

Network for Greening the Financial System  
Annual report

# Annual report 2020

March 2021



# Introductory message by Frank Elderson, Chair of the NGFS

**L**aunched in 2017, the Central Banks and Supervisors Network for Greening the Financial System (NGFS) published its first comprehensive report in April 2019, issuing in particular six non-binding recommendations aimed at inspiring central banks and supervisors in their domestic agenda. In 2020, we focused our work on following up on these recommendations to help the NGFS members to take action, thus ensuring that our community keeps developing a common understanding around these global issues.

The past year has been extraordinary for all of us, in many ways. The worldwide pandemic crisis has undoubtedly affected our personal and professional lives. Yet I am very proud that even under these challenging circumstances, the NGFS members did not lose sight of the urgency and seriousness of climate change and environmental issues. Not only did we stay on track, we even doubled down on our efforts. In 2020, the NGFS published several reports, including some operational guides and the so-called NGFS scenarios. These publications cover the core missions of central banks and supervisors, from supervision to financial stability monitoring and monetary policy. They also reflect the considerable progress we have made collectively in improving the analysis and management of climate and environment-related risks. We also reviewed our governance and approved a new work programme, including the launch of two new workstreams focused on data gaps and research topics.

While immensely challenging, the pandemic has also provided an extraordinary and unique opportunity for a green recovery. On a more practical level, it pushed us to change the way we work together: for instance, our Plenary meeting in Bangkok, hosted by the Central Bank of Thailand, had to be cancelled but we managed to keep the spirit of the NGFS alive by switching to virtual meetings and events. It has even proven to be a very accessible – and, of course, climate-friendly – way to share knowledge and experiences.

Our Network can only be as strong as the community supporting its work. That is why I want to express my heartfelt gratitude for the continued commitment of the NGFS members and observers to the work of the NGFS, and for all efforts and technical expertise. I am also pleased to see how everyone has progressed in integrating climate-related and environmental risks into their day-to-day work: indeed, a truly global response from central banks and supervisors to the climate crisis is only possible when the work of the NGFS is leveraged within each jurisdiction. I am therefore delighted that we continue to welcome new members from around the world: in 2020, our network of the willing grew from 54 to 83 members and from 12 to 13 observers.

In its first three years of existence, the NGFS managed to explode out of the starting blocks, but we are aware that we have started a marathon, not a sprint. Looking ahead, the NGFS will continue to expand its efforts on climate scenarios, supervisory practices, monetary policy and sustainable and responsible investment practices, and take the first steps to address data gaps in relation to its work. I am definitely confident that 2021 will be another productive year for the Network.



# Origin of the NGFS



**8 central banks and supervisors** established a Network of Central Banks and Supervisors for Greening the Financial System.



As of December 2020, the NGFS consists of

**83 Members 13 Observers** representing 5 continents.



## The NGFS is a coalition of the willing.

It is a voluntary, consensus-based forum whose purpose is to share best practices, contribute to the development of climate and environment-related risk management in the financial sector and mobilise mainstream finance to support the transition toward a sustainable economy.



## The NGFS issues recommendations

which are not binding but are aimed at inspiring all central banks and supervisors and relevant stakeholders to take the necessary measures to foster a greener financial system.



# 2020 NGFS highlights

## FEBRUARY

Steering Committee meeting and Outreach Plenary meeting with European NGFS Members in Basel

NGFS announced as winner of the *Central Banking 2020 Green Initiative Award*

## MARCH

Publication of the *2019 NGFS Annual report*

## APRIL

Approval of the *2020-2022 NGFS work programme* by the Steering Committee, including the launch of two new workstreams focused on data gaps and research topics

## MAY

Publication of the *Guide for Supervisors: Integrating climate-related and environmental risks into prudential supervision*

Publication of *A Status Report on Financial Institutions' Experiences from working with green, non green and brown financial assets and a potential risk differential*

