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**Pillar III ESG Risks**

**Functional guidelines – December’24 report**



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# 0. TRACK CHANGES

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| --- | --- | --- | --- |
| **Version** | **Date** | **Modification** | **Author** |
| Vf1 | 16-10-2024 | **2.6 EPCs**  - New metrics introduced: Collateral LTV, Maturity ESG, New business Flow, Previous year EP score, Previous Year EPC Label, Average LTV, Average Weighted maturity and Average interest rate  **3. CLIMATE CHANGE PHYSICAL RISK**  - Identification of exposures with physical risk by ZIP codes for Spain, Portugal, UK, and Poland.  **4. CLIMATE CHANGE MITIGATING ACTIONS: EU TAXONOMY ALIGNED & 5. CLIMATE CHANGE MITIGATING ACTIONS: OTHER**  - Incorporation of the SFICS classification system to indicate eligibility and alignment  - Removal of green exposure of NFC not subject to NFRD from MITI satellite when informed in GAR/BTAR satellite  **6.ADDITIONAL GAR KPIS: ASSET MANAGERS, INSURANCE AND INVESTMENT FIRMS**  - Identification process of the NFRD flag for funds |  |
| Vf2 | 05-12-2024 | **2.4 Financed emissions**  - Renewable PF should be reported as 0 in scope 1  **2.6 EPCs**  - Update of definition of the new metrics: interest rate, renegotiations, Previous Year EPC Label and Previous year EP score.  - New metrics: Previous year EP score data and Previous year EPC label data  **4. CLIMATE CHANGE MITIGATING ACTIONS: EU TAXONOMY ALIGNED & 5. CLIMATE CHANGE MITIGATING ACTIONS: OTHER**  - Update of the activities of the SFICS to the latest version  - Update of the energy consumption limits of buildings in Poland  - DNSH for buildings evaluation by postal code  - Alignment for FC, NFC subject to NFRD and Local governments |  |
| Vf3 | | 16-12-2024 | **1.4 PURPOSE AND SCOPE OF THESE GUIDELINES**  - Changes in criteria from local units should be shared with HQ  **2.4 FINANCED EMISSIONS**  - If the financial information of the counterparties has a relevant age, DQS5 methodology is recommended  **2.6 EPCs**  - Updated definition for LTV split  **4. CLIMATE CHANGE MITIGATING ACTIONS: EU TAXONOMY ALIGNED**  - Updated definition for the identification of specific purpose exposures |

# 1. INTRODUCTION

## 1.1 Regulatory background

These functional guidelines have been developed to comply with the EBA's Pillar 3 ESG requirements and have been further adapted to meet with the requirements set by the European Commission in relation to the EU taxonomy regulation (article 8). These two requirements are presented below:

*Pillar 3 ESG [EBA/ITS/2022/01]:*

Article 434a CRR mandates the EBA to develop draft implementing technical standards (ITS) specifying Pillar 3 ESG disclosure requirements in a way that conveys sufficiently comprehensive and comparable information for users of this information to assess the risk profile of institutions.

The Pillar 3 ESG framework will support the Group in the **public disclosure of meaningful and comparable information on how ESG-related risks and vulnerabilities**, and in particular climate change, **may exacerbate other risks in the balance sheet**. It will allow investors and stakeholders to compare the sustainability performance of the Group vs other institutions. Furthermore, it will help in providing transparency on **how we are mitigating those risks**, including information on how we are supporting our customers and counterparties in the adaptation process to e.g., climate change and in the transition towards a more sustainable economy.

The Pillar 3 ESG framework has been **developed in alignment** with other initiatives taking place at EU and international level, notably the **recommendations** put forward by the Financial Stability Board Task Force on Climate Related Disclosures (**FSB-TCFD**), and the **classifications** specified in the **Taxonomy Regulation** and in Regulation (EU) 2019/2089 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks (**Climate Benchmark Regulation**).

In developing these ITS the EBA is following a sequential approach, with an initial focus on climate-change-related risks, in line with the developments taking place at EU and at international level and taking into account the data and methodological challenges faced by institutions at this stage. In this sense, the Pillar 3 ESG framework will evolve as long as the remaining ESG risk related taxonomy, data, methodologies are available[[1]](#footnote-2).

*Taxonomy regulation [Delegated regulation (EU) 2021/2178]:*

The EU taxonomy is a cornerstone of the EU’s sustainable finance framework and an important market transparency tool. It helps direct investments to the economic activities most needed for the transition, in line with the European Green Deal objectives. The taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate.

In order to meet the EU’s climate and energy targets for 2030 and reach the objectives of the European green deal, it is vital that we direct investments towards sustainable projects and activities. To achieve this, a common language, and a clear definition of what is ‘sustainable’ is needed. This is why the action plan on financing sustainable growth called for the creation of a common classification system for sustainable economic activities, or an “EU taxonomy”.

Under the Taxonomy Regulation, the Commission had to come up with the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through delegated and implementing acts. The EU Taxonomy Regulation requires all firms covered by the EU Non-Financial Reporting Directive (NFRD), which is giving way to the more stringent Corporate Sustainability Reporting Directive (CSRD), to report Key Performance Indicators (KPIs) related to environmentally sustainable activities that are EU Taxonomy aligned.

***Regulatory landscape on ESG disclosures in the EU***

The Commission’s action plan on sustainable finance (March 2018) has triggered several legislative initiatives on ESG disclosures in the EU. All of them are correlated.

**Figure 1: EU legislative initiatives on ESG-related disclosures**

Source: EBA, ITS on Pillar 3 disclosures on ESG risks[[2]](#footnote-3)

## 1.2 Pillar 3 ESG interconnections with other reports and processes

One of the main challenges of the Pillar 3 ESG framework is its high degree of interconnectivity with critical reports (internal and external) and processes. As a consequence, a strong governance and control framework are required to ensure consistency.

**Figure 2. Pillar 3 ESG interconnections with other relevant exercises**

Diagram

Description automatically generated with low confidence

Source: own elaboration.

## 1.3 Overview of Pillar 3 ESG templates and their entry into force

The EBA final draft ITS on Pillar 3 disclosures on ESG risks includes 10 templates with quantitative disclosures regarding climate change transition risk, climate change physical risk and climate change mitigating measures, as summarize in the following figure:

**Figure 3. Overview of quantitative templates**

Diagram

Description automatically generated

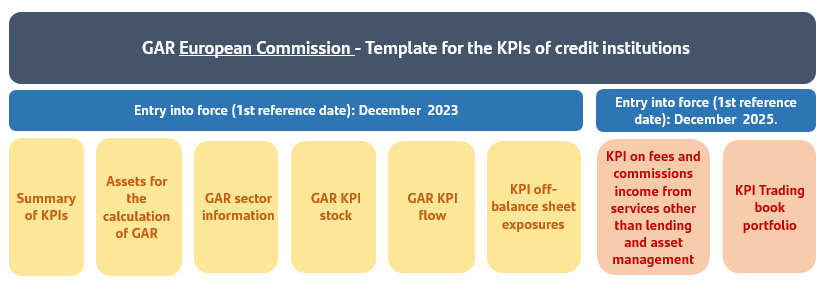
Source: EBA/ITS/2022/01

Below a summary of the content of each template and the regulatory entry into force date is included:

| **Pillar 3 ESG template** | **Summary of contents** | **Entry into force (1st reference date)** |
| --- | --- | --- |
| **1 - Climate Change transition risk: Credit quality of exposures by sector, emissions, and residual maturity** | Gross carrying amount towards non-financial corporations operating in carbon-related sectors and their distribution by maturity buckets.  Quality of those exposures (non-performing exposures, stage 2 classification, impairment).  Financed emissions (scope 1, 2 and 3) linked to those exposures, as long as they are already available. | December 2022, with the exception of:  - Column "c", related to environmentally sustainable exposures (as of Dec’23 for exposures included in GAR numerator and as of Dec’24 for those included in BTAR numerator)   1. - Column "i", "j", "k", related to GHG emissions, 2022-2024, (information should be published from 2022 onwards as it becomes available) |
| **2 - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral** | Distribution of the exposure of real estate collateralized loans (commercial and residential) and advances and collaterals obtained by taking possession, by level of energy efficiency (EP Score, kWwh/m2) and by EPC label (A-G). | December 2022 |
| **3 - Climate change transition risk: Alignment metrics** | Alignment metrics in terms of intensity and/or absolute measures in committed sectors and their distance to International Energy Agency (IEA) scenarios.  Gross carried amount related to the reported exposures. | December 2022- June 2024(information should be published from 2022 onwards as it becomes available) |
| **4 - Climate change transition risk: Exposures to top 20 carbon-intensive firms** | Aggregated Group’s exposure to the top 20 most polluting firms in the word as per the chosen public list (to be provided by HQ). | December 2022  Column "c", related to environmentally sustainable exposures, (as of Dec’23 for exposures included in GAR numerator and as of Dec’24 for those included in BTAR numerator) |
| **5 - Climate change physical risk: Exposures subject to physical risk** | Gross carrying amount to non-financial corporations, on real estate collateralized loans (commercial and residential) and on repossessed collateral, exposed to chronic and acute climate-related risks.  Quality of those exposures (maturity bucket distribution, non-performing exposures, stage 2 classification, impairment). | December 2022 |
| **6 - Summary of GAR KPIs** | Overview of the KPIs calculated based on Templates 7 and 8, including the Green Asset Ratio (GAR) as defined in the European Commission Delegated Regulation. | December 2023 |
| **7 - Mitigating actions: Assets for the calculation of GAR** | Information required for the calculation of the GAR including a breakdown of those exposures that are environmentally sustainable, for the objectives of climate change mitigation and adaptation. | December 2023 |
| **8 - GAR (%)** | GAR KPIs, including a breakdown by environmental objective and counterparty, for Specialised lending, transitional and enabling activities. | December 2023 |
| **9.1 - Mitigating actions: Assets for the calculation of BTAR** | In addition to the template 7, this template includes exposures of the assets relevant for the calculation of the BTAR (non-financial corporates not subject to NFRD disclosure obligations) | December 2024 |
| **9.2 - BTAR %** | BTAR KPIs, including a breakdown by environmental objective and counterparty, for Specialised lending, transitional and enabling activities. | December 2024 |
| **9.3 - Summary table - BTAR %** | Overview of the BTAR KPIs calculated based on Templates 9.1 and 9.2 | December 2024 |
| **10 - Other climate change mitigating actions that are not covered in the EU Taxonomy** | This template covers other financial activities (mainly loans and bonds) put in place by the Group to mitigate climate-change- related risks that comply with other international standards than the EU Taxonomy | December 2022 |

On the other hand, and in relation to the European Commission's requirements on Taxonomy regulation, a summary of the requested templates is presented below:

**Figure 4. Overview of quantitative templates**



Source: Own elaboration

Below a summary of the content of each template and the regulatory entry into force date is included:

| **Template for the KPIs of credit institutions** | **Summary of contents** | **Entry into force (1st reference date)** |
| --- | --- | --- |
| **0 - Summary of KPIs** | KPIs for credit institutions are presented as a summary: i) GAR (stock & flow), ii) Trading book KPI, iii) FinGuar KPI, iv) AuM KPI and v) Fees and commissions income KPI | December 2023 |
| **1 - Assets for the calculation of GAR** | The assets covered in the numerator and denominator of the GAR (for both T and T-1) are presented. | December 2023 |
| **2 - GAR sector information** | Eligibility and alignment are presented broken down by NACE code (level 4) | December 2023 |
| **3 - GAR KPI stock** | Covered assets are presented to calculate stock KPI | December 2023 |
| **4 - GAR KPI flow** | Covered assets are presented to calculate flow KPI considering new loans on a net basis compared to flow of total eligible assets | December 2023 |
| **5 - KPI off-balance sheet exposures** | KPIs for financial guarantees and assets under management | December 2023 |
| **6 - KPI on fees and commissions income from services other than lending and asset management** | KPIs for fees and commissions | December 2025 |
| **7 - KPI Trading book portfolio** | KPIs for the trading Book | December 2025 |

## 1.4 Purpose and scope of these guidelines

In order to assist the units in complying with Pillar 3 requirements, these functional guidelines have been prepared to support in the definition of the relevant climate metrics required in Pillar 3 ESG, for both, aggregated templates and granular data (as described below).

### This guide sets out the criteria for consolidated and local (if any) Pillar 3 ESG reporting. In both reports the criteria used should be the same, which will result in consistent information. In case of any modification of any of the criteria both in the information reported to HQ for the consolidated report and for the local report, HQ should be notified in advance through the existing mailboxes. Likewise, HQ must be notified in advance when the Pillar 3 ESG Report is to be reported at the local level.

### Santander Group’s data workstreams for Pillar III

In Santander Group, in order to comply with the information requirements of Pillar 3, the following data workstreams have been defined:

* **Pillar 3 aggregated templates – ESG satellites:** the objective of this workstream is thegeneration by the units of aggregated templates leveraged on the new Regulatory Reporting structure (Master and Satellite project, described in the section 1.5), ensuring the reconciliation with FINREP.

The following new ESG satellites have been defined in order to comply with Pillar 3 requirements:

* + CNAE ESG (MdD\_79\_CESG\_CNAE\_ESG, MdD\_219\_CESA\_CNAE\_ESG\_Automático)
  + Energy Performance Certificate (MdD\_80\_ENPC\_Energy\_Performance\_Certificate, MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico
  + Mitigation actions (MdD\_83\_MITI\_Mitigation actions, MdD\_221\_MITA\_Mitigation actions\_Automático)
  + Green asset ratio3 (MdD\_84\_GARB\_GAR & BTAR, MdD\_222\_GARB\_GAR & BTAR\_Automático)
  + Assets under management (MdD\_127\_AUMG\_Assets Under Management GAR)
  + GHG Financed emissions3 (MdD\_93\_GHGE\_GHG Financed emissions, MdD\_224\_GHGA\_GHG Financed emissions\_Automatico)

From December 2024, the satellites will be split in two to accommodate the new way of reporting with the Granular Reporting Tool. When the tool goes into production, the new satellites (Automático) will be generated automatically using the Granular reporting tool. However, the other satellites will still have to be reported, with the reduced perimeter.

* **Granular information:** for the generation of the aggregated templates, it is necessary that units have the granular information needed to complete the templates.

As a tactical approach, units will need to source granular information in a structured way in their local systems.

In order to complete this workstream, a data dictionary with all the required metrics has been provided to the units. Additionally, the functional guidelines that are described in the following sections, for definition of the new climate metrics, will be shared with the units.

* **Data quality:** the objective is to ensure the quality of the key fields for the granular data sourcing, with focus on:
  + Review and improvement of the quality of existing critical data for both stock and new production
  + Ensure the reconciliation between granular data and regulatory reportings.

## 1.5 Pillar 3 aggregate templates: ESG satellites

ESG Pillar III information will be managed through the new regulatory reporting infrastructure. It has been created to provide a more flexible structure that guarantees a better consistence of data and that serves as a foundation, not only for financial information but also for the rest of the information required by other corporation areas (own funds, liquidity, MREL, resolution...) that needs the info to be tied up with accountancy.

This new structure is based on a data model that, starting from the main categories of a balance sheet and a profit and loss account, can be enriched with some dimensions (i.e. Accounting portfolio, counterpart sector, product) that, combined amongst them, make possible to obtain not only the primary financial statements, but also the rest of the disclosures for different reporting, including ESG regulatory information.

The new structure will look like as follows:

* + Master: Main table that will collect main dimensions to be able to obtain the balance sheet and the profit and loss account. In addition to, all dimensions included in the master must be completely combined amongst them to assess consistency and soundness of the info.
  + Satellites: Secondary tables that, starting from the info included in the Master, will collect the rest of the dimensions required to allow to get the rest of the disclosures required for any regulatory reporting (additional finance information, solvency, liquidity, ESG…).

**Figure 4: Master and satellite structure**

A picture containing text, electronics, clipart, businesscard

Description automatically generated

To allow a clear understanding of how to report the information, together with this guide we will provide Satellites description files with the fields, formats, descriptions and how the different ESG dimensions and metrics must link with the Master dimensions (pure accounting information). The information that you have to report is contained in the “Satellite Structure” tab, using the format indicated in the “Fields of the file” tab. In any case, a sample is always provided on each of this Satellite description files.

In order to comply with Pillar 3 requirements new ESG satellites have been defined. For each Pillar 3 ESG template (except for the templates that are going to be completed by HQ), ESG satellites as well as the dimensions and metrics that are functionally defined in this document are listed below:

| **Pillar 3 ESG template** | **Satellite** | **Satellite dimensions and metrics** |
| --- | --- | --- |
| **1 - Climate Change transition risk: Credit quality of exposures by sector, emissions, and residual maturity (except for emissions data)**  **5 - Climate change physical risk: Exposures subject to physical risk** | **MdD\_79\_CESG\_CNAE\_ESG /**  **MdD\_219\_CESA\_CNAE\_ESG\_Automático** | * NACE\_Level1 * NACE\_Level 4 * Maturity ESG * Excluded from EU Paris-aligned benchmark. * Environmentally sustainable (CCM) * European Union * Physical risk\_Geographical Area * Chronic changes * Acute changes * Investment sector * Performing ESG * Average weighted maturity (metric) |
| **2 - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral** | **MdD\_80\_ENPC\_Energy\_Performance\_Certificate /**  **MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico** | * EP score data * EP score * EPC label data * EPC label * European Union |
| **10 - Other climate change mitigating actions that are not covered in the EU Taxonomy** | **MdD\_83\_MITI\_Mitigation actions /**  **MdD\_221\_MITA\_Mitigation actions\_Automático** | * Green financial instrument * Funding type * Risk Mitigated CCT * Risk Mitigated CCP * Purpose ESG * Comments |
| **6 - Summary of GAR KPIs**  **7 - Mitigating actions: Assets for the calculation of GAR**  **8 - GAR (%)**  **9 - Mitigating actions: BTAR** | **MdD\_84\_GARB\_GAR & BTAR /**  **MdD\_222\_GARB\_GAR & BTAR\_Automático** | * ESG Subsector * Purpose ESG * NFRD disclosures * European Union * Originated during period. * General Specific Purpose * Specialised lending * Specific eligible * Specific sustainable * Taxonomy-eligible Turnover (CCM) Ratio * Taxonomy-aligned Turnover (CCM) – Pure Ratio * Taxonomy-aligned Turnover (CCM) – Transitional Ratio * Taxonomy-aligned Turnover (CCM) – Enabling Ratio * Taxonomy-eligible Turnover (CCA) Ratio * Taxonomy-aligned Turnover (CCA) – Pure Ratio * Taxonomy-aligned Turnover (CCA) – Enabling Ratio * Taxonomy-eligible Turnover (WTR) Ratio * Taxonomy-aligned Turnover (WTR) – Pure Ratio * Taxonomy-aligned Turnover (WTR) – Enabling Ratio * Taxonomy-eligible Turnover (CE) Ratio * Taxonomy-aligned Turnover (CE) – Pure Ratio * Taxonomy-aligned Turnover (CE) – Enabling Ratio * Taxonomy-eligible Turnover (PPC) Ratio * Taxonomy-aligned Turnover (PPC) – Pure Ratio * Taxonomy-eligible Turnover (BIO) Ratio * Taxonomy-aligned Turnover (BIO) – Pure Ratio * Taxonomy-eligible CAPEX (CCM) Ratio * Taxonomy-aligned CAPEX (CCM) – Pure Ratio * Taxonomy-aligned CAPEX (CCM) – Transitional Ratio * Taxonomy-aligned CAPEX (CCM) – Enabling Ratio * Taxonomy-eligible CAPEX (CCA) Ratio * Taxonomy-aligned CAPEX (CCA) – Pure Ratio * Taxonomy-aligned CAPEX (CCA) – Enabling Ratio * Taxonomy-eligible CAPEX (WTR) Ratio * Taxonomy-aligned CAPEX (WTR) – Pure Ratio * Taxonomy-aligned CAPEX (WTR) – Enabling Ratio * Taxonomy-eligible CAPEX (CE) Ratio * Taxonomy-aligned CAPEX (CE) – Pure Ratio * Taxonomy-aligned CAPEX (CE) – Enabling Ratio * Taxonomy-eligible CAPEX (PPC) Ratio * Taxonomy-aligned CAPEX (PPC) – Pure Ratio * Taxonomy-eligible CAPEX (BIO) Ratio * Taxonomy-aligned CAPEX (BIO) – Pure Ratio * Investment\_Sector * NACE\_Level1 * NACE\_Level 4 |
| **1 - Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity (emissions data)** | **MdD\_93\_GHGE\_GHG Financed emissions /**  **MdD\_224\_GHGA\_GHG Financed emissions\_Automatico** | * Client emission\_Area * Calculation approach * Source emissions * Data quality score * European Union * NACE\_Level1 * NACE\_Level 4 * Amount used scope 1 (metric) * GHG emissions scope 1 (metric) * Amount used scope 2 (metric) * GHG emissions scope 2 (metric) * Amount used scope 3 (metric) |

| **Taxonomy regulation template** | **Satellite** | **Satellite dimensions and metrics** |
| --- | --- | --- |
| **0 - Summary of KPIs**  **1 - Assets for the calculation of GAR**  **2 - GAR sector information**  **3 - GAR KPI stock**  **4 - GAR KPI flow**  **5 - KPI off-balance sheet exposures (FinGuar KPI)** | **MdD\_84\_GARB\_GAR & BTAR /**  **MdD\_222\_GARB\_GAR & BTAR\_Automático** | *Same metrics as mentioned in the previous section for Sat\_84* |
| **5 - KPI off-balance sheet exposures (AuM KPI)** | MdD\_127\_AUMG\_Assets Under Management GAR | * Main Category Asset Management * Asset Management Portfolio * Investment Sector * ESG subsector * NFRD disclosures * Management society * European Union * Originated during period * General Specific Purpose * Specific eligible * Specific sustainable * Taxonomy-eligible Turnover (CCM) Ratio * Taxonomy-aligned Turnover (CCM) – Pure Ratio * Taxonomy-aligned Turnover (CCM) – Transitional Ratio * Taxonomy-aligned Turnover (CCM) – Enabling Ratio * Taxonomy-eligible Turnover (CCA) Ratio * Taxonomy-aligned Turnover (CCA) – Pure Ratio * Taxonomy-aligned Turnover (CCA) – Enabling Ratio * Taxonomy-eligible Turnover (WTR) Ratio * Taxonomy-aligned Turnover (WTR) – Pure Ratio * Taxonomy-aligned Turnover (WTR) – Enabling Ratio * Taxonomy-eligible Turnover (CE) Ratio * Taxonomy-aligned Turnover (CE) – Pure Ratio * Taxonomy-aligned Turnover (CE) – Enabling Ratio * Taxonomy-eligible Turnover (PPC) Ratio * Taxonomy-aligned Turnover (PPC) – Pure Ratio * Taxonomy-eligible Turnover (BIO) Ratio * Taxonomy-aligned Turnover (BIO) – Pure Ratio * Taxonomy-eligible CAPEX (CCM) Ratio * Taxonomy-aligned CAPEX (CCM) – Pure Ratio * Taxonomy-aligned CAPEX (CCM) – Transitional Ratio * Taxonomy-eligible CAPEX (CCA) Ratio * Taxonomy-aligned CAPEX (CCM) – Enabling Ratio * Taxonomy-aligned CAPEX (CCA) – Pure Ratio * Taxonomy-aligned CAPEX (CCA) – Enabling Ratio * Taxonomy-eligible CAPEX (WTR) Ratio * Taxonomy-aligned CAPEX (WTR) – Pure Ratio * Taxonomy-aligned CAPEX (WTR) – Enabling Ratio * Taxonomy-eligible CAPEX (CE) Ratio * Taxonomy-aligned CAPEX (CE) – Pure Ratio * Taxonomy-aligned CAPEX (CE) – Enabling Ratio * Taxonomy-eligible CAPEX (PPC) Ratio * Taxonomy-aligned CAPEX (PPC) – Pure Ratio * Taxonomy-eligible CAPEX (BIO) Ratio * Taxonomy-aligned CAPEX (BIO) – Pure Ratio |

## 1.6 Other related documents

This document should be read together with:

* **Pillar III - Data dictionary.xlsx**: includes the list of granular data necessary to comply with Pillar 3 ESG requirements and related data quality guidelines.
* **ESG satellites:** includes the aggregated templates that units will have to submit to HQ to comply with Pillar 3 ESG and the Commission Delegated Regulation (EU) requirements:
  + CNAE ESG
  + Energy Performance Certificate
  + Mitigation actions
  + GAR&BTAR: Green asset ratio
  + Assets under management KPI
  + GHG Financed emissions.
* **EBA technical standards on Pillar 3 ESG,** consisting of the following documents:
  + EBA final draft ITS on Pillar 3 disclosures on ESG risks.pdf
  + Annex I - Templates for ESG prudential disclosures.xlsx
  + Annex II - Instructions for ESG prudential disclosures templates.pdf
* **Taxonomy regulation**
  + Delegated act on KPIs disclosure [Commission Delegated Regulation (EU) 2021/2178][[3]](#footnote-4)

# 2. CLIMATE CHANGE TRANSITION RISK

## 2.1 NACE and climate NACE

### Introduction

NACE level 4 is required for all non-financial corporations with an adequate level of quality, taking into account its function as a dimension for certain reports or as a very relevant criterion in cross-cutting metrics, and that it has not been previously used in other transparency reports (although it has been used in the Climate Stress Test).

The counterparty NACE sector allocation shall be based on the nature of the immediate counterparty. Each counterparty has to be mapped to one single sector based on its main activity. The classification of the exposures incurred jointly by more than one obligor shall be done based on the characteristics of the obligor that was the more relevant, or determinant, for the institution to grant the exposure.

Additionally, for climate risk purposes, two particular cases apply:

* When the counterparty is a holding company, the NACE sector of the specific obligor under the holding company shall be considered (if different than the holding company itself) which receives the funding (i.e., the specific subsidiary of the holding company in question) rather than that of the holding company; particularly in those cases where the obligor that is benefiting from the financing is a non-financial corporate.
* When the direct counterparty (the obligor) is a special purpose vehicle (SPV), the relevant NACE sector associated with the economic activity of the parent company of the SPV shall apply.

Considering the above, two NACEs will be required at counterparty level:

* NACE (main NACE code), aligned with FINREP requirements, for reconciliation purposes.
* Climate NACE (NACE\_Level 4), as required for sustainability purposes.

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | NACE\_Level1 | Main NACE code |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | NACE\_Level 4 | NACE\_Level 4 |

### Functional guidelines

1. **Alignment between FINREP and Pillar 3 ESG in the sectorization criterion**.

Pillar 3 ESG requires the availability of NACE until level 4 whereas FINREP NACE breakdown is limited to level 1. For reconciliation purposes, both P3ESG NACE (NACE\_Level 4) and FINREP NACE (NACE\_Level1) are required as dimensions in the CNAE Satellite to ensure traceability.

Given this, the unit will have to consider the following:

* + **For June 2024 Pillar 3:** the granular NACE to be used must have enough quality. So, if an update is needed due to DQ workstream, granular NACE will have to be modified as source for Pillar 3 ESG satellites and for MdD\_18\_COUN\_Country satellite, in order to ensure the alignment.
  + **Strategic solution:** if this were not the case, ensuring the use of the same NACE data source for FINREP and Pillar 3 ESG to avoid any undesirable inconsistency.

1. **Exposures towards holdings and SPVs** might have a P3ESG NACE, different from the FINREP NACE.

As explained before, the following represent the unique exceptions to the alignment of Pillar 3 ESG NACE and FINREP NACE.

* 1. **Holdings:** Pillar 3 ESG requires to allocate the NACE corresponding to the specific subsidiary receiving the funds, instead of the NACE corresponding to the holding according to FINREP criteria.

There is a specific NACE reserved for holdings: 64.20 Activities of holding companies, under section K: financial and insurance activities.

* 1. **SPV:** in FINREP the NACE corresponding to the SPV activity is required. In Pillar 3, the NACE of the parent company is required instead.

In the case of SPV’s, the NACE allocation depends on the activity of the SPV. Thus, SPVs cannot be identified through the NACE code. However, there are some fields in BDR that might allow SPV identification.

**Reclassification will be necessary for holdings companies (NACE K64.20) classified in FINREP in NACE K in the non-financial corporations’ sector**.

* **Tactical solution:** Satellite MdD\_79\_CESG\_CNAE\_ESG/ MdD\_219\_CESA\_CNAE\_ESG\_Automático allows the traceability of holdings and SPV reclassification:
  + Holdings can be identified as those counterparties with NACE K64.20. If the information of the NACE of the company receiving the funds is available, this NACE will be considered, otherwise the representative NACE of the Group (last parent) to which they belong will be assigned.
  + Units will have to identify SPVs (e.g., project finance, joint ventures).

For Pillar 3 ESG purposes, they will be allocated to the last parent NACE code.

When more than one counterparty owns the SPV, the most representative will be considered.

Different cases of SPV (such as project finance and securitization funds) have been analyzed, considering that the main case in which to carry out the reallocation is in the case of project finance classified in NACE K, in order to identify the main activity of the last parent.

An example on how to reassign the NACE code for holdings is explained below.

If a unit has exposure with Red Eléctrica Financiaciones, S.A.U, which is a holding company and whose parent is Red Eléctrica Corporación S.A, the reassignation is done as follows:

| **Company Name** | **NACE Code** | **Reassignation for holdings** |
| --- | --- | --- |
| Red Eléctrica Corporación S.A | D35 | Parent company |
| Red Eléctrica Financiaciones, S.A.U | K64 | The holding NACE code is K. For the Pillar III exercise, the NACE code will be D35 given that it is the last parent’s (Red Eléctrica Corporación S.A) code. |

* **Strategic solution:**
  + For holdings it will be needed in the onboarding and/or monitoring process to ask for the specific subsidiary that receives the funding, if any (since the holding itself can be the final recipient of the funding).
  + For SPVs the solution as in February 2023 applies.

## 2.2 Maturity

### Introduction

The disclosure of Pillar III (in templates 1 and 5) provides an overview of institutions’ banking book exposures towards the relevant sectors by maturity bucket. According to the EBA ITS, exposures shall be allocated to the relevant maturity bucket depending on the residual maturity of the financial instrument, taking into account the following:

1. where the amount is repaid in instalments, the exposure shall be allocated in the maturity bucket corresponding to the last instalment.
2. where an exposure has no stated maturity for reasons other than the counterparty having the choice of the repayment date, the amount of this exposure shall be disclosed in column ‘> 20 years’.
3. For the computation of the average maturity of the exposures, institutions shall weigh the maturity of each exposure by the gross carrying amount of the exposures.

Since in to EBA ITS it is not defined the maturity allocation criteria for certain exposures that do not have an end date and neither the criterion for calculating the average weighted maturity, in the following sections a functional guideline for both aspects is provided.

