

PRESS RELEASE

EBF and UNEP FI outline practical approaches to applying EU Taxonomy to bank lending

BRUSSELS, 15 February 2022 – The European Banking Federation, together with the United Nations Environment Programme Finance Initiative (UNEP FI), have today launched a report, “Practical approaches to applying the EU Taxonomy to bank lending”, that explores practical approaches for banks who wish to use the EU Taxonomy. This initiative, supported by EY, developed based on discussions with 24 banks, 12 banking associations and six observing organizations, follows a joint project that tested the application of the EU Taxonomy to core banking products.

The EU Taxonomy is a first-of-its-kind classification instrument to help financial players and companies determine which activities are in line with Europe’s environmental and climate objectives. To tackle the greenwashing risk, the taxonomy provides a clear, science-based classification of economic activities. Banks are expected to report to which extent they support economic activities that contribute substantially to achieving the EU’s net zero target in 2050. While a considerable amount of data needed to meet these reporting obligations will be provided through the EU Taxonomy disclosures of banks’ clients, this is not true in all cases.

The findings of this report will support banks in understanding the EU Taxonomy, its requirements and its application for disclosure requirements which covers both mandatory and voluntary aspects.

The report explores several aspects of EU Taxonomy application to banking; it focuses on disclosure requirements under the EU Taxonomy Disclosure Delegated Act, how the EU Taxonomy could be further used to gather EU Taxonomy compatible information for banks clients who do not yet have an obligation to disclose, such as SMEs and non-EU companies, and addresses compliance with minimum safeguards of the Taxonomy regulation. The report also explores how the Taxonomy could be used by banks that wish to engage with clients whose economic activities are eligible for analysis under the EU Taxonomy, but are not yet aligned with the listed Technical Screening Criteria.

The aim of this report is to present a comprehensive and practical approach to the EU Taxonomy, to support banks in their regulatory implementation journey and their client engagement efforts. The report examines possibilities of financing all activities capable of accelerating companies’ transition to reach EU’s climate goals, in addition to taxonomy-aligned activities.

Says Wim Mijs, Chief Executive Officer, European Banking Federation

This report not only provides practical insight on the application of the EU Taxonomy for banks but also contributes to the discussions on transition finance and leveraging the EU Taxonomy for engagement with our clients. We hope it will provide valuable input to regulators and legislators as they continue to develop the sustainable finance framework. This is a learning process for all, and, as we have been doing for the past years, we remain fully committed to further supporting banks on their sustainability journey.

Says Eric Usher, Head, UNEP FI

“This joint report with the EBF, based on the work undertaken with 24 of our member banks, provides a solid footing for institutions to move forward confidently with their disclosures. Banks operating in Europe should not only see the EU Taxonomy from the lens of mandatory disclosure requirements, but also as a tool for harnessing transition finance. This is critical to private sector sustainability action, with banks using these tools to go beyond minimum compliance and actually bring forth the changes we need for people and planet.”

About the United Nations Environment Programme Finance Initiative

United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. UNEP FI works with more than 400 members—banks, insurers, and investors—and over 100 supporting institutions— to help create a financial sector that serves people and planet while delivering positive impacts. We aim to inspire, inform and enable financial institutions to improve people’s quality of life without compromising that of future generations. By leveraging the UN’s role, UNEP FI accelerates sustainable finance.

About the European Banking Federation

The European Banking Federation (EBF) is the voice of the European banking sector, bringing together national banking associations from across Europe, with active members in 32 countries. The EBF is committed to both promoting a thriving European economy underpinned by a stable, secure and inclusive financial ecosystem, and contributing to a prosperous society in which financing is available to fund the dreams of citizens, businesses and innovators across the globe.