

# Legal 500

# Country Comparative Guides 2025

## Mexico

### Environmental, Social and Governance

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This country-specific Q&A provides an overview of environmental, social and governance laws and regulations applicable in Mexico.

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## Mexico: Environmental, Social and Governance

**1. Climate – the law governing operations that emit Greenhouse Gases (e.g. carbon trading) is addressed by Environment and Climate Change international guides, in respect of ESG: a. Is there any statutory duty to implement net zero business strategies; b. Is the use of carbon offsets to meet net zero or carbon neutral commitments regulated; c. Have there been any test cases brought against companies for undeliverable net zero strategies; d. Have there been any test cases brought against companies for their proportionate contribution to global levels of greenhouse gases (GHGs)?**

a. Is there any statutory duty to implement net zero business strategies;

Even though Mexico is a party to the Paris Agreement, the country has yet to implement laws or regulations requiring companies to implement net zero business strategies.

To date, the only obligation for companies, aside from obtaining an air emissions license permit, is to report direct or indirect greenhouse gas emissions to the National Emissions Registry when these exceed 25,000 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub> e) taking into account all of their emission generating sites.

b. Is the use of carbon offsets to meet net zero or carbon neutral commitments regulated;

No regulation currently exists. There have been some pilot programmes introduced by the federal government in the hope of establishing a domestic carbon trading system, namely the publication in 2023 of the operational phase rules for an Emissions Trading System. But regulations in this area have not been unveiled. There are currently some carbon offset projects in Mexico that are a part of the voluntary carbon market.

c. Have there been any test cases brought against companies for undeliverable net zero strategies;

No, because the legal framework is yet to be in place in Mexico.

d. Have there been any test cases brought against

companies for their proportionate contribution to global levels of greenhouse gases (GHGs)?

No, also because the legal framework is yet to be in place in Mexico

**2. Biodiversity – are new projects required to demonstrate biodiversity net gain to receive development consent?**

There is no legal obligation for new projects to demonstrate a biodiversity net gain as a precondition for obtaining development consent. In Mexico an environmental impact authorisation (EIA) must be obtained prior to initiating the construction or operation of a new project, and particularly if it will cause ecological imbalances or adversely affect the environment. The EIA may be obtained from SEMARNAT, the National Safety and Environmental Protection Agency of the Hydrocarbons Sector (ASEA) or by a state environmental agency, depending on the nature of the project or activity to be carried out.

An EIA permitting process requires project proponents to comprehensively describe potential environmental impacts that may arise from the proposed activities. They must also commit explicitly to implementing mitigation measures and compensatory actions designed to minimize and offset identified impacts. Following the evaluation of an environmental impact study (EIS), environmental authorities retain discretionary powers to impose further conditions or additional environmental commitments upon project developers.

Furthermore, depending upon the assessed risk level associated with a given project, developers may also be required to submit an Environmental Risk Assessment (ERA). This technical document provides a detailed analysis of socio-economical risks associated with a project, identifies potentially affected areas, and is typically accompanied by an Accident Prevention Program to address risks of environmental contingencies.

Neither the EIS nor the ERA explicitly require the demonstration of biodiversity net gains in order for project to be approved. Rather, these regulatory instruments focus primarily on identifying and addressing

potential negative environmental impacts. Their primary objective is the enforcement of preventive, corrective, and compensatory mechanisms tailored to the nature and magnitude of the environment impacts specific to each project.

### 3. Water – are companies required to report on water usage?

Yes, particularly when drawing groundwater for industrial use. Mexican law states that the nation holds ultimate ownership over all water located within national territory and in order to be able to use or exploit water, a federal concession must be obtained from the National Water Commission (CONAGUA). A concession holder is legally required to pay water fees based on the volume of water it exploits. This involves reporting water usage to CONAGUA on a quarterly basis. It is important to note that concession holders may not exploit more water than what has been allocated under a concession title.

In the case of water provided to commercial establishments or to households by state or municipal water providers, there are no specific requirements to report water volumes, although fees are paid on the basis of water consumption and this may be deemed as an indirect way of reporting water usage.

