BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

CLIMATE-RELATED FINANCIAL DISCLOSURES OF THE CENTRAL BANK OF MALTA'S NON-MONETARY POLICY PORTFOLIOS

June 2026

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Cover illustration from Adobe Stock by Serg Zastavkin: Aerial view of Blue Grotto, Malta

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Foreword

The economic and financial implications arising from climate change are becoming increasingly evident. A growing body of analysis points to changes in the frequency and intensity of certain extreme weather events, with potential consequences for economic activity, financial stability, and public finances. While the precise transmission remains uncertain, delays in addressing climate and environmental risks are likely to increase long-term costs and exacerbate existing vulnerabilities. In periods marked by heightened geopolitical and economic uncertainty, attention may shift towards more immediate challenges. Nevertheless, climate-related risks remain relevant to central banking functions.

Assessing these risks continues to present analytical and measurement challenges. The scale and distribution of climate-related impacts depend on the ambition, timing, and effectiveness of adaptation and transition policies, as well as on the responses of households, firms, and financial institutions. The implementation of such policies may entail significant financial and institutional requirements. Recent assessments at both national and European level highlight the need for continued progress in strengthening coordination, governance, and accountability frameworks supporting climate adaptation efforts.

Within this context, central banks are increasingly working to identify, understand, and assess climate-related risks relevant to their mandates. An important component of this work is the provision of transparent information on the climate-related characteristics of central bank portfolios. Such disclosures contribute to a better understanding of financial exposures, support internal risk management and governance processes, and enhance the availability of relevant information to market participants.

This report presents the Central Bank of Malta's latest set of climate-related financial disclosures for its non-monetary policy portfolios (NMPPs), forming part of the Eurosystem's coordinated approach based on common principles. A central

objective of these disclosures is to provide a prudent and proportionate assessment of climate-related risks, while recognising the limitations of available data and methodologies. Forward-looking indicators can offer useful insights into potential transition pathways, but they require careful interpretation in view of prevailing uncertainties. Accordingly, climate-related metrics are used as analytical tools to support monitoring, and decision-making, rather than as precise measures of outcomes.

During 2025, further progress has been made in improving data coverage and refining the metrics used to assess portfolio emissions and carbon intensity (CI). In particular, the report incorporates enhanced emissions indicators, including scope 3 relative metrics for non-sovereign holdings, reflecting ongoing improvements in data availability and methodological approaches.

The Bank also continued to integrate climate-related considerations within its investment framework, including alignment of selected portfolios with Paris-aligned benchmarks (PAB) (allocation increased by a further 34% in 2025 compared to 2024). Additional measures include the application of exclusion criteria, and engagement with external asset managers that adhere to recognised responsible investment standards. Furthermore, objectives have been set for green and thematic bond allocations, which by the end of 2025 increased to 10% and 14% of assets under management (AuM). These measures, embedded within the Bank's governance and risk management processes, support the mitigation of transition-related risks and contribute to the resilience of the Bank's portfolios over time.

Looking ahead, the Bank intends to enhance further its analytical frameworks and disclosure practices as data quality improves and methodologies evolve. Through this publication, the Central Bank of Malta contributes to Eurosystem efforts to strengthen transparency on climate-related financial risks, in line with its mandate.

Alexander Demarco
Governor

Introduction

This report represents the Central Bank of Malta's fourth set of climate-related financial disclosures for its NMPPs. It builds on the Bank's previous publications and continues to align with the unified framework for climate-related financial disclosures established at the Eurosystem level, thereby supporting transparency, consistency, and comparability across national central banks.

The disclosures are prepared in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD),[1] which continue to underpin widely used international climate-related reporting frameworks. The Bank also takes into account the ongoing convergence of climate-related disclosure standards, including developments under the International Sustainability Standards Board (ISSB).

Furthermore, the climate metrics disclosed in this report draw on the Global Greenhouse Gas Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF). In addition, the Bank continues to take into consideration the principles of the Network for Greening the Financial System (NGFS), as well as relevant developments in European sustainability related reporting, including those underpinning the Corporate Sustainability Reporting Directive (CSRD).

In line with Eurosystem common disclosure principles, this report is structured around the four core pillars of the TCFD framework: Governance, Strategy, Risk Management, and Metrics and Targets. The Bank also continues to complement historical emissions data with forward-looking climate indicators and a sectoral emissions analysis of its non-sovereign holdings, given that these holdings constitute a significant portion of the Bank's internally and externally managed funds.

Within this framework, the report outlines how climate considerations are embedded in the Bank's investment strategy, risk

[1] The TCFD was disbanded in October 2023 and its recommendations are now incorporated into the standards of the ISSB within the International Financial Reporting Standards Foundation (IFRS).

management processes, and use of climate-related metrics, with further detail provided in the sections that follow.

The Governance section sets out the arrangements through which climate-related risks and opportunities pertaining to the Bank's own funds are overseen. The Strategy section delineates the manner in which climate considerations are integrated into the investment decision-making process for the NMPPs. The Risk Management section describes the processes applied to identify, assess, and manage climate-related financial risks. Finally, the Metrics and Targets section presents the indicators employed to monitor climate-related exposures and to support the effective management of such risks.

The disclosures presented in this report relate solely to the Bank's NMPPs. As in previous publications, the information provided is largely dependent on the availability and quality of the underlying data. The Bank will continue to enhance its disclosures over time as climate-related data improves and its expertise in managing climate-related risks further develops. This is reflected in the inclusion, for the first time in the main body of the report, of scope 3 relative emission metrics for non-sovereign holdings, alongside absolute metrics.

2025
KEY FIGURES

€338 million

Invested in Green Bonds

€153 million

Invested in Sustainable and Social Bonds

€160.5 million

Invested in Equities aligned with Paris Agreement

Governance

Sustainability considerations, including climate-related financial risks and opportunities, are given significant importance within the Bank's existing investment governance framework and are integrated within the Bank's internal decision-making processes. The Bank's NMPPs are managed separately from the Eurosystem's monetary policy portfolios, with the Bank retaining sole responsibility for their oversight. Nevertheless, they are shaped by the Eurosystem's shared sustainability principles.

The Bank's strategic asset allocation (SAA) process provides the basis for determining the composition and evolution of the NMPPs. It seeks to optimise risk-adjusted returns over the medium term within defined risk parameters. Within this process, climate-related considerations are assessed alongside the traditional investment objectives of capital preservation, liquidity and return, in a manner consistent with the Bank's mandate and fiduciary responsibilities.

As part of the annual SAA review, the anticipated climate-related impact of the portfolios, proxied by a range of backward and forward-looking indicators, is presented annually to the Investments Policy Committee (IPC) and subsequently approved by the Board of Directors upon the former's recommendation.

The IPC oversees the management of the Bank's NMPPs, ensuring these remain aligned with the strategic direction approved by the Board. Chaired by the Governor and comprising the Deputy Governors and senior Bank officials from different departments,[2] the IPC meets monthly, with additional meetings held as required, including on climate-related matters. The committee oversees the investment and asset-management framework, including SAA, portfolio construction and risk-return considerations. Climate-related risks and opportunities are considered as part of these assessments.

[2] Chief Officer – Financial Markets Division; Chief Officer – Financial Control & Risk Division; Head – Financial Asset Management Department; Head – Monetary Operations & Government Securities Department; Head – Financial Control Department; Head – Risk Management Department; Deputy Head – Financial Asset Management Department; Manager Finance Office, Investment Manager Multi-Asset and Institutional Client Portfolios; Manager FX, Money Market, Local Service Desk and Projects; Manager Financial Risk Management Office; Senior Executive Financial Risk Management Office; Manager Market Analysis Office.

Day-to-day implementation of the Bank's investment strategies is carried out by the International Asset Management Office (IAMO) within the Financial Markets Division. IAMO is responsible for executing approved strategies across asset classes, including the integration of sustainability considerations. This is supported by a dedicated Sustainable and Responsible Investment (SRI) desk, which provides technical input on climate-related matters and supports the IPC.

The Financial Risk Management Office (FRMO) monitors, assesses and reports risks arising from the Bank's NMPPs, including credit, market, liquidity and, increasingly, climate-related risks. FRMO reports to both the IPC and the Risk Committee and ensures compliance with approved risk parameters. The Risk Committee oversees risk management across the Bank and receives annual updates on physical and transition climate-related risks affecting the portfolios.

The Bank recognises that climate-related data availability, measurement methodologies and disclosure standards continue to evolve. Accordingly, the governance arrangements underpinning the SAA and the management of climate related financial risks are subject to ongoing review and refinement.

More broadly, climate change presents financial and operational risks to the Bank's core functions. In response, the Bank has embedded climate and sustainability considerations within its broader corporate and strategic planning framework, with actions undertaken across several core areas, as outlined in the Bank's Annual Report.

In parallel, the Bank continues to participate in Eurosystem and international fora on climate and sustainability, including the NGFS, of which the Bank has been a member since 2019. These efforts support the ongoing enhancement of the Bank's approach to identifying, assessing and managing climate-related financial risks, in line with its mandate and evolving Eurosystem and international best practices.

Strategy

Building on the governance arrangements described above, the Bank's investment strategy for its NMPPs seeks to manage climate-related financial risks and opportunities in a manner consistent with its mandate and long-term investment objectives. Climate change has the potential to affect asset valuations, risk premia and long-term return prospects through both physical and transition channels. Accordingly, climate considerations are incorporated into the Bank's strategic investment approach to enhance portfolio resilience over the medium to long term, while observing the principles of capital preservation, liquidity and return.

The Bank aims towards carbon neutrality by 2050 in its NMPPs in order to safeguard its balance sheet and support an orderly transition to a lowcarbon economy. This strategy is aligned with the goals of the Paris Agreement and the European Union's climate-neutrality objectives.

These portfolios comprise a range of asset classes, including sovereign and sub-sovereign bonds, debt issued by supranational and national agencies, covered and corporate bonds, equities, commodities, as well as holdings in gold and Special Drawing Rights (SDRs). Most assets are managed internally within fixed income portfolios, which are either held to maturity or actively managed against internal benchmarks. The remaining assets are diversified across a range of instruments and managed externally through dedicated mandates or funds, providing the Bank with limited exposure to securitised assets, high-yield bonds, equities, commodities and derivatives. In implementing its strategy, the Bank differentiates across asset classes and regions.

For sovereign portfolios, the Bank recognises that climate-related outcomes are largely driven by issuer-level policy choices and that the rate of decarbonisation of sovereign holdings therefore remains dependent on the decarbonisation efforts of the respective issuers.[3]

[3] In addition, the Bank plays an institutional role in the domestic sovereign bond market through its holdings of Malta Government Securities (MGSs). In the absence of private-sector market makers, the Bank acts as market maker for Maltese Treasury Bills and bonds. These portfolios therefore comprise exclusively euro-denominated Maltese government securities. This role, which supports the orderly functioning of the domestic government securities market, limits the scope for portfolio reallocation or active decarbonisation measures.

