



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

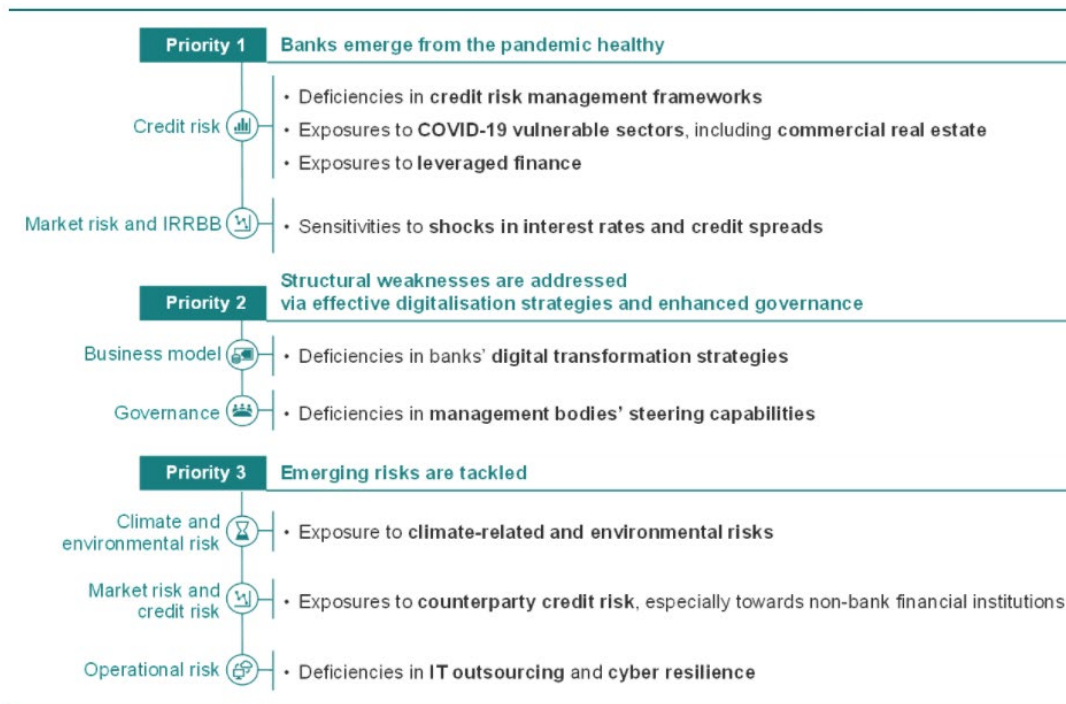
Thematic review on climate-
related and environmental risks,
2022

18 February 2022

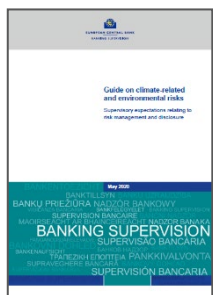
SSM Climate Risk Coordination Group



Addressing climate-related and environmental (C&E) risks is an ECB supervisory priority for 2022-2024



Supervisory exercises provide complimentary views on banks' alignment with ECB expectations



Risk management

- 1. Business environment
- 2. Business strategy
- 3. Management body
- 4. Risk appetite framework
- 5. Organizational structure
- 6. Internal reporting
- 7. Risk management framework
- 8. Credit risk management
- 9. Operational risk management
- 10. Market risk management
- 11. Stress testing
- 12. Liquidity risk management