### 4. Forever chemicals – have there been any test cases brought against companies for product liability or pollution of the environment related to forever chemicals such as Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)?

No, because in the case of PFAS these chemicals are yet to be regulated in Mexico. Most collective cases in Mexico have focused on the area of consumer protection and not on environmental liability. There have been some notable cases in which dangerous chemicals have been involved. By the end of 2015, an explosion in an oil platform of PEMEX (the state-owned oil company) caused a non-governmental organisation to file a collective claim against the entity, seeking that PEMEX undertake remediation or at least compensation and that fisheries be compensated for harm caused to their livelihood.

In 2015, a company operating a copper mine in the State of Sonora, Mexico, was fined by the Federal Environmental Attorney Office (PROFEPA) in an amount equivalent to USD1.1 million for discharging cyanide and other hazardous chemicals into a river. The company was also required to create a trust worth approximately

USD105 million to help in environmental restoration activities and to assist the population affected by the environmental damage that was caused.

In 2017, SEMARNAT and the National Institute of Ecology and Climate Change (INECC) published a research paper analysing the uses given in Mexico of diverse chemicals such as PCPs, PFOS, HBCD, Chlorinated Paraffins, and Endosulfan<sup>1</sup>. This paper concluded with recommendations to cease the circulation of products containing these chemicals and to limit exposure to them. However, no action has been taken by government authorities to implement restrictions.

Footnote(s):

1

[https://www.gob.mx/cms/uploads/attachment/file/312964/PFOS\\_REPORTE\\_FINALd.pdf](https://www.gob.mx/cms/uploads/attachment/file/312964/PFOS_REPORTE_FINALd.pdf)

### 5. Circularity – a. The law governing the waste hierarchy is addressed by the Environment international guide, in respect of ESG are any duties placed on producers, distributors or retailers of products to ensure levels of recycling and / or incorporate a proportionate amount of recycled materials in product construction? b. Are any duties placed on producers, distributors or retailers of products to handle the end-of-life of the products placed on the market?

a. The law governing the waste hierarchy is addressed by the Environment international guide, in respect of ESG are any duties placed on producers, distributors or retailers of products to ensure levels of recycling and / or incorporate a proportionate amount of recycled materials in product construction?

Although Mexican law tends to prioritise the principles of waste reduction, reuse, recycling, and environmentally sound disposal practices, there is currently no explicit federal-level obligations requiring producers, distributors, or retailers to ensure specific levels of recycling or to incorporate defined proportions of recycled materials into their products.

At the sub-national level, States have developed regulations aimed at promoting circular economy practices, particularly concerning recycled materials and waste valorisation. However, such regulations primarily encourage voluntary compliance and the adoption of best practices, rather than imposing legally binding mandates on producers. There is also a tendency in certain States

to impose biodegradability requirements on single-use plastics. For more information please refer to Section 6.

For example, Mexico City's Circular Economy Law introduced initiatives such as the "Circularity Distinctive" which enables companies to certify compliance with circular economy criteria. The incorporation of recycled materials into a product's manufacture is one criterion evaluated under the Distinctive. Nevertheless, participation remains voluntary, and detailed technical standards specifying precise requirements for recycled content are yet to be fully established within formal environmental regulations.

b. Are any duties placed on producers, distributors or retailers of products to handle the end-of-life of the products placed on the market?

Mexico's Waste Law<sup>2</sup> recognizes the principle of Shared Environmental Responsibility (SER Principle), by which producers, distributors, retailers, and consumers must be held jointly liable for ensuring the environmentally sound management of product waste. The SER Principle emphasizes collective responsibility throughout the product's life cycle, including its final disposal.

Under this framework, private parties must integrate the SER Principle into their non-hazardous waste management plans, which are submitted to environmental authorities for their authorization. These plans must outline the specific roles and responsibilities of each party, ensuring a joint, differentiated, and coordinated participation in the waste management process.

