



EBA Guidelines on the management of ESG risks

Towards a complete coverage of ESG risks by transition plan





Traditionally focused on climate and environmental risks, the EU regulatory framework is now broadening its scope to **encompass environmental, social, and governance risks more comprehensively**. Adopted in 2024, the EU banking package (CRD VI & CRR III) requires banks to develop transition plans under the prudential framework to manage ESG risks. The EBA's ESG risk management guidelines, published in January 2025, **outline the key components of these plans** and clarify supervisory expectations for integrating ESG risks into strategy, business models, governance, and operations.

Implementing these guidelines requires **both strategic and operational efforts**. A materiality assessment—supported by identifying transmission channels and scanning the business environment—helps prioritize significant risks for impact analysis. Assessing the impact of material risks on strategy and business models informs the definition of mitigation objectives. Based on these insights, **the transition plan serves as a concrete roadmap for embedding ESG risks into governance, risk management, and internal control systems**. Robust ESG data underpins the entire process.

A new cornerstone of the European Union's regulatory framework

EBA guidelines expand the scope and enhance supervisory expectations regarding ESG risk management

ESG risk regulatory package

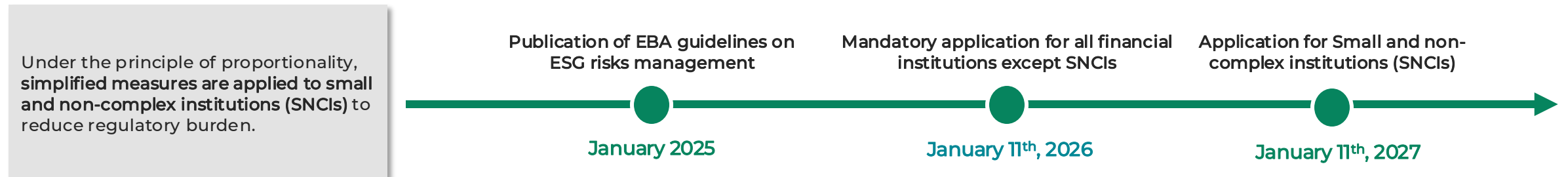


Objectives of EBA guidelines

- Strengthen ESG risk management within financial institutions
- Ensure ESG factors are embedded in **governance, strategy and decision-making processes**.
- Foster **regulatory convergence** and enhance financial sector resilience to ESG challenges
- Align financial institutions with **EU sustainability objectives and global commitments** such as the Paris Agreement.

*C&E risks: Climate-related and environmental risks

Application calendar for EBA guidelines



Implementation of EBA guidelines requires efforts from both strategic level and operational level

Each step of implementation is interconnected and the whole implementation process should be supported by sound ESG data system.

1

Strategic integration

Materiality assessment

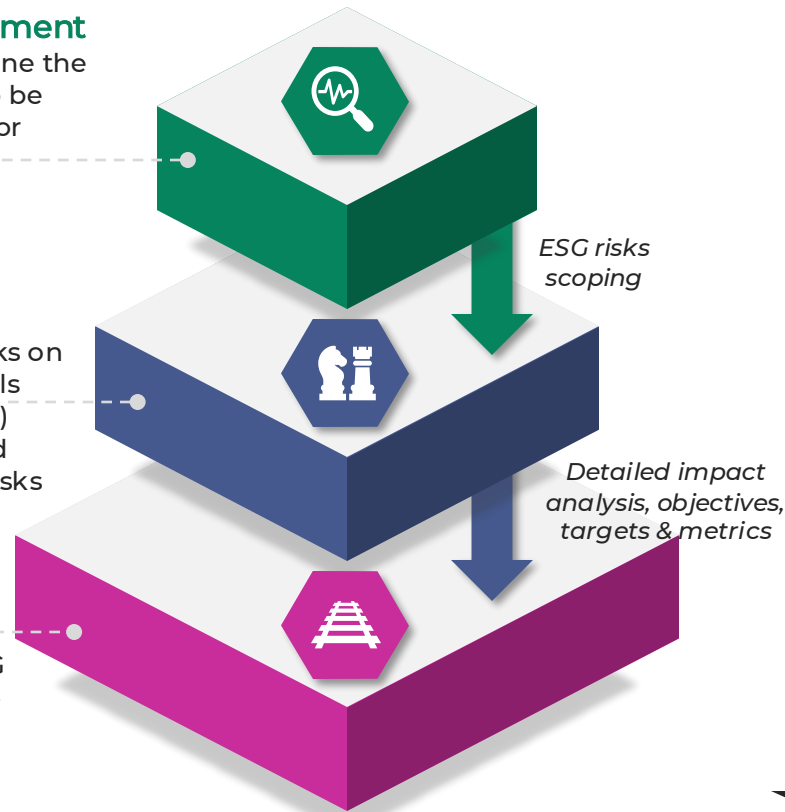
Identify and determine the scope of ESG risks to be taken into account for institutions

