June 2025

THE BANQUE DE FRANCE RESPONSIBLE INVESTMENT STRATEGY

Supplement to the *2024 Sustainability Report*

This publication, a supplement to the *Sustainability Report*, provides further insight into the responsible investment strategy of the Banque de France, which rests on three pillars: (i) climate and nature; (ii) environmental, social and governance (ESG) issues more generally; and (iii) shareholder engagement.

BANQUE DE FRANCE
EUROSYSTÈME

ACPR
BANQUE DE FRANCE

PILLAR 1

→ CLIMATE AND NATURE

The Banque de France is committed to integrating global warming and nature and ecosystems preservation issues into its investment strategy for the portfolios under its full and complete responsibility.[1] It has set itself three objectives:

1. Reducing the climate impact of its portfolios by aligning their equity component with a greenhouse gas emissions trajectory compatible with global warming of less than 1.5°C above pre-industrial levels by 2025. The Banque de France met this objective ahead of schedule by the end of 2023, as a result of the perpetuation of efforts already made to reduce the temperature trajectories of these portfolios' equity components and align them with a 2°C trajectory, which was achieved at the end of 2021. Moreover, this global warming alignment objective has now been applied to corporate bonds for the end of 2026 (Objective No. 1).

2. Excluding issuers whose involvement in fossil fuels exceeds the thresholds chosen for the Paris-Aligned Benchmarks (Objective No. 2).

3. Contributing to financing the energy and ecological transition (EET) and to preserving nature by investing in thematic funds and green bonds (Objective No. 3).

To this end, the Banque de France monitors more generally the impact and exposure of its portfolios to climate-related risks and pressures on nature. The results presented under Pillar 1 cover the period to 31 December 2024.

1 Own funds and pension liabilities portfolios and euro and foreign currency denominated own portfolios held against the monetary base.

1.5°C ALIGNMENT

The Banque de France has committed to progressively aligning its portfolios with a global warming trajectory of well below 1.5°C. Consequently, it ensures that its investments comply with the commitments made by France under the 2015 Paris Agreement. After meeting an interim target in 2021 by aligning its portfolios' equity components with a sub-2°C global warming trajectory, the Banque de France stepped up its aspirations by aiming to reach a trajectory compatible with global warming of less than 1.5°C by 2023. This target was achieved again at the end of 2024 for the **equity components of all its own portfolios**. In 2024, the relevant committees approved the target's extension to the corporate bond components of the pension liabilities and own funds portfolios by the end of 2026. The temperature trajectory of the corporate bond component of the own funds portfolio had already been aligned with a global warming target of 1.5°C since 2023. The temperature trajectory of the pension liabilities portfolio is decreasing and is now between 1.5°C and 2°C, mainly due to a few heavy contributors from the industrial, materials and consumer goods sectors.

The Banque de France assesses the alignment of its portfolios by considering the past and future annual greenhouse gas emissions trajectories of the companies in its investment universe. By comparing companies against a scenario trajectory, it is possible to assess each firm's alignment with a target sub-1.5°C global warming trajectory. Portfolio alignment is then measured by aggregating and comparing past and future emissions on the one hand, and the scenario emissions of portfolio companies on the other hand, which are allocated on a proportional basis reflecting the share of the investment relative to the enterprise's value.

The Banque de France takes a two-stage approach to aligning its portfolios: (i) it applies a filter that prevents it from investing in companies whose trajectories are least compatible with a 1.5°C target; and (ii) it favours companies in its investment choices that are most aligned with the target. By applying a climate filter, the Banque de France excludes approximately 5% of the worst-performing companies from its investment universe, under a best-in-universe approach. Exceptionally, some of these companies may be retained in the portfolio if (i) they implement a strategy that contributes significantly to the energy transition,[2] and (ii) the overall asset class of the portfolio remains aligned with the 1.5°C target. The climate filter is applied in addition to the ESG exclusions under

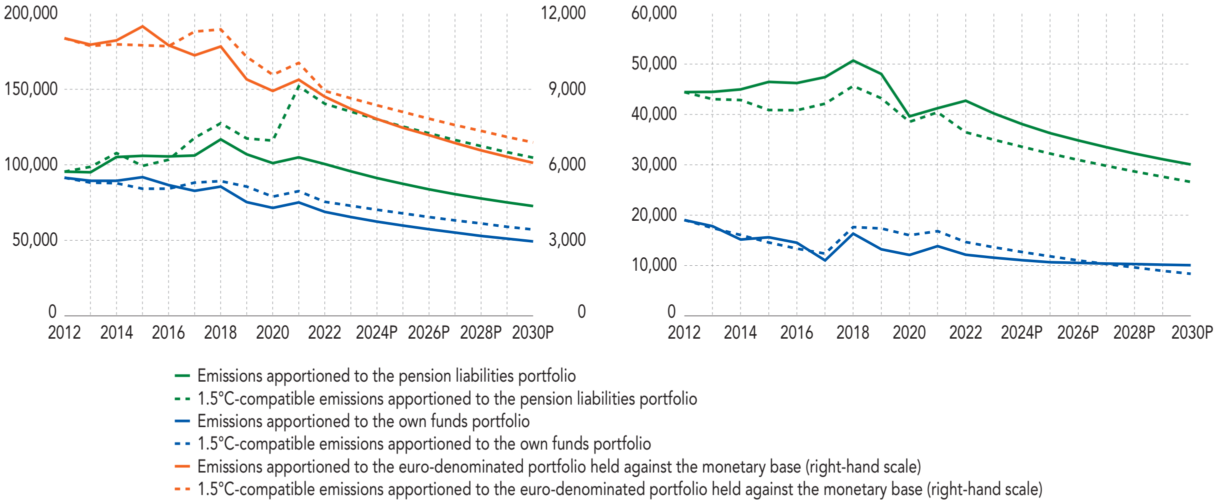
2 This criterion is assessed using several data sources, including Carbon4 Finance and Carbon Disclosure Project (CDP) sources, as well as through interviews with broker analysts specialised in the relevant sectors.

C1 1.5°C alignment

(carbon emissions in tCO_2eq)

a) Equity component of the portfolios

b) Corporate bond component of the portfolios



Source: S&P Global Sustainable1.

Notes: A portfolio is aligned with a 1.5°C trajectory if cumulative emissions over the 2012-30 period attributable to it are below the cumulative emissions over the same period that are compatible with 1.5°C alignment.

On the x-axis, "P" denotes projected.

tCO_2eq, tonnes of carbon dioxide equivalent.

Pillars 1 and 2 of the strategy, which notably leads the Banque de France to exclude certain companies involved in fossil fuels from all of its portfolios *(see below)*.

Carbon alignment data are provided by S&P Global Sustainable1 *(see Focus 3)*. Scope 1 and Scope 2 greenhouse gas emissions *(see Focus 1)* are covered for the 2012-30 period. Over this period, S&P Global Sustainable1 calculates a carbon emissions trajectory for each company, which it compares against a theoretical emissions trajectory that would enable compliance with sub-1.5°C global warming. Company carbon emissions trajectories are obtained from historical data and the targets set by firms themselves, or, failing that, from estimates and projections. The theoretical emissions trajectory for 1.5°C alignment is calculated using the two methodologies recommended by the Science Based Targets initiative (SBTi):[3]

- In the case of companies that emit the most greenhouse gases and whose business activities are homogeneous, S&P Global Sustainable1 refers to the sector-by-sector carbon budgets established by the International Energy Agency (IEA),[4] then applies the "sectoral decarbonisation approach" (SDA): within each sector, every company is assigned a carbon sub-budget based on its carbon intensity, production and market share. A company whose carbon intensity trajectory is above its theoretical budget is therefore not 1.5°C aligned.

- When considering other companies, S&P Global Sustainable1 uses the Intergovernmental Panel on Climate Change (IPCC)[5] 1.5°C scenario for global carbon emissions and then applies the greenhouse gas emissions per unit of value added (GEVA) approach: all companies must reduce their carbon intensity at the same pace (7% per year), irrespective of their sector. Consequently, companies that do not lower their carbon intensity at this pace are not 1.5°C aligned.

This methodology, developed by S&P Global Sustainable1, complies with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations on portfolio alignment issued in 2021.[6]

PARTICIPATING IN THE ENERGY TRANSITION BY EXCLUDING ISSUERS ENGAGED IN FOSSIL FUELS

Since 2018, in accordance with its Responsible Investment (RI) Charter, the Banque de France has excluded companies from its portfolios that derive over 20% of their revenue from thermal coal (extraction or coal-based energy production). The Banque de France updated its RI Charter in 2021 to strengthen and broaden these exclusions. They came into force in 2024:

- Thermal coal: since the end of 2024, the Banque de France has completely excluded the thermal coal sector (0% of revenue from extraction or coal-based energy production), after initially lowering its exclusion threshold to 2% of revenue at the end of 2021.

- Oil and gas: since the end of 2024, the Banque de France has aligned itself with the exclusion thresholds set by European Regulation 2019/2089 on "climate transition" benchmarks, and more specifically with the thresholds applicable to a Paris-Aligned Benchmark (PAB). As set down in the European Commission Delegated Regulation of 17 July 2020, the Banque de France now excludes companies from its portfolios that derive over 10% of their revenue from oil or over 50% from gas.

- Unconventional hydrocarbons: since the end of 2024, the Banque de France has completely excluded companies involved in unconventional hydrocarbon, be it shale oil, shale gas, oil sands or Arctic or deepwater exploration-development (the revenue threshold was lowered to 0%, from 10% previously).

3 SBTi is a partnership between the United Nations Global Compact, the Carbon Disclosure Project (CDP), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It aims to help companies to lower their greenhouse gas emissions and thus target sub-2°C global warming, based on scientific data.

4 Net zero scenarios from *Energy Technology Perspectives 2017*, and above-2°C scenarios from *Beyond 2°C Scenario* from the IEA.

5 Scenario from the Intergovernmental Panel on Climate Change (IPCC) *Representative Concentration Pathways* (RCP) 2.6. The RCP 2.6 scenario is the most optimistic of the four trajectories defined by the IPCC: a very low emissions scenario peaking before 2050.

6 TCFD (2021), *Measuring Portfolio Alignment: Technical Considerations*.

Moreover, in 2024, the Banque de France further stepped up its commitment to the energy transition by deciding to exclude all companies developing new fossil fuel extraction projects. This requirement, which came into effect during the year, is intended to ensure alignment with the IPCC and IEA assumptions in order to achieve a sub-1.5°C global warming trajectory by 2050.

To effectively implement these exclusions, the Banque de France relies on data provided by Moody's ESG and S&P Global Sustainable1 and on data provided by Institutional Shareholder Services (ISS) to its asset management subsidiary, BDF Gestion. At 31 December 2024, the own funds portfolio no longer held any investments in companies involved in thermal coal, while the pension liabilities portfolio had only a residual exposure (approximately 0.1% of the total assets of the equity component compared with 0.7% in 2023). These exposures result exclusively from Banque de France investments in external open-ended funds to which the Banque de France's fossil fuel exclusion thresholds cannot be applied.

