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Headline: BSP joins climate change fight in green banking agenda

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The Philippines' top banking regulator on Thursday urged financial institutions to embrace sustainable innovation through the use of technology and so-called green banking initiatives in their lending activities.

Speaking at The Asian Banker's Finance Philippines 2019 forum in Taguig City, Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno said the regulator had taken the lead by recognizing the crucial role it played in driving investments that promote climate-resilient, green and sustainable growth.

To this end, he explained the BSP had a two-pronged approach to promoting sustainable finance: capacity-building and awareness campaigns and enabling regulations.

In capacity-building, the BSP takes part in several domestic and international fora on sustainability, while in enabling regulations, the BSP has come up with a proposed policy framework for sustainable finance.

Some of the highlights of the proposed regulatory framework include requiring banks to integrate environmental and social governance and sustainability principles in their strategic direction, as well as in their corporate governance and risk management frameworks.

Banks will be required to conduct scenario analysis and stress testing of its business exposures to assess their vulnerabilities over several environmental and social governance scenarios, and results shall be taken into account in their capital planning and business strategies.

Banks will also be required to disclose their sustainability agenda in their annual reports, including risk appetites in the environmental and social governance field.

"Meantime, some banks are already embarking on green finance while regulations on these are under way," Diokno said, explaining that a number of banks had put up sustainable energy finance desks, which served as a point of contact in evaluating and monitoring sustainable energy projects.

"While all these developments in sustainable financing are encouraging, the world is at the beginning of mass extinction due to climate change, and so much more needs to be done," the BSP chief said. "I challenge everyone in the financial services industry, including us regulators, to do more."

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