Strategy and business model

- Assess impacts of ESG risks on strategy & business models (e.g. impacts on core risks)
- Set objectives, targets and metrics to mitigate ESG risks

Transition plan

Roadmap to mitigate ESG risks across different time horizons with objectives, targets and metrics



Actions plans

Operational integration

2

Governance

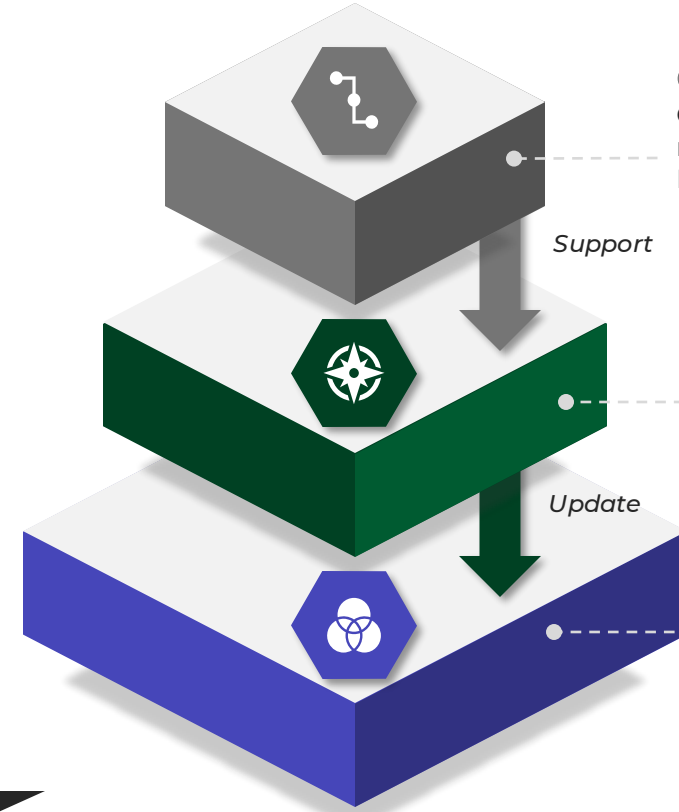
Clarify and enhance roles & responsibilities regarding ESG risks management

Risk management framework

Embed ESG risks into existing framework to ensure effective management

Internal control

Ensure measures to mitigate and monitor ESG risks are effectively implemented



ESG data and IT systems

All directions should be mobilized for effective ESG risks management

Strategy, risk, finance and IT are the directions most impacted

Impacts by direction								
Low impact	Medium impact	High impact						
Strat	ESG	Risk	HR	FO	MO/BO	IT	Fin	CPL
Low	High	High	Medium	Medium	Low	Low	High	Medium
High	High	High	Low	High	Low	Low	High	Medium
High	High	High	Medium	Medium	Medium	Medium	Medium	Medium
High	High	High	High	Low	Low	Low	Low	Low
Low	High	High	Low	High	Medium	High	Medium	Low
Low	High	High	Low	High	High	Low	Low	Low
Low	High	High	Low	Low	High	High	High	Low