Disclosures

- 13. Disclosures

Horizontal
supervisory
exercises

Targeted
supervisory
exercises

Thematic Review on C&E risk

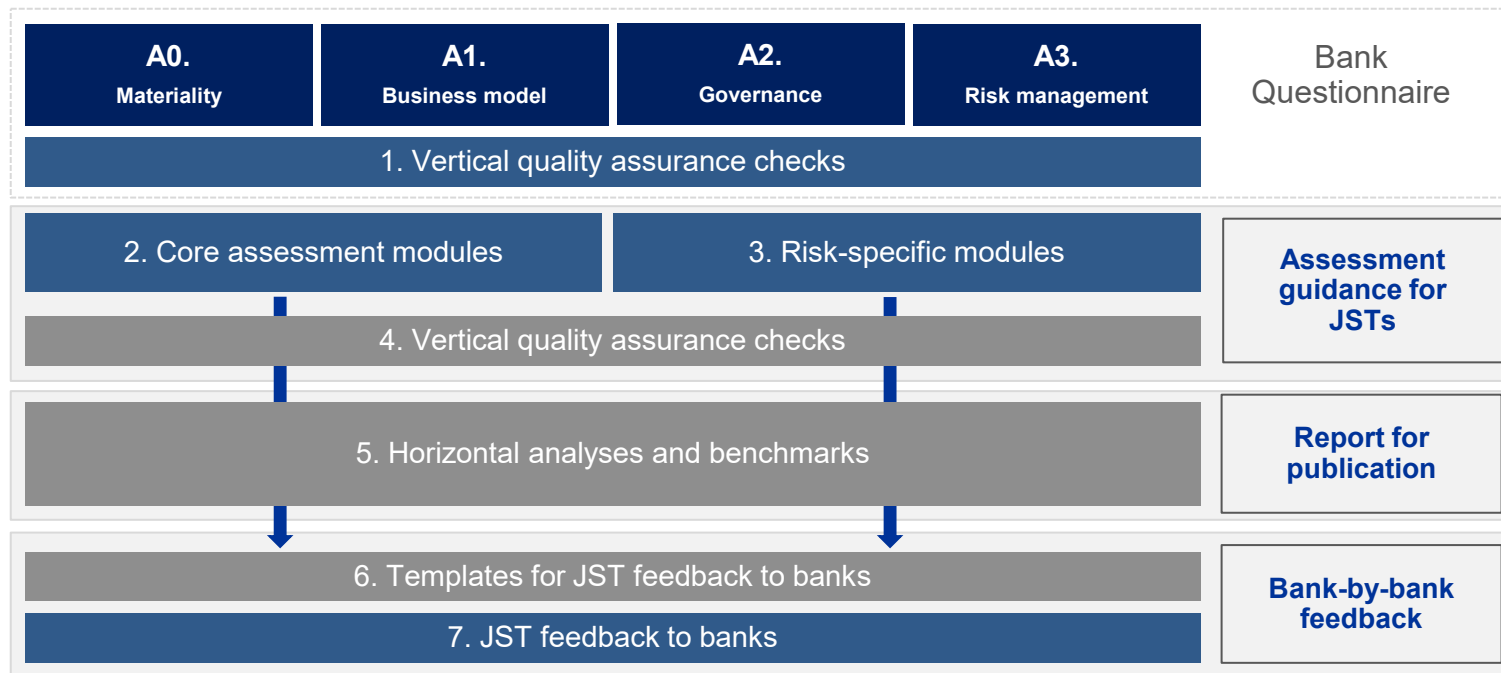
Dedicated on-sites (TBC)

