securitisation products.

69. In assessing the level of obligation of the draft RTS, both the cost and complexity of implementation of further disclosure and the usefulness of this type of information for end investors have been considered. The ESAs propose to rely on the indicators that are already required by Taxonomy Regulation, draft SFDR RTS and Non- Financial Reporting Directive for financial market participants.

7. Annex I: Draft RTS

COMMISSION DELEGATED REGULATION (EU) No .../..
of XXX

supplementing Regulation (EU) 2017/ 2402 of the European Parliament and of the Council laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation with regard to regulatory technical standards specifying the content, methodologies and presentation of information in respect of sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts of the assets financed by the underlying exposures of simple, transparent and standardised securitisations

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2017/2402 of the European Parliament and of the Council laying down a general framework for securitisations and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (²²), and in particular, the third subparagraph of Article 22(6) and the third subparagraph of Article 26d(6) thereof,

Whereas:

- (1) Regulation (EU) 2017/2402 establishes harmonised transparency requirements for originators, sponsors and securitisation special purpose entities. In the case of simple, transparent and standardised (STS) non-ABCP traditional securitisations, where the underlying exposures are residential loans or auto loans or leases, of Article 22(4), first subparagraph, of Regulation (EU) 2017/2402 requires originators and sponsors to publish the available information related to the environmental performance of the assets financed by such residential loans or autos loans or leases.
- (2) Regulation (EU) 2021/557 of the European Parliament and of the Council (²³) has amended Regulation (EU) 2017/2402 by extending the STS securitisation framework to on-balance-sheet synthetic securitisations and by providing, in Article 22(4), second subparagraph, and in Article 26d(4), second subparagraph, that originators may, where the underlying exposures are residential loans or auto loans or leases, disclose information regarding the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors. This Regulation lays down the content, methodologies and presentation of information that originators may decide to publish on principal adverse impacts on sustainability factors of the assets financed by residential loans or auto loans or leases, for both traditional non-ABCP and for on-balance-sheet STS securitisations.
- (3) To harmonise sustainability-related disclosures, this Regulation draws upon the regulatory technical standards developed pursuant to the mandate given to the European Supervisory

²² OJ L 374/35, 28.12.2017, p.35.

²³ Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis (OJ L 116, 6.4.2021, p. 1).

Authorities in Regulation (EU) 2019/2088 ⁽²⁴⁾ on sustainability-related disclosures in the financial services sector [*or the number of the RTS if adopted*] in relation to the content of the information including the format of the templates, the principle adverse impact indicators and the metrics. The information referred to in this Regulation should be made available as part of the information disclosed under point (a) of Article 7(1) of Regulation (EU) 2017/2402. Consequently, the information should be provided quarterly and information relating to securitisations where a prospectus has to be drawn up pursuant to Regulation (EU) 2017/1129 of the European Parliament and of the Council ⁽²⁵⁾ (commonly referred to as 'public' securitisations) should be made available by means of a securitisation repository registered with ESMA. The information should be provided in a searchable electronic format.

- (4) To ensure that investors are in a position to take informed decisions as regards the sustainability impacts of their investment, to assist the transition to a more sustainable, resource efficient, low carbon, and circular economy and to achieve the sustainable development goals of the Union, sustainability-related disclosures should be sufficiently clear, concise and prominent. Investors should have access to reliable data that can be used and analysed in a timely and efficient manner.
- (5) Union objectives of the European Green Deal, in particular increasing the share of energy efficiency and renewable energy, the protection of water and the elimination of waste mean that it is essential that any adverse impacts in these areas are identified as principal adverse impacts. Equally, adverse impacts relating to core principles of the Union, in particular certain social matters and respect for human rights should be identified as principal adverse impacts. Originators should consider and prioritise additional indicators for principal adverse impacts by considering the scope, severity, probability of occurrence and potentially irremediable character on sustainability factors.
- (6) Originators should report on principal adverse impacts on sustainability factors in order to ensure that investors can easily compare the information disclosed and understand the indicators. To improve the comparability of the disclosure, it is appropriate to distinguish between indicators of adverse impacts that, based on the materiality of their exposures, always lead to principal adverse impacts and additional indicators of adverse impacts on sustainability factors that are principal for the originators. Considering that information may not always be readily available for all of the sustainability indicators, for reasons of proportionality, originators should be required to report only on one additional indicator of principal adverse impacts relating to the climate or other environmental-related sustainability factors and one additional indicator of principal adverse impacts on social- or governance-related sustainability factors where such additional information is available.
- (7) In order to facilitate the tracking of the information on principal adverse impacts, when it is made available via a securitisation repository, an item code consistent with those of Table 3 of Annex I to the Commission Delegated Regulation (EU) 2020/1224 ⁽²⁶⁾ should be used.
- (8) Where originators disclose the information required by this Regulation and do not publish the available information related to the environmental performance of the assets financed by residential loans or auto loans or leases according to Article 22(4), first subparagraph, and Article 26d(4), first subparagraph, of Regulation (EU) 2017/2402, they should choose to make use of the value 'No Data Option' ND5 in fields RREC10 and RREC11 in Annex II to the Commission Delegated Regulation (EU) 2020/1224 and in fields AUTL57 and AUTL58 in Annex V to the same Regulation.

