The Green Asset Ratios are here

Observations from EU banks' third EU Taxonomy reporting season

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About this report

This year's European Union (EU) reporting season was a rather thrilling one. For the first time, banks were required to disclose their Green Asset Ratios (GARs). However, challenges regarding regulatory interpretation ambiguity, data collection and usability, as well as the integration of EU Taxonomy assessments and reporting into the broader sustainability capabilities within banks remain.

To understand how disclosure methodologies have evolved, how banks are preparing for the next steps and to outline key action points, Accenture analyzed the disclosures of 50 banks from 15 European countries. This report sheds light on the key findings by detailing the quantitative picture and analyzing the qualitative aspects.

The beauty of the EU Taxonomy for financial institutions

The European Union's Taxonomy is a classification system for green economic activities, which comes with a huge appetite for data and imposes many methodological subtleties.

Standardization and transparency

The EU Taxonomy for sustainable activities is the central classification system for economic activities in Europe. As the centerpiece of the European Commission's (EUC) 2021 Sustainable Finance Strategy, it primarily provides a uniform and transparent definition of the economic activities which qualify to be designated as 'green'. It does this by spelling out in detail the quantitative and qualitative criteria that these activities must meet. The EU Taxonomy is intended to function as a key tool in the box towards the Green Deal's ultimate goal of building a climate-neutral economy within the EU. It is at the core of a landscape of far-reaching sustainability regulations that are currently being developed and implemented, and which jointly will comprise the framework for the sustainable transformation of the European economy, and thus also the financial industry. Notable examples of these regulations include:

- The **Corporate Sustainability Reporting Directive (CSRD)**, in conjunction with the European Sustainability Reporting Standards (ESRS), determines companies' reporting obligation under Art. 8 of the Taxonomy Regulation, replacing the Non-Financial Reporting Directive (NFRD) starting FY24
- The **Sustainable Finance Disclosure Regulation (SFDR)** requires the classification of funds according to SFDR Art. 8 based on the Taxonomy's requirements
- The **European Green Bond Standard (EUGBS)** will require the taxonomy-alignment of financed economic activities (while also allowing for a "flexibility pocket")
- The **Corporate Sustainability Due Diligence Directive (CSDDD)** may, in the future, be used as a proxy to demonstrate compliance with the minimum social safeguards required by the EU Taxonomy

Amendments to the EU Taxonomy framework

As frequently stated by the authority bodies in charge, the Taxonomy framework shall be viewed as dynamic. Until now, this holds true for both the detailing of the disclosure obligations and the extension of the framework. 2024 marked a huge step forward on the disclosures side due to the maiden inclusion of GAR and for the first time, the requirement to publish a set of standardized reporting templates. The extension of the framework will be in focus in due course.

Starting FY23, banks also must report their eligibility ratios under the Environmental Delegated Act[1]: This includes the framework's four other environmental goals too. They are Sustainable use and protection of water and marine resources; Transition to a circular economy; Pollution prevention and control; Protection and restoration of biodiversity and ecosystems. Starting FY25, banks also will have to report their alignment ratios for the full set of environmental goals.

The same implementation rhythm applies to the newly introduced activities, such as aircraft manufacturing, under the climate environmental targets of Climate change mitigation (CCM) and Climate change adaptation (CCA). FY25 will also mark a pivotal year for banks with significant trading activities, as they will need to include KPIs on the eligibility and alignment of their trading book exposure, and fees and commissions in their taxonomy reporting.

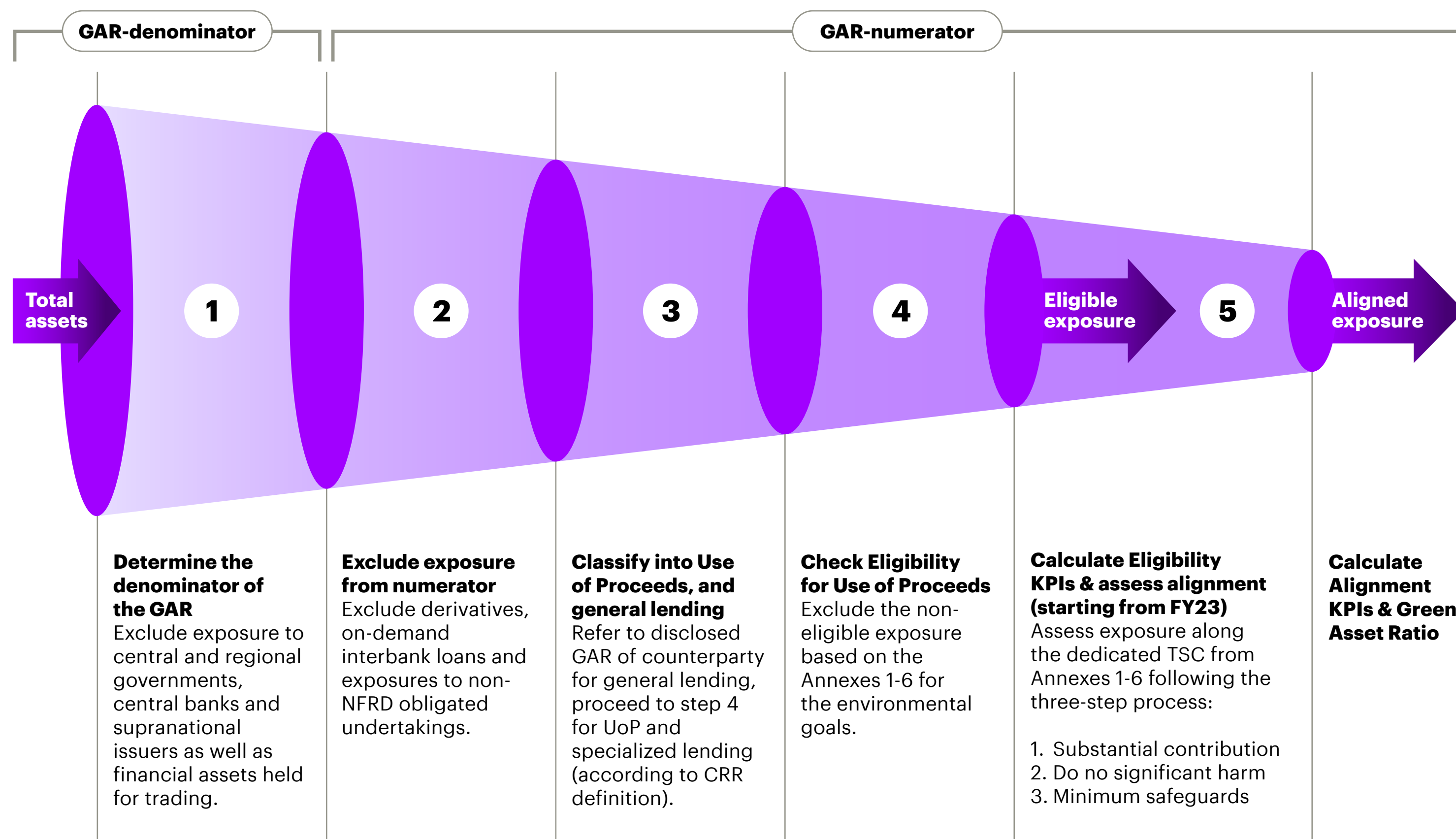
Set of KPIs

At the heart of the EU Taxonomy stands Art. 8, which mandates banks that are required to disclose non-financial information[2] under the CSRD (previously NFRD) to report information on the taxonomy-eligibility of their portfolio since FY21[3] and on their taxonomy-alignment starting from FY23. In addition, reporting on taxonomy-alignment enables banks to report their Green Asset Ratio (GAR). While banks were subject to a simplified reporting obligation for the two previous reporting seasons, they have now been required to disclose detailed information, covering a vast amount of data points, utilizing the following standardized reporting templates for the first time[4]:

a. Summary of KPIs (Template 0)
b. Assets for the calculation of GAR (Template 1)
c. GAR sector information (Template 2)
d. GAR KPI stock (Template 3)
e. GAR KPI flow (Template 4)
f. KPI off-balance sheet exposures (Template 5)

When it comes to the calculation of taxonomy-eligible and the aligned assets from the above categories, the denominator and numerator are determined through a step-by-step process, as illustrated simplified in Figure 1.

