



ÖSTERREICHISCHE
FMA · FINANZMARKTAUFSICHT

ESRS IN AUSTRIAN BANKS & SUSTAINABILITY REPORTING FIRST IMPRESSIONS

9th Executive IFRS Forum for Regulators
IFRS and Sustainability Update
17 March 2025

Fritz John

AGENDA

■ **ESRS implementation in Austrian banks – Status Quo**

■ **Analysis of non-financial reporting of banks**

■ **FMA enforcement priorities 2023 – IFRS 9, IAS 1**

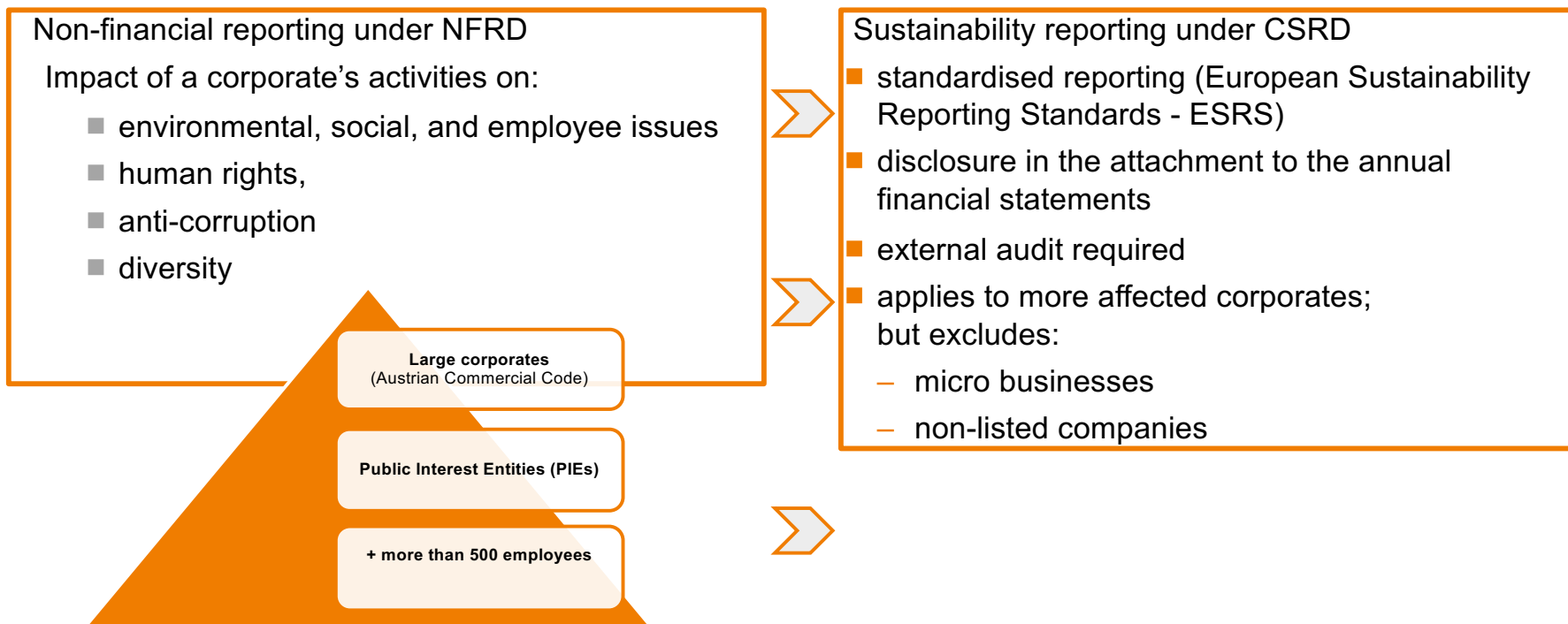
ESRS IMPLEMENTATION IN AUSTRIA

- **CSRD** (Directive (EU) 2022/2464) entered into force on 5 January 2023. The deadline for natural transpositions was by 6 July 2024. Austria's national transposition is still pending.
- **Draft law** submitted to the Parliament in January 2025. End of consultation period 10 February 2025.
- **Austrian Sustainability and Diversity Improvement Act** (NaDiVeG, 2017).
Act applies to capital market-oriented companies and financial institutions with more than 500 employees. It transposed the Non-Financial Reporting Directive (NFRD, Dir 2014/95/EU) in 2017. Currently, around 100 Austrian companies are obliged to provide non-financial reporting. As a result of the implementation of the new sustainability reporting directive, this figure will rise to around 2,000.
- **ESG related regulations:** Austrian Commercial Code, Austrian Banking Act, CRR III (Art. 433a to 433c).
- In addition to the NFRD, **Section 243b Austrian Commercial Code** requires environmental, social, human rights and anti-corruption impacts to be disclosed in its non-financial report. The term “non-financial reporting” means that the information must be assigned to the area of sustainability, but not that it has no financial significance.

