

2025 Climate-related financial disclosures of the BCL's non-monetary policy portfolios

June 2026

Contents

1. Introduction.....	3
2. Governance.....	4
2.1 Overall Governance and organisational structure	4
2.2 Governance related to non-monetary policy portfolios	5
3. Strategy	7
3.1 The BCL’s role in European and international fora on climate change	7
3.2 Strategy for non-monetary policy portfolios.....	8
4. Risk Management of non-monetary policy portfolios.....	9
5. Metrics and Targets	10
5.1 Metrics.....	11
5.1.1 EUR-denominated NMPPs	13
5.1.2 NMPPs denominated in Foreign Currencies (FX)	16
5.1.3 Green, Social and Sustainable Bonds.....	17
5.2 Targets	18
6. Appendix	19
6.1 Historical Figures.....	19
6.2 Formulas for GHG metrics	23
6.3 Carbon emissions allocation methods, normalization and attribution factors.....	24

1. Introduction

This report presents the BCL’s annual climate-related financial disclosures¹ of its non-monetary policy portfolios (NMPPs), which comprise the bank’s own funds investments and the staff pension fund.

Since 2023, the BCL publishes its climate disclosures report on an annual basis, in accordance with the applicable common Eurosystem minimum disclosure principles and methodologies. The Eurosystem disclosures are based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations² and the Partnership for Carbon Accounting Financials (PCAF) methodologies, while aiming to align more closely with the EU Corporate Sustainability Reporting Directive (CSRD). The BCL has also taken into due consideration the guidance provided to central banks by the Network for Greening the Financial System (NGFS), and classifies its investments in accordance with the International Capital Markets Association’s (ICMA) thematic bond principles.

The approaches and methodologies described in this report are based on the current best practices for greening central banks’ NMPPs and the data available at the moment of the report. They are subject to further analysis and evolve over time with new developments in the field of climate risk and sustainability. The BCL expects data availability and quality to improve over time, while metrics are also subject to methodological changes in accordance with the common Eurosystem stance. The results for the reporting year 2025 underline the BCL’s decarbonization efforts. This is evident in the gradual decarbonization of the bank’s NMPP holdings across sovereign and non-sovereign asset categories.

Table 1: Summary of the BCL’s main sustainable investment achievements

Reduction of the carbon footprint (production emissions) of government bond holdings from 2020 to 2025 by 47% overall.
Reduction of the carbon footprint (Scope 1 & 2) of corporate bond holdings from 2020 to 2025 by 87% overall.
Reduction of the carbon footprint (Scope 1 & 2) of equity investments from 2020 to 2025 by 93% overall.
Equity exposure consists entirely of ETFs tracking Paris-aligned Benchmarks.
Exclusion of issuers whose involvement in fossil fuels exceeds the thresholds set by the Paris-aligned Benchmark.
Over € 2,1 bn invested in green, social or sustainable bonds.

¹ Climate-related financial disclosures are from here on simply referred to as “disclosures” to improve readability.

² The Task Force on Climate-related Financial Disclosures was disbanded at the end of 2023, after which its recommendations were fully incorporated into the reporting standards of the International Sustainability Standards Board.

2. Governance

2.1 Overall Governance and organisational structure

The BCL's main task is to participate in the execution of the tasks of the European System of Central Banks (ESCB) / Eurosystem with a view to achieving its objectives.

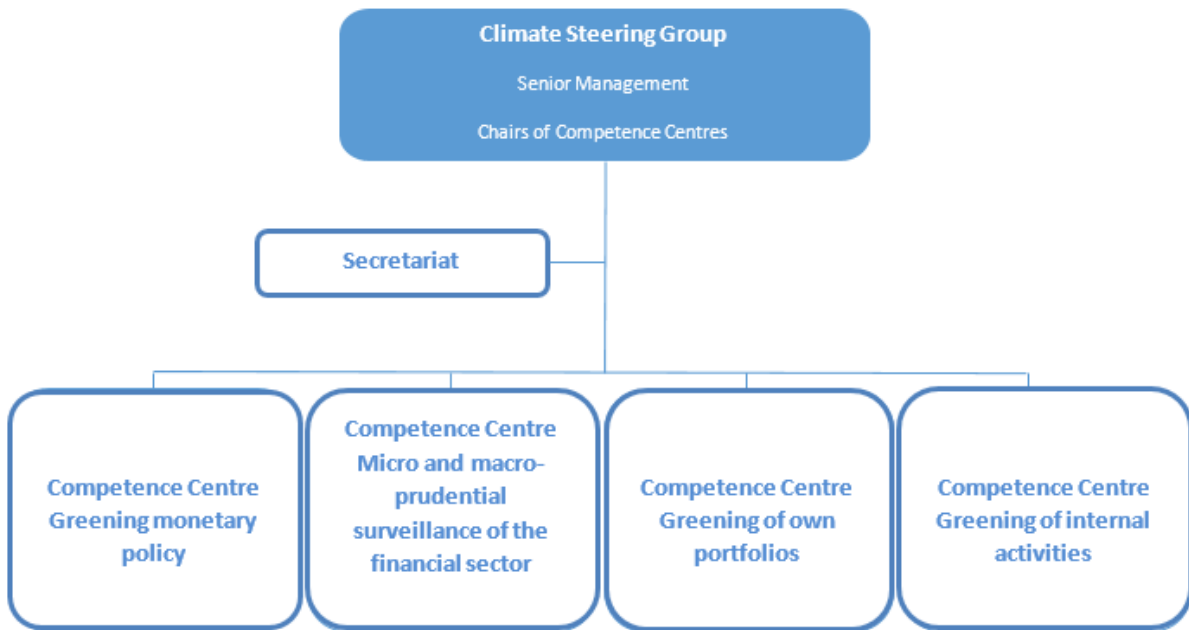
The primary objective of the ESCB / Eurosystem is to maintain price stability. Without prejudice to the objective of price stability, it shall support the general economic policies in the European Union ("Union") with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union.

With the primary objective to maintain price stability taking precedence, climate and nature-related considerations and risks are of relevance to the Eurosystem mandate, as reflected in updated the European Central Bank (ECB) Climate and Nature Plan for 2024-2025, which followed the climate-related action plan of 2021.

Within the limits of Article 127(5) of the Treaty on the Functioning of the European Union and Article 2(6) of its Organic Law, the BCL shall also contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.

To ensure effective coordination across the bank on climate-related topics, the BCL set up, in its organisation, a Climate Steering Group (CSG) in January 2022. The CSG involves BCL senior management as well as the president and secretary of each Competence Centre reporting to the CSG (see Chart 1). The CSG provides strategic guidance and centralises the work from the four Competence Centres on (1) Greening Monetary Policy, (2) Micro and Macro-prudential Surveillance of the Financial Sector, (3) Greening of own Portfolios, and (4) Greening of Internal Activities. The aim of this structure is to provide input to the BCL's decision making bodies and coordinate "climate action" in the various fields of the competence centres.

