

Network for Greening the Financial System
Annual report

Annual report 2021

March 2022



Introductory messages



Frank Elderson
Chair of the NGFS
until January 2022

Since its establishment in 2017 the Network for Greening the Financial System (NGFS) has become the international focal point for central banks and supervisors to address climate-related and environmental risks and scale up green finance. Over the past year, membership has continued to increase and today stands at over 100 members and 17 observers. The NGFS is now more than a coalition of the willing: it has grown into a coalition of the committed. A coalition of central banks and supervisory authorities from all continents that are committed within their mandates to concretely contribute to greening the financial system. At the COP26 UN Climate Change Conference held in Glasgow in November 2021, the NGFS published its Declaration: “Committed to Action”. The Glasgow Declaration sets out the NGFS’s commitment over the coming years to expand and strengthen collective efforts to improve the resilience of the financial system to climate-related and environmental risks through eight clear objectives.

In 2021 the NGFS also published an impressive total of nine reports to help public institutions and market participants overcome climate-related challenges on a broad set of topics, from supervisory practices to climate scenarios, disclosures, central bank operations, green finance, data gaps and litigation risk. I feel privileged to have had the honour to serve as the NGFS’s first Chair during its first four years and am proud of what the NGFS has achieved so far, thanks to the seamless collaboration, collective ambition and acute sense of urgency shared by all its members. When confronted with the climate and environmental crises facing our generation, we all shouldered our responsibility, and for the sake of future generations, we acted. Our actions have been convincing and effective, based as they are on facts and scientific analyses. I am confident that under the leadership of Ravi Menon and Sabine Mauderer the NGFS will continue to flourish, and that they will successfully guide the NGFS on its journey to achieve the urgent and vital objective of greening the financial system.



Ravi Menon
Chair of the NGFS
since January 2022

Under Frank Elderson’s leadership, the NGFS has grown into an inclusive global network and established itself as an effective catalyst in efforts to green the financial system. The NGFS has helped to strengthen the analysis of climate-related and environmental risks affecting the financial sector, and set out tools and best practices to manage these risks.

The NGFS will continue to be a trailblazer in greening the financial system. We will seek to strengthen supervisory practices relating to environmental risks; enhance work on climate scenarios to assess the impact on financial stability; deepen the understanding of the impact of climate on monetary policies; and provide guidance to central banks on their journey towards net zero. We will also explore the relevance for central banks and supervisors of issues relating to biodiversity and step up efforts on capacity building. In all our efforts, we will work synergistically with other leading international bodies and key players within the financial ecosystem.

I am humbled to have this opportunity to lead the NGFS. I look forward to working closely with my fellow central bankers and regulators internationally to strengthen the climate resilience of the global financial system and help scale up the financing flows needed to support the world’s transition to a sustainable future.



Sabine Mauderer
Vice-Chair of the NGFS
since January 2022

The year 2021 saw our network continue to grow in leaps and bounds, as we welcomed more than 20 new members. Within the space of four years, 100 members have joined our ranks. What unites central banks and supervisors across the globe is a common understanding that the pressing challenge of climate change has crucial implications for their mandates. I owe a debt of gratitude to Frank Elderson for his enthusiasm and tireless commitment to building this truly global and inclusive network. The tremendous dedication of our members and observers is having a real impact across the industry.

Looking ahead, four C’s should guide our efforts. As our network expands, it is important to build a “consensus” among all our members and to leave no one behind. Further developing our “competencies” in the field of climate-related and environmental analysis will be vital to consolidate the NGFS’s position as an analytical powerhouse. And enhancing “capacity-building” for our members, and strengthening “cooperation” within and beyond our network will be essential to ensure access to these valuable insights and to remove remaining barriers to action.

It is with heartfelt passion for our mission that I am looking forward to collaborating with Ravi Menon on driving forward our agenda.

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 2021, the NGFS consists of

105 Members 16 Observers

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-related and environmental 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.



In November 2021, the NGFS published the **NGFS Glasgow Declaration**, no longer being just a coalition of the willing but also a coalition of the committed.



