



Republic of the Philippines

Spotlight on Environmental, Social, and Governance (ESG)

March 2023



Key Highlights

I.	Philippines' Environment and Climate Change Profile	4
II.	Commitment Towards a Climate, Disaster-Resilient, and Low Carbon Economy	5
III.	Mainstreaming Climate Change into Government Policy Formulation	6
IV.	Recognizing Sustainable Initiatives that Cut Across Strategic Priorities and Sectors	7
V.	Mobilizing Finance to Support Sustainable Projects	8
VI.	Developing Sustainable, Clean Energy	9
VII.	Ensuring Water Security and Effective Flood Risk Management	10
VIII.	Advancing the Philippines' Sustainable Finance Agenda	11
IX.	Proactive Approach to Disaster Risk Reduction, and Climate Change Adaptation and Mitigation	12
X.	Promoting Welfare	14
XI.	Investing in Human Capital Development and Improving Social Inclusion	15
XII.	Enabling Regulatory Environment and Development of Digital Infrastructure to Support Financial Inclusion	18
XIII.	Strengthened Institutions to Support Transformational Reform Momentum	20
XIV.	Bolstering Public Accountability and Deepening Participatory Governance	21
XV.	Marcos Administration's Legislative Agenda to Further Strengthen Institutional Settings	22

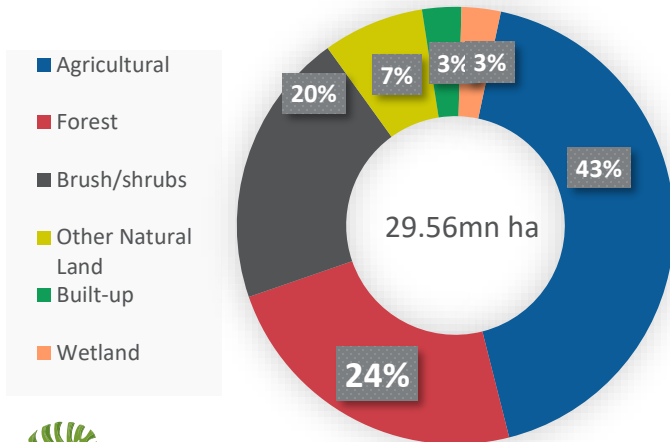
1

Environment

I. Environment and Climate Risk Profile

The Philippines is one of the most biologically rich and diverse countries in the world, yet among the most vulnerable to climate-related and geological hazards

Area Distribution of Land Cover as of 2015



Forests provide livelihoods, offering timber, food, shelter, fuel, and medicinal products, and perform significant ecosystem functions.

Rich Coastal and Marine Ecosystems

- 37,008kms** coastlines
- 679,800kms** total territorial water
- US\$966.6bn** estimated value of coastal and marine ecosystems

Sources: : National Mapping and Resource Information Authority, Compendium of Philippine Environment Statistics, Climate Change Commission, Philippines Nationally Determined Contribution (2021), PEMSEA and Department of Environment and Natural Resources (2019)

Low Carbon Dioxide Emission

1.98 metric tons

Per capita carbon dioxide emission of ROP in 2020 (below the global average of 4 metric tons)

Commonly Occurring Hazards



20 tropical cyclones

More frequent and severe typhoons on average annually

PHP506bn or 3% of GDP

Economic loss due to tropical cyclones for the last 10 years (Philippine Statistics Authority, 2020)

II. Commitment Towards a Climate, Disaster-Resilient, and Low Carbon Economy

The government commits to strengthen global effort to fight the climate crisis



Commitment of the Philippines according to the Nationally Determined Contribution Communicated to the UNFCCC on 15 April 2021:

Greenhouse Gas emission reduction and avoidance of 75% for the period 2020 to 2030 for the sectors of agriculture, wastes, industry, transport, and energy, 2.71% of which is unconditional and 72.29% is conditional

The **Philippine Energy Plan (PEP) 2020-2040**, a comprehensive energy blueprint, details the energy sector's goal to chart a transformative direction towards attaining a clean energy future.

Clean Energy Scenario

35.0% and 50.0% RE share in the power generation mix by 2030 and 2040

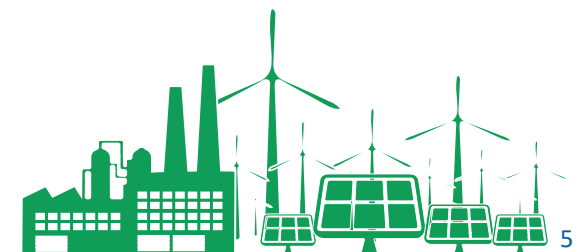
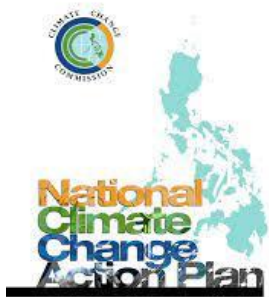
5.0% blending for biodiesel starting 2022

1.5% increase in aggregated natural gas consumption from the transport and industry sectors between 2020 and 2040

10.0% penetration rate of electric vehicles for road transport (motorcycles, cars, jeepneys) by 2040

5.0% energy savings on oil products and electricity by 2040

As part of the Philippines' climate response, the national climate change framework strategy has recently been translated into a National Climate Change Action Plan (NCCAP), which prioritizes food security, water sufficiency, ecological and environmental stability, human security, climate-smart industries and services, sustainable energy, and knowledge and capacity development as the strategic direction for 2011 to 2028.



