CENTRAL BANK OF CYPRUS
EUROSYSTEM

CLIMATE-RELATED FINANCIAL DISCLOSURES NON-MONETARY POLICY PORTFOLIOS

June 2026

“If you can’t do great things, do small things in a great way”

-NAPOLEON HILL

Contents

Key Developments in 2025

The sustainability profile of the CBC's non-monetary policy portfolios (NMPPs) continued to improve during 2025, as a result of the ongoing pursuit of the sustainability objectives integrated in our framework.

Climate change is the particular focus of our sustainable investment approach. This is reflected in the further reduction of climate-related transition risks in our NMPPs.

In particular:

- Climate considerations continued to be an integral part of the investment process, as well as our risk monitoring, assessment, measurement and reporting practices.
- Data coverage and climate-related disclosures improved further, enhancing the transparency and robustness of climate risk measurement.
- For additional transparency, this year's report includes scope 3 relative metrics for non-sovereign issuers, separately from scope 1 and scope 2 emissions.

METRIC[1]	SOVEREIGN[2]	NON-SOVEREIGN[3]	EFFECT
WACI (tCO_2e per EUR million PPP-adj. GDP, or per capita)	-4%	-8%	Lower carbon intensity exposure
CARBON FOOTPRINT (tCO_2e per EUR million invested)	-4%	-24%	Lower financed emissions per million euros invested
GREEN BONDS (% of total reserves)	+2,4%		Higher allocation to sustainable and green investments

Notes:
1. The results presented in the table above represent the year-on-year changes.
2. Sovereign metrics refer to production emissions excluding LULUCF.
3. Non-sovereign emissions refer to Scope 1 & 2 total emissions.

- The portfolio's weighted average carbon intensity (WACI) declined compared with the previous year, indicating lower relative exposure to carbon-intensive issuers.
- Financed emissions and carbon footprint metrics improved, reflecting the framework's impact on portfolio allocation decisions.
- The share of investments in green, social and sustainability bonds increased further, reflecting the CBC's commitment to supporting the financing of projects with positive environmental and social impacts.

1. Introduction

As part of a broader initiative by Eurosystem central banks to enhance transparency through the publication of climate-related information on their respective discretionary Investment Assets, also referred to as non-monetary policy portfolios (NMPPs), this report discloses climate-related information about the CBC's NMPPs denominated in EUR and foreign currency (USD, GBP).

Central banks, within the boundaries of their mandates[1], can contribute to the transition towards a net-zero economy through their balance sheets. In this context, the CBC aims, among other objectives, to steer its NMPPs towards a decarbonisation path that is aligned with the Paris Agreement goals (2015) and the EU's climate neutrality objectives.

The CBC publishes this report in a coordinated approach among the Eurosystem's National Central Banks following a common framework[2]. It represents the fourth edition[3] of the CBC's climate-related financial disclosures and is structured into four sections in line with the Partnership for Carbon Accounting Financials (PCAF) framework and the core pillars of the Task Force on Climate-related Financial Disclosures (TCFD):

- The **Governance** section outlines the frameworks as well as the governance arrangements and processes in place for the effective oversight and management of the climate-related risks and targets of the CBC's NMPPs.

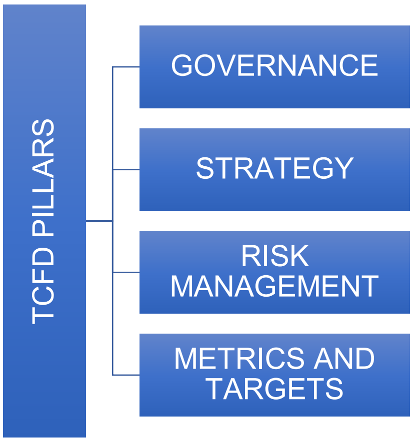
- The **Strategy** section outlines the investment strategies and associated decisions adopted by the Bank relating to the management of its NMPPs and the pursuit of the connected climate-related objectives.

- The **Risk Management** section presents the approaches used by the CBC to improve the sustainability profile of its NMPPs, which largely focus on the mitigation of climate-related risks.

- The **Metrics and Targets** section sets out the metrics used to assess the CBC's carbon footprint for its EUR and foreign currency denominated NMPPs and the climate related targets set by the CBC on its NMPPs.

[1] It is noted that governments and parliaments have the primary responsibility and an unconstrained mandate to act on climate change in the most effective manner.
[2] The related press release can be found here: https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210204_1~a720bc4f03.en.html
[3] The CBC is committed to publishing climate-related financial disclosures on its NMPPs on an annual basis.

Chart 1:
TCFD categories



In a broader context, the report aims to highlight the Bank's efforts to improve its understanding of climate-related risks and, ultimately, its climate-related risk assessment capabilities and mitigation strategies with regards to its investments. Overall, it is a tool to enhance transparency regarding the climate-related risks and the carbon footprint of the CBC's NMPPs.

Throughout the coming years, it is expected that there will be increasing availability and better quality of climate-related data as well as growing expertise in assessing and managing these risks. Thus, the CBC will refine its disclosures over time.

While the CBC is committed to regularly reviewing its sustainability objectives and strategies to ensure that the carbon footprint of its NMPPs is on the right trajectory, the Bank is cognizant that a significant portion of its investment positions is in bonds issued by sovereigns and government-related entities where the applicability of some major sustainability strategies is limited or has limited impact in terms of improving the sustainability profile of its NMPPs. It is also acknowledged that the aforementioned objective hinges, at large, on these governments' commitments and progress as Paris Agreement signatories and/or European Climate Law adopters.

2. Governance

Appropriate governance arrangements are essential to ensuring that climate considerations are aptly integrated into the decision-making, risk management and reporting processes.

The CBC manages its NMPPs under its own responsibility, governed by the CBC's Investment Policy & Risk Control Framework (IP&RCF). The IP&RCF defines, *inter alia*, the related governance arrangements, the overarching investment principles and objectives applying to its NMPPs, as well as the related risk management framework.

The **overarching principles** guiding the management of the CBC's investment assets are **safety**, namely the preservation of their value (over a medium-term horizon), **and liquidity** (particularly as regards assets in foreign currency). Subject to the fulfilment of the above-mentioned principles, the management of CBC reserves aims at maximising long-term return on investment, within the prescribed risk tolerance levels and approved risk control framework, whilst actively pursuing the sustainability goals set by the Bank.

As per the IP&RCF, the Governor and the CBC's Board of Directors (BoD) have the ultimate responsibility for overseeing the effectiveness of investment-related operations and setting the investment objectives, including any climate-related targets. The CBC's Risk Committee, formed at the BoD level, advises the BoD on these issues.

The governance arrangements related to NMPPs adopted by the Bank are summarized as follows:

- The IP&RCF and the strategic asset allocation of its NMPPs are approved by the **Governor and the BoD**. The CBC's **Risk Committee** has an advisory role to the Board on the said issues as well as on any other related matter referred to it by the Board, including those related to climate and sustainability initiatives and targets.