The Bank also acknowledges that decarbonisation potential differs across asset classes within the NMPPs, reflecting differences in investor influence, issuer characteristics and starting emission profiles, as well as remaining limitations in data quality and consistency. The Bank continues to monitor developments closely and to explore ways of addressing these constraints across different asset classes, while continuing to meet its other investment objectives.

The Bank has continued to align its equity exposures predominantly towards funds tracking PAB indices. In recent years, the Bank increased investments in equity funds comprising companies with strong sustainability profiles while meeting the minimum requirements of EU PAB. These benchmarks aim to reduce financed emissions, prevent greenwashing and support the transition to a low-carbon economy, while remaining consistent with sound investment principles.

At the same time, the Bank recognises that reliance on exclusions alone may limit the decarbonisation of the real economy. Accordingly, it complements its passive equity strategy with investments in actively managed equity funds that focus on companies demonstrating meaningful progress in improving their environmental performance. These holdings are assessed using a broader environmental, social and governance (ESG) perspective, including a best-in-class approach where applicable.

Where portfolios are managed externally, the Bank seeks to ensure consistency with its climate-related objectives through the selection and ongoing monitoring of external asset managers that apply sustainability considerations in their investment processes. The Bank engages with these managers on climate-related considerations in relation to existing and proposed investments and ensures that they are signatories to the UN Principles for Responsible Investment (UN PRI) and committed to integrating ESG factors into their investment decision-making processes.

In this context, 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 introduced in previous years. The Bank also continued to expand its exposure to geographically diversified fixed income funds that integrate ESG considerations. A mix of passive and actively managed strategies is employed, including approaches based on ESG scoring or screening, with the aim of prioritising issuers with stronger ESG standards and reducing exposure to issuers with weaker ESG profiles.

The Bank has also continued to expand its exposure to green, social and sustainability bonds. The Bank has a preference for instruments issued in accordance with the International Capital Markets Association (ICMA) principles, which promote transparency, accountability and robust reporting on the use of proceeds. Holdings of such bonds reached a nominal value of approximately €491 million by the end of 2025, up from €393 million in 2024, and now account for around 14% of the Bank's total AuM, compared with approximately 11% in the previous year.

The Bank acknowledges that the integration of climate-related considerations in its investment strategy is subject to the size of AuM, which influences the investable universe and the scope to accommodate sustainable investments, evolving data availability, methodological developments and market depth. The scale of transformation required across sectors to achieve climate-neutrality objectives is significant, and the path to decarbonising diversified investment portfolios is neither simple nor linear.

Accordingly, the Bank's strategy is designed to remain adaptive and forward-looking. Strategic choices are reviewed periodically to reflect developments in climate data, methodologies and international best practices, including those emerging at the Eurosystem and international levels.

Risk management

The identification, assessment and mitigation of the financial asset exposures to long-term climate-related risks remains a key priority for the Central Bank of Malta. As a Eurosystem central bank, the Bank incorporates climate risks into its established financial risk management framework. Such risks are recognised as potential amplifiers of traditional risks including market, credit and liquidity risks. Climate-related risks encompass transition and physical risks. Transition risks concern the likelihood and impact arising from the shift towards a low-carbon economy whereas physical risks relate to the potential effects stemming from extreme weather events or natural disasters.

Against this backdrop, in 2025, the Bank continued to employ its internally developed model for assigning trading limits for financial-corporate issuers. This model embeds ESG risk dimensions to capture any potential adverse financial impacts on the institution. These impacts may result from current or future ESG-related vulnerabilities affecting the financial soundness of institutions or their counterparties. From an environmental standpoint, the internal model considers Scope 1, 2 and 3 emission intensities through trend analysis and peer benchmarking. In addition, the model also integrates forward-looking metrics, namely, the issuer's GHG reduction targets, climate temperature score, and carbon risk rating. The integration of SRI considerations in the Bank 's risk management processes aims to enhance the sustainability profile of its investments – in line with its strategic targets. Looking ahead, this will potentially translate into a gradual reduction in the carbon footprint (CF) of its NMPPs.

Externally managed funds are assessed not only on their risk-return characteristics but also on their overall sustainability profile. Preference is given to those funds demonstrating a robust and well-defined ESG and climate-related strategy. Accordingly, ESG considerations are integrated alongside standard financial metrics when selecting new funds or switching between funds. Regular monitoring of ESG scores and strategies is performed and discussed with the respective external asset managers. This ongoing oversight process forms an integral part of the Bank's compliance

framework to ensure that investment activities remain aligned with the Bank's strategy.

Furthermore, the Bank, as part of the Eurosystem, continued to assess its investment portfolio sensitivity to long-term climate-related risks using a comprehensive set of climate metrics across all asset classes. These metrics encompass the weighted average carbon intensity (WACI), total carbon emissions (TCE), carbon footprint (CF) and carbon intensity (CI). As each indicator has its strengths and limitations, altogether this indicator set provides complementary perspectives and valuable cross-checks. These indicators also enable a high degree of comparability with other relevant institutions, as they are widely applied across the financial sector.

In line with previous years, the Bank continued to publish the forward-looking indicators for corporate bonds and equity holdings. These indicators include climate temperature scores, greenhouse gas (GHG) reduction targets and carbon risk ratings. The aim is to assess the issuers' transition alignment and prospective climate performance. Furthermore, the Bank actively monitors exposure to thematic bond holdings for its internally managed portfolio to maintain alignment with sustainability objectives and strengthen climate-risk management.

Several challenges persist in tracking sovereign emissions. Inconsistent methodologies, discrepancies in data quality and timeliness, and differences in reporting methods are all factors which hinder sovereign data accuracy and comparability across countries. To address these gaps and assess country-level commitments, further enhancement in data and frameworks is highly necessary. This in turn will provide a more reliable assessment of national climate progress and related risks.

At the same time, notwithstanding the Bank's continued commitment to embed climate considerations in the risk management process, data limitations and heightened geopolitical risks – via higher energy prices and potentially tighter financial conditions – remain key challenges which may exacerbate sovereign risk and constrain green investment opportunities.

Metrics and Targets

This section outlines the metrics[4] applied by the Bank to assess and manage relevant climate-related risks and opportunities for its NMPPs over the period 2021 to 2025. Additional information on climate data and methodologies is provided in Annex 1, while Annexes 2 and 3 present the historical climate metrics for all holdings combined, as well as separately for euro and foreign currency (FCY)-denominated NMPPs based on scope 1 & 2 and scope 3 emissions, respectively.[5] Annex 4 sets out the technical assumptions and methodologies used to calculate the reported metrics.

METRICS

A. Backward-looking metrics

Carbon metrics are applied by the Bank to quantify GHG emissions and to evaluate the overall climate impact resulting from its financing of companies through financial instruments held in its investment portfolio.

Calculations of the presented metrics follow recommendations of the TCFD[6] and the PCAF.[7] The three main backward-looking metrics discussed in this chapter are the "Weighted Average Carbon Intensity" (WACI), "Total Carbon Emissions" (TCE) and the "Carbon Footprint" (CF),[8] which together form the basis of the Eurosystem's common minimum disclosures for NMPPs.

Each of the climate metrics described above has specific strengths and limitations. Disclosing this range of climate-related metrics provides insights to be drawn from multiple, complementary perspectives.[9] In addition to these three metrics, the Bank monitors the CI of its NMPPs as an indicator of the portfolios' carbon efficiency (see Annexes 2 and 3).

[4] All figures represented in this report are subject to an internal four eye principle but are not audited.
[5] In this year's report climate metrics in the main text are presented on a combined basis for EUR and FCY-denominated holdings.
[6] TCFD formulas are provided in Annex 4. For the Eurosystem disclosure framework, these have been adjusted where necessary to reflect latest PCAF guidance and cover additional asset classes. The Eurosystem has developed its own comprehensive methodologies for elements not addressed by these two frameworks.
[7] See The Global GHG Accounting and Reporting Standard for the Financial Industry.
[8] Refer to Annex 6 for detailed definitions of these metrics.
[9] For sovereigns, production emission metrics calculated excluding and including LULUCF yield identical WACI, CF and CI values.

High levels of data availability and quality are essential for calculating reliable and relevant climate metrics. To support this, the Eurosystem relies on data from an independent climate data provider, Institutional Shareholder Services (ISS), which supplies GHG emissions and environmental impact data across asset classes.[10] This approach supports consistency and comparability in the assessment of financed emissions and climate-related exposures. Recognising the evolving nature of climate data, the Bank aims to provide transparent disclosures based on the most relevant and reliable information available. The Eurosystem engages regularly with policymakers and its data provider to discuss ongoing improvements in data availability, quality and methodologies. Where relevant, data availability is disclosed as a percentage for each metric and asset class.

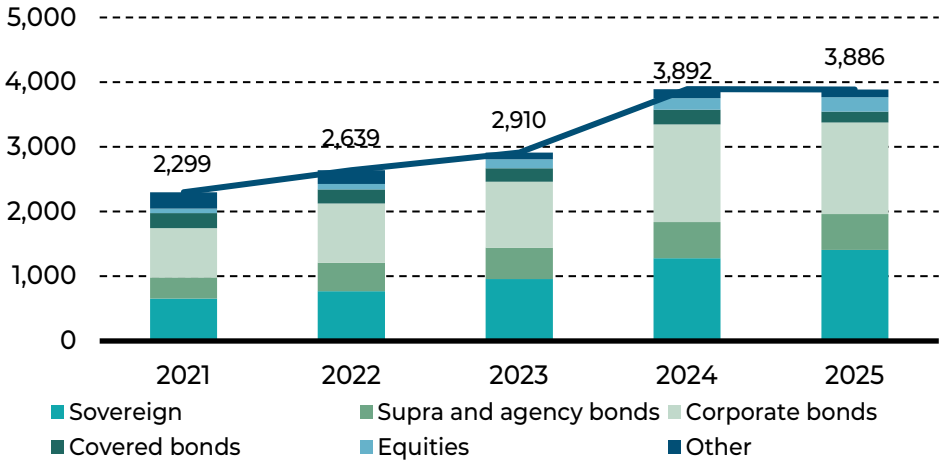
The Eurosystem's framework distinguishes between three different methodologies for the allocation of sovereign emissions, including production-based emissions excluding land-use, land-use change and forestry (LULUCF),[11] production-based emissions including LULUCF,[12] and consumption-based emissions (see Annex 5). In line with PCAF, production-based emissions refer to emissions generated within a country's territory, covering both domestic consumption and exports,[13] while consumption-based emissions reflect all consumption within a territory including imports. Consumption-based metrics provide a broader perspective on sovereign GHG emissions and address the risk of carbon leakage, which arises due to production shifts from countries where goods and services are later consumed.[14] Sub-sovereign entities are treated as part of their respective parent sovereigns in all calculations. The latest available sovereign emissions data refer to 2023 and have been applied to sovereign metrics for the reporting years 2023 to 2025.