III. Mainstreaming Climate Change into Government Policy Formulations

ROP strongly commits to its reform agenda including climate change adaptation and mitigation



The Department of Budget and Management and the Climate Change Commission institutionalized the Climate Change Expenditure Tagging (CCET) process to track, monitor, and report climate change-related programs and projects.

Access to climate financing to help mitigate the impact of climate change on government’s balance sheet

Programs and projects that support **Water Sufficiency, Sustainable Energy, and Food Security** are being given priority.



US\$570.9mn

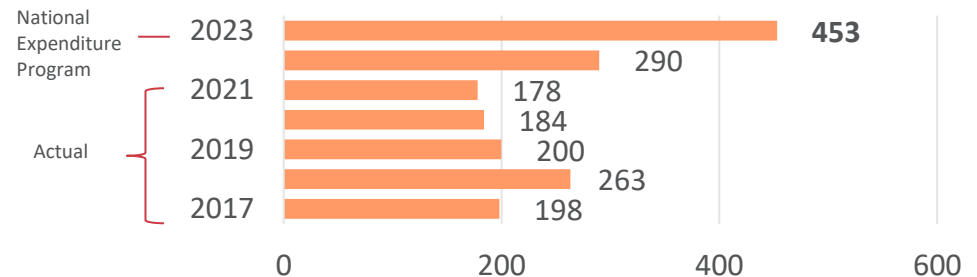
Total funding support that ROP accessed from the Global Environment Facility – covering 110 projects since 1991 as of October 2020.

PHP1bn

This fund was created by Republic Act No. 10174 as an annual fund intended for local government units and accredited local/community organizations to implement climate change adaptation projects that will better equip vulnerable communities to deal with the impacts of climate change.



Climate change adaptation and mitigation expenditures in 2017-2023 (in PHP bn)



Source: Convention on Climate Change <https://niccdies.climate.gov.ph/climate-finance/ccet>



IV. Recognizing sustainable initiatives that cut across strategic priorities and sectors

The government leads in undertaking national climate change mitigation and adaptation projects

The Philippines has shifted global discussions on climate change from focusing on general scientific findings to undertaking practical actions that may be immediately undertaken on the ground.



Gathered a group of experts to prepare and execute localized action plans



Launched the Sustainable Finance Roadmap and Sustainable Finance Guiding Principles to encourage public and private investment in green projects



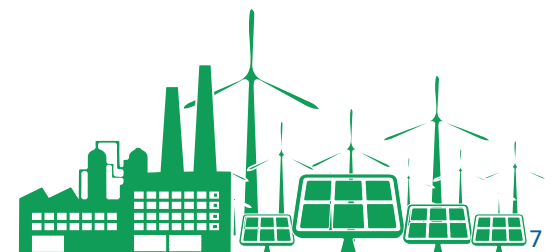
Currently pushing for a law banning single-use plastic



Embarking on a project with ADB to accelerate the PH's transition to clean energy



Adopted a sustainable finance framework for sovereign green bonds

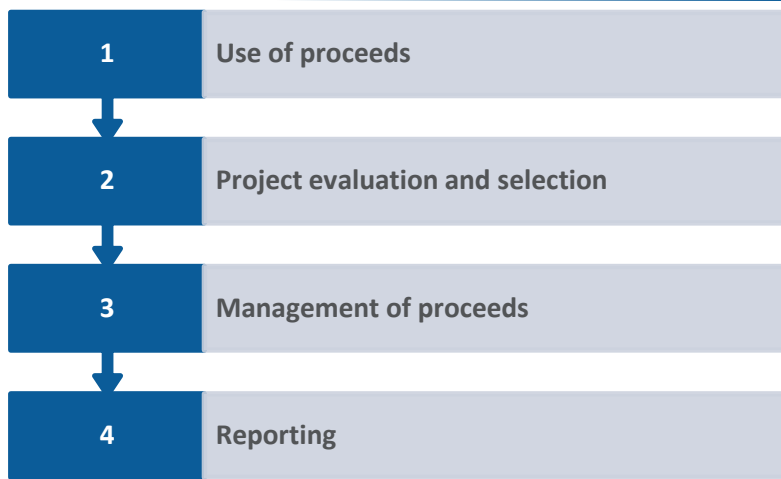


V. Mobilizing Finance to Support Sustainable Projects

The Sustainable Finance Framework provides guidance on green, social or sustainability bonds, loans, and other debt instruments

- The ROP’s Sustainable Finance Framework, issued in January 2022, supports its sustainability commitments.
- The Sustainable Financing Instruments will fund Eligible Social Projects and Eligible Green Projects conforming to the sustainable finance principles: ICMA Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021; LMA Green Loan Principles 2021, Green Bond Principles 2021; ASEAN Sustainability Bond Standards 2018

Elements of the Framework



Second Party Opinion



According to a Second Party Opinion (SPO), the Philippines’s Sustainable Finance Framework and Eligible Expenditures Portfolio are aligned with the four core components of Green Bond Principles 2021 (“GBP”), Social Bond Principles 2021 (“SBP”), Green Loan Principles 2021 (“GLP”) and Social Loan Principles 2021 (“SLP”).

