



Sustainability and climate at the Bank of Greece

Climate change: a global risk



Global risks landscape

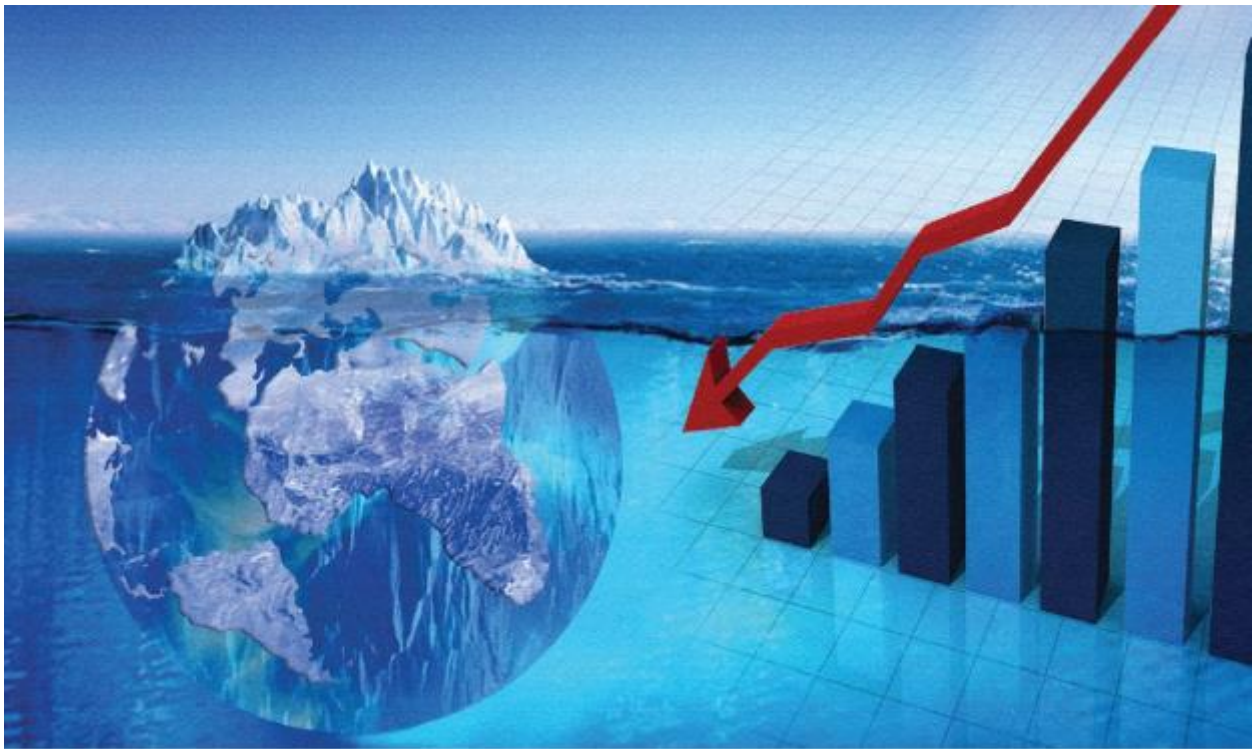
During the past decade the global risks landscape is progressively turning green. In the [World Economic Forum Global Risks Report 2020](#), **8 out of the 10 top risks**, in terms of likelihood and impact, are **environmental** and all of them relate to **climate change**.

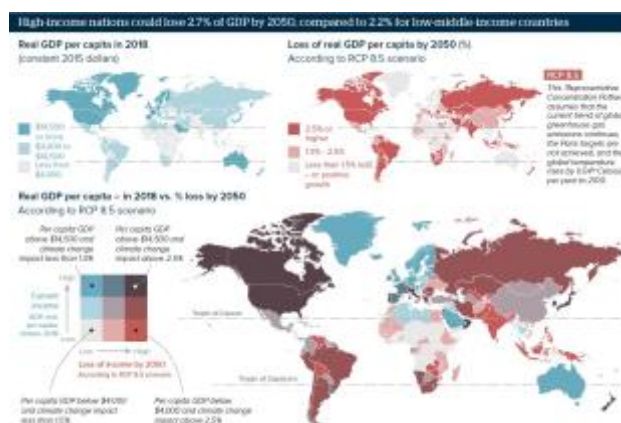
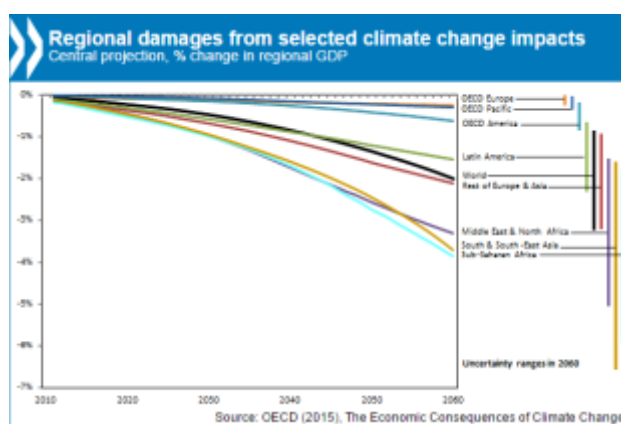
These risks are:

- extreme weather
- natural and human-made environmental disasters
- biodiversity loss
- climate action failure



Economy and climate





1 - Source: NBER paper 'Long-Term Macroeconomic Effects of Climate Change: A Cross-Country Analysis', August 2019, Universities of Cambridge, Southern California, Johns Hopkins, National Tsing Hua University and the IMF; IMF World Economic Outlook ; Oxford Analytica calculations

Climate change constitutes a systemic risk factor for the economy and the financial sector

Three main types of risk are identified:

- Transition risk - environmental regulation affects carbon-intensive businesses, established technologies become redundant.

Sensible to address environmental risks in central banks' financial stability and macroprudential policy frameworks.

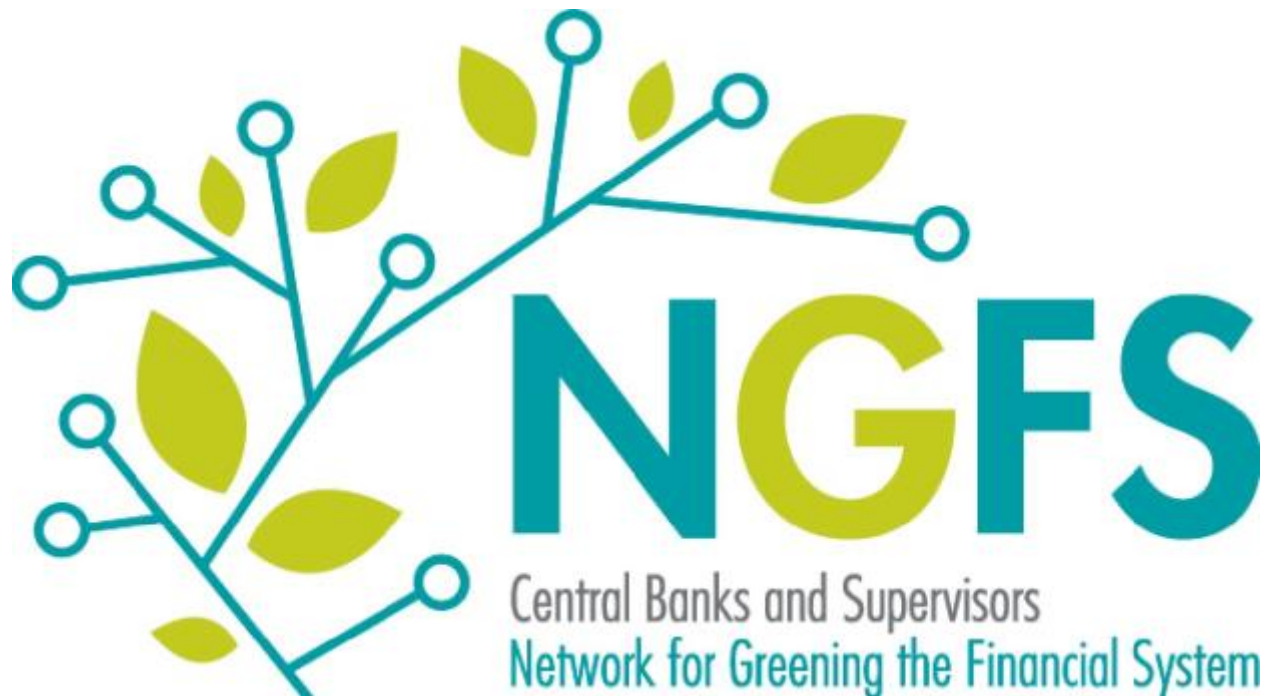


Climate change and the conduct of monetary policy

- as a result of climate change macroeconomic developments could become less stable and economic growth could fluctuate considerably
- monetary policymaking could be rendered more challenging
- climate and environmental risks expected to affect Central Banks' objectives and actions



Network for Greening the Financial System



Origin of the NGFS





NGFS structure

In order to achieve its work program, the Network has structured its work into five dedicated Workstreams on:

1. **Microprudential/Supervision**, chaired by the Monetary Authority of Singapore
2. **Macrofinancial**, chaired by the Bank of England
3. **Scaling up green finance**, chaired by Deutsche Bundesbank
4. **Bridging the data gaps**, chaired by the European Central Bank and the International Monetary Fund
5. **Research**, chaired by the People's Bank of China



The NGFS accepts climate change as a source of structural change in the economy/financial system with a number of specificities:

- Far-reaching impact in breadth and magnitude.