Figure 1: Schematic and simplified calculation process for the GAR



Source: Accenture illustration

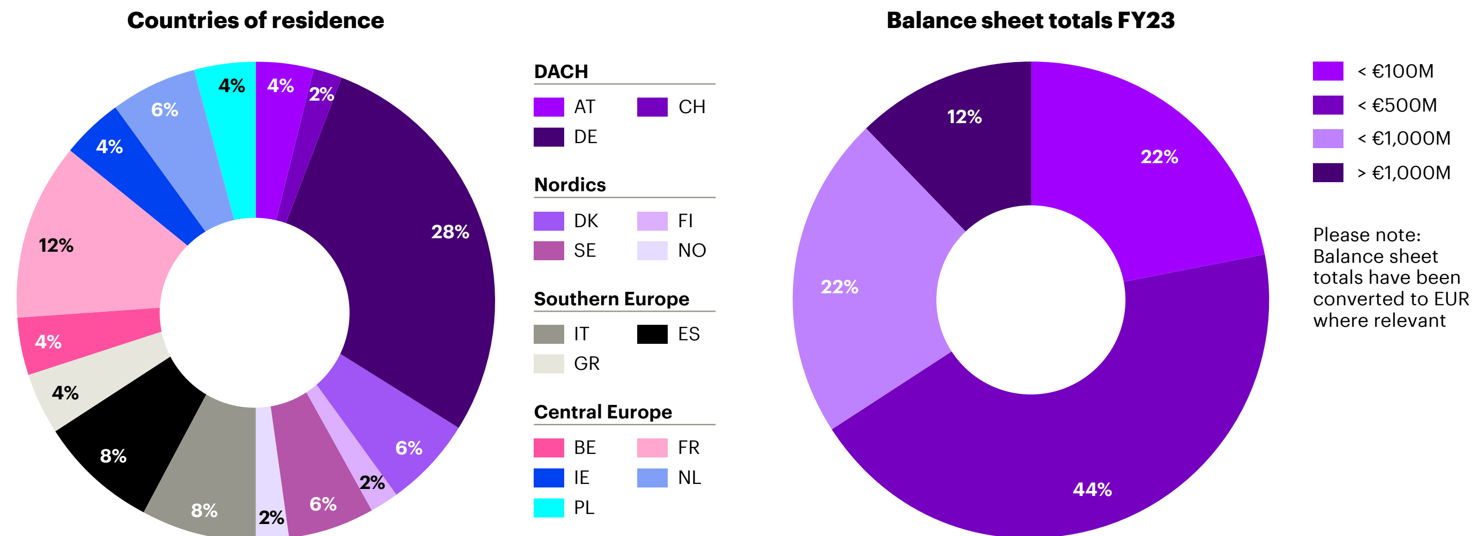
A view of our sample

Accenture conducted a detailed analysis of banks' third round of disclosures under Art. 8 of the Taxonomy Regulation, including the GAR for the first time. Among the banks we surveyed, 28% decided there was a need to underpin their mandatory disclosure with a voluntary one, a decrease from last year.

Quantitative and qualitative information

For the purpose of our analysis, we took a close look at banks' reporting under Art. 8 of the Taxonomy Regulation. We used a sample of 50 European banks, increasing the scope from our previous studies by 20 banks. Just over a quarter of these are based in Germany, with the remainder located across various European regions, excluding England, and encompassing additional markets such as Belgium, Greece, and Poland, among others. Our selection was primarily led by banks' size (total assets as per balance sheet), including large but also small banks to reflect different business models and uncover regional specifications. The focus of our investigation was the quantitative and qualitative information provided by banks in their EU Taxonomy reports.

Figure 2: Overview of our study sample



Source: Accenture illustration

Need for discussion

Just as in the previous reporting season, it was noticeable that most of the banks in our study provided detailed methodological information to accompany the required quantitative reporting templates. This often went beyond the level of qualitative information that is mandatory to disclose.

Although the EU Commission published several FAQ documents detailing the disclosure requirements since the regulation was put into place, the reports reveal there is still great uncertainty surrounding the regulatory framework. To ensure the best possible comparability, only the mandatory reporting was considered for the following chapters, unless indicated otherwise.

First Green Asset Ratios confirmed to be low

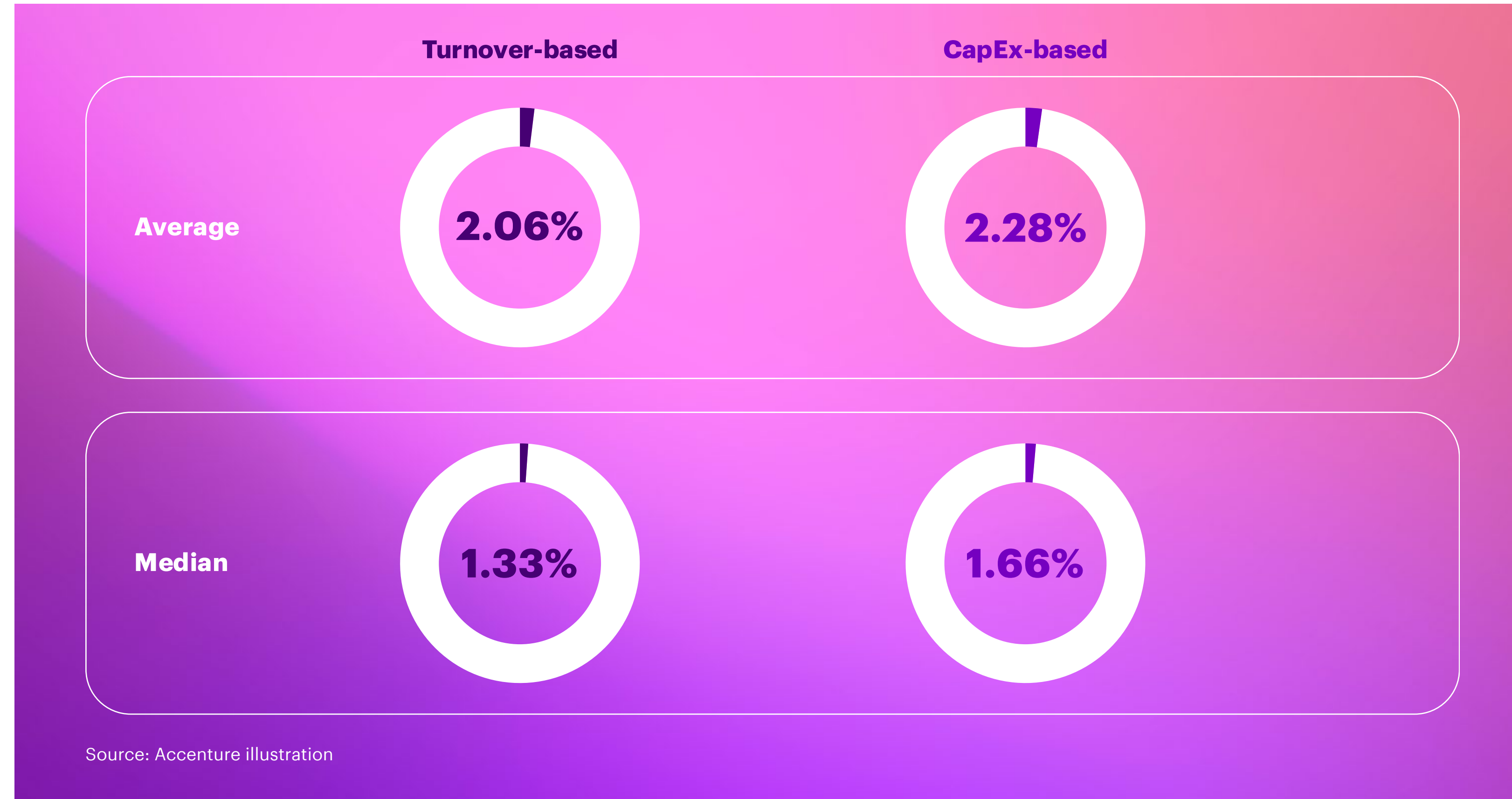
The FY24 EU Taxonomy reporting was a small step for sustainability, but a huge step for sustainability reporting, with an average GAR of 2.06% across our set.

GARs tend to be low across the set

Our analysis of Green Asset Ratios (GARs) across various banks unveils: the average GAR based on **turnover** stood at just 2.06%, with a median of 1.33%. When calculated based on CapEx, the average slightly increased to 2.28%, with a median of 1.66%.

These figures underscore a cautious beginning in the identification and proofing of green assets within the banking sector's overall portfolios.

