



2024/190

5.1.2024

**DECISION (EU) 2024/190 OF THE EUROPEAN CENTRAL BANK
of 15 December 2023**

**amending Decision (EU) 2016/948 on the implementation of the corporate sector purchase
programme (ECB/2016/16) (ECB/2023/38)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular the second subparagraph of Article 12.1 in conjunction with the first indent of Article 3.1, and Article 18.1 thereof,

Whereas:

- (1) On 9 September 2022, the Governing Council adopted Decision (EU) 2022/1613 of the European Central Bank (ECB/2022/29) ⁽¹⁾, which amended Decision (EU) 2016/948 of the European Central Bank (ECB/2016/16) ⁽²⁾. Decision (EU) 2022/1613 (ECB/2022/29) provided for the incorporation of climate change considerations into the benchmark allocation for corporate bond purchases under the corporate sector purchase programme (CSPP) and the temporary pandemic emergency purchase programme (PEPP), in particular in order to manage the Eurosystem's exposure to climate-related financial risks, in accordance with a methodology approved by the Governing Council.
- (2) Pursuant to Decision (EU) 2022/1613 (ECB/2022/29), climate change considerations were incorporated by means of 'tilting' the benchmark towards issuers with a better climate performance, i.e. the share of assets on the Eurosystem's balance sheet issued by companies with a better climate performance was increased compared to that of companies with a poorer climate performance. As noted in recital 1 of Decision (EU) 2022/1613 (ECB/2022/29), the climate performance of issuers should be measured by reference to their greenhouse gas emissions, the level of ambition of their carbon reduction targets and their climate-related disclosures.
- (3) On 19 September 2022, the European Central Bank (ECB) published on its website further details on the incorporation of climate change considerations into corporate bond purchases, which explained key elements of the way in which issuers' climate performance would be assessed, including the methodology for determining issuers' climate performance scores.
- (4) On 23 March 2023, the ECB published a report entitled 'Climate-related financial disclosures of the Eurosystem's corporate sector holdings for monetary policy purposes' ⁽³⁾. In addition to describing the Eurosystem's progress in managing and mitigating the financial risks associated with climate change, the report provided further details on the climate scoring methodology and tilting approach applied following the entry into force of Decision (EU) 2022/1613 (ECB/2022/29).
- (5) On 5 October 2023, following the first regular review of the climate scoring methodology, the Governing Council decided that existing public information on the climate scoring methodology should be set out in a consolidated manner and published as part of Decision (EU) 2016/948 (ECB/2016/16). This exercise is conducted with a view to improving legal certainty, clarity and transparency in respect of the climate scoring methodology and tilting approach.
- (6) Therefore, Decision (EU) 2016/948 (ECB/2016/16) should be amended accordingly,

⁽¹⁾ Decision (EU) 2022/1613 of the European Central Bank of 9 September 2022 amending Decision (EU) 2016/948 on the implementation of the corporate sector purchase programme (ECB/2016/16) (ECB/2022/29) (OJ L 241, 19.9.2022, p. 13).

⁽²⁾ Decision (EU) 2016/948 of the European Central Bank of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16) (OJ L 157, 15.6.2016, p. 28).

⁽³⁾ Available on the ECB's website at www.ecb.europa.eu.

HAS ADOPTED THIS DECISION:

Article 1

Amendments

Decision (EU) 2016/948 (ECB/2016/16) is amended as follows:

(1) Article 4a is replaced by the following:

'Article 4a

Incorporation of climate change considerations into the benchmark allocation

1. The benchmark allocation referred to in Article 4(3) shall incorporate climate change considerations, in particular in order to manage the Eurosystem's exposure to climate-related financial risks, in accordance with the methodology approved by the Governing Council, including the elements thereof set out in the Annex.

2. The Governing Council may, when it considers it necessary to do so, review the methodology referred to in paragraph 1, in particular in order to take into account climate-related financial risks and the advancement in risk assessment capabilities.';

(2) the text set out in the Annex to this Decision is added as an Annex.

Article 2

Entry into force

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Done at Frankfurt am Main, 15 December 2023.

The President of the ECB

Christine LAGARDE

ANNEX

The following Annex is added to Decision (EU) 2016/948 (ECB/2016/16):

‘ANNEX

CLIMATE SCORING METHODOLOGY AND TILTING APPROACH

1. CLIMATE SCORING METHODOLOGY

For each issuer, a score to assess its climate performance (the ‘climate score’) is computed based on three metrics: the disclosure metric, the backward-looking metric and the forward-looking metric, in accordance with a formula determined by the Governing Council. The climate score ranges from a minimum of zero to a maximum of five and focuses on climate-related financial risks estimated based on (a) the quality of the issuer’s disclosures, (b) the issuers’ recent emissions intensities ⁽¹⁾ and (c) the issuer’s climate-related targets. The higher the score, the better the assessed climate performance.

1.1. The disclosure metric

The disclosure metric assesses the quality of disclosures by issuers in respect of their scope 1 and scope 2 greenhouse gas emissions as referred to in the Greenhouse Gas Protocol ⁽²⁾, in accordance with a formula determined by the Governing Council. The disclosure metric rewards issuers with high-quality disclosures. Issuers receive a better score under this metric when their disclosures have been subject to third party verification. Issuers receive the poorest score if they have no self-reported emissions data.

1.2. The backward-looking metric

The backward-looking metric assesses the level of the issuers’ past greenhouse gas emissions both in terms of the level of emission intensity and the rate of decarbonisation. This metric takes into account the issuers’ scope 1 and scope 2 greenhouse gas emissions intensities and sector averages of scope 3 greenhouse gas emissions intensities. It combines a best-in-class with a best-in-universe approach, in accordance with a methodology determined by the Governing Council. The best-in-class approach compares companies against their peers within specific industry sectors. The best-in-universe approach compares companies across the entire corporate universe with respect to both their point-in-time emissions intensities, and the rate of decarbonisation.

1.3. The forward-looking metric

The forward-looking metric assesses the expected evolution of the issuers’ greenhouse gas emissions intensities. Factors leading to a higher score under this metric include the level of ambition and the credibility of the issuers’ stated greenhouse gas emissions intensity reduction targets (particularly if the target is science-based and has been validated by a third party) and observed adherence to their own greenhouse gas emissions intensity reduction targets, as assessed in accordance with a methodology determined by the Governing Council.

2. TILTING APPROACH

Purchases of corporate bonds are tilted towards issuers with higher climate scores in accordance with a formula determined by the Governing Council. Tilting means that the market capitalisation weighted share of assets in the benchmark guiding Eurosystem corporate sector purchases will be increased for issuers with a better climate score relative to those issuers with poorer climate scores. The tilted benchmark is incorporated into issuer group limits to ensure that purchases are guided by the tilted benchmark.

⁽¹⁾ The emissions intensity for an issuer is defined as the issuer’s greenhouse gas emissions (in tCO₂) divided by the issuer’s revenue (in EUR millions).

⁽²⁾ The Greenhouse Gas Protocol distinguishes between direct greenhouse gas emissions of companies from owned or controlled sources (scope 1); indirect emissions from purchased or acquired electricity, steam, heating or cooling (scope 2); and all other indirect emissions, including in particular those occurring along the corporate value chain, either upstream or downstream (scope 3): see the Greenhouse Gas Protocol website at ghgprotocol.org.