8. CORPORATE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Climate change and sustainability

Climate action and sustainability have become important priorities for the Eurosystem as climate change poses tangible risks to the core functions of central banking, including price stability, financial stability and management of the Bank's financial assets. The Eurosystem has integrated climate considerations into its monetary policy framework and risk management tools to support the green transition while mitigating the effects of climate risks on its financial position. Climate risks could impact asset values, economic dynamics and the financial system's resilience. These considerations are aligned with the EU's broader carbon neutrality goals under the Paris Agreement and EU Climate Law. The Central Bank of Malta, as a member of the Eurosystem, embeds sustainability into its strategic planning and investment practices. It strives toward a carbon neutrality in its non-monetary portfolios to safeguard its balance sheet and support an orderly transition to a low-carbon economy. In addition, the Bank has in recent years enhanced its climate-related financial disclosures to lead by example.

Climate change disclosures in monetary and non-monetary policy portfolios

On 12 June 2025, the ECB published its third set of climate-related financial disclosures providing an overview of the carbon footprint and climate risk exposures of the Eurosystem's monetary policy portfolios, the ECB's foreign reserves and the ECB's non-monetary policy portfolios (NMPPs). The results show that approximately 30% of the Eurosystem's monetary policy corporate bond holdings are concentrated in the three most exposed sectors, which are utilities, food and real estate.

Emissions associated with the Eurosystem's monetary policy portfolios and the ECB's foreign reserves continued to decline in absolute terms and, for most asset classes, relative to their portfolio size. An updated climate stress test of the Eurosystem balance sheet revealed that corporate bonds are still the asset class most exposed to climate risk, underlining the relevance of the ECB's earlier decision to tilt reinvestments towards issuers with a better climate performance. Although reinvestments slowed from mid-2023, tilting still accounted for around one-quarter of total emission reductions between 2021 and the end of 2024, when reinvestments were discontinued. Following its decision last year to set interim emission reduction targets for the aggregate corporate portfolio holdings in the APP and the PEPP, the Governing Council of the ECB set an emission intensity reduction target of 7%, on average, per year. The aim of this target is to keep these holdings on a path that supports the goals of the Paris Agreement and EU climate neutrality objectives. If, on aggregate, these portfolio holdings deviate from this path, the Governing Council will assess, within the limits of its mandate, whether remedial action is warranted.

Climate change considerations in the collateral framework

On 29 July 2025, the Governing Council of the ECB decided to introduce a new measure within the collateral framework to better manage financial risks related to potential impacts from climate change. In particular, it decided to introduce a "climate factor" which could reduce the value assigned to eligible assets pledged as collateral, depending on their sensitivity to climate uncertainties. The climate factor focuses on marketable assets issued by NFCs as well as their affiliated entities and adverse events specifically associated with the green transition. This measure is due to be implemented in the second half of 2026. It will be regularly reviewed by the Governing Council of the ECB to reflect the increasing availability of data and models, as well as relevant regulatory developments and advances in risk assessment capabilities.

Climate change and sustainability considerations in the Bank's non-monetary policy portfolios

The integration of sustainability and climate considerations into the resilience of central banks' investment portfolios continues to gain prominence. Sustainability remains a strategic pillar alongside capital preservation, liquidity and return for the Bank, guiding investment decisions and reinforcing its commitment to responsible financial management. This approach is supported by the Eurosystem's minimum climate-related financial disclosures framework, which has been progressively enhanced to improve its transparency and breadth.

During 2025, the Bank strengthened its sustainability strategy through several key actions. The Bank continued to increase investments in equity funds comprising of companies with strong sustainability profiles while aligning with the minimum requirements of EU Paris Aligned Benchmarks. As indicated by the Network for Greening the Financial System (NGFS), "climate benchmarks can be a powerful aspect of a net zero investment strategy" as they aim to reduce financed emissions, prevent greenwashing and support the transition to a low-carbon economy. However, the Bank recognizes that reliance on exclusions alone may hinder the decarbonization of the real economy. Accordingly, the Bank complements its equity strategy by investing in actively managed equity funds that focus on companies which demonstrate meaningful efforts towards improving the environment.