²⁴ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317/1, 12.2019 0.1-16)

²⁵ Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71 (OJ L 168, 30.6.2017, p. 12–82)

²⁶ Commission Delegated Regulation (EU) 2020/1224 of 16 October 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying the information and the details of a securitisation to be made available by the originator, sponsor and SSPE (OJ L 289, 3.9.2020, p. 1–216)

- (9) Both Article 22(4), second subparagraph, and Article 26d(4), second subparagraph, of Regulation (EU) 2017/2402 refer to available information related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors. To ensure coherence between the rules and standardised templates for disclosure of such principal adverse impacts on sustainability factors concerning non-ABCP traditional STS securitisations and on-balance-sheet STS securitisations, which should enter into force at the same time, and to facilitate a comprehensive view by originators of their obligations under Article 22(4), second subparagraph, and Article 26d(4), second subparagraph, of Regulation (EU) 2017/2402, it is appropriate to include the regulatory technical standards in a single Regulation.
- (10) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.
- (11) The European Supervisory Authorities have conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of the EBA founding Regulation of the European Parliament and of the Council ⁽²⁷⁾, the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of the EIOPA founding Regulation of the European Parliament and of the Council ⁽²⁸⁾, and the Securities and Markets Stakeholder Group established in accordance with Article 37 of the ESMA founding Regulation of the European Parliament and of the Council ⁽²⁹⁾.
- (12) In order to provide originators that decide to disclose information regarding the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors with sufficient time to gather the necessary information and to adapt to the requirements of this Regulation, and in order to align the application of this Regulation with the application of Commission Delegated Regulation (EU) 2022/XXX, the provisions of this Regulation should apply from X XXX 2022,

HAS ADOPTED THIS REGULATION:

Article 1

General principles for the presentation of information

1. Originators shall provide the information required by this Regulation ensuring that the information is prominent, simple, concise, accurate, comprehensible, fair, clear and not misleading.
2. The information referred to in this Regulation shall be made available as part of the information disclosed pursuant to point (a) of Article 7(1) of Regulation (EU) 2017/2402 in a searchable electronic format.

²⁷ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

²⁸ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

²⁹ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

Article 2

Statement on principal adverse impacts on sustainability factors

1. Originators shall publish the statement on principal adverse impacts on sustainability factors in the format set out in Tables 1, 2 and 3 of the Annex.
2. In the summary section in Table I of the Annex, originators shall include all the of the following:
 - (a) the unique identifier of the relevant securitisation;
 - (b) the international securities identification numbers (ISIN) of each of the tranches or bonds in the relevant securitisation;
 - (c) the fact that principal adverse impacts on sustainability factors are considered;
 - (d) the reference period of the statement;
 - (e) for each asset type in the securitisation pool, the total current principal balance of the underlying exposures;
 - (f) a summary of the principal adverse impacts on sustainability factors.

The summary section shall be of a maximum length of two sides of A4-sized paper when printed.

3. In the section 'Explanation of whether, and, if so, how principal adverse impacts on sustainability factors are considered in the selection of underlying exposures to be added to the pool at the time of offering or during the lifetime of the relevant securitisation' in Table I of the Annex, originators shall include all of the following information:
 - (g) a description of any criteria or numerical thresholds applicable to the composition of the pool of underlying exposures in the relevant securitisation relating to the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures in the pool;
 - (h) a description of any tests, events and triggers relating to the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures;
 - (i) clear references to the relevant pages and sections in the final offering document or the prospectus and the closing transaction documents where these thresholds, tests, events or triggers are described;
 - (j) where information relating to any of the indicators of principal adverse impacts on sustainability factors used is not readily available, details of the best efforts used to obtain the information from the obligors, external experts or by making reasonable assumptions.