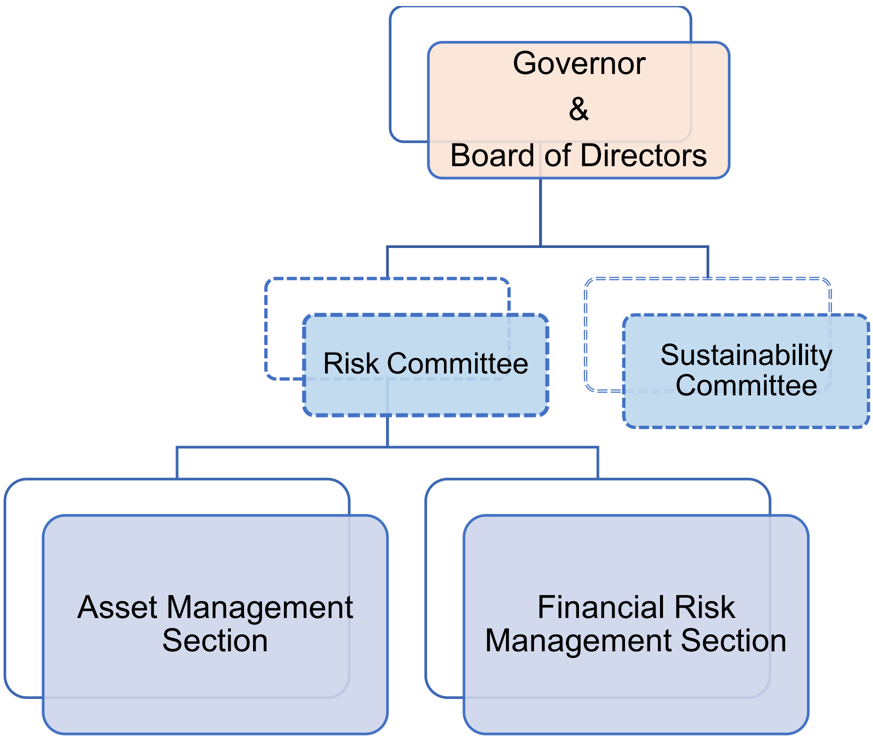
- **The Financial Risk Management Section** is responsible for proposing the IP&RCF and the associated Guidelines as well as the Bank's strategic asset allocation and benchmarks that guide the active management of the investment portfolios. To the extent possible, climate-related considerations are taken into account with the aim to reduce the carbon footprint of its investments and support the efforts towards a net-zero economy.

- **The Asset Management Section** is responsible, among other things, for the day-to-day management of the CBC's NMPPs within the parameters set by the approved policy framework, guidelines and internal procedures. In line with its mandate, it also actively strives to meet the climate-related targets set by the Bank.

The progress made towards the achievement of the sustainability objectives and targets is presented and discussed at the BoD, on a quarterly basis. Where needed, amendments to the strategy, including climate considerations, can be proposed.

As part of its effort to enhance the effective management and broader address of climate risk, the CBC established in 2025 a **Sustainability Committee**, at BoD level, to contribute and support the BoD in the process of defining and reviewing the CBC's broader sustainability strategy and activities. The Bank's Annual Report provides an overview of the actions and developments in key areas supporting its climate objectives.

Chart 2:
Organisational structure governing NMPPs



3. Strategy

The CBC's IP&RCF stipulates, *inter alia*, that due consideration should also be given to climate-related risks, as these can adversely affect the value and the climate-related risk profile of the CBC's investments. For example, climate-related risks, might lead to adverse outcomes in the event of climate shocks or a gradual worsening of underlying risk factors, thereby amplifying financial risks. Accordingly, the CBC aims to progressively align its NMPPs' carbon emissions with the Paris Agreement goals and the EU's climate neutrality objective, which aims to limit global temperature rise below 2°C, and, ideally, to keep it to 1,5°C by 2050.

The CBC also recognises the interconnected nature of UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. For instance, 17 SDGs are directly linked – to varying extents – to climate actions and the broader sustainable development agenda. Therefore, successful implementation of one can contribute to the achievement of the other.

In order to facilitate the achievement of the above-mentioned target, the CBC continues to step up funding of the low-carbon transition through a progressive increase of the amount of green bonds in its NMPPs, which has a positive and direct impact on the carbon footprint of its holdings. To that end, in the fourth quarter of 2022, the CBC invested in a BIS fund[4], which invests in euro-denominated green bonds issued by highly rated sovereigns and sub-government issuers as well as in green covered bonds. In addition, the CBC has explicitly expanded its scope in responsible investments, by incorporating green bonds into its eligible universe as a standalone asset class. Additionally, with the aim to further improve the carbon footprint of its investments, the CBC launched in October 2024 a green bond portfolio denominated in EUR, which invests solely in green bonds.

[4] This is a green bond fund that is managed by the Bank for International Settlements (BIS) and is offered exclusively to central banks. For further information see the BIS press release on the launch of the said fund.

4. Risk management

Climate-related risks are integrated into the CBC's investment risk management framework and are monitored alongside traditional financial risks. In this regard, the CBC has integrated climate considerations into its IP&RCF and monitors climate risk exposures through a range of climate metrics, including weighted average carbon intensity (WACI), carbon footprint and the share of investments allocated to green bonds.

Climate risks are distinguished between physical and transition risks. Physical risks, such as extreme weather events, droughts or rising sea levels, can impair asset values, disrupt economic activity and weaken entities' balance sheets. Transition risks stem from policy changes, technological shifts and evolving market preferences associated with the move toward a low-carbon economy. These can lead to the repricing of carbon-intensive assets, stranded assets and broader reallocation of capital. The carbon intensity metrics which are used to assess the CBC's carbon footprint for its currency NMPPs are a proxy for transition risks.

In 2022, Sustainable and Responsible Investment (SRI) considerations were incorporated in the CBC's IP&RCF, with the objective of improving the sustainability profile of the CBC's investments in line with the set targets, largely via a progressive reduction of their carbon footprint.

The incorporation of SRI considerations in the CBC's IP&RCF seeks to mitigate sustainability risks in its investment portfolios while reducing their carbon footprint in line with the set targets. This facilitates a more holistic understanding, assessment and management of investment-financial risks, albeit, from a different dimension. Overall, sustainable/responsible investing is less likely to result in unforeseen losses due to climate-related factors, hence it is more likely to offer relatively higher value over long-term horizons, particularly on a risk-adjusted basis.