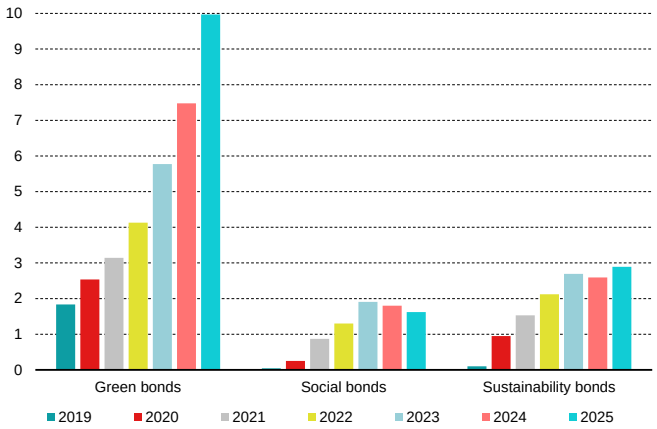
The holdings of such funds are similarly analysed from a broader ESG perspective, also adopting a best-in-class approach to sustainable investing. In addition, the externally managed corporate bond portfolio continued to implement norm-based negative screening based on the Norges Bank Investment Management exclusion list, complemented by Paris-aligned exclusions as introduced in previous years. The Bank kept expanding its exposure to geographically diversified fixed income funds that integrate ESG considerations.

The Central Bank of Malta further scaled up its thematic holdings, namely green, social and sustainability bonds. These reached a nominal value of circa €490.9 million by the end of 2025, up from €409 million in 2024 (see Chart 8.1). These holdings now account for approximately 15% of the Bank's total assets under management, compared with around 12% in the previous year. This increase underscores the Bank's commitment to channel financing toward projects that deliver environmental and social benefits.

Furthermore, the Bank published its third climate-related financial disclosures report[1] in line with the Eurosystem common disclosure principles. The report continued to cover sovereign and sub-sovereign holdings, as well as non-sovereign holdings including supranational bodies, agencies, corporate and covered bonds, and equities. In 2025, the Bank also introduced new elements in its report such as Scope 3 emissions for non-sovereign holdings and a core nature-related metric capturing corporate exposure to nature-sensitive sectors. Building on the progress made in 2024, it also maintained the disclosure of the impact of land use, land use change and forestry on greenhouse gas emissions for sovereign issuers. These disclosures, together with historical[2] and forward-looking climate data and sectoral analyses of corporate and equity holdings, enhance transparency and enable monitoring of progress toward long-term targets.

As part of the Eurosystem, the Bank will strive to ensure that its NMPPs 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. The scale of transformation required across industries and technologies to reach this goal is significant. The Central Bank of Malta acknowledges that the path to decarbonising a diversified portfolio will be neither simple nor linear. As part of this commitment, the Bank aims to reach a total of EUR500 million in green social, and sustainability bonds by end-2026,

Chart 8.1
THEMATIC BOND HOLDINGS
(per cent)



Source: Central Bank of Malta.

[1] Climate-related Financial Disclosures Report 2025
[2] Updated historical metrics with the latest figures as per market practice to align financial and climate data to the same year to the extent possible, depending on data availability.

thereby directing capital toward projects that deliver environmental benefits and address social challenges.

Climate change and nature degradation considerations in financial stability

Climate change and nature degradation are being widely recognised as key financial stability concerns owing to the physical and transition risks, they pose to the financial system. Physical risks, such as extreme weather events and rising sea levels, can lead to asset damage, business disruptions and higher insurance costs, impacting credit quality and collateral values. Transition risks, arising from policy changes, technological shifts, and evolving market preferences towards low-carbon solutions, can result in stranded assets and valuation losses. These factors influence banks' balance sheets, investment portfolios, as well as overall systemic risk, making it essential for central banks and supervisors to integrate climate-related considerations into risk assessments and policy frameworks.

Against this backdrop, the Central Bank of Malta conducted a survey among the core domestic banks in 2024 to assess how climate considerations are integrated into credit and investment practices. The results were featured in the Bank's *FSR* 2024, published in July 2025, while initial results were discussed during the meeting of the Forum for Financial Stability in early 2025.[3] The survey showed that most core domestic banks have adapted their lending policies to incorporate climate and ESG risks. Green financial products were introduced and monitoring of both transition and physical climate risks, including via the use of energy performance data and climate-related risk assessments, commenced. While progress is evident, formal targets for green investments remained limited among some institutions, highlighting the need for continued efforts to align financial practices with sustainability goals. Furthermore, green loans and green bonds remain a relatively small share of banks' overall portfolios, indicating that the transition towards greener bank balance sheets is still at an early stage.