Figure 3: Average and median GARs based on turnover and CapEx



Source: Accenture illustration

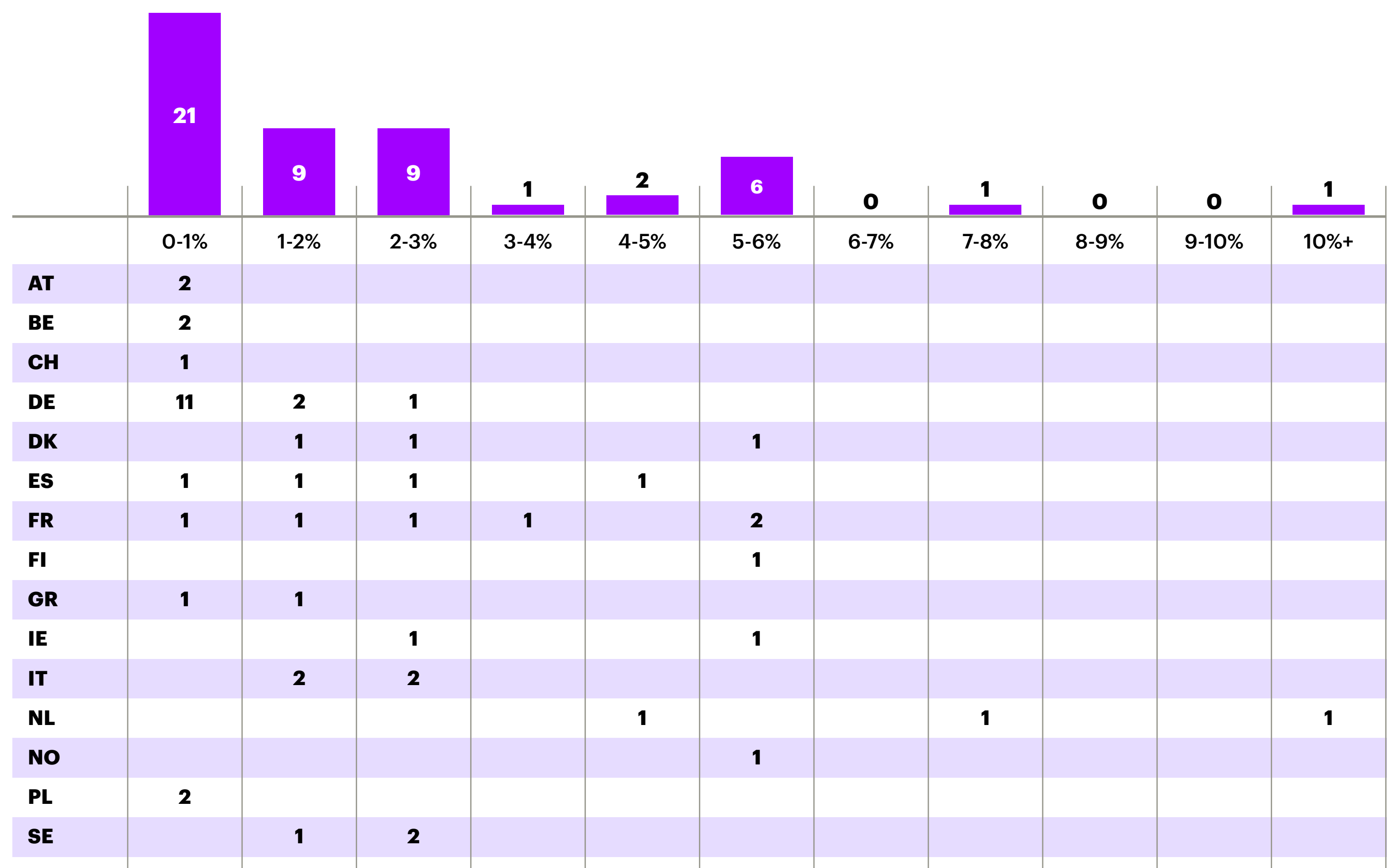
GARs vary based on geographical and regulatory factors

The range of GARs observed across banks spans from a negligible 0.0% to a more robust 10.0%, indicating significant variability among institutions. Notably, banks from specific regions such as the Netherlands, Nordics, France and Ireland generally report higher GARs. Leading the forefront is ABN Amro with an impressive 10% GAR, followed by Allied Irish Banks and OP Financial Group with GARs of 5.97% and 5.9%, respectively. This is a small example of a trend we generally observed across the set: The geographical disparity suggests that geographical factors and local regulatory environments play crucial roles in the identification of taxonomy-aligned exposures.

Banks' business models and sizes impact GAR potentials

Our analysis also reveals a correlation between the size of banks and their GARs. Smaller banks, with total assets under €100 bn, tend to exhibit lower GARs. In contrast, banks with assets under €500 bn showed not only a wider spread in GARs but also the highest average ratios among the groups analyzed. However, the largest banks, with assets exceeding €1,000 bn, appear constrained, maintaining an average GAR of 2.1%.

Figure 4: Disclosed GARs per country of domicile of surveyed banks



	0-1%	1-2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
AT	2										
BE	2										
CH	1										
DE	11	2	1								
DK		1	1			1					
ES	1	1	1		1						
FR	1	1	1	1		2					
FI						1					
GR	1	1									
IE			1			1					
IT		2	2								
NL					1			1			1
NO						1					
PL	2										
SE		1	2								

Source: Accenture illustration

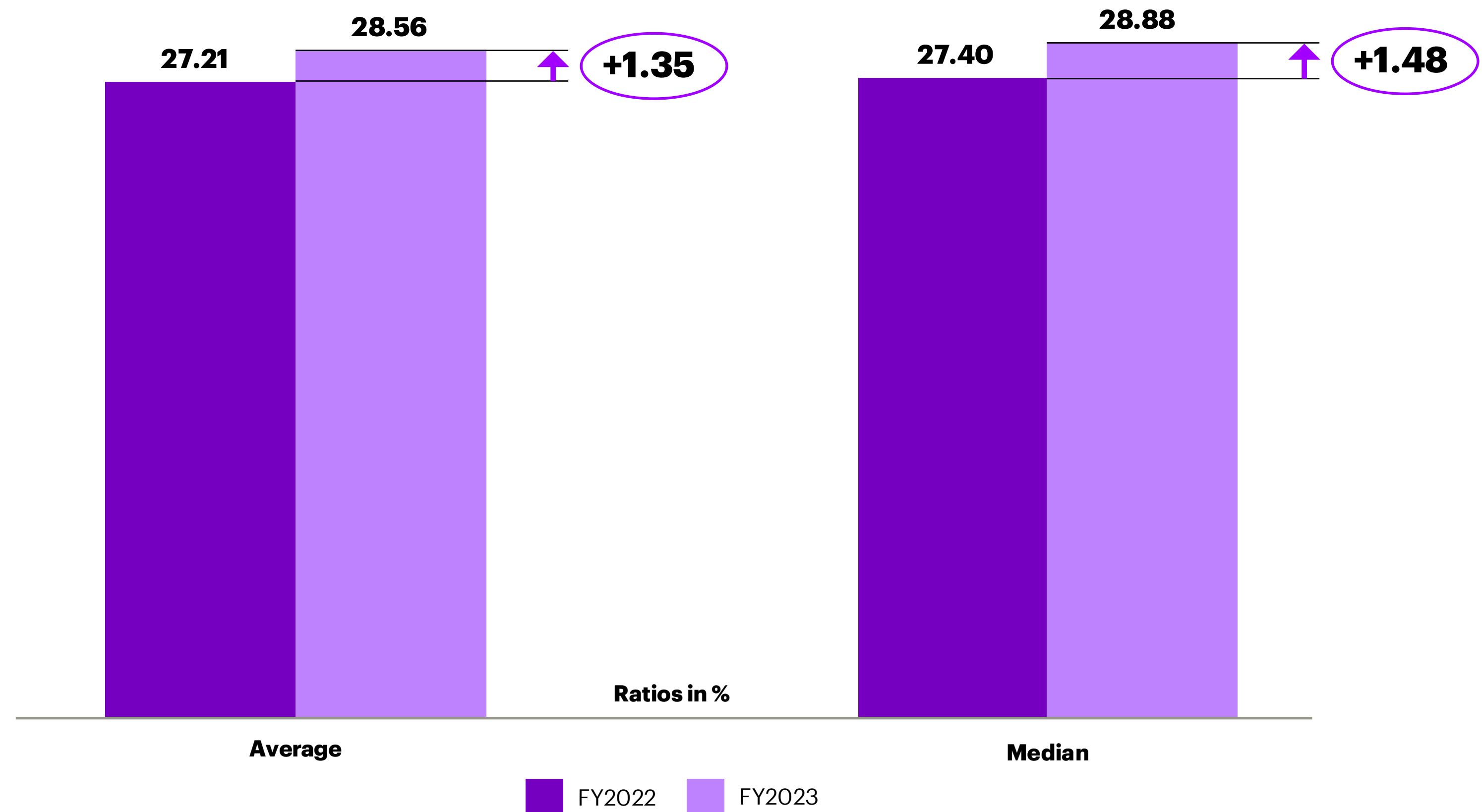
This pattern indicates that while larger banks have the capacity to influence substantial change, they are currently achieving modest progress in green asset integration, as defined by the EU Taxonomy. The underlying reasons for these trends include limitations in data availability, biases stemming from regulatory frameworks that favor certain business models or banking segments and significant impacts from the currently applied Non-Financial Reporting Directive (NFRD) filter (the Corporate Sustainability Reporting Directive [CSRD] going forward).

We explore these elements in detail in the next chapters to provide a clear understanding of the barriers and enablers in enhancing GARs.

Eligibility ratios increase across the set

Progress has also been observed in the identification of eligible volumes. Despite a decrease in the relevance of this metric due to the entry of the GAR, it is encouraging to note an increase from an average of 1.35% across the set to 28.56%, with the median rising from 1.48% to 28.88%. The increase in eligibility ratios may be driven by an improvement in data availability and the current practice of clarifying regulatory uncertainties and ambiguities through multiple rounds of FAQs.

Figure 5: Comparison of average and median eligibility ratios for FY22 and FY23



Source: Accenture illustration

Collection of NFRD-flags and counterparty KPIs benefit from previous reporting cycles

Due to the run-up in Art. 8 reporting obligations, most banks seem to be well prepared to obtain and manage data for the classification of general lending exposures.

NFRD/CSRD status of counterparties presents a major data challenge

Banks are required to identify which of their clients are subject to non-financial reporting obligations as per NFRD, which is transitioning to the CSRD from FY24.

Since banks were not previously required to collect this type of client data, this step within the EU Taxonomy classification process demands a robust counterparty assessment system to determine their NFRD/CSRD status and, where possible, obtain their taxonomy ratios. Combining these two data requests has become common market practice, aimed at leveraging synergies and streamlining data collection processes.

However, there is currently no centralized dataset for this purpose across the EU, forcing banks to develop and apply their own methodologies to assess their counterparties.

