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Climate and the Financial Sector

This weekly newsletter highlights climate-related regulatory, litigation and enforcement developments relevant to the financial sector.

General

20 July 2023 [UK]: **FRC Lab publishes report on ESG data use and distribution**

The Financial Reporting Council (FRC) Lab published a report titled “ESG Data Distribution and Consumption”, examining how investors obtain and use environmental, social and governance (ESG) data on companies, and highlighting what actions companies can take to facilitate this.

The report notes that almost all investors rely heavily on third party providers for their ESG data (as this is a more time-efficient process when covering a portfolio of multiple companies rather than sourcing the data individually). The report also recommends specific actions to optimise the flow of ESG data from companies to investors, e.g.: understanding the target audience, ensuring coherent and interconnected narratives back up the data, being clear and consistent on the scope of the data and where information is located, aiming for simplification of content and comparability of data presentation, and preparing for further digitisation.

For further information, please refer to the report [here](#).

Banking

18 July 2020 [EU]: the EBA is collecting institutions' data on environmental, social and governance risks to set up a monitoring system

The EBA has issued a Decision that it will collect, on an ad-hoc basis, ESG data from large, listed institutions based on their pillar 3 quantitative disclosures on ESG risks. This collection is intended to provide competent authorities with data to monitor ESG risks and support the EBA in fulfilling its ESG mandates, including to set up a risk monitoring framework and to contribute to the European Commission's Strategy for financing the transition to a sustainable economy. The data is temporary and will be discontinued once a supervisory reporting framework on ESG risks will be in place.

For further information, please refer to the EBA's decision [here](#).

20 July 2023 [EU]: Draft templates for EU banks' one-off climate stress test published by EBA

The EBA has launched a public consultation on draft templates for collecting climate related data from EU banks. The draft templates are designed to collect climate-related and financial information on credit risk, market and real estate risks. Banks are asked to report aggregated and counterparty level data as of December 2022. Collecting counterparty level data is expected to allow to assess concentration risk of large climate exposures, as well as to capture amplification mechanisms and assess second round effects. Aggregated data is expected to inform on the climate-related risks of the banking sector more broadly. The draft templates are accompanied by a template guidance, which includes definitions and rules for compiling the templates.

The consultation runs until 11 October 2023. The one-off Fit-for-55 climate risk scenario analysis is expected to start by the end of 2023, with publication of results envisaged by Q1 2025.

For further information, please refer to the templates [here](#) and to the template guidance [here](#).



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