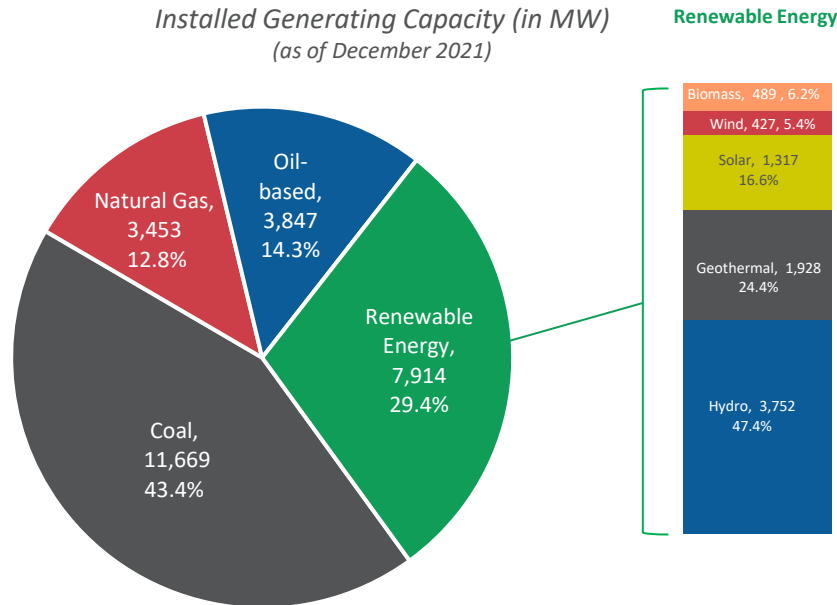
Use of Proceeds

- The look-back period for refinanced Eligible Expenditures will be equal or less than 24 months from the issuance date, in line with good market practice.
- In terms of the management of proceeds, the allocation period in term will be 24 months or less.

Source: Republic of Philippines - Sustainable Finance Framework, Second Party Opinion on the sustainability of the Republic of the Philippine’s Sustainable Framework (Vigeo Eiris)

VI. Developing Sustainable Clean Energy

The government is committed to enhance renewable energy capacity

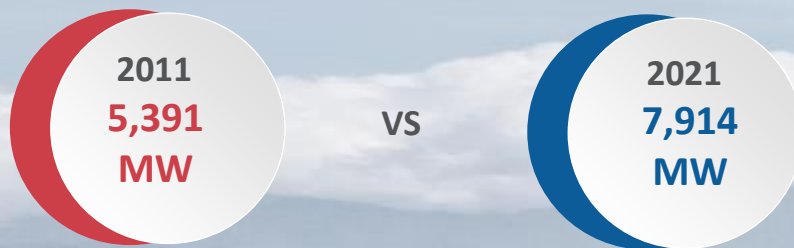


National Renewable Energy Program (NREP)

“The use of renewable energy is at the top of our climate agenda. We will increase our use of renewable energy sources such as hydropower, geothermal power, solar, and wind.” – President Ferdinand Marcos, Jr. (State of the Nation Address, July 2022)

- The NREP 2020-2040 aims to revert the share of RE to at least 35% of the power generation mix by 2030 similar to the 2008 level when the RE Act was promulgated. With key policies and programs already in place, the government aspires to further increase this target to at least 50% by 2040.
- In 2020, DOE declared a moratorium on endorsement for greenfield coal power plants to promote sustainable energy sources.
- DOE issued Department Circular No. (DC) 2022-11-0034 which further opens the renewable energy sector by allowing 100% foreign ownership in the exploration, development, and utilization of solar, wind, hydro and ocean or tidal energy through the amendment of Section 19 of the implementing rules and regulations (IRR) of Republic Act No. 9513 or the Renewable Energy Law.

46.8% increase in Total Installed RE Capacity since 2011



The Independent Electricity Market Operator of the Philippines (IEMOP) launched the Green Energy Option Program (GEOP) on 03 December 2021, following the Energy Regulatory Commission’s issuance of Energy Regulatory Commission (ERC) Resolution No. 08, Series of 2021.

The GEOP is a new mechanism implemented by the DOE that allows electricity end-users with an average 100kW or above to source their electricity from renewable energy sources.

VII. Ensuring Water Security and Effective Flood Risk Management

Select projects to ensure the country's water supply and enhance response to disasters



Water Security

The government ensures continuous supply of water through conservation and regulation of water resources and construction of infrastructure projects which are vital to ensure adequate water supply in the future.

