Green Central Banking Scorecard Methodology Review

PositiveMoney

Contents

ACKNOWLEDGEMENTS

Thank you to interviewees, without their input and critical feedback this review would not have been possible. Note, all opinions expressed are those of the individual and not of any affiliated organisation.

- Burcu Ünüvar, Director and chief economist, Industrial Development Bank of Türkiye
- Daria Gerasimenko, Associate researcher, International Institute of Green Finance, Central University of Finance and Economics
- David Barmes, Policy fellow, the Grantham Research Institute, LSE
- David Carlin, Head of climate risk and TCFD, UNEP FI
- Diogo Nogueira, Head of international affairs and risk management, Banco central do Brasil
- Dyah Ayu Permatasari, Assistant manager, Central bank of Indonesia
- Hilal Atici, Strategy director, The Sunrise Project
- Ika Mustika Sari, Manager, Central bank of Indonesia
- Ivan Faiella, Senior economist, Bank of Italy
- Julia Bingler, Fellow, Council on economic policies and Research associate, University of Oxford
- Julia Symon, Head of research and advocacy, Finance Watch
- Lin Shi - Senior researcher, International Institute of Green Finance, Central University of Finance and Economics
- Maria Nikolaidi, Associate professor in economics, University of Greenwich and Fellow, Forum for macroeconomics and macroeconomic policies
- Maud Abdelli, Initiative lead for greening financial regulation, WWF Switzerland
- Paul Schreiber, Senior policy advisor, Reclaim Finance
- Prashant Vaze, Expert advisor (climate change and finance), Freelance
- Sayuri Shirai, Visiting fellow and advisor for sustainable policies, Asia development bank
- Siti Kholifatul Rizkiah, Sustainable finance lead, WWF Malaysia
- Suranjali Tandon, Associate professor, National institute of public finance and policy, New Delhi and Visiting senior fellow, LSE
- Ulrich Volz, Professor of economics and director, centre for sustainable finance, SOAS, University of London and Senior research fellow, German development institute
- Yannis Dafermos, Reader in Economics, SOAS, University of London and Fellow, Forum for macroeconomics and macroeconomic policies

AUTHORS

Scott Speer, Sneha Yedav

EDITOR

Zack Livingstone

Executive Summary

The Green Central Banking Scorecard initiative assesses G20 central banks on climate and nature-related actions. A comprehensive methodology review has been undertaken to enhance its efficacy and relevance, aligning with evolving sustainability standards. Stakeholder engagement and over 20 interviews shaped the review, aiming to refine indicators, and reassessing the four categories of Research and Advocacy, Monetary Policy, Financial Policy and Leading by Example. Strengths lie in the scorecard's ability to drive awareness and incentivise action, yet improvements are sought in granularity and better contextualisation within country-specific jurisdictions. Recommendations include refining scoring criteria, emphasising tangible actions, and introducing sub-category adjustments. Stakeholder insights highlight the need for transparency, clearer distinctions, and educational empowerment, shaping the ongoing review for a more impactful third edition.

Introduction

The Green Central Banking Scorecard project is an initiative aimed at evaluating and comparing the extent to which central banks around the world are integrating environmental and climate risks into their operations, policies, and regulatory frameworks. The project assesses central banks across four categories: Research and Advocacy, Monetary Policy, Financial Policy and Leading by Example. The scorecard enables policymakers, researchers, and civil society organisations to track the progress of central banks towards addressing climate and nature-related risks and supporting the transition to a low-carbon economy.

The project promotes sustainable practices within central banking, and contributes to the broader global efforts to address climate change, advance the green economy, and achieve the United Nations Sustainable Development Goals. By incentivising central banks to integrate tackling climate and nature-related risks throughout their operations, the scorecard plays a crucial role in driving the transition to a more sustainable and resilient financial system.

The scorecard has achieved great success since its inception; most notably, prominent US lawmakers referenced the scorecard in a letter to the Federal Reserve, the Banque de France included it in its latest responsible investment report, and the Hungarian central bank contacted Positive Money in order to perform a self-assessment. Additionally, it has been increasingly referenced by researchers within academia and among civil society.

