



In Conversation with

Mr. Paolo Angelini

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(July, 2022)

1. When and why did your institution join the NGFS?

Banca d'Italia joined the NGFS in January 2019, after several preliminary interactions that convinced us of the powerful role of cooperation and knowledge sharing within the international community of central banks and supervisors in the field of climate change and sustainability, fostered by NGFS membership.

Banca d'Italia has a long-standing record of research on the links between sustainability-related issues, finance and the economy. In 2008, we devoted a section of our [Annual Report for 2009](#) to the energy system. Since then, we have been publishing research on related topics such as the [waste sector](#), [households' energy demand](#), [firms' energy expenditure](#), [carbon taxation](#) and [energy poverty](#). More recently, we devoted a section of our [Annual report for 2020](#) to the implications of climate risks and sustainable finance for central banks.

As testified by our [COP26 pledge](#) published along with the [NGFS Glasgow Declaration](#), we are deeply committed to addressing climate change and the related risks, the loss of biodiversity, the deterioration of social conditions and the quality of corporate governance. To this end, we contribute across the entire spectrum of related activities (as described in the Bank's [Sustainable Finance web section](#)). We find that our work within the NGFS is highly synergic and beneficial to all these activities.

2. Can you share with us the key elements of the climate strategy of Banca d'Italia and the way it fits into the broader national strategy in your jurisdiction?

Our climate strategy covers several aspects of the Bank's activities. To begin with, we have long been concerned with measuring and reducing the Bank's own carbon footprint. Our 2011-2013 Strategic Plan already featured a reduction objective. Although our carbon footprint is small, we are convinced that this commitment is valuable because we believe in leading-by-example and because dealing with the related implementation challenges help us improve our understanding of these matters in our many roles – as supervisor, regulator, monetary policymaker, investor and advisor to the government. Since 2010, we have been publishing an annual [Environment Report](#). In 2015, our Environmental Policy was broadened to include several new aspects: sustainable use of energy and of natural resources, optimal waste management, sustainable mobility solutions and 'green' procurement, promoting the employees' environmental awareness. For the coming years, we aim to further reduce the use of fossil fuels, increase our own energy production from renewables and purchase electricity exclusively from certified renewable sources, improve the energy efficiency of our premises and datacentres, encourage remote working, limit business travel.

Concerning our vision on sustainable finance, last year we published our [Responsible Investment Charter](#), which identifies our broad vision of sustainability and is inspired by international agreements (like the United Nations Sustainable Development Goals, the Paris Climate Agreement and the UN Global Compact). Moreover, last May we published our first [Report on sustainable investment](#) of our non-monetary policy portfolios, following the recommendations proposed by the Task Force on Climate-related Financial Disclosures (on the areas of governance, strategy, risk management, metrics and targets). This publication marked a change in our ESG investment policy: we have decided to start tilting our corporate portfolio (stocks and bonds) towards those firms that have long-term decarbonisation plans validated by Science-Based Target initiative. While this is not the only indicator shaping our investment strategy, we strongly believe that nudging corporates to enter a credible decarbonisation path is an important way for the financial sector to help fulfil the Paris objectives. Of course, we are also convinced that unless governments decide to use their tools – be they taxes, incentives or regulation – to address the externality problem, progress on this front will be limited.

Concerning our main functions (monetary policy, supervision, financial stability), we are actively contributing to the ongoing work on these topics within the Eurosystem, the NGFS, the Basel Committee on Banking Supervision, the Financial Stability Board and the other key international fora. As I mentioned above, significant resources are devoted internally to research on sustainability-related issues, which finds an outlet in our working paper series and other publications. Banca d'Italia also acts as advisor of the Italian government and is a member of the Italian Natural Capital Committee, a body led by the Ministry of the Ecological Transition, which gathers representatives from key ministries and institutions and produces an annual report to the Prime Minister and the Ministry of Finance.

3. To which extent did Banca d'Italia leverage the work of the NGFS in its domestic journey and international activities? Any concrete examples?

The initiatives that Banca d'Italia has taken in the last three years have benefited remarkably from the interaction and experience gained within the NGFS.

For instance, common challenges on the investment of our non-monetary policy portfolios were usefully discussed within the former workstream on "Scaling up green finance" (as part of the 2020-

2022 NGFS work program). We contributed to a [first](#) NGFS Report on this subject and to a later [Progress report](#), which helped us identify ideas and solutions to raise the bar even higher for sustainable and responsible investments. This has resulted in a 60 per cent drop in the carbon footprint of the equity portion of our Euro area non-monetary policy portfolio between 2019 and 2021. In 2020, we broadened our ESG investment policy to the corporate bond portfolio and equity investments held via ETFs; we also set up a multicurrency portfolio of green bonds. This stream of work within the NGFS was instrumental towards the development of our first Report on sustainable investment and climate risks, which I mentioned above.

As a supervisory authority, in April 2022 Banca d'Italia published an initial set of [supervisory expectations](#) to give intermediaries guidelines for their work towards integrating climate and environmental risks into their corporate strategies, governance and control systems, risk management frameworks and disclosure. While this work is part of an ongoing effort by the Eurosystem, the [NGFS Guide for supervisors](#) offered Banca d'Italia a useful reference in the dialogue with financial institutions regarding expectations and their plans to implement them. According to a [recent survey](#), the number of banks that heed the risks associated with climate change is growing compared with the past; however, banks need to take further steps to integrate these risks into their corporate strategies. Banca d'Italia will contribute to an in-depth assessment of the topic on a representative sample of less significant institutions (under the aegis of the European Central Bank), and it will send a questionnaire to a sample of non-bank intermediaries. The findings of these initiatives will shape the subsequent supervisory dialogue.

In 2021, Banca d'Italia worked hard within the Italian Presidency of the G20 to bring climate change, environmental protection and sustainable finance to the top of the Group's agenda. Also thanks to this effort, the G20 revived the Sustainable Finance Working Group and made it permanent with the agreement on an ambitious multi-year agenda to restore its members' commitment to green finance. By appointing the NGFS as a knowledge partner, the G20 underlined the synergies among public policy makers and NGFS.

At the beginning of this year, [Banca d'Italia joined the Steering Committee of the NGFS](#); Governor Visco praised this achievement, emphasizing the NGFS' central role in strengthening collective action to improve the resilience of the financial system to environmental risks. Moreover, Banca d'Italia is now taking the role of co-Chair of the [workstream "Net Zero for Central Banks"](#) (as part of the 2022-2024 NGFS work program), together with the Reserve Bank of New Zealand. I am honoured for the appointment and grateful to the former Chair of the workstream, Ms. Sabine Mauderer, for the tremendous achievements under her leadership, which form a solid basis to build upon. I am eager to work with co-Chair Ms. Simone Robbers and the many colleagues from several central banks who offered to accept this challenge. As a general objective, we intend to encourage a gradual move within the central banking community from commitment to action, and from survey-based evidence of practices to encouraging the adoption of best practices. We expect this work to be useful not only for central banks but more broadly for the entire ecosystem of financial intermediaries and nonfinancial corporations.

4. *One last word?*

The Russian invasion of Ukraine is seriously damaging multilateral dialogue and cooperation, which is indispensable for a successful fight against climate change. It is triggering effects of opposite sign – a sharp resurgence in fossil fuels usage; an equally sharp push towards renewable energy sources. Considering the heightened uncertainty and its impact on the private sector's incentives to invest, the net effect on the transition process is very likely negative, at least in the short-term. I believe the NGFS can significantly contribute to preserve international cooperation at this difficult juncture.