

JURISDICTION: BELGIUM

AUTHORITY: NATIONAL BANK OF BELGIUM (NBB)

Background

The *National Bank of Belgium* (NBB) has been Belgium's central bank since 1850. It performs tasks in the general interest at both national and international level. Apart from monetary policy, the National Bank takes on other tasks which can be classified as follows:

- the micro- and macro-prudential supervision of the financial sector;
- the collection, circulation and analysis of economic and financial information;
- the role of financial ambassador to international economic institutions;
- the placing in circulation of coins and notes;
- services for the State;
- services for the financial sector; and
- services for the general public.

Sustainability objectives

Even in the challenging circumstances of a global health crisis, climate change remains an urgent policy priority at the National Bank of Belgium (NBB). The NBB published in its *Financial Stability Report 2020*, a thematic article on climate change related to transition risk associated with real estate exposures in the Belgian financial sector. The article identifies the energy inefficiency of real estate exposures as an important risk factor for the transition risk to which the Belgian financial sector is potentially exposed. The article includes the recommendations to financial institutions to gather data on this subject and to start analysing to what extent the energy efficiency of their real estate exposures may impact their current and future credit risk and subsequently manage and mitigate the transition risk associated with their real estate exposures.

During the first half of 2020, the NBB shared its experience on stress test and scenario analysis to better understand banks' and insurers' exposure to climate risks at the Cross-sectoral Policy Implementation Meeting on Climate Risk Assessment in the financial sector organized by the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS). In October 2020, the NBB dedicated its international conference series to the topic of 'climate change' with a focus on the economic impact and challenges for central banks and the financial system.

At the European level, the NBB is actively involved in the work of the European Insurance and Occupational Pensions Authority (EIOPA) on sustainability. The NBB is a member of the drafting team of the Discussion Paper on the methodology for the potential inclusion of climate change in the natural catastrophe risk of the standard formula, and is contributing to the Opinion on the supervision of the use of climate change risk scenarios in Own Risk Solvency Assessment (ORSA). The NBB also contributed to the development of the climate change stress tests section of EIOPA's *second Discussion Paper on the methodological principles of insurance stress testing*.

Sustainability work highlights

The NBB has been engaged in efforts in the sustainability area for quite a while now, and its approach is reflected in the way it and its employees factor in their impact on the environment, as well as in its interventions in the financial markets and even in its research projects.

As a central bank, it is of utmost important to practice what you preach and “to lead by example”. That is what the NBB has tried to do over the last few years. Not only by committing its resources to international committees working on sustainability, but also in its proper conduct and management of sustainability topics. In this context, for instance, the NBB has put a lot of effort in making its own activities more sustainable. The NBB has been a certified Co2 Neutral Bank since 2017 and signed the TCFD statement of support in March 2018. In addition, sustainability criteria are becoming more and more important in the management of its own investment portfolio. In this regard, the NBB is increasingly investing in green bonds and investments in certain specific portfolios need to meet minimum criteria in terms of Environment, Social and Governance criteria.

Membership of any other initiatives/networks working on sustainability

- IAIS
- NGFS
- EIOPA
- EBA
- ECB
- COM

Recent engagement with SIF

The NBB contributed to a case study included in the *SIF/IAIS Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures* published in February 2020. NBB has then actively participated in the development of SIF’s future work programme 2021-2023 by sharing detailed input and taking part in SIF’s virtual meetings in May 2020. It also provided an update on its work in the sustainability sphere in *SIF’s half yearly report 2020*. The NBB is part of the drafting team of the SIF/IAIS Application Paper on the Supervision of Climate-related Risks in the Insurance Sector.