The Green Central Banking Scorecard project has embarked on a comprehensive methodology review to ensure its continued relevance and effectiveness in assessing central banks' contributions to sustainable and green financial systems. This review comes at a pivotal time as the global community intensifies its efforts to combat climate change and environmental degradation.

In response to valuable feedback and evolving sustainability standards, we aim to enhance the scorecard's assessment framework. The primary objectives of this methodology review are to:

1. **Broaden the Scope:** To acknowledge the increasing significance of biodiversity and environmental risks beyond climate change, we are considering how to incorporate nature-related aspects into the assessment. This expansion should align with the latest sustainability standards and reflect the interdependence of climate and biodiversity challenges.

2. **Refine Indicators:** We are evaluating existing indicators and considering new ones to ensure that the scorecard accurately reflects central banks' roles in mitigating climate and nature-related risks. By improving the granularity and relevance of our indicators, we aim to provide a more nuanced evaluation of central banks' efforts that in turn enhances financial institutions' and financial systems' resilience towards such risks.

3. **Prudential and Financial Regulations:** Recognising the critical role of prudential and financial regulations, we are evaluating the scorecard's capacity to assess how central banks' policies effectively manage environmental and climate risks within the financial sector. This expanded focus ensures that our assessment remains comprehensive and aligned with the core objectives of green central banking.

4. **Stakeholder Engagement:** As part of our ongoing commitment to transparency and inclusivity, we have actively engaged with stakeholders and experts to gather insights and recommendations. The methodology review benefits from the collective wisdom of a diverse group of individuals and organisations committed to advancing sustainability in the financial sector.

To ensure a comprehensive review of the methodology, we have undertaken in-depth interviews and received written responses from stakeholders. Furthermore, we've extensively examined various resources to identify best practices and most relevant datasets for enhancing the upcoming third edition of the scorecard.

As we navigate the changing landscape of sustainable finance, this methodology review ensures that the scorecard will remain a powerful and adaptable tool for driving the transition to a greener and more resilient global financial system. We eagerly anticipate the continued support and collaboration of our stakeholders as we work towards the improved third edition of the Green Central Banking Scorecard.

Analysis of Current Scorecard

Overview of methodology review

The review encompasses more than 20 interviews conducted with a broad range of stakeholders, including representatives from civil society organisations, central banks, as well as prominent figures in the fields of campaigning, economics, and academia. We have reviewed the full range of policies and initiatives that a future-proof and climate risk-conscious central bank would adopt across the four scoring categories: Research and Advocacy, Monetary Policy, Financial Policy, and Leading by Example. Conducting a thorough methodology review will enable us to enhance our scoring system for evaluating and ranking G20 countries in the third edition, based on the climate and nature-related policies and initiatives undertaken by their monetary and prudential authorities.

In addition to these interviews, the review draws from a thorough examination of the existing body of literature on green central banking, by analysing relevant datasets and leveraging insights gleaned from other similar initiatives undertaken by other civil society organisations. The following multifaceted sources of information have significantly contributed to our research:

- WWF Sustainable Regulation Tracker (WWF SUSREG).
- E-axes Forum, a research organisation focusing on macroeconomic policies & sustainability.
- Ceres Accelerator for Sustainable Capital Markets, a network organisation & research tool.
- Urgewald, the Global oil and gas exit list.
- Global Green Finance Index, an assessment of green finance offerings across 86 major financial centres worldwide.
- Refinitiv Eikon, an open technology platform offering access to industry-leading data, insights, and exclusive news.
- Global Database for Climate-Related Financial Policies (D'Orazio, 2023).
- Climate Policy Radar, an AI-driven database mapping and analysing global climate change policies and laws.

Drawing on this diverse array of data sources, in combination with our findings from the interview process and internal reflections on the previous editions, we expect to deliver a more robust and effective third edition of the scorecard.