Luzon

- Angat Water Transmission Improvement Project (Completed) – PHP3.3bn
- Wawa Bulk Water Supply Project – PHP20bn
- Balog-Balog Multipurpose Project Phase II, Tarlac – PHP13.4bn
- New Centennial Water Source - Kaliwa Dam Project – PHP 12.2bn
- Aqueduct No. 7 Project – PHP7.4bn
- Chico River Pump Irrigation Project – PHP4.5bn
- Lower Agno River Irrigation System Improvement Project, Pangasinan – PHP3.5bn

Visayas

- Jalaur River Multipurpose Project - Stage II, Iloilo – PHP11.2bn

Mindanao

- Malitbog-Maridagao Irrigation Project – PHP5.4bn

Nationwide

- Water District Development Sector Projects (ADB-WDDSP) – PHP2.7bn
- National Irrigation Sector Rehabilitation and Improvement Project (NISRIIP) – PHP3.1bn

National Water Programs

Program	January 2013 to June 2016		July 2016 – December 2022	
	Completed Sub-Projects	Household Beneficiaries	Completed Sub-Projects	Household Beneficiaries
<i>Sagana at Ligtas na Tubig para sa Lahat (SALINTUBIG) Program.</i> Provides potable water supply systems to waterless municipalities, barangays, health centers, and resettlement sites	410	137,258	2,407	1,347,705
<i>Assistance to Municipalities – Water Supply.</i> Provides financial subsidy to municipalities for the implementation of priority programs and projects, including water supply projects	1,442	636,610	4,021	2,187,086

13,224

Flood Mitigating Structures completed under the Duterte administration

Flood Management



Luzon

- Metro Manila Flood Management Project, Phase I – PHP23.5bn
- Cavite Industrial Area Flood Management Program – PHP9.9bn
- Pasig-Marikina River Channel Improvement Phase IV – PHP33.1bn
- Integrated Disaster Risk Reduction and Climate Change Adaptation Measures in the Low-Lying Areas of Pampanga Bay – PHP6.2bn

Mindanao

- Ambal Simuay River and Rio Grande de Mindanao River Flood Control Projects – PHP39.2bn
- Flood Risk Improvement and Management Project - Cagayan De Oro River – PHP8.5bn

Nationwide

- Flood Risk Management Project (FRIMP) in Cagayan, Tagoloan, and Imus Rivers – PHP8.8bn

VIII. Advancing the Philippines' Sustainable Finance Agenda

Bangko Sentral ng Pilipinas' (BSP)/ Philippine central bank Enabling Regulations

Sustainable Finance Framework or Circular No. 1085 in April 2020

- Sustainability principles in corporate and risk governance; credit and operational risk management. Majority of banks have submitted their ESG transition plans. Banks are in varying stages of maturity in adoption to ESG.

Environmental and Social (E&S) Risk Management Framework or Circular No. 1128 in October 2021

- Management of E&S risks in relation to credit and operational risk management frameworks of banks

Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks or Circular No. 1149 in August 2022

- Banks shall consider their sustainability strategic objectives and risk appetite in debt and equity securities

BSP initiatives

Green Force: The BSP, Department of Finance, and other agencies facilitate the mobilization of funds for green and sustainable projects, development of principles-based taxonomy, and oversee the implementation of the Sustainable Finance Roadmap.

11-point Sustainable Central Banking Strategy was launched on December 22, 2022, to implement climate sustainability and capacity-building initiatives.

BSP's green bond portfolio amounts to US\$550mn invested in the Bank for International Settlements' (BIS) first Green Bond Fund (BISP G1) and Asian Green Bond Fund (BISP G3) to support green finance across the Asia-Pacific region, as well as diversify the gross international reserves.

PH Compliant with the ASEAN Green Bonds Standards for Eligibility of Green Projects

- "Guidelines on the Issuance of Green Bonds Under the ASEAN Green Bonds Standards" approved by the Securities and Exchange Commission to enable local issuers to tap into the global green bond market
- Total ASEAN labelled Green, Social, and Sustainability Bonds issued amounted to US\$29.8bn, of which, US\$6.5bn or 22% were by Philippine companies as of 30 November 2022
- Philippine-issued sustainable bonds reached US\$1.3bn issued in foreign currency, and PHP152.9bn issued in peso-denominated

Selected Philippine Corporates' Green Bond Issuances



- **Green Financing Program** of the Development Bank of the Philippines provides ESG financing and technical assistance to industries and local government units

IX. Proactive Approach to Disaster Risk Reduction, and Climate Change Adaptation and Mitigation

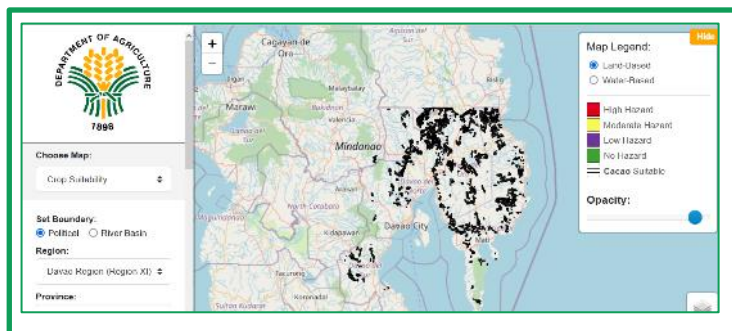
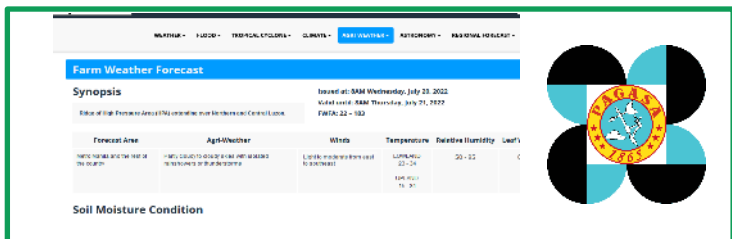
Other government initiatives on climate change