[10] This year, sovereign consumption emissions data are reported on the basis of ISS data following the expiration of the Eurosystem's contract with Carbon4 Finance. This change also affects past historical datapoints, which have been revised in Annex 2 for 2021 until 2024.
[11] LULUCF refers to the land use sector and its role as an overall carbon sink or carbon source to a particular territory.
[12] PCAF notes that as countries treat LULUCF emissions differently in their mitigation targets and investors might have diverging views on the potentially offsetting role of land-use and forestry emissions, financial institutions shall report production emissions (scope 1 for sovereigns) including and excluding LULUCF.
[13] This definition follows the territorial emissions approach adopted by UNFCCC for annual national inventories and is typically referenced by sovereigns in their Nationally Determined Contributions (NDCs). PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.
[14] As sovereigns focus on production emissions GHG reduction targets, their consumption emissions might follow a different trend (PCAF).

For corporate, supranational and agency issuers, the Bank estimates climate metrics using scope 1 and scope 2 GHG emissions, as provided by the climate emissions data provider (see Annex 5). Scope 3 relative metrics are added for the first time in this year's report for non-sovereign issuers (in addition to last year's absolute metrics). Quality issues affecting scope 3 emissions data continue to limit their reliability and comparability over time and are thus reported separately from scope 1 and 2 emission metrics. These quality issues include (i) the intrinsic estimation uncertainty, and (ii) methodological divergences for estimations between different data providers and over 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. The latest available emissions data for non-sovereign holdings refer to 2024 and have been applied to the reporting years 2024 and 2025.[15]

Given the distinct allocation methodologies applied to sovereign and non-sovereign investments, climate metrics for these asset classes are presented separately. Chart 1 illustrates the evolution in the size and asset composition of the Bank's NMPPs over the reporting period.[16]

Chart 1
HISTORICAL EVOLUTION OF SIZE AND ASSET ALLOCATION – EUR AND FCY-DENOMINATED NMPPs
(EUR millions)



Sources: Bloomberg; Central Bank of Malta calculations.

[15] Scope 1, 2 and 3 emissions are sourced from issuer's self-reported disclosures where available, or modelled by data providers otherwise, with self-reported emission data preferred where available. Historical series and supplementary disclosures, including scopes 1–3 intensity metrics, are presented in the annexes (see Annexes 2 and 3).
[16] The sovereign holdings include the market-making portfolio.

The Bank's AuM[17] remained broadly stable during 2025. Increases in the externally managed equity funds and the market-making portfolio, which is comprised solely of sovereign holdings, were offset by lower FCY–denominated holdings which were affected by exchange rate movements.

Table 1 shows the above-described metrics for sovereign assets within the Bank's NMPPs as at 31 December 2025. These portfolios incorporate the internally and externally managed assets, as well as the market-making Malta Government Stocks (MGS) portfolio.

Table 1

EUR AND FCY-DENOMINATED NMPPs – SOVEREIGN

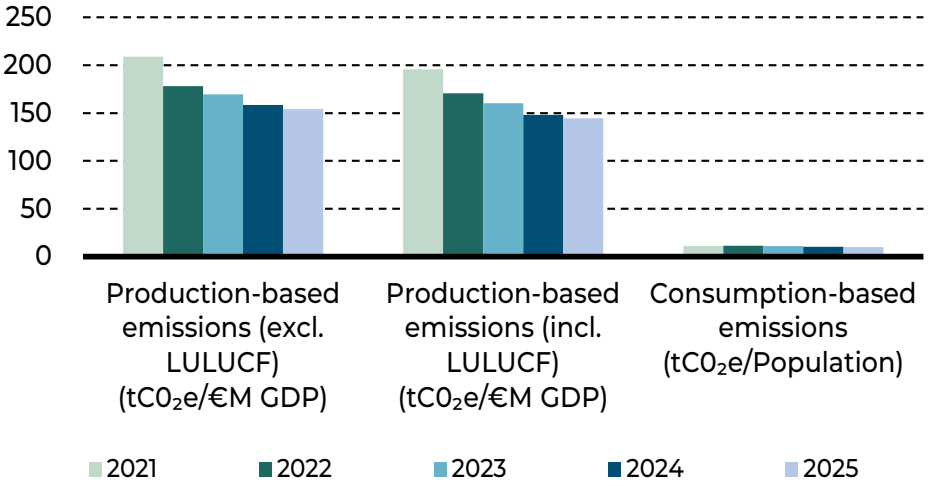
		Sovereign		
		Sovereign and sub-sovereign bonds		
		Production (excl. LULUCF)	Production (incl. LULUCF)	Consumption
Portfolio size	*€ billion nominal value*	1.41		
Total carbon emissions	*tCO_2e*	216,746 *100%*	203,497 *100%*	236,772 *100%*
WACI	*tCO_2e per € million PPP-adj. GDP or per capita*	154 *100%*	145 *100%*	10 *100%*
Carbon footprint	*tCO_2e per € million invested*	154 *100%*	145 *100%*	168 *100%*
Thematic bond share	*per cent*	*12%*		
Green bond share	*per cent*	*9%*		

Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.

Chart 2 and Chart 3 show how the climate metrics for the sovereign investments of the Bank's NMPPs developed in recent years.

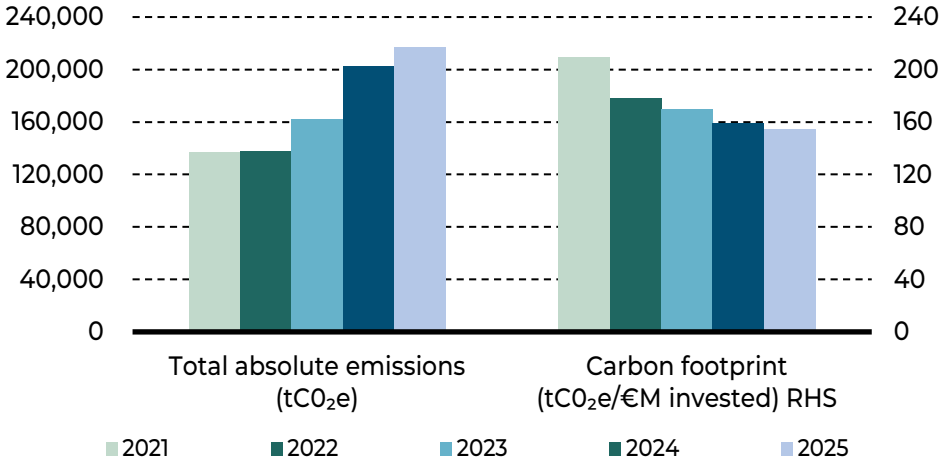
[17] Figures for AuM in this report may differ from those reported in other Central Bank of Malta publications due to the inclusion of the market making portfolio.
Figures are based on nominal values for fixed income holdings and market values for equity holdings.

Chart 2
SOVEREIGN EUR AND FCY-DENOMINATED NMPPs – WACI METRICS *(tCO_2e)*



Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.

Chart 3
SOVEREIGN EUR AND FCY-DENOMINATED NMPPs – GHG PRODUCTION-BASED METRICS (excl. LULUCF) *(tCO_2e)*



Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.

The increase in non-normalised TCE over the years reflects the increase in the size of the sovereign holdings in the Bank's NMPPs (see Chart 3). In 2025, the Bank further expanded its exposure to the sovereign asset class by increasing its internally managed portfolios, particularly the internally managed sovereign inflation-linked portfolio, alongside additional geographical diversification of its fixed-income investments. Additionally, the market-making portfolio also increased by 24%.

WACI and CF declined from 2023 to 2024 driven mainly by changes in the geographical allocation of the Bank's sovereign holdings. The WACI of several sovereign issuers decreased because of higher PPP-adjusted GDP figures for 2024. From 2024 to 2025, the figures

decreased further but marginally due to changes in the geographical composition of sovereign exposures as the metrics for both years are based on the same climate and financial data.

For 2025, production-emission metrics including LULUCF are 6% lower than those excluding LULUCF. This reflects the fact that, for many sovereign issuers, LULUCF activities including carbon sequestration through carbon sinks, contribute to lower production emissions. Consumption-based emissions metrics remained broadly stable over the period.

Table 2 shows the corresponding metrics for the Bank's non-sovereign

Table 2
EUR AND FCY-DENOMINATED NMPPs – NON-SOVEREIGN

		Non-sovereign				
		TOTAL	Supra and agency bonds	Corporate bonds	Covered bonds	Equities
Portfolio size *(€ billion nominal or market value)*	*Total*	2.4	0.6	1.4	0.2	0.2
Total carbon emissions *(tCO_2e)*	*Scopes 1-2 emissions*	21,385	263	18,178	20	2,924
		92%	*78%*	*95%*	*97%*	*100%*
	Scope 3 emissions	922,223	67,908	722,920	45,871	85,524
		92%	*78%*	*95%*	*97%*	*100%*
WACI *(tCO_2e per € million revenue)*	*Scopes 1-2 emissions*	19	2	25	0	36
		92%	*78%*	*95%*	*97%*	*100%*
	Scope 3 emissions	1,992	1,925	2,204	1,591	1,136
		92%	*78%*	*95%*	*97%*	*100%*
Carbon footprint *(tCO_2e per € million invested)*	*Scopes 1-2 emissions*	10	1	14	0	13
		92%	*78%*	*95%*	*97%*	*100%*
	Scope 3 emissions	426	156	538	282	385
		92%	*78%*	*95%*	*97%*	*100%*
Thematic bond share	*per cent*	*16%*	*30%*	*15%*	*0%*	
Green bond share	*per cent*	*11%*	*10%*	*14%*	*0%*	

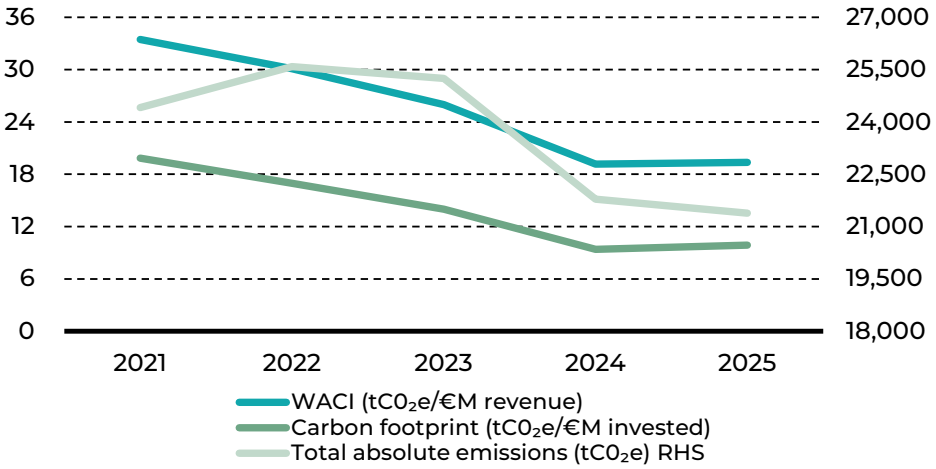
Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.