Strengths and weaknesses of the previous scorecards

Experience of two successful scorecard editions, coupled with the understanding that the green central banking space has grown and evolved rapidly over the past two years, has led Positive Money to undertake this methodology review. The review intends to ensure the methodology maintains its foundation as a comparable, robust assessment, while ensuring it captures the key developments in the space since its last edition.

The scorecard stands out as a ranking tool rather than a broad benchmarking exercise. Its scoring system encourages central banks to outperform each other in the journey towards sustainability in a way that creates a race to the top, which is unique in scoping central banking policies. By assessing green banking practises within the G20 countries, the scorecard uniquely supports advocacy for greening the financial sector, while providing country-to-country comparative analysis.

WWF’s Sustainable Regulation tracker and the scorecard are seen as complementary, in that each provides a wealth of information on financial policies. Where the SUSREG tracker groups its assessments into regions, the scorecard focuses on each G20 bank individually. The tracker is very effective in assessing policies from a global perspective, while the scorecard provides weighted scoring to provide deeper understanding of how major central banks are acting. The tracker delves into a wider realm of finance in that it assesses banking supervision, central banking and insurance supervision, whereas the scorecard generally covers the former two areas.

The scorecard helps to educate the public about the important role that central banks must play in addressing climate change and promoting sustainable finance, and provide civil society organisations internationally with accessible and compelling evidence to campaign and influence in support of greening central banking. It has also proven to be a useful tool for encouraging central banks to take action on climate change and sustainability issues.

The scorecard has been commended by a wide range of stakeholders for its straightforward A to F scoring, which combines multiple indicators into an accessible format. This system, which emphasises differential weighting between categories, awards the vast majority of points for the implemented policies of central banks, which is critical given the immediacy of the climate crisis.

Given the diversity of mandates, frameworks and the broader political sphere in which central banks operate, the current methodology provides a variety of ways in which a central bank can achieve full points in each category. For example, a central bank that buys corporate bonds might receive a certain number of points for greening its purchases, while another central bank that manages FX reserves for monetary policy purposes might receive the same number of points in the same category for greening its reserves. Discussions with stakeholders concluded that this flexibility of scoring is a particular strength of the scorecard.

However, there are some limitations to the scorecard's scoring system. Notably, the scorecard's current structure assigns monetary policy to a single category, which prevents it from reflecting the different institutional frameworks of G20 central banks. Consequently, the assessments may not always be directly comparable, as specific contexts and challenges differ across countries. In order to overcome this difficulty, the scorecard allows different routes to achieve maximum points in each category. A more granular approach to the scoring methodology may be desirable to address this issue, but would also have drawbacks, such as reducing the direct comparability of the third edition with previous editions and increasing the complexity of the scoring process.

It is also imperative to account for the country-specific context to the fullest extent possible, as nations vary in terms of their central bank mandates, monetary policy frameworks, financial regulatory structures, the relationship between monetary and fiscal policies, and the available policy tools for advancing green central banking. For instance, the analysis may benefit from stratifying assessment into three distinct areas: 1) oversight of banking activities, 2) central bank policies and strategies, and 3) regulatory oversight of insurance activities. A more holistic, nuanced acknowledgement of these differences would help ensure the accuracy of the scorecard's representations.

To address this, a possible step forward would be to provide a more holistic, nuanced view that acknowledges these differences, while preserving the overall structure of the scoring criteria. This can be achieved through the inclusion of fact boxes or country-specific contexts within the scorecard report, helping central bankers, policymakers and other expert audiences better understand why each country received its respective grade.

We also identified room for enhancement in the Research & Advocacy category, where the majority of G20 central banks have consistently received near-perfect scores, since the first edition. This raises concerns about central banks potentially misusing high scores in this category as a token of green commitment without actual substantial actions. Revising the criteria to make full marks harder to achieve could make this category more relevant, but such a change could give the false impression that central banks across the board have worsened their performance on Research and Advocacy when comparing this edition with previous editions.