Against the above backdrop, and having regard to the CBC's eligible investment universe[5] and the overarching investment principles and objectives, the CBC applies the following climate related risk management approaches:

- An internally developed scoring system is employed to grade eligible countries based on a set of sustainability indicators, with climate action and environmental performance indicators carrying the highest weight. These indicators are linked to specific UN Sustainable Development Goals (SDGs) and each country's progress

[5] The CBC's NMPPs comprise euro denominated and foreign currency bond securities that are managed under its own responsibility and discretion. Moreover, it has a small exposure to corporate bonds via a collective investment scheme (i.e. an investment fund). Consequently, there are limited possibilities to apply – in a meaningful way – certain sustainability investment strategies such as voting and engagement or industry or product-based exclusions.

towards achieving the Paris Agreement goals. Based on each country's weighted average score, the limits prescribed to the highest ranked (i.e. the "best-in-class") countries are adjusted upwards, whereas the limits of 'lagging' countries, in terms of climate action/ environmental performance, are reduced. In this way, the potential share of assets issued by countries with higher scores is favourably tilted compared to those with a lower climate performance and higher risk.

- To generate a sizeable and quantifiable positive impact, the CBC's IP&RCF also provides for investments in green bonds that fulfil specific labelling criteria[6], either directly or through investment funds, to ensure that only issuers with credible green investment propositions that are beneficial to the environment, are supported.

- Environmental, Social, and Governance (ESG) elements are taken into consideration in the regular assessment of issuers for eligibility purposes. In particular, the CBC considers exclusions on the basis of criteria and indicators that signal sub-optimal governance foundations and/or conduct. For instance, countries considered as lacking basic political freedoms and civil rights or as corrupt, and non-sovereign issuers with poor governance scores, are excluded outright. This also helps to address possible reputational risks.

The CBC will continue strengthening its climate risk management practices in line with evolving best-practices, Eurosystem methodologies, regulatory developments and climate-related data. In particular, the CBC will seek to further integrate climate-related risk considerations into its internal risk assessment and risk control frameworks, including the development of climate scoring tools for all approved government-related issuers and eligible counterparties (financial institutions).

In the medium term, the CBC will explore ways to systematically apply SRI-related information into the portfolio management process. This will allow portfolio managers to factor sustainability risks in their investment decision process. The timing of the implementation of the above actions, will largely depend on the availability of the required data sets and metrics, in a form that is sufficiently robust.

[6] Namely, eligible green bonds should be issued and validated in line with the Climate Bonds Standards (of the Climate Bonds Initiative) or the Green Bond Principles (established by the International Capital Market Association, ICMA), or be in compliance with the EU Green Bond Standard for euro-denominated green bonds, which was adopted by the Council in October 2023 and is applied on a voluntary basis as of December 2024.

5. Metrics and targets

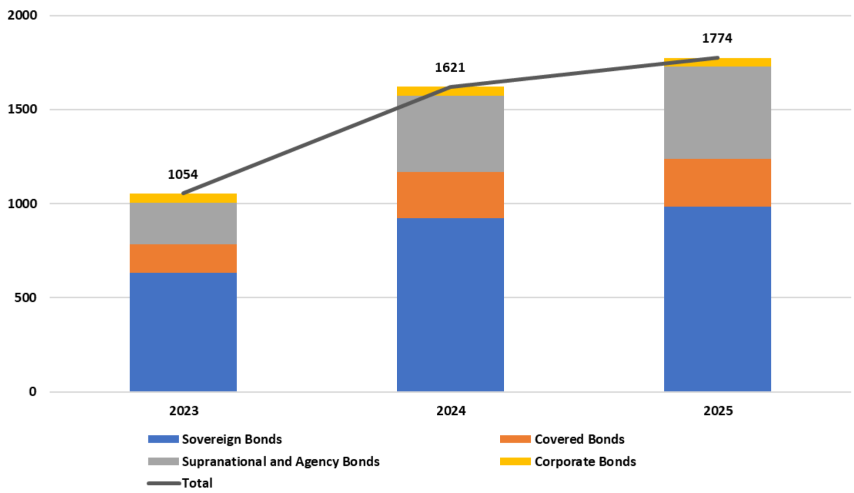
This section sets out the metrics used to assess the CBC's NMPPs exposure to climate risks as well as the achievement of the climate-related targets set in relation to its NMPPs.

5.1 Size and Composition of CBC's NMPPs

The CBC currently manages portfolios in EUR, USD and GBP and invests in sovereign, sub-sovereign, corporate, supranational, agency and covered bonds. Other major financial assets[7] on the CBC's balance sheet include monetary policy related assets or assets that are outside the scope of this exercise.

The size, expressed in nominal value, and composition of the CBC's NMPPs in the period 2023-2025 are depicted in **Chart 3**. Specifically, the CBC's currency reserves stood at €1.774 million at end 2025, increased by €153 million compared to end 2024. A moderate increase in the CBC's NMPPs was recorded in 2025, following a significant surge in 2024, consistent with the CBC's strategic objective to expand its NMPPs. Sovereign bonds continue constituting the largest part of CBC's NMPPs, albeit at a decreasing rate. On the other hand, the allocation to supranational and agency bonds recorded an increase during 2025.

Chart 3:
Portfolio size (nominal value) and asset classes composition of CBC's NMPPs (€ million)



[7] Cash, derivatives, gold and special drawing rights are excluded from the current analysis, given the absence of a standard against which to account for climate-related metrics for these assets.

5.2 Data

The volume of the Greenhouse Gas (GHG) emissions of the CBC's NMPPs, expressed in CO_2 equivalent, is split between the GHG emissions of sovereign issuers (including sub-sovereign issuers) and of non-sovereign issuers (corporates, supranational and agency issuers). The required climate data are retrieved from an independent climate data provider, namely, Institutional Shareholder Services (ISS).

GHG emissions of sovereign issuers are measured separately for production and consumption. The latest available sovereign emissions data refer to 2023. In this regard, climate data for reference 2023 are used for the calculation of the climate metrics of sovereign issuers for the years 2023-2025. The use of identical emissions data for the calculation of climate metrics for consecutive years, ensures comparability, reflecting only the effect from varying portfolio allocation and disregarding possible decarbonisation efforts exerted by issuers.

Which are the two types of GHG emissions for sovereign issuers?[8]

- **Production** (or territory-based) **emissions** cover the emissions produced within the borders of a sovereign state, expressed in CO_2 equivalent. A distinction is made between production exclusive and inclusive of the land use, land-use change, and forestry (LULUCF) sector. Production emissions are self-reported by sovereigns.
- **Consumption** emissions are equal to emissions from production, less emissions from exports, plus emissions from imports. Consumption emissions are modelled by ISS.

GHG emissions of non-sovereign issuers (i.e. supranational, agency and corporate issuers) are categorised according to their type, as scope 1, 2 and 3. The latest available non-sovereign emissions data refer to 2024. In this regard, climate data for reference 2023 were used for the calculation of the climate metrics of non-sovereign issuers for the year 2023, while climate data for reference 2024 were used for the calculation of the climate metrics of non-sovereign issuers for the years 2024-2025.

Which are the three types (scopes) of GHG emissions for non-sovereign issuers?