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FROM NON-FINANCIAL REPORTING TO SUSTAINABILITY REPORTING

Taxonomy Regulation



ISSUERS IN ANALYSIS SCOPE & ANALYSIS METHODOLOGY

15 BANKS ARE BEING ANALYSED (CF. IN PREVIOUS YEAR: 15 BANKS)

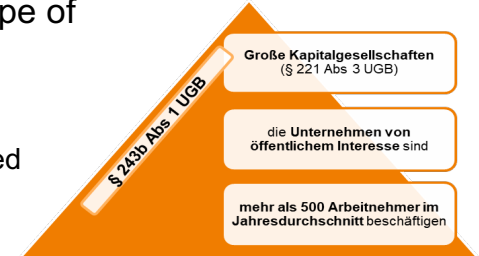
- The scope of the analysis covers only those **issuers**, that meet the **criteria** stipulated in **§ 243b para. 1 UGB** and who are therefore obliged by the Austrian Commercial Code to draw up non-financial statement reports (public/private limited companies).
- Current analysis is based on the **Priorities for Supervision for 2023** and the current scope of the non-financial declarations:

- **Disclosure acc. Art. 8 of the Taxonomy Regulation**

- FIs: reporting obligation regarding taxonomy conformity from 2024 (details about **two** of the six defined climate objectives (**climate change mitigation** and **climate change adaptation**))
- Using the latest templates
- Avoidance of “double counting” when establishing KPIs, where an economic activity contributes significantly towards several climate change objectives

- **Climate-related issues**

- Disclose of climate-related issues, measures and progress made
- Consistency of risk reporting and financial reporting (assumptions, estimates,...)
- Disclosure of objectives for the reduction of greenhouse gases (GHGs) and measures for achieving these objectives
- Scope 3 emissions: improved transparency



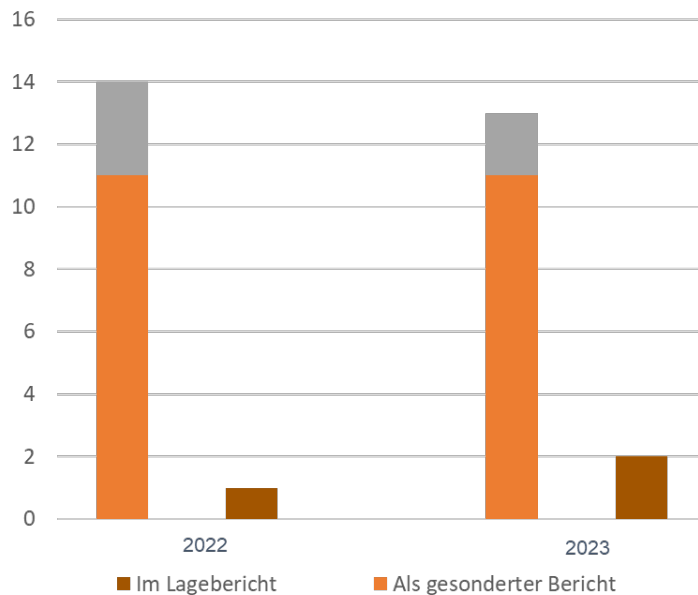
There is a particular focus on **analysing** the reports of climate-based issues and **climate-based issues** and the **Taxonomy Regulation**

GENERAL INFORMATION

Form of disclosure

Was the non-financial report published in the management report?

Due to the NaBeG (Austrian Sustainability Reporting Act) not having entered into force as planned in 2024 => voluntary reporting in accordance with the ESRS was recommended



■ **2023:**

2 entities published the non-financial statement in the **management report**, all **13 other entities** published a **separate** non-financial or sustainability report (of which **2** in the Annual Financial Report).