Contact us for details

Key themes	Key steps	Regulatory requirements of EBA guidelines
Materiality assessment	Strategic integration	
Strategy and business models		
Transition plan		
Governance	Operational integration	
Risk management framework		
Internal control & Business process		
ESG data and IT systems		
	Transversal support	

Materiality assessment helps prioritize the most significant risks for detailed strategy & business impact analysis

The assessment process should be supported by transmission channel definition and business environment scan

1

Strategic integration



Materiality assessment

ESG risks catalog
& Transmission
channel definition

Business
environment scan
(BES)

Financial
materiality
assessment

List of
material risks

Contact us for details

Understanding of ESG risks' impact on strategy & business models enables the definition of risk mitigation objectives

Methods and approaches used to assess the impacts of ESG risks on strategy and business models should be tailored to the nature of ESG risks, data availability, and time horizons.

1

Strategic integration



Strategy and business models



Risk assessment approaches & data mapping

ESG risks assessment

Strategy & business model impact analysis & Objectif definition

List of material risks

Contact us for details

Prudential transition plan as a strategic roadmap to guide the operational integration of ESG risks

Targeted governance structure, implementation strategy and engagement strategy defined in transition plan should be executed during the operational integration phase.

1

Strategic integration



Transition plan

Contact us for details

ESG risks should be integrated into daily operations to ensure holistic management and continuous monitoring

2

Operational integration

Governance structure, risk management framework, internal control and data governance will be adapted to incorporate ESG risks.

Contact us for details

With extensive experience in ESG risk integration, Ailancy supports you throughout your EBA guidelines implementation journey

Our pragmatic approach is tailored to each client's specific needs while ensuring full regulatory compliance.



Our credentials & ESG expertise



AILANCY, YOUR REFERENCE PARTNER IN SUSTAINABLE FINANCE

We offer a fully modular package, capable of adapting to your every need.

Strategy, Governance, CSR and ESG Operating Models

- Development and management of ESG strategies in line with the challenges and ambitions of financial players.
- Integrating ESG into business models and structuring dedicated functions.
- Develop centers of expertise and strengthen the role of ESG Officers.
- Definition of governance frameworks, coordination between business divisions and integration of CSR principles.

ESG Risk Management

- Mapping and integration of ESG risks (climate, transition, reputational, social, etc.).
- Deployment of stress tests and ESG scenario analyses.
- Strengthening ESG risk management and monitoring systems.
- Integrate ESG risks into strategic and operational decision-making.

ESG data and digitization

- ESG data governance and structuring.
- Selection and integration of ESG data providers and technological solutions.
- Automation and improvement of ESG reporting systems.
- Implementation of data architectures and advanced analysis tools for sustainable finance.

Compliance and regulatory reporting

- Compliance with ESG regulations (SFDR, CSRD, EU Taxonomy, MIFID II ESG, UCITS, AIFMD, LEC29, SRD2, BMR, CRR2, Solvency2, ECB/EBA, TCFD, TNFD, IORP II, CS3D).
- Structuring and production of ESG, financial and extra-financial reports.
- Optimization of ESG control and audit processes.
- Integration of international standards and anticipation of regulatory changes.

Sustainable Finance and Impact Solutions offer

- Structuring sustainable financial solutions (Article 8 & 9 SFDR funds, green and social bonds, impact credits)
- ESG product innovation for asset management, banking and insurance.
- Development of new models for sustainable and transition financing.
- Support in obtaining and renewing ESG labels.

