



Q&A

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A shared approach to climate and nature risk supervision

What should be the top supervisory priorities for the NGFS over the next two to three years as sustainability risks move from conceptual to operational implementation, given current sustainability risk trends?

The Network for Greening the Financial System (NGFS) is a global network of central banks and supervisors from all five continents. Our mission is to build expertise, develop analytical tools and provide guidance for our members. The NGFS does not conduct supervision itself, nor is it a standard-setting body. Rather, our task is to equip supervisors with the knowledge and tools they need to properly assess and address the financial risks arising from climate change and nature loss. This guides us as we shape our 2026-2027 work programme.

A key deliverable this year will be the update of our “Guide for Supervisors”, which we expect to publish in summer 2026. When we first released the Guide in 2020, our objective was to explain why climate-related risks matter for financial stability and supervision. Since then, supervisory approaches and methodologies have evolved significantly. The revised Guide reflects this progress and places a much stronger emphasis on implementation and lessons learned. Drawing on a survey of more than 60 supervisors worldwide, it consolidates the extensive work developed by the NGFS and its members in recent years. It integrates insights from our work on transition planning, nature-related risks and climate scenario analysis, translating them into practical guidance for supervisors. The updated Guide also includes examples and case studies that illustrate how supervisors in different jurisdictions are embedding climate and nature-related risks into their work.

We will continue to explore new topics and develop innovative approaches. For example, we are currently

advancing our understanding of the economic and financial implications of extreme weather events. This includes improving methodologies for measuring and quantifying these risks. Our aim is to help supervisors better understand how physical risks can affect financial institutions’ balance sheets and their risk management – potentially leading to portfolio adjustments – and how they can assess financial institutions’ alignment with the long-term climate goals set by policy makers. We are also examining how investments in adaptation could help financial institutions mitigate physical risk.

In addition, we will further strengthen our flagship products. Climate scenario analysis helps financial institutions understand and prepare for the impacts of climate change. It has become an essential tool for financial stability assessments, stress testing and risk management. The NGFS has published several editions of its long-term climate scenarios that look at the potential economic and financial impacts up to 2050 and beyond. The insights from these scenarios can inform longer term policies. However, policy makers, supervisors and financial institutions often need to assess risks over a three-to-five-year horizon. Last year therefore marked a major milestone with the release of our first set of short-term climate scenarios, focussing on a time horizon to 2030. These are a ready-to-use-tool to analyse the near-term impact of climate change and climate policies, aligning with the time horizons that are most relevant for policy and financial decision-making. Looking ahead, we will continue to refine and improve both our long-term and short-term scenarios.

Alongside our analytical work, we have a clear focus on capacity building. This is particularly important because the NGFS’s membership is global and diverse. By enhancing information sharing, training and peer learning, we aim to forge a more even understanding across jurisdictions and support members in applying our tools. This is particularly important for jurisdictions that are still building up their expertise in this area. In this way, we aim to help supervisors ensure that climate and nature-related risks are effectively managed within the financial system.

Going beyond high-level principles, what concrete tools can help reduce asymmetries and preserve international comparability and a level playing field in climate supervision?

International cooperation is essential when it comes to climate and nature-related financial risks. While supervision is ultimately conducted at the national or jurisdictional level, financial markets are global. In this context, globally shared high-level principles are a crucial starting point, given that they stake out a shared understanding of risks and expectations.

Work carried out at the international level in recent years – including by the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB) – has helped foster a common approach to climate-related risks, which is key to reducing asymmetries and the risk of fragmentation.

Amid geopolitical uncertainties, the NGFS is continuing to work towards a shared understanding of climate and nature-related risks. Moreover, last year, the NGFS contributed an input paper to the G20 on integrating adaptation and resilience into financial institutions' transition plans. This paper introduces a building-block approach that lays out a pathway to recognise adaptation as a risk-mitigation lever.

At the same time, it is essential to move beyond high-level principles and more towards implementation at the level of practical supervision. This is why the ongoing revisions to our “Guide for Supervisors” seek to strengthen not just the conceptual foundations we share, but also practical guidance for supervisors on the ground.

It is important to note that implementing NGFS guidance is always voluntary, but focusing also on practical aspects fits with our ongoing commitment to strengthening capacity building.

How should supervisors balance the trade-offs between expanding data coverage, improving data quality, and ensuring proportionality?

Proportionality is always important in supervision. Supervisory expectations need to reflect the size, complexity and risk profile of financial institutions. This principle applies equally to climate and nature-related risks. Data are a linchpin here, and over the past few years, we have seen significant progress in data availability. However, availability is only the first step. The next challenge is data quality.

Even larger financial institutions still rely a lot on estimates and sector averages when assessing their exposure to climate-related risks. Reliable risk management calls for reliable data. Better underlying information will lead to better risk assessments, more accurate pricing and, ultimately, more robust and resilient financial systems.

Financial institutions also rely on data reported by their clients. Thus, regulatory initiatives aimed at improving corporate sustainability reporting play an important role. At the same time, we must balance regulatory requirements on the one hand and limited reporting capacities of smaller firms on the other hand.

Technological advances, such as artificial intelligence, will provide useful tools to collect and analyse climate and nature data. As an illustration of what is possible: the Bundesbank, together with the Innovation Hub of the Bank for International Settlements, the Banco de España and the European Central Bank has launched “Project Gaia”. This tool uses large language models to extract climate-related indicators from publicly available corporate reports. Project Gaia will help us process corporate climate data more efficiently, strengthening our ability to assess climate-related risks in the financial system.

1. *Network for Greening the Financial System: Guide for Supervisors: integrating climate-related and environmental risks into prudential supervision, May 2020.*