



# Responsible Investment at the Bank of Finland

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***By responsible investing our aim is to incorporate environmental, social and governance (ESG) aspects in our investment decisions and active ownership.***

# Responsible investment in central banks

- Delate start at central banks (compared to the private sector pioneers)
  - Liquidity has traditionally been the key issue for investment objectives
  - Hence, possessions mainly consist(ed) of government bonds in reserve currencies
- Recently responsibility has become a relevant topic also for central banks
  - Initially, concerning central banks' investment activities outside monetary policy
  - With international co-operation (e.g. NGFS), focus has shifted to cover also policy side
  - Debate on the role of ESG when it comes to the monetary policy framework will be part of ECB's monetary policy strategy review

# The Network for Greening the Financial System (NGFS)

- A global group of central banks and supervisors aiming at greening the financial system and strengthening the efforts of the financial sector in achieving the Paris climate agreement goals.



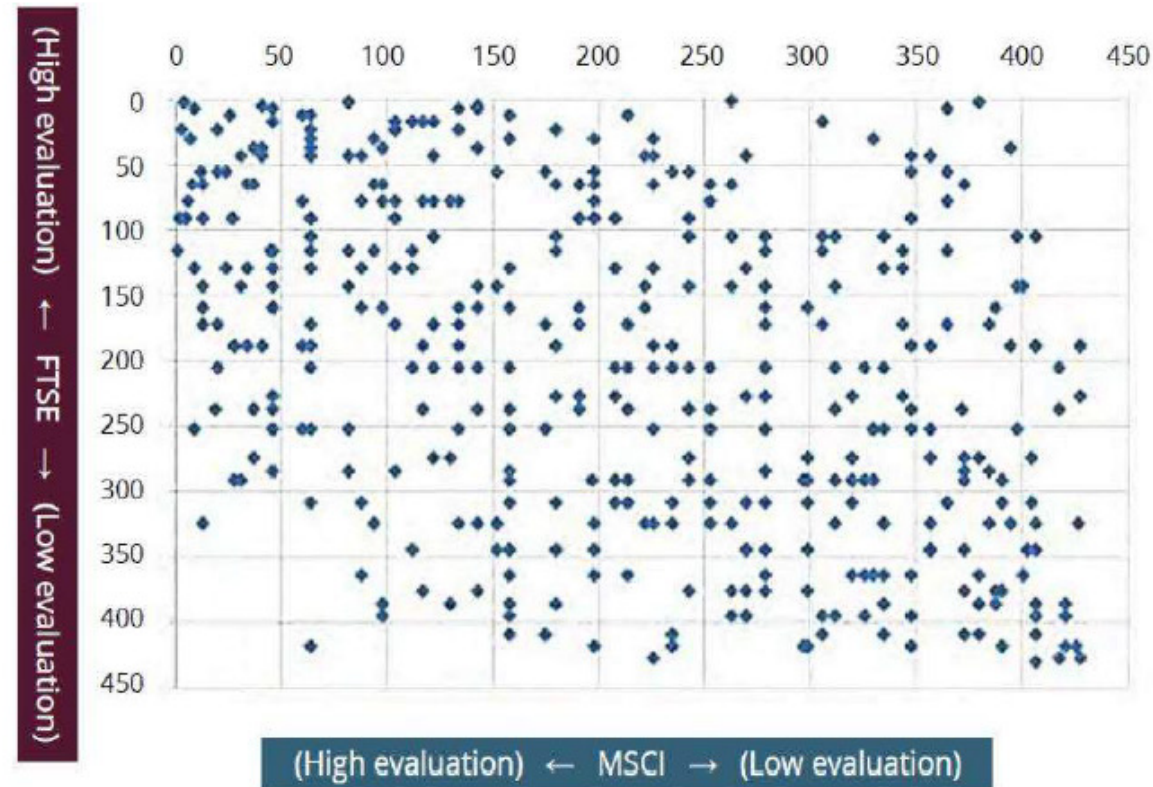
# NGFS's first comprehensive report gives six recommendations for central banks, supervisors and policymakers on greening the financial system

1. Integrating climate-related risks into micro-supervision and financial stability monitoring
- 2. Integrating sustainability factors into central bank portfolio management**
3. Bridging the data gaps
4. Building the awareness and intellectual capacity and encouraging technical assistance and knowledge sharing
5. Achieving robust and internationally consistent climate and environment-related disclosure
6. Supporting the development of a taxonomy of economic activities