Air Quality

- **Green, Green, Green Program** of the Department of Budget and Management aims to assist 145 cities develop open public spaces.
- ROP pursues promotion of renewable sources and technologies and the regulation of the exploration, development, and utilization of renewable energy sources. In 2019, 2.6mn tons oil equivalent were saved through an energy efficiency and conservation program, which avoided the release of 5.6mn tons of carbon dioxide equivalent



Environment and Natural Resources



- **Strengthening Multi-Hazard, Impact-Based Forecasting and Early Warning Systems** to preempt risk events and make warning messages understandable
- The Department of Science and Technology's **HazardHunterPH**, a web application, generates assessment reports on user's location with information on seismic (earthquake), volcanic, and hydro-meteorological hazards.
- **Climate Information for Agriculture** – Philippine Astronomic, Geophysical and Astronomical Services Administration (PAGASA) releases Ten-Day Regional Agri-Weather Information that helps farmers make well-informed decision in light of potential disruptive weather conditions
- **Department of Agriculture's Adaptation and Mitigation Initiative in Agriculture or AMIA** - new planning tools toward climate-ready crop management systems and science-based interventions to assist stakeholders (farmers and fisher folks, private sector)
- **National Color-Coded Agricultural Guide Map** – identifies the crops that are most suitable in agricultural parcels, and overlays soil properties, elevation, rainfall pattern, temperature, and projected climate-induced multi-hazards

2

Social

X. Promoting Welfare



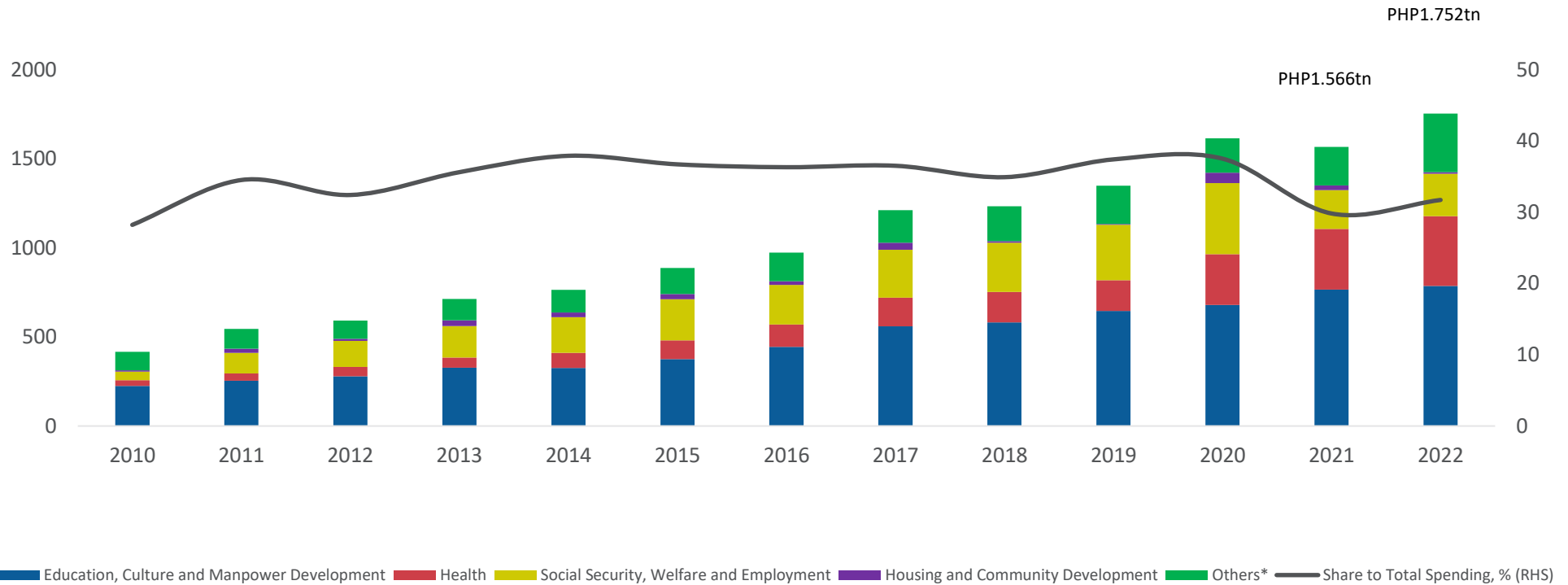
Key strategies and approaches of the Philippine Development Plan 2023-2028 for the social and human development sector



XI. Investing in Human Capital Development and Improving Social Inclusion

The national government is committed to uplifting the lives and livelihoods of its citizens and expanding the economy's productive capacity

National Government Spending on Social Services Sector, 2010-2022
In PHPbn, % share



