

Network for Greening the Financial System  
Annual report

# Annual report 2019

March 2020



## Introductory message by Frank Elderson, Chair of the NGFS

**T**he Central Banks and Supervisors Network for Greening the Financial System (NGFS) was launched in December 2017, at the One Planet Summit in Paris. In 2019, we focused our work on confirming the various expectations created by the solid foundations the NGFS members collectively laid in 2018, in particular following the publication of the first NGFS progress report in October 2018. In many ways, this challenge has been taken up.

Let's first focus on the stunning growth in our membership. At the end of 2018, the NGFS consisted of 24 members and 5 observers. In the space of one year, this more than doubled, as we had 54 members and 12 observers at the end of 2019. The new members and observers of the NGFS all contribute to making the Network a truly global endeavour.

In 2019, the NGFS released three publications. We published our first comprehensive A call for action report in April 2019. The report sets out six recommendations and provides a roadmap for central banks, supervisors and all relevant stakeholders to take action for greening the financial system. In July 2019, we released a technical supplement to our comprehensive report that presents the work done to date to model the impact of climate change on the economy and financial system. Our most recent publication, A sustainable and responsible investment guide for central banks' portfolio management, was published in October 2019, on the occasion of the Annual Meetings of the International Monetary Fund and World Bank Group. The guide, which follows up on recommendation No. 2 of the comprehensive report, highlights the NGFS' unique role in better equipping our community of central bankers to lead by example and to quite literally put our money where our mouth is.

The last year has seen a range of events hosted by NGFS members across the globe – from Budapest, Helsinki, Kuala Lumpur, London, Mexico City, and Paris to Rabat, Sydney and many more. NGFS members have also participated in many other events, including the COP25 in Madrid, to present and discuss the work of the Network. Building awareness and intellectual capacity, sharing knowledge and exchanging views is exactly what we need and is in line with recommendation No. 4 of the comprehensive report.

In 2019, I travelled to the United States several times to present the work of the NGFS. In September 2019, I spoke at the United Nations and the Bloomberg Global Business Forum during the United Nations Climate Week, and in November 2019, at the Conference The Economics of Climate Change hosted by the Federal Reserve Bank of San Francisco. Also in October 2019, together with NGFS representatives from the Banque de France, the Deutsche Bundesbank and Norges Bank, we presented the work of the Network and other national initiatives at the US Senate Democrats' Special Committee on the Climate Crisis.

Looking ahead to the year to come and keeping in mind our ability to deliver on our commitments, 2020 will certainly be another decisive year. Indeed, we still have a lot of work to do and the NGFS is planning to release in the short term a number of documents in particular on scenario analysis, supervision practices as well as a status report on financial institutions practices regarding climate-related financial risks. Currently, the corona virus and its consequences seem to overshadow everything else and, no doubt, they require coordinated action. However, even in this crisis, we should not lose sight of the fact that climate change stays an urgent and vital issue. Hence, the NGFS members' strong response to continue their collective contribution to the greening of the financial system is key. The greener the recovery from the current crisis is, the better.



# Origin of the NGFS



**8 central banks and supervisors** established a Network of Central Banks and Supervisors for Greening the Financial System.



As of end-2019, the NGFS consists of **54 Members** **12 Observers** representing 5 continents.



## 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 –and environment– related 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.



# 2019 NGFS highlights

## JANUARY

Steering Committee meeting in Mexico  
High-level conference hosted by Banco de México

## APRIL

Annual plenary meeting in Paris  
Annual *NGFS conference* hosted by the Banque de France  
Publication of the first NGFS comprehensive report, *A call for action*

## MAY

Launch of the NGFS Twitter account: [@NGFS\\_](https://twitter.com/NGFS_)

## JULY

Steering Committee meeting (via teleconference)  
Publication of the *technical supplement* to the first comprehensive report