Note: Figures are based on nominal values for fixed income holdings and market values for equity holdings.

holdings as at 31 December 2025. These portfolios incorporate the internally and externally managed financial assets. In addition, the analysis presented in this year's main text includes the normalised scope 3 emissions metrics.[18]

Chart 4 shows how scopes 1 and 2 metrics for the non-sovereign component of the Bank's NMPPs' have developed over time.

Chart 4
EUR AND FCY-DENOMINATED NMPPs – NON-SOVEREIGN



Sources: ISS; Bloomberg; Central Bank of Malta calculations.

The 2024 metrics were updated to reflect the latest available emissions and financial data. The coverage within the supranational and agency asset class increased following the revisions, while coverage declined marginally in the corporate and covered asset classes. Equity coverage remained full. Overall, the revisions had a positive effect on the reported scopes 1 and 2 metrics, with WACI, TCE and CF revised downward.

The revised 2024 metrics resulted in lower WACI for the supranational and agency asset classes as well as for equities. WACI remained broadly unchanged for the corporate bond and covered bond asset classes. The revised 2024 WACI decreased by 26% compared with 2023 figures, driven by the application of Paris-aligned exclusion to a corporate mandate in 2024 and the Bank's continued investment in PAB equity funds.

[18] Annex 2 sets out historical metrics based on scope 1 and 2 emissions, while Annex 3 presents metrics based on scope 3 emissions.

Following the 2024 decrease, WACI remained broadly stable in 2025, increasing marginally by 1%, primarily due to portfolio allocation effects, as the same climate data were applied in both years. The increase mainly reflects higher exposure to certain fixed income segments as part of diversification efforts aimed at improving the portfolio's risk-return profile, which more than offset the mitigating effect of increased allocations to Paris-aligned investments.

The Bank's continued investment in Paris-aligned and low carbon equity funds contributed to further reductions in the WACI of the equity asset class. By contrast, increases in WACI within the corporate and the agency and supranational asset classes were driven by higher allocations to fixed income funds with broader geographic and issuer diversification. Within the corporate asset class, the reduction in allocations to internally managed portfolios, characterised by comparatively lower scopes 1 and 2 emissions, also contributed to the increase in WACI. Changes in WACI across the covered bond class were minimal, reflecting the broadly stable composition of holdings.

CF exhibited a trend similar to WACI, decreasing from 2023 to 2024 and rising again in 2025, in line with the same underlying drivers. Following the revised 2024 metrics, scopes 1 and 2 TCE decreased by 14% from 2023 to 2024, reflecting the Bank's ongoing strategy to shift equity exposure towards PAB alignment and lower exposure to high-emitting sectors. From 2024 to 2025, TCE decreased marginally, as higher TCE from the increased exposure to fixed income funds was offset by lower TCE from the PAB equity holdings.

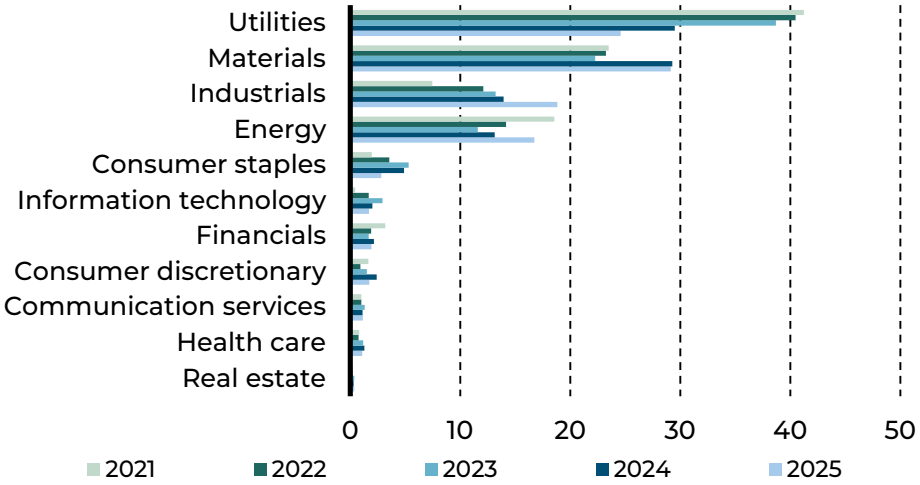
In 2025, scope 3 emissions represented 98% of the TCE associated with the Bank's NMPPs.[19] Scope 3 WACI and TCE declined from 2024 to 2025, mainly driven by maturities in internally managed covered bond holdings. Scope 3 CF has increased due to allocation changes in corporate bonds held in internally managed portfolios.

B. Sectoral analysis

Chart 5 presents the share of each sector in the carbon emissions

[19] Scope 3 emissions are heavily affected by the financial sector.

Chart 5
TOTAL CARBON EMISSION SHARE
(per cent)

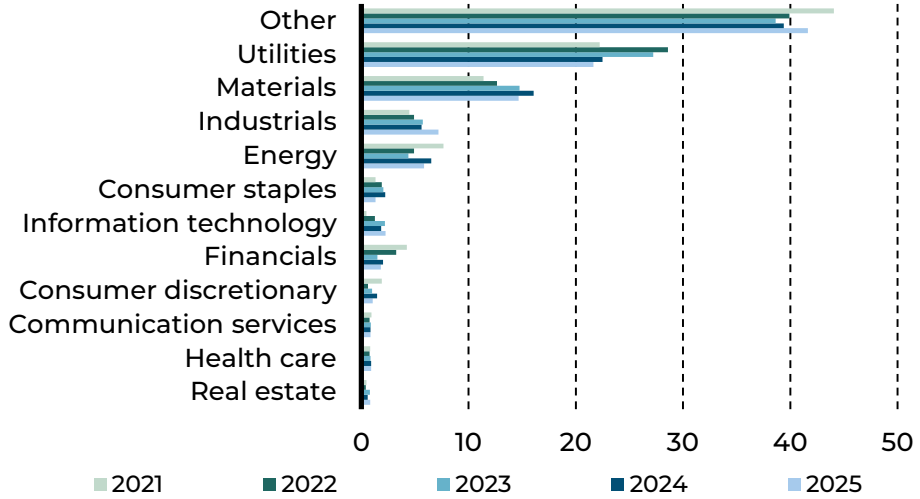


Sources: ISS; Bloomberg; Central Bank of Malta calculations.

related to corporate bonds[20] and equity holdings where data is available. These account for 69% of the Bank's holdings in these categories and 32% of total AuM. An analysis based on scope 1 and 2 emissions, shows that as at end-2025, four sectors, namely Utilities, Materials, Industrials and Energy, accounted for 89% of carbon emissions attributable to corporate issuers (see Chart 5). However, these four sectors represent only 3% of non-sovereign holdings and 2% of total AuM.

Collectively, these four sectors contribute 49% to the WACI of non-sovereign holdings in 2025 (see Chart 6), down from 51% in 2024.

Chart 6
SECTOR CONTRIBUTION TO WACI
(per cent)



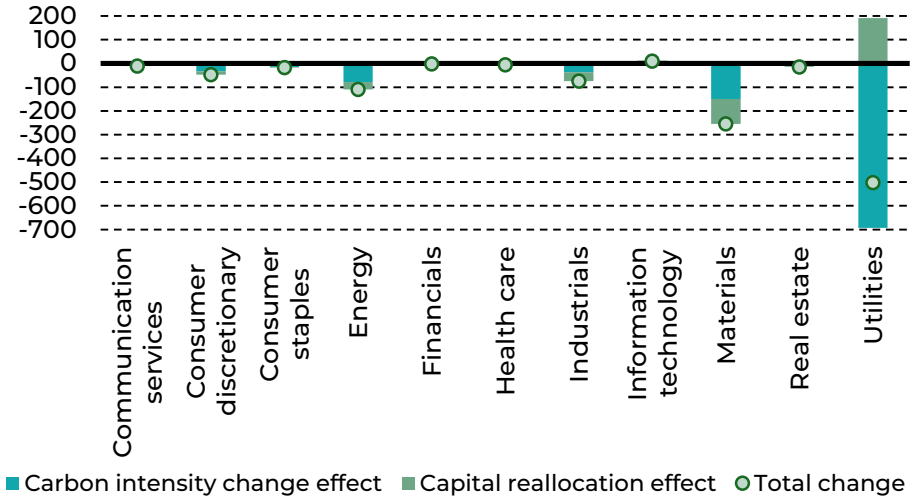
Sources: ISS; Bloomberg; Central Bank of Malta calculations.

[20] Including covered bonds.

A decline in WACI was observed across most sectors from 2021 to 2025, with Information Technology being the sole exception. A supplementary analysis was undertaken to decompose the change in WACI, separating the effects of changes in issuers' CI from those arising from capital reallocation. In line with the approach applied in previous years, 2021 was selected as the base year, reflecting the commencement of the Bank's four-year diversification strategy, particularly with respect to externally managed funds.

As illustrated in Chart 7 below, the CI effect was negative across all sectors, indicating that WACI decreased for all sectors over the review period. The decline was most pronounced in the Utilities sector, followed by more moderate decreases in the Materials and Energy sectors. The capital reallocation effect was negative across all sectors, indicating reduced exposure to higher-emitting issuers, except in Utilities. In this sector, the effect was positive due to increased allocation to a high-emitting issuer within an externally managed fixed income fund.

Chart 7
SECTORAL DECOMPOSITION OF WACI FROM 2021 TO 2025
(tC0$_2$e/€M revenue)



Sources: ISS; Bloomberg; Central Bank of Malta calculations.

