

More banks adopt sustainable finance principles

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[Philippine Daily Inquirer](#) / 04:40 AM August 29, 2020

More local financial institutions are responding to the central bank's call to adopt so-called sustainable finance principles in their lending activities as evidenced by the growing number of "green bonds" being sold, the agency said.

In a statement, the Bangko Sentral ng Pilipinas (BSP) noted that banks have so far issued \$1.8 billion worth of debt securities that comply with environmental and climate risk management tenets, in addition to P21.5 billion worth of social bonds.

Based on the sustainability or allocation reports of selected banks, around 10.6 percent of the total loan portfolio of the banking system as of end-2019 were disbursed in loans to finance green and social projects and contribute to achieving the United Nations' Sustainable Development Goals, the central bank said.

The agency has also integrated "sustainable central banking" in its strategic map for 2020-2023 to foster environmentally responsible and sustainable policies and work practices. At the same time, the BSP is working closely with banks toward their adoption of a sustainable finance framework.

"The impact of COVID-19 certainly provides impetus for crafting a sustainable recovery plan," BSP Gov. Benjamin Diokno said. "Thus, the BSP and the banking industry are working together to advance the sustainability agenda in the financial sector."

The sustainable central banking program is geared toward raising BSP's capacity for climate and environmental risk management; assessing the vulnerability of BSP offices and operations to such risks, and developing a roadmap that will articulate strategies to bring "green" practices within the organization into the mainstream.

Parallel to this, the BSP will have high-level discussions with the industry on how banks will adhere to the sustainable finance framework, which provides for a three-year transition period starting May 2020. The framework provides broad supervisory expectations on how banks will embed sustainability principles in their business objectives, operations and corporate and risk governance frameworks.

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