## SEPTEMBER

Presence of NGFS representatives at the United Nations Climate week in New York

## OCTOBER

Publication of *A sustainable and responsible investment guide for central banks' portfolio management*, on the occasion of the Annual Meetings of the IMF and World Bank Group  
Launch of the new NGFS website: [www.ngfs.net](http://www.ngfs.net)  
Meeting with the *US Senate Democrat's Special Committee on the Climate Crisis*

## NOVEMBER

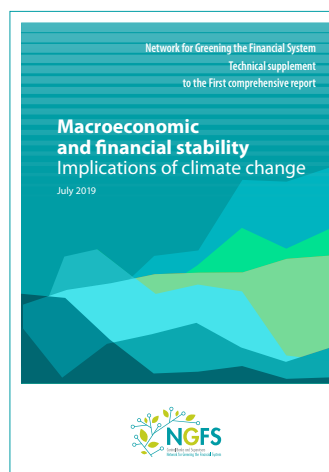
Steering Committee meeting in Paris  
Presence of the Chair of the NGFS at the *Conference "The Economics of Climate Change"* hosted by the Federal Reserve Bank of San Francisco

## DECEMBER

Presence of NGFS representatives at the COP25 in Madrid



In this report, the members of the NGFS collectively acknowledge that climate-related risks are a source of financial risk and therefore call for collective action. The report includes six recommendations (see page 5) that reflect the best practices identified by NGFS members to facilitate the role of the financial sector in achieving the objectives of the Paris Agreement.



This supplement provides an overview of existing approaches for quantitatively assessing climate-related risks and identifies key areas for further research. It also sets out a menu of options for central banks and supervisors to assess the risks.



This guide is a hands-on approach aimed at central banks that wish to adopt Sustainable and Responsible Investment (SRI) practices. It builds on the results of an SRI portfolio management survey among NGFS members and concludes with case studies of the first-hand experiences of some NGFS members.

# Focus on the six NGFS recommendations


(released in April 2019)


In 2018, the NGFS acknowledged that climate-related risks are a source of financial risk and that central banks and supervisors have a role to play in ensuring the resilience of the financial system to these risks. In its first comprehensive report, *A call for action*, the NGFS provides six recommendations for central banks, supervisors, policy makers and financial institutions to enhance their role in the greening of the financial system and the managing of environment and climate-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 No. 1 to 4 are aimed at inspiring central banks and supervisors – NGFS members and non-members – 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 No. 5 and 6 do not fall directly within the remit of central banks and supervisors but point to actions that can be taken by policy makers to facilitate the work of central banks and supervisors. Parts of these recommendations may also be applicable to the private sector.

## Central banks and supervisors

- 1. 

Integrating climate-related risks into financial stability monitoring and micro-supervision.
- 2. 

Integrating sustainability factors into own-portfolio management.
- 3. 

Bridging the data gaps.
- 4. 

Building awareness and intellectual capacity and encouraging technical assistance and knowledge sharing.

## Policy makers

- 5. 

Achieving robust and internationally consistent climate- and environment-related disclosure.
- 6. 

Supporting the development of a taxonomy of economic activities.

# 2019 in pictures

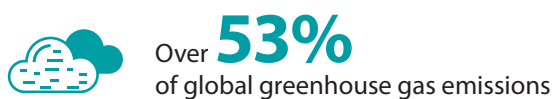
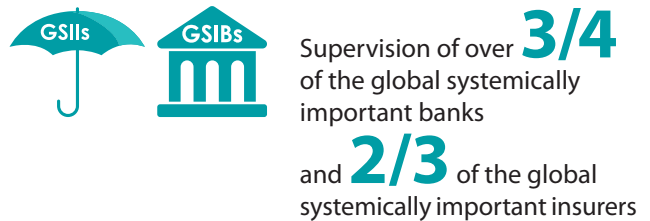
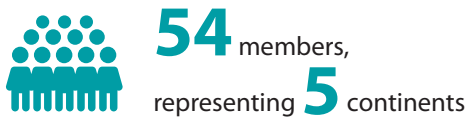


# 2019 NGFS key figures and functioning

In 2019:

- More than **15** NGFS events were organised by the NGFS and/or NGFS members.
- The Chair of the NGFS delivered more than **10** speeches.
- Representatives of NGFS members, NGFS workstream Chairs and the NGFS Secretariat attended more than **90** events and showcased the work of the NGFS.