Targeted review on CRE



Climate Risk Stress Test

Gap analysis on C&E risk disclosures

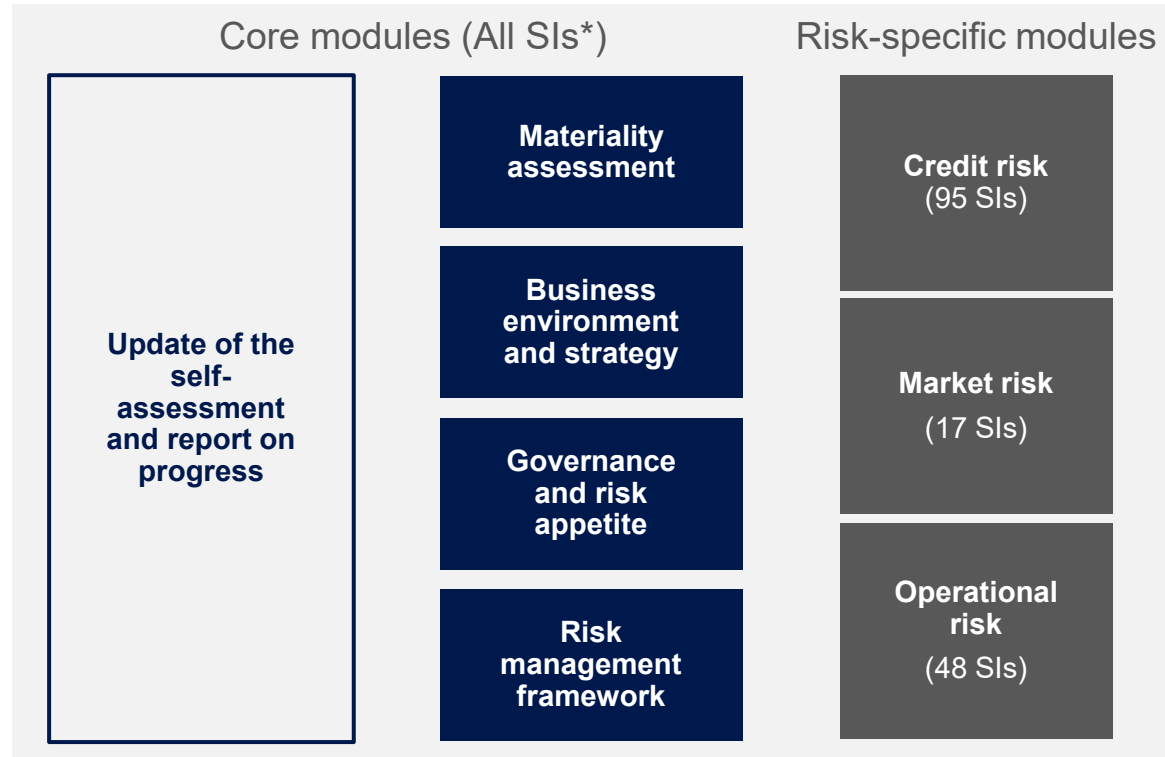
The thematic review is conducted by the Joint Supervisory Teams (JSTs), and supported by a horizontal team



Performed by:

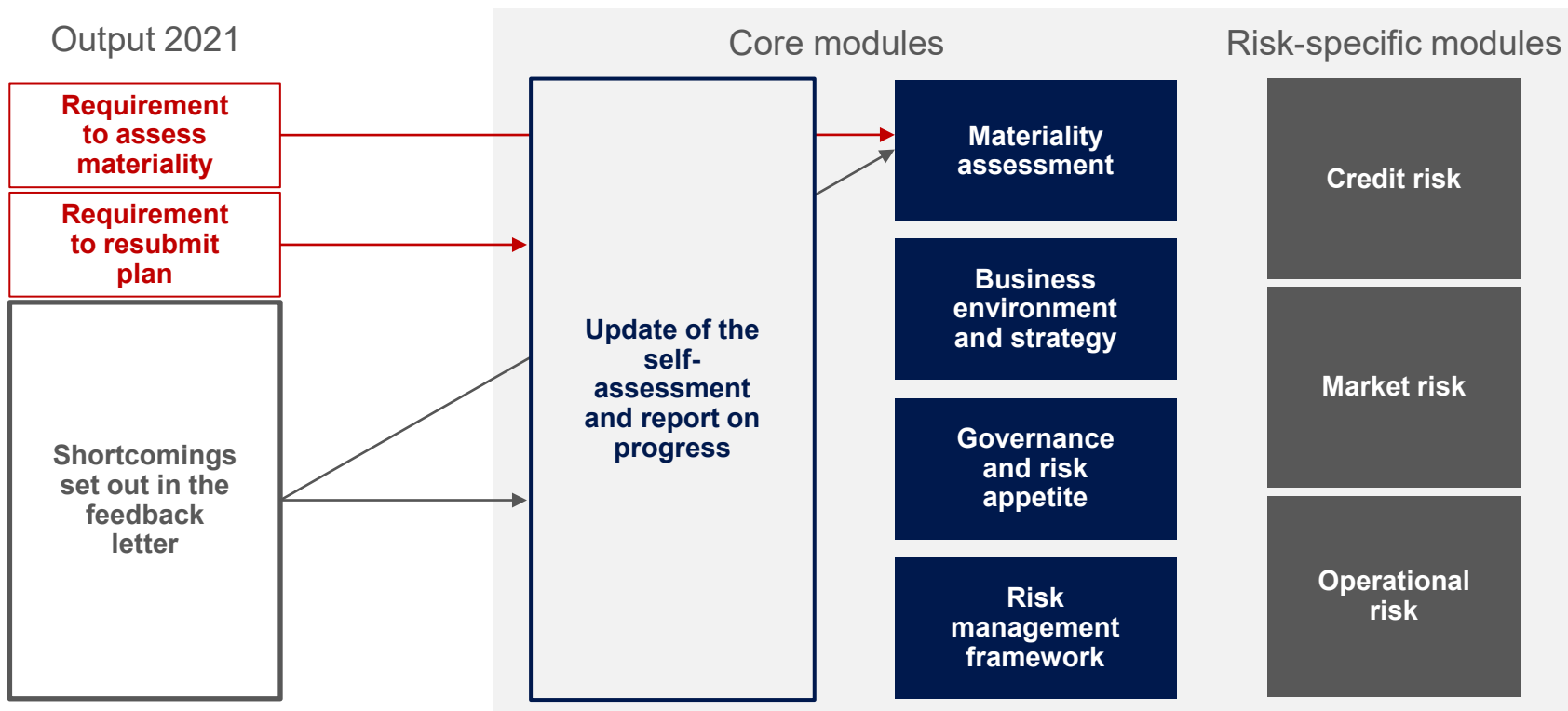
-  Joint Supervisory Team (JST)
-  Horizontal Team

