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ESAs Consultation on how to integrate ESG risks in financial stress tests for insurers and banks

Summary of key messages from the AAE's response





Consultation Summary Note

Read the AAE Response

View consultation document

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Purpose of the consultation	The consultation sought views on draft joint guidelines for integrating ESG risks into supervisory stress testing across financial sectors. Its aim was to promote consistency, comparability, and forward-looking risk management, ensuring supervisors adopt coherent approaches to assessing climate and broader sustainability risks.
Issuing Authority	European Supervisory Authorities (EIOPA, EBA, ESMA)
Summary of AAE Response	<p>Support for consistency and alignment: The AAE welcomed efforts to harmonise approaches across jurisdictions and sectors, emphasising that guidelines should avoid duplication and align with Solvency II/ORSA and EU disclosure frameworks (e.g. CSRD).</p> <p>Materiality and proportionality: We supported a flexible, risk-based approach to materiality assessments, stressing proportionality, sector-specific differences, and avoidance of excessive quantification.</p> <p>Scope and time horizons: We endorsed broad scope but called for clarity on inclusion of pensions/guarantees. Recommended a three-horizon framework (acute, medium, long term) and alignment with liability run-off horizons in insurance.</p> <p>Scenario design: We supported narrative plus quantitative scenarios, inclusion of compound shocks and second-round effects, and alignment with science/policy pathways. Warned against unrealistic or overly extreme scenarios.</p> <p>Methodological considerations: We encouraged hybrid top-down/bottom-up approaches, inclusion of liability impacts, credible managerial actions, and coordination across jurisdictions.</p> <p>Governance and implementation: We suggested dedicated ESG stress-testing groups, EU-wide training/data hubs, and publication of aggregated results. Stressed the importance of proportionality for smaller insurers and dialogue between supervisors and market participants.</p>
Assigned Committees WGs	Sustainability and Climate-Related Risks WG and Solvency II Working Group: Insurance Committee and Risk Management Committee
Submission date	16 September 2025



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Silversquare North
Boulevard Roi Albert II 4
1000 Brussels, Belgium
www.actuary.eu

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