As of end-2019, the NGFS covers:



## Functioning of the NGFS

The NGFS aims to accelerate the work of central banks and supervisors on climate-related and environment-related risks and on scaling up green finance. So far, the NGFS has structured its work into three workstreams dedicated to:

- supervising climate and environmental risks (chaired by Ma Jun from the People's Bank of China);
- 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).

The NGFS' work could feed into the activities of existing international regulatory bodies. It does not aim to replicate the work conducted elsewhere, but to build on and enrich it where necessary. The diversity of NGFS' observers allows for close coordination between the various ongoing international initiatives on issues of common interest.

The NGFS, represented by its Secretariat, is also an observer of the Technical Expert Group on Sustainable Finance (TEG) and of the International Platform for Sustainable Finance (IPSF), both set up by the European Commission, and an institutional partner of the Climate Action Peer Exchange initiative (CAPE).

# NGFS composition and governance



Chair  
Frank Elderson

Secretariat  
Morgan Després



As of end-2019, the NGFS consists of 54 members and 12 observers.

## Steering Committee Members and Observer

Banco de México 	Bank Al-Maghrib 	Bank of England 	Banque de France/ACPR 	De Nederlandsche Bank 
Deutsche Bundesbank and BaFin 	Finansinspektionen 	Monetary Authority of Singapore 	People's Bank of China 	Bank for International Settlements* 

## Plenary Members and Observers

Abu Dhabi Financial Services Regulatory Authority 	Banca d'Italia 	Banco Central de Costa Rica 	Banco de España 	Banco de la República and Superfinanciera 
Banco de Portugal 	Bank Indonesia 	Bank Negara Malaysia 	Bank of Canada 	Bank of Finland 
Bank of Greece 	Bank of Japan and Japan FSA 	Bank of Korea 	Bank of Thailand 	Banque centrale de Tunisie 
Banque centrale du Luxembourg and Commission de surveillance du secteur financier 	Basel Committee on Banking Supervision* 	Central Bank of Hungary 	Central Bank of Ireland 	Central Bank of Malta 



## Plenary Members and Observers (continued)

<p>Central Bank of Russia</p> 	<p>Comisión Nacional Bancaria y de Valores</p> 	<p>Comisión para el Mercado Financiero de Chile</p> 	<p>Danmarks Nationalbank</p> 	<p>Department of Financial Services of the State of New York</p> 
<p>Dubai Financial Services Authority</p> 	<p>European Bank for Reconstruction and Development*</p> 	<p>European Banking Authority</p> 	<p>European Central Bank</p> 	<p>European Insurance and Occupational Pensions Authority</p> 
<p>European Investment Bank* (EIB)</p> 	<p>Guernsey Financial Services Commission</p> 	<p>Hong Kong Monetary Authority</p> 	<p>Inter-American Development Bank*</p> 	<p>International Association of Insurance Supervisors*</p> 
<p>International Finance Corporation*</p> 	<p>International Monetary Fund*</p> 	<p>International Organization of Securities Commissions*</p> 	<p>Národná banka Slovenska</p> 	<p>National Bank of Belgium</p> 
<p>Nordic Investment Bank*</p> 	<p>Norges Bank and Finanstilsynet</p> 	<p>Oesterreichische Nationalbank</p> 	<p>Organisation for Economic Co-operation and Development*</p> 	<p>Reserve Bank of Australia</p> 
<p>Reserve Bank of New Zealand</p> 	<p>South African Reserve Bank</p> 	<p>Sustainable Banking Network*</p> 	<p>Sustainable Insurance Forum*</p> 	<p>Sveriges Riksbank</p> 
<p>Swiss National Bank and FINMA</p> 	<p>The World Bank*</p> 			

Note: \* is indicating Observers.



NGFS  
Secretariat