- **Scope 1** refers to direct GHG emissions from sources owned or controlled by the company. Examples include emissions produced by company vehicles and from fuel burned in company owned heating systems.
- **Scope 2** concerns indirect GHG emissions from the generation of energy purchased by the company.
- **Scope 3** covers all indirect GHG emissions (not included in scope 2) arising in the company's value chain, including upstream emissions (e.g. linked to employee commuting or business travel) and downstream emissions (e.g. the use of products sold by the company as well as investments).

[8] Following the updated PCAF standard for the Financial Industry, this year's report no longer includes the government emissions of the central government.

Following the inclusion of scope 3 emissions for non-sovereign issuers related to total carbon emissions in last year's disclosures, this year's report includes additionally scope 3 relative metrics for non-sovereign issuers. As data quality issues continue to affect scope 3 emissions, scope 3 metrics are reported separately from scope 1 and scope 2 metrics[9].

5.3 Metrics

The exposure to climate risks of the CBC's NMPPs is measured through the calculation of a set of complementary and well-established climate metrics. In particular, the CBC publishes the following four metrics: (a) the total carbon emissions, (b) the weighted average carbon intensity (WACI), (c) the carbon footprint and (d) the carbon intensity. Their calculation follows recommendations of the TCFD and the PCAF. More details on the metrics are available in **Annex II.**

The above-mentioned metrics are published for all issuer types within its NMPPs alongside coverage data for each issuer type for the period 2023-2025. While data coverage remains limited in some instances due to lack of data, the presented metrics render a fair historical representation of the CBC's investments' carbon intensity.

Tables 1 and 2 show the above-described metrics for the CBC's NMPPs. Metrics are split by asset class and cover the most recent reporting period, namely, December 2025. Figures for previous years are set out in **Annex I[10].**

Table 1
Climate-related TCFD metrics for sovereign issuers in CBC's NMPPs for year-end 2025

		Sovereign issuers		
		Sovereign and sub-sovereign bonds		
		Production		Consumption
Metrics	Units	excl. LULUCF	incl. LULUCF	
Portfolio value	EUR billion nominal value	1,00		
Total carbon emissions	tCO_2e	153.410 *(100%)*	142.671 *(100%)*	179.153 *(100%)*
WACI	tCO_2e per EUR million PPP-adj. GDP, or per capita	153 *(100%)*	143 *(100%)*	9 *(100%)*
Carbon footprint	tCO_2e per EUR million invested	153 *(100%)*	143 *(100%)*	179 *(100%)*
Carbon intensity	tCO_2e per EUR million PPP-adj. GDP, or per capita	153 *(100%)*	143 *(100%)*	9 *(100%)*

Sources: ISS, World Bank, Bloomberg and CBC calculations.
Note: The figures in brackets below the results of the metrics indicate data coverage, expressed as a percentage of the investments for which all required data (i.e. emissions and financial data) are available.

[9] Aggregate metrics can be derived by summing scope 1 and 2 with scope 3 metrics.
[10] The climate metrics presented in Annex I for reference years 2024 and 2023 were recalculated using updated climate data. Any changes compared to the metrics presented in previous reports are due to improved data availability or retrospective revisions of issuers' emissions or financial data.

Table 2
Climate-related TCFD metrics for non-sovereign issuers in CBC's NMPPs for year-end 2025

			Non-sovereign issuers			
Metrics	**Units**	**Emissions type**	**Total**	**Supranational and agency bonds**	**Corporate bonds**	**Covered bonds**
Portfolio value	EUR billion nominal value		**0,77**	**0,47**	**0,05**	**0,25**
Total carbon emissions	tCO_2e	Scope 1+2 emissions	**1.535** *(92%)*	**34** *(79%)*	**1.411** *(98%)*	**90** *(94%)*
		Scope 3 emissions	**105.753** *(89%)*	**29.642** *(79%)*	**21.789** *(95%)*	**54.323** *(87%)*
WACI	tCO_2e per EUR million revenue	Scope 1+2 emissions	**11** *(99%)*	**4** *(97%)*	**145** *(100%)*	**1** *(100%)*
		Scope 3 emissions	**5.013** *(94%)*	**1.666** *(95%)*	**1.607** *(95%)*	**1.740** *(91%)*
Carbon footprint	tCO_2e per EUR million invested	Scope 1+2 emissions	**2** *(92%)*	**0,1** *(79%)*	**32** *(98%)*	**0,4** *(94%)*
		Scope 3 emissions	**836** *(89%)*	**83** *(79%)*	**506** *(95%)*	**247** *(87%)*
Carbon intensity	tCO_2e per EUR million revenue	Scope 1+2 emissions	**19** *(92%)*	**2** *(79%)*	**115** *(98%)*	**2** *(94%)*
		Scope 3 emissions	**4.512** *(92%)*	**1.606** *(79%)*	**1.778** *(98%)*	**1.129** *(94%)*

Sources: ISS, World Bank, Bloomberg and CBC calculations.
Note: The figures in brackets below the results of the metrics indicate data coverage, expressed as a percentage of the investments for which all required data (i.e. emissions and financial data) are available.

