



EBA BS 2021 368

Board of Supervisors / Banking
Stakeholder Group

28 April 2021 | 09:30-12:30

EBA-Regular Use

Minutes joint Board of Supervisors and Banking Stakeholder Group conference call

Agenda item 1: Welcome and approval of the agenda

1. The EBA Chairperson welcomed the Members of the Board of Supervisors (BoS) and the Members of the Banking Stakeholder Group (BSG).

Conclusion

2. The agenda was approved with no comments.

Agenda item 2: Report on the activities of the BSG

3. The BSG chair presented the BSG work plan 2020 – 2021 which has been built upon the six strategic priorities of the EBA's 2021 work programme, its two horizontal priorities and the principle of proportionality. She underlined that while the BSG core task is to provide input to the EBA consultations, the BSG also produced own-initiative advice and suggested possible future work. Finally, the BSG chair expounded on the internal organisation of the group and its cooperation with EBA staff.

Agenda item 3: Discussion on Environmental, Social and Governance (ESG) risks

4. The EBA Head of the Risk Analysis and Stress testing Unit presented the findings of the pilot exercise on mapping climate risk exposures. He highlighted that the exercise was not a stress test exercise and its goal was to explore mainly data and methodological challenges for banks to assess climate risks. The exercise included different banks from different jurisdictions and focused on non-SME corporate exposures towards EU countries at obligor level. Some results were included in the 2020 Risk Assessment Report and informed that the publication of the pilot exercise was foreseen for May 2021.
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5. A BoS discussant stated that physical and transitional risks should in principle be understood as any other risks, but that the scale of the work and challenges climate change posed to the economy is unprecedented. He pointed out to the need to move forward with coordinated initiatives in different jurisdictions. He agreed with the main issues and challenges on the data classification. The best effort had also been executed more or less conservatively. The member highlighted that next steps should be to be able to further clarify the translation mechanism of policy changes into climate related risks. The BoS discussant reminded that another discussion after this would be to make a deep dive on the challenges surrounding the social and governance parts of ESG which would require an even bigger effort. In addition, he referred to a current survey in his home jurisdiction regarding the application of ESG Factors in Credit Risk Assessment for the larger credit institutions, results of which seemed to resonate with the EBA ones. For instance, the institutions have also started with a focus on large customers due to the lack of data and disclosures for other customers.
6. A BSG discussant coincided on the need of caution and further analysis, also in view of the limitations of this preliminary exercise (size sample and scope restricted to non-SME exposures). She labelled as biggest challenges data availability, methodology and mapping. Regarding data availability, this was more prominent for smaller players, and mentioned the issue of classification of exposures and its different interpretations by market players. She also advocated for further guidance to be provided as well as a need to draw lessons learned to address the most significant issues. Moreover, regarding the EU taxonomy, a 2-3-year horizon was being envisaged for adoption but realistically more than 5 years should be foreseen for some financial institutions. Banks and investment firms would require support and the BSG member saw the need to build a strategic plan to support the industry. She also referred to the new proposal on Corporate Sustainability Reporting Directive (CSRD), which should make those metrics more available, notwithstanding, opining that a big effort should be made by large corporations. She concluded by saying that the ESAs recent advice on pillar 3 disclosure would be helpful and that BSG would provide its comments.
7. One BSG member raised concerns on the Pillar 3 requirements for climate related risk and the timeline for it to entry into force.
8. Another BSG member enquired whether, from an EBA / National Competent Authority (NCA) perspective, there would be any potential impacts for those banks that would show a Green Asset Ratio (GAR) below what is expected by the market.
9. Several BoS and BSG members raised the issue of lack of data and the need to allow a duly assessment to display the real risks. One BSG member suggested that this work should be linked to business models, to identify to what extent banks have a green tendency, and that the GAR needed to be linked with the funding of the bank. Another member was concerned about the data limitations that undermine the assessment.
10. Several members concurred that the creation of the right incentives was paramount. In this regard, one BoS member informed of a central bank green program in his jurisdiction designed to facilitate this process.
11. A BoS member was in favor to allow banks to rely on external data providers to reduce burden to customers. A member referred to the ECB working on top-down climate change stress test

which delivery is expected around mid-2021, to the ESRB/ECB climate project team report (to be published at the beginning of July 2021, and the need to make NGFS scenarios more granular). A BSG member reacted and pointed out that banks better knew their customers.

12. The EBA chairperson praised the discussion and indeed reminded that this was a preliminary exercise and that further work would ensue.

