



# BANCO CENTRAL DO BRASIL

## **Opening speech for the launch of the Sustainability Dimension of the Agenda BC#**

Fernanda Nechio, Deputy Governor for International Affairs and Corporate Risks Management

September 8, 2020

Good morning, good afternoon and good evening to all of you with us today.

Welcome to the launch of the Sustainability Dimension of the Central Bank of Brazil's Agenda BC#.

In my brief initial remarks, I will focus on three main points: the Central Bank of Brazil's responsibility in face of structural changes in the economy; the emergence of socio-environmental risks and their implications for the monetary authority; and the new Sustainability Dimension of the Agenda BC#.

### **The Central Bank of Brazil's responsibility**

Turning to the first point, the Central Bank of Brazil's (BCB) objectives are to ensure price stability and the strength and efficiency of the National Financial System.

In order to achieve these objectives, the Central Bank needs to remain at the frontier on its actions, responding to shocks and risks, present and future; to the evolution of society's demands; and to structural changes in the economy. For brevity, the BCB's action plan must be dynamic and comprehensive.

The current dimensions and actions of the Agenda BC# respond to these needs. PIX and Open Banking are examples of prompt responses to technological changes in payment systems and to the evolution of society's demands in search of a swift, competitive and safe financial system.



## **BANCO CENTRAL DO BRASIL**

### **The emergence of socio-environmental risks and their implications for the monetary authority**

But how does this relate to the climate agenda?

Similar to our recent actions in the technological front, the new Sustainability Dimension of the Agenda BC# was developed to respond to yet another set of structural changes in the economy. The new dimension responds to the emergence of new risks and demands from the society.

It is clear that climate events that were previously considered rare have become more frequent.

Such events are accompanied by changes in main economic variables in the relevant horizon for monetary policy, in addition to bringing significant risks to the financial system.

Increasingly frequent climate shocks – wildfires, droughts, floods, extreme temperatures – affect relative prices in the economy, and therefore, may have an impact on our monetary policy decisions.

These same extreme events put the National Financial System at risk, and may change the demand for currency, physical assets and loan collaterals' values, in addition to bringing high financial costs to our society.

Thus, in order to fulfil the Central Bank of Brazil's mandate determined by law of ensuring price stability and guaranteeing the soundness and efficiency of the National Financial System, we must prepare and respond appropriately to these structural changes in the economy. The Central Bank's policy making must consider socioenvironmental risks and the impact of extreme events on our economy and financial system.

### **The Sustainability Dimension of the Agenda BC#**

With that in mind, today we launch a new dimension to our strategic agenda.



## **BANCO CENTRAL DO BRASIL**

The new Sustainability dimension of the Agenda BC# is dynamic and comprehensive, embracing all areas of the Central Bank. The actions included in the sustainability pillar include social and environmental responsibility measures geared towards both the financial system and the Central Bank.

The role of central banks and the financial market in promoting sustainable finance and mitigating the effects of climate risks is a rapidly evolving theme in Brazil and worldwide. We must be on this frontier.

Thus, the set of measures that we present today is comprehensive, but by no means exhaustive. The new Sustainability dimension will continue to evolve over time, just as we do with the other pillars of the Agenda BC#.

In addition, the challenges to the financial system brought about by climate change demand a coordinated and global action.

Our growing interaction with other central banks and international organizations, as well as the frequent dialogue with financial institutions, are important to determine the evolution of our policies to minimize the effects of climate risks on our economy and financial system. Such interactions allow for the exchange of experiences and best practices, deepening our understanding of the risks associated with climate change.

Striving for this integrated, coordinated and global approach, besides presenting more details of the BCB's agenda, in our event today we have guest-speakers from both the global and the Brazilian financial sectors, to underscore the importance of the issue at hand and to discuss the responses to the new challenges we face.

We have a full agenda ahead of us, so let's continue with our event. We will start with the participation of our speakers, and in sequence, we will have a presentation by Governor Roberto Campos Neto and Deputy Governors, detailing the new Sustainability Dimension of the Agenda BC#.