



The Banco de Portugal Pledge on Climate Action

The Banco de Portugal is committed to strengthening ESG sustainability across all its activities, with a clear focus on climate change, and in line with our mandate. This is one of the priorities underpinning our Strategic Plan for 2021-25. “Acting for Sustainability” is our compass.

On the occasion of the 2021 United Nations Climate Change Conference (COP26), the Banco de Portugal pledges to contribute, within the Eurosystem and in close cooperation with the Central Banks and Supervisors’ Network for Greening the Financial System (NGFS), to decisive action aimed at implementing the Paris Agreement on climate change.

In so doing, we will continue to focus on:

1. Integrating climate-related risks into our missions

As a central bank and financial supervisor, we will:

- ✓ Assess the exposure and resilience of the Portuguese banking system to climate-related risks;
- ✓ Assess whether Portuguese banks’ risk management and disclosure practices are aligned with supervisory expectations, and take appropriate follow-up action;
- ✓ Adapt our models and methodologies for monetary policy analysis and operations within the Eurosystem, in pursuit of the primary objective of price stability and with due regard to prudent risk-management;
- ✓ Incorporate climate change considerations into our research agenda to inform public policy.

2. Integrating ESG sustainability principles into our non-monetary policy portfolio management

As managers of a large non-monetary policy portfolio, we will:

- ✓ Reinforce the sustainable and responsible investment principles, following a stepwise approach;
- ✓ Publish a Responsible Investment Charter by 2022;
- ✓ Disclose climate-related information on our portfolio as from Q1 2023 in line with the Eurosystem collective pledge;
- ✓ Support the global efforts towards establishing common standards and harmonised (mandatory) reporting of climate-related exposures.

3. Reducing our carbon footprint

As a public organisation committed to environmental sustainability, we will align our own activities with the Paris Agreement in its 1.5°C trajectory and with the EU goals for climate neutrality. We will:

- ✓ Publish by 2023 a roadmap on how to get there;
- ✓ Integrate ESG reporting into the Annual Report of the Board of Directors to be published in 2023.

4. Raising awareness of climate-related risks and opportunities

As a public authority committed to the dissemination of accurate information regarding matters within our mandate, we will:

- ✓ Launch a dedicated ESG sustainability section on our website by 2022;
- ✓ Promote awareness-raising actions directed both at external stakeholders, most notably the banking sector, and our own staff;
- ✓ Incorporate climate-related concerns in our economic and financial literacy initiatives.

We will build upon our track record over the past three years on climate and sustainability action, as we:

- ✓ Joined the NGFS [[December 2018](#)];
- ✓ Subscribed the Letter of Commitment to Sustainable Finance in Portugal, together with Government entities, other financial supervisors and representatives of the financial system [[July 2019](#)];
- ✓ Released the Banco de Portugal's Commitment to Sustainability and Sustainable Finance, our master plan on sustainability for 2020/2021 [[March 2020](#)];
- ✓ Launched an internal committee, headed by a Board Member, to deal with ESG sustainability issues, bringing together the diverse perspectives of different internal areas [May 2020];
- ✓ Extended the ECB supervisory expectations to the less significant institutions under our direct supervision [[April 2021](#)];
- ✓ Published research and analysis on:
 - Climate change and economics [[October 2021](#)];
 - Optimal policies for the energy transition [[September 2021](#)];
 - The exposure of the Portuguese banking system to firms sensitive to climate transition risks [[June 2021](#)];
 - Aggregate and distribution effects of climate change mitigating policies [[November 2020](#)];
 - The risks to financial stability resulting from climate change [[June 2019](#)];
- ✓ Joined the BIS Green Bond Funds as seed investor [[2019](#) and [2021](#)];
- ✓ Adhered to "Compromisso Lisboa Capital Verde Europeia 2020" to reduce our carbon footprint [[January 2020](#)];
- ✓ Promoted awareness raising initiatives, including:
 - A public workshop on "Sustainability and Sustainable Finance" addressed to the Portuguese banking sector [[November 2020](#)];
 - A (permanent) "Sustainability Section" in our quarterly internal magazine [February 2021];
- ✓ Published our first Sustainability Report 2019-2020 [[July 2021](#)].

Banco de Portugal, 3 November 2021