Data vendors are increasing the quality and coverage of datasets

Our analysis reveals that out of 50 banks surveyed, 56% have integrated external datasets from vendors to obtain the necessary data. These vendors include, among others:

- Bloomberg (Groupe BPCE, ING Group, Hamburg Commercial Bank)
- MSCI (Caixa Bank, Deutsche Bank)
- OeKB ESG Data Hub (Raiffeisen Bank International)
- ClarityAI (Crédit Agricole)

Additionally, 50% of the surveyed banks directly review their clients' reporting to either validate or complement these acquired datasets. This dual approach underscores the challenges faced by banks, as even comprehensive data solutions from big vendors often do not offer sufficient coverage of the individual client portfolios of banks, yet. But improvements can be observed constantly. Notably, two banks have taken a more direct approach by initiating client outreach, which, while costly, provides the most accurate data.

General-purpose lending reporting shows significant progress

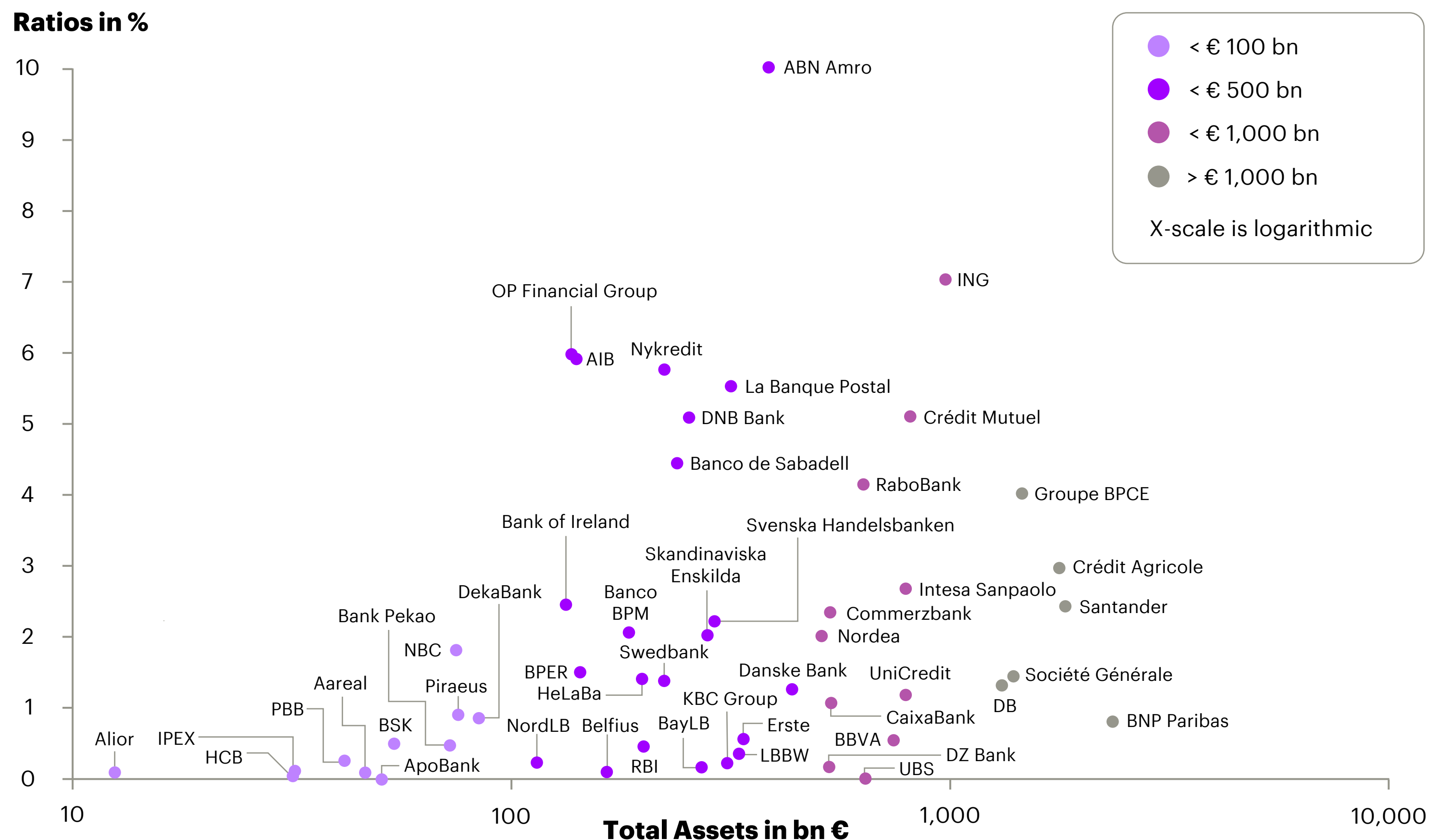
All surveyed banks have successfully incorporated general-purpose exposures into their eligibility ratios, and 94% managed to include these exposures in their GARs. This achievement represents a major step toward comprehensive coverage, though the process of fully covering all counterparties is still ongoing. However, it is to be noted that the general-purpose exposures in this year's reporting cycle are mainly based on taxonomy ratios from non-financial undertakings, as banks only had to publish their own alignment ratios this year for the first time. Hence, alignment ratios from financial undertakings could not be included in this year's reporting and will be available at scale for the FY24 reporting season in 2025 for the first time, indicating a potential increase in the overall GARs.

Banks with big clients enjoy structural advantages

Banks with substantial exposure to large public companies in the EU, which are relevant under NFRD/CSRD, appear to have a small structural advantage at the moment.

These banks are likely to report slightly higher ratios, a benefit that is sometimes further amplified by a significant client base in sectors such as renewable energy, which typically have structurally higher alignment ratios[5]. In the overall picture, this does not guarantee any leadership in GAR reporting, but it does offer a slight advantage.

Figure 6: GARs in relation to balance sheet total for the full sample



AIB = Allied Irish Banks Group PLC; ApoBank = Deutsche Apotheker- und Ärztebank; BayLB = Bayerische Landesbank; BSK = Berliner Sparkasse; DB = Deutsche Bank; HCB = Hamburg Commercial Bank; HeLaBa = Hessische Landesbank; NBC = National Bank of Greece; PBB = Deutsche Pfandbriefbank; RBI = Raiffeisen Bank International AG

Source: Accenture illustration

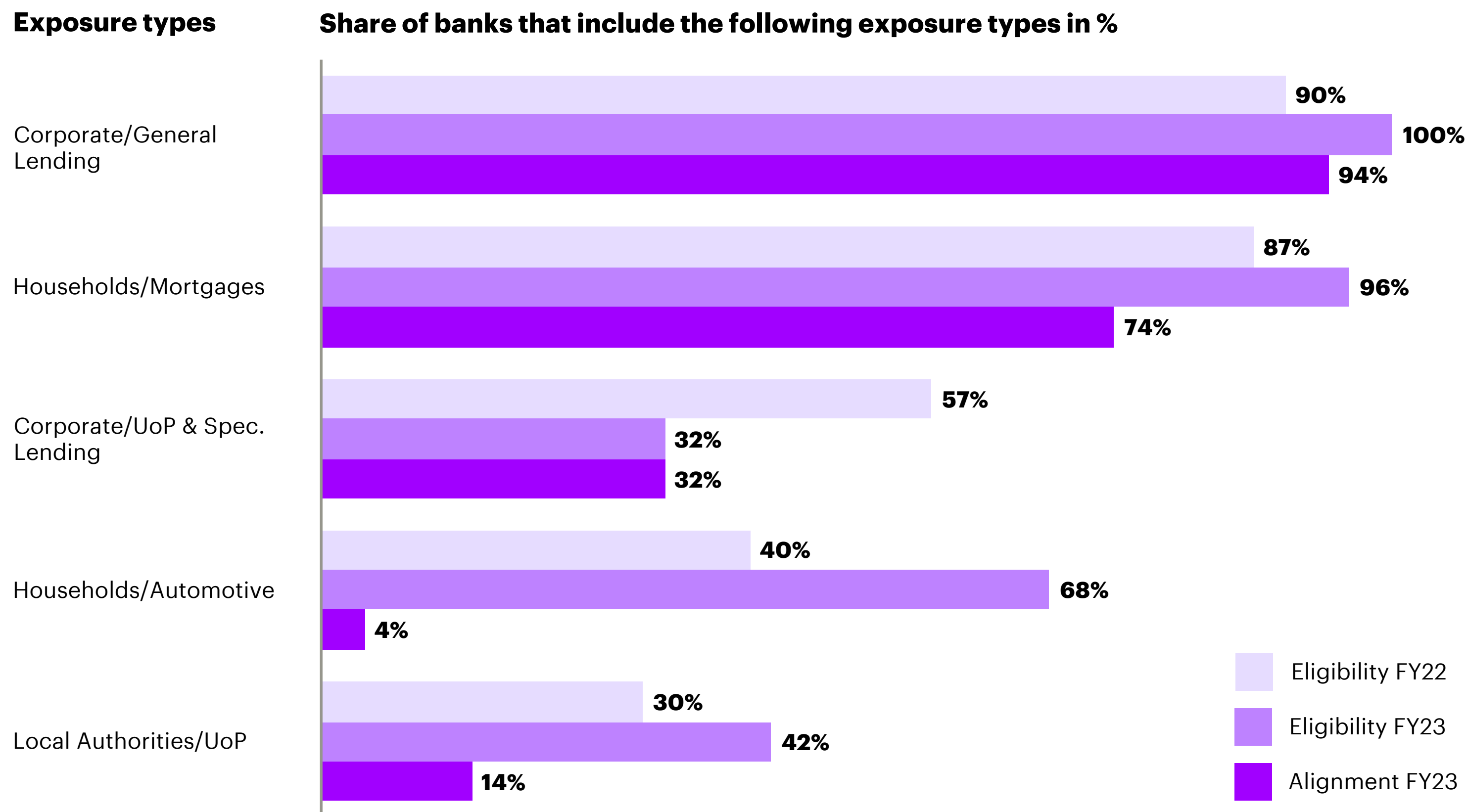
Use of Proceeds and specialized lending present major challenges

Use of Proceeds lending with Households, such as Real Estate/Automotive, saw a lower inclusion rate of 68%, while Corporate and Local Authorities' Use of Proceeds lending had an even lower inclusion rate of 32%. This highlights not only low materiality of UoP deals and unresolved regulatory interpretation issues, but also different levels of data readiness maturity across financial institutions. Furthermore, we observed differing approaches among auditors, with some allowing for greater interpretational flexibility, while others adhere to more strict interpretations of the regulatory requirements and accompanying FAQs.