There are five core modules and three risk-specific modules, following a proportional approach



*SI = Significant Institution

The review integrates a follow-up on the 2021 self-assessment exercise

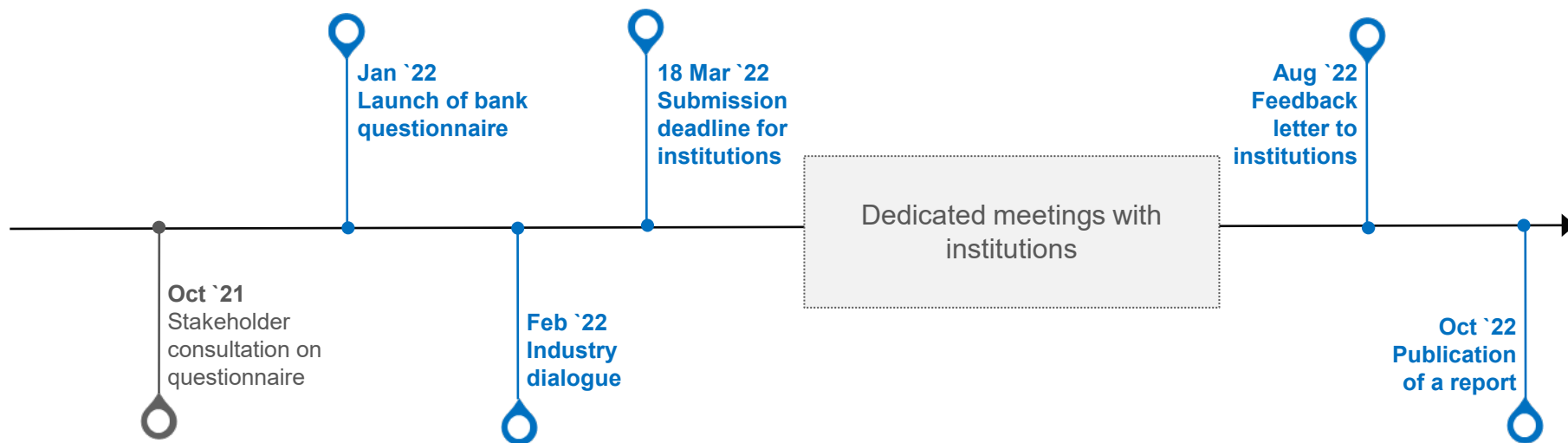


The assessment will review banks' practices from three complementary perspectives



The review will be based on detailed assessment guidance that marks the incorporation of these risks in the day-to-day work of the JST

