

JURISDICTION: NETHERLANDS

AUTHORITY: DE NEDERLANDSCHE BANK (DNB)

Background

De Nederlandsche Bank (DNB) is committed to a stable financial system: stable prices, solid financial institutions, and properly functioning payment transfers. In the fulfilment of all its tasks, DNB puts into practice its mission: working on trust. DNB seeks to safeguard financial stability and thus contributes to sustainable prosperity in the Netherlands.

As an independent central bank, prudential supervisory authority and resolution authority, DNB works in tandem with its partners to achieve:

- price stability and a balanced macroeconomic development in Europe;
- a shock-resilient financial system and a secure, reliable and efficient payment system; and
- strong and sound financial institutions that meet their obligations and commitments.

By issuing independent economic advice, DNB strengthens policies aimed at its primary targets.

Sustainability objectives

As a central bank, supervisory authority and resolution authority, we are committed to safeguarding financial stability, thus contributing to sustainable prosperity in the Netherlands. DNB has a *CSR strategy* 2020-2025 centering on two themes: 1) Sustainable economic growth that has no harmful effects on the environment; and 2) An inclusive financial and economic system. These two themes contribute to the achievement of the Sustainable Development Goals (SDGs) of the United Nations and define six priorities to direct and shape our efforts on sustainability explained in more detail in the strategy.

Given the circumstances in 2020, DNB believes it is essential that it seizes the opportunity and aims for a green recovery from the coronavirus crisis, in order to meet the Paris Climate targets, as the negative consequences of climate change warrant undiminished attention. The current situation of low interest rates (financing costs are relatively low, making sustainable investments more profitable) and low energy prices may help to achieve this. In parallel to this work, DNB has most recently published on the following analyses and reports (only a selection of DNB's climate work):

- In August 2020, DNB published *outcomes* from an analysis on how Dutch insurers have included climate-related risks in the Own Risk and Solvency Assessment (ORSA). Roughly half of insurers have considered influences of climate-related risks on their risk profile in the ORSA. Large insurers see climate-related risks as a material risk while this is only the case for roughly one-third of for small to medium-sized insurers. Transition risk is taken into consideration less than physical risks.
- In June 2020, DNB came out with the report *Indebted to Nature*, which underlines that the Dutch Financial Sector is exposed to risks as a result of biodiversity loss. This result emerged from a joint study by DNB and the Netherlands Environmental Assessment Agency (PBL). Biodiversity loss is a source of financial risks and threatens the availability of ecosystem services, such as wood, animal pollination and soil fertility, on which economic activities depend. As a result, banks, pension funds and insurers that finance these economic activities face physical risks. Financial institutions also run reputation



and transition risks when they finance companies that have a major negative impact on biodiversity. The new study builds on the report [Values at Risk?](#) published last year by DNB, in which risks of biodiversity loss were investigated in qualitative terms.

- In April 2020, DNB published the high-level outcomes of an [analysis](#) on the distribution of energy labels within the Dutch commercial real estate portfolio related to a new law which provides that Dutch office properties must have at least energy label C as of 1 January 2023. Although this may have ramifications for insurers' office-related investments, the analysis finds that the transition risk for insurers is limited.
- DNB is also active internationally to further work on sustainability. With Frank Elderson as the current Chair, DNB is a proud member and a contributor of Network for Greening the Financial System (NGFS). The NGFS recently published [several reports](#) which DNB has contributed to, such as (i) a first set of climate scenario analysis and a guide for central banks and supervisors on how to apply climate scenario analyses, (ii) a guide on how to include climate-related and environmental risks into prudential supervision, (iii) an overview of environmental risks assessment used by financial institutions, (iv) research priorities in assessing the macroeconomic and financial impact of climate change, and (v) a report on climate change and monetary policy.

Sustainability work highlights

- DNB is a founding member and currently the chair of the international Central Banks and Supervisors Network for Greening the Financial System (NGFS)
- In 2019, DNB adjusted its supervisory methodology to include climate risks and developed a Good Practice document for insurers on integrating climate-related risks in the ORSA.
- The financial sector is exposed to risks as a result of biodiversity loss. More information about the physical, transition and reputational risks caused by biodiversity loss can be found in the report "Indebted to nature".

Membership of any other initiatives/networks working on sustainability

- IAIS
- NGFS
- The Dutch [Sustainable Finance Platform](#)

Recent engagement with SIF

Currently, DNB is contributing to SIF and IAIS work as an active member of the SIF and a member of the SIF/IAIS drafting group of the Application Paper on the Supervision of the Climate Related Risks in the Insurance Sector. Recently, DNB provided a full update on their sustainability work for SIF's half-yearly report (public version) as well as sharing exclusive updates for the members-only version.

DNB also attended and contributed to the 8th SIF meeting in Basel in February 2020, and the virtual meetings in May 2020, helping to develop SIF's future work plan 2021-2023. Previously, DNB has also contributed a case-study to [SIF/IAIS Issues Paper on Climate Change Risks to the Insurance Sector](#).