Environmental initiatives

Cleaner banknote production and disposal process

The ECB is actively working to reduce the environmental footprint of euro banknotes by assessing their full life cycle through the Product Environmental Footprint methodology. This work builds on earlier measures such as switching to 100% sustainable cotton in banknote paper and banning landfill disposal of banknote waste, alongside ongoing research into recycling and more eco-friendly materials.

Eurosystem Climate Change Forum

In 2025, the Bank reaffirmed its commitment to sustainability by maintaining an active engagement in the Eurosystem Climate Change Forum. Through this platform, the Bank strengthened cooperation and promoted knowledge-sharing on climate and nature-related strategies. Two senior officials represented the Central Bank of Malta, contributing valuable insights and shaping discussions that support the integration of environmental considerations into the Eurosystem's policy framework.

Network of Central Banks and Supervisors for Greening the Financial System

The Bank continued its active participation in the NGFS, contributing to global efforts to integrate climate and nature-related risks into financial frameworks. Staff engaged in key workstreams, reinforcing the Bank's commitment to sustainable finance. Notably, the Bank's initiatives were highlighted by the NGFS through an interview in the In Conversation With series published in May 2025, showcasing the Bank's approach to climate risk management and transition planning.[4]

Other eco-friendly measures

In 2025, the Central Bank of Malta pursued its initiatives to further reduce its ecological footprint by adopting various measures, such as the reduction of consumption of paper and the improvement of recycling

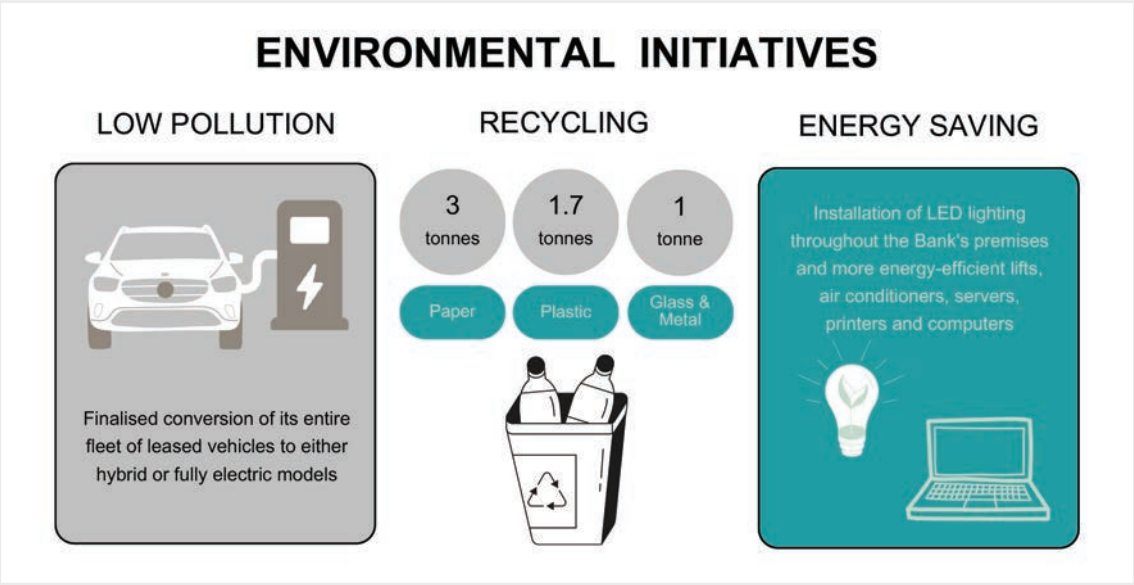
[3] FSR-2024-Box-2.pdf

[4] In Conversation with Ms Wendy Zammit (Head of Financial Stability Surveillance & Research Department, Central Bank of Malta) | Network for Greening the Financial System.

practices. In 2025, the Bank recycled 3 tonnes of paper and cardboard, over 1.7 tonnes of plastic, 1 tonne of glass and metal and 0.8 tonnes of organic waste. The Bank also continued to streamline operational processes with the aim of achieving further efficiencies, through the increased use of digital means.

As part of its eco-friendly measures the Bank finalised the conversion of its entire fleet of leased vehicles to either hybrid or fully electric models. The Bank now operates, on a restricted basis, only one specialised vehicle powered by an internal combustion engine.

Additionally, more energy efficient LED lighting continued to be installed, while various items of equipment, including lifts, air conditioners, printers, servers and computers, are continually being replaced with more energy efficient models.