4. In the section 'Description of relevant sustainability policies and adherence to international standards' in Table I of the Annex, originators shall provide a concise explanation of whether and, if so, how principal adverse impacts on sustainability factors are taken into account in the originator's credit granting criteria. The section shall contain references and hyperlinks to any available public disclosures describing these criteria in further detail.

The section may also contain references to relevant business conduct codes and internationally recognised standards for due diligence and reporting adhered to by the originator.

5. In the section 'Description of principal adverse impacts on sustainability factors' in Table I of the Annex, originators shall provide a description of the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of the relevant securitisation, and they shall include all of the following:
 - (a) the indicators related to principal adverse impacts on sustainability factors as set out in Table I of the Annex;

- (b) where available, information on one or more additional climate and other environment-related indicators that qualify as principal, as set out in Table 2 of the Annex;
- (c) where available, information on one or more additional indicators for social, employee, human rights, governance-related, anti-corruption or anti-bribery matters that qualify as principal, as set out in Table 3 of the Annex;
- (d) Where available, information on any other indicators used to identify and assess additional principal adverse impacts on a sustainability factor as set out in Table I of the Annex.

The information made available in accordance with the first subparagraph shall be consistent with the other information disclosed in accordance with Article 7(1) of Regulation (EU) 2017/2402.

Where the originator has provided a description of adverse impacts on sustainability factors for a period preceding the period for which information is to be disclosed in accordance with this Article, and relevant changes have taken place in the assets financed by the underlying exposures, the statement shall contain a historical comparison of the period reported on with the previous period reported on.

- 6. Where the principal adverse sustainability impacts statement is made available via a securitisation repository, the statement shall be assigned the item code '13'.
- 7. Where the originator identifies factual errors in any information that it has made available pursuant to this Article, it shall make available, without undue delay, a corrected statement on principal adverse impacts on sustainability factors.

Article 3

Entry into force and application

- 1. This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
- 2. This Regulation shall apply from periods starting as from XX XXX 2022.
- 3. By way of derogation from paragraph 2, the reporting on Scope 3 GHG emissions in Tables 1 and 2 of the Annex shall apply from [1 January 2023]³⁰.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission

The President

³⁰ The application date should be consistent with the relevant one for the Article 4(6) and (7) Regulation (EU) 2019/2088 Delegated Act.

[For the Commission

*On behalf of the
President*

[Position]

ANNEX

Template principal adverse sustainability impacts statement

For the purpose of this Annex, the following definitions shall apply:

- (1) 'inefficient real estate assets' means inefficient real estate assets as defined in point (28) of Annex I of the Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]
- (2) 'UN Global Compact principles' means UN Global Compact principles as defined in point (27) of Annex I of the Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]
- (3) 'unadjusted gender pay gap' means an unadjusted gender pay gap as defined in point (29) of Annex I of the Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]
- (4) 'board' means a board as defined in point (30) of Annex I of the Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]
- (5) 'securitisation unique identifier' means a unique identifier as defined in Article 11 of the Commission Delegated Regulation (EU) 2020/1224;
- (6) 'specific emissions of CO₂' means the CO₂ emissions of a passenger car, or a light commercial vehicle as defined by Article 3(1), point (h) of Regulation (EU) 2019/631 of the European Parliament and the Council³¹;
- (7) 'EU fleet-wide target' means the average CO₂ emissions of all new passenger cars or all new light commercial vehicles to be achieved in a given period as defined by Article 3(1), point (k) of Regulation (EU) 2019/631;
- (8) 'reusability' means the potential for reuse of component parts diverted from an end-of-life vehicle as defined by Article 4, point 13 of Directive 2005/64/EC of the European Parliament and of the Council³²;
- (9) 'recyclability' means the potential for recycling of component parts or materials diverted from an end-of-life vehicle as defined by Article 4, point 14 of Directive 2005/64/EC;
- (10) 'recycling efficiency' of a battery recycling process means the ratio obtained by dividing the mass of output fractions accounting for recycling by the mass of the waste batteries input fraction, expressed as a percentage;

³¹ Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (OJ L 111, 25.4.2019, p. 13).