# We need more standardised concepts and data!

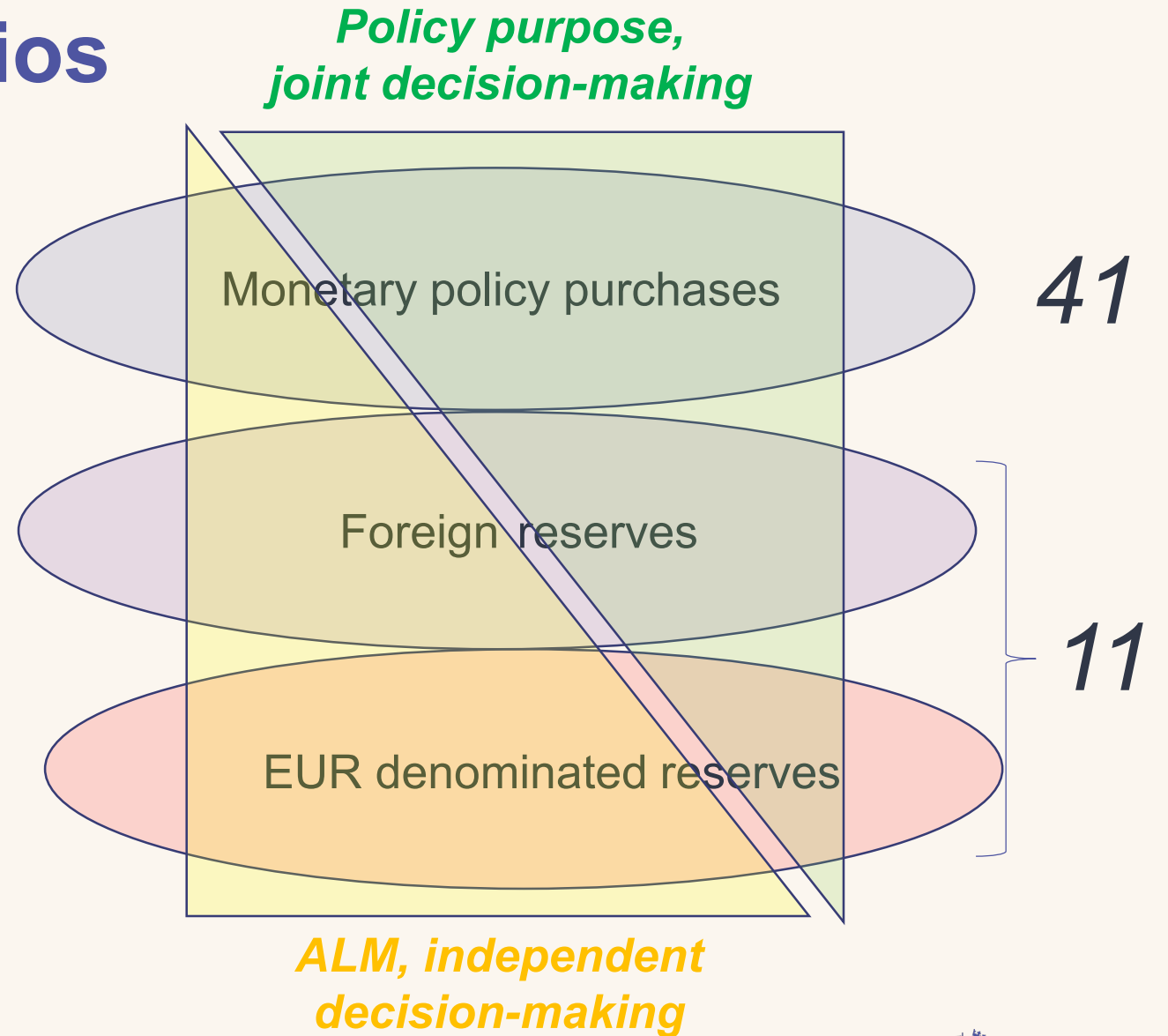
## Comparison of ESG scores from MSCI and FTSE



Source: CLSACGA Report 5 December 2018

# Objectives and portfolios

- Safety
- Liquidity
- Return



# Bank of Finland's financial assets

(as of 30.9.2019)

	mn. EUR	%
Fixed income	7 430	66
Equity funds	996	9
Real estate funds	124	1
Gold	2 150	19
SDR	519	5
Total	11 219	100

*Investment activities covered by the current responsible investment strategy*

*No investment activity*



# Fixed income investments provide liquidity and safety for financial assets

	%
Government bonds	60
Government related bonds	19
Covered bonds	11
Corporate bonds	10
Total	100