Chart 1: Climate Steering Group



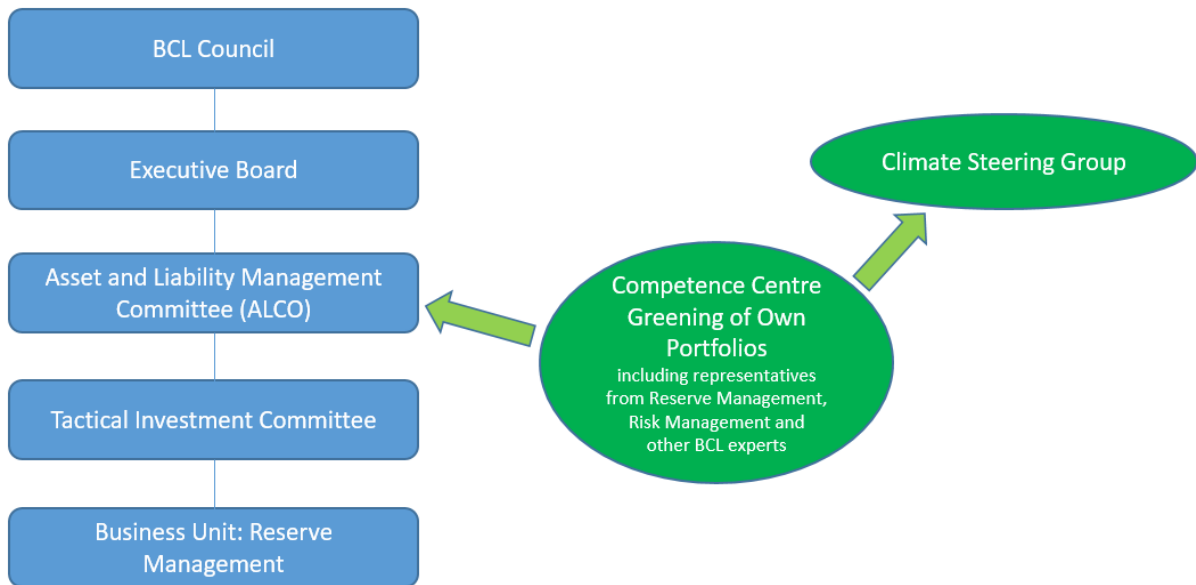
2.2 Governance related to non-monetary policy portfolios

Investments in the NMPPs of Eurosystem National Central Banks (NCB) and the ECB are managed under the responsibility of each NCB and the ECB. The BCL’s approach regarding its own investment policies for NMPPs is also guided by the common Eurosystem stance for identifying and monitoring climate-related risks in these portfolios.

In the area of NMPPs, the BCL has adopted an integrated approach for the governance of climate-related risks and opportunities, according to which climate change-related considerations are addressed within its existing governance structures.

Governance of the NMPPs is based primarily on the BCL’s asset management framework, which encourages an integrated investment process that supports and is fully aligned with the strategic goals of the central bank. The decision-making process related to the financial asset management of the BCL’s NMPPs is based on a multiple level structure (see Chart 2). All levels take decisions, within the limits of their responsibilities, on the basis of adequate information and regular reporting.

Chart 2: BCL's Investment governance of NMPPs, integrating sustainability considerations



With regard to the management of the NMPPs, the Council approves the investment policy guidelines, which establish and prioritise general investment principles and outline the approach to implement these principles. The Council also approves the general set-up of portfolios and management guidelines related to the BCL's NMPPs.

The Executive Board defines the general risk management framework for the NMPPs in accordance with the investment policy guidelines. In this respect, it approves the investment limits framework for the management of the NMPPs on an annual basis, which is prepared by the Asset and Liability Management Committee (ALCO).

The ALCO is a strategic investment committee that monitors the balance sheet of the BCL in relation to its investment capacities and examines potential investment opportunities related to the NMPPs and their risk profile (market, credit and liquidity risks, including climate-related risks). The ALCO defines the strategic asset allocation based on the investment universe available and the general risk management framework defined by the Executive Board. In addition, the committee sets strategic benchmarks that reflect the asset allocation. The ALCO receives input from the CSG Competence Centre responsible for the greening of own portfolios.

The Tactical Investment Committee is responsible for contributing to the management of the financial assets at a tactical level. The committee regularly monitors the evolution of the portfolios on a short-term basis and may propose deviations to the strategic asset allocation of the relevant portfolios by defining valid tactical benchmarks.

The Reserve Management unit is responsible for the implementation of the investment decisions while the Financial Risk Management is responsible for controlling the risks involved.

The Competence Centre for the greening of own portfolios provides experts input directly to the ALCO and reports to the CSG, ensuring a holistic integration of the responsible investment considerations into the bank's existing institutional structure for managing its NMPPs. This Competence Centre permanently includes representatives from Reserve Management and Risk Management and meets on a regular basis. The Competence Centre is in charge of reviewing the environmental, social and governance (ESG) characteristics of the BCL's portfolios and considering potential updates to the metrics and methodologies applied. Moreover, it also follows up on the Eurosystem stance regarding climate considerations in NMPPs and contributes to the discussions with the ESG data providers, aiming at improving data availability and quality. The Competence Centre prepares proposals to the ALCO for enhancing the investment process by incorporating sustainable and responsible investment considerations into the bank's strategic asset allocation for NMPPs. Final approval of the proposals resides with the Executive Board.

3. Strategy

3.1 The BCL's role in European and international fora on climate change

Climate change constitutes a major global challenge that necessitates a coordinated international response. The BCL has consistently supported both European and global initiatives aimed at enhancing the understanding and integration of climate- and nature-related risks. The BCL continues its engagement with the Network for Greening the Financial System (NGFS) - a global network of central banks and supervisory authorities that draws guidelines and promotes best practices on environmental and climate risk management in the financial sector. The Network regularly publishes reports and organizes events to disseminate its findings and foster dialogue on climate-related financial risks.

The analytical work of the NGFS is currently done in four workstreams, three task forces as well as three expert networks. The BCL participates in the workstreams on Supervision, Monetary Policy, Scenario Design and Analysis, and Net Zero for Central Banks, as well as in the Task Force on Capacity Building and Training, and in the two Expert Networks on Legal Issues and Research. International coordination -particularly through the NGFS- remains essential to ensure climate and nature risks are properly addressed.

