



8. CORPORATE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Climate change and sustainability

Climate change considerations in monetary policy framework

On 2 February 2023, the Governing Council decided to implement stronger tilting of the corporate bond purchases during partial reinvestment including in the primary market towards issuers with better climate performance.

On 23 March 2023, the ECB published its first climate-related financial disclosures, which provide information on its portfolios' carbon footprint and exposure to climate risks, as well as on climate-related governance, strategy and risk management. Presented in two reports, the disclosures cover the Eurosystem's corporate security holdings under the CSPP and the PEPP, as well as the ECB's euro-denominated NMPPs, including its own funds portfolio and its staff pension fund. The disclosures show that the corporate bonds held under the CSPP and PEPP are on a decarbonisation path. Although the portfolios' absolute greenhouse gas emissions have increased in recent years because the Eurosystem has purchased more securities for monetary policy purposes, issuers' carbon intensity has gradually declined. This is partly because the companies in the Eurosystem's portfolio have lowered their emissions for every euro of revenue they earn, reflecting their efforts to significantly reduce their emissions and boost carbon efficiency. A second factor, which is responsible for the reduction of the relative emissions associated with corporate sector purchases since October 2022, is the ECB's decision to tilt its holdings towards issuers with a better climate performance.

The ECB is committed to disclosing climate-related information on these portfolios every year, while continuously improving the disclosures as the quality and availability of data progress. Over time, it will expand the scope of the disclosures to cover other monetary policy portfolios. The ECB also aims to set interim decarbonisation targets for its own-funds portfolio and staff pension fund to stay on track with Paris Agreement goals. Similarly, the Governing Council of the ECB will consider setting such targets for corporate sector portfolios.

Climate change considerations in non-monetary policy portfolios

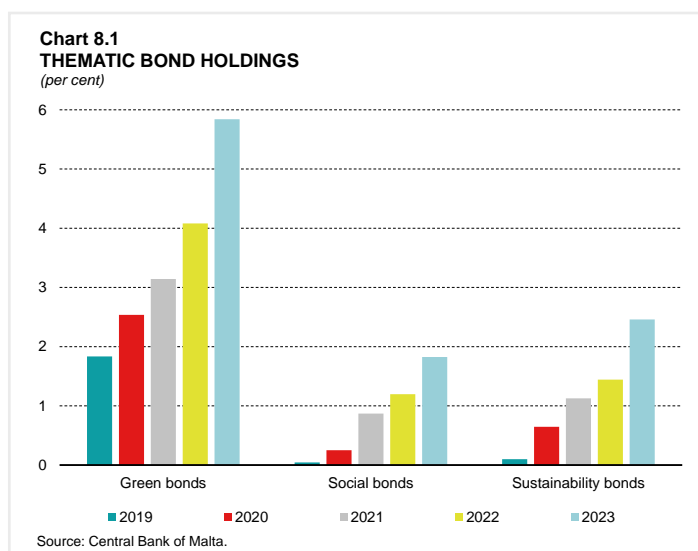
The transition to a low carbon economy has become an increasingly important and urgent objective. According to the International Panel on Climate Change, climate change is widespread, rapid and intensifying. Countries would need to ensure a sustained reduction in greenhouse gas emissions. This transition presents both risks and opportunities for the Central Bank of Malta's NMPPs. The Bank has remained committed to incorporate climate and sustainability considerations in the design and implementation of its Strategic Asset Allocation.

In March 2023, the Bank, published its first [climate-related financial disclosures report](#) based on its end of 2022 holdings in line with the Eurosystem commitment and common disclosure framework.¹ To enhance transparency related to climate-related risks and opportunities pertaining to its NMPPs, the Central Bank of Malta reported on all four categories recommended by the Task Force for Climate-related Financial Disclosures, namely governance, strategy, risk management as well as metrics and targets. The Bank has reported backward-looking and forward-looking climate metrics relating to both its euro and foreign currency holdings in its NMPPs, also including three years of historical data. These metrics are regularly monitored and updated. They are used to compare climate-related risks between the Bank's different portfolios and across time. The Bank has committed to achieve carbon neutrality of its NMPPs by 2050 in line with the European Union (EU)

¹ Climate-related financial disclosures March 2023 – <https://www.centralbankmalta.org/site/Publications/Climate-related-disclosures-march-2023.pdf>.

Climate Law. Therefore, the Bank aims to improve the climate-related metrics of its NMPPs over time while adhering to its other objectives of capital preservation, liquidity and return.