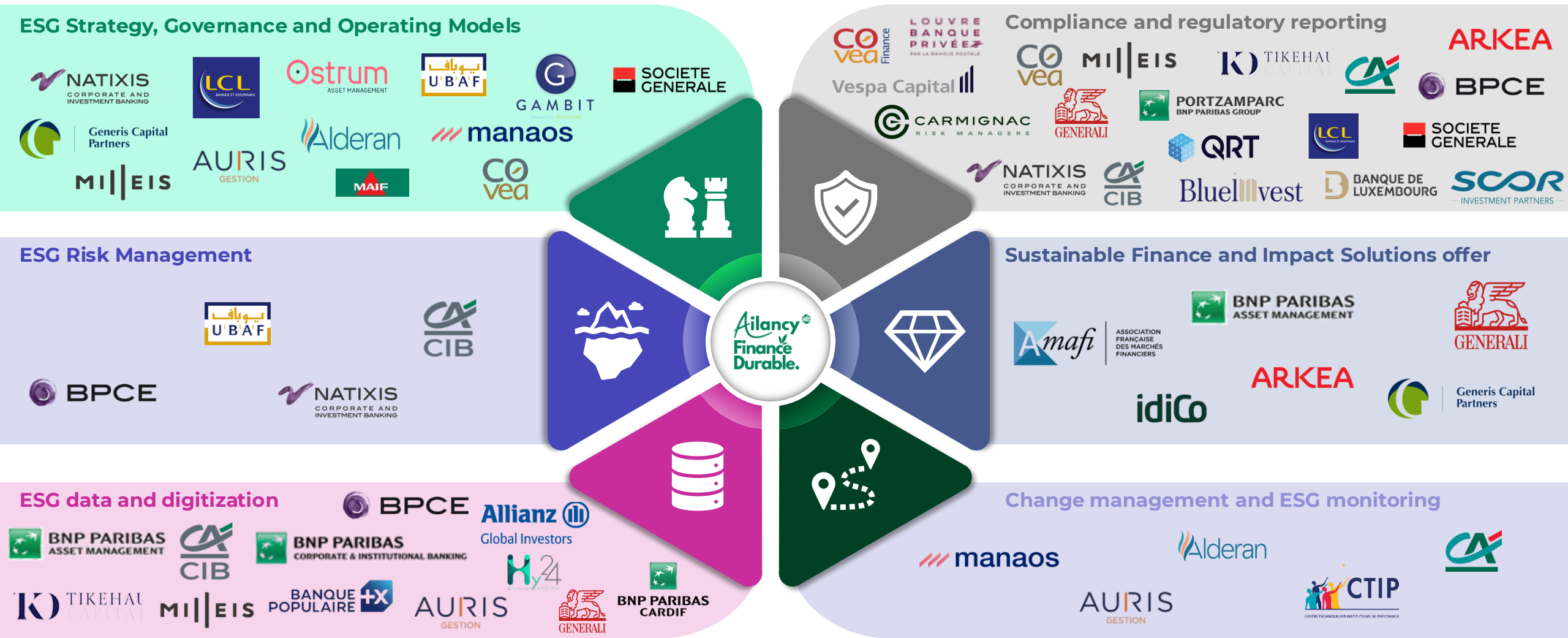
Change management and ESG monitoring

- Raising awareness and training teams in ESG issues.
- Support for organizational transformations.
- Deployment of ESG change management strategies.
- Regulatory, competitive and forward-looking monitoring to anticipate market trends.



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We offer a fully modular package, capable of adapting to your every need.



Our ESG risks credentials

Climate & Environmental Risks Identification & Measurement for a large banking group

Context and challenges

To address the ECB's Combined Decision Letter, the sample bank enhanced its annual C&E risk materiality assessment in 2024 with a dedicated analysis of environmental risk factors. This exercise involved mobilizing risk and business experts, validating transmission channels, identifying indicators, producing sector-based analyses, and documenting expert assessments by risk type. Outputs were reviewed and endorsed by GFS senior governance bodies to ensure traceability, consistency, and alignment with 2020 ECB Guidelines and 2021 EBA Guidelines.

Value added by Ailancy

Ailancy leveraged regulatory knowledge and ESG expertise to design the environmental risk assessment methodology and define a group-wide materiality matrix. We structured the assessment, supported expert mobilization, and ensured ECB alignment through a documented process and targeted remediation plan, strengthening governance and strategic risk oversight.