Crucial role of holistic and diversified data collection efforts

Overall, our analysis emphasizes the importance of collaboration and partnership with all relevant client groups to enhance data accuracy and completeness. As banks continue to navigate these regulatory waters, their ability to adapt and co-own the process with clients will be crucial to success.

Figure 7: Inclusion of exposure types in bank's FY23 reports



FY22: Exposure types have been included in this analysis when they were explicitly mentioned as included in the surveyed reports
FY23: Exposure types have been included in this analysis when they could be derived from the standardized reporting template 1 «Assets for the calculation of GAR (Turnover-based)»
Please note: Due to a significantly increased number of banks in this year's survey set, FY22 and FY23 numbers should be interpreted as general trends.

Source: Accenture illustration

Use of Proceeds exposure to corporate clients has minimal contribution to GARs

A banks' individual business model, client structure and approach to deal-level alignment assessment highly impact the contributions of Use of Proceeds (UoP) transactions to their GARs.

Low materiality of UoP exposure

Our analysis reveals that UoP exposure holds very low materiality across the surveyed banks. A significant 44% of banks reported zero aligned volumes under this line item, potentially influenced by rounding off minimal volumes. Additionally, 30% of banks reported exposures up to EUR 1 bn, 18% between EUR 1 and 10 bn, and only 8% (specifically, four banks) reported more than EUR 10 bn of taxonomy-aligned UoP exposure. These are ABN Amro, Banco Santander, Crédit Agricole and Crédit Mutuel. Please note that these figures may be slightly distorted due to methodological inconsistencies, as some banks have included their aligned residential real estate volumes in this line item, while others have not.

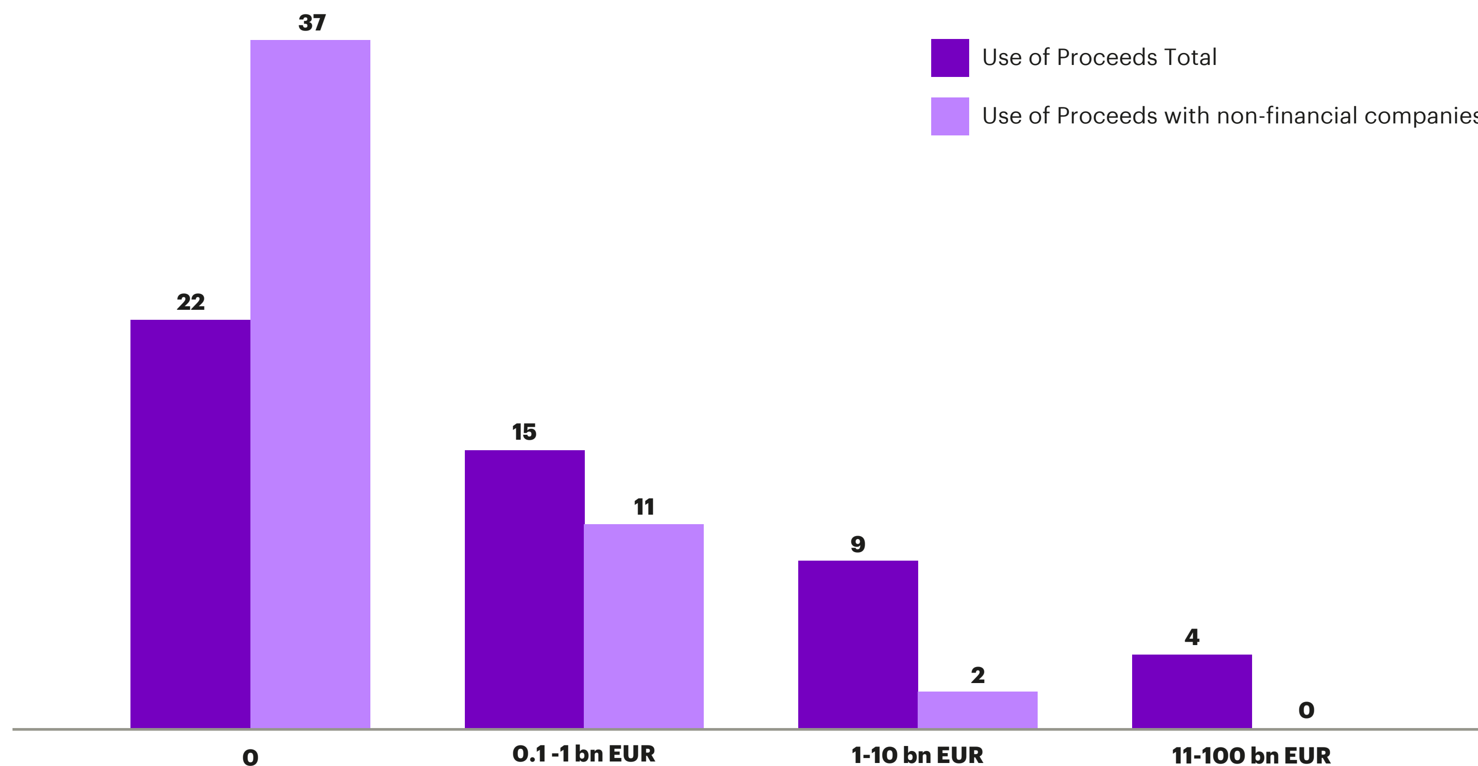
Materiality is lower in UoP exposure to non-financial companies

When focusing specifically on UoP exposure to non-financial companies, materiality declines even further. For this line item, a substantial 74% of surveyed banks report no volume at all, 22% disclose under EUR 1 bn and only 4% (two banks – Commerzbank and Landesbank Hessen-Thüringen) report volumes slightly above this threshold.

Internal frameworks and market trends

Many surveyed banks have developed internal frameworks in the last few years as they help to bridge their sustainable finance practices with the Taxonomy framework. These frameworks vary in product coverage and criteria specificity. However, we observe a market-wide trend where internal frameworks are increasingly aligned with the EU Taxonomy's structure and economic activity coverage, as seen with Deutsche Bank's Sustainable Finance Framework[6], for example.

Figure 8: Distribution of banks by Use of Proceeds volume buckets, split into Total and Non-FIs



Source: Accenture illustration

Challenges in identifying taxonomy-aligned UoP transactions

Identifying taxonomy-aligned UoP transactions presents a multitude of challenges that hinder the process and limit its effectiveness. These challenges range from regulatory filters that restrict eligible transactions to the complexity of mapping transactions to the EU Taxonomy's environmental goals.

1. NFRD filter (to be replaced by CSRD filter in FY24) limits the number of transactions that can be eligible/aligned significantly. This makes it much harder to find transactions that could contribute to the bank's taxonomy ratios.
2. Depending on the individual bank's business model, UoP transactions may not be very common. This can affect how often and how many potentially eligible/aligned transactions are actually done.
3. Identifying relevant deals is a major challenge, often requiring front office staff to access and interpret counterparty- and deal-related data that has not previously been relevant. To assess the alignment of transactions that have successfully been deemed as eligible, client outreach is usually inevitable. The required data is highly specific to the respective transaction, which means that data vendors cannot help at this point.
4. Mapping transactions to the EU Taxonomy's environmental goals necessitates a deep understanding of both the structure and the content of the taxonomy's activity coverage. A mere headline-level mapping is often insufficient; a detailed examination of the activity definitions against the transaction is required, which imposes a need for upskilling the staff involved. The previously mentioned internal Sustainable Finance Frameworks could support here.

Client outreach and data collection demand an efficient process

To identify the alignment of transactions, client outreach is usually inevitable. The data required for this process is highly specific and hence cannot be sourced from data vendors. Our research showed banks primarily employ the following approaches for alignment assessments:

1. Directly assessing alignment against the technical screening criteria based on client-provided documentation
2. Requiring clients to self-certify compliance, thereby shifting the risk of misalignment
3. Using third-party experts to assess and confirm the transaction's alignment

Despite the implementation of structured processes and partial technological integration, most cases still rely heavily on manual efforts. This is primarily due to cost-outcome considerations, given the current low significance of relevant corporate UoP transactions. Some banks have created questionnaire templates to send out to clients, while others already leverage technological solutions, such as Greenomy, DydonAI and ClarityAI, to gather the required information from clients. This might not justify investing in technological solutions yet, given the cost and results.