2021 NGFS highlights

FEBRUARY

Steering Committee meeting (via videoconference)

MARCH

Publication of the report *Adapting central bank operations to a hotter world – Reviewing some options*

Publication of the *Dashboard on scaling up green finance*

Publication of the report *Sustainable Finance Market Dynamics: an overview*

Publication of the *2020 NGFS Annual report*

APRIL

Annual Plenary meeting (via videoconference)

Launch of the NGFS-INSPIRE joint research project on 'Biodiversity and Financial Stability'

MAY

Publication of the *Progress report on bridging data gaps*

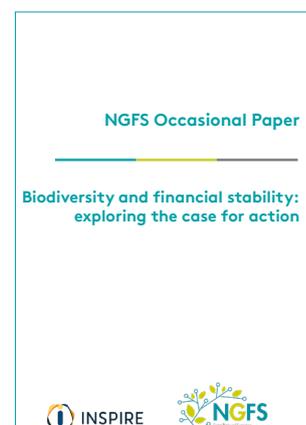
JUNE

Publication of the second vintage of the *NGFS Climate Scenarios for central banks and supervisors* and launch of the NGFS Scenarios Portal

Green Swan Conference jointly organised with the Bank for International Settlements, the International Monetary Fund and the Banque de France

Publication of the NGFS Occasional Paper *Biodiversity and financial stability: exploring the case for action*

Steering Committee meeting (via videoconference)



2021 NGFS highlights (continued)

JULY

Launch of the Central Banks' and Supervisors' Climate Training Alliance (CTA) jointly with the Bank for International Settlements, the International Association of Insurance Supervisors and the UN-convened Sustainable Insurance Forum

SEPTEMBER

Steering Committee meeting (via videoconference)

OCTOBER

Publication of the report *Scenarios in Action – A progress report on global supervisory and central bank climate scenario exercises*

Publication of the *Progress report on the Guide for Supervisors*

Publication of the NGFS Occasional Paper *Biodiversity and financial stability: building the case for action*

NOVEMBER

Publication of the *NGFS Glasgow Declaration – Committed to Action*

Contribution of the Chair of the NGFS at the COP26 Presidency Event "A Financial System for Net Zero" and panel discussion with several NGFS members' representatives on the occasion of the COP26

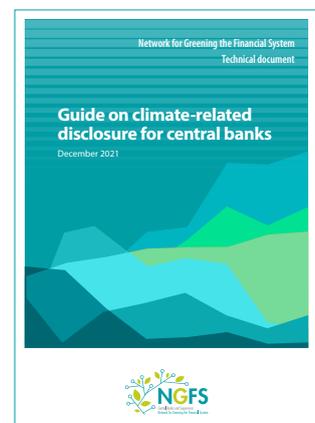
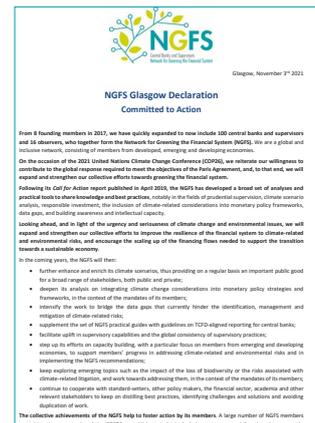
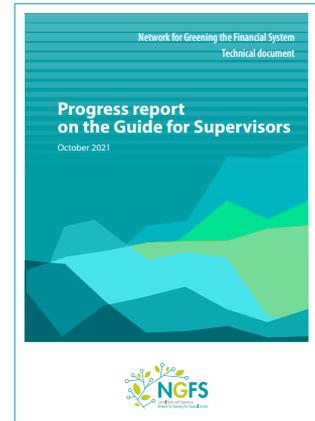
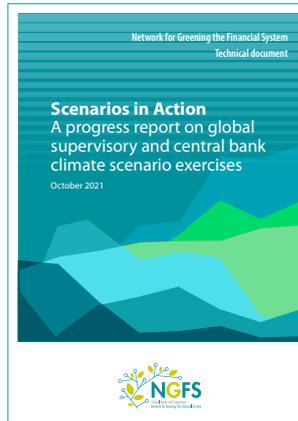
Publication of the report *Climate-related litigation: Raising awareness about a growing source of risk*

Steering Committee meeting (via videoconference)

DECEMBER

Publication of the *Guide on climate-related disclosure for central banks*, on the occasion of the fourth anniversary of the NGFS

Approval of the nomination of Banco Central do Brasil and Banca d'Italia to serve as members of the Steering Committee for a two-year term (starting in January 2022)