- Foreseeable nature.
- Irreversibility.
- Dependency on short-term actions for medium/long term impacts.
- Non linearity and tipping points.

Climate-related risks are a source of financial risk. It is therefore within the mandates of central banks and supervisors to ensure the financial system is resilient to these risks.

Highly likely that climate-risks are not properly reflected in asset valuations.



6 recommendations for greening the financial system

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.

Since the NGFS published its recommendations in 2019, it has produced several practical documents to better equip central banks and supervisors with appropriate tools to identify, quantify and mitigate climate risks in the financial system.

The latest report, coming out on the 10th of September, will be reviewing the environmental risk analysis practices by financial institutions.





United Nations Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development.

Industry-based principles

UNEP FI supports global finance sector principles to catalyze integration of sustainability criteria into financial market practice, through the following frameworks:

- [Principles for Responsible Banking \(PRB\)](#) launched with more than 130 banks collectively holding USD 47 trillion in assets, or one third of the global banking sector, on 22 September 2019.
- [Principles for Sustainable Insurance \(PSI\)](#), established 2012 by UNEP FI and today applied by one-quarter of the world's insurers (25% of world premium).
- [Principles for Responsible Investment \(PRI\)](#), established in 2006 by UNEP FI and the UN Global Compact, now applied by half the world's institutional investors (USD 83 trillion).

These frameworks address the role of the financial system towards achieving the [2030 Agenda for Sustainable Development](#) and [Paris Agreement on Climate Change](#) agreed by governments around the world in 2015.

Sustainability criteria



Governments, civil society and businesses adopt new practices on measuring, disclosing and managing sustainability risks and opportunities.

Environmental, social and corporate **governance** (ESG) criteria are used in a range of non-financial topics in order to track, manage and report business performance.

The scope is to upgrade the role of businesses in achieving the sustainable development goals and help investors make informed choices.

ESG

RISE OF RESPONSIBLE INVESTING



The term 'ESG' was first coined in 2005 in a landmark study called 'Who Cares Wins'



In 2018, over 80% of the world's largest corporations use GRI standards



ESG investing is estimated at over \$20 trillion in AUM

PRINCIPLES FOR RESPONSIBLE INVESTMENT

PRI'S ROLE IS TO ADVANCE THE INTEGRATION OF ESG INTO ANALYSIS AND DECISION-MAKING

PRI IS A THRIVING GLOBAL INITIATIVE WITH OVER 1,600 MEMBERS

OVER US\$ 70 TRILLION ASSETS UNDER MANAGEMENT



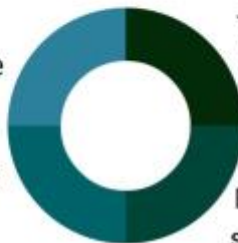
ESG: HOW CORPORATIONS..

Respond to climate change

Treat their workers

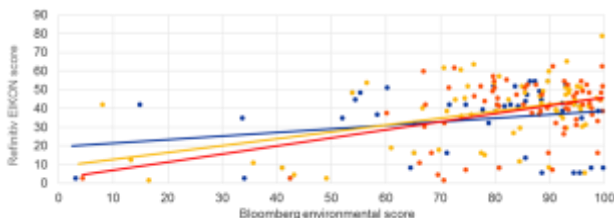
Build trust and foster innovation

Manage their supply chains



- reluctance to accept not financial parameters, such as environmental or social impacts, or broader governance issues - yet evidence has grown that ESG issues have financial implications.

- lack of consistent data and tools - yet the market for ESG information is maturing and improving in quality.



2 - Source: ECB Financial Stability Review, November 2019 based on Bloomberg, Refinitiv Eikon, S&P Global Market Intelligence and Dealogic. Notes: The Bloomberg and Refinitiv environmental scores give values between 0 and 100, whereby a higher value indicates a better performance in terms of environmental variables. The full unbalanced sample consists of 49 banks and 23 insurers in the EU and the United States.

