

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Mexico



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1. Country progress summary – Mexico



SBN Member:

- ❑ [Mexico Banking Association \(ABM\)](#) (member since 2016)
- ❑ [Semarnat \(Secretariat of Environment and Natural Resources of Mexico\)](#) (member since 2016)

SBN Working Group: Green Bond Working Group

Key policy documents:

- ❑ Protocolo de Sustentabilidad de la Banca (ABM, 2016)
- ❑ Green Bonds Principles MX (Climate Finance Advisory Group - CFAG, 2018)

Key milestones since 2018 SBN Report:

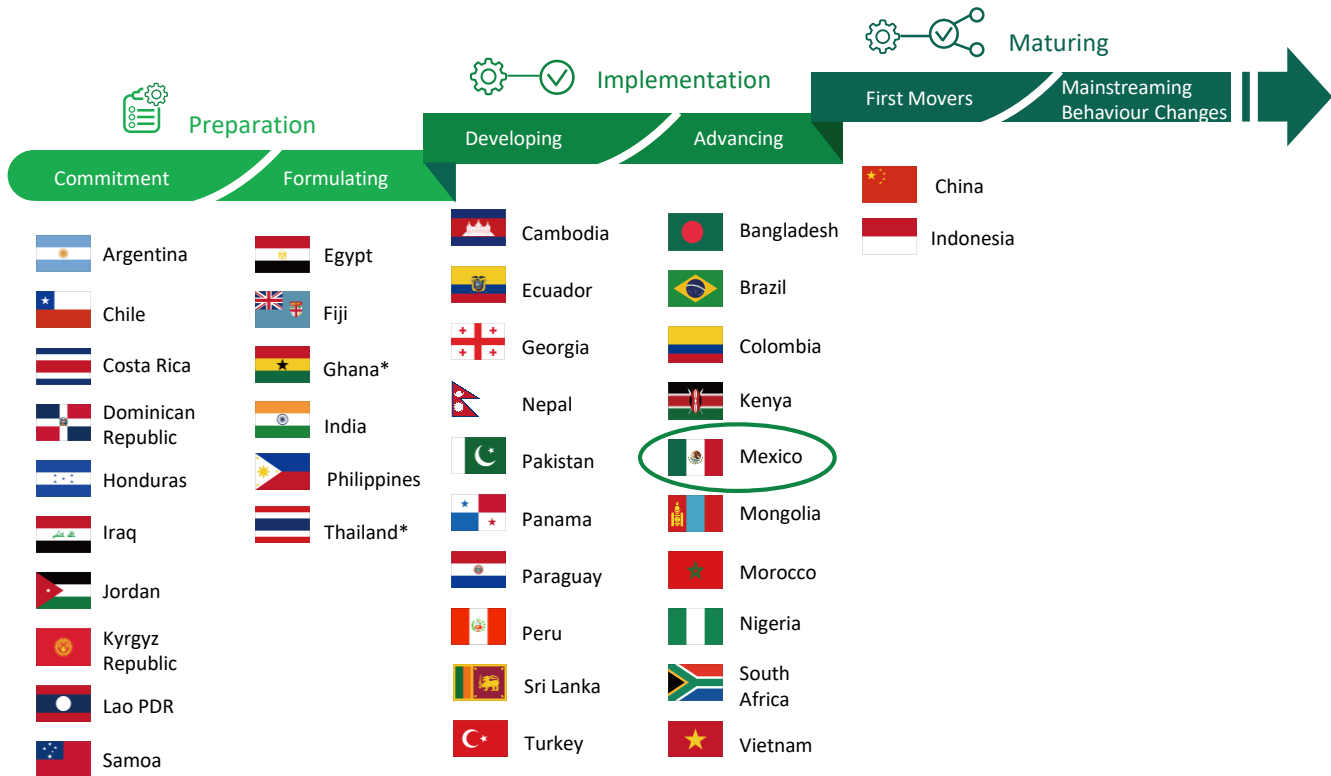
- ❑ Mexico's Climate Finance Advisory Group (Consejo Consultivo de Finanzas Verdes - CCFV) released the country's Green Bond Principles MX (2018).
- ❑ Mexico has therefore progressed from "Developing" to "Advancing" under the "Implementation" stage, as indicated in the "Progression Matrix" below.