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | Maturity ESG | Maturity |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | Average weighted maturity (metric) | Maturity |

### Functional guidelines

1. **Maturity by buckets**

The Unit shall allocate the exposures to the corresponding residual maturity bucket. For the following kind of exposures, the following allocation criteria must be considered:

| **Type of exposures** | **Maturity bucket** |
| --- | --- |
| a) Amount repaid in instalments | Maturity bucket corresponding to the last instalment |
| b) Counterparty having the choice of the repayment date (e.g., overdrafts, accrued interest, credit cards and open REPOs) | Counterparty having the choice of the repayment date |
| c) Equity | > 20 years |
| d) Repossessed collaterals | > 20 years |
| e) Investments in subsidiaries | > 20 years |
| f) Contractually no stated maturity other than b) to d) (e.g., contingent convertible) | Other contracts with no stated maturity |

* 1. *Unknown maturity (due to lack of data quality)*

Those products that by their nature should have associated maturity, but due to lack of data quality do not have it, the following buckets will be assigned by default:

| **Type of exposures** | **Maturity bucket** |
| --- | --- |
| a) Real estate. Residential | > 20 years |
| b) Real estate. Commercial | < 5 years |
| c) Rest of loans (no real estate) | < 5 years |
| d) Debt securities | < 5 years |

If the buckets are allocated by default according to the table above, the gross carrying amount associated will be excluded for the calculation of the average maturity.

1. **Average weighted maturity**

For the computation of the average maturity of the exposures, the maturity of each exposure will be weighted by the gross carrying amount of the exposure. Exposures without a contractual stated maturity must be excluded: i.e., categories b) to f) disposed in the table of section ‘1. Maturity by buckets’.

**Note 1**: the expired (unpaid) contracts will be assigned to the maturity bucket *<= 5 years*, and for the average weighted maturity, they will be excluded from the calculation.

**Note 2**: the value of the average maturity must be aligned with its maturity bucket. Only the average maturity of ‘Equity instruments’, ‘Repossessed, ‘Investments in subsidiaries’, ‘Other contracts with no stated maturity’ and ‘Counterparty having the choice of the repayment date’ will not match their bucket, since average maturity will be missing.

## 2.3 Counterparties excluded from EU Paris-aligned benchmarks

### Introduction

The Paris Agreement is an agreement within the framework of the United Nations Convention on Climate Change that establishes measures for the reduction of greenhouse gas (GHG) emissions. The “Delegated Act (UE) 2020/1818” establishes the conditions for excluding a company from the EU-Paris aligned benchmarks in the article 12.1 and 12.2.

More in depth, in the context of the Pillar 3 ESG, counterparties that are excluded from the EU Paris-aligned benchmarks, as specified in Article 12.1, points (d) to (g) and Article 12.2 of Commission Delegated Regulation (EU) 2020/1818. This is, non-financial corporations that obtain:

* + 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite.
  + 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels.
  + 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels.
  + 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh.

As well as companies that are found or estimated to significantly harm one or more of the environmental objectives: a) climate change mitigation; (b) climate change adaptation; (c) the sustainable use and protection of water and marine resources; (d) the transition to a circular economy; (e) pollution prevention and control; (f) the protection and restoration of biodiversity and ecosystems.

There is not any public list of counterparties that meet these criteria.

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | Excluded from EU Paris-aligned benchmark | Flag: Companies excluded from EU Paris-aligned benchmarks |

### Functional guidelines

The following steps must be followed to flag **Companies excluded from Paris-aligned benchmarks:**

1. Ensuring that the **ISIN code** (or in its absence, the LEI code) is available for relevant counterparties.
2. **Exclusions based on a closed list of companies:**

* HQ will provide a closed list of companies that meet the criteria to be excluded from Paris-aligned benchmarks, based on the revenues per sector of companies available in Trucost. This closed list has been completed with companies included in sectors with decarbonization commitments, in particular, Oil&Gas and Thermal coal sectors, as they were not included in the external provider's file.
* Each unit must map its non-financial corporations with the list provided by HQ. The list is divided into two groups:
  + For those counterparties included in the list that are CIB clients, the name of the counterparty and the last parent code of the counterparty (KGL code) will be provided, together with ISIN and LEI codes.
  + For those counterparties included in the list that are not CIB clients, the name of the counterparty, geography location of the counterparty and the ISIN and LEI codes will be provided by HQ. This second list includes clients that have been identified as excluded from EU Paris-aligned benchmarks based on external information but have not been mapped to a CIB group (it can be because they do not have exposure with CIB clients or because there is a mapping issue). In these cases, it is necessary that units review the list in order to check if they have exposure with any of them.

If a group is marked as excluded from EU Paris-aligned benchmarks all companies belonging to the group will be excluded.

Attached to this guideline, the complete list of companies excluded from Paris-aligned benchmark has been provided *(Pillar 3 ESG – Companies excluded from Paris benchmarks.xls)*.

## 2.4 Financed emissions

### Introduction

Institutions shall start disclosing information on scope 1, 2 and 3 emissions of their non-financial corporations, if already available. Where institutions are not yet estimating their counterparties’ emissions associated with their financing activities, including lending and investment activities, they shall disclose information on their plans to implement methodologies to estimate and disclose this information.

Information on financed emissions from the counterparty for all sectors included in the template shall be disclosed as of 30 June 2024 first disclosure reference date.

The scopes should be understood as follows:

* **Scope 1:** are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).
* **Scope 2:** are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling.
* **Scope 3:** counterparties’ scope 3 emissions associated with the institution’s lending and investment activities. All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organization’s products or services.

Overview of GHG Protocol scopes and emissions across the value chain[[4]](#footnote-5)

Diagram

Description automatically generated

The estimation emissions shall rely on information on emissions from institutions’ counterparties and on information on sector-average emissions intensity by geography. Examples of methodologies to compute the carbon emission of companies include, the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by the Partnership for Carbon Accounting Financials (PCAF).

PCAF focuses on standardizing the measurement and reporting of financed emissions. PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry (the Standard). The Standard provides detailed guidance for each asset class to calculate the financed emissions resulting from activities in the real economy that are financed through lending and investment portfolios. Emissions are attributed to financial institutions based on robust, consistent accounting rules specific to each asset class. By following the methodologies for each, financial institutions can measure GHG emissions for each asset class and produce disclosures that are consistent, comparable, reliable, and clear.

The asset classes covered in the Global GHG Accounting and Reporting Standard are the following ones:

* Business loans and unlisted equity
* Listed equity and corporate bonds
* Project finance
* Commercial real estate
* Mortgages
* Motor vehicle loans

In the first version of these functional guidelines only the business loans and unlisted equity approach was included, in order to simplify the approach for the first Pillar 3 ESG disclosure.

However, due to the request from different units to have a specific approach for their portfolio, these functional guidelines have been updated in order to include all PCAF approaches for each asset class (except for the retail mortgages approach, since in Pillar 3 ESG only corporate financed emissions have to be reported).

For the first Pillar 3 disclosure (February 2023) only the application of the corporate business loans, equity and bonds calculation process approach (explained in section 2.4.3.2.) was required by the Group, all other approaches being voluntary[[5]](#footnote-6)

Since June 2023 disclosures, it is necessary to implement all the remaining approaches for all units. In case there is a portfolio that is not significant to the total amount reported, the calculation will be less of a priority at the moment, but will be required to calculate for future Pillar 3 disclosures.

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | Client Emission\_area | Client Emission Area |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | Calculation approach | Calculation approach |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | GHG financed emissions scope 1 (metric) | GHG Financed emissions: Scope 1 |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | GHG financed emissions scope 2 (metric) | GHG Financed emissions: Scope 2 |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | GHG financed emissions scope 3 (metric) | GHG Financed emissions: Scope 3 |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | Source of the emission | GHG Reported emissions: flag actual / calculated: scope 1  GHG reported emissions: flag actual / calculated: scope 2  GHG reported emissions: flag actual / calculated: scope 3 |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | Data quality score | Reported emissions data quality score: scope 1  Reported emissions data quality score: scope 2  Reported emissions data quality score: scope 3 |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | European Union | Geography of the counterparty: NUTS – At country level[[6]](#footnote-7) |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | NACE\_Level1 | Main NACE code |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | NACE\_Level 4 | NACE\_Level 4 |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | Amount used scope 1 (metric) | Gross carrying amount |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | Amount used scope 2 (metric) | Gross carrying amount |
| MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico | Amount used scope 3 (metric) | Gross carrying amount |

A new dimension added for the satellite is the “Client Emission\_Area”, where unit must classify the information depending on if the client is from SCIB or not. If the client is from SCIB, this must be classified in the satellite as “CIB client emissions”. If not, it should go under “Emissions rest”.

### Functional guidelines

#### 2.4.3.1. Scope

The calculation of financed emissions will be made for all non-financial corporations.

The perimeter of MdD\_93\_GHGE\_GHG Financed emissions / MdD\_93\_GHGE\_GHG Financed emissions / MdD\_224\_GHGA\_GHG Financed emissions\_Automatico satellites are all non-financial corporations.

Emissions are calculated regarding the purpose of the loan. In the case of auto or commercial real estate, emissions should be calculated if the purpose of the loan is financing this collateral.

It should be mentioned that exposure by NACE in the MdD\_93\_GHGE\_GHG satellite must be equal to the exposure by NACE in the MdD\_79\_CESG\_CNAE\_ESG/ MdD\_219\_CESA\_CNAE\_ESG\_Automático.

As explained in the Introduction (2.4.1.) for the first Pillar 3 disclosure (February 2023) only the application of the corporate business loans, equity and bonds calculation process approach (explained in section 2.4.3.2.) is required by the Group, as well as the auto loans approach for Santander Consumer units.

For the Pillar 3 disclosure taking place in June 2023, it will be necessary to implement all the remaining approaches for all units, unless the portfolio is not significant to the total amount reported.

#### 2.4.3.2. Corporate business loans, equity and bonds calculation process

Under this section the following PCAF asset classes are included:

* Business loans and unlisted equity
* Listed equity and corporate bonds

These two PCAF asset classes comprise:

* Business loans
* Equity investments in private companies (unlisted equity) Equity investments for general corporate purposes (i.e., with unknown use of proceeds as defined by the GHG Protocol) that are not traded on a market and are on the balance sheet.
* Listed equity for general corporate purposes (i.e., unknown use of proceeds as defined by the GHG Protocol)
* Corporate bonds for general corporate purposes

In order to report the emissions calculation approach that has been used, the metric “Calculation Approach” has been added to the satellite. That is, units calculating emissions for a client under this approach must report them under the field “Business loans”.

Using the PCAF methodology for financed emissions, there are several ways to calculate them, depending on the availability of counterparty’s specific financial and emissions data.

Depending on the information used for the calculation of emissions, according to the PCAF standards, different data quality scores are defined from 1 -highest data quality- to 5 - lowest data quality-. The following table[[7]](#footnote-8) provides data quality scores for each of the described options and sub-options (if applicable) that can be used:

| **Data quality** | **Options to estimate the financed emissions** | | **When to use each option** |
| --- | --- | --- | --- |
| **Score 1** | **Option 1:**  **Reported emissions** | 1a | * Outstanding amount in the company and total company equity plus debt are known. * **Audited emissions** **of the company** are available |
| **Score 2** | 1b | * Outstanding amount in the company and total company equity plus debt are known. * **Non audited emissions calculated by the company** are available. |
| **Option 2:**  **Physical activity based**  **emissions** | 2a | * Outstanding amount in the company and total company equity plus debt are known. * Reported company emissions are not known. * **Emissions are calculated** using primary physical activity data for the **company’s energy consumption** and emission factors specific to that primary data. |
| **Score 3** | 2b | * Outstanding amount in the company and total company equity plus debt are known. * Reported company emissions are not known. * **Emissions are calculated** using primary physical activity data for the **company’s production** and emission factors specific to that primary data |
| **Score 4** | **Option 3:**  **Economic activity based**  **emissions** | 3a | * Outstanding amount in the company, total company equity plus debt, and the company’s revenue are known. * **Emission factors** for the sector **per unit of revenue are known** (e.g., tCO2e per euro of revenue earned in a sector). |
| **Score 5** | 3b | * Outstanding amount in the company is known. * **Emission factors** for the sector **per unit of asset** (e.g., tCO2e per euro of asset in a sector) are known. |

The three different options defined by PCAF to calculate the financed emissions depending on the emissions data used are described below:

##### **Reported emissions of the counterparty**

Firstly, in those cases where there are reported emissions of the counterparty or of the group to which they belong to, these emissions will be assigned to the counterparty. Data can be obtained directly from the company or from external data providers. Emissions will be measured in tCO2e and rounded to two decimal places.

The approach to be followed will depend on whether they are counterparties belonging to CIB groups or not.

1. **Counterparties from CIB groups**

**Approach**

In order to ensure homogeneous treatment between Group’s units and assign the same emissions intensity to counterparties belonging to the same CIB group, HQ is going to share with the units the available information on CIB Group’s emissions and debt and equity.

The new version of *Pillar 3 ESG - Emissions data.xlsx* published by HQ (updated from the December version) will include emissions reported by CDP that can be real or estimated for SCIB companies. In case the company is not on the list, units will have to estimate it using PCAF.

The file shared will include information for all three scopes, as well as the year when the emission was reported, the data quality score of the emission, and the source of the emission, that is, whether it is reported or estimated. It will no longer include if the emission is audited or not, but units will be able to determine the quality and source from the information provided. Last, it will also include the debt and equity of the group for all clients in millions of euros.

Also, to ease the identification of the counterparty, it will include the internal GLCS code, the ISIN code and the LEI code.

In the absence of real emissions from the CIB group to which the counterparty belongs, there are two other ways on how to obtain the emission. Firstly, as mentioned, the information provided will include estimated emissions for some counterparties. Just like with reported emissions, it will include the data quality score and the source of the emission in order to identify if it is an estimated emission. If information for a counterparty is not included in *Pillar 3 ESG - Emissions data.xlsx*, the emissions of the counterparty will be estimated applying emissions’ sectorial averages based on physical or economic activity. This will be explained further in sections 2.4.3.2.2. Emissions based on physical activity and 2.4.3.2.3. Emissions based on economic activity.

The information shared by HQ with the units, attached to this guideline, is as follows *(Pillar 3 ESG – Emissions data.xlsx, Corporate CIB tab)*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **GLCS Code** | **Group Name** | | **ISIN** | | **LEI** | **Emissions (tCO2)** | | | **Data Quality Score** | | | **Source Emission** | | **Year** | **Group’s debt (M€)** | | **Group’s equity (M€)** |
|  | |  | **S1** | **S2** | **S3** | **S1** | **S2** | **S3** | **S1** | **S2** | **S3** |  |

Based on the information provided by HQ, the emissions, debt and equity of CIB groups are assigned to the counterparties belonging to these groups.

Finally, the formula to calculate the financed emissions for each counterparty is the following:

*Where:*

* Counterparty’s outstanding: include all loans and lines of credit that are on the balance sheet of the unit. Any off-balance sheet loans and lines of credit are excluded. Counterparty’s outstanding is the gross carrying amount reported in the satellite.

Counterparty’s outstanding has to be in millions of euro (to be consistent with group’s debt and group’s equity data shared by HQ).

* Group’s debt= Short term debt + long term debt of the CIB Group to which the counterparty belongs to
* Group’s equity= own funds of the CIB Group to which the counterparty belongs to

If the emission for the respective counterparty is not provided by the SCIB data, units will have to estimate them using the methodology explained in sections 2.4.3.2.2. Emissions based on physical activity or 2.4.3.2.3. Emissions based on economic activity.

**Required information**

For the application of this approach, the units only need to have counterparty’s outstanding available, as all other information will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as actual/estimated data depending on whether the emissions provided for the counterparty by HQ are actual or estimated.

**Emissions’ data quality score**

According to PCAF standards, if reported emissions by the counterparty have been used, the data quality score will depend on the data quality score provided in the SCIB tab for the counterparty.

**Note:** scope 3 emissions are made up of 15 categories and each category has emissions that can be either actual or estimated. Given this, and, in order to maintain a conservative approach, the scope 3 emission are reported as the sum of these 15 categories, and if one of them is estimated, the entire emission is reported as estimated.

On the other hand, in other to obtain the data quality score of scope 3 emissions, it is calculated for each company as a weighted average of the emissions of these 15 categories.

1. **Rest of counterparties (not from CIB groups)**

Units can also complete the information through external sources for those counterparties that have started to disclose emissions data (at least for those counterparties subject to NFRD). Nonetheless, this information will not be provided by HQ.

Counterparty’s reported emissions can be obtained, for example, from the following sources:

* CDP
* S&P
* Sustainability reports
* Local external providers

Since the number of counterparties that will disclose reported emissions will continue increasing, the objective is to progressively have a higher percentage of companies with actual information, instead of using emissions sectoral averages. Therefore, the percentage of coverage with actual information will evolve in the different disclosures.

The actual data must correspond to the latest available emissions of the counterparty.

**Approach**

Emissions data may correspond to the counterparty itself or to the group to which it belongs to. If information from both is available, priority will be given to the information from the counterparty itself.

Depending on whether the information is from the counterparty or from the group, the formula for calculating the financed emissions varies:

* **Emissions data from the counterparty**: the formula to calculate the financed emissions is the following:

Where:

* Counterparty’s outstanding: include all loans and lines of credit that are on the balance sheet of the unit. Any off-balance sheet loans and lines of credit are excluded.
* Counterparty’s debt= Short term debt + long term debt of the counterparty
* Counterparty’s equity= own funds of the counterparty

Counterparty’s outstanding, debt and equity have to be in the same currency and unit.

* **Emissions data from the group to which the counterparty belongs to**: the formula to calculate the financed emissions for each counterparty is the following (the same as for counterparties from CIB groups):

Where:

* Counterparty’s outstanding: include all loans and lines of credit that are on the balance sheet of the financial institution. Any off-balance sheet loans and lines of credit are excluded. Counterparty’s outstanding is the gross carrying amount reported in the satellite.
* Group’s debt= Short term debt + long term debt of the CIB Group to which the counterparty belongs to
* Group’s equity= own funds of the CIB Group to which the counterparty belongs to

Counterparty’s outstanding, group’s debt and equity have to be in the same currency and unit.

In the absence of reported emissions from the counterparty, the emissions of the counterparty will be estimated applying emissions’ sectoral averages based on economic or physical activity using the methodology explained in sections 2.4.3.2.2. Emissions based on physical activity or 2.4.3.2.3. Emissions based on economic activity.

**Required information**

For the application of this approach, the units need to have the following information available:

* Counterparty’s outstanding
* Emissions and financial data:
  + If emissions information is from the group to which the counterparty belongs:
    - Group’s reported emissions for scope 1, 2 and 3, flag of audited emissions for scope 1, 2 and 3 and emissions reference date
    - Group’s equity and Group’s debt
  + If emissions information is from the counterparty:
    - Counterparty’s reported emissions for scope 1, 2 and 3, flag of audited emissions for scope 1, 2 and 3 and emissions reference date
    - Counterparty’s equity and counterparty’s debt

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag original / calculated the data will be considered as actual data.

**Emissions’ data quality score**

According to PCAF standards, if reported emissions by the counterparty have been used, the data quality score will be:

* 1: if reported emissions are audited
* 2: if reported emissions are not audited

##### **Emissions based on physical activity**

In this second approach, the company's reported emissions are unknown. In this case emissions are estimated based on data obtained on the physical activity (e.g. energy consumption and/or company production) performed by the borrower and emissions factors specific to that data.

The information shared by HQ with the units, attached to this guideline, is as follows *(Pillar 3 ESG – Emissions data.xls, Corporates – PCAF factors by economic activity tab)*:

| **Country** | **Primary physical activity** | | | | **Emissions factor (name)** | **Emission factor (unit)** | **PCAF**  **DQ score** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Level 1** | **Level 2** | **Level 3** | **Level 4** |
|  | Energy | Electricity production | Diesel energy combustion | Fuel: natural gas | Emission intensity per MWh of electricity | MWh | 2 |  |  |  |
|  | Energy | Electricity production | Hydro, Geothermal, Wind, solar | Fuel: renewable | Emission intensity per MWh of electricity | MWh | 2 |  |  |  |
|  | Manufacturing | Manufacture of basic metals | Iron and Steel production | Steel making method: basic oxygen furnance | Emission intensity per t of steel | t | 3 |  |  |  |

**i. Emissions based on energy consumption**

**Approach**

This option is only applicable to scope 1 and scope 2 emissions as scope 3 emissions cannot be estimated by this option. Other options can be used to estimate the scope 3 emissions, however.

To be able to apply this approach, units will need to have available the counterparty’s energy consumption (in addition to other financial data required for attribution).

For each counterparty, the calculation will be the following:

*Counterparty’s estimated emissions (tCO2e) = Sectoral average emissions by sector and geography and by energy source \* Counterparty’s energy consumption by energy source*

Once we have the estimated emissions reported for the company, the next step is to calculate the financed emissions. For this calculation, it is necessary that units upload the equity and debt data from the balance sheets of the counterparties. The calculation will be as follows:

Where:

* Counterparty’s outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded. Counterparty’s outstanding is the gross carrying amount reported in the satellite.
* Counterparty’s debt= Short term debt + long term debt of the counterparty
* Counterparty’s equity= own funds of the counterparty

Counterparty’s outstanding, debt and equity have to be in the same currency and unit.

**Required information**

For the application of this approach, the units need to have the following information available:

* Counterparty’s outstanding
* Counterparty’s energy consumption (e.g., MWh of electricity)
* Counterparty’s equity
* Counterparty’s debt
* Counterparty’s geography
* Counterparty’s NACE (level 4)

Information of sectoral average emissions factors expressed per physical activity (tCO2e/MWh) by geography and sector will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on energy consumption will have a data quality score of 2.

**ii. Emissions based on production**

**Approach**

To be able to apply this approach, units will need to have available the counterparty’s production (in addition to other financial data required for attribution).

For each counterparty, the calculation will be the following:

*Counterparty’s estimated emissions (tCO2e) = Sectoral average emissions by sector and geography and by primary physical activity \* Counterparty’s production*

Once we have the estimated emissions reported for the company, the next step is to calculate the financed emissions. For this calculation, it is necessary that units upload the equity and debt data from the balance sheets of the counterparties. The calculation will be as follows:

*Where:*

* Counterparty’s outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded. Counterparty’s outstanding is the gross carrying amount reported in the satellite.
* Counterparty’s debt= Short term debt + long term debt of the counterparty
* Counterparty’s equity= own funds of the counterparty

Counterparty’s outstanding, debt and equity have to be in the same currency and unit.

**Required information**

For the application of this approach, units need to have the following information available:

* Counterparty’s outstanding
* Counterparty’s production (e.g. tons of steel produced, tons of rice)
* Counterparty’s equity
* Counterparty’s debt
* Counterparty’s geography
* Counterparty’s NACE (level 4)

Information of sectoral average emissions factors expressed per physical activity (e.g. tCO2e/t of steel) by geography and sector will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG Reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on production will have a data quality score of 3.

##### **Emissions based on economic activity**

If there is no actual emissions data, sectoral average emissions from PCAF will be applied, measured in tCO2e/M€ of revenue or tCO2e/M€ of asset for each sector and geography.

The information shared by HQ with the units, attached to this guideline, is as follows *(Pillar 3 ESG – Emissions data.xls, Corporates – PCAF factors by physical activity tab)*:

| **Country** | **NACE** | **NACE description** | **Emissions factor (name)** | **Emission factor (unit)** | **PCAF**  **DQ score** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Emissions factor per revenue | tCO2e/M€ | 4 |  |  |  |
|  |  |  | Emissions factor per asset | tCO2e/M€ | 5 |  |  |  |

The sectoral average emissions information from PCAF is at different NACE granularity levels depending on the sector and geography. The objective is to assign average emissions at the highest level of granularity available in each case, that is, NACE at level 4 if available. If average emissions are not available at NACE level 4 (emission factor = 0), the following available level will be applied. Also, in the case of having NACE ESG, average emissions factors have to be assigned considering it.

The geographical allocation will be made at a regional level as defined by PCAF. The regions are defined by PCAF as follows:

* **Advanced economies:** countries considered as advanced economies by the OECD and IMF. These countries include Andorra, Australia, Canada, Hong Kong SAR, Iceland, Israel, Japan, Korea, Macao SAR, New Zealand, Norway, Puerto Rico, San Marino, Singapore, Switzerland, Taiwan Province of China and United States.
* **EU Member States:** Countries of the European Union + UK. These countries include Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.
* **Emerging economies:** Any other country that is not included in the previous definitions.

Emissions will be calculated using the data of the respective region depending on the country where the client is located.

**i. Average emissions per revenues**

**Approach**

To be able to apply PCAF information, units will need to have available the counterparty’s revenues information (in addition to other financial data required for attribution).

**Note:** In cases where the financial data used to calculate the attribution factor is of relevant age, we recommend using the PCAF Score 5 methodology.

As a priority order, the first priority will be assigned the sectoral average emissions measured in tCO2e/€ of revenue (due to the PCAF data quality score will be higher).

For each counterparty, the calculation will be the following:

*Counterparty’s estimated emissions (tCO2e) = Sectoral average emissions by sector and geography per M€ of revenue earned in a sector (tCO2e/M€) \* Counterparty’s revenues (M€)*

Counterparty’s revenues have to be in millions of euro (to be consistent with sectoral average emissions shared by HQ)*.*

Once we have the estimated emissions reported for the company, the next step is to calculate the financed emissions. For this calculation, it is necessary that units upload the equity and debt data from the balance sheets of the counterparties. The calculation will be as follows:

*Where:*

* Counterparty’s outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded. Counterparty’s outstanding is the gross carrying amount reported in the satellite.
* Counterparty’s debt= Short term debt + long term debt of the counterparty
* Counterparty’s equity= own funds of the counterparty

Counterparty’s outstanding, debt and equity have to be in the same currency and unit.

**Required information**

For the application of this approach, the units need to have the following information available:

* Counterparty’s outstanding
* Counterparty’s revenues
* Counterparty’s equity
* Counterparty’s debt
* Counterparty’s geography
* Counterparty’s NACE ESG (level 4)

Information of sectoral average emissions by sector and geography per M€ of revenue earned in a sector will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions using sectoral averages based on revenues will have a data quality score of 4.

**ii. Average emissions per assets**

**Approach**

If the counterparty's revenues are not available, sectoral average emissions measured in tCO2e/€ of assets will be applied.

For each counterparty, the calculation will be the following:

*Counterparty’s financed emissions (tCO2e) = Sectoral average emissions by sector and geography per M€ of assets in a sector (tCO2e/M€) \* Counterparty’s* *outstanding (M€)*

*Where:*

* *Counterparty’s outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded.* Counterparty’s outstanding is the gross carrying amount reported in the satellite.

Counterparty’s outstanding has to be in millions of euro (to be consistent with sectoral average emissions shared by HQ)*.*

**Required information**

For the application of this approach, the units need to have the following information available:

* Counterparty’s outstanding
* Counterparty’s geography
* Counterparty’s NACE ESG (level 4)

Information of sectoral average emissions by sector and geography per M€ of assets in a sector will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions using sectoral averages based on assets will have a data quality score of 5.

This process must be carried out for the emissions of each of the scopes (scope 1, 2 and 3), and the source of information for each of them may be different (i.e., for a counterparty it is possible that scope 1 and 2 emissions are reported, while scope 3 emissions are estimated).

#### 2.4.3.3. Project finance calculation process

This asset class includes all loans or equities to projects for specific purposes (i.e., with known use of proceeds as defined by the GHG Protocol).

The financing is designated for a defined activity or set of activities, such as the construction and operation of a gas-fired power plant, a wind or solar project, or energy efficiency projects. Emissions and financials related to existing activities outside the financed project but within the financed organization are not considered.

Financial institutions shall report the absolute scope 1 and 2 emissions of the project. Scope 3 emissions should be covered if relevant. Examples of projects where scope 3 emissions are relevant include but are not limited to nuclear power plants, hydroelectric power plants, infrastructure projects (airports, highways), and oil and gas exploration.

In order to report the emissions calculation approach that has been used, the metric “Calculation Approach” has been added to the satellite. That is, units calculating emissions for a client under this approach must report them under the field “Project finance”.

Using the PCAF methodology for financed emissions, there are several ways to calculate them, depending on the availability of counterparty’s specific financial and emissions data.

Depending on the information used for the calculation of emissions, according to the PCAF standards, different data quality scores are defined from 1 -highest data quality- to 5 - lowest data quality-. The following table[[8]](#footnote-9) provides data quality scores for each of the described options and sub-options (if applicable) that can be used:

| **Data quality** | **Options to estimate the financed emissions** | | **When to use each option** |
| --- | --- | --- | --- |
| **Score 1** | **Option 1: Reported emissions** | **1a** | - Outstanding amount in the project and total project equity plus debt are known.  - **Verified emissions of the project** are available. |
| **Score 2** | **1b** | - Outstanding amount in the project and total project equity plus debt are known.  - **Unverified emissions reported** by the project are available. |
| **Option 2: Physical activity-based emissions** | **2a** | - Outstanding amount in the project and total project equity plus debt are known.  - Project emissions are not known but calculated using primary physical activity data for the **project’s energy consumption** and emission factors specific to that primary data.  - Relevant process emissions are added. |
| **Score 3** | **2b** | - Outstanding amount in the project and total project equity plus debt are known.  - Project emissions are not known.  - Emissions are calculated using primary physical activity data for the **project’s production** and emission factors specific to that primary data. |
| **Score 4** | **Option 3:**  **Economic activity-based**  **emissions** | **3a** | - Outstanding amount in the project, total project equity plus debt, and the project’s revenue are known.  - **Emission factors** for the sector **per unit of revenue** or from similar projects is known (e.g., tCO2e per euro of revenue earned in a sector). |
| **Score 5** | **3b** | - Outstanding amount in the project is known.  - **Emission factors** for the sector **per unit of asset** or economic activity-based emission factors from similar projects (e.g., tCO2e per euro of asset in a sector) are known. |
| **3c** | - Outstanding amount in the project is known.  - **Emission factors** for the sector **per unit of**  **revenue** (e.g., tCO2e per euro of revenue earned in a sector) **and asset turnover ratios** for the sector or from similar projects are known. |

**Note:** For renewable energy project finance, Scope 1 emissions should be reported as 0 and reported as actual.

##### ***2.4.3.3.1. Reported emissions***

**Approach**

Emissions are collected from the project directly or indirectly through independent third parties.

Financed emissions are calculated as follows:

*Where:*

* Project’s reported emissions: project’s actual emissions
* Outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded. Outstanding is the gross carrying amount reported in the satellite.
* Debt= Short term debt + long term debt of the financed project
* Equity= own funds of the financed project

At the start of the project, the total equity and debt in the denominator is the total financing available for the project (total debt plus equity to realize the project). In subsequent years, it is expected that projects will report annually on their financials, including balance sheet information (i.e., the total equity and debt within the project). The value of total equity and debt in the denominator can then be used to calculate the attribution factor.

Counterparty’s outstanding, debt and equity have to be in the same currency and unit.

**Required information**

* *Project’s outstanding*
* *Project’s actual emissions*
* *Project’s debt*
* *Project’s equity*

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as actual data.

**Emissions’ data quality score**

According to PCAF standards, if reported emissions by the counterparty have been used, the data quality score will be:

* 1: if reported emissions are audited
* 2: if reported emissions are not audited

##### **2.4.3.3.2. Emissions based on physical activity**

In the second approach, the project’s reported emissions are unknown. In this case emissions are estimated based on data obtained on the physical activity (e.g., energy consumption and/or company production) performed by the borrower and emissions factors specific to that data.

