



## NGFS publishes three reports on Sustainable and Responsible Investment for Central Banks

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The Network for Greening the Financial System (NGFS) is publishing today a cover report and two technical documents on Sustainable and Responsible Investment (SRI) in central banks' portfolio management.

Through these reports, the NGFS encourages central banks and supervisors across the globe to set an example and to further include sustainability considerations in their portfolio management, **without prejudice to their primary mandates**. Climate-related risks can pose material economic and financial risks that investors need to consider. Many central banks have a role to play, as investors in corporate and sovereign assets.

The cover report ([\*Sustainable and Responsible Investment in central banks' portfolio management – practices and recommendations\*](#)) puts forward ten recommendations for central banks to deepen their understanding of SRI policies and improve their SRI practices. These are based on a step-by-step approach (Measure, Act and Evaluate), inspired by the climate framework of the United Nations Principles for Responsible Investment (UN PRI). While accommodating central banks' own constraints, this report notably recommends ways of including sustainability considerations in governance frameworks, and of measuring the exposure to sustainability risks. It also offers guidance for central banks to implement their SRI policies and to integrate sustainability considerations in reporting practices and evaluation processes. As the mandates of central banks differ, the report does not propose a one-size-fits-all solution. Rather, it allows central banks to take into account their own specific circumstances while finding inspiration in and seeking consistency with established best practices among institutional investors. A wide variety of case studies is included in the cover report to encourage those central banks that have not yet embraced SRI practices to lever off the experience gained by first movers. Similarly, central banks at the forefront are challenged to further enhance their SRI practices with the aim of meeting the goals of the Paris Agreement.

The recommendations draw on insights from earlier NGFS publications, as well as case studies, market intelligence, academic literature and a survey amongst NGFS members. Notably, the survey showed that over the past three years, many central banks have taken steps to formalise their SRI policies, further embed sustainability considerations in their governance structures and report more consistently on climate-related risks and opportunities.

The two technical documents provide deep dives into ways for central banks to take climate change into account in their non-monetary investments in corporates or in sovereign debt. The first technical document ([\*Decarbonisation strategies for corporate portfolios of central banks\*](#)) discusses how central

banks can integrate net-zero considerations into their investments in equity and corporate bonds. It also explores several challenges that central banks face when implementing these strategies. The second document ([\*Considering climate-related risks and transition impact in the sovereign investments of central banks\*](#)) looks at sovereign debt. It describes available metrics that can inform strategies to capture climate-related risks, opportunities, and impacts on central banks' sovereign holdings. It also offers advice on implementing these strategies.

The reports focus on non-monetary policy portfolios (FX investments, own fund and pension fund portfolios) and exclude portfolios held for monetary policy purposes.

**Building on these reports, the NGFS aims to help central banks operationalise climate-focused SRI strategies in the management of these portfolios.** Going forward, further work will be carried out to assess common practices and principles of central bank stewardship.

**Dr Sabine Mauderer, Chair of the NGFS, Member of the Executive Board of the Deutsche Bundesbank:**

*"Central banks ought to understand and respond to the risks that climate change poses for the integrity of their balance sheets. Aligning our own portfolios with sustainable and responsible investment (SRI) practices can help us to meet this challenge. The results of the NGFS's survey show that central banks across the world are adopting SRI practices - which is laudable - but that many are still at an early stage of implementation. The reports offer practical guidance and recommendations to make us all more effective in tackling the risks resulting from climate change."*

**Paolo Angelini, Co-chair of the NGFS Workstream on Net Zero for Central Banks, Member of the Governing Board and Deputy Governor of the Bank of Italy:**

*"Leveraging on the progress and experiences of central banks in SRI practices, these documents provide insightful analyses on climate-related risks for investment. They delve into implementation issues with a practical, hands-on type orientation, but they also give investors (not only central banks) food for thought on several challenges and unanswered conceptual issues that are still present in this field."*

**Simone Robbers, Co-chair of the NGFS Workstream on Net Zero for Central Banks, Assistant Governor and General Manager for Strategy, Governance and Sustainability at the Reserve Bank of New Zealand**

*"An increasing number of central banks are facing the challenge of attempting to align their investment portfolios with sustainability objectives. Given the primacy of their mandate-driven roles, this is typically more challenging for central banks than it is for other financial institutions, but a growing number of early movers have proven that rising to that challenge is not only possible, but it is also prudent in a time of growing climate and sustainability risk. The addition of these technical documents provides central banks with step-by-step resources to draw on in meeting that challenge in their own context."*

## About the NGFS

The Network for Greening the Financial System (NGFS), launched at the Paris One Planet Summit on 12 December 2017, is a group of central banks and supervisors, which on a voluntary basis is willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 138 central banks and supervisors and 21 observers. The NGFS is chaired by Sabine Mauderer, Member of the Executive Board of the Deutsche Bundesbank. The Secretariat, headed by Jean Boissinot, is provided by Banque de France.

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**For more details, visit the [NGFS website](#) and [LinkedIn account](#) or contact the NGFS Secretariat at Banque de France [sec.ngfs@banque-france.fr](mailto:sec.ngfs@banque-france.fr)**

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