Ambitions for next phase: The ABM is working on the development of a framework and taxonomy to encourage climate finance reporting by the financial sector.

SBN and IFC role: IFC has provided advisory services to ABM for their sustainable finance initiatives and capacity building, in partnership with Canada. Through SBN, ABM has shared its experience with other SBN members and benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

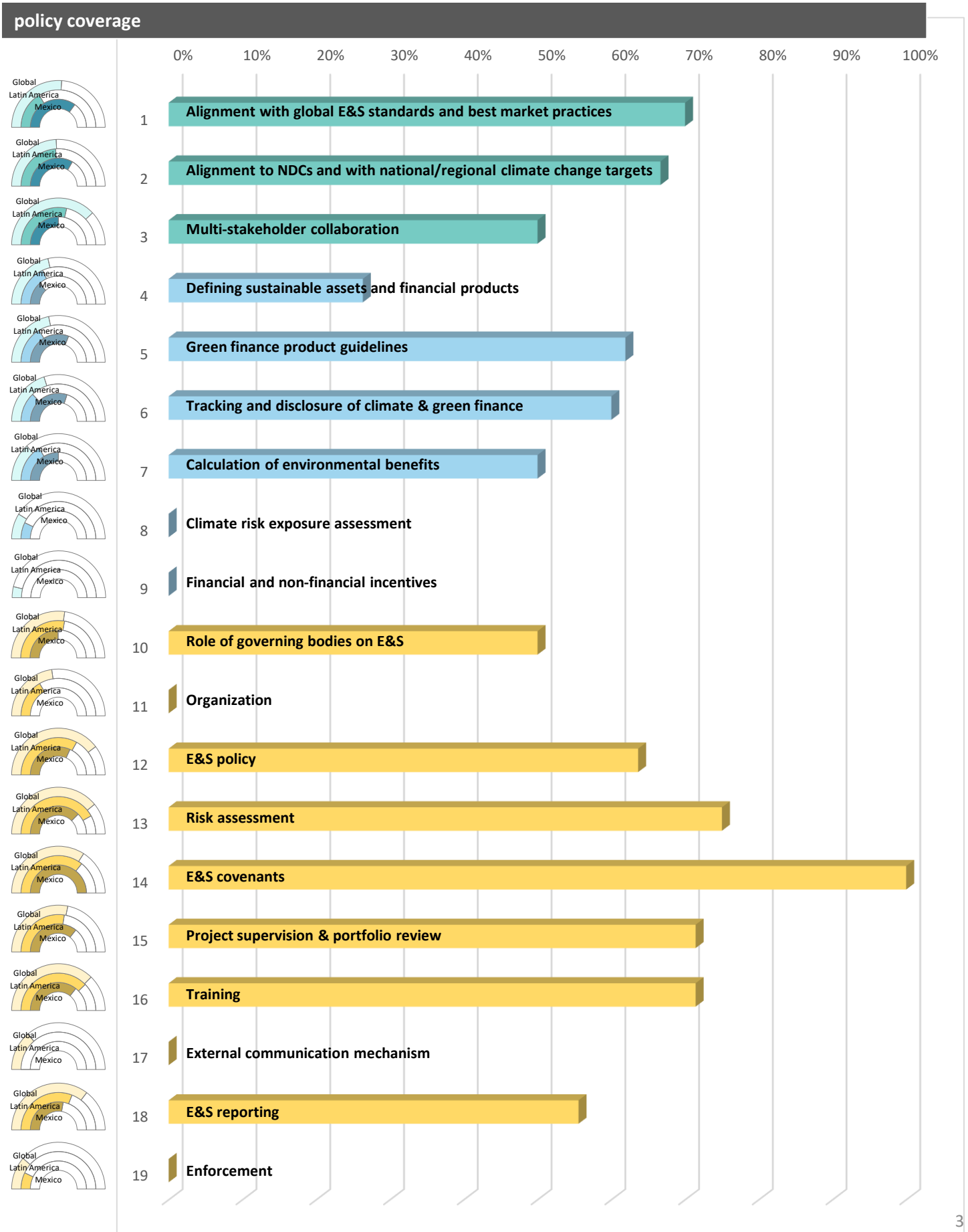


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

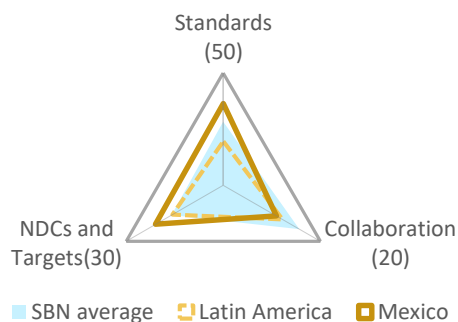
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