#### Footnote(s):

<sup>2</sup> General Waste Prevention and Integral Management Law

## 6. Plastics – what laws are in place to deter and punish plastic pollution (e.g. producer responsibility, plastic tax or bans on certain plastic uses)?

The Waste Law and its Secondary Regulations establish the general framework, principles and obligations applicable to waste generators throughout Mexico. Under the Waste Law, plastic is classified as a type of non-hazardous waste; its generators must file and implement a Non-Hazardous Waste Management Plan before the relevant environmental authorities. However, due to its classification, the majority of regulations applicable to plastic waste are found at the sub-national level. States

in Mexico have a mandate to issue laws, directives and administrative policies on the matter of non-hazardous or special management waste.

In recent years, there has been a trend at the sub-national level to prohibit the use, distribution, and sale of single-use plastics, with a focus on "transportation bags" directly provided to consumers in commercial establishments. States that have issued strict prohibitions in this regard include Aguascalientes, Baja California, Baja California Sur, Chiapas, Mexico City, Durango, Michoacán, Morelos, Nuevo León, Oaxaca, Querétaro, Sonora, Tamaulipas, and Tlaxcala. In most cases, States have also established exceptions to the single-use plastic prohibitions, such as compliance with biodegradability standards.

Mexico City's Waste Law, for example, includes a broad prohibition for the sale and distribution of single-use plastic bags. However, this prohibition does not apply to those products deemed as compostable, which is defined as "susceptible to a biodegradation of at least 90% in a period of 6 months, (...), within 3 months the mass of the material must be comprised of fragments inferior to 2 millimetres in a proportion of at least 90%". In addition to its Local Waste Law, Mexico City's Environmental Ministry has issued an environmental technical standard known as "NACDMX-010-AMBT-2019, Technical specifications applicable to bags and single-use plastics" which provides more technical details on product requirements and certification mechanisms. Although Mexico City is at the frontline of plastic pollution regulations in the country, other States are following a similar strategy when it comes to the ban of single-use plastics.

## 7. Equality Diversity and Inclusion (EDI) – what legal obligations are placed on an employer to ensure equality, diversity and inclusion in the workplace?

Employers in Mexico are subject to a range of legal obligations relating to EDI, which are set out across various legal instruments. At the highest level, Article 1 of the Mexican Constitution—the country's supreme legal norm—prohibits discrimination on grounds such as ethnic origin, gender, age, disability, social status, health conditions, religion, sexual orientation, and marital status, among others. It also establishes the principle of equal pay for equal work, regardless of sex, gender, or nationality.

In addition, the Federal Labor Law establishes a number of substantive obligations for employers aimed at

promoting inclusive and non-discriminatory work environments. For instance, employers are required to implement protocols to prevent gender-based discrimination and workplace violence, and to adopt reasonable accommodations—such as practical modifications to physical infrastructure or work processes—to support the inclusion of employees with disabilities.

The EDI framework described above is further reinforced by additional national anti-discrimination legislation and international treaties ratified by Mexico. A key instrument in this regard is the Federal Law for the Prevention and Elimination of Discrimination (LFPED). This law provides a comprehensive legal basis for combating discrimination and promoting equality across various sectors, including the workplace. Under the LFPED, public institutions are required to adopt affirmative actions and implement measures to foster inclusion. These may include strategies to eliminate structural barriers, promote diversity in recruitment and promotion processes, and ensure equal access to opportunities for historically marginalized groups. The law also encourages the adoption of codes of conduct, internal policies, and training programs to prevent discriminatory practices and create inclusive work environments, as well as to develop the process that will allow affected persons to file complaints.

## 8. Workplace welfare – the law governing health and safety at work is addressed in the Health and Safety international guide, in respect of ESG are there any legal duties on employers to treat employees fairly and with respect?