In 2021, the BIS Innovation Hub established its Innovation Network to support its strategic priorities, facilitate knowledge sharing on technology projects, and explore innovative solutions to challenges relevant to central banks. The Network comprises six working groups, including one on green finance, of which the BCL is a member. Since 2023, the role of the working groups has evolved from primarily serving as discussion forums to functioning as structured support layers for project-based work. This transition reflects a broader shift in BIS innovation activities toward concrete outputs, including numerous pilot projects and proofs of concept. In the area of green finance, this has involved initiatives focused on climate-related financial risks, environmental data analytics, and tools to support sustainable finance monitoring.

Since the ECB initiated its climate action plan in 2021, the BCL, as a member of the Eurosystem, has actively participated in these preparatory works and action plan. The BCL is a member of the Eurosystem Climate Change Forum (ECCF) - a voluntary network promoting effective ways of collaboration within the Eurosystem on climate change and nature-related knowledge. Through regular dialogue, the ECCF members root out common problems and come up with coordinated solutions that facilitate climate and nature-related work and advance climate-related goals across central banks.

In January 2024, the ECB published its updated Climate and Nature Plan for 2024–2025, which builds upon the previous action plan of 2021 and expands the scope to include nature-related risks. The updated plan aims to assess green investment needs, analyse transition risks, and advance macroeconomic modelling to incorporate climate aspects. It also focuses on integrating climate change impacts into climate scenarios, improving data availability for physical risk analysis, and exploring the economic and financial implications of biodiversity loss and the degradation of nature.

3.2 Strategy for non-monetary policy portfolios

The main objectives of the investment policy are to generate a stable income and to ensure, over the long term, a return that takes into account capital preservation and liquidity considerations. Climate change-related extreme weather events and the transition towards a low-carbon economy may affect the valuation of financial assets held in BCL's NMPPs. Consequently, the management of climate-related risks is acknowledged as a key element of the BCL's risk management framework and its broader investment process. Sustainability aspects are integrated in three main blocks.

i. Climate - Carbon Footprint

Climate change is relevant to the management of the BCL's NMPPs as the physical effects of climate change and the transition to a net-zero economy may create financial risks with adverse economic consequences, which could affect the safety of the bank's own funds' investments.

The BCL follows an integrated approach, monitoring climate risks as part of the overall risk management process, whereby climate risks do not form a new risk category but are assessed as an amplifying factor of existing categories such as credit, market and liquidity risk. As such, environmental sustainability aspects are embedded within the existing investment objectives.

The BCL aims to mitigate climate-related risks by gradually aligning its own investments with the EU's long-term climate neutrality objective in support of the Paris Agreement. Reducing the GHG emissions associated with its NMPPs is the main focus of the BCL's strategy. GHG emissions in tons per million EUR invested is used as reference indicator as it allows for comparisons of portfolios with different sizes over time.

ii. ESG - Impact Investing

Beyond its support for the fight against climate change, the bank has been increasingly incorporating ESG criteria in its own investment process. The BCL's strategy for sustainable investment involves increasing its holdings in so-called green bonds or other sustainable and socially responsible debt instruments. Investing in green bonds may indirectly contribute to lower physical and transition risks by supporting issuers on their trajectory aiming at a more sustainable environment.

iii. ESG - Negative Screening

Since the beginning of 2024, the BCL applies a negative screening strategy for a set of pre-defined exclusion criteria, applicable across all non-monetary-policy-related corporate bond and equity investments³. The introduced exclusion criteria are inspired by the minimum standards for EU Paris-aligned Benchmarks.⁴ In accordance with these benchmarks, investments (either in the form of bonds or equities) exclude companies found to be involved in any activities related to controversial weapons, in the cultivation or production of tobacco, as well as violators of the United Nations Global Compact principles or the Organisation for Economic Cooperation and Development Guidelines for Multilateral Enterprises. In addition to the aforementioned criteria, investments in corporates also exclude fossil fuel companies in the coal, oil, and gas industries, thereby further supporting the pre-defined decarbonisation strategy.

4. Risk Management of non-monetary policy portfolios

The BCL's NMPPs are exposed to climate risks, which might lead to adverse outcomes in the event of a gradual change in risk factors or a climate shock. Transition risks and physical risks are distinguished. Transition risks concern the likelihood and impact of negative economic consequences of the transition to a carbon-neutral economy. Physical risks, by contrast, concern the likelihood and impact of severe weather events or natural disasters occurring.

The bank actively identifies, assesses and manages the exposure of its NMPPs to climate-related risks. Climate risks are integrated into the risk management process in a bottom-up approach where they are assessed as an amplifying factor of existing financial risk categories.

The BCL integrates climate-change related risks of its NMPPs across the entire risk management cycle, ensuring a prudent and quantifiable risk measurement. In order to develop a thorough understanding of the potential impact of climate change on its NMPPs, the exposure to climate risk is monitored using specific metrics such as emissions data. According to both qualitative and quantitative assessments, the climate-related risks to which the NMPPs are exposed to are currently considered to have a minor short-term impact on existing financial risks.

³ To implement these exclusions, the BCL relies on the data provided by MSCI.

⁴ Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 – Article 12 (1)

5. Metrics and Targets

High levels of data availability and quality are essential for calculating reliable and relevant climate metrics. The common independent climate data provider of all the Eurosystem central banks is Institutional Shareholder Services (ISS). The Eurosystem promotes transparent disclosures aimed at providing the most relevant and accurate information available. To this end, the Eurosystem regularly discusses improvements in data availability and quality with policymakers and climate data providers. Therefore, the BCL expects data availability and quality to improve over time, while metrics are subject to methodological changes in accordance with the common Eurosystem stance.

The BCL reports and analyses metrics for supranational, agency and corporate issuers based on issuers' scope 1, 2, and 3 emissions. The underlying issuer emissions are partly self-reported by issuers and partly modelled by the data providers. The GHG Protocol⁵ defines scope 3 emissions as all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 typically represents the largest emissions category for the majority of companies. However, corporate disclosure of scope 3 emissions has proven to be significantly less prevalent when compared to the disclosure of scope 1 and 2 emissions, as data from corporate value chains are less available and not directly controlled by the company. The scope 3 data for supranational issuers and agencies is almost entirely based on modelled emissions by ISS. On the corporate side, more self-reported data is already available and coverage is expected to increase in the near future in response to regulatory disclosure requirements. Against this background, quality issues affecting scope 3 emissions data continue to limit their reliability and comparability over time. These quality issues include (i) the intrinsic estimation uncertainty and (ii) methodological divergences of estimations between different data providers and across time. The Eurosystem seeks to promote higher levels of transparency with its disclosure of scope 3 metrics and considers it important that issuers continue to expand their reporting of material scope 3 data.

In light of these data shortcomings, scope 3 emissions for BCL's NMPPs are presented separately from scope 1 and 2 emission metrics.