CONTRIBUTING TO FINANCING THE ENERGY AND ECOLOGICAL TRANSITION AND TO PRESERVING NATURE

Under Pillar 1 of its strategy, a further objective of the Banque de France is to contribute to financing the energy and ecological transition (EET) and to preserving nature. It measures this contribution through its purchases of green bonds and its investments in thematic funds that focus on EET and ecosystem preservation.

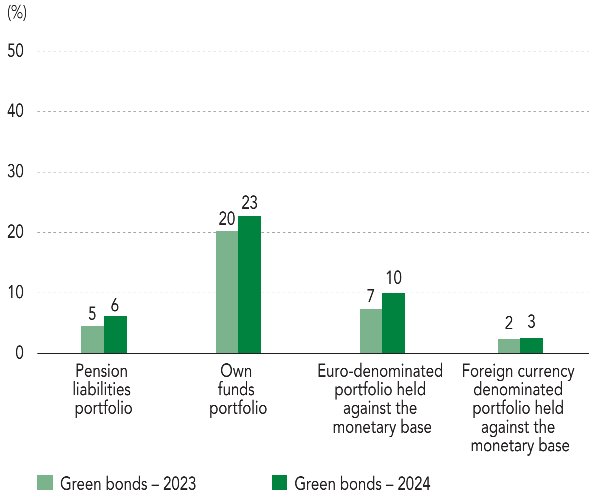
Green bonds

The Banque de France helps to finance the energy and ecological transition directly by buying green bonds for all its bond portfolios. These green bonds are sovereign and quasi-sovereign bonds, such as green *obligations assimilables du Trésor* (OAT – French Treasury bonds) issued by the French government, as well as certain securities issued by companies. They finance green spending, such as investments in public transport, organic farming or waste recycling.

The total value of green bonds held in portfolio[7] amounted to EUR 10.2 billion at 31 December 2024. In 2024, the Banque de France purchased EUR 3.6 billion equivalent of new green bonds, which were mainly euro-denominated as the majority of green bonds are issued in the euro area.

As part of the Eurosystem's common harmonised disclosures, the Banque de France reports the share of green bonds held in each of its portfolios. The results are presented in Chart 2.

C2 Proportion of green bonds in the portfolios



Source: Banque de France.

Environmental impact investment

Through its responsible investment policy, the Banque de France is committed to making impact investments in the management of its own funds and pension liabilities portfolios. Its aim is to support environmentally innovative and eco-responsible initiatives while continuing to generate financial returns. The Banque de France has therefore invested in 25 alternative funds representing a commitment of EUR 837 million, EUR 196 million of which were subscribed in 2024. Of the funded projects, 83% are located in the European Union (including 30% in France).

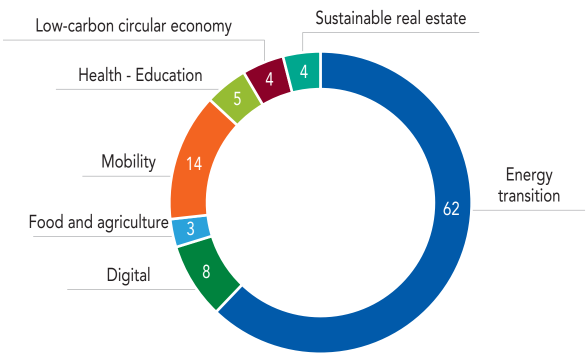
The initiatives supported by these funds primarily concern the energy transition (installation of solar and wind farms and biofuel production), but also cover a wide range of sectors such as sustainable transportation and sustainable real estate projects (energy renovation of buildings).

The Banque de France prioritises funds that have been awarded the Greenfin label, which was created in 2015 by the Ministry for the Ecological Transition and Solidarity to certify the green credentials of activities financed by labelled funds, and also those certified by SRI, LuxFLAG, and Towards Sustainability, which are other benchmark labels for the certification of sustainable funds.

7 The portfolios taken into consideration are own funds and pension liabilities portfolios and euro and foreign currency denominated portfolios held against the monetary base.

C3 Sectoral breakdown of investments in environmental impact funds, at end-2024

(%)



Source: Banque de France.

CARBON FOOTPRINT AND INTENSITY

In addition to the temperature trajectory of its assets, the Banque de France measures the carbon impact of its portfolios, i.e. the greenhouse gas emissions[8] associated with the issuers it invests in directly or indirectly through funds. Since 2023, four indicators harmonised across the Eurosystem central banks *(see Focus 2)* have been used to calculate this carbon impact and to provide complementary insights: (i) total absolute carbon emissions; (ii) capital carbon footprint; (iii) carbon intensity per unit of revenue (or GDP for sovereign bond issuers); and (iv) weighted average carbon intensity. These metrics are calculated using common data for all Eurosystem central banks provided by ISS and Carbon4 Finance. For companies, Scope 1 and 2 emissions have always been covered *(see Focus 1)*. For the first time this year, a second exercise covers Scope 1, 2 and 3 emissions.[9] For countries, each indicator is broken down according to two approaches based on different emission scopes: (i) emissions produced by the country in question;[10] and (ii) emissions consumed by the country.[11] The various statistics and charts presented below follow the consumption approach.

A portfolio's carbon footprint corresponds to the carbon emissions of issuers attributed to the portfolio. These emissions are allocated on a proportional basis according to the share of the investment relative to the value of the company (or, in the case of a sovereign issuer, on a proportional basis according to the share of the investment in the GDP of the corresponding country).

The carbon footprint, carbon intensity and weighted average carbon intensity measures for each of the portfolios are presented in the summary charts below. They were calculated for each of the four portfolios covered by the Eurosystem disclosure exercise:

- The **capital carbon footprint** compares a portfolio's carbon footprint to the amount invested by the Banque de France and can thus be used to measure tonnes of carbon equivalent emitted per EUR million invested. This year's inclusion of Scope 3 emissions has led to a sharp increase in all climate indicators compared to the historical application of Scopes 1 and 2 alone. This is notably due to certain industrial sector entities whose end-product emissions are particularly high.[12] On a like-for-like basis, the reduction in the equity components' carbon footprint between 2023 and 2024 reflects substantial changes made to the composition of the portfolios, particularly following further fossil fuel sector exclusions. As a result, several companies with very high emissions have been entirely removed from the portfolios. The carbon footprint measurement also improved for the sovereign bond components in the own funds and pension liabilities portfolios, due to a lower proportion of US bonds and reduced emissions in several European Union countries, including France. The carbon footprint of the corporate bond component of the pension liabilities portfolio increased slightly, however, due to a reduction in the portfolio's size.

8 The calculated indicators include GHGs besides carbon dioxide (CO_2), such as methane (CH_4) and nitrous oxide (N_2O). These are aggregated and expressed in tonnes of carbon dioxide equivalent (tCO_2eq).

9 This approach is in line with the Eurosystem's intention to adhere to best climate reporting practice. However, it is important to note that the inclusion of Scope 3 emissions can sometimes lead to overestimates of emissions at the portfolio level, particularly due to the risk of double counting, for companies operating in the same value chain for example.

10 Produced emissions include all emissions generated within the country's borders, both for domestic consumption and for exports.

11 This approach includes all emissions consumed within the framework of the country's domestic demand, including imported emissions.

12 Primarily the machine tools, refining, automotive and aviation sectors, for example.

The carbon footprint of own portfolios held against the monetary base has also improved compared with 2023, both for euro-denominated holdings (down 9.5%) and foreign currency denominated holdings (down 9.1%). Although the declining emissions per percentage point of GDP of certain sovereign issuers has contributed, taking carbon footprints into account in investment decision-making has had a significant impact, demonstrating the immediate effectiveness of the responsible investment strategy.

However, total emissions are up for portfolios held against the monetary base as a whole, as they depend directly on the portfolios' size: the nominal volume of euro-denominated portfolios increased by 47%, from EUR 52.2 billion to EUR 76.6 billion, and the nominal volume of foreign currency-denominated portfolios increased by 4%, from EUR 28.4 billion to EUR 29.5 billion (euro-equivalent). An improved coverage ratio also had a notable impact on total emissions by supranational and public agency issuers (up from 85% to 94%, and from 25% to 66% for euro-denominated and foreign currency denominated portfolios, respectively), with a greater share of investments taken into account in the 2024 financial year.

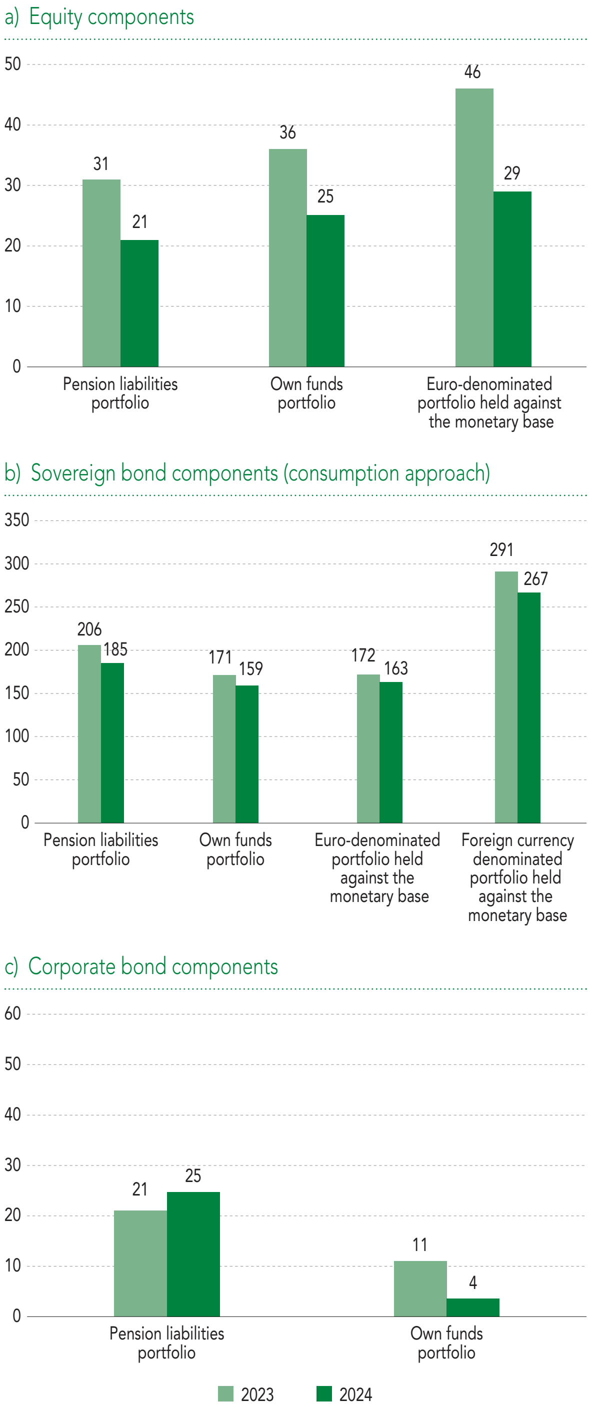
The changes described above also affect the carbon intensity and weighted average carbon intensity metrics presented below.

