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Joint pledge from the Swedish members of the NGFS, Finansinspektionen and Sveriges Riksbank, at the occasion of the NGFS Glasgow Declaration during COP26

Stockholm, 3 november 2021

Finansinspektionen and Sveriges Riksbank

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Climate change, if left unmitigated, poses an unprecedented threat to the well-being of humankind and the stability of our societies and economies. As widely recognised, the primary responsibility to counter climate change lies with governments, as they have the most effective tools to reduce the emission of greenhouse gases. Yet, within their mandates, other authorities can contribute in various ways. As stated in the first NGFS comprehensive report in 2019², climate-related risks are a source of financial risk and it therefore falls within the mandates of central banks and supervisors to ensure the financial system is resilient to these risks.

In Sweden, financial supervision is conducted by Finansinspektionen, an integrated authority for the supervision of banks, insurance companies and market participants under the Ministry of Finance. The central bank, Sveriges Riksbank, is an independent authority under Parliament. This joint pledge is issued in connection to the NGFS Glasgow Declaration. It provides a brief summary of on-going and planned initiatives to address climate-related financial risks and shows our commitment - in our respective roles and mindful of our mandates³ - to contribute to the global efforts of the NGFS as stated in the Glasgow Declaration.

Integrating climate-related risks into financial stability monitoring/analysis and supervision

- Within our mandates, both the Riksbank and Finansinspektionen commit to continue integrating climate-related financial risks further into relevant parts of our respective activities.
- Both the Riksbank and Finansinspektionen will continue to analyse how climate-related risks can affect the financial system and threaten its stability, in order to increase our knowledge further. This work also aims to include climate scenario analysis, the scope depending on available methodologies and data.
- The Riksbank and Finansinspektionen are currently working together to apply the Paris Agreement Capital Transition Assessment Tool (PACTA) on the loan-book for the largest Swedish banks. This is a pilot project for the banking sector, building on the pilot for the insurance sector performed by Finansinspektionen in 2020. These pilot projects are performed with the ambition to explore various tools for the quantification of climate-related transition risk.
- The Riksbank and Finansinspektionen commit to be open and transparent and to share analyses, policy statements and research on climate-related topics.
- In its capacity as supervisor of market participants, Finansinspektionen is committed to working towards the following three outcomes: i) Issuers provide markets with readily available, reliable and consistent information on their exposure to material climate change risks and opportunities; ii) Regulated financial services firms integrate consideration of material climate change risks and opportunities into their business, risk and investment

¹ <https://www.ngfs.net/sites/default/files/ngfsglasgowdeclaration.pdf>

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

³ See <https://www.fi.se/en/about-fi/what-we-do/governance-at-fi/> for the mandate of Finansinspektionen. According to the Sveriges Riksbank Act, the Riksbank is to maintain price stability and promote a safe and efficient payment system. The Riksbank also has an obligation to use public finances prudently and consider financial risks on its own balance sheet. It follows from this that the Riksbank, among other things, shall manage its own risks associated with climate change.

decisions; iii) Consumers have access to sustainable finance products and services, which meet their needs and preferences, and receive appropriate information and advice to support their investment decisions.

- The Riksbank and Finansinspektionen will continue to contribute to international organisations and networks such as the NGFS, Basel Committee on Banking Supervision (BCBS), IMF, EBA and ESRB and to collaborate with other central banks and supervisors. Finansinspektionen will continue to contribute to the work of IOSCO, where Finansinspektionen's Director General currently chairs IOSCO's Sustainable Finance Task Force. Finansinspektionen will also continue to contribute to the work of ESMA, EIOPA, IAIS and SIF in their efforts to fight climate change.
- Through its chairmanship of the IOSCO Sustainability Task Force, Finansinspektionen has taken an active role in the work towards a global baseline for corporate sustainability reporting. Finansinspektionen is committed to continue its engagement to improve the global consistency, comparability and reliability of sustainability reporting.

Integrating climate-related risks into monetary policy analysis, monetary policy operations and foreign exchange reserve management

- Within its mandate to maintain price stability, the Riksbank makes in-depth and recurring analyses of economic developments. Climate change is already affecting prices and economic developments and these effects may grow larger going forward. The Riksbank is adapting models and its forecasting tool-box to better incorporate these developments. The role of climate scenarios in monetary policy analysis will likely become more important. The Riksbank will continue to develop tools in this area, taking into account the work done to date by the NGFS.
- The Riksbank will continue to monitor market developments in green and sustainable finance, and continuously assess how green or sustainable assets are included in Riksbank asset purchases, foreign exchange reserves or as eligible collateral.
- The Riksbank will evaluate how its collateral policy can incorporate (within its legal framework) sustainability, climate change criteria or disclosure requirements as a new eligibility criterion or as a basis for a differentiated treatment of collateral.
- The Riksbank will continue to analyse if further measures can be taken to make the foreign exchange reserves more sustainable, without negatively affecting the policy objectives.

Disclosure

- The Riksbank commits to working towards publishing its own climate-related financial disclosure in the spirit of the recommendations of the TCFD. In addition to publishing the carbon footprint of the corporate bond portfolio the Riksbank intends to publish the carbon footprint of the portfolio of Swedish government bonds and the foreign exchange reserves.