Mexico imposes robust legal obligations on employers to ensure fair and respectful treatment of employees, in accordance with the protections afforded by the Constitution, the Federal Labor Law (FLL), and Mexican Officials Standards. Key provisions include:

- i. *Decent labour conditions.*- Every person has the right to decent work". This principle underpins the obligation of employers to provide working conditions that respect human dignity and social welfare. The FLL requires employers to treat their employees with respect and consideration. This means no insults, humiliation or physical abuse from the employer or any representative. Also, it requires employer to adopt measures preventing gender-based violence and categorically bans sexual harassment or sexual coercion, intimidation or retaliation against employees.

- ii. *Equality and Non-Discrimination.*- The Constitution categorically prohibits discrimination that undermines human dignity. In the labour context, this means employers must treat workers equally, regardless of characteristics such as gender, nationality, age, incapacity, social condition, health, religion, migration status, sexual orientation, or other projected categories. It requires an employer to respect human dignity and liberty.
- iii. *Fair Compensation and Benefits.*- Employers are legally required to provide fair remuneration and certain benefits. For example, workers must receive at least a minimum wage sufficient for a decent living, and they have a right to share in company profits.
- iv. *Collective Labour Rights.*- Fair treatment includes respecting workers' collective rights. The Constitution protects the right of both workers and employers to organize for their interests, form or join labour unions, and to strike. Any attempt by an employer to repress these rights is contrary to Article 123 of the Constitution. Strikes are lawful when aimed at achieving a balance between labour and capital. These provisions obligate employers to engage with unions in good faith and refrain from union-busting or retaliation for protected activities.
- v. *Protection of Women and Vulnerable Workers.*- The FLL protects certain groups such as women and children, to reinforce fair treatment. For example: employers cannot demand pregnancy tests, may not end the employment relationship for being pregnant, for changing marital status, or for having childcare responsibilities. Doing so is illegal. These provisions implement the principle of non-discrimination based of sex and family status.
- vi. *Occupational Health and Safety.*- The Constitution guarantees workers the right to healthful and safe workplace conditions. The FLL contains multiple clauses on safety, for example, it requires employers to install and operate their workplaces in accordance with the regulations and official standards on safety, health, and the work environment, to prevent accidents and occupational illnesses.
- vii. *Psychosocial risk prevention.*- Standard NOM-035-STPS-2018 is particularly relevant to "respectful treatment" – it requires employers to prevent workplace psychosocial risk factors and violence. Employers must implement a policy to prevent psychosocial hazards and workplace violence, and to promote a favourable organizational environment. They are required to identify and analyse psychosocial risk factors (such as excessive workloads or work stress), take measures to prevent work-related stress and attend to any practices contrary to a respectful environment or any acts of workplace violence.

On the international front, Mexico has agreed to comply with the following treaties and conventions:

- i. *ILO Conventions.* – Freedom of Association ILO 87; Right to Collective Bargaining ILO 98; Elimination of Forced or Compulsory Labor ILO 29 & 105; Abolition of Child Labor ILO 138 & 182; Equality and Non-Discrimination ILO 100 & 111; Convention on Violence and Harassment ILO 190, among others.
- ii. *Treaties on International Human Rights.* - The Protocol of San Jose, explicitly protects labour rights in the Americas. Article 7 of the Protocol recognizes the right to just, equitable, and satisfactory conditions of work, including fair wages, safe conditions, rest, and reasonable working hours, and Article 8 protects trade union rights.
- iii. *American Convention on Human Rights.* - The Protocol of San Jose explicitly protects labour rights in the Americas. Article 7 of the Protocol recognizes the right to just, equitable, and satisfactory conditions of work, including fair wages, safe conditions, rest, and reasonable working hours, and Article 8 protects trade union rights.
- iv. *United States-Mexico-Canada Agreement (USMCA).* - These obligations are reinforced by international commitments under the USMCA which links trade benefits to compliance with labour rights, as well as ESG reporting regimes (that the current US administration is in the process of eliminating) and other mechanisms that demand transparency on workplace practices.

