

## PLEDGE

### AUSTRIAN CENTRAL BANKERS AND FINANCIAL SUPERVISORS SUPPORT UN CLIMATE CONFERENCE IN GLASGOW (NOVEMBER 1–12, 2021)

#### PREAMBLE

As members of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), the **Oesterreichische Nationalbank (OeNB)** and the **Austrian Financial Market Authority (FMA)** help in building awareness, intellectual capacity and sharing knowledge regarding the risks involved in climate change. Mitigating these risks, including the economic and financial consequences of global warming, is a key challenge of our times. To address this challenge, the OeNB and the FMA, acting within their respective mandates, are integrating climate-related risks into **financial stability** monitoring, scenario analyses and prudential supervision of financial market participants. The OeNB and the FMA strive to attain robust and internationally consistent climate- and environment-related **disclosures** and reporting. The OeNB is committed to contributing to the implementation of the ECB's action plan to include climate change considerations in the **monetary policy** strategy and is pursuing a sustainability strategy when investing in non-monetary policy **portfolios**. Finally, the OeNB and the FMA are striving for ambitious goals regarding their own **operational ecology**.

#### MONETARY POLICY AND NON-MONETARY PORTFOLIOS

The OeNB is fully committed to **contributing to the implementation of the ECB's and the Eurosystem's action plan to include climate change considerations in the monetary policy strategy**. This affects macroeconomic modeling, statistics, disclosure, risk assessment, the collateral framework and corporate sector asset purchases. The OeNB also provides expertise on the

potential macroeconomic costs of climate change and climate action to find the most cost-effective options for addressing climate change.

When investing in **non-monetary policy portfolios**, the OeNB pursues a sustainability strategy that supports the transition to a **climate-neutral economy** and tries to meet a comprehensive range of sustainability criteria.

- The **sustainability strategy** is being implemented step by step. This makes it possible to flexibly integrate market and regulatory developments regarding the various asset classes into a long-term sustainability strategy.
- In the next years, the OeNB will focus on the following areas:
  - integrating sustainability **criteria** in the investment process for all invested asset classes;
  - implementing sustainability **goals** in all investment portfolios that are more ambitious than market benchmarks;
  - establishing internal and external sustainability **reporting** and publishing sustainability goals and key figures.

## SUPERVISION

Sustainability has become one of the **focal points** of the FMA's and OeNB's **supervisory activities**. Considering the NGFS's recommendations and best practices, the FMA and the OeNB, acting within their respective mandates and within the framework of European banking supervision, have started to assess continuously whether supervised entities identify, measure and manage their material sustainability risks in an adequate way. This includes assessing the exposure of institutions to economic sectors vulnerable to climate change and scenario analyses to gauge the potential impact of carbon pricing on capital adequacy.

Since July 2020, the FMA's **guide for managing sustainability risks** has offered guidance for supervised entities (e.g. credit institutions, insurance undertakings, pension companies, investment fund management companies) on a cross-sectoral basis. The FMA's guide provides supervised entities with structured information on how to address sustainability risks in risk management, strategy and governance, as well as on applicable transparency obligations. The guide pursues a broad ESG approach, taking into account environmental factors such as biodiversity, social factors such as human rights standards and good governance standards such as corruption prevention and tax honesty.

Financial market participants are legally obliged to integrate sustainability risks in their risk management. In order to fulfill their legal obligations, they must manage sustainability risks within the traditional risk categories (e.g. market, liquidity, operational, credit and counterparty risk). In its supervisory remit, the FMA ensures that the **risk management of supervised entities** adequately reflects sustainability risks. The FMA strives to further the development of a risk-based supervisory approach and has integrated forward-looking scenario analyses, key performance indicators and key risk indicators in its **supervisory toolkit**. The FMA is cooperating with the European Commission's Directorate-General for Structural Reform Support to enhance its institutional knowledge with the aim of further improving its capacity to identify, measure and address material environmental and climate risks concerning the supervised entities on a micro- and macroprudential level.

## BANKING SUPERVISION

Regarding their **supervisory tasks** in the areas of **financial stability and banking**, the OeNB and the FMA commit to

- **assessing** the **impact** of climate-related risks to financial stability;
- continuing to **set supervisory expectations** for supervised entities guiding them to effectively identify and manage/monitor the climate-related and environmental risks they are exposed to;
- gradually **integrating** the assessment of sustainability risks **into existing supervisory activities**, e.g. the SREP (supervisory review and evaluation process);
- **assessing** on a continuous basis whether **supervised entities** identify, measure and manage their material sustainability risks in an adequate way, taking into account the NGFS's recommendations and best practices, EU and national law as well as the FMA's cross-sectoral guide for managing sustainability risks;
- **engaging** with the supervised entities and stakeholders to achieve the above aims.

## INSURANCE AND PENSION COMPANY SUPERVISION

In the area of **insurance and pension company supervision**, the FMA is conducting

- regular **stress tests and scenario analyses** to better understand how climate risk could affect the financial and solvency position of insurance undertakings and pension companies;
- regular top-down **climate risk analyses** of supervised entities which also includes the measuring of sustainability risks in the asset portfolios and the determination of climate paths of the portfolios;
- evaluations of supervised entities' ESG strategies, own risk and solvency assessment (ORSA) **reports** and the scope and quality of nonfinancial reporting;
- a structured **dialogue** and formal meetings with management boards and high-level representatives to ensure that supervised entities adequately integrate climate-related risks in their business strategy, risk management and governance processes.

## ASSET MANAGEMENT SUPERVISION

In the supervisory area of **asset management**, the FMA collaborates with the European Securities and Markets Authority (ESMA) to assess climate-related risks to investment funds. The FMA also **engages** with asset managers through **formal meetings** with management boards, **thematic off-site analyses** as well as **on-site inspections** to ensure that supervised entities adequately integrate climate-related risks in their risk management, strategy and governance processes.

## DISCLOSURES

Once formally designated as the authority responsible for enforcing the transparency obligations laid down in the EU regulations on **sustainability-related** disclosures in the financial services sector and on a framework to facilitate sustainable investment, the FMA will integrate these tasks into its institutional framework as part of its supervisory mandate.

## OPERATIONAL ECOLOGY AND COMMITMENTS

As outlined in its [published environmental policy](#), the OeNB continues to comply with the principles of the **EMAS Regulation**. This means permanently making improvements regarding responsible resource consumption and green procurement (including 100% certified renewable electric energy) as well as promoting the staff's eco-consciousness. In terms of **operational ecology**, the OeNB is striving to make its activities fully carbon neutral and is implementing its own projects to reach the **goal of climate neutrality by 2040**. Minimizing the greenhouse gases and other relevant impacts caused by the OeNB is given precedence over compensation.

---

The FMA actively engages in the reduction of **its corporate carbon emission footprint**. To this end, electric energy consumption needs are covered by 100% certified renewable energy sources. In 2021, the FMA started utilizing electric cars as company cars for its management board and will strive to reduce staff business trips. Moreover, sustainability aspects are already considered by the FMA's waste and procurement management. In an effort to create a sustainable working environment, the FMA is in the process of achieving certification according to **ÖkoProfit 2021**. Furthermore, a dedicated environmental report on the FMA's corporate sustainability will be published in due course.