- The **carbon intensity per unit of revenue** (or GDP) compares a portfolio's total carbon emissions to the share of revenue (or GDP) of all issuers allocated to the portfolio (on a proportional basis according to ownership share). It gauges the carbon efficiency of the portfolio of companies and states, measured in tCO_2eq per EUR million of revenue (or GDP).

- The **weighted average carbon intensity** weights the carbon intensity of issuers (emissions per unit of revenue or GDP) according to their share in the portfolio. This indicator is recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

C4 Capital carbon footprint (Scope 1 and 2 emissions)

(in tCO_2eq/EUR million invested)

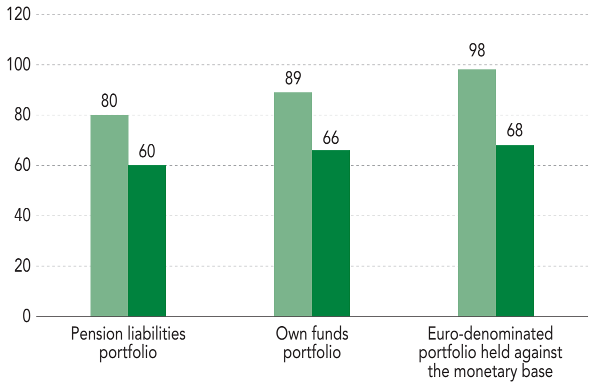


Sources: Institutional Shareholder Services (ISS), Carbon4 Finance, Bloomberg, World Bank; Banque de France calculations.
Note: tCO_2eq, tonnes of carbon dioxide equivalent.

C5 Carbon intensity in terms of revenue and GDP (Scope 1 and 2 emissions)

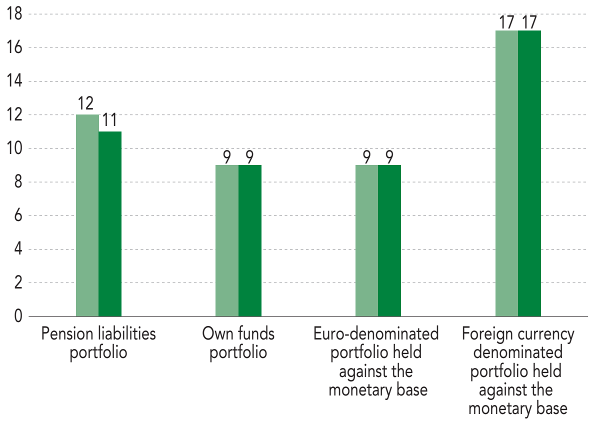
a) In units of revenue – equity components

(in tCO_2eq/EUR million of revenue)



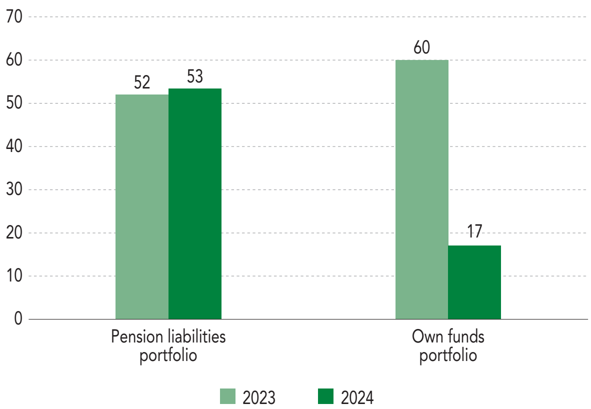
b) In units of GDP – sovereign bond components (consumption approach)

(in tCO_2eq/EUR million of GDP)



c) In units of revenue – corporate bond components

(in tCO_2eq/EUR million of revenue)

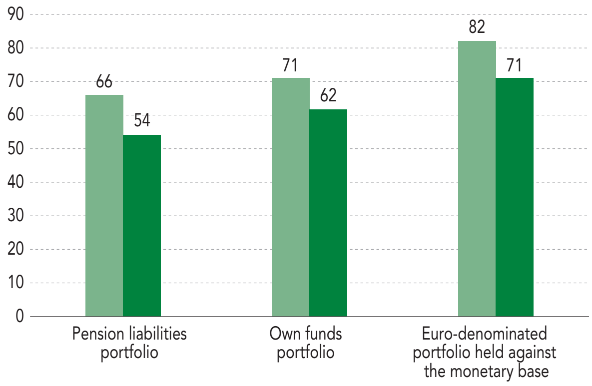


Sources: Institutional Shareholder Services (ISS), Carbon4 Finance, Bloomberg, World Bank; Banque de France calculations.
Note: tCO_2eq, tonnes of carbon dioxide equivalent.

C6 Weighted average carbon intensity (Scope 1 and 2 emissions)

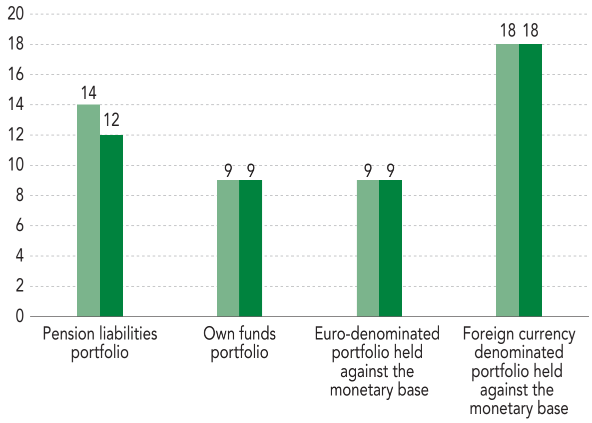
a) In units of revenue – equity components

(in tCO_2eq/EUR million of revenue)



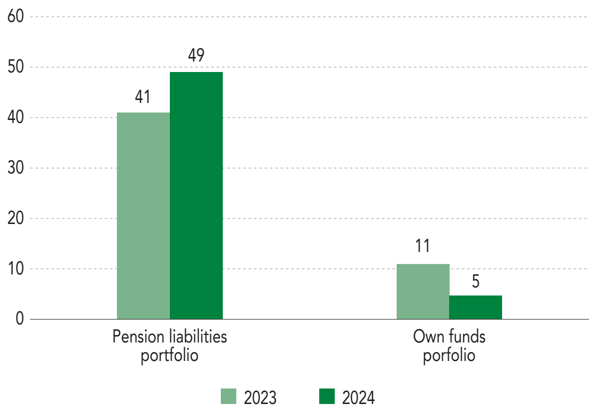
b) In units of GDP – sovereign bond components (consumption approach)

(in tCO_2eq/EUR million of GDP)



c) In units of revenue – corporate bond components

(in tCO_2eq/EUR million of revenue)



Sources: Institutional Shareholder Services (ISS), Carbon4 Finance, Bloomberg, World Bank; Banque de France calculations.
Note: tCO_2eq, tonnes of carbon dioxide equivalent.

EXPOSURE TO PHYSICAL AND TRANSITION RISKS

Climate-related risks include physical risks and transition risks.

- Physical risks can result from one-off events such as droughts or floods, and also from gradual changes such as rising temperatures. Their effect is felt through property damage, drops in productivity, and even disruptions to the global supply chains of portfolio companies.

- Transition risks are the financial risks that result from the regulatory and technological transformations and market developments associated with the process of shifting towards a low-carbon economy.

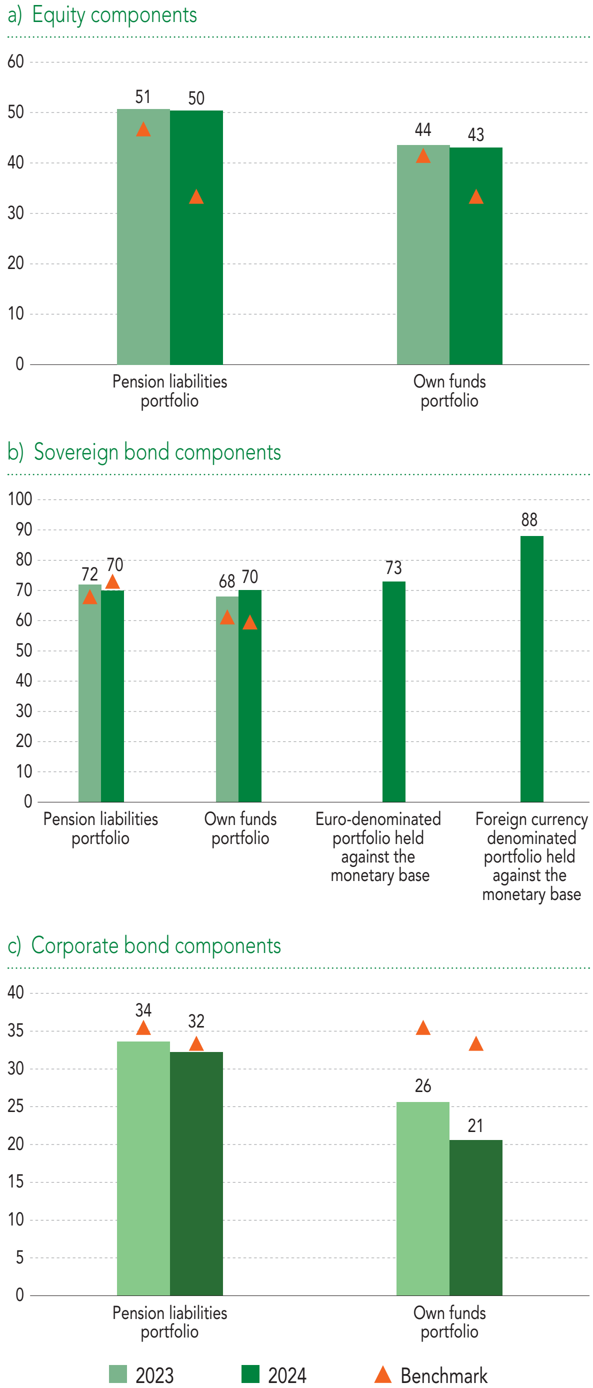
In order to analyse the physical risks to which its portfolios are exposed, the Banque de France tracks a composite indicator calculated by specialised provider Moody's ESG, which analyses the exposure of each issuer to this type of risk. The exposure is calculated via a score that ranges from 0 to 100, where 0 is the lowest risk and 100 is the highest. In the case of companies, the score is based on ten underlying indicators, which are themselves grouped into three categories: (i) operational risks; (ii) supply chain risks; and (iii) market risks. Consequently, the Moody's ESG analysis covers the entire value chain of issuers. In the case of sovereign bonds, the indicator reflects the proportions of the population, GDP and farmland exposed to physical risks.

Using Moody's data, the Banque de France aggregates the scores of the issuers in which it invests to calculate the overall exposure of its portfolios.

In 2024, the main change in exposure to physical risks arose within the corporate bond components, with **exposure declining** for both the own funds and pension liabilities portfolios and significantly lower than their benchmark indices. The own funds portfolio benefits from a composition effect, particularly among French issuers, with average scores of 20.0 in 2024, compared with 41.6 in 2023,[13] while greater issuer diversification explains the lower exposure to physical risks in the pension liabilities portfolio.

C7 Portfolio exposure to physical risks

(physical risk score out of 100)



Source: Moody's ESG.