Our intervention

Ailancy supported a large banking group with a structured and expert-driven approach to enhance its Climate & Environmental risk materiality assessment. Key actions included:

- **Risk factor framework definition:** Designed a Group-wide C&E risk taxonomy aligned with key regulatory sources (ECB Guide, EU Taxonomy, CSRD, ENCORE), and structured generic transmission channels across core internal risks, based on NGFS, SBTN, and OCARA references. The analysis was anchored in both direct and indirect double materiality to enable a comprehensive understanding of C&E risk propagation across the organization.
- **Double materiality-based assessment methodology:** Formalising an approach combining outside-in and inside-out perspectives: to assess both the impact of environmental change on a major banking group's exposures and its environmental footprint. This methodology was based on expert judgement, the characteristics of the portfolios, and external data (WWF, ICAAP stress tests, MSCI, ND-GAIN...).
- **Expert engagement and governance validation:** Mobilising business and risk experts across the sample bank SA and GFS, coordinating materiality assessments by risk type, and securing validation at senior governance level (GFS Global Risk Committee).
- **Analytical package development:** Producing sectoral and geographical impact indicators, consolidating expert assessments, and structuring a documented evaluation file to ensure auditability, traceability, and alignment with ECB expectations.

Outcomes

- Structured a Group-wide materiality assessment framework aligned with ECB expectations, enabling a documented, traceable and forward-looking view of C&E risks.
- Strengthening the integration of environmental risks into the Group's overall risk governance through expert coordination and validation at management level.
- Improved understanding of sectoral and geographic climate and environmental vulnerabilities, supporting strategic portfolio steering.
- Delivered an actionable remediation plan to enhance the Group's climate and environmental risk management capabilities.

Our ESG risks credentials

Climate & Environmental Risks Identification & Measurement for a major banking actor in trade finance

Context and challenges

The banking actor initiated its first comprehensive Climate and Environmental (C&E) risks assessment to comply with EBA's CRD V and the ECB's guidelines on climate-related and environmental risks, and to anticipate the broader scope introduced by CRD VI. Given the bank's trade finance model and international exposure, the key challenge was to tailor a forward-looking, proportionate assessment that captures both operational and financial impacts across risks and time horizons.

Value added by Ailancy

Ailancy leveraged its dual expertise in ESG regulation and risk management to support the bank specialized in trading finance in designing a fit-for-purpose C&E risks assessment. Our approach ensured alignment with supervisory expectations, methodological robustness, and seamless integration into the bank's governance framework, setting the foundation for future risk steering and regulatory readiness.

Our intervention

Ailancy supported the banking player with its first C&E risks assessment. Key actions included:

- **Framework design and transmission channels formalization:** Structured a C&E risks assessment framework aligned with supervisory expectations, and formalized transmission channels across core internal risks, anchoring the analysis in both direct and indirect double materiality to enable a comprehensive understanding of C&E risk propagation across the organization.
- **Definition of key assessment axes and double materiality-based methodology** Defined key assessment axes (geographies, underlying products, and maturity), and designed a dual approach combining quantitative and expert-based assessments, integrating outside-in and inside-out perspectives across multiple time horizons.
- **Business Environment Scan (BES) and impact scoring:** Developed a Business Environment Scan to supplement internal and external scorings (ND-GAIN, WWF, ENCORE), providing context-specific C&E analyses of key assessment axes, incorporating regulatory, macroeconomic and environmental signals, and translating results into risk exposure scores across multiple time horizons.
- **Expert coordination and governance integration:** Mobilized internal stakeholders across functions, supported expert assessments, and ensured alignment with governance processes and ESG oversight.
- **Remediation measures:** Initial remediation levers have been described to address risk sensitivities and support future integration into the banking player's risk appetite framework and ESG strategy.