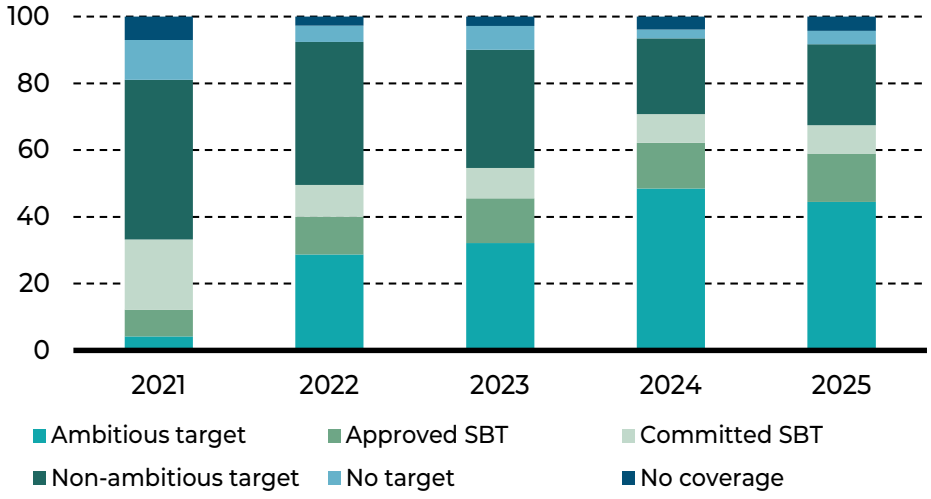
C. Forward-looking indicators

Forward-looking indicators are a core element of the Bank's assessment of climate risk and alignment for its equity and corporate bond[21] holdings, which together represented around 48% of the total portfolio at end-2025.[22]

[21] Including covered bonds.
[22] Metrics for 2024 were updated using the most recent available data.

Chart 8 illustrates the GHG reduction targets of the Bank's NMPPs corporate and equity holdings. This metric gives an indication of the extent to which these issuers plan to reduce their GHG emissions and are committed to climate goals, distinguishing between issuers with ambitious targets, approved Science-based Targets (SBTs) or committed SBTs, non-ambitious targets or no targets (further detail on SBTs is provided in Box 1). The proportion of issuers with ambitious targets, approved SBTs or committed SBTs increased from 55% in 2023 to 71% in 2024. The figure declined to 68% in 2025 due to a reduction in financial sector holdings across both internally and externally managed portfolios. Meanwhile, when only considering Approved or Committed SBTs, the share of corporate and equity holdings increased from 22% in 2024 to 23% in 2025, driven mainly by higher allocations to Paris-aligned equity funds in 2025.

Chart 8
CLIMATE GHG REDUCTION TARGETS
(per cent)

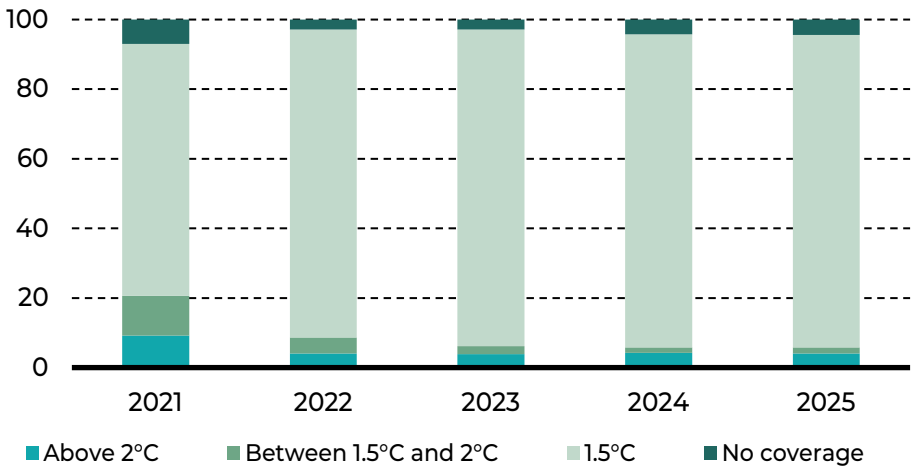


Sources: ISS; Central Bank of Malta calculations.

Chart 9 presents the Climate Temperature Score, based on ISS data, for corporate and equity holdings. This indicator assesses the issuer's emissions over or undershoot relative to the carbon budget in the Sustainable Development Scenario (SDS) pathway[23] at a given point in time. In 2024, 90% of corporate and equity issuers were found to be aligned with the Paris Agreement temperature goals, with the same level of alignment observed in 2025. In both periods, the majority of aligned issuers form part of the internally managed portfolios.

[23] SDS is a climate scenario provided by the International Energy Agency (IEA) that is fully aligned with the Paris Agreement and meets several sustainable development goals.

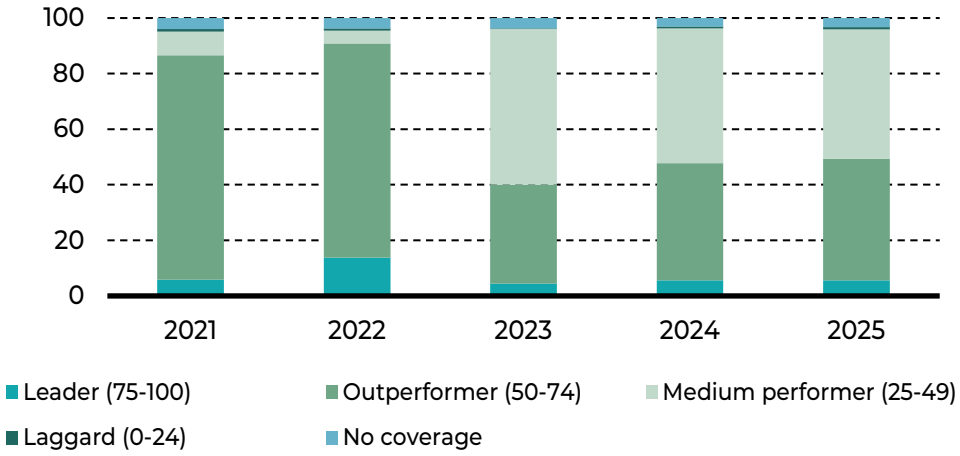
Chart 9
CLIMATE TEMPERATURE SCORE
(per cent)



Sources: ISS; Central Bank of Malta calculations.

Chart 10 shows the Carbon Risk Rating[24] for corporates and equities in the Bank's NMPPs.[25] This is an indicator of how well a corporate is prepared for the eventual low-carbon economy following an analysis of how it deals with industry-specific climate transition risks both in its own operations as well as in the supply chain.

Chart 10
CARBON RISK RATING
(per cent)



Sources: ISS; Central Bank of Malta calculations.

[24] The Carbon Risk Rating is a combination of the Carbon Risk Classification and the Carbon Performance Score. The Carbon Risk Rating assesses, on a scale from 0 (very poor performance) to 100 (excellent performance), how a company deals with industry-specific climate risks. The scale can be translated into four broader performance categories: Climate Laggard (0-24), Medium Performer (25-49), Outperformer (50-74), and Leader (75-100) (see ISS Carbon Risk Rating).
[25] The changes between 2022 and 2023 reflect an update to ISS's emission-based sector classification methodology implemented in 2024.

Therefore, the Carbon Risk Rating can be utilised as part of the transition risk assessment. The proportion of Leaders and Outperformers rose from 40% in 2023 to 48% in 2024, while the share of Medium Performers declined from 56% to 49% over the same period. By the end of 2025, the share of Leaders and Outperformers increased slightly further to 49%, with most of these issuers belonging to internally managed funds, while Medium Performers stood at 47%.

BOX 1: THE SCIENCE-BASED TARGETS INITIATIVE

Achieving the objectives of the Paris Agreement requires companies to transition towards lower-carbon business models, underpinned by credible and measurable decarbonisation pathways. In this context, assessing progress towards climate objectives necessitates indicators that go beyond historical emissions and incorporate the extent to which companies are preparing for the transition to a low-carbon economy.

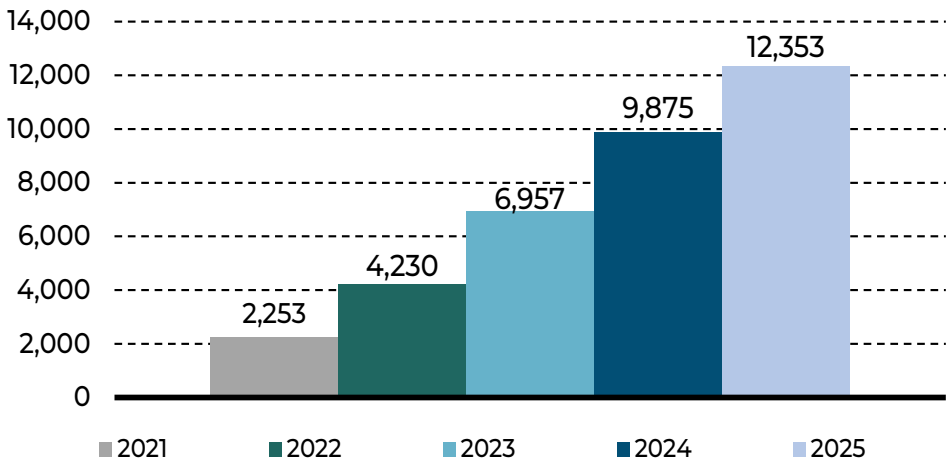
Against this background, the role of the Science-based Targets initiative (SBTi) is particularly significant. Established in 2015, the SBTi was formed through a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the Worldwide Fund for Nature (WWF). The initiative develops standards, tools, and guidance that enable companies and financial institutions to set GHG emissions reduction targets aligned with climate science and the objective of achieving net zero emissions by 2050.

In practice, the SBTi framework operates through a structured target-setting and validation process. Companies first commit to setting SBTs within a specified timeframe. They then develop emissions reduction targets based on defined sectoral pathways and methodologies provided by the SBTi. These targets are then validated by the SBTi, which assesses their alignment with climate science and temperature goals. Once validated, companies are expected to publicly disclose their targets and report progress over time, thereby enhancing transparency and accountability. Validated targets therefore offer an indication of the scale and pace of corporate decarbonisation efforts.

Recent data points to continued growth in the adoption of SBTs, with approximately 12,000 companies having validated SBTs or having committed to set them by the end of 2025 (refer to Chart 1a). The number of validated targets increased significantly during 2025,[1] alongside strong growth in net-zero commitments, reflecting the increasing integration of climate considerations within corporate strategies and risk management frameworks.

[1] By the end of 2025, 9,764 companies had validated targets.