## JUNE

Publication of the *NGFS Climate Scenarios for central banks and supervisors* along with the *Guide to climate scenario analysis for central banks and supervisors*

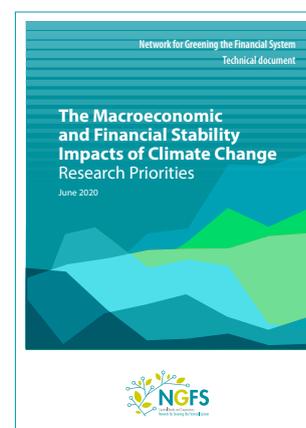
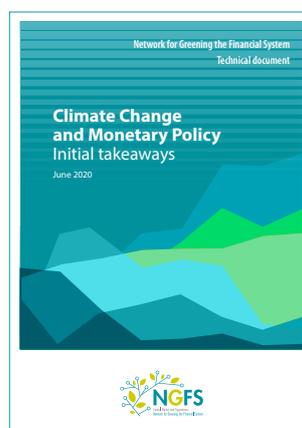
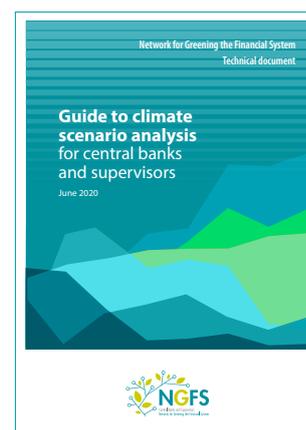
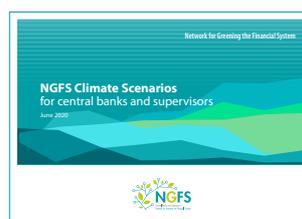
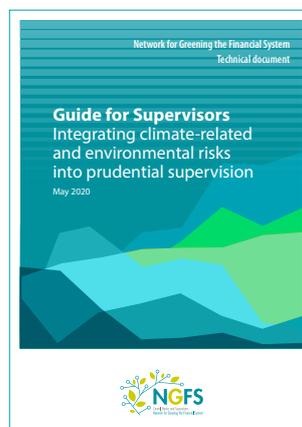
Publication of the report *Climate Change and Monetary Policy: Initial takeaways*

Publication of the NGFS *The Macroeconomic and Financial Stability Impacts of Climate Change: Research Priorities*

Publication of the *Statement on the need for a green recovery out of the Covid-19 crisis*

Steering Committee meeting (via videoconference)

Launch of a series of interviews performed with NGFS members ("*In conversation with*")



# 2020 NGFS highlights (continued)

## JULY

Approval of the new *NGFS charter* by the Plenary

Frank Elderson reappointed as NGFS chair for up to two more years

Expansion of the Steering Committee to include the *European Central Bank as a permanent member*

NGFS announced as winner of the *Climate Bonds Initiative 2020 Central Bank Pioneer Award*

## SEPTEMBER

Publication of the *Overview of Environmental Risk Analysis by Financial Institutions*, along with the NGFS Occasional Paper “*Case Studies of Environmental Risk Analysis Methodologies*”

Steering Committee meeting (via videoconference)

## NOVEMBER

*Expansion of the Steering Committee to include three additional members for a two-year term*: the Bank of Canada, Bank Negara Malaysia and the Financial Services Agency of Japan

Steering Committee meeting (via videoconference); Banco Central do Brasil was invited by the Chair of the NGFS to attend this meeting on an ad hoc basis

