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Priorities EC Consultation Renewed Sustainable Finance Strategy

In reaction to the European Commission's consultation on the Renewed Sustainable Finance Strategy, the Dutch Banking Association has developed three main priorities:

1. *Good policy*

Complexity among Sustainable Finance initiatives would affect effectiveness. Less details and more information will increase effectiveness. This requires alignment of definitions of concepts used in more than one framework.

Only perfect **alignment between the initiatives of the EU Sustainable Finance Action plan and related initiatives** will ensure the usefulness of company data that banks will have to report: reporting requirements under the reviewed Non-Financial Reporting Directive (NFRD), the Sustainable Finance Disclosure Regulation (SFDR), the Capital Requirements Regulation (CRR) Pillar III and the Taxonomy Regulation. Effectiveness will increase and costs of implementation will decrease if companies can report only once to a central data register, which financial institutions can access for application to finance decisions.

We therefore ask the European Commission to:

- Avoid complexity and redundant reporting and ask for meaningful reporting, focused on contributing to the greening of the economy and managing climate and other ESG risks,
- Align reporting requirements under the NFRD, SFDR, CRR and the Taxonomy Regulation and facilitate centralized data collection.

2. *Financing sustainable growth*

Dutch banks are committed to contributing to **financing sustainable growth**. They have committed themselves to measure and report on climate impact and develop action plans. Banks can support their clients in the green transition by providing conditional sustainable financial products (e.g. green bonds and ESG improvement loans) and engaging through dialogues with clients, including SMEs.

We therefore ask the European Commission to:

- Encourage governments to set green as the default option. To enable a green economy, a threefold effort is required: (1) enabling legislation, (2) thereby removing obstacles that are currently still limiting green finance, and (3) setting clear and credible sustainability targets with parameters. Governments should develop transition paths, including social impacts, based on scenario's in line with the Paris Climate Agreement. This will help businesses to adapt their business models accordingly.
- Develop a European sensible price on CO2 emissions and providing (tax) incentives when clients invest in green projects, such as the Dutch Fiscal Green Funds scheme.

3. *Data & disclosure*

Adequate data comparability will be one of the **main challenges in the upcoming years for banks in different areas.**

Data challenges in measuring climate impact: To measure climate impact by the various climate methodologies such as PCAF and Pacta, we need CO2 equivalent data.

Data challenges in risk management practises: The lack of (historic) data and scenarios hampers integrating climate-related risks in risk management. Inaccurate and incomplete data result in incorrect climate risk assessments and portfolio decisions. Policymakers and supervisors should emphasize availability of data and scenarios in their efforts to enhance understanding of climate risks, in cooperation with accounting firms, industry, and wider stakeholders. The European Commission should take action to enhance the availability, usability and comparability of climate-related loss and physical risk data.

We therefore ask the European Commission to:

- Facilitate and improve ESG disclosures and access to relevant and reliable data and scenarios, by using technology, preferably in a standardized form and based on legislation. Due to the specific nature of climate risks, we see added value in scenario analysis offering a “flexible ‘what-if’ methodological framework that is better suited to exploring the risks that could crystallise in different possible futures” ([Network for Greening the Financial System](#)). Including access to disaggregated raw data is important for better data quality and comparability. For this, we ask the European Commission to set up a centralised European ESG data register. As a minimum, we would ask for a map of climate risks based on geographic risks.