⁵ <https://ghgprotocol.org/>

Table 2: Definitions of GHG emissions types

Issuer type	Emissions	Definition
Corporate	Scope 1, 2 & 3 emissions	Scope 1 comprises direct carbon emissions that occur from sources that are controlled or owned by an organisation (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles). Scope 2 comprises indirect carbon emissions associated with the purchase of electricity, steam, heat, or cooling. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
Supra & Agency		
Sovereign	Production emissions	Emissions produced domestically within a country's physical borders, including domestic consumption and exports. This definition follows the territorial emissions approach adopted by United Nations Framework Convention on Climate Change (UNFCCC) for annual national inventories.
	Production emissions incl. LULUCF	Production emissions, as defined above, adjusted for the impact of human activities on carbon sinks through Land Use, Land-Use Change and Forestry (LULUCF).
	Consumption emissions	Emissions related to domestic demand, accounting for trade effects. This metric provides a broader view of a sovereign's emissions and tackles the issue of carbon leakage that arises due to production shifts from countries where goods are consumed later.

5.1 Metrics

In 2020, the BCL started monitoring the induced GHG emissions of its own investments. The emissions data consider the total amount of GHG emissions released into the atmosphere as a result of the activities of a particular organisation, community or individual and are measured in carbon dioxide equivalents (CO₂e).⁶ In the context of the common stance for climate change-related sustainable investments in NMPPs, three metrics are considered.

- i. The *Weighted Average Carbon Intensity (WACI)* measures a portfolio's exposure to issuers' carbon intensity. The emissions of each issuer are normalized with a measure of economic activity and then weighed by their respective share of holdings in the investment portfolio. The TCFD endorsed this metric in its final recommendations report. Since issuers with higher carbon intensity are likely to be more exposed to carbon related market and regulatory risks, this metric delivers an "outside-in-perspective" (i.e. financial materiality) serving as proxy for a portfolio's exposure to climate transition risk. Data normalization allows for broad comparability relative to other portfolios and benchmarks.

⁶ Carbon dioxide equivalent (or CO₂e) is a metric measure used to compare the emissions from various greenhouse gases on the basis of their global-warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential.

- ii. The *Total Carbon Emissions* measure the absolute emissions associated with a portfolio, expressed in tons of CO_{2e}. Issuer emissions are allocated to investors based on an ownership approach weighting the investor's contribution to the issuer's total capital structure (e.g. equity, debt, etc.). This metric delivers an "inside-out-perspective" (i.e. environmental materiality) and serves as proxy for a portfolio's environmental impact. The metric is widely applied across the financial industry. On the downside, the metrics' cross-portfolio and cross-time comparability is limited due to the absence of normalization for portfolio size.
- iii. The *Carbon Footprint* measures the total emissions, as described above, normalized by the portfolio value. Comparability is ensured by dividing by the portfolio's size and expressing the carbon footprint in tons of CO_{2e} per EUR million invested.

The various asset classes require different treatment in terms of emissions attribution and normalization. Any change in the relative contribution of each asset class will influence the portfolio metrics. Hence, from a climate risk management perspective, it is of utmost importance to monitor climate metrics evolution for each asset class.

The emissions of corporates, supranational and agencies are attributed to the securities based on the issuers' enterprise value including cash (EVIC) for the total carbon emissions and carbon footprint, while they are normalized by revenue for the WACI calculation.

Sovereign issuers' emissions are attributed to the government bonds using Purchasing Power Parity (PPP) adjusted Gross Domestic Product (GDP) to evaluate the total carbon emissions and the carbon footprint. To compute the WACI, production and consumption emissions are normalized by PPP adjusted GDP and population respectively. The formulas for the three metrics and further information on the applied emissions allocation methods, normalisation and attribution factors are provided in the appendix.

Sovereign issuers' production emissions are reported both including and excluding the effects of Land Use, Land-Use Change and Forestry (LULUCF). Plants and soil can serve as a carbon sink by absorbing more carbon from the atmosphere than they emit. Since GHG emissions cannot be entirely eliminated, such carbon removals are essential to reach climate neutrality.

For the interpretation of the trends observed, it is important to consider that the variation in climate metrics over time are influenced by macroeconomic, company-specific and BCL portfolio specific factors, but also the increasing availability of data.

Whenever possible, the metrics are calculated using holdings, emissions and financial data for the same reference year. Due to the unavailability of climate data for the more recent cut-off dates, there is a time lag between the portfolio holdings and the underlying data. For this reason, emissions data from 2024 have been applied to non-sovereign holdings for 2024 and 2025, while data from 2023 have been applied to sovereign holdings for 2023 to 2025. The respective climate metrics are hence restated in subsequent disclosure reports as the revised data become available, in line with the common Eurosystem methodology. Following this logic, this report presents updated metrics for non-

sovereign assets for the years 2023 and 2024 and for sovereign assets for the years 2022 and 2023, which are different from the metrics presented for these years in the June 2025 report. Although this approach may add to the complexity for the interpretation of the trends observed, it is an essential step to ensure high quality time series of data after several disclosure rounds.

Metrics are based on reported emissions (by the company itself) or, when reporting is not available or incomplete, on estimated emissions. The tables presented in the following chapters show the percentage of investments in each portfolio for which these data were available.

Additional climate metrics such as the share of green, social and sustainable bonds complete the overview provided by the GHG metrics. These specific bonds comply with the 2021 Green Bond Principles, the 2021 Social Bond Principles and the 2021 Sustainability Bond Guidelines published by the International Capital Market Association. The assessment made by external data providers is performed at issue level, based on the use of proceeds, and does not provide an appreciation of the sustainability of the issuer. Sustainable bonds have a combination of green and social activities as eligible projects.

GHG metrics as well as the proportion of green, sustainable and social bonds are reported regularly to the bank's investment committees to inform about the progress on the key elements of the portfolios' sustainable investment strategies. In collaboration with other Eurosystem central banks and external data providers, the BCL strives to further improve coverage, address data quality concerns and continues its research in this domain. The idea is to gradually expand the responsible investment strategies pursued in the NMPPs with respect to portfolio specific objectives and constraints, thereby adopting a more granular approach to identifying sustainability-related risks and opportunities.

5.1.1 EUR-denominated NMPPs

The tables below present the WACI, the total carbon emissions and the carbon footprint of the BCL's euro denominated NMPPs, including the assets related to BCL's legal pension liabilities (1st pillar of the Luxembourgish pension system), as of 31 December 2025, comprising a mix of sovereign, supranational, agency and corporate bonds, as well as equity holdings. Historical figures since 2020 are available in the appendix.

In 2025, the BCL's own investments increased substantially from their 2024 levels, which led to higher carbon emissions in absolute terms. However, relative GHG measures, such as the WACI and the carbon footprint, that are independent of portfolio size, improved compared to 2024 for almost all categories. Meanwhile, the 2024 figures were revised downwards following the latest update to the GHG data.

