

An aerial photograph of a river with a light blue-green hue, winding through a dense forest of tall evergreen trees. The river's banks are composed of light-colored gravel and sand, with some small patches of green vegetation. The water shows gentle ripples and reflections of the surrounding environment.

## GL EBA 2025: challenges and methodologies in the measurement of impacts on banking risks

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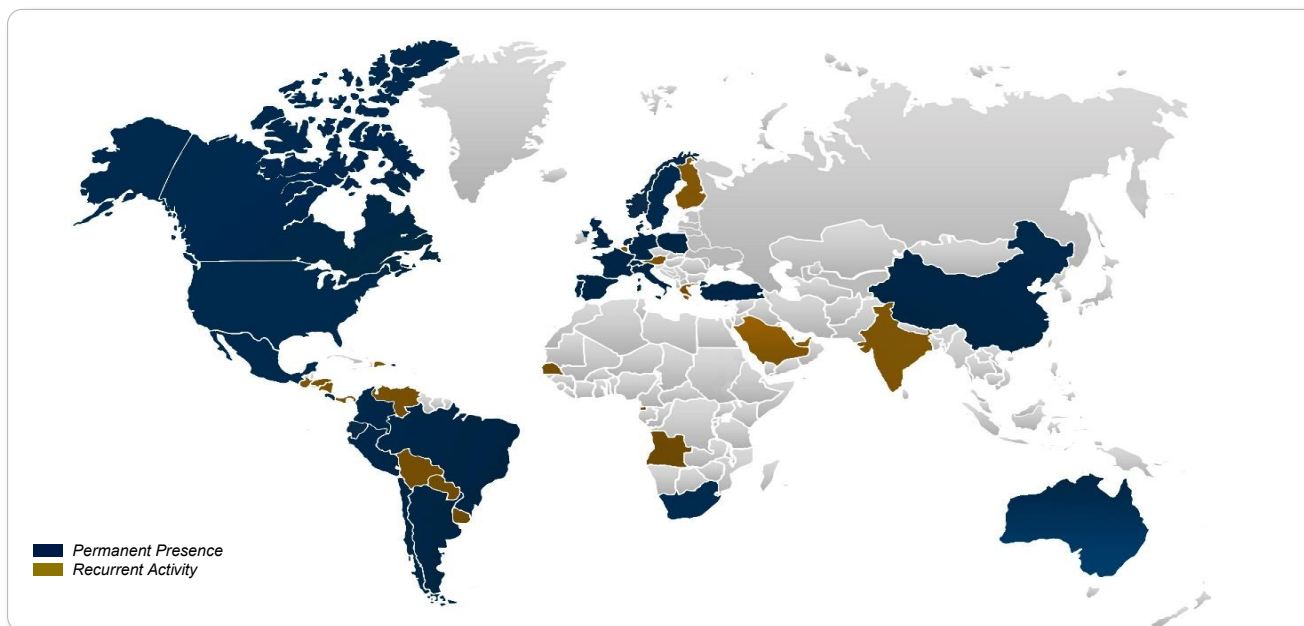


# 0 | About Management Solutions

## Who we are

Management Solutions is an international business consulting firm with operations in 50+ countries (50 offices), and a team of 4,000+ professionals working for 2,000+ clients around the world (600 FIs)

### We are an international firm...



### Offices in 50 cities

#### Europe

Madrid, Barcelona, Bilbao, Malaga, Coruña, London, Frankfurt, Düsseldorf, Vienna, Paris, Brussels, Amsterdam, Copenhagen, Oslo, Stockholm, Warsaw, Wrocław, Zurich, Milan, Rome, Bologna, Lisbon

#### Asia

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#### Africa

Johannesbourg

#### Americas

Toronto, New York, Boston, Pittsburgh, Columbus, Atlanta, Birmingham, Houston, San Juan de Puerto Rico, Mexico City, San José, Medellín, Bogota, Quito, Sao Paulo, Rio de Janeiro, Lima, Buenos Aires, Santiago de Chile

#### Oceania

Sydney

### with a team of talented and multidisciplinary professionals...

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- Globally managed multidisciplinary teams
- **Analytical team: business, quant and technical**
- **Strong relationship with regulators and supervisors**

### ...and extensive experience in regulated industries

- **Collaborating with:**
  - **9 financial supervisors:** ECB, DNB, PRA, Bank of Spain...
  - **20 out the of the 30 G-SIBs** (Europe and America)
  - **300+ D-SIBs** (Europe, America, Asia, Africa and Oceania)
  - **600+ financial institutions** in 50+ countries.
  - **500+ major corporates** in Insurance, Energy, Telco and other