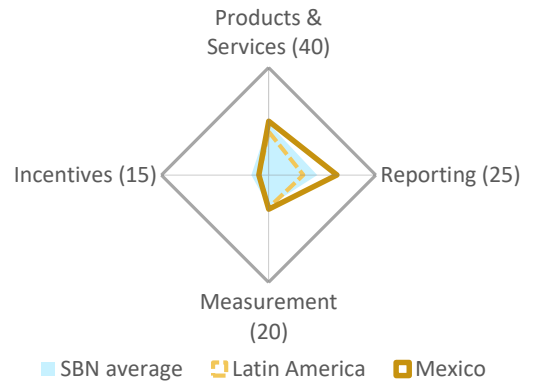
3. Policy coverage developed

Pillar I: Strategic Alignment



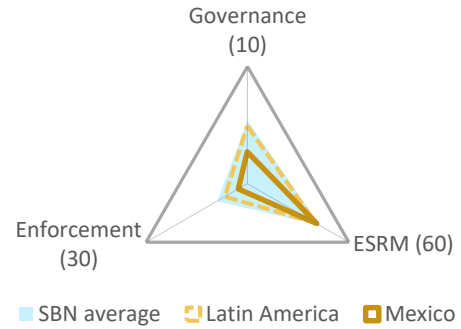
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	<p>The Protocol states its alignment with the Paris Agreement and refers to international E&S standards for FIs, such as the IFC Performance Standards and the Equator Principles.</p> <p>The Green Bond Principles, created by the CCFV (Mexico’s Climate Finance Advisory Group), are also aligned with international best practice, particularly the four pillars of the ICMA Green Bond Principles.</p>	<p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 4 - Paragraph 2 & 4</p> <p>Green Bonds Principles MX (Climate Finance Advisory Group, 2018) - Page 2</p>
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	<p>The Protocol refers to Mexico’s climate-related commitments, such as the LGCC (Ley General de Cambio Climático), approved in 2012, and to national climate change priorities and policies.</p>	<p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 3 & Page 4, Paragraph 2 & 4</p>
Multi-stakeholder collaboration		
Indicator 3	<p>The Protocol involves inter-agency collaboration between financial supervisors/regulators, the industry association, and FIs.</p>	<p>Protocolo de Sustentabilidad de la Banca (ABM, 2016)</p>