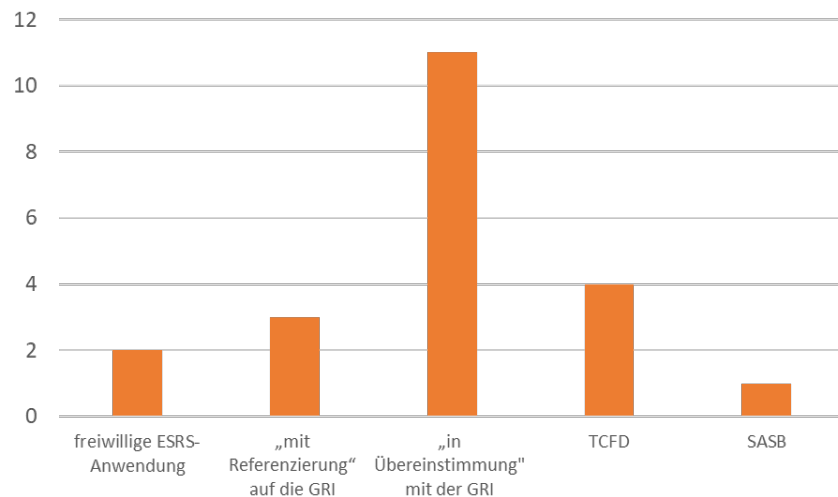
■ **2022:**

1 entity published the non-financial statement in the **management report**, all **14 other entities** published a **separate** non-financial or sustainability report (of which **3** in the Annual Financial Report).

GENERAL INFORMATION

International Standards

Which international standards are applied for reporting purposes?



2023:

- **Most (11)** of the entities apply the **GRI Standards** with the option **“in line with”**.
- 3 entities** apply them with the option **“referencing”** the GRI Standards.
- 1 entity** didn't make **any reference** to the application of **GRI Standards**.
- **1 entity primarily** applied **ESRS** on a voluntary basis. **1 entity** applied **ESRS in addition to** GRI Standards.
- **4 entities** applied other international reporting standards (**TCFD*** and/or **SASB****) **in addition to** the GRI Standards.

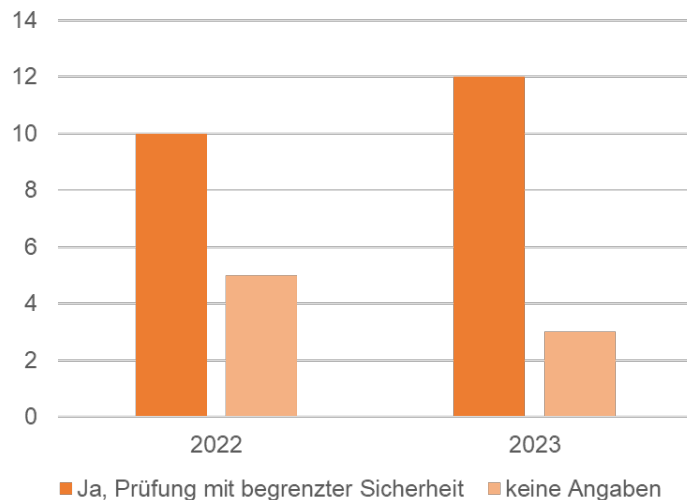
* Task Force on Climate-related Financial Disclosures

** Sustainability Accounting Standards Board

GENERAL INFORMATION

Auditing the Non-Financial Statement

Was the Non-Financial Statement audited, and if so, under what scope?