To this effect, during 2023, the Bank ensured that most of its equity holdings are invested in exchange-traded funds which track indices of companies with strong sustainability profiles and are aligned with the minimum requirements of the EU Paris Aligned Benchmarks (EU PAB). Through its equity holdings, the Bank remained invested in renewable energy companies as well as companies that are engaged in climate transition.



In addition to the negative screening based on the Norges Bank Investment Management exclusion list applied to its externally managed corporate bond portfolio, during 2023 the Bank started the process to implement the EU Paris-aligned benchmark exclusions to this portfolio too. The latter is expected to result in lower allocations to high polluting issuers.

The Bank continued to actively increase its thematic bond holdings, whose proceeds are aimed to fund environmental and social projects (see Chart 8.1).

The share of assets under management which include ESG considerations has thus increased from 17.7% in 2022 to 23.4% in 2023.

The Bank has continued to be a member of the Network for Greening the Financial System, as well as several climate-change related Eurosystem task forces and fora.

Climate change considerations in financial stability

Climate change can pose significant challenges to the economy and the financial system. In this spirit, the Bank carried out a study to address one of the key limitations highlighted in the [Special Feature](#) published in the Interim FSR 2021.² This impediment stems from the potential bias on results towards the low CO₂ intensive sectors which could arise from the lack of visibility of holding companies' exposures captured within the financial sector. Following the reclassification, the concentration in the low CO₂ intensive sectors was re-confirmed.³

Environmental initiatives

European Central Bank

The Eurosystem, aware of its social responsibility, also aims to ensure that euro banknotes are as environmentally sustainable as possible. To this end, a [Product Environmental Footprint \(PEF\) study](#) was conducted to determine the environmental impact of paying with euro banknotes and how this impact can be further

² Special Feature: The Maltese financial sector's exposure to climate-sensitive sectors – Central Bank of Malta Interim FSR 2021, <https://www.centralbankmalta.org/site/Publications/Economic%20Research/2021/FSR-Interim-2021-Special-Feature.pdf>.

³ Revisiting climate-sensitive exposures of holding companies – Central Bank of Malta Interim FSR 2023, <https://www.centralbankmalta.org/site/Financial-Stability/WP-Other-Studies/Interim-FSR-2023-Box-1.pdf>.

reduced in the future. The study, based on 2019 data, was published in 2023.⁴ The study measures the potential environmental impact of all activities in a full cycle of euro banknotes, from raw material acquisition, manufacturing, distribution and circulation to disposal by euro area NCBs.

One key finding of the study indicated that the average environmental footprint for payments with banknotes was very low at 101 micropoints per euro area citizen in 2019, which is equivalent to driving a car for 8 km, or 0.01% of the total environmental impact of a European citizen's annual consumption activities. The main factors contributing to the environmental footprint of euro banknotes as a means of payment are the energy consumption of automated teller machines (ATMs) and transportation, followed by processing by NCBs, paper manufacturing and the authentication of banknotes in shops. The study also showed that improvements in the energy efficiency of ATMs contributed to a 35% decrease in their environmental footprint between 2004 and 2019.

Since 2004, the Eurosystem has made efforts to reduce the environmental footprint of euro banknotes, for example by using only 100% sustainable cotton and banning the disposal of banknote waste in landfills. The Eurosystem is also exploring alternative waste disposal methods for banknotes such as recycling, reusing of waste material and possible improvements to material and components used in the printing process.