PCAF average emissions factors for project finance are the same as the factors for corporate business loans. The information shared by HQ with the units, attached to this guideline, is as follows *(Pillar 3 ESG – Emissions data.xls, Corporates – PCAF factors by economic activity tab)*:

| **Country** | **Primary physical activity** | | | | **Emissions factor (name)** | **Emission factor (unit)** | **PCAF**  **DQ score** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Level 1** | **Level 2** | **Level 3** | **Level 4** |
|  | Energy | Electricity production | Diesel energy combustion | Fuel: natural gas | Emission intensity per MWh of electricity | MWh | 2 |  |  |  |
|  | Energy | Electricity production | Hydro, Geothermal, Wind, solar | Fuel: renewable | Emission intensity per MWh of electricity | MWh | 2 |  |  |  |
|  | Manufacturing | Manufacture of basic metals | Iron and Steel production | Steel making method: basic oxygen furnance | Emission intensity per t of steel | t | 3 |  |  |  |

###### I. **Emissions based on energy consumption**

**Approach**

This option is only applicable to scope 1 and scope 2 emissions as scope 3 emissions cannot be estimated by this option. Other options can be used to estimate the scope 3 emissions, however.

To be able to apply this approach, units will need to have available project’s energy consumption (in addition to other financial data required for attribution).

For each project, the calculation will be the following:

*Project’s estimated emissions (tCO2e) = Sectoral average emissions by sector and geography and by energy source \* Project’s energy consumption by energy source*

Financed emissions are calculated as follows:

*Where:*

* *Outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded.* Outstanding is the gross carrying amount reported in the satellite.
* *Debt= Short term debt + long term debt of the financed project*
* *Equity= own funds of the financed project*

*Counterparty’s outstanding, debt and equity have to be in the same currency and unit.*

**Required information**

* *Project’s outstanding*
* *Project’s energy consumption (e.g., MWh of electricity)*
* *Project’s equity*
* *Project’s debt*
* *Project’s geography*
* *Project’s NACE (level 4)*

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on energy consumption will have a data quality score of 2.

###### **II. Emissions based on production**

**Approach**

To be able to apply this approach, units will need to have available the project’s production (in addition to other financial data required for attribution).

For each counterparty, the calculation will be the following:

*Project’s estimated emissions (tCO2e) = Sectoral average emissions by sector and geography and by primary physical activity \* Project’s production*

Once we have the estimated emissions, financed emissions are calculated as follows:

*Where:*

* *Outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded.* Outstanding is the gross carrying amount reported in the satellite.
* *Counterparty’s debt= Short term debt + long term debt of the counterparty*
* *Counterparty’s equity= own funds of the counterparty*

*Counterparty’s outstanding, debt and equity have to be in the same currency and unit.*

**Required information**

For the application of this approach, the units need to have the following information available:

* *Project’s outstanding*
* *Project’s production (e.g., tons of steel produced, tons of rice)*
* *Project’s equity*
* *Project’s debt*
* *Project’s geography*
* *Project’s NACE ESG (level 4)*

Information of sectoral average emissions factors expressed per physical activity (e.g. tCO2e/t of steel) by geography and sector will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on production will have a data quality score of 3.

##### **2.4.3.3.3. Emissions based on economic activity**

If there is no actual emissions data, sectoral average emissions from PCAF will be applied, measured in tCO2e/M€ of revenue or tCO2e/M€ of asset for each sector and geography.

PCAF average emissions factors for project finance are the same as the factors for corporate business loans. The information shared by HQ with the units, attached to this guideline, is as follows *(Pillar 3 ESG – Emissions data.xls, Corporates – PCAF factors by physical activity tab)*:

| **Country** | **NACE** | **NACE description** | **Emissions factor (name)** | **Emission factor (unit)** | **PCAF**  **DQ score** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Emissions factor per revenue | tCO2e/M€ | 4 |  |  |  |
|  |  |  | Emissions factor per asset | tCO2e/M€ | 5 |  |  |  |

The sectoral average emissions information from PCAF is at different NACE granularity levels depending on the sector and geography. The objective is to assign average emissions at the highest level of granularity available in each case, that is, NACE at level 4 if available. If average emissions are not available at NACE level 4 (emission factor = 0), the following available level will be applied.

Average emissions factors have to be assigned considering NACE ESG.

The geographical allocation will be made at a regional level as defined by PCAF. The regions are defined by PCAF as follows:

* **Advanced economies:** Countries considered as advanced economies by the OECD and IMF. This countries include Andorra, Australia, Canada, Hong Kong SAR, Iceland, Israel, Japan, Korea, Macao SAR, New Zealand, Norway, Puerto Rico, San Marino, Singapore, Switzerland, Taiwan Province of Chinaand United States.
* **EU Member States:** Countries of the European Union + UK. These countries include Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.
* **Emerging economies:** Any other country that is not included in the previous definitions.

Emissions will be calculated using the data of the respective region depending on the country where the client is located.

###### **I. Average emissions per revenues**

**Approach**

To be able to apply PCAF information, units will need to have available project’s revenues information (in addition to other financial data required for attribution).

As a priority order, the priority will be assigned the sectoral average emissions measured in tCO2e/€ of revenue (due to the PCAF data quality score will be higher).

For each project, the calculation will be the following:

*Project’s estimated emissions (tCO2e) = Sectoral average emissions by sector and geography per M€ of revenue earned in a sector (tCO2e/M€) \* Project’s revenues (M€)*

Project’s revenues have to be in millions of euros (to be consistent with sectoral average emissions shared by HQ)*.*

Once we have the estimated emissions, financed emissions are calculated as follows:

*Where:*

* *Outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded.* Outstanding is the gross carrying amount reported in the satellite.
* *Counterparty’s debt= Short term debt + long term debt of the counterparty*
* *Counterparty’s equity= own funds of the counterparty*

*Counterparty’s outstanding, debt and equity have to be in the same currency and unit.*

**Required information**

For the application of this approach, the units need to have the following information available:

* *Project’s outstanding*
* *Project’s revenues*
* *Project’s equity*
* *Project’s debt*
* *Project’s geography*
* *Project’s NACE ESG (level 4)*

Information of sectoral average emissions by sector and geography per M€ of revenue earned in a sector will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on the sector per unit of revenue or from similar projects will have a data quality score of 4.

###### **II. Average emissions per assets**

**Approach**

If the project’srevenues are not available, sectoral average emissions measured in tCO2e/€ of assets will be applied.

For each project, the calculation will be the following:

*Project’s financed emissions (tCO2e) = Sectoral average emissions by sector and geography per M€ of assets in a sector (tCO2e/M€) \* Project’s outstanding (M€)*

*Where:*

* *Outstanding: include all loans and lines of credit that are on the balance sheet. Any off-balance sheet loans and lines of credit are excluded.* Outstanding is the gross carrying amount reported in the satellite.

Project’s outstanding has to be in millions of euro (to be consistent with sectoral average emissions shared by HQ)*.*

**Required information**

For the application of this approach, the units need to have the following information available:

* Project’s outstanding
* Project’s geography
* Project’s NACE ESG (level 4)

Information of sectoral average emissions by sector and geography per M€ of assets in a sector will be provided by HQ.

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on the sector per unit of asset or economic-activity emission factors will have a data quality score of 5.

#### 2.4.3.4. Motor vehicle loans calculation process

This asset class refers to on-balance sheet loans and lines of credit for specific purposes (i.e., with known use of proceeds as defined by the GHG Protocol) to finance one or several motor vehicles.

The following list exemplifies the vehicle types that may fall under the asset class of motor, vehicle loans (this is not an exhaustive list as other vehicle types can also be included):

* Passenger car
* Motorcycle
* Light commercial truck (e.g., vans)
* Medium/heavy commercial truck
* Recreational vehicles
* Bus
* Snowmobiles/all-terrain vehicles
* Boats, including outboard motors

For auto loans it is necessary to calculate and report the annual scope 1 and scope 2 emissions of the vehicles being financed:

* Scope 1: direct emissions from fuel combustion in vehicles (All cars will have scope 1 emissions, except electric cars, which emissions scope 1 are 0)
* Scope 2: indirect emissions from electricity generation consumed in EVs (only electric cars and plug-in hybrid cars will have scope 2 emissions)

Electric cars will only have scope 2 emissions (scope 1 are 0); ICEs, mild hybrid and gas cars will only have scope 1 emissions (scope 2 are 0 since they are not charged by electricity) and plug-in hybrid vehicles will have scope 1 and scope 2 emissions.

Scope 3 emissions related to the production of vehicles, delivery of vehicles to buyers, or decommissioning of vehicles after use do not need to be covered; these emissions are difficult to obtain and they can be considered rather marginal.

In order to report the emissions calculation approach that has been used, the metric “Calculation Approach” has been added to the satellite. That is, units calculating emissions under this approach must report them under the field “Motor vehicle loans”.

Using the PCAF methodology for auto loans financed emissions, there are several ways to calculate them, depending on the availability of counterparty’s specific financial and emissions data.

Depending on the information used for the calculation of emissions, according to the PCAF standards, different data quality scores are defined from 1 -highest data quality- to 5 - lowest data quality-. The following table[[9]](#footnote-10) provides data quality scores for each of the described options and sub-options (if applicable) that can be used:

| **Data quality** | **Options to estimate the financed emissions** | | **When to use each option** |
| --- | --- | --- | --- |
| **Score 1** | **Option 1:**  **Actual vehicle-specific emissions** | **1a** | - Outstanding amount and total value at origination of vehicle or vehicle fleet are known.  - Primary data on **actual vehicle fuel consumption is available**.  - Emissions are calculated using actual fuel consumption and fuel type-specific emission factors. |
| **1b** | - Outstanding amount and total value at origination of vehicle or vehicle fleet are known.  - Vehicle efficiency and fuel type (fossil and/or electricity) are available from **known vehicle make and model**.  - Primary data on **actual vehicle distance traveled is available**.  - Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors. |
| **Score 2** | **Option 2:**  **Estimated vehicle-**  **specific emissions** | **2a** | - Outstanding amount and total value at origination of vehicle or vehicle fleet are known.  - Vehicle efficiency and fuel type (fossil and/or electricity) are available from **known vehicle make and model**.  - **Distance traveled is estimated based on local statistical data.**  - Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors. |
| **Score 3** | **2b** | - Outstanding amount and total value at origination of vehicle or vehicle fleet are known.  - Vehicle efficiency and fuel type (fossil and/or electricity) are available from **known vehicle make and model**.  - **Distance traveled is estimated based on regional statistical data.**  - Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors. |
| **Score 4** | **Option 3:**  **Estimated**  **vehicle-unspecific emissions** | **3a** | - Outstanding amount and total value at origination of vehicle or vehicle fleet are known.  - Vehicle efficiency and fuel type (fossil and/or electricity) are estimated from **known vehicle type** **(vehicle make and model are unknown).**  **- Distance traveled is estimated based on local or regional statistical data**.  - Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors. |
| **Score 5** | **3b** | - Outstanding amount and total value at origination of vehicle or vehicle fleet are known.  - Vehicle efficiency and fuel type (fossil and/or electricity) are estimated for an **average vehicle (vehicle make and model and vehicle type are unknown**).  **- Distance traveled is estimated based on local or regional statistical data**.  - Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors. |

The three different options defined by PCAF to calculate the financed emissions depending on the emissions data used are described below.

For each vehicle loan, emissions under scope 1, 2 and 3 have to be reported. For each loan, the same value for GHG reported emissions: flag actual / calculated and emissions data quality score, has to be assigned, according to the following approach:

* Fuel vehicles (including hybrids and gas): flag actual/calculated and DQ score will be assigned according to scope 1 emissions (scope 2 and scope 3 emissions will be 0).
* Electric vehicles: flag actual/calculated and DQ score will be assigned according to scope 2 emissions (scope 1 and scope 3 emissions will be 0).
* Plug-in hybrid vehicles: flag actual/calculated and DQ score will be assigned according to the worst value of scope 1 and scope 2 emissions (scope 3 emissions will be 0).

For stock finance, emissions will be 0 (as we understand cars are not moving) and DQ score will be 1. Regarding GHG reported emissions: flag actual / calculated the data will be considered as actual data.

##### **Actual vehicle-specific emissions**

Under this approach emissions are calculated based on actual vehicle fuel consumption or actual vehicle distance traveled for a known vehicle make and model with data directly collected from the borrower.

**i. Emissions based on actual vehicle fuel consumption.**

**Approach**

Vehicle emissions are calculated based on actual vehicle fuel consumption.

Vehicle emissions are calculated as follows:

*Vehicle emissions (tCO2e) = Fuel consumption \* Emissions factor*

Where:

* Fuel consumption: is the actual vehicle’s fuel consumption (e.g., l diesel, kWh electricity).
* Emissions factor is the vehicle’s fuel type-specific emission factor (e.g., kg CO2e/l diesel, kg CO2e/kWh electricity)

Once vehicle emissions have been calculated, vehicle emissions are multiplied by the attribution factor (units accounts for a portion of the borrower’s annual motor vehicle emissions as determined by the ratio between the outstanding amount and the value of the motor vehicle at origination) in order to calculate financed emissions. The formula is the following:

Where:

* Vehicle loan outstanding: actual outstanding motor vehicle loan amount, that is, the gross carrying amount of the loan reported in the satellite.
* Total value at origination: total value of the motor vehicle at origination, which corresponds to the price of the vehicle at the moment the transaction was done.
* For auto new it is the manufacturer's suggested retail price (MSRP) with VAT
* For auto used it is the estimated market price of the vehicle
* If the previous options are not available, transaction price is used

Vehicle loan outstanding and total value at origination have to be in the same currency and unit (e.g. millions of euro).

Since actual fuel consumption is not available in internal databases, currently this approach is only applied to stock finance, as we assume the cars are not driven and therefore emissions are 0 (because kilometers are 0).

**Required information**

For the application of this approach, units need to have the following information available:

* Vehicle loan’s outstanding
* Total value at origination
* Vehicle’s fuel consumption (e.g., l diesel, kWh electricity)
* Vehicle’s fuel type-specific emission factor (e.g., kg CO2e/l diesel, kg CO2e/kWh electricity)

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as actual data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on actual vehicle fuel consumption will have a data quality score of 1.

**ii. Emissions based on known vehicle make and model and actual vehicle distance**

**Approach**

Vehicle emissions are calculated based on actual vehicle distance traveled for a known vehicle make and model with data directly collected from the borrower.

This approach only applies if the actual vehicle distance traveled is known. If the available information is the maximum distance considered contractually, for example, in a leasing contract, the emissions will be considered as estimated (Estimated vehicle-specific emissions approach, explained in the following section).

Vehicle emissions are calculated as follows:

*Vehicle emissions (tCO2e) = Distance traveled \* Emissions factor*

Where:

* Distance traveled is the actual vehicle distance traveled (e.g., km).
* Emissions factor is the vehicle’s fuel type-specific emission factor (e.g., kg CO2e/km)

Once vehicle emissions have been calculated, vehicle emissions are multiplied by the attribution factor in order to calculate financed emissions. The formula is the following:

Where:

* Vehicle loan outstanding: actual outstanding motor vehicle loan amount, that is, the gross carrying amount of the loan reported in the satellite.
* Total value at origination: total value of the motor vehicle at origination, which corresponds to the price of the vehicle at the moment the transaction was done
* For auto new it is the manufacturer's suggested retail price (MSRP) with VAT
* For auto used it is the estimated market price of the vehicle
* If the previous options are not available, transaction price is used

Vehicle loan outstanding and total value at origination have to be in the same currency and unit (e.g. millions of euro).

Since actual vehicle distance traveled is not available in internal databases, currently this approach cannot be applied.

**Required information**

For the application of this approach, units need to have the following information available:

* Vehicle loan’s outstanding
* Total value at origination
* Vehicle distance traveled (e.g., km)
* Vehicle’s fuel type-specific emissions factor (e.g., kg CO2e/km)

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated the data will be considered as actual data.

**Emissions’ data quality score**

According to PCAF standards, estimated emissions based on actual vehicle fuel consumption will have a data quality score of 1.

##### **Estimated vehicle-specific emissions**

Under this approach emissions are calculated based on estimated vehicle distance traveled for a known vehicle make and model.

For the calculation of this approach, the information shared by HQ with the units, attached to this guideline, is as follows *(Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – PCAF factors tab)*:

| **Country** | **State** | **Data level 1 (type of vehicle)** | **Data level 2 (Type of fuel)1** | **Data level 3 (Make)** | **Data level 4 (Model)** | **Emissions factor (name)** | **Emission factor (unit)** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Passenger car | Thermal | Audi | A1 | Emission intensity per distance driven | kgCO2/km |  |  |  |

1 Types of fuel available are: diesel, CNG, diesel/electric, E85, electric, GNL, LPG, NG, NG-Biomethane, petrol, petrol/electric, thermal

**i.**  **Estimated emissions based on average distance traveled at province/state level**

**Approach**

Vehicle emissions under this approach are calculated based on vehicle efficiency and fuel type (fossil or electricity) from known vehicle make and model and estimated vehicle distance traveled at province/state level.

This approach applies also if the available information is the maximum distance considered contractually, for example, in a leasing contract (actual distance is not available, only the maximum distance).

Vehicle emissions are calculated as follows:

*Vehicle emissions (tCO2e) = Distance traveled \* Emissions factor per distance driven*

Where:

* Distance traveled (km), two possible options:
* Average distance traveled at province or state level: estimated based on local statistical data or estimated according to PCAF (provided by HQ in Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – Average Km). In case of the respective country not being provided in the file, units must use the regional average (such as “European Union” or “Row Latin America”).

Distance traveled at state level estimated according to PCAF is only available for United States. For the rest of units, distance traveled at country level will be used (section ii. Emissions from distance traveled at country level)

* Maximum distance considered contractually in a leasing contract.
* Emissions factor per distance driven: is the vehicle’s emission factor per distance driven from known vehicle make and model (e.g., kg CO2e/km), provided by HQ *(Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – PCAF factors tab).*

If PCAF emission intensity per distance driven (kgCO2/m) is used, emissions have to be converted into tons.

Once vehicle emissions have been calculated, vehicle emissions are multiplied by the attribution factor in order to calculate financed emissions. The formula is the following:

Where:

* Vehicle loan outstanding: actual outstanding motor vehicle loan amount, that is, the gross carrying amount of the loan reported in the satellite.
* Total value at origination: total value of the motor vehicle at origination, which corresponds to the price of the vehicle at the moment the transaction was done
* For auto new it is the manufacturer's suggested retail price (MSRP) with VAT
* For auto used it is the estimated market price of the vehicle
* If the previous options are not available, transaction price is used

Vehicle loan outstanding and total value at origination have to be in the same currency and unit (e.g. millions of euro).

**Required information**

For the application of this approach, the units need to have the following information available:

* Vehicle loan’s outstanding
* Total value at origination
* Type of fuel (diesel, CNG, diesel/electric, E85, electric, GNL, LPG, NG, NG-Biomethane, petrol, petrol/electric, thermal)

PCAF factors of PHEV cars have been divided between diesel hybrids (called diesel/electric in PCAF factors emissions data) and petrol hybrids (called petrol/electric in PCAF factors emissions data).

* Make of the vehicle
* Model of the vehicle

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 2.

**ii. Estimated emissions based on average distance traveled at country level**

**Approach**

This approach follows the same methodology as the previous one. The only difference is that the distance traveled is at country level instead of local level.

Vehicle emissions under this approach are calculated based on vehicle efficiency and fuel type (fossil or electricity) from known vehicle make and model and estimated vehicle distance traveled at country level.

Vehicle emissions are calculated as follows:

*Vehicle emissions (tCO2e) = Distance traveled \* Emissions factor per distance driven*

Where:

* Distance traveled (e.g., km) is estimated based on regional statistical data or estimated according to PCAF, provided by HQ (Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – Average Km). In case of the respective country not being provided in the file, units must use the regional average (such as “European Union” or “Row Latin America”).
* Emissions factor per distance driven is the vehicle’s emission factor per distance driven from known vehicle make and model (e.g., kg CO2e/km), provided by HQ (Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – PCAF factors tab). In case of the respective country not being provided in the file, units must use the regional average (such as “European Union” or “Row Latin America”).

If PCAF emission intensity per distance driven (kgCO2/m) is used, emissions have to be converted into tons.

Once vehicle emissions have been calculated, vehicle emissions are multiplied by the attribution factor in order to calculate financed emissions. The formula is the following:

Where:

* Vehicle loan outstanding: actual outstanding motor vehicle loan amount, that is, the gross carrying amount of the loan reported in the satellite.
* Total value at origination: total value of the motor vehicle at origination, which corresponds to the price of the vehicle at the moment the transaction was done
* For auto new it is the manufacturer's suggested retail price (MSRP) with VAT
* For auto used it is the estimated market price of the vehicle
* If the previous options are not available, transaction price is used

Vehicle loan outstanding and total value at origination have to be in the same currency and unit (e.g. millions of euro).

**Required information**

For the application of this approach, the units need to have the following information available:

* Vehicle loan’s outstanding
* Total value at origination
* Type of fuel (diesel, CNG, diesel/electric, E85, electric, GNL, LPG, NG, NG-Biomethane, petrol, petrol/electric, thermal)

PCAF factors of PHEV cars have been divided between diesel hybrids (called diesel/electric in PCAF factors emissions data) and petrol hybrids (called petrol/electric in PCAF factors emissions data).

* Make of the vehicle
* Model of the vehicle

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as estimated data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 3.

##### **Estimated vehicle-unspecific emissions**

Under this approach emissions are calculated based on estimated vehicle distance traveled for an unspecific vehicle.

For the calculation of this approach, the information shared by HQ with the units, attached to this guideline, is included in *Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – Average Km*.

**i. Emissions from distance traveled at country or state level from a known vehicle type (make and model are unknown)**

**Approach**

Vehicle emissions are calculated based on vehicle efficiency and fuel type (fossil or electricity) from known vehicle type, that is, passenger car, motorcycle, bus, van or heavy vehicles, but the vehicle make and model are unknown. Also, it is necessary to have the estimated vehicle distance traveled at province/state or country level.

Vehicle emissions are calculated as follows:

*Vehicle emissions (tCO2e) = Distance traveled \* Emissions factor per distance driven*

Where:

* Distance traveled (e.g. km) is estimated based on local or regional statistical data or estimated according to PCAF (provided by HQ in Pillar 3 ESG – Emissions data.xlsx Vehicle loans – Average Km). In case of the respective country not being provided in the file, units must use the regional average (such as “European Union” or “Row Latin America”).
* Emissions factor per distance driven (e.g., kg CO2e/km): is the vehicle’s emission factor per distance driven for each country or state (in United States) from unknown vehicle make and model, that is, using the average emission for the type of vehicle (heavy vehicles, van, motorcycle, bus, passenger car) and type of fuel (diesel, CNG, diesel/electric, E85, electric, GNL, LPG, NG, NG-Biomethane, petrol, petrol/electric, thermal) provided by HQ (Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – PCAF factor). In case of the respective country not being provided in the file, units must use the regional average (such as “European Union” or “Row Latin America”).
* Also, if the type of fuel is unknown but the size of the car (10-LH, 10-RD, 4-LD, 4-RD, 4-UD, 5-LH, 5-RD, 9-LH and 9-RD for heavy vehicles and compact, large, midsize and small for passenger cars) is known, the data quality will remain the same.

If PCAF emission intensity per distance driven (kgCO2/km) is used, emissions have to be converted into tons.

Once vehicle emissions have been calculated, vehicle emissions are multiplied by the attribution factor in order to calculate financed emissions. The formula is the following:

Where:

* Vehicle loan outstanding: actual outstanding motor vehicle loan amount, that is, the gross carrying amount of the loan reported in the satellite.
* Total value at origination: total value of the motor vehicle at origination, which corresponds to the price of the vehicle at the moment the transaction was done
* For auto new it is the manufacturer's suggested retail price (MSRP) with VAT
* For auto used it is the estimated market price of the vehicle
* If the previous options are not available, transaction price is used

Vehicle loan outstanding and total value at origination have to be in the same currency and unit (e.g. millions of euro).

**Required information**

For the application of this approach, the units need to have the following information available:

* Vehicle loan’s outstanding
* Total value at origination
* Type of fuel (diesel, CNG, diesel/electric, E85, electric, GNL, LPG, NG, NG-Biomethane, petrol, petrol/electric, thermal)

PCAF factors of PHEV cars have been divided between diesel hybrids (called diesel/electric in PCAF factors emissions data) and petrol hybrids (called petrol/electric in PCAF factors emissions data).

* Type of vehicle (passenger car, motorcycle, bus, van or heavy vehicles)

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 4.

**ii. Emissions from distance traveled at country or state level from an average vehicle**

**Approach**

Vehicle emissions are calculated based on vehicle efficiency and fuel type (fossil or electricity) from an unknown vehicle type (vehicle make and model are also unknown) and estimated vehicle distance traveled at country or state level.

Vehicle emissions are calculated as follows:

*Vehicle emissions (tCO2e) = Distance traveled \* Emissions factor per distance driven*

Where:

* Distance traveled (e.g. km) is estimated based on local or regional statistical data or estimated according to PCAF (provided by HQ in Pillar 3 ESG – Emissions data.xlsx, Vehicle loans – Average Km). In case of the respective country not being provided in the file, units must use the regional average (such as “European Union” or “Row Latin America”).
* Emissions factor per distance driven: is the vehicle’s emission factor per distance driven using an average emission factor for all vehicles provided by HQ *(Pillar 3 ESG – Emissions data.xlsx, Vehicle loans –* PCAF factor*)*. In case of the respective country not being provided in the file, units must use the regional average (such as “European Union” or “Row Latin America”).

Units have to consider the emission factor corresponding to the type of vehicle “Passenger car”(assuming it is the most common item in auto loans portfolio in the Group) and type of fuel “average” in the database*.*

In the case of vehicles that are not similar to the types of vehicles provided (such as boats) emissions will have to be reported as “Without emissions”, unless real emissions are available.

If PCAF emission intensity per distance driven (kgCO2/km) is used, emissions have to be converted into tons.

Once vehicle emissions have been calculated, vehicle emissions are multiplied by the attribution factor in order to calculate financed emissions. The formula is the following:

Where:

* Vehicle loan outstanding: actual outstanding motor vehicle loan amount, that is, the gross carrying amount of the loan reported in the satellite.
* Total value at origination: total value of the motor vehicle at origination, which corresponds to the price of the vehicle at the moment the transaction was done
* For auto new it is the manufacturer's suggested retail price (MSRP) with VAT
* For auto used it is the estimated market price of the vehicle
* If the previous options are not available, transaction price is used

Vehicle loan outstanding and total value at origination have to be in the same currency and unit (e.g. millions of euro).

**Required information**

For the application of this approach, the units need to have the following information available:

* Vehicle loan’s outstanding
* Total value at origination

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 5.

#### 2.4.3.5. Real estate emissions calculation process

This asset class includes on-balance sheet **loans for specific corporate purposes**, namely the purchase and refinance of commercial real estate (CRE), on-balance sheet investments in CRE, and loans for residential real estate (RRE).

Commercial real estate loans imply that the property is used for commercial purposes, such as retail, hotels, office space, industrial, or large multifamily rentals. On the other hand, residential real estate loans refer to the purchase and refinance of residential property, including individual homes and multifamily housing with a small number of units.

Loans that have a collateral associated but havepurposes other than a real estate loan, and loans to CRE companies that are unsecured, are classified as business loans as long as the loans are for general corporate purposes (i.e., with unknown use of proceeds as defined by the GHG Protocol). In these cases, units shall use the method for business loans (section 2.4.3.2). Overall, emissions should only be calculated on loans whose purpose is financing commercial or residential real estate collaterals.

Units shall cover the absolute scope 1 and 2 emissions related to the energy use of financed buildings during their operation (energy use includes the energy consumed by the building’s occupant and shared facilities).

In order to report the emissions calculation approach that has been used, the metric “Calculation Approach” has been added to the satellite. That is, units calculating emissions under this approach must report them under the field “Commercial real estate”.

Using the PCAF methodology for financed emissions on commercial real estate and residential real estate, there are several ways to calculate them, depending on the availability of counterparty’s specific financial and emissions data.

Depending on the information used for the calculation of emissions, according to the PCAF standards, different data quality scores are defined from 1 -highest data quality- to 5 - lowest data quality-. The following table[[10]](#footnote-11) provides data quality scores for each of the described options and sub-options (if applicable) that can be used:

| **Data quality** | **Options to estimate the financed emissions** | | **When to use each option** |
| --- | --- | --- | --- |
| **Score 1** | **Option 1:**  **Actual building**  **emissions** | **1a** | - Primary data on **actual building energy**  **consumption** (i.e., metered data) is available.  - Emissions are calculated using actual building  energy consumption and **supplier-specific**  **emission factors** specific to the respective  energy source. |
| **Score 2** | **1b** | - Primary data on **actual building energy consumption** (i.e., metered data) is available.  - Emissions are calculated using actual building  energy consumption and **average emission factors specific to the respective energy source.** |
| **Score 3** | **Option 2: Estimated building emissions based on floor area** | **2a** | - **Estimated building energy consumption per floor area based on official building energy labels and the floor area are available**.  - Emissions are calculated using estimated building energy consumption and **average emission factors** specific to the respective energy source. |
| **Score 4** | **2b** | - **Estimated building energy consumption per floor area based on building type and location-specific statistical data and the floor area are available.**  - Emissions are calculated using estimated building energy consumption and **average emission factors specific** to the respective energy source. |
| **Score 5** | **Option 3: Estimated building emissions based on number of buildings** | **3** | - **Estimated building energy consumption per building based on building type and location-specific statistical data and the number of buildings are available.**  - Emissions are calculated using estimated building energy consumption and **average emission factors** specific to the respective energy source. |

The three different options defined by PCAF to calculate the financed emissions depending on the emissions data used are described below.

For each real estate loan, emissions under scope 1, 2 and 3 have to be reported. For each loan, the same value for GHG reported emissions: flag actual / calculated and Emissions data quality score, has to be assigned, according to the following approach to scope 1 and 2 emissions (scope 3 emissions will be 0).

##### **Actual building emissions.**

Building emissions are calculated based on actual building consumption. There are two different approaches.

**I. Emissions calculated from supplier-specific emission factors and energy consumption**

**Approach**

Under this approach building emissions are calculated as follows:

*Building emissions (tCO2e) = Building energy consumption \* Supplier-specific emissions factor*

Where:

* Building energy consumption: is the actual building’s energy consumption (e.g., metered data)
* Supplier-specific emissions factor: supplier-specific emission factors specific to the respective energy source. Supplier-specific emission factor is an emission rate provided by the energy supplier (e.g., utility) to its customers reflecting the emissions associated with the energy it provides (e.g., electricity, gas, etc.).

The formula to calculate the financed emissions for each loan is the following:

Where:

* Building loan outstanding: actual outstanding building loan amount. Outstanding is the gross carrying amount reported in the satellite.
* Property value at origination: total value of the building at origination, which corresponds to the price of the building at the moment the transaction was done

When the property value at origination is not feasible to obtain, units shall use the latest property value available and fix this value for the following years of GHG accounting (i.e., the denominator remains constant from the first year of GHG accounting onward). The property value should include the value of the land, the building, and any building improvements. When a real estate loan is modified (e.g., loan amount is increased, renewed, refinanced, or extended) and a new property value is obtained as part of the transaction, the property value at origination shall be updated to the property value at the time of the modification.

Building loan outstanding and property value at origination have to be in the same currency and unit (e.g., millions of euro).