13 It is important to note that the 2023 scores have been revised slightly compared with last year's published figures due to the introduction of a methodology for matching issuers and assets in the portfolio, which provides better data coverage.

There were contrasting developments in the sovereign bond components, with a slight increase for the own funds portfolio, mainly due to greater exposure to France, and a slight decline for the pension liabilities portfolio, due to lower exposure to the United States. The most significant physical risk at the end of 2024 for this class of assets was the risk of floods, followed by sea level rise.

Lastly, the equity component scores were stable overall for the two portfolios and continue to exceed their benchmark indices.

For the first time, an assessment of physical risk for euro and foreign currency denominated sovereign bond portfolios held against the monetary base has also been published.

IMPACT ON NATURE

Accelerated biodiversity loss today poses a major risk to the integrity of natural ecosystems and the survival of human societies. Although COP 15 (the Fifteenth Meeting of the Conference of the Parties to the United Nations Convention on Biological Diversity), which was held in Montreal in December 2022, paved the way to an initial agreement on a global framework for the preservation of nature, the subsequent efforts made continue to be largely inadequate. Yet pressures on nature have a direct impact on services that are critical to well-functioning societies. These so-called "ecosystem services" include the provision of essential resources such as food, wood and water. They also play a crucial role in regulating the climate, purifying water, fertilising soil and pollination.

Given the dependencies and risks for the financial system, the Banque de France looks to embrace nature-related issues, placing them at the heart of its priorities. Since 2023, it has published indicators that assess the biodiversity footprint of the portfolios covered by its social and responsible investment (SRI) strategy in order to contribute to efforts to develop an impact measurement framework that will help set credible targets in this area. These disclosures cover the equity, corporate bond and sovereign bond components of its own funds and pension liabilities portfolios, and for the first time this year, its euro and foreign currency denominated sovereign bond portfolios held against the monetary base.

Corporate Biodiversity Footprint (CBF) methodology

The biodiversity-impact indicators for the Banque de France's financial portfolios are based on the Corporate Biodiversity Footprint (CBF) developed by the French data provider, Iceberg Data Lab.

The CBF is based on a methodology that makes it possible to harness data on corporate value chains and to model different environmental pressures due to inputs and outputs of the company's production process. It is, to our knowledge, the most robust methodology currently available to estimate the impact of a company's activity on species diversity, given that this impact is neither directly observable nor measurable. The CBF is used to quantify the impact of a company's activity on four main environmental pressures:[14] land use, air pollution, water pollution and climate change.

By aggregating these pressures and converting them[15] into a common measure of pressure on species diversity, we can calculate a negative impact expressed in MSA.km² (Mean Species Abundance/km²). This result can then be used to convert the estimated negative impact on biodiversity into an equivalent metric that expresses total loss of species diversity over a given area. Thus, a company whose activity results in a CBF score of –1,000 MSA.km² is responsible for an annual impact equivalent to the complete loss of biodiversity over an area covering 1,000 km² of undisturbed ecosystem. In other words, the company's activity over the year would have been equivalent to the artificialisation[16] of 1,000 km² of originally pristine ecosystem. Rolling this methodology out to the sovereign universe transposes this approach by assessing the impact on the basis of gross domestic product (GDP) and the value chains associated with each sector of activity, thus taking into account the impacts linked to imports and exports of products consumed or sold outside a national territory.

14 These four items are included in the five factors identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) as being drivers of environmental pressures. The five factors are changing sea and land use, direct exploitation of organisms, climate change, pollution and invasive non-native species.

15 The conversion is performed using Globio (Global biodiversity model for policy support): *https://www.globio.info/*. Globio's goal is to model the impacts of human activity on biodiversity and ecosystems.

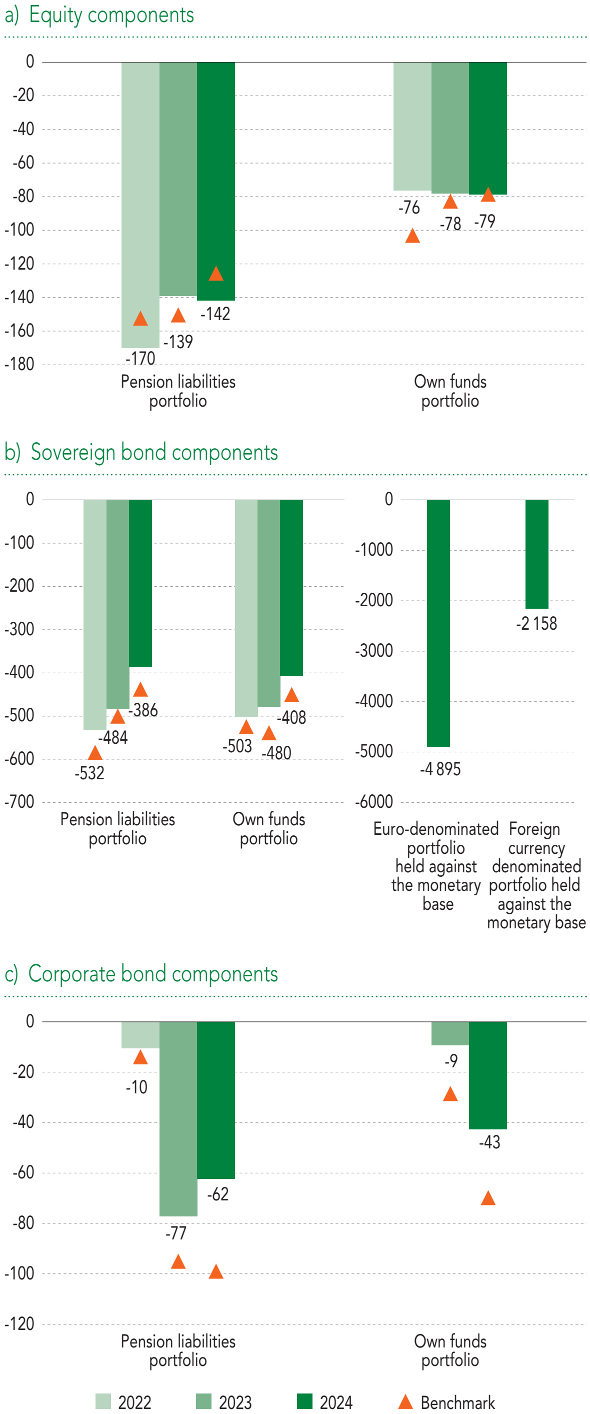
16 The artificialisation of land refers to the loss of its natural qualities.

In establishing an aggregate measure of the impact of its equity and bond portfolios on species diversity, the Banque de France targeted aggregation methodologies and metrics that were consistent with the carbon footprint indicators calculated for its portfolios. This report therefore presents three indicators: (i) total absolute biodiversity impact; (ii) biodiversity footprint; and (iii) weighted average biodiversity intensity *(see Focus 6)*. Following the same philosophy as that used for greenhouse gas emissions, the Corporate Biodiversity Footprint (CBF) metric can be divided into three scopes, covering the issuer's direct impact (Scope 1), the impact linked to its energy consumption (Scope 2) and the impact linked to its upstream and downstream value chain (Scope 3). The CBF metric used here integrates the sum of the three scopes, enabling it to capture the key role played by value chains in companies' impact on nature. The decision to include all three scopes creates an overestimation bias due to the potential for double counting within a portfolio containing several issuers from the same value chain (footprints counted twice, upstream and downstream).

- **The portfolio's total absolute biodiversity impact**[17] aggregates the total biodiversity footprint (CBF) that may be attributed to the Banque de France's investments: it thus measures the negative impact on species diversity of the companies in the portfolio in MSA.km². The total absolute biodiversity impact of almost all the portfolios considered in 2024 is below the benchmark index. While the absolute impact of equity portfolios stabilised, the absolute impact of sovereign bond portfolios declined sharply compared with last year,[18] due to a reduction in the footprint per EUR million invested in this asset class *(see below)*. Lastly, the relatively high absolute impact of the portfolios held against the monetary base, included in the Banque de France's nature disclosures for the first time this year, is mainly due to their significantly larger size compared to the other portfolios studied.

C8 Total absolute biodiversity impact

(MSA.km²)



Source: Iceberg Data Lab; Banque de France calculations.
Note: MSA, Mean Species Abundance.

17 See Focus 6 for the calculation formulae for the portfolio biodiversity metrics.

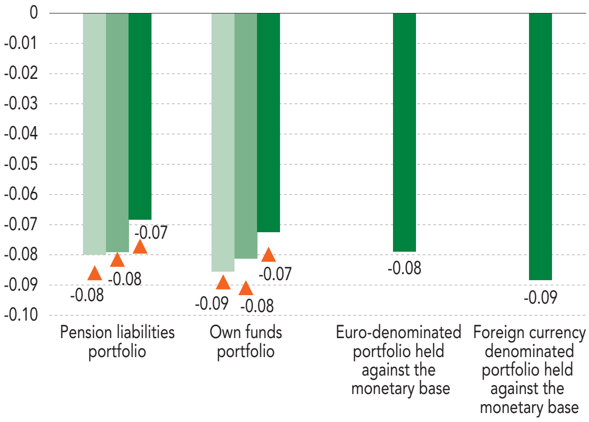
18 This decline has been noted for portfolios already covered in last year's reporting of nature indicators, namely the own funds and pension liabilities portfolios.

C9 Biodiversity footprint

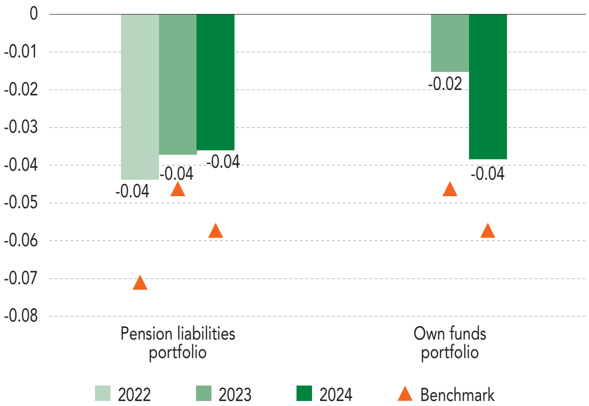
(MSA.km²/EUR million invested)

a) Equity components

b) Sovereign bond components



c) Corporate bond components

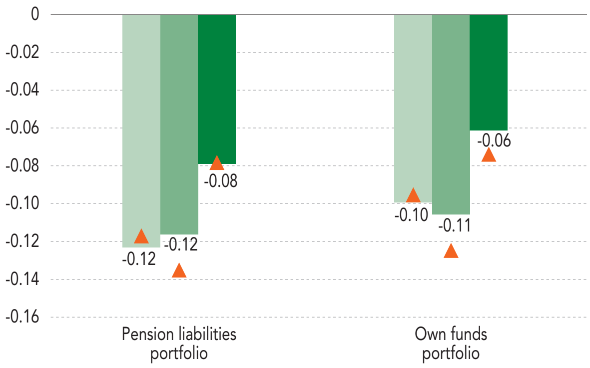


Source: Iceberg Data Lab; Banque de France calculations.
Notes: MSA, Mean Species Abundance.
Labels show rounded figures, which can explain any differences in the levels of the histogram bars that may display the same value.