Table 3: Climate-related metrics for sovereign issuers in the BCL’s EUR-denominated NMPPs for year-end 2025

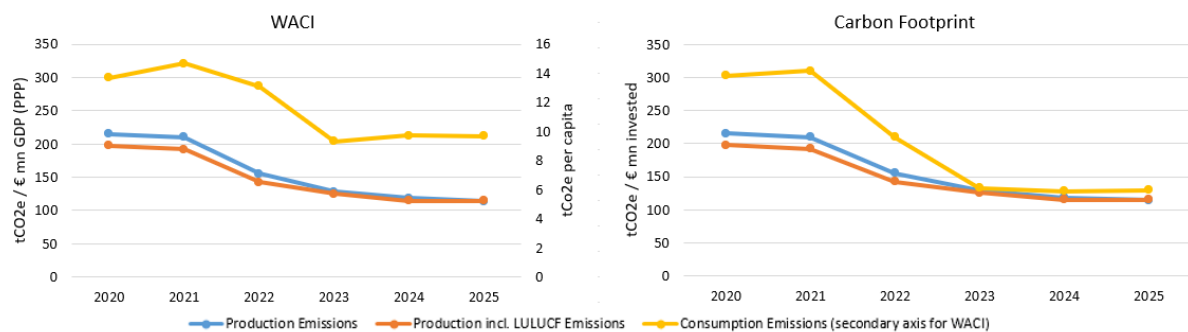
Euro-denominated NMPPs	Sovereign		
	Production	Production incl. LULUCF	Consumption
Portfolio size (€ mn)	1 777		
Weighted average carbon intensity (tCO ₂ e / € mn GDP or per capita)	114 (99%)	115 (99%)	10 (99%)
Total carbon emissions (tCO ₂ e)	204 060 (99%)	204 983 (99%)	231 621 (99%)
Carbon footprint (tCO ₂ e / € mn invested)	114 (99%)	115 (99%)	130 (99%)
Green Bonds Share	9%		
Sustainable Bonds Share	4%		
Social Bonds Share	0%		

Sources: Institutional Shareholder Services, Bloomberg, World Bank, BCL calculations

Note: The percentages in the brackets below the metrics represent data availability, calculated as the percentage of investments for which all required data (i.e. emissions data and financial data) is available. The Portfolio size evaluates the investments in line with the accounting rules used in the official annual accounts, whereas the calculations of WACI, total carbon emissions and carbon footprint are based on the nominal value for bonds and on market value for equities. The green, social and sustainable bond shares are also based on nominal amounts.

The carbon footprint in terms of production emissions of sovereign bond holdings in EUR-denominated NMPPs was ca. 3% lower at year-end 2025 than at year-end 2024, but remained stable when considering the effects of LULUCF. The WACI calculated with production emissions shows the same evolution as the carbon footprint because both metrics use PPP-adjusted GDP in the denominator. They are therefore equivalent. The WACI and the carbon footprint based on consumption emissions remained broadly unchanged in 2025 compared to the previous year.

Chart 3: Sovereign Bonds’ WACI and Carbon Footprint Evolution of the BCL’s EUR-NMPPs



Shifting sovereign bond investments towards less carbon-intensive economies has resulted in rapid progress in decarbonization. With all the most recent figures calculated using 2023 emissions data, the flattening trend reflects stabilizing portfolio structures. The actual decarbonization of the individual countries will only be determined once the 2024 and 2025 emissions data become available.

Table 4: Climate-related metrics for non-sovereign issuers in the BCL's EUR-denominated NMPPs for year-end 2025

Euro-denominated NMPPs		Non-sovereign				
		Total	Supranational & agency bonds	Corporate bonds	Covered bonds	Equities
Portfolio size (€ mn)		4 328	3 355	459	341	173
Weighted average carbon intensity (tCO ₂ e / € mn revenue)	Scope 1+2	3 (85%)	<1 (82%)	12 (99%)	<1 (71%)	21 (100%)
	Scope 3	2 436 (85%)	2 812 (82%)	873 (99%)	2 422 (71%)	523 (100%)
Total carbon emissions (tCO ₂ e)	Scope 1+2	4 036 (84%)	65 (82%)	3 324 (99%)	22 (71%)	625 (100%)
	Scope 3	668 208 (84%)	474 928 (82%)	75 304 (99%)	99 383 (71%)	18 593 (100%)
Carbon footprint (tCO ₂ e / € mn invested)	Scope 1+2	1 (84%)	<1 (82%)	7 (99%)	<1 (71%)	4 (100%)
	Scope 3	181 (84%)	170 (82%)	163 (99%)	404 (71%)	107 (100%)
Green Bonds Share		21%	23%	19%	6%	N/A
Sustainable Bonds Share		16%	20%	0%	0%	N/A
Social Bonds Share		7%	5%	7%	19%	N/A

Sources: Institutional Shareholder Services, Bloomberg, World Bank, BCL calculations

Note: The percentages in the brackets below the metrics represent data availability, calculated as the percentage of investments for which all required data (i.e. emissions data and financial data) is available. The Portfolio size evaluates the investments in line with the accounting rules used in the official annual accounts, whereas the calculations of WACI, total carbon emissions and carbon footprint are based on the nominal value for bonds and on market value for equities. The green, social and sustainable bond shares are also based on nominal amounts.

The WACI and carbon footprint of the supranational and government-related agency bonds remained at low levels of scope 1 and 2 emissions, reflecting the service-oriented character of the activities of these entities. The majority of emissions associated with these issuers are categorised as scope 3 emissions. Including also the latter scope, the carbon footprint decreased by 7% from year-end 2024 to year-end 2025, while the decline in the WACI was less pronounced (-2%).

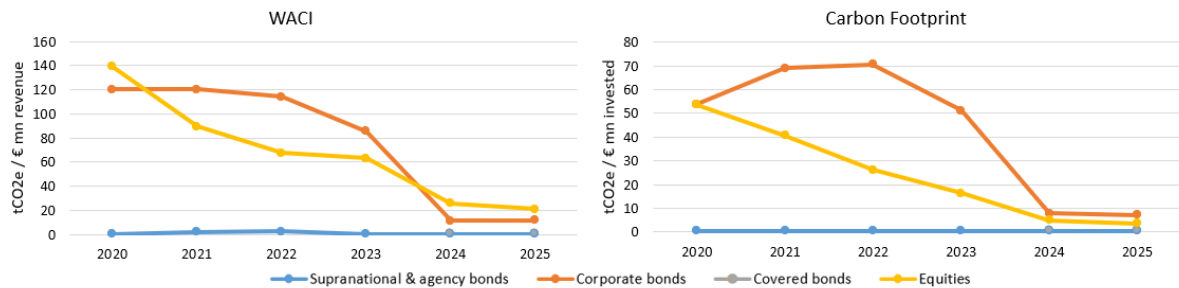
The exposure to private-sector corporate bonds increased further in 2025 by ca. € 81 mn. Considering scope 1 & 2 emissions, the 2025 WACI and carbon footprint stabilized at very low levels, following the sharp drop of the previous year. The WACI increased slightly from 11 to 12 tCO₂e / € mn revenue whereas the carbon footprint declined from 8 to 7 tCO₂e / € mn invested. A first evaluation of the associated emissions falling under scope 3 showed a WACI of 873 tCO₂e / € mn revenue at year-end 2025, down from 1049 tCO₂e / € mn revenue the prior year, and a carbon footprint decreasing from 180 tCO₂e / € mn invested in 2024 to 163 tCO₂e / € mn invested in 2025.