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4, 5	<p><u>Defining sustainable assets and financial products</u> The Green Bond Principles MX provide definitions and examples of green assets.</p> <p><u>Green finance product guidelines</u> The Green Bond Principles MX are the official reference point and provide guidelines and definitions for listing green bonds in Mexico, including recommendations for third party verification.</p>	<p>Green Bonds Principles MX (Climate Finance Advisory Group, 2018) – page 3 – 1. Use of Proceeds</p> <p>Green Bonds Principles MX (Climate Finance Advisory Group, 2018) - Page 2 – 1. Introduction; Page 3 - 1. Use of Proceeds from the issuance & page 4 – 5. Independent review</p>
Climate and green investment reporting		
Indicator 6	The Protocol and the Principles encourage reporting on green finance flows and performance, with the aim of encouraging further development of green finance in Mexico.	Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 12 - Pilar estrategico #5 - a.; Green Bonds Principles MX (Climate Finance Advisory Group, 2018) Page 3 – 4. Reporting
Measurement		
Indicator 7, 8	The Principles encourage the measurement of environmental benefits and refer to some relevant examples.	Green Bonds Principles MX (Climate Finance Advisory Group, 2018) – Page 4 – 4. Reporting
Incentives		
Indicator 9	-	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10, 11	<p><u>Role of governing bodies</u> The Protocol requires FIs to implement a governance structure “with specialized services for E&S management” and suggests they should use training to build their capacities. The role of governing bodies is also highlighted in the Protocol’s first strategic pillar.</p>	Protocolo de Sustentabilidad de la Banca (ABM, 2016) – Page 7 - Pilar estratégico #1
E&S risk management		
Indicator 12 - 18	<p><u>E&S policy</u> The Protocol refers to all the key topics related to E&S risk management, including policy development, organization and capacity building, and risk assessment for appraisal and monitoring.</p> <p>The Protocol asks FIs to formalize an E&S or ESG policy and encourages them to go beyond E&S requirements in local laws and regulations.</p> <p><u>Risk assessment</u> The Protocol requires FIs to carry out appropriate E&S due diligence at both transaction level and client level. The Protocol states that FIs should conduct appropriate ESG screening and categorization and should establish specific risk management procedures for sensitive sectors. It also requires FIs to develop processes to manage E&S risks as part of loan or project supervision.</p> <p><u>E&S covenants</u> The Protocol asks FIs to incorporate E&S covenants and investment conditions into legal agreements with clients.</p> <p><u>Project supervision & portfolio review</u> The Protocol asks FIs to develop processes to manage E&S risks during supervision.</p> <p><u>Training</u> The Protocol asks FIs to develop and maintain E&S capacity through regular training.</p> <p><u>E&S Reporting</u> The Protocol requires FIs to report regularly on their E&S or ESG performance, including publicly, to investors, or to regulators</p>	<p>Protocolo de Sustentabilidad de la Banca (ABM, 2016)</p> <p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 9 - Pilar estratégico #2</p> <p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 9 - Pilar estratégico #2 – a. b. and c.</p> <p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 10 - Pilar estratégico #2 - d</p> <p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 10 - Pilar estratégico #2 - c</p> <p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 12 - Pilar estratégico #5 – b</p> <p>Protocolo de Sustentabilidad de la Banca (ABM, 2016) - Page 12 - Pilar estratégico #5</p>
Enforcement		
Indicator 19	-	-

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	30%	<ul style="list-style-type: none"> ➤ Reference to international climate finance reporting standards ➤ Requirement to seek external verification for E&S policies, practices, and results
	Alignment to NDCs and with national/regional climate change targets	33%	<ul style="list-style-type: none"> ➤ Defined main climate risks for their local financial sector
	Multi-stakeholder collaboration	50%	<ul style="list-style-type: none"> ➤ Collaboration with other public agencies ➤ Collaboration with representatives of civil society
Pillar II: Climate and Green Finance	Products & services	55%	<ul style="list-style-type: none"> ➤ A comprehensive taxonomy for green assets ➤ Definitions/examples for social/sustainable assets ➤ Guidelines for green financial assets (excluding green bond)
	Climate & green investment reporting	40%	<ul style="list-style-type: none"> ➤ Requirement for FIs to report on climate risk exposure at portfolio level
	Measurement	75%	<ul style="list-style-type: none"> ➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, and/or templates to measure and report environmental impacts ➤ Requirement to monitor climate risk exposure at portfolio level ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	<ul style="list-style-type: none"> ➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	80.0%	<ul style="list-style-type: none"> ➤ Requirement of FIs' management to report on the E&S strategy implementation to the governing bodies ➤ Requirement of FI operational bodies to report to the governing bodies on implementation of E&S strategy ➤ Requirement for FIs to define roles and responsibilities ➤ Highlight the roles of front officers and second lines of defense ➤ Requirement for FIs to define competencies for each role
	E&S risk management	35%	<ul style="list-style-type: none"> ➤ Requirement for FIs to set E&S or ESG objectives and targets ➤ Requirement for FIs to publicly disclose their E&S policy and its governance ➤ Encourage site visits for high-risk transactions ➤ Invitation to engage with clients to implement mitigation measures in case of negative impacts ➤ Encourage a periodic review of E&S risks at aggregate portfolio level ➤ Highlight the training of (i) front officers, (ii) second lines of defense, and (iii) E&S experts ➤ Requirement of FIs to establish and maintain any inquiry/complaints/grievance mechanism in relation to E&S or ESG practices ➤ Requirement of E&S or ESG reporting and disclosure to be more consistent across FIs through introducing principles, guidelines, or templates

4. Policy coverage to be developed (cont.)

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar III: ESG Integration (cont.)	Enforcement	100%	<ul style="list-style-type: none">➤ Implementation of the framework regularly verified or information regularly collected from FIs➤ Financial and non-financial incentives for establishing ESRM systems➤ Sanctions/penalties/warnings in case of noncompliance with the framework

Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report