Climate and sustainability at the Bank of Greece

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- [Climate Change Impacts Study Committee](#) - an interdisciplinary committee of scientists set up in 2009
- published two main reports:
 - [The environmental, economic and social impacts of climate change in Greece \(2011\)](#) and
 - [Greek tourism and climate change: adaptation policies and a new growth strategy \(2014\)](#)
- drafted the [Climate Change National Adaptation Strategy \(2015\)](#) along with the Greek Ministry of Environment and Energy
- published the book [The economics of climate change \(2018\)](#) which also touches upon the implications of climate change for the conduct of monetary policy and the role of Central Banks
- published four working papers on climate change in 2018 and 2019
- working on the [LIFE-IP AdaptInGR](#), to implement the Greek National Adaptation Strategy and the 13 Regional Adaptation Action Plans and to prepare the 2nd adaptation policy cycle (2026+)
- 1st central bank to endorse the [UNEP FI Responsible Banking Principles](#)
- member of the central banks' and regulators Network for Greening the Financial System ([NGFS](#))
- advisor to the Greek Ministry of Environment and Energy for the new [National Energy and Climate Strategy \(2019\)](#)
- working on awareness raising and climate literacy, i.e. with the Goulandris Natural History Museum on educational programmes

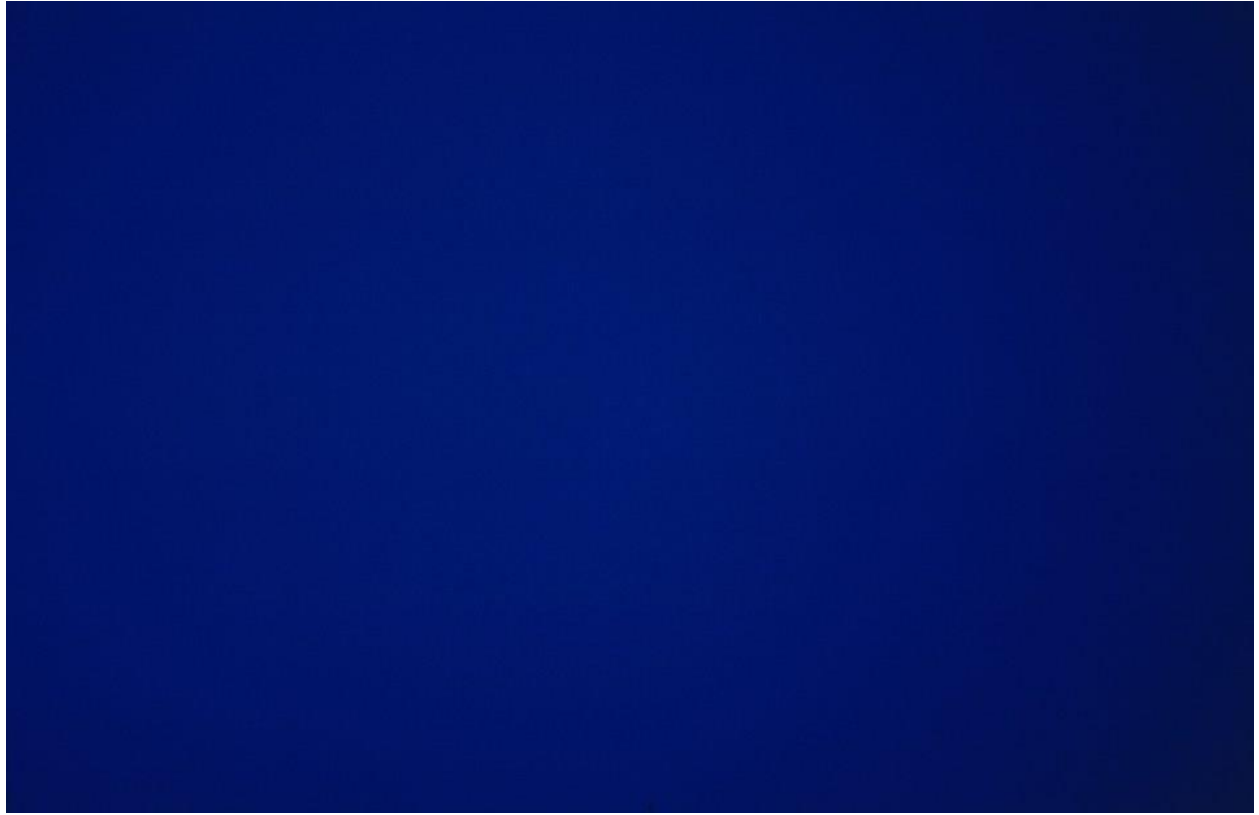


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EUROSYSTEM



Thank you!



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