

# ESAs Public Hearing on Joint guidelines on ESG stress testing

26 August 2025

# Agenda

1. Legal mandate

2. Background

3. Content of the Joint Guidelines

4. Next steps

Q&A Session

# 1. Legal Mandate

# 1. Legal mandate

EBA, EIOPA and ESMA shall, through the Joint Committee referred to in Article 54 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010, develop guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of environmental, social and governance risks. The Joint Committee shall publish those guidelines by 10 January 2026. EBA, EIOPA and ESMA shall, through that Joint Committee, explore how social and governance-related risks can be integrated into stress testing.

## Objectives

Addressed to CAs with a view to also support financial entities in stress testing their resilience to the negative impacts of ESG factors

## Scope

Focus first on climate-related risk  
Support a consistent, complete, long-term integration to ESG stress testing

## Proportionality

Maturity of the topic at CAs

Size, nature and complexity of financial entities activities

Modelling and data availability

## Consistency

With other **ESAs** products referring to ESG risks  
No additional requirement for CAs to carry out ESG supervisory stress tests

## 2. Background

## 2. Background (1/2)

According to Article 100(4) of CRD6 and Article 304c(3) of the amended Solvency II Directive, the European Supervisory Authorities (ESAs) under the Joint Committee (JC), shall **jointly develop guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of environmental, social and governance risks.**

- The guidelines on ESG stress testing are **addressed to CAs.**
- The guidelines are **high-level** (cross-sectoral nature) and mostly **focus on asset risks through traditional risk assessments**
- The guidelines deal with **stress tests that CAs perform in their remits**, i.e. they do not directly deal with the ESA stress tests. However, they indirectly **contribute to consistency among ESA ESG stress testing / scenario analysis.**
- The guidelines specify the framework to **ensure a consistent application of ESG stress testing** when they are carried out by CAs. However, **the guidelines will not include a requirement** for CAs to carry out their own stress tests.

The empowerment in the revised Solvency II and CRD Directives states that the Joint Guidelines should be finalised by the ESAs under the Joint Committee by 10 January 2026 - then **subject to Comply or Explain process by the respective CAs.**

## 2. Background (2/2)

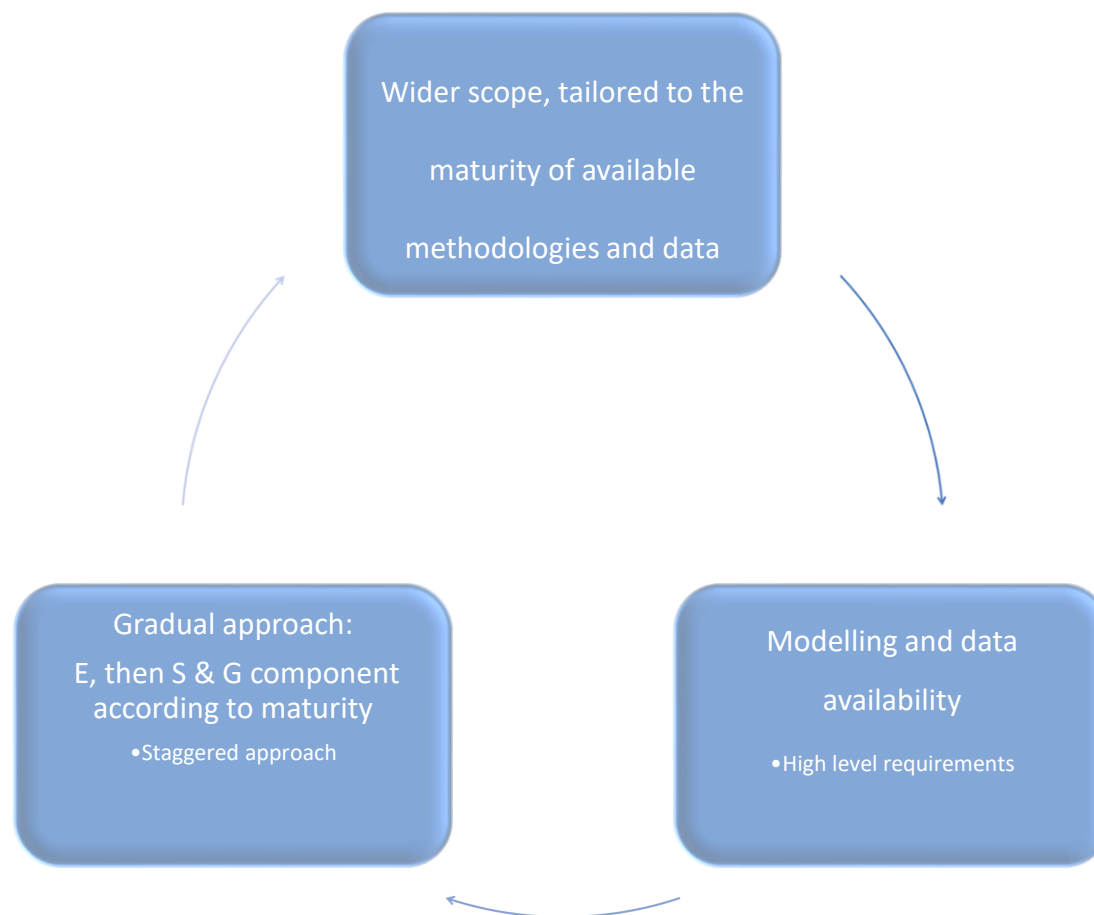
The work has been carried out **leveraging on existing sectoral work to minimise the application impact on the industry** as much as Possible including the expertise gathered across ESAs during the one-off fit-for 55 climate risk scenario analysis.