**Required information**

For the application of this approach, the units need to have the following information available:

* *Outstanding amount*
* *Asset value at origination*
* *Building energy consumption*
* *Supplier-specific emissions factor*

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as actual data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 1.

**II. Emissions calculated from average emission factors respective to the energy source and energy consumption.**

**Approach**

Under this approach building emissions are calculated as follows:

*Building emissions (tCO2e) = Building energy consumption \* Average emissions factor*

Where:

* Building energy consumption: is the actual building’s energy consumption (i.e., metered data)
* Average emissions factors: average emission factors specific to the respective energy source. Average emission factors represent the average emissions of the respective energy sources occurring in a geography (e.g., national or subnational).

The formula to calculate the financed emissions for each loan is the following:

Building loan outstanding and property value at origination are explained in the previous section 2.4.3.5.1. Actual building emissions - I. Emissions calculated from supplier-specific factors and energy consumption.

**Required information**

For the application of this approach, the units need to have the following information available:

* *Outstanding amount*
* *Asset value at origination*
* *Building energy consumption*
* *Average emission factors*

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag original / calculated, it will be considered as actual data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 2.

##### **Estimated building emissions based on floor area**

**i. Emissions based on official building energy labels and the floor area.**

**Approach**

Under this approach, emissions are calculated estimating the building energy consumption per floor area based on official building energy labels, such as EPCs, and the floor area. Emissions use the average emission factors specific to the respective energy source.

Under this approach building emissions are calculated as follows:

*Building emissions (tCO2e) = Emission factor per label (tCO2e /m2)\* Floor area (m2)*

Where:

* Emission factor per label: emission factor provided by PCAF according to the EPC label of the building per floor area (in m2) in a geography (at country or at regional level) by type of building. In case of not having the exact type of building of the collateral, units will have to use in Europe the “Non Residential Total” for Commercial Real Estate.
* Floor area (m2): is the building floor area in square meters.

For the calculation of this approach, the information shared by HQ to the units is as follows:

| **Country** | **State** | **Data level 1** | **Data level 2 (Use of the building)** | **EPC label** | **Emission factor** | **Emissions factor (name)** | **Emission factor (unit)** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Non-residential buildings | Office | A |  | Emission intensity per building | tCO2/m2 |  |  |  |

The formula to calculate the financed emissions for each loan is the following:

Building loan outstanding and property value at origination are explained in the previous section 2.4.3.5.1. Actual building emissions - I. Emissions calculated from supplier-specific factors and energy consumption.

**Required information**

For the application of this approach, the units need to have the following information available:

* *Outstanding amount*
* *Asset value at origination*
* *Floor area (m2)*
* *Building energy labels, with its consumption (EPC label)*
* *Average emission factors by energy label*

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 3.

**ii. Emissions based on building type and location-specific statistical data, and the floor area.**

**Approach**

Under this approach, emissions are calculated estimating the building energy consumption per floor area based on official building type, location-specific statistical data and the floor area. Emissions use the average emission factors specific to the respective energy source.

Under this approach building emissions are calculated as follows:

*Building emissions (tCO2e) = Average emissions factor per m2 \* Floor area (m2)*

Where:

* Floor area: is the building floor area in m2.
* Average emissions factors per m2: average emission factors per floor area (in m2) in a geography (at country or at regional level) by type of building.

PCAF emission intensity per m2 (kgCO2/m2) is provided by HQ *(Pillar 3 ESG – Emissions data.xlsx, Commercial real estate – PCAF factors tab)*, filtering in column Emission factor (name) by Emission intensity per m2 and the data quality score column by 4.

In case of units not having the specific type of building, they will have to use the “Non-Residential Total” in Europe and the “All Buildings” in North America for Commercial Real Estate.

For the calculation of this approach, the information shared by HQ to the units is as follows:

| **Country** | **State** | **Data level 1** | **Data level 2 (Use of the building)** | **Emissions factor (name)** | **Emission factor (unit)** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Non-residential buildings | Office | Emission intensity per m2 | tCO2/m2 |  |  |  |

For United States, information is available at state level (Column “State”) and depending on the use of the building (Column “Data level 2 information”).

* If the use of the building is not known (i.e. Offices, education, food services, health care, transportation and warehousing…), “Other” category has to be selected.
* If the state is not known, “State” column equal to blank has to be selected. In this case, if the use of the building is also unknown, “Average over all” category has to be selected.

For the rest of geographies, information is only available at country level (Column “Country”)

The formula to calculate the financed emissions for each loan is the following:

Building loan outstanding and property value at origination are explained in the previous section 2.4.3.5.1. Actual building emissions - I. Emissions calculated from supplier-specific factors and energy consumption.

**Required information**

For the application of this approach, the units need to have the following information available:

* *Outstanding amount*
* *Asset value at origination*
* *Floor area (m2)*
* *Type of building (only for United States)*
* *Location of the building: country or state (for United States)*

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 4.

##### **Estimated building emissions based on number of buildings**

**i. Emissions based on building type and location-specific statistical data, and the number of buildings.**

**Approach**

Under this approach, financed emissions will be calculated by estimating the building energy consumption based on building type and location-specific statistical data and the number of buildings available. Emissions are calculated using estimated building energy consumption and average emission factors specific to the respective energy source.

Under this approach building emissions are calculated as follows:

*Building emissions (tCO2e) = Number of buildings \* Average emissions factor per building (tCO2e/building)*

Where:

* Number of buildings: is the number of financed buildings.
* Average emissions factors per building: average emission factors per building in a geography (at country or regional level) by type of building

PCAF emission intensity per building (kgCO2/number of buildings) is provided by HQ (Pillar 3 ESG – Emissions data.xlsx, Commercial real estate – PCAF factors tab), filtering in column Emission factor (name) by Emission intensity per # and the data quality score column by 5.

In case of units not having the specific type of building for Commercial Real Estate, they will have to use the “Non-Residential Total” in Europe and the “All Buildings” in North America.

For the calculation of this approach, the information shared by HQ to the units is as follows:

| **Country** | **State** | **Data level 1** | **Data level 2 (Use of the building)** | **Emissions factor (name)** | **Emission factor (unit)** | **Scope 1** | **Scope 2** | **Scope 3** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Non-residential buildings | Office | Emission intensity per building | tCO2/building |  |  |  |

For United States, information is available at state level (Column “State”) and depending on the use of the building (Column “Data level 2 information”).

* If the use of the building is not known (i.e., Offices, education, food services, health care, transportation and warehousing…), “Other” category has to be selected.
* If the state is not known, “State” column equal to blank has to be selected. In this case, if the use of the building is also unknown, “Average over all” category has to be selected.

For the rest of geographies, information is available only at country level (Column “Country”)

The formula to calculate the financed emissions for each loan is the following:

Building loan outstanding and property value at origination are explained in the previous section 2.4.3.5.1. Actual building emissions - I. Emissions calculated from supplier-specific factors and energy consumption.

**Required information**

For the application of this approach, the units need to have the following information available:

* Outstanding amount
* Asset value at origination
* Type of building (only for United States)
* Location of the building: country or state (for United States)
* Number of buildings

**GHG reported emissions: flag actual / calculated**

Regarding GHG reported emissions: flag actual / calculated, it will be considered as calculated data.

**Emissions’ data quality score**

According to PCAF standards, the data quality score will be 5.

**Note**: all emissions should be reported in tCO2e and rounded to two decimal places.

### Output

As a result of the process, it is necessary to have for each of the counterparties the following information:

* Whether the client is from SCIB or not from SCIB (Rest).
* Reported emissions for scope 1, 2 and 3
* Emissions source that has been used for scope 1, 2 and 3: actual data vs calculated data
* Reference year of the emissions for scope 1,2 and 3
* PCAF data quality score for scope 1,2 and 3
* Flag of audited emissions for scope 1, 2 and 3 (only applicable if reported emissions are actual data and if they have been obtained from the counterparty or from external data providers)
* Asset class according to PCAF approaches:
  + Corporate business loans, equity and corporate bonds
  + Project finance
  + Motor vehicle loans
  + Commercial real estate
* PCAF approach to estimate the financed emissions for scope 1,2 and 3:
  + Corporate business loans, equity and corporate bonds
    - Reported emissions
    - Emissions based on physical activity
    - Emissions based on economic activity
  + Project finance
    - Reported emissions
    - Emissions based on physical activity
    - Emissions based on economic activity
  + Motor vehicle loans
    - Actual emissions
    - Estimated vehicle-specific emissions
    - Estimated vehicle-unspecific emissions
  + Commercial real estate loans
    - Actual emissions
    - Estimated building emissions based on floor area
    - Estimated building emissions based on number of buildings

It is necessary to guarantee that emissions are being calculated using the final gross carrying amount reported in the satellite for each NACE sector (after doing any adjustment in case it is necessary).

## 2.5 Flag of NFRD applicability

### Introduction

The Non-Financial Reporting Disclosure (NFRD) requires large companies to disclose information on the way they operate and manage social and environmental challenges.

**Figure 5: Regulatory definition of counterparties that must disclose a non-financial statement**

*“large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year”*

**Individual level**

*“Public-interest entities which are parent undertakings of a large group exceeding on its balance sheet dates, on a consolidated basis, the criterion of the average number of 500 employees during the financial year”*

**Consolidated level**

Source: extracts from Directive 2013/34/EU, amended by NFRD

The purpose of the “flag of NFRD applicability” is to identify which counterparties qualify to be subject to disclose a Non-Financial Report. Thus, this mark will be useful with a double purpose:

* To identify the set of counterparties that qualify for disclosing relevant ESG KPIs for Pillar 3 disclosure and calculations. In this sense it should be considered the following:
  + Other counterparties might be disclosing this information but on a voluntary basis or at least not under European requirements.
  + Eligible counterparties that belong to a group might not have their own report, but the group report shall be considered.

**Table 1. ESG data requirements that should be disclosed by counterparties subject to NFRD**

| **Type of counterparty** | **Reported emissions** | **Eligibility Ratios** | **Aligned Ratios** |
| --- | --- | --- | --- |
| **Non-financial corporations** | * GHG reported emissions: Scope 1 * GHG reported emissions: Scope 2 * GHG reported emissions: Scope 3 | * Taxonomy-eligible Turnover * Taxonomy-eligible Capex\* | * Taxonomy-aligned Turnover * Taxonomy- aligned Capex\* |
| **Financial corporations** | N/A | * Eligibility ratio | * GAR * KPI for Financial Institutions |

*\* This information is out of the scope of the Pillar 3 ESG but they are required for the GAR disclosure mandated by European Commission.*

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_84\_GARB\_GAR & BTAR / MdD\_222\_GARB\_GAR & BTAR\_Automático | NFRD disclosures | Flag of NFRD applicability |

\*Variables used to calculate the Flag of NFRD applicability.

### Functional guidelines

From the analysis of regulation, the counterparties that qualify as eligible for NFRD disclosure comply with all the following requisites:

* + 1. **Geographical criteria.** The undertaking is located in the EU or has transferrable values admitted to trading in the EU, including:
  + No financial corporations that are listed on EU regulated markets, even if not established in the EU; and
  + EU subsidiaries of non-EU companies.
    1. **Size criteria.** The counterparty is a large undertaking, understood at a minimum as:
  + Average number of 500 employees during the financial year, and
    - Annual net turnover > 40 000 000 euros, or
    - Total assets > 20 000 000 euros
  + This criterion applies to individual counterparties or at group level when the counterparty belongs to a group.

Since the NFRD as well as the Directive amended by NFRD (2013/34/EU) have been transposed in all Member States, Units will have to address the local regulation of the Member State where the client is located. Given this, NFRD might require a more restrictive regulation in different countries. There is National Transposition[[11]](#footnote-12) for each country in the European Union.

* + 1. **Public interest entity criteria.** The counterparty belongs to one of the following groups:
  + Any non-financial corporation whose transferrable securities are admitted to trading on a regulated market[[12]](#footnote-13) of any Member State. The European Securities and Markets Authority (ESMA[[13]](#footnote-14)) provides information on all companies admitted for trading on regulated markets in national databases. In Annex I, there is relevant information available by Member State on its regulated markets.
  + Credit institution
  + Insurance undertaking
  + Kind of undertakings designated by Member States, due e.g., to the nature of their business, their size or the number of their employees. In this regard, the transposition made by the EU Country where the HQ of those counterparties that are not included in the previous categories are located, will determine if it might be eligible for NFRD disclosure purposes. For example, for counterparties located in Spain, Royal Decree 877/2015[[14]](#footnote-15), article 15 applies.

For the purpose of this report, **a counterparty will be flagged as “Subject to NFRD” in the satellite**  using the information captured from the external provider Clarity for both types of transactions (specific and general purpose). To help units with the identification of the corresponding exposures, as explain in section 4.1.4.1 vii), a list of counterparties with their corresponding NFRD information has been provided *[Excel: Pillar 3 ESG – GAR External Data (the updated version is permanently available in the ESG\_Pillar 3\_Regulatory Reporting teams)]:*

* *If the counterparty is found in Clarity file, the corresponding information will directly be applied.*
* *If the counterparty is not found, the Parent Company will be identified using the GLCS 5 in order to assigned its information to the counterparty.*

Note: this flag provided by Clarity is based on the European directive, not local transpositions. However, if additional NFRD flags are available locally or a unit has been able to identify a company subject to NFRD, this information can be used.

## 2.6 EPCs

### Introduction

The Energy Performance of Buildings Directive 2010/31/EU10 (EPBD) introduced the Energy Performance Certificates (EPC) as instruments for improving the energy performance of buildings. They are defined as a certificate recognized by a Member State or by a legal person designated by it, which indicates the energy performance of a building, calculated according to a methodology adopted in accordance with the own EPBD.

The EPC related information is required for loans collateralized by residential and commercial immovable properties, as well as for repossessed collaterals (i.e., collaterals obtained by taking possession).

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_80\_ENPC\_Energy\_Performance\_Certificate / MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | EP Score data | EP score: Flag original / calculated |
| MdD\_80\_ENPC\_Energy\_Performance\_Certificate / MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | EP Score | EP Score |
| MdD\_80\_ENPC\_Energy\_Performance\_Certificate / MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | EPC label data | EPC label: Flag original/calculated |
| MdD\_80\_ENPC\_Energy\_Performance\_Certificate / MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | EPC label | EPC label |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Collateral LTV |  |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Maturity ESG | Maturity |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | New Business Flow |  |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Previous year EP Score data | EP score: Flag original / calculated |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Previous year EP Score | EP Score |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Previous Year EPC Label data | EPC label: Flag original/calculated |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Previous Year EPC Label | EPC label |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | European Union | Geography of the collateral: NUTS – At country level |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Average LTV |  |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Average weighted maturity | Maturity |
| MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico | Average interest rate |  |

### Functional guidelines

Gross carrying amount will be allocated to the EPC related dimensions as follows:

1. **EP score data**

Units shall allocate the exposure to the EP score data (level of energy efficiency) of the satellite based on the source of the specific energy consumption of the collateral, taking into account if the EP score of the collateral is real or estimated.

In those units where EPCs are not mandatory and no information is available for their estimation, units will have to assign all the exposure to the EP score data bucket “N/A”.

1. **EP score**

Units shall allocate the exposure to the EP score buckets (level of energy efficiency) of the satellite based on the specific energy consumption of the collateral in kWh/m2, as indicated in the EPC label of the collateral or estimated by the unit in the absence of the EPC label.

In those units where EPCs are not mandatory and no information is available for their estimation, units will have to assign all the exposure to the EP score bucket “Without EP Score”.

1. **EPC label data**

Units shall allocate the exposure to the EPC label data of the satellite based on the source of the specific EPC label of the collateral, taking into account if the EPC label of the collateral is real or estimated.

In those units where EPCs are not mandatory and no information is available for their estimation, units will have to assign all the exposure to the EP label data bucket “N/A”.

Although the EPC has expired, they should be marked as real, following the approach of previous reports.

1. **EPC label**

Units shall allocate the exposure to the EPC label bucket of the satellite based on the EPC label of the collateral (from A to G), as indicated in the EPC label of the collateral or estimated by the unit in the absence of the EPC label.

The EPC label can be referred to emissions of the collateral (in kg CO2/m2 per year) or energy efficiency of loan collateral (in kW/m2 per year). In the case of Pillar 3 disclosure, the EPC label that has to be disclosed is the one related to energy consumption.

In those units where EPCs are not mandatory and no information is available for their estimation, the exposure will be assigned to the EPC label “Without EPC label”.

In the case of Spain, Portugal and UK, EPCs as of December 2021 were captured for the ECB climate stress test exercise. For the Pillar 3, it is necessary to ensure the availability of EPCs for the new production after December 2021 and ensure the availability of EPCs label and EPC score based on energy consumption (instead of based on emissions)

For those exposures linked to more than one collateral, e.g., two immovable properties, the energy efficiency information of the properties linked to the exposure shall be split and disclosed separately under energy efficiency levels (both for EP score and EPC label) corresponding to energy efficiency of each collateral. More specifically, units shall calculate the share of each collateral in the gross carrying amount of exposure on the basis of the value of the collateral and disclose under the energy efficiency bucket linked to each collateral.

**Collateralized loan splitting example**

Loan with a gross carrying amount of EUR 100,000 collateralized by two properties: property A and property B. Property A has a collateral value of EUR 80,000 and EPC label A, while property B has a collateral value of EUR 70,000 and EPC label D. The loan will be split and disclosed as follows:

- EUR 53,333 (i.e EUR 100M \* [80M / (80M + 70M)] under EPC label A; and,

- EUR 46,667 (i.e EUR 100M \* [70M / (80M + 70M)] under EPC label D.

1. **European Union:** exposures will be classified between European Union and Non-European Union according to the country in which the collaterals are located.
2. **Collateral LTV:** units shall allocate the exposure to the LTV bucket of the satellite based on the current loan-to-value of the collateral (from <=40% to >100%),
3. **Maturity ESG:** units shall allocate the exposures to the relevant maturity bucket depending on the residual maturity of the collateral.

In case the maturity of the loans is unknown due to lack of data quality, the bucket of > 20 years should be assigned by default.

1. **New business flow:** Units shall distinguish whether the loan was granted in the last year or in previous years.

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| NBF1 | Renegotiations | Renegociaciones |
| NBF2 | New business | Nuevas operaciones |
| NBF3 | Previous year business | Operaciones de años anteriores |

* + **Renegotiations:** refers to the active involvement of the counterparty in adjusting the terms and conditions of an existing deposit or loan contract, including the interest rate. Only renegotiations granted in the latest period should be included.
  + **New business:** any financial contracts, that specify for the first time the interest rate of the deposit or loan.
  + **Previous year business:** rest of contracts not included in the previous values.

For renegotiations and new business, the period which must be selected is starting on January 1st of the reporting year.

1. **Previous Year EP Score data:** Units shall allocate the exposure to the previous year EP score data (level of energy efficiency) of the satellite based on the source of the specific energy consumption of the collateral, taking into account if the EP score of the collateral is real or estimated.
2. **Previous Year EP Score:** Units shall allocate the exposure to the previous year EP score buckets (level of energy efficiency) of the satellite based on the specific energy consumption of the collateral in kWh/m2. In case that the EP score remains unchanged or is unknown, report the same figure for this period.

This metric only should be reported when the EP Score data metric is reported as “Real” or “Estimated”. In case the EP Scoredata is equal to “Without EP Score data”, it should not be informed.

1. **Previous Year EPC Label data:** Units shall allocate the exposure to the previous year EPC label data of the satellite based on the source of the specific EPC label of the collateral, taking into account if the EPC label of the collateral is real or estimated.
2. **Previous Year EPC Label:** Units shall allocate the exposure to the previous year EPC label bucket of the satellite based on the EPC label of the collateral (from A to G). In case that the EPC label remains unchanged or is unknown, report the same figure for this period.

This metric only should be reported when the EPC Label data metric is reported as “Real”. In case the EPC Label data is equal to “Estimated” or “Without EPC Label data”, it should not be informed.

1. **Average LTV:** For the computation of the average LTV, the loan-to-value of each exposure will be weighted by the gross carrying amount of the exposure.

**Collateralized loan splitting example**

Loan with a gross carrying amount of EUR 100,000 collateralized by two properties: property A and property B. Property A has a collateral value of EUR 80,000, while property B has a collateral value of EUR 90,000. The loan has an LTV of 0.59 and disclosed as follows:

- EUR 47,058 (i.e EUR 100K \* [80K / (80K + 90K)],

- EUR 52,924 (i.e EUR 100K \* [90K / (80K + 90K)]

Both splits, must have the same LTV as the instrument itself.

1. **Average weighted maturity:** for the computation of the average maturity of the exposures, the maturity of each exposure will be weighted by the gross carrying amount of the exposure.

**Note**: the value of the average maturity must be aligned with its maturity bucket.

1. **Average interest rate:** for the computation of the average effective interest rate, the interest rate of each exposure will be weighted by the gross carrying amount of the exposure.

**Note:** When the same collateral belongs to different loans, the average LTV and the weighted average maturity should be distributed equally between the loans if there is no established order of priority.

When a loan has multiple collateral, the sum of all collateral should be applied to the average LTV, with the maturity being that of the given loan.

Since the requirements in relation to EPCs are different per country, the information requirements at “MdD\_80\_ENPC\_Energy\_Performance\_Certificate / MdD\_220\_ENPA\_Energy\_Performance\_Certificate\_Automatico” Level per Unit are specified below for the relevant fields:

| **Society** | **Name of the society** | **Country** | **EP score data /Previous EP score data** | **EP score /Previous EP score** | **EPC label data /Previous EPC label data** | **EPC label /Previous EPC label** |
| --- | --- | --- | --- | --- | --- | --- |
| 0001 | Banco Santander, S.A. | ES | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC score, “N/A)* | From 0; <= 100 to > 500  *(only in those residual cases with unknown EPC score, “Without EPC score”)* | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC label, “N/A)* | From A to G *(only in those residual cases with unknown EPC label , “Without EPC label”)* |
| 0007 | Santander Consumer Finance, S.A. | ES | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 0012 | Banco Santander (Brasil) S.A. | BR | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 0020 | Santander Consumer Bank Spólka Akcyjna | PL | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 0051 | Banco Santander Chile | CL | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 0055 | Santander Consumer Bank Ag | DE | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC score, “N/A)* | From 0; <= 100 to > 500  *(only in those residual cases with unknown EPC score, “Without EPC score”)* | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC label, “N/A)* | From A to G *(only in those residual cases with unknown EPC label , “Without EPC label”)* |
| 0077 | Banco Santander México,S.A., | MX | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” category has to be completed |
| 0083 | Banco Santander RÍO S.A. | AR | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 0217 | Santander Consumer Leasing GMBH | DE | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 0411 | Banco Santander Totta, S.A. | PT | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC score, “N/A)* | From 0; <= 100 to > 500  *(only in those residual cases with unknown EPC score, “Without EPC score”)* | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC label, “N/A)* | From A to G *(only in those residual cases with unknown EPC label , “Without EPC label”)* |
| 0934 | Santander Consumer Bank S.P.A. | IT | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1052 | Santander Consumer Bank A.S. | NO | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1140 | Unión De Créditos Inmobiliarios, S.A., EFC | ES | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1176 | Santander Consumer Finance Oy | FI | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1179 | Santander Consumer Usa Holdings INC. | US | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1206 | Santander Consumer Multirent Sp. z o.o. | PL | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1261 | SANTANDER CONSUMER BANK GMBH | AU | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1401 | Santander Bank, National Association | US | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 1697 | Santander Bank Polska S.A. | PL | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC score, “N/A)* | From 0; <= 100 to > 500  *(only in those residual cases with unknown EPC score, “Without EPC score”)* | EPC label data= N/A | EPC label = “Without EPC label” |
| 2007 | Santander Consumer (Uk) Plc | GB | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 2145 | Santander UK PLC | GB | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC score, “N/A)* | From 0; <= 100 to > 500  *(only in those residual cases with unknown EPC score, “Without EPC score”)* | Real/Estimated, depending on the source of the EP score  *(only in those residual cases with unknown EPC label, “N/A)* | From A to G *(only in those residual cases with unknown EPC label , “Without EPC label”)* |
| 4019 | Compagnie Generale de Credit Aux Particuliers - Credipar S.A. | FR | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |
| 4022 | PSA Banque France | FR | EP score data= N/A | EPC score=Without EP Score | EPC label data= N/A | EPC label = “Without EPC label” |

Collateral LTV, Maturity ESG, New business flow, Average LTV, Average weighted maturity, and Average interest rate metrics are required to be informed by all units.

**Note:** real EP score with estimated EPC label or no EPC label is not allowed to be reported in the satellite. In other words, for every real EP score, a real EPC label is required. This combination is only allowed in the particular case of Poland as there are no actual EPC labels according to Polish regulation.

# 3. CLIMATE CHANGE PHYSICAL RISK

## 3.1 Exposure sensitive to impact from climate change events

### Introduction

Units shall disclose its activity in geographical areas exposed to impact from climate change physical events. These geographical areas shall be understood as countries, geographical or administrative regions where activities of the counterparties or the collaterals are located, and that are vulnerable to physical risk (i.e., prone to chronic or acute climate change events).

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | Physical risk\_Geographical Area | Geography of the counterparty / collateral (inc. repossessed collateral): NUTS – At country level |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | Chronic changes | Sensitive to impact from chronic climate change events  Geography of the counterparty / collateral (inc. repossessed collateral): NUTS (NUT 3 or equivalent) |
| MdD\_79\_CESG\_CNAE\_ESG  MdD\_219\_CESA\_CNAE\_ESG\_Automático | Acute changes | Sensitive to impact from acute climate change events  Geography of the counterparty / collateral (inc. repossessed collateral): NUTS (NUT 3 or equivalent) |

### Functional guidelines

Exposure sensitive to impact from climate change events includes the assessment of exposures in the banking book (including loans and advances, debt securities and equity instruments not held for trading and not held for sale) towards non-financial corporates, on loans collateralised with immovable property and on repossessed real estate collaterals that are exposed to chronic and acute climate-related hazards.

Given this, the unit will have to consider the following:

* **Physical risk\_Geographical area:** as specified in the Satellite, opened by the following geographies: Spain, United Kingdom, Portugal, United States, Poland, Germany, France, Norway, Mexico, Chile, Brazil, Argentina, Peru, Colombia, Uruguay, Rest of Latam, Rest of North America, Rest of Europe, Rest of world. These geographies correspond to the geography of the counterparties and collaterals, as needed.
* **Chronic changes and acute changes:** for the determination of exposures sensitive to impact from chronic and/or acute climate change events, as a first step the Unit will have to identify the geographical location of its counterparties, collaterals (in case of mortgages and corporates secured by real estate) and repossessed collaterals, at NUT 3 level or equivalent outside Europe.

Exposures sensitive to impact from climate change events for Santander Spain (society 0001), Santander Portugal (society 0411), Santander UK (society 2145) and Santander Poland (society 1697) should be identified at postal code level except there is no availability of this granular information, which NUT3 or country-level proxy can be used exceptionally.

HQ has provided the unit with an excel file (Pillar 3 ESG – Physical Risk) at this level of geographical breakdown indicating if that specific region and sector is subject to chronic and or acute events.

And they are also providing a zip folder (Pillar 3 ESG – Physical Risk Maps) including maps of all countries in order to facilitate the location of the different risks presented in the table.

Additionally, HQ has provided with a excel by country, at zip code level, for Spain, Portugal, UK and Poland (Pillar 3 ESG – Physical Risk – Unit) to be used only by Santander Spain (society 0001), Santander Portugal (society 0411), Santander UK (society 2145) and Santander Poland (society 1697) respectively.

The table with risk score by region and sector has been provided by Munich RE. Munich Re enable lending institutions to assess their exposure to 12 risks (8 acute & 5 chronic risks), over 3 climate scenarios consistent with IPCC and for various time horizons (current climate, 2030, 2050 and 2100). This is done by using Hazard scores which are provided on a scale from 1 to 5 and can be interpreted as follows:

A picture containing table

Description automatically generated

For the purpose of complying with EBA Pillar 3 reporting requirements, Munich RE recommends classifying lending exposure as being at-risk from physical climate risk where the underlying activity is scored as 4 or above for at least one hazard (acute or chronic).

Munich Re provides lending institutions with risk scores for all relevant natural hazards impacting any geographical area around the globe which are specific to the economic sector where the financed asset operates.

For loans collateralized by immovable property (both residential and commercial) and repossessed collaterals the category of *Secured* physical risk will be assigned.

Regarding the scenario used, given that the regulator has not issued any guidelines in this aspect, the RCP 4.5 scenario has been selected internally.

In relation to the time horizon, given the regulator's guideline to consider different horizons depending on the maturity, the horizon of 2030 has been chosen for unsecured and 2050 for secured loans.

The table shared by the supplier collects the information for the following countries:

|  |
| --- |
| **Spain** |
| **Portugal** |
| **Poland** |
| **France** |
| **Germany** |
| **UK** |
| **Norway** |
| **US** |
| **Brazil** |
| **Chile** |
| **Mexico** |
| **Uruguay** |
| **Argentina** |
| **Colombia** |
| **Peru** |

For the geographies for which the information is not provided, it will be assumed that it does not have physical risk.

On the other hand, the geographies included will have granularity at NUTS3 or ZIP code level (for Europe and America respectively), as well as the activity (NACE level 2). In addition, it will indicate whether there is chronic and/or acute risk [where: **Yes 🡪** with chronic or acute risk / **No** 🡪 without chronic or acute risk].

For the rest of geographies, in case where the unit does not have the granular information of the location of the collateral or counterparty (NUT 3), the country-level proxy can be used exceptionally.

The country-level proxy has also been provided by HQ to the unit on an excel file (Pillar 3 ESG – Physical Risk) and considers the same factors taken into account for the granular assignment of physical risk with the exception of granular location, i.e., it is available for all geographies mentioned above for secured exposures and with breakdowns by NACEs for non-secured exposures towards non-financial corporations.

**Note**: the breakdown by NACE code is for unsecured, in case there is no NACE, it is assumed that it has no physical risk. Furthermore, loans collateralized by immovable property and repossessed collaterals will be marked with the category "secured" in the NACE column of the Excel.

In order to determine exposures sensitive to physical risk, it will be assigned only for sectors included in the template.

There can also be the case where a loan has two collaterals. If given the case, the physical risk could be distributed between both collaterals, as shown in the following example:

**Loan with two collaterals**

A loan with a gross carrying amount of EUR 100M collateralised by two properties: property A and property B. Property A has a collateral value of EUR 80,000 and is located in an area highly sensitive to chronic physical risk, while property B has a collateral value of EUR 40,000 and is located in an area highly sensitive to acute physical risk. The loan will be split and disclosed as follows:

- EUR 66,667 (i.e EUR 100M \* [80M / (80M + 40M)] under chronic physical risk; and,

- EUR 33,333 (i.e EUR 100M \* [40M / (80M + 40M)] under acute physical risk.

Additionally, in the case of a loan with one collateral whose value is lower than the exposure of the loan, the entire exposure of the loan will be subject to the physical risk of the collateral.

In the event that a collateral does not have a postal code or NUT due to lack of data quality, the country-level proxy of the society must be applied. Note that the postal code or NUT of the counterparty should not be applied.

# 4. CLIMATE CHANGE MITIGATING ACTIONS: EU TAXONOMY ALIGNED

### Introduction

The European Commission and the EBA are asking institutions to follow the GAR and to disclose extended information on the level of EU Taxonomy alignment exposures.