Outcomes

- Enabled the bank to identify and prioritize climate and environmental vulnerabilities across its core risk profile.
- Provided decision-makers with a structured, time-based view of C&E exposures to support strategic, reputational, operational and credit steering.
- Improved internal coordination and ESG awareness, fostering clearer roles and ownership during this first C&E risks assessment exercise.
- Equipped the bank with a robust assessment foundation to integrate C&E risks into its RAF and engage proactively with supervisors.

Our ESG risks credentials

Reputational risk management framework update for a continental CIB

Context and challenges

Following CASA request to contribute as a pilot-entity to Group reputation risk management program, the continental CIB client is willing to launch its own reputation risk management framework upgrade project. Key challenges included defining clear roles and responsibilities with regard to reputational risk management, formulating precise definition of reputational risks, identifying business requirements (tools, policies and procedures) and ensuring coordination with Group CASA.

Value added by Ailancy

Ailancy's expertise in ESG risk management and its deep understanding of the continental CIB organization enabled a tailored and effective approach to reputational risk framework definition and implementation. By combining strategic foresight with operational pragmatism, we ensured timely delivery and positioned the CIB for long-term sustainability success.

Our intervention

Ailancy deployed an integrated team of ESG experts and seasoned consultants to support the continental CIB client across the reputational risk management framework definition and implementation project. Our key contributions included:

- **Methodology and policy:** Defined reputational risk & referential, created a robust framework, developed a scoring methodology to manage risks systematically.
- **Governance/RACI:** Established roles and responsibilities, including coordination mechanisms with Group CASA, validated governance structures for risk management.
- **Risk mapping:** Identified and assessed reputational risks in existing risk framework, identified and mapped processes involved (client onboarding, new transactions, counterparty review, credit review...)
- **Monitoring and controls:** Established control mechanisms, assessed tools and systems development opportunities for the monitoring of reputational risk, defined KRIs and secure reporting mechanisms
- **Change management and communication:** Trained stakeholders, fostered a risk-aware culture beyond project community, built internal communication plan, reviewed and proposed crisis management framework update

Outcomes

Methodology and policy

- Reputational risk definition
- Procedural corpus update roadmap
- Scoring methodology business requirements

Governance/RACI

- Reputation risk governance and implementation roadmap
- Validated RACI matrix

Risk mapping

- Process mapping
- Adherence with traditional / existing risks
- Business requirements for the integration in RAF

Monitoring and controls

- List of existing controls
- Tool development business requirements and roadmap

Communication and change

- Communication plan (incl. roadmap)
- Crisis management framework update business requirements

A few words about our Group

Ailancy®



A complete service offering dedicated to the Financial Services industry

> 300
Consultants spread over 4 entities

46 M€
Revenue

> 1400
Projects

Ailancy
ADVISORY

Conseil en organisation et management

- STRATEGY & BUSINESS DEVELOPMENT
- OPERATING MODEL & POST MERGER INTEGRATION
- REGULATORY COMPLIANCE & RISK
- BUSINESS AND PROCESS EFFICIENCY
- LARGE SCALE TRANSFORMATION PROGRAMS
- DIGITAL TRANSFORMATION

200 FTE

Ailancy
TECHNOLOGY

Expertises et Solutions

- IT IMPLEMENTATION AND INTEGRATION
- DATA MANAGEMENT
- DIGITAL & UX
- CLOUD COMPUTING
- OUTSOURCING AND NEARSHORING
- OPERATIONAL SUPPORT

100 FTE

Ailancy
CYBER

Conseil en Cyber Sécurité

- GOVERNANCE, SECURITY AND REGULATORY COMPLIANCE
- RISK MANAGEMENT AND SECURITY INTEGRATION
- CYBER PROGRAMS AND PROJECT MANAGEMENT
- DATA PROTECTION, FIGHT AGAINST DATA LEAKAGE
- RESILIENCE
- IDENTITY AND ACCESS MANAGEMENT (IAM)

< 10 FTE

Ailancy
ARTIFICIAL INTELLIGENCE

Conseil en Stratégie IA

- AI FOR CUSTOMER INTERACTIONS
- AI FOR DEVELOPERS
- COST MANAGEMENT AND AI EFFICIENCY
- ORGANIZATION AND AI CONTROLS
- GOVERNANCE AND DATA QUALITY
- SCALING UP AND ACCULTURATION

< 10 FTE

Robust Values and Dedicated Practices across Ailancy Group and Its Entities



EXCELLENCE



ENGAGEMENT



DARING



KINDNESS

Let's grow up together !