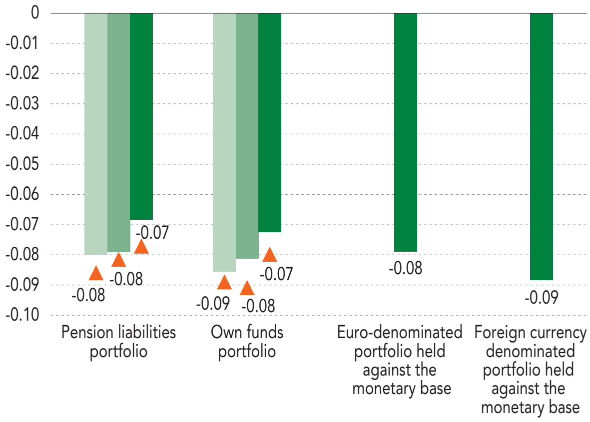
C10 Weighted average biodiversity intensity

(MSA.km²/EUR million of capital employed)

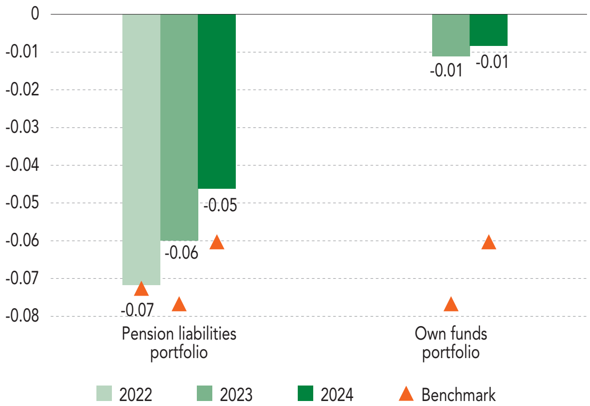
a) Equity components



b) Sovereign bond components



c) Corporate bond components



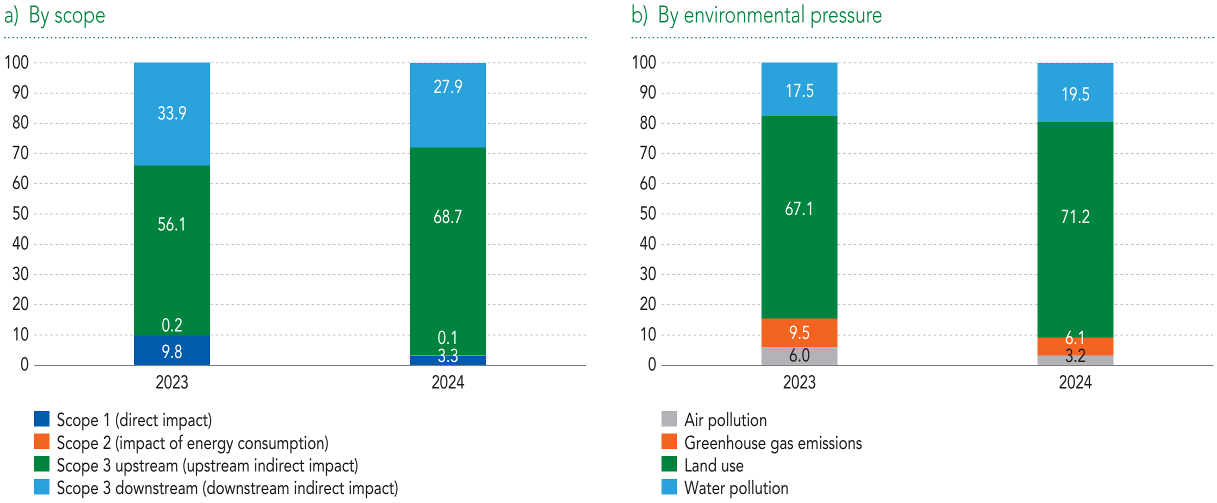
Source: Iceberg Data Lab; Banque de France calculations.
Notes: MSA, Mean Species Abundance.
Labels show rounded figures, which can explain any differences in the levels of the histogram bars that may display the same value.

- The **biodiversity footprint** compares the total absolute biodiversity impact to the total value of the portfolio, expressed per EUR million of value in the portfolio. It enables comparisons between portfolios of different sizes. The biodiversity impact in relation to the volume of investments outperformed the benchmark indices for all the portfolios considered in 2024. It decreased for the sovereign bond component of the own funds and pension liabilities portfolios, mainly due to a reduction in the proportion of US sovereign securities. The biodiversity footprint of portfolios held against the monetary base is comparatively greater because their diversified geographical exposure covers more non-euro area sovereign issuers, which have a poorer performance than the major euro area sovereign issuers. Lastly, the footprint of equity portfolios is stabilising, while that of the corporate bond component of the own funds portfolio has increased as the small number of issuers within the portfolio make it sensitive to changes in the portfolio's composition.
- **Weighted average biodiversity intensity** is calculated by weighting the intensity of issuers' biodiversity impacts (CBF divided by capital employed[19] by the company or GDP)[20] and applying it to their share of the portfolio. This indicator therefore provides a measure of the portfolios' exposure to companies with a high biodiversity impact relative to the capital that they employ. All the portfolios performed significantly better than in 2023. For the equity and corporate bond components, this was mainly due to updates to the methodology used for certain securities to which the portfolios are heavily exposed. For sovereign bond components, the effects are identical to those described for the biodiversity footprint *(see above)*. The weighted averages of the portfolios' biodiversity intensities are almost systematically lower than those of the benchmark indices.

In order to gain a better understanding of the source of its portfolios' impact on nature, the Banque de France presents a metric showing the contribution from each of

C11 Relative contributions to the biodiversity footprint across all equity and bond portfolios at end-2024

(% of total footprint in MSA.km²/EUR million of capital employed)



Source: Iceberg Data Lab; Banque de France calculations.
Note: MSA, Mean Species Abundance.

19 Capital employed = total fixed assets + working capital.

20 In the sovereign universe, the weighted average biodiversity intensity indicator is by construction the same as the biodiversity footprint indicator.

the three CBF scopes and from each of the four pressures on nature to its biodiversity footprint indicator. Scope 3 (94% of the score) – and particularly Scope 3 upstream (67%) – accounts for a large share of the footprint, while the main nature-related pressure driving the biodiversity impact of Banque de France's financial portfolios is land use (71%).

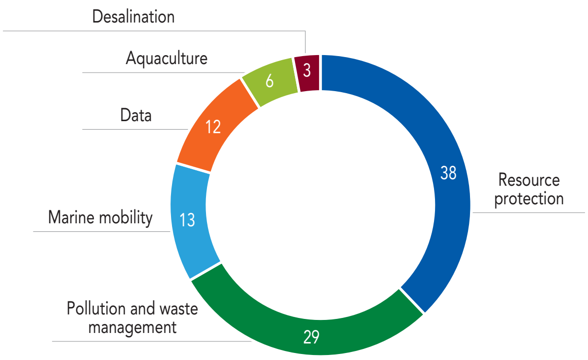
BIODIVERSITY IMPACT INVESTMENT

The Banque de France is committed to encouraging initiatives that promote the preservation of nature, and has thus adopted a proactive policy for managing its own funds and pension liabilities portfolios. It has invested EUR 37 million in thematic funds specifically dedicated to the preservation of nature, including a fund launched in partnership with the Caisse des Dépôts group *(see Focus 7)* and a further fund dedicated to preserving marine biodiversity. Other projects in support of nature are financed through funds subscribed by the Banque de France under the energy and ecological transition (EET) programme.

These investments contribute to the development of projects covering initiatives such as the treatment of seabed litter, forest regeneration or the development of sustainable food production methods.

C12 Sectoral breakdown of investments in biodiversity impact funds, at end-2024

(%)



Source: Banque de France.

① GREENHOUSE GAS EMISSION SCOPES 1, 2 AND 3 ACCORDING TO THE GHG PROTOCOL

The 2001 Greenhouse Gas (GHG) Protocol on measuring company GHG emissions distinguishes between three levels or "scopes" of emissions.

- Scope 1 corresponds to a company's direct emissions from sources that it owns or controls, such as GHG emitted by vehicles owned by the company.
- Scope 2 corresponds to indirect emissions linked to the consumption of energy provided by other companies, such as GHG emitted during the generation of electricity consumed by the company.
- Scope 3 corresponds to indirect emissions linked to the (i) upstream (supplier emissions) and (ii) downstream (emissions linked to the use of goods sold) portions of the company's value chain: for example, in the case of an auto manufacturer, this would include GHG emitted not only (i) by suppliers but also (ii) by the vehicles produced and sold by the company.

② THE EUROSYSTEM'S HARMONISED CLIMATE-RELATED DISCLOSURE EXERCISE

In 2021, the 19 euro area central banks that make up the Eurosystem established a general framework with a view to initiating a common approach to climate transparency. This framework applies to non-monetary policy portfolios held individually and for which the central bank has full and complete responsibility. As part of this undertaking, and in order to ensure harmonised disclosures on the basis of identical data, the Eurosystem organised a joint call for tender to select climate impact data providers, which was completed in early 2022. It resulted in the selection of two climate data providers, Institutional Shareholder Services (ISS) and Carbon4 Finance. Once the providers had been chosen, the Eurosystem initiated an ongoing process to develop and continually refine shared indicators, based on a single methodology. The scope of this common disclosure exercise, carried out for the third consecutive year, extends to all euro and foreign currency denominated non-monetary policy portfolios as well as the monetary policy purchase programmes of the Eurosystem central banks.[1] Each national central bank is responsible for calculating and publishing indicators for portfolios managed for own account, while the European Central Bank (ECB) manages the indicators for monetary policy portfolios. Accordingly, the Banque de France includes the common Eurosystem indicators in its responsible investment report for euro and foreign currency denominated own portfolios held against the monetary base as well as its own funds and pension liabilities portfolios *(see* Sustainability Report, *Section 4, Table 4)*. This year, for the first time, the scope of the calculated indicators includes Scope 3 emissions *(see definition in Focus 1)* for private issuers.[2] Furthermore, the proportion of social and sustainability bonds held in portfolios has also been published this year in addition to the proportion of green bonds. This harmonised disclosure exercise, reported annually, will be gradually expanded in order to improve understanding of the climate and social impact of central banking activities.

1 Purchases of public bonds (from sovereign issuers, agencies and supranational issuers), corporate bonds and covered bonds as part of the asset purchase programme (APP) and pandemic emergency purchase programme (PEPP).

2 These are presented in a separate table from Scope 1 and 2 emissions for comparison purposes with the previous financial year.

