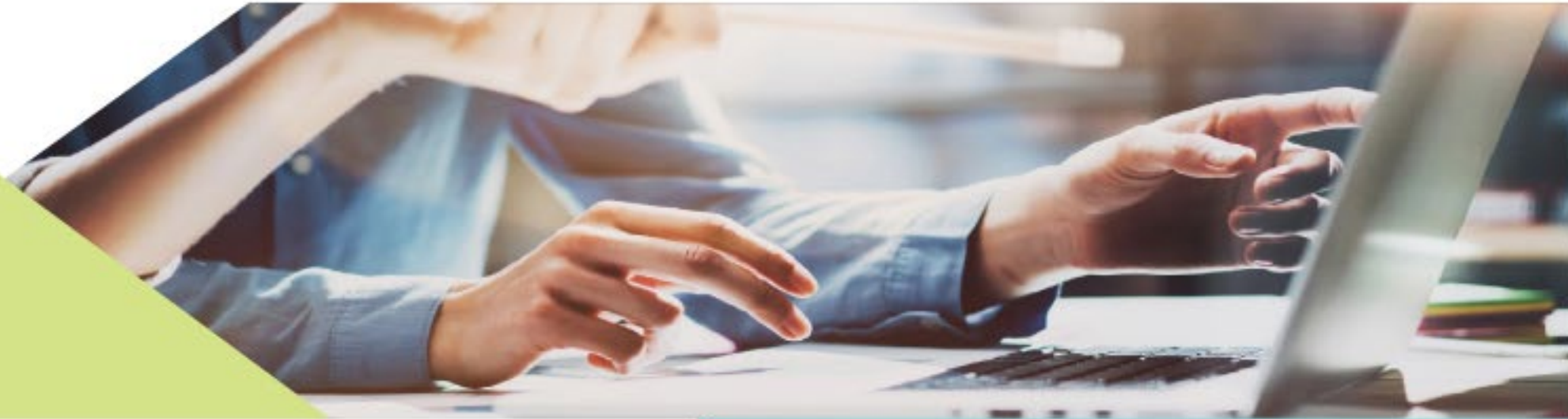




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Supervisory Response to Climate Change

Mark Ward

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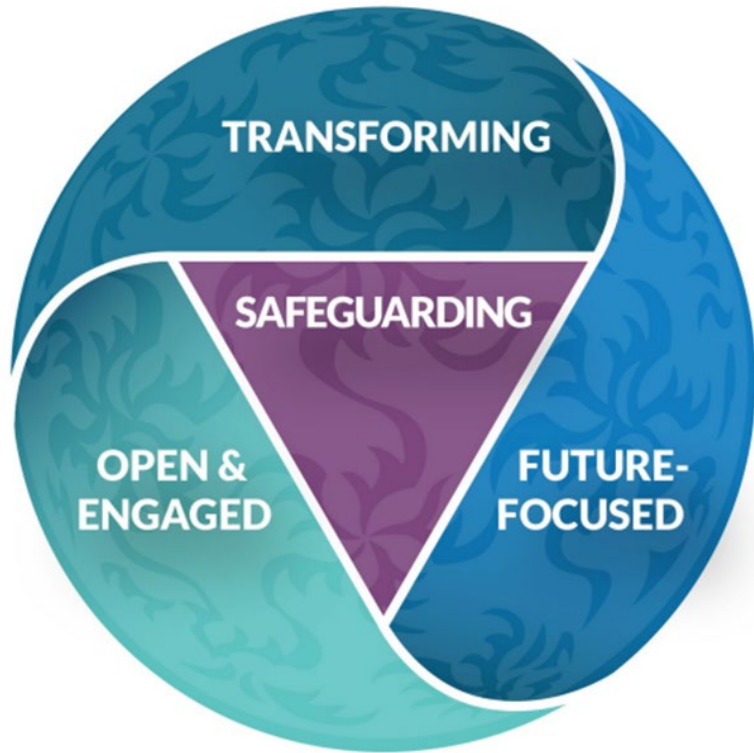
Summary of Supervisory Response to Climate Change



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Central Bank of Ireland Strategy on Climate



The Central Bank's mission is to serve the public interest by maintaining monetary and financial stability while ensuring that the financial system operates in the best interests of consumers and the wider economy.

We see addressing climate change as a strategic priority and that the financial system has to be resilient to the risks it poses as well as having an important role to serve the needs of consumers and the wider economy in the transition to a low-carbon future.

Future Focused: Strengthen the resilience of the financial system to climate-related risks and its ability to support the transition to a low-carbon economy.

Climate change interacts with the Central Bank's mandate via a number of different channels:

- The financial system will have to play a pivotal role in the financing the investment required for the transition to a low-carbon economy.
- Physical manifestations of climate change as well as the transition to a low-carbon economy are potential sources of financial risk. A climate-resilient financial system is a necessary condition to enable the transition to a low-carbon economy.
- Both physical and transition risks will have broader macro-financial effects and can create risks for investors/market participants and may have implications for our price stability mandate.

