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NGFS publishes Conceptual Framework for Nature-related Financial Risks at launch event in Paris

The Network for Greening the Financial System (NGFS) published today the beta version of [its Conceptual Framework for nature-related financial risks to guide policies and action by central banks and financial supervisors](#).

The Framework seeks to create a shared science-based understanding of, and common language for, these nature-related financial risks to help central banks and financial supervisors navigate the complexities and challenges associated with assessing and addressing these risks. The aim is to provide greater clarity on the meaning of key concepts and the way these interrelate, and set out a principle-based approach to help operationalise that conceptual understanding.

The NGFS held a [high-level launch event at the Banque de France headquarters in Paris](#)

The NGFS released the framework at a launch event in Paris that brought together over 200 representatives from NGFS Members and Observers as well as interested stakeholders and private sectors participants. The launch event sought to **highlight the NGFS' work on this new frontier for central banks and financial supervisors and illustrate the relevance of the Conceptual Framework for their mandates and work.**

High-level speakers at the launch event included: François Villeroy de Galhau, Governor of the Banque de France; Klaas Knot, President of De Nederlandsche Bank and Chair of the Financial Stability Board; Frank Elderson, Member of the Executive Board of the European Central Bank; Professor Johan Rockström, Director of the Potsdam Institute for Climate Impact Research.

The Conceptual Framework marks a new milestone in the NGFS' efforts to help mainstream the consideration of nature-related risks

As the importance of the twin crisis of environmental degradation and climate change gains increasing global recognition, **the NGFS has been leading work to help mainstream the consideration of nature-related risks across the NGFS, and help central banks and supervisors grapple with the complexities of this topic.** The publication of the Conceptual Framework is the most recent milestone in the NGFS' activities on the topic, following the launch of the NGFS Taskforce on Biodiversity-loss and Nature-related Risks in early 2022.

The Conceptual Framework provides a common language to the financial system and guides action by central banks and financial supervisors

Building on previous work by the joint NGFS-INSPIRE Study Group on Biodiversity and Financial Stability, the Conceptual Framework charts an important step towards an integrated assessment of climate and broader nature-related risks. The publication aims to:

- i) Define nature-related financial risks and related concepts that are needed for a high-level understanding of these risks.
- ii) Offer a framework to help central banks and supervisors identify and assess nature-related financial risks. The principle-based risk assessment framework consists of three phases: identify sources of physical and transition risks; assess economic risks; assess risk to, from and within the financial system.
- iii) Outline the next steps to be taken by the NGFS Taskforce, including bridging the modelling and data gaps (notably on the development of nature-related scenarios), and using emerging datasets to support the alignment of policies on environmental sustainability and inform the assessment of nature-related financial risks.

Ravi Menon, Chair of the NGFS and Managing Director of the Monetary Authority of Singapore:

“Along with the climate crisis, the degradation of nature is an existential threat facing our planet. Addressing nature-related risks and its broader implications for the financial sector is no longer just prudent – it is an imperative. Finance can be a powerful force for helping to bend the curve of nature degradation. The Conceptual Framework published by the NGFS today offers a common approach for central banks and supervisors as they assess and act on these risks.”

Emmanuelle Assouan, Co-chair of the NGFS Taskforce on Biodiversity Loss and Nature-related Risks and Director for financial stability and operations at Banque de France:

“There is no doubt that nature degradation is a macroeconomical threat that central banks and supervisors have to take into account in the exercise of their mandate. Today, the NGFS is proud to have laid the foundations for such an approach with its Conceptual framework. We are confident that it will prove to be a useful, operational handbook paving the way for numerous nature-related initiatives to come.”

Marc Reinke, Co-chair of the NGFS Taskforce on Biodiversity Loss and Nature-related Risks and head of the Sustainable Finance Office at De Nederlandsche Bank:

“Increasingly it is recognized that climate and broader dimensions of nature are closely connected. That our climate ambitions will not succeed if we fail to also restore the planet's ecosystems. With this conceptual framework, we can now act in line with this fundamental understanding, progressively taking into account nature-related financial risks in a way that builds on and strengthens the existing climate-related efforts of the NGFS.”

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 mobilize mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 127 central banks and supervisors and 20 observers. Together, they span across five continents, operate in economies that account for more than 88% of global greenhouse gas emissions and are collectively responsible for the supervision of all global systemically important banks and 80% of the internationally active insurance groups. The NGFS is chaired by Ravi Menon, Managing Director of the Monetary Authority of Singapore. The Secretariat, headed by Jean Boissinot, is provided by Banque de France.

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

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