③ DATA PROVIDERS SELECTED BY THE BANQUE DE FRANCE AND INDICATOR LIMITATIONS

Climate indicators and environmental, social and governance (ESG) indicators are based on data published by the issuers (such as their carbon emissions) and on calculation methodologies and models (such as the allocation of carbon emissions to a portfolio of financial assets). These data and methodologies, supplied to investors by specialised providers, are the subject of debate: several indicators, such as Scope 3 emissions or the temperature alignment of portfolios, provide markedly different results depending on the data provider.[1] The Banque de France uses several data providers (S&P Global Sustainable1, Moody's ESG and Iceberg Data Lab), which it carefully selected after reviewing the quality of their data and methodologies in particular. With the contracts negotiated in 2020 with S&P Global Sustainable1 and Moody's ESG due to expire, the Banque de France launched a public tender in early 2025 to renew the provision of extra-financial data for the majority of its indicators. The Banque de France also uses two data providers common to the entire Eurosystem – Institutional Shareholder Services (ISS) and Carbon4 Finance – selected following a Eurosystem call for tender aimed at promoting harmonised disclosure across all the central banks that make up the Eurosystem.

List of the Banque de France's extra-financial data providers for 2024

Indicator type	Data provider
Temperature alignment	S&P Global Sustainable1
Carbon emissions data	Institutional Shareholder Services (ISS), Carbon4 Finance
Biodiversity impact data	Iceberg Data Lab
ESG score Physical risks	Moody's ESG

Source: Banque de France.
Note: ESG, environmental, social and governance.

Lastly, the Banque de France arranged for its Statutory Auditors, Forvis Mazars and Deloitte, to sign off on the main climate metrics disclosed for the 2024 reporting period. Forvis Mazars and Deloitte thus attest to the reliability of the metrics reported as part of the Eurosystem's harmonised disclosure exercise,[2] as well as the global warming trajectory of the portfolios, which is one of the Banque de France's key commitments.

1 *Institut Louis Bachelier* (2020), *The Alignment Cookbook*.

2 Total emissions, carbon footprint, carbon intensity, WACI (weighted average carbon intensity) and share of green, sustainability and social bonds.

④ BENCHMARK INDICES

The Banque de France's asset managers compare portfolio results against those of their benchmarks. These benchmark indices are representative of the markets in which the portfolios are invested and are established on the basis of the composition of the main stock market indices.

While benchmark indices are conventionally used to assess the financial over or underperformance of a portfolio relative to a comparable investment universe, they can also be used to analyse its extra-financial positioning.

With the surge in responsible investment strategies, new indices have emerged in recent years that incorporate an expanded ESG dimension. In 2020, the European Commission defined two categories of indices incorporating climate criteria: the Climate Transition Benchmarks (CTBs) and the Paris-Aligned Benchmarks (PABs). Their aim is to steer investment towards companies whose decarbonisation trajectory is compatible with the commitments made in the Paris Agreement. The European Commission set out the criteria for classifying an index as PAB or CTB in its delegated act[1] and the Banque de France chooses the external funds in which it invests on the basis of this framework and in line with its responsible investment policy. The Banque de France has also updated the strategic benchmark indices for its non-monetary policy portfolios to ensure that they mirror its aspirations in terms of ESG actions.

1 Particularly, the rate of decarbonisation of the index from one year to the next, exclusion thresholds for companies involved in fossil fuels, etc.

⑤ A NEW INDICATOR TO MEASURE THE CLIMATE IMPACT OF SOVEREIGN PORTFOLIOS

In 2023, at the request of its Assets-Liabilities Committee and in line with its responsible investment strategy, the Banque de France worked to green its euro and foreign currency denominated sovereign bond portfolios held against the monetary base (foreign exchange reserves and euro-denominated portfolios managed for own account). It undertook research to develop an internal indicator for rating sovereign states on their climate performance. Since the beginning of 2024, this indicator has been included in the asset allocation model used for part of the foreign exchange reserves. It also provides an aggregate measure of the carbon impact of all the Banque de France's euro and foreign currency denominated non-monetary policy sovereign portfolios.

In order to avoid penalising only industrial countries with high greenhouse gas emissions, an indicator combining the carbon intensity of production (domestic emissions) and consumption (domestic emissions +imported emissions – exported emissions) has been developed, based on the literature.[1] This indicator takes the form of a z-score, which measures the position of a value (in this case, a country's carbon intensity) within a population (here, a group of countries). The z-score represents the number of standard deviations from the population average, making it possible to standardise, and therefore compare, data, even if they come from different distributions with different scales. The data sources are those recommended by ASCOR (Assessing Sovereign Climate-related Opportunities and Risks) and are based on reliable public information, with a historical horizon long enough to be able to identify trends. These trends are also taken into consideration in the final indicator: in addition to the static carbon intensity data for production and consumption, their evolution over time is assessed in order to take account of the impact of national climate strategies on greenhouse gas emissions. As a result, the discriminating indicator currently used is a composite z-score that half-reflects the production view and half-reflects the consumption view. It also half-reflects the static values and half-reflects their trends, so as to take a sufficiently broad and balanced range of methodologies and indicators into consideration. In 2024, a component measuring countries' medium-term climate ambition was added to the z-score calculation. This component takes into account the gap between national targets for 2030 and a global warming emissions trajectory limited to 1.5°C above average global pre-industrial temperatures from the Intergovernmental Panel on Climate Change (IPCC).

A z-score of 0 corresponds to an average country, a negative z-score indicates a country with an above average climate performance, and a positive z-score indicates that a country is below average. Since 2024, the strategic allocation of foreign exchange reserves has incorporated this indicator alongside the usual risk-return ratio when making allocation decisions. For the sovereign portfolios managed by the Banque de France, the aggregate z-score[2] of -0.17 at the end of 2024 compared with +0.10 in 2022 demonstrates a trend towards greener performances.

1 Network for Greening the Financial System (NGFS), *Considering climate-related risks and transition impact in the sovereign investments of central banks – Data, metrics and implementation issues,* May 2024, and ASCOR, *ASCOR framework: methodology note*, November 2023 (first publication of the *Transition Pathway Initiative*).

2 Average weighted by each country's z-scores.

⑥ CALCULATING THE CARBON AND BIODIVERSITY FOOTPRINTS

Weighted average carbon intensity	$= \sum_{n}^{i} \left(\frac{\text{Amount invested}_i}{\text{Total value of portfolio}} \right) \times \left(\frac{\text{Carbon emissions}_i}{\text{Revenue or GDP, population, consumer spending}_i} \right)$
Total carbon emissions	$= \sum_{n}^{i} \left(\frac{\text{Amount invested}_i}{\text{Company value or GDP}_i} \times \text{Carbon emissions}_i \right)$
Capital carbon footprint	$= \frac{\sum_{n}^{i} \left(\frac{\text{Amount invested}_i}{\text{Company value or GDP}_i} \right) \times \text{Carbon emissions}_i}{\text{Total value of portfolio}}$
Carbon intensity per unit of revenue or GDP	$= \frac{\sum_{n}^{i} \left(\frac{\text{Amount invested}_i}{\text{Company value or GDP}_i} \times \text{Carbon emissions}_i \right)}{\sum_{n}^{i} \left(\frac{\text{Amount invested}_i}{\text{Company value or GDP}_i} \times \text{Revenue or GDP, population, consumer spending}_i \right)}$

Portfolio total absolute biodiversity impact	$= \sum_{i=1}^{n} \frac{\text{Amount invested}_i}{\text{Company value}_i \text{ or GDP}_i} \times CBF_i$
Biodiversity footprint	$= \frac{\sum_{i=1}^{n} \frac{\text{Amount invested}_i}{\text{Company value}_i \text{ or GDP}_i} \times CBF_i}{\sum_{i=1}^{n} \text{Amount invested}_i}$
Weighted average biodiversity intensity	$= \sum_{i=1}^{n} \text{Weight}_i \times \frac{CBF_i}{\text{Capital employed}_i \text{ or GDP}_i}$

⑦ LAUNCH OF A BIODIVERSITY-DEDICATED FUND IN PARTNERSHIP WITH THE CAISSE DES DÉPÔTS

In December 2024, the Banque de France and the Caisse des Dépôts group launched a fund dedicated to developing a new methodology for analysing corporate biodiversity impacts. The fund is managed by BDF Gestion, the Banque de France's asset management subsidiary, and implements a thematic management strategy for equities by incorporating biodiversity analyses developed by CDC Biodiversité, a Caisse des Dépôts subsidiary.

Inspired by the "LEAP" (Locate, Evaluate, Assess, Prepare) approach promoted by the Taskforce on Nature-related Financial Disclosures (TNFD), the methodology developed by CDC Biodiversité aims to qualitatively assess the extent to which companies take account of issues related to species diversity preservation. Its overall philosophy is to identify a company's key nature-related issues based on its business activities and value chain, and then determine whether the issues are adequately addressed in the company's action plans. Its aim is to complement quantitative approaches to biodiversity footprints, which measure a company's absolute impact on nature, by determining whether a company is more committed and exemplary in reducing its impact on nature compared to peer companies. The assessment of each company is based on a four-step qualitative analysis approach: (i) materiality of biodiversity issues for the sector; (ii) company transparency; (iii) actions already implemented; and (iv) long-term strategy.

This partnership with the Caisse des Dépôts group builds on the Banque de France's ongoing efforts to encourage the integration of nature-related financial risks. Designed as an experiment for integrating nature-related objectives within an investment portfolio, the fund aims to finance the development of a methodology that complements existing biodiversity metrics, thereby contributing to improving the integration of biodiversity criteria into investment strategies. The analyses undertaken also provide an in-depth overview of the maturity level of major French companies' integration of nature-related issues.

PILLAR 2

→ ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA

Under Pillar 2 of its strategy, the Banque de France is committed to incorporating environmental, social and governance (ESG) criteria into its asset management.

At the upstream stage of its investments, the Banque de France excludes at least 30% of companies from its corporate universe based on ESG criteria and in so doing falls into alignment with the requirements of the French SRI label. At the downstream stage of its investments, the Banque de France pursues its transparency approach by disclosing a series of Pillar 2 indicators on its portfolios' ESG performance each year. And since 2021, integrating ESG issues into its asset management has also led to impact investing through thematic funds and social bonds.

ESG FILTER

Historically, the Banque de France incorporated environmental, social and governance (ESG) criteria into its asset management by choosing to apply one of the requirements of the Socially Responsible Investment (SRI) label supported by the French Ministry for the Economy and Finance. In practice, this choice meant reducing its corporate investment universe (equities and bonds) by at least 20%, by excluding the worst-performing companies on the basis of ESG criteria and scores. The reform of the SRI label in 2023 led to this exclusion threshold being raised to 30% of the investment universe. Consequently, the Banque de France made the commitment to match the label's ambition by increasing its ESG exclusion criterion to 30% from 2024. By complying with the label's requirements, the Banque de France is ensuring that ESG factors have a real impact on its asset management, in line with current responsible investment standards.

The ESG filter applies three types of exclusion: (i) norm-based, (ii) sector-based and (iii) ESG score-based.

(i) **Norm-based exclusions** featured in the 2018 Responsible Investment (RI) Charter, which was updated in 2022. They cover not only the equity components but the entire investment universe. The Banque de France does not invest in:

- controversial weapons, i.e. companies involved in the production, use, storage, sale and transfer of anti-personnel mines and cluster bombs, which are banned under the Ottawa Convention (1999) and the Oslo Convention (2010);
- companies and states that do not comply with anti-money laundering and counter-terrorist financing (AML/CTF) regulations, states under embargoes, non-cooperative states and regions with regard to tax information exchange according to the Financial Action Task Force (FATF), and companies involved in AML/CTF controversies;
- companies that do not comply with the principles of the International Labour Organization, including respect for freedom of association and the right to collective bargaining, and the elimination of forced labour, child labour and employment discrimination.