Corporate Social Responsibility

Philanthropy and outreach

In 2025, the Central Bank of Malta's Social Club coordinated several charitable initiatives and awareness campaigns. These included fundraising efforts in support of Europa Donna through the Pink October and Movember campaigns, complemented by two informative talks delivered by experienced speakers on breast cancer and prostate cancer awareness. Dress Down Days were organised to raise funds for the Malta Community Chest Fund and a Figolli Sale for Dar tal-Providenza. The Staff Social Club sponsored staff participation in the President's Solidarity Fun Run. Additionally, three blood donation sessions were organised, during which a strong turnout of donors contributed to saving lives.



Pink October event – Talk by Ms Gertrude Abela, President of the Europa Donna Malta



Movember event – Talk by Mr Tony Cachia, Malta Male Cancer Support Association



Blood drive event



Michelle Abela and Melvin Bugeja from the Bank's Social Club Committe during the presentation of cheque to L-Istrina 2025

Staff members had the opportunity to volunteer at the Soup Kitchen in Valletta. Participants assisted in the preparation and cooking of meals for individuals experiencing homelessness, poverty, or other forms of hardship, under the guidance of regular volunteers. This initiative proved to be a highly rewarding experience for all those involved.

Finally, REACH, the Religious Sub-Committee, organised a number of activities offering spiritual guidance to staff.



Staff members volunteering at the Soup Kitchen in Valletta

Staff

The Central Bank of Malta Staff Social Club[5] contributed to the well-being of staff throughout the year by organising a wide range of activities and events. These included an Ice-Cream Day, a Sip & Savour Wine Tasting Event, a Staff Summer Party, Music Bingo Night, Bowling Event, Karaoke Night, the Christmas Staff Gathering and the Children's Christmas Party.

Staff members also participated in five European sports events. The latter allowed staff to engage and compete with fellow central bankers from across Europe. A Central Bank of Malta Football Tournament at the Luxol Grounds was also organized, as well as a padel and a golfing session.



Ice-cream day



Christmas party



Bowling event



Karaoke night

[5] The Central Bank Social Club is composed of a main Committee and three sub-committees.



Euro Football 2025



Euro Badminton 2025



Euro Hike 2025



Euro Table Tennis 2025



Staff members during the padel training session





Euro Athletics 2025

Financial literacy: outreach programmes

During 2025, the Bank continued its educational campaign aimed at increasing public awareness against counterfeiting. Numerous educational presentations were delivered both on the Bank's premises and within the local community, reaching various social strata.

These initiatives formed part of the *Active Ageing Programme*, Skola Sajf activities in Malta and Gozo and the *Be Money Smart Programme* in collaboration with the Home Economics Centre. Most participants received hands-on training in the examination of counterfeit banknotes while also gaining general knowledge of the role and functions of the Central Bank of Malta, enabling them to better understand the Bank's purpose and its role within the ESCB.



Children from Marsascala Primary School following an educational presentation



Alexander Grima from the Bank's Currency Operations Office showing the security features of a €20 banknote

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.

In 2025, the members of the Fund's Advisory Board were Dr Narcy Calamatta, who acted as Chair, Professor Yosanne Vella, Professor Marvin Formosa, Marquis Nicholas de Piro and Dr Pauline Lanzon. Dr Jeremy Buttigieg acted as secretary to the Advisory Board, and Mr Raymond Filletti was the Projects and Financial Controller.

Some of the beneficiaries of financial support from the Fund during the year 2025 were *Fondazzjoni Patrimonju Malti* for the publication *Titles to Talkies*, a study on the history of film and cinema in Malta; the Medina Foundation for Music for the purchase of musical instruments for the St Paul Metropolitan Orchestra; the Msida Parish Church towards the restoration of its prestigious pipe organ built by Giovanni Felter in 1899; and the Floriana Parish Church towards the reconstruction of a triumphal wooden arch, a rare example of Maltese cultural heritage. The Bank also pledged support for the restoration and conversion of a dilapidated British military building at the *Majjistral Nature* and History Park into a multi-purpose exhibition hall, pursued by Heritage Parks Federation; and a publication of a historical book on Kalkara led by Assoċjazzjoni Wirt il-Kalkara.

In 2025, the Bank further pledged its support for the procurement and training of a guide dog and a sniffer dog, pursued respectively by the Malta Guide Dogs Foundation and the Malta Tax and Customs Administration.



Dr Narcy Calamatta and Dr Pauline Lanzon at the official inauguration of the musical instruments together with representatives from the Medina Foundation for Music



Restored pipe organ at the Msida Parish Church. Photo courtesy of Noel Gallo, the organ restorer