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 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 deliverables, including (i) various reports on supervisory practices (May 2020, October 2021) and the use of climate scenarios (June 2020, October 2021); and (ii) the NGFS climate scenarios (see NGFS Scenarios Portal).
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 in central banks' portfolio management</i> (December 2020).
3.		Bridging the data gaps.	Publication of (i) a <i>Dashboard on scaling up green finance</i> (March 2021) and (ii) a <i>Progress report on bridging data gaps</i> (May 2021).
4.		Building awareness and intellectual capacity and encouraging technical assistance and knowledge-sharing.	The NGFS is one of the four founding partners of the Climate Training Alliance (CTA), launched in July 2021. Also, the NGFS Secretariat frequently organises internal workshops and outreach sessions with its members. On top of that, NGFS members and the NGFS Secretariat are very active in sharing experiences beyond the 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. For instance, the NGFS published a <i>Guide on climate-related disclosure for central banks</i> (December 2021).
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).

Focus on the “NGFS Glasgow Declaration – Committed to Action”

At the 2021 United Nations Climate Change Conference (COP26), the NGFS released its “[NGFS Glasgow Declaration – Committed to Action](#)”. Members reiterated their willingness to contribute to the global response required to meet the objectives of the Paris Agreement and committed to expand and strengthen their collective efforts.

The NGFS Glasgow Declaration sets out several concrete commitments on what the NGFS will work on and deliver in the coming years, covering all the core activities of the central banks and supervisors community. More specifically, the NGFS will:

- further enhance and enrich its climate scenarios, thus providing on a regular basis an important public good for a broad range of stakeholders, both public and private;
- deepen its analysis on integrating climate change considerations into monetary policy strategies and frameworks, in the context of the mandates of its members;
- intensify the work to bridge the data gaps that currently hinder the identification, management and mitigation of climate-related risks;
- supplement the set of NGFS practical guides with guidelines on TCFD-aligned reporting for central banks;
- facilitate uplift in supervisory capabilities and the global consistency of supervisory practices;

- step up its efforts on capacity building, with a particular focus on members from emerging and developing economies, to support members’ progress in addressing climate-related and environmental risks and in implementing the NGFS recommendations;
- keep exploring emerging topics such as the impact of the loss of biodiversity or the risks associated with climate-related litigation, and work towards addressing them, in the context of the mandates of its members;
- continue to cooperate with standard-setters, other policy makers, the financial sector, academia and other relevant stakeholders to keep on distilling best practices, identifying challenges and solutions and avoiding duplication of work.

In the run up to the COP26, the NGFS also published various reports and took part in the launch of the [Central Banks’ and Supervisors’ Climate Training Alliance \(CTA\)](#), an initiative coordinated under the Climate Finance COP26 agenda.

More than two thirds of the NGFS members also took the opportunity of the COP26 to publish an individual pledge or strategy; while others released documents detailing their domestic agenda in the course of 2021. Altogether, these clearly demonstrate the NGFS members’ determination to go further and take concrete actions.



Frank Elderson, Chair of the NGFS, delivering a keynote speech at the COP26 Finance Day Presidency Event on “A Financial System for Net Zero” (3 November 2021).



Fernanda Guardado, Sarah Breedon, Frank Elderson, Sabine Mauderer and Jean Boissinot participating in a panel dedicated to NGFS achievements at the COP26 (3 November 2021).

2021 NGFS key figures

In 2021:

- The NGFS published **9** reports and **2** occasional papers.
- **10** interviews were performed with NGFS members (as part of the series *In Conversation with*).
- The NGFS organised more than **20** high-level meetings, workshops and conferences.
- **22** new members and **3** new observers joined the NGFS.
- Representatives of the NGFS members, Chairs of NGFS workstreams and the NGFS Secretariat participated in more than **100** events and showcased the work of the Network.

As of end-2021, the membership of the NGFS covers:



Supervision of **100%** of the global systemically important banks
and **80%** of the internationally active insurance groups



Over **85%** of global greenhouse gas emissions

Working structure of the NGFS

Since the approval of the 2020-2022 work programme in April 2020, the work of the NGFS has been structured along five workstreams dedicated to:

- developing supervisory practices on climate-related and environmental risks (chaired by Gek Choo Goh from the Monetary Authority of Singapore);
- designing the NGFS climate scenarios and 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).