High-level timeline for the 2022 thematic review



The 2022 questionnaire builds on the questionnaire from the 2021 exercise

Organisation

- 5 tabs to fill covering two questionnaires:
 - 1 questionnaire on the progress of alignment with the expectations
 - 1 questionnaire on the evolution of plans and timeline for implementation

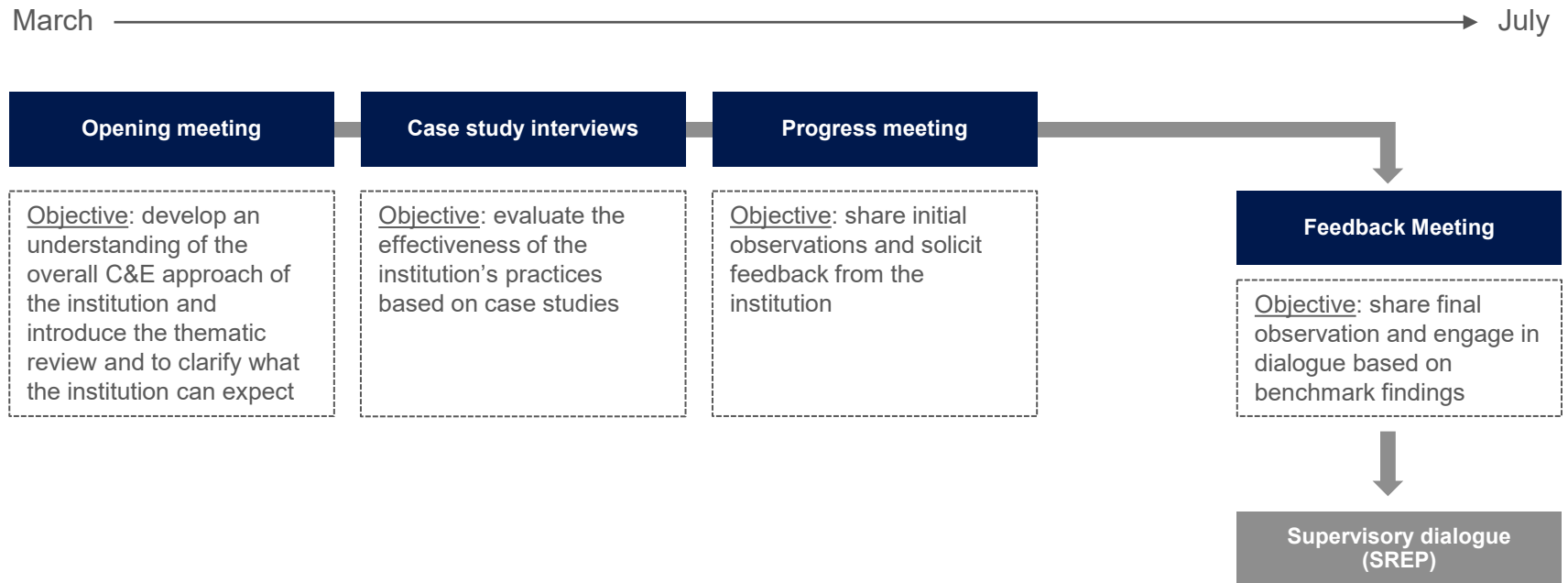
Questionnaire A

- 2 types of questions
 - Closed questions on the alignment with 11 main expectations (Yes / Mostly / Partially / No)
 - Deep Dive questions on topics of high relevance
- For each answer, documents are to be provided as evidence

