

Risk Blog

By PwC Deutschland | 08.11.2022

The ECB puts time pressure on banks regarding climate and environmental risks

Results of the 2022 thematic review on climate and environmental risks

On the 2nd November 2022, the European Central Bank (ECB) published the [results of its 2022 thematic review](#) on climate-related and environmental (C&E) risks. The review covered a total of 186 banks, of which 107 significant institutions (SIs), and assessed their progress with implementing the ECB expectations set out in the [Guide on climate-related and environmental \(C&E\) risks](#). Together with the review results, the ECB also published a [compendium of 26 good practices](#) observed from 25 different institutions, with the aim of fostering the adoption of leading C&E approaches.

In comparison to the [first C&E assessment conducted in spring 2021](#), this year's thematic review involved a more judgmental evaluation of C&E risk policies and procedures, especially with regard to their integration in governance, strategy and risk management frameworks. In light of the still unsatisfactory progresses, the ECB tightened the tone and revealed three staggered deadlines under which all significant institutions are expected to progressively meet all expectations by the end of 2024, at latest. An overview about some major findings and about the expected deadlines is provided in the figure below. For more detailed insights, please consult our [dedicated article on PwC Plus](#).

ECB 2022 thematic review on climate and environmental risks

Overview of the Results

-  About 85% of the institutions have at least basic C&E risk practices.
-  96% of the institutes have blind spots in the identification of C&E risks. Several dimensions need improved coverage: risk drivers, geographies, key sectors and time horizons.
-  More than 25 shortcomings per institute were identified, on average.
-  For about nine out of ten institutions, C&E risk information is not sufficiently granular or forward-looking to enable appropriate risk quantification and strategic planning.

The ECB expects all significant institutions to meet all C&E Expectations by the end of 2024, at latest.



The regulator emphasized that the progress of banks along these deadlines will be closely monitored and integrated in the SREP cycle. PwC supports banks integrating ESG regulatory requirements and developing C&E practices across a wide scope, such as ESG strategy definition, materiality assessment, stress testing and the structured extension of the data and modeling capabilities in risk management. Do you have questions? Do not hesitate and contact us.

Keywords

[Climate Change](#), [ESG](#), [Sustainability Risk](#), [Sustainable Finance \(SF\)](#)

Contact



Dr. Michael Rönnberg

Frankfurt am Main

michael.roennberg@pwc.com