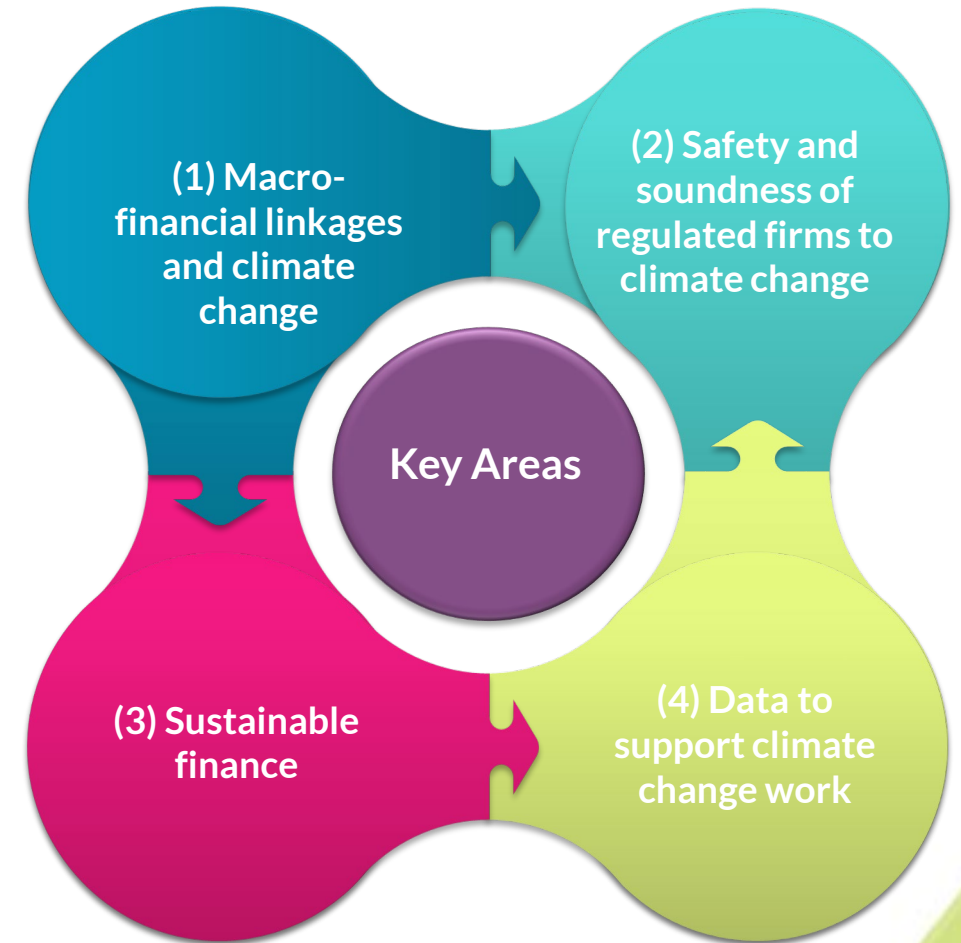


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Central Bank of Ireland's Climate Change Unit

- In 2021, the Central Bank established a dedicated Climate Change Unit (CCU) within its internal governance structure to help steer the agenda and bring additional focus to our work in this area.
- Designed to take a OneBank approach, operating with a hub and spokes model.
- Main objective – embed, over time, climate risk and sustainable finance considerations into the day-to-day work of the Central Bank, and to ensure cohesion and consistency in its overall approach.
- CCU has a broad programme of work encompassing four key areas.
- CCU is focused on enhancing stakeholder engagement on climate relevant issues, and is responsible for the Climate Risk and Sustainable Finance Forum, a key vehicle for engagement with industry, with the inaugural meeting held in June 2022.



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Supervisory Expectations Correspondence

On 3 November 2021, a “Supervisory Expectations” letter was issued to regulated firms regarding climate and other environmental, social and governance (“ESG”) issues setting out the Central Bank’s supervisory expectations as they seek to comply with statutory and regulatory obligations on climate and broader ESG issues. In summary, these supervisory expectations focused on five key areas:

1 *Governance:* Firms need to demonstrate clear ownership by the Board of climate risks affecting the firm.

2 *Risk Management Framework:* Impact of climate change on the risk profile and to enhance their existing risk management frameworks to ensure robust climate risk identification, measurement, monitoring and mitigation.

3 *Strategy and Business Model Risk:* Business model analysis to determine the impacts of climate risks (and opportunities) on the firms’ overall risk profile, business strategy and sustainability, and to inform strategic planning.

4 *Disclosures:* Legal requirements on disclosure are clear that firms need to ensure they do not engage in “greenwashing”.

5 *Scenario Analysis & Stress Testing:* Critical to assess the impact of potential future climate outcomes, including impacts on capital adequacy.

Credit Union Engagement 2022

Survey on Climate-related and Environmental Risks

Further to the CBI letter November 2021, Registry of Credit Unions (Registry) is planning to engage with credit unions on sector specific climate and ESG issues, in the form of a survey. It is planned to issue the survey in December 2022.



To capture information from credit unions regarding the exposure to, and management of, climate-related and environmental risks

To gather data regarding the following:

- Level of awareness of the risks amongst credit unions;
- Exposure of credit unions to the risks; and
- Actions being taken by credit unions to manage / mitigate the risks.

The Registry will analyse responses, and the information will be used to inform future supervisory strategy and engagement with the sector.



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