## **9. Living wage – the law governing employment rights is addressed in the Employment and Labour international guide, in respect of ESG is there a legal requirement to pay a wage that is high enough to maintain a normal standard of living?**

In the context of ESG, there is indeed a legal requirement in Mexico to pay a wage that is high enough to maintain a normal standard of living. According to the FLL, employers must comply with the statutory minimum wage set annually by the National Minimum Wages Commission (CONASAMI). As of 2025, the general minimum wage is \$278.80 Mexican Pesos and \$419.88 Pesos in the Northern Border Zone. Article 90 of the FLL establishes that the minimum wage is the lowest amount of money an employee should receive in cash for the services they provide in a workday. This wage must be sufficient to meet the normal needs of a head of the family in a material, social, and cultural sense.

## **10. Human rights in the supply chain – in relation to adverse impact on human rights or the environment in the supply chain: a. Are there any statutory duties to perform due diligence; b. Have there been any test cases brought against companies?**

- a. Are there any statutory duties to perform due diligence;

Mexico's environmental framework does not impose a general statutory duty on companies to perform a socio-environmental due diligence evaluation of their supply chains. Laws applicable to environmental impact and risk (for more information please refer to Section 2), are focused primarily on the actual and projected impact of a project in its immediate area of influence. The area of influence is commonly defined as a geographic perimeter around the project site, where direct environmental and social effects may occur (i.e. waste discharge, air emissions, change in forestry land use, etc.). As a result, the scope of environmental due diligence obligations is generally limited to a project's direct operations and does not extend explicitly to downstream supply chain actors, unless such actors form part of the same regulated project or activity. Discussions on the matter are ongoing, specially as Mexico's global trade partners –such as the EU– adopt binding due diligence frameworks that may potentially have extraterritorial effects.

- b. Have there been any test cases brought against companies?

No, please refer to Section 5.a

## **11. Responsibility for host communities, environment and indigenous populations – in relation to adverse impact on human rights or the environment in host communities: a. Are there any statutory duties to perform due diligence; b. Have there been any test cases brought against companies?**

- a. Are there any statutory duties to perform due diligence;

While Mexico does not yet have a broad mandatory human rights due diligence law like the EU's Corporate Sustainability Directive, the general environmental framework requires companies operating in key sectors to ensure environmental and social responsibility. As outlined in previous sections, parties seeking to obtain an approval from the environmental authorities to develop a project must submit an EIM with a description of the

project's environmental impact, mitigation measures, and compensatory activities. Within the EIA permitting process, developers must include a component known as "Characterization and analysis of the regional environmental system". This component of the EIM must include an analysis of the physical, biotic, social, economic, and cultural elements in the project's area of influence. Host communities, depending on the case, may be contemplated within this section of the EIM.

Mitigation measures and compensatory activities proposed by project developers must be linked to the socioeconomic elements that are relevant to the project's area of influence. If such measures are not directly proposed by project developers or are not adequately linked with the area's host and/or indigenous communities, the environmental authorities have the faculty to impose the appropriate actions.

It is important to note that indigenous communities in Mexico have the right to a "previous and informed consultation" regarding public and private projects that can potentially affect their territory, livelihood, and overall human rights. When applicable, project developers must conduct this consultation in coordination with SEMARNAT, the National Institute of Indigenous Communities (INPI), and other authorities. If a project developer fails to conduct such consultation, the corresponding authorities have the faculty to impose the permanent closure of the project, as well as other monetary, administrative and criminal penalties.

b. Have there been any test cases brought against companies?

There are several landmark cases in Mexico where business operations have been suspended due to non-compliance with environmental and social obligations. A notable example occurred in June 2023, when a federal judge ordered the temporary suspension of construction activities for an industrial park in San Blas Atempa, Oaxaca, part of the broader Interocceanic Corridor of the Isthmus of Tehuantepec.

The suspension stemmed from an amparo lawsuit filed by the Zapotec community of Puente Madera, which argued that it had not been consulted in accordance with domestic legal standards and international obligations related to free, prior, and informed consultation of indigenous peoples. The community claimed that project developers failed to provide adequate information regarding the proposed operations and alleged irregularities in the consultation process, including forged signatures in assembly records and exclusion of community members from meaningful participation.