- We are attentive to our clients' businesses and activities, striving to deliver genuine **added value** on every project.
- We actively seek feedback from our clients to continuously improve.
- We cultivate a healthy pride that drives our teams towards **positive** and meaningful **solutions**.
- We set **high standards, celebrating successes** only when our clients are fully satisfied., not before !

Trust us, we don't give up

- Our word and our clients' trust drive us. We are dedicated to fulfilling **our commitments** and ensuring their projects run smoothly.
- We understand that projects can face unexpected challenges, and we remain vigilant to provide **continuous insights** into progress.
- We're ready to roll up our sleeves when needed, ensuring that timing and quality expectations are met.
- We stand beside our clients as partners and allies.

With us, take one step ahead !

- Driven by curiosity, we work to develop original ideas that **deliver distinctive solutions** for our clients.
- We build on shared beliefs and values with our clients.
- We **encourage initiatives**: our employees know their efforts are valued, and their achievements are recognized.
- We cultivate **open-mindedness, innovation and a 'test & learn' approach**: there is no a priori bad idea.

Together, let's enjoy the journey

- We foster optimism and closeness within our teams, with partners, and with our clients.
- Our employees are supported by internal coaches dedicated to their **development** and **well-being**.
- We respect work-life balance and are mindful of our employees' time.
- Our management leads by example, offering encouragement, support, and mentorship. Together, we build the future !



SUBSCRIBE

Over the past 15 years, Ailancy has emerged as a trusted partner in transformation, organization, and management consulting for Financial Services.

With a forward-thinking approach, the firm continuously tracks industry dynamics and pioneers forward-looking insights into the evolving Banking, Finance, and Insurance sectors. By engaging a diverse ecosystem of consultants, doctoral candidates, researchers, and industry professionals, Ailancy fosters a collaborative environment for shaping the future of the sector.

Through in-depth studies, thought leadership, and dynamic platforms such as newsletters, roundtables, clubs, webinars, and conferences, Ailancy unpacks the critical societal, technological, and regulatory shifts defining the industry.

Through its events, publications, and various initiatives, Ailancy is committed to driving impactful and sustainable transformations within the financial industry.

Beyond sector-specific research in Banking, Finance, and Insurance, three cross-functional *tribes* explore major transformations. :

Sustainable Finance

- How can the transition to a low-carbon economy be achieved?
- How can ESG criteria be integrated into investment decisions?
- How can the risk of greenwashing be effectively addressed?
- How can greater transparency be promoted to encourage responsible and sustainable financial practices?
- How can the demands of sustainable finance be embedded into organizations and clients be supported in their transitions?

Gen AI(s)

- What are the major challenges of generative AI in financial services?
- How can organizations be structured to enable the adoption of this technological breakthrough across both IT and business functions?
- How can teams be familiarized with the implications of generative AI?
- How can sensitive data be protected while ensuring transparency and the explainability of automated decisions?
- What frameworks should govern the use of AI in financial services?
- What is the role of humans alongside AI?

Open Finance

- Post-DSP2, where do we stand on open banking, BaaS (Bank as a Service), and BaaP (Bank as a Platform) models?
- What is the difference between Open Banking and Open Finance?
- What threats and opportunities does FiDA (Framework for Financial Data Access) and the new data economy present?
- Should financial institutions collaborate with fintechs, and if so, how?
- How can interoperability between systems via APIs be effectively managed?

For more, contact us!



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A SUBSIDIARY OF