**Green Asset Ratio (GAR) KPI**

* **Eligibility ratio – first step to calculate Green Asset Ratio**

Since January 2022, undertakings falling under the NFRD are reporting their Taxonomy eligibility in their non-financial statement alongside their annual accounts. Eligible economic activities are those described in the Climate Delegated Act as adopted on 4 June 2021 irrespective of whether they meet any or all of the technical screening criteria.

Identifying Taxonomy-eligible economic activities is the first step towards assessing the alignment of economic activities with the Taxonomy technical screening criteria. Eligible activities constitute the baseline universe of activities that have the potential to align with the technical screening criteria, including as transitional, enabling or adaptation activities.

* **Green Asset Ratio – Taxonomy aligned**

The GAR is a key performance indicator (KPI) under the Taxonomy Regulation that shows the proportion of exposures related to Taxonomy-aligned activities of non-financial corporations subject to disclosure obligations under NFRD, financial corporations, households, collateral obtained by taking possession (RRE and CRE) and local governments, compared to the total assets of the Group. The first disclosure date for this ratio is 2024 with data as of 31December 2023.

Under the COM DA institutions are required to disclose the GAR twice: the GAR using the turnover alignment of their non-financial counterparties as the metric to determine the alignment of their general purpose lending exposures; and the GAR using the CAPEX alignment of their non-financial counterparties as the metric to determine the alignment of their general purpose lending exposures. However, in the context of the Pillar 3 ESG, the EBA requires only the GAR based on the turnover[[15]](#footnote-16). With respect to the satellite, the GAR will be based both on Turnover and CAPEX in order to meet CE and EBA reporting requirements.

**Banking book taxonomy alignment ratio (BTAR) KPI**

Compared with the GAR, the BTAR extends the numerator to incorporate the relevant exposures towards non-financial corporations not subject to NFRD, EU and Non-EU. February 2024 will be the first disclosure date with data as of December 2024.

**Figure 6. GAR vs BTAR**

*Graphical user interface, application

Description automatically generatedSource: own elaboration, based on the Pillar 3 ESG Instructions.*

**Off-Balance (financial guarantees and assets under management) KPI**

* The **green ratio for financial guarantees** **(Financial guarantees KPI)** to undertakings shall be defined as a proportion of Financial Guarantees supporting debt instruments financing Taxonomy-aligned economic activities compared to all financial guarantees supporting debt securities to undertakings. This shall include disclosures of stock and flow.

The methodology for the computation of the FinGuar KPI shall be based on:

i) Turnover and CAPEX KPIs of the counterparties, when the use of proceeds is unknown.

ii) Taxonomy-aligned economic activities, when the use of proceeds is known.

* The green ratio for **assets under management** **(Assets under management KPI)** shall be the proportion of assets under management (equity and debt instruments) from undertakings financing Taxonomy-aligned economic activities, compared to total assets under management (equity and debt instruments). This shall include disclosures of stock and flow.

The methodology for the computation of the AuM KPI shall be based on:

i) Turnover and CAPEX KPIs of the counterparties, when the use of proceeds is unknown (NFC, asset managers, credit institutions, investment firms or insurance and reinsurance)

ii) Taxonomy-aligned economic activities, when the use of proceeds is known, i.e.: debt securities with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking and investments in real estate.

### Link with satellites and KPIs

In order to report all Taxonomy-alignment KPIs required by European Banking Authority in Pillar 3 ESG and by the European Commission, two satellites have been created. The table below shows the relationship between the satellites and the KPIs:

|  |  |
| --- | --- |
| **Satellite** | **KPI** |
| MdD\_84\_GARB\_GAR& BTAR | * GAR KPI * BTAR KPI * FinGuar KPI |
| MdD\_127\_AUMG\_Assets Under Management GAR | * AuM KPI |

### Link with satellites and data dictionary

| **Satellite** | **Satellite metric** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | General Specific Purpose | Use of proceeds |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | Purpose ESG | Purpose ESG |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | NFRD disclosures | Flag of NFRD applicability[[16]](#footnote-17) |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | European Union | Geography of the counterparty: – At country level |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | Specific eligible | Environmental objective  Flag eligible under EU Taxonomy  SFCS Category  Taxonomy-eligible Turnover  Taxonomy-eligible CAPEX |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | Specific sustainable | Flag aligned under EU Taxonomy  Flag aligned under SFCS  Taxonomy-aligned Turnover  Taxonomy-aligned CAPEX  Type of activity |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | Specialised lending | Flag of specialised lending |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | Originated during period | Reference date of the information  Date of origination |
| MdD\_84\_GARB\_GAR& BTAR,  MdD\_84\_GARB\_GAR& BTAR\_Automático | Taxonomy-eligible Turnover CCM // Taxo-aligned Turnover CCM Pure // Taxo-aligned Turnover CCM Trans // Taxo-aligned Turnover CCM Enabl // Taxonomy-eligible Turnover CCA // Taxo-aligned Turnover CCA Pure // Taxo-aligned Turnover CCA Enabl // Taxonomy-eligible Turnover WTR // Taxo-aligned Turnover WTR Pure // Taxo-aligned Turnover WTR Enabl // Taxonomy-eligible Turnover CE // Taxo-aligned Turnover CE Pure // Taxo-aligned Turnover CE Enabl // Taxonomy-eligible Turnover PPC // Taxo-aligned Turnover PPC Pure // Taxonomy-eligible Turnover BIO // Taxo-aligned Turnover BIO Pure // Taxonomy-eligible Capex CCM // Taxo-aligned Capex CCM Pure // Taxo-aligned Capex CCM Trans // Taxo-aligned Capex CCM Enabl // Taxonomy-eligible Capex CCA // Taxo-aligned Capex CCA Pure // Taxo-aligned Capex CCA Enabl // Taxonomy-eligible Capex WTR // Taxo-aligned Capex WTR Pure // Taxo-aligned Capex WTR Enabl // Taxonomy-eligible Capex CE // Taxo-aligned Capex CE Pure // Taxo-aligned Capex CE Enabl // Taxonomy-eligible Capex PPC // Taxo-aligned Capex PPC Pure // Taxonomy-eligible Capex BIO // Taxo-aligned Capex BIO Pure | Amount  Taxonomy-aligned Turnover  Taxonomy-eligible CAPEX |
| MdD\_**79\_CESG\_CNAE\_ESG**  MdD\_219\_CESA\_CNAE\_ESG\_Automático | **Environmentally Sustainable CCM** | Flag aligned under EU Taxonomy / SFCS  Taxonomy-aligned Turnover  Flag of NFRD applicability  European Union |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Main Category Asset Management |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Asset Management Portfolio |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Investment Sector |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | ESG Subsector |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | NFRD disclosures |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Originated during period |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | General Specific Purpose |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Specific eligible |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Specific sustainable |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Management society |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | European Union |  |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Taxonomy-eligible Turnover CCM // Taxo-aligned Turnover CCM Pure // Taxo-aligned Turnover CCM Trans // Taxo-aligned Turnover CCM Enabl // Taxonomy-eligible Turnover CCA // Taxo-aligned Turnover CCA Pure // Taxo-aligned Turnover CCA Enabl // Taxonomy-eligible Turnover WTR // Taxo-aligned Turnover WTR Pure // Taxo-aligned Turnover WTR Enabl // Taxonomy-eligible Turnover CE // Taxo-aligned Turnover CE Pure // Taxo-aligned Turnover CE Enabl // Taxonomy-eligible Turnover PPC // Taxo-aligned Turnover PPC Pure // Taxonomy-eligible Turnover BIO // Taxo-aligned Turnover BIO Pure // Taxonomy-eligible Capex CCM // Taxo-aligned Capex CCM Pure // Taxo-aligned Capex CCM Trans // Taxo-aligned Capex CCM Enabl // Taxonomy-eligible Capex CCA // Taxo-aligned Capex CCA Pure // Taxo-aligned Capex CCA Enabl // Taxonomy-eligible Capex WTR // Taxo-aligned Capex WTR Pure // Taxo-aligned Capex WTR Enabl // Taxonomy-eligible Capex CE // Taxo-aligned Capex CE Pure // Taxo-aligned Capex CE Enabl // Taxonomy-eligible Capex PPC // Taxo-aligned Capex PPC Pure // Taxonomy-eligible Capex BIO // Taxo-aligned Capex BIO Pure |  |

### Functional guidelines

#### 4.1.4.1 Metrics for MdD\_84\_GARB\_GAR & BTAR / MdD\_222\_GARB\_GAR & BTAR\_Automático

##### ***General\_Specific purpose***

This variable is applicable for all sectors (i.e., sectors of financial -composed by credit institutions + other financial corporations, non-financial corporations, local governments, households, and repossessed collaterals are classified under this metric) as explained below.

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| GSPUR1 | General purpose | Financiación generalista |
| GSPUR2 | Specific purpose | Financiación con fin específico |

Below the breakdown of activities included as specific/general purpose eligible within each sector is presented:

* **Households:** the following exposures will be considered specific purpose:
  + - Loans whose use of proceeds is related to acquisition and ownership of buildings.

Within the loans with collateral “Real estate. Residential”, it is necessary flag as specific purpose those loans with use of proceeds related to acquisition and ownership of buildings. If it is not possible to make this distinction, all household loans with collateral “Real estate. Residential” will be flagged as specific purpose.

* + - Building renovations loans: loans granted for house renovation purposes
    - Motor vehicle loans: credit consumption loans for car loans

Rest of household loans will be considered general purpose.

* **Financial and non-financial corporations:** at least the following exposures are considered specific purpose:
  + - Motor vehicle loans
    - Building renovation loans
    - Loans whose use of proceeds is related to acquisition and ownership of buildings.
    - Exposures classified as specific purpose according to the SFCS or SFICS, including SPVs (mainly project finance related to renewable energy activities)

The remaining loans granted to financial and non-financial corporations should be analyzed to classify them as specific or general purpose.

* **General governments:**
  + - **Local governments**: the following exposures are considered specific purpose:
    - Housing financing
    - Exposures classified as specific purpose as concluded from the SFCS process.

Rest of local governments loans will be considered general purpose.

* + - **Sovereign**: N/A, out of the scope
* **Collateral obtained by taking possession: residential and commercial immovable properties:** all exposures included in this sector are considered specific purpose. In the satellite, these exposures can be identified as Main category = Tangible assets.

##### ***ESG Subsector***

In MdD\_84\_GARB\_GAR& BTAR satellite, it is necessary to identify the additional breakdown by subsector for other financial corporations and general governments regardless of the type of transaction (specific or general purpose). Non-financial corporations, credit institutions, households and collateral obtained by taking possession cannot be classified under this metric.

Possible values in the satellite for classifying transactions under this metric are the followings:

Available values for **other financial corporations** [the field **industry** of C*lients BIS* table or **accounting sector** from BDR may be used to identify the following breakdown]

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| ESGS3 | Investment firms | Empresas de inversión |
| ESGS4 | Management companies | Compañías gestoras |
| ESGS5 | Insurance undertakings | Entidades de seguros |
| ESGS6 | Rest of other financial corporation | Resto de otras sociedades financieras |

Available values for general governments:

| **ID** | **Name [EN]** | **Nombre [ES]** |
| --- | --- | --- |
| ESGS1 | Local governments | Gobiernos locales |
| ESGS2 | Sovereigns | Soberanos |

Local governments are those governments that are not central governments, state governments; social security funds; and international organizations. Due to a 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, published on 21/12/2023, exposures to regional governments are included under local governments. [[17]](#footnote-18)

Sovereigns: Including exposure of everything that is not included in "Local governments" but is within the FINREP perimeter - in the category "General government".

##### ***Purpose ESG***

Within the MdD\_84\_GARB\_GAR& BTAR satellite it is necessary to identify the additional breakdown, for specific purpose transactions (not applicable for general purpose), for the total gross carrying amount, i.e., independently of whether the financing is eligible/aligned or not, regarding the use of proceeds of loans to households[[18]](#footnote-19), non-financial corporations and local governments (exposures of financial corporations, general governments and collateral obtained by taking possession are not classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| PESG1 | Building renovation loans | Préstamos para renovación de edificios |
| PESG2 | Motor vehicle loans | Préstamos para vehículos motorizados |
| PESG3 | Building acquisition | Adquisición de viviendas |
| PESG4 | Other purpose | Otras finalidades |

Specific purpose exposures must be classified within the following categories according to the use of proceeds of the loan:

* **Building renovations loans:** loans for building renovation purposes (applicable to households and non-financial corporations).
* **Motor vehicle loans:** loans financing cars (applicable to households and non-financial corporations).
* **Building acquisitions:** loans whose use of proceeds is related to acquisition and ownership of buildings can be reported (applicable for households, non-financial corporations, and local governments):
* **Household**: within loans with collateral “Real estate. Residential”, it is necessary to flag as “Building acquisitions” those loans with use of proceeds related to acquisition and ownership of buildings. If it is not possible to make this distinction, all household loans with collateral “Real estate. Residential” will be flagged as “Building acquisitions”.
* **Non-financial corporations:** within loans with collateral “Real estate. Commercial”, it is necessary to flag as “Building acquisitions” those loans with use of proceeds related to acquisition and ownership of buildings.
* **Local governments:** it is necessary to flag as “Building acquisitions” those loans with use of proceeds related to acquisition and ownership of buildings.
* **Other purpose:** applicable to non-financial corporations and local governments. Includes, other loans, not reported in previous categories, classified as specific purpose as concluded from the SFCS process (including SPVs, mainly project finance related to renewable energy activities).

##### ***Specific eligible***

This variable is applicable for those transactions that have been classified as specific purpose (therefore, the eligibility ratios published by the counterparties cannot be applied to these exposures, since they are not general-purpose lending).

This variable is applicable for all sectors (i.e., financial, non-financial corporations, general governments, households and collateral obtained by taking possession are classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| SELI1 | Climate change mitigation | Mitigación del cambio climático |
| SELI2 | Climate change adaptation | Adaptación al cambio climático |
| SELI3 | No | No |
| SELI4 | Circular economy | Economía circular |
| SELI5 | Pollution | Polución |
| SELI6 | Biodiversity and Ecosystems | Biodiversidad y ecosistemas |
| SELI7 | Water and marine resources | Agua y recursos marinos |

Eligible specific purpose transactions refer to an economic activity that is described in the EU Taxonomy, irrespective of whether that economic activity meets any or all technical screening criteria defined.

For this type of transactions, the following step will be to indicate whether the activity is eligible because it contributes to the first objective *(climate change mitigation)*, to the second *(climate change adaptation)*, to the third (*sustainable use and protection of water and marine resources*), to the fourth (*transition to a circular economy*), to the fifth (*pollution prevention and control*), to the sixth (*protection and restoration of biodiversity and ecosystems*) or otherwise it is not eligible *(No)*. According to the different sectors:

* **Households:** 
  + - **Motor vehicle loans**: all the exposure is eligible and should be flagged as Specific eligible = “Climate change mitigation”.
    - **Building renovation loans**: all the exposure would be flagged as Specific eligible = “Climate change mitigation”.
    - **Building acquisitions:** all the exposure is eligible and should be flagged as Specific eligible = “Climate change mitigation”.

There is one exception in the case of real estate properties that are not susceptible to have an EPC and therefore can never be green (i.e., land, garages, storage rooms or warehouses). In this case, if it is possible their identification, they should be considered not eligible and flagged as Specific eligible = “No”.

* **Non-financial and financial corporations:** 
  + - **Motor vehicle loans:** all the exposure is eligible and should be flagged as Specific eligible = “Climate change mitigation”.
    - **Building renovation loans:** all the exposure would be flagged as Specific eligible = “Climate change mitigation”.
    - **Building acquisitions:** all the exposure is eligible and should be flagged as Specific eligible = “Climate change mitigation”.

There is one exception in the case of real estate properties that are not susceptible to have an EPC and therefore can never be green (i.e., land, garages, storage rooms or warehouses). In this case, if it is possible their identification, they should be considered not eligible and flagged as Specific eligible = “No”.

* + - **Oher purpose:** rest of transactions that have been evaluated trough the SFCS process for specific purpose transactions. All transactions will be classified as eligible (Specific eligible = “Yes”), except those related to i) Agriculture, forestry & livestock, and ii) Biodiversity & conservation projects that will be classified as not eligible (Specific eligible = “No”).

Financial corporations’ exposure should be flagged as even though it is not classified under this Purpose ESG metric.

Exposures qualified as eligible under **SFCS**:

* Exposures eligible under the SFCS will be considered as contributing to the CCM objective at this stage, that is, in the satellite it has to be informed as Specific eligible = “Climate change mitigation”[[19]](#footnote-20)
* These do not include categories that are not considered eligible under the EU Taxonomy and that will be reported in Template 10 – Other Mitigation. In the satellite those exposures have to be informed as Specific eligible = “No”, and include the following activities:

4. Agriculture, forestry, and livestock

8. Other activities related to climate change mitigation/adaptation 🡪 8.2 Biodiversity and conservation projects.

Exposures qualified as eligible under **SFICS**:

* All exposures under environmental finance of the SFICS will be considered eligible by one objective (CCM, CCA, WTR, CE, PPC or BIO) established in the classification system except the ones included below.
* These do not include categories that are not considered eligible under the EU Taxonomy and that will be reported in Template 10 – Other Mitigation. In the satellite those exposures have to be informed as Specific eligible = “No”, and include the following activities:

A.1.32 - Renewable Energy Procurement

A.2.21 - Hydrogen powered-vehicles

A.6.2 - Sustainable Water Management

A.6.26 – Use of recycled materials

A.7.7 - Sustainable growing of crops

A.7.8 - Soil Remediation

A.7.9 - Low-carbon agricultural technologies to improve efficiency (e.g. techniques used in precision farming, hydroponics farming, aeroponics farming)

A.7.10 - Efficient electric machinery, excluding tech for livestock production

A.7.11 - Regenerative Farming

A.7.12 - Agricultural Structures

A.7.13 - Integrated Crop-Livestock-Forestry Systems (ICLFS)

A.7.14 - Sustainable Feed Production

A.7.15 - Livestock Management

A.7.16 - Sustainable Aquaculture and Fishing

A.7.17 - Carbon Sequestration Activities

A.7.18 - Sustainable Agricultural Production

A.7.19 - Organic Farming

A.7.20 - Sustainable Land Purchase and Transformation

A.8.26 – Manufacture of clean Naphtha

A.8.27 - Manufacture and installation of equipment efficient in terms of energy consumption

A.11.1 - Carbon Market

* **General governments:**
  + - **Sovereigns:** this metric does not apply for this ESG Subcategory. Therefore, all exposure included in this category must be flagged as Specific eligible = “N/A”.
    - **Local governments:**
    - Housing financing: must be flagged as Specific eligible = “Climate change mitigation”
    - Exposures classified as specific purpose as concluded from the SFCS process: must be flagged as Specific eligible = “Climate change mitigation”
* All exposures under environmental finance of the SFICS will be considered eligible by the objective (CCM, CCA, WTR, CE, PPC & BIO) established in the classification system.
* **Collaterals obtained by taking possession:** all exposure classified under this segment will be marked as Specific eligible = “No”.
* **Project finance:** Only exposures that fund activities that are included in the EU Taxonomy should be marked as eligible, with its respective objective (CCM, CCA, WTR, CE, PPC or BIO). If the activity is not described in the taxonomy, the exposure should be classified as Specific eligible = “No”.

##### ***Specific sustainable***

This variable is applicable for those transactions that have been classified as specific purpose (therefore, the alignment ratios published by the counterparties cannot be applied to these exposures, since they are not general-purpose lending).

It is applicable for all sectors (i.e., sectors of financial, non-financial corporations, general governments, households, and collateral obtained by taking possession are classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| SSUS1 | Transitional | Transicional |
| SSUS2 | Enabling | Facilitadora |
| SSUS3 | Pure | Puro |
| SSUS4 | No | No |

In relation to the specific purpose financing, in case it has been considered eligible (climate change mitigation or adaptation following the criteria from the previous section), it is necessary to evaluate whether it is aligned/environmentally sustainable or not (i.e.: is aligned with the EU Taxonomy). The criteria to be applied in each sector are explained below:

* **Households:** 
  + - **Motor vehicle loans:** This type of loan can only be flagged as aligned if the society is located in Continental Europe (EU + UK + Nordics).

Motor vehicle loans of electric vehicles or vehicles with less than 50g CO2 per km of category M1 and N1, and, granted since 01/01/2022, can be considered as aligned and included in GAR satellite[[20]](#footnote-21) as specific sustainable = “Transitional”.

*M1 vehicles are those used for the carriage of passengers and comprising not more than eight seats in addition to the driver's seat.*

*N1 vehicles are those used for the carriage of goods and having a maximum mass not exceeding 3.5 tonnes.*

* Motorbikes, with L categories, can be considered as aligned (e.g., mopeds, quads, and minicars) (with license plate) (with less than four wheels and some lightweight four-wheelers), when the tailpipe CO2 emissions equal to 0 g CO2e/km. Those granted before that date can be reported as eligible but cannot be reported as aligned under the EU taxonomy, that is, classifies as specific sustainable= “No”.

**Summary of satellites combinations for motor vehicle loans:**

| **Satellite dimensions** | | | | | ***Type of vehicles to be included*** |
| --- | --- | --- | --- | --- | --- |
| **Subsector** | **Purpose ESG** | **General specific purpose** | **Specific eligible** | **Specific sustainable** |
| Household | Motor vehicle loans | Specific purpose | Climate change mitigation | Transitional | * *Electric or vehicles that pollute less than 50g CO2 of categories M1 and N1 and granted from 01/01/2022* * *Vehicles that pollute 0g CO2 of L categories and granted from 01/01/2022* |
| Household | Motor vehicle loans | Specific purpose | Climate change mitigation | No | * *Rest of vehicles* |

Aligned exposure of those auto loans granted before 01/01/2022 can be reported in MITI satellite. Also, if there are vehicles that meet the criteria, but the society is located outside continental Europe, they should be reported in the MITI satellite.

* + - **Building acquisition loans:** only exposure related to the acquisition and ownership of buildings located in areas without an associated high physical risk can be classified as “green”. This implies that only exposure that is not marked as physical risk = "yes", (according to the methodology explained in section 3 of this guideline) which means that it is not exposed to acute or chronic risk, can be reported as aligned. The societies that assess the physical risk for satellites 79/219 by postal code should use the same criteria for these satellites (postcode, not NUT3) in order to ensure consistency and accuracy. This criterion has been considered additionally to the technical screening criteria explained below.

The technical screening criteria depends on the date of construction of the building:

**NOTE 1:** If it is not possible to identify the construction date of buildings, the applicable criteria for these exposures is the defined for buildings built **before** 31 December 2020.

1. **Buildings built before 31 December 2020:**

* **Spain**: energy performance certificate (EPC) C or above.
  + In case of the following Autonomous Communities, EPC D are also considered: Asturias, Canarias, Cantabria, Cataluña, Extremadura, Murcia, País Vasco and Valencia.
* **UK:** energy performance certificate (EPC) B or above (\*see note below)
* **Portugal**: energy performance certificate (EPC) B or above (excluding EPC B-)
* **Poland**: actual (non-modelled) Primary Energy Demand (PED or [budynek\_oceniany\_zapotrzebowanie\_ep]) < 76.59 kWh/m2/year.
* **Germany**: energy performance certificate (EPC) A or above.

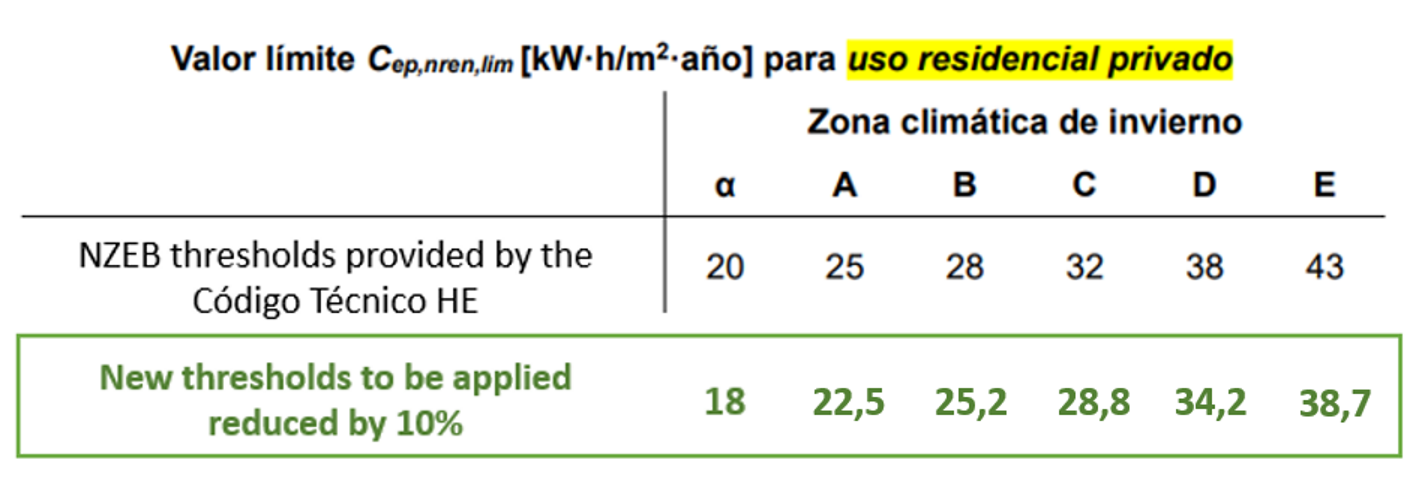
***Only actual energy performance certificate can be considered and has to be based on the energy consumption****. The use of estimated EPCs is not possible.*

1. **Buildings built after 31 December 2020:** energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements. The energy performance is certified using an actual energy performance certificate (EPC). In each unit the threshold has to be determined as follows:

* **Spain:**

For residential buildings < 5.000m2: *The limit established for each climate zone by the ZNEB has been collected in the “Código Técnico HE0”[[21]](#footnote-22). However, to ensure compliance with the technical screening criteria established by EU Taxonomy[[22]](#footnote-23), these limits must be reduced by a 10% and those buildings with energy performance below these new limits (depending on the climate zone) will be considered as aligned (Specific sustainable = "Pure”).*

*For mainland territory:*



*For non-mainland territory (Balearic Islands, Canary Islands, Ceuta and Melilla):*

*i. 22.5 kWh/m2/ year in Climatic Zone α*

*ii. 28.1 kWh/m2/ year in Climatic Zone A*

*iii. 31.5 kWh/m2/ year in Climatic Zone B*

*iv. 36.0 kWh/m2/ year in Climatic Zone C*

*v. 42.8 kWh/m2/ year in Climatic Zone D*

*vi. 48.4 kWh/m2/ year in Climatic Zone E*

* **Spain:** For commercial buildings or buildings > 5.000m2: actual (non-modelled) Primary Energy Demand (PED) and meeting the following criteria:

[𝑠𝑒𝑒 𝑏𝑎𝑠𝑒𝑙𝑖𝑛𝑒 𝑣𝑎𝑙𝑢𝑒𝑠 𝑏𝑒𝑙𝑜𝑤 𝑝𝑒𝑟 𝑐𝑙𝑖𝑚𝑎𝑡𝑖𝑐 𝑧𝑜𝑛𝑒] + 8 ∗ (1 − 10%) ∗ CFI[[23]](#footnote-24)

* + 1. Baseline values in mainland territory:
       1. 63.0 kWh/m2/ year in Climatic Zone α
       2. 49.5 kWh/m2/ year in Climatic Zone A
       3. 45.0 kWh/m2/ year in Climatic Zone B
       4. 31.5 kWh/m2/ year in Climatic Zone C
       5. 18.0 kWh/m2/ year in Climatic Zone D
       6. 9.0 kWh/m2/ year in Climatic Zone E
    2. Baseline values in non-mainland territory (Balearic Islands, Canary Islands, Ceuta, and Melilla):
       1. 88.2 kWh/m2/ year in Climatic Zone α
       2. 69.3 kWh/m2/ year in Climatic Zone A
       3. 63.0 kWh/m2/ year in Climatic Zone B
       4. 44.1 kWh/m2/ year in Climatic Zone C
       5. 25.2 kWh/m2/ year in Climatic Zone D
       6. 12.6 kWh/m2/ year in Climatic Zone E
    3. Building is subject to checks for airtightness and thermal integrity post construction; deviations from the predetermined performance levels or defects are communicated to investors and clients
    4. Life-cycle Global Warming Potential (GWP) of the building has been calculated for each stage and is disclosed to investors and clients
    5. Large non-residential buildings are efficiently operated through energy performance monitoring and assessments
* **UK:** residential buildings < 5.000m2: have a Primary Energy Demand (PED) limited up to 40 kWh/m2/year (\*see note below).
* **Portugal:**

For residential buildings < 5.000m2: actual (non-modelled) RNT[[24]](#footnote-25) of <0.45

For residential buildings > 5.000m2:comply with all of the following criteria:

* + 1. Have an actual (non-modelled) RIEE [[25]](#footnote-26)of <0.83,
    2. Subject to checks for air-tightness and thermal integrity post construction,
    3. The life-cycle Global Warming Potential of the building has been calculated for each stage in the life cycle; disclosed to investors and clients,
    4. Large non-residential buildings are efficiently operated through energy performance monitoring and assessment.
* **Poland**:

For residential buildings < 5.000m2: actual (non-modelled) Primary Energy Demand (PED) limited up to 63 kWh/m2/year for single family residential properties, and 58 kWh/m2/year for multifamily residential properties.

For residential buildings > 5.000m2:comply with all of the following criteria:

* + 1. Actual (non-modelled) Primary Energy Demand (PED) is limited up to 41 kWh/m2/ year.
    2. Subject to checks for air-tightness and thermal integrity post construction.
    3. The life-cycle Global Warming Potential of the building has been calculated for each stage in the life cycle; disclosed to investors and clients.
    4. Large non-residential buildings are efficiently operated through energy performance monitoring and Assessment.
* **Germany**: actual (non-modelled) Primary Energy Demand (PED) < 36 kwh/m2

Note: Since, currently, it is not possible from **UK** to identify the construction year of the buildings, the following approach has been decided for February 2024 report until such data is provided, in case of residential buildings < 5.000m2:

* + 1. Loans granted before 2021: classified on the basis of the pre-2021 construction criteria (i.e. Energy Performance Certificate (ECP) B or above).
    2. Loans granted after 2021:
  + Buildings built before 2011 (according to the buckets set by the UK government) will be classified on the basis of the pre-2021 construction criteria (i.e. Energy Performance Certificate (ECP) B or above).
  + For buildings i) classified in the building construction bucket after 2011 (according to the UK government) and ii) with EPC label emitted before 2021, the pre-2021 construction criteria will be applied (EPC B or above).
  + Rest of loans: should meet the criteria of Primary Energy Demand (PED) limited up to 40 kWh/m2/year.