The BCL also increased investments in covered bonds. In line with the common Eurosystem approach, the BCL's GHG metrics relative to the covered bonds are based on the GHG emissions associated with the issuer instead of the cover pool. Consequently, there is no difference in GHG metrics between a secured and an unsecured bond from the same issuer. Still, covered bond's GHG metrics are reported separately from regular corporate bonds. The GHG emission associated with these issuers fall almost entirely under scope 3, which is typical for financial institutions. A first assessment in 2025 of the WACI with all direct and indirect emissions was evaluated at ca. 2423

tCO₂e / € mn revenue. The respective carbon footprint amounted to 404 tCO₂e / € mn invested at year-end 2025.

The equity allocation consists of investments in Exchange Traded Funds (ETFs) tracking Paris-aligned benchmarks⁷, in line with the BCL’s decarbonisation investment strategy. As defined in the EU Benchmarks Regulation, Paris-aligned benchmarks follow a pre-defined decarbonisation path and apply a combination of norms-based and activity-based exclusions related to coal, oil and gas. As a result, the BCL’s equity exposure continued decarbonizing across all metrics. As of year-end 2025, the WACI with scope 1 and 2 emissions declined from 26 to 21 tCO₂e / € mn revenue and the carbon footprint was 28% lower compared to the previous year’s value. Metrics based on scope 3 emissions also declined with the WACI and carbon footprint falling 24% and 37% respectively.

Chart 4: Non-Sovereign Bonds’ WACI and Carbon Footprint Evolution of the BCL’s EUR-NMPPs (Scope 1 and 2 emissions)



Overall, the GHG metrics of BCL’s non-sovereign investments stabilised at low levels in 2025, following the rapid progress towards decarbonisation in recent years. This was achieved by substantially increasing investment in less carbon-intensive issuers.

5.1.2 NMPPs denominated in Foreign Currencies (FX)

In 2025, the assets allocated to foreign currency denominated assets are exclusively invested in green bonds, issued by supranational and government-related agencies. The associated WACI and carbon footprint were driven almost entirely by scope 3 emissions, while the scope 1 & 2 emissions’ contribution was marginal.

⁷ Based on MSCI Inc. (MSCI) assessment.

Table 5: Climate-related metrics for non-sovereign issuers in the BCL’s FX-denominated NMPPs for year-end 2025

FX-denominated NMPPs		Non-sovereign Supranational & agency bonds
Portfolio size (€ mn)		33
Weighted average carbon intensity (tCO2e / € mn revenue)	Scope 1+2	1 (44%)
	Scope 3	1 507 (44%)
Total carbon emissions (tCO2e)	Scope 1+2	<1 (44%)
	Scope 3	363 (44%)
Carbon footprint (tCO2e / € mn invested)	Scope 1+2	<1 (44%)
	Scope 3	25 (44%)
Green Bonds Share		100%
Sustainable Bonds Share		0%
Social Bonds Share		0%

Sources: Institutional Shareholder Services, Bloomberg, BCL calculations

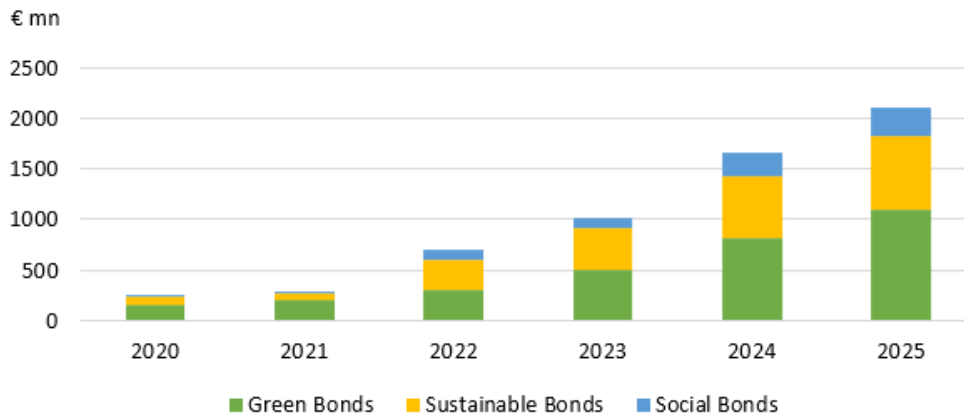
Note: The percentages in the brackets below the metrics represent data availability, calculated as the percentage of investments for which all required data (i.e. emissions data and financial data) is available. The Portfolio size evaluates the investments in line with the accounting rules used in the official annual accounts, whereas the calculations of WACI, total carbon emissions and carbon footprint, as well as the green, social and sustainable bond shares are based on the nominal value.

5.1.3 Green, Social and Sustainable Bonds

Since 2019, the BCL has increasingly invested in green, social and sustainable bonds. In 2024, the BCL made a strategic investment in the BIS euro-denominated green bond fund for central banks, with a view to further expand its sustainable investment strategy. The fund focuses on renewable energy production, energy efficiency and other environmentally friendly projects. According to BIS calculations as of September 2025, the environmental impact of the fund corresponded to an estimated level of avoided emissions of 52 169 tCO2e per € 100 mn invested. The BIS green bond fund initiative facilitates the integration of environmental sustainability objectives within central banks, thereby complementing the BCL’s direct acquisitions of green bonds.

Holdings of thematic bonds have increased by ca. € 446 mn to over € 2,1 bn across all NMPPs at the end of 2025 compared to the previous year. Similar to previous years, green bonds remained the predominant category, accounting for more than half of the BCL’s labelled thematic bonds. Nonetheless, investments progressed across the three categories in 2025 with green, social and sustainable bond holdings advancing by respectively 34%, 17% and 21% compared to their levels at year-end 2024. The chart below shows the evolution of the green, social and sustainable bond holdings over time.

Chart 5: Green, Sustainable and Social Bonds in the BCL's NMPPs



While the presence of such instruments among government bonds remained negligible, nearly half of supranational and agency bonds across EUR- and FX-denominated NMPPs had either a green, social or sustainable bond label. About 26% of the secured and unsecured corporate bond holdings were either green or social bonds as of year-end 2025.