Chart 1a
COMPANIES WITH SBTi COMMITTED OR VALIDATED TARGETS



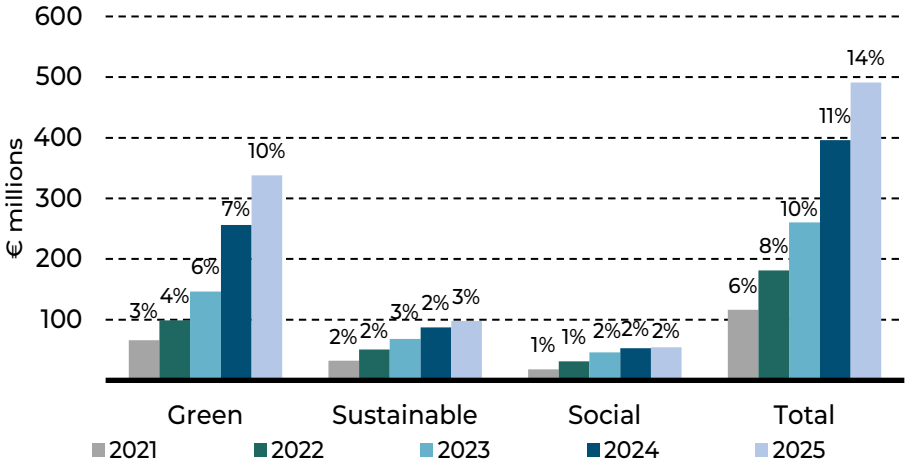
Source: Science-based Targets initiative (SBTi).

For the Bank, the presence of SBTs within its portfolio holdings is monitored as part of the assessment of issuer-level transition preparedness. In this regard, issuers are differentiated according to the nature and ambition of their emissions reduction targets, including whether they have approved or committed SBTs. While such targets provide an indication of the extent to which issuers are aligning with climate objectives, their coverage remains uneven across sectors and regions. It should also be noted that the existence of a validated target does not guarantee its achievement. Moreover, differences in methodologies, sectoral pathways, and data availability may limit comparability across issuers. Accordingly, these indicators are considered alongside other climate-related metrics within the Bank's broader assessment framework. This approach enables a more comprehensive and nuanced evaluation of transition preparedness across the portfolio, complementing emissions-based indicators.

D. Thematic holdings

The Bank continued to expand its thematic bond holdings within the internally managed portfolios.[26] Once again, the IPC endorsed an active strategy to further increase the share of green bonds through direct purchases in 2025. By the end of 2025, green bonds accounted for 10%[27] of the Bank's NMPPs, with most of these holdings concentrated in the EUR held-to-maturity NMPPs. During the year, the Bank also increased its exposure to sustainable and social bonds, bringing total thematic bond holdings to 14% of NMPPs. As illustrated in Chart 11, total thematic bond holdings rose by approximately €95 million between 2024 and 2025.

Chart 11
THEMATIC BOND HOLDINGS
(nominal/percentage of AUM)



Sources: Bloomberg; Central Bank of Malta calculations.

E. Corporate exposure to nature-related priority sectors

Following its introduction last year, the report discloses the Bank's exposure to nature-related priority sectors within its corporate asset portfolio, incorporating selected elements of the Taskforce on Nature-related Financial Disclosures (TNFD) framework.[28]

The corporate exposure metric provides an indication of potential, rather than actual, nature-related dependencies and impacts.

[26] Thematic bonds purchased and reported in Chart 11 are in line with ICMA principles and guidelines for Green, Social and Sustainability instruments.
[27] The Bank also holds exposure to green and sustainable bonds through externally managed funds where the prerogative of such holdings lies with the external asset manager. The Bank still monitors such holdings on a regular basis.
[28] Metric disclosed in line with TNFD's sector guidance, refer to "Additional guidance for financial institutions".

While companies operating in priority sectors are generally more likely to exhibit such dependencies or impacts, their extent is shaped by several factors, including geographic location, mitigation measures implemented, and the resilience of supply chains. A comprehensive identification of actual dependencies and an assessment of the related financial implications require further detailed analysis. Nonetheless, the upfront identification of priority sectors may offer useful guidance in this process.

By the end of 2025, the Bank's three largest exposures to material nature-related priority sectors remained consistent with those of last year, being semiconductors & semiconductor equipment (1.8%), transportation (1.5%), and utilities and commercial & professional services (1.2%). In total, 9.2% of corporate holdings were exposed to sectors with significant nature-related dependencies or impacts.

TARGETS

The European Climate Law establishes carbon neutrality as the objective of balancing GHG emissions with the amount removed from the atmosphere by 2050, with the aim of achieving net-zero GHG emissions across the European Union. Meeting this target will require a profound transformation across economic sectors, technologies, and societal behaviours. In line with this framework, achieving net-zero emissions by 2050 for the Bank's NMPPs remains the Central Bank of Malta's overarching long-term climate objective.

The Bank recognises that the transition towards a low-carbon economy is inherently complex and subject to uncertainty, and that the decarbonisation pathway of a diversified investment portfolio is unlikely to be linear. A narrow reallocation of capital away from higher-emitting sectors towards those with already low CFs would not, on its own, deliver meaningful emissions reductions in the real economy.

Accordingly, through its strategic initiatives, the Bank remains firmly committed to supporting real-world decarbonisation efforts. As

part of this commitment, the Bank continues to progress towards its objective of investing €500 million in green, social, and sustainability bonds by 2026. This figure stood at circa €491 million by the end of 2025. These investments are intended to direct financing towards projects and activities that deliver positive environmental impacts, contribute to climate change mitigation and adaptation, and address key social priorities.

At the same time, the Bank acknowledges that achieving its decarbonisation ambitions is closely linked to actions taken by issuers within its investment universe, as well as to ongoing improvements in the availability, consistency, and quality of climate-related data. These factors remain critical to effectively monitoring progress and assessing alignment with long-term climate objectives.

Annexes

Annex 1

Climate data and methodologies

When estimating climate metrics, the general principle is to have all holdings, emissions and financial data included in the calculations pertaining to the same reference year. While data on NMPPs holdings is readily available and accessible, there is a delay until both GHG emissions and financial data become available. This delay varies across asset classes and regions. Therefore, some of the metrics were updated accordingly as new data became available, while others will need to be updated in future reports until all the inputs for the same reference year become available.[29] It should be noted that when comparing data for different reference years, there is a risk that the change in metrics might reflect changes in market prices rather than any underlying real changes in portfolio's emissions characteristics. Although the Bank has been incorporating ESG and climate considerations in its investment decisions throughout the reported years 2021-2025, metrics for historical years 2021-2024 were estimated ex-post with the availability of climate data in 2024.

The SRI data provider employs strict methodologies to assess the reliability of company-reported data to ensure that only the most reliable self-reported emissions data is utilised. The quality of reported emissions data is assessed taking several control measures into account. These include deviations from previous disclosures, deviations between different disclosure sources, external validation of data, and a company's experience in CF.

The Bank's disclosure policy is based on applying the best available information and transparency to promote the development of high-quality disclosures. For all reported emissions data that are deemed unreliable, the data provider employs proprietary and granular modelling systems to estimate emissions. Furthermore,

[29] For sovereigns, both climate and financial data for 2021 to 2024 have been updated with the latest available figures. For non-sovereigns, revisions were done for 2024 to reflect latest available figures.

verification is a central part of the provider's data collection processes. Data analysis focuses on the identification and elimination of potential error sources and conduct of targeted analysis to monitor data quality.

The data provider's methodologies include several checks and balances to ensure the quality of the data. A combination of automatic data processing and analyst input is applied. Following data collection, the data provider has systems in place to identify red flags, outliers, and contradictions automatically. After emissions data has been collected and fed through models, assessments are manually reviewed by experts to ensure maximum reliability. Each assessment is first reviewed by an analyst, quality checked by a second analyst and then the data lead provides final approval on the overall calculations.

Annex 2

The below tables shows the historical climate metrics for all holdings combined, as well as separately for EUR and FCY-denominated NMPPs based on scopes 1 and 2 emissions.

Table 3

EUR AND FCY-DENOMINATED NMPPs

	Sovereign			Non-sovereign				
	Sovereign and sub-sovereign bonds			TOTAL	Supra and agency bonds	Corporate bonds	Covered bonds	Equities
	Production (excl. LULUCF)	Production (incl. LULUCF)	Consumption					
Portfolio size (€ billion nominal or market value)								
2025		1.41		2.36	0.56	1.41	0.17	0.22
2024		1.28		2.47	0.56	1.51	0.23	0.18
2023		0.96		1.85	0.49	1.02	0.21	0.14
2022		0.77		1.66	0.44	0.91	0.22	0.09
2021		0.66		1.39	0.33	0.76	0.23	0.07
WACI (tCO_2e per € million revenue, PPP-adj. GDP or per capita)								
2025	154 100%	145 100%	10 100%	19 92%	2 78%	25 95%	0 97%	36 100%
2024	159 100%	148 100%	10 100%	19 94%	2 86%	23 95%	1 98%	58 100%
2023	170 100%	160 100%	11 100%	26 95%	3 86%	31 97%	1 100%	101 100%
2022	178 100%	171 100%	12 100%	30 91%	5 75%	35 96%	2 100%	147 100%
2021	209 100%	196 100%	11 100%	33 89%	3 61%	49 96%	3 100%	56 100%
Total carbon emissions (tCO_2e)								
2025	216,746 100%	203,497 100%	236,772 100%	21,385 92%	263 78%	18,178 95%	20 97%	2,924 100%
2024	202,563 100%	189,232 100%	219,641 100%	21,783 94%	507 86%	17,599 95%	28 98%	3,648 100%
2023	161,986 100%	153,082 100%	174,521 100%	25,245 94%	443 85%	19,859 97%	30 100%	4,912 100%
2022	137,365 100%	131,649 100%	147,322 100%	25,586 89%	586 69%	18,040 96%	53 100%	6,907 100%
2021	137,052 100%	128,327 100%	149,184 100%	24,413 88%	102 61%	22,152 95%	170 100%	1,989 99%
Carbon footprint (tCO_2e per € million invested)								
2025	154 100%	145 100%	168 100%	10 92%	1 78%	14 95%	0 97%	13 100%
2024	159 100%	148 100%	172 100%	9 94%	1 86%	12 95%	0 98%	21 100%
2023	170 100%	160 100%	183 100%	14 94%	1 85%	20 97%	0 100%	36 100%
2022	178 100%	171 100%	191 100%	17 89%	2 69%	21 96%	0 100%	80 100%
2021	209 100%	196 100%	227 100%	20 88%	1 61%	30 95%	1 100%	30 99%
Carbon intensity (tCO_2e per € million revenue, PPP-adj. GDP or per capita)								
2025	154 100%	145 100%	9 100%	44 92%	8 78%	52 95%	1 97%	47 100%
2024	159 100%	148 100%	9 100%	44 94%	14 86%	50 95%	1 98%	65 100%
2023	170 100%	160 100%	10 100%	68 94%	15 85%	79 97%	1 100%	107 100%
2022	178 100%	171 100%	11 100%	91 89%	19 69%	99 96%	2 100%	192 100%
2021	209 100%	196 100%	11 100%	83 88%	16 61%	108 95%	3 100%	102 99%

Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.

