

# BSG statement on Sustainable Finance for COP26

---

At the occasion of the 2021 United Nations Climate Change Conference (COP26), the European Banking Authority - Banking Stakeholders Group - EBA BSG highlights its commitment to support the European banking and financial sector in tackling climate change.

The activities of the BSG, being the EBA's major advisory group, are closely linked to the activities of the EBA. Sustainable finance is one of the EBA's priority areas. The BSG also takes this area into account as a priority in its activities. Recognising the importance of the Sustainable Development Goals, financially inclusive societies, and the role of banks and investment firms in promoting the ESG concept and in financing activities contributing to the achievement of these goals, the BSG is strongly committed to initiatives in the area of sustainable finance. One of the manifestations of this commitment is the establishment of a working group on sustainable finance within the Group's structure.

The primary task of the BSG is to advise the EBA on draft regulatory and implementing technical standards, guidelines and recommendations. The EBA BSG has been involved in consultation on a number of consultation documents from both the EBA and the Joint Committee (ESAs)<sup>1</sup> and addresses these issues in discussions with the Board of Supervisors - BoS (e.g. in relation to ESG disclosures and mapping the climate risk).

The BSG notes that the data gaps and exposure classification challenges banks are facing, as highlighted by the EBA EU-wide pilot exercise on climate risk in 2021, could be an obstacle to concretely achieve the sustainability objectives agreed at international level in the medium term. On this background the BSG commits its resources and expertise to contribute to the work of the EBA to create an effective data set for ESG purposes and to encourage banks to adopt exposure classification criteria consistent with ESG objectives.

The BSG strongly supports the EBA on setting one of the first steps in mandatory prudential disclosures on ESG risks within Pillar 3 being in line with Article 8 of the Taxonomy Regulation. It is crucial to use relevant synergies between both mandates and commonalities regarding the information to be delivered. One important starting point in transparency will be the disclosure of information on the level of alignment of credit institutions financial and commercial activities with the Taxonomy in particular related to the environmental objectives of climate change mitigation and

---

<sup>1</sup> Including: topics of management and supervision of ESG risks ([EBA/DP/2020/03](#)), Pillar III disclosures on ESG risk ([EBA/CP/2021/06](#)), and Taxonomy-related sustainability disclosures ([JC 2021 22](#)).

adaptation, for example via the Green Asset Ratio (GAR). The BSG backs the measures undertaken by the EBA to encourage banks to inform their stakeholders about adjustment of the institution's business strategy to integrate ESG risks and factors consistently. In the medium and longer-term banks will have to implement processes to identify activities and exposures sensitive to environmental, social and governance risks taking into account relevant channels and considerations specific to each risk category. ESG risks will have to be one essential factor in the bank's risk assessment. The BSG is committed to all initiatives being started by the EBA in this respect in order to develop progressive and proportionate legislative frameworks. The BSG calls for climate related disclosure and risk management to be addressed by international standard setters, in order to ensure consistency and comparability of ESG metrics within sectors and cross sectors. The BSG encourages the EBA to engage with the BCBS and other standard setters to share experience in the identification, management and supervision of climate-related risks, as well as the lessons learnt through the 2020 climate pilot exercise

In addition, it also addresses ESG issues in its own initiatives, including e.g. the paper on COVID-19 recovery and resilience, and seminar on financial inclusion and digitalisation.

As a group of interested parties representing the variety of perspectives and expertise, the Banking Stakeholder Group can bring an important contribution to the EBA's work, including in the area of sustainable finance. Through its activities, the BSG also seeks to inspire and encourage banks and investment firms to undertake broader sustainable finance initiatives that will contribute to the Sustainable Development Goals, to strengthen social cohesion and ensure that no one is excluded from basic access to financial services, and to encourage users of financial services to consider ESG issues in their choice of service providers.