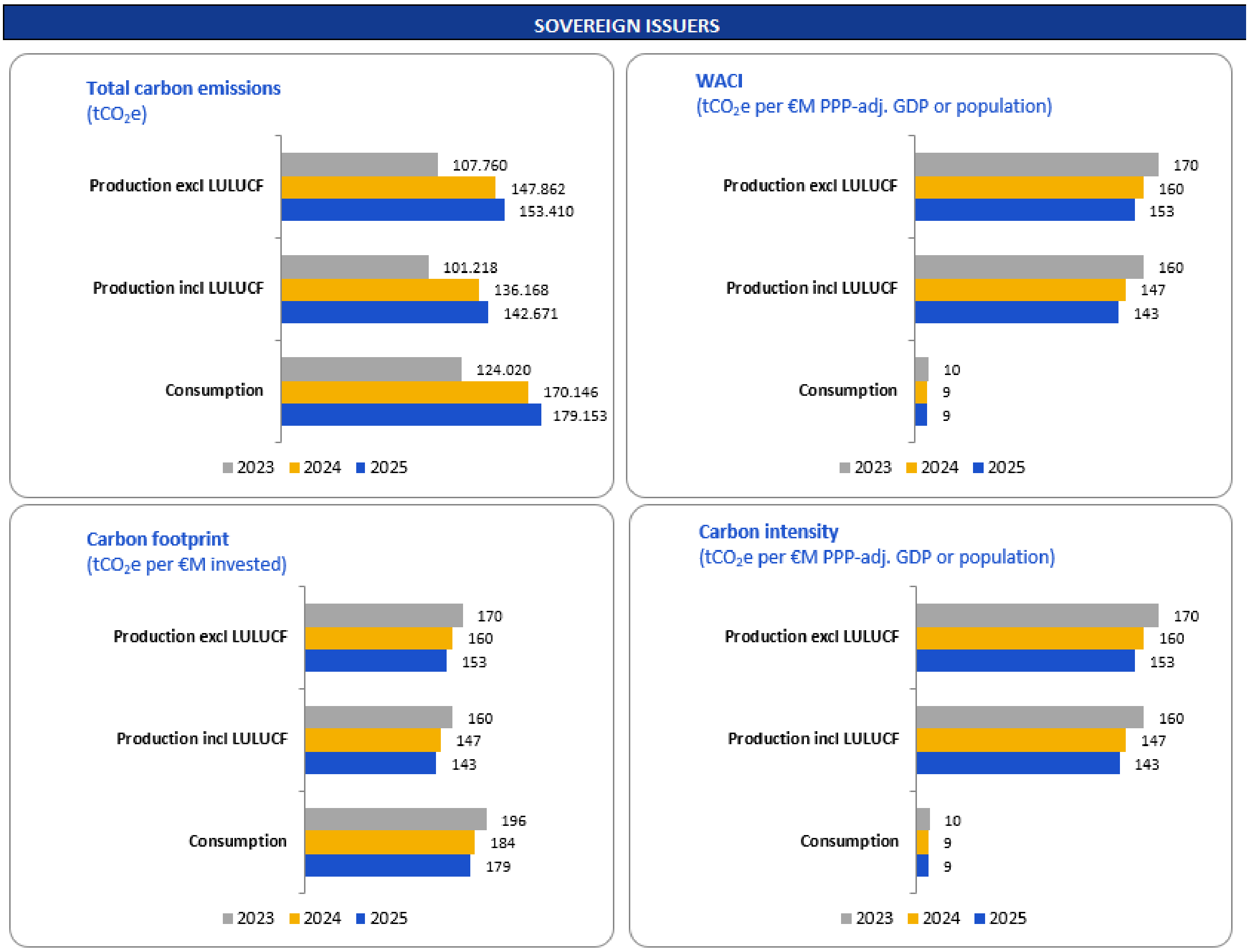
Sovereign emissions constitute by far the largest part of the CBC's NMPPs' carbon emissions. This is attributed to the NMPPs' large exposure to sovereign bond issuers vis-a-vis the low scope 1 and 2 emissions of supranational, agency and covered bond issuers due to their service-oriented nature of operations[11].

Charts 4 and 5 show a historical comparison of the respective climate metrics for sovereign and non-sovereign bonds held in EUR and foreign currency NMPPs.

While the total carbon emissions of sovereign issuers included in the CBC's NMPPs have increased during 2025 due to the increase of the total NMPPs, the relative metrics related to sovereign issuers have decreased, indicating a slightly better allocation to sovereign issuers.

[11] In contrast, their scope 3 emissions are more significant.

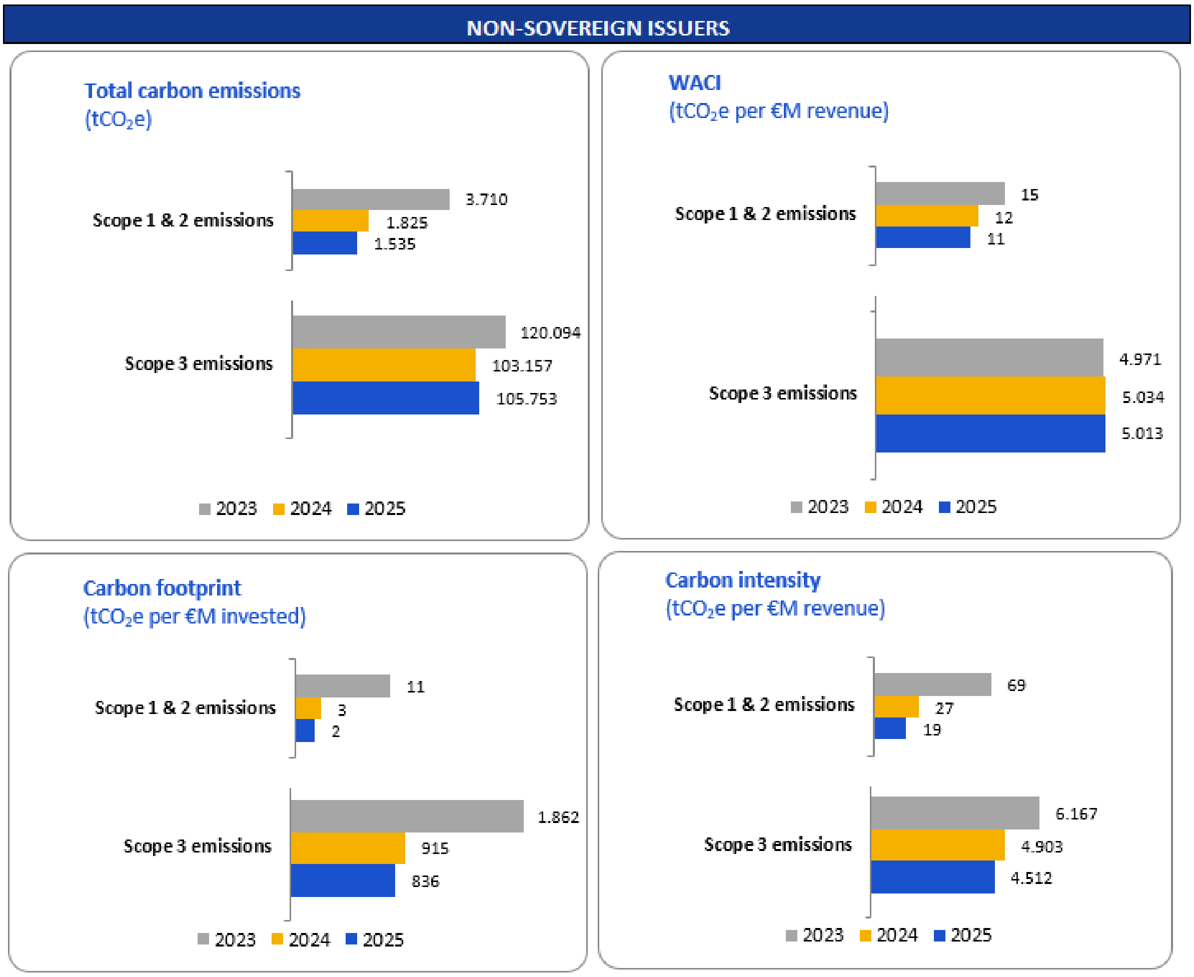
Chart 3:
Evolution of climate-related TCFD metrics in CBC's NMPPs - Sovereign Bonds 2023-2025



Sources: ISS, World Bank, Bloomberg and CBC calculations.