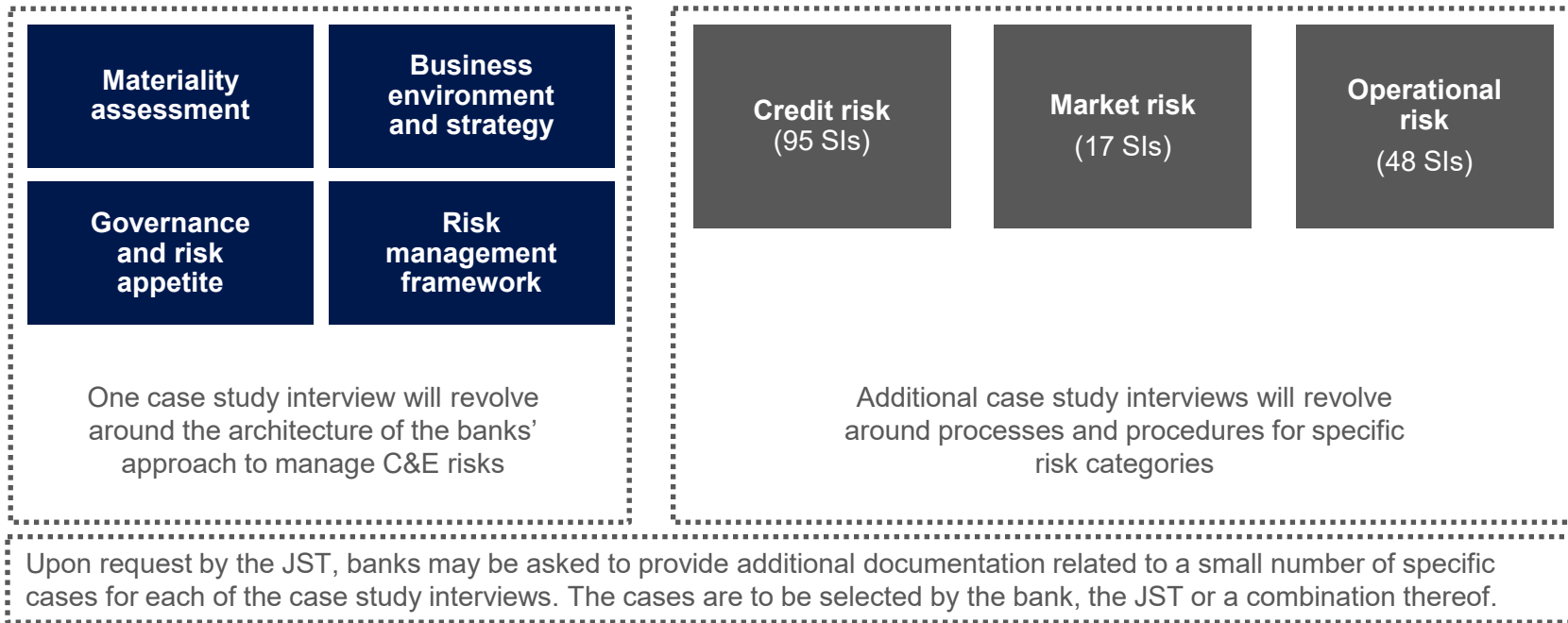
Questionnaire B

- For each expectation, banks are expected to provide an update on their estimated timeline and next steps relating to the implementation

Meeting schedule (1/3): Institutions will receive various meeting invitations at the onset of the review



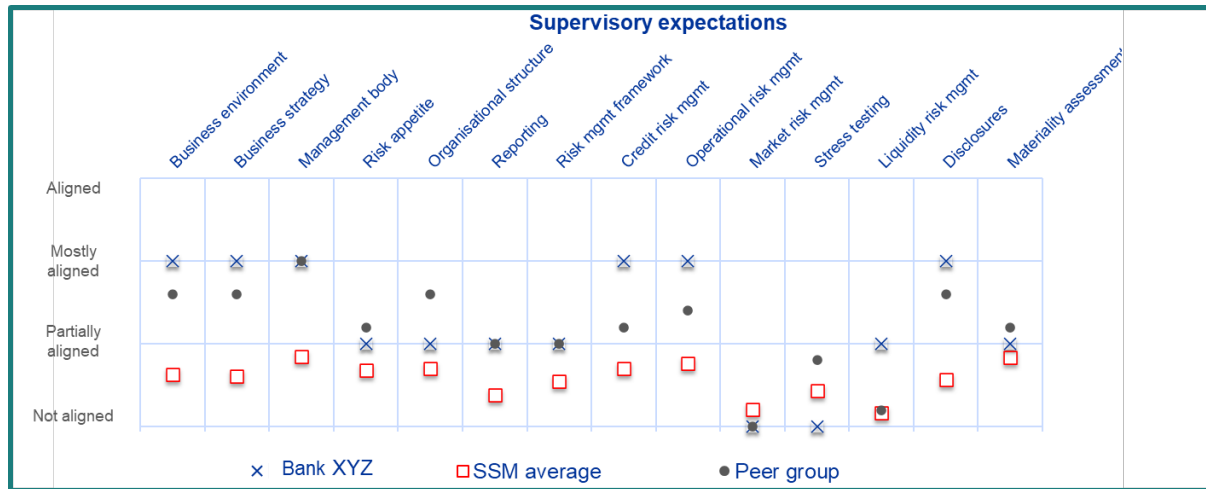
Meeting schedule (2/3): Institutions will be invited for between 1 and 4 case study interviews