Note: Figures are based on nominal values for fixed income holdings and market values for equity holdings.

Table 4
EUR-DENOMINATED NMPPs

	Sovereign			Non-sovereign				
	Sovereign and sub-sovereign bonds			TOTAL	Supra and agency bonds	Corporate bonds	Covered bonds	Equities
	Production (excl. LULUCF)	Production (incl. LULUCF)	Consumption					
Portfolio size (€ billion nominal or market value)								
2025		1.10		1.56	0.30	0.92	0.12	0.22
2024		0.99		1.56	0.27	0.96	0.15	0.18
2023		0.74		1.17	0.26	0.61	0.16	0.14
2022		0.59		1.04	0.21	0.58	0.16	0.09
2021		0.49		0.88	0.13	0.51	0.17	0.07
WACI (tCO_2e per € million revenue, PPP-adj. GDP or per capita)								
2025	127 100%	123 100%	8 100%	29 93%	3 87%	38 93%	0 96%	36 100%
2024	133 100%	128 100%	8 100%	30 94%	2 93%	37 94%	1 97%	58 100%
2023	145 100%	139 100%	9 100%	40 94%	1 85%	52 96%	1 100%	101 100%
2022	151 100%	147 100%	10 100%	46 91%	2 72%	55 94%	1 100%	147 100%
2021	176 100%	167 100%	10 100%	51 90%	0 49%	74 95%	3 100%	56 100%
Total carbon emissions (tCO_2e)								
2025	139,516 100%	135,129 100%	161,335 100%	21,314 93%	257 87%	18,122 93%	12 96%	2,924 100%
2024	130,895 100%	125,841 100%	149,316 100%	21,518 94%	357 93%	17,497 94%	16 97%	3,648 100%
2023	107,717 100%	103,818 100%	123,311 100%	24,733 94%	44 85%	19,754 95%	24 100%	4,912 100%
2022	89,532 100%	86,875 100%	103,659 100%	25,066 90%	164 67%	17,957 94%	37 100%	6,907 100%
2021	85,610 100%	81,630 100%	101,637 100%	24,197 89%	1 49%	22,072 94%	136 100%	1,989 99%
Carbon footprint (tCO_2e per € million invested)								
2025	127 100%	123 100%	147 100%	15 93%	1 87%	21 93%	0 96%	13 100%
2024	133 100%	128 100%	152 100%	15 94%	1 93%	19 94%	0 97%	21 100%
2023	145 100%	139 100%	166 100%	22 94%	0 85%	34 95%	0 100%	36 100%
2022	151 100%	147 100%	175 100%	27 90%	1 67%	33 94%	0 100%	80 100%
2021	176 100%	167 100%	208 100%	31 89%	0 49%	46 94%	1 100%	30 99%
Carbon intensity (tCO_2e per € million revenue, PPP-adj. GDP or per capita)								
2025	127 100%	123 100%	8 100%	63 93%	13 87%	77 93%	1 96%	47 100%
2024	133 100%	128 100%	8 100%	67 94%	19 93%	80 94%	1 97%	65 100%
2023	145 100%	139 100%	9 100%	96 94%	3 85%	120 95%	1 100%	107 100%
2022	151 100%	147 100%	10 100%	118 90%	8 67%	136 94%	2 100%	192 100%
2021	176 100%	168 100%	9 100%	101 89%	0 49%	131 94%	3 100%	102 99%

Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.
Note: Figures are based on nominal values for fixed income holdings and market values for equity holdings.

Table 5
FCY-DENOMINATED NMPPs

	Sovereign			Non-sovereign			
	Sovereign and sub-sovereign bonds			TOTAL	Supra and agency bonds	Corporate bonds	Covered bonds
	Production (excl. LULUCF)	Production (incl. LULUCF)	Consumption				
Portfolio size (€ billion nominal value)							
2025		0.31		0.80	0.26	0.49	0.05
2024		0.29		0.92	0.29	0.55	0.07
2023		0.21		0.68	0.22	0.41	0.05
2022		0.18		0.62	0.23	0.33	0.06
2021		0.17		0.51	0.20	0.25	0.06
WACI (tCO_2e per € million revenue, PPP-adj. GDP or per capita)							
2025	250 100%	221 100%	17 100%	0 89%	0 69%	0 98%	1 100%
2024	245 100%	217 100%	17 100%	1 93%	1 79%	1 99%	1 100%
2023	258 100%	234 100%	16 100%	2 96%	5 87%	1 100%	1 100%
2022	266 100%	249 100%	16 100%	3 91%	6 77%	2 99%	2 100%
2021	305 100%	277 100%	15 100%	3 87%	4 69%	2 99%	3 100%
Total carbon emissions (tCO_2e)							
2025	77,230 100%	68,367 100%	75,437 100%	70 89%	6 69%	56 98%	8 100%
2024	71,669 100%	63,392 100%	70,325 100%	264 93%	150 79%	103 99%	11 100%
2023	54,269 100%	49,264 100%	51,210 100%	511 95%	399 85%	105 100%	7 100%
2022	47,832 100%	44,774 100%	43,663 100%	520 88%	422 70%	83 98%	16 100%
2021	51,442 100%	46,697 100%	47,546 100%	216 87%	102 69%	80 99%	34 100%
Carbon footprint (tCO_2e per € million invested)							
2025	250 100%	221 100%	244 100%	0 89%	0 69%	0 98%	0 100%
2024	245 100%	217 100%	241 100%	0 93%	1 79%	0 99%	0 100%
2023	258 100%	234 100%	243 100%	1 95%	2 85%	0 100%	0 100%
2022	266 100%	249 100%	242 100%	1 88%	2 70%	0 98%	0 100%
2021	305 100%	277 100%	282 100%	0 87%	1 69%	0 99%	1 100%
Carbon intensity (tCO_2e per € million revenue, PPP-adj. GDP or per capita)							
2025	250 100%	221 100%	17 100%	0 89%	0 69%	0 98%	1 100%
2024	245 100%	217 100%	17 100%	2 93%	8 79%	1 99%	1 100%
2023	258 100%	234 100%	16 100%	4 95%	27 85%	1 100%	1 100%
2022	266 100%	249 100%	16 100%	8 88%	46 70%	2 98%	1 100%
2021	305 100%	277 100%	15 100%	4 87%	21 69%	2 99%	3 100%

Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.

Annex 3

The below tables shows the historical non-sovereign climate metrics for all holdings combined, as well as separately for EUR and FCY-denominated NMPPs based on scope 3 emissions.

Table 6
EUR AND FCY-DENOMINATED NMPPs

	Non-sovereign				
	TOTAL	Supra and agency bonds	Corporate bonds	Covered bonds	Equities
Portfolio size (€ billion nominal or market value)					
2025	2.36	0.56	1.41	0.17	0.22
2024	2.47	0.56	1.51	0.23	0.18
2023	1.85	0.49	1.02	0.21	0.14
2022	1.66	0.44	0.91	0.22	0.09
WACI (tCO_2e per € million revenue)					
2025	1,992	1,925	2,204	1,591	1,136
	92%	78%	95%	97%	100%
2024	2,000	1,908	2,165	1,821	1,138
	94%	86%	95%	98%	100%
2023	1,464	1,751	1,394	1,355	1,252
	95%	86%	97%	100%	100%
2022	1,252	1,329	1,191	1,233	1,560
	86%	75%	88%	92%	99%
Total carbon emissions (tCO_2e)					
2025	922,223	67,908	722,920	45,871	85,524
	92%	78%	95%	97%	100%
2024	949,653	73,140	737,451	70,811	68,251
	94%	86%	95%	98%	100%
2023	523,253	55,371	351,682	53,324	62,876
	94%	85%	97%	100%	100%
2022	353,755	38,383	213,014	38,534	63,823
	84%	69%	88%	92%	100%
Carbon footprint (tCO_2e per € million invested)					
2025	426	156	538	282	385
	92%	78%	95%	97%	100%
2024	409	152	512	320	384
	94%	86%	95%	98%	100%
2023	298	132	354	255	459
	94%	85%	97%	100%	100%
2022	248	116	264	193	737
	84%	69%	88%	92%	100%
Carbon intensity (tCO_2e per € million revenue)					
2025	1,907	2,093	2,049	1,287	1,365
	92%	78%	95%	97%	100%
2024	1,929	1,979	2,115	1,406	1,214
	94%	86%	95%	98%	100%
2023	1,401	1,857	1,391	1,194	1,365
	94%	85%	97%	100%	100%
2022	1,300	1,232	1,229	1,205	1,783
	84%	69%	88%	92%	99%

Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.
Note: Figures are based on nominal values for fixed income holdings and market values for equity holdings.

Table 7
EUR-DENOMINATED NMPPs

	Non-sovereign				
	TOTAL	Supra and agency bonds	Corporate bonds	Covered bonds	Equities
Portfolio size (€ billion nominal or market value)					
2025	1.56	0.30	0.92	0.12	0.22
2024	1.56	0.27	0.96	0.15	0.18
2023	1.17	0.26	0.61	0.16	0.14
2022	1.04	0.21	0.58	0.16	0.09
WACI (tCO_2e per € million revenue)					
2025	1,989 *93%*	2,267 *87%*	2,134 *93%*	1,924 *96%*	1,136 *100%*
2024	2,000 *94%*	2,109 *93%*	2,086 *94%*	2,324 *97%*	1,138 *100%*
2023	1,378 *94%*	1,808 *85%*	1,225 *96%*	1,442 *100%*	1,252 *100%*
2022	1,214 *87%*	969 *72%*	1,190 *88%*	1,342 *95%*	1,560 *99%*
Total carbon emissions (tCO_2e)					
2025	600,248 *93%*	52,989 *87%*	425,462 *93%*	36,273 *96%*	85,524 *100%*
2024	586,424 *94%*	51,209 *93%*	410,806 *94%*	56,159 *97%*	68,251 *100%*
2023	340,023 *94%*	28,598 *85%*	206,022 *95%*	42,527 *100%*	62,876 *100%*
2022	262,466 *86%*	9,530 *67%*	159,223 *88%*	29,890 *95%*	63,823 *100%*
Carbon footprint (tCO_2e per € million invested)					
2025	413 *93%*	206 *87%*	496 *93%*	315 *96%*	385 *100%*
2024	398 *94%*	206 *93%*	457 *94%*	380 *97%*	384 *100%*
2023	308 *94%*	128 *85%*	353 *95%*	267 *100%*	459 *100%*
2022	290 *86%*	62 *67%*	310 *88%*	198 *95%*	737 *100%*
Carbon intensity (tCO_2e per € million revenue)					
2025	1,769 *93%*	2,624 *87%*	1,817 *93%*	1,618 *96%*	1,365 *100%*
2024	1,820 *94%*	2,660 *93%*	1,889 *94%*	1,923 *97%*	1,214 *100%*
2023	1,317 *94%*	1,881 *85%*	1,254 *95%*	1,305 *100%*	1,365 *100%*
2022	1,265 *86%*	437 *67%*	1,248 *88%*	1,345 *95%*	1,783 *99%*

Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.
Note: Figures are based on nominal values for fixed income holdings and market values for equity holdings.