1. **Regardless the construction year**, buildings that have obtained or will obtain in the future one of the following certificates can be considered as aligned:
   * 1. HQE SB v4. Certification
     2. Net Zero Energy Building Certification TM (NZEB)
     3. Low-Carbon Buildings Climate Bond Initiative (CBI) Certification

**Summary of satellites combinations for acquisition and ownership of buildings:**

| **Satellite dimensions** | | | | | | **Type of loans to be included** |
| --- | --- | --- | --- | --- | --- | --- |
| **Subsector** | **Collateral** | **Purpose ESG** | **General specific purpose** | **Specific eligible** | **Specific sustainable** |
| Household | Real estate. Residential | Building acquisition | Specific purpose | Climate change mitigation | Pure | *Acquisition and ownership of buildings that are aligned with the EU Taxo (according to criteria described above)* |
| Household | Real estate. Residential | Building acquisition | Specific purpose | Climate change mitigation | No | *Acquisition and ownership of buildings that are not aligned with the EU Taxo (according to criteria described above)* |
| Household | Real estate. Residential | Building acquisition | Specific purpose | No | N/A | *Acquisition and ownership of buildings that are nor eligible (i.e. land, garages, storage rooms or warehouses)* |
| Household | Real estate. Residential | N/A | General purpose | N/A | N/A | *Loans collateralized by real estate residential whose use of proceeds is not the acquisition and ownership of buildings* |

**Building renovation loans:** it is not expected to receive any information associatedunder this classification of building renovation loans, as the corporation is working on reviewing the criteria to ensure full alignment and compliance with the EU Taxonomy, that is, classifies as specific sustainable= “No”. **Summary of satellites combinations for building renovation loans:**

| **Satellite dimensions** | | | | |
| --- | --- | --- | --- | --- |
| **Subsector** | **Purpose**  **ESG** | **General specific purpose** | **Specific**  **eligible** | **Specific**  **sustainable** |
| Household | Building renovation  Loans | Specific  purpose | Climate change mitigation | No |

* **Financial, non-financial corporations and local governments:**
  + Specific exposures to non-financial corporations not subject to NFRD should be classified using the same approach as the Households sector for Motor vehicle loans and Building acquisition loans but only applying the substantial contribution and not DNSH or MSS.

The aligned exposure for non-financial corporations not subject to NFRD should not be duplicated between this satellite and satellite 83 – MITI. All the exposure flagged as aligned in the satellite 84 must be reported in the satellite 83 as GFI=No.

1. **Motor vehicle loans:**
   * 1. Motor vehicle loans of electric vehicles or vehicles with less than 50g CO2 per km of category M1 and N1 can be considered as aligned and included in GAR satellite as specific sustainable = “Transitional”.
     2. Motorbikes, with L categories, can be considered as aligned (e.g., mopeds, quads, and minicars) (with license plate) (with less than four wheels and some lightweight four-wheelers), when the tailpipe CO2 emissions equal to 0 g CO2e/km.

**NOTE:** There are no restrictions on the location of the societies or the year in which the loan was granted.

1. **Building acquisition loans:** The same approach for residential buildings (RRE) should be used as for households, depending on the country. In this case, DNSH should not be assessed, so it is not necessary to exclude exposures subject to high physical risk. Also, **modeled EPCs and energy consumptions must be classified as aligned**.

There are different technical screening criteria for commercial buildings (CRE) depending on the location of the building:

**Buildings built before 31 December 2020:**

* **Spain**: energy performance certificate (EPC) C or above.
  + In case of the following Autonomous Communities, EPC D are also considered: Asturias, Canarias, Cantabria, Cataluña, Extremadura, Murcia, País Vasco and Valencia.
* **UK:** energy performance certificate (EPC) B or above (\*see note below)
* **Portugal**: energy performance certificate (EPC) B or above (excluding EPC B-)
* **Poland**: Primary Energy Demand (PED or [budynek\_oceniany\_zapotrzebowanie\_ep]) < 76.59 kWh/m2/year.
* **Germany**: energy performance certificate (EPC) A or above.

**Buildings built after 31 December 2020:** energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements. The energy performance is certified using an energy performance certificate (EPC). In each unit the threshold has to be determined as follows:

* **Spain:** For commercial buildings or buildings > 5.000m2: Primary Energy Demand (PED) and meeting the following criteria:

[𝑠𝑒𝑒 𝑏𝑎𝑠𝑒𝑙𝑖𝑛𝑒 𝑣𝑎𝑙𝑢𝑒𝑠 𝑏𝑒𝑙𝑜𝑤 𝑝𝑒𝑟 𝑐𝑙𝑖𝑚𝑎𝑡𝑖𝑐 𝑧𝑜𝑛𝑒] + 8 ∗ (1 − 10%) ∗ CFI[[26]](#footnote-27)

* + 1. Baseline values in mainland territory:
       1. 63.0 kWh/m2/ year in Climatic Zone α
       2. 49.5 kWh/m2/ year in Climatic Zone A
       3. 45.0 kWh/m2/ year in Climatic Zone B
       4. 31.5 kWh/m2/ year in Climatic Zone C
       5. 18.0 kWh/m2/ year in Climatic Zone D
       6. 9.0 kWh/m2/ year in Climatic Zone E
    2. Baseline values in non-mainland territory (Balearic Islands, Canary Islands, Ceuta, and Melilla):
       1. 88.2 kWh/m2/ year in Climatic Zone α
       2. 69.3 kWh/m2/ year in Climatic Zone A
       3. 63.0 kWh/m2/ year in Climatic Zone B
       4. 44.1 kWh/m2/ year in Climatic Zone C
       5. 25.2 kWh/m2/ year in Climatic Zone D
       6. 12.6 kWh/m2/ year in Climatic Zone E
    3. Building is subject to checks for airtightness and thermal integrity post construction; deviations from the predetermined performance levels or defects are communicated to investors and clients
    4. Life-cycle Global Warming Potential (GWP) of the building has been calculated for each stage and is disclosed to investors and clients
    5. Large non-residential buildings are efficiently operated through energy performance monitoring and assessments
* **UK:** commercial buildings < 5.000m2: have a Primary Energy Demand (PED) limited up to 40 kWh/m2/year (\*see note below).
* **Portugal:** commercial buildings or buildings of > 5.000m2:comply with all of the following criteria:
  + 1. Have a RIEE [[27]](#footnote-28)of <0.83,
    2. Subject to checks for air-tightness and thermal integrity post construction,
    3. The life-cycle Global Warming Potential of the building has been calculated for each stage in the life cycle; disclosed to investors and clients,
    4. Large non-residential buildings are efficiently operated through energy performance monitoring and assessment.
* **Poland**: commercial buildings or buildings of > 5.000m2:comply with all of the following criteria:
  + 1. Primary Energy Demand (PED) is limited up to 171 kWh/m2/year for healthcare buildings, 40,5 kWh/m2/year for other public buildings or 63 kWh/m2/year for non-public buildings. .
    2. Subject to checks for air-tightness and thermal integrity post construction.
    3. The life-cycle Global Warming Potential of the building has been calculated for each stage in the life cycle; disclosed to investors and clients.
    4. Large non-residential buildings are efficiently operated through energy performance monitoring and Assessment.
* **Germany**: commercial buildings or buildings of > 5.000m2: Primary Energy Demand (PED) < 68 kwh/m2

Note: Since, currently, it is not possible from **UK** to identify the construction year of the buildings, the following approach has been decided for February 2024 report until such data is provided, in case of residential buildings < 5.000m2:

* + 1. Loans granted before 2021: classified on the basis of the pre-2021 construction criteria (i.e. Energy Performance Certificate (ECP) B or above).
    2. Loans granted after 2021:
  + Buildings built before 2011 (according to the buckets set by the UK government) will be classified on the basis of the pre-2021 construction criteria (i.e. Energy Performance Certificate (ECP) B or above).
  + For buildings i) classified in the building construction bucket after 2011 (according to the UK government) and ii) with EPC label emitted before 2021, the pre-2021 construction criteria will be applied (EPC B or above).
  + Rest of loans: should meet the criteria of Primary Energy Demand (PED) limited up to 40 kWh/m2/year.

**Regardless the construction year, buildings that have obtained or will obtain in the future one of the following certificates can be considered as aligned:**

* + 1. HQE SB v4. Certification
    2. Net Zero Energy Building Certification TM (NZEB)
    3. Low-Carbon Buildings Climate Bond Initiative (CBI) Certification

1. **Building renovation loans:**
   * The following activities that have been approved by the SFCS panel should be marked as aligned:
     1. 5.2 Energy efficiency equipment in buildings
     2. 5.3 Renewable energy infrastructure in buildings
     3. 5.4 Instruments and devices to enhance buildings’ energy use
   * The following activities that have been approved by the SFICS with the flag of EU Taxonomy consistent should be marked as aligned:
     1. A.3.2 Renovation of existing buildings
     2. A.3.3 Installation, maintenance and repair of energy efficiency equipment
     3. A.3.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
     4. A.3.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
     5. A.3.6 Installation, maintenance and repair of renewable energy technologies
2. **Other purpose:**
   * For all other exposures, the following activities that have been approved by the SFCS panel should be marked as aligned:
     1. 1.1 Renewable energy production
     2. 1.3. Transmission and distribution of electricity
     3. 2.4 Transport infrastructure
   * All the activities that have been approved by the SFICS with the flag of EU Taxonomy consistent should be marked as aligned, except for the ones mentioned in the *Specific eligible* section, which are not eligible to the EU Taxonomy. The substantial contribution (Pure, Transitional & Enabling) should be flagged according to the label of the SFICS.

Specialized lending (project finance) that has been approved by the SFCS panel or SFICS and whose main sponsor is not subject to the NFRD should be flagged as aligned.

* + In line with the basic approach of not reporting NFC subject to NFRD, FC alignment has been applied during these last reports. However, given that the report is already more in BAU mode, a society ensuring compliance with DNSH/MSS may include specific aligned funding, previously shared with HQ to validate the process. In the event that it is not feasible to validate compliance with the DNSH/MSS, the green exposure should be reported in the MITI satellites.

It is important ensure that specific exposures reported as green in MITI are flagged as specific in the GAR, not applying counterparties eligible or alignment ratios to green reported exposures in MITI to avoid double counting.

Note that i) bonds flagged as “aligned” with the EU Taxonomy by an external provider and ii) SPVs (which includes project finance), which fall under this Specific Purpose category, will consequently be also flagged as specific sustainable= “No” and reported in satellite 83 – MITI.

**Summary of satellites combinations for financial, non-financial corporations and local governments:**

| **Satellite dimensions** | | | | | **Type of loans to be included** |
| --- | --- | --- | --- | --- | --- |
| **Subsector** | **Purpose**  **ESG** | **General specific purpose** | **Specific**  **eligible** | **Specific**  **sustainable** |
| Non- financial corporations not subject to NFRD | Building renovation  loans | Specific  Purpose | Climate change mitigation | Enabling | *Loans classified under SFCS activities 5.2, 5.3 and 5.4.*  *Loans classified under SFICS with EU Taxo consistent flag activities A.3.2, A.3.3, A.3.4, A.3.5 and A.3.6* |
| Non- financial corporations not subject to NFRD | Building renovation  loans | Specific  Purpose | Climate change mitigation | No | *Rest of Building renovation loans* |
| Non- financial corporations not subject to NFRD | Motor vehicle loans | Specific  Purpose | Climate change mitigation | Transitional | *Electric or vehicles that pollute less than 50g CO2 of categories M1 and N1*  *Vehicles that pollute 0g CO2 of L categories* |
| Non- financial corporations not subject to NFRD | Motor vehicle loans | Specific  Purpose | Climate change mitigation | No | *Rest of motor vehicle loans* |
| Non- financial corporations not subject to NFRD | Building acquisition | Specific  Purpose | Climate change mitigation | Pure | *Acquisition and ownership of buildings that are aligned with the EU Taxo (according to criteria described above)* |
| Non- financial corporations not subject to NFRD | Building acquisition | Specific  Purpose | Climate change mitigation | No | *Rest of building acquisition loans* |
| Non- financial corporations not subject to NFRD | Other purpose | Specific  Purpose | Climate change mitigation | Pure | *Loans classified under SFCS 1.1 activity* |
| Non- financial corporations not subject to NFRD | Other purpose | Specific  Purpose | Climate change mitigation | Enabling | *Loans classified under SFCS activities 1.3 and 2.4* |
| Non- financial corporations not subject to NFRD | Other purpose | Specific  Purpose | According to the objective established by the SFICS | According to the SFICS label of kind of contribution | *Loans classified under SFICS with EU Taxo consistent flag activities (excluding building renovation activities)* |
| Non- financial corporations not subject to NFRD | Other purpose | Specific  Purpose | Climate change mitigation | No | *Rest of eligible activities under SFCS except activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Non- financial corporations not subject to NFRD | Other purpose | Specific  Purpose | According to the objective established by the SFICS | No | *Loans classified under SFICS without EU Taxo consistent flag activities (only Santander specific) excluding the non eligible activities described above* |
| Non- financial corporations not subject to NFRD | Other purpose | Specific  Purpose | No | N/A | *SFCS eligible activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Non- financial corporations not subject to NFRD | Other purpose | Specific  Purpose | No | No | *Loans classified under SFICS which are not eligible (described above)* |
| Non- financial corporations | N/A | General purpose  Purpose | N/A | N/A | *Rest of exposures not included in previous categories* |
| Non- financial corporations subject to NFRD | Building renovation  loans | Specific  Purpose | Climate change mitigation | No | *All building renovation loans* |
| Non- financial corporations subject to NFRD | Motor vehicle loans | Specific  Purpose | Climate change mitigation | Transitional (only if the loan complies DNSH and MSS) | *Electric or vehicles that pollute less than 50g CO2 of categories M1 and N1 Vehicles that pollute 0g CO2 of L categories* |
| Non- financial corporations subject to NFRD | Motor vehicle loans | Specific  Purpose | Climate change mitigation | No | *Rest of motor vehicle loans* |
| Non- financial corporations subject to NFRD | Building acquisition | Specific  Purpose | Climate change mitigation | Pure (only if the loan complies DNSH and MSS) | *Acquisition and ownership of buildings that are aligned with the EU Taxo (according to criteria described above)* |
| Non- financial corporations subject to NFRD | Building acquisition | Specific  Purpose | Climate change mitigation | No | *Rest of building acquisition loans* |
| Non- financial corporation subject to NFRD | Other purpose | Specific  Purpose | Climate change mitigation | Pure / Transitional /Enabling (only if the loan complies DNSH and MSS) | *Rest of eligible activities under SFCS except activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Non- financial corporation subject to NFRD | Other purpose | Specific  Purpose | Climate change mitigation | No | *Rest of eligible activities under SFCS except activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Non- financial corporations subject to NFRD | Other purpose | Specific  Purpose | According to the objective established by the SFICS | Pure / Transitional /Enabling (only if the loan complies DNSH and MSS) | *Loans classified under SFICS excluding the non eligible activities described above* |
| Non- financial corporations subject to NFRD | Other purpose | Specific  Purpose | According to the objective established by the SFICS | No | *Rest of loans classified under SFICS excluding the non eligible activities described above* |
| Non- financial corporations subject to NFRD | Other purpose | Specific  Purpose | No | N/A | *SFCS eligible activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Non- financial corporations subject to NFRD | Other purpose | Specific  Purpose | No | No | *Loans classified under SFICS which are not eligible (described above)* |
| Financial corporations | N/A | Specific  Purpose | Climate change mitigation | Pure / Transitional /Enabling (only if the loan complies DNSH and MSS) | *Activities under SFCS except activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Financial corporations | N/A | Specific  Purpose | Climate change mitigation | No | *Rest of activities under SFCS except activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Financial corporations | N/A | Specific  Purpose | According to the objective established by the SFICS | Pure / Transitional /Enabling (only if the loan complies DNSH and MSS) | *Loans classified under SFICS excluding the non eligible activities described above* |
| Financial corporations | N/A | Specific  Purpose | According to the objective established by the SFICS | No | *rest of loans classified under SFICS excluding the non eligible activities described above* |
| Financial corporations | N/A | Specific  Purpose | No | N/A | *SFCS eligible activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Financial corporations | N/A | Specific  Purpose | No | No | *Loans classified under SFICS which are not eligible (described above)* |
| Financial corporations | N/A | General purpose  Purpose | N/A | N/A | *Rest of exposures not included in previous categories* |
| Local governments | Building acquisition | Specific  Purpose | Climate change mitigation | Pure (only if the loan complies DNSH and MSS) | *Acquisition and ownership of buildings that are aligned with the EU Taxo (according to criteria described above)* |
| Local governments | Building acquisition | Specific  Purpose | Climate change mitigation | No | *Rest of building acquisition loans* |
| Local governments | Other purpose | Specific  Purpose | Climate change mitigation | Pure / Transitional /Enabling (only if the loan complies DNSH and MSS) | *Rest of eligible activities under SFCS except activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Local governments | Other purpose | Specific  Purpose | Climate change mitigation | No | *Rest of eligible activities under SFCS except activities not covered in the EU Taxo (i.e. 4. Agriculture and 8.2 Biodiversity)* |
| Local governments | Other purpose | Specific  Purpose | According to the objective established by the SFICS | Pure / Transitional /Enabling (only if the loan complies DNSH and MSS) | *Loans classified under SFICS excluding the non eligible activities described above* |
| Local governments | Other purpose | Specific  Purpose | According to the objective established by the SFICS | No | *Loans classified under SFICS excluding the non eligible activities described above* |
| Local governments | N/A | Specific  Purpose | No | No | *Loans classified under SFICS which are not eligible (described above)* |
| Local governments | N/A | General purpose  purpose | N/A | N/A | *Rest of exposures not included in previous categories* |

##### ***Specialised lending***

This variable is applicable non-financial corporations.

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| SPLE1 | Yes | Si |
| SPLE2 | No | No |

The unit shall report the gross carrying amount of Specialised lending (a subsection within the specific purpose category) as defined in CRR, Art. 147(8):

*Within the corporate exposure class laid down in point (c) of paragraph 2, institutions shall separately identify as Specialised lending exposures, exposures which possess the following characteristics:*

*a) the exposure is to an entity which was created specifically to finance or operate physical assets or is an economically comparable exposure;*

*b) the contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate;*

*c) the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.*

This variable should only be marked as “Yes” if the Specialized lending is aligned with the EU Taxo. To identify if it is aligned, to SFCS panel or SFICS should be used following the criteria established above.

All project finance exposures will have the NFRD flag of their sponsors assigned (in case of multiple sponsors, the flags of the main sponsor will apply).

##### ***NFRD disclosures***

This variable is applicable for both types of transactions, specific and general-purpose transactions, and for financial and non-financial corporations (i.e. this variable does not apply to the sectors of general governments and households).

Possible values in the satellite for classifying transactions under this metric are the followings:

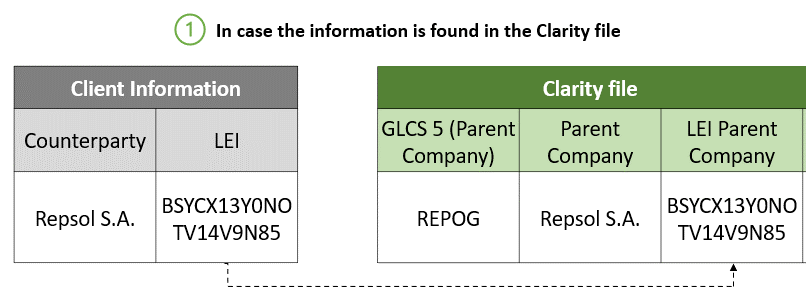
| **ID** | **Name [EN]** | **Nombre [ES]** |
| --- | --- | --- |
| NFRD1 | Subject to NFRD | Sujeto a NFRD |
| NFRD2 | Not subject to NFRD | No sujeto a NFRD |

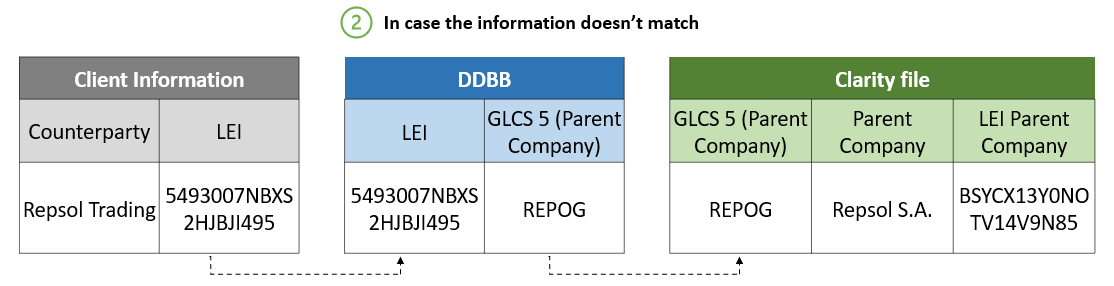
For the purpose of this report, **a counterparty will be flagged as “Subject to NFRD” in the satellite** using the information captured from the external provider Clarity (this flag is based on the European directive, not local transpositions. However, if additional NFRD flags are available locally or a unit has been able to identify a company subject to NFRD, this information can be used). To help units, a list of counterparties with their corresponding NFRD information has been provided *[Excel: Pillar 3 ESG – GAR External Data (the updated version is permanently available in the ESG\_Pillar 3\_Regulatory Reporting teams)]*, using:

* LEI
* Name of the counterparty
* GLCS 5 of the group in case of the parent company, for its identification

Depending on the information available, the following steps will apply:

1. *If the LEI of the counterparty is found in Clarity file, its own information will directly be applied (NFRD, eligibility and alignment ratios, etc):*



1. *If the LEI of the counterparty is not found within the Clarity data or it is found but the information is empty, the GLCS 5 of its corresponding parent company will have to be identified and its associated information will be applied to the counterparty.*

***NOTE****: The same criteria must be considered in all cases for the allocation of information both for i) the NFRD information and ii) for the eligibility and alignment ratios. That is, in case the counterparty's NFRD information is used, the counterparty's data must also be applied for the allocation of ratio. It is not possible to mix the counterparty’s information with the one from the parent.*

##### ***Remaining columns for general purpose (light blue)***

These variables are only applicable for general purpose transactions and only for financial and non-financial corporations (i.e. exposure to households, general governments and collateral obtained by taking possession cannot be classified under these metrics).

In case of identifying general purpose financing, satellite columns after the column “Amount” will be applied based on the information published and captured from the counterparties. These would be the metrics related to general purpose transactions:

*Taxonomy-eligible Turnover CCM / Taxonomy-aligned Turnover CCM (Pure, Transitional, Enabling) / Taxonomy-eligible Turnover CCA / Taxonomy-aligned Turnover CCA (Pure, Enabling) / Taxonomy-eligible Turnover WTR / Taxonomy-aligned Turnover WTR (Pure, Enabling) / Taxonomy-eligible Turnover CE / Taxonomy-aligned Turnover CE (Pure, Enabling) / Taxonomy-eligible Turnover PPC / Taxonomy-aligned Turnover PPC (Pure, Enabling) / Taxonomy-eligible Turnover BIO / Taxonomy-aligned Turnover BIO (Pure, Enabling) / Taxonomy-eligible Capex CCM / Taxonomy-aligned Capex CCM (Pure, Transitional, Enabling) / Taxonomy-eligible Capex CCA / Taxonomy-aligned Capex CCA (Pure, Enabling) / Taxonomy-eligible Capex WTR / Taxonomy-aligned Capex WTR (Pure, Enabling) / Taxonomy-eligible Capex CE / Taxonomy-aligned Capex CE (Pure, Enabling) / Taxonomy-eligible Capex PPC / Taxonomy-aligned Capex PPC (Pure, Enabling) / Taxonomy-eligible Capex BIO / Taxonomy-aligned Capex BIO (Pure, Enabling).*

Eligibility and alignment information (for objectives 1 -mitigation-, 2 -adaptation-, 3 –water-, 4 -circular economy-, 5 -pollution-, and 6 -biodiversity-) is available and captured from the external provider Clarity. To help units with the identification of the corresponding exposures, a list of counterparties with their corresponding Taxonomy-eligible and -alignment ratios has been provided *[Excel: Pillar 3 ESG – GAR External Data (the updated version is permanently available in the ESG\_Pillar 3\_Regulatory Reporting teams)]:*

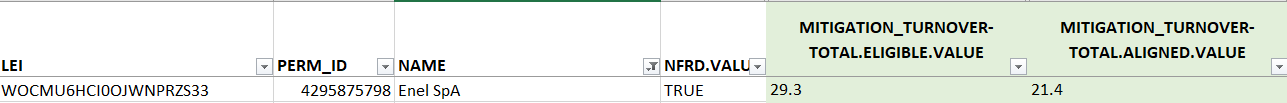
Depending on the information available, the same steps explained above in section 4.1.4.1 vii) NFRD disclosures section apply.

**NOTE**: The same criteria must be considered in all cases for the allocation of information both for i) the NFRD information and ii) for the eligibility and alignment ratios. That is, in case the counterparty's NFRD information is used, the counterparty's data must also be applied for the allocation of ratio. It is not possible to mix the counterparty’s information with the one from the parent.

|  |
| --- |
| **LEI** |
| **NAME** |
| **ADAPTATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| ADAPTATION\_TURNOVER-ENABLING.ALIGNED.VALUE |
| ADAPTATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **ADAPTATION\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| ADAPTATION\_CAPEX-ENABLING.ALIGNED.VALUE |
| ADAPTATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **MITIGATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| MITIGATION\_TURNOVER-ENABLING.ALIGNED.VALUE |
| MITIGATION\_TURNOVER-TRANSITION\_ACTIVITY.ALIGNED.VALUE |
| MITIGATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **MITIGATION\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| MITIGATION\_CAPEX-ENABLING.ALIGNED.VALUE |
| MITIGATION\_CAPEX-TRANSITION\_ACTIVITY.ALIGNED.VALUE |
| MITIGATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **POLLUTION\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| POLLUTION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **POLLUTION\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| POLLUTION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **BIODIVERSITY\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| BIODIVERSITY\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **BIODIVERSITY\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| BIODIVERSITY\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **WATER\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| WATER\_TURNOVER-ENABLING.ALIGNED.VALUE |
| WATER\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **WATER\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| WATER\_CAPEX-ENABLING.ALIGNED.VALUE |
| WATER\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **CIRCULAR\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| CIRCULAR\_TURNOVER-ENABLING.ALIGNED.VALUE |
| CIRCULAR\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **CIRCULAR\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| CIRCULAR\_CAPEX-ENABLING.ALIGNED.VALUE |
| CIRCULAR\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |

**ENEL (LEI: WOCMU6HCI0OJWNPRZS33) real example**: Calculate the eligibility and alignment using Turnover.

* Clarity information:

****

* Amount: 1.000.000 €
* Taxonomy-eligible Turnover (CCM) Ratio: 1.000.000 € \* 29,3% = 293.000 €
* Taxonomy-aligned Turnover (CCM) – Pure Ratio: 1.000.000 € \* 21,4% = 214.000 €

The following table shows how the columns should be filled in for general purpose lending taking into account the Excel shared from HQ:

|  |  |
| --- | --- |
| **Taxonomy-eligible Turnover (CCM) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (MITIGATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Mitigation’ |
| **Taxonomy-aligned Turnover (CCM) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (MITIGATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (CCM) - Transitional Ratio** | Gross carrying amount \* Taxonomy-aligned transitional Turnover (MITIGATION\_TURNOVER-TRANSITION.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘Transitional' |
| **Taxonomy-aligned Turnover (CCM) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (MITIGATION\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (CCA) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (ADAPTATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Adaptation' |
| **Taxonomy-aligned Turnover (CCA) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (ADAPTATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (CCA) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (ADAPTATION\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (WTR) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (WATER\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Water and marine resources' |
| **Taxonomy-aligned Turnover (WTR) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (WATER\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (WTR) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (WATER\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (CE) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (CIRCULAR\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Circular economy' |
| **Taxonomy-aligned Turnover (CE) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (CIRCULAR\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (CE) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (CIRCULAR\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (PPC) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (POLLUTION\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Pollution' |
| **Taxonomy-aligned Turnover (PPC) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (POLLUTION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Pollution’ & Type of activity = ‘N/A' |
| **Taxonomy-eligible Turnover (BIO) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (BIODIVERSITY\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Biodiversity and Ecosystems' |
| **Taxonomy-aligned Turnover (BIO) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (BIODIVERSITY\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Biodiversity and Ecosystems’ & Type of activity = ‘N/A' |
| **Taxonomy-eligible CAPEX (CCM) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (MITIGATION\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Mitigation’ |
| **Taxonomy-aligned CAPEX (CCM) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (MITIGATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (CCM) - Transitional Ratio** | Gross carrying amount \* Taxonomy-aligned transitional CAPEX (MITIGATION\_CAPEX-TRANSITION.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘Transitional' |
| **Taxonomy-aligned CAPEX (CCM) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (MITIGATION\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (CCA) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (ADAPTATION\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Adaptation' |
| **Taxonomy-aligned CAPEX (CCA) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (ADAPTATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (CCA) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (ADAPTATION\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (WTR) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (WATER\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Water and marine resources' |
| **Taxonomy-aligned CAPEX (WTR) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (WATER\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (WTR) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (WATER\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (CE) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (CIRCULAR\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Circular economy’ |
| **Taxonomy-aligned CAPEX (CE) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (CIRCULAR\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (CE) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (CIRCULAR\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (PPC) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (POLLUTION\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Pollution’ |
| **Taxonomy-aligned CAPEX (PPC) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (POLLUTION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Pollution & Type of activity = ‘N/A' |
| **Taxonomy-eligible CAPEX (BIO) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (BIODIVERSITY\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Biodiversity and Ecosystems’ |
| **Taxonomy-aligned CAPEX (BIO) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (BIODIVERSITY\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Biodiversity and Ecosystems’ & Type of activity = ‘N/A' |

**Example based on Turnover:**

|  |
| --- |
|  |

##### ***Originated during period***

This variable is applicable both for all type of transactions and for all sectors (i.e. sectors of local governments, non-financial corporations, financial corporations and households can be classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| ORDP1 | Yes | Si |
| ORDP2 | No | No |

Refers to the year in which the financial asset was recorded in the entity's balance sheet:

* **Originated during period = Yes** (i.e. new transactions), refers to the new production generated since January 1st of the reporting year.

For example, for reference date as of June 2023 and December 2023: loans with date of origination ≥ ‘1 January 23’

* **Originated during period = No (i.e. stock),** refers to the production generated before January 1st of the reporting year.

##### ***European Union***

This variable is applicable both for specific and general-purpose transactions, and only for non-financial corporations and financial corporations (credit institutions + other financial corporations)’ sectors (i.e. sectors of general governments and households cannot be classified under this metric).

Possible values in the Satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| EU1 | EU Area | Unión Europea |
| EU2 | Non EU Area | No Unión Europea |

This metric will allow to differentiate whether the location of the counterparties is within the EU or not. This metric is only necessary in case that counterparty is not subject to NFRD.

##### ***CNAE and NACE\_Level 4***

This variable is applicable both for specific and general-purpose transactions, only for non-financial corporations (i.e. sectors of general governments, financial corporations and households cannot be classified under this metric).

This metric should be reported just as it is being reported in satellite MdD\_79\_CESG\_CNAE\_ESG / MdD\_219\_CESA\_CNAE\_ESG\_Automático, at NACE level 4 (explained in section 2.1)

Exposure at NACE level 4 reported in satellite 84 – GAR has to be equal to the exposure reported in satellite 79-NACE.

#### 4.1.3.2 Metrics for MdD\_127\_AUMG\_Assets Under Management GAR

##### ***NFRD disclosure***

Same definition as explained in section iii of 4.1.4.1.