In summary, the ongoing methodology review aims to fine-tune the scorecard's scoring approach for a more comprehensive and contextually sensitive evaluation, ensuring that it continues to serve as an influential tool in promoting sustainability within the financial sector.

Reflection on Stakeholder Input

Key Policy Insights from Stakeholder Interviews

Maintaining Methodological Consistency: Stakeholders strongly recommend preserving the scorecard's existing methodology without unnecessary modifications. This approach ensures the continued effectiveness of the scorecard as a comparative tool for assessing central banks. Consistency over time is paramount, particularly as the scorecard gains prominence within target audiences and academic circles.

Emphasising Best Practices: Significant developments in green central banking over the past year have focused on key policy areas that merit attention including the growing urgency for credible green transition plans, the concept of 'double materiality,' and the need for consideration of nature-related risks. Detailed proposals for implementing policies that draw on these areas are provided below in the 'Proposals for Change' section.

The updated methodology should reflect these developments and give the **policy actions** of central banks the most weight in scoring, especially high impact policies. Several stakeholders felt it should not be possible to continue to be awarded points for publishing research papers on, and advocating for, double materiality while not taking meaningful action to put the research findings into practice, for example by adopting a double materiality approach in all operations and regulations. However, other stakeholders felt the scoring system should reflect the principle that research departments should be free to research whatever area they deem most important, regardless of whether policymakers take action on any given subject.

Areas of Concern or Improvement

The transparency of the scorecard and its underlying methodology have been highlighted as advantages by numerous stakeholders. However, insights gathered from interviews have indicated the need for greater clarity in the scoring guidelines for each impact level. To improve clarity, it would be beneficial to publish an comprehensive list of indicators alongside their respective points as an appendix, enhancing the scorecard's transparency and usability. Stakeholders also recommended a more detailed overview of how indicators have been refined, if applicable, from previous editions, in addition to ensuring the connections between underlying datasets and the scorecard's indicators are fully explained.

Some stakeholders emphasised the need for a clear distinction between coal and other fossil fuel-related activities. Recognising that coal stands out as the most environmentally harmful fossil fuel in terms of greenhouse gas emissions,[1] these stakeholders proposed the inclusion of a dedicated indicator specifically addressing coal within the scoring framework. It is acknowledged however, that within the monetary and financial policy scoring, coal is implicitly accounted for through the reference to 'fossil fuel assets/exposures.' As a consequence of already accounting for coal within the current methodology, other stakeholders thought it redundant to specifically focus on coal.

1. WWF has also released a list of "always environmentally harmful reference points" (WWF Call to action, 2022), which may also be referred to here.

There is a related concern regarding the qualitative aspects of the scorecard. While a consensus exists among many stakeholders regarding the importance of the qualitative aspect as the scorecard's backbone, there is a call for the forthcoming edition to incorporate more quantitative data to substantiate the scoring.

Additionally, some stakeholders emphasised that when appraising central bank investments, reliance on absolute numbers may be misleading, and that considering the balance between investments in green initiatives and those in fossil fuel activities would be a more useful indicator. Assessing this through a ratio or percentage may offer a more clear perspective on the extent to which a central bank is actively 'greening' its portfolio. Moreover, evaluating green policies in isolation is not necessarily the best approach: it would be beneficial to gauge their impact, particularly when green policies are executed in conjunction with fossil fuel policies.

It must be noted that the above recommendations on using more quantitative data could prove difficult to incorporate into the methodology, as there is a lack of unanimity across the data sets from different central banks. In addition, the benefits that would arise from allocating more of the project's resources to quantitative data analysis must be weighed against the benefits that arise from further analysis of qualitative factors—such as examining the specific contexts and challenges faced by different countries.

Another crucial question is whether the scorecard should account for unfulfilled promises, such as the European Central Bank's (ECB) decision to stop corporate bond reinvestments as part of its tightening of monetary policy, leading to the discontinuation of its bond decarbonisation programme. This decision raises the question of whether the inability to uphold commitments should be factored into the scoring.