Table 8
FCY-DENOMINATED NMPPs

	Non-sovereign			
	TOTAL	Supra and agency bonds	Corporate bonds	Covered bonds
Portfolio size (€ billion nominal value)				
2025	0.80	0.26	0.49	0.05
2024	0.92	0.29	0.55	0.07
2023	0.68	0.22	0.41	0.05
2022	0.62	0.23	0.33	0.06
WACI (tCO_2e per € million revenue)				
2025	2,000	1,433	2,328	774
	89%	69%	98%	100%
2024	2,001	1,691	2,294	813
	93%	79%	99%	100%
2023	1,608	1,686	1,636	1,076
	96%	87%	100%	100%
2022	1,317	1,639	1,193	896
	83%	78%	88%	83%
Total carbon emissions (tCO_2e)				
2025	321,975	14,919	297,457	9,599
	89%	69%	98%	100%
2024	363,228	21,930	326,645	14,653
	93%	79%	99%	100%
2023	183,230	26,773	145,661	10,797
	95%	85%	100%	100%
2022	91,289	28,853	53,792	8,644
	81%	72%	87%	83%
Carbon footprint (tCO_2e per € million invested)				
2025	453	84	612	204
	89%	69%	98%	100%
2024	429	95	602	199
	93%	79%	99%	100%
2023	280	136	356	216
	95%	85%	100%	100%
2022	175	162	183	177
	81%	72%	87%	83%
Carbon intensity (tCO_2e per € million revenue)				
2025	2,234	1,218	2,507	726
	89%	69%	98%	100%
2024	2,136	1,239	2,490	693
	93%	79%	99%	100%
2023	1,591	1,832	1,646	894
	95%	85%	100%	100%
2022	1,409	3,096	1,177	885
	81%	70%	87%	83%

Sources: ISS; World Bank; Bloomberg; Central Bank of Malta calculations.

Annex 4

Table 9

ELEMENTS OF THE EUROSYSTEM COMMON DISCLOSURE PRINCIPLES FOR THE TCFD CATEGORY METRICS AND TARGETS[1]

Element	Details
Weighted average carbon intensity (WACI)	$= \sum_{n}^{i} \left(\frac{current\ value\ of\ investment_i}{current\ portfolio\ value} \right) * \left(\frac{issuer's\ carbon\ emissions_i}{issuer's\ revenue, PPP\ adj.\ GDP, population\ or\ final\ consumption\ expenditure}_i \right)$
Total carbon emissions	$= \sum_{n}^{i} \left(\frac{current\ value\ of\ investment_i}{EVIC\ or\ PPP\ adj.\ GDP_i} * issuer's\ carbon\ emissions_i \right)$
Carbon footprint	$= \frac{\sum_{n}^{i} \left(\frac{current\ value\ of\ investment_i}{EVIC\ or\ PPP\ adj.\ GDP_i} \right) * issuer's\ carbon\ emissions_i}{current\ portfolio\ value}$
Green bond share	Of fixed-income portfolios based on ICMA's Green Bond Principles.
Aggregate share of Sustainability, Sustainability-linked and Social bonds	Of fixed income portfolios based on ICMA's Sustainability Bond Guidelines, Sustainability-linked Bond Principles and Social Bond Principles.
Portfolio size	Expressed in € billions.
Asset classes	All asset classes of the portfolio, with metrics to be shown by asset class.
Emissions scope	Scopes 1 and 2 emission metrics, and scope 3 (reported separately) subject to possible exemptions for some asset classes (covered bonds, supranationals and agencies) under a "comply or explain" approach.
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 availability	Indicated in brackets as % for each metric and asset class
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.

[1] TCFD formulas are provided here. For the Eurosystem disclosure framework, they have been adjusted where necessary to reflect latest PCAF guidance and cover additional asset classes.

In addition to the elements of the Eurosystem common disclosure principles, the Bank publishes the CI metric and the corporate exposure to nature-related priority sectors, which are defined as:

Carbon Intensity

$$= \frac{\sum_n^i \left(\frac{current\ value\ of\ investment_i}{EVIC\ or\ PPP\ adj.GDP_i}\right) * \ issuer's\ carbon\ emissions_i}{\sum_n^i \left(\frac{current\ value\ of\ investment_i}{EVIC\ or\ PPP\ adj.GDP_i} * \begin{matrix} issuer's\ revenue, PPP\ adj.GDP \text{ or} \\ population \end{matrix}_i\right)}$$

Corporate exposure to nature-related priority sectors

$$= \frac{\sum_{i=1}^n current\ value\ of\ investment_i * \ issuer's\ sector\ TNFD\ priority_i}{current\ portfolio\ value}$$

where "issuer's sector TNFD priority$_i$" equals 1 if the issuer's sector is listed in the TNFD priority sectors list, and 0 if it is not, as shown in Annex 1 of the Additional guidance for financial institutions developed by the TNFD.

Annex 5

Carbon emissions allocation methods, normalisation factors and attribution factors.

Table 10
ALLOCATION

Issuer type	Factor	Remarks	Unit
Corporate	Scopes 1, 2 and 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
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 are reported excluding and including the effects of 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.	

Table 11
NORMALISATION

Issuer type	Factor	Remarks	Unit
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
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.	EUR million
	Consumption: Population	Total population of a country.	People

Table 12
ATTRIBUTION

Issuer type	Factor	Remarks	Unit
Sovereign bonds	PPP adj. GDP	See description of "PPP adj. GDP" in normalization factor.	EUR
Equities	EVIC	Enterprise Value Including Cash. 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.	
Supra & Agency bonds			
Corporate bonds			
Covered bonds			

Table 13
GREENHOUSE GAS EMISSION SCOPES

Scope	Name	Defition
Scope 1	Direct GHG emissions	Direct GHG emissions occur from sources that are owned or controlled by the company.
Scope 2	Indirect GHG emissions	Scope 2 accounts for GHG emissions from the generation of purchases electricity consumed by the companies. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organisational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.
Scope 3	Other indirect GHG emissions	Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.

Source: The Greenhouse Gas Protocol.

Annex 6

Climate metrics definitions

The ***WACI*** measures a portfolio's exposure to carbon-intensive issuers, expressed in tonnes of CO_2 equivalent (tCO_2e) per EUR million revenue.[30] The CI of each issuer is computed by normalising their GHG emissions by a measure of economic activity depending on the classification of the issuer. The portfolios' WACI is then calculated by weighting the carbon intensity of each issuer by their respective share of holdings in the portfolio. The WACI is a central element of the Eurosystem's climate-related financial disclosures. 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.[31] High data availability, data normalization, and the widespread application of the metric across the financial industry ensure comparability across portfolios and time. Any changes to this metric can be the result of changes in the issuers' weights in the portfolio as well as changes to issuers' GHG emissions and economic activity. Portfolio weights and economic activity can be impacted by changes in inflation and exchange rates.

The ***Total Carbon Emissions*** metric quantifies the emissions associated with a portfolio, expressed in tCO_2e. Carbon emissions are weighted by the investor's contribution to the issuer's total capital structure (e.g., equity, debt, GDP etc.), depending on the classification of the issuer, and summed up to determine the portfolio's TCE. The metric serves as a foundation of related normalised metrics such as the "Carbon footprint" explained in the next paragraph. It provides an "inside-out-perspective" (i.e., environmental materiality) which serves as proxy for a portfolio's environmental footprint. Due to its non-normalised nature, the metric's comparability across portfolios and time is limited, with portfolio size being a main driver of changes to this metric. To overcome this limitation

[30] Carbon dioxide equivalent (or CO_2 equivalent) is a metric measure used to compare the emissions from various GHG based on their global-warming potential (GWP), by converting amounts of other gases to the equivalent amount of CO_2 with the same GWP. For more information, see Eurostat.

[31] Issuers with high GHG emissions but lower economic activity tend to be more susceptible to changes in market demand, higher carbon pricing, higher insurance costs, and other climate transition risks.

and to provide a more holistic view of a portfolio's associated emissions, complementary disclosure of the CF is essential. Changes to issuers' GHG emissions or capital structure also result in fluctuations of this metric from one year to another.

The ***Carbon Footprint*** normalises the TCE associated with a portfolio by its market value, expressed in tCO_2e per EUR million invested, thereby allowing for comparability across differently sized portfolios and time. Fluctuations in this metric can be brought about by changes to issuers' GHG emissions and capital structure, as well as the changes in issuers' weights in the portfolio. Similarly, portfolio weights and economic activity can be impacted by changes in inflation and exchange rates.

Annex 7

List of abbreviations

AuM	Assets under Management
C4F	Carbon4 Finance
CF	Carbon Footprint
CI	Carbon Intensity
CO_2	Carbon Dioxide
CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, Social and Governance
FCY	Foreign Currency
FRMO	Financial Risk Management Office
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GWP	Global-warming Potential
IAMO	International Asset Management Office
ICMA	International Capital Market Association
IPC	Investments Policy Committee
IEA	International Energy Agency
ISS	Institutional Shareholder Services
ISSB	International Sustainability Standards Board
MGS	Malta Government Stocks
NDC	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
NMPP	Non-monetary Policy Portfolio
LULUCF	Land Use, Land-use Change and Forestry
PAB	Paris Aligned Benchmark
PCAF	Partnership for Carbon Accounting Financials
SAA	Strategic Asset Allocation
SBT	Science-based Target
SDR	Special Drawing Rights
SDS	Sustainable Development Scenario
SRI	Sustainable and Responsible Investment
TCE	Total Carbon Emissions
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
tCO_2e	Tonnes of CO_2 equivalent
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UN PRI	United Nations Principles for Responsible Investment
WACI	Weighted Average Carbon Intensity