EBA STATEMENT

IN THE CONTEXT OF COP26
On the occasion of the 2021 United Nations Climate Change Conference (COP26), the EBA highlights its commitment to support the European banking and financial sector in tackling climate change. Climate change and the transition to a more sustainable economy is very high on the European Union’s (EU) policy agenda. The European Green Deal sets out a long-term strategy to tackle climate-related and environmental challenges with the aim of making Europe climate neutral in 2050 and provides ambitious intermediate targets.

The EBA has an important role in supporting the European banking sector towards the objectives of transitioning to a more sustainable economy and mitigating risks stemming from climate change and broader environmental, social and governance (ESG) factors. ESG is one of the EBA’s multi-annual priorities. Through our core regulatory and policy work as well as own operations we are committed to making a positive contribution towards reaching the goals of the Paris Agreement. This also led to the creation of a dedicated ESG risks unit.

The EBA has shed light on the data gaps and exposure classification challenges banks confront in the context of an EU-wide pilot exercise it published in 2021. It also stressed the need for institutions to improve banks’ management of ESG risks and enhance transparency of their ESG strategies and exposures. Deposit institutions must integrate ESG risk aspects not only in their internal governance, risk measurement and management, but also in their business strategies.

Efforts are underway to update and enhance the entire supervisory and prudential regulatory framework. This will help ensure that the financial system can continue to finance the transition to a more sustainable economy. ESG risks will be incorporated into the supervisory and regulatory frameworks for banks. Final standards on ESG disclosures, including a Green Asset Ratio, will be published by the end of 2021. This will be complemented by guidelines on management of ESG-related risks and their integration into the supervisory review process.

The EBA will embed ESG considerations into its regulatory impact assessments, risk analysis and stress testing. Following the renewed sustainable finance strategy of the European Commission, the EBA will further contribute to climate risk stress testing, review of the macroprudential framework in light of climate risks, development of an ESG risk monitoring framework, progress related to disclosures, sustainable products and the prevention of greenwashing.

We are actively contributing to international cooperation in this area, actively participating in the European Systemic Risk Board, the Basel Committee on Banking Supervision, the Platform on Sustainable Finance and the Network for Greening the Financial System.

As an organisation, the EBA is committed to reducing its own environmental impact and carbon footprint. It is preparing for an EMAS certification in 2022. We strive to be aligned with EU objectives. This includes minimising our impact on greenhouse gas emissions with a special focus on reducing travel and physical meetings by 50% in 2022 compared to pre-pandemic levels. The EBA annual public environmental statement will transparently reflect our progress on these commitments.

1 See the EBA Report on ESG risks
2 The objective of the Eco-Management and Audit Scheme (EMAS) is to promote continuous improvements in the environmental performance of organisations by the establishment and implementation of an environmental management system, the evaluation of the performance of such a system, the provision of information on environmental performance, an open dialogue with the public and other interested parties and the active involvement of employees.