³² Directive 2005/64/EC of the European Parliament and of the Council of 26 October 2005 on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability and amending Council Directive 70/156/EEC (OJ L 310, 25.11.2005, p. 10).

(11) 'zero- and low-emission vehicle' means a passenger car or a light commercial vehicle with tailpipe emissions from zero up to 50 g CO₂/km, as defined by Article 3(1), point (m), of Regulation (EU) 2019/631³³.

(12) 'green asset ratio for residential real estate' means the green asset ratio for residential real estate as calculated in Annex V of Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council, point 1.2.1.3(i).

(13) 'green asset ratio for retail car loans' means the green asset ratio for retail car loans as calculated in Annex V of Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council, point 1.2.1.3(ii).

Table 1

Statement on principal adverse impacts on sustainability factors

Originators of the Securitisation [<i>Name and LEI</i>]			
Summary			
<p>[<i>Name and LEI</i>] considers principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of securitization [<i>relevant securitization unique identifier</i>], that are described in the present statement.</p> <p>The ISIN codes of each of the tranches and / or bonds in the relevant securitisation are the following [<i>insert ISIN codes</i>].</p> <p>This statement covers the reference period from [<i>date</i>] to [<i>date</i>].</p> <p>For each asset type in the pool [<i>auto loans; leases; residential real estate</i>], the total current principal balance of the underlying exposures is as follows [<i>information referred to in point (e) of Article 2(2)</i>].</p> <p>[<i>Summary referred to in Article 2(2)</i>].</p>			
Explanation of whether, and, if so, how principal adverse impacts on sustainability factors are considered in the selection of underlying exposures to be added to the pool at the time of marketing or during the lifetime of the relevant securitisation			
[<i>Information referred to in Article 2(3)</i>].			
Description of principal adverse impacts on sustainability factors			
[<i>Information referred to in Article 2(4) in the format set out below</i>].			
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS			
Adverse sustainability indicator	Metric	Impact [reference period n]	Impact [reference period n-1]

³³ Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (OJ L 111 25.4.2019, p. 13)

Indicators applicable to investments underlying exposures financing residential real estate assets

Fossil fuels	1. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels		
Energy efficiency	2. Exposure to energy-inefficient real estate assets	Share of underlying exposures financing energy-inefficient real estate assets		
Green exposures	3. Non- Green asset ratio for real estate	100%- green asset ratio for residential real estate		

Indicators applicable to the assets financed by auto loans and leases

Emissions	4. Exposure to vehicles that don't comply with the 'zero-and-low emission' definition	Share of underlying exposures secured by vehicles with specific emissions that are: (1) until 31 December 2025, higher than 50g CO ₂ /km, and (ii) from 1 January 2026, higher than 0.		
Pollution	5. Exposure to vehicles which fail to meet air pollution thresholds and standards	Share of underlying exposures secured by vehicles non-compliant with the requirements of the most recent applicable stage of the Euro 6 light-duty emission type-approval set out in accordance with Regulation (EC) No. 715/2007 ⁽³⁴⁾ and/or with the emission thresholds for clean light-duty vehicles set out in Table 2 of the Annex to Directive 2009/33/EC ⁽³⁵⁾ .		
Water, waste and material emissions	6. Exposure to vehicles with a low recyclability ratio	Share of underlying exposures secured by vehicles of categories M1 and N1 which are not: (a) reusable or recyclable to a minimum of 85 % by weight; (b) reusable or recoverable to a minimum of 95 % by weight .		
Green exposures	7. Non-green asset ratio for	100% - green asset ratio for retail car loans		

	auto loans and leases			
Indicators for SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS Applicable to the manufacturer in case of auto loans and leases				
Social and employee matters	8. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of underlying exposures secured by vehicles manufactured by companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.		
	9. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.	Share of underlying exposures secured by vehicles manufactured by companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises		
	10. Unadjusted gender pay gap	Average unadjusted gender pay gap of the companies which manufactured the vehicles securing the underlying exposures in the pool.		
	11. Board gender diversity	Average ratio of female to male board members in the companies which manufactured the vehicles securing the underlying exposures in the pool.		