Future increase in materiality expected due to CSRD

We expect the CSRD to gradually increase the materiality of corporate UoP transactions as it will require more and more companies to also report as per Art. 8 of the Taxonomy Regulation. Hence, we strongly believe that banks should now invest in getting ready for future requirements. We recommend integrating the taxonomy solution into an ESG-data collection infrastructure to maximize efficiency and conserve resources for future needs. This strategic investment will position banks to leverage upcoming regulatory changes and enhance their overall sustainable finance capabilities.

Use of Proceeds exposure to households drives GARs but major data and proofing challenges persist

Residential Real Estate is a key driver of the GAR for most banks, but demonstrating compliance with technical screening criteria remains a major challenge in terms of data, client interaction and regulatory interpretation.

Elevated role of Residential Real Estate for taxonomy disclosures

Residential real estate (RRE) exposure is a material part of business for most universal and regional banks, except those with specific business models focusing on other client segments. Also, it is an integral part of potentially taxonomy-eligible exposure types and, as seen this reporting season, a key driver of banks' taxonomy ratios. On average, we found a share of 64% of RRE volumes within the total eligibility ratios (median: 83.4%) and an average share of 46.6% RRE in the total GARs (median: 52.8%).

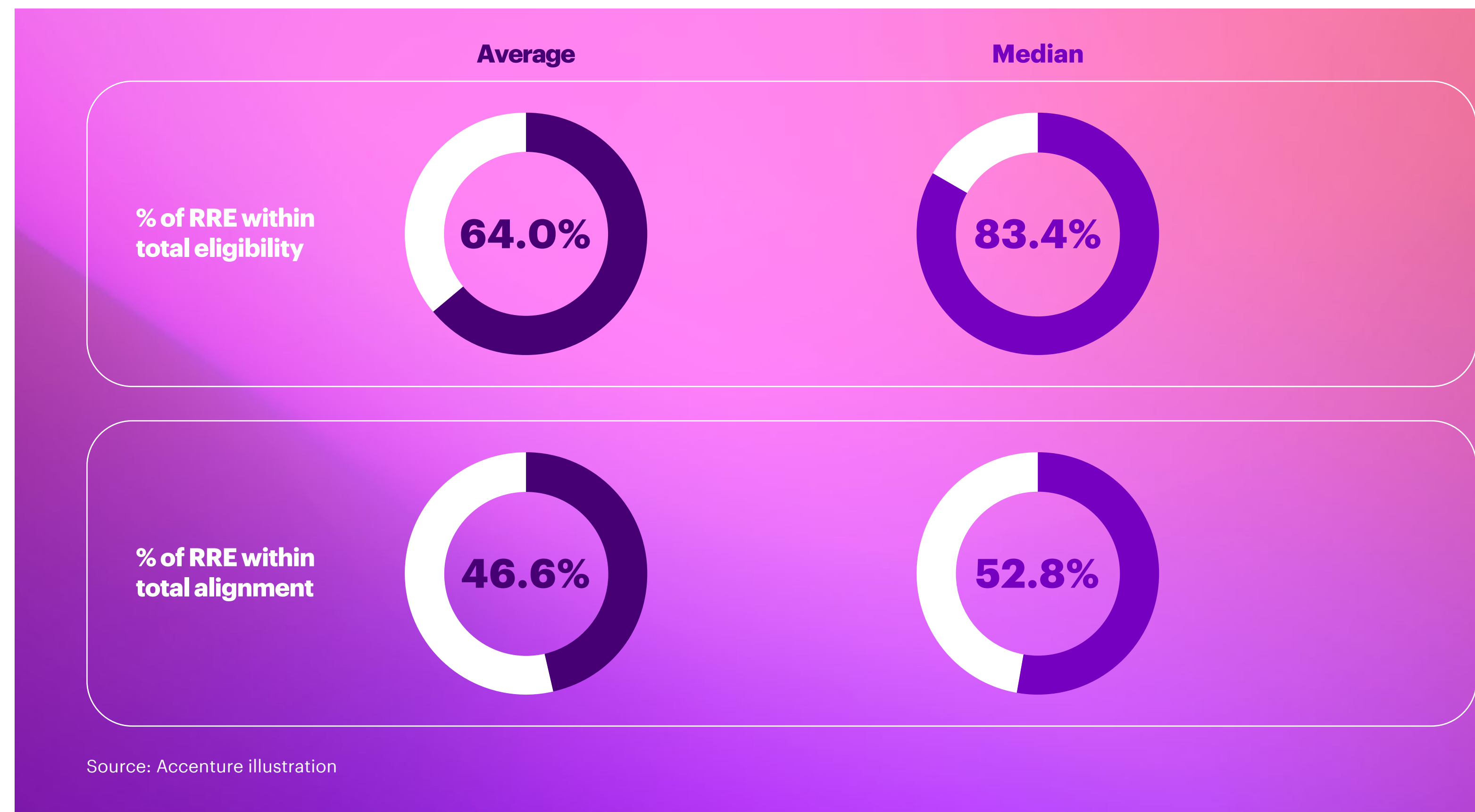
This makes RRE the key driver of both taxonomy ratios, besides general lending exposure. However, the spread between eligible and aligned RRE volumes highlights the challenges banks face from proving the taxonomy-alignment of their portfolios. In our view, the rationale is threefold and is based on the following issues: data availability, regulatory interpretation questions and methodological inconsistencies across the surveyed banks. These aspects will be discussed along the taxonomy-assessment process steps in the following paragraphs.

Taxonomy assessment requirements for RRE portfolios are complex

It is a clear market standard that RRE is assessed under the EU Taxonomy activity "7.7 – Acquisition and ownership of buildings". There are two sets of criteria for substantial contribution (SC), depending on the age of the building:

1. **Buildings with permits until end of 2020**: Requires an Energy Performance Certificate (EPC) class A or the building's Primary Energy Demand (PED) to be in the top 15% of national/regional stock[7]
2. **Buildings with permits since 2021:** The SC criteria of activity "7.1 – Construction of new buildings" shall be applied. This requires a PED "at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national legislation".[8]

Figure 9: Average and median share of RRE in overall disclosed taxonomy-eligible and aligned volumes



Source: Accenture illustration

3. In the beginning of the classification of a RRE portfolio, two key regulatory interpretation questions arise: Firstly, we could not identify a market standard on whether the financed object or the collateral object shall be subject to the analysis. 72% of banks did not include statements on this in their reports. 18% analyzed the financed object, while 8% analyzed the collateral object and 2% opted for a combined approach. Secondly, in the Dec. 2022 FAQs, the EUC stated that the date of the application for the building permit shall be used to determine the year of construction.[9] This data has not been collected by banks in the past, as it has not been relevant to capture. However, many banks used some variant of build date that has been captured in the past as a workaround.

Significant number of banks are unable to demonstrate compliance with Substantial Contribution criteria

42% of surveyed banks were able to derive aligned volumes for buildings constructed before the end of 2020, with 10% relying solely on EPCs with class A, 12% using the top 15% approach and 20% explicitly utilizing both methods. For buildings constructed since 2021, 32% of banks in our sample were able to identify relevant exposures, highlighting the complexity of this criterion.

EPC-related data challenges are a key concern

An EPC is essential for proving compliance with the Substantial Contribution criteria. However, 30% of banks reported significant challenges due to the limited availability of EPCs within their portfolios. To improve EPC coverage, banks have adopted two main approaches:

1. **External Data:** 30% of banks are using external data sources for EPCs. They primarily rely on national databases maintained by public authorities, where available
2. **Client Outreach:** 20% of banks stated that they (plan to) conduct client outreaches to directly obtain EPCs from their clients

Also, client incentives are a concern, especially in areas such as Germany. In Germany, clients are not usually required to have an EPC for their property or provide it to their bank. However, we came across several approaches that banks use to increase their EPC coverage (see Figure 10).