With respect to non-sovereign issuers, the CBC's carbon-related metrics have overall improved compared to 2024. Notwithstanding the increased level of investment in non-sovereign issuers during 2025, both absolute carbon emissions and all key relative carbon indicators - namely the Weighted Average Carbon Intensity (WACI), carbon footprint, and carbon intensity - associated with Scope 1 and Scope 2 emissions have declined. This development is primarily attributable to a more efficient asset allocation towards corporate issuers, which constitute the predominant source of emissions within the CBC's NMPPs. In addition, relative Scope 3 metrics have also recorded a decrease year-on-year. However, total Scope 3 emissions exhibited a marginal increase over the same period.

Chart 4:
Evolution of climate-related TCFD metrics in CBC's NMPPs – Non-Sovereign Bonds 2023-2025



Sources: ISS, World Bank, Bloomberg and CBC calculations.

Following the incorporation of SRI considerations in the IP&RCF in 2022, the share of Green, Social and Sustainability bonds[12] in the CBC's NMPPs has increased from 10% in 2023 to 15% in 2025, reaching €268 million by end-2025. Indicatively, the size of the solely green bond portfolio has increased by €38 million since the end of 2024 standing at €93 million by the end of 2025. Apart from the said portfolio, green bonds are held in other portfolios and in an externally managed green bond fund that the CBC holds a share.

[12] Based on ICMA's Green Bond Principles.

Chart 6 presents the evolution of Green, Social and Sustainable bonds in the CBC's NMPPs between 2023 and 2025. More details on the distribution of Green, Social and Sustainability bonds in CBC's NMPPs by issuer type, currency and maturity at end-2025 are presented in **Chart 7**.

Chart 5:
Evolution of Green, Social and Sustainability bonds in CBC's NMPPs over the period 2023-2025 in nominal value and percentage of total NMPPs

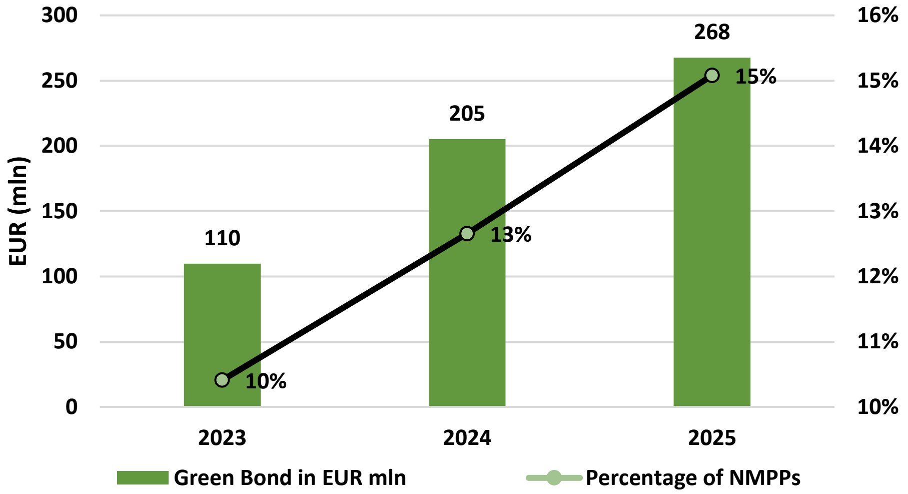
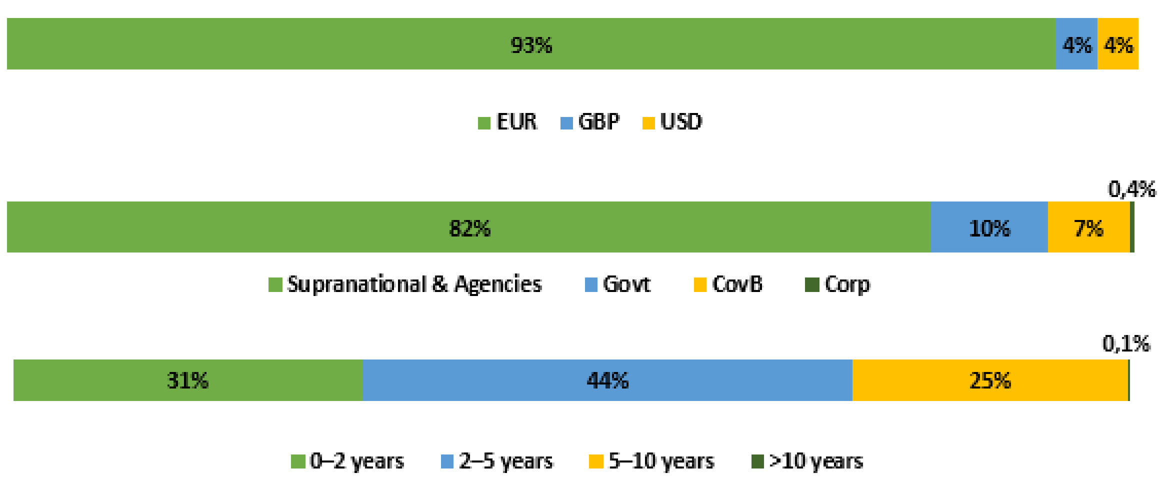


Chart 6:
Distribution of Green, Social and Sustainability bonds in CBC's NMPPs by issuer type, currency and maturity, as of end-2025



Additionally, **Table 3** presents the share of green bonds in the CBC's NMPPs as a percentage of each asset class for the years 2023-2025. It is evidenced that most green bonds included in the CBC's NMPPs belong to supranational and agency issuers, with their percentage being increased over the years 2023-2025.

Table 3
Green bond share (% of each asset class) for year-end 2025

	Total	Sovereign issuers	Non-sovereign issuers			
			Total	Supranational and agency bonds	Corporate bonds	Covered bonds
2023	10,4%	2,6%	44,5%	39,4%	2,3%	2,8%
2024	12,7%	3,1%	47,9%	40,0%	2,8%	5,2%
2025	15,1%	2,9%	56,2%	46,2%	2,6%	7,4%

5.4 Targets

Subject to the overarching principle of safety, the CBC aims to progressively decarbonize its NMPPs to a "net zero" target by 2050, in line with the goals of the Paris Agreement and the European climate neutrality objectives, as defined in the European Climate Law. It is recalled that the goal of the European Climate Law is for Europe's economy and society to become climate-neutral by 2050 and to limit the global temperature increase to well below 2°C, and, ideally, to keep it to 1,5°C, in line with the Paris Agreement goals.

In view of the long-term target, the CBC will seek to calibrate intermediate decarbonisation targets for its NMPPs, in line with each portfolio's policy objectives and constraints (if applicable) and closely monitor their progression. All in all, these targets will aim to progressively reduce each portfolios' carbon footprint, in a trajectory that facilitates the achievement of the long-term target. At the same, the CBC acknowledges that the achievement of the said long-term target heavily relies on governments' and eligible issuers' decarbonisation actions.