*Hard to apply a responsibility strategy to sovereign debt*

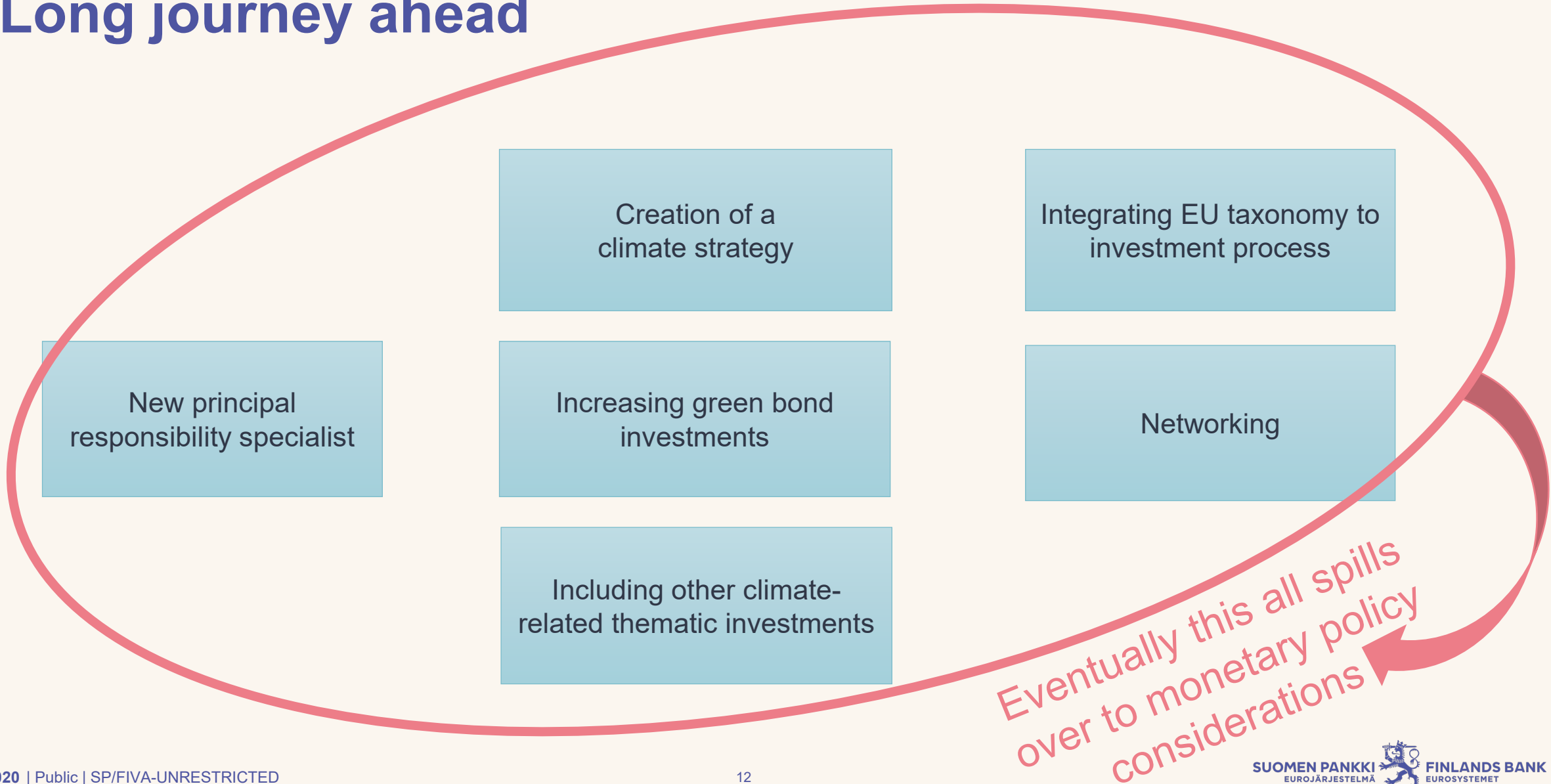
# Outline of the BoF's responsible investment strategy

- Our aim is to cover the whole investment reserves by using different strategies to different asset classes
  - Fixed income assets
    - *Companies that do not comply with the UN Global Compact are excluded*
    - *Controversial weapons are not among the investment universe*
    - *Green, social and sustainability bond investments*
  - Equity and real estate investments (outsourced)
    - *Responsibility analysis when selecting fund managers*
    - *Interaction and monitoring of selected fund managers*

# Principles for Responsible Investment (PRI)

- "The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice."
- Bank of Finland signed the UN Principles for Responsible Investment in 2019
  - Commitment to incorporate the various responsibility factors in the investment processes as well as ownership policies and practices
  - Systematic development of the responsibility practices
  - External evaluation of the progress

# Long journey ahead



**Thank you!**