



TSI 2023 Flagship Technical Support Project



# ESG FOR SUPERVISORS

## ESG risk management framework for the financial sector

### DESCRIPTION OF THE FLAGSHIP

This Flagship Technical Support Project aims to support Member States' national competent authorities (NCAs) – **financial supervisory authorities and central banks** – in overseeing **the mitigation of environmental, social and governance (ESG) risks in the financial sector by implementing the related existing and forthcoming EU regulatory framework**. The flagship project proposes modular technical support to cater for the different perspectives and domains that NCAs need to consider when addressing the challenges of ESG risks, such as micro- and macro-prudential considerations, financial stability impacts and potential detriment to consumers and investors.

### IMPACT OF THE FLAGSHIP

- Improved resilience and stability of the national financial systems
- Acceleration of the green transition in the EU
- Increased awareness of consumers and investors with respect to ESG risks

### OBJECTIVES

The overall objective of this flagship project is to strengthen Member States' capacity to monitor and address ESG risk in the financial sector, while also increasing consumers and investors' awareness of the ESG impact of individual financial choices

## MEASURES OF TECHNICAL SUPPORT PROVIDED

This flagship project identifies three work packages, each with their own set of deliverables that will be tailored to each Member State. Member States can request support for one or more work packages. These can be fully or partially combined as well as adjusted according to the NCAs needs.



### Analysis of legal and operational context

- Support in reviewing and/or establishing a sound legal and regulatory framework, by:
  - Mapping the national applicable legal and regulatory framework and its coherence with the EU Regulatory framework and standards
  - Developing comparative analyses/stock-taking exercises of EU best practices

### Data and methodologies

- Support for the establishment of a risk-based supervisory approach to assess and mitigate ESG risks, complemented by reporting systems, data and methodologies based on EU best practices
- Mapping of data availability and gap analysis
- Development of innovative analytical tools
- Development of suitable prudential metrics for the monitoring of ESG risks
- Development of methodologies and supervisory handbooks and guidance

### Awareness and capacity building actions

- Support for increasing public and private awareness of challenges and opportunities of ESG risks
- Cross-sectoral capacity building exchanges among NCAs to promote convergence and dissemination of best practices
- Organization of conferences/public events to raise awareness
- Development of communication campaigns, including targeted financial literacy initiatives

## RRF/RRP RELEVANCE

The Regulation establishing the Recovery and Resilience Facility (RRF) provides that recovery should be achieved, and the resilience of the EU and its Member States enhanced, through support for measures that refer to the policy areas of European relevance structured in six pillars. These include, *inter alia*, the green transition, as well as smart, sustainable and inclusive growth. The proposed flagship project would indirectly complement reform efforts pursued by Member States within the context of their individual Recovery and Resilience Plans in the aforementioned pillars, as it will enable a better understanding and monitoring of the economic challenges linked to ESG risks, while promoting the mobilization of investments to finance the green transition and the development of sustainable economic and financial systems.