(ii) **Sector-based exclusions** concern both conventional and unconventional fossil fuels and tobacco, which was included in the expanded scope of exclusions in 2022. To effectively implement these exclusions, the Banque de France relies on data provided by S&P Global Sustainable1 and Moody's ESG and on data provided to its asset management subsidiary, BDF Gestion.

(iii) With **ESG score-based exclusions**, the Banque de France supplements its norm-based and sector-based exclusions by **applying a best-in-class approach to exclude companies with the lowest ESG scores on a sector-by-sector basis**: the exclusion threshold was raised in 2024 from 20% to 30% of issuers with the lowest ESG scores from its investment universe. This is a composite score prepared by Moody's ESG for each company based on 330 underlying indicators. Environmental indicators cover the existence of an environmental strategy, prevention of risks of harm to species diversity, or pollution control, for example. Social indicators consider, among others, occupational health and safety, the absence of discrimination and employee training. Lastly, governance indicators cover areas such as the prevention of conflicts of interest or executive remuneration arrangements. The scores for each of the criteria are then weighted according to activity sector so that the final score reflects the company's management of its most material risks.

ESG SCORES

In addition to selecting securities based on the ESG scores calculated by Moody's ESG, the Banque de France monitors the average ESG score for each portfolio, by asset class. For companies, the ESG score is calculated using the methodology described above. For governments, the ESG score is based on 172 underlying ESG indicators broken down into three areas: (i) environmental protection; (ii) social protection and solidarity; and (iii) governance responsibility (including ratification of international conventions, press freedom and tax cooperation). Issuers' individual scores are then aggregated (weighted by total assets) to arrive at the portfolios' average score.

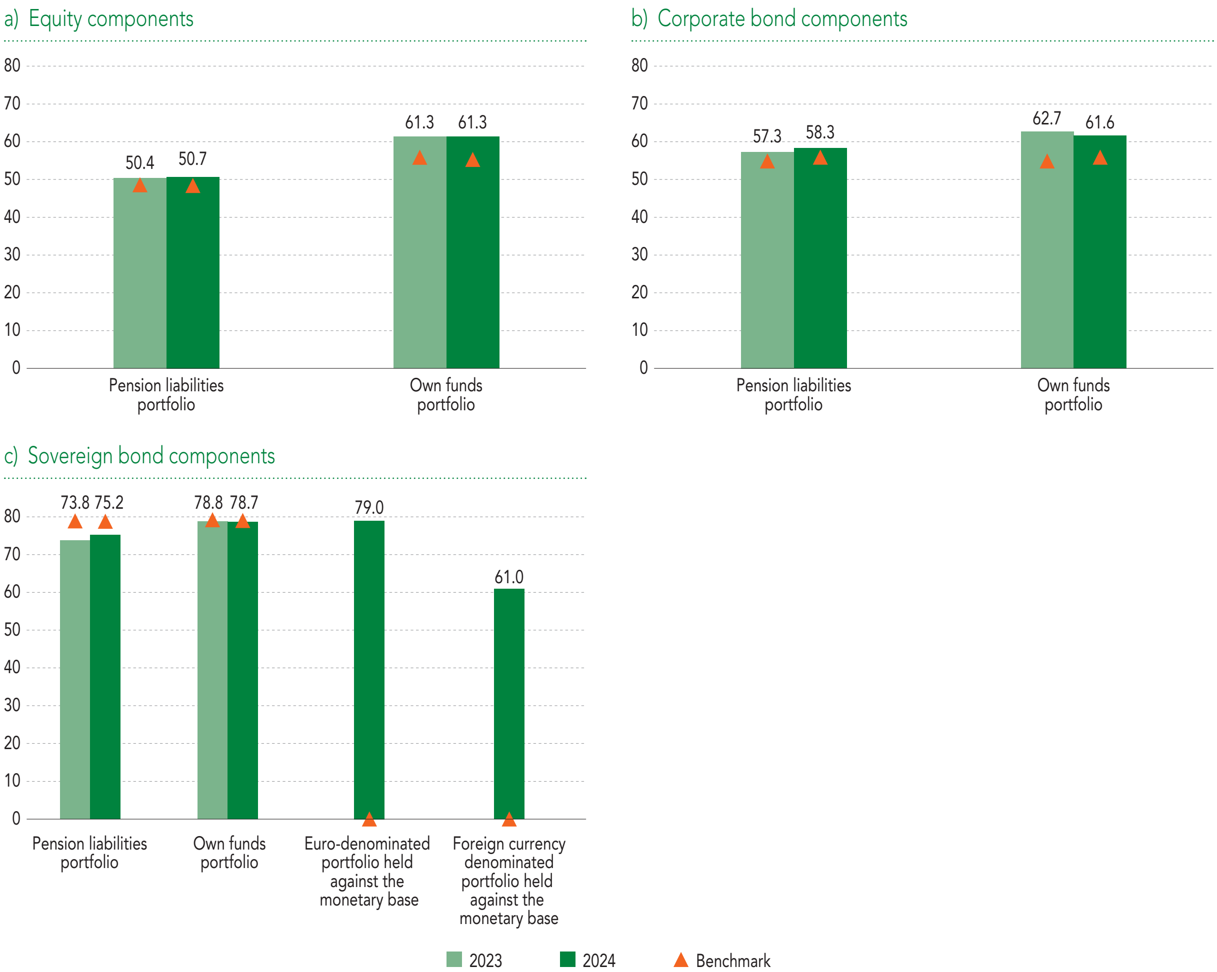
In 2024, **the ESG scores of the equity and corporate bond components of the own funds and pension liabilities portfolios were stable or slightly improved**. Performances once again exceeded the benchmark indices.

The ESG scores of the sovereign bond components were also stable and in some cases slightly better, but remained slightly below the benchmark indices. The pension liabilities portfolio score is lower than the benchmark index of 79, but improved compared with 2023 to 75 (against 74 last year), mainly due to asset reallocations that resulted in a reduction in exposure to the United States (which has an average score of 52) and an increase in exposure to Germany (with an average score of 77).

For the first time, in 2024, the Banque de France extended the publication of ESG scores to its euro and foreign currency denominated portfolios held against the monetary base. The exercise focuses on exposures to sovereign and quasi-sovereign bonds, covering all issuers, and thus represents more than EUR 85 billion in investments. This approach aligns with the objective of transparency and harmonisation of disclosures, even though the Banque de France has not yet set any quantified ESG targets for its sovereign portfolios. At the end of 2024, the ESG performance of its euro-denominated portfolios was high, with a score of 79/100. However, the score for its foreign currency-denominated portfolios was lower (61/100), as they were mainly exposed to US sovereign debt.

C1 Portfolios' average ESG scores

(score out of 100)



Source: Moody's ESG.
Note: ESG, environmental, social and governance. ESG scores range from 0 to 100.

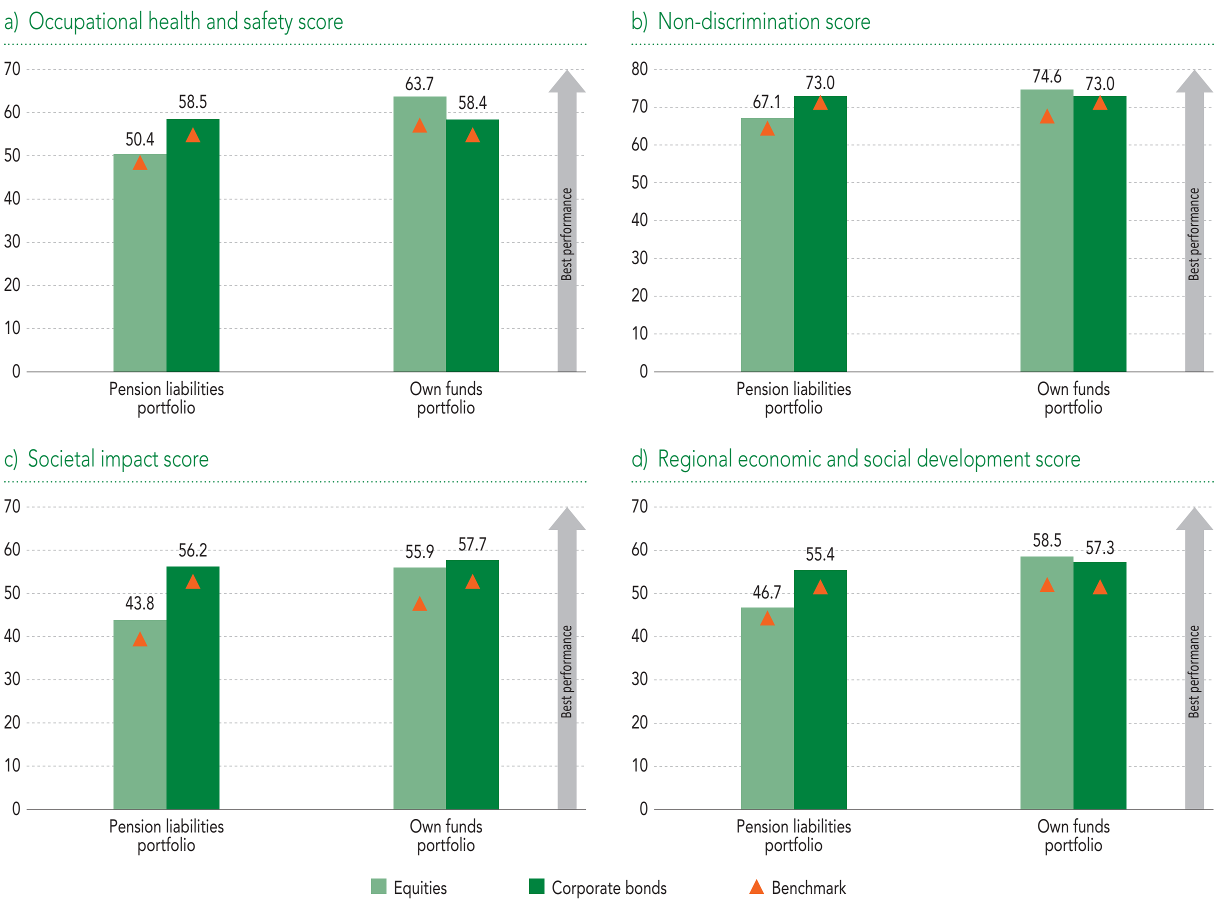
SOCIAL INDICATORS

The Banque de France is progressively strengthening the social aspect of its responsible investment strategy by using four indicators to track the social performance of its equity and corporate bond portfolios.