Network of Central Banks and Supervisors for Greening the Financial System

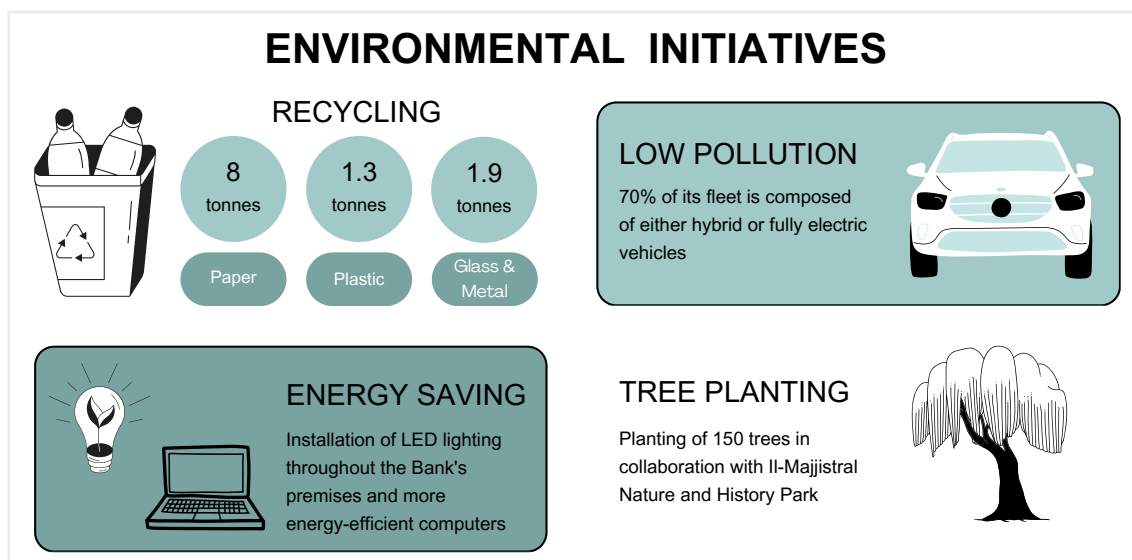
The Bank continued with its participation in the Network of Central Banks and Supervisors for Greening the Financial System. Staff also participated in workstreams related to monetary policy and net zero for central banks. During the year, the Bank contributed to several surveys related to the Central Bank of Malta's operations in a bid to green corporate activities, promote responsible investing and on capacity building.

Eurosystem Climate Change Forum

During 2023, the Bank continued to participate actively in the discussions of the Eurosystem Climate Change Forum, with the aim of improving cooperation and foster knowledge-sharing. Two senior officials represent the Central Bank of Malta on this Forum.

Central Bank of Malta

The Bank stepped up its initiatives to further reduce its ecological footprint. During the year, the Bank increased its recycling efforts and separated for recycling almost eight tonnes of paper and 1.3 tonnes of plastic. Another 1.9 tonnes of glass and metal was also separated and recycled.



⁴ PEF study of euro banknotes as a payment instrument – ECB 2023, https://www.ecb.europa.eu/pub/pubbydate/2023/html/ecb_pefreport202312-81e945e7aa.en.html.

The Bank also continued to streamline several processes with the aim of achieving further efficiencies, particularly in reducing the consumption of paper. During the year, the Bank leased its second plug-in hybrid and first fully electric vehicles. At the time of writing, over 70 per cent of its fleet was composed of either hybrid or fully electric vehicles. The conversion effort will continue over the next years, with the replacement of the remaining leased diesel vehicles with hybrid or fully electric vehicles.

More energy efficient LED lighting continued to be installed, while various items of old equipment, including computers and servers, were replaced with more energy efficient models. Further progress was also registered in relation to the planned installation of solar panels and more efficient standby generators.

The Bank continued to partially offset its carbon footprint and, in 2023, collaborated with *Il-Majjistral Nature and History Park* to plant 150 trees, including olive trees, pomegranate trees, almond trees, oak trees and Malta's national tree, the *għargħar* tree.

Corporate Social Responsibility

The Central Bank of Malta has embedded CSR in all aspects of its central banking tasks which include a broad spectrum of stakeholders, ranging from its employees to the wider community. In this regard, the Bank's CSR efforts reflect the ever-increasing emphasis on the Bank's activities, all of which receive the highest levels of support across management and employees.

Central Bank of Malta Anniversary Concert

The Central Bank of Malta commemorated its 55th anniversary with a concert at the Mediterranean Conference Centre under the distinguished patronage of His Excellency the President of Malta, Dr George Vella, where guests were entertained by the Malta Philharmonic Orchestra under the theme *A night at the movies*.



Carmine Lauri, the Malta Philharmonic Orchestra leader during the 55th anniversary concert

Philanthropy and Outreach

The Staff Social Club also organised several campaigns throughout the year where staff made donations to help entities including Hospice Malta through the Pink October and the *Movember* Campaigns. Jacob's Pay It Forward Coffee Van prepared coffee for staff with profits used to fund Jacob's Coffee Run initiative. Free sandwiches and coffee to families in the Intensive Care Unit waiting area at Mater Dei Hospital were delivered via the latter initiative.

The Committee also organised Dress Down Days to collect funds for the Malta Community Chest Fund and Hospice Malta. It also coordinated Blood Drive events during 2023 and sponsored staff members to participate in the President's Solidarity Fun Run. The Social Club made a donation to the Sisters of Mother Theresa using the proceeds from the sale of various paintings by a staff member and other staff contributions.



