

COP26: Pledge by the Banque de France/ACPR

As the COP26 opens, the Banque de France and ACPR wish to reaffirm their strong support to achieving the objectives of the Paris Agreement, and to promoting sustainable finance more generally. Towards this end, the Banque de France/ACPR will continue to work actively to implement the NGFS¹ recommendations and collaborate toward delivering on NGFS ambitions, reaffirmed today in the NGFS Glasgow declaration. In this spirit, the Banque de France/ACPR will, in particular, take the following actions over the next two years.

1. The Banque de France and ACPR are committed to integrating climate change into financial stability work and micro-prudential supervision, in particular in the context of the Single Supervisory Mechanism.

Sustainability-related disclosure requirements have developed in EU and French regulation over the past 6 years and represent a significant progress toward better aligned financial flows. **The ACPR will strengthen its monitoring of the compliance with the extra-financial reporting obligations by the entities it supervises.** Since 2015, banks and institutional investors have stepped up climate action. **The ACPR will also carry on its monitoring of their climate commitments.**

Besides, using the ‘NGFS scenarios’ and working with the Banque de France to design the scenarios, the ACPR conducted from July 2020 to April 2021 an unprecedented bottom-up voluntary climate pilot exercise involving most of the banking groups and insurance undertakings under its remit. Following this exercise, **the ACPR has initiated structured work with the banks and insurance companies to foster progress against identified gaps and intends to repeat such exercise in 2023/2024.**

The Single Supervisory Mechanism is taking action, with the full support and contribution of the ACPR, to further integrate climate-related risk into banking supervision, in particular through the conduct of a climate stress test in 2022 that builds on the NGFS scenarios and the Banque de France and ACPR experience.

2. The Banque de France will provide full support to the implementation of the ambitious climate-related action plan the ECB’s Governing Council has committed to, as part of its monetary policy strategy. In addition to the comprehensive incorporation of climate factors in its monetary policy analysis, the ECB’s Governing Council will adapt the design of its monetary policy operational framework in relation to disclosures, risk assessment, corporate sector asset purchases and the collateral framework

3. The Banque de France is committed to implementing best practices with regards to ensuring the alignment of its non-monetary policy portfolios with the objectives of the Paris Agreement.

The Banque de France adopted a responsible investment strategy in 2018 covering its own funds and pension liabilities investment portfolios, and publishes an annual report on its execution, which draws on

¹ Network for Greening the Financial System.

the recommendations made in 2017 by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

In view of the climate emergency **the Banque de France has decided to reinforce its exclusion policy with regard to fossil fuels**. After the phasing out of assets exposed or associated with non-conventional hydrocarbons from 2021 onwards, and the definition of a voting policy disapproving the development of new fossil fuel projects, the Banque de France seeks to completely exit from coal by 2024 at the latest. **The Banque de France is also working towards stepping up its current own funds portfolios' target of a 2°C alignment to a 1.5°C alignment.**

The Eurosystem central banks have recently defined a common stance for applying sustainable and responsible investment principles in the euro-denominated non-monetary policy portfolios that they each manage under their own responsibility, including making annual climate-related disclosure. **The Banque de France is fully committed to this objective.**

4. Building capacity on climate-related issues is critical to ensure the effectiveness of our climate action. **This is why the Banque de France commits to developing and rolling out training programs to enhance its staff's understanding of climate-related issues, and more broadly, sustainable issues.** Its objective is to have trained at least 50% of all the staff by 2024. **The Banque de France will also actively participate in the Climate Training Alliance recently launched by the NGFS**, with others, to improve the skill set of the central banking and supervisory community on assessing and managing climate change related-risks. The Banque de France will pay special attention to developing training materials aimed at central banks and supervisors from French-speaking countries.
5. Finally, and beyond these engagements to address the climate change challenge in its activities, and as any other economic agent, **the Banque de France is also highly conscious of the need for the organisation itself to transition toward net zero operating environment.** This is why, as part of its new corporate strategic plan 'Building 2024 Together', the Banque de France intends to **reach carbon neutrality target by 2030.**
6. **Going further, the Banque de France strongly believes that reporting on climate action is beneficial for the institution, its contribution to better identifying good practices and its accountability.** The Banque de France will supplement its report on sustainable investment with the publication, starting in Q4 2022, of a TCFD-aligned report on its climate strategy. The scope of this report will be progressively extended.