Lastly, in line with its commitment to promote a greener economy and reduce the carbon footprint of its NMPPs, the CBC will continue re-assessing its target related to the amount of green bonds to be held in its NMPPs on an annual basis.

Annex I

Historical climate metrics for NMPPs for year-end 2024

Metrics	Units	Sovereign issuers – Sovereign and sub-sovereign bonds – Production excl. LULUCF	Production incl. LULUCF	Consumption
Portfolio value	EUR billion nominal value	0,92		
Total carbon emissions	tCO_2e	**147.862** *(100%)*	**136.168** *(100%)*	**170.146** *(100%)*
WACI	tCO_2e per EUR million PPP-adj. GDP, or per capita	**160** *(100%)*	**147** *(100%)*	**9** *(100%)*
Carbon footprint	tCO_2e per EUR million invested	**160** *(100%)*	**147** *(100%)*	**184** *(100%)*
Carbon intensity	tCO_2e per EUR million PPP-adj. GDP, or per capita	**160** *(100%)*	**147** *(100%)*	**9** *(100%)*

Metrics	Units	Emissions type	Non-sovereign issuers – Total	Supranational and agency bonds	Corporate bonds	Covered bonds
Portfolio value	EUR billion nominal value		**0,70**	**0,41**	**0,05**	**0,24**
Total carbon emissions	tCO_2e	Scope 1+2 emissions	**1.825** *(93%)*	**19** *(83%)*	**1.757** *(98%)*	**49** *(86%)*
		Scope 3 emissions	**103.157** *(91%)*	**26.282** *(83%)*	**27.431** *(95%)*	**49.444** *(86%)*
WACI	tCO_2e per EUR million revenue	Scope 1+2 emissions	**12** *(99%)*	**2** *(96%)*	**149** *(100%)*	**1** *(100%)*
		Scope 3 emissions	**5.034** *(95%)*	**1.639** *(96%)*	**1.767** *(95%)*	**1.628** *(90%)*
Carbon footprint	tCO_2e per EUR million invested	Scope 1+2 emissions	**3** *(93%)*	**0,1** *(83%)*	**37** *(98%)*	**0,2** *(86%)*
		Scope 3 emissions	**915** *(91%)*	**80** *(83%)*	**595** *(95%)*	**239** *(86%)*
Carbon intensity	tCO_2e per EUR million revenue	Scope 1+2 emissions	**27** *(93%)*	**1** *(83%)*	**131** *(98%)*	**1** *(86%)*
		Scope 3 emissions	**4.903** *(93%)*	**1.556** *(83%)*	**2.053** *(98%)*	**1.294** *(86%)*

Sources: ISS, World Bank, Bloomberg and CBC calculations. Note: The figures in brackets below the results of the metrics indicate data coverage, expressed as a percentage of the investments (i.e. the market value of the investments/the market value of the portfolio) for which all required data (i.e. emissions and financial data) were available.

Historical climate metrics for NMPPs for year-end 2023

Metrics	Units	Sovereign issuers – Sovereign and sub-sovereign bonds – Production excl. LULUCF	Production incl. LULUCF	Consumption
Portfolio value	EUR billion nominal value	0,63		
Total carbon emissions	tCO_2e	**107.760** *(100%)*	**101.218** *(100%)*	**124.020** *(100%)*
WACI	tCO_2e per EUR million PPP-adj. GDP, or per capita	**170** *(100%)*	**160** *(100%)*	**10** *(100%)*
Carbon footprint	tCO_2e per EUR million invested	**170** *(100%)*	**160** *(100%)*	**196** *(100%)*
Carbon intensity	tCO_2e per EUR million PPP-adj. GDP, or per capita	**170** *(100%)*	**160** *(100%)*	**10** *(100%)*

Metrics	Units	Emissions type	Non-sovereign issuers – Total	Supranational and agency bonds	Corporate bonds	Covered bonds
Portfolio value	EUR billion nominal value		**0,42**	**0,22**	**0,05**	**0,15**
Total carbon emissions	tCO_2e	Scope 1+2 emissions	**3.710** *(94%)*	**62** *(78%)*	**3.635** *(99%)*	**13** *(81%)*
		Scope 3 emissions	**120.094** *(91%)*	**11.332** *(78%)*	**63.694** *(96%)*	**45.068** *(81%)*
WACI	tCO_2e per EUR million revenue	Scope 1+2 emissions	**15** *(98%)*	**2** *(91%)*	**120** *(100%)*	**1** *(100%)*
		Scope 3 emissions	**4.971** *(93%)*	**1.248** *(87%)*	**1.670** *(96%)*	**2.054** *(81%)*
Carbon footprint	tCO_2e per EUR million invested	Scope 1+2 emissions	**11** *(94%)*	**0,4** *(78%)*	**77** *(99%)*	**0,1** *(81%)*
		Scope 3 emissions	**1.862** *(91%)*	**70** *(78%)*	**1.414** *(96%)*	**379** *(81%)*
Carbon intensity	tCO_2e per EUR million revenue	Scope 1+2 emissions	**69** *(94%)*	**7** *(78%)*	**163** *(99%)*	**1** *(81%)*
		Scope 3 emissions	**6.167** *(94%)*	**1.287** *(78%)*	**2.859** *(99%)*	**2.021** *(81%)*

Sources: ISS, World Bank, Bloomberg and CBC calculations.
Note: The figures in brackets below the results of the metrics indicate data coverage, expressed as a percentage of the investments (i.e. the market value of the investments/the market value of the portfolio) for which all required data (i.e. emissions and financial data) were available.

Annex II

Climate risk metrics

The four main metrics which are used to measure the exposure of the CBC's NMPPs to climate risks are explained in detail below, while the calculation formulas are presented in the tables of **Annex III**.

1. ***Total Carbon Emissions (TCE):***

   The "*Total carbon emissions" metric* quantifies the absolute level of emissions of a portfolio, expressed in tons of CO_2 equivalent (tCO_2e), and serves as a foundation of related normalized metrics such as the "Carbon footprint" and the "Carbon intensity".

   All in all, the said metric, provides an "inside-out-perspective" (i.e. environmental materiality), which serves as proxy for a portfolio's environmental footprint and to perform portfolio attribution in terms of GHG emissions.

   It is noted that, due to its non-normalized nature, the metric's comparability across portfolios and time is limited, as it is largely driven by a portfolio's size. To overcome this shortcoming and to provide a more holistic and comparable view of a portfolio's GHG emissions, the "Carbon footprint" metric is also employed.

2. ***Weighted Average Carbon Intensity (WACI):***

   The "Weighted Average Carbon Intensity *(WACI)"* is one of the most widespread metrics used to indicate the level of carbon emissions of an investment or portfolio.

   Specifically, it measures a portfolio's (total) exposure to carbon-intensive issuers, expressed in tons of carbon dioxide equivalent (tCO_2e) [13] per EUR million revenue (or PPP adj. GDP or per capita).