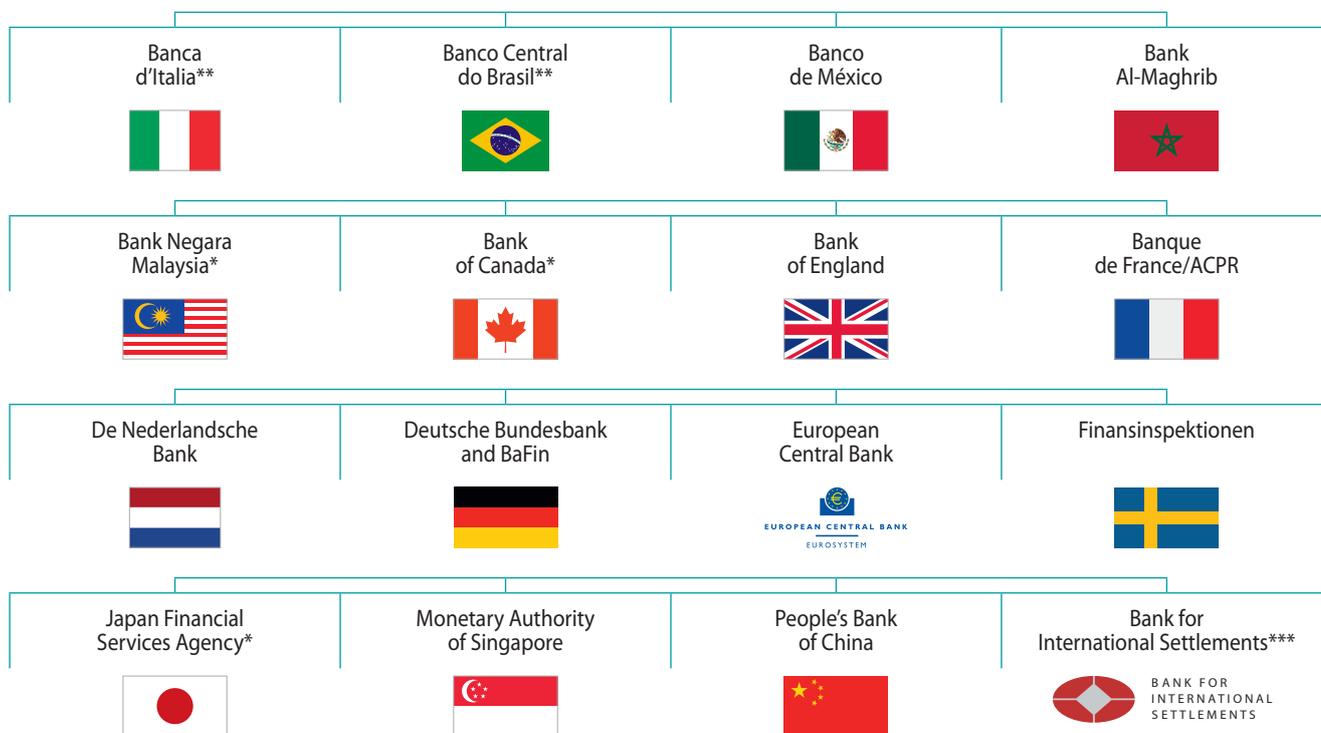
Later in 2022, NGFS Plenary representatives will approve a new work programme for 2022-2024 and the aforementioned working structure will change to reflect the new priorities of the NGFS.

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).

Governance and membership of the NGFS

As of end-2021, the NGFS consists of 105 members and 16 observers.