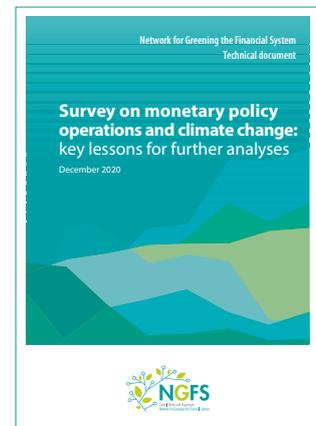
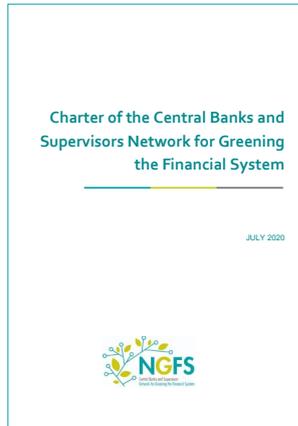
*Outreach event jointly organised with the Coalition of Finance Ministers for Climate Action*

## DECEMBER

Publication of the *Progress report on the implementation of sustainable and responsible investment practices in central banks’ portfolio management*

Publication of the *Survey on monetary policy operations and climate change: key lessons for further analyses*

Contribution by the Chair of the NGFS at the working meeting *Ambition Neutralité Carbone 2050* hosted by the French President on the occasion of the 5th anniversary of the Paris agreement



# Focus on the six NGFS recommendations and follow-up

In April 2019, the NGFS published its first comprehensive report, *A call for action*, and issued six recommendations for central banks, supervisors, policymakers and financial institutions to enhance their role in the greening of the financial system and the management of climate and environment-related risks. The recommendations are not binding and reflect the best practices identified by NGFS members to facilitate the role of the financial sector in achieving the objectives of the Paris Agreement.

Recommendations Nos. 1 to 4 are aimed at inspiring and providing meaningful reference points to central banks

and supervisors – NGFS members and non-members – to take these best practices on board when it fits within their mandate. Parts of these recommendations may also be applicable to financial institutions. Recommendations Nos. 5 and 6 do not fall directly within the remit of central banks and supervisors but point to actions that can be taken by policymakers to facilitate the work of central banks and supervisors.

Since then, the NGFS has focused its work on following up on these recommendations to help the NGFS members to take action.

## Central banks and supervisors

### Recommendations

### Main actions undertaken by the NGFS

1.		Integrating climate-related risks into financial stability monitoring and micro-supervision.	Publication of several reports, including the <i>Guide for Supervisors</i> (May 2020), the <i>NGFS Climate Scenarios for central banks and supervisors</i> and the <i>Guide to climate scenario analysis</i> (June 2020).
2.		Integrating sustainability factors into own-portfolio management.	Publication of two reports: <i>A sustainable and responsible investment guide for central banks' portfolio management</i> (October 2019) and a <i>Progress report on the implementation of sustainable and responsible investment practices</i> (December 2020).
3.		Bridging the data gaps.	In 2020, the NGFS launched a new workstream focused on the topic of data gaps.
4.		Building awareness and intellectual capacity and encouraging technical assistance and knowledge-sharing.	The NGFS Secretariat frequently organises internal workshops and outreach sessions with its members. NGFS members and the NGFS Secretariat are also very active in sharing experiences beyond NGFS membership, by organising and participating in conferences/events.

## Policy makers

### Recommendations

### Main actions undertaken by the NGFS

5.		Achieving robust and internationally consistent climate and environment-related disclosure.	Although there are many aspects of reporting that fall outside the remit of central banks and supervisors, disclosure of climate and environment-related risk is an instrumental element for better management of these risks and for the scaling-up of green finance. Therefore, several NGFS workstreams are working on the topic from various perspectives.
6.		Supporting the development of a taxonomy of economic activities.	The NGFS is an observer of the International Platform on Sustainable Finance (IPSF) and of the Platform on Sustainable Finance (PSF).

## 2020 NGFS key figures

In 2020:

- The NGFS won **2** awards (Central Banking and Climate Bonds Initiative).
- **6** interviews were performed with NGFS members ("In conversation with").
- The NGFS published **9** reports.
- The Chair of the NGFS delivered more than **10** speeches.
- The NGFS organised more than **20** virtual high-level meetings.
- **29** new members joined the NGFS.
- Representatives of NGFS members, NGFS workstream Chairs and the NGFS Secretariat participated in more than **100** events and showcased the work of the NGFS.