Agenda item 4: Discussion on ESG disclosure

13. A member of the BSG presented to the BoS and the BSG the state of play in the development of the prudential disclosure on ESG risks. He started with a short introduction to the background and rationale for the different EU initiatives on ESG disclosure, while paying special attention to the EBA Consultation Paper on the draft ITS on prudential disclosure on ESG risks. The BSG member underlined the interrelation this Consultation Paper had with the EBA Advice to the Commission on KPIs and methodology for disclosures under Article 8 of the Taxonomy Regulation. Subsequently, the BSG Member focused on the quantitative disclosures on climate change transition risks and physical risks. Lastly, focused was put on the qualitative disclosure of information on ESG risks such as governance arrangements, business model, risk management and strategy.
14. One BoS Member presented the scope of the different legislations on ESG in place, while paying extra attention to the Disclosure Regulation (the SFDR). The member then commented on the rationale behind ESG disclosures while underlining the need for the alignment of the timing and content of the different EU initiatives for ESG disclosures. This led to the question whether mitigating actions needed to be included or whether focus should be on solely risk. In this context, the link was made to “double materiality” and the suggestion was made to give double materiality more prominence in Pillar 3 disclosures.
15. The EBA Director of Banking Markets, Innovation and Consumers (BMIC) complimented both presenters for their thorough understanding of the different initiatives on ESG disclosure and confirmed the importance of finding common ground on international level (Basel/G20/IFRS). Given the enhanced interest in the work on ESG disclosures, from a wide range of stakeholders, he noted there is a clear need for careful communication. Especially on the green asset ratio, which is a key component of ESG disclosures, the communication should be spot on. Lastly, the Director commented on the steps the EBA could take to help the process further, such as building in an adequate level of proportionality and phase-in times.
16. One BSG member shared concerns on the use of the green asset ratio, which might not be the ideal metric to measure risk under Pillar 2. Another Member of the BSG noted that there were so many initiatives worldwide on ESG disclosure that it was important to combine the good elements without contradicting each other.
17. The EBA Chairperson concluded that the initiatives on ESG disclosures represented important work with a longer time horizon. It was acknowledged that, given all the different initiatives,

a coherent approach was needed. Lastly, it was noted that the ESG risk measurements will become a key component of EBA's work on Pillar 2.

Agenda item AoB

18. No comments were raised.

Participants of the joint Board of Supervisors' – Banking Stakeholder Group conference call

28 April 2021

Chairperson: Jose Manuel Campa

BoS members:

<u>Country</u>	<u>Voting Member/High-Level Alternate</u>	<u>National/Central Bank</u>
1. Austria		Karin Turner-Hrdlicka
2. Belgium	Jo Swyngedouw	
3. Bulgaria	Stoyan Manolov	
4. Cyprus	Constantinos Trikoupis	
5. Czech Republic	Marek Szokol	
6. Denmark	Thomas W. Andersen	
7. Estonia	Andres Kurgold	Timo Kosenko
8. Finland	Marko Myller	
9. Germany	Peter Lutz	
10. Greece	Heather Gibson	
11. Hungary	Csaba Kandrács	
12. Ireland	Gerry Cross	
13. Italy	Bruna Szego	
14. Latvia	Ludmila Vojevoda	
15. Lithuania	Marius Jurgilas	
16. Luxembourg	Claude Wampach	Christian Friedrich
17. Malta	Pierre Paul Gauci	Oliver Bonello
18. Netherlands	Sandra Wesseling	
19. Poland	Kamil Liberadzki	
20. Portugal	Ana Paula Serra	
21. Romania	Adrian Comescu	
22. Slovenia	Primoz Dolenc & Damjana Igljč	
23. Spain	Alberto Rios Blanco	
24. Sweden	Karin Lundberg	David Forsman

<u>EFTA Countries</u>	<u>Member</u>
1. Liechtenstein	Markus Meier
2. Norway	Morten Baltzersen

<u>Other Non-voting Members</u>	<u>Representative</u>
1. ECB/SSM	Carmelo Salleo
2. ESRB	Tuomas Peltonen

BSG members**Consumers**

Monica	Calu	Asociatia Consumers United/Consumatorii Uniti	Romania
Tomas	Kybartas	The Alliance of Lithuanian consumer organisations	Lithuania
Jennifer	Long	International Monetary Fund	Ireland
Vinay	Pranjivan	Associação Portuguesa para a Defesa do Consumidor	Portugal
Martin	Schmalzried	Confederation of Family Organisations in the EU	Czech Republic
Christian	Stiefmueller	Finance Watch AISBL	Austria
Patricia	Suárez Ramírez	Asofin	Spain

Employees' representatives of financial services

Andrea	Sità	UILCA Italian Labor Union - credit and insurance sector	Italy
Leonhard	Regneri	Input Consulting Gmbh	Denmark

Financial institutions

Eduardo	Avila Zaragoza	BBVA Group	Spain
Sébastien	De Brouwer	European Banking Federation	Belgium
Erik	De Gunst	ABN AMRO Bank	Netherlands
Søren	Holm	Nykredit Realkredit	Denmark
Christian	König	Association of private Bausparkassen	Germany
Julia	Kriz	Raiffeisen bank International AG	Austria
Johanna	Lybeck Lilja	Nordea Bank	Sweden
Véronique	Ormezzano	BNP Paribas	France
Christian	Stiefmueller	Finance Watch AISBL	Austria
Sebastian	Stodulka	European Savings and Retail Banking Group (ESBG) & World Savings and Retail Banking Institute (WSBI)	Austria
Lars	Trunin	TransferWise	Estonia

Representatives of SMEs

Constantinos	Avgoustou	Founder and Non-Executive Director of several enterprises	Cyprus
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Top-ranking academics

Rym	Ayadi	City University of London, Business School and CEPS	Tunisia
Concetta	Brescia Morra	University Roma Tre	Italy
Edgar	Lów	Frankfurt School of Finance & Management	Germany
Monika	Marcinkowska	University of Lodz	Portugal

Users of Banking Services

Rens	Van Tilburg	Sustainable Finance Lab	Netherlands
Alin Eugen	Iacob	Association of Romanian Financial Services Users	Romania



Poul Kjær Copenhagen Business School Denmark

EBA Staff

Executive Director

Director of Banking Markets, Innovations and Consumers

Director of Economic Analysis and Statistics

Francois-Louis Michaud

Piers Haben

Mario Quagliariello

Philippe Allard; Angel Monzon; Olli Castren;

Pilar Gutierrez, Tijmen Swank, Erika Sole

For the Board of Supervisors

Done at Paris on

José Manuel Campa

EBA Chairperson