

The EACB welcomes the publication of the new Strategy for Financing the Transition to a Sustainable Economy and stresses the importance to onboard all parts of the economy in a phased process. Indeed, the new strategy comes at a time when the realisation of the 2018 Action Plan for financing sustainable growth is still on-going. Level I and II measures are not fully implemented. While we see that an acceleration is necessary and imposed by the target of EU climate neutrality, it is important to calibrate and ensure feasible measures. From this perspective, the EACB welcomes in particular the additional actions by completing the provisions of the taxonomy regulation and broadening the scope to include also transitional activities. It should **extend the existing sustainable finance toolbox to facilitate access to transition finance**. This has been a recurring message of the Association in the run-up to the new Strategy.

We look positively upon the actions in the strategy that seek to encourage **greater retail investor engagement**, to bring improvements in the **level of sustainability expertise** of advisors and to further integrate sustainability considerations in financial literacy frameworks. Having said that, there are still some important deliverables outstanding as part of the 2018 action plan such as RTS linked to Article 5 and 6 Taxonomy disclosures, which the market urgently needs in order to do an efficient implementation of SFDR. We look with interest at the fact that to improve the inclusiveness of sustainable finance, the Commission will also ask the EBA for an opinion on the definition of and support to green loans and mortgages, it will explore options to facilitate their uptake (2022), and will increase the access of SMEs to sustainable finance advisory services (integrating sustainable finance related data in the data spaces under the European Data Strategy).

The EACB acknowledges that the ability of banks, insurance companies and investors to manage and absorb financial losses arising from sustainability risks is key for financial stability and the resilience of the real economy during the transition. Likewise, it is important that financial institutions can finance the transition and respond to investment opportunities. Safeguarding financial stability and facilitating sustainable growth thus have to be balanced. Cooperative banks will play their role in financing the local and regional transitions.

In this context, the EACB takes note that the Commission intends to further amend CRR/CRD to ensure ESG factors are consistently included in risk management systems of banks, and in the supervisory review process. It aims to anticipate the EBA assessment of the prudential treatment of exposures from 2025 to 2023. In principle, we support this additional work including a risk sensitive framework. We also appreciate the steps taken by companies to actually reduce risk and grow a greener business. The EACB would like to highlight that, in any case, **it is essential that supervisory expectations are clear, that authorities provide as much support as possible (e.g. producing scenarios, heat maps, base assumptions) and that requirements are announced on time and implemented in a phased manner**. We believe it is also key to strike the right balance between proportionality and standardisation.

Furthermore, in light of the importance for financial institutions' science-based target setting and transition planning of disclosures, we argue that until access to data and harmonisation of methodologies have progressed, institutions' work on proxies should be allowed.

Next to the strong commitment of the co-operative banks to foster the green transition, we would like to mention that the sectors and industries being financed bear the primary responsibility for transforming as we progress on the transitional path. Finally, we welcome the fact that the new strategy recognises the importance to strengthen the international cooperation as sustainability challenges are of global nature and the answers in terms of financial markets and finance shall be aligned.

As a first reaction to the publication of the new strategy, Ms. Nina Schindler (EACB CEO) has stated: “In the last few years, the European Union and its Institutions have taken unprecedented steps to create the foundations for sustainable finance. The renewed strategy goes one step further as the previous Action Plan by integrating the objectives of the Green Deal and the new Climate law. As decentralised local co-operative banks, our members are committed to support the green transition, in particular in accompanying the SMEs and households. However, the COVID-19 crisis has made it more challenging for SMEs to attract the financing they need to support their transition efforts. It is vital to take SMEs’ needs fully into account with incentives, guidance and hands-on solutions that can be applied in a balanced manner. This is the way towards an inclusive green transition that would leave none behind”.