Sources: NEDA, DBM, BESF various years, PCOO, PNA

*includes Land Distribution under the Comprehensive Agrarian Reform Program, Other Social Services, and Subsidy to LGUs

XI. Investing in Human Capital Development and Improving Social Inclusion

Major reforms to reduce vulnerability among poor households and marginalized communities, and promote social inclusion

Mental Health Act
Republic Act (RA) 11036

**105-Day Expanded
Maternity Leave**
RA 11210

National Feeding Program
RA 11148

**Universal Health Care
(UHC) Law**
RA 11223

**New Sin Tax Reform Law
of 2020**
RA 11467

**National Integrated
Cancer Control Law**
RA 11215

**Universal Access to Quality
Tertiary Education Act**
RA 10931

**Philippine Identification
System Act**
RA 11055

First 1,000 Days Law
RA 11148

**An Act Providing
Mandatory Philhealth
Coverage for All Persons
with Disability**
RA 11228

**Malasakit Centers Act or
One Stop Shops in All
DOH Hospitals**
RA 11463

**An Act Institutionalizing
The Pantawid Pamilyang
Pilipino Program (4Ps)**
RA 11310

Magna Carta for the Poor
RA 11291

**Mandatory Reporting of
Notifiable Diseases and
Health Events of Public
Health Concern Act**
RA 11332

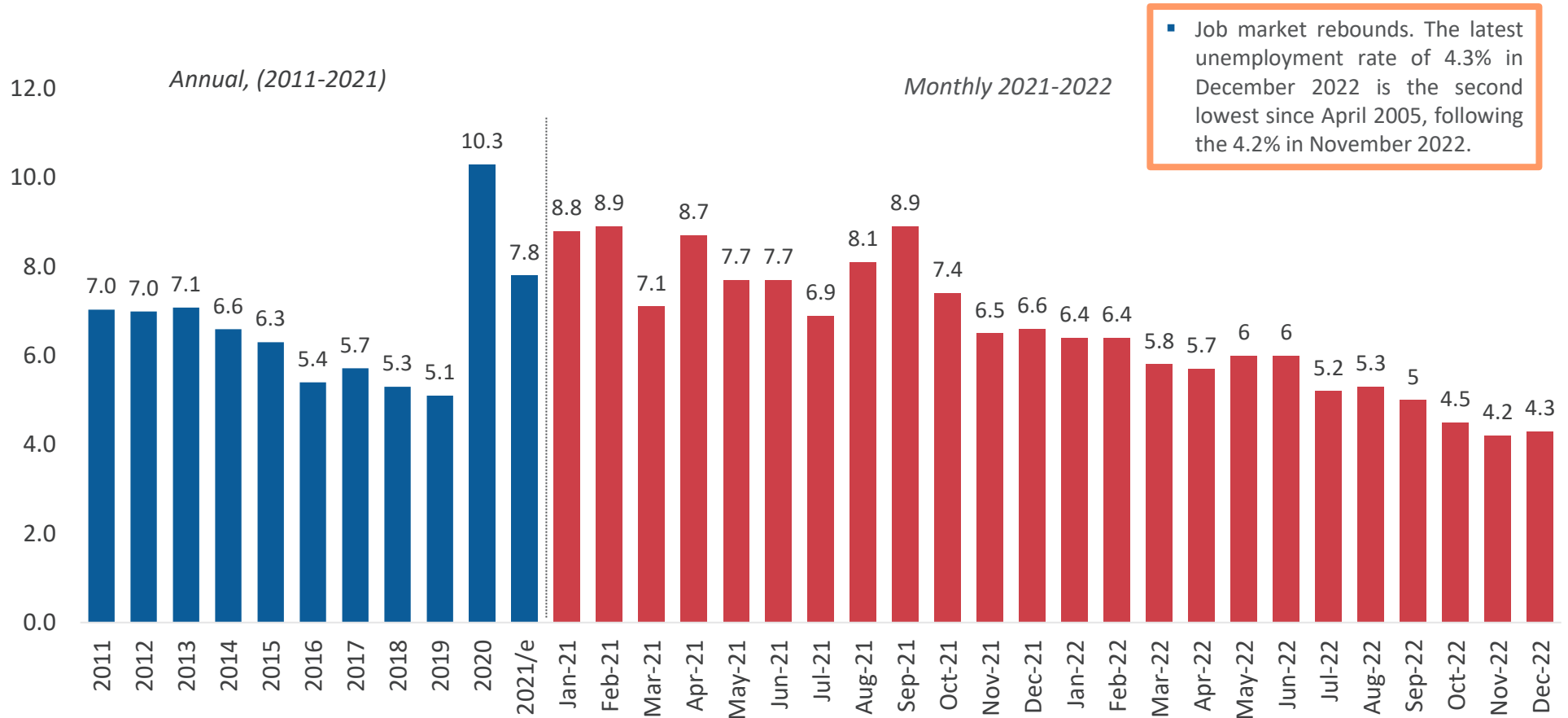
**National Human
Resources for Health
Master Plan**
NHRHMP 2020–2040

**Philippine Health
Facilities Development
Plan of 2020**
PHFDP 2020–2040

**Alternative Learning
System Act**
RA 11510

XI. Investing in Human Capital Development and Improving Social Inclusion

Reopening of the economy eased unemployment



Job market rebounds. The latest unemployment rate of 4.3% in December 2022 is the second lowest since April 2005, following the 4.2% in November 2022.