   The carbon intensity of each issuer is computed by normalising their GHG emissions by a measure of economic activity (depending on issuer type). The portfolio WACI is then calculated by weighting the carbon intensity of each issuer by their respective share of holdings in the portfolio.

   The WACI delivers an "outside-in-perspective" (i.e. financial materiality), which serves as proxy for a portfolio's exposure to climate change-related transition risks. Fluctuations

[13] For sovereign issuers, scope 1 and 2 emissions are replaced by production and consumption emissions. As a result, the WACI for sovereign issuers is expressed using two different values, allowing this specific asset class to be comprehensively assessed. Production emissions for sovereign issuers are normalised to take into account the purchasing power parity (PPP) adjusted gross domestic product (GDP). Consumption emissions for sovereign issuers are normalised by population.

in the portfolio's WACI are driven by variations in the revenue, emissions and relative portfolio weight of each issuer. It should be noted that changes in revenue and relative portfolio weight may be caused by inflation or foreign exchange effects.

3. ***Carbon Footprint (CF):***

The "Carbon footprint" metric compares the "Total carbon emissions" with the current value of the portfolio. This normalisation allows for comparability across differently sized portfolios and across time. The metric is expressed in tons of CO_2 equivalent (tCO_2e) per EUR million invested.

4. ***Carbon Intensity (CI):***

The "Carbon intensity" metric measures a portfolio's "Total carbon emissions" relative to the issuer's revenue for non-sovereign issuers or the issuer's country PPP-adj. GDP or population. The metric is expressed in tons of CO_2 equivalent (tCO_2e) per EUR million revenue or PPP adj. GDP or per capita.

Annex III

1. Elements of the Eurosystem common disclosure principles for the "Metrics and targets" category

Element	Details
Weighted average carbon intensity (WACI)	$= \sum_{i=1}^{n} \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}}\right) \text{x} \left(\frac{\text{issuer's carbon emissions}_i}{\text{issuer's revenue or PPP-adj. GDP or population}_i}\right)$ ▪ Expressed in tCO_2e per EUR million revenue, or PPP-adj. GDP, or per capita.
Total carbon emissions	$= \sum_{i=1}^{n} \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC or PPP-adj GDP}_i} \text{x issuer's carbon emissions}_i\right)$ ▪ Expressed in tCO_2e.
Carbon footprint	$= \frac{\sum_{i=1}^{n} \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC or PPP-adj. GDP}_i}\right) \text{x issuer's carbon emissions}_i}{\text{current portfolio value}}$ ▪ Expressed in tCO_2e per EUR million invested.
Green bond share	Share of fixed-income portfolios based on ICMA's Green Bond Principles.
Aggregate share of sustainability, sustainability-linked and social bonds	Share of fixed-income portfolios based on ICMA's Sustainability Bond Guidelines, Sustainability-linked Bond Principles and Social Bond Principles.
Portfolio size	Expressed in EUR billions.
Asset classes	All asset classes of the portfolio, with metrics to be shown per asset class.
Data availability	Indicated in brackets as a percentage for each metric and asset class.
Emissions scope	Scope 1 and 2 emissions metrics, together with scope 3 (reported separately) subject to possible exemptions for some asset classes (covered bonds, supranational bonds and agencies).
Scope 3 emissions metrics' specifications	Most recent data on all non-sovereign asset classes included starting 2026 reports; additionally, historical record in the charts and text of the main report are limited to trends since 2023.
Data sources	Such as the names of the (climate) data providers.
Target	All Eurosystem members strive to ensure that the non-monetary policy portfolios under their management are on a path that supports the goals of the Paris Agreement and the EU's climate neutrality objectives as set out in the European Climate Law. Concretely, this consists in setting at least one broadly defined long-term target covering all NMPPs under management control of the central bank, that is aligned with the goals of the Paris Agreement and the EU's climate neutrality objectives. Targets can be set at portfolio level, central bank level, or a combination of both. Targets should ideally be quantitative, and long-term targets should ideally be enriched by interim targets.

2. Voluntary metrics

In addition to the elements of the Eurosystem common disclosure principles, the CBC publishes the carbon intensity metric, which is defined as:

Carbon Intensity	$= \frac{\sum_{i=1}^{n}\left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC or PPP-adj. GDP}_i}\right) \text{x issuer's carbon emissions}_i}{\sum_{i=1}^{n}\left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC or PPP-adj. GDP}_i}\right) \text{x issuer's revenue or PPP-adj. GDP or population}_i}$ ▪ Expressed in tCO_2e per EUR million revenue, or PPP-adj. GDP, or per capita.

Notes:

1. The formulae of the TCFD are provided here. For the Eurosystem disclosure framework, they have been adjusted where necessary to reflect the latest guidance from the PCAF and cover additional asset classes.
2. The current value of investment is calculated using nominal amounts for bond holdings.
3. The attribution of an issuer's total emissions is based on the issuer's EVIC, or PPP-adj. GDP for the "Total carbon emissions", "Carbon footprint" and "Carbon intensity" metrics. For more details on the attribution factors, refer to section 3 of Annex III below.
4. The normalisation of an issuer's total emissions is based on the issuer's revenue, or PPP-adj. GDP, or population for the "WACI" and "Carbon intensity" metrics. For more details on the normalisation factors, refer to section 3 of Annex III below.

3. Attribution and normalisation factors

Attribution

An attribution factor determines the proportion of an issuer's total emissions that can be theoretically "attributed" to a specific investor.

The standard attribution factor is calculated as $\frac{\text{current investment value}}{\text{attribution basis}}$, where the attribution basis varies depending on the asset class.

Asset class	Basis	Remarks	Unit
Sovereign bonds	**PPP-adjusted GDP**	GDP is the sum of gross value added by all resident producers plus any product taxes and minus any subsidies not included in the value of the products. The purchasing power parity (PPP) conversion factor is a spatial price deflator and currency converter that eliminates effects of differences in countries' price levels.	EUR
Supranational and agency bonds, Corporate bonds, Covered bonds	**EVIC**	The Enterprise Value Including Cash (EVIC) is the sum of the market capitalisation of ordinary shares at fiscal year-end, the market capitalisation of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests.	EUR

Normalisation

The normalisation factor represents the reference measure against which emissions are normalised, enabling fair comparisons across different securities, sectors, or time periods.

The standard normalisation factor is calculated as $\frac{\text{issuer's emissions}}{\text{normalisation basis}}$, where the normalisation basis varies depending on the issuer type.

Issuer type	Basis	Remarks	Unit
Corporate, Supranational and agency	**Revenue**	The total amount of income generated by the sale of goods and services related to the primary operations of the business. Commercial revenue may also be referred to as sales or as turnover.	EUR millions
Sovereign	For production emissions: **PPP-adjusted GDP**	See description of factor “PPP-adjusted GDP” in “Attribution”.	EUR millions
	For consumption emissions: **Population**	Total population of a country.	People

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