Holding bonds that are labelled green, social or sustainable does not have an immediate impact on the portfolio's carbon footprint as GHG emissions are collected at issuer level without considering any specific characteristics of a bond's use of proceeds. Nevertheless, such instruments are an integral part of BCL's ESG strategy as they support the issuers' transition towards a low-carbon economy by providing targeted financing to projects with positive environmental and social impacts.

5.2 Targets

The 2016 Paris Agreement committed to keep the rise in mean temperatures well below 2°C and aiming for 1.5°C above pre-industrial levels.⁸ In accordance with the assessment provided by the Intergovernmental Panel on Climate Change (IPCC), GHG emissions need to be at 'net zero' by 2050 to keep global warming at 1.5°C.⁹ Net zero refers to achieving an overall balance between GHG emissions produced and those taken out of the atmosphere.

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. In this context, the BCL aims to gradually decarbonise its own fund investments and targets an alignment with the objectives of the Paris Agreement to the extent possible. The BCL's long-term and intermediary targets will be refined

⁸ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

⁹ <https://www.ipcc.ch/sr15/chapter/spm/>

over time, from a qualitative and quantitative perspective, along with the growing experience, better data availability and methodological improvements.

6. Appendix

6.1 Historical Figures

Table 6: Portfolio Size of the BCL's NMPPs

EUR-NMPPs	Sovereign and Sub-sovereign Issuers	Non-sovereign Issuers			
		Supranational & agency bonds	Corporate bonds	Covered Bonds	Equities
Portfolio Size (€ mn)					
2025	1 777	3 355	459	341	173
2024	1 087	2 963	378	225	152
2023	679	1 745	164	0	113
2022	142	1 030	122	0	84
2021	228	154	164	0	123
2020	238	268	198	0	89

FX-NMPPs	Sovereign and Sub-sovereign Issuers	Non-sovereign Issuers
		Supranational & agency bonds
Portfolio Size (€ mn)		
2025	0	33
2024	0	9
2023	14	181
2022	33	190
2021	28	178
2020	31	151

Table 7: GHG metrics of sovereign and sub-sovereign bonds in the BCL's NMPPs

EUR- NMPPs	Sovereign Issuers		
	Sovereign and sub-sovereign bonds		
	Production	Production incl. LULUCF	Consumption
WACI (tCO2e / € mn GDP or per capita)			
2025	114 (99%)	115 (99%)	10 (99%)
2024	118 (99%)	115 (99%)	10 (99%)
2023	128 (99%)	125 (99%)	9 (99%)
2022	155 (95%)	143 (95%)	13 (95%)
2021	210 (100%)	192 (100%)	15 (100%)
2020	215 (100%)	198 (100%)	14 (100%)
Total carbon emissions (tCO2e)			
2025	204 060 (99%)	204 983 (99%)	231 621 (99%)
2024	132 522 (99%)	128 790 (99%)	143 237 (99%)
2023	88 604 (99%)	84 793 (99%)	91 761 (99%)
2022	21 483 (95%)	19 789 (95%)	29 008 (95%)
2021	46 300 (100%)	42 350 (100%)	68 292 (100%)
2020	48 235 (100%)	44 276 (100%)	67 860 (100%)
Carbon footprint (tCO2e / € mn invested)			
2025	114 (99%)	115 (99%)	130 (99%)
2024	118 (99%)	115 (99%)	128 (99%)
2023	128 (99%)	125 (99%)	133 (99%)
2022	155 (95%)	143 (95%)	210 (95%)
2021	210 (100%)	192 (100%)	310 (100%)
2020	215 (100%)	198 (100%)	303 (100%)

FX- NMPPs	Sovereign Issuers		
	Sovereign and sub-sovereign bonds		
	Production	Production incl. LULUCF	Consumption
WACI (tCO2e / € mn GDP or per capita)			
2025	0 /	0 /	0 /
2024	0 /	0 /	0 /
2023	247 (100%)	214 (100%)	21 (100%)
2022	262 (100%)	231 (100%)	21 (100%)
2021	322 (100%)	283 (100%)	21 (100%)
2020	320 (100%)	277 (100%)	19 (100%)
Total carbon emissions (tCO2e)			
2025	0 /	0 /	0 /
2024	0 /	0 /	0 /
2023	3 695 (100%)	3 197 (100%)	4 105 (100%)
2022	9 104 (100%)	8 021 (100%)	10 081 (100%)
2021	8 945 (100%)	7 881 (100%)	9 905 (100%)
2020	9 579 (100%)	8 311 (100%)	10 488 (100%)
Carbon footprint (tCO2e / € mn invested)			
2025	0 /	0 /	0 /
2024	0 /	0 /	0 /
2023	247 (100%)	214 (100%)	275 (100%)
2022	262 (100%)	231 (100%)	291 (100%)
2021	322 (100%)	283 (100%)	356 (100%)
2020	320 (100%)	277 (100%)	350 (100%)

Table 8: Scope 1 & 2 GHG metrics for non-sovereign issuers in the BCL's NMPPs

EUR-NMPPs	Non-sovereign Issuers				
	Total	Supranational & agency bonds	Corporate bonds	Covered Bonds	Equities
WACI (tCO2e / € mn revenue)					
2025	3 (85%)	<1 (82%)	12 (99%)	<1 (71%)	21 (100%)
2024	3 (85%)	<1 (80%)	11 (100%)	<1 (81%)	26 (100%)
2023	11 (77%)	<1 (76%)	86 (67%)	0 (0%)	63 (100%)
2022	21 (79%)	2 (75%)	114 (100%)	0 (0%)	67 (100%)
2021	83 (85%)	2 (56%)	121 (100%)	0 (0%)	89 (100%)
2020	87 (75%)	<1 (48%)	120 (100%)	0 (0%)	139 (100%)
Total carbon emissions (tCO2e)					
2025	4 036 (84%)	65 (82%)	3 324 (99%)	22 (71%)	625 (100%)
2024	3 858 (82%)	54 (79%)	3 025 (100%)	18 (81%)	760 (100%)
2023	7 656 (75%)	39 (75%)	5 764 (67%)	0 (0%)	1 852 (100%)
2022	11 300 (53%)	35 (44%)	9 070 (100%)	0 (0%)	2 195 (100%)
2021	15 597 (81%)	4 (50%)	10 600 (96%)	0 (0%)	4 993 (100%)
2020	14 690 (64%)	2 (31%)	9 889 (94%)	0 (0%)	4 799 (100%)
Carbon footprint (tCO2e / € mn invested)					
2025	1 (84%)	<1 (82%)	7 (99%)	<1 (71%)	4 (100%)
2024	1 (82%)	<1 (79%)	8 (100%)	<1 (81%)	5 (100%)
2023	5 (75%)	<1 (75%)	51 (67%)	0 (0%)	16 (100%)
2022	16 (53%)	<1 (44%)	71 (100%)	0 (0%)	26 (100%)
2021	44 (81%)	<1 (50%)	69 (96%)	0 (0%)	41 (100%)
2020	42 (64%)	<1 (31%)	54 (94%)	0 (0%)	54 (100%)