Some stakeholders have noted that there may be areas of overlap among the four categories, with Research and Advocacy and Leading by Example seen as closely intertwined. It was also suggested that the Monetary Policy and Financial Policy categories may have overlap with the Leading by Example category, and that the Leading by Example could be accorded less significance.

As green central banking becomes increasingly mainstream, and central banks consistently release research findings, there's a call for the third edition to place more emphasis on the tangible actions being undertaken by central banks. Stakeholders have recommended considering an amalgamated presentation of 'Leading by Example' scores, or the introduction of supplementary tables or boxes, to spotlight leading practices.

Another possibility that was raised is whether requirements for a green taxonomy and comprehensive disclosures regarding central banks' monetary activities should be more strongly emphasised in the methodology (with the caveat that central banks aren't usually institutions responsible for developing taxonomies). Elevating the importance of embracing taxonomies and underlining the significance of transparent disclosure of central banks' monetary and financial portfolios, alongside robust scenario analysis, is being considered for the third edition. Ideally, the scorecard project would provide detailed guidelines on what is deemed 'robust' scenario analyses, but due to the diversity of approaches this may not be within the scope of the project.

In our interviews, we explored questions related to equity and justice, aiming to maintain an updated perspective on green central banking. Stakeholders expressed a preference for a comprehensive approach that effectively delineates the distinctions between historically responsible and less responsible countries concerning carbon emissions. Such an approach is viewed as enhancing the overall utility of the scorecard. Another recommendation was to differentiate between just transition support nationally and internationally.

A subject that was not broached very much in interviews, but is nevertheless a significant consideration, was that of capital markets. Recent analysis conducted by Sierra Club has shed light on a concerning trend: 61% of the top US banks' financing for fossil fuel expansion comes from underwriting bonds and equities. The scorecard does not currently assess the policies of securities markets regulators, but perhaps a detailed specification within the Financial Policy category, emphasising the inclusion of all forms of financing and facilitation within zero carbon targets and plans, would help in doing so (if deemed appropriate and possible).[2] The scorecard currently employs rather broad language to address this issue: under the High-impact category, it mentions the 'Requirement for financial institutions to publish credible zero carbon targets and plans,' while under the Medium-impact category, it references 'Environmental considerations incorporated into the supervisory process.

2. See the WWF concept note on 'red flag indicators to assess inconsistencies and greenwashing' (2023).

Proposals for Change

Stakeholder Feedback and Recommendations

Research and Advocacy Enhancements

1. Recognise that the 'Research and Advocacy' category often results in full scores for G20 central banks, which may stifle further improvements. To foster continuous commitment, stakeholders propose adjusting the evaluation criteria, accounting for potential new indicators:

    a. Move the goalposts wider:

        i. Membership of the NGFS is changed from medium impact to low-impact.

        ii. Designate significant roles in the NGFS, such as chair or vice-chair, as medium-impact, which reflects the substantial contributions of these roles, including resource allocation, agenda-setting, and external representation, which significantly influence other members of the NGFS, and the institutions themselves.

2. Include more indicators that emphasise best practices and high standards for central bank research units:

    a. Research and advocacy for a double materiality approach could be awarded as medium impact.[3]

    b. Keep the low impact score for "a publicly available research report, financial or monetary stability review, academic article, working paper, newspaper article, or speech on climate or nature-related financial risk". However, stakeholder suggested clarifying this indicator by distinguishing between cases in which central banks justify the use of a specific climate-adjusted tool based on a risk exposure perspective (for example, to reduce the exposure of the balance sheet to climate risks), and cases in which a tool is introduced according to an 'environmental impact'.

    c. Setting a timeframe for research publications eligible for scoring should be considered. For example, speeches and research output more than two years old could be ineligible for scoring.

3. Evaluate central banks' support for the application of macroprudential buffers that are adjusted to factor in environmental risks, even if applications have not been submitted. Highlight the ECB as an example of support in this area. This could be a low-impact indicator in itself.