As of end-2020, the NGFS covers:

 **83** members,  
representing **5** continents

 Supervision of over **100%**  
of the global systemically  
important banks  
and **2/3** of the global  
systemically important insurers

 Over **75%**  
of global greenhouse gas emissions

 Over **85%** of global GDP



Outreach session with European Plenary members, at the BIS premises in Basel (February 2020)



Steering Committee meeting, at the BIS premises in Basel (February 2020)

## Working structure of the NGFS

In April 2020, the NGFS Steering Committee approved the 2020-2022 NGFS work programme, including the launch of two new workstreams focusing on addressing data gaps and research.

The work of the NGFS is now structured along five workstreams dedicated to:

- Developing supervisory practices on climate- and environment-related risks (chaired by Zeng Yi Wong from the Monetary Authority of Singapore);
- Analysing the macrofinancial impact of climate change (chaired by Sarah Breeden from the Bank of England);
- Scaling up green finance (chaired by Sabine Mauderer from the Deutsche Bundesbank);

- Bridging the data gaps (co-chaired by Fabio Natalucci from the International Monetary Fund and Patrick Amis from the European Central Bank/Single Supervisory Mechanism);
- Developing the NGFS research agenda (chaired by Ma Jun from the People's Bank of China).

The NGFS, represented by its Secretariat, is also an observer of the International Platform on Sustainable Finance (IPSF) and the Platform on Sustainable Finance (PSF), and an institutional partner of the Coalition of Finance Ministers for Climate Action (CFMCA).



**Zeng Yi Wong**, Chair of the workstream on "Microprudential and Supervision":

"Climate and environmental risks call for supervisors globally to take action. We will continue to play a pivotal role in uplifting supervisory practices and deepening risk analysis."



**Fabio Natalucci**, co-Chair of the workstream on "Bridging the data gaps":

"Improving quality, consistency and comparability of climate data is a multi-faceted challenge: Convergence toward a common disclosure framework, alongside progress toward global minimum standards, is crucial to close data gaps."



**Sarah Breeden**, Chair of the workstream on "Macrofinancial":

"We will continue refining the NGFS scenarios and providing materials that help users to bring the scenarios into action and so drive different decisions now, a long time before the consequences of inaction will be clear."



**Patrick Amis**, co-Chair of the workstream on "Bridging the data gaps":

"Addressing climate-related risks requires quality data and involves many different stakeholders. Despite improvements in recent years, significant gaps remain. This is precisely why the NGFS has established this new workstream."



**Sabine Mauderer**, Chair of the workstream on "Scaling up green finance":

"Climate change is clearly moving up central banks' agendas. We are exploring how to deal with climate-related risks in our monetary policy operations."



**Ma Jun**, Chair of the workstream on "Research":

"Research is key to keeping NGFS on a path towards innovative green finance solutions."

# NGFS governance and composition



**Chair**  
**Frank Elderson**

**Secretariat**  
**Morgan Després**



In July 2020, the NGFS Plenary members approved the new NGFS charter. This document is the outcome of a periodic review to ensure the adequacy of the NGFS governance framework with the Network’s objectives. An important result of this review is the expansion of the Steering Committee, the executive body of the NGFS,

to include the European Central Bank as a permanent member. On top of that, as provided by article 9 of the charter, three new Steering Committee members were appointed for a two-year term in November 2020: the Bank of Canada, Bank Negara Malaysia and the Financial Services Agency of Japan.



**Morgan Després**, Head of the NGFS Secretariat: *“The NGFS has achieved a lot throughout the past three years. I am so grateful to our members and observers for their relentless commitment, all contributing to making the Network a truly global endeavor. In 2020, 29 new*

*members joined the NGFS, including the US Federal Reserve in December. The expansion of the NGFS’s membership since its inception means that all of the world’s systemically important banks and two-thirds of the world’s systemically important insurers – and many more financial institutions – are now supervised by members of the NGFS.”*

As of end-2020, the NGFS consists of 83 members and 13 observers.