##### ***Originated during period***

Refers to the year in which the financial asset was recorded in the entity's balance sheet:

* **Originated during period** = Yes (i.e. new transactions), refers to the new production generated since January 1st of the reporting year.

For example, for reference date as of June 2024 and December 2024: loans with date of origination ≥ ‘1 January 24’

* **Originated during period = No** (i.e. stock), refers to the production generated before January 1st of the reporting year.

##### ***General specific***

Same definition as explained in section vi of 4.1.3.1. Additional information below:

* **Specific purpose:** should be classified as General\_Specific purpose = “Specific” in the satellite, and include the following activities:
* **Investments in real estate**
* **Debt securities** with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking, on the basis of information provided by the investee undertaking
* **General purpose**: the rest of the financing, should be classified as General\_Specific purpose = “General”

##### ***Specific eligible***

This metric only applies to specific purpose transactions (as explained above), and shall be considered specific eligible if they contribute to an activity covered by the EU Taxonomy

* **Investments in real estate**, shall be considered eligible, that is, in the satellite should be classifies as specific eligible = climate change mitigation**.**
* **Debt securities** with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking, related to activities included in the EU Taxonomy. These activities shall be considered eligible, that is, in the satellite should be classifies as specific eligible = climate change mitigation**.**

##### ***Specific sustainable***

For next disclosures, all specific exposures should be classified as specific sustainable= “No” (as the corporation is working on reviewing the criteria to ensure full alignment and compliance with the EU Taxonomy).

##### ***Remaining columns for general purpose***

Same definition as explained in section x of 4.1.3.1. Eligibility and alignment ratios of counterparties (NFC, asset managers, credit institutions, investment firms or insurance and reinsurance) will be applied to the portfolio with general purpose.

# 5. CLIMATE CHANGE MITIGATING ACTIONS: OTHER

### Introduction

The Group shall disclose purchased bonds (issued by third counterparties out of the Group) as well as loans that are not aligned with the EU Taxonomy and, thus, not considered in GAR and BTAR, but that still support counterparties in the process of transition and adaptation to climate change mitigation and climate change adaptation objectives such as green, sustainable, sustainability-linked under standards other than the EU standards.

In the narrative accompanying Template 10, detailed explanations on the nature and type of reflected climate mitigating actions shall be included. Particularly, information on:

* The type of risks that they aim to mitigate;
* Climate change objectives that they support the related counterparties;
* Why these exposures are not fully aligned with the EU Taxonomy regulation, but still contribute towards mitigating climate change risk transition or physical risk;
* Any other relevant information that may help understand the risk management framework of the institution.

### Link with satellites and data dictionary

| **Satellite** | **Satellite dimensions and metrics** | **Data dictionary variables** |
| --- | --- | --- |
| MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_Automático | Purpose ESG | * Purpose ESG |
| MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_Automático | Green financial instrument | * SFCS Category * Flag eligible under EU Taxonomy * Flag aligned under EU Taxonomy * Financing Category |
| MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_Automático | Funding type | * SFCS Category * Flag eligible under EU Taxonomy * Flag aligned under EU Taxonomy * Financing Category |
| MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_Automático | Risk Mitigated CCT | * Climate change transition risk |
| MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_Automático | Risk Mitigated CCP | * Climate change physical risk |
| MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_Automático | Comments | n.a. |

### Functional guidelines

The Unit will have to fill in the “MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_AutomáticoMdD\_83\_MITI\_Mitigation actions” Satellite, which will allow to build the quantitative and typified part of the template 10, as well as a management report with additional information that will support the elaboration of the qualitative comments.

#### 5.1.3.1 Purpose ESG

Within the MdD\_83\_MITI\_Mitigation actions / MdD\_221\_MITA\_Mitigation actions\_AutomáticoMdD\_83\_MITI\_Mitigation actions satellites it will be necessary to identify additional breakdown, regarding the types of loans to all sectors. Different from the metric with the same name included in the GAR, in this case, it will only be applicable, in case it is an activity that mitigates climate change (i.e: Green Financial Instrument = Yes, this metric is explained in more detail later).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| PESG1 | Building renovation loans | Préstamos para renovación de edificios |
| PESG2 | Motor vehicle loans | Préstamos para vehículos motorizados |
| PESG3 | Building acquisition | Adquisición de viviendas |
| PESG4 | Other purpose | Otras finalidades |

The identification of this metric could be done through two ways: 1) with the SFCS categories and alignment flags, in case of having the transactions classified, or 2) in case of not having the SFCS classification available, depending on the specific local product related to auto loans, building renovations and others.

* **Motor vehicle loans:**
* Gas and plug-in hybrid cars that pollute more than 50g CO2 per km.
* Electric and vehicles that pollute less than 50g CO2: loans granted before 01/01/2022 or different from categories M1[[28]](#footnote-29), N1[[29]](#footnote-30) and L (Motorbikes).
* **Building acquisition:**
* **Buildings built before 31 December 2020:** exposure with associated high physical risk can be classified as “green” in Satellite 83 (i.e. exposure flagged as physical risk = "yes”). Additionally, modelled EPC labels (and EP scores in the case of Poland) and other sector buildings (RRE and CRE) can be included following the same criteria that appears below**:**
* **Spain**: energy performance certificate (EPC) C or above
  + In case of the following Autonomous Communities, EPC D are also considered: Asturias, Canarias, Cantabria, Cataluña, Extremadura, Murcia, País Vasco and Valencia.
* **UK**: energy performance certificate (EPC) B or above (\*see note below)
* **Portugal**: energy performance certificate (EPC) B or above (excluding EPC B-)
* **Poland:** Primary Energy Demand (PED or [budynek\_oceniany\_zapotrzebowanie\_ep]) < 76 kWh/m2/year in the case of RRE and <118 kWh/m2/year for CRE.
* **Germany**: energy performance certificate (EPC) A or above
* **Buildings built after 31 December 2020:**
* **Spain:** buildings with EPCs A/B/C (and D when applicable) not included in GAR due to its consumption is above the <10% limit set by the ZNEB or has high physical risk associated. Additionally, buildings with modelled EPCs A/B/C (and in the case of the following Autonomous Communities, EPC D are also considered: Asturias, Canarias, Cantabria, Cataluña, Extremadura, Murcia, País Vasco and Valencia) that have been estimated.

In the absence of a record of the climate zone of a building, but with an EPC available, the building should be marked as green in accordance with the criteria for buildings constructed before 31 December 2020.

* **UK:** residential buildings with EPCs A/B not included in GAR due to its consumption is above the <10% limit set by the ZNEB or has high physical risk associated (\*see note below). Commercial buildings with EPCs A/B must be flagged as green. Additionally, buildings with modelled EPCs that comply with the thresholds must be included.
* **Portugal:** residential buildings with EPCs A/B not included in GAR due to its consumption is above the <10% limit set by the ZNEB or has high physical risk associated. Commercial buildings with EPCs A/B must be flagged as green. Additionally, buildings with modelled EPCs that comply with the thresholds must be included.
* **Poland:** residential buildings with Primary Energy Demand (PED) below 63 kWh/m2/year not included in GAR because the consumption is above the <10% limit set by the ZNEB or has high physical risk associated. Commercial buildings with PED <118 kWh/m2/year must be flagged as green. Additionally, buildings with modelled PEDs that comply with the thresholds must be included.

**Germany:** residential buildings with EPCs A not included in GAR due to its consumption is above the <10% limit set by the ZNEB or has high physical risk associated. Commercial buildings with EPCs A must be flagged as green. Additionally, buildings with modelled EPCs that comply with the thresholds must be included.

**Note**: Since, currently, it is not possible from **UK** to identify the construction year of the buildings, the following approach has been decided for February and August 2024 report until such data is provided, in case of residential buildings < 5.000m2:

* + Loans granted before 2021: classified on the basis of the pre-2021 construction criteria (i.e. Energy Performance Certificate (ECP) B or above with physical risk associated).
  + Loans granted after 2021:
    1. Buildings built before 2011 (according to the buckets set by the UK government) will be classified on the basis of the pre-2021 construction criteria (i.e. Energy Performance Certificate (ECP) B or above with physical risk associated).
    2. For buildings i) classified in the building construction bucket after 2011 (according to the UK government) and ii) with EPC label emitted before 2021, the pre-2021 construction criteria will be applied (i.e. Energy Performance Certificate (ECP) B or above with physical risk associated).
    3. *Rest of loans*: buildings with EPCs A/B not included in GAR due to its consumption is above the <10% limit set by the ZNEB or has high physical risk associated.
* Regardless the construction year, buildings that have obtained or will obtain in the future one of the following certificates, excluded form Satellite 84 due to having physical risk associated:
* HQE SB v4. Certification
* Net Zero Energy Building Certification TM (NZEB)
* Low-Carbon Buildings Climate Bond Initiative (CBI) Certification
* **Building renovation:** all loans classified under the SFCS category *‘5.1 Green buildings (in case the activity is Retrofit of existing buildings that achieve a minimum 30% reduction in Primary Energy Demand)’, 5.2 ‘Energy efficiency equipment in buildings’,’ 5.3. Renewable energy infrastructure in buildings’ and ‘5.4. Instruments and devices to enhance buildings’ energy use’ can be included.*
* **Other purpose:** includes allSFCS categories except 2.1 ‘Land Transport’ & 5.1 ‘Green buildings’ 5.2‘Energy efficiency equipment in buildings’, 5.3. Renewable energy infrastructure in buildings’ and ‘5.4. Instruments and devices to enhance buildings’ energy use’ & Flag aligned under SFCS = ”TRUE”

#### 5.1.3.2 Green Financial Instruments

The Unit must select *Yes* only if the operations have any of the following types of financing:

***i. Activities eligible under the SFCS but not under the EU Taxonomy:***

The EU taxonomy and the internal taxonomy developed by the Group (i.e., Sustainable Finance Classification System) are fairly aligned on the type of objectives and activities considered eligible and the corresponding certification criteria.

**Figure 6. Correlation chart between SFCS and EU Taxonomy**

A picture containing chart

Description automatically generated

Source: own elaboration

However, there are some activities from non-financial corporations, financial corporations and local governments that are green/aligned under the SFCS (management criterion, including external verification) but are not aligned with the EU Taxonomy. For next disclosures, due to the impossibility of ensuring full alignment with EU Taxonomy and compliance with DNSH and MSS, these activities will be excluded from Template 7 (GAR) and will be reported in Template 10 (Other Mitigating Actions).

All specific activities of financial corporations, non-financial corporations and local governments that have been flagged as aligned under the SFCS (not taking into account the EU Taxo flag of the SFCS process, as it does not ensure full alignment with the EU Taxo) can be reported in this satellite as Green Financial instruments= “Yes”.

Also, to be included in this satellite are activities such as Agriculture, forestry and livestock and Biodiversity and conservation projects that are not considered in the EU Taxo.

The SFCS covers social transactions too, although no social activities have been published yet in the EU Taxonomy nor they are included in the EBA templates, as so far, they focus on the climate angle only.

The SFCS, apart from focusing on the classification of sustainable activities, includes **Sustainability Linked Instruments**, which are not covered by the EU Taxonomy.

* This type of transactions does not necessarily require a specific use of proceeds, but rather they are designed to incentivize clients to achieve for their sustainability goals and commitments. The borrower’s sustainability performance is measured using predefined sustainability performance targets (SPTs), as measured by predefined key performance indicators (KPIs).
* In case a transaction can be considered as "Specific Purpose” and “Sustainability Linked Finance" at the same time, i.e., the use of proceeds is known and additional KPIs have been established to improve the sustainable objectives of the counterparty, it will not be reported in this Satellite, since due to alignment with the EU Taxonomy it would be informed in the GAR / BTAR.

Note: The Group is currently financing Sustainability Linked Instruments (loans and bonds) with green and social Sustainability Performance Targets (SPT). Nevertheless, for this Pillar 3 report, only those SLL with green targets should be taken into account, as the report is on climate information.

***ii. Activities eligible under the SFICS but not under the EU Taxonomy***

Following the introduction of SFICS, the majority of the activities might be aligned with the EU Taxonomy. In this satellite, all activities marked through the SFCIS that have the Eligibility = ‘Santander specific’ mark must be reported.

***iii. Activities eligible under the taxonomies of other geographies but not under the EU Taxonomy***

In line with the previous point (i), in the short term it will be necessary to take into account those activities that are considered eligible under other taxonomies of other geographies (for example taxonomies that are currently under development such as in UK or Mexico), but that are not considered eligible under the EU Taxonomy.

***iv. Bonds***

In addition, those bonds recorded on the asset side as debt securities that are green bonds, sustainable bonds that are linked to aspects on climate change or sustainability-linked bonds (with KPIs related to climate change) under standards other than the EU standards, different from the EU Taxonomy (for example, flagged by an external agency such as Bloomberg, bonds aligned with the SFCS, SFICSor DCM bonds that are aligned with ICMA, etc), should also be included in the MITI satellite.

On the other hand, given that for next disclosures all specific exposures for financial, non-financial and local governments are being classified as specific sustainable= “No” in the GAR (as the corporation is working on reviewing the criteria to ensure full alignment and compliance with the EU Taxonomy), **bonds aligned exposures will be also excluded** **from Template 7 (GAR), and will be reported as green in this Satellite 83 - MITI.**

In the case of including bonds information in MITI satellite, it will be necessary to report HQ the support of this tagging for its review.

#### 5.1.3.3 Funding type

In relation to the Green Financial instruments field, where the Unit will only identify by a YES/NO indicator if the financing is not aligned under the EU Taxonomy, but that still support counterparties in the transition and adaptation process for the objectives of climate change mitigation and climate change adaptation, the funding type field is included to provide more detail on the type of activity or type of operative.

In this regard, the following types of financing that have been assessed by the SFCS or the SFICS are included as a closed list:

|  |
| --- |
| **1) Agriculture, forestry, and livestock**  SFCS Category (level 1) = *‘4. Agriculture, forestry, and livestock’*  SFICS Category (level 1) = *‘A.7 Agriculture’ & Eligibility = ‘Santander specific’* |
| **2) Sustainability Linked Instruments**  Financing Category (according to the SFCS) (level 2) = ‘*Sustainability Linked Finance’*  *Financing Category (according to the SFICS) = ‘Appendix C. Sustainability-linked Finance’* |
| **3) Biodiversity and conservation projects***– only green*  SFCS Category (level 2) = *‘8.2 Biodiversity and conservation projects’* |
| **4) Water and waste management**  SFCS Category (level 1) = ‘6. Water and waste management’  SFICS Category (level 1) = *‘A.6 Water and Waste’ & Eligibility = ‘Santander specific’* |
| **5) Energy**  SFCS Category (level 1) = ‘1. Energy’  SFICS Category (level 1) = *‘A.1 Energy’ & Eligibility = ‘Santander specific’* |
| **6) Others**  Rest of SFCS activities not included in the previous categories  Rest of SFICS activities not included in previous categories that have the flag *Eligibility = ‘Santander specific’* |

* The first two items belong to **SFCS activities but are not eligible under the EU Taxonomy** because there are not activities contemplated.

*How to identify the section to be included here?*

SFCS Category (4. Agriculture, forestry, and livestock 🡪 *all level 2 categories* & 8. Other activities related to climate change mitigation/adaptation 🡪 *8.2 Biodiversity and conservation projects)*

* The third item to Sustainability Linked instruments.
* Next is the value **Others**, this category will allow to incorporate other types of relevant exposures not covered by other categories.
  + All other SFCS and SFICS activities that meet the eligibility criteria and have not been included as funding type 1, 2, 3, 4 or 5 should be included here.
  + Plug-in hybrid electric vehicles (PHEV) or gas vehicles that pollute more than 50g of CO2 per km can also be included 🡪 non-plug-in hybrid vehicles are excluded since they are not considered alternative fuels according to the European Alternative Fuels Observatory of the European Commission[[30]](#footnote-31). If plug-in hybrids and gas vehicles emissions are not available, they can also be reported.
    - Electric and other vehicles from categories distinct to M1 and N1 polluting less than 50g CO2/Km
    - Car loans aligned with EU Taxonomy (i.e.: electric or hybrids cars from category M1 and N1 polluting less than 50g CO2/Km) but granted before 01/01/2022.

Note: The exposure flagged in the **GAR** satellite as Specific Purpose Eligible for Financial and NFC (for the latest, only those under the category "Other purpose") **must corresponds with what is reported in the MITI satellite as green** (Green Financial Instrument), **excluding activities in agriculture, biodiversity, and SLL of the SFCS and the activities of the SFICS described in the section above (*4.1.4.1 Metrics for MdD\_84\_GARB\_GAR & BTAR / MdD\_222\_GARB\_GAR & BTAR\_Automático*).** The objective of these validations will be to avoid double counting, ensure the alignment between satellites and the correct reporting of the total green exposure of the group.

* **Comments**

The objective of this metric is to capture additional information on the type of mitigation action of the financing. This section is mandatory if the unit selects "Others" in the Funding Type metric.

#### 5.1.3.4 Risk Mitigated CCT / Risk mitigated CCP

As stated in Article 18a:

* + - *‘Transition risk’, as part of the overall environmental risk, means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of the transition to an environmentally sustainable economy on the institution’s counterparties or invested assets.*
  + *Physical risk’, as part of the overall environmental risk, means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of the physical effects of environmental factors on the institution’s counterparties or invested assets.*

In the ***Risk Mitigated CCT*** metric, the unit will select whether the financing is mitigating any of the following transition risks defined by the TCFD *(Task Force on Climate-Related Financial Disclosures)*:

* **Policy and legal**:
  + **Policy actions** around climate change continue to evolve. Their objectives generally fall into two categories — policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change. Some examples include implementing carbon-pricing mechanisms to reduce GHG emissions, shifting energy use toward lower emission sources, adopting energy-efficiency solutions, encouraging greater water efficiency measures, and promoting more sustainable land-use practices. The risk associated with, and financial impact of policy changes depend on the nature and timing of the policy change.
    - Another important risk is **litigation or legal risk**. Recent years have seen an increase in climate related litigation claims being brought before the courts by property owners, municipalities, states, insurers, shareholders, and public interest organizations. Reasons for such litigation include the failure of organizations to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks. As the value of loss and damage arising from climate change grows, litigation risk is also likely to increase.
* **Technology risk**: Technological improvements or innovations that support the transition to a lower-carbon, energy efficient economic system can have a significant impact on organizations. For example, the development and use of emerging technologies such as renewable energy, battery storage, energy efficiency, and carbon capture and storage will affect the competitiveness of certain organizations, their production and distribution costs, and ultimately the demand for their products and services from end users. To the extent that new technology displaces old systems and disrupts some parts of the existing economic system, winners and losers will emerge from this “creative destruction” process. The timing of technology development and deployment, however, is a key uncertainty in assessing technology risk.
* **Reputational risk**: shifts in consumer preferences, increased stakeholder concern/negative feedback or stigmatization of the sector. Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions of an organization’s contribution to or detraction from the transition to a lower-carbon economy.
* **Market risk**: changing consumer behavior or Increase cost of raw materials. While the ways in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities, products, and services as climate-related risks and opportunities are increasingly taken into account.

Additionally, for the metric ***Risk Mitigated CCP****,* the unit shall identify whether it is a chronic or acute hazard as defined by the TCFD *(Task Force on Climate-Related Financial Disclosures)*) and give additional details, whether it is to avoid floods, cyclones, droughts or sea level rise, heat, water stress among others.

* **Acute Risk**: Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.
* **Chronic Risk**: Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Instructions for assigning the type of risk mitigated:

* As a general rule, all activities included in this satellite will be considered to mitigate **transition risk**. It will be at the discretion of the unit to select the type of risk mitigated, however if for any reason, the identification of the mitigated risk becomes a difficult and impossible task, the default value ***Policy and Legal risk*** can be selected. On the other hand, the value for the *Risk Mitigated CCP* metric here will be “Non mitigated”.
* However, there is one activity that have been identified to mitigate **physical risk (*chronic*)**, and it is the following related to Agriculture according to the SCFS:

**4.5. Land conservation and restoration & Soil Remediation**

* The restoration of native and high conservation value forests
* The preservation of biodiverse land or valuable natural habitats
* The permanent conservation of land
* Soil Remediation / remediating contaminated soil /land (not caused by the client/borrower, or the cause of contamination has been eliminated)

**Note**: in the event that the operation included mitigates more than one risk, the total amount will be allocated to the main risk, however the comment field may be used to complement with the rest of the mitigated risks.

# 6. ADDITIONAL GAR KPIS: ASSET MANAGERS, INSURANCE AND INVESTMENT FIRMS

### 6.1.1 Introduction

According to the European Commission, credit institutions must disclose additional KPIs for asset managers, insurance and reinsurance undertakings and investment firms.

This perimeter only applies to some societies. Each section will specify which society has to report the additional KPIs. The following societies have to report additional KPIs:

|  |  |  |
| --- | --- | --- |
| **KPI applicable** | **Society number** | **Society name** |
| Asset managers | 1 | Banco Santander, S.A |
| Asset managers | 12 | Banco Santander (Brasil) S.A. |
| Asset managers | 130 | Santander Pensiones, E.G.F.P. |
| Asset managers | 131 | SAM, SGIIC. |
| Asset managers | 428 | Santander Pensões |
| Insurance | 447 | Santander Totta Seguros, Companhia de Seguros de vida, S.A. |
| Asset managers | 503 | SAM S.G.O.I.C |
| Asset managers | 518 | Santander Río Asset Management Gerente de Fondos Comunes de Inversión S.A. |
| Asset managers | 552 | SAM Sociedad Operadora de Fondos Inversión |
| Insurance | 601 | Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. |
| Insurance | 673 | Santander Capitalização S.A. |
| Asset managers | 954 | SAM Luxembourg |
| Asset managers | 968 | SAM Administradora General de Fondos |
| Asset managers | 1552 | Santander Brasil Gestão de Recursos LTDA |
| Asset managers | 1609 | Santander Towarzystwo Funduszy Inwestycyjnych S.A. |
| Asset managers | 2700 | Santander Asset Management UK LIMITED |
| Asset managers | 4247 | Santander Alternative Investments SG |

**Asset managers KPI**

The KPI related to asset managers is based on investments directed at or related to financing taxonomy-aligned assets as a percentage of total investments.

The green ratio for **assets under management** **(Assets under management KPI)** shall be the proportion of assets under management (equity and debt instruments) from undertakings financing Taxonomy-aligned economic activities, compared to total assets under management (equity and debt instruments). This shall include disclosures of stock and flow.

The methodology for the computation of the AuM KPI shall be based on:

* Turnover and CAPEX KPIs of the counterparties, when the use of proceeds is unknown (NFC, asset managers, credit institutions, investment firms or insurance and reinsurance)
* Taxonomy-aligned economic activities, when the use of proceeds is known, i.e.: debt securities with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking and investments in real estate.

**Insurance and reinsurance undertakings KPI**

The KPI related to investments by insurance or reinsurance undertakings shall present the weighted average of those investments that are directed at funding, or are associated with Taxonomy-aligned economic activities.

The methodology for the computation of the Insurance and reinsurance KPI shall be based on:

* + Turnover and CAPEX KPIs of the counterparties, when the use of proceeds is unknown (NFC, asset managers, credit institutions, investment firms or insurance and reinsurance)
  + Taxonomy-aligned economic activities, when the use of proceeds is known, i.e.: debt securities with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking and investments in real estate.

**Investment firms KPI**

For the computation of the GAR for investment firms’ services and activities dealing on own account, investment firms shall rely on the KPI of investee undertakings for each environmental objective.

### Link with satellites and KPIs

In order to report all Taxonomy-alignment KPIs required by the European Commission, a satellite has been created. The table below shows the relationship between the satellite and the KPIs:

|  |  |
| --- | --- |
| **Satellite** | **KPI** |
| MdD\_127\_AUMG\_Assets Under Management GAR | * AuM KPI |
| MdD\_84\_GARB\_GAR& BTAR | * Insurance and reinsurance undertakings KPI |
|  | * Investment firms KPI |

These are the metrics that are needed to complete the satellite:

| **Satellite** | **Satellite metric** |
| --- | --- |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Main Category Asset Management |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Asset Management Portfolio |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Investment Sector |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | ESG Subsector |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | NFRD disclosures |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Originated during period |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | General Specific Purpose |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Specific eligible |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Specific sustainable |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Management society |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | European Union |
| MdD\_**127\_AUMG\_Assets Under Management GAR** | Taxonomy-eligible Turnover CCM // Taxo-aligned Turnover CCM Pure // Taxo-aligned Turnover CCM Trans // Taxo-aligned Turnover CCM Enabl // Taxonomy-eligible Turnover CCA // Taxo-aligned Turnover CCA Pure // Taxo-aligned Turnover CCA Enabl // Taxonomy-eligible Turnover WTR // Taxo-aligned Turnover WTR Pure // Taxo-aligned Turnover WTR Enabl // Taxonomy-eligible Turnover CE // Taxo-aligned Turnover CE Pure // Taxo-aligned Turnover CE Enabl // Taxonomy-eligible Turnover PPC // Taxo-aligned Turnover PPC Pure // Taxonomy-eligible Turnover BIO // Taxo-aligned Turnover BIO Pure // Taxonomy-eligible Capex CCM // Taxo-aligned Capex CCM Pure // Taxo-aligned Capex CCM Trans // Taxo-aligned Capex CCM Enabl // Taxonomy-eligible Capex CCA // Taxo-aligned Capex CCA Pure // Taxo-aligned Capex CCA Enabl // Taxonomy-eligible Capex WTR // Taxo-aligned Capex WTR Pure // Taxo-aligned Capex WTR Enabl // Taxonomy-eligible Capex CE // Taxo-aligned Capex CE Pure // Taxo-aligned Capex CE Enabl // Taxonomy-eligible Capex PPC // Taxo-aligned Capex PPC Pure // Taxonomy-eligible Capex BIO // Taxo-aligned Capex BIO Pure |

### Functional guidelines

#### Asset managers KPI (Metrics for MdD\_127\_AUMG)

##### ***NFRD disclosure***

This variable is applicable for both types of transactions, specific and general-purpose transactions, and for financial and non-financial corporations (i.e. this variable does not apply to the sector of general governments).

Possible values in the satellite for classifying transactions under this metric are the followings:

| **ID** | **Name [EN]** | **Nombre [ES]** |
| --- | --- | --- |
| NFRD1 | Subject to NFRD | Sujeto a NFRD |
| NFRD2 | Not subject to NFRD | No sujeto a NFRD |

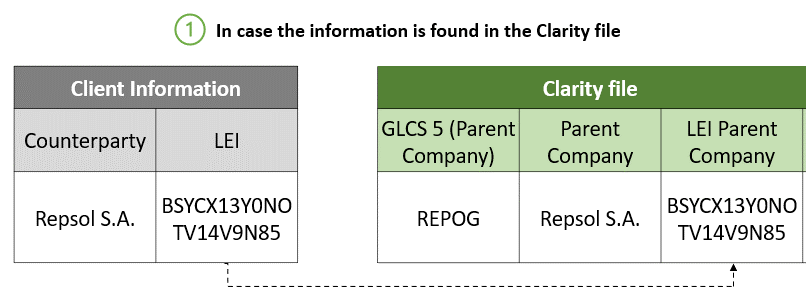
For the purpose of this report, **a counterparty will be flagged as “Subject to NFRD” in the satellite** using the information captured from the external provider Clarity (this flag is based on the European directive, not local transpositions. However, if additional NFRD flags are available locally or a unit has been able to identify a company subject to NFRD, this information can be used). To help units, a list of counterparties with their corresponding NFRD information has been provided *[Excel: Pillar 3 ESG – GAR External Data (the updated version is permanently available in the ESG\_Pillar 3\_Regulatory Reporting teams)]*, using:

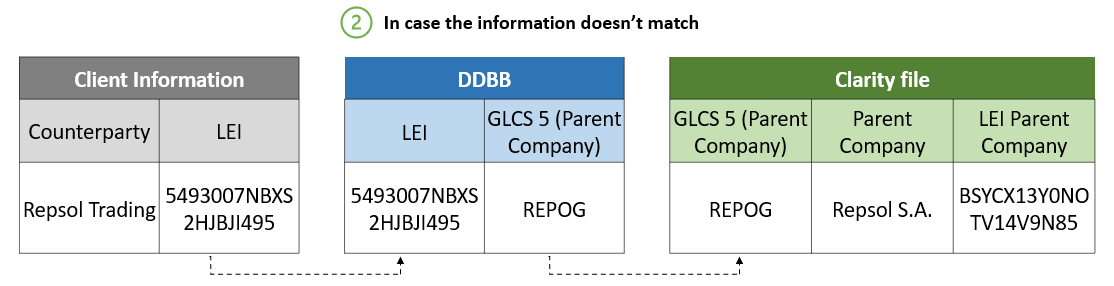
* LEI
* ISIN
* PERMID
* Name of the counterparty
* GLCS 5 of the group in case of the parent company, for its identification

##### ***Exposure on counterparties***

Depending on the information available, the following steps will apply:

1. *If the LEI of the counterparty is found in Clarity file, its own information will directly be applied (NFRD, eligibility and alignment ratios, etc):*



1. *If the LEI of the counterparty is not found within the Clarity data or it is found but the information is empty, the GLCS 5 of its corresponding parent company will have to be identified and its associated information will be applied to the counterparty.*

##### ***Exposure on funds***

In the case of funds, in the Clarity file (Santander\_GAR\_Funds), the columns different from 0 refer to investees in NFRD equities and these ratios has to be considered in the KPI and included in the numerator. In case all the columns are equal to 0, the fund does not invest in NFRD equities and will not add up in the numerator.

##### ***Originated during period***

Refers to the year in which the financial asset was recorded in the entity's balance sheet:

* **Originated during period** = Yes (i.e. new transactions), refers to the new production generated since January 1st of the reporting year.

For example, for reference date as of June 2024 and December 2024: loans with date of origination ≥ ‘1 January 24’

* **Originated during period = No** (i.e. stock), refers to the production generated before January 1st of the reporting year.

##### ***General specific***

This variable is applicable for all sectors (i.e., sectors of financial -composed by credit institutions + other financial corporations-, non-financial corporations, local governments, and repossessed collaterals are classified under this metric) as explained below.

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| GSPUR1 | General purpose | Financiación generalista |
| GSPUR2 | Specific purpose | Financiación con fin específico |

Below the breakdown of activities included as specific/general purpose eligible within each sector is presented:

* **Specific purpose:** should be classified as General\_Specific purpose = “Specific” in the satellite, and include the following activities:
* **Investments in real estate**
* **Debt securities** with the purpose of financing specific identified activities or projects
* **Environmentally sustainable bonds** issued by an investee undertaking, on the basis of information provided by the investee undertaking
* **General purpose**: the rest of the financing, should be classified as General\_Specific purpose = “General”

##### ***ESG Subsector***

In MdD\_127\_AUMG\_Assets Under Management GAR satellite, it is necessary to identify the additional breakdown by subsector for general governments regardless of the type of transaction (specific or general purpose). Non-financial corporations, other financial corporations and credit institutions cannot be classified under this metric.

Possible values in the satellite for classifying transactions under this metric are the followings:

Available values for general governments:

| **ID** | **Name [EN]** | **Nombre [ES]** |
| --- | --- | --- |
| ESGS1 | Local governments | Gobiernos locales |
| ESGS2 | Sovereigns | Soberanos |

Local governments are those governments that are not central governments, state, governments; social security funds; and international organizations. Due to a 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, published on 21/12/2023, exposures to regional governments are included under local governments. Sovereigns: Including exposure of everything that is not included in "Local governments" but is within the FINREP perimeter - in the category "General government".