# 0 | About Management Solutions

## Our ESG practice

**Sustainability and climate risks are a strategic practice for Management Solutions, which offers 360° services in this area, as well as a strong commitment to research and knowledge transfer**

- 1 360° service offering in sustainability and climate risk management (over 300 projects)**  
Services in all areas of sustainability and climate risk with a 360° view (framework, governance, organisation, methodologies, management processes, tools, data and reports).
- 2 R&D team specialising in methodologies for measuring the risks associated with climate change**  
Defining and implementing methodologies for measuring climate risk (physical and transition risk scenarios, portfolio alignment and target setting).
- 3 Tools developed to cover the most advanced methodologies**  
MS has developed tools that support the most advanced methodologies for measuring physical and transition climate and environmental risks.
- 4 World Bank reference consultant**  
MS works with a number of prestigious international institutions in this field, acting as a reference consultant for the World Bank in advisory and training activities.
- 5 Experts in ESG and climate risk regulation**  
Extensive experience has a regulatory observatory that provides in-depth knowledge of regulatory requirements relating to sustainability and climate change risks.
- 6 Strong activity in the creation of advanced knowledge, in collaboration with leading institutions.**  
MS works closely with the academic world in the field of sustainability, as a founding member of the ICADE Chair of Social Impact and the ICADE Chair of Hydrogen
- 7 A team**  
We work as a "One Firm" with a central team whose mission is to ensure consistent knowledge, methodologies and benchmarking across geographies and sectors.



An aerial photograph of a river flowing through a landscape. The river is a light blue-grey color, winding through a dark, rocky terrain on the left and a dense, green forest on the right. The forest consists of many small, coniferous trees, creating a textured pattern of green. The river's path is marked by small ripples and changes in color, suggesting different depths or compositions of the water and the riverbed.

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# 01 | The EBA Guidelines: a regulatory mandate

## The regulatory request

The CRD VI includes the mandate to integrate the ESG risk management into strategies, policies, processes and systems, in different term views

### CRD VI Art 87a

The CRD marks the **general direction institutions and CA's should take in the management of ESG risks**

*1. Competent authorities shall ensure that institutions have, as part of their governance arrangements, including the risk management framework required under Article 74(1), robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of ESG risks over the short, medium and long term. [...]*

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#### Elements where to integrate ESG risks

1. Strategies
2. Policies
3. Processes
4. Systems

**Proportionate** to the scale, nature and complexity of the ESG risks of the business model and scope of the institution's activities

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#### Risk Management Lifecycle

1. Identification
2. Measurement
3. Management
4. Monitoring

**(Implication:** need for measurement methodologies)

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#### Term and considerations

1. Short
2. Medium
3. Long (at least 10 years)

**Planning:** Consideration of product offering, transition finance policies, loan origination policies, and ESG targets

# 01 | The EBA Guidelines: a regulatory mandate

## Summary of main requirements

The EBA's 'Guidelines on the management of ESG risks' require institutions to establish prudential processes and plans to address risks and support the EU's transition to climate neutrality by 2050. The guidelines enter into force on 11 January 2026

		Scope	Main requirements
Identification Measurement	Materiality analysis	Annual ICAAP exercise. Coverage of <b>financial risks</b> (credit, market, liquidity, operational - including litigation - reputational, business model and concentration) over at least <b>10 years</b> , using a risk-based approach. <b>Qualitative and quantitative data</b> for relevant activities, services and products.	
	Data	Part of the governance and IT infrastructure. Client and activity level <b>data</b> . <b>Multiple sources</b> (client engagement, disclosure from counterparties, external providers). Information <b>gap analysis</b> .	
	Methods	Use of <b>3 methodologies supported by KRIs</b> (exposure based; sector & portfolio; scenario based).	
Management Monitoring	Strategy and Risk Appetite	Integration <b>into strategy, business objectives and risk appetite</b> (list of KRIs with back/fwd looking view). Assessing and tracking progress towards strategic objectives.	
	Culture & Control	Promotion of <b>knowledge of ESG factors</b> , risks, strategic goals and commitments. <b>Integration into internal control frameworks</b> on the 3 lines of defence.	
	ICAAP/ILAAP	Inclusion of a <b>forward-looking view under an adverse scenario and scenario analysis</b> according to the new EBA Guidelines.	
	Policies and Procedures	Integration into corporate policies. <b>Definition of processes</b> to identify, measure, manage and mitigate <b>ESG impacts for various risks</b> (credit, market, liquidity, funding, operational, reputational and concentration risks).	
	Monitoring	<b>Dashboards for reporting to management</b> . Granular monitoring for counterparties, exposures and portfolios. Setting of <b>alerts, thresholds, and corrective actions</b> .	
Transition plan	Principles and Governance	Based on a forward-looking analysis of the <b>business environment and strategic planning</b> . Ensure capacity and resources to develop, implement and monitor the plan. Governance processes.	
	Target Metrics	<b>Definition and monitoring of targets for sector/portfolio levels</b> by applying scenarios. Reviewing the impact on <b>ESG risks</b> from regulatory targets (EU commitments and national legislation).	
	Planning	<b>Documentation</b> (methodologies, assumptions, criteria, target and actions, including the implementation and engagement strategy) <b>and monitoring of the implementation plan</b> .	