FX-NMPPs	Non-sovereign Issuers	
	Total	Supranational & agency bonds
WACI (tCO2e / € mn revenue)		
2025	1 (44%)	1 (44%)
2024	2 (100%)	2 (100%)
2023	<1 (85%)	<1 (85%)
2022	2 (76%)	2 (76%)
2021	4 (78%)	4 (78%)
2020	4 (68%)	4 (68%)
Total carbon emissions (tCO2e)		
2025	<1 (44%)	<1 (44%)
2024	<1 (100%)	<1 (100%)
2023	4 (85%)	4 (85%)
2022	6 (59%)	6 (59%)
2021	5 (60%)	5 (60%)
2020	7 (67%)	7 (67%)
Carbon footprint (tCO2e / € mn invested)		
2025	<1 (44%)	<1 (44%)
2024	<1 (100%)	<1 (100%)
2023	<1 (85%)	<1 (85%)
2022	<1 (59%)	<1 (59%)
2021	<1 (60%)	<1 (60%)
2020	<1 (67%)	<1 (67%)

Table 9: Scope 3 GHG metrics for non-sovereign issuers in the BCL’s NMPPs

EUR-NMPPs	Non-sovereign Issuers				
	Total	Supranational & agency bonds	Corporate bonds	Covered Bonds	Equities
WACI (tCO2e / € mn revenue)					
2025	2 436 (85%)	2 812 (82%)	873 (99%)	2 422 (71%)	523 (100%)
2024	2 433 (85%)	2 870 (80%)	1 049 (100%)	1 003 (81%)	687 (100%)
Total carbon emissions (tCO2e)					
2025	668 208 (84%)	474 928 (82%)	75 304 (99%)	99 383 (71%)	18 593 (100%)
2024	568 430 (82%)	437 903 (79%)	68 985 (100%)	35 467 (81%)	26 074 (100%)
Carbon footprint (tCO2e / € mn invested)					
2025	181 (84%)	170 (82%)	163 (99%)	404 (71%)	107 (100%)
2024	183 (82%)	183 (79%)	180 (100%)	191 (81%)	172 (100%)

FX-NMPPs	Non-sovereign Issuers
	Supranational & agency bonds
WACI (tCO2e / € mn revenue)	
2025	1 507 (44%)
2024	1 539 (100%)
Total carbon emissions (tCO2e)	
2025	363 (44%)
2024	55 (100%)
Carbon footprint (tCO2e / € mn invested)	
2025	25 (44%)
2024	6 (100%)

Table 10: Green, social & sustainable bond share per asset type in the BCL’s NMPPs

EUR-NMPPs	Non-sovereign Issuers			
	Sovereign and sub-sovereign bonds	Supranational & agency bonds	Corporate bonds	Covered Bonds
Green Bonds Share				
2025	9%	23%	19%	6%
2024	3%	23%	26%	14%
2023	1%	17%	33%	0%
2022	5%	9%	44%	0%
2021	0%	19%	34%	0%
2020	0%	16%	16%	0%
Sustainable Bonds Share				
2025	4%	20%	0%	0%
2024	0%	21%	0%	0%
2023	0%	20%	0%	0%
2022	0%	23%	0%	0%
2021	0%	20%	0%	0%
2020	0%	15%	0%	0%
Social Bonds Share				
2025	0%	5%	7%	19%
2024	0%	5%	9%	28%
2023	0%	4%	0%	0%
2022	0%	7%	0%	0%
2021	0%	0%	0%	0%
2020	0%	0%	0%	0%

FX-NMPPs	Non-sovereign Issuers
	Supranational & agency bonds
Green Bonds Share	
2025	100%
2024	100%
2023	65%
2022	65%
2021	62%
2020	57%
Sustainable Bonds Share	
2025	0%
2024	0%
2023	21%
2022	20%
2021	22%
2020	25%
Social Bonds Share	
2025	0%
2024	0%
2023	12%
2022	11%
2021	12%
2020	14%

6.2 Formulas for GHG metrics

Weighted Average Carbon Intensity (in tCO₂e / €M revenue, PPP adj. GDP, population)

$$WACI = \sum_i^n \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} \right) \times \left(\frac{\text{issuer's GHG emissions}_i}{\text{issuer's €M revenue or PPP adj. GDP or population}_i} \right)$$

Total Carbon Emissions (tCO₂e)

$$\text{Total Carbon Emissions} = \sum_i^n \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj. GDP}_i} \right) \times \text{issuer's GHG emissions}_i$$

Carbon Footprint (tCO₂e per €M invested)

$$\text{Carbon Footprint} = \frac{\sum_i^n \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj. GDP}_i} \right) \times \text{issuer's GHG emissions}_i}{\text{current portfolio value (€M)}}$$

6.3 Carbon emissions allocation methods, normalization and attribution factors

Allocation				
Issuer type	Factor	Remarks	Unit	Source
Corporate	Scope 1 & 2 & 3 emissions	Scope 1 comprises direct carbon emissions that occur from sources that are controlled or owned by an organisation (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles). Scope 2 comprises indirect carbon emissions associated with the purchase of electricity, steam, heat, or cooling. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.	tCO _{2e}	ISS
Supra & Agency				
Sovereign	Production emissions	Emissions produced domestically within a country's physical borders, including domestic consumption and exports. This definition follows the territorial emissions approach adopted by United Nations Framework Convention on Climate Change (UNFCCC) for annual national inventories.		
	Production emissions incl. LULUCF	Production emissions, as defined above, adjusted for the impact of human activities on carbon sinks through land use, land-use change and forestry.	ISS, UNFCCC	
	Consumption emissions	Emissions related to domestic demand, accounting for trade effects. This metric provides a broader view of a sovereign's emissions and tackles the issue of carbon leakage that arises due to production shifts from countries where goods are consumed later.	Carbon4 Finance for 2020 - 2022, ISS for 2023 onwards	
Normalisation				
Issuer type	Factor	Remarks	Unit	Source
Corporate	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 million	ISS, Bloomberg
Supra & Agency				
Sovereign	Production: PPP adj. 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.		World Bank
	Consumption: Population	Total population of a country.	People	
Attribution				
Asset class	Factor	Remarks	Unit	Source
Sovereign bonds	PPP adj. GDP	See description of "PPP adj. GDP" in normalisation	EUR million	World Bank
Equities	EVIC	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.		ISS, Bloomberg
Supra & Agency bonds				