## 12. Have the Advertising authorities required any businesses to remove adverts for unsubstantiated sustainability claims?

In general terms, Mexico's Federal Consumer Protection Law prohibits deceptive financial practices, including any form of advertising that presumably may be considered as greenwashing. If a company violates any provision of the law, it may be subject of severe penalties, ranging from fines to bans on product marketing. However, there are no specific cases where advertising authorities in Mexico (e.g. Federal Consumer Protection Agency (PROFECO), and/or the National Commission for the Protection and Defence of Users of Financial Services (CONDUSEF) have required businesses to remove adverts for unsubstantiated sustainability claims. We do recognize that there is a global trend of increasing scrutiny and regulatory actions against misleading sustainability claims that may arise before local authorities, which eventually will impact Mexico in the future.

## 13. Have the Competition and Markets authorities taken action, fined or prosecuted any businesses for unsubstantiated sustainability claims relating to products or services?

Even though Mexico's Federal Economic Antitrust Commission (COFECE) has issued over the past years several academic papers and guidelines dealing with strategies to ensure a proper intersection between sustainability and antitrust public policy, as of now, there are no specific instances, nor a specific legal framework where competition and market authorities in Mexico have fined or prosecuted businesses for unsubstantiated sustainability claims relating to products or services in México.

## 14. Have there been any test cases brought against businesses for unsubstantiated enterprise wide sustainability commitments?

Not that we are aware of.

## 15. Is there a statutory duty on directors to oversee environmental and social impacts?

Other than having a general obligation to ensure that companies comply with laws, there are no statutory duties to oversee environmental and social commitments.

## 16. Have there been any test cases brought against directors for presenting misleading information on environmental and social impact?

No. As of now, there have been no widely reported test cases specifically targeting directors in Mexico for presenting misleading information on environmental and social impacts, due to the lack of a specific legal framework on these issues.

Mexico does allow collective actions to be brought if there is environmental harm caused to third parties as a result of not complying with a specific contractual obligation, but we know of no specific cases involving presenting misleading information on environmental and social impacts that a specific activity may produce.

## 17. Are financial institutions and large or listed corporates required to report against sustainable investment criteria?

Yes. There are several instruments developed by Mexican agencies that require companies listed before the Mexican Stock of Exchange (BMV) to produce sustainability reports on sustainability matters. Following is an explanation of the main regulatory instruments that bind legal entities to report against sustainable investment criteria:

i. The Mexican Sustainable Taxonomy (MST) is a reference framework that identifies, through a specific methodology, the economic activities that may be classified as sustainable, avoiding greenwashing and helping investors to have better information in order to direct financing and capital flows towards activities that contribute to achieve environmental and social objectives.

Although the MST is not mandatory, the Mexican Bank Association, the BMV, the National Banking and Securities Commission (CNBV), and the Ministry of Finance and Public Credit (SHCP), have adopted it as a reference framework for activities that should be considered sustainable. The MST is a reference framework that classifies 6 economic sectors and 124 economic activities as having positive environmental and social effects, being the first of its kind to include social issues. To date, the MST is the most relevant ESG reference framework issued in Mexico, and is expected to be the baseline for new ESG regulations and market practices.

ii. The Green Bond Guide seeks to strengthen the development of environmental and energy transition markets in Mexico. Green bonds to be issued under

the Green Bond Guide are instruments through which resources are obtained exclusively for the financing or refinancing of renewable energy generation/transmission, waste management and water treatment projects. The regulatory framework for the listing of such instruments is based on the Securities Market Law and the internal rules of the BMV.

iv. As a result of the reform to the Sole Stock Issuers Provisions (*Circular Única de Emisoras*) early in 2025, supervised entities, stock issuers, and participants in the securities market, are required to adopt the International Reporting Standards (IFRS), issued by the International Sustainability Standards Board (ISSB), as part of the disclosure of their financial statements before the CNBV and BMV. Among the disclosure requirements, stock issuers must adopt NIIF-S1 which corresponds to the general requirements to disclose financial information in terms of the sustainability methodology developed by the ISSB (e.g. environmental matters, corporate governance and social matters among others), as well as for the NIIF-S2, regarding climate related risks.

