

Feedback statement

Good Practice and Q&A 'Integration of climate-related risk considerations into banks' risk management

On 27 November 2019 DNB published a consultation document that included a Good Practice and a Q&A on the integration of climate-related risk considerations into banks' risk management. As part of this consultation, an industry roundtable was organised together with the Dutch Banking Association (NVB) in February 2020. DNB received responses from banks as well as non-bank firms. DNB wants to thank the respondents and is pleased that

all parties have responded constructively to the consultation.

This feedback statement serves as a general reaction to the consultation responses and the industry roundtable. The consultation document has been clarified on some elements based on the received input from the responses. The final version of the [Good Practice](#) and [Q&A](#) have now been published.

Feedback on consultation responses

All respondents acknowledge that material climate-related risks should be managed in a sound and proportionate manner, as set out in the Q&A. Most responses were centred around the challenges that banks face when integrating climate-related risk considerations into their risk management. For example:

- Multiple respondents have emphasised the challenges concerning limited availability of climate-related data and the probability of climate-related risks not being reflected in historical financial data.
- Some respondents also highlighted the uncertainty and nonlinearity of climate-related risks, in particular in relation to the longer term character of climate-related risks. This presents challenges for banks' existing risk management frameworks that generally have a shorter time horizon.
- Other respondents have emphasised the interaction of climate-related risks with other ESG risks. For example, any social impact resulting from a bank's climate-related measures should be factored in as well (e.g. restricting mortgages in flood prone areas).

DNB acknowledges the challenges as outlined by these respondents. In order to accommodate these concerns, the consultation document mentions these challenges more specifically. For instance, DNB underscores the relevance of climate-related risks interacting with other ESG risks. Therefore, DNB explicitly encourages institutions to take a

holistic approach to environmental, social and governance risks when integrating them into their risk management framework. Also, DNB has further highlighted that not only banks, but also the private sector and the wider public play a role in dealing with uncertainty and nonlinearity of climate-related risks and the lack of historical data. At the same time, DNB wants to emphasise that these challenges also show the relevance of the consultation document as the document's objective is to ensure that banks play their part in making a concerted effort to solve some of the underlying issues, such as limited data availability.

Furthermore, some respondents have expressed concerns related to the level-playing field within the SSM regarding this topic. DNB is aware of these concerns, and it has ensured that this publication is in line with regulatory and supervisory initiatives that are being developed at the European and international level.

Moreover, some respondents have urged DNB to play an active role in streamlining the disclosure of climate-related information and the development of measurement methodologies. These respondents underscore the importance of uniform and consistent reporting and methodological frameworks. Within its mandates as prudential supervisor and central bank, DNB will continue to contribute to this work.