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The central bank on Wednesday urged financial institutions to embrace green banking principles to help mitigate risks from climate change and broader environmental, social and governance factors.

In a statement, Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno said the agency also recognized its vital role in promoting sustainable development, knowing full well that sustainability issues posed significant risks to its core mandates of price and financial stability.

“Sustainability, as a principle, is embedded in the charter of the BSP,” he said. “We are committed to remain responsive and proactive in our stance towards these risks to maintain price and financial stability.”

To help safeguard the stability of individual financial institutions and the entire system, the BSP implemented policies, including the issuance of the Sustainable Finance Framework for banks in April 2020 and the launch of the Sustainable Central Banking Program.

To align with the national government’s own sustainable finance policies, the BSP participated in the Interagency Technical Working Group on Sustainable Finance. This group is cochaired by the Department of Finance and the BSP, and brings together 16 financial sector authorities and critical government agencies, aiming to harmonize government policies on green and sustainable projects, establish an action plan to institutionalize and accelerate the growth of sustainable finance and develop a pipeline of sustainable investments.

The BSP also joined the Network for Greening the Financial System in July 2020. This is a group of central banks and financial supervisors that discusses best practices in developing environmental and climate risk management guidelines in the financial sector.

Diokno said adopting green or sustainable finance principles and practices can unlock various opportunities for the BSP and the banking sector.

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