- EBA: Guidelines on SREP and Supervisory Stress-testing (2022)
- EBA: Consultation Paper on the Guidelines on ESG Scenario Analysis for banks (CRD art 87a)
- EIOPA: Methodological principles of insurance stress testing - climate change component
- EIOPA: Application guidance on climate change materiality assessments and climate change scenarios in ORSA
- ESMA: Guidelines on liquidity stress testing in UCITS and AIFs
- ESMA: Guidelines on stress test scenarios under the MMF regulation
- IAIS Application Paper on climate risk scenario analysis in the insurance sector
- BCBS discussion paper on climate scenario analysis (2024)

# 3. Content of the Joint Guidelines



## 3.1 Approach



## 3.2 Outline of the Joint Guidelines

### □ **Title I** – Subject Matter, scope and definitions

*Setting the scene, based on the legal mandate*

### □ **Title II** - Requirements regarding consistency, long-term considerations and common standards for assessment methodologies in stress testing of ESG risks

- **Objectives:** *Materiality assessment, Gradual approach to ESG stress testing, Integration of ESG factors into existing stress testing frameworks, Interconnection/spillover between financial sectors*
- **Principles and methodological considerations:** *Scope, Time Horizon, Scenario design, Top-down vs Bottom-up approaches, Level of granularity, Balance sheet assumptions, Sample, Proportionality*
- **Organisational and governance arrangements:** *Allocation of resources, Timelines for the exercise, Data collection, Quality assurance process, Effective dialogue with financial entities, Cross-border and system-wide coordination, Integration in the supervisory process, Public disclosure of information, Regular review*

### □ **Title III** – Implementation

## 3.3 Content - Title II: Objectives

### Main objective to select:

Short Term horizon (<5Y): Capital and Liquidity impact

Longer term horizon (>5Y): Strategy and Business model resilience

### Gradual approach to ESG stress testing:

Integration of ESG factors into existing ST framework

Prioritisation of Environmental risks

Gradual and continuous roll-out:

- methodological refinement
- capacity building
- stakeholder engagement

### Risk Based:

Starting point - Materiality assessment

Proportional – Nature, scale and complexity

Dynamic

### Interconnection and spillover between financial sectors:

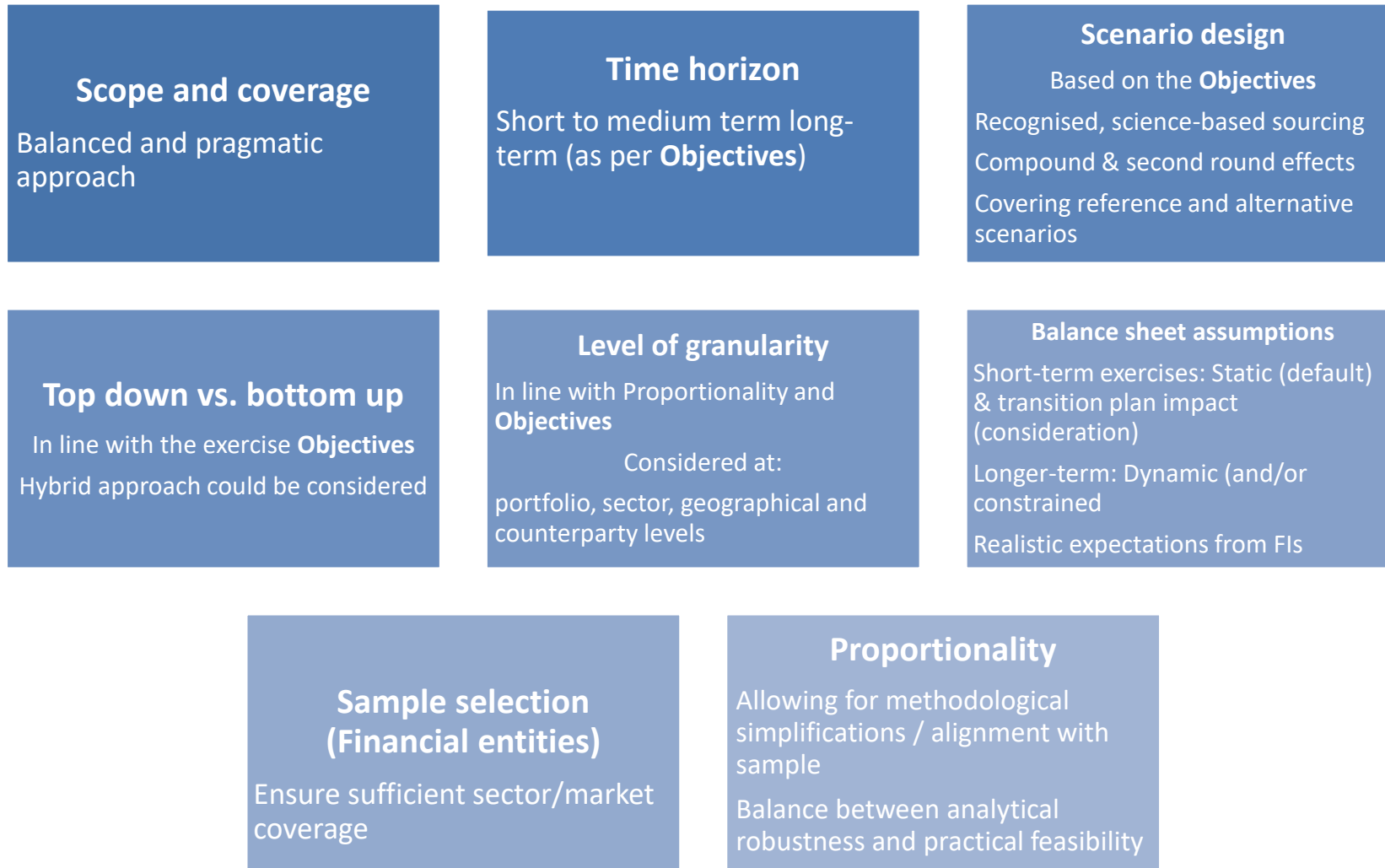
Enhanced collaboration

Identification of potential transmission channels

Scenarios alignment

Minimise regulatory blind spots

## 3.3 Content - Title II: Principles and methodological considerations



## 3.3 Content - Title II: Organisational and governance arrangements

### **Allocation of resources**

Human and material

### **Timelines**

Balancing the need for completeness and accuracy with requirements of the decision-making process

### **Data collection**

Leverage on regulatory reporting data vs. ad hoc data collection

### **Quality assurance process**

To ensure accuracy, consistency and reliability of stress test results

### **Effective dialogue with financial entities**

Guidance on expectations

### **Cross border and system-wide coordination**

Share best practices to avoid regulatory fragmentation, in line with applicability to sectoral legislation

