



WS3 - Scaling up green finance workstream

Mandate and workplan from April 2020 to April 2022¹

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A. Objective

The objective of this workstream is to outline the role that NGFS members could play in promoting the scaling up of green finance and suggestions on how they can lead by example, also with a view to their own financial operations.

B. Relevance to the work of the NGFS

The scope of the workstream covers the following areas:

- 1. Responsible investments:** As highlighted by the work carried out within the workstream over the last two years, a growing number of the NGFS members has already adopted sustainable and responsible investment (SRI) principles in their investment approaches, or is planning to do so. These approaches are in line with recommendation n°2 of the first NGFS comprehensive report.² The adoption of such practices by central banks is important as they can help to demonstrate this approach to other investors and mitigate material climate-related (or ESG) risks as well as reputational risks.
- 2. Market Dynamics:** Due to their specific role, central banks are well placed to monitor market developments. This analytical work is of great interest to NGFS members, particularly to those who are investing in green products or are planning to do so.
- 3. Monetary policy:** Climate change is likely to have a substantial impact on the economy. Hence, the NGFS should provide a platform for an exchange of views and experience with regard to monetary policy frameworks and objectives. Indeed, in its first comprehensive report, the NGFS states it considers exploring the interaction between climate change and central banks' mandates (beyond financial stability) and the effects of climate-related risks on the monetary policy frameworks, paying due regard to the respective legal mandates of the NGFS members.

¹ Updated in June 2021 on disclosure-related issues.

² www.ngfs.net/sites/default/files/medias/documents/ngfs_first_comprehensive_report_-_17042019_0.pdf

4. **Central banks' own disclosure of climate-related risks:** In its "A call for action", NGFS members 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 n°5). While the recommendation was mainly aimed at policymakers, NGFS members have a responsibility – and the ambition – to lead by example.

C. Tasks

1. Responsible investments

The workstream is tasked to follow-up on the "Sustainable and Responsible Investment Guide for Central Banks' Portfolio Management" published in October 2019.³ This guide is a hands-on approach aimed at central banks that wish to adopt SRI practices, and builds on a unique SRI portfolio management survey among NGFS members. During the coming 2-year period, the workstream will be in charge of exploring options on what are the best follow-ups to this publication.

2. Market dynamics

The workstream is tasked to institutionalize in-depth information sharing on the state of play of green markets. It will focus on monitoring market conditions on banking, capital markets and institutional investment segments of financial markets, examining the infrastructure and key factors that support the development of green finance as well as green financial innovation in general. This work will be based on the existing work conducted by central banks/financial regulators and international organizations, in particular NGFS observers. Relevant analysis from financial market associations or other market participants may also feed into the work in this area.

3. Monetary policy

The workstream is tasked to provide a joint central banks' view on the various challenges climate change raises for the conduct of monetary policy. The first part of the work has led to the publication of a report examining the possible effects of climate change on monetary policy;⁴ based on a comprehensive review of existing literature and expert analyses, this report focuses on analytical considerations regarding the impact of climate change on macroeconomic variables and monetary policy regimes.

The workstream will continue to analyze the impact of climate change and, in a next step, will look into possible implications of climate change for monetary policy operational frameworks.

4. Central banks' own disclosure

The workstream is tasked to develop a how-to guide for central banks for their own climate-related financial disclosure, offering step-by-step guidance and presenting a number of suitable options where appropriate. It will also provide a forum of exchange among central banks that are working on their disclosure at the moment or are considering doing so in the future.

³ www.ngfs.net/sites/default/files/medias/documents/ngfs-a-sustainable-and-responsible-investment-guide.pdf

⁴ www.ngfs.net/sites/default/files/media/2020/06/29/climate_change_and_monetary_policy_final.pdf