Figure 10: Selection of exemplary RRE client incentives

Bank	Approach	Implementation measures
ABN Amro	Financial incentives	0.15% interest rate discount for green mortgages with high-efficiency EPCs
Rabobank	Non-financial incentives	Free access to energy consultant for clients who submit EPCs
BNP Paribas	Reminder during mortgage process	Automated e-mails and SMS to remind clients about EPC submissions during the mortgage origination process
ING	Information campaigns	Webinars and newsletters for clients explaining EPC impacts on loan terms and property valuation

Source: Accenture illustration based on Reports of ING, BNP Paribas, ABN Amro & RaboBank

Climate risk and vulnerability assessment required for Do No Significant Harm (DNSH) compliance

As a second step towards alignment, banks must undertake a robust climate risk and vulnerability assessment along the following steps:

1. **Screening of activity:** Identifying which physical climate risks (from a provided list) may affect the performance of the economic activity during its expected lifetime
2. **Climate risk and vulnerability assessment:** Assessing the materiality of the physical climate risks on the economic activity
3. **Adaptation solutions assessment:** Evaluating solutions that can reduce the identified physical climate risks[10]

Given that real estate activities usually span more than 10 years, the assessment should involve the highest available resolution, advanced climate projections consistent with the expected lifetime of the activity and methodologies aligned with the latest IPCC reports.[11]

Early signs of standardization regarding climate risk assessment approaches

While most banks did not give detailed information about their approach, 12% of the surveyed banks used their experience from previous climate risk assessments to resolve the DNSH check using their EBA Pillar 3, Template 5 method. This indicates its emerging role as a market standard for such assessments. However, there is significant variability in how banks interpret the detailed requirements for an EU Taxonomy-compliant climate risk and vulnerability assessment. For instance, three banks disclosed different IPCC-adopted representative concentration pathways (RCPs) used for their analysis:

- **Nordea:** RCP 4.5 (intermediate mitigation scenario)[12]
- **Raiffeisen Bank:** RCP 6.0 (emissions peak around 2080, then decline)[13]
- **Nykredit:** RCP 8.5 (emissions continue to rise through the 21st century)[14]

When it comes to data and regulatory interpretation, the devil is in the details

The analysis under the EBA Pillar 3 framework typically focuses on collateral objects and allows for estimations. In contrast, the EU Taxonomy focuses on financed objects and estimations are not allowed. Hence, the previously discussed requirement for banks to distinguish between collateral and financed objects is also relevant for this second assessment step. Additionally, the data inputs for the climate risk analysis are usually procured externally. This raises concerns about data completeness and quality, depending on the methodology used to produce climate risk scores or other indicators.

Another interpretative challenge is determining whether an identified climate risk disqualifies an activity from being taxonomy-aligned. Our understanding is that taxonomy alignment can still be achieved if appropriate adaptation measures are implemented to address the identified climate risks. However, proving this in the retail business presents significant challenges.

Minimum (Social) Safeguards as part of the Taxonomy framework to ensure "green" excludes social harm

Minimum Social Safeguards (MSS) are included in the Taxonomy framework to ensure that environmentally sustainable activities do not harm social aspects.
To ensure compliance, companies must adhere to:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Declaration of the International Labour Organization (focused on the eight fundamental conventions and their respective principles and rights)
- International Bill of Human Rights[15]

Addressing MSS in the context of retail clients

Methodological challenges arise from the final report on MSS by the Platform on Sustainable Finance (PoSF). It states that Article 18 of the Taxonomy Regulation contains explicit expectations for businesses, implying that households are not covered by these standards. Consequently, "[…] [b]anks do not have to enquire households on minimum safeguards […]"[16] . Danske Bank, DNB Bank, Nordea and Raiffeisen Bank International have all explicitly followed this guidance from the PoSF, stating that households and public authorities are not required to meet Article 18 requirements on MSS.[17]

Lack of guidance for practical implementation

In the December 2023 FAQs, the EU Commission stated that retail clients shall not be assessed regarding their MSS compliance, but banks would still be obliged to assess "the respective […] undertakings producing goods and providing services that are purchased by retail clients […] comply […] with minimum safeguards […]"[18] in order to prove the alignment of exposures. RaboBank is the only bank in our set which addresses this: "In said Notice [Dec 2023 FAQs] it is confirmed that credit institutions do not need to verify compliance of retails clients with minimum safeguards. […].

Nevertheless, the said notice could possibly also be read to introduce incremental requirements towards credit institutions where they seek to substantiate alignment of their residential mortgage portfolio with Taxonomy criteria. However, clear guidance and/or broader market consistency on that interpretation is absent."[19] This could add new layers of complexity for banks trying to match their portfolios with Taxonomy criteria. While the regulatory interpretation ambiguity regarding MSS remains unresolved, guidance from the PoSF is generally understood as the market standard.

The GARs have arrived

Currently not suitable for steering, but the mission is clear

Even though the relevance of GARs is limited, banks should not limit their engagement in “greening finance” to regulatory frameworks. They should proactively contribute to driving meaningful change for a sustainable future economy and society.

Not suitable for steering, yet

The GARs have arrived, although they are currently not suitable for steering, and rather incentivize “financing green” instead of “greening finance”. The overall mission, however, remains clear: Banks should not confine their engagement in “greening finance” to regulatory frameworks. Instead, they should proactively contribute to accelerating meaningful change for a sustainable future economy and society.

The question remains whether banks can actively steer the GAR, or if they remain fully dependent on their clients' transformation. From our perspective, this dependency clearly exists, but banks do not have to adopt a mostly passive position. They should embrace the EU Commission's idea of steering and catalyzing the green transformation by aligning capital flows with the Paris Agreement and further ecological targets, such as pollution prevention, protection and restoration of biodiversity and ecosystems.

However, we observe a green fatigue across the market, as implementing sustainability across a bank's portfolio comes with huge regulatorily-driven efforts related to tasks such as data collection and IT infrastructure development, which currently requires the full attention of all sustainability professionals within the organizations. We believe that if corporates understand the EU Taxonomy and its technical screening criteria as a sustainability strategy super tool, like a sustainable target picture, and aspire towards a green production/operations, banks' GARs will automatically benefit. Banks should hence take a more active steering role, although this can be challenging as external targets for GARs do not exist yet, holding off transformational pressure at the moment.

Regulatory landscape continues to evolve

The CSRD will replace the NFRD in FY24, gradually expanding the number of companies required to report on sustainability in the coming years. This will increase the volume of data banks must collect, necessitating scalable data infrastructure, while also making the GAR more meaningful.

The Corporate Sustainability Due Diligence Directive (CSDDD) also looms ahead, casting a shadow over future regulatory obligations. Although banks are not directly affected, it will be difficult for financial institutions to escape this completely, and they may still be indirectly affected. A report is to be published by the EU Commission by mid-2026, outlining the due diligence requirements for banks and signaling increasing obligations for financial institutions.

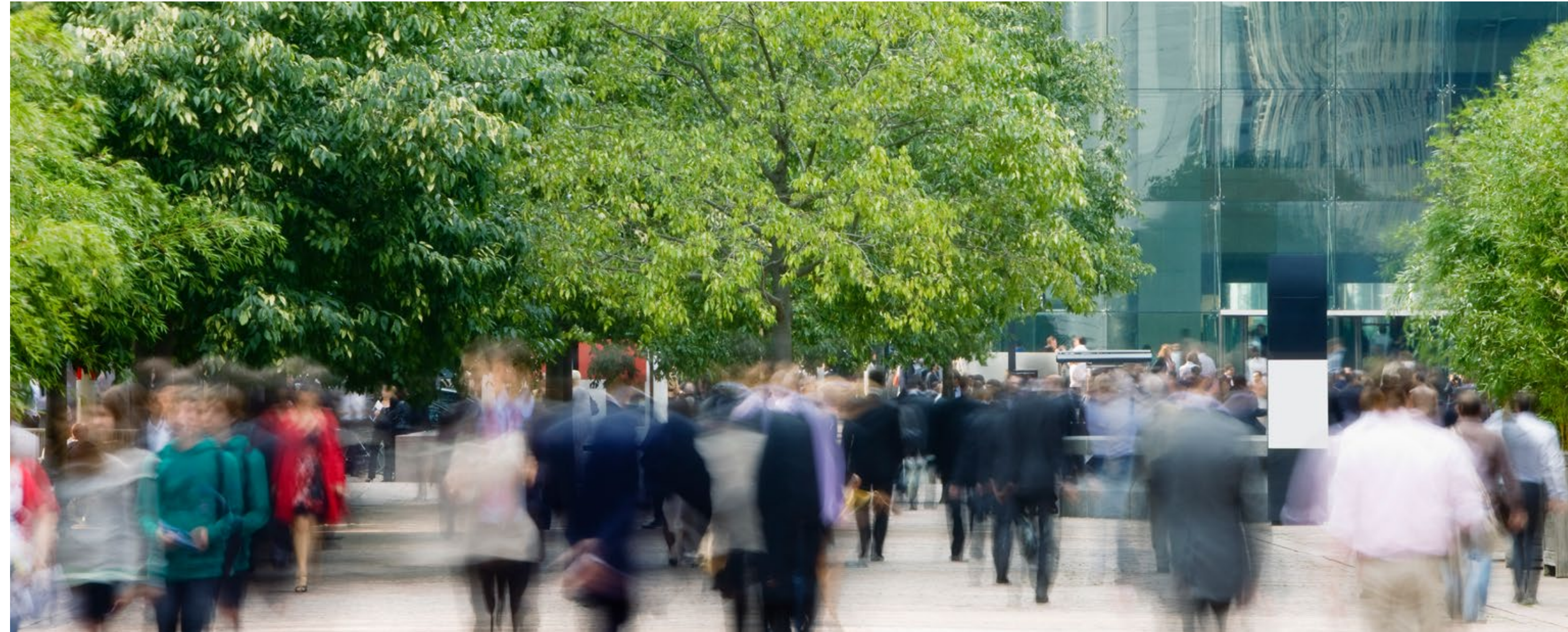
However, this also presents an opportunity to leverage synergies within the sustainability regulation landscape as CSDDD-compliance could potentially be used as a proxy for MSS compliance in accordance with the EU Taxonomy, as discussed in specialist circles.