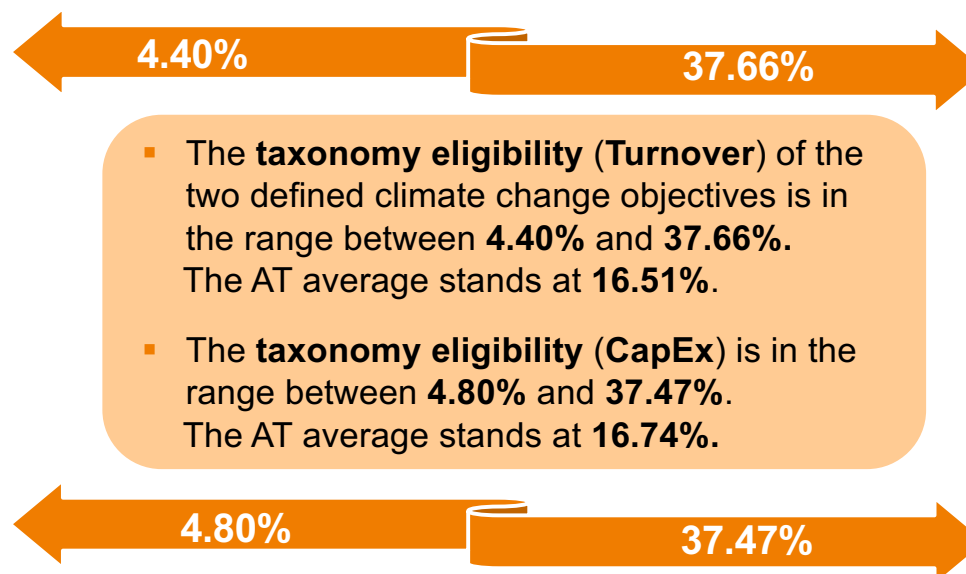
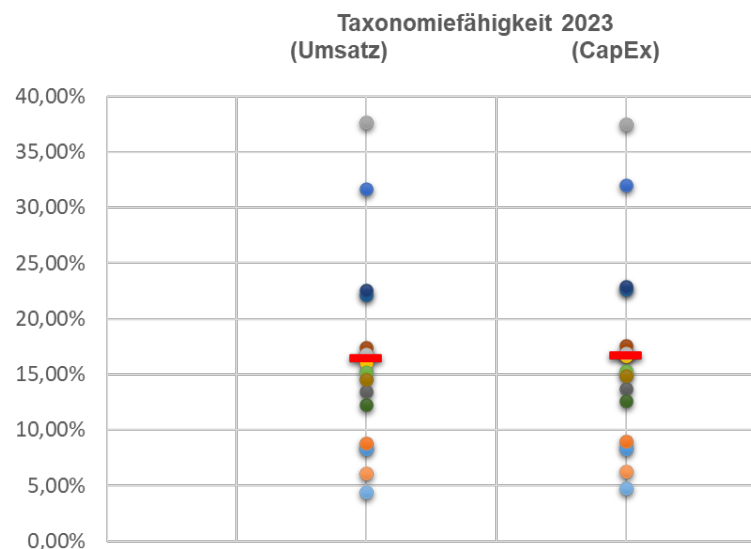
2023:

- **12 entities** conducted a **limited assurance audit engagement** for the Non-Financial Statement or the Sustainability Report.
- In the case of **11 entities**, these audit engagements explicitly also covered **auditing of information regarding the EU Taxonomy Regulation**, while in the case of **one entity** auditing in accordance with the EU Taxonomy Regulation **was not stated**.
- **3 entities** did **not provide any information** about an audit engagement.

KEY PERFORMANCE INDICATORS

Taxonomy eligibility* (Turnover) & (CapEx)

How high is banks' disclosed taxonomy eligibility?



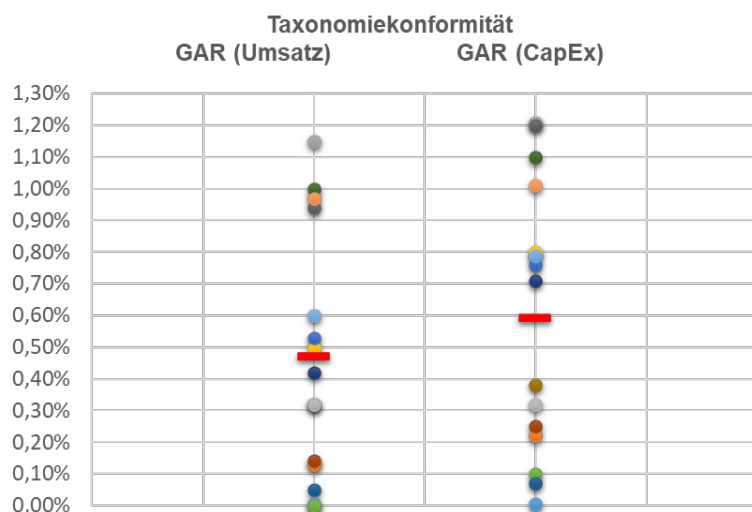
* the economic activity is described in the EU Taxonomy Regulation and makes a significant contribution towards achieving one or more of the EU's climate change objectives (Arts. 10 to 15 EU Taxonomy Regulation). GAR is calculated by dividing the total value of a company's or portfolio's environmentally friendly assets by the total value of all of its assets.

GREEN ASSET RATIO (GAR) - KEY PERFORMANCE INDICATORS

Taxonomy alignment* - GAR (Turnover) & GAR (CapEx)

How high is banks' disclosed taxonomy alignment?

Non-Financial Reporting Directive (NFRD) made an obligation for banks to start reporting their Green Asset Ratio (GAR) as a Key Performance Indicator. Based on loans to large, publicly listed companies that themselves are required to disclose their ratios.



0.005%

1.15%

- The **GAR (Turnover)** of the two climate change objectives lies in the range between **0.005%** and **1.15%**.
The average for AT stands at **0.47%**.
- The **GAR (CapEx)** lies in the range between **0.004%** and **1.21%**.
The average for AT stands at **0.59%**.

