



Workstream “Net Zero for Central Banks”

Mandate - April 2022 / April 2024

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A. Objective

The objective of this workstream is to provide a collective forum for NGFS central banks to discuss issues and approaches related to (i) sustainable and responsible investment, (ii) central banks’ own climate-related and environmental disclosure, as well as (iii) the greening of central banks’ corporate operations. By sharing insights and hands-on experiences, NGFS members will get to know the practical challenges related to the transition to (and, eventually, operating in) a net zero economy. The identification and presentation of best practices will allow them to address and overcome these challenges, thus helping them better manage climate-related and environmental risks and enable them to demonstrate consistency and leadership.

B. Relevance to the work of the NGFS

The scope of the workstream covers the three following areas:

- i. ***Sustainable and responsible investment.*** A growing number of NGFS central banks has adopted – or is currently planning to adopt – Sustainable and Responsible Investment (SRI) principles in their investment approaches for their own portfolios. These approaches are in line with recommendation 2 of the [First NGFS comprehensive report](#), which called on central banks to integrate sustainability factors into the management of their portfolios.
- ii. ***Central banks’ own disclosure of climate-related and environmental risks:*** NGFS members have collectively pledged their support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and encouraged a broad adoption of its principles to ensure internationally consistent disclosure. Recommendation 5 of the First NGFS comprehensive report has been a source of inspiration for NGFS members that want to lead by example and demonstrate accountability through their own climate-related disclosure.
- iii. ***Greening central banks’ corporate operations:*** As part of the global effort required to meet the objectives of the Paris Agreement, a number of central banks are

conscious of the need to transit towards a net zero operating environment, and to that end are working on reducing their impact on the climate and the environment.

C. Tasks

1. Sustainable and responsible investment

The workstream will explore suitable options to follow-up on the [Sustainable and Responsible Investment Guide for Central Banks' Portfolio Management](#) (published in October 2019) and updated in a [Progress report](#) (published in December 2020). These two documents are aimed at central banks that wish to adopt SRI principles.

Possible avenues of follow-up include:

- i. preparing an updated version of the guide to sketch the evolution of best practices, drawing from the experience of NGFS members as well as SRI practices in the market, and assess progress made by the community of central banks;
- ii. identifying challenges that may call for further collective and cooperative work; and
- iii. working on specific themes related to SRI practices, such as Paris-aligned investment policies or how to incorporate considerations related to biodiversity loss and other environmental aspects into portfolio management.

2. Central banks' own disclosure of climate-related and environmental risks

The workstream could:

- i. explore suitable options to follow-up on the NGFS [Guide on climate related disclosure for central banks](#) (published in December 2021), which highlights the steps central banks could take to prepare their own climate-related disclosures;
- ii. further develop best practice guidance on metrics for disclosure relating to climate-related governance structures and strategy, hence complementing the above-mentioned guide; and
- iii. provide further guidance on the preparation of disclosures on central banks internal operations.

Looking further ahead, and depending on the developments of standards for nature-related financial disclosures, the workstream may also consider developing guidance on this topic.

3. Greening central banks' corporate operations

The workstream will serve as a forum for experience-sharing among central banks that have taken or are considering taking steps to reduce the environmental impact of their corporate operations, with a view to help NGFS central banks transition to a net zero environment.

This could cover a range of aspects, including:

- i. approaches, methodologies and criteria used to establish, assess and measure targets related to emission reduction and carbon offsets;
- ii. approaches to assess physical and transition risks related to climate change impacting the resilience of central banks' own operations;
- iii. planning and application of practical strategies to reduce greenhouse gas emissions related to direct and indirect operations and address resiliency risk;

- iv. education and awareness practices for central banks staff;
- v. practical aspects related to adopting transition plans for central banks; and
- vi. issues that may be specific to central banks, including physical and digital currencies, as well as payment systems.

Where appropriate, the workstream will closely cooperate with other NGFS workstreams, and in particular with the workstream “Monetary Policy” to discuss responsible investment and disclosure-related issues.

Work on the three above-mentioned topics is also expected to help NGFS members gain insights on the challenges faced by financial institutions in considering climate and biodiversity risk in their activities.