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## Regulation: EBA Publishes Sustainable Finance Roadmap

December 16, 2022

Regulation



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On December 13, the European Banking Authority (EBA) **announced** the publication of its roadmap on sustainable finance, which outlines the “objectives and timeline for delivering mandates and tasks in the area of sustainable finance and environmental, social and governance (ESG) risks.” The roadmap sets out the EBA’s plan for the next three years to “integrate ESG risks considerations” into the banking framework and to “support the EU’s efforts to achieve the transition to a more sustainable economy.” This roadmap follows various legislative acts and initiatives that have allocated to the EBA “new mandates and tasks in the area of sustainable finance and ESG risks.”

The roadmap identifies eight key objectives for sustainable finance: (1) Transparency and Disclosures; (2) Risk Management and Supervision (including transition plans); (3) Prudential Treatment of Exposures; (4) Stress-Testing; (5) Standards and Labels; (6) Greenwashing; (7) Supervisory Reporting; and (8) ESG Risks and Sustainable Finance Monitoring. According to the EBA, the roadmap builds on and replaces the **December 2019 EBA Action Plan on Sustainable Finance** and reflects “necessary adjustments following the market and regulatory developments, including new mandates and new areas of focus.”

As the EBA executes the **roadmap** and its ESG mandates, the EBA intends to (among other things) support the “solid and consistent implementation of the EU and international agenda on sustainable finance.” To that end, the EBA reiterated the importance of cooperation between EU and international institutions to ensure that a consistent approach is taken when developing and implementing an ESG-related regulatory framework. The EBA also will seek to ensure that ESG requirements “reflect the materiality of ESG factors and risks, taking into account not only the size and complexity of institutions but also other factors determining the materiality of ESG risks.”

**Taking the Temperature: While ESG regulatory initiatives have been “prolific in recent years,” the fast-paced development of European legislation and frameworks has caused confusion and issues for market participants based on the lack of uniformity and clarity across markets. For example, we [previously covered](#) the decisions by numerous asset managers to recategorize certain investment funds’ sustainability profiles due to the lack of clarity on what qualifies as a “sustainable asset” under the Sustainable Finance Disclosure Regulation. It is positive for market participants that the EBA intends to, as part of its roadmap, closely collaborate at an international level in carrying out its broad and ambitious sustainable finance objectives to produce a more globally consistent regime.**