³⁴ Commission Regulation (EU) No 459/2012 of 29 May 2012 amending Regulation (EC) No 715/2007 of the European Parliament and of the Council and Commission Regulation (EC) No 692/2008 as regards emissions from light passenger and commercial vehicles (Euro 6) (OJ L 142, 1.6.2012, p. 16–24)

³⁵ Directive 2009/33/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of clean and energy-efficient road transport vehicles (OJ L 120, 15.5.2009, p. 5–12)

	12. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of underlying exposures secured by vehicles manufactured by companies involved in the manufacture or selling of controversial weapons		
Other indicators for principal adverse impact				
[Information on the principal adverse impacts on sustainability factors referred to in Article 2(5)(b) in the format in Table 2]				
[Information on the principal adverse impacts on sustainability factors referred to in Article 2(5)(c) in the format in Table 3]				
[Information on any other indicator used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 2(5)(d)]				
Description of sustainability policies and adherence to international standards				
[Information referred to in Article 2(4)]				
Historical comparison				
[Information referred to in the third subparagraph of Article 2(5)]				

Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to underlying exposures financing residential real estate assets		
Where available, information on one or more of the indicators included in Table 2 'Additional climate and other environment-related indicators' of Annex I of Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]. For the purpose of this row, the related definitions included in Annex I to the same Regulation apply.		
Indicators applicable to assets financed by the underlying exposures of auto loans and leases		
Water, waste and material emissions	13. Electric Vehicles batteries recycling efficiency	Share of underlying exposures secured by electric vehicles whose lithium-ion batteries don't respect the following rate of recycling: (i) 65% by 2025 and (ii) 70% by 2030 Or Share of underlying exposures secured by electric vehicles whose lead-acid batteries and lead don't respect the following rate of recycling: (i) 75% by 2025 (ii) 80% by 2030
Emissions	14. Exposure to vehicles with CO2 emissions in excess of EU fleet-wide emission targets	Share of underlying exposures secured by vehicles, of categories M1 and N1, with higher specific emissions of CO2 than the fleet-wide CO2 emissions targets.

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to manufacturers of assets financed by the underlying exposures of auto loans and leases		
Where available, information on one or more of the indicators included in Table 3, on 'Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters' of Annex I of Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]. For the purpose of this table, the related definitions included in Annex I to the same Regulation apply.		

8. Annex II: Information on PAI indicators for other types of securitisations than those included in the draft RTS

As explained in Section 4.4 of the Consultation Paper, this section provides a standardised template concerning principal adverse sustainability impacts for the following additional types of securitisations:

- Commercial real estate;
- SME loans;
- Non-SME corporate debt; and
- Trade receivables.

Template for principal adverse sustainability impacts statement including other types of securitisations

The principal adverse impact indicators contained in Table 1 below are applicable for all enterprises. The principal adverse impact indicators contained in Table 2 and in Table 3 are applicable to non-SMEs and are optional for SMEs.

For the purpose of filling in the templates, refer to the definitions set out in Annex I of Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]. For the purposes of the definitions set out in that regulation the terms

- 'financial market participant' shall be construed as referring to the originator of a securitisation;
- 'investee companies' shall be understood as referring to corporate entities whose debt is included in the pool of underlying exposures;

In addition, the following definitions shall apply:

- (1) 'securitisation unique identifier' means a unique identifier as defined in Article 11 of the Commission Delegated Regulation (EU) 2020/1224;
- (2) 'specific emissions of CO₂' means the CO₂ emissions of a passenger car, or a light commercial vehicle as defined by point (h) of Article 3(1) of Regulation (EU) 2019/631 of the European Parliament and the Council³⁶;
- (3) 'EU fleet-wide target' means the average CO₂ emissions of all new passenger cars or all new light commercial vehicles to be achieved in a given period as defined by point (k) of Article 3(1) of Regulation (EU) 2019/631;

³⁶ Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (OJ L 111, 25.4.2019, p. 13).