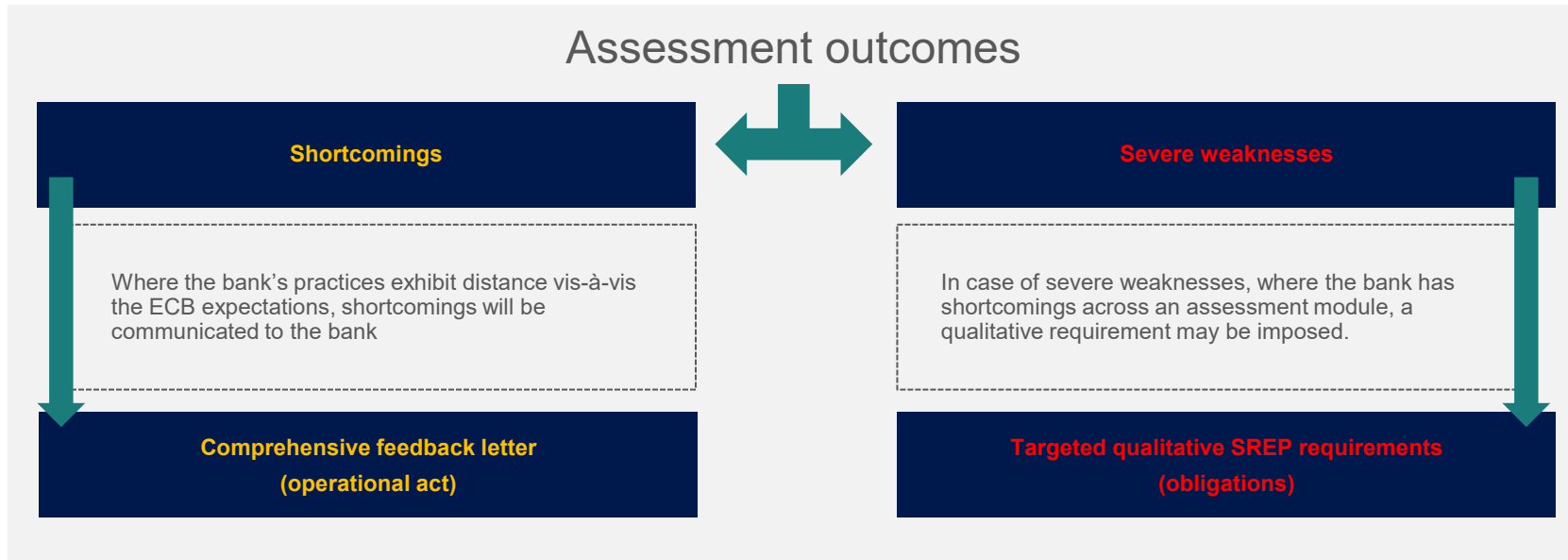
Meeting schedule (3/3): The feedback meeting will incorporate a peer benchmark view

- In the **progress meeting** the JSTs will solicit institutions' feedback on the draft findings. The banks' feedback will be considered in the conclusion of the review
- Similar to the 2021 exercise, the **feedback meeting** will feature confidential peer benchmarks to facilitate the dialogue

Stylized example of peer benchmark



Banks will receive a comprehensive feedback letter and possible targeted requirements, if warranted



The results from this exercise will feed into the Supervisory Review and Evaluation Process (SREP) from a qualitative point of view, along with the climate risk stress test. This could indirectly impact Pillar 2 requirements through the SREP scores.