## Steering Committee Members and Observer

Banco de México 	Bank Al-Maghrib 	Bank Negara Malaysia 	Bank of Canada 	Bank of England 
Banque de France/ACPR 	De Nederlandsche Bank 	Deutsche Bundesbank and BaFin 	European Central Bank 	Finansinspektionen 
Japan Financial Services Agency 	Monetary Authority of Singapore 	People’s Bank of China 	Bank for International Settlements* 	

Note: \* indicates Observers.

## Plenary Members and Observers

Abu Dhabi Financial Services Regulatory Authority 	Asian Development Bank* 	Banca d'Italia and Istituto per la Vigilanza sulle Assicurazioni 	Banco Central de Costa Rica 	Banco Central del Paraguay 
Banco Central del Uruguay 	Banco Central do Brasil 	Banco de España 	Banco de la República and Superintendencia Financiera de Colombia 	Banco de Portugal 
Bangko Sentral ng Pilipinas 	Bank Indonesia and Otoritas Jasa Keuangan 	Bank of Estonia 	Bank of Finland 	Bank of Greece 
Bank of Israel 	Bank of Japan 	Bank of Korea 	Bank of Latvia 	Bank of Lithuania 
Bank of Mauritius 	Bank of Slovenia 	Bank of Thailand 	Banque centrale des États de l'Afrique de l'Ouest 	Banque centrale de Tunisie 
Banque centrale du Luxembourg and Commission de surveillance du secteur financier 	Basel Committee on Banking Supervision* 	Central Bank of Armenia 	Central Bank of Cyprus 	Central Bank of Hungary 
Central Bank of Iceland 	Central Bank of Ireland 	Central Bank of Malta and Malta Financial Services Authority 	Central Bank of Russia 	Central Bank of Seychelles 
Comisión Nacional Bancaria y de Valores 	Comisión para el Mercado Financiero de Chile 	Commission de contrôle des activités financières de Monaco 	Danmarks Nationalbank and Danish Financial Supervisory Authority 	Dubai Financial Services Authority 

Note: \* indicates Observers.

## Plenary Members and Observers (continued)

<p>European Bank for Reconstruction and Development*</p> 	<p>European Banking Authority</p> 	<p>European Insurance and Occupational Pensions Authority</p> 	<p>European Investment Bank*</p> 	<p>European Securities and Markets Authority</p> 
<p>Financial Regulatory Authority of Egypt</p> 	<p>Guernsey Financial Services Commission</p> 	<p>Hong Kong Monetary Authority</p> 	<p>Inter-American Development Bank*</p> 	<p>International Association of Insurance Supervisors*</p> 
<p>International Finance Corporation*</p> 	<p>International Monetary Fund*</p> 	<p>International Organization of Securities Commissions*</p> 	<p>Isle of Man Financial Services Authority</p> 	<p>Komisja Nadzoru Finansowego</p> 
<p>Národná banka Slovenska</p> 	<p>National Bank of Belgium</p> 	<p>National Bank of Cambodia</p> 	<p>National Bank of Georgia</p> 	<p>National Bank of Romania</p> 
<p>Nordic Investment Bank*</p> 	<p>Norges Bank and Finanstilsynet</p> 	<p>Oesterreichische Nationalbank and Austrian Financial Market Authority</p> 	<p>Organisation for Economic Co-operation and Development*</p> 	<p>Reserve Bank of Australia</p> 
<p>Reserve Bank of New Zealand</p> 	<p>South African Reserve Bank</p> 	<p>Sustainable Banking Network*</p> 	<p>Sustainable Insurance Forum*</p> 	<p>Sveriges Riksbank</p> 
<p>Swiss National Bank and FINMA</p> 	<p>The World Bank*</p> 	<p>US Federal Reserve and New York DFS</p> 		

Note: \* indicates Observers.



NGFS  
Secretariat