

## **Banco de México declaration towards UN Climate Change Conference of the Parties (COP26)**

Banco de México has been actively working to improve the resilience of Mexico's financial system to climate-related risks. Banco de México is a founding member of the Network of Central Banks and Supervisors for Greening of the Financial System (NGFS) and actively participates in setting forth the international sustainable finance agenda within the Financial Stability Board, the Basel Committee for Financial Supervision, and the G20 Sustainable Finance Working Group.

In 2020, following an in-depth assessment of Mexico's financial system's preparedness to tackle climate and environmental risks, Banco de México proposed the creation of the Sustainable Finance Committee within the Financial System Stability Council. The Committee is chaired by the Ministry of Finance and Banco de México acts as Secretariat. All Mexican financial authorities participate as members and the chairs of the main financial sector associations as observers. It has set out specific plans for its four working groups. These groups have the following tasks: developing a sustainable finance taxonomy, integrating climate and Environmental, Social and Governance (ESG) risk factors in supervisory and financial market activities, improving the amount and quality of disclosures and reporting by non-financial and financial institutions, and enabling conditions to increase sustainable capital mobilization.

The Committee and Banco de México are leading an intense financial education and capacity-building program on the topic of ESG disclosures and climate risk analysis,

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targeting financial authorities and financial market participants; are promoting disclosure of climate and environmental information by companies and financial institutions; and are assessing the regulatory framework for gradual implementation of ESG material factors.

Banco de México's Directorate General of Financial Stability is undertaking an in-depth analysis of both physical and transition risks exposures of the banking system. In this regard, it has already published a preliminary analysis on previous financial stability reports. It is currently developing a framework to assess climate-related macro financial risks with a forward-looking perspective, which is expected to be completed in 2022.

Banco de México's Directorate General of Comptrollership and Risk Management and the Directorate General of Central Banking Operations are assessing the different approaches and methodologies of the main ESG data and rating providers, and have integrated ESG considerations in the investment and risk management of international reserves.

Banco de México's recently created Directorate of Analysis and Policies of Environmental and Social Risks has the mandate to engage transversally, within the bank as well as with Mexico's financial authorities and interested parties, to develop regulations, public policies and research that favor sustainable development for the activities and services carried out in the financial system; to integrate sustainability criteria in the relevant activities of the central bank; to develop relevant metrics to evaluate and monitor the physical and transition risks and the opportunities that derive from the transition to a low-carbon and sustainable economy; to collaborate in the analysis and implementation of best practices for the management of loans and assets in the financial system to foster sustainable development; and, to



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develop, promote, and disseminate best practices in financial education in the field of sustainable development.

Banco de México is committed to improving financial institutions' capacities to effectively identify, monitor and manage the climate-related and ESG risks they are exposed to. To this effect, it stands ready to collaborate with other financial authorities in conducting climate scenarios on the financial system.