- (4) ‘reusability’ means the potential for reuse of component parts diverted from an end-of-life vehicle as defined by point 13 of Article 4 of Directive 2005/64/EC of the European Parliament and of the Council³⁷;
- (5) ‘recyclability’ means the potential for recycling of component parts or materials diverted from an end-of-life vehicle as defined by point 14 of Article 4 of Directive 2005/64/EC;
- (6) ‘recycling efficiency’ of a battery recycling process means the ratio obtained by dividing the mass of output fractions accounting for recycling by the mass of the waste batteries input fraction, expressed as a percentage;
- (7) ‘zero- and low-emission vehicle’ means a passenger car or a light commercial vehicle with tailpipe emissions from zero up to 50 g CO₂/km, as defined by point (m) of Article 3(1) of Regulation (EU) 2019/631³⁸
- (8) ‘green asset ratio for lending activities to equity holdings of non-financial undertakings for loans and advances’ means green asset ratio for lending activities to equity holdings of non-financial undertakings for loans and advances as calculated in Annex V of Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council, point 1.2.1.1 (i).

Table 1

Principal adverse sustainability impacts statement

<p>Originators of the Securitisation [<i>Name and LEI</i>]</p> <p>Summary:</p> <ul style="list-style-type: none"> - Relevant securitization unique identifier. - ISIN codes of each of the tranches/bonds in the relevant securitisation. - The reference period covered by the principal adverse impacts statement. - For each asset type in the pool [auto loans; auto leases; residential real estate], the total current principal balance of the underlying exposures - Summary of the principal adverse impacts statement.

³⁷ Directive 2005/64/EC of the European Parliament and of the Council of 26 October 2005 on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability and amending Council Directive 70/156/EEC (OJ L 310, 25.11.2005, p. 10).

³⁸ OJ L 111 25.4.2019, p. 13

Explanation of whether, and, if so, how principal adverse impacts on sustainability factors are considered in the selection of underlying exposures to be added to the pool at the time of marketing or during the lifetime of the relevant securitisation

Description of principal adverse sustainability impacts

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]
Indicators applicable to underlying exposures funding all types of corporates including SMEs				
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions		
		Scope 2 GHG emissions		
		From 1 January 2023, Scope 3 GHG emissions		
		Total GHG emissions		
	2. Carbon footprint	Carbon footprint		
	3. GHG intensity of investee companies	GHG intensity of investee companies		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector		
Indicators applicable to underlying exposures funding non-SME corporates				
Green exposures	A. Non – Green asset ratio	100% - green asset ratio for lending activities to equity holdings of non-financial undertakings for loans and advances		
Greenhouse gas emissions	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage		

	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas		
Water	8. Emissions to water	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas		
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average		

Indicators applicable to underlying exposures financing commercial real estate assets				
Fossil fuels	15. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels		
Energy efficiency	16. Exposure to energy-inefficient real estate assets	Share of underlying exposures financing energy-inefficient real estate assets		
Indicators for SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS Applicable to underlying exposures funding non-SME corporates; and Applicable to the originator in case of trade receivables.				
Social and employee matters	17. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of underlying exposures related to companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.		
	18. Lack of processes and compliance mechanisms to	Share of underlying exposures related to companies without policies to monitor compliance with the		

	monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises		
	19. Unadjusted gender pay gap	Average unadjusted gender pay gap of the companies related to the underlying exposures in the pool.		
	20. Board gender diversity	Average ratio of female to male board members in the companies related to the underlying exposures in the pool.		
	21. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of underlying exposures related to companies involved in the manufacture or selling of controversial weapons.		
Other indicators for principal adverse impact				
[Information on the principal adverse sustainability impact/s in the format in Table 2.]				

[Information on the principal adverse sustainability impact/s in the format in Table 3]
[Information on any other adverse sustainability impacts used to identify and assess additional principal adverse impacts on a sustainability factor]
Description of sustainability policies and adherence to international standards
Historical comparison

Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to underlying exposures financing commercial real estate		
See indicators under the heading “real estate assets” provided in table 2 of Annex I of Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act].		
Applicable to underlying exposures funding corporates; and Applicable to the originator in case of trade receivables.		
See indicators under the heading “Indicators applicable to investments in investee companies” provided in table 2 of Annex I of Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act].		

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to underlying exposures funding corporates and applicable to the originator in case of trade receivables.		
Where available, please provide information on one or more of the indicators included in Table 3, on 'Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters' of Annex I of Commission Delegated Regulation (EU) 2022/XXX [insert reference to Articles 4(6) and (7) of Regulation (EU) 2019/2088 Delegated Act]. For the purpose of this table, the related definitions included in Annex I to the same Regulation apply.		