

INDEPENDENT EVALUATIONS OFFICE

TERMS OF REFERENCE. EVALUATION OF THE BANCO DE ESPAÑA'S CLIMATE AND ENVIRONMENT-RELATED ACTIVITIES

Banco de España

1 Introduction

The Banco de España, in line with guidelines of the European Banking Authority (EBA) and the European Central Bank (ECB), has established a framework for climate and environmental action aimed at safeguarding financial stability. Within this framework it has developed various initiatives, including climate resilience tests for supervised institutions, supervisory mechanisms, studies on the economic impact of climate change and market transactions guided by climate-related considerations.

Further, the statistics area has incorporated environmental, social and governance (ESG) data into its sources and the environmental management area is working to reduce the Bank's internal carbon footprint. The Bank also actively collaborates with the ECB via the Climate Change Forum and is a member of the Network for Greening the Financial System (NGFS), supporting the transition to a sustainable economy.

In December 2024 the Banco de España established the Environmental, Social and Governance Office, which reports directly to the Deputy Governor. Since then, the ESG Office has pursued an agenda focused on enhancing internal coordination, strengthening collaboration with international organisations and broadening the scope of the Bank's activities to include environmental matters. In recent months it has also bolstered the Bank's presence in domestic and international climate fora, strengthened its collaboration with the ECB and NGFS and promoted public-private cooperation through the Spanish Sustainable Finance Council.

In this context, it is particularly important that an evaluation of the Banco de España's climate and environmental actions be conducted by the Independent Evaluations Office (IEO), with the help of external experts. This evaluation will help determine the effectiveness and efficiency of these actions and any meaningful improvements to be proposed, while enabling guiding principles for defining an institutional strategy in this area to be developed.

The aim of this document is to define the terms of reference for the evaluation of the Banco de España's climate and environmental actions.

2 Terms of reference

The evaluation will be conducted by the IEO, assisted by a committee of external experts of recognised standing in this field.

The findings of the evaluation shall be set out in a report to be submitted to the Governing Council of the Banco de España. The external experts may be asked to appear before the Governing Council in order to present their main findings and clarify any doubts.

The following terms of reference shall apply to the evaluation work:

1. **Independence and impartiality.** The IEO and the external experts shall work independently and objectively.
2. **Timetable and deliverables.** The work shall begin in late 2025 and the IEO must deliver its report within approximately six months of the work starting.
3. **Cooperation.** The ESG Office of the Banco de España and the other areas involved shall provide the IEO with all the necessary support and information. Members of the IEO and the external experts shall have access to all the documentation they require and may conduct online or face-to-face interviews with any Banco de España senior management and staff members they deem relevant to the performance of their tasks. If they see fit, information may also be requested from other external sources.
4. **Confidentiality.** Members of the IEO and the external experts shall treat as confidential any material and information not in the public domain that is obtained in the performance of their duties and shall refrain from making any public statements on the outcome of the evaluation without the prior authorisation of the Banco de España. They shall remain bound by this obligation even after the evaluation has been concluded.
5. **Publication.** The evaluation shall be subject to the disclosure criteria established in the Terms of Reference and the IEO Guidelines, subject solely to the limitations of any applicable confidentiality considerations.

3 Scope and goal

The evaluation shall comprise a **critical review of the current approach** to climate change and environmental matters at the Banco de España, with the aim of identifying strengths and possible room for improvement. The evaluation will examine how this approach **aligns with the Banco de España's mission** and the **impact** of the actions taken in this area. It will also review the **governance model, resources** and **staff** assigned to these activities, and the effectiveness of **internal and external coordination** and of the **communication and awareness-raising strategy**. Moreover, it will establish high-level **strategic principles** that will guide the Bank's ESG Office in developing an institutional strategy in this area.

This will be based on a **comparative analysis** of the strategic agendas, activities and governance models of other regulatory agencies or relevant bodies with similar functions.

In short, the evaluation **will analyse how – and to what extent – the Banco de España can incorporate climate and environmental objectives into its activity, within the framework of its institutional mission, and enhance the effectiveness and efficiency of its initiatives in this field.**

The specific objectives of the evaluation are to assess and document:

- a) The **alignment** of the Banco de España's climate and environmental **activities** and **strategic priorities** with its **mission**, taking into account the perimeter and scope of such activities, both inside and outside the Bank.
- b) The suitability, efficiency and effectiveness of the **governance** of the Banco de España's climate and environmental activities, focusing in particular on the Bank's **internal coordination and collaboration** capabilities and mechanisms. Special attention will be paid to the functions of the ESG Office and the possible overlaps between the various areas of the Banco de España.
- c) The **human and technical resources** for conducting the Banco de España's climate and environmental activities.
- d) The **effectiveness of the initiatives launched** by the Banco de España in this regard, including internal actions (e.g. carbon footprint).
- e) The Bank's capabilities and mechanisms for **coordinating and collaborating with external actors**, both domestic and international, including the banking industry, other regulators, international organisations and other stakeholders, such as the scientific community, non-governmental organisations and academics. Moreover, the effectiveness of the Banco de España's participation in **international fora** on climate change and environmental activities will be assessed and recommendations will be made to enhance it.

- f) The internal and external **communication strategy** to increase the visibility of the Bank's actions in this area and the extent to which this strategy responds to the concerns and needs of Spanish society. Consideration will be given to the possibility of designing appropriate **awareness-raising and training mechanisms** to help staff and the general public better understand climate and environmental risks.