



RESPONSIBLE INVESTMENT CHARTER OF THE BANQUE DE FRANCE

MARCH 2018



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As an institution of the French Republic and a Eurosystem central bank, the Banque de France carries out a broad range of tasks for the benefit of the community. These tasks relate to monetary strategy, financial stability and the provision of services to the economy. The Banque de France thus helps to create a balanced and sustainable economy, by ensuring the public can have confidence in their currency and payment instruments, by safeguarding the stability of the financial system, which is fundamental for economic growth, by contributing to the sound financing of businesses and especially SMEs, and by assisting those who are overindebted or financially excluded.

The **corporate social responsibility (CSR)** of the Banque de France towards the public was reinforced via the adoption of its CSR Charter in December 2016. This Charter comprises 4 key commitments (educational and cultural, economic and civic, environmental, towards staff). These commitments are incorporated into its strategic "Ambitions for 2020" plan.

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The Banque de France's Responsible Investment Charter falls within this framework. It also reflects the Bank's aim to be exemplary in the inclusion of CSR in all its forms – economic, social and environmental – applied to its role of institutional investor. This covers the management of assets for which it has the full and sole responsibility, **i.e. own funds and pension liabilities investment portfolios, excluding those it holds in the framework of the tasks entrusted to the European System of Central Banks by the Treaty on the Functioning of the European Union.**

With the adoption of this Charter, **the Banque de France is acting fully in line with the views expressed in its CSR Charter, with its fiduciary responsibility as a long-term investor**, which is to be mindful of all types of risks that could have an impact on its asset returns, **and with one of its tasks which is to safeguard financial stability, to which the mitigation of environmental risks contributes.**

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As per its fiduciary responsibility as an investor, the Banque de France strives to implement an own funds asset management strategy consisting in ensuring regular growth in their value over the long term and mitigating any associated risks. In this respect, **the Banque de France decided to deepen the analysis and formalise the inclusion of Environmental, Social and Governance (ESG) factors in its investment decisions.** Indeed, experience and academic studies show that these factors may have an impact on the risks and performance of investments. As an experiment, it has been already incorporating for several years ESG criteria in its own company ratings system.

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The Banque de France **is committed to publishing appropriate non-financial information**, in particular regarding the impact of environmental changes. Article 173-VI of the Energy Transition Act adopted on 17 August 2015 in France constitutes, from this point of view, a reference at the international level.

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The Banque de France supports the objectives of the international community such as the **Sustainable Development Goals** adopted by the United Nations in 2015 and the **10 principles of the United Nations Global Compact** of 2000. It is committed to contributing to the global response in order to comply with **the Paris Climate Agreement** of 2015.

Through this charter, **it is committed to complying with the four general principles that guide the inclusion of ESG criteria in appropriate ways for each financial asset class.**

- *Respect of human and civil rights as defined in the Universal Declaration of Human Rights:* the Banque de France shall neither invest in the public and quasi-public debt of a very risky country nor in a company registered in any such country. In this respect, the Bank does not invest in companies that do not respect the Ottawa (1999) and Oslo (2010) Conventions. These conventions prohibit the use, stockpiling, production and transfer of anti-personnel mines and cluster bombs;

- *Respect of regulations governing anti-money laundering and counter-terrorist financing, corruption and tax havens* (embargoes, Non-Cooperative Countries and Territories (NCCT) regarding Tax Information Exchange Agreements, Financial Action Task Force (FATF);
- *Respect of the principles of the International Labor Organization (ILO)*, notably respect of the freedom of association and right to collective bargaining, the elimination of forced and compulsory labour for children and discrimination in employment and occupation;
- *Initiatives to protect the environment, the energy and environmental transition*, initiatives aimed at reducing climatic change or adapting to it (such as the Charter for public investment in support of climate action). In this framework, the Banque de France does not invest in mining companies and coal-based energy producers that derive more than 20% of their revenues from thermal coal.

Lastly, the Banque de France does not invest in instruments that promote agricultural commodity speculation.

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The Banque de France's Responsible Investment Charter thus reiterates and broadens its existing commitments in terms of the incorporation of environmental, social and governance criteria into its management of financial assets. **It defines three commitments and nine associated implementing actions to be rolled out gradually over time.**

The Banque de France shall report specifically on the progress made each year in implementing this Charter.

Responsible investor commitments on the own funds portfolio¹ of the Banque de France



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Enhance the inclusion of Environmental, Social and Governance (ESG) factors in investment decisions.

1. Formalise the inclusion of ESG factors in the investment processes of Banque de France and external managers, in a gradual and differentiated way according to the asset class and investment horizon.
2. Provide training on ESG-related challenges to all Banque de France staff involved in the investment decision-making process.
3. Define and, where necessary, improve the analysis tools required for incorporating ESG factors, and acquire the instruments to implement portfolio exclusion decisions.
4. Incorporate the monitoring of the implementation of these actions into both the mandate of the Bank's various bodies and the objectives of the operational teams involved in defining the implementation of its investment policy.



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Improve the measures and the development of the contribution of asset portfolios to the environmental transition.

5. Formalise the approaches used to identify and assess the risks and opportunities related to the environmental transition, in particular to climate change, in asset portfolios.
6. Improve analysis tools and environmental impact indicators in order to ensure the gradual alignment of asset portfolios with the target of limiting global warming to 2°C.
7. Mobilise research resources to contribute, in particular, to a better knowledge of techniques to incorporate environmental factors into risk management tools and asset allocation construction.



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Report on the progress made in reaching objectives and replicate the best practices of other institutional investors.

8. Implement and steadily improve an annual public reporting format specific to the Banque de France and which incorporates best practices.
9. Keep abreast of developments in best practices in the area of responsible investment as well as the studies by the different French and international institutional investor networks in this area.

^{1/} Own funds and pension liabilities investment portfolios excluding those it holds in the framework of the monetary tasks entrusted to the Eurosystem.