## 18. Is there a statutory responsibility on businesses to report on managing climate related financial risks?

In Mexico there is indeed a statutory responsibility for businesses to report on managing climate-related financial risks. This responsibility is primarily governed by the Mexican Sustainability Reporting Standards (*Normas de Información de Sostenibilidad*, or "NIS"), which have been enforceable since January 2025.

The Mexican Tax Administration (SAT) and the Mexican Board of Public Accountants have recommended that companies disclose their financial information in accordance with these standards. The NIS require businesses to include a brief description of the methodology applied by their public accountants to identify whether a reported item should be considered a sustainability-related risk or opportunity. This includes explaining how such items are related to environmental matters.

The Mexican Council for Financial and Sustainability Norms (CINIF) has also published a comprehensive guide to support entities in implementing these standards. This guide details the necessary actions for proper implementation, including establishing internal processes and controls, and provides specific recommendations for determining the Basic Sustainability Indicators (IBSO). Additionally, the adoption of these standards aims to

ensure that sustainability information is transparent and comparable.

### **19. Is there a statutory responsibility on businesses to report on energy consumption?**

Yes. The new Energy Planning and Transition Law enacted in March of 2025, requires companies to issue reports on energy consumption and also encourages the use of renewable energy sources and promotes efficiency, in order to achieve sustainability.

### **20. Is there a statutory responsibility on businesses to report on EDI and / or gender pay gaps?**

No, there is not a statutory responsibility on business to report on EDI and / or gender pay gaps.

### **21. Is there a statutory responsibility to report on modern day slavery in the supply chain?**

No, there is not a statutory responsibility to report on modern day slavery in the supply chain. However, companies operating worldwide face rising pressure to comply with international labour and human rights standards. Therefore, a failure to manage these risks can have a lasting impact on their business strategies, legal risk profile, and brand reputations.

### **22. Trends and developments – Where do you see the most significant legal developments in ESG in your jurisdiction in the next 12 months? Do you expect a rise in Court disputes or enforcement actions?**

In the current global landscape, the integration of ESG criteria into public policies and the private sector may

likely become an imperative necessity. The Mexican government, aware of this, has outlined a Sustainable Finance Mobilization Strategy (EMFS), which lays the groundwork for a transformation of the financial system towards sustainability. In this context, following is an overview of the most relevant legal developments that will set the tone in the area of ESG:

- i. The publication of the operational phase rules for the Emissions Trading System (ETS System) by SEMARNAT in 2023. These rules lay out in general terms the procedure for allocating, cancelling, and reserving emission allowances, if and when an emissions trading scheme becomes mandatory in Mexico. Furthermore, the SHCP, in collaboration with SEMARNAT, will determine the tax and accounting treatment of these allowances, alongside the auction mechanism and the rules for the secondary market. The implementation of the ETS System operational phase signifies a rather important step forward in carbon pricing regulations in Mexico in the future.
- ii. The SHCP and the National Insurance and Bonds Commission (CNFS), are laying groundwork to adapt the existing regulatory framework applicable to insurance and bonds institutions, by creating a secondary regulation dealing with sustainable insurance products and services.
- iii. Regulations to the MST may likely be developed in the coming months, creating greater clarity on how to finance sustainable projects in Mexico.
- iv. Also in the coming months, ESG disclosure guidelines will be developed by CNBV and other institutions, providing greater clarity for companies to disclose their sustainability initiatives as well as how they are advancing on social and governance policies.
- v. Although specific regulations on the disclosure of financial risks associated with biodiversity loss is considered a medium to long-term goal, the collaboration between the SHCP, CNBV, CONSAR, CNSF, and the Bank of Mexico to develop specific guidelines will lay the groundwork for a future regulatory framework.

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