# 01 | The EBA Guidelines: a regulatory mandate

## Implications and challenges

Financial institutions are in the process of identifying the key aspects of the Guidelines, establishing a Master Plan for its adoption, and developing and documenting the prudential transition plan in accordance with the requirements.

	Scope	Complexity	Maturity of the market	Implications and challenges
Identification Measurement	Materiality analysis			<ul style="list-style-type: none"> <li>• <b>Analysis</b> of financial <b>materiality</b> for the business model and risks.</li> <li>• Methodologies for Nature, Social and Governance.</li> <li>• <b>Establishment of a meaningful data collection process</b> and maintenance of golden sources feeding different areas.</li> <li>• Consistency between methodologies, terms (short/long), strategy, business objectives and risk limits.</li> </ul>
	Data			
	Methods			
Management Monitoring	Strategy and Risk Appetite			<ul style="list-style-type: none"> <li>• Need for meaningful data to inform strategy. Development of reporting metrics.</li> <li>• Consistency <b>with decarbonisation targets, external commitments</b> and competitor positioning.</li> <li>• Communication, training, specialisation and control.</li> <li>• Development of an approach for <b>ESG risk management</b>. Clear role of each LoD, with impact on product/pricing definitions.</li> <li>• Definition of scenarios for ICAAP/ILAAP and capital planning. Integration into current methodologies.</li> <li>• <b>Development of meaningful measurement methodologies</b> for each risk category and updating of risk processes.</li> </ul>
	Culture & Control			
	ICAAP/ILAAP			
	Policies and Procedures			
	Monitoring			
Transition plan	Principles and Governance			<ul style="list-style-type: none"> <li>• <b>Coherence with business</b> and decarbonisation <b>plans and EU frameworks</b> (PIII, ESRS, CSRD).</li> <li>• Define short- and long-term methodologies, objectives and actions.</li> <li>• Establish a monitoring process.</li> <li>• <b>Creation of the plan document.</b></li> </ul>
	Target Metrics			
	Planning			

- Area with an advanced level of development
- Area under investigation, developments planned and recently or to be initiated
- Uncovered and unexplored area

# 01 | The EBA Guidelines: a regulatory mandate

## A comparison between 2020 ECB Supervisory expectations and 2025 EBA Guidelines

The 2020 ECB supervisory expectations on climate-related and environmental risks initiated a deep-dive into how banks address climate risks. The EBA Guidelines represent the next step, broadening the scope and turning supervisory expectations into concrete regulatory practices.