- Top five sub-sectors with the highest m-o-m increase in the number of employed in December 2022:
 - 1) Agriculture and forestry (829K)
 - 2) Fishing and aquaculture (291K)
 - 3) Administrative and support service activities (257K)
 - 4) Construction (138K)
 - 5) Other service activities (123K)

XII. Enabling Regulatory Environment and Development of Digital Infrastructure to Support Financial Inclusion



Build Digital Infrastructure

The National Strategy for Financial Inclusion (NSFI) underpins efforts of government and the private sector toward the shared vision for financial inclusion in the country



Foster Trust and Financial Literacy



Cash-Based to Account-Based Digital Transactions

- **The National Payment System Act** provides the comprehensive legal and regulatory framework for an efficient retail payment system
- **The Operationalization of the Payments and Currency Management Sector** in the BSP to ensure a well-functioning payments and cash ecosystem to facilitate economic activity and financial inclusion
- **The Philippine Identification System** (national ID) promotes financial inclusion by addressing the need of the unbanked for official IDs to open accounts
- **The Credit Surety Fund** aims to give MSMEs access to non-collateral bank financing
- **The Credit Risk Database**, in partnership with Japan International Cooperation (JICA), uses financial and non-financial data to build statistical models to predict creditworthiness of MSMEs
- **The Credit Information System** promotes risk-based lending and addresses information asymmetry, thereby reducing the cost of credit assessment process
- **The Financial Consumer Protection Act** aims to strengthen financial consumers against cybercrime. It will also enable financial regulators to better address consumer complaints and enforce sanctions against erring entities.

- Social cash transfers
- QR Ph P2P, P2M



- Digital Literacy Programs
- Consumer Protection Framework
- Financial education in partnership with private sector and government agencies
- Financial education to for fisherfolk, firefighters, and policemen

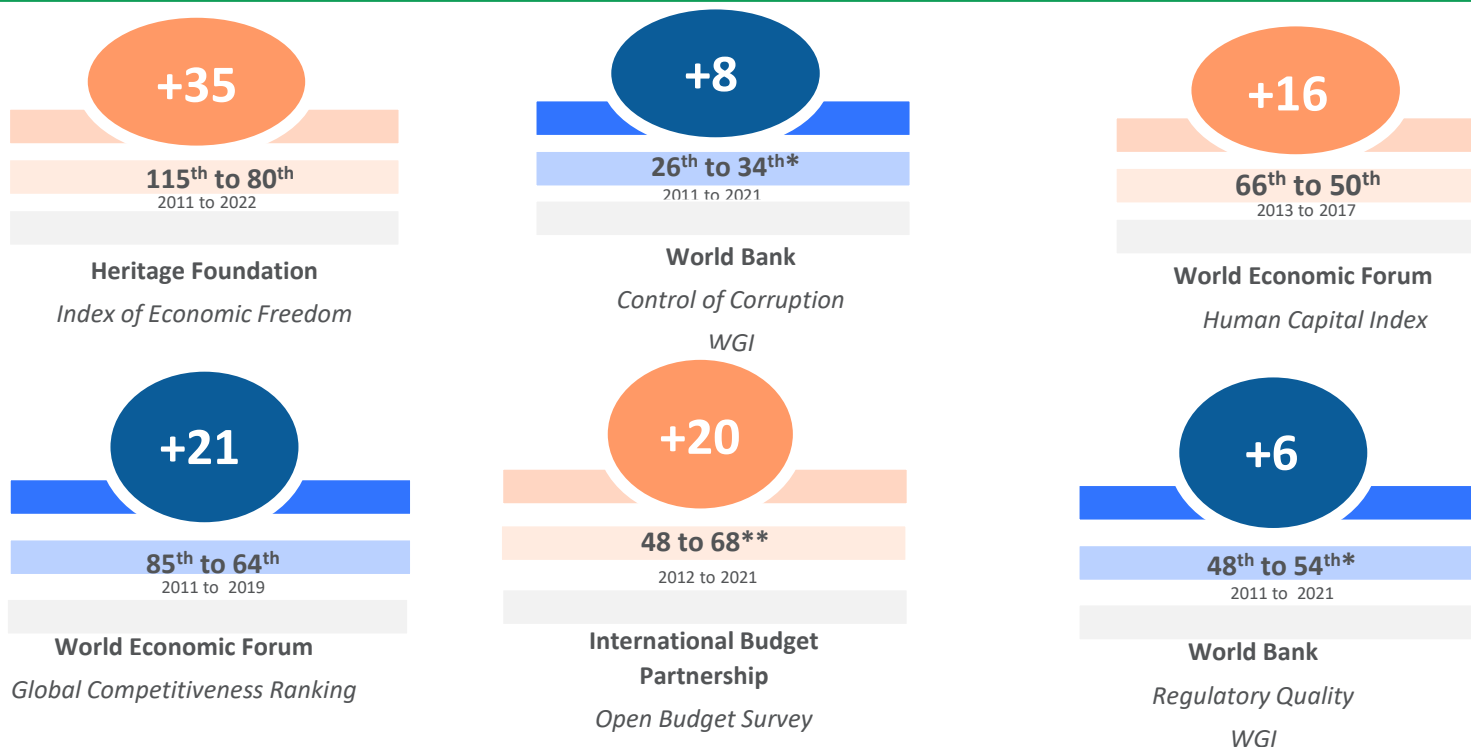
Microfinance initiative	Total Amount (PHP mn)	
	Q4 2017	Q2 2022
Microenterprise loans	14,234.6	22,067.8
Microfinance Plus	776.5	779.0
Micro-Agri Loans	720.9	1,116.3
Housing Microfinance Loans	1,002.5	1,392.9

