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COVER NOTE

From:	Mr José Manuel CAMPA, Chair of the European Banking Authority (EBA)
date of receipt:	22 June 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
Subject:	EBA report on the management and supervision of ESG risks

Delegations are informed that the EBA's report mentioned above was published on 22 June 2021.

The report be consulted and/or downloaded from the EBA's website:

<https://www.eba.europa.eu/eba-publishes-its-report-management-and-supervision-esg-risks-credit-institutions-and-investment>

Encl.

E-MAIL

THE CHAIRPERSON

John Berrigan
Director General
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22 June 2021



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EBA-2021-D-3548

IM 006599 2021
22.06.2021

Subject: EBA report on the management and supervision of ESG risks

Dear Mr Berrigan,

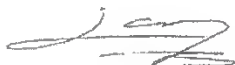
Article 98(8) of the Capital Requirements Directive (CRDV) and Article 35 of the Investment Firms Directive (IFD) mandate the EBA, respectively by 28 June (CRD) and 26 December (IFD) 2021, to develop a report providing uniform definitions of Environmental, Social and Governance (ESG) risks, and appropriate qualitative and quantitative criteria for the assessment of the impact of ESG risks on the financial stability of institutions in the short, medium and long term. They also mandate the EBA to elaborate on the arrangements, processes, mechanisms and strategies to be implemented by institutions to identify, assess and manage ESG risks and to assess the potential inclusion of ESG risks in the review and evaluation performed by competent authorities.

The EBA report on the management and supervision of ESG risks addresses the issues that fall within the scope of the abovementioned mandates extended to the EBA under the CRD and IFD. In particular, it includes a comprehensive elaboration of what ESG factors and risks are, how and through which transmission channels they materialise, why they matter from a financial point of view and what can be done to support their full incorporation by institutions and supervisors in order to ensure the resilience of the financial sector in the short, medium and long term. The EBA sees a need to enhance, in a risk-based and proportionate manner, the incorporation of ESG risks into institutions' business strategies, internal governance arrangements and risk management frameworks, as well as into supervision.

The EBA report on the management and supervision of ESG risks has been approved by the EBA's Board of Supervisors. It is now submitted to the European Parliament, the Council and the Commission, and will be published on the EBA's website. On the basis of this report, the EBA intends to issue guidelines, in accordance with Article 16 of Regulation (EU) No 1093/2010, regarding the uniform inclusion of ESG risks in the SREP performed by competent authorities.

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Yours sincerely,



José Manuel Campa

CC: Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs (ECON), European Parliament
João Leão, Portuguese Minister of State and Minister of Finance, Presidency of the Council of the EU
Tuomas Saareheimo, Chair of Economic and Finance Committee, Council of the European Union
Jeppe Tranholm-Mikkelsen, Secretary-General, Council of the European Union
Martin Merlin, DG FISMA, Director Directorate D
Sebastian Hrovatin, DG FISMA, Deputy Head of Unit, Unit D1, Bank Regulation and Supervision
Martin Spolc, DG FISMA, Head of Unit, Unit B2, Sustainable Finance
Dominique Thienpont, DG FISMA, Legal Counsellor to the Director Directorate D.

Encl: EBA Report on ESG risks management and supervision



EBA REPORT

ON MANAGEMENT AND SUPERVISION OF ESG
RISKS FOR CREDIT INSTITUTIONS AND
INVESTMENT FIRMS

EBA/REP/2021/18

EBA

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