		EBA Guidelines on ESG Risks (2025)	ECB Supervisory Expectations on Climate & Environmental Risks (2020)
Scope of risks covered		Focused on <b>Environmental and Climate risks</b> (transition & physical risks)	Comprehensive ESG risks: <b>Environmental, Social, and Governance</b>
Applicability		Applies to <b>significant institutions (SIs)</b> under ECB supervision	Applies to <b>all EU credit institutions and investment firms</b>
Supervisory Nature		<b>Supervisory expectations</b> (not legally binding but enforced via SREP and on-site inspections)	<b>Binding Guidelines</b> , feeding into Pillar 2 requirements and risk management practices
Time Horizons		Focus on <b>long-term horizon</b> , especially regarding transition risk alignment	Focuses on <b>short, medium, and long-term horizons</b> , aligning with sustainability strategies
Disclosure requirements		Specific <b>disclosure expectations</b> . Indirectly linking to disclosure expectations (less detailed than EBA)	<b>Disclosures out of scope</b> . Complementary to EBA Pillar 3 ESG disclosures and CSRD alignment
EBA Guidelines		ECB Expectations	Key differences
Requirements	4.1 Materiality assessment	E7.1, 7.2	EBA dedicates a specific section to materiality, with more detailed assessment methodologies.
	4.2 Risk Identification & Measurement	E1, E6, E7.3, E8.1-E8.4, E9, E10, E12	ECB’s approach to ESG risk identification and measurement is narrower, focusing on climate and environmental risk using sectoral and geographical analysis.
	5.1 ESG Risks management principles	E3.3, E7.4-E7.5, E8.5, E8.6	ECB provides more detailed expectations on risk management, including integration into pricing, sectoral policies or collateral valuation.
	5.2 Strategies and Business Model	E1, E2	EBA links the business strategy directly to transition planning.
	5.3 Risk Appetite	E4.1-E4.2	ECB focused on forward-looking metric and limit definition. EBA links RA directly to materiality, business model specifics, and group-wide implementation.
	5.4 Internal culture capabilities & controls	E3.2, E5.3-5.6	EBA sets expectations on ESG-related culture, capacity building and internal controls. ECB focused more on management body responsibilities.
	5.5 ICAAP/ILAAP	E7.6, E11, E12	EBA integrates ESG risk into capital and liquidity adequacy frameworks with forward-looking assessments; ECB less focused on assessing capital impact.
	5.6 Policies and procedures	E8.1, E8.4, E9, E10, E12	EBA explicitly requires institutions to embed ESG considerations across internal policies; ECB presented less emphasis on procedural integration.
	5.7 Monitoring	E4.2, E6.4, E8.3-E8.4, E9, E10, E13.3	EBA is highly prescriptive on minimum ESG risk metrics and indicators that required monitoring. Most indicators require at least assessment by the ECB.
	6.1 Key principles	E1, E2	Transition plans not covered by ECB (indirectly linked by business environment and strategy). EBA focuses on metrics and targets.
	6.2 Governance	E3, E5	Transition plans not covered by ECB. EBA Governance limited to transition planning.
	6.3 Transition planning	E2, E11	Transition plans not covered by ECB (indirectly linked by business strategy and scenario analysis expectations). EBA focuses on metrics and targets.
	6.4 Key contents of plans	NA	Transition plans not covered by ECB. E4.3 on remuneration policies ins included in EBA content of plans.
	6.5 Plan monitoring, review, and update	NA	Transition plans not covered by ECB.



# 01 | The EBA Guidelines: a regulatory mandate

## Calendar


The EBA has published the final 'Guidelines on the management of ESG Risk' with the aim of defining the requirements banks have to ensure with regard to ESG risk management



**The EBA published Guidelines for ESG Risk Management**, requiring banks to establish processes and prudential plans to address these risks and support the EU's transition to **climate neutrality by 2050**.

The guidelines enter into force **on 11 January 2026, with SNCI granted until 11 January 2027**.



An aerial photograph of a river flowing through a landscape. The river is a light blue-grey color, winding through a dark, rocky terrain on the left and a dense, green forest on the right. The river's surface shows some ripples and small waves. The forest is composed of many small, coniferous trees, creating a textured green canopy. The overall scene is captured from a high angle, looking down at the river and the surrounding land.

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To enable ESG risk management, banks are adopting an end-to-end process in line with their risk management framework

### End-to-end process for managing ESG risks

#### IDENTIFICATION & ASSESSMENT



Identification of key risks and their impacts:

- Definition of **risk driver** and **risk taxonomy**.
- **Scenario** analysis and **stress tests**.
- **Materiality assessment** and **Business Environment Scan**.

Definition of a transition plan at strategic level, and financial impact

#### INTEGRATION INTO THE RISK MANAGEMENT FRAMEWORK



Integration of **C&E risk management** into the **overall risk management framework**.

#### MANAGEMENT & MITIGATION



Management of identified C&E risks through a shared process and effective governance:

- Introduction of specific **Key Risk Indicators** within the **Risk Appetite Framework (RAF)** and identification of **mitigation actions**.
- Development of **specific controls** in the ESG area and definition/adjustment of **policies** to **mitigate the effects of C&E risks**.

#### MONITORING & DISCLOSURE



**Review and reporting** of all C&E risk management initiatives, detailing activities and **outputs** to be shared with **internal and external stakeholders**.