3. Taking a double materiality approach requires the central bank to include itself and its operations within the research. For example, if a central bank excludes itself and its decisions from stress tests or scenario analyses, it is not using a double materiality approach. Stress testing or research that does not consider macrofinancial feedback loops will underestimate both physical and transition risks. This can be considered a key distinction between robust and not-so-robust stress tests and scenario analyses.

Monetary Policy Enhancements

1. **Scoring Adjustments:** Consider subdividing the scoring for "Lower interest rates for green lending in targeted funding and refinancing schemes" into two categories:

   a. High Impact: When accompanied by a strict and concrete definition of what is meant by green (which also satisfies the definition of green specified in the Scorecard methodology).[4]

   b. Medium Impact: When green criteria are less stringent, allowing participating banks more flexibility in defining green lending.[5]

2. **Percentage of Green Quantitative Easing (QE) Compared to Total QE:** Create a formula that calculates the percentage of green QE compared to the total QE issued by central banks. This approach provides a more informative and relative measurement, reflecting the weight of green QE in the context of a central bank's overall QE activities.[6]

Financial Policy Enhancements

1. **Capital Adequacy:** Include "Pillar 2 capital requirements for banks with poor management of climate/nature risks" as a medium-impact indicator, taking into account limited additional charges. Financial institutions are required to hold a specific amount of additional capital commensurate with their assessed climate risks and are encouraged to conduct scenario analysis. This involves modelling the potential impact of various climate-related scenarios on their portfolios, including physical risks (such as extreme weather events) and transition risks (such as policy changes or shifts in market sentiment). This additional capital serves as a safeguard against potential losses resulting from climate-induced market disruptions or asset devaluation.

2. **Zero carbon targets:** Evaluate the impact of a "Requirement for financial institutions to publish credible zero carbon targets and plans". This could be rated as high impact if it becomes part of eligibility criteria for monetary operations, potentially affecting bond eligibility for central bank collateral or QE. Slightly modify the current indicator 'Requirement for financial institutions to publish credible zero carbon targets and plans' to 'Requirement for financial institutions to publish credible zero carbon targets and plans based on *science-based targets and time-specific timescales*.'[7]

3. **Climate Stress Testing:** Central banks implementing rigorous climate stress tests for financial institutions to assess their vulnerability to climate-related risks, particularly those associated with *coal assets*, should be awarded medium impact points.

4. This comes with the caveat that any definition of green is highly subjective and contested.
5. The Bank of Japan, for example, would come under medium-impact, as the definition is loose enough to allow private financial firms to define which of their assets are green.
6. For example: if the Banque de France buys 100 million Euros worth of assets from banks under its QE programme, and 10 million Euros of those assets are deemed 'Green', the green percentage is 10%.
7. Note that it may be prudent to differentiate between gross and net zero emissions to further illustrate the state of play of each central bank.

4. **Disclosure Based Framework:** Financial institutions should be awarded medium impact points for being subject to requirements to disclose their exposure to coal assets and their progress in transitioning to a coal-free portfolio (with a clear timeline, and sufficient percentage alignment for divestment). If these are complimented by enforcement mechanisms that can compel firms to change course, high impact points could be proportionate.

5. **Underwriting and Insurance:** Stakeholders have recommended incorporating climate risk-based incentives and impact underwriting. For instance, they suggest discounts on premiums where policyholders have reduced their climate vulnerabilities. They also propose conditions on access to reserve funds, such as deductibles. Finally, given the potentially substantial impact of the protection gap on the banking sector, we advise banks and other financial institutions to consider their use of macroprudential policies to enhance their resilience.

   There is also a need for forward-looking policies which increase coverage and incentivise adaptation and mitigation at every level. Policies should also reduce the share of losses borne by the public sector by transparently spreading the costs before catastrophes occur through a precautionary approach, rather than distributing resources abruptly via emergency relief.