##### ***Specific eligible***

This metric only applies to specific purpose transactions (as explained above), and shall be considered specific eligible if they contribute to an activity covered by the EU Taxonomy

* **Investments in real estate**, shall be considered eligible, that is, in the satellite should be classifies as specific eligible = climate change mitigation**.**
* **Debt securities** with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking, related to activities included in the EU Taxonomy. These activities shall be considered eligible, that is, in the satellite should be classifies as specific eligible = climate change mitigation**.**

##### ***Specific sustainable***

For next disclosures, all specific exposures should be classified as specific sustainable= “No” (as the corporation is working on reviewing the criteria to ensure full alignment and compliance with the EU Taxonomy).

##### ***Management society***

This metric has two variables, Yes and No. If the society belongs to Santander Asset Management, it should be marked as Yes, but if it is a credit institution, it should be marked as No.

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| MSOC1 | Yes | Sí |
| MSOC2 | No | No |

##### ***European Union***

This metric is applicable both for specific and general-purpose transactions, and only for non-financial corporations and financial corporations (credit institutions + other financial corporations)’ sectors (i.e. sectors of general governments and households cannot be classified under this metric).

Possible values in the Satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| EU1 | EU Area | Unión Europea |
| EU2 | Non EU Area | No Unión Europea |
|  |  |  |

##### ***Remaining columns for general purpose***

Same definition as explained in section x of 4.1.3.1. Eligibility and alignment ratios of counterparties (non financial corporations, asset managers, credit institutions, investment firms or insurance and reinsurance) will be applied to the portfolio with general purpose.

To determine the eligibility and alignment of the exposure, the files from the external provider, Clarity, should be used. Clarity provides us 3 files with the ratios depending on the type of asset (bond, fund or corporates) and an additional file to establish a correlation between ISIN and PERMID of the corporate.

#### Insurance and reinsurance undertakings KPI (Metrics for MdD\_84\_GARB\_GAR & BTAR)

##### ***Main category***

This variable is applicable for all sectors. Although there are several main categories, the ones that apply to this KPI are debt securities acquired, investments in subsidiaries, joint ventures and associates, equity instruments and tangible assets (Real Estate). Therefore, the remaining categories do not need to apply the green indicators and the specific eligible indicator should be classified as "No".

##### ***General\_Specific purpose***

This variable is applicable for all sectors (i.e., sectors of financial -composed by credit institutions + other financial corporations, non-financial corporations, local governments, households, and repossessed collaterals are classified under this metric) as explained below.

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| GSPUR1 | General purpose | Financiación generalista |
| GSPUR2 | Specific purpose | Financiación con fin específico |

Below the breakdown of activities included as specific/general purpose eligible within each sector is presented:

* **Financial and non-financial corporations:** the following exposures are considered specific purpose:
  + - Real Estate whose use of proceeds is related to acquisition and ownership of buildings.
* **Debt securities:** the unit should conduct a look-through of their portfolio of debt securities to determine which are issued with a specific purpose.

Rest of financial and non-financial corporations’ loans will be considered general purpose.

* **General governments:**
  + - **Local governments**: the following exposures are considered specific purpose:
      * Debt securities with the purpose of financing specific identified activities or projects
      * Environmentally sustainable bonds issued by an investee

Rest of local governments loans will be considered general purpose.

* + - **Sovereign**: N/A, out of the scope
* **Households:** No exposure to households is expected as only investments are reported.
* **Collateral obtained by taking possession: No exposure on this type of asset is expected as only investments are reported.**
* **Funds:** this type of asset will be considered general purpose. It will be necessary to allocate the different assets in the fund to assess how the exposure is distributed across sectors

##### .***ESG Subsector***

In MdD\_84\_GARB\_GAR& BTAR satellite, it is necessary to identify the additional breakdown by subsector for other financial corporations and general governments regardless of the type of transaction (specific or general purpose). Non-financial corporations, credit institutions, households and collateral obtained by taking possession cannot be classified under this metric.

Possible values in the satellite for classifying transactions under this metric are the followings:

Available values for **other financial corporations** [the field **industry** of C*lients BIS* table or **accounting sector** from BDR may be used to identify the following breakdown]

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| ESGS3 | Investment firms | Empresas de inversión |
| ESGS4 | Management companies | Compañías gestoras |
| ESGS5 | Insurance undertakings | Entidades de seguros |
| ESGS6 | Rest of other financial corporation | Resto de otras sociedades financieras |

Available values for general governments:

| **ID** | **Name [EN]** | **Nombre [ES]** |
| --- | --- | --- |
| ESGS1 | Local governments | Gobiernos locales |
| ESGS2 | Sovereigns | Soberanos |

Local governments are those governments that are not central governments, state governments; social security funds; and international organizations. Due to a 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, published on 21/12/2023, exposures to regional governments are included under local governments. [[31]](#footnote-32)

Sovereigns: Including exposure of everything that is not included in "Local governments" but is within the FINREP perimeter - in the category "General government".

##### ***Purpose ESG***

Within the MdD\_84\_GARB\_GAR& BTAR satellite it is necessary to identify the additional breakdown, for specific purpose transactions (not applicable for general purpose), for the total gross carrying amount, i.e., independently of whether the financing is eligible/aligned or not, regarding the use of proceeds of loans to households[[32]](#footnote-33), non-financial corporations and local governments (exposures of financial corporations, general governments and collateral obtained by taking possession are not classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| PESG1 | Building renovation loans | Préstamos para renovación de edificios |
| PESG2 | Motor vehicle loans | Préstamos para vehículos motorizados |
| PESG3 | Building acquisition | Adquisición de viviendas |
| PESG4 | Other purpose | Otras finalidades |

Specific purpose exposures must be classified within the following categories according to the use of proceeds of the loan:

* **Building renovations loans:** Not applicable for this KPI
* **Motor vehicle loans:** Not applicable for this KPI
* **Building acquisitions:** This includes property owned by the bank but not used for its own purposes.
* **Other purpose:** Debt securities with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee.

##### ***Specific eligible***

This variable is applicable for those transactions that have been classified as specific purpose (therefore, the eligibility ratios published by the counterparties cannot be applied to these exposures, since they are not general-purpose lending).

This variable is applicable for all sectors (i.e., financial, non-financial corporations, general governments, households, and collateral obtained by taking possession are classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| SELI1 | Climate change mitigation | Mitigación del cambio climático |
| SELI2 | Climate change adaptation | Adaptación al cambio climático |
| SELI3 | No | No |
| SELI4 | Water | Agua |
| SELI5 | Circular economy | Economía circular |
| SELI6 | Pollution | Contaminación |
| SELI7 | Biodiversity | Biodiversidad |

Eligible specific purpose transactions refer to an economic activity that is described in the EU Taxonomy, irrespective of whether that economic activity meets any or all technical screening criteria defined.

For this type of transactions, the following step will be to indicate whether the activity is eligible because it contributes to the first objective *(climate change mitigation)*, to the second *(climate change adaptation)*, to the third (*sustainable use and protection of water and marine resources*), to the fourth (*transition to a circular economy*), to the fifth (*pollution prevention and control*), to the sixth (*protection and restoration of biodiversity and ecosystems*) or otherwise it is not eligible *(No)*.According to the different sectors:

* **Non-financial, financial corporations and Local governments:** 
  + - **Motor vehicle loans:** Not applicable for this KPI.
    - **Building renovation loans:** Not applicable for this KPI.
    - **Building acquisitions:** all the exposure is eligible and should be flagged as Specific eligible = “Climate change mitigation”.

There is one exception in the case of real estate properties that are not susceptible to have an EPC and therefore can never be green (i.e., land, garages, storage rooms or warehouses). In this case, if it is possible their identification, they should be considered not eligible and flagged as Specific eligible = “No”.

* + - **Other purpose:** Includes bonds and debt securities not reported in previous categories, classified as specific purpose as concluded from the SFCS process and the ones that appear in the Clarity's sustainable bond file. Additionally, bonds and debt securities corresponding to an eligible activity of the EU taxonomy.

Financial corporations’ exposure should be flagged as even though it is not classified under this Purpose ESG metric.

Exposures qualified as eligible should be flagged as under **climate change mitigation** if the objective that they contribute is unknown.

* **Collaterals obtained by taking possession:** Not applicable in this KPI.

##### ***Specific sustainable***

This variable is applicable for those transactions that have been classified as specific purpose (therefore, the alignment ratios published by the counterparties cannot be applied to these exposures, since they are not general-purpose lending).

It is applicable for all sectors (i.e., sectors of financial, non-financial corporations, general governments, households, and collateral obtained by taking possession are classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| SSUS1 | Transitional | Transicional |
| SSUS2 | Enabling | Facilitadora |
| SSUS3 | Pure | Puro |
| SSUS4 | No | No |

In relation to the specific purpose financing, in case it has been considered eligible (climate change mitigation or adaptation following the criteria from the previous section), it is necessary to evaluate whether it is aligned/environmentally sustainable or not (i.e.: is aligned with the EU Taxonomy). The criteria to be applied in each sector are explained below:

* **Financial, non-financial corporations and local governments:**

For next disclosures, all specific exposures from these sectors should be classified as specific sustainable= “No” (as the corporation is working on reviewing the criteria to ensure full alignment and compliance with the EU Taxonomy).

Note that i) bonds flagged as “aligned” with the EU Taxonomy by an external provider and ii) SPVs (which includes project finance), which fall under this Specific Purpose category, will consequently be also flagged as specific sustainable= “No”.

##### ***Specialised lending***

This variable is applicable for non-financial corporations.

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| SPLE1 | Yes | Si |
| SPLE2 | No | No |

The unit shall report the gross carrying amount of Specialised lending (a subsection within the specific purpose category) as defined in CRR, Art. 147(8):

*Within the corporate exposure class laid down in point (c) of paragraph 2, institutions shall separately identify as Specialised lending exposures, exposures which possess the following characteristics:*

*a) the exposure is to an entity which was created specifically to finance or operate physical assets or is an economically comparable exposure;*

*b) the contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate;*

*c) the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.*

In this line, **at least all project finance exposure should be classified under this metric as “Specialised Lending” = “YES”.** All project finance exposures must be classified as eligible by default and will have the NFRD flag of their sponsors assigned (in case of multiple sponsors, the flags of the main sponsor will apply).

##### ***NFRD disclosures***

This variable is applicable for both types of transactions, specific and general-purpose transactions, and for financial and non-financial corporations (i.e. this variable does not apply to the sectors of general governments and households).

Possible values in the satellite for classifying transactions under this metric are the followings:

| **ID** | **Name [EN]** | **Nombre [ES]** |
| --- | --- | --- |
| NFRD1 | Subject to NFRD | Sujeto a NFRD |
| NFRD2 | Not subject to NFRD | No sujeto a NFRD |

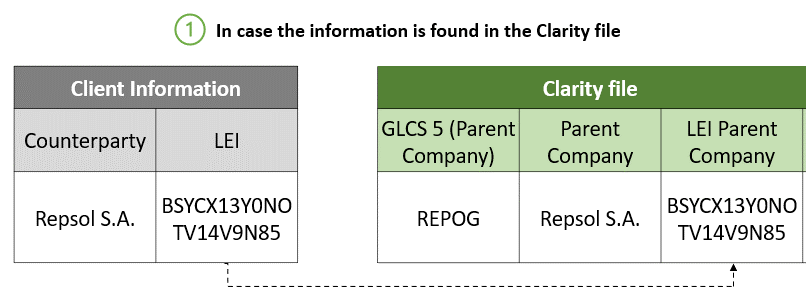
For the purpose of this report, **a counterparty will be flagged as “Subject to NFRD” in the satellite** using the information captured from the external provider Clarity (this flag is based on the European directive, not local transpositions. However, if additional NFRD flags are available locally or a unit has been able to identify a company subject to NFRD, this information can be used). To help units, a list of counterparties with their corresponding NFRD information has been provided *[Excel: Pillar 3 ESG – GAR External Data (the updated version is permanently available in the ESG\_Pillar 3\_Regulatory Reporting teams)]*, using:

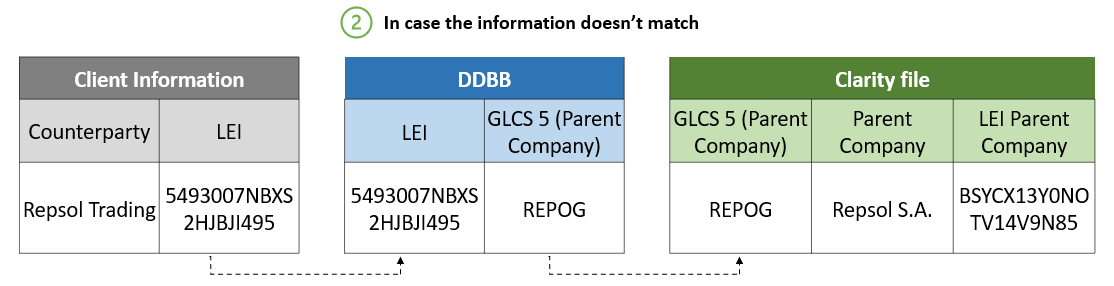
* LEI
* ISIN
* PERMID
* Name of the counterparty

##### GLCS 5 of the group in case of the parent company, for its identification***Exposure on counterparties***

Depending on the information available, the following steps will apply:

1. *If the LEI of the counterparty is found in Clarity file, its own information will directly be applied (NFRD, eligibility and alignment ratios, etc):*



1. *If the LEI of the counterparty is not found within the Clarity data or it is found but the information is empty, the GLCS 5 of its corresponding parent company will have to be identified and its associated information will be applied to the counterparty.*

##### ***Exposure on funds***

In the case of funds, in the Clarity file (Santander\_GAR\_Funds), the columns of eligibility and alignment different from 0 refer to investees in NFRD equities and these ratios has to be considered in the KPI and reported in the satellite as subject to NFRD (NFRD1). In case all the columns are equal to 0, the fund does not invest in NFRD equities and should be reported in the satellite as Not subject to NFRD (NFRD2).

##### ***Remaining columns for general purpose (light blue)***

These variables are only applicable for general purpose transactions and only for financial and non-financial corporations (i.e. exposure to households, general governments and collateral obtained by taking possession cannot be classified under these metrics).

To determine the eligibility and alignment of the exposure, the files from the external provider, Clarity, should be used. Clarity provides us 3 files with the ratios depending on the type of asset (bond, fund or corporates) and an additional file to establish a correlation between ISIN and PERMID of the corporate.

In case of identifying general purpose financing, satellite columns after the column “Amount” will be applied based on the information published and captured from the counterparties. These would be the metrics related to general purpose transactions:

*Taxonomy-eligible Turnover CCM / Taxonomy-aligned Turnover CCM (Pure, Transitional, Enabling) / Taxonomy-eligible Turnover CCA / Taxonomy-aligned Turnover CCA (Pure, Enabling) / Taxonomy-eligible Turnover WTR / Taxonomy-aligned Turnover WTR (Pure, Enabling) / Taxonomy-eligible Turnover CE / Taxonomy-aligned Turnover CE (Pure, Enabling) / Taxonomy-eligible Turnover PPC / Taxonomy-aligned Turnover PPC (Pure, Enabling) / Taxonomy-eligible Turnover BIO / Taxonomy-aligned Turnover BIO (Pure, Enabling) / Taxonomy-eligible Capex CCM / Taxonomy-aligned Capex CCM (Pure, Transitional, Enabling) / Taxonomy-eligible Capex CCA / Taxonomy-aligned Capex CCA (Pure, Enabling) / Taxonomy-eligible Capex WTR / Taxonomy-aligned Capex WTR (Pure, Enabling) / Taxonomy-eligible Capex CE / Taxonomy-aligned Capex CE (Pure, Enabling) / Taxonomy-eligible Capex PPC / Taxonomy-aligned Capex PPC (Pure, Enabling) / Taxonomy-eligible Capex BIO / Taxonomy-aligned Capex BIO (Pure, Enabling).*

Eligibility and alignment information (for objectives 1 -mitigation-, 2 -adaptation-, 3 –water-, 4 -circular economy-, 5 -pollution-, and 6 -biodiversity-) is available and captured from the external provider Clarity. To help units with the identification of the corresponding exposures, a list of counterparties with their corresponding Taxonomy-eligible and -alignment ratios has been provided *[Excel: Pillar 3 ESG – GAR External Data (the updated version is permanently available in the ESG\_Pillar 3\_Regulatory Reporting teams)]:*

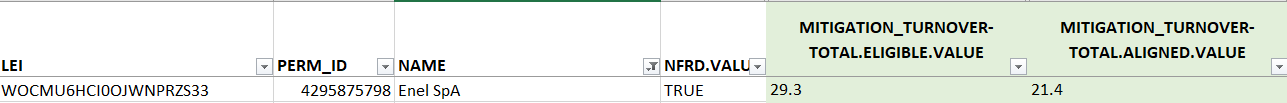
Depending on the information available, the same steps explained above in section 4.1.4.1 vii) NFRD disclosures section apply.

**NOTE**: The same criteria must be considered in all cases for the allocation of information both for i) the NFRD information and ii) for the eligibility and alignment ratios. That is, in case the counterparty's NFRD information is used, the counterparty's data must also be applied for the allocation of ratio. It is not possible to mix the counterparty’s information with the one from the parent.

|  |
| --- |
| **LEI** |
| **NAME** |
| **ADAPTATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| ADAPTATION\_TURNOVER-ENABLING.ALIGNED.VALUE |
| ADAPTATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **ADAPTATION\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| ADAPTATION\_CAPEX-ENABLING.ALIGNED.VALUE |
| ADAPTATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **MITIGATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| MITIGATION\_TURNOVER-ENABLING.ALIGNED.VALUE |
| MITIGATION\_TURNOVER-TRANSITION\_ACTIVITY.ALIGNED.VALUE |
| MITIGATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **MITIGATION\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| MITIGATION\_CAPEX-ENABLING.ALIGNED.VALUE |
| MITIGATION\_CAPEX-TRANSITION\_ACTIVITY.ALIGNED.VALUE |
| MITIGATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **POLLUTION\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| POLLUTION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **POLLUTION\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| POLLUTION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **BIODIVERSITY\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| BIODIVERSITY\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **BIODIVERSITY\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| BIODIVERSITY\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **WATER\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| WATER\_TURNOVER-ENABLING.ALIGNED.VALUE |
| WATER\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **WATER\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| WATER\_CAPEX-ENABLING.ALIGNED.VALUE |
| WATER\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **CIRCULAR\_TURNOVER-TOTAL.ELIGIBLE.VALUE** |
| CIRCULAR\_TURNOVER-ENABLING.ALIGNED.VALUE |
| CIRCULAR\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE |
| **CIRCULAR\_CAPEX-TOTAL.ELIGIBLE.VALUE** |
| CIRCULAR\_CAPEX-ENABLING.ALIGNED.VALUE |
| CIRCULAR\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE |

**ENEL (LEI: WOCMU6HCI0OJWNPRZS33) real example**: Calculate the eligibility and alignment using Turnover.

* Clarity information:

****

* Amount: 1.000.000 €
* Taxonomy-eligible Turnover (CCM) Ratio: 1.000.000 € \* 29,3% = 293.000 €
* Taxonomy-aligned Turnover (CCM) – Pure Ratio: 1.000.000 € \* 21,4% = 214.000 €

The following table shows how the columns should be filled in for general purpose lending taking into account the Excel shared from HQ:

|  |  |
| --- | --- |
| **Taxonomy-eligible Turnover (CCM) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (MITIGATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Mitigation’ |
| **Taxonomy-aligned Turnover (CCM) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (MITIGATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (CCM) - Transitional Ratio** | Gross carrying amount \* Taxonomy-aligned transitional Turnover (MITIGATION\_TURNOVER-TRANSITION.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘Transitional' |
| **Taxonomy-aligned Turnover (CCM) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (MITIGATION\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (CCA) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (ADAPTATION\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Adaptation' |
| **Taxonomy-aligned Turnover (CCA) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (ADAPTATION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (CCA) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (ADAPTATION\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (WTR) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (WATER\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Water and marine resources' |
| **Taxonomy-aligned Turnover (WTR) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (WATER\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (WTR) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (WATER\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (CE) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (CIRCULAR\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Circular economy' |
| **Taxonomy-aligned Turnover (CE) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (CIRCULAR\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned Turnover (CE) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling Turnover (CIRCULAR\_TURNOVER-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible Turnover (PPC) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (POLLUTION\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Pollution' |
| **Taxonomy-aligned Turnover (PPC) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (POLLUTION\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Pollution’ & Type of activity = ‘N/A' |
| **Taxonomy-eligible Turnover (BIO) Ratio** | Gross carrying amount \* Taxonomy-eligible Turnover (BIODIVERSITY\_TURNOVER-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Biodiversity and Ecosystems' |
| **Taxonomy-aligned Turnover (BIO) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure Turnover (BIODIVERSITY\_TURNOVER-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Biodiversity and Ecosystems’ & Type of activity = ‘N/A' |
| **Taxonomy-eligible CAPEX (CCM) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (MITIGATION\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Mitigation’ |
| **Taxonomy-aligned CAPEX (CCM) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (MITIGATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (CCM) - Transitional Ratio** | Gross carrying amount \* Taxonomy-aligned transitional CAPEX (MITIGATION\_CAPEX-TRANSITION.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = ‘Transitional' |
| **Taxonomy-aligned CAPEX (CCM) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (MITIGATION\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Mitigation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (CCA) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (ADAPTATION\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Climate Change Adaptation' |
| **Taxonomy-aligned CAPEX (CCA) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (ADAPTATION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (CCA) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (ADAPTATION\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Climate Change Adaptation’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (WTR) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (WATER\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Water and marine resources' |
| **Taxonomy-aligned CAPEX (WTR) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (WATER\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (WTR) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (WATER\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Water and marine resources’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (CE) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (CIRCULAR\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Circular economy’ |
| **Taxonomy-aligned CAPEX (CE) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (CIRCULAR\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = ‘N/A' |
| **Taxonomy-aligned CAPEX (CE) - Enabling Ratio** | Gross carrying amount \* Taxonomy-aligned enabling CAPEX (CIRCULAR\_CAPEX-ENABLING.ALIGNED.VALUE) when Environmental Objective = ‘Circular economy’ & Type of activity = 'Enabling' |
| **Taxonomy-eligible CAPEX (PPC) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (POLLUTION\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Pollution’ |
| **Taxonomy-aligned CAPEX (PPC) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (POLLUTION\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Pollution & Type of activity = ‘N/A' |
| **Taxonomy-eligible CAPEX (BIO) Ratio** | Gross carrying amount \* Taxonomy-eligible CAPEX (BIODIVERSITY\_CAPEX-TOTAL.ELIGIBLE.VALUE)  when Environmental Objective = ‘Biodiversity and Ecosystems’ |
| **Taxonomy-aligned CAPEX (BIO) - Pure Ratio** | Gross carrying amount \* Taxonomy-aligned Pure CAPEX (BIODIVERSITY\_CAPEX-OWN\_PERFORMANCE.ALIGNED.VALUE) when Environmental Objective = ‘Biodiversity and Ecosystems’ & Type of activity = ‘N/A' |

**Example based on Turnover:**

|  |
| --- |
|  |

##### ***Originated during period***

This variable is applicable both for all type of transactions and for all sectors (i.e. sectors of local governments, non-financial corporations, financial corporations and households can be classified under this metric).

Possible values in the satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| ORDP1 | Yes | Si |
| ORDP2 | No | No |

Refers to the year in which the financial asset was recorded in the entity's balance sheet:

* **Originated during period = Yes** (i.e. new transactions), refers to the new production generated since January 1st of the reporting year.

For example, for reference date as of June 2023 and December 2023: loans with date of origination ≥ ‘1 January 23’

* **Originated during period = No (i.e. stock),** refers to the production generated before January 1st of the reporting year.

##### ***European Union***

This variable is applicable both for specific and general-purpose transactions, and only for non-financial corporations and financial corporations (credit institutions + other financial corporations)’ sectors (i.e. sectors of general governments and households cannot be classified under this metric).

Possible values in the Satellite for classifying transactions under this metric are the followings:

|  |  |  |
| --- | --- | --- |
| **ID** | **Name [EN]** | **Nombre [ES]** |
| EU1 | EU Area | Unión Europea |
| EU2 | Non EU Area | No Unión Europea |

This metric will allow to differentiate whether the location of the counterparties is within the EU or not. This metric is only necessary in case that counterparty is not subject to NFRD.

1. The current requirements will be reviewed in the course of 2024 in order to incorporate the evolution of the ESG policy framework at EU and international level. [↑](#footnote-ref-2)
2. NFRD: the Commission adopted in April 2021 a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the NFRD, extending the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises). [↑](#footnote-ref-3)
3. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178> [↑](#footnote-ref-4)
4. Source: Global GHG Accounting and Reporting Standard for the Financial Industry [↑](#footnote-ref-5)
5. Except in the case of Consumer units that instead of applying the generic approach of business loans, due to the characteristics of their portfolio, will apply vehicle loans approach [↑](#footnote-ref-6)
6. Counterparty level, in the same way as in MdD\_79\_CESG\_CNAE\_ESG / MdD\_219\_CESA\_CNAE\_ESG\_Automático and MdD\_109\_IESG\_Interest and Commisions satellites. [↑](#footnote-ref-7)
7. Source: Global GHG Accounting and Reporting Standard for the Financial Industry [↑](#footnote-ref-8)
8. Source: Global GHG Accounting and Reporting Standard for the Financial Industry [↑](#footnote-ref-9)
9. Source: Global GHG Accounting and Reporting Standard for the Financial Industry [↑](#footnote-ref-10)
10. Source: Global GHG Accounting and Reporting Standard for the Financial Industry [↑](#footnote-ref-11)
11. https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32014L0095 [↑](#footnote-ref-12)
12. Regulated market, as defined in point (14) of Article 4(1) of Directive 2004/39/EC: means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third‑party buying and selling interests in financial instruments – in the system and in accordance with its non**-**discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of Title II of this regulation. [↑](#footnote-ref-13)
13. https://www.esma.europa.eu/access-regulated-information [↑](#footnote-ref-14)
14. <https://www.boe.es/buscar/doc.php?id=BOE-A-2015-10636> [↑](#footnote-ref-15)
15. Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449a CRR - paragraph 58 [↑](#footnote-ref-16)
16. Please review the “Flag of NFRD applicability” specific section on these Guidelines for further details on how to build this flag. [↑](#footnote-ref-17)
17. Article 7(1) of the Disclosures Delegated Act only excludes exposures to central governments, central banks and supranational issuers from the calculation of the numerator and denominator of the KPIs of financial undertakings. The reference to central governments includes all administrative departments of the State and other central agencies whose competence extends normally over the whole economic territory of the given State. Consequently, exposures to regional governments, municipalities or undertakings whose owners or shareholders are those that are referred to in Article 7(1) of the Disclosures Delegated Act are not covered by that exclusion. [↑](#footnote-ref-18)
18. Mortgages are directly identified through the *Collateral* dimension of the Master, with the Real Estate Commercial and Real Estate Residential breakdown. [↑](#footnote-ref-19)
19. This point is expected to evolve in the short term, due to the revision by Sustainalytics to associate an environmental objective to each activity of the SFCS. [↑](#footnote-ref-20)
20. As defined in COMMISSION DELEGATED REGULATION (EU) 2021/2178 [↑](#footnote-ref-21)
21. <https://www.codigotecnico.org/pdf/Documentos/HE/DcmHE.pdf> [↑](#footnote-ref-22)
22. The Primary Energy Demand (PED)282, defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council283. The energy performance is certified using an as built Energy Performance Certificate (EPC). [↑](#footnote-ref-23)
23. "Carga interna media" (CFI) refers to the average internal load within a building or a specific area of a building over a typical week. It quantifies the internal load generated by various sources such as occupants, electrical equipment, lighting, etc., and is expressed in W/m². The formula for calculating the average internal load (CFI) is as follows:

    • CFI = (∑Coc / (7⋅24)) + (∑Cil / (7⋅24)) + (∑Ceq / (7⋅24))

    Where:

    • CFI is the average internal load per unit area of the building or building area (expressed in W/m²).

    • ∑Coc is the sum of nominal sensible loads due to occupancy [W/m²] per hour over a typical week.

    • ∑Cil is the sum of nominal lighting loads [W/m²] per hour over a typical week.

    • ∑Ceq is the sum of nominal equipment loads [W/m²] per hour over a typical week.

    The "Carga interna media" (CFI) of the building is obtained by weighting the average internal load of each space by its usable area. The resulting value is expressed in W/m². [↑](#footnote-ref-24)
24. Energy class ratio in residential buildings [↑](#footnote-ref-25)
25. Energy class ratio in commercial and service buildings [↑](#footnote-ref-26)
26. "Carga interna media" (CFI) refers to the average internal load within a building or a specific area of a building over a typical week. It quantifies the internal load generated by various sources such as occupants, electrical equipment, lighting, etc., and is expressed in W/m². The formula for calculating the average internal load (CFI) is as follows:

    • CFI = (∑Coc / (7⋅24)) + (∑Cil / (7⋅24)) + (∑Ceq / (7⋅24))

    Where:

    • CFI is the average internal load per unit area of the building or building area (expressed in W/m²).

    • ∑Coc is the sum of nominal sensible loads due to occupancy [W/m²] per hour over a typical week.

    • ∑Cil is the sum of nominal lighting loads [W/m²] per hour over a typical week.

    • ∑Ceq is the sum of nominal equipment loads [W/m²] per hour over a typical week.

    The "Carga interna media" (CFI) of the building is obtained by weighting the average internal load of each space by its usable area. The resulting value is expressed in W/m². [↑](#footnote-ref-27)
27. Energy class ratio in commercial and service buildings [↑](#footnote-ref-28)
28. Vehicles used for the carriage of passengers and comprising not more than eight seats in addition to the driver's seat. [↑](#footnote-ref-29)
29. Vehicles used for the carriage of goods and having a maximum mass not exceeding 3.5 tonnes. [↑](#footnote-ref-30)
30. Based on the **Directive 2014/94/EU of the European Parliament and of the Council of 22/10/2014** on the deployment of alternative fuels infrastructure, the current definition applies: “Alternative fuels” means fuels or power sources that serve, at least partly, as a substitute for fossil oil sources in the energy supply to transport and which have the **potential to contribute to its decarbonization and enhance the environmental performance of the transport sector.** [↑](#footnote-ref-31)
31. Article 7(1) of the Disclosures Delegated Act only excludes exposures to central governments, central banks and supranational issuers from the calculation of the numerator and denominator of the KPIs of financial undertakings. The reference to central governments includes all administrative departments of the State and other central agencies whose competence extends normally over the whole economic territory of the given State. Consequently, exposures to regional governments, municipalities or undertakings whose owners or shareholders are those that are referred to in Article 7(1) of the Disclosures Delegated Act are not covered by that exclusion. [↑](#footnote-ref-32)
32. Mortgages are directly identified through the *Collateral* dimension of the Master, with the Real Estate Commercial and Real Estate Residential breakdown. [↑](#footnote-ref-33)