Central Bank of Malta Governor Professor Edward Scicluna and staff members with Jacob Cachia of Jacob's Pay It Forward Coffee Van

Staff

The Staff Social Club which is composed of three sub-committees, namely the Sports Committee, the Cultural Committee and the Religious Committee, contributed to staff's well-being by organising several events which included a Pizza Making Event, Quiz Night, the Bank's Summer Party, a Karaoke Night, a Bowling



Pizza making



Quiz night



Karaoke night



Eurofest participants

Event, the Christmas Staff Gathering and the Children's Christmas Party. To commemorate the 25-year Anniversary of the ECB, staff participated in Eurofest in Frankfurt where they took part in football, biking, cross country running, hiking, table tennis and badminton.

Financial literacy

In 2023, the Central Bank of Malta continued its efforts to promote financial literacy and raise awareness about the euro. The Bank issued weekly informative posts about euro banknotes and coins on its social media platforms, where 124 information sessions were held. Sessions with retailers were held directly with cash handlers in retail outlets. The Bank also organised educational tours at its premises where an information session was held followed by a tour at the Currency Museum. During 2023, 17 sessions were physically held at the Bank and 502 students participated. Moreover, another 21 sessions were held at school premises covering another 1,028 children. The Bank also collaborated with the Ministry for Active Ageing to deliver 22 financial literacy sessions to 735 elderly in various centres around Malta and Gozo. Other collaborations in 2023 involved the partnership programme with *Skola Sajf*, the European Money Week organized by the Malta Bankers' Association, the Home Economics Centre for the Be Money Smart Programme, the Malta Police, Jobsplus and the programme *Gemma – Know, Plan, Act*.



Students from St Catherine's High School during an information session

Notte Bianca

The Central Bank of Malta once again opened its doors to the public on *Notte Bianca*, a highlight event in Malta's cultural calendar. Embodying the theme, *The Guardian of Our Financial System*, the Bank provided a unique opportunity for visitors to delve into the intricacies of our financial system. The event featured a variety of attractions, including an exclusive tour of the Bank's Currency Museum, where visitors could explore a splendid selection of coins and banknotes. Two counterfeit experts provided valuable insights and training.

The Bank also exhibited *Coinage in Malta: 2,500 years of history*, a fascinating display of the different coin periods in Malta's history. The Bank's gardens, which were open only for this special night, hosted various

attractions, such as jazz music and a demonstration by Żekkin, the famous Labrador sponsored by the Bank, and other sniffer-dogs, who showed how they detect money-related crime. Żekkin and his canine colleagues performed simulation exercises at the Upper Garden, in collaboration with the Customs Department.

Visitors were also given a virtual tour of the Bank Library's vast and prestigious collection of books, journals and publications. Moreover, lectures about financial literacy were delivered.



Visitors at the Currency Museum during Notte Bianca

Central Bank of Malta Fund

The Central Bank of Malta Fund's Advisory Board is mandated by the Board of Directors to identify projects of a national stature with lasting visibility worthy of support by the Bank, through funds set aside for non-business-related purposes. The areas pursued by the Fund relate to education, culture, scientific research, preservation of Maltese national heritage and social causes.



Central Bank of Malta Governor, Professor Edward Scicluna with the artist Joseph Barbara during the launch of the Skart Ghani exhibition

The members of the Fund's Advisory Board are Mr Nancy Calamatta, who acts as Chair, Professor Yosanne Vella, Professor Marvin Formosa, Marquis Nicholas de Piro and Dr Pauline Lanzon.

Amongst the projects pursued by the Fund during 2023 was the launch of a sustainable art exhibition at the Bank with works of art by artist Joseph Barbara, in honour of Reverend Dr Marius Zerafa, Founding Chairperson of the Fund (previously Foundation), who sadly passed away in October 2022.

Some of the beneficiaries who received financial support were: Beating Hearts Malta and Save and Support Trust through a publication by Professor Victor Grech, named *A Tale of Four Cities*; the Canine Search and Rescue Team of the Order of Malta through the purchase of full urban search and rescue kits; the Archconfraternity of Saint Joseph towards the performance of a composition by Maestro Paolo Nani's (1814-1904) during the feast of Saint Joseph in March 2023; the Birzebbuga Aquatic and Sports Club towards an overseas training camp for youths in the under-17 category; and the Senglea Historical Society towards its annual publication on the history of Senglea.

Other meritorious projects to which the Bank pledged support upon their completion included the publication of a book by *Fondazzjoni Patrimonju Malti* on the history of film and cinema in Malta; the purchase of equipment to be placed in a new rehabilitation centre for Inspire Foundation; and restoration works on the medieval chapel of Saint Catherine in Zejtun, as pursued by *Wirt iż-Żejtun*.