Last but not least, the Taxonomy framework is also evolving:

1. Since FY23, banks must report their eligibility ratios for the four environmental objectives of the Environmental Delegated Act: Sustainable use and protection of water and marine resources (WMR), Transition to a circular economy (CE), Pollution prevention and control (PPC) and Protection and restoration of biodiversity and ecosystems (BIO)
2. From FY24, banks must also report alignment ratios for all environmental objectives
3. From FY25, banks will also have to report GARs for the trading book (where relevant for the business model) and fees & commissions

Limited sustainability talent struggles with high workloads and burnout risks

Banks often need to invest heavily to train specialist staff themselves, as expert sustainability talent is hard to hire and retain. Teams are currently overwhelmed with regulatory compliance, leaving little capacity to focus on strategic issues or develop a competitive advantage—both of which are essential to drive the greening of the market.



We often observe demoralization, exhaustion or even burn-out or burn-on symptoms among sustainability professionals, often stemming from the extremely time-consuming reporting activities, which currently have little positive impact on the real world. The anticipated acceleration of transformation through reporting and disclosure has yet to materialize.

Therefore, banks should prioritize the rapid automation of reporting, freeing up resources to focus on content and reducing the overload on organizational teams.

This will give employees more capacity to shape and support transformation, become more involved in critical sustainability-related deals and ultimately contribute to 'greening finance'. As Lindsay Hooper and Paul Gilding from the University of Cambridge Institute for Sustainability Leadership put it: "We will not pledge and disclose our way to a sustainable future—more is required of us."[20]

The way forward

The race for data: banks playing "hit the pot"
Data challenges related to EU Taxonomy reporting remain significant, as highlighted throughout this report. Key obstacles include limited data availability, methodological uncertainties, lack of standardized data collection processes, occasional client non-responsiveness and national legislative landscapes that either enable or hinder transparency. For example, in the German retail real estate market, no national legislation exists to require clients to generally obtain an EPC for their buildings or to provide it to their banks.

In contrast, countries such as Denmark have national databases with energy performance information and other EU Taxonomy-relevant information on buildings evolving.

The recently updated Energy Performance in Buildings Directive (EBPD) aims to set the European framework for decarbonization of buildings and addresses most of the challenges above, but it will certainly require continued long-term efforts to achieve its full impact.

When it comes to data management, we recommend not to wait for the EBPD benefits to unfold, but to start or continue structuring and tackling the data challenges across the following three pillars[21]:

1. **Maturity of data collection**: How automated is the ESG data collection and what does it cover?
2. **Quality of data:** What frameworks are covered, how complex are they and what related controls ensure an automated high level of data quality?
3. **Availability and integration of data:** Which business units and functions have access and to what extent is the data integrated?

Invest in Digital Core and GenAI for efficiency

To ensure that sustainability reporting can be automated as quickly and effectively as possible, banks should achieve a reinvention-ready digital core. This will help sustainability professionals and those responsible for reporting by reducing repetitive work and managing data more efficiently.[22] For example, a GenAI assistant could quickly assess the goals and credibility of clients' climate transition plans. In environmental and social due diligence, a GenAI assistant could evaluate transactions using standard frameworks, allowing employees to take on more of a supervisory role.

Prioritize "greening finance" across business units and drive transformation

The mandate to "greening finance" should be taken seriously and prioritized across all business units. Product innovation can also play a key role, particularly in the area of green mortgages. Although we are starting to see the first scalable green products entering the market, green finance has not yet reached mainstream customers. This will require customer advisors to build their knowledge, but customized advisory tools can significantly accelerate the adoption of green finance products. Ultimately, large-scale change can only succeed through new business initiatives.

The loans granted today will shape tomorrow's sustainability performance. As such, the pressure to act is already high, even if it sometimes doesn't feel that way in day-to-day business operations. The current level of ambition in the market is not sufficient to drive the green transformation at the necessary pace. We encourage banks to take a more active role and do the right thing, far beyond ensuring compliance on GAR reporting and other regulatory reporting exercises.

References

[1] However, as every financial and non-financial undertaking reported their eligibility towards the non-climate environmental goals for the first time this year, banks' reports could not include their counterparties ratios.

[2] Cf. Art. 19a, 29a of Non-Financial Reporting Directive 2013/34/EU (NFRD).

[3] In addition, qualitative information has to be provided in accordance with Annex XI to the Disclosures Delegated Act in Art. 8 of the Taxonomy Regulation.

[4] Cf. Annex VI to Delegated Act 2021/4987/EU, amending Regulation (EU)2020/852; Please note that due to the initial reporting, some templates (e.g. GAR KPI flow) could not be filled in this time; Templates 6 "KPIs on fees and commissions income from services other than lending and asset management" and 7 "KPI Trading book portfolio" are to be filled in by concerned banks starting FY25.

[5] Cf. CDP EU Taxonomy Sector Snapshots, available here: EU Taxonomy Sector Snapshot Resources - CDP

[6] Cf. Deutsche Bank Sustainable Finance Framework, available here: Sustainable-Finance-Framework.pdf (db.com)

[7] Cf. Annex I to the DA to the Taxonomy Regulation (EU) 2020/852, p. 178, available here: taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

[8] Cf. Annex I to the DA to the Taxonomy Regulation (EU) 2020/852, p. 166, available here: taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

[9] Cf. EUC FAQs on the TSC of the EU Taxonomy, p. 60, Q 143, available here: DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the EU (europa.eu)

[10] Cf. Appendix A to Annex I of the Taxonomy Regulation (EU) 2020/852, p. 189, available here: taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

[11] Appendix A to Annex I of the Taxonomy Regulation (EU) 2020/852, p. 189, available here: taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

[12] Cf. Nordea Annual Report 2023, p. 88, available here: Nordea Annual Report 2023

[13] Cf. Raiffeisen Bank International Sustainability Report 2023, p. 222, available here: https://www.rbinternational.com/content/dam/rbi/ho/home/sustainability-esg/governance/sustainability-reports/english/RBI Sustainability Report 2023.pdf.coredownload.pdf

[14] Cf. Nykredit Group, Corporate Responsibility Report 2023, p. 102, available here: corporate_responsibility_report_q4_23_2024-02-07_en.pdf (nykredit.com)

[15] Cf. Art. 18 of the Taxonomy Regulation (EU) 2020/852, available here: L_2020198EN.01001301.xml (europa.eu)

[16] Platform on Sustainable Finance, Final Report on Minimum Safeguards, p. 11, available here: Final Report on Minimum Safeguards (europa.eu)

[17] Cf. Danske Bank Annual Report 2023, p. 253, available here: https://danskebank.com/-/media/danske-bank-com/file-cloud/2024/2/danske-bank---annual-report-2023.pdf;
DNB Group Annual Report 2023, p. 87, available here: https://www.dnb.no/portalfront/nedlast/no/om-oss/aarsrapport/en_2023/annual_report_2023_DNB_group.pdf;
Nordea Annual Report 2023, p. 88, available here: Nordea Annual Report 2023;
Raiffeisen Bank International Sustainability Report 2023, p. 222, available here: https://www.rbinternational.com/content/dam/rbi/ho/home/sustainability-esg/governance/sustainability-reports/english/RBI Sustainability Report 2023.pdf.coredownload.pdf

[18] Cf. EUC FAQs on the EU Taxonomy reporting of banks, p. 36, Q 37, available here: Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article ;8 of the EU taxonomy Regulation on the reporting of taxonomy-eligible and Taxonomy-aligned economic activities and assets (europa.eu)

[19] RaboBank Annual Report 2023, p. 86, available here: Annual Report 2023 (rabobank.com)

[20] Survival of the Fittest: From ESG to Competitive Sustainability A discussion paper by the University of Cambridge Institute for Sustainability Leadership, p. 7, available via: from_esg_to_competitive_sustainability.pdf (cam.ac.uk)

[21] Based on Accenture PoV „From Compliance to Competitive Advantage"; available via: From compliance to competitive advantage (accenture.com)

[22] For more insights, please refer to our latest research: Reinventing with a Digital Core | Tech Infrastructure | Accenture; Gen AI for the Global Goals | Accenture

Sample banks and their reports

The selection of banks for this sample was based on total assets in a European comparison for the purpose of representativeness.
For the German banks in particular, different business models were included.

- Aareal Bank
- ABN Amro
- Alior Bank Capital Group
- Allied Irish Banks Group
- Banco BPM SpA
- Banco de Sabadell SA
- Banco Santander
- Bank of Ireland Group
- Bank Pekao
- Bayerische Landesbank
- BBVA
- Belfius Bank
- Berliner Sparkasse
- BNP Paribas
- BPER Banca
- CaixaBank
- Commerzbank
- Crédit Agricole
- Crédit Mutuel Group
- Danske Bank
- DekaBank
- Deutsche Apotheker- und Ärztebank
- Deutsche Bank
- Deutsche Pfandbriefbank
- DNB Bank
- DZ Bank
- Erste Group
- Groupe BPCE
- Hamburg Commercial Bank
- ING Group
- Intesa Sanpaolo
- IPEX Bank
- KBC Group NV
- La Banque Postale
- Landesbank Hessen-Thüringen
- LBBW
- National Bank of Greece
- Nordea
- NordLB
- Nykredit
- OP Financial Group
- Piraeus Financial Holdings
- Rabobank
- Raiffeisen Bank International
- Skandinaviska Enskilda Banken
- Société Générale
- Svenska Handelsbanken
- Swedbank
- UBS
- UniCredit Group

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