0.004%

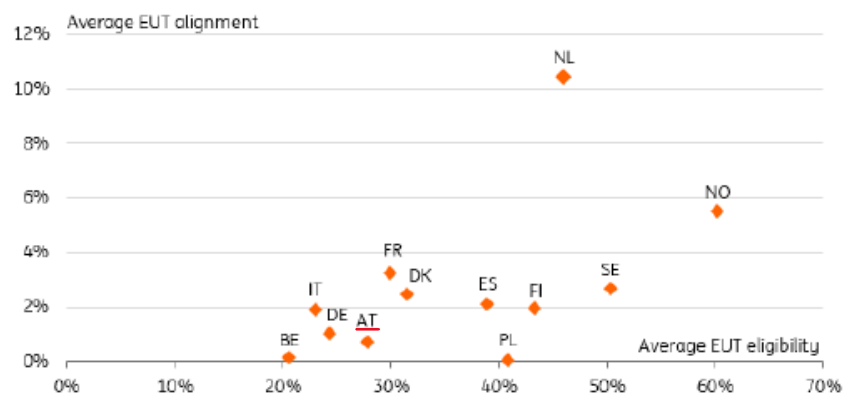
1.21%

*In accordance with the EU Taxonomy Regulation, an economic activity is considered ecologically sustainable (and therefore "taxonomy aligned"), if they cumulatively fulfil the prescribed criteria (Arts. 10 to 15, Art. 17 and Art. 18 EU Taxonomy-R) for one or more of the six EU climate change objectives (Art. 3 EU Taxonomy-R).

GAR - KEY PERFORMANCE INDICATORS

Taxonomy alignment: AT banks in European comparison

Averaged national correlation between EUT eligibility rate and alignment rate



European Average in 2023 (ING study):

- The analysis is based on a sample of **33 European banks** from 13 countries (including **3 AT banks**).
- **The average EU GAR** is less than **3 %** of the taxonomy aligned assets of banks.
- The **EU taxonomy eligibility** stood at **35 %** a slight increase by **5 percentage points** compared to the data for 2022.

Source: ING Article "Taxonomy Disclosures: A slow start, but a start nonetheless", 23.04.2024, at: <https://think.ing.com/articles/hold-taxonomy-disclosures-a-low-start-but-a-start-nonetheless/>

GAR - KEY PERFORMANCE INDICATORS

Reasons for Banks' low GAR

- **A large proportion of non-financial undertakings (NFUs) are currently not in scope of the NFRD**
 - Currently only **issuers** (in acc. with Art. 243b para. 1 UGB) fall in the scope of the NFRD- (~ 40 NFUs)
 - From the 2025 financial year **all large** corporates* (as defined in Art. 221 UGB) are in scope of the NFRD.
- **Large gaps in data**
 - NFUs themselves have **difficulties in obtaining information**, e.g. due to the lack of data being storage or lack of a methodology for processing the information.
 - Missing **Energy Performance Certificates (EPCs)** for real estate portfolios, since their usage has not yet been standardised in the EU.
- **Consideration of SMEs and third country undertakings**
 - **Exclusion of SMEs and third country undertakings** particularly impact GAR, as it creates an asymmetry. These entities are considered in the denominator, but are excluded from the numerator (GAR).

no reporting due to omnibus proposal ?

* subsequently: from FY 2026 listed SMEs as well as SNC credit institutions and insurance undertakings within the group that are large, or small or medium-sized and exchange listed; from FY 2028 subsidiaries or branch establishments of third country undertakings if turnover thresholds in the EU are exceeded

PRIORITIES FOR INSPECTION 2023 RELATED TO IFRS 9 (IAS 1)

Financial Reporting

Climate related aspects

Relevant consequences and risks of climate change by IFRS requirements

■ *Potential impact of ESG/climate change risks on ECL (IFRS 9)*

- **Majority of (inspected) banks^{*)}** takes account of ESG/climate-related risks by integrating in their rating-systems and using special **ESG-scores**.
 - **One bank** takes account of climate-related risks by **additional overlays**.
 - **Some banks** have identified ESG-/climate change risks already but not included in their ECL model.
 - **Some banks** consider climate-related risks for their portfolios **not material**.
 - **Few banks** do **not disclosure** information.
- Majority of banks have not disclosed information about their essential assumptions and estimated uncertainties together with climate-related risks (IAS 1.122-133). Transition of ESRS in national legislation is still pending (s. page 5).

**) refers to listed banks (issuers) in AT*

THANK YOU