# 02 | Focus on the strategy

## The starting point: the Business Environment Scan

According to the ECB, banks need to understand the current and future impact of climate and environmental (C&E) risks on their business environment at the level of key sectors, geographies and products and services, in the short, medium or long term, in order to make informed strategic decisions

BES: What does the ECB require?	
Objective	<ul style="list-style-type: none"> <li>Analysing the <b>external environment</b> to identify opportunities and risks</li> </ul>
Focus	<ol style="list-style-type: none"> <li>Impact on: <ul style="list-style-type: none"> <li>The macro.</li> <li>Competitive environment.</li> <li>Policy and regulation. Geopolitical risk from C&amp;E.</li> </ul> </li> <li>Consideration of value chain effects, consumer preferences, new markets, technology shifts.</li> </ol>
Instrument	<ul style="list-style-type: none"> <li><b>Sectoral and geographical analysis.</b></li> </ul>
Who uses it?	<ul style="list-style-type: none"> <li><b>Board and top management.</b></li> <li><b>Business area.</b></li> <li><b>Risk management.</b></li> </ul>
Output	<ul style="list-style-type: none"> <li><b>Full report and Dashboard.</b></li> </ul>




How to approach the exercise?
<ul style="list-style-type: none"> <li><b>Scope Identification.</b> Definition of "<b>relevant areas</b>": <ol style="list-style-type: none"> <li>They contribute significantly to the Group's <b>financial results</b>;</li> <li>They have a high <b>climatic-environmental impact</b>.</li> </ol> </li> <li><b>Selection of information sources</b>, indicators for analysis by sector, time horizon, and persons involved in the process (analysts, studies and research, etc.).</li> <li>Definition and choice of scenarios and initiatives to mitigate impacts over <b>different time horizons (short, medium, long term)</b>.</li> <li><b>Execution:</b> Obtain relevant information. Conducting sector analysis. <b>Identifying opportunities and risks</b></li> </ul>



# 02 | Focus on the strategy

## The creation of the Prudential Transition Plan: the supervisory requirement

The EBA Final Guidelines on ESG Risk Management are divided into three basic blocks, one of which is the Transition Plan ('Plans in accordance with Article 76(2) CRD6')

Key principles	<ul style="list-style-type: none"> <li>Based on <b>forward-looking business environment analysis</b> and a <b>strategic planning process</b></li> <li>A <b>risk management tool</b>.</li> <li><b>Consistency</b> with other applicable requirements (<b>due diligence, sustainability reporting and strategic actions</b>)</li> </ul>	
Governance	<ul style="list-style-type: none"> <li>Assignment of <b>ESG roles and responsibilities</b> to the 3LoD.</li> <li>Ensure <b>sufficient capacity, expertise and resources</b>.</li> <li>Robust <b>governance</b> processes to <b>collect, validate and aggregate the data</b>.</li> </ul>	
Planning	<ul style="list-style-type: none"> <li><b>Documentation of the plan:</b> <ul style="list-style-type: none"> <li>Methodologies, assumptions, criteria, objectives, and actions planned to achieve the objectives</li> <li>Revisions made and scheduled for monitoring the achievement of objectives</li> </ul> </li> <li><b>Strategic objectives and plan roadmap</b></li> <li><b>Targets and metrics</b></li> <li><b>Governance</b></li> <li><b>Implementation Strategy</b></li> <li><b>Engagement strategy</b></li> </ul>	

Practical Implications	<div> <div>Key Components</div> <div> <ul style="list-style-type: none"> <li>NZBA strategic plan and business scan</li> <li>Sustainability Targets</li> <li>Available data and metrics</li> <li>Risk Appetite</li> <li>Models and methodologies</li> <li>Reports and disclosure (CSRD / Pillar III)</li> </ul> </div> </div>	<div> <div>Plan Development</div> <div> <ol style="list-style-type: none"> <li><b>Set-up</b></li> <li><b>Gap Analysis</b> and consistency exercise.</li> <li><b>Plan construction</b> (activities, responsibilities, budget, timeline, etc.). Peer review.</li> <li><b>Documentation</b></li> </ol> </div> </div>	<div> <div>Areas involved and responsibilities</div> <div> <div> <div>S</div> <div>P</div> <div>R</div> <div>N</div> </div> <div> <div>Sustainability</div> <div>Planning</div> <div>Risk Management</div> <div>Credit Policies</div> </div> <div> <div>O</div> <div>I</div> <div>R</div> <div>C</div> </div> <div> <div>Organisation</div> <div>IT / Data Gov.</div> <div>Research</div> <div>Control functions</div> </div> </div> </div>
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