   In light of the aforementioned Sierra Club findings, it may be prudent to include a specific sentence on the importance of financial supervisors giving guidance to financial institutions on underwriting. For example, the high-impact indicator "Requirement for financial institutions to reduce underwriting of bonds/equities in fossil fuel expansion investments" could be added. An alternative could be the medium-impact indicator "Mandatory disclosure of environmental risks for financial institutions, including *facilitated emissions*" (i.e. the underwriting of bonds and equities in fossil fuels).[8]

8. See EIPOA's proposed 'impact underwriting' for further analysis of using climate-related adaptation measures in non-life underwriting practices.

Leading By Example Enhancements

1. In response to stakeholder recommendations and to better align with evolving sustainability standards, we are considering the inclusion of biodiversity and environmental risk indicators as a low-impact point for assessment in the scorecard, which would help broaden the assessment beyond climate change, reflecting the broader ecological context in which central banks operate. While we acknowledge that central banks are not mandated as stewards of biodiversity, considerations of nature would reflect their commitment to mitigating both climate and biodiversity risks. Wider reporting requirements, such as zero deforestation or a land conversion metric, could also be communicated in the scorecard to push central banks to include such figures in future considerations. Further clarification of how the scorecard's methodology assesses central banks on biodiversity is also recommended, to improve transparency of the process and understanding of what constitutes research or action that merits additional points.

2. Include **country-specific/institutional contexts**. This is not necessarily a concrete proposal for change in the Leading by Example category, more a recommendation for the report itself. Nevertheless, country-contexts could be included in this category: for example, if one central bank is leading the way in spite of government policy on fossil fuels. The report can provide more information about a country's specific environmental policies and initiatives, allowing stakeholders to better understand the environmental performance of central banks and compare their performance across different categories and jurisdictions. It was also suggested that the scorecard produces a compound score (central bank score and supervisor score).

Interviews also revealed there is general confusion on the **specificities of scoring**. It is highly recommended that an appendix is attached to future editions that provides full transparency on how central banks were individually awarded points across all categories.

Conclusion

The results of the methodology review underscore the importance of ongoing commitment to promoting sustainable practices within central banking. The project has proven to be a vital tool in advancing the green central banking narrative internationally, and has picked up momentum in the last year due to its well-thought indicators and appropriate weighting of the different categories that encapsulate this field.

The strengths of the existing scorecard lie in its ability to raise awareness of central banks' roles in addressing climate change and sustainability, promoting a race to the top among G20 countries. Its depth of scoring indicators and flexibility in allowing different routes to score maximum points is an innovative way of overcoming the vastly different contexts pertaining to each central bank and financial institution. The review has revealed that the categories continue to make sense when assessing central banks on their environmental actions. The scoring indicators within each category remain relevant and necessary to capture the breadth and depth of how central banks should be assessed.

This review aimed to address improvements in terms of granularity and comparability. While the majority of the G20 countries previously achieved full marks for policies that fall under Research and Advocacy, the methodology review reveals that recalibration of this category would be beneficial in the third edition. Further enhancements include accounting for ecological impact, incentivising climate disclosure enforcement, introducing stricter indicators on net-zero transition plans, and emphasising the phase out of coal. Stakeholder input has been instrumental in shaping the review process, emphasising the importance of methodological consistency, best practices, and increased transparency.

Our review shows stakeholders see great potential for enhancing the impact of the scorecard project. In addition to evaluating central banks, future editions could better educate and empower them towards more sustainable policies and practices. We have heard the call for greater clarity in scoring guidelines and the importance of distinguishing between historically responsible and less responsible countries in terms of carbon emissions. The pivotal importance of taxonomy and disclosure in monetary activities also came into sharper focus. The third edition of the scorecard will assess the feedback from stakeholders and implement viable changes to the methodology based on these recommendations.

PositiveMoney

104 Davina House
137-149 Goswell Road
London EC1V 7ET
020 7253 3235
www.positivemoney.org
www.positivemoney.eu
www.positivemoney.us

Positive Money is a not-for-profit company limited by guarantee, registered in England and Wales.

Company Number 07253015