### **Integration into the supervisory process**

Use findings to inform risk assessments and strategic discussions with stakeholders

### **Public disclosure of information**

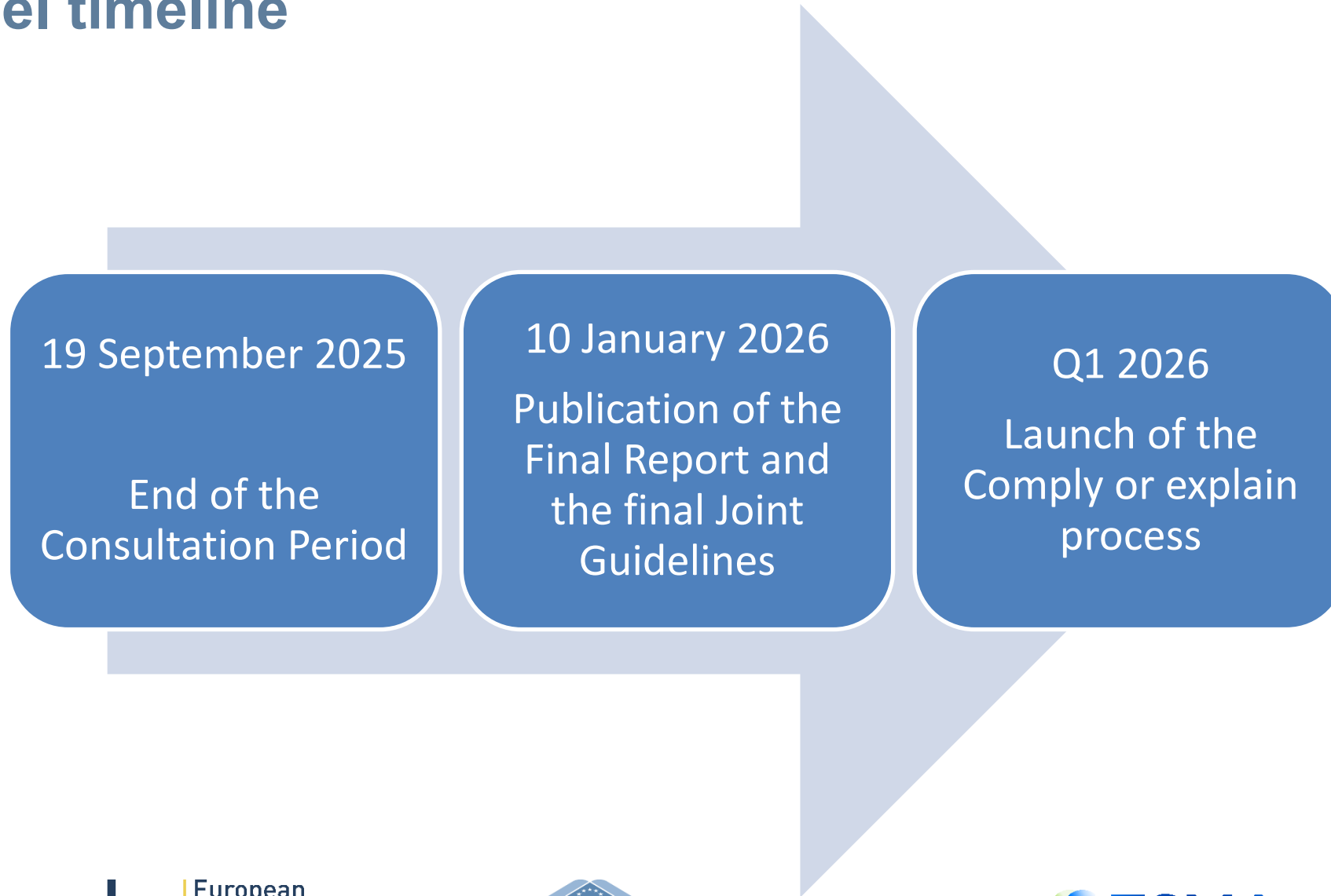
In line with the relevant sectoral regulations

### **Regular review**

To stay in line with the evolving nature of ESG risks and stress testing methodologies

# Next steps

# High-level timeline



# Any questions?



# Thank you