3

Governance

XIII. Strengthened Institutions to Support Transformational Reform Momentum

Results of entrenched reforms are positively recognized by various independent third-party assessors



Stamping out corruption and improving government services are paramount to ease of doing business



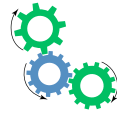
Citizens can request for information and assistance on government frontline service procedures, and report commendations, appreciation, complaints, and feedback.

Established to oversee the implementation of the national policy against red tape



*Percentile rank ** Score out of 100 (100)
Source: Various third-party annual ranking reports, PIA, PNA

XIV. Bolstering Public Accountability and Deepening Participatory Governance



Notable Improvements in Governance

- Implementation of the Freedom of Information (FOI) policy
- National Government Portal and its subsequent provision of over 200 online government services
- Expansion of open data features of government information.
- Increase in free public Wi-Fi hotspots nationwide



- Enhancements in the Philippine Government Electronic Procurement System
- Full disclosure and public financial management reforms brought about by the Seal of Good Local Governance Act of 2019 or Republic Act No. 11292

Strategy Framework To Practice Good Governance and Improve Bureaucratic Efficiency from the Philippine Development Plan 2023-2028

Practice Good Governance and Improve Bureaucratic Efficiency

Participatory Governance Deepened

- Ensure sufficient and functional participatory spaces
- Broaden public access to information
- Improve the quality of participation
- Increase inclusivity and accessibility of elections

Public Accountability and Integrity Bolstered

- Enhance public feedback loops
- Intensify transparency in public spending
- Strengthen implementation and monitoring of anti-corruption laws and programs
- Improve national governance assessments

Government functions, systems and mechanisms rationalized and strengthened

- Pursue rightsizing and the whole-of-government approach in re-engineering systems and procedures
- Accelerate digital transformation in government
- Raise the productivity performance of agencies

Competent, motivated, agile and resilient public servants supported

- Guarantee complete and capable human resources in government
- Promote conducive working environments

XV. Marcos Administration's Legislative Agenda to Further Strengthen Institutional Settings

Legislative-Executive Development Advisory Council (LEDAC)-endorsed priority measures for the 19th Congress

Health and Social Welfare



- The Establishment of Regional Specialty Hospitals
- The Magna Carta of Filipino Seafarers
- Providing Free Legal Assistance for Military and Uniformed Personnel
- The Magna Carta of Barangay Health Workers
- Medical Reserve Corps Bill
- National Disease Prevention Management Authority Bill
- Virology Institute of the Philippines Bill
- Unified System of Separation, Retirement and Pension Bill

Economy, Trade and Industry



- The Apprenticeship Act
- The Creation of the Leyte Ecological Industrial Zone, and
- Valuation Reform Bill
- Passive Income and Financial Intermediary Taxation Act
- Internet Transaction Act
- Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill
- Amendments to the Electric Power Industry Reform Act
- Amendments to the Build-Operate-Transfer Law
- SIM Registration Act **(signed into law)**
- Bill establishing the Maharlika Investment Fund

Governance and National Security



- Establishing the Negros Island Region
- The New Philippine Passport Act
- The Creation of the Eastern Visayas Development Authority
- E-Governance Act
- E-Government Act
- Department of Water Resources Bill
- Mandatory Reserve Officers' Training Corps (ROTC) and National Service Training Program
- Budget Modernization Bill
- National Government Rightsizing Program
- National Defense Act
- Barangay and Sangguniang Kabataan Elections **(signed into law)**

Environment and Agriculture



- Waste-to-Energy Bill
- Enactment of and Enabling Law for the Natural Gas Industry
- Condonation of Unpaid Amortization and Interests of Loans of Agrarian Reform Beneficiaries
- National Land Use Act
- Department of Water Resources Bill

Contact Information

For further information about the Investor Relations Group, or about the Philippine economy, please contact:

Managing Director Antonio Joselito G. Lambino II
Strategic Communication Subsector
Mobile: +63917-631-5109
Tel: (632) 8708-7314

Investor Relations Group
Bangko Sentral ng Pilipinas
A. Mabini St. cor. P. Ocampo St.
Malate Manila, Philippines 1004
Tel: (632) 8708-7487 / (632) 5303-1581
Email: iro-semu@bsp.gov.ph
Webpage: <https://www.bsp.gov.ph/Pages/IRO.aspx>

For more reference materials please use the link below:



[ThinkGrowthThinkPhilippines](#)



[#ThinkGrowthPH](#)



[InfoIROatBSP](#)