- **Occupational health and safety score**. This indicator concerns the working environment of people employed by portfolio companies and includes factors such as a safe working environment, safe working conditions, protection of employees' physical and mental wellbeing, and workplace accident frequency and severity.
- **Non-discrimination score**. This indicator assesses the way in which the company prevents discrimination in the workplace, including through training and awareness raising, whistleblowing and/or reporting procedures, monitoring of wage gaps, the percentage of women in management positions, inclusion of people with disabilities, and so on.
- **Score for the societal impact of goods and services**. This indicator reflects the measures taken by companies to prevent and/or mitigate the risks associated with harmful products (e.g. by cutting sugar or saturated fats in the agrifood sector) or facilitate access for vulnerable or disadvantaged people to beneficial products (e.g. by providing affordable products or distribution channels for isolated people).
- **Score for the companies' contribution to the economic and social development of the regions in which they operate**. This indicator reflects the investments made by companies in their local areas, job creation and management of restructuring measures within local labour catchment areas, skills and technology transfers, and proper payment of taxes and levies.

C2 Portfolio social scores, equity and corporate bond components, at 31 December 2024

(score out of 100)



Sources: Moody's ESG, Banque de France.

At 31 December 2024, the various sub-scores for the own funds and pension liabilities portfolios were all greater than or equal to those of the benchmark indices, and were for the most part better than in 2023.

For all portfolio components, the "non-discrimination" sub-score was the highest, exceeding 67 for the pension liabilities portfolios and 73 for the own funds portfolios.

Overall, the social performance of the portfolios was assessed as robust (>50) or advanced (>60) across all indicators with the exception of the societal impact and economic and social development scores of the equity component of the pension liabilities portfolio. This poorer performance was mainly due to significant exposure to companies based in the United States, Germany and Japan, which have relatively low scores (<50) on both indicators. However, the scores still exceed the benchmark.

SOCIAL IMPACT INVESTMENT

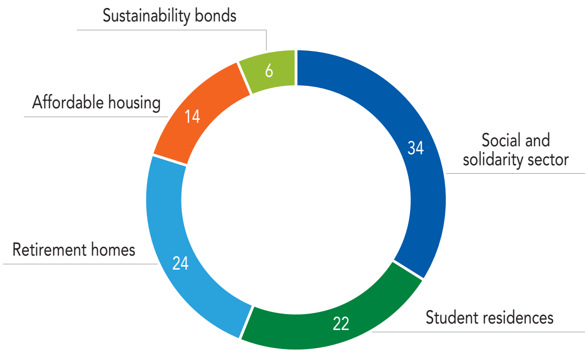
The Banque de France has also diversified the thematics covered by its impact investments to strengthen the social aspect of its responsible investment strategy. Accordingly, since 2021 it has expanded its purchases to include social and sustainability bonds[21] as well as green bonds. As at 31 December 2024, EUR 5.4 billion was invested in social and sustainability bonds[22] in addition to EUR 10.2 billion invested in green bonds. Holdings of social and sustainability bonds rose sharply in 2024 by EUR 4.0 billion, particularly in euro-denominated portfolios held against the monetary base, in a context of portfolio growth that allowed the Banque de France to step up its efforts to build a base of social and sustainable assets. They now account for 2.4% and 2.7%, respectively, of sovereign and quasi-sovereign bonds in euro and foreign currency denominated portfolios held against the monetary base. The volume of social bonds rose to EUR 2.8 billion equivalent in 2024 and accounted for 21% of the impact bonds for these two portfolios.

The Banque de France also supports the growth of thematic funds whose investment theses include achieving a significant social and societal impact as well as combating global warming. It has invested EUR 59 million in social impact funds (EUR 6 million of which was subscribed in 2024) and 60% of the projects financed are in the real estate sector, including, for example, the provision of emergency accommodation to associations working against poor housing conditions (*Samusocial de Paris* and *Habitat et Humanisme*).

The Banque de France prioritises certified funds to guarantee the social and solidarity aspect of these investments and particularly counts on the Finansol label, set up by the association FAIR ("Finance – Accompany – Impact – Reunite") in 1997, and on the SRI label, created by the Ministry of the Economy and Finance in 2016.

C3 Sectoral breakdown of investments in social impact funds, at end-2024

(%)



Source: Banque de France.

21 Sustainability bonds may finance green and/or social activities.

22 This figure includes investments in the own funds and pension liabilities portfolios and in euro and foreign currency denominated portfolios held against the monetary base.

PILLAR 3

→ VOTING POLICY

In order to fulfil its role as a responsible shareholder, the Banque de France applies a tailor-made policy in exercising its voting rights, encouraging better recognition of issues related to environmental, social and governance (ESG) risks by the companies in which it invests. It is through this lever in particular that the Banque de France intends to act on the "governance" dimension of ESG, by setting requirements for corporate best practice. The Banque de France aims to exercise its voting rights to the full at the general meetings of the companies in which it is a shareholder.

THE BANQUE DE FRANCE'S VOTING POLICY

In 2019, the Banque de France adopted a voting policy that included provisions for good governance and recognition of extra-financial objectives for the companies represented in its portfolios. These provisions deal, among other things, with transparency and gender balance in decision-making bodies, transparency on companies' environmental impact, and the recognition of extra-financial performances in executive remuneration. The Banque de France thus uses the exercise of its voting rights as a concrete means of leverage to encourage issuers to change their practices on ESG issues over the long term. The Banque de France's voting policy, which is available to the public on its website, details the expectations demanded of companies in which it is a shareholder.

In 2020, the Banque de France stepped up its extra-financial requirements by adding **provisions on fossil fuels to its voting policy**. The Banque de France expects the companies involved in this sector to have a **full exit plan** from coal and unconventional hydrocarbon activities and is **fully opposed to any new fossil fuel extraction projects**. The provisions prevent the Banque de France from approving the financial statements of companies that do not meet these two requirements.

Furthermore, while the remuneration of some senior executives has reached unprecedented levels across several industries, the Banque de France decided to adopt new provisions to **limit excessive remuneration** awards[23] as of the 2023 general meetings cycle. In addition to the cap on variable remuneration already in place, the Banque de France now opposes proposals relating to the fixed portion of remuneration if it deviates excessively from the median observed for comparable companies.

The Banque de France's expectations can be summed up by the following principles, which are organised according to the types of resolutions proposed to shareholders:

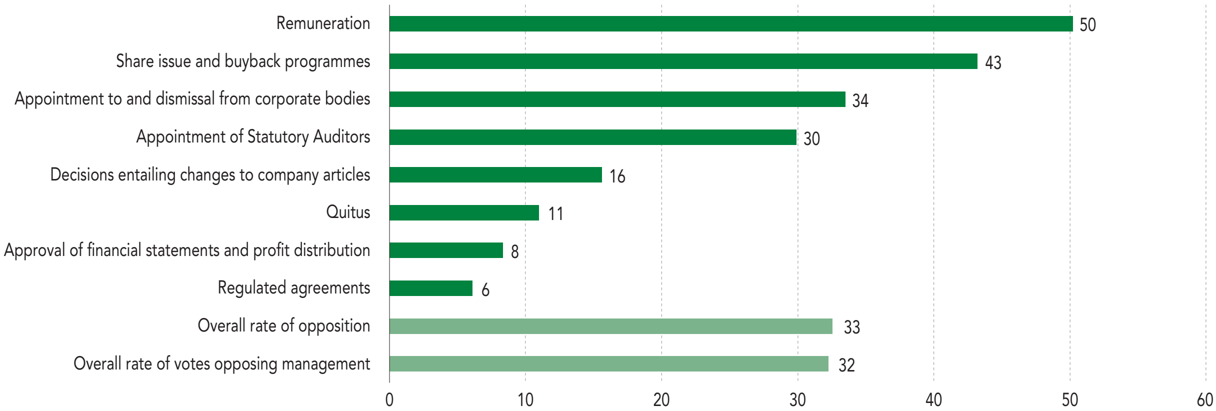
- **Approval of financial statements and management: integrity of management and financial and extra-financial information**. The Banque de France expects companies to publish extra-financial disclosures on their climate strategy, especially in sectors with a major environmental impact (energy, transportation, building and construction, agriculture, food products and forestry products).
- **Profit distribution, management of own funds and capital transactions: a distribution policy geared towards long-term investment**. For example, the Banque de France is in favour of paying bonus dividends as long as they reward long-term shareholder loyalty. It also ensures that share buyback programmes remain exceptional and are not given priority over investment projects.
- **Board of directors or supervisory board: independence of the board, diversity and separation of powers**. In particular, the Banque de France pays close consideration to the diversity of the composition of the Board of Directors and its gender balance (at least 40% for either gender). Also, in addition to the usual committees (audit committee, appointments committee and remuneration committee), it recommends the creation of a committee dedicated to social and environmental issues.
- **Executive remuneration and employee share ownership: transparency, consistency and moderation**. The Banque de France insists on its reinforced requirements in favour of fair, equitable and non-excessive remuneration for executives, in particular by requiring that the fixed portion should not deviate excessively from the median observed for comparable companies. The payment of variable remuneration to executives must also take into account the extra-financial performance of companies, particularly in terms of their sustainable development strategy. The Banque de France is also in favour of employee share ownership.
- **Amendments of company articles and shareholder rights**: respecting shareholder rights. For example, the Banque de France opposes head office transfers to legal and tax havens.
- **External resolutions:[24] improving environmental, social and governance practices**. The Banque de France particularly supports external resolutions aimed at reducing the carbon intensity of activities and minimising the risks associated with climate change.

23 These provisions do not apply to the financial sector because of the ACPR's specific status as a financial supervisor.

24 Resolutions tabled by the shareholders themselves. In recent years, the climate has been a favoured theme of external resolutions.

Rate of opposition by resolution type in 2024

(%)



Source: BDF Gestion.

Focus on environmental and social resolutions

(number in units, vote in %)

	Number of resolutions	Vote against (%)	Vote for (%)
Submitted by management	89	0	100
Submitted by shareholders	203	32	68
Total	292	22	78

Sources: BDF Gestion and Banque de France.

The Banque de France applied this voting policy for the first time during the general meetings that took place in 2020 with regard to the 2019 financial year. In 2020, the voting policy of BDF Gestion, the asset management subsidiary, was aligned with that of the Banque de France.

Given its role as a supervisor and a guarantor of financial stability, the Banque de France refrains from directly owning equity in the banks or insurance companies that it supervises in order to avoid any risk of conflict of interest.

VOTING STATISTICS IN 2024

In 2024, the Banque de France and BDF Gestion took part in 758 general meetings, representing an attendance rate of 95% for the funds managed by the asset management subsidiary, BDF Gestion, well above the target of 80%. Votes were cast on more than 10,800 resolutions. Of these, about 3,500 were votes against (a 33% rate of opposition, up slightly on the 31% recorded in 2023). The rate of opposition *(see chart)* was particularly high for executive remuneration resolutions (50%) and share issue and buyback programmes (43%). It was also driven by strong support for external resolutions submitted by shareholders in favour of environmental protection and social issues (68%).

The percentage of votes cast against company management was 32%.[25]

For external funds (14.5% of total equity component assets), the voting policy of the management companies concerned applies.

25 The overall rate of votes opposing management does not include external resolutions submitted by shareholders at the general meeting.

825188 BdF Dircom Studio Création – 06/2025

BANQUE DE FRANCE

EUROSYSTÈME

ACPR

BANQUE DE FRANCE