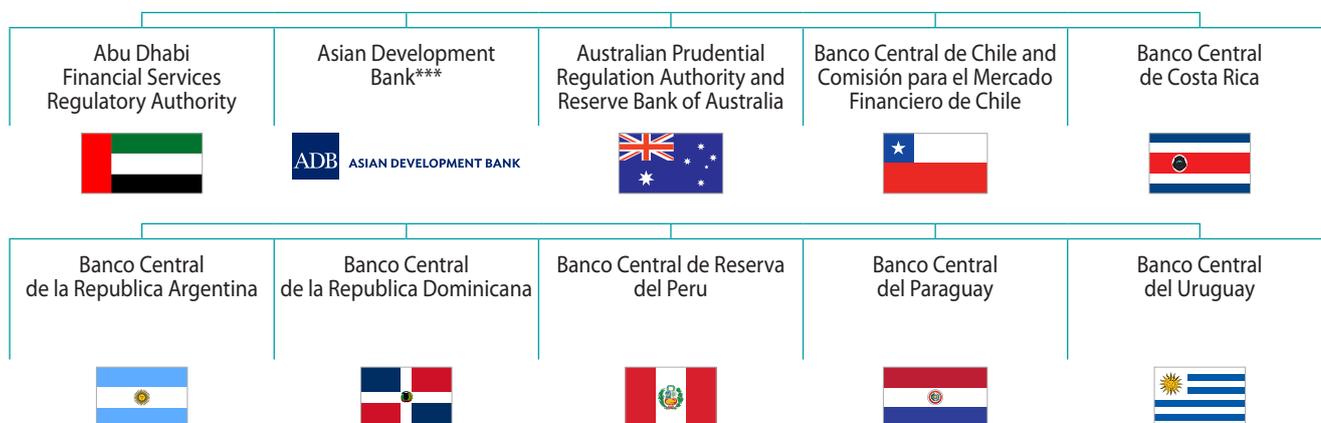
Steering Committee Members and Observer



Note: * indicates institutions that are members of the Steering Committee on a non-permanent basis and started their 2-year term in November 2020; ** indicates institutions that are members of the Steering Committee on a non-permanent basis and started their 2-year term in January 2022; *** indicates Observer.

All Steering Committee Members and Observer also belong to the Plenary.

Plenary Members and Observers



Note: *** indicates Observers.

Plenary Members and Observers (continued)

Banque centrale de Tunisie 	Banque centrale du Luxembourg and Commission de surveillance du secteur Financier 	Banco de España 	Banco de la República and Superintendencia Financiera de Colombia 	Banco de Portugal 
Bank Indonesia and Otoritas Jasa Keuangan 	Bank of Albania 	Bank of Estonia 	Bank of Finland and Finanssivalvonta 	Bank of Ghana 
Bank of Greece 	Bank of Israel 	Bank of Japan 	Bank of Korea and Financial Services Commission/ Financial Supervisory Service 	Bank of Latvia 
Bank of Lithuania 	Bank of Russia 	Bank of Slovenia 	Bank of Thailand 	Bangko Sentral ng Pilipinas 
Bank of Mauritius 	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 Jordan 	Central Bank of Malta and Malta Financial Services Authority 	Central Bank of Seychelles 
Central Bank of Trinidad and Tobago 	Central Bank of the Republic of Turkey and Banking Regulation and Supervision Agency 	Central Bank of West African States 	Comisión Nacional Bancaria y de Valores 	Commission de contrôle des activités financières 
Committee on Payments and Market Infrastructures*** 	Croatian National Bank 	Danmarks Nationalbank and Danish Financial Supervisory Authority 	Dubai Financial Services Authority 	European Banking Authority 

Note: *** indicates Observers.

Plenary Members and Observers (continued)

European Bank for Reconstruction and Development*** 	European Insurance and Occupational Pensions Authority 	European Investment Bank*** 	European Securities and Markets Authority 	Financial Regulatory Authority of Egypt 
Financial Stability Board*** 	Guernsey Financial Services Commission 	Hong Kong Monetary Authority 	Inter-American Development Bank*** 	International Association of Insurance Supervisors*** 
International Finance Corporation*** 	International Monetary Fund*** 	International Organisation of Pensions Supervisors*** 	International Organization of Securities Commissions*** 	Isle of Man Financial Services Authority 
Istituto per la Vigilanza sulle Assicurazioni 	Jersey Financial Services Commission 	Komisja Nadzoru Finansowego 	Národná banka Slovenska 	National Bank of Belgium 
National Bank of Cambodia 	National Bank of Georgia 	National Bank of the Republic of North Macedonia 	National Bank of Romania and Autoritatea de Supraveghere Financiară 	National Bank of Serbia 
National Bank of Ukraine 	Nordic Investment bank*** 	Norges Bank and Finanstilsynet 	Oesterreichische Nationalbank and Austrian Financial Market Authority 	Office of the Superintendent of Financial Institutions 
Organisation for Economic Cooperation and Development*** 	Reserve Bank of India 	Reserve Bank of New Zealand 	South African Reserve Bank 	Sustainable Banking and Finance Network*** 
Sustainable Insurance Forum*** 	Sveriges Riksbank 	Swiss National Bank and Financial Market Supervisory Authority 	The World Bank*** 	US Federal Reserve, New York DFS and Office of